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**ORGANIZING
FOR STATE
PLANNING
and
ECONOMIC
DEVELOPMENT**

MILDRED TERAUCHI

Research Assistant

LEGISLATIVE REFERENCE BUREAU

**UNIVERSITY OF HAWAII
Honolulu 14, Hawaii**

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INTRODUCTION

The department of planning and research and the department of economic development were established by the Hawaii State Reorganization Act of 1959¹ which was enacted shortly after statehood. The reorganization of the territorial agencies into 18 principal departments had been preceded by considerable study and discussion among legislators and other governmental officers who considered various alternative organizational arrangements.

Both the planning and economic development functions are relatively new to state government, however, and there are a number of informed observers who question the manner in which these functions have been organized. There are some who wonder whether the past two and a half years' experience of the two departments has not demonstrated the desirability of merging the two into a single department. It is the question of the desirability and feasibility of such a merger which the Legislative Reference Bureau has been requested to examine.

Two reasons offered for questioning the present structural arrangement are: (1) compared to other state departments, these two have very small staffs;² and (2) the concepts of state planning and economic development appear to be sufficiently related to justify placement of the functions under one department.

¹Act 1, SSLH 1959, (2d).

²According to the Department of Personnel Services, as of July 1962, the Department of Planning and Research employed 26 persons and the Department of Economic Development 13.

The total numerical size of the staffs of the two departments is sufficiently small to permit their placement in a single department,³ but certainly size should not be the only criterion in deciding whether a function should acquire departmental or divisional status. Clearly more important factors to consider are the objectives of the State in these two functional areas and the nature of the organizational arrangements which will best facilitate the achievement of these objectives. This report examines the question of the relatedness and administration of the two functions. More specifically, the report is designed to: (a) review the history and current status of planning and economic development movements on the mainland and Hawaii; (b) analyze the current operational procedures in the Hawaii state departments of planning and research and economic development to determine to what extent there is or is not overlap in their work; and finally, (c) appraise the advantages and disadvantages of merging the two departments.

³According to The Operating Budget of the Executive Budget for the Fiscal Year 1962-63, the other departmental staffs ranged from 26.5 in the Department of Hawaiian Home Lands to 7,140 in the Department of Education.

CHAPTER I

**STATE PLANNING AND ECONOMIC DEVELOPMENT
IN THE UNITED STATES**

Governmental "planning" and "economic development" are terms which have very broad but different meanings. They are sometimes confused and they are sometimes used interchangeably; probably because in application they are ultimately related. In order to differentiate between the two functions it is necessary to examine the nature and scope of each.

State planning functions, as recommended by the Governors' Conference in June 1961, include at least the following responsibilities:¹

fact gathering and analysis, assistance in formulating overall development policy, assistance in devising programs to carry out specific state plans and policies, capital improvements programming, and assistance to operating departments and agencies.

"Economic development" is an extremely broad term. To many, it is synonymous with "industrial development." As used in this report, economic development refers to activities which seek to add new wealth or maintain existing wealth in an area. "Industrial development" is more specific and refers to stimulation of new or existing manufacturing activities. Similarly, tourist development, commercial development, and agricultural development are other explicit areas which contribute to a state's economic development.

Economic development, although importantly related to planning, differs from planning in several respects. At the state level economic development has been

¹See The Subcommittee on State Planning, The Governors' Conference, State Planning, A Policy Statement, (Chicago: The Council of State Governments, 1962), P. 12.

concerned with the stimulation of the private sector of the state's economy--to increase opportunities for employment, to diversify the local economy and thus contribute to the general prosperity of the state. It may seek to accomplish these goals by:

- (1) attracting new industries to the state;
- (2) assisting and encouraging existing industries to diversify or expand existing facilities;
- (3) stimulating investment in agricultural, processing, servicing, and distributive enterprises;
- (4) advising various enterprises how to facilitate operations and to prevent wasteful duplication;
- (5) conducting research such as technical applied research, market analysis, and disseminating information to the private sector of the state's economy.
- (6) promoting local goods and services for out-of-state distribution; and
- (7) promoting the tourist industry of the state.

Whereas planning generally does not deal directly with private interests but communicates largely with other state departments or agencies and with representatives of other governmental jurisdictions, economic development necessarily has direct working relationships with individuals such as ranchers and farmers, small businessmen, and industrial executives and organizations. Generally the emphasis in state planning has been on long-range policy formulation and implementation, while the emphasis in economic development has been on the conduct of specific action programs designed to have an early or even immediate impact on the economy of the state.

Planning and Economic Development in the United States

The acceptance of government participation in planning and economic development is not new in the United States although the extent and nature of participation have varied over the past century and a half. Prior to 1930, government participation in economic affairs, though limited, was primarily concerned with stimulating business. With the appearance of public improvements programs in the West, the idea of long-range public planning at the national level gained adherents. In the 1930's the concept of state planning gained wide acceptance but faded somewhat in the 1940's when a re-emphasis on development occurred--particularly in the field of industrial development. In the last decade, both planning and economic development have received much attention from governmental officials and others who believe that social, economic and political problems might be alleviated if there is adequate planning, and that the condition of the people can be improved through adequate economic development.

State Planning and Economic Development Since the 1930's

Present-day economic development efforts by state governments are an outgrowth of the state planning movement of the 1930's,² which in turn was largely the result of the activities of the National Resources Planning Board (NRPB) established by Congress in

²Planning during the thirties consisted mostly of physical planning--that is, designating types of land use. This was probably partly due to the fact that federal legislation during this time involved the tying in of statewide planning activities with the national public works program. See Donald R. Gilmore, Developing the "Little" Economies, Committee for Economic Development, Supplementary Paper No. 10 (New York, 1959).

1933.³ When the NRPB was abolished in 1943, and financial support by the federal government of state planning terminated, interest in state planning diminished considerably and many state planning boards ceased to function.

Post-War Conversion

Many of the pre-second world war state planning agencies served as the nuclei for post-war agencies which combined planning and economic development functions. The evolution of these agencies varied greatly among the states. That a wide range of changing organizational arrangements for planning and economic development activities has been attempted among the several states is reflected in a general review of a chronology of pertinent legislation in the seven selected states shown in Appendix 1.

According to a 1960 survey conducted by the American Institute of Planners, to which 38 state planning agencies responded, "state planning in the United States may be entering a new phase of development"--that is, since 1957 a few of the states reappraising their development activities tend to give new emphasis to the state planning function in their reorganization plans.⁴ The state of Hawaii is cited in the survey as unique in that it is the only state with a separate state planning agency having a director with cabinet status. Other states which have given emphasis to state planning

³The Board was first called the National Planning Board, then National Resources Board, then National Resources Committee, and finally the National Resources Planning Board.

⁴Alfred J. Gray, "Survey of State Planning Agencies, 1960," Journal of the American Institute of Planners, XXVII:4 (November 1961), p. 325.

activities, such as Alaska, Colorado, and Pennsylvania, have placed their state planning functions in the governor's office. States such as California, New Mexico, North Carolina, and Tennessee have placed their state planning functions within a department of administration and finance. However, most of the 38 states responding to the survey, although interested in relating planning to their state administrative structures, are "still primarily concerned with industrial and economic development."

Objectives and Organizational Arrangements

The specific objectives of planning and economic development agencies in the various states are not the same. Many emphasize industrial development. Some may include programs fostering commercial development or development of recreational areas, and even promoting river navigation. Others combine advertising with development programs in the same agency. Almost all carry some research and fact-gathering activities but the extent of these vary considerably from state to state.

Planning and economic development functions may be allocated to a number of agencies in some states while in others they may be assigned to a single agency. Moreover, some agencies are placed formally in the executive branch but remain relatively isolated from the governor and the operating departments; others are placed within the governor's office itself.

It may well be that in some states where there is either no formal legislation for state planning and economic development functions or minimal involvement in these functions by established state agencies, other agencies--public or private--could actually be performing parts or nearly all of the state planning and economic development functions. For example, in

Kentucky from the thirties through at least 1948, the most "forceful 'planning and development' agency in the state...[was] a completely private organization known as the Committee for Kentucky," despite the existence of a governmental body charged with state planning responsibilities.⁵ Similarly, in other states a state or local chamber of commerce could be conducting a vigorous program in industrial development, and the banking institutions or universities could be providing research services not available from state agencies.

The majority of states are in the process of re-defining their planning and economic development objectives and reorganizing to facilitate the accomplishment of their goals. There is no wide acceptance of a specific organizational arrangement as being the best way to organize for the administration of planning and economic development activities.⁶

Puerto Rico

The commonwealth of Puerto Rico provides generally an atypical organization for planning and economic development functions. In Puerto Rico the planning functions and economic development functions were initially organized independently of each other, but interestingly, both were established the same year and

⁵Albert Lepawsky, State Planning and Economic Development in the South, National Planning Association, Committee of the South, (Kingsport, Tennessee: 1949), p. 25.

⁶For more complete comparative data of state organization for planning and economic development, see Aelred J. Gray, "Survey of State Planning Agencies, 1960," Journal of the American Institute of Planners, XXVII, No. 4 (November 1961), pp. 325-331; and The Council of State Governments, Reorganizing State Government (Chicago: 1950), pp. 67-75.

both underwent major changes eight years later.

In 1942 the legislature created the Puerto Rico industrial development company,⁷ charging it to "conduct research, operate industrial enterprises...and to encourage the development of the economic and human resources of Puerto Rico." The Puerto Rican experience has been unique for the United States in that new industries have been established through the initial construction and operation of corporate enterprises by the government which subsequently were leased or sold to private enterprise. In 1950 a major change was effected when the economic development administration was established. The administration assumed under its wings not only the industrial development company but four other line divisions: the transportation authority,⁸ department of industrial promotion, department of tourism, and the department of industrial services. The administration assumed direct responsibility for the promotional and industrial-economic research functions of the industrial development company which subsequently has concerned itself primarily with activities more directly involved with risk capital. The magnitude of the responsibilities charged to the economic development administration resembles somewhat the similarly wide range of activities covered by the Florida development commission (see Appendix 1).

The Puerto Rico planning board, too, was created in 1942 as an independent agency. In 1950 the board was placed in the office of the Governor to effect

⁷See report by Public Administration Service, The Economic Development Administration of the Government of Puerto Rico (Chicago, 1952).

⁸In 1955, the Transportation Authority was succeeded by the Puerto Rico Ports Authority.

closer relationships with the chief executive. The planning board is charged with the preparation of the master plan for the commonwealth and the annual preparation of a six-year capital improvements program. It has also absorbed the functions of the board of building appeals and has been given responsibility for the operation of the bureau of permits which issues building permits and permits for the use of land and buildings. In 1953, the functions of keeping statistics such as the balance of payments made abroad, net income, gross product, and business indices of the commonwealth were transferred from the economic development administration to the planning board. Other functions of the board include local planning assistance and even the adoption of subdivision regulations.⁹

One observer notes three unique features of the Puerto Rico planning board: (1) the board had been assigned from the start the responsibility of both physical and [socio-] economic planning, (2) the board has the power to act as a central planning authority for each city and town, making possible a degree of regional planning "seldom achieved elsewhere," and (3) the board occupies a strong position in the administrative organization, acting as staff adviser to the governor and legislature on matters of economic and social development and fiscal policy; the board also coordinates the development activities of the government departments

⁹Laws of Puerto Rico Annotated (Equity Publishing Corporation, 1954), Title 23; Laws of Puerto Rico Annotated, Cumulative Pocket Supplement 1959, Title 23.

and public corporations within the framework of policy set by the governor and legislature.¹⁰

In carrying out its responsibilities in physical planning, the board prepares a master plan (which in reality is a set of plans) for the development of Puerto Rico in collaboration with other public and private agencies. The several bureaus of the board assist in carrying out the board's responsibilities in socio-economic planning by conducting various kinds of research and producing periodic and intermittent reports. The major overall periodic report for socio-economic planning is the Economic Report to the Governor which reviews the progress of the general economic development of the commonwealth, identifies problems, and makes recommendations on a variety of matters such as tax structure, unemployment, and physical and social resources. The report is supplemented by a host of other documents such as social analyses, economic projections, various statistical reports, and a six-year financial program indicating planned expenditures for capital projects and special programs.¹¹

¹⁰ Brandon Howell, "The Planning System of Puerto Rico," The Town Planning Review, Vol. XXIII, No. 3, (October 1952), University of Liverpool, p. 212, as cited by Alvin Mayne, "Designing and Administering a Regional Economic Plan with Specific Reference to Puerto Rico," Regional Economic Planning, edited by Walter Isard and John H. Cumberland, (Paris: Organization for European Economic Cooperation, 1961), p. 169.

