

SB2088

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON HEALTH AND HUMAN SERVICES
ON
SENATE BILL NO. 2088

February 1, 2010

RELATING TO FUNDING OF EARLY INTERVENTION SERVICES

Senate Bill No. 2088 provides a supplemental dedicated source of funding for community-based, family-centered, early intervention services by means of an increase in the liquor tax. This bill will increase liquor tax and require five cents of each per gallon tax to be deposited to the credit of the Early Intervention Special Fund established pursuant to Section 321-355, for the purpose and use of that fund as described in Section 321-357.

We oppose this bill. While we support early intervention services, the proposed amendment will limit the flexibility of the Executive Branch to review program funding requirements and allocate funding to programs based on statewide priorities within available resources. The proposed amendment also would not provide any flexibility to account for any adverse fiscal conditions and will obligate future Legislatures to provide funding without regard to appropriateness.

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MEMORANDUM

TO: Senator David Y. Ige
Chair, Committee on Health
Senator Suzanne Chun Oakland
Chair, Committee on Human Services
Via: HTHTestimony@Capitol.hawaii.gov

FROM: Gary M. Slovin/Mihoko E. Ito

DATE: January 29, 2010

RE: S.B. 2088 – Relating to Early Intervention Services
Hearing: Monday, February 1, 2010 at 2:45 p.m., Room 016

Dear Chairs Ige and Chun Oakland and Members of the Joint Committees on Health and Human Services:

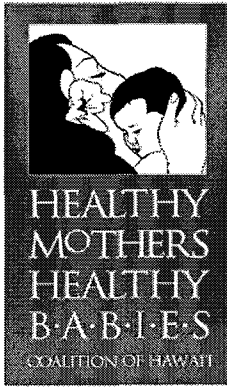
I am Gary Slovin, appearing on behalf of the Distilled Spirits Council of the United States (“DISCUS”). DISCUS is a national trade association representing producers and marketers of distilled spirits sold in the United States.

DISCUS opposes S.B. 2088. The bill seeks to increase the alcohol tax for all classifications and dedicates the increase as a supplemental funding source for early intervention services. S.B. 2088 does not provide a rational nexus for increasing the liquor tax rates.

Distilled spirits are the most heavily taxed consumer products in the United States. Studies have shown that excessive state taxes are counterproductive and hit low to middle income taxpayers the most. Additionally, liquor tax increases negatively impact many other industries, such as hotels, conventions, tourism, restaurants, and stores which sell liquor.

January 29, 2010
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For the reasons stated above, we respectfully ask that you hold S.B. 2088.
Thank you for the opportunity to testify.



January 29, 2010

TO: Senator David Y. Ige, Chair; Senator Josh Green, M.D., Vice Chair
Members, Committee On Health

Senator Chun Oakland, Chair, Senator Les Ihara, Jr., Vice Chair
Members, Committee on Human Services

FROM: Jackie Berry, Executive Director

RE: **SB 2088 Relating To Funding of Early Intervention Services**

Hearing: Monday, February 1, 2010 at 2:45pm

Honorable Chairperson Ige, Vice Chairperson Green and Members of the Committee on Health
Honorable Chairperson Chun Oakland, Vice Chair Ihara

HMHB is a statewide coalition of public and private agencies and individuals committed to the improvement of maternal and infant health status in Hawaii through education, coordination and advocacy. **HMHB is testifying today in support of SB 2088 Relating to Funding of Early Intervention Services with modification. This bill will increase the alcohol tax for all classifications and dedicate the increase as a supplemental funding source for early intervention services.**

Please modify this bill to dedicate the increase to the Fetal Alcohol Spectrum Disorder (FASD) Task Force to increase awareness of FASD and promote the development of effective prevention and treatment programs, as well as family support systems.

Fetal Alcohol Spectrum Disorder (FASD) is an umbrella term used to describe the range of disabilities caused by prenatal exposure to alcohol. FASD is relatively new and was first identified in 1973 when a similar pattern of malformations among infants born to alcohol abusing women was noted. FASD is a brain disorder associated with a high incidence of cognitive and behavioral problems. People affected by FASD may have significant difficulties with memory, attention, self care, decision making and social skills as well as mental health disorders, including depression and addiction. They may have problems with organization and planning, difficulty controlling their emotions and completing tasks that would allow them to lead productive lives. FASD is often further complicated by medical issues including a higher rate of heart disease, hearing and vision problems.

