



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Written Testimony Presented Before the
House Committee on Higher Education
February 10, 2015 at 2:00 p.m.

By
Robert Bley-Vroman, Chancellor
And
Jerris R. Hedges, MD, Dean
John A. Burns School of Medicine

HB 544 – RELATING TO THE UNIVERSITY OF HAWAII CANCER CENTER

Chair Choy, Vice Chair Ichiyama and members of the committee, thank you for the opportunity to testify on this measure.

The University of Hawai'i (UH) at Mānoa recognizes the importance of the UH Cancer Center building in sustaining cancer research in Hawai'i. UH also acknowledges that given significant declines in cigarette tax revenue and increased operational expenses, a supplemental revenue source for the UH Cancer Center must be obtained.

Ideally, the UH Cancer Center support would be a sustainable revenue stream such as additional General fund support or conversion of the building bond debt service to a General Obligation (GO) bond backed by the General fund. Such support would give UH more options through which it can strengthen the health sciences campus at Kaka'ako.

UH Mānoa and the health sciences leadership will also evaluate options to sell part or all of the UH Cancer Center building via a sale/lease back opportunity. The latter approach is less desirable as it complicates oversight and usage of the building that currently provides much community service and houses unique UH research that is enhancing the development of life science intellectual property and public-private partnerships which advance the health of all in Hawai'i.

Mahalo for allowing us to testify.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON HIGHER EDUCATION
ON
HOUSE BILL NO. 544

February 10, 2015

RELATING TO THE UNIVERSITY OF HAWAII CANCER CENTER.

House Bill No. 544 requires the University of Hawaii's Board of Regents to study the feasibility of selling or leasing the building that houses the UH Cancer Center.

The Department has technical comments on this bill. The Department would like to note that the UH Cancer Center was originally financed with a combination of taxable Build America (revenue) Bonds (BABs) and tax-exempt revenue bonds. The sale or lease of public buildings that were previously financed with BABs or tax-exempt revenue bonds that are currently outstanding may trigger a "change of use" of the bond financed building, as the potential owner and/or lessee of the building for federal tax purposes may be a private entity. This may result in all or a portion of the BABs to lose their annual federal interest subsidy and the tax-exempt revenue bonds to become taxable which will create a liability for the UH. The Department respectfully recommends that a comprehensive tax analyses be done in conjunction with the feasibility study to determine if there will be any adverse tax impacts should a sale or lease of the facility be pursued.

Thank you for the opportunity to provide our testimony on this bill.



HAWAII
STRATEGIC
DEVELOPMENT
CORPORATION

Written Statement of

KARL FOOKS
President

Hawaii Strategic Development Corporation

Before the
COMMITTEE ON HIGHER EDUCATION

February 10, 2015
2:00 PM
State Capitol, Conference Room 309

In consideration of
HB 544 RELATING TO THE UNIVERSITY OF HAWAII CANCER CENTER

Chair Choy, Vice Chair Ichiyama and Members of the Committee on Higher Education:

The Hawaii Strategic Development Corporation (HSDC) respectfully submits testimony offering comments on HB 544, a measure requiring a feasibility study of selling or leasing the building that houses the UH Cancer Center.

The HI Growth Initiative, passed by the legislature in 2013 and for which continued support was requested by Governor Ige in his 2015 State of the State Address, has been successful in stimulating growth of new businesses that create high-wage job opportunities in growth sectors important to our State.

An important factor for the continued success of building an innovation economy is supporting innovation centers which facilitate the transition of research to commercial opportunities. A vibrant medical research campus in Kakaako should be a key component of Hawaii's innovation economy. We support efforts to examine all alternatives that might yield a financially sustainable model for the UH Cancer Center.

Thank you for the opportunity to provide testimony.

ichiyama2-Brandon

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 01, 2015 9:10 AM
To: HEDtestimony
Cc: unheelim@gmail.com
Subject: *Submitted testimony for HB544 on Feb 10, 2015 14:00PM*

HB544

Submitted on: 2/1/2015

Testimony for HED on Feb 10, 2015 14:00PM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Unhee Lim	Individual	Support	No

Comments:

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ichiyama2-Brandon

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HB544

Submitted on: 2/9/2015

Testimony for HED on Feb 10, 2015 14:00PM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Bret Polopolus-Meredith	Individual	Support	No

Comments: I support a study because there have been reports of financial issues at the UH Cancer Center. I've heard the UH Cancer Center has a deficit. Examining all the possibilities at this time is a good idea. Best to have all the options and as much knowledge as possible on the table sooner than later.

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