

CONFERENCE COMMITTEE REPORTS

Conf. Com. Rep. 1 on S. B. No. 90

The purpose of this bill, as introduced, is to authorize the department of health to charge fees in addition to those presently set by statute when examinations for certain licensed occupations are purchased from a professional organization or examination service.

The department of health has informed your Committee that the fees presently collected of applicants for licenses in podiatry, physical therapy, and several other occupations do not cover the examination costs when examinations are purchased from professional organizations or examination services. The director of health has therefore requested authority to charge an additional fee to defray examination costs when they are higher than the fees in the schedule.

Your Committee agrees with the director that this proposal to give the department authority to levy an additional fee when necessary to defray costs would be preferable to amending the fee schedule from time to time.

Your Committee has been informed that functionally it may be appropriate to transfer the department of health's examination and licensing function for certain occupations to the department of regulatory agencies. The licensing of various apparently-related occupations are currently administratively controlled by the department of regulatory agencies.

Having reviewed the feasibility of the transfer of such functions from the department of health, and the workload of the department of regulatory agencies, it is your Committee's recommendation that no transfer of functions take place at this time.

Your Committee has amended the bill to conform to Senate draft 1 of the bill which provides for the general intent and purpose of the bill and which retains certain licensing and examination functions for various occupations within the department of health.

Your Committee on Conference is in accord with the intent and purpose of S. B. No. 90, S. D. 1, H. D. 1, as amended and attached hereto as S. B. No. 90, S. D. 1, H. D. 1, C. D. 1, and recommends its pass-

age on Final Reading.

Representatives Akizaki, Yuen and W. Chong.

Managers on the part of the House.

Senators Yamasaki, Ching and Henderson.

Managers on the part of the Senate.

Conf. Com. Rep. 2 (Majority) on S. B. No. 1283

The purpose of this bill is to increase general fund revenues to correct the serious fiscal imbalance which currently exists in State government.

To accomplish the purpose of the bill, your Committee on Conference has amended S. B. No. 1283, S. D. 1, H. D. 1, to provide for appropriate tax measures. In developing the bill, your Committee has considered all of the tax and revenue bills proposed by both Houses of the Legislature and has selectively incorporated those proposals which best serve the immediate purpose of closing the State's financial gap.

Your Committee emphasizes that this bill is but an interim measure designed primarily to correct the present fiscal condition of the State. While it is acknowledged that a comprehensive review of the entire tax system is in order and reforms should be developed from such review, a more permanent restructuring of the tax system must await more detailed examination. Your Committee recommends that such a detailed examination be given high legislative priority. In the meantime, your Committee has sought to take steps in the direction of correcting those tax situations which are manifestly inequitable, leaving to further study those reforms which should be adopted only after a careful assessment of all of their effects.

The findings and declaration of necessity which provide the basis and urgency for this bill are specified in section 1 of the bill. In summary, your Committee finds that:

1. A serious fiscal imbalance has developed in State government which, if not corrected, will affect the fiscal integrity of the State and the welfare of its people.

2. The fiscal imbalance has developed largely because of forces outside of the

control of the State, not the least of which have been national economic policies.

3. There is little prospect for federal relief. On the contrary, federal budgetary policies portend a greater financial burden on State government.

4. The pressure on governmental expenditures will continue unabated. Even if there is no expansion of scope or increase in quality of public services, population changes and price increases alone will move State government expenditures to higher levels.

5. Strict controls have been exercised by the executive in expending funds and by the legislature in setting budgetary levels, but these measures alone are insufficient to eliminate the expenditure-revenue gap.

6. The unwelcome conclusion is that tax revenues must be increased to prevent the State from drifting from a condition of fiscal imbalance to a condition of fiscal chaos.

7. The long-term approach to restoring the State to fiscal health should be not merely on raising revenues but on reforming the tax structure.

8. Considerations of equity among classes and among citizens in similar economic circumstances, the closing of tax loopholes, the relationship of state and county taxes to federal taxes, relieving the burden from those least able to pay, and promoting economic efficiency and economic growth are all factors which should guide approaches to tax reform.

A. Tax Revision Recommendations

Your Committee recommends the following tax revisions:

1. Individual Income Tax. Your Committee finds that the present income tax imposes a heavy burden on taxpayers with low and middle incomes. Your Committee has, therefore, revised the tax rate schedule to lessen this inequity and yield approximately \$2.44 million for the 1973-75 biennium in additional tax revenues. The tax rates for single taxpayers and heads of households with taxable income over \$14,000 and married taxpayers filing jointly with taxable income over \$28,000 have been increased, while the rates applicable

to taxable incomes below the above stated amounts remain unchanged.

Your Committee recommends that the alternative tax rate on 100% of net long-term capital gains be increased from 4% to 6%. The additional revenue resulting from this is included in the above \$2.44 million.

Your Committee further recommends that several federal provisions contained in the Tax Reform Act of 1969 and other specific amendments made to the Internal Revenue Code be adopted to permit closer uniformity between federal and State tax laws.

2. Corporate Income Tax. Your Committee recommends that the corporate income tax rates be revised to yield \$9.5 million of additional revenues for the biennium. The two principal changes are (a) the tax rate on the first \$25,000 of a corporation's taxable income is increased from 5.85% to 7%, and (b) the tax rate on taxable income in excess of \$25,000 is increased from 6.435% to 10%.

Consistent with the capital gain revision made in the individual income tax schedule, your Committee recommends that the capital gains tax on corporations be increased from 3.08% to 6% of net long-term capital gains. The additional revenue resulting from this recommendation is included in the above \$9.5 million.

Your Committee also recommends that the federal provisions affecting corporate income tax contained in the Tax Reform Act of 1969 and other specific amendments to the Internal Revenue Code be adopted.

3. General Excise Tax Credit, General Excise Tax and Use Tax. Your Committee is aware of the overriding deficiency in depending on the general excise tax as a source of revenue. It is excessively regressive in its effect on taxpayers and thus inconsistent with the criterion of equity. However, no increase in tax revenues of the magnitude necessary to correct the fiscal imbalance of the State can be accomplished without some reliance on the general excise tax.

Your Committee, therefore, sought a solution which would fulfill two basic requirements: (a) that any increase in general excise tax be eventually scaled down, and (b) that, to the extent possible, some

element of progressivity be injected into the tax system so as to equitably distribute the tax burden. The recommended tax revision fulfills these two requirements.

Your Committee recommends that an "excise tax credit" system be adopted which will replace the present individual tax credits for medical service and drugs, education, and rental. In essence, this recommendation reduces the number of consumer type tax credits to a single credit schedule which contributes to a more simplified tax credit system. The adoption of a single, simplified system will reduce the ineffectiveness of the present credit system as reported by the department of taxation.

It should be noted that the recommended schedule which extends tax credit benefits up to \$15,000 of adjusted gross income will increase the number of people eligible for tax credit. This increase, coupled with the expected increase in the percent of eligible individuals claiming tax credits, will, in all probability, cost the State \$21.20 million for the biennium, or an increase of \$15.20 million from the present cost of \$6.00 million.

Your Committee notes that the tax credit recommendation injects progressiveness and greater tax equity into the system. To a great extent, such a proposal alleviates some of the basic inequities of a general excise tax. In conjunction with the tax credit recommendation, your Committee recommends that the general excise tax rate be temporarily increased from 4% to 5% from July 1, 1973 through June 30, 1975. Your Committee further recommends that on or after July 1, 1975, the excise tax be reduced to the 4-1/2% level. This action would increase revenue by about \$85.20 million for the 1973-75 biennium.

In keeping with the general uplifting of the excise tax, your Committee further recommends an increase in the use tax from 4% to 5% from July 1, 1973 through June 30, 1975, subject to the same roll-back provision. The increase in revenue is included in the \$85.20 million estimated above.

Your Committee also recommends the following selective revisions to the general excise tax:

- Subject sales to leasing companies which lease capital goods as a service to

others at the retail rates instead of the wholesale rates. (\$1.0 million increase)

- Increase tax rate on transient accommodations (hotel room rentals) from 4% to 6%. (\$10.28 million increase)

- Increase tax rate on short-term (less than a month) rental or leasing of passenger cars from 4% to 6%. (\$.40 million increase)

- Increase tax rate on receipts or proceeds generated from business activities conducted primarily for tour or sight-seeing purposes by land, sea, or air carriers from 4% to 6%. (\$.40 million increase)

- Increase tax rate on liquor sales made for on-the-premise consumption from 4% to 6%. (\$2.5 million increase)

- Increase tax rate on food which is prepared and served from 4% to 6%. (\$10.0 million increase)

Your Committee, recognizing the need to maintain a viable pineapple industry as an important part of the State of Hawaii's economic and social base and recognizing the need to reduce the current competitive disadvantage of the pineapple industry in domestic and foreign markets, further recommends that the sales of pineapple and pineapple products be exempted from the excise tax at the manufacturing, processing, and wholesaling levels and that all sales and the gross proceeds of all sales of tangible personal property having a life in excess of one year sold to a person engaging in or continuing in the business of cultivating, harvesting, processing, canning, or warehousing of pineapple or pineapple products for use in such business be exempted from general excise and use taxes for a period of five years beginning July 1, 1973 and ending June 30, 1978. These exemptions would reduce the State's revenues by approximately \$1.6 million for the 1973-75 biennium.

4. Public Service Companies, Banks and Other Financial Corporations, and Insurance Companies. Public service companies are not affected by the general excise tax recommendations made in item 3 and banks and other financial corporations and insurance companies are not affected by the corporate and general excise tax recommendations made in items 2 and 3 above. To maintain parity with the excise and

business tax recommended for other comparable businesses, your Committee recommends the following:

- Increase tax on airlines, motor carriers, and contract carriers from 4% to 5%, effective January 1, 1974 and roll-back to 4-1/2%, effective January 1, 1976. In addition, increase tax on contract carriers transporting persons for tour or sight-seeing purposes from 4% to 6%. (\$2.57 million for the 1973-75 biennium in additional revenues)

- Increase the franchise tax rate from the present 11.7% to 14%. (\$1.58 million for the 1973-75 biennium in additional revenues)

- Increase insurance premium tax rates by 20% as follows: (\$4.25 million for the 1973-75 biennium in additional revenues)

— Life insurance

- Domestic from 1.755% to 2.1%
- Foreign from 2.925% to 3.5%

— Ocean marine from .8775% of 1% to 1.1%

— Other insurance

- Domestic from 2.6325% to 3.2%
- Foreign from 3.8025% to 4.6%

— Surplus lines from 4.68% to 5.6%

5. Fuel Tax and Highway Fund. The department of transportation's six-year program plans indicate an operating deficit of \$38.5 million in the State Highway Fund for the next six years. Accordingly, your Committee recommends increasing the State fuel tax from 5 cents to 7-1/2 cents on liquid fuel and from 4 cents to 6-1/2 cents on diesel oil. The estimated additional revenue resulting from this change amounts to \$14.00 million for the biennium. This amount will accrue not to the general fund but to the State Highway Fund.

Your Committee also recommends the broadening of the use of the highway fund for the purpose of the department of transportation's integrated transportation system and the interdepartmental transportation control commission. The broadening of the use of the highway fund will facilitate the department's planning efforts for an integrated mass transportation system.

6. Inheritance, Liquor, and Tobacco

Taxes. Your Committee recommends that the inheritance tax rate be increased by 20%. This will generate approximately \$1.45 million in additional revenues for the biennium.

Although Hawaii's liquor and tobacco taxes are comparatively high, your Committee is of the opinion that these are luxury items. Accordingly, your Committee believes that its recommendation is in consonance with one of its primary criteria that a tax increase not be tied to the basic necessities of life. Your Committee is of the opinion, therefore, that there is sufficient reason to recommend (a) that the liquor tax on wholesale sales be increased from 20% to 25%, and (b) that the tobacco tax on wholesale sales be raised from 40% to 45%. Additional revenues from the proposed changes are estimated to be \$6.02 million and \$1.83 million, respectively, for the biennium.

B. Summary and Conclusion

A summary of the tax revenue changes resulting from your Committee's recommendations is shown in table 1. For the 1973-75 biennium, general fund tax revenues will increase by \$122.62 million. This is an amount which will allow the State to preserve its fiscal integrity and enable it to manage such deficit as may persist during the biennium. However, these changes in revenues alone cannot fully close the expenditure-revenue imbalance. They need to be complemented by continued, strict executive controls over expenditures and legislative controls over budgetary levels. Your Committee expects such controls to continue.

Your Committee on Conference is in accord with the intent and purpose of **S. B. No. 1283, S. D. 1, H. D. 1**, as amended in the form attached hereto as **S. B. No. 1283, S. D. 1, H. D. 1, C. D. 1**, and recommends its passage on final reading.

Representatives Suwa, Akizaki, A. Chong, Kishinami, Kondo, Kunitura, Morioka, Nakama and Yuen.

Managers on the part of the House.

Senators Yoshinaga, Yamasaki, Toyofuku, Anderson and Henderson.

Managers on the part of the Senate.

Senators Yoshinaga and Anderson did not concur.

Conf. Com. Rep. 3 on S. B. No. 1295

The purpose of this bill is to appropriate funds for government programs for the 1973-75 fiscal biennium.

Background to the Budget

In approaching the task of formulating the budget for the 1973-75 fiscal biennium, your Committee analyzed three major forces which affect how much and for what purposes public funds are to be used. The first is the present fiscal condition of the State. The deficit position of the State's general fund is not merely a casual deficit which can be eased over time. It is a serious fiscal imbalance which, if not corrected, could affect the State's fiscal integrity, including the State's credit standing in the national financial market. The condition virtually dictates a combination of actions to reduce governmental expenditures while raising revenues to a level which will enable the deficit to be managed.

