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April 3, 2017

TO: Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Mike White
Council Chair 

SUBJECT: **HEARING OF APRIL 4, 2017; TESTIMONY IN OPPOSITION TO SB 686,
SD 2, RELATING TO EDUCATION FUNDING**

Thank you for the opportunity to testify in **opposition** to this measure. The purpose of this bill is to establish an education surcharge on residential investment properties and visitor accommodations for the purpose of funding public education.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I submit this testimony also in opposition to SB 683, SD 2, HD 1, which would amend the Constitution of the State of Hawaii to facilitate the establishment of the surcharge.

I **oppose** this measure for the following reasons:

1. Although the Department of Education receives almost 20 percent of the entire budget of the State of Hawaii, the administrators, teachers, students and advocates of this bill have legitimate reasons to demand more funding to provide quality education for our keiki. But the proposed measure before you is flawed, which is why I implore the legislature to defer this bill.
2. Real property taxes are counties' primary and largest source of revenue to fund county programs. The counties this year are anticipating substantial salary adjustments from all bargaining units, which we are obligated to fund regardless of our position. Raising property taxes is our only reasonable option to balance our budget.
3. Increasing costs of visitor-related programs like transportation, sewer and water, fire, police, and parks maintenance continue to be a challenge because the counties don't receive their fair share of the transient accommodations tax. To pay for these services, the residents will continue to be overly burdened and face potential increases in real property taxes.

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4. In many mainland communities, local real estate taxes are used to support local schools. The communities decide for themselves what they can afford and tax their residents accordingly. In Hawaii, a decision was made decades ago to establish a statewide school and healthcare system, which differs from most of the nation, and would be funded through state tax collections. If lawmakers and the governor believe schools are underfunded, you should accept the responsibility and appropriately fund education without passing the buck and causing financial challenges for the counties.
5. The State has far more taxing authority than the counties and should be able to handle any increased need for funds. The premise that the counties should fund schools without having a greater say in the way that monies are spent ignores the importance of the community's right to decision making.

For the foregoing reasons, I **oppose** this measure.