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phone # (808) 951-5805

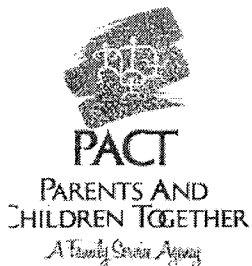
e-mail: jackieb@hmhb-hawaii.org website: www.hmhb-hawaii.org

FASD has a dramatic impact on families, whether it is the biological, adoptive or foster family. There are financial as well as emotional costs involved in raising a FASD child. A more difficult cost to measure is that of lost human potential. The needs of individuals affected by FASD currently generate considerable costs for the social welfare, educational, medical, judicial and correctional systems. This issue is crucial not only from the perspective of social justice but from the economic perspective as well.

Hawaii needs to address FASD by developing a coordinated system of surveillance, screening and treatment. The FASD Task Force is made up of concerned parents and professionals and would be the ideal vehicle for developing a plan of action to address this critical issue.

We urge your support of this bill.

Mahalo for your consideration of this bill and our testimony.



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HEAD START

ECONOMIC DEVELOPMENT
CENTER

FAMILY PEACE CENTER

FAMILY VISITATION CENTER

HANA LIKE HOME
VISITOR PROGRAM

INTENSIVE SUPPORT SERVICES

KANEOHE COMMUNITY
FAMILY CENTER

KPT FAMILY CENTER

LEHUA TRANSITIONAL SHELTER

OHIA - DOMESTIC VIOLENCE
SHELTER

RESPIRE CARE

MAUI COUNTY PROGRAMS

FAMILY PEACE CENTER

INTENSIVE SUPPORT SERVICES

LANAI INTEGRATED SERVICES

KAUAI COUNTY PROGRAMS

FAMILY VISITATION CENTER

INTENSIVE SUPPORT SERVICES

HAWAII ISLAND PROGRAM

KEONEPOKO PRE-PLUS CHILD CARE

MEMBER:

CWLA

ALOHA UNITED WAY

COA

TO: Senator David Ige, Chair
Senator Josh Green, Vice Chair
Senate Committee on Health

Senator Suzanne Chun-Oakland, Chair
Senator Les Ihara, Vice-Chair
Senate Committee on Human Services

FROM: Haaheo Mansfield
Vice President of Programs
Parents And Children Together

DATE: January 29, 2010

RE: In Support of SB 2088, Relating to Funding of Early Intervention Services

My name is Haaheo Mansfield. I am the Vice President of Programs at Parents And Children Together. PACT is one of Hawaii's leading not-for-profit human service providers, with 14 programs statewide providing services to over 20,000 individuals in FY 2009. PACT has been a provider of early intervention services since its inception in 1968. Although over the years we have expanded the array of services we provide, we have remained steadfast in our commitment to early intervention because our experience and research have proven it is the best and most cost effective way to ensure successful futures for children. I strongly urge the passage of SB 2088, a bill that implements a graduated tax schedule on liquor, proceeds of which will be used to fund early intervention services.

Although tax increases of any sort may be unpopular, I know of no other better way to create a revenue stream that will support this critical service. If we say children are important, if we say that strong families are central to well communities, then we must be ready to make an investment today to ensure that future is realized. We recognize that the years from birth to three lay the foundation for each child's cognitive and emotional development. The quality of a child's early environment, including their relationship with their parents and the provision of early learning experiences, is predictive of that child's later success in areas such as school performance and social adjustment. SB 2088 is a vehicle that can ensure successful school performance and social adjustment through early learning opportunities is adequately funded.

Thank you for the opportunity to provide testimony in strong support of SB 2088.



THE LEGISLATIVE CENTER

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February 1, 2010

Testimony To: Senate Committee on Health
Senator David Y. Ige, Chair

Senate Committee on Human Services
Senator Suzanne Chun Oakland, Chair

Presented By: Tim Lyons, Legislative Liaison
Anheuser Busch Companies

Subject: S.B. 2088 – RELATING TO FUNDING OF EARLY INTERVENTION SERVICES.

Chair Ige, Chair Chun Oakland and Members of the Joint Committees:

I am Tim Lyons, representing Anheuser Busch Companies and we oppose this bill.

It is not based on our lack of support for programs that attack child neglect or developmental disabilities but, rather, the lack of any relationship to those societal issues and our products.

