

LATE TESTIMONY

DBEDT

Theodore E. Liu, Director

LATE TESTIMONY

**Statement
of
Theodore E. Liu
Director
Department of Business, Economic
Development & Tourism**

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

Second Informational Briefing
on Departmental Reduction-in-Force (RIF)
Monday, September 21, 2009

WORSENING ECONOMIC CONDITIONS

- **Unprecedented State revenue decline**
 - **Most rapid and steep General Fund decline in Hawaii's history**
 - **Since March 2008 of the 9 times the Council on Revenues met, 8 reduction of General Fund revenue projections**
- **Most recent August 27, 2009, Council on Revenues projections increased General Fund revenue gap by \$100 Million for the biennium**
- **Together with previous reductions, the State currently faces a General Fund expense over revenue shortfall of almost \$900 Million**
- **2 & ½ months of FY10 have passed; only 9 & ½ months left to balance current year budget**

WORSENING ECONOMIC CONDITIONS

- Return to pre-recession 2008 State revenue levels will not occur until 2012 at the earliest and only if [optimistic?] projections are achieved
- Continued economic challenge means the State cannot provide all of the programs and services it currently provides or employ a workforce of the size it is today
- Balanced budget is mandated by Hawaii's Constitution
- Cost savings to balance the State budget needs to be immediate, meaningful and realistic
- Difficult but necessary decisions; not a matter of choice

3

EXECUTIVE ACTIONS ALREADY TAKEN TO CLOSE \$2 BILLION OF \$3 BILLION STATE BUDGET DEFICIT

- Restricted spending at all executive branch agencies and departments
- De-facto freeze on travel, purchases and filling vacant positions
- Eliminated of hundreds of vacant positions
- Transferred money from special funds
- Restructured the State's debt
- Delayed by one cycle bill payment and certain transfers
- Cut-back funding for certain programs
- Used one-time Federal Stimulus (ARRA) funding to cover expenses that would have been paid using State's General Funds

4

WHY DBEDT IS A FIRST ROUND RIF TARGET

- Revenue deficit is General Fund driven
 - State departments or agencies that are special- or federal-funded are not targeted (DHHL, DOD, DOT, DCCA) as no General Fund savings
- Must focus program reductions and lay-offs in remaining 12 State Departments with programs and positions that are funded by General Funds
- Governor's priority is not to make more cuts to education (already restricted 14%)
- See Chart "Executive Branch General Fund Operating Budget by Department (Act 162, SLH 2009)"

5

Executive Branch General Fund Operating Budget by Department (Act 162, SLH 2009)

	<u>FY 10 Appm.</u>	<u>Cumulative</u>	<u>Cum.</u> <u>%</u>	<u>FY 11 Appm.</u>	<u>Cumulative</u>	<u>Cum.</u> <u>%</u>
1 . Lieutenant Governor	1,072,895	1,072,895	0.02%	968,624	968,624	0.02%
2 . Governor	3,176,357	4,249,252	0.08%	2,368,352	3,336,976	0.06%
3 . Business & Economic Development	7,845,584	12,094,836	0.24%	7,718,641	11,055,617	0.21%
4 . Agriculture	13,391,748	25,486,584	0.60%	13,352,017	24,407,634	0.46%
5 . Defense	14,097,791	39,584,375	0.77%	14,097,791	38,505,425	0.73%
6 . Human Resources Development	15,551,300	55,135,675	1.07%	15,326,184	53,831,609	1.02%
7 . Labor	15,801,051	70,936,726	1.38%	15,733,033	69,564,642	1.32%
8 . Taxation	22,176,219	93,112,945	1.81%	22,118,877	91,683,519	1.74%
9 . Attorney General	24,869,947	117,982,892	2.29%	24,814,543	116,498,062	2.21%
10 . Land & Natural Resources	26,715,951	144,698,843	2.81%	26,663,687	143,161,749	2.72%
11 . Accounting & General Services	71,917,115	216,615,958	4.21%	70,654,813	213,816,562	4.06%
12 . Public Safety	222,187,928	438,803,886	8.63%	229,631,485	443,448,047	8.42%
13 . Health	506,477,962	945,281,848	18.38%	494,472,360	937,920,407	17.81%
14 . UH (w/ Fixed Costs)	676,816,384	1,622,098,232	31.63%	688,072,366	1,625,992,773	30.87%
15 . B&F (Excl. UH/DOE Fixed Costs)	686,148,954	2,308,247,186	44.87%	710,859,739	2,336,852,512	44.36%
16 . Human Services	713,784,920	3,022,032,106	58.76%	779,771,372	3,116,623,884	59.17%
17 . Education (w/ Fixed Costs)	2,122,146,879	5,144,178,085	100.00%	2,161,024,807	5,267,648,691	100.00%
	5,144,178,085			5,267,648,691		

6

FURLOUGH vs. REDUCTION-IN-FORCE (RIF)

- **Labor cost savings are now necessary to close State budget shortfall**
 - With close to \$2 billion in program (not labor) reductions already made, not much more available
- **Approximately 60% of State budget is made up of labor costs**
- **78% of all increases in General Fund collections (i.e., additional tax revenues) from 1999 to 2009 have gone to pay for collective bargaining increases for all bargaining units**
- **Only 22% of increases was left for all other State services including classrooms, prisons, social programs, etc.**

7

FURLOUGH vs. REDUCTION-IN-FORCE (RIF)

- **In June, Governor announced a labor cost reduction plan with 3 days of furlough per month for all State workers**
- **Governor's Furlough Plan would:**
 - minimize impact on public services
 - spread labor cost-cutting burden evenly across all state personnel
 - preserve all jobs and benefits: no Reduction-in-Force
 - Provide some flexibility in scheduling of furloughs
 - avoid need to recruit and retrain State workers when economy recovers
- **State workers "prefer furloughs" (Randy Perreira, Star Bulletin, September 10, 2009)**

8

FURLOUGH vs. REDUCTION-IN-FORCE (RIF)

- Public sector unions opposed Governor's furlough plan, sued in court and obtained a TRO to stop it
- Administration is appealing court decision
- Administration is continuing labor negotiations, together with binding arbitration
 - Prudence and legal obligation to balance the budget dictates that Administration, while preferring a settlement, cannot "bank" on one being reached
 - Budget deficit continues to build-up
- Leaves Administration with no choice but to implement lay-offs and more program reductions
- Focus on 16 State Departments under Governor's direct control

9

FURLOUGH vs. REDUCTION-IN-FORCE (RIF)

- DOE and UH given budget restrictions of 14% to take their share
- Governor and Administration: Prefer to avoid RIFs but will do what is practical and necessary to cut expenses to meet legal obligation to balance budget
- Additional lay-offs and program reductions or eliminations may be necessary to achieve necessary budget savings equivalent to furloughs, if labor negotiations do not succeed or furlough plan is not permitted

10

RIF GUIDING PRINCIPLES

- 40 General Funded positions (out of total of 95 department-wide General Funded positions)
- No special- or federally-funded positions to be included in the first round
- Occupied General Funded positions
- However, no change to departmental mission, function and statutory requirements
- Therefore, need to achieve departmental mission, function and statutory requirements with smaller resource (program funding and personnel) base
- Tight budget environment likely to exist for foreseeable future
- Programmatic and operational considerations only
- Will be further rounds of RIF and budget restrictions

11

PLAN TO CONTINUE MEETING MISSION, FUNCTION AND REQUIREMENTS POST-RIF

- In DBEDT's core divisions, retain and rely on generalists (i.e., staff who can perform more and diverse functions necessary with smaller resource base)
- Re-organize core divisions in face of smaller resource base to maximize efficient deployment of resulting manning levels
- Increase both intra-department and inter-department partnerships and collaboration to achieve departmental mission, functions and statutory requirements
- Maximize to extent possible industry funding for services received
- Increase application for federal funding
- Expand use of electronic tools

12

ANSWERS TO COMMITTEE QUESTIONS

1. **Projected cost savings from first round of RIFs: \$2.193 Million per annum**
2. **Alternate means of delivery of services:**
 - a) **CBED: Currently staffed by one. Absorbed within BED 100 and duties assigned to other qualified generalist personnel. CBED Board will be supported. To the extent grants program continued, supported by other personnel. Capacity-building more focused and supported across department-wide divisions and programs.**
 - b) **Enterprise Zone Program: Currently staffed by one. Absorbed within BED 100 or Foreign Trade Zone (FTZ) program and duties assigned to other qualified generalist personnel. Tax qualification work shared to larger extent with Department of Tax. Marketing shared department-wide.**

13

ANSWERS TO COMMITTEE QUESTIONS

- c) **Small Business Regulatory Review Board. Currently staffed by one. Absorbed within BED 100 and duties assigned to other qualified generalist personnel. SBRRB Board will be supported.**
- d) **Film Branch. Currently staff of 6. Absorbed within new division resulting from merger and restructuring of BED 100 and BED 105. Duties assigned to other qualified generalist staff. Tax qualification shared to larger degree with Department of Taxation. Currently working on industry cost offset through a "trust fund" structure. May propose special fund to be established by Legislature. Discussing ideas for revenue sources.**
3. **Assignment to others; agreements with other agencies: In general, assignments have been contemplated and discussed. Will be finalized after completion of jurisdiction-wide RIF placements. Preliminary discussions with other agencies. Will continue until RIFs are implemented. MOUs signed if necessary.**

14

ANSWERS TO COMMITTEE QUESTIONS

4. **CBED accounting:** To follow from BED 100
5. **Status of discussions:** Commenced or to-be-commenced. Will commence or continue and be finalized prior to RIF effective date.
6. **Film Office self-sufficiency:** Two phases: Administratively prior to 2010 Legislative Session and legislatively during the 2010 session.
 - a) Administratively, through a "trust fund" into which industry will contribute to funding Film Office positions and expenses.
 - i. Discussions to-date with Office of the Attorney General, State Ethics Commission, departmental Administrative Services Office, BED 105 Division Administrator and Film Branch Chief
 - ii. Discussions with industry deferred to Film Branch Chief, per her request
 - b) Legislatively, discussion with Governor's Policy Office on possible special fund bill to be introduced in 2010 session

15

ANSWERS TO COMMITTEE QUESTIONS

- c) **Revenue stream ideas:**
 - i. Establish new special fund for film branch activities, allocate % of studio lease rents, industry permit fees, % of Act 88 fees and industry contributions to fund staffing, studio operations and marketing
 - ii. % of Act 88 Department of Taxation fee collected; current special fund for ancillary tasks related to the management and development of the tax credit; request that a % of the fee be allocated to film special fund
 - iii. % of studio revenues; possibility of revisiting lease agreement with ABC/Touchstone and revise to allocate a % of funds into film special fund for the permitting functions of film branch
 - iv. Appropriate level of film permitting fees
 - v. Other appropriate industry support

16

CONCLUSIONS

- Current circumstances driven by global economic and financial crisis
- Unprecedented drop in State revenues resulted in budget deficit of close to \$3 Billion, based on Council of Revenues projections
- \$2 billion of savings already achieved through program budget cuts
- Labor savings are now required
- Governor's furlough plan, with no lay-offs, preferred but blocked
- No choice but to move to lay-offs
- Difficult but necessary trade-offs need to be made
- Decisions have reasonable basis derived from best practices
- Departmental mission, functions and statutory requirements remain unchanged and will be met
- Will do so with smaller resource base (budget and personnel)

