
A BILL FOR AN ACT

PROPOSING AMENDMENTS TO ARTICLES VIII AND X OF THE CONSTITUTION OF THE STATE OF HAWAII TO AUTHORIZE THE LEGISLATURE TO ESTABLISH A SURCHARGE ON RESIDENTIAL INVESTMENT PROPERTY TO INCREASE FUNDING FOR PUBLIC EDUCATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that article X, section
2 1, of the Constitution of the State of Hawaii requires the State
3 to provide a system of public education, which includes K-12 and
4 post-secondary education institutions. Compared to other
5 states, Hawaii is unique because the State is responsible for
6 providing and funding public education and has only one public
7 higher education system in the State. As a result, funding for
8 public education in Hawaii is primarily sourced from the general
9 revenues of the State.

10 The legislature further finds that public education in
11 Hawaii is not adequately funded. According to a 2017 analysis
12 of real property tax in Hawaii performed by the department of
13 business, economic development, and tourism, Hawaii's education
14 expenditures, as a share of combined state and local government
15 expenditures, is 27.3 per cent and ranks as the lowest in the



1 nation. At \$12,855 per child, Hawaii trails mainland school
2 districts of similar size when adjusting for cost of living.
3 This inadequate funding of Hawaii's public school system has
4 played a role in driving many Hawaii families to enroll their
5 children in private schools, leaving Hawaii with one of the
6 highest rates of private school enrollment in the nation
7 according to the United States Census Bureau.

8 The legislature additionally finds that the United States
9 Department of Education currently considers over seventy per
10 cent of Hawaii's public schools to be Title I schools. In
11 addition, a majority of public school students are now
12 considered high-needs students, meaning they are students who
13 qualify for free or reduced price lunch, English language
14 learners, or special education students.

15 The legislature also finds that funding of public higher
16 education in the State has declined as a portion of the state
17 budget from nine per cent in 2013 to seven per cent in 2022.
18 During the same period, the cost of higher education has
19 increased nationally. The 2022 Hawaii Databook reports that the
20 number of faculty, staff, and personnel at the university of
21 Hawaii has declined from 2019 to 2022. Reductions in funding



1 and available state revenue have compromised the sustainability
2 and availability of programs at the State's only public higher
3 education institutions. With the costs of a college education
4 rising, the legislature further finds that access to, and
5 affordability of, public universities is even more critical for
6 Hawaii residents. The university of Hawaii facilities are aged,
7 lack current investment, and are not contemporary to other
8 universities due to inadequate funding investment. While
9 statewide need for higher education and enrollment are ever
10 increasing, the lack of historical public funding support
11 undermines the State's ability to meet this demand.

12 The legislature further finds that Hawaii's K-12 school and
13 university facilities are aging, and funding for the repair and
14 maintenance of older facilities and building of newer facilities
15 is sorely needed. The mean age of K-12 school facilities in
16 Hawaii is sixty-one years; the average school building is forty-
17 four years old; and fifty-three buildings are over one hundred
18 years old. The majority of buildings at the university of
19 Hawaii were constructed over forty years ago. Classroom
20 facilities, student housing buildings, campus amenities, and
21 facilities that support the physical plant of the campus have



1 not been adequately funded to the level to support regular
2 routine maintenance.

3 The legislature additionally finds that after adjusting for
4 the high cost of living in Hawaii, teachers' average salaries
5 are in the lower half of pay compared to other states in the
6 United States. State spending on public education is the lowest
7 in the nation and is ranked as the forty-ninth worst state in
8 the nation for teachers.

9 The legislature further finds that the COVID-19 pandemic
10 brought unprecedented challenges that had a disproportionate
11 effect on students of color and students from low-income
12 backgrounds. The federal government was able to inject funds
13 through the American Rescue Plan and highlighted the importance
14 of increased funds for public education in the State.

15 The legislature also finds that chronic underfunding in
16 public education undermines the State's goal of providing a
17 quality education to all of Hawaii's students and to having an
18 educated workforce. Insufficient funding results in delayed
19 repairs to school facilities, overheated classrooms, larger
20 class sizes, a lack of adequate classroom supplies, elimination
21 of arts and career and technical education courses, budget cuts



1 for special education and English language learner programs,
2 increased in-state tuition costs to attend the university of
3 Hawaii, and an increasing number of vacant teacher positions
4 statewide. It is necessary to develop a new means of funding
5 Hawaii's public education system to ensure that the State will
6 be able to prepare all students to meet the social and economic
7 demands of the twenty-first century.

