

Committee on Economic Development Technology
Committee on Economic Revitalization, Business & Military Affairs

Informational Briefing
Monday, September 21, 2009

TESTIFIERS

RESPONSE FROM DBEDT DIRECTOR (Continuation of 9/3/09 remarks)

1. Theodore E. Liu, Director – Department of Business, Economic Development & Tourism
2. Post-hearing question to DBEDT Director (September 9, 2009)

DEPARTMENTAL IMPACTS

A. BED 100: Small Business Regulatory Review Board

1. Small Business Regulatory Review Board
2. Charles Au, Managing Member of Erwin Cabrinha & Au, LLP and Vice-Chairperson of the Small Business Regulatory Review Board
3. Tim Lyons, President - Hawaii Business League
4. Sharon L. Pang, Owner of Care Companions & Consultants, Inc.

B. BED 105: Hawaii Film Office

1. Hawaii Council of County Film Commissioners
 - John Mason, Big Island Film Office, County of Hawaii
 - Walea Constantinau, Honolulu Film Office, City and County of Honolulu
 - Art Umezu, Kauai Film Commissioner, County of Kauai
 - Benita Brazier, Maui Film Office, County of Maui
2. Hawaii Film & Entertainment Board
3. Sue Larkin, Owner – Reel Services/Hawaii, Inc.
4. Marilyn Mick – Production and Location Management
5. Gerald Elmore, Independent Film Director – Shooters Film Production and Vice-President of FAVAH (Film and Video Association of Hawaii)
6. Dan Glickman, Chairman & CEO – Motion Picture Association of America, Inc.
7. Guy Belegaud, Construction Coordinator in the Film Industry
8. Jimmy Borges, Member - Screen Actor's Guild

C. BED 144: Office of Planning

1. Mr. Abbey Seth Mayer, Director – Office of Planning
2. Marine and Coastal Zone Advocacy Council (MACZAC)
3. Douglas S. Y. Tom, Employee – Office of Planning

DBEDT

Theodore E. Liu, Director

Subject: REQUEST for written responses to EDT-EBM questions

From: Theodore E Liu [mailto:TLiu@dbedt.hawaii.gov]

Sent: Friday, September 18, 2009 5:48 AM

To: Sen. Carol Fukunaga

Cc: Dawn Okuhama; Francis Choe; Tish Mercado; Rep. Angus McKelvey

Subject: Re: REQUEST for written responses to EDT-EBM questions

Dear Senator Fukunaga,

Thank you for postponing the subject hearing to Monday, September 21, 2009. I am still in Washington, DC for meetings with our federal partners on energy, commerce and defense. I will return to Hawaii over this weekend.

Allow me to answer your questions to the best of my abilities in remote status while away from the office:

1. As the intra-department placements are being completed this week and the jurisdiction-wide placements are only commencing, I believe it is not yet possible to provide accurate estimates of savings. I hope to have some general estimates by the hearing on Monday.
2. Alternative means in general have been identified based on departmental staffing information we have to-date. These alternative means may necessarily need to be adjusted based on the results of the jurisdiction-wide placements, which are just commencing. As stated at the September 3, 2009 hearing, my intention and expectation are that there will be no net impact on services to the public as the result of these RIFs. Any necessary adjustments will be notified to the users of the relevant services through the normal communications channels employed by the programs.
3. Necessary arrangements have been contemplated and planned, based on departmental staffing information to-date, and will be actually made when final departmental staffing is in place. Discussions have been held with sister agencies and inter-agency agreements will be executed as necessary. In most cases, such agreements are now premature.
4. Information will follow from BED 100, the program responsible for the CBED appropriation.
5. Discussions are on-going, to the extent necessary and appropriate, and will be finalized in the period prior to actual implementation of the RIFs and any related adjustments.
6. Discussions are on-going and initially have involved the BED 105 Administrator, the Film Branch Chief, departmental Administrative Services Office (ASO), Attorney General's Office, Department of Budget & Finance and other agencies relevant to structuring self-sufficiency alternatives that do not involve legislative changes. Discussions are also on-going with Governor's Policy Office about changes that will require legislative proposals. I have deferred to the Film Branch Chief's desire to be the sole interface with the off-shore film production industry for these discussions. The plan and intent is to have any interim self-sufficiency proposals implemented at the effective date of the RIFs and for any legislative proposals submitted for the 2010 Legislative Session.

I hope this answers you questions, to the extent that I can. RIFs are necessarily a process and we still have some time before their effective dates.

Thank you,



Theodore E. Liu

Director

Dept. of Business Economic Development & Tourism

Phone: 808-586-2355

Fax: 808-586-2377



The State Legislature

STATE CAPITOL
HONOLULU, HAWAII 96813

September 9, 2009

Mr. Ted Liu, Director
Department of Business, Economic
Development, and Tourism
P.O. Box 2359
Honolulu, HI 96804

Dear Mr. Liu:

Re: Informational Briefing: Impact of Anticipated Staff Reductions on Hawaii
Businesses and the Local Film Industry

At the September 3, 2009 joint EDT-EBM Informational Briefing, questions were raised regarding the anticipated layoffs in the Film Industry Branch, the Community Economic Development program, and the Enterprise Zone-Partnership program.

Please provide further information on the following:


1. What are the projected cost savings during the current biennium for each proposed position layoff in the Department; what are the overall projected savings for your department?
2. Have alternative means of providing services to the public been identified for all vacant positions; how will the public be notified or access this information?
3. How will the responsibilities of each vacant position be assigned to others in the Department or other agencies; will reassignments to other agencies require formal agreements, such as Memoranda of Understanding, etc., and what steps have been taken to pursue such alternatives?
4. Please give an accounting, as requested by EBM Vice-Chair, Representative Choy, of the \$50,000 per year allocation by the State Legislature from 2002-2006 to the Community-based Economic Development (CBED) special fund.
5. Please report on the status of your discussions with affected organizations, such as the Hawaii Film and Entertainment Board, the Community-Based Economic Development Advisory Council, and the counties Enterprise Zone personnel,


particularly with respect to functions that you propose to shift to county personnel and others.

6. Based on your comments regarding the need for greater self-sufficiency for programs such as the Hawaii Film Office, what proposals have you initiated to begin that process?

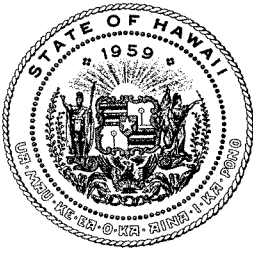
We would appreciate this information by **Monday, September 14, 2009**. If you have questions, or further information you believe would be helpful to the Committees, please do not hesitate to contact us.

