

**TESTIFIERS FOR EDT/EBM HEARING
SEPTEMBER 2, 2009 • CR 229**

Summary

1. Theodore Liu, Director- Department of Business, Economic Development & Tourism

Overall

1. Jim Tollefson, The Chamber of Commerce of Hawaii
2. Hawaii Government Employees Association
3. Nathan Osada, DR Fortress, LLC
4. Thomas Smyth

Hawaii Film Office Testimony—Oppose layoffs

1. Hawaii Film & Entertainment Board
2. Hawaii Council of County Film Commissioners
3. John Radcliffe, Motion Picture Association of America
4. William G. Meyer
5. William "Bill" Walter, W.H. Shipman, Limited
6. Gail L. Pyburn
7. Katherine A. James
8. Misa Tupou
9. Rick Clark
10. John Quincy Adams, Lifeguards Hawaii State
11. Genie Joseph, Hawaii Movie Studios
12. KK Greenlee
13. Naomi Olson
14. Mynette Louie, Syncopated Films
15. Dr. Steven Montgomery & Anita Manning
16. Michael Rivero, Home Baked Entertainment
17. Scott Rogers, Academy of Film & Television
18. Laine Rykes
19. Brien Matson, Musicians' Association of Hawaii
20. Thomas Takemoto-Chock
21. Brian Keaulana
22. Art Rivers
23. Dana Hankins
24. Rick Cooper
25. Renee Confair Sensano
26. Roy Tijoe, Island Film Group
27. Jerry Taylor
28. Johnathan Walk
29. Daniel Ziegler, HDODOLOGY
30. Connie Florez, Honolulu Symphony Productions LLC

Community-Based Economic Development

1. Mary Tuti Baker, Hale Ku'ai cooperative
2. Marian Tsuji, Lanakila Pacific
3. Lisa Maruyama
4. Dean Matsukawa, CBED Advisory Committee

Enterprise Zone/ Partnership Program

1. Randall Kurohara, Department of Research and Development- County of Hawaii
2. Earl Ford, SystemMetrics Corporation
3. Ann Yamamoto, Hawaii Farm Bureau
4. Annette Lee, Ace Farm LLC
5. Clifford Migita, Waimanalo Agricultural Association
6. Jeanette Baysa, Hilo Coffee Mill
7. Harlan Kimura, Tawhiri Power and Apollo Energy
8. Robert Venture, Ventura Technology
9. Gerald Gruber, Big Island Carbon
10. Henry Oishi, Bel Air Distributors, Inc.
11. Alicia Maluafiti, Hawaii Crop Improvement Association
12. Warren Bollmeier, Hawaii Renewable Energy Alliance



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of

THEODORE E. LIU

Director

Department of Business, Economic Development, and Tourism

before the

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

AND

**HOUSE COMMITTEE ON ECONOMIC
REVITALIZATION, BUSINESS & MILITARY AFFAIRS**

Thursday, September 3, 2009

10:15 a.m.

State Capitol, Room 229

Chairs Fukunaga and McKelvey and Vice Chairs Baker and Choy:

I appreciate the opportunity to comment on the views and concerns expressed by many on the Reduction in Force (RIF) decisions in various DBEDT programs. The layoff of four employees in the Creative Industries Division handling marketing, permitting and tax credits for film productions shooting in Hawaii has received a great deal of attention, but other programs are as equally important and unfortunately will also be affected.

To address these concerns, we need to start with the basic understanding that due to the unprecedented global economic crisis, tax revenue is down and the State no longer has sufficient funds to provide all of the services we have been providing, would like to provide or in the manner we have been providing. Not only are the needed revenues nonexistent, but there is a

current deficit of close to \$900 million that must, as required by Hawaii's constitution and law, be made up.

Under these circumstances, the State has done what anyone faced with such a drastic shortfall in money, whether a household or a business, would do: Cut-back on expenses. First, close to \$2 billion in program cuts were made before even considering labor costs, which make up approximately 70% of the State budget. Unfortunately, revenues kept declining. After considering all of the options, an employee furlough plan was adopted to achieve the needed budget savings. When that plan was suspended by a court challenge, the only alternative was layoffs. Layoffs are not a matter of choice but of necessity. There just is no money to cover what the State is spending.

Again, as with any household or business faced with this monetary shortfall, budget-cutting decisions, none easy or desirable, had to be made. Underlying these difficult decisions is the realization that due likely very tight budgets into the foreseeable future, government needs to fundamentally re-think how it has traditionally delivered services. It is undoubtedly the case that our current level of government staffing and the approaches we use to deliver services is based on a model that is no longer affordable or sustainable. As the result, fundamental changes need to be made.

Based on the foregoing, several general principles underlie my Reduction in Force (RIF) decisions:

1. Economic development needs to be focused on broad-based policies and initiatives that impact the basic drivers of the economy, especially those that spur long term economic growth. We need to take a comprehensive and integrated approach to how we address these drivers.
2. In an environment of budget limitations, the department is no longer in the position to provide the level of specific programs that it once could.

3. With budget limitations, the development and implementation of economic development policies and initiatives will require generalists doing more with less and doing so in collaboration with other programs and entities.

Hawaii Film Office

A key component of a vibrant Hawaii economy is a thriving creativity sector. In 2007, this creative sector, which employed 46,000 people and encompassed the areas of music, culture, performing and visual arts, applied design, architecture, arts education and art museums, along with film and digital media, collectively contributed \$3.9 billion to Hawaii's gross state product. Revenues from offshore film production represented approximately \$229 million of this total in 2007, driven in large part by a refundable film production tax credit.

Since its inception in 1978, the Hawaii Film Office in DBEDT has marketed Hawaii to off-shore productions, serviced and coordinated permitting of film productions and facilitated processing of tax credits for film productions. Six employees were dedicated to support this function. However, in a world of limited budget resources where difficult trade-offs need to be made, the issue is whether government can afford to deliver these services in its traditional way or must do so in a different way.

With no choice but to make these decisions, I have determined that having four (out of six) employees dedicated full-time and exclusively to marketing and servicing film production is no longer affordable. DBEDT is still required by statute to market the State to offshore productions, operate the State film studio, manage film permitting and production services and support the tax incentive program. I expect that the department will continue to do so, but that the approach will necessarily change: Employees working on servicing film productions will also work on other initiatives in film, digital media and other related creativity sectors. The

marketing of Hawaii to offshore productions should be done in partnership with the Hawaii Tourism Authority. Film permitting responsibilities need to be shared with other state agencies and with the counties. The film production tax credit program needs to be co-managed with the Department of Taxation. More permitting and approvals needs to be done on-line and digitally.

In short, offshore film productions are important to Hawaii and will continue to be supported. However, under these extreme budgetary circumstances not of our choosing, the support cannot be at the level when funding was more available. For DBEDT to promise that or for the industry to expect it would be unrealistic and not doable.

Community Based Economic Development (CBED) and Enterprise Zones (EZ) Programs

The above approach also applies to the CBED and EZ. Currently one employee manages CBED fulltime and another one employee manages EZ fulltime and both do an outstanding job.

However, in a climate of restricted budgets, government is no longer in the position of delivering services that it once could. With the cumulative reductions imposed by prior budget cuts and even further budget limitations likely in the future, the size of these programs will be reduced to a point of ineffectiveness. I have determined that under these circumstances that one employee dedicated full-time and exclusively to each of these programs is no longer affordable.

Similar to adjustments that will be made to support offshore film production, DBEDT will endeavor to continue these programs, but necessarily in a different form. CBED's financial grant program is more effectively performed through the legislative grant-in-aid process. Support for community organizations for capacity building will be shared among the remaining program employees. EZ responsibilities will also be shared with the Department of Taxation and with County Enterprise Zone Coordinators.

Conclusion

The global economic crisis is real and of an unprecedented depth. Being still in its midst, we have not yet realized the resulting fundamental changes in business, government and non-profit sectors caused by this crisis. To cope with the impact of significantly reduced government revenues, we all have to change if we are to successfully emerge from this economic crisis. This requires different way of doing business. The changes DBEDT is implementing reflect this thinking. The department is required to conduct its affairs in an affordable manner, but focused on those critical activities needed to support our economy. It is a matter of re-thinking and restructuring how we operate, identifying priorities and making hard choices now, in order to recover from the recession and be positioned for longer-term growth.



**Testimony to the Senate Committee on Economic Development and Technology and
House Committee on Economic Revitalization, Business, & Military Affairs
Informational Briefing
Thursday, September 2, 2009
10:00 a.m.
Conference Room 229**

RE: DBEDT PROGRAMS

Chairs Fukunaga and McKelvey, Vice Chairs Baker and Choy, and Members of the Committees:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). I am here to state The Chamber's concern regarding the anticipated reduction and possible elimination of most of the Film Industry Branch, the Community Economic Development and Enterprise Zone/Partnership programs.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

In Hawaii, small businesses are the engine for Hawaii's economy through the creation of jobs which provide innovative products and services, and the generation of economic activity. They reflect all industries and a wide range of employment.

While the Chamber understands our government's constitutional mandate to balance the budget and the daunting and uneasy task to remove certain programs and staff, the Chamber is concerned about the potential elimination of the subject-matter programs that currently provide incentives and opportunities for small businesses in Hawaii. Although some of these departments are operated by a very small staff, they employ a level of experience, expertise and know-how in running these complex programs that otherwise would be difficult to rebuild. Furthermore, although the economic benefits of these programs may not be as obvious, they help stimulate small business activity in a myriad of ways.

For example, the Hawaii Film Office is responsible to not only attract film production in Hawaii, but also to secure opportunities for the various vendors from different sectors and businesses. The economic impact outweighs the office's annual budget. Additionally, the Enterprise Zone Partnership program has helped small businesses over the years start up with a lower GET and income tax burden. Finally, the Community-Based Economic Development Program has helped fund rural non-profits who then use the funds to help local mom and pop businesses.

Assistance and facilitation from these types of programs are needed so small businesses can better compete in today's increasingly competitive and modernized economy. By keeping the existing programs and increasing resources for small businesses, potential opportunities will stimulate growth, especially at a time when Hawaii needs it most.

Thank you for the opportunity to testify.



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The Twenty-Fifth Legislature, State of Hawaii Interim of 2009 Informational Briefing

Senate Committee on Economic Development and Technology
House Committee on Economic Revitalization, Business & Military Affairs

Testimony by
Hawaii Government Employees Association
September 2, 2009

The Hawaii Government Employees Association opposes the proposed layoffs within the Department of Business Economic Development and Tourism and other state departments. The administration has been unable to provide a rationale for the layoffs despite requests from the HGEA and the Legislature. It is the administration's obligation to explain why these and other program cuts are necessary and why other alternatives were not considered.

Moreover, the administration has consistently and deliberately violated our collective bargaining agreements by unilaterally implementing the reduction-in-force without consultation, which is required under our contracts. The lack of consultation has created unnecessary confusion and anxiety among state employees, including those in the Department of Business Economic Development and Tourism (DBEDT).

Instead of laying off almost 1,200 employees, and possibly more in a second round of layoffs, the governor could rely upon attrition and retirement incentives as other states have done successfully. According to the Employees' Retirement System, approximately 2,250 state employees are expected to retire by the end of December 2009. If only a portion of these positions are filled over the next two years, the state could save significant amounts of money, making layoffs unnecessary if attrition and retirements are used.

The governor appears intent on permanently reducing the number of state employees even though the vital work they perform will continue. This is bad public policy and will limit the ability of state government through the DBEDT to provide important services to the larger community. Thank you for the opportunity to testify at this joint informational briefing.

Respectfully submitted,

Kevin Mulligan

for Nora A. Nomura
Deputy Executive Director



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Testimony for the Committees on Economic Development and Technology and on
Economic Revitalization, Business, & Military Affairs.

Re: Legislative Testimony relating to the Enterprise Zone/Partnership programs

Chairpersons Fukunaga, McKelvey and Members of the Committees:

This testimony serves to respond to your request to gather information relating to “the potential impacts on Hawaii businesses and the local film industry, arising from the anticipated reduction and possible elimination of most of the Film Industry Branch, the Community Economic Development (CBED) and Enterprise Zone/Partnership programs” and the “potential elimination of the Film Industry Branch and CBED/Enterprise Zone programs” (hereinafter “EZ”).

First, in responding to the reduction of staffing, we feel that the individuals responsible for administrating the program are helpful and should be kept. Further, the program has been successful, a fact to which we can directly attest.

Our company serves a vital role providing always on, 24/7 secured data center space housing mission critical equipment for companies ranging from financial institutions to government services to telecommunication providers. Although a high-revenue business, our business model also demands huge capital infusions and high operating expenses. Accordingly, when the data center reached capacity in 2005, the mainland owner chose not to expand locally, instead deciding to use their funds elsewhere. Understanding the significant local need, a grass-roots effort took place to obtain financing to purchase the Hawaii business and then to secure additional financing allowing the expansion which in turn helped further develop the local technology, communications, and other businesses which leverage our services. Without the EZ, funding would have been even more challenging. In fact, the EZ was a major factor in allowing us (and our clients) to expand and grow. As mentioned, while our revenues are high, our expenses are also high and profits are exponentially smaller than those revenues. GE taxes, based on the high revenues instead of the limited profits, would have greatly detracted from our business model and consequently, our ability to obtain capital.

As one can imagine, in paying such a large portion of our revenues to local 3rd party providers, the money generated in revenues does not line the pockets of some wealthy few, but instead are paid to the many other local businesses needed to keep our business running. This includes everyone from local technology service providers to construction laborers to mechanics and electricians, just to name a few.

Secondly, and more importantly, the EZ provided an incentive for us to expand the services we could provide the local business community, enabled/required our staff levels

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to expand and allowed continuously increasing contributions to the State's economic engine. We relied upon the EZ and even added staff to conform to its requirements (such as increasing our labor force year over year) and continue to rely upon it. Should the program be abandoned prior to our official termination date (7 year period), we would face dire economic consequences and be forced to take drastic action, including but not limited to, laying off talented, highly-compensated individuals.

In closing, we support keeping the current administrators and keeping the program available to new potential businesses.

With respect to continuing to provide/grandfather the EZ to those businesses/investors who have materially changed their positions in reliance upon this program, we cannot express how important that is to our company, our staff, our clients and, to the extent of our effect, to the State of Hawaii in general.

Respectfully submitted,

Nathan Osada
Chief Administrative Officer
DR Fortress, LLC

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Testimony of Thomas J. Smyth, CEcD
Before the
Senate Committee on Economic Development And Technology
House Committee on Economic Revitalization, Business, & Military Affairs
Thursday, September 3, 2009 10:00 am Conference Room 229
on
Elimination of DBEDT Programs

Chairs Fukunaga and McKelvey, Vice Chairs Baker and Choy, and Committee Members:

As the former Administrator or Manager of each program being discussed today, I appreciate the opportunity to provide comments on the possible elimination of the Hawaii Film Office, Enterprise Zone Partnership and Community-Based Economic Development Grant Program. These programs have a varied history and are relatively unrelated, so I would like to offer comments on each.

A. Hawaii Film Office

The Hawaii Film Office was created in the late 1970's in the Director's Office to help film and TV producers get permits to shoot on state land or in state facilities. I joined DPED in 1985 and the office was expanded as a branch within my division. In the next few years we streamlined the permitting process and began an aggressive marketing program to attract filmmakers to Hawaii.

In coordination with county Film Commissioners, great progress was made as much state permitting became automatic with the most likely sites becoming "pre-approved" under DBEDT's own authority. The Diamond Head Film Studio was upgraded and enlarged. Most importantly, the branch increased its national and international marketing outreach. The film location photos and descriptions library was greatly expanded and we worked hard to develop competitive tax incentives as other states increased their marketing.

If all Film Branch Staff, except the studio manager, is laid off, as proposed, there will be no one to respond to the daily inquiries concerning state permits, current complex production and investor tax incentives and possible film locations. Most important, no one will be there to continue the successful marketing efforts that have produced very high state tax revenues and thousands of well-paying jobs in this important, clean, and tourist-attracting industry.

The branch efforts cannot be outsourced to county Film Commissioners, busy now with their own marketing efforts and in securing county permits. No outside marketing firm would do the same work at less cost. It should be noted that many members of the Association of Film Commissioners International have considered Hawaii's Film Office as an ideal organizational role model in terms of permitting and marketing.

Layoff of these very hard working employees, proven successful in diversifying our economy and building for the future, as the world economy recovers, makes no sense.

B. Community-Based Economic Development Grant Program

Since enactment in 1990, this program is based on the perception that Hawaii's rural or otherwise distressed areas were not being given the opportunity to create jobs or develop their own economies. The CBED program is relatively unique in that it can, under its enabling statute, Ch. 210D, HRS, provide grants directly to non-profit entities that are truly community-based with expected economic, not just social, outcomes. Under the law, a community is defined as geographic, ethnic or as having a shared economic interest, such as certain types of agriculture.

Since its inception, the program has undergone five law changes to refine its purpose and procedures; the most recent being Act 124 passed this year that will allow the CBED revolving fund to receive funds from sources other than state appropriations. This may include funding from TANF, OHA and other state or federal sources. The current budget bill, Act 162, even has a DBEDT proviso that provides \$53,000 directly to the CBED Revolving Fund, the only DBEDT proviso in this budget.

As many on the committee know, the small \$10,000-\$25,000 grants that the appointed CBED Advisory Council recommends that the Director approve, have done a lot in many of your smaller and more remote communities. Many grants have a local match, often from OHA, that make real success possible as we ensure that all of Hawaii's communities have a chance to develop local jobs and local income while retaining their own unique cultural traditions.

If the CBED Program Manager is laid off there will be no one with a detailed knowledge of the program to perform the considerable community outreach, conduct orientation classes for new non-profit leaders, review grant applications, convene the Advisory Council and monitor the allocation and accountability for the grants.

Once again, a very low cost program, able now to bring in new non-general fund monies, that will cease to exist even though the Legislature has categorically funded it.

C. Hawaii Enterprise Zone Partnership

This program is unique in many ways. **State GET and income tax incentives are offered in County nominated areas and eligible businesses enroll and participate in the program.**

At least 37 other states have programs that differ in some respects, but are similar to ours, in that they offer new and expanding businesses, usually small businesses, the opportunity to start and grow through the first few difficult years in relatively economically distressed areas, by reducing taxes or offering other types of regulatory relief.

Enabled by Act 78 in 1986, the EZ Partnership works. Since its enactment Ch. 209E, HRS, has been amended 12 times, most recently by Act 174/2009. During the 2009 session there were 14 separate, and several companion EZ bills introduced, so clearly there is strong constituent interest in this program.

The list of eligible businesses includes about 22 separate types of activity covering a wide range of industry sectors. Each of these types of business was, or is now, a category which the State is trying hard to attract or grow internally. There is a valid link between the industries the Administration and the Legislature hope to develop and the tools needed to make that effort attractive.

An enrolled business must be located in one of the 22 designated zones doing work specified in the legislation, and must either grow and maintain its workforce, or in the case of agricultural businesses, grow its revenues, each year. If it does not meet the statutory standards, no tax incentives may be claimed. **No other Hawaii tax incentive program has this pre-condition.**

If the EZ Coordinator, who has extensive knowledge of a very complex tax incentive program, is laid off there is no one in DBEDT who can handle the daily questions from businesses, business organizations, tax professionals and the county coordinators. Since its inception we worked very hard to ensure that the program was responsive to these queries and to rapidly process both initial applications and the required "end of year" performance reports. The letters sent by DBEDT are the basis of the tax incentive claims submitted to DoTAX.

Some have suggested that county EZ Coordinators take over DBEDT's role. There are several reasons why this is not feasible and in fact, not legal. Even if the EZ law were changed, putting this burden on the counties would be an "unfunded mandate" specifically prohibited on the basis of Attorney General's Opinion 98-1, which among other things, removed some county EZ reporting requirements. So, unless all counties agree or are fully reimbursed for staff and other expenses, that option is not possible. It has also been suggested that DoTAX take on the application approval and annual performance verification. Again this is outside their scope and responsibility. It is unlikely they can market a tax incentive program, respond to daily questions and field the paperwork submitted by the more than 200 companies currently enrolled in the program, while also adjudicating the tax returns of enrolled companies.

Again, the EZ Partnership is a unique relationship among state agencies, counties and businesses that strongly supports the policy goal of supporting a diverse economy especially in distressed areas. It should be allowed to continue.

While not on this agenda as a DBEDT program cut, I note the **Small Business Regulatory Review Board**, the successful 11-year old volunteer businesses oversight agency attached to DBEDT, has been told they will not be funded and thus cannot meet to perform their statutory functions. Another role model agency for many similar state agencies across the country.

