DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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CATHERINE P. AWAKUNI COLÓN
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JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Finance
Tuesday, March 2, 2021
1:00 p.m.
Via Videoconference

On the following measure:
H.B. 1297 H.D. 1, RELATING TO STATE FINANCES

Chair Luke and Members of the Committee:

My name is Dean Hazama, and I am the Business Management Officer of the Department of Commerce and Consumer Affairs' (Department) Administrative Services Division. The Department offers comments on this bill only as it relates to the Hawaii Hurricane Relief Fund (HHRF) on page 2, lines 3 and 4.

The purposes of this bill are to: (1) remove certain special funds from the list of funds exempted from deductions for central service expenses into the general fund; (2) repeal the community health centers special fund and emergency medical services special fund; (3) beginning 7/1/2021, transfer to the credit of the general fund any amounts allocated to those special funds, including amounts allocated from the cigarette tax and tobacco tax to those special funds; (4) beginning 7/1/2021, transfer to the credit of the general fund surcharges and cigarette tax revenue allocated to the trauma systems special fund; and (5) make a general fund appropriation to the Department of Health for operating expenses.

Under HRS section 37-62, “special funds” means funds dedicated or set aside by law for a specified object or purpose but excluding revolving funds and trust funds. The HHRF is a trust fund pursuant to Hawaii Revised Statutes (HRS) chapter 431P-16 and is therefore not a special fund. Accordingly, the repeal of the HHRF’s exclusion from the 5% central services assessment in section 1 of H.D. 1 does not alter the treatment of this trust fund. In addition, the Department notes that revenue continues to be transferred from the HHRF to the general fund on an annual basis.

Thank you for the opportunity to testify on this bill.

DAVID Y. IGE
GOVERNOR OF HAWAII

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA
FIRST DEPUTY

M. KALEO MANUEL
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Testimony of
SUZANNE D. CASE
Chairperson

Before the House Committee on
FINANCE

Tuesday, March 2, 2021
1:00 PM
State Capitol, Via Videoconference, Conference Room 308

In consideration of
HOUSE BILL 1297, HOUSE DRAFT 1
RELATING TO STATE FINANCES

House Bill 1297, House Draft 1 proposes to make certain special funds subject to deductions for central service expenses into the General Fund; proposes to repeal the Community Health Centers Special Fund and Emergency Medical Services Special Fund; beginning 7/1/2021, proposes to transfer to the credit of the General Fund any amounts allocated to those special funds, including amounts allocated from the Cigarette Tax and Tobacco Tax to those special funds; beginning 7/1/2021, proposes to transfer to the credit of the General Fund surcharges and cigarette tax revenue allocated to the Trauma Systems Special Fund; and makes a general fund appropriation to the Department of Health for operating expenses. **The Department of Land and Natural Resources (Department) opposes this bill as it pertains to the following special funds and offers the following comments.**

Sport Fish Special Fund
Hawaiʻi participates in the Sport Fish Restoration (SFR) Program which is administered by the United States Fish and Wildlife Service. For this program, the Federal government receives revenues from the sale of fishing tackle, fishing equipment, and gasoline sold for use in small engines and motorboats. The money is then apportioned to States to fund fisheries management projects and recreational boating access projects. Over the last five years, the Department's Division of Aquatic Resources' apportionment was more than $15.3 M, and an additional $2.7 M went to the Department's Division of Boating and Ocean Recreation through this SFR Program.

To be eligible for this Program, each state must have legislation that prevents diversion of fishing license fees from the control of the state's fisheries agency.[1] The use of license fees is limited to functions required to manage the agency and the fish resources for which the agency has authority under state law. Approximately $25-30K in Freshwater Game Fishing License fees are collected and deposited into the Sport Fish Special Fund each year. Diversion of any amount from the Sport Fish Special Fund, even 5% ($1,250 - $1,500) for central service expenses, would cause the State to be ineligible to receive funding from the SFR Program, resulting in a loss of approximately $3 million per year in federal funds.

<u>Land Conservation Fund</u>
The Department understands the dire needs that drive this bill and is not opposed to re-instituting central services assessments on Land Conservation Fund (LCF) revenue. However, we respectfully note that at current revenue levels, the proposed measure would reduce annual funding for Legacy Land Conservation Program (LLCP) operations by $255,000. This amounts to 5% of annual base appropriations and would represent even greater erosion of LLCP buying power in the face of escalating property values, hypercompetitive real estate markets, and consistently high demand for land conservation grants. The Legislature established the LCF based on its recognition that "an alarmingly small amount of money is invested each year to protect our natural capital base," and a finding that "the preservation, protection, and enhancement of the State's land, coastal areas, and natural resources are of central importance for current and future residents and for the State's economy" (Act 156, Session Laws of Hawaii 2005).

Thank you for the opportunity to comment on this measure.

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[1] Hawai'i's legislation, §187A-9, HRS, provides: The State hereby assents to the provisions of the Federal Aid in Sport Fish Restoration (Dingell-Johnson/Wallop-Breaux) Act (64 Stat. 430, 16 U.S.C. §777), as amended. The department shall perform those acts as may be necessary to the conduct and establishment of cooperative aquatic life restoration, management, development, aquatic education, and recreational boating access projects, as defined in the Act of Congress and in compliance with the Act and regulations adopted by the Secretary of the Interior thereunder; provided that federal aid funds granted under the Act shall be used for the purposes of approved projects, and no funds accruing to the State from license fees paid by sport fishers, including any interest, dividend, or other income earned from the license fees, shall be diverted for any purpose other than as provided for in the Act and regulations adopted pursuant thereto.

HB-1297-HD-1
Submitted on: 2/28/2021 10:47:45 AM
Testimony for FIN on 3/2/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Sakoda	DLNR	Oppose	No

Comments:

I would like to testify on HB 1297 HD1. Please allow me Zoom access. Thank you.

HB-1297-HD-1
Submitted on: 2/28/2021 10:48:43 AM
Testimony for FIN on 3/2/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Penn	DLNR	Oppose	No

Comments:

I would like to testify on HB 1297 HD1. Please allow me Zoom access. Thank you.

HB-1297-HD-1
Submitted on: 2/28/2021 10:50:24 AM
Testimony for FIN on 3/2/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Smith	DLNR	Oppose	No

Comments:

I would like to testify on HB 1297 HD1. Please allow me Zoom access. Thank you.

TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-FIRST LEGISLATURE, 2021

ON THE FOLLOWING MEASURE:
H.B. NO. 1297, RELATING TO STATE FINANCES.

BEFORE THE:
HOUSE COMMITTEE ON FINANCE

DATE: Tuesday, March 2, 2021 **TIME:** 1:00 p.m.

LOCATION: State Capitol, Via Videoconference, Room 308

TESTIFIER(S): Clare E. Connors, Attorney General, or
Randall S. Nishiyama, Deputy Attorney General

Chair Luke and Members of the Committee:

The Department of the Attorney General (Department) provides the following comments regarding this bill.

This bill would make all special funds subject to the five per cent deduction for central services expenses and deposit such moneys into the general fund. Also, it proposes to repeal the Community Health Centers Special Fund and the Emergency Medical Services Special Fund. In addition, beginning July 1, 2021, it would transfer to the credit of the general fund any amounts allocated to those special funds, including amounts allocated from the cigarette tax and tobacco tax to those special funds. Further, the bill would make a general fund appropriation to the Department of Health for fiscal year 2021-2022.

Section 1 of this bill proposes to make all special funds subject to the five per cent deduction for central services expenses and to deposit such moneys into the general fund by repealing the exemption from the central services surcharge that the special funds currently have. However, the repeal and assessment of the central services surcharge on the following funds is problematic:

1. State Educational Facilities Improvement Special Fund: This special fund is funded by general obligation bonds. The transfer of tax-exempt general obligation bond moneys to the general fund may result in adverse tax consequences to the State.

2. Funds of the Employees' Retirement System: These funds are trust funds and invoke a fiduciary responsibility on the part of the State to care for and use such moneys for the designated beneficiaries. The diversion of these funds to the general fund would violate the State's fiduciary responsibility.
3. Hawaii Hurricane Relief Fund: This fund was funded by general obligation bonds. The transfer of tax-exempt general obligation bond moneys to the general fund may result in adverse tax consequences to the State.

To avoid adverse consequences to the State, the Department believes that these funds should continue to be exempt from the five per cent deduction for central services expenses.

Thank you for the opportunity to present this testimony.

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR

ISAAC W. CHOY
DIRECTOR OF TAXATION

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DEPARTMENT OF TAXATION
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To: The Honorable Sylvia Luke, Chair;
The Honorable Ty J.K. Cullen, Vice Chair;
and Members of the House Committee on Finance

From: Isaac W. Choy, Director
Department of Taxation

Date: March 2, 2021
Time: 1:00 P.M.
Place: Via Video Conference, State Capitol

Re: H.B. 1297, H.D. 1, Relating to State Finances

The Department of Taxation (Department) offers the following comments regarding H.B. 1297, H.D. 1, for your consideration. This measure is effective on July 1, 2021.

Section 1 of H.B. 1297, H.D. 1, eliminates the exemptions from the requirement under Hawaii Revised Statutes (HRS) section 36-27 that five percent of all special fund receipts go to the general fund to defray the costs of central services. The Department notes that, under current law, the Cigarette Tax Stamp Administrative Special Fund (CTSASF) and Tax Administration Special Fund (TASF) are both subject to five percent deduction under HRS section 36-27.

Section 2 of H.B. 1297, H.D. 1, eliminates the exception for certain special funds under HRS section 36-30 that requires the Department of Budget and Finance to deduct an amount to offset the costs of administering the special fund based on expenses paid from the special fund. The Department notes, that under current law, the CTSASF and TASF are subject to the deduction under HRS section 36-20.

Section 3 of H.B. 1297, H.D. 1, amends the disposition of cigarette and tobacco tax revenue collected under HRS chapter 245 to stop the allocations to various special funds as of June 30, 2021.

The Department is able to effectuate the changes required by Section 3 of H.B. 1297, H.D. 1, as currently written.

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

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David Y. Ige
Governor

John De Fries
President and Chief Executive Officer

Statement of
JOHN DE FRIES

Hawaiʻi Tourism Authority
before the
HOUSE COMMITTEE ON FINANCE

Tuesday, March 2, 2021
1:00 PM
State Capitol, Conference Room #306
via videoconference

In consideration of
HOUSE BILL NO. 1297 HD1
RELATING TO STATE FINANCES

Chair Luke, Vice Chair Cullen, and members of the House Committee on Finance: the Hawaiʻi Tourism Authority (HTA) **opposes** House Bill 1297 HD1, which makes certain special funds subject to deductions for central service expenses into the general fund.

HTA has substantial work ahead in supporting the economic recovery from the COVID-19 pandemic through the revitalization of the tourism industry. Since April 26, 2020 HTA has not received any funding from the Transient Accommodations Tax (TAT) after the governor suspended disbursements in his Sixth Supplementary Emergency Proclamation for COVID-19. We don't anticipate receiving any funds through the end of fiscal year 2021.

As a result, HTA reduced its FY20 budget from $86.7 million to $40.9 million in FY21, which amounted to a 53% reduction or $45.8 million year-over-year. In addition, HTA implemented a hiring freeze, ahead of the governor's official directive, and we now have six vacant positions, which amounts to a 19% vacancy rate. These reductions, when combined with the requirement to deduct 5% and transfer it to the general fund, as proposed in this bill, would mean an additional $4,775,000 million reduction in available funds for HTA to operate and will hamper HTA's efforts to support the economic recovery of Hawaiʻi.

HTA's annual allocation of $79 million to the Tourism Special Fund (TSF) and $16.5 million to the Convention Center Enterprise Special Fund (CCESF) are essential. These two special funds support the HTA in its mission to strategically manage Hawaiʻi tourism in a sustainable manner consistent with economic goals, cultural values, preservation of natural resources, community desires and visitor industry needs.

Four strategic pillars guide our work and represent a comprehensive approach toward our goal of a balanced visitor industry – one in which our brand marketing strengthens tourism's contributions to our economy, diverse communities, indigenous culture, and unparalleled natural beauty. Our focus is to *Mālama Hawai'i* or to care for our island home. In the immediate term, that means tourism's recovery, and in the long term, that means innovation and transformation toward regenerative tourism.

This work across our four pillars means that for every dollar the state invests in HTA through the TSF and CCESF the state receives back $21.68 to support the myriad of needs the Legislature responds to each year. To assist with the economic recovery of Hawai'i, HTA will need every dollar of the $81.6 million that this bill proposes to move to the general fund.

