



# UNIVERSITY OF HAWAI'I SYSTEM

## TESTIMONY

S.B. 2153 SD1– Relating to Health

Testimony Presented Before the  
Senate Committee on Ways and Means

February 26, 2004

by

Sam Callejo  
Chief of Staff, University of Hawaii

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Chair Taniguchi and Members of the Committees:

The purpose of this bill is to require the University of Hawaii to repay the tobacco settlement funds it received over time. The University of Hawaii opposes this measure as written.

Act 14 of the Third special session of 2001 authorized the issuance of a \$150 million revenue bond to construct a new medical facility. It was one way to mitigate the negative impact on the state's economy after the tragedy of September 11, 2001. It was also intended to enhance Hawaii's position in the nation as an education center and as a leader in health care.

The intent of the new health and wellness center was to be the nucleus of a growing biotechnology industry. With the increasing research funding brought in by the University of Hawaii new and quality jobs will be created. These research funds are restricted in their use but the real benefit is the economic activity it creates and the tax revenues generated by those activities.

With these state interests in mind the legislature authorized the construction of a university health and wellness center, including a new medical school facility.

Construction is well underway and the first building will be open at the end of 2004 for instructional services and administration. The second building will be open in the fall of 2005 for research.

The University would be negatively impacted by this bill since the University relies on transfers of tobacco settlement moneys to pay for debt service costs related to \$150 million in revenue bonds issued in 2002 to finance the construction of medical school facilities in Kaka'ako. The debt service costs on these bonds are approximately \$10.1 million annually, ending in July 2033.

Unless other State funds can be found to replace the moneys given back to the state the University would suffer a defacto cut in funding resulting in program reductions or shortfalls in operational support. Passage of this measure would make the University of Hawaii more dependent on general fund support and negatively affect its research capabilities.

For these reasons the University of Hawaii respectfully asks that this measure be held.

Thank you for the opportunity to testify on this measure.