

JAN 22 2016

A BILL FOR AN ACT

RELATING TO EDUCATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 **PART I. SCHOOLS OUR KEIKI DESERVE ACT**

2 SECTION 1. This Act shall be known and may be cited as the
3 Schools Our Keiki Deserve Act.

4 **PART II. WHOLE CHILD EDUCATION**

5 SECTION 2. The legislature finds that whole child
6 education promotes creative thinking and improves academic
7 achievement across subject areas. A 2014 Harvard Graduate
8 School of Education study indicated that an education in music
9 and drama contributes to an increase in verbal achievement and
10 spatial reasoning. In 2013, researchers in the Department of
11 Education Reform at the University of Arkansas similarly found
12 that instruction in visual arts led to gains in critical
13 thinking skills.

14 The legislature further finds that place-based curricula
15 immerses students in the culture, history, and heritage of local
16 communities and encourages students to apply cultural content to
17 local community experiences. Hawaii has a unique history as a



1 former sovereign nation and several communities face problems
2 dealing with the legacy of annexation, including a higher risk
3 of poverty and lower levels of academic achievement for native
4 Hawaiians. Place-based education is essential to provide
5 students with the skills necessary to solve community problems.

6 The purpose of this part is promote creative thinking,
7 self-directed learning, and cultural understanding by requiring
8 public school students in all grade levels to receive whole
9 child education.

10 SECTION 3. Chapter 302A, Hawaii Revised Statutes, is
11 amended by adding a new section to be appropriately designated
12 and to read as follows:

13 "§302A- Whole child education. (a) Beginning with the
14 2017-2018 school year, all public elementary schools shall
15 allocate per cent of all student hours to whole child
16 education and all public middle and intermediate schools shall
17 allocate per cent of all student hours to whole child
18 education.

19 (b) For the purposes of this section:

20 "Student hours" has the same meaning as in section
21 302A-251.



1 "Whole child education" means instruction in visual arts,
2 music, theatre, dance, Hawaiian and Polynesian studies, Hawaiian
3 language, native Hawaiian culture, native Hawaiian traditional
4 and customary practices, and physical education."

5 **PART III. SPECIAL EDUCATION**

6 SECTION 4. The legislature finds that special education
7 services, including academic, speech-language, psychological,
8 physical and occupational, and counseling accommodations, meet
9 the unique needs of students with disabilities. Governed by
10 federal and state regulations, special education services are
11 available to eligible students ages three to twenty-two who
12 demonstrate a need for specially designed instruction.

13 The legislature further finds that based on statewide
14 assessments, most of the State's public school students with
15 individualized education programs are performing below grade
16 level in reading and mathematics. In the 2013-2014 academic
17 year, only twenty-two per cent were proficient in reading and
18 fifteen per cent were proficient in math. Moreover, between the
19 2004-2005 and 2013-2014 academic years, the achievement gap
20 between special education students and general education
21 students increased to 48.2 per cent in reading and 48.8 per cent



1 in math, an approximate ten per cent change in reading and
2 twenty-seven per cent change in math.

3 The legislature additionally finds that a decrease in the
4 workload of special education teachers and additional funding
5 for classroom materials will increase learning growth and
6 improve achievement results for special education students. The
7 purpose of this part is to provide support for special education
8 teachers and students by providing special education teachers
9 with additional preparation time and funds for instructional
10 materials.

11 SECTION 5. Chapter 302A, Hawaii Revised Statutes, is
12 amended by adding a new section to be appropriately designated
13 and to read as follows:

14 "§302A- Special education; preparation hours;
15 instructional materials and equipment. (a) In addition to
16 planning time and preparation periods specified in any
17 collectively bargained agreement negotiated for bargaining unit
18 (5), special education teachers shall have at least forty hours
19 per year to use, at the discretion of the teacher, for the
20 completion of individualized education programs.



1 (b) Special education teachers shall not be required to
2 interact with students when using additional preparation time
3 pursuant to this section.

4 (c) Special education teachers shall receive a
5 reimbursement of up to \$1,690 annually to purchase, at their
6 discretion, instructional materials and equipment that support
7 special education student learning."

8 SECTION 6. There is appropriated out of the general
9 revenues of the State of Hawaii the sum of \$3,726,450 or so much
10 thereof as may be necessary for fiscal year 2016-2017 to provide
11 each special education teacher with a reimbursement of up to
12 \$1,690 for instructional materials and equipment to support
13 special education student learning.

14 The sum appropriated shall be expended by the department of
15 education for the purposes of this part.

16 **PART IV. VOCATIONAL EDUCATION**

17 SECTION 7. The legislature finds that vocational,
18 technical, and career pathway programs equip students with the
19 skills necessary for in-demand jobs within the modern labor
20 market. Linking education with real-world activities, the



1 programs emphasize innovation within high-growth industries and
2 provide students with opportunities to explore career options.

3 The purpose of this part is to expand vocational,
4 technical, and career pathway programs by ensuring that all
5 public high schools provide secondary school students with
6 access to vocational, technical, and career pathway programs.

7 SECTION 8. Chapter 302A, Hawaii Revised Statutes, is
8 amended by adding a new section to be appropriately designated
9 and to read as follows:

10 "§302A- Vocational, technical, and career pathway
11 programs; secondary schools. (a) Beginning with the 2020-2021
12 school year, at least one secondary school in each school
13 complex area shall provide students with the opportunity to
14 participate in a vocational, technical, and career pathway
15 program. Students who successfully complete all course
16 requirements of a vocational, technical, or career pathway
17 program, including all graduation requirements, shall be
18 recognized by the department.

19 (b) A student participating in a public secondary school's
20 vocational, technical, or career pathway program may complete up



1 to fifty per cent of the student's graduation requirements in
2 vocational, technical, or career pathway courses.

3 (c) At any secondary school offering a vocational,
4 technical, and career pathway program, grade nine students may
5 be given the opportunity to earn credit in a course that
6 describes and explains the school's vocational, technical, or
7 career pathway program.

8 (d) Secondary students participating in a vocational,
9 technical, or career pathway program may complete a for-credit
10 internship or apprenticeship in grade twelve, subject to
11 department approval and review. The department shall develop
12 criteria for qualified individuals and businesses to provide
13 internship and apprenticeship opportunities to students.

14 (e) Secondary students shall have the opportunity to
15 participate in a vocational, technical, or career pathway
16 program in any complex area, subject to departmental approval.

17 (f) Vocational, technical, and career pathway programs may
18 include courses in core content areas. Dual credit may be given
19 for graduation requirements and vocational, technical, and
20 career pathway program requirements.



1 (g) Teachers providing instruction in vocational,
2 technical, or career pathway programs at any secondary school
3 shall be highly qualified.

4 (h) Teachers who are certified and licensed to teach in a
5 vocational, technical, or career pathway program shall receive
6 annually up to \$1,500 to purchase, at their discretion,
7 instructional materials and equipment to support student
8 learning."

9 SECTION 9. There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$ or so
11 much thereof as may be necessary for fiscal year 2016-2017 to
12 provide up to \$1,500 to each vocational, technical, or career
13 pathway program teacher for instructional materials and
14 equipment to support student learning.

15 The sum appropriated shall be expended by the department of
16 education for the purposes of this part.

17 **PART V. FACILITIES**

18 SECTION 10. The legislature finds that studies indicate an
19 achievement gap that is as high as seventeen per cent between
20 air-conditioned and non-air-conditioned classrooms. On average,
21 Hawaii's public school classrooms are over sixty-five years old



1 and do not have the necessary electrical infrastructure to
2 support traditional air conditioning technology. The department
3 of education recently estimated that the cost to provide air
4 conditioning would be approximately \$110,000 per classroom.

