



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

JOSH GREEN, M.D.
GOVERNOR

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LT. GOVERNOR

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Statement of
JENNIFER CHUN
ACTING ADMINISTRATOR
Research and Economic Analysis Division
Department of Business, Economic Development, and Tourism
before the
House Committee on Finance

Monday, March 2, 2026
2:00 PM
State Capitol, Conference Room 308

In consideration of
HB1612 HD1
RELATING TO ECONOMIC DEVELOPMENT.

Chair Todd, Vice Chair Takenouchi, and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) supports HB1612 HD1, which establishes a business competitiveness goal for the State to achieve a ranking of being in the top thirty states in the United States for business climate by 2045, with interim goals and requires an annual report.

Act 142 of Session Laws of Hawai'i 2024 (SB2974 CD1) established a Business Revitalization Task Force within DBEDT to identify methods to improve Hawai'i's general economic competitiveness and business climate, including the mitigation of regulatory and tax burdens. The results and recommendations of the task force are listed in the task force report.¹

The bill includes the sum of \$300,000 from general revenues of the State of Hawaii for fiscal year 2026-2027 to cover the costs of independent research, staffing, travel, and other administrative expenses as outlined in this bill. For "staffing" specified in the bill, we would like to request two full time employees.

Thank you for the opportunity to testify.

¹ DBEDT (2025). Business Revitalization Task Force Report.
https://dbedt.hawaii.gov/economic/files/2025/12/Business-Revitaliztion-Final-Report-12_4.pdf



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Statement of
JAMES KUNANE TOKIOKA
Director

Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

Monday, March 2, 2026
2:00 PM
State Capitol, Conference Room 308

In consideration of
HB1612, HD1
RELATING TO ECONOMIC DEVELOPMENT.

Chair Todd, Vice Chair Takenouchi, and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) supports HB1612, HD1, which establishes a business competitiveness goal for the State to achieve a ranking of being in the top thirty states in the United States for business climate by 2050, with interim goals and requires an annual report.

HB1612, HD1, is a direct and necessary next step following the work of the Business Revitalization Task Force established pursuant to Act 142 (SB2974). That task force was charged with identifying methods to improve Hawai'i's overall economic competitiveness, business climate, and governmental efficiency, including mitigation of regulatory and tax burdens. The Task Force's findings made clear that Hawai'i's economic performance challenges are structural and require a sustained, measurable, and long-term policy framework, not one-time adjustments.

HB1612, HD1, implements that recommendation. The measure establishes a formal, measurable statewide goal: improving Hawai'i's national business climate ranking into the top 30 states by 2050, with clear interim benchmarks in 2035, 2040, and 2045. This transforms the Task Force's strategic direction into an operational accountability structure.

Importantly, HB1612, HD1, does not focus on a single policy lever. Instead, it recognizes that economic competitiveness is multi-dimensional: spanning workforce, infrastructure, cost of doing business, regulatory efficiency, innovation, education alignment, access to capital, and quality of life. All of which are reflected in the national ranking metric outlined in the bill. These are the same cross-sector drivers identified by the Task Force as influencing Hawai'i's long-term economic vitality.

Hawai'i has already demonstrated the value of setting clear, measurable statewide mandates in other policy areas:

- Act 151 (Food Production) established a goal of doubling local food production, which has helped align agriculture, infrastructure, workforce, and market efforts under a shared target.
- Act 97 (Renewable Portfolio Standard) set long-term clean energy benchmarks that now guide investment, grid planning, and technology deployment.

HB1612, HD1, applies that same proven policy model to economic competitiveness. Without measurable benchmarks, economic development efforts remain fragmented. This bill establishes a shared scorecard and requires annual reporting to the Legislature on progress and policy options, ensuring continuous course correction and legislative engagement.

By codifying an economic competitiveness goal:

- The State signals long-term policy stability to investors and employers.
- Agencies gain a unifying framework to align regulatory reform, infrastructure planning, workforce initiatives, and innovation policy.
- The Legislature receives structured, recurring analysis and legislative options rather than episodic proposals.

