

JOSH GREEN, M.D.
GOVERNOR

RIKI FUJITANI
EXECUTIVE DIRECTOR



STATE OF HAWAII
SCHOOL FACILITIES AUTHORITY
2759 S. KING STREET, ROOM H201
HONOLULU, HAWAII 96826

House Committee on Education

Thursday, January 30, 2025
2:00 p.m.
Hawai'i State Capitol, Room 309

House Bill 330, Relating to School Impact Fees

Dear Chair Woodson, Vice Chair La Chica, and Members of the Committee:

The School Facilities Authority (SFA) **supports the intent** of House Bill 330, which would place oversight of the school impact fee program under the SFA Board and allow the SFA Board to dissolve a school impact district without a public hearing.

We support aligning the governance and administration of the school impact fee program. Currently, the SFA administers the program, including preparing the impact fee analyses and calculating, updating, and collecting the fees. However, the Board of Education (BOE) currently designates the school impact districts and reviews the analyses prepared by the SFA even though the oversight of the SFA sits with the SFA Board, not the BOE.

Act 72 of 2020 originally transferred management of school impact fees from the Department of Education (DOE) to the SFA, and Act 217 of 2021 clarified the transfer of the program. Act 217 appeared to have intended to transfer the oversight of the program from the BOE to the SFA Board as well, as implied by session law transferring materials and documents related to school impact fees from the BOE and DOE to the SFA Board and SFA, but failed to make the necessary statutory changes to do so.¹

¹ Part IV of Act 217 (2021), provides, in pertinent part:

“SECTION 14. All rules, policies, procedures, guidelines, and other materials relating to the school impact fees adopted or developed by the department of education to implement provisions of the Hawaii Revised Statutes that are reenacted or made applicable to the school facilities authority by Act 72, Session Laws of Hawaii 2020, shall remain in full force and effect until amended or repealed by the school facilities authority pursuant to chapter 91, Hawaii Revised Statutes. In the interim, **every reference to the** department of education, **board of education, chairperson of the board of education,** or superintendent of education relating to the school impact fees in those rules, policies, procedures, guidelines, and other material **is amended to refer to the** school facilities authority, executive director of the school facilities authority, **school facilities board, or chairperson of the school facilities board,** as appropriate. (Footnote continues onto the next page.)

We also support clarifying that the entity with the power to designate school impact districts may also dissolve them. The school impact fee law does not intend a school impact district, once designated, to exist indefinitely.² Providing explicit power to dissolve school impact districts as necessary will better meet the intent of the program.

Sincerely,

Riki Fujitani
Executive Director

SECTION 15. All deeds, lease, contracts, loans, agreements, permits, or other documents relating to the school impact fees executed or entered into by or on behalf of the department of education, pursuant to the provisions of the Hawaii Revised Statutes, that are reenacted or made applicable to the school facilities board by Act 72, Session Laws of Hawaii 2020, shall remain in full force and effect. Effective July 1, 2021, **every reference to the department of education, board of education, chairperson of the board of education,** or superintendent of education relating to the school impact fees in those deeds, leases, contracts, loans, agreements, permits, or other documents **shall be construed as a reference to the school facilities authority, executive director of the school facilities authority, school facilities board, or chairperson of the school facilities board,** as appropriate.” (Emphasis added.)

² Section 302A-1601, HRS, finds that “[n]ew residential developments within identified school impact districts create additional demand for public school facilities.” Further, Section 302A-1604, HRS, presumes that new residential developments in a school impact district will result in a maximum enrollment that school facilities in the district will need to accommodate. Thus, it is reasonable to conclude that the statute does not intend a school impact district to continue when additional demand for public school facilities no longer exists and the foreseeable maximum enrollment has already peaked.



STATE OF HAWAII
DEPARTMENT OF EDUCATION
KA 'OIHANA HO'ONA'AUAO
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 01/30/2025

Time: 02:00 PM

Location: 309 VIA VIDEOCONFERENCE

Committee: House Education

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Bill Title: HB 0330 RELATING TO SCHOOL IMPACT FEES.

Purpose of Bill: Places oversight of the School Impact Fee Program under the School Facilities Authority Board. Allows the School Facilities Authority Board to dissolve a school impact district without a public hearing.

Department's Position:

The Hawaii State Department of Education (Department) appreciates the opportunity to offer comments on HB 330.

This bill proposes to transfer oversight of the School Impact Fee Program from the Hawaii State Board of Education (Board of Education) to the School Facilities Authority Board (SFA Board) and would allow the SFA Board to dissolve a school impact district without a public hearing.

Hawaii's school impact fee law, Sections 302A-1601 to 302A-1612, Hawaii Revised Statutes, plays a vital role in the development of new school facilities in designated areas where the construction of new housing increases and impacts student enrollment. Under this statute, residential developers of designated high growth areas are required to dedicate lands for purposes of public schools as a requirement of their land use entitlements and/or pay school impact fees. This practice is consistent with state and county land use requirements for purposes of essential public facilities such as public parks, fire and police stations.

Through existing statutes, administrative rules, existing policies and procedures, and bylaws, the Board of Education provides consistent oversight of the School Impact Fee Program to ensure that well-informed decisions and execution by the Department are consistent with and supports the state's public education program. Strengthening the relationship between the Board of Education and the SFA Board as proposed in HB 1069, to add the Board of Education Chair as a sitting member on the SFA Board, may be a better approach to tackle this issue.

All action items involving the establishment or dissolution of school impact fee districts are agendaized for public input by the Board of Education. This ensures public engagement and transparency.

Thank you for this opportunity to provide comments on HB 330.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS; School Facilities Authority Board to oversee school impact fees

BILL NUMBER: HB 330, SB 168

INTRODUCED BY: HB by LA CHICA, KITAGAWA, TODD, SB by CHANG, Hashimoto

EXECUTIVE SUMMARY: Places oversight of the School Impact Fee Program under the School Facilities Authority Board. Allows the School Facilities Authority Board to dissolve a school impact district without a public hearing.

SYNOPSIS: Adds a new definition to section 302A-1602, HRS, to define “board” as the school facilities authority board (as opposed to the Board of Education).

Amends section 302A-1604, HRS, by adding a new section allowing the board to dissolve a school impact district without a public hearing.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The Hawaii Revised Statutes contains twelve sections relating to “school impact fees,” starting with section 302A-1601. The law states, in part, “New residential developments within identified school impact districts create additional demand for public school facilities. As such, once school impact districts are identified, new residential developments shall be required to contribute toward the construction of new or expansion of existing public school facilities.”

Builders of large projects within school impact districts are required to provide land for school facilities depending on the numbers of students expected in their projects and the amount of available classroom space in existing area schools. Smaller developers and individual home owner-builders are required to pay a fee instead of land, when their project is too small to entertain a school site. All home builders or buyers must pay a construction cost fee.

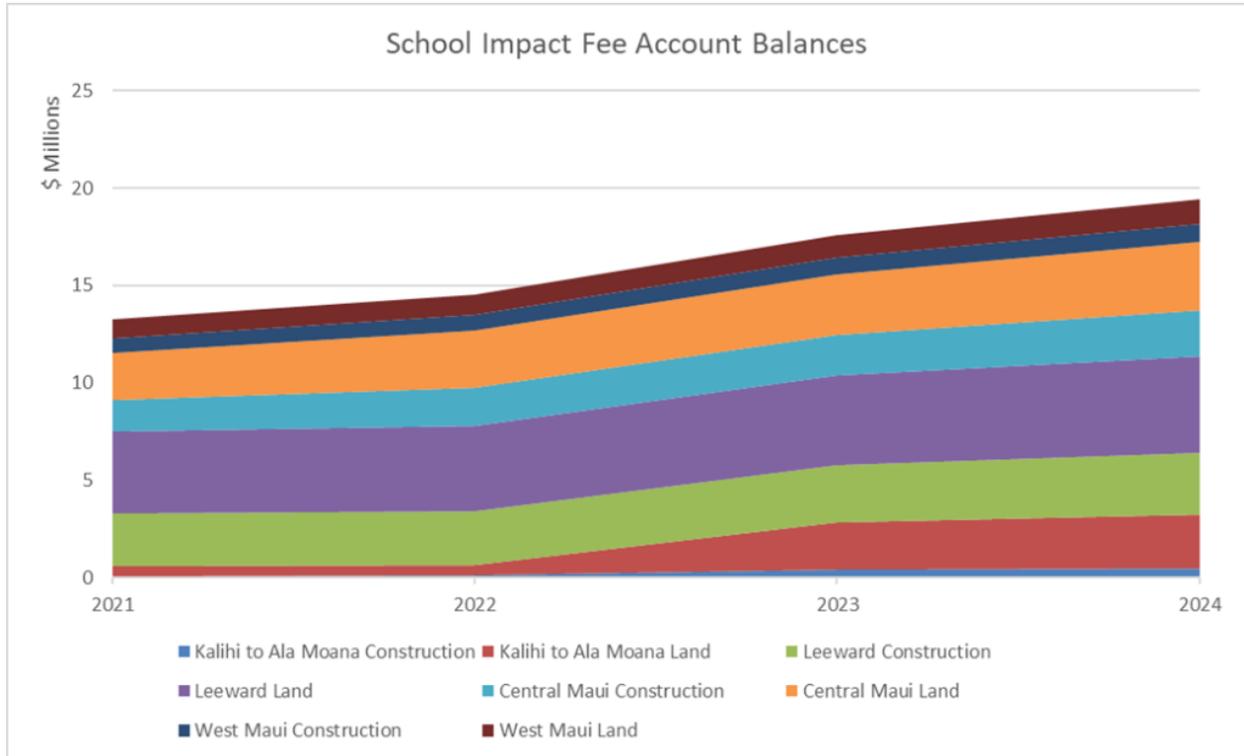
Once an impact fee district is established, the DOE is authorized to collect 10% of estimated school construction costs and 100% of estimated land acquisition costs from each residential development planned within the district.

