

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKAI

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GOVERNOR

CHRIS J. SADAYASU
DIRECTOR

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Statement of
CHRIS J. SADAYASU
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

Thursday, March 30, 2023
3:00 PM

State Capitol, Conference Room 308 & Videoconference

In consideration of
SB 1296, SD2, HD1
RELATING TO DESIGNATED ECONOMIC DEVELOPMENT DISTRICT.

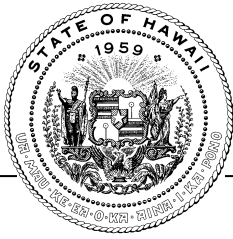
Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) **strongly supports** SB 1296, SD2, HD1. This measure establishes an economic development district planning organization within the DBEDT Office of Planning and Sustainable Development (OPSD). This organization will ensure that the state of Hawaii meets the federal statutory requirements for designation by the U.S. Economic Development Administration (EDA) as an Economic Development District (EDD).

Economic Development Districts are designed to coordinate and support economic development planning. Designation as an EDD would allow DBEDT, other government agencies and non-profit organizations to access federal resources only available to formally designated EDDs including annual federal funding sources. EDA federal investments are more likely in areas covered within EDDs than areas located outside such districts—a critical point ahead of the EDA's elevated levels of funding.

The economic development district planning organization created by this bill fulfills the federal economic development district requirements including the creation of a district organization with a board of directors and professional staff positions. This will give Hawai'i the opportunity to apply for designation as an Economic Development District and access the networks and resources only available with such a designation.

Thank you for the opportunity to testify.



**STATE OF HAWAI'I
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

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Statement of
SCOTT GLENN, Interim Director

before the
HOUSE COMMITTEE ON FINANCE
Thursday, March 30, 2023, 3:00 PM
State Capitol, Conference Room 308

in consideration of
SB 1296, SD 2, HD 1
RELATING TO DESIGNATED ECONOMIC DEVELOPMENT DISTRICT

Chair Yamashita, Vice Chair Kitagawa, and Members of the House Committee on Finance:

The Office of Planning and Sustainable Development (OPSD) **strongly supports** SB 1296, SD 2, HD 1. This measure establishes and designates OPSD to organize an economic development district planning organization to ensure the state is eligible to be designated as an Economic Development District (EDD) by the U.S. Department of Commerce Economic Development Administration (EDA).

Economic Development Districts are multi-county entities tasked to help lead and coordinate locally developed and regionally driven economic development. EDDs are crafted to develop long-term relationships with the EDA including annual federal funding to support the development and implementation of the region's Comprehensive Economic Development Strategy. SB 1296, SD 2, HD 1 is constructed to meet the federal 13 CFR § 304.1 requirements for EDD formation including the creation of a district organization and support staff positions.

OPSD finds that the EDA investment of federal funds is more likely within designated Economic Development District areas—between 2010 and 2019, more than 71% of EDA grants were located in an area covered by an EDD, according to the EDA. SB 1296, SD 2, HD 1 supports efforts to receive an EDA designation and funding as an EDD. Please see the attachment for more information about the benefits of an EDD including how the designation will position Hawai'i more competitively ahead of historically elevated levels of EDA funding.

Thank you for the opportunity to testify on this measure.

Hawai'i has an opportunity to pursue an Economic Development District (EDD) designation by the U.S. Department of Commerce's Economic Development Administration (EDA). This opportunity comes at an unprecedented time in the EDA's history, which has continued to receive increased appropriations for economic development programs, beyond the supplemental amounts appropriated in response to the COVID-19 pandemic. ***Time is of the essence to position Hawai'i as a statewide EDD for both the immediate and long-term federal funding opportunities to support our state's economic recovery, development, and resilience.***

What is an Economic Development District (EDD)?

An Economic Development District (EDD) is a ***self-determined multi-jurisdictional region having economic linkages and is federally designated by the EDA to encourage the coordination of economic development planning and project implementation.*** Regions may only participate in one EDD, and there are currently no designated EDDs in Hawai'i.

To receive designation as an EDD, the region must have an EDA-approved Comprehensive Economic Development Strategy (CEDS)—a strategy-driven plan for coordinated regional economic development required to qualify for EDA assistance under its Public Works and Economic Adjustment Assistance programs—and a dedicated District Organization to carry out the administrative duties and functions pursuant to an EDD designation. The role of the District Organization generally includes: coordinating cross-sector and cross-county economic development activities, implementing the EDA-approved CEDS, providing technical assistance for interested EDA applicants within the EDD, administering implementation projects for low-capacity eligible entities within the EDD, and providing other region-specific capacity as determined by the District Organization.

