

SB2437

Date: 02/01/2010

Committee: Senate Education and Housing
Senate Human Services
Senate Commerce and Consumer
Protection

Department: Education

Person Testifying: Kathryn Matayoshi, Interim Superintendent of Education

Title of Bill: SB 2437 RELATING TO THE FUNDING OF THE STATE PROGRAMS.

Purpose of Bill: Makes an appropriation from the Hawaii hurricane relief, emergency and budget reserve, and federal troubled asset relief program funds to restore as many instructional days until January 1, 2011, of the 2010-11 school year as possible. Increases the general excise tax by one per cent to restore as many instructional days beginning on January 1, 2011, of the 201011 school year as possible. Increases all state standard income tax deductions and provides tax credits for the purchase of food items. Appropriates additional general excise tax revenues.

Department's Position: The Department of Education strongly supports any viable solutions to restore instructional days. Furloughs have focused the spotlight on our public schools and the need to make education in our state a top priority. Thus, the Department encourages the legislature to explore all funding options available. However, the policy decision of where and how funding is obtained to address furloughs should be determined by the legislature. The Department continues to meet with the Hawaii State Teachers Association to discuss solutions to restore some instructional days during this semester as well as next school year.



LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

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TO THE SENATE COMMITTEES ON EDUCATION AND HOUSING, HUMAN
SERVICES, AND COMMERCE AND CONSUMER PROTECTION

TWENTY-FIFTH LEGISLATURE
Regular Session of 2010

Monday, February 1, 2010
1:15 p.m.

**TESTIMONY ON SENATE BILL NO. 2437 – RELATING TO THE FUNDING OF
STATE PROGRAMS.**

TO THE HONORABLE NORMAN SAKAMOTO, SUZANNE CHUN OAKLAND, AND
ROSALYN H. BAKER, CHAIRS, AND MEMBERS OF THE COMMITTEES:

My name is J.P. Schmidt, Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”) and the Board of the Hawaii Hurricane Relief Fund (“HHRF”). The Department opposes this bill, which removes an unspecified amount of money from the HHRF to help pay to end the public school teacher furloughs. We express no opinion on the other elements of this bill.

According to Hawaii Revised Statutes section 431P-4(a) the HHRF board must redeploy the HHRF if there is another market scarcity in property insurance in Hawaii, which will most likely occur following another severe hurricane event. An intervention by the HHRF can be vitally important because a scarcity in property insurance not only puts individual homeowners at risk of loss, but also may put them in a position where their mortgage lender will force place their insurance in the surplus lines market at very high cost. In addition, for those that are not able to obtain or afford this surplus lines insurance, there may be a negative impact on mortgage lending transactions and the real estate sales transactions that mortgage lending supports. Thus, the HHRF in the

broadest sense can help mitigate an economic downturn that may arise after a severe hurricane. HHRF is more than just hurricane insurance.

Since HHRF closed its doors at the end of 2001, the HHRF Board has consistently opposed any taking of money from the HHRF and I have supported them in this regard. The HHRF Board believes that the annual taking of approximately \$6 million dollars in interest¹ is bad for the future HHRF and its policyholders. The Department recognizes that there is an economic problem and a related government budget problem, but these problems cannot be solved in any lasting way through a one-time raid of the HHRF.

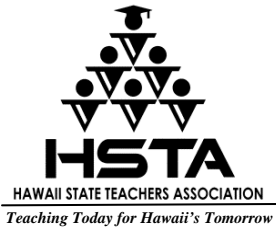
The HHRF will need money to restart and the more money it has the faster it can redeploy in the market. It takes time and money to start an insurance company. As HHRF begins issuing policies there will not be adequate premium revenues to buy sufficient reinsurance for the risk of hurricane that is being written by HHRF. This is why it is important to keep some money in HHRF. The more money HHRF has, the faster it can redeploy. Without significant reserves, HHRF will likely be much slower in redeploying and this will have negative financial and economic consequence for the people of Hawaii.

In addition to the money needed strictly for the restart, we should not forget that the purpose of HHRF is not merely to restart, but to provide credible, solid hurricane insurance coverage to its policyholders. At its peak, HHRF provided hurricane coverage to 160,000 policyholders at a total coverage provided of \$40 billion dollars, \$33 billion of which was concentrated on Oahu alone. It is very easy for HHRF to run out of money if it suffers hurricane losses that exceed its reinsurance program. This is why the HHRF Board has opposed takings from HHRF in the past. HHRF is financing catastrophe risk and this is very serious. If HHRF runs out of money after it has promised valid insurance coverage to Hawaii homeowners, the consequences for the people of Hawaii in general and the Hawaii State government in particular could be a second catastrophe when we are just recovering from the first. Therefore the

¹ This does not include the \$28 million that was taken from the HHRF in 2002.

Department asks these Committees to exercise serious caution in regards to any measure that removes money from the HHRF.

We thank the Committees for the opportunity to present testimony on this matter and ask that this bill be held.



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**TESTIMONY BEFORE THE SENATE COMMITTEES ON
EDUCATION & HOUSING, HUMAN SERVICES, AND
COMMERCE & CONSUMER PROTECTION**

RE: SB 2437 – RELATING TO THE FUNDING OF THE STATE PROGRAMS.

February 1, 2010

**WIL OKABE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION**

Chairs Sakamoto, Chun Oakland, Baker, and Members of the Committees:

The Hawaii State Teachers Association supports the intent of SB 2437, and asks that the committees pass this measure for consideration by the Committee on Ways and Means. Specifically, the HSTA agrees with the following aspects of this bill:

1. Elimination of furlough days and restoration of student instructional days will require additional funding for the Department of Education.
2. Emergency funds should be tapped to the extent they are available and in amounts that are prudent to provide sufficient funding for normal instructional and resource activities, as well as support services, to be restored.
3. Given the decline in State revenues and the urgent needs of our public school children, along with the needs of services for other segments of the community, such as health and human services, the Legislature needs to consider increasing taxes to ensure funding is available to provide essential services.
4. It is important for the Legislature to appropriate funds specifically to eliminate furlough days during the 2010-2011 school year.
5. If the Legislature determines that the best policy decision is to increase the general excise tax, then any such measure should include generous tax credits to ensure that Hawaii's working and middle class citizens do not bear the brunt of the increase.