8 The legislature notes that the cost of housing is a
9 significant deterrent to affordability of residing in Hawaii.
10 Real estate owned by nonresident investors exacerbates the
11 economics of unaffordability of housing. The State needs its
12 residents to be educated and for local businesses and the
13 industry to have a well-educated resident workforce. Enabling
14 funding from real estate speculation to support public education
15 infrastructure within the State is rational.

16 The purpose of this Act is to propose an amendment to the
17 Constitution of the State of Hawaii to repeal the counties
18 exclusive power to tax real property and authorize the
19 legislature to establish a state surcharge on real property
20 taxation levied by the counties on certain residential



1 investment properties for the purpose of helping to fund public
2 education for all of Hawaii's children and adults.

3 SECTION 2. Article VIII, section 3, of the Constitution of
4 the State of Hawaii is amended to read as follows:

5 **"TAXATION AND FINANCE**

6 **Section 3.** The taxing power shall be reserved to the
7 State, except so much thereof as may be delegated by the
8 legislature to the political subdivisions[~~, and except~~];
9 provided that all functions, powers and duties relating to the
10 taxation of real property shall be exercised [~~exclusively~~] by
11 the counties, with the exception of the county of Kalawao[~~+~~];
12 provided further that the legislature may establish a surcharge
13 on the counties' taxation of residential investment property as
14 provided in Article X, section 1. The legislature shall have
15 the power to apportion state revenues among the several
16 political subdivisions."

17 SECTION 3. Article X, section 1, of the Constitution of
18 the State of Hawaii is amended to read as follows:

19 **"PUBLIC EDUCATION**

20 **Section 1.** The State shall provide for the establishment,
21 support and control of a statewide system of public schools free



1 from sectarian control, a state university, public libraries and
2 [~~such~~] other educational institutions as may be deemed
3 desirable, including physical facilities therefor. There shall
4 be no discrimination in public educational institutions because
5 of race, religion, sex or ancestry; nor shall public funds be
6 appropriated for the support or benefit of any sectarian or
7 nonsectarian private educational institution[~~, except~~]; provided
8 that proceeds of special purpose revenue bonds authorized or
9 issued under section 12 of Article VII may be appropriated to
10 finance or assist:

11 1. Not-for-profit corporations that provide early
12 childhood education and care facilities serving the general
13 public; and

14 2. Not-for-profit private [~~nonsectarian and~~] sectarian and
15 nonsectarian elementary schools, secondary schools, colleges and
16 universities.

17 The legislature may by law establish a surcharge on real
18 property taxation levied by the counties on residential
19 investment property valued at three million dollars or more to
20 help fund public education for all of Hawaii's children and
21 adults.



1 For the purposes of this section:

2 "Residential investment property" means all real property
3 including apartments and condominiums and appurtenances thereto,
4 including buildings, structures, fences and improvements erected
5 on or affixed to the real property, and any fixture that is
6 erected on or affixed to the land, buildings, structures, fences
7 and improvements; and all machinery and other mechanical or
8 other allied equipment, and the foundations thereof, that are
9 dedicated for residential use and that do not serve as the
10 owner's primary residence; provided that the surcharge shall not
11 apply to any affordable housing development that is subject to a
12 regulatory agreement with the State or a county."

13 SECTION 4. The question to be printed on the ballot shall
14 be as follows:

15 "Shall the Hawaii State Constitution be amended to:

- 16 (1) Repeal the counties' exclusive authority to exercise
17 functions, powers, and duties relating to the taxation
18 of real property; and
- 19 (2) Authorize the legislature to establish, through the
20 enactment of legislation, a state surcharge on real
21 property taxation levied by the counties on

1 residential investment properties valued at three
2 million dollars (\$3,000,000) or more, exempting from
3 the surcharge any property that serves as an owner's
4 primary residence, for the purpose of helping to fund
5 public education for all of Hawaii's children and
6 adults?"

7 SECTION 5. Constitutional material to be repealed is
8 bracketed and stricken. New constitutional material is
9 underscored.

10 SECTION 6. This amendment shall take effect on July 1,
11 3000; provided that this amendment shall take effect upon
12 compliance with article XVII, section 3, of the Constitution of
13 the State of Hawaii.



Report Title:

Constitutional Amendment; Public Education; Residential
Investment Property Surcharge

Description:

Proposes amendments to the Hawaii State Constitution to repeal the counties exclusive power to tax real property and authorize the Legislature to establish a state surcharge on real property taxation levied by the counties on certain residential investment properties for the purpose of helping to fund public education for all of Hawaii's children and adults. Effective 7/1/3000. (HD2)

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