Sincerely,


Senator Carol Fukunaga, Chair
Senate Committee on Economic
Development and Technology


Representative Angus L.K. McKelvey, Chair
House Committee on Economic Revitalization,
Business, and Military Affairs

BED 100:
Small Business Regulatory
Review Board



SMALL BUSINESS REGULATORY REVIEW BOARD

Department of Business, Economic Development & Tourism
No. 1 Capitol District Bldg., 250 South Hotel St. 4th Fl., Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Tel 808 586 2594
Fax 808 587 3388

AMENDED TESTIMONY

To: Chair Fukunaga, Vice Chair Baker, and Members of the Committee on Economic Development and Technology, and
Chair McKelvey and Vice Chair Choy, and Members of the Committee on Economic Revitalization, business & Military Affairs

Re: Informational Briefing

From: Small Business Regulatory Review Board

Date: September 21, 2009 at 1:30 a.m., Conference Room 325

Linda Lingle
Governor

Theodore E. Liu
Director, DBEDT

Members

Lynne Woods
Chairperson
Maui

Sharon L. Pang
Vice Chairperson
Oahu

Peter Yukimura
Kauai

Dorvin Leis
Maui

Bruce E. Bucky
Oahu

Charles Au
Oahu

Donald Dymond
Oahu

Richard Schnitzler
Hawaii

David S. De Luz, Jr.
Hawaii

The Small Business Regulatory Review Board (SBRRB) is deeply concerned with the potential impact of the reduction of DBEDT staff. This Board is governed by Chapter 201M, HRS, and the Governor's Administrative Directive 99-02; it was created to ensure that the voice of small businesses was incorporated in the development of administrative rules and legislation. Without sufficient staff, the Board's ability to carry out its mission would be detrimentally impacted, if not cease to exist, and the voice of small business would not be heard.

It would be important to note that because SB 387 "Relating to the State Budget" did not pass the 2009 legislative session, recommending housing our work in DCCA, the Board's efforts will be strangled should support staff be targeted for lay-off.

Do not fail to keep in mind that the business community employs large numbers of our population, pays huge amounts of the State's tax revenue, and continually and generously donates millions of dollars to our many social needs. This economic crisis has been very hard on our business community thereby severely impacted the states income. A vicious circle to be sure.

Our Board members are most appreciative of the support this Board has received

from many elected officials. However, the ramification of the overall reduction of DBEDT's few small business programs, including our program will result in virtually no direct support for small businesses in the State of Hawaii.

Thank you for the opportunity to testify.

Erwin Cabrinha & Au, LLP

Certified Public Accountants

September 21, 2009

Chair Fukunaga
Vice Chair Baker
Members of the Committee on
Economic Development and Technology

Re: Informational Briefing
September 21, 2009 at 1:30 p.m.
Conference Room 325

Dear Sir/Madam:

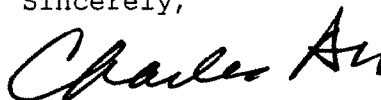
My name is Charles Au and I am the managing member of Erwin Cabrinha & Au, LLP, a locally owned CPA firm employing twenty-two people. I am also the Vice Chairperson of the Small Business Regulatory Review Board.

I am deeply concerned with the direct negative impact the proposed reduction of DBEDT staff would have on SBRRB's ability to carry out its mission. This Board was created to ensure that the voice of small business owners' was incorporated in the development of administrative rules and legislation pursuant to Chapter 201M, HRS, and the Governor's Administrative Directive 99-02.

SBRRB currently is comprised of ten small business owners from a variety of industries located throughout the islands. These board members are responsible for reviewing existing and proposed rules and legislation, soliciting comments from other small business owners and presenting this feedback to the respective government agency. The collection and dissemination of the numerous documents and reports can be overwhelming and currently handled by a part time staff. Eliminating that position would render the SBRRB incapable of carrying out its mission and cut-off an avenue for help available to the small business owner at a time when he or she desperately needs it.

I respectfully request that you reconsider the proposed cut and maintain the current funding for staff. Thank you for the opportunity to provide testimony.

Sincerely,



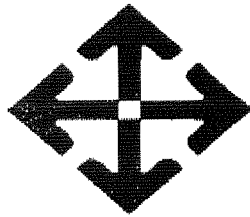
Charles K. H. Au
Managing Member for
Erwin Cabrinha & Au, LLP

598 Halekauwila Street
Fax 808 599-2505

Honolulu HI 96813

808 533-4244

Toll Free 888-533-4244



The Hawaii Business League

Century Square 1188 Bishop St., Ste 1003 Honolulu, HI 96813-3304
Phone: (808) 533-6819 ♦ Facsimile: (808) 533-2739

September 21, 2009

TESTIMONY TO: Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair

House Committee on Economic Revitalization, Business, and Military Affairs
Representative Angus L.K. McKelvy, Chair

PRESENTED BY: Tim Lyons, President
Hawaii Business League

SUBJECT: Department of Business, Economic Development & Tourism
Layoffs/Eliminations

Chair Fukunaga, Chair McKelvy and the Members of the Joint Committees:

I am Tim Lyons President of Hawaii Business League, a small business organization and we are here to express our dismay at layoffs at the Department of Business, Economic Development & Tourism (DBED & T), particularly that of the Small Business Advocate.

This legislature has been particularly sensitive to those programs and job positions that are being curtailed or reduced as a result of the poor economic status that we now find ourselves in. Elimination of the Small Business Advocate position and anything short of fully and completely transferring that position to DCCA, we believe is a huge injustice to the small business community.

Although there has been an economic slowdown which has drastically curtailed the activity of many small businesses, it is only recently that government has been feeling the pinch. As a result, rules and regulations have marched forward and, in fact, the agenda for the Small Business Regulatory Review Board tends to always be a few pages long because of the myriad of rules and regulations that they have to review. There is a delay factor here and we would expect that we will not see any kind of lessening of regulations for another year until the manpower shortage catches up and is fully implemented within the state. In the meantime, however, small businesses who are the least able to be able to wade through these regulations must depend on the coordinated efforts of the Small Business Regulatory Review Board in order to alert them. As a small business community they are not trying to get out of regulations, we only try to have sufficient advance notice of them and provide input in their formulation so that they do not become just another expense to deal with. Unfortunately, as with most regulations, there generally is no counterpart income initiative to balance those expenses.

Since the finances of the state are largely left with the administration, we are not sure what these Joint Committees can do however, we still wanted to take this opportunity to let you know that the Small Business Regulatory Review Board is important to us and perhaps even more so during this economic upheaval when small businesses do not have the time to keep their head above water, yet alone monitor the activities of government at the same time.

Based on that, we encourage you to take whatever actions you can in order in ensure that the Small Business Regulatory Review Board is continued even if that is under the Offices of the Department of Commerce and Consumer Affairs.

Thank you for the opportunity to testify.

MEMORANDUM

To: Chair Fukunaga, Vice Chair Baker, and Members of the Committee on Economic Development and Technology, and Chair McKelvey and Vice Chair Choy, and Members of the Committee on Economic Revitalization, business & Military Affairs

Re: Informational Briefing

From: Sharon L. Pang, Owner, Care Companions & Consultants, Inc.

Date: September 21, 2009 at 1:30 a.m., Conference Room 325

I am a small business owner and have been a board member of the Small Business Regulatory Review Board for the past five years.

This Board has been and continues to be extremely productive. The members have reviewed more than 400 rules since its inception over the past 10 years with recommendations made directly to the Governor, and has made tremendous ground with its outreach to the business community.

