

DAVID Y. IGE
GOVERNOR

LATE



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

Written Comments

KATHRYN S. MATAYOSHI
SUPERINTENDENT

Date: 02/28/2017

Time: 09:50 AM

Location: 211

Committee: Senate Judiciary and Labor
Senate Ways and Means

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: SB 0683, SD1 PROPOSING AMENDMENTS TO ARTICLES VII AND X OF THE CONSTITUTION OF THE STATE OF HAWAII TO AUTHORIZE THE LEGISLATURE TO ESTABLISH A SURCHARGE ON RESIDENTIAL INVESTMENT PROPERTY AND VISITOR ACCOMMODATIONS TO INCREASE FUNDING FOR PUBLIC EDUCATION.

Purpose of Bill: Proposes amendments to the Constitution of the State of Hawaii to advance the State's goal of providing a quality education for the children of Hawaii by authorizing the legislature to establish, as provided by law, a surcharge on residential investment property and visitor accommodations.

Department's Position:

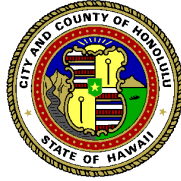
The Department of Education (Department) offers comments on SB683 SD1. The Department has made every effort to wisely spend appropriations provided, but funding levels have not kept pace with 2008 funding levels, adjusted for inflation (as measured by the Consumer Price Index). Education is a good investment as we continue to see positive gains. A funding increase would provide additional supports for students, teachers and schools; additional innovations; ensure compliance with federal and state laws; contract or labor agreements; and support Board of Education policies, and Department priority strategies and strategic plan initiatives.

Thank you for your continued support of education and the opportunity to provide comments on SB683 SD1.

LATE

**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL
MAYOR

ROY K. AMEMIYA, JR.
MANAGING DIRECTOR

GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

**CITY AND COUNTY OF HONOLULU
BEFORE THE COMMITTEE ON WAYS AND MEANS**

TUESDAY, FEBRUARY 28, 2017; 9:50 AM

**TO: THE HONORABLE JILL N. TOKUDA, CHAIR
THE HONORABLE DONOVAN M. DELA CRUZ, VICE CHAIR
AND MEMBERS OF THE COMMITTEE ON WAYS AND MEANS**

**THE HONORABLE GILBERT S.C. KEITH-AGARAN, CHAIR
THE HONORABLE KARL RHOADS, VICE CHAIR
AND MEMBERS OF THE COMMITTEE ON JUDICIARY AND LABOR**

**FROM: ROY K. AMEMIYA, JR., MANAGING DIRECTOR
CITY AND COUNTY OF HONOLULU**

SUBJECT: COMMENTS ON S.B.683, SD1

The City and County of Honolulu (City) has serious concerns about S.B.683, SD1. This bill proposes amendments to Articles VII and X of the State Constitution to authorize the Legislature to establish a surcharge on residential investment property and visitor accommodations to increase funding for public education.

The City has a significant shortage of affordable rental housing. Imposing an additional surcharge on all residential investment property will have a substantial, adverse impact on the affordable rental market as landlords will pass this cost on to their tenants. While the City recognizes the need for increased additional funds for the State's public education, the City is deeply concerned that this measure will do so at the expense of the affordable rental housing market.

Article VII, section 3 of the State Constitution reserves to the State the power to tax, except all functions, powers and duties relating to the taxation of real property, which is to be exercised exclusively by the counties. Real property taxes and are the most significant source of revenue for the City. This measure encroaches into the City's only permanent taxing authority. The State, unlike the City, has a wide range of taxing authority and can impose other taxes to increase funding for public education. Under Article X of the State Constitution, the State is solely responsible for the education of Hawaii's students.

Thank you for your consideration of these concerns.



LATE

Testimony of

Mufi Hannemann
President & CEO
Hawai'i Lodging & Tourism Association

Senate Committee on
Ways and Means
Judiciary and Labor

Senate Bill 683, SD1: Proposing Amendments to articles VII and X of the Constitution of the State of Hawai'i to authorize the legislature to establish a surcharge on residential investment property and visitor accommodations to increase funding for public education.