The second factor is the rising level of government expenditures. The popular misconception is that government spending has increased because government has overindulged in the expansion of governmental services. While Hawaii has made real social and economic gains in the past decade, and has made them not without cost consequences, the primary forces which have driven governmental spending to higher levels are forces which are largely outside the control of the State: population changes and the price level of goods and services purchased by government. At least two-thirds of the increases in government expenditures are attributable to these two factors. The policy implication of this condition is that of all of the factors which converge in the process of setting government spending levels, improvements in scope and quality of programs constitute the only factor subject to policy choices. This means, in turn, that the legislature has effective control over only one-third of the factors which determine government spending levels.

The third factor which affected the formulation of the budget is the uncertainty of federal revenues. Rather than a balanced fiscal federalism, what appears to be around the corner is the implementation of federal budgetary policies which will cause massive shifts of financial burdens to State government. The curtailment of

federal support for a variety of programs will be increasingly felt, and in a state where government services are predominantly the responsibility of state government, the legislature is placed in the predicament of having to determine which federal programs are now deserving of complete State support. It is evident that the State must resist the temptation of going after federal dollars when the known consequence is that the State must eventually carry the whole burden.

Given these three factors—a serious fiscal deficit position, the wage-price-population push to governmental spending, and the prospect of the State carrying the major financial burden of federal programs—the outcome is reasonably predictable. Hard and selective program decisions had to be made. Where programs do not seem to be accomplishing their objectives, they have been cut back; where there are uncertainties as to their effectiveness, they have been held to current levels in spite of pressures for expansion; and, in very limited circumstances, some new programs are authorized to proceed because of their vast benefit potential.

For selected major program areas, a summary of some of the more significant policy decisions, legislative concerns, and legislative intent follows.

Lower Education

During times of prosperity, the legislature had been able to accommodate a wide range of educational needs. Times have changed. Upon the recommendation of the department of education and the department of budget and finance, and after careful examination, your Committee reduced the Executive Budget in some areas. However, certain items have been added to the lower education budget because of their overriding importance. These include: program continuity for those children currently in the Hawaii English Program, continuation of the comprehensive alienation program, and provision for the expansion of certain aspects of the special education program. A discussion of your Committee's concerns relative to lower education follows.

Hawaii English Program. Your Committee has been faced with another major decision regarding the Hawaii English Program during the current session. The child-

ren who had been in the first statewide installation at the K-1 level in 1970-71 will be entering the fourth and fifth grades in the next biennium. A study of extensive testimony received by your Committee indicates that interruption of program continuity for the 14,783 students involved would be disruptive and not in their best interests. The benefits of the extensive prior investment made in the program would be lost. Therefore your Committee has provided funds for continuing HEP in the fourth grade for fiscal year 1973-74 and in the fifth grade for fiscal year 1974-75. It is the intent of your Committee that any excess funds shall not be expended for horizontal expansion of HEP but shall revert to the general fund. In addition to the purchase of the various packages needed by the students, the funds are intended for in-service training and the salaries of installation teachers which the department has stated are necessary for the smooth installation of HEP in the two new grade levels. It is the expectation of your Committee that the installation teachers will not be utilized as highly paid clerical staff to unpack, repack, label, and deliver HEP materials, as was the experience in the past. These installation teachers are expected to devote most of their time to professional tasks. Your Committee requests that the department utilize non-professional staff to assist the installation teachers and suggests that perhaps the department's part-time student help could be assigned to these duties.

With respect to the HEP program in grades K-3, your Committee has been disturbed to learn that the present program coverage is actually far less than that which previously has been claimed by the department. Your Committee requests that the department of education effectively implement its proposal made two years ago of increasing the number of students involved in the program through shared utilization of HEP packages. A report is expected in the 1974 session as to the specific action taken by the department to increase the program size of HEP under current funding levels.

Comprehensive Alienation Program.

Problems with alienated students continue to exist in our schools. Your Committee is disturbed at the high rates of malicious destruction of school property which appear to be tied to the frustration of alienated students toward their experiences

in school. The department is requested to address itself to the problems of malicious destruction and forced entry into facilities, together with the interrelated problems of student safety and student alienation, through the coordination of: (1) available county resources such as work study programs and law and justice awareness activities; (2) adequate planning for new facilities to ensure student safety and school security while maintaining esthetic and utility standards; and (3) expanding the instructional programs to meet the classroom needs of severely alienated students.

In particular, your Committee intends that the increase in funding for the Comprehensive Alienation Program be utilized for (1) any of the following types of positions: outreach counselor, campus counselor, campus or outreach aide, special motivation teacher, or crisis teacher; and/or (2) supplementing the work study and cultural-motivational components by providing for student enrollee costs and part-time advisorship costs. In addition, your Committee requests that the DOE report to the legislature 20 days prior to the 1974 session on (1) the method of allocation and the placement of the positions under this program, and (2) measures of effectiveness and levels of effectiveness achieved through the program established with these funds.

Special Education. The special education program is responsible for providing education and related services for students who are physically, mentally, and emotionally disabled. Your Committee has learned that the present special education program in the DOE is not providing these services to two broad groups of students: (1) those who have been identified as needing special education but for whom there is no room in present DOE classes, and (2) those potential special education students who have yet to be screened and evaluated. In 1971, the legislature provided for additional teachers for the first group of students, but those funds were restricted by the executive as part of the freeze on State expenditures. Your Committee believes that the legislature must attempt again to provide for a greater number of exceptional children in view of our commitment to equal educational opportunity for all students. Therefore funds have been provided and DOE's budget for each year of the biennium shall be allocated for the

following expenditures:

- Special education teachers and aides for students on the waiting list;
- Special education teachers for trainable mentally retarded students to be transferred from private, subsidized classes to DOE classes;
- Diagnostic teams.

With regard to the diagnostic teams, your Committee has been assured that the new teams will focus on reevaluating those exceptional children currently in special education classes to determine whether they might be transferable into regular classes. The spaces they vacate could then be filled by children identified for special education classes who might not otherwise be able to enter DOE classes at all. The new diagnostic teams will also focus on the early identification of exceptional children, particularly those of preschool and kindergarten age, in compliance with numerous directives made in the past for a more accurate identification of the target group for special education. Your Committee agrees that these are the areas which require immediate attention and it expects reports from the DOE during the 1974 session on its expenditure of these special education funds. The department is requested to heed legislative concerns regarding the hazards of any delay in the implementation of special education programs.

With respect to the Hawaii School for Deaf and Blind, your Committee has recognized that there is an urgent need for a hearing and speech therapist. Funds have been provided for the position.

School Lunch Program. The department of education is reminded of the need to make the program of free and reduced price lunches reach all of those students who cannot pay the full price of the Type A lunch. The department is also requested to monitor the free lunch program to assure the anonymity of students receiving free or reduced price lunches. With respect to adult Type A lunches, your Committee finds that the current price of \$.50 per lunch does not cover the full cost of such lunches and therefore the budget incorporates a price adjustment to \$.75 per lunch.

3 on 2 Program. Since 1968, 3 on 2 approach to individualized instruction, the placement of three professionals with two regular sized classes, has expanded to 585 teams on the K-3 level. During this period, however, some disturbing information has surfaced about this organizational arrangement. The most bothersome, to your Committee, has been the DOE's 1972 evaluation findings which showed that children in 3 on 2 classes do no better in reading skills than children in self-contained classes. Moreover, the department has not adequately spelled out how individualized instruction was to be implemented, and teachers were left to interpret the concept on their own. Hence, your Committee has found in some cases that the 3 on 2 arrangement was used merely to reduce the class size ratio by dividing the students among the three teachers and maintaining the integrity of each group. Also, shifts and decreases in the K-3 population have resulted in some 3 on 2 classes operating below the department's minimum number of 52. Therefore, your Committee recommends the reduction of the number of 3 on 2 teams by 65 positions in fiscal year 1974-75 to a new total of 520 teams. There is adequate lead time to make the reduction systemically. The department is expected to make these reductions, to the extent feasible, in those instances where the enrollment of the combined classes is already below the minimum number of 52 and to leave untouched those classes which are close to the maximum enrollment of 60. Your Committee is confident that those teachers who have experienced the favorable aspects of 3 on 2 will continue to apply their skills and their professional cooperation with each other in utilizing the large, flexible classrooms in which they may find themselves.

The legislature has also been concerned over another problem of long standing. Soon after the 3 on 2 program was instituted, the legislature requested that alternative approaches to implementing individualized instruction be studied by the department. One such alternative has been the modified 3 on 2, whereby the third person on the team is an educational assistant instead of a professional teacher. The department's one test of this alternative, using only 10 of the 65 educational assistants funded in 1969 for this purpose, was invalidated by the small sample. The department is now planning for an expanded rerun of the experiment but has testified

that it will be able to utilize only 42 of the 65 educational assistants under the desired, rigorous test conditions. The department has recommended that 20 of the 65 educational assistant positions originally appropriated for the modified 3 on 2 experiment be deleted, and your Committee has accepted the department's recommendation. However, there can be no further delays and diversion of resources. A valid, modified 3 on 2 experiment must be conducted in the coming school year, and an evaluation report of the experiment should be transmitted to the legislature during the 1974 session. The report should be comprehensive and include comparisons with the regular 3 on 2 and single classes.

Financial Management. Your Committee would like to repeat the concern expressed by previous legislatures that the DOE's accounting practices and internal control system remain inadequate. The legislature has yet to be assured that the department's multimillion dollar budget is being managed by legal and fiscally prudent policies, procedures, and practices. Your Committee urges the department to establish an accounting system that will stand any test applied to it. The department is also requested to examine the rationale and procedure by which allocated funds are divided among the districts and thence among the schools. In reviewing the department's budget request, it was disturbing to note that the various program area budgets do not, in fact, reflect input from the school level.

Financial management should also support the pursuit of economy. The department of education, in spite of its position as the department with the largest portion of the State budget, has yet to capitalize on the cost savings opportunities inherent in bulk purchasing of equipment. "Missing the boat" in this area means not only that the amounts expended for the equipment are greater than they ought to be but that repair and maintenance costs are increased as well. The latter situation occurs when vendors hesitate to accept contracts for repair of equipment, knowing that the number of brands represented by the schools' equipment exceeds their inventory. Hence repairs must be secured on an individual basis, and the costs escalate. The department is urged to examine the possibility of bulk purchasing in this area, as it has already done in the area of certain school supplies and food items.

These areas of concern have been further documented by the legislative auditor's recent report on the financial audit of the department of education. The department should improve its financial management, procedures, and practices through timely implementation of the auditor's recommendations.

Health Aides. Funds have been provided to continue the pilot program of health aides in schools for the next biennium. The legislature is unable to make a program decision at this time, since no definitive program evaluation has been made by the department of health. Such an evaluation is badly needed. Therefore, your Committee is requesting the legislative auditor to conduct an evaluation of the pilot program and to provide an evaluation report to the 1975 session of the legislature so that a program decision can be made at that time. The department of health and the department of education are requested to render assistance to the auditor in collecting such data or establishing such control groups as may be necessary for the conduct of the evaluation.

Libraries. Your Committee is concerned that funds in the budget for library books have sometimes been diverted to other uses. This is critical in the initial staffing of a new school library. Your Committee, therefore, requests the department to determine the minimum number of books needed in a school library and to provide each school library with that minimum number.

Junior Police Officers. While the safety record of junior police officers has been excellent, a tribute to the officers themselves and to their advisers, your Committee recognizes that there are some hazards to JPO duty. For the services that they render, junior police officers should be provided with adequate protection. Therefore, funds have been included to provide junior police officers with appropriate insurance coverage.

Kailua High School Modular Scheduling. Your Committee has provided Kailua High School with a reduced level of funding for its modular scheduling pilot project in accordance with departmental representations that the new funding level would be adequate to continue the essential features of the project. Your Committee expects that an improved evaluation of

this pilot will be undertaken during the 1973-75 biennium and a report submitted to the 1975 session so that the legislature can more reliably assess the merits of modular scheduling prior to any further decisions on its application to the entire school system.

Higher Education

Your Committee believes that the University of Hawaii system has been adequately funded to continue its growth and development throughout the state system of campuses. The pursuit of excellence sought in past years will be continued, in spite of present State fiscal constraints. Your Committee concurs with university policy in committing state funds to promote these guiding principles:

1. Open access to public higher education for all seeking admission to the university system. This is to be advanced by the implementation of West Oahu College.

2. Ample opportunities and varied options for all undergraduates, including those seeking vocational education. An adequate level of funding of the programs of the community colleges is designed to provide such opportunities and options.

3. Selective excellence in instructional and research programs which are natural and indigenous to the State of Hawaii. A program decision has been made to proceed with the Center for Korean Studies.

4. Expansion of professional educational opportunities for State residents and promotion of community welfare through funding a four-year medical school and opening a law school.

The budgetary decisions made are also intended to promote the more efficient and economical use of university resources, especially on the Manoa campus, through judicious paring of the operating budget. Instructional faculty throughout the system will have more substantial contact with students, especially at the undergraduate level. Your Committee continues to believe that undergraduates are an important aspect of the university system. The allocations provide for slight increases for most campuses, while decreases are effected on the Manoa campus. The faculty on that campus, while devoting more time to instruction, will still have sufficient time

for those research and public service functions which are essential if the university is to continue its current pursuit of excellence.

Besides trimming program budgets in line with the overall necessity to control State spending levels, some programs are being deleted entirely. This is what should be done when programs cease to be of high priority in terms of university or State needs. Your Committee hopes that the recommendations on phasing out certain programs will be exemplary actions for our legislative colleagues, the executive branch, and the University of Hawaii. The programs recommended for complete phase-out by FY 1974-75 are the land study bureau, the education research and development center, and the overseas career program. This would result in savings of \$96,575 in FY 1973-74 and \$322,341 in FY 1974-75 for the university budget. These will be phased out by June 30, 1974, in order to provide time to reassign staff and functions as appropriate during the next fiscal year. These actions should encourage the university and other State agencies to examine existing programs closely and reorder priorities in the future. This may preclude eliminating programs through legislative action. Your Committee cautions that this does not mean that programs, including special programs, should arbitrarily be discontinued. Their continuance or curtailment should be made only after critical examination.

