

CONFERENCE COMMITTEE REPORTS

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

The purposes of this bill are to appropriate monies for Research and Development, Investment, and Operating Expenditures for the fiscal biennium beginning July 1, 1971 and ending June 30, 1973 and to authorize the issuance of bonds for capital investment purposes.

After review of the intent and concerns of both Houses regarding the general appropriations bill as expressed in **House Standing Committee Report No. 213**, accompanying **H. B. No. 2**, **H. D. 2** and **Senate Standing Committee Report No. 196**, accompanying **S. B. No. 1**, **S. D. 2**, we have agreed to recommend that all previous expressions of legislative intent be disregarded, and that the expressions contained in this report and the worksheets resulting from the conference be construed to represent the intent of both Houses of the Legislature regarding the General Appropriations Act of 1971.

In terms of the financial resources that are expected to be available to carry out the programs and activities which in the judgment of your Committee are necessary to meet State needs, it is our opinion that while the State's economy is not growing at the rate experienced in the past several years, continued growth can be expected. Testimony received by your Committee from economists and other knowledgeable sources from the private sector, from the University of Hawaii, and from State officials indicates that there is consensus that continued growth can be expected, although at a lower rate than previously.

Your Committee on Conference is also aware that because we are appropriating funds for a biennial budget, careful review and evaluation of both State revenue trends and expenditure trends will have to be made by the governor periodically and appropriate executive action taken if the trend in either income or expenditure deviates from that projected in developing this bill.

In addition, since this bill represents the first General Appropriations Act being enacted after the adoption of Act 185, the Executive Budget Act of 1970, we have in-

cluded in the following paragraphs the basic format we have followed and recommend that future appropriations acts follow.

THE APPROPRIATIONS FORMAT

State government is in the transitional phase of moving from traditional budgeting to the Planning-Programming-Budgeting System specified by Act 185, SLH 1970, the Executive Budget Act. Some programs have already been brought under Act 185 implementation, and the administration has committed itself to full implementation of Act 185 for all programs by the 1973 legislative session.

During this transitional period, with some programs presented in a format which conforms to the requirements of Act 185 and with the overall executive budget being presented in the traditional format, your Committee believes that it is necessary for the legislature to develop, in turn, a transitional appropriations format. Such a format needs to accommodate, where it can be done, those programs which have already been phased into Act 185 implementation. It also needs to accommodate those budget categories which are still being displayed conventionally.

In addition, your Committee believes that a transitional appropriations format is required so that the legislature may begin to move in the direction of focusing on programs rather than agencies and assessing the full-cost implications of programs rather than treating capital and operating costs as separate requirements. The reasons for the program and full-cost approach have been well-documented in other reports of the legislature.

By developing an appropriations format for the transitional period, the legislature will be moving in the direction intended by Act 185. Because such a format should incorporate as many of the elements of Act 185 as can be reasonably incorporated at this time, it provides the legislature with actual, albeit partial, experience of formulating a general appropriations bill which will accommodate Act 185. By taking the transitional step, the legislature will thus be better prepared to handle the full submissions of the administra-

tion under Act 185 in the 1973 legislative session.

As developed by your Committee, the appropriations format contains three principal features:

(1) It focuses on programs. It is recognized that some of the "programs" are not programs in the PPB sense that a program is a combination of resources or activities to achieve an objective or objectives. For the most part, the lowest level of the appropriations structure displays the conventional budget categories, including programs, functions and organizational units. These are as they generally now appear in the executive budget or in the departmental budgets. The difference is that these "programs" have been grouped by subject matter in a hierarchical display rather than by the conventional grouping under agencies. It should be emphasized that the "programs" as displayed do not constitute a program structure. What is displayed is simply an **appropriations structure** which is designed to assist in developing some program focus during the transitional period.

(2) It integrates the operating and capital requirements for each program. Where possible, it also identifies research and development costs and non-capital investment costs.

(3) While it focuses on programs, it nevertheless appropriates money to agencies. The format designates the agencies which are to expend the amounts for each program cost category.

The bill is in several parts:

Part I explains and defines:

(1) The abbreviations used to designate expending agencies.

(2) The symbols used to designate the source of funds.

(3) Designation of the agencies authorized to expend the amounts appropriated. Each agency involved in the expenditure of the amount appropriated in each cost category and the amount to be expended by each agency are specified.

(4) Limitation on the amount that may be expended in each fiscal year.

(5) Total appropriation for the biennium.

(6) Limitation on the number of permanent positions that may be filled in each fiscal year.

(7) The designation of the source of funding. All funds from which monies are appropriated and all approved sources from which monies are to be received (and expended) are designated. (Former appropriation formats enumerate the amounts to be paid out by specific funds, federal funds, etc., then deduct them to produce a net general fund amount. The bill does not net out the general fund portion of the appropriated amount, because it is not necessary to do so.)

Part III specifies the capital improvement **projects** included in the total amount appropriated for capital investment in Part II.

Part IV provides for the issuance of bonds. Part V enumerates special provisions regarding the appropriations made in Part II and the projects listed in Part III.

Part VI contains a severability clause, and the effective date of this act.

COST CATEGORIES

In making appropriations for each program, your Committee has attempted to identify, wherever possible, the amounts to be expended by major cost categories as intended by Act 185. In doing so, your Committee has followed the cost category guidelines formulated by the Joint Interim Committee on Legislative Review and Organization. These guidelines are:

General. Act 185 requires that the costs associated with programs are to be identified and grouped under four cost categories: (1) **research and development**, (2) **capital investment**, (3) **non-capital investment**, and (4) **operating**. These cost categories follow the "life cycle" approach to costs and flow from the principle that a decision to undertake a program must take into account the full cost impact of the program over time. They embody the concept that a program, from its conceptualization to its introduction into service, goes through the several sequential phases or "life cycle", reflected by the cost categories. To the decision-maker, it permits him to assess not only the full cost of the program over time, but it affords him the opportunity to make incremental program

decisions. For example, in undertaking a new program, no commitment needs to be made on the size and duration of the program (or even to introduce the program into operational use) until the **research and development phase** is completed.

Definitions and Characteristics of Cost Categories.

(1) **"Research and development costs"** means costs primarily associated with the development of a new program, system or capability to the point where capital and/or non-capital investments are required to introduce the program, system or capability into operational use. The cost elements under this cost category include costs for **research, design and test and evaluation. Research and development costs** are one-time costs, and the costs do not normally vary with the size or duration of the program. "R & D" should result in a proven and tested program configuration.

It is the intent of Act 185 that "R & D" costs would be reported only with the development of a **new program, system or capability** or with the development of a **major change** to a program, system or capability.

(2) **"Capital investment costs"** means costs, beyond the research and development phase, associated with capital improvements including the acquisition and development of land, the design and construction of new facilities, and the making of renovations or additions to existing facilities which are required for a new program, system or capability to be introduced into use. The cost elements for this category include costs for **land acquisition, design and construction. Capital investment costs** are essentially one-time costs, and the costs, will vary with the size of the program.

(3) **"Non-capital investment costs"** means costs, beyond the research and development phase, other than investment costs for capital improvements, which are required for a new program, system or capability to be introduced into use. This category would include such costs as the costs of training or personnel and the procurement of materials to get the program under way. These costs will vary with the size of the program.

It is the intent of Act 185 that non-capital investment costs would be reported only with the installation of a **new program, system or**

capability or with the installation of a **major change** to a program, system or capability.

(4) **"Operating costs"** means costs of operating, supporting and maintaining authorized programs. The cost elements of this category include costs for personnel services, other current expenses, equipment and motor vehicles. Operating costs are recurring costs and will vary with the size and duration of the program.

SPECIAL PROVISIONS

Much of the special provisions of past appropriations (operating and CIP) acts are retained and included in Part V of the bill. However, in certain instances only one year has been allowed for the expending agencies to conform with certain of the special provisions regarding the appropriations made herein. If the expending agencies are not able to conform to the special provisions of this bill, amendments can be made at the next session of the Legislature.

LEGISLATIVE INTENT

In addition to the appropriations, provisos, special provisions, and this report, the Conference Committee has also prepared worksheets, which indicate our intent, and which provides further guidelines for the expenditure of the funds appropriated by this bill.

RESOURCE ALLOCATION CEILINGS FOR BUDGETING.

We are concerned that agency budget requests far exceed the executive budget recommendations of the governor. This condition is traceable to a budget allocation ceilings under which agencies' programs are to be planned, programmed and budgeted. The absence of financial ceilings has resulted in agency recommendations which are unrealistic when viewed in the context and against the limitations of the total financial resources of the State.

When Act 185 is fully implemented for all programs of the State and the next biennial budget, and the six-year program and financial plans are submitted to the legislature in 1973, the documents should be consistent with each other. Act 185 provides that the level of expenditures which the governor recommends in the budget will be the same

as the level of expenditures programmed in the first two years of the program and financial plans.

However, the problem of unrealistic planning, programming and budgeting on the part of the agencies will continue unless the administration process provides for informing the agencies of the tentative dollar allocations to major program areas even before the agencies begin to plan, program and budget. The joint interim committee on legislative review and organization, the joint interim committee on education, and the legislative auditor in his report on the State hospital program, all have recommended that the department of budget and finance provide the agencies with resource allocation ceilings so that budget-making can proceed under realistic financial constraints. Only under such constraints will there be induced in agencies, as part of their budget formulation process, the necessity to rank priorities and to analyze the tradeoff possibilities between programs. Therefore, your Committee requests that the department of budget and finance explicitly provide for a process of tentative dollar allocations to agencies and to include that process in instructions issued for the implementation of Act 185.

The department of budget and finance should also reexamine its role in budget review, particularly with respect to the department of education, the university of Hawaii, and the judiciary. In the case of the DOE and the UOH, these are agencies which have, as governing bodies, boards which are formally charged by the State Constitution with responsibility for the formulation of policy. In the case of the judiciary, it is a separate and co-equal branch of government. Under such a political framework, the appropriate course is for the department of budget and finance to inform the two agencies and the judiciary of the aggregate financing ceilings under which programs may be budgeted, and conduct its budget review to determine that the ceilings and program objectives are adhered to. The establishment of aggregate financial controls would be sufficient to retain the integrity of the governor's financial plan, while permitting the respective governing boards of the department of education and the university of Hawaii, and the judiciary, to formulate program and budgetary recommendations within the limitations of overall financial policy and in consonance with State goals and objectives.

Your Committee on Conference therefore requests that the department of budget and finance, the university of Hawaii, the department of education and the judiciary hereafter formulate a process for budget-making and budgetary review in accordance with the guidelines expressed herein, and to report to the 1972 session of the legislature on agreements reached. The department of budget and finance is assigned responsibility for coordinating the agreement and the report.

Legislative Objectives and Policy.

For the fiscal biennium beginning July 1, 1971 and ending June 30, 1973, your Committee on Conference has appropriated or authorized, as the case may be, funds sufficient to accomplish the purposes and programs designated in this bill. The major program areas displayed in the appropriation structure are nine in number. They are:

- A. Ecology, Environment and Recreation
- B. Economic Development
- C. Education and Culture
- D. Government Direction and Support Activities
- E. Health
- F. Human Resources
- G. Human Rights and Justice
- H. Public Employment
- I. Transportation

Again, this year, your Committee on Conference has been guided in its recommendations by focusing upon achievement of the following objectives:

- (1) Improving the quality of education at all levels;
- (2) Helping the less fortunate members of our community to achieve a better quality of life;
- (3) Preserving and protecting our physical environment;
- (4) Expanding and strengthening the broad economic base of our State; and
- (5) Alleviating the existing housing crises of the State.

The Conference Committee has consistently, wherever appropriate, made available to all expending agencies, in accordance with their respective suitability, appropriations essential to the hiring of student help. In so

doing, it is our intention that as and whenever temporary employment opportunities arise, agencies requiring personnel services itinerately shall, subject to the usual administrative approval, encourage, recruit and obtain the services of students, as appropriate. The funds we have appropriated therefor represent one of the best investments which can be made; they provide reciprocally mutual benefits: (1) needy and deserving stu-

dents finance part of their education, (2) work experience may often directly relate to formal education, and (3) agency costs for essential services are reduced to reasonable rates which otherwise require regular employees at higher rates. Particularly in the areas of education (at all practical levels) and summer programs (such as forestry planting) do we commend this practice.

APPROPRIATIONS BY MAJOR PROGRAMS, COST CATEGORIES AND MEANS OF FINANCING (S. B. 1, S. D. 2, H. D. 1, C. D. 1)

	FY 1971-72	FY 1972-73	BIENNIUM 1971-73
A. ECOLOGY, ENVIRONMENT & RECREATION			
1. Research & Development, Operating & Investment, (Non-Capital)			
general funds	(485.75) 5,834,066	(491.75) 5,710,937	11,545,003
	(9)	(9)	
(f) federal funds	448,212	448,212	896,424
(x) other funds	104,700	104,700	209,400
(t) trust funds	6,000	6,000	12,000
	(494.75)	(500.75)	
Sub-Total	<u>6,392,978</u>	<u>6,269,849</u>	<u>12,662,827</u>
2. Investment: Capital			
(g) general obligation bond funds	11,614,000	8,115,500	19,729,500
(f) federal funds	3,344,424	6,173,144	9,517,568
(c) county funds	2,398,000	1,552,500	3,950,500
	(494.75)	(500.75)	
Sub-Total	<u>17,356,424</u>	<u>15,841,144</u>	<u>33,197,568</u>
Total	23,749,402	22,110,993	45,860,395
B. ECONOMIC DEVELOPMENT			
1. Research & Development, Operating & Investment, (Non-Capital)			
general funds	(807.65) 14,182,983	(808.65) 14,312,586	28,495,569
	(70.25)	(70.25)	
(s) special funds	637,683	660,129	1,297,812
	(78.06)	(78.06)	
(f) federal funds	1,735,482	1,786,255	3,521,737
	(10)	(10)	
(x) other funds	1,969,621	2,079,946	4,049,567
(p) private funds	12,900	12,900	25,800
(t) trust funds	14,000	15,000	29,000
	(965.96)	(966.96)	
Sub-Total	<u>18,552,669</u>	<u>18,866,816</u>	<u>37,419,485</u>

	FY 1971-72	FY 1972-73	BIENNIUM 1971-73
2. Investment: Capital			
(g) general obligation bond funds	11,547,200	7,884,150	19,431,350
(f) federal funds	828,000	1,077,000	1,905,000
(c) county funds	20,000	26,250	46,250
Sub-Total	<u>12,395,200</u>	<u>8,987,400</u>	<u>21,382,600</u>
	(965.96)	(966.96)	
Total	<u>30,947,869</u>	<u>27,854,216</u>	<u>58,802,085</u>
C. EDUCATION & CULTURE			
1. Research & Development, Operating & Investment, (Non-Capital)			
	(16,558.00)	(17,060.58)	
general funds	206,128,119	217,490,107	423,618,226
	(861.33)	(882.83)	
(s) special funds	18,511,432	19,718,472	38,229,904
	(54.70)	(54.70)	
(f) federal funds	21,030,384	21,179,370	42,209,754
	(—)	(—)	
(x) other funds	3,305,847	3,255,023	6,560,870
(t) trust funds	215,000	215,000	430,000
Sub-Total	<u>(17,474.03)</u>	<u>(17,998.11)</u>	<u>511,048,754</u>
	249,190,782	261,857,972	
2. Investment: Capital			
(g) general obligation bond funds	47,430,900	32,381,800	79,812,700
(f) federal funds	—	68,000	68,000
(r) revenue bond funds	8,004,000	11,157,000	19,161,000
Sub-Total	<u>55,434,900</u>	<u>43,606,800</u>	<u>99,041,700</u>
	(17,474.03)	(17,998.11)	
Total	<u>304,625,682</u>	<u>305,464,772</u>	<u>610,090,454</u>
D. GOVERNMENT DIRECTION & SUPPORT SERVICES			
1. Research & Development, Operating & Investment, (Non-Capital)			
	(1054.5)	(1056.5)	
general funds	61,431,152	68,730,111	130,161,263
(s) special funds	1,408,651	1,401,966	2,810,617
	(26.5)	(26.5)	
(x) other funds	541,167	533,289	1,074,456
Sub-Total	<u>(1083)</u>	<u>(1085)</u>	<u>134,046,336</u>
	63,380,970	70,665,366	

	FY 1971-72	FY 1972-73	BIENNIUM 1971-73
2. Investment: Capital			
(g) general obligation bond funds	9,868,800	6,791,300	16,660,100
(r) revenue funds	—	2,597,000	2,597,000
Sub-Total	9,868,800	9,388,300	19,257,100
	(1083)	(1085)	
Total	73,249,770	80,053,666	153,303,436

E. HEALTH**1. Research & Development,
Operating & Investment,
(Non-Capital)**

	(3022.85)	(3026.85)	
general funds	29,207,356	29,597,761	58,805,117
(s) special funds	7,911,800	7,921,800	15,833,600
	(197.7)	(199.7)	
(f) federal funds	4,514,961	4,537,342	9,052,303
(p) private contribution	300	300	600
Sub-Total	41,634,417	42,057,203	83,691,620

2. Investment: Capital

(g) general obligation bond funds	6,809,100	6,697,300	13,506,400
Sub-Total	6,809,100	6,697,300	13,506,400
	(3220.55)	(3226.55)	
Total	48,443,517	48,754,503	97,198,020

