

WRITTEN TESTIMONY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON HEALTH
ON
HOUSE BILL NO. 653

January 30, 2013

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR
HAWAI'I PACIFIC HEALTH

House Bill No. 653 authorizes the issuance of special purpose revenue bonds (SPRB) for the Hawai'i Pacific Health, a Hawaii non-profit corporation, the obligated group in which Hawai'i Pacific Health is a member, one or more of its non-profit affiliates, or any combination thereof, in the financing, refinancing, or reimbursing of costs related to the construction or renovation of various health care facilities pursuant to Part II, Chapter 39A, Hawaii Revised Statutes.

The Department has no position on the issuance of SPRBs as contemplated in this bill. The Department would like to remind the Legislature and prospective issuers that should the legislation be approved, approval of SPRB issuance will still require further discussion and satisfactory review of the financing components involved in the transaction.

Thank you for the opportunity to provide testimony on this measure.



HOUSE COMMITTEE ON HEALTH
Rep. Della Au Belatti, Chair

January 30, 2013 at 8:30 a.m.
Conference Room 329

Supporting HB 653: Relating to the Issuance of Special Purpose Revenue Bonds for Hawaii Pacific Health

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 40,000 people. Thank you for this opportunity to testify in support of HB 653, which authorizes the issuance of special purpose revenue bonds (SPRBs) for Hawaii Pacific Health.

State law authorizes the Department of Budget and Finance to issue SPRBs for certain types of projects that benefit the community. These projects include health care facilities that are provided to the general public by not-for-profit corporations.

SPRBs are attractive to corporations because they reduce the cost of financing capital projects. At the same time, they are attractive to investors because the interest income derived from them is exempt from State taxes.

It should be noted that the issuance of SPRBs does not involve any appropriation or expenditure of State funds, and it does not affect the financial liability of the State. The bonds are backed by the revenue from the particular project funded by the non-profit corporation.

Hawaii Pacific Health intends to use the SPRBs as a means of financing health care facilities. In providing financial support to Hawaii Pacific Health, this bill will improve access to health care for Hawaii's residents.

Thank you for the opportunity to testify in support of HB 653.