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## SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION

### TESTIMONY REGARDING SB 2088 RELATING TO ADVANCED SLIGHT SIMULATOR TRAINING

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: JANUARY 29, 2008**

**TIME: 1:15PM**

**ROOM: 225**

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This bill proposes to amend the definition of "qualified business" at section 209E-2, HRS, which amends Hawaii Enterprise Zone law by expanding the definition of "qualified business" to include businesses engaged in commercial aviation training for pilots, dispatchers, mechanics or air traffic controllers.

The Department of Taxation (Department) **provides comments** on this legislation.

#### I. **THE DEPARTMENT RAISES THE FOLLOWING TECHNICAL ISSUES.**

The Department raises technical flaws for this Committee's consideration—

**TECHNICAL MATTER – DEFINITION OF "COMMERCIAL AVIATION"** – The meaning of the term "commercial aviation" is somewhat ambiguous. Hawaii law currently does not have a definition for this term. The Internal Revenue Service has made a distinction between "commercial" and "noncommercial" aviation in revenue rulings. If Hawaii adopts the same distinction, then the expansion of the definition of qualified business would only encompass businesses engaged in "commercial aviation" and may exclude some businesses engaged in aviation in general.

The new sentence should read: "(5) Engaged in aviation training for pilots, dispatchers, mechanics, or air traffic controllers."

**POTENTIAL TITLE PROBLEM**—The title appears too narrow to encompass all of the subject matter presented in this bill. The Department is concerned that references to dispatchers and mechanics specifically may be beyond a reasonable interpretation of "advanced flight simulator training."

II. **REVENUE IMPACT.**

Revenue losses are estimated to be \$400,000 for fiscal year 2009, \$1.2 million for fiscal year 2010, \$400,000 for fiscal year 2011 and \$275,000 per year thereafter.

## **S. B. No. 2088**

### *Relating to Advanced Flight Simulator Training*

It is my pleasure to testify in favor of Senate Bill 2088, which is intended to provide targeted tax incentives to aviation training companies that make a substantial investment in the advanced training technologies needed to train airline pilots and others for highly skilled positions in the aviation industry.

For the past three years, my company has supported Honolulu Community College (HCC) in developing airline-oriented courseware that is designed to prepare students for training in advanced jet flight simulators. Early last year, I introduced Alteon Training LCC, a wholly owned training subsidiary of the Boeing Commercial Airplane Company, to the HCC project. In May, 2007, Alteon and HCC executed a letter of intent to evaluate formation of a joint training partnership that will provide, among other things, entry for HCC into Alteon's worldwide training network and promotion of HCC's training activities to airline customers of Boeing and Alteon. Alteon has subsequently made two visits to HCC's training facility at Kalaeloa Airport and is now prepared to enter into a training contract.

Alteon has also expressed an interest in allowing HCC to conduct major portions of its airline jet training program and mechanic training program. The investment by Alteon in flight simulators for this project is likely to exceed \$16,000,000. I believe that S.B. 2088 is needed to establish a sound business case for such an investment by Alteon and others.

When fully developed, I estimate that this project will generate more than 100 new jobs at the Kapolei and Honolulu International Airport facilities of H.C.C. It will also establish Hawaii as one of the finest centers for professional aviation training in the Pacific region.

I urge you to pass this important bill.

With respect,

/s/ Capt. Robert R. Bumgarner

Testimony Presented Before the  
Senate Committee on Economic Development & Taxation  
January 29, 2008 at 1:15 pm

**WRITTEN TESTIMONY**

SB 2088 - Relating to the Advanced Flight Simulator Training

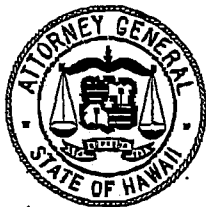
Chair Fukunaga, Vice Chair Espero, and Members of the Committee:

Honolulu Community College stands in support of this measure.

Honolulu Community College operates the University System's only flight training and aviation mechanic training programs. The mechanic's program was started in 1949 and the flight training program, founded in 1998, is looking forward to its 10<sup>th</sup> year of operation. Both programs have the potential for growth and the College hopes to eventually partner with airlines and/or airplane manufacturers in offering this training to countries that are in great demand for pilots and aviation mechanics.

A bill such as this would assist prospective private sector partners in making an investment in expensive flight training materials and equipment.

We look forward to further solidifying the University of Hawai'i's capacity to become a world-class flight training center.



**TESTIMONY OF THE STATE ATTORNEY GENERAL  
TWENTY-FOURTH LEGISLATURE, 2008**

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**ON THE FOLLOWING MEASURE:**

S.B. NO. 2088, RELATING TO ADVANCED FLIGHT SIMULATOR TRAINING.

**BEFORE THE:**

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION

**DATE:** Tuesday, January 29, 2008 **TIME:** 1:15 PM

**LOCATION:** State Capitol Room 224  
*Deliver to: Committee Clerk, Room 216, 1 copy*

**TESTIFIER(S):** Mark J. Bennett, Attorney General  
or Margaret S. Ahn, Deputy Attorney General

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Chair Fukunaga and Members of the Committee:

The Department of the Attorney General takes no position on this measure but urges the following amendment to avoid a possible constitutional challenge.

Article III, section 14, of the State Constitution provides that each law shall embrace but one subject, which shall be expressed in its title. Under this constitutional provision, an act may be invalidated if its title is not germane to its subject. The subject of this bill is to amend the definition of "qualified business" for the purposes of state enterprise zones, to include those businesses "engaged in commercial aviation training for pilots, dispatchers, mechanics, or air traffic controllers." The title of this bill, however, is "Relating to Advanced Flight Simulator Training." This title is too narrow to encompass the scope of the bill's subject.

We therefore respectfully suggest that the contents of this bill be placed within another measure whose title would properly encompass the scope of this bill's subject matter. In the alternative, the proposed new language may be amended to conform to the bill's title.