



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY AND
SENATE COMMITTEE ON TOURISM**
Monday, February 6, 2012
2:30 p.m.
State Capitol, Conference Room 016

in consideration of
SB3050
RELATING TO FILM, TELEVISION, DIGITAL AND NEW MEDIA DEVELOPMENT

Chairs Kim and Fukunaga, Members of the Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of Senate Bill 3050 which would assign the Hawaii Tourism Authority (HTA) the responsibilities for film, television, digital, and new media development, including all statutory related functions, with an effective date of January 1, 2013. Additional dialogue with all stakeholders will be needed to plan the proposed move to HTA. We will continue to work with the Legislature and industry. The delayed effective date to 2013 will allow time to ensure there are no interruption of statutory functions or other services.

We respect the Legislature's support of Hawaii's film industry over the years and the desire to take this industry to the next level. A stronger alliance with Hawaii's No. 1 industry, Tourism, has the potential to further strengthen the impact both industries have on Hawaii's economy and further develop Hawaii as a world-class location/destination for producers and visitors alike.

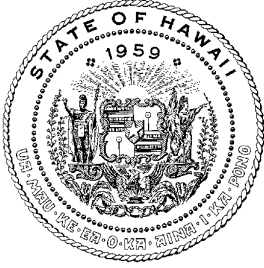
Historically, the film program, in addition to marketing the industry, processes over 2,000 film permits and fields nearly 5,000 production inquiries annually, in addition to processing over 30 production tax credit applications and reports. On average this volume of business represents more than \$200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

Current operations of the film program would not be possible without the assistance of the Creative Industries Division's Hawaii Film Office and Arts and Culture Development branch. All existing division staff, including the division administrator, are engaged in supporting film permitting, tax credit management and film studio operations.

If only the existing film office staff transfer from DBEDT's Creative Industries Division to HTA, additional staffing and funding will be required from either the general fund or HTA to support basic operations. The Film Office would also require support from HTA to manage the Film, Television, Digital and New Media Special Fund, particularly as it pertains to grants or low-interest loans programs.

The one-time appropriation to this Special Fund for FY12-13, would need to be sufficient to carry the program, including film studio maintenance for a two year period, as tenancy at the Hawaii Film Studio is cyclical and not guaranteed year round. In addition, any increases to the existing film tax credit would increase the workload of the film office staff.

Thank you for the opportunity to testify on this measure.



NEIL ABERCROMBIE
Governor

MIKE MCCARTNEY
President and
Chief Executive Officer

Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākāua Avenue, Honolulu, Hawai'i 96815
Website: www.hawaii-tourism-authority.org

Telephone: (808) 973-2255
Fax: (808) 973-2253

Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority
on
S.B. 3050
Relating to Film, Television, Digital, and New Media Development

Senate Committee on Economic Development and Technology
Senate Committee on Tourism
Monday, February 6, 2012
2:30 p.m.
Conference Room 016

The Hawai'i Tourism Authority (HTA) supports S.B. 3050, which assigns to the HTA the responsibilities for the development of film, television, digital, and new media industry activities in Hawai'i.

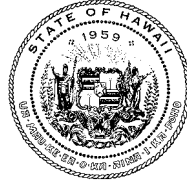
The 2000 Film and Television Study found that the film business is good business for Hawai'i's visitor-based economy. The study found that key visitor business can be substantially affected, as when the film and television related business for an O'ahu hotel totaled 4,300 room nights, valued at \$1.6 million. Film and television projects provide millions of dollars in free advertising and marketing by simply showcasing a Hawai'i location and consequently the Hawai'i brand. In addition, the film and television industry contributes to the economy by utilizing the services of other businesses such as hotels, airlines, vehicle rentals, restaurants and caterers, and various suppliers and retailers.

S.B. 3050 provides a structure to optimize the development of the industry by pooling diverse and fragmented resources to aggressively market and nurture the growth of a film industry. It will create a sound base that can be built upon to develop the programs and infrastructure to expand Hawai'i's opportunities in film, television, digital and new media.

Thank you for the opportunity to offer these comments.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable Carol Fukunaga, Chair,
and Members of the Senate Committee on Economic Development & Technology

The Honorable Donna Mercado, Chair,
and Members of the Senate Committee on Tourism

Date: Monday, February 6, 2012
Time: 2:30 P.M.
Place: Conference Room 016, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 3050 Relating to Film, Television, Digital, and New Media Development

The Department of Taxation (Department) defers to the Department of Business Economic Development and Tourism (DBEDT) and the Hawaii Tourism Authority (HTA) on the merits of S.B. 3050.

