



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 3, 2012

MEMORANDUM

TO: The Honorable Roy M. Takumi, Chair
House Committee on Education

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 2728 - RELATING TO EARLY LEARNING**

Hearing: Friday, February 3, 2012; 2:00 p.m.
Conference Room 309, State Capitol

PURPOSE: The purpose of H.B. 2728 is to require the Department of Taxation to allow a taxpayer to designate that a specified amount of the taxpayer's income tax refund be paid to the early learning trust fund.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of this bill as it would generate revenue to maintain and expand early learning initiatives.

We defer to the Department of Taxation on the feasibility of implementing the refund designation.

Thank you for the opportunity to provide comments on this bill.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
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FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable Roy Takumi, Chair,
and Members of the House Committee on Education

Date: Friday, February 3, 2012
Time: 2:00 P.M.
Place: Conference Room 309, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 2728, Relating to Early Learning

The Department of Taxation (Department) appreciates the intent of H.B. 2728, but is opposed to the bill due to the impact it will have on the Department's limited budget and staffing resources, if adopted.

H.B. 2728 proposes to allow taxpayers, with an income tax refund of \$25 or more, an option to designate \$25 (or \$50 in case of a joint return) to the early learning trust fund.

While the Department understands and appreciates the intent of this bill, the Department cannot support any request which will require changes to its forms and computer system, unless the changes are essential for taxpayer compliance. As the Legislature is aware, the Department has an outdated computer system with significant functionality issues. Staffing resources necessary to develop and implement modifications to the system also are insufficient. As a result, the Department's limited resources must be prioritized to address other significant projects that will occur over the next few years, and respectfully request that no new projects be imposed on the Department.

Thank you for the opportunity to provide comments.

Hawaii State Senate
House Committee on Education
Testimony by
Early Learning Council
February 3, 2012
2:00 p.m.
Capitol Room 309
HB 2728 – Related to Early Learning

Chair Takumi, Vice Chair Belatti and Committee Members:

The Early Learning Council (“ELC”) offers this testimony in support of HB 2728, related to early learning. This bill would require the Department of Taxation to allow a taxpayer to designate (or "check off") that a specified amount of the taxpayer's income tax refund be paid to the early learning trust fund.

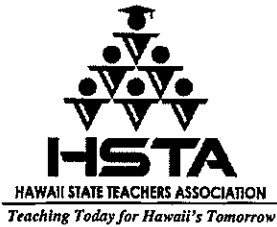
Established under Act 14, First Special Session 2008, the Early Learning Council is entrusted with the development and administration of the state’s early learning system. The ELC seeks to establish a cohesive, comprehensive, and sustainable early learning system that ensures a spectrum of quality early learning opportunities for young children from their prenatal period until the time they enter kindergarten. As such, the ELC focuses upon four essential areas: Early Education and Care; Health; Parent Education and Family Support; and Workforce and Professional Development.

Since its inception, the ELC has completed and received approval for a statewide early childhood system framework, has partnered and provided advice on the development of a State Quality Improvement and Rating System, has supported the drafting of professional competence requirements for early learning practitioners, and most recently completed a Fiscal Mapping study (funded by the Omidyar Foundation) to measure the resources currently available in the State for Early Childhood services (e.g. education, health, nutritional and social services, special education services and family and professional training and development.

The ELC is chartered by the legislature and thus governed by the State’s Sunshine Laws. Thus, it was not able to meet to discuss the specifics of this bill before testimony was needed. The Council, however, does support creative methods for establishing funding for early learning and supports advancing this bill. We look forward to continuing to work collaboratively and proactively with the legislature and the broader community. Thank you for the opportunity to testify.

Respectfully Submitted,

Dr. Robert Peters
Chair, Early Learning Council



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Wil Okabe
President

Karolyn Mossman
Vice President

Joan Kamila Lewis
Secretary-Treasurer

Alvin Nagasako
Executive Director

**TESTIMONY BEFORE THE HOUSE COMMITTEES ON
EDUCATION AND HUMAN RESOURCES**

RE: HB 2728 – RELATING TO EARLY LEARNING

Friday, February 3, 2012

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

Chair Takumi, Chair Mizuno, and Members of the Committees:

The Hawaii State Teachers Association supports HB 2728 which requires the Department of Taxation to allow a taxpayer to designate a specified amount of the taxpayer's income tax refund be paid to the early learning trust fund.

