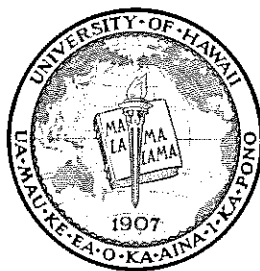


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# GOVERNMENTAL EXPENDITURES IN HAWAII



Report No. 5 - 1948

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GOVERNMENTAL EXPENDITURES IN HAWAII

by

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-- Report No. 5, 1948 --

(Request No. 253)

STATE OF HAWAII

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### Summary

Governmental expenditures have risen in Hawaii during the past several years, as the civilian population, the number of public services, and the price level have increased. From 1942, when combined territorial and county outlays approximated \$32 million, to 1947, when payments of Hawaii's governments totalled \$65 million, disbursements have doubled. Over the same period per capita expenditures rose from \$67.85 to \$123.86. The influence of inflated prices upon the costs of government is suggested by the fact that between 1944 and 1947 both the Honolulu retail price index and per capita government spending rose by approximately 36 per cent.

Territorial expenditures have increased both absolutely and relative to county outlays over the past two biennial periods. In 1944 the territory spent 55 per cent of all non-federal outlays in Hawaii. By 1947 its portion was 61 per cent. The bulk of territorial spending goes for education and public welfare. Providing police and fire protection, constructing and repairing roads, and maintaining water-supply systems are the leading functions performed by the counties. Since the end of the war all classes of expenditures for both levels of government have increased, except for interest payments, which have been reduced along with the amount of government debt outstanding.

Comparison reveals that as of 1942, the year for which the most recent comprehensive mainland data is available, the pattern of territory-county expenditures in Hawaii was strikingly similar to that of the states and their localities. The most significant difference lies in the smaller portion of the budget which went for highway purposes in Hawaii, compared to the mainland average. Relative costs of public protection in Hawaii during 1942 were above the national average, but have declined since the end of the war.

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## GOVERNMENTAL EXPENDITURES IN HAWAII\*

### Territorial and County Outlays, 1944-1947

The past four years have seen a steady increase in the cost of government in Hawaii. In part the rise of governmental expenditures reflects the year-to-year growth of the civilian population, as well as price trends in the post-war inflation. In addition, expansion of the services performed by the territory and counties has required the outlay of larger sums in each fiscal period.<sup>1</sup> This report, covering all non-federal governmental expenditures in Hawaii, attempts to describe the pattern of public payments in the territory and to compare it with the cost structure of state and local units on the mainland.

An upward trend has characterized combined territorial-county expenditures for all large classes of governmental functions: general government, public protection, highways, public welfare, health and sanitation, education, conservation of natural resources, and public service enterprises. The only major outlay which decreased during the period 1944-1947 was the payment of interest on public debt. Total governmental expenditures in Hawaii, both for current operation and capital outlays, but exclusive of debt retirement, mounted from \$45 million in the fiscal year 1944 to \$65 million in fiscal 1947, as shown in Table 1.

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\*This is the second part of a study of government finance in the Territory of Hawaii. The first part, The Tax System of Hawaii, is Report No. 4, 1948, of the Legislative Reference Bureau, University of Hawaii.

<sup>1</sup>Thus in the past two biennial periods the Territory of Hawaii has extended its activities in the fields of veterans' rehabilitation, industrial relations, housing, public welfare, airport improvement, etc.

Table 1.

TERRITORIAL AND COUNTY EXPENDITURES IN HAWAII: FISCAL YEARS 1944-1947<sup>a</sup>  
(in thousands of dollars)