S.B. 3050 proposes to: 1) transfer the authority of the responsibilities for film, television, digital, and new media development from the DBEDT to the Hawaii Tourism Authority (HTA); 2) permit the HTA to develop, manage and operate a film facility; 3) establish a new special fund to collect revenues and develop other incentives to support the industry; 4) exempt the construction of the film facility and operating revenues from the general excise tax under Chapter 237, Hawaii Revised Statutes (HRS); 5) exempt purchases of materials for construction or use by the film facility from use tax under Chapter 238, HRS; and provide an appropriation to the newly established film, television, digital, and new media development special fund for fiscal year 2012-2013. The effective date of the bill is January 1, 2013.

Should this measure be adopted, the Department will support both agencies in addressing any matters related to the development of a new film facility.

Thank you for the opportunity to provide comments.

NEIL ABERCROMBIE
GOVERNOR



BARBARA A. KRIEG
INTERIM DIRECTOR

DEPUTY DIRECTOR

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

January 31, 2012

TESTIMONY TO THE
SENATE COMMITTEES
ON
ECONOMIC DEVELOPMENT AND TECHNOLOGY AND
TOURISM

For Hearing on Monday, February 6, 2012
2:30 p.m., Conference Room 016

BY

BARBARA A. KRIEG
INTERIM DIRECTOR

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

WRITTEN TESTIMONY ONLY

TO CHAIRPERSONS FUKUNAGA AND MERCADO KIM AND MEMBERS OF THE
COMMITTEES:

The purpose of S.B. No. 3050 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 makes 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 prefer the following proposed transfer language be used in place of the transfer language pertaining to employees in Section 9 of the 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.

TESTIMONY IN SUPPORT OF SB 3050
Relating to Film, Television, Digital and New Media Development

Senate Committee on Economic Development and Technology
Committee on Tourism

February 6, 2011
Conference Room 016
2:30pm

Committee on EDT
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

Committee on Tourism
Senator Donna Mercado Kim, Chair
Senator Ronald Kouchi, Vice Chair

Chairs Fukunaga and Kim, Vice Chairs Wakai and Kouchi, Members of the
Committee,

My name is Chris Lee and as a private citizen, motion picture producer, and the
Founder and Director of the Academy for Creative Media at UH, thank you for the
opportunity to testify today in support of SB 3050, relating to Film, Television,
Digital and New Media Development.

SB 3050 deserves your support because it recognizes that Hawaii's creative
media industries in film, television and digital production have succeeded and
matured to the point where they need to be actively managed rather than merely
serviced.

Let me explain what I mean by that. Everyone in the film and television office,
creative industries division of DBEDT and all the city and county film
commissioners work very hard to take care of our film and television industry
every day. They also have to work with various state agencies such as DLNR in
coordinating location shooting etc to make shooting in Hawaii as seamless as
possible.

Hawaii has been blessed with long running shows filmed entirely in our state,
starting with Five-0, Magnum, Five-0 2.0 and soon, hopefully, The River. Our
blue skies, beaches and jungles along with a great crew base make us the
premiere tropical location in the world, and give us a base line of production
activity.

And, if all we aspired to is being “Hollywood’s Tropical Backlot” as we used to advertise ourselves, it’s probably sufficient to just continue providing location services, help with permitting, and assistance with processing tax credits.

But now that we know this is a business which can have a \$400 million year as we saw in 2010, how do we get this to be a billion dollar a year industry that is a true pillar of our state rather than just a diversification of our economy?

We get there with the same kind of tools that we use to manage the tourism business – proactive professionals empowered on behalf of the state to engage the full spectrum of the global entertainment and content industry. This must include both Hollywood and Asia (the fastest growing entertainment market in the world) and, just as importantly, local talent and original IP digital media companies.

Hawaii needs to move beyond the financing of one-off pictures and passively waiting for Hollywood to green light shows that need our jungles and beaches and follow the example of places like Singapore (<http://www.mda.gov.sg/Pages/Home.aspx>) whose Media Development Authority incentivized George Lucas to move his video game and animation division from San Francisco to that island nation and create over 400 jobs for local Singaporeans. Their MDA has also overseen the building of a studio complex, anchors several film funds, attracted numerous other visual effects companies and, in a place half the size of Oahu, has 9 film schools.

