

Honolulu, Hawaii

FEB 15 2017

RE: S.B. No. 686
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Education, to which was referred S.B. No. 686 entitled:

"A BILL FOR AN ACT RELATING TO EDUCATION FUNDING,"

begs leave to report as follows:

The purpose and intent of this measure is to establish an education surcharge on residential investment properties and visitor accommodations for the purpose of funding public education.

Your Committee received testimony in support of this measure from the Hawaii State Teachers Association, Democratic Party of Hawaii, Hui for Excellence in Education, IMUAlliance, Hawaii Children's Action Network, Parents for Public Schools of Hawaii, Hawaii Alliance for Progressive Action, Hawaii Public Charter Schools Network, Hawaii Island School Garden Network, Special Education Advisory Council, Graduate Student Organization of the University of Hawaii at Manoa, Hawaii Democratic Party Labor Caucus, and more than one hundred seventy-five individuals. Your Committee received testimony in opposition to this measure from the Chamber of Commerce Hawaii, Building Industry Association of Hawaii, Rental by Owner Awareness Association, Hawaii Association of REALTORS, Coalition for Equal Taxation, Wyndham Vacation Ownership, American Resort Development Association, Hawaii Lodging and Tourism Association, and nine individuals. Your Committee received comments on this measure from the Office of the Mayor of the City and County of Honolulu, Tax Foundation of Hawaii, and one individual.



Your Committee finds that Hawaii's public schools are severely underfunded. When compared to other school districts of similar size, the State ranks two hundred twenty-seventh in per-pupil funding before adjusting for cost of living. This lack of adequate funding has resulted in classrooms overheating because of insufficient heat abatement measures and an inability to repair and renovate deteriorating facilities.

Your Committee further finds that Hawaii is facing a teacher shortage crisis that is primarily due to the State's public school teachers receiving low compensation packages. Studies indicate that Hawaii's beginning teacher salaries are approximately \$4,000 lower than the national average, and that teachers with ten to twenty years of experience have salaries that are \$15,000 to \$20,000 lower on average than their counterparts in comparable districts. This has led to an average of three hundred fifty-nine unfilled teaching positions in the Department of Education from 2011 to 2014, rising to five hundred thirty-one unfilled positions for the 2016-2017 school year.

Your Committee additionally finds that Hawaii is the only state that does not fund education through property taxes. A surcharge on investment properties and visitor accommodations will provide much needed funding for the State's public schools and bring Hawaii's education funding policy closer to other school districts of similar size. Upon ratification of a constitutional amendment to accomplish that objective, this measure will codify in statute the surcharge on residential investment properties and visitor accommodations.

Your Committee has amended this measure by:

- (1) Allowing a person who is eligible for a county homeowner's exemption on property tax who also owns more than one residential investment property to designate which investment property shall be exempt from the surcharge on investment property; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Education that is attached to this report, your Committee is in accord with the intent and purpose of S.B.



No. 686, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 686, S.D. 1, and be referred to your Committees on Ways and Means and Judiciary and Labor.

Respectfully submitted on
behalf of the members of the
Committee on Education,



MICHELLE N. KIDANI, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Education
EDU

Bill / Resolution No.:* <i>SB 686</i>	Committee Referral: <i>EDU, WAM/JDL</i>	Date: <i>2/3 /17</i>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KIDANI, Michelle N. (C)	<i>/</i>			
KAHELE, Kaiali'i (VC)				<i>/</i>
DELA CRUZ, Donovan M.	<i>/</i>			
ESPERO, Will	<i>/</i>			<i>Excused</i>
RIVIERE, Gil	<i>Excused</i>	<i>/</i>		
TOTAL	<i>3</i>	<i>1</i>		<i>Excused</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes