

Date: 02/01/2008

Committee: Senate Education

Department: Education

Person Testifying: Patricia Hamamoto, Superintendent of Education

Title of Bill: SB 3251 RELATING TO EDUCATION.

Purpose of Bill: Increases the general excise tax to fund state education costs; exempts groceries, over-the-counter nonprescription medications, education and child care costs from the general excise tax; establishes a state earned income tax credit and a volunteer tax credit for individual taxpayers providing volunteer services in public schools. Increases the standard deduction.

Department's Position: The Department of Education (DOE) appreciates the bill's intent to provide more funding for public schools. We believe that the question of whether to increase the general excise tax is a public policy question and should be made based on the economic and social merits of the tax proposal as a whole, rather than on the DOE's more limited perspective of being a recipient of the additional revenue.

Thank you for the opportunity to testify.

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON EDUCATION
ON
SENATE BILL NO. 3251

February 1, 2008

RELATING TO EDUCATION

Senate Bill No. 3251 increases the general excise tax to fund education costs, and deposits the additional revenues in a newly created Education Special Fund for the support of early education, public schools, and the University of Hawaii.

We do not support this bill. We oppose increasing the tax burden on Hawaii's citizens. We believe that the needs of the Department of Education and the University of Hawaii should be reviewed on their merits through the Executive budget process.

Also, as a matter of general policy, this department does not support the creation of any special or revolving fund which does not meet the requirements of Section 37-52.3 of the Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. It is difficult to determine if the proposed fund meets any of the above criteria.

LATE TESTIMONY

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

SENATE COMMITTEE ON EDUCATION

TESTIMONY REGARDING SB 3251 RELATING TO EDUCATION

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

DATE: FEBRUARY 1, 2008

TIME: 1:30pm

ROOM: 225

This bill proposes to increase the general excise tax to fund state education costs, exempts groceries and over-the-counter nonprescription medications, costs incurred for education, and costs incurred for child care from the general excise tax ("GET"), establishes a state earned income tax credit, provides for a new volunteer income tax credit for individual taxpayers providing volunteer services to public schools, and increases the standard deduction.

The Department of Taxation (Department) supports the intent and purpose of the tax relief provisions of this legislation, but respectfully opposes the tax increase and other components due to its fiscal implications and the extreme burden that it would place on the taxpayers of the State. The Department does support certain limited portions of the measure standing alone.

I. TITLE PROBLEM

The Department initially points out that this legislation has a potential title problem. The bill's title is "Relating to Education." This legislation contains several tax relief measures wholly unrelated to educational provisions.

II. DEFECTIVE EFFECTIVE DATE

The measure provides that the act shall take effect on its approval and applies to taxable years beginning after December 31, 2007. The Department submits that this effective date is an impossible date to meet. All retailers have operated under the assumption that all sales at retail including food and over-the-counter medications are subject to the GET rate of four (4) percent, not including any applicable county surcharge. It is highly likely (especially for small retail operations) that they would be unable to segregate sales already made into the applicable exempt and non-

exempt categories.

In addition, the burden of compliance would be prohibitive among the retailers. They would need to recompute their sales and amend previously filed general excise tax returns to correct the amount of taxes owed. It also places on the retailer an onerous burden of attempting to determine who may have overpaid the taxes, how to refund the same.

Finally, the Department would note that the effective date is likely unconstitutional as a retroactive tax increase. Retailers would be required to pay five (5) percent on any non-exempt sales, with no opportunity to recapture the same from the customers. The effective date as set forth is therefore highly unworkable.

III. INCREASE IN THE GENERAL EXCISE TAX TO FUND EDUCATION

The Department strongly opposes the increase in the GET. Hawaii has consistently had one of the nation's highest tax burdens, and since 1973 has always been in the top 10 for states with the highest tax burden.¹ In almost all of those years, it has been within the top five. For 2007, Hawaii's state/local tax burden ranks 6th highest at 12.4%, well above the national average of 11.0%. Taxpayers paid \$5,014 per capita in state and local taxes on per-capita state income of \$40,455.