In summary, if this skilled and dedicated staff that often work long hours and not only “think out of the box’ but often create entirely new boxes, to make their programs successful, are laid off, our economy and especially our small businesses will suffer severely. It will take years to recover the staff experience, understanding and dedication to their mission, if ever. If these layoffs occur, there will be no direct small business support expertise left in DBEDT.

I understand your ability to undo this travesty is limited, but I urge you to do what you can, as our elected policy makers, to add your voices in protest. There must be better ways to save such a small amount of general funds.

Thank you for the opportunity to provide comments.

Hawaii Film Office Testimony



HAWAII COUNCIL *of*
COUNTY FILM COMMISSIONERS

Testimony of
HAWAII COUNCIL OF COUNTY FILM COMMISSIONERS

John Mason, Big Island Film Office, County of Hawaii
Walea Constantinou, Honolulu Film Office, City and County of Honolulu
Art Umezu, Kauai Film Commission, County of Kauai
Benita Brazier, Maui Film Office, County of Maui

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
and
COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS & MILITARY
AFFAIRS

Sept 3, 2009 – 10:00 am
State Capitol, Conference Room 229

RE: Informational Briefing

Dear Chairs Fukunaga and McKelvey and Vice-chairs Baker and Choy and members of the committee:

We are the Hawaii Council of County Film Commissioners and 4/5th of the Film Offices of the Hawaiian Islands, the five Hawaii commissions with one mission -- to develop, attract, retain and grow Hawaii's film industry. We are here today to voice our strong concerns about the proposal to eliminate Hawaii's centralized, dedicated film office at the state level.

Without a doubt it will have a negative impact. It is our strong belief that if the office is closed, significant business loss will occur. It will push us backwards to the equivalent of the Dark Ages in terms of service and marketability and negate the last 20 years of growth and development. We would be back at square one. We don't say these things to be dramatic but to be realistic about the effects.

We are at the cusp of becoming a globally recognized production center. But without proper government support at a state level, those long-term goals and the significant revenues and living-wage jobs created by the industry will evaporate.

This proposal could not come at a worse time. We have, right now, what equates to lightning in a bottle and are ripe to capitalize on it.

We have approximately 10 – 12 major projects -- feature films and television series – that are actively bidding on coming here in the next 12 months because through Tropic Thunder, through Forgetting Sarah Marshall, through Indiana Jones 4, through LOST we have proven

ourselves to be an affordable, film friendly location that can deliver... But if there is even a whiff of business uncertainty, producers will just go somewhere else. The industry is competitive, global and easily transportable. They cannot take the risk.

If we institute changes that make it difficult, time consuming and laborious to access the tax credits and/or get a film permit, there are many other choices, jurisdictions who are aggressively going after the business. As the recent film THE PERFECT GETAWAY proves, you don't have to be in Hawaii to set a movie in Hawaii. We do it all the time, doubling for Africa, Costa Rica and the like.

In fact, in the last 6 months, states like North Carolina, Georgia, Texas, Maryland and California have created new tax credits or enhanced existing programs. Why? The film industry provides an immediate injection of cash into an economy. And that money is spent broadly throughout the community. It is good, solid economic development that generates revenues.

One specific example -- the projects that we are bidding for would spend north of \$150 million in the next 12 months and generate an estimated \$8.7 million in tax revenue. Just when we need it. NOW.

It is just penny-wise and pound-foolish to cut a program that generates revenues that can be used to fund other programs.

The Lt Gov in a radio interview recently said that the administration has a plan for managing the closure of the office -- that the current Creative Industries division head could take the place of the 5 people at the state film office and that the county film offices could pick up the slack. With all due respect to the Lt. Governor, from those who are in the trenches, he is mistaken.

As it stands, the county film offices are all under-resourced one-person entities. Even if the state offered additional funding to the counties to take on the additional duties, it would still not be possible. DBEDT is mandated legislatively to manage a centralized permitting system for state agencies and administer Act 88, which goes well beyond the scope of operation for a county film office. And to be effective, a film office must be firmly rooted in the jurisdiction that it is tasked with coordinating.

In 1993 the state launched an initiative to create a film office in each county through a matching fund program. The industry was growing and we were having capacity building issues. The industry could not function with just one film office. More were needed to grow and develop the infrastructure. The average annual Hawaii production spend at that time was around \$50 million. Well, we've flourished and tripled and quadrupled the annual production spend. We are now at \$150 - \$200 million and working our way up to our goal of having a \$300 - \$500 million industry here. But the infrastructure is the same as it was 18 years ago. We've continued to do more with less, to find new ways to operate more efficiently but we are maxed out and again challenged with capacity issues. We cannot

afford to lose one of the cornerstones of the foundation of our industry, and expect that there will be no negative effect on the industry.

Some have suggested the other state agencies can pick up the slack but what they don't realize is the film office interacts with the industry at the front end of the request, interpreting and translating information from 'industry-speak' to 'government speak', all the while taking on the lion's share of the workload so the agency doesn't have to.

This applies to the issuance of permits as well as the certification of applications to the tax credit program.

We recently learned that none of the staff can be placed elsewhere in DBEDT via the RIF process because the jobs are too specialized. This speaks volumes. The converse is also true -- the skilled and knowledgeable staff are not easily replaced. In fact, it takes about two years to start to become proficient at the job. It does require a certain level of expertise.

Permitting, facilitation and administration of the tax credit are just some of the tasks. Marketing the tax credit and the islands as a premiere filming destination is a responsibility that the Film Offices of the Hawaiian Islands share. What is it they say on LOST, Live Together... Die Alone. It takes all of us pooling our meager resources to be able to afford to participate in key events and get some measure of visibility to keep Hawaii top-of-mind. The lion's share of the marketing dollars spent is housed at the state film office. If the office closes, there would be no funds to market because the counties can't do it, even if we put every last cent into joint programs.

Not to be under-estimated is the fact that the film industry is a relationship oriented business. Every year thousands of professionals attend the Locations Trade Show in Santa Monica, California. Why? They can certainly find information they need on the internet or make a phone call to the film office and get the materials they need sent... but they don't. Film industry professionals come to meet film commission colleagues face to face because the film industry is a relationship-oriented industry.

If the office closes we would not only lose the process and function but we would also lose something more ephemeral but equally valuable... the connectivity to the industry via relationships nurtured by the good work done on project after project. For a global industry it is surprisingly tight-knit. People talk to each other. Share their experiences and how it was to work here. They have their own very effective 'coconut wireless' and right now, Hawaii is in good standing. But we won't be if our state film office is eliminated.

Tax Revenues Generated

Year Direct Spend

2007 \$229 million

2008 \$146 million

Tax Revenues Generated

\$ 11.3 million

\$ 8.06 million

\$19.37 million into State coffers

Major projects:

Forgetting Sarah Marshall

LOST

Tropic Thunder

Indiana Jones 4

Pirates of the Caribbean 3

Oahu

Oahu

Kauai

Big Island

Maui / Molokai

Direct and Indirect economic formulas provided by Dr. William Boyd, UH Economist

Economic Impact

The Film Industry is a part of the solution

Total Direct and Indirect impact:

2007	(based on \$229 M spend)	\$304 million
2008	(based on \$146 M spend)	\$194 million
Total Economic Impact 2007-2008		\$498 million

Multiplier of 1.29 and revenue calculation provided by DBEDT- READ; Direct and Indirect economic formulas provided by Dr. William Boyd, UH Economist; Based on direct spend figures provided by DBEDT-FIB

Note: "Film Industry" is used in a generic sense and represents film, television, commercial and new media

2007 Economic Impact estimates - Act 88 and non-Act 88 Scenario

Oahu split calculated at	50%		
NI split calculated at	50%		
Oahu cost	15% x estimated split		\$11,592,208
NI cost	20% x estimated split		\$15,456,277
	\$77,281,387 Oahu split		
	\$77,281,387 NI split		
	Total Act 88 cost:		\$27,048,486
Indirect Impact (Production Spend x multiplier)			\$294,997,152
Indirect revenues generated =			\$66,317,189
Indirect revenues x Revenue calculation =			\$8,621,235
total direct and indirect impact			\$303,618,387
		multiplier	1.29
Annual Production Spend	\$228,679,963		
Act 88 Spend	\$154,562,775	% of Act 88 total	67.589120%
non-Act 88 Spend	\$74,117,188	% of non-Act 88 total	32.410880%
			100.000000%
Annual Tax Revenues	\$29,728,395	Revenue calculation @	13.00%
Rebate Cost	\$27,048,486	Oahu and NI figures	
subtotal (cost to state)	\$2,679,910	(net gain/net loss)	
Indirect Impact	\$8,621,235		
+ cost to state	\$2,679,910		
TOTAL	\$11,301,144	(net gain/net loss)	

Legend- base figures:

Blue = input figures

Green = formula figures

Black = formula figures with positive results

(Red) = formula figures with negative results

Total figures

Black = net gain to state

(Red) = net loss to state

Hawaii Film and Entertainment Board

2008 Tax Incentive Economic Impact Analysis for Act 88

Oahu split calculated at	50%		
NI split calculated at	50%		
Oahu cost	15% x estimated split		\$7,035,000
NI cost	20% x estimated split		\$9,380,000
	\$46,900,000	Oahu split	
	\$46,900,000	NI split	
		Total Act 88 cost:	\$16,415,000
		Indirect Impact (Production Spend x multiplier)	\$188,340,000
		Indirect revenues generated =	\$42,340,000
		Indirect revenues x Revenue calculation =	\$5,504,200
		(3) total direct and indirect impact	\$193,844,200
		(1) multiplier	1.29
Annual Production Spend*	\$146,000,000		
Act 88 Spend**	\$93,800,000	% of Act 88 total	64%
non-Act 88 Spend	\$52,200,000	% of non-Act 88 total	36%
Annual Tax Revenues	\$18,980,000	(2) Revenue calculation @	13.00%
Rebate Cost	\$16,415,000	Oahu and NI figures	
subtotal (cost to state)	\$2,565,000	(net gain/net loss)	
Indirect Impact	\$5,504,200	(net gain/net loss)	
+ cost to state	\$2,565,000		
TOTAL	\$8,069,200	(net gain/net loss)	

Legend- base figures:

Blue = input figures

Green = formula figures

Black = formula figures with positive results

(Red) = formula figures with negative results

Total figures

Black = net gain to state

(Red) = net loss to state

* Honolulu Advertiser 5/18/09; quote by Donne Dawson, Film Industry Branch

** draft figures provided by DBEDT - Film Industry Branch

(1) Multiplier figure provided by: DBEDT

(2) Revenue calculation figure provided by: DBEDT

(3) Direct and Indirect economic formulas provided by: Dr. William Boyd, UH Economist

Visitor Industry Infrastructure Support

**Partial count of film industry-generated
Hotel Room Nights -**

61,000

Room night count based on actual 2007-2008 projects:

- 7 feature films:
 - Forgetting Sarah Marshall
 - Tropic Thunder (estimate)
 - Indiana Jones 4
 - The Tempest
 - Princess Kaiulani
 - Flirting with Forty
 - You May Not Kiss the Bride
- 1 television season
 - LOST
- 2 television specials
 - Entourage
 - Wheel of Fortune
- 3 reality programs
 - My Antonio
 - High School Reunion
 - Extreme Makeover
- 166 international commercial, tv and documentary productions

The Supply Chain

A sampling of the film industry's broad-based local business impact



HAWAII FILM & ENTERTAINMENT BOARD



*Brenda Ching, Chair
Screen Actors Guild*

Chris Conybeare, Esq.

*Donovan Ahuna
I.A.T.S.E., Local 665*

*Benita Brazier
Maui Film Commission*

*Walea Constantinou
Honolulu Film Office*

*Donne Dawson
Hawaii Film Office*

*Jeanne Ishikawa
Teamsters, Local 996*

*Leroy Jenkins
H.I.F.A.*

*John Mason
Big Island Film Office*

*Brien Matson
A.F.M., Local 677*

*Jason Suapaia
F.A.V.A.H.*

*Art Umezū
Kauai Film Commission*

*Randall Young
I.B.E.W., Local 1260*

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY and COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS & MILITARY AFFAIRS

Sept 3, 2009 – 10:00 am
State Capitol, Conference Room 229

RE: Informational Briefing

Dear Chairs Fukunaga and McKelvey and Vice-chairs Baker and Choy and members of the committee:

The Hawaii Film and Entertainment Board whose members include all of the film industry labor unions, associations and film commissions **strongly oppose** the administration's proposal to eliminate the centralized, dedicated film office that currently exists through the elimination of the staff through layoffs.

As an industry we are completely united on this issue. The state film office is a revenue generating entity and is an essential agency to have if Hawaii wants to adequately service the current level of production and foster its further growth and development.

Why support film? Because it is:

- Historically recession-proof - a reliable industry in tough economic times
- Win-Win; strong economic diversification that also supports tourism
- Generates significant state tax revenues
- Immediate infusion of significant amount of new money into economy
- Puts 'heads in beds' - significant number of hotel room nights
- Green industry that values natural beauty
- Global high-impact advertising reach at no cost to the State

The industry is a significant contributor to Hawaii's economic engine. A few figures are:

- In 2007, \$229 million of direct expenditures occurred
- In 2008, one of the most challenging years we've ever had, \$146 million of direct spending occurred – that's \$50 million over the ceiling we used to struggle to achieve.

The combined total of the above generated nearly **\$20 million in tax revenue to the state coffers** while generating **\$498 million in economic activity, at no cost to the state.**

The state film office budget is approximately \$500,000 per year. The average net income in tax revenues is \$10 million each year. **That is a 2000% ROI and \$10 million the state can use for other programs.** (Spreadsheets that detail how the numbers were calculated are attached FYI).

Film has been supported over the years not in spite of other programs but because it helps to generate revenues to fund them, yet layoffs seriously jeopardize the industry's ability to continue to be such a positive contributor to Hawaii's economy.

As a whole, the industry represents **over 4000 local working professionals** who are very concerned about the future of the industry if the state goes forward with eliminating the centralized film office. The industry is a labor-intensive one. On a major television series or feature film labor accounts for about 60% of the shooting budget. The other 40% goes to the various businesses and contractors that the industry must interact with to film.

For example, a mid-range feature that filmed in Hawaii with a 30-day shoot schedule generated approximately **75,000 man-hours of labor**. That's the equivalent of about 36 full-time positions. For a television series, it takes approximately **527,000 man-hours of labor** each season, which is around 250 full-time equivalent jobs.

And job creation extends beyond the film industry specific trades. For example, LOST used **over 700 different business vendors** through the filming of Season 5, the result of which is broad-based economic impact. (See attachment – Supply Chain Chart).

Over 1600 hours of labor is required to complete a 2-day international commercial shoot. Multiply that by 160 different productions over a year and you have over 130 full-time equivalent jobs. And of course, this type of production must interact with businesses in the supply chain.

Some quick calculations of just a partial list of industry project – a feature film, a television series and an average amount of local and international production equates to over 500 full-time equivalent jobs.

And right now, we have 10-12 features and television series looking to come to the islands, which could infuse Hawaii's economy with \$100 - 150 million of new money in the next 12 months.

Productions consider Hawaii because creative needs can be met but Hawaii would definitely be eliminated from the 'short list' of consideration were it not for Act 88 and the proper support from within state government. Quite simply, by doing away with a centralized film office at a state level, you tell Hollywood and the global production community **"We don't want your business – DON'T COME."**

A producer's job is to deliver the project on time and on budget. That means that producers need assurance that permits can be obtained in a timely manner and that the tax credit be administered properly by skilled and knowledgeable personnel.

By its nature, the film industry is fast-paced. A production like LOST may get a script two days prior to the first day of shooting that episode. Two days to determine what will be done over the next ten. Government is not known for being fast-paced. A film office **bridges the gap** and makes possible the **smooth interaction** that is necessary to coordinate the various agencies involved in one permit. **The industry is legally required to have film permits. No business would take on the liability of working without a permit – an certainly not a business that spends more than \$100,000 per day to do production in the islands.**

Many of production's needs are state-related. The administration of the tax credit is one, but in addition, anything to do with beaches from the high tide line down into the water, ocean requests, airports, harbors, state highways, state parks, child labor laws, animal importation -- the list goes

on and on – must be coordinated at a state level, usually in short order and with business certainty.

From a film industry growth perspective, this could not come at a worse time. Every state and most provinces in the developed world have film offices on a state or provincial level. They are fighting to attract production, especially in these tough economic times, so much so that they have increased their tax credits to retain or bolster their ability to attract production.

From an international perspective, the Hawaii International Film Association was able to increase international business by over 250% because of the collaboration with the state film office to create the Hawaii-specific Visa Pilot Program. The partnership between HIFA and the state film office is critically important to doing business in Asia. It sets the tone that Hawaii is open for business. We need to show the connection or that perception will go away.

Hawaii's international film industry accounts for about \$10 million of the annual direct spend mentioned earlier, the HIFA membership has grown to over 25 companies that are focused on international production, and most of the programs and commercials we do promote Hawaii to key visitor destination markets.

And new markets are emerging. Korea is now on the federal favored nation list, which means they can use the Visa Pilot Program for productions coming from the region. And HIFA is looking forward to China enjoying relaxed visa regulations in the not too distant future. But we need a centralized, dedicated film office with knowledgeable staff to keep going down this development track.

As an industry, it is our concerted opinion that a centralized, dedicated entity needs to be in place to be able to properly effectuate industry needs. The film industry is an industry of problem solvers – “no” does not exist in the film business. We don't come to this conclusion lightly: The elimination of a dedicated film office at the state level will bring the industry and its growth to an immediate and screeching halt.

Attachments: 2007 and 2008 Act 88 ROI spreadsheets, Supply Chain chart

From the desk of Valerie Y O Kim

Testimony of Valerie Y.O. Kim, Location Manager

before Senate Committee on Economic Development & Technology and House Committee on Economic Revitalization, Business & Military Affairs.
Joint Info Briefing

Thursday, Sept 3, 2009 10am
Hawaii State Capitol Rm 229

Chairs Fukunaga and McKelvey, Vice Chairs Baker and Choy, Members of the Committees, thank you for the opportunity to submit testimony on this important issue.

My name is Valerie Y.O. Kim. I am a Local 399 Location Manager. I work on movies and my union is Los Angeles based. I was born and raised in Kalihi and Kahaluu, on Oahu, and now I live on Hawaii Island and in California.

Some of the films I have worked on are: Pirates of the Caribbean: Dead Man's Chest (2006), National Treasure (2004), Hidalgo (2004), Hulk (2003), Gone in Sixty Seconds (2000), Batman & Robin (1997), The Rock (1996) and Batman Forever (1995).

I have come home to work in Hawaii on the following films: Jurassic Park III (2001), Pirates of the Caribbean: at World's End (2007), Princess Ka'iulani (2008), and The Tempest (2009).

I want to continue to bring film projects home to Hawaii. For a movie to be made, many stars must align. Movies can only be made if they have raised an enormous amount of money within a certain time frame and if the actor/stars have schedules that work within the same time frame.

Many of these films spend between several hundred thousand dollars and up to a million plus during their stay of a few to many months in the Islands. As you probably already know, many Islanders are employed by these films including Police and DOCARE as well as local crew. Money is spent as well, on equipment rental, cars, gas, hotel rooms and ancillary services; a few of which are catering, portable bathrooms and waste disposal. These crews buy supplies, clothes and tools in Island stores for the film companies. They patronize large stores like City Mill and Home Depot as well as small "Mom and Pop" businesses across the state. The mainland crew spends their per diem funds on food and living for the months they are in Hawaii and fly their families out to spend time with them during their stay.

I understand that filming has brought in a total impact of \$498 Million in the years 2007 – 2008. Approximately 19 Million in taxes went directly into State coffers. If there were an understanding of the scope of work it takes by the Film Industry Branch to bring this revenue to the State of Hawaii, this meeting would not be necessary. *This income simply could not occur without the work of the Film Industry Branch.*

I could go into detail about what they do to bring almost 500 Million dollars into the State of Hawaii in two years. I would maybe lose your attention. The list of grueling details is very long, complex and boring. *The political and governmental relationships with the film companies and*

137 N. Larchmont Blvd. #673, Los Angeles CA 90004 mobile: 323 791-8987

PO Box 308 Honolulu, Hawaii 96727 phone: 808 776-1085

From the desk of Valerie Y O Kim

their negotiations and subsequent agreements are as complex as with any corporate project, which would normally take several years to complete and yet in this case; are required to be completed in a few short months. My job working with the State Film Industry Branch, and County Film Offices, and their job to facilitate my needs, is intense, exhaustive, and absolutely unglamorous.

