

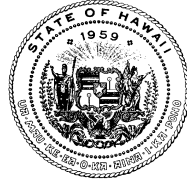
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1188

March 4, 2015

RELATING TO THE HAWAII TOBACCO SETTLEMENT SPECIAL FUND

House Bill No. 1188 proposes to change the distribution of the tobacco settlement monies from a percentage distribution to unspecified amounts for the various affected programs which impact the Department of Budget and Finance, Department of Health, and the University of Hawaii.

The Department of Budget and Finance has concerns with this measure and offers the following comments. First, codifying the distribution of tobacco settlement monies based on specific amounts raises a logistical concern on what happens when actual revenues received are under or over the proposed amounts identified in this bill. If actual funds received are less than the amount specified on this bill, it is unclear whether distribution is done in some priority order or whether funding will be prorated amongst all the programs. It is also unclear what happens should actual funds received be over the total of amounts specified on the bill. Secondly, dependent upon the unspecified amounts to be determined, this may negatively impact the Administration's general fund financial plan which includes projections for the general fund for FB 2015-17 and the out-years.



STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. Box 3378
Honolulu, HI 96801-3378
doh.testimony@doh.hawaii.gov

Testimony in OPPOSITION to HB1188
RELATING TO THE HAWAII TOBACCO SETTLEMENT SPECIAL FUND

REPRESENTATIVE SYLVIA LUKE, CHAIR
HOUSE COMMITTEE ON FINANCE

Hearing Date: March 4, 2015

Room Number: 308

1 **Fiscal Implications:** Changes the appropriation of money in the Hawaii Tobacco Settlement
2 Special Fund (TSSF) that is administered by the Department of Health (DOH).

3 **Department Testimony:** The Department opposes HB1188, which changes the distribution of
4 the TSSF from percentage distributions to dollar appropriation amounts for the receiving
5 agencies.

6 The Department is committed to serving the public with the TSSF and is mindful that
7 Hawaii joined other states in the class action suit because of the overwhelming scientific
8 evidence for the lethal effects of tobacco use and the predatory marketing practices of the
9 industry. The National Association of Attorneys General settled largely out of concern for youth
10 who were targeted by tobacco companies. The Tobacco Master Settlement Agreement (MSA)
11 states that in settling, the funds, “. . . will achieve for Settling States and their citizens significant
12 funding for the advancement of public health, the implementation of important tobacco-related
13 public health measures. . .” When Hawaii entered the class action suit, more than one in four
14 youth and one in five adults smoked, and unfortunately suffered the consequences of tobacco
15 addiction. Over the course of fifteen years with these dollars, and the commitment of
16 policymakers, community organizations, government agencies, and dedicated individuals, youth
17 smoking is down 63% (2001-2013, Youth Risk Behavioral Survey), and adult smoking 32%
18 (2000-2013, Behavioral Risk Factors Surveillance System). For the first time we can report a
19 downward trend in deaths due to lung cancer of 11% (2001-2003 to 2011-2013, DOH Vital
20 Statistics). During the same time, the death rate from heart disease went down 34% and from
21 stroke 41%.

1 The Hawaii Legislature in 1999 passed Senate Bill 1034, Conference Draft 1 that
2 originally allocated 25% portion of the total TSSF for public health disease prevention and health
3 promotion programs and 25% for the Tobacco Prevention and Control Trust Fund (Trust Fund)
4 in keeping with the spirit of the MSA. The DOH appreciates the long-term commitment the
5 legislation provided for prevention. Currently the DOH receives 15% of the TSSF pursuant to
6 §328L-2(b)(2), and -4(2), Hawaii Revised Statutes (HRS), and funds the health promotion and
7 disease prevention programs in the Healthy Hawaii Initiative (HHI) that is located in the Chronic
8 Disease Prevention and Health Promotion Division. The Department of Human Services
9 receives up to 10% of the total of the TSSF for the State Children’s Health Insurance Program
10 (S-CHIP) for immigrant and migrant children pursuant to §328L-2(b)(2), and -4(1), HRS. The
11 DOH also administers the 6.5% portion to the Trust Fund per §328L-2, and -5, HRS that
12 provides for the comprehensive and successful tobacco control program in Hawaii. Table 1
13 provides an overview of the historic TSSF distributions to fiscal year 2016.

