



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
March 28, 2008 at 9:30am

by
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HB 2164, HD1 – RELATING TO THE CANCER RESEARCH SPECIAL FUND

Chair Baker, Vice Chair Tsutsui, and Members of the Committee:

This bill amends sections 245-15, HRS, by authorizing that deposits to the Hawaii cancer research special fund can also be used for capital expenditures and amends section 304A-2168, HRS, relating to the Hawaii cancer research special fund by allowing the University to deposit all fees, charges, and other moneys received in conjunction with Cancer Research Center of Hawaii (CRCH) programs or through transfers from other accounts or funds into this fund. Funds deposited in the fund would be expended for operating expenses and capital expenditures.

We note, however, that HB 2164, HD1 uses the term “capital improvements” instead of the original wording of “capital expenditures”. The term “capital expenditures” is preferable as it would allow for such situations as capital leases which is one option for building and financing a new cancer research center facility. This type of financing vehicle might not be considered a “capital improvement” and might thus not be paid for out of the cancer research special fund if the term “capital improvements” were used instead of “capital expenditures”. Also, “capital expenditures” would allow for capital investments in revenue producing ventures. Accordingly, we ask that the original term, “capital expenditures” be reinstated in this measure. This term has been retained in the companion Senate bill, SB 2673, SD2 which the Senate Committee on Ways and Means passed previously.

The proposed amendment will provide CRCH with the ability to develop other sources of revenue to finance its program requirements. The increasing number of cancer patients has amplified the need for expanded cancer research in Hawai'i. The additional authority will provide an opportunity to advance the financial status of the CRCH.

The CRCH's primary source of revenue to fund its operations will continue to be the cigarette tax. Other sources of revenue are needed to ensure that the Center will be adequately funded. It is envisioned that other revenues can be derived from cancer

center programs, and that these revenues would be used to further cancer research and care in Hawai'i.

Passage of this measure will serve to increase the sources of revenue available to support the CRCH. Such other revenues derived from the center will be used to supplement State funds.

The University strongly supports passage of this bill, while respectfully recommending that the term "capital improvements" be amended to "capital expenditures" as in the Senate companion bill, SB 2673, SD2.

Thank you for the opportunity to provide written comments on this measure.

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SUBJECT: TOBACCO, Disposition of revenues

BILL NUMBER: HB 2164, HD-1

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS section 245-15 to provide that the tobacco tax moneys paid to the Hawaii Cancer Research Special fund shall also be used for capital improvements.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: The legislature by Act 316, SLH 2006, increased the tax on cigarettes and provided that any moneys collected in excess of what would have been collected at the tax rate of 7 cents per cigarette are to be distributed to various special funds, one of which is the Hawaii Cancer Research Special Fund. The proposed measure expands the use of the special fund to include capital improvements.

It should be remembered that since the revenues for the Hawaii Cancer Research Special fund are dependent of the amount of cigarettes sold, if sales of cigarettes go down, so will the revenues deposited into the special fund resulting in less available revenue for research and the operating expenses of the Cancer Research Center of Hawaii including capital improvements, as this measure proposes. Also, it is questionable whether this funding source is reliable, especially if the quit smoking programs achieve their goal. Thus, it would be preferable to replace the earmarking of tobacco tax revenues and provide a direct appropriation to the Cancer Research Center of Hawaii to ensure adequate funding for its operations and research programs, including capital improvements.

Digested 3/17/08