

FOURTH DAY

Monday, January 26, 1987

The Senate of the Fourteenth Legislature of the State of Hawaii, Regular Session of 1987, convened at 10:06 o'clock a.m., with the President in the Chair.

The Divine Blessing was invoked by Mrs. Leslie Jackson of the First Church of Christ Scientist, after which the Roll was called showing all Senators present with the exception of Senators Menor and Solomon who were excused.

The President announced that he had read and approved the Journal of the Third Day.

At 10:10 o'clock a.m., the Senate stood in recess subject to the call of the Chair.

The Senate reconvened at 10:11 o'clock a.m.

At 10:12 o'clock a.m., on motion by Senator Blair, seconded by Senator George and carried, the Senate stood in recess subject to the call of the Chair to meet in Joint Session with the House of Representatives, in accordance with House Concurrent Resolution No. 1, to receive the Governor's State-of-the-State address.

JOINT SESSION

The Joint Session of the Senate and the House of Representatives was called to order at 10:36 o'clock a.m., by the Honorable Richard Kawakami, Speaker of the House of Representatives.

At this time, the Speaker welcomed and introduced the following distinguished guests to the members of the Fourteenth Legislature:

The First Lady of the State of Hawaii, Mrs. Lynne Waihee. She was accompanied by her two children, Jennifer and John.

The Lieutenant Governor of the State of Hawaii, the Honorable Ben Cayetano; the Chief Justice of the Supreme Court, the Honorable Herman Lum; former governor of the State of Hawaii, the Honorable George Ariyoshi; the Honorable William F. Quinn, former governor of the State of Hawaii, and Mrs. Quinn.

The Honorable Frank F. Fasi, Mayor of the City and County of Honolulu; the Honorable Niklaus R. Schweizer, Dean of the Consular Corps in Hawaii; a very special guest, the Honorable March Fong Eu, Secretary of State of California and her husband, Mr. Henry Eu; the Most Reverend Joseph Ferrario, Bishop of the Catholic Diocese of Hawaii; and

Cabinet members of the Governor and all the honored guests who were present.

The Chair then appointed Senators Young, Hagino, Blair, Henderson and George, and Representatives Alcon, Okamura, Apo, Liu and Anderson to escort the Honorable John Waihee, Governor of the State of Hawaii, to the rostrum.

Senators Solomon, George, Ikeda, A. Kobayashi, McMurdo, Young and Fernandes Salling, and Representatives Hayes, Fukunaga, Hirono, Horita, Hashimoto, Isbell, Tungpalan and Marumoto then presented Governor Waihee with ilima leis on behalf of the Senate and the House of Representatives.

The Speaker then presented to the members of the Joint Session and guests, the Honorable John Waihee, stating:

"Members of the Fourteenth Legislature, ladies and gentlemen, please join me in extending our warmest aloha and welcome to the Governor of the State of Hawaii, the Honorable John Waihee."

The Governor addressed the Joint Session as follows:

"Thank you.

"I used to always wonder what Governor Ariyoshi felt like with all of these leis. I feel like falling forward. Thank you very much for this token of friendship and fellowship.

"Senate President Wong, Speaker Kawakami, members of the Fourteenth State Legislature, Aloha.

"It is a privilege for me to stand before you today to offer my new administration's view of tomorrow.

"Today, as we look ahead, one thing is crystal clear. The 21st Century is the Pacific Century. Rapidly moving world events have shifted the focus of economic activity from Europe and the Atlantic to the dynamic nations of Asia and the Pacific. The United States and Japan now account for almost one-half of the free world's output and nearly one-fourth of total world trade.

"These are imposing magnitudes. On top of them, real dynamism is also found in the newly-industrializing areas of Korea, Taiwan, Singapore and Hong Kong, and the resource-rich countries of Indonesia, Malaysia, Thailand, and yes, the new

Philippines. In addition, China with her accelerated reform and modernization program, will become a formidable force in the years ahead.

"Indeed, the Pacific Century is already here, and the 21st Century, in which most of Hawaii's people will be earning their living and aspiring to their dreams, is just around the corner.

"The real question is: Are we ready to take up the challenge; are we willing to assert our initiatives; and are we able to devote our energies to making the 21st Century, Hawaii's century?

"We have all heard the rhetoric before -- Hawaii, the Hub of the Pacific. It's a catchy cliché, and in its better days, a justifiable one.

"But it is now time to bury it.

"Yes, Hawaii is in the center of considerable economic activity, but ships are passing us by and planes are flying over and beyond. And yes, Hawaii is used as a center for communications between East and West, but if we do not master the new technologies, the age of information and telecommunications will easily elude us.

"And, yes, Hawaii is a multi-cultural society with strong ties to Asian-Pacific countries, yet our foreign language instruction has been lacking. We cannot help the rest of the world break down the communications barrier without first crossing the language barrier ourselves.

"And, yes, Hawaii is a beautiful place to live and visit, but Pacific-wide businesses are still more likely to play here than to stay here and work.

"Too long we have been at the hub -- at the center -- in the middle.

"Now it is time to seize upon new opportunities and to move into the forefront. If we want the 21st Century to be our century, we must move to the cutting edge of Pacific affairs and make it our century.

"To do this, we must turn the corner of this century with authority. We must lead the way rather than merely beckon for attention. To do this, we must make an investment in our people, our human capital, by re-energizing our educational system from top to bottom. We must recognize forthrightly that we are living in an era of limitations, and yet we have great strength in our natural resources. Hawaii's future is in her people, her land, her ocean, and yes, her sky.

"Just as with our natural resources, there

are limits to what government can do. I will not use this day to recount the decline of federal aid to local governments. Suffice it to say that for more than a long while now, state and county governments are on their own.

"But lead we must, and lead we will. And that means knowing the problems and allocating resources at our disposal in measured priority. It means strategic planning from the smallest county office to the fifth floor of the State Capitol. It means governmental partnerships with our educational institutions, business, labor and the community to chart a course of action which will get us where we want to be, when we want to be there.

"Having set this context, I would like to discuss with you the major actions this administration proposes which you will be seeing in a more detailed form in the days ahead:

"First, if we are going to lead in the Pacific Century, we must invest in our future.

"As Aristotle said years ago, '... the fate of states, empires, and nations depends on the education of youth.'

"If we are going to achieve educational excellence, we need to make a substantial commitment to education. I am prepared to do that; but I will not be content to simply transfer ever-increasing sums of money in the vague and certainly misguided hope that this alone will make the difference. We must see that each additional dollar generates a measurable improvement in the quality of our educational product.

"The question of the hour is: How can we give new life to our educational institutions that will free a child's imagination, renew a teacher's commitment, satisfy a parent's yearning, and inspire a people's support?

"Obviously, the answer requires that certain essentials be tended to. In the budget before you and in the supplemental budget to come, you will find appropriate sums set aside for repair and maintenance and the purchase of needed equipment.

"However, the full answer to that question requires more, much more -- it requires innovation and leadership from all concerned with the educational process. We cannot satisfy today's concerns by merely expanding yesterday's responses. We cannot grasp tomorrow's possibilities by restricting our sight to today's limitations.

"We must unshackle our educational institutions, permit them to innovate, and hold them accountable for the results. It is that desire for and commitment to

creativity and vision which can be found in our educational institutions that I intend to nurture and support.

"Last week, President Simone testified that the University of Hawaii has attained a position from which, with proper support, it could become a world-class university in a number of selected programs where its comparative advantage allows it to fill a special niche. Furthermore, the university could be regarded throughout the state and the world as outstanding in every program it offers.

"The university could become the premiere university in the Pacific rim.

"What a possibility!

"Well, President Simone, I accept your challenge. Let's do it. Let's build the University of Hawaii into the kind of premiere Pacific institution that our people's destiny deserves.

"This will not be an easy task since the resources of this state are not infinite. However, we can do it, if we are willing to make the hard decisions that lead to educational progress. Among the hardest decisions to make are those which reallocate existing resources for new initiatives . . . but times change and budgets constructed to meet older concerns must be adjusted to reflect newer needs and changing priorities.

"We will have adequate resources to achieve our goals only if in addition to new monies, we are willing to reallocate existing resources from lower priority programs to higher priority ones. To do this, I propose to form a new partnership with the university.

"I am prepared to allocate \$30 million over the biennium for new and enhanced initiatives at the University of Hawaii, provided that the university funds one-third of the amount (\$10 million) through the reallocation of its existing resources.

"In the spirit of partnership, the initiatives to be funded with this allocation will be left to the university's discretion subject to the condition that such initiatives be consistent with the vision of a Pacific university and the university's strategic plan.

"Likewise, I make the same proposal to the governing authorities of our public school system: Review your programs, plans, and priorities for those initiatives and innovations that will enhance the quality of education in our schools, and for every dollar that you reallocate from the existing budget to support these efforts, I will recommend an investment of two matching dollars, up to a maximum of \$20 million.

"Let the Department of Education take advantage of this opportunity to deal with the nagging problems of our educational system:

- If more individualized attention would improve our students' verbal abilities, then consider reducing the size of English and writing classes.
- If the reduction of class size and lengthening of learning time are priorities, then at least pilot the concept of year-round schools. We all know that reducing class size across the board while adhering to the traditional school year would require resources far greater than we have.
- If learning centers, which have been tried with great success thus far, hold the potential for reducing duplication in course offerings, while offering the enrichment of the curriculum, then promote them.

"The specific programs to be founded by this proposal should be appropriately left to the discretion of our superintendent and board of education. However, we must insist that each new initiative produces measurable results.

"We must launch a concerted effort to introduce progressive and constructive change into our institutions, that they may respond vigorously to the altered circumstances in which we find ourselves. And as yesterday's headlines bear witness, there is no area in which change must be brought to bear more rapidly than in education.

"In partnership with the University of Hawaii and the public school system, we can begin to transform our educational system to meet today's problems and to take advantage of tomorrow's possibilities. This is well worth our investment.

"The students of today want jobs for tomorrow. And so, truly, if we are to move to the forefront of the Pacific, we must take strong and immediate economic action.

"Our first economic initiative must be to strengthen our existing industries within the global economies which surround us.

"For tourism, this means an international convention center. This center would be designed not only to meet the needs of our vital visitor industry, but also to augment Pacific trade and services. Our convention center will be able to serve all potential customers. It will have a positive international outlook and it will be designed

to meet the language and informational needs of international participants. I envision a center which will enable us to achieve both our goals in quality tourism and Pacific-wide trade and commerce.

"My friends, so long as the issue is the location of the center, we will have no center. I will submit to you a proposal for an international convention center authority. This authority will have a specific mandate and deadline to determine the nature, site, funding mechanisms, and management structure of the center. The authority will gather data and hold public hearings to accomplish this. I propose that we get this authority into business by session's end.

"Last session, you enacted a transient accommodations tax. It is sound economic policy and just common sense that a reasonable portion of the revenues collected through this tax be designated to programs and projects which enhance the visitor industry. I propose that not less than 40 percent of the funds realized from this tax should be designated in budget appropriations for programs and projects that will support our state's number one industry.

"We must also move forward to strengthen and diversify our islands' economic genesis, agriculture. For agriculture is not only a business with considerable value and potential, it is a way of life for our people and a way of life for the land itself.

"To do this, we propose:

- increased marketing and promotions of our islands and their products;
- improvements in our pesticide programs, including a biological control program with an arsenal of non-chemical weapons to fight agricultural pests and weeds; and
- the upgrading and consolidation of neighbor island agriculture facilities for more effective one-stop service for our farmers.

"Agriculture and tourism have long served us well and deserve our continuing support. But we have given considerably less attention to a thriving, bustling segment of our economy, small business, which is responsible for so much of our job formation. We must not neglect existing and developing business which has served us well, and which has demonstrated its commitment to these islands.

"For many in the private sector, obtaining the necessary resources for growth is an

impediment in capital-short Hawaii. Moreover, financial instruments which are available in other locations do not exist in these islands.

"To aid in the financing of business development, I propose an adequately funded, innovative loan program for business startup and expansion, and a modified capital loan program, which is flexible enough to fund larger, less restrictive loans in cooperation with established financial institutions.

"These initiatives will not conflict with conventional sources of financing, but they will provide much needed stimulus to the vital small business sector of our economy.