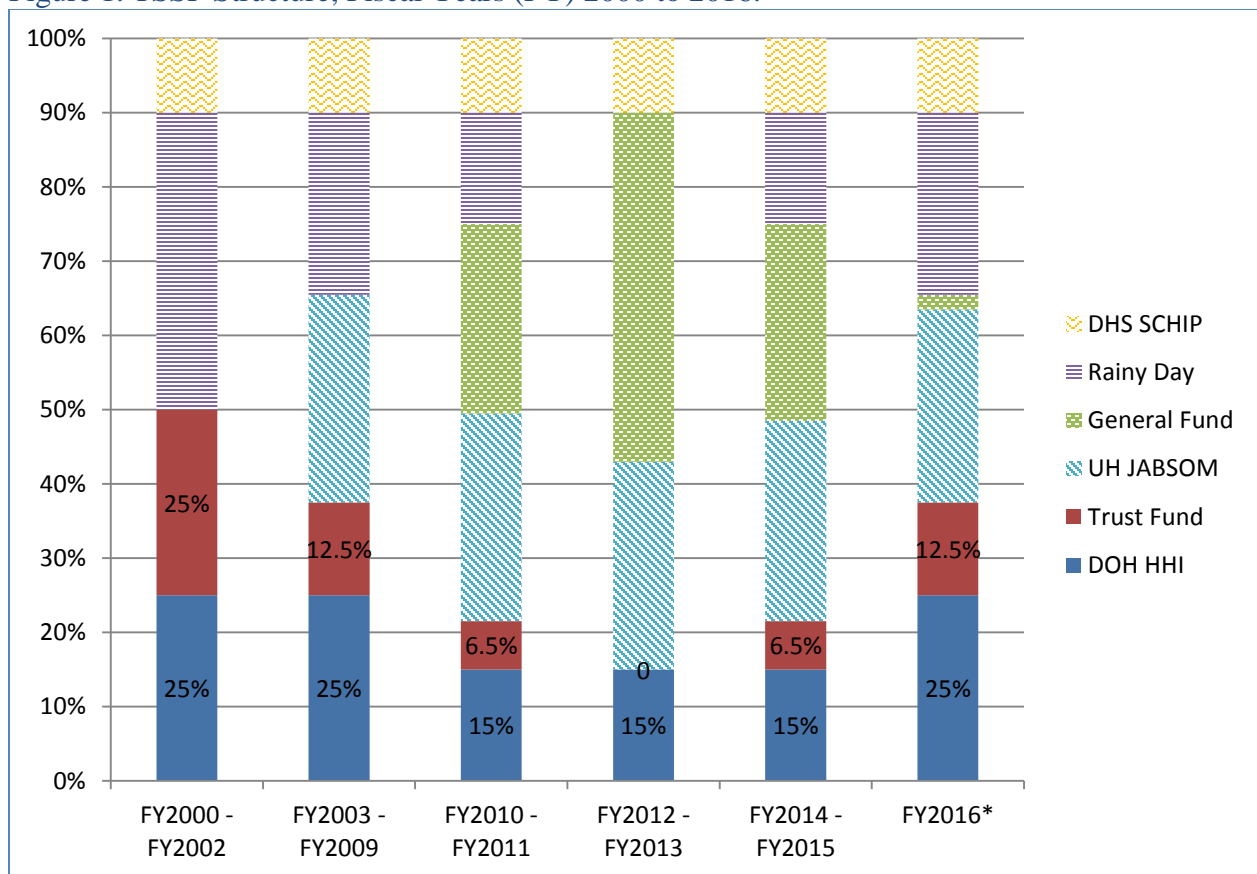
14 The DOH opposes the change to dollar appropriations and prefers the percentage
15 distribution portions for several reasons. Besides the percentage reduction for the DOH HHI,
16 general funds for chronic disease programs were supplanted with TSSF, and set dollar
17 appropriations may result in further cuts. The DOH develops projections for annual funding and
18 program plans based on historic receipts and the TSSF is now the only source of state funding
19 for the nutrition, physical activity, tobacco, and chronic disease prevention programs in the
20 Department. The Trust Fund portion was decreased over the years and for fiscal years 2013 and
21 2014 diverted to the general fund, and dollar appropriations may result in further reductions.
22 The investment and yield for the Trust Fund is best served by an environment that promotes
23 long-range planning. The DOH works closely with stakeholders to assess and meet tobacco
24 prevention and cessation needs while also working to maintain the viability of the Trust Fund.
25 For public health, the stability of percentage portions allows for long-term strategic goal setting
26 while also providing the capacity to be responsive to emerging and pressing issues like obesity
27 prevention, disparate smoking rates in the population, and the significant increase in youth using
28 e-cigarettes. The percentage structure for the distribution of the TSSF provides the support for
29 maintaining the focus on prevention.

1 The Department works closely with the Hawaii Community Foundation (HCF) that is
2 contracted to invest, manage and expend the Tobacco Prevention and Control Trust Funds
3 (Trust Fund) under §328L-5, HRS. Through competitive grants and contracts, the HCF funds
4 community organizations to provide cessation services for people who are harder to reach and
5 face greater health disparity, and prevention interventions for youth at greatest risk for smoking,
6 and community coalitions that keep stakeholders engaged. Over the years, 179 grants have been
7 awarded to agencies representing all the counties. The Hawaii Tobacco Quitline has served over
8 22,000 smokers and 90% of people who call make a quit attempt.

9 Prevention requires long-term commitments to provide people in Hawaii the healthy
10 default options where they live, work, and play. The success and continuing challenges of
11 maintaining the lowering trends for smoking and tobacco use provides relevant parallels for what
12 is needed to improve nutrition and physical activity that contribute to obesity and the onset of
13 chronic disease. The Department requests the continuing support to focus on prevention-based
14 programs that will reduce the burden of chronic disease that are largely attributable to healthy
15 eating, physical activity, and living tobacco free.

16 Besides the impact on the DOH and Trust Fund programs the Department is also
17 concerned about the impact that the distribution changes will have across the various entities that
18 rely on the funding. The annual revenue of the payments is based on the profits from the
19 participating tobacco companies and subject to offsets and contests and received usually on or
20 after April 15 of each year. The receipts are about 10% to 15% less than the original yearly
21 estimated payments to Hawaii. The actual net portions to each agency identified in statute is
22 calculated after all MSA deposits are received, and is minus the applicable central services
23 assessments (CSA) and departmental administrative fees. The net portions are distributed and
24 received by the various agencies between May and June of each year. The percentage structure
25 in §328L-2, HRS accommodates the variabilities in the annual revenue within the overall
26 appropriation ceiling for the TSSF in the DOH program budget, HTH590.

