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**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

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FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1798, H.D. 1, S.D. 1

April 5, 2022

10:15 A.M.

Room 211 and Videoconference

RELATING TO SPECIAL PURPOSE REVENUE BONDS FOR ASSISTING NOT-FOR-PROFIT CORPORATIONS THAT PROVIDE HEALTH CARE FACILITIES TO THE GENERAL PUBLIC.

The Department of Budget and Finance (the "Department") offers the following comments on House Bill No. 1798 H.D. 1, S.D. 1, which authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to assist The Queen's Health Systems, a Hawaii nonprofit corporation, and one or more of its nonprofit affiliates, to finance the costs of construction of, improvements to, and equipping of health care facilities including the renovation of existing health care facilities; construction of new health care facilities; acquisition of equipment and assets (including land and improvements); acquisition and installation of information systems and technology; and other related projects for The Queen's Health Systems and its nonprofit affiliates pursuant to Part II, Chapter 39A, Hawaii Revised Statutes.

The Department would like to inform the Legislature and prospective SPRB parties that should the legislation be approved, approval of the SPRB issuance and conduit loan will require further review of the financing proposal to ensure compliance

with all federal, state and credit underwriting requirements. Additionally, the Department would like to note that House Bill No. 1829, H.D. 2, S.D. 1 and Senate Bill No. 2812, S.D. 2, H.D. 1, specifies that no SPRBs requiring an allocation of annual state ceiling under Section 39B-2 Hawaii Revised Statutes, shall be authorized after June 30, 2022 and before December 31, 2028, unless requested by the Governor and approved by the Legislature. To permit the issuance of SPRBs authorized during this session, may we suggest an effective date of June 29, 2022 for House Bill No. 1798, H.D. 1, S.D.1. For additional information, please consult our FAQ located at the following link: <http://budget.hawaii.gov/wp-content/uploads/2012/11/SPRB-FAQ.pdf>.

Thank you for your consideration of our comments.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair
Members, Senate Committee on Ways and Means

From: Jacce Mikulanec, Director, Government Relations, The Queen's Health Systems

Date: April 5, 2022

Re: Support of HB1798, HD1, SD1: Relating to Special Purpose Revenue Bonds: The Queen's Health Systems

The Queen's Health Systems (Queen's) is a nonprofit corporation that provides expanded health care capabilities to the people of Hawai'i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai'i. Over the years, the organization has grown to four hospitals, and more than 1,500 affiliated physicians and providers statewide. As the preeminent health care system in Hawai'i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's wishes to express our appreciation to the Committee for hearing HB1798, HD1, SD1, which authorizes the issuance of special purpose revenue bonds (SPRB) for the purpose of assisting with the financing of the construction and/or improvements to health care facilities of The Queen's Health Systems.

We are embarking on a multi-year redevelopment and expansion of Queen's West Oahu and Punchbowl campuses in order to meet the changing and critical healthcare needs of our community. The COVID19 pandemic in particular has highlighted the need for us to modernize our facilities which will allow both campuses to adjust and adapt to future medical needs and crises when they arise. Total costs for the buildout are approximately \$1.5 billion; the SPRB authorized in HB1798, HD1, SD1 would provide Queen's with a critical financial tool for this project.

The buildout of the master plan for West Oahu will include two new medical towers which will increase bed capacity from 104 to 364, and for Punchbowl the increase will be from 575 to 710. Additionally, the proposed expansion of the Punchbowl emergency department (ED) will double in size to roughly 75,000 square feet and provide 90 treatment spaces; this is critical as our ED is the busiest in the State. Additionally, as the State's only Level 1 Trauma Center, we provide trauma care for our neighbor island ohana as well as communities on Oahu.

We greatly appreciate your ongoing support of our hospital system through the ongoing COVID19 pandemic and humbly ask for your support of HB1798, HD1, SD1.

The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.