



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
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by
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HB 1296 HD1 SD1 – RELATING TO STATE FUNDS

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) is providing comments regarding House Bill (HB) 1296 House Draft 1 Senate Draft 1, Relating to State Funds. This bill repeals the Hawai'i Tobacco Prevention and Control Trust Fund, appropriates general funds to the Department of Health for tobacco prevention and control, and specifies that Hawai'i Tobacco Settlement Special Fund moneys shall only be deposited into the University Revenue-Undertakings Fund until July 1, 2033.

The implications of this bill are impactful on how the UH will be able to rely on these special fund revenues. The tobacco settlement revenues received by UH are specifically appropriated to the purpose of paying debt service on bonds issued for construction of the John A. Burns School of Medicine (JABSOM) facility in Kaka'ako.

The outstanding bonds were sold in 2006 and the tobacco settlement revenues were a primary revenue pledge to bond buyers. Currently, there remains more than \$117.22 million in bonds outstanding and those bonds will mature prior to the July 1, 2033 sunset date in the bill. UH's annual debt service payments for these bonds are between \$9.4 million and \$10.04 million each year. The bonds have more than ten (10) years remaining until full maturity. Debt service over the remaining duration of the bonds total more than \$123.57 million. The par value of the outstanding bonds is approximately \$117.22 million. Changes to how the Hawai'i Tobacco Settlement Special Fund moneys are allocated and distributed – especially, for that portion to the UH – should be at least mindful of the impact on promised debt obligations.

Thank you for this opportunity to testify.