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SENATE COMMITTEE ON WAYS & MEANS

TESTIMONY REGARDING SB 2088 SD 1 RELATING TO ADVANCED SLIGHT SIMULATOR TRAINING

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

DATE: FEBRUARY 27, 2008

TIME: 10:30AM

ROOM: 211

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

The Senate Committee on Economic Development & Taxation amended the measure to conform to the bill's title.

The Department of Taxation (Department) has no position on this legislation, as all prior technical concerns were addressed. The Department; however, points out that it is unsure what types of advanced flight simulation would be available for mechanics and questions this term's inclusion in the bill.

As amended, revenue losses for the new bill are estimated to be \$280,000 for fiscal year 2009, \$1,040,000 for fiscal year 2010, \$280,000 for fiscal year 2011 and \$220,000 per year thereafter.

For purposes of the revenue estimate, it is assumed that the bill will allow only flight simulator training for pilots to be included in the enterprise zones. (It is therefore not clear why the bill refers to 'flight simulator training' for mechanics.) With this assumption, it is estimated that under the new bill the construction of facilities for the aviation training would cost \$40 million over three years, with \$7 million being incurred in the first and third years and \$26 million being incurred in the second year. In the fourth year and thereafter, the facility is assumed to generate \$4 million in gross receipts and to increase the enterprise zone tax credit by 4%. GET is foregone at the rate of 4% on the construction costs and on the gross receipts from the training facility.

WRITTEN TESTIMONY

SB 2088 – RELATING TO THE ADVANCED FLIGHT TRAINING SIMULATOR TRAINING

Honorable Senators:

I am writing in support of SB 2088 to amend the definition of “qualified business” under Section 109E-2 Hawaii revised Status.

I stand in support of this Bill. I work in the Higher Education industry in Hawaii as an adjunct instructor for Embry Riddle Aeronautical University teaching Air Transportation System, Air Carrier Operations and Aircraft and Spacecraft development. My students are both military and civilian and many would also like to combine their college degrees with engagement in advanced flight simulation training for pilots, dispatchers, mechanics, or as air traffic controllers. Many are not able to do this as the cost of simulation training is not available or cost prohibitive.

I have appraised my students of HCC and flight schools here in Hawaii that could provide some of the training but often they complete their degree and move on to the mainland where training is less costly and available.

A bill such as this would assist private sector partnerships in keeping degree completion students in Hawaii to continue training through simulators for certification in the aviation industry. This will help the aviation industry in Hawaii grow.

Please pass this bill that will reduce the penalty of doing business in Hawaii and provide the state aviation certified and aviation degree completion citizens. This will make Hawaii's aviation industry stronger!

Respectfully,

Linda Weiland



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
February 27, 2008 at 10:30 am

by

John Morton

Vice President for Community Colleges, University of Hawai'i

SB 2088, SD1 - RELATING TO ADVANCED FLIGHT SIMULATOR TRAINING

Chair Baker, Vice Chair Tsutsui, 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 10th 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.

From: Linda Elento, B.S. Aviation Business Administration
Embry-Riddle Aeronautical University, Hickam Air AFB
(808) 235-7610

To: COMMITTEE ON WAYS AND MEANS
Senator Roz Baker, Chair
Senator Shan Tsutsui, Vice Chair

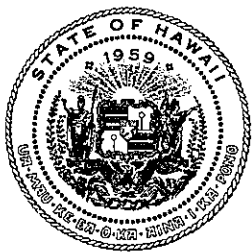
Re: WAM February 27, 2008, 10:30am, Room 211
SB2088, SD1 In Support
Relating to Advanced Flight Simulator Training.

New opportunities for education and businesses supporting flight will sustain aviation-related business as defined in this bill. Partnerships between private organizations, including Embry-Riddle Aeronautical University, and our university system, for example, await the financial incentives to take flight in Hawaii.

Embry-Riddle Aeronautical University leads the world in aviation and locally serves military personnel, dependents and civilians. In 1991 being non-military, I earned the Bachelor of Science, Aviation Business Administration, at ERAU's Hickam and Kaneohe campuses, even though I knew choices of aviation jobs were very limited in Hawaii. Local airlines and global airlines that Hawaii serves as a base would benefit economically and contribute to peak performance, efficiency and to a qualified workforce.

If our state dreams to expand our mission to space, we need to start with measures that would bring qualified aviation businesses to Hawaii, which will stir interest, and keep our aviation students here instead of them leaving for the mainland. In comparison, I believe the cruise industry does not have the economic benefits that increased general and commercial aviation business would bring to Hawaii.

Thank you for the opportunity to submit testimony in support of SB2088, SD1.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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THEODORE E. LIU
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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

February 27, 2008
10:30 A.M.
State Capitol, Conference Room 211

in consideration of
SB 2088 SD1
RELATING TO ADVANCED FLIGHT SIMULATOR TRAINING

Chair Baker, Vice-Chair Tsutsui, and Committee members:

The department supports the concept of SB 2088 SD1 which includes commercial aviation training as a qualified business for enterprise zone benefits. There have been many good ideas introduced this legislative session that support the State's economic development goals. We hope the legislature will see fit to support, pass and fund these ideas, together with the priorities of the Executive's Supplemental Budget.

This bill would allow businesses engaged in commercial aviation training for pilots, dispatchers, mechanics, or traffic controllers to be eligible to participate in the State Enterprise Zone (EZ) Partnership program. Hawaii's EZ program has been modeled after a nationally recognized tax credit program. Established in 1986, it is one of the State's few funded programs that assist for-profit businesses. The State provides tax incentives such as GET exemptions, State unemployment insurance credit, and income tax credit. The Counties may also provide additional benefits such as building

permit priority processing, building permit fee waiver, grading permit fee waiver, and property tax rebates.

By allowing commercial aviation training to become eligible for Enterprise Zone benefits, we will be encouraging new investment in Hawaii, creating more jobs with better pay for our residents and creating more opportunities for those airlines who are already here to become more profitable by building a better trained workforce of local residents. We feel that the commercial aviation training sector presents an opportunity for Hawaii to raise the level of education and skills of our resident workforce.

It is difficult to estimate the revenue impact of this bill since the eligibility of some types of transactions connected with this kind of activity may not always be clear-cut.

Thank you for the opportunity to provide these comments.