While the appropriations reflect selective program decisions for the University of Hawaii system, your Committee believes that the programs and operations of the university must be further examined from the broader perspective of assuring that State funds expended in higher education programs are, in fact, yielding the highest educational value. Your Committee has provided herein specific policy recommendations to serve as guidelines for the further development of the University of Hawaii system. The emphasis of these recommendations is that the university should make every effort to conserve public resources in the pursuit of higher education program objectives.

Adjustment in Graduate Student/Undergraduate Ratio. Greater emphasis should be placed on the programs at the community college level and the undergraduate levels of the University of Hawaii,

Manoa, and Hilo campus. In this regard, it is recommended that the board of regents seriously consider controlling the graduate program to a 1 to 6 ratio in favor of the undergraduate. This ratio should be applicable to the enrollment on the Manoa campus only. Your Committee notes that the current practice is to maintain a 1 to 6 ratio considering the total student population of the university system. The adjustment in the graduate student/undergraduate ratio at Manoa should be made in conjunction with a systematic evaluation of each graduate and professional program at the university, taking into account the costs, benefits, and size of each program and the relationship of each program to employment needs and opportunities in the State. Your Committee requests the board of regents to establish a schedule for such evaluations, programmed so that some evaluations will be completed by the 1974 legislative session.

Faculty Teaching Load. The legislative auditor has reported that the State of Hawaii cannot afford to permit its university system to operate without those kinds of policies which assure that public dollars, translated into faculty resources, are utilized efficiently. At the present time, there are no clear and explicit policies governing faculty work load and the utilization of faculty resources. Your Committee agrees with the auditor's recommendation that such policies must be developed at once. While this is a matter which could be legislated, the legislature is providing the board of regents with the opportunity to formulate policies in this area and to assure that its policies are effectively executed. Your Committee suggests that a reasonable minimum teaching load would be nine credit hours. The appropriations made for instruction do, in fact, reflect increased teaching loads. In increasing the instructional credit hours per faculty member, the university shall use the present prevailing credit hours allocated to courses. For example, if English composition is currently a three-credit course, it shall remain a three-credit course in terms of calculating the teaching load of faculty members teaching the course. The board should assure that controls are exercised to assure that teaching load policies are not circumvented by arbitrary inflation of credit hours for courses.

Appointments and Compensation. Your Committee concurs that the university can

no longer afford "super stars" on the faculty and at the same time maintain a fluid open-door policy. It cannot justify the hiring of expensive faculty members on the one hand while having to curtail, defend, and even discontinue worthwhile programs on the other. Accordingly, your Committee strongly recommends that the board of regents set definite directions to the administration in committing appointments and compensation. In a survey taken, your Committee found that throughout the university system there were 310 individuals earning \$25,000 and over.

Closed Courses and Sections. A perennial complaint, and apparently one which the university has yet to alleviate, is the problem of students being unable to register for courses, particularly lower division courses, to fulfill core requirements and courses required in the major. The legislative auditor found that, semester after semester, there are a number of students who find that they are unable to register for courses of their choosing because courses and sections are closed early during the period of registration. This is not a result of registration procedures, although these too can be improved, but a more direct result of misplaced priorities in the application of faculty resources. While many sections and courses are closed during registration, the university continues to offer courses which attract class sizes of less than ten students, a practice contrary to the university's own policies. Clearly, a reordering of priorities is required, and policies and procedures must be developed to assure that: (1) student demand for specific courses is reasonably estimated; (2) courses and sufficient sections are provided to meet those demands; and (3) faculty resources are reallocated or teaching loads increased, during the period of registration if necessary, to keep courses open to students.

Overload Practices. Overload refers to services rendered within the university system by faculty members which are considered to be above and beyond their regular work load assignments and for which additional compensation is paid. The legislative auditor's report has documented the wide range of overload practices, some of which contravene university policies. As one standard rule, your Committee believes that the period from 7:30 a.m. to 10:00 p.m. should be considered the normal day for the scheduling of classes, and that overload

compensation should be given only when the teaching load is exceeded and not merely on the basis of when or where the class is scheduled.

Sabbatical leaves. The board of regents is requested to reevaluate university policies and practices related to sabbatical leaves and leaves of absence for the faculty on the Manoa and Hilo campuses. The present mandatory sabbatical leave policy is not consistent with the policy governing the community colleges where sabbatical leaves are a privilege. The board should seriously consider a system-wide policy of granting sabbaticals as a privilege, with leaves to be based on the anticipated benefit to the individual, the university, the community, and the students.

Medical School. As previously noted, sufficient funds have been provided for the third and fourth years of the program. Your Committee cautions that there are still unresolved problems concerning the operation, cost, and funding of the program. The authorization to implement the program has been made with the expectation that the following conditions will be fulfilled: (1) that the level of federal funding shall not be less than projected, i.e., \$325,000 for the capitation grant and \$2.7 million for the conversion grant, and these funds are received no later than July 1, 1973; (2) that the incremental clinical costs and costs for intern and residency programs with the community hospitals shall cost no more than the amounts budgeted for these items; and (3) that all operating contracts between the university and the community hospitals shall acknowledge the budgetary limitations and shall be executed by July 1, 1973.

Community Colleges. Your Committee expects that the sums to be expended by the community colleges for vocational and occupational programs shall be in accordance with the State master plan for vocational education (1968) and the annual State plan for the administration of vocational education. In addition, the community colleges shall coordinate and articulate their vocational, occupational, guidance, and counseling programs with the secondary level programs of the department of education and with the four-year State university institutions.

Economies. The university should make

a concerted effort to effect savings through improved utilization of resources. These include faculty resources as well as day-to-day expenditures for supplies and equipment. As part of the effort to effect savings, the university should tighten its practices in the use of motor vehicles. Your Committee has been informed that a number of persons at the university have cars assigned to them. There seems to be no rational basis for the practice, and the university is requested to review this matter.

Social Problems

Few problems affect the vital interests of specific individuals as do the programs of public welfare and assistance. These are programs which have a daily impact on the needy and the impoverished in our society, and it has long been legislative policy that those who are truly in need are entitled to the assistance of the State. The budget which has been developed continues this long-standing legislative policy.

Your Committee emphasizes that the appropriations for the programs of public assistance have been adjusted and are designed to provide a level of assistance which will be adequate to meet the needs of the poor and the needy. Moreover your Committee emphasizes that there are sufficient safeguards and special provisions in the bill to assure that, in the event of unexpected circumstances such as higher caseloads than currently anticipated, the needs of public assistance will continue to be met.

A specific problem which affects those on public assistance has also been corrected. Under federal regulations, the State's present tax credit system does not reach welfare recipients, the group intended as the major beneficiary of such credits, because of federal government's perverse requirement that welfare payments be reduced by the amount of credits received. In order for public assistance recipients to receive the assistance in an amount equivalent to the tax credits to which they would be ordinarily entitled, your Committee has specifically provided that the monthly payments to welfare recipients be increased by three-fourths of one percent. Your Committee believes this is a direct way of correcting the inequity which has existed.

Welfare Advisory Councils. Special provision has also been made to fund the

Kalihi-Palama and the Waianae-Nanakuli Welfare Recipient Advisory Councils. These councils would have been left without financial support with the impending termination of program support by Model Cities. Your Committee believes that these welfare advisory councils serve a worthy purpose in articulating and advising on the needs of public assistance and that they deserve State support.

Income Disregard Formula. The original intent of the income disregard policy for general assistance recipients was to encourage employment and promote self-support. However, there is evidence that the policy has a perverse effect. A department of social services and housing study showed that a general assistance recipient must earn in excess of \$8,500 in order to be ineligible for assistance. Undoubtedly, a policy which has this type of effect enables some to remain on public assistance, whereas by any reasonable standard, they should not continue to be eligible. Your Committee finds that the income disregard policy has some merit but needs to be adjusted. Therefore, it is providing for a policy of disregarding the first \$15 of income and one-sixth of the balance. This is a reasonable adjustment to the prevailing policy of disregarding the first \$30 and one-third of the balance.

Podiatric Services. Podiatric services are not currently recognized as medical services under Hawaii's medical assistance program. Inasmuch as the federal government has expressed willingness to assist in the funding of podiatric services, your Committee recommends that the department do all things necessary to include such services in the State's medical assistance program.

Intermediate Care Facilities. In its budget proposals, the department estimated that over \$30 million are needed for skilled nursing home care. In 1970, the audit of the medical assistance program highlighted the problem of overutilization of skilled nursing homes and the need for developing intermediate care facilities as a means to reduce the escalating costs of medical assistance. The problem of overutilization of skilled nursing care still persists. The department acknowledges that there is 50 percent overutilization of skilled nursing care today. This is a problem of such magnitude and of such vast cost implications that the State can no longer afford

to delay in providing intermediate care facilities.

One problem is said to be the lack of new federal guidelines to develop and operate intermediate care facilities, which has had the effect of discouraging prospective developers. Another more immediate problem, and one which can be controlled by the State, is the delay in converting, where possible, State-owned long-term care facilities to provide for intermediate care. The department of social services and housing has requested the department of health to provide for such intermediate care facilities, but no action has yet been effected. Your Committee believes that this should be a matter of priority.

If intermediate care facilities were available and if 50 percent of skilled nursing home patients were transferred to lesser care facilities, there could be savings of \$4.05 million to the State over the next biennium. Cost saving opportunities of this magnitude cannot be lightly dismissed. Your Committee urges that the department of social services and housing move swiftly to deal with such federal problems as might exist and proceed at once to develop and implement an intermediate care plan. Concurrently, the department of health is directed to support the implementation of intermediate care in State hospitals.

Minimum Standard of Living. Although there has been a three percent yearly adjustment to the "monthly standard of allowance" since 1965, the allowances to needy families to assure a minimum standard of living are based on recommendations of a study made in 1949. A reasonable expectation is that the department should update its standards for monetary payments rather than rely upon standards established nearly 25 years ago.

In 1970, the legislature recognized that it was necessary to arrive at a valid base as to what constitutes a minimum standard of living. It requested the department to conduct a study and to make necessary changes to assistance standards. To this date, no study has been conducted although the department acknowledges that one is badly needed. Immediate steps should be taken to formulate a minimum standard of living base so that both the department and the legislature can assess to what extent public assistance payments

are meeting the program objective of providing all recipients with a minimum standard of living. Your Committee expects a report in the 1974 legislative session.

Budget Formulation. In formulating the budget, the department projected the caseload by applying a percentage based on previous years' experience on the assumption that the same trend will continue. The department does not test or analyze the projections against the actual number of eligibles or evaluate the difference of the past years' projections with actual experience. Your Committee expects corrective action to be taken in more accurately defining the eligible population and the priorities of the target population to be served.

1972 Social Security Amendments. On January 1, 1974, there will be a financial assistance program for the aged, blind and disabled, fully administered by the federal government. It will provide cash payments of \$130 for individuals and \$195 for eligible couples. The State may supplement federal payments in any amount, but the law provides no federal financial participation for State financial supplements.

However, a savings clause is included in the law whereby the federal government will assume all of the State's costs of supplemental payments which exceed the amount the State paid in calendar year 1972. This savings clause will apply only if the State elects to supplement federal payments. The savings clause will also cover that portion of the State's contribution of food stamps, which will not be available after January 1, 1974 to this group of recipients. The amendments also affect the medical assistance program of the State, as these individuals will continue to be eligible for Medicaid.

Despite the obvious financial implications and cost saving opportunities, the department has yet to develop a detailed State plan to implement the 1972 law. The department stated that, since federal regulations have not been received, the department is unable to make an accurate cost analysis and recommendation to the legislature. The delay in the issuance of federal regulations should not have the force of stifling State planning. There is already sufficient basis in the law to develop an

implementation plan.

More aggressive action on the part of the department is needed, for the consequences of not acting swiftly are serious. Unless the department is ready to implement the new amendments by January 1, 1974, there will be economic loss of federal subsidies to recipients. Time is of the essence, and to avoid a financial disaster confronting the aged, blind, and disabled, the department must develop a plan of action. Your Committee requests that the department treat this matter with the greatest urgency.

Toward Welfare Reform. Even if the welfare problem is partially resolved through the implementation of an equitable flat grant system, the lack of low-income rental housing will continue to be acute, and the demand for adequate housing for eligible welfare recipients will escalate housing costs. This cries out for a definitive action program to purchase existing housing for affected welfare recipients along with the development of appropriate housing financing and production subsidy schemes to be developed by the State. With the current freeze on federal housing and community development monies, the State has to take the lead in developing appropriate methods for solving this dilemma.

Tackling the problems of social services and housing facing this legislature requires effective administrative structure and system of management. Clearly, the present structure and system of the department are either lacking in personnel resources or restricted in program authority to undertake corrective actions. What is needed is an investigation of appropriate forms of administration and management at the department to deliver programs on a more effective basis. The experience of this current session demonstrates that the department cannot supply adequate information to this body with which it can assess public welfare program priorities and areas of change both currently and in the future. This matter should be further examined by the legislature with a view towards the enactment of genuine reforms in public assistance and the development of management systems which can implement the reforms efficiently.

Summary. In essence, there is an urgent need to examine the financial assistance program for the purpose of initiating wel-

fare reform, not only to correct the program and administrative deficiencies in the current system but to formulate a new comprehensive welfare program which combines the State's commitment to those in need, a prudent plan to provide the needy with a minimum level of assistance, and efficient delivery to conserve public resources.

The financial assistance program must take on a new perspective rather than the current short-term, non-end-oriented means currently being employed by the department. A search for a new system is necessary, and your Committee expects the department to begin to formulate and analyze major program alternatives.

