

HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

House Committee on Health
Representative Della Au Belatti, Chair
Representative Richard P. Creagan, Vice Chair

Rep. Mark J. Hashem
Rep. Jo Jordan
Rep. Bertrand Kobayashi
Rep. Dee Morikawa

Rep. Marcus R. Oshiro
Rep. Beth Fukumoto Chang
Rep. Andria P. L. Tupola

February 6, 2015
Conference Room 329
8:40 a.m.
Hawaii State Capitol

**Testimony Supporting the Intent of House Bill 379 Relating To Financing for a
New Hospital In North Kona
Authorizes the issuance of general obligation bonds to develop a new HHSC
hospital in North Kona. Allocates a portion of the Transient Accommodations
Tax to fund the bond issuance.**

Linda Rosen, M.D., M.P.H.
Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in support of the intent of HB 379, which authorizes the issuance of general obligation bonds to develop a new HHSC hospital in North Kona.

The need for a new hospital in Kona in order to meet the health care needs of the communities is well documented. The population base of the Kona community had shifted toward the current location of Kona town decades ago, yet the current hospital remains far south of that site. HHSC appreciates the intent of this bill; however, this project must be balanced against other capital priorities of the system and the State of Hawaii.

HHSC takes no position on the appropriations request, deferring to the Governor's Executive Budget Request for fiscal priorities.

Thank you for the opportunity to testify before this committee.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON HEALTH
ON
HOUSE BILL NO. 379

February 6, 2015

RELATING TO FINANCING FOR A NEW HOSPITAL IN NORTH KONA

House Bill No. 379 authorizes the issuance of general obligation bonds to develop a new Hawaii Health Systems Corporation (HHSC) hospital in North Kona and allocates an undetermined portion of the Transient Accommodations Tax to fund the bond issuance.

The Department of Budget and Finance strongly recommends that the building of new HHSC facilities be deferred until the underlying sustainability issues that plague HHSC are addressed.

February 5, 2015

**TO: House Committee on Health
Della Au Belatti, Chair
Richard P. Creagan, Vice Chair
Honorable Members of the Committee**

**House Committee on Finance
Sylvia Luke, Chair
Scott Y. Nishimoto, Vice Chair**

**House Committee on Tourism
Tom Brower, Chair
Takashi Ohno, Vice Chair**

**Date: Friday, February 6, 2015
Time: 8:40 a.m.
Place: Conference Room 329
State Capitol
415 South Beretania Street**

FROM: West Hawaii Regional BOD, Strategic Planning Committee

RE: HB 379 - Relating to financing for a new hospital in North Kona.

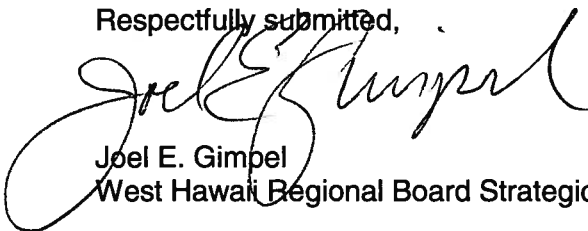
Thank you for the opportunity to submit testimony in **SUPPORT of HB 379.**

The purpose of this bill is to authorize the issuance of general obligation bonds to develop a new Hawaii Health Systems Corporation in North Kona. The bill allocates a portion of the Transient Accommodations Tax to fund the bond issuance.

The need for a new physical plant in North Kona to serve the community's health care needs has long been established. We appreciate any and all efforts to build a new hospital to serve the West Hawaii community a reality.

Thank you for allowing me to submit testimony. Your support is greatly appreciated.

Respectfully submitted,



Joel E. Gimpel
West Hawaii Regional Board Strategic Planning Committee

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SUBJECT: TRANSIENT ACCOMMODATIONS, Disposition for new north Kona hospital

BILL NUMBER: HB 379

INTRODUCED BY: Creagan, Luke and 3 Democrats

EXECUTIVE SUMMARY: This bill adds a new earmark on the transient accommodations tax (TAT) to finance a new hospital in North Kona. Earmarks decrease transparency and accountability of government operations and should be avoided.

BRIEF SUMMARY: Amends HRS section 237D-6.5(b) to add a new paragraph (6) to provide that of the excess TAT revenues, \$_____ shall be allocated to the department of budget and finance for the payment of expenses, including interest and debt service to issue general obligation bonds to finance a new hospital in North Kona.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: The legislature by Act 161, SLH 2013, made permanent the TAT rate of 9.5% and changed the allocations of TAT from a percentage basis to a specific dollar amount. Currently, TAT revenues are allocated as follows: (1) \$26.5 million is deposited into the convention center enterprise special fund; (2) \$82 million into the tourism special fund; (3) \$103 million is transferred to the various counties; (4) \$3 million for debt service of the Turtle Bay conservation easement; and (5) any remaining revenues deposited into the general fund of which \$3 million is to be allocated according to the Hawaii tourism strategic plan. This measure would then divert a portion of the remaining revenues that are to be deposited into the general fund, for the issuance of bonds for the construction of a new hospital in North Kona.

The proposed measure would add another siphon of TAT revenues and would perpetuate the earmarking of TAT revenues. While proponents of earmarking of the TAT argue that if these projects or programs are not funded, none of the pristine beauty that visitors come to see will be preserved, one could make the argument on the other side - if there are insufficient funds to promote the industry, then visitor counts will drop and so will the income that fuels the state's economy. Lawmakers seem to have lost sight of the fact that visitors also contribute to state coffers directly through the 4% on everything they purchase including hotel rooms, visitor activities and purchases of food and souvenirs. To that extent, a good part of the general fund tax collections is contributed by visitors. If the argument is that visitors should pay for other "visitor related" programs, then paying for those programs out of general funds would be more appropriate than stealing the money from what is identified as a tax paid specifically by the visitor.

Rather than the continual earmarking of TAT revenues, a direct appropriation of general funds would be preferable. Earmarking the TAT revenues for these programs that not only benefit the visitors but the community at large, decreases transparency and accountability.

Next, it should be remembered that revenues diverted for a special purpose, in this case to service the general obligation bonds for the North Kona hospital, will not be counted against the state's spending ceiling or debt limit and will obscure the state's true financial condition.

Finally, the adoption of this measure may set a precedent that may lead to other requests for funding from the TAT for other "tourist-related" purposes. The connection between transient occupancy and a hospital in North Kona is pretty thin, and establishing this as a precedent will open the barn doors wide for other earmarking requests.

Digested 2/5/15

creagan3 - Karina

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 05, 2015 12:09 PM
To: HLTtestimony
Cc: sherry.campagna@kamakagreen.com
Subject: *Submitted testimony for HB379 on Feb 6, 2015 08:40AM*

HB379

Submitted on: 2/5/2015

Testimony for HLT on Feb 6, 2015 08:40AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Sherry Campagna	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 05, 2015 9:12 PM
To: HLTtestimony
Cc: crystalkpaul@yahoo.com
Subject: *Submitted testimony for HB379 on Feb 6, 2015 08:40AM*

HB379

Submitted on: 2/5/2015

Testimony for HLT on Feb 6, 2015 08:40AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Crystal Kia Paul	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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