Benefits of an EDD

The benefits of an EDD include both financial advantages and practical efficiencies in having a dedicated District Organization to coordinate economic development projects across state, county, and non-government actors. In addition to ***annual EDA funds to support the operations of the District Organization***, projects in the EDD are more competitive for EDA grants; between 2010 and 2019, ***more than 71% of EDA grants were located in an area covered by an EDD***, according to the EDA. This is in part due to ***increased EDA funding eligibility*** for projects that otherwise may not meet eligibility criteria. Areas designated as an EDD were also found more likely to recover their economies more quickly from the effects COVID-19 pandemic, relative to areas that did not have this designation¹.

Hawai'i's Relationship with the EDA

The Office of Planning & Sustainable Development (OPSD) has undertaken the development and 5-year updates of the CEDS. The CEDS has enabled Hawai'i to participate in the EDA's primary grant programs—Public Works and Economic Adjustment Assistance—***including the EDA's supplemental \$3 billion appropriation under the American Rescue Plan Act in FY22.*** These programs have historically awarded grants to state / county government agencies, the University of Hawai'i, and 501(c)(3) nonprofit organizations, to support infrastructure, programming, and planning projects that establish a foundation for sustainable job growth and economic development.

	2017	2018	2019	2020	2021	2022
Total EDA Awards to Hawai'i Recipients (thousands)	\$2,323	\$586	\$1,484	\$810	\$10,327	\$41,989
Public Works*	\$1,600	--	--	--	\$300	\$2,000
Economic Adjustment Assistance*	\$230	\$376	\$539	\$300	\$9,517	\$39,754
Other	\$493	\$210	\$945	\$510	\$210	\$235

Source: USAspending.gov

*EDA programs requiring approved CEDS for project eligibility

Because of the CEDS, Hawai'i received \$41.8 million in 2022 and an average of \$9.1 million over the last six years.

¹ Argonne National Laboratory, 2022

Figure 1: Hawaii Awards by Place of Performance, FY17-22

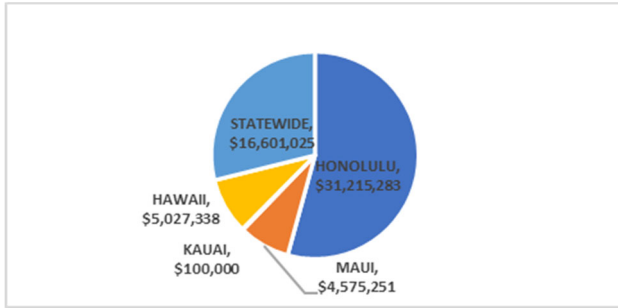
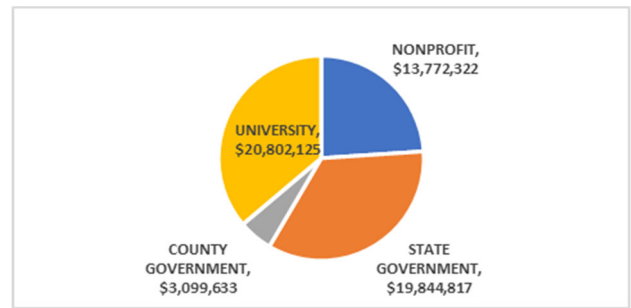


Figure 2: Hawaii Awards by Recipient Type, FY17-22



Hawai'i's Statewide EDD Opportunity

Hawai'i stands to benefit from an EDD designation ahead of more elevated levels of EDA funding.

	2017	2018	2019	2020**	2021**	2022**	2023	2024 (est.)
Total EDA Funding (millions)	\$276	\$902	\$904	\$1,833	\$3,346	\$374	\$1,616	\$1,079

Source: Economic Development Administration: Overview of Programs and Appropriations (FY2011-FY2022), Congressional Research Service; Statement from Assistant Secretary Alejandra Y. Castillo on the President's Budget and Commitment to American Economic Development; Budget of the U.S. Government, Fiscal Year 2024, Office of Management and Budget

**Inclusive of COVID-19 supplemental appropriations

Among the near-term opportunities an EDD will qualify or position Hawai'i more competitively for, includes:

- FY23²
 - \$363.5 million for standard programs (e.g., Public Works, Economic Adjustment Assistance)
 - \$500 million for Regional Technology and Innovation Hubs
 - \$200 million for the Recompete Pilot Program
 - \$50 million for the Build to Scale Program
 - \$2.5 million for the STEM Apprenticeships Talent Challenge
 - \$500 million for infrastructure and other long-term economic recovery efforts for areas impacted by natural disasters in 2021 and 2022
- FY24 (estimated)³
 - \$275 million for Regional Technology and Innovation Hubs (out of a \$4 billion multi-year appropriation)
 - \$200 million for the Recompete Pilot Program
 - \$100 million for the Good Jobs Challenge

