



STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

**Date:** 02/12/2018  
**Time:** 02:50 PM  
**Location:** 229  
**Committee:** Senate Education

**Department:** Education

**Person Testifying:** Dr. Christina M. Kishimoto, Superintendent of Education

**Title of Bill:** SB 2261 RELATING TO PUBLIC EDUCATION.

**Purpose of Bill:** Establishes the education special fund and allocates twenty-five per cent of the general excise tax revenue to be deposited into the education special fund to fund public education.

**Department's Position:**

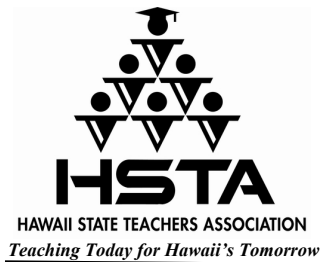
The Department of Education (Department) supports the intent of SB2261, yet respectfully requests a calculation of anticipated revenue generation for implementation and fiscal impact analysis.

The Department has made every effort to wisely spend appropriations provided. However, funding has not kept pace with 2008 levels of state fiscal support, adjusted for inflation as measured by the Consumer Price Index.

Education is a key investment in the state's economic development and an investment in its local employee base capacity for all Hawaii industries. This special fund would be expended to support an equitable high quality instructional system with respectful 21st century learning environments through quality facilities.

Thank you for the opportunity to provide testimony on this measure.

The Hawaii State Department of Education seeks to advance the goals of the Strategic Plan which is focused on student success, staff success, and successful systems of support. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at [www.hawaiipublicschools.org](http://www.hawaiipublicschools.org).



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TESTIMONY BEFORE THE SENATE COMMITTEE ON  
EDUCATION

RE: SB 2261 – RELATING TO PUBLIC EDUCATION

MONDAY, FEBRUARY 12, 2018

COREY ROSENLEE, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION

Chair Kidani and Members of the Committee:

The Hawaii State Teachers Association **supports and suggests amendments for SB 2261**, relating to public education.

Hawai'i *still* shortchanges its public schools. While our state's per-pupil spending of \$12,855 ranks 17th in the nation when compared to other states in raw dollars, comparison with school districts of similar size and demographics yields different results. Mainland districts with high costs of living are typically urban and averaged with rural districts experiencing lower costs of living in statewide analyses, a geographic and fiscal situation that is not applicable to the islands' single statewide school district.

When comparing school districts of similar size, Hawai'i ranked 227th in per-pupil funding *before* adjusting for cost of living, according to an analysis performed by Ballotpedia.org. Likewise, the Department of Business, Economic Development, and Tourism reported, in March of 2017, that Hawai'i's education expenditures, as a share of combined state and local government spending, is 27.3 percent, which ranks as the lowest in the nation. Hawai'i's major private schools, in contrast, average \$15,173 in per-pupil spending. When Catholic schools, subsidized by the Roman Catholic Diocese, are removed, private school spending jumps to nearly \$19,173 dollars per student, sans endowment funds that further boost private school baselines. Punahou President Jim Scott revealed, in 2014, that the "real cost of our education per student is \$26,000," with the school's endowment standing then at \$235 million and fundraising operations generating an additional \$12-\$15 million

each year. It is no wonder, then, that Hawai'i has one of the highest private school enrollment rates in the nation. According to U.S. Census Bureau data, for the 2016-2017 school year, approximately 20 percent of K-12 students on O'ahu attended private schools, with that number rising to 38 percent for students living in the urban core of Honolulu.

The islands also continue to suffer from a shortage of qualified teachers. According to the DOE's STRIVE HI accountability reports, for the 2017-2018 school year, the state saw 1,011 SATEP vacancies, up from 920 SATEP vacancies in 2016-2017, including a slight increase in SPED SATEP vacancies, from 290 in 2016-2017 to 311 in 2017-2018. SPED teacher attrition has led to a situation in which 1 out of every 6 SPED teachers have not completed a state-sanctioned teacher training program. Our teacher shortage problem is further clarified in the DOE's 2016-2017 Employment Report, which shows that teacher resignations increased from 781 in 2015-2016 to 850 in 2016-2017. Similarly in-state SATEP hires decreased from 404 to 387 over that time span, while out-of-state SATEP hires increased from 508 to 572. Teacher attrition is even worse in high-poverty areas. In the Nanakuli-Waianae Complex Area, for example, an astounding 18 out of 19 SPED teachers hired for the 2017-2018 school year do not have a special education license.