Visitor arrivals to the state are critical to reducing Hawai'i's unemployment rate of 9.3%, the highest in the country according to the January State Employment and Unemployment Summary report issued by the U.S. Bureau of Labor Statistics. Every 48 visitors to the state represents one job supported by the tourism sector. Competition for visitors post-COVID-19 will be even more fierce than ever before. Every tourism destination will be competing for the same high-value avid travelers that Hawai'i is targeting. The Department of Business, Economic Development and Tourism (DBEDT) is forecasting 5.5 million visitors in 2021 and 8.3 million in 2022. According to the Council on Revenue's projections presented on January 1, 2021, the TAT generated is estimated to be $198 million in FY21, $378 million in FY22, and $458 million in FY23.

Lastly, the central services utilized by HTA and HCC include those provided by the Department of Budget and Finance (treasury management and wire payment), the Department of Accounting and General Services (payroll, payments, contracts, pre-auditing, accounting, risk management, motor pool, construction via public works, etc.), and the Department of Human Resources Development (HR processing and guidance). We agree that HTA should pay for the services that are used, however, the 5% charge that this bill requires is significantly disparate with the limited services that are being used.

It is for these reasons that HTA **opposes** HB1297 HD1. We appreciate this opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR

CATHY BETTS
DIRECTOR

JOSEPH CAMPOS II
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

March 1, 2021

TO: The Honorable Representative Sylvia Luke, Chair
House Committee on Finance

FROM: Cathy Betts, Director

SUBJECT: **HB 1297 HD1 – RELATING TO STATE FINANCES.**

Hearing: March 2, 2021, 1:00 p.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) understands the intent of the measure and provides comments. DHS appreciates the amendments of the Committee on Health, Human Services, and Homelessness,

(1) Restoring the exemption from the five percent deduction into the general fund for central services expenses for the:

(A) Center for Nursing Special Fund;
(B) Passenger Facility Charge Special Fund;
(C) Hospital Sustainability Program Special Fund; and
(D) Nursing Facility Sustainability Program Special Fund; and

(2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

PURPOSE: The purpose of the bill makes certain special funds subject to deductions for central service expenses into the general fund. Repeals the community health centers special fund and emergency medical services special fund. Beginning 7/1/2021, transfers to the credit of the general fund any amounts allocated to those special funds, including amounts allocated from the cigarette tax and tobacco tax to those special funds. Beginning 7/1/2021 transfers to the credit of the general fund surcharges and cigarette tax revenue allocated to the trauma systems special fund. Makes a general fund appropriation to the department of health for operating expenses. (HD1)

DHS recognizes the large State budget shortfall due to pandemic conditions, and that this measure is likely designed to help address that shortfall. DHS appreciates the restoration of the central services exemption for the hospital sustainability program and nursing facility sustainability program special funds as the exemptions will allow the State to continue to maximize the amount of federal funds match that provides needed support to hospitals and nursing facilities, as well as additional funds for the Medicaid program.

Both the hospital and the nursing facility sustainability programs work by assessing a fee on private hospitals and nursing facilities. These fees are deposited into distinct special funds for each program administered by DHS. The money in the special funds is then primarily used as Hawaii's match to draw down additional federal Medicaid dollars that is paid back to hospitals and nursing facilities to help make up for low Medicaid reimbursements.

These sustainability program funds are also used to support the operations of the Medicaid program – which reduces the Medicaid program's State general fund need. Of note, no State general revenues are used, and the additional federal match dollars are generated using only the private dollars from participating hospitals and nursing facilities.

Both sustainability programs codified at sections 346-F and 346-G, Hawaii Revised Statutes, define the allowable uses of the fund, and outline that if the dollars are used for anything other than supporting the program then the program will become invalid and all of the benefits to the providers, Med-QUEST, and the State will go away. The central services assessments that would be directly deposited into the general fund are not allowable uses of the funds.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR

DR. CHRISTINA M. KISHIMOTO
SUPERINTENDENT

STATE OF HAWAI`I
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAI`I 96804

Date: 03/02/2021
Time: 01:00 PM
Location: 308 Via Videoconference
Committee: House Finance

Department: Education

Person Testifying: Dr. Christina M. Kishimoto, Superintendent of Education

Title of Bill: HB 1297, HD1 RELATING TO STATE FINANCES.

Purpose of Bill: Makes certain special funds subject to deductions for central service expenses into the general fund. Repeals the community health centers special fund and emergency medical services special fund. Beginning 7/1/2021, transfers to the credit of the general fund any amounts allocated to those special funds, including amounts allocated from the cigarette tax and tobacco tax to those special funds. Beginning 7/1/2021 transfers to the credit of the general fund surcharges and cigarette tax revenue allocated to the trauma systems special fund. Makes a general fund appropriation to the department of health for operating expenses. (HD1)

Department's Position:
The Hawaii State Department of Education (Department) is <u>opposed</u> to HB 1297, HD1.

Section 1 of HB 1297, HD1 would eliminate the existing exemption from a five percent central service assessment from all but four special funds statewide.

This bill seeks to impose a five percent assessment against all revenues for the following Hawaii State Department of Education (Department) funds:
1. Summer School and Inter-session Fund (302A-1310);
2. School Food Service special fund (302A-405);
3. State educational facilities improvement (SEFI) special fund (fund has no revenues);
4. Reimbursements for Lost Textbooks and Equipment (302A-1130);
5. Hawaii 3R's school improvement fund (302A-1502.4); and,
6. After-school plus program revolving fund (302A-1149.5).

A decrease in the Department's special funds would negatively impact access to learning and the critical safety nets for a significant number of students, particularly the Department’s most vulnerable learners, at a time when State support for public schools has waned and expenses have increased.

The additional assessments would reduce resources that would go to support students and school operations. A deduction of five percent from any of the Department’s special funds will impact schools and their ability to provide the necessary services to their students. After-school and out-of-school programs will need to either:

1. Pass on the assessment to the student's families;
2. Ask schools to redirect their general funds to offset the loss of revenues; and/or,
3. Cut back on support staff or programs that nurture and assist students who are in need of these programs to keep them safe, focused, and academically challenged.

In addition, the Department is unclear as to what central services expenses are being incurred to support the programs these funds support. To a large extent, these programs (Summer School, School Food Service, and A+) incur their own administrative expenses mainly to reduce any central service expenses.

The Department would also note that:

- The SEFI fund historically received general obligation bond funds and no longer is receiving revenues; and
- The Hawaii 3R's fund is funded by taxpayers who elect to direct $2 of their state income tax refund for school repair and maintenance. Per statute, this fund is held outside of the state treasury and the State is not liable for the operation or solvency of the fund program or Hawaii 3R's.

Thank you for the opportunity to provide testimony on this measure.

The Hawaiʻi State Department of Education is committed to delivering on our promises to students, providing an equitable, excellent, and innovative learning environment in every school to engage and elevate our communities. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at www.hawaiipublicschools.org.

DAVID Y. IGE
GOVERNOR OF HAWAII

ELIZABETH A. CHAR, M.D.
DIRECTOR OF HEALTH

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Testimony COMMENTING on HB1297 HD1
RELATING TO STATE FINANCES.

REP. SYLVIA LUKE, CHAIR
HOUSE COMMITTEE ON FINANCE

Hearing Date: March 2, 2021 Room Number: N/A

Department Testimony: The impact of this measure is to supplant special funds with general funds for the emergency medical services special fund, the trauma system special fund, and the community health center special fund. This is accomplished by repealing various deposits from revenue sources and abolishing the special funds altogether.

If there is no dollar-for-dollar replacement of special funds, there will be impacts to individual and community health care services across the state.

With regard to various provisions to subject all special funds to the central service expenses fee, DOH cautions against those special funds with federal oversight from agencies like the US Centers for Medicare and Medicaid Services (CMS) that forbid federal funds from uses not approved by CMS.

<u>Community Health Centers Special Fund</u>

Repeal of the community health centers special fund without a corresponding dollar-for-dollar general fund or other appropriation will severely diminish the healthcare safety net for Hawaii's most vulnerable residents in the urban cores and rural areas:

Moneys are used to contract with fourteen (14) federally qualified health care centers (FQHC) to provide comprehensive primary care services to the uninsured/underinsured population statewide. In addition, this special fund is being used to provide primary and urgent care in Hana on the island of Maui, and for emergency room services in the Waianae Coast on the island of Oahu.

Out of an annual $7,703,909.83:

- **$5,038,647.00 encumbered annually** as direct financial support to FQHCs to provide medical (perinatal, pediatric, adult primary care) and support services to uninsured and underinsured individuals that are at or below two hundred fifty percent (250%) of the Federal poverty level. Optional services include behavioral health care, dental treatment, and pharmaceutical services. Access to primary health services reduces morbidity and mortality by providing timely, appropriate, and less expensive care, and thereby prevent the development and exacerbation of serious health conditions.
- **$1,130,000.00 encumbered annually** as direct financial support to Hana Health for the provision of urgent and primary health care services to the Hana community on the island of Maui. The community of Hana has the highest percentage of population in the state with no health insurance according to the 2016 Hawaii State Primary Care Needs Assessment Data Book published by the Family Health Services Division, Department of Health. Hana is also an isolated community, given the fact that the next closest medical facility providing urgent and primary care services is an estimated two and one half (2-1/2) hour drive from Hana.
- **$1,468,000.00 annually** as direct financial support to Waianae Coast Comprehensive Health Center for the provision of emergency room services between the hours of midnight to 8:00 a.m., 365 days a year. It is vital to the residents of the Waianae Coast to keep the emergency room open 24 hours a day, however many residents in the region are uninsured and are unable to pay for the services they receive. Accordingly, this contract provides the operating funds necessary to keep the emergency room open between the hours of midnight to 8:00 a.m.
- **$67,262.83 annually** to fund the Account Clerk III position 117426. $41,064.00 salary + $26,198.83 = $67,262.83 annually to track expenses and support other division operations.

<u>Trauma System Special Fund</u>

Diversion of moneys from the trauma system special fund without a corresponding dollar-for-dollar general fund or other appropriation will severely diminish the statewide trauma system, including direct support to trauma systems across the state for costs related to:

1. Under-compensated and uncompensated trauma care;
2. Maintaining on-call health care providers for trauma care; and
3. Staffing to operate the State's injury prevention program.

<u>Emergency Medical Services Special Fund</u>

Repeal of the emergency medical services special fund without a corresponding dollar-for-dollar general fund or other appropriation will severely diminish the healthcare safety net for Hawaii's most vulnerable residents in the urban cores and rural areas.

Estimates of reductions are as follows if no funds are appropriated:

	Oahu	Hawaii	Kauai	Maui
% of Special Fund	45%	19%	8%	28%
$ of Special Fund	$6.3M	$2.6M	$1.1M	$3.9M
Ambulance Cuts/Total	1-3 out of 21	2 out of 16	1 out of 6	2 out of 12; 8 hour/day helicopter reduction

9-1-1 services will also be impacted that will compound closures of stations or reductions in hours.

Thank you for the opportunity to testify.

Offered Amendments: N/A.

DAVID Y. IGE
GOVERNOR

CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

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

STATE OF HAWAIʻI
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1297, H.D. 1

March 2, 2021
1:00 p.m.
Via Videoconference

RELATING TO STATE FINANCES

The Department of Budget and Finance (B&F) opposes House Bill (H.B.) No. 1297, H.D. 1.

H.B. No. 1297, H.D. 1, proposes to:

- Make most special funds subject to the 5% central service assessment.
- Remove the exemption from the administrative expense assessment for the Trauma System Special Fund (TSSF) and Hawaiʻi Cancer Research Special Fund.
- Repeal the Community Health Centers Special Fund (CHCSF) and Emergency Medical Services Special Fund (EMSSF).
- Transfer to the credit of the general fund any amounts allocated to the CHCSF and EMSSF, including amounts allocated from the cigarette tax and tobacco tax beginning July 1, 2021.
- Transfer various revenue sources for the TSSF to the general fund.
- Make a general fund appropriation to the Department of Health (DOH) for operating expenses.

B&F cautions that a blanket repeal of most exemptions from the central service assessment could result in unintended consequences. There are various reasons why specific special funds were exempted, and B&F believes a thorough review is needed before all central service assessment exemptions are eliminated on a blanket basis. B&F defers to the respective departments for comment on their specific exemptions.

B&F and the Employees' Retirement System (ERS) strongly oppose the removal of the central service exemption for the funds of the ERS which include the Annuity Savings Fund, the Pension Accumulation Fund, and the Expense Fund. It is our understanding that removal of the exemption could jeopardize ERS' tax qualification under Section 401(a) of the Internal Revenue Code, resulting in possible loss of its status as a tax-qualified plan which could cause severe negative tax consequences for all its members. B&F respectfully requests that the exemption from the central service expense assessment be continued for the ERS funds.