The Board of Education (BOE) used this authority to establish impact fee districts in Central Maui and West Maui in 2010, and in Leeward Oahu in 2012. It approved another district in West Hawaii in 2009, but apparently the Big Island county government didn’t want to cooperate and that district remains an open issue.

The theory behind this law is that high growth will mean more children, and more schools are required to educate them.

Our big problem with school impact fees in general, however, is that they are not being used.

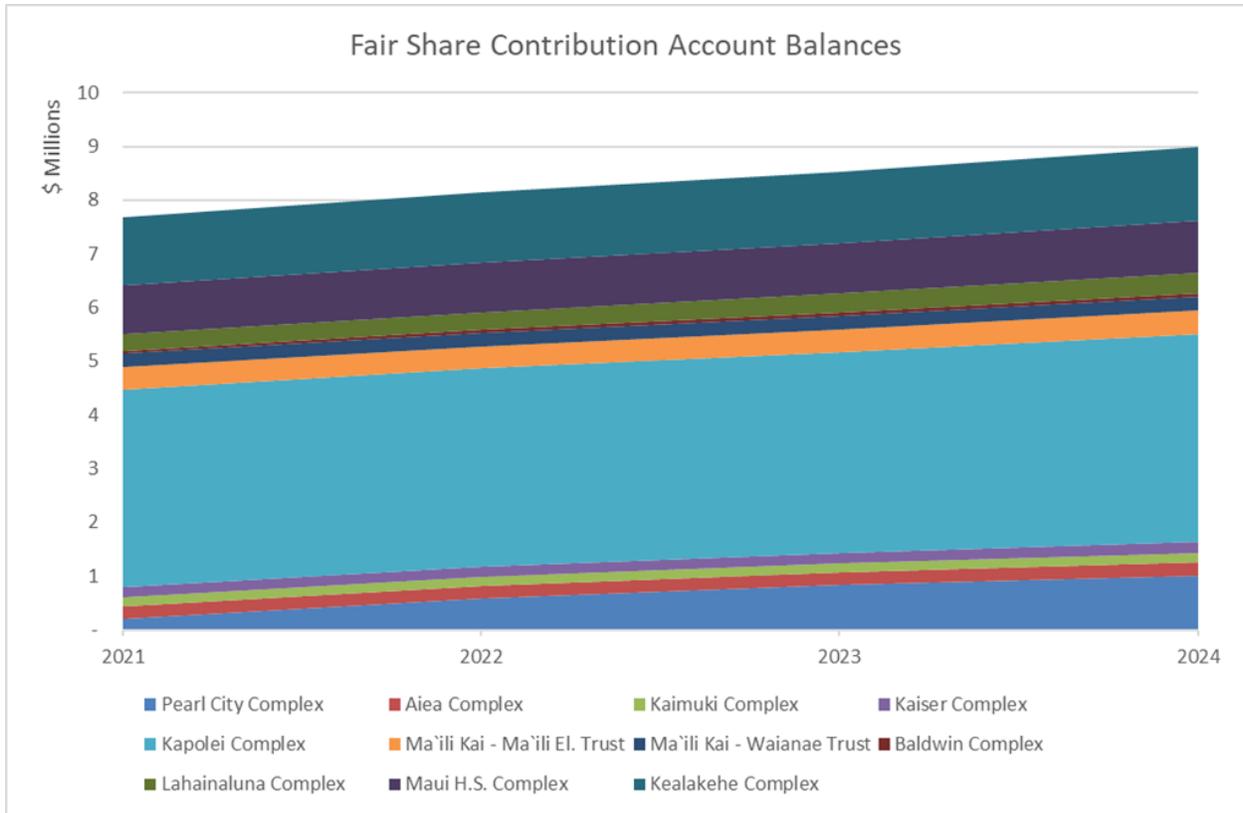
We tracked the balance of the DOE accounts holding these fees, and we complained that the fees were being taken but not used. The balances in the accounts just keep going up, as shown in this chart (updated with figures from the entire fiscal year 2024):



Source: Department of Education

As the chart shows, we now have a cumulative balance of a little less than \$20 million in the impact fee accounts. We continue to ask when this money is going to be used to do something at these schools.

