



Hawai'i Convention Center
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David Y. Ige
Governor

John De Fries
President and Chief Executive Officer

Statement of
JOHN DE FRIES

Hawai'i Tourism Authority
before the
SENATE COMMITTEE ON WAYS AND MEANS
Thursday, April 1, 2021
9:30 AM
State Capitol, Conference Room #211
via videoconference

In consideration of
HOUSE BILL NO. 1297, HD2, SD1
RELATING TO STATE FINANCES

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Senate Committee on Ways and Means: the Hawai'i Tourism Authority (HTA) **opposes** House Bill 1297, HD2, SD1, which requires each department to submit program measures, costs elements, and accounting reports for all non-general funds to the Legislature. It also makes certain special funds subject to deductions for central service expenses into the general fund. We oppose this measure for the following reasons:

- 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.
- 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. These reductions are substantial and the requirement to deduct 5% and transfer it to the general fund, as proposed in this bill, would mean an additional \$4,775,000 reduction in available funds for HTA to operate and will hamper HTA's efforts to support the economic recovery of Hawai'i.
- The bill as currently drafted may create uncertainty on whether revenue collected by the Hawai'i Convention Center and remitted to the Convention Center Enterprise Special Fund (CCESF) would be subject to the 5% central services charge. Such revenues collected by

HCC are critical to fund its operations and applying the service charge would further increase the HCC's operating loss.

- HTA's annual allocation of \$79 million to the Tourism Special Fund (TSF) and \$16.5 million to the CCESF are essential. These two special funds support the HTA in its mission to strategically manage Hawai'i tourism in a sustainable manner consistent with economic goals, cultural values, preservation of natural resources, community desires and visitor industry needs.
- 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 more than twenty times what it invests in state tax revenues generated by tourism to support the myriad of needs the Legislature responds to each year. Every dollar will be critical to assist with the economic recovery of Hawai'i.
- The \$4,775,000 charge is significantly disparate as compared to the actual cost for services used by the HTA. Additionally, the Convention Center is a separate operation and does not utilize DAGS central services as part of its operation. Utilities, building repairs and maintenance, janitorial and other services are covered under the existing management contract for the center.
- 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 utilized; however, the 5% charge that this bill requires is significantly greater than the limited services that are being used.

Visitor arrivals to the state are crucial 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 in 2019 represented 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.

It is for these reasons that HTA **opposes** HB1297 HD2, SD1. We appreciate this opportunity to provide testimony, and I will be available to answer any questions.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

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

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

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1297, H.D. 2, S.D. 1

April 1, 2021
9:30 a.m.
Room 211 and Videoconference

RELATING TO STATE FINANCES

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 1297, H.D. 2, S.D. 1.

H.B. No. 1297, H.D. 2, S.D. 1, Part I, proposes to:

- Require each department to submit to the Legislature a special fund program measures report for each non-general fund account no later than October 1 annually.
- Require each department to submit a special fund cost element report for each non-general fund account no later than October 1 annually.

B&F has concerns with this bill. The computer systems currently used by the departments provide basic data, but labor intensive, manual modifications will be necessary to meet the proposed requirements in the bill. This will mean devotion of scarce budget and fiscal staff time during the period when the Consolidated Annual Financial Report and the Executive Budget are being prepared.

The non-general fund reports use data from multiple sources and are manually entered by the Executive departments' budget and fiscal staff and reconciled by departmental staff. Compiling and reporting the additional data for cost elements and measures of effectiveness for a special fund program measures report will require the Executive departments' budget and fiscal staff to input more data manually. In addition, breakdowns by cost elements for special funds are currently not available until the end of August annually, which may cause limitations on the ability for departments to meet the time constraints set by this measure.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
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To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Isaac W. Choy, Director
Department of Taxation

Date: April 1, 2021
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

Re: H.B. 1297, H.D. 2, S.D. 1, Relating to State Finances

The Department of Taxation (Department) offers the following comments regarding H.B. 1297, H.D. 2, S.D. 1, for your consideration. This measure has a defective effective date of July 1, 2050.

Section 1 of S.D. 1 requires an annual report to the Legislature no later than October 1 for each non-general fund account specifying its objectives and cost element in details. The Department notes, that as required by Act 134, Session Laws of Hawaii 2009 (Act 134), it submits an annual report to the Legislature regarding the objectives and cost elements of the Tax Administration Special Fund (TASF). Revenue generated by the Special Enforcement Section (SES) is deposited into the TASF and SES operational costs are funded by the TASF. As such, the Department is able to comply with the requirements of Section 1 as currently written.

Section 2 of S.D. 1 amends the reporting date of non-general fund account to the Legislature under Hawaii Revised Statutes (HRS) section 37-47 from no later than twenty days prior to the convening of each regular session to no later than October 1 annually. The Department is able to comply with the requirements of Section 2 as currently written

Section 3 of S.D. 1 eliminates the exemption for certain special funds from the requirement under HRS section 36-27 that five percent of all special fund receipts be deposited in the general fund to defray the costs of central services for certain funds. The Department notes that, under current law, the Cigarette Tax Stamp Administrative Special Fund (CTSASF) and TASF are both subject to five percent deduction under HRS section 36-27.

Section 4 of S.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 5 of S.D. 1 amends the disposition of cigarette and tobacco tax revenue collected under HRS chapter 245 to stop the allocation to Hawaii cancer research special fund as of June 30, 2041, and to stop the allocation to emergency medical services special fund as of June 30, 2021. The Department is able to effectuate the changes required by Section 5 as currently written.

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

DAVID Y. IGE
GOVERNOR



KENNETH S. HARA
MAJOR GENERAL
ADJUTANT GENERAL

STEPHEN F. LOGAN
COLONEL
DEPUTY ADJUTANT GENERAL

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TESTIMONY ON HOUSE BILL 1297 HD1 SD1
A BILL RELATING TO RELATING TO STATE FINANCES

PRESENTATION TO
THE SENATE COMMITTEE ON WAYS and MEANS

BY

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

MARCH 24, 2021

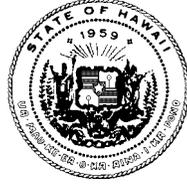
Chair Donovan M. Dela Cruz, and Vice Chair Gilbert S.C. Keith-Agaran, and Members of the Committee.

I am Major General Kenneth S. Hara, State Adjutant General and the Director of the Hawaii Emergency Management Agency. I am testifying with comments of House Bill 1297 HD1 SD1.

While the current draft of HB 1297 HD1 SD1 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 HD1 SD1. 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



CATHY BETTS
DIRECTOR

JOSEPH CAMPOS II
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

March 30, 2021

TO: The Honorable Senator Donovan M. Dela Cruz, Chair
Senate Committee on Ways & Means

FROM: Cathy Betts, Director

SUBJECT: **HB 1297 HD2 SD1 – RELATING TO STATE FINANCES.**

Hearing: April 1, 2021, 9:30 a.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) understands the intent of the measure, respectfully requests the new reporting deadlines be extended to November 1 or December 1 as DHS regularly addresses federal program matters at the end of the federal fiscal year of September 30, and provides comments. DHS does not provide any comment regarding the new material in Part III.

DHS appreciates the amendments of the House 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.

The House Committee on Finance further amended the measure by:

- (1) Requiring that by October 1 of each year, each department shall submit program measures, cost elements, and accounting reports for all non-general funds to the Legislature;
- (2) Providing that the State Educational Facilities Improvement Special Fund, Convention Center Enterprise Special Fund, Tourism Special Fund, Trauma System Special Fund, and Emergency Medical Services Special Fund shall be subject to the five percent deduction into the general fund for central service expenses;
- (3) Specifying that the cigarette tax revenues deposited to the credit of the Hawaii Cancer Research Special Fund shall only be used for capital expenditures and only until July 1, 2041;
- (4) Retaining the surcharges and cigarette tax revenue allocated to the Trauma Systems Special Fund and Community Health Centers Special Fund;
- (5) Retaining the Community Health Centers Special Fund and Emergency Medical Services Special Fund;
- (6) Removing the blank appropriation to the Department of Health for operating expenses; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

The Senate Committees of Health and Higher Education further amended the measure by:

- (1) Removing the requirement that the Director of the UCHH report to the Dean of JABSOM;
- (2) Requiring the University of Hawaii to report to the Legislature on the monies in the Hawaii cancer research special fund annually instead of semi-annually; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

PURPOSE: The purposes of the bill are: Part I - By October 1 of each year, requires each department to submit program measures, costs elements, and accounting reports for all non-general funds to the Legislature. Specifies that the cigarette tax revenues deposited to the credit of the cancer research special fund shall only be used for capital expenditures and only until 7/1/2041. Part II - Makes certain special funds subject to deductions for central service expenses into the general fund. Beginning 7/1/2021 transfers to the credit of the general fund surcharges and cigarette tax revenue allocated to the trauma systems special fund. Part III - Requires the cancer research center of Hawaii to be affiliated with the John A. Burns school of medicine with direct lines of reporting to the provost of University of Hawaii at Manoa and

coordinate with the president of the university. Requires funds expended from the tuition and fees special fund for the John A. Burns school of medicine or cancer research center of Hawaii to be used for educational purposes only. Requires funds expended from the research and training revolving fund for the John A. Burns school of medicine and cancer research center of Hawaii to be used for research and research-related purposes only. Amends the reporting requirement on the Hawaii cancer research special fund from semi-annually to annually. Effective 7/1/2050. (SD1)

DHS recognizes the large State budget shortfall due to pandemic conditions, and the Legislature's intent to address the shortfall and improve the use of non-general fund balances. Regarding the new annual reporting deadlines of October 1, (page 1, line 6; and page 2, line 4) DHS respectfully suggests that the reporting dates be delayed November 1 or December 1, as agencies with federal funds are often addressing programmatic deadlines at the end of the federal fiscal year of September 30. With limited administrative, budget, and fiscal staff resources focused on the end of the federal fiscal year, DHS anticipates it may face delays in timely meeting these new reporting deadlines. Additionally, the Spouse and Child Abuse Special Fund is required by section 346-7.5(d), Hawaii Revised Statutes, to submit a similar annual report twenty-days prior to the start of the Legislature.

DHS appreciates the HD1 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.

