



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

Date: 02/13/2019
Time: 03:30 PM
Location: 229
Committee: Senate Education
Senate Higher Education

Department: Education

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

Title of Bill: SB 1474 RELATING TO TAXATION.

Purpose of Bill: Increases the general excise tax by 0.5% to provide a dedicated funding source for the department of education and the University of Hawaii.

Department's Position:

The Department supports SB 1474, provided that its passage does not adversely impact priorities as indicated in our Board of Education approved budget and would be treated as incremental to current funding levels.

This measure would increase the General Excise Tax by 0.5% and establish a special account to receive the additional tax revenues, allowing for the appropriation of the funds to support operations of the Department of Education and University of Hawaii.

Providing a significant and dedicated revenue source to supplement State support for quality public education programs will help to ensure continued improvements in student achievement outcomes.

Thank you for the opportunity to testify 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.

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221

HONOLULU, HAWAII 96813

<http://tax.hawaii.gov/>

Phone: (808) 587-1540 / Fax: (808) 587-1560

Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Michelle N. Kidani, Chair
and Members of the Senate Committee on Education

The Honorable Donna Mercado Kim, Chair
and Members of the Senate Committee on Higher Education

Date: Wednesday, February 13, 2019
Time: 3:30 P.M.
Place: Conference Room 229, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 1474, Relating to Taxation

The Department of Taxation (Department) offers the following comments regarding S.B. 1474 for your consideration.

S.B. 1474 increases the retail rate of the General Excise Tax (GET) on gross receipts of transactions currently taxed at the rate of 4%. The measure would increase the rate to 4.5%, and the additional revenues generated by the increase in tax would be deposited into special accounts for appropriations to and expenditure for operations of the Department of Education and the University of Hawaii. The measure is effective upon approval.

First, the Department notes that it cannot implement a change in GET rate by the effective date of the measure. A change in GET rate will require forms, instructions, and computer system changes, and educating taxpayers on the change in the law. If the Committee wishes to advance this measure, the Department respectfully requests that the effective date of this measure be made no earlier January 1, 2020 to give the Department sufficient time to implement the changes required by this measure.

Second, the Department notes that the measure may have inadvertently excluded other 4% GET impositions that are contained in sections other than section 237-13, Hawaii Revised Statutes (HRS). If these exclusions were inadvertent, the Department suggests amending sections 237-15, 237-16.5, and 237-18, HRS, with the proposed 4.5% rate accordingly.

Third, the Department notes that use tax codified in Chapter 238, HRS, is imposed on tangible personal property and intangible property acquired from an unlicensed seller and imported or used in the State. The use tax is complementary to GET and is intended to level the

playing field between licensed and unlicensed. Therefore, if the Committee wishes to advance the measure, the Department suggests amending sections 238-2, 238-2.2, and 238-2.3 to reflect the proposed 4.5% rate.

Finally, Section 2 of this measure which requires that additional revenues generated by the GET rate increase be deposited into special funds needs to be clarified. If the intent of the measure is to allocate the revenue attributable to 0.5% of the 4.5% of the increased retail rate that should be specified. However, for ease of administration, the Department suggests that a fixed amount be deposited into the special funds.

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

DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON EDUCATION AND HIGHER EDUCATION
ON
SENATE BILL NO. 1474

February 13, 2019
3:30 p.m.
Room 229

RELATING TO TAXATION

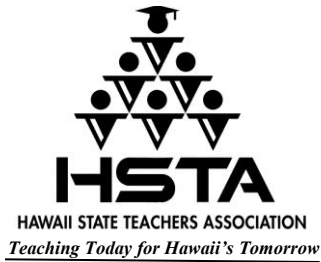
Senate Bill No. 1474: increases the general excise tax (GET) base rate by 12.5%, from 4% to 4.5%; requires that an unspecified percent or \$200 million, whichever is greater, of the additional revenues generated by the proposed GET rate increase be deposited into a special sub-account of the general fund to pay for the operating expenditures of the Department of Education (DOE), under Chapter 302A, HRS; and requires that an unspecified percent or \$50 million, whichever is greater, of the additional revenues generated by the proposed GET rate increase be deposited into a special sub-account of the general fund to pay for the operating expenditures of the University of Hawaii (UH), under Chapter 304A, HRS.

The Department of Budget and Finance appreciates the intent to increase funding for education, but does not support raising the GET rate at this time.

- The department does not believe that a GET rate increase is needed nor warranted at this time. Such an increase would represent a 12.5% increase in the GET rate paid by residents and visitors alike. It would also be regressive and harm our State's most vulnerable residents.

- As a matter of general policy, the department believes that creation of any special sub-account within the general fund of the State for specific purposes is an inconsistent application and use of the general fund. The department strongly believes that general fund program requirements should be reviewed on a statewide basis and allocated to programs based on statewide priorities within available resources.
- The bill is unclear as to whether the amount generated by the GET increase would be the sole source of operational funding for the DOE and UH or be used to increase their funding levels. General fund appropriations for the DOE and UH totaled \$2.1 billion in FY 18. Based on the latest report (January 10, 2019) issued by the Council on Revenues, the Department of Taxation estimates that a total of \$3.5 billion in GET revenues will be collected in FY 19. Enactment of this bill would increase the GET revenues by approximately \$438 million, which is far less than current FY 18 general fund appropriations of \$2.1 billion. Or if the intent is to increase DOE and UH funding levels, the additional GET revenues will increase their funding levels by almost 21%.

