



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
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by
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HB 1296 – RELATING TO STATE FUNDS

Chair Luke, Vice Chair Cullen, and members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawai'i (UH) **opposes** House Bill (HB) 1296, Relating to State Funds, and **provides comments** that the committee should very seriously consider the implications. UH's comments are particularly focused on two sections. First, Section 6 which eliminates the Hawai'i tobacco settlement special fund and the percentage allocation of tobacco settlement moneys to the University Revenue undertakings fund. Second, Section 8 which appropriates general funds into the University Revenue-Undertakings Fund.

HB 1296, Section 6, repeals the Hawai'i tobacco settlement special fund. In doing so, the bill eliminates the provision which provides for appropriation of 26% of tobacco settlement revenues to the university revenue undertakings fund. The tobacco settlement revenues are specifically appropriated to the purpose of paying debt service on bonds issued for construction of the John A. Burns School of Medicine (JABSOM) facility in Kaka'ako. Any revenues above annual debt service costs can also assist JABSOM with operational expenses.

The outstanding bonds were sold in 2006 and the tobacco settlement revenues were a primary revenue pledge to bond buyers. Currently, there remain more than \$117.22 million in bonds outstanding. HB 1296 would eliminate that source of funding and could trigger a bond covenant default to investors.

Relatedly, Section 8, of the bill purports to appropriate an undetermined amount of funds to the university revenue-undertakings fund. Without knowing the Legislature's intention for this appropriation, I would point out that the UH's annual debt service payments alone are between \$9.4 million and \$10.04 million each year. The bonds have as much as ten (10) years remaining until full maturity, with a total debt service remaining on the bonds of \$123.57 million. The par value of the outstanding bonds is approximately \$117.22 million.

Terminating the statutory provision of tobacco settlement revenues would have serious bond implications to UH and the State of Hawai'i. For these reasons, the UH opposes this bill.

Thank you for this opportunity to testify.