

**Date:** 02/12/2008

**Committee:** Senate Economic  
Development and Taxation

**Department:** Education

**Person Testifying:** Patricia Hamamoto, Superintendent of Education

**Title of Bill:** SB 3251,SD1 RELATING TO EDUCATION.

**Purpose of Bill:** Establishes a task force to study the adequacy of funding for education in the State and to develop estimates and methods for meeting funding needs. Requires reports to the legislature and appropriates funds for the task force. Establishes a tax credit for volunteer services performed for the public schools or the University of Hawaii. (SD1)

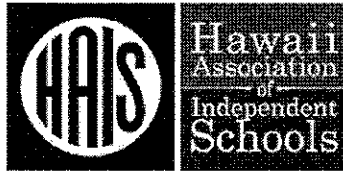
**Department's Position:** The Department of Education opposes this measure. We appreciate the Legislature's support of education funding; however, the proposed task force is unnecessary. Although the Department's consultants in its adequacy study recommended a similar commission, in the State's current economic circumstances, detailed further analysis would not provide funding solutions, other than the bill's mention of tax remedies, which are policy decisions. Other than tax structure changes, state funding priorities would still be decided by the Legislature and Governor, among numerous competing needs.

In these times of fiscal constraints, the Department is actively pursuing initiatives to ensure its operations are fiscally accountable and responsible. There are projects ongoing in human resources, fiscal services and facilities management. In human resources, improvements are being made in automation of the processing of recruiting, hiring and retention of

employees. In fiscal services, the 27-year-old financial systems are being evaluated for refinement or replacement. In the area of facilities, we have initiated a capital asset management project which will help monitor our school facilities and track the level of funding needed over an extended period of time to maintain facilities at a proper level for the safety and well-being of our students.

The use of general excise tax and state income tax proceeds as an alternative means of funding for the long term is a broader public policy issue that should more appropriately be addressed by the Legislature. The use of other fund sources as identified in the bill, such as lease agreements, sale of real property, and fees are being considered as part of other DOE initiatives including school consolidation by the Board of Education's ad-hoc committee on facilities.

In summary, the Department of Education again appreciates the Legislature's support of education funding; however, opposes this measure, primarily due to concerns regarding the proposed task force, and the tax issues being a policy call. Funding priority must also be given to the Board of Education's supplemental operating budget requests before this measure.



February 12, 2008  
9:25 a.m.  
Conference Room 224

TESTIMONY TO  
THE SENATE COMMITTEE ON  
ECONOMIC DEVELOPMENT & TAXATION

RE: SB 3251 SD1 – Relating to Education

Chair Fukunaga, Vice Chair Espero, and Members of the Committee:

My name is Robert Witt, executive director of the Hawaii Association of Independent Schools (HAIS), which represents approximately 100 private and independent elementary and secondary schools and educates over 30,000 students statewide.

Our association strongly supports the intention of Senate Bill 3251, Senate Draft 1 to increase funding for state education costs.

While HAIS primarily advocates on behalf of the independent schools in Hawaii, our board of directors places high priority on the active participation of our association in the educational community, which benefits all children, in all schools. To that end, we are regular contributors to the state's educational policy dialogue, collaborating to support early childhood education, public elementary and secondary education, charter school education, and higher education.

We steadfastly believe that when investments are made in schools, the returns are enormous, and that an increase in our state's overall investment in education, through dedicated funding from such a measure as SB 3251 SD1, will produce significant dividends for all of us in Hawaii.

From our perspective, there are two particularly urgent needs which would greatly benefit from additional funds. The first is early education. We believe that the time is now to commit to a comprehensive early learning system statewide. The vision put forth by the Early Education Task Force—"Keiki First"—will require a sustainable investment, most likely from a dedicated source (or sources) of funding capable of

supporting a long-term implementation plan, such as the one presently under discussion here in the Senate Committee on Education, and in the House Committee on Education as well.

The second is education infrastructure. We believe that there is an urgent need for an unprecedented investment in all our schools. We must modernize our early learning, elementary, secondary, and higher education campuses with facilities capable of supporting the level of teaching and learning required for the 21<sup>st</sup> century. The condition of our schools statewide today symbolizes our lack of commitment over the past several decades to maintaining quality learning environments for our students. It will take another decade to modernize our schools, so we must begin now with a significant and guaranteed amount, such as the dedicated funding that will be produced by the proposals in SB 3251 SD1.

We believe that the betterment of humankind is inherently possible, and that education is prominent among the forces which can stimulate positive change. For this reason and so many others, we strongly support the plan proposed by this measure to increase our state's investment in education.

The time is NOW. Let's work together to generate funds dedicated to the improvement of these two urgent needs in the next decade, and beyond.

Thank you for this opportunity to testify.

**Testimony Presented Before the  
Senate Committee on Economic Development and Taxation  
Conference Room 224**

**February 12, 2008 at 9:25 am**

**SB 3251, SD1            RELATING TO EDUCATION**

**Chair Fukunaga, Vice-Chair Espero and Members of the Committees:**

My name is Kathryn Matayoshi, Executive Director of the Hawai'i Business Roundtable ("Roundtable"). I am testifying in support of the intent of SB 3251, SD 1, which establishes a task force to study the adequacy of funding for education and to develop estimates and methods for meeting funding needs. It also establishes a tax credit for volunteer services for public schools or the University of Hawaii.

