



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Written Testimony Presented Before the
House Committee on Finance
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By

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HB 1188 – RELATING TO THE HAWAII TOBACCO SETTLEMENT SPECIAL FUND

Chair Luke, Vice Chair Nishimoto, and members of the committee:

The University of Hawai'i strongly opposes HB 1188 as it will negatively impact the health and wellbeing of our citizens.

The purpose of the Tobacco Master Settlement Agreement was to hold tobacco manufacturers accountable for the harm caused by the sale of cigarettes to Hawai'i's citizens. It was intended that tobacco manufacturers bear the financial burden of health-related issues caused by tobacco products. The annual revenues to the State of Hawaii from tobacco settlement moneys are an important source that funds a number of programs – including the facilities at John A. Burns School of Medicine (JABSOM) at the University of Hawai'i.

An important factor to consider is that a portion of all tobacco settlement funds have been specifically pledged towards revenue bonds that were sold to construct JABSOM's medical education and administration, research, ancillary, and central plant buildings in 2002. There still remains more than \$125 million in outstanding bonds, much of which will not be fully paid until 2032. The maximum annual debt service over the next 16+ years will be greater than 10,000,000 annually. H.B. 1188 proposes to specify an exact dollar amount as the annual portion of all tobacco settlement funds that would be used for debt service and operations of JABSOM.

The committee needs to be aware that explicitly leveling tobacco settlement moneys at a level less than is necessary to meet annual debt service is contrary to the original statement to investors when the revenue bonds were sold in 2002, and could be of a significant negative credit rating impact to the outstanding bonds. Furthermore, current JABSOM operations anticipates a revenue pattern of funds from tobacco settlement to meet a portion of annual operating expenses.

Should the House Committee on Finance move this bill along for further deliberation of the Legislature, the University of Hawai'i recommends that the Committee consider Section 328L-2 (b)(4), HRS, should of be an amount not less than \$13,000,000 in order to satisfy the forward debt service schedule and current operational funding.

At JABSOM we strive to support public health, increase health care access to rural areas and provide financial assistance to physicians who agree to serve in rural and underserved areas. We educate doctors who care for patients with tobacco-related illnesses and incorporate tobacco prevention programs into our courses of study. The tobacco settlement funds also support programs such as residency rotations on the neighbor islands, preparatory studies for students who are socially and financially disadvantaged, and training speech pathologists locally. The current allocation of funds is successfully utilized to their most appropriate and effective use as we train physicians for the **full range of services** needed to address tobacco addictions --- from prevention to cessation, education, outreach and treatment.

The investment that the State makes in the medical school helps not only deliver the tobacco cessation message and thus potentially prevent new injuries, but also helps provide the physicians who directly care for those injured by tobacco use.

Patients are more than 30% more likely to take the tobacco cessation advice of their physicians than other advocates.

The payback to the State for its investment is in helping to ensure there are practitioners in Hawai'i who can care for tobacco-related injury and deliver/reinforce tobacco cessation messages that last for the lifetime of each student's professional career, and touch the lives of tens of thousands of Hawai'i's citizens each year.

Citizens of Hawai'i will suffer the consequences of tobacco use for years after quitting, and no amount of prevention messaging will substitute for the care that our physicians will provide to those with tobacco-related illness.

The investment of the Tobacco Settlement Funds in the medical school is one of the best health bargains the State has today. Placing a dollar-amount cap on the funds will compromise self-sufficiency and sustainability. **We urge this Committee to maintain JABSOM's allocation at its current percentage.**

We respectfully request that this bill be held.

Mahalo for the opportunity to testify.