Moreover. In 2015, the DOE released a study entitled *Equitable Access to Excellent Educators*, which found that an average of 14.48 percent of teachers in low-poverty schools are inexperienced (haven't completed one full year of full-time teaching), unqualified (have not obtained full licensure in Hawai'i), or teaching out of their field of expertise. In high-poverty schools, however, the study noted that an average of 21.48 percent of teachers are inexperienced, unqualified, or out-of-field. In other words, high-poverty schools have 50 percent more teachers who are inexperienced, unqualified, or out-of-field than their low-poverty peers.

In fiscal year 2016, the general excise tax raised \$3.2 billion dollars, accounting for 51.8 percent of total general fund revenues. Ergo, depositing 25 percent of GET revenue into a special fund for education totals roughly \$800 million. While substantial, that figure is far less than the \$1.61 billion in state funds currently received by the DOE (out of a \$1.98 billion total budget). Accordingly, **we urge you to amend this bill by specifying that 25 percent of GET funds shall be provided in addition to state funds already spent on public education.**

To deliver the schools our keiki deserve, the Hawaii State Teachers Association asks your committee to **support** this bill.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Earmark 25% for Special Fund for Public Education

BILL NUMBER: SB 2261

INTRODUCED BY: KIM, ESPERO, HARIMOTO, K. KAHLE, KEITH-AGARAN, KIDANI, NISHIHARA, RUDERMAN, S. Chang, Dela Cruz, Gabbard, Ihara, Riviere, Shimabukuro, Wakai

EXECUTIVE SUMMARY: Establishes the education special fund and allocates twenty-five per cent of the general excise tax revenue to be deposited into the education special fund to fund public education. This decreases transparency and accountability. In addition, we tried this before with \$90 million per year earmarked for education, with unremarkable results.

SYNOPSIS: Adds a new section to chapter 302A, HRS, establishing an education special fund for funding public education. The fund will not be subject to sections 36-27 (which generally charges special funds 5% of their income for central services expenses), 36-30 (which generally charges special funds for administrative expenses borne by the state agency to which they are attached), and 37-53 (which allows any department to transfer to the general fund any monies considered to be in excess of the fiscal year requirements for the fund), HRS.

Amends section 237-31, HRS, to transfer 25% of the total amount of general excise tax revenues to the education special fund.

EFFECTIVE DATE: July 1, 2018.

STAFF COMMENTS: This measure is problematic because the automatic, mandatory diversion of GET revenues limits the State's ability to fund priorities, thereby impacting the State's general financial plan. A financially sound approach to manage the State's funds would include providing funding on the basis of need, funding ability, and consideration of statewide priorities.

The 1989 Tax Review Commission noted that use of this type of special fund is a "departure from Hawaii's sound fiscal policies and should be avoided." It also noted that special funds are appropriate where the revenues to the special funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds that merely set aside general funds cannot be justified as such actions restrict budget flexibility, create inefficiencies, and lessen accountability. It noted that such programs can be given priority under the normal budget process without having to resort to this type of financing.

In Act 368, SLH 1989, the Legislature earmarked \$90 million a year from the GET to the state educational facilities special fund. It was not until 2013 that the earmark was repealed by Act 157, SLH 2013.

The State Auditor reported in February 1991 that the "tax is levied on the general public rather than specific beneficiaries of the program" and thus the educational facilities special fund did not

reflect a “direct link between user benefits and user charges.” The Auditor recommended that the fund be repealed. Do we want to go back there?

Lawmakers should recognize what is going on with this scheme of earmarking tax funds. It sets one program (public education) above all others in getting funded, especially in difficult times. The favored program no longer needs to be accountable because the money is stuck in this fund and can be used only for the stated purposes. This scheme also violates the intent of the constitutional general fund expenditure ceiling and the mandated refund or credit for substantial general fund surpluses.

Measures such as this further denigrate the State’s fiscal integrity. Over the years, so many clever mechanisms have been injected into the state financial system that the taxpayers (including legislators) no longer know just how much money the State has or is spending. These schemes have made a major contribution to the financial dilemma that the State is now facing. We need to undo this financial malaise and return sound financial management to the State, and substantial earmarks such as this are a big step away from that goal.

Digested 2/9/2018