1 Figure 1. TSSF Structure, Fiscal Years (FY) 2000 to 2016.



2
3
4 * DOH, Trust Fund, and Emergency and Budget Reserve (“Rainy Day”) fund portions scheduled to revert to
5 FY2009 levels pursuant to Act 119, SLH 2009, starting FY2016, but annual total MSA payments to Hawaii will go
6 down from FY2018 when the Strategic Contribution Years end.
7

8 **Offered Amendments:** The Department requests, that should the change in appropriation
9 structure move forward, the bill include a process or mechanism that will allow adjustments for
10 the variances in dollar distributions based on the actual revenues from year to year.

11 Thank you for the opportunity to testify.



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 1188 – RELATING TO THE HAWAII TOBACCO SETTLEMENT SPECIAL FUND

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

The University of Hawai'i strongly opposes HB 1188 as it will negatively impact the health and wellbeing of our citizens.

The purpose of the Tobacco Master Settlement Agreement was to hold tobacco manufacturers accountable for the harm caused by the sale of cigarettes to Hawai'i's citizens. It was intended that tobacco manufacturers bear the financial burden of health-related issues caused by tobacco products. The annual revenues to the State of Hawaii from tobacco settlement moneys are an important source that funds a number of programs – including the facilities at John A. Burns School of Medicine (JABSOM) at the University of Hawai'i.

An important factor to consider is that a portion of all tobacco settlement funds have been specifically pledged towards revenue bonds that were sold to construct JABSOM's medical education and administration, research, ancillary, and central plant buildings in 2002. There still remains more than \$125 million in outstanding bonds, much of which will not be fully paid until 2032. The maximum annual debt service over the next 16+ years will be greater than 10,000,000 annually. H.B. 1188 proposes to specify an exact dollar amount as the annual portion of all tobacco settlement funds that would be used for debt service and operations of JABSOM.

The committee needs to be aware that explicitly leveling tobacco settlement moneys at a level less than is necessary to meet annual debt service is contrary to the original statement to investors when the revenue bonds were sold in 2002, and could be of a significant negative credit rating impact to the outstanding bonds. Furthermore, current JABSOM operations anticipates a revenue pattern of funds from tobacco settlement to meet a portion of annual operating expenses.

Should the House Committee on Finance move this bill along for further deliberation of the Legislature, the University of Hawai'i recommends that the Committee consider Section 328L-2 (b)(4), HRS, should of be an amount not less than \$13,000,000 in order to satisfy the forward debt service schedule and current operational funding.

At JABSOM we strive to support public health, increase health care access to rural areas and provide financial assistance to physicians who agree to serve in rural and underserved areas. We educate doctors who care for patients with tobacco-related illnesses and incorporate tobacco prevention programs into our courses of study. The tobacco settlement funds also support programs such as residency rotations on the neighbor islands, preparatory studies for students who are socially and financially disadvantaged, and training speech pathologists locally. The current allocation of funds is successfully utilized to their most appropriate and effective use as we train physicians for the **full range of services** needed to address tobacco addictions --- from prevention to cessation, education, outreach and treatment.

The investment that the State makes in the medical school helps not only deliver the tobacco cessation message and thus potentially prevent new injuries, but also helps provide the physicians who directly care for those injured by tobacco use.

Patients are more than 30% more likely to take the tobacco cessation advice of their physicians than other advocates.

The payback to the State for its investment is in helping to ensure there are practitioners in Hawai'i who can care for tobacco-related injury and deliver/reinforce tobacco cessation messages that last for the lifetime of each student's professional career, and touch the lives of tens of thousands of Hawai'i's citizens each year.

Citizens of Hawai'i will suffer the consequences of tobacco use for years after quitting, and no amount of prevention messaging will substitute for the care that our physicians will provide to those with tobacco-related illness.

The investment of the Tobacco Settlement Funds in the medical school is one of the best health bargains the State has today. Placing a dollar-amount cap on the funds will compromise self-sufficiency and sustainability. **We urge this Committee to maintain JABSOM's allocation at its current percentage.**

We respectfully request that this bill be held.

Mahalo for the opportunity to testify.



HAWAII FAMILY SUPPORT INSTITUTE
Making Hawaii's Families Strong

March 4, 2015

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Gail F. Breakey

Advisory Board

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Representative Sylvia Luke, Chairperson, House Finance Committee
Representative Scott Nishimoto, Vice-chair House Finance Committee

Re: HB 1188, Tobacco Settlement Fund

Dear Representatives Luke and Members of the House Finance Committee

I am Gail Breakey, Director of the Hawaii Family Support Institute, **testifying against provisions in HB 1188**. When hearings were initially held in regard to tobacco settlement funds, back in 2003, there was testimony on the need for prevention services aimed not only at educating people about the risks of smoking, but also prevention services aimed at reducing the risks and traumas which result in addictive smoking.

The Adverse Childhood Experiences study had just been published, this study of over 17,000 Kaiser patients by the Center for Disease Control and Kaiser San Diego showed strong correlations between early childhood adverse experiences and later chronic health problems, including smoking.

- The early adverse experiences questionnaire includes having been physically, emotionally or sexually abused or neglected, having parents who are involved in domestic violence, substance abuse or mental health problems, an incarcerated parent or loss of a parent.
- These risk issues correlated strongly with smoking, chronic obstructive lung disease, intravenous illicit drug use, obesity, diabetes, heart disease, add rest. Correlation with these health issues increased with the number of adverse experience or ACE factors that an individual experienced.
- Approximately 10% of the population had six or more ACEs and showed high correlation with chronic health issues. For smoking, people with 4-6 ACE factors were over 4 times more likely to smoke. Risk for IV drug use was even higher.
- Drs. Felitti and Anda concluded that the correlation of early adverse experiences with disease as the body's response to long term post-traumatic stress.
- They also concluded that people who smoked or used illicit drugs were doing so to gain relief from post-traumatic stress, much as veterans with PTSD do.