Thank you for the opportunity to testify.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax checkoff for the early learning trust fund

BILL NUMBER: HB 2728

INTRODUCED BY: Ichiyama, Belatti, Cullen, Hashem, Jordan, Kawakami, Morikawa, Okamura and 1 Democrat

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow individual taxpayers whose state income tax refund for any taxable year is \$25 or more, to designate \$25 to be paid to the early learning trust fund. For joint taxpayers with an income tax refund of \$50 or more, each spouse may designate \$25 into the fund. Directs the director of taxation to revise the state income tax forms as necessary. Allows designations to be made by filing an amended income tax return if filed within 20 months and 10 days after the due date of the original return.

Adds a new section to HRS chapter 302L to establish an early learning trust fund to be administered by the early learning council.

EFFECTIVE DATE: Tax years beginning after December 31, 2011

STAFF COMMENTS: This measure adds the early learning trust fund to the growing list of programs for which taxpayers due an income tax refund may designate all or a portion of that refund.

A survey by the Federation of Tax Administrators found that the states that utilize checkoff programs have been experiencing a decline in the amount of moneys designated through the checkoff mechanism. The survey also found that due to the administrative costs associated with the checkoff programs, states which currently have the checkoffs are looking to adopt expiration clauses and other means to remove the less productive checkoffs. Lawmakers seem to view such checkoffs as absolution of their responsibility to deal with such problems by turning the response directly over to the taxpayer. However, in the long run, the cost of administering the checkoff merely siphons resources that should otherwise be used for providing needed public services. If lawmakers believe that earmarking funds through a checkoff system is appropriate, then they might consider placing all programs on the state income tax form for designation and consider repealing the legislative body as there will be no reason for the legislature to exist because decisions will have been made by the income taxpayer.

If lawmakers believe certain programs are of great importance, then they can prioritize those programs through the appropriations process. With the Hawaii tax burden already so heavy, why should taxpayers turn any more of their hard earned dollars over to government? What lawmakers also do not recognize is that by creating these checkoffs, they add to the cost of administering the law, a cost which steals funds from other programs like those enumerated for a checkoff designation. Obviously early learning is not a high priority as it is not deserving of an outright appropriation of general funds which should reflect the support of the broader community but the sponsors of this measure believe it should be funded with a voluntary checkoff on the income tax return.

Digested 2/2/12

TESTIMONY

HB2728

RELATING TO EARLY LEARNING

Testimony Presented Before

The Education Committee and The Human Services Committee

Friday, February 3, 2012, 2:00 p.m.

in Conference Room 309

by Dr. Kanoë Nāone, Chief Executive Officer, INPEACE

INPEACE, the Institute for Native Pacific Education and Culture, **supports** H.B. 2728 and strongly urges the committee to pass this bill in order to give the public the opportunity to show their support for an early learning system in our state by donating their private dollars to the system. We believe, an early learning system is of critical importance to the success of our children and the future of our state.

INPEACE is a non-profit status, public service organization that annually serves more than 2,500 children, parents and community members through its early childhood and workforce development programs on five different islands. The work of INPEACE over the past eighteen years has been extensive and progressive in Hawai'i, particularly within communities that would not otherwise have access to the services it provides. On a daily basis, we see the critical role early childhood education and services plays in the economic wellbeing of communities, especially those in areas where poverty is prevalent.

H.B. 2728 bill allows an additional income designation or check-off, for any individual whose state income tax refund for any taxable year is at least \$25 to designate \$25 of the refund be paid to the early learning trust fund. In the case of a joint return of spouses having a state income tax refund of at least \$50, each spouse may designate that \$25 be paid to the early learning trust fund. Moneys in the fund shall be used for the early learning system.

