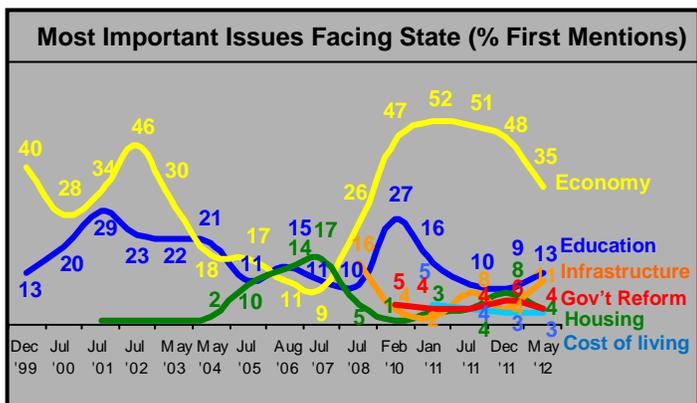


Summer 2012

Sponsored by the Hawaii Business Roundtable and Pacific Resource Partnership.
Research Conducted by OmniTrak Group Inc.

ECONOMIC CONCERNS FADING

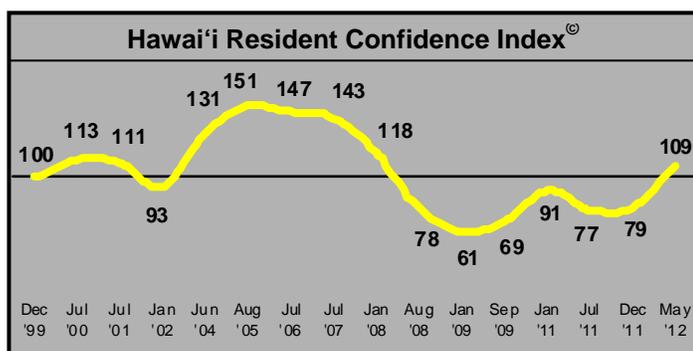
Concerns over the economy continue to recede as local consumers become more confident that business conditions are improving statewide. Since 2011, top-of-mind mentions of “the economy” have declined from over 50% to just 35% in May 2012. While “the economy” remains the top concern, mentions of “education” and “infrastructure” are occurring more frequently as key statewide priorities.



Even for those concerned about the economy, less pessimism about job availability and general business conditions have cropped up in the latest poll data. Generally speaking, residents now believe that the prospects for employment and business are not as bad now as they were six months to a year ago.

HAWAII RESIDENT CONFIDENCE JUMPS

In a further sign of increasing confidence, the Hawai'i Resident Confidence Index – a barometer of residents' overall outlook – jumped dramatically since December from 79 to 109. The 30-point increase represents the biggest 6-month change in confidence levels since 2008 when financial markets went into free fall. This reversal of a 3-year downtrend bodes well for the economic outlook over the rest of 2012.



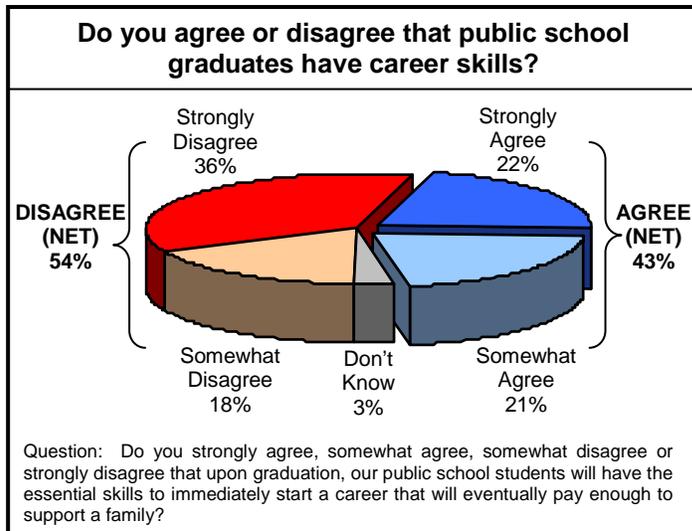
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This jump in the Resident Confidence Index comes at a time of steady improvement in other areas of the economy, most notably in tourism from reports of higher visitor arrivals and spending. In addition, Hawaii's unemployment rate is declining – currently 5.3% in Honolulu – offsetting negative sentiment about the slow pace of recovery.