	1944			1945			1946			1947		
	Terri- tory	Coun- ties	Total	Terri- tory	Coun- ties	Total	Terri- tory	Coun- ties	Total	Terri- tory	Coun- ties	Total
Classification of expenditures:												
General government	\$ 1,481	\$ 1,873	\$ 3,354	\$ 2,008	\$ 2,190	\$ 4,198	\$ 2,585	\$ 1,984	\$ 4,569	\$ 3,275	\$ 1,845	\$ 5,120
Public protection	1,363	3,337	4,700	1,474	3,748	5,222	1,218	3,968	5,186	1,334	4,224	5,558
Highways	3,223	2,503	5,726	2,189	2,512	4,701	3,420	3,485	6,905	2,998	3,686	6,684
Public welfare <sup>b</sup>	4,858	2,355	7,213	5,828	2,326	8,154	7,949	2,026	9,975	10,705	2,500	13,205
Health and sanitation	1,068	2,589	3,657	1,677	1,694	3,371	1,951	2,184	4,135	2,125	2,194	4,319
Education	9,295	1,213	10,508	11,029	1,567	12,596	13,038	2,287	15,325	14,923	1,758	16,681
Recreation	52	689	741	57	806	863	71	1,035	1,106	91	909	1,000
Public enterprises <sup>c</sup>	362	2,614	2,976	413	2,954	3,367	667	3,147	3,814	1,074	3,671	4,745
Natural resources	974	---	974	1,007	---	1,007	980	---	980	1,210	---	1,210
Interest on debt	1,089	775	1,864	1,022	379	1,401	656	334	990	439	286	725
Other	979	2,361	3,340	835	3,180	4,015	1,008	3,295	4,303	1,567	4,273	5,840
TOTAL	\$24,744	\$20,309	\$45,053	\$27,539	\$21,356	\$48,895	\$33,543	\$23,745	\$57,288	\$39,741	\$25,346	\$65,087

Sources: Reports of territorial and county auditors; 1948 budget of the City and County of Honolulu.

<sup>a</sup>For territorial government, fiscal year ends June 30; for counties, December 31.

<sup>b</sup>Includes expenditures for hospitals, correction, and "charities."

<sup>c</sup>Primarily for county water-supply systems; territorial outlays for harbor facilities and airports.

In terms of money outlay, education is the largest single function performed by territorial and county government in Hawaii. In each of the past four years, approximately one-fourth of all non-federal public expenditures in this territory has been for schools and libraries. Since in Hawaii the school system is primarily the responsibility of the territorial government, more than a third of the territorial budget has gone to support education, while less than a tenth of county expenditures have been for this purpose.

Public welfare, including the maintenance of hospitals, institutions for correction, and public assistance to the needy, requires the second largest share of government outlays. As Table 2 reveals, over the past four years more than a fifth of all territorial expenditures was allocated for public welfare. The county average was close to 10 per cent.

Road construction and maintenance declined temporarily from 1944 to 1945, but in the biennium following the end of the war increased to again become the third-ranking governmental function. While in 1944 highway expenditures claimed approximately equal portions of territorial and county budgets, by 1947 road costs constituted but 7.5 per cent of territorial outlays, whereas the counties spent 14.5 per cent of their total expenditures for roads and streets. (Certain county highway expenditures, it may be noted, are required by the territorial government, as under Section 5257 of the Revised Laws of Hawaii 1945, as amended.)

The furnishing of police and fire protection is primarily a local function. In 1947 the counties spent over \$4 million, or one-sixth of their combined budgets, for public protection. Territorial outlays for protection of persons and property averaged about a third of local expenditures during the two biennial periods under consideration, such payments comprising

Table 2.