ACKNOWLEDGED

Acknowledged

4/2/2004

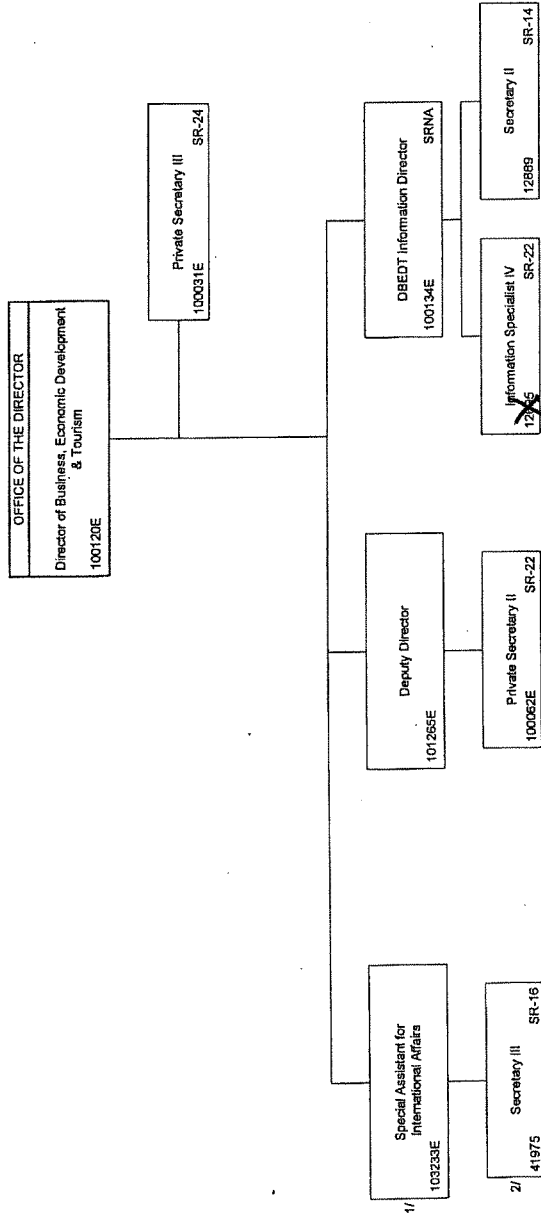
Date

Georgina K. Kawamura, Director of Finance

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
OFFICE OF THE DIRECTOR

POSITION ORGANIZATION CHART

PRESENT



E = Exempt
1/ Re-described to Special Assistant for International Affairs - 05/25/07, NTE 06/30/09
2/ NTE - 06/30/09
Position No. 117452, DBEDT Projects Coordinator - Established 07/01/05-abolished 06/30/06

July 3, 2007

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

**OFFICE OF THE DIRECTOR
PRESENT FUNCTIONAL STATEMENT**

Under the General direction of the Governor of the State of Hawaii, plans, organizes, directs, coordinates, and reports on the various activities of the department within the scope of laws and established policies and regulations. The work of the department includes statewide economic development; energy development and management; and research, economic analysis, artistic, entertainment and film industry liaison and other support activities.

To the extent that the State seeks to market itself as a business location and in business development initiatives, the department will create and initiate business attraction programs and proactively seek to promote the State of Hawaii in venues both foreign and domestic.

- Recommends policies, programs, organizations, and directs their implementation after approval is obtained.
- Promulgates administrative rules, regulations, and procedures governing the conduct of departmental activities.
- Directs and maintains program and financial planning, evaluation activities and management improvement services.
- Develops and directs the State's primary economic development and business marketing program to external constituencies.
- Provides interface with the visitor industry, Hawaii Tourism Authority and inter-governmental agencies on tourism related issues.
- Provides the State's interface with the Art, Film and Entertainment communities, with the intent of supporting Hawaii's cultural activities as a viable business sector.
- Directs the preparation of program budgets, submits and justifies budgets before reviewing and approving authorities, and exercises control and expenditure of funds made available to the department.
- Serves as a major liaison with the news media, the public and business sectors, particularly in conveying DBEDT initiatives and priorities aimed at developing and attracting business, capital investment and supporting statewide planning activities.
- Represents the department before the legislature and community and public groups.
- Maintains effective working relationships between the department and the Governor, legislature, other government officials and the general public.
- Conceptualizes and administers a wide-ranging information and advertising program which targets current economic activities in Hawaii and pursues new sources of employment and revenue.
- Exercises leadership, guidance and control of the efforts of employees toward the achievement of department objectives; directs personnel management of the department and serves as the department appointing authority.
- Serves on committees, boards, and commissions established by the Governor from time to time or as provided by legislation.

ACKNOWLEDGED

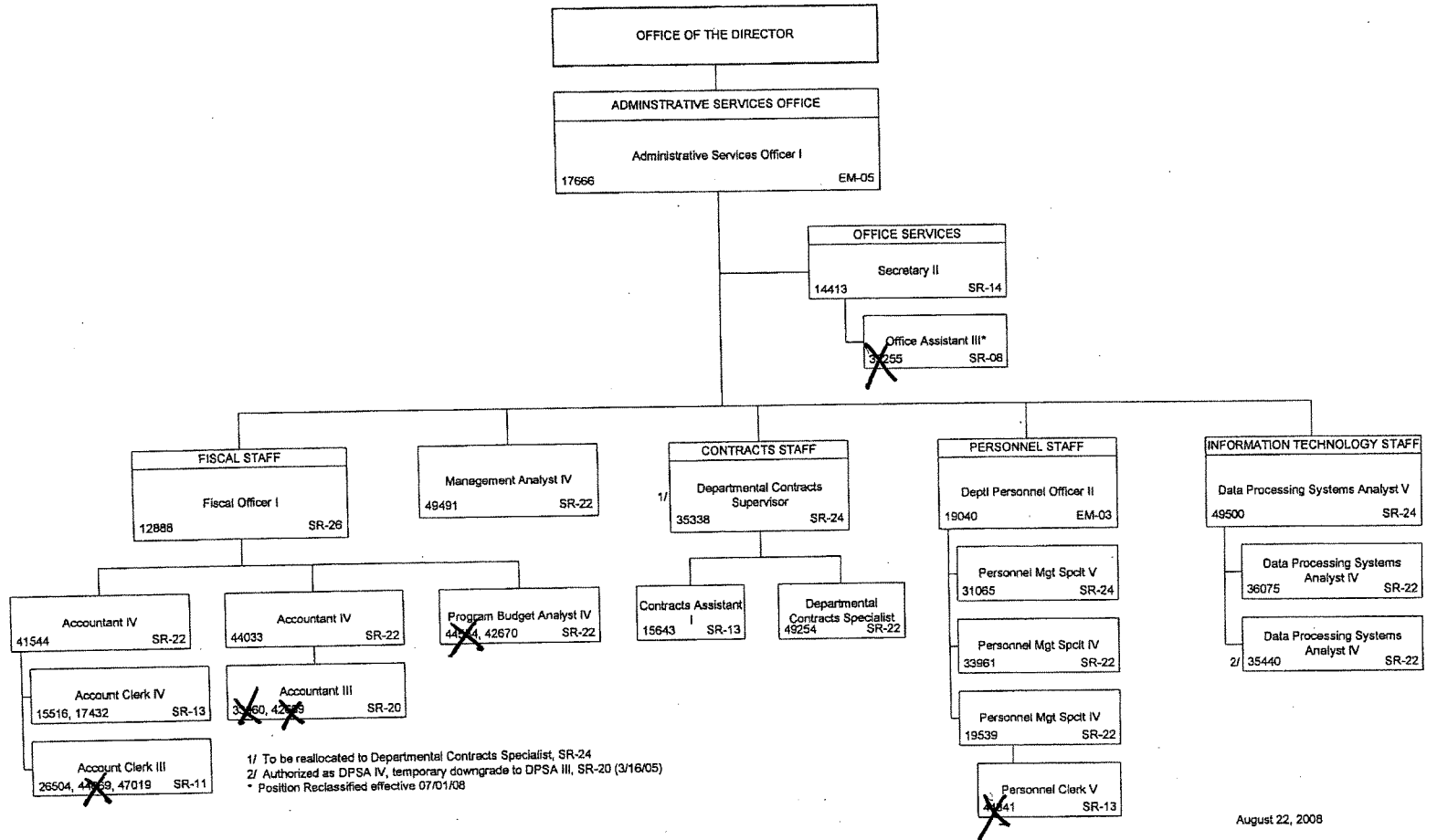
Theodore E. Liu
Theodore E. Liu, Director, DBEDT

August 07, 2008
Date

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
ADMINISTRATIVE SERVICES OFFICE

POSITION ORGANIZATION CHART

PRESENT



August 22, 2008

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

**ADMINISTRATIVE SERVICES OFFICE
PRESENT FUNCTIONAL STATEMENT**

Provides internal management, fiscal, budgetary, contractual, legislative, personnel, and information technology services in support of departmental programs and activities; provides advice and assistance to Director and staff in administrative matters.

- Provides general internal management assistance to the administering programs and activities of the department.
- Examines goals, objectives, policies, procedures, and operations of the department and programs and recommends changes.
- Coordinates the preparation and submittal of program and financial plans, budgets, fiscal, variance, personnel, and other reports to the Department of Budget and Finance (B&F), the Department of Accounting and General Services (DAGS), the Department of Human Resources Development (DHRD), and other government agencies.
- Advises and assists department staff in developing, drafting, processing, and monitoring contracts; maintains a tracking system for contracts going through the approval and execution process; coordinates contract approvals with the Office of the Governor, B&F, the Department of the Attorney General, DAGS, and other government agencies.
- Coordinates the formulation, preparation, compilation, and submittal of bills, resolutions, testimony, reports, and requested information to the Legislature, its members, committees, and staff. This includes the development and maintenance of a system of reviewing, analyzing, and monitoring legislative measures affecting the department.
- Coordinates the preparation and submittal of the departmental organization.
- Coordinates and supports information technology activities of the department.
- Provides divisions and programs with advice and assistance in obtaining other administrative support services.

Fiscal Staff

- Establishes and maintains an accounting system for the department's budget consisting of General, Special, Federal, Revolving, Trust, and Bond funds, in conformity with applicable State and Federal rules and regulations and governmental accounting standards. Reviews and implements revisions to the accounting systems required for compliance with regulations and the maintenance of proper internal control over accounting ledgers and records.
- Performs purchasing activities in conformity with applicable policies and requirements; maintains departmental property and equipment records and prepares quarterly and annual inventory reports.
- Processes the departmental payroll; reports expense data to comply with federal requirements, distributes payroll checks/statements, and maintains payroll records.
- Administers the expenditure and receipt of departmental funds in accordance with Federal/State statutes, rules and regulations, budget execution and other administrative policies, and generally accepted accounting practices and procedures.
- Prepares various financial reports as required or requested for the department, Department of Accounting and General Services, Department of Budget and Finance, Federal agencies, and legislative committees.
- Prepares audit schedules and prepares or coordinates responses for information requested for operational and financial audits of the department including the annual single audit of federal grants and audits conducted by State, Federal, Legislative, or other agency.

ACKNOWLEDGED

ACKNOWLEDGED

Georgina K. Kawamura, Director of Finance

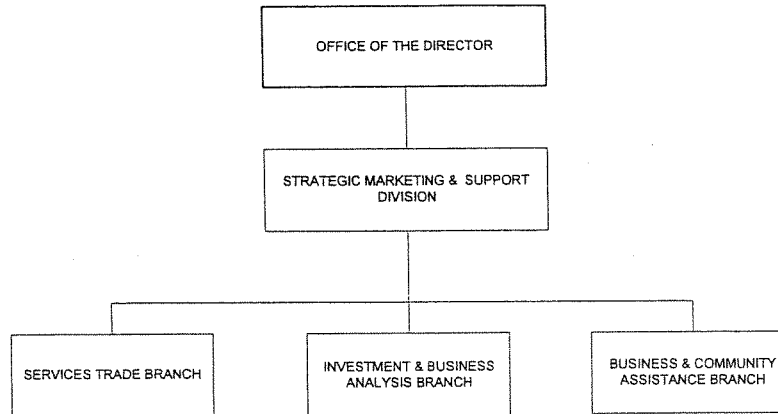
08/03/07

Date

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
STRATEGIC MARKETING & SUPPORT DIVISION