Let’s look at Connecticut, which has not only uses their incentives to attract television shows and movies, but was able to get the animation studio responsible for the Ice Age, Rio and Horton Hears a Who to relocate to Stamford, thereby creating over 400 jobs for Connecticut’s citizens. This was accomplished by a determination of the executive branch to use legislative authority to build a new industry in that state. (<http://www.ctmirror.org/story/14236/blue-sky-studio-expand-again-state-aid>).

And we cannot forget our own filmmakers and game makers and animators, most of whom have not been able to access the level of incentives currently in place under Act 88. What we need is the recognition that our current “one size fits all” approach to the industry largely works almost solely for big Hollywood studios and networks, but does little to support local filmmakers on a budget or recognize the exponential growth of the video game industry (now SIX times bigger than films) or internet based production. The Big Island’s Ryan Higa is the single biggest media star our state has ever produced and he did it from his Hilo bedroom via Youtube at a time when Act 88 specifically doesn’t even allow “internet distributed” product.

Take a look at Florida, <http://www.filminflorida.com/ifi/incentives.asp>, with their variety of incentives that differentiate between big budget tv and movies and

digital and emerging media – including specific local hire requirements that recognize the difference between the employment needs of an animation or game or post production studio with permanent facilities and staff and a movie that just shoots on location for a few weeks or months. They're both vital, but they're not equal in needs or execution.

What SB 3050 does is recognize our growing success as a production hub and take things to the next level with a pro-active approach to this industry and a matrix of incentives. We need an empowered state entity to be there to compete when, say, a Pixar is deciding which state or country to expand to, or over see the building of a true studio complex or digital incubator, or support the repurposing of existing real estate for this industry.

Currently the absence of dedicated studio space save for the single stage at Diamond Head which can only accommodate one show at a time leaves producers scrambling for landlords willing to offer short term leases as with the old Advertiser building being the home of the new Five-0, the abandoned Comp USA being where they built Queens Hospital for The Descendants, and most recently the new ABC/Sony series setting up shop inside Olelo in Mapunapuna.

Examples of how SB 3050 manages the industry include the expansion of the definitions of qualified productions and the financial support through low cost loans and grant to locally based productions. One of the secrets to long term, sustained success for any center of content creation is a combination of the right incentives and home grown talent.

A lot of Hollywood is shooting in Georgia right now with their 30% credit, but the studio was built by Atlanta's own Tyler Perry. New Zealand offers a number of incentives, and is where they have shot everything from Avatar to Tintin to Lord of the Rings. But the writer director who built the production facilities all those movies were shot at and the famous Weta Digital Visual Effects factory is a homegrown Kiwi: Peter Jackson who's career was supported by the New Zealand National Film Commission.

Hawaii can do the same. For all these reasons and more, I urge your support for SB3050, and thank you again for hearing my testimony.



THE SENATE
TWENTY-SIXTH LEGISLATURE REGULAR SESSION OF 2012

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

COMMITTEE ON TOURISM

Senator Donna Mercado Kim, Chair
Senator Ronald D. Kouchi, Vice Chair

TESTIMONY ON SENATE BILL 3050
RELATING TO FILM, TELEVISION, DIGITAL, AND NEW MEDIA DEVELOPMENT

The Screen Actors Guild (SAG), the International Alliance of Theatrical Stage Employees (IATSE) Mixed Local 665, the American Federation of Musicians (AFM) Local 677 and Hawaii Teamsters Local 996, collectively represents over 2,000 union members who work in the film, television, digital and new media industry.

We strongly oppose Senate Bill 3050 that would transfer the film office out of the Department of Business and Economic Development and Tourism (DBEDT) to the Hawaii Tourism Authority (HTA).

The film industry is a stand-alone creative industry. While it may compliment tourism, it is **NOT** tourism. These are two entirely different industries that are fundamentally different in its components and objectives.

Thank you for giving us this opportunity to submit testimony on Senate Bill 3050.

Glenn Cannon, SAG
President
596-0388

Henry Fordham, IATSE
Business Agent
596-0227

Brien Matson, AFM
President
596-2123

Jeanne Ishikawa, Teamsters
Business Agent
847-6633



THE SENATE
TWENTY-SIXTH LEGISLATURE REGULAR SESSION OF 2012

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

COMMITTEE ON TOURISM
Senator Donna Mercado Kim, Chair
Senator Ronald D. Kouchi, Vice Chair

TESTIMONY ON SENATE BILL 3050
RELATING TO FILM, TELEVISION, DIGITAL, AND NEW MEDIