

Not A Bail Out Bill

Hospital - Watsonville Hospital

State Representatives Sponsor \$14 Million in Special Legislation for Watsonville Hospital. However, Officials Insist Funding Isn't Necessary for Hospital to Complete Construction Project

by Mary Bryant

Bruce McPherson, 27th District Assembly member and State Senate candidate, has introduced legislation in the state assembly that would provide up to \$11 million in funding to help Watsonville Community Hospital finish building a \$70 million acute care complex. The site of facility under construction is at Airport Boulevard and Highway 1.

"This is a dire need [case] because of the circumstances of Watsonville Hospital. I said I would love to carry [that] bill," said Assembly member McPherson.

McPherson said he was first approached by a lobbyist for the hospital.

Watsonville Hospital sustained substantial damage as a result of the 1989 Loma Prieta earthquake, and is one of the only projects from that federally declared disaster to remain unresolved.

For years, debate focused on whether the hospital should repair its existing facility or rebuild a new hospital. After it was decided the hospital should be rebuilt, then the debate shifted to where the hospital should build, either buy new land at a cost of about \$20 million or build on land the hospital already owned adjacent to the non-profit institution's current Green Valley Road site. It was decided the hospital's adjacent site was too small.

To afford the purchase of land from Seagate Technology, the hospital financed about \$20 million in state insured bonds, however the financing for construction remained short.

Officials from the Federal Office of Emergency Management (FEMA) had authorized a

grant to "cover" the costs of constructing a new replacement facility, and funded their share of the costs to a total of 75 percent of actual expenses. This grant left hospital officials short 25 percent of the costs of the replacement facility, plus the construction costs associated with the additional facilities the hospital plans to construct.

For instance, hospital planners have included an additional operating suite to allow for the increased demand of out-patient surgery, although since this is a new addition the hospital must pay for the cost in full.

What specifically Assembly member McPherson wants to do is undo legislation passed after the earthquake, a bill that limited the state's share of costs (25 percent of the FEMA authorized grant) to \$5 million. Because the hospital has already exhausted the state grant, McPherson wants the cap removed allowing the hospital to submit claims for more funding. Assuming the hospital uses all of FEMA's not-to-exceed funding, then the state's share would be about \$11 million. McPherson said the bill has already passed one committee, and is headed to the state's Assembly Appropriations Committee on May 8.

He added that he thought the bill would "easily" pass both houses, and would be signed by the governor. He said that he didn't expect the state's recently announced deficit of \$3 billion to be a stumbling block for the grant.

McPherson emphasized that the funding was not a bailout bill.

"This would just ease the burden for them," said McPherson. "We think it is legitimate to ask that this cap be removed and they go after these resources. ... This is going to make it much more convenient

for them."

McPherson said that should a for-profit or not-for-profit chain purchase Watsonville Hospital the funding would still be secured. Watsonville officials have said they are in affiliation talks with both Catholic Healthcare West and Sutter Heath of Sacramento. The additional funding would likely make Watsonville Hospital a more attractive partner in Santa Cruz County for both billion-dollar California health care systems. McPherson said that adding any new provisions might slow the progress of the bill.

"You want safeguards, but there is also the issue of not making things more complicated than they need to be," said McPherson.

Frusetta Bill Would Forgive Hospital Interest on \$8 Million Loan

Assembly member Peter Frusetta is also sponsoring a bill for Watsonville Hospital.

When the hospital was first denied state cost of share funding above \$5 million, Senator Henry Mello sponsored a bill permitting Watsonville Hospital to borrow \$8 million at an interest rate of 8 percent. When the hospital applied to the state to insure \$20 million in bonds to buy land for their facility, state authorities demanded the hospital reduce its outstanding long term debt by the \$8 million. The funding had not been used by the hospital, and the hospital had been collecting interest on the monies. However, the hospital had not been paying interest.

Now that the \$8 million has been repaid to the state, Frusetta said the hospital should be forgiven the interest due. □