The need for prevention services to address smoking as well as chronic disease is no less today than it was in 2003.

- While the general public has gotten the message and reduced cigarette use, many who had very adverse childhood experiences continue to smoke and use drugs.
- Unfortunately, this becomes an issue of transmission of intergenerational trauma and toxic stress, in which children of parents with multiple ACEs experience the same traumas as their parents.

A range of services are currently supported through this fund, including both education on risks of tobacco use and also services to reduce risk of intergenerational trauma for newborns and young children at risk.

- The services to reduce intergenerational trauma are conducted by Maternal Child Health Branch through home visiting services aimed at reducing ACE's and supporting parents to become more nurturing parents, to prevent child abuse and neglect, and to reduce other ACE's including smoking and drug use.
- With anticipated on-going reductions in this fund overall, using the percentage formula for allocating funds for relevant services will be much more effective and fair than the arbitrary allocation of dollar amounts proposed in this legislation. There was much discussion of the issues involved in problems related to tobacco in 2003, and the mechanism established then has worked fairly well.

I hope that this Committee will decide to allow the fund to revert to the formulas established in 2003, before the financial crisis, and allow the services to continue.

Sincerely,

Gail Breakey, RN, MPH, Executive Director,
Hawaii Family Support Institute
MBT School of Social Work

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March 2, 2015

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Kauai United Way
Maui United Way
Hawaii Island United Way



Testimony on HB1188, Tobacco Settlement Fund Private, nonprofit since 1899

House Committee on Finance

Wednesday, March 4, 2015, 11:00 a.m.

Conference Room 308, State Capitol

Testimony submitted by: Howard S. Garval, MSW, President & CEO, Child & Family Service

Aloha, Chair Luke and Vice-Chair Nishimoto and Committee members. I am Howard S. Garval, President & CEO of Child & Family Service, Hawaii's oldest and most comprehensive human service nonprofit organization with services on every island and touching the lives of 40,000 Hawaii residents from keiki to kupuna each year. I am testifying in opposition to provisions in HB1188 related to the Tobacco Settlement Fund.

When hearings were initially held in regard to tobacco settlement funds back in 2003, there was testimony on the need for prevention services aimed not only at educating people about the risks of smoking, but also prevention services aimed at reducing the risks and traumas which result in addictive smoking.

The Adverse Childhood Experiences study had just been published, this study of over 17,000 Kaiser patients by the Center for Disease Control and Kaiser San Diego showed strong correlations between early childhood adverse experiences and later chronic health problems, including smoking. The early adverse experiences questionnaire includes having been physically, emotionally or sexually abused or neglected, having parents who are involved in domestic violence, substance abuse or mental health problems, an incarcerated parent or loss of a parent. These risk issues correlated strongly with smoking, chronic obstructive lung disease, and intravenous illicit drug use as well as other serious and chronic health conditions. Correlation with these health issues increased with the number of adverse experiences or ACE factors that an individual experienced. Approximately 10% of the population had six or more ACEs and showed high correlation with these issues. For smoking, people with 4-6 ACE factors were over 4 times more likely to smoke.

A range of services are currently supported through this fund, including both education on risks of tobacco use and also services to reduce the risk of intergenerational trauma for newborns and young children at risk. The Department of Health through its Maternal Child Health Branch funds home visiting services to reduce intergenerational trauma by supporting parents to become more nurturing parents, preventing child abuse and neglect, and reducing other ACEs, including smoking and drug use.

Since the Tobacco Settlement Fund anticipates reductions to the fund overall, using the current percentage formula and also reverting to the formulas established in 2003 to allocate funds for relevant services will be much more effective and equitable than the arbitrary allocation of dollar amounts proposed in this bill.

{ Keiki to Kūpuna }

Healthy Child Development * Teen Programs * Family Services * Senior Care

March 4, 2015

Mahalo for providing the opportunity to submit testimony.

With warm Aloha,

Howard S. Garval, MSW, President & CEO, Child & Family Service



HPCA

HAWAII PRIMARY CARE ASSOCIATION

Health Committee on Finance

The Hon. Sylvia Luke, Chair

The Hon. Scott Y. Nishimoto, Vice Chair

Testimony on House Bill 1188
Relating to the Hawaii Tobacco Settlement Special Fund
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 1188, changes appropriations of money in the Hawaii tobacco settlement fund to set dollar amounts.

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 HPCA has critical concerns about the proposed language changes in House Bill 1188.

The bill as written essentially imposes a cap on monies distributed from the Hawaii tobacco settlement fund. By changing the allocated amounts from percentages to fixed dollar points, it limits the amounts that can be distributed. For entities such as health centers, these disbursements serve as the sole source of funding. We welcome the consideration of the legislature to restore funding to community health centers in the Department of Health's budget but 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.



HAWAII COMMUNITY FOUNDATION

March 4, 2015

Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Members of the House Committee on Finance
State Capitol
Conference Room 308
Honolulu, Hawaii 96813

Dear Chair Luke, Vice Chair Nishimoto and members of the Finance Committee:

HB 1188, RELATING TO THE HAWAII TOBACCO SETTLEMENT SPECIAL FUND

Thank you for the opportunity to submit testimony on HB 1188. The Hawai'i Community Foundation opposes HB 1188.