Liquor products have extreme price elasticity, meaning that because the majority of our customers are what we would call "casual drinkers" it is not a "must have product" for them, but an option. As the price goes up, history and experience elsewhere dictates that the sales volume goes down. We do not need a government inspired reason to lose sales in this economy.

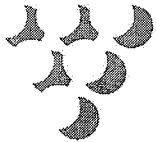
Additionally, we oppose this bill because we do not think it is good policy to earmark a revenue source. This takes the flexibility away from legislators trying to balance budgets and further creates a huge burden on that revenue source when, for a variety of reasons, funds fall short of an expected goal. The natural inclination is increase the rate again.

Although we are sometimes grouped under the heading of a "sin tax", we would like to remind this Committee that what we manufacture and sell is a legal product and it is not a sin to sit in your living room, watch the football game and, consume a beer.

Lastly, we also fail to understand why a 9.3% increase in the draught beer rate is proposed but only a .8% increase in the distilled spirits tax rate. Why the eight (8) and one half ½ percent discrepancy?

Based on the above, we strongly oppose this bill and would remind you that we are only the conduit in this process. Whatever increases there are will be passed on disproportionately to those who can least afford it. The liquor tax is no doubt a regressive tax, and it is those people that you will impact the most.

Thank you for your consideration.



WINE INSTITUTE

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Washington 98040
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Fax (206) 232-4130

Sydney A. Abrams
Governmental Affairs Manager,
Western States

February 1, 2010

TO: Senate Health Committee
Senator David Y. Ige, Chair
Senator Josh Green, M.D., Vice Chair

Senate Human Services Committee
Senator Suzanne Chun Oakland, Chair
Senator Les Ihara, Jr., Vice Chair

FROM: Katie Jacoy
Wine Institute

DATE: Monday, February 1, 2010
Conference Room 016
2:45 p.m.

RE: **SB 2088, Relating to Funding of Early Intervention Services**

Chairs Ige and Chun Oakland and Members of the Committees:

Wine Institute ("WI") is a public policy association representing 920 California wineries. WI opposes SB 2088 because it proposes to increase the liquor tax on all categories of alcoholic beverages by 5 cents to help pay the cost of early intervention services for infants and toddlers. Such tax increases unfairly burden those consuming alcoholic beverages with a societal cost that should be shared by Hawaii residents equally. If the legislature deems that early intervention services are critical, then a more equitable and predictable funding source should be used.

This tax increase will ultimately harm the responsible wine consumers in Hawaii by increasing the price of wine, which is difficult to bear during the current severe economic downturn. In this economy, none of the tiers - winery, distributor, or retailer/restaurant - are in the position to absorb any additional costs, so any increased tax will be passed onto the consumer. Since liquor taxes are marked up by the distributors and retailers as the

wines move through the three-tier system, they usually double by the time they reach the consumer.

Without any increase, Hawaii's liquor tax on wine is already the eighth highest in the nation. Hawaii wine consumers already pay one of the highest prices in the United States for their wine, given Hawaii's general excise tax of 4.17% (or 4.712% for the City and County of Honolulu) and the higher transportation costs to ship wine to Hawaii.

The Hawaii tourism industry is in crisis mode with tourism down about 15% over the last two years. On-premise sales of wine have decreased by a similar percentage. Tourism accounts for one-quarter of Hawaii's GDP and one-third of its jobs. Restaurants, hotels, and wine retailers can't afford a tax increase that will further discourage the purchase of wine.

Any increase in the liquor tax on wine unfairly harms the wine consumer in Hawaii:

- Hawaii wine consumers already pay a disproportionate share of taxes through the existing liquor tax imposed on wine. Most other products they buy do not carry such an additional tax burden.
- Alcohol beverage taxes are a burden for those with lower incomes. Hawaii residents already struggle with high housing, food, and fuel costs. Under this bill, they could be forced to pay even more for the simple pleasure of responsibly consuming wine.
- Excise taxes are expensive because they are levied at the producer level. Since the taxes are marked up by the distributors and retailers as the wines move through the three-tier system, they usually double by the time they reach the consumer.
- Data indicates that when taxes are imposed on specific products, overall sales decrease. If overall sales decrease, local restaurants and wine retailers are also negatively impacted. This bill could result in a reduction of the total wine tax revenue to the state.
- Scores of medical research reports show that moderate wine consumption reduces the risk of coronary heart disease and is healthful. Wine consumption in moderation saves on health care costs: the U.S. Department of Health & Human Services found that 6 to 13 glasses of wine per week saves on average of \$400 per year per wine drinker in Medicare expenses. Wine is a beverage of moderation. Its consumption should not be discouraged by excise tax increases resulting in higher wine prices to the consumer.

