

SB2050

Testimony

Measure Title: RELATING TO HEALTH.

Report Title: University of Hawaii; Health Sciences Campus; Administrative Transfer; General Obligation Bond; Appropriation (\$)

Description: Establishes the joint campus of the John A. Burns school of medicine and the University of Hawaii cancer center as the Hawaii health sciences campus at the University of Hawaii at Kakaako, to be an administratively separate branch of the University of Hawaii at Manoa. Appoints the dean of the John A. Burns school of medicine as the administrative head. Converts the bond debt service owed by the University of Hawaii cancer center to a general obligation bond and combines it with the John A. Burns school of medicine debt. Requires a five-year business plan to be submitted to the legislature by 01/01/17. Appropriates funds for the transition into a joint campus.

Companion:

Package: None

Current Referral: HEA/CPH, WAM

Introducer(s): GREEN, CHUN OAKLAND, SHIMABUKURO



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committees on Higher Education and the Arts
and
Commerce, Consumer Protection, and Health
February 11, 2016 at 1:45 p.m.
by
Vassilis Syrmos, VP for Research and Innovation
and
Kalbert K. Young, VP for Budget and Finance/CFO
University of Hawai'i System

SB 2050 – RELATING TO HEALTH

Chairs Taniguchi and Baker, Vice Chair Kidani and members of the committees:

The University of Hawai'i (UH) does not support SB 2050 which would establish a joint campus of the John A. Burns School of Medicine (JABSOM) and the University of Hawai'i Cancer Center as the Hawai'i Health Sciences campus at the University of Hawai'i at Kaka'ako. Such a campus is proposed to be an administratively separate branch of the University of Hawai'i at Mānoa; appoints the dean of the JABSOM as the administrative head; converts the bond debt service owed by the University of Hawai'i Cancer Center to a general obligation bond and combines it with the JABSOM debt; requires a five-year business plan to be submitted to the legislature by January 1, 2017; and appropriates funds for the transition into a joint campus.

The University of Hawai'i opposes this measure to the extent that UH is already working internally to structurally position the Cancer Research Center under JABSOM. Such a move requires extensive internal planning and Board of Regents approval. One of the key components is to ensure that financial viability of both JABSOM and the Cancer Research Center are sustainable and can achieve gains in financial efficiencies that benefit both programs. This effort does not require a legislative measure and is more appropriately handled within the governance structure of the University. To that extent, the University does express its willingness to explore this concept with legislative support. A resolution supporting these efforts would be greatly appreciated.

Also, requiring that the Kaka'ako campus be a separate administrative entity from a primary campus like Mānoa will increase administrative costs and require funding of services and operations that currently benefit either program as part of UH-Mānoa. For this reason, it would be more fiscally prudent to preserve the two programs as part of a larger campus.

On the matter of the restructuring the existing revenue bonds of JABSOM and/or the Cancer Research Center to general obligation bonds (GO Bonds), the University is supportive of this approach. Since the University issued revenue bonds for JABSOM in 2006, and then revenue bonds for the Cancer Research in 2010, it was clear that debt service was a significant burden to the fiscal balance of either program. The Legislature does provide revenue from tobacco settlement funds and cigarette tax, respectively, to meet debt service amounts, but over the years even those amounts have waned. Converting the current debt from university revenue bonds to GO Bonds would make more university revenues available to support operations of either program. Of course, this assumes that both programs would continue to receive some portion of revenue support from tobacco settlement funds and the cigarette tax. The University would have to work with the State Department of Budget and Finance in order to restructure the existing debt because the current revenue bonds have restrictive call features and are debts of the university.

In conclusion, the primary objective of SB 2050 to organize JABSOM and Cancer Research Center as a new administrative entity within the University System is not warranted. However, SB 2050 does present a number of opportunities that could still benefit the viability of both JABSOM and Cancer Research Center.

Thank you for the opportunity to testify.

Date: Thursday, February 11, 2016
Time: 1:45 PM
Place: Room 224

To: Senate Committee on Higher Education
Senator Brian Taniguchi, Chair

Re: Opposition to SB 2050 Relating to the removal of JABSOM from UH Manoa

My name is Robert Cooney and I am a professor in the Department of Public Health Sciences and current Chair of the Manoa Faculty senate at the University of Hawaii at Manoa. I have been on the faculty at Manoa for over thirty years and I wish to express my strong opposition to SB 2050 to create a separate Kakaako campus of the University of Hawaii.

The University of Hawaii at Manoa represents the flagship campus of the UH system and is the only research intensive university in the State of Hawaii. The proposed legislation would separate approximately 30% of UH Manoa's research portfolio out of Manoa effectively creating two competing research universities within the State leading to duplication and unproductive competition for resources. There is no practical justification for such a move other than to shield the Kakaako campus from oversight and scrutiny that has revealed mismanagement and waste of funds over the last several years. If anything, what is needed is closer supervision of the operation of the Kakaako units by the Manoa administration. SB2050 will only create an additional kingdom within the UH system with significantly decreased transparency and added cost to the State of Hawaii without discernible benefit. The internal structure of Manoa is something that should be determined by the faculty of Manoa in the best interests of the University as a whole. I urge you to reject SB 2050

Thank you for your time and the opportunity to express my opinion.

Respectfully submitted,

Robert V. Cooney, PhD
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(808) 956-5775

Testimony Presented Before the
Senate Committee on Higher Education and the Arts and
Senate Committee on Commerce, Consumer Protection, and Health

February 11, 2016

Unhee Lim, Associate Professor
University of Hawaii Cancer Center

SB 2050 – RELATING TO HEALTH

Chairs Taniguchi and Baker and members of the committees:

Thank you for the opportunity to testify on SB 2050.

I strongly oppose the bill SB 2050.

First of all, the University of Hawaii has autonomy. UH has policies and procedures in place for reorganization of units like the substantial reorganization proposed in this bill. Regardless of what any individual administrators conveyed to the lead legislators of this bill, the truth is that the proper vetting process has not occurred: no proper consultation of the faculty at the Center, no consultation and review by the UH Manoa Faculty Senate, and no consultation of the involved unions. I would like to remind the legislators that the UH is foremost an institution of higher education, an academic organization, which is built and thrives on the principle of faculty shared governance that is also most crucial to carry out the core missions of teaching and research successfully.

Secondly, there is no evidence for “the ***operational expenses to be saved*** by establishing the Kakaako campus of the University of Hawaii as a financially and administratively separate campus from the University of Hawaii at Manoa”, as the bill claims. In the recent budget reviews and according to the recent Cancer Center Business Plan Update, a saving of up to \$250,000 to \$500,000 at most is estimated, which has not yet been materialized after the interim administration of the Cancer Center (Dean of JABSOM) went ahead and consolidated the administrative staff operations in the past year, without the faculty or staff consultation.

If the legislature values the John A. Burns School of Medicine, which in my understanding has not balanced its budget without the assistance of several millions of dollars of undergraduate tuition money from Manoa units every year, and is willing to invest more General funds for its sustainability and to relieve the burden of the resource-starved Manoa instruction units, the legislature should ask that as a separate question, and with concrete amounts of General funds specified, not with a bunch of blanks as in this bill. Merging the Cancer Center in deficit under the Medical School will not solve the long-standing financial woes of the Medical School.

As further evidence for no merit to the claim of savings, the UH Board of Regents criticized the internal business plan of last year – submitted by the interim Director and included a similar reorganization plan as the proposed bill (<http://www.hawaii.edu/offices/bor/audit/minute/201505121200.committee.pdf>), asked the UH administration to provide an **independent** business plan, received another of the same last month after the independent report was withheld for three months, criticized it harshly again (as “breach of trust” by several Regents), and concluded it to be not acceptable.

Lastly and most importantly, merging the revenues and transferring the financial and administrative authority of the Director of the Cancer Center to the Dean of JABSOM, as proposed in the bill, will significantly reduce the capacity of the Cancer Center. As the review criteria for NCI designation include critical emphases on the organizational capability and the Director’s authority, the proposed reorganization will jeopardize the Center’s chance to renew NCI designation. Furthermore, reduced capacity and changed line of authority for the Center Director to report to the JABSOM Dean, instead of UH Manoa Vice Chancellor for Research who historically has understood research better and promoted research units more strongly in the past, will seriously limit our ability to recruit a strong, visionary new Director for the Center.

Out of these concerns, the Cancer Center Faculty Senate passed a resolution last July, requesting the UH Manoa interim Chancellor to immediately appoint a new interim Director, a cancer researcher and independent advocate for the Center. The UH Manoa Faculty Senate supported the Center Faculty Senate’s resolution and passed a separate resolution against any individual holding more than one Executive/Managerial position, especially in reference to the reorganization pressure put on the Cancer Center by the interim Director and JABSOM Dean with actual or perceived conflict of interest (November 2015).

