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March 22, 2011

LATE TESTIMONY

Committee on Higher Education
Representative Scott Y. Nishimoto, Chair
Representative Mark M. Nakashima, Vice Chair

Committee on Education
Representative Roy M. Takumi, Chair
Representative Della Au Belatti, Vice Chair

Hearing:

2:000 p.m., Tuesday, March 22, 2011
Hawaii State Capitol, Room 309

RE: SB293, SD2, HD1 – Relating to the Hawaii Tobacco Settlement Special Fund

Comments

Chair's Nishimoto and Takumi, and members of the Committee on Higher Education, Committee of Education, Thank you for the opportunity to offer these comments on SB239, SD2, HD1 which extends the appropriation by a decreasing annual amount of a portion of Hawaii tobacco settlement special fund moneys for annual operating expenses of JABSOM until June 30, 2015. It also establishes a University of Hawaii School of Public Health and dedicated Special Fund to receive the decreasing percentage amount from JABSOM appropriation.

As the committee members know, the American Cancer Society has been a long time supporter and advocate of JABSOM and the use of Master Settlement Agreement (MSA) funds to build and help operate the Kaka'ako campus. At the same time, the Society has a mission to eliminate cancer as a major health problem in Hawaii through access to quality health care, medical and biomedical research, and public health policies that strongly advocate for an effective and sustainable tobacco control program.

Needless to say, both our medical school and our tobacco control program have equally positive health impacts in the treatment and prevention of cancers in Hawaii. The Society certainly values a robust medical school to teach and train high-quality physicians, biomedical scientists, and allied health workers for Hawaii and the Pacific. We also see equal value in maintaining a viable tobacco control program dedicated to reducing the negative impact tobacco has on the health of our people.

In recent years, the Hawaii Tobacco Prevention and Control Trust Fund has had its yearly allocation from the MSA cut several times from 25% to 12.5% to 6.5% today. This provides slightly more than \$2.8 million annually to the fund. This year, the fund is expected to expend \$8.3 million. At this rate, the trust fund's balance will be almost depleted in eight or nine years.

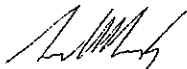
We believe that the amendment to the measure which reduces the amount of JABSOM's portion of Hawaii Tobacco Settlement Special Fund moneys by certain percentage each fiscal year starting with fiscal year 2012-2013 until the fiscal year ending June 30, 2015, is a good one and will encourage JABSOM to explore other funding options other than tobacco settlement moneys for operating cost.

With respect to the provision establishing a Hawaii school of public health special fund. We do support the establishment of a public health school, however we do not believe that it should be established through the use of tobacco settlement dollars. We encourage the legislature to revisit its decision to defer several measures that would have established a sugary soda tax. The Rudd Center at Yale University, that a one cent per ounce increase will generate \$65 million for the State of Hawaii. Double that, and revenue would increase to \$130 million. This would be more than sufficient to fund the establishment of a public health school while at the same time funding other critical health and human service programs.

We are hopeful that from 2015, we will see additional moneys to replenish funds that were lost to the Tobacco Prevention and Control Trust Fund because of the cuts made over the last few years. We can only hope that going forward Hawaii will be able to maintain an effective tobacco control program to address the use rate increases in youth and adult tobacco use.

Mahalo for the opportunity to provide comments on this measure.

Sincerely,



George S. Massengale, JD
Director of Government Relations

LATE TESTIMONY

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



LORETTA J. FUDDY, A.C.S.W., M.P.H.
INTERIM DIRECTOR OF HEALTH

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In reply, please refer to:
File:

House Committee on Higher Education

House Committee on Education SB239 SD2 HD1, RELATING TO THE HAWAII TOBACCO SETTLEMENT SPECIAL FUND

Written Testimony Only
Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H.
Interim Director of Health

March 22, 2011; 2:00PM

1 **Department's Position:** The Department of Health (DOH) offers comments as the administrator of the
2 tobacco settlement special fund (TSSF).

3 **Fiscal Implications:** The University of Hawaii John A. Burns School of Medicine (UHJABSOM)
4 proposed to retain the entirety of the 28% portion of the TSSF to be used for debt service and for
5 operational costs till June 30, 2015. SB239 SD2 HD1 amends the request by establishing a UH School
6 of Public Health Special Fund; reducing the allocation to the UHJABSOM by an unspecified portion
7 each year; and concurrently allocating that portion to the newly established UH School of Public Health
8 Special Fund. In fiscal year 2011 the UHJABSOM is projected to receive an estimated \$13.2 million, of
9 which \$2.3 million would be retained for operational costs. The distribution projections also pertain for
10 the fiscal biennium revenue and distribution in 2012 and 2013. If the UHJABSOM portion is reduced
11 by one percent increments over the biennium the projected revenue stream in FY12 for UHJABSOM is
12 \$12.7 million with the new special fund receiving about \$470 thousand, then in FY13, \$12.2 million and
13 \$940 thousand respectively after assessments.

1 **Purpose and Justification:** The DOH provides the following abridged table of the changes in
2 distribution since Act 304 established the TSSF in 1999.

Distributions	Act 304 1999 SLH	Act 270 2001 Special Session	Act 119 SLH
Rainy Day	40%	25.5%	15%
DOH/DHS S-CHIP	25% + 10%	25% + 10%	15% + 10%
Tob Trust Fund	25%	12.5%	6.5%
UHJABSOM	N/A	28%	28%
General Fund	N/A	N/A	25.5%

3
4 The Hawaii Legislature established the TSSF to receive revenues as a participating state in the 1998
5 master settlement agreement (MSA) between 46 states with five major tobacco companies. The recitals
6 section in the agreement says the payments ...*will achieve for Settling States and their citizens*
7 *significant funding for the advancement of public health, the implementation of important tobacco-*
8 *related public health measures. . .* In keeping with the spirit of the original lawsuit and the MSA the
9 1999 Hawaii State Legislature passed Act 304, and stated that, *The fund shall serve as a mechanism to*
10 *maximize financial resources for tobacco prevention and control, health promotion and disease*
11 *prevention programs, children's health programs, and to serve as a long-term source of stable funding*
12 *for prevention-oriented public health efforts* (SB1034 CD1).

13 The DOH respectfully requests that any redistribution of the TSSF be done in consideration of
14 the original spirit of the lawsuit, settlement and resulting state statute that established the special fund.
15 The DOH values the partnerships with the UHJABSOM and the Department of Public Health Sciences
16 (DPHS). The UHJABSOM faculty are recipients of competitive grants through the tobacco prevention
17 and control trust fund to provide community-based interventions. The DOH with its portion of the
18 TSSF funds the DPHS to provide the evaluation of the Healthy Hawaii Initiative and to support the
19 development of a competent workforce for public health.

20 Thank you for this opportunity to testify.