5 The legislature further finds that available energy
6 efficient technology, including off-grid and photovoltaic
7 technology, will reduce the electrical burden and cost of
8 classroom cooling. Employing a combination of on-grid, off-
9 grid, and photovoltaic technology may reduce the per classroom
10 cost of air conditioning to \$20,000, or a total of \$140,000,000
11 for the seven thousand classrooms currently in need of air
12 conditioning.

13 The purpose of this part is to provide energy-efficient air
14 conditioning to all public school classrooms within five years
15 and funding for charter school facility projects.

16 SECTION 11. Chapter 302A, Hawaii Revised Statutes, is
17 amended by adding a new section to be appropriately designated
18 and to read as follows:

19 "§302A- Classroom climate control and cooling. (a)
20 Beginning with the 2016-2017 school year, the department shall
21 develop a plan to air condition public schools that includes a



1 mix of technologies, including off-grid technology, photovoltaic
2 technology, and split air conditioning units.

3 (b) Beginning with the 2017-2018 school year, the
4 department shall develop a master plan to provide air
5 conditioning to all public school classrooms that meet or exceed
6 a temperature of ninety degrees Fahrenheit, including a list of
7 priority schools to receive air conditioning by the 2018-2019
8 school year.

9 (c) No later than the 2019-2020 school year, the
10 department shall provide air conditioning to at least fifty per
11 cent of public school classrooms that meet or exceed a
12 temperature of ninety degrees Fahrenheit.

13 (d) No later than the 2021-2022 school year, the
14 department shall provide air conditioning to all public school
15 classrooms that meet or exceed a temperature of ninety degrees
16 Fahrenheit."

17 SECTION 12. There is appropriated out of the general
18 revenues of the State of Hawaii the sum of \$ or so
19 much thereof as may be necessary for fiscal year 2016-2017 for
20 the initiation and expansion of projects that demonstrate
21 efficient methods to air condition public school facilities



1 including but not limited to photovoltaic and off-grid
2 technology.

3 The sum appropriated shall be expended by the department of
4 education for the purposes of this section.

5 SECTION 13. The director of finance is authorized to issue
6 general obligation bonds in the sum of \$ or so much
7 thereof as may be necessary and the same sum or so much thereof
8 as may be necessary is appropriated for fiscal year 2016-2017
9 for the purpose of funding public school air conditioning
10 projects.

11 The sum appropriated shall be expended by the department of
12 education for the purposes of this section.

13 SECTION 14. The appropriation made for capital improvement
14 projects authorized by this part shall not lapse at the end of
15 the fiscal biennium for which the appropriation is made;
16 provided that all moneys from the appropriation in section 15
17 that are unencumbered as of June 30, 2018, shall lapse as of
18 that date.

19 SECTION 15. There is appropriated out of the general
20 revenues of the State of Hawaii the sum of \$10,000,000 or so
21 much thereof as may be necessary for fiscal year 2016-2017 for



1 the state public charter school commission for charter schools
 2 facility projects based, in part, on the need and performance of
 3 the charter schools; provided that moneys shall only be expended
 4 on property owned by the State.

5 The sum appropriated shall be expended by the state public
 6 charter school commission for the purposes of this section.

7 **PART VI. WEIGHTED STUDENT FORMULA**

8 SECTION 16. The purpose of this part is to improve funding
 9 and staffing equity in public schools.

10 SECTION 17. Section 302A-1303.5, Hawaii Revised Statutes,
 11 is amended to read as follows:

12 **"§302A-1303.5 Committee on weights.** (a) There is
 13 established within the department of education the committee on
 14 weights to develop a weighted student formula pursuant to
 15 section 302A-1303.6. The committee may:

- 16 (1) Create a list of [~~student characteristics~~] factors
 17 that will be weighted[+], including but not limited to
 18 student characteristics, enrollment trends, and class
 19 size;



- 1 (2) Create a system of weights based upon the student
2 characteristics that may be applied to determine the
3 relative cost of educating any student;
- 4 (3) Determine specific student weights, including their
5 unit value;
- 6 (4) Determine which moneys shall be included in the amount
7 of funds to be allocated through the weighted student
8 formula;
- 9 (5) Recommend a weighted student formula to the board of
10 education;
- 11 (6) Perform any other function that may facilitate the
12 implementation of the weighted student formula; and
- 13 (7) Meet not less than once every odd-numbered year, to
14 review the weighted student formula and, if the
15 committee deems it necessary, recommend a new weighted
16 student formula for adoption by the board of
17 education.
- 18 (b) When developing the weighted student formula, the
19 committee shall incorporate the following:
- 20 (1) Weights to account for necessary special education
21 teachers and special education support staff;



1 (2) Weights to account for anticipated enrollment
2 increases and associated facility concerns; and
3 (3) Weights to reduce class size at each grade level.
4 ~~(b)~~ (c) The composition of the committee on weights
5 shall be determined by the board of education based on
6 recommendations from the superintendent of education and dean of
7 the University of Hawaii at Manoa college of education and shall
8 include principals, regular education teachers, special
9 education teachers, and other members with the appropriate
10 professional skills, experiences, and qualifications needed to
11 facilitate the work of the committee. The superintendent or the
12 superintendent's designee shall chair the committee on weights.
13 ~~(e)~~ (d) The committee on weights may form advisory
14 subcommittees to obtain input from key stakeholders as
15 determined necessary by the committee.
16 ~~(d)~~ (e) The members of the committee on weights shall
17 serve at the pleasure of the board of education and shall not be
18 subject to section 26-34. Members of the committee on weights
19 shall serve without compensation but shall be reimbursed for
20 expenses, including travel expenses, necessary for the
21 performance of their duties."



1 SECTION 18. Section 302A-1303.6, Hawaii Revised Statutes,
2 is amended to read as follows:

3 "§302A-1303.6 **Weighted student formula[-]; specialized**
4 **positions.** (a) Based upon recommendations from the committee
5 on weights, the board of education may adopt a weighted student
6 formula for the allocation of moneys to public schools that
7 takes into account the educational needs of each student. The
8 department, upon the receipt of appropriated moneys, shall use
9 the weighted student formula to allocate funds to public
10 schools. Principals, in consultation with teachers and school
11 community councils, shall expend moneys provided to the
12 principals' schools. This section shall only apply to charter
13 schools for fiscal years in which the charter schools elect
14 pursuant to section 302D-29 to receive allocations according to
15 the procedures and methodology used to calculate the weighted
16 student formula allocation.

17 (b) Remote schools and other schools designated by the
18 committee on weights shall not be allocated operating funds
19 using the weighted student formula and shall instead be
20 allocated operating funds by categorical allotments that
21 guarantee the funding of a minimum number of instructional and

1 support staff positions to ensure that at least minimum course
2 requirements are maintained; provided that instructional
3 positions shall not be combined with support staff positions.

4 (c) Beginning with the 2020-2021 school year, each public
5 school with more than twenty-five students shall hire at least
6 one librarian or library media specialist, technology
7 coordinator, vice principal, and counselor; and each secondary
8 school shall hire a special education transition coordinator.

9 For schools at which these positions are vacant or do not exist,
10 additional moneys shall be provided through the weighted student
11 formula to carry out the requirements of this subsection.

