

**ACT 153**

**S.B. NO. 2919-82**

**A Bill for an Act Relating to Security for Special Purpose Revenue Bonds.**

*Be It Enacted by the Legislature of the State of Hawaii:*

**SECTION 1. Findings and purpose.** The purpose of this Act is to allow “system wide financing” of special purpose revenue bonds issued to assist health care facilities under chapter 39A, Hawaii Revised Statutes.

In system wide financing, health care facilities located in different states which are affiliated or are owned by a common parent corporation combine their revenues to secure a bond issue. Bonds are issued simultaneously by the respective governmental issuers with jurisdiction over all health care facilities in a system requiring financing. The proceeds of each bond issue are segregated and in each case are applied only to finance the project of the health care facility on behalf of which the particular bonds were issued. The security for each bond issue, however, consists of a pledge of the revenues of the entire system. Bond underwriters believe that system wide financing provides enhanced security for the bonds and, therefore, would result in lower interest rates on such bonds.

The present language contained in section 39A-40, Hawaii Revised Statutes, casts doubt on the ability of a Hawaii health care facility to participate in system wide financing. This Act amends that section to allow for system wide financing.

**SECTION 2.** Section 39A-40, Hawaii Revised Statutes, is amended to read as follows:

**“[[§39A-40]] Security for special purpose revenue bonds.** Special purpose revenue bonds shall be payable solely from the revenues derived by the department from payments made to the department under the project agreement or other supplemental agreements entered into with respect to the project, and shall be secured solely by such revenues and by the pledges and assignments authorized by this part. All special purpose revenue bonds of the same issue, subject to the prior and superior rights of outstanding bonds, claims, obligations, or mechanic’s and [materialmen’s] materialman’s liens, shall have a prior and paramount lien on the revenues derived from the project agreement with respect to the project, for which [such] the bonds have been issued, over and ahead of all special purpose revenue bonds of any issue payable from the revenues which may be subsequently issued and over and ahead of any claims or obligations of any nature against the revenues subsequently arising or subsequently incurred; provided that the right and privilege may be reserved [in any law authorizing the issuance of special purpose revenue bonds] by the department in the trust indenture securing an issue of special purpose revenue bonds to subsequently issue additional special purpose revenue bonds, subject to legislative authorization of the issue as provided in section 39A-37, or to permit the project party or another party on its behalf to incur debt, from time to time, payable from the revenues derived from such project agreement on a parity with the first issue of the special purpose revenue bonds [thereby authorized] and [the subsequently issued] any subsequent issue of special purpose revenue bonds [,] and other debt issued or incurred in accordance with the provisions of the trust indenture shall be secured equally and ratably with the first issue of the special purpose revenue bond without priority by reason of the date of sale, date of execution, or date of delivery, by a lien on the revenues in accordance with this part [and the law authorizing the special purpose revenue bonds].

Notwithstanding any other provisions herein, all or part of the property con-

stituting the project and all interest of the project party in the project and the revenues of the project party therefrom may be subjected to the present and future lien of any mortgage of the project party securing the project party's bonds, and the rights of the department and any trustee for the holders of the special purpose revenue bonds and the holders of the special purpose revenue bonds in the project and the revenues therefrom may be made subject to the prior lien of the project party's mortgage."

SECTION 2.<sup>1</sup> Statutory material to be repealed is bracketed. New material is underscored.

SECTION 3.<sup>1</sup> This Act shall take effect upon its approval.

(Approved May 29, 1982.)

**Note**

1. Sections "2" and "3" should be "3" and "4".