But it gets better. Before the 2007 law created school impact fees, the DOE was able to shake down developers for fear share contributions, oops, I meant FAIR share contributions, which were intended to serve much the same purpose as impact fees do today. It turns out that these accounts also have positive balances that have been steadily increasing over the past few years:



Source: Department of Education

The total of all these fair share accounts is close to \$9 million. This money, also, has been sitting around doing nothing. And most of it has been sitting around for *at least 17 years* because, as we mentioned, the fair share program was replaced by the impact fee program in 2007.

So, when is somebody at the DOE going to get off their duff and spend this money? The DOE tells us every single year that the schools desperately need money. We would prefer that the school system use this money up before they ask taxpayers to dig even deeper into their wallets.

Digested: 1/28/2015



Hawai'i YIMBY
Honolulu, HI 96814
hawaiiyimby.org
info@hawaiiyimby.org

January 30, 2025

House Committee on Education
Hawai'i State Capitol
Honolulu, HI 96813

RE: SUPPORT for HB 330 - RELATING TO SCHOOL IMPACT FEES

Aloha Chair Woodson, Vice Chair La Chica, and Members of the Committee,

On behalf of Hawai'i YIMBY, we are writing in **support of HB 330** which would make the School Facilities Authority board the governing entity for the School Impact Fee Program and allow the board to dissolve a school impact district without a public hearing. Alignment of responsibilities for oversight and governance of the program should be with the same entity whenever possible to increase efficiency.

In addition to this alignment, we ask that the bill be amended to include a repeal of school impact fees on new residential construction. It is very important that the impacts of a growing school population on existing public school infrastructure be planned for and funded. However, the current structure of the school impact fee program both raises insufficient funds to build a new school and increases the cost of new housing construction. Placing the requirement of a school impact fee solely on new residential construction puts an unfair burden on new residents because these fees often must get passed from homebuilders to the new residents. Fees are self-imposed barriers that we have placed on ourselves and that have contributed to the housing crisis.

Funding our public school infrastructure for future growth is still very important. We ask that the legislature consider a different way to continue to fund public school infrastructure that (1) raises adequate funds to build new schools for anticipated growth and (2) is equitable in application and not solely derived from the building of new homes.



Hawai'i YIMBY
Honolulu, HI 96814
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Students of our public schools and their families do not only live in new residential construction.

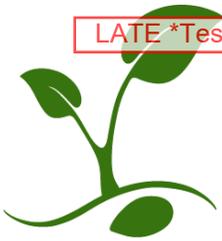
Hawai'i YIMBY (*Yes In My Backyard*) is a volunteer-led grassroots advocacy organization dedicated to supporting bold and effective solutions for Hawai'i's devastating housing crisis. Our members are deeply concerned about Hawai'i's chronic and worsening housing shortage, which has caused home prices to rise much faster than incomes and pushes thousands of kama'āina out to the mainland or into homelessness every single year.

We ask your support for this bill. Thank you for the opportunity to testify.

Sincerely,
Damien Waikoloa
Chapter Lead, Hawai'i YIMBY

Edgardo Díaz Vega
Chapter Lead, Hawai'i YIMBY





HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Comment on HB330 - Relating to School Impact Fees
House Committee on Education
Thursday, January 30, 2025 at 2:00PM Conf. Rm. 309 and via Videoconference

LATE

Aloha Chair Woodson, Vice Chair La Chica, and members of the committee

We support the intent of this HB330 and ask that the committee consider a full repeal of school impact fees as opposed to allowing the board to dissolve school impact districts, not only as a means to reduce housing costs. HB 330 proposes shifting oversight of the school impact fee program from the Board of Education to the School Facilities Authority Board. It also allows the School Facilities Authority Board to dissolve a school impact district without a public hearing.

We ask the committee to **amend the bill for a full repeal of school impact fees** and consider the following:

Structural Reform is Insufficient: Transferring oversight from the Board of Education to the School Facilities Authority Board does not fix the core problem: school impact fees have not been used to construct new schools as intended. Instead, they have accumulated in a special fund while families continue to struggle with the high cost of housing¹.

