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**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.MauiCounty.us](http://www.MauiCounty.us)

September 13, 2018

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2018 SEP 13 AM 10:10  
OFFICE OF THE  
COUNTY CLERK

The Honorable Mike White  
Council Chair  
County of Maui  
Wailuku, Hawaii 96793

Dear Chair White:

**SUBJECT: URGING THE STATE AUDITOR TO CONDUCT A PERFORMANCE AND FISCAL AUDIT OF THE HAWAII STATE DEPARTMENT OF EDUCATION (PAF 18-254)**

May I request the attached proposed resolution, entitled "URGING THE STATE AUDITOR TO CONDUCT A PERFORMANCE AND FISCAL AUDIT OF THE HAWAII STATE DEPARTMENT OF EDUCATION," be placed on the next Council meeting agenda.

Sincerely,

A handwritten signature in black ink, appearing to read "Riki Hokama".

RIKI HOKAMA  
Councilmember

paf:mcc:18-254c

Attachment

COUNTY COMMUNICATION NO. 18-329

# Resolution

No. \_\_\_\_\_

## URGING THE STATE AUDITOR TO CONDUCT A PERFORMANCE AND FISCAL AUDIT OF THE HAWAII STATE DEPARTMENT OF EDUCATION

WHEREAS, the Hawaii State Department of Education (“Department”) has an operating budget of \$1.99 billion, with \$1.63 billion provided by State General Funds, the majority of which is derived from the General Excise and Use Tax, income taxes, and the Transient Accommodations Tax, as authorized by the Constitution of the State of Hawaii; and

WHEREAS, the Department is also appropriated over \$602 million for Capital Improvement Projects to improve structures and facilities and expand the capacity of the school system statewide; and

WHEREAS, Article X, Section 1 of the Constitution of the State of Hawaii (“State Constitution”) establishes the only statewide education system in the nation, designed to provide equity in delivering quality educational opportunities for keiki statewide; and

WHEREAS, the annual financial and single audit report for the Department, prepared by an outside firm, focuses on the presentation of financial statements but does not analyze the implementation of funds or efficiency of operations of the Department; and

WHEREAS, the work of the State of Hawaii, Office of the Auditor, includes conducting fiscal accountability analyses of public education; and

WHEREAS, the most recent fiscal accountability audit of the Department took place 15 years ago in 2003 and found that the Department only minimally complied with statutory requirements for planning, programming and budgeting principles, and measures of effectiveness were “irrelevant, inaccurate and ambiguous”; and

WHEREAS, the most recent comprehensive financial audit of the public-school system took place in 1996 and identified several continuing

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problems with the Department's financial management system and reportable conditions relating to internal controls; and

WHEREAS, a subsequent 1998 fiscal accountability report of the Department urged the use of a reporting program to clarify how educational dollars are spent, to increase fiscal accountability, and to facilitate the process of school-based decision making; and

WHEREAS, the last comprehensive management and performance audit of the Department took place 45 years ago in 1973 and offered a wide-range of recommendations relating to roles, responsibilities and relationships of the Department's policy-making and advisory bodies; organization and general management of the Department; management of curriculum; and management of personnel; and

WHEREAS, although audits have continuously identified the need for better financial management and fiscal accountability within the Department, and the Hawaii State Legislature ("Legislature") has failed to take action in enforcing accountability; and

WHEREAS, the Legislature authorized a ballot question for the 2018 general election ballot, which would fundamentally alter the State Constitution to allow the Legislature to establish an ambiguous "surcharge on investment real property to be used to support public education"; and

WHEREAS, Article VIII, Section 3, of the State Constitution provides "all functions, powers and duties relating to the taxation of real property shall be exercised exclusively by the counties," as established at the 1978 Hawaii State Constitutional Convention for the purpose of providing autonomy and accountability for the counties; and

WHEREAS, the Legislature has failed to acknowledge the significance of the history of real property taxation in the State of Hawaii and the rationale for the structure of the current system; and

WHEREAS, in February 2018, the State Tax Review Commission presented recommendations for change to the Legislature, which recommended addressing revenue adequacy by collecting tax on remote sales, taxing e-cigarettes, and conducting in-depth studies on topics such as implementing a carbon tax and improving compliance with current tax laws; and

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WHEREAS, the Legislature neglected to evaluate well-informed tax revenue suggestions and instead sought control of real property tax revenues, which Counties rely on to provide essential services such as fire protection, police, parks and emergency management; and

WHEREAS, Counties support education through funding afterschool activities, funding science, technology, engineering and mathematics (“STEM”) programs, providing grants to educational programs and non-profits, providing transportation for afterschool programs, and providing facilities for educational activities; and

WHEREAS, pursuant to Chapter 89, Hawaii Revised Statutes, the salaries of public employees, including teachers, should be negotiated with exclusive representatives through collective bargaining, rather than direct financial requests to voters and taxpayers, and doing so represents a failure of the collective bargaining system; and

WHEREAS, the Department has not confirmed the necessity of the proposed Constitutional amendment; and

WHEREAS, before fundamentally altering real property taxation, a comprehensive financial and performance audit to assess the efficiency and effectiveness of all aspects of the State Department of Education is necessary; and

WHEREAS, a performance and fiscal audit of the Department would give the Legislature tools to make well-informed decisions to ensure high-quality educational opportunities are available for our keiki, while also informing the public of shortfalls and shortcomings of the Department; now, therefore,

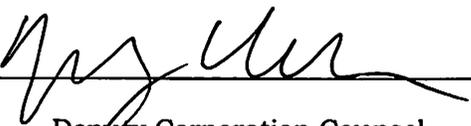
**BE IT RESOLVED** by the Council of the County of Maui:

1. That it hereby urges the State Auditor to conduct a performance and fiscal audit of the Hawaii State Department of Education; and
2. That certified copies of this resolution be transmitted to the Honorable Alan M. Arakawa, Mayor, County of Maui; Auditor, State of Hawaii; Honorable David Ige, Governor, State of

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Hawaii; Senate President, State Legislature; Speaker of the House, State Legislature; Maui County's Delegation to the Hawaii State Legislature; Honorable Kirk Caldwell, Mayor, City and County of Honolulu; Honorable Bernard Carvalho, Mayor, County of Kauai; Honorable Harry Kim, Mayor, County of Hawaii; Ernest Martin, Chair, Honolulu City Council; Valerie Poindexter, Chair, Hawaii County Council; Mel Rapozo, Chair, Kauai County Council; and the Superintendent of the Hawaii Department of Education.

APPROVED AS TO FORM AND LEGALITY



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Deputy Corporation Counsel  
County of Maui

paf:mcc:18-254a