HB1612, HD1, is not about chasing a ranking for its own sake. It is about using a nationally recognized benchmark as a proxy for economic health, job opportunity, wage growth potential, business formation, and long-term affordability for residents.

For these reasons, DBEDT supports HB1612, HD1, as the implementation vehicle for the Business Revitalization Task Force's findings and as a necessary step toward a more competitive, resilient, and opportunity-driven Hawai'i economy.

Mahalo for the opportunity to provide testimony.

**Testimony to the House Committee on Finance
Representative Chris Todd, Chair
Representative Jenna Takenouchi, Vice Chair**

**Monday, March 2, 2026, at 2:00PM
Conference Room 308 & Videoconference**

RE: HB1612 HD1 Relating to Economic Development

Aloha e Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports House Bill 1612 House Draft 1 (HB1612 HD1), which establishes a business competitiveness goal for the State to be nationally ranked in the top thirty states for business climate by 2050, with interim goals. Requires the Department of Business, Economic Development, and Tourism to submit annual progress reports to the Legislature.

HB1612 HD1 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Economic Action. This bill unifies the state under a north star goal that will improve Hawaii's business climate, best poised to develop an opportunity rich and competitive economic environment. When business climate improves, more high wage jobs become available, outmigration is mitigated, and more general fund revenue can be generated.

The Chamber of Commerce Hawaii recognizes that the state ranking of #47 Best State to do Business reflects the challenging economic environment our members are faced with. The Chamber, by virtue of its programming across business advocacy, education, and workforce development, is dedicated to creating impact across the ten board categories of competitiveness listed in the bill language. Further, the Chamber believes that the CNBC ranking is a fair and accurate ranking system that evaluates business competitiveness and supports a statewide initiative to improve this ranking.

For these reasons we support HB 1612 House Draft 1 and respectfully ask for its passage. Thank you for the opportunity to testify.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.



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March 2, 2026

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON HB 1612, HD1
RELATING TO ECONOMIC DEVELOPMENT

Conference Room 308 & Videoconference
2:00 PM

Aloha Chair Todd, Vice-Chair Takenouchi, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate, and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports HB 1612, HD1, which establishes a business competitiveness goal for the State to achieve a ranking of being in the top thirty states in the United States for business climate by 2045.

This measure reflects the work and recommendations of the Business Revitalization Task Force and represents an important step toward improving Hawai'i's overall business climate. Agriculture is a business, and Hawai'i's farmers and ranchers are directly affected by the State's regulatory environment, workforce challenges, cost of doing business, and access to capital.

HB 1612, HD1 establishes a clear, long-term business competitiveness goal for the State, with interim benchmarks and annual reporting. The rankings provide a useful framework for measuring progress and identifying areas where Hawai'i must improve to remain economically viable. For agriculture, issues such as permitting delays, workforce availability, infrastructure, and regulatory complexity directly impact the ability to start, expand, and sustain farming and ranching operations.

As a member of the Business Revitalization Task Force, HFB appreciates that this bill emphasizes sustained policy development and stakeholder engagement rather than one-time reforms. Agriculture is a long-term investment, and consistent attention to improving the business climate is essential to growing local production, diversifying the economy, and strengthening rural communities.

Improving Hawai'i's business competitiveness benefits all sectors, including agriculture, by helping reduce barriers, attract investment, and create conditions where local businesses can succeed. HB 1612, HD1 provides an important framework for accountability and progress toward those goals, and we urge the Committees to support this measure.

Thank you for the opportunity to provide testimony.

March 2, 2026, 2 p.m.
Hawaii State Capitol
Conference Room 308 and Videoconference

To: House Committee on Finance
Rep. Chris Todd, Chair
Rep. Jenna Takenouchi, Vice-Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY SUPPORTING HB1612 HD1 — RELATING TO ECONOMIC DEVELOPMENT

Aloha chair, vice chair and other committee members,

The Grassroot Institute of Hawaii **supports** [HB1612 HD1](#), which establishes a business competitiveness goal for the state to be nationally ranked in the top 30 states by 2050.

