

**SB138, SD1**

**TESTIMONY**

WRITTEN TESTIMONY

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON HEALTH  
ON  
SENATE BILL NO. 138, S.D. 1

February 13, 2013

RELATING TO HEALTH

Senate Bill No. 138, S.D. 1, authorizes the issuance of general obligation bonds and makes an appropriation for the planning, design, and construction of a new health care facility for the Kaheleaulani Native Hawaiian Health Program in north Hawaii.

The Department has technical comments on this bill. Federal tax law requires, among other things, that tax-exempt general obligation bond proceeds be used to finance projects that serve public purposes. As it appears that a private entity will derive the benefit from this legislation, tax-exempt general obligation bond proceeds cannot be used for this purpose. The State would need to issue taxable general obligation bonds at a higher cost in order to provide financing assistance to the Kaheleaulani Native Hawaiian Health Program.

In addition, as public funding for this project is not in the proposed Executive Budget, the annual debt service of approximately \$653,000 should also be proposed in the Legislature's budget.

Thank you for the opportunity to provide testimony on this measure.