12 (d) For the purposes of this section, "remote school"
13 means any public school, except charter schools governed by
14 chapter 302D, that is located at least a one-hour drive away
15 from the next nearest public school offering the same grade
16 levels, or located on the island of Lanai, Molokai, or Niihau;
17 provided that if a high school is combined with an elementary,
18 middle, intermediate, or other lower level of schooling, that
19 entire school shall be deemed a high school for the purposes of
20 this subsection."

21 **PART VII. STANDARDIZED TESTING**



1 SECTION 19. The legislature finds that following the
2 enactment of the No Child Left Behind Act of 2001 and Race to
3 the Top program in 2009, teachers in Hawaii have been forced to
4 shift their focus from teaching to testing. Excessive use of
5 standardized tests is counterproductive as it results in
6 teachers spending more time preparing students to take tests and
7 less time educating, while students spend more time taking tests
8 and less time learning.

9 A 2014 National Education Association study indicates that
10 seventy-two per cent of teachers feel considerable pressure to
11 improve test scores. Over half of the teachers surveyed
12 reported spending too much time on testing and test preparation,
13 with the average teacher spending approximately thirty per cent
14 of their time on tasks related to standardized tests. At the
15 same time, a 2014 PDK/Gallup poll found that only thirty-one per
16 cent of parents support using standardized test scores to
17 evaluate teachers.

18 The purpose of this part is to minimize the negative
19 effects of standardized testing by limiting student
20 participation in standardized tests, prohibiting the use of
21 standardized test scores for evaluation purposes, authorizing



1 standardized testing exemptions, and requiring the board of
2 education to provide notice of the right to opt-out of
3 standardized testing.

4 SECTION 20. Chapter 302A, Hawaii Revised Statutes, is
5 amended by adding a new section to be appropriately designated
6 and to read as follows:

7 "§302A- Standardized testing limitations; exemptions;
8 opt-out. (a) No public school student shall be required to
9 attend more than three testing days in a school year.

10 (b) The department shall not use standardized test results
11 for the purpose of assessing the performance of any public
12 school.

13 (c) Standardized testing shall not be used to rate a
14 school as recognition, continuous improvement, focus, priority,
15 superintendent's zone, or any other similar designation as
16 determined by the department.

17 (d) Standardized testing shall not be used to evaluate
18 teachers or educational officers, including in any evaluation
19 performed under section 302A-638.



1 (e) At a teacher's request, the department may exempt a
2 special education student or student with limited English
3 proficiency from participating in a statewide standardized test.

4 (f) Not more than ten days after the beginning of each
5 school year, the department shall notify students and their
6 parents or guardians that a student has the right to opt-out of
7 participating in statewide standardized testing.

8 (g) For the purposes of this section, "testing day" shall
9 mean a day in which a student spends three or more hours taking
10 standardized tests."

11 **PART VIII. CLASSROOM SUPPLIES**

12 SECTION 21. The legislature finds that in a survey
13 conducted by the Hawaii State Teachers Association, forty-seven
14 per cent of respondents cited annual personal expenditures
15 between \$250 and \$500 on classroom supplies, with many claiming
16 expenditures in excess of \$1,000. The purpose of this part is
17 to establish a debit card system for purchasing school and
18 classroom supplies.

19 SECTION 22. Chapter 302A, Hawaii Revised Statutes, is
20 amended by adding a new section to be appropriately designated
21 and to read as follows:



1 "§302A- Purchase of classroom and curriculum supplies;
 2 debit card system. (a) The department shall establish and
 3 manage at each individual public school a debit card system for
 4 the purpose of purchasing classroom and curriculum supplies.

5 (b) The department shall authorize debit card purchases to
 6 be made at any vendor or business that sells school supplies;
 7 provided that debit card purchases shall be exempt from chapter
 8 103D.

9 (c) The department may contract the services of another
 10 entity to provide debit cards or any related services that may
 11 be required pursuant to this section."

12 SECTION 23. There is appropriated out of the general
 13 revenues of the State of Hawaii the sum of \$ or so
 14 much thereof as may be necessary for fiscal year 2016-2017 for
 15 the implementation of a debit card system based at the each
 16 public school.

17 The sum appropriated shall be expended by the department of
 18 education for the purposes of this part.

19 **PART IX. TEACHER RECRUITMENT AND RETENTION**

20 SECTION 24. The legislature finds that approximately ten
 21 per cent of the State's teachers switch schools, relocate, or



1 leave the profession each year. Only fifty to sixty per cent of
2 current teachers have been at their school for five years or
3 more. Chronic teacher turnover forces the department of
4 education to rely on emergency hires and substitute teachers to
5 fill vacancies.

6 The legislature further finds that teacher recruitment and
7 retention is especially difficult for poor and hard-to-staff
8 communities, where as few as fifty-six per cent of teachers are
9 highly qualified. Comparatively, ninety-three per cent of
10 teachers statewide are highly qualified. Nationwide, fifty-six
11 per cent of teachers have an advanced degree, while only thirty-
12 six per cent of Hawaii's teachers have an advanced degree.

13 The legislature additionally finds that Hawaii's high cost
14 of living is a significant contributing factor in the department
15 of education's teacher recruitment and retention efforts.
16 According to a WalletHub study, the State ranked fifty-first out
17 of fifty states and the District of Columbia for starting
18 teacher salary and median teacher salary adjusted for cost of
19 living.

20 The purpose of this part is to improve teacher recruitment
21 and retention by requiring annual salary step increases for all



1 public school teachers who complete a year's service,
2 appropriating funds to align teacher salary steps with years of
3 service throughout the department of education, and establishing
4 a student loan subsidy program to provide student loan repayment
5 assistance to special education and vocational education
6 teachers.

7 SECTION 25. Chapter 302A, Hawaii Revised Statutes, is
8 amended by adding a new section to be appropriately designated
9 and to read as follows:

10 "§302A-A Student loan subsidy program; establishment;
11 administration. (a) There is established within the
12 department, for administrative purposes only, the student loan
13 subsidy program to provide financial support to teachers who
14 agree to teach in the State for at least three years and provide
15 instruction in the following content areas:

- 16 (1) Special education; and
17 (2) Vocational education, technical education, or career
18 pathway programs.

19 (b) The department may award a student loan subsidy to any
20 eligible teacher who submits an application to the department;
21 provided that a student loan subsidy shall not exceed \$10,000



1 per applicant and a subsidy shall only be used for the repayment
2 of federal, state, or private student loans.

3 (c) Eligibility shall be determined by the department on a
4 competitive basis and shall be based on need; provided that each
5 applicant shall meet all of the following requirements:

6 (1) Show proof of employment in an approved content area;

7 (2) Comply with any conditions placed on the subsidy by
8 the department; and

9 (3) Demonstrate financial need for a student loan subsidy
10 to the extent required by the department.

11 (d) Upon awarding a student loan subsidy, the department
12 shall monitor and verify a teacher's eligibility and fulfillment
13 of all work requirements pursuant to this section.

14 (e) If a teacher terminates employment in a qualifying
15 content area during the academic year in which a student loan
16 subsidy is received, the teacher shall notify the department in
17 writing and shall return any unused portion of the subsidy.
18 Returned amounts shall be used by the department to provide
19 other subsidies under this section.



1 (f) Subsidies awarded by the department shall be limited
2 to funds contained in the student loan subsidy program special
3 fund under section 302A-B.

4 (g) The department shall adopt policies and procedures in
5 accordance with chapter 91 to implement the program; provided
6 that the department shall be exempt from the public notice and
7 public hearing requirements of chapter 91 with regard to this
8 section."

9 SECTION 26. Chapter 302A, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 **"§302A-B Student loan subsidy program special fund.** (a)
13 There is established within the state treasury a special fund to
14 be known as the student loan subsidy program special fund, into
15 which shall be deposited all appropriations made by the
16 legislature, private contributions, and moneys from other
17 sources.

18 (b) Necessary administrative expenses to carry out this
19 section shall not exceed five per cent of the total amount of
20 funds.



1 (c) All moneys remaining in the student loan subsidy
2 program special fund at the close of each fiscal year shall
3 remain in the fund and shall not lapse to the credit of the
4 general fund."

5 SECTION 27. Section 302A-626, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "~~§302A-626~~ **Salary increases; annual, longevity.** (a)
8 Teachers and educational officers who have completed a [~~year's~~
9 ~~satisfactory~~] year of service and who have complied with the
10 other requirements of sections 302A-602 [~~to 302A-639,~~] and
11 [~~302A-701,~~] 302A-605 shall [~~be entitled to~~] receive an annual
12 [~~increment.~~] step increase. No teacher at the highest step
13 within the teacher's classification shall be entitled to receive
14 an annual step increase pursuant to this subsection.

15 (b) Teachers and educational officers who have served
16 [~~satisfactorily~~] for three years in their maximum increment step
17 or in any longevity step and who have complied with the other
18 requirements of sections 302A-602 [~~to 302A-639,~~] and [~~302A-701,~~]
19 302A-605 shall receive longevity step increases; provided that
20 the board may grant principals and vice-principals longevity



1 step increases more frequently than once every three years
2 pursuant to section 302A-625."

3 SECTION 28. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$ or so
5 much thereof as may be necessary for fiscal year 2016-2017 to
6 align teacher salary steps with current years of service
7 throughout the department of education.

8 The sum appropriated shall be expended by the department of
9 education for the purposes of this part.

10 SECTION 29. There is appropriated out of the general
11 revenues of the State of Hawaii the sum of \$5,000,000 or so much
12 thereof as may be necessary for fiscal year 2016-2017 for
13 deposit into the student loan subsidy program special fund
14 established pursuant to section 27 of this Act.

15 The sum appropriated shall be expended by the department
16 for the purposes of this part.

17 SECTION 30. There is appropriated out of the student loan
18 subsidy program special fund the sum of \$ or so much
19 thereof as may be necessary for fiscal year 2016-2017 for the
20 student loan subsidy program.



1 The sum appropriated shall be expended by the department of
2 education for the purposes of this part.

3 **PART X. EARLY CHILDHOOD EDUCATION**

4 SECTION 31. The purpose of this part is to appropriate
5 funds to the executive office on early learning for the early
6 learning public prekindergarten program and make the program
7 available to all eligible children by the 2020-2021 school year.

8 SECTION 32. Section 302L-7, Hawaii Revised Statutes, is
9 amended by amending subsection (b) to read as follows:

10 "(b) The program shall serve children in the year prior to
11 the year of kindergarten eligibility, with priority extended to
12 underserved or at-risk children, as defined in section
13 302L-1[-]; provided that no later than the 2020-2021 school
14 year, the program shall be available to all children in the year
15 prior to the year of kindergarten eligibility. The department
16 of education may grant geographic exceptions for children to
17 attend prekindergarten outside their assigned service area, as
18 the department of education deems appropriate; provided that the
19 department of education shall grant a request for geographic
20 exception to attend a prekindergarten in another service area if



1 the request is based on the employment location of the parent or
2 guardian of the student."

3 SECTION 33. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$ or so
5 much thereof as may be necessary for fiscal year 2016-2017 for
6 the early learning public prekindergarten program.

7 The sum appropriated shall be expended by the executive
8 office on early learning for the purposes of this part.

9 **PART XI. EVALUATIONS**

10 SECTION 34. The purpose of this part is to require the
11 department of education to consult with exclusive
12 representatives of appropriate bargaining units in establishing
13 an evaluation program for teachers and educational officers,
14 establish that a teacher or educational officer shall not be
15 responsible for the achievement of a student who is chronically
16 absent, and prohibit a department of education evaluation
17 program from affecting the compensation or employment status of
18 any teacher or educational officer.

19 SECTION 35. Section 302A-101, Hawaii Revised Statutes, is
20 amended by adding a new definition to be appropriately inserted
21 and to read as follows:



1 "Student achievement" means the change in performance for
2 an individual student between two or more school years."

3 SECTION 36. Section 302A-638, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "[~~§~~302A-638] **Evaluation of teachers and educational**
6 **officers.** (a) The department shall establish an evaluation
7 program for all teachers and educational officers[~~—The~~
8 ~~evaluation shall be performed at least once in each school~~
9 ~~year.~~] in consultation with the exclusive representatives of the
10 appropriate bargaining units. The program shall define the
11 criteria for evaluation and assign responsibilities for the
12 application of the criteria. [~~The evaluation of a teacher or~~
13 ~~educational officer shall be on the basis of efficiency,~~
14 ~~ability, and such other criteria as the department shall~~
15 ~~determine.~~]

16 (b) A teacher or educational officer shall not be
17 responsible for the student achievement of an enrolled student
18 who misses ten or more days of instruction in two or more
19 consecutive months, or whose non-attendance is chronic and has
20 become a significant factor that hinders the student's learning.



1 (c) An evaluation performed in compliance with this
2 section shall not be used to determine the compensation or
3 employment status of a teacher or educational officer, unless
4 otherwise specified in a collective bargaining agreement
5 negotiated pursuant to chapter 89."

6 **PART XII. CLASS SIZE**

7 SECTION 37. The legislature finds that the United States
8 Department of Education's Institute of Education Sciences has
9 concluded that class size reduction is one of only four
10 evidence-based reforms proven to increase student achievement.
11 Experiments in Tennessee, Wisconsin, and other states have
12 demonstrated that students in smaller classes score better on
13 standardized tests, receive better grades, and exhibit improved
14 attendance. Moreover, the students benefiting the most from
15 smaller class sizes are often from poor and minority backgrounds
16 and these students experience twice the achievement gains
17 compared to other students.

18 The legislature further finds that a United States
19 Department of Education study analyzed the achievement of
20 students in 2,561 schools across the nation by their performance
21 on the National Assessment of Educational Progress exams. After



1 controlling for student background, the only objective factor
2 that correlated with higher test scores was class size.

3 The purpose of this part is to increase student achievement
4 through the reduction of class size in all grade levels.

5 SECTION 38. Chapter 302A, Hawaii Revised Statutes, is
6 amended by adding a new section to be appropriately designated
7 and to read as follows:

8 "§302A- Class size in public schools. (a) Beginning
9 with the 2020-2021 school year, excluding charter schools, no
10 public elementary school class shall exceed an enrollment of
11 twenty students.

12 (b) Beginning with the 2020-2021 school year, excluding
13 charter schools, no public secondary school class shall exceed
14 an enrollment of twenty-six students.

15 (c) Beginning with the 2020-2021 school year, enrollment
16 in a fully self-contained class at an elementary school shall
17 not exceed four students.

18 (d) Beginning with the 2020-2021 school year, enrollment
19 in an inclusion class at an elementary school shall not exceed
20 fifteen students.



1 (e) Beginning with the 2020-2021 school year, enrollment
2 in a fully self-contained class at a secondary school shall not
3 exceed six students.

4 (f) Beginning with the 2020-2021 school year, enrollment
5 in an inclusion class at a secondary school shall not exceed
6 twenty students.

7 (g) Beginning with the 2020-2021 school year, enrollment
8 in a content-based English language learning class at an
9 elementary school shall not exceed fifteen students.