ORGANIZATION CHART

PRESENT



December 1, 2003

ACKNOWLEDGED

ACKNOWLEDGED

Georgina K. Kawamura, Director of Finance

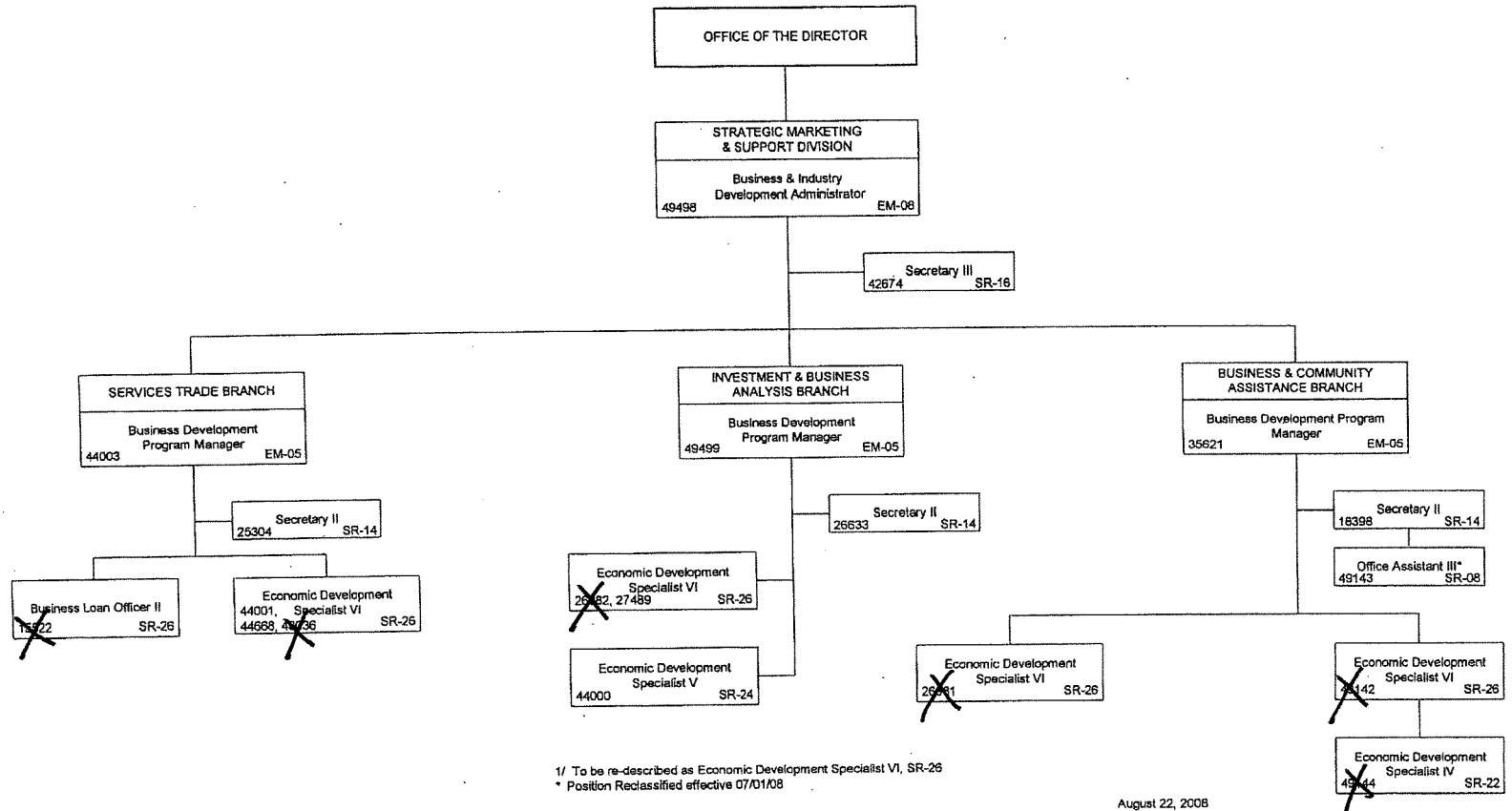
08/03/07

Date

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
STRATEGIC MARKETING & SUPPORT DIVISION
SERVICES TRADE BRANCH AND
INVESTMENT & BUSINESS ANALYSIS BRANCH
BUSINESS & COMMUNITY ASSISTANCE BRANCH

POSITION ORGANIZATION CHART

PRESENT



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

**STRATEGIC MARKETING & SUPPORT DIVISION
PRESENT FUNCTIONAL STATEMENT**

The Strategic Marketing & Support Division (SMSD) promotes industry development and economic diversification by supporting existing and emerging industries through the attraction of new business, investment, and support services; increase in exports of Hawaii professional services; expansion of Hawaii's participation in global trade and commerce, assistance to new entrepreneurs and community based economic organizations. Working collaboratively with a network of public and private sector partners, SMSD plans and implements programs to:

- Encourage the growth of existing and emerging industries by opening and developing domestic and international markets for Hawaii firms;
- Attract new business and investment, particularly knowledge-based and environmentally compatible industries to grow and diversify Hawaii's economy;
- Market Hawaii as a serious place to do business;
- Create new jobs, particularly those that require high-skills to support knowledge-based industries;
- Increase sales and exports of professional services;
- Administer and promote Hawaii's sister-state relationships to facilitate economic development objectives;
- Collaborate with the counties and private business and economic development organizations to support the state's economic development objectives.
- Serves as business advocate within the Executive Branch by facilitating relations with other departments.
- Administers and coordinates the activities of division branches.
- Represents the department on various government and private task forces, resource committees, and other policy development and implementation bodies that deal with growth and diversification of Hawaii's economy.
- Supports small business operations through loans and technical assistance. Loan assistance is also provided to business and personal setbacks caused by a state-declared natural disaster.

Investment and Business Analysis Branch

The Investment and Business Analysis Branch (IBAB) develops, plans and implements programs to attract investment and businesses to Hawaii. IBAB provides information and facilitates opportunities for businesses considering investing in or expanding to Hawaii.

- Compile and provide information needed by prospective companies to make their relocation and expansion decisions;
- Operate representative offices to provide stable linkages with selected regions to generate and follow-up on business opportunities;
- Establish Hawaii as a significant resource for economies in transition;
- Encourage new business and investment into Hawaii through developing and implementing programs;
- Facilitate matches and strategic alliances for investment into Hawaii's firms in key areas;
- Administer and promote Hawaii's sister-state relationships to facilitate economic development objectives.

Services Trade Branch

The Services Trade Branch (STB) plans, implements and supports marketing initiatives to expand existing markets and open new markets for Hawaii's professional services. STB works closely with industry and professional associations to increase sales, build

capacity and serve as a communication link for domestic and international trade opportunities; plans and implements initiatives to increase the export and growth of Hawaii's professional services in targeted industries such as medical and health care services including health and wellness tourism, education-related services including education, infrastructure-related services including resort development, architectural, engineering, planning, and environmental services; and technology-related services.

The branch also seeks out and facilitates overseas investments directly into Hawaii or through partnerships and alliances with Hawaii service firms to expand market reach growth potential, and is the lead coordinator of the public-private development and marketing of Hawaii's business brand.

- Raise the level of awareness, assist, and provide relevant information for companies interested in exporting;
- Organize and support firms to gain new customers, increase sales and access new markets;
- Work with industry to build capacity, encourage cohesiveness, and plan marketing efforts to strengthen the industry.
- Promote Hawaii as a center of excellence for selected professional services;
- Increase trade and investment attraction services to Hawaii companies by developing international networks;
- Promote Hawaii as a good place to do business in partnership with the private sector;
- Collaborate with the counties and private business and economic development organizations to support the state's economic development objectives.
- Promote Hawaii as the "Geneva of the Pacific" for international conferences, meetings and seminars;
- Facilitate an international leadership, teacher exchange program and "experience abroad" opportunities for Hawaii students;
- Coordinate with DBEDT's Office Of International Affairs on international projects.

Business and Community Assistance Branch

The Business and Community Assistance Branch provides support to businesses in dealing with the regulatory environment and in their interactions with government. The branch reviews and monitors proposed rules, regulations and legislation for economic impact on the business sector, and proposes rule or statutory changes that would improve the business climate. The branch coordinates and facilitates community economic development technical and financial assistance programs, administers economic development activities associated with the various state and federal agencies and administers the State Enterprise Zones Program.

- Provides administrative and research support to the Small Business Regulatory Review Board which acts as direct representatives of the small business community. Reviews existing state and county Administrative Rules and provides comments on new and modified Administrative Rules to rule-making agencies.
- Acts as a facilitator between the private sector and agencies; recommends streamlining of government practices; reviews existing and proposed administrative rules or laws to determine the impact on business and the economy; recommends legislation in support of economic growth and business stability and to remove government barriers to business formation and expansion.
- Provides management and technical advice to help the development, start-up, and growth of small businesses. Provides assistance to small businesses to help them use the resources of federal, state and county business support agencies.
- Coordinates rural area economic development activities of the State and counties.
- Prepares grant applications and administers various federal grants for statewide economic development projects.

- Formulates specific economic development plans for distressed rural areas, including those transitioning from an economy based on production and manufacturing of large-scale agricultural sugarcane.
- Facilitates overall job creation strategies in rural areas.
- Administers the Community-Based Economic Development (CBED) Program and provides administrative and research support to the CBED Advisory Council.
- Prepares and administers CBED grant contracts.
- Provides technical assistance to CBED grant recipients relating to organizational development, business activities and determination of financial assistance.
- Administers the Enterprise Zones (EZ) Partnership in coordination with county councils and mayors to identify areas qualifying for zone designation.
- Markets, administers and facilitates business participation for the EZ Partnership in conjunction with county governments and other economic development organizations.
- Underwriting and servicing loans for the Hawaii Capital Loan Program, the Commercial/Personal Disaster Loan Program, and the Community-Based Economic Development Loan Program.

ACKNOWLEDGED

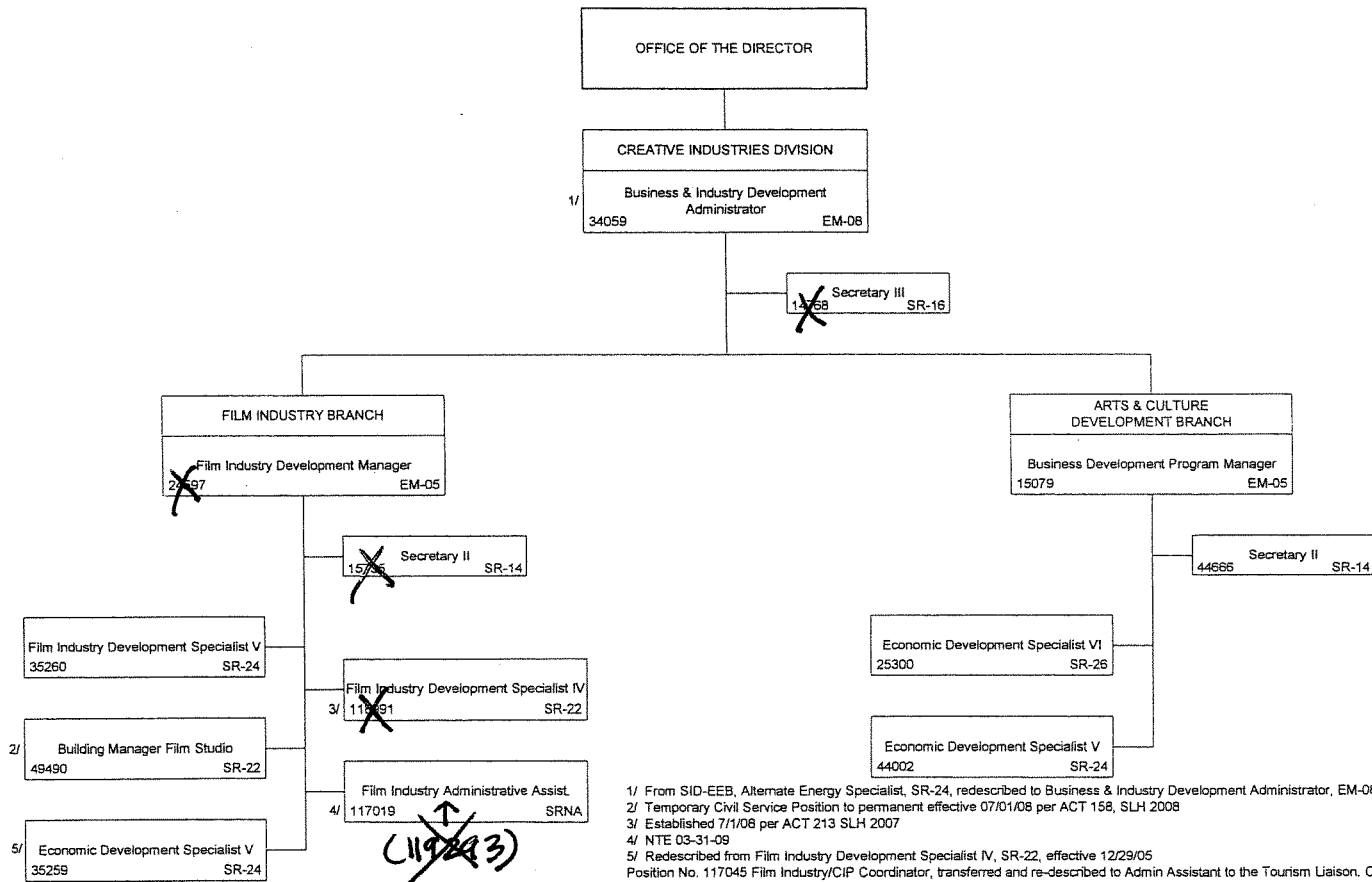
STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
CREATIVE INDUSTRIES DIVISION
FILM INDUSTRY BRANCH
ARTS & CULTURE DEVELOPMENT BRANCH