PUBLIC EDUCATION: CAREER READINESS

Concern about **public education** is increasing statewide. According to The Learning Coalition, a nonprofit focused on education, recent data on student performance suggests that the public school system “is failing to make the changes necessary to ensure that its graduates are ready to participate in the 21st Century economy,” in other words, **that students may not be career-ready upon graduation.**

Hawaii residents seem to concur, overall, based on their responses to “Do you agree or disagree that, upon graduation, our public school students will have the essential skills to immediately start a career that will eventually pay to support a family?” **By a 54% to 43% margin, more residents disagree than agree that DOE graduates have the requisite skills to eventually start a self-supporting career.** Over 1 in 3 **strongly** disagrees that public school graduates have the essential skills.



Resident opinion varies across population segments, however.

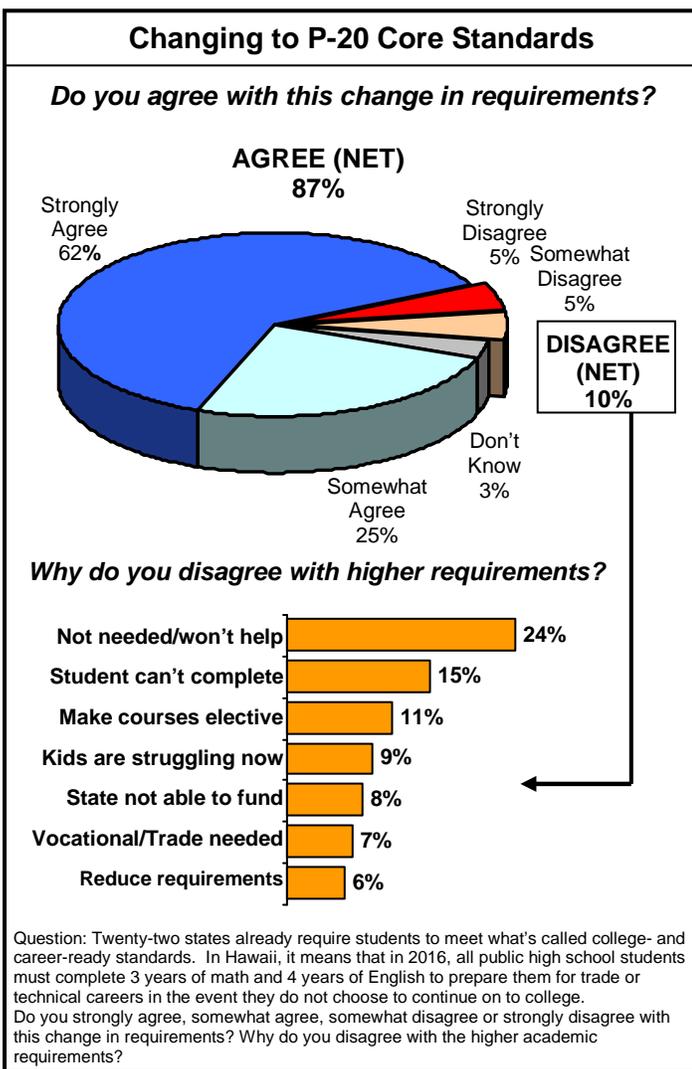
- Among **parents**, those with children in DOE schools **agree** more than disagree that their students are career-ready (55% to 45%); by contrast, private school parents disagree by a wide margin (64% to 34%).
- Residents with above-average incomes (\$75,000+) mostly **disagree** (63% to 35%) while those with lower incomes (<\$35,000) are divided evenly (47% to 50%).
- Ethnically-speaking, most residents of Caucasian (60%), Japanese (57%) and Hawaiian ancestry (53%) **disagree** that DOE graduates are career-ready, while most Filipino residents (65%), by contrast, agree that they are ready.