The HSTA has the following concerns regarding this bill:

1. The excise tax is a regressive tax in that the impact falls most heavily on the lowest income families. An increase in the income tax on those with adjusted gross income of \$200,000 or more, along with other income related measures as proposed in SB 2922 would address these concerns by providing a more equitable remedy.
2. If the excise tax is used to generate the needed funding, the HSTA is concerned whether the proposed tax credits would be sufficient to offset the impact on lower and middle income families. In that case, the Legislature may wish to consider a higher excise tax (1.5% increase) along with broader tax credits.
3. The amount of additional funds generated by this measure needs to be sufficient to adequately fund the Department of Education's budget needs.

Since these committees focus on policy issues relating to education, and in this case furloughs, the HSTA is not asking the committees to hold or amend this bill. Rather, HSTA recommends that the committees approve this bill. Separately, we request that SB 2922 receive a full hearing and be passed along also, so that the Committee on Ways and Means may consider both an excise tax proposal and an income tax proposal in their deliberations.

Thank you for this opportunity to testify. I will be glad to answer any questions.



January 29, 2010

TO: Sen. Norman Sakamoto, Chair
And Members of the Education and Housing Committee
Sen. Suzanne Chun Oakland, Chair
And members of the Senate Human Services Committee
Sen. Rosalyn Baker, Chair
And members of the Commerce and Consumer Protection Committee

FROM: Debbie Shimizu, LSW
National Association of Social Workers, Hawaii Chapter

RE: SB 2437 Relating to Funding of the State Programs

Chair Sakamoto, Chair Chun Oakland, Chair Baker and members of the Education, Housing, Human Services, Commerce and Consumer Protection Committees, I am Debbie Shimizu, Executive Director of the National Association of Social Workers, Hawai'i Chapter. I am testifying in **SUPPORT of SB 2437 Relating to Funding of the State Programs WITH AMENDMENTS.**

As we stated in testimony on SB 2437, NASW supports the intent of using a portion of the Hurricane Relief Fund and the Emergency and Budget Reserve Fund to restore some of the instructional days during the school year. Additionally, we support the intent of using funds from the federal troubled asset relief program and other revenue generating options but would like to see how much money it would actually generate.

However, again, we must reiterate that we believe that a fair portion of these funds is also needed to support services provided by the safety net to our most vulnerable populations of all ages. We would like to amend section 18 (page 33) lines 13-18 to read:

“provided that of the remaining additional general excise tax revenues generated under this Act:

(1) \$ ___ shall be expended by the department of human services for child-related programs, programs for the needy, abused, homeless, aged, blind and disabled.

(2) \$ ___ shall be expended by the department of health for [children's] family/child health programs; elder care, mental health, substance abuse and disability services.

(3) \$ ___ shall be expended by the Judiciary for sexual assault and domestic violence programs.

We need to maintain a spectrum of health, human services and housing programs to support the existing businesses in our community. The homeless on our parks and streets will affect tourism. Individuals with mental illnesses who are not monitored to take their medications will end up on the streets or in emergency rooms. Substance abusers who do not receive treatment may harm themselves or others. Is this the Hawai'i we want to live in?

We appreciate your efforts to use multiple sources of revenue to bring our children back to school, however, we also need to maintain the services that help to support those families.

Thank you for the opportunity to testify.



PHOCUSED

PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

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TO: Senator Norman Sakamoto, Chair
Senator Suzanne Chun Oakland, Chair
Senator Rosalyn Baker, Chair
And members of the Senate Education, Housing, Human Services,
Commerce and Consumer Protection Committees

FROM: Joanne Lundstrom, Chair
PHOCUSED (Protecting Hawai'i's Ohana, Children, UnderServed,
Elderly and Disabled)

RE: SB 2437 Relating to the Funding of the State Programs

Senator Sakamoto, Senator Chun Oakland, Senator Baker and members of the Senate Education, Housing, Human Services, Commerce and Consumer Protection Committees. I am Joanne Lundstrom, chair of PHOCUSED, a coalition of health, housing, human service agencies and individual advocates voicing the needs of the marginalized and underserved in Hawai'i. **PHOCUSED supports the intent of SB 2437 to appropriate funds from the Hurricane Relief Fund, Emergency and Budget Reserve Fund, Federal Troubled Asset Relief Program to restore furlough days in the 2010-11 school year.**

As advocates for the Health, Housing and Human Services sector we believe that these funds should be used for education as well as the spectrum of health, housing and human services that are essential to keeping children in school and their families healthy. When children are cared for properly, they learn, grow, and develop into productive citizens. Otherwise we see them later in our courts, our prisons and our hospitals. Investing in health, housing and human services now will save money in the future. The Federal Reserve Study shows that for every \$1 spent in prevention and intervention, \$7 is saved in future social services.

The difficult question is how will we fund everything? We encourage using a variety of measures to accomplish this including using special funds, bonds, and other revenue generating options. We know many difficult decisions are imminent. We suggest an open process in your deliberations on the budget, and offer some guidelines as you consider funding for health, housing and human service related programs:

- Does this program serve a particularly vulnerable population?
- Is this program geographically accessible to all who need the service?
- Is there a strong demand and high utilization for this service?

- Will a reduction or elimination of this program result in higher costs later on?
- Will cuts more negatively impact the Native Hawaiian community?

- Has the program explored partnerships, collaborations, and other funding options to maintain a baseline level of services?

We appreciate the opportunity to share our concerns with you, and offer to be a resource to you in future deliberations.

Mahalo for the opportunity to testify.

January 29, 2010

The Honorable Norman Sakamoto, Chair
Senate Committee on Education and Housing

The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

The Honorable Rosalyn H. Baker, Chair
Senate Committee on Commerce and Consumer Protection
State Capitol, Room 225
Honolulu, Hawaii 96813

RE: S.B. 2437 Relating to the Funding of the State Programs

HEARING: Monday, February 1, 2010 at 1:15 p.m.

Aloha Chair Sakamoto, Chair Chun Oakland, Chair Baker and Members of the Joint Committee:

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,800 members in Hawai'i. HAR **expresses concerns** with **Part I** of S.B. 2437 which appropriates funds from the Hawai'i Hurricane Relief Fund to restore as many instructional days as possible during the 2010 school year, and **strongly opposes Part II** which increases the General Excise Tax ("GET") by one per cent.

PART I

HAR believes that, while education is of great value to the State, we have historically believed the most practical and responsible use of the Hawai'i Hurricane Relief Funds is to use the Fund for the purpose for which it was collected - - to protect and provide for the public in the event of a future hurricane and to meet reinsurance needs.

PART II

HAR believes the GET increase contained in this measure will drastically increase the already high cost of housing, living, and, in the first instance, doing business in Hawai'i.

The GET is paid by businesses. If businesses cannot pass on the increased GET to their customers they will simply incur a greater expense and may sustain greater losses in these tough economic times.

