

Unresolved issue looms over 1997 legislature

**Many key bills were settled, but
privatization fell through the cracks**

By Jim Witty and Mike Yuen
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The 1997 legislative session is over, but the dispute over private contracts for public services lingers.

Lawmakers adjourned yesterday, having approved legislation on several key issues, including auto-insurance reform, same-sex marriage, increasing prison bed space and eliminating the so-called "high-three" pension perk.

"This session was about clearing the decks," Senate Co-Majority Leader Les Ihara Jr. (D, Kaimuki) said, referring to the problems carried over from last session.

But lawmakers failed to come to terms on a bill aimed at clearing the legal cloud over private contracts. The issue arose after the Hawaii Supreme Court ruled in favor of the United Public Workers union in a lawsuit over a Hawaii County landfill contract with a private company.

"I feel comfortable that the governor now has it in his hands," said Senate President Norman Mizuguchi (D, Aiea). "We already agreed in conference and we already passed a bill. I think the Senate has acted responsibly. There is no bill, however."

House Speaker Joe Souki (D, Wailuku) said the House did the right thing in killing the House-Senate conference bill on privatization because the neighbor island mayors objected to it. They



didn't like the provision that would have prevented the state and counties from entering into new contracts if, in addition to causing government workers to be laid off, they caused them to be "displaced."

Neighbor island mayors interpreted that to mean workers couldn't be transferred.

Souki sees no need for a special session on the issue unless a crisis emerges.

Gov. Ben Cayetano said if legislative leaders want a special session, they need to reach agreement first, then call themselves back into session.

Cayetano said after consulting with Attorney General Margery Bronster, his advice to neighbor island mayors is to not act rashly.

The state Supreme Court is expected to clarify its privatization ruling in mid-May. Unless lawmakers tackle the issue before then, the neighbor island mayors said, a slew of their privatization contracts would be canceled.

"I think we need to use some common sense rather than cancel all of the contracts that we have," Cayetano said. "Our position will be that we will continue to enter into private contracts and we will discuss these things with the unions, of course."

Cayetano said the neighbor island mayors, too, should move ahead with their programs.

Cayetano also doubted that the public-employee unions, which are concerned about privatization contracts leading to members being laid off, would disrupt the status quo.

"We need to give the unions some credit to see that the community is not hurt," he said.

Cayetano said language in the bill about displaced workers that caused the House to quash it also would have prompted his veto.

Sen. Sam Slom (R, Kalama Valley) said he's ready for a special session on privatization.

"I think the problem is unresolved and is only going to get worse," Slom said.

House Minority Leader Gene Ward (R, Hahaione Valley) said that unless lawmakers clarify the issue, "we've essentially exposed the people of Hawaii to a higher increase than any tax hike ever imagined."

He was alluding to the need to hire more government workers if some services could not be farmed out to private businesses or nonprofit agencies.

"We've cleaned up the mess from the 'do-nothing' session of 1996," Ward concluded. "But we've left another mess by making the privatization issue an open, seeping sore."

Both Mizuguchi and Souki said creating jobs is the top priority in preparing for next year's legislative session. Mizuguchi said he's already met with the Business Roundtable to discuss economic development issues and both said more talks are planned.

Specifically, Mizuguchi said he'd like the Legislature to look at Las Vegas-style gaming and "leave open every activity that is going to create jobs in our state."

Slom, an outspoken advocate of small business, said the focus next session should be on "the economy, the economy, the economy."

"I think there were efforts this year to try and increase taxes. I think we always have to be vigilant for that. There will also be attempts to raise mandates such as the minimum wage, which is a tax on business. ... We're robbing Peter to pay Nancy. We don't have a vision. We don't have a business-like plan. We're doing Band-Aid, short-term approaches."

Cayetano gave legislators "a 'B-plus' or an 'A-minus'" for their efforts this session. He said he would have given an even higher mark if they had repealed the insurance premium tax giving local companies a tax break, channeled the food tax credit to one focused solely on aiding low-income residents with an income of \$16,000 or less, and loosened the Honolulu newspapers' "stranglehold" on publishing legal notices.

House Republicans, however, cited the "Democrats' failure to kick-start Hawaii's economy" and gave the session a 'D' grade.

Asked if there is any bill he might veto, Cayetano reiterated his concerns about a measure that would grant Kauai small businesses an 18-month tax moratorium.