¹¹ Alvin Mayne, "Designing and Administering a Regional Economic Plan with Specific Reference to Puerto Rico," Regional Economic Planning, edited by Walter Isard and John H. Cumberland, (Paris: Organization for European Economic Cooperation, 1961), pp. 170-171. For a fuller description of other agencies involved in the economic, social and physical development of the commonwealth, see pp. 167-182.

CHAPTER II

CHRONOLOGY OF PLANNING AND ECONOMIC DEVELOPMENT MOVEMENTS IN HAWAII

Hawaii over the years has attempted to extend the government's role in planning and economic development functions. The chart below depicts the evolution of the agencies charged with these functions.

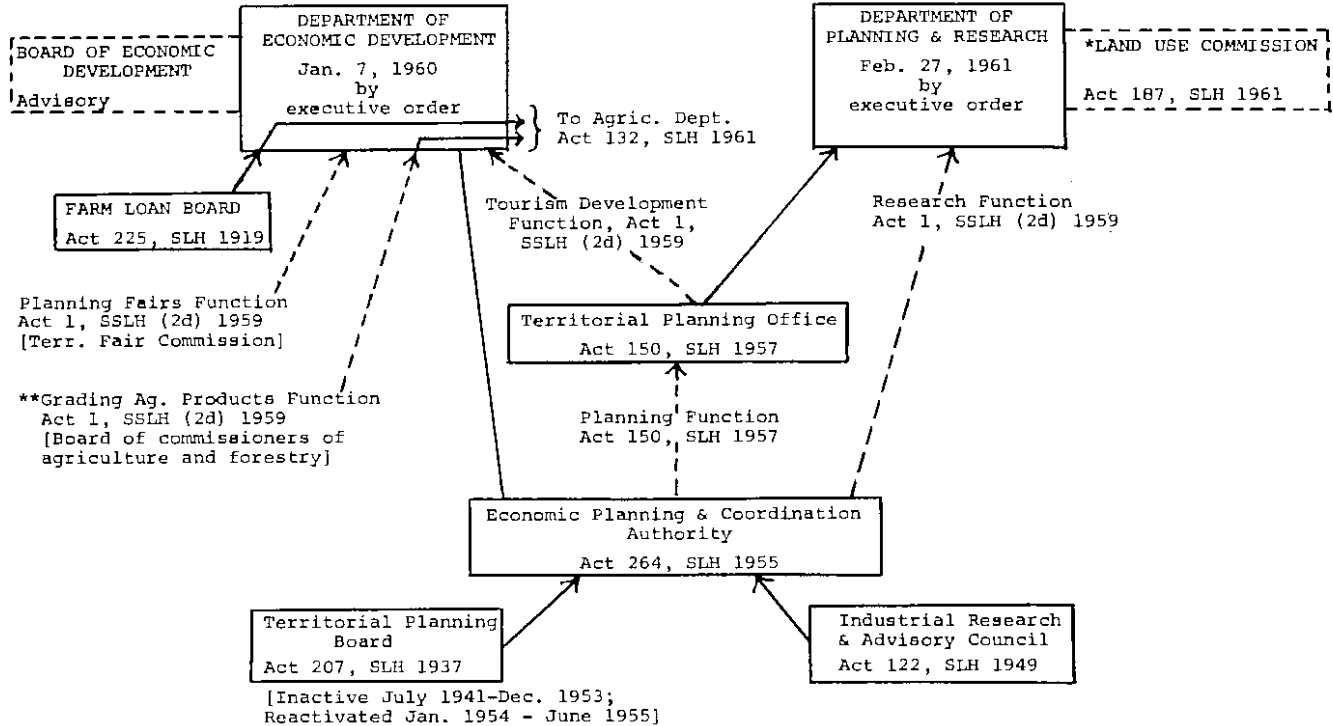
Territorial Planning Board (TPB)

Like many mainland states, the government of Hawaii first gave evidence of interest in territory-wide government planning in the 1930's when the federal government was encouraging public works programs and public works planning. In 1937 the legislature created the Territorial Planning Board (TPB) which was concerned primarily with the physical development of the territory. The board was responsible for the preparation of a "territorial master plan" which included the tasks of (1) coordinating all public developmental plans, (2) regulating public works construction, and (3) preparing land utilization studies. The board was also responsible for coordinating the territorial public works program with the federal and military construction program. Legislative appropriations were discontinued in 1941, and the board ceased to function after June 1941.¹

¹The 1941 Senate and House Journals show that the House version of the general appropriations act proposed \$50,536 for the TPB for the biennium 1941-43 (essentially the same amount as that appropriated in the preceding biennium); however, the Senate deleted the entire amount.

CHART 1

CHANGES IN ORGANIZING FOR PLANNING AND ECONOMIC DEVELOPMENT FUNCTIONS
STATE (TERRITORY) OF HAWAII
1937 - 1961



14

*Administrative, with executive officer and staff
**Establishment of rules and regulations on grading and labeling of agricultural products.

The board was reactivated by the governor in January 1954 and funds from the governor's contingent fund were used to cover the board's expenses. The work of the board fell in three general categories:² (1) making recommendations to the governor on matters relating to the disposition of various territorial land for agricultural purposes; (2) recommending legislation to implement uses of territorial land to strengthen the general economy of the territory; and (3) preparing special reports requested by the governor. The board held its last meeting in June 1955, and in the following month its functions were transferred to the newly created Economic Planning and Coordination Authority.

Industrial Research Advisory Council (IRAC)

After the Second World War, interest in planning and economic development was revived. The result was the establishment of the Industrial Research Advisory Council (IRAC) by the territorial legislature in 1949.³ Although not reflected in its name, the council's efforts were largely concerned with agricultural research and promotion aimed at the development and ultimate exportation of Hawaii's agricultural (and horticultural) products. There were no large-scale efforts by the IRAC to expand existing island commercial enterprises other than the Hawaiian handicrafts industry, or to

²Territorial Planning Board, Final Report on the Activities of the Territorial Planning Board for the Biennium Period 1954-1955 (Total 18 Months), June 8, 1955 [typewritten 4-page report].

³Specifically, the original legislative bill was motivated by the need for fumigation treatment plants for the export of cut flowers, but the bill was later expanded to provide research and other kinds of support for fresh fruits, vegetables, and nuts.

attract new large industries. Altogether the IRAC expended nearly one and a half million dollars in public and private funds over a six-year period. Its critics felt that the results were inadequate because IRAC's research programs showed a preponderance of short-term, applied technical research projects confined mostly to non-industrial development objectives, and the council was overly cautious in avoiding projects which carried high risks. They further felt that IRAC's role in the territory's economic research and development programs was not effectively coordinated with, nor clearly delineated from, the programs of other tax-supported agencies engaged in similar kinds of research.⁴ In the belief that an overall change in organization was called for, the 1955 legislature abolished IRAC and transferred the agency's duties, functions, and powers to the newly created Economic Planning and Coordination Authority (EPCA).

Economic Planning and Coordination Authority (EPCA)

EPCA's functions were more comprehensive than IRAC. The new agency was charged with:⁵ (1) coordinating territorial activities relating to economic development; (2) stimulating the economy by means of research and demonstration project activities; (3) preventing wasteful duplication of economic development activities; (4) collecting and collating data relating to the territory's economic development; and (5) determining relative priority of territorial development projects.

⁴For a detailed analysis of IRAC's activities, see report prepared by Stanford Research Institute, Review of the Program of the Industrial Research Advisory Council, Territory of Hawaii, February 1955.

⁵Act 264, SLH 1955, passed June 15, 1955.

The last two functions are functions which were later transferred to the Territorial Planning Office when it was created in 1957. In its actual operation, EPCA devoted its efforts mostly toward carrying out functions (2) and (3).

EPCA strived to overcome some of IRAC's alleged weaknesses. It assumed more high-risk studies⁶ and continuing longer-term studies.⁷ It also had more specific legislative requests to fulfill, but the agency continued to enjoy essentially the same high degree of independence and latitude which IRAC had possessed.

The board was composed of seven members and had attached to it four standing advisory committees in agricultural development, industrial development, land development, and credit development. Each committee, in turn, enlisted the participation of many well-known individuals in the community. EPCA members and the director were generally the same persons who had guided IRAC.

The authority exercised no broad planning functions. There was no reactivation of the long-range type of planning, the first stages of which had been attempted by the old TPB.

Territorial Planning Office (TPO)

The need for some kind of planning for long-range economic development of the territory moved the legislature in 1957 to establish the Territorial Planning Office. The Legislature sought to "[pull] together the

⁶Examples: "A Preliminary Evaluation of Titanium Ore and Clay Deposits in the Hawaiian Islands," "Economic Feasibility of a Clay Pipe Plant for Hawaii."

⁷Example: A three-year study on hydrologic investigation of Pearl Harbor area.

four counties into a unified Territory for the purpose of long-range economic development plans," recognizing the "necessity for blue-printing economic development of the Territory as a whole."⁸ Specifically, the legislature hoped to expedite the economic development of the neighbor islands. The TPO's relationships with other state and local agencies having planning functions were carefully defined in the enacting legislation. The new agency was immediately mandated to begin work on specific projects, the most important of which was the preparation of a statewide general plan and a long-range (six-year) capital improvements program.

In late 1958, anticipating statehood and the consequent need for government reorganization, the chief executive's office contracted for a study on organizing for resource management and economic development. The resultant report recommended the creation of two large departments--(1) a department of economic development with divisions of agriculture, tourism and business, and (2) a department of public lands and resources with divisions of planning; water resources; forestry, and parks, recreation and wildlife. The report recommended that the Territorial Planning Office continue as the general planning unit of the Territory, its functions to include (1) the reviewing and commenting on the use of public lands and resources and the development of the private sector of the economy, (2) rendering local planning assistance, (3) developing and ultimately controlling the classification and reclassification of land according to its highest beneficial use, (4) exercising primary review authority over the capital

⁸The Twenty-Ninth Legislature of the Territory of Hawaii, Regular Session 1957, Senate Journal, p. 514. [Standing Committee Report 208].

budget, and (5) assuming the work of the land study bureau of the University of Hawaii.⁹

Statehood 1959

Congressional action in March 1959 bringing statehood to the Islands set in motion steps toward major state government reorganization. The Legislature established a Joint Legislative Committee on Government Reorganization "to [determine] and [prepare] plans, studies and legislation necessary to assist the First State Legislature" in carrying out the transition from territorial status to statehood.¹⁰

It is of interest to note that the committee did not raise the question of whether to combine planning and economic development functions in a single department.¹¹ Rather, planning-research functions were viewed from the beginning as central staff services which, together with the budgeting, personnel, accounting, and legal services existed to:

advise and assist the Governor in the performance of his executive and administrative responsibilities; advise and assist the various line agencies to perform their assigned responsibilities effectively and economically; and establish and administer necessary controls on behalf of the Governor.