Hawaii has been consistently named one of the worst states in which to do business by outlets as varied as CNBC, Forbes and the Tax Foundation.¹ The state's reputation is equally dismal for entrepreneurship, as it is also ranked among the worst states in which to start a business.²

It is not hard to understand why. The Tax Foundation's 2026 State Tax Competitiveness Index specifically mentions Hawaii's personal income tax rate, the pyramid structure of the GET and our high estate tax rates as reasons for the state's low competitiveness rating.³ What's more, nearly every tax measure that earned praise in the Index — such as the state's treatment of capital gains income and its property tax rates — is facing a proposed hike this year. And perhaps worst of all is the potential abandonment of the income tax cuts passed in 2024 — which would definitely improve the state's business competitiveness.

¹ "[Hawai'i's General Economic Competitiveness and Business Climate](#)," Department of Business, Economic Development & Tourism Research and Economic Analysis Division, May 2025, p.5.

² Adam McCann, "[Best & Worst States to Start a Business \(2025\)](#)," WalletHub, Jan. 20, 2025.

³ Janelle Fritz, et. al, "[2026 State Tax Competitiveness Index](#)," Tax Foundation, October 2025, p. 67.

The goal set by this bill is both ambitious and praiseworthy. Achieving it would require a significant change in the state's approach to taxation, budgeting and regulation.

If we were to meet this goal, however, it would make our state more prosperous while increasing state revenues. There would be more opportunities for Hawaii residents, which would reduce the flight of our friends and family to the mainland. Given what it could mean for the future of our state, we urge you to pass HB1612.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii



Statement of
Meli James and Brittany Heyd
Cofounders
Mana Up

HB1612 HD1, Relating to Economic Development

Aloha Chair Todd, Vice Chair Takenouchi, and Committee Members,

We support HB1612 HD1, which establishes a long-term business competitiveness goal for the State of Hawai'i with interim benchmarks and annual reporting.

Mana Up is a statewide initiative that provides entrepreneurs in Hawai'i with the resources and tools to grow their businesses and scale globally. As these entrepreneurs continue to grow, they also contribute to the expansion of our local economy. As part of our mission, we aim to sustain the local economy through economic diversification, local job creation, community giveback, investment, and a regenerative culture of entrepreneurship, providing a better future for generations to come here in Hawai'i.

Improving the State's business climate directly supports local entrepreneurs' ability to grow, hire, and invest in Hawai'i. Low business competitiveness rankings reflect structural challenges that affect all sectors, particularly small and emerging companies striving to enter new markets, hire talent, access capital, and compete globally. A transparent, measurable framework for competitiveness will help policymakers and stakeholders identify barriers, track progress, and collaborate on solutions that benefit Hawai'i's entire economic ecosystem.

Mana Up supports efforts to strengthen Hawai'i's business climate because doing so expands opportunities for homegrown brands to thrive, creates jobs, and grows Hawai'i's economy in ways that honor local culture, place, and values.

For these reasons, we respectfully urge the committee to pass HB1612 HD1.

Sincerely,

Meli James | Cofounder, Mana Up
Brittany Heyd | Cofounder, Mana Up



March 2, 2026

Committee: House Committee on Finance
Bill Number: HB1612 HD1, Relating to Economic Development
Hearing Date and Time: March 2, 2026, 2:00pm
Re: Testimony of HPM Building Supply in Support

Dear Chair Todd, Vice Chair Takenouchi, and Committee Members:

I would like to submit this testimony in support of HB1612 HD1, Relating to Economic Development. HB1612 HD1 establishes a long-term business competitiveness goal for the State of Hawai'i with interim benchmarks and required annual reporting.

HPM Building Supply is a 100% employee-owned company serving Hawai'i's home improvement market and building industry, operating since 1921. With 18 locations across Hawai'i and Washington State, HPM offers a range of services and products, including retail stores, building supply and lumber yards, home design centers, drafting and design services, and manufacturing facilities. HPM is dedicated to enhancing homes, improving lives, and transforming communities.

