

SB 952

EDT



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

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Statement of
RICHARD C. LIM
Interim Director
Department of Business, Economic Development, and Tourism
before the
COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
Wednesday, February 2, 2011
1:45 p.m.
State Capitol, Conference Room 016

in consideration of
SB 952
RELATING TO THE BUSINESS DEVELOPMENT FUND.

Chair Fukunaga, Vice Chair Wakai, and members of the Committee. DBEDT supports the intent of SB952 but recommends some changes. The purpose of SB952 is to establish a special fund for DBEDT to be used for operations and training of personnel by DBEDT.

SB952 creates a special fund to be known as the Business Development Fund. SB952 allows the Director of DBEDT to “establish, increase, decrease or repeal fees relating to any services rendered to business entities within the jurisdiction of DBEDT” and to “assess fees for copies of publications, reports, or materials prepared or issued by DBEDT.” All “revenues, fees and fines collected by DBEDT” shall be deposited into this SF. SB952 specifies that the fund shall be used for the operations and training of personnel as determined by the Director of DBEDT. SB952 requires that the Director of DBEDT submit an annual report detailing the expenditures of the Business Development Fund to the Legislature and the Governor. DBEDT will only be addressing Section 1 of SB952.

DBEDT has concerns with SB952 and does not believe that SB952 will adequately support the needs of the various divisions and attached agencies. DBEDT offers the following points and comments.

Within DBEDT, the ability to charge fees for services is limited. Some services that DBEDT could charge fees for would be for the processing of film permits processed online via the film office website, processing and certification for the Act 88 tax credits, CBED program processing fees, and other division related fees.

It is undetermined how many requests DBEDT receives for copies of publication, reports or materials prepared or issued by DBEDT. Many of the DBEDT reports are posted on the DBEDT website. If the intent of SB952 is to also charge for downloads of reports or materials prepared or issued by DBEDT, then DBEDT recommends that “charging for downloads” be specified on Section 1, P. 2, item “c.2” lines 15-21.

DBEDT estimates that the following fees could be collected, though in some cases additional policies and procedures need to be created: \$100/Film Permit Application (estimated at \$100 x 1,500 permits issued = \$15,000 annually), \$20/Annual Film Permit Application (estimated at \$20 x 300 annual permits issued = \$6,000), \$500/violation of a Film Permit (estimated at \$500 x 50 violations = \$25,000), Act 88 processing fee (\$1,000/Act 88 application fee (estimated at \$1000 x 25 applications = \$25,000), and revenues from the rental of the Hawaii Film Studio (\$40,000 x 12 months = \$480,000 net/year if occupied. Currently DBEDT does not charge fees for the issuance of film permits or tax credit certifications nor does DBEDT collect fines for violations of film permits. However, §201-2.5 does allow for DBEDT to charge reasonable fees for services rendered so that authority has already been established.

It is not clear if the intent of SB952 is to also collect revenues, fees and fines from DBEDT's attached agencies to be deposited into the Business Development Fund. This intention should be clearly specified as it would affect the operations and existing special funds of those attached agencies. However, such a fee structure for attached agencies may require board approval and, in the case of any statutory requirements, legislation would be required to amend the statute.

Additionally, SB952 does not contain an appropriation for the Business Development Fund. It is necessary to have the appropriation language in order to allot and expend funds.

Suggested appropriation language:

There is appropriated out of the Business Development special fund the sum of \$XXX,XXX or so much thereof as may be necessary for fiscal years 2012-2013 to be expended for the purposes of §26-18, Hawaii Revised Statutes.

Thank you for the opportunity to offer these comments and recommendations.

TESTIMONY BY KALBERT K. YOUNG
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT
AND TECHNOLOGY
ON
SENATE BILL NO. 952

February 2, 2011

RELATING TO BUSINESS DEVELOPMENT FUND

Senate Bill No. 952 establishes the business development special fund in the Department of Business, Economic Development and Tourism and allows Department of Business, Economic Development and Tourism to: 1) establish, increase, decrease, or repeal fees relating to services rendered to business entities within the jurisdiction of the department and 2) assess fees for copies of publications, reports, or materials prepared for or issued by the department. The fees are to be established through the rule making process and deposited into the business development special fund.

As a matter of general policy, the Department of Budget and Finance does not support the creation of any special fund which does not meet the requirements of Section 37-52.3 of the Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 952, it is difficult to determine whether the fund would be self-sustaining.



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REVISED: 2/2/2011

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SB952 creates a special fund to be known as the Business Development Fund. SB952 allows the Director of DBEDT to “establish, increase, decrease or repeal fees relating to any services rendered to business entities within the jurisdiction of DBEDT” and to “assess fees for copies of publications, reports, or materials prepared or issued by DBEDT.” All “revenues, fees and fines collected by DBEDT” shall be deposited into this special fund shall be used for the operations and training of personnel as determined by the Director of DBEDT.

We appreciate the establishment of a mechanism that provides for DBEDT to keep the fees it charges for its services. The Division that could benefit the most for fees for services is our Creative Industries Division. DBEDT estimates that the following fees could be collected annually: Film Permit Applications (\$15,000) Annual Film Permit Application (\$6,000), Film

Permit (\$25,000), Act 88 processing fee (\$25,000), and revenues from the rental of the Hawaii Film Studio (\$480,000 net/year if occupied).

We offer below the appropriation language in order to allot and expend funds from the revolving fund:

There is appropriated out of the Business Development special fund the sum of \$XXX,XXX or so much thereof as may be necessary for fiscal years 2012-2013 to be expended for the purposes of §26-18, Hawaii Revised Statutes.

Thank you for the opportunity to provide this testimony.