Overall, our members and our mandate create a tremendous amount of work with much needed attention to detail. All of the board members are active professionals within our community, yet volunteer their time to make a difference for small businesses. All of this could not be done without the business advocate/program manager of DBEDT to assist us with the volumes of paperwork that is generated with the concerns that are addressed and need to be responded to in a timely manner. We are concerned that this board could possibly silently fold due to the cut backs in the state budget. We were in the process of being transferred to DCCA where we could, perhaps, serve more efficiently. Our budget and staff position moved to DCCA but our board did not follow. We hope that we can find a "home" where the board and our budget can continue to be of service for small business in Hawaii. I am proud to be a member of such a diverse and hard-working board and I am proud of our accomplishments.

Thank you for the opportunity to testify.

BED 105:
Hawaii Film Office



**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 21, 2009 – 1:30 pm
State Capitol, Conference Room 325

RE: Informational Briefing

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

The Hawaii Council of County Film Commissioners respectfully stands on our previously submitted testimony in **strong opposition** regarding the proposal to eliminate Hawaii's centralized film office staffed with personnel with specific film industry knowledge at the state level.

Doing so would damage our ability to generate the kinds of significant tax revenues, hotel room night bookings and economic activity seen since the passage of Act 88, the basic refundable tax credit, and nullify years of industry development.

Thank you for the opportunity to provide these comments.

ATTACHMENTS: September 3, 2009 Informational Briefing 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.

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 Constantinau
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 Umezu
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 21, 2009 – 1:30 pm
State Capitol, Conference Room 325

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 stands on its previously submitted testimony in **strong opposition** to the administration's proposal to eliminate the centralized film office structure staffed with skilled specialists that currently exists to facilitate permits and the administration of Act 88,

The film industry is a proven revenue generator and a part of the solution to our economic challenges.

The last two calendar years 2007-2008 has generated nearly \$20 million in tax revenues, a 2000 percent return on the state's investment in the film program, and generated and bookings of over 61,000 hotel room nights, while generating almost \$500 million in economic activity.

BRENDA CHING
Chair

Attachments: Tax Revenues Generated, Economic Impact, 2007 – 2008 Economic Impact spreadsheets, Visitor Industry Infrastructure Support, Supply Chain

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*

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Hawaii Film Office*

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Teamsters, Local 996*

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

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

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

*Art Umezu
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

Tax Revenues Generated

Year	Direct Spend	Tax Revenues Generated
2007	\$229 million	\$ 11.3 million
2008	\$146 million	<u>\$ 8.06 million</u>

\$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

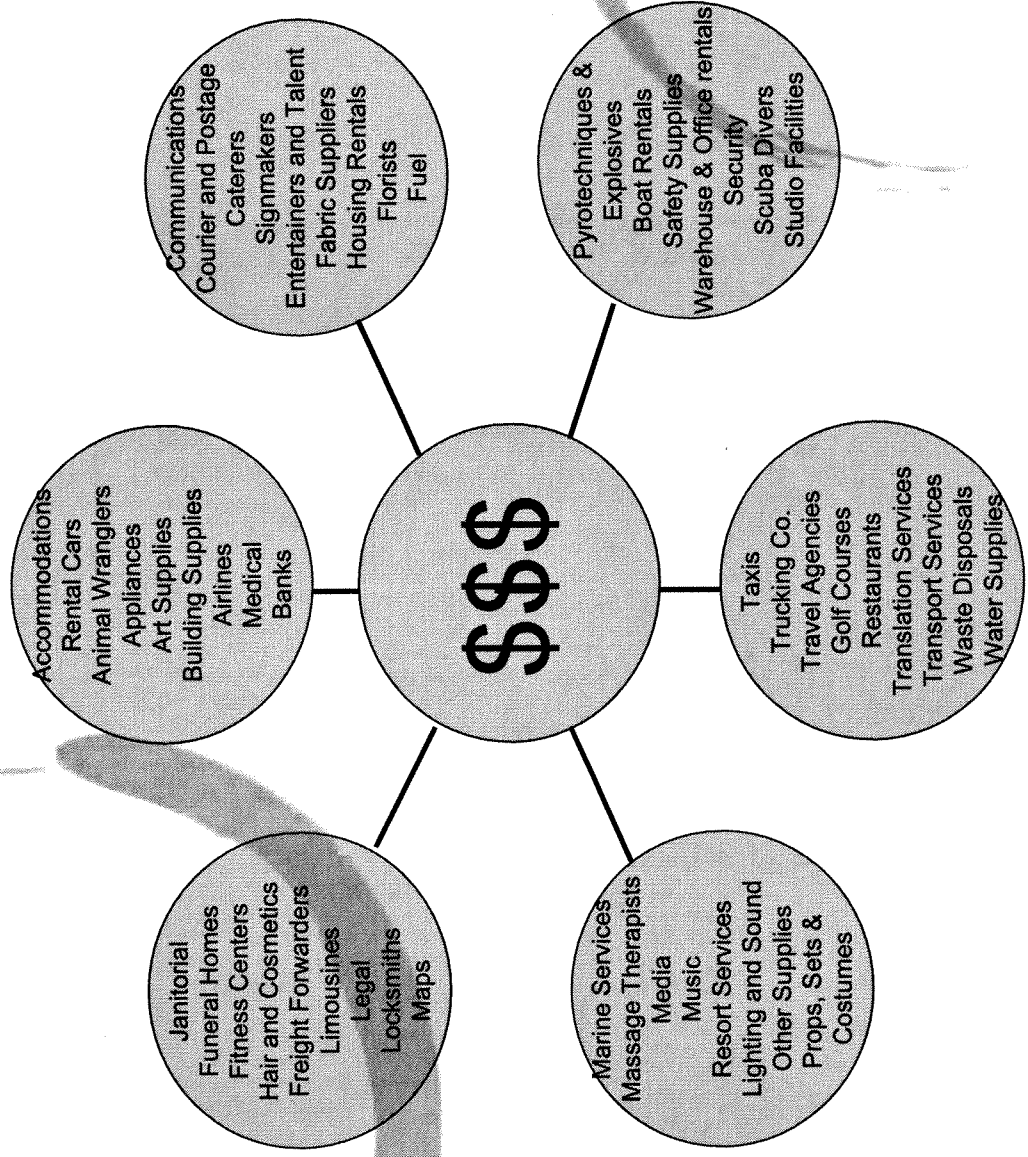
- High School Reunion

- Extreme Makeover

- 166 international commercial, tv and documentary productions

The Supply Chain

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



From: Sue Larkin [suereel@pobox.com]
Sent: Thursday, September 17, 2009 3:54 PM
To: EBMtestimony; Sen. Carol Fukunaga; Rep. Angus McKelvey
Subject: Testimony against the reduction/elimination of the Hawaii Film Office

Attn: Chairs Fukunaga and McElvey

I have a proposition. I propose that beginning Tue. Sept. 22, 2009 and lasting one month, all requests that are normally handled by the film office should be handled by Mr. Ted Liu and DBEDT personnel of his choice. This 'trial period' should replicate what will happen beginning Nov. 16. If Mr. Liu has no access to HFO personnel after Nov. 13, then he should have no access to them during this one month trial.

Trust me, Mr. Liu will quickly learn that eliminating the film office is a short sighted and ill conceived decision. At the end of the one month trial the film office employees will need to work overtime to do damage control with prospective productions and to clean up the mess created in the wake of people doing a job they're not qualified to do because of it's highly specialized nature. The overtime will more than justify the film office employees salaries during that trial period.

