

JAN 22 2026

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 funding public education and has only one public higher
7 education system. As a result, funding for public education in
8 Hawaii is primarily sourced from the State's general revenues.

9 The legislature further finds that public education in
10 Hawaii is not adequately funded. According to a 2017 analysis
11 of real property tax in Hawaii performed by the department of
12 business, economic development, and tourism, education
13 expenditures in Hawaii - at 27.3 per cent combined state and
14 local government expenditures - ranked the lowest in the nation.
15 At \$12,855 per child, Hawaii trailed mainland school districts



1 of similar size when adjusted for cost of living. A December
2 2024 research brief further reports that, despite having the
3 fourth-highest median household income, Hawaii ranks thirty-
4 ninth nationally in public school spending per \$1,000 of per
5 capita income. This persistent underfunding has contributed to
6 one of the highest private school enrollment rates in the
7 country, as many families opt out of the public school system.

8 The legislature additionally finds that sixty-six per cent
9 of Hawaii's public schools and public charter schools are
10 designated as Title I schools by the United States Department of
11 Education, meaning they serve high concentrations of low-income
12 students and receive federal funding to help ensure all children
13 meet academic standards. A majority of public school students
14 are now considered high-needs, which includes students who
15 qualify for free or reduced-price lunch, English language
16 learners, and students receiving special education services.

17 The legislature notes that the Trump administration is
18 proposing substantial reductions and eliminations in federal
19 education funding that will place additional pressure on state
20 and local education systems. The administration's proposed
21 federal budget would cut the United States Department of



1 Education's overall budget by approximately fifteen per cent and
2 eliminate all funding for English language learner and migrant
3 education programs. It would also consolidate eighteen existing
4 funding streams – including programs supporting rural schools,
5 civics education, at-risk youth, and students experiencing
6 homelessness – and reduce the combined funding from roughly
7 \$6,500,000,000 to \$2,000,000,000. According to a tool developed
8 by the Education Law Center and New York University's
9 Metropolitan Center for Research on Equity and the
10 Transformation of Schools, Hawaii public schools may lose an
11 estimated \$72,457,243 in federal K-12 funding under these
12 proposed 2026 cuts. These federal funding shifts underscore the
13 urgency of generating new, reliable revenue tools to support
14 Hawaii's K-12 and post-secondary education systems.

15 The legislature further finds that chronic underfunding
16 undermines the State's goals of providing quality education and
17 preparing a well-educated workforce. It leads to delayed
18 repairs to school facilities, overheated classrooms, larger
19 class sizes, inadequate classroom supplies, elimination of arts
20 and career and technical education courses, budget cuts for
21 special education and English language learner programs, higher



1 in-state tuition at the university of Hawaii, and more vacant
2 teacher positions statewide.

3 The legislature additionally finds that Hawaii has
4 consistently ranked among the worst states for teachers in terms
5 of salary competitiveness and working conditions. Teachers in
6 Hawaii earn 15.5 per cent less than other residents with
7 bachelor's degrees. Research shows that low teacher pay
8 contributes to high attrition rates, which in turn negatively
9 affects student outcomes.

10 The legislature also finds that Hawaii's K-12 school and
11 university facilities are aging and require investment. As of
12 2022, the average age of public school buildings in Hawaii was
13 seventy-two years, and approximately twenty per cent of public
14 schools were over one hundred years old. Similarly, many
15 buildings at the university of Hawaii were constructed more than
16 forty years ago. Classroom facilities, student housing, campus
17 infrastructure, and support systems have not received adequate
18 investment for proper maintenance or modernization.

19 The legislature further finds that funding for public
20 higher education in the State has declined as a portion of the
21 state budget from nine per cent in 2013 to seven per cent in



1 2022. Meanwhile, college costs continue to rise nationally.
2 The 2022 Hawaii Databook notes that faculty, staff, and
3 personnel at the university of Hawaii declined between 2019 to
4 2022. Reduced state funding threatens the sustainability and
5 availability of programs at the State's only public higher
6 education institution.