The committee debated as to the best way to organize the function relating to economic development,

⁹ See Public Administration Service, Organization for the Administration of Natural Resources and Economic Development in the Territory of Hawaii (Chicago: January 1959).

¹⁰ Act 127, SLH 1959, passed May 21, 1959.

¹¹ See Hawaii. Joint Legislative Committee on Government Reorganization Report on Reorganization of the Hawaii State Government to the First Hawaii State Legislature. (Hawaii: August 1959).

tourism, agriculture, public lands, and conservation and development of the state's natural resources. The committee felt that the then existing agencies dealing with these activities embraced the common objective of increasing the "wealth and prosperity of our people through efficient management of our public domain and through appropriate assistance and encouragement given to our present, and possibly new, agricultural, commercial, industrial, and other private enterprises." The committee recommended that a department of agriculture and commerce be established for the administering of programs pertaining to agriculture (including animal industry), economic promotion, tourist promotion, and farm credit services. The committee also proposed a separate department of planning and research to carry out programs in economic research and statistics, human resources research and statistics, general planning and project planning services.

As the chart on page 14 shows, the final legislative decision in the organizing for planning and economic development was modified somewhat from the committee's recommendation. Agricultural functions were structured separately except for the administration of the farm loan program and the establishment of rules and regulations on grading and labeling of agricultural products which were assigned to the department of economic development. Essentially, the latter department took over EPCA's functions, and the department of planning and research succeeded the TPO except that the "research function" of EPCA was transferred to the department of planning-research, and the "tourism development function" of TPO was transferred to the department of economic development. Thus, a conspicuous swapping of functions occurred between the new departments of planning-research and economic development.

The department of economic development also assumed the function of planning fairs of the Fair Commission, but in 1961 the administering of the farm loan program and the function of establishing rules and regulations for the grading and labeling of agricultural products were transferred to the department of agriculture.¹²

¹²See Act 132, SLH 1961, section 1.

CHAPTER III

THE FUNCTIONS AND OPERATIONS OF THE DEPARTMENTS OF PLANNING AND RESEARCH AND OF ECONOMIC DEVELOPMENT¹

The department of planning and research and the department of economic development are both concerned with the economic development of Hawaii; both have extreme interest in adequate planning, sound research data, a favorable climate for growth, and construction of required public facilities. Given the existing differences in the statutory missions and the professional orientation of the two departments, their approach to the problems of development and the ways in which they have organized to meet these problems have necessarily been different.

In this chapter the nature of the two departments, their programs and their relationships are discussed; in the chapter which follows, the similarities and differences between the two departments which have significant bearing on organization are examined.

¹Effective the beginning of the year, the economist, who heads the research division of the department of planning and research, one of his staff members, and their major personal and organizational functions were transferred to the department of economic development on an interim or transitional basis so as to facilitate coordination of research and the pursuit of certain research endeavors. The formal transfer of the positions and functions await legislative approval. This chapter and the remainder of the report describe the two departmental organizations and the operations prior to the informal transfer.

Statutory Functions of
the Two Departments

The statutory functions² of the Department of Planning and Research (DPR) are: (1) To plan for the optimum use of the human and natural resources of the state; (2) To plan for the development of the economy of the state; (3) to collate factual data relating to the people, resources, needs and development of the state; (4) To prescribe a standardized statistical reporting system; (5) To prepare a general plan of the state and other necessary development plans; (6) To assist local planning agencies in the development of urban and rural planning; and (7) To review the various requests for capital expenditures and proposed public works and determine if they are in accordance with the general plan. The statutory functions³ of the Department of Economic Development (DED) are: (1) To encourage the promotion of the products of agriculture; (2) To encourage the development and promotion of industry and tourism through the gathering and dissemination of information of use to enterprisers; (3) To offer expert consultative services; (4) To plan fairs; and (5) To administer business credit programs and other programs established by law.

The functions of the DPR are broader than those of DED, being concerned with overall planning for the development of the total state economy and for the optimum use of all the state's resources. The emphasis in the list of DED functions is on three segments of the economy--agriculture, industry, and tourism--and on encouraging their development or the promotion of their

²Revised Laws of Hawaii 1955, 1961 Supplement, sections 14A-9, 98F.

³Ibid., section 14A-24.

products, not planning for the overall development of these segments. Yet clearly the functions of the two departments are related. The general plan, specific development plans, local planning, capital improvements programs all have their effect on encouraging the development and promotion of industry and tourism and on the promotion of the products of agriculture. Conversely, the DPR is interested in the program accomplishments of the DED and will consider them, among other things, when reviewing its general plan and other state objectives.

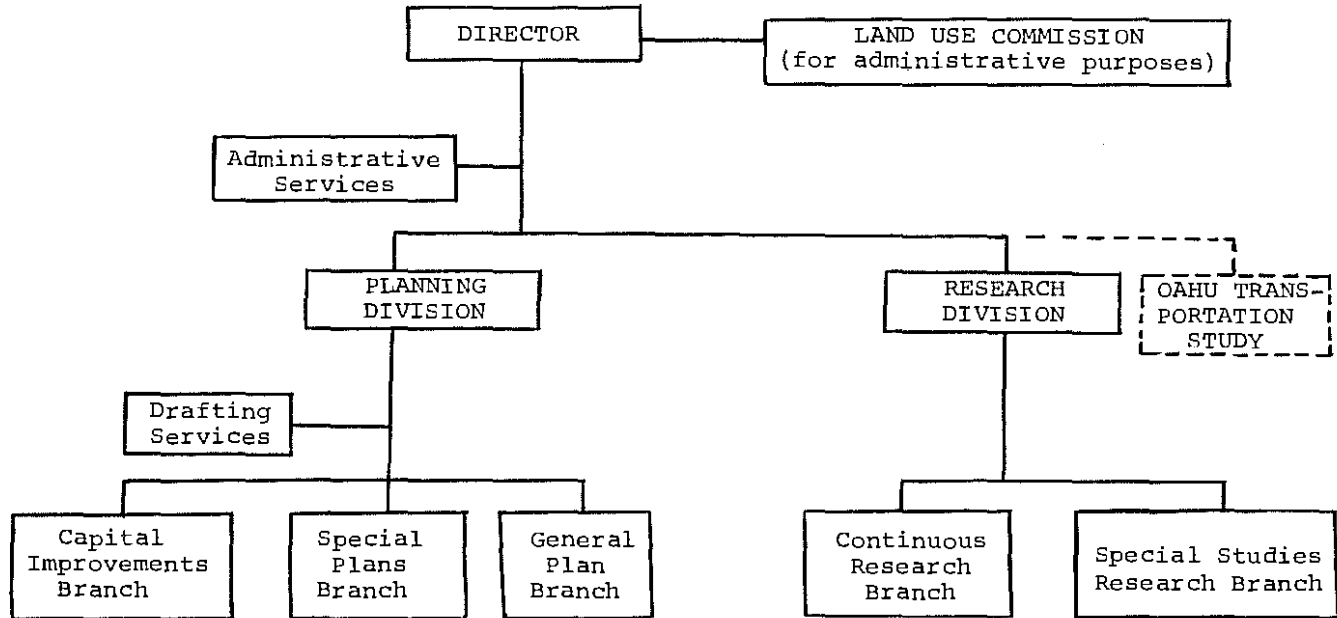
The Organization and Operation of the Department of Planning and Research

The DPR is organized into two divisions--planning and research--as shown in Chart 2. The planning division, headed by a principal planner, is concerned with capital improvements, the general plan, and special plans; the research division, headed by a general economist, is concerned with continuing research and special studies. In addition, the Land Use Commission, with a principal land planner, is attached to the department for administrative purposes, and the special Oahu Transportation Study has been assigned to the department for purposes of planning, research and coordination. The department's staff includes a high proportion of employees with professional training in planning, economics, law and political science. Of the 26 positions in the department, nearly three-quarters of them require professional training. The remaining staff includes secretarial and mechanical drafting positions.

The department is involved in administering several interrelated activities. For instance, basic studies conducted by the research division may affect the general plan or result in the development of a special plan both of which fall within the jurisdiction of the

CHART 2

ORGANIZATION OF THE DEPARTMENT OF PLANNING AND RESEARCH STATE OF HAWAII



Source: Department of Planning and Research (as of August 1962)

planning division. Also, much of the work of the research division, especially with respect to continuing research, involves the production and analysis of statistical data useful to many agencies both within and outside the state government.

Many of the department's activities involve it in direct and continuing relations with other governmental agencies, the formulation and administration of the capital improvements program and local planning assistance being two obvious examples. Other operations, such as the special transportation study, clearly involve other agencies, both governmental and non-governmental.

These planning and research operations suggest that the DPR performs some functions which, to some people, are considered line functions. For example, in formulating long-range development objectives for the state and in preparing the state's annual and six-year capital programs, the department wields a powerful and effective tool in influencing the direction and level of activities of other departments, so that in fact, the DPR assumes a variety of techniques which are operational in character. This fact, in itself, is not unreasonable, for sound long-range development objectives tend to be meaningless if there are no accompanying means of implementation. The allotment advices for capital projects which the department prepares, although "advices," are in effect allotment administration. The comptroller's office will not release funds for a capital project without DPR-approved allotment advices. There is, of course, continuous interaction between DPR personnel, officials of other governmental agencies, and the chief executive during the course of preparing the general and developmental plans, and the capital budget.

The General Plan

The preparation of a state general plan which was mandated by the 1957 legislature, constituted the department's largest single project. The 20-year general plan includes proposals for land use, economic development, education, health, tourism, land transportation patterns and a sea-ferry or alternate air-ferry system for inter-island travel. The plan was largely completed in early 1961, and in April of the same year the legislature, by senate concurrent resolution,⁴ adopted the plan "in principle as an interim policy guide for the future development of the State." Organizationally, responsibility for the maintenance of the general plan is centered in the general plan branch of the planning division.

Relationships with the Counties. A critical factor in the successful preparation and implementation of the state general plan is the nature of working relationships between the DPR and the counties. Zoning, subdivision control, urban redevelopment, and enacting and administering building and housing codes are local functions. These are functions which vitally affect the success or failure of the state's general plan. Therefore, it is imperative that the DPR and the county boards and county planning agencies understand each other's planning proposals. If there is no concurrence of the general plan by both governments, there will undoubtedly continue to be difficulty, if not total inability, in implementing the state general plan.

Adopting and Amending the General Plan. When the legislature mandated the Territorial Planning Office in 1957 to prepare a state general plan, it outlined in

⁴Senate Concurrent Resolution 39, House Draft 1, passed April 6, 1961.

detail the adoptive and amendatory procedures which the DPR and the respective counties were to follow.

Act 150 states that the director shall "work in close cooperation with the respective officials and people of each county" and that "the county sections of the general plan, or amendments thereto, shall become effective when enacted by an ordinance of the respective county...." The neighbor island county boards and the Honolulu city council have not yet adopted by ordinance their respective portions of the general plan. The reasons for inaction are several. One county plan, which is practically identical with its respective portion of the state general plan, is still being reviewed by its board of supervisors. Two counties have not adopted the state general plan because of differences in certain aspects of the plans. The reason for inaction by the fourth county is unclear.

The amendatory procedure prescribed in Act 150 states that "the general plan may be amended within any county by the director with the board approving the amendment by ordinance," or "the county may, after consulting with the director, amend the general plan by ordinance." To date, neither of the above situations has taken place. It should be noted, however, that the Act does not specify a time limitation.