The one month trial period would severely cripple our local industry but it might also give Mr. Liu and others some valuable insight into the damage he will cause the State of Hawaii **prior** to such valuable film office employees being laid off. Please let Mr. Liu walk the talk.

Mahalo,

Sue Larkin

Owner
Reel Services/Hawaii, Inc.
941-2278
reelserviceshawaii.com

From: Marilyn Mick [marilynmick@pobox.com]
Sent: Friday, September 18, 2009 8:36 AM
To: EBMtestimony
Cc: Sen. Carol Fukunaga; Rep. Angus McKelvey
Subject: Testimony on behalf of the Hawaii Film Office
Attachments: testimony.pdf; ATT00001.htm

Re: COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY & COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, & MILITARY AFFAIRS HEARING

DATE: Monday, September 21, 2009

TIME: 1:30 p.m.

PLACE: Conference Room 325

State Capitol

415 South Beretania Street

Thank you for the opportunity to provide testimony on behalf of the Hawaii Film Office. Please see my testimony attached as a pdf file as well as in the body of this email.

Mahalo, Marilyn Mick

Marilyn Mick
Production and Location Management
PO Box 15158
Honolulu, HI 96830
808.479.7764
815.301.8666 Fax
www.marilynshawaii.com

Aloha,

I have lived and worked in the film industry here in Hawaii for almost 25 years. In that time I have worked on many different types of productions from commercials, big budget and independent movies, television, videos, corporate and print. I have worked with the Hawaii Film Office and the county film offices very closely and can honestly say that I could not do my job without them.

Each county film office in Hawaii has their own agencies to interface with and there is no way that they, being one person operations, can take on the responsibilities of all of the many state agencies. The permit specialists at the Hawaii Film Office have an understanding of both the needs of our industry as well as the need to balance public and private usage of state land. They assist all of us location managers and producers through the maze of regulations and bureaucracy to obtain the film permits which allow a production to stay on schedule and spread the word that filming in Hawaii can be done. This cannot be done by other folks within DBEd&T, who do not have years of experience and understanding of our industry. It is a very specialized department and I feel that Mr. Liu is very misguided if he continues to say otherwise.

I am presently working on a movie for Lifetime which will begin shooting later this month so am as we speak working closely with folks from the mainland. We are already hearing the word going around LA that Hawaii may soon be unfriendly for filming. We do not need this kind of publicity making the rounds of the film industry, particularly when we have a weak economy as it is.

We need the Hawaii Film Office and want to be able to tell our clients that Hawaii is still open for the business of filming.

Thank you for your time.

Aloha, Marilyn Mick, Production and Location Manager

From: Gerard Elmore [gerard.elmore@gmail.com]
Sent: Thursday, September 17, 2009 10:33 PM
To: EBMtestimony; Sen. Carol Fukunaga; Rep. Angus McKelvey
Subject: TESTIMONY RE: The Layoffs that affect the Hawaii Film Office for hearing. September 21st

Aloha Representatives and Senators,

I work for a local film production company called Shooters Film Production, as a commercial and independent film director. I'm also the Vice President of FAVAH (Film and Video association of Hawaii). I'm writing to implore your help on the topic of the abolishment of the Hawaii Film Office.

It seems like every year the film industry visits the state capitol for one issue or another. Last year it was ACT 221 and before that, we tangoed with ACT 88 tax incentives, which, I think it's safe to assume, have worked quite effectively. Now, it's the Film Office. It's almost as if government is chopping and hacking the limbs that make up the body of the local film industry year after year. The Film Office is the main point of contact and the head of the industry.

A decapitated body doesn't live very long.

I know you have already heard an enormous amount of accomplishments that the Film Office has achieved over the years. Not only for our industry but also for our local economy. While it can be argued that the permitting process can be taken over by other entities that already exist in government, I haven't heard a plausible solution to make it happen effectively. Furthermore, the Film Office has had a big hand in attracting big productions to Hawaii. Who will take that role over? Do they have the same contacts or resources? I know from the personal experience of making my feature length movie that marketing is an important key to driving business to your product. Who will be driving business to Hawaii?

Without a team of specialists dedicated to soliciting work from Hollywood and elsewhere, the money flowing into our economy from the film sector will eventually slow down and disappear.

Are we being dramatic?

You take away our crew, our license to film, and our jobs, we get a wee bit angry.

It seems the decision to shut down the Film Office was poorly researched and to date, Ted Liu has not offered a descent explanation for this decision. This is NOT a COST-SAVING measure. This is a BONE HEAD MONEY-LOSING measure. It's as if someone hired a blind drunk overworked monkey to throw darts at a "layoff board" and one of the darts hit the "FILM OFFICE" section. I'm no congressman, representative, or even the brightest guy in Hawaii but when confronted with decisions of this magnitude, aren't there conversations that occur with people you think could take over the roles you propose to cut or an cost analysis, not even a detailed report, but an analysis of how much money you will actually save? I guarantee, if that were to happen with an outside party, they would prove that this action would cause A LOSS and not a SAVINGS to government. We are consistently ranked horribly for places to do business and I personally think that the partial reason is because of BONE HEADED un-researched, short-sighted moves like these.

It's like opening a restaurant for high-end customers that promises the best customer service, product and atmosphere and when the first customer gets there, opens the menu, it says, "Get it your self". There's no staff

to take his or her order and they leave. No one else comes. Why? Not just because the service stinks but also because there is no staff to hand out fliers, prepare advertisements in papers or magazines to promote the business. The result is that the establishment fails and closes.

The situation with the Film Office is exactly the same. It's not just jobs, it's a business. If you lose the staff that have maintained and kept the business going, the business will eventually die.

Let's find a solution. While I understand tough decisions have to be made, tough decisions don't equal bad decisions. In a time where every dollar, job, and person matters, we need to make smart decisions and not dumb ones.

With much aloha,

Gerard Elmore

From: Vans_Stevenson@mpaa.org
Sent: Wednesday, September 16, 2009 10:43 AM
To: EBMtestimony; Tish Mercado
Cc: Hawaiilobbyist@aol.com; Melissa_Patack@mpaa.org
Subject: LETTER IN SUPPORT OF RETAINING HAWAII FILM OFFICE
Attachments: Glickman 082409 ltr to Hanabusa.pdf; Glickman 082409 ltr to Lingle.pdf; Glickman 082409 ltr to Say.pdf

See attached as requested.



**MOTION PICTURE ASSOCIATION
OF AMERICA, INC.
1600 EYE STREET, NORTHWEST
WASHINGTON, D.C. 20006
(202) 298-1966
FAX: (202) 452-9823**

**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.

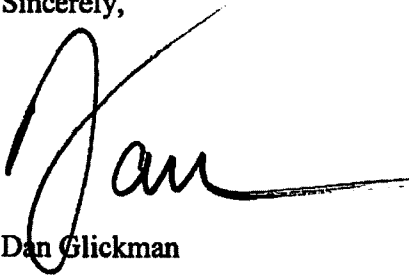
Feature films such as *The Informant*, *Indiana Jones and the Crystal Skull*, *Pirates of the Caribbean: at World's End* were all filmed on location in Hawaii in recent years. Undoubtedly, these films and television productions like *Lost* would be much more difficult without the Film Office's significant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

^{*} ¹ 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.