UH Cancer Center has existed as one of the most viable UH Manoa units and financially and scientifically the most productive Organized Research Unit for over 30 years until very recent years. I suggest that the legislators consider the likely adverse consequences of the proposed reorganization for the future of the Cancer Center.

DAVID Y. IGE
GOVERNOR



WRITTEN ONLY

WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON HIGHER EDUCATION AND THE ARTS AND
COMMERCE, CONSUMER PROTECTION, AND HEALTH
ON
SENATE BILL NO. 2050**

February 11, 2016
1:45 P.M.

RELATING TO HEALTH

Senate Bill No. 2050 establishes, among other things, the joint campus of the John A. Burns School of Medicine (JABSOM) and the University of Hawaii Cancer Center (UHCC) as the Hawaii Health Sciences Campus at the University of Hawaii at Kakaako, to be an administratively separate branch of the University of Hawaii at Manoa. The bill also authorizes the issuance of general obligation bonds to finance the consolidated debt service owed by JABSOM and UHCC.

As funding for this transition to a joint campus is not in the proposed Executive Budget, should this bill proceed or pass the Legislature, an amount for the corresponding annual debt service will need to be included in the Legislature's version of the budget.

In addition, the Department is seeking clarification as to the future disposition of the Hawaii Tobacco Settlement Payments and the Cigarette Tax Payments that are currently being used to pay debt service on the JABSOM and UHCC bonds, respectively, i.e. is the intent that the revenue stream benefit the Hawaii Health

Sciences Campus at the University of Hawaii at Kakaako or will they revert to the general fund of the State.

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

From: mailinglist@capitol.hawaii.gov
To: [HEA Testimony](#)
Cc: huihsing@hawaii.edu
Subject: *Submitted testimony for SB2050 on Feb 11, 2016 13:45PM*
Date: Tuesday, February 09, 2016 2:17:38 PM

SB2050

Submitted on: 2/9/2016

Testimony for HEA/CPH on Feb 11, 2016 13:45PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
hui chang	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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From: mailinglist@capitol.hawaii.gov
To: [HEA Testimony](#)
Cc: jnakopib@cc.hawaii.edu
Subject: *Submitted testimony for SB2050 on Feb 11, 2016 13:45PM*
Date: Tuesday, February 09, 2016 1:59:43 PM

SB2050

Submitted on: 2/9/2016

Testimony for HEA/CPH on Feb 11, 2016 13:45PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Janice Nako-Piburn	Individual	Oppose	No

Comments:

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To: [HEA Testimony](#)
Cc: LoicLM2@gmail.com
Subject: Submitted testimony for SB2050 on Feb 11, 2016 13:45PM
Date: Monday, February 08, 2016 9:09:52 PM

SB2050

Submitted on: 2/8/2016

Testimony for HEA/CPH on Feb 11, 2016 13:45PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Loic Le Marchand	Individual	Oppose	No

Comments: I oppose Bill SB2050 because it will make the renewal of the Center's NCI designation very difficult and because it makes a mockery of the autonomy of the University. The authority and independence of the Cancer Center director are viewed as essential criteria by NCI in reviewing the UHCC P30 grant. The bill takes away the Director's authority on the Center's financial resources to give it to the dean of JABSOM. The bill goes against all the hard work that the Faculty has put in to gain and maintain the center's NCI designation for the past 20 years. This bill will kill the cancer center. Thank you.

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From: mailinglist@capitol.hawaii.gov
To: [HEA Testimony](#)
Cc: saritarai2015@yahoo.com
Subject: Submitted testimony for SB2050 on Feb 11, 2016 13:45PM
Date: Saturday, February 06, 2016 6:54:05 AM

SB2050

Submitted on: 2/6/2016

Testimony for HEA/CPH on Feb 11, 2016 13:45PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Sarita Rai	Individual	Oppose	No

Comments:

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Subject: Submitted testimony for SB2050 on Feb 11, 2016 13:45PM
Date: Monday, February 08, 2016 11:27:22 AM

SB2050

Submitted on: 2/8/2016

Testimony for HEA/CPH on Feb 11, 2016 13:45PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Song Yi Park	Individual	Oppose	No

Comments: Reorganization of UHCC should be performed under a new director of UHCC who will represent UHCC faculty/staff, NOT under JABSOM dean.

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Subject: *Submitted testimony for SB2050 on Feb 11, 2016 13:45PM*
Date: Thursday, February 11, 2016 8:18:49 AM

SB2050

Submitted on: 2/11/2016

Testimony for HEA/CPH on Feb 11, 2016 13:45PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Maarit Tiirikainen	Individual	Oppose	No

Comments:

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