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Ho`oulu Lahui/ Kua O Ka La
Public Charter School

Kukui & Gary Maunakea-Forth
(*O`ahu*)
Wai`anae Community Re-
development Corporation –
Mala Ai`Opio (MA`O)

Tommy Otake (*at large*)
Attorney At Law

HACBED Staff

Robert Agres, Jr
Executive Director

Brent Dillabaugh
Asset Policy Coordinator

Larissa Meinecke
Asset Policy Associate

John Higgins
Capacity Building Associate

Briana Monroe
Program Support Assistant

Trung Doan
Graduate Research Assistant

Senate Committee on Economic Development & Taxation (EDT) Hearing

Wednesday, January 27, 2010 at 1:15 p.m.
Conference Room 016, State Capitol

SB 2144 - SUPPORT

Aloha Chairs Fukunaga and committee members:

Thank you for the opportunity to express our **strong support** for the CBED and Enterprise Zone Programs within DBEDT.

The CBED Program was designed to engage communities as full partners with the private and public sectors in the economic development process. Its inception was the result of a collaborative vision and effort between community development practitioners from every island across the State with Governor Waihee, DBEDT, and the State Legislature.

Since its establishment, the CBED Program has provided small investments of funding and financing resources along with technical support to community-based entities that have been able to leverage public resources at an average rate of 11:1 (\$11 leveraged for every \$1 of public funds invested); impact an average of 50 jobs a year (based on data from 1999 to 2005); and generate a range of benefits to more than 110,000 Hawai`i residents, most of whom come from low to low moderate income families. It has helped catalyze a diversity of economic ventures within Hawai`i's low income communities including business incubators, commercial marketplaces, sustainable agriculture ventures, social and health service ventures, cultural and educational centers, workforce development initiatives, small and micro business development and financing programs, and other community development ventures. Just as importantly, it has helped to build the capacity of CBED organizations to engage in on-going economic development efforts and sustain their efforts to expand economic choices, increase wealth, create hope, and promote self-empowerment and self-sufficiency for individuals, families, and communities on all islands so that they can have choice and control over their future.

Reestablishing specialized staff positions for the CBED and Enterprise Zone programs within DBEDT is critical to the success of the programs that have significantly contributed to the State's economic well-being. Operational funding is necessary for the CBED Revolving Fund, especially in the initial years, to ensure the Revolving Fund can carry the personnel and operating costs of the CBED and EZ programs, provide grants and loans to community

Community Voice, Collective Action

Senate Committee on Economic Development & Taxation

Hearing, Jan. 27, 2010

Page 2

nonprofit organizations, and identify, match funds where necessary, apply for and successfully obtain other sources of funding besides the State General Funds. The CBED Revolving Fund, in the provision of small seed grants to communities does not charge communities any fees or other revenue generating charges.

Please vote in favor of SB 2144. Thank you for the opportunity to submit testimony.

Sincerely,

Robert Agres, Jr.
Executive Director

Testimony to the Senate Committee Economic Development and Technology
Wednesday, January 27, 2010
1:15 p.m.
Conference Room 016

RE: SENATE BILL NO. 2144 RELATING TO ECONOMIC DEVELOPMENT

Chair Fukunaga, Vice Chair Baker, and members of the committee:

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 support to Senate Bill No. 2144, relating to Economic Development.

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.

The Chamber supports diverting film industry revenues to pay for the operation of the Film Office as well as amending the uses to require that moneys in the revolving fund be used to fund the community-based economic development program and enterprise zone program operational and staff costs.

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.

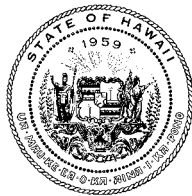
In order for these programs to be effective, however, requires a staff that employs a level of experience, expertise and know-how in running these complex programs that otherwise would be difficult to rebuild. Having a well-qualified and knowledgeable personnel will ensure the programs are executed efficiently and effectively that will lead to significant contributions to the State's economy. Furthermore, although the economic benefits of these programs may not be as obvious, they help stimulate small business activity in a myriad of ways.