We appreciate the funding concerns that the Senate draft 1 is attempting to address. As supporters of early learning and public education at the K-12 and University, we fully appreciate the need for the kind of assessment and analysis described in SB 3251, SD1.

However, we suggest that there are several essential areas that need to be addressed before an assessment of funding needs for education can be made. On-going efforts to address these areas by the department of education (DOE) should be supported.

First, existing processes in human resource management and financial management and accounting need to be reviewed and streamlined. Act 51 provided the impetus for improvements at DOE, but there is still much work to be done. Support for this kind of process improvement, we believe, will have positive impact on efficiency and cost of running our schools. This is a critical next step, and perhaps the funds appropriated for the task force can be directed to support this effort. The Roundtable and its' members remains committed to providing assistance and support for this work.

Second, the DOE needs good information systems to manage its resources, including financial, technical and human resources. Funding for these essential systems, (such as an effective financial management system) need to be supported. The hoped for outcome is that the DOE will be able to provide the public, legislature and the department's managers and leaders, with the data to make good decisions based on timely information, on allocation and utilization of resources, and report on progress towards its goals. Hopefully, it will also result in the ability to reallocate more resources to the classroom as well.

Third, we believe outside perspectives are essential to strategic change management. The Roundtable and its members have expertise and perspectives to offer, and, as they have in the past, stand willing to remain engaged and to providing assistance, expertise and technical support to the DOE.

Thank you for your consideration.

## Community Voice, Collective Action

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Jason Okuhama (at large)  
Hawai`i Lending Specialists

#### *Vice President*

Akoni Akana (Maui)  
Friends of Moku`ula

#### *Secretary*

Wayne Tanna (at large)  
Asset Building Coalition &  
Chaminade University

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Na Mahi`ai O Anahola –  
Anahola Kaua`i Agribusiness  
Microenterprise Project

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Ke Aupuni Lokahi

Puni Kekauoha &  
Adrienne Dillard (O`ahu)  
Papakolea CDC

Keikialoha Kekipi &  
Susie Osborne (Hawai`i)  
Ho`oulu Lahui/ Kua O Ka La  
Public Charter School

Kukui & Gary Maunakea-Forth (O`ahu)  
WCRC/Mala Ai`Opio

Rian Dubach (at large)  
American Savings Bank

Tommy Otake (at large)  
Attorney At Law

### **HACBED Staff**

Robert Agres, Jr  
*Executive Director*

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Larissa Meinecke  
*Public Policy Associate*

Tony Hall  
*Administrative Manager*

### TESTIMONY OF

**Robert Agres, Jr.**

House Committee on Human Services & Housing and  
Committee on Health

Tuesday – February 12, 2008  
8:30 a.m.  
Conference Room 329

### **IN SUPPORT OF H.B. 3251, Relating to Taxation**

I am Robert Agres, Jr., Executive Director of the Hawai`i Alliance for Community Based Economic Development (HACBED). Over the past year, HACBED has partnered with the Department of Urban & Regional Planning of the University of Hawai`i at Manoa in conducting the Transit Oriented Community Based Development (TOCBD) project. The project is funded by the Honolulu City Council.

As a result of this work, we strongly support **H.B. 3251** which addresses community concerns related to development arising out of transit construction and, more specifically, provides mechanisms and opportunities to support affected communities.

The TOCBD project is designed to ensure that when we talk about opportunity for growth in our communities, whatever the reason or stimulus, that we lead with community participation and building community capacity to shape their future. To this end, the TOCBD project convened stakeholders from the three participating communities individually for several months to develop scenarios and establish priorities for community development.

The three communities involved are Ala Moana-Sheridan-Kaheka (AMSK); Kaka`ako-Mauka (KM); and McCully-Moili`ili (MM). Each of these communities participated in a series of facilitated meetings, events, and projects to

## L E G I S L A T I V E

**TAXBILLSERVICE**

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

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**SUBJECT:** INCOME, Credit for volunteer services performed for public schools or University of Hawaii

**BILL NUMBER:** SB 3251, SD-1

**INTRODUCED BY:** Senate Committee on Education

**BRIEF SUMMARY:** Adds a new section to HRS chapter 235 to allow a taxpayer to claim a nonrefundable income tax credit of \$\_\_\_\_\_ provided the taxpayer performed general volunteer services for at least \_\_\_\_\_ hours in any taxable year for public schools or the University of Hawaii.

Only general volunteer services performed for the public schools or the University of Hawaii shall qualify for the credit. The credit shall not be granted for volunteer services normally and customarily performed by a paid employee of the public schools or the University of Hawaii.

Requires the director of taxation, by rule, to provide a method of documenting the actual performance by a resident of the hours of general volunteer service required to establish the eligibility for the tax credit. The department of taxation shall prepare the necessary forms to claim the credit.

Defines "volunteer services" for purposes of the measure.

Also establishes and appropriates funds for a task force to study the adequacy of funding for education in the state.

**EFFECTIVE DATE:** Tax years beginning after December 31, 2007

**STAFF COMMENTS:** This measure proposes an incentive in the form of a tax credit to encourage taxpayers to perform volunteer work for the public schools and the University of Hawaii. It should be remembered that using the tax system to achieve social goals, as this measure proposes, is an inefficient means of accomplishing such goals.

Volunteer work is usually performed by people willing to help others or help a cause without remuneration or compensation. This measure attempts to compensate these volunteers with a tax credit without consideration being given to the tax burden of the volunteer and cannot be justified. Reducing volunteerism to a cash incentive, such as this measure proposes, cheapens the effort and is nothing more than a crass characterization of what should come from the heart.

Digested 2/11/08

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



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DIRECTOR OF TAXATION

SANDRA L. YAHIRO  
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## SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION

### TESTIMONY REGARDING SB 3251 SD 1 RELATING TO EDUCATION

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: FEBRUARY 1, 2008**

**TIME: 1:30pm**

**ROOM: 225**

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As amended, this bill provides a tax credit for volunteering for Hawaii public schools or the University of Hawaii.

The Department of Taxation (Department) has concerns with this bill, as amended.

#### **I. CREDIT FOR VOLUNTEERING IN PUBLIC SCHOOLS**

The measure provides an unspecified credit for volunteer services performed for public schools by a taxpayer. In addition, it excludes from the credit volunteer services that are performed by a person who is also a paid employee of the school or the University of Hawaii.

The Department is concerned with the definition of "volunteer services," which could leave the determination up to the individual taxpayer and be subject to varying interpretations. The Department would also have to expend substantial resources to insure that only qualified individuals obtain the credit and would need to inquire of the schools whether the individual did in fact volunteer some services and that the services provided were material. In order to alleviate some of the burden on the Department, the Department suggests that the taxpayer should be required to obtain a certification from schools stating the taxpayer did provide volunteer services of the type that is being encouraged by this legislation.

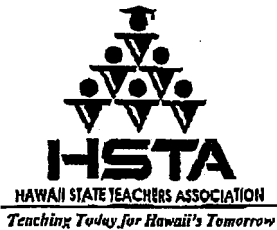
This measure could also open the door to fraud and collusion by a school employee and other individuals whereby the employee could verify that services were performed when in fact none were in order for the individuals to obtain the credit.

The Department also notes that the amount of the credit received by an individual would be subject to state and federal income tax.



**II. REVENUE IMPACT**

The revenue impact is indeterminate due to the unspecified credit amount.



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**TESTIMONY BEFORE THE SENATE COMMITTEE ON  
ECONOMIC DEVELOPMENT AND TAXATION**

**RE: SB 3251, SD1 – RELATING TO EDUCATION**

February 12, 2008

**ROGER TAKABAYASHI, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION**

Chair Fukunaga and Members of the Committee:

The Hawaii State Teachers Association agrees with the intent of SB 3251, SD1, which establishes a task force to study the adequacy of funding for education and establishes a tax credit for volunteer services performed for the public schools or the University of Hawaii. We appreciate the Legislature's recognition of the Department of Education's backlog of repair and maintenance projects and its efforts, to date, supporting the betterment of public school education in Hawaii

The Association has concerns with some content in the bill. First, we question the need for a tax credit for volunteer service performed on behalf of public schools or the University of Hawaii. We feel any volunteer service performed for the betterment of public education should come from the heart and not for the purpose of receiving a tax credit. This kind of volunteer service is already happening at public schools around the state. The money that would have gone toward tax credits could be better spent promoting and encouraging volunteerism in the mass media and through other information sources.

Second, we have concerns regarding the makeup of the task force and would like to offer amendments to Section 3 to address them. Using Ramsycyr format, the amendments are as follows:

- Line 3: [~~Three~~] Two members to be appointed by the Hawaii Business Roundtable; provided that the three member shall possess and represent experience in the fields of technology, finance, and personnel management or human resources management.

-Line 6: Strike out entire line.

-Line 9: Two members representing the Hawaii Government Employees Association, ~~the~~ and two member representing the Hawaii State Teachers Association, ~~and the University of Hawaii Professional Assembly,~~ and

Our explanations for the above amendments are as follows:

-Line 3: In order to create a balance no single entity should have a greater representation than another.

-Line 6: The Association feels that many of Hawaii P-20 Councils will be represented elsewhere from the composition of this task force.

-Line 9: We feel that since the issue is on adequacy to meet academic needs in school, who but the people closest to the school should have the greatest input. Therefore, we recommend an equal amount of representation from Hawaii Government Employees Association and Hawaii State Teachers Association. Since two members are to be appointed by the president of the University of Hawaii (as stated in line 1), we feel it is unnecessary for representation from the University of Hawaii Professional Assembly.

The Association believes there is a need to address the specific funding categories, such as facilities, repair and maintenance, capital improvement projects, English as a second language, technology, learning materials, highly-qualified teachers, early education, and the regular education students. This bill will help to steer Hawaii's public education system on the right path and ensure that we offer the children of Hawaii a better opportunity for educational success.

Thank you for the opportunity to testify.