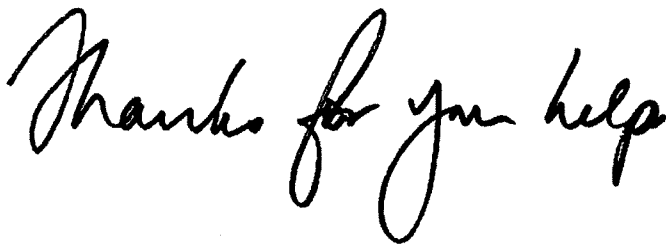
contacts in state government as well as those in the Hawaii business, labor and local communities. In addition to the many direct economic benefits, it is estimated that film and television production activity that the Film Office employs thousands of people and wages paid by the film and television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

A handwritten note in black ink that reads "Thanks for your help" in a cursive script.



**MOTION PICTURE ASSOCIATION
OF AMERICA, INC.
1600 EYE STREET, NORTHWEST
WASHINGTON, D.C. 20006
(202) 298-1966
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.

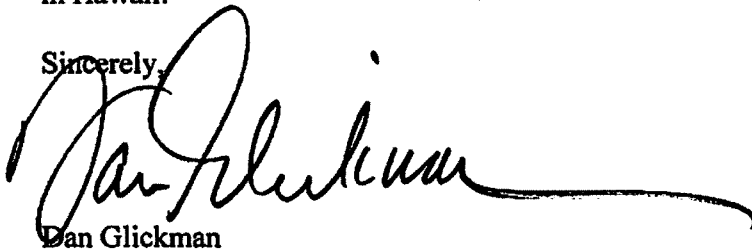
Feature films such as *The Informant*, *Indiana Jones and the Crystal Skull*, *Pirates of the Caribbean: at World's End* were all filmed on location in Hawaii in recent years. Undoubtedly, these films and television productions like *Lost* would be much more difficult without the Film Office's significant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

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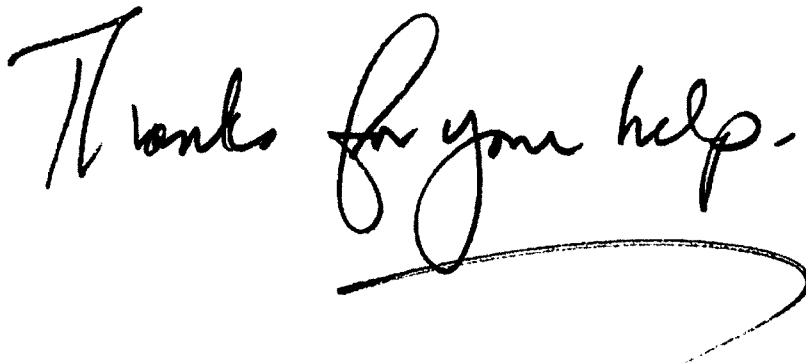
provides a great service in linking our members' production companies with appropriate contacts in state government as well as those in the Hawaii business, labor and local communities. In addition to the many direct economic benefits, it is estimated that film and television production activity that 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.



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**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.

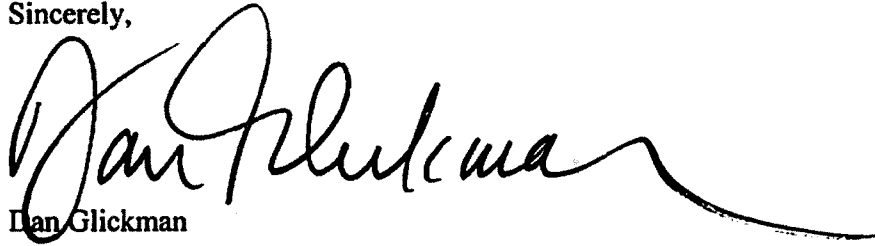
Feature films such as The Informant, Indiana Jones and the Crystal Skull, Pirates of the Caribbean: at World's End were all filmed on location in Hawaii in recent years. Undoubtedly, these films and television productions like Lost would be much more difficult without the Film Office's significant assistance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

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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 that reads "Dan Glickman". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Dan Glickman

Thank for your help

Guy Belegaud
801 S.King street #4010
HONOLULU HI 96813

Honolulu, Friday September 18th,

DATE: Monday, September 21, 2009
TIME: 1:30 p.m.
PLACE: Conference Room 325
State Capitol
415 South Beretania Street

Ref: STRONGLY OPPOSE TO LAY OFF OF FILM OFFICE

To Senator Carol Fukunaga, Chair,
To Rep. Angus L.K. McKelvey, Chair,
And members of the Committees, aloha,

As a construction coordinator in the Film Industry I am shock that the Director of the Department of Business Economic Development and Tourism Ted Liu, is deciding to lay off the Film Commissioner Donne Dawson and her entire staff.

By transferring the power to another depleted Agency, Mr. Liu would just put a band-aid on an infected wound that would never heal.

For years, the State Film Commissioner established serious relationship with Films Producers and majors studios. Those producers already have knowledge of how difficult it is to film in Hawaii, the state motto in the mainland has become "the Business Unfriendly State" (According to a NBC report Hawaii' State stands at the 49th place in the country just before Alaska for being business friendly) because of the strict regulations all around the island, so it is even harder and not even imaginable for this industry to adventure here and see someone struggling to give a film permit or a complex tax credit answer.

It is a fast moving industry; quick decisions have to be made all the time in a matter of minutes. There is rarely a second chance, and word of mouth travels fast across the ocean.

While someone is searching for an answer, the producer already made another phone call somewhere else. Beach and coconut trees can be shot anywhere else such as Florida or Caribbean Islands.

I've worked with the Film Office staff on many occasions, and their efficiency always helped us to fulfill the requests made by clients coming either from Japan or the mainland and not familiar with our rules.

Ted Liu has already his name attached to the Kaka'ako debacle, the Superferry fiasco, and the ongoing 3 millions Aloha Tower failure with a \$436/day fine, some dubious contract awarded to H2 Energy LLC, let's not have his name staining another economic disaster by laying off an entire agency for personal gratification. Let's keep the Film Office open so that thousand of people can keep their job in an industry that bring income to our economy. The state of Hawaii with an Unemployment Trust Fund already running dry, let's not increase our deficit for personal and political vendetta.

The more filming happening here, the more money is coming in our state coffer, or if Mr. Liu doesn't understand this concept, the less people working in the film industry, bigger becomes the deficit.

Mahalo for your time
Guy Belegaud

From: Jimmy Borges [jborges@hawaii.rr.com]
Sent: Friday, September 18, 2009 3:46 PM
To: EBMtestimony
Subject: Jimmy Borges testimony for keeping our present Hawaii State Film Office and it's knowledgeable employees....

DEAR SENATOR CAROL FUKUNAGA, CHAIR AND REP. ANGUS L.K. McKELVEY:

When a business you own brings in almost \$150,000,000 and it costs about one-percent of that to run it, you give bonuses, not pink slips. I would think it's a no-brainer.