INPEACE strongly supports early learning system funding through an income tax refund check-off because we believe the people of Hawai'i should have the opportunity to donate their own money to an important and worthy cause that will ultimately benefit the state's economy. During a recent public poll conducted by Ward Research nearly one-half (47%) of all registered-voter respondents said that they would "strongly support" the proposal if the increase were \$25 per year, a far greater proportion than would "strongly oppose" it (14%). Also, more than a third of respondents said they would "strongly support" increasing taxes by \$50 per year to fund services that would benefit children. Further, preparing children under the age of five for kindergarten was deemed "very valuable" by more than half of the respondents in the poll. Given these findings, we are confident that the public will see the benefits of this measure and choose to donate a portion of their tax refund.

The high return on investing in children under the age of five has been documented in our state. The 2008 Economic Benefits Study of Early Education for Hawai'i showed that for every \$1 Hawai'i invests in a quality four-year early learning program, the state will receive a return of \$4.20. This return is calculated from less spending on special education, grade retention, and future social services – such as incarceration - plus a more productive, higher paid workforce contributing positively to the state economy.

Mahalo for your consideration.



Hearing date:
**Friday, February
3, 2012; 2:00
pm.**
House Education
Committee
Room 309

To: Representative Roy Takumi, Chair
Representative Della Au Belatti, Vice Chair

From: Elisabeth Chun, Executive Director
Good Beginnings Alliance

Date: Friday, February 3, 2012, 2:00 pm
Conference Room 309

Subject: **House Bill 2728 Early Learning System Funding; Income Tax Refund
Check-Off**

The Leadership Council of the *BeMyVoice! Hawai'i* includes individuals who have come together to support Hawaii's youngest keiki. For your information, the list with names of the Leadership Council members supporting this testimony is attached. Our Council's collective goal is that all of Hawai'i's children enter kindergarten ready to succeed and that this process begins with the availability of a four year old program for all children.

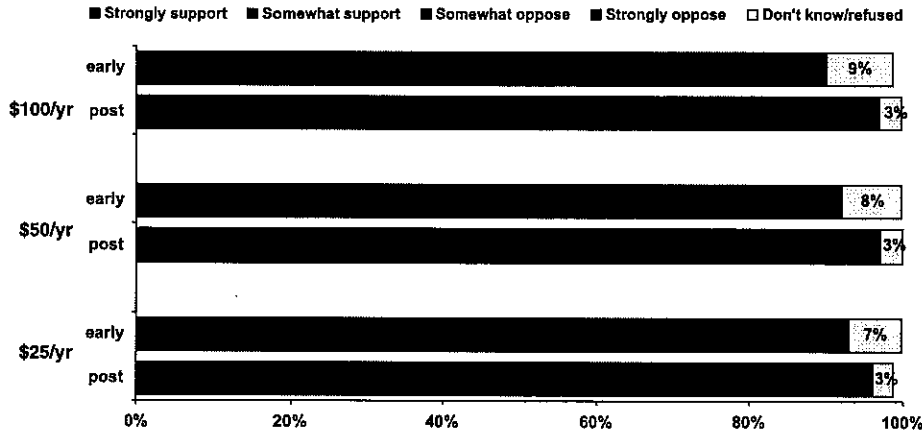
We **strongly support** HB2728 to allow a taxpayer to designate specified amount of the taxpayer's income tax refund be paid to the Early Learning Trust Fund.

This bill will allow Hawaii's taxpayers to show their commitment for early learning. Additionally, a Ward Research poll of registered voters conducted in 2011 showed that 71 percent would be willing to put at least \$25 of their tax dollars into fund young children's services. **We must invest early in a child's life, and this bill will help provide a start of funds needed to support our keiki. However, a State investment for early learning will still be needed as the major component of funding to support young children's services.**

We have seen a continuing decrease in the number of kindergarten students entering school without previous preschool experience, and we as a state must reverse this negative trend. Additionally, we are concerned that 1 out of 3 third grade students were not reading at grade level in 2011 according to the Hawaii State Assessment.

Support for an Increase in Taxes to Fund Children's Services

Early Measure vs. Post Measure



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Ward Research, Inc. • 828 Fort Street, Suite 210 • Honolulu, Hawaii 96813 • Phone: (808) 522-5123 • Fax: (808) 522-5127

Mahalo for your attention.

For more information about BeMyVoice! Hawai'i, go to www.bemyvoicehawaii.org.

Encl: BeMyVoice! Hawai'i Leadership Council Members