



LATE

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

Testimony of

Mufi Hannemann
President & CEO

Hawai'i Lodging & Tourism Association

Senate Committee on Education

Senate Bill 686: Relating to Education Funding

Chair Kidani, Vice Chair Kahele and members of the Committee on Education, 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, 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.

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



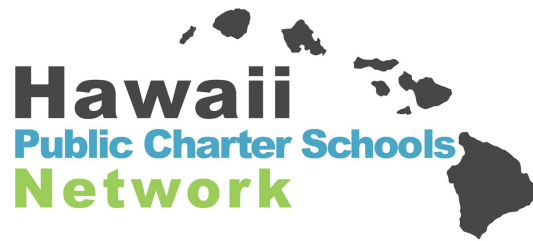
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surmise that public education may be already receiving a share of TAT revenue through its General Fund budget allocations.

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.



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February 3, 2017

To: Honorable Michelle Kidani, Chair
Honorable Kaiali'i Kahele, Vice Chair
Honorable Donovan M. Dela Cruz, Member
Honorable Will Espero, Member
Honorable Gil Riviere, Member
Senate Committee on Education

From: Jeannine Souki, Executive Director
Hawaii Public Charter Schools Network

Re: **SB 686 – RELATING TO EDUCATION FUNDING – Support**

SB 683 – PROPOSING AMENDMENTS TO ARTICLES VII AND X OF THE STATE CONSTITUTION TO AUTHORIZE LEGISLATURE TO ESTABLISH A SURCHARGE ON RESIDENTIAL INVESTMENT PROPERTY AND VISITOR ACCOMMODATIONS TO INCREASE SUPPORT FOR PUBLIC EDUCATION– Support

Conference Room 229 – Hawaii State Capitol – Feb. 3, 2017, 2:45 P.M.

On behalf of the Hawaii Public Charter School Network (HPCSN), I am submitting testimony in support of SB 686, Relating to Education Funding, and SB 683, 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.

In tandem, these bills establish an education surcharge on residential investment properties and visitor accommodations for the purpose of funding public education. We support public education in both charter schools and traditional schools as one of the highest purposes of our state.

Here are top 10 reasons why we are calling for this investment:

10. An educated population is the cornerstone of democracy. This nation's well-being depends on the decisions of its educated, informed citizens.

9. Education reduces costs to taxpayers. For every dollar spent to keep a child in school, the future costs of welfare, prison, and intervention services are reduced. It can cost less to educate a child now than to support a teenage parent or a repeat offender in the future. Education monies help to secure the future of all citizens.

8. Public schools are the only schools that must meet the needs of all students. They do not turn children or families away. Public schools serve children with physical, emotional, and mental disabilities, those who are extremely gifted and those who are learning challenged, right along with children without special needs.

7. Public schools foster interactions and understanding among people of different ethnic, religious, and socioeconomic backgrounds.

6. "Education is the best provision for old age"-- Aristotle. The future support of our aging population depends on strong public schools. In 1954, there were 17 workers to pay the Social Security cost for each retiree. By 1995, there will be only three for each retiree. It is likely that the productivity of these three workers per retiree will depend on the strength of our public school systems.

5. More than 95 percent of our future jobs will require at least a high school education. There is no question about the need for an educated work force.

4. The nation pays a high price for poorly educated workers. When retraining and remediation are needed to prepare a worker to do even simple tasks, the cost is paid by both employers and consumers. This process raises the price of American products and makes it more difficult for this nation to compete in the world marketplace.

3. The cost of dropouts affects us all. This nation loses more than \$240 billion per year in earnings and taxes that dropouts would have generated over their lifetimes. Well-supported public schools can engage all students in learning and graduate productive and competent citizens.

2. Children are our nation's future. Their development affects all of us. Good education is not cheap, but ignorance costs far more.

And the Number One reason to support public education. . .

1. Public education is a worthy investment for public funds. We can invest now, or we can pay later.

HPCSN works to support Hawaii's public charter schools and to be a voice for children and families that seek choice in an independent public school setting.

Mahalo for your support for this legislation. We appreciate the opportunity to provide testimony on behalf of HPCSN.

Testimony in support of SB683 and SB686

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Testimony for: Senate Education Committee
SB 683 and SB 686 - RELATING TO EDUCATION
Hearing on Friday, February 3, 2017
2:45pm

Chair Kidani and Members of the Committee:

I am Lynn Kitamura a teacher at 'Aikahi Elementary School on Oahu. I have been a teacher for 38 years. Please pass SB 683 and SB 686 to increase funding for public schools.

Our children are our future. When teachers instruct their students, they build the foundation for equality and prosperity for tomorrow's generations. Every dollar invested in our community's public schools yields exponential returns, not just for our economy, but for the promise of a more open and democratic society.

Supporting these proposals will lift Hawaii's schools into the 21st Century. A vote for these measures is a vote for lower class sizes that allow teachers to connect with their students, whole child education that includes the arts and Hawaiian studies, resources for special needs students, and professional pay that reflects the value of our hardworking teachers.

To deliver the schools our keiki deserve, please support these bills. Mahalo.

Thank you for your time,
Lynn Kitamura
'Aikahi Elementary
Oahu