PERCENTAGE DISTRIBUTION OF TERRITORIAL AND COUNTY EXPENDITURES IN HAWAII: FISCAL YEARS 1944-1947<sup>a</sup>

	1944			1945			1946			1947		
	Terri- tory	Coun- ties	Total	Terri- tory	Coun- ties	Total	Terri- tory	Coun- ties	Total	Terri- tory	Coun- ties	Total
Classification of expenditures:												
General government	5.99	9.22	7.45	7.29	10.26	8.59	7.71	8.35	7.98	8.24	7.28	7.87
Public protection	5.51	16.43	10.43	5.35	17.55	10.68	3.63	16.71	9.05	3.36	16.66	8.54
Highways	13.03	12.32	12.71	7.95	11.76	9.61	10.19	14.68	12.05	7.54	14.54	10.27
Public welfare <sup>b</sup>	19.63	11.60	16.01	21.16	10.89	16.68	23.70	8.53	17.41	26.94	9.86	20.29
Health and sanitation	4.32	12.75	8.12	6.09	7.93	6.89	5.82	9.20	7.22	5.35	8.66	6.63
Education	37.56	5.97	23.32	40.05	7.34	25.76	38.87	9.63	26.75	37.55	6.94	25.63
Recreation	0.21	3.39	1.64	0.21	3.77	1.77	0.21	4.36	1.93	0.23	3.59	1.54
Public enterprises <sup>c</sup>	1.46	12.87	6.61	1.50	13.83	6.89	1.99	13.25	6.66	2.70	14.48	7.29
Natural resources	3.94	—	2.16	3.66	—	2.06	2.92	—	1.71	3.05	—	1.86
Interest on debt	4.40	3.82	4.14	3.71	1.78	2.86	1.96	1.41	1.73	1.10	1.13	1.11
Other	3.95	11.63	7.41	3.03	14.89	8.21	3.00	13.88	7.51	3.94	16.86	8.97
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Table 1.

<sup>a</sup>For territorial government, fiscal year ends June 30; for counties, December 31.<sup>b</sup>Includes expenditures for hospitals, correction, and "charities."<sup>c</sup>Primarily for county water-supply systems; territorial outlays for harbor facilities and airports.



approximately 3 per cent of territorial costs in 1947.

Similarly the bulk of expenditures by public service enterprises is made by the counties. In the period under study county-owned waterworks steadily increased their disbursements from \$2.6 million to \$3.7 million, averaging about one-seventh of all county outlays. (The total of such spending cannot be considered a "cost" of government borne by the taxpayer as such, since the boards of water supply are largely financed by the charges made to water users.) Territorial expenditures for public enterprises, including harbor facilities and airports, formed the relatively insignificant portion of 2.7 per cent in 1947, and even smaller shares of the territorial budget in the preceding years. On the other hand, all expenditures for the conservation of natural resources are made by the territory, such disbursements averaging about \$1 million during each of the past four years, which was about 3 per cent of total territorial spending.

The cost of maintaining public health and sanitation facilities (except for hospitals) has been about equally shared by both levels of government, their combined outlays rising from approximately \$3 million in 1944 to over \$4.3 million in 1947. As shown in Table 2 these expenditures comprised some 5 per cent of territorial payments and approximately 9 per cent of county spending.

Providing recreational facilities has required the expenditure of less money since 1944 than any other governmental function here considered. In 1947 the total cost of public parks, playgrounds, beaches, etc. was \$1 million, of which \$909 thousand was spent by county governments.

A notable feature of the budgetary record of both territorial and county governments in Hawaii during the past four years was the decline in interest payments. Reflecting a rapid decline in the amount of bonded in-

debtedness,<sup>2</sup> total interest costs were reduced from \$1.9 million in 1944 to \$725 thousand during 1947. Percentagewise, this resulted in interest payments dropping to little over 1 per cent of combined territorial and county budgets, compared with more than 4 per cent at the beginning of the period. Since this reduction in interest costs resulted in part from the postponement of capital outlays -- such as roads, public buildings, and sanitation systems -- in the war and immediate post-war period, as well as from a rise in tax revenues, it is to be expected that both debt and interest payments may mount in the years following 1947.

It may be noted that unclassified items, referred to in Tables 1 and 2 as "other expenditures," have bulked large in recent years, especially in the budgets of the counties. In 1946 and 1947 a substantial part of such amounts consisted of temporary cost-of-living wage adjustments paid to county employees, under grants made by the territorial government.<sup>3</sup> Pension payments are another important element in this miscellaneous category. Among territorial cost payments during the period 1944 to 1947, the largest items grouped under "miscellaneous" were for housing projects, administration of unemployment compensation and employment services, and day-care centers.