The State of Hawai'i receives annual settlement payments from the Tobacco Master Settlement Agreement of 1998 (MSA). The amounts received by the states from the MSA vary from year to year. The exact amounts are unpredictable because:

- The MSA payment formula is based on annual tobacco sales by the defendant tobacco companies,
- Tobacco companies have the right to contest the results,
- The administrative agency for MSA distributions is paid a variable fee each year out of MSA funds.

Therefore, the State of Hawai'i does not know from year to year how much will be received from the MSA until the final net payment amounts are announced to the states, usually by late April or early May each year, nearly at the end of the legislative process.

HRS §328L-2 currently allocates the MSA payments among various agencies using percentages. While the Legislature has often changed the allocation percentages after HRS 328-L was first enacted, the allocations always cover 100% of the total MSA payment each year. In that way, all MSA funds are distributed every year and there are no contingency issues caused by surpluses or shortfalls when the actual distribution amounts are different than projections. The proposed change in HB 1188 will change the percentage distribution method to a specified dollar amount for each agency. The bill does not state how the combined total dollar amount to be divided will be decided at the outset. Also, when actual receipts from the MSA differ from the total projected amount in the legislation, the bill does not state how any surplus or shortfall will be resolved. A shortfall would be particularly challenging. By the time the exact amount of any shortfall becomes known with certainty, the receiving agency would have already budgeted and planned for the amounts stated in the legislation.

Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Members of the House Committee on Finance
Testimony on HB 1188
Page 2

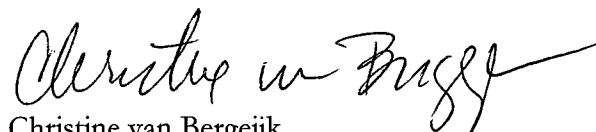
The current statutory distribution method establishes percentages over a period of years. This is a stronger public policy approach because it allows the Legislature to make longer term distribution decisions that reflect broad policy considerations to reduce tobacco consumption and improve the health of the people of Hawaii – the core purpose of the MSA. It also allows recipients, such as the Hawaii Community Foundation (HCF), to establish longer term plans and budgets, including contingency plans to accommodate the expected variations in MSA distribution amounts.

This advantage works as well for ongoing tobacco prevention and cessation work in the community funded by HCF. HCF currently uses multi-year grants and contracts to fund evidence-based tobacco prevention and cessation services. Multi-year funding commitments provide important continuity and stability for providing services at the grass-roots level. In comparison, setting annual dollar distribution amounts, as proposed, will make planning and budgeting for agencies and non-profits more unpredictable and will possibly reduce longer term planning horizons to one year fragments. If distribution decisions are made every year, it will give greater weight to short-term budgetary needs than longer-term health policy priorities. Funding stability has allowed our community grantees and professional service contractors to build expertise and community presence over time. We believe that the change proposed by HB 1188 would reduce the providers' effectiveness at reaching some of our most vulnerable target populations.

As stated in various reports from the Department of Health, tobacco prevention and control programs funded through HRS §328-L have been very successful in reducing tobacco consumption in Hawai'i. But the incidence of tobacco use continues to be a significant public health problem and there are constant new challenges, like the rapid growth of Electronic Smoking Devices (ESD) among our youth. The current funding distribution structure of HRS §328-L has had a significant positive impact on our community's success and its ability to respond to ongoing challenges. For all of these reasons, HCF opposes HB 1188.

Thank you for your consideration. HCF does not plan to provide oral testimony at the 11:00 hearing on March 4, 2015. If there are any questions regarding this testimony, please contact me at cvanbergeijk@hcf-hawaii.org.

Sincerely yours,



Christine van Bergeijk
Vice President and COO



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 1188, Relating to the Hawaii Tobacco Settlement Special Fund
Hearing—March 4, 2015 at 11:00 AM

The Queen's Health Systems would like to offer comments opposing HB 1188, which would set dollar amounts rather than percentage-based allocations from the Hawaii Tobacco Settlement Special Fund.

It is important that the state continue to invest in programs to prevent chronic diseases and to promote smoking cessation. This legislation, by setting dollar amounts, would essentially create a block grant program where the set funding would cover fewer and fewer services every year. This could mean that agencies like the Department of Health will be unable to provide critical programs and services that benefit the health and welfare of our entire state.

This legislation could compromise the ability of our state to provide essential programs and services and we would ask that you defer this measure. Thank you for your time and consideration of this matter, and for providing us the opportunity to comment on the importance of refraining from setting dollar allocations from the special fund.

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.



Testimony in **OPPOSITION** to HB 1188, “Relating to the Hawaii Tobacco Settlement Special Fund

The American Heart Association strongly **OPPOSES** HB 1188. This bill, would potentially divert funds currently targeted for tobacco prevention, control and cessation programs, as well as divert other chronic disease prevention funding used by the Department of Health for efforts such as the reduction of obesity, to the State General Fund. The end result, however, would be a likely increase in Medicaid costs to the state due to increases in tobacco-related and obesity-related illnesses and lost productivity. It would potentially cause a reduction in tobacco prevention efforts in the state. It would, in effect, be mortgaging the future health of the state and leave taxpayers to cover future tobacco-related costs (which now total well over a half-billion dollars per year) instead of remaining committed to reducing those costs. It would also likely result in Hawaii taxpayers further subsidizing the profits of the tobacco industry.

