



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committees on Higher Education and the Arts
and
Commerce, Consumer Protection, and Health
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by
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SB 2050 – RELATING TO HEALTH

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

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

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

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

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

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

Thank you for the opportunity to testify.