

SCR37/SR13

Measure Title: REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM TO TAKE CERTAIN ACTIONS TO IMPROVE JOB CREATION AND BUSINESS CLIMATE.

Report Title: Job Creation; Economic Diversification; Incentives; Business

Description:

Companion:

Package: None

Current Referral: EDT, WAM

Introducer(s): DELA CRUZ, CHUN OAKLAND, GALUTERIA, INOUYE, KIDANI, WAKAI, Ihara, Kahele, Keith-Agaran, Kouchi, Nishihara, Riviere, Ruderman, Shimabukuro



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Wednesday, March 18, 2015
2:50 p.m.
State Capitol, Conference Room 016

in consideration of
SCR 37/SR 13

**REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM TO TAKE CERTAIN ACTIONS TO IMPROVE JOB CREATION AND
BUSINESS CLIMATE.**

Chair Wakai, Vice Chair Slom, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) offers comments on SCR 37/SR 13, which would require DBEDT to take certain actions to improve job creation and business climate.

DBEDT would like to report to the Committee that DBEDT has been and will continue working in this area. Over the past 30 years, Hawaii's economy has been experiencing significant diversification. For example, in 1988, tourism contributed 30 percent to Hawaii's economy and now that sector accounts for about 17 percent. According to the data from the U.S. Bureau of Economic Analysis, the top two sectors that contributed to job growth in Hawaii between 1998 and 2013 are professional services and healthcare. Our labor market has been better than the nation's since 2000 with the unemployment rate consistently lower than the U.S. average by 2.0 percentage points. Now, our unemployment rate is among the 10 lowest of all the states in the nation. Our payroll jobs count continues to improve and, by the end of 2014, our non-agriculture payroll job count reached a new

historical high level. In 2014 alone, Hawaii gained 7,530 payroll jobs. In January 2015, there were 8,500 more non-agricultural payroll jobs than a year ago.

According to data from the U.S. Census Bureau, our median household income ranked the 4th highest in the nation and our median family income ranked the 6th highest in the nation.

DBEDT has been putting a lot of effort in economic diversification by promoting industry sectors such as innovation, creative, and energy. According to a study done by Connect, an economic research firm in San Diego sponsored by the Hawaii Business Round Table, the innovation sector contributed 7.4 percent directly to Hawaii's job count. The creative sector, most of which are included in the innovation sector, contributed about 5.9 percent of total Hawaii civilian jobs. The energy sector, especially the renewable energy industry, helped generate 8,400 jobs in 2012 when the construction industry was struggling.

DBEDT has been promoting State infrastructure development such as broadband and housing. In providing affordable housing, HHFDC assisted in the construction or rehabilitation of 6,428 residential units between 2007 and 2014, another 7,053 units are planned for development during the next seven years.

Every year since 2009, DBEDT tracks the emerging industries in our State. Our report titled *Hawaii's Targeted and Emerging Industries* has been transmitted to the legislature on schedule and also can be found on the DBEDT website. The report keeps track of 6 sectors that the State has targeted in the past for development: technology, agribusiness, creative, health and wellness, education, and other targeted areas such as apparel and call centers.

Business climate involves many areas from taxation, infrastructure, labor force development, education and capital formation, to quality of life and cost of living. We will continue working with the public and private partners to improve our ranking in these areas.

Thank you for the opportunity to provide comments on SCR 37 and SR 13.

GRASSROOT

Institute of Hawaii

Board of Directors

Richard Rowland
Chairman and Founder

Keli'i Akina, Ph.D.
President/CEO

Eddie Kemp
Treasurer

Gilbert Collins

Robin Tjoe

March 18, 2015
2:50 PM
Conference Room 016

To: Senate Committee on Economic Development & Technology
Sen. Glenn Wakai, Chair
Sen. Sam Slom, Vice Chair

From: Grassroot Institute of Hawaii
President Keli'i Akina, Ph.D.

RE: SCR 37 --REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM TO TAKE CERTAIN ACTIONS TO IMPROVE JOB CREATION AND BUSINESS CLIMATE.

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on SCR 37, which urges the Department of Business, Economic Development, and Tourism (DBEDT) to identify new strategies, incentives, and industries that could help improve our state's economic future.

We applaud this resolution for identifying a critical problem in Hawaii's economic outlook and attempting to take proactive measures in order to support job creation and a better business climate for our state. In that spirit, we would like to urge the Committee to ensure that this resolution remains focused on the promotion of best practices rather than the same-old government-based incentives that have been tried time and again in our state to little effect.

The single most revolutionary thing DBEDT could do to promote economic growth in Hawaii is to identify those policies that act as a drain on our economy, but are within our own power to correct.

This can include everything from onerous regulations that choke out small business to hidden costs on Hawaii businesses, like the Jones Act's effect on shipping or the effect of the general excise tax and other state taxes. Instead of looking for a way to get government more involved in shaping the economy, we should be examining how to get government out of the way so that Hawaii's businesses have room to grow and thrive.

Thank you for the opportunity to submit our comments.

Sincerely,
Keli'i Akina, Ph.D.
President, Grassroot Institute of Hawaii