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TESTIMONY BEFORE THE BOARD OF EDUCATION
FINANCE AND INFRASTRUCTURE COMMITTEE

RE: AGENDA ITEAM IV, A, UPDATE ON STATUS OF DESIGNATION OF KALIHI
TO ALA MOANA SCHOOL IMPACT FEE DISTRICT.

TUESDAY, JANUARY 10, 2017

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Chun and Members of the Committee:

The Hawaii State Teachers Association **strongly supports** enactment of the Kalihi to Ala Moana school impact fee district and asks the board to consider expanding impact fees to the entire state, thereby restraining fee amounts and ensuring that all new residential developments help finance public school facilities.

According to a study from Penn State University's Center for Evaluation and Education Policy Analysis entitled *The Importance of School Facilities in Improving Student Outcomes*, "A growing body of research has found that school facilities can have a profound impact on both teacher and student outcomes. With respect to students, school facilities affect health, behavior, engagement, learning, and growth in achievement. Thus, researchers generally conclude that without adequate facilities and resources, it is extremely difficult to serve large numbers of children with complex needs."

Hawaii's public school buildings are approximately 65-years-old on average. Facilities are damaged, restrooms and water foundations are in disrepair, classroom windows are broken, and campuses are plagued by rat and insect infestations. Our students, many of whom have "complex needs," are not benefiting from dilapidated infrastructure. Though our state's repair and maintenance backlog has declined, the total cost of lingering projects runs into the hundreds of millions of dollars. Maintenance and capacity problems are particularly painful for developing communities, like the 'Ewa Plain, which will welcome 28,000 more buildings by the year 2021, and Kaka'ako, in which roughly 5,000 new condominium units will be built by 2018 and the population is

will double to 30,000 people in the next fifteen years, the Honolulu Community Development Authority reports.

Implementing school impact fees must be part of any demographically sustainable strategy to solving our state's facilities decay and school overcrowding problems. Residential developments create demand for public school facilities. To meet the scholastic needs of communities undergoing new construction, the Board of Education may designate school impact districts and require developers to contribute toward the cost of serving increased school capacity. While Gov. Ige's budget proposal for the 2017-2019 fiscal biennium includes \$373.6 million to address classroom capacity issues, \$264.7 million of the governor's request is for new schools, two of which are in West Oahu's Kapolei town. What's left will not fully fix existing school capacity and infrastructure disrepair, much less provide a long-term answer.

In adopting school impact fees in 2007 (Act 245), the State Legislature empowered the BOE to task developers with supporting our state's goal of providing a quality education to all children. According to HRS Section §302A-1604, subsection (a), "The board shall designate a school impact district for school impact fees only after holding at least one public hearing in the area proposed for the school impact district," following preparation of a comprehensive impact fee analysis by the DOE. HRS §1604, subsection (b) prescribes that a proposed impact district "may range from one school to one or more high school complexes," with no statutory limitation included on the size of prospective impact fee districts. Thus, the board may create impact fee districts as large as it believes appropriate to produce a continuing funding stream for public schools in need.

During the 2016 legislative session, lawmakers allowed fee-in-lieu funds collected in Honolulu's urban core to be spent on purchasing completed construction, leasing land or facilities, and improving or renovating existing structures for school use. We would like to see impact fees, including the expanded use permissions for the urban core, stretched to the entire state. While we continue to support collection of impact fees in the urban core, we urge the board and the department to designate all places in which impact fees are not currently assessed as impact districts, either individually or as a whole, to maximize revenue generation and ensure that future developers, residential investors, and home buyers pay their fair share in educating our keiki.

A quality education is priceless. To advance school funding equity, the Hawaii State Teachers Association asks the board to make school impact fees permanent and applicable statewide.



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**TESTIMONY FOR AGENGA ITEM IV, A, UPDATE ON STATUS OF DESIGNATION
OF KALIHI TO ALA MOANA SCHOOL IMPACT FEE DISTRICT**

**Finance and Infrastructure Committee
Hon. Grant Chun, Chair
Hon. Kenneth Uemura, Vice Chair**

**Tuesday, January 10, 2017, 11:00 AM
Queen Liliuokalani Building, Room 404**

Honorable Chair Chun and committee members:

I am Kris Coffield, representing the IMU Alliance, a nonpartisan political advocacy organization that currently boasts over 350 local members. On behalf of our members, we offer this testimony **in strong support** of establishing the Kalihi to Ala Moana school impact fee district and requesting the board to apply school impact fees statewide.

