

Honolulu, Hawaii

FEB 04 , 2020

RE: H.B. No. 1990  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirtieth State Legislature  
Regular Session of 2020  
State of Hawaii

Sir:

Your Committee on Lower & Higher Education, to which was referred H.B. No. 1990 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Direct a certain percentage of the general excise tax revenues to:
  - (A) The Department of Education to augment the capacity and infrastructure of its facilities and programs; and
  - (B) The Department of Transportation to protect the state highway system from the threat of inundation and damage caused by climate change;
- (2) From January 1, 2031, to December 31, 2035, establish a state improvement surcharge on the general excise tax and use tax; and
- (3) Direct certain percentages of the state improvement surcharge revenues for the purposes described in paragraph (1) and to the compound interest bond reserve



fund, hurricane reserve fund, and separate trust fund established under section 87A-42, Hawaii Revised Statutes.

Your Committee received testimony in support of this measure from the Democratic Party of Hawaii Education Caucus and one individual. Your Committee received testimony in opposition to this measure from the Department of Budget and Finance. Your Committee received comments from the Department of Education, Department of Taxation, and Hawaii State Teachers Association.

Your Committee finds that the Department of Education faces educational infrastructure issues caused by overcapacity and underfunding, while the Highways Division of the Department of Transportation faces a threat of inundation and damage to the state highway system caused by climate change. Furthermore, certain state funds will need an additional source of monies in the future. Your Committee further finds that this measure will provide a dedicated revenue source for the Department of Education to address educational infrastructure issues, the Highways Division of the Department of Transportation to address the effects of climate change on the state highway system, and for other state funds.

Your Committee has amended this measure by:

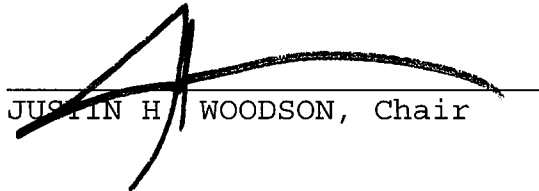
- (1) Statutorily establishing an educational infrastructure special fund, rather than a separate account in the treasury, to receive revenues from the general excise tax and temporary state surcharge to augment the capacity and infrastructure of Department of Education facilities and programs;
- (2) Authorizing entities other than the Department of Education that are responsible for school facilities to use funds from the educational infrastructure special fund;
- (3) Changing its effective date to July 1, 2050; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.



Should the Committee on Finance decide to hear this measure, your Committee respectfully requests that it further examine the implications of enacting a temporary state improvement surcharge on general excise and use taxes as proposed by this measure.

As affirmed by the record of votes of the members of your Committee on Lower & Higher Education that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1990, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1990, H.D. 1, and be referred to your Committee on Transportation.

Respectfully submitted on  
behalf of the members of the  
Committee on Lower & Higher  
Education,

  
JUSTIN H. WOODSON, Chair



Record of Votes of the Committee on Lower & Higher Education

| Bill/Resolution No.:<br><b>HB 1990</b>  | Committee Referral:<br><b>LHE, TRN, FIN</b> | Date:<br><b>1/30/2020</b> |      |         |
|---|---|---------------------------|------|---------|
| <input type="checkbox"/> The committee is reconsidering its previous decision on the measure.   |   |                           |      |         |
| The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold<br><input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit) |   |                           |      |         |
| LHE Members   | Ayes  | Ayes (WR)                 | Nays | Excused |
| 1. WOODSON, Justin H. (C)   | ✓   |                           |      |         |
| 2. HASHEM, Mark J. (VC)   | ✓   |                           |      |         |
| 3. QUINLAN, Sean (VC)   |   |                           |      | ✓       |
| 4. DeCOITE, Lynn  | ✓   |                           |      |         |
| 5. JOHANSON, Aaron Ling   | ✓   |                           |      |         |
| 6. KOBAYASHI, Dale T.   | ✓   |                           |      |         |
| 7. MORIKAWA, Dee  | ✓   |                           |      |         |
| 8. OHNO, Takashi  | ✓   |                           |      |         |
| 9. TARNAS, David A.   | ✓   |                           |      |         |
| 10. TOKIOKA, James Kunane   |   |                           |      | ✓       |
| 11. OKIMOTO, Val  |   |                           | ✓    |         |
| TOTAL (11)  | 8   |                           | 1    | 2       |
| The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted<br>If joint referral, _____ did not support recommendation.<br>committee acronym(s)   |   |                           |      |         |
| Vice Chair's or designee's signature: <u>Mark J. Hashem</u>   |   |                           |      |         |
| Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO  |   |                           |      |         |