F. HUMAN RESOURCES**1. Research & Development,
Operating & Investment,
(Non-Capital)**

	(816.15)	(837.15)	
general funds	53,070,110	64,494,820	117,564,930
	(275.2)	(279.2)	
(s) special funds	24,523,980	25,531,306	50,055,286
	(469.20)	(469.20)	
(f) federal funds	43,448,440	50,871,935	94,320,375
(x) other funds	234,670	242,523	477,193
Sub-Total	121,277,200	141,140,584	262,417,784

	FY 1971-72	FY 1972-73	BIENNIUM 1971-73
2. Investment: Capital			
(g) general obligation bond funds	1,630,000	3,420,250	5,050,250
(s) special funds	50,000	50,000	100,000
(c) county funds	—	41,250	41,250
(r) revenue funds	4,600,000	7,475,000	12,075,000
Sub-Total	6,280,000	10,986,500	17,266,500
	(1560.55)	(1585.55)	
Total	127,557,200	152,127,084	279,684,284

G. HUMAN RIGHTS & JUSTICE

1. Research & Development, Operating & Investment, (Non-Capital)			
general funds	(1331.5) 18,038,810	(1334.5) 18,256,280	36,295,090
(s) special funds	(27.0) 502,225	(28.0) 541,303	1,043,528
(f) federal funds	(14.0) 2,362,533	(14.0) 1,972,249	4,334,782
Sub-Total	(1372.5) 20,903,568	(1376.5) 20,769,832	41,673,400
2. Investment: Capital			
(g) general obligation bond funds	872,000	1,571,000	2,443,000
(f) federal funds	477,000	555,000	1,032,000
(c) county funds	51,000	4,000	55,000
Sub-Total	1,400,000	2,130,000	3,530,000
	(1372.5)	(1376.5)	
Total	22,303,568	22,899,832	45,203,400

H. PUBLIC EMPLOYMENT

1. Research & Development, Operating & Investment, (Non-Capital)			
general funds	(118) 45,683,902	(118) 52,412,660	98,096,562
(s) special funds	4,800 (3)	4,872	9,672
(f) federal funds	7,472	—	7,472
(c) county funds	97,112	90,025	187,137
Total	(121) 45,793,286	(118) 52,507,557	98,300,843

	FY 1971-72	FY 1972-73	BIENNIUM 1971-73
I. TRANSPORTATION			
1. Research & Development, Operating & Investment, (Non-Capital)			
	(1115.5)	(1135.5)	
(s) special funds	45,949,237	49,722,424	95,671,661
(f) federal funds	71,958	47,447	119,405
	(1115.5)	(1135.5)	
Sub-Total	46,021,195	49,769,871	95,791,066
2. Investment: Capital			
(g) general obligation bond funds	6,997,000	3,192,700	10,189,700
(f) federal funds	59,647,000	118,399,000	178,046,000
(s) special funds	8,349,000	4,836,000	13,185,000
(r) revenue bond funds	19,668,000	7,150,000	26,818,000
(a) general obligation bond fund with debt service cost to be paid from special funds	35,141,000	36,037,000	71,178,000
Sub-Total	129,802,000	169,614,700	299,416,700
	(1115.5)	(1135.5)	
Total	175,823,195	219,384,571	395,207,766

Grand-Total

	FY 1971-72	FY 1972-73	BIENNIUM 1971-73
RECAPITULATION			
1. Research & Development, Operating & Investment, (Non-Capital)			
	(24194.40)	(24733.98)	
general funds	433,576,498	471,005,262	904,581,760
	(2351.28)	(2397.78)	
(s) special funds	99,449,808	105,549,719	204,952,080
	(825.66)	(824.66)	
(f) federal funds	73,619,442	80,795,363	154,462,252
	(36.50)	(36.5)	
(x) other funds	6,156,005	6,215,481	12,371,486
(c) county funds	97,112	90,025	187,137
(p) private contribution	13,200	13,200	26,400
(t) trust funds	235,000	236,000	471,000
	(27407.84)	(27992.92)	
Sub-Total	613,147,065	663,905,050	1,277,052,115

	FY 1971-72	FY 1972-73	BIENNIUM 1971-73
2. Investment: Capital			
(g) general obligation bond funds	96,769,000	70,054,000	166,823,000
(f) federal funds	64,296,424	126,272,144	190,568,568
(s) special funds	8,399,000	4,886,000	13,285,000
(c) county funds	2,469,000	1,624,000	4,093,000
(r) revenue bond funds	32,272,000	28,379,000	60,651,000
(a) general obligation bond fund with debt service cost to be paid from special funds.	35,141,000	36,037,000	71,178,000
Sub-Total	<u>239,346,424</u>	<u>267,252,144</u>	<u>506,598,568</u>
Total	<u>(27407.84)</u> <u>852,493,489</u>	<u>(27992.92)</u> <u>931,157,194</u>	<u>1,777,650,683</u>

A. ECOLOGY, ENVIRONMENT AND RECREATION

The environmental quality control program established by Act 132, SLH 1970 is not fully operational, however, your Committee is recommending complete support of the program. Accordingly, the total amount recommended by the governor has been provided.

Located in the office of the governor, the Office of Environmental Quality Control would act to provide a system to coordinate the functional planning efforts and operating systems of government agencies, research facilities, industry and community organizations to carry out the goals of this program. When the office becomes fully operational, it should provide the leadership in developing a balance between economic development and the natural environment to provide a high quality of life for the citizens of the State.

Ecology and Environment.

With regard to programs principally concerned with ecology and environment, your Committee has provided sufficient funds to continue the current level of operations and

for increases necessary to meet the needs of expanding agencies within the program.

Particularly, with reference to pollution prevention and control, and in deference to a finding in **Conf. Com. Rep. No. 20**, that "we may be too late and too parsimonious in making Hawaii the best place in which to live," your Committee has appropriated funds sufficient to accommodate certain significant program adjustments in the area of environmental health.

Conservation.

Conservation is principally the function of the "traditional" department of land and natural resources. Your Committee has appropriated the following sums to that expending agency as adjustments to the following programs: \$20,000 for the fiscal year 1971-72 for the preparation of a comprehensive long-range fish and wild life plan and \$30,000 for the fiscal biennium as current expenses to implement Act 195, SLH 1970, relating to the protection of indigenous fish, bird, animal, and vegetable life.

In providing the sum of \$2,500 each year for the purchase of marine patrol and surveil-

lance equipment, your Committee requests that the fish and game enforcement division submit a report itemizing of specific equipment purchased, 20 days prior to the convening of the Regular Session of 1972.

In order to stimulate the prospective utilization of commercial marine resources, your Committee has provided for an additional fishery technician in the fisheries and research management division, initially for expansion of the commercial prawn cultivation program, thereby providing technical assistance to private concerns who are risking and will risk capital for this emerging and promising phase of State industry.

Your Committee has also recommended an appropriation of \$20,000 for an opihi management study, the purpose of which is to identify species, distribution and abundance, and to formulate management techniques and hatchery propagation of this evasively sought urchin which is the source of needless human loss of life in its quest. Finally, \$13,500 per year has been appropriated for the final phase of the Ala Wai ecology survey and management plan.

For the division of forestry, because your Committee is concerned over the tragic loss of unexplainedly large quantities of ohia, koa and other indigenous trees, we have appropriated the sum of \$40,000 for the fiscal year 1971-72 for a research study and \$23,000 to accelerate the division's research efforts in watershed management, timber research and research on the prevention of forest fires.

In the area of outdoor recreation, your Committee has recommended sufficient funds and positions to cope with increases in maintenance activities generated by completion of additional park facilities.

Funds have also been included for contractual security services for one year at Ualakaa State Park. The department is expected to evaluate and submit a report regarding the effectiveness of utilizing contractual security services instead of regular staff and the direct benefits resulting from opening the park during the night.

A total capital outlay of \$6,131,000 is recommended for the **Small Boat Harbors** program during the 1971-73 biennium. The Committee after hearing both the users of the

harbors and the administrators of the program, urges that the department attempt to communicate more with the users.

The appropriation for the construction of the new **stadium** to be located on Oahu has not been included in this bill as the need for such a facility, and the financing thereof will be considered in a separate bill.

Your Committee provided \$30,100 to finance the biennial operations of the soil and water conservation districts. The bulk of the funds will be used to finance district meetings where soil and water conservation problems and ideas are discussed and applications for Federal funds for soil and water conservation projects are developed.

B. ECONOMIC DEVELOPMENT

The purpose of this major program area is to develop and stimulate vigorous growth in all sectors of the economy and areas of the State by providing policies, operations, facilities, services, advice, and information so as to achieve high levels of employment, reasonable returns on investments, and steady gains in real personal income.

MEAT INSPECTION

Your Committee's Chief concern in the area of agriculture has been essentially with meat and poultry inspection because of recent reports that Hawaii's slaughterhouse and meat processing industry is under the threat of federal assumption. In the event this materializes we have provided for immediate discontinuance of the meat inspection appropriation, and we urge the State Department of Agriculture to impose upon federal authorities for transfer of the affected personnel to the Federal program. If such transfer is not feasible, the department is urged to utilize them laterally within other divisions or take whatever action necessary to protect their tenure, rights and privileges.

OTHER ANIMAL INDUSTRY

With regard to the animal quarantine activity, your Committee is concerned over the consistently and constantly increasing costs of continuing this program. While we have provided for the increases requested, we request that the department, which we believe is adequately staffed for the purpose, under-

take a serious study for reduction of the animal quarantine period with endangering the safety of Hawaii's people.

MARKETING AND CONSUMER SERVICES

Your Committee has also provided \$20,000 each year for a marketing order and agreements fund. The purpose of this fund is to assist various segments of the local agricultural industry to control the quality and quantity of agricultural commodities marketed through the establishment of marketing orders and agreements.

COMMERCE AND BUSINESS

Your Committee has provided for sufficient funds to continue the current level of services and meet certain workload increases. This is true in the case of the foreign trade zone because of marked activity increases. We have also provided for \$500,000 per fiscal year in small business loans. In the area of industry and product promotion, your Committee believes in opening wide this avenue to broaden the State's economic base. On the basis of funds to be matched by industry, for the ensuing biennium, we recommend the appropriation of \$500,000, as follows:

	71-72	72-73
Coffee	50,000	50,000
Papaya	50,000	90,000
Garments	15,000	15,000
Pacific Headquarters	20,000	20,000
Anthurium	25,000	20,000
New York World Trade Center	30,000	30,000
Multi-Agricultural Promotion	10,000	10,000
Made in Hawaii Association	15,000	15,000
Trade Fairs	1,000	1,000
New and Multi- Product Promotions	16,500	16,500

TOURISM

Your Committee makes the following recommendations for the State's tourism promotion efforts:

1. \$43,800 per year to be used for the following items:

(a) \$4,000 for replacement of warrior markers throughout the State.

(b) \$10,000 to be divided between the New York and San Francisco regional offices to handle added promotional efforts in Canada.

(c) \$12,500 for out-of-city travel by the sales and services personnel.

(d) \$12,300 for promotional literature.

(e) \$5,000 for promotional material other than literature.

2. \$50,000 per year to be added to the advertising budget, thereby increasing advertising efforts from \$350,000 to \$400,000 per year. This added amount to be used to advertise existing special events.

3. \$62,000 for each fiscal year to be used to accommodate the following program adjustments:

(a) \$6,000 for one sales representative in Japan.

(b) \$19,000 for a research program to procure information on eastbound visitors.

(c) \$3,000 for a research program to compile information on Canadian westbound visitors.

(d) \$13,000 for a Hawaiian show at the American Society of Travel Agents Convention scheduled for Sidney, Australia in FY 1972.

(e) \$10,200 for promotional literature. It is the intent of the Committee that at least \$2,000 of this amount be designated for promotional literature on Molokai.

(f) \$4,000 for an information booth and part-time assistance at Kaanapali.

(g) \$6,000 to establish a HVB office in Molokai, using part-time employees.

(h) \$10,000 to be expended in coordination with the Hula Bowl Committee.

In addition sufficient funds have been provided to continue the diversity of community-wide programs and special events.

For the information support services, your Committee has provided for maintaining the current level of operations, including \$50,000 on a federal matching basis for contractual services to provide direct personal contact with prospective business and professional users.

Your Committee has also appropriated \$200,000 in fiscal year 1971-72 to deposit into the fisheries small vessel construction loan fund.

Your Committee is also cognizant of the role the department of transportation's Visitor Information Program plays in providing visitor satisfaction and disseminating information to newly arrived visitors and recommends that the department of transportation place greater emphasis on this program. Your Committee recommends that the department continue the use of student help during the summer months to cope with the increased workloads.

It is also the Committee on Conference's intent that the program remain responsive to the State's and traveler's needs, and not be considered as part of the operations of the air and sea carriers.

C. EDUCATION AND CULTURE

The purpose of this program is to make available a graduated series of high quality formal education programs at various levels intended to maximize the realization of each individual's intellectual potential in terms of personal development, social effectiveness and vocational satisfaction.

LOWER EDUCATION

The department of education was mandated to submit its operating and capital improvements budget requests to the 1971 Legislature in the planning, programming, budgeting system (PPBS) format delineated in Act 185, SLH 1969. The superintendent of education has reaffirmed in testimony before your Committee his commitment to PPB. Based upon this type of continuing commitment from the department, steps have been taken since 1967 to facilitate the department's efforts by making possible the hiring of competent personnel in ever increasing numbers. With the aid of a federal grant, the department is now poised to develop an information retrieving system which will be of direct benefit in the development of a more

comprehensive PPB document for the department's future budget requests. Your Committee is appreciative of the efforts and initiative demonstrated by the department's personnel who have been directly involved in the PPBS effort thus far.

As with the installation of any new system, there have been problems associated with the implementation of PPBS. Your Committee believes that, to a large extent, many of the problems encountered in the submission of the department's budget request were caused by a lack of free and open communication among the agencies involved, i.e., the department of education, the legislative auditor's office, the office of the governor, and the department of budget and finance, and urges a renewed spirit of cooperativeness.

Innovative Projects

Your Committee requests that the department phase out its present method of funding innovative projects through the redirection of moneys allocated or other purposes. Because this method of funding by its very nature is lacking in organization, accountability is virtually impossible to achieve. Your Committee requests that the department develop a plan along the lines of which all innovative projects may be structured and which will include length of project, total funding required, method of evaluation, and the basis upon which the decision of whether to implement a project will be made. The department shall submit a report to the Legislature detailing its plan twenty days prior to the convening of the Regular Session of 1972.

Three-on-Two Program

The department is now completing the second of its three-year scheduled implementation of the three-on-two program into grades K-3. The concept of individualized education is theoretically sound, and as far as your Committee has been able to determine, it has worked well in practice also. Preliminary evaluation of student test scores indicate that three-on-two students are doing well in their course work.

Your Committee has been informed that incompatibility among some teachers has been the source of problems at many schools. This is essentially a school-level problem, and must be resolved at that level by the school principal. However, teachers must assume a certain responsibility in this area and your

Committee calls upon them to put forth the extra effort and to employ patience and understanding necessary to the promotion of a harmonious relationship. Your Committee has authorized the establishment and funding of a additional 200 teacher positions for the three-on-two program for the biennium 1971-73, 100 to be hired and installed in fiscal year 1971-72 and the remaining 100 to be hired and installed in fiscal year 1972-73.

In total, your Committee has, through restoration or authorization, provided for 325 three-on-two positions for the biennium 1971-73 including 125 three-on-two positions authorized by Act 175, SLH 1970.

Hawaii English Project

The Hawaii English Project was established in May of 1966 as the development project of the Hawaii Curriculum Center with the goal of revising the teaching of English. The principal activity of the project has been the production and testing of instructional designs and materials. At present, a fairly complete K-2 skills sequence and major parts of K-3 literature and 4-6 language systems sequence are in various stages of testing around the State. Your Committee has provided sufficient funds for the installation of the program at the rate requested by the department: \$1,564,022 for fiscal 1971-72 and to \$300,000 for fiscal 1972-73. The appropriation for fiscal year 1971-72 is intended to be used for installing the new language systems in 2 classes in each of the grades 4, 5, and 6 in 160 schools. The language skills will be expanded into 99 K-2 three-on-two classes and into 80 self-contained classes. In-service training will also be expanded and 34 additional installation teachers will be provided.

The program director has proposed a method of shared utilization of packages that will enable the department to increase the number of students involved in the program and yet keep at a minimum the number of packages required. Funds have been provided to permit the scheduled expansion of three components (language skills, language system, and literature) of the Hawaii English Program in Fiscal Year 1972-73.

Student Affairs

There is appropriated \$30,000 for the biennium 1971-73 for a student leadership conference, \$15,000 for fiscal year 1971-72 and

fiscal year 1972-73, to provide for housing, food, and transportation costs for participants in the conference, as well as other usual costs incurred in a conference of this type.

Your Committee requests that the conference be held on a different island during each of these two years that participants might benefit from exposure to the differing lifestyles and topographical differences that characterize each of our islands.

Special Education

Your Committee has appropriated \$388,070 for 21 additional special education teacher positions for the biennium 1971-73 for the expansion of the special education program. The department now has a number of certified handicapped students on the waiting list for the school year 1971-72. This number is expected to increase. Your Committee believes that the State has an obligation to these students and has, therefore, provided funds and positions to expand the program.