Health

Tuberculosis. The department of health must deal with the problem of tuberculosis with renewed urgency. Tuberculosis remains a major public health problem in Hawaii. The new active case rate of 44.5 per 100,000 population in 1971 was the highest in the nation. Hawaii's alarming active case rate is said to be attributable to a steady influx of immigrants from areas of the world where the tuberculosis problem is even greater than Hawaii's. Your Committee recommends that the department of health intensify its effort of early screening and identification of tuberculosis cases, especially among immigrants. It should coordinate its efforts with the U.S. Public Health Service and the Immigration and Nationalization Service so that more effective screening can be accomplished. The department should also take steps to assure that the school tuberculosis testing program effectively covers those students from out-of-state entering Hawaii schools for the first time.

Hospital Rates. The department of health is currently implementing hospital rate increases which have been allowed by the Internal Revenue Service. The department of health itself has proposed that hospital fees and charges be raised to a level which will recover 90 percent of the full costs of hospital care, although the rates currently being implemented come nowhere near that level.

Your Committee expects the department to continue to monitor hospital rates, particularly in the context of how the rates affect federal reimbursement. It should be noted that the federal government (Medi-

care) is paying the hospitals at rates as high as or higher than those for all other patients. These are not the customary terms for the federal government's purchases of goods and services. Rather, the federal government usually expects to pay less than or no more than the established fee. Given the current budgetary outlook, it is very possible that the Medicare program would revise its rules and procedures to eliminate retroactive upward cost adjustments. Federal reimbursement at less than full cost is already in the offing for the State Medicare program. If the State is not to leave itself vulnerable to adjustments in federal reimbursement, some planning in the direction of full cost pricing must take place beyond the next fiscal biennium.

With respect to adult day care centers for the mentally retarded, your Committee had made provision for general fund support for such centers on Hawaii, Maui and Kauai in the appropriate program (HTH 501).

Other Programs

Agriculture 810 (Food and Drugs, Test and Certification). In order to comply with federal meat inspection requirements, your Committee has added nine positions to the program, including the three existing PEP positions and four existing part-time positions. The additional positions are included with the understanding that the State will continue to inspect all meat and poultry in lieu of federal inspection.

Judiciary 201 (District Courts, Pre-Trial Processing). Two additional positions have been provided for the island of Oahu to help collect and process the large number of delinquent traffic citations. It is the intent of your Committee that these new positions are not used to clear the backlog but to prevent any additional backlog from accumulating. The backlog is to be cleared by temporary help, and funds have been provided for such temporary help.

Judiciary 221 (District Court). In order to maintain the current level of services, it was necessary to add an additional position to Maui, Hawaii, and Kauai courts to provide bailiff services previously provided by the respective county police departments.

Neighbor Island Economic Develop-

ment. Your Committee recognizes the need for neighbor island economic development, particularly in areas where local economies are in decline and State support and intervention are necessary. Appropriate funds have been provided to assist economic planning and development on Molokai and Kauai. By providing funds at this time, it is legislative intent to develop local economies rather than be faced with the more difficult task of rescuing economies in sharp decline.

Shark Control Program. It has been reported that sharks continue to constitute a menace in Hawaiian waters. Your Committee requests that the administration assure the implementation of an effective shark control program, including the providing of bounties if such is determined to be an effective means of curbing the problem.

Marine Affairs Program. Your Committee is aware that Act 137, S.L.H. 1970, which established the marine affairs program and marine affairs coordinator provided for a wide range of program activities. In determining the priorities of activities to be conducted, your Committee wishes to emphasize that the intent of Act 137 is to give primary emphasis to activities which directly affect the development of the local marine environment.

Hawaii Visitors Bureau. Your Committee has provided for a continuing level of State support of \$1.6 million annually for the programs of the Hawaii Visitors Bureau. This is in recognition of the necessity for the government and private sectors to not take anything for granted with respect to the important, but often volatile, travel market. At the same time, however, with the present health of the travel industry, your Committee believes that there can be increased support from the private sector. Therefore, the level of State support is based on the expectation that private contributions in support of the Hawaii Visitors Bureau will be increased to an annual amount of \$750,000 over the next biennium.

Collective Bargaining Agreements

Your Committee has provided for the implementation of the various collective bargaining agreements received by the legislature. Included in the bill is a 5.5 percent wage increase effective September 1, 1972 for the appropriate bargaining units of the department of education.

Implementation of Act 185, S.L.H. 1970, The Executive Budget Act

The first statewide budget and program and financial plan under Act 185, S.L.H. 1970, The Executive Budget Act, were received and reviewed by the 1973 session of the legislature. The submissions represent a significant technical achievement in planning-programming-budgeting which has vastly advanced budget reform in the State. They also represent a point of departure from which further improvements can be made.

The governor has submitted to the legislature his administration's evaluation of the successes and limitations in implementing the new budget act and has reiterated his long-standing and continuing support of the principles of planning-programming-budgeting encompassed in Act 185, irrespective of the problems encountered to date. The evaluation provides insights, from the administration's perspective, of the kinds of administrative changes which can be made to improve the efforts in planning-programming-budgeting and the quality of submissions to the legislature. It is appropriate for the legislature, as the principal user of the budget submissions, to provide, in turn, its evaluation from a legislative perspective so that Act 185 will continue to be implemented in a way which meets the needs of the legislature as well as the administration. Therefore, for the further implementation of Act 185, your Committee provides the following legislative expressions of policy, intent, and concerns:

Program Structure. The State program structure should be further refined. In particular, there are too many lowest-level programs, and this has contributed to the general bulk of the submissions as well as to the problem of awkward and questionable cost allocations and prorations, including prorations of individual positions. The administration should strive to achieve a four-level program structure as has been requested in previous legislative reports.

Measures of Effectiveness. Effectiveness measures which are readily usable should be developed. One weakness of the 1973 submissions is the very high percentage of effectiveness measures for which data are not available. As a result, a large number of measures are unusable for the purpose of evaluating programs. An especially pronounced deficiency is the long listings of

effectiveness measures for higher education programs, most of which have no planned levels of effectiveness. Emphasis should be given on culling out these measures and retaining only the more important ones. Until the necessary research can be performed and the requisite data obtained for the more ideal effectiveness measures, the State should, in the meantime, develop interim statements of operational objectives and measures of effectiveness for which data can be readily provided so that resources can be linked with results. The program plans can still contain the ultimate statements and measures, but the interim information is absolutely essential to help make better-informed program and budgetary choices and to evaluate the performance of programs.

Consolidation of Information. Displays which add to the size of the document should be eliminated or consolidated with other displays. This should be done particularly with the capital investment displays, where capital expenditures and capital appropriations have been separated into separate displays thus doubling the volume of material. Previous legislative guidance on this matter is that capital expenditures should be displayed and, where prior appropriations have been made, such portions of the expenditures as are covered by prior appropriations should be identified in some appropriate manner, or conversely, those expenditures which require new appropriations should be identified in some appropriate manner.

Tax and Revenue Changes. Complete financial summaries should be an integral part of the budget and the program and financial plan. As required by Act 185, the budget and the program and financial plan should contain the changes proposed to existing tax and non-tax rates, sources or structure, and the estimated increases or reductions in revenues, the estimated cumulative increases or reductions, and the estimated fund balance or deficit in each of the applicable years as a result of such proposed changes. The late submission of revenue proposals to the 1973 session of the legislature hampered legislative efforts to conduct an integrated review of proposed expenditures and revenues.

Cost Categories. Review procedures should be instituted to assure that costs are correctly assigned to the cost categories required by Act 185. In the 1973 submis-

sions, only one program of the several hundred State programs was identified as having research and development costs even though it is known that a number of new programs are undergoing program design. In addition, no program was identified as having non-capital investment costs even though new programs are being installed. Among other reasons, the cost categories required by Act 185 are designed to facilitate control of new programs, an aspect which should be of interest and concern to the administration as well as to the legislature.

The legislature commends the efforts which have been made to date by the department of budget and finance and the other agencies of State government and expresses its confidence that, with the implementation of the administrative internal changes and the legislative guidelines presented, Hawaii will remain in the forefront in the development of planning-programming-budgeting.

Your Committee is cognizant of the desire on the part of the administration to propose certain amendments to Act 185. It has decided to defer consideration of the amendments to the interim as a more appropriate time to assess the proposal of the administration as well as the needs of the legislature. Thus, additional guidance to the agencies of State government may be forthcoming from an appropriate committee during the interim period.

Summary

The concerted efforts by all committees of the legislature in budget and program review under the difficult conditions of strict fiscal constraints have surfaced a number of program issues, some of which have been summarized in this report. Your Committee believes that legislative responsibility does not end with the enactment of program appropriations for the next biennium. Rather, the legislature must exercise its legislative oversight responsibilities on the execution of the budget to assure that public resources are being conserved even as program objectives are being met. Your Committee is confident that the administration will fully cooperate in this effort.

There is a need for interim work in at least two areas. One area concerns higher education, which requires in-depth legisla-

tive examination of the issues discussed in this report as well as related issues. The other area is the broad area of fiscal and program review, which encompasses an examination of the issues of taxation reform, planning-programming-budgeting, and the effectiveness of State programs. Your Committee recommends that appropriate joint interim committee or committees be established to study the aforementioned areas and, as appropriate, to report on findings and recommendations to the 1974 session of the legislature. In this connection, the respective Houses of the legislature should now lay the groundwork for an effective system of program review in the 1974 session.

Summaries of the appropriations intended by your Committee are included in the tables attached to this report.

Your Committee on Conference is in accord with the intent and purpose of **S. B. No. 1295, S. D. 1, H. D. 2**, as amended in the form attached hereto as **S. B. No. 1295, S. D. 1, H. D. 2, C. D. 1**, and recommends its passage on final reading.

Representatives Suwa, Akizaki, A. Chong, Kishinami, Morioka, Kondo, Yuen, Kunitamura, Poepoe, Fong, Hapai and Nakama.

Managers on the part of the House.

Senators Yoshinaga, Yamasaki, Toyofuku, Anderson and Henderson.

Managers on the part of the Senate.

Conf. Com. Rep. 4 on H. B. No. 172

The purpose of this bill as amended is to provide that drivers of heavier categories of motor vehicles including trucks with gross vehicle weight of 10,000 pounds or more, buses, school buses, tractor-semi-trailer combinations and truck-trailer combinations be examined for the counties by persons examined and certified as a certificated fleet safety examiner by the state highway safety coordinator. At the present time such drivers are examined for their operator's licenses by persons who are not assessed by such certifiers to possess adequate qualifications.

Your Committee finds that the present system of licensure is inadequate and may in some instances have contributed to bad accidents involving trucks and buses.

Your Committee notes that the bill provides:

(A) that the penalty for unlawfully acting as a fleet safety examiner shall be a misdemeanor and carry a \$500 fine or imprisonment for not more than 6 months, or both;

(B) That the written examination requirement be deleted because some qualified drivers may not pass;

(C) That drivers licensed on or before June 30, 1973 be exempted from the performance tests;

(D) That the employers who use employees to drive vehicles listed in Section 286-102(c) provide a driver improvement program which includes a continuous driver evaluation, an annual driver safety course, and other activities as may be required by the highway safety coordinator pursuant to Chapter 91;

(E) That the state highway safety coordinator shall set the fees a certificated fleet examiner may charge;

(F) A new section that requires the state to furnish property, facilities, and equipment to the counties on reasonable terms. The counties shall allow the use of such property or other county property to certificated fleet safety examiners; and

(G) A new section extending the requirements of this bill to new categories of vehicles added to Section 286-102(c).

Your Committee upon further consideration has made the following amendments to **H. B. No. 172, H. D. 1, S. D. 1**:

(A) The term "registered gross weight" has been changed to "gross vehicle weight" wherever it appears in the bill. The reason for the change is to clarify the language so as to avoid any misinterpretation by state agencies. Your Committee notes that this presently is a problem; and

(B) The weight limit for trucks has been changed from 6,000 to 10,000 pounds wherever it appears in the bill to correspond to the change in terms. This amendment has been made to remove present confusion over whether or not the truck's weight includes its load. Since the term gross vehicle weight now used includes a ve-

hicle's load, the limit has been raised to 10,000 pounds.

Your Committee on Conference is in accord with the intent and purpose of **H. B. No. 172, H. D. 1, S. D. 1**, as amended and attached in the form hereto as **H. B. No. 172, H. D. 1, S. D. 1, C. D. 1**, and recommends its passage on final reading.

Representatives O'Connor, Kawakami and Medeiros.

Managers on the part of the House.

Senators Ushijima, Wong and Mills.
Managers on the part of the Senate.

Conf. Com. Rep. 5 on H. B. No. 166

The purpose of this bill is to protect a person who renders assistance at the scene of a boating accident from litigation that could result from providing such assistance.

Your Committee on Conference recognizes the need for a "good samaritan" provision to provide a conducive environment for the vessel's operator to render assistance in a boating accident.

Your Committee on Conference is in accord with the intent and purpose of **H. B. No. 166, H. D. 1, S. D. 1**, as amended in the form attached hereto as **H. B. No. 166, H. D. 1, S. D. 1, C. D. 1**, and recommends its passage on final reading.

Representatives O'Connor, Kimura and Yamada.

Managers on the part of the House.

Senators Ushijima, Kawasaki and Mills.
Managers on the part of the Senate.

Conf. Com. Rep. 6 on H. B. No. 325

The purpose of this bill is to permit the granting of 45-year leases to tree crop orchard ventures, except papaya and banana, similar to that presently provided for macadamia nut orchards. In addition, the bill provides for the payment of compensation equal to the residual value of the trees themselves, if the Department of Land and Natural Resources withdraws all or part of the lease.

Present law permits public lands to be leased for forty-five years only for macadamia nut orchards. The law also makes

no provision for compensation of unharvested crops if the lease is withdrawn.

Tree crops, except for papaya and banana, require a considerable investment in the trees themselves and the trees are not productive for several years. Once mature, however, such crop trees remain productive for many years and form a valuable, tangible, perennial asset of the lease.

