
A BILL FOR AN ACT

PROPOSING AMENDMENTS TO ARTICLES VIIII 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 further finds that chronic underfunding
18 undermines the State's goals of providing quality education and
19 preparing a well-educated workforce. This leads to delayed
20 repairs to school facilities, overheated classrooms, larger
21 class sizes, inadequate classroom supplies, elimination of arts



1 and career and technical education courses, budget cuts for
2 special education and English language learner programs, higher
3 in-state tuition at the university of Hawaii, and more vacant
4 teacher positions statewide.

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

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



1 The legislature further finds that funding for public
2 higher education in the State has declined as a portion of the
3 state budget from nine per cent in 2013 to seven per cent in
4 2022. Meanwhile, college costs continue to rise nationally.
5 The 2022 Hawaii Databook notes that faculty, staff, and
6 personnel at the university of Hawaii declined between 2019 to
7 2022. Reduced state funding threatens the sustainability and
8 availability of programs at the State's only public higher
9 education institution.

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

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



1 The purpose of this Act is to propose an amendment to the
2 Constitution of the State of Hawaii to repeal the counties'
3 exclusive power to tax real property, and to authorize the
4 legislature to establish a state surcharge on real property
5 taxes levied by the counties on certain residential investment
6 properties, for the purpose of helping to fund public education
7 for all of Hawaii's children and adults.

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

10 **"TAXATION AND FINANCE"**

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



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

3 **"PUBLIC EDUCATION**

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

16 1. Not-for-profit corporations that provide early
17 childhood education and care facilities serving the general
18 public; and

19 2. Not-for-profit private [~~nonsectarian and~~] sectarian and
20 nonsectarian elementary schools, secondary schools, colleges and
21 universities.



1 The legislature may by law establish a surcharge on real
2 property taxation levied by the counties on residential
3 investment property valued at three million dollars or more to
4 help fund public education for all of Hawaii's children and
5 adults.

6 For the purposes of this section:

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

18 "Surcharge" means an additional charge prescribed by a
19 tax."

20 SECTION 4. The question to be printed on the ballot shall
21 be as follows:



1 "Shall the legislature be authorized to improve funding for
2 public education by establishing a surcharge on residential
3 investment properties valued at three million dollars
4 (\$3,000,000) or more, not including any property that serves as
5 an owner's primary residence?"

6 SECTION 5. Constitutional material to be repealed is
7 bracketed and stricken. New constitutional material is
8 underscored.

9 SECTION 6. This Act shall take effect on July 1, 3000, and
10 this amendment shall take effect upon compliance with article
11 XVII, section 3, of the Constitution of the State of Hawaii.



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. Effective 7/1/3000. (HD1)

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