Comprehensive School Alienation Program

The schools of Hawaii are facing critical problems in school alienation; the impact cannot be ignored. Overt actions such as drug abuse, hijacking and student unrest threaten the safety and welfare of the entire school populace. Until the regular school curricula and structure can be adapted to adequately incorporate approaches designed to alleviate the problems of school alienation, special innovative programs are necessary to cope with crises situations, to take corrective measures to insure safety in school, and to seek effective avenues of prevention.

The problems differ at each school. It is therefore imperative that the department both identify the attendance areas with the most critical problems and needs, and assess the specific program needs of these schools.

The Statewide Dropout Program is structured with sufficient flexibility to permit its operation in crisis situation, on corrective measures, and toward prevention as evidenced by the many approaches incorporated in its design. The design includes the following activities: staggered and aggressive counseling, classes located outside the formal school environment, tutorial and remedial course work for the alienated youth, after-school motivational activities, University-

DOE sponsored in-service training, curriculum modification for the potential and actual dropouts, community-governmental involvement activities, and work study opportunities.

Your Committee is authorizing \$800,000 for the biennium 1971-73 for this program to include: a) the development of a comprehensive plan, b) the Drug Abuse and Narcotics Education program currently on-going in the Windward District, c) the Kailua Learning Center currently on-going at the Kailua High School, d) the Kahaluu Drop-In program in conjunction with the Windward District office. \$25,000 over and above the district allotment has been appropriated for this last purpose.

The comprehensive plan, in addition to crises and stop-gap approaches, should include programs at the elementary level where alienation can be curbed. Timetables for implementation at the elementary level should be included in this plan.

Your Committee requests that the department submit a detailed report on its plans and accomplishments of this comprehensive school alienation program, including an accounting of the expenditure of funds and a complete evaluation of the Drug and Narcotics Education program, in a report to the Legislature twenty days prior to the convening of the Regular Session of 1972.

Vocational Technical Education Program

Your Committee feels that a high priority must be given to educational programs which contribute to the relevancy of school experiences for all students. To this end, we have included \$774,380 for expanding Vocational-Technical education in the three sub-programs of Pre-Industrial Preparation, Introduction to Vocational Programs, and the Occupational Skills. All three programs will increase the options available to individuals to take employment at entry level jobs, to move toward occupational specialization at the post-secondary level, or to continue into preparation for professions.

Environmental Studies Program

The department has indicated that it has developed a large portion of the necessary materials required for the program. Your Committee recommends that the department investigate the possibilities of reduced air and

bus fare rates and develop a program for statewide installation that would allow each seventh grader to visit an island other than his own. The department is requested to submit a description of the program and an implementation plan to the Legislature twenty days prior to the convening of the Regular Session of 1972.

School Lunch Program

Your Committee is distressed to learn that many students receiving subsidized lunches are caused embarrassment by the manner in which tickets (or whatever means is used) are distributed. Your Committee has been informed that some students forego their lunches to avoid this embarrassment. Your Committee requests that the department report to the Legislature its recommendations for handling this distribution in a more discreet manner twenty days prior to the convening of the Regular Session of 1972.

Your Committee also requests that the department submit a report to the legislature, twenty days before the 1972 session, on the justification and rationale for the sums expended for rentals of private buildings for storage, office and classroom use and include a timetable for the phasing out of such rentals.

HIGHER EDUCATION

Upon analyzing the appropriations for Higher Education as recommended by the respective bodies, your Committee on Conference concurs with the major parts of those recommendations and has appropriated funds accordingly, to the extent possible within the financial constraints the State finds itself in for the biennium. While your Committee has selectively deleted funds requested to meet the demands of additional workload increases for instruction at Manoa; it has nevertheless freed monies to be allocated to those areas congruous with your Committee's recommendations. It should be noted that although funds were decreased for Manoa instruction, it is the opinion of your Committee that the teaching demands can be absorbed within the existing structure by increasing teaching hours. The exact determination of such increases as well as the level to which such increases should be made are the responsibility of the University.

The following sections focuses upon the major recommendations and concerns of

your Committee on Conference. These are listed as follows:

I. Quality of Education: Selected Excellence. To help create and insure quality higher education opportunities within the financial constraints of prudent State fiscal policy, the Legislature last year adopted and strongly endorsed the concept of "selected excellence" as the criterium for University focus and direction. Under selected excellence, the University would continue to provide a broad range of quality undergraduate course offerings but at graduate level, it would become selective, specializing in areas in which Hawaii has a unique geographical or cultural advantage, areas of special need to the State, and professional programs which provide a high degree of community relevance and community service. Your Committee has appropriated \$330,000 for each fiscal year of the biennium to be used by the University for curriculum development in the area of selected excellence. It is not the intent of your Committee to establish a contingency fund, but to encourage the development of programs and methods of teaching

(a)
Population
(18-24)

1960	72,272
1965	93,000
1970	109,228
1975	118,000
1980	125,000
1985	123,000

relevant to quality education and the uniqueness of Hawaii.

The appropriation for higher education does not include funds for special undergraduate programs. In this respect your Committee recommends that the University re-evaluate past "innovations", and incorporate those which are considered to be worthwhile under the administrative aegis of the appropriate undergraduate programs.

II. The Numbers Problem. Certainly the most challenging problem confronting University planners during the coming decades is that of providing a variety of quality educational opportunities to the burgeoning numbers of students anticipated in the system. While it is difficult to forecast the exact en-

rollment demands on the University System, a brief look at recent enrollment trends at the institution are revealing. In the past decade, enrollment in the University System has nearly quadrupled, from 7,771 in 1960 to 33,127 daytime credit students in 1970, as illustrated in Figure 1.

Actual enrollment has routinely exceeded projected enrollment for the system, often by as much as seven per cent over the anticipated figures. Thus, your Committee realized that even with the modest curtailment of future enrollment envisioned under the recently adopted controlled growth policy which is explained in the next following paragraphs, the student population is expected to nearly double in the next 15 years.

Even by expanding existing institutions and creating comprehensive programs in the Community Colleges and exercising controlled growth, the System may still have a deficit of about 9,000 students by 1976—that is 9,000 local students who won't be able to enroll in the University System. Of these 9,000, an estimated 3,500 will be seeking baccalaureate education, with the remaining

(b) University of Hawaii Daytime Credit Enrollment	Percent of College Age Population
7,771	10.8
14,097	15.5
33,127	30.3
47,010	39.8
57,500	46.0
65,000	52.8

5,500 seeking educational opportunities in the Community Colleges.

III. Controlled Growth. The purpose of the controlled growth policy recently adopted by the Board of Regents of the University of Hawaii is to effectuate the orderly growth and development of the entire University System, and to insure a variety of quality education opportunities for all qualified Hawaii students. It is envisioned as a stop-gap measure until the University facilities can catch up with the numbers problem. Translated into actual practice, this means setting enrollment targets and optimum enrollment limitations on the various campuses in the system, and achieving a rational method of dispersing students within the system so as to preserve maximum options for all.

The Committee accepts in principle the Controlled Growth policy which will preserve the open door policy to all qualified Hawaii residents.

IV. Academic Planning

As the Statewide University System develops rapidly to accommodate increasing enrollment through existing and planned campuses, an urgent need exists for an adequate academic planning staff. This staff must plan and replan for the system as a whole and provide assistance to individual campuses to assure that system-wide coordinated academic plans are being developed and implemented within established policies such as controlled growth and open admissions. It is imperative that this staff be established immediately so coordinated planning occurs well in advance of the opening of new campuses. Your Committee has appropriated for this expanding and vital activity \$75,000 in fiscal year 1971-72, and \$150,000 in fiscal year 1972-73.

V. New Programs and Facilities

A near doubling in the next fifteen years of the number of students to be serviced by the University System will require the addition of new programs, new facilities and new campuses in the System. Since Manoa will be reaching its desirable saturation point of 23,000 students in two years, the responsibility for accommodating most of the increased enrollment will fall on other campuses in the system.

The implication is clear. If we are to proceed with our basic goal of open access to higher education for the people of Hawaii, we must create new programs to fill these needs. At the Community College level, the requirement is for the creation of two additional campuses, ideally located in East Honolulu and Windward Oahu. Initially, these campuses will begin in rented space, with a curriculum limited to college transfer and general education courses.

Your Committee has appropriated sufficient funds for the development of academic plans and staffing for two new community colleges. It is the intent of your Committee to accelerate the development of the community college in Windward Oahu but to have the University further evaluate the development schedule of the college in East Honolulu. Accordingly, your Committee in-

tends for the University to have flexibility in utilizing the funds appropriated in this bill to meet the needs in East Honolulu either by development of the East Honolulu College, or by the expansion of the other colleges on Oahu if the development of the East Honolulu College is delayed.

VI. Comprehensiveness

Comprehensive programs must be initiated in the Oahu community colleges before they can adequately meet the needs of the community. This means taking the following actions: (a) At Leeward Community College your Committee has appropriated \$282,120 for the addition of selected vocational programs for the 1971-73 biennium. Your Committee expects that the University will work with high schools in making the vocational education facilities and programs available not only at Leeward, but statewide, to students who can benefit from such programs; (b) Honolulu Community College is to experience the reverse in that emphasis will be placed on developing the transfer program for which your Committee has appropriated \$145,000 for the 1971-73 biennium; (c) due to space restrictions and the possibility that it may be partially integrated with the proposed East Honolulu Community College, Kapiolani Community College is to retain essentially the same programs that it now offers and make available present facilities for classroom instruction as a first priority.

Some of the more significant programs for which your Committee has made appropriations for higher education are as follows:

1. Continuing education for Hawaii, Molokai, Lanai and Hana.
2. Student health services on each of the campuses.
3. Expansion of the disadvantaged students program.
4. Continuation and expansion of the Ethnic Studies program.
5. Undergraduate program in Social Work.
6. Oceanography and Marine related programs including the Sea Grant program.

Your Committee on Conference has increased the appropriations for student help

over the Governor's recommendation by \$773,000 for each year of the biennium. It is our intent that the University expend for student help purposes at least the same amount as expended in fiscal year 1970-71 for each year of the biennium.

Your Committee on Conference, recognizing the need for student housing, has appropriated sufficient funds to continue the "emergency housing program".

Recognizing that alternatives to having all classes held on or near the Manoa Campus should be explored; it is the intent of your Committee that the University be allowed to expend the appropriation made for emergency housing if determined to be in excess of the need of the program, for classroom rental and related educational purposes in conjunction with said program.

Continuing Education

Your Committee on Conference, recognizing the need for making available educational opportunities to individuals who otherwise would not have such an opportunity, strongly endorses the continuing education program as provided by the University of Hawaii and the Department of Education. In this respect your Committee encourages the University and the Department of Education to extend itself into the communities in providing educational and cultural enrichment programs.

Appropriations have been made for the expansion of the Labor-Management education program and for continuing education for women.

Recent reports on the Hawaii Educational Television program has caused your Committee to be concerned with the operations in terms of the goals, objectives and the function of the program. In this regard your Committee requests that the University submit to the 1972 Legislature an issue paper outlining the goals, objectives, program organization and program requirements for the following six years.

D. GOVERNMENT DIRECTION AND SUPPORT ACTIVITIES

This major program area consists of those expending agencies traditionally classified functionally as "Finance, Commerce and Staff." The primary purpose hereof is to max-

imize the effectiveness and efficiency with which the objectives of the State are achieved by providing executive direction, overall policy making, and general support for all program.

For the programs of Accounting and General Services, Central Government Operations, Financial Management, Executive Direction and Legislative Support, your Committee has appropriated sums sufficient to maintain the current level of operations.

ACT 185.

Your Committee is fully cognizant of the added demands that have been placed on the operating departments by Act 185, SLH 1970, the Executive Budget Act. The Governor is empowered by Act 175, Section 6, SLH 1970, to create forty permanent or temporary positions to be allocated by him to any executive department as he shall deem proper. Upon this basis, eight new program evaluation analyst positions were allocated this year to the Department of Budget and Finance to assist the operating departments in the implementation and administration of Act 185. It is the intent of your Committee that at least five of the aforementioned positions be eventually transferred to the larger operating departments based on anticipated need. The three remaining positions working out of the Department of Budget and Finance should be utilized to assist the smaller departments and agencies. Your Committee recommends that all of these analysts be given a sound orientation on the State's PPB principles and procedures in order that they may become effective contributors to the various departments as soon as possible.

Also in connection with the implementation of Act 185 it has become increasingly clear that if the State is to realize the goal of its PPB system - better resource allocation decisions - a greater investment in analysis and trained analysts is essential. Much has already been done in training on-board personnel (and that should continue), and in utilizing outside consultants, but the long-term viability and effectiveness of the PPB system depends crucially on having a continuing input of new, young able analysts. The numbers recruited each year need not be large, but the standards should be high and the selection process rigorous. Because of the close connection between this activity and the overall implementation of Act 185, it would appear that the Department of Budget

and Finance is the appropriate agency for developing and managing such an analyst-intern program.

Your Committee supports and endorses therefore the Department of Budget and Finance's current plans to develop and implement a program for the recruitment, selection, training, placement, and career management of analyst-interns for the State Service.

MANAGEMENT INFORMATION SYSTEM.

It is important that the state government have effective administrators capable of making rapid and appropriate responses to the demands of a constantly changing environment. In order to do so, these administrators must be supplied with current, accurate, and relevant information. Such information may be made available through a management information system.

Your Committee has appropriated funds for three positions to man a long-term interdepartmental management improvement project, the objectives of which would be the designing, developing, operating, and maintaining of a management information system, as contrasted with the computer data processing of such information now performed by the Statewide Information System Division.

CENTRAL GOVERNMENT OPERATIONS.

Your Committee on Conference has made appropriations to maintain the current levels of programs. These programs essentially provide support services to the various functions of government in the form of maintenance, security, telephone and parking.

LEGISLATIVE SUPPORT.

In addition to the increases recommended in the executive budget, your Committee has provided additional funds for operating purposes to the Legislative Reference Bureau, and to the Office of the Revisor of Statutes. Included in the appropriations of the latter activity is an additional sum of \$48,470 for the biennium for the printing of the Session Laws and Supplements. This increase your Committee feels is necessary due to expected price increases.

E. HEALTH

The purpose of this program is to improve the health of all the people by reducing the incidence of, and disability due to, physical and mental illness through assuring an adequate supply of high quality health facilities and services for individuals and a healthful environment for the general public.

Health programs of the State of Hawaii take on a special significance in the context of the duties of government. This is one area in the maintenance of society where governmental programs affect the lives of all of its citizens from birth until death. A brief glance of the programs on health will reveal this. From funding projects for maternal and infant care programs to subsidies for cemeteries—these programs touch the average citizen through every year of his life.

Believing as we do, that the right of the people to avail themselves of the medical and hospital services offered by the State is indisputable, your Committee has appropriated funds to assure an adequate supply of high quality health facilities and services over the ensuing two years.

It is the viewpoint of your Committee that population planning—if not stabilization—is vital for Hawaii. We have seen this year a need for an austere budget, but the growth of population continues and the needs for services likewise. Health programs relating to population planning were given much encouragement by your Committee. Your Committee recommends that the Maternal and Child Health Services Branch apply for Federal funds to open eleven new family planning clinics in rural Oahu, and as such, has provided for additional Federal funds for the biennium. These programs can become the foundation for population planning in Hawaii.

Programs have been instituted to reduce to tolerable limits if not to eradicate the scourges of mankind. In support of these programs, your Committee has appropriated funds for an Epidemiologist (including travel funds) and a mobile x-ray unit and two positions for TB case finding on the neighbor islands. Your Committee has also provided for four laboratory assistants to support the State's water pollution program, and funds for the continuation of the **Pediculosis Capitus Project** in our schools.

Your Committee has also made some nominal expansions in the Mental Health program. The crisis of emotional illnesses, alcoholism and drug abuse becomes more alarming each year; however, in anticipation of the soon-to-be released mental health audit by the Office of the Legislative Auditor and further investigation by your Committee, expansion has been kept to a minimum. The John Howard Methadone Program has been a success in rehabilitating former addicts; thus, sufficient funds have been provided to maintain current services. With an expansion in the number of beds for psychiatric care by various hospitals, funds have been increased to utilize this resource for short-term psychiatric care.

Your Committee feels that the recent audit of the State hospital program by the legislative auditor could provide information basic to the improvement of health services. We have not had sufficient time to review its findings, and must therefore withhold specific comment at this time.

Your Committee is concerned over the lack of coordination and cooperation among existing units that function as independent units, rather than an integral part of the State Hospital; and therefore recommends that the hospital review its existing staffing patterns to insure effective and efficient use of personnel.

Your Committee looked into the matter of the buying of generic drugs by State/County hospitals and believes that if the department of health would increase its buying of acceptable generic equivalencies, a considerable amount of money could be saved in the hospital budget. Your committee reemphasizes a legislative desire expressed in a previous session that the department actively pursue a program for generic drug buying.

Major capital investment projects for which funds have been provided include the following.

(1) \$904,000 in fiscal year 1971-72 for plans and construction of a new Leeward Community Health Center to be located in Pearl City. This center will be centrally located to serve the main population concentration of the Leeward area.

(2) \$2,650,000 in fiscal year 1972-73 for the

construction of a new Diamond Head Health Center to house various programs of the Department of Health.

(3) \$360,000 in fiscal year 1972-73 for plans and construction of a virology laboratory. At present, there is a lack of adequate facilities to handle work required for surveillance and diagnostic information.

(4) \$852,000 for the biennium to replace the present infirmary at Kalaupapa Settlement, which, because of its nonconformance to safety requirements, poses a hazard to patients.

