

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 661

February 14, 2013

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR
HAWAI'I PACIFIC HEALTH

Senate Bill No. 661 authorizes the issuance of special purpose revenue bonds (SPRB) for the Hawai'i Pacific Health, a Hawaii non-profit corporation, the obligated group in which Hawai'i Pacific Health is a member, one or more of its non-profit affiliates, or any combination thereof, in the financing, refinancing, or reimbursing of costs related to the construction or renovation of various health care facilities pursuant to Part II, Chapter 39A, Hawaii Revised Statutes.

The Department has no position on the issuance of SPRBs as contemplated in this bill. The Department would like to remind the Legislature and prospective issuers that should the legislation be approved, approval of the SPRB issuance will still require further discussion and satisfactory review of the financing components involved in the transaction.

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



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Thursday, February 14, 2013 – 9:05 am
Conference Room 211

The Senate Committee on Ways And Means

To: Senator David Ige, Chair
Senator Michelle Kidani, Vice Chair

From: David Okabe
Executive Vice President (EVP)
Chief Financial Officer & Treasurer

Re: Comments on SB 661 Relating to the Issuance of Special Purpose Bonds for Hawai'i Pacific Health

My name is David Okabe, EVP Chief Financial Officer & Treasurer for Hawai'i Pacific Health (HPH). HPH is a nonprofit health care system and the state's largest health care provider anchored by its four nonprofit hospitals: Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital on Kauai. HPH is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four affiliated hospitals, 49 outpatient clinics and service sites, more than 5,400 employees and 1,300 physicians on staff.

SB 661 would provide the authority for issuance of \$175 million in Special Purpose Revenue Bonds. Hawai'i Pacific Health will use the additional capital to materially fund the construction and renovation of the first phase of Kapi'olani Medical Center for Women & Children's Master Plan, and purchase medical equipment. This will allow us to provide health care services and meet the needs of our patients in a cost effective manner. Thus, we ask that the sum of \$175 million be inserted into the bill.

As you know, Special Purpose Revenue Bonds are specifically authorized by the State Constitution and by State law (Chapter 39A) to assist nonprofit corporations that provide health care facilities to the general public. Because the bonds are technically issued by the State, they are tax-exempt, even though the State is not obligated to pay them. The requesting corporation makes all payments and pays all expenses associated with the bond issuance. The bonds have no effect on the State's debt ceiling or debt rating.

We ask for your help and support in passing SB 661 from this committee. Thank you.