Mahalo for the opportunity to testify.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, GENERAL EXCISE, Increase GET rate, increase standard deduction, credit for food items

BILL NUMBER: SB 2437

INTRODUCED BY: Sakamoto, Baker, Chun Oakland, English, Espero, Fukunaga, Galuteria, Hanabusa, Ihara, Kidani, Kokubun, Nishihara, Takamine, Taniguchi, Tokuda

BRIEF SUMMARY: **PART I:** Appropriates to the department of education, unspecified amounts from the: (1) Hawaii Hurricane relief fund; (2) emergency and budget reserve fund; and (3) federal troubled asset relief program funds for fiscal year 2010-2011 to restore as many instructional days until January 1, 2011 of the 2010-2011 school year as possible. Suspends appropriations from the emergency and budget reserve fund under HRS section 328L-3(e)(3) from the effective date of this act until June 30, 2011.

PART II: Amends HRS sections 237-13, -15, -16.5, -18 to increase the general excise tax from 4% to 5%.

Adds a new section to HRS chapter 237 to allow taxpayers to claim a nonrefundable credit for the purchase of food items. The credit shall be \$ _____; provided that the total amount of credits claimed by all qualified taxpayers shall not exceed \$50 million in a tax year. Delineates "food items" as any food or food product for home consumption except alcoholic beverages, tobacco, and food products prepared for immediate consumption. The total amount of credits shall not exceed \$4 million. The tax credit shall take effect on July 1, 2009 and shall not be available for tax years beginning after December 31, 2011.

Amends HRS section 235-2.4(a) to increase the standard deduction: (1) from \$4,000 to \$8,000 for taxpayers filing a joint return or a surviving spouse; (2) from \$2,920 to \$5,840 for taxpayers filing as a head of household; (3) from \$2,000 to \$4,000 for those filing as an unmarried individual; or (4) from \$2,000 to \$4,000 for taxpayers filing as a married individual filing a separate return. The limitation of the basic standard deduction for certain dependents under IRC section 63 (c)(5) shall be increased from \$500 to \$1,000.

Amends HRS section 235-2.4(a) to increase the standard deduction, effective 1/11/11: (1) from \$4,400 to \$8,800 for taxpayers filing a joint return or a surviving spouse; (2) from \$3,212 to \$6,424 for taxpayers filing as a head of household; (3) from \$2,200 to \$4,400 for those filing as an unmarried individual; or (4) from \$2,200 to \$4,400 for taxpayers filing as a married individual filing a separate return. The limitation of the basic standard deduction for certain dependents under IRC section 63 (c)(5) shall be increased from \$500 to \$1,000.

Appropriates out of general funds, a sum equivalent to the additional general excise tax revenues generated under this act or so much as may be necessary for fiscal 2011 and 2012 to restore as many lost public school instructional days as possible beginning on January 1, 2011 of the 2010-2011 school year; provided that of the remaining general excise tax revenues generated under this act: \$ _____ shall be

expended by the department of human services for child-related programs; \$_____ shall be expended by the department of health for child-related programs; \$_____ shall be allocated to the unemployment compensation fund for a period of three years; \$_____ shall be allocated to the Hawaii hurricane relief fund to reimburse the Hawaii hurricane relief fund over a period of five years; and \$_____ shall be allocated to the emergency and budget reserve fund over a period of five years.

Amendments made to HRS section 235-2.4(a) shall be repealed on January 1, 2011; provided that such amendments made by this act shall not be repealed when this section is repealed and reenacted on December 31, 2015 by Act 60, SLH 2009.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: This measure proposes to restore the lost public school instructional days by: (1) appropriating funds from the Hawaii hurricane relief fund, emergency and budget reserve fund, and federal troubled asset relief program funds; and (2) increasing the general excise by 1%; provided that any general excise tax revenue remaining after the instructional days have been restored shall be appropriated to: (a) the department of human services for child-related programs; (b) the department of health for children's health programs; (c) the unemployment compensation fund for a three-year period; and (d) to repay the Hawaii hurricane relief fund and the emergency and budget reserve fund for a five-year period. To offset the additional tax burden due to the increase in the general excise tax rate, the measure would: (1) establish an excise tax credit for the purchase of food items; and (2) increase the state standard deduction amounts.

While the measure does not specify any dollar amounts that will be appropriated from the Hawaii hurricane relief fund, the emergency and budget reserve fund, and federal troubled asset relief program, it is questionable whether the general excise tax increase proposed in this measure is sufficient to restore the lost public school instructional days as well as provide funding for the programs of the department of human services and the department of health. While the measure attempts to reduce the impact of the increase in the general excise tax rate by establishing an excise tax credit for food and an increase in the standard deduction, any increase in the general excise tax rate will not only increase the cost of living in the state but also increase the cost of doing business. Thus, businesses must build the added cost of the additional rate into their overhead and, therefore, it must be recovered in the cost of the goods and services they sell. The general excise tax is perhaps the worse tax to increase as far as rates because of its broad-based application. Increases in the cost of living, as well as the cost of doing business, in the state will drive more and more businesses out of operation and with them the jobs Hawaii's people need.

While this measure panders to the taxpayer with increases in the tax credits for the purchase of food and an increase in the standard deduction, it fails to recognize the all-encompassing features of the general excise tax. Not only will the general excise tax increase the cost of doing business, but it will affect the cost of all other non-food purchases, be it clothes, textbooks for university students, rent for those people who don't own their shelter which are generally the poor and middle class, the price at the pump for gasoline - everything right down the line. Such an increase may just drive employers out of business and create even more unemployment and stagnate the economy. Residents of Honolulu already know what such an increase can do the price of goods and services as a result of the transit surcharge.

While the measure states that any additional revenue due to the increased general excise tax rate shall be used to provide funding for the programs of the department of human services, department of health and

the unemployment compensation fund, and if the amount of additional revenue is insufficient to meet the funding requirements of these programs, will the general excise tax rate be increased again to fund these requests?

It should be remembered that there is money to be had but unfortunately, much of this money is tied up or designated for specific programs or activities in special funds. This situation is largely the work of past lawmakers who thought it was prudent to provide certain favorite programs their own resources by earmarking sources of revenue for that particular program and setting the receipt of that resource off into a special fund. It is not that special funds are all that bad, but over the years the number of funds has proliferated as lawmakers took pet programs under wing and provided those programs with earmarked revenues. When Hawaii became a state more than 50 years ago, there were only three special funds - all in the area of transportation - the highway fund, the airport fund, and the harbor fund. These were established largely because the users of the facilities financed by the moneys in these funds paid the fees and taxes that went into these special funds. In many cases, these transportation funds are kept separate from the state's general funds because the fees and taxes deposited into these funds are used to match federal subsidies for these transportation activities.