Chair Tokuda, Chair Keith-Agaran and members of the committees, mahalo for the opportunity to offer this testimony on behalf of the more than 700 members of the Hawai'i Lodging & Tourism Association.

HLTA opposes Senate Bill 683 SD1, which proposes amendments to articles VII and X of the Constitution of the State of Hawai'i to authorize the legislature to establish a surcharge on residential investment property and visitor accommodations to increase funding for public education. As much as we support improving upon our state's education system we must take into consideration the tax burden our visitor industry already bears.

Our respectful opposition is based on the following reasons:

Higher Taxes/Fees Hurt our Ability to Compete. In recent years, the state permanently raised the Transient Accommodations Tax, to the point where guests now pay a TAT of 9.25 percent. Coupled with the General Excise Tax, guests pay a 13.41 percent tax on the Neighbor Islands and 13.96 percent on O'ahu. Hawai'i has reached the point where high business costs and tax rates make it increasingly difficult for business to be profitable and competitive, both domestically and internationally.

Tourism Already Is the State's Revenue Producer. In its most recent report, the Hawai'i Tourism Authority stated, "Tourism is the largest single source of private capital for Hawai'i's economy." The HTA went on to note that tourism accounted for 190,000 jobs, that visitor spending last year totaled \$15.6 billion, a new high, and that the state's tax take was \$1.82 billion. Of that sum, TAT revenues alone accounted for nearly \$447 million for the state's coffers last fiscal year.

But the hospitality industry is not an infinitely prosperous, infinitely taxable entity. Lower-priced destinations and long-haul airline flights make travel to other locales easier and cheaper, and Hawai'i must remain competitive in our pricing in order to protect our value and appeal in the eyes of travelers.



HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

TAT Revenue to the General Fund. More than half of Transient Accommodations Tax revenue now goes to the General Fund. While the TAT was established to promote and market the visitor industry, it has since become a major source of revenue for purposes other than originally intended. We would surmise that public education may be already receiving a share of TAT revenue through its General Fund budget allocations.

Uncollected Revenue. The state government is not collecting Transient Accommodation and General Excise taxes on transient vacation rentals. The Hawai'i Lodging & Tourism Association has gone on record as supporting legislation that would ensure a level playing field for all visitor accommodations, from the traditional hospitality businesses to the alternative accommodations offered online. There are an estimated 25,000 alternative accommodations in the Hawaiian Islands competing with hotels, resorts, timeshares, and bed-and-breakfasts, except that the majority of them are most likely avoiding our 9.25 percent Transient Accommodations and General Excise taxes. Rather than outlaw these transient vacation units, or raise the TAT, the state government should collect the millions of dollars in taxes now being avoided.

For these reasons, the Hawai'i Lodging & Tourism Association continues to oppose proposals to raise taxes and leverage extra fees on the visitor industry.

Mahalo for the opportunity to testify.

LATE

February 25, 2017

To: Senator Gilbert S.C. Keith-Agaran, Chair
Senator Karl Rhoads, Vice Chair
Committee on Judiciary and Labor

Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair
Committee on Ways and Means

From: Deborah Zysman, Executive Director
Hawaii Children's Action Network

Re: **SB 683 SD 1– Relating to Proposing Amendments To Articles Vii And X Of The Constitution Of The State Of Hawaii To Authorize The Legislature To Establish A Surcharge On Residential Investment Property And Visitor Accommodations To Increase Funding For Public Education**

Hawaii State Capitol, Room 211, February 28, 2017, 9:50 AM

On behalf of Hawaii Children's Action Network (HCAN), we are writing to support SB 683 SD 1 – Relating to Proposing Amendments To Articles Vii And X Of The Constitution Of The State Of Hawaii To Authorize The Legislature To Establish A Surcharge On Residential Investment Property And Visitor Accommodations To Increase Funding For Public Education.

As one of the lowest rated school districts for spending per student, Hawaii needs to find new ways to increase funding for education. This bill provides an option to increase funding without increasing the tax burden on Hawaii residents. This additional funding for education can lead to better results in test scores, school completion, college attendance, and job opportunities for students.

For these reasons, HCAN respectfully requests that the committee pass this bill.

