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

15 The legislature 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 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 finds that after adjusting for the high  
4 cost of living in Hawaii, teachers' average salaries are in the  
5 lower half of pay compared to other states in the United States.  
6 State spending on public education is the lowest in the nation  
7 and is ranked as the forty-ninth worst state in the nation for  
8 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 cost of housing is a significant deterrent to  
9 affordability of residing in Hawaii. Real estate owned by  
10 nonresident investors exacerbates the economics of  
11 unaffordability of housing. The State needs its residents to be  
12 educated and for local businesses and industry to have a well-  
13 educated resident workforce. Enabling funding from real estate  
14 speculation to support public education infrastructure within  
15 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 increase funding for  
18 public education for all students of Hawaii by authorizing the  
19 legislature to establish a surcharge on residential investment  
20 property.



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

3 "TAXATION AND FINANCE

4 Section 3. The taxing power shall be reserved to the  
5 State, except so much thereof as may be delegated by the  
6 legislature to the political subdivisions, and except that all  
7 functions, powers and duties relating to the taxation of real  
8 property shall be exercised [~~exclusively~~] by the counties, with  
9 the exception of the county of Kalawao[-]; provided that the  
10 legislature shall not be prohibited from establishing a  
11 surcharge on residential investment property pursuant to Article  
12 X, section 1. The legislature shall have the power to apportion  
13 state revenues among the several political subdivisions."

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

16 "PUBLIC EDUCATION

17 Section 1. The State shall provide for the establishment,  
18 support and control of a statewide system of public schools free  
19 from sectarian control, a state university, public libraries and  
20 such other educational institutions as may be deemed desirable,  
21 including physical facilities therefor. There shall be no



1 discrimination in public educational institutions because of  
2 race, religion, sex or ancestry; nor shall public funds be  
3 appropriated for the support or benefit of any sectarian or  
4 nonsectarian private educational institution, except that  
5 proceeds of special purpose revenue bonds authorized or issued  
6 under section 12 of Article VII may be appropriated to finance  
7 or assist:

8 1. Not-for-profit corporations that provide early  
9 childhood education and care facilities serving the general  
10 public; and

11 2. Not-for-profit private nonsectarian and sectarian  
12 elementary schools, secondary schools, colleges and  
13 universities.

14 The legislature may establish, as provided by law, a  
15 surcharge on residential investment property valued at  
16 \$3,000,000 or greater to increase funding for public education  
17 for all of Hawaii's children and adults.

18 For the purposes of this section:

19 The term "residential investment property" means all real  
20 property including apartments and condominiums and appurtenances  
21 thereto, including buildings, structures, fences and



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

10 SECTION 4. The question to be printed on the ballot shall  
11 be as follows:

12 "Shall the legislature increase funding for public  
13 education for all of Hawaii's children and adults by  
14 establishing, as provided by law, a surcharge on residential  
15 investment property valued at \$3,000,000 or greater, excluding a  
16 homeowner's primary residence?"

17 SECTION 5. Constitutional material to be repealed is  
18 bracketed and stricken. New constitutional material is  
19 underscored.





1 SECTION 6. This amendment shall take effect upon  
2 compliance with article XVII, section 3, of the Constitution of  
3 the State of Hawaii.

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INTRODUCED BY: Amy Perusso  
JAN 12 2024



# H.B. NO. 1537

**Report Title:**

Constitutional Amendment; Public Education; Residential  
Investment Property Surcharge

**Description:**

Proposes amendments to the Hawaii State Constitution to increase funding for public education for the children and adults of Hawaii by authorizing the Legislature to establish, as provided by law, a surcharge on residential investment property valued at \$3,000,000 or greater.

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