Capital Improvements

Act 150 prescribes the capital budgeting process in detail:

Prior to each regular session of the legislature, the [director of the department of budget and review] shall supply the director with copies of the various requests for capital expenditures as received from [state] agencies for inclusion in the proposed [state] capital budget. The budget director shall also supply the director with a list of proposed public works to be constructed during the succeeding [six years]. Each county shall similarly provide the director with a list of necessary capital improvements to be constructed

in the respective counties during the succeeding six years. In preparing such lists, the counties shall indicate the contemplated means of financing each project.

The director shall review the various requests for capital expenditures and proposed public works to determine if they are in accordance with the general plan. The director shall prepare a report thereon for the legislature, including his recommendations on the governor's proposed capital budget, and shall forward such report to the members of the legislature at least twenty days prior to the convening of each regular session.

The present capital budgeting process actually has been modified appreciably from the procedure outlined in Act 150. The director of the department of budget and review has been largely by-passed in the initial phases of the budgeting process. Departments submit their requests for capital expenditures directly to the DPR, and the budget director no longer "supplies the director with a list of proposed public works . . . of the succeeding three bienniums." The DPR has the responsibility of preparing the proposed capital budget although, to be sure, consultations are held with budget officials and the chief executive in its preparation. The final draft of the annual capital budget and the long-range program is the governor's proposed budget which he submits to the legislature. The deviation in procedure from that stated in Act 150 was made with the budget agency's consent.

The Location of the Capital Budgeting Functions.

The choice of agency to be vested with the responsibility of designing annual and long-range public works programs varies among the several states. Generally, this function is assigned to either the budget agency, the planning agency, or a unit within the governor's office. According to a survey conducted in 1960 by the American Institute of Planners, seven of the twenty

state agencies with state-planning authorities also have responsibilities relating to capital improvements programming (CIP).⁵ Planners and others who believe that the preparation of the capital budget should be vested in the planning agency contend that this is a necessary tool if the state's long-range CIP and general plan are to be realized. (In the case of Hawaii, the DPR regularly examines each agency's annual and six-year capital expenditure requests which are listed by priorities. After appropriate conferences with the governor and the agencies concerned, the DPR may shift priorities to conform with the state's overall developmental policy.) Further, capital budgeting is viewed as having a specific purpose--that of formulating development programs based on community needs and improvement--quite different than that of the operating budget. Those who believe that the CIP preparation properly belongs in the budget agency counter with the argument that long-range plans are meaningless unless they are tied realistically to fiscal resources--e.g. revenue and expenditure projections, and bonding capacity. (In Hawaii, the budget agency has available, for DPR use, budgetary ceilings to be considered during the preparation of the annual and six-year capital budgets.) They further believe that capital budgeting should be closer related to the operating budget process to avoid discrepancies. For example, it is possible to design an operating budget which does not allow for certain personnel or equipment simply because those preparing the operating budget are unaware of decisions reflected in the capital budget. It is also argued

⁵Aelred J. Gray, "Survey of State Planning Agencies, 1960" Journal of the American Institute of Planners, XXVII, No. 4. (November 1961), p. 328.

that the placement of both budgets in the same agency assures better coordination of budget examination and preparation. (In Hawaii, the DPR attempts to avoid conflicts between both budgets by supplying the budget agency in advance with copies of departmental CIP requests and data relating to operating requirements for CIP projects.)

Inclusion of County Capital Improvements Requirements. Act 150 also prescribes that the counties submit annually to the DPR "a list of necessary capital improvements to be constructed in the respective counties during the succeeding six years. In preparing such lists, the counties shall indicate the contemplated means of financing each project. . . ." The letter of this requirement has been complied with, but there is inadequate communication resulting in incomplete understanding of reasons for specific capital improvements requests. One factor which probably contributes to insufficient understanding is the tendency of neighbor island counties to submit their CIP requests after their new boards have assumed office, by which time the state's proposed CIP program has already been printed. Thus, there is inadequate time for conferences between state and county planning officials prior to the convening of the legislature. It is recognized that during legislative sessions, legislators from the respective counties do discuss with the DPR director or his staff members programs affecting county general plans; however, the legislative session climate is not conducive to commencing close relationships. Rather, it is probable that the DPR and legislators would mutually benefit if useful exchanges of data and views

between DPR and county boards and planning offices occurred before legislative sessions.⁶

Special Plans

The special plans branch is concerned with the production of plans for the development of projects which may be separately identified and in which the DPR will be involved for a limited, though not necessarily predictable, length of time. Examples of such plans are the state shoreline and recreation study, state land use districts study, the Honolulu waterfront plan, and the state capitol location study. The branch also administers the local planning assistance program.

Related to the preparation of county and state general plans are the neighbor counties' requests to the state government to apply for federal assistance permitted under section 701 of Title VII of the Housing Act of 1954.⁷ Applications for such federal grants and subsequent receipts of matching federal funds are channeled through the DPR. The working relationships arising out of 701 programs are stronger and apparently more satisfying to state and neighbor island county

⁶See Charles S. James, Capital Improvements Programs in Hawaii (Request No. 7652; Honolulu: University of Hawaii, Legislative Reference Bureau, February 1960). The report discusses the problems and the respective roles of the several state agencies, the governor and the legislature in the complex process of long-range planning and short-range programming of the state capital budget.

⁷The Act authorizes the administrator of the Housing and Home Finance Agency to award planning grants to state planning agencies in their planning activities. Grants are not to exceed 66-2/3 per cent of estimated costs. Cities of populations over 50,000 may apply directly to the federal government.

officials. Also, the DPR has been helpful to the neighbor island counties by presenting their case for county requests to the legislature for matching 701 funds.

The city and county of Honolulu is eligible to apply directly to the federal government for 701 aid since it meets the population requirement. Honolulu's last completed 701 project occurred in 1959⁸ after which time the city has managed to carry out its planning activities without 701 assistance. In general, until recently, city and state officials have had only minimal contacts for discussing and resolving differences concerning planning and development needs of Oahu. Significant progress was made in bettering state-city planning relationships when the Oahu transportation study--a 701 project--was undertaken jointly in 1962 by the DPR, the highway division of the state transportation department, the city planning department, the city traffic department, and the U. S. bureau of public roads.

Continuing Research

The continuing research branch is charged with the conducting of management-level research in order to provide data necessary to the DPR and other governmental agencies in formulating policies. The department releases serial publications such as the Planning Brief and the Research Reports which cover a variety of subjects. Examples of the latter are: "Population Trends in Hawaii 1778-1960," "Visitor and Hotel Room Projections for Hawaii," "Recreational Preferences on

⁸ In 1959, the city and county of Honolulu applied for and received 701 planning assistance, the result being The General Plan for Urban and Urbanizing Areas (Honolulu: Planning Department, City and County of Honolulu, 1959).

Oahu," "Military Personnel and Dependents in Hawaii," and "Residential Construction in Hawaii." These reports are distributed primarily to other governmental agencies, business and civic organizations for their reference.

Continual economic, demographic and related studies need to be done to keep the general plan and long-range capital improvements program up-to-date. Also, the DPR serves as liaison between the state and the U. S. bureau of census and as such conducts periodic surveys and keeps inventory of miscellaneous census data. The branch maintains a continuing inventory of state research projects and is responsible for the coordination of research activities of state agencies. The department maintains its own library in planning and research.

The department's position of general economist was not filled until August 1962; consequently, the research division has not progressed to the level of performance that the DPR has wished for.

The DPR desires to serve as a data bank of basic information relating to the state to which public and private organizations may avail themselves. At present there is no single source from which information on the state can be obtained. For example, population statistics must be obtained from the department of health, air and land passenger traffic statistics from the department of transportation, real property tax assessments from the department of taxation, labor statistics from the department of labor and industrial relations, and so forth. Other data are obtained from reports of private organizations such as the First National Bank, Bank of Hawaii, the Tax Foundation of Hawaii, and the State Chamber of Commerce. Even after various data are collected from multiple sources, researchers must use the data with caution because

there are no standardized terminology and methodology. The Statistical Abstract of Hawaii 1962, recently released by the DPR, suggests a step toward the establishment of the department as a central clearing-house of basic information on the state.

The department conducts analyses of long-range economic, business, industrial and population trends in the state. Two banking institutions in the state publish at monthly intervals business and economic indicators for the islands based in part on raw data, such as population numbers, labor and employment statistics, personal income, and transportation statistics obtained from state agencies. The state, however, has not similarly used its own data for the purpose of making long-range economic projections.

The department would like to develop its research division upon which other governmental units will rely for guidance in their individual planning functions.⁹ In order to attain this role, skillful coordination of state research activities by the DPR, including standardization of terminology and methodology must be effected. It is recognized that such an objective cannot be accomplished overnight, but that in time the DPR could release regularly, reports comparable say, to the manifold reports prepared by the Puerto Rico planning board as described on page 11.

Special Studies

In general this branch conducts studies of short duration--generally upon requests from the governor and

⁹See Booz, Allen and Hamilton, Report on Survey of Organization Structure, State of Hawaii, (San Francisco: 1961), pp. 60-64. The report makes a number of recommendations relating to planning and research functions of the other state departments.

other agencies. Two examples are the low cost housing study, requested by the governor, and the Hawaii housing study, requested by the hawaii housing authority.

Oahu Transportation Study

The DPR has been assigned the task of coordinating and overseeing the Oahu Transportation Study, which was authorized by the 1962 legislature.¹⁰ The study, which is expected to take 2-1/2 years to complete, is designed to project a long-range transportation plan to meet Oahu's needs for the next twenty years. The DPR, in order to make sure that the study received adequate top-level attention while at the same time not allowing it to dwarf other departmental programs simply because of its size, established the study as a temporary division and contracted for the services of an ex-division engineer from the department of transportation to serve as project manager. This appointment has the further advantage of facilitating participation in the study by the transportation department. Provisions also have been made for representatives from the state highway division, the city planning department, the city traffic department and the U. S. bureau of public roads, Hawaii office, to serve under the project manager, again in part to facilitate coordination. The department has retained a mainland program consultant to advise it on management of the study, and a consulting firm will be employed to undertake a part of the study.

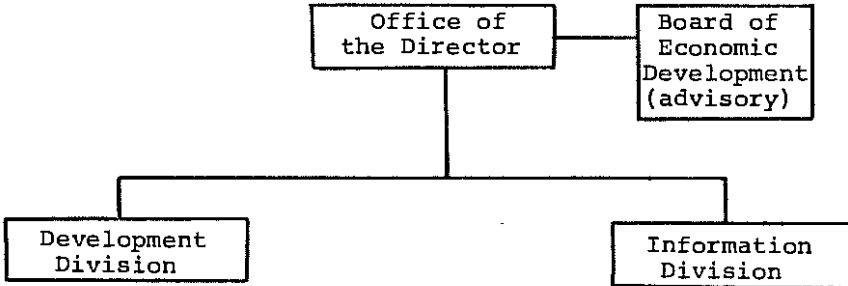
¹⁰ Act 30, SLH 1962. See under "Highway Projects." Of the total cost, the federal government provides \$400,000, and the state and city and county of Honolulu each appropriates \$100,000.

Land Use Commission

"In order to preserve, protect and encourage the development of the lands in the State for those uses to which they are best suited," the legislature in 1961 passed what is popularly known as the "Greenbelt Law."¹¹ The law established the Land Use Commission, a nine-member body which includes two ex-officio members--the director of the DPR and the director of the department of land and natural resources. The commission, which is part of the DPR only for administrative purposes, is assigned specific responsibility for classifying the lands in the state into three kinds of "districts": urban, agricultural and conservation districts.

The Organization and Operation of the Department of Economic Development

The chart¹² below shows the organization of the DED:



¹¹Act 187, SLH 1962.