#### Distribution of Expenditures between Territory and Counties

There is a sharp contrast between the relative shares of territorial and county tax collections, on one hand, and the total expenditures of each

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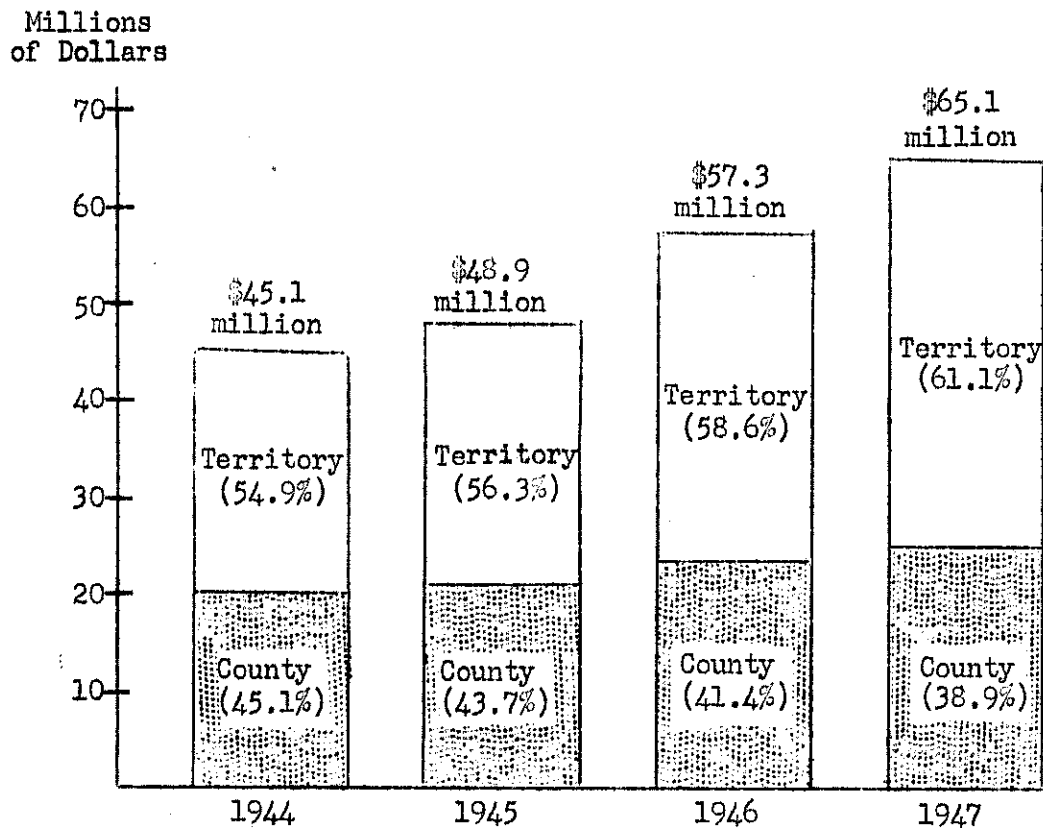
<sup>2</sup>Territorial bonded indebtedness at the end of the fiscal year amounted to \$29.0 million in 1944, \$26.3 million in 1945, \$14.7 million in 1946, and \$11.0 million in 1947. The total bonded debt of the counties, exclusive of their water-supply systems, was reduced from \$10.4 million at the end of 1944 to \$8.8 million on January 1, 1948.

<sup>3</sup>Act 263 (Series A-4), Session Laws of Hawaii 1945.

level of government, on the other. While the territorial government is dominant in the field of taxation, collecting some 94 per cent of all non-federal taxes in Hawaii, it spends a much smaller percentage of the territorial-county combined expenditures. As shown in Figure A, over the past two biennial periods county outlays have averaged about two-fifths of total governmental cost payments, being 45 per cent in 1944 and progressively decreasing to 39 per cent in 1947. During this period, territorial expenditures have increased both absolutely and relatively, rising from 55 per cent of combined territory-county spending in 1944 to 61 per cent in 1947.

Figure A.