The legislature should not penalize one segment of beverage consumers to pay for intervention services unrelated to the product. We ask that you reconsider raising liquor taxes at this time. Thank you for allowing me to provide testimony on this matter.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUOR, Increase tax; disposition to early intervention special fund

BILL NUMBER: SB 2088

INTRODUCED BY: Chun Oakland, Fukunaga, Kidani

BRIEF SUMMARY: Amends HRS section 244D-4 to increase the liquor tax rates effective July 1, 2010 to: \$6.03 per wine gallon on distilled spirits; \$2.17 per wine gallon on sparkling wine; \$1.43 per wine gallon on still wine; \$0.90 per wine gallon on cooler beverages; \$0.98 per wine gallon on beer other than draft; and \$0.59 per wine gallon on draft beer.

Amends HRS section 244D-17 to provide that beginning July 1, 2010, 5 cents on each gallon of tax collected under HRS chapter 244D-4 shall be deposited into the early intervention special fund.

Makes conforming amendments to HRS section 321-355.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: The proposed measure increases the tax rate on alcoholic beverages by 5 cents with the increase deposited into the early intervention special fund. Revenues in the fund are used to expand and enhance early intervention services for infants and toddlers with special needs.

It should be noted that Hawaii's tax rates on these products are among the highest, if not the highest, in the nation. Not only would another rate increase reaffirm the perception that Hawaii is a tax hell, but it would probably have an effect on the consumption of taxed product. Such a hike will, no doubt, have an effect on behavioral responses and affect actual consumption of these products, so instead of seeing growing collections from higher tax rates, lawmakers may just find that collections will drop due to its effect to discourage consumption. Such has been the case in the consumption of cigarettes where Hawaii's rates are among the highest in the nation, the actual number of packs purchased had fallen dramatically.

More importantly, lawmakers should realize that much of the alcohol consumed in Hawaii is due to visitors. In fact, if one divided the amount of alcohol consumed in the state by the resident population, the rate would be so high that all residents could be drunk 24 hours a day. With the economic slump hitting the visitor market, liquor tax collections will fluctuate depending on the visitor population. Thus, much of the increase proposed in this bill will fall on residents who may react negatively to the increased cost of the product. So instead of supplementing the funding of the early intervention special fund, the general fund may suffer as a result of reduced consumption.

As it has been noted with earmarked funding that has no relationship to the function being funded, the funds earmarked will either be more than sufficient or not enough to cover the cost of the designated program. If the funding requirements of the designated program are insufficient, there is no doubt that the tax rate on alcoholic beverages will be increased to generate even more revenues for a program that absolutely bears no relationship to alcoholic consumption.

Digested 1/28/10



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Monday, February 1, 2010

The Honorable David Y Ige and Suzanne Chun Oakland
State of Hawaii, Joint Hearings – Senate Committee on Health and Senate Committee on
Human Services
Twenty-Fifth Legislature
State Capitol
415 S. Beretania Street
Honolulu, Hawaii 96813

Subject: SB 2088 RELATING TO FUNDING OF EARLY INTERVENTION SERVICES

**Hearing: Monday, February 1, 2010 (Joint Committee on Health and Human Services),
Conference Room 016**

Dear Senators Ige, Chun Oakland & Members of the Joint Committees on Health and Human
Services:

I am submitting testimony in ***STRONG SUPPORT*** OF SB 2088. This bill increases the
alcohol tax for all classifications. It dedicates the increase as a supplemental funding source
for early intervention services.

***Budget cuts in Early Intervention Services have made an already difficult economic year
even more difficult for those most in need. And 2010 will be no different, unless other
funding sources are identified. As a reminder, early intervention is a federally mandated
program and the state receives matching funds for this program.***

If funding sources such as this are not approved, the state will be putting at risk the thousands
of families that are or were served each month in these very valuable programs. The long
term effects of a reduction in early intervention services will be far reaching as these children
grow into adults in our communities. There will also be a tremendous cost shift to the
Department of Education who will see many more children with more pronounced special
needs increasing the costs of services when the child is older.

Thank you for the opportunity to present testimony in **Strong Support of SB 2088**. I can be
reached at 536-1015, for any further questions.

Sincerely,

Norman T. Kawakami
Sr. VP of Operations
Easter Seals Hawaii