Thus, The Chamber respectfully requests SB 2144 be passed.

Thank you for the opportunity to testify.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

STANLEY SHIRAKI
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
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**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY
TESTIMONY REGARDING SB 2144
RELATING TO ECONOMIC DEVELOPMENT**

*****WRITTEN TESTIMONY ONLY*****

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: JANUARY 27, 2010
TIME: 1:15PM
ROOM: 016

This measure, among other things, requires the Department of Taxation to study the aggregate impacts of the Film Production Tax Credit under Section 235-17, Hawaii Revised Statutes. This measure also proposes a new means of funding the Hawaii Film Office by diverting an amount of net tax revenues generated by the "impacts" of the film industry in Hawaii.

The Department of Taxation ("Department") **supports the concept of this independent funding** for the Film Office; **however opposes the funding mechanism.**

I. REQUIREMENT TO STUDY THE FILM INDUSTRY

This measure requires the Department report aggregate data submitted to the Film Office as part of the existing requirements of the Film Production Tax Credit. Though presently understaffed, the Department maintains a Tax Research & Planning Office capable of reporting and studying the aggregate information collected for this tax credit. The Department does not object to studying this tax credit; however points out that its research office has limited resources at the current time and likely into the future given current budget cuts. The Department asks that studies be prioritized.

II. THE DEPARTMENT GENERALLY SUPPORTS INDEPENDENT FILM OFFICE FUNDING; HOWEVER OPPOSES THE MEANS IN THIS BILL

SUPPORT FOR INDEPENDENT FUNDING—The Department supports the concept of sufficient funding for the Film Office in order to accomplish its statutory requirement of certifying the Film Production Tax Credit. The Film Office plays a vital role through specialists with expertise in the motion picture industry. The Film Office has maintained a collaborative relationship with the Department for several years in the successful administration of the tax credit. To avoid additional

impacts on both departments, the Department supports the discussion of independently funding the Film Office. Several options are available, including nominal fees for permits or application fees for certifications similar to the Department's fees charged for high tech credit certificates.

The Department points out that much of this data is already collected and compiled in association with the high technology business investment tax credit certifications.

THE DEPARTMENT OPPOSES GENERAL REVENUE DIVERSIONS—The Department is always cautious about policy that redirects excise tax revenue away from the general fund and into specific special funds. The Department routinely opposes funding mechanisms such as this. The Department strongly prefers that a direct appropriation be the means for funding this program so that the amount may be budgeted and prioritized just as any other program.

Moreover, the funding concept in this legislation, whereby the first \$500,000 or a blank percentage of net tax revenue generated by the impact of this industry is deposited into the special fund, is simply unworkable. The Department does not track revenues by industry to the detail contemplated by this measure. In order to track such, it would require an appropriation to modify forms and computers, which are not factored into the Executive Budget. Moreover, if the economic impact is to be based upon a study of the Department, it will simply be a projection or an estimate, which is not reliable for funding purposes. If the intent is simply to fund \$500,000 for operating costs, fund it through fees or direct appropriations every year by the Legislature.

In short, the Department suggests a simpler and more accurate and reliable means of funding the Film Office. The funding proposed in this measure is unreliable.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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**The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate
Committee on Economic Development and Technology**

**Testimony by
Hawaii Government Employees Association
January 27, 2010**

**S.B. 2144- RELATING TO
ECONOMIC DEVELOPMENT**

The Hawaii Government Employees Association, AFSCME, Local 152, AFL-CIO, supports S.B. 2144- Relating to Economic Development. The purpose of this legislation is to retain existing specialized staff in programs that have substantially contributed to the State's economic well-being and ensure greater program self-sufficiency by (1) redirecting the income, purposes and uses of the Hawaii television and film development special fund, and (2) amending the uses of the Hawaii community development revolving fund to include operational funding and a funding mechanism for the enterprise zone program.