Your Committee feels that it is only fair that these assets are paid for when taken. We also think that compensation for lost assets will serve to encourage increased activity in orchard crops by providing some security for the farmer in protection of his investment.

Your Committee also believes that this bill would remove a major obstacle to long-term orchard ventures. The ability of the State to withdraw lands from leases without reimbursement for invested capital in growing trees has previously prevented lending institutions from funding orchard ventures due to the risk of loss.

The bill also changes the maximum lease term for other leases from 25 years to 35 years, and provides that where a longer term is necessary to amortize a lessee's investment the maximum term of the lease shall be 55 years instead of 45 years.

Your Committee on Conference amended this bill by adding Section 2, which would amend the definition of "land license" so as to delete the reference of removal of sand on Oahu. This thereby reaffirms the intent as expressed in **S. B. No. 930, S. D. 1, H. D. 1 (1973)**, which prohibits the removal of sand within the shoreline setback area or within 1,000 feet seaward of it or in ocean water of 30 or less feet in depth.

Your Committee on Conference is in accord with the intent and purpose of **H. B. No. 325, S. D. 1**, as amended in the form hereto attached as **H. B. No. 325, S. D. 1, C. D. 1**, and recommends its passage on final reading.

Representatives Kawakami, Kihano and Medeiros.

Managers on the part of the House.

Senators Nishimura, Brown and Henderson.

Managers on the part of the Senate.

Conf. Com. Rep. 7 (Majority) on H. B. No. 809

The purpose of this bill is to amend the chapters concerning elections to reflect changes in general clarifying deadlines, consolidating election inspectors and clerks into one category "precinct officials", and providing procedures for administering special primary and special general elections.

Your Committee upon further consideration has made the following amendments to **H. B. 809, H. D. 1, S. D. 1:**

(1) The return of the primary election to the first Saturday in October.

(2) The corresponding change with regard to the delivery of absentee ballots to the clerks ten, instead of twenty, days prior to the election.

(3) The return of the deadline for the filing of nomination papers to forty-five days prior to the primary election.

(4) Clerical changes:

a. The sections from both parts of the bill have been reordered so that they now appear in numerical order.

b. Typographical and format errors have been corrected.

c. Sections 11-24 and 11-73 previously appeared in both parts of the bill. The proposed changes were not contradictory; they have been combined and the duplicate sections have been removed.

Your Committee on Conference is in accord with the intent and purpose of **H. B. 809, H. D. 1, S. D. 1**, as amended and attached hereto as **H. B. 809, H. D. 1, S. D. 1, C. D. 1**, and recommends its passage on final reading.

Representatives O'Connor, Kimura and Aduja.
Managers on the part of the House.

Senators Ushijima, Kawasaki and Mills.
Managers on the part of the Senate.

Senator Kawasaki did not concur.

Conf. Com. Rep. 3 on S. B. No. 920

The purpose of this bill is to improve the State of Hawaii's correctional program based on the recommendations of the Hawaii Correctional Master Plan prepared by the National Clearinghouse for Criminal Justice Planning and Architecture at the University of Illinois pursuant to the mandate given to the State Law Enforcement and Juvenile Delinquency Planning Agency to develop a Hawaii State Correctional Master Plan by Act 179, Session Laws of Hawaii, 1970.

Under this bill, designation of correctional facilities are made and the scope of the responsibilities are defined; emphasis is placed on utilization of the community rather than institutional resources for correctional treatment programs, and county jails are transferred to the State of Hawaii upon authorization and further appropriation of funds by the Legislature.

Your Committee upon further consideration has made the following amendments to **S. B. 920, S. D. 2, H. D. 1:**

(1) Section 1's purpose has been altered to indicate adoption and implementation by the Legislature of that portion of the Correctional Master Plan pertaining to the management and establishment of intake service centers, correctional facilities and programs rather than just the concept of the Master Plan pertaining to such centers, facilities and programs. This was done to make a reasonable indication to the U.S. Department of Justice, Law Enforcement Assistance Administration that the State of Hawaii is proceeding with the initial implementation of the Correctional Master Plan.

(2) The phrase "**when authorized**" added to Section 3, amending section 353-2, Hawaii Revised Statutes, pertaining to the authority of the comptroller to construct correctional facilities, and Section 4, amending section 353-4, Hawaii Revised Statutes, pertaining to the Director of Social Services and Housing's rule making powers for correctional facilities are deleted because they are unnecessary. Sufficient safeguards exist pertaining to the construction of facilities and rule making powers.

(3) A clerical error in Section 16 which placed the word "concurrently" after "department of social services and housing"

on line 7, has been corrected to place it between "operated" and "with" on line 8.

(4) In Section 21, the repeal of the sections noted except for section 353-91 through section 353-96, and section 353-102 is made effective on July 1, 1973 instead of July 1, 1976. These are obsolete sections which should be deleted now. Section 353-91 through section 353-96 and 353-102 pertaining to county jails are deleted as of the date of transfer of county jails to the department of social services and housing by executive order of the Governor rather than the definite date of July 1, 1976 since it is indefinite when the transfer will occur.

(5) Section 22 amending section 354-2, Hawaii Revised Statutes pertaining to establishment of industries, at state correctional industries, is amended by making the authorization permissive rather than mandatory in the light of an earlier proposed amendment now incorporated in **S. B. No. 920, S. D. 2, H. D. 1**, granting contracted access of private industries to correctional facilities to carry out enterprises. The director of social services and housing should be afforded some flexibility in making arrangements for access of private industry.

(6) Despite the fact that certain amendments to Hawaii Revised Statutes, mainly pertaining to the transfer of county jails and making retirement benefits of Adult Correctional Officers equivalent to policemen and firemen would not be effective until the time of transfer of county jails by executive order of the governor after legislative authorization and further appropriations, it is desirable that the adoption of the Act be made effective on July 1, 1973 to have an operational plan relating to facilities and services with which to alter existing facilities and services.

Your Committee on Conference is in accord with the intent and purpose of **S. B. No. 920, S. D. 2, H. D. 1** as amended in the form attached hereto as **S. B. No. 920, S. D. 2, H. D. 1, C. D. 1** and recommends its passage on final reading.

Representatives O'Connor, Cobb, Kihano,
Yamada and Aduja.
Managers on the part of the House.

Senators Ushijima, Wong and Mills.
Managers on the part of the Senate.

Conf. Com. Rep. 9 on S. B. No. 97

The purpose of this bill is to amend the Temporary Disability Insurance Law to make benefits payable for a disability caused or contributed to by pregnancy.

Section 392-3 now defines "disability" to exclude disability caused by pregnancy, except where the pregnancy or its termination "produces complications resulting in sickness causing total disability." This bill proposes to amend the definition to permit benefits to be payable for a disability caused or contributed to by pregnancy.

The intent of the Committee is not to permit T.D.I. benefits for the mere state of pregnancy but to clearly express that benefit payments should be made where pregnancy has contributed or is the direct cause of a disability.

Your Committee has amended Section 392-6 and 392-21(a) to allow T.D.I. payments to be made for disabilities caused by pregnancy as well as by sickness and accidents.

Your Committee on Conference is in accord with the intent and purpose of **S. B. No. 97, S. D. 1, H. D. 1**, as amended and attached in the form hereto as **S. B. No. 97, S. D. 1, H. D. 1, C. D. 1**, and recommends its passage on final reading.

Representatives O'Connor, Medina and
Yamada.
Managers on the part of the House.

Senators Toyofuku, Yamasaki and Henderson.
Managers on the part of the Senate.

Conf. Com. Rep. 10 on S. B. No. 160

The purpose of this bill is to reorganize Chapter 466, Hawaii Revised Statutes, to narrow the definitional concept of public accountancy, to modify voting rights of members of the State Board of Public Accountancy, to upgrade educational requirements and to revise licensing and renewal procedures.

Your Committee upon further consideration has amended this bill by amending section 466-5(b) back to the form found in **S. B. No. 160, S. D. 2**, and deleting section 466-10(d) (8).

Your Committee on Conference is in

accord with the intent and purpose of **S. B. No. 160, S. D. 2, H. D. 1**, as amended and attached hereto as **S. B. No. 160, S. D. 2, H. D. 1, C. D. 1**, and recommends its passage on final reading.

Representatives O'Connor, Yap and Me-deiros.
Managers on the part of the House.

Senators Ushijima, Kawasaki and Mills.
Managers on the part of the Senate.

Conf. Com. Rep. 11 on S. B. No. 1152

The purpose of this bill is to define the terms "mass transit" and "mass transportation" as used in the law granting to the counties the power to operate and provide such services.

The terms are not defined in the law; therefore, there is an ambiguity. The bill clarifies the matter by expressly excluding charter and sightseeing services from the definitions of "mass transit" and "mass transportation" as used in the law.

Your Committee has amended the bill to include school bus in the exclusion.

Your Committee on Conference is in accord with the intent and purpose of **S. B. No. 1152, S. D. 1, H. D. 1**, as amended in the form attached hereto as **S. B. No. 1152, S. D. 1, H. D. 1, C. D. 1**, and recommends its passage on final reading.

Representatives O'Connor, Yamada and Wedemeyer.
Managers on the part of the House.

Senators Ching, Taira and Henderson.
Managers on the part of the Senate.

Conf. Com. Rep. 12 on S. B. No. 231

The purpose of this bill is to amend the laws relating to public employment in several respects by: (1) amending the Civil Service Law to insure that no person will be subject to discrimination in the state or county civil service because of sex, age, color, or ancestry; (2) converting the non-civil service positions occupied by employees of the Hawaii International Services Agency to civil service positions; and (3) establishing a public service employment program to be administered by the department of social services and housing.

Section 1 of the bill proposes to amend Chapter 76, the Civil Service Law, to:

1. Provide equal opportunity for all regardless of race, **sex, age, religion, color, ancestry**, or politics. The present statement of the law's policy in section 76-1 provides equal employment opportunity regardless of race, religion, or politics.

2. Prohibit suspensions, demotions, or dismissals on racial, **sex, age, religions, color, ancestry**, or political grounds. Section 76-44 presently prohibits suspensions, demotions, or dismissals on racial, religious, or political grounds.

3. Provide employment preferences for **spouses** of disabled veterans and **surviving spouses** of deceased servicemen rather than for **wives** of disabled veterans and **widows** of deceased servicemen.

4. Add saving clauses to prevent the inadvertent repeal or amendment, through the enactment of the foregoing amendments to Chapter 76, of laws, ordinances, rules, or regulations relating to (1) the employment of minors, (2) the establishment of bonafide occupational qualifications, (3) the termination or change of employment of a person unable to perform his duties, (4) bonafide retirement, pension, employee benefit or insurance plans, (5) maximum age limits for public employment, or (6) security regulations in public employment established by the federal or state governments.

Section 2 of the bill proposes to convert the employment status of persons currently employed by the state in the Hawaii International Services Program from non-civil service to civil service status.

Section 3 of the bill proposes to establish a public service employment program to assist in alleviating the unemployment of current and potential general assistance recipients and to meet public needs such as the landscaping and beautification of highways, trails, parks, gardens, beaches and the restoration of historic sites. Persons receiving general assistance from the state or receiving unemployment compensation and being close to the end of their benefit duration periods would be eligible for employment in the program if they reside on an island where the primary economic base providing employment is lost or is in danger of being lost. They

would be considered employees of the department of social services and housing and entitled to workmen's compensation benefits but not to other benefits of government employment such as civil service status, retirement benefits, or sick leave.

Section 4 of the bill proposes to amend section 346-71 relating to general assistance to make it conform to the provisions of the new public service employment program.

Your Committee on Conference upon consideration of the bill has agreed to the following amendments of **S. B. No. 231, H. D. 1:**

Section 2 of the bill which would have converted the status of the employees of the Hawaii International Service Agency has been deleted and sections 3 and 4 of the bill have been re-numbered as sections 2 and 3 respectively.

A new section of the bill to amend section 77-13 (f) of the Hawaii Revised Statutes has been added and numbered section 5. The purpose of this amendment is to enable the counties to classify and assign positions to salary ranges SC-1, SC-2, and SC-3. Section 77-13 (f) presently allows the state to classify and assign ten positions to the foregoing salary ranges upon recommendation of the director of personnel services and approval by the governor but does not accord the counties such permission. Your Committee is of the opinion that the counties should be allowed to classify and assign a limited number of positions to salary ranges SC-1, SC-2, and SC-3 upon the recommendations of their personnel directors and approvals by their councils and mayors. It is also of the opinion that the number of special salary range positions for the state should be increased to sixteen and each county should be allowed to classify and assign eight positions to the special salary ranges.

An appropriation to implement the new public service employment program in the sum of \$550,000 has also been made.

Your Committee on Conference is in accord with the intent and purpose of **S. B. No. 231, H. D. 1**, as amended in the form attached hereto as **S. B. No. 231, H. D. 1, C. D. 1**, and recommends that it pass final reading.

Representatives Lee, Takamine and Leopold.

Managers on the part of the House.

Senators Takitani, Brown and Mirikitani.
Managers on the part of the Senate.

Conf. Com. Rep. 13 on H. B. No. 637

The purpose of this bill, as amended herein, is to amend existing motor vehicle insurance laws as they relate to tort liability arising out of the ownership and use of motor vehicles.

Your Committee is of the belief that a basic, comprehensive, equitable, and reasonably priced auto insurance policy must satisfy each of the following criteria:

- (1) Provide for a speedy, adequate and equitable reparation for those injured or otherwise victimized;
- (2) Provide for the stabilization and reduction of motor vehicle liability insurance premium rates;
- (3) Provide for insurance coverage for all who require it, at a cost within the reach of every licensed driver;
- (4) Provide for a compulsory insurance system;
- (5) Provide for adequate regulatory control.

As amended, the bill provides the following principal features:

(1) The bill would create an essentially restructured automobile insurance reparations system. Tort liability arising out of automobile accidents would generally be eliminated, and insurance benefits to pay for losses arising out of automobile accidents would be paid without regard to fault. A person injured in an auto accident would seek reparations from his own insurance company (first-party insurance) or the insurance company of the owner of the vehicle in which he was a passenger. An injured pedestrian would seek compensation from an insurance company covering any vehicle which caused injury to him.

(2) Every owner who operates a motor vehicle on the public roadways will be required to take out a basic no-fault insurance policy to cover his own personal in-

jury losses when operating his vehicle, losses of any other driver or passenger of his vehicle, and personal injury losses of any pedestrian that is injured in an accident involving his vehicle. In addition, required tort liability coverage is mandated.

(3) Every insurance company doing an auto insurance business in this State will be required to accept every insurance applicant who has a valid driver's license and who pays a premium based upon an applicant's proper classification. Cancellation of the basic policy, or refusal to renew, would be prohibited unless the policyholder had failed to pay the premium or lost his driver's license and requires that the insurer serve a month's notice to the owner, the insurance commissioner, and the county director of finance of each occasion.

(4) Every owner of a motor vehicle will be required to have a no-fault policy as a precondition to operating his vehicle. The bill provides for the enforcement of this protection of the motoring citizen at the time of registration annually, or at the time of purchase, or upon the importation of a foreign-licensed vehicle into the State.

The no-fault policy would provide certain benefits to the policyholder, members of his family, and people injured in an automobile accident in which his vehicle was involved who were not occupants of another vehicle.

(5) Basic benefits would be paid to auto accident victims by insurers writing no-fault policies. All medical and rehabilitation costs would be paid by the insurer issuing the no-fault policy, up to the standard or maximum limit of every no-fault policy. In addition, all wage loss would be paid until such time as the injured person could resume available and appropriate gainful activity, up to the standard or maximum limit of every no-fault policy. There is, however, a \$800 per month limitation on the wage replacement provisions of the no-fault policy. For those people who earn more than \$800 per month, a provision in the bill would permit them to purchase greater income replacement protection. Benefits would also be paid for loss of future anticipated earnings or for impairment of earning capacity resulting from injuries sustained in an automobile accident, up to the standard or maximum limit of every no-fault policy.

Replacement service benefits will also be paid for any service that an injured person would have performed for his or her own benefit, or the benefit of the family, but for the injury.

For example, a housewife suffering a back injury which prevented her from doing normal housework would receive benefits to pay someone to clean her house on a regular basis until she recovered from her injury, up to \$800 per month, until the maximum no-fault benefit level was reached.

(6) In addition to the benefits provided under the mandatory provisions of the no-fault policy, there are other benefits which the insurers of such policies would have to offer but which the policyholder could choose to take or not as he wished. Insurers of no-fault policies will be required to offer collision insurance to pay for property damage to the policyholder's automobile. The policyholder would buy such insurance and select from a variety of deductible levels.

Further, insurers of no-fault policies would have to offer policyholders other types of coverage: (1) coverage to pay for tangible loss in excess of that provided by the no-fault policy, and (2) coverage to pay for any amounts and losses now covered by public liability policies. These losses include such damages as those due to extensive physical injury, maiming, serious disfigurement, loss of a faculty or death. Included is pain and suffering or general damages. Under this bill, these losses are recoverable under our prevailing tort law provided the threshold is attained permitting the victim to sue. A policyholder could elect to buy coverages to protect himself, his spouse, any dependents, and all victims to whom he is negligently liable for amounts above the no-fault tort exemption.

(7) Benefits of the existing reparations system will be retained by making available to all the motoring public all the benefits that the present automobile reparations system now provides to the accident victim who is not found negligent or primarily and comparatively negligent and who is injured by someone who is found negligent and is fully insured up to the extent of the loss or the maximum limit of the no-fault policy as established by the insurance commissioner. However, because insurance against loss in excess of

that provided under the no-fault policy is not mandatory for the economic well-being of an automobile accident victim or the family of such victim, the insurance buyer is given the option to buy such additional coverage if he chooses.

Benefits which an insurer is required to pay under the no-fault policy would be secondary—the amount paid would be reduced by any benefit from other sources paid to cover the same loss. Such other collateral sources are HMSA or Kaiser health plans, state and federal workmen's compensation, and federal social security benefits. Additionally, no recovery under any no-fault policy will be reduced by the deduction by the insurer of the federal and state income taxes which would have been due had the victim earned the income replacement.

(8) Any dispute between an insurer and a policyholder which could not be resolved by negotiation could be resolved in an arbitration proceeding provided for in the bill, with the right to an appeal to the circuit court under chapter 658. The attorney's fees of the policyholder are paid by the insurer and thus the insurance mechanism generally. For example, if the insurer refused to pay a claim arguing that the policyholder was able to return to work, the policyholder could retain an attorney to pursue his claim for continued periodic benefits. The policyholder's attorney would be compensated by the insurer whether the court supported the policyholder's claim or not unless the arbitrator or court determined that such claim was fraudulent, frivolous, or excessive.

(9) In the event that a person is injured or killed in an automobile accident in a vehicle or by a vehicle which is uninsured, and that person is not responsible for the fact that the vehicle is uninsured, then the victim may seek recovery from the assigned risks and claims plan, which assumes all presently uncompensated "assigned claims" of victims of unidentified drivers. In the event a person with a legitimate claim had no insurance company to turn to, because the vehicle was uninsured, unidentified, or because the insurance company was insolvent, he could file his claim with the assigned risks and claims plan.

(10) The existing rate making laws have been generally amended. Before rates are approved by the commissioner, public

hearings will be required. Also, in the establishment of rates, due consideration must be given to a reasonable margin of profit. Further, investment income from reserves must also be taken into account in the establishment of rates.

(11) The bill provides a novel effort to reduce auto premiums. It provides an open rating system for insurance companies. We establish a one-year moratorium upon the insurance commissioner's setting of motor vehicle insurance rates. Instead of requiring a firm to charge rates identical with those of another firm, open competition for one year is encouraged.

(12) The assigned risks and claims plan is set up to provide no-fault benefits to the so-called high-risk driver, to the licensed driver while on welfare, to the grossly surcharged physically handicapped driver, to the owner of the motorcycle, to the driver previously convicted of a serious traffic offense and who has been licensed again following a period of revocation or suspension, the hit-skip victim, and all drivers and automobile users which the industry has labeled, surcharged, and in many instances, rejected as the "assigned risk."

All of these drivers are legally licensed to drive in this State. In many instances these classes of drivers simply do not have the money to buy insurance coverage, particularly when the trade they happen to follow does not return a profit sufficiently excessive to pay the premiums charged, because of limited income in the industry.

(13) This bill, as a corollary to the mandatory requirement of a basic no-fault policy, also provides a cancellation and renewal policy for the purpose of protecting the buying public and to ensure that every car on the road will have the basic minimal no-fault coverage. The bill requires that a policy may be cancelled or refused whenever a licensed driver has his license revoked or suspended. A carrier may also cancel for nonpayment of premium. However, before either of these actions may be taken, a written thirty-day notice is required to the insured, the commissioner of insurance, and to the county director in the county of registration. In the case of revocation or suspension of license, the carrier is required to provide the basic no-fault coverage continuously for the thirty days following the notice simply to protect the consuming public. This proviso

also permits the suspended or revoked owner of the vehicle to make arrangements for another family member to assume the driving responsibilities, or for the nonpaying owner to pay the overdue premium.

(14) Your Committee has provided that a system of equitable allocation of burdens among insureds be established. The bill states that the commissioner may establish by regulations and maintain a system under which the rights of reimbursement are determined through pools, or other forms of reallocation. This system will be in lieu of case by case reimbursement. Your Committee feels that such an allocation of funds is necessary in the case of motor vehicle accidents involving vehicles of disproportionate weight because it has been shown that in most instances the injury and property damages incurred by the lighter vehicle far exceeds that of the heavier vehicle.

(15) The bill provides for the partial abolition of tort liability with respect to the ownership, operation, and maintenance or use of a motor vehicle except under specified circumstances. Some of the circumstances under which a person retains the right to sue in tort are: (1) if he dies in a motor vehicle accident; (2) if he sustains significant permanent loss of, or the loss of use or function of any part of his body; (3) if he sustains permanent and serious disfigurement; (4) if the operator who injures him is engaging in criminal conduct; (5) if he is entitled to no-fault benefits and such benefits exceed the amount of \$15,000; and (6) if he is entitled to no-fault benefits and the medical and rehabilitation benefits exceed the limit to be set by the insurance commissioner. Such medical-rehabilitative limit is to be set, so that not less than ninety per cent of the no-fault benefit claims are paid.

(16) The bill provides that damage to property is not covered under no-fault. Accordingly, the right to sue in tort for damage to property is retained.

(17) Your Committee is concerned with respect to the ability of underprivileged persons such as those receiving public assistance and handicapped drivers. Hence, your Committee has provided that such persons be entitled to no-fault policies and benefits as prescribed in the assigned risk claims plan. It is the intent of your Committee that these persons retain the same

benefits under no-fault as other persons while at the same time being entitled to appropriate protection under the assigned risk and claims plan.

(18) The bill provides that no-fault benefits shall be paid secondarily to benefits paid by workmen's compensation, social security, medical and health plans such as HMSA and Kaiser. It is the hope of your Committee that by making no-fault premiums would be reduced. In addition the bill allows such medical and health insurance plans, such as HMSA and Kaiser, to sell no-fault benefit coverages for the medical and rehabilitation portions.

While your Committee believes this bill is the most appropriate legislative product to provide for no-fault insurance for the people of the State, we recognize that the constitutionality of this type of innovative legislation is still subject to definitive rulings by the highest court of this State and of this nation. The constitutional law in this area is yet in a state of flux. However, there has been raised questions, which are legitimate ones, as to whether there are violations of the state and federal constitutions relating to trial by jury and of Article 1, section 4, of the State and the Fourteenth Amendment to the federal constitution relating to due process and equal protection. These questions are inherent in the nature of no-fault legislation. Even with decisions rendered by the highest courts of the States of Massachusetts and Illinois, these areas of constitutional uncertainty are not yet resolved.

Your Committee after extensive research still has a great concern as to the ultimate cost effects of the proposed no-fault bill. Since the concept is a novel one without any comparable experience, we have no statistical foundation to indicate how this bill will affect the cost of auto insurance to the public. Our resolution of this vacuum caused by the combined resistance of the auto insurance companies and their adamant refusal to present any meaningful figures, is our development of the open rating system for the first year of no-fault operation and our provision for the establishment by the motor vehicle insurance commissioner of the maximum benefit figures after studying the books of the underwriters.

Your Committee further notes that the no-fault program with its broad ramifica-

tions should be measured in terms of the cost of the insurance premium in comparison with the potential benefits to the consumer. We believe this bill provides the greatest benefits in relation to costs, which are equitable, of all the motor vehicle insurance bills before this Legislature.

Your Committee on Conference is in accord with the intent and purpose of **H. B. No. 637, H. D. 1, S. D. 1**, as amended herein in the form attached hereto as **H. B.**

No. 637, H. D. 1, S. D. 1, C. D. 1, and recommends its passage on final reading.

Representatives O'Connor, Suwa, Yap, Kihano, Kimura, Kondo, Kunimura, Sakima, Fong, Saiki and Yamada.

Managers on the part of the House.

Senators Ushijima, Takahashi, Wong and Mills.

Managers on the part of the Senate.

SPECIAL COMMITTEE REPORTS

Special Com. Rep. 1

Your Committee on Credentials begs leave to report that it has thoroughly considered the matter of the seating of the members elect of the House of Representatives of the Seventh Legislature of the State of Hawaii, Regular Session of 1973, and finds that the following members elect are duly qualified to sit as members of the House of Representatives, to wit:

First District: Jack K. Suwa

Second District: Wing Kong Chong,
Stanley H. Roehrig

Third District: Joseph R. Garcia, Jr.

Fourth District: Yoshito Takamine

Fifth District: Archie Hapai, III

Sixth District: Pedro de la Cruz, Ronald
Y. Kondo

Seventh District: Alvin T. Amaral, Rick
Medina

Eighth District: Dennis O'Connor, W.
Buddy Soares

Ninth District: Steve Cobb, Patricia Saiki

Tenth District: Tadao Beppu, Ted
Morioka

Eleventh District: Hiroshi Kato, Keo
Nakama

Twelfth District: John S. Carroll, John
Leopold, Herman Wedemeyer

Thirteenth District: Anson Chong, Hiram
Fong, Jr., Charles T. Ushijima

Fourteenth District: Clarence Y. Akizaki,
Jean S. King

Fifteenth District: Robert Kimura, T.C.
Yim

Sixteenth District: Peter S. Iha, Richard
S.H. Wong

Seventeenth District: Richard Garcia,
Kenneth K.L. Lee

Eighteenth District: Akira Sakima, Ted
Yap

Nineteenth District: Mitsuo Uechi,
James H. Wakatsuki

Twentieth District: Daniel Kihano,
Tatsuaki Kishinami, Patsy K. Young

Twenty-First District: James Aki

Twenty-Second District: Oliver P. Lunasco,
Howard K. Oda

Twenty-Third District: Peter Aduja,
Ralph K. Ajifu, Richard H. Wasai

Twenty-Fourth District: John Justin
Medeiros, Andrew K. Poepoe, Jann L.
Yuen

Twenty-Fifth District: Richard A. Kawakami,
Tony T. Kunimura, Dennis
Yamada

Representatives Kimura, Roehrig, Kato,
Lunasco, Young, Carroll, Fong and Saiki.