However, over the years many of the numerous special funds are now financed with resources that were formerly receipts of the general fund. For example, the fees from the issuance of marriage licenses used to be entirely deposited in the state general fund. Nearly 20 years ago, some lawmaker got the idea that somehow there was a connection between getting married and the domestic violence problem in our community. So one half of the proceeds from the marriage license fees was earmarked for domestic violence programs. When it was discovered that the proceeds were insufficient to fund all domestic violence programs, the license fee was raised by the next session of the legislature. Because the applicants for the license receive no direct benefit from those domestic violence programs, one has to question the legitimacy of that arrangement.

The drawback of creating these special funds with totally irrelevant earmarked revenues is that the favored program usually does not undergo the kind of close scrutiny that general-fund financed programs do. Why pay any attention to those special-fund financed programs as the money in those special funds can only be used for the designated purpose? Thus, lawmakers don't know how effective the programs are and whether or not there is sufficient funding or perhaps more than sufficient funding.

Over the years, the slice of the state's operating budget pie financed through special funds other than the transportation special funds has grown steadily, rising from 11.7% of the operating budget in the 1995-1997 fiscal biennium to more than 17% for the fiscal biennium that ended just this past June. That 17% translates into just over \$3.6 billion, more than twice the estimated shortfall for the current biennial budget. Lawmakers should consider putting all of that money on the table for discussion. For those special fund financed programs that are financed with resources that do not provide the people paying the fees or taxes with a clear service in return, these programs should be folded back into the general fund and the proceeds from the fees or taxes put back into the general fund. Then lawmakers should set priorities for spending among all programs. Lawmakers may just find that some of those programs are really not of high priority, especially when there is not enough money to fund all programs.

A tax increase of any magnitude in this fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs soar and overhead increases, employers will have to find ways to stay in business by either increasing prices to their customers or cut back on costs. Given the tenuous

SB 2437 - Continued

condition of the marketplace, many businesses will have to resort to the latter and reduce overhead costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or in the worst-case scenario, laying off workers. A tax increase of any magnitude would send most companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

While the public employee union leaders complain about how the public employees should not be asked to bear the brunt of the downturn in the economy, they seem to ignore the fact that employees in the private sector have already borne the brunt of the economic recession with many of them either working shorter hours or having taken pay cuts if they are working at all. To prove the point, lawmakers should ask how many of the 8% of unemployed workers come from the public payroll and how many are employees laid off in the private sector. This measure does nothing more than shift even more of the burden to the private sector.

Digested 1/28/10



Senator Norman Sakamoto, Chair
Senator Michelle Kidani, Vice Chair
Committee on Education and Housing

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

Senator Rosalyn Baker, Chair
Senator David Ige, Vice Chair
Committee on Commerce and Consumer Protection

HEARING Monday, February 01, 2010
 1:15 pm
 Conference Room 225
 State Capitol, Honolulu, Hawaii 96813

RE: **SB 2437 Relating to the Funding of State Programs**

Chairs Kim, Chun Oakland and Baker, Vice Chairs Kidani, Ihara and Ige, and Members of the Committees:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii.

RMH strongly opposes SB2437, in particular the provision which increases the general excise tax to restore instructional days from January 1, 2011, increases all state standard income tax deductions and provides tax credits for the purchase of food items.

At a time when businesses are struggling to keep doors open and retain staffing levels, AND consumers are struggling to keep their heads above water, **the immediate impact of increasing the general excise tax is further economic hardship**. Consumerism is two-thirds (2/3) of the gross state product; if we are to encourage economic recovery, reducing consumers spending power is counterproductive.

Hawaii's residents cannot bear additional increases in government spending. **The cost for the Department of Taxation to administer the series of tax credits is daunting**. Considering the thousands of food products available in today's retail operations, defining the phrase "food items" and itemizing those available for the credit will be a tremendous, time-consuming and costly endeavor.

We respectfully request that you hold SB2437. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President



To: Senate Committee on Education and Housing
Senator Norman Sakamoto, Chair
Senator Michelle Kidani, Vice Chair

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

Senate Committee on Commerce and Consumer Protection
Senator Rosalyn H. Baker, Chair
Senator David Y. Ige, Vice Chair

Date: Feb. 1, 2010 - Conference Room 225 - 1:15 p.m.

Re: **SB 2437 RELATING TO THE FUNDING OF STATE PROGRAMS**

Chairs Sakamoto, Chun Oakland, Baker and Committee Members:

My name is Barbara Kim Stanton, State Director of AARP Hawaii. AARP is a membership organization of people 50 and older with 150,000 members in Hawaii. We are committed to championing access to affordable, quality health care for all generations, providing the tools needed to save for retirement, and serving as a reliable information source on issues critical to Americans age 50+.

AARP is strongly opposed to SB 2347 with respect to the Emergency and Budget reserve fund as an identified source of funding. The bill's purpose is to appropriate Hawaii hurricane relief funds, emergency and budget reserve funds, and federal troubled asset relief program funds to restore as many instructional days until January 1, 2011, of the 2010 - 2013 school year as possible.

While we believe that restoring instructional days is very important to our community, the Emergency and Budget Reserve (Rainy Day) Fund is not the appropriate vehicle to address the furlough funding shortfall for the following reasons.

- This remedy is likely to decimate the Rainy Day Fund as the fiscal needs for education are great.
- The law that created the Rainy Day Fund specifically prohibits funding cost items in any collective bargaining contract. Restoration of instructional days will require funds to support collective bargaining agreements.
- The Rainy Day Fund must address what it was intended to support: pressing community needs for health, safety and welfare. Shortfalls in these areas impact our community's most fragile.

In summary, the Rainy Day fund was not designed for and is too small to be more than a temporary fix for education. The Rainy Day fund must be preserved because, at times like this, it is needed to protect critical health and human service programs for our most vulnerable citizens. A prime example is the concern we have for the Kupuna Care program which is already stretched to provide home and community based services for home bound, frail elderly people.

Thank you for the opportunity to testify on this measure.

sakamoto2 - Erin

From: TonyABF@aol.com
Sent: Thursday, January 28, 2010 6:41 PM
To: EDH Testimony
Subject: Funding of state programs SB2437 1:15 PM 2/1/10

It is so very important in this year of limited resources that funds be used as they were intended to be used. I have actually written letters to the Maui News suggesting that the legislator "borrow" from the hurricane fund with the understanding that the money will be replaced when the economy turns around,

However, the "rainy day" fund was set up to provide funds on rainy days, and for kupuna care, it's raining cats and dogs. Please consider not taking from this fund for education but rather free up money from this fund to provide help for our elderly and infirmed.