Thank you for your consideration of our comments.



1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819
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Corey Rosenlee
President

Osa Tui Jr.
Vice President

Logan Okita
Secretary-Treasurer

Wilbert Holck
Executive Director

TESTIMONY BEFORE THE SENATES COMMITTEE ON
EDUCATION and HIGHER EDUCATION

RE: SB 1474 - RELATING TO TAXATION

WEDNESDAY, FEBRUARY 13, 2019

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Kidani, Chair Kim and Members of the Committee:

The Hawaii State Teachers Association **strongly supports** SB 1474, with amendments, relating to taxation.

SB 1474 would increase the general excise tax (GET) by 0.5% to provide a dedicated funding source for the department of education and the University of Hawaii.

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 Hawaii'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. Hawaii'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-



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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.**

By raising the GET by 0.5% it will provide Hawaii’s public education system a dedicated funding source to provide additional funding for our public schools that will help alleviate the deferred maintenance on facilities across the system, provide much needed funds to recruit and retain qualified teachers, expand our support of special education, and help ensure all Hawaii’s public school students have a high quality education.

Accordingly, **we urge you to amend this bill by specifying that the 0.5% raise in the GET 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** SB 1474.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

LATE

Testimony Presented Before the
Senate Committees on Education and
Higher Education

February 13, 2019 at 3:30 p.m.

by

Kalbert K. Young

Vice President for Budget and Finance/Chief Financial Officer
University of Hawai'i System

SB 1474 – RELATING TO TAXATION

Chairs Kidani and Kim and members of the Committees:

Thank you for the opportunity to present testimony today. The University of Hawai'i (UH) **supports Section 2** of SB 1474, Relating to Taxation, to the extent that the bill provides additional funding to the University of Hawai'i. The bill additionally seeks to increase the General Excise Tax (GET) by 0.5% as the means to provide this dedicated funding source for the Department of Education and the UH.

Section 2 of the bill would provide at least \$50,000,000 in additional general fund resources annually to UH. To put this in perspective, our current (2019) Board of Regents approved budget request is roughly \$26 million per year in additional general fund appropriations. UH supports this initiative for additional funding resources to improve the social, economic, and environmental well-being of current and future generations through higher education. Additional public funding would help alleviate pressures on tuition revenue and could provide for increased services offered by the State and the University.

Unfortunately, increasing the overall tax burden to residents, visitors, and other taxpayers through the general excise tax is difficult to support. The GET is such a permeated tax that every individual, family, and business, would be impacted to some degree. The University's position on this bill recognizes the difficult balance to adequately fund government services – like education – with the unfortunate burden of requiring tax revenues to do so. As such, we acknowledge the difficult policy decision regarding increasing the GET by 0.5% and recognize the role of the Legislature as the policy-making body of the State.

Thank you for this opportunity to testify and for putting forth for discussion the value-added exchange of utilizing (increasing) general tax revenues to support education statewide.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, USE, Increase Tax Rate, Give to Education

BILL NUMBER: SB 1474

INTRODUCED BY: TANIGUCHI

EXECUTIVE SUMMARY: Increases the general excise and use taxes by 0.5% and provides that the revenue generated by the increased rate will be used for department of education (DOE) and University of Hawaii (UH) operations, including salaries and maintenance costs. With a tax increase of this magnitude, economic ripple effects are likely to be enormous because of the all-encompassing nature of the tax. We also question why such a massive increase is being sought given that DOE and UH already have a gargantuan share of the State budget but are still beset with such issues as frustrated teachers, students roasting in our classrooms, and a massive maintenance backlog.

BRIEF SUMMARY: Amends HRS section 237-13 to increase the general excise tax from 4.0% to 4.5%. This is before any county surcharge is applied.

Amends HRS section 237-31 to provide that the revenues generated by the increased general excise taxes shall be distributed as follows: (1) __% or \$200,000,000, whichever is greater, for appropriation to and expenditure for operations of the department of education; and (2) __% or \$50,000,000, whichever is greater, for appropriation to and expenditure for operations of the University of Hawaii.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This measure is proposed to provide additional revenue to DOE and UH by increasing the general excise tax by 0.5%. It should be remembered that any increase in the general excise tax rate will not only increase the cost of living in the state but also increase the cost of doing business. Thus, businesses must build the added cost of the additional rate into their overhead and, therefore, it must be recovered in the cost of the goods and services they sell. The general excise tax is perhaps the worst tax to increase because of its broad-based application. Increases in the cost of living, as well as the cost of doing business in the state will drive more and more businesses out of operation and with them the jobs Hawaii's people need. For teachers who have requested this increase in the tax to fund their salaries, they should acknowledge that they are just making it worse for everyone as the cost of food, shelter, clothing, transportation and every other essential household item will increase making it harder for all families, including their own, to survive.