The Film Industry Branch of the Department of Business, Economic Development and Tourism (DBEDT) generates significant amounts of tax revenue for the State of Hawaii. They have proven to attract many film producers to the islands and have brought in millions of dollars to boost Hawaii's economy. However, the department's irresponsible actions during the recent reduction-in-force process substantially decreased the availability of competent experts in the Film Industry Branch.

The decision to eliminate specialized staff within DBEDT will likely result in considerable lost income to the State. There is a need for knowledgeable and experienced staff to administer and operate the Film Industry Branch, which was lost as a result of the reduction-in-force. S.B. 2144 corrects that problem. Those individuals in the Film Industry Branch who were laid off should be rehired through the recall list.

Of equal importance are the community-based economic development and enterprise zone-partnership branches in DBEDT. Loss of key personnel with specialized expertise in these sections as a result of the recent reduction-in-force actions will make it very difficult to meet the mandates of Acts 124 and 174, Session Laws of Hawaii, 2009.

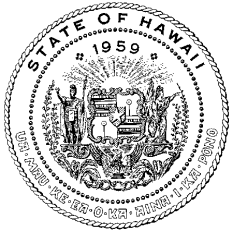
Hawaii State Senate
Committee on Economic Development and Technology
January 27, 2010
Re: S.B. 2144 - Relating to Economic Development
Page 2

Based on the above, HGEA supports retaining key personnel with specialized expertise in the three branches of DBEDT as stated in S.B. 2144. Thank you for the opportunity to submit testimony in support of S.B. 2144.

Respectfully Submitted,

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

Nora A. Nomura
Deputy Executive Director



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
PEARL IMADA-IBOSHI
DEPUTY DIRECTOR

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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEE ON
ECONOMIC DEVELOPMENT AND TECHNOLOGY**

Wednesday, January 27, 2010
1:15 p.m.
State Capitol, Conference Room 016

in consideration of
SB 2144
RELATING TO ECONOMIC DEVELOPMENT

Chair Fukunaga, Vice Chair Baker, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of this SB2144 as it will provide much needed resources that would enhance the functions of the respective programs - film industry branch, the community-based economic development program, and the enterprise zone-partnership. We agree that the programs are important economic generators for the State. We want to assure the committee that these statutory mandated programs are being adequately addressed by existing staff that have great familiarity and knowledge of these programs. However, this is being accomplished at the expense of other priority programs that also have positive fiscal impacts on the economy.

We ask the committee consider the following:

- SB2144 addresses the existing statute Chapter 231 and specifically the television and film development special fund - suggesting changes that redirects the income, purpose and uses of the fund to provide perpetual support to the functions of the film office .

Similarly, the Governor's administration has proposed in SB2682 that consideration to be given to also address changes to HRS Chapter 231 and looks to rename and broaden the purpose and responsibility of the current film and television development board to create a creative media commission and to rename and broaden the scope of the Hawaii television and film development special fund in to the creative media development special fund. The measure provides a means to tap resources that will allow the department to carry out its functions and operations in developing, promoting and assisting film television digital media as well as other creative industries in Hawaii.

The administrations bill recognizes that film and television production is a major part of the creative sector and the dynamic and symbiotic relationship with other business in the sector (arts, culture, digital media) results in the distinctive richness of culture, talent and environment that filmmakers come here to capture. The repurposed commission and development fund will help the entire creative sector to grow and flourish.

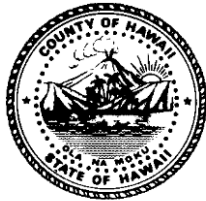
We respectfully ask that the committee consider a broader approach to addressing Chapter 231 as it will support the growth of television and film and all aspects of the creative sector.

