



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

Date: 01/30/2020

Time: 02:20 PM

Location: 309

Committee: House Lower & Higher
Education

Department: Education

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

Title of Bill: HB 1990 RELATING TO TAXATION.

Purpose of Bill: Permanently directs specified percentages of the general excise tax revenues to the Department of Education to augment its capacity and infrastructure and to the Department of Transportation to protect the state highway system from the threat of inundation and damage caused by climate change. Directs specified percentages of revenues from a new, temporary state improvement surcharge to the foregoing purposes and to certain state funds.

Department's Position:

The Department of Education (Department) supports HB 1990 provided that its passage does not replace or adversely impact the priorities as indicated in our Board of Education-approved budget.

Section 4, among other things, would set aside 0.25 percent of all general excise tax revenues into a "separate account in the state treasury in each fiscal year to be appropriated by the legislature for the Department of Education to augment the capacity and infrastructure of its facilities and programs..."

With a majority of Hawaii public schools averaging over 60 years in age, general excise tax revenues permanently directed to strengthen and improve our public schools' facilities projects as well as operational infrastructure upgrades and replacements would be a significant and critical investment.

Providing a significant and dedicated revenue source to supplement State support of modern and appropriate facilities and programs will help to ensure continued improvements in student achievement outcomes. This increment will assist in this work.

Thank you for the opportunity to testify 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



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
HONOLULU, HAWAII 96810-0150

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

**TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON LOWER AND HIGHER EDUCATION
ON
HOUSE BILL NO. 1990**

**January 30, 2020
2:20 p.m.
Room 309**

RELATING TO TAXATION

The Department of Budget and Finance (B&F) opposes House Bill (H.B.) No. 1990.

H.B. No. 1990 permanently directs specified percentages of general excise tax (GET) revenues to: 1) the Department of Education (DOE) to augment its capacity; and infrastructure and 2) the Department of Transportation (DOT) to protect the State highway system from the threat of inundation and damage caused by climate change. 0.25 per cent of GET revenue would be earmarked for both DOE and DOT and deposited to a special account for DOE and the State highway fund, respectively.

This bill also proposes a temporary State improvement surcharge on the GET and use tax, which would be allocated to several funds, including the State highway fund, and the account created to collect the DOE's percentage of GET revenues.

We have significant concerns regarding earmarking tax revenues for a specific department or purpose. While these funds must be appropriated by the Legislature, they will not be available for other priority programs.

The use of State tax revenues should be subject to the review of the Executive Branch and the Legislature based on the State's current priorities and financial situation. This is especially critical during periods of economic downturn or disaster.

Earmarking funds during a recession, for example, would provide DOE and DOT funding while potentially causing other departments to be subject to greater reductions. DOT also has special funds that support its operations while many other departments do not.

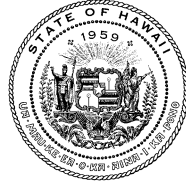
Further, it appears that the funds could be used for capital improvement purposes. As such, bond financing could be considered for such projects.

Based on the above, B&F opposes this measure. It would be more appropriate to consider funding for these purposes via the budget process.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
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To: The Honorable Justin H. Woodson, Chair;
The Honorable Mark J. Hashem, Vice Chair;
and Members of the House Committee on Lower & Higher Education

From: Rona M. Suzuki, Director
Department of Taxation

Re: H.B. 1990, Relating to Taxation

Date: Thursday, January 30, 2020

Time: 2:20 P.M.

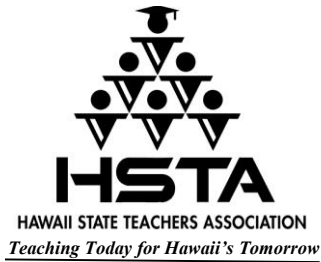
Place: Conference Room 309, State Capitol

The Department of Taxation (Department) offers the following comments on H.B. 1990.

H.B. 1990 adds new sections to chapters 237 and 238, Hawaii Revised Statutes (HRS), establishing a state improvement surcharge on the general excise tax (GET) and use tax at the rate of one-half percent of all gross proceeds and gross income taxable under chapters 237 and 238, HRS. In addition, H.B. 1990 allocates 0.25% of all GET revenues to Department of Education and 0.25% of all GET revenues to the state highway fund. The measure is effective on July 1, 2020.

The Department can administer the measure as written.

Thank you for the opportunity to provide comments.



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Corey Rosenlee
President

Osa Tui Jr.
Vice President

Logan Okita
Secretary-Treasurer

Wilbert Holck
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON LOWER & HIGHER EDUCATION

RE: HB 1990 - RELATING TO TAXATION

THURSDAY, JANUARY 20, 2020

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Woodson and Members of the Committee:

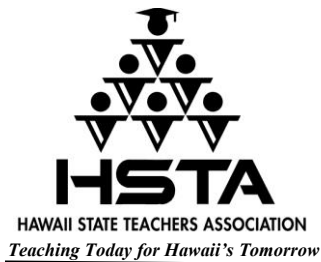
The Hawaii State Teachers Association **supports HB 1990, with amendments**, relating to taxation.

HB 1990 would permanently redirect specified percentages of the general excise tax revenues to the Department of Education to augment its capacity and infrastructure and to the Department of Transportation to protect the state highway system from threat of inundation and damage caused by climate change.