10 (h) Beginning with the 2020-2021 school year, enrollment
11 in a content-based English language learning class at a
12 secondary school shall not exceed twenty students.

13 (i) The total number of students in all classes for which
14 a teacher is responsible in any school year shall not exceed one
15 hundred and fifty students.

16 (j) This section shall not apply to any class that
17 provides instruction in band, orchestra, choir, or theatre.

18 (k) A school principal may waive the class size
19 restrictions established under this section to provide course
20 offerings to an incoming transfer student or to allow a high
21 school senior to complete a course required for graduation.



1 (l) The board shall amend any board policies related to
2 class size, pursuant to the class size ratio established in this
3 section.

4 (m) For the purposes of this section:

5 "Content-based English language learning class" means any
6 class providing instruction only to students with limited
7 English language proficiency.

8 "Fully self-contained class" means any class that provides
9 instruction only to special education students.

10 "Inclusion class" means any class that provides instruction
11 to both general education and special education students."

12 **PART XIII. FUNDING**

13 SECTION 39. The purpose of this part is to increase
14 funding for public education in Hawaii by:

- 15 (1) Raising the general excise tax by one per cent;
- 16 (2) Depositing all additional revenue collected from the
- 17 general excise tax increase into a special account in
- 18 the general fund for department of education
- 19 operations, including salaries and maintenance costs;
- 20 and



1 (3) Requiring moneys budgeted for the department of
2 education from sources of funding other than the
3 special account, including capital improvement
4 projects, to remain equal to or greater than an
5 inflation-adjusted minimum level of funding for each
6 subsequent fiscal year.

7 SECTION 40. Section 237-13, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "**§237-13 Imposition of tax.** There is hereby levied and
10 shall be assessed and collected annually privilege taxes against
11 persons on account of their business and other activities in the
12 State measured by the application of rates against values of
13 products, gross proceeds of sales, or gross income, whichever is
14 specified, as follows:

15 (1) Tax on manufacturers.

16 (A) Upon every person engaging or continuing within
17 the State in the business of manufacturing,
18 including compounding, canning, preserving,
19 packing, printing, publishing, milling,
20 processing, refining, or preparing for sale,
21 profit, or commercial use, either directly or



1 through the activity of others, in whole or in
2 part, any article or articles, substance or
3 substances, commodity or commodities, the amount
4 of the tax to be equal to the value of the
5 articles, substances, or commodities,
6 manufactured, compounded, canned, preserved,
7 packed, printed, milled, processed, refined, or
8 prepared for sale, as shown by the gross proceeds
9 derived from the sale thereof by the manufacturer
10 or person compounding, preparing, or printing
11 them, multiplied by one-half of one per cent.

12 (B) The measure of the tax on manufacturers is the
13 value of the entire product for sale, regardless
14 of the place of sale or the fact that deliveries
15 may be made to points outside the State.

16 (C) If any person liable for the tax on manufacturers
17 ships or transports the person's product, or any
18 part thereof, out of the State, whether in a
19 finished or unfinished condition, or sells the
20 same for delivery to points outside the State
21 (for example, consigned to a mainland purchaser



1 via common carrier f.o.b. Honolulu), the value of
2 the products in the condition or form in which
3 they exist immediately before entering interstate
4 or foreign commerce, determined as hereinafter
5 provided, shall be the basis for the assessment
6 of the tax imposed by this paragraph. This tax
7 shall be due and payable as of the date of entry
8 of the products into interstate or foreign
9 commerce, whether the products are then sold or
10 not. The department shall determine the basis
11 for assessment, as provided by this paragraph, as
12 follows:

13 (i) If the products at the time of their entry
14 into interstate or foreign commerce already
15 have been sold, the gross proceeds of sale,
16 less the transportation expenses, if any,
17 incurred in realizing the gross proceeds for
18 transportation from the time of entry of the
19 products into interstate or foreign
20 commerce, including insurance and storage in



S.B. NO. 2586

1 transit, shall be the measure of the value
2 of the products;

3 (ii) If the products have not been sold at the
4 time of their entry into interstate or
5 foreign commerce, and in cases governed by
6 clause (i) in which the products are sold
7 under circumstances such that the gross
8 proceeds of sale are not indicative of the
9 true value of the products, the value of the
10 products constituting the basis for
11 assessment shall correspond as nearly as
12 possible to the gross proceeds of sales for
13 delivery outside the State, adjusted as
14 provided in clause (i), or if sufficient
15 data are not available, sales in the State,
16 of similar products of like quality and
17 character and in similar quantities, made by
18 the taxpayer (unless not indicative of the
19 true value) or by others. Sales outside the
20 State, adjusted as provided in clause (i),
21 may be considered when they constitute the



1 best available data. The department shall
2 prescribe uniform and equitable rules for
3 ascertaining the values;

4 (iii) At the election of the taxpayer and with the
5 approval of the department, the taxpayer may
6 make the taxpayer's returns under clause (i)
7 even though the products have not been sold
8 at the time of their entry into interstate
9 or foreign commerce; and

10 (iv) In all cases in which products leave the
11 State in an unfinished condition, the basis
12 for assessment shall be adjusted so as to
13 deduct the portion of the value as is
14 attributable to the finishing of the goods
15 outside the State.

16 (2) Tax on business of selling tangible personal property;
17 producing.

18 (A) Upon every person engaging or continuing in the
19 business of selling any tangible personal
20 property whatsoever (not including, however,
21 bonds or other evidence of indebtedness, or



1 stocks), there is likewise hereby levied, and
2 shall be assessed and collected, a tax equivalent
3 to [~~four~~] five per cent of the gross proceeds of
4 sales of the business; provided that, in the case
5 of a wholesaler, the tax shall be equal to one-
6 half of one per cent of the gross proceeds of
7 sales of the business; and provided further that
8 insofar as the sale of tangible personal property
9 is a wholesale sale under section 237-4(a)(8),
10 the tax shall be one-half of one per cent of the
11 gross proceeds. Upon every person engaging or
12 continuing within this State in the business of a
13 producer, the tax shall be equal to one-half of
14 one per cent of the gross proceeds of sales of
15 the business, or the value of the products, for
16 sale, if sold for delivery outside the State or
17 shipped or transported out of the State, and the
18 value of the products shall be determined in the
19 same manner as the value of manufactured products
20 covered in the cases under paragraph (1)(C).



S.B. NO. 2586

1 (B) Gross proceeds of sales of tangible property in
2 interstate and foreign commerce shall constitute
3 a part of the measure of the tax imposed on
4 persons in the business of selling tangible
5 personal property, to the extent, under the
6 conditions, and in accordance with the provisions
7 of the Constitution of the United States and the
8 Acts of the Congress of the United States which
9 may be now in force or may be hereafter adopted,
10 and whenever there occurs in the State an
11 activity to which, under the Constitution and
12 Acts of Congress, there may be attributed gross
13 proceeds of sales, the gross proceeds shall be so
14 attributed.

15 (C) No manufacturer or producer, engaged in such
16 business in the State and selling the
17 manufacturer's or producer's products for
18 delivery outside of the State (for example,
19 consigned to a mainland purchaser via common
20 carrier f.o.b. Honolulu), shall be required to
21 pay the tax imposed in this chapter for the



S.B. NO. 2586

1 privilege of so selling the products, and the
2 value or gross proceeds of sales of the products
3 shall be included only in determining the measure
4 of the tax imposed upon the manufacturer or
5 producer.

