



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Written Testimony Presented Before the  
House Committee on Finance  
Thursday, April 2, 2015 at 3:30 p.m.

By

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And

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### SB 1297 SD1 PROPOSED HD1 – RELATING TO DISPOSITION OF TAX REVENUES

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

The University of Hawai'i provides the following comments on SB 1297 SD1 Proposed HD1.

Since its inception, the cigarette tax revenue has been used to support vital health care services in the state, including cancer research and prevention, the state trauma system, community health center, and emergency medical service. Act 316, SLH 2006 states that the "...Legislature finds that allocating a significant percentage of tobacco tax revenues to programs that strive to maintain Hawai'i's health such as the cancer research center of Hawai'i, Hawai'i's emergency medical services, critically needed trauma centers, and the community health centers are the most appropriate and effective use of such revenues to help the greatest number of people in our island-state."

The Proposed HD1 of SB 1297 disburses all cigarette tax and tobacco tax revenues to the credit of the general fund and appropriates funding from the state's general fund for certain state programs.

It is important to recognize that the portion of cigarette tax revenue currently benefiting the Hawai'i Cancer Research Special Fund is specifically pledged towards revenue bonds that were sold to construct the University of Hawai'i Cancer Center (Cancer Center) in 2010 and Cancer Center-related research operations. Because the bill caps the funds allocated to the Cancer Center for two (2) years only, we are concerned that once the biennium is over, the general fund dollars will become part of the base that will go to the University of Hawai'i System, or simply not be appropriated by the Legislature. This important funding stream will no longer be earmarked for the Cancer Center. Limiting the revenue capacity by statute from cigarette taxes originally intended to support Cancer Center revenue bonds and research operations could have a significant negative credit rating impact to the outstanding bonds and the loss of new federal dollars into Hawai'i. Therefore, we request that the funds noted in section 3 and 4 be directed to UOH 110 as opposed to UOH 100 or UOH 900.

In order to preserve the funding needed for debt service, we respectfully suggest that money be earmarked specifically for the debt service cost associated with the revenue bonds, similar to the distribution of Transient Accommodation Tax moneys as outlined in Chapter 237D-6.5. **We suggest the addition of a new subsection (E) in section 245-3(a)(11) beginning at page 5 as follows:**

**“\$7,800,000 shall be allocated to the University of Hawaii to pay for debt service payments related to the issuance of revenue bonds to finance the cost of construction of a university health and wellness center.”**

We appreciate the allocation of \$6,257,539 for the administrative and operating expenses. However, we request that the sum be increased to \$7 million which would ease the fiscal burden of the Cancer Center for the next year and enable it to reorganize its financial obligations.

One of the reasons the Cancer Center was awarded the NCI designation was the support demonstrated by the State of Hawai'i through the cigarette tax revenue. The P30 NCI designation awarded to the Cancer Center enables it to focus on reducing the incidence and burden of cancer in our local communities. Thus, the Cancer Center investigators have studied the rates of cancer among Hawai'i's different ethnic populations, coordinated clinical cancer treatment trials in local hospitals and clinics, researched and explored possible cures for cancer derived from flora and fauna found only in Hawai'i, and conducted research among our school-aged children to reduce the risk of tobacco-related cancers. For Hawai'i's Cancer Center to maintain the NCI designation that supports these benefits for the people of Hawai'i, there must be sustainable and clearly identifiable state support for the Cancer Center. Such may not necessarily be the case if specific special funds are replaced by general fund appropriations by the Legislature.

We are aware of the movement to tax other cigarette and nicotine-containing products that is ongoing both here and in other parts of the country. The dollar amount caps on the cigarette and tobacco tax would restrict this important funding source not only for the Cancer Center but also for other health-related programs designed to deal with smoking and the diseases that result from smoking. Caps should be set at appropriate amounts to enable programs to continue their ongoing work and adjusted upwards as new cigarette and nicotine-containing product taxes are enacted.

Finally, the Proposed HD1 does not address the special fund ceilings contained in the budget bill that would enable or prohibit the use of the cigarette tax reserve that the Cancer Center currently maintains. Although cost-saving measures are being undertaken by both JABSOM and the Cancer Center through the concept of a unified Kaka'ako campus, the reserves will be necessary to sustain the Cancer Center for the next 1-2 years. Therefore, we request that the special fund ceilings remain in the budget through the biennium.

Mahalo for the opportunity to testify.