



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

KEALI' I. S. LOPEZ
DIRECTOR

EVERETT S. KANESHIGE
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-SIXTH LEGISLATURE
Regular Session of 2011

February 24, 2011
2:30 p.m.

TESTIMONY ON H.B.550 – RELATING TO TELEVISION.

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, MARILYN B. LEE, VICE CHAIR
AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs (Department) appreciates the opportunity to testify in support of the intent of House Bill No. 550, Relating to Television. My name is Everett Kaneshige, and I am the Department's Deputy Director.

Section 1 of House Bill No. 550, proposes an analysis of the allocation of cable operator franchise fees to: "(1) Public, education, and government access organizations; (2) Hawaii Public Television Foundation; and (3) the department of commerce and consumer affairs' cable television division to determine the basis and rationale for the distribution of amounts to each entity for fiscal years 2008, 2009, and 2010 and to determine whether the rationale for distribution includes audit costs, and by whom."

The Department supports the analysis in section 1.

Section 2 of House Bill No. 550 directs the auditor to "contract for a performance review or audit of Olelo Community Television to determine the effectiveness with which

it implements its programs and uses its allocated resources” and that “the review or audit shall include but not be limited to an examination of financial records, overall financial health and the use of allocated resources in relation to the services provided, programming results and effectiveness and operating expenses.”

The Department is supportive of the intent expressed in section 2. However, the Department would like to point out that Ōlelo is required to provide the Department with audited financial statements on an annual basis and that information concerning ‘Ōlelo’s programs and resources is provided to the Department which is posted on the Department’s webpage. (This information can be found here: http://hawaii.gov/dcca/catv/peg_access_center). Notwithstanding this, if the Committee still feels it is appropriate to proceed with the audit and review of ‘Ōlelo, the Department would be willing to take the lead on conducting the audit/review.

Thank you for the opportunity to testify on this measure. I would be happy to answer any questions that the committee might have.

February 23, 2011

The Honorable Marcus R. Oshiro
Chair, Committee on Finance
Hawaii State House of Representatives
415 S. Beretania Street, Room 306

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Roy K. Amemiya, Jr.
Interim President/CEO

Dear Chair Oshiro, Vice Chair Lee, and members of the committee;

**Subject: Testimony in partial support of HB 550 Relating to
Television**

My name is Roy Amemiya, President and CEO of 'Ōlelo Community Media, the PEG Access Provider for Oahu. We offer the following comments on HB 550 which, in section 1, calls for an analysis of the allocation of cable operator franchise fees to PEG access organizations, Hawai'i Public Television Foundation and the DCCA's Cable Television Division. Section 2 of this bill calls for a performance audit of 'Ōlelo.

'Ōlelo is supportive of section 1 of the bill but would like it noted that 'Ōlelo would be disappointed if HB550 leads to the other PEGs or Hawaii Public Television receiving a smaller percentage of revenues. We do, however, fully support the concept of raising the franchise fee if it would lead to more community access and additional airings of legislative and other government proceedings.

Additionally, we must point out that 'Ōlelo has a separate funding challenge from our neighbor island counterparts. Since 2001, 'Ōlelo has been subject to a funding cap imposed by the DCCA. Removal of this cap would allow us to curb recent operating losses as well as improve and expand our service levels. As long as we are subject to the cap, the raising of the cable operator franchise fee will not result in any additional revenue to 'Ōlelo and expanding our service would be challenging.


With regard to the performance audit of 'Ōlelo, and as stated in the DCCA's testimony on this matter before the House LMG Committee, 'Ōlelo is already required to provide audited financial statements on an annual basis and 'Ōlelo's annual performance reports are filed with the DCCA and publically available on the DCCA's website. These reports contain information on first run programming hours, technical outages, volunteer activity, training results, equipment and facility usage, community building projects and a number of other performance related areas. These reports serve as the basis for review by the DCCA in administrating contracts.

Accordingly, while 'Ōlelo is not opposed to having a third party review its performance, we would like to point out that 'Ōlelo makes it a priority to operate in a very responsible manner, and if there are specific concerns regarding our operations and practices, they should be brought directly to our attention. At this point, a performance audit is overkill and the cost to commission it would not be a good use of scarce funds.

In addition to this, a performance audit will provide a major distraction from our primary objectives for 2011 which include transition to new leadership, stabilizing finances, competing for the overall PEG contract, and some very aggressive initiatives including the transition from analog to digital equipment.

In summary, while we appreciate and support this committee's interest in both raising the overall amount of revenues and the programming and captioning of the government sector, we ask that you reconsider the section of the bill calling for a performance audit of 'Ōlelo. We will continue to work transparently with the DCCA who is capable of providing the program review that this bill seeks.

Aloha,


Roy K. Amemiya, Jr.
Interim President and CEO