¹²The Plan of Organization issued by the Governor's Office in July 1962 shows a third division called "Economic Analysis Division," but operationally this division is part of the information division.

The department is staffed by 15 persons including 7 clerical persons. As of September 1962 three positions were vacant. Because of the small staff, personnel often carry out assignments in either division. In general, however, the deputy director is immediately responsible for the development division, and the information director is in charge of the information division. The director participates actively in all programs, particularly in the programs relating to tourist promotion and product promotion.

The specific programs handled by the two divisions are as follows:

<u>Development Division</u>	<u>Information Division</u>
1. Tourist promotion	1. Information gathering and dissemination
2. Visitor facilities development	2. Publications
3. Industrial development	3. Planning of fairs
4. Agricultural and industrial product promotion	
5. Diaster commercial loan programs administration	
6. Area redevelopment program administration	

Tourism Development and Promotion

State income derived from the visitor industry exceeds the amount of income from either the sugar or pineapple industries.¹³ Accordingly, the continued

¹³ According to the 1962 Annual Economic Report of the Bank of Hawaii, the preliminary income estimates for 1962 were as follows: tourist trade 156 million dollars, sugar 145 million dollars, and pineapple 115 million dollars.

development and promotion of tourism is of vital concern to the state.¹⁴

The DED has entered into two contracts with the Hawaii Visitors Bureau (HVB) for tourism promotion and development--one in September 1961 and another in June 1962.¹⁵ Needless to say, because of the increasing importance of the tourist industry to the entire state, DED expends substantial and sustained interest in HVB's general programs. For the most part, the director handles contract negotiations and maintains continuing follow-up examinations of HVB programs. Major problems which DED faces include (1) inadequate information available on the precise internal operations of the HVB, (2) absence of a clear-cut budget expressing priorities and means of achieving program objectives, and (3) dissatisfaction among neighbor islands regarding their share of state funds. Several months of negotiation in 1961 resulted in major organizational changes of the HVB. These may resolve most of the above problems.

The DED has additional related responsibilities such as providing pertinent data to prospective developers and encouraging them to develop visitor facilities, and rendering assistance to private organizations for special facilities and events. The common objective of these activities is to increase not only the number of visitors to Hawaii but also to increase visitor satisfaction.

¹⁴ Problems relating to government participation in the development and promotion of tourism in Hawaii are discussed in a recent publication of the Legislative Reference Bureau. See Palumbo, Dennis, Government Participation in the Visitor Industry in Hawaii, (Request No. A-239; Honolulu: University of Hawaii, Legislative Reference Bureau, December 1962).

¹⁵ As allowed under Act 16, SSLH 1959, (1st).

Visitor Facilities Development

The visitor facilities development program was formally installed in July 1961 when a visitor facilities representative was appointed. He is concerned with private and public investment in facilities which are designed to accommodate an expanded tourist industry; his interest lies in the building of hotels, restaurants, transportation facilities, scenic or historic sites, or any other facility which will enhance the tourist industry in the long run.

His chief concern to date has been the promotion of neighbor island hotel construction especially on Hawaii, Kauai, and Maui. He attempts to attract potential mainland investors by writing letters to mainland prospects. Favorable responses are relayed to the director (or deputy director) who includes the respondents in his mainland trip schedule for personal follow-up visits. If a prospective developer plans to come to the Islands to make a personal examination of investment possibilities, the visitor facilities representative provides the services necessary to facilitate the examination.

Industrial Development

One of DED's major objectives is to persuade private investors to expand or establish new businesses in Hawaii. To accomplish this, the DED provides relevant data to businesses considering expansion of existing facilities or to investors contemplating investments in new industries. DED renders assistance by providing market research data, site searches, analysis of special technical problems, and referrals to other appropriate governmental agencies or private organizations. The department has felt that the highest potential lies in mainland industries coming

to the state. Consequently, the director and his deputy each have made a total of about two trips a year to the mainland for personal meetings with industrial executives at which time they have attempted to sell the industrial potential of Hawaii. The DED subsequently continues to feed new and current data to likely prospects in the hopes that some will eventually decide to extend operations to the Islands.

The length of time that the DED concerns itself with any particular firm and the amount of effort invested in recruiting that firm varies considerably but is determined primarily by that industry's long-term potential for providing new jobs in the state. The department's expressed target is to stimulate business activity sufficient to increase employment at the rate of about 8,000 new jobs annually.

In order to augment the department's efforts in identifying these high-potential industries, the position of industrial development representative was established in July 1961. In reality, the handling of each prospective investor is not routinized; a potential investor may be assisted for the major part by the director, deputy director, visitor facilities representative, or the industrial development representative, depending on the circumstances. The DED members, however, keep one another informed on the current progress of each case.

Agricultural and Industrial Product Promotion

A paramount factor determining the amount of effort expended in the promotion of various island agricultural and industrial products is the export potential of particular products to mainland markets. Financial costs of promotion of particular products are shared by the state and the growers or manufacturers concerned. The department has pushed mainland sales

of papaya and pineapple; it has assisted the coffee growers in the manufacturing of Kona instant coffee, and it is interested in promoting garments, flowers and foliage. Decisions to promote a particular product is usually preceded by technical research designed to improve the product itself, a market survey and actual market-testing.¹⁶ Such studies are generally made by the University of Hawaii or private research agencies and their costs shared by DED and the private firms which stand to benefit by them. The DED assists in providing general information, setting up goals for economic development, and coordinating the work with other governmental agencies if necessary. In general, the department's policy is to place only enough seed money to enable a particular product promotion program to get a good start so that the promotion of as many other island products can be considered.

Loan Program Administration

The department participates in the administration of one state and one federal loan program.

Disaster Commercial Loan Program. Following the tsunami of May 23, 1960, the legislature appropriated \$600,000¹⁷ to carry out a disaster commercial loan program and charged the DED with administration of the program. In 1961, an additional \$90,000¹⁸ was appropriated to assist in the rebuilding of business establishments destroyed or damaged by the disaster. To date the entire fund of \$690,000 has been loaned to forty-eight Hilo firms.

¹⁶ Many technical studies done during EPCA years are utilized as resource materials.

¹⁷ Act 6, SSLH 1960.

¹⁸ Act 129, SLH 1961.

Federal and State Area Redevelopment Acts. The federal area redevelopment act (ARA), passed by Congress in May 1961,¹⁹ and the state economic redevelopment act,²⁰ enacted into law approximately two months later, serve as the legal basis for providing assistance to local communities suffering from substantial and persistent unemployment or underemployment. The work of coordinating the variety of intergovernmental programs possible under these acts has been assigned to the DED. Following Washington's designation of the island of Hawaii as a redevelopment area, DED established a federal-state advisory group which assisted the county of Hawaii in preparing its overall economic development plan (OEDP). The plan was subsequently approved by the area redevelopment administrator in Washington, and Hawaii county's first priority project, the Kailua-Kona Sewage System project involving a total cost of about \$800,000 was recently approved. Subsequently, two industrial loans have been applied for under the provisions of the federal and state acts. Also, occupational training and retraining needs are currently being studied and will probably be followed by application for approval of specific training programs to the ARA administrator.

The DED has similarly helped the county of Maui in preparing its OEDP which has been submitted for federal review. The county of Kauai to date has not expressed desire to apply for federal assistance under the area redevelopment act.

¹⁹ Public Law 87-27.

²⁰ Act 185, SLH 1961.

Information and Research

The information and research division of DED obtains a variety of information necessary to facilitate the work of the development division. It also disseminates a large amount of information to both mainland and Hawaii organizations and individuals.

General Information. The information director is assisted by two economic research analysts and a librarian who handle manifold questions received from mainland and local businesses and individuals. The answers required may range from a simple reply to that involving several hours of research. A significant portion of information requests consists of telephone inquiries from individuals who may want to know a simple statistical fact or who seek advice as to what business they should undertake with a small amount of capital. Numerous calls are received from tourists visiting the islands or travellers stopping over briefly who wish specific information on the state. Hundreds of miscellaneous requests are also received each month in the mail from mainland businesses and individuals.

Staff members obtain specific data needed to answer an inquiry from other public and private agencies, if not available in their own library, or they will refer the inquiry to the appropriate agency. In 1959 as a result of an agreement made by a number of public and private agencies, referrals of telephone inquiries, letters, or portions of letters are made to the agency which can provide most quickly the correct information.

Publications. The DED prepares a number of publications including the monthly Hawaii Newsletter, which has a circulation of nearly 3,000; the Fact Books of each county, which are updated regularly; the Information Locator which was recently revised; annual reports; and

numerous leaflets designed for wide public distribution-- particularly tourists and businessmen. Among special publications are Bring Your Business Imagination to Hawaii, articles by staff members written for national and local publications, and a Directory of Manufacturers which is being prepared. The staff prepares and updates two traveling Hawaii exhibits and is responsible for their mainland bookings. The department also furnishes related promotional literature or reports of other organizations, private and governmental, upon request.

Economic Research. DED does not engage in any basic economic research and, in fact, maintains that comprehensive analyses of basic statewide economic data from which economic indicators and broad economic forecasts are elicited are not within the purview of the department since the passage of the Reorganization Act in 1959.²¹ The research it does undertake usually is intended to have a direct or nearly direct effect on decisions relating to promotion of island products, and development and promotion of tourism, business and industrial opportunities. Such research may include market surveys and analyses and promotional studies such as those listed in Table 1 on pages 59 through 61.

The two economic research analysts are involved in responding to general information queries and preparing DED publications; they do very little substantive research. Further, the department's chronic staffing problem frequently has made it necessary to contract with other public and private research agencies, on a cost-sharing basis, to conduct studies requiring substantive research such as those relating to a market

²¹Act 1, section 25, SSLH 1959 (2d) transferred the research function to the department of planning and research.

survey of Kona coffee, the quality and marketability of papaya, a state fair feasibility study, and an inter-island travel survey. At the time of this writing, the industrial development representative, one economic research analyst, and secretary for the information division positions are vacant.

Planning of Fairs. The DED in 1960-61, in accordance with the statutory requirement of planning fairs for the state, conducted a feasibility study of a permanent site at Waimanalo, Oahu, for annual state fairs and a year-round exposition park. The possibilities for building the site into a kind of showcase attracting tourists and sizeable local audiences throughout the year were important considerations. However, the department's request for funds to commence planning, engineering and cost studies was not accepted by the 1961 legislature.

In 1961 the department, with privately contributed funds, employed a mainland firm to develop preliminary plans for Hawaii's participation in the 1964-65 New York World's Fair following which the 1962 legislature authorized a \$2,328,000 bond issue²² for Hawaii's exhibit. Subsequently, a special New York World's Fair Committee was established and given the responsibility for the execution of Hawaii's fair plans.

Board of Economic Development

The board of economic development is composed of nine members appointed by the governor, six of whom represent the six senatorial districts and three of whom are at-large members. Members meet generally at one-month intervals and invite guests who have direct interest in matters on the agenda. At least once a year board

²²Act 4, SLH 1962.

meetings are held jointly with each of the neighbor island county development agencies and boards of supervisors. The board is purely advisory and assists the director in clarifying major program objectives and related policy matters.

Interdepartmental Relationships

In some ways DED serves as liaison between the private sector of the state's economy and public agencies, and consequently has significant working relationships with nearly all of the departments, but its most frequent contacts are the departments of land and natural resources, transportation, and agriculture.