HCAN is committed to building a unified voice advocating for Hawaii's children by improving their safety, health, and education. Last fall, HCAN convened input in person and online from more than 50 organizations and individuals that came forward to support or express interest for a number of issues affecting children and families in our state that resulted in the compilation of 2017 Hawaii Children's Policy Agenda, which can be accessed at <http://www.hawaii-can.org/2017policyagenda>.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 27, 2017 5:01 PM
To: WAM Testimony
Cc: mavs19@aol.com
Subject: *Submitted testimony for SB683 on Feb 28, 2017 09:50AM*

SB683

Submitted on: 2/27/2017

Testimony for WAM/JDL on Feb 28, 2017 09:50AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Joy Nelson	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 27, 2017 5:11 PM
To: WAM Testimony
Cc: bonnie@mauiownercondos.com
Subject: Submitted testimony for SB683 on Feb 28, 2017 09:50AM

SB683

Submitted on: 2/27/2017

Testimony for WAM/JDL on Feb 28, 2017 09:50AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Bonnie Pauli	Individual	Oppose	No

Comments: Aloha - thank you for allowing me to express my point of view. I believe SB683 can be a disaster for Hawaii. I would love to see schools get more funding here. The people and the State can only benefit by a better educational opportunity for all. I am so afraid the opposite will happen if this bill passes. Hawaii is already an expensive destination for travelers. Not sure if you have noticed but while the economy is supposedly improving and property values have been creeping up, most owners of vacation rentals have had to hold their rents steady for the last 4-5 years. We went from a booming economy where we could raise rates multiple times a year to times when any raise was impossible. Most of us do not make money on our rentals - they are a means of helping us pay off a property that we hope to retire to full time. Without this income, many could not have afforded the high price of property on Maui. The proposed Bill would come within about \$100 of doubling my property tax. We already pay a much higher rate than those who don't rent - This is appropriate but to increase that amount even more does not make sense to me. Doubling my property tax would mean it no longer makes sense to rent the property. For those who can't carry their mortgage balances without that help it would mean forced sales of the property. This lowers property values, takes rentals off the market and serves to provide less money into the state coffers. Jobs in the real estate, building, rental support services and others would drop. By forcing the tax onto a small minority of tax payers rather than distributing it among all tax payers the burden becomes onerous on a few. After all, since education benefits everyone shouldn't it be borne by everyone? Would it not make more sense to look at the current distribution of property taxes across categories and raise a similar % for all? Applying to all tax payers would mean small increases for all rather than large for a few. Helping to pay a bit more for education also might help keep more of our children in school. With all the tax increases proposed this year, there is no way VR owners could possibly raise rates enough to help offset the burden. Hawaii is already an expensive destination and the vacationing public has many alternatives for warm weather retreats. Though in my mind few compare with Hawaii - to the visitor with a budget it will soon become apparent that Hawaii is not really the Aloha state and the price they must pay is too high. Please reconsider - do not support this bill

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From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 28, 2017 2:14 AM
To: WAM Testimony
Cc: annsfreed@gmail.com
Subject: Submitted testimony for SB683 on Feb 28, 2017 09:50AM

SB683

Submitted on: 2/28/2017
Testimony for WAM/JDL on Feb 28, 2017 09:50AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Ann S Freed	Individual	Support	No

Comments: Aloha Chair Tokuda, Vice Chair and members, Although this is not a Women's Coalition bill this year, our group has always been in support of better funding for our public schools and better pay for our teachers. In our small state with its equally small tax base, this seems to me to be our best hope for a way to get the necessary funds to our public schools, It has the added benefit of buy-in by the public since we would be the ones to approve. Mahalo, Ann S. Freed Co-Chair Hawaii Women's Coalition

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From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 28, 2017 8:59 AM
To: WAM Testimony
Cc: yukilei.sugimura@mauicounty.us
Subject: *Submitted testimony for SB683 on Feb 28, 2017 09:50AM*

SB683

Submitted on: 2/28/2017

Testimony for WAM/JDL on Feb 28, 2017 09:50AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Councilmember Yuki Lei Sugimura	Individual	Oppose	No

Comments:

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