As the department responsible for administering the Emergency and Budget Reserve Fund (EBRF) and EBRF-Separate Account, B&F does not believe it is fiscally prudent to assess central service expense fees on the State's official reserve funds. EBRF's sources of revenues are limited to interest earnings, appropriations made to EBRF by the Legislature, 5% of the State's general fund balance when certain conditions are met, and moneys from the Tobacco Settlement Special Fund (which are already assessed by DOH before the funds are deposited into the EBRF).

Some of EBRF's revenue sources are general funds. It does not appear to make sense to assess a fee, to be deposited into the general fund, on general fund revenue sources that are deposited into the EBRF. Rather than assessing a fee on reserve funds, it would appear more beneficial and judicious to retain all revenues within the reserve funds. Therefore, B&F respectfully requests that the exemption from the central service expense assessment be continued for the EBRF.

Regarding the impact H.B. No. 1297, H.D. 1, has on the other special funds, B&F defers to the respective departments.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR

DOUGLAS MURDOCK
CHIEF INFORMATION
OFFICER

OFFICE OF ENTERPRISE TECHNOLOGY SERVICES

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ETS.HAWAII.GOV

Written Testimony of
DOUGLAS MURDOCK
Chief Information Officer
Enterprise Technology Services

Before the

HOUSE COMMITTEE ON FINANCE
TUESDAY, MARCH 2, 2021

HOUSE BILL 1297, HD1
RELATING TO STATE FINANCES

Dear Chair Luke, Vice Chair Cullen, and members of the committee:

The Office of Enterprise Technology Services (ETS) **opposes** this bill, which makes the shared services technology special fund under HRS Section 27-43 subject to the five percent deduction into the general fund for central service expenses, among other things. Money in this fund originates from the central services deductions. This change would create a confusing loop in the calculation of both funds.

Thank you for the opportunity to provide testimony on this measure.

DAVID Y. IGE
GOVERNOR

THOMAS WILLIAMS
EXECUTIVE DIRECTOR

KANOE MARGOL
DEPUTY EXECUTIVE DIRECTOR

STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

TESTIMONY BY THOMAS WILLIAMS
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII

TO THE HOUSE COMMITTEE ON FINANCE

ON

HOUSE BILL NO. 1297, H.D. 1

March 2, 2021
1:00 P.M.
Conference Room 308

RELATING TO STATE FINANCES

Chair Luke, Vice Chair Cullen and Members of the Committee,

H.B. 1297, H.D. 1 proposes to amend Section 36-27(a) to allow the Director of Finance to deduct five per cent of all receipts of special funds to be transferred to the general fund of the state for the purpose of defraying the prorated estimate central service expenses of government. This amendment deletes the exemption of the funds of the Employees' Retirement System of the State of Hawaii (ERS) established under Section 88-109.

As it is currently written, the ERS's Board of Trustees strongly opposes H.B 1297, H.D. 1, as it would jeopardize the ERS's tax qualification under Section 401(a) of the Internal Revenue Code (IRC) which requires that, as a trust fund, all contributions must be used for the exclusive benefit of its members and beneficiaries.

Section 1(a) of H.B. 1297, H.D.1 includes the ERS Trust Funds, which are comprised of the ERS's (1) annuity savings fund, (2) the pension accumulation fund, and (3) the expense fund, under Section 88-109, as one of the funds from which the Director of Finance would transfer for the "general realizations of the State." This violation of the

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Telephone (808) 586-1735 • Fax (808) 586-1677 • http://ers.ehawaii.gov

IRC's exclusivity rule could cause the ERS to lose its status as a tax qualified plan and could cause severe negative tax consequences for all of its members.

IRS tax-qualification entitles the ERS and its members to favorable federal tax treatment. For example, ERS members do not have to include contributions made to the ERS as part of their taxable income until they receive a distribution from the ERS. Federal taxation may also be deferred when an ERS member's contributions are "rolled-over" to another qualified plan. Loss of the ERS's tax-qualification could result in the loss of this favorable tax treatment.

As a qualified governmental plan, and to maintain its tax-qualified status, the ERS must meet the requirements of section 401(a) of the IRC. The ERS would not meet the requirements of section 401(a) of the IRC if it allowed its trust funds to be used for any other purpose than for the exclusive benefit of its members and beneficiaries.

We respectfully request that the funds of the Employees' Retirement System be exempted from inclusion in this bill.

Thank you for this opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR

STATE OF HAWAI`I
CRIME VICTIM COMPENSATION COMMISSION
1164 Bishop Street, Suite 1530
Honolulu, Hawai`i 96813
Telephone: 808 587-1143
Fax: 808 587-1146

MARTHA ROSS
Chair

CLIFTON Y.S.CHOY
Commissioner

SANDRA JOY EASTLACK
Commissioner

PAMELA FERGUSON-BREY
Executive Director

TESTIMONY ON HB 1297
RELATING TO STATE FUNDS
by
Randi U. Barretto, SAVIN Governance Committee Chairperson
Crime Victim Compensation Commission

House Committee on Finance
Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair

Tuesday, March 2, 2021; 1:00 PM
Via Teleconference

Good morning/afternoon Chair Luke, Vice Chair Cullen, and Members of the House Committee on Finance. House Bill (HB) 1297, proposes to authorize the director of finance to deduct five percent of all receipts of all special funds, including the Automated Victim Information and Notification System Special Fund. Thank you for the opportunity to provide testimony **opposing** this measure.

The SAVIN Governance Committee (SGC) was created to establish guidelines and standards for planning, managing, and operating a successful SAVIN Program. The SGC works closely with the Department of Public Safety to increase public safety by ensuring that victims are given timely and accurate information that both enhances their ability to protect themselves and ensures they are able to fully participate in the criminal justice process if they so choose.

HRS §353-136(d) requires that the Statewide Automated Victim Information and Notification (SAVIN) Special Fund be used only for the SAVIN program, including operating expenses and salary of the SAVIN Coordinator. At the current level of annual revenue, the SAVIN program is sustainable and the fund can support the new contract and the SAVIN Coordinator position. However, the addition of the 5% fee proposed by HB1297 may increase expenditures above the $300,000 per year mandated cap.

The proposal, requiring deductions for central service expenses, will have a significant impact on the SAVIN program's ability to implement needed system upgrades and to be sustainable without requesting additional funding from Legislature in the future.

Thank you for providing me, on behalf of the SAVIN Governance Committee, the opportunity to testify in strong opposition to House Bill 1297.

DAVID Y. IGE
GOVERNOR

KENNETH S. HARA
MAJOR GENERAL
ADJUTANT GENERAL

STEPHEN F. LOGAN
COLONEL
DEPUTY ADJUTANT GENERAL

STATE OF HAWAII
DEPARTMENT OF DEFENSE
OFFICE OF THE ADJUTANT GENERAL
3949 DIAMOND HEAD ROAD
HONOLULU, HAWAII 96816-4495

TESTIMONY ON HOUSE BILL 1297 HD1
A BILL RELATING TO RELATING TO STATE FINANCES

PRESENTATION TO
THE HOUSE COMMITTEE ON FINANCE

BY

MAJOR GENERAL KENNETH S. HARA
ADJUTANT GENERAL AND DIRECTOR OF STATE EMERGENCY MANAGEMENT AGENCY

MARCH 1, 2021

Chair Sylvia Luke, Vice Chair Ty J.K. Cullen and Members of the House Committee on Finance.

I am Major General Kenneth S. Hara, State Adjutant General and the Director of the Hawaii Emergency Management Agency. I am testifying in **OPPOSITION** of House Bill 1297 HD1.

While the current draft of HB 1297 HD1 does not identify specific special funds categories, federal funding provided to the department of defense should not be considered due to potential violations of the Antideficiency Act (ADA) which prevents federal employees from spending or otherwise obligating funds for other than the purposes approved by Congress. These funds may have additional restrictions placed on their execution by the Federal Emergency Management Agency, Department of Homeland Security, or the Secretaries of the Army or Air Force as the appropriate sourcing agency

Thank you for the opportunity to testify on HB1297. If you have any questions or need additional information to our response, please contact our administrative services officer Rusty Spray at (808) 330-7744 or at rusty.spray@hawaii.gov

DAVID Y. IGE
GOVERNOR

STATE OF HAWAII
DEPARTMENT OF PUBLIC SAFETY
919 Ala Moana Boulevard, 4th Floor
Honolulu, Hawaii 96814

MAX N. OTANI
DIRECTOR

Maria C. Cook
Deputy Director
Administration

Tommy Johnson
Deputy Director
Corrections

Jordan Lowe
Deputy Director
Law Enforcement

No. ____________________

TESTIMONY ON HOUSE BILL 1297, HOUSE DRAFT 1
RELATING TO STATE FINANCES.
by
Max N. Otani, Director

House Committee on Finance
Sylvia Luke, Chair
Ty L. K. Cullen, Vice Chair

Tuesday, March 2, 2021; 1:00 p.m.
State Capitol, Conference Room xxx

Chair Luke, Vice Chair Cullen, and Members of the Committee:

House Bill (HB) 1297, House Draft (HD) 1 proposes to authorize the Director of Finance to deduct five percent of all receipts of all special funds, including the Statewide Automated Victim Information and Notification System (SAVIN) Special Fund, under the Department of Public Safety (PSD). The Department respectfully **opposes** this measure.

PSD is concerned about the measure's proposed requirement of deductions for central service expenses. In the past, the SAVIN Special Fund was exempted from being charged the central services cost because of the nature of the services for which this Special Fund was created. The imposition of deductions for central service expenses will negatively impact the SAVIN program's ability to implement needed system upgrades and to be sustainable without requesting additional funding from Legislature in the future.

HRS §353-136(d) requires that the SAVIN Special Fund be used solely for the SAVIN program, including operating expenses and the salary of the SAVIN Coordinator. The current contract for the automated SAVIN system ends next month in April 2021, and PSD is in the process of procuring a new contract that includes upgrades to the operating system to increase the timeliness and accuracy of notifications.

The SAVIN Coordinator monitors the SAVIN system 24/7 to ensure there are no system outages or missed notifications. Additionally, victims often contact the SAVIN program office for more information or to connect to additional support services. The Coordinator also works with other criminal justice agencies and community service providers to conduct outreach, improve services, and create opportunities for referrals between agencies.

At the current level of annual revenue, the SAVIN program is sustainable, with the ability to support the costs of the new contract and the SAVIN Coordinator position. However, any additional costs may increase expense obligations above the mandated annual cap of $300,000.

Thank you for the opportunity to present testimony on HB 1297, HD1.

DAVID Y. IGE
GOVERNOR

TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

Deputy Directors
LYNN A.S. ARAKI-REGAN
DEREK J. CHOW
ROSS M. HIGASHI
EDWIN H. SNIFFEN

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

March 2, 2021
1:00 P.M.
State Capitol, Via Videoconference

H.B. 1297, H.D. 1
RELATING TO STATE FINANCES

House Committee on Finance

The State of Hawaii, Department of Transportation (DOT) **strongly opposes** this bill which proposes the diversion of special fund revenues into the general fund. This diversion is in contravention of DOT's contractual obligations, federal limitations, and the constitutions of the United States and the State of Hawaii. In addition, this diversion will also adversely impact operations related to better serve the economic and maritime -related projects beneficial to the state, which are currently underway and future projects planned for the Aloha Tower complex.

The DOT respectfully offers the following comments concerning SECTION 1. Section 36-27, Hawaii Revised Statutes, of the bill for the Committee's consideration regarding the diversion of the rental motor vehicle customer facility charge special fund established under section 261-5.6. This is a special fund that generates airport revenues.

1.) The State, acting through DOT - Airports Division, is party to an Indenture of Trust (the Indenture) and several Statewide Airports Car Rental Facilities Concession Agreement and Facility Leases (the Leases) which govern the collection and application of rental motor vehicle customer facility charges (CFCs). These contracts require the rental car companies to remit all CFCs directly to the trustee for the nearly $450 million of outstanding State CFC bonds and contain specific and detailed provisions regarding the application of such amounts. The proposed bill would constitute a direct violation of these contractual agreements of the State. Further, based upon the existing structure, the proposed bill would decrease total CFC funding but would not correspondingly increase the operating and maintenance guarantees of the rental car companies, creating a structural operating shortfall for the State's consolidated rental car system.

2.) Article I, Section 10, Clause 1 of the United States Constitution, and, by incorporation, Article III Section 1 of the State's Constitution, known as the contract clause, prohibits any state from adopting any law “impairing the obligations of contracts.”

The proposed Bill’s diversion of CFC revenues would constitute an event of default under the Leases and the Indenture (including with respect to the nearly $450 million of bonds outstanding thereunder). In addition to constituting a significant threat to the ability of the airports system to continue to operate, this diversion would likely be considered unconstitutional due to the impairment of the Indenture and the Leases.

In addition, the DOT respectfully offers the following comments for the Committee's consideration regarding the diversion of the Aloha Tower fund created by section 206J-17.

