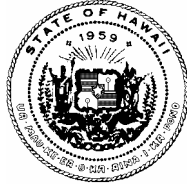


# SB2969

Early Learning; Tax Check  
Off

EDU, WAM



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

February 10, 2012

**MEMORANDUM**

TO: The Honorable Jill N. Tokuda, Chair  
Senate Committee on Education

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2969 - RELATING TO EARLY LEARNING**

Hearing: Friday, February 10, 2012; 1:15 p.m.  
Conference Room 225, State Capitol

**PURPOSE:** The purpose of S.B. 2969 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.

Hawaii State Senate  
Senate Committee on Education  
**Testimony by**  
**Early Learning Council**  
February 10, 2012  
1:15 p.m.  
Capitol Room 225  
SB 2969 – Related to Early Learning

Chair Tokuda, Vice Chair Kidani and Committee Members:

The Early Learning Council (“ELC”) offers this testimony in support of SB 2969, 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



Hearing date:  
**Friday, February  
3, 2012; 2:00  
pm.**  
Senate Education  
Committee  
Room 225

To: Senator Jill Tokuda, Chair  
Senator Michelle Kidani, Vice Chair

From: Elisabeth Chun, Executive Director  
Good Beginnings Alliance

Date: Friday, February 10, 2012, 1:15 pm  
Conference Room 225

Subject: **Senate Bill 2969 Early Learning System Funding; Income Tax Refund  
Check-Off**

The Good Beginnings Alliance is a policy and advocacy organization focused on Hawaii's youngest children and their families. We strive to ensure a nurturing, safe and healthy development for all children from pre-birth to age eight. The following information is provided to help you in your decision-making process regarding the proposed income tax refund tax-check-off for the Early Learning System:

- This bill will allow Hawaii's taxpayers to show their commitment for early learning.
- 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.

Hawaii's young children are in need, and a fully funded State Early Learning System is needed to ensure all of our keiki are safe, healthy, and ready to succeed by the time they enter kindergarten.

Unfortunately, we have seen a continuing decrease in the number of kindergarten students entering school without previous preschool experience. We are also concerned that 1 out of 3 third grade students were not reading at grade level in 2011 according to the Hawaii State Assessment. World renown experts ranging from Dr. Jack Shonkoff at Harvard University's Center for the Developing Child to Dr. James Heckman, Nobel Winner in Economics from the University of Chicago, have proven through their research that investing in the early years has the biggest value.

Below is the result from a Ward Research public opinion poll showing support for an increase in taxes to fund children's services.

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Mahalo for your consideration and your support. For more information contact: Good Beginnings Alliance; phone: 531-5502; [ljchun@goodbeginnings.org](mailto:ljchun@goodbeginnings.org)

TESTIMONY

**SB2969**

RELATING TO EARLY LEARNING

Testimony Presented Before

The Senate Committee on Education

Friday, February 10, 2012, 1:15 p.m.

in Conference Room 225

by Dr. Kanoe Nāone, Chief Executive Officer, INPEACE

INPEACE, the Institute for Native Pacific Education and Culture, **supports** S.B. 2969 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.

# 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:** SB 2969; HB 2728 (Identical)

**INTRODUCED BY:** SB by Tsutsui, Baker, English Espero, Fukunaga, Ige, Ihara, Tokuda and 2 Democrats; HB 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