



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

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Statement of
RICHARD C. LIM
Director

Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 24, 2012

9:00 a.m.

State Capitol, Conference Room 211

in consideration of
SB3050 SD1

RELATING TO FILM, TELEVISION, DIGITAL AND NEW MEDIA DEVELOPMENT

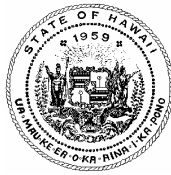
Chair Ige, Vice Chair Kidani, Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of Senate Bill 3050 SD1 which would assign the Hawaii Tourism Authority (HTA) the responsibilities for film, television, digital, and new media development, including all statutory related functions.

Historically, the film program, in addition to marketing the industry, processes over 2,000 film permits and fields nearly 5,000 production inquiries annually. It also processes over 30 production tax credit applications and reports. On average, this volume of business represents more than \$200 million a year in direct expenditures across the State.

We are concerned that SB3050 SD1 does not state that monies from the Film, Television, Digital, and New Media Development Special Fund shall be used for the continued staffing and operation of the Hawaii Film Office and the operation and maintenance of the Hawaii Film Studio. It would be important to include such language to ensure that the State can meet the film program's core functions, which include year-round operation and maintenance of the Hawaii Film Studio and administration and certification of the tax credit program under HRS 235-17.

Thank you for the opportunity to testify on this measure.



STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

February 23, 2012

**COMMENTS TO THE
SENATE COMMITTEE ON WAYS AND MEANS**

For Hearing on Friday, February 24, 2012
9:00 a.m., Conference Room 211

BY

BARBARA A. KRIEG
INTERIM DIRECTOR

Senate Bill No. 3050, S.D. 1
Relating to Film, Television, Digital, and New Media Development

WRITTEN COMMENTS ONLY

TO CHAIRPERSON IGE AND MEMBERS OF THE COMMITTEE:

The purpose of S.B. No. 3050, S.D. 1 is to assign to the Hawaii Tourism Authority the responsibilities for film, television, digital, and new media development; repeal the film industry activities within the Department of Business, Economic Development and Tourism; and make several conforming amendments.

The Department of Human Resources Development has **comments** on the proposed transfer. To protect the rights and benefits of the employees to be transferred, we recommend the following proposed transfer language be used in place of the transfer language in Section 9, lines 4-22 on page 28 and lines 1-3 on page 29 of this bill:

“All employees who occupy civil service positions and whose functions are transferred to the Hawaii tourism authority by this Act shall retain their civil service status

(permanent or temporary). Employees shall be transferred without loss of salary, seniority, retention points, prior service credit, any vacation and sick leave credits previously earned, and other rights, benefits, and privileges, in accordance with state personnel laws and this Act, provided that the employees possess the minimum qualifications and public employment requirements for the class and/or position to which transferred or appointed, as applicable, provided further that subsequent changes in status may be made pursuant to applicable civil service and compensation laws.

Any employee who, prior to this Act, is exempt from civil service and is transferred as a consequence of this Act, may continue to retain the employee's exempt status, but shall not be appointed to a civil service position because of this Act. An exempt employee who is transferred by this Act shall not suffer any loss of prior service credit, any vacation and sick leave credits previously earned, or other employee benefits or privileges as a consequence of this Act, provided that the employees possess legal and public employment requirements for the position to which transferred or appointed, as applicable; provided that subsequent changes in status may be made pursuant to applicable employment and compensation laws. The chief executive officer may prescribe the duties and qualifications of such employees and fix their salaries without regard to chapter 76, Hawaii Revised Statutes."

Thank you for the opportunity to offer comments on this measure.

TAXBILLSERVICE

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SUBJECT: INCOME, GENERAL EXCISE, USE, Exempt construction of a Hawaii film facility

BILL NUMBER: SB 3050, SD-1

INTRODUCED BY: Senate Committee on Economic Development and Technology

BRIEF SUMMARY: Adds a new section to HRS chapter 237 to provide that amounts received from the construction or operation of a Hawaii film facility under a financing agreement pursuant to HRS chapter 37D, shall be exempt from the general excise tax.

Amends HRS section 235-17 to replace references to the department of business, economic development (DBEDT) and tourism with Hawaii tourism authority.

Adds a new paragraph to HRS section 238-1 to provide that the use tax shall not be applicable to the use of material, parts, or tools imported or purchased by a person licensed under HRS chapter 237 that are used for a Hawaii film facility or the construction of a Hawaii film facility.

Amends HRS chapter 201B to establish a new part titled “film, television, digital, and new media development” and provides that the Hawaii tourism authority shall be responsible for such development while repealing the film industry responsibilities of DBEDT. Also establishes a film, television, digital, and new media development special fund to be used by the authority to assist in and provide incentives for the production of eligible projects in the state.

Repeals HRS chapter 201, part IX, which established the Hawaii television and film development board and the Hawaii television and film development special fund and transfers all rights, powers, functions, and duties related to Hawaii television and film development to the Hawaii tourism authority.

Requires the Hawaii tourism authority to restructure the debt service of the convention center enterprise special fund and appropriate \$_____ from any savings from the restructuring in fiscal 2013 and fiscal 2014 to be deposited into the film, television, digital and new media development special fund established by this measure.

Appropriates \$_____ out of the film, television, digital, and new media development special fund for fiscal 2013 and fiscal 2014 to the Hawaii tourism authority for the implementation of the film, television, digital, and new media development activities.

These appropriations shall take effect on July 1, 2012.

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: The proposed measure would transfer the responsibilities for film, television, digital and new media development from DBEDT to the Hawaii tourism authority. The measure would also require the Hawaii tourism authority to restructure the debt service on the convention center and use any savings from the restructuring for implementation of the film, television, digital, and new media development activities for the 2013 and 2014 fiscal years. It is questionable whether there will be sufficient “savings” from the restructuring of the debt to fund the “lofty” goals of the programs to promote the movie and television industries in the state. According to the Hawaii film office website, the narrative on the film development board states that the board is currently inactive due to lack of funding. Therefore, a direct appropriation to this program area would ensure that there will be sufficient funds to accomplish the goals of this program.

The measure would transfer the duties of the film and television industry to the Hawaii tourism authority. It should be noted that the Hawaii tourism authority is responsible for the promotion of the state’s largest industry, tourism, it is questionable whether the authority would also have the expertise and knowledge to promote Hawaii as a place to make media productions.

The measure also directs the Hawaii tourism authority to develop, construct, operate, own, and manage a Hawaii film facility and proposes that the construction of such facility shall be exempt from general excise and use taxes. The proposed measure would also exempt from the general excise tax, the operations of the Hawaii film facility. While the Hawaii film facility would be a state-owned facility, it is questionable why such an exemption is necessary. Unless the intent is to contract out the operation of the facility to a private provider of that service, the state is already exempt from being licensed under the general excise tax.

Digested 2/23/12