

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

February 21, 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 FINANCE
Rep. Sylvia Luke, Chair

February 21, 2013 at 11:00 a.m.
Conference Room 308

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.



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HAWAI'I PACIFIC HEALTH
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www.hawaiipacifichealth.org

Thursday, February 21, 2013 – 11:00 am
Conference Room 308

The House Committee on Finance

To: Representative Sylvia Luke, Chair
Representative Scott Nishimoto, Vice Chair
Representative Aaron Johanson, Vice Chair

From: David Okabe
Executive Vice President (EVP)
Chief Financial Officer & Treasurer

Re: Testimony in Strong Support of HB 653 Relating to the Issuance of Special Purpose Bonds for Hawai'i Pacific Health

My name is David Okabe, EVP Chief Financial Officer & Treasurer for Hawai'i Pacific Health (HPH). HPH is a nonprofit health care system and the state's largest health care provider anchored by its four nonprofit hospitals: Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital on Kauai. HPH is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four affiliated hospitals, 49 outpatient clinics and service sites, more than 5,400 employees and 1,300 physicians on staff.

HB 653 would provide the authority for issuance of \$175 million in Special Purpose Revenue Bonds. Hawai'i Pacific Health will use the additional capital to materially fund the construction and renovation of the first phase of Kapi'olani Medical Center for Women & Children's Master Plan, and purchase medical equipment. This will allow us to provide health care services and meet the needs of our patients in a cost effective manner. Thus, we ask that the sum of \$175 million be inserted into the bill.

As you know, Special Purpose Revenue Bonds are specifically authorized by the State Constitution and by State law (Chapter 39A) to assist nonprofit corporations that provide health care facilities to the general public. Because the bonds are technically issued by the State, they are tax-exempt, even though the State is not obligated to pay them. The requesting corporation makes all payments and pays all expenses associated with the bond issuance. The bonds have no effect on the State's debt ceiling or debt rating.

We ask for your help and support in passing this bill from this committee. Thank you.



Affiliates of Hawai'i Pacific Health