

Why We Oppose the Proposed “Education Tax”

By

Benjamin Cayetano and Randall Roth

First, we object to the suggestion that this ballot question must be supported by anyone who “cares about the keiki.” Framing it as a choice between the interests of children and the interests of rich outside investors disservices the public and provides an unfortunate civics lesson to impressionable students.

Second, letting the legislature encroach on the counties’ exclusive authority to tax real property would lessen political accountability. Currently, the public knows who to hold accountable if they think property taxes are unnecessarily high. That would change once the level of property taxes reflects both state and county decision making.

Third, if legislators think they have been shortchanging public education, they can easily remedy that by increasing general-fund appropriations to the Department of Education. And if there aren’t enough general funds to go around, legislators can increase income or general-excise taxes as necessary to generate the needed tax revenue. Raising taxes is never fun from a politician’s standpoint, but why adversely impact the counties, as the proposed constitutional amendment would do, if there is a simpler, more direct way to generate additional tax revenue?

Fourth, the term investment real property is vague and open-ended. If the proposed constitutional amendment is approved, legislators could define investment real property to include every category of real property, including primary residences. The president of the Hawaii State Teachers Association insists legislators want only to tax second homes worth more than \$1 million, but those limitations were deleted from the final bill. Why would legislators ask voters to authorize them to tax any property, at any rate, and without any threshold, if all they really want to tax are second homes worth more than \$1 million?

Fifth, unless the legislature thinks it has been underfunding education all these many years, new tax revenues earmarked for education could easily be offset by reduced general-fund appropriations. The freed-up general funds could then be used in ways that reflected the legislature’s priorities. This is not farfetched. In a representative democracy the allocation of public funds is never random. As of two years ago, Hawaii was spending \$13,748 per pupil for operations alone. That was 17 percent above the national average, making Hawaii’s per-pupil spending 15th highest in the nation. Since then, the legislature approved a

13.6 percent pay increase for teachers and 14.8 percent for principals, both spread over four years. Once updated national data are available, we expect Hawaii's per-pupil spending to be more than 17 percent above the national average. While this does not conclusively answer the adequacy question, it supports the suggestion that legislators may view the current level of education funding as adequate.

Sixth, while HSTA has made a lot of noise about Hawaii being the only state that does not currently tax real property for education, and that Hawaii devotes a smaller percentage of state-and-local tax revenues to education than does any other state, these claims are misleading and barely relevant. This first claim ignores that Hawaii has the only state-run school system in the nation and that an extraordinarily large percentage of Hawaii's school-age children attend private schools. The second claim ignores that nearly a billion dollars in fringe benefits for teachers are labeled as government services rather than education spending in Hawaii, simply because it is processed by the Department of Budget & Finance rather than the DOE. It also ignores that even relatively low property-tax rates in Hawaii produce substantial amounts of property taxes because of Hawaii's extraordinarily high property values. But the key question is this: If the DOE's existing funding is adequate (see above), why bother with misleading data that is only tangentially related to the question of adequacy?

Finally, while we sympathize with individual teachers who are struggling financially, they are not alone. Other than federal employees who automatically get nearly 20 percent extra each year, we don't know of any category of professional worker that receives enough to be compensated fully for Hawaii's high cost of living. Such costs vary within each state, but Hawaii's current statewide cost of living differential is 18.4 percent above the national average, according to the U.S. Dept. of Commerce.

Recall that per-pupil spending in Hawaii was 17 percent higher than the national average two years ago. If teachers are not currently paid at least 17 percent more than the mainland average, on what is the DOE spending the extra 17 percent?

**

Benjamin Cayetano was Governor of Hawaii from 1994 to 2002. Randall Roth is professor emeritus at the University of Hawaii William S. Richardson School of Law.