POSITION ORGANIZATION CHART

PRESENT

ACKNOWLEDGED
Georgina K. Kawamura, Director of Finance

7/21/2006
Date



1/ From SID-EEB, Alternate Energy Specialist, SR-24, redescribed to Business & Industry Development Administrator, EM-08, 6/16/06
 2/ Temporary Civil Service Position to permanent effective 07/01/08 per ACT 158, SLH 2008
 3/ Established 7/1/08 per ACT 213 SLH 2007
 4/ NTE 03-31-09
 5/ Redescribed from Film Industry Development Specialist IV, SR-22, effective 12/29/05
 Position No. 117045 Film Industry/CIP Coordinator, transferred and re-described to Admin Assistant to the Tourism Liaison, Office of the Director, NTE 12/30/09
 Position No. 116941, Temporary to Permanent Exempt Position – ACT 160-06, SLH, Abolished 06/30/08

August 22, 2008

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

CREATIVE INDUSTRIES DIVISION

PRESENT FUNCTIONAL STATEMENT

Creative Industries Division (CID) promotes, accelerates and advocates for the growth of Hawaii's creative industries, through implementation of programs, projects, and activities resulting in a vibrant, internationally recognized self-sustaining sector of Hawaii's economy.

CID administers and coordinates the activities of the division branches; Film Industry Branch (aka Hawaii Film Office) and Arts and Culture Development Branch.

CID represents the department on various government and private task forces, resource committees, and other policy development and implementation bodies that deal with growth and diversification of Hawaii's economy.

Film Industry Branch

- In coordination with county film commissioners, develops and administers a statewide program to encourage motion picture and television production companies and studios to use Hawaii as a production site for feature films, television films and programs, television commercials, and other filming activities.
- Develops and maintains contacts with representatives of the film industry and others involved in related activities to keep them apprised of local resources, and development of new resources including locations, financial support, equipment and human resources.
- Provides assistance to producers in obtaining film locations, equipment, facilities, permits and clearances, and other requirements for production of films.
- Provides administrative, logistical and research support to the Film and Television Development Board.
- Conducts or arranges for research regarding the film industry; develops data to identify people, firms, and other resources available to support production; disseminates research findings and information.
- Prepares and administers state contracts for the development and promotion of the film industry.
- Identifies and analyzes major public problems and issues involving the film industry; recommends appropriate State actions through the development of legislative proposals and policies.
- Works closely with committees, task forces, community groups, and industry representatives in addressing problems and issues involving the film industry and in addressing development and promotion of the film industry in Hawaii.
- Markets, administers and manages the Hawaii Film Studio, a multi-soundstage facility for the production of television series, motion pictures and commercials. Oversees the design, construction and operation of the facility, as well as develops materials to promote the facility.

Arts and Culture Development Branch

- Directs the formulation and implementation of a statewide program to assist Hawaii businesses in developing and expanding domestic and foreign markets for Hawaii's arts and cultural products and services and other Hawaii-made products whenever possible.
- Assumes the role of facilitator for export- and visitor-related components of Hawaii's arts and culture industry.
- Acts as a statewide liaison to identify and support economic development opportunities for arts and culture sectors and organizations.
- Attracts national, regional and international arts and culture events with the potential for positive net export and visitor-related benefits.
- Arranges and conducts research regarding baseline data on the local arts and culture industry and its relation to export-earning sectors.
- Prepares and administers state contracts for the development and promotion of Hawaii's arts and culture industry.
- Identifies and analyzes major challenges and issues involving the arts and culture industry; works closely with industry representatives and recommends appropriate State actions through the development of legislative proposals and policies.

ACKNOWLEDGED

ACKNOWLEDGED-Theodore E. Liu
Georgina K. Kawamura, Director of Finance

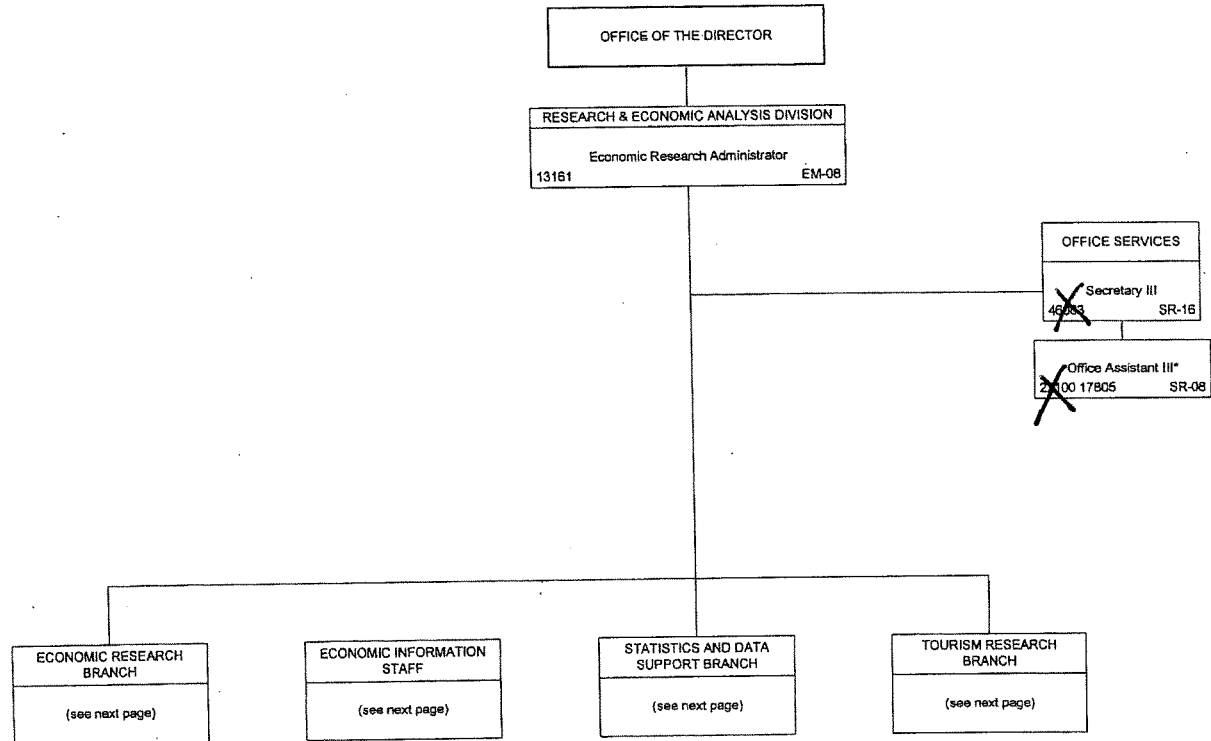
06/29/2007

Date

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
RESEARCH & ECONOMIC ANALYSIS DIVISION

POSITION ORGANIZATION CHART

PRESENT



* Position Reclassified effective 07/01/08

August 22, 2008

ACKNOWLEDGED

ACKNOWLEDGED-Theodore E. Liu
Georgina K. Kawamura, Director of Finance

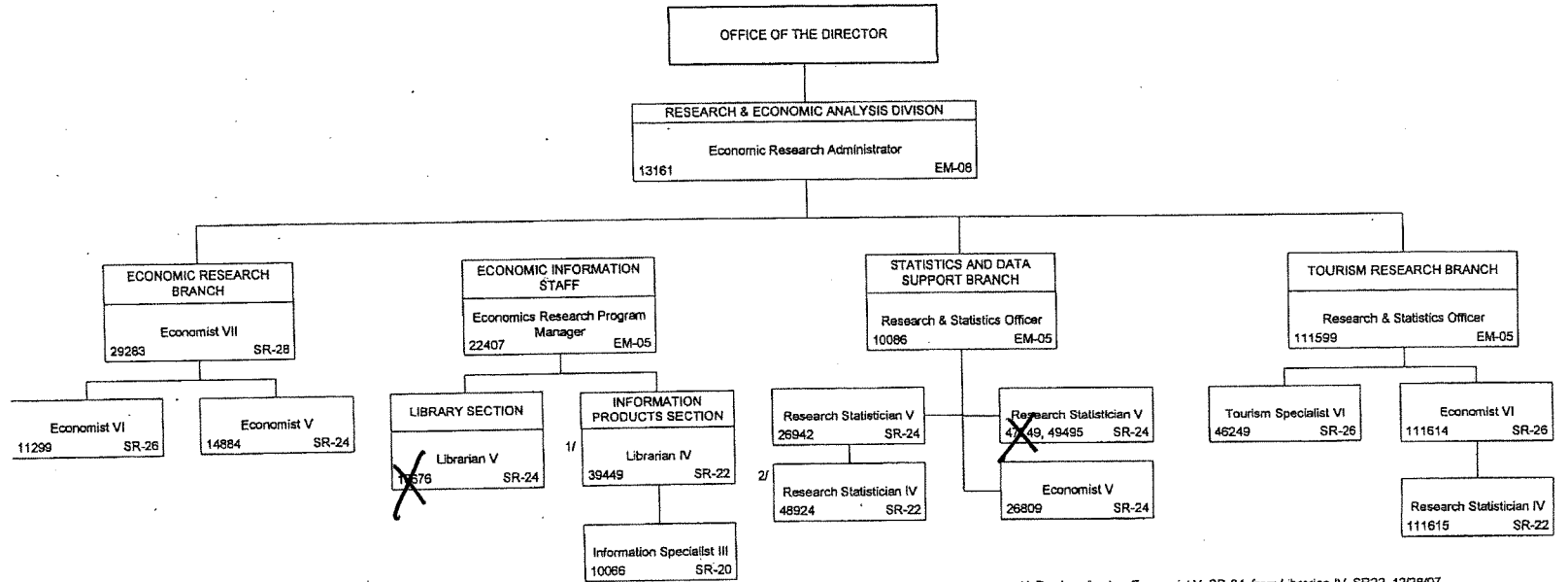
06/29/2007

Date

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
RESEARCH & ECONOMIC ANALYSIS DIVISION
ECONOMIC RESEARCH, STATISTICS AND DATA SUPPORT,
AND TOURISM RESEARCH BRANCHES

POSITION ORGANIZATION CHART

PRESENT



1/ Re-described as Economist V, SR-24, from Librarian IV, SR22, 12/28/07
2/ Temporary downgrade to Research Statistician III, SR-20, 07/16/07

February 02, 2008

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

**RESEARCH AND ECONOMIC ANALYSIS DIVISION
PRESENT FUNCTIONAL STATEMENT**

The mission of the Research and Economic Analysis Division is to enable sound public and private decisions by providing timely data, information and analysis on economic, demographic and related issues affecting Hawaii's people, consistent with statewide program objectives under BED 130. The division:

Collects, compiles, interprets, and publishes information and statistical data on all aspects of the economy.

Uses economic models, other analytical tools and economic principles to provide insight, direction and policy recommendations regarding the impact of economic forces and potential policy changes on the economy, as well as to make economic and population growth forecasts and projections.

Maintains a statewide economic, business and tourism statistics reporting system.