Hawaii also ranks 22nd in the Tax Foundation's State Business Tax Climate Index for 2008. The Index compares the states in five areas of taxation that impact business: corporate taxes; individual income taxes; sales taxes; unemployment insurance taxes; and taxes on property, including residential and commercial property. At a time when the State is looking for ways to improve its image for businesses and to encourage new business endeavors, increasing the GET will only make the State more business unfriendly.

While an unspecified amount is earmarked to go into a newly created education special fund, there is no guarantee that such earmarking will be honored. In 1989, the Legislature earmarked up to \$90 million from GET tax receipts to the then newly created state educational facilities improvement special fund. The legislature has, however, from time to time diverted such earmarks in order to balance the budget.

IV. EXEMPTION FROM THE GENERAL EXCISE TAX FOR GROCERIES, OVER-THE-COUNTER NON-PRESCRIPTION MEDICATIONS, COSTS INCURRED FOR EDUCATION AND CHILD CARE COSTS

The Department **supports tax relief in a form similar to the general excise tax exemption** on certain foods and nonprescription drugs. The Department strongly prefers the Administration carry-over measure, SB 1496, which strikes the balance at approaching exempting certain important and healthy foods from the general excise tax.

¹ The only exception occurred in 1976 in which Hawaii placed 11th.

THE DEPARTMENT SUPPORTS MINIMIZING THE REGRESSIVE NATURE OF THE GET—The Department supports measures that assist struggling families and individuals by decreasing their state tax burdens. This bill specifically targets the overly regressive nature of the GET, which applies at the same rate to all taxpayers, regardless of their income level, to all staples of life. This exemption mitigates the regressive effects of the GET imposed on food and over-the-counter medications that is passed on to consumers. By eliminating the GET on these items, lower income families will have more to spend on the necessities of life.

The Department is concerned, however, that an increase of the GET to five (5) per cent will not be sufficient to offset the loss of revenue caused by the exemption. In states that do not tax food stuffs, the sales tax rate is typically eight (8) per cent or more. The rate will need to be much higher when the exemption for educational expenses and child care are factored in, and the revenue shortfall will be exacerbated by the diversion of general revenue funds to the newly created education special fund. It should also be noted that the measure will also eliminate the ½ percent tax on manufacturing, production, packaging, wholesaling of food items within the State, thereby increasing the revenue loss. The elimination of the tax on the retail sales of food and over-the-counter medications will result in a substantial loss of revenue due to the City and County of Honolulu under the county surcharge.

The measure fails to adequately define "food item" or "over-the-counter medicine". "Food item" is defined as "any food or food product for home consumption except alcoholic beverages, tobacco, and food products prepared at the place of sale or at another location and sold primarily for immediate or nearly immediate consumption. In the case of those persons who are sixty-five years of age or older or who receive supplemental security income benefits under Title XVI of the Social Security Act (42 U.S.C. §1381 et. seq.), and their spouses, "food items" includes meals prepared by and served in senior citizens' centers, apartment buildings occupied primarily by senior citizens, private nonprofit establishments (eating or otherwise) that feed senior citizens, private establishments that contract with the appropriate agency of the State to offer meals for senior citizens at concessional prices, and meals prepared for and served to residents of federally subsidized housing for the elderly means ". This definition leaves unanswered whether such things as candy or soft drinks (which in many jurisdictions is not deemed to be a food stuff exempt from sales tax) is or is not exempt from the GET.

Likewise, "over-the-counter nonprescription medicine" is defined as "drugs or medications that can be purchased without a prescription (for example, aspirin, cough syrup, and laxatives)". This leaves to speculation about whether various items are or are not subject to the exemption. For example, is common rubbing alcohol and other ointments included as an over-the-counter nonprescription medicine? The Department foresees substantial unease by the retailing community because of the lack of guidance on what constitutes a food stuff or an over-the-counter nonprescription medicine, and the Department would be required to expend substantial resources to draft rules over the meaning of these phrases.