My Name is Jimmy Borges. As far as my credentials go, I'm a member of Screen Actor's Guild since 1972. I still get residuals from my work and I get a very nice pension from S.A.G. for my vested time as an actor. With that in mind, let me try to explain what's wrong with having an assigned pencil-pusher handle the tedious yet precise and delicate work of The Hawaii Film Office.

Producers and Directors are "dreamers" first, businessmen second! No matter how big or small the project, there's an underlying belief that what they're filming is a possible award-winner or at least a mini-gem!

When they contact a location office for help, they not only want all the paperwork and footwork done as expeditiously as possible, they expect an understanding about their product and WHY they are doing it. Our current office understands how to handle those types of egos. An assigned clerical pencil-pusher WOULDN'T HAVE A CLUE! That is where the major difference will be when deciding to film in Hawaii or Mexico or Jamaica. I know this first hand from my Producer friends, Glen Larson ("Magnum P.I.") and the late Lenny Freeman ("Hawaii Five-0").

If you allow this to happen, you will alienate the entire major Film Industry. The message this will send is that Hawaii is not willing to accommodate their business (and their dreams!) with the common respect offered them everywhere else!

PLEASE DON'T LET THIS HAPPEN....

**With High Expectations,
Sincerely,
Jimmy Borges
1561 Kanunu St. Suite 505
Honolulu, Hawaii 96814-3207**

BED 144:
Office of Planning

Statement of
ABBEY SETH MAYER
Director, Office of Planning
Department of Business, Economic Development, and Tourism

before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
AND HOUSE COMMITTEE ON ECONOMIC REVITALIZATION,
BUSINESS, AND MILITARY AFFAIRS**
Monday, September 21, 2009
1:30 PM
State Capitol, Conference Room 325

INFORMATIONAL BRIEFING ON THE DEPARTMENT OF BUSINESS, ECONOMIC
DEVELOPMENT AND TOURISM, PART II.

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

The State Office of Planning (OP) is, like the Administration, extremely disappointed that the Governor's Furlough Plan has not been implemented and that as an alternative the State must pursue Reductions in Force (RIF). A vast majority of OP employees have echoed this deep disappointment.

OP understands, however, that as long as the State continues operations without significantly reducing expenses, our budgetary shortfall increases, as does our risk of being unable to meet our basic obligations without taking on increasing debt load. In this broader sense, however significant the impacts this round of reductions would be to OP, this ultimately pales in comparison to the greater issues now facing all of State Government.

Under the RIF proposal, the State Office of Planning (OP) will lose seven (7) positions from a total of seventeen (17) General-funded positions, and twenty-seven (27) positions total (a RIF of 41% of General-funded positions). This is proportional to RIFs throughout the rest of DBEDT.

These reductions, while extremely painful to identify, were made with deep regard for the future of OP and how we will best continue to function in light of such great losses.

OP is deeply committed to search for increased efficiencies and opportunities for collaboration with other programs, in an effort to re-create itself as a viable, effective and relevant organization, fully able to carry out its statutory duties. However, there will undoubtedly be loss in its capacity to produce results, especially in the short-term. The following is an attempt to describe and disclose this potential loss of capacity and to specify areas of impact of the looming RIFs:

Four (4) of the seven (7) positions to be reduced are professional planners including the Program Manager of the Coastal Zone Management Program and three (3) positions are administrative support staff.

The Land Use Division will lose three (3) of five (5) positions, two (2) Planner V positions and a Secretary II. The remaining Division will consist of the administrator and one (1) Planner VI position. The Land Use Division represents the State's position on all matters before the State Land Use Commission under Chapter 205, HRS, State Land Use Law. The Planner positions review petitions for land use district boundary amendments; prepare position papers and other filings before the Land Use Commission and coordinate with other state agencies to assure that the State's interest is represented. The Secretary II position is essential to monitor the submittal, tracking and filing of OP positions, testimonies and legal documents, and those served upon OP by other Parties, for all State Land Use Commission proceedings. We may be unable to maintain current operations, particularly on controversial dockets such as the recent Hoopili petition.

Current high profile and controversial projects before the State Land Use Commission include Hawaiian Memorial Park expansion in Kaneohe, the D.R. Horton – Schuler Homes, LLC (Hoopili) and Castle and Cooke Homes Hawaii, Inc. (Koa Ridge) housing projects on Oahu, the Waimanalo Gulch Sanitary Landfill in Ewa and the Bridge Aina Lea, LLC resort and housing project in Kona. OP is also finalizing its own petition to reclassify a large portion of the Ka Iwi Shoreline from the Urban to the Conservation District in East Oahu.

The Office of Planning administers the Coastal Zone Management Program under Chapter 205A, HRS. The loss of the Coastal Zone Management (CZM) Program Manager position may adversely affect the operations of the CZM Program and could potentially result in reduced Federal funding. The CZM Program receives \$2 million in Federal funds which must be matched by State funds. The manager position provides part of the State match for these Federal funds and Federal funds may be reduced if this match is lost. The CZM Program prepared and implements the Ocean Resources Management Plan, particularly through community-based projects. The CZM Program conducts overall Special Management Area Permit administration; Federal Consistency reviews; and is involved with issues related to coastal hazards, coastal nonpoint pollution control, public involvement and outreach and other critical coastal issues.

Planning and policy analysis services also face cuts. The Special Plans Branch will be reduced to one person, its Program Manager. OP conducts planning and policy analysis on important issues such as important agricultural lands; prepares legislation to improve the planning and land use management system and provides testimony on planning issues during the legislative session; and implements Chapter 225M, HRS, State Planning and Chapter 226, HRS, the Hawaii State Plan. The Special Plans Program also currently manages five federal economic planning grants from the U.S. Department of Commerce, Economic Development

Administration (approximately \$625,000 total) and the Brownfields Cleanup Revolving Loan Fund grant (approximately \$2.0 million dollars) from the U.S. Environmental Protection Administration. These services may have to be reduced or curtailed with the cuts in staffing.

The Special Plans Branch coordinates the Statewide Comprehensive Economic Development Strategy Update every five years which is a pre-requisite for government and non-profit organizations to qualify for federal Economic Development construction grants. Loss of the planner position may jeopardize the completion of the CEDS Update and Hawaii's eligibility for EDA construction funds for economic development projects.

Loss of these positions will also impact the Office of Planning's capacity to apply for new federal funds. There will be fewer general fund dollars to provide the required local match and less capacity to manage additional grants.

OP will lose significant support staff through the RIF. The secretary, clerk steno and account clerk positions will be cut. In addition, the OP Director's secretary was cut during the last budget cycle. The provision of basic office services will be adversely impacted affecting staff and office productivity. With the loss of the account clerk position, the office will lack fiscal management, fiscal record keeping and controls – duties management will have to assume directly.

Historically, long before this budgetary crisis, OP suffered the loss of professional staff required to produce quality research, analysis and recommendations. OP currently has 27 positions, (10 of which are federally-funded) and a general fund budget of \$1.557 million. In FY76-77, during Governor Ariyoshi's term, the budget category comparable to OP's had 48 positions and a general fund budget of \$1.351 million. Meanwhile, population and development pressures and impacts have increased tremendously since 1977. Issues such as important

agricultural lands, traffic congestion, loss of open space and natural resources, renewable energy, climate change and economic conditions have both the public and policy makers' attention. All of these issues are impacted by land use policies and decisions, which once rendered effect permanent changes to our state's landscape and resources. Any further cuts in staff and budget will cripple our ability to advise and represent the State on these critical issues.

