



STATE OF HAWAII
DEPARTMENT OF HEALTH
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**Testimony in OPPOSITION to HB1187
RELATING TO DISPOSITION OF TAX REVENUES**

REPRESENTATIVE SYLVIA LUKE, CHAIR
HOUSE COMMITTEE ON FINANCE

Hearing Date: March 4, 2015

Room Number: 308

1 **Fiscal Implications:** Negative impact to the long-term financial viability of essential healthcare
2 and public health services.

3 **Department Testimony:** The Department of Health (DOH) respectfully opposes HB1187,
4 which establishes maximum annual deposit levels from cigarette tax revenue into special funds
5 supporting fundamental health infrastructure. What are at stake include:

- 6 • Trauma system – the expectation of Hawaii’s residents to have statewide access to the
7 best and most appropriate levels of trauma care for the most severe injuries and accidents;
- 8 • Emergency medical system – the confidence that an ambulance or other emergency
9 medical service will respond to a medical emergency in a timely manner;
- 10 • Community health centers – access to basic preventive health services, including
11 maternal and child health and geriatric care, for Hawaii’s most vulnerable populations;
12 and
- 13 • Cancer research – locally accessible clinical trials and research for Hawaii’s second
14 leading cause of death.

15 The long-term sustainability for these fundamental services is already under stress from
16 the combination of 1) declining cigarette tax revenue due to Hawaii’s successful tobacco control
17 policies (youth smoking is down 63%, 2001-2013, and adult smoking 32%, 2000-2013); and 2)
18 increasing medical inflation, which is approximately twice that of normal inflation (about 6.8%
19 in 2014). Limiting deposits from a revenue source that is steadily diminishing as costs rise
20 exacerbates financial stress and uncertainty.

1 Cigarette tax revenue offsets under-compensated and uncompensated care incurred by
2 public and private hospitals providing care through emergency rooms, counties providing
3 ambulance and other emergency medical vehicle response, and non-profit neighborhood
4 community health clinics delivering preventive services.

5 DOH acknowledges the Legislature's desire to improve revenue forecasting and special
6 fund oversight, but ongoing healthcare reform initiatives at the federal and state level that
7 address fundamental cost and quality control issues should be allowed to proceed prior to
8 enactment of additional financial constraints on these systems. The department respectfully
9 requests the indefinite deferral of HB1187.

10 **Offered Amendments:** N/A



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Written Testimony Presented Before the
House Committee on Finance
Wednesday, March 4, 2015, 11:00 a.m.

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

HB 1187 – RELATING TO DISPOSITION OF TAX REVENUES

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

The University of Hawai'i strongly opposes this bill.

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. More than \$128 million in outstanding bonds still remains, much of which will not be fully paid until 2040. Also, the maximum annual debt service over the next 20+ years will annually be greater than the proposed \$14,100,000 limit. Limiting the revenue capacity by statute from cigarette taxes originally intended to support Cancer Center revenue bonds could be a significant negative credit rating impact to the outstanding bonds.

Further, capping the cigarette and tobacco tax funds diverts money away from programs that deal directly with cancer prevention and the effects of smoking on Hawai'i's underserved population. 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. If this bill were to pass, any increase in revenue from this tax, which was designed by the Legislature to enhance the health and well-being of the people of Hawai'i, would not directly benefit the intended programs; instead, any excess funds would escheat to the general fund. As a result, the agencies that provide these vital services would have to compete at the Legislature for additional general funds rather than moving toward stability and self-sufficiency. Some of the programs that would be negatively affected are listed below:

- Cancer Center - Critical 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 Hawai'i;
- Community Health Centers – 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.

Mahalo for this opportunity to testify.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

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



HPCCA

HAWAII PRIMARY CARE ASSOCIATION

Health Committee on Finance

The Hon. Sylvia Luke, Chair

The Hon. Scott Y. Nishimoto, Vice Chair

Testimony on House Bill 1187

Relating to Disposition of Tax Revenues

Submitted by Nani Medeiros, Public Affairs and Policy Director

March 4, 2015, 11:00 am, Room 308

The Hawai'i Primary Care Association, which represents fourteen community health centers in Hawai'i, opposes House Bill 1187, setting a cap on disbursements from the cigarette tax.

The Hawaii Primary Care Association understands and supports the efficient use of government funds. As a non-profit entity, we fully believe in and comply with all regulations that are required for public funding. However, the HPCCA has critical concerns about the proposed language changes in House Bill 1187.

The bill as written imposes a cap on monies deposited into, among other, the community health center special fund. That fund's only source of revenue is a dedicated portion of cigarette tax revenues. Prior to the creation of the special fund, funding was also made available through a general fund line item in the Department of Health's budget. While our intent in advocating for the creation of our special fund was to provide dedicated funding to expand capacity and infrastructure at community health centers, the State made the decision to use the special fund monies to supplant our general fund line item.

We welcome the consideration of the legislature to restore funding to community health centers in the Department of Health's budget. However we cannot support a measure that threatens to diminish a vital source of funding to provide care in Hawaii.

Please protect funding for Hawaii's community health centers and the underserved, uninsured, low-income populations that we serve. We urge you to take these concerns into consideration and make appropriate amendments. Thank you for the opportunity to testify.



THE QUEEN'S HEALTH SYSTEMS

To: Chair Sylvia Luke
Vice Chair Scott Y. Nishimoto
House Committee on Finance

From: Paula Yoshioka
Senior Vice President
The Queen's Health Systems

Re: HB 1187, Relating to Disposition of Tax Revenues
Hearing—March 4, 2015 at 11:00 AM

The Queen's Health Systems would like to provide comment opposing HB 1187, which would cap outlays to certain special funds, including the:

- Hawaii cancer research special fund;
- Trauma system special fund;
- Community health centers special fund; and the
- Emergency medical services special fund.

We are concerned that this legislation would harm the health and welfare of the community by limiting resources for programs that are beneficial for every resident. While we understand the pressure our lawmakers face in addressing the state's financial and budgetary outlook, this legislation seems to create a false dilemma between funding essential programs or not.

We would also like to note that while the outlays from transient accommodations tax have caps, the special funds supported by that tax are categorically dissimilar. The special funds named in this legislation have a real and direct impact on the health and welfare of our state.

This legislation would potentially limit the ability of a wide variety of providers to provide critical benefits to the Hawaii community as a whole, and we would ask that you defer this legislation. Thank you for your time and consideration of this matter, and for providing us the opportunity to comment on the immense importance of maintaining the current outlays for the special funds named above.

The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.

Wednesday, March 04, 2015– 11:00 a.m.
Conference Room 016

The House Committee on Finance

To: Representative Sylvia Luke, Chair
Representative Scott Nishimoto, Vice Chair

From: Michael Robinson
Hawai'i Pacific Health

Re: HB 1187 Relating to Disposition of Tax Revenues
Testimony in Opposition

My name is Michael Robinson, Executive Director for Government Relations & Community Partnerships for Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system, and the state's largest health care provider and non-government employer. It is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four hospitals, more than 50 outpatient clinics and service sites, and over 1,600 affiliated physicians. Hawai'i Pacific Health's hospitals are Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital.

I am writing in opposition to HB 1187 which would establish caps on funding received from the cigarette and tobacco taxes. The cigarette tax revenue is needed 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. HB 1187 will compromise the sustainability of these important programs which provide broad support of the health of the people of Hawai'i.

Hawaii Pacific Health operates a level III trauma facility at Wilcox Memorial Hospital, and is in the process of obtaining a level III trauma designation for Pali Momi Medical Center.

Wilcox Memorial Hospital is a not-for-profit hospital dedicated to providing the Kaua'i community with accessible, quality health care. Wilcox is the largest medical facility on Kaua'i and has been recognized as one of the nation's best small hospitals. The Wilcox Memorial Hospital 20-bed Emergency Department is the first neighbor island facility to obtain a trauma level III designation (in 2011). It implemented a triage best practice, "rapid triage and immediate bed placement," to decrease door-to-bed and door-to-doc times, allow some patients to bypass the triage area, and let nurse assessment and ER physician evaluation occur simultaneously. This improves service, quality and safety. In fiscal year 2014, the Wilcox Emergency Department received 24,478 patients.

Pali Momi Medical Center is a not-for-profit hospital which opened in 1989 in Aiea, and has been committed to serving the individuals and families in Central and West Oahu. The hospital

was built by members of the community to fill an important need. Pali Momi provides charity care to patients in need of public health services and to patients in underserved areas. Currently Pali Momi is in the process of obtaining a level III trauma designation. This will enable the facility to provide much needed trauma care to our communities in Central and West Oahu.

The cap on cigarette and tobacco tax would have a negative impact on funding for trauma care. This impacts the hospitals' ability to provide trauma as well as health care to patients in need.

We respectfully ask that this measure be held.

Thank you for the opportunity to provide testimony.

Written Testimony Presented Before the
House Committee on Finance
March 4, 2015, 11:00 am
By
Henry J. Ellis, Jr.

HB 1187 – RELATING TO DISPOSITION OF TAX REVENUES

Chair Luke, Vice Chair Nishimoto, 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.

finance1-Kim

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 03, 2015 9:46 PM
To: FINTestimony
Cc: steine@hawaii.edu
Subject: *Submitted testimony for HB1187 on Mar 4, 2015 11:00AM*

HB1187

Submitted on: 3/3/2015

Testimony for FIN on Mar 4, 2015 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Susan Steinemann	Individual	Oppose	No

Comments:

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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