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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  
SENATE BILL NO. 2609

**March 2, 2022  
10:15 A.M.  
Via Videoconference**

RELATING TO SPECIAL PURPOSE REVENUE BONDS FOR NONPROFIT  
CORPORATIONS THAT PROVIDE HEALTH CARE FACILITIES TO THE GENERAL  
PUBLIC.

The Department of Budget and Finance (the "Department") offers the following comments on Senate Bill No. 2609 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 Senate Bill No. 2812 specifies that the State's allocation of the bond ceiling cap and all returned bond ceiling cap from the counties, shall be entirely used for housing related projects. Should the legislation be approved, all SPRBs subject to the bond ceiling cap will be prohibited from issuance by the Department for the next five years. Furthermore, House Bill No. 1829, H.D. 1. specifies that the entire allocation of the state bond ceiling cap shall be used for housing related projects for the next six years provided that the allocations authorized, but not issued before July 1, 2022 shall not be affected. An authorization to issue a SPRB does not allocate the state bond ceiling. The allocation of the state bond ceiling is made at the closing of the bonds. Since the bill specifies that the entire state bond ceiling shall be used for housing related projects, all authorized and not issued SPRBs subject to the bond ceiling cap will be prohibited from issuance by the Department for the next six years regardless of the authorization received prior to July 1, 2022. 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

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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: March 2, 2022

Re: Support for SB 2609: Relating to Special Purpose Revenue Bonds: The Queen's Health Systems

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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 SB 2609, 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 SB 2609 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 steadfast support of our hospital system through the ongoing COVID19 pandemic and humbly ask for your support of SB 2609.

*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.*