Special Com. Rep. 2

Your House Interim Committee on the Hawaii Correctional Master Plan, created pursuant to **House Resolution No. 275, H. D. 1**, Sixth Legislature, Regular Session of 1972, entitled: "HOUSE RESOLUTION RELATING TO COMMUNITY BASED CORRECTIONAL PROGRAMS", begs leave to report as follows:

The purpose of this resolution is to request the Speaker of the House of Representatives to establish a special interim committee to study the concept of community based correctional plans and to receive input therefor from representatives and citizens of all counties.

In view of the defined scope of review requested by the House Resolution, your Committee conducted a series of public hearings throughout the various counties during the month of September, 1972 to elicit reaction and comment from knowledgeable people in the correctional field and concerned members of the general public on the concept of community corrections centers (CCC) as proposed by the Hawaii Correctional Master Plan (CMP). The Committee's itinerary involved the following public hearing schedule: Honolulu, Oahu on September 5, 1972; Hilo, Hawaii on September 6; Wailuku, Maui on September 7; Lihue, Kauai on September 8.

Throughout its entire itinerary, your Committee was accompanied by staff personnel of the State Law Enforcement and Juvenile Delinquency Planning Agency (SLEPA) and the National Clearinghouse for Correctional Programming and Architecture (NCCPA) who served in a supportive and advisory capacity to your Committee.

Your Committee proceeded to receive testimony relating to the concept of community based correctional facilities through this means of public hearings aforementioned with full cognizance of the intent and purpose of Act 179, Session Laws of Hawaii 1970 (see BACKGROUND Section).

It should be pointed out that the testimony received by your Committee related strictly to the proposals contained in Volumes 1, 2 and 3 of the CMP. The first three volumes of the CMP contain the Master Plan Overview, the survey data, and the Master Plan concept. At the time your Committee was formed and was subsequently engaged in its public hearing schedule, Volumes 4 and 5 of the CMP had not yet been completed. Volume 4 will contain detailed program and delivery system descriptions, and Volume 5 will contain the architectural schematics. Volumes 4 and 5 are targeted for completion and submission to the Seventh State Legislature prior to its convening on January 17 for the Regular Session of 1973.

BACKGROUND

The Fifth Legislature of the State of Hawaii appointed a Joint Interim Committee of the Senate and the House of Representatives to evaluate and make recommendations for improvements to the State's correctional system. A major issue raised during the Committee's investigation was that of the location, design and function of correctional facilities. Relating thereto, the Committee recommended a reassessment "of present facilities with a view to their most effective utilization in terms of successfully reintegrating their occupants into security."¹

The Legislature implemented the recommendation of the Joint Interim Committee

by passing Act 179 in 1970 which mandated the State Law Enforcement and Juvenile Delinquency Planning Agency to develop "a master plan for Hawaii State correctional facilities...in accordance with the recommendations for future correctional program by the National Council on Crime and Delinquency."² The 1969 study of "Correction in Hawaii" by the National Council on Crime and Delinquency recommended that "the State of Hawaii should adopt a goal of 'new correction,' utilizing methods of 'integration' or 'reintegration'." The study characterized this goal as one in which "the majority of offenders are treated in 'community-based programs,' with less emphasis on incarceration and greater use is made of community resources, in an attempt to help the offender adjust to the community around him."³

SLEPA contracted with the NCCPA at the University of Illinois to do the program development and facility design under a federal grant from the Law Enforcement Assistance Administration (LEAA).

INTRODUCTION

One of the key concepts incorporated in the Correctional Master Plan is that community based correctional programs are preferable to institutional treatment whenever feasible without detriment to the safety of the public and the community. In the CMP, the term "community correctional center" (CCC) refers to "a facility in which a comprehensive program of both non-institutionalized and institutionalized methods of treatment and care are coordinated."

Your Committee acknowledges the tremendous amount of literature that has argued for a significant change in penal philosophy. Recent reports and studies on penal reform have introduced a new term into corrections jargon — reintegration. The term, as applied in the corrections field, refers to the development of the offender's links with the community to the maximum extent compatible with protect-

¹Joint Interim Committee Report No. 6, Re: Improvement of Hawaii's Corrections System, Fifth State Legislature, Regular Session of 1970, p. 4.

²Act 179, Session Laws of Hawaii, Fifth State Legislature, Regular Session of 1970.

³Correction in Hawaii: A survey of Correctional Services in Hawaii, National Council on Crime and Delinquency, New York, 1969, p. 7.06.

ing society. Your Committee realizes that reintegration imposes an additional task for corrections to what it has traditionally performed — that of rehabilitation, which refers to the correction of the individual so that he lives within the limits of the law. Your Committee believes that there is much merit to this dual task approach of corrections in achieving its basic goal of protecting the general public by aiding in the prevention of crime.

The concept of reintegration of the offender into the societal environment through community based correctional programs has received strong endorsement from several in-depth studies. From the findings of such intensive surveys, a new era of correction philosophy has begun to emerge. The concept of the CCC, as proposed by the CMP, is illustrative of this new trend of thought in penal philosophy.

The Challenge of Crime in a Free Society, by the President's Commission on Law Enforcement and Administration of Justice, advocates that correctional facilities must be community based, if the offender is to be adequately integrated into society. In support of community based programs, the more detailed report of its Task Force on Corrections, **Task Force Report: Corrections**, states: "A key element . . . is to deal with problems in their social context, which means in the interaction of the offender and the community. It also means avoiding as much as possible the isolating and labeling effects of commitment to an institution. There is little doubt the goals of reintegration are furthered much more readily by working with an offender in the community than by incarcerating him."⁴

The concept of community based programs is designed to situate the offender within the community in order that varying degrees of correctional supervision and supportive services, as well as non-correctional social and familial, educational, mental hygiene and vocational programs may be made readily available to the offender. The rationale behind this concept is basically to establish correctional programs which attempt to provide the offender with the maximum amount of exposure to society-

at-large — the environment he will eventually reenter if corrections prove reasonably successful in his particular case. This "humanizing" aspect of community based programs attempts to relate the offender with law-abiding people in relatively normal social situations. The offender may thereby have the maximum opportunity to adjust to the community around him. Of course, the community based program approach recognizes the primary need of protecting the general citizenry from the dangerous "hard core" offender, the term referring to one who is determined to have a tendency to repeatedly commit predatory, violent acts. The CMP suggests that a maximum security facility be provided for the securing and isolating of offenders considered dangerous to the public and to the general offender population.

The basic premise upon which community based programs — such as proposed in the CMP — are based is set forth in a report put out by the California Board of Corrections. In reference to the value of community based programs, the report states: "The circumstances leading to delinquent and criminal behavior are the product of life in the community, and the resolution of these problems must be in the community. This proposition is based on the assumption that local treatment has an inherent advantage since it keeps the offender close to his family and the important social ties that bind him to conformity in the community."⁵ It is apparent that the plea for a "new" correctional philosophy, as voiced in this report, is based on the presumption that crime and delinquency are symptomatic of the failures and disorganization of society as well as of individual offenders. More particularly, such failures are viewed as depriving offenders of contact with social institutions that are necessarily responsible for assuring the development of legitimate and moral conduct. The concept of the CCC, as outlined in the CMP, is predicated on this basic belief. It is evident that eventual implementation of the concept of the CCC requires both legislative support and mobilization of the executive branch's correctional forces.

FINDINGS

Your Committee found that the testi-

⁴**Task Force Report: Corrections**, President's Commission on Law Enforcement and Administration of Justice, Washington, D.C., 1967, p. 27.

⁵**Probation Subsidy**, Board of Corrections, State of California, Sacramento, 1965, p. 135.

monies offered throughout the public hearings held before it generally favored the community based programs concept of the CMP.

Two factors which were evidenced should, however, be noted: (1) A large majority of those people testifying before your Committee represented governmental or private organizations and agencies which are directly and professionally concerned with the field of corrections.⁶ There was minimal participation demonstrated by members of the general public throughout the public hearings. (2) Those who testified favorably on the CMP endorsed the concept of community based programs as a general principle, but reserved full endorsement of the CMP until Volumes 4 and 5 of the CMP have been completed and submitted for study and consideration. It was with reference to the completed portions of the CMP, i.e., Volumes 1, 2 and 3 — more specifically, Volume 3 containing the CMP concept — to which favorable comment was offered. It was stated that study and review of the two remaining phases relating to program and delivery design and architectural schematics was necessary before definitive endorsement to the CMP could be given.

Your Committee appreciates the clarification of the concept of community based corrections, as offered by the representative of the Hawaii Council on Crime and Delinquency (local affiliate of the NCCD). Your Committee recognizes the distinction between community based corrections and community based institutions. As the President of the NCCD recently warned: "The articulated trend toward community based corrections is clearly endangered by plans that will continue to give manpower and financial priorities to community based institutions prior to an optimum development and use of noninstitutional services. Until this priority is reversed criminal justice planners can't possibly project what kinds, sizes, or locations are needed for the small residue of offenders who must be held in confinement."⁷ Your Committee acknowl-

edges the point made that reintegration is likely to be furthered much more readily by working with offenders in the community than by incarceration, i.e., development of more extensive community treatment programs as an alternative to institutionalization.

Your Committee appreciates the statistical data offered by the Chairman of the Ad Hoc Committee on the Correctional Master Plan relating to those in the offender population who are experiencing non-institutional care. The data the Chairman offered revealed that: "On a selected day (April 30, 1971), the offender population, both adult and juvenile, totaled 4,157. Of this total, 11.7 percent were in institutions such as the Detention Home, the jail, the prison, the Hawaii Youth Correctional Facility, honor camps, and the Conditional Release Center. The balance of 88.3 percent was in effect being supervised or treated in the community through probation, parole, and the use of community resources."⁸ Your Committee recognizes that in-community treatment, as opposed to institutionalization, is presently being practiced to a far greater extent than is generally known by those without the field of corrections.

CONCLUSIONS

Your Committee was encouraged by the testimonies received relating to the concept of community based corrections program. Your Committee recognizes the importance of the favorable comments made with reference to the concept for, as it was noted by one testifier, the concept "forms the heart and soul of the CMP and the physical facilities are the body of that plan."⁹ This is not to imply that your Committee places lesser significance on the proposals that are to be presented in Volumes 4 and 5 of the CMP — the program and delivery system descriptions and the

⁶See Appendix A for a list of those governmental and private organizations and agencies which were represented during the public hearings held by the House Interim Committee on the Correctional Master Plan.

⁷Speech given by Milton G. Rector, Director, National Council on Crime and Delinquency before the Texas United Community Service Organization, March, 1972.

⁸Testimony offered by Myron Thompson, Chairman, Ad Hoc Committee on the Correctional Master Plan before the House Interim Committee on the Hawaii Correctional Master Plan, September 5, 1972.

⁹Testimony offered by Rev. Robert R. Mackey, S.M., Corrections Task Force, Hawaii Council of Churches Legislative Concerns Committee before the House Interim Committee on the Hawaii Correctional Master Plan, September 5, 1972.

architectural schematics. Rather, your Committee believes that without generally favorable reception to the concept itself, any discussion of the physical facility aspects of the CMP would appear moot. If an idea itself cannot gain general acceptance, it would indeed be a wasteful expenditure of effort to construct the physical facilities which will "house" the idea.

Your Committee was impressed with the degree of participation demonstrated throughout its public hearing by the several persons representing various organizations and agencies—both governmental and private—which have the professional expertise in the field of corrections. Your Committee recognizes the depth of study and review expended by these professional groups on the CMP and appreciates the comments expressed on and recommendations made pursuant to the CMP. Your Committee felt, however, that the amount of participation shown by the public was disappointingly inadequate. Your Committee believes that this nonresponsiveness and lack of lay contribution is not necessarily indicative of a lack of public support for or apathy toward the CMP. Rather, your Committee surmises that more extensive citizenry participation could have been accomplished if better publicity of your Committee's public hearing schedule had been given by the communications media. Your Committee's strong concern for proper and extensive public participation in reference to the CMP is predicated on the fact that the CMP cannot and should not be implemented by the executive and legislative branches of state government without general acceptance on the part of the general public. It is rather evident that the proposals contained in the CMP have ramifications which will ultimately affect, in varying degrees, the concern and interests of every citizen in Hawaii.

Your Committee agrees that successful implementation of the CMP requires close cooperation and coordination between all facets of law enforcement, including the police, the courts and probation and parole workers. Your Committee believes that the varied and representative membership of the Ad Hoc Committee on the CMP will help ensure the proper implementation of the CMP. The active participation of, and resulting contributions by the diversified membership of the Ad Hoc Committee throughout the entire formulation process of the CMP draft is commendable. Your

Committee believes that this method of continuing review, criticism, and revision of the CMP draft throughout its fetal stages as being employed by the Ad Hoc Committee reflects a forward thinking attempt at anticipating potential problems rather than reacting to them, if and when they arise.

RECOMMENDATIONS

Your Committee anticipates the completion of Volumes 4 and 5 of the CMP in early January, hopefully in time for submission to the Seventh State Legislature when it convenes for the Regular Session of 1973 on January 17. Your Committee recommends that, upon receipt of the completed CMP, the Legislature study and review the CMP in toto—i.e., the conceptual as well as the physical aspects of the plan—through conventional means of legislative consideration. The several standing committees of both houses of the Legislature which would have proper jurisdictional concern over the CMP should devote intensive efforts toward evaluating the various proposals contained in the CMP. Your Committee emphasizes again that adequate opportunity should be afforded concerned members of the general citizenry to offer endorsement or criticism of various aspects of the CMP.

Your Committee is aware that the Administration, through SLEPA, will introduce legislation in the Regular Session of 1973 requesting funding for the implementation of the conceptual and physical aspects of the CMP. Your Committee emphasizes that the Legislature exercise extreme caution and proper fiscal responsibility in considering the amounts that will be requested by SLEPA and the program areas wherein such amounts are to be expended, in view of the barometric reading that State revenues will be less than what can be considered to be fiscally "ideal".