Statistics and Data Support Branch

Develops, evaluates, interprets, and disseminates data and reports on economic and business statistics such as income and population characteristics, military personnel and dependents, housing, land use, education, and government finance and employment, for use by the Department, other government agencies, the business community, and the public.

- (a) Prepares the annual *State of Hawaii Data Book*, a statistical abstract for Hawaii, the annual *Foreign Investment Activities in Hawaii and the United States*, the *Quarterly Statistical and Economic Report*, the monthly *Selected Economic Activities* report and other statistical reports.
- (b) Develops and maintains a statewide economic and business statistical database through its Economic Planning Information System and on the DBEDT Internet web site.
- (c) Provides statistical services to DBEDT staff and other agencies of government and the community.
- (d) Provides data to support the various economic models and accounts maintained by Division staff and other public and private agencies.
- (e) Helps prepare, evaluate, and disseminate population estimates and forecasts for the State and sub-State areas.
- (f) Provides liaison with the U.S. Census Bureau in the development of data for current population estimates and other census reports through the Federal-State Cooperative Program for Population Estimates (FSCPE).
- (g) Operates a State Data Center under a cooperative agreement with the U.S. Census Bureau to make census products and other Federal statistics accessible to government agencies and the public.
- (h) Provides workshops and training on the use and access to Census and other information.

Economic Research Branch

Develops and interprets quantitative information on the state's economy. Also develops and utilizes economic models and other analytic tools to examine the impact of economic changes on Hawaii.

- (a) Maintains the Hawaii Input/Output Model, the Hawaii Population and Economic Projection and Simulation Model, the Short-Run Econometric Forecasting Model, and the Gross State Product Accounts.

- (b) Provides quarterly forecasts of economic growth and monthly reports of the Leading Economic Indicator for Hawaii.
- (c) Analyzes developments in major economic sectors for Hawaii (such as the construction industry), and other issues and events that may require actions by government or industry.
- (d) Through the use of economic models and other tools examines the impact of national and international economic developments on Hawaii's economy.
- (e) Applies quantitative economic methods to special projects such as the impact of tax changes or regulations on the state's economy, benefit-cost analysis of economic activities and development programs, and institutional and programmatic changes that will improve economic development efforts.
- (f) Uses such quantitative economic tools as the Hawaii Input/Output Model to analyze the impact of changes occurring in various sectors of Hawaii's economy, such as agriculture, tourism, defense and communications, among others.
- (g) Provides estimates of Gross State Product and updates selected GSP Accounts.

Tourism Research Branch

Administers the state's statistical survey and research program for tourism through the development and administration of contracts with specialized survey-research contractors. Also promotes industry collaboration by conducting statistical and economic analysis of the data developed by contractors, other tourism agencies and department staff.

- (a) Contracts for, oversees, and participates in the development and implementation of surveys of visitors and the visitor industry in order to collect and maintain the official visitor statistics for the State of Hawaii as mandated by Act 156 of 1998.
- (b) Assists the Hawaii Tourism Authority and visitor industry entities by providing timely and appropriate information and reports on visitor activity in order to permit effective decision-making and to measure the effectiveness of the state's visitor industry development effort.
- (c) Provides basic visitor arrival data on a monthly basis including such visitor characteristics as points of origin, visitor days, party size, visit status, travel method, islands visited, length of stay, accommodations, and purpose of trip through the arrival surveys.
- (d) Provides annual data on visitor plant inventory by island and area including the type and class of accommodations.
- (e) Conducts an annual survey on visitor satisfaction.
- (f) Provides data on visitor expenditures.
- (g) Surveys and obtains visitor characteristics for visitors on cruise ships to Hawaii.
- (h) Analyzes visitor and related data and prepares forecasts of visitor activity as well as special reports on the visitor industry.
- (i) Prepares and maintains an annual Tourism Satellite Account, linked to the Hawaii Gross State Product Accounts, in order to monitor the impact of tourism on Hawaii's economy.
- (j) Continuously improves the system of data collection, analysis and dissemination, as well as research contract administration, to monitor the visitor industry in a timely and accurate manner.
- (k) Works closely with federal, state and county agencies, as well as private industry, to develop and collect the necessary visitor data.

Economic Information Staff

Researches, develops and maintains printed and electronic analyses, reports and publications designed to help business, government and the public understand the changing economy, its impact on the various segments of the community and private-public policy efforts intended to develop the economy. It accomplishes this by: 1) synthesizing and interpreting the basic research and information developed in other branches of the division, other divisions of the department, other agencies and relevant published materials, as well as supervising division staff in special inter-branch projects to produce and distribute targeted information that can be accessed and clearly understood by a lay audience; and 2) maintaining a resource library to make available

important economic and business information to state government agencies, business, investors and researchers. Vehicles for the distribution of information may range from published reports such as the periodical *Hawaii's Economy*, the publications *County Reports* and *Hawaii Facts and Figures*, to internet website, electronic mail, pamphlet/brochure distributions, and where appropriate, the organization of seminars, workshops and conferences.

Information Products Section

- (a) Researches, develops and publishes reports that address and clarify economic events, issues, and policies through publications and other reports and vehicles as needed to support the economic development and policy efforts of the State. The distinguishing features of such reports are: their emphasis on reducing complex economic matters to terms and concepts easily accessible and understandable to the average citizen; and their applicability to practical economic policy and business issues.
- (b) Supervises inter-branch projects designed to integrate the expertise of the division's economists, statisticians, librarians and other specialists in efforts to develop information and reports on important issues that overlap the functional responsibilities of the branches.
- (c) Coordinates the information flow from the division and elsewhere as appropriate, in order to provide quick and convenient access to information by Hawaii's businesses, policy makers, the public, as well as targeted users on the mainland, in the Asia-Pacific Region, and the rest of the world.
- (d) Maintains and continually evaluates and improves the presentation format and information content of the division's information on the internet. This includes the organization of frequently requested information on-line with an emphasis on serving the needs of out-of-state businesses seeking information about investing in Hawaii, Hawaii businesses seeking to expand business abroad, and citizens, policy makers, researcher, media and others seeking a better understanding of Hawaii's economy and economic opportunities.
- (e) Develops and improves vehicles for disseminating information, ranging from potential new reports to organized gatherings designed to provide and exchange information.
- (f) Constantly reviews, updates and keeps the information accessible in order to support the State's economic goals and the division's responsibilities for statewide program support through BED 130.
- (g) Reviews and evaluates the internet presentation of economic and business information by other states and Federal agencies, in order to ensure the completeness and competitiveness of Hawaii's internet web presentation in the area of economic and business information.
- (h) Assists as needed in the development and printing or electronic publication of the division's other periodic reports such as *the State of Hawaii Data Book* and the *Annual Tourism Research Report*.
- (i) Coordinates the division's Legislative responsibilities.

Library Section

- (a) Collects, catalogs and maintains a collection of business and economic information needed to support the programs of the division, department and where appropriate, other agencies, businesses and researchers.
- (b) Handles initial calls from government agencies, businesses and the public to DBEDT requesting economic, statistical, business and related information, and either provides the information (if readily available) or refers callers to the most likely source of such information.
- (c) Periodically surveys the needs and views of the Library's clientele regarding library resources and services and provides information and guidance for division, department and other state staff on access to and use

of resources available from the library that may assist the economic development efforts of the State.

- (d) Maintains records on the use of library materials and services, in order to better identify and serve priority needs.
- (e) Investigates and makes recommendations on opportunities to improve library services through technological means such as electronic storage and distribution of materials.
- (f) Assists where appropriate in the compilation, preparation and presentation of information for publication, internet and other distribution vehicles.

Office Service Unit

Provides fiscal, personnel, clerical and other support to the division's staff.

- (a) Provides receptionist, mail and other clerical functions to facilitate the work of the division.
- (b) Maintains files of the division and obtains materials from files needed by staff members.
- (c) Prepares purchase orders and other fiscal and personnel documents, maintains an inventory of equipment and supplies, and prepares and maintains a database of expenditures and balance of funds.
- (d) Monitors correspondence and information requests.
- (e) Assists in the production of statistical and economic reports of the division, such as the *State of Hawaii Data Book*.
- (f) Assists in the processing of contracts, letters of agreement, quotations for goods and services, and the maintenance of related files.
- (g) Maintains mailing lists and distributes reports, press releases and announcements in the appropriate manner to staff and various target groups.
- (h) Assists in the processing, monitoring and filing of legislative matters referred to the division for comment or action.

ACKNOWLEDGED

ACKNOWLEDGED

Georgina K. Kawamura, Director of Finance

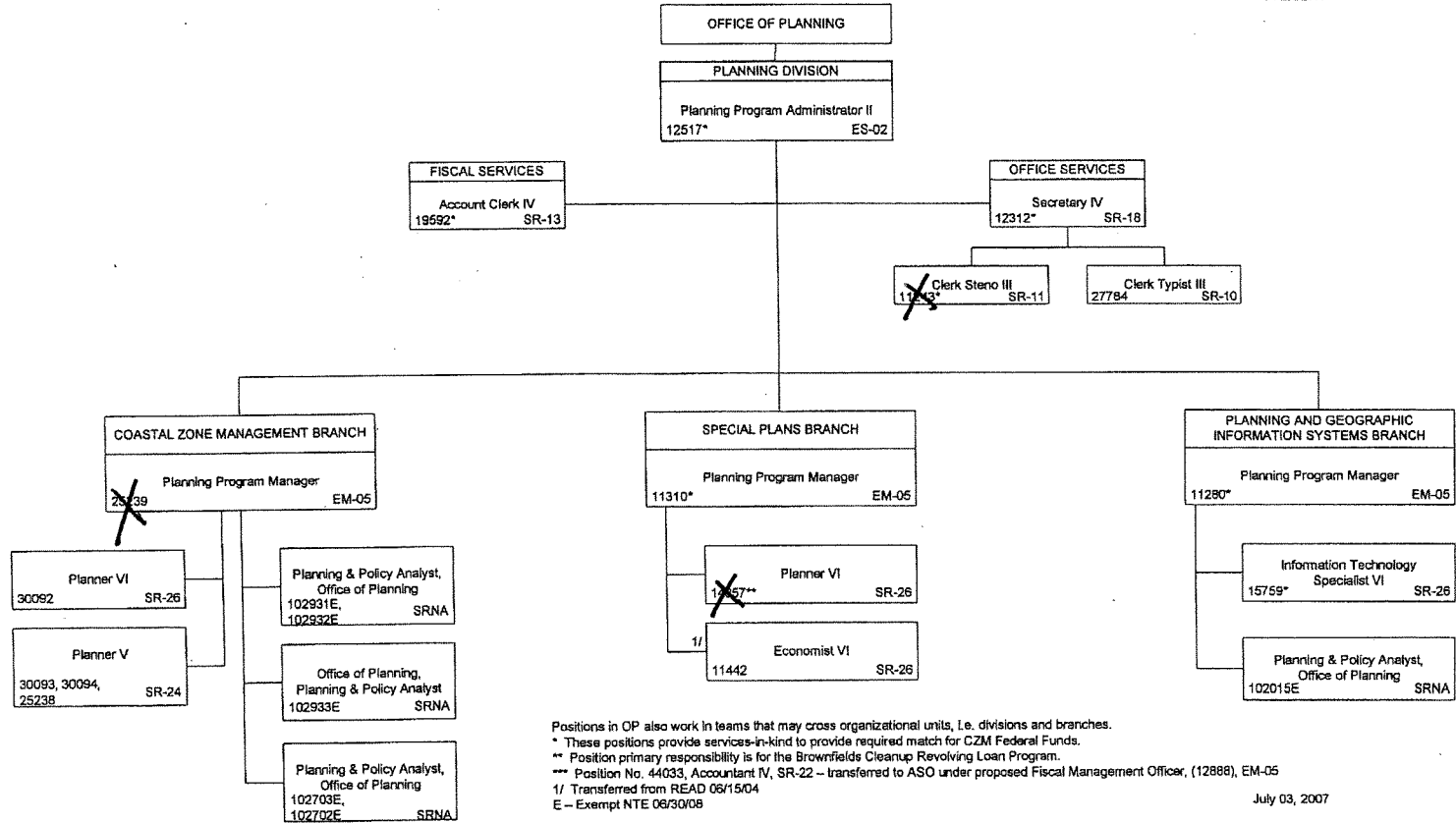
April 2, 2004

Date

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
OFFICE OF PLANNING

POSITION ORGANIZATION CHART

PRESENT



STATE OF HAWAII
 DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
 OFFICE OF PLANNING
 POSITION ORGANIZATION CHART
 PRESENT

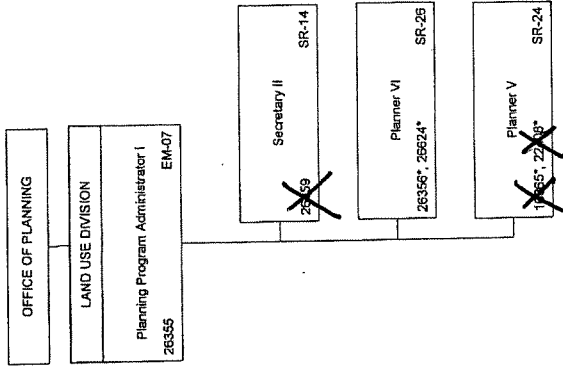
ACKNOWLEDGED

ACKNOWLEDGED

Georgina K. Kawamura, Director of Finance

April 2, 2004

Date



Positions in OP also work in teams that may cross organizational units, i.e. divisions and branches.
 * These positions provide services-in-kind to provide required match for CZM Federal Funds.
 Position No. 26624 is also assigned duties related to Chapter 226, HRS, Hawaii State Plan and part-time to the Brownfields Cleanup Revolving Loan Fund Program.