Tony Fisher
Vice-president South Maui AARP

From: Kevin O'GradyEsquire [KevinOGradyEsquire@hawaii.rr.com]
Sent: Wednesday, January 27, 2010 1:19 PM
To: EDH Testimony
Cc: kevinogradyesquire@hawaii.rr.com
Subject: SB 2436 SB 2437

To the Chairmen of the Committees on Education and Housing, Human Services, and Commerce and Consumer Protection
RE: SB 2436 & 2437

Currently Scheduled for Hearing on 1 February, 2010 @ 1:15 p.m. in Conference room 225

I am opposed to these bills and urge you to vote against them.

The basic thrust of both of these bills is to raid the Hurricane and Emergency Funds of the state to pay for educational expenses, specifically to reduce the number of furlough days that are currently in place, and are expected to be in place for the next year or two, that take away instructional days from public school children.

SB 2437 also increases the GE tax and also increases standard deductions and provides for a tax credit for the purchase of food items.

- 1) The Hurricane / Emergency funds of the state, I believe, are intended for natural disasters, specifically Hurricanes, which Hawaii receives a fair share of. I believe that the funds should be maintained for that stated purpose and the funds should not be renamed or reclassified to allow them to be used in any other way. If anything stronger provisions should be in place to make sure the funds are only used for natural disasters and that any following legislature cannot easily undo the set aside of the funds for that stated purpose. What the state presently has is not a natural disaster but a fiscal depression, perhaps even a financial emergency. This arises from the state spending too much on too many things and not having the funds to continue to operate in that fashion. Although the legislature cannot interfere with or be a part of union negotiations directly, what it can do is make sure that one party, the state, operates within its means. This means that state programs and costs must be reduced, or at a minimum, held in place. Robbing from Peter to pay Paul is not a solution. Government, and unions, must realize that both must operate efficiently. Additionally, when times are tough and the government, which should be kept on a short financial leash anyway, has even less money, then both the state and unions must do like the rest of the population does- do more with less. That means that students should receive the same or MORE instructional days and that the substance of those days, whatever the number, should be improved since Hawaii consistently ranks near the bottom of all schools and that employees, whether state or educational, must, since there is less money to go around, either take a direct pay cut or lose some employees. The legislature should not enable profligate spending by raising taxes, raiding special funds or otherwise avoiding the hard reality that the state just cannot afford to spend like it has and continues to do.
- 2) The increases of the standard deduction and a credit for the purchase of food are decent ideas, but there are problems with SB 2437. For one, they are part of the raid on the hurricane fund. Additionally, I am not at all confident that they will stay in place, but I am very confident the raise in the GE tax will be permanent. I also believe that there is most cost to the average citizen than benefit. Part of the problem is the paradigm implicit in the entire hypothesis of these bills, which is that government can solve the problem, especially if it only had more money. This is a complete fallacy as the problem is government. Government, and its spending, is not the solution to anything. There is nothing in either of these bills that decreases the size of the state or specifically the BOE, nor does it improve efficiency of the schools, lessen administrative costs or impose any duties on any part of the state or BOE to do any of the above. What it does do is lessen the state's ability to be prepared for a natural disaster, increase the cost of doing business and living in Hawaii and therefore also make it harder for

any business to provide a good job to a Hawaii citizen. This bill is essentially the legislature giving with one hand and taking away with the other. What would be good is a REDUCTION in the GE tax, especially after it was raised recently, an increase in the standard deductions and more credits, like the food credit proposed, and of course these should be coupled with cuts in the state's costs.

All in all, both of these bills should be killed as quickly as possible.

Sincerely,

Kevin O'Grady, Esquire.

The Law Office of Kevin O'Grady, LLC
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WWW.CriminalAndMilitaryDefenseHawaii.com

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To: Committee on Education and Housing, Senator Norman Sakamoto Chair
Committee on Human Services, Senator Suzanne Chun Oakland, Chair
Committee on Commerce and Consumer Protection, Senator Rosalyn Baker, Chair

Date: Monday, February 1, 2010, State Capitol Conference Room 225

Subject: Testimony on SB2436 Relating to Education and SB2437 Relating to the Funding of the State Programs

Chairs Sakamoto, Chun Oakland, Baker and Committee Members: My name is Esther Ueda and I am a resident of Pearl City, Honolulu and a part-time caregiver. I am submitting testimony in opposition of SB 2436 Relating to Education and SB2437 Relating to the Funding of the State Programs.

Although I believe that education is important and the current situation with so many furlough days and reduced classroom days for our children must be addressed, I do not believe that using the Emergency and Budget Reserve (Rainy Day) Fund is the appropriate way to address this problem.

The Department of Education's fiscal needs are so great that the remedy is likely to decimate the Rainy Day Fund.

In this current economic situation, there are so many other pressing community needs, especially those related to health, safety and welfare needs, that the Rainy Day Fund was intended to and can help support.

I would like to see part of the Rainy Day Fund used to support home and community based services for seniors. As a volunteer for Meals on Wheels and Project Dana, I know how important these Senior services are to help our Seniors remain independent in their own homes for as long as possible.

➤

In summary, I feel that the Rainy Day fund would not be best used as a temporary fix for education and a longer term solution must be found.

Thank you for the opportunity to provide this testimony.

sakamoto2 - Erin

From: Marv Paularena [mpaularena@yahoo.com]
Sent: Thursday, January 28, 2010 8:18 PM
To: EDH Testimony
Subject: SB2437

To: Committee on Education and Housing, Senator Norman Sakamoto Chair
Committee on Human Services, Senator Suzanne Chun Oakland, Chair
Committee on Commerce and Consumer Protection, Senator Rosalyn Baker, Chair

Date: Monday, February 1, 2010, State Capitol Conference Room 225

Re: **SB 2437** Relating to Education

Chair Sakamoto, Chair Chun Oakland, Chair Baker and Committee Members: My name is Michele Paularena and I am a resident at Hale Mahaolu Elua in Kahului, Maui with my wheelchair bound spouse. I am submitting testimony in opposition of SB 2437 Relating to Education.

I know that education is very important and shortfalls must be addressed but the Emergency and Budget Reserve (Rainy Day) Fund is not the appropriate fund from which to address education.