1.) This fund supports the Aloha Tower Development Corporation’s (ATDC) mission to better serve the economic, maritime, and recreational needs of the people of Hawaii by developing, redeveloping, or improving the Aloha Tower complex, an area that encompasses Piers 4 to 11 of Honolulu Harbor. The proposed diversion of the Aloha Tower Fund will have a detrimental impact on projects currently underway and future projects that are in preliminary discussions that are intended to have significant economic benefit to the area as well as attractions consistent with the original purpose of the Aloha Tower Marketplace.

Finally, the DOT is concerned about the effects on the emergency medical services special fund and the trauma system special fund. The elimination or reduction of those funds will affect traffic safety. EMS first responders, respond to traffic crashes, treating crash victims on site as well as transporting victims to emergency departments, trauma centers, etc. It is vital that these patients receive care within the “golden hour.” A reduction in funding to these essential services may mean a reduction in care, leading to increases in serious injuries and/or fatalities.

Thank you for the opportunity to provide testimony.

CATHOLIC CHARITIES HAWAIʻI

COMMENTS on HB 1297 HD1: Relating to State Finances

TO: House Committee on Finance
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaiʻi
Hearing: Tuesday, 3/2/21; 1:00 pm; via videoconference

Chair Luke, Vice Chair Cullen, and Members, Committee on Finance:

Thank you for the opportunity to provide **Comments on HB 1297 HD1**, which makes special funds subject to deductions for central service expenses into the general fund. I am Rob Van Tassell, with Catholic Charities Hawaiʻi. **We urge your Committee to remove the following special funds from this bill:**

- **DOH: S306: Special Fund for the Department of Health's Child and Adolescent Mental Health Division (CAMHD)**
- **DHS: Interim Assistance Reimbursement Special Fund**
- **DHS: Spouse and Child Abuse Special Fund**

Catholic Charities Hawai`i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai`i for over 70 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai`i. We operate 2 programs which may be seriously impacted if 5% is deducted from the CAMHD special fund.

The Department of Health's Child and Adolescent Mental Health Division Special Fund provides critical services to children and adolescents across the State of Hawai`i. Cuts in this special fund would result in fewer critical services to high risk youth. Catholic Charities Hawaii's Community Based Residential II (CBR) program helps boys ages 12-17 who have sexual behavior problems and usually mental health issues as well. We are the only program of this kind in the state. Less state funding could mean we could not afford to keep staff and pay for the home we rent without that sufficient funding. These children are referred to us because they are unable to be maintained in their homes or in foster homes because of their behavior. Where would they go without specialized services like we provide? Might they become homeless or incarcerated in the future when their behaviors have not changed? Programs like ours at CCH give youth a second chance to live their lives as stable adults.

Our Intensive Clinical Services program (ICS) works with youth ages 3 to 20 who are at risk for out of home placement due to mental health and behavioral issues. They are funded directly through Medicaid reimbursements that CAMHD gets and passes along to us. If they were unable to continue to get their Medicaid reimbursements, they would be unable to pay us and this level of services would be eliminated unless they found another way to pay for it.

Please read the story on page 2. These programs can give kids a second chance at life and a stable future as they battle to overcome sexual, physical, and emotional abuse.

CLARENCE T. C. CHING CAMPUS • 1822 Keʻeaumoku Street, Honolulu, HI 96822
Phone (808)373-0356 • bettylou.larson@CatholicCharitiesHawaii.org

Catholic Charities Hawai`i is very worried that loss of funding and other changes to this special fund could cause the CAMHD mental health system to collapse. **The ICS level of care which CAMHD refers to as "Intensive In-Home" receives the highest number of referrals of all levels of care in their system.** Without funding, all of the youth at that level of care would be without services**. There are no alternatives right now in Hawaii.** There are few alternatives for the CBR level of care and we frequently have a waitlist for CBR services. Programs for children and youth at other agencies are similarly threatened if the CAMHD special fund loses funding.

We are also very concerned about the following 2 special funds at the Department of Human Services and the negative impacts on those most vulnerable in our society.

- **Interim Assistance Reimbursement Special Fund–** This special fund is used primarily to support State funded financial assistance payments for the General Assistance (GA) welfare benefit. The intent of this special fund is to avoid the need for emergency appropriations when caseloads rise during economic downturns. However, the current financial crisis resulting from the COVID-19 pandemic is of a magnitude far greater than the previous recession that prompted the IAR special fund's establishment.

- **Spouse and Child Abuse Special Fund–** This special fund is used by DHS to support staff programs, grants, and contracts that support and provide spouse or child abuse intervention or prevention programs. In the upcoming State Fiscal Year (2021-2022), the funds will be critical to assist DHS in implementing its Family First Prevention Services Act Plan. The Family First Prevention Service Act fiscal model is a reimbursement model, which requires the State to expend non-federal funds on eligible activities to seek federal reimbursement. If the Spouse and Child Abuse Special Fund is reduced, DHS may have difficulty in upfronting these costs.

Story of a 9 year old helped by CCH's CAMHD funded program:

Imagine a youth around age 9, struggling to find himself in the world while battling the echoes of his own sexual, physical, and emotional abuse. The frontline of defense is his ICS therapists, who have grown to be not only his most outspoken advocates, but also his most stable caregiving figures. When he first entered into ICS services four years ago, his behaviors were erratic and aggressive at best, and actively abusive toward others at worst. It was his ICS therapists that assisted the neglected, innocent part of himself to come to the forefront. It required hours of conflict with them over the years, fighting his worst impulses, leading to the current state that he is in now. Progress was not always in a positive direction. Last year, he was hospitalized due to a medical condition that robbed him of his eyesight and placed him in a coma for a month. This youth was without his ICS allies for around half a year. Believing in his resiliency, his therapists patiently awaited his return to their care, to continue growing into a healthy young child. At the present time, he is able to return to school, is out of shelters, and medically and psychologically stable. Nevertheless, the last dregs of his past continue to come out of the shadows through his behaviors, which only his ICS therapists fully understand, allowing them to compassionately and adeptly attend to, and assist him with these inpulses. His therapists continue to struggle alongside him to transcend the circumstances he was born into. **This is a service only the State can provide and a responsibility his therapists have committed to.**

We urge you to remove CAMHD's special fund and these 2 DHS special funds from this bill.
Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or bettylou.larson@catholiccharitieshawaii.org if you have any questions.

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Testimony to the House Committee on Finance
Tuesday, March 2, 2021; 1:00 p.m.
State Capitol, Conference Room 306

RE: HOUSE BILL NO. 1297, RELATING TO STATE FINANCES.

Chair Luke, Vice Chair Cullen, and Members of the Committee:

My name is Cheryl Vasconcellos and I am the Executive Director of Hana Health. On behalf of the 2,000 patients serviced each year, Hana Health **OPPOSES** House Bill No. 1297, RELATING TO STATE FINANCES.

The Community Health Center Special Fund provides funding for Hana Health to serve almost 2,000 residents and more than 600,000 visitors annually prior to the COVID-19 pandemic. Hana, Maui is one of the most isolated areas in the state. Located fifty-seven miles from Wailuku, the trip takes approximately two hours along a single lane road with six hundred seventeen turns and fifty-six one-lane bridges. Hana has been designated by the federal government as a Medically Under-Served Population, a Primary Care Health Professional Shortage Area, a Dental Health Professional Shortage Area and a Mental Health Professional Shortage Area. Hana Health is the only health care provider in the district providing the full scope of primary medical, dental, behavioral health and emergent/urgent care with a special emphasis on meeting the health needs of the primarily Native Hawaiian population. We are the backbone of COVID-19 response efforts in the district and the point of administration for vaccines to this most vulnerable, high risk population.

In addition to providing primary care to this under-served community, Hana Health is an integral part of the statewide emergency services system, providing urgent/emergent medical treatment to seriously ill patients who either come to the health center on their own or are brought to the health center by ambulance. When needed, Hana Health coordinates transport of patients to the Maui Memorial Medical Center in partnership with American Medical Response. This takes place seven days a week, 24 hours a day, 365 days a year. More than two hundred patients a year are cared for **after** regular health center hours. This does not include emergency patients served during regular operating hours. The recent, tragic drowning of a visitor at Waioka pond required the Hana Health provider to pronounce death and the health center to hold the body and comfort her travel companions until the coroner's office could arrive some four hours later. Unfortunately, this is not an isolated incident. Who will provide these services if not Hana Health?

State funding for Hana Health is mandated by ACT 263 which guarantees continued state financial support to sustain the development of a community-based health care program in the Hana District. **The state has met its obligation in this regard through the Community Health Center Special Fund**. Since, its inception, the special fund has provided Hana Health with a stable funding mechanism, assuring that needed medical care and support services would continue to be available in the Hana community. State funding has been used to successfully leverage federal dollars to support and expand needed health care and support services in the district. **Prior to establishment of the special fund, Hana Health was forced to secure an appropriation through the legislative process every year.** This unpredictable and expensive approach to maintaining a health care delivery system in our remote community is ineffective and results in a loss of providers and other health care workers, erratic service delivery and subsequently poor patient outcomes.

Please assure that equitable and consistent care is available to the people of Hana as you have always done and support the continuation and expansion of the Community Health Center Special Fund. We urge you to OPPOSE HB1297, RELATING TO STATE FINANCES. Thank you for your consideration.

HAWAII SUBSTANCE ABUSE COALITION

HB1297 Special Fund for Services

COMMITTEE ON FINANCE:

- Rep Sylvia Luke, Chair; Rep. Ty Cullen, Vice Chair
- Tuesday, Mar. 2, 2021: 1:00: Videoconference

HSAC Opposes HB1297:

ALOHA CHAIR, VICE CHAIR AND DISTINGUISHED COMMITTEE MEMBERS. My name is Alan Johnson. I am the current chair of the Hawaii Substance Abuse Coalition (HSAC), a statewide organization of over 30 substance use disorder and co-occurring mental health disorder treatment and prevention agencies.

The 5% Reductions would be hurtful for many health services, especially for health services.

1. Would be harmful to services to the Department of Health for behavioral health services, including services for the youth.
2. Would adversely impact hospital, nursing and Medicaid shortfall funds.

We appreciate the opportunity to provide testimony and are available for questions.

HB-1297-HD-1
Submitted on: 2/28/2021 5:51:57 PM
Testimony for FIN on 3/2/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Louis Erteschik	Hawaii Disability Rights Center	Oppose	No

Comments:

The Hawaii Disability Rights Center wishes to express its utmost gratitude for the legislature's history of support for the Indigent Legal Assistance Fund, and we want to express our opposition to and grave concern over any attempt to either abolish the fund or remove any sums of money from it.

The Hawaii Disability Rights Center is the state designated protection and advocacy system, having been designated by prior Governors in several Executive Orders to provide advocacy services to individuals with disabilities, in accordance with various federal laws. Hawaii law expressly recognizes the obligation of the state to provide advocacy services to individuals with developmental disabilities and mental illness in order to receive federal funds. The federal statutes require, as a condition of funding services provided by a number of state agencies, that a protection and advocacy agency be established by the State. In requesting federal funding for various state projects, every Governor has provided assurances to the federal government that federal funds distributed to HDRC do not supplant funds that are available from state and local sources.

The distribution that we receive from the Indigent Legal Assistance Fund represents almost all the state monies that we receive. As I am sure you can appreciate, federal funding has plateaued over the past several years, while expenses have continued to increase. Fundraising opportunities for a legal services corporation like ours are very limited, and they would force us to compete with other legal services providers for the same donors. For that reason the monies we have received from the Indigent Legal Assistance Fund have truly been a blessing.

The Hawaii Disability Rights Center is a small, efficient agency that serves thousands of individuals each year with legal issues surrounding their various disabilities. It is estimated that approximately fifteen percent of the individuals within the state may have a disability. Most of those individuals are also among the poorest in our state. We effectively utilize our resources and keep our administrative costs to a minimum. Thus, without the additional funds we received from ILAF, we would have been forced to substantially reduce our activities, cut staffing, and provide fewer services to the most needy, vulnerable population in our state at a time when their needs are increasing.

We are grateful to the Judiciary and the Hawaii Justice Foundation for their leadership and exemplary efforts to ensure the smooth, efficient functioning of this program. We have worked closely with them on its implementation and we hope that the legislature will continue to fund the ILAF program in the upcoming budget and in the years ahead. Your continued support will enable us to address the needs of the population we serve. Your assistance will be so much appreciated by our clientele.

Thank you again for everything.