Hawaii is an island state with precious land and natural resources. Although we face difficult budgetary times, we must come together to ensure that those functions which will help balance economic development with the need to retain the land, natural and cultural resources which make Hawaii special are not lost. The Office of Planning provides planning and policy analysis, represents the State before the State Land Use Commission and administers the Coastal Zone Management Program in order to balance economic development, the environment and societal needs. These reductions will severely restrict the ability of the Office of Planning to provide planning services and contribute to the quality of life in the communities in our state.

Lastly, I most emphatically state that I offer this testimony without blame. The budgetary and economic crisis facing our state is extremely real and must be responded to with real action. I understand that if reductions were not taken from OP, they would have to be taken elsewhere, to the severe detriment of other programs, whose managers would advocate as passionately for their programs as I now am for mine. I offer this testimony only in an effort to make the Legislature and the public aware of the effects of the looming reductions on our Office and our future challenges in carrying out its core mission.

Thank you for the opportunity to comment.



Marine and Coastal Zone Advocacy Council

Ke Kahu O Na Kumu Wai

MACZAC Members:

Maui

Donna L. Brown (chair)
James E. Coon (vice-chair)
Henry T.S. Lau

Lanai

Robin Kaye

Molokai

Walter Ritte

Oahu

Susan A. Sakai
Donna Wong

Hawaii Island

Kanoa Withington
Mike Gleason

Kauai

Rhoda Makanani Libre
Makaala Kaaumoana

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

Re: Informational Briefing Regarding the Department of Business, Economic
Development and Tourism's Proposed Layoff Plan (September 21, 2009)

This testimony is presented by the Marine and Coastal Zone Advocacy Council (MACZAC). Established by state statute HRS § 205A-3.5, our group of 11 volunteers representing six islands, serves in an advisory capacity to the Hawaii Coastal Zone Management (CZM) Program in the Office of Planning, Department of Business, Economic Development and Tourism (DBEDT).

Under the proposed layoffs, the CZM Program would lose its Program Manager as well as several other key staff who will be "bumped." Our understanding of this "bumping" process is that staff with experience/expertise in specific areas could potentially be replaced with staff (including individuals from other departments) lacking the experience/expertise required for the position. We are particularly concerned about the possible repercussions resulting from the elimination of the CZM Program Manager position. We are further concerned that the impact of the proposed layoffs would go beyond the loss of positions and services that the people in those positions render. CZM staff collaborates extensively with partners, including numerous state agencies also affected by the layoffs. Hence, the Office of Planning would experience the cumulative effects of layoffs within the CZM Program combined with cuts in the Departments of Land and Natural Resources, Health, Agriculture, Civil Defense, and Transportation, as well as the University of Hawaii, Office of Hawaiian Affairs, and Hawaii Community Development Authority. Moreover, the recent progress which the CZM Program has made with regard to interagency collaboration and government-community partnerships may be jeopardized as positions are eliminated and staff are bumped.

In addition, cuts in state CZM funding could lead to a loss of federal CZM funding from NOAA, which requires the commitment of state matching funds.



Marine and Coastal Zone Advocacy Council *Ke Kahu O Na Kumu Wai*

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Most disturbing to us is that the Office of Planning would lose its capacity to continue work on critical initiatives such as the Ocean Resources Management Plan (ORMP), climate change, coastal hazards, and the Coastal Nonpoint Pollution Control Program, among others. These collaborative programs enable the state to proactively manage and protect its coastal and marine resources. Without the facilitative “glue” provided by the Office of Planning, the programs will either fall by the wayside or operate at a low, ineffective level. The impact on Hawaii’s economy, environment, and citizens will be significant, and some adverse impacts may prove to be irreversible.

In closing, may we leave a final thought with you. We are all volunteers. We are not Office of Planning employees. You can’t furlough MACZAC. You can’t lay us off. We will continue to advocate for our respective communities on coastal and marine issues and to support the CZM Program. We will continue to help implement the Ocean Resources Management Plan (ORMP) that our group was instrumental in developing. In turn, however, we depend upon the CZM staff to support us in our advisory and outreach efforts. It’s a statewide volunteer-staff partnership with an amazing multiplier effect. The layoffs will diminish the effectiveness of both staff and volunteers. We hope that we’re not the ones expected to turn off the lights.

Douglas S.Y. Tom
777 Paani Street, #505
Honolulu, Hawaii 96826

Briefing Regarding the Department of Business, Economic Development and Tourism's Layoff
Plan

Thursday, September 3, 2009

Chair Fukunaga, Chair McKelvey, Vice-Chair Baker, Vice-Chair Choy, and members of the Senate Committee on Economic Development and Technology and House Committee on Economic Vitalization, Business, and Military Affairs, thank you for allowing me to provide comments about the Department of Business, Economic Development and Tourism's (DBEDT) reduction-in-force (RIF) plan.

My name is Douglas Tom. I am employed in the Office of Planning, which is administratively attached to DBEDT. My comments, however, are personal and not intended to represent the view of the office in which I work. Nonetheless, they reflect the concerns and sentiments of the people in the office affected by the RIF.

DBEDT's plan to carry out the administration's RIF within the Office of Planning will cause substantial adverse impacts to public service, far outweighing any budget reducing effect. Its number crunching approach is devoid of fundamental public service purposes, needs, and goals; meaningful and equitable criteria for identifying employee positions for termination; and effective communication with affected employees. The combination of coerced retirement, unsubstantiated removal of positions and productive work, and the infusion of new people with uncertain dedication and skills will heavily task programs in their efforts to carry out statutory requirements and meaningful initiatives.

The various projects and initiatives of the Coastal Zone Management (CZM) Program in the Office of Planning that involve collaboration with communities statewide will be stymied, and this will be a major reversal in government-community relations. This is because collaboration is people oriented and continuous, and not something that can be effective and efficient with the mere shuffling of people. Interpersonal trust and respect are the foundation upon which effective government-community partnerships are predicated, and these critical factors are earned, not inherited. The loss of dedicated and capable people trusted by communities from the musical chair strategy is not in the best interest of public service. It does not equate to doing more with less.

DBEDT's closed door approach to the RIF provides an easy opportunity for personal and capricious targeting of individuals. In the Office of Planning, there are five management positions below the director level. The only one proposed for abolishment is the CZM program manager position, one of only two directly responsible for carrying out state law. It is also a position of importance because it is directly connected to a federally-funded program that infuses more than \$2,000,000 of federal funds into the state each year to carry out a program based on state law. While this amount may not be large from a statewide perspective, it is for the Office

of Planning budget. It is also important to note that a substantial amount of the costs for the affected general fund positions in OP is used to help satisfy the state match requirement for the federal grant. Hence, the wisdom of this action is questionable.