DED's interest in the development and promotion of tourism and industry means the department must have fairly intimate knowledge of state plans for water systems, parks, historic sites, industrial sites and other comparable subjects; consequently, DED has frequent communication with the planning office, the water and land development division and other like divisions of the department of land and natural resources, and, in fact, refers potential investors of visitor facilities to the land department for purchase of public lands. Similarly, the department of transportation's plans for highways, harbors and airports are of extreme interest to DED because of their impact on future industrial and tourism development. The promotion of agricultural and horticultural products requires knowledge of the programs and research conducted by the department of agriculture. DED also has good reasons for keeping itself informed of reports and actions of the departments of taxation, labor and industrial relations, planning and research, and the actions of the Land Use Commission. The number and frequency of contacts with the department of planning and research, however, are not significantly greater than with most state agencies.

County Economic Development Agencies

As a consequence of a long-recognized need to stimulate the economy of the neighbor islands, the counties have formally organized for the administering of their economic development activities. Previously, the county boards usually set up committees of economic development among their own memberships, and these committees carried out economic development functions in a fairly spasmodic manner. The city and county of Honolulu does not have an economic development agency as such, but the development and promotional needs of Oahu are generally unlike those of the neighbor islands.

Neighbor Islands' Organization. The neighbor island offices of economic development, headed by coordinators, were formally established fairly recently. Hawaii created its office in February 1959, Kauai in March 1961, and Maui in September 1961.²³ All of the offices have small staffs and all are assisted by advisory boards. The coordinators are appointed by their respective county boards of supervisors and are responsible to them. Although each coordinator pursues local programs independent of the DED, one of his important functions is to serve as liaison between his county and the DED (and other governmental agencies) in matters pertaining to the economic development of his county.

²³Names of the county economic development agencies and the titles of their respective executive officers vary among the counties. Hawaii county calls its office "Economic Research and Development Commission" and its chief officer "administrator," Kauai "Office of Economic Development" with a "director," Maui "Department of Economic Development" with an "agent." The title of "coordinator" is used in this report to apply to all officers of the neighbor island economic development offices.

Relationships with DED. There are no formally established working patterns between state and county economic development coordinators. The Maui and Hawaii coordinators exchange data with DED staff members, and they meet informally and irregularly. The coordinators of Maui and Hawaii may work directly with the DED director, deputy director, visitor facilities representative, industrial development representative, or the information director--depending on the nature of the problem at hand. At present, the Maui coordinator is chiefly concerned with the development of visitor facilities to strengthen Maui's tourist promotion. Although Hawaii, too, is eager to increase its physical facilities for visitors, its coordinator is currently concerned with matters relating to programs arising from the federal and state area redevelopment acts as mentioned earlier in this report. DED seeks to interest mainland investors in developing industries and visitor facilities on the neighbor islands, and when appropriate, DED attempts to put these potential investors in contact with the county coordinators. At least the coordinators are informed of the interest of prospective investors in their particular counties and the coordinator's participation is invited.

Virtually all significant contact between the Kauai county economic development office and the DED had ceased as of late 1962. The Kauai office has felt that the state has not contributed to nor is interested in developing Kauai's economic conditions. However, DED continued to send its various publications to the Kauai office, and contacts have been initiated by DED staff members if a prospective investor expressed interest in exploring Kauai's business opportunities.

None of the counties has research facilities or provides extensive information services. They can, however, use the reference materials and research facilities of the DED. Also, the DED often is the coordinator for related intergovernmental programs, such as those permitted under the state and federal area redevelopment acts.

Since 1959, legislative appropriations to each of the neighbor islands for economic development have been channeled via the DED.²⁴ In 1959, each neighbor island county was appropriated \$50,000 for the biennium; in subsequent years the annual amounts remained the same at \$25,000 apiece.²⁵ In 1962 the amount of appropriation was not changed; however, the act²⁶ stipulated that "the sum of \$25,000 shall on July 1, 1962 be transferred to each of the county economic development organizations...." The change was the result of the counties' aversion to having to obtain DED's approval of their plans and to account in detail to DED their expenditures of state funds.

²⁴Appropriations are separate from capital improvements appropriations.

²⁵It should be noted that each county economic development office can and does have supplemental appropriations from its respective county government.

²⁶Act 31, SLH 1962.

CHAPTER IV

A COMPARATIVE ANALYSIS OF THE FUNCTIONS OF DPR AND DED

Usually a stronger case can be made for consolidating into a single unit agencies which perform like functions than can be made for combining agencies which perform functions more distantly related. The case for the latter may rest on no stronger grounds than administrative convenience or desire. While there are other major accepted criteria which may be employed in examining the desirability of organizational homogeneity, generally an examination of similarity and relatedness of program and function is most useful in reaching a decision as to optimum organizational relationships.

In this section, selected organization criteria, the application of selected criteria, and the attitude of an economic development agency are examined in order to determine the degree of relatedness of the functions of the two departments.

Selected Organizational Criteria for Separating Planning from Development Functions

Table 1 submits selected organizational criteria which may be employed in distinguishing state planning phases from economic development phases.¹ Four major areas of consideration have been selected under each of which the criteria for separating planning functions from development functions are explained.

¹The selection of these particular criteria is influenced largely by an examination of the statutory functions assigned to the department of planning and research and the department of economic development, but the general concepts of state planning and economic development activities as offered in the available literature, have also been considered.

Time Perspective

In planning, the time perspective employed is long-term which means between six and twenty years or more.² In contrast, development functions are concerned with short-term results, and accordingly the time perspective is usually five years or less.

Scope of Agency Consideration

In planning problems are viewed in a context of statewide dimensions, and the concern is with social, political, economic, and physical changes. Planning is also concerned with major sectors of the state economy, the presumption being that separate consideration of a number of major sectors is not only unavoidable but sometimes necessary; in any event, separate studies of major sectors contribute to an overall statewide view. When appropriate, state planning includes the relating of national and international events or trends to state interests. On the other hand, development's immediate concern is with limited geographical areas or parts of major sectors of the economy--e. g. the Kona coffee industry as related to the agricultural sector of the state economy (though, to be sure, the trends and forecasts relating to the state's agricultural potential in the planning phase are not ignored). Although benefits are viewed in statewide terms, problems are considered primarily in terms of what kinds of technical, promotional, and developmental services can be rendered to assist specific sectors of the state economy.

²Planners regard six to ten years as middle-range planning, and over ten years as long-range planning.

Research Contacts and Clientele

In its research contacts, a planning department deals mostly with other governmental units, gathering basic data on the state and subsequently disseminating reports arising from analyses of the data. A great deal of research coordination is necessary with federal and county governments as well as among the many agencies in the state government itself. Hence, planning involves frequent communication, assistance, and service to public agencies.

A development department, however, has a constant interest in the activities of the private sector of the state's economy and at times assisting and facilitating the work of private interests. The personal element in contacts with individuals and private organizations is very pronounced.

Research Objective

In planning, the research objective is substantially basic in nature. That is, the research includes the gathering of raw data from any sources, the analyzing of data and identifying problems of statewide import, and the forecasting of trends. Planning may then proceed with the formulation of general objectives and the recommending, in a general way, of state programs to achieve these objectives. The compilation and analysis of raw data also establish the planning department as the logical repository and dissemination of the latest general information on the state and as such provides the entire state with services appropriate to a central clearing house of information.

The development department, however, utilizes the research findings of the planning department and other organizations engaged in similar types of research, and attempts to apply them to its immediate problems

relating to technical, promotional and developmental services. If the findings of basic research data are not adequate for the development department, research on a more technical level is conducted to meet its needs. In this respect, the development department has generally similar relationships with the planning department as do other agencies.

The Application of the Criteria

Table 1 shows on the left a listing of completed or current major activities and studies of the DPR and DED. Annual or intermittent reports of departmental operations are omitted as are, in the main, supplemental or progress reports of larger studies and studies done jointly with other state departments. The list includes studies done by the predecessor agencies. The columns on the right side of the table represent the four major areas of consideration under each of which the planning criterion and the development criterion are stated. If neither criteria under a major area of consideration is applicable "N.A." (not applicable) has been noted; if both are about equally applicable to a study or activity, no notation has been entered.

The purpose of formulating the above criteria is to pin-point specific studies and activities of both departments and relate them to the criteria established. It should be emphasized that no study or activity is presumed to fit absolutely into any criterion. The assignment of any criterion to a study or activity

TABLE 1

ACTIVITIES AND STUDIES OF THE DEPARTMENT OF PLANNING
AND RESEARCH AND THE DEPARTMENT OF ECONOMIC DEVELOPMENT
CLASSIFIED BY SELECTED ORGANIZATIONAL CRITERIA

Note: List generally excludes annual and intermittent reports of departmental operations, supplemental and progress reports of larger studies, and studies done jointly (DPR and DED) or with other departments. It includes studies done by predecessor agencies. No check (x) has been made if the criteria are equally applicable to planning and development functions; "N.A." (not applicable) is noted if criteria are not appropriate to the activity or study.

Activity or Study	ORGANIZATIONAL CRITERIA							
	Perspective		Scope of Consideration		Type of Research		Research Contacts	
	Long Range	Short Range	Statewide or Major Sector of Economy	Limited Area or Part of Major Sector	Basic Fact Gathering and Analysis	Applied or Technical Research	Government	Private
DEPARTMENT OF PLANNING AND RESEARCH								
A Summary Report Upon the Concentration of Military and Civilian Activities on Oahu, Territory of Hawaii		N.A.		x	x			
A Report Upon the Need for Civilian Use of Fort DeRussy, Waikiki Beach, Honolulu, Hawaii	x			x	x			
Plan for Kona. Preliminary Studies (9 parts)	x			x	x			
Capital Improvements Program, 1959-1965	x		x			N.A.	x	
A Territorial Parks System for Hawaii	x		x		x		x	
A New Capitol for Hawaii	x		x			x	x	
Preliminary Feasibility Report on Submerged Land Reclamation, Island of Oahu, Hawaii	x			x	x			

Table 1 (continued)

Activity or Study	ORGANIZATIONAL CRITERIA							
	Perspective		Scope of Consideration		Type of Research		Research Contacts	
	Long Range	Short Range	Statewide or Major Sector of Economy	Limited Area or Part of Major Sector	Basic Fact Gathering and Analysis	Applied or Technical Research	Government	Private
Recommended Capital Improvements Program, 1960-1966	x		x		N.A.		x	
Visitor Destination Areas in Hawaii--An Action Program for Development	x		x		x			
An Economic Analysis of Kauai and the Growth Potential of the Planning Areas of Waimea, Hanapepe, Koloa, Lihue, and Kapaa	x			x	x			
Island of Hawaii Space Facility Capability	x			x	x		x	
A Plan for Kona	x			x	x			
An Economic Analysis of Hilo-Puna Planning Area on Hawaii	x			x	x			
Structure and Growth Potential of Tourism in Hawaii	x		x		x			
A Study of the Economic Potential of the Hawaiian Islands (3 parts)	x		x		x			
Hawaii's Future. The Economic Growth Potential	x		x		x			
Recommended Capital Improvements Program. Fiscal Years 1962 - 1967. State of Hawaii	x		x		N.A.		x	
The General Plan of the State of Hawaii	x		x		x		x	
State of Hawaii Transportation Plan. Harbors and Airports	x		x		x		x	

Table 1 (continued)

Activity or Study	ORGANIZATIONAL CRITERIA							
	Perspective		Scope of Consideration		Type of Research		Research Contacts	
	Long Range	Short Range	Statewide or Major Sector of Economy	Limited Area or Part of Major Sector	Basic Fact Gathering and Analysis	Applied or Technical Research	Government	Private
Facts Pertaining to the Protection and Development of Tourist Facilities Within All Counties		N.A.	x			x		
Facts Pertaining to the Protection and Zoning of Rural, Agricultural, and Urban Lands Within all Counties		N.A.	x			x		
State of Hawaii Transportation Plan	x		x			x		x
The Market for a New Inter-Island Ferry System	x		x			x		x
State Shoreline and Recreation Study (Fed 701 Project)	x		x			x		x
Statistical Abstract of Hawaii 1962		N.A.	x			x		
Oahu Transportation Study	x			x		x		x
Assistance to County Planning Offices in Developing County Urban and Rural Plans	x			x				x
DEPARTMENT OF ECONOMIC DEVELOPMENT								
Promotion of Pineapple and Papaya			x	x		x		x
Market Survey of Kona Coffee			x	x		x		x
Inter-Island Travel Survey			x	x		x		
State Fair Feasibility Study	x		x					
Survey of Industrially Zoned Property in City and County of Honolulu			x	x		x		x