(5) \$426,000 in fiscal year 1972-73 to remodel and modernize residential facilities at the Hawaii State Hospital.

(6) \$3,000,000 in fiscal year 1971-72 for construction of a new Kona Hospital.

(7) \$1,700,000 in the biennium for the second phase of renovations for Maluhia Hospital.

(8) \$601,000 in fiscal year 1971-72 for an implementation of the Modernization Project for Hilo Hospital.

F. HUMAN RESOURCES

Your Committee on Conference recommends that in addition to the increases requested by the Governor, additional support be provided Human Resource programs as indicated below.

ECONOMIC ASSISTANCE AND SOCIAL WELFARE SERVICES

The Social Welfare program for the State of Hawaii has the insurmountable task of seeking solutions to problems of human behavior in daily living through welfare and housing programs, financial food and medical assistance, rehabilitation and delinquency control and prevention.

Your Committee has received and evaluated the mission of the social welfare program and believes that the Department of Social Services and Housing is in need of increased legislative assistance in order to provide for the well-being of the less fortunate, less affluent, needy, aged, physically handicapped, homeless, and dependent children. Your Committee is mindful of the minimal resources available to fund the

desired level of expenditure in the field of social welfare.

In view of the circumstances, your Committee urges the department to seriously consider the intentions and presuppositions of public welfare programs. First, your Committee sees a need to review and evaluate current practices of the department such as the declaratory method used to process claims, which permits recipients to conceal or withhold information which may effect their eligibility to receive public assistance. Second, your Committee sees the necessity of defining for the department the degree at which it can consider the rehabilitation of an individual to be complete and successful.

Your Committee feels that the objective of the department should be to assist and provide these people with the opportunity of removing themselves from the welfare rolls into a meaningful place in society without incorporating the concept of "handouts". Social welfare programs cannot stand alone for they were never meant to work alone. They were designed to meet the needs of society only through the cooperative and efficient endeavor of government agencies and resources, and this factor, your Committee feels, is all-important in attempting to solve problems in human behavior.

The social, and particularly the economic, well-being of our residents is of grave concern to our state government. One of the means to achieve the objectives of this program is through the economic assistance, income maintenance and food stamps program. Your Committee is concerned about the lack of information given to the Legislature concerning this welfare program. The department has not identified the actual number of individuals on welfare. They are almost one year behind their predictions. The department should reflect their need of predicting caseloads so that the budgetary request for income maintenance and food stamps is realistic. The overall scheme is to get to the people who are potentially eligible for welfare benefits but are not on the welfare program.

Your Committee has divided the problem of public welfare and housing into three major categories: assistance, rehabilitation, and housing. Federal monies, which support the bulk of these programs, entail rules and regulations that often require certain staff positions and/or monies. Your Committee has

approved various changes in positions in these areas to ensure the continuing operation of these programs.

Your Committee has appropriated the additional sum of \$1,686,238 to increase the **clothing allowance** for children and adults providing that the amounts appropriated shall not exceed \$44.77 for children, and \$32.35 for adults for the fiscal years 1971-72 and 1972-73. We have further provided that this appropriation shall be treated as a "special allowance", apart from the clothing allowance which is already apart from the standard monthly allowance.

Your Committee is fully aware that there is an urgency to concentrate on the problems of children and youth who are unfortunate victims of society. In an effort to provide a good future for these children and to ensure them some degree of protection, your Committee has allocated funds for a Social Worker V position to handle the licensing program of foster care homes.

The Department of Social Services and Housing is reorganizing the public welfare division so as to separate social services (Home services, adoption services, family counsel, etc.) from financial services. The latter is being handled by social service assistants. To the extent possible, such workers should be recruited from the recipient population.

To facilitate this reorganization, which will relieve the social worker of the burdening clerical chores, your Committee has allocated additional social service assistant positions to the money payment units on Hawaii, Kauai, Oahu, and Maui. In addition, 50 temporary social service assistants have been authorized. The department may allocate these positions as it deems necessary. It shall report to the 1972 Legislature on the progress of this program and the need to convert the temporary positions to permanent ones.

VOCATIONAL REHABILITATION

Recognizing that no program exists today for the rehabilitation of approximately 200 deaf Oahu residents, your Committee has appropriated the sum of \$74,691 for the biennium for additional vocational rehabilitation specialist program specifically for the purpose of consulting and assisting the deaf. If possible, someone experienced in working with the deaf or preferably someone who is

deaf and also a teacher should be hired for this position. Furthermore, your Committee suggests that this division hire more blind to work with the blind.

HOUSING

Your Committee on Conference is concerned about the critical housing shortage in the State of Hawaii and believes that an accelerated program is necessary to resolve the problem today and not ten years from now. Your Committee finds that there are approximately 5,000 low-rental units of various sizes in the State, housing a population of slightly over 20,500 and representing a good cross section of the different ethnic groups, at least thirty percent of which are welfare recipients. During the next two years, the number of families in low-rent units will increase by 900, from 4,734 to 5,634. Based upon requests for assistance, the shortage of housing is critical. There are currently over 4,000 active applicants for housing and this number can be expected to increase. Operating expenditures from rental revenues are expected to increase from the current level of \$750 per family unit per year to \$855. In view of these considerations, your Committee recommends that a high priority be placed on developing and operating low-rental housing for those families and elderly individuals whose income and/or resources are insufficient to obtain housing in the private sector without incurring undue hardships.

Your Committee sees the need of encouraging families served by the social services program to improve their standard of living, practice thrift and participate in the mainstream of community life, thereby preparing them to emerge from dependency, purchase and own their own homes and become participating and contributing citizens in our community.

In view of this, sufficient amount is provided for the rent supplement program to maintain the current level of services, as well as \$50,000 additional each year to handle emergency cases.

Your Committee also sees the need of maintaining the services and activities of public and private agencies at housing projects, including parent-child centers, well-baby and health clinics, Head Start, pastoral counseling and legal aid services. Your Committee discerns the importance of locating community facility buildings in many hous-

ing projects to meet the essential needs of the tenants.

The change-over from landlord-tenant relationships to the concept of involving tenants in decision-making is progressing rapidly. Your Committee hopes that the resident-aide program, the "turnkey" approach for development of additional new homes, and the Down Payment Reserve Plan will all continue to be vigorously pursued.

Your Committee has provided sufficient staff and monies in order to effectively and efficiently implement Act 105. Positions authorized are identified as follows: attorney, finance administrator, mortgage administrator, switchboard operator, stenographer, development services administrator and public housing specialist. Additionally, the sum of \$55,066 is appropriated for other expenses associated with these positions.

The State Land Reform program provides a means for more widespread ownership of fee simple property at fair and reasonable prices. To date, the Hawaii Housing Authority has accepted applications for acquisition of fee interest from 855 lessees from six Oahu lease-hold tracts. These six community groups have expressed strong interest and have taken appropriate actions. As lessee interest increases it is anticipated there will be marked increase in the number of applicants desirous of taking advantage of our Land Reform Act.

Your Committee has appropriated \$200,000 to the Hawaii development revolving fund for housing, which is designated to make interim loans to non-profit organizations for development of low and middle income housing. Seven loans have been made amounting to \$148,500 and a balance of \$52,416 is available for qualified developers at 6% interest.

Under the provisions of Act 105, the Hawaii Housing Authority is mandated by law to provide assistance for low and middle income housing, to aid the development and construction or rehabilitation of housing for elderly persons, families displaced by any government action, and university and college students and faculty by making long term, low interest mortgage loans from proceeds of General Obligation Bonds. The Authority may issue bonds of up to \$15,000,000

under the Act. To date, \$11,211,000 has been allotted and disbursed among six projects throughout the State.

Act 105 also authorizes the development of fee simple of lease-hold residential property to qualified residents.

It is your Committee's intent that the sum of \$150,000 designated in Act 105, Session Laws of Hawaii 1970, for use as mortgage participation loans, down payment loans and mortgage insurance should not be used for personnel costs or contractual services.

AGING, MANPOWER, AND SPECIAL PROGRAMS

Your Committee has reviewed and evaluated the mission and programs of the Commission on Aging, the Commission on Children and Youth, the Committee on the Employment of the Handicapped, the Commission on Manpower and Full Employment, the Progressive Neighborhood Program, and the Hawaii Office of Economic Opportunity and has appropriated funds to the Commission on Aging for the White House Conference of Aging, scheduled for the fall of 1971, and to the Commission on Manpower and Full Employment for a half-time position. Your Committee has also provided State matching funds for the family planning program as requested by the Governor.

Your Committee is concerned with the lack of coordination and overall human resource planning in the vitally important travel industry. The findings of the January 6-7, 1970 Travel Industry Congress have not been fully implemented. To remedy this we suggest the State Commission on Manpower and Full Employment be mandated to use their staff to initiate codification of all government activity in this field and to engage in the necessary coordination and report back in their next annual report to the Legislature.

LABOR

The responsibility of the Department of Labor and Industrial Relations is to administer programs designed to increase the economic security, physical and economic well-being, and productivity of workers, and to achieve good labor-management relations. The department also has the responsibility of developing, preparing, and disseminating information on employment, unemployment,

and general labor market conditions. The department administers the following programs: Apprenticeship, Employment Service, Unemployment Insurance, Workmen's Compensation, Industrial Safety, Labor Law Enforcement, Temporary Disability Insurance, and Hawaii Job Corps. Associated with these programs, the following boards are assigned to this department for administrative purposes: Labor and Industrial Relations Appeals Board, Hawaii Employment Relations Board, and Public Employment Relations Board.

To meet these responsibilities, your committee has provided additional staff to assist in the development and current maintenance of procedural and policy guidelines and manuals, public information brochures, and rules and regulations; to assist in developing training aids for clerical and professional staff; evaluating program effectiveness to develop a meaningful statistical program; and to conduct continuous research and study existing law with a view towards seeking legislative improvements. The implementation of PPBS creates a distinct and definite need for continuing program analysis and evaluation.

Act 148 signed into law on June 30, 1969, established the Temporary Disability Insurance program, a wage loss replacement program designed to insure all eligible workers who suffer wage losses resulting from off-the-job sickness or accident with prompt disability benefits provided by their employers.

The Temporary Disability Insurance division's role is to ensure that all subject employers comply with the requirements of the TDI law. The division is authorized to take appropriate legal or administrative action to ensure such compliance.

In assessing the division's experience since the inception of the TDI program 18 months ago, the major problem in achieving their objective is that of inadequate staffing, particularly in the Enforcement and Administrative branches. Sufficient funds have been provided to upgrade this meritorious program, and the four temporary TDI representative positions on the neighbor islands have been converted to permanent positions.

HAWAIIAN HOME LANDS

Your Committee supports the department's plan to expand their programs, which are presently narrow in only providing suita-

ble homesites and homes, to include other social and economic services to enable Hawaiian families to move into the mainstream of society.

To implement innovative programs, \$286,623 has been provided for 12 special funded positions to improve the department's administrative services. Included in the 12 positions is a Social Worker V which as been authorized with the intent of fostering a closer relationship among the Hawaiian families, the Hawaiian Homes Commission and the department of Hawaiian Home Lands.

In regards to the \$416,000 interest subsidy program recommended for implementation in the fiscal biennium 1971-73, your Committee on Conference is concerned that the department of Hawaiian Home Lands has not developed the program proposed sufficiently in order that a Legislative determination can be made as to the future costs of the program in relation to the benefits to be derived.

However, due to the merit of the proposal's objectives, we have concurred to include the appropriation in order that the department can continue its development of the proposal. Before implementation of the program, however, it is the intent of the Committee on Conference that the department and the governor ensure that: (a) the plan is feasible within the fiscal constraints under which the State operates and that long-term commitments are not made which will be beyond the State's capacity, (b) that adequate rules and regulations are developed in accordance with Chapter 91, Hawaii Revised Statutes, and (c) to ensure that the program objectives are met.

Recognizing the importance of education as a fundamental base necessary for the development of each individual to his fullest potential, and as a means by which to breach the bounds of poverty, your Committee has provided the sum of \$250,000 for the biennium to continue and encourage the department of education, university of Hawaii and department of Hawaiian Homes in their efforts to upgrade the educational attainments of Hawaiian children (Act 4).

G. HUMAN RIGHTS AND JUSTICE

The principal objective of this major program area is to protect the individual as a consumer from fraud, deception, and exploi-

tation; to provide administrative redress of the individual's grievances caused by private or public agencies; and to protect the individual from loss or impairment of his rights. Generally, your Committee has appropriated funds for the maintenance of current levels of operation to all expending agencies comprising this program, including the authorization of additional positions to meet increased needs.

COURTS.

For the judicial branch, additional positions and funds have been provided the Traffic Violations Bureau to supplement the present night shift. With marked increases in the volume of traffic citations, there is need for help to process mail, prepare penal summons, maintain records, and prepare cases to court calendars. Your Committee feels that expansion of the night shift will provide for an effective way of coping with workload increases since there are less interruptions from telephone calls and public inquiries.

In addition, conversion of eight positions in the Honolulu district court from temporary to permanent is authorized to provide for additional court sessions at nights and on Saturdays. Funds have been provided for clerical support for the First, Second, and Fifth Circuit Courts to cope with the increased volume of work in arraigning, calendaring, and processing criminal cases. Your Committee understands that there is a lack of courtrooms, and has therefore deleted eight positions, including two Judges, four clerks, and two Bailiffs. Funds to purchase equipment necessary as the District Courts convert to courts of record (effective January 1, 1972) have also been appropriated, as have funds for clerical help in each of the courts of Honolulu, Maui, and Hawaii. Funds for temporary clerical help have also been provided for Kauai. An increase in the appropriations to purchase law books have been provided the Law Library as well.

REGULATORY AGENCIES.

Minor increases, as recommended in the Executive Budget, have been allocated to strengthen the Cable T. V. program, and for support of other current activities.

CRIME PREVENTION AND CONTROL-CORRECTIONS.

Activities involved in the corrections program include those for both juvenile offenders (Hawaii Youth Correctional Facility and Juvenile Parole) and adult offenders (Hawaii State Prison, Kulani Honor Camp, Olinda Honor Camp and Community Centers). These programs provide for care, control, and supervision of wards and prisoners in confinement and for coordinating programs of treatment and training designed to rehabilitate and prepare them for release and successful reintegration to society.

Your Committee is aware of the master correctional plan presently being developed by the State Law Enforcement and Juvenile Delinquency Planning Agency and recommends that the plan be given serious consideration for future planning.

Your Committee is mindful of the need for adequate correctional facilities in the rehabilitation of felons, and has provided \$422,000 in the biennium for the construction of a new Adult Furlough Center to be built next to the Hawaii State Prison. This center will accommodate forty prisoners to facilitate the gradual transition from institutional living to responsible community living. We feel that the activities to be provided at this center will greatly help the offenders to reintegrate and resocialize with their families, to secure gainful employment, and be financially responsible prior to their release on parole, and to expose them to the services and resources of the community during this vital transitional period.

CONSUMER PROTECTION

As recommended in the Governor's Supplementary Request, funds to provide for a clerical position, and for five student helpers have been appropriated to the Office of Consumer Protection.

DISASTER PREVENTION AND AMELIORATION

Your Committee on Conference has made appropriations to provide for maintaining the current level of programs. In addition your Committee has made specific appropriations for the Annual Conference of the National Guard Association to be held in Honolulu in September, 1971 and to continue the Tsunami and Seismic damage prediction project.

H. PUBLIC EMPLOYMENT

PERSONNEL SERVICES.

The primary objectives of the Department of Personnel Services are, according to the statement included in the **Program Report on the Implementation of Act 185**, to "contribute to the attainment of program objectives by recruiting, examining and training personnel, establishing the pay and classification of positions, providing a work environment conducive to high levels of production and encouraging effective employer-employee relationships."

Sufficient appropriations have been provided to the department, as recommended in the Executive Budget, to start to effectively provide those services the department is responsible for. Included in the appropriations is an additional sum of \$3,000 for travel.

ACT 171.

Your Committee has provided sufficient funds as recommended in the Executive Budget to fully implement the intent and purposes of Act 171, 1970 and to effectively administer collective bargaining in public employment. The objective of Act 171 is to promote improvement of public employer-employee relations by recognizing the right of public employees to joining organizations of their own choosing and be represented by such organizations in their employment relations with public agencies. Appropriations to carry out the intent and purpose of Act 171 have been made to the Public Employees Relations Board, and the Department of Personnel Services. Included in the appropriations of both agencies are funds to establish research and data collection and analysis capabilities which your committee believes will be of assistance to the State in the future. Such an investment your Committee believes is warranted due to the scope and importance of Act 171.

EMPLOYEE FRINGE BENEFITS.

The objectives of this program are to plan for and administer activities which provide retirement and pension benefits, group health, hospital and dental care and life insurance benefits for state and county employees. Sufficient funds to provide such benefits as mandated by law and to administer the activities are appropriated for the biennium.

Your Committee has noted the declining rate of earnings from the investments of the State's retirement system but recognizes that this condition has affected investments of other systems throughout the nation. Our concern, however, is such that we recommend that further review of the investment practices of the system be made either during the interim or during the next session of the Legislature.

CENTER FOR GOVERNMENTAL DEVELOPMENT.

The Directors of Personnel Services for the State as well as County governments are held responsible for training of public employees within their own jurisdictions. The Center for Governmental Development was created to effectively coordinate and administer an in-service training program for State and County level governmental employees under the direction of the director of personnel services who also serves as the Chairman of the Conference of Personnel Directors with professional assistance from the University of Hawaii.