GOVERNMENTAL EXPENDITURES IN HAWAII  
Fiscal Years 1944-1947



Sources: Reports of territorial and county auditors; 1948 budget of the City and County of Honolulu.

The contrast between the patterns of revenue and expenditure is brought out by comparing the tax receipts of the counties with their cost payments. In 1944 the counties collected approximately \$2.3 million, but spent more than \$20 million. For 1945 county revenues amounted to \$2.4 million; expenditures totalled \$21.4 million. During the past biennium county tax receipts stood at \$2.8 million in 1946 and \$3.5 million in 1947; corresponding expenditures were \$23.7 million and \$25.3 million.

Two factors explain this discrepancy between county tax revenues and expenditures. One is the centralized structure of tax administration in Hawaii, which places in the hands of the Office of Tax Commissioner of the territory responsibility for collecting levies which accrue to the benefit of the counties. Thus the territorial government collects the property tax, all of which goes for county purposes; the general excise tax and motor fuel tax, both shared with the counties.<sup>4</sup> The other factor is the granting by the legislature of aids to the counties for specified purposes. The City and County of Honolulu, for example, received approximately \$3.2 million during the biennium 1943-1944 in grants-in-aid to meet public salary increases voted by the territorial legislature.

The territorial government is itself the recipient of several grants-in-aid from the federal government. During the fiscal year ending June 30, 1947, the territory received approximately \$3.7 million in federal grants.<sup>5</sup>

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<sup>4</sup>For a general description of territorial and county taxes, as well as an account of county shares of territorial revenues, see part one of this report, The Tax System of Hawaii, Legislative Reference Bureau, University of Hawaii, Report No. 4, 1948.

<sup>5</sup>U. S. Treasury Department, Annual Report of the Secretary of the Treasury for the Fiscal Year ended June 30, 1947, Table 107, pp. 507-12.

Of this total, \$1.3 million was earmarked for welfare purposes and social security administration, \$207,000 for public health, \$759,000 for highways, \$572,000 for community facilities, \$170,000 to meet the expenses of the governor's office, of the legislature, and the salaries of the secretary of the territory and of the territorial supreme court and circuit court judges. Other large grants were \$259,000 for agricultural extension and experiment stations, \$258,000 for education and vocational rehabilitation, \$207,000 for public health services, and \$188,000 for the national guard.

It may be noted in this connection that federal grants constitute the largest item in explaining the discrepancy between total tax revenues and expenditures of territorial and county governments. As reported in the first section of this study,<sup>6</sup> tax collections in Hawaii for 1947 approximated \$59.1 million, some \$6 million less than territory-county outlays. Other non-tax receipts of these governments are income of water systems and other public service enterprises, rentals of public property, special assessments, fees, fines, etc.

#### Governmental Expenditures in Hawaii Compared with Mainland

Because of the unusually high degree of centralization which characterizes the political structure of Hawaii, it is difficult to make any meaningful comparison of the pattern of territorial expenditures and that of the mainland states. For example, in Hawaii the bulk of school costs is borne by the central government, while in the continental United States education is typically the primary concern of local governments, with the larger part of outlays for schools and libraries being made by them.

For comparative purposes, therefore, it is more useful to contrast the

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<sup>6</sup>The Tax System of Hawaii, p. 3.

distribution of governmental expenditures in Hawaii, including both territorial and county spending, with those of state and local governments on the mainland. To this end Table 3 shows the percentage distribution of expenditures by both levels of government in Hawaii in 1942 compared with the composite expenditures of the forty-eight states and their subdivisions. The year 1942 was chosen for lack of more recent comprehensive data, since the last decennial census of governments was taken in that year.<sup>7</sup> Inter-governmental comparisons were eased by the adoption by the Territory of the accounts-classification system formulated by the U. S. Bureau of the Census for the various states.