August 12, 2008

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

**OFFICE OF PLANNING
PRESENT FUNCTIONAL STATEMENT**

OFFICE OF THE DIRECTOR

Under the general direction of the Governor and the Director of the Department of Business, Economic Development and Tourism, the Director of Planning plans, organizes, directs, and coordinates, and reports on the various activities within the scope of laws and established policies, rules and regulations. The work of the Office of Planning includes statewide planning, research, coordination, and other support activities.

- Conducts comprehensive, long-range and strategic planning activities, directs land use and coastal zone management programs, administers the State Planning and Geographic Information System Program and carries out other planning activities in accordance with Chapters 205, 205A, and Chapter 226, HRS.
- Recommends policies, programs, organizations and directs their implementation after approval is obtained.
- Exercises leadership, guidance and control of the efforts of employees toward the achievement of program objectives and directs personnel management of the Office of Planning.
- Promulgates administrative rules, regulations, and procedures governing the conduct of OP activities.
- Directs and maintains program and financial planning, evaluation activities and management improvement services.
- Directs the preparation of program budgets, submits and justifies budgets before reviewing and approving authorities, and exercises control and expenditure of funds made available to the office.
- Represents the office before the Legislature and public groups.
- Maintains effective working relationships between the Office of Planning and the Governor, Legislature, and other government officials and the general public.
- Serves on committees, boards, and commissions established by the Governor from time to time or as provided by legislation.
- Conducts periodic staff meetings: establishes procedures for communication between the Office of the Director and subordinate units.
- Administers the Brownfields Cleanup Revolving Loan Fund.
- Directs special projects as instructed by the Governor.

PLANNING DIVISION

The Planning Division of the Office of Planning conducts comprehensive, long-range, and strategic planning activities in furtherance of Chapters 225M, 205A, and 226, HRS. It provides assistance in the development of State policies, strategies, plans, and programs to promote the orderly future growth and development of the State. In carrying out the State planning responsibilities, the Division performs the following functions:

- Provides information to the Director to assist in the overall analysis and formulation of State policies and strategies.

- Provides recommendations to the Director to provide central direction and cohesion in the allocation of resources and effectuation of State activities and programs and effectively addresses current or emerging issues and opportunities.
- Provides recommendations and technical planning assistance to the Director for the resolution of immediate, as well as long-term issues and concerns which are confronted by the State.
- Reviews, assesses and coordinates as necessary, major plans, programs, projects and regulatory activities proposed by State and County agencies.
- Conducts State comprehensive planning and program coordination by formulating and articulating comprehensive statewide goals, objectives, policies, and priorities, and coordinating their implementation through the statewide planning system established in part II of chapter 226.
- Conducts strategic planning by identifying and analyzing significant issues, problems, and opportunities confronting the State, and formulating strategies and alternative courses of action in response to identified problems and opportunities by:
 - Providing in-depth policy research, analysis, and recommendations on existing or potential areas of critical state concern;
 - Examining and evaluating the effectiveness of state programs in implementing state policies and priorities;
 - Monitoring through surveys, environmental scanning, and other techniques--current social, economic, and physical conditions and trends; and
 - Developing, in collaboration with affected public or private agencies and organizations, implementation plans and schedules and, where appropriate, assisting in the mobilization of resources to meet identified needs.
- Facilitates coordinated and cooperative planning and policy development and implementation activities among state agencies, and between the state, county, and federal governments, by:
 - Reviewing, assessing, and coordinating, as necessary, major plans, programs, projects, and regulatory activities existing or proposed by state and county agencies; and
 - Formulating mechanisms to simplify, streamline, or coordinate interagency development and regulatory processes.
- Collects, analyzes, maintains, and disseminates data and information to further effective state planning, policy analysis and development, and delivery of government services by:
 - Assembling, organizing, evaluating, and classifying existing data and performing necessary basic research in order to provide a common data base for governmental planning;
 - Planning, developing, implementing, and coordinating a statewide planning and geographic information system. Carrying out the lead agency responsibilities for planning and coordinating the establishment of a multi-agency, statewide geographic information system and the development of planning applications including spatial data analyses to enhance decision making; and
 - Maintaining a centralized depository of state and national planning references.
- Carries out the lead agency responsibilities for the Hawaii coastal zone management program, as specified in chapter 205A. Also, develops and maintains an ocean and coastal resources information, planning, and management system further developing

LATE TESTIMONY

BED 100:

**Small Business Regulatory
Review Board**

Testimony of Thomas J. Smyth, CEcD
Before the
Senate Committee on Economic Development And Technology
House Committee on Economic Revitalization, Business, & Military Affairs
Monday, September 21, 2009 1:30 p.m. Conference Room 325
on
Impact of layoffs within DBEDT Programs

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

Having spent 23 years in DBEDT, I have administered or managed many of the programs affected by the proposed layoffs. For others, I have used the resources directly or referred others to them. I previously testified on the history, growth, success and general impact of cutting critical personnel from the Hawaii Film Office, the Enterprise Zone Partnership and the Community-Based Economic Development Grant Program. Today I would like to comment on several other programs and critical resources.

A. Small Business Regulatory Review Board

The Small business Regulatory Review Board was established by the Legislature in 1998 at the request of the Administration. Initially a four-year pilot effort it followed a less formal small business task force created two years earlier to help small businesses, especially very small ones, deal with the costly and time-consuming burden of many state and county Administrative Rules. In 2002 the board became permanent after demonstrating its effectiveness.

We all understand that even the most carefully crafted statute may need further clarification regarding implementation and procedures to carry out its intent. Often enabling legislation requires Administrative Rules, other times rules development is merely allowed. Unless the law clearly limits its provisions to those businesses over a certain size, either by job count or revenue, the law and thus the rules apply to all similar businesses. This “one-size-fits-all” application often causes those firms with fewer employees, especially those without human resources, accounting, tax or other specialists to either add staff, hire outside resources or divert less experienced employees to carry out the regulatory provisions. Regulatory compliance costs are clearly higher for small companies, in terms of their cash flow and profitability.

One of the most important provisions of the SBRRB enabling statute, Ch. 201M, HRS, is the requirement that rule-drafting agencies measure the impact of the proposed rule on small businesses, now defined as those with fewer than 100 employees. These impacts can be related to direct or indirect costs of compliance, limits on marketing opportunities or even to restrictions on growth.

Initially some regulatory agencies did not support the concept of measuring business impacts. They often were not even aware of indirect costs such as increased training, hiring consultants to prepare applications, studies or limits on market growth. Over time, as more and more Administrative Rules were developed under the law, agencies became more comfortable with the process and got help from DBEDT staff in understanding the process. There is currently general support and cooperation with the board from state and county agencies.

The need for this board continues, especially during hard economic times where compliance costs are even more of a burden. DBEDT has clearly stated it will not fund

board meetings, generally the cost of Neighbor Island member participation. There were two staff positions providing support for the board. The administrative position, specifically authorized by the Legislature, has not been filled and was transferred to another division. The DBEDT Business Advocate who provides professional support to the board, in addition to many other business regulatory tasks, was given a layoff notice. This action was taken even though the current budget has transferred that position to DCCA which has special funds to cover the cost.

Business will now have no place to go to express concern about an inordinate regulatory burden. No advocate, no group of small business owners or officers to petition or submit a complaint to.

B. DBEDT Library

Businesses, especially the very small ones, generally do not have the staff to conduct in depth economic or market research. The DBEDT library is one of the very few resources that are intended to help these firms start, grow and succeed. The library is convenient, friendly and focused on business issues. I know of no other place where studies, analysis and projections made by all state agencies are housed. Its historical collection of state studies alone is worth its cost.

It is certainly a major resource for DBEDT and many other state and county agencies as well as those from the private sector. The dedicated, knowledgeable and very creative librarian is to be laid off, effectively ending this important and low cost service.

C. Office of Planning

I am sure that many others will testify on the value of this important agency. Some may quibble over where it should be placed within the Administration, but I believe most would agree that the program elements being cut through layoffs are needed, and in some case required, by state or federal law. The work done by the several senior staff being cut is usually very technical and requires the experience and professional background that these dedicated individuals bring to their desk every day.

Just when major land use issues, especially those related to our energy initiatives, and the preservation of our coastal borders are becoming more important than ever, this is not the time to make these major cuts.

As I have stated before, I understand your ability to undo this severely negative policy action is limited. Please understand that the cuts being made, all but eliminate DBEDT's support for the general small business community. The more than 25,000 small employers along with the nearly 60,000 self-employed individuals will have nowhere to go for information and support. If smaller cuts had been made in each branch or office of DBEDT, business support could be maintained by those who remain. Cutting entire programs leaves no support. I know as one of the longer serving senior staff, who knows what. And those now chosen to remain do not know much about the programs being cut. Even though we often speak of Hawaii Small Businesses as being the "backbone of our economy," by these actions DBEDT is effectively breaking our back. Future economic growth will be affected and our already fragile reputation as a location to do business, will certainly suffer.

Thank you for the opportunity to provide comments.



**Testimony to the Senate Committee on Economic Development and Technology and
House Committee on Economic Revitalization, Business, & Military Affairs
Informational Briefing
Monday, September 21, 2009
1:30 p.m.
Conference Room 325**

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 DBEDT positions.

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 uneasy and daunting 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, as well as other programs such as the Small Business Regulatory Review Board which provides business representation in the regulatory process. 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.

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.

We ask that the department re-evaluate the economic impact of the layoffs as well as how these layoffs will affect the business community and general public. Thank you for the opportunity to testify.

LATE TESTIMONY

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 21, 2009, 10:00 a.m.

State Capitol, Conference Room 325

Good Morning Chair Fukunaga, Chair McKelvey, and Members of the Committees. Thank you for the opportunity to testify in support of DBEDT's Small Business Regulatory Review Board (SBRRB), Community-Based Economic Development (CBED) program, the Enterprise Zone (EZ) program, and the Film Industry Branch.

I am familiar with all of these programs because I have had the opportunity to work in the **CBED** Program and the **EZ** Program with program manager Wayne Thom for two years during the 1990s. I am also acquainted with the **Film Industry Branch** which has spurred Motion Picture revenues and much needed advertising for the State of Hawaii before and after the nation's economic financial meltdown. **The Small Business Regulatory Review Board (SBRRB)** has assisted the small business community with addressing regulatory concerns of Hawaii's small business owners. In my humble opinion, I believe that the most cost effective and community effective programs in the State are presently being downsized, gutted or threatened into extinction by the Director of DBEDT and the Lingle Administration.

