

DAVID Y. IGE
GOVERNOR

LATE



KATHRYN S. MATAYOSHI
SUPERINTENDENT

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

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 0686, SD1 RELATING TO EDUCATION FUNDING.

Purpose of Bill: Establishes an education surcharge on residential investment properties and visitor accommodations for the purpose of funding public education. (SD1)

Department's Position:

The Department of Education (Department) offers comments on SB 686 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 SB 686 SD1.

DAVID Y. IGE
GOVERNOR



CATHERINE PAYNE
CHAIRPERSON

STATE OF HAWAII
STATE PUBLIC CHARTER SCHOOL COMMISSION
(‘AHA KULA HO‘ĀMANA)

<http://CharterCommission.Hawaii.Gov>
1111 Bishop Street, Suite 516, Honolulu, Hawaii 96813
Tel: (808) 586-3775 Fax: (808) 586-3776

LATE

FOR: SB686, SD1 Relating to Education Funding
DATE: Tuesday, February 28, 2017
TIME: 9:50 AM
COMMITTEE(S): Senate Committee on Judiciary and Labor
Senate Committee on Ways and Means

ROOM: Conference Room 211
FROM: Sione Thompson, Executive Director
State Public Charter School Commission

Chairs’ Keith-Agaran, and Tokuda, and Vice Chairs’ Rhoads, and Dela Cruz, and members of the Committees:

The State Public Charter School Commission (“Commission”) takes no position on this bill but appreciates the opportunity to provide comments only on this measure, which seeks to establish a surcharge on residential investment properties and visitor accommodations for the purpose of funding public education.

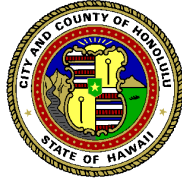
The Commission requests that language be added to this bill to ensure that charter schools are included in any allocations from the Education Special Fund created in this measure.

Thank you for the opportunity to provide this testimony.

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
FRIDAY, 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 SB686, SD1, RELATING TO EDUCATION FUNDING

The City and County of Honolulu (City) submits comments on SB686, SD1 which establishes an education surcharge on residential investment properties and visitor accommodations for the purpose of funding public education. The City is profoundly aware of the burdens of taxation and will need to consider the implications for taxpayers in setting the real property tax rates. The tax on real property is the primary source of revenue for City services.

The City has a significant shortage of affordable rental housing. While this measure only imposes an additional surcharge on owners of residential investment properties who own more than one residential investment property and visitor accommodations, this will still have a substantial impact on the affordable rental housing market. Landlords will pass this additional cost onto tenants through the form of increased rent. While the City recognizes the need for and supports the increase of 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.

The proposed additional responsibilities of administration and collection of these surcharges imposed upon the counties will be a tremendous burden. The five percent of gross proceeds may be insufficient to offset the additional costs in terms of personnel, computer system modification and other requisite costs.

It appears that the counties were not consulted on this proposal which resulted in incorporating data requirements and definitions that do not exist within the City's property tax records. To utilize data collected and valuations established for real property taxation purposes as the basis for imposing this surcharge is an improper use of the information.

Mr. John Doe
Date of letter
Page 2

The City urges this committee to consider this measure's impact on affordable rental housing and the additional burdens imposed on the counties. Thank you for your consideration of these comments.



Testimony of

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

Senate Committees on
Ways and Means
Judiciary and Labor

Senate Bill 686 SD1: Relating to Education Funding

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 686 SD1, which proposes to establish a surcharge on residential investment properties and visitor accommodations to help fund our public education system. 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 raising taxes and leveraging extra fees on the visitor industry.

Mahalo for the opportunity to testify.

February 25, 2017

LATE

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 686 SD 1– Relating to Education Funding**
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 686 SD 1 – Relating to Education Funding.

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. We also encourage the committee to expand the usage of the new revenue to include early learning.

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 Hawai'i Children's Policy Agenda, which can be accessed at <http://www.hawaii-can.org/2017policyagenda>.

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 28, 2017 8:58 AM
To: WAM Testimony
Cc: yukilei.sugimura@mauicounty.us
Subject: *Submitted testimony for SB686 on Feb 28, 2017 09:50AM*

SB686

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:

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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