EDUCATION: P-20 COMMON CORE STANDARDS

To bolster career readiness, the state Board of Education recently agreed to raise the requirements for graduation from the public schools according to a set of common core benchmarks (P-20) in use nationally. The new benchmarks increase the coursework required in math and English so that public school graduates will be better prepared for career and college. In the May survey, residents were asked about this change as follows:

“Twenty-two states already require students to meet what’s called college- and career-ready standards. In Hawaii, it means that in 2016, all public high school students must complete three years of math and four years of English to prepare them for trade or technical careers in the event they do not choose to continue on to college. Do you strongly agree, somewhat agree, somewhat disagree or strongly disagree with this change in requirements?”

There is overwhelming support for the BOE’s changes. Nearly 9 in 10 residents agreed (87%) with the more rigorous standards for graduation. A majority (62%) strongly agreed with the changes.



Those who disagreed with the new requirements, when asked why they disagree, tended to feel that the changes would not address the problem or would not help graduates’ career readiness after they leave high school.

“To actually prepare them for the real world,” said one resident who disagreed with the new standards, *“they need skills, like technical training, rather than just math and English.”* This viewpoint is a distinctly minority view since residents as a whole are decisive in support of the new standards.

Demographically, those who strongly agree with changing to more rigorous standards for graduation tend to be:

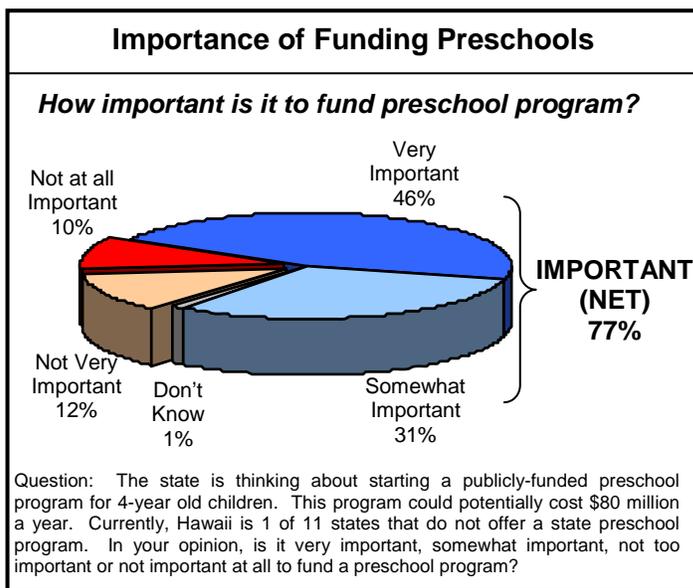
- Likely voters in 2012 (66%)
- Residents earning above-average (\$75,000+) incomes (68%)
- Working adults 35-54 (68%)

EDUCATION: STATE-FUNDED EARLY LEARNING

Hawaii is one of the few states not to have mandatory preschool for 4-year old children in public education. In 2012, legislators approved the creation of an executive office on early learning which will oversee the start up of publicly-funded preschools for the first time. Residents, by and large, agree with this initiative -- despite the added cost to taxpayers -- as seen in their responses to the following question:

“The state is thinking about starting a publicly-funded preschool program for 4-year old children. This program could potentially cost \$80 million a year. Currently, Hawaii is one of 11 states that do not offer a state-funded preschool. In your opinion, is it very important, somewhat important, not very or not at all important to fund a preschool program?”