The limited funds that the state currently invests in health, and in preventing unhealthy lifestyles, pay off in enormous returns in savings to the state. The limited funding that Hawaii has managed to invest in tobacco prevention have resulted in Hawaii having the third lowest adult smoking rate in the nation, at 13 percent. Smoking among Hawaii youths declined between 2000 and 2013 by 63 percent. Clearly, investing in tobacco prevention and control reaps huge benefits to the state and its taxpayers.

However, tobacco use remains the leading preventable cause of death in our state and in the country, and a leading risk factor for heart disease and stroke. Tobacco use kills more than 400,000 people each year. It is known to cause heart disease, stroke, cancer, and respiratory diseases, among other health disorders, and costs the U.S. \$96 billion in health care expenditures each year. In Hawaii, tobacco-related health care costs are an estimated \$185,972 per person. The amount of income lost per smoker in Hawaii is estimated to be \$270,537.

Nearly 1,000 kids under the age of 18 become regular, daily smokers each day; and almost one-third will die from it.

The U.S. Centers For Disease Control (CDC) recommends that Hawaii needs to invest a minimum of \$13.7 million each year to fund a fully effective, comprehensive tobacco control program. The most that Hawaii has invested since the Tobacco Prevention and Control Trust Fund was established was approximately \$8 million.

At the same time, according to the Federal Trade Commission, the tobacco companies spend approximately \$27 million each year toward marketing and advertising their deadly products in Hawaii to addict another generation of nicotine users.

Allocations to the Tobacco Prevention and Control Trust Fund have been significantly cut from the original 25 percent allocation established when the state settled its law suit with tobacco manufacturers to cover the healthcare and other costs to the state caused

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diseases and stroke.”*

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Please remember the American Heart Association in your will.





by use of the industry's products. Currently only 6 ½ percent of the Settlement Funds actually fund tobacco prevention, cessation and control programs.

The structure of the Master Settlement Agreement payments from the tobacco industry to the state are based on national smoking rates. As smokers die, and tobacco-control efforts continue to successfully wean current tobacco users off their addiction and prevent new smokers from starting, payments from the industry to the state will drop, thus making those payments an unstable source of operating income for the state.

During the last decade the AHA was successful in helping to reduce heart disease- and stroke-related deaths by over 30% in Hawaii. Much of the credit for that enormous success is attributed to improvements in the quality of care provided to heart disease and stroke patients, and to reductions in smoking rates. Unfortunately, with the exception of tobacco use, many of the other leading risk factors for cardiovascular diseases actually increased during that decade. If we are to sustain the success we have already achieved, prevention of the leading health risk factors must be the focus. We could easily slip backwards into increasing death rates without a prevention focus. The AHA has established a 10-year 2020 goal to focus on prevention and increase cardiovascular health factors in our population, while reducing heart attack and stroke deaths by an additional 20%. The potential cuts to prevention programs proposed in HB 1188 would work directly against that goal.

Tobacco settlement funds should primarily be used to help those who are affected directly by tobacco addiction and tobacco industry marketing, as well as to help keep future generations from falling into the tobacco industry's trap of lifelong addiction.

The AHA strongly urges opposition to HB 1188 and encourages legislators to work to increase prevention funding to the CDC recommended minimum levels for our state. The state should also adequately fund the Department of Health in its chronic disease prevention efforts.

Respectfully submitted,

A handwritten signature in black ink that reads "Donald B. Weisman".

Donald B. Weisman
Hawaii Government Relations Director

*"Building healthier lives,
free of cardiovascular
diseases and stroke."*

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Please remember the American Heart Association in your will.



Date: March 3, 2015

To: The Honorable Sylvia Luke, Chair, Committee on Finance
The Honorable Scott Nishimoto, Vice Chair, Committee on Finance
Members, House Committee on Finance

Hrg: House Committee on Finance; Wednesday, March 4, 2015 at 11:00 a.m. in Rm 308

Re: **Strong Opposition for HB 1188, Relating to the Hawaii Tobacco Settlement Special Fund**

Thank you for the opportunity to offer testimony in *strong opposition* of HB 1188 which changes the appropriations of money in the Hawaii Tobacco Settlement Fund to set dollar amounts.

I serve as the Hawaii Director for the American Lung Association. Our mission is to save lives by improving lung health and preventing lung disease. Central to our mission is working to reducing the harmful health effects of tobacco addiction and use. Our programs help the people of Hawaii break the addiction to tobacco as well as providing education and resources to prevent youth and young adults from every starting to use tobacco.

We are gravely concerned that HB 1188 could divert current funding for tobacco prevention and cessation programs. Hawaii receives \$169 million dollars in tobacco master settlement dollars and tobacco tax revenue. Our state spending for programs to help people quit smoking and prevention programs is \$7.5 million. Tobacco companies spend nearly \$27 million marketing their deadly products in our state. There is more work we need to do to fight the deadly addiction to tobacco.

When initially established in 2000, 25% of the Tobacco Settlement Special Fund (TSSF) was allocated to the tobacco prevention and control trust fund and 25% was allocated to the Healthy Hawaii Initiative within the Department of Health. Since 2000, allocations to the fund have been amended numerous times and distribution reapportioned. Currently, the tobacco prevention and control trust fund is allocated 6.5% and the Department of Health is allocated 15%.