- DBEDT supports the intent of the section of SB 2144 that proposes that the Community-Based Economic Development (CBED) and Enterprise Zone (EZ) Programs' personnel and operating costs be funded through the Community-Based Economic Development Revolving Fund. However, we note that legislation fails to provide adequate up-front financial support for the CBED Revolving Fund to carry the personnel and operating costs of the CBED and EZ Programs, provide grants and loans to community nonprofit organizations, and identify and obtain other funding sources besides state general funds. Although the CBED and EZ programs generate state tax revenues to the state through the

assistance it provides to non-profit organizations and businesses located in economically distressed areas of our state by creating jobs and strengthening communities, the programs do not directly generate revenues to sustain its programs through fees or charges to the organizations they serve.

Thank you for the opportunity to provide these comments.

William P. Kenoi
Mayor



Randall M. Kurohara
Director

Laverne R. Omori
Deputy Director

County of Hawai`i

DEPARTMENT OF RESEARCH AND DEVELOPMENT

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January 25, 2010

The Honorable Donna Mercado Kim, Chairperson
And Members of the Senate Ways and Means Committee and
The Honorable Carol Fukunaga, Chairperson
And Members of the Senate Committee on Economic Development & Technology
State Capitol, Conference Room 016
Honolulu, Hawai`i, 96800

RE: SB 2144, Relating to Economic Development

Dear Chairpersons Kim and Fukunaga:

On behalf of the County of Hawai`i, Department of Research and Development we strongly support SB 2144 which will create a mechanism to fund staff and operational costs for the Community Based Economic Development Program (CBED) and Enterprise Zone (EZ) programs through CBED's revolving fund.

Approximately 55 businesses from the County of Hawai`i are currently participating in the EZ program. The EZ program promotes key industries like agriculture, manufacturing, wholesaling, and wind energy which are not only a priority to the County but important for our economic recovery. Moreover, the County of Hawai`i has the largest agriculture acreage (about 63%) and the highest volume of agriculture production; it is necessary to have incentives and programs to help agriculture producers and manufacturers.

The EZ program was originally designed to be a joint State and County government initiative to encourage job creation and economic development in distressed communities. Without the proper State staffing and resources, our businesses are not receiving the necessary level of information and services, and cannot succeed.

Please pass SB 2144 to create a mechanism to fund staff and operational costs for these income-generating programs critical to the State's economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Randall M. Kurohara".

RANDALL M. KUROHARA
Director

WEST ISLAND PRODUCTIONS 🎬 FILM 📺 VIDEO 👁 VISION 👁

PAUL Y. NISHIJIMA 🎬 PRODUCER 🎬 WRITER 🎬 DIRECTOR 🎬

📍 3244A Monsarrat ave 📍 Honolulu 📍 HI 📍 96815 📞 (808) 258-2751 📠

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26 January 2010

RE: Testimony in favor of SB2144

CBED

I am writing in support of SB2144 especially in regards to the reinstatement of CBED as an autonomous entity with dedicated funding.

As a filmmaker, I have documented CBED's work in the State to foster economic growth especially in under-represented communities since 1999. One such video was on the Samoan Service Providers Association (SSPA). CBED was responsible for helping SSPA to initiate economic incubators in the Samoan community with training offices on North King Street in the Kalihi-Palama area and later at Kuhio Park Terrace (KPT). It was truly a grass-roots organization, which provided economic stimulus to the Samoan community.

CBED needs to be reconstituted so that it can continue this grass-roots effort to spur the economic development among groups that need help especially during these hard economic times. However, unlike the Film Office, CBED would need initial funding to restart its efforts to win grants and funding from the federal government. Therefore, an initial funding mechanism should be a key ingredient of the bill.

I applaud the legislature's recognition that the elimination of personnel from the Film Office, CBED, and State Enterprise Zone was egregiously short-sighted. SB2144 would revive CBED's grass-roots efforts to activate communities throughout the State towards economic stability and prosperity.