Center for Hawaiian Sovereignty Studies
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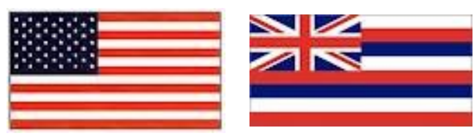
(808) 247-7942
Kenneth R. Conklin, Ph.D. Executive Director
e-mail Ken_Conklin@yahoo.com
Unity, Equality, Aloha for all



To: House Committee on Finance
For hearing Tuesday, March 2, 2021

Re:
HB1297,HD1 RELATING TO STATE FINANCES
HB1298 RELATING TO STATE FUNDS
HB1299 RELATING TO NON-GENERAL FUNDS

CONSOLIDATED TESTIMONY IN SUPPORT OF HB1297, HB1298, HB1299 AND THE UNDERLYING CONCEPTS THEY IMPLEMENT. SPECIAL ATTENTION TO OHA

Mahalo nui loa to Sylvia Luke, Chair of the House Committee on Finance, for conceptualizing and authoring these bills regarding "special funds" and for bringing them forward to a hearing. Thanks to her also for clipping a notch in the ear of a sacred cow which we desperately need to milk.

The basic principle embedded in these bills is that unencumbered money remaining in special funds should lapse and be returned to the general fund. As coaches and teachers might say about muscle tone and skills: USE IT OR LOSE IT.

Other basic principles are that money held by government agencies comes from taxpayer dollars combined with fees and revenues earned by property owned by the government on behalf of all our people; and that money is fungible and may be spent only for the specific purposes authorized by the legislature -- purposes which the legislature always has a right to change as changing circumstances may call for.

There's nothing new about "raiding" the special funds. Two favorite funds for raiding over many years have been the Hurricane Relief Fund and the Highway Fund (much to the displeasure of motorists and the double-happiness of car repair shops).

At this time of financial crisis caused by the COVID-19 virus, people and businesses have great need for government assistance; even while government has great loss of revenue. Hence the need for big-time raiding of cash hoarded by numerous special funds.

There is one government agency that has a HUGE cash stash of hundreds of millions of dollars accumulated during four decades by hoarding government money that should have been spent providing help to needy beneficiaries. That Daddy Warbucks among Hawaii's special funds is OHA -- the Office of Hawaiian Affairs. According to their annual report, as of July 1, 2020 OHA had $666,000,000 of assets, mostly in stocks, bonds, and real estate -- by now probably much more. That money has been sucked out of Hawaii's economy and buried like pirate's treasure. The auditor assigned to draw a map to the treasure's location has had his pen taken away by the pirate.

No other Hawaii government agency has ever hoarded so much money as OHA. You, the state Legislature, can and should go grab as much of it as necessary to help our desperately needy families and businesses, instead of dreaming up new taxation schemes that will hurt us even more. While we are desperate for money for basic needs like food and rent, OHA has bills in the legislature, and a history of many lawsuits against the State, demanding more, MORE money to make the cash stash bigger and BIGGER. And what do they plan to do with all that money? For more than two decades they have spent tens of millions of dollars lobbying Congress and the Department of Interior to pass legislation or proclaim a regulation to establish a federally recognized tribal "Nation of Hawaii"; and, alternatively, they have paid authors and outside "experts" on "international law" to describe strategies for ripping the 50th star off the flag to make a "Nation of Hawaii" truly sovereign and independent. Either way, OHA leaders and employees have made clear their intention to simply turn over OHA's cash stash to the Hawaiian nation; and then turn out the lights at OHA while raising a banner saying "Mission Accomplished!" Not even a Mahalo to the oppressor colonizer United States or its subsidiary puppet regime, the "Fake State of Hawaii."

So how has Chairwoman Sylvia Luke clipped a notch in the ear of a sacred cow? Two of these bills, HB1298, HB1299, actually mention the name of that sacred cow -- OHA -- and name specific programs inside OHA whose funds should lapse and be returned to the general fund. It's only a notch in the ear, not a piece of the tail or a chunk of offal. But there's a famous proverb from Chapter 64 of the Tao Te Ching by Lao Tse, or sometimes said to have been stated by Confucius: A journey of a thousand miles begins with a single step.

HB1298 and HB1299 introduced in the House Committee on Finance show that the Legislature might finally muster the courage to fight back against the bully OHA -- the bills are a portent that OHA is losing the mandate of heaven.

OHA propagandists like to say that either the Statehood Admissions Act of 1959, section 5(f); or the Hawaii Constitution Article XII Section 6; require that 20% of ceded land revenues must be paid to OHA. That is false. Section 5(f) of the Admissions Act lists 5 purposes for which ceded land revenue can be spent and identifies one of them as "for the betterment of native Hawaiians AS DEFINED IN THE HAWAIIAN HOMES COMMISSION ACT OF 1920" [i.e., Hawaiians with at least 50% native blood quantum -- a clear reference to supporting what is now known as DHHL and clearly not a reference to what is now known as OHA whose beneficiaries are identified according to the "one drop" rule].

There is a long history of contentious negotiation, legislation, and litigation over the amount of money owed to OHA under the rule specifying 20% of ceded land revenue.

The requirement to pay OHA 20% of ceded land revenue is statutory law enacted as Act 273, Session laws of 1980. It is not in the Statehood Admissions Act nor in the State Constitution. Therefore, this law can be amended by the legislature at any time to reduce the percentage; or the law can be rescinded entirely.

At this time of severe budget crisis, Act 273, Session laws of 1980 should be rescinded. OHA should be funded in the same manner as any other branch of the State government; i.e., by an appropriation included in the annual or biennial State budget, including a line-item listing of the purposes for which the money may be spent. Then there would be no further conflict or litigation over how to calculate the 20%.

Furthermore, the 20% rule violates one of the fundamental principles of legislative control over budgeting; namely, that specific amounts of government money are appropriated by the legislature for specific purposes, and administrative agencies are not allowed to re-allocate money among those purposes or to different purposes altogether. Lapsing unencumbered money back to the general fund is one way the legislature can exercise its authority to designate the purpose for appropriated money to be spent. Raiding special funds in the middle of a budget cycle is another way of doing this. But under the 20% rule money is simply handed over to OHA with no designated purposes and no accountability for results. Rescinding the 20% rule is an important way to free the legislature to exercise its power to lapse or to raid.

Act 273 (1980) says "twenty per cent of all funds derived from the public land trust ... shall be expended by the office of Hawaiian affairs ... for the purposes of this chapter." Act 273 does not say the funds may be invested in an investment portfolio, it says the funds SHALL BE EXPENDED to provide services. "Shall" means it is mandatory, which is very different from "May" which is merely permissive. Yet OHA seems to think it can grab tens of millions of dollars every year which it then invests or uses for political purposes such as lobbying for the Akaka bill or building a racial registry for "nationbuilding", but OHA fails to provide more than sporadic and inadequate funding for purposes which OHA should be supporting.

According to its 2020 Annual Report, OHA has $666 Million in assets -- a Beastly number. No other agency of the state government is allowed to squirrel away huge amounts of wealth as a permanent cash stash. At its current level of expenditures OHA has enough money in its slush fund to pay all its current expenditures for more than a decade. Stop feeding this beast! And feel free to raid it. Indeed, the legislature has a moral obligation to make use of hundreds of millions of dollars lying fallow, to avoid raising taxes on suffering citizens.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TOBACCO, MOTOR VEHICLE, MISCELLANEOUS, Modifications to Special Funds

BILL NUMBER: HB 1297, HD1

INTRODUCED BY: House Committee on Health, Human Services, & Homelessness

EXECUTIVE SUMMARY: Makes certain special funds subject to deductions for central service expenses into the general fund. Repeals the community health centers special fund and emergency medical services special fund. Beginning 7/1/2021, transfers to the credit of the general fund any amounts allocated to those special funds, including amounts allocated from the cigarette tax and tobacco tax to those special funds. Beginning 7/1/2021 transfers to the credit of the general fund surcharges and cigarette tax revenue allocated to the trauma systems special fund. Makes a general fund appropriation to the department of health for operating expenses.

SYNOPSIS: Amends section 36-27, HRS, to subject to the 5% central services assessment 31 funds previously exempt.

Amends section 36-30, HRS, to subject the trauma system special fund (section 321-22.5, HRS) and Hawaii cancer research special fund to assessments for pro rata shares of the administrative expenses of the state department to which those funds are attached.

Repeals the community health centers special fund (section 321-1.65, HRS).

Repeals the emergency medical services special fund (section 321-234, HRS).

Amends section 245-15, HRS, to sunset the earmarks on tobacco tax imposed on the sale of cigarettes on June 30, 2021.

Amends section 249-31, HRS, to delete the earmark on the vehicle registration fee to the emergency medical services special fund.

Amends sections 291-11.5 and 291-12, HRS, and various sections in chapters 291C and 291E, HRS, to delete the earmark on certain traffic fines to the trauma system special fund.

Makes conforming amendments and lapses unencumbered balances to the general fund.

EFFECTIVE DATE: 7/1/2021.

STAFF COMMENTS:

Central Service and Departmental Expense Assessments

A Hawaii law dating back to 1955, which now can be found at HRS section 36-27, says that 5% of any special fund's income will be paid to the state general fund to pay "central service expenses," which we assume are shared services costs such as payroll, accounting, compliance reporting, and other administrative costs. HRS sections 36-28, 36-28.5, and 36-29 apply a similar skim to the highway, airport, and harbor funds respectively, except that the 5% applies to the fund's income net of payments for principal and interest on bonds.

The same 1955 law contained another provision, now found at HRS section 36-30, which says that each special fund "shall be responsible for its pro rata share of the administrative expenses incurred by the department responsible for the operations supported by the special fund concerned." This law does not provide for a flat percentage, but instead requires the state department in charge of the special fund to figure out the proper administrative costs.

Reports to the Legislature by the Department of Budget and Finance show the amounts assessed in recent years:

Fiscal Year Ending 6/30/	Central Services Expense Assessments	Departmental Expense Assessments
2020	46,947,570.24	3,737,506.07
2019	46,080,139.52	4,015,073.08
2018	43,982,878.44	4,167,370.49

In 1994, the State Auditor, Marion Higa at the time, issued Report 94-17 on these assessments. She concluded that it was appropriate for special funds to pay their fair share of administrative costs. But she observed that a flat 5% seemed to be an arbitrary percentage and wondered whether it was a reasonable amount, observing that other states that charged central services expenses were charging quite a bit less in percentage terms.

To determine whether the 5% flat amount is fair, we need to know what costs this charge was meant to cover. The State Auditor recommended that the Department of Budget and Finance put out some rules, which the statute authorizes explicitly, to add clarity and consistency. We're still waiting for those rules.

Repeal of Special Funds

The 1989 Tax Review Commission noted that use of special fund financing is a "departure from Hawaii's sound fiscal policies and should be avoided." It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds which merely set aside general funds cannot be justified as such actions restrict budget flexibility, create inefficiencies, and lessen accountability. It recommended that such programs can be given priority under the normal budget process without having to resort to this type of financing.

Repeal of special funds enhances transparency and accountability in the budgeting process.

Digested 2/27/2021

PHOCUSED

PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

March 2, 2021

TO: Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair
Members of the House Committee on Finance

FROM: Christy MacPherson, Director, PHOCUSED

SUBJECT: Testimony: Relating to State Finances

Hearing: March 2, 2021 at 1:00 pm
Via videoconference

Chair Luke, Vice Chair Cullen, and Members of the Committee on Finance.

PHOCUSED is a nonpartisan project of Hawai`i Appleseed Center for Law and Economic Justice and comprises health and human service organizations and the people they serve across the State of Hawai`i. We have been collaborating on advocacy pertaining to critical procurement and service delivery issues that directly impact our providers.

Thank you for the opportunity to provide testimony **in opposition** to HB1297, HD1 with recommendation of amendments if the bill is passed.

PHOCUSED has concerns about this bill for the following reason:

- Critical services rely on Special Funds and therefore, such funds should not be subjected to transferring their 5 percent deductions into the State's General Fund.

Should HB1297, HD1 be passed, PHOCUSED recommends that language clarifying a deliberate process with a tiered proposal of what will be done with these funds be inserted into the bill.

Thank you for the opportunity to submit testimony on this issue.

PHOCUSED IS A PROJECT OF HAWAI'I APPLESEED

733 BISHOP STREET, SUITE 1180 • HONOLULU, HI 96813 • (808) 587-7605 • PHOCUSED.ORG

Healthcare Association of Hawaii

March 2, 2021 at 1:00 pm
Via Videoconference

House Committee on Finance

To: Chair Sylvia Luke
Vice Chair Ty J.K. Cullen

From: Hilton Raethel
President and CEO
Healthcare Association of Hawaii

Re: Submitting Comments
HB 1297 HD 1, Relating to State Finances

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 170 member organizations who represent almost every aspect of the healthcare continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities, and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high-quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

Thank you for the opportunity to provide **comments** on this measure. We are very appreciative that the previous committee amended this measure to maintain the exemption from the central services fund for the hospital sustainability program special fund and the nursing facility program special fund. This exemption is key to maximizing federal dollars coming into the state to support healthcare providers and Medicaid beneficiaries and we urge your committee to maintain this exemption.