6 (D) When a manufacturer or producer, engaged in such
7 business in the State, also is engaged in selling
8 the manufacturer's or producer's products in the
9 State at wholesale, retail, or in any other
10 manner, the tax for the privilege of engaging in
11 the business of selling the products in the State
12 shall apply to the manufacturer or producer as
13 well as the tax for the privilege of
14 manufacturing or producing in the State, and the
15 manufacturer or producer shall make the returns
16 of the gross proceeds of the wholesale, retail,
17 or other sales required for the privilege of
18 selling in the State, as well as making the
19 returns of the value or gross proceeds of sales
20 of the products required for the privilege of
21 manufacturing or producing in the State. The



1 manufacturer or producer shall pay the tax
2 imposed in this chapter for the privilege of
3 selling its products in the State, and the value
4 or gross proceeds of sales of the products, thus
5 subjected to tax, may be deducted insofar as
6 duplicated as to the same products by the measure
7 of the tax upon the manufacturer or producer for
8 the privilege of manufacturing or producing in
9 the State; provided that no producer of
10 agricultural products who sells the products to a
11 purchaser who will process the products outside
12 the State shall be required to pay the tax
13 imposed in this chapter for the privilege of
14 producing or selling those products.

15 (E) A taxpayer selling to a federal cost-plus
16 contractor may make the election provided for by
17 paragraph (3)(C), and in that case the tax shall
18 be computed pursuant to the election,
19 notwithstanding this paragraph or paragraph (1)
20 to the contrary.



1 (F) The department, by rule, may require that a
2 seller take from the purchaser of tangible
3 personal property a certificate, in a form
4 prescribed by the department, certifying that the
5 sale is a sale at wholesale; provided that:

6 (i) Any purchaser who furnishes a certificate
7 shall be obligated to pay to the seller,
8 upon demand, the amount of the additional
9 tax that is imposed upon the seller whenever
10 the sale in fact is not at wholesale; and

11 (ii) The absence of a certificate in itself shall
12 give rise to the presumption that the sale
13 is not at wholesale unless the sales of the
14 business are exclusively at wholesale.

15 (3) Tax upon contractors.

16 (A) Upon every person engaging or continuing within
17 the State in the business of contracting, the tax
18 shall be equal to [~~four~~] five per cent of the
19 gross income of the business.

20 (B) In computing the tax levied under this paragraph,
21 there shall be deducted from the gross income of



1 the taxpayer so much thereof as has been included
2 in the measure of the tax levied under
3 subparagraph (A), on:

- 4 (i) Another taxpayer who is a contractor, as
5 defined in section 237-6;
- 6 (ii) A specialty contractor, duly licensed by the
7 department of commerce and consumer affairs
8 pursuant to section 444-9, in respect of the
9 specialty contractor's business; or
- 10 (iii) A specialty contractor who is not licensed
11 by the department of commerce and consumer
12 affairs pursuant to section 444-9, but who
13 performs contracting activities on federal
14 military installations and nowhere else in
15 this State;

16 provided that any person claiming a deduction
17 under this paragraph shall be required to show in
18 the person's return the name and general excise
19 number of the person paying the tax on the amount
20 deducted by the person.



1 (C) In computing the tax levied under this paragraph
2 against any federal cost-plus contractor, there
3 shall be excluded from the gross income of the
4 contractor so much thereof as fulfills the
5 following requirements:

6 (i) The gross income exempted shall constitute
7 reimbursement of costs incurred for
8 materials, plant, or equipment purchased
9 from a taxpayer licensed under this chapter,
10 not exceeding the gross proceeds of sale of
11 the taxpayer on account of the transaction;
12 and

13 (ii) The taxpayer making the sale shall have
14 certified to the department that the
15 taxpayer is taxable with respect to the
16 gross proceeds of the sale, and that the
17 taxpayer elects to have the tax on gross
18 income computed the same as upon a sale to
19 the state government.

20 (D) A person who, as a business or as a part of a
21 business in which the person is engaged, erects,



S.B. NO. 2586

1 constructs, or improves any building or
2 structure, of any kind or description, or makes,
3 constructs, or improves any road, street,
4 sidewalk, sewer, or water system, or other
5 improvements on land held by the person (whether
6 held as a leasehold, fee simple, or otherwise),
7 upon the sale or other disposition of the land or
8 improvements, even if the work was not done
9 pursuant to a contract, shall be liable to the
10 same tax as if engaged in the business of
11 contracting, unless the person shows that at the
12 time the person was engaged in making the
13 improvements the person intended, and for the
14 period of at least one year after completion of
15 the building, structure, or other improvements
16 the person continued to intend to hold and not
17 sell or otherwise dispose of the land or
18 improvements. The tax in respect of the
19 improvements shall be measured by the amount of
20 the proceeds of the sale or other disposition
21 that is attributable to the erection,



1 construction, or improvement of such building or
2 structure, or the making, constructing, or
3 improving of the road, street, sidewalk, sewer,
4 or water system, or other improvements. The
5 measure of tax in respect of the improvements
6 shall not exceed the amount which would have been
7 taxable had the work been performed by another,
8 subject as in other cases to the deductions
9 allowed by subparagraph (B). Upon the election
10 of the taxpayer, this paragraph may be applied
11 notwithstanding that the improvements were not
12 made by the taxpayer, or were not made as a
13 business or as a part of a business, or were made
14 with the intention of holding the same. However,
15 this paragraph shall not apply in respect of any
16 proceeds that constitute or are in the nature of
17 rent; all such gross income shall be taxable
18 under paragraph (9); provided that insofar as the
19 business of renting or leasing real property
20 under a lease is taxed under section 237-16.5,
21 the tax shall be levied by section 237-16.5.



- 1 (4) Tax upon theaters, amusements, radio broadcasting
- 2 stations, etc.
- 3 (A) Upon every person engaging or continuing within
- 4 the State in the business of operating a theater,
- 5 opera house, moving picture show, vaudeville,
- 6 amusement park, dance hall, skating rink, radio
- 7 broadcasting station, or any other place at which
- 8 amusements are offered to the public, the tax
- 9 shall be equal to [~~four~~] five per cent of the
- 10 gross income of the business, and in the case of
- 11 a sale of an amusement at wholesale under section
- 12 237-4(a)(13), the tax shall be one-half of one
- 13 per cent of the gross income.
- 14 (B) The department may require that the person
- 15 rendering an amusement at wholesale take from the
- 16 licensed seller a certificate, in a form
- 17 prescribed by the department, certifying that the
- 18 sale is a sale at wholesale; provided that:
- 19 (i) Any licensed seller who furnishes a
- 20 certificate shall be obligated to pay to the
- 21 person rendering the amusement, upon demand,



S.B. NO. 2586

1 the amount of additional tax that is imposed
2 upon the seller whenever the sale is not at
3 wholesale; and

4 (ii) The absence of a certificate in itself shall
5 give rise to the presumption that the sale
6 is not at wholesale unless the person
7 rendering the sale is exclusively rendering
8 the amusement at wholesale.

9 (5) Tax upon sales representatives, etc. Upon every
10 person classified as a representative or purchasing
11 agent under section 237-1, engaging or continuing
12 within the State in the business of performing
13 services for another, other than as an employee, there
14 is likewise hereby levied and shall be assessed and
15 collected a tax equal to [~~four~~] five per cent of the
16 commissions and other compensation attributable to the
17 services so rendered by the person.

18 (6) Tax on service business.

19 (A) Upon every person engaging or continuing within
20 the State in any service business or calling
21 including professional services not otherwise



1 specifically taxed under this chapter, there is
2 likewise hereby levied and shall be assessed and
3 collected a tax equal to [~~four~~] five per cent of
4 the gross income of the business, and in the case
5 of a wholesaler under section 237-4(a)(10), the
6 tax shall be equal to one-half of one per cent of
7 the gross income of the business.