We support these funds going to the Department of Education to augment its capacity and infrastructure as their master plan is the culmination of a years-long contract Jacobs to complete a statewide facilities assessment, evaluate how the needs match up with education standards and determine the best process to address those needs. The estimated total price tag for “top priority” projects, such as additional classroom space to account for overcrowding or basic repair and maintenance to make schools safer, is \$7 billion, according to the 309-page report. That figure rises to \$11 billion when accounting for all levels of priorities. Thus, the HIDOE will absolutely need this funding to complete their infrastructure plan.

HSTA suggests amending this bill to add that these funds should also go toward the expansion of public preschool as well.

As noted by an MIT working group on the topic, investments in early childhood education pay dividends for the formal preparation of children as learners and future citizens, while also benefiting taxpayers and boosting economic vitality. Research on the benefits of quality pre-kindergarten programs indicates that for every dollar invested in such opportunities, society saves four to eight dollars on remedial classes, special education, welfare programs, and criminal



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justice costs. Roughly 85 percent of a child's brain develops from birth to age five, according to modern neuroscience, emphasizing the importance of providing a quality learning environment during these formative years. Preschool brings an approximately \$4.20 return on investment for every dollar spent on quality early childhood services, especially in terms of long-term life skills. At the national level, every dollar spent on early childhood education saves taxpayers up to \$13.00 in future costs, including lowered healthcare costs, reduced rates of educational remediation and prison incarceration, and higher productivity.

Access to quality pre-kindergarten programs not only helps working parents fulfill their responsibilities, but is essential for building a 21st century labor force. Early childhood education is especially important for at-risk students. According to the High Scopes/Perry Preschool longitudinal study, at-risk children with access to quality early learning programs were 20 percent more likely to graduate from high school, 14 percent more likely to be employed, and 24 percent less likely to have been incarcerated by age 40 than peers without such access.

Expanding public preschool and utilizing public school resources for the provision of early learning will not only be more cost-effective, but it will place our children's futures in the hands of the state's most qualified education professionals, namely our certificated and licensed public-school teachers with additional expertise in early childhood education.

This bill should provide Hawaii's public education system more dedicated funding to provide additional funding for our public schools that will help alleviate the deferred maintenance on facilities across the system and to prepare for climate change repercussions, but it should also provide more funding for the expansion of our public preschools.

Accordingly, **we urge you to amend this bill by specifying that these funds should also be appropriated to support the expansion of our public preschools.**

To deliver the schools our keiki deserve, the Hawaii State Teachers Association asks your committee to **support** HB 1990.

HB-1990

Submitted on: 1/29/2020 1:35:24 PM

Testimony for LHE on 1/30/2020 2:20:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ruston Utu	Individual	Support	No

Comments:

I support this bill. I believe that the schools infrastructures are to be kept at their best. This is where our children spend most of their time throughout their days and we want to make sure that our childrens enviroment is a safe one. This is just as important within our highway system. Majority of the time people spend a good amount of their time driving on the roads.



LATE

HOUSE BILL 1990, RELATING TO TAXATION

JANUARY 30, 2020 · HOUSE LOWER AND HIGHER
EDUCATION COMMITTEE · CHAIR REP. JUSTIN H.
WOODSON

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports HB 1990, relating to taxation, which permanently directs specified percentages of the general excise tax revenues to the Department of Education to augment its capacity and infrastructure and to the Department of Transportation to protect the state highway system from the threat of inundation and damage caused by climate change, and directs specified percentages of revenues from a new, temporary state improvement surcharge to the foregoing purposes and to certain state funds.

Our state's public schools are over 60 years old on average and the department's repair and maintenance backlog currently stands at \$860 million. Providing students and teachers with a quality and safe learning environment is essential to increasing student achievement. Decaying classrooms are not conducive to providing an education that matches the needs of the 21st Century job market or civic society, especially when they are not only under-resourced, but drifting steadily toward uninhabitability.

Moreover, according to a report produced by the Hawai'i Climate Change Mitigation and Adaptation Commission, global sea levels could rise more than three feet by 2100, with more

recent projections showing this occurring as early as 2060. Over the next 30 to 70 years, in turn, approximately 6,500 structures and 19,800 people statewide will be exposed to chronic flooding.

Additionally, an estimated \$19 billion in economic loss would result from chronic flooding of land and structures located in exposure areas. Finally, approximately 38 miles of coastal roads and 550 cultural sites would be chronically flooded, on top of the 13 miles of beaches that have already been lost on Kaua'i, O'ahu, and Maui to erosion fronting shoreline armoring, like seawalls.

Therefore, we support establishing a surcharge to fund educational facilities improvements and strengthen our state's transportation infrastructure in advance of the worst effects of climate change. **This measure is clearly intended to replace the surcharge currently afforded to the Honolulu Rapid Transit System and would have the additional benefit of assuring the public that, at some point, the state will not continue to subsidize the rail system at the expense of other priorities.**

At this point, residents of Hawai'i have grown accustomed to paying a half-percent surcharge on the general excise tax, which has become baked into our cost of living and working families' financial decisions. Continuing the surcharge will not adversely impact our islands' economy. Instead, it will ensure that our keiki are given opportunities to reach their full potential in a state whose highway system is safe from global warming, a cause that's much more in line with the common good than the sustenance of a perpetually overbudget and mismanaged transit system.