Thank you for the opportunity to provide comments.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee Ways and Means
April 1, 2021 at 9:30 a.m.

by

David Lassner
President
University of Hawai'i

Michael Bruno
Provost
University of Hawai'i at Mānoa

HB 1297 HD2 SD1 – RELATING TO STATE FINANCES

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Thank you for this opportunity to provide testimony in strong opposition to Part III of HB 1297 HD2 SD1, which legislates several matters of internal structure and management within the University of Hawai'i (UH) relating to the UH Cancer Center (UHCC) and the John A. Burns School of Medicine (JABSOM).

This section would violate the spirit of the Constitution by replacing the judgment and decision of the Board of Regents, which established the Cancer Center in 1981 as a freestanding Organized Research Unit (ORU) of the University of Hawai'i at Mānoa, by imposing a structure created by the Legislature and by imposing new restrictions on the use of certain funds by both the UHCC and JABSOM.

We oppose this section for three reasons:

Success of the UHCC

The UH Cancer Center is now an extraordinarily successful unit. The National Cancer Institute (NCI) of the National Institutes of Health has awarded formal cancer center designation to only 71 NCI-designated cancer centers in the nation and the UHCC. This is a critical designation for which we have worked diligently and in which the university and State have invested significant resources. Part III, Section 6 asserts that the UHCC should be administered as an ORU of JABSOM, an assertion that is problematic to maintaining our NCI designation. The primary mission of the UH Cancer is quite distinct from that of JABSOM.

Each year the University of Hawai'i Cancer Center is assessed by our External Advisory Committee (EAC), which is sometimes referred to as the External Advisory Board or EAB. The EAC is composed of a group of Cancer Center directors and leaders from around the country who visit each year to provide unbiased input and guidance to advance our program and help ensure our compliance with the NCI P30 guidelines.

More broadly, the EAC could hardly have been more positive over these past years regarding the turnaround at the UH Cancer Center under the leadership of Dr. Randy

Holcombe, our esteemed, accomplished and experienced Cancer Center director. I have appended the latest Executive Summary of their report to this testimony so that you can see just how well Dr. Holcombe and his team have addressed what were longstanding and widely recognized challenges. This report is from their 2020 visit and the verbal debriefing we received after their 2021 (virtual) visit was extremely positive as well. Their report also notes the importance of the current structure to achieving our success.

Simply stated, the UHCC is not in need of a management “fix” by the Legislature that would formalize a management structure in statute that would tie the hands of the University from making future changes, perhaps even more sweeping than those proposed in this bill.

Achieving Synergies

It is important also to note that modern cancer research reaches across the entire University, including but not limited to our medical school. Major synergies and efficiencies have already been achieved through collaboration with JABSOM and other critical parts of UH.

It is notable that **26 full and associate members** of the Cancer Center are based in UH units other than the Cancer Center as are **21 collaborating members**.

Some specific academic examples of synergies and efficiencies include:

- Dean of JABSOM participates as a member of the Hawai'i Cancer Consortium which was created by UHCC and includes the CEOs and other representatives of the major hospital systems (Queens, HPH, Adventist Health Castle, Kuakini) and the UH President and UHM Provost to coordinate efforts in Hawai'i to reduce the burden of cancer and enhance the quality of cancer care for our state.
- UHCC moved ownership of the NMR (more than \$1M in value) to Chemistry to better support their work as their NMR was less capable and eventually non-functional. The NMR also remains housed in JABSOM.
- The R25 CREATE grant (\$1.3M) which is designed to give the undergraduate students summer instruction has PIs from both the UH Cancer Center (Maskarinec & Ramos) and the Department of Native Hawaiian Health at JABSOM (Kaholokula).
- UHCC has one of its Faculty (Ramos) working as multi-PI with JABSOM (Kaholokula & Gerschenson) and Engineering (Francis) PIs to submit a large Proposal called 'Akahi which is designed to provide funds to recruit Native Hawaiian and Pacific Islanders into Faculty positions across UH STEM programs and create a culture of Inclusive Excellence at UH Mānoa.
- Support of two First year Graduate students in JABSOM's Cell and Molecular Biology Program.
- Support of two graduate students per year in Public Health (School of Social Work) or Nutrition (CTAHR)

- JABSOM and UH Cancer Center share access and expenses of running the vivarium at Kaka'ako with members from both on its Space Allocation Committee.
- UHCC collaborated with Outreach College to create the highly successful and oversubscribed Clinical Research Professional Certificate Program in Fall 2020. This was an intense program taught by faculty from UHCC to fill the great need in Hawai'i of Clinical Research Associates to help run clinical research in the hospitals. Several have already obtained positions.
- UHCC works with hospitals in the Hawai'i Cancer Consortium to recruit much needed Cancer Specialists to Hawai'i. This includes providing a research/clinical trials outlet for them which is an expectation of these Clinicians.
- UHCC is working with Life Sciences to identify areas where its faculty can work to help teach undergraduates there in lecture formats (they already coordinate to identify students for research training).
- Joint faculty appointment with Nursing (July 1, 2018)
- Participation in the Colleges of Health Sciences which includes not only JABSOM but Nursing & Dental Hygiene, Social Work & Public Health, and Pharmacy (UH Hilo)
- All Cancer Biology faculty provide course direction and teaching in the JABSOM CMB department
- Cancer Center participation in JABSOM-created UHP faculty practice plan
- Support of Kaka'ako wide Genomics and Bioinformatics Shared Resource (joint venture between UH Cancer Center and JABSOM)
- Support of Chemical Biology Core leader, who is Chemistry faculty
- UH Cancer Center NMR facility is housed in JABSOM
- Cancer Center endowed chair awarded to a Chemistry faculty member
- JABSOM faculty member (Palafox) heads Cancer Center effort on a research partnership with Guam
- Cancer Center faculty participate in innumerable graduate committees for programs in other units, particularly Cell and Molecular Biology (JABSOM), Molecular Biosciences & Biotechnology (CTAHR), Public Health (Social Work)
- UH Cancer Center faculty participate as members of the JABSOM recruitment and curriculum committees for Cell and Molecular Biology
- Multiple UH Cancer Center clinically oriented faculty hold joint appointments in JABSOM (Medicine, OBGYN, Pediatrics, Pathology)
- UHCC and JABSOM merged phone systems to improve efficiencies
- UHCC and JABSOM share common area maintenance charges
- UHCC and JABSOM coordinate on achieving parking solutions for Kaka'ako campus
- Several of the large COBRE grants include UHCC faculty either currently or previously.
- Clinical Faculty at UHCC practice through the University Health Partners of Hawai'i Practice Plan.
- Cancer Center Director serves as chair of IFA search committee

- Standing meetings between Cancer Center and JABSOM administrative directors
- Cancer Center supports 2 months of salary for a JABSOM researcher
- Significant amount Cancer Center pilot research funds have been awarded to JABSOM faculty (>\$150,000 over the last 3 years)
- Nomination of JABSOM faculty researchers for grant mechanisms restricted to Cancer Centers
- UHCC Director serves as a Board member of University Health Partners
- UHCC Director serves as a Steering Committee Member Ola Hawai'i
- UHCC Director serves as a Board member for the Hawai'i Journal of Health and Social Welfare with JABSOM, Nursing, Social Work, Pharmacy Schools
- UHCC member Morita serves as Contributing editor, Journal of Health and Social Welfare
- UHCC Director serves as Internal Advisory Committee member for Marla Berry-led COBRE project, Pacific Biosciences Research Center
- UHCC member Braun-Inglis holds a secondary appointment in School of Nursing, developing advance practice training program for cancer APPs with Assoc. Dean of Nursing Qureshi.
- UHCC and JABSOM Facilities/Admin collaborated on lease arrangement for Disney for Doogie Kamealoha
- UHCC has established 3 advisory boards to enhance collaborations in the community: Community Advisory Board, Patient Advocacy Committee, Native Hawaiian Cancer Research Advisory Board (Cathy has membership of each).
- UHCC member Shepherd collaborates actively with the Hawai'i Data Science Institute

We fully realize that our work to create and expand synergies in Kaka'ako is not complete. But it is clear that an ongoing effort to identify further synergies and efficiencies in the areas of research, education, clinical practice and administration within Kaka'ako, and potentially with other health sciences programs beyond, does not require the legislative imposition of a specific structural change that would then require further legislation if we are to continue to evolve.

University Governance

Article X, Section 6 of the Constitution of the State of Hawai'i charges the Regents with "exclusive jurisdiction over the internal structure, management, and operation of the university," with the legislature reserving to itself laws of statewide concern. Imposing internal structure and management via statute, with disregard for the university's consultative shared governance and management processes, would overrule the judgments of those who are responsible for the internal structure and management of the university under the Constitution.

At a more detailed level Part III of this bill: (1) creates a new appointment process outside Board of Regents policy that is inconsistent with the Board of Regents policy

utilized for all other executive appointments across the UH system; and (2) creates a new organizational construct called “affiliated” that is not defined.

We also oppose the language in the SD1 that would create a set of new restrictions on both the UH Cancer Center and JABSOM regarding the allowable use of two specific of funds. The University of Hawai'i has worked over the past 25 years to manage itself using multiple sources of funding provided by the state as well as funds generated internally by our own efforts. Some of these types of funding are more fungible than others, but our ability to use funds flexibly under HRS and Executive direction today has helped us cope with the State appropriating a shrinking portion of state general funds to public higher education over the last several decades. Creating specific restrictions on two significant sources of funds for two UH Mānoa campus units (only) will create additional administrative burdens as we work to support the vital work of these two units, which are critical to improving the health of the people of Hawai'i.

We urge that the legislature not overstep the spirit of the Constitution to legislate the internal structure and management of the university. It is neither prudent nor necessary.

We strongly oppose this section and ask that it be deferred.

ATTACHMENT

January 31, 2020

Randall F. Holcombe, MD, MBA
Director, University of Hawaii Cancer Center
701 Ilalo Street
Suite 600
Honolulu, HI 96813
rholcombe@cc.hawaii.edu



Dear Dr. Holcombe

Thank you for hosting the External Advisory Board during our recent visit to the University of Hawaii Cancer Center (UHCC). It was exciting to see the continued progress taking place at UHCC under your leadership. We will be sending you a detailed report on our recommendations concerning the various aspects of your center with a focus on performance and compliance with the NCI P30 guidelines. This letter is an executive summary that focuses on the larger issues that go beyond the details of NCI guidelines. Feel free to share this summary with others as you see fit.