The Small Business Regulatory Review Board (SBRRB) and The Film Industry Branch have both done an effective and efficient job for the State of Hawaii in generating revenue and advertising and cutting regulatory red tape for small businesses. **The elimination or reduction in managers and staffing within these programs severely undermine the effectiveness and efficiency of work for our state.** Small Business is the main generator of jobs in the State of Hawaii and The Small Business Regulatory Review Board assists small businesses in maneuvering through the red tape of doing business in the state.

PRESENTLY, THE SBRRB FACES A DILEMMA. DBEDT will no longer fund board meetings which provides, for the most part, the cost of transportation for our neighbor island members. Lunches are currently paid for by each member of the board. There are two (2) staff positions that provide support for the board. The administrative position authorized by the legislature has NOT been filled and instead has been TRANSFERRED to another division. The BUSINESS ADVOCATE at DBEDT provides total support for the board and HAS JUST BEEN GIVEN A LAYOFF NOTICE. This action was taken even though the current budget has transferred that position to DCCA which has Special Funds to cover the salary cost. In either case, the SBRRB is cut off at the knees in its role as a Small Business Advocate Board in Hawaii. In short, DBEDT wishes to eliminate the Small Business Advocate position in order to lay off the Small Business Advocate and then eliminate the position completely; DBEDT wishes to no longer fund the SBRRB at all; DBEDT is attempting to somehow draw back the Small Business Advocate position from DCCA citing a conflict caused by the HB200 (Relating to the State Budget) that became law on July 1, 2009 which transferred the position to DCCA because they had the Special Fund money to fund the position and plans to eliminate the position if successful. DBEDT has therefore abandoned its Small Business mission role in the State of Hawaii, a role that it has been tasked to do since its inception. No small business support by the state equates to a no job scenario in Hawaii.

The CBED and EZ Programs have enabled non-profit organizations to create meaningful jobs in the small business private sector as well as in the non-profit community. The sustainable jobs created have greatly benefited our non-profit and small business communities within the state of Hawaii. Frankly, it astounds me that the very programs giving the state of Hawaii the greatest bang for the buck are being eliminated, butchered, or left dead in the water. For years, both of these programs have been severely under-funded and understaffed and yet have been asked to provide the same effectiveness for our struggling communities with fewer resources at their disposal.

I STRONGLY SUPPORT the funding of the Small Business Advocate position at DBEDT and the Small Business Regulatory Review Board and strongly support the CBED Program, the EZ Program, and the Film Industry Branch of DBEDT in their quest to maintain their manager positions, staffing, and continued funding within DBEDT.

Submitted by:

Art Mori

art.mori@hawaiiantel.net

September 21, 2009

Honorable Members
COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY
COMMITTEE ON ECONOMIC REVITALIZATION BUSINESS & MILITARY
AFFAIRS
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Informational Briefing
21 September Monday, 1:30 pm
Conference Room 325

Testimony of Dale Evans for Charley's Taxi
Re SMALL BUSINESS REGULATORY RELIEF BOARD

SBRRB serves an important public purpose for being the safety valve, the go-between among stakeholders as to the interpretation and implementation of laws by administrative rules.

SBRRB is is a volunteer board, the most cost effective of government functions.

For small businesses and consumers, the SBRRB process is crucial.

SBRRB is handicapped by a lack of sufficient funding that delays hearings and decisions. SBRRB has a large caseload since it reviews small business petitions on all sorts of state and county administrative rules, new and old.

- The board needs an Administrator whose position is in jeopardy due to lack of funding.
- Neighbor island board members could not be reimbursed for travel expenses, the Administrator serves as the facilitator.

Taxicab drivers typify the smallest of small businesses. We estimate that Oahu's 1484 (2007) licensed taxicabs carry almost 15 million passengers a year (14,733,152). Privately-operated taxicabs are a vital part of public transportation system that receive no taxpayer subsidies. People without cars or unable to drive,

living in isolated areas, are most dependent on taxicabs.

The taxicab industry is riddled with excessive and manini regulations that inhibit access, availability and innovations to improve the quality of mobility for the truly “transit-dependents” who have least options (and therefore are most isolated). As a recent study of human services transportation indicates, there is a vast latent demand for taxicab services by seniors and people with disabilities. See Chapter 5 Service Gaps and Unmet Needs, pp 57-77: Human Services Transportation Coordination Plan, Final Plan, Cty & County of Honolulu, July 2009

http://www.honolulurides.com/CoordPlan/Honolulu%20Final%207_31_2009.pdf

There are many issues remaining to be resolved, but this is one example of the importace of the SBRRB.

Our petition to SBRRB in about mid-2006 relating to taxi meter rigging by possiblyg a quarter of the taximeters in Honolulu taxicabs resulted in the Division of Weights & Measures implementing a new meter inspection process. Meter tampering was driving up cost of fares to riders. This “fail safe” taximeter inspection system has since become compromised. In fact, we are concerned that within two weeks, there will be no more taximeter inspections because 3-4 inspectors in W&M have been laid off. Currently, there are not enough inspectors to do even one meter inspection a year.

In fact the city has taken the position that the Small Business Regulatory Relief law does not apply to the city & county of Honolulu.

Small businesses generate the largest growth of jobs in our economy. SBRRB is part of the consumer-advocacy process that helps small businesses fill consumers’ needs and expectations.

Please fully fund the administrative costs for SBRRB.

Respectfully submitted,
Dale Evans, Chairman and President

LATE TESTIMONY
BED 105:
Hawaii Film Office

LATE TESTIMONY

THE SENATE
HOUSE OF REPRESENTATIVES
THE TWENTY-FIFTH LEGISLATURE - INTERIM OF 2009

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. Cliff Tsuji
Rep. Cindy Evans
Rep. Glenn Wakai
Rep. Joey Manahan
Rep. Jessica Wooley
Rep. K. Mark Takai
Rep. Gene Ward
Rep. James Kunane Tokioka

AMENDED NOTICE OF INFORMATIONAL BRIEFING

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

Re: The purpose of this informational briefing is to determine the broad range impact of potential layoffs within the Department of Business, Economic Development and Tourism. The Director has identified 40 positions within DBEDT that may be eliminated on September 3, 2009, and the legislature received information on possible layoffs of six (6) total positions within the Film Industry Branch, CBED and Enterprise Zone programs.

Chair Fukunaga, Chair McKelvey, Members of the joint committees, mahalo for the opportunity to testify today.

I come before you as both a motion picture and television producer and the Founder and Director of the University of Hawaii Academy for Creative Media to express my profound distress, dismay and confusion over the proposed elimination of virtually the entire staff of DBEDT's Film Industry Branch, including State Film Commissioner Donne Dawson. This would be a terrible business decision by the State of Hawaii and makes no sense either in terms of policy, vision, or merit.

Full disclosure: Ms. Dawson is my calabash sister and we have been friends since childhood. But even if she had just moved from the mainland ten years ago, as an entertainment industry veteran, I cannot imagine Hawaii being better served by anyone in this crucial area of economic development.

Perhaps more than any other state, Hawaii has been defined by the media. Our film and television industry is a crucial component of marketing our state as a tourism destination to the world. But media in all its forms now offers Hawaii a vital opportunity to diversify our economy to keep our students here in the islands with living wage jobs.

Ms. Dawson and her staff have done an excellent, 24/7 job of representing the state of Hawaii to Hollywood and filmmakers from around the globe. Just as importantly, the staff of the Film Industry Branch smoothly manages the process for the people of Hawaii, fairly and transparently. This is not an easy job -- or a place for on the job training -- for either constituency.

Hawaii's unique cultural heritage is yet another challenge to shooting in our state and Ms. Dawson has consistently demonstrated the sensitivity and finesse to bring all sides together for our mutual benefit. Cultural awareness and a deep understanding of the production process is not a skill set learned overnight or something to be outsourced.

There is no shortage of examples where Ms. Dawson and her staff's keen expertise has made the difference in attracting production to Hawaii and keeping the film and television producers coming back by dealing with the most delicate and unexpected contingencies. With a minimal annual budget, this office has supervised approximately a billion dollars in production spending since Ms. Dawson took the helm, and the notion that our struggling state can simply remove or replace this office without a severe negative economic impact is ludicrous. This is an office staffed by industry experts who make a positive difference for the state's tax revenues, tourism marketing, and diversified economy.

While we all recognize the State must deal with its budget issues, it is baffling that anyone would look at the immense return on the dollar that the Film Office provides to Hawaii and decide this is the place to cut.

I've just returned from delivering the keynote address for the Taiwan government's Digital Taipei 2009 -- dedicated to the building of that island nation's digital content industry. Ironically, the head of a Taiwan production company who has worked in the US actually said to me that she heard there was trouble with Hawaii's Film Office. I have heard similar concerns from producers on the mainland who are not going to come to Hawaii if there is no one to facilitate their production needs in the state. As a producer myself, I know that it would give me great pause coming here knowing that the State had decided to dismantle the one agency with the institutional knowledge to handle hundreds of millions of dollars of production.

At a time when the media industry is one of the few bright spots on our economic horizon, I am optimistic that the business sense of our executive branch will reconsider these lay offs and take them off the table, as there is simply no justification for them.

Sincerely,

Chris Lee

Founder and Director, Academy for Creative Media

President, Chris Lee Productions

LATE TESTIMONY

September 20, 2009

Testimony of
MONICA LEVINSON
Film Producer, Los Angeles, CA
(CV includes "Bruno" "Borat" "Dodgeball" "Zoolander" "The Insider")

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

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

I am writing as a film producer who is very concerned about the prospect of losing the State Film Office in Hawaii. Film Commissions are the only way film producers can get the service necessary to bring a film (or television show) to a state.

When I am trying to weigh the options of where to shoot a film, my first call is to the state film commission. I ask for inside information on filming in that state (which cities to explore, etc), location photos, information on any breaks (rebates, etc), local crew resumes, equipment companies and suggestions for affordable crew hotels. If a state doesn't have a film commission, I usually disregard that state since there is no infrastructure there to help me.

In the past several years, more and more films and television shows are shooting in Hawaii, in large part due to the outreach of the film commissioner. These great strides have now made Hawaii an actual reality as a film location where people would consider shooting their entire film. Years ago, it was widely believed that Hawaii wasn't strong enough to support a film and should only be used for 2nd unit shoots for exterior beauty shots (which consists of a small crew filming for 1-2 days) to make a film LOOK like it shot in Hawaii.

The State Film Office has a view on all of the islands and is able to help producers like me narrow our choices and then point us to the right city/cities/islands that would work best for our needs.

If the State Film Office is dissolved, I can honestly tell you that filming will dwindle and cease in Hawaii. Hollywood films will no longer have the infrastructure they need to shoot a movie there.

That may not seem like a problem to the committee, but as a producer, I will tell you what money we spend while on location:

- Hotels/Housing (up to 6 months)
- Restaurants/Bars (the crew is given approx \$75 a day per diem in cash)
- Food for catering (100+ people a day)
- Movie Equipment Rentals
- Office Equipment Rentals
- Office Supplies
- Car/Truck/Van/Trailer/Motorhome rentals
- Local crew hires (transportation, camera, production support and assistance, sound, grip, electric, caterers, cast/producer assistants, etc)
- Taxi fares
- Production Office Space Rental
- Wrap and/or Mid-production parties
- Local cast hires (including Background extras)
- Location Rentals
- Gas
- Residences for Cast

These are just a few examples of the money spent locally on a film. This is a huge boost to the local economy.

I would strongly encourage you to reconsider your proposal of eliminating the State Film Office of Hawaii. There is just too much to lose if you follow through with that action.

If you have any questions, I would be happy to speak to you further by telephone.

Best regards,

Monica Levinson

LATE TESTIMONY

TESTIMONY OF RANN WATUMULL

Informational Briefing

HEARING DATE/TIME: Monday, September 21, 2009
1:30 p.m. Conference Room 325

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

Dear Chairs, Vice-Chairs and Committee Members:

Thank you for taking the time to consider my concerns about the anticipated reduction and possible elimination of most of the Film Industry Branch. I am a co-founder and executive producer at Hawaii Film Partners. We produced the television series "Flight 29 Down" that is currently airing on Discovery Kids and in over 100 territories worldwide. We have also produced the animated series called "Ape Escape" that is airing on the NickToons channel. We are also in production of a 26 episode animated television series with partners in China and Korea called "Guardians of the Power Masks." We are nearing completion of a feature film that was shot in Hawaii called "You May Not Kiss The Bride."