Mahalo,

Paul Y. Nishijima
Producer
West Island Productions

Date: January 26, 2010

From: Ricardo S. Galindez, Producer, Island Film Group

Re: Testimony in Support of SB 2144

The reduction of the role of the Hawaii Film Office (HFO) to those of film permit processing and Act 88 information collecting has resulted in the elimination of one of the most important services previously provided by the HFO. By abolishing the positions of the most senior staff, the HFO has lost the institutional memory and long-standing business relationships with the production community, both in Hawaii and the Mainland. The importance of these business relationships cannot be overstated.

For example, when ABC wanted to film a television pilot in 2004 that had initially been planned to film in Australia, the HFO convinced the producers that Hawaii had the necessary resources to support such a production. When ABC then told the HFO that they needed an airplane to be wrecked on a beach as part of the set, the HFO had approximately one week to find a way to issue the appropriate permits. As you probably know, the pilot was for a series called "Lost" which went on to become one of the most successful shows in the history of television and for Hawaii. While the idea of moving mountains to provide a permit for "Lost" seems reasonable, at the time the permit request was made there were three other pilots being filmed in Hawaii, and most people thought that "Lost" had the smallest chance of being picked up to series, let alone lasting for five seasons. Had senior staff of the HFO not been available to the producers of Lost for this challenge (and many others over the last five years), there is a good chance that Lost would have been made elsewhere.

Another example of the importance of long-standing business relationships involves the protection of Hawaiian culture as it is depicted on film and television. As a constitutional matter, there is little that can be done legally if a film or television production decided to portray the Hawaiian culture in a stereotypical or derogatory manner. When the NBC was filming the television pilot "Hawaii" there was a scene involving the use of ancient Hawaiian weapons in a modern day murder. Although the scene remained, it was changed, through the hard work and negotiation by the HFO with a senior executive at NBC that a senior staff member of the HFO had worked with in the past. Without such a business relationship it is doubtful that the changes would have been made.

Finally, while Hawaii's film and television industry has been growing it is still in a fragile state. Much like the small business owner that must make the decision to expand, hire more employees and take additional risk if the business is to grow, Hawaii must expand its production infrastructure if the film and television industry is to become a robust and self-sustaining industry. By reducing the services, both official and unofficial, that the HFO can provide we are hindering the momentum that we have worked so hard to achieve Hawaii and its economy.

Testimony of Thomas J. Smyth, CEcD
Before the
Committee on Economic Development and Technology
Wednesday, January 27, 2010 1:15 p.m. Conference Room 016
On
SB 2144 Relating to Economic Development

Chair Fukunaga, Vice Chair Baker and Committee Members:

I strongly support this bill that expands the purpose of the existing Film Development Special Fund to include funding for staff of the Hawaii Film Office. A very small portion of the revenues produced by filming and related activities in Hawaii, most of which is facilitated by the Film Office, would be used for this purpose.

It is ironic that after two of the most successful years of film activities in Hawaii, funds for the Film Office are being cut drastically. I have previously testified before this committee on the illogic of this budget cut. Just last week the efforts of those who were laid off were rewarded with the announcement of two major film projects.

The cap on the amount put into the fund should be sufficient to cover the administrative and personnel costs of the office without allowing the fund to grow inordinately.

This reasoned approach will go far in reestablishing Hawaii as a desirable place to shoot. Not just because we have the scenery and qualified personnel, but because the State of Hawaii does want to market and facilitate this most important industry.

Thank you for the opportunity to provide comments.

TESTIMONY OF WILLIAM G. MEYER, III

HEARING DATE/TIME: Wednesday, January 27, 2010
 1:15 p.m. in Conference Room 016

TO: Senate Committee on Economic Development and Technology

RE: Testimony in Support of SB 2144

Dear Chair, Vice-Chair and Committee Members:

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

I support passage of SB 2144.