First, and most importantly, we would like to comment on the remarkable progress that you, your colleagues, and University and community leaders have made over the past year. The morale and esprit de corps of UHCC members and staff are stronger than they have been for a very long time. The new faculty you have recruited to the University of Hawaii over the past two years are top tier and are already making significant contributions including obtaining funding, publishing and assuming leadership roles within the UHCC. The presentations they gave during our visit were dynamic and scientifically exciting. Bringing such quality new talent to the UHCC is key to your continued scientific success, will strengthen the base of your research programs, and will contribute economic and educational value to the University, Hawaii, and the people of Hawaii in general.

The development of an early phase clinical trial capability in Hawaii has been a topic of discussion during EAB meetings for over a decade. It is exciting to see the progress you have made over the past year including obtaining a construction grant from the NIH, securing state support, and moving forward with plans for both building the unit physically, and recruiting the talent needed to make it work. In addition, the work that you have done to secure the collaboration of your clinical partners in the Hawaii Cancer Consortium for this endeavor is exceptional. This effort should remain a top priority as it will provide the people of Hawaii with access to Phase 1 clinical trials, that is the newest cancer treatments, at a time when cancer care is advancing at a remarkable rate. It also has great potential to serve as a hub for "medical tourism" for the entire Pacific rim. Given the diversity of your patient population, we are confident big pharma and small biotech will seek out your participation in their most promising early phase trials; the resultant enhanced reputation for clinical research will benefit both the Cancer Center and all of the HCC clinical partners.

Equally impressive is the progress you and your colleagues have made in strengthening the Hawai'i Cancer Consortium. UHCC's leadership in this consortium will help the participating health systems recruit top flight oncology clinicians who see the value of clinical trials and the research that underpins them. UHCC's oversight over all oncology clinical research activity within the HCC, and the broader clinical trials network, is an outstanding example of the value-added of an NCI-designated cancer center to its home state and the benefits that can accrue to affiliated clinical partners.

UHCC is a national leader in population-based research. Particular strengths include the Multiethnic Cohort (MEC) that has led the way in helping the cancer research community explore the relationship across race and ethnicity of genetics and environment in cancer risk and the NCORP that enrolls patients from across Hawaii on NCI trials. Your basic research scientists are also making major contributions and bringing external research funding to Hawaii at a time when getting such funding at the national level is incredibly competitive.

The unique structure of UHCC, in essence a hybrid of a "matrix" center within a University and a "free-standing" center with defined authority, has been a key to the Cancer Center's success. This has enabled you as Director to expand membership in the HCC, forge new community alliances, and strategically recruit faculty researchers who support your efforts to conduct cancer research with particular relevance to your unique population. This type of authority speaks directly to NCI's expectations of a cancer center director. The structure your institution has put in place, with you reporting to the Provost and working closely with the University President, is vital for your continued success and continued NCI designation.

Once again, congratulations on your ongoing success. We look forward to seeing the future contributions being made by the UHCC to the health and welfare of the people of Hawaii.

Best regards,



George Weiner, MD, Chair
Holden Comprehensive Cancer Center, University of Iowa
On behalf of the External Advisory Board Members



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
April 1, 2021 at 9:30 a.m.

by
Kalbert K. Young
Vice President for Budget and Finance/Chief Financial Officer
University of Hawai'i System

HB 1297 HD2 SD1 – RELATING TO STATE FINANCES

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawai'i (UH) opposes House Bill No. 1297 House Draft 2 Senate Draft 1, Relating to State Finances. The University is agreeable with Parts I and II of the bill, but has serious concerns about Part III.

Part I would add reporting requirements for special funds to Chapter 37, Hawai'i Revised Statutes. Part II would eliminate the exemption from the central services assessment for several funds and add a sunset date of July 1, 2041 to the disposition of cigarette tax revenues to the Hawai'i Cancer Research Special Fund. As currently drafted, UH is agreeable with these Parts.

Part III SD1 would place the UH Cancer Center under the jurisdiction of the John A. Burns School of Medicine (JABSOM) and restrict the use of the Tuition and Fees Special Fund (TFSF) and Research and Training Revolving Fund (RTRF) by JABSOM and the Cancer Center.

The Cancer Center has significantly improved operations in recent years under new leadership and we see no reason to make organizational changes at this point in time. Additionally, the restriction of the use of TFSF and RTRF funds that are generated by the University for University operations would appear to run counter to Article X, Section 6 of the Constitution of the State of Hawai'i, which provides the Board of Regents with "exclusive jurisdiction over the internal structure, management, and operation of the university." We feel that this also applies to the reporting structure for the Cancer Center and JABSOM. For additional information, we respectfully refer you to the testimony provided by President Lassner and Provost Bruno that was also submitted to the Committee.

Thank you for this opportunity to testify.



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 04/01/2021

Time: 09:30 AM

Location: CR 211 & Videoconference

Committee: Senate Ways and Means

Department: Education

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

Title of Bill: HB 1297, HD2, SD1 RELATING TO STATE FINANCES.

Purpose of Bill: Part I - By October 1 of each year, requires each department to submit program measures, costs elements, and accounting reports for all non-general funds to the Legislature. Specifies that the cigarette tax revenues deposited to the credit of the cancer research special fund shall only be used for capital expenditures and only until 7/1/2041. Part II - Makes certain special funds subject to deductions for central service expenses into the general fund. Beginning 7/1/2021 transfers to the credit of the general fund surcharges and cigarette tax revenue allocated to the trauma systems special fund. Part III - Requires the cancer research center of Hawaii to be affiliated with the John A. Burns school of medicine with direct lines of reporting to the provost of University of Hawaii at Manoa and coordinate with the president of the university. Requires funds expended from the tuition and fees special fund for the John A. Burns school of medicine or cancer research center of Hawaii to be used for educational purposes only. Requires funds expended from the research and training revolving fund for the John A. Burns school of medicine and cancer research center of Hawaii to be used for research and research-related purposes only. Amends the reporting requirement on the Hawaii cancer research special fund from semi-annually to annually. Effective 7/1/2050. (SD1)

Department's Position:

The Hawaii State Department of Education (Department) offers COMMENTS to HB 1297, HD2, SD1.

While the Department supports efforts to improve transparency in its reporting, including annual reporting to comply with Hawaii Revised Statutes (HRS) §37-47, the proposed additional reporting requirement's practicality, usefulness, and alignment with existing reporting requirements is unclear. What is clear is that there will be significant administrative burden to meaningfully and accurately comply with the proposed additional requirements and added risk of creating disjointed and confusing reports.

By way of history, the current format of the annual reports submitted pursuant to HRS §37-47 originated with the legislative fiscal committees. After multiple years and multiple variations, the current format was settled on to collect non-general fund revenue and expenditure data determined at the time to be useful to inform fiscal decisions. The settled-upon format was then adopted by the Executive Branch for annual reporting. A similar collaborative and iterative process to develop a format that serves the data needs of legislative decision makers would likely be a more efficient and effective use of extremely limited administrative resources.

Section 1 of the bill adds a new section requiring all departments to submit additional non-general funds reports containing similar information already required by HRS §37-69 (the six-year program and financial plan) and §37-75 (variance report). All state executive branch offices currently submit their information through the data systems hosted by the Department of Budget and Finance. This system allows the state to collect and distribute reports in an organized and efficient manner. The Department of Budget and Finance has developed a comprehensive process to communicate deadlines for reporting and a system of communications to all departments on deadlines and other submission instructions. Information collected is compiled into a single report which is presented to the Legislature each year thirty days prior to the start of the legislative session.

The annual submission date of October 1 in this section and in section 2 does not coincide with the Governor's budget submission dates to the Legislature which could lead to misinterpretations if the special funds were reviewed separately from the entire budget.

Additionally, as resources for state-level administration diminishes, increasing demands for more reports jeopardizes the accuracy of information being requested in a shorter time frame.

As introduced in this bill, Sections 3 and 4 would allow the deduction of five percent central service assessment of all receipts of all special funds and a percent of expenses for administrative overhead. In its current form (SD1), five special fund accounts residing in the Department are listed as exceptions. In the event removing Department funds from this list of exemptions is under consideration, the Department would point out that it is unclear as to what central services expenses are being incurred and what these services represent. The Department, in particular A+ and School Food Service programs, incur its own administrative expenses, which alleviates the need for central services and administrative overhead and makes this additional assessment unnecessary.

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

The Hawai'i 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



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Testimony of
SUZANNE D. CASE
Chairperson

Before the Senate Committee on
WAYS AND MEANS

Thursday, April 1, 2021
9:30 AM

State Capitol, Via Videoconference, Conference Room 211

In consideration of
HOUSE BILL 1297, HOUSE DRAFT 2, SENATE DRAFT 1
RELATING TO STATE FINANCES

House Bill 1297, House Draft 2, Senate Draft 1 proposes in PART I to require each department to submit program measures, costs elements, and accounting reports for all non-general funds to the Legislature by October 1 of each year. **The Department of Land and Natural Resources (Department) opposes this bill as it pertains to these additional reporting requirements and offers the following comments.**

The Department already submits annual non-general fund reports to the Legislature prior to each legislative session. Some special funds (e.g. Land Conservation Fund) have specific annual reporting requirements as prescribed by enabling statutes. Additionally, programs routinely provide additional information to, and answer questions from, subject matter and money committees during each legislative session, as requested by the committees. Requiring additional program measures, cost elements, and accounting reports would significantly increase the administrative burden on the Department's program, budget, and fiscal staff. This will mean devotion of scarce budget and fiscal staff time during the period when the Consolidated Annual Financial Report and the Executive Budget are being prepared.

Thank you for the opportunity to comment on this measure.

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

LATE

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, SD1

INTRODUCED BY: Senate Committees on Health and Higher Education

EXECUTIVE SUMMARY: Makes certain special funds subject to deductions for central service expenses into the general 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: Adds reporting requirements to chapter 37, HRS.

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

Amends section 36-30, HRS, to subject 5 previously exempt special funds to assessments for pro rata shares of the administrative expenses of the state department to which those funds are attached.