As Table 3 reveals, the distribution of expenditures made by the territorial and local governments of Hawaii during 1942 followed the composite pattern of their mainland counterparts with surprisingly few deviations. Education led the list in both areas, constituting 27.8 per cent of total governmental outlays in Hawaii and 25.5 per cent on the mainland. The costs of general government -- legislature, executive offices, etc. -- stood at 7.7 per cent of the total in Hawaii, while the average for the forty-eight states was 7.8 per cent. The relative shares of total expenditures going for conservation of natural resources, recreation, interest on debt, and "other" costs in Hawaii were also all within a fraction of one percentage point of the mainland averages.

In but a few categories does the structure of governmental outlays in

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<sup>7</sup>Data concerning both revenues and expenditures of all levels of government on the mainland are summarized in U. S. Bureau of the Census, Governmental Finances in the United States: 1942. Detailed breakdowns of expenditures, from which the figures in Table 3 on expenditures for education and recreation have been derived, are found in special Census of Government reports on State Finances, County Finances, City Finances, and Finances of Townships and New England Towns, all of 1942.

Table 3.

DISTRIBUTION OF TERRITORIAL AND COUNTY EXPENDITURES IN HAWAII  
 COMPARED WITH STATE AND LOCAL EXPENDITURES: FISCAL YEAR 1942<sup>a</sup>  
 (in thousands of dollars)

	Territory of Hawaii				Mainland State & Local Governments			
	Terri- tory	Counties	Total	Percent. distrib.	States	Localities	Total	Percent. distrib.
Classification of expenditures:								
General government	\$ 1,256	\$ 1,230	\$ 2,486	7.72%	\$ 173,734	\$ 569,042	\$ 742,776	7.78%
Public protection	1,305	2,571	3,876	12.04%	130,202	660,214	790,416	8.28%
Highways	829	1,936	2,765	8.59%	782,097	685,014	1,467,111	15.36%
Public welfare	3,818	1,715	5,533	17.19%	512,168	710,615	1,222,783	12.80%
Health and sanitation	835	1,008	1,843	5.73%	312,862	529,541	842,403	8.82%
Education	7,892	1,043	8,935	27.76%	272,487	2,161,283	2,433,770	25.48%
Natural resources	611	---	611	1.90%	130,015	39,907	169,922	1.78%
Public enterprises <sup>b</sup>	336	1,926	2,262	7.03%	48,090	741,916	790,006	8.27%
Recreation	36	530	566	1.76%	11,955	91,034	102,989	1.08%
Interest on debt	1,211	756	1,967	6.11%	113,453	422,492	535,945	5.61%
Other	597	744	1,341	4.17%	155,433	297,514	452,947	4.74%
TOTAL	\$18,726	\$13,459	\$32,185	100.00%	\$2,642,496	\$6,908,572	\$9,551,068	100.00%

Sources: Hawaii data from reports of territorial and county auditors; mainland data from U. S. Bureau of the Census, Governmental Finances in the United States: 1942, Tables 9, 10, 11, and 15, augmented by special Census of Government reports on State Finances, County Finances, City Finances, and Finances of Townships and New England Towns, all of 1942.

<sup>a</sup>Fiscal year for Hawaii counties, as well as many mainland jurisdictions, coincides with calendar year.

<sup>b</sup>In Hawaii, primarily county water-supply systems, but also includes territorial outlays for harbor facilities and airports.

Hawaii reveal any significant difference from the composite expenditure pattern of the states and local governments of the mainland. The most obvious dissimilarity lies in the small importance of highway costs in Hawaii, relative to the continental United States. As Table 3 shows, in 1942 road building and maintenance required but 8.6 per cent of all governmental outlays in Hawaii, compared to a national average of 15.4 per cent. In part this may be explained by the fact that full-scale mobilization for war, coming more quickly in the Hawaiian Islands than in the continental United States, had a greater impact upon civilian road construction in Hawaii in 1942 than for the same year in the various states.<sup>8</sup> It seems likely, however, that this difference is normal, rather than of a wartime nature, since -- as Table 2 indicates -- even after the lifting of wartime restrictions the proportion of governmental expenditures devoted to highways in this territory increased but slightly, averaging approximately 11 per cent in the past biennium.