As a locally owned and operated company with a deep history of serving Hawai'i's contractors, builders, and communities, we see firsthand how Hawai'i's business environment affects growth, jobs, and investment across multiple industries. A more competitive and predictable business climate benefits not just one sector, but the entire economy, supporting workforce development, supply chains, construction activity, and long-term planning for Hawai'i families and employers.

This measure's framework provides a structure for consistent evaluation and accountability. This approach encourages collaboration among state government, private industry, and stakeholders to develop solutions that improve Hawai'i's ability to attract and retain businesses, enhance efficiency, and reduce unnecessary burdens that can slow economic activity.

For companies like ours, clarity and stability in the economic and policy environment help us plan investments, hire locally, and better serve our customers statewide. HB1612 HD1's focus on long-term competitiveness supports an environment in which businesses of all sizes can thrive, drive job creation, and invest in the people and infrastructure of our communities.

For these reasons, I respectfully urge the Committee to support HB1612 HD1.

Sincerely,

Jason Fujimoto
Chairman & CEO





TITLE GUARANTY
HAWAII

March 2, 2026

Testimony in support of HB1612 HD1, Relating to Economic Development

Aloha Chair Todd, Vice Chair Takenouchi, and Committee Members,

We write in support of HB1612 HD1, Relating to Economic Development, which supports local businesses and workers by establishing clear, long-term goals to improve Hawai'i's business climate and by promoting accountability and transparency in how the State measures progress.

Title Guaranty of Hawai'i is the oldest and largest title company in the State, but at our core, we remain a locally rooted, family-owned business. Since 1896, we have been owned and operated by a kama'āina family and have grown alongside Hawai'i's communities. Today, we employ more than 250 local residents statewide, many of whom have built long-term careers with our company.

A predictable, efficient, and competitive business environment is essential for locally owned companies like ours to continue investing in Hawai'i's workforce and communities. Hawai'i's consistently low national business ranking reflects systemic challenges, including high costs and slow, complex government processes, highlighting the uncertainty that employers, workers, and consumers alike face in today's economy.

HB1612 HD1 recognizes that improving the business climate requires sustained focus, measurable goals, and coordination across state agencies. By establishing interim benchmarks and requiring annual reporting, this measure creates a framework for long-term planning rather than fragmented or reactive policymaking. Improving Hawai'i's business climate will also help uplift the economic security and overall well-being of local working families by supporting job stability, workforce retention, and long-term investment in our communities.

For these reasons, Title Guaranty Hawai'i urges the Committee to pass HB1612 HD1 and support policies that strengthen Hawai'i's local business ecosystem and economic future.

Sincerely,

Mike B. Pietsch
President and Chief Operating Officer
Title Guaranty of Hawai'i





holomua

COLLABORATIVE

OUR MISSION

To support and advance public policies that make Hawai'i affordable for all working families.

OUR VISION

Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai'i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai'i can thrive.

BOARD MEMBERS

Jason Fujimoto
Meli James, *Board Chair*
Micah Kāne
Brandon Kurisu
Brad Nicolai
Mike Pietsch
Sunshine Topping

ADVISORY COMMITTEE

Josh Feldman
Brittany Heyd
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Page 1 of 1

Committee: House Committee on Finance
Bill Number: HB 1612 HD1, Relating to Economic Development
Hearing Date and Time: March 2, 2026 at 2:00pm (Room 308)
Re: Testimony of Holomua Collaborative- Support

Aloha Chair Todd, Vice Chair Takenouchi, and Committee Members:

We write in support of House Bill 1612 HD1, Relating to Economic Development. This measure establishes a clear business competitiveness goal for Hawai'i: achieving a top thirty national ranking for our business climate by 2050, supported by necessary interim milestones.