The Film Offices both at the State level and at each of the County levels are the interface between the cast of government agencies, the community and studio and film company producers who have spent almost 500 Million dollars in Hawaii in two years.

Besides helping to broker corporate type agreements at lightning pace, they also make sure that film professionals, who are naïve to the culture of Hawaii, understand the particular needs and specific requirements of our small and finite island kingdom. *They are the guardians who protect Hawaii from the voracious and aggressive requirements of the corporate cultures that are studios and film companies trying to make a movie within the confines of money and time.* Even as their mission is to bring film revenue to the State, I have witnessed when, as guardians, they were not able to grant requests in order to protect Hawaii's environment. It is a thin line to walk, requiring rarified skills, to develop and continue good relations with filmmakers while having to deny a request and instead, choosing to protect aina and culture of Hawaii.

Because of time-sensitive demands and filmmaking's complex creative core nature, it is an extremely high budget endeavor. Film companies are constantly searching for filming locations that can offer both creative and economic solutions. As you are probably aware, many states are highly competitive to attract the film business "calabash" to their state. California, the home of Hollywood filmmaking, having been sluggish to offer film incentives, has been sorely hurting for its own backyard, high ticket business. Film companies seek locations in states that offer competitive financial incentives. To ease the financial burden of making films, filmmakers are able to creatively adjust their story needs to economic realities.

It is true that Hawaii is a unique and beautiful setting. This fact is not enough to attract filmmakers to the State. Filmmakers are required by their economic limitations to creatively adapt their films to a location in which they *can make their film*. The minimal and overworked staff of the Hawaii State Film Industry Branch and the County Film Offices offer filmmakers a way to navigate these hurdles and *to do their work in Hawaii*.

The flow of film industry revenue is controlled by a spigot that is made of negotiations and creative solutions. **If the hand of the Hawaii State Film Industry Branch and the County Film Offices are eliminated, it is my opinion that the revenue stream will dry up and go elsewhere.**

Respectfully submitted,

Valerie Y.O. Kim, Location Manager. Local 399
137N. Larchmont Blvd. #673, Los Angeles CA 90004 mobile: 323 791-8987

PO Box 308 Hanalei'a, Hawaii 96727 phone: 808776-1085

September 2, 2009



Senator Carol Fukunaga, Chair
Senator Rosalyn H. Baker, Vice Chair
Committee on Economic Development and Technology

Representative Angus McKelvey, Chair
Representative Isaac W. Choy, Vice Chair
Committee on Economic Revitalization, Business & Military Affairs

RE: Film Industry Anticipate Reduction and Possible Elimination

Dear Chair Fukunaga, Chair McKelvey, Vice Chair Baker, Vice Chair Choy and members of the committee:

I am John Radcliffe and I represent the Motion Picture Association of America as its Hawaii lobbyist. We are very concerned that the closing of the Film Office will negatively affect film and television production in Hawaii. Our industry typically does about \$100 million in production business in Hawaii and employs thousands of people locally.

The Hawaii State Film Office has been an integral part of our success in Hawaii. It helps to generate millions of dollars that flow through the community, and we are afraid that closing it will cause some of our member companies to think twice about beginning production of new ventures. We believe that closing the Office will have negative repercussions and consequences in the industry in Hawaii. Furthermore, HRS, Ch. 201-111 and ongoing, suggests that the Film Office is a creature of the Legislature, not the Executive Branch, per se, which raises the issue of whether or not the Governor has the authority to close it. I submit that at the very least, the action to close the Office may be in violation of the Separation of Powers provision of the State Constitution.

On August 24th, MPAA President Dan Glickman wrote to the Governor, Senate President Hanabusa and Speaker Say to express serious concern about the action to close the Film Office. That letter is attached to this testimony.

If it is at all possible, please restore this important function of government.

Respectfully Submitted,


John H. Radcliffe



MOTION PICTURE ASSOCIATION
OF AMERICA INC.
1600 EYE STREET NORTHWEST
WASHINGTON, D.C. 20006
(202) 293-1966
Fax: (202) 452-0828

DAN GLICKMAN
CHAIRMAN
AND
CHIEF EXECUTIVE OFFICER

August 24, 2009

The Honorable Linda Lingle
Governor
State of Hawaii
State Capitol, Room 415
Honolulu, Hawaii 96813

Dear Governor Lingle:

On behalf of the Motion Picture Association of America, Inc.^{*} (MPAA), and its member companies, I write to urge your support in preserving Donne Dawson and the Hawaii State Film Office. MPAA member companies produce and distribute motion pictures for theatrical exhibition and for subsequent release on videocassette, pay, cable, and broadcast television. A significant amount of this production occurs within your state.

While we know that the recent economic downturn has led to the reexamination of several state funded organizations, the Hawaii State Film Office clearly shines as a success story. The annual amount of money currently spent to sustain the State Film Office pales in comparison to the millions of dollars annually generated by the Office's activities.

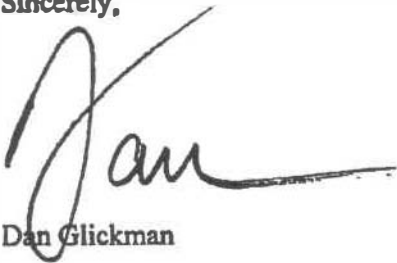
Feature films such as *The Informant*, *Indiana Jones and the Crystal Skull*, *Pirates of the Caribbean: at World's End* were all filmed on location in Hawaii in recent years. Undoubtedly, these films and television productions like *Lost* would be much more difficult without the Film Office's significant assistance and facilitation. The Film Office provides a great service in linking our members' production companies with appropriate

^{*} Buena Vista Pictures Distribution, Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal City Studios LLLP, Warner Bros. Entertainment Inc and CBS as an affiliate member.

contacts in state government as well as those in the Hawaii business, labor and local communities. In addition to the many direct economic benefits, it is estimated that film and television production activity that the Film Office employs thousands of people and wages paid by the film and television industry in Hawaii were in excess of \$100 million in 2007.

In short, we believe that the Hawaii State Film Office provides an extremely useful service that serves both our member companies' production needs, and more importantly, the citizens of Hawaii. Our member companies appreciate your continued support of the State Film Office and look forward to continuing their production activities in Hawaii.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan", with a long horizontal flourish extending to the right.

Dan Glickman

Thanks for your help



**MOTION PICTURE ASSOCIATION
OF AMERICA INC.
1600 EYE STREET, NORTHWEST
WASHINGTON, D.C. 20006
(202) 296-1666
FAX: (202) 452-9823**

**DAN GLICKMAN
CHAIRMAN
AND
CHIEF EXECUTIVE OFFICER**

August 24, 2009

The Honorable Colleen Hanabusa
President
Hawaii State Senate
Hawaii State Capitol, Room 409
Honolulu, Hawaii 96813

Dear President Hanabusa:

On behalf of the Motion Picture Association of America, Inc.* (MPAA), and its member companies, I write to urge your support in preserving Donne Dawson and the Hawaii State Film Office. MPAA member companies produce and distribute motion pictures for theatrical exhibition and for subsequent release on videocassette, pay, cable, and broadcast television. A significant amount of this production occurs within your state.

While we know that the recent economic downturn has led to the reexamination of several state funded organizations, the Hawaii State Film Office clearly shines as a success story. The annual amount of money currently spent to sustain the State Film Office pales in comparison to the millions of dollars annually generated by the Office's activities.

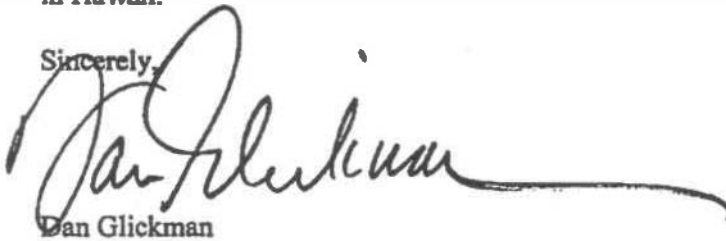
Feature films such as *The Informant*, *Indiana Jones and the Crystal Skull*, *Pirates of the Caribbean: at World's End* were all filmed on location in Hawaii in recent years. Undoubtedly, these films and television productions like *Lost* would be much more difficult without the Film Office's significant assistance and facilitation. The Film Office

* Buena Vista Pictures Distribution, Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal City Studios LLLP, Warner Bros. Entertainment Inc and CBS as an affiliate member.

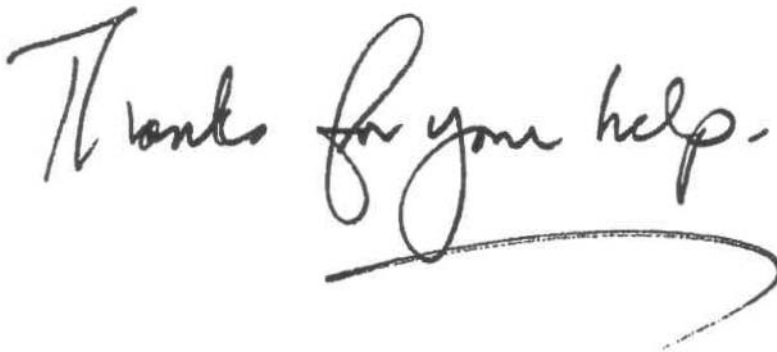
provides a great service in linking our members' production companies with appropriate contacts in state government as well as those in the Hawaii business, labor and local communities. In addition to the many direct economic benefits, it is estimated that film and television production activity that the Film Office employs thousands of people and wages paid by the film and television industry in Hawaii were in excess of \$100 million in 2007.

In short, we believe that the Hawaii State Film Office provides an extremely useful service that serves both our member companies' production needs, and more importantly, the citizens of Hawaii. Our member companies appreciate your continued support of the State Film Office and look forward to continuing their production activities in Hawaii.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Glickman", with a long horizontal flourish extending to the right.

Dan Glickman

A handwritten note in black ink that says "Thanks for your help." followed by a long horizontal flourish.



**MOTION PICTURE ASSOCIATION
OF AMERICA, INC.
1600 EYE STREET, N.W.
WASHINGTON, D.C. 20006
(202) 293-1996
Fax: (202) 462-9623**

**DAN GLICKMAN
CHAIRMAN
AND
CHIEF EXECUTIVE OFFICER**

August 24, 2009

The Honorable Calvin K. Y. Say
Speaker
Hawaii House of Representatives
Hawaii State Capitol, Room 431
Honolulu, HI 96813

Dear Speaker Say:

On behalf of the Motion Picture Association of America, Inc.^{*} (MPAA), and its member companies, I write to urge your support in preserving Donne Dawson and the Hawaii State Film Office. MPAA member companies produce and distribute motion pictures for theatrical exhibition and for subsequent release on videocassette, pay, cable, and broadcast television. A significant amount of this production occurs within your state.

While we know that the recent economic downturn has led to the reexamination of several state funded organizations, the Hawaii State Film Office clearly shines as a success story. The annual amount of money currently spent to sustain the State Film Office pales in comparison to the millions of dollars annually generated by the Office's activities.

Feature films such as *The Informant*, *Indiana Jones and the Crystal Skull*, *Pirates of the Caribbean: at World's End* were all filmed on location in Hawaii in recent years. Undoubtedly, these films and television productions like *Lost* would be much more difficult without the Film Office's significant assistance and facilitation. The Film Office provides a great service in linking our members' production companies with appropriate

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TESTIMONY OF WILLIAM G. MEYER, III

Informational Briefing

HEARING DATE/TIME: Thursday, September 3, 2009
10:00a.m. in Conference Room 229

TO: Senate Committee on Economic Development and Technology
House Committee on Economic Revitalization, Business & Military Affairs

RE: Testimony in Strong Opposition to the Anticipated Reduction and Possible Elimination of Most of the Film Industry Branch

Dear Chairs, Vice-Chairs and Committee Members:

My name is William G. Meyer, III. I am an intellectual property/entertainment attorney who has been practicing law in Honolulu for 30 years. I represent both locally based and national and international motion picture and television production companies.

While I understand that the state is faced with very serious financial issues, in my judgment, it would be a colossal mistake to reduce or eliminate most of the Film Industry Branch. In this regard, I am particularly dismayed that Ms. Donne Dawson, the Hawaii Film Commissioner, has received a lay-off notice effective November 20, 2009. There are several very compelling reasons why I am very concerned over the proposed reduction in the Film Office, in general, and the inclusion of Ms. Dawson in the lay-off list, in particular. First, in the eyes of the local, national and international entertainment industry, Ms. Dawson is the Hawaii Film Office and her departure would be tantamount to shuttering the Office itself. As you no doubt know, the Hawaii Film Office has operated for years on a meager budget, and among other things, this has meant that virtually all responsibilities for administering Hawaii's motion picture and television industries have been concentrated in Ms. Dawson's hands and it is her competence, experience and personal relationships with key industry representatives that has kept Hawaii "open for business" for this industry over the last several years.

With the passage of SB 199 and the resulting elimination of Act 221/215 as a viable vehicle to provide production incentives in the State of Hawaii, the only game in town now is Act 88. In this regard, Ms. Dawson has been primarily and singularly responsible for administering Hawaii's Refundable Production Credit program and her loss at this critical time is likely to be the last nail in the coffin of Hawaii's motion picture and television industry.

I find the potential elimination of Ms. Dawson's position especially troubling and inscrutable in light of the fact that it is a position that actually acts to generate economic activity and therefore revenues for the state. If there is any doubt on this issue I encourage you to review the January 2009 report by Ernst & Young analyzing the impact of the New Mexico Film Credit Program upon New Mexico's economy and the

generation of tax revenues derived from this economic activity. (I have previously circulated this report to many of you and for your convenience will do so again under separate cover). At a time when we should be doing everything possible to encourage production activity, the removal of such "key positions" and such a "key person" will not only have devastating impacts upon the day-to-day affairs of our local industry, it also sends a reinforcing message (in light of the scale back of Act 221) that Hawaii is simply not interested in this industry and the economic activity it generates. This is so short-sighted because this industry IS ONE OF THE FEW THAT COULD HELP US DIG OUT OF THE FINANCIAL MESS THAT WE NOW FIND OURSELVES IN.

Over the years I have attended industry summits and conferences on the mainland and, without exception, when people learn that I am from Hawaii, everyone always says that Hawaii has a great Film Commissioner. At a time when the environment for this lucrative economic activity is so highly competitive, we should not be doing anything that moves us towards the bottom of the list of potential production locales. In such competitive times, producers will take their productions to the jurisdictions that offer the best incentives, competent crews and efficient and competent government interaction and cooperation. Over the years, industry has come to rely upon Ms. Dawson to "get the job done" while protecting local interests and the host culture.

In light of the foregoing, I have respectfully requested that the Governor reconsider her position in this matter and I now implore you to do everything you can to reverse this decision and, in the process, stabilize this important function of state government so as to avoid a further downward spiral of this important industry that has historically contributed between \$150,000,000 and \$200,000,000 a year in economic activity.

Respectfully submitted,

/s/ William G. Meyer, III

William G. Meyer, III



Testimony of William R. Walter, President
before Senate Committee on Economic Development & Technology and House
Committee on Economic Revitalization, Business & Military Affairs.
Joint Info Briefing

Thursday, Sept 3, 2009 10am
Hawaii State Capitol Rm 229

My name is William (Bill) Walter. I am President of W. H. Shipman, Limited a Kea'au based Family Corporation. Over the years a number of film projects have used our properties as the primary local setting for their films. The most recent such project was the filming of Indiana Jones and the Chrystal Skull in 2007. At least one more project is now under consideration for our location.

Today's productions come to a specific location with very little warning. Our experience is that final location decisions are made in days or weeks – but never in even as much as one month. These projects generally require any number of permits, approvals and the like – for regulations put in place to ensure that our environment is protected and that safety concerns are properly handled. The permitting process here, accordingly, is cumbersome – but important to the State. My strong impression is that the normal course of business will not handle the speed needed to thoroughly review and ensure proper permitting. The State Film Industry Branch and the County Film offices work closely with the production company to ensure timely issuance of permits in careful order. This is a key process in film production here.

Loss of the State and County Offices that facilitate this work will very probably result in the loss of millions of dollars of revenue and income at a time when they are most needed. These offices more than pay their way – they are money generators for the entire community. When we need more revenue do we shut down those operations that generate the money? That would make no sense to anyone. For that matter, once the film industry begins to bypass us, how long will it take to convince it to come back again when the Offices are re-created? A LONG TIME.

For the good of the State – let's not take ourselves out of a clean industry that generates significant dollars in a clean manner.

Sincerely,

Bill Walter

Economic and Fiscal Impacts of the New Mexico Film Production Tax Credit

Prepared for the New Mexico State Film Office
and State Investment Council

January 2009



Executive Summary

New Mexico has provided tax incentives to film productions since the film production tax credit was adopted in 2002. The program has attracted more than 115 major film productions to New Mexico since its adoption in 2002, including 22 films that were assisted through the State Investment Council's loan participation program. In 2007, 30 films were produced in New Mexico generating \$253 million of spending benefiting the New Mexico economy and generating higher state and local tax collections. This study presents the estimated economic and fiscal impact of the film production tax credit program.

- The benefits of New Mexico's film production tax credit program extend beyond the direct and indirect economic impacts of film production activities qualifying for tax credits. In addition to the film spending, New Mexico's economy also benefits from capital investment to support the film industry's growth in the state and additional film-related tourism.
- Film production activities in New Mexico created 2,220 direct jobs in 2007. This employment impact includes approximately 1,670 below the line employees earning \$49,500 annually and 550 actors, directors, and producers working in New Mexico. These 2,220 direct jobs created 1,609 additional jobs in other industries, resulting in a total employment impact of 3,829 jobs.
- Film-related capital expenditures and projected film tourism spending attributable to 2007 productions generated an estimated 3,769 direct jobs and 1,612 indirect jobs, resulting in 5,380 total jobs attributable to capital expenditures and film tourism.
- Combining the 2,220 direct jobs from film productions with the 3,769 jobs from capital expenditures and film tourism results in 5,989 total direct jobs attributable to the film production tax credit. These direct jobs create a total of 3,221 indirect jobs, resulting in a total employment impact of nearly 9,210 jobs.
- The economic activity created by the film production tax credit program also results in higher state and local tax collections. State tax collections resulting from film production activities in 2007 totaled \$22.6 million. Additional state tax impacts from capital expenditures in 2007 and film tourism during 2008-2011 are estimated to total \$21.5 million in 2007 dollars, resulting in a total state tax impact of \$44.1 million.
- Film production expenditures in 2007 qualified for \$49.4 million of state film production tax credits to be paid in 2008. Expressed in 2007 dollars, these film credits total \$47.1 million. Based on the 2007 value of present and future year tax receipts and the 2007 value of state film production tax credits, the program earns \$0.94 in additional tax revenue for each \$1.00 that is paid out in incentives. Local governments in New Mexico earn \$0.56 for each dollar of state credits, resulting in combined state and local tax collections of \$1.50 for each \$1.00 of state credits.

Introduction

New Mexico has provided tax incentives to film productions since the film production tax credit was adopted in 2002. The program has attracted more than 115 major film productions to New Mexico since its adoption in 2002, including 22 films that were assisted through the State Investment Council's loan participation program. In 2007, 30 films were produced in New Mexico generating \$25 million of spending benefiting the New Mexico economy and generating higher state and local tax collections. This study presents the estimated economic and fiscal impact of the film production tax credit program.

The benefits of New Mexico's film production tax credit program extend beyond the direct and indirect economic impacts of film production activities qualifying for tax credits. In addition to the film spending, New Mexico's economy also benefits from capital investment to support the film industry's growth in the state and additional film-related tourism.

Description of the Film Production Tax Rebate Program

The New Mexico film production tax rebate program was adopted in 2002 at a rate of 15% of production expenses incurred during the production and post-production phases of each film produced in the state. In 2005 and 2006, the rate was increased twice bringing the rate to 25% in 2006.

For qualified productions, spending that qualifies for the tax rebate includes payments to employees who are New Mexico residents, payments to non-resident actors who provide their services through a personal service corporation (subject to a \$20 million dollar cap on qualifying actor compensation), and all other direct production and post-production expenditures subject to New Mexico taxes. Payments to employees and contractors who are taxed as non-residents and certain fringe benefits are excluded from spending that qualifies for the current 25% film production tax rebate.