V. EARNED INCOME TAX CREDIT

The Department **opposes** the Earned Income Tax Credit (EITC) for several reasons, including its lack of compliance and difficulty for taxpayers.

The Internal Revenue Service (IRS) admits that the EITC has been plagued by persistent compliance problems. The IRS has been unable to reduce noncompliance problems significantly. Between \$8.4 and \$9.9 billion (27% to 32%) in EITC claims have been paid improperly as reported in a compliance study of tax year 1999 returns. The EITC credit is listed as a "high risk area for the federal government" by the General Accounting Office. *See EITC Reform Initiative*, FS-2003-14, June 2003). In its 2005 EITC Initiative Final Report to Congress, the IRS stated that although "the IRS has implemented a number of legal and administrative changes since [the 1999 study], IRS officials believe the error rate is still substantial." The 2005 report, in an analysis of preliminary data from tax year 2001 returns stated that EITC over claim estimates would not be "substantially different" than that of tax year 1999. *See http://www.irs.gov/pub/irs-utl/irs_earned_income_tax_credit_initiative_final_report_to_congress_october_2005.pdf*.

The Department recognizes that the data cited by the IRS is based upon 1999 tax year returns. However, complex studies of enforcement and compliance data take many years and necessarily must rely on closed tax years to make a proper measurement. In attempts to bring fresh data to the Committee's attention, the Department offers for its consideration statistics available from ExpectMore.gov. This website maintains certain statistics on the EITC program. For example, the EITC Program Performance Measurement provides the "[p]ercent of EITC dollars paid that should not have been paid...based on random audits. 2001 is the latest available data." The explanation of error rates, including projections, is as follows:

Year	Target	Actual
1997		24 to 26%
1999		27 to 32% (cited above)
2001		30 to 34%
2006	28% (projected)	
2007	28% (projected)	

As can be seen from these statistics, the EITC has been a consistent compliance problem for the past decade. Moreover, based upon projections, noncompliance is likely to remain around the one-third level. Considering the chance that one-third of the claims may be put at risk of fraud by adopting a conforming EITC, the Department again recommends the Committee consider adopting the Administration's increased standard deduction in the alternative.

"The EITC credit is a social welfare program embedded in the tax code where the tax system primarily relies on self-reporting." (*See EITC Reform Initiative*, FS-2003-14, June 2003). Unlike other social welfare programs, no requirement is imposed for EITC eligibility proof prior to payments and the payments rely on the claimants' self-assessment for eligibility. Crucial EITC eligibility factors such as marital status, residency, and the relationship test of a claimed child, are difficult for the IRS to confirm. *See id.*

The Department also notes that the EITC will be reduced by the amount of any other credit to which the taxpayer is entitled to. This would include any child and dependent care credit, low income renters credit, and credit for child passenger restraint systems credit, among others. The reduction of the EITC by other credits reduces the effectiveness of the EITC in getting more monies

to those that need it most: the low income households.

The EITC tax benefits do not outweigh the administrative burden. The Federal EITC is only available to taxpayers who meet the eligibility criteria. To name a few, the taxpayers must have earned income and cannot exceed the earned income ceiling; must be between 25 to 65 years old; and must not file "married filing separate returns".² The tax benefits provided by the EITC program do not cover the wide range of taxpayers, which is accomplished by the Administration measure of increasing the standard deduction. For example, the EITC phases out at the following levels—

<u>Number of Children</u>	<u>Filing Single</u>	<u>Filing Joint</u>
0	\$12,590	\$14,590
1	\$32,241	\$35,421
2 or more	\$37,783	\$39,783

VI. CREDIT FOR VOLUNTEERING IN PUBLIC SCHOOLS

The measure provides an unspecified credit for volunteer services performed for public schools by a resident. 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 that this legislation could be found facially unconstitutional in violation of the Privileges & Immunities Clause and the Equal Protection Clause. The Department defers to the Department of the Attorney General on this bill's constitutionality, but raises the issue nonetheless.