Holomua supports initiatives that help keep all local working families in Hawai'i by addressing affordability challenges. For Hawai'i to be affordable for local working families, we need to ensure that our local business community has the opportunities to expand and succeed in an uncertain economy. The challenges businesses face in thriving in Hawaii are an unfortunate reality that has permeated public consciousness. *Only 19% of respondents in a recent survey of 3200 local residents agree that "Hawai'i is a good place to do business."* This statement also shows a high percentage of disagreement, with 44 percent *disagreeing* that Hawai'i is a good place to do business. And 9 out of 10 respondents agree that Hawai'i needs to recruit and retain critical workforce members.¹

Establishing a formal business competitiveness goal can reverse these trends. In the short term, passing this measure signals to the public that leadership recognizes the status quo is unsustainable. In the long term, this bill will cultivate thriving small businesses and a more resilient economy statewide.

Small local businesses are essential to a strong economy. They diversify income, create jobs, and ensure that wealth remains within our communities while preserving Hawai'i's unique culture. We respectfully ask for your support of HB1612 HD1.

Sincerely,

Matthew Prellberg
Policy and Communications Director

¹ 2025 Affordability Survey, Holomua Collective. www.holomuacollective.org/survey-25.

HB-1612-HD-1

Submitted on: 3/1/2026 7:07:55 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jacob Aki	Alaska Airlines and Hawaiian Airlines	Support	Written Testimony Only

Comments:

Alaska Airlines and Hawaiian Airlines respectfully submit testimony in strong support of H.B. 1612, H.D.1, which establishes a statewide goal to rank Hawai‘i among the top thirty states for business climate by 2050, with clear interim benchmarks and annual reporting requirements.

As airlines that serve as essential economic infrastructure for Hawai‘i, we understand the importance of a competitive, predictable business environment. Aviation connects our islands to global markets, sustains tourism, supports local businesses, and enables residents’ mobility. A stable regulatory and economic framework is critical for airlines to invest confidently in aircraft, routes, facilities, and workforce development.

We support the bill’s structured and measurable approach, including interim ranking targets and required annual progress reports to the Legislature. This creates accountability and ensures that improving Hawai‘i’s business climate remains a sustained priority rather than a short-term initiative.

The categories outlined in the ranking metric – such as infrastructure, workforce, cost of doing business, business friendliness, access to capital, and cost of living – directly affect operational and investment decisions. Improvements in these areas strengthen Hawai‘i’s economic resilience and enhance its ability to attract capital and grow jobs.

For a geographically isolated state that relies heavily on air connectivity, long-term competitiveness is not optional – it is foundational. H.B. 1612, H.D.1 sends a clear signal that Hawai‘i is committed to strengthening its economic future.

We respectfully urge passage of this measure.

Mahalo for the opportunity to testify.



Rep. Chris Todd, Chair

Rep. Jenna Takenouchi, Vice Chair

STRONGLY Support 1612 HD1

Aloha Chair Todd, Vice Chair Takenouchi, and committee members,

My name is Antoinette Davis, and it has been my honor to serve as Executive Director of the Activities and Attractions Association of Hawaii (A3H), a not-for-profit 501(c)(6) trade organization, since 1997. A3H **supports HB1612, HD1**, which establishes a statewide business competitiveness goal and requires DBEDT to report progress.

This is a pivotal decision to ensure this measure is not simply aspirational. A clear competitiveness “North Star” only works if the State has the capacity to **measure progress, identify obstacles, and implement improvements**—particularly in areas that directly affect Hawai‘i’s small businesses.

Hawai‘i’s small businesses need measurable improvement—especially in permitting timelines and compliance costs

These are not abstract concepts; they determine whether local operators can expand, hire, invest, and modernize—especially in activities and attractions where safety, environmental compliance, and public access intersect with multiple layers of approvals.

Because HB1612, HD1 includes an appropriation and ongoing reporting expectations, ensure the measure is funded at a level that supports:

- credible, independent measurement of Hawai‘i’s competitiveness,
- consistent annual reporting (not just narrative updates),
- identification of bottlenecks (e.g., permitting queues, duplicative reviews), and
- stakeholder engagement with impacted small business sectors, including the visitor industry.

A3H supports a statewide goal, but we continue to encourage the Legislature to consider **more ambitious interim targets** so this effort produces tangible improvements sooner—particularly for permitting and regulatory friction points that can be improved in the near term.