The legislative intent of placing the Center under the direction of the director of personnel services with the president of the University of Hawaii serving as Co-Chairman was because the director of personnel services would be most knowledgeable in the area of practical requirements while the University of Hawaii would be equipped to provide academic assistance and other related services necessary for the operation of the programs. This is the reason why the Act 190, SLH 1967, provides that the Center for Governmental Development be under the direction of the director of personnel services with the president of the University of Hawaii serving as Co-Chairman.

The creation of the Center for Governmental Development did not transfer the responsibility for training of public employees from the Directors of Personnel Services to the Center but was established to assist the Directors in meeting their training needs. The Center should be a balance between the kind of practical requirements necessary for first rate governmental services and the type of academic training required by the constantly fluctuating needs of the community.

I. TRANSPORTATION

Your Committee has provided the necessary funds to meet the demands for services anticipated during the biennium and for facilities anticipated during the ensuing years.

Your Committee finds that the projected revenues are sufficient to finance the estimated 20% annual growth in air traffic to be utilizing the State airports facilities in the 1971-1973 biennium. The airports program, under an agreement reached between the State and the Commercial air carriers, is fully financed from airport rentals, concession fees, fuel taxes and from landing fees. The major area of concern will continue to be the development of airport facilities necessary to accommodate the annual growth in travelers projected and the need for additional resources to properly maintain the expanded facilities at the Honolulu International Airport.

Your Committee has been guided by the Legislative Auditor's report regarding the highway special fund resources and has provided funds for the implementation of Phases III and IV of the State Highway System. In addition, funds and positions have been provided in the Highway's fiscal office to enable the department to accelerate its efforts in receiving federal reimbursements and in completing the installation of the current-billing-concurrent-audit system.

Your Committee has reviewed the department's proposal to develop a water transportation system between the Honolulu International Airport area and Waikiki. While a water transportation link may decrease vehicular traffic between the airport and Waikiki and may be in the public interest, we do not agree at this time that the Waikiki terminus be located in Ala Wai Boat Harbor.

OTHER CONCERNS

Your Committee has provided, in Part V of the bill, flexibility to the executive agencies in expending the appropriations made by the bill, since this is the first appropriations act to be enacted after the passage of Act 185, SLH 1970. In allowing this flexibility your Committee cautions the executive agencies that full implementation of Act 185 is forthcoming and future budget requests and recommendations should be developed in accordance with the provisions of Act 185, and the timetable for its implementation.

MODIFIED VARIANCE REPORT

The joint interim committee on legislative review and organization has reported that the legislature, in order to perform program review, needs information in 1972 to fill the temporary void of the variance report required by Act 185. Given the current timetable for the implementation of Act 185, a variance report meeting the specifications of the act cannot be expected for all State programs until 1974. Your Committee concurs with the joint interim committee that it is necessary for the legislature to receive from the administration a modified variance report for review in the 1972 legislative session.

The report would be based on the budget categories identified in the appropriations format. It would differ from the Act 185 requirements in that it would not compare planned and actual levels of program effectiveness and program size. The report would cover for each budget category in the appropriations format a comparison between: (1) the amount budgeted for fiscal year 1971-1972 as against the amount actually expended in the first quarter and the estimated expenditures for the remaining three quarters of the fiscal year (the actual and the estimated to be separately identified but with one combined total); and (2) the number of positions budgeted as against the actual number of filled positions in the first quarter and the estimated number of filled positions in the remaining three quarters (with the actual and the estimated to be separately identified).

However, the full requirements of the variance report as specified by Act 185, including variances in program size, program effectiveness, and program expenditures would apply to all programs which have been brought under Act 185 implementation and for which appropriations have been made in the same or similar format. In those cases where the appropriations differ from the amounts represented in the budget and the program and financial plans, the program and financial plans will be reprogrammed accordingly, and, if appropriate, the base for determining variances between planned and estimated expenditures, program size, and program effectiveness shall be adjusted to be consistent with the appropriations.

Your Committee on conference is in accord with the intent and purpose of **S.B. 1, S.D. 2, H.D. 1** as amended and attached in the form hereto as **S.B. 1, S.D. 2, H.D. 1,**

C.D. 1, and recommends its passage on final reading.

Representatives Suwa, Akizaki, Inaba, Kaneshiro, Kishinami, Kondo, Kunimura, Morioka, Wong, Yap, Yim, Ajifu, Chong, Fong, Oda and Poepoe.

Managers on the part of the House.

Senators Yamasaki, Yoshinaga, Altiery, Ching, Hara, Nishimura, Taira, Toyofuku, Anderson, Henderson, Lum and Mirikitani.

Managers on the part of the Senate.

Conf. Com. Rep. 2 on H.B. No. 4

The purposes of this bill are to appropriate funds for the financing of general public improvements for the fiscal biennium 1971-1973, and to authorize the issuance of bonds for capital investment purposes.

Your Committee is convinced that the public improvements appropriated by this bill are essential to the complete and comprehensive implementation of State programs. We recommend the continuance of substantial commitments to projects which contribute to the educational, economic development, health, and transportation goals of the State.

Your Committee on Conference has this year focused on the functional needs of local government. Our concern is evidenced by numerous grants-in-aid appropriations to the counties. We are especially pleased to recommend a program for initiating the planned improvement of Waikiki — an action which would provide the necessary impetus for a sustaining effort to upgrade the area and preserve the magic of Waikiki. We view these improvements as the catalyst needed to insure local residents the full use and enjoyment of this area as well as maintaining the well-being of the State's economy.

Your Committee is in accord with the intent and purpose of **H. B. No. 4, H. D. 2, S. D. 1,** as amended herein, and recommends its passage on final reading in the form attached hereto as **H. B. No. 4, H. D. 2, S. D. 1, C. D. 1.**

Representatives Suwa, Akizaki, Inaba, Kaneshiro, Kishinami, Kondo, Kunimura, Morioka, Wong, Yap, Yim, Ajifu, Chong, Fong, Oda and Poepoe.

Managers on the part of the House.

Senators Yamasaki, Yoshinaga, Altiery, Ching, Hara, Nishimura, Taira, Toyofuku, Anderson, Henderson, Lum and Mirikitani.

Managers on the part of the Senate.

Conf. Com. Rep. 3 on S.C.R. No. 48

The purpose of this concurrent resolution is to request Hawaii's Congressmen to take action which would allow lessees of Hawaiian Home lands to qualify for dwelling construction loans from the Farmers Home Administration, United States Department of Agriculture.

The situation presently is such that although qualified lessees of Hawaiian Home lands can obtain guarantees from the Department of Hawaiian Home Lands for the repayment of such loans, they are prevented from qualifying because the Farmers Home Administration's financial assistance to rural residents program — Title V, Housing Act of 1949 — requires as security a real estate mortgage on fee simple land. The Hawaiian Homes Commission Act, because it prohibits the lessee from mortgaging his interest in his homestead, turns the seeking of construction loans into frustration and disappointments. An investigation into the possibility of changing loan requirements would open avenues to alleviate some of this frustration, as indicated by **Standing Committee Report No. 691**.

Due to a typographical error on **S. C. R. No. 48, S. D. 1, H. D. 1**, line 12 of **S. C. R. No. 48, S. D. 1**, was inadvertently omitted and we recommend that this line be inserted.

Your Committee on Conference is in accord with the intent and purpose of **S. C. R. No. 48, S. D. 1, H. D. 1**, as amended and attached in the form hereto as **S. C. R. No. 48, S. D. 1, H. D. 1, C. D. 1**, and recommends its adoption.

Representatives Kuroda, Morioka and Aki.

Managers on the part of the House.

Senators Toyofuku, Nishimura, and Henderson.

Managers on the part of the Senate.

Conf. Com. Rep. 4 on S.B. No. 8

The purpose of this bill is to appropriate funds out of the general revenues of the State for the continuation of the Hawaii Planned Parenthood program for the fiscal biennium 1971-1973.

The subject of population stabilization and control has been exhaustively discussed elsewhere; hence, your Committee will not herein undertake its consideration. It is sufficient to say that since its inception in 1969, the family planning services of Hawaii Planned Parenthood, Inc. have proved to be most beneficial to the people in the community, particularly those persons of low income who cannot afford private counseling.

Your Committee on Conference has agreed to recommend an appropriation of \$123,560, or so much thereof as may be necessary, for continuation of the program during the biennium. This amount is to be used for matching purposes only to enable the program to receive a federal grant of approximately \$370,680 for the biennium from the National Center for Family Planning.

Your Committee is in accord with the intent and purpose of **S.B. No. 8, S.D. 2, H.D. 1**, as amended in the form attached hereto as **S.B. No. 8, S.D. 2, H.D. 1, C.D. 1**, and recommends its passage on final reading.

Representatives Morioka, Kishinami and Ajifu.

Managers on the part of the House.

Senators Yamasaki, Altiery and Mirikitani.

Managers on the part of the Senate.

Conf. Com. Rep. 5 on S.B. No. 892

The purpose of this bill is to appropriate the sum of \$60,000 to the Department of Labor and Industrial Relations to conduct manpower area skill surveys for each of the islands on a sustained basis.

Your Committees on Conference have agreed to delete the State Commission on Manpower and Full Employment as one of the two expending agencies as provided for in **S. B. No. 892, S. D. 1, H. D. 1**. However, since the views of the State Commission on Manpower and Full Employment are major

considerations in any analysis and interpretation of the State's future manpower requirements, the bill has been amended to mandate consultation between the Department of Labor and Industrial Relations and the Commission on Manpower and Full Employment.

Your Committee on Conference is in accord with the intent and purpose of **S. B. No. 892, S. D. 1, H. D. 1** as amended in the form attached hereto as **S. B. No. 892, S. D. 1, H. D. 1, C. D. 1**, and recommends its passage on final reading.

Representatives Suwa, Kunimura and Chong.

Managers on the part of the House.

Senators Yamasaki, Toyofuku and Henderson.

Managers on the part of the Senate.

Conf. Com. Rep. 6 on H.B. No. 491

The purpose of this bill is to appropriate \$35,923.62 out of the general revenues of the State of Hawaii to reimburse various persons, firms and corporations and to make other awards as called for under Section 37-76, Hawaii Revised Statutes.

Your Committee on Conference has amended Section 1 of **H.B. 491, H.D. 1, S.D. 1** by appropriating funds for an additional claimant submitted for our consideration. Several claims for which supporting data was insufficient have been deleted. The awards made by the Criminal Injuries Compensation Commission have also been deleted as the required appropriations are made in **H.B. 492, H.D. 1**.

Your Committee on Conference is in accord with the intent and purpose of **H.B. 491, H.D. 1, S.D. 1** in the form attached hereto as **H.B. 491, H.D. 1, S.D. 1, C.D. 1** and recommends its passage on final reading.

Representatives Akizaki, Yim and Oda.

Managers on the part of the House.

Senators Ching, Taira and Henderson.

Managers on the part of the Senate.

Conf. Com. Rep. 7 on H.B. No. 389

The purpose of this bill is to allow the lease of public lands for charitable, religious, educational or scientific uses to an eleemosynary organization by direct negotiation. The present language of the law restricts such leases to charitable use.

Your Committee proposes the bill be amended by deleting the word "scientific" from line 5.

Your Committee on Conference is in accord with the intent and purpose of **H. B. No. 389, H. D. 1, S. D. 1**, as amended herein, and recommends its passage on final reading in the form attached hereto as **H. B. No. 389, H. D. 1, S. D. 1, C. D. 1**.

Representatives Kawakami, Kaneshiro and Ajifu.

Managers on the part of the House.

Senators Nishimura, Hara and Henderson.

Managers on the part of the Senate.

Conf. Com. Rep. 8 on S.B. No. 20

The purpose of the bill is to provide an appropriation for the planning and construction of a stadium in the City and County of Honolulu.

S.B. No. 20, S.D. 2 recommended the additional sum of \$13,600,000 for the planning and construction of the stadium. Such an appropriation added to the \$10,400,000 appropriated in Act 172, Session Laws of Hawaii 1970, and \$1,000,000 appropriated in Act 155, Session Laws of Hawaii 1969, would have provided for a stadium costing \$25 million.

S.B. No. 20, S.D. 2, H.D. 1 provided for an appropriation of \$15,300,000. Said appropriation, added to the sum appropriated in Act 172, and Act 155 would have provided \$26,700,000 for the planning and construction of the stadium.

Your Committee on Conference, after review of the suggested additional appropriations made by the Senate and House respectively and upon further consideration of the estimated additional costs of the stadium, has agreed to recommend an appropriation of \$15,600,000 to be made in this

bill. This appropriation, added to the total of \$11.4 million appropriated in Act 172 and Act 155, will provide a total appropriation of \$27 million for the planning and construction of the stadium.

In recommending the appropriation of \$27 million, the conference committees have discussed thoroughly and have agreed that the following specifications and guidelines are to be followed:

(a) that the stadium should provide for a seating capacity of 50,000 spectators;

(b) that the planning and construction should include those items deemed essential for the use and operation of the stadium;

(c) that the \$27 million appropriated should provide for all essentials, and that further appropriations should not be necessary to complete the project;

(d) that while the "Luckman plan" is the primary proposal under consideration, the Governor and the Stadium Authority should have the option to seek other proposals if it is not feasible to plan and construct a 50,000 seat stadium within the appropriation made in Act 172 and Act 155, and this bill;

(e) that should the "Luckman plan" be followed, there be a warranty or guarantee of serviceability of the moveable sections, if any, of three to five years. There should be an agreement of such a warranty or guarantee before any further negotiations are conducted concerning the use of the "Luckman Plan";

(f) that while deletions as enumerated in the following paragraphs have been made to the plan submitted by the Comptroller, approximately \$2,732,000 is available from the appropriations made by this bill for the reinstatement of selected items which were deleted. In the selection of those items to be reinstated, priority is to be given to the inclusion of artificial turf;

(g) that the selection of the other items to be reinstated is to be left to the Governor and the Stadium Authority for decision.

In arriving at the appropriation of \$27 million, the following estimated costs have been used for guidance.

(a) off-site improvements - \$4,193,000

(b) on-site improvements - \$17,794,000

(c) miscellaneous items including contingencies, administrative, inspection and additional fees - \$2,281,000.

Accordingly, the appropriation of \$27 million will leave \$2,732,000 available for any of the following items for which the estimated planning and construction costs have not been specifically provided:

Game Sound System	\$ 100,000
Box Seats	358,000
Artificial Turf	600,000
Additional Support Facilities	1,047,000
Elevator	40,000
Additional Facilities	4,198,000
Parking Structure, 3000 cars	3,987,000
Total	\$10,330,000

We have also agreed to recommend that the amendment to Section 109-3, Hawaii Revised Statutes, adding the following:

" . . . provided that all services required for operation and maintenance of the stadium and related facilities shall be performed by persons hired on contract or otherwise, without regard for chapters 76 or 77."

be included in the bill.

A new section 6 has also been added to insure that should any Acts relating to the same sections of the Hawaii Revised Statutes as those being amended by this Act are passed by this Legislature, such Acts shall be amended to conform to the provisions of this bill.

Your Committee on Conference is in accord with the intent and purpose of S.B. No. 20, S.D. 2, H.D. 1, as amended in the form attached hereto as S.B. No. 20, S.D. 2, H.D. 1, C.D. 1, and recommends its passage on final reading.

Representatives Kihano, Kondo and Poepoe.

Managers on the part of the House.

Senators Yamasaki, Brown and Anderson.

Managers on the part of the Senate.

Conf. Com. Rep. 9 or S.B. No. 134

The purpose of this bill is to amend the unemployment compensation law to clarify the authority of appeals referees in reopened unemployment appeal cases.

This bill proposes to clarify the language of said section by specifically including the terms "reverse" and "reversing" in the actions the referee may take on reopening a case. This amendment is desirable since the practice of the referees in "reversing" reopened cases may be subject to challenge on technical grounds. The bill further proposes to clarify language by substituting the phrase "the decision" for "his decision" as used in the section. This amendment would clarify the law to unquestionably permit a referee other than the original referee who heard the case to hear a reopened case. It would also provide a desired clarity in the law.

Your Committee has amended the bill to provide that a referee who heard the original appeal shall reconsider the matter, except where he is no longer employed, or he disqualifies himself from reconsidering his decision.

Your Committee on Conference is in accord with the intent and purpose of **S. B. No. 134, S. D. 3, H. D. 1**, as amended herein and attached in the form hereto as **S. B. No. 134, S. D. 3, H. D. 1, C. D. 1**, and recommends its passage on final reading.

Representatives Wong, Kuroda and Medeiros.

Managers on the part of the House.

Senators Toyofuku, Nishimura and Henderson.

Managers on the part of the Senate.

Conf. Com. Rep. 10 on S.B. No. 627

The purpose of this bill is to allow the head of the fire department, with the approval of

the Mayor, to reduce the maximum number of hours of work for fire-fighting members of the fire department who are required to work under unique situations in a county with a population of 100,000, or less.

As stated in **Standing Committee Report No. 471** of the Senate, there exist unique and special situations on the island of Hawaii where firemen's work weeks are regularly scheduled at approximately forty hours per week.

Your Committee concurs that the proviso be amended to read as follows:

"provided, that for fire-fighting members of the fire department who are required to work under unique and unusual situations, in a county with a population of 100,000 or less, the maximum number of hours may be reduced by the fire chief with the approval of the mayor;"

This applies to firemen employed in unique and unusual situations along with those who are required to work on a schedule similar to that of a normal county employee.

