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Honolulu, Hawaii

FEB 04 2008

RE: S.B. No. 3251  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Madam:

Your Committee on Education, to which was referred S.B. No. 3251 entitled:

"A BILL FOR AN ACT RELATING TO EDUCATION,"

begs leave to report as follows:

The purpose of this measure is to institute tax reform to fund state education costs.

Specifically, this measure:

- (1) Increases the general excise tax;
- (2) Exempts groceries, over-the-counter nonprescription medications, education, and child care costs from the general excise tax;
- (3) Establishes a state earned income tax credit and a volunteer tax credit for individual taxpayers providing volunteer services in public schools;
- (4) Increases the standard deduction for the filing status of individual taxpayers;
- (5) Establishes the Education Special Fund for moneys received from general excise tax revenues; and



- (6) Establishes the Education Funding Commission to establish allocation amounts for funds deposited into the Education Special Fund.

Testimony in support of the measure was submitted by the Hawaii Association of Independent Schools and the University of Hawaii System. Testimony in opposition of the measure was submitted by the Department of Budget and Finance, the Department of Taxation, and The Chamber of Commerce of Hawaii. Comments on the measure were also submitted by the Department of Education, the Department of the Attorney General, the Hawaii Educational Policy Center, and the Hawaii State Teachers Association.

Your Committee finds that public schools in Hawaii are in dire need of funding not only to provide adequate facilities and learning materials to meet current mandates for schools, but to also strive to achieve a comprehensive public education system that provides state-of-the-art facilities, qualified teachers and administrators, and cutting-edge learning experiences for children in preschool through postsecondary education. Although the task often seems insurmountable, it is critical to address the current and future funding needs of the public school system to provide for the future of our State. This measure contemplates tax reform, through various tax increases and relief, to fund public education in Hawaii. Although it is clear that everyone supports public education in the State and ensuring the adequate funding therefor, there are concerns regarding what are the most appropriate means for achieving this goal.

Upon review of the testimony provided, your Committee understands that comprehensive tax reform of the nature prescribed in this measure may not be appropriate at this time. However, your Committee believes that tax reform may provide a feasible and viable solution to properly fund public education in Hawaii. As a result, the convening of a task force to examine methods for determining the current funding inadequacies and methods establishing a workable plan to address such inadequacies is necessary.

Accordingly, your Committee has amended this measure by:

- (1) Deleting its contents, except the section that establishes the tax credit for volunteer services for the public schools or the University of Hawaii, which has been amended by:



- (A) Clarifying that the tax credit is nonrefundable;
  - (B) Requiring the tax credit to be claimed on or before the end of the twelfth month following the close of the taxable year in which the credit may be claimed;
  - (C) Including a definition for "volunteer services";
  - (D) Clarifying that any individual taxpayer may claim the tax credit; and
  - (E) Authorizing the Department of Taxation to prepare any necessary forms for claiming the tax credit;
- (2) Replacing its contents with provisions that establish a task force to study the adequacy of funding for education in the State and to develop estimates and methods for meeting current and future funding needs;
  - (3) Requiring the task force to submit annual reports over the next three years on specified areas; and
  - (4) Appropriating funds for the operations of the task force.

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. 3251, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3251, S.D. 1, and be referred to the Committee on Economic Development and Taxation.

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

  
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NORMAN SAKAMOTO, Chair