OPSD's Role

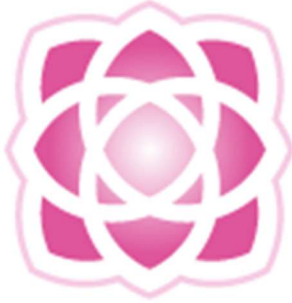
In addition to the CEDS, OPSD's Special Plans Branch oversees the Hawai'i Economic Recovery & Resilience (HIERR) Project—a planning process designed to learn from the economic impacts of the COVID-19 pandemic to enable actions toward a more resilient, equitable, and sustainable economy. ***HRS §225M-2 and HRS §226 statutorily position OPSD's Special Plans Branch to operate a statewide EDD District Organization*** for the continuous planning, coordination of implementation, and tracking of both the CEDS and HIERR Plans, and future economic planning activities.

Next Steps

HB 1194 and SB 1296 are two measures that establish an Economic Development District Planning Organization and governing board, which will provide the necessary resources and satisfy federal statutory requirements pursuant to 13 CFR parts 303 and 304, and qualify Hawai'i to apply for a statewide EDD designation by the EDA.

² [Statement from Assistant Secretary Alejandra Y. Castillo on the President's Budget and Commitment to American Economic Development](#)

³ [Budget of the U.S. Government, Fiscal Year 2024](#), Office of Management and Budget



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEE ON
FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308
THURSDAY, MARCH 30, 2023 AT 2:00 P.M.

To The Honorable Kyle T. Yamashita, Chair
The Honorable Lisa Kitagawa, Vice Chair
Members of the Committee on Finance

**SUPPORT FOR SB1296 SD2 HD1 RELATING TO DESIGNATED ECONOMIC DEVELOPMENT
DISTRICT**

The Maui Chamber of Commerce **supports SB1296 SD2 HD1** which establishes the Hawai'i Economic Development District Planning Organization and board and designates the Office of Planning and Sustainable Development to organize the Hawai'i Economic Development District Planning Organization.

The Chamber supports this initiative as it would better connect the state with federal agencies and may increase important economic development federal funding of projects in Hawaii. We agree with the placement of this board under DBEDT as well.

Free enterprise helps to diversify and stimulate the economy and generate new jobs. Therefore, in addition to those listed in the bill to serve on the board, *we feel it should also include a representative from each of the major chambers of commerce from each island in the state.*

For these reasons, we **support SB1296 SD2 HD1 with our proposed amendment.**

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

SB-1296-HD-1

Submitted on: 3/30/2023 12:58:39 PM

Testimony for FIN on 3/30/2023 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jacqui Hoover	Hawai`i Island Economic Development Board (HIEDB) Inc.	Support	Written Testimony Only

Comments:

I am Jacqui Hoover, Executive Director and Chief Operating Officer for the Hawai`i Island Economic Development Board (HIEDB) Inc., a private, non-profit, member-based 501(c)3 corporation registered in the State of Hawai`i since 1984. HIEDB is committed to providing and promoting private sector support and expertise for balanced growth, diversifying and strengthening Hawai`i Island's economy, and supporting statewide economic initiatives. Recently HIEDB updated the Hawai`i County Comprehensive Economic Development Strategy (CEDS) and led the effort in updating the Hawai`i State CEDS with the Hawai`i State Office of Planning and Sustainable Development (OPSD) on behalf of the U.S. Department of Commerce Economic Development Administration (EDA).

HIEDB strongly supports SB1296 SD2 and establishment of the Hawai`i Economic Development District (EDD) Planning Organization and Governing Board for which the aforementioned CEDS serves foundationally.

In addition to development of the initial CEDS in 2005 and updates in 2010, 2016, and 2022 per EDA requirements, HIEDB has worked on other initiatives on behalf of and with both OPSD and EDA, as well as, in collaboration with other public and private sector stakeholders in support of comprehensive economic development both on Hawai`i Island and throughout the state of Hawai`i including securing millions of dollars in federal funding. Establishment of the Hawai`i EDD will enhance such efforts and provide more opportunities for the state and implementation of important economic development strategies and programs. To ensure successful implementation and access to the additional opportunities to Hawai`i, it is also important that the requested funding and positions be approved as written into the bill.

Thank you for this opportunity to offer this testimony in support of SB1296 SD2.

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