Your Committee finds that if a holiday falls when they are not on duty, firemen do not enjoy benefits comparable to other public employees who are allowed an additional day off whenever a state holiday falls on a Sunday or whenever such holiday falls on a Saturday and is also observed as a national holiday.

Your Committee concurs that amendments be made to Section 80-4 (d) (3) so as to place the firemen in parity with other public employees relating to holidays.

Your Committee on Conference is in accord with the intent and purpose of **S. B. No. 627, S. D. 1, H. D. 1** as amended and attached in the form hereto as **S. B. No. 627, S. D. 1, H. D. 1, C. D. 1**, and recommends its passage on final reading.

Representatives Kunimura, Wedemeyer and Aduja.

Managers on the part of the House.

Senators Takitani, Toyofuku and Mirikitani.

Managers on the part of the Senate.

Conf. Com. Rep. 11 on S.B. No. 862

The purpose of this bill is to appropriate funds for a feasibility study of a major systems recycling program for the State's natural resources and solid wastes.

The major objective of the study is to determine the method to best maximize the use of the State's natural resources through the methods of recycling while causing the least environmental harm or deterioration. Inclusions to be made in the study are outlined in detail in this bill.

Your Committee on Conference has appropriated \$100,000 to the State Office of Environmental Quality Control to carry out the purpose as specified in this bill.

Your Committee on Conference is in accord with the intent and purpose of **S.B. No. 862, S.D. 1, H.D. 1** as amended in the form attached hereto as **S.B. No. 862, S.D. 1, H.D. 1, C.D. 1** and recommends its passage on final reading.

Representatives Suwa, Akizaki and Popenoe.

Managers on the part of the House.

Senators Yamasaki, Brown and Mirikitani.

Managers on the part of the Senate.

Conf. Com. Rep. 12 on S.B. No. 904

The purpose of this bill is to amend Act 103, Session Laws of Hawaii, 1967, and Act 238, Session Laws of Hawaii, 1965, to permit the Department of Hawaiian Home Lands greater flexibility in making loans.

Acts 103 and 238 presently provide that the department may make loans to lessees for farming and ranching purposes only. **S. B. No. 904** would now authorize the department to make loans to lessees and other persons for commercial and mercantile purposes.

Your Committee is cognizant of the need to expand the purposes for which loans can be made. Expansion to include commercial loans is a realistic response to the need of the lessees to engage in non-agrarian activities.

Our society is no longer purely agrarian and as such the law must be changed to reflect this fact.

Your Committee, upon consideration of the bill recommends that **S. B. No. 904, H. D. 1**, be amended to afford all persons, whether lessee or otherwise who would qualify under the Act, the opportunity provided for by the bill. Your Committee has further amended the bill to simplify, for the purpose of clarification, the language of the bill.

Your Committee on Conference is in accord with the intent and purpose of **S. B. No. 904, H. D. 1**, as amended herein, and recommends its passage on final reading in the form attached hereto as **S. B. No. 904, H. D. 1, C. D. 1**.

Representatives Lee, Wong and Chong.

Managers on the part of the House.

Senators Toyofuku, Yamasaki and Henderson.

Managers on the part of the Senate.

Conf. Com. Rep. 13 on S.B. No. 1099

The purpose of this bill is to appropriate funds for expanded and new programs deemed essential for the health, welfare and economy of the citizens of the State.

After review and discussion of the appropriations made in **S.B. No. 1099, S.D. 1**, and those made in **S.B. No. 1099, S.D. 1, H.D. 1**, we have concurred to recommend that the following appropriations be made in this bill.

(1) **Surf Parameters** - The Fifth State Legislature in 1970, appropriated \$50,000 to the University of Hawaii to begin a three year study on surf parameters in an effort to provide improved protection and stability to Hawaiian beaches and the preservation and enhancement of surfing areas. This bill appropriates \$40,000 to the University in each fiscal year of the biennium to provide for the second and third years of the study.

(2) **Shark Control** - There is established in this bill a shark control revolving fund to be administered by the Department of Land and Natural Resources with an appropriation of \$50,000. Establishment of this fund will provide for the department to dispose of the sharks which are caught (or parts thereof) by

entering into agreement to sell or contract to sell, without public bid or auction, to any person on a continuing basis not to exceed one year. This bill stipulates that all moneys received from the sale of sharks shall be deposited into the shark control revolving fund.

(3) **Aerial Spotting of Skipjack Tuna** - This study is intended to assess the number, size, distribution, and behavioral characteristics of aku schools to determine if aku are available in sufficient concentrations that would justify the establishment of a purse seine fishery in the islands. The Department of Land and Natural Resources is appropriated the sum of \$13,250 in each fiscal year to conduct the study.

(4) **Purchase of Mental Health Services** - \$100,000 is appropriated to the Department of Health in each fiscal year for the purchase of mental health services from private agencies to provide for the identification and treatment of pre-school and young school age emotionally disturbed children. The provision of such preventive, corrective, and therapeutic treatment would prepare these children to adequately function in either a special or regular classroom setting. Private agencies to be contracted include the Child Development Center, Salvation Army Kaimuki Children's Psychiatric Unit, Adolescent Halfway Houses on neighbor islands, and the Kauikeolani Children's Hospital.

(5) **Waipahu Mental Health Clinic** - The population growth in the Leeward area of Oahu has effected an increase in the number of children attending schools in the area and a corresponding need for expanded consultative services to the schools. This bill would appropriate \$34,799 in fiscal year 1971 - 1972 and \$34,799 in fiscal year 1972 - 1973, to be expended by the Department of Health, to provide for a staff for the clinic.

(6) **Pre-Employment Preparation of AFDC Mothers** - The objective of this project is to demonstrate that pre-employment preparation efforts will enable AFDC (Aid to Families with Dependent Children) mothers to become employed and then be less dependent on public assistance. The 1970 appropriation provided sufficient funds to conduct the project in urban Honolulu. The \$34,425 appropriated for fiscal year 1971 -

1972 is to enable the Department of Social Services and Housing to extend the demonstration to rural Oahu.

(7) **Quality of Coastal Waters** - This study as suggested in "Quality of Coastal Waters - A Proposed Project" is intended to identify, and evaluate the critical physical, biological and rational parameters required to formulate effective policies, institutions and systems, for protecting the quality of the coastal waters in Hawaii. The appropriation of \$187,945 for the biennium will supplement, as cost sharing, the request made to the National Oceanography and Atmospheric Agency as part of the Sea Grant application of the University of Hawaii.

(8) **Hawaii State Senior Center** - The objective of this program is to assist the elderly in having a more meaningful life through cultural and educational experiences. The appropriation of \$78,166 for the biennium is to match the federal Older Americans Act contribution for the operation of the center.

(9) **Services for the Elderly - Hawaii, Maui, and Kauai** - A total of \$75,000 (\$25,000 for each island) is appropriated to the Department of Social Services and Housing in fiscal year 1971-1972 to provide a variety of services to the elderly on each of the three islands. Services to be provided include the following:

A. Services to the homes of disabled, isolated, lonely elderly, to include simple house cleaning, cooking, and encouragement in getting up and moving around.

B. Assistance in communications with DSSH, such as filling out forms.

C. Transportation to clinics and physicians.

D. Out-reach supportive services to elderly persons receiving welfare benefits.

There is an increasing number of elderly persons in the State, approximately one-fourth of whom are receiving some type of DSSH assistance. The appropriation made herein will provide services essential to the promotion of the well-being of elderly persons in the State.

(10) **Waimanalo Comprehensive Neighborhood Health Services** - The Waimanalo area has, at present, limited or non-existent

resident medical and dental services. There are no full-time physicians practicing in the area; the closest physicians are located in Kailua, Kaneohe, and Honolulu. The Castle Memorial Hospital, located three miles away, has no interns and no out-patient clinic. Pharmacy services are unavailable in Waimanalo; the nearest pharmacy is six miles away in Kailua. There is a City and County ambulance based near the beach lots area, although no physician or para-medical assistant is provided.

The appropriation of \$34,000 in fiscal year 1971-1972 will be used to hire a technical staff including a public health planner, a secretary, community associate, and medical and dental specialists. During the 12-month period, the staff will work with residents and other health-related agencies in the planning of a comprehensive health services program reflecting the needs and requests of the residents.

(11) **Center for the Cross-Cultural Training and Research** - Your Committee, having been informed that the federal funds currently received by the University for the operation of a portion of the Center for cross-cultural training and research will be terminated as of September, 1971, has appropriated the sum of \$246,213 which is necessary for the operation until June 30, 1972. Recognizing that there are employees currently being paid from the receipt of the federal funds, the following paragraph is hereby incorporated to provide for the eventual placement of those employees who may be affected by the cut-back of federal funds.

Under the provision of Section 76-23, Hawaii Revised Statutes, the employees of the Center for Cross-Cultural Training and Research who have at least three years of service with the Center or the University Peace Corps shall be placed on the civil service re-employment list upon the request of the employee and certification of the State Director of Personnel that the employee meets the minimum qualification for the position.

The sum appropriated shall be used only for staff necessary to generate additional contracts, and shall be limited to salaries for those presently employed and for operating expenses of the Center (\$16,020).

(12) **Highways Operations and Maintenance** - \$640,884 in fiscal year 1971-1972 and \$640,885 in fiscal year 1972-1973 are author-

ized from the Highway Special Fund to supplement authorizations made in **S.B. No. 1, S.D. 2, H.D. 1, C.D. 1**. These amounts are allocated in the following manner:

	1971-1972	1972-1973
Oahu	\$ 170,540	\$ 428,090
Hawaii	213,021	65,675
Maui	149,437	77,060
Kauai	107,886	70,060
	\$ 640,884	\$ 640,885

Your Committee on Conference is in accord with the intent and purpose of **S.B. No. 1099, S.D. 1, H.D. 1**, in the form attached hereto as **S.B. No. 1099, S.D. 1, H.D. 1, C.D. 1** and recommends its passage on final reading.

Representatives Suwa, Akizaki and Popenoe.

Managers on the part of the House.

Senators Yamasaki, Taira, and Henderson.

Managers on the part of the Senate.

Conf. Com. Rep. 14 on S.B. No. 599

The purpose of this bill is to make it unlawful for a minor to possess liquor in a public place, subject to certain exceptions, and to make it unlawful for a minor to use false identification to buy liquor or to obtain employment to sell or serve liquor on licensed premises.

Your Committee on Conference has agreed to delete lines 5 and 6 on page 1 of **S.B. No. 599, H.D. 1** because of its ambiguity.

Your Committee on Conference is in accord with the intent and purpose of the bill as amended in the form attached hereto as **S.B. No. 599, H.D. 1, C.D. 1**, and recommends its passage on final reading.

Representatives Kunimura, Aduja and Duponte.

Managers on the part of the House.

Senators Ushijima, Kawasaki and Lum.

Managers on the part of the Senate.

Conf. Com. Rep. 15 on S.B. No. 1040

The purposes of this bill are:

(1) To exempt from general excise taxation the gross proceeds from shipbuilding and ship repairs rendered to surface vessels which are federally owned or engaged in interstate or international trade.

(2) To add a new definition establishing those sales which are sales at wholesale. The new definition will include as a wholesale sale one in which there is a sale to a licensed leasing company which leases capital goods as a service to others.

(3) To amend the present excise tax law as it pertains to a person who engages in the practice of engineering or architecture as a federal cost-plus contractor. The amendment includes land surveyors and landscape architects, exempting them from the 4 per cent general excise tax on their fees.

Your Committee has amended this bill by adding section 4 which relates to producers of motion pictures or television films.

The inclusion of this section would exempt the producers of motion pictures or television films from the excise tax for a period of five years starting July 1, 1971.

Your Committee has further amended the bill in Section 5 by adding a new paragraph to section 237-13, Hawaii Revised Statutes, relating to taxation of benefit payments received under the Sugar Act of 1948, as amended. The paragraph provides for a reduction on the general excise tax upon receipts by producers of sugar of so called "compliance payments" from four percent to one-half of one percent provided such payments are disbursed by one producer to another, taxing the person to whom it was actually disbursed. The new paragraph was designated as paragraph (9) and the existing paragraph (9) was renumbered as paragraph (10).

Section 7 of the bill relates to section 237-24, Hawaii Revised Statutes, which was amended by repealing paragraph (15) and the successive paragraphs were renumbered to maintain a consecutive order.

For the sake of consistency, Sections 4, 5, and 6 in S.D. 1, H.D. 1, were renumbered as Sections 8, 9, 10, relating to recital of Ram-

seyer method, severability provision, and effective date, respectively.

Your Committee on Conference is in accord with the intent and purpose of S.B. 1040, S.D. 1, H.D. 1, as amended and attached in the form hereto as S.B. 1040, S.D. 1, H.D. 1, C.D. 1 and recommends its passage on final reading.

Representatives Suwa, Akizaki and Popoe.

Managers on the part of the House.

Senators Yamasaki, Toyofuku and Mirikitani.

Managers on the part of the Senate.

Conf. Com. Rep. 16 on S.B. No. 372

The purpose of this bill is to permit the owner of any parcel of land not more than 10,000 square feet in area within an urban district to dedicate the land on which he resides in order to enjoy the classification of residential use for property tax purposes. The effect of this bill is to cause such property to be placed in a land reserve and taxed as single residential use; provided that the owner uses it as his home. Under this bill, an owner includes a lessee whose lease term extends at least ten years from the date of the petition for dedication.

Under this bill, tax relief will be given to certain property owners, particularly elderly retirees with limited income, who continue to reside in homes located in areas where the land use character has changed to a higher use. These citizens cannot afford the financial burden imposed by a tax system oriented to a highest and best use concept. Yet the Committee feels that they should be allowed to maintain the residential character and use of their land without the burden of higher property taxes, particularly when in most instances these older people do not intend to develop their property to the most intensive use.

Your Committee upon further consideration has made the following amendments to S.B. 372, S.D. 1, H.D. 1:

(1) The definition of owner is being limited to persons sixty years of age or older.

(2) To discourage land speculation, a new section has been added to provide for payment to the State of fifty per cent of the gain on the sale of the dedicated land if such sale takes place within five years after the occurrence of any of the following events:

1. Violation of the restrictions of use of the dedicated land;
2. Termination of any ten-year dedication period; or
3. Death of the owner who has dedicated the land.

The amount due to the State will be based on the difference between the selling price and the higher of either the basis of the land for determining gain or loss for tax purposes or the real property tax assessed value as of the date of the occurrence of the above-described events.

(3) A second new section has been added to provide for the payment of the amount due to the State.

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

Representatives Yap, Morioka and Oda.

Managers on the part of the House.

Representative Oda was excused.

Senators Kawasaki, Taira and Forbes.

Managers on the part of the Senate.

Conf. Com. Rep. 17 on S.B. No. 1160

The purpose of this bill is to provide legal services for indigents.

Your Committee on conference after discussion of the bill has agreed that legal services for indigent defendants should have the guidance that a defender council can provide. Accordingly, the bill has been amended to provide for such a council.

In addition, the council, and the office of

the defender has been placed in the Office of the Governor for administrative purposes.

Your Committee on Conference is in accord with the intent and purpose of **Senate Bill No. 1160, S. D. 1, H. D. 1**, as amended herein, and recommends its passage on final reading in the form attached hereto as **Senate Bill No. 1160, S. D. 1, H. D. 1, C. D. 1**.

Representatives Suwa, Akizaki and Poepoe.

Managers on the part of the House.

Senators Yamasaki, Taira and Anderson.

Managers on the part of the Senate.

Conf. Com. Rep. 18 on S.B. No. 910

The purpose of this bill is to eliminate food service as a requirement under a cabaret license and to change the closing hours of cabarets from 4 a.m. to 3 a.m.

Under existing law a cabaret licensee is required to provide food service during cabaret hours and to close at 4 a.m.

Your Committee finds from the testimonies presented that there is no justification for requiring cabaret licensees to provide food service when there is little or no demand for food during the early morning hours. Further, the service of food should be at the discretion of the licensee rather than a mandate by law. Finally, the closing hours of cabarets should be changed from 4 a.m. to 3 a.m. in order to reduce the myriad law enforcement problems during that time of the morning.

Your Committee on Conference is in accord with the intent and purpose of **S. B. No. 910, S. D. 1, H. D. 1**, as amended herein, and recommends its passage on final reading in the form attached hereto as **S. B. No. 910, S. D. 1, H. D. 1, C. D. 1**.

Representatives O'Connor, Kunimura and Aduja.

Managers on the part of the house.

Senators Kawasaki, Anderson and Toyofuku.

Managers on the part of the Senate.