As background—the sustainability programs work by assessing a fee on private hospitals and nursing facilities. That fee is deposited into a special fund housed within the Department of Human Services. The money in the special fund is then used as the state match to draw down additional federal Medicaid dollars that is paid back to hospitals and nursing facilities to help make up for low Medicaid reimbursements. (The payments do not cover the full cost of care but help to lessen the losses.) Importantly, no general state funds are used—the additional federal dollars are generated using only the private dollars from participating hospitals and nursing facilities.

By eliminating the exemptions for these funds, we would likely violate HRS 346-F(4) and HRS 346-G(4) and invalidate this successful program. Further, we would have to raise fees on hospitals and nursing homes, which have experienced severe financial hardship during the pandemic because of increased costs and lowered utilization related to the pandemic.

Thank you for the opportunity to provide our comments on this measure expressing appreciation for the previous committee's amendment to maintain the exemption for the hospital and nursing facility sustainability program special funds and urging this committee to maintain that exemption.

HPCA

HAWAI'I PRIMARY CARE ASSOCIATION

Testimony to the House Committee on Finance
Tuesday, March 2, 2021; 1:00 p.m.
State Capitol, Conference Room 308
Via Videoconference

RE: HOUSE BILL NO. 1297, RELATING TO STATE FINANCES.

Chair Luke, Vice Chair Cullen, and Members of the Joint Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA respectfully **OPPOSES** House Bill No. 1297, RELATING TO STATE FINANCES.

Among other things, this bill would repeal the Community Health Center (CHC) Special Fund and transfer any amounts remaining to the General Fund on July 1, 2021.

By way of background, the HPCA represents Hawaii's Federally-Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

We are Kalihi-Palama Health Center, Kokua Kalihi Valley Comprehensive Family Services, Koolauloa Health Center, Wahiawa Health, Waianae Coast Comprehensive Health Center, Waikiki Heath, Waimanalo Health Center, Bay Clinic, Hamakua Health Center, West Hawaii Community Health Center, Lanai Community Health Center, Hana Health, Malama I Ke Ola Health Center, Molokai Community Health Center, and Kauai Community Health Center.

When COVID-19 hit our islands in February 2020, county governments implemented emergency powers to enforce social distancing throughout communities. These steps were followed by the Governor issuing Emergency Proclamations ceasing all businesses and operations not identified as essential.

As an unintended and unexpected result from these actions, patients stopped going to FQHCs except for when they were sick. Because FQHCs are structured to provide primary care and the proactive management of chronic diseases and conditions, FQHCs saw a significant decrease in the amount of patients who normally frequent these other services, such as optometry, and dentistry, to name a few.

Because the margins for FQHCs were (and still are) so tight, FQHCs in Hawaii began to lay off not only workers who provided those other services, but more importantly, primary care providers. The situation got so bad that it was unclear how long many of Hawaii's FQHCs could sustain this diminishment of revenue.

Because of this, on March 26, 2020, HPCA Board Chair Cheryl Vasconcellos, and HCPA Chief Executive Officer Robert Hirokawa sent a letter to Governor Ige, in which both Senate President Ron Kouchi and House Speaker Scott Saiki were copied, that pleaded for assistance from the State to keep Hawaii's fifteen FQHCs operational during the pandemic. Among other things, the HPCA requested the State's assistance in payment adjustments, the timely compliance with supplemental payments, and the provision of telehealth services, including reimbursement for services provided via standard telephone contact.

In recognition that the failure of a single FQHC, let alone all of them, would seriously and irreparably decimate Hawaii's social safety net, the Departments of Human Services and Health provided a rapid infusion of resources to keep the FQHCs afloat.

As the months progressed and some of the social distancing restrictions were relaxed, patients began to return to FQHCs for primary care but not nearly to what was experienced before COVID-19 hit. The alternative payment "patch" and the provision of reimbursement for telehealth services has helped, but the margins for most if not all FQHCs are still razor thin.

Despite this, FQHCs have stepped up to help during the pandemic. FQHCs have instituted vaccination programs with the State and counties, fronting up the costs for administration since the federal government only provides the vaccine, because this is desperately needed by our patients and the community. We've even put on food drives to help the thousands of workers laid off during this unprecedented economic crisis.

To get us through these rough times, we have relied on the only dedicated source of assistance from the State -- the Community Health Center Special Fund. This is what this fund provides each year:

(1) $5,038,647 to provide medical (perinatal, pediatric, adult primary care) and support services to uninsured and underinsured individuals that are at or below two hundred fifty percent of the federal poverty level. Optional services includes behavioral health care, dental treatment, and pharmaceutical services. Access to primary health services reduces morbidity and mortality by providing timely, appropriate, and less expensive care, and thereby prevent the development and exacerbation of serious health conditions;

(2) $1,130,000 to contract with Hana Health for the provision of urgent and primary health care services to the Hana community on the Island of Maui. The community of Hana has the highest percentage of population in the State with no health insurance according to the 2016 Hawaii State Primary Care Needs Assessment Data Book published by the Family Health Services Division, Department of Health. Hana is also an isolated community, given the fact that the next closest medical facility providing urgent and primary care services is an estimated two and one half hour drive from Hana; and

(3) $1,468,000 to contract with Waianae Coast Comprehensive Health Center for the provision of emergency room services between the hours of midnight to 8:00 a.m., 365 days a year. It is vital to the residents of the Waianae Coast to keep the emergency room open 24 hours a day, however many residents in the region are uninsured and are unable to pay for the services they receive. Accordingly, the contract provides the operating funds necessary to keep the emergency room open between the hours of midnight to 8:00 a.m.

In addition, the Department of Health is in the process of encumbering an additional $3,500,000 from the Community Health Center Special Fund for the operations of the fifteen FQHCs. These funds will ensure that the FQHCs are able to continue providing vital services to the community as well as COVID-19 related services like testing, community education/outreach, and vaccinations.

The repeal of the CHC Special Fund would be devastating to the entire system of FQHCs throughout the State. Unless funds are provided to supplant those lost from the repeal of the Community Health Center Special Fund, come July 1, 2021, operations at all FQHCs will be significantly curtailed.

It is unclear whether FQHCs will be able to continue to treat uninsured and underinsured patients who are at or below 250% of the federal poverty level.

It is unclear whether Hana Health will be able to keep their urgent and primary health care services open.

It is unclear whether Waianae Coast Comprehensive Health Center will be able to keep their emergency room open from midnight to 8:00 a.m., 365 days a year.

It is unclear whether FQHCs will be able to continue to participate in COVID-19 related services like testing, community education/outreach, and vaccinations.

All of these outcomes will have lasting and consequential impacts on already weakened and devastated communities coming to grips with record unemployment, the loss of employer-sponsored health care, and severe financial hardship. The repeal of the Community Health Center Special Fund will undoubtedly exacerbate the difficulties the State will experience in recovering from the COVID-19 pandemic.

For the sake of the underprivileged and the sick, and for all of the rural communities in our State, we implore you to find another way of balancing the budget. The repeal of the Community Health Center Special Fund will destroy Hawaii's social safety net.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or eabe@hawaiipca.net.

To: House Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair

Date March 2, 2021, 1 PM
Conference Room 308 Videoconference

Fr: Bruce Iverson, Director of Marketing and Development
Reynolds Recycling, Inc.

Re: Testimony in Opposition to **HB 1297**

As Hawaii's largest Beverage Container Recycling company, we support the intent of the legislature to be fiscally responsible, we are strongly opposed to **HB 1297**.

Unlike most special funds monies that are appropriated from the state budget and put into a special fund, the DBC special fund consists of funds that are held in trust, but actually belong to the consumer. Every time they purchase a beverage in a DBC container, that deposit is entrusted to the state, so that it can be returned when they recycle.

As such, the Deposit Beverage Special Fund monies are vastly different from other special funds, and should not be added to the general fund.

For these reasons and more, we are **strongly opposed to HB 1297**.

Address: 1122 Mikole Street, Honolulu, Hawaii 96819 Ph. 487-2802 Fax. 486-7753

HAWAII HEALTH SYSTEMS
C O R P O R A T I O N
Quality Healthcare For All

HOUSE COMMITTEE ON FINANCE

March 2, 2021
1:00 p.m.
Via Videoconference

Testimony Strongly Opposing House Bill 1297, H.D.1
RELATING TO STATE FINANCES.
Makes certain special funds subject to deductions for central service expenses into the general fund. Repeals the community health centers special fund and emergency medical services special fund. Beginning 7/1/2021, transfers to the credit of the general fund any amounts allocated to those special funds, including amounts allocated from the cigarette tax and tobacco tax to those special funds. Beginning 7/1/2021 transfers to the credit of the general fund surcharges and cigarette tax revenue allocated to the trauma systems special fund. Makes a general fund appropriation to the department of health for operating expenses. (HD1)

Linda Rosen, M.D., M.P.H.
Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony **in strong opposition to H.B. 1297, H.D.1** to the portion of this bill that removes HHSC's exemption from the State of Hawaii central service fee.

HHSC has not relied on the State of Hawaii to provide any administrative services on HHSC's behalf. HHSC maintains its own staff to perform such services as, respectfully, the State of Hawaii central service agencies do not have the healthcare expertise for the constantly changing and unique accounting, legal, billing, operations, and compliance requirements of the heavily regulated industry of health care.

If this bill passes, HHSC projects that it would incur additional expenses of over $19,240,000 in fiscal year 2022 and over $19,915,000 in fiscal year 2023. If this fee would be imposed on HHSC, HHSC would not be able to generate sufficient revenues to pay this fee and would then need to petition the State of Hawaii for additional general fund appropriations to pay for the central services fee to pay for services it does not receive.

Thank you for the opportunity to provide testimony on this measure.

3675 KILAUEA AVENUE • HONOLULU, HAWAII 96816 • PHONE: (808) 733-4020 • FAX: (808) 733-4028

HILO • HONOKAA • KAU • KONA • KOHALA • WAIMEA • KAPAA • HONOLULU
www.hhsc.org

American Cancer Society
Cancer Action Network
2370 Nu'uanu Avenue
Honolulu, Hi 96817
808.432.9139
www.fightcancer.org

House Committee on Finance
Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair

Hearing: March 2, 2021

ACS CAN STRONGLY OPPOSES HB1297 HD1: Relating to State Finances

Cynthia Au, Interim Government Relations Director – Hawaii Pacific
American Cancer Society Cancer Action Network

The American Cancer Society Cancer Action Network (ACS CAN), the nonprofit, non-partisan advocacy affiliate of the American Cancer Society advocates for public policies that reduce death and suffering from cancer. ACS CAN works with federal, state, and local government bodies to support evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem. ACS CAN recognizes that COVID-19 is serious and impacting all of our lives. At this critical moment with people focused on protecting their respiratory health, we must do everything in our power to keep our communities healthy and safe—which means building strong public health infrastructure including investing in cancer research. Long after this pandemic passes, people deserve to live full, healthy lives free from the ills of tobacco use. ACS CAN STRONGLY OPPOSES HB1297 HD1.

Cancer is the second leading cause of death in Hawaii with 2,500 deaths each year.[1] Continual funding of University of Hawaii (UH) Cancer Center in Hawaii ensures the continued progress in the fight against cancer. The UH Cancer Center is one of 71 research organizations in the U.S. designated by the National Cancer Institute (NCI) and the only one in the Hawaii Pacific region.[2] Its mission is to reduce the burden of cancer through research, education, patient care and community outreach with an emphasis on the unique ethnic, cultural and environmental characteristics of Hawaii and the Pacific.

The UH Cancer Center NCI Cancer Centers Program was created as part of the National Cancer Act of 1971 and is one of the anchors of the nation's cancer research effort. Through this program, NCI recognizes centers around the country that meet rigorous standards for transdisciplinary, state-of-the-art research focused on developing new and better approaches to preventing, diagnosing, and treating cancer.[3] As an NCI designated research center, the UH Cancer Center receives between $15 to $20 million in extramural

[1] CDC. Updated February 10, 2021 https://www.cdc.gov/nchs/pressroom/sosmap/cancer_mortality/cancer.htm

[2] University of Hawaii Cancer Center https://www.uhcancercenter.org/50years

[3] NCI https://www.cancer.gov/research/infrastructure/cancer-centers

funding from research grants. This outside funding supports research for more treatments to improve cancer patients' quality of life.

The Hawaii Cancer Research Special Fund, funds the UH Cancer Center revenue bonds and portions of the building-related operations of the UH Cancer Center. The elimination of the special fund would significantly impair the ability of the UH Cancer Center to function and would jeopardize the operations of the cancer center and the 50 years of progress in cancer research benefitting the people of Hawaii.