Respectfully submitted,

/s/ William G. Meyer, III

William G. Meyer, III

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ADMINISTRATION, Motion picture, digital media and film production tax credit

BILL NUMBER: SB 2144; HB 2408 (Identical)

INTRODUCED BY: SB by Fukunaga, Ige and 1 Democrat; HB by B. Oshiro

BRIEF SUMMARY: Adds a new section to HRS chapter 231 to require the department of taxation to use the information collected pursuant to HRS 235-17(h) and (I) to study the effectiveness of the motion picture, digital media, and film production income tax credit. Directs the department to report on the aggregate amount of all qualified production costs per qualified production and per qualified production per taxable year, jobs created by category and by county, compensation levels, and other factors as the department of taxation determines. The report shall be submitted to the legislature by December 1 of each year.

Amends HRS section 201-113 to rename the Hawaii television and film development special fund the Hawaii film office special fund. The first \$500,000 or ____% of the net tax revenue realized by the state in each calendar year from the economic development impact of the motion picture, digital media, and film production income tax credit under HRS section 235-17, shall be deposited into the special fund. Amends the uses of the fund by deleting references to the implementation of a grant program and a venture capital program.

In order to determine the amount of tax revenue attributable to the economic development impact of the motion picture, digital media, and film production income tax credit for the purpose of determining the amount of tax revenue to be deposited into the special fund, the department of taxation is to measure the degree of economic activity generated from the motion picture, digital media, and film production income tax credit, including job creation, hotel room occupancy, restaurant sales, and other sources of related income generating activities.

Moneys in the fund shall be used for the operations of the Hawaii film office; provided that the use of moneys from the fund for current and future personnel costs shall be limited to those employees performing specialized duties and assigned to the Hawaii film office operations. Requires the department of taxation to report annually to the legislature beginning on July 1, 2011 on the deposits, appropriations, and balance in the special fund for the immediately preceding fiscal year.

Amends HRS section 210D-4 to provide that the Hawaii community-based economic development revolving fund is to fund the operations of the community-based program and the enterprise zone program under HRS chapter 209E.

Repeals HRS section 201-112 to repeal the Hawaii television and film development board.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: The legislature by Act 107, SLH 1997, enacted an income tax credit of 4% for costs incurred as a result of producing a motion picture or television film in the state and 7.25% for transient accommodations rented in connection with such activity. The credit was adopted largely to address the impost of the state's general excise tax on goods and services used by film producers. The legislature by Act 88, SLH 2006, increased the 4% credit to 15% of qualified production costs if the film is made on Oahu and 20% of qualified costs if filmed on a Neighbor Island. The credit is to revert back to 4% on 1/1/16.

The proposed measure would direct the department of taxation to study the effectiveness of the motion picture, digital media, and film production income tax credit. It should be noted that income tax credits are designed to reduce the tax burden by providing relief for taxes paid. Tax credits are justified on the basis that taxpayers with a lesser ability to pay should be granted relief for state taxes imposed. As it was pointed out when the Act was originally enacted, this measure merely results in a subsidy by government at the expense of all taxpayers. While the proponents of the credit try to justify the argument that Hawaii needs to enact such an incentive to compete for this type of business, one has to ask "at what price?" Perhaps when wages are paid to these select workers, there should be a phrase at the bottom of the check that says: "Paid for by the working poor taxpayers of Hawaii."

Promoters of the film industry obviously don't give much credit to Hawaii's natural beauty and more recently its relative security. If promoters of the film industry would just do their job in outlining the advantages of doing this type of work in Hawaii and address some of the costly barriers by correcting them, such tax incentives would not be necessary. From permitting to skilled labor to facilitating transportation of equipment, there are ways that could reduce the cost of filming in Hawaii. Unless these intrinsic elements are addressed, movie makers will probably demand subsidies such as this incentive. Unfortunately, they come at the expense of all taxpayers and industries struggling to survive in Hawaii.