Growth of the Film Tax Credit and the New Mexico Film Industry

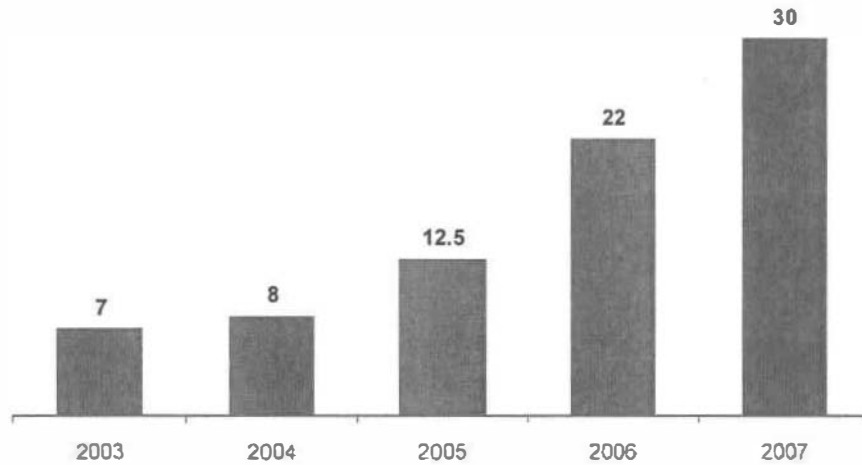
The New Mexico film production tax credit program has been successful in attracting an increasing number of films each year as shown in Figure 1. In 2007, 30 film projects qualifying for the credit were shot in New Mexico, a 36% increase from the 22 films that were shot in 2006 and more than four times the number that were shot in 2003. Of the 30 films shot in 2007 were award-winning and award-nominated films "No Country for Old Men", "3:10 to Yuma," and "Wild Hogs."

As shown in Figure 2, film spending in New Mexico has also increased significantly over the five year period, 2003-2007. In 2003, film productions in New Mexico had qualifying expenditures of \$23 million and estimated total expenditures (including expenditures on labor and other expenses that do not qualify for the credit) of \$29 million. By 2007, qualified spending grew to

\$198 million while total spending was an estimated \$253 million.¹ The total budget for films produced in New Mexico in 2007 was \$575 million, meaning that 44% of these films' expenditures occurred in New Mexico. Only New Mexico expenditures are included in the analysis.

The information in Figures 1 and 2 shows that each time the rate of the film production tax credit has been increased, both the number of films qualifying for the film tax credit and total spending have increased significantly. In terms of total spending, when the credit rate was increased from 15% to 20% in 2005, total estimated spending rose from \$24 million to \$144 million. In the following year, when the rate was increased to 25%, total film spending increased to an estimated \$223 million, a 55% increase from the prior year.

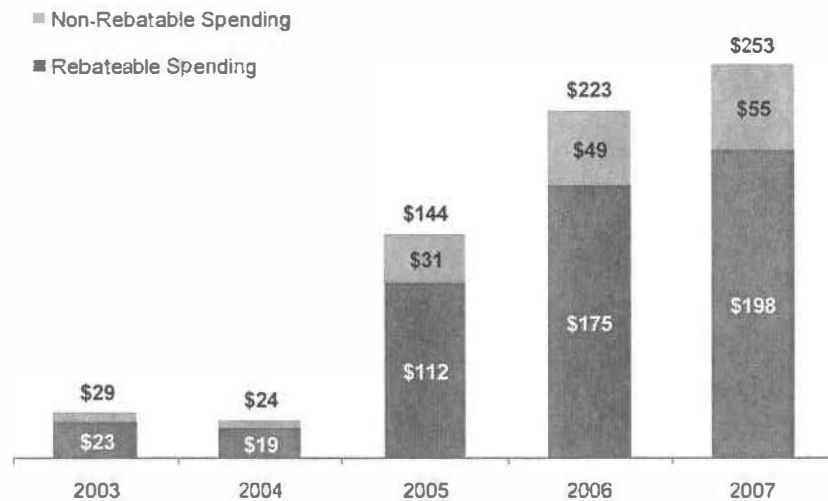
Figure 1: Number of Films Participating in the Credit Program, 2003-2007



Note: films that spanned two years are indicated as being half in the first year, half in the second year

¹ Note that the amount of qualified spending in any year does not equal the amount of spending receiving a rebate during the same calendar year due to the delay from the time a film applies for a rebate and begins production in New Mexico and the date on which the State incurs the expenditure cost for the rebate. This delay averages 15 months, meaning that most films shot in New Mexico during one year will not incur any cost to the state until the following year.

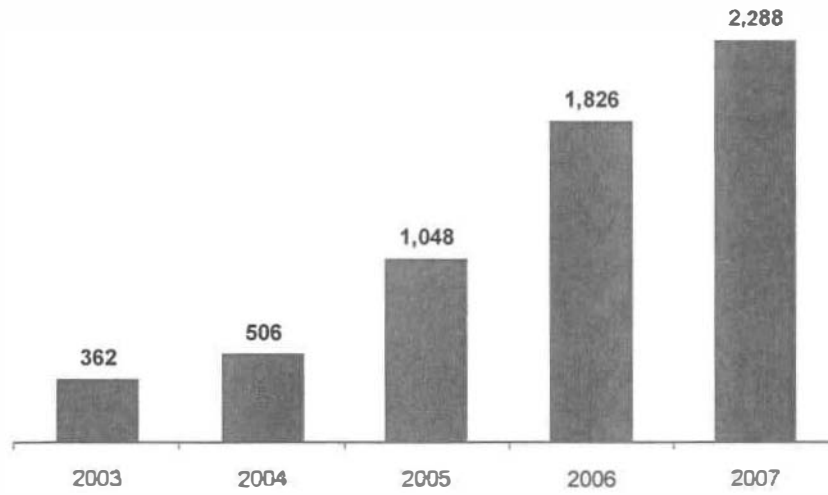
Figure 2: Annual Film Production Spending by Film Productions Participating in the Film Production tax Credit Program, 2003-2007



Employment in the film production industry has also increased significantly since the inception of the film production tax credit program. The U.S. Bureau of Labor Statistics (BLS) publishes an estimate of the employment in the New Mexico film and video production industry based on the number of employees and wages covered by the unemployment insurance program. While data published by BLS does not fully capture the contribution of film production activities on the New Mexico labor force, it provides a useful starting point from which to evaluate the total employment contribution of film and video productions in New Mexico.² As shown in Figure 3, employment in the New Mexico film and video production industry has increased by almost 2,000 people since 2003.

² While full and part-time employees are covered by the unemployment insurance program and therefore included in the BLS estimates, contract employees (for which unemployment insurance contributions are not required) are not included in the BLS estimates. Because film productions employ many actors, producers, directors, and employees who may work for production companies or personal service companies located in other states, the Bureau of Labor Statistics employment estimates understate the total size of the labor force involved in New Mexico film productions.

Figure 3: Employment in New Mexico Film Production Businesses*



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
*Data for NAICS 51211: Film and Video Production Industries

Economic Impact of the Film Production Tax Credit Program

This section presents estimates of the impact of the film production tax credit program on New Mexico's economy and briefly describes the methodology used to estimate the impacts. The analysis is designed to answer the following question: What is the economic impact of film productions participating in the film production tax credit program in 2007?

The tax credit program impacts the New Mexico economy through three channels: 1) increased film production activity, 2) increased investment in New Mexico film studios and equipment, and 3) spending by tourists who visit New Mexico or extend their trip to the state to see film-related attractions. Each of the three channels of economic impact result in direct, indirect, and induced economic impacts. These separate effects are estimated as described in the sections below, but can be generally characterized as follows:

- **Direct impacts:** The direct impact is the employment, income, or sales associated with the activity being modeled. These direct impacts include the spending by New Mexico film productions, studios investing in New Mexico, and tourists during their stay in New Mexico.
- **Indirect impact:** The direct impacts described above result in purchases of goods and services from other New Mexico firms (suppliers), which create multiplier effects as they are repeated throughout the state economy. The indirect impacts result from expenditures related to tangible property purchases as well as contract labor, business services, and other services provided by New Mexico firms.
- **Induced impact:** The wages paid to employees of film productions and firms that are affected by film-related capital investment and tourism result in substantial induced consumer spending. This spending generates additional economic activity as New Mexico's retailers and service providers expand to meet the additional demand for goods and services. To simplify the presentation of results, the indirect and induced impacts are combined and described as indirect effects.

Data Used in the Analysis

Ernst & Young worked with the New Mexico State Film Office to compile film spending and survey information that was used to estimate the impacts presented in this study. The data was obtained from three primary sources: 1) a survey of film industry employees and businesses related to the film industry, 2) budget information submitted by film productions during their application to the State Investment Council for participation loans, and 3) qualifying expenditures by all film productions participating in the film tax credit program as indicated on their application to the State Film Office.

- **Survey:** A survey of New Mexico film industry employees and businesses was conducted in the fall of 2008. The survey data was the primary source of wage information for below-the-line employees and capital expenditure (construction and equipment spending) data.
- **Loan Program Data:** Total qualified and non-qualified film production spending for 21 films that received New Mexico State Investment Council loans was compiled by the State Film

Office. Information provided in the spending data includes the amount of total qualified New Mexico spending, qualified and non-qualified below-the-line labor spending, aggregate expenditures on actors', directors', and producers' salaries, and the number of principal actors, directors, and producers for each film.

- *Film Production Tax Credit Application Data:* Total film budgets and total New Mexico spending qualifying for the film tax credit was supplied for each year.

Economic Impact of Increased New Mexico Film Production Activity

The film production tax credit generated an estimated \$253 million of total spending by 30 New Mexico film productions in 2007. Examining total expenditures for 21 films that supplied complete budget information to the State Film Office and the State Investment Council reveals that 21% of film production expenditures in New Mexico do not qualify for the tax credit. In other words, productions incur an average of \$0.28 of expenses that do not qualify for the film tax credit for each dollar of expenses qualifying for the credit. Based on this average ratio of qualified to total spending, films that spent a total of \$198 million on labor, goods, and services that qualified for the film tax credit in 2007 also spent an estimated \$55 million on labor and other expenditures during their New Mexico production periods that did not qualify for the tax credit. The composition of expenditures is shown in Table 1. Although the \$55.2 million of expenditures does not qualify for the film tax credit, they generate economic activity and tax revenue for state and local governments in New Mexico.

**Table 1
Qualified and Non-Qualified New Mexico Film
Production Spending in 2007**

Qualified Spending	\$197.7
Non-Qualified Spending:	
Non-qualified below-the-line spending	\$20.3
Director and producer compensation	\$34.9
<hr/> Total New Mexico Spending	<hr/> \$252.8

Source: EY estimates based on State Investment Council loan program data

The film spending and survey data provided by the State Film Office was used to calibrate a model of the New Mexico economy supplied by Minnesota IMPLAN Group. These data show the average earnings of below-the-line employees (stage crew) to be \$49,500 while actors, directors, producers and other employees and contractors working on film productions earn significantly more, bringing the total average compensation to \$82,400 and output (production spending) per worker to be nearly \$114,000. This implies that 72% of the cost of production for New Mexico films was labor cost. Based on total labor compensation of \$168 million in 2007 and an average wage of \$82,400, films produced in New Mexico employed an estimated 2,220 people in 2007.

The economic model of the State of New Mexico was adjusted to reflect the average compensation and output of workers described above. The adjusted model was then used to estimate the total personal income, including employee compensation, proprietor's earnings, and other property-type income (payments to capital). Based on the film spending data supplied by the State Film Office and the adjusted state economic model, the direct personal income impact of film productions in New Mexico during 2007 was nearly \$203 million.

The direct impacts of New Mexico film productions, shown in Table 2, were used as inputs to the adjusted state economic model. As shown in Table 2, the IMPLAN model estimates that direct film production expenditures of \$253 million created an additional \$166 million in indirect economic output, resulting in an estimated total of \$418 million of economic output attributable to film production activities in 2007.³

Direct employment of 2,220 workers by film productions in New Mexico indirectly created an estimated 1,609 additional employees in other sectors of the economy, totaling more than 3,800 total employees in 2007. Based on the estimated indirect output and employment from New Mexico film productions, an estimated \$85 million of indirect personal income was created from film production activities in 2007; total direct and indirect income was \$288 million.

Table 2
Economic Impact of Film Production Activities in 2007

Film Production Activities	Direct	Indirect	Total
Output (\$mil)	\$252.8	\$165.5	\$418.3
Income (\$mil)	\$202.9	\$85.0	\$287.9
Employment	2,220	1,609	3,829

Impact of Film-Related Capital Expenditures in 2007

Capital expenditures related to the expansion of film industry infrastructure in New Mexico totaled \$115 million in 2007. Of this amount, \$103 million was spent on construction while the remaining \$12 million was spent on equipment purchases. The capital expenditure estimate is based on survey responses by New Mexico businesses that indicated they had expanded their businesses due to the increase in New Mexico film production activity assumed to result from the continued support of the film tax credit program.⁴ The \$100 million Albuquerque Studios accounts for more than 85% of total capital expenditures in 2007.

As shown in the first column of Table 3, the construction and equipment expenditures described above generated \$42 million of direct personal income and 930 direct jobs in 2007. Including

³ The ratio of the total impact to the direct impact is referred to as the economic multiplier. For output, the multiplier is 1.65. In other words, one direct job in the film production industry creates 0.65 additional jobs (indirect and induced) for a total of 1.65 new jobs.

⁴ The survey was conducted by the State Film Office in the fall of 2008.

indirect and induced economic impacts, the total economic impact of capital expenditures in 2007 was an estimated \$188 million of economic output, \$76 million of personal income, and 1,553 jobs.

Table 3
Impact of Capital Investments in Studios and Equipment

Capital Investment Impacts	Direct	Indirect	Total
Output (\$Millions)	\$115.1	\$73.3	\$188.3
Income (\$Millions)	\$41.8	\$33.8	\$75.6
Employment	930	623	1,553

The Impact of Film Tourism Spending in New Mexico

Tourism bureaus in other states and countries have reported increases in tourism after the release of a film or television series that was filmed in their jurisdiction. A study recently completed for the New Mexico Tourism Department presents the results of a survey of New Mexico tourists conducted in November 2008 that shows films and television shows shot in New Mexico have a significant impact on tourism in the state.⁵ The survey indicates that total trips to New Mexico by tourists increased by 4.3% due to visitors' familiarity with films produced in New Mexico and that the length of the average tourist's stay in New Mexico increased by 1.2% due to interest in seeing locations where movies were filmed or other film-related attractions. Combining the effects of the increased number of tourists and the increased length of visits to New Mexico, film-related tourism accounted for an estimated 5.5% of total New Mexico tourism expenditures in 2008.

Because film tourism in 2008 was the result of films that were shot in New Mexico every year prior to 2008, the impact of 2008 film tourism cannot be attributed entirely to films that were produced in New Mexico during a single year. To account for the delay between the time a film is produced and the impact of that film on film tourism, the survey provides information about which films tourists recalled seeing. The responses show that 84% of survey respondents had seen films that were released in 2007 or 2008. Films produced in New Mexico during 2007 and 2008 include "No Country for Old Men," "Indiana Jones and the Kingdom of the Crystal Skull," "3:10 to Yuma," and "Wild Hogs." The other 16% of respondents indicated that they had seen films that were produced prior to 2007.

Based on the delay between the year in which films are produced in New Mexico and subsequently generate tourism, the analysis assumes that film production expenditures in 2007 first generate tourism spending in 2008. In 2009, films produced in 2007 are assumed to have less of an impact on tourism, 75% of their first-year impact. In 2010, films produced in 2007 are assumed to have only 50% of their first-year impact and by 2011, those films are assumed to have only 25% of their first year impact. The estimates also assume that after four years, films have no impact on film tourism.

Table 4 shows the estimated impact of films produced in 2007 on tourism expenditures in 2008-2011. Line A shows the annual spending on film productions based on Figure 2, assuming that the 2007 level of activity continues in 2008-2011. The annual amounts on Line A are added to prior years to calculate cumulative spending shown in Line B. Line C shows the cumulative impact of film spending, adjusted to remove a portion of spending from prior years following the same "decay" pattern described in the previous paragraph. This provides an annual estimate of the film spending that is influencing tourism through 2011. Line D shows the expected pattern for the influence or impact of 2007 film production activities on movie tourism in future years. Line E presents the percentage of total cumulative film production expenditures that is assumed to have an impact on film tourism spending in each future year (calculated as Line D divided by Line C). This percentage is multiplied by Line F, the estimated film tourism expenditures each

⁵ Southwest Planning & Marketing and CRC & Associates, "The Impact of Film Tourism on the State of New Mexico," December 2008.

year, 5.5% of total New Mexico tourism spending (held constant at the 2007 level). Line G presents the impact of 2007 productions on film tourism spending in each year. The amounts shown on line G are then discounted to 2007 at 5%. The sum of the discounted 2008-2011 incremental tourism spending estimates shown on Line G equals the value of the estimated film-related tourism spending impacts of the 2007 film activities in New Mexico.⁶

Table 4
Estimation of the Impact of Film Tourism from 2007 Film Productions (\$mil)

Year of Film Production/ Year of Tourism Spending	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011
A. NM Film Production Activity (Qualified and Non-Qualified) – 2009 and 2010 estimated	\$29	\$24	\$144	\$223	\$253	\$252	\$252	\$252
B. Cumulative Total NM Film Production Activity	\$29	\$53	\$197	\$420	\$673	\$924	\$1,176	\$1,428
C. Cumulative Total NM Film Production Activity Assuming Greater Impact from Recent Films**	\$29	\$46	\$176	\$350	\$498	\$589	\$622	\$629
D. 2007 Spending Affecting Film Tourism**					\$253	\$190	\$126	\$63
E. % of Film Tourism Spending in Year Resulting from 2007 Film Productions (line D divided by line C)					51%	32%	20%	10%
F. Total Annual Film Tourism Spending Attributable to Recent Films (assumed to remain constant from 2008 level)					\$161	\$161	\$161	\$161
G. Film Tourism Spending Impact from 2007 Productions*** (line E times line F)					\$82	\$52	\$33	\$16

*Assuming 1-year lag between film production and film release.

**Assuming 100% of spending for films produced in the prior year affects tourism, 75% of spending for films produced two years prior, 50% of spending for films produced 3 years prior, and 25% of spending for films produced 4 years prior.

***Annual impacts are discounted at 5% to estimate the total 2007 film activity impacts on future tourism spending. Discounted tourism expenditure is equivalent to \$165.9 million of 2007 tourism expenditures.

Table 5 presents the estimated direct and indirect impacts of film tourism based on the estimated \$166 million in film tourism expenditures resulting from 2007 production expenditures. These tourism expenditures are estimated to generate \$69.7 million in personal income and

⁶ A key parameter used in determining the impact of film production activity in 2007 on film related tourism expenditures in later years is the ratio of film tourism spending during the current year to the value of film production activity that occurred in the four prior years, adjusted to more heavily discount spending that occurred in the earliest years. Going forward, the ratio of additional film related tourism expenditures to film production expenditures could decrease due to increasing production expenditures or decreasing film-related tourism expenditures. If there is no growth in total tourism spending or change in the percentage of tourism spending attributable to film tourism, as the stock of film production expenditures increases in future years, the ratio of film tourism to film production expenditures will decrease. The 2008 ratio of film-related tourism expenditures (\$161 million) to cumulative adjusted film production spending (\$498 million) was 32%.

2,839 jobs. Including the direct and indirect film tourism impacts, the total personal income impact of film tourism is \$124 million and 3,827 jobs.

Table 5
Economic Impact of Film Tourism

Film Tourism Spending	Direct	Indirect	Total
Output (\$mil)	\$165.9	\$119.2	\$285.2
Income (\$mil)	\$69.7	\$54.3	\$124.0
Employment	2,839	989	3,827

Total Economic Impact of the Film Production Tax Credit Program

As shown in the sections above, the film production tax credit program generates additional jobs, income, and economic output in three areas: film production spending, capital investments related to the film industry, and film tourism spending. Table 6 below shows the total impact of the film production tax credit program incorporating these three impacts.

Table 6
Total Impact of the Film Production Tax Credit Program

Total Impact	Direct	Indirect	Total
Output (\$mil)	\$533.8	\$358.1	\$891.8
Income (\$mil)	\$314.4	\$173.1	\$487.5
Employment	5,989	3,221	9,209

Fiscal Impacts of the Film Production Tax Credit Program

The economic activity created by film production spending, capital investment activities, and film tourism generates significant state and local tax revenues. Except where noted, the New Mexico state and local tax impacts were estimated based on the historical ratio of tax collections to personal income.

Fiscal Impact of Film Production Activities

The fiscal impact of film production activity was estimated based on the estimated economic impact (measured by personal income) of film production activity and the ratios of tax collections to personal income. Gross receipts and individual income taxes were estimated directly from film production spending and income paid to employees of the film productions.

