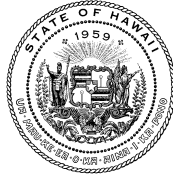


SB900

EDT



EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

Written Testimony of
Linda L. Smith
Senior Policy Advisor to the Governor

Before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
Friday, February 13, 2009, 1:30 p.m.
Room 415, State Capitol

**S.B. 900 RELATING TO THE SCIENCE, TECHNOLOGY, ENGINEERING, AND
MATH INCOME TAX CREDIT**

Chair Fukunaga, Vice Chair Baker, and members of the Committee, thank you for the opportunity to testify in **strong support** of Senate Bill 900, Relating to the Science, Technology, Engineering, and Math Income Tax Credit, an administration proposal that encourages partnerships between schools and the community through the creation of an income tax credit for donations given to science, technology, engineering, and math (STEM) programs in schools.

Since 2007, the Legislature, Governor Lingle, Department of Education, University of Hawaii Community Colleges, Department of Human Services, and the Department of Business, Economic Development, and Tourism have worked collaboratively to create an educational focus on STEM programs in public schools. STEM programs help students develop analytical and problem-solving skills and increase their exposure to advanced technology and other innovative learning tools. STEM programs create an educational environment where students develop twenty-first century skill sets that will make them employable in the future.

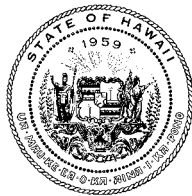
Senate Bill 900 allows fifty percent of every contribution made to a STEM program to be claimed as an income tax credit. The bill caps the total amount of tax credit that may be claimed in a given year at \$500,000. By creating this tax credit, individuals and businesses are incentivized to assist the State in improving the quality of educational programs for Hawaii's students. This proposal is modeled after the

successful Hawaii 3 R's program, which provides a tax credit to businesses that contribute to the repair and maintenance of public schools.

Your consideration of this Administration proposal is appreciated. Thank you for the opportunity to testify in strong support of Senate Bill 900.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

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**HOUSE COMMITTEES ON ECONOMIC DEVELOPMENT & TECHNOLOGY
TESTIMONY REGARDING SB 900
RELATING TO THE SCIENCE, TECHNOLOGY, ENGINEERING, AND MATH
INCOME TAX CREDIT**

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

DATE: FEBRUARY 13, 2009

TIME: 1:30PM

ROOM: 016

This measure provides a nonrefundable income tax credit for donations to a qualifying science, technology, engineering, and math academy (STEM) at a school.

The Department of Taxation (Department) **supports this Administration measure and recommends passage of this bill.**

STRONG SUPPORT FOR THE FUTURE TECHNOLOGY LEADERS—The Administration and the Department strongly support this budgeted tax incentive to encourage donations to qualifying STEM academies. Studies in science, technology, engineering, and math are the future of Hawaii's developing technology sector. By providing an incentive to contribute to these programs, these programs will be better funded to advance at the necessary pace as technology grows. This measure is patterned after the innovative 3R's school repair and maintenance credit that already exists.

BUDGETED INCENTIVES—The Department appreciates that this measure has already been funded into the executive budget and financial plan as a high priority to assist in the investment of educating Hawaii's youth. This measure will result in a known revenue loss of \$500,000 per year.

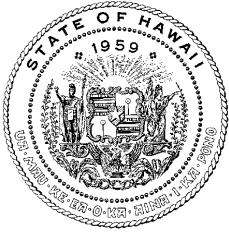
DBEDT ADMINISTRATION—The Department also supports that DBEDT administers the certification of this credit to ensure proper claims of donations.

LIMITED CARRY-FORWARD—This measure only allows credits to be carried forward for five years. This too is positive tax policy to ensure the budget is not unduly burdened by this incentive.

TECHNICAL CORRECTION—The Department points out that the sentence in subsection (d) relating to the certification cap needs to be clarified as follows:

....The department of business, economic development, and tourism shall certify no more than \$1,000,000 in donations in the aggregate for all taxpayers for each taxable year. When the total amount of certified donations reaches [~~\$500,000~~], \$1,000,000 the department of business, economic development, and tourism shall immediately discontinue certifying donations and notify the department of taxation.

Because the credit is equal to 50% of donations, DBEDT needs to certify either \$1,000,000 in donations or \$500,000 in credits. Either way arrives at the budgeted \$500,000 revenue impact.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Friday, February 13, 2009
1:30 p.m.
State Capitol, Conference Room 016

in consideration of
SB 900
**RELATING TO THE SCIENCE, TECHNOLOGY, ENGINEERING, AND MATH
INCOME TAX CREDIT.**

Chair Fukunaga, Vice Chair Baker, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) strongly supports SB 900 which would provide an income tax credit for donations made to qualifying science, technology, engineering, and math academies.

Our Department continues to advocate for the need to enhance Hawaii's ability to provide an education for all Hawaii students that includes the development of strong skills in science, technology, engineering and math (STEM). This tax credit would enable the State to leverage scarce public resources with private funding to create a supportive partnership.

Since 2007, the Legislature, Governor Lingle, the Department of Education (DOE), the Department of Human Services (DHS), the University of Hawaii (UH) Community Colleges, and DBEDT have cooperated to establish STEM academies in seven public high schools. These academies are operated cooperatively by the Department of Education and the University of

Hawaii Community Colleges, under the direction of the Director of Academies at Honolulu Community College. Additional funding from the private sector would provide added value to these academies, and perhaps allow expansion of the program to other volunteer high schools.

SB 900 defines a qualifying science, technology, engineering, and math academy as a “primary, middle, or high school operated by the department of education that has been approved by the department of business, economic development, and tourism or the director of academies, Honolulu community college to participate in its science, technology, engineering, and math educational programs.” This broad definition opens the program to a much larger number of programs; including the robotics and Research Experience for Teachers programs operated by the UH College of Engineering and funded by Act 111 (SLH 2007), Project EAST funded by Act 271 (SLH 2007), and potentially many other STEM programs throughout the State.

Under these circumstances, we would like to recommend that if this measure is adopted, there will need to be a clarification of the process of certification, including a clear definition of the criteria used to determine eligible programs. Development of these criteria should involve representatives of DOE, DHS, and UH College of Engineering in addition to DBEDT and the Director of Academies at Honolulu Community College. We also would like to recommend that the certification process be developed with ease of administration in mind, since no staff resources are provided to take on this new task.

Thank you for the opportunity to provide these comments.

Date of Hearing: February 13 , 2009

Committee: Senate Economic Development and
Technology

Department: Education

Person Testifying: Patricia Hamamoto, Superintendent

Title: S.B. No. 900, Relating to the Science, Technology, Engineering, and
Math Income Tax Credit

Purpose: Provides an income tax credit for donations made to a qualifying
science, technology, engineering, and math academy certified by the
department of business, economic development, and tourism.

Department's Position: The Department of Education (DOE) supports this Bill and its
potential to directly help schools fund academies related to science,
technology, engineering, and mathematics academies by allowing
individuals and businesses who donate money directly to receive tax
credit. Donations can only be made to Hawaii schools as certified by
the Department of Business, Economic Development, and Tourism, in
collaboration with the director of academies at Honolulu Community
College. The DOE suggests that the process of certification, definition
of academies, and criteria be clarified and provided to all Hawaii
schools to enable additional schools to apply for and receive
certification. Should the legislature choose to support this Bill, the
DOE recommends to also include input from a member from the state
Career and Technical Education (CTE) program office in collaboration
with the director of academies at Honolulu Community College to

align science, technology, engineering, and math academy criteria with the DOE's standards-based education efforts and, where applicable, to ensure congruence with Federal CTE initiatives and requirements.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on
Economic Development and Technology
February 13, 2009 at 1:30 p.m.

by
John Morton
Vice President for Community Colleges, University of Hawai'i

SB 900 – RELATING TO THE SCIENCE, TECHNOLOGY, ENGINEERING, AND MATH
INCOME TAX CREDIT

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

The relatively low performance on assessments of mathematics and science by a significant number of Hawaii high school graduates have proven to be barriers to their ability to either become employed in high skilled jobs, or complete the postsecondary education programs designed to secure such employment. The University of Hawai'i stands in support of the desire expressed in SB 900 to increasing private sector financial support for science, technology, engineering, and math (STEM) academies established within our public schools. However, we don't feel qualified to determine the measure's impact on either private revenue support for the academies, or its impact on state revenues and finances.

Through a contract the Department of Human Services, and with the coordination provided by the Department of Business, Economic Development, and Tourism, the University of Hawai'i Community Colleges began a pilot of the Hawaii Excellence in Science and Technology (HiEST) academy in the fall of 2008. The participation of the high schools as well as the colleges was voluntary. At present, there are HiEST academies located in seven high schools across the state, involving more than 600 students.

We believe that successful implementation and expansion of the HiEST Academies if they prove to be successful, coupled with other similar initiatives, are vital to the future success of Hawai'i's economy. Our future success, separate from the current economic downturn, is dependent upon our ability to increase the number of young people who have the mathematics, scientific, and technical skills, as well as the formal education, that are being required for a growing number of jobs in Hawaii. We expect this demand to accelerate as an increasing number of our aging population leave the workforce during the next decade.

We would request that the following amendments be made to the current version of the measure:

- Page 1, Section 1, line 16. "...director of academies, Honolulu community college" should be amended to "...university of Hawai'i community colleges."
- Page 5, Section 2, line 16-18. "...approved by the department of business, economic development, and tourism or the director of academies, Honolulu community college..." should be amended to "...approved by the department of business, economic development, and tourism in conjunction with the department of education and the university of Hawai'i community colleges..."



Senate Committee on Economic Development and Technology
February 13, 2009 at 1:30 pm
by
Tammi Oyadomari-Chun
Executive Director
Hawai'i P-20 Partnerships for Education

**SB 900 – RELATING TO THE SCIENCE, TECHNOLOGY, ENGINEERING, AND MATH
INCOME TAX CREDIT**

Chair Fukunaga, Vice-Chair Baker, and members of the Senate Committee on Economic Development and Technology: Thank you very much for this opportunity to testify on Senate Bill 900 which will provide tax credits (50%) to donations made to STEM academies.

Hawai'i P-20 Partnerships for Education supports the intent of S.B. 900 and its potential to increase Hawai'i's public school students' opportunities to gain science, technology, engineering and mathematics (STEM)-related skills and knowledge. S.B. 900 provides a tax incentive for individuals and organizations to donate to STEM academies in Hawai'i's schools. Hawai'i P-20 would like to respectfully suggest that the bill also extend the tax credits to individuals or organizations donating to improve Hawai'i's secondary school science labs.

In March 2008, the Hawai'i State Board of Education revised its BOE Recognition Diploma to specify that graduates needed to complete at least Algebra II in mathematics and two laboratory sciences (i.e., biology, chemistry, physics) to earn the honors diploma. These mathematics and science courses will develop students' STEM competencies to prepare high school graduates for success in career, college and citizenship.

In working with the Department of Education to implement the BOE Recognition Diploma, we have learned that many secondary schools need upgrades of their science labs to provide all students with the opportunity to take the two lab science courses required for the Recognition Diploma. In response, DOE included a \$21 million CIP request in their FY10 biennium budget request.

Hawai'i P-20

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Relevant to this bill is that we have been able to plan for and initiate some of the needed science lab improvements through public-private partnerships with organizations such as Kamehameha Schools, Harold K.L. Castle Foundation, and the Joint Ventures Education Fund. Hawai'i 3R's has been coordinating resources and project management for these improvements. To date, our partnership's efforts, funded outside of DOE's CIP or R&M budgets, have initiated science lab classroom renovations at Kalaheo High School and provided a state-of-the-art, technology-based mobile science lab for Molokai High School. These efforts demonstrate the potential of public-private partnership to leverage our resources for students' benefit. Including donations toward schools' science lab improvements as eligible for the tax credits provided to the STEM academies would accelerate increased student opportunities to take lab science courses which is a critical path to students earning the BOE Recognition Diploma and developing the 21st century STEM skills needed for their individual and our state's success.

We support the intent of the bill and request that the tax credits be extended to donations toward high school science lab improvements qualified either by DBEDT, DOE or Hawai'i P-20. While we expect that this measure, with our suggested change, would be likely to facilitate private donations, we cannot speak to the bill's impact on state revenues or finances.

Thank you for the opportunity to testify.