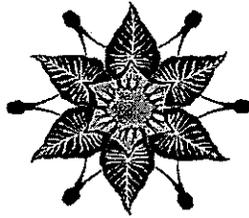


SB 2768



Maui Memorial
MEDICAL CENTER

January 31, 2008

**TO: Senator David Y. Ige, Chair
Senator Carol Fukunaga, Vice Chair**

**SENATE COMMITTEE ON HEALTH
Friday, February 1, 2008, 1:15 p.m.
Conference Room 016**

FROM: Wesley Lo, Chief Executive Officer

**RE: SB 2768 RELATING TO THE ISSUANCE OF REVENUE BONDS TO
ASSIST THE MAUI REGION OF THE HAWAII HEALTH SYSTEMS
CORPORATION.**

Thank you for the opportunity to submit testimony in **support of SB 2768**. The purpose of SB 2768 is to authorize the issuance of \$150,000,000 in revenue bonds for the construction of a new Heart, Brain, and Spine Center at the Maui Memorial Medical Center. I support SB 2768 with amendments for the following reasons:

1. While HRS §323F-7 provides for the authorization of \$100 million total in revenue bonds for the Hawaii Health Systems Corporation (HHSC), this authorization does not specifically identify any projects for which the \$100 million may be used.
2. Since Maui Memorial Medical Center is in the process of borrowing money this year in order to reduce the Emergency Appropriation to HHSC, this loan will count against the \$100 million authorized by HRS §323F-7.
3. MMMC estimates the amount of money needed for the Heart Brain and Spine Center alone on Maui is \$100 million.
4. Additional bond authority up to \$50 million is required to address MMMC and HHSC's other financial needs.

I would respectfully request that SB 2768 be amended as follows:

1. Correct the reference to the bond authorization contained in HRS §323F-7 to \$100 million rather than \$150 million. The current draft of the bill erroneously indicates that this authorization level is \$150 million.

2. Allow for all of the security and special provisions regarding revenue bonds contained in Act 290, Session Laws of Hawaii 2007 rather than limiting issuance of revenue bonds under Chapter 39, HRS.
3. Broaden the scope of the bill to allow the revenue bonds to be used for other purposes beside the Heart, Brain, and Spine Center that would benefit the Maui Region including other capital and operational costs.

Thank you for this opportunity to testify in support of SB 2768 with amendments.

Respectfully submitted,

Wesley Lo
Regional Chief Executive Officer



LATE TESTIMONY

SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND AFFORDABLE HOUSING

Sen. Russell Kokubun, Chair

SENATE COMMITTEE ON HEALTH

Sen. David Ige, Chair

Conference Room 016

Friday, February 1, 2008 at 1:15 p.m.

Testimony in support of SB 2768.

I am Rich Meiers, President and CEO of the Healthcare Association of Hawaii, which represents the entire spectrum of health care, including acute care hospitals, two-thirds of the long term care beds in Hawaii, as well as home care and hospice providers. Thank you for this opportunity to testify in support of SB 2768, which authorizes the issuance of special purpose revenue bonds (SPRBs) for the Maui region of the Hawaii Health Systems Corporation (HHSC).

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 does not increase the financial liability of the State. The bonds are backed by the revenue from the particular project funded by the non-profit corporation.

This bill will assist the Maui Region of HHSC in constructing a new heart, brain, and spine center without any cost or liability for the State, thereby improving access to this kind of specialized care to the residents of Maui.

For the foregoing reasons, the Healthcare Association of Hawaii supports SB 2768.

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON HEALTH
ON
SENATE BILL NO. 2768

February 1, 2008

RELATING TO THE ISSUANCE OF REVENUE BONDS TO ASSIST THE MAUI
REGION OF THE HAWAII HEALTH SYSTEMS CORPORATION.

Senate Bill No. 2768 authorizes the Department of Budget and Finance (the “Department”), with the approval of the Governor, to issue up to \$150,000,000 in revenue bonds for the purpose of assisting the Maui region of the Hawaii Health System Corporation (HHSC) to finance the construction, improvement, and equipment of its health care facilities.

The Department opposes the wording contained in Section 2. HHSC and any regional system board currently have legislative authorization to issue revenue bonds. The Department should not be the issuer of the revenue bonds to finance the construction, improvement, and equipment of its health care facilities (the “Facility”). In order for the Department to finance an undertaking with revenue bonds, the State must have a proprietary interest in the Facility financed and must be in a position to fix rates and charges for the Facility in order to ensure sufficient revenues are generated to pay debt service on the bonds. Ownership of the Facility is not clearly addressed in the bill.

In addition, Section 323F-7(c)(15), Hawaii Revised Statutes, currently authorizes HHSC and any regional system board to issue up to \$100,000,000 of revenue bonds, as opposed to the \$150,000,000 referenced in the bill. We recommend HHSC review the

total amount of bond authorization required to assist the Maui region of the HHSC and amend Section 323F-7(c)(15) to reflect the total amount of authorization needed. We also recommend HHSC include language in the bill that would authorize HHSC and any regional system board to issue refunding revenue bonds for the purpose of refunding, redeeming, or retiring any revenue bonds outstanding and issued under this section.