The direct state individual income tax impact was estimated assuming that the personal income of below-the-line employees would be taxed at the average ratio of individual income tax collections to New Mexico personal income. Based on the average earnings of above-the-line employees, a marginal rate of 4.3% was applied to 75% of personal income assumed to be subject to tax.

The direct state gross receipts tax (GRT) impact was estimated assuming that qualified New Mexico film production expenditures on purchased goods and services (including payments to actors through a super loan-out arrangement) would be subject to the 5% state tax rate. The impacts further assume that the film production spending would not occur in a tax increment district.

As shown in Table 7 below, the estimated direct state tax impact of film productions in 2007 was \$16.4 million. Indirect taxes impacts account for an additional \$6.1 million of estimated state tax collections, resulting in \$22.6 million of total state tax impacts. At the local level, an estimated \$6.8 million of direct local tax collections and an estimated \$2.8 million of indirect tax collections were generated by film production activities, resulting in a total local tax impact of \$9.6 million. Total state and local taxes increased by \$32.2 million.

Table 7
Estimated Fiscal Impact of Film Production Activities, 2007 (\$mil)

State	Direct	Indirect	Total
Gross Receipts	\$6.8	\$2.5	\$9.3
Individual Income	5.4	1.8	7.2
Corporate Income	1.2	0.5	1.7
Other	3.1	1.3	4.3
Total State Taxes	\$16.4	\$6.1	\$22.6
Local	Direct	Indirect	Total
Property	\$3.1	\$1.3	\$4.5
Gross Receipts	2.8	1.2	4.0
Other	0.8	0.3	1.2
Total Local Taxes	\$6.8	\$2.8	\$9.6
State and Local Taxes	\$23.2	\$9.0	\$32.2

Fiscal Impact of Capital Expenditures

Capital expenditures generated an estimated \$3.2 million of direct state taxes and \$2.4 million of indirect state taxes. Capital expenditures were assumed to be subject to the state gross receipts tax at 5% and a local tax rate of 1.875%. However, all of the capital expenditures are assumed to occur in the Mesa del Sol Tax Increment Development District that diverts 75% of the incremental tax revenue generated by projects within its boundaries to local districts. The estimated gross receipts tax impact of the capital expenditures have been adjusted to remove 75% of the gross receipts impact and reallocate that amount to local districts. All other direct tax and all indirect tax impacts were estimated based on the estimated incremental personal income impacts and the historical ratio of tax collections to personal income.

As shown in Table 8, the capital expenditures are estimated to generate an additional \$5.9 million of direct and \$1.1 million of indirect local taxes. Capital expenditures generate \$12.7 million of additional state and local taxes.

Table 8
Fiscal Impact of Capital Expenditures (\$mil)

State	Direct	Indirect	Total
Gross Receipts	1.4	1.0	2.5
Individual Income	0.9	0.7	1.6
Corporate Income	0.3	0.2	0.5
Other	0.6	0.5	1.1
Total	\$3.2	\$2.4	\$5.6
Local	Direct	Indirect	Total
Property	\$0.6	\$0.5	\$1.2
Gross Receipts	5.1	0.5	5.6
Other	0.2	0.1	0.3
Total	\$5.9	\$1.1	\$7.0
State and Local	\$9.1	\$3.6	\$12.7

Fiscal Impact of Film Tourism

As shown in Table 9, film tourism generated an estimated \$12.0 million of direct state taxes and \$3.9 million of indirect state taxes, resulting in \$15.9 million of total additional state tax collections. Film tourism also generated an estimated \$7.0 million of direct local taxes and \$2.8 million of indirect local taxes. Combined state and local taxes increase by \$25.7 million.

Table 9
Fiscal Impact of Film Tourism (\$mil)

State	Direct	Indirect	Total
Gross Receipts	\$9.0	\$1.6	\$10.7
Individual Income	1.5	1.1	2.6
Corporate Income	0.4	0.3	0.7
Other	1.0	0.8	1.9
Total State Taxes	\$12.0	\$3.9	\$15.9
Local	Direct	Indirect	Total
Property	\$3.1	\$1.3	\$4.5
Gross Receipts	3.0	1.2	4.0
Other	0.8	0.3	1.4
Total Local Taxes	\$7.0	\$2.8	\$9.8
State and Local Taxes	\$18.9	\$6.7	\$25.7

New Mexico Public Return on Film Production Tax Credit Program

For the State of New Mexico, the public's return on investment in the film production tax credit program can be measured by the revenue received through higher state taxes per dollar of state expenditure on film tax credits. Additional taxes generated by the film tax credit occur in 2007 due to film productions and capital expenditures by film studios. The present discounted value of additional state taxes generated by higher film-related tourism spending in the 2008-2011 period is also included in the revenue impacts.

Table 10 presents the rate of return calculations if the present value of the future taxes related to tourism are added to the revenue generated by 2007 film productions and capital investment occurring in 2007. It should be noted that the estimates of the future tourism-related tax revenues are based upon information from a single survey and incorporate projected film tourism activity through 2011. For this reason, this component may be less reliable than the impact estimates for the film production and construction impacts.

Table 10
2007 State Return on Investment in Film Production Tax Credits Program,
including Film Production, Capital Investment and Tourism Activities

A. State fiscal impact from film production, capital investment, and tourism (\$mil)	\$44.1
B. Discounted 2008 value of state film tax credits accrued to 2007 (\$mil)	\$47.1
C. State return on investment from 2007 and future tax revenues attributable to 2007 film productions (line A divided by line B)	0.94
D. State and local fiscal impact from film production, capital, investment and tourism (\$mil)	\$70.5
E. State and local return on investment from 2007 and future tax revenues attributable to 2007 film productions (line D divided by B)	1.50

As shown on line A of Table 10, additional state taxes from the three components is estimated to be \$44.1 million. Given the \$47.1 million cost of the credit in 2007 shown on line B, the state earns \$0.94 for each \$1.00 of credits accrued during 2007. Taking into account the tax impact of film tourism generated in 2008-2011, local governments earn \$0.56 for each \$1.00 of film tax credits. These additional local tax impacts bring the combined state and local return on investment to \$1.50 (line E) for each \$1.00 of state film tax credits.



President

From the desk of Gail L. Pyburn

Testimony of Gail L. Pyburn, Location Manager
before Senate Committee on Economic Development & Technology and House
Committee on Economic Revitalization, Business & Military Affairs.
Joint Info Briefing

Thursday, Sept 3, 2009 10am
Hawaii State Capitol Rm 229

*Chairs Fukunaga and McKelvey, Vice Chairs Baker and Choy, Members of the
Committees, thank you for the opportunity to submit testimony on this important issue.*

Aloha,

My name is Gail L. Pyburn and I live on the Big Island and have been a Location Scout and Manager for the Film Industry for over 20 years. I have worked on 200-250 productions in this time and felt compelled to add my testimony to these hearings.

Simply put, the Film Industry would cease to exist without the assistance from the State Film Office and the County Film Commissioners. The Film Offices both at the State level and at each of the County levels are the interface between the cast of government agencies, the community and studio and film company producers who have spent almost 500 Million dollars in Hawaii in two years.

The work that this agency does is invaluable. They not only insure that Government agencies are involved and informed, they also provide information to Production companies on the specific rules and regulations for working on State and County land.

I find it absolutely appalling that Governor Lingle has even considered closing this office and that we now have to fight for it to "stay alive". We are literally fighting for our lives as many of us depend of the Film Industry for our income and livelihood. We are all Industry professionals that are competing with literally, the world, to bring Film Projects to Hawaii.

The money that is generated by the film projects trickles down thru our communities from the taxes paid on wages to the hotel rooms, the rental cars, the restaurants, the airlines, both big Store complexes down to the Mom and Pop stores that provide all the crew with everything they could want, as well as, providing them an opportunity to bring their families here for vacations to spend even more money in our islands.

From the desk of Gail L. Pyburn

page 2

I, for one am begging this committee to see the light and keep the Film Commission and Film Office alive and allow them to continue the incredible services they provide. Closing these offices would devastate many families, as well as, businesses related to the industry.

It just makes good financial sense to keep these offices operating, as the revenues they generate is unparalleled. What other industry provides such a wide reaching financial gain? Tourism and Agricultural exports touch only a few and generally benefit only the huge corporations.

We have had the slowest year of productions in many years and are just now beginning to work on several feature film projects that will bring in millions of dollars at a time when all of us are suffering financial, please do not take this office away...it will be the nail in many coffins if you do.

Sincerely,

Gail L. Pyburn
PO Box 286
Papaikou, Hawaii 96781
808 938-1592
808 964 5222 fax

From: [Kathe James](#)
To: [EDITestimony](#)
Subject: PLEASE DO NOT CLOSE THE FILM OFFICE
Date: Wednesday, September 02, 2009 1:35:28 PM

TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE FILM INDUSTRY BRANCH

Chairs Fukunaga and McElvey, Vice Chairs Baker and Choy, and members of the Committees:

I have been involved in the film industry since the early 1980's. I make a high percentage of my income from my work for shows that come in to shoot parts of films, whole films, commercials, second units and TV series. Every production that I have ever been associated with has been in contact with the film office and their representatives have been to our sets to lend support.

Producers get valuable information about what they must do to comply with the regulations we have here. They learn about what they must do to be good stewards of the land as they work. They get the sense that there is an overall industry here rather than a bunch of renegade, unrelated productions.

I am usually a department head and have been personally responsible for spending my employers money for products and services that we try to get here rather than have shipped in, whenever possible.

There have been temporary slow periods over the years, and we have all learned to be versatile in response. But I believe that if the film world does not have a consistent port of entry to the islands, the chaos that would ensue and the divide-and-conquer attitude that could result would be detrimental to our industry and the islands.

Please do not remove the people that work so hard on your behalf. Their work has the potential to direct a lot of publicity, jobs and money to our islands. We live in a place where the options are so few. Please do not further restrict them.

Katherine A. James
Costume Designer/Supervisor

From: [oialex](#)
To: [EDT Testimony](#)
Subject: COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
Date: Wednesday, September 02, 2009 4:25:31 PM

Dear [COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY](#):

I humbly ask that you reconsider the elimination of the Hawai'i Film Office. I am aware of the need for budget cuts, but to terminate the Hawai'i Film Office serves no purpose. We all need to take a step back and look at this as a drastic measure that is not needed.

Should the Hawai'i Film Office be disbanded, where then will filmmakers from ashore find the necessary information to film here. It would be chaos if everyone jumped on a plane and came to Hawai'i to film without regard to the local community. Yes, we do have the infrastructure and we do have the support, but local and foreign filmmakers need support from the Hawai'i Film Office to do their job. By cutting the Film Office you are in fact cutting the knees of those that serve Hawai'i's film industry. The Hawai'i Film Industry has come a long way but by closing the Film Office you are in fact pushing the film industry back in time. This move is an economic nightmare, especially more so when foreign investments go elsewhere due to a lack of support. As an arts practitioner from New Zealand, I am aware of the huge differences between here and the film industry in New Zealand. With a strong New Zealand Film Commission, people are supported in more ways than one and the benefits are immense. Hawai'i, cannot afford to lag behind and see films go offshore and take with them benefits that will build the local economy. We have the infrastructure, let us continue to build on it and keep our filmmakers here.

There is a saying; what is the most important thing? It is people, it is people, it is people. I say to you, it is people that will boost the economy, it is people that will support the betterment of Hawai'i, it is people that will culturally do what is right for Hawai'i. There are many people here in Hawai'i who make up the cultural landscape of our industry, it is they who will one day build an industry that Hawai'i can be proud of. The Hawai'i Film Office is and must still be part of our industry.

I respectfully ask that you not eliminate or reduce the role of the Hawai'i Film Office.
Misa Tupou

From: [Rick Clark](#)
To: [EDTTestimony](#)
Subject: EBT Committee - Rick Clark Testimony
Date: Wednesday, September 02, 2009 4:40:49 PM

September 2nd, 2009

Dear EDT Committee,

I would like to testify and offer my views from personal experiences regarding the impact of elimination the Hawaii Film Staff.

I am a cinematographer, who mostly shoots Time-lapse on Oahu, and Kauai. In doing so, have a great deal of time on shoots where I meet a variety of people touring as well as others filming on the islands. I am convinced that there will be a definite financial impact in Hawaii by dismantling the Hawaii Commission as that group is responsible for assistance in shooting State Wide.

The majority of those who talk to me when I work, mention that they are there as they have chosen Hawaii as a destination due to Films and Television Commercials that were seen. I often see Film Tour Groups when I work on both Oahu, and Kauai where I answer questions about the film trade, and locations as well.

The Hawaii Film Commission is a significant part of tourism, as well as the Film Industry, as that group is the key factor in assisting us in coming to your Beautiful state where we work. With the lack of film support by the State our cost factor will increase due increase support needed. With the lack of reasons to shoot in Hawaii due to the reduced support, the State will receive less free advertisement in the form of our Media, and Tourism will be impacted.

We have a symbiotic relationship, and need each other to grow and be successful. By dismantling this office, you will see an impact that may very well cost Hawaii more in the long run, than it will save you in the short term action. Please consider the people who work in and around this facet of Hawaii. The Vender, Tour Guides, Videographers, Cinematographers, Photographers, Teachers, Students, and thousands of others that make up the economic fiber anchored by the Hawaii Film Commission.

Sincerely,

Rick Clark
427 Lorine St.
Keller, Texas. 76248

Home (817) 379-0493

Windows Live: Keep your friends up to date with what you do online. [Find out more.](#)

From: lifeguardshawaii@state@yahoo.com
To: [EDITestimony](#)
Subject: Film Office No Ka Oi !
Date: Wednesday, September 02, 2009 3:17:20 PM

Aloha,

We need to keep our one stop shop, client friendly State Film Office. We also need to down size and streamline unnecessary government and spending. The film industry is a big time cash crop for all of us. Let's be wise and think about it. Let's not be stupid and shoot our selves in the foot. Worst case scenario, in an emergency survival situation, we could consider, maybe cutting back on one or two positions temporarily, as a compromise until our economy recovers.

Mahalo Nui Loa,
John Quincy Adams
Chief of Operations.
Lifeguards Hawaii State
SAG member since 1980,
AFTRA member since 1985,
IATSE member since 2004,
FAVAH member for long time, Braddah.
85-175 Farrington Hwy., # C-409
Waianae, HI 96792
Cel: 783-6962
Fax: 696-6962

Sent via BlackBerry from T-Mobile

From: [Genie Joseph](#)
To: [EDTTestimony](#)
Subject: Testimony - Re: Elimination of Film Office
Date: Wednesday, September 02, 2009 11:12:07 AM

HAWAII MOVIE STUDIOS, LLC

2043 Makiki Street Honolulu, Hawaii 96822
808-949-8255 Genie@HawaiiMovieStudios.com

TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE FILM INDUSTRY BRANCH

Chairs Fukunaga and McElvey, Vice Chairs Baker and Choy, and members
of the Committees:

Aloha Committee,

In the movie business perception is everything. Shutting down the Hawaii Film Office sends a message to the worldwide production community that Hawaii is a not a film friendly place. Here in Hawaii we have worked for several decades, buy providing the best production services and quality of work to build our precious reputation. If the film office is eliminated, the costs will be incalculable.

We recently lost a co-production that had been planning for a year to shoot in Hawaii and now they are shooting in Puerto Rico, because they offer better incentives. As a media and communications professor at Chaminade University, I really dont want to stand in front of my students and tell them not to waste their time writing stories about Hawaii or scripts that use Hawaii as a central location because it decreases their chances of getting the film made.

It is so hard watching students who have dreamed their whole lives of becoming filmmakers be advised to get more stable professions and to train brilliant apprentices, only to see them have to leave Hawaii after only working with me on one or two films.

Remember the film business in Hawaii does not just benefit the high profile artists just about every industry you can think of is affected, from hotels, car rental, office supplies, prop purchases. Aside from lunch and breakfast budgets, the ice and water and snack budget on a typical low-budget movie is \$400 a day. On Beyond the Break the TV series for Nickelodeon, of which I was co-producer, we would have to buy four sets of bathing suits for each actor. And can you put a price on being able to have students from Waianae High Schools Searider productions able to walk out of class and be extras on our set?

Hawaii has wonderfully talented bright young writers, animators, actors, musicians, directors,

camerapersons. We need your help to make sure that the Hawaii film industry survives and thrives. I know the State is making hard choices right now, please dont make a choice that would ruin the future of our industry.

Mahalo.

Genie Joseph, CEO Hawaii Movie Studios, LLC

Testimony of KK Greenlee
Locations Manager

To: EDTTestimony@capitol.hawaii.gov

CC: Governor.Lingle@hawaii.gov,

Barry.Fukunaga@hawaii.gov, Linda.Smith@hawaii.gov,

Lenny.Klompus@hawaii.gov, dukeaiona@dukeaiona.com

~~before Senate Committee on Economic Development & Technology and House
Committee on Economic Revitalization, Business & Military Affairs.~~
Joint Info Briefing

Thursday, Sept 3, 2009 10am

Hawaii State Capitol Rm 229

Chairs Fukunaga and McKelvey, Vice Chairs Baker and Choy, Members of the Committees, thank you for the opportunity to submit testimony on this important issue. My name is KK Greenlee... I have worked in film production and location management here in Hawaii since 1979. Some of the more notable productions I have worked on include: National commercials: Honda, Jeep, AT&T, Microsoft, Calvin Klein and features: 6 Days 7 Nights & Dragonfly

In the early days of our industry, there were no State or County film offices. I have witnessed the evolution of the various film offices first hand, and feel compelled to write you regarding the Governor's recent decision to disassemble the State Film Office as we know it. Disassembling the Hawaii Film Office and the critical film permitting and tax credit programs they manage will cost the State tens of millions in much-needed revenue and a loss of Hawaii's hard-won, excellent reputation as a film-friendly location. The number of productions willing to come here will drastically drop along with employment opportunities for our residents and monetary infusion that the productions bring.

Donne Dawson, Sandi Ichihara, Brent Anbe and Kevin Inouye have singularly and collectively performed near miracles for me over the years. The nature of the film business does not allow for much advance planning and film permitting tends to be a last-minute process, most of the time. Even with advance planning, changes invariably happen. Sandi Ichihara has spent countless evenings past 9PM at the state film office overseeing the permit paperwork and changes. God knows the lengths she probably goes to in order to maintain the positive working relationships with all the State agencies that must sign off on film permits.

Donne Dawson has mediated State, County, and private property issues and road blocks for me repeatedly. She has constructively helped and turned around every problem that I have faced since she has taken office. I cannot imagine film production in Hawaii without her steady influence and ability to mediate with State entities until there is a successful outcome for all. She possesses invaluable knowledge as to the myriad of cultural and environmental issues that exist and educates the mainland crews to be aware of these sensitivities. When things go wrong on production, as they often do, Donne's makes herself available 24/7 to mitigate these problems. I can call her at any time, any day. She will fly to any island and remain there until the problems are solved. The following are just a few examples of situations that the film office has helped me to navigate over the years:

2002 Honda Commercial

I was permitted for film work on H-3. The production company went to great expense to ship equipment and hire crew, book hotels, air and cars. 24 hour prior to the shoot we were informed that the State was in error and could not allow our activities. The State faced serious legal action for the monetary losses as a result of their "mistake." Donne solved the problem, found the right people and legal input to turn the denial around.

2004 Honda Ridgeline Commercial @ Hualalai

Donne reversed a denial to film at Hualalai by Kamehameha Schools Bishop Estate. Her knowledge of cultural sensitivities and ability to negotiate brought a successful outcome for all. Donne's longstanding relationship with Kamehameha Schools has opened the door for numerous filming opportunities on KS lands and production internships for KS students.

2008 Calvin Klein Commercial

A million dollar Calvin Klein commercial wanted to film on Oahu. They were looking at County locations. They wanted permit approval prior to committing monies for equipment and crew. It took six weeks to get a simple County permit approved. There were various "reasons" including one department head being on vacation for two weeks and no other person being able to sign off. Donne stood by us, comforting both the production company and myself with her "we'll make it happen" attitude. They would not have considered Hawaii without her assistance. She is a master at mediating State and County issues and cultural sensitivities. We will be going backwards without her.

Production companies will not make multi-million-dollar commitments to film in Hawaii if they are not guaranteed they can get the job done in a timely manner. Without the State Film Office. I am certain that production in Hawaii will soon dry up. There are at least 10 major productions hoping to start up in the next six months. They will not come if they cannot be assured that the Hawaii Film Office will be intact to support their production needs. I cannot stress enough, in the present economy, how much we need this work to come to Hawaii.

I would urge the Governor to reconsider.

