

EXECUTIVE CHAMBERS

HONOLULU

June 20, 2003

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 1088

Honorable Members
Twenty-Second Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 1088, entitled "A Bill for an Act Relating to Long-Term Care."

The purpose of Senate Bill No. 1088 is to establish a long-term care tax and provide long-term care benefits.

This bill is objectionable for the following reasons:

First, it does not adequately address the needs for long-term care for the people of Hawaii. In exchange for taxes paid over a lifetime, individuals would qualify for only 365 days of benefits too small to cover the current average daily cost of long-term care, much less what such costs might be at the time benefits were actually paid. Some individuals who would otherwise plan for their own long-term care needs might instead rely entirely on this program and end up much worse off as a result.

Second, the bill is fundamentally unfair and regressive. It would be disproportionately burdensome on low-income and middle-income taxpayers. The percentage of income that would have to be paid under this bill by a person earning \$20,000 is five times greater than the rate on someone earning \$100,000.

Third, the bill imposes unreasonable financial and administrative burdens on the State and private employers. The Department of Taxation estimates that it would cost the State approximately \$1 million to set up this program, and approximately \$320,000 each year for administration.

More funds would be needed to ensure compliance, but compliance costs for the collection of a \$120 tax would be an

inefficient use of resources in any event.

The bill creates additional complications in the administration of taxes because of a mismatching of funds -- the tax would be deposited into a special fund while a partial credit for the cost of long-term care insurance would be awarded from the general fund.

All employers would need to modify their payroll systems to account for the collection of the tax from their employees.

The cost of keeping track of the program itself, as opposed to just tax administration, is unknown at this time.

Fourth, the long-term care tax provided for by this bill would drain financial resources from Hawaii's economy. This loss is estimated to be approximately \$100 million per year.

Finally, I am concerned that the long-term care special fund, which is projected to grow to approximately \$1.2 billion over the next ten years, might not be used for the intended purpose. Given relatively recent raids on the state retirement fund and other special funds, I am concerned that the Legislature might be tempted to use this fund for other worthwhile purposes, leaving the State with yet another unfunded liability and taxpayers in doubt of whether they would ever receive the benefits that they had already paid for.

For the foregoing reasons, I am returning Senate Bill No. 1088 without my approval.

Respectfully,

LINDA LINGLE
Governor of Hawaii

P R O C L A M A T I O N

WHEREAS, under Section 16 of Article III of the Constitution of the State of Hawaii, the Governor is required to give notice, by a proclamation, of the Governor's plan to return with the Governor's objections any bill presented to the Governor less than ten days before adjournment sine die or presented to the Governor after adjournment sine die of the Legislature; and

WHEREAS, Senate Bill No. 1088, entitled "A Bill for an Act Relating to Long-Term Care," passed by the Legislature, was presented to the Governor within the aforementioned period; and

WHEREAS, Senate Bill No. 1088 is unacceptable to the Governor of the State of Hawaii;

NOW, THEREFORE, I, LINDA LINGLE, Governor of the State of Hawaii, do hereby issue this proclamation, pursuant to the provisions of Section 16 of Article III of the Constitution of the State of Hawaii, giving notice of my plan to return Senate Bill No. 1088 with my objections thereon to the Legislature as provided by said Section 16 of Article III of the Constitution.

DONE at the State Capitol, Honolulu,
State of Hawaii, this 20th day
of June, 2003.



LINDA LINGLE
Governor of Hawaii