The general excise tax is all-encompassing. The Hawaii courts have said it is "a wide and tight net." *In re Island Holidays, Ltd.*, 59 Haw. 307, 316, 582 P.2d 703, 708 (1978). It covers "virtually every economic activity imaginable." *Pratt v. Kondo*, 53 Haw. 435, 436, 496 P.2d 1, 2 (1972). It "applies at all levels of economic activity ... and to virtually all goods and services."

In re Central Union Church, 63 Haw. 199, 202, 624 P.2d 1346, 1349 (1981). It is an “omnipresent snare.” *Wasson-Bendon Partners v. Kamikawa*, 93 Haw. 267, 278, 999 P.2d 865, 876 (Ct. App. 2000). Not only will the general excise tax increase the cost of doing business, but it will affect the cost of all other non-food purchases, be it clothes, textbooks for university students, rent for those people who don’t own their shelter which are generally the poor and middle class, the price at the pump for gasoline - everything right down the line. Residents of Honolulu already know what such an increase can do the price of goods and services as a result of the transit surcharge.

More importantly, because the general excise tax is a tax on gross income, most businesses will try to recover as much of the cost of the tax by passing it on to the customer. As Oahu taxpayers learned when the 0.5% surcharge on the general excise tax for transit went into effect, the amount passed on to the customer went not from 4% to 4.5% but the charge went from 4.16% to 4.712%. Thus, the tax rate actually passed on will be more than the nominal 5%. Indeed, a 5% tax corresponds to a pass-on rate of 5.263%, and in Honolulu the rail surcharge will result in a pass-on rate of 5.820%. Again, such an increase will ripple through the economy and into the cost of all goods and services purchased by residents and visitors alike. To that degree, taxpayers can take their hats off to teachers for upping the cost of living and doing business in Hawaii.

A tax increase of any magnitude in Hawaii’s fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers will have to find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

While the teachers believe that they have not been given a fair shake at the negotiating table, that is an issue that should be resolved at the table and not by asking for tax increases or an earmarked source of funding. It is up to the teachers to ask for what money is available just like any other collective bargaining units. Although public employee union leaders complain about how the public employees should not be asked to bear the brunt of the downturn in the economy, they seem to ignore the fact that employees in the private sector have taken hits early and often, with many of them either working shorter hours or having taken pay cuts if they are working at all. To prove the point, lawmakers should ask how many of the unemployed workers come from the public payroll and how many are employees laid off from the private sector. The downsizing during the recent economic downturn may seem to have hit more public employees, but then again, government is the largest employer in the state. However, one cannot ignore the impact the closing of businesses such as Aloha Airlines that affected more than 3,000 employees directly and many more indirectly in companies which provided goods and services to the airline.

Teachers do have a legitimate complaint that should demand the attention of lawmakers and Board of Education members, namely that teachers are being asked to do more and more

administrative paperwork and are spending less and less time in the classroom. If nothing else, the funds that are being appropriated to the DOE are failing to reach the classroom because of the top-heavy administrative structure of the department that demands reports and schedules and evaluations to justify the role of administrators. The frustration of classroom teachers is that they spend too much time filling out forms and reports and not enough time in the actual classroom. Unfortunately, with more than \$1.5 billion in its budget and more than 20% of the general fund budget, teachers are frustrated, and kids are roasting in the schools. The department of education still cannot get it right. Until it does, there is little justification for an increase of financial resources let alone an increase in the general excise tax.

Technical comments: To effectuate an increase in GET, sections 237-13, -15, -16.5, and -18 need to be amended. In addition, the complementary Use Tax needs amendments in sections 238-2 and -2.3 to maintain consistency.

Digested 2/10/2019



P.O. Box 37158, Honolulu, Hawai'i 96837-0158
Phone: 927-0709 henry.lifeoftheland@gmail.com

COMMITTEE ON EDUCATION
Senator Michelle N. Kidani, Chair
Senator Donna Mercado Kim, Vice Chair

COMMITTEE ON HIGHER EDUCATION
Senator Donna Mercado Kim, Chair
Senator Michelle N. Kidani, Vice Chair

DATE: Wednesday, February 13, 2019
TIME: 3:30pm
PLACE: Conference Room 229

SB 1474 RELATING TO TAXATION

CONCERNS

Aloha Chairs Kidani and Kim, and Members of the Committee

Life of the Land is Hawai'i's own energy, environmental and community action group advocating for the people and `aina for 49 years. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

Last year, the Legislature passed a poorly written constitutional amendment allegedly to fund schools from the more economically affluent. The Supreme Court found the wording confusing and the constitutional amendment was not on the ballot.

This year, SB 1474 is being proposed. It would tax the economically challenged the hardest, by increasing the regressive General Excise Tax.

Surely there is a way of fixing last year's amendment in a way that is clear and concise.

Mahalo,
Henry Curtis, Executive Director



AMERICANS FOR DEMOCRATIC ACTION

OFFICERS	DIRECTORS		MAILING ADDRESS
John Bickel, President	Melodie Aduja	Stephen O'Harrow	P.O. Box 23404
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Dylan Armstrong, Secretary	Gloria Borland	Jenny Nomura	

Feb. 10 , 2019

TO: Honorable Chair Kidani & EDU Committee Members
Fi
RE: SB 1474 Relating to Taxation

Support for hearing on Feb 12

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

We support SB 1474 as it would increase the general excise tax by 0.5% to provide a dedicated funding source for the Department of Education and the University of Hawaii. Our education is vastly underfunded. We need money for a pre-K program, for salaries that will attract and retain quality faculty all levels, and many other needs. This bill is a start.

Sincerely,

John Bickel President





Tuesday, February 12, 2019

Senate Bill 1474
Testifying in Support

Aloha Chairs Kidani, Mercado Kim, and Members of the Committees on Education and Higher Education,

The Democratic Party of Hawai'i (The Party) **supports of SB1474 Relating to Taxation**, which increases the state general excise tax by 0.5% to provide a dedicated funding source for the department of education and the University of Hawai'i.

Educating our state's children by fully funding our public school system is one of the most important jobs of the State of Hawai'i.

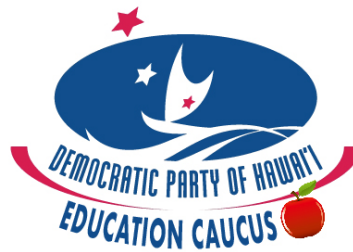
Currently our schools lack qualified teachers in over 1,000 classrooms which, instead, are staffed by substitutes and emergency hires without the training and knowledge to educate our students. In addition, the crumbling facilities and lack of basic resources in our schools make it impossible for our children to learn and reach their potential. Other bills referred to the Committee on Education which propose expansion of our state's pre-kindergarten classrooms, while beneficial to our state, may exacerbate the teacher shortage problem in our schools. We need adequate funding to pay, support and train our public school teachers.

For these reasons, we urge you to vote favorably on this bill and increase the funding for the Department of Education and the University of Hawai'i through the increase of the general excise tax in the amount of 0.5%.

Mahalo for the opportunity to testify,

Josh Frost
Co-Chair, Legislation Committee
Democratic Party of Hawai'i

Zahava Zaidoff
Co-Chair, Legislation Committee
Democratic Party of Hawai'i



SENATE BILL 1474, RELATING TO TAXATION

FEBRUARY 13, 2019 · SENATE EDUCATION AND
HIGHER EDUCATION COMMITTEES · CHAIR SEN.
MICHELLE N. KIDANI AND SEN. DONNA MERCADO
KIM

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports SB 1474, relating to taxation, which increases the general excise tax by 0.5 percent to provide a dedicated funding source for the department of education and the University of Hawai'i.

As you are aware, the Hawai'i Supreme Court invalidated the proposed constitutional amendment to increase school funding by placing a surcharge on residential investment property. While we are disappointed by the Court's ruling, the Caucus is continuing the fight to deliver the schools our keiki deserve.

To that end, we support legislation to increase funding for Hawai'i's public school system. The Aloha State is suffering from a chronic teacher shortage crisis. According to the Hawai'i Department of Education, our state's teacher shortage stood at 1,029 teacher positions overall for the 2018-2019 school year, 252 of which were for special education. Additionally, we continue to lose approximately 50 percent of new hires after five years. In fact, the number of teachers exiting the teaching profession has increased by more than 80 percent since 2010.

Low teacher pay is the primary driver of teacher turnover. Numerous studies, including those performed by WalletHub.com and EdBuild, have found that Hawai'i's teacher pay ranks last in the nation when adjusted for cost of living. Moreover, a 2019 Economic Policy Institute analysis found that in our state, teachers earn 19.1 percent lower pay compared with other college graduates.

Research also shows that as teacher pay increases, so, too, does student achievement. A Stanford University analysis found that raising teacher wages by 10 percent reduces high school dropout rates by 3 percent to 4 percent. Similarly, a Florida study showed that pay raises reduced teacher attrition by as much as 25 percent for hard-to-fill subject areas, with children's learning growth gaining from more exposure to experienced educators.

To deliver the schools our keiki deserve, we must pay teachers what they're worth. Furthermore, according to the National School Supply and Equipment Association, public school teachers annually spend \$1.6 billion of their discretionary income on supplementary school supplies and instructional materials. On average, teachers surveyed spent a total of \$485 on school supplies and instructional materials, with more than 10 percent spending over \$1,000 of personal income each school year to educate their keiki.

That trend is, if anything, worse in Hawai'i. Pay cuts, rising health care costs, adjusted insurance co-pays, and the loss of the state's \$1,690-per-special-education-teacher classroom supply fund have all aggravated the financial burden borne by teachers' pocketbooks. In a recent survey conducted by HSTA, 47 percent of respondents cited personal expenditures between \$250 and \$500 each year on classroom supplies, with many claiming expenditures in excess of \$1,000. Lawmakers must take action to lighten their financial load.

Budget cuts and an overemphasis on standardized testing have crippled the DOE, in recent years, leading to reconsideration of whether or not to continue successful learning programs. Unfortunately, when our state's education budget fails to keep pace with inflation, successful learning centers and categorical programming get placed on the chopping block, while the DOE's priorities shift from classroom support to programmatic savings. Put simply, when we fail to

adequately fund our schools, the DOE must spend more time accounting for basic, programs, crowding out concerns about the efficient allocation of funds for individual teacher needs, like classroom supplies.

Finally, we note that our state's public schools are over 60 years old on average and the department's repair and maintenance backlog currently stands at \$860 million. Providing students and teachers with a quality and safe learning environment is essential to increasing student achievement. Decaying classrooms are not conducive to providing an education that matches the needs of the 21st Century job market or civic society, especially when they are not only under-resourced, but drifting steadily toward uninhabitability.

In FY2018, the general excise tax brought approximately \$3.4 billion into the state's coffers. If the 80/20 percent revenue split between the DOE and UH is maintained in this bill, **that would amount to roughly \$340 million for public schools and \$85 million for UH.**

While the death of the constitutional amendment still stings, we cannot give up the quest for a fully-funded school system. Our children's future depends on our resolve.

LATE



O`ahu County Committee on Legislative Priorities

COMMITTEE ON EDUCATION

Senator Michelle N. Kidani, Chair
Senator Donna Mercado Kim, Vice Chair

COMMITTEE ON HIGHER EDUCATION

Senator Donna Mercado Kim, Chair
Senator Michelle N. Kidani, Vice Chair

DATE: Wednesday, February 13, 2019

TIME: 3:30 p.m.

PLACE: Conference Room 229, State Capitol

RE: SB 1474 Relating to Taxation

To the Honorable Michelle N. Kidani, Chair; the Honorable Donna Mercado Kim, Vice Chair, and the Members of the Committee on Education, and

To the Honorable Donna Mercado Kim, Chair; the Honorable Michelle N. Kidani, Vice Chair, and the Members of the Committee on Higher Education:

My name is Melodie Aduja and I serve as Chair of the O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i. Mahalo nui loa for this opportunity to provide testimony on SB 1474. The O`ahu County Committee on Legislative Priorities (OCCLP) of the Democratic Party of Hawai`i (DPH) hereby submits its testimony in **SUPPORT of SB 1474 relating to Taxation for the benefit of Department of Education and the University of Hawai`i.**

SB 1474 increases the general excise tax by 0.5% to provide a dedicated funding source for the Department of Education and the University of Hawai`i.

DPH believes that the future of our State as well as our Country depends upon an educated and knowledgeable citizenry. DPH supports the prioritization of our resources toward providing quality public education and library services to every student, regardless of learning capacity or ability to pay, in an environment conducive to the learning process. These resources shall be made available at every level, from pre-school through higher education, including life-

long learning. Educational facilities must be maintained, renovated and built to 21st century innovations so that our students learn in well-designed, safe environments.

Education shall be respected as a valuable resource and those pursuing a profession in education shall be compensated with a competitive wage based on National standards while taking into consideration our State's cost of living. DPH supports hiring the most qualified teachers, administrators and specialists for our educational system. DPH also supports partnerships with universities and colleges that prepare educators and provide advanced degrees in Hawai'i or elsewhere who provide practicum support and or access.

DPH believes that the major role of education is to develop critical and creative thinkers who are knowledgeable about issues and able to evaluate and solve real-world problems. The curriculum also should emphasize cultural learning, the arts, career and trade skills, and physical education so that we may preserve our health and rich cultural history. A variety of learning strategies should be used, including group projects, cooperative learning, discussion, games and technological innovations. DPH views standardized tests as just one way of evaluating learning and support multiple measures, including performance assessments such as portfolios and observations.

Consistent with these goals, DPH seeks to make public college, public university, trade, mentorship and apprenticeship programs available to all seeking further education tuition free.

DPH needs to ensure that our students are safe in our schools, free from bullying and discrimination, to include but not limited to, disability, gender bias, weight, ethnicity, sexual orientation, gender identity, gender expression, and/or religion. DPH supports policies in all our schools that protect, honor and address the needs of transgender and gender nonconforming students. We need to ensure that they have access to proactive positive behavior supports rather than reactive responses.

DPH believes children's early years are particularly important and support increased funding for birth to grade education and early childhood teacher education. There is to be coordination of departments so that there is Continuity of Care that includes medical providers when appropriate.

DPH supports an additional dedicated source of funding for the Department of Education. We support maximizing access to Federal funds to offset the State cost to provide specialized support. *Democratic Party of Hawai'i Platform (2018), p. 2, ln. 50-52, p. 3, ln. 1 – 34.*

For the foregoing reasons, to wit, to prioritize our resources toward providing quality public education and library services to every student, regardless of learning capacity or ability to pay, in an environment conducive to learning in the Department of Education and the University of Hawai'i systems, OCCLP supports SB 1474 and urges its passage out of the Committee on Education and Committee on Higher Education.