Sincerely,

KK Greenlee / Location Scout & Manager
P. O. Box 931, Hanalei, HI 96714
Cell (808) 639-8396 / kk1@hawaii.rr.com

From: [naomi olson](#)
To: [EDI Testimony](#)
Date: Wednesday, September 02, 2009 4:49:35 PM

TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE FILM INDUSTRY BRANCH

Chairs Fukunaga and McElvey, Vice Chairs Baker and Choy, and members of the Committees:

I am writing to express my strong opposition to Governor Lingle's intention to lay off staff and potentially eliminate the Film Industry Branch.

The film office is integral to keeping the production industry thriving in Hawaii. Their specific knowledge in permitting and negotiating cannot be replaced.

I have been in and around the film production industry for 10 years. None of the productions I have worked on would be possible without the film office.

Please reconsider the elimination of the film industry. Realize how much value this small office brings to Hawaii and the world.

Aloha,

Naomi Olson
(808) 635-6724

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New York, NY
646.797.2852
www.syncopatedfilms.com

September 2, 2009

TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE FILM INDUSTRY BRANCH

Chairs Fukunaga and McElvey, Vice Chairs Baker and Choy, and members of the Committees:

I am writing to express my strong opposition to Governor Lingle's intention to lay off staff and potentially eliminate the Film Industry Branch. I feel that my perspective comes from a unique position as a former staff member of said branch, as well as a current independent film producer based in New York.

During my time at the Film Industry Branch, I witnessed firsthand the important work that is done there to encourage productions to come to Hawaii, guide them when they arrive, and ensure that they return (or at least spread the good word about their experience shooting there). At the same time, I witnessed how committed the Branch is, under Donne Dawson's leadership, to protect the island's natural resources from the potential "wear and tear" that often results from productions using them. The Branch is, in essence, a formidable guardian of the land, a mediator between nature and industry.

In 2007, I left the Branch and Hawaii to return to New York to continue my work as an independent film producer. I've since produced several films, including the multiple award-winning feature film "Children of Invention" which premiered at the 2009 Sundance Film Festival. My films are not "Hollywood" genre films by any measure; they are the kind of films that offer more nuanced perspectives, social consciousness, and thought-provoking drama. I'm telling you this because I know that much of the local press and leadership is prejudiced against big "Hollywood" productions, and I know that the Film Industry Branch is often perceived as an agency that solely services this segment of the industry. And I'm telling you now that this perception is simply untrue.

In the last two years, I've shot films in various counties of New York, New Jersey, Massachusetts, and Haiti. Each city, county, state and country is unique in the way it handles filming. There are certain locations I would shoot in again and again, and others I now avoid like the plague, and warn all my producer friends to avoid as well. The difference lies in the ease of shooting. New York City, for example, is a mecca of production because its film office operates like a well-oiled machine, there is free police assistance, and permitting procedures are easy to understand and follow. Other principalities charge high fees and make it incredibly confusing for the producer to figure out exactly which jurisdiction needs to approve what (sometimes they don't even know themselves!).

On top of everything else a producer has to do, trying to figure out which town hall meeting to attend to get permission to shoot on a certain block is not time well spent. A friendly "one-stop shop" for permitting is a critical tool for a producer to have—it can make or break the decision to shoot at a given location.

There is a film I'm considering producing now that would be the second feature by a director whose first one went to Sundance, and she desperately wants to shoot the film in Hawaii (as do I). However, given the recent changes in Act 221 (a discussion for another hearing) and now the impending closure of the Film Industry Branch, I am encouraging her to look elsewhere. I can say with absolute certainty that a reduction or closure of the Film Industry Branch will drive away production—not just Hollywood productions, but quality independent films as well.

Something else you should all know is that producers talk to each other all the time. The film industry is not as big as you might think. If one of us has had a bad experience shooting somewhere, we will discourage our colleagues from shooting there.

Finally, if the Film Industry Branch were to be eliminated, Hawaii's natural resources would be in danger. I can guarantee you that the more difficult it is to figure out how to get permission to film somewhere, the more filmmakers will "steal" the location. They simply will not waste their precious time and energy figuring that out. Without the Film Industry's Branch proper guidance on how to use and treat a location, there could be great damage done to it (not to mention to the filmmakers as well, who might not be aware of a location's potential dangers).

As a kama'aina who wants to return to Hawaii to produce films there, and who cares about the well being of its natural resources, residents, and cultural life, I strongly believe that reducing or eliminating the Film Industry Branch is a grave mistake.

Thank you for the opportunity to comment on this issue.

TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE FILM INDUSTRY BRANCH

September 3, 2009

Chairs Fukunaga and McElvey, Vice Chairs Baker and Choy,
and members of the Committees:

This testimony is submitted to the informational hearing regarding the impact of the reduction of the Film Industry Branch services.

When you are open for business, why **cut the sales staff when the State needs money?** The Film Industry Branch continuously brings money into Hawaii with their activities. In addition to the budget a film crew brings into the state, there are many spin offs from each film job. Many smaller businesses see sales (food, fuel, supplies for props, electricity, etc) that would NOT be generated without the film project and don't appear on film payrolls or big ticket budgets.

Film Industry Branch staff **help small businesses.** We are about as small as you can get: two people. Film work is just one part of what we do, but it is an important part. We are approached by many non-U. S. and many small US film makers and regularly refer these potential sources of revenue for Hawaii to the Film Industry Branch for information. We check with Film Industry Branch staff to be sure people who SAY they have a permit DO have a permit. When scouting for locations we rely on Film Industry Branch to speedily sort out jurisdictions of county vs. state vs. private property, and to which agency a request for permission needs to go.

If a manager cuts a budgeted function, they should be responsible for determining **how that governmental function will be carried out after the cut.** We have heard nothing about plans to carry on the permitting mandates after these cuts. Would the film permit system be abandoned? So we might wake up one morning to find a war movie being filmed on my street? Smooth functioning of county and state activities such as traffic and public safety require a system to inform agencies of the plans of film makers. If the permits are to be required, who would advise film makers of the requirements and issue the permits?

The environment needs protection. How does a film company find out the location they think is perfect is part of a Natural Area Reserve & they cannot set up there. Fines will not put rare plants back in the ground or nesting sea birds back on their nest. If a film maker wants to import a falcon or tiger for filming, when will they discover the restrictions on this? At the Honolulu Airport - after they've spent money to rent & ship the animal?

Film Industry Branch staff have protected Hawaii AND the film industry. Please protect the Film Industry Branch services.

Dr. Steven L. Montgomery, animal wrangler

Anita Manning, fixer / locations

From: [Michael Rivero](#)
To: [EDTTestimony](#)
Cc: letters@honoluluadvertiser.com; letters@starbulletin.com
Subject: Hawaii Film Office - a case of unequal protection under the law.
Date: Wednesday, September 02, 2009 5:46:39 AM

EDT Committee

I am writing in opposition to the plan to reduce/eliminate the Hawaii Film Office.

I understand the severe financial circumstances our state suffers under, both from the depressed economy and a tourism battered by TSA abuses. I understand the fact that there is simply not enough money to go around for all desired state functions. I understand that we are engaged in a game of "Musical chairs" in which far too many rear ends are seeking far too few fiscal chairs to sit on.

But before we yank the chair out from under our local film economy, let us recall that the local film and TV industry continues to bring revenues to the island; revenues which will vanish if we cease being competitive with other tropical filming locations. The history with other portions of the American economy, such as automobile and TV manufacturing, show repeatedly that once an industry is lost to other countries, those countries are committed to keeping that leadership, and playing catch up is a fool's task.

Clearly, Hawaii needs to place its support in those areas which produce a profit to the state. But reading the newspapers, it seems that far too many fiscal decisions are being made based on promises made during more politically reckless times, which are now being enforced by the courts. The philosophy seems to be to take care of past promises at great sacrifice to our future.

The problem as I see it is a lack of equal protection under the law. We see the courts mandating the preservation of certain benefits to certain specific groups, but where is the legal protection for our citizens who work in film and TV? Why should it be so easy to sacrifice the hard-working creative talent of Hawaii's film industry, who bring revenues into the state from outside?

From where I sit, the decision to reduce/eliminate the Hawaii Film Office is not based on the advisability of doing so, but merely because the absence of union contracts and a sufficient angry voting block makes it possible to do so. Our legislature is not cutting the spending that needs cutting, but chooses to cut what they think they can get away with.

Please invest in Hawaii's future. Keep the Hawaii Film Office.

Mike & Claire

Michael Rivero
Home Baked Entertainment
Aiea, HI
www.hbentertainment.com 808-780-3788

From: [Scott Rogers](#)
To: [EDTTestimony](#)
Cc: [Scott Rogers](#)
Subject: Hawai'i State Film Office
Date: Wednesday, September 02, 2009 1:41:38 PM

Chairs Fukunaga and McElvey, Vice Chairs Baker and Choy, and members of the Committees:

I am writing to you as someone that makes their living primarily through the film and television industry. I witnessed firsthand the increase in production that began when we instituted Acts 221 and 88. I also saw the amount of work that the Hawai'i State Film office put in to make the situation as simple as possible for the studios and production companies.

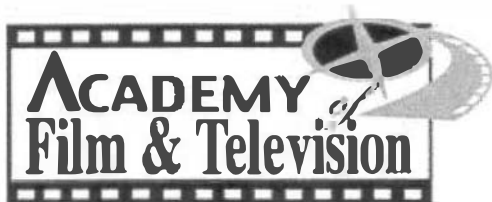
When we have more than one project shooting at the same time we have a shortage of qualified crew to work the productions. We also have a huge potential for location conflicts. Hawai'i has limited resources to shoot at, and the film office is Invaluable in the coordination of the film permitting process. I work very closely with the executive producers of various projects and the one thing I hear, again and again, is that Donne Dawson and the State Film Office were "instrumental in helping us get the job done".

The film and television industry spends approximately 200 million dollar (+) a year in direct spending in Hawai'i. That doesn't include the millions and millions of dollars worth of advertising our state receives when the shows air - Or the secondary and tertiary spending from those that work in the industry (like myself).

It may be difficult to precisely quantify the work that the film office does, but all one needs to do is talk to the producers that come in and spend their money here, to find out just how irreplaceable they are. Without the Film Office - fully staffed - I estimate Hawai'i will lose an additional 50 - 75 million dollars a year to other locations that are better able to service incoming production. That means lost income, lost jobs, lost promotion of our home to tourists.

We can't afford to lose The Hawai'i State Film Office.

Scott Rogers
Academy of Film & Television
(808) 596-8300
1174 Waimanu Street, Suite A
Honolulu, HI 96814
E-mail: scott@AmericanFilmActor.com
Web Site: www.AmericanFilmActor.com
Board of Directors, Screen Actors Guild, HI: www.sag.org



From: LAINERYKES@aol.com
To: [EDTTestimony](#)
Subject: Testimony
Date: Wednesday, September 02, 2009 2:07:30 PM

I am strongly opposed to the closing of the Film Office...Donnie Dawson and her staff offer an open door of information and aloha with potential film makers. To close the film office sends a message that Hawaii does not support the film industry or see any value in it...Considering how much money each film project has brought to the islands...when will we wake up and not just depend on tourism... even now with the potential shut down....there are film projects waiting to come in. In history when we had a recession...it was the movie industry that did well. How can we close the doors on the hand that feeds us? The movie industry represents dreams...to shut it's communication center will make it more difficult and frustrating to potential projects..

Laine Rykes.

From: Preslocal677@aol.com
To: [EDT Testimony](#)
Subject: TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE FILM INDUSTRY BRANCH
Date: Wednesday, September 02, 2009 4:31:04 PM

Chairs Fukunaga and McElvey, Vice Chairs Baker and Choy, and members of the Committees:

I am strongly opposed to the elimination of the State Film Office, or to the reduction of any of its functions.

The closing of the State Film Office will interfere with a revenue stream for the state. Film producers will take their projects elsewhere if it becomes difficult to get their projects done here.

The film industry not only brings in money, it is also an advertisement for our state. I don't see the sense of turning off a well oiled machine that brings money into local pockets as well as state coffers.

Thank you,

Brien Matson

Brien Matson
President
Musicians' Association of Hawaii
Local 677
949 Kapiolani Blvd
Honolulu, HI 96814
(808) 598-2121

Nothing in this communication shall be construed as official contract negotiation or acceptance of terms. Only a signed paper document is recognized by the Musicians' Association of Hawaii as final and binding. This e-mail and attachment(s) may contain privileged or confidential information. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, or use of the information contained herein is STRICTLY PROHIBITED. If you received this transmission in error, please immediately contact the sender and destroy the material in its entirety, whether in electronic or hard copy format.

From: [Thomas Takemoto-Chock](#)
To: [EDTTestimony](#)
Subject: TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE FILM INDUSTRY BRANCH
Date: Wednesday, September 02, 2009 3:52:23 PM
Attachments: [9-02-09_Testimony.doc](#)

TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE FILM INDUSTRY BRANCH

Chairs Fukunaga and McElvey, Vice Chairs Baker and Choy, and members of the Committees:

My name is Thomas Takemoto-Chock, I am a recent graduate of the Academy for Creative Media film school at the University of Hawaii. I took a strong interest in filmmaking at a young age, and through my years at the ACM, I have produced several award-winning short films that have screened at film festivals around the world.

I have been accepted into graduate film programs on the mainland, including the American Film Institute and Chapman University, but I elected to defer my 2009 enrollment to give myself the opportunity to spend my next year here at home, immersing myself in the local culture and lifestyle for my screenwriting.

My upbringing here in Hawaii, complete with its unique blend of cultures, experiences, stories, and problems, has always been my inspiration for telling stories. Although my education may take me elsewhere, I have always had the intention of bringing my experiences back to Hawaii to tell the stories that I want to tell. Like many of my peers at the ACM, I feel a drive and a responsibility to share our unique perspective of our home through a truthful and compassionate eye.

However, also like many of my fellow ACM peers, I feel increasingly compelled to look elsewhere for long term career opportunities. Many ACM alumni have already moved away for work, but are eagerly anticipating any opportunity to return to Hawaii to pursue their creative ambitions. The closing of the Hawaii Film Office would not only severely limit our opportunities to learn from and work for large film productions in Hawaii, but it would also give Hawaii's own filmmakers little hope of pursuing our own artistic dreams at the home that inspired them.

If anything should hinder our aspirations as local artists, it should be our understanding and abilities in the craft, and not a lack of resources and legislative support. Closing or reducing the capacity of the Hawaii Film Office would make these aspirations extremely difficult to achieve, and would undermine the intent of the ACM to produce prolific local storytellers. I ask you, on behalf of Hawaii's next generation of storytellers, to keep this opportunity alive for us. Give us the chance to grow our film industry from within, with our own artists and our own stories. Hawaii filmmakers need a home to come back to.

Thank you,

Thomas Takemoto-Chock

From: BRIAN KEAULANA
To: EDTTestimony
Subject: TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE FILM INDUSTRY BRANCH
Date: Wednesday, September 02, 2009 3:42:21 PM

TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE FILM
INDUSTRY BRANCH

To Chairs Fukunaga and McElvey, Vice Chairs Baker and Choy, and
members
of the Committees:

I am strongly opposed to the elimination of the Film Office with Ms.
Dawson and her staff. They are the foundation of Hawaii's film industry.
The impact is a no brainer not having Ms. Dawson and the Film Office will
result in losing many or all projects to elsewhere. It also means for
people like me who train and employ people to possibly move to the
mainland because this is my full time job.

With Respect & Aloha,
Stunt Coordinator/Ocean Safety Specialist/2nd unit Director

Brian Keaulana
84-620 Widemann St.
Waianae, HI. 96792
Cell 808-478-1306

From: [Art Rivers](#)
To: [EDTestimony](#)
Subject: TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE HAWAII STATE FILM OFFICE
Date: Wednesday, September 02, 2009 4:13:51 PM

Aloha Chairs Fukunaga and McElvey, Vice Chairs Baker and Choy, and members of the Committees:

To suggest reducing, much less eliminating entirely, an office that can and does bring hundreds of millions of dollars in production spending to our state - annually - is beyond "penny wise, pound foolish" - it is a fiscally irresponsible proposal that will hurt our economy in the near term and be completely disastrous to Hawaii Film Industry prospects in the long term.

Even above and beyond the annual revenue/spending that film productions represent is the importance of the continuity of the contacts this office has made with production companies world-wide and the absolute need for its presence in an increasingly competitive market.

We have been aware for quite some time that productions will no longer come here simply because of the tropical beauty and the allure of Hawaii. We must have financial incentives in place - as our competing locations do in the mainland and other locales - and we must have a professional and knowledgeable film office to represent the state and guide production companies through the process of filming here. (And no this is not a replication of the County Film Offices' efforts, knowledge or abilities but rather a vital part of a complete presentation to the film industry - that we have experts at all levels - State, County, City, etc.).

I implore you to vote against any reduction to this particular office. I realize this is a part of a bigger State employee expense reduction puzzle but this piece should be taken out of the budget maneuverings - it is far too valuable and the ramifications of losing it are far too wide and will be felt for far too long - if in fact we could ever recover from its elimination - which is most unlikely.

Mahaʻlo for you time and consideration of these thoughts.

Art Rivers
Location Manager
222-0672

From: [Dana Hankins](#)
To: [EDTTestimony](#); [Governor.Lingle@hawaii.gov](#); [Barry.Fukunaga@hawaii.gov](#); [Linda.Smith@hawaii.gov](#); [Lenny.Klompus@hawaii.gov](#); [duke@ona@dukeona.com](#)
Subject: Testimony for 9/3 Informational Briefing on the Hawaii Film Office
Date: Wednesday, September 02, 2009 4:00:59 PM

To: Committee Chairs Carol Fukunaga and Angus McKelvey, Vice Chairs Baker and Choy, Members of the Committees:

I am a film/tv producer, with Hollywood credits (BIRD ON A WIRE, STAKEOUT, SHORT CIRCUIT), as well as local credits (CHIEF, PICTURE BRIDE, MOONGLOW), and most recently THE TEMPEST. In addition, I have produced over a hundred tv commercials for national and local companies in Hawaii, during the last fifteen years.

The Hawaii Film Office is responsible for attracting and supporting the \$150-\$200m worth of production each year that film in the islands. The staff supervises 600+ location permits, guiding them through the maze of regulatory agencies, so that those same productions can film in the islands and we can protect our precious resources. No one else has the experience to perform these functions.

The Hawaii Film Office and its Commissioner, have spent years nurturing relationships in the entertainment industry in order to keep Hawaii competitive in the race for production dollars.

The Hawaii Film Office has done an amazing job at administering the 15% production tax credit, which has generated \$19m in direct tax revenues to the state over the last two years, per UH economist Dr. Boyd.

With recent rumors of big films considering Hawaii locales, any lay-offs in the Film Office will send a dangerous message to those producers about the State's support of our industry. Without assurances that permits and tax credits can be processed in a timely manner, if I was one of those producers. I'd quickly be looking elsewhere to film. A decision such as that would affect hundreds of union crew members and hundreds of vendors, as well as greatly reduce the approx. \$229m of direct spend (2007) for film/tv in the state.

As a fifteen year veteran of both Hawaii and of the film/tv industry, with another fifteen years experience from LA and Vancouver, I greatly encourage you, as well as the Governor's team of advisors, to reconsider any reduction or elimination at the Hawaii Film Office.

Very sincerely,

Dana Hankins

Redhead Prods. LLC

928 Nuuanu Ave.

Honolulu, HI 96817

cell: 306.3042

From: COOPERtheAD@earthlink.net
To: [EDTTestimony](#)
Subject: TESTIMONY: DO NOT CLOSE FILM OFFICE, PLEASE
Date: Wednesday, September 02, 2009 2:39:20 PM

To Whom IT May Concern;

Just a brief bit of 'testimony' to OPPOSE CLOSING THE HAWAII STATE FILM OFFICE.

I work in the business as an Assistant Director, and am a 'local hire' on Oahu and on Kauai. I got into the film business by working first on 'Outbreak' on Kauai. After doing '6 Days, 7 Nights' on Kauai I was able to buy a home on island. While working on 'Baywatch Hawaii' I got into my union, the Directors Guild of America. Since I have worked on projects large and small, artistic and box office oriented, including 'The Tempest' on Lanai and the Big Island last winter.

To close, or limit to limit the effective operations of the Film Office is VERY SHORT SIGHTED! Especially as we have the likes of an Academy Award winning Director Alexander Payne, and mega-hit Director and Producer Jerry Bruckheimer on our door steps. Not just anyone will 'speak their language' or understand their needs as Donne and her staff will. PLEASE do not take lightly the importance of knowing the business in a way to coax work into our state and into our tax system. Believe me, it is a more and more competitive world out there for the entertainment business dollar. We have good standing now, but will easily fall way behind others who might make smarter, more pragmatic, long term decisions, if we close the Film Office.