Amends section 245-15, HRS, to sunset earmarks on tobacco tax imposed on the sale of cigarettes. The earmark to the Hawaii cancer research special fund would sunset on June 30, 2041. That fund could be used for both operating and capital expenditures. The earmark to the emergency services special fund would sunset on June 30, 2021.

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 27 years later.

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. Some special funds were repealed in earlier drafts of this measure.

Digested 3/27/2021



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

Senate Committee on Ways and Means
Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran, Vice Chair

Hearing: April 1, 2021

ACS CAN OPPOSES HB1297 HD2 SD1: Relating to State Finances
Cynthia Au, Interim Government Relations Director – Hawaii Pacific
American Cancer Society Cancer Action Network

Thank you for the opportunity to OPPOSE HB1297 HD2 SD1: Relating to State Finances.

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 which means building strong public health infrastructure including investing in cancer research.

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.¹ 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.

Maintaining the requirements set by NCI is important for UH Cancer Center to keep its designation to continue to receive \$15 to \$20 million in extramural funding of the P30 Cancer Center Support Grant. This outside funding supports research for more treatments and improve cancer patients' quality of life for the people of Hawaii. For cancer patients in Hawaii, not having an NCI designation will mean losing access to novel investigational cancer treatments that are only available through clinical trials at NCI-designated cancer centers that benefits Hawaii's unique population.

Cancer is the second leading cause of death in Hawaii with 2,500 deaths each year. ACS CAN is seriously concerned in limiting the use of the cancer research special fund as it impacts the University of Hawaii's Cancer Center's operations needed to be able to do the research to save the lives of the people of Hawaii and the Pacific Islands.

¹ University of Hawaii Cancer Center <https://www.uhcancercenter.org/50years>

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 reconsider limiting the use of Hawaii's cancer research fund and meet the requirements set by NCI to maintain its status. Thank you for the opportunity to oppose this measure.

Date: April 1, 2021

To: Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran, Vice Chair
Members of the Senate Committee Ways and Means

Re: Opposition of HB 1297 HD2 SD1: RELATING TO STATE FINANCES

Hrg: Thursday, April 1, 2021, 9:30 am, Room 211

Position: Opposition

Chairs, Vice Chairs, and joint committee members,

My name is Chandra Quinlan from Waipahu, 96797. I thank you for the opportunity to submit testimony in **OPPOSITION to HB 1297 HD2 SD1**. Cancer is the second leading cause of death in Hawaii with 2,500 deaths each year. Supporting cancer research ensures the continued progress in the fight against cancer. Limiting the use of the cancer research special fund impacts the University of Hawaii's Cancer Center's operations needed to be able to do the research to save the lives of the people of Hawaii and the Pacific Islands.

I volunteer with the American Cancer Society Cancer Action Network. I am also a 7-year breast cancer survivor who has benefitted immensely from treatments and therapies derived from research and clinical trials conducted at cancer centers like that at the University of Hawaii. In 2009, my friend and fellow breast cancer survivor Mariana, participated in the Oncotype DX clinical trial conducted in part at UHCC. In 2014, using the Oncotype DX Genomic test developed from those clinical trials, my tumor was tested to determine my 10-year risk of recurrence, which ultimately informed my decision to have chemotherapy.

We have the only National Cancer Institute-designated Cancer Center in Hawaii and the Pacific where access to clinical trials and the latest research findings can be game-changers for so many Hawaii-residents diagnosed with cancer each year, especially those for whom traditional treatments are no longer options. Please do not reduce the use of the cancer research special fund.

Mahalo for the opportunity to submit testimony.

Date: April 1, 2021

To: Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran, Vice Chair
Members of the Senate Committee Ways and Means

Re: Opposition of HB 1297 HD2 SD1: RELATING TO STATE FINANCES

Hrg: Thursday, April 1, 2021, 9:30 am, Room 211

Position: Opposition

Chairs, Vice Chairs, and joint committee members,

My name is Jennifer Hausler from Pearl City, HI 96782 and I thank you for the opportunity to submit testimony in OPPOSITION to HB 1297 HD2 SD1. Cancer is the second leading cause of death in Hawaii with 2,500 deaths each year and supporting cancer research ensures the continued progress in the fight against cancer. Limiting the use of the cancer research special fund impacts the University of Hawaii's Cancer Center's operations needed to be able to do the research to save the lives of the people of Hawaii and the Pacific Islands.

I volunteer with the American Cancer Society Cancer Action Network and one reason is because two of my husbands passed away from cancer, along with a beloved sister. So much has been accomplished by UH's Cancer Center during these past years but continued research funds will hopefully wipe out cancer in the future so none of your loved ones will ever have to hear "you have cancer".

Mahalo for the opportunity to submit testimony.

Jennifer Hausler
1429 Kuloko Street
Pearl City, HI 96782
Ph. 808 455 3242

Date: April 1, 2021

To: Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran, Vice Chair
Members of the Senate Committee Ways and Means

Re: Opposition of HB 1297 HD2 SD1: RELATING TO STATE FINANCES

Hrg: Thursday, April 1, 2021, 9:30 am, Room 211

Position: Opposition

Chairs, Vice Chairs, and joint committee members,

Aloha, my name is Tyler Kamisato from Mililani, HI, 96789. Thank you for the opportunity to submit testimony in strong opposition to HB1297 HD2 SD1 which would limit the use of the Hawaii Cancer Research Fund to pay for the UH Cancer Building only and would no longer be able to cover building operations including utilities.

I volunteer with the American Cancer Society: Cancer Action Network and I have lost too many relatives to cancer. In 2016, my grandma was diagnosed with breast cancer and unfortunately, she passed a year later. This was one of the first big deaths in my family and it really came out of nowhere. I had two uncles who passed away from two different cancers when I was around the age of five. I strongly believe that the research being done at the UH Manoa Cancer Center is resulting in more survivors here in Hawaii.

Cancer is the second leading cause of death in Hawaii with 2,500 deaths each year.¹⁰ 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. ¹¹ 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.¹² As an NCI designated research center, the UH Cancer Center receives between \$15 to \$20 million in extramural funding from research grants. This outside funding supports research for more treatments to improve cancer patients' quality of life.

Preserving the Hawaii Cancer Research Special Fund which helps to fund UH Cancer Center building-related operations is vital to life saving medical treatments for cancer patients and for the quality of life of cancer survivors. 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 benefiting the people of Hawaii.

I strongly urge you to hold this bill.
Mahalo for the opportunity to submit testimony.

Sincerely,
Tyler Kamisato
Mililani, 96789

Thursday, April 1, 2021 9:30 am
Via Video Conference

Senate Committee on Ways and Means

To: Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran, Vice Chair

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

Re: **Comments on HB 1297, HD2, SD1
Relating to State Funds**

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

HPH writes to provide **comments** on HB 1297, HD2, SD1 which, among other things, makes the trauma special fund subject to a 5% surcharge as well as deductions for central service expenses. The measure also proposes to transfer to the general fund the surcharges and cigarette tax revenue allocated to the trauma system special fund as of July 1, 2021.

We appreciate the amendments to the bill in excluding the hospital sustainability fund from the 5% surcharge, however, we remain concerned with the potential impact that would result to patient safety by decreasing the amount of money in the trauma system special fund and on the sustainability of the trauma system in the State. Without the revenue from the surcharges and cigarette tax, general funds will be needed to support the State's trauma system.

While we are sensitive to the challenging budget circumstances the State is confronting, we are concerned that HD 1297, HD1, SD1 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.

Hawai'i'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 Hawai'i's community, and the loss of trauma funds would be a great disservice to the community of Hawai'i.

The State trauma funds have been used collectively by Hawai'i's hospitals and individual health care systems to create a unified, collaborative state system which affords and injured individual the highest probability of survival and return to their pre-injury quality of life. The State of Hawai'i'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: Kapi'olani Medical Center's Level III Pediatric Trauma Program

Kapi'olani 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 Kapi'olani. 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 Hawai'i. Traumatic injury remains the leading cause of death and disability in children in Hawai'i as well as across the nation. The loss of program funding will leave a service gap to Hawai'i's most vulnerable population.

Impact upon O'ahu 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.

Thank you for the opportunity to provide these comments.

Thursday, April 1, 2021 9:30 am

Via Video Conference

Senate Committee on Ways and Means

To: Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran, Vice Chair

From: Jen Chahanovich
President & Chief Executive Officer

Re: **Comments as to HB 1297, HD2, SD1
Relating to State Funds**

My name is Jen Chahanovich and I am the chief executive officer of Wilcox Medical Center. Founded in 1938, Wilcox Medical Center is a not-for-profit hospital dedicated to providing the Kaua'i community with accessible, quality health care. Wilcox is the largest medical facility on Kaua'i and has been recognized as one of the nation's best small hospitals. With more than 200 physicians on staff, Wilcox Medical Center offers island residents and visitors expert diagnosis and treatment for more than 22 specialties. It is a state-of-the-art acute care facility with a full suite of services including emergency, OB/GYN, pediatrics, cardiology, gastroenterology, ophthalmology, pulmonology, nephrology, orthopedics, neurology, internal medicine, trauma, family practice, radiology, urology, otolaryngology and general surgery.

Wilcox writes to provide **comments** on HB 1297, HD2, SD1 which, among other things, makes the trauma special fund subject to a 5% surcharge as well as deductions for central service expenses. The measure also proposes to transfer to the general fund the surcharges and cigarette tax revenue allocated to the trauma system special fund as of July 1, 2021.

We appreciate the amendments to the bill in excluding the hospital sustainability fund from the 5% surcharge, however, we remain concerned with the potential impact that would result to patient safety by decreasing the amount of money in the trauma system special fund and on the sustainability of the trauma system in the State. In the absence of the trauma special funds and the revenue from the surcharges and cigarette tax, general funds will be needed to support the State's trauma system.

Hawaii'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 Hawai'i's community. The loss of trauma funds would be a great disservice to the community of Hawai'i.

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

The island community relies on Wilcox to provide trauma care. A reduction or loss of trauma funding would be devastating to the level of services Wilcox delivers to the residents of Kauai. As the largest medical facility on Kauai, Wilcox plays a crucial role in providing high quality health care for the entire island of Kauai. 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 Kauai 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 Hawai'i. Through the trauma program, Wilcox has been able to achieve improvement in our hospital's response to trauma cases 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 Wilcox to provide leadership in improving the transfer process. This is evidenced by decreased transfer times on Wilcox's trauma quality improvement program report.

