



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Written Testimony Presented Before the  
Senate Committee on Ways and Means  
February 17, 2015 at 9:00 am

By

Robert Bley-Vroman, Chancellor  
and

Jerris Hedges, MD, MS, MMM  
Dean, John A. Burns School of Medicine  
Interim Director, University of Hawai'i Cancer Center  
University of Hawai'i at Mānoa

### SB 1297 – RELATING TO DISPOSITION OF TAX REVENUES

Chair Tokuda, Vice Chair Kouchi, and Members of the Committee:

The University of Hawai'i Cancer Center strongly opposes this bill because it will negatively impact the health and well-being of Hawai'i's citizens.

Since its inception, the cigarette and tobacco tax revenue has been used to support vital health care services in Hawai'i, including cancer research and prevention, the state trauma system, community health centers, and emergency medical services. This bill will compromise the sustainability of these important programs, which provide broad support of the health of the people of Hawai'i.

Specifically, if this bill were to pass, any increase in this tax revenue, which was designed by the Legislature to stabilize and enhance the health of Hawai'i, would not directly benefit the intended health-promoting programs. Because the allocation of funds would be capped at a specific dollar amount, any excess funds would escheat to the general fund, instead of being directed to the programs the cigarette and tobacco tax was intended to support. As a result, multiple agencies serving the public's health would need to compete at the Legislature for additional general funds rather than moving toward stability and self-sufficiency. Some of the competing interests are listed below:

- Cancer Center recruitment of clinical investigators, and direct support of the Cancer Center facility and its operation (needed to provide community outreach and to house cancer research infrastructure);
- Trauma System support for the training of trauma team personnel in rural and neighbor island communities, and assessment of trauma programs to enhance outcomes in Hawaii;
- Community Health Center delivery of essential community based health care infrastructure in communities with the greatest need;
- Emergency Medical Services support of the training of EMS personnel in rural and neighbor island communities, and provision of standardized equipment for EMS providers across Hawai'i.

We respectfully ask that this bill be held.

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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SUBJECT: TOBACCO, Disposition of revenue dollar limitations

BILL NUMBER: SB 1297; HB 1187 (Identical)

INTRODUCED BY: SB by Tokuda; HB by Luke

EXECUTIVE SUMMARY: This bill would establish maximum dollar amounts of tobacco tax revenues to be deposited into each of the designated funds. If the legislature deems these program areas a priority, then a direct appropriation for these programs would increase transparency and accountability.

BRIEF SUMMARY: Amends HRS section 245-15 to provide that tobacco tax revenue shall be distributed in each fiscal year as follows: (1) 2.0 cents per cigarette but not more than **\$14.1 million**, shall be deposited into the Hawaii cancer research special fund; (2) 1.5 cents per cigarette but not more than **\$10.6 million**, shall be deposited into the trauma system special fund; (3) 1.25 cents per cigarette but not more than **\$8.8 million**, shall be deposited into the community health centers special fund; and (4) 1.25 cents per cigarette but not more than **\$8.8 million**, shall be deposited into the emergency medical services special fund.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: This measure would establish maximum dollar amounts of tobacco tax revenues to be distributed to the various special funds now being fed. It would, however, perpetuate the earmarking of tobacco tax revenues. As with any earmarking of revenues, the legislature will be giving their stamp of approval for the “automatic funding” mechanism for each of the programs into which the tobacco tax revenues are funneled. Through this system, monies are diverted into these funds without any legislative intervention, expenses from the funds largely avoid legislative scrutiny, and it will be difficult to ascertain the effectiveness of the programs funded. It would also be difficult to ascertain whether or not the fund has too little or too much revenue.

If the legislature deems the programs and purposes funded by tobacco tax revenues to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. If the money were appropriated, lawmakers could then evaluate the real or actual needs of each particular program.

Digested 2/13/15

## SB 1297 – RELATING TO DISPOSITION OF TAX REVENUES

Chair Tokuda, Vice Chair Kouchi, and Members of the Committee:

As the President of the Friends of the Medical School and the former Chief of the Surgery Department of the Queen's Medical Center, I strongly opposes SB 1297 as it will negatively impact the health and wellbeing of our citizens.

Since its inception, the cigarette tax revenue has been used to support vital health care services in the state. These important services include cancer research and prevention, support for the state's trauma system, as well as support for emergency medical services and community health centers. Efforts to sustain programs that provide broad support of the health of the people of Hawaii will be compromised by this bill. Specifically, any increase in taxation revenue designed to stabilize and enhance the health of Hawaii will not directly enhance the intended health promoting programs. Because the allocation of funds will be capped at a specific dollar amount, any excess funds will escheat to the general fund, instead of being directed to the programs the cigarette tax revenue was intended to support. Personnel from multiple agencies serving the public's health will need to compete at the legislature for additional General Funds rather than moving toward self sufficiency. Some of the competing interests are listed below:

- Cancer Center recruitment of clinical investigators, and direct support of the Cancer Center facility and its operation (needed to provide community outreach and to house cancer research infrastructure);
- Trauma System support for the training of trauma team personnel in rural & neighbor island communities, and assessment of trauma programs to enhance outcomes in Hawaii;
- Community Health Center delivery of essential community based health care infrastructure in communities with the greatest need;
- Emergency Medical Services support of the training of EMS personnel in rural & neighbor island communities, and provision of standardized equipment for EMS providers across Hawaii.

