

CITIZENS LEAGUE
530 Syndicate Building
Minneapolis, MN 55402

May 8, 1981

STATEMENT TO THE MINNESOTA STATE LEGISLATURE
REGARDING THE UNIVERSITY OF MINNESOTA HOSPITALS
RECONSTRUCTION BILL, AS AMENDED

The size of the University of Minnesota bonding bill has been reduced, via amendment, from the original request of \$250 million to approximately \$180 million. The question now before the Legislature is whether that amendment will sufficiently reduce or minimize the financial risks to the state and its taxpayers while preserving the opportunity to act affirmatively on this important project.

Because the Citizens League has been a consistent participant in the public debate over this issue since its origination at the metropolitan level, we hope you will be interested in our assessment of the amended bill.

REDUCING THE SIZE OF THE BOND ISSUE APPEARS TO MINIMIZE THE RISKS TO THE STATE ...

The original University Hospitals bonding bill called for a state authorization of up to \$250 million dollars in state general obligation bonds to be sold for the purpose of loaning the money to University Hospitals in order to:
1) build a new 500+ bed hospital (Unit J) and 2) to remodel remaining facilities containing another 190+ beds. As amended, the project would be divided into two stages, with bonding authority for the new hospital to come now and the remodeling later. Subtracting the costs of remodeling (\$60 million) from the present bonding bill and further reducing it by an additional \$10 million to a bonding level of \$180 million, would appear, on surface, to give the bill's authors reason to argue that they have adequately minimized the risks to the state.

BUT THE RISKS WON'T REALLY BE MINIMIZED UNLESS BEDS ARE ALSO REDUCED ...

The reduction in the amount of the University Hospitals bonding request will in no way reduce the magnitude of risk to the state. Bonding now limited to new construction does not change the University's plan to build the support systems designed for a 700+ bed operation. Thus, despite the apparent trimming of the bond request, the ultimate probable size of the facility remains unaffected. So too, does the level of operating costs which, as we have continued to suggest, are even more important over time than the initial costs of construction. (For example, the operating costs of University of Minnesota Hospitals in 1986 alone is projected to be more than the original bonding request of \$250 million.)

We maintain that "beds" is the issue because they are an index of operational size and the annual operating cost. Our skepticism that the larger hospitals, with its higher amortization and operation costs, can be supported seems to be increasingly shared by informed observers.

Some may believe at first, that the issue is bonds not beds. But, under careful scrutiny the real bonding issue is whether more bonds may be issued, than the University Hospitals can pay back through the use of patient revenues. The only way to minimize that risk is to reduce the total project and the facilities bed total to a more manageable level.

IF NO WAY CAN BE FOUND TO SUBSTANTIALLY REDUCE THE SIZE OF UNIVERSITY HOSPITALS, THEN THE PUBLIC INTEREST LIES IN LAYING THE PROJECT OVER FOR LEGISLATIVE INTERIM STUDY. HOWEVER, IF UNIVERSITY HOSPITAL OFFICIALS WOULD AGREE TO A REDUCTION IN THE SIZE OF THE TOTAL PROJECT TO ABOUT 500 BEDS, THEN WE BELIEVE THE PROJECT SHOULD RECEIVE LEGISLATIVE APPROVAL THIS SESSION.

(This position has been endorsed by the Citizens League Board of Directors)