HB1612, HD1 can help shift Hawai'i toward a more competitive, more resilient economy—**but only if it is implemented with sufficient capacity and accountability.** For these reasons, A3H respectfully urges the committee to **pass HB1612, HD1** and ensure the funding and structure are adequate to achieve real-world results.

Mahalo for your time, consideration, and the opportunity to testify.

Toni

Toni Marie Davis
Executive Director
Activities & Attractions Association of Hawaii, Inc.
Statewide 501 (c) (6) not-for-profit Trade Association
PO Box 598, Makawao, Hawaii 96768
(808)871-7947



LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

SMALL BUSINESS REGULATORY REVIEW BOARD

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Director, DBEDT
Voting Ex Officio

TESTIMONY

TO: Chair Todd, Vice Chair Takenouchi, and Members of the Committee on Finance

FROM: Jonathan Shick, Chairperson
Small Business Regulatory Review Board (SBRRB)

DATE: Monday, March 2, 2026 – 2:00 pm - Conference Room 308 & Videoconference

SUBJECT: House Bill 1612 Relating to Economic Development

On behalf of the SBRRB, I am providing testimony in support of House Bill 1612 and defer commentary to the Department of Business, Economic Development, and Tourism.

An SBRRB member sat on the Business Revitalization Task Force beginning in 2024, which was established pursuant to Act 142 (SB2974). As the task force found that Hawaii's economic performance challenges require a sustained, measurable, and long-term policy framework, this measure is expected to help assist with implementing such a vehicle.

Thank you for allowing the SBRRB to provide testimony in support of the measure.

Aloha Chair Todd, Vice Chair Takenouchi, and members of the committee:

Thank you for the opportunity to provide testimony on HB1612. My name is Dr. Steven Bond-Smith. I am an Assistant Professor and economist at UHERO. My testimony is submitted as an individual and not as a representative of the University of Hawai'i or UHERO.

I strongly support the bill's intent to measure Hawai'i's economic environment and hold policymakers accountable for improving economic performance and well-being. Transparent, evidence-based indicators are essential for understanding where the state is succeeding and where we can do better. However, I have several concerns with relying on CNBC's ranking—or any other mainland-oriented composite index—as a benchmark for Hawai'i. These rankings are not designed for an island economy, embed structural and geographic assumptions that are inherently biased against Hawai'i, by definition, and mix policy-controllable factors with conditions the state cannot change. As a result, they risk mischaracterizing Hawai'i's economic conditions and providing misleading signals for policy and investment decisions.

CNBC's "Top States for Doing Business" ranking is a widely cited metric, designed for national media. This means it is intended to identify a single "best" state based on national conditions, rather than to assess what policies or outcomes are most appropriate at the individual state level. As a result, the CNBC index suffers from various flaws that limit its usefulness as a tool for evaluating Hawai'i's economic conditions or guiding state policy, particularly because Hawai'i's economic geography, social, and other conditions differ considerably from those of continental states. Therefore, it is likely to give a distorted picture of Hawai'i's economic environment, often penalizing Hawai'i's relative ranking by emphasizing factors that reflect mainland priorities, national political narratives, or shifting methodological choices rather than the realities of an island economy. For example, the index rewards states for features like large domestic populations, rail and interstate connectivity, and low housing demand—attributes that Hawai'i neither has nor can obtain—while overlooking or low-weighting areas where Hawai'i naturally performs well, such as safety, environmental quality, and specific aspects of quality of life that matter for workforce retention.

Crucially, each category is weighted based on how frequently states use it as a selling point in economic development marketing materials. However, the selling points for continental states will differ substantially from those relevant to Hawai'i, meaning that, by construction, the methodology is biased against states whose strengths and weaknesses deviate from continental norms.

In addition, the index mixes inputs and outcomes, applies mainland-centric assumptions, and incorporates factors that Hawai'i cannot change—such as geography or proximity to large markets. This blending means a state may score poorly either because of genuine policy shortcomings or simply because it lacks continental scale, land-based

logistics, or a tech-heavy industrial base. The ranking does not distinguish between these, making it unclear what, if anything, policymakers are being judged on by the index.