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

Individuals' Testimony AGAINST HB1297 HD2 SD1

Submitted to the Senate Committee on Ways and Means (WAM)

April 1, 2021

LATE

Dear WAM Committee Chair Dela Cruz, Vice Chair Keith-Agaran, and Members, Senators English, Shimabukuro, Inouye, Taniguchi, Kanuha, Wakai, Kidani, Fevella and Moriwaki:

We, the faculty and staff of the UH Cancer Center, are submitting this testimony to document our **strong OPPOSITION to HB 1297 (HD2) SD1, PART III**, which proposes to administratively reorganize the currently freestanding Organized Research Unit of UH Manoa for cancer research (UH Cancer Center) within the UH John A Burns School of Medicine (JABSOM).

We provide our item-by-item responses to the bill in the following pages.

Unhee Lim

Lenora Loo

Kevin Cassel

Pallav Pokhrel

Adrian Franke

Muller Fabbri

Yurii Shvetsov

Tad Herzog

Gertraud Maskarinec

Erin Bantum

Joe Ramos

Brenda Hernandez

Lani Park

Song-Yi Park

Namrata Gurung

Michelle Matter

Maarit Tiirikainen

Crissy Terawaki Kawamoto

Lynne Wilkens

Carol Boushey

Christine Farrar

Melissa Merritt

Lang Wu

Loïc Le Marchand

Peiwen Fei

Elizabeth Kuioka

Annette Lum-Jones

John Shepherd

Rachel Taketa

Jami Fukui

Sharon Shigemasa
Kornelia Szauter
Phillip Lau
Lisa Toguchi
Kami White
Kim Yonemori
Hui-Hsing Chua-Chiaco
Stacy Mercado
Eugene Okiyama
Paula Higuchi
Christian Caberto
Lani Vasquez
Karla Floresca-Rarick

Cliff Martin
Gail Ichida
Wileen Mau
Anne Tome
En Liu
Michelle Kau
Kathleen Plaza
Patti Corrales
Hazel Rems
Yun Oh Jung
Brandon Quon
Chad Shibuya

First of all, we thank the Senate HTH and HRE Committees for the removal of the previously proposed dual reporting requirement in the “proposed SD1”. It is critically important to preserve and assure the UH Cancer Center Director’s direct reporting line to the UH Manoa Administration, as an equal to other Deans, for the Cancer Center’s successful renewal of its National Cancer Institute (NCI) designation status.

This amended bill, however, still includes forced administrative integration of the UH Cancer Center under JABSOM, which all the same will jeopardize our chance to successfully renew our NCI designation. We have highlighted problematic parts of the bill, in particular PART III, with suggestions for removal with specific responses and the rationale.

PART III

SECTION 6. The University of Hawaii cancer center (UH cancer center) reduces the burden of cancer through research, education, patient care, and community outreach. The UH cancer center is the only National Cancer Institute (NCI)-designated cancer center in Hawaii and the Pacific region. ...

...

It is in the public's interest that State resources be efficiently and effectively managed to optimize the public benefits. ~~Just as co-locating the physical facilities for JABSOM and UH cancer center on adjoining sites in Kakaako promotes synergistic efforts, the legislature determines that it is a statewide concern to ensure that the management of public resources provided to JABSOM and UH cancer center be integrated, coordinated, and focused on common priorities to avoid~~

unnecessary duplication of administrative expenses or conflicting priorities.

Placing resources devoted to training and educating physicians and conducting cancer research in an integrated university organizational structure as opposed to stand-alone and duplicative organizations will foster a uniform strategic vision. Unified leadership will also allow better coordination with the University of Hawaii's private partners in the hospital community and with other state agencies.

The legislature finds that as a matter of statewide concern, the UH cancer center should be more closely affiliated with JABSOM and be administered as an organized research unit of JABSOM. Merging JABSOM and the UH cancer center's administrative services and infrastructure teams will offer efficiency by eliminating redundancy and sharing administrative expertise and experience to reduce processing delays.

- *“Unified leadership will also allow better coordination with the University of Hawaii’s private partners in the hospital community and with other state agencies.”: This refers to the dual reporting requirement in the previous “proposed SD1” that has since been removed at the hearing by the HTH and HRE Committees.*
- *“Merging JABSOM and the UH cancer center’s administrative services and infrastructure teams will offer efficiency by eliminating redundancy and sharing administrative expertise and experience to reduce processing delays.”: Such administrative reorganization or integration will critically jeopardize our chance to renew the NCI designation. Additionally, the assumptions underlying the above*

sentences are not factual, as we have repeatedly testified to the Senate HRE, WAM and HTH Committees in previous hearings.

- The belief that mergers lead to financial and operational efficiency often does not materialize, let alone when a merger involves highly specialized services for two units with very different primary missions as the UH Cancer Center and JABSOM. Forced merging of key operations did not work out well and led to significant financial losses in 2015-2016 under then Acting Director Hedges' management. Between December 2014 and summer of 2016, Dr. Hedges served both as the Dean of the Medical School and the Acting Director for the Cancer Center, during which time he attempted to fold the Cancer Center's fiscal office under JABSOM operations. This caused conflicts between the fiscal office staff who were specialized in completely different and complicated operations of research vs. instructional support and led to several skilled staffers' departure. Due to the fiscal dysfunction, some of our faculty members were unable to get reconciliations in a timely manner on their grant accounts and carried a substantial unobligated balance in error. NCI refused to award competitively scored grants to the UH Cancer Center totaling >\$2 million that year even after we provided explanations and corrections
- *"unnecessary duplication of administrative expenses":* In 2016, under the direction of then UH Manoa Interim Chancellor Robert Bley-Vroman, the Cancer Center Task Force reviewed areas of overlapping operations of the two units where costs could be saved without a detrimental merger. UH Cancer Center and JABSOM have since streamlined the overlapping operations and improved efficiency as recommended by the Task Force. As included in President Lassner and Provost Bruno's testimonies (to HRE, WAM, HTH), the list includes, but is not limited to: joint grants, joint class instruction and mentoring, joint graduate student assistantships, joint faculty recruitments and appointments, joint

genomics core, cost sharing for the vivarium, combined telecom, coordinated security and building maintenance, and coordinated parking.

- *“conflicting priorities”*: As stated in the bill above, “The UH Cancer Center reduces the burden of cancer through research, education, patient care and community outreach” as its core mission. This core mission should and has set the strategic priorities of the UH Cancer Center. JABSOM similarly sets its strategic priorities according to its educational/training core mission for its operation. The notion of “conflicting priorities” is misleading.

~~The legislature notes that several outstanding medical schools at other universities integrate their cancer research programs closely with their medical schools. For example, the Washington University School of Medicine in St. Louis is the parent institution to the Siteman Cancer Center. The Siteman Cancer Center is designated as a comprehensive cancer center and holds an "exceptional" rating from the NCI. The MD Anderson Cancer Center in Houston, Texas is a comprehensive cancer center and operates in close affiliation with the McGovern Medical School as part of the University of Texas Health Science Center at Houston.~~

- The UH Cancer Center is vastly different from the anecdotal examples of NCI-designated cancer centers under their medical school. As listed in the White Paper, produced by the Cancer Center Task Force Committee in 2016 under then UH Manoa Interim Chancellor’s direction, the majority of NCI-designated cancer centers are independent from their medical school/center in organization, allowing for the director’s independent authority. A few centers within their medical school have a historical background of having evolved around the hospitals of their respective

medical schools. JABSOM does not have a hospital. From the beginning, the UH Cancer Center has been a freestanding research institute and has flourished under this organizational structure.

- The Washington University Siteman Cancer Center (WUSCC) is an example of a cancer care component of a well-established medical school-owned hospital (established in 1891) that has grown into a cancer center (in 1999) and into an NCI-designated cancer center (relatively recently in 2005, considering that the UH Cancer Center received its first NCI designation in 1980's and has maintained the designation since 1996). WUSCC growth within the Washington University School of Medicine was not only historically organic but no doubt has benefited substantially from the medical school's \$1.1B patient care revenue (out of the total \$2B revenue).
- The MD Anderson Cancer Center (MDACC) was established in 1941 with the Texas State legislature support that created a cancer care hospital. MDACC President, like the presidents of all other University of Texas Health Institutions (medical schools), report directly to the UT System Chancellor. MDACC's annual revenue from patient care (i.e., its own hospital-based income) in a recent year was \$3.5B out of the total revenue of \$5.9B. MDACC has received \$1B in endowments and \$240M in annual donations.
- Thank you for the excellent examples of other medical institutions, which only makes a case against the HRE's argument and demonstrates how much typical medical or cancer centers financially rely on patient care revenues: 55% for the Washington University School of Medicine and 59% for the MD Anderson Cancer Center. This also underscores how irrelevant these examples are to the case of the UH Cancer Center and JABSOM that do not own a hospital.

~~The legislature also notes that from 2014 to 2016, the University of Hawaii developed business plans, hired~~

consultants, and made presentations to its board of regents on the university's plans to integrate the University of Hawaii Kakaako health science campus and eliminate operational redundancies between JABSOM and the UH cancer center. Further, the University of Hawaii frequently groups different organized research units within a larger administrative structure. For example, the school of ocean and earth science and technology encompasses several outstanding research units, including the center for microbial oceanography: research and education and Hawaii institute of marine biology.

- As we have repeatedly provided facts in our previous testimonies to HRE, WAM and HTH, the UH Administration did not hire the external consultant (Warbird) that HRE refers to in this paragraph. In clear conflict of interest, JABSOM Dean Jerris Hedges initiated the Warbird review and completed the 2016 Business Plan that is referenced himself, while serving as Interim Director of the UH Cancer Center and actively promoting the reorganization of the Cancer Center under JABSOM.
- The UH Administration directed two other reviews of the Cancer Center, initiated by then UH Manoa Interim Chancellor Robert Bley-Vroman. First by a campus-wide Task Force and second by an internal Task Force at the Cancer Center. Neither of these reviews recommended reorganization of the Cancer Center under JABSOM. These reviews recommended streamlining the overlapping operations of the two units where the costs can be saved without jeopardizing their core missions.
 - The first review by the campus-wide Task Force also strongly recommended a return to faculty shared governance at the UH Cancer Center.
 - The second review concluded a merger would not lead to cost savings or increased efficiency and recommended specific ways to achieve efficiency in

overlapping operations without detrimental organizational restructuring. Most of the recommended integrations has been accomplished since then.