Mahalo nui loa

Me ka `ōia`i`ō

/s/ *Melodie Aduja*

Melodie Aduja

Chair, O`ahu County Committee on Legislative Priorities of the Democratic Party of
Hawai`i

Ph. (808) 258-8889

Email: legislativepriorities@gmail.com

SB-1474

Submitted on: 2/12/2019 3:36:32 PM

Testimony for EDU on 2/13/2019 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Lori Shimomura	Testifying for Roosevelt High School	Support	No

Comments:

Roosevelt Testimonies

Dear Senator Kidani and Senator Kim

My name is Ashley A. and I am a student at Roosevelt High School. I would like to bring your attention to the need of AEDs and CPR training in all schools. I am testifying in favor of this to bring awareness to its importance.

It is absolutely necessary for all schools to have AEDs present around their campus and to equip students and faculty along with CPR training. Along with proper hands-on training, they will also learn the difference between a person having a heart attack and a person going under cardiac arrest. With this knowledge, the problem can be quickly identified and the correct steps can then be put into action. No matter the age or level of experience, CPR is an important skill that should be taught in schools in case of a sudden emergency. If one were to happen at a school, then the proper training will be used and an AED can also be used if necessary. This is why it is essential for AEDs to be spread throughout campuses. These unfortunate events can happen to anyone at any given time, so that continues to emphasize the importance of having AEDs present and CPR training at schools.

I am writing to you to support the implementation of CPR training and additional AEDs in all schools.

Sincerely,

Ashley A.

RE: We would like a education of AED and CPR on campus.

Dear Senator Kim and Senator Kidani

My name is Anh Vu Que D. and I am a student from Roosevelt High School.

We would like a education of CPR and having more AEDs on campus. The three reason our school need it because it will decrease the percent of death on cardiac arrest, the knowledge on CPR and AED, making community safer.

If someone at our school has a cardiac arrest and no one has the knowledge to do CPR then that person could die because on Oahu there is only 18 ambulance. This affect a lot if that person having cardiac arrest is on somewhere that don't have ambulance because the ambulance can took more than half an hour to came. It only took two minutes for a person to die from cardiac arrest. It a lot helpful if someone know CPR, so that person can do CPR while waiting for the ambulance to come. Also we will also like to have AED in our school, at least for every building in my school. Right now my school only have five AED on campus.

Please support that school need to educate CPR and have more AED on campus.

Again we would like an education for our school because it important. Please respond back.

Sincerely,

Anh Vu Que D

1120 Nehoa Street

Honolulu, HI, 96822

January 23, 2019

Aloha,

I am a Junior at Roosevelt High School. I am writing to encourage the state to sign a bill that requires all schools and neighborhoods to have AEDs (Automated External Defibrillators) around the campus and all high school students to graduate with being CPR certified. This is to help reduce sudden cardiac arrest issues to create a safer environment for everyone in the state of Hawaii.

Cardiac arrest occurs suddenly and those who have cardiac arrest only have two minutes to be likely to stay alive. If people know what CPR is and how to perform it, it would help to save someone. In addition, AEDs are a live-saving machine. It works as a simpler version of the electric device from the hospital that shocks one's heart to revive it. You really don't know when this skill and machine will come in handy. In the future, if someone suddenly collapses and the condition is defined as a cardiac arrest, people could use this skill that they learned to give CPR to that victim. By doing so, they will be saving someone's loved one and showing others the importance of CPR. People would not panic upon the emergency and stay calm to conduct all the procedures needed.

Currently, not many people know how to use the AED and how to perform CPR, if a bill is signed to require all high schools to teach their students about these information before they graduate, the society will have more people that can help save other's life. Knowing how to do CPR and having AEDs around is very important, these can save lives and reduce death rates for cardiac arrest or similar causes. MAHALO!!!!

Sincerely

Le Yi Feng Z.

Dear Senator Kim and Senator Kidani

1120 Nehoa Street

Honolulu, HI, 96822

January 23, 2019

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I am a Junior at Roosevelt High School. I am writing to encourage the state to sign a bill that requires all schools and neighborhoods to have AEDs (Automated External Defibrillators) around the campus and all high school students to graduate with being CPR certified. This is to help reduce sudden cardiac arrest issues to create a safer environment for everyone in the state of Hawaii.

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Currently, not many people know how to use the AED and how to perform CPR, if a bill is signed to require all high schools to teach their students about these information before they graduate, the society will have more people that can help save other's life. Knowing how to do CPR and having AEDs around is very important, these can save lives and reduce death rates for cardiac arrest or similar causes. MAHALO!!!!

Sincerely

Le Yi Feng Z.

Dear Senator Kim and Senator Kidani

Aloha my name is Braeden Hite, I am from President Theodore Roosevelt High School. My issue is that AED should be everywhere on our campus because, we only have 5 AEDs on our campus and all 5 are all far away from each other so to say if someone was in G building and they collapse, the nearest AED would be all the way down in trainer's room or A building. This is bad if a student were to

collapse or have an attack and there is no AED near that person. We should have more AEDs on CAMPUS and everyone should learn HOW TO DO CPR and USE AN AED! AED and CPR are critical to saving a person's life.