Tobacco use remains the leading preventable cause of death in our state and in the country. Smoking causes 1,400 deaths each year in Hawaii. We can and must do more. We have seen a decline in the percentage of revenue dedicated for tobacco prevention and control since the inception of the TSSF. We need to preserve the integrity of these dollars and continue working to lessen tobacco's hold on our people. 15,600 kids in Hawaii try smoking for the first time each year, as a result 1,400 of them become regular smokers each year.¹

The American Lung Association in Hawaii urges you to vote 'NO' on HB 1188 – the people of Hawaii deserve better.

Mahalo,



Kim Nguyen, MSW
Executive Director – Hawai'i
American Lung Association of the Mountain Pacific

¹ Hawaii State Department of Health, Tobacco Prevention and Education Program. (2011). *Data Highlights from the 2011 Hawaii Youth Tobacco Survey (YTS) and Comparisons with Prior Years*. Available at http://health.hawaii.gov/about/files/2013/06/2011_HYTS.pdf



To: The Honorable Sylvia Luke, Chair, Committee on Finance
The Honorable Scott Nishimoto, Vice Chair, Committee on Finance
Members, House Committee on Finance

From: Jessica Yamauchi, Executive Director

Date: March 3, 2015

Hrg: House Committee on Finance; Wednesday, March 4, 2015 at 11:00 a.m. in Rm 308

Re: **Strong Opposition for HB 1188, Relating to the Hawaii Tobacco Settlement Special Fund**

Thank you for the opportunity to offer testimony in *strong opposition* of HB 1188 which changes the appropriations of money in the Hawaii Tobacco Settlement Fund to set dollar amounts.

The Coalition for a Tobacco Free Hawaii (Coalition) is a program of the Hawaii Public Health Institute working to reduce tobacco use through education, policy and advocacy. Our program consists of over 100 member organizations and 2,000 advocates that work to create a healthy Hawaii through comprehensive tobacco prevention and control efforts.

HB1188 has the potential to divert funds currently targeted for tobacco prevention, control and cessation programs and chronic disease prevention funding used by the Department Health, to the State General Fund. Funds from the Master Settlement Agreement which is a result of 46 states suing the four largest tobacco companies in the United States to recover billions of dollars in costs associated with treating smoking-related illness, has a clear nexus with funding tobacco prevention and control efforts and chronic disease prevention funding.

The Tobacco Settlement Special Fund (TSSF) was established in 2000. When initially established, 25% was allocated to the tobacco prevention and control trust fund and 25% was allocated to the Healthy Hawaii Initiative within the Department of Health. Since 2000, allocations to the fund has been amended numerous times and distribution reapportioned. Currently, the tobacco prevention and control trust fund is allocated 6.5% and the Department of Health is allocated 15%.

Tobacco use remains the leading preventable cause of death in our state and in the country. 1,200 people die from tobacco use or exposure in Hawaii each year.¹ Tobacco use causes \$132 billion in health care costs in the US each year², including \$526 million the State of Hawaii.³

¹ Campaign for Tobacco-Free Kids, *The Toll of Tobacco in Hawaii*.
http://www.tobaccofreekids.org/facts_issues/toll_us/hawaii

² Campaign for Tobacco-Free Kids, *Toll of Tobacco in the USA*
<http://www.tobaccofreekids.org/research/factsheets/pdf/0072.pdf>

³ Campaign for Tobacco-Free Kids, *The Toll of Tobacco in Hawaii*.
http://www.tobaccofreekids.org/facts_issues/toll_us/hawaii



5,600 kids in Hawaii try smoking for the first time each year, as a result 1,400 of them become regular smokers each year.⁴

The U.S. Centers for Disease Control (CDC) recommends that Hawaii spend \$13.7 million each year to fund an effective, comprehensive tobacco prevention and control program.⁵ Hawaii funds tobacco prevention and control at 55% of the recommended amount. Currently, nothing from the cigarette tax or other tobacco product tax is allocated to tobacco prevention and control. Funds from the TSSF are essential to tobacco prevention and control and help those who are affected directly by tobacco addiction and tobacco marketing. We must protect future generations from falling victim to the tobacco industry.

The Coalition strongly opposes HB1188 and respectfully asks the committee to use percentages in the allocation of the Hawaii Tobacco Settlement Special Fund rather than dollar amounts as the amount the state receives fluctuates each year.

Thank you for the opportunity to testify on this matter.

A handwritten signature in black ink that reads "Jessica Yamauchi". The signature is written in a cursive, flowing style.

Jessica Yamauchi, M.A.
Executive Director

⁴ Hawaii State Department of Health, Tobacco Prevention and Education Program. (2011). *Data Highlights from the 2011 Hawaii Youth Tobacco Survey (YTS) and Comparisons with Prior Years*. Available at http://health.hawaii.gov/about/files/2013/06/2011_HYTS.pdf

⁵ "Broken Promises to Our Children" report, Campaign for Tobacco Free Kids, <http://www.tobaccofreekids.org/microsites/statereport2015/hawaii.html>

FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 03, 2015 7:32 AM
To: FINTestimony
Cc: dustinandrewsoahu@gmail.com
Subject: *Submitted testimony for HB1188 on Mar 4, 2015 11:00AM*

HB1188

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
Dustin Andrews	Individual	Support	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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To: The Honorable Sylvia Luke, Chair, Committee on Finance
The Honorable Scott Nishimoto, Vice Chair, Committee on Finance
Members, House Committee on Finance

From: Maile Goo

Date: March 3, 2015

Hrg: House Committee on Finance; Wednesday, March 4, 2015 at 11:00
a.m. in Rm 308

Re: **Strong Opposition for HB 1188, Relating to the Hawaii
Tobacco Settlement Special Fund**

Thank you for the opportunity to offer testimony in *strong opposition* of HB 1188 which changes the appropriations of money in the Hawaii Tobacco Settlement Fund to set dollar amounts.