- After considering all the internal and external reviews and many interviews of stakeholders (at the Cancer Center, its clinical and community partners, its NCI-appointed scientific advisors from other NCI-designated cancer centers), the UH Administration and Board of Regents resolved in 2016 to retain the Cancer Center as an independent Organized Research Unit under the UH Manoa Provost's supervision and hired Dr. Holcombe, who received overwhelming support of all stakeholders in/outside the Cancer Center.
- **It is now circa 2021, not 2016. One thing the Senate bill completely fails to acknowledge is the hiring of the UH Cancer Center's current Director, Dr. Randall Holcombe, and his outstanding accomplishments since 2016.** Dr. Holcombe has obtained funding to begin construction of the new clinic for Phase 1 clinical trials this summer. Under Dr. Holcombe's leadership, our research, teaching, clinical trials and community outreach have recovered and greatly improved, according to the External Advisory Committee that annually reviews our performance on behalf of the NCI. Our faculty and staff morale is higher than ever, and the UH Administration, the Hawai'i Cancer Consortium partner hospitals, and our community advocates and collaborators all rally behind Dr. Holcombe's leadership in unity to submit the renewal application in 2022 and successfully renew the NCI designation in 2023. The unwarranted annual attacks by the legislature on the UH Cancer Center and Dr. Holcombe's leadership are a distraction from our work and, if continued, could lead to a loss of excellent researchers.
- The example of the UH Center for Microbial Oceanography (C-MORE) under SOEST is irrelevant. C-MORE does not have a center designation grant that is contingent on a specific federal evaluation criterion, grading all applicants based on the director's sole and independent authority over financial, personnel and space decisions.

To maintain the NCI designation as a cancer center consistent with NCI guidelines, the director of the UH cancer center shall continue to have a direct line of reporting and accountability to the provost of the University of Hawaii at Manoa.

- [We thank you for removing the dual reporting initially proposed, on behalf of all cancer patients who require investigational treatments, their clinical providers who tirelessly collaborate with the UH Cancer Center to deliver clinical trials, and our deeply caring community partners and cancer research advocates, as well as our faculty and staff members who take great effort and pride in their cancer research, education and community outreach.](#)

Accordingly, the purpose of this part is to require:

(1) The director of UH cancer center to be appointed by the University of Hawaii's board of regents upon recommendation from the provost of the University of Hawaii at Manoa instead of the dean of JABSOM;

~~—(2) The UH cancer center to be administratively affiliated with JABSOM;~~

- [For reasons stated above](#)

(3) The director of the UH cancer center to report to the provost of the University of Hawaii at Manoa and coordinate with the president of the university;

(4) Funds expended from or originating from the University of Hawaii tuition and fees special fund established by section 304A-2153, Hawaii Revised Statutes, for JABSOM or the UH cancer center to be used for educational purposes only; and

- [As the UH Administration has repeatedly addressed this point, there are many other units, including JABSOM, that receive fungible resource allocations from the UH Administration to make up for the decreased General fund support from the legislature over the years.](#)

(5) Funds expended from or originating from the research and training revolving fund established by section 304A-2253, Hawaii Revised Statutes, for JABSOM or the UH cancer center to be used for research and research-related purposes only.

- This statement does not differentiate the research and training revolving fund generated from the UH Cancer Center vs. JABSOM. These (indirect) funds come with an expectation and stipulation that they will be used to strengthen the infrastructure required for the granted project and should be used for that purpose. Consistently, the research and training revolving fund generated by all UH units has been in part used to support the common infrastructure of the UH/UH Manoa, and the rest returned to the specific unit.

SECTION 7. Chapter 304A, part IV, Hawaii Revised Statutes, is amended by adding a new subpart to be appropriately designated and to read as follows:

" . **Cancer Research Center of Hawaii**
§304A- Cancer research center of Hawaii. (a) There is established an organized research unit, hereinafter known as the "cancer research center of Hawaii", to conduct cancer research. The cancer research center of Hawaii shall be administered by a director to be appointed by the board of regents upon recommendation by the provost of the University of Hawaii at Manoa with the concurrence of the president of the university. ~~The cancer research center of Hawaii shall be affiliated with the John A. Burns school of medicine;~~ provided that the director of the cancer research center of Hawaii shall report to the provost of the University of Hawaii at

Manoa and coordinate with the president of the university.

~~(b) Notwithstanding any other law to the contrary, funds expended from or originating from the University of Hawaii tuition and fees special fund, established under section 304A-2153, for the school of medicine or the cancer research center of Hawaii shall be used by the school of medicine or the cancer research center of Hawaii for educational purposes only.~~

~~(c) Notwithstanding any other law to the contrary, funds expended from or originating from the research and training revolving fund, established under section 304A-2253, for the school of medicine or the cancer research center of Hawaii shall be used by the school of medicine or the cancer research center of Hawaii for research and research-related purposes only.~~

➤ [For reasons stated above](#)

(d) The cancer research center of Hawaii's research agenda shall focus on research, education, patient care, and community outreach and should reflect an understanding of the ethnic, cultural, and environmental characteristics of the State and the Pacific region. The cancer research center of Hawaii may:

- (1) Engage in international research collaborations;
- (2) Undertake research studies and clinical trials; and
- (3) Participate in projects and programs of the National Cancer Institute."

SECTION 8. Section 304A-2153, Hawaii Revised Statutes, is amended to read as follows:

"§304A-2153 University of Hawaii tuition and fees special fund. ...

~~(g) Notwithstanding any other law to the contrary, funds expended from or originating from this fund for the University of Hawaii school of medicine or the cancer research center of Hawaii shall be used by the school of medicine or the cancer research center of Hawaii for educational purposes only."~~

➤ [For reasons stated above](#)

SECTION 9. Section 304A-2253, Hawaii Revised Statutes, is amended to read as follows:

"§304A-2253 Research and training revolving fund. ...

~~(e) Notwithstanding any other law to the contrary, funds expended from or originating from this fund for the University of Hawaii school of medicine or the cancer research center of Hawaii shall be used by the school of medicine or the cancer research center of Hawaii for research and research-related purposes only."~~

➤ [For reasons stated above](#)

The Senate Committee on Ways and Means

April 1, 2021

9:30 am, Conference Room 211

RE: HB 1297 HD2 SD1, Relating to State Finances

Attention: Chair Donovan M. Dela Cruz, Vice Chair Gilbert S.C. Keith-Agaran and members of the Committee

I write to express my **strong opposition** to HB 1297 HD2 SD1, particularly **Part II Section 5** which redefines how cigarette tax proceeds deposited in the Hawai'i Cancer Research Special Fund may be expended, as well as **Part III**, which redefines the University of Hawai'i (UH) Cancer Center as an Organized Research Unit (ORU) within the administrative and management purview of John A. Burns School of Medicine (JABSOM).

Regarding Part II, Section 5, Hawai'i Cancer Research Special Fund expenditure restrictions, Act 316 in 2006 created the Hawai'i Cancer Research Special Fund and stated the purpose and intent of the 2006 legislature: "The moneys in the special fund shall be used by the University of Hawaii for the cancer research center of Hawaii's research and operating expenses." In 2008, the term "and capital expenditures" was appended to this sentence via Act 084. Several hearings have occurred over the past year in which erroneous statements have been made that the original intent of the fund was to only pay for bond debt service on the building. This bill eliminates the ability for the Cancer Center to utilize these funds for research and operational expenses, complicating the Cancer Center's ability to execute current strategic initiatives. Without a predictable source of revenue, future research and operational support is in jeopardy.

The original intent of the Hawai'i Cancer Research Special Fund, as mentioned, was to support the "research and operations" of the Cancer Center. In fact, it was only at the time the bonds were issued in 2010 that this revenue source was used to secure the issuance of revenue bonds which made possible the building the Cancer Center structure in Kaka'ako. It was important that Act 84 was passed so that the cigarette tax proceeds would support construction of the Cancer Center building in Kaka'ako, which began in 2010 and was completed in 2012.

To finance the building construction, the original bonds issued in 2010 totaled \$130 million, and had a series of maturity dates, with the final bond maturing in 2040 (30 years from issuance). UH re-issued these bonds in October 2020 in order to remove the restriction afforded to public revenue bonds which disallowed rental of space within the building to non-public entities. This restriction had been an impediment to renting or leasing space within the building, a potential source of alternate revenue to support the facility and operations.

The timing of this reissuance also took advantage of lower interest rates, and despite not having the benefit of federal interest subsidies that had been available with the 2010 bond issue, some debt service savings is accomplished with the re-issuance. This savings is needed, as the cigarette tax revenue is indeed dwindling, at a rate of ~4% per year. The Cancer Center has been charged to balance the operating budget after many years of more than \$5 million in operating deficits prior to the current

Director's tenure. This has been accomplished, despite dwindling cigarette tax revenue, through increased efficiencies, targeted cuts and strategic investments in programs. Bond re-issuance was one of the efficiencies implemented to account for the dwindling revenue as well as to remove bond lease restriction. The re-issued bonds continue to have a series of maturity dates, allowing even annual debt service over the original life of the bonds (i.e., until 2040).

The Cancer Center (UH) submits to the legislature, biannual reports on the revenues and expenditures for the Cancer Research Special Fund, providing full transparency on the use of these funds as well as to provide legislators updates on the financial stability of the Cancer Center accomplished since hiring Dr. Holcombe as director. In fiscal year 2020, the Cancer Research Special Fund received \$12.7 million from cigarette tax revenue in FY 2020. Bond expense in FY 2020 was ~\$8 million, while building maintenance and operations exceeded \$6 million, for a total in excess of \$14 million, for which the Cancer Research Special Fund revenue, at \$12.7 million, was not sufficient to support, much less support any research as originally intended. Instead, other UH allocated funds, such as RTRF, are used to support operations, rather than supporting the important research critical to the mission of the Cancer Center.