1. Education's fiscal needs are so great that the remedy is likely to decimate the Rainy Day Fund without solving the problem.
2. The failure to resolve issues of collective bargaining brought about by should not provide a tool to raid other very much needed services.
3. There are other pressing community needs, especially those related to health, safety and public welfare needs, that the Rainy Day Fund was intended to support.
4. I want to see a significant part of the Rainy Day Fund used to support home and community based services for seniors through the Kupuna Care Program.
5. I see too many cases where seniors, due to no fault of their own, are forced to rely on services funded by the State in order to barely exist. We have neighbors who cannot keep their home clean and livable without assistance but who doesn't have the funds needed to purchase those services on his own. I of another person who is quadriplegic. Without companion services his mother could not work and he would be a ward of the State. Being in his home is critical to his sanity and to his mother's well being. I can speak of these things with deep concern because I care for my wheelchair bound husband. Without me beside him he would be in the same boat. Taking away from the vulnerable and kupuna will surely tell our young people that if they become incapacitated or they age the state will consider that they too are not worth assistance in their remaining years.

In summary, the Rainy Day fund was not designed for and is too small to be more than a temporary fix for education. The Rainy Day fund must be preserved because it is needed to protect critical health and human service programs for Hawaii's most vulnerable citizens. That includes Kupuna Care, which provides home and community based services for our home bound, frail elder citizens.

Thank you,
Michele Paularena

Eileen Mena
73-1335 Nawahie Loop
Kailua Kona, HI 96740

To: Committee on Education and Housing, Senator Norman Sakamoto Chair
Committee on Human Services, Senator Suzanne Chun Oakland, Chair
Committee on Commerce and Consumer Protection, Senator Rosalyn Baker, Chair

Date: Monday, February 1, 2010, State Capitol Conference Room 225

Re: SB2437 Relating to the Funding of the State Programs

Chair Sakamoto, Chair Chun Oakland, Chair Baker and Committee Members:

My name is Eileen Mena and I am a resident of Kailua Kona. As a former family caregiver I wish to state that I oppose SB 2437 Relating to the Funding of the State Programs.

The Rainy Day fund is needed for the health and human service programs to be used to preserve Kupuna Care program. Home and community based services like Meals on Wheels, transportation, bathing, dressing, and help with chores for the frail elderly people in Hawaii are in more demand than ever. The elderly population is growing and is in need of these services.

I was a caregiver in California for my husband and my mother. For my mother Meals on Wheels and transportation to medical appointments was a great help as I worked and was not always able to get her to medical appointments or to make her lunch. With my husband I was able to take care of him with the help of my daughter and son. Without their help I would have needed to use the human service programs.

Education of our children is important but the Rainy Day emergency fund is also important. Raiding this fund will not fix our State's financial problem. It will be a temporary fix and in the long run the children and the elderly will both lose. I am sure there are other sources of funding that can be used.

To: Committee on Education and Housing, Senator Norman Sakamoto Chair
Committee on Human Services, Senator Suzanne Chun Oakland, Chair
Committee on Commerce and Consumer Protection, Senator Rosalyn Baker, Chair

Date: Monday, February 1, 2010, State Capitol Conference Room 225

Re: SB2437 Relating to the Funding of the State Programs

Chair Sakamoto, Chair Chun Oakland, Chair Baker and Committee Members: My name is Kathryn Okazaki and I am a resident of Aiea-Halawa Hts and a family caregiver. I am submitting testimony in opposition of SB 2437 Relating to the Funding of the State Programs.

I believe that Education is extremely important and there is a need to balance the budget and address the deficit. However, I also very strongly believe that the Emergency and Budget Reserve (Rainy Day) Fund and the Hawaii Hurricane Relief Fund are not the appropriate source of funds to fund these programs.

- The amount in the Rainy Day Fund is insufficient to resolve the Education deficit issues on a long term basis. Transferring funds to balance the budget for fiscal year 2009-2010 is just the tip of the iceberg. It's only a short term solution and does not address any long-term change to remedy the need for additional funds for future fiscal years nor does it address replenishing the fund for future needs.
- The Hurricane fund should not be touched. It was set up for another reason and needs to be available when the need arises.
- Money used from these funds should not be used as a short term fix where the problem still remains after the funds are depleted.
- There are other pressing community needs; especially those related to health, safety and welfare needs as the number of seniors in Hawaii continue to escalate as more baby boomers become seniors and as seniors live longer.
- I want to see part of the Rainy Day Fund used to support home and community based services for seniors. Not short term fixes but investment in long term solutions that support this large growing age group is needed.

I urge you to support health safety and welfare needs of our seniors. We need a safety net in place to keep our families from becoming impoverished because of the cost of long term care. Kupuna Care services is an excellent example of that safety net. I am a caregiver of my parents who are seniors in their 90's. Families like mine don't qualify for Medicaid but are in need of affordable services. I was forced to retire early to take care of my parents but there are many caregivers who cannot do what I have done. I have many friends that struggle to work and care for their parents. Please consider using the Rainy Day Fund to support investment in long term solutions to support the growing number of seniors. We need to act now to avoid in later years the need for immediate short term fixes.

Kathryn Okazaki
99-515 Kaholi Pl
Aiea, HI 96701
(808) 486-5960
January 28, 2010

To: Committee on Education and Housing, Senator Norman Sakamoto Chair
Committee on Human Services, Senator Suzanne Chun Oakland, Chair
Committee on Commerce and Consumer Protection, Senator Rosalyn Baker, Chair

Date: Monday, February 1, 2010, State Capitol Conference Room 225

Re: SB2437 Relating to the Funding of State Programs

Chair Sakamoto, Chair Chun Oakland, Chair Baker and Committee Members: My name is Steve Tam and I am a resident of Hawaii Kai and a caregiver for my father in Aina Haina and father-in-law in Hawaii Kai. I am submitting testimony in opposition of SB 2437 Relating to the Funding of State Programs.

As a parent with two children, I appreciate the importance of education and the need to address the furlough situation. However, funds for the restoration of instructional days should NOT be from the Emergency and Budget Reserve (Rainy Day) Fund for the following reasons.

1. Education is a critical program that needs its own sustainable line of funding. Utilizing the Rainy Day Fund is a temporary “band-aid” fix. Without a “permanent fix” the State will need to again address this issue for the 2011-2012 school year.
2. Education funding needs are so large that ultimately appropriations from the Rainy Day Fund will deplete the Fund.
3. The Rainy Day Fund was also intended to support very critical and urgent health, safety, and welfare needs of the community.