I consider this an important issue as I recently revisited literature from the American Cancer Society listing the chemicals found in cigarette smoke, including Cyanide, Methanol, Ammonia, Formaldehyde-which along with poisonous gases, can only render “bad” health.

The link between tobacco use and cardio-vascular disease is something I know in my own family. Professionally, I am aware of efforts being made to address the high rate of tobacco use among Filipino and Hawaiian girls, and have always thought that more should be done to address the harm and burden of disease affecting our island people.

I respectfully ask the committee to use percentages in the allocation of the Hawaii Tobacco Settlement Special Fund rather than dollar amounts since the amount the state receives differs each year. This is vital for tobacco prevention and control efforts necessary for the citizenry of our State-especially in countering the marketing practices used in targeting our innocent keiki by the tobacco industry.

Mahalo for your serious consideration and for allowing me the opportunity to testify on this matter.

Maile Goo
3683 Woodlawn Terrace Place
Honolulu, Hawaii 96822

LATE

To: The Honorable Sylvia Luke, Chair, Committee on Finance
The Honorable Scott Nishimoto, Vice Chair, Committee on Finance
Members, House Committee on Finance

From: Joseph Keawe‘aimoku Kaholokula, Board Member

Date: March 4, 2015

Hrg: House Committee on Finance; Wednesday, March 4, 2015 at 11:00 a.m. in Rm 308

Re: **Strong Opposition for HB 1188, Relating to the Hawaii Tobacco Settlement Special Fund**

Mahalo nui for the opportunity to offer testimony in *strong opposition* of HB 1188 which changes the appropriations of money in the Hawaii Tobacco Settlement Fund to set dollar amounts.

I am Vice-President of the Board of Directors for the Hawaii Public Health Institute (HPHI). The Coalition for a Tobacco Free Hawaii (Coalition) is a program of the HPHI working to reduce tobacco use through education, policy and advocacy. Over 100 member organizations and 2,000 advocates make up the Coalition and work to create a healthy Hawaii through comprehensive tobacco prevention and control efforts.

The Tobacco Settlement Special Fund (TSSF) was established in 2000. When initially established, 25% was allocated to the tobacco prevention and control trust fund and 25% was allocated to the Healthy Hawaii Initiative within the Department of Health. Since 2000, allocations to the fund has been amended numerous times and distribution reapportioned. Currently, the tobacco prevention and control trust fund is allocated 6.5% and the Department of Health is allocated 15%.

Tobacco use remains the leading preventable cause of death in our state and in the country. 1,200 people die from tobacco use or exposure in Hawaii each year.¹ Tobacco use causes \$132 billion in health care costs in the US each year², including \$526 million the State of Hawaii.³ 5,600 kids in Hawaii try smoking for the first time each year, as a result 1,400 of them become regular smokers each year.⁴ Most susceptible to tobacco use are Native Hawaiians and Pacific Islanders for whom culturally-relevant prevention and cessation strategies are needed.

¹ Campaign for Tobacco-Free Kids, *The Toll of Tobacco in Hawaii*.

http://www.tobaccofreekids.org/facts_issues/toll_us/hawaii

² Campaign for Tobacco-Free Kids, *Toll of Tobacco in the USA*
<http://www.tobaccofreekids.org/research/factsheets/pdf/0072.pdf>

³ Campaign for Tobacco-Free Kids, *The Toll of Tobacco in Hawaii*.

http://www.tobaccofreekids.org/facts_issues/toll_us/hawaii

⁴ Hawaii State Department of Health, Tobacco Prevention and Education Program. (2011). *Data Highlights from the 2011 Hawaii Youth Tobacco Survey (YTS) and Comparisons with Prior Years*. Available at http://health.hawaii.gov/about/files/2013/06/2011_HYTS.pdf

The U.S. Centers for Disease Control (CDC) recommends that Hawaii spend \$13.7 million each year to fund an effective, comprehensive tobacco prevention and control program.⁵ Hawaii funds tobacco prevention and control at 55% of the recommended amount. Currently, nothing from the cigarette tax or other tobacco product tax is allocated to tobacco prevention and control. Funds from the TSSF are essential to tobacco prevention and control and help those who are affected directly by tobacco addiction and tobacco marketing. We must protect future generations from falling victim to the tobacco industry.

HB1188 could divert funds currently targeted for tobacco prevention, control and cessation programs and chronic disease prevention funding used by the Department Health, to the State General Fund. Funds from the Master Settlement Agreement which is a result of 46 states suing the four largest tobacco companies in the United States to recover billions of dollars in costs associated with treating smoking-related illness, has a clear nexus with funding tobacco prevention and control efforts and chronic disease prevention funding.

The Coalition strongly opposes HB1188 and respectfully asks the committee to use percentages in the allocation of the Hawaii Tobacco Settlement Special Fund rather than dollar amounts as the amount the state receives fluctuates each year.

Thank you for the opportunity to testify on this matter.

A handwritten signature in black ink, reading "Joseph K. Keawe". The signature is written in a cursive style and is contained within a thin black rectangular border.

Joseph Keawe‘aimoku Kaholokula, PhD
Vice-President, Board of Director for the Hawaii Public Health Institute

⁵ “Broken Promises to Our Children” report, Campaign for Tobacco Free Kids,
<http://www.tobaccofreekids.org/microsites/statereport2015/hawaii.html>