I also would like to thank the Chairs for their leadership and support of the film and high-technology industries.

I do understand the serious fiscal crisis facing the State and also understand that the size of our State government currently exceeds the tax revenue to support it. I also understand that there are legal conflicts over the issue of lay-offs versus furloughs. I also recognize that the most recent tax revenue projections are continuing to decline requiring further cuts.

I would like to express my support for Donne Dawson and the vital role she and the Film Industry Branch plays in the development and growth of the film industry in Hawaii. While cuts do need to be made to the State budget, I would hope that departments that actually help create jobs and bring revenue into the State would be viewed in light of the economic benefits they generate for the State.

Donne was instrumental in bringing our company together with Discovery Kids so that we could produce the series that became the highest rated show in the history of the Discovery Kids channel. Royalties are still being paid on the show, which are coming back into Hawaii to local residents.

The Film Industry Branch serves important functions to promote Hawaii as a place to do business, to bring producing partners together, to facilitate on the ground productions and

to be the face of our film industry to the world. Donne has done a wonderful job over the years and has a stellar reputation in the industry.

In order to have a healthy film industry in Hawaii it is imperative that the State maintain a vibrant and competent Film Office. I hope that you will work to maintain this function in our State.

Respectfully Submitted,

Rann Watumull

Subject: STRONGLY OPPOSE TO LAY OFF OF FILM OFFICE

----- Forwarded Message

From: ashley smith <courtneytaryn@aol.com>

Date: Fri, 18 Sep 2009 15:21:51 -1000

To: Carol Fukunaga <senfukunaga@capitol.hawaii.gov>

Subject: Ref: STRONGLY OPPOSE TO LAY OFF OF FILM OFFICE

Ashley Smith
1609 Democrat St. #3
HONOLULU HI 96819

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

Ashley

Ashley Smith
Production Coordinator
"The Honeymoon"
Office: 808.469.4164
Cell: 808.306.7066
courtneytaryn@aol.com

TESTIMONY OF WILLIAM G. MEYER, III

Informational Briefing

HEARING DATE/TIME: Monday, September 21, 2009
1:30 p.m. in Conference Room 325

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. 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

LATE TESTIMONY

From: Kuyper, Jon [Jon.Kuyper@warnerbros.com]
Sent: Monday, September 21, 2009 6:32 AM
To: EBMtestimony
Subject: Hawaii Film Commission testimony

To Whom It May Concern:

I write to express my surprise and shock in hearing that there is pressure to dissolve the Hawaii State filming tax credit incentive and possibly the Film Commission. Frankly, it is counter intuitive and will prove to end film production in the state and its many fiscal benefits.

I am an executive at one of the major Hollywood studios and a large part of my job is studying the many incentives around the world in order to find the most competitive location to shoot our films. Due to the fact that retail market and the economy have put more pressure on our production budgets and yet the consumer wants to see more on the screen, we have been forced to address filming incentives as one of the major factors in deciding where to spend the production money to get the most out of it. In fact, we have even changed the venue in the screenplay in order to set the story in a location that has a more favorable incentive.

In studying these incentives, I have clearly seen from my research, as well as the research I have seen from the various US States and foreign countries around the world, that luring film production to a local economy generates generous fiscal benefits to the state and local governments as well as its businesses and citizens. This is proven fact especially when you consider the additional tax revenues to the government, the instant influx of millions of dollars that is spent in a short period of time with no lasting impact to the local community except leaving a lot of money in the pockets of local laborers, vendors and businesses (and then their tax revenues to the state).

In my experience, the offices of Hawaii Film Commission have been extremely professional and very effective. They are knowledgeable about production, which is surprisingly rare, and know their filming incentive inside and out as well as their competitors. In fact, in my opinion, they as a group, and Walea and Benita in particular, are at the top of the list of the most respected film commissioners in the world. It would be a pity to see them and the work and progress they have achieved in recent years, go by the wayside. It takes many years to build an indigenous film production industry, especially in a location as remote as the State of Hawaii, but as you can plainly see from territories like Louisiana and New Mexico, it takes a vision, hard work and staying the course.

Respectfully submitted, and very sincerely,

Jon Kuyper

Jon Kuyper

Vice President, Physical Production
Warner Premiere, a division of Warner Bros. Pictures
4000 Warner Boulevard, Burbank, CA 91522
818 954-1941 office
818 954-2436 fax
jon.kuyper@warnerbros.com

LATE TESTIMONY

Senator Carol Fukunaga
Rep. Angus L.K. McKelvey

September 21, 2009

Re: Impact of potential layoffs within the Hawaii Film Office (DBEDT)

Chairs Fukunaga and McKelvey, Committee Members,

Aloha, my name is Jeremy Spear and I am a filmmaker.

I am deeply disappointed and dismayed at the prevalent thinking that justifies, in essence, the closure of the Hawaii State Film Office. Common sense dictates that in order for something to flourish – it needs nurturing and expert handling. Simply put - the Film Industry in Hawaii will wither and die without the proper people in place to shepherd and tend to the multitude of tasks that are necessary for the industry's survival.

As a local filmmaker who directed, wrote and produced the ESPN and PBS show, "Polynesian Power: Islanders in Pro Football" - narrated by "The Rock", I can attest to the importance of a capable film office being readily available and tuned into the intricate production needs of a feature length film. The Hawaii Film Office was instrumental in offering me advice and issuing permits for various location shots. Prior to production of "Polynesian Power" I had been made aware of the Film Office and its figurehead, Donne Dawson, by their presence at not only Hawaii film festivals, but also as *film ambassadors of aloha* at Mainland festivals like Sundance and Pacifika. A visible presence outside of Hawaii is what ultimately makes the possibility of shooting in Hawaii a reality and not just an artistic pipedream for Mainland and Global production companies.

Filmmaking is not just a series of private edits in a secluded post-production suite. It is by its very nature a collaboration of the greatest kind. Hawaii of all places should recognize the importance of the collective whole and the need to look to others for the completion and realization of a final product. It takes a village to make a movie - and without our tribal elders in place we are less guided in this world. Without the Hawaii Film Office – there is no community, no connective tissue for the film industry. Young filmmakers and seasoned veterans alike – need to know that someone is in their corner and that optimism and professionalism abound to help projects reach their fullest potential. As an Island State with a host culture that values the oral tradition of myths and story telling – we are less valuable as a people and a place - without having the full resources of filmmaking available. In the end we all suffer spiritually, socially and last, but not least, economically.

Yours truly,

Jeremy Spear
Shortstop Films Inc.

TESTIMONY OF JASON K. LAU

Informational Briefing

HEARING DATE/TIME: Monday, September 21, 2009
1:30p.m. in Conference Room 325

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:

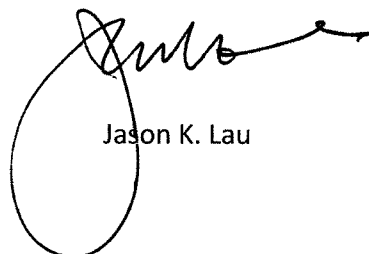
My name is Jason K. Lau. I am the President of TalkStory Productions, LLC ("TalkStory"), a locally based film and television production company in Hawaii. We produced a series, BEYOND THE BREAK, for the Nickelodeon Channel, and two movies for the Sci-Fi Channel. We've also produced THE TEMPEST, a theatrical movie starring Academy Award winner, Helen Mirren, which shall be distributed by Miramax. We're currently in pre-production on SPY VS. STU, a theatrical movie starring Pierce Brosnan and will be distributed by Twentieth Century Fox. Also in pre-production is THE SHORT LIST, a television series drama featuring 100% of local talent. All of these projects were or will be primarily produced in Hawaii.

I started TalkStory just about five years ago. It was a challenging process (to say the least), which included putting my personal finances and reputation at stake. But through it all, I could always count on one thing: the guidance of the Hawaii Film Office and Ms. Donne Dawson. Beyond the ability to issue film permits and Act 88 credits, Ms. Dawson was our central hub of information and resources. Her contacts and reputation with the local community is spot-on, but even more important, are her contacts in Hollywood and beyond. For without her support, TalkStory would not have had the success that we have experienced.

It should also be noted that our company has been able to produce over \$60 million worth of projects. More than half of these budgets were off-island monies that have been or will be directly injected into the local Hawaii economy (including Lanai, Maui, and the Big Island). These monies created jobs and were spent directly into local business, including hotels, airlines, restaurants, etc. All of this can be traced back to my early interaction with the Hawaii Film Office, which opened these possibilities.

Therefore, I respectfully request that the Governor reconsider her position in this matter.

Respectfully submitted,



Jason K. Lau

From: Genie Joseph [lightwave7@hotmail.com]
Sent: Sunday, September 20, 2009 1:23 PM
To: EBMtestimony; Sen. Carol Fukunaga; Rep. Angus McKelvey
Subject: LATE TESTIMONY Testimony in Support of the Film Office

HAWAII MOVIE STUDIOS, LLC

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

TESTIMONY AGAINST THE REDUCTION / ELIMINATION OF THE FILM OFFICE

September 21, 2009:

Aloha Committee:

It has been suggested by those who wish to close the Hawaii Film Office that permits could be handled by other agencies. I wish to address this issue specifically in terms of what the permit process is like at the movie production side of the table. First, to put the process of permits in context, it is never a simple “one phone call” process as the needs of film, TV and Commercial production and location use can change on a daily basis, thereby meaning the permit process needs flexibility and instant response.

Here are just a few common examples from productions I have been involved in where we have gone through the process of permitting a certain location, only to have the entire production be forced to reschedule because of weather, wind or water conditions that were not suitable to the scene scheduled. Actor issues: sunburns, health, schedule conflicts or other reasons that may cause an entire day may be rescheduled. Special effects – any number of conditions may not be optimal, causing scenes to be rescheduled. Continuity issues, prop readiness, wardrobe repair – the list is endless. In summary, one location may be permitted, but the schedule may change entirely with often less than 24 hours notice. This is “business as usual” in the movie industry, and we need a dedicated film office that is prepared and able to respond efficiently.

In the Director’s Guild of America Training program there is a question on one of the applications for apprenticeship. “At four PM the director tells you he has decided he needs elephants to walk across Times Square at dawn tomorrow. What is your response? Correct answer: “How many?”

Our industry requires support from a dedicated film office that understands our logistical needs, can work with many departments to resolve issues in a timely manner, and on top of that has the flexibility to match the ever changing demands of film and TV production.

Our reputation as a film-friendly state is in jeopardy, and our ability to attract productions here is at stake. Please understand how important the Hawaii State and County Film Offices are in insuring the success of a Hawaii film industry.

Mahalo for your understanding and kokua!

Sincerely,
Genie Joseph

LATE TESTIMONY

From: Tia Carrere [info@tiacarrere.com]
Sent: Sunday, September 20, 2009 7:28 PM
To: EBMtestimony
Subject: Testimony from Tia Carrere re: Hawaii Film Office

Dear legislators of the great state of Hawaii,

With all the complexities and intricacies involved in filming and production, it is of the utmost importance for Hawaii to have a clearing house of information available for producers; a one-stop shop to make it easier and more appealing while dealing with permits, finding locations, or dealing with incentives. In these highly competitive financial times, other states are actively pursuing and wooing production: states like New Mexico, Louisiana, and now, even Iowa! I fear that the closing or truncation of the Hawaii film office, coupled with the recent reduction of tax incentives, sends a very dangerous message to Hollywood. I am personally aware of a few big productions that were taking a wait-and-see attitude toward shooting in Hawaii. I am deeply concerned that this may be a push in exactly the wrong direction. Film is a very important source of revenue for the state. Outside of the actual budget of a film, consider the local people that are employed, the hotels that are filled, the restaurants, retail stores, and services that are patronized. Please do not turn your back on the extremely lucrative film industry. It is now more than ever that we need to nurture and grow such an important revenue stream for the state.

Tia Carrere