I am also opposed to sunsetting the transfer of cigarette tax proceeds to the Hawai'i Cancer Research Special Fund, coincident to the debt service maturity. Surely operations and the important research infrastructure will continue beyond that date, and the state would want to continue its support for its only NCI-designated cancer research facility in the Pacific. As stated above, fewer cigarettes are being consumed, which is a good thing for the health of the people of Hawai'i, but this has also caused tobacco tax collections to decrease for the Cancer Research Special Fund. In addition to the higher price of cigarettes, we believe the Cancer Center has played a positive role in tobacco cessation through research related to smoking as well as through outreach and cessation programs.

Should the committee find these foregoing points useful, I would encourage the committee to amend the bill to continue the use of funds for research and operations purposes, and eliminate the sunset date.

Regarding Part III, Sections 6 & 7, Cancer Center reorganization, this section contains the entirety of an earlier version of SB 589, which has already been heard in the House Committee on Health, Human Services, & Homelessness and House Committee on Higher Education & Technology, where further amendments have been made. Further amendments are likely to be made to SB 589 in future hearing. I would hope those amendments could be considered as part of this bill, but timing may not be in the bill's favor to wait for these. These amendments change the subject of HB 1297 beyond the scope of "Relating to State Finances," but **if this section remains, perhaps the further amendments to SB 589 made by House committees and incorporated as SB 589 HD2, which are positive with respect to National Cancer Institute's (NCI's) organizational requirements, could be incorporated into HB 1297.**

Organization of the UH Cancer Center: I joined the UH Cancer Center as Associate Director for Administration in July, 2017, after having worked in cancer center administration for the previous 20 years, at the NCI-designated University of Virginia Cancer Center and more recently at the West Virginia University Cancer Institute, a center which is often referred to as an "emerging" cancer center with aspirations of becoming NCI-designated. As administrator for the NCI-designated UH Cancer Center, I am one of 71 cancer center administrators in the nation whose job, and career, is based on knowledge

of the NCI-designation process, requirements and implementation. Though I am acutely aware of the past history during some trying and tumultuous years for UH Cancer Center, prior to 2016, I feel as though my perspective on the issue of reorganization, as proposed in this proposed bill, may be valuable to you as legislators.

Working together with JABSOM: First, the introduction of this language to this bill seems to be in response to issues long since put to rest regarding the UH Cancer Center and JABSOM working together toward a common goal of research (encompassing basic sciences, population sciences and clinical research), education, community outreach. From an administrator's point of view, the school and the center have a good working relationship, employing synergistic oversight of many of the functions necessary for the day-to-day operations of the Kaka'ako campus. Examples include combined strategies on parking, cooperating on campus security, sharing major purchases (e.g., land lease, utilities, telephone infrastructure, etc.), practice plan operations (together through University Health Partners), high level human resources collaboration, etc. The JABSOM CFO (Ms. Foster) and I have an excellent working relationship and meet regularly to maintain administrative cooperation and tackle common topics among our units. Reorganization as described in this legislation would not only be detrimental to the Cancer Center's status as an NCI-designated Cancer Center, but would not result in significant cost savings.

Reorganization effect on NCI-designation: As mentioned in many forums, NCI-designation is coveted honor conferred upon the university and the state. There is currently a total of 71 NCI-designated cancer centers, one of which is the UH Cancer Center. There are fourteen states in which there is no NCI-designated cancer center, yet each of those states have universities with cancer centers aspiring to become NCI-designated. It is a testament to UH and the state for supporting the continuous NCI-designation of cancer center for the past 25 years, and for 25 years prior since its inception, in 1971, as a resource for discovery and dissemination, given the ethnic diversity of Hawai'i's population, found at no other cancer center in the US. Loss of this designation would be a setback to the progress made in cancer research that applies directly to the people of Hawai'i.

Among the guidelines utilized in determining the eligibility for NCI-designation are what is termed "The Six Essential Characteristics of an NCI-designated Cancer Center." These include: Physical Space, Organizational Capabilities, Transdisciplinary Collaboration and Coordination, Cancer Focus, Institutional Commitment, and Center Director. A reorganization of the cancer center would create particular concerns regarding several of these Essential Characteristics.

Physical Space: The cancer center building is an excellent resource for the transdisciplinary research which occurs within the building and provides a launching point for the many collaborations that exist among cancer center members whose homes are with many schools and departments within the UH system, including JABSOM, as well as external to UH, including Hawai'i Pacific University and The Queen's Medical Center. A reorganization will be seen as dilution of the focus for cancer research within the physical space and remove the Cancer Center director from having authority over this space.

Organizational Capabilities: From the NCI guidelines of NCI designation in 2017: "[A Center] should take maximum advantage of the institution's cancer research capability...as well as an efficient and cost-effective administrative organization with clear lines of authority" A reorganization limit the Director's authority to oversee the administrative capabilities within the Center, which would be seen as a loss in this essential element and fail to meet the current guidelines for organizational capabilities.

Cancer Focus: A reorganization would dilute the effect of the current focus on cancer related topics among the cancer center members. While there are many cancer center members within JABSOM, the majority of JABSOM faculty do not perform cancer related research. As a matrix center the current organization allows for cancer focus to be achieved through collaborations with individuals in many schools and departments across the University—not just JABSOM. In this way, the Cancer Center is already “affiliated” with JABSOM, as well as other UH schools, and does not need legislation to make it so. This collaboration beyond JABSOM may be in jeopardy if a reorganization restricts collaboration through a silo-type organizational structure under a single school.

Institutional Commitment: This element will likely be one of the most affected of the Six Essential Characteristics, due to the significant structural changes that will occur. Rated as “Outstanding” in the 2017 competitive renewal review, commitment from the state, university and clinical partners was received well by the reviewers. A reorganization will be seen as lack of commitment, especially from the state, but also from the university, should the reorganization be allowed to take place. In addition, the funding from cigarette tax proceeds mentioned earlier, is a tangible sign of Institutional Commitment. A reduction of funding from this source will surely be seen as a reduction in Institutional Commitment.

Center Director: This is the most important element within the “Six” which will be affected by this proposed reorganization. The following is quoted from the afore mentioned NCI review:

The Center Director is rated outstanding. Dr. Holcombe has complete authority over all resources at the Center, which includes research space, faculty recruitment and appointment of members, and all Cancer Center revenue and all financial matters. His direct control and authority over the entire cancer programs at the Center and shared resources as well as clinical trials infrastructure ensures that the Center remains mission focused. The impact of the new center director is palpable and there is confidence that under his leadership the Center will continue to address its challenges and create opportunities to reach its strategic goals. Dr. Holcombe is highly qualified for this position.

Guidelines on the Center Director have recently changed to emphasize importance of the authority of the director. Authority must be seen as “superior to that of department chairs.” A reorganization will be seen as eliminating the director’s authority over the administrative functions of the Center, as all other ORU directors have.

Overall, the review of the Six Essential Characteristics will suffer in the next renewal, as a result of this reorganization, putting NCI-designation in jeopardy. There has been only one NCI-designated Cancer Center to lose its designation in the last 20 years, and that was University of Vermont. Their loss of NCI-designation was based precisely on the same issues the legislature is proposing—a reorganization that is not befitting to the established guidelines used for consideration of NCI-designation. NCI-designation brings with it the ability to apply for grants not available to other institutions. Moreover, this designation also lends credibility to the institutional resources necessary for research grants awarded by NCI, and more broadly, by NIH and other federal agencies. It is well known that 85% of all NCI extramural funding is awarded to the 71 NCI-designated Cancer Centers. The remaining ~1,000 cancer centers in the US seek the remaining 15% to support cancer research programs at their institutions. A reorganization and loss of NCI-designation will result in the UH Cancer Center being among the lower 15%.

Cancer Center Administrative Leadership: Cancer Center Administration, which I am privileged to lead over the past three and a half years, has made huge improvements to operations and management of the facility over the past years. In recognition of these efforts, this team, consisting of leaders in the areas of fiscal, communication, grants management, human resources, community outreach, facilities, information technology, compliance, clinical research operations, and philanthropy, was awarded the Governor's 2019 State Team of the Year. The award declaration stated:

Your team, comprised of various administrative offices, invested valuable time and your combined talents to improve the efficiency and operational productivity of your individual units. This resulted in employee work satisfaction, cost savings, and achievement of key mission-based objectives. Your team helped revitalize the Cancer Center with robust community outreach to educate the public about cancer prevention, renewed an active collaboration with community organizations, and reinforced the need for cancer research. In addition, by employing a rigorous budget review process, your team reduced annual expenditures by over \$2 million.

A critical and defining moment occurred when the National Cancer Institute (NCI) recognized the unique contributions of the UH Cancer Center and rewarded your efforts by continuing the NCI-designation. For Hawai'i, this means that family and friends will have access to cutting-edge cancer treatments and the highest quality of cancer care. Due to your extraordinary teamwork and tireless dedication, the UH Cancer Center has flourished as an academic unit and service organization.

A reorganization, frankly, belies this achievement and offers little incentive for a continued upward trajectory already in place.

In summary, HB1297, as submitted to this committee, will be detrimental to the UH Cancer Center and to the people of Hawai'i. I therefore request that the legislature defer this measure, or amend as suggested, to continue funding and to support the current important structure within the University of Hawai'i.

Sincerely,

Clifford C. Martin, MBA

Associate Director for Administration at the University of Hawai'i Cancer Center

Resident of Senate District 13

HB-1297-SD-1

Submitted on: 3/29/2021 11:14:59 AM

Testimony for WAM on 4/1/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
I support.	Individual	Support	No

Comments:

I support

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee:

I am Joe Ramos and I am providing personal testimony as a Professor and Deputy Director at the UH Cancer Center to voice my strong **OPPOSITION to HB1297 HD2 SD1**, which would administratively affiliate the UH Cancer Center with the John A. Burns School of Medicine (JABSOM) and also limit use of the Hawai'i Cancer Research Special Fund to capital expenditures.

In my roles at the Cancer Center over the years as Cancer Biology Program Leader, Associate Director of Administration and currently as Deputy Director, I have written large sections of our last two UH Cancer Center National Cancer Institute (NCI) Designation renewals. I also attend the annual National Cancer Center Meetings and sit on site visit teams to review Cancer Centers in other states for the NCI Designation. I therefore know the requirements of the NCI Designation well.