CPR or Cardiopulmonary Resuscitation as it is called, is performed as a procedure in an emergency when the heart stops. It is also to make sure the lung is functioning so that air can pass through for the person to breathe. Here is a text from a website that can show what happens when CPR is not applied, "Although advances in emergency cardiac care continue to improve the chances of surviving [cardiac arrest](#), cardiac arrest remains a leading cause of death in many parts of the world. Each year, about 610,000 Americans die from [heart disease](#). Half of these will die suddenly, outside of the hospital, because their heart stops beating." If a person is in cardiopulmonary arrest which means no breathing and no heartbeat, the best way to buy time before the paramedics or an AED comes that is the time to give the person CPR because also when performing CPR, the person who needs it can receive oxygenated blood that flows through to the heart and brain until defibrillator will become available to the person who needs it.

Sincerely

Braeden H.

SB-1474

Submitted on: 2/8/2019 5:38:14 PM

Testimony for EDU on 2/13/2019 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Augusto Decastro	Individual	Support	No

Comments:

SB-1474

Submitted on: 2/9/2019 4:58:48 PM

Testimony for EDU on 2/13/2019 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Eric Schrager	Individual	Support	No

Comments:

Please pass this bill and start funding our schools properly!

SB-1474

Submitted on: 2/11/2019 2:18:35 PM

Testimony for EDU on 2/13/2019 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Morgan Bonnet	Individual	Support	No

Comments:

SB-1474

Submitted on: 2/10/2019 3:21:37 AM

Testimony for EDU on 2/13/2019 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jun Shin	Individual	Support	No

Comments:

Aloha,

My name is Jun Shin. I am testifying as an individual. Hawai'i is suffering from a chronic teacher shortage crisis. According to the Hawai'i Department of Education, our state's teacher shortage stood at 1,029 teacher positions overall for the 2018-2019 school year, 252 of which were for special education. Additionally, we continue to lose approximately 50 percent of new hires after five years.

Our state's school facilities are over 60-years-old on average, leaving our children with crumbling classrooms. Those same classrooms often lack basic supplies because schools cannot afford to provide teachers with the curricular materials necessary to increase student learning. Finally, we cannot reduce class size, expand arts and vocational education, or increase access to public preschool without establishing a dedicated funding stream for education.

To fund the schools that our keiki deserve, please support this bill.

Mahalo

SB-1474

Submitted on: 2/12/2019 1:26:53 PM

Testimony for EDU on 2/13/2019 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Negaard	Individual	Support	No

Comments:

I teach English and STEM at Henry Perrine Baldwin High School on Maui, and I am tired of seeing my students short-changed because Hawai'i refuses to adequately fund public schools, resulting in unstaffed teaching positions, dilapidated facilities, a lack of basic supplies and curricular materials, shrinking arts and vocational education programs, and growing class sizes.

In every way but one, my move from Lancaster, California (where I was a public schoolteacher) to Maui, Hawai'i is the best thing I've ever done. The "but one" is financial. Had I remained in Lancaster, I would next year be earning six figures. In Hawai'i, the pay scale for public school teachers doesn't get close to that, even at the very top. I estimate that in just seven years, this move has cost me \$250,000 in salary alone. I am staying, but I fully understand those—even those born and raised—who follow the money, at least far enough from Hawai'i to make a decent living.

Our keiki deserve teachers that can afford to stay, and not just to stay, but to stay after school, rather than rushing off to second jobs bussing tables, driving for Uber or Lyft, or parking cars. 50% of Hawai'i public school teachers work a second (and maybe a third and fourth) to stay afloat, leaving them with little time for coaching or club advising, after-school tutoring, or field trips, all things that enrich the learning experience. The cost to their families cannot be estimated.

Our keiki also deserve adequate facilities in good repair, well equipped and climate controlled where appropriate. They deserve adequate supplies and current, diverse curricular materials, rich and expansive arts and vocational education, and small class sizes.

It is said, "Where your treasure is, there is your heart also." Either we invest in our keiki, or we confess that our heart is not with them. I implore you, fund the schools our keiki deserve. Support this bill.



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Barry Taniguchi, KTA Superstores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*

TO:

Committee on Education and Committee on Higher Education
Senator Michelle N. Kidani and Senator Donna Mercado Kim, Chairs
Senator Donna Mercado Kim and Senator Michelle N. Kidani, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION

Lauren Zirbel, Executive Director

DATE: February 13, 2019

TIME: 3:30pm

PLACE: Conference Room

RE: SB1474 Relating to Taxation

Position: Oppose

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

HFIA is in opposition to this measure, which will increase the cost of living for Hawaii residents. This new tax will cost Hawaii families hundreds of extra dollars each year. This measure will also make our state a more expensive and less attractive travel destination for tourists.

There are no exemptions in this measure for things like food, essential items, or medicine. The added tax would increase Hawaii families' grocery bills and medical expenses. Hawaii already has the highest cost of living in the U.S. and one of the highest tax burdens in the U.S. We are also one of only a few states that tax groceries.

Taxes on these items are regressive and impact lower income families the most because these families spend a higher percentage of their income on food and other necessities. This tax would increase the financial burden on those who can least afford it. Currently a Hawaii Family that spends just \$100 a week on groceries will pay \$208 a year in GET on groceries alone, that's the equivalent of two weeks worth of groceries lost to taxes on groceries. The current cap for the refundable food tax credit is \$110 per taxpayer, and families have to wait until the end of the year and apply to get that refund.