"In the same vein, I propose that we implement a progressive reduction of the trigger for unemployment compensation assessments. The compensation fund is sound and has adequate resources, and reducing the level of assessments will allow capital to remain in the private sector and finance growth.

"These proposals are designed to stimulate existing business. We would be remiss, however, if we did not recognize the private sector's complaints that government has not been responsive to business.

"Business needs a friend in government to advocate its needs and interest. When we say 'Hawaii means business,' we need an advocacy-oriented department to prove it.

"Thus, I propose to you legislation which will reorganize the Department of Planning and Economic Development, leaving the department free to lead the way and set the pace for business growth and development in Hawaii. As a watchdog for business, the department will review all proposed state rules to measure their impact on the economy.

"Our second economic initiative is the creation and expansion of new industries. We propose a combination of research and development, accelerated marketing programs, and new industry incentives to accomplish this.

"First, in keeping with our desire to assume a position of leadership in technology, I have set in motion the necessary planning for development of a satellite launching facility on the Big Island which can take advantage of Hawaii's unique geographical advantages.

"This is not a speculative venture. I intend to see ground broken in five years.

"To get the project moving, however, I will appoint a special committee, a working group, to come up with a solid plan for

implementation.

"This summer we will sponsor, in concert with a conference being organized by Senator Matsunaga, a governor's conference on space which will have access to international experts on the subject.

"Out of the conference and the committee's work, I expect to obtain a detailed blueprint for action on the development of a spaceport, the particulars of which I will submit to you upon the convening of the 1988 regular session, together with multi-year funding requests and authorizing legislation designed to put the project on the ground.

"I might add that we must also expand our burgeoning ocean industries, through needed CIP at the Natural Energy Lab and the Hawaii Ocean Science and Technology Park at Keahole, Kona.

"The new industrial opportunities we seek will not come to us without effort on our part. The time has passed when we can afford to rest content that the rest of the world would beat a path to our door.

"We have become in recent years highly competent at promoting Hawaii as a place to visit. Now it is time for us to turn those skills to the proposition that Hawaii is a great place in which to invest and to work.

"We must have a strong and effective marketing program both to advertise Hawaii as a place to do business and to improve the sales of our products. We must carry this effort overseas. We must knock on doors of potential partners in growth. As a part of this effort, I recommend that we staff promotional offices overseas, as do some 30 other states.

"One of our growing new industries is film. The section of the industry which makes commercials and other independent productions is worth in excess of \$50 million a year, with even greater potential. Yet, it is hamstrung by an onerous permit system. I recommend that you give the state's film office the authority to issue all necessary permits on a one-stop basis.

"Our third economic initiative involves the impact of taxes on business. I think that we are all in agreement that part of our economic malaise stems from the weakness of our domestic manufacture. We need to create more goods for export.

"Yet, Hawaii is one of the few states which taxes exports. Additionally, we need to encourage business to develop in Hawaii. However, we tax the sale of capital goods within the state and we tax the importation of such goods.

"We will submit to you a proposal to relieve our businesses from these taxes.

"No discussion of our economic future would be complete without a commentary on one of the most basic aspects of economic activity, the ability to move people and goods from one place to another.

"Thus, we are proposing major capital improvements for airports, highways, and harbors for the upcoming biennium.

"Regarding ground transportation highlights on Oahu, the sooner we get started building H-3, the faster we can finish. I would like to see us start in June and finish in six years.

"We will also be undertaking many other ground transportation projects on Oahu, and I am determined that the state and city together can beat the bottlenecks and get traffic flowing.

"To help us, I have asked Lieutenant Governor Cayetano, the author of a 1977 bill on staggered work hours, to investigate creative ways that we can alter work and behavioral patterns, so that everyone isn't trying to get to the same place at the same time.

"We will also move forward with major work on state airports and neighbor island roads. With the new Lihue Airport being opened next month and a new terminal being completed at Kahului, I look forward to the expansion of the airfield at Keahole as a highly significant new undertaking.

"If we are to bring about the change we want in the world in front of us, we have to change government. I have appointed a cabinet of changemasters. Let me share with you now our view of what government must be, if it is to be on top of tomorrow. For there is no better place to make changes than within government itself.

"One area of government that affects us all is taxation. As you know, the enactment of tax reform at the federal level has placed the burden on Hawaii to adopt the federal provisions. Although neither we nor the Federal Government can determine the actual impact of the Tax Reform Act, the act creates a need and an opportunity to restructure Hawaii's tax system.

"One tax that has troubled many of us is the excise tax on food, because it is levied against our basic necessities of life. This tax constitutes a regressive burden on those least able to pay: the poor, the young couple trying to get a start in life, the senior citizens trying to survive on a fixed income.

"Because this is such a basic issue, I am proposing relief in the form of a new \$50 tax credit per person for food items, in effect, a rebate on the taxes paid at the supermarket.

"In addition, we must restructure the income tax rates and brackets to minimize the negative impact of the Federal Tax Reform Act.

"With respect to government organization, we will submit to you a bill for the creation of the Department of Public Safety.

"As you know, tougher laws and sentences have put our corrections system to a desperate test. We are now working on the first and second increments of the Halawa Medium Security Facility which is scheduled for opening in the summer of this year, and this will provide us with our first full measure of relief from the overcrowding at the Oahu Community Correction System. You will review budgets to fund positions to staff these new facilities, as well as CIP proposals for additional facilities on Oahu and Maui.

"But we need an appropriate organizational structure to house a program which has grown so large as to overshadow its parent agency. The Department of Public Safety will: provide more effective administration of our prisons, consolidate all elements of incarceration in one single agency, and place the appropriate focus and accountability in one department.

"It is also time to reconsider our planning activities by separating these functions from DPED and establishing an office for strategic and long-range planning.

"While these changes are occurring, we also will be examining closely the Department of Health, which is ripe for change. I anticipate new arrangements to give flexibility to the state-county hospital system. We also must examine carefully the best arrangement for our environmental protection programs, but this is the work of more than one session.

"Also, all government service from business registration to medicaid payments, will be improved through our proposal to computerize government operations. This will require a total of \$38 million in federal and state funds. In addition, we are now undertaking to integrate state government voice communication, which is primarily telephone at present, with our electronic data processing activities to fully harness the new technologies for a more responsive government.

"But we can't treat state government as if it exists in a vacuum. It is a partner with

local government in the delivery of services.

"The Legislature has been working hard to make the government product better. Over the last two years, committees of the House and Senate have worked with the administration and the counties to discover needless overlaps in state and county programs and recommend improvements.

"To continue this process, I'm pleased to announce that I have appointed former City Manager Director and new State Director of Transportation, Ed Hirata, to chair an executive task force of cabinet members, whose departments have county overlaps, to work with you to take the all-important next steps.

"A significant part of the task is to do away with state and county territorial disputes that serve no one. There is a dramatic case in point on the doorstep of our city — Magic Island State Park — which is completely surrounded by the city's Ala Moana Park. There is no point in making a distinction between state and city jurisdiction here, so as a demonstration that I mean business, I offer Magic Island Park to the city to be incorporated in their city parks system. From that initiative, we should move on to a more comprehensive and mutually agreeable division of responsibility for the administration of state and city parks.

"Similarly, I call for discussion between the executive and legislative city and state branches to return revenues generated by traffic enforcement to the county governments. To my way of thinking, such an action is in order, provided that county governments are prepared to take responsibilities commensurate with the funds that they receive. What is important is that we begin to review these issues to move forward together to improve government for all of us.

"In facing the larger social problems, the different levels of government must be able to join together with one another and the community at large, or we will not prevail. On that count, it is difficult for any of us to talk about plans for tomorrow, when we may lose our children to the perils of drug abuse.

"I want to thank the various community groups who are involved with drug education programs, 'Just-Say-No' programs, as well as the concerted efforts of our law enforcement authorities. I ask you now to do even more, and I offer you the support of my office. I am asking my attorney general, in concert with each county prosecutor and other law enforcement authorities, to discover new means and resources for ending the drug industry in our state.

"Finally, it would be incongruous for us to talk and dream about a Pacific Century without acknowledging the Hawaiian foundation upon which our visions are built. So it seems entirely appropriate that we would begin this new era in the Year of the Hawaiian. We honor those who first came to these precious shores and who, in turn, embraced later arrivals in a bond of aloha that unites us today as one people, one state.

"I would be remiss, however, if I failed to mention that while there are many descendants of Hawaii's original people who have been and are doing well in our state, there are many who feel lost in the land of their ancestors. To these individuals, we must reach out and say that your government has not forgotten you.

"In the months ahead, the Department of Health will institute new initiatives to combat the high incidence of disease among Hawaiians.

"Special funds should be allocated from the state budget to cover certain administrative costs for the Department of Hawaiian Home Lands, freeing trust fund monies to be reallocated for infrastructure and economic development purposes.

"I was there at the birth and creation of the Office of Hawaiian Affairs. I have no illusions that easing OHA's difficulties will be easy or always pleasant, but we do no one any justice by avoiding the tough issues. For example, it is time that we start negotiating a fair settlement to the issue of ceded land revenues that protects the public's interest while allowing OHA to carry out its fiduciary responsibilities.

"In closing, indulge me this reminder. In our determination to bring about change in our educational system, economy and government, let us be guided by one premise that does not change. We are here for people, most especially those who do not have the same opportunity to embrace life as we do.

"As we enter a new era of social and political history in our state, we have an extra burden to insure that the changes we do make do not come at the expense of the less fortunate. For government with no heart is no government at all.

"We are here for the handicapped, the disabled, and the needy. This commitment will not change.

"What we must change is the manner in which we honor this commitment. New solutions and new partnerships are at hand and we merely need to seize the opportunity. Just last Friday, state government, city government, the

university, and the Hawaii Ecumenical Housing Corporation joined together in a spirit of nonpartisanship and without concern for territoriality to create a temporary residence housing project on Kokea Street for people uprooted by urban renewal. This is a commitment of government.

"And we are not here merely to build buildings and make capital improvements. We are here to build attitudes and make improvements in our human capital. By statement and deed, we must demonstrate that not only are all men created equal, but that all men and women are equal.

"And we are here to honor the island tradition of respect, reverence, and care for the elderly. As we move forward with public policy formulation in a rapidly changing world, we will not jettison one of the most basic of human values — 'Honor Thy Mother and Thy Father.'

"We are here for people because government is people. Yet, there are those in our society who feel they have no voice in their government and fail to participate. If the participation base of government is narrowing, then we have got to broaden it. We need a political system which is more exciting, open, and responsive. One solution is the presidential primary proposed by Lieutenant Governor Cayetano. Let's bring choice to the people.

"Our version of all of Hawaii's people moving forward to reach their Pacific destiny is pretty heady stuff.

"But, my friends and colleagues, I say that the only thing between us and the realization of this vision is the critics who say we can't do it.

"Well, I have these words for those naysayers.

"I heard the Speaker of the House, and he says we can do it.

"And I heard the President of the Senate, and he says we can do it.

"And I heard the words of our Republican leadership on both sides of the Legislature, and they say we can do it.

"And there are 76 of you who ran for office because you had a dream for the people you serve and the guts to go out on the line for it.

"And you believe we can do it.

"We cannot let the tough and challenging deliberations ahead diminish these dreams. For these dreams are the marrow of our

ideals, the fiber of our courage, and the fuel for our tomorrow.

"As we embark upon a difficult journey through a world of change, our destination is the future, our traveling companions, the hopes and aspirations of the people of Hawaii.

"Let's test our dreams and stretch our imaginations. Let's do it! Let's go for it!

"Thank you."

Senate President Richard Wong then rose and stated:

"Thank you very much, Governor Waihee, for sharing your visions and aspirations for Hawaii with us today. I think we here in the Legislature share a great many of the goals that you have set, and we look forward to working together with you and your cabinet to help to bring them into reality. I am

sure that in the next few weeks here at the session, you will be sending to us specific implementational legislation and proposals. For our part, we pledge to you that we will give them full attention and consideration.

"Again, Governor, thank you very much for appearing today before us.

"If there be no further business by the members of the Senate and the House of Representatives, I now declare the Joint Session adjourned."

At 11:26 o'clock a.m., the President declared the Joint Session adjourned.

ADJOURNMENT

At 11:30 o'clock a.m., on motion by Senator Blair, seconded by Senator George and carried, the Senate adjourned until 11:30 o'clock a.m., Tuesday, January 27, 1987.