The UH Cancer Center is vital to lifesaving medical treatments for cancer patients and for the quality of life of cancer survivors. If we are serious about fighting death and disease, please hold HB1297 HD1. Thank you for the opportunity to strongly oppose this measure.

IRON WORKERS STABILIZATION FUND

March 2, 2021; 1 pm

House Committee on Finance
Via Videoconference
State Capitol
415 South Beretania Street

Re: HB1297 HD1 – Relating to State Finances

Aloha Chair Luke, Vice-Chair Cullen, and Members of the House Finance Committee,

We **OPPOSE** the HB1297 HD1 unless amended. The bill, if enacted, would repeal the community health centers special fund and emergency medical services special fund and negatively impact the trauma system special fund. The named special funds provide needed resources for the healthcare safety net for Hawaii's most vulnerable residents in the urban core and rural areas. President Joe Biden has clarified for us the cascade of crises that our society faces today: the virus, climate change, growing inequality, racism, America's global standing, and an attack on truth and democracy.

Here at home, the pandemic has resulted in over 580,000 workers filing unemployment claims last year. We in Hawai'i also face the distinct crisis of a looming homelessness tsunami. The moratoriums on evictions promulgated by the President and Governor are only stop-gap emergency measures that address public health and safety. Those measures do not address the underlying growing fiscal debt owed by renters and mortgagees to landlords and lenders. The Federal relief provided through CARES and subsequent legislation is greatly appreciated but does not keep pace with the growing debt. Many of our 'ohana have not been able to work and are now faced with upwards of a ten months' worth of back mortgage or rent payments that could be in the tens of thousands of dollars per family. Too many of our 'ohana and friends have been laid off or have had hours reduced. Thousands of working families are on the verge of financial collapse, having spent their savings, lost their private health insurance, and having dim prospects of returning to work soon or earning enough to survive. Our local families are faced with difficult to impossible financial choices, deciding between food and rent or mortgage payments, and gas and car payments. Thousands of our 'ohana that were drowning under these cascades of crises have chosen to relocate their family out-of-state. Too many of our 'ohana are now in need of basic health care support.

During the pandemic is not the time to stop the flow of resources to our Health social-safety net. We need to continue funding to allow our most vulnerable citizens access to health care in Wai'anae, Kalihi, and Waikiki on O'ahu, Hana, Maui, and Kaua'i, Hawai'i, and Moloka'i. Restore funds for Health Centers, Hawaii's Trauma System, and Emergency Medical Services.

Sincerely,

T. George Paris
Managing Director

TGP: MP

THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Sylvia Luke, Chair
The Honorable Ty J. K. Cullen, Vice Chair
Members, House Committee on Finance

From: Colette Masunaga, Director, Government Relations & External Affairs, The Queen's Health Systems

Date: March 2, 2021

Re: Opposition on HB1297, HD1: Relating to State Finances

The Queen's Health Systems (Queen's) is a nonprofit corporation that provides expanded health care capabilities to the people of Hawai‘i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai‘i. Over the years, the organization has grown to four hospitals, and more than 1,500 affiliated physicians and providers statewide. As the preeminent health care system in Hawai‘i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's appreciates the opportunity to testify in opposition to HB1297,HD1, which would impact the Trauma System Special Fund and the Neurotrauma Special Fund. We appreciate the previous Committee's amendments to the bill which preserve the Hospital and Nursing Sustainability Program Special Funds. We very respectfully urge this Committee to further exempt the Neurotrauma Special Fund under section 321H-4 and Trauma Special Fund under section 321-22.5 from this measure.

The Trauma System Special Fund is important for the sustainability of the statewide trauma program and we are concerned about transferring credit from the trauma system special fund to the general fund. Queen's is the only Level 1 trauma center for the state, providing services to 2,900 patients annually. Trauma services at Queen's must include 24/7 on-call specialist coverage, in-house Trauma surgery, in-house Anesthesia and Operating room staff, as well as numerous other specialized services and equipment to deliver life-saving interventions on a moment's notice. Queen's houses the 24/7 Transfer Call Center which provides support to neighbor island trauma patients and is the only comprehensive specialty on-call schedule in the state. The call schedules represent greater than 20 specialties including all surgical subspecialties including, neuro surgery, microvascular surgery (limb salvage and re-implantation surgery), facial and reconstructive surgery.

The Queen's Medical Center Punchbowl routinely receives trauma patients with severe injuries or sub-specialty needs from hospitals on every island and throughout the Pacific Basin. On the neighbor islands where access to Level I Trauma care is limited by geographic barriers, it may take several hours to reach Queen's; the State Trauma System ensures initial evaluation and resuscitation at Level III centers are accessible to the people of Hawaiʻi in every county. Underfunding or eliminating the State's trauma system special fund may result in decreased access to Trauma centers, reduction in services, higher complication rates, diminished functional outcomes, and higher death rates after injury. As death and disability after injury are a primary public health concern, especially in young adults, high quality Trauma care remains essential to the reduce loss of productive life years and improve outcomes after injury. The Trauma special fund is a critical resource which offsets those losses and maintains vital infrastructure for the State Trauma System.

In 2011, the Hawaiian Islands Regional Stroke Network was developed with The Queen's Medical Center (QMC) through a grant, supported by the Neurotrauma Special Fund. The Hawaiian Islands Regional Stroke Network provides residents with access to stroke-related health care in their respective communities through telemedicine. To date, Queen's has completed 1251 telestroke consults and treated 424 patients with IV Tissue Plasminogen Activator (tPA) by telemedicine, resulting in an estimated $19.1 million in cost savings for Hawaiʻi. The Hawaiian Islands Regional Stroke Network successfully transitioned to a self-sustaining model after the Neurotrauma grant concluded in 2018.

Additionally, Queen's was recently awarded a grant in FY2019, supported by the Neurotrauma Special Fund, to implementation of the Statewide RAPID program. RAPID CT perfusion software can identify patients on neighbor islands who require transfer and would otherwise be disabled if they did not receive this treatment. The hospitals that currently utilize RAPID are Wahiawa General Hospital, Hilo Medical Center, Kona Community Hospital, Kauai Veterans Memorial Hospital, Adventist Castle Medical Center, and Kuakini Medical Center.

Through the support for the State Neurotrauma Progam and resources from the Neurotrauma Special Fund, Queen's has been able to leverage the initial grant funding to improve the statewide access to timely expert stroke evaluation and treatment, and build sustainable systems of care for our communities across the state.

Thank you for your time and attention to this important issue.

SanHi
GOVERNMENT STRATEGIES
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: March 1, 2021

TO: Representative Sylvia Luke
Chair, Committee on Finance

FROM: Mihoko Ito

RE: **H.B. 1297 H.D.1, Relating to State Finances**
Hearing Date: Tuesday, March 2, 2021 at 1:00 p.m.
Conference Room: 309, Via Videoconference

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

We submit this testimony on behalf of Enterprise Holdings, which includes Enterprise Rent-A-Car, Alamo Rent-A-Car, National Car Rental, and Enterprise Commute (Van Pool).

Enterprise respectfully **opposes** H.B. 1297, H.D.1 Relating to State Finances, to the extent that it removes the exemption for the rental motor vehicle customer facility charge special fund from the central services fee (at page 3, lines 12-13).

While Enterprise appreciates the State's current fiscal situation, we would note that the monies collected in the rental motor vehicle customer facility charge special fund are already encumbered in the agreements between the Department of Transportation Airports Division and the rental car lessees for the building of airport consolidated rental car facilities. Under the agreement, the funding collected from rental car consolidated facility charges is required for the bonding of the facilities. The proposal in H.B. 1297, H.D.1 to remove the central services exemption will create financial operating shortfalls and jeopardize the projects (particularly the facility currently being built at Honolulu International Airport) from moving forward.

For these reasons, Enterprise respectfully requests that the central services exemption for the rental motor vehicle customer facility charge special fund be restored.

Thank you for the opportunity to submit this testimony.

First Hawaiian Center
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governmentaffairs@awlaw.com

HAWAIʻI PACIFIC HEALTH | KAPIʻOLANI PALI MOMI STRAUB WILCOX

Tuesday, March 2, 2021 at 1:00 PM
Via Video Conference

House Committee on Finance

To: Representative Sylvia Luke, Chair
Representative Ty Cullen, Vice Chair

From: Michael Robinson
Vice President, Government Relations & Community Affairs

Re: Testimony in Opposition to HB 1297, HD1
Relating to State Finances

My name is Michael Robinson, and I am the Vice President of Government Relations & Community Affairs at Hawaiʻi Pacific Health. Hawaiʻi Pacific Health is a not-for-profit health care system comprised of its four medical centers – Kapiʻolani, Pali Momi, Straub and Wilcox and over 70 locations statewide with a mission of creating a healthier Hawaiʻi.

HPH writes in opposition to HB 1297, HD1 which proposes to transfer to the general fund the surcharges and cigarette tax revenue allocated to the trauma system special fund.

We appreciate the amendments to the bill in excluding the hospital sustainability fund from the five percent surcharge, however, we remain concerned with the potential impact that would result to patient safety with the repeal of the trauma system special fund and on the sustainability of the trauma system in the State.

While we are sensitive to the challenging budget circumstances the State is confronting, we are compelled to write in opposition to HB 1297, HD1 which would adversely impact the trauma system special fund and the hospitals' abilities to provide care to patients suffering from traumatic injuries. The trauma special fund was created in order to provide funds to support the continuing development and operation of a comprehensive statewide trauma system to ensure the availability of care for trauma patients. A reduction in the amount of funds available to support trauma care will have a significant negative impact on hospitals' abilities to provide care for patients whose injuries require immediate attention and intervention to prevent further complications or death.

Hawaiʻi's trauma system is a cooperative network of nine trauma centers (including Tripler Medical Center), critical access hospitals and aeromedical services. The funding and development of the state trauma system allows the health care systems of the state to overcome its unique geographical challenges and to coordinate services, resources and transports across our unique island chain to serve the community. The trauma centers of this state collaborate closely to overcome its unique geographical challenges, spanning nearly 300 miles, with individual counties separated by miles of open water and isolated by over 2000 miles from the mainland. The trauma centers and aeromedical partners work collaboratively to expedite transfers and deliver efficient care to Hawaiʻi's community, and the loss of trauma funds would be a great disservice to the community of Hawaiʻi. The State trauma funds have been used collectively by Hawaiʻi's hospitals and individual health care systems to create a unified, collaborative state system which affords an injured individual the highest probability of survival and return to their pre-injury quality of life. The State of Hawaiʻi's Trauma System Plan has saved countless lives and returned loved-ones to their families as well as improved outcomes in decreasing the burden of disability for innumerable numbers of people across the state – visitors and kama`aina alike. An impact upon the trauma special fund could potentially impact the care provided to the populations we serve at our following programs:

Impact upon Pediatric Trauma Care: Kapiʻolani Medical Center's Level III Pediatric Trauma Program

Kapiʻolani serves approximately 200 infant and children trauma patients annually. The needs of pediatric patients suffering from a traumatic injury differ greatly from those of adult trauma patients. Monies from the trauma system special fund help subsidize trauma program costs which are necessary to ensure quality and ideally reduce the number of trauma cases.

The COVID-19 pandemic and statewide surge plan which went into effect in August, 2019 resulted in the diversion of all pediatric trauma cases from the state's Level I Trauma Center to Kapiʻolani. This brought high acuity severely injured children to our center that would have normally not been brought initially to our center, and has required additional training, education, implementation of new process and enhancement of our surgical supplies/equipment.

As the state's only designated Pediatric Trauma Center, the elimination of funding of our program would leave a service gap for the injured children in the state of Hawaiʻi. Traumatic injury remains the leading cause of death and disability in children in Hawaiʻi as well as across the nation. The loss of program funding will leave a service gap to Hawaiʻi's most vulnerable population.

Impact upon Oʻahu Level III Trauma Care: Pali Momi's Level III Trauma Program:

Pali Momi Medical Center provides care for more than 400 trauma patients per year and is the only Level III Trauma Center serving Central and West Oahu. Funds from the Trauma special funds is used to help subsidize trauma program costs The trauma funds do not cover the entire trauma program costs which are necessary to ensure quality and ideally reduce the number of trauma cases.

A loss or reduction in the amount of trauma funding Pali Momi receives would severely hamper the hospital's ability to treat trauma patients, particularly those patients suffering from trauma related injuries in Central and West Oahu. In the absence of Pali Momi, the only other trauma center accepting patients is situated at Queen's Medical Center, necessitating a farther distance to travel before appropriate care can be administered to the patient. With trauma cases, immediate treatment can make a difference in how well a patient recovers from the injuries sustained.