Finally, the ranking relies on a shifting set of weighted indicators and criteria that change frequently enough that movements in rank can reflect methodology and shifting national priorities rather than real improvement or decline. While all such indexes have many similar related compromises and trade-offs—and the CNBC index appears to have fewer trade-offs than some other alternatives—taken together, these factors make any composite index, a poor metric for economic monitoring and policy governance in Hawai‘i, because it neither isolates the relevant levers that policy-makers control in Hawai‘i nor reflects the economic outcomes that actually matter for Hawai‘i residents.

At the Chamber of Commerce’s recent State of the Economy event, I asked Scott Cohn (from CNBC, who collates the index) how policymakers should use the CNBC ranking to support efforts to improve the economic climate in Hawaii. His response was, “Look at what you can control.” Indeed, this is the critical issue. This bill aims to focus policymakers’ attentions on the economic factors that it can control, but currently suggests measuring them on a composite index that combines these with many factors it cannot control, and many of the controllable factors in mainland states that are inappropriate for Hawaii, such as proximity to markets via rail freight infrastructure to connect to those markets.

To address this issue, the attached brief considers an alternative approach that separates policy-relevant inputs from meaningful economic outputs and targets Hawai‘i-specific factors, thereby offering a more coherent basis for accountability and decision-making. My suggestion is that the CNBC index in the bill be replaced with a set of suitable indicators, such as those discussed below.

Mahalo

Steven Bond-Smith

Assessing the Fairness of CNBC's Business Ranking for Hawai'i and Proposing a new Approach

Measuring policymakers: Should we track inputs or outputs?

The appropriate measure depends on whether we understand the causal pathway from policy decisions to economic well-being. This creates a fundamental dilemma for indices like CNBC's. The challenge is outlined below.

1. If we know the mechanisms that improve wellbeing

Then **inputs** make sense to measure—tax policy, infrastructure, workforce development, regulation, innovation systems, etc.

But this requires:

- well-understood causal pathways,
- clear evidence that specific inputs lead to better outcomes,
- meaningful state-level control over those inputs, and
- consistent measures across states.

This is rarely the case for small, remote economies like Hawai'i.

2. If we don't know the mechanisms

Then holding policymakers accountable for *inputs* is misleading. Policymakers may:

- change the “wrong” inputs because the index incentivizes them to do so,
- chase mainland-style policies that are poorly suited to Hawai'i,
- ignore strengths that are not measured,
- attempt to “fix” factors that are not policy-relevant (e.g., distance to markets),
- take credit or be blamed for changes driven by methodology rather than policy,

In this context, **outputs**—real incomes, productivity, employment, wellbeing—are more meaningful.

However, outputs have limitations too:

- They reflect forces outside policymakers' control (tourism cycles, federal spending, migration, global shocks, natural disasters).
- They do not directly indicate which policies are responsible for observed outcomes.

3. In practice, most composite indices mix both—poorly

CNBC tries to measure inputs and outputs simultaneously, with arbitrary weights, creating:

- conceptual ambiguity,
- methodological instability,
- weak alignment between policy levers and scoring categories, and
- misleading policy incentives.

4. The accountable-policy metric policymakers need does not exist

Ideally, policy *should* be evaluated on:

1. **Outcomes** (did well-being improve?), *and*
2. **Counterfactual performance** (did policies make a difference relative to what would have happened anyway?), *and*
3. **Policy-relevant inputs** (were evidence-based levers used effectively?).

A composite index like CNBC's cannot do any of these well. At best, it represents a rough compromise among several poorly suited alternatives.

Proposed Alternative Approach, Applied to Hawai'i

Skepticism of the CNBC index reflects a fundamental aggregation problem: it mixes **inputs** (what policymakers attempt) with **outcomes** (what residents experience), while blending state-specific governance with national priorities. It also presents the result as a measure of “doing business”, despite not cleanly measuring business climate — and doing so in a particularly misleading way for Hawai'i, where geographic and structural conditions differ sharply from the continental states.