Annual special award grant conditions as well as other federal documents specifically refer to the program manager. This clearly shows the importance the federal administering agency places on the position. Elimination of the CZM program manager position will weaken the program and threaten the state's federal approval status because it is a negative alteration of the approved program organizational structure. A September 1, 2009 letter from the National Oceanic and Atmospheric Administration to the DBEDT director expressed disapproval of the elimination action and concern about the capability of the people that would replace the existing program staff by way of the bumping process. In addition, the CZM program manager oversees nine professional staff, more than any other manager in the Office of Planning. Moreover, given CZM's extensive contextual reach, its management is more than a full-time effort. It also includes liaison services with national, state, and local governments, insular U.S. jurisdictions, private organizations, and community groups. This is why the organizational structure is important. These responsibilities cannot be simply absorbed by others in the organization. Clearly, DBEDT's decision to abolish the position will have a tremendously adverse impact on the work of the CZM Program, which translates to a threat to the inflow of federal program grant monies at a time when they are most needed, reduction in public service, and less care for the state's coastal and natural resources.

RIF communications thus far reveal major changes to be made in programs as knowledgeable and productive employees are being displaced by senior employees from other programs. The action threatens to weaken the CZM program at a time when its strength is needed more than ever before given the state of the economy and the need to assure economic activities are designed and carried out in a manner that respects the environmental and cultural values important to the insular lifestyle. It should be pointed out that a major CZM purpose is the preservation and protection of quality beaches and clean coastal waters, the very foundation of the state's tourism industry and which are critically important to the residents. The RIF essentially dismisses the importance of this CZM relationship with the state's economic and environmental well-being.

The RIF will severely impact both the CZM Program and the Land Use Division, the two major statutory programs of the Office of Planning. It will reduce the number of employees in the CZM Program as well as alter its professional employee complexion. Proven dedicated and productive employees will be displaced, and because of this, the quality and quantity of work will suffer. Only time will determine whether the new people will be able to help the program return to a productive state. The Land Use Division will be reduced to two people, a manager and a planner, a work force inadequate to carry out the work load. With twenty-two active petitions for amending land use boundaries, how will the critical legal deadlines be met? What level of quality can be expected?

Land use planning is the process for determining particular uses of land resources, and it involves locating people, public services, and facilities. It also deals with relationships among governments in addressing population increases and distribution, the economy, social values,

technology, physical resources, and the environment. In essence, it is a complex task that deals with opportunities and issues that impact upon the future in many ways.

As the population continues to increase, the pressures for urbanization also increase, and the competition for the limited natural and cultural resources intensifies. Because these trends will undoubtedly continue, the importance of and need for these programs are more pronounced than ever before.

CZM is about balancing the needs of economic development and conservation of resources in a sustainable manner. It reflects the view of the ecosystem as an integrated whole in which nothing is mutually exclusive or independent. CZM is in the forefront of initiatives that are critically important. The Ocean Resources Management Plan (ORMP) is its flagship, which makes sense because the ocean is Hawaii's heritage, and it ought to be its future. For generations, people of Hawaii have depended on ocean resources for subsistence, and some continue to do so today. The ocean is where we seek cultural enhancement, inspiration, and recreation. It is also where we harvest valuable resources and carry out numerous economic activities. Quality beaches and clean coastal waters remain the foundation or major attractions for tourism. Protecting and preserving them are important CZM functions which, unfortunately, are not immediately recognizable because the planning and management actions are not physical and clearly visible. Nonetheless, program support statewide continues to expand as more communities learn more about CZM and the ORMP. They express hope that the ORMP will be transformed into a prescriptive, living document that offers a sense of purpose, place, and direction for guiding statewide resource planning and management based on government-community partnerships. They see this as a needed change to a government system dealing with natural and cultural resources which they characterize as totally dysfunctional.

CZM is also in the forefront of planning adaptation measures for climate change, a subject that needs to be taken seriously because its implications for islands are life altering. Although it is important to understand how climate change will affect our future, it is more vital to decide how the impacts should be addressed so that we may shape our own future. The science is clear, climate change is occurring, and we will have to face the effects. How severe and long-lasting the effects will be is up to us. How will these changes impact our island life? What effects will they have on the marine life and their migratory patterns? How and to what extent will commercial, recreational, and subsistence fishing be affected? How will the health and productivity of the coral reefs change? What will happen to the beaches and nearshore water quality that sustain our tourist industry? To what extent will sea level rise occur? How can we avoid harm to life and property? Will the tsunamis, hurricanes, and storms we experience be more intense? What will the impacts be to our potable water sources? What effects will there be on agricultural crop and livestock production? What are the human health concerns? There are many, many questions that need to be addressed. CZM is at the forefront in addressing these questions and concerns, and it makes sense. I say this because CZM is about balancing the needs of economic development with conservation of resources, and it reflects the view of the ecosystem as an integrated whole in which nothing is mutually exclusive or independent. Moreover, CZM aligns with the island perspective and the principles of balance, sustainability, and interrelationships. The effect of the RIF will result in an undoing of these important

initiatives. Who will then take on this important public service responsibility with the practical demise of the CZM program, and how?

Given the significance of the adverse effects, it is obvious that DBEDT's RIF does not serve a meaningful public purpose. The loss of qualified and dedicated people and the infusion of new and untested people will result in lower public service and perhaps less qualitative interaction with interested public members. The various initiatives that have appealed to communities statewide may be stymied or discontinued with the removal of the dedicated personnel ingredients. More importantly, the strategy also lacks an acceptable context.

To guide government action, the seminal question is what kind of Hawaii is desired twenty years from now? Fifty years? A hundred years? Obviously, there are desires for a strong economy, a clean environment, enhanced culture, and better education, among a host of other interests. The combinations can number in the thousands. The task is to develop and select the scenario that best describes the preferred future so a road map can be prepared. Otherwise, planning and management will be futile, and personnel and budget decisions will be arbitrary at best. With a scenario, there is a rational context to determine appropriate government programs and their budgets.

Vision is the most fundamental need. It provides the sense of purpose, place, and direction, and the context for goals, objectives, and policies. Vision is the logical framework for coordination and partnerships. Moreover, it is the defining guide for government functions and programs, their interrelationships, and their preferred carrying capacities. In other words, government should not decide personnel matters without context. On the contrary, vision should define government and programs, as well as their capacities. Since government is the agent for change, the vision for change must be clear. Unfortunately, there is no apparent vision besides cost cutting that is guiding the RIF strategy. As a result, continued controversy, confusion, debate, conflict, unnecessary red tape, questionable requirements, and other non-productive factors we are presently experiencing will likely continue. These are symptoms of a circular, ineffective, and inefficient governance system.

In summary, the administration's strategy is unreasonable and unfair, and it will have adverse public services consequences. The way the RIF strategy has been carried out is completely unacceptable. In addition to the lack of a coherent vision to determine the layoffs, everything is conducted behind closed doors, with no meaningful consultations with the affected. In the mandated staff meetings on the subject, the director's message has been that he is not at liberty to tell us much of anything. So why have a meeting? And yet, affected employees are expected to maintain high morale and continue their high level of productivity, not a fair or reasonable expectation since they feel they have been treated with disrespect and apathy. The net effect of the present RIF strategy will likely be diminished quality of public service. If a RIF is indeed necessary, it should be carried out as transparently as possible with clear public service purposes, fair and equitable treatment of the employees, and with the aim of minimizing adverse consequences.

Thank you for the opportunity to offer these comments.