The measure fails to indicate whether the credit is refundable or may only be applied against a taxpayer's tax liability in a given year, and if there is an excess, whether the unused credit carries forward until used or is lost.

In addition, the failure to define "volunteer services" will leave the determination up to the individual taxpayer. 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. 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.

Finally, the Department notes that the measure as drafted fails to set any deadline for claiming the credit. The Department suggest that a time deadline be imposed under which all claims for credit must be filed, and failing such deadline, deeming the credit waived. The Department suggests the following language:

Every claim, including amended claims, for a tax credit under this section shall be filed on or

² The Department suggests that the provision in the bill allowing a husband and wife to file separately and claim the credit be eliminated.

before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim 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.

VII. INCREASE IN THE STANDARD DEDUCTION

The Department **strongly supports** tax relief in a manner similar to this provision of this bill. The Department suggests the committee consider the Administration measure SB 1493, a carry-over measure from last session.

Hawaii's personal income tax system consists of nine brackets with top rate of 8.25% kicking in at an income level of \$40,000 for individuals. This top rate ranks the state 8th highest among states levying personal income taxes. Hawaii's 2004 individual income tax collections were \$926 per person, which ranks 12th highest nationally. Increasing the Hawaii standard deduction will provide timely and meaningful tax relief in the following substantial ways:

- 1). **FEWER LOW-INCOME TAXPAYERS WILL OWE TAX**—Currently, the very low-income citizens of Hawaii are paying state income tax, but not federal income tax. This disparity is exclusively due to the fact that Hawaii's standard deduction is markedly lower than the federal, thus requiring the poor to file. By raising the standard deduction, a large percentage of the very low-income will have immediate tax relief because they won't owe any Hawaii taxes.
- 2). **LESS ITEMIZED DEDUCTIONS**—By increasing the standard deduction, more filers will be able to take the standard deduction, rather than itemize. The larger standard deduction will increase collections, lower fraud, and relieve the burden faced by the Department in processing itemized schedules.
- 3). **REFLECTS THE REALITY OF HAWAII'S COST OF LIVING**—Under this proposal, Hawaii's tax system becomes more progressive and equitable by providing tax relief directly to the low-income taxpayers whom, as a group, almost always rely on the standard deduction to deal with the high cost of living. This proposal will keep more money in the pockets of Hawaii citizens who need tax relief the most, rather than waiting for a tax refund.

Increasing Hawaii's standard deduction is also better tax policy when compared to the alternative of providing an earned income tax credit because:

- 1) Raising the standard deduction wholly eliminates low-income taxpayers from any income tax assessments;
- 2) There is a substantial amount of fraud that accompanies the earned income tax credit that the State could avoid;
- 3) Raising the standard deduction helps far more taxpayers;

- 4) Tax professionals almost unanimously support the notion of increasing the standard deduction; and
- 5) The standard deduction is far easier than the earned income credit for taxpayers to understand.

VIII. TUITION EXEMPTION

The Department briefly notes that most schools are nonprofit entities, which are not subject to the GET. Therefore, the GET for tuition proceeds received would likely have an impact on a small universe of providers.

This bill will result in an indeterminate revenue impact at this time.



**TESTIMONY OF THE STATE ATTORNEY GENERAL
TWENTY-FOURTH LEGISLATURE, 2008**

ON THE FOLLOWING MEASURE:

S.B. NO. 3251, RELATING TO EDUCATION.

