

# Hawai'i Business Competitiveness Bill

## **Executive Summary:**

Through Act 142, the 2024 Legislative Session established the Business Revitalization Task Force to identify methods to improve Hawai'i's general economic competitiveness and business climate, including mitigation of regulatory and tax burdens. The Task Force finds that the State has one of the most burdensome business climates in the nation, and Hawai'i's companies face the highest costs in the country. Businesses struggle to operate and survive, much less grow and compete nationally. The beleaguered state of the private sector is a threat to the long-term prosperity of the State of Hawai'i and its people.

The Task Force finds that there are multiple overlapping factors harming the state's competitiveness. One piece of legislation or policy reform is insufficient to resolve this crisis. Most of the policies and laws that burden business were enacted with good intentions. This means that any solution will require political will and creative problem-solving.

The Task Force recommends that the Legislature establish an institutional framework that encourages key stakeholders to proactively address the underlying issues that undermine the competitiveness of the private sector in the State by enacting the Hawai'i Business Competitiveness Bill. The first part of the bill sets a goal for the State to have one of the ten best business climates in the country by 2035.

The second part of the bill creates the Hawai'i Competitiveness Commission, which is tasked with developing specific proposals and policies that will improve the business climate and help Hawaii to rise in the state rankings. Every year, the Commission will submit to the Legislature 1) a report detailing the progress being made and 2) a menu of legislative options that will help improve the State's competitiveness. The Legislature will deliberate over these proposals and enact the ones that are most appropriate for the Hawai'i context. In this way, the Legislature will have to find a way to meet the goal that it has set for itself.

## **THE HAWAI'I COMPETITIVENESS BILL**

### **The Challenge:**

Hawai'i has the highest cost of doing business in the nation. CNBC ranked the state as the worst place to do business in 2024 and the 49<sup>th</sup> worst in 2025. These costs harm business activity and threaten the economic opportunity for local people. Hawai'i's income level is falling behind the rest of the country, a trend that will likely worsen if the business climate does not materially improve.

Compared to the rest of the country, Hawai'i businesses face the most restrictive regulations, the slowest approval processes, the highest logistics costs, the highest utilities, some of the highest rents and land costs, and one of the highest tax burdens. Some costs reflect the geographic realities of an island economy, but many of these costs are downstream of political choices imposed by legislation and policies.

Hawai'i faces a choice: either it must reform the regulatory environment affecting businesses,

which is the costliest in the nation, or it must accept the lackluster performance of the private sector and the downstream effects of anemic economic growth.

The Legislature recognizes that the economic welfare of its citizens depends on the ability of entrepreneurs and businesses to compete nationally and internationally and that the current business climate puts Hawai'i's companies at a distinct disadvantage.

Improving the state's economic competitiveness is a complex and multi-faceted challenge that will take years to fully resolve. The road to reform involves trade-offs, stakeholder consultation, and an in-depth understanding of the underlying issues.

### **Adopting an Approach with a Proven Track Record:**

The State of Hawai'i has a track record of setting and pursuing long term goals. The Hawai'i Clean Energy Initiative was launched in 2008 to reduce dependence on fossil fuels and achieve the nation's first-ever 100% renewable energy standards by the year 2045. A clear strategy of how to achieve these goals did not exist at the beginning. A diverse group of stakeholders worked together to devise a workable approach that involved a process of iterative learning. While there is much work to do before 2045, the State is on the way to accomplishing its goal. Hawai'i reformed its energy policy by setting a long-term goal and then creating a system of incentives and institutions to reach that goal.

The State should use a similar approach to improve its business climate and support economic opportunity.

### **The Goal:**

The Legislature shall commit to improving Hawai'i's business environment by passing the Hawai'i Business Competitiveness Bill that will use the CNBC America's Top States for Business ranking to monitor its progress and commit to improve Hawai'i's ranking to:

40<sup>th</sup> or better by 2028

30<sup>th</sup> or better by 2030

20<sup>th</sup> or better by 2032

10<sup>th</sup> or better by 2035

### **The Metric:**

Multiple national rankings consistently place Hawai'i among the least business-friendly states. The Task Force selected the CNBC America's Top States for Business ranking as the preferred benchmark because it:

- Provides the most comprehensive assessment of actual business conditions using ten categories and 135 metrics.
- Offers annual updates enabling consistent progress tracking.
- Uses a balanced approach to measuring business environment without reverting to an anti-tax or small-government bias.

- Serves as the most widely recognized and cited state business ranking. Hawai'i will receive publicity and recognition for improving the rankings which will attract investment.

CNBC's ranking of America's Top States for Business uses 135 metrics to evaluate ten categories of competitiveness.<sup>1</sup>

	Category	Hawai'i Ranking (2025)
1	Economy	39
2	Infrastructure	48
3	Workforce	29
4	Cost of Doing Business	50
5	Business Friendliness (regulatory burden)	44
6	Quality of Life	6
7	Technology & Innovation	48
8	Education	42
9	Access to Capital	48
10	Cost of Living	49
	Overall	49

## Implementation Structure:

The Legislature shall establish a Hawai'i Business Competitiveness Commission whose purpose is to study why the State continuously ranks low in the ranking and devise proposals and policies that would improve its ranking. The Commission will consult with business groups, labor unions, community organizations, and county governments.

The Commission will draw on the deep reservoir of studies that exist on how to improve the business climate. These sources include but are not limited to:

- The policy recommendations and studies submitted by the Business Revitalization Task Force
- The 2030 Blueprint by the Hawai'i Chamber of Commerce
- The Comprehensive Economic Development Strategy produced by each county
- Studies produced by UHERO

The Commission will include representatives from the following groups:

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<sup>1</sup> Source: 2025. America's Top States for Business 2025: The Full Rankings <https://www.cnbc.com/2025/07/10/top-states-for-business-americas-2025-the-full-rankings.html>. A description of CNBC's methodology is available here: [www.cnbc.com/2025/06/11/how-we-are-choosing-americas-top-states-for-business-in-2025.html](https://www.cnbc.com/2025/06/11/how-we-are-choosing-americas-top-states-for-business-in-2025.html).

- The Hawai'i Department of Business, Economic Development, and Tourism
- The Hawai'i Chamber of Commerce
- The Hawai'i Business Roundtable
- A representative from organized labor
- City and County of Honolulu
- County Government of Maui
- County Government of Hawai'i
- County Government of Kauai

The people representing each organization are expected to devote significant time and energy to researching issues, developing proposals, writing reports, and developing community consensus.