I urge that a part of the Rainy Day Fund be used to support home and community based services for the senior population. We need to address care for seniors now, as the cost of caring for seniors is getting more severe each day. In 20 years, the number of people over 60 years old will increase by 50%, when 1 of 4 will be over 60 years old. Many of these seniors are part of the unlucky “gap” group that does not have enough monies to pay for the assistance to meet daily needs, yet have enough money and thus cannot qualify for Medicare for this help.

I have a personal interest in this matter, being a caregiver for my father who has Alzheimer’s, and my father-in-law who had a stroke. I left my full-time job in part to care for my parents and in-laws. However, I need to return to work to pay for my children’s college education. I have found that there are many families in similar situations. I understand that there are approximately 169,000 caregivers in Hawaii. A staggering 1 in 4 people, over the age of 18, provide caregiver services. Every day, family caregivers help their parents, at no cost to the State, with baths, hot meals, toileting assistance, transportation, and all other household chores that their parent are no longer able to perform. However, caregivers cannot do it alone, and will burn out if they cannot get help a few times a week with meals, baths, and chores for parents, and time to take care of themselves and their children.

In summary, the furlough situation needs to be addressed. However, the Rainy Day Fund was not intended to fund collective bargaining, and in any event is too small to be more than a short-term “band-aid” fix for our education budget problems. The Rainy Day Fund is needed for critical and pressing health and human service programs (such as Kupuna Care) for our senior population. It’s the right thing to do for our seniors, who have sacrificed all their lives for us and our children, and now need our love and support.

Sincerely,

Steve Tam

To: Committee on Education and Housing, Senator Norman Sakamoto Chair
Committee on Human Services, Senator Suzanne Chun Oakland, Chair
Committee on Commerce and Consumer Protection, Senator Rosalyn Baker, Chair

Date: Monday, February 1, 2010, State Capitol Conference Room 225

Re: SB2437 Relating to the Funding of the State Programs

Chair Sakamoto, Chair Chun Oakland, Chair Baker and Committee Members: My name is Janice M. Deif. I am a resident of Honolulu and am a concerned citizen. I am submitting testimony in opposition of SB 2437 Relating to the Funding of the State Programs.

I believe that education is important and shortfalls need to be addressed. However, the Emergency and Budget Reserve Fund is not the appropriate vehicle to address education funding needs for three reasons.

- First, Education's fiscal needs are so great that the remedy is likely to decimate the Rainy Day Fund.
- There are other pressing community needs, especially those related to health, safety and welfare needs, that the Rainy Day Fund was intended to support.
- I want to see part of the Rainy Day Fund used to support home and community based services for seniors. Surely caregivers need as much help and support as possible. This is evident to me from personal observations of caregiving to seniors in my residential neighborhood who rely so much on a home companion, bathing, and transportation services.

The Rainy Day fund was not designed for and is too small to be more than a temporary fix for education. The Rainy Day fund must be preserved because it is needed to protect critical health and human service programs for our most vulnerable citizens. That includes Kupuna Care, which provides home and community based services for home bound, frail elderly people.

Testimony re: SB 2437 RELATING TO FUNDING
OF THE STATE PROGRAMS

My name is Jim Crowe. I am from Kula on Maui. I am testifying in opposition to SB 2437 Relating to The Funding of State Programs. As you work to solve our state's financial difficulties please keep your hearts and minds on our kupuna. The Rainy Day Fund is not the proper fund to address non-health issues in the State. It should be used, as originally instituted, for health needs such as home based and community based health care for Hawaii's kupuna, such as through the Kupuna Care Program.

I am a caregiver for my senior citizen spouse who has a chronic health condition. I know three other caregivers in my neighborhood. What we caregivers can share is encouragement and personal support for each other. What we can not share is financial resources because we are on fixed income. Care giving is personally and financially draining. It is a responsibility and burden that only those doing caregivers can fully sense. The Rainy Day fund is needed to support caregivers like me and my friends, from the threat of financial hardship, which would only multiply the problems that we are working so diligently to handle.

Leaving out our senior citizens would be only dismissing our weakest but precious people. Please preserve the Rainy Day Fund for our most vulnerable citizens.

Jim Crowe
30 Alanui Pl.
Kula HI 96790

808 876 1975

To: Committee on Education and Housing, Senator Norman Sakamoto, Chair
Committee on Human Services, Senator Suzanne Chun Oakland, Chair
Committee on Commerce and Consumer Protection, Senator Rosalyn Baker, Chair

Date: Monday, February 1, 2010, State Capitol Conference Room 225

Re: SB 2437 Relating to the funding of the State programs

Chair Sakamoto, Chair Chun Oakland, Chair Baker and Committee Members: My name is Leona Pereza and I am a resident of Kailua, Oahu and a former family caregiver and survivor of hurricanes Iwa and Iniki. I am submitting testimony in opposition of SB 2437 relating to education.

Everyone agrees in principal that education is important and our children deserve the very best education equal or greater than the cost in taxpayer dollars. In spite of the billions of dollars spent on education the outcomes fall severely short of a desirable outcome for our children. I have four good reasons why we should not use the Rainy Day Fund, the Hurricane Relief Fund, and the Federal Troubled Asset Relief Program Fund for education.

- The above funds were not earmarked for paying teacher salaries or collective bargaining with labor unions. This is politically problematic in the sense that if labor unions have such power in government, then what is the role of elected officials?
- We are experiencing an aging population in Hawaii and the Kupuna Care as part of the Rainy Day Fund must be preserved to meet the needs of those who have already put in their years of hard work and now are in the fragile and frail stages of life. I want to see the Rainy Day fund used to support home and community based services for our senior citizens through the Kupuna Care Program.
- With all of the natural disasters recently in various countries it seems only prudent to not jeopardize the Hawaii Hurricane Relief Fund. To use this fund to pay for education would be unforgivable if we were to suffer another devastating hurricane without that safety net in place.
- Rail is a debt we simply cannot afford and we have paid into for the past two years. Using those funds to pay for the present education crisis while a more permanent solution is worked on seems ethically appropriate. Rail is still on our "wants" list while education is on our "urgent" list of priorities.

Sincerely, Leona P. Pereza

Most Honorable Senators:

I oppose SB 2437 as written.

The Rainy Day Funds were not set aside to be raided for an Education Budget. These funds are needed to support the health and welfare of our disadvantaged citizens by funding organizations such as Kupuna Care.

The Excise Tax increase will affect the poorest members of our society and it will also hand over a burden to the business community already treading water.

Education is important to everyone. But, the degree of taxation needed to plug the hole in the dike will not matter when the entire community is already flooded.

I respectfully ask you to oppose Bill 2437 as written.

Sincerely,
Christine Olah

sakamoto2 - Erin

From: Kirkpatrick Malcolm [malcolmkirkpatrick@yahoo.com]
Sent: Monday, February 01, 2010 5:43 AM
To: EDH Testimony
Subject: SB2437

Testimony. SB 2437
DATE: Monday, February 01, 2010
TIME: 1:15PM
PLACE: Conference Room 225

To: Senate and House Education Committee members
From: Malcolm Kirkpatrick
In re: SB 2437
2010-02--1

Please DO NOT support SB 2437 as written.

This bill proposes to address a shortfall in tax receipts with an increase in the rate at which the State taxes commercial activity. An implicit assumption behind this bill is that the proposed rate increase will generate increased revenues. A further assumption behind this bill is that the State will spend the generated revenues wisely.

Both assumptions are probably false.

Across the US, tax receipts declined as commercial activity declined. Tax receipts will recover when commercial activity recovers. Taxes have the same effect as fines. You can without mistake consider a tax as a fine on the taxed activity. Taxes reduce the entrepreneur's incentive to start a business, the investor's incentive to lend, and the tradesman's incentive to practice his trade.

Hawaii is not the only State under financial stress. Look to California to see Hawaii's future. California faces a \$10 billion per year projected budget shortfall where ever-increasing demands by an unrestrained public sector have caused a collapse in real estate prices and new business start-ups. Anyone who buys land in California paints a target on his back. Anyone who opens a business in that State volunteers to be bled white. Investors and productive workers have fled. They will flee Hawaii, also.

SB 2437 lacks any indication that Hawaii's legislature intends to reduce the demands made upon the productive private sector by this State's bloated public sector. Hawaii's tax-subsidized K-Ph.D. education industry exhibits the defects of tax-subsidized State-monopoly industries elsewhere. Across industries, across countries, monopolies deliver wretched goods and services at high cost and subsidized goods are over-consumed.

The people of Hawaii are among the highest taxed in the US, as measured by total State and local expenditures per capita. Hawaii's State-monopoly school system cost taxpayers nearly \$15,000 per pupil to operate in the 2005-2006 school year, when the DOE (2008 Digest of Education Statistics) reported total revenues over \$2,703,718,000 (table 172) and total enrollment of 180,728 (table 34). $\$2,703,718,000/180728 = \$14,960$

The nearly \$3 billion per year DOE budget total does not include two large additional costs of this system. The cost of the State-monopoly school system includes the opportunity cost to students of the time they spend in school and the cost to society of the lost innovation in instructional methods which a competitive market would generate. The lost opportunity cost appears as reduced lifetime earnings, reduced longevity, losses due to crime, and the cost of prison for the poor kids whose lives we trash.

For all this cost to the people of Hawaii, the tax-subsidized State-monopoly education industry delivers a level of performance which puts Hawaii in the national cellar. By some measures we are dead last. The 1996 TIMSS placed Singapore at the top of international rankings and the US among the laggards among the world's industrial democracies. The Singapore fifth (5th) percentile score (TIMSS 8th grade Math) was higher than the US fiftieth (50th) percentile score. With Hawaii's DOE delivering instruction which puts Hawaii students in the national cellar, Hawaii's valedictorians will be shining Singapore's janitors' shoes.

Will higher tax rates repair Hawaii's dysfunctional school system?

Arthur Laffer summarized the relation between tax rates and tax revenues with the notorious Laffer Curve, the inverted parabola. Critics who ridicule the Laffer Curve reveal more about themselves than about Dr. Laffer. Charles L. Schultze, who served as chairman of the United States Council of Economic Advisers during the Carter Administration and as director of the U.S. Bureau of the Budget from 1965-67 during the Johnson Administration and as President of the American Economic Association, called the Laffer curve a straightforward consequence of standard economic analysis.

Increased tax rates will not generate increased revenue, and the Hawaii's K-PhD State-monopoly education industry will not improve with more money.

Across the US, between 1920 and 2006, total expenditure per pupil in average daily attendance increased from \$685 to \$11,643 and current expenditure per pupil in average daily attendance increased from \$571 to \$10,041, in constant 2007 dollars, according to table 181 of the 2008 Digest of Education Statistics.

http://nces.ed.gov/programs/digest/d08/tables/dt08_181.asp?referrer=list

In Hawaii, current expenditure per pupil in fall enrollment has increased from \$4,280 in 1970 to \$10,131 in inflation-adjusted dollars, according to table 184 of the 2008 Digest of Education Statistics.

http://nces.ed.gov/programs/digest/d08/tables/dt08_184..asp?referrer=list

It does not take 12 years at \$10,758 (table 182, current expenditures per pupil in Fall enrollment, 2005-2006), or \$14,960 to teach a normal child to read and compute. Most vocational training occurs more effectively on the job than in a classroom. State provision of History, Civics, Economics, or other "social studies" is a threat to democracy, just as State operation of news media would be (is, in totalitarian countries).

Until Hawaii's politicians reject the demands of Hawaii's predatory public sector, investors will shun this State and entrepreneurs will take their business overseas or underground.

Thank you for this opportunity to speak.

To: Committee on Education and Housing, Senator Norman Sakamoto Chair
Committee on Human Services, Senator Suzanne Chun Oakland, Chair
Committee on Commerce and Consumer Protection, Senator Rosalyn Baker, Chair

Date: Monday, February 1, 2010, State Capitol Conference Room 225

Re: SB2437 Relating to the Funding of State Programs.

Chair Sakamoto, Chair Chun Oakland, Chair Baker and Committee Members: My name is Zoe Jarvis and I'm a resident of Waianae and a Tax Aide volunteer. I'm writing in opposition of SB 2437 Relating to the Funding of State Programs.

I believe that education is important and shortfalls must be addressed. However, the Emergency and Budget Reserve (Rainy Day) Fund is not the appropriate vehicle to address education funding needs for three reasons.

- First, Education needs are so great that fixing them is likely to decimate the Rainy Day Fund.
- There are other pressing community needs, especially those related to health, safety and welfare needs, that the Rainy Day Fund was intended to support.
- I want to see part of the Rainy Day Fund used to support home and community based services for seniors.

I have a friend who was a caregiver for her husband and daughter and it was a 24 hour job. Without some assistance through Kupuna Care services she would not have been able to handle the responsibility throughout the care process.

As a Tax Aide volunteer I help our most vulnerable seniors on a weekly basis and I see a great need for Kupuna Care services as well as other human services. Please don't use the Rainy Day Fund for one issue and leave the rest of our community's needs out in the cold.