Therefore we ask this Committee not to pass SB 1297.

Thank you for the opportunity to testify.

F. Don Parsa MD, FACS  
President, Friends of the Medical School,  
Professor of Surgery (Plastic),  
Chief, Plastic Surgery Division,  
University of Hawaii,  
John A. Burns School of Medicine.

**SB1297**

Submitted on: 2/15/2015

Testimony for WAM on Feb 17, 2015 09:00AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
earl stoner	Individual	Oppose	No

Comments: I am the president of the board of the Friends of the UHCancer CenterI oppose this measure at this time. The UH Cancer Center will be severely compromised if this bill is passed. The interim management of UHCC is working diligently to complete a viable plan for continuing operations at the center and the monies from the cigarette tax must remain a part of their support and must not be limited at present. The legislature must provide reasonable time for the work of the UHCC management to complete their plan. Please do not pass this measure.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Written Testimony Presented Before the  
Senate Committee on Ways and Means  
February 17, 2015, 9:00 am  
By  
Henry J. Ellis, Jr.

**SB 1297 – RELATING TO DISPOSITION OF TAX REVENUES**

Chair Tokuda, Vice Chair Kouchi, and Members of the Committee:

I moved to Hawaii in 1966, almost 50 years ago. Since that time I have been touched by cancer, as have so many of this state's residents. I am now the Director of Fiscal Administration of the UH Cancer Center. But today I come before you as a private citizen who is very concerned about the future of the UH Cancer Center.

I strongly oppose this bill because it will place a constraint on the funding possibilities for the University of Hawaii Cancer Center. I respectfully urge you to hold this bill.

The cigarette and tobacco tax revenue has been vital in the support of cancer research, prevention, and control. The use of these tax revenues to support the work of the UH Cancer Center makes sense since the use of tobacco products has been proven to be a major cause of cancer. There is a strong connection between the people who pay the tax and the work of the Cancer Center.

From publicly available records, federal research grants to the UH Cancer Center have been \$52 million greater than state cigarette tax distributions to the Center since those tax distributions began.

From 9/30/06 to 6/30/14 cigarette tax payments to the UH Cancer Center were about \$124.7 million.

From FY07 thru FY14 federal research grant awards to the UH Cancer Center were about \$176.7 million.

Thus the people and the economy of the State of Hawaii were better off by at least \$52 million over this period due to the research efforts of the UH Cancer Center.

In other words, the State of Hawaii economically benefits from the research efforts of the UH Cancer Center. The Center provides jobs and income to the people of Hawaii.

This bill should be held because it will compromise the sustainability of the UH Cancer Center, which provides broad support of the health of the people of Hawaii in their fight against cancer. By capping the funds to a specific dollar amount, any excess funds would go to the General Fund, instead of being directed to the programs most closely connected to the use and effects of tobacco products.

This change in focus of the cigarette and tobacco tax distributions should not happen.

Mahalo nui loa for your consideration.

**SB1297**

Submitted on: 2/15/2015

Testimony for WAM on Feb 17, 2015 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Jerris Hedges	Individual	Oppose	No

Comments: I must strongly oppose this bill because it will negatively impact the health and well-being of Hawai'i's citizens. Since its inception, the cigarette and tobacco tax revenue has been used to support vital health care services in Hawai'i, including cancer research and prevention, the state trauma system, community health centers, and emergency medical services. This bill will compromise the sustainability of these important programs, which provide broad support of the health of the people of Hawai'i. Specifically, if this bill were to pass, any increase in this tax revenue, which was designed by the Legislature to stabilize and enhance the health of Hawai'i, would no longer directly benefit the intended health-promoting programs. Because the allocation of funds would be capped at a specific dollar amount, any excess funds would escheat to the general fund, instead of being directed to the programs the cigarette and tobacco tax was intended to support. As a result, multiple agencies serving the public's health would need to participate in time-consuming competition at the Legislature for additional general funds rather than delivering the service needed by the people of Hawai'i. Further, the provision of an inadequate base for those services will compromise the stability and self-sufficiency of these public services. Some of the competing interests are listed below: • Cancer Center recruitment of clinical investigators, and direct support of the Cancer Center facility and its operation (needed to provide community outreach and to house cancer research infrastructure); • Trauma System support for the training of trauma team personnel in rural and neighbor island communities, and assessment of trauma programs to enhance outcomes in Hawaii; • Community Health Center delivery of essential community based health care infrastructure in communities with the greatest need; • Emergency Medical Services support of the training of EMS personnel in rural and neighbor island communities, and provision of standardized equipment for EMS providers across Hawai'i. I respectfully ask that this bill be held.

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