Corrections has been traditionally isolated both physically and administratively from the rest of the criminal justice system. This isolation of the various components of corrections contributes to a spiralling crime rate and continuing recidivism. The cycle of crime in Hawaii urgently demands that the Legislature act decisively, but not hastily; forcibly, but not imprudently on the proper implementation of the CMP.

Representatives Lunasco, Kunimura, Nakama, Wong and Medeiros.

APPENDIX A

Persons Offering Testimony During Public Hearings Held By the House Interim Committee on the Hawaii Correctional Master Plan.

Abraham Aiona, Chief of Police, County of Maui

Emmett Cahill, Executive Director, John Howard Association

Nelson Doi, Judge, Third Circuit Court, Judiciary

Walter Freitas, Member, Board of Paroles and Pardons

Samuel Kawahara, Administrator, Kulani Honor Camp

Harry Kim, Coordinator, Hawaii County, Law Enforcement Assistance Administration

Maureen Leopold

Rev. Robert R. Mackey, S.M., Corrections Task Force, Hawaii Council of Churches Legislative Concerns Committee

Gerald Matsunaga, Public Defender Criminal Division, Legal Aid Society, County of Kauai

Wayne Matsuo, President, Hawaii Correctional Association

Donald H. Moore, Director, Hawaii Council of the National Council on Crime and Delinquency

Charles Nakoa, Administrator, Hilo Unit, Queen Liliuokalani Children's Center

Masaru Oshiro, Director, Liliuokalani Children's Center

Myron Thompson, Chairman, Ad Hoc Committee on the Correctional Master Plan

MINORITY REPORTS

Minority Report on Conference Com. Rep. No. 2

Your Minority members on the Committee on Conference on S. B. No. 1293, S. D. 1, H. D. 1, C. D. 1 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION."

beg leave to report as follows:

The people of Hawaii not only pay more for food, housing, transportation and other necessities of life than other Americans, they also pay more taxes than most Americans. The average family pays more in taxes than it spends for food, shelter and clothing combined. A typical wage earner works nearly half a year just to pay his taxes to the federal, state and county governments. The taxpayers of Hawaii today bear the sixth highest per capita tax burden in the entire nation. S. B. 1283, S. D. 1, H. D. 1, C. D. 1, succeeds in placing an even heavier burden upon the beleaguered taxpayers of Hawaii.

The general excise tax on goods and services is a regressive tax which strikes hardest against persons least able to pay. Your Minority members have consistently advocated the abolition of general excise taxes on food and drugs. This bill not only ignores the inequity of this tax, it further compounds the injustice by increasing the tax by 25%. This bill would also substantially increase taxes on corporate income. Aside from the dampening effect on business, such increases are in the final analysis, passed on to the residents of Hawaii. In short, the increases in the general excise taxes on goods and services and on corporate income imposed by this bill will ultimately be shouldered by the Hawaii taxpayers—the tax buck stops at his pocket-book.

S. B. 1283, S. D. 1, H. D. 1, C. D. 1 also fails to take fair and adequate advantage of taxes which are paid by transients or are not ultimately passed on to the resident taxpayer. The tax on transient accommodations in this bill is set at a mere 6% despite earlier representations of the Majority party in both houses that the rate should be 10%. The Minority recommends that this tax rate be established at 8% with one-fourth of the taxes collected thereunder to be earmarked and used for the general

improvement of the Waikiki area authorized under Act 204, Session Laws of Hawaii 1972, the repayment of general obligation bonds issued to finance such improvements and for the promotion of tourism by the Department of Planning and Economic Development in an amount not to exceed \$2,000,000. Taxes on other visitor oriented activities, such as car rentals and transportation for tours and sightseeing purposes should also be raised higher than the Majority is willing to recommend. The Minority recommends an increase in the rate of these taxes to 8% rather than the 6% contained in this bill.

Tuition fees charged by the University of Hawaii is one example of revenue sources which are paid by those directly benefiting and not passed on to the resident taxpayer. The Minority recommends that tuition at the University of Hawaii be doubled. Nevertheless, the Majority apparently refuses to even consider increasing the tuition even though the cost of maintaining the State University continues to rise.

Section 1 of S. B. 1283, S. D. 1, H. D. 1, C. D. 1, speaks of "economic justice", "reforming the tax structure", "reducing the burden for middle income families as well as the poor and the impoverished", "equity of tax burden", and many other glittering generalities. Unfortunately, this bill as a final product falls far, far short of these goals and ideals.

Your Minority members recommend the tax package shown on the attached sheet, which for purposes of comparison also indicates the program recommended by the Majority. Your Minority members believe that their recommendations represent a reasonable, responsible and equitable approach to the problem of tax increases. Obviously this conclusion is concurred to by the chairman of the Senate Ways and Means by his signature indicating he does not concur with your conference committee report and bill.

Your Minority members on the Committee on Conference on S. B. No. 1283, S. D. 1, H. D. 1, C. D. 1, are not in accord with the intent and purpose of S. B. No. 1283, S. D. 1, H. D. 1, C. D. 1 and recommend that it not pass final reading.

Representatives Fong, Hapai and Poe-poe.

Minority Report on **Conf. Com. Rep. No. 3**
3

Your Minority members agree with the opening statement in **Standing Committee Report No. 416** from the Senate Committee on Ways and Means wherein it was stated, "We need to understand and the people of Hawaii need to understand that government cannot be all things to all people." . . . "Your Committee has made a critical examination of the requirements to maintain a level of services and operations that is both beneficial and progressive to the people of our State. Cognizant of the need to maintain a creditable case management position during these financial difficult times and still not overburden the people of our State, your Committee has taken an austere but responsive approach in appropriating funds for programs and projects. Mindful of this, your Committee where feasible has deferred programs and projects, reduced expenditures of certain programs, deleted vacant and new positions over and above the executive's abolishment of 620 positions, and is recommending adjustments to the State's funding structure."

It is appropriate at this time to preface our recommendations by quoting some of the Governor's messages to the Legislature:

State of the State Message—1969

"The theme is prudent spending.
The tone is one of caution.
The policy is pay-as-we-go."

Executive Budget Message—1970

"We are today, as in the rest of the nation, at a point where the immediate future economic picture is not clear. Observe in public print the many indications of a leveling economy. Observe also the efforts of the national government to cool the economy. Observe, if you will, evidences of a growing restlessness among those who must pay for the costs of government.

"These observations are made to indicate to you a basic rationale for many of the recommendations in the budget. We need, at this time, to weigh carefully the future financial implications of our actions today. We need to avoid where possible obligating

the State to increased costs in the future. At the same time, we need, of course, to provide those services to our people which are necessary."

State of the State Message—1971

"I suggest we take stock of what we have achieved, to see where we are and why. We can then more wisely decide how our resources may be more effectively allocated to continue our progress without unduly straining ourselves."

State of the State Message—1972

"But beyond the immediate difficulties, we must continue to bear in mind the longer term needs of our State and our people and our desire for the finest quality of life of any people anywhere."

Accordingly, your Minority members disagree with **S. B. No. 1295, S. D. 1, H. D. 2, C. D. 1** in the following respects:

Medical School—Your Minority members concur with the findings of the Higher Education Committee and Ways and Means Committee that available budgetary data for the implementation of the third and fourth years of the Medical School are inadequate for budgetary purposes. Specific unresolved problems include (1) the level and availability of federal funding for the capitation grants and conversion grants which will be required to implement the third and fourth year programs; and (2) the lack of executed operating contracts between the University and the participating community hospitals, which precludes the formulation of exact costs for incremental clinical costs, intern and residency programs, and capital improvements requirements. Accordingly, your Minority members disagree with the implementation of the third and fourth years of the Medical School program at this time, and recommend the appropriations therefor be deleted.

Law School—Because of the overall fiscal posture of the State which is dictating major budget cutbacks in all areas, your Minority members believe that it is inconsistent to take away funds on the one hand and implement entirely new programs on the other hand. Accordingly, your Minority members disagree with the implementation of the Law School program at the University of Hawaii at this time, and recommend

the appropriations therefor be deleted.

West Oahu Campus—While a site has been preliminarily designated for the new 4-year baccalaureate campus in West Oahu, it is likely that court approval and land use changes will be required prior to the commencement of construction of the new campus facility. Because of the constitutional limitations on the State's debt ceiling, and because of substantial operating budget commitments that are thereby indicated for the future, your Minority members believe that it is prudent not to appropriate additional funds for the West Oahu Campus now.

Public Education. During times of prosperity, the Legislature had been able to accommodate a wide range of educational needs. While your Minority members continue to support programs designed to help those who cannot help themselves, times have changed. Fiscal constraints and realities which confront the State as a whole require that we tighten our belt and there be no expansion of programs. Therefore, your Minority members disagree with the expansion or implementation of programs beyond the current level of funding for such programs.

Implementation of the Flat Grant Plan. The Department of Social Services and Housing has developed, and originally had planned to implement in February, a flat grant plan. Basically, the plan provides for flat grant payments of financial assistance, a monthly standard of allowance for all items of financial aid. The proposed method is an attempt to provide a more equitable, less demeaning, and more efficient means of providing financial assistance to the needy.

Because of the acute problem of housing scarcity and the related problem of high rental costs, your Minority members recognize that immediate imposition of the full flat grant plan may cause hardship to some recipients. Therefore, a partial flat grant plan should be initially started which excludes assistance for rentals deferring until January 1974 the implementation of the complete flat grant plan. In the interim, the department should establish a housing relocation unit to assist recipients in finding lower cost housing where existing rentals exceed what would be provided for by the flat grant plan. Your Minority members expect the department to submit to the 1974

Legislature a preliminary evaluation of the flat grant program so that assessment can be made as to whether the program is accomplishing its objectives.

In addition to measures to manage the expenditure levels of public assistance, the second requirement is to meet those program issues which affect the accomplishment of program objectives. Among those issues are the following:

Management and Operations Citizen Task Force. Efforts by the Hawaii State Legislature to improve the efficiency and effectiveness of our government in the past have been consistent and sincere. The Programming, Planning and Budgeting System (PPBS) adopted in 1970 under which many of our departments are now working has met with considerable success.

Since 1965, more than 50 audits and studies conducted by the Office of the Legislative Auditor have shown major organizational and management failings in almost all departments in the State, and in many instances have resulted in corrective action. However, these audits have in many cases had a narrow scope.

What is needed today is **NOT** just another audit of individual State departments by the Legislative Auditor. Instead, what is needed is an objective immediate examination and evaluation of the management and administrative practices of all operating sectors of Hawaii's State government.

In 1968, the Legislature included in Act 74, an appropriation of \$116,000 to establish a special commission on State Government Operations to seek "improved efficiency and economy in the (sic) State Government Operations and all other things necessary". This Commission has never been implemented.

The purpose of the Management and Operations Citizen Task Force recommended by your Minority members, is to improve the efficiency and effectiveness of the Hawaii State government and thereby increase the government's ability to provide services for the people of Hawaii.

Your Committee has learned that states which have utilized loaned executives in similar programs have been most successful. Oregon, California and Minnesota have led in utilizing this technique. Several mem-

bers of this Legislature have recently studied these efforts at first hand and can aid the Task Force in obtaining data.

The experience of these states in improving government efficiency and effectiveness with the help of loaned executives has shown that such a program is eminently worthwhile. It can be done and with tremendous financial savings to the taxpayers if the proper desire and initiative is taken by those in positions of responsibility. No government employees lost their jobs under the programs implemented in other states. Such assurance is also essential to the success of our Hawaii program.

Under this program it is anticipated that recommendations for improvement can be made and discussed with appropriate department directors while the contemplated investigation is being conducted. Some can be presented orally. Others can be documented in memorandum or working papers and communicated to appropriate employees for action. Some can and should be implemented during the course of the study. Others can be implemented at the conclusion of the overall survey.

Full implementation of the recommendations, of course, will mean large savings only after appropriate action is taken by the Executive and the Legislature.

A very real difference between the Task Force approach, on the one hand and the consultant approach (applied in the early 1960's) or auditor approach, on the other, is that the participants themselves are taxpayers and influential constituents of the political leaders who must act on the recommendations. Their recommendations therefore, come with some continuing back-up political "muscle". We have definite indications of a cooperative attitude by Hawaii's business community. Now is the time to take advantage of their expertise and willingness to kokua.

The record of other states show that savings will be in two overall categories from the Task Force effort: one-time savings and continuing savings. In California, the recommendations presented a \$27 million one-time savings and \$233 million annual operations saving for the State and more at the local level. Your Minority mem-

bers will not venture to say how much can be saved in all departments in Hawaii. We think however, that many millions of dollars could be saved.

Red Ribbon Welfare Reform Committee:

California estimates welfare reform savings will exceed \$1 billion for the biennium ending June 30, 1973. Simultaneously, a majority of the two million welfare recipients have been provided grant increases of a magnitude unprecedented in California's history.

Based on California's plan, your Minority members recommend the formation of a Red Ribbon Welfare Reform Committee. This Committee would take an in-depth look at Hawaii's present welfare system, and propose a comprehensive welfare reform bill to the 1974 Legislature, based on its findings.

The Red Ribbon Welfare committee should not only consist of key members of the State administration, but also men with proven management capabilities, attorneys, and fiscal experts from the government and private sector, appointed by the Governor.

Decisive support of this committee by the Legislature and the Administration will be a must in order to obtain any effective welfare reform.

The Future: In the long run your Minority members believe spending must be put into a more substantive relationship with the ability to raise revenues. We cannot continue champagne tastes with Primo income. Future spending and public revenues must be tied to a standard—such as average personal income so that people can afford their government and government will be forced to choose priorities where it can most effectively aid the public interest.

For these reasons, your Minority members on the Committee on Conference on S. B. No. 1295, S. D. 1, H. D. 2, C. D. 1, are not in accord with the intent and purpose of S. B. No. 1295, S. D. 1, H. D. 1, C. D. 1 and recommend that it not pass final reading.

Representatives Fong, Hapai and Poe-poe.