BEFORE THE:

SENATE COMMITTEE ON EDUCATION

DATE: Friday, February 1, 2008 **TIME:** 1:30 PM

LOCATION: State Capitol, Room 225
Deliver to: State Capitol, Room 230, one copies

TESTIFIER(S): Mark J. Bennett, Attorney General
or Cynthia M. Johiro, Deputy Attorney General

Chair Sakamoto and Members of the Committee:

We would like to bring to your attention a potential problem in the wording of the above-stated bill. A court may conclude that the volunteer services performed for the public schools or the University of Hawaii net income tax credit (pages 6-10 of the bill) is unconstitutional because it discriminates in favor of Hawaii residents and does not expressly articulate a legitimate government interest served by the legislation sufficient to withstand constitutional challenge based on the Equal Protection Clause and the Privileges and Immunities Clause of the United States Constitution.

Without an articulated legitimate governmental purpose, the Equal Protection Clause prohibits discrimination against a nonresident based solely on residency. See, e.g., *Williams v. Vermont*, 472 U.S. 14 (1985) (use tax credit for sales taxes paid on cars purchased in other states invalidated because it was only available to Vermont residents). The Hawaii intermediate appellate court has recognized that the Equal Protection Clause applies where a tax operates unequally on persons or property of the same class. *In re Swann*, 7 Haw. App. 390, 776 P.2d 395 (1989).

The wording in the bill that creates this potential constitutional problem is the word "resident" on page 6, lines 10, 16, 20, and 22; page 7, lines 2, 4, 9, and 19; and page 8, line 5.

The residency requirement arguably violates the Equal Protection Clause because it expressly favors residents over nonresidents, as noted above.

The bill as currently drafted may also trigger a possible privileges and immunities challenge. The Supreme Court struck down a New York tax exemption law (for alimony) that discriminated against nonresidents in *Lunding v. New York Tax Appeals Tribunal*, 522 U.S. 287 (1998). In that decision, the Court noted that the right to carry on business (and without being subjected to more onerous taxes than residents) was protected by the Privileges and Immunities Clause. The level of scrutiny is intermediate. To succeed against such a challenge, a state tax law needs to be supported by "a substantial reason for the difference in treatment" and "the discrimination practiced against nonresidents bears a substantial relationship to the State's objective."

To insulate the bill from possible constitutional legal challenge, we recommend either of two possible remedies: (1) that the bill be amended to provide that the credit is available to taxpayers subject to chapter 235, Hawaii Revised Statutes: deleting the word "resident" as noted above should remedy these possible constitutional problems; or (2) that a legitimate government interest to limit the availability of the credit to only Hawaii residents is articulated within the preamble of the bill.



1200 Ala Kapuna Street • Honolulu, Hawaii 96819
Tel: (808) 833-2711 • Fax: (808) 839-7106 • Web: www.hsta.org

Roger K. Takabayashi
President
Wil Okabe
Vice President
Karolyn Mossman
Secretary-Treasurer
Mike McCartney
Executive Director

**TESTIMONY BEFORE THE SENATE COMMITTEE ON
EDUCATION**

RE: SB 3251 – RELATING TO EDUCATION.

February 1, 2008

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

Chair Sakamoto and Members of the Committee:

The Hawaii State Teachers Association agrees with the intent of SB 3251 and appreciates 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 our public school education in Hawaii. We are appreciative of the intent that the bill will also benefit local taxpayers in the form of tax relief or credits for certain line items.

If the intent of the bill is to generate revenues, placed in an Education Special Fund, to be used for the sole purpose of minimizing the repair and maintenance (R & M) backlog of our public schools and the University of Hawaii (UH), the creation of an Education Funding Commission seems necessary. It is our understanding that the commission will oversee this fund strictly for R & M and allow the Board of Education to oversee other concerns of our public schools.

Currently, the General Excise Tax is 4.713 percent. The intent of the bill is to raise it one percent to 5.713 percent. This would generate 540 million dollars more in state revenues. Of this estimated amount 300 million dollars would be used to make up the loss of the tax credits mentioned in this bill. Eventually only generating 240 million dollars more revenue than is currently being brought in.

A better solution to the R & M backlog at our public schools and the University is to still raise the GET one percent, delete the tax credits, and keep the generated 540 million dollars in revenues. This will allow R & M projects to get done at our public schools, upgrade the UH athletic facilities, and build the West Oahu Campus. Imagine if this raise in the GET had happened earlier, we could have fixed the UH athletic facilities and kept June Jones in Hawaii.

Thank you for the opportunity to testify.



**The Chamber of
Commerce of Hawaii**
Since 1850

TESTIMONY TO THE SENATE COMMITTEE ON EDUCATION
FRIDAY, FEBRUARY 1, 2008 AT 1:30 P.M.
ROOM 325, STATE CAPITOL

RE: S.B. 3251 Relating to Education

Chair Sakamoto and Members of the Committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). Although The Chamber recognizes the intent of this bill, at this time we are unable to support SB 3251.

The Chamber is the largest business organization in Hawaii, representing 1100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. The organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

S.B. No. 3251 proposes to increase the general excise tax, with increased revenues being allocated to support early education and education in the department of education public schools and the University of Hawaii. This Act shall also off-set the effects of the tax increase by:

1. Establishing a general excise tax exemption for:
 - Tuition and child care services;
 - Food; and
 - Over-the-counter nonprescription medications;
2. Establishing tax credits, including:
 - A tax credit for individuals who volunteer their services at public schools or the University of Hawaii; and
 - An earned income tax credit; and
3. Increasing the state standard deduction amounts.

The findings in the bill accurately describe the situation and the public support to fund public education.

The Chamber recognizes that a quality education is vital to the success of our students, communities and the economy and fully supports the need to address our inadequate public education infrastructure. However, we believe in prioritizing our existing resources in that area rather than increasing taxes.

Thank you for this opportunity to submit testimony.



HAWAI'I EDUCATIONAL POLICY CENTER
Informing the Education Community

Testimony Presented Before the
Senate Committee on Education

February 1, 2008, 1:30 pm, Room 225

by

Donald B. Young, Director
Hawai'i Educational Policy Center
University of Hawai'i at Mānoa

SB 3251: Relating to Education

Chair Sakamoto, Vice Chair Tokuda, and Members of the Committee:

The HEPC generally supports the use of additional tax revenues for educational purposes. We believe the public will support additional taxes if they are dedicated to education, and do not preclude adding additional revenues beyond those generated by the tax.

There are several scenarios that should be taken into consideration:

1. The tax generates a substantial portion of the needs of public education, but requires additional general fund appropriations;
2. The tax generates an adequate revenue to support public education currently, but over time cannot keep up with the needs;
3. The tax generates enough to cover current needs and a substantial increase.

Under scenario #1, there could be a tendency to reduce the general fund appropriations to public education simply because the tax is generating new funds. Thus, there could be no net gain. In mainland jurisdictions we have seen State matching funding for urban schools increase, only to see the urban decision makers reduce their contribution accordingly.

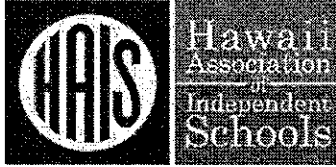
Under scenario #2, the tax could be essentially seen as a “cap” on public education funding, which may not be the intent.

Under scenario #3, there would be a net benefit for all of public education.

HEPC urges such a new tax be substantial enough to follow scenario #3.

If the tax as proposed in SB 3251 generates more revenues than are currently needed for education, this would definitely be a plus. If, however, over time, the tax generated falls behind the needs of public education, there may be a temptation to regard these tax revenues as a "cap" on funding that could ultimately work against public education.

Thank you for the opportunity to testify on SB 3251.



February 1, 2008
1:30 p.m.
Conference Room 225

TESTIMONY TO
THE SENATE COMMITTEE ON EDUCATION

RE: SB 3251 – Relating to Education

Chair Sakamoto, Vice Chair Tokuda, 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 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, 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 21st 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.

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.