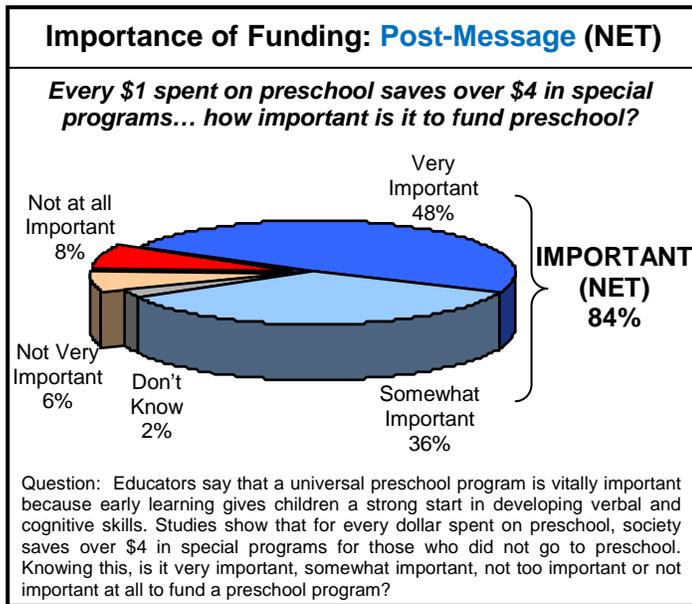
There is a broad consensus in favor of funding early learning. Over 3 in 4 (77%) indicated that it was important to fund a preschool program, and only about 1 in 5 felt that this was not important.



Of those residents (22%) who do not believe in the importance of funding preschools, 33% were converted to supporting preschool funding when they heard that *“early learning gives children a strong start in developing verbal and cognitive skills”* and that *“studies show that for every dollar spent on preschool, society saves over \$4 in special programs...”*

Continued on Page 3

FUNDING PRESCHOOLS (continued)



In total, post-message, **84%** of residents believe in the importance of funding early learning (despite the minimum \$80 million cost); just 14% do not believe it to be important.

The biggest differences in attitudes are age-related.

- The segment most supportive of early learning are: young adults 18-34 (94%). (Adults 35-54: 84%; adults 55+: 78%)
- Residents of Hawaiian and Filipino ancestry are most likely to feel that funding is very important (each 54%) and those of Japanese ancestry least likely (33%).
- No significant differences were seen by the likelihood of voting in 2012.
- No significant differences were seen among parents with children in the public schools vs. non-DOE parents.

EDUCATION: REDEVELOPING PUBLIC SCHOOLS

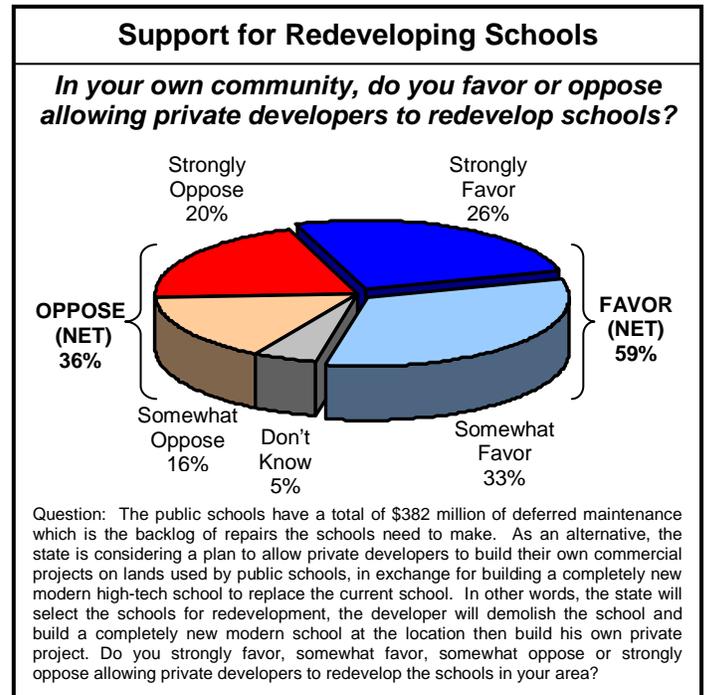
Another issue in public education is the poor physical condition of the school system generally. Many public schools are very old by U.S. standards, inefficient, and costly to operate and maintain. The DOE reports that the schools currently have a total of \$382 million of deferred maintenance outstanding.