Financial Risks for Renters: In the current economic climate of high interest rates and tightening loan conditions, every additional cost makes homeownership less attainable. School impact fees increase housing prices, creating financial barriers for working families and first-time homebuyers. Repealing these fees would alleviate unnecessary cost burdens, making homeownership more accessible and reducing financial risks for local residents.

Equity & Transparency: HB 330 allows the School Facilities Authority Board to dissolve school impact districts without a public hearing. This change reduces transparency and limits public participation in decisions that impact communities. Rather than weakening public oversight, the legislature should focus on eliminating a flawed fee system that disproportionately burdens those in need of affordable housing.

Rather than shifting oversight, we urge the committee to repeal school impact fees altogether. These fees have proven ineffective in funding school construction and instead add to the cost of housing. A more just and sustainable approach—such as utilizing progressive revenue sources to address our public school needs—would ensure both educational and housing equity without placing the burden on new homebuyers and renters.

Mahalo for the opportunity to testify

¹ <https://files.hawaii.gov/auditor/Reports/2019/19-13.pdf>

Jan. 30, 2025, 2 p.m.
Hawaii State Capitol
Conference Room 309 and Videoconference

To: House Committee on Housing
Rep. Justin Woodson, Chair
Rep. Trish La Chica, Vice Chair



From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: HB330 — RELATING TO SCHOOL IMPACT FEES

Aloha Chair Woodson, Vice-Chair La Chica and other members of the Committee,

The Grassroot Institute of Hawaii would like to offer **comments** on [HB330](#), which would reform the governance of school impact fees within the Hawaii Department of Education.

Essentially, we urge the Committee to consider amending this measure to simply repeal these fees, since we believe they increase housing costs and might be unconstitutional. In addition, the money generated by the fees has never been spent, so why have the fees at all?

Concerning housing prices, the fact is that homebuilders quite naturally are going to incorporate the cost of their various fees into their sales prices, which means higher home prices and higher rents.

It is no coincidence that school impact fee waivers were included in Gov. Josh Green's 2023 emergency order relating to housing. In fact, the first action taken, in 2024, by the Beyond Barriers Working Group established by the emergency order was to waive the school impact fee for a 52-unit rental project in downtown Honolulu.

The school impact fee for projects in the downtown area is \$3,864 per unit, which would have added \$200,928 to the project's overall construction costs.¹

¹ Andrew Gomes, "[Housing panel makes first development decision.](#)" Honolulu Star-Advertiser, Jan. 3, 2024.

A couple of years before that, in 2022, Howard Hughes Holdings had to pay the DOE \$3,864 per unit in school impact fees to build its 565-unit Ward Village condo on Oahu — for a total of \$2.18 million. To recoup its costs, the company passed the fees along to its buyers in the form of closing costs.²

Regarding constitutional concerns, the Hawaii Office of the Auditor warned in a 2019 report that the DOE’s school impact fees might violate the constitutional requirement that there be a “nexus” between proposed new units and the need for more classroom capacity.³

Meanwhile, the negative effect of school impact fees on housing growth is not offset by a commensurate benefit to local schools. The state auditor’s 2019 report noted that between 2007, when the fees were established, and 2018, the DOE had collected \$5.34 million in impact fees,⁴ yet had not spent any of that amount on anything.

Just last month, in December 2024, Tax Foundation of Hawaii President Tom Yamachika wrote that “we now have a cumulative balance of a little less than \$20 million in the [school] impact fee accounts, [and] we continue to ask when this money is going to be used to do something at these schools.”⁵

So ultimately, Hawaii’s school impact fees are contributing to Hawaii’s high housing costs, are likely unconstitutional, and are not being used in any way to benefit the schools they are intended to benefit.

Amending HB330 to repeal school impact fees would be a good move by this Committee in more ways than one.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

² Andrew Gomes, [“Ward Village Builder Charges Buyers Separate Fee to Cover School Impact Assessment,”](#) Honolulu Star-Advertiser, Oct. 2, 2022.

³ [“Audit of the Department of Education’s Administration of School Impact Fees: A Report to the Governor and the Legislature of the State of Hawai’i,”](#) Office of the Auditor, State of Hawaii, September 2019, p. 11.

⁴ [“Audit of the Department of Education’s Administration of School Impact Fees,”](#) p. 6.

⁵ Tom Yamachika, [“Hoarding More School Impact Fees,”](#) Tax Foundation of Hawaii, Dec. 30, 2024.