8 (B) The department may require that the person
9 rendering a service at wholesale take from the
10 licensed seller a certificate, in a form
11 prescribed by the department, certifying that the
12 sale is a sale at wholesale; provided that:

13 (i) Any licensed seller who furnishes a
14 certificate shall be obligated to pay to the
15 person rendering the service, upon demand,
16 the amount of additional tax that is imposed
17 upon the seller whenever the sale is not at
18 wholesale; and

19 (ii) The absence of a certificate in itself shall
20 give rise to the presumption that the sale
21 is not at wholesale unless the person



1 rendering the sale is exclusively rendering
2 services at wholesale.

3 (C) Where any person is engaged in the business of
4 selling interstate or foreign common carrier
5 telecommunication services within and without the
6 State, other than as a home service provider, the
7 tax shall be imposed on that portion of gross
8 income received by a person from service which is
9 originated or terminated in this State and is
10 charged to a telephone number, customer, or
11 account in this State notwithstanding any other
12 state law (except for the exemption under section
13 237-23(a)(1)) to the contrary. If, under the
14 Constitution and laws of the United States, the
15 entire gross income as determined under this
16 paragraph of a business selling interstate or
17 foreign common carrier telecommunication services
18 cannot be included in the measure of the tax, the
19 gross income shall be apportioned as provided in
20 section 237-21; provided that the apportionment



1 factor and formula shall be the same for all
2 persons providing those services in the State.

3 (D) Where any person is engaged in the business of a
4 home service provider, the tax shall be imposed
5 on the gross income received or derived from
6 providing interstate or foreign mobile
7 telecommunications services to a customer with a
8 place of primary use in this State when such
9 services originate in one state and terminate in
10 another state, territory, or foreign country;
11 provided that all charges for mobile
12 telecommunications services which are billed by
13 or for the home service provider are deemed to be
14 provided by the home service provider at the
15 customer's place of primary use; regardless of
16 where the mobile telecommunications originate,
17 terminate, or pass through; provided further that
18 the income from charges specifically derived from
19 interstate or foreign mobile telecommunications
20 services, as determined by books and records that
21 are kept in the regular course of business by the



1 home service provider in accordance with section
2 239-24, shall be apportioned under any
3 apportionment factor or formula adopted under
4 subparagraph (C). Gross income shall not
5 include:

6 (i) Gross receipts from mobile
7 telecommunications services provided to a
8 customer with a place of primary use outside
9 this State;

10 (ii) Gross receipts from mobile
11 telecommunications services that are subject
12 to the tax imposed by chapter 239;

13 (iii) Gross receipts from mobile
14 telecommunications services taxed under
15 section 237-13.8; and

16 (iv) Gross receipts of a home service provider
17 acting as a serving carrier providing mobile
18 telecommunications services to another home
19 service provider's customer.

20 For the purposes of this paragraph, "charges for
21 mobile telecommunications services", "customer",



1 "home service provider", "mobile
2 telecommunications services", "place of primary
3 use", and "serving carrier" have the same meaning
4 as in section 239-22.

5 (7) Tax on insurance producers. Upon every person engaged
6 as a licensed producer pursuant to chapter 431, there
7 is hereby levied and shall be assessed and collected a
8 tax equal to 0.15 per cent of the commissions due to
9 that activity.

10 (8) Tax on receipts of sugar benefit payments. Upon the
11 amounts received from the United States government by
12 any producer of sugar (or the producer's legal
13 representative or heirs), as defined under and by
14 virtue of the Sugar Act of 1948, as amended, or other
15 Acts of the Congress of the United States relating
16 thereto, there is hereby levied a tax of one-half of
17 one per cent of the gross amount received; provided
18 that the tax levied hereunder on any amount so
19 received and actually disbursed to another by a
20 producer in the form of a benefit payment shall be
21 paid by the person or persons to whom the amount is



1 actually disbursed, and the producer actually making a
2 benefit payment to another shall be entitled to claim
3 on the producer's return a deduction from the gross
4 amount taxable hereunder in the sum of the amount so
5 disbursed. The amounts taxed under this paragraph
6 shall not be taxable under any other paragraph,
7 subsection, or section of this chapter.

8 (9) Tax on other business. Upon every person engaging or
9 continuing within the State in any business, trade,
10 activity, occupation, or calling not included in the
11 preceding paragraphs or any other provisions of this
12 chapter, there is likewise hereby levied and shall be
13 assessed and collected, a tax equal to [~~four~~] five per
14 cent of the gross income thereof. In addition, the
15 rate prescribed by this paragraph shall apply to a
16 business taxable under one or more of the preceding
17 paragraphs or other provisions of this chapter, as to
18 any gross income thereof not taxed thereunder as gross
19 income or gross proceeds of sales or by taxing an
20 equivalent value of products, unless specifically
21 exempted."



1 SECTION 41. Section 237-15, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§237-15 **Technicians.** When technicians supply dentists or
4 physicians with dentures, orthodontic devices, braces, and
5 similar items which have been prepared by the technician in
6 accordance with specifications furnished by the dentist or
7 physician, and such items are to be used by the dentist or
8 physician in the dentist's or physician's professional practice
9 for a particular patient who is to pay the dentist or physician
10 for the same as a part of the dentist's or physician's
11 professional services, the technician shall be taxed as though
12 the technician were a manufacturer selling a product to a
13 licensed retailer, rather than at the rate of [~~four~~] five per
14 cent which is generally applied to professions and services."

15 SECTION 42. Section 237-16.5, Hawaii Revised Statutes, is
16 amended by amending subsection (a) to read as follows:

17 "(a) This section relates to the leasing of real property
18 by a lessor to a lessee. There is hereby levied, and shall be
19 assessed and collected annually, a privilege tax against persons
20 engaging or continuing within the State in the business of
21 leasing real property to another, equal to [~~four~~] five per cent



1 of the gross proceeds or gross income received or derived from
2 the leasing; provided that where real property is subleased by a
3 lessee to a sublessee, the lessee, as provided in this section,
4 shall be allowed a deduction from the amount of gross proceeds
5 or gross income received from its sublease of the real property.
6 The deduction shall be in the amount allowed under this section.

7 All deductions under this section and the name and general
8 excise tax number of the lessee's lessor shall be reported on
9 the general excise tax return. Any deduction allowed under this
10 section shall only be allowed with respect to leases and
11 subleases in writing and relating to the same real property."

12 SECTION 43. Section 237-18, Hawaii Revised Statutes, is
13 amended by amending subsection (f) to read as follows:

14 "(f) Where tourism related services are furnished through
15 arrangements made by a travel agency or tour packager and the
16 gross income is divided between the provider of the services and
17 the travel agency or tour packager, the tax imposed by this
18 chapter shall apply to each such person with respect to such
19 person's respective portion of the proceeds, and no more.

20 As used in this subsection "tourism related services" means
21 catamaran cruises, canoe rides, dinner cruises, lei greetings,



1 transportation included in a tour package, sightseeing tours not
2 subject to chapter 239, admissions to luaus, dinner shows,
3 extravaganzas, cultural and educational facilities, and other
4 services rendered directly to the customer or tourist, but only
5 if the providers of the services other than air transportation
6 are subject to a [~~four~~] five per cent tax under this chapter or
7 chapter 239."

8 SECTION 44. Section 237-31, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "§237-31 Remittances. (a) All remittances of taxes
11 imposed by this chapter shall be made by money, bank draft,
12 check, cashier's check, money order, or certificate of deposit
13 to the office of the department of taxation to which the return
14 was transmitted.