Because the causal pathway from policy inputs to economic well-being is uncertain—and may differ for Hawai'i—**outputs** should serve as the primary basis for accountability, while **inputs** could be used as a diagnostic tool. The framework below separates these roles.

A. Use outputs for accountability

Recommended outputs (with measurable indicators):

Cost-of-living-adjusted per capita income and output

- Per capita income and GDP adjusted using BEA Regional Price Parities.

Productivity growth

- Labor productivity (GDP per worker) and total factor productivity growth by industry.

Employment outcomes

- Prime-age employment, underemployment, and long-term unemployment.

Poverty and economic hardship

- Supplemental Poverty Measure and ALICE thresholds.

Migration outcomes

- Net domestic migration, age-adjusted migration rates, and skill-specific migration trends.

Real wage distribution

- Median and 25th/75th percentile wages adjusted for Regional Price Parities.

Quality-of-life indicators

- *Life expectancy, environmental quality, commute times, health outcomes, homelessness rates, and crime rates.*

Targets for accountability:

- Top two-thirds nationally by 2035.
- Top half nationally by 2045.
- Performance relative to selected “peer” states (e.g. Nevada, Florida, and others).

Some outcomes should be measured at both state and metropolitan levels, where appropriate, to capture island-level variation in congestion, housing pressure, and labor markets. Each output should be benchmarked against both national performance and Hawai‘i’s own historical trajectory, allowing for structural constraints while still requiring meaningful progress.

B. Use inputs for diagnosis and policy accountability

Inputs help explain *why* Hawai‘i’s outcomes are improving or not. They should not be aggregated into a single score. Instead, they identify specific policy levers, and could be updated regularly to reflect current constraints or policy preferences. Their purpose is to evaluate the performance and efficiency of policy processes — not to predict outcomes or guarantee improvements.

Potential key diagnostic input areas and indicators:

Business Climate (Process and Predictability)

- Permitting timelines: median and 95th percentile processing times for commercial development.

- Business registration processing times.
- Transparency: share of rules with updated online documentation.

Regulatory Efficiency

- Time to complete environmental reviews (EA/EIS).
- Regulatory step counts and agency counts for typical business activities.
- Permit backlog volumes by department.
- IT modernization indicators: share of permits or business applications available online, and share available via end-to-end digital workflow adoption.

Labor Availability (without demographic penalties)

- Completion rates in CTE, apprenticeship, and UH programs in high-demand fields.
- Skilled-trades throughput: number of licensed trades graduates per capita.
- Workforce participation excluding retirees (to avoid demographic distortion).

Housing Supply and Land-Use Efficiency

- Housing permits issued per 1,000 residents relative to household formation.
- Median approval time for housing projects.
- Zoning capacity: legal versus realized density in urbanized areas.
- Share of developable land made available for housing (excluding conservation lands).
- Long-term rental vacancy rates.

Infrastructure Quality (Efficiency, not scale)

- Road/bridge maintenance backlog per lane-mile.
- Transit on-time performance for buses/rail.
- Port and airport turnaround efficiency.
- Water and wastewater break frequency and wastewater compliance rates.
- Capital project delivery time compared to plan.

Innovation Capacity (Avoiding patent bias)

- New business formation per capita.

- Five-year startup survival rates.
- Access to capital: SBA lending, local VC activity, bank credit availability.
- Productivity growth within key industries (tourism, healthcare, construction, etc.).
- Export diversification index outside tourism.

7. Energy System Performance

- Electricity costs by customer class, compared with both island and non-island peers.
- Renewable penetration versus statutory targets.
- Grid reliability (SAIDI/SAIFI).
- Interconnection timelines for renewable projects.
- Energy storage deployment per capita.

Dashboard structure:

To avoid the distortion created by composite indices:

- **One dashboard for outputs** (accountability)
- **One dashboard for inputs** (diagnosis)
- **No aggregation into a single score**

This approach avoids the conceptual and methodological flaws of indices like CNBC's and provides a clearer, fairer framework for evaluating economic performance and policy effectiveness in Hawai'i.