Lesser differences are to be found in the relative shares of outlays made by public service enterprises and for protection of persons and property. In the former case mainland governments show slightly heavier expenditures than in Hawaii. This may be due to the fact that municipally operated enterprises on the mainland furnish electric power, gas, and water; while several states maintain alcoholic beverage monopolies. In Hawaii, where public service enterprises are limited to county water-supply systems and territorial harbor and airport facilities, expenditures for such purposes formed 7.0 per cent of total expenditures in 1942, against 8.3 per cent for

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<sup>8</sup>Highway expenditures of the territory and counties of Hawaii fell from \$3.5 million in 1941 to \$2.8 million in 1942, a decline of 20 per cent. On the mainland, state and local outlays for road construction and maintenance dropped from \$1,671 million in 1941 to \$1,467 million in 1942, or by approximately 12 per cent.



the mainland jurisdictions.

Conversely, the cost of furnishing police and fire protection was relatively higher in Hawaii during 1942 than the average for the mainland, the percentages being 12.0 for Hawaii and 8.3 for the states and their localities. However, it may be noted from Table 2 that in the biennium following the end of the war, costs of protection in this territory declined to 9.1 per cent of all public expenditures in 1946 and to 8.5 per cent in 1947. Consequently, the disparity in 1942 may have been due in part to the advent of war.

The data presented in Table 3 would apparently indicate that Hawaii in 1942 spent relatively greater amounts for public welfare and relatively smaller amounts for health and sanitation than did the mainland governments. Examination reveals, however, that the larger part of these dissimilarities may be traceable to methods of classifying expenditures, rather than differences in the relative amounts spent for these overlapping functions. The figures shown for Hawaii in Table 3 are taken from the report of the territorial auditor for 1945 (at page 21), and indicate that during the fiscal year 1942 the territory spent \$835,000 for "health and sanitation," \$1,856,000 for "hospitals and institutions for the handicapped," \$1,456,000 for "charities," and \$506,000 for "correction," the last three items being grouped together in the above table as public welfare outlays. Use of this classification shows that the territory and counties spent 17.2 per cent of their composite budget for public welfare, compared with 12.8 per cent for the mainland governments, and 5.7 per cent for health and sanitation, compared with a mainland average of 8.8 per cent.

However, the territorial auditor's report for the year ended June 30, 1942, the identical period covered in Table 3, shows that \$1,839,000 was spent for "conservation of health and sanitation," and \$2,799,000 for

"charities, hospitals, and correction." Use of these figures would bring territorial-county expenditures for public welfare in 1942 to 13.8 per cent of total outlays (compared with 12.8 per cent on the mainland), and health and sanitation costs to 8.7 per cent (compared with 8.8 per cent on the mainland). Since both auditor's reports give virtually the same total for all of these purposes -- approximately \$4.6 million<sup>9</sup> -- it is apparent that the unavoidable arbitrariness which enters into the classification of such overlapping and complementary functions as health, hospital, and public assistance programs is probably the primary reason for the divergence of the Hawaii averages from those of the mainland.