15 (b) The department shall issue its receipts therefor to
16 the taxpayer and shall pay the moneys into the state treasury as
17 a state realization, to be kept and accounted for as provided by
18 law; provided that:

19 (1) A sum, not to exceed \$5,000,000, from all general
20 excise tax revenues realized by the State shall be



S.B. NO. 2586

1 deposited in the state treasury in each fiscal year to
2 the credit of the compound interest bond reserve fund;
3 (2) A sum from all general excise tax revenues realized by
4 the State that is equal to one-half of the total
5 amount of funds appropriated or transferred out of the
6 hurricane reserve trust fund under sections 4 and 5 of
7 Act 62, Session Laws of Hawaii 2011, shall be
8 deposited into the hurricane reserve trust fund in
9 fiscal year 2013-2014 and in fiscal year 2014-2015;
10 provided that the deposit required in each fiscal year
11 shall be made by October 1 of that fiscal year; and
12 [+](3)[+] Commencing with fiscal year 2018-2019, a sum from all
13 general excise tax revenues realized by the State that
14 represents the difference between the state public
15 employer's annual required contribution for the
16 separate trust fund established under section 87A-42
17 and the amount of the state public employer's
18 contributions into that trust fund shall be deposited
19 to the credit of the State's annual required
20 contribution into that trust fund in each fiscal year,
21 as provided in section 87A-42.



1 (c) Notwithstanding subsection (b), beginning on
2 January 1, 2017, the additional revenues generated and collected
3 from the increase in general excise tax rates imposed by
4 sections 40 to 43 of Act _____, Session Laws of Hawaii 2016,
5 shall be deposited into a special account in the general fund
6 for operations, including salaries and maintenance costs, of the
7 department of education under chapter 302A; provided that moneys
8 budgeted for the department of education from sources of funding
9 other than the special account, including capital improvement
10 projects, shall remain equal to or greater than the inflation-
11 adjusted minimum level of funding, except when the consumer
12 price index for the twelve-month period ending June 30 of the
13 preceding calendar year is less than zero.

14 (d) For the purposes of this section:

15 "Consumer price index" means the national consumer price
16 index average over a twelve-month period that is published
17 monthly by the United States Department of Labor's Bureau of
18 Labor Statistics as the "National Consumer Price Index for All
19 Urban Consumers-United States City Average".

20 "Inflation-adjusted minimum level of funding" means the
21 total amount of funding provided to the department of education



1 in the fiscal year 2016-2017; provided that this amount shall
2 increase by three per cent for each subsequent fiscal year."

3 **PART XIV. MISCELLANEOUS**

4 SECTION 45. No later than twenty days prior to the
5 convening of the regular sessions of 2017, 2018, 2019, 2020, and
6 2021, the superintendent of education shall submit a report,
7 including any proposed legislation, to the legislature regarding
8 the implementation of this Act. Each report shall include but
9 not be limited to the following:

- 10 (1) Progress on the implementation of a weighted student
11 formula and additional preparation time for special
12 education teachers;
- 13 (2) Progress in providing air conditioning to all public
14 school classrooms, including the number of classrooms
15 without air conditioning and the status of air
16 conditioning improvements using off-grid and
17 photovoltaic technology;
- 18 (3) Plans, timetable, and budgetary projections to reduce
19 class size for public elementary and secondary
20 schools, including cost estimates for necessary



- 1 personnel and information regarding the total number
2 of classes at each school not in compliance;
- 3 (4) Information on the impact of weighted student formula
4 adjustments required by this Act on funding equity,
5 including the progress of staffing all appropriate
6 public schools with a librarian, technology
7 coordinator, vice principal, counselor, and special
8 education transition coordinator;
- 9 (5) Integration of the whole child education curriculum
10 into elementary, middle, and intermediate schools;
- 11 (6) Expansion of vocational, technical, and career pathway
12 programming, including the number of students enrolled
13 in the programs, as well as cost estimates for any
14 necessary additional personnel;
- 15 (7) Progress in aligning teacher salary steps with years
16 of service, including the number of teachers with
17 years of service who do not have aligned salary steps
18 and budgetary projections for providing annual step
19 increases to all teachers beginning with the 2016-2017
20 school year;



- 1 (8) Progress in recruiting and retaining new teachers,
2 especially with regard to hard-to-staff positions;
- 3 (9) Information on the operation of the student loan
4 subsidy program, including the total number of
5 teachers receiving subsidies and total amount of
6 subsidies provided to teachers;
- 7 (10) Progress on limiting the overuse of standardized
8 testing in public schools, including the total number
9 of student hours used for standardized testing and
10 test preparation at each grade level, the number of
11 students and parents or guardians opting out of
12 standardized testing, and the number of special
13 education students and students with limited English
14 language proficiency receiving exemptions from
15 standardized testing;
- 16 (11) Progress in implementing a debit card system for
17 teachers for classroom supplies including the cost of
18 implementing the debit card system, total number of
19 debit card purchases, total amount of debit card
20 expenditures, and protocols for preventing abuse;



1 (12) Information on departmental funding increases
2 resulting from this Act, including allocation of funds
3 placed in the special account and strategies for
4 minimizing administrative costs related to programs
5 and functions required by this Act; and

6 (13) Any additional information that the department deems
7 appropriate with the regard to the implementation of
8 this Act.

9 SECTION 46. There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$ or so
11 much thereof as may be necessary for fiscal year 2016-2017 to
12 hire full-time equivalent regular education teachers
13 to provide instruction in fine arts, including visual arts,
14 drama, dance, and music; Hawaiian and Polynesian studies;
15 Hawaiian language; vocational, technical, and career pathway
16 programs; and mentor teachers.

17 The sum appropriated shall be expended by the department of
18 education for the purposes of this Act.

19 SECTION 47. The board of education shall adopt rules in
20 accordance with chapter 91, Hawaii Revised Statutes, to
21 effectuate this Act.



S.B. NO. 2586

1 SECTION 48. In codifying the new sections added by
2 sections 25 and 26 of this Act, the revisor of statutes shall
3 substitute appropriate section numbers for the letters used in
4 designating the new sections in this Act.

5 SECTION 49. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 50. This Act shall take effect upon its approval;
8 provided that sections 6, 9, 12, 13, 15, 23, 26, 28, 29, 30, 33
9 and 46 shall take effect on July 1, 2016; provided further that
10 sections 40 to 44 shall apply to taxable years beginning after
11 December 31, 2016.

12

INTRODUCED BY: Michelle Lielani



S.B. NO. 2586

Report Title:

Schools Our Keiki Deserve Act; Education; Air Conditioning; Teachers; Testing; Evaluations; Supplies; Salaries; Class Size; General Excise Tax; Student Loan Subsidy Program; Special Fund; Appropriations

Description:

Requires the department of education to provide public school students with a whole child education curriculum, air conditioning in certain classrooms, and decrease class size. Requires sufficient allocation of special education teachers and provides special education teachers with additional preparation time and funding. Establishes the student loan subsidy program and special fund. Expands vocational, technical, and career pathway programs. Amends weighted student formula factors to be considered by the committee on weights. Limits participation in standardized tests, prohibits the use of standardized test scores for evaluation purposes, authorizes standardized testing exemptions, and requires the board of education to provide notice of the right to opt-out of standardized testing. Requires all eligible children to attend preschool by the 2020-2021 school year. Amends evaluation program for teachers and educational officers. Increases the general excise tax. Makes appropriations.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

