

Date: 02/11/2009

Committee: House Education

Department: Education

Person Testifying: Patricia Hamamoto, Superintendent of Education

Title of Bill: HB 1688 RELATING TO INCOME TAX CHECK-OFF.

Purpose of Bill: Increases the school-level minor repairs and maintenance and the libraries income tax check-off provisions from \$2 to \$5.

Department's Position: The Department supports HB 1688 which increases the school-level minor repairs and maintenance and the libraries income tax check-off provisions from \$2 to \$5. The Department welcomes any opportunity to offset anticipated decreases in our repair and maintenance budget due to the current fiscal state of our economy. Since the program's inception in fiscal year 2003-2004, the Department has collected a total of \$752,661, including \$100,606 last fiscal year. Funds from this program have been used to help schools with special repair and maintenance projects as well as improve the maintenance conditions in our school rest rooms. The restroom maintenance program has proven to be very successful. A post check of the schools who participated in this program showed efforts to maintain clean restrooms for students were sustained.



STATE OF HAWAII
HAWAII STATE PUBLIC LIBRARY SYSTEM
OFFICE OF THE STATE LIBRARIAN
44 MERCHANT STREET
HONOLULU, HAWAII 96813

**House Committee on Education
House Committee on Labor & Public Employment
Wednesday, February 11, 2009**

HB 1688 - RELATING TO INCOME TAX CHECK-OFF

The Hawaii State Public Library System (HSPLS) is in support of HB 1688 which will increase the income tax check-off provisions in support of public education and public libraries.

In 2003, Act 193 provided a check-off box on State individual Income Tax Returns that allows taxpayers to make a token donation to support the HSPLS. Taxpayers may designate \$2.00 of their refund or \$4.00 for a joint return for the Hawaii Public Libraries Fund. Thus far, \$341,424 has been generated since the inception of this tax donation option and has been steadily increasing even in these tough economic times. The funds have been used to purchase children's books and adult books about Hawaii.

The greatest challenge facing our State is this global economic crisis. The HSPLS FY 2009 budget has already been reduced by almost 10% or over \$3.5M and our FB 2009-11 Budget Request includes another 10% cut on top of that. Elimination of positions and closing libraries will be the next step. Our patrons, statewide, have been constantly seeking an easy and convenient way to have their tax dollars allotted specifically towards the Library. This measure has proven

to meet their needs and allow them to express their support of not only HSPLS but public education in the schools. Since the State of Hawaii does not have any referendums put before the voters, these voluntary remittances allow the taxpayer a way to show how they feel on various causes and organizations. The HSPLS has always pushed for a stable source of funding for our basic core functions. Library books and materials that are interesting, current, accurate, and informative, are the main core service that we provide. Establishing this means of allotting additional state revenues to support HSPLS reinforces the commitment by the state to education, literacy and lifelong learning, free accessible resources and references and provides a solid basis for the future of Hawaii's youth and economy.

With HSPLS facing the anticipated budgetary shortfalls with the opening of the new North Kohala and Manoa Public Libraries, sustaining its Internet capacities, technological support, and the increasing repair and maintenance of our worn down buildings; this additional revenue has become a necessity.

Thank you for this opportunity to testify in support of House Bill 1688.

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SUBJECT: INCOME, Tax checkoff for school-level repairs and maintenance fund and libraries special fund

BILL NUMBER: HB 1688

INTRODUCED BY: Takumi

BRIEF SUMMARY: Amends HRS 235-102.5 to increase the amount that individuals may designate from \$2 to \$5 and for a joint filing from \$4 to \$10 to the: (1) school-level repairs and maintenance fund, and/or (2) libraries special fund.

EFFECTIVE DATE: Tax years beginning after December 31, 2008

STAFF COMMENTS: This measure increases the amount a taxpayer may designate to the: (1) school-level repairs and maintenance fund, and/or (2) the libraries special fund. It should be remembered that utilizing the tax system as a collection agent for such specific purposes sets poor tax policy. For the fiscal year 2008, these funds realized \$113,976 and \$98,106 respectively.

A survey by the Federation of Tax Administrators found that the states that utilize checkoff programs have been experiencing a decline in the amount of moneys designated through the checkoff mechanism. The survey also found that due to the administrative costs associated with the checkoff programs, states which currently have the checkoffs are looking to adopt expiration clauses and other means to remove the less productive checkoffs. Lawmakers seem to view such checkoffs as absolution of their responsibility to deal with such problems by turning the response directly over to the taxpayer. However, in the long run, the cost of administering the checkoff merely siphons resources that should otherwise be used for providing needed public services. Lawmakers can claim credit that they did something for Hawaii's schools without spending any of the tax revenues - that is except for the additional cost of collection and tracking the donated amounts - as the contribution comes from funds that would otherwise have been returned to the taxpayer in a refund.

If lawmakers believe that earmarking funds through a checkoff system is appropriate, then they might consider placing all programs on the state income tax form for designation and consider repealing the legislative body as there will be no reason for the legislature to exist because decisions will have been made by the income taxpayer.

Apparently this proposal is in reaction to the fact that over the years the amount being contributed or checked-off has been declining. If, in fact, there are less and less people interested in contributing to various checkoff financing in this way, then merely increasing the amount that can be designated will not heighten the awareness or need for public financing of such programs.

Digested 2/10/09