Table 1 (continued)

Activity or Study	ORGANIZATIONAL CRITERIA							
	Perspective		Scope of Consideration		Type of Research		Research Contacts	
	Long Range	Short Range	Statewide or Major Sector of Economy	Limited Area or Part of Major Sector	Basic Fact Gathering and Analysis	Applied or Technical Research	Government	Private
Evaluation and Introduction of Improved Varieties of Tropical Fruit Crops From Southeast Asia	x			x		x		x
Nation-Wide Visitor Motivation-Satisfaction Research	x			x				x
Education of Small Businessmen				x	N.A.		N.A.	
Factors Affecting Quality and Marketability of Papaya Through Handling and In-Transit				x		x		x
Market Potentials of Hawaiian Agricultural Products--Macadamia Nuts	x			x		x		x
Food Wholesale Market Center Study	x			x		x		x
Market Potential of Avocados and Citrus Fruits	x			x		x		x
Assisting Kona Coffee Association to Reorganize Into a Marketing Cooperative		x		x	N.A.			x
Compilation of Data for Kokee Irrigation Project	x			x	x			
Investigation of Possibility of Promotion Contracts with Garment Industry		x		x		x		x
Feasibility of Establishing Aluminum Extrusion Plant		x		x	x			x

Table 1 (continued)

Activity or Study	ORGANIZATIONAL CRITERIA							
	Perspective		Scope of Consideration		Type of Research		Research Contacts	
	Long Range	Short Range	Statewide or Major Sector of Economy	Limited Area or Part of Major Sector	Basic Fact Gathering and Analysis	Applied or Technical Research	Government	Private
Assisting in West Coast Food Editors Tour of Hawaii		x		x	N.A.			x
Visitor Facilities Development Program	x			x				
Study on Statewide System of Historical Markers	x		x			x		x
Assisting Lahaina Restoration Committee in its Program	x			x	N.A.		N.A.	
Administration of Disaster Commercial Loan Program				x	N.A.		N.A.	
Planning for Hawaii's Participation in New York World's Fair		x	x			x		
Coordinating Federal and State Programs in Area Redevelopment		x		x	N.A.		N.A.	
County Fact Book		x		x	x			
Labor Market Survey, Kohala District		x		x		x		
Revision of Information Locator		x	x			x		
Preparation and Booking of Traveling Hawaii Exhibit on Mainland		x	x			x		
Promotion of Proposed Space Facility on Mauna Kea	x			x	N.A.		N.A.	
Mainland and Inter-Island Industrial Promotional Trips		x		x	N.A.		N.A.	

Sources: DPR programs and activities from State Planning in Hawaii 1957-61.

DED programs and activities from annual reports and management reports.

indicates merely a fairly conspicuous characteristic of that study or activity.³

It would not be wise to attempt to use the data in the table to construct an air-tight case for or against consolidation for many reasons, including the fact that the selection of applicable criteria in each instance involves the exercise of judgment and not just the mechanical application of precise factors. Also, nearly all of the items listed represent published reports. Other departmental operations or characteristics are not as visible as these studies and consequently are even less easy to evaluate. In spite of such limitations, however, the data may be usefully employed as a backdrop for consideration of the specific facets of the consolidation question.

The application of the selected criteria to the past activities and reports of the two departments appears to lend credence to two conclusions: (1) Generally the activities and studies undertaken by the DPR have tended to have a long-range perspective, be statewide in scope or treat a major sector of the economy, involve basic fact gathering and analysis, and involve primarily governmental research contacts; (2) Generally the activities and studies undertaken by the DED have tended to have a short-range perspective, concern a limited area or part of a major sector of

³It should be mentioned here that sometimes a study or activity showing an area of overlap represents a specific request to either department from the legislature or the chief executive; hence, the responsibility of initiating such studies or activities should not necessarily be assigned to the department itself. Examples are the study of a statewide system of historical markers done by the DED and DED's coordination of federal-local programs mandated by the federal and state area redevelopment acts.

the economy, involve applied or technical research, and involve private research contacts.

However, it would seem that the functions of the DPR and the DED are related in the sense that the DPR is concerned with plans for the overall development of the state, and the operations of the DED are designed to carry out specific aspects of the state's overall development.

The Attitude of an Economic Development Agency

It has been indicated above that the DED carries out programs designed to realize specific aspects of the state's overall development goals. However, this does not necessarily mean that the DED's interpretation of what actions contribute to the development of those specific areas of agriculture, business, and industry will always be in accordance with the state's overall development goals. It is here that the attitude that DED has of its own role becomes important in determining the degree of relatedness of the functions of the two departments. It is conceivable that in assisting industries to realize their aims to establish certain businesses in particular locations, the economic development agency may encourage activities which do not fit in with the state's long-range plans. Suppose, for example, the state general plan requires that the area around Diamond Head be maintained as a quiet residential district, but industry seeks to develop a coral quarry at the base of Diamond Head, and this does not coincide with the general plan. Should the economic development agency assist industry, or should it contest industry's desire? In reality, of course, industry has other obstacles to overcome, such as obtaining the approval of the department of land and natural resources (if public land is involved), or the city planning commission.

However, assuming that the attitude of the economic development agency is the critical factor, should the agency facilitate industry's objective because of the high economic potential or should the agency oppose industry because establishment of a quarry seriously threatens the overall design of the general plan for the Diamond Head area? In other words, should a state economic development agency guide, direct, and control, if necessary, private action to conform to the state's general plan or should the agency facilitate and assist the private sector in realizing its individual goals because they may contribute to economic development even though these goals may be detrimental to the state's long-range plan?

Of course, in reality, the general plan is subject to continuous review and would normally be modified from time to time to meet changes occurring in the industrial, social, and political environment of the state. The example is posed in hypothetical and extreme terms for the purpose of illustrating the fact that while the functions of DPR and DED are related in the sense that they are both concerned with the development of the state (DPR being concerned with overall development and DED with specific areas of overall development), the extent to which there may be coordination between the two may depend more importantly upon the conception that the officials in both departments have of their functions and what methods are best for realizing their developmental objectives.

If the planning officials strongly believe they are performing only "staff" functions--in an absolute sense--, and if the economic development officials believe their work is far and away removed from state-wide planning activities, consolidation of the departments cannot be meaningful. If, however, officials of

both departments feel their functions are compatible to accomplish both statewide objectives and specific objectives that are aspects of statewide goals, then consolidation would be more justifiable.

CHAPTER V

THE QUESTION OF CONSOLIDATION

The question of the desirability of placing the planning-research and the economic development functions in a single state agency appears to be one of deciding whether the objectives of the two functions have a better opportunity of being achieved under one roof or two. Some will argue that because DED's functions are related to DPR's functions the two departments should be merged. On the other hand, others will contend that the two departments should remain separate because of basic differences between the methods of each department.

The description in the previous chapter of this report shows that the functions of the two departments are related in some ways but that there are differences in the methods by which each department may carry out its responsibilities. Some of these differences may be attributable to the conception that those who direct the department have of their respective functions. In other words, there are sufficient similarities in the functions of each department to justify a merger of the two, particularly if the officials of each department have compatible attitudes. Another crucial question centers around the problem of how the two functions should be organized if placed in a single state department or coordinated if maintained as separate agencies. Perhaps the best way to analyze this question is by considering the arguments for and against a merger, including the advantages and disadvantages of consolidation.

Planning as a Staff Service

Planning, it is maintained, must be closely associated with the chief executive so he may utilize it in formulating policies pertaining to the general development of the state. To perform this service, the agency should remain a dominantly staff agency, close to the Governor, unencumbered by responsibility for business development and promotional activities. Furthermore, if the planning agency is to continue to evaluate the plans of other agencies, and to provide planning assistance to other departments, it should not be involved in line operations which will tend to make it less objective and less available in fulfilling its staff role.

The concepts of staff and line, it may be argued, are not particularly enlightening in analyzing the problems. Besides, is there any real objection to an agency performing simultaneously functions which are nominally termed staff and line? Isn't every agency "staff" when it advises the Governor and "line" when it administers a program.

The cautions, however, that a consolidated planning-development agency may tend to be less available to render planning assistance to other departments and to color all its judgments on planning matters because of its responsibilities for development, appear valid.

Improved Coordination of Functions

Those who advocate combining the two departments attest that the present functions of the DPR are largely development-centered, and that a merger would mean integration and better coordination of the capital improvements program, the state general plan and related studies with DED's present developmental programs such as the visitor facilities development, industrial

development programs, and some of the projects related to the federal and state redevelopment acts. In other words, developmental activities would be intensified and presumably the gains to be obtained thereby increased. It is further asserted that the placement of the DPR and the DED under the jurisdiction of a single head would make for a more properly balanced planning-development-promotion process. That is, for example, industrial development and promotion are considered two areas of natural and logical follow-through for physical planning, whereas developmental and promotional programs not based on adequate economic and physical planning may do more harm than good in the long run.

Influencing the Publicity of Proposed Changes Affecting the General Plan and Developmental Plans

It is pointed out by some that perhaps the benefits to be gained in improved integration and coordination of functions, as described above, may be offset by the increased likelihood that under consolidation, issues worthy of community discussion may not receive public attention. That is to say, a decision to modify the general plan or developmental plans may be made after thorough review within the department (and administration) but the proposed change may be one that significant numbers of citizens could be exceedingly interested in. The question raised is, will separate departments make more likely the airing of proposed changes affecting the general plan or developmental plans--and thereby affecting statewide goals--which otherwise would not occur under a merger, or does consolidation not affect at all the publicity of proposed changes in the various plans?

Planning and Promotion as Separate Functions

It can be strongly argued that the planning function, especially as it relates to formulating long-range plans for the optimum utilization of human and natural resources, is quite different from the promotion function, especially as it relates to seeking out potential investors and entrepreneurs and nurturing their interest in launching or expanding their operations in a particular locality. This does not mean that the planner and the promoter cannot work closely together; rather it means that seldom is a good planner equally adept at promoting an investment venture, and a promoter at formulating long-range economic plans. The training and experience of the two professional groups are different.

If the DPR and the DED are placed in a single agency, it will probably be desirable to assign responsibility for the long-range planning function and the promotion function to separate organizational units and then provide, where appropriate, adequate arrangements for joint effort and coordination.

The Overshadowing of One of the Functions

It is argued that one of the two primary functions--planning or economic development--will dominate the department to the harm of the other. This is possible. The department head, because of his personal interest and training, may tend to emphasize one aspect and ignore the other. Or, the planning function will take precedence over others because of deadlines which must be met in the preparation of the general plan, the various special plans and the capital improvements program. Or, conversely, the industrial, commercial, tourism, and promotion activities may dominate because they offer greater possibilities for immediate and dramatic results

than state planning activities which are, for the most part, inherently long-range and unspectacular.

Such possibilities of overshadowing exist, and if the functions are merged, care needs to be exercised in maintaining a balanced emphasis. Of course, such dangers of potential overemphasis exist in all organizations including such state departments as transportation, health and welfare.

