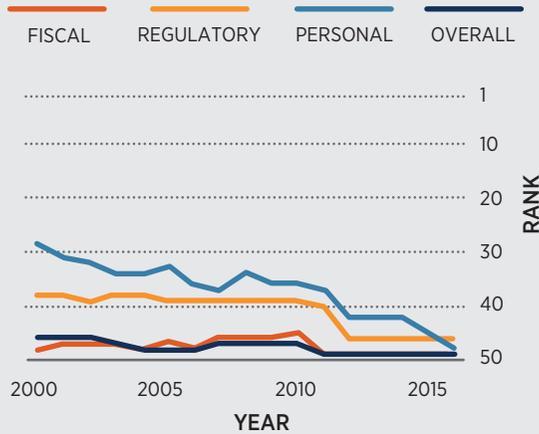


# HAWAII

2016 RANK  
**49th**



## POLICY RECOMMENDATIONS

- **Fiscal:** Local government looks quite inefficient. The state spends far more than the national average on air transportation, sanitation and sewerage, parks and recreation, public buildings, health and hospitals, interest payments, and “miscellaneous.” Cut spending in these areas and local taxes.
- **Regulatory:** Relax the state’s extreme land-use regulations. Allow residential uses on land deemed “agricultural,” and eliminate either state or county review, which are duplicative.
- **Personal:** Legalize sale and possession of recreational marijuana.



Population, 2017  
**1,427,538**

Net Migration Rate  
**-5.9%**



State Taxes, Percent of Personal Income, FY 2017  
**9.81%**

Local Taxes, Percent of Personal Income, FY 2015  
**3.35%**

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Real Per Capita Personal Income, 2016, in 2009 \$  
**\$38,514**

Real Personal Income Growth, CAGR, 2000-15  
**1.9%**

## ANALYSIS

Hawaii has long had one of the lowest levels of economic freedom in the country, but it has continued to slide behind on personal freedom. Thus, it isn’t surprising that Hawaii is now the 2nd least free state in the Union. Even with its huge locational rents, Hawaii has experienced a net outflow of residents to the rest of the United States since at least the beginning of last decade. The outflow continued and got even worse in 2016-17.

Hawaii’s fiscal policy is decidedly tax and spend. State-level taxes rose from an already high estimated 8.3 percent of personal income in FY 2009 to 9.8 percent in FY 2017. Local government also taxes at a very high level given how little it has to do. Estimated local taxes were 3.4 percent of personal income in FY 2017, only slightly below the national average, even though there are no local schools (education is a state government responsibility). Government debt is much higher than the national average. Government employment is at about the national average.

Hawaii does badly in almost every area of regulatory policy, but its two worst categories are land-use and labor-market freedom. It has among the strictest restrictions on residential building in the country. Eminent domain abuse is unchecked by law. Fortunately, the state doesn’t have rent control, despite discussions in the legislature. It has a minimum wage that was fairly modest at \$7.25 per hour as recently as 2014, but it has been raised on a schedule since then and now stands at \$10.10 per hour in 2018. It has no right-to-work law, and it has strict workers’ compensation mandates, a short-term disability insurance mandate, and a stricter-than-federal anti-discrimination law. Hawaii’s occupational entry is much more regulated than the national average, and the state has very little scope-of-practice freedom for second-line health care professionals, a hospital certificate-of-need requirement, strict insurance

regulations, a price-gouging law, and a general “unfair sales” law (you are not allowed to sell at prices that are “too low”). Nurse practitioners now have full independent practice authority. However, we do show a sustained and substantial improvement in the quality of Hawaii’s civil liability system, which rose from about average in 2000 to well above average by 2016. This result came about because of increasing scores in the Chamber of Commerce survey of businesses and shrinkage in the size of the legal sector relative to the economy, whether measured by number of lawyers or legal services’ share of GDP.

Hawaii is now one of the worst states on personal freedom, despite being a top state in the incarceration and victimless crime category. It enjoys incarceration and drug enforcement rates that are well below average, while other victimless crime arrest rates have also improved. Hawaii performs below average on civil asset forfeiture. Tobacco freedom is among the lowest in the country, with extremely high cigarette taxes (\$3.20 per pack in 2018), draconian smoking bans on private property, and complete prohibition for adults ages 18 to 20. There is virtually no legal gambling, other than home social games. The state has a long-standing and permissive medical cannabis law, but implementation was slow, with dispensary sales only starting in 2017 following a law passed in 2015. It has made no other moves to liberalize marijuana laws in the past decade. Alcohol freedom is better than average, especially with grocery store sales of wine and spirits and no state involvement in distribution, but beer taxes are high. The protection of gun rights is the worst in the country. It is virtually impossible to get a concealed-carry license, all Class III weapons are banned, there is comprehensive registration and purchase permitting of firearms, dealers are licensed, “assault weapons” are banned, large-capacity magazines are banned, and so on. Hawaii does not require helmets for adult motorcycle drivers.