If lawmakers want to subsidize the film industry in Hawaii, then a direct appropriation of public funds is more accountable and would subject that expenditure to public scrutiny. If taxpayers do not agree with the subsidy or the amount of public funds being spent, they can hold their lawmakers accountable for that expense.

Finally, the proposed study is like the proverbial horse and the barn door, it is a day late and a dollar short. Indeed studies done on the national level have shown that the film industry has basically held states hostage demanding subsidies, such as the film tax credit, while creating only temporary economic activity. The attraction for elected officials is being able to bask in the limelight of stardom while doing very little to improve the overall economic outlook for their local communities. The tax credit subsidies allow these favored industries to increase their profit margins at the expense of local taxpayers.

It is incredulous that lawmakers would continue to push for these subsidies while entertaining substantial tax increases on their resident constituents. While lawmakers approve these targeted tax incentives in the name of creating jobs, the higher income tax and general excise tax burden they are pondering will have businesses and families in Hawaii struggling more just to survive in these difficult economic times. It would be interesting to see how a direct appropriation of general funds to subsidize these and other industries would fare when measured against other pressing needs of the state be it education, health care, or social welfare programs. How would proponents justify subsidizing some Hollywood actor's swimming pool against homeless families or starving children? No matter how much lawmakers may wish to argue that such tax incentives create jobs, the question that should really be asked is, at whose

expense? In this case it is at the expense of not only the hungry and homeless, but at the expense of the family trying to make ends meet or the mom and pop neighborhood store trying to stay in business

Finally, the bemoaning of lawmakers about the “brain-drain” of Hawaii’s brightest and best is somewhat disingenuous given proposals like this when the burden of running state government shifts to all other taxpayers. Why would the “brightest and best” want to move home to Hawaii when costs are two or three times as much just to have a decent house for their families and to be able to put food on the table? One has to ask if the beneficiaries of these tax credits truly give back to the community other than lending their presence at celebrity functions? In all truth, these beneficiaries have only taken and rarely have given back the way old time businesses did so willingly in the past.

While the measure also provides that the first \$500,000 or an unspecified percentage of net tax revenue realized by the state due to the economic impact of the motion picture, digital media, and film production income tax credit shall be deposited into the Hawaii film office special fund, again, the use of general funds via the appropriation process would be preferable to ensure that the Hawaii film office receives adequate funding, instead of the back door approach of a special fund. Earmarking sources of revenue, such as this measure proposes, abrogates the accountability relationship between lawmakers and the taxpayers of this state. If lawmakers truly believe that funding of the film office is an essential public program then it should be funded through the appropriation process and be measured against all the other responsibilities of state government.

Digested 1/26/10

LATE

fukunaga3 - Doris

To: Sen. Carol Fukunaga
Subject: RE: In support of SB 2144

From: Ben Shafer <bdshafer@gmail.com>
Date: Tue, 26 Jan 2010 23:54:55 -1000
To: All Senators <sens@capitol.hawaii.gov>
Subject: In support of SB 2144

January 26, 2010

The Senate Committee of Economic Development and Technology Chairperson Carol Fukunaga, Vice Chairperson Rosalyn Baker and Committee Members; Clayton Hee, David Ige and Sam Slom

In support of SB 2144 - Television/Film Development Special Funds Community –Based Economic Development Revolving Fund.

Aloha Kakou Chairperson Fukunaga, Vice Chair Baker and members of the EDT Committee;

I am in full support of this bill. SB 2144 is community-based economic development and enterprise zone programming. This could lead to providing a future in film and stage training for our keiki's. Investing now for our future will make Hawaii's film and stage industry paramount to attracting world-wide network of interested persons who would love to come here and film or show-case stage performances.

I am a member of IATSE Local 665, located in Honolulu. Although, I do not speak on behalf of our 400 + members, I do know that our members and their ohana's would support SB 2144 as it provides jobs for our members now and into the future.

Sincerely,

Ben Shafer

Ben Shafer
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