For residents of Honolulu County, Kauai County, and Hawaii County the tax burden is even greater due to the new County surcharges. We should be taking measures to reduce the cost of living for Hawaii residents, not making things worse. For these reasons we ask that this measure be held.



**TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 13, 2019**

Re: SB 1474 Relating to Taxation

Good afternoon Chairperson Kidani and Chairperson Mercado Kim and members of the Senate Committee on Education and the Committee on Higher Education. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii (RMH) as founded in 1901 and is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. The retail industry is one of the largest employers in the state, employing 25% of the labor force.

While we understand the intent of this bill, we are opposed to SB 1474 Relating to Taxation. This measure would increase the general excise tax by 0.5% to provide a dedicated funding source for the department of education and the University of Hawaii.

We recognize the value of a good education and the tools needed to be successful. Hawaii's keiki has a comprehensive education regardless of what county or city or island live in, unlike some school districts on the mainland where depending on the district or precinct you live in will determine the quality of education you receive.

We also are fully aware that this increase in the General Excise Tax would make the cost of living in Hawaii even more expensive. We are constantly hearing how people are moving from our great state because they cannot afford to the high cost of living here – high rent, high food costs...

Raising the GET may seem like an easy solution but the impact will be felt by all consumers in the community including single parents, our kapuna on a fixed income, and those barley making ends meet. Hawaii cannot afford a higher cost of living.

It is our understanding that the Department of Education has not had an independent audit. There is no real transparency and we do not know how their funds are being used and if they are being used efficiently and effectively to benefit our teachers and those children attending school. Raising the GET is not the solution, but maybe an independent study might be.

We urge you to hold this measure. Mahalo again for this opportunity to testify.

SB-1474

Submitted on: 2/12/2019 5:47:24 AM

Testimony for EDU on 2/13/2019 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Brett Kulbis	Testifying for Honolulu County Republican Party	Oppose	No

Comments:

SB-1474

Submitted on: 2/10/2019 8:34:48 PM

Testimony for EDU on 2/13/2019 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Bianca Mintz	Individual	Oppose	No

Comments:

No new taxes! Hawaii is already one of the most heavily taxed states in the nation, yet it has one of the worst public education systems. Spending more taxes on public education has not helped Hawaii schools in the past so why will it help now. The definition of insanity is to keep doing the same thing and expecting a different outcome. Perhaps, as in other states, teachers should 'be required to have a bachelors' degree in the subject that they are teaching.

SB-1474

Submitted on: 2/11/2019 8:37:23 AM

Testimony for EDU on 2/13/2019 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Dr Marion Ceruti	Individual	Oppose	No

Comments:

I oppose SB 1474 because it will support communist indoctrination at the university level at taxpayer expense. Our taxes are too high already. If you want to improve the university, you should ensure freedom of speech on campus and equal access to all viewpoints. Stop trying to raise our taxes while promoting suppression of conservative expression.

SB-1474

Submitted on: 2/11/2019 9:16:29 AM

Testimony for EDU on 2/13/2019 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
William Hoover	Individual	Oppose	No

Comments:

I oppose SB 1474 because it will support communist indoctrination at the university level at taxpayer expense. Our taxes are too high already. If you want to improve the university, you should ensure freedom of speech on campus and equal access to all viewpoints. Stop trying to raise our taxes while promoting suppression of conservative expression.

SB-1474

Submitted on: 2/11/2019 11:16:10 AM

Testimony for EDU on 2/13/2019 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Michelle Kerr	Individual	Oppose	No

Comments:

I strongly oppose raising the GE Tax for any reason. We on the neighbor islands are already paying for Honolulu's rail mess. The GE Tax hits low income people and small businesses who have to pass on those taxes to their customers the most. We are already over-burdened with taxes of every kind and increased fees for everything.

Neither the university nor the Hawaii Public schools should get tax money other than appropriated in the normal way through the legislature. Tax money for public schools was defeated in the last session so I am not surprised to see it reappear in this form, but I am just as opposed to it as always.

No on SB1474

SB-1474

Submitted on: 2/12/2019 1:35:26 PM

Testimony for EDU on 2/13/2019 3:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Antya Miller	Individual	Oppose	No

Comments:

Aloha,

The residents of Hawaii are one of the most taxed in the United States. Between having one of the highest costs of living in the country, the highest cost of housing and being one of the most taxed in the country, our residents are having to leave in droves. Our children are our main export.

Hawaii will become a place only for the rich and the poor with no middle class or businesses to create and pay for the needed taxes! Increasing taxes is not the answer. Look at privatizing certain functions in our public schools like janitorial and landscaping. Look at making the administrations more efficient and getting more money into the classrooms. Decrease the unnecessary regulations on our schools. Look for any and all cost savings and efficiencies.

Look at helping with housing for teachers like we had back in the 50's, but without the state being the landlord. A housing trust would be a possibility.

But, please... don't raise the taxes on our overburdened tax payors. The GET is the most regressive tax for low-income people.

Mahalo,

Antya Miller

342-8557