SPECIAL COMMITTEE REPORTS

Spec. 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 Sixth Legislature of the State of Hawaii, Regular Session of 1971, 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:

Minoru Inaba

Sixth District:

Pedro de la Cruz
Ronald Y. Kondo

Seventh District:

Harold L. Duponte
Motohisa Unemori

Eighth District:

Dennis O'Connor
W. Buddy Soares

Ninth District:

Frank C. Judd
Patricia Saiki

Tenth District:

Tadao Beppu
Ted T. Morioka

Eleventh District:

Hiroshi Kato
Keo Nakama

Twelfth District:

John S. Carroll

John Leopold
Herman Wedemeyer

Thirteenth District:

Dorothy L. Devereux
Hiram L. Fong, Jr.
Charles T. Ushijima

Fourteenth District:

Clarence Y. Akizaki
Charles Y. Kaneshiro

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 J. Kihano
Tats Kishinami
Joseph T. Kuroda

Twenty-First District:

James Aki

Twenty-Second District:

Oliver Lunasco
Howard K. Oda

Twenty-Third District:

Peter A. Aduja
Ralph K. Ajifu
Richard H. Wasai

Twenty-Fourth District:

Diana Hansen
John J. Medeiros
Andrew K. Poepoe

Twenty-Fifth District:

Richard A. Kawakami
 Tony T. Kunimura
 Dennis Yamada

Signed by Representatives Morioka, Kunimura, Kishinami, Kondo, Nakama, Wedemeyer, Ajifu, J. Garcia and Soares.

Spec. Com. Rep. 2

Your joint Senate-House interim committee on legislative review and organization, appointed to review the implementation of Act 185, S.L.H. 1970, The Executive Budget Act, and to determine an effective legislative process and organization for program and budget review, begs leave to report as follows:

BACKGROUND

Act 185 sets forth the kinds of information the Governor is to submit to the legislature in connection with the budget, program and financial plans, and reports of program performance. The act incorporates the approach known as Planning-Programming-Budgeting (PPB) and focuses upon programs rather than organizations and functions, multi-year (six-year) programming rather than programming only for the immediate fiscal period, the full system costs of programs rather than the traditional separation of operating and capital costs, the establishment of objectives for programs rather than the description of functions, the establishment of criteria to measure accomplishment of objectives rather than indices to measure workload, and the analysis of alternative ways to accomplish objectives rather than the presentation of "justifications."

Under Act 185, the Governor is required to present for the 1971-73 biennium two budgets, one following the specifications of Act 185 and the other following the traditional format. However, the committee report guidelines for the act state that if it is not possible to bring all State programs under the new format for the first biennium, minimum implementation shall include the programs of public welfare, agriculture, environmental quality control, State information services, and education. In addition, the committee reports require that the State Program Structure be revised.

In reviewing the implementation of Act 185, your committee has coordinated its task with that of the joint Senate-House interim

committee on education, which was assigned the responsibility of reviewing the efforts and accomplishments of the department of education in implementing Act 185. This report of your committee, together with the report of the joint interim committee on education, comprise the total assessment of Act 185 implementation in State government up to this time.

ACCOMPLISHMENTS IN ACT 185 IMPLEMENTATION

The department of budget and finance, the central staff agency charged with the responsibility for implementing Act 185, has submitted to the 1970 legislature *A Progress Report on Implementing Act 185, S.L.H. 1970*. The report contains the following:

1. The program and financial plans and the budget for public welfare presented in a format which follows the specifications established by Act 185.
2. The program and financial plans and the budget for environmental quality control in a format which follows the specifications established by Act 185, four issue papers on pollution problems, and a partial analysis of Kaneohe Bay pollution.
3. A revised State Program Structure, which includes objectives and effectiveness measures for programs at each level of the structure.
4. A flow chart of the proposed processes for formulating the program and financial plans, the budget, and variance reports.

EXPLANATIONS FOR SHORTCOMINGS IN ACT 185 IMPLEMENTATION

The submission of the administration did not include the budget and program and financial plans for State information services and agriculture as required by the 1970 session of the legislature. In his report, the director of finance has stated that the overall reason for the administration's submission falling short of legislative requirements is that additional major demands in quantity of work and level of sophistication have been imposed on the available staff.

With respect to State information services, the director of finance has explained that the principal reason for delaying the inclusion of

the program in Act 185 implementation is that “accumulated schedule slippages and program deficiencies were seen to have reached the point where an intense, critical and comprehensive program audit was required.” With respect to agriculture, the director of finance has explained that the program could not at this time be included in Act 185 implementation because of its complexity and size.

COMMITMENT OF ADMINISTRATION

In his report, the director of finance has expressed the commitment of the administration to the implementation of Act 185 and that specifically comprehensive instructions will be issued to all departments early in 1971 for the preparation of the six-year program and financial plans and the budget for submission to the 1973 session of the legislature.

EVALUATION AND FINDINGS

General. While your committee would have wanted to see additional programs brought under Act 185 implementation, including all of the programs specified by the 1970 session of the legislature, it is encouraged by the administration’s submission. The format of the program and financial plans and the executive budget submitted to the legislature is in general conformance with the format requirements set forth in Act 185 and indicate that the Act 185 specifications can be implemented. Those in the administration who were involved in developing the submission to the legislature are to be commended for the many hours which they devoted to the task. Your committee appreciates the monumental task involved with the complete application of Act 185 to all State programs, but it is additionally encouraged that the administration has expressed its firm commitment to total implementation of Act 185 in time for submission of the budget and the program and financial plans to the 1973 session of the legislature.

The Submissions for Public Welfare and Environmental Quality Control. The casting of the public welfare and environmental quality control programs into the Act 185 format for the budget and the program and financial plans has been successfully executed. The format for these two programs presents information not previously presented under traditional budget presentations, such as: program

objectives, program size indicators and planned program size, effectiveness criteria and planned program effectiveness, the full cost of programs, discussion of program issues, and multi-year programming.

The program plan details are especially well-written. They are concise, discuss meaningful program issues, and present the kinds of information required by Act 185. The basis of cost projections could be improved by including information concerning the types and numbers of personnel positions required for the program. Your committee requests such inclusion. An omission which your committee observed was the non-use of the cost categories of “research and development” and “non-capital investment” in the various financial displays. The department of budget and finance has acknowledged that the program plan details do suggest the presence of such costs in certain programs.

The State Program Structure. Your committee finds that the revised State Program Structure is an improvement over the previous structure but that there is a need to refine the lower levels of the structure. The director of finance has indicated that the program structure will be improved upon and that a major effort has been planned to refine the present structure, statements of objectives, and measures of effectiveness in cooperation with the affected operating departments. In connection with this refinement, your committee has noted that yet to be accomplished is the identification of agencies involved with each program, a task which the administration acknowledges, and the development of program size indicators for programs at the lowest level of structure as required by Act 185.

Through its meetings with the department of budget and finance your committee has offered guidelines and recommendations with respect to the program structure, including the following:

1. The program structure could be “tightened up” by eliminating or redoing certain levels. The committee report guidelines to Act 185 called for the development of a four-level program structure to avoid excessive summaries. The administration should continue to strive for a four-level structure. An additional level should be developed only in those instances where all efforts for refinement of the upper levels have been exhausted and where the additional level is absolutely

necessary to illuminate meaningful program choices. In this connection, certain programs have been shredded too finely such as those under the major program of leisure time, which includes such activities as hiking, camping, boating, flying, etc. An effort should be made to package these activities into programs which will facilitate the making of legislative budgetary decisions.

2. Certain program objectives are input-oriented and others are stated vaguely. Objectives should focus upon end results and be stated in specific, measurable terms. In particular, the objectives for almost all of the higher education programs are ambiguous and do not lend themselves to measurement. There is also the tendency to state the same or similar objectives for different programs in higher education.

Your committee believes that the deficiencies in the structure can be corrected, and it appreciates that the administration will be making a major effort towards refinement.

The Roles of the Department of Budget and Finance and the Department of Planning and Economic Development in the Processes for Program and Financial Plans, Budget and Variance Reporting. The flow chart submitted by the department of budget and finance shows separate roles for B & F (for the "operating budget") and DPED (for the "CIP budget") throughout the process, from the issuance of separate instructions for budget and program plans formulation to budget implementation. This situation poses the serious question as to whether a unified approach to program planning, budget preparation and budget execution can be achieved. The roles assigned to the two agencies are no different than the roles assumed today by the agencies. The present dichotomy between planning, programming, budgeting and implementation of capital improvements and operating programs is the very condition which Act 185 intended to correct through the assignment of central agency responsibility to only one agency—B & F. In its detailed examination of this problem, your committee finds that prompt resolution of the matter, in accordance with Act 185, is necessary for the successful implementation of the act itself.

Resource Allocation Ceilings. Your committee has noted that the process for program plans and budget formulation does not include provisions for informing the agencies of the dollar limitations under which programs

should be planned, programmed and budgeted. As was reported by the joint interim committee on education, the absence of a financial ceiling led to unrealistic planning, programming and budgeting in the actual case of the department of education. Your committee finds that tentative dollar allocations to agencies or to major programs within agencies is a prerequisite for the realistic planning, programming and budgeting of programs.

CLARIFICATIONS AND RESOLUTIONS

During the course of meetings and exchanges of communications with the department of budget and finance, certain clarifications and resolutions were made by your committee. These include:

1. *The Program Structure of the Department of Education.* The program structure developed by the department of education and agreed upon by the joint interim committee on education differs from the program structure submitted by the department of budget and finance. The department of budget and finance has informed your committee that it accepts the structure developed by the department of education and agreed to by the joint interim committee on education.

2. *Act 185 Cost Categories.* The department of budget and finance sought clarification on the utilization of the cost categories required by Act 185, and your committee has offered the following guidelines to the department.

a. General. Act 185 requires that the costs associated with programs are to be identified and grouped under four cost categories: (1) *research and development*, (2) *capital investment*, (3) *non-capital investment*, and (4) *operating*. These cost categories follow the "life cycle" approach to costs and flow from the principle that a decision to undertake a program must take into account the full cost impact of the program over time. They embody the concept that a program, from its conceptualization to its introduction into service, goes through the several sequential phases, or "life cycle," reflected by the cost categories. To the decision-maker, it permits him to assess not only the full cost of the program over time, but it affords him the opportunity to make incremental program decisions. For example, in undertaking a new program, no commitment needs to be made

on the size and duration of the program (or even to introduce the program into operational use) until the *research and development phase* is completed.

b. Definitions and Characteristics of Cost Categories.

(1) "*Research and development costs*" means costs primarily associated with the development of a new program, system or capability to the point where capital and/or non-capital investments are required to introduce the program, system or capability into operational use. The cost elements under this cost category include costs for *research, design and test and evaluation*. *Research and development costs* are one-time costs, and the costs do not normally vary with the size or duration of the program. "R & D" should result in a proven and tested program configuration.

It is the intent of Act 185 that "R & D" costs would be reported only with the development of a *new* program, system or capability or with the development of a *major change* to a program, system or capability.

(2) "*Capital investment costs*" means costs, beyond the research and development phase, associated with capital improvements including the acquisition and development of land, the design and construction of new facilities, and the making of renovations or additions to existing facilities, which are required for a new program, system or capability to be introduced into use. The cost elements for this category include costs for *land acquisition, design and construction*. *Capital investment costs* are essentially one-time costs, and the costs will vary with the size of the program.

(3) "*Non-capital investment costs*" means costs, beyond the research and development phase, other than investment costs for capital improvements, which are required for a new program, system or capability to be introduced into use. This category would include such costs as the costs of training of personnel and the procurement of materials to get the program under way. These costs will vary with the size of the program.

It is the intent of Act 185 that non-capital investment costs would be reported only with the installation of a *new* program, system or capability or with the installation of a *major change* to a program, system or capability.

(4) "*Operating costs*" means costs of operating, supporting and maintaining authorized programs. The cost elements of this category include costs for personnel services, other current expenses, equipment and motor vehicles. Operating costs are recurring costs and will vary with the size and duration of the program.

3. *Consolidation of Sources of Financing.* Your committee had noted that on the sample formats prepared by the department of budget and finance, "G.O. Bonds or Cash" was shown as a source of financing. Act 185 requires the specific means of financing to be identified. The department of budget and finance has clarified this matter and has indicated that term "G.O. Bonds or Cash" can be changed to "G.O. Bonds" only since there is a "General Fund" category as well. Such a change should be made.

4. *Inclusion of the Legislature in the State Program Structure.* The State Program Structure as submitted by the department of budget and finance includes the two houses of the legislature and its service agencies. Act 185 applies only to agencies of the executive branch and the judiciary, and it is not intended by Act 185 that the executive branch would set the objectives, effectiveness criteria, and programs of the legislative branch. Therefore, the State Program Structure should be revised to delete the legislature and its service agencies which are funded through the legislative appropriations bill, including the ombudsman, the legislative auditor, and the State ethics commission.

5. *Means of Financing for Cost Elements and Cost Sub-Elements.* The department of budget and finance expressed its concern that data for detailed means of financing will not be available for each cost element and cost sub-element in the program and financial plans for the six-year programming period. It presented to your committee for approval a sample format which shows means of financing identified for the personal services cost element with a recapitulation of means of financing by cost categories. Your committee concurs that such identification of the means of financing meets the requirements of Act 185.

6. *Summaries of Programs by Major Groupings.* The sample formats presented to your committee by the department of budget and finance did not provide for appropriate summaries of programs at every level of the

State Program Structure above the lowest level, by the major groupings of programs encompassed within the level, as required by Act 185. In the sample formats, information of programs above the lowest level is presented only in the order as they appear in the program structure. Your committee has since been notified by the director of finance that it is possible to run summaries and suggests that such summaries be tried. Your committee concurs.

7. *CIP Details.* The sample formats did not include CIP details. This has been clarified by the director of finance who indicates that CIP details will definitely be furnished with the program and financial plans.

8. *The Format.* Your committee has encouraged the department of budget and finance to develop reporting formats which will facilitate legislative review and decision-making. Act 185 itself did not legislate any particular reporting format. The only restriction in the administration's development of the format for the budget, program and financial plans, and the variance report is that the format must provide for reporting all of the information required by Act 185.

LEGISLATIVE PROCESS FOR PROGRAM AND BUDGET REVIEW

Your committee conducted an extensive examination of the various processes and committee structures which would effectively utilize the output of the Planning-Programming-Budgeting System and facilitate effective program and budget review. It believes that the respective houses should restructure its process and organization as soon as practicable in order to accommodate and utilize PPB effectively. Therefore, it has requested the legislative auditor to furnish technical assistance to each respective house for the purpose of restructuring its process and organization.

In the meanwhile, your committee believes that the legislature must begin the cycle for program and budget review by identifying in this session of the legislature and during the interim period the kinds of information it will need in 1972 in order to conduct an effective program review when no full budget is before it. It will be necessary for the legislature to identify the areas for program analysis as well as the areas for which issue papers are to be presented. The legislature also needs information in 1972 to fill the void of the variance

report, which cannot be expected for all State programs until 1974, given the current timetable for implementation of Act 185. Therefore, your committee believes that it is necessary for the legislature to receive from the administration a modified variance report for the 1972 legislative session. The report would differ from the variance report required by Act 185 in that it would not be based on programs but would be based on whatever appropriations format is used by the legislature for the 1971-73 biennium. It would also differ from the Act 185 requirements in that it would not compare planned and actual levels of program effectiveness and program size. The report would cover a comparison between: (1) the amount budgeted for FY 1971-72 v. the amount actually expended in the first quarter and the estimated expenditures for the remaining three quarters of the fiscal year; and (2) the number of positions budgeted v. the actual number of filled positions in the first quarter and the estimated number of filled positions in the remaining three quarters.

However, the full requirements of the variance report as specified by Act 185 would apply to all programs which have been brought under Act 185 implementation and for which appropriations have been made in the same or similar format.

UNFINISHED TASK

Because of the priorities assigned to the evaluation of Act 185 implementation and the determination of an effective process and organization for legislative program and budget review, your committee was unable to begin the task of assessing the effects of PPB and other developments on State government organization. Your committee believes that this task should be assigned to an appropriate joint interim committee for examination during the interim period between the 1971 and 1972 legislative sessions.

RECOMMENDATIONS

Based on the findings and evaluations presented in this committee report, your committee presents the following recommendations:

Recommendations to the Legislature:

1. That in the 1971 legislative session, the appropriate committees of each house review the Act 185 presentations for public welfare,

environmental quality control and education, examine the utility of the information and data presented, and consider making appropriations following the Act 185 format for these programs.

2. That in the 1971 legislative session and if necessary during the interim period, the Ways and Means Committee of the Senate and the Finance Committee of the House of Representatives review the State Program Structure in its entirety, and appropriate subject matter committees review those portions of the structure related to their subject matter areas.

3. That in the 1971 legislative session, the legislature (through resolutions and/or committee reports) and legislative committees during the interim period (through written requests to agencies) identify the programs or problems in any subject matter area for which program analysis is to be conducted and issue papers prepared for submission to the 1972 legislative session.

4. That in the interim period between the 1971 and 1972 legislative sessions, an appropriate joint legislative committee or appropriate committees be established to continue to appraise progress and furnish technical guidance in the implementation of Act 185 and to study the effects of PPB and other developments on State organization.

Recommendation to the Governor

1. That he implement the provisions of Act 185 which assign central agency responsibility for planning, programming and budgeting to a single agency, the department of budget and finance, and that he report to the 1972 legislative session on the actions taken.

Recommendations to the Department of Budget and Finance:

1. That it include, as part of the process for Planning, Programming, and Budgeting, provisions for informing the agencies of the financial ceilings for program areas so that agency program planning and budget making may proceed realistically under the constraints of a financial plan.

2. That it refine the State Program Structure to remove the types of deficiencies discussed in the committee report and submit a refined structure, together with program size indicators for each program at the lowest

level of the structure and the identification of agencies involved with each program to the 1972 session of the legislature.

3. That it submit to the 1972 session of the legislature updated program and financial plans for public welfare and environmental quality control and program and financial plans for agriculture and State information services and such other programs as may be phased into Act 185 implementation.

