



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

February 28, 2012

MEMORANDUM

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

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

Hearing: Tuesday, February 28, 2012; 9:00 a.m.
Conference Room 211, 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.

TAXBILLSERVICE

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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



Hearing date:
Tuesday,
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Senate Ways and
Means Committee
Room 211

To: Senator David Ige, Chair
Senator Michelle Kidani, Vice Chair

From: Elisabeth Chun, Executive Director
Good Beginnings Alliance

Date: Tuesday, February 28, 2012, 9:00 a.m.
Conference Room 211

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% 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 renowned 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; lhun@goodbeginnings.org

Hawaii State Senate
Senate Committee on Ways & Means
Testimony by
Early Learning Council
February 28, 2012
9:00 a.m.
Capitol Room 211
SB 2969 – Related to Early Learning

Chair Ige, 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 Council supports 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