And if you don't believe that, besides the tax benefits of the Industry, money trickles down to the local communities, I suggest you ask the people of Lanai about the financial boon that 'The Tempest' provided them. We spent well over a month there, hiring staff, eating in their restaurants, paying cooks, cleaners, security, groceries, rental properties, etc. etc. One of my staff (Anthony Pacheco) even came from Lanai, worked for me as a Production Assistant and did such a good job, we took him with us to the Big Island. That guy now has a huge career opportunity ahead of him. (And he's still out working in the business with the experience he got with us).

The Film and Television Industry are vital businesses that more than return any money invested. And after possible strikes and a slow down due to the economy, we as a business are ready for a surge. Productions are already scouting. (Kauai as been scouted half dozen times in recent weeks alone!).

Meanwhile, till that work arrives, I am investing the money I made on 'The Tempest' in a remodel of my house here on Kauai. I'm buying materials, hiring designers and crew, paying 'permit' fees, landscapers, etc. That is a direct result of work in a good, clean business, The Film and Television Industry.

Again, DO NOT CLOSE OR LAY OFF (OR FURLOUGH) STAFF AT THE HAWAII FILM OFFICE, PLEASE.

Thank you in advance for making a long-term decision.

Aloha,

- Rick Cooper

Rick Cooper
808-822-7878
800-819-7701

From: [Renee Confair Sensano](#)
To: [EDTTestimony](#)
Subject: Testimony-Film Industry
Date: Wednesday, September 02, 2009 3:44:23 PM

Dear Honorable Chairs Fukunaga and McElvey, Vice Chairs Baker and Choy and members of the Committee:

It is critical to maintain a branch to oversee State film permits and tax Incentives.

There seems to be two choices, either keep the State Film Office, or increase the staff of the 4 County Film Commissioners.

If you chose the later, then a separate tax division would need to be developed to handle the tax credits, which have been a god-send for increasing film/tv productions in the Islands.

As you know, filming is non-pollutant, temporary in nature, and often times is a free venue for advertising (tourism) for Hawaii. I have worked in Hawaii's film industry for 29 years, and watched how it has increase substantially. It will be devastating to the State's economy if you kill the golden goose by eliminating the workers who foster it's growth and day-to-day existence.

Thank you for your time and consideration.

Sincerely,

Renee Confair Sensano
Hawaii Production Supervisor
confair@hawaiiantel.net
(808) 216-1470 / phone
(310) 765-6318 / fax

From: [Roy Tiiioe](#)
To: [EDTTestimony](#)
Cc: ["Ricardo Galindez"](#)
Subject: Informational Briefing Regarding the Layoffs of Hawaii Film Office Staff
Date: Wednesday, September 02, 2009 11:23:12 AM

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Senator Carol Fukunaga, Chair
Senator Rosalyn H. Baker, Vice Chair

Sen. Clayton Hee Sen. Sam Slom
Sen. David Y. Ige

COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, & MILITARY AFFAIRS

Rep. Angus L.K. McKelvey, Chair
Rep. Isaac W. Choy, Vice Chair

Rep. Lyla B. Berg Rep. Clift Tsuji
Rep. Cindy Evans Rep. Glenn Wakai
Rep. Joey Manahan Rep. Jessica Wooley
Rep. James Kumane Tokioka Rep. Gene Ward

Dear Senators and Representatives:

Thank you for the opportunity to testify in regards to the potential impacts on Hawaii businesses and the local film industry, arising from the anticipated reduction and possible elimination of most of the Film Industry Branch.

By way of introduction, Island Film Group is a local production company that has co-produced "Beyond the Break", a television series for the N Network, "Special Delivery" and "Flirting with Forty", television movies for Lifetime Television, and most recently a feature film about Hawaii's own Princess Ka'iulani. We are committed to the development of Hawaii as a strong production locale, so that our local workers can gain valuable experience in good paying jobs, while bringing to life stories that reflect Hawaii's history, culture and natural beauty. We fully recognize and support the positive correlation between distribution of film and television products showcasing Hawaii, and our long standing tourism industry.

Donne Dawson and her capable staff have been well known to us for many years, and we have observed their tireless efforts to attract film and television projects to the State of Hawaii, and to readily assist those productions that choose to film here. The Hawaii Film Office is a friend to studio and independent productions alike, making them all feel welcome, and providing important information ranging from local customs and practices to film permitting and tax incentives; in short, everything you need to know about how our local resources can accommodate the needs of any production. Donne and her staff are also knowledgeable about local businesses that support the film and television industry, and often serve as the first contact in guiding productions to utilize local goods and services providers as opposed to flying resources in from the mainland.

Against this background, we were shocked and dismayed by the recent news of anticipated layoffs at the Hawaii Film Office. There is no question in our minds that the closure of the Hawaii Film Office would result in irreparable harm to the local film and television industry, which has already suffered a devastating blow in the form of a severely reduced investment

tax credit this past session. Every jurisdiction that is considered a serious player in the domestic and international film and television industry has a well organized and well staffed Film Office, because they recognize the critical role it plays in attracting productions that collectively bring millions of dollars to their local economies.

Aloha,

Roy J. Tjioe
Island Film Group
PO Box 3261
Honolulu, HI 96801-3261

(808) 536-7955 Honolulu
(310) 984-6865 Los Angeles
(888) 749-7955 Toll Free
www.islandfilmgroup.com

From: [Jerry Traylor](#)
To: [EDT Testimony](#)
Subject: proposed closure of state film office
Date: Tuesday, September 01, 2009 11:50:31 AM

To whom this may concern:

Much to my dismay, I was recently informed that the Hawaii state film office is in jeopardy of being closed down.

As the publisher of Hollywood's leading book of resources for the Entertainment industry I am shocked that this

is even a consideration.

The film offices are always the 1st point of contact for Producers considering where to shoot their project.

The economic realities of today's world dictate that the "perfect location" has to be weighed with the tax

incentives that location offers as well as the personal knowledge that film commissioner has of the locale.

Without that office & the knowledgeable staff that is so much help to a production company we in the production community will find ourselves at a severe disadvantage.

Where do we go, who do we ask about the state incentive program?

Will there be more "red tape"? more paperwork?

Who will be our liaison with the local community?

I have many more questions & concerns in short, I hope that whomever has the power to see that this ill advised &

short sighted proposed closure take place reconsider the consequences.

Respectfully,

Jerry Traylor

Publisher

Creative Handbook

o: (818) 752-3200

f: (818) 752-3220

CreativeHandbook.com



From: [Johnathan Walk](#)
To: [EDTTestimony](#)
Subject: Testimony: Hawaii Film Office
Date: Wednesday, September 02, 2009 1:58:27 PM

EDT Committee:

This email is in regards to the fate of the Hawaii Film Office.

First, I'd like to introduce myself. Currently, I am a 22 year old student attending the University of Hawaii Manoa. There I am an ACM (Academy for Creative Media) major taking my final classes. Also I am one of the co-owners of HDology, a production company created by three former graduates. I would like to say I am fearful of my company's future without the guidance that the Hawaii Film Office has lent us on so many of our productions.

That guidance has always been such a crucial component for us as a young start up company trying to develop a name for ourselves in the film community. The Hawaii Film Office has always pointed us in the right direction to pull off all kinds of productions. Whether it is shooting deep underwater or shooting at the top of a mountain, the Film Office has always been there to make sure we take the right steps to insure a successful shoot. There is so much protocol to follow when filming at different areas and it is nice to know that we have a centralized office that we can always refer to in order to expedite the process. Time is such a crucial component in all elements of production.

Donne Dawson and her team have been excellent liaisons between the State of Hawaii and large/small productions coming to the islands and shooting. These outside productions help generate/stimulate revenue within the State of Hawaii. This office is the reason why productions come as the Hawaii Film Office continually helps and seeks out productions to shoot on the islands. This office serves as the connector to all things production, a way of communicating to all aspects of film.

Hawaii has always been home to 11 out of the 13 climate zones that exist in the world. It also boasts many unique locations in one state. And what the Hawaii Film Office has been doing (from what I understood when Donne Dawson was a guest speaker at the University of Hawaii at Manoa) is developing ways to create a stronger film community. A stronger film community would subsequently initiate the beginnings of a very legitimate film business in the state, hopefully similar to the industry that Australia has already developed. **Hawaii has all the resources to make film production a very legitimate industry in Hawaii.** Plans are even being made to create a production studio on the west side of Oahu. We must continue to support these endeavors, as it only benefits the future. But I ask how the State of Hawaii will develop this aspect of what Hawaii could to offer (other than tourism) if no film office exists willing to push forward and help bring these ideas to fruition? I humbly ask the Committee to reconsider shutting down the Film Office as it closes more doors than it could ever help to open. This temporary fix would hurt the film industry immensely in the long run. Shutting down this component of the state would destroy more than just jobs in the Hawaii Film Office. Thank you for your time.

--

Johnathan Walk

From: Daniel Ziegler
To: EDT: testimony
Subject: Testimony against elimination of the Film Office
Date: Wednesday, September 02, 2009 12:04:41 PM

TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE FILM INDUSTRY
BRANCH

Chairs Fukunaga and McElvey, Vice Chairs Baker and Choy, and members
of the Committees:

I am strongly opposed to the elimination of the State Film Office, or to
the reduction of any of its functions.

To save money in my own business during difficult times, I have never
considered turning off my telephone service. While the savings would be
real and immediate, the disruption would cost me far more than the
benefits.

That is the case with the proposed elimination of the Film Office. Ms.
Dawson and her staff are the communications link with the film industry.
They speak the language. In the world of competitive locations and film
production incentives, there are many alternatives to Hawaii for film
projects. Producers need to know they will have the right experience
here before they will bring projects to our islands. There is no
question that closing the Film Office will result in our losing many or
all of these projects.

The loss in revenue to Hawaii will be significant and definate. Like me
shutting off my phone.

Closing the Office will also disrupt our local filming operations,
making it increasingly difficult to build and maintain a Hawaii film
industry.

I strongly urge you to reverse this penny-wise-pound-foolish measure.

Thanks for your attention.

Daniel Ziegler
www.dpzee.com

Director of Photography
HDOLOGY
Digital Storytelling
Phone: 808-232-5266
Email: john@hdology.com
Web: <http://www.hdology.com>

Community-Based Economic Development

From: tbaker@lava.net
To: [EDTTestimony](#)
Subject: Testimony in support of CBED
Date: Wednesday, September 02, 2009 1:06:20 PM

Aloha Members of the Senate
Economic Development and Technology Committee and the House Economic
Revitalization, Business, & Military Affairs Committee,

I am testifying in support of the Community Based Economic Development
Program at DBEDT.

It does not make sense to dismantle a program that provides direct
assistance to people who want to improve the economic environment in
the communities where they live. CBED has a proven record of providing
entrepreneurs with support through training and seed grants. I also
understand that one of the priority areas for ARRA funds is community
based economic development. How can the State take advantage of these
funds if there is no program support to administer it?

Please make a stand for people who want to improve their communities
and don't allow Governor Lingle to lay off the CBED manager which
would surely result in dismantling of this vital program.

Mahalo,
Mary Tuti Baker
Waimanalo Resident and Executive Director of Hale Ku'ai Cooperative (a
CBED grant recipient)

----- End forwarded message -----

Hawaii State Senate
Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair
Senator Rosalyn H. Baker, Vice Chair

Hawaii House of Representatives
Committee on Economic Revitalization, Business and Military Affairs
Representative Angus L. K. McKelvey, Chair
Representative Isaac W. Choy, Vice Chair

Informational Briefing
Thursday, September 3, 2009, 10:00 a.m.
State Capitol, Conference Room 229

Good morning Chairs Fukunaga and McKelvey, and members of the Committees. Thank you for the opportunity to testify in support of DBEDT's Community Based Economic Development (CBED) program.

Three years ago Lanakila Pacific was a recipient of a CBED grant. Lanakila Pacific is a local non-profit that provides employment and work training for individuals with physical and/or cognitive disabilities.

The CBED grant enabled us to hire a consultant to help us develop a strategic business plan for our Manufacturing and Assembly section. The business model which was successful for Lanakila for many years was no longer viable. The plan that was developed resulted in a complete overhaul of our operations leading to the program's economic sustainability. The program employs over 30 individuals with various challenges.

The CBED staff was instrumental in providing us with the technical assistance and making suggestions regarding the type of assistance we might consider. This type of grant assistance which enables an organization to craft the grant according to its individual needs is not readily available to the non-profit community.

Lanakila Pacific fully supports the work of the CBED program and its staff.

Submitted by:
Marian E. Tsuji
President & CEO
Lanakila Pacific
mtsuji@lanakilapacific.org
808-356-8548



September 2, 2009

Chair Carol Fukunaga
Committee on Economic Development and Technology
Chair Angus McKelvey
Committee on Economic Revitalization, Business and Military Affairs
Hawaii State Senate
State Capitol
Honolulu, HI 96813

RE: Informational Briefing on Impact of CBED Cuts

Dear Chair Fukunaga, Chair McKelvey and committee members:

On behalf of the Hawai'i Alliance of Nonprofit Organizations (HANO), I would like to express full support of DBEDT's Community Based Economic Development (CBED) division.

CBED, over the years of its existence, has provided critical financial support to many nonprofit organizations to do economic development and build their capacity to provide needed community services. CBED grants to nonprofits often leverage additional resources from federal and private foundation sources that are being distributed to community groups at a time when state support is diminishing and the need for community-based services is at its greatest.

As a past grant recipient of CBED, we can attest to the impact that CBED support had on our ability as a statewide nonprofit sector intermediary to provide economic development and build capacity in the nonprofit community on all major islands.

The CBED division itself may soon be a recipient of a \$250,000 capacity building grant from ARRA stimulus funds. Any attempt to close down the division at this time might jeopardize Hawaii's opportunity to draw down needed federal dollars.

HANO unites and strengthens the nonprofit sector as a collective force to improve the quality of life in Hawaii. It works in the areas of leadership and convenings; advocacy and public policy; research and information; communications; professional development; and products and services for its members to ensure best practices and standards of excellence in the nonprofit sector.

We strongly urge you to oppose the closing of the CBED division as it currently serves a vital role in the strengthening of the nonprofit sector.

Mahalo for your consideration,

Lisa Maruyama
President and CEO

Transmittal Cover

Testimony for:

Dean Matsukawa, Chair CBED Advisory Committee
COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, & MILITARY
AFFAIRS

Thursday, September 3, 2009
10:00 am Informational Briefing
Conference Room 229

Senator Carol Fukunaga, Chair
Senator Rosalyn H. Baker, Vice Chair
Representative Angus L. K. Mckelvey, Chair
Representative Isaac W. Choy, Vice Chair
COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, & MILITARY
AFFAIRS
State Capitol, Room 229
415 South Beretania Street
Honolulu, HI 96813

RE: Support of the program staff of Community Based Economic Development and
Enterprise Zone programs

Dear Chairpersons and members of the
Committee:

I am writing in support of the Community Based Economic Development (CBED) and
Enterprise Zone Programs. I am currently serving as Chair of the CBED Advisory
Committee and have first hand knowledge of the great efforts that have been made by the
CBED program in communities throughout the State. The economic development
programs that are funded by CBED grants strengthen communities and provide support
for these organizations which results in long term stability of the communities and better
quality of life for its citizens. The Enterprise Zone program assists many businesses
especially agricultural enterprises located in rural areas of the State.

I am truly concerned that the proposed elimination of staff will result in both programs
becoming ineffective and eventually eliminated. The programs currently operate with
just one key manager/coordinator and no other staff than shared clerical staff. At this
point the programs are efficient with knowledgeable, capable personnel. The loss of
these key managers/coordinators will be catastrophic.

The CBED program has recently acquired tobacco settlement funds and is very likely to
receive a federal grant which allows it to provide services to develop strong, stable and
self-reliant communities without addition general funds being utilized. The Enterprise
Zone encourages business development in the areas hardest hit by the current economic
downturn. I humbly ask for your continued support of the CBED and Enterprise Zone
programs. Thank you for the opportunity to provide written testimony.

Mahalo,
Dean Matsukawa
Chair of the CBED Advisory Committee

Enterprise Zone/ Partnership Program

William P. Kenoi
Mayor



Randall M. Kurohara
Director

County of Hawaii

DEPARTMENT OF RESEARCH AND DEVELOPMENT

25 Aupuni Street, Room 109 • Hilo, Hawaii 96720-4252
(808) 961-8366 • Fax (808) 935-1205
E-mail: chresdev@co.hawaii.hi.us

September 2, 2009

Senator Carol Fukunaga, Chair
Senator Rosalyn H. Baker, Vice-Chair
State of Hawai'i, Office of the Senate
Committee on Economic Development and Technology
via email and facsimile transmission to:

senfukunaga@capitol.hawaii.gov

808-586-6899

senbaker@capitol.hawaii.gov

808-586-6070

RE: Michelle Muraoka – Enterprise Zone Coordinator
Dept. of Business, Economic Development and Tourism

Dear Senators Fukunaga and Baker:

On behalf of the County of Hawai'i, Department of Research and Development, we strongly recommend that Michelle Muraoka remain as the Enterprise Zone Coordinator within the State of Hawai'i, Department of Business, Economic Development and Tourism. Ms. Muraoka has provided tremendous assistance in incentives through the Enterprise Zone program for businesses within the State of Hawai'i, and her expertise is unmatched.

During these tough economic times, Ms. Muraoka is looked upon as a liaison between the businesses and the State of Hawai'i, inasmuch as she has been instrumental in the passing of two (2) crucial legislative bills, both which further support the growth of the entrepreneur, which in turn ultimately boosts the economy of the State of Hawai'i.

The business sector of the State of Hawai'i would be jeopardized without the presence and expertise of Ms. Muraoka, as she is an asset to the growth of Hawaii's economic future.

The County of Hawai'i, Department of Research and Development, and its New Industry and Enterprise Zone division strongly recommend that Ms. Muraoka and her position as the Coordinator of the DBEDT Enterprise Zone be exempt from the cuts proposed by the State.

Should you have further questions or concerns, please feel free to contact me.

Sincerely,

Randall M. Kurohara

Director



Advanced Connectivity Solutions
Network Engineering | Colocation

Statement of
Earl E. Ford
President
SystemMetrics Corporation

before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND
TECHNOLOGY**
AND
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS &
MILITARY AFFAIRS**

Thursday, September 3, 2009
10:00 AM
State Capitol, Conference Room 229

in consideration of

**The potential impacts on Hawaii businesses, arising from the anticipated reduction
and possible elimination of the Enterprise Zone Partnership program**

Chairs Fukunaga, McKelvey, Vice Chairs Baker, Choy and members of the Senate Committee on Economic Development and Technology and the House Committee on Economic Revitalization, Business & Military Affairs.

SystemMetrics Corporation is strongly opposed and concerned over the potential loss of the Enterprise Zone Program Coordinator. Ms. Michele Muraoka, the Enterprise Zone Program Coordinator, has greatly assisted our company with expert advice and timely service. The services we have received from the Enterprise Zone Program include one-on-one meetings, phone inquiries, and alerts to pending legislative changes to the Enterprise Zone Program.

Without the services provided by the Enterprise Zone Program we would have no way of knowing pending or proposed changes to the program as we simply do not possess the resources or staff time required to track legislation. The loss of a dedicated Enterprise Zone Program coordinator would have detrimental effects on companies seeking entrance into the program. Companies would have no resource for advice and

900 Fort Street Mall, Suite 250 • Honolulu, HI 96813-2833
Phone (808) 791-7000 Fax (808) 585-2400
www.systemmetrics.com

assistance with the application; moreover, companies currently enrolled would have no support staff to assist with questions or concerns. Ms. Muraoka has provided our company with invaluable advice and guidance during the application process and she continues to provide us with her services as an enrolled company.

The loss of the Enterprise Zone Program Coordinator would adversely affect companies seeking entrance into the program as well as those currently enrolled. We strongly encourage the legislature to take action to ensure the public will not lose this valuable and vital business service.

Thank you for the opportunity to offer these comments.

Sincerely,



Earl E. Ford
President
SystemMetrics Corporation



Hawaii Farm Bureau
F E D E R A T I O N

2343 Rose Street, Honolulu, HI 96819
PH: (808)848-2074; Fax: (808) 848-1921

September 3, 2009

INFORMATIONAL BRIEFING BEFORE THE
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
AND
HOUSE COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, & MILITARY AFFAIRS

Chair Fukunaga, Chair McKelvey and Members of the Committees:

My name is Ann Yamamoto; I am the Executive Director of the Hawaii Farm Bureau Federation ("HFBF"). HFBF urges the legislature to do what it can to retain the Enterprise Zone Program ("EZ Program") Coordinator, who is scheduled for layoff in November.