Impact upon Kauai: Wilcox Medical Center Level III Trauma Program:

As the largest medical facility on Kauai, Wilcox plays a crucial role in providing high quality health care for the entire island of Kauaʻi. At Wilcox these funds help subsidize trauma program costs

The trauma funds do not cover the entire trauma program costs which are necessary to ensure quality and ideally reduce the number of trauma cases. As the only trauma center on the island of Kauai, Wilcox is a vital link in providing prompt assessment, resuscitation, emergency surgery, and stabilization as well as arranging for transfer to a facility that has additional resources not available on Kauaʻi if necessary. In 2020, Wilcox treated 417 trauma patients; in 2019, 437 trauma patients were treated, and in 2018, 341 trauma patients were treated.

Wilcox was the first American College of Surgeons-verified Level III Trauma Center in the state of Hawaiʻi. Through the trauma program, Wilcox has been able to achieve improvement in our hospital's response to traumas and expediting workup on a level comparable to the requirements of the American College of Surgeons Committee on Trauma (ACS-COT). In addition, given our complex geography, having status as a Level III Trauma Center has allowed us to provide leadership in improving the transfer process. This is evidenced by decreased transfer times on our trauma quality improvement program report.

A reduction or loss of trauma funding would be devastating to the level of services Wilcox delivers to the residents of Kauai. The island community relies on Wilcox to provide trauma care.

Based on the above reasons, HPH respectfully opposes this measure. Thank you for the opportunity to testify.

WAIANAE COAST
COMPREHENSIVE
HEALTH CENTER
www.wcchc.com

Testimony to the House Committee on Finance
Tuesday, March 2, 2021; 1:00 p.m.
State Capitol, Conference Room 308
Via Videoconference

RE: HOUSE BILL NO. 1297 HD1, RELATING TO STATE FINANCES

Chair Luke, Vice Chair Cullen, and Members of the Finance Committee:

The Waianae Coast Comprehensive Health Center (Health Center) **strongly opposes HB 1297 HD1 Relating to State Finances**, specifically to repeal the Community Health Center (CHC) Special Fund.

Since the institution of the special funds, the Health Center has been supported by the community health centers special funds, in particular to support the Health Center's ability to maintain 24 hour emergency medical and disaster preparedness services for the isolated Waianae Coast communities.

Since the 1970's the Waianae community has demanded and supported that emergency services be provided through the Health Center. The State has always supported the importance of our Emergency Room services – for both medical emergency care and during disasters that cut off access to the Waianae community.

The Health Center's 24-hour Emergency medical services, which includes 24 hour laboratory and radiology services, is an integral part of the State Emergency Medical Services System (EMS). **Without stable funding from the Community Health Center Special Fund, the Health Center will not be able to operate during the midnight to 8:00 am hours.**

The Health Center strongly encourages that the **Community Health Center Special Fund be preserved and supported.**

Mahalo.

86-260 Farrington Highway, Waianae, Hawaii 96792-Telephone: (808) 697-3300 - Fax: (808) 697-3687
Visit our website at: www.wcchc.com

HB-1297-HD-1
Submitted on: 3/1/2021 12:57:18 PM
Testimony for FIN on 3/2/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kristen Alice	HOPE	Oppose	No

Comments:

Hope Services **strongly opposes** this bill.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

UNIVERSITY OF HAWAIʻI SYSTEM

Legislative Testimony

LATE

Testimony Presented Before the
House Committee on Finance
March 2, 2021 at 1:00 p.m.
by
Kalbert K. Young
Vice President for Budget and Finance/Chief Financial Officer
University of Hawaiʻi System

HB 1297 HD1 – RELATING TO STATE FINANCES

Chair Luke, Vice Chair Cullen, and members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawaiʻi (UH) opposes House Bill No. 1297 House Draft 1, Relating to State Finances. UH's testimony is limited to four sections: sections 1 and 2 that remove exemptions from the central services assessments for all UH special funds; and sections 3 and 23 that sunsets and eliminates the transfers of moneys collected from the cigarette tax to the Hawaiʻi Cancer Research Special Fund.

Regarding Sections 1 and 2, the central services assessment as outlined in §36-27, Hawaiʻi Revised Statutes (HRS), is "…for the purpose of defraying the prorated estimate of central service expenses of government in relation to all special funds…" The UH's special funds reside outside of the state treasury in UH's own accounts, and UH maintains its own financial accounting system which manages all financial transactions of these funds – including, revenue collection and accounting, disbursement, and reconciliations. UH reports to the Department of Accounting and General Services (DAGS) on a quarterly basis via the Journal Voucher (JV) process. Because the level of accounting support that UH receives from DAGS is minimal, we feel that having these funds of the UH pay for services that UH does not receive is not appropriate. These UH special funds include the Tuition and Fees Special Fund and the Athletics Special Fund, among others.

In addition to removing this assessment exemption for all UH special funds, the bill specifically removes the exemption for the Hawaiʻi Cancer Research Special Fund, which is supported by proceeds from the cigarette and tobacco taxes (§245-3 and §245-15 HRS). Administrative costs are already assessed on cigarette and tobacco taxes per §245-26 HRS, totaling $1.7 million in fiscal year 2020, in addition to general funds allocation of $63.5 million, or 58% of taxes collected pursuant to §245-3 HRS for the same fiscal period.

Regarding Sections 3 & 23, this bill also sunsets as of July 1, 2021, the distribution of any cigarette tax proceeds to the Hawaiʻi Cancer Research Special Fund, as well as three other health related special funds identified in §245-15 HRS. The Hawaiʻi Cancer Research Special Fund, which funds the UH Cancer Center revenue bonds and a significant portion of the building-related operations of the UH Cancer Center, would have its entire revenue stream eliminated. Of the $113 million in cigarette and tobacco taxes collected annually, approximately $13 million is distributed to the Hawaiʻi Cancer Research Special Fund, and its elimination would significantly impair the ability of the UH Cancer Center to function, with potentially fatal consequences.

Additionally, revenue bonds were issued for the construction of the UH Cancer Center building with Hawaiʻi Cancer Research Special Fund revenues being used to secure those bonds. With the elimination of any revenue stream, the UH Cancer Center would either default on those bonds or trigger those bonds to be called, either of which would be devastating to the UH Cancer Center. Altering the prescribed funding sources on existing bond debt is a serious matter, with major credit implications for UH and the State of Hawaiʻi.

The UH Cancer Center produces approximately $40 million in direct economic activity via its research, including $20 million in leveraged federal funding annually. The loss of the revenue stream to the Hawaiʻi Cancer Research Special Fund will most likely result in the closure of the UH Cancer Center, after 50 years of progress in cancer research benefitting the people of Hawaiʻi.

Thank you for this opportunity to testify.

INTERNATIONAL LONGSHORE & WAREHOUSE UNION
LOCAL OFFICE • 451 ATKINSON DRIVE • HONOLULU, HAWAII 96814 • PHONE 949-4161

HAWAII DIVISION: 100 West Lanikaula Street, Hilo, Hawaii 96720 • OAHU DIVISION: 451 Atkinson Drive, Honolulu, Hawaii 96814
MAUI COUNTY DIVISION: 896 Lower Main Street, Wailuku, Hawaii 96793 • KAUAI DIVISION: 4154 Hardy Street, Lihue, Hawaii 96766
HAWAII LONGSHORE DIVISION: 451 Atkinson Drive, Honolulu, Hawaii 96814

LOCAL 142

The Thirty-First Legislature
Regular Session of 2021

THE HOUSE
Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair
State Capitol, Videoconference
Tuesday, March 2, 2021; 1:00 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1297, H.D.1
RELATING TO STATE FINANCES**

The ILWU Local 142 **opposes** H.B. 1297 H.D.1., which proposes to repeal the community health centers special fund and emergency medical services special fund and negatively impact the trauma system special fund.

These special funds provide needed resources for the healthcare safety net for Hawaii's most vulnerable residents in the urban core and rural areas. These special funds literally provide life-line to our community, including many of our members and the 'ohana.

We urge you to continue funding Hawaii's Health Centers, Emergency Medical Services, and Hawaii's Trauma System.

Thank you for the opportunity to testify.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

United Food & Commerical Workers Union, Local 480
808 Factory Street, Honolulu, Hawaii 96819
Phone: 808 942.7778

Patrick K. Loo
President

Gwen K. Rulona
Secretary Treasurer

March 1, 2021

The Thirty-First Legislator
Hawai'i State House of Representatives
House Finance Committee

RE: **OPPOSE** HB 1297 HD 1 – Relating to State Finances

Aloha Chair Luke, Vice-Chair Cullen and members of the Committee,

United Food and Commercial Workers Union 480 **OPPOSES** HB 1297 HD 1. The bill proposes to repeal the community health centers special fund and emergency medical services special fund and negatively impact the trauma system special fund.

These special funds provide needed resources for the healthcare safety net for Hawaii's most vulnerable residents in the urban core and rural areas. These special funds literally provide life-line to our community, including many of our members and their Ohana.

We urge you to continue funding Hawaii's Health Centers, Emergency Medical Services, and Hawaii's Trauma System.

Please OPPOSE HD 1297 HD 1. Mahalo!

Fraternally,

Patrick K. Loo

Patrick K. Loo
President

HB-1297-HD-1
Submitted on: 3/1/2021 10:23:25 AM
Testimony for FIN on 3/2/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Elizabeth Laliberte	Individual	Oppose	No

Comments:

Aloha kakou,

This is a blanket bill that could potentially eliminate special funds for programs that matter and make a difference in our lives. For example, domestic violence response services. Please oppose this BAD bill that offers no transparency and no limit on what programs and funds might be cut.

Thank you.

HB-1297-HD-1
Submitted on: 3/1/2021 12:10:19 PM
Testimony for FIN on 3/2/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Leilani Bronson-Crelly	Individual	Oppose	No

Comments:

Please OPPOSE this bill for lack of clarity on its financial impacts.

TOBY K.M.S. WILSON
P.O. BOX 240208
HONOLULU, HI 96824
(808) 728-5548

TESTIMONY ON HB 1297
RELATING TO STATE FUNDS
By
Toby Wilson, Survivor

House Committee on Finance
Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair

Tuesday, March 2, 2021; 1:00 PM
Via Teleconference

Good morning/afternoon Chair Luke, Vice Chair Cullen, and Members of the House Committee on Finance. House Bill (HB) 1297, proposes to authorize the director of finance to deduct five percent of all receipts of all special funds, including the Automated Victim Information and Notification System Special Fund. Thank you for the opportunity to provide testimony **opposing** this measure.

The Hawaii SAVIN program provides victims, survivors and concerned citizens free, anonymous, and confidential access to timely information and notification 24/7 365 days a year on the custody and parole status of offenders under the jurisdiction of the State of Hawaii's Department of Public Safety. **It is an invaluable resource for victims and survivors such as me. It is the only system in Hawaii providing automated notifications that are important to the safety and security of victims and survivors.**

The SAVIN Governance Committee (SGC) was created to establish guidelines and standards for planning, managing, and operating a successful SAVIN Program. The SGC works closely with the Department of Public Safety to increase public safety by ensuring that victims are given timely and accurate information that both enhances their ability to protect themselves and ensures they are able to fully participate in the criminal justice process if they so choose.

HRS §353-136(d) requires that the Statewide Automated Victim Information and Notification (SAVIN) Special Fund be used only for the SAVIN program, including operating expenses and salary of the SAVIN Coordinator. **At the current level of annual revenue, the SAVIN program is sustainable and the fund can support the new contract and the SAVIN Coordinator position. However, the addition of the 5% fee proposed by HB1297 may increase expenditures above the $300,000 per year mandated cap <u>thereby jeopardizing the existence of this important automated notification system and its associated support to victims and survivors</u>.**

The proposal, requiring deductions for central service expenses, will have a significant impact on the SAVIN program's ability to implement needed system upgrades and to be sustainable without requesting additional funding from Legislature in the future.

Thank you for providing me, a Survivor, the opportunity to testify in **strong opposition** to House Bill 1297.

HB-1297-HD-1
Submitted on: 3/1/2021 1:25:11 PM
Testimony for FIN on 3/2/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kaikea K. Blakemore	Individual	Oppose	No

Comments:

Hawai'i has one of the most regressive tax systems in the nation. Please tax the wealthy appropriately so our state and county systems are not continuously forced to pit education, healthcare, environmental and social service budgets against one another. A better world is possible. The poorest and most historically underfunded departments in our community should not be stripped while our state continues to allow a regressive tax system to remain unchanged. Tax those who can afford it and please stop removing funds from programs important to the health of our communities. Our communities deserve more, not less, in essential program funding especially during crisis. Any initiative that removes funding to social programs without addressing regressive tax systems in Hawai'i is doing a disservice to all of our citizens.

HB-1297-HD-1
Submitted on: 3/2/2021 9:21:15 AM
Testimony for FIN on 3/2/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Joseph Spurrier	Individual	Oppose	No

Comments:

Strongly oppose!