One proposed solution to the backlog of repairs is the concept of **redeveloping the public schools to 21st Century standards** by leveraging the value of lands beneath the schools. This would entail having private developers demolish the existing school and build a new school, after which they would be allowed to build private projects on that or other DOE sites. Residents were asked if they supported or opposed this concept after the following explanation was read to them:

“The public schools have a total of \$382 million dollars of deferred maintenance which is the backlog of repairs the schools need to make. As an alternative to making repairs, the state is considering a plan to allow private developers to build their own commercial projects on lands used by public schools, in exchange for building a completely new modern high-tech school to replace the current school. In other words, the state will select the schools for redevelopment; the developer will demolish the school and build a completely new modern school at the location then build his own private project.”

“Thinking about your own community, do you strongly favor, somewhat favor, somewhat oppose or strongly oppose allowing private developers to redevelop schools in your area?”

By a **59% to 36%** margin, more residents favor the concept of redeveloping schools to 21st Century standards than oppose it. Twenty-six percent of residents strongly favor it versus 20% who strongly oppose having private sector redevelopment of public schools.



Support for private redevelopment is strongest among DOE parents and among higher income groups in the population.

- Public school parents (with children in DOE schools) favor this concept (63%) more than do non-DOE parents (43%). Among non-DOE families, more oppose (51%) than support (43%) the concept of public school redevelopment.
- Income levels also reveal differences. Those earning \$75,000+ are more favorable to allowing private sector redevelopment (70%) than are those residents earning \$35,000 or less annually (48%).
- Ethnically-speaking, a majority of residents of Caucasian (67%) and Japanese (69%) ancestry favor the concept, while native Hawaiian residents are divided (48% vs. 47%).
- Men favor the concept by a much larger margin (65% to 29%) than do women (54% to 42%).
- No statistically significant differences were seen between likely voters and those less likely to vote in 2012.

Looking at sample data at the community level – which cannot be projected to the actual communities due to small samples, but nevertheless gives directional clues – both **Lower Makiki and Waikiki residents appear to support private sector redevelopment** with little opposition. These two districts are relevant to the public-private partnership concept because land values there provide strong incentives for future redevelopment of the local schools.

REGULATORY STREAMLINING

The Legislature in 2012 attempted to address perceived delays in public construction projects that some attribute in part to the state environmental review process. Many in the business community feel that the regulatory requirements are stalling construction projects which could energize the state's economy. In response, the Legislature proposed granting certain state and county projects temporary exemptions from some state environmental review requirements in order to speed up project approvals.

While the legislation ultimately did not pass in 2012, advocates feel that the issue of regulatory-related delays would continue to be an important consideration in future sessions. The People's Pulse sought to gauge public attitudes on the issue by presenting the basic arguments used for and against the exemptions, then asking residents to rate their level of agreement with each position using a 10-point scale, as follows:

“Both state and federal laws require developers to conduct environmental impact studies before getting construction projects approved. The process allows the public to give input on the projects’ potential impact on the environment. The Legislature has proposed temporarily to exempt or release some government construction projects from state environmental laws in order to speed up approvals. Using a 10-point scale where 10=completely agree and 1=do not agree at all, how much do you agree or disagree that:

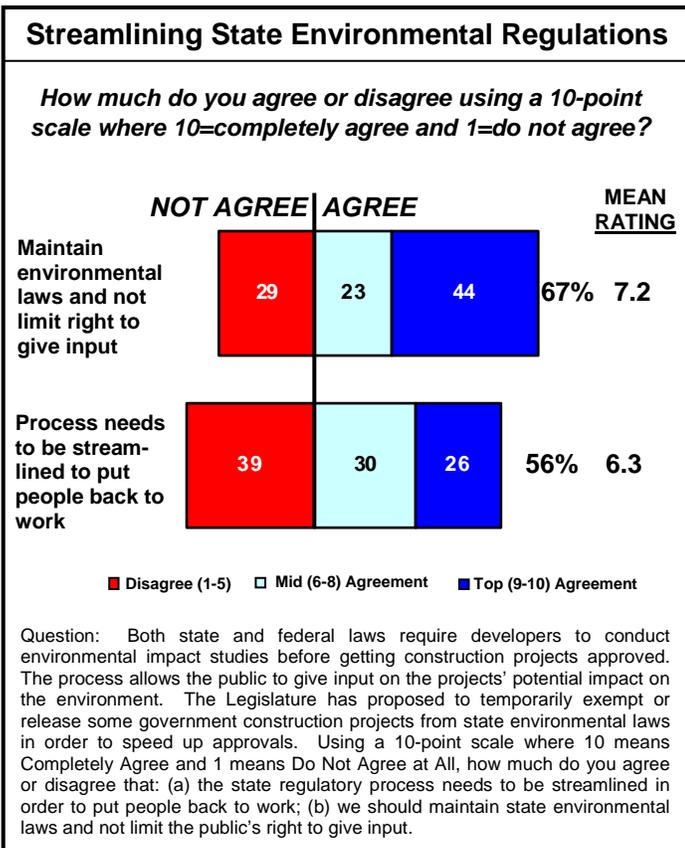
- The state regulatory process needs to be streamlined in order to put people back to work.*
- We should maintain state environmental laws and not limit the public’s right to give input.”*

Asked to consider these two alternatives, **the public seems to lean towards maintaining the environmental review process.** A larger majority of residents agreed that “*we should maintain state environmental laws...*” than agreed that “*the regulatory process needs to be streamlined...*,” 67% to 56%. Moreover, “Top Box” agreement (rating 9-10) also favors maintenance over streamlining; those who are in *very strong agreement* with maintaining current state regulations outnumber those who very strongly agree with streamlining – 44% to 26%.

At the same time, there is not a decisive consensus that one choice is better than the other choice, or that one must be done at the expense of the other alternative. Despite the net preference for maintaining regulations, over half of residents (56%) still favor streamlining the process. These responses are consistent with 2011 poll results which showed a slight majority favoring maintaining regulatory protections over temporarily waiving regulations (see Summer 2011 People's Pulse).

Responses to the respective positions are relatively stable in the population, with some differences by island, age, and gender.

- The preference for *maintaining environmental laws over streamlining the process* is stronger on Oahu (mean 7.4 to 6.2) than on the Neighbor Islands (mean 6.8 vs. 6.4).
- The group most in favor of *streamlining the regulatory process* are young adults 18-34, whose mean ratings (7.1) of agreement are significantly higher than those of adults 35-54 (5.9) and adults 55+ (6.0). Unemployment is much higher among young adults than among the older age groups.
- The key difference is by gender: women favor *maintaining environmental laws* more than do men (mean 7.6 vs. 6.8) — also consistent with 2011 data on gender differentiation.
- No statistically significant differences were seen between likely voters and those less likely to vote in 2012.



10=completely agree and 1=completely disagree	The state regulatory process needs to be streamlined to create jobs	Maintain state environmental laws & not limit public input
TOTAL (MEAN)	6.26	7.19
Oahu	6.19	7.36
Neighbor Isles	6.41	6.80
18-34	7.11	7.45
35-54	5.91	6.77
55+	5.99	7.31
Likely voters	6.11	7.07
Less likely to vote	6.57	7.45
Male	6.21	6.76
Female	6.29	7.55

THE PEOPLE'S PULSE

The Summer 2012 issue of The People's Pulse is based on statewide telephone interviews among a random sample of 701 adult citizens (401 Oahu, 100 each on Hawaii, Maui, and Kauai), conducted May 3 to 21, 2012. Results are weighted by island. At a 95% confidence level the sampling error overall is +/-3.7%. Call OmniTrak Group Inc. at 528-4050 for information on specifics. For more copies of this issue, please go to the following websites:

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