4. That it submit a modified variance report to the 1972 session of the legislature which would compare: (a) the amount budgeted for FY 1971-72 v. the amount actually expended in the first quarter and the estimated expenditures for the remaining three quarters of the fiscal year; and (b) the number of positions budgeted v. the actual number of filled positions in the first quarter and the estimated number of filled positions in the remaining three quarters.

Representatives Wakatsuki, Akizaki, Kondo, Kunimura, Sakima, Suwa, Poepoe and Devereux.

Members on the part of the House.

Senators Yamasaki, Yoshinaga and Yee.

Members on the part of the Seante.

Spec. Com. Rep. 3

Your joint Senate-House interim committee appointed to work with the department of education on the implementation of a planning, programming and budgeting system, begs leave to report as follows:

SUMMARY BACKGROUND

Since 1967 the department of education, with assistance of successive joint interim committees on education and the office of the legislative auditor, has been engaged in the development of a planning, programming, and budgeting system. At the outset, the analytic aspect of PPB was emphasized and analytic efforts were concentrated in the major disciplines, each viewed in its entirety from kindergarten to grade 12. Language arts was the first curriculum selected for analysis and placement on a PPB format, followed in the ensuing two years by mathematics, counseling and guidance, social studies, vocational-technical education, science, practical arts, music, physical education, health education,

art, special education, and foreign languages. For several reasons, the analyses in the latter areas were not of the quality of the initial work in language arts. However, despite the shortcomings of the analytic documents, the joint committees believed that the department had made a good beginning in PPB and that PPB, when systemized, would give the legislature a better insight to programs and would generate that kind of information relevant to policy decision-making.

For the year 1970, the 1969 joint interim committee, in **Special Committee Report No. 3**, recommended:

1. That the department of education continue to improve and update the work done in the curricular area.

2. That the department continue to work towards a full implementation of the PPB system and to the use of the PPB format in casting the budget for the total department. Specifically, that the department (a) complete its program structure for education as a whole, together with statements of objectives for every level of the program hierarchy and measures of effectiveness for each objective; (b) prepare a schedule of priority as to those educational areas which shall be subjected to analysis in the interim between the 1970 and 1971 sessions of the legislature, with completion of the analyses by November 30, 1970; and (c) submit a supplemental budget for education in toto in the PPB format at the 1971 session of the legislature.

3. That in casting the whole of education into the PPB format, and in the analyses to be performed, the department integrate the capital and operating costs in costing out the various programs.

4. That the department continue to develop the capability of an analytic staff responsible for all PPB analyses and for the casting of the total educational endeavor in the planning, programming, budgeting format and for providing technical assistance to the program specialists, and that it formulate and execute plans for the training of all personnel engaged in the PPB effort.

5. That the department take immediate steps to articulate and communicate with the various levels of its organization with respect to PPB in general and while analyses are being performed.

6. That a joint committee composed of members of the Senate and members of the House of Representatives be appointed to work between the 1970 and 1971 sessions of the legislature with the department of education in the same manner that the previous joint interim committees on education worked with the department and that technical assistance be provided the committee by the office of the legislative auditor.

7. That the board of education lend every assistance to the superintendent of education, including authorizing additional personnel to work on the planning, programming, budgeting format and in the gathering of such data and formulating of such policies as may be necessary to expedite the work on the format.

8. That the department modify its accounting and other information systems in such fashion as to enable the collection of such data as are necessary for a successful implementation of the planning, programming, budgeting system.

The 1970 legislature concurred with the recommendations of the joint committee and in **Conference Committee Report No. 20**, attached to **H.B. No. 1260-70**, expressed expectation that the department would continue the PPB approach as recommended by the joint committee.

ORGANIZATION OF THE COMMITTEE

Your committee consisted of Senators Stanley I. Hara, who served both as chairman of the Senate members and of the joint interim committee; D. G. Anderson, Donald D. H. Ching and Robert S. Taira; and Representatives Akira Sakima, who served as chairman of the members of the House; Pedro de la Cruz; Richard Kawakami; Mitsuo Uechi and Howard Oda.

ACCOMPLISHMENTS

1. During the interim, the department of education directed its major effort towards (a) completion of a program structure for lower education and (b) preparation of a supplemental budget for education as a whole in the PPB format. In the development of the program structure and in casting education as a whole in the PPB format, the department was guided by **H.B. No. 1829-70, H.D. 1(Act 185, 1970)** and the Senate and House committee reports attached thereto. Further, in

submitting its program and financial plans and budget, the department sought to integrate operating and capital costs for each program.

2. Early during the interim, the department selected the following areas for analyses: educational television; school lunch; special education; and student affairs, including driver and traffic safety education, student activities, school health services, student safety and interscholastic athletics. Analyses were completed in these areas, although the final draft of the documents are yet to be submitted formally to your committee. Your committee has been informed that in the course of analyzing these areas, the "task force" approach was taken to involve various personnel within the department's organizational hierarchy. The department has further reported that the analyses in other curricular areas previously completed have been updated, and that these updated documents would be forthcoming shortly.

3. The department's analytic group has been beefed up and now numbers seven members. Among the analytic core are four educators and three non-educators.

4. The department is currently embarked on two major projects concerning the information system necessary to support PPB. The first of these projects is federally funded under Title IV, Public Law 90-247, and is concerned with the development of a total education information system. The federal grant amounts to \$96,000 annually for three years for a total of \$288,000. The project's scope includes definition of the rationale for the information system, the specification of the information requirements and the design of the system. The project is scheduled for completion by June 30, 1973. The second project is concerned with the development of demographic, enrollment projection, educational program, and facility, staff, and material requirements models, so designed as to provide quantitative measures to assist in decision-making and management of educational programs at the State, district and school levels. This project was approved by the department of budget and finance and will cost \$200,000. The work is being performed by Davis MacConnel & Ralston, a division of Westinghouse Learning Corporation and is scheduled for completion by June 20, 1972.

FINDINGS AND CONCLUSIONS

Generally. Your committee is pleased with the progress made by the department of education in implementing PPB and Act 185, SLH 1970. Your committee wishes to commend Mr. Ichiro Fukumoto and the other members of the analytic staff who devoted countless hours in this endeavor.

In general, your committee finds that the department has substantially complied with the requirements of Act 185 and the recommendations contained in the special committee reports of the 1969 joint committee. The departmental submissions clearly indicate that Act 185 is sound and that its specifications can be implemented.

The following are some specific findings of your committee.

Program structure. The program structure selected by the department focuses on the basic learning outcomes of the public education system. It is objective oriented and appears to lend itself to analysis. It groups all curricula into the following three basic learning outcomes: intellectual learnings, social-personal learnings and economic learnings.

The structure chosen by the department was settled upon only after consideration of a number of options. Included among the options were structures which categorized educational programs along organization and functions, target groups, and other groupings of learnings. However, the structure chosen was found most readily to accommodate the educational purposes outlined in the *Master Plan for Public Education in Hawaii*, adopted by the board of education. It is sufficiently flexible to allow the inclusion of new courses or curricula as developed by the department without requiring extensive alteration of the basic framework. While areas such as "special education" and "compensatory education" do not appear as such in the structure, information about these programs are readily retrievable from the program structure and amenable to supplemental displays.

Your committee finds that the program structure recommended by the department is acceptable. It believes, however, that school bus transportation, teacher housing and repair and maintenance, listed by the department as support programs to be incorporated elsewhere in the statewide structure, are pro-

grams which directly contribute to education and thus the costs thereof should be charged to lower education. These programs should therefore be included as "add" items in the education program structure.

In this connection, your committee notes that the department of budget and finance's submission to the joint interim committee on legislative review and organization on a state-wide program structure includes a structure for education which differs from that proposed by the department of education. Your committee also notes, however, that in a footnote, the department of budget and finance has acknowledged that its recommendation on the structure for education is subject to change due to the work being done by the department of education. Your committee finds that the structure developed by the department of education is preferable to that formulated by the department of budget and finance.

While your committee finds that the program structure recommended by the department of education is sound, it is cognizant of the need for the department to review and refine some of the objectives and measures of effectiveness for programs at the various levels of the structure. To this end, your committee encourages the department of education to continue its efforts.

Multi-year program and financial plans and budget. The multi-year program and financial plans and the budget submitted by the department of education is in general conformance with the requirements of Act 185, SLH 1970. The department's submission is, of course, exclusive of those portions of Act 185 which are the responsibilities of a central agency. For example, information on the State's economic condition and the financial plan of the State, both of which are presumably the responsibility of the department of budget and finance, do not appear in the DOE's submissions.

Upon review of the department of education's multi-year program and financial plans and budget, your committee is convinced that the kinds of program and cost information required by Act 185 to be included in such plans and budget are the kinds of information needed by the legislature for it to make rational, resource allocation decisions.

The specific findings of your committee regarding the multi-year financial plans and the budget are as follows:

1. The figures included in the plans and the budget are essentially the department of education's requests and projections and do not reflect the governor's recommendations contained in his executive budget for the biennium 1971-1973. Normally, of course, the program and financial plans and the budget would reflect the governor's recommendations. However, it was not possible for the department of education to do so in its present submissions inasmuch as the governor's final budget was not put together until late December 1970. Your committee notes that in all future efforts, before any work is begun on the program and financial plans and the budget, the department of education (and all other agencies as well) should be informed by the department of budget and finance as to the dollar limitations within which the education program might be planned, programmed and budgeted. Further, the executive's final decision should be made sufficiently in advance in order that the department might re-plan, re-program and re-budget based on the final decisions of the executive.

2. The department's attempt to integrate capital and operating costs has been only partially successful. For the purposes of its current submissions, in costing out the capital investment costs of programs, the department of education relied upon the 1971-78 listing of capital improvement projects prepared by the CIP branch. The department chose from among the listed CIP projects those deemed to be most "urgent" and programmed them for the next biennium; it programmed the rest over the remaining four years. The development of the CIP list was an effort which took place separate and apart from program planning. Hence, the resulting capital investment cost displays in the multi-year program and financial plans and the budget are not only unrealistic but seem to bear little relationship to the program plans which appear in the multi-year plans and the budget. True integration of capital and operating costs requires that capital needs be identified as programs are developed. The department acknowledges its weakness in integrating capital and operating costs in its current submission, but is hopeful that true integration will take place by 1973.

3. The chief shortcoming of the multi-year program and financial plans submitted by the department is in the narratives. The deficiencies are: unclear problem and issue definition, inadequate description of the alternatives considered, the lack of identification of the incremental costs for program expansion, and the lack of rationale upon which costs were estimated. Your committee suggests that the department review Act 185 which contains specific instructions as to the kinds of things to be covered in the narratives. In addition, it might be helpful to the department to refer to the narratives contained in the department of budget and finance's submission of multi-year program and financial plans for public welfare and environmental quality control. The narratives there are, in the judgment of your committee, more nearly the kind of narratives required by Act 185. In this connection, your committee suggests that in describing the rationale upon which the costs of each program are estimated, the department include a description of the number and kinds of positions required for the program.

Analyses. The analytic documents submitted for special education, school lunch, educational television and student affairs contain weaknesses similar to those noted in the earlier efforts of the department. In updating and refining the analyses, particular attention should be paid to: (1) clarifying objectives; (2) developing more relevant measures of effectiveness; (3) generating viable alternatives; (4) distinguishing "programs" from "activities"; (5) where appropriate, relating programs to other programs in the statewide program structure (e.g., health education to health; driver and traffic safety education to public safety; etc.) and (6) displaying cost and program information in the format prescribed by Act 185.

Analytic staff. Your committee is encouraged by the broadening of the capabilities of the central analytic group. There is, however, one matter which is of great concern to your committee. The department currently has in operation an "office of planning and analytic studies." Included within the office are the following four functional branches: planning, budget, management and information system. The planning branch, in essence, consists of the department's corps of seven analysts. The budget branch has three members; the management branch has four members; and the information system branch has five members,

two of whom are paid out of the Title IV grant (to develop an education information system). With the director, the office of planning and analytic studies consists of 20 members in total. The office has been in operation for some time. However, your committee is informed that this organizational setup has not as yet been approved by the department of budget and finance.

There are many ways in which the functions of planning, programming, budgeting, management, evaluation, and information system might be organized. Whatever the organization, these functions should relate to one another and there should be clear lines of responsibility and authority flowing to and from the central analytic group and the various offices within the department and all personnel who are expected to perform program analyses. Your committee finds that the uncertain status of the office of planning and analytic studies is likely to be disruptive of the full implementation of planning, programming and budgeting in the department. An early resolution of this organizational problem between the department of education and the department of budget and finance is desirable.

Articulation. One of the recommendations of the 1969 joint interim committee was that the department take immediate steps to articulate and communicate with the various levels of its organization with respect to PPB in general and while analysis is being performed. The "task force" approach taken by the department in developing the latest analytic submissions is a step in the direction of the committee's recommendation. Your committee finds, however, that articulation with respect to PPB in general, its meaning and impact on people throughout the department's organizational hierarchy, including districts and schools, has yet to be accomplished. Every effort should be exerted at once toward the accomplishment of this end.

Information system. The development of the educational information system and the demographic, enrollment projection, educational program, and facility, staff, and material requirements models will eventually require the support of the statewide information system (SWIS). Your committee is informed that SWIS' support to the department of education has been limited to date. Your committee finds it desirable that the problems surrounding SWIS be quickly resolved and its development accelerated.

Relationship to statewide effort. Over the last several years, the joint committee and the department of education worked on the development of an educational PPB under an explicit understanding with the then central analysis group and subsequently with the department of budget and finance that the development of the educational PPB along the lines agreed to by the joint committee and the department of education would be unhampered by such other PPB instructions that the administration might issue to all State departments. This agreement arose out of the joint committee's concern that without such an agreement, additional, avoidable workload might be imposed upon the department of education. It was understood that the work in the department of education, upon completion, would meld with the statewide PPB effort.

In the past, the department of education, although not required, chose to conform to the department of budget and finance's instructions for the submission of departmental program plans by all State agencies. Your committee appreciates the desire of the department of education to become a part of the statewide effort and, thus, has no objection to the department's decision to comply with the statewide instructions. Your committee advises the department of education, however, that in the light of the understanding reached with the department of budget and finance, compliance with budget and finance's instructions should not serve to justify any shortcomings in complying with the requirements agreed to by the joint committee and the department of education and with the provisions of Act 185.

Future interim committee. Your joint interim committee and the department of education have come a long way toward the development of a PPB system in education. The work, however, is not yet complete. Re-examination and refinement of objectives, effectiveness measures and analysis, the full integration of operating and capital costs of programs, and the preparation of variance reports, all in accordance with the provisions of Act 185 are some of the kinds of tasks still requiring attention before it can be said that PPB is in full implementation for education. Your committee finds it desirable that the joint interim committee continue in existence until Act 185 is fully implemented and the efforts of the department of education are fully integrated with the statewide effort under Act 185.

Because of Act 185 and the requirement that all State programs be brought under the provisions of the Act by the 1973 session of the legislature, your committee believes that the future joint interim committee on education should be so structured that its work and the work of a joint interim committee appointed to oversee the implementation of Act 185 are coordinated.

RECOMMENDATIONS

Based upon the foregoing, your committee recommends as follows:

To the legislature:

1. That at the 1971 session, the appropriate committees in each house, in reviewing the budget for education, utilize the multi-year program and financial plans and budget submitted by the department of education.
2. That the lower education program structure selected by the department of education be adopted as the structure to be used for legislative decision-making in lower education.
3. That a joint committee composed of members of the Senate and members of the House of Representatives be appointed to work between the 1971 session and the 1972 session of the legislature with the department of education for the full implementation of PPB and Act 185 in lower education; and that technical assistance be provided to the joint committee by the office of the legislative auditor.

To the department of education:

1. That capital and operating costs be fully integrated by 1973.
2. That further issues for analysis be identified and issue papers be prepared or analyses be performed in such areas as may be identified by the department and the legislature, and those analyses previously performed be reviewed, refined and updated.
3. That analyses be scheduled in such fashion that the results thereof may be properly reflected in the multi-year program and financial plans presented to the legislature.
4. That the department continue to refine

and improve the statements of objectives and measures of effectiveness contained in its program structure and analytic documents.

5. That at the 1972 session of the legislature, the following be submitted: (a) a variance report in accordance with Act 185; (b) updated and improved program and financial plans in accordance with Act 185 and incorporating such changes as may occur between now and 1972; (c) supplemental displays in the Act 185 programming format for such auxiliary, major program groupings as 3 on 2, Hawaii English Program, special education, compensatory education and school complexes; and (d) issue papers and analytic documents for those areas newly identified and the refined and updated versions of prior analyses.

6. That the department continue to develop its accounting and other information systems in a manner that would expedite successful implementation of the PPB system.

7. That the general concepts of PPB and the meaning and effect of Act 185, SLH 1970,

be meaningfully articulated and communicated throughout the department of education's organizational hierarchy, including districts and schools.

To the department of budget and finance:

1. That resource allocation ceilings be established for lower education prior to all future efforts of the department of education in planning, programming and budgeting.

2. That the question of the status of the office of planning and analytic studies in the department of education be quickly resolved with the department.

3. That SWIS capabilities be rapidly developed to provide support to the lower education and the statewide PPB efforts.

Representatives Sakima, de la Cruz, Kawakami, Uechi and Oda. Members on the part of the House.

Senators Hara, Ching, Taira and Anderson. Members on the part of the Senate.