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March 14, 2017

TO: The Honorable Scott Y. Nishimoto, Chair
House Committee on Judiciary

FROM: Mike White
Council Chair

A handwritten signature in black ink, appearing to read "Mike White", is written over the printed name and title.

SUBJECT: **HEARING OF MARCH 15, 2017; TESTIMONY IN OPPOSITION TO SB 683, SD 2, 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**

Thank you for the opportunity to testify in **opposition** to this measure. The purpose of this bill is to propose amendments to the Constitution of the State of Hawaii to authorize the legislature to establish a surcharge on residential investment property and visitor accommodations to fund 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 686 SD 2, which establish the law 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 for 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 burdened and face potential increases in real property taxes.
4. The bill mandates the counties to administer and collect the property surcharge for education without identifying how the counties are to fund this mandate. Have the proponents of this measure given any thought to how the new tax will be administered and who will bear those costs? Without a clear implementation plan and associated funding, the risk is that the burden will fall solely upon county residents. We urge you to defer this bill and consider the magnitude of its impact.
5. 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, funding and administration of schools are handled centrally by the state with little to no input from the counties or local residents. The premise of this bill that requires the counties to fund schools without having a greater say in the way that monies are spent ignores the importance of the community's right to guide education decisions and smacks of paternalism.

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