#### Per Capita Governmental Expenditures in Hawaii

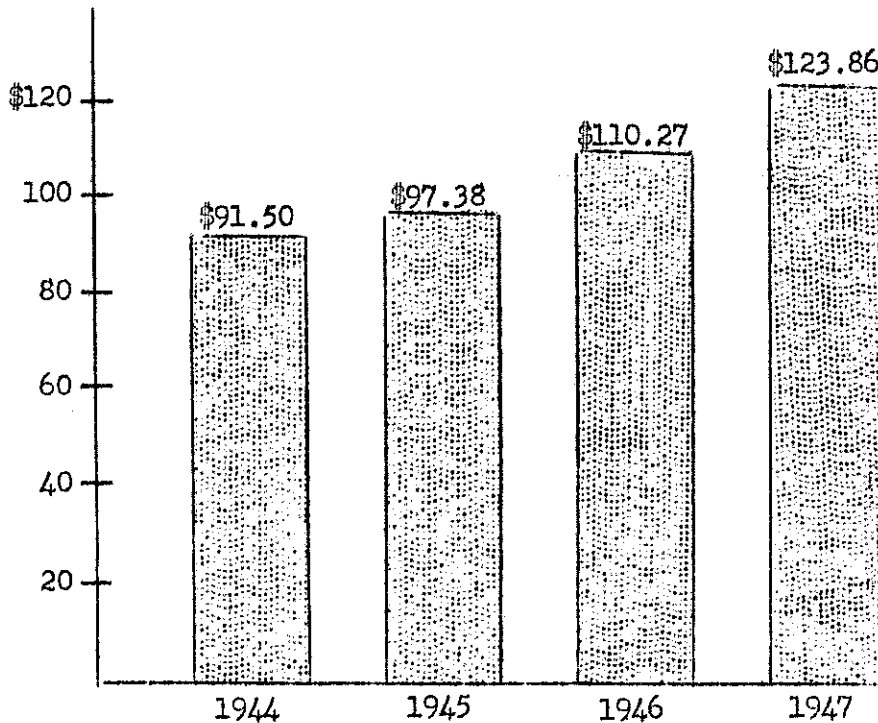
While the civilian population of Hawaii has increased approximately 11 per cent in the past six years, governmental expenditures have risen at a much more rapid rate. In 1942 per capita (civilian) governmental costs amounted to \$67.85. As indicated by Figure B, per capita government costs had risen to \$91.50 by 1944 and during the fiscal year ended June 30, 1947 amounted to \$123.86 per head. To furnish the various services required of it, the territorial government spent an average of \$75.63 last year for each of the 525,000 civilians residing in Hawaii. Per capita county expenditures amounted to \$48.23 for 1947.

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<sup>9</sup>There is, however, a discrepancy of \$15,000 between the earlier and later reports, since the 1942 report shows a total of \$4,638,000 for the above-mentioned purposes, while the 1945 report shows that \$4,653,000 was expended in 1942.

Figure B.

PER CAPITA GOVERNMENTAL EXPENDITURES IN HAWAII:  
Fiscal Years 1944-1947



Sources: Expenditure data from Table 2; civilian population as estimated by territorial Department of Health.

Because of the marked price inflation which characterized the period since 1945, Figure B does not show the "real" change in governmental expenditures, i.e. the comparison between 1945 and 1947 in terms of a dollar of stable value. With wholesale and retail price levels rising, it is to be expected that a given amount of public services, rendered with the same degree of efficiency, would cost more in 1947 than in the preceding years.

It is of interest, therefore, to compare the percentage increase in per capita governmental expenditures over the past two biennial periods with changes in the index of retail food prices in Honolulu over the same period.

Between 1944 and 1947 per capita governmental spending rose 35.4 per cent. Between June, 1944, and June, 1947, the Honolulu retail food index (computed by the territorial Department of Labor and Industrial Relations) increased by approximately 36 per cent. While there is no direct cause-and-effect relationship to be suggested by the virtual equality of these two percentage changes -- in part because a large portion of government cost payments are made in the form of salaries and wages, the level of which does not necessarily follow commodity prices -- this does suggest the influence of the price level upon the costs of government. This is further borne out by the increase in the wholesale price index over the same period. As reported by the Bureau of Labor Statistics, U. S. Department of Labor, wholesale commodity prices rose by 43.7 per cent between midyear 1944 and 1947, reflecting higher costs to all governments in the United States, notably in Hawaii, where the price level is markedly above the national average.<sup>10</sup>

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<sup>10</sup>The Honolulu food price index computed by the territorial Department of Labor and Industrial Relations for March, 1948, stood 23.5 per cent above the average for large mainland cities.

List of Sources of Data

A. For Hawaii:

City and County of Honolulu, Controller's Report, for 1942, 1943, 1944, 1945, 1946.

\_\_\_\_\_, Budget for 1947, 1948.

County of Hawaii, Report of Auditor, for 1942, 1943, 1944, 1945, 1946, 1947.

County of Kauai, Report of Auditor, for 1942, 1943, 1944, 1945, 1946, 1947.

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