The EZ Program is one of the few State programs that provides incentives for economic development in the most rural and distressed communities where agriculture is often the main business activity. Most of our members are 24/7 farmers; they know farming. Some farmers may not have the time and expertise to handle the tax forms required for this tax credit. It is critical that there be an EZ Program Coordinator with the knowledge and communication and people skills to answer questions, assist program participants, and administer the EZ Program.

The current EZ Coordinator, Michelle Muraoka, is a strong proponent for agriculture and personally supports Hawaii's farmers. It would be very difficult to replace an individual with her experience, dedication, and passion to do a good job. She attends various HFBF conferences and conventions, readily makes herself available to our members, visits and provides one-on-one assistance. Michelle and the EZ Program have contributed to the betterment of our industry which, as you are well aware, currently faces many challenges and obstacles.

There are approximately 50 agriculture-related businesses enrolled in the EZ Program. Some of our largest farmers are members of the EZ Program. There is no question that without an EZ Coordinator to process the paperwork and to answer questions, the cost of doing business for these program participants will be adversely affected. Therefore, we ask the Committees to do whatever it can to retain Michelle Muraoka in her current position as EZ Coordinator.

Thank you for this opportunity to submit written testimony on this matter.



The Hawaii Farm Bureau Federation ("HFBF") is non-profit, independent, non-governmental, voluntary organization governed by and representing 1600 farm and ranch families throughout the State united for the purpose of analyzing their problems and formulating action to achieve educational improvement, economic opportunity and social advancement and, thereby, to promote the State's well-being. We are affiliated with the American Farm Bureau Federation, which has a membership of over four million families in 2,800 counties across America. HFBF and its affiliates are local, county, state, national and international in its scope and influence and are non-partisan, non-sectarian and non-secret in character. HFBF is the voice of agricultural producers at all levels.



Annette Lee, Member
Ace Farm LLC
41-208 Hihimanu Street
Waimanalo, HI 96975-1528

August 31, 2009

Hawaii State Capitol
Executive Chambers
Honolulu, HI 96813

Aloha, Governor Lingle,

I have a small farm that is enrolled in DBEDT's Enterprise Zone program. This has helped us to be competitive and offer lower prices because we do not have to charge excise taxes on our sales. We have also been planning to use other benefits from this program but because of the slowing economic climate, have postponed taking advantage of the program's initiatives.

If it had not been for Michelle Muraoka (DBEDT EZ Program Coordinator) we would not have known about this program. Since we are farmers, we are usually very busy and we are not educated enough to fill out some of the necessary paperwork. Michelle has gone out of her way to inform farmers in Waimanalo about this and has met with all who needed help on her own time. She has even been willing to explain and assist in filing our papers. She has been instrumental in the EZ success in Waimanalo. If it weren't for her hard work and persistence, we would not be participating in this program.

Please reconsider her layoff plan and allow her to continue her work. There is no one else in this program who will be willing to sacrifice her own time and do what she has done. She is an exceptional employee and should not be on the layoff list. We need her to continue her work.

Yours Truly,

A handwritten signature in black ink, appearing to read 'Annette Lee'.

Annette Lee, Member
Ace Farm LLC

Cc: Senator Fred Hemmings
Rep. Chris Lee
DBEDT Director Ted Liu



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Waimanalo Agricultural Association

August 31, 2009

Governor Linda Lingle
Hawaii State Capitol
Executive Chambers
Honolulu, HI 96813

Dear Governor Lingle,

The Waimanalo Agricultural Association has recently been notified that we will be losing a prized state employee. Waimanalo has just recently been named an Enterprise Zone and DBEDT's Michelle Muraoka has been instrumental in assisting members in their enrollment. If she had not taken the initiative to come out and explain this program, I doubt our members would join. Farmers are reluctant to do anything with a lot of paperwork so she miss out on a lot of available programs. Michelle went out of her way to visit each farm and explain everything. Without her, there would not be a Waimanalo Enterprise Zone.

Please reconsider plans to downsize and lay off this much valued and dedicated State employee. We still need her expertise and she has shown herself to be a person we can always turn to.

Mahalo,

Clifford Migita
President WAA

CC: DBEDT Director Ted Liu
Representative Chris Lee
Senator Fred Hemmings

From: [Hilo Coffee Mill](#)
To: [EDTestimony](#)
Subject: Testimony for Informational briefing 9/3/09
Date: Wednesday, September 02, 2009 9:10:08 AM

To: Representative Clift Tsuji
Committee on Revitalization, Economic Development & Military Affairs

Aloha Honorable Chair and Committee Members,
I am submitting this testimony with regards to the impact of the anticipated reduction in staff affiliated with the implementation and management of the Enterprise Zone Partnership Program. This is given in hopes of being helpful during the informational briefing tomorrow.

Maka`ala Hawai`i Inc. (dba Hilo Coffee Mill) is a current EZ business. We would not have been able to sustain ourselves thus far, and especially in this financial period, without the assistance of the EZ Program. We started with 2 employees, and now have 13. Most of our hires have made wrong choices in the past, and we have given them a 2nd chance to make right choices in their lives. They depend on us for their livelihood, we have been their 'ohana' supporting them emotionally, sometimes being parents as well as mentors and employers. We give them meaningful work, transferable skills, build self esteem and create a safe, enjoyable place to work that benefits both of us. Our mission has been to support our local community by creating an economic benefit to our local community by hiring within our immediate vicinity, reducing time and expense for our employees to get to work; supporting local farmers, inspiring beginner coffee farmers, processing and/or buying coffee from small farmers adding another revenue stream for their crop; assisting in the marketing efforts of their coffee; offering visitors an education on Hawaiian coffees giving them an experience to remember and talk about when they return home; creating an easy, convenient method of purchasing more even though they aren't physically here; all of this creates economic benefits that multiply way beyond the cost of 2 persons' salaries. When you take just one business like ours, and multiply it by all the other businesses that rely on the EZ program, the benefits far outweigh the cost.

Without the staff in the EZ program, whose knowledge assists in maintaining compliance, issuing the certificates so our tax returns are complete, who will be handling the complaints and legal actions that are sure to surface without them? Won't these be more costly? And if there are fewer businesses in the EZ Program, there will be fewer businesses in Hawaii.

You can't have a program without someone to manage and implement it according to the program rules and conditions. Will the Dept of Taxation accept my return without the EZ certificate?

If you have further questions, please contact me.

Aloha,

Jeanette Baysa
Hilo Coffee Mill

Paradise In Your Cup

PO Box 486
Kurtistown, HI 96760

Phone: 808.968.1333
Fax: 808-968-1733
www.HiloCoffeeMill.com

Hilo Coffee Mill works diligently to bring East Hawai'i coffee to the forefront of the world market and to add East Hawai'i to the list of 'Best Coffee Growing Regions Worldwide'. For more information or orders, visit www.hilocoffeemill.com, email coffee@hilocoffeemill.com, or call (808) 968-1333, or toll-free (866) 982-5551.

Tawhiri Power LLC



CHAIRWOMAN CAROL FUKUNAGA
COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

CHAIRMAN ANGUS L.K. McKELVEY
COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, & MILITARY
AFFAIRS

INFORMATIONAL BRIEFING ON
ANTICIPATED REDUCTION
AND
POSSIBLE ELIMINATION OF
ENTERPRISE ZONE/PARTNERSHIP PROGRAM

THURSDAY, SEPTEMBER 3, 2009

10:00 A.M. IN CONFERENCE ROOM 229

Chairwoman Fukunaga and Chairman McKelvey:

My name is Harlan Y. Kimura and I am the attorney for Tawhiri Power LLC, a Delaware Limited Liability Company that is managed by its sister company, Apollo Energy Corporation, a Hawaii corporation, who owns and operates the 21 Megawatt Pakini Nui Wind Farm situated in the South Point Area of the Ka`u District on the Big Island. Pakini Nui is located in an Enterprise Zone.

I am testifying on behalf of Tawhiri Power and Apollo Energy concerning the adverse impact the anticipated reduction and possible elimination of the Enterprise Zone Program will have on Hawaii business, the Hawaii Clean Energy Initiative, the goals in the Renewable Portfolio Standards, and the historic Energy Agreement signed on October 20, 2008 by the Governor, the State of Hawaii Department of Business, Economic Development and Tourism, the State of Hawaii Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and the HECO Companies.

Back in the 1990s, Apollo Energy owned and operated the Kamao`a Wind Farm at South Point on the Big Island. At that time, the principals of Apollo Energy wanted to develop a new Wind Farm which had more generating capacity than Kamao`a by purchasing new and better equipment. Because this new project would be in an "Enterprise Zone", its economic viability was greatly increased by the regulatory flexibility and tax incentives offered by the Enterprise Zone Program. Also, the invaluable assistance and guidance provided by the staff of the Program helped convince the lenders for this new project that it was a good investment. For instance, the many benefits of locating Pakini Nui in an Enterprise Zone were not readily understandable by Tawhiri Power's mainland lenders, and even some of the local attorneys who represented them. But with the assurances of

Offices: 551 Pilgrim Drive, Suite C, Foster City, CA 94404 1-650-358-1550; 1-650-286-8230 Fax
Pakini Nui Wind Farm, 93-1373 South Point Road, Ka`u, Hawaii 96772

Tawhiri Power LLC



the staff of the Enterprise Zone Program, and their continued willingness to explain its many incentives to Tawhiri's lenders, Pakini Nui began providing energy to the HELCO grid in the first quarter of 2007.

Helped by the General Excise Tax Exemptions offered by the Enterprise Zone Program, Pakini Nui generated hundreds of construction jobs for the Big Island community while Tawhiri Power was building this new Wind Farm. Today, Pakini Nui provides related jobs to over fifty (50) residents of the Big Island, and contributes to the income and real property tax base of Hawaii. But most important of all, Pakini Nui provides clean energy to approximately 16,000 households on the Big Island without leaving a carbon footprint on our pristine environment, and brings our community that much closer to generating 100% of its energy needs from renewable resources.

Not only was the staff at the Enterprise Zone very helpful during the planning and construction phase of Pakini Nui, they have also been a valuable resource for Tawhiri Power in its application for the continuing tax incentives offered by this Program. I specifically recall an instance when Tawhiri Power received a letter from the Enterprise Zone Program that it did not meet the employment eligibility requirements to receive certain tax incentives. However, upon contacting the Enterprise Zone Program Office they explained the other benefits, such as the General Excise Tax Exemption related to the construction of Pakini Nui, was still available to Tawhiri Power. This was a welcomed discovery for Tawhiri Power because of the bad press Hawaii has received in the past that it was "anti-business."

Going forward, Tawhiri Power and Apollo Energy as direct beneficiaries of the Enterprise Zone Legislation and recipients of the services of the Program's Staff, state without question the elimination of that Staff will create a void in the business community which will stifle new developments in Enterprise Zones throughout the State of Hawaii. Speaking from experience, the essential resources provided by the Staff of the Enterprise Zone Program facilitated Pakini Nui's success.

Thank you again Chairwoman Fukunaga and Chairman McKelvey for permitting me to submit testimony on behalf of Tawhiri Power and Apollo Energy concerning the adverse effects the anticipated reduction and possible elimination of the staff of the Enterprise Zone Program would have on the economic development in the State of Hawaii.

HARLAN Y. KIMURA, ESQ.
Central Pacific Plaza
220 South King Street, Suite 1660
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Tel. No. (808) 521-4134
Fax No. (808) 521-0361
E-mail: hyk@aloha.net.

Attorney for Tawhiri Power LLC and Apollo Energy Corporation.

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Pakini Nui Wind Farm, 93-1373 South Point Road, Ka'u, Hawaii 96772

September 1, 2009

State Capitol
Committee Clerk Room 216


RE: DBEDT Testimony Enterprise Zone Program

We are participants of the Enterprise Zone Programs and we extend our support in preserving the program and its staff. As a small business, the enterprise zone program has helped us tremendously through significant tax benefits. The tax savings sustain our growth enabling us to employ more technical professionals with specialized skills. In these challenging economic times, the program is invaluable to us to thrive in the technology service industry.

Without the guidance and support of program coordinators, complying with required year end reporting requirements would be difficult for us. Though we are located in an enterprise zone, not all our activities qualify for tax relief. The coordinators have been helping us in this area and answered our questions when rules are unclear.

Please reconsider and retain these critical elements of a very worthwhile program for small Hawaii businesses.

Sincerely,


Robert W. Ventura
President

From: [Gerald Gruber](#)
To: [#DTTestimony](#)
Subject: Enterprise Zone
Date: Tuesday, September 01, 2009 5:26:57 PM

Aloha Committee Members;

On behalf of Big Island Carbon LLC, we wish to provide testimony in support of Hawaii's Enterprise Zone Partnership Program ("EZ Program").

Our company was enrolled in EZ by acceptance letter dated May 11, 2009. We are in the process of constructing a \$25 million manufacturing plant in Kawaihae that will convert macadamia nut shells into activated carbon and produce bio-oil in the process. This facility will employ 30 Hawaiian families on a permanent basis once operating and an additional 100 during construction. A significant consideration in analyzing and evaluating the economic feasibility of this project was the benefits from the EZ Program.

It is my understanding that all positions responsible for implementing and administering the EZ Program for the State have been eliminated. We have the following concerns:

1. The EZ Program is a viable incentive to encourage the development of businesses in Hawaii and the resulting job creation. Although it is not technically terminated, in all likelihood it will not be publicized and few will be aware of its existence.
2. Prospective participants that are aware of the EZ Program will not have a resource to question or explain the program.
3. No one will be available to issue Acceptance Letters for newly enrolled participants leading to much confusion for both the participant and DBET.
4. "End-of-the-Year" reports will be filed by those of us participating but there will be no way of knowing that these reports have been properly handled at the DBET.
5. Compliance certificates are supposed to be issued by DBET to participants. The certificates are to be filed with the participant's Hawaii income tax return. Without the certificates, much confusion will exist for both the employer company and the tax agency.

CONCLUSION:

The Hawaii Enterprise Zone Partnership Program is a viable and proven vehicle to support job creation in the State of Hawaii. It should be retained. Additionally, we encourage finding a way to continue at least minimal support for the administrative functions of the program.

Aloha,
Gerald A. Gruber
Controller



75-5722 Kuakini Hwy. Suite 202
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Fax 808-769-5230

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From: [Henry Onishi](#)
To: [EDTTestimony](#)
Cc: [Gloria Onishi](#); [Michelle Muraoka](#)
Subject: Testimony on Enterprise Zone/Partnership programs
Date: Monday, August 31, 2009 6:10:47 PM

To the Committee on Economic Development and Technology.
To the Committee on Economic Revitalization, Business, & Military
Affairs.

Informational Briefing on Thursday, September 3, 2009, 10:00am.
Conference Room 229, State Capitol, 415 South Beretania Street

Re: Potential impact arising from the anticipated reduction and
possible elimination of most of the Economic Zone/Partnership
programs.

Dear Sir and Madam:

This letter is on behalf of the Enterprise Zone Program.

We are a wholesale distribution company in the Waipahu Millown
Commercial Center. We were able to purchase our property and
subsequently build a warehouse.

We are recipients of the benefits of the Enterprise Zone program and
qualified under the State and City tax exemptions.

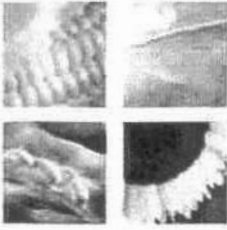
The assistance of this program helped our business develop over time.

We are grateful to the State of Hawaii for setting the foresight in
these programs.

Our hopes is that the program can continue for the benefit of others
even during these harsh economic times the State is experiencing.

Sincerely,

Henry Onishi
General Manager
Bel Air Distributors, Inc.
94-418 Koaki Street
Waipahu, Hawaii 96797



Hawaii Crop Improvement Association

Growing the Future of Worldwide Agriculture in Hawaii

Joint Hearing of the
Senate Committee on Economic Development and Technology and the
House Committee on Economic Revitalization, Business Development and Military Affairs
Thursday, September 3, 2009
Room 229, 10:00 am

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Aloha Chairs Fukunaga and McElvey and members of the committee.

My name is Alicia Malua'iti, Executive Director of the Hawaii Crop Improvement Association. The Hawaii Crop Improvement Association (HCIA) is a nonprofit trade association representing the agricultural seed industry in Hawaii. Now the state's largest agricultural commodity, the seed industry contributes to the economic health and diversity of the islands by providing high quality jobs in rural communities, keeping important agricultural lands in agricultural use, and serving as responsible stewards of Hawaii's natural resources.

We are deeply concerned about the cuts to the Enterprise Zone Partnership Program and loss of the EZ coordinator to implement the program. Although HCIA member companies do not participate in EZ tax credits and exemptions, we strongly believe that agriculture enterprise zones, and the extensions of the credits, supports and nurtures the growth of Hawaii's agriculture industry.

Hawaii's seed crop industry is experiencing exponential growth and serves as one of the few stable sectors for jobs in the state, according to a new economic study. Commissioned by the Hawaii Farm Bureau Federation, the report's conclusions are based on analysis of data from the U.S. Department of Agriculture's National Agriculture Statistics Service. In "Hawaii's Seed Crop Industry: Current and potential economic and fiscal contributions," the study's authors conclude that despite major financial setbacks felt by numerous businesses across the state, the value of seed companies has continued to steadily grow since the industry sprouted roots in Hawaii more than 40 years ago. Their value is reflected in their fiscal contributions to state coffers, the high-skilled jobs that they generate for Hawaii residents, and the scientific innovations that they are spearheading to produce more crops on less land here and abroad. While the agricultural biotechnology often sparks passionate discussions between individuals on both sides of the debate over its acceptance, agricultural experts and farmers assert that genetically enhanced seeds can reduce a farmer's production costs and, ultimately, yield more viable crops per acre.

We believe that Hawaii will be the gateway for the future of worldwide agriculture. The world has just begun to see the benefits of seed biotechnology, and as more products reach the marketplace, those benefits will grow.

With the EZ program in place, international biotech businesses will recognize even greater incentive to relocate to Hawaii and contribute to our economy – by keeping our ag lands in ag use, providing living wage jobs in rural communities, and generating tax revenue to support our services and programs.

Mahalo for the opportunity to provide testimony on the importance of the EZ program and its staff.

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director@hciaonline.com
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HAWAII RENEWABLE ENERGY ALLIANCE

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Warren S. Bollmeier II
WSB-Hawaii

Cully Judd
Inter Island Solar Supply

John Crouch
Sunpower Corporation

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY, AND THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, & MILITARY AFFAIRS

INFORMATIONAL BRIEFING

September 3, 2009

Chairs Fukunaga and McKelvey, Vice-Chairs Baker and Choy and members of the Committees, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is a nonprofit corporation in Hawaii, established in 1995 by a group of individuals and organizations concerned about the energy future of Hawaii. HREA's mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of HREA's goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

HREA's testimony is in regards to Part II of the informational briefing, i.e., the Department of Business, Economic Development and Tourism's role in the decision to lay off branch/program staff, and the department's plans regarding functions carried out by branch/program staff. HREA respectfully offers the following comments in: (i) opposition to the proposed lay-offs and (ii) support of the continuation of the Economic Development Zone program:

- (1) Demise of the Enterprise Zone Program? DBEDT's proposed lay-offs appear to be tantamount to termination of the Enterprise Zone Program. HREA believes this to be an unwise decision given the potential impact on existing businesses and new entities seeking to develop new businesses in enterprise zones;
- (2) Impact on reaching our State's Energy Goals. The enterprise zone benefits help support existing new wind projects, such as the Hawi 10.56 MW and Tawhiri 21 MW projects on the Big Island, which in turn support our state goals to: (i) reduce our dependence on imported energy, (ii) reduce greenhouse gas emissions, (iii) increase our energy security, and (iv) provide greatly needed economic stimulus to the state;
- (3) If anything, expand the Enterprise Zone Program. If the State is serious about reaching the 70% clean electricity goal by 2030, as envisioned in the Hawaii Clean Energy Initiative, the Enterprise Zone Program should be expanded to include all renewable technologies, not just wind. Thus, not only should the Program continue, but the State may need to hire new employees to assist project developers interested in the Enterprise Zone Program.

In short, HREA opposes the proposed lay-offs and supports continuation and expansion of the Enterprise Zone Program.

Thank you for this opportunity to testify.