Economic Development as a Clientele Agency

The DED, it has been maintained, now serves as business' only voice in the executive branch of the state government. Labor has a department with which it may discuss its problems; agricultural interests may similarly relate themselves to the department of agriculture. It is important that business continues to be represented in a comparable way at the departmental level.

It is difficult to assess the significance of such a proposition. If it is true that business is entitled to, desires, and needs a department with which it can identify itself, and if it is important to meet these requirements, then consolidation would be inadvisable. If, however, this relationship is neither as intimate or as essential as it has been claimed, then possibly satisfactory relationships may still be established or continued under consolidation.

Research and Information Activities

Under a merger, it is argued, the library facilities and the research activities would improve considerably in both quantity and quality. The research and information organizational units would have available a continuum of information ranging from data on physical and human resources to a variety of specific data such as technological facts and production and marketing

methods. The accessibility of a wide range of data would avoid duplication of work and make it possible for the consolidated department to become an important and reliable source of reference for public and private sectors of the state economy. Such a research division might also be in a better position to promote the utilization of standardized research procedures and terminology within the state government.

It may also be maintained that the availability of reliable and adequate basic data in the department would increase the quality of the economic development programs, for sound economic base studies are a prime requisite in the formulation of such programs.

It is possible, too, that the availability of more adequate reference facilities may make unnecessary or discourage the contracting of services with private research agencies to conduct special studies,¹ or at least reduce the number of studies contracted out. (This assumes that an expanded research unit will be accompanied by increased staff.)

Further, information services such as those presently provided by DED should be greatly improved if based on more adequate resources, thus benefiting both public and private organizations and individuals.

The research needs of an industrial prospect may be quite different than those of a planner involved in preparing basic studies or a department head contemplating the desirability of a specific use for certain natural resources, but such differences should not present difficult problems for the trained researcher. Rather his understanding of broad questions should

¹Many of the published studies appearing in Table 1 on page 57 are studies done by private agencies.

improve his applied research, and similarly his acquaintance with practical, immediate questions should assist him in making his basic research studies more useful.

The fact that a more adequate and comprehensive research and information program may be envisioned in a consolidated agency is not in itself a conclusive argument in favor of combining the planning and economic development functions, but still it appears that one of the significant advantages of consolidation would be the potential enhancement of these activities. Put another way, it is difficult to see how consolidation would adversely affect either department's operations, assuming personnel performing the research and information activities recognized the unique requirements of both planners and promoters.

Departmental Status

Some claim that under a merger the prestige which the two department heads previously enjoyed will be diminished, thereby significantly affecting departmental accomplishments. That is, with divisional status the person in charge of planning will be less able to coordinate and direct the state's overall development plans and the promoter will have less easy access to top business executives. Thus, their effectiveness in selling their product--whether it be the capital improvements program, the general plan, or an industrial site or commercial product--would be seriously hampered. It is difficult to assess how valid this claim is.

On the other hand, others believe the increased size of the department resulting from a merger might substantially raise the stature of the department in relation to other cabinet-level departments, particularly in respect to its being "heard" by the legislature, chief executive, governmental agencies and private organizations.

Predicting the Consequences of a Merger

It is difficult to predict specific consequences of a merger of the present DPR and the DED. It is also not easy to determine which of the above arguments for and against a merger are real and which are fancied. There is always the danger of overemphasizing formal organization because the real life of the department-- singly or combined--may be found to an even greater extent in the traditions established and the informal relationships existing between the officials performing the planning functions and economic development functions. Much of the success of the planning and development endeavors will be contingent upon executive and legislative interest and support, working relationships within the administration and with county and federal officials, and the rapport established with private organizations and individuals interested in statewide planning and the development and promotion of business, agriculture, and tourism.

Related Matters Deserving of Attention

Regardless of the decision made concerning the organization of the planning and development functions, there are certain other related matters which merit some consideration.

State-County Relations. A serious question exists as to the respective functions of the state and the counties in matters of physical planning and economic development and the relationship between officials at the two levels. There should be abundant communication and understanding between the local officials and the state professionals in charge of and responsible for the formulating of state and county plans and state and county economic development programs. Such has not been the case.

A clarification of the respective functions of the two levels will be of material assistance. Public Administration Service has suggested that the state and counties not continue to perform economic development functions in the present arrangement but has proposed no changes in the delineation of powers between state and counties in planning functions.²

Capital Improvements Program. At present the preparation and evaluation of the annual and long-range capital improvements programs are not performed in accordance with existing law. Whether or not the actual current practice is satisfactory, it is clear that either the law or the practice or both should be modified. The responsibilities of the DPR or consolidated department and of budget and review should be clearly defined, particularly in its relationship to other departments, the chief executive, the legislature, and the counties.

Disaster Loan Program. The legislation establishing this program imposes a limited time period in which applications for loans may be made. After the closing date, the program for the particular disaster involves only the administering of outstanding loans. Because this is primarily a financial management type activity, it might be well to assign it to the department of budget and review's finance division which administers specified loan programs, such as the

²Public Administration Service, State and Local Government Relationships in the State of Hawaii, (Chicago: November 1962), pp. 67, 88.

veterans loan program. Such a transfer was recommended by Booz, Allen and Hamilton in their state government organization study.³

Mrs. Karen Asano prepared the manuscript for printing.

³Booz, Allen and Hamilton, Report on Survey of Organization Structure, State of Hawaii (San Francisco: 1961), p. 33.

APPENDIX 1

CHRONOLOGY OF LEGISLATION CONCERNING STATE PLANNING AND ECONOMIC DEVELOPMENT AGENCIES, SELECTED STATES 1930's TO PRESENT

Note: The selection of the particular following states is made with the view only of illustrating the variety of organizational arrangements attempted or, as in the case of Montana, inaction since the first legislation. The table is not a sampling of the fifty states.

<u>State</u>	<u>State Legislation Relating to Planning and Economic Development</u>
Arkansas	<u>1935:</u> Created State Planning Board.
	<u>1945:</u> Consolidated board with six other agencies (Industrial Commission, Publicity Advisory Commission, State Conservation Commission, Parks Commission, Forest Commission, State Geologist) to form the Resources and Development Commission. ^a
	<u>1955:</u> Abolished Commission; created Geological and Conservation Commission, to which duties of industrial development subsequently added. ^b
California	<u>1935:</u> Created State Planning Board. Board initially a division of the Department of Finance.
	<u>1943:</u> Board succeeded by the State Reconstruction and Reemployment Commission.
	<u>1947:</u> Commission abolished following charges of "duplication." Subsequently, created an Office of the Director of Planning and Research but abolished same in 1953. ^c

Appendix 1 (continued)

- 1956: Established a Local Planning Office and a Local Planning Advisory Committee within the Department of Finance.
- 1959: Local Planning Office replaced by State Office of Planning [acting as principal staff agency to Governor and the Director of Finance]; concerned with coordinating public works programs, local planning assistance, conduct of research.^d

[The Governor's Committee on Organization of State Government in December 1959 submitted a report recommending among others the establishment of an Executive Department in which planning, budgeting, and management functions were to be placed. The specific units recommended for placement were designated "Budget Unit," "Management and Organization Unit," "Program Unit," "Physical Planning Unit," "Economic Development Unit," "Consumer Counsel," and "Atomic Coordinator." The report recommended further that the last three units "should remain in the Executive Department only so long as they are essentially developmental and coordinative in nature."]e

- Florida
- 1935: Created State Planning Board.
- 1941: Separately created the State Improvement Commission and Economic Advancement Council.
- 1945: State Improvement Commission absorbed functions of Planning Board [concerned primarily with public works planning]; State Advertising Commission replaced Economic Advancement Council.^f

Appendix 1 (continued)

- 1955: Abolished both State Improvement Commission and State Advertising Commission; transferred functions of both to newly created Florida Development Commission. [Latter's range of authority and responsibility is very wide; includes general planning, industrial development, tourist promotion, basic and applied research, local planning assistance, capital improvements programming, bond financing, hospital construction, aviation promotion, dispersion of federal surplus property.]^g
- Kentucky
- 1934: Created State Planning Board.
- 1936: Abolished board; transferred functions to the governor's Committee on State Planning, latter essentially inactive. Created separate Division of Publicity in the State Conservation Department.
- 1944: Created separate Post-War Advisory Planning Commission. [Actually all agencies above-named were relatively inactive.]^h
- 1948: Established Agricultural and Industrial Development Board. [A private organization known as the Committee for Kentucky was more active in planning and development functions.]^h
- 1956: Created Department of Economic Development, a Board of Agricultural Development, and a Board of Industrial Development.
- 1962: Abolished latter two boards; changed name of department to Department of Commerce; created two divisions within the department-- division of agricultural development and division of industrial development.ⁱ [Separate Department of Public Information created in 1956 (later called Department of Public Relations); separate agency called Industrial Development Finance Authority created in 1958.]

Appendix 1 (continued)

- Montana 1935: Created State Planning Board. Board inactive from 1941 to 1955 when duties redefined to include research, planning, promotion, and industrial development.^k No subsequent legislation.
- Tennessee 1935: Created State Planning Commission.^l
- 1945: Created a division of industrial development within Commission.^l
- 1953: Removed division of industrial development from Commission and gave it independent agency status, its new name being the Tennessee Industrial and Agricultural Development Commission. [Promotion activities included in its functions.]^l
- 1959: For administrative purposes, State Planning Commission placed in newly established department of finance and administration but remains official planning agency. [Concerned with research, capital budget, local planning assistance.]^m
- 1959: Created divisions of industrial development, industrial promotion, industrial research, and nuclear energy development in newly established department of conservation and commerce. [Six other divisions created to fulfill conservation functions.] Industrial and Agricultural Commission continued as advisor to head of department.^m
- Virginia 1938: Created State Planning Board.
- 1948: Placed as part of the Division of Planning and Economic Development of the Department of Conservation and Development.
- 1960: Changed name of division to Division of Industrial Development.ⁿ Primarily concerned with industrial development and local planning assistance.^o

Appendix 1 (continued)

^aAlbert Lepawsky, State Planning and Economic Development in the South, (Kingsport, Tennessee: National Planning Association, Committee of the South, 1949), p. 24.

^bArkansas, Acts of Arkansas 1955, Act 408.

^cCalifornia, A State Office of Planning for California. Report of the Subcommittee on County and Community Planning. Assembly Interim Committee Reports 1953-1955 XIII:1 (April 1955), pp. 21-22.

^dCalifornia, 1961 Pocket Supplement to Deering's Government Code Annotated, Sec. 65012.1.

^eThe Governor's Committee on Organization of State Government, The Agency Plan for California, (California: 1959), p. 14.

^fLepawsky, op. cit., p. 23.

^gFlorida, Stat. 1959, Secs. 288.01, 288.03, 288.11; Florida, Florida Development Commission Annual Report 1961.

^hLepawsky, op. cit., p. 25.

ⁱKentucky, Revised Statutes (Baldwin, 1962), sec. 152.010.

^jKentucky, Revised Statutes (Baldwin, 1962), c. 154.

^kVirginia, Summary of Activities and Legislation, State Planning and Development Agencies. Division of Planning and Economic Development, (Richmond, Virginia: October 1956), p. 16.

^lPublic Administration Service, Organization for Industrial Development in the State of Tennessee (Chicago: 1959), pp. 8-9.

Appendix 1 (continued)

^mTennessee, Public Acts of Tennessee 1959, pp. 52, 53, 57, 58; The Tennessee Planner, XXII:1 (September 1962).

ⁿVirginia, Code of Virginia 1950, Secs. 10-118 and 10-119 (1960 cumulative supplement).

^oAelred J. Gray, "Survey of State Planning Agencies, 1960," Journal of the American Institute of Planners, XXVII:4 (November 1961), p. 326.