My foremost concern is that the language in this bill **endangers the renewal of our NCI Designation** by affecting Institutional Commitment and the Authority of the Director. These are two very important criteria that are taken into account when we apply to renew the designation every 5 years and are key differentiators that help us rise above competitors.

Thanks to the prior committees' reaffirming that the Director reports to the Provost. However, the rest of that portion (Part III) of the bill is confusing and jeopardizes the NCI Designation renewal because it is unclear what "Administrative affiliation with JABSOM" might mean. I am very specifically worried about the authority of the Director.

Below is the description from NCI as to what they expect related to this and then how they review it. I also provide a quote from our last renewal to share how Director's Authority was reviewed and a quote from our 2020 EAC review that comments on this so that you see it was very important to have our current structure to get that "Outstanding" rating.

Director's Authority is one of the Six Essential Characteristics we are graded on and our cancer center has excelled at this part of the NCI Designation review and that has helped us win and renew our designation. I copy and paste here what NCI says about expectations of Directors' Authority in their instructions for NCI Designation renewal/application (recall NCI designation is the same thing as the Cancer Center Support Grant): <https://grants.nih.gov/grants/guide/pa-files/PAR-20-043.html>

- *"Authority of the Center Director:*
 - *Superior to that of department chairs, with appointments to decision making committees and formally codified authorities that enable the Director to influence cancer policies at the institutional level*
 - *Over specific research and resource space and equipment dedicated to the Cancer Center for the enhancement of Center research capabilities*
 - *Over inpatient and outpatient clinical research facilities and the appointment and evaluation of individuals critical to linking oncology care to clinical research*
 - *Over faculty appointments to the Cancer Center, and of their periodic review for continued membership*
 - *Over central discretionary funds (e.g., philanthropic funds, facilities and administrative costs, and clinical revenues)"*

They review those criteria as follows (also copied from the website) in both the written document and at the site visit (this is what reviewers get as guidance on how to evaluate them): <https://grants.nih.gov/grants/guide/pa-files/PAR-20-043.html>

"Institutional Commitment (merit descriptor)

- *To what extent has the institution (and consortium partners, where appropriate) met prior commitments and provided resources to ensure that the Center reaches its full potential?*
- *How appropriate are resources committed to the Center by the institution and any consortium partners for the next project period (e.g., return of indirect costs, endowment income, clinical income and proceeds from commercial development of Center discoveries, etc.), and the processes for determining how funds will be used?*
- *For matrix Centers, what is the evidence that the status of the Cancer Center is superior to that of an academic department and that institutional leadership provides stable support for strategic Center objectives?*
- *How appropriate is the Director's position within the institution and his/her representation on the decision-making committees relevant to Center objectives?*
- *How adequate is the authority of the Center Director over:*
 - *Appointment of new members and discontinuation of existing members?*
 - *Appointments of faculty necessary to enhance the research objectives of the Center?*
 - *Inpatient and outpatient research facilities necessary to achieve the Center's clinical research objectives (in Centers with clinical research activities)?*
 - *Philanthropy, clinical revenues, or other funding streams?"*

I quote here how we were evaluated on this by NCI in the last renewal in our 2018 Review Summary Statement:

"Institutional Commitment is rated outstanding. *Institutional commitment through various revenue sources totals \$23.5 million of which 53% is generated from a tobacco tax. The University of Hawai'i and the State are fully committed to ensuring the success of the UHCC as the only cancer education and clinical research center. The UHCC receives strong institutional commitments in space and faculty tenure slots, and benefits from a wide array of financial streams at significant levels. State commitments are notable. The Center's reliance on the Hawaii Cancer Consortium (defined by CCSG as an affiliation) needs to be accompanied by a clear role for the affiliate partners in clinical institution level decision-making. The anticipated reliance on philanthropic support in the future needs to be endorsed with a commitment for staffing of such efforts by the Institutional Development Office. There is a succession plan in place to replace the director via the Deputy Director, if needed.*

The Center Director is rated outstanding. *Dr. Holcombe has complete authority over all resources at the Center, which includes research space, faculty recruitment and appointment of members, and all Cancer Center revenue and all financial matters. His direct control and authority over the entire cancer programs at the Center and shared resources as well as clinical trials infrastructure ensures that the Center remains mission focused. The impact of the new center director is palpable and there*

is confidence that under his leadership the Center will continue to address its challenges and create opportunities to reach its strategic goals. Dr. Holcombe is highly qualified for this position.

In summary, the University of Hawai'i Cancer Center plays a unique role within the constellation of US cancer centers, as the only cancer center to serve the state of Hawai'i and the Pacific. The Center has made notable progress albeit uneven in some important areas. The Center has a very strong presence and impact in the community addressing the cancer burden of its population, and providing an environment to facilitate access to clinical trials. Since the last award, UHCC has undergone a transformational leadership change under the Dr. Randall Holcombe and is now on a trajectory to substantially reduce the burden of cancer over a massive geographic area, with a noteworthy degree of attention to ethnic and racial disparities that characterize this unique catchment area. Culturally sensitive clinical trials are excellent examples of how UHCC succeeds in impactful studies of cancer in the population. The re-organization of the programs and program leaders are recent events, and thus their impact is yet to be fully realized. There remain concerns about modest outcomes and unevenness of the depth of two research programs, the lack of translational/clinical co-leadership in the Cancer Biology program, and the significant unevenness of the transdisciplinary research efforts, and in the translation of its science to investigator initiated treatment trials. The impact of the new Center Director is unmistakable and there is confidence that under his leadership the Center will continue to mature.

*Finally, the Center adds value to the success of the programs with its impactful shared resources. **The Center is a unique and invaluable resource to the state and the region.** The Center adds value to the HCC with its unique catchment area and strong leadership. Support for five years is appropriate.”*
- 2018 Summary Statement in review of our NCI Designation Application

Finally, our NCI External Advisory Committee (EAC) review stated the following in their yearly review of the Cancer Center in 2020 to emphasize the role this plays in our NCI Designation renewals:

“The unique structure of UHCC, in essence a hybrid of a "matrix" center within a University and a "free-standing" center with defined authority, has been a key to the Cancer Center's success. This has enabled you as Director to expand membership in the HCC, forge new community alliances, and strategically recruit faculty researchers who support your efforts to conduct cancer research with particular relevance to your unique population. This type of authority speaks directly to NCI's expectations of a cancer center director. The structure your institution has put in place, with you reporting to the Provost and working closely with the University President, is vital for your continued success and continued NCI designation.”
-2020 EAC Report Executive Summary

Note that we did better in our last renewal than the previous one and we intend to do even better for Hawaii next time through. I believe this is something for all of Hawaii to be proud of. We would not have done so well without your commitment and I cannot express enough my gratitude for that. You see in the quoted Summary Statement how valuable that has been. It is essential for our continued mission to reduce the burden of cancer here and to help the 7000 new patients every year diagnosed with cancer in the state.

Part II of this bill limits use of the Hawai'i Cancer Research Special Fund to capital expenditures (paying the bonds on the building) and will limit our ability to pay for the associated research and operations of the building. The original Act 316 in 2006 that created the Hawaii Cancer Research Special Fund states the purpose and intent of the 2006 legislature as follows: "*The moneys in the special fund shall be used by the University of Hawaii for the cancer research center of Hawaii's research and operating expenses.*" In 2008, the term "and capital expenditures" was appended to this sentence to read "*The moneys in the special fund shall be used by the University of Hawaii for the cancer research center of Hawaii's research and operating expenses and capital expenditures*" via Act 084." The language in HB 1297 will change that in damaging ways as we would no longer be able to pay for building associated research and operating expenses.

Finally, as noted by NCI above and in other testimony from faculty, things have improved significantly in the five years since the 2016 business plan and report referenced in this bill. Dr. Holcombe recently (3/18/2021) updated the Board of Regents on the specifics and they are publicly available.

Indeed, this year the Cancer Center is celebrating its 50th year serving Hawai'i, 40th year as an organized research unit at UH, and 25th year of continued NCI Designation. You may see our history and progress here: <https://www.uhcancercenter.org/50th-historical-timeline>

I stand **OPPOSED to HB1297 HD2 SD1**. It will endanger our NCI Designation and thereby diminish the ability of the Cancer Center to continue to do the good work it does for cancer patients and the people of Hawai'i.

Thank you for this opportunity to provide testimony.

Joe W. Ramos, PhD
Professor and Deputy Director
UH Cancer Center
B.H. and Alice C. Beams Endowed Professor in Cancer Research
John A. Burns School of Medicine

HB-1297-SD-1

Submitted on: 3/30/2021 7:07:19 PM

Testimony for WAM on 4/1/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lynn Murakami-Akatsuka	Individual	Oppose	No

Comments:

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Senate Ways and Means Committee,

I am writing as a member of the Hawaii Skin Cancer Coalition to voice my **Strong Opposition** to HB 1297, HD2, SD1, which proposes to administratively reorganize the currently freestanding Organized Research Unit of the UH Cancer Center (UHCC) within the UH John A. Burns School of Medicine (JABSOM) and also limit the use of the Hawaii Cancer Research Special Fund to capital expenditures.

The language in this bill endangers the renewal of the UHCC's National Cancer Institute (NCI) designation by affecting "Institutional Commitment and the Authority of the Director." Past committees Health (HTH) and Higher Education (HRE) reaffirmed that the Director reports to the Provost; but the rest of that portion in Part III is confusing and jeopardizes the NCI Designation renewal.

Part II of the bill is a major concern as it limits the use of the Hawaii Cancer Research Special Fund to capital expenditures and will limit UHCC 's ability to pay for the associated research and operations of the building.

It is not easy to turnaround a large institution, from the UHCC that had earlier years of difficulty prior to 2016; to one that is led with strong leadership by UHCC's Director Dr. Randall Holcombe. He has led through: 1) strategic implementation, 2) has strong support from the UH administration and within the UHCC faculty, 3) involved other UH departmental staff, and 4) most of all established financial stability at UHCC. Hawaii residents and our Pacific Island neighbors benefit that we are able to get clinical trial treatments and ethnic specific research cancer studies here in Hawaii at UHCC through its NCI designation.

Therefore, **I strongly oppose HB 1297, HD2, SD1** for the reasons I stated above and urge that it be deferred. Thank you.