7 The legislature further notes that the cost of housing is a
8 major barrier to affordability in Hawaii. Real estate owned by
9 nonresident investors contributes to housing unaffordability and
10 economic inequality. At the same time, the State needs a highly
11 educated local workforce to support its industries and
12 communities.

13 The legislature believes that it is necessary to develop a
14 new means of funding public education to ensure that Hawaii can
15 meet the social and economic demands of the twenty-first
16 century. Enabling funding from real estate speculation to
17 support public education infrastructure is both necessary and
18 rational.

19 The purpose of this Act is to propose an amendment to the
20 Constitution of the State of Hawaii to repeal the counties'
21 exclusive power to tax real property, and to authorize the



1 legislature to establish a state surcharge on real property
2 taxes levied by the counties on certain residential investment
3 properties, for the purpose of helping to fund public education
4 for all of Hawaii's children and adults.

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

7 **"TAXATION AND FINANCE**

8 **Section 3.** The taxing power shall be reserved to the
9 State, except so much thereof as may be delegated by the
10 legislature to the political subdivisions~~[, and except]~~;
11 provided that all functions, powers and duties relating to the
12 taxation of real property shall be exercised [exclusively] by
13 the counties, with the exception of the county of Kalawao[-];
14 provided further that the legislature may establish a surcharge
15 on the counties' taxation of residential investment property as
16 provided in Article X, section 1. The legislature shall have
17 the power to apportion state revenues among the several
18 political subdivisions."

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

21 **"PUBLIC EDUCATION**



1 **Section 1.** The State shall provide for the establishment,
2 support and control of a statewide system of public schools free
3 from sectarian control, a state university, public libraries and
4 ~~[such]~~ other educational institutions as may be deemed
5 desirable, including physical facilities therefor. There shall
6 be no discrimination in public educational institutions because
7 of race, religion, sex or ancestry; nor shall public funds be
8 appropriated for the support or benefit of any sectarian or
9 nonsectarian private educational institution~~[, except]~~; provided
10 that proceeds of special purpose revenue bonds authorized or
11 issued under section 12 of Article VII may be appropriated to
12 finance or assist:

13 1. Not-for-profit corporations that provide early
14 childhood education and care facilities serving the general
15 public; and

16 2. Not-for-profit private ~~[nonsectarian and]~~ sectarian and
17 nonsectarian elementary schools, secondary schools, colleges and
18 universities.

19 The legislature may by law establish a surcharge on real
20 property taxation levied by the counties on residential
21 investment property valued at three million dollars or more to



1 help fund public education for all of Hawaii's children and
2 adults.

3 For the purposes of this section:

4 "Residential investment property" means all real property
5 including apartments and condominiums and appurtenances thereto,
6 including buildings, structures, fences and improvements erected
7 on or affixed to the real property, and any fixture that is
8 erected on or affixed to the land, buildings, structures, fences
9 and improvements; and all machinery and other mechanical or
10 other allied equipment, and the foundations thereof, that are
11 dedicated for residential use and that do not serve as the
12 owner's primary residence; provided that the surcharge shall not
13 apply to any affordable housing development that is subject to a
14 regulatory agreement with the State or a county."

15 SECTION 4. The question to be printed on the ballot shall
16 be as follows:

17 "Shall the legislature be authorized to improve funding for
18 public education by establishing a surcharge on residential
19 investment properties valued at three million dollars
20 (\$3,000,000) or more, not including any property that serves as
21 an owner's primary residence?"



1 SECTION 5. Constitutional material to be repealed is
2 bracketed and stricken. New constitutional material is
3 underscored.

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

7

INTRODUCED BY: Karl Rhoads



S.B. NO. 2464

Report Title:

Constitutional Amendment; Public Education; Residential
Investment Property Surcharge

Description:

Proposes amendments to the Hawaii State Constitution to repeal the counties' exclusive power to tax real property, and to authorize the Legislature to establish a state surcharge on real property taxes levied by the counties on certain residential investment properties, for the purpose of helping to fund public education for all of Hawaii's children and adults.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