In comparison to school districts of similar size and demographic composition, Hawai'i ranks 227th in per-pupil funding *before* adjusting for cost of living, according to a Ballotpedia analysis of public school spending, at \$11,823 per child. Washington D.C., New York City, Boston, Pittsburgh, and Cincinnati school districts, for example, spend nearly twice as much as Hawai'i per pupil, at well over \$22,000 to over \$26,000 per student. Similarly, local private schools, discounting Catholic institutions, spend nearly \$19,173 dollars per student, with Punahou President Jim Scott revealing, in 2014, "The real cost of our education per student is \$26,000," owing to the school's then-total endowment of \$235 million and fundraising operations of \$12-\$15 million annually.

Our state must consider all possible ways to plug our education funding deficit, including the expansion of school impact fees, which could finance new or existing public school facilities as demand for such facilities increases, including through new residential properties spurred by transit oriented development (TOD). Pursuant to HRS §302A-1604, the Board of Education is empowered to establish districts that "**may range from one school to one or more high school complexes**" in which impact fees are to be applied, with new developers of residential properties in those districts then required to contribute to constructing school facilities that serve the ensuing influx of families and students. There are two types of fees established in state law: construction cost component impact fees and land component impact fees. Put simply, the former are fees paid

for the construction of new school facilities, while the latter involve fees paid in lieu of or actual acreage given to the Department of Education to offset the cost of vacant land suitable for a school site. Since new residential developments within designated impact fee districts create demand for public school facilities, developers are required to contribute toward the creation of new school space through both of the aforementioned means.

Both the land and construction requirements are based on a proportionate share of the need to provide additional public school facilities, consistent with fair-share principles. New residential developments are not charged for higher levels of service than existing developments demand, which is borne out by the DOE imposing fees based on averages taken from recently built and comparable developments. Notably, construction cost component impact fees, per state law, involve ten percent of the share of the construction cost for a required new school or expansion of existing school facilities—or both—that is attributable to a specific new residential development, with the cost per student meaning the average of actual school construction costs divided by the respective design enrollments (maximum number of students a school facility is designed to accommodate) for schools constructed within approximately the last ten years. Using data from 1997-2007, state law further codifies the construction cost component impact fee averages for different school types as follows:

- (1) Elementary schools: \$35,357 per student;
- (2) Middle and intermediate schools: \$36,097 per student; and
- (3) High schools: \$64,780 per student.

Ergo, the average contribution per student to a developer varies, depending on the type of school(s) being built to accommodate relocating families.

Kaka’ako, an area covered by this proposal, is set to be filled with freshly designed high-rise projects. Nearly 5,000 new condominium units are scheduled to be built by 2018 in Kaka’ako, with the population of the district expected to double to 30,000 people in the next fifteen years, according to the Honolulu Community Development Authority. DOE officials are considering all possible answers to school capacity questions posed by new developments, including mixed use schools that cater to grades K-12 and rededicating unused space at schools operating below their design enrollment—McKinley High School's maximum capacity is 2,100 students, for example, but enrollment is just over 1,600, leaving room for an additional 500 students. These strategies are not demographically sustainable, however, raising the urgency of creating alternative financial instruments to subsidize new schools. TOD, as previously stated, only exacerbates school capacity problems, as transit hubs incentivize residential and commercial development to accompany the high-traffic, convenient, and readily accessible rail line.

Affordable housing advocates maintain that the impact fee in question may impede forthcoming housing projects. Yet, with regard to affordable housing, it's important to remember that **poor people deserve quality schools, too, perhaps more than their affluent peers.** Our state should be willing to provide additional financial assistance through housing-related special and revolving funds, if necessary, to ease developers' concerns about project cost escalations and overruns, so that low socioeconomic status families may send their students to 21st century schools—especially since numerous studies show that socioeconomic status is the biggest determinant of student success. At a previous public hearing on this matter, **one affordable housing advocate noted an estimated a need for \$800,000 in additional revolving funds, which pales in comparison to the millions that will be raised for our schools once impact fees take effect.**

Therefore, we continue to support the codification of the Kalihi to Ala Moana school impact fee district to address capacity concerns. Again, we would like to see impact fees established statewide, allowing the department to prevent school overcrowding and facilities dilapidation before it begins. It shouldn't take a falling roof at Farrington High School or the 1,300-student overload at Campbell High School to spur us to act. Additionally, we note that the list of permissible uses for impact fees collected in the urban core, including the Kalihi to Ala Moana district under consideration, was expanded by the legislature in 2016, with the department now being allowed to use revenue generated by the fee-in-lieu funds for completed construction, constructing new school facilities, leasing land or facilities, or improving or renovating existing structures for school use—a new opportunity for the DOE, as fee-in-lieu funds are not allowed to improve existing school structures in other impact districts. We ask you to work with public school advocates, this year, to convince the Legislature to extend these permissions to all impact districts, thereby maximizing the department's ability to prevent capacity and facilities problems before they become an education emergency.

Imagine a society in which our schools are the sign and signal of Hawai'i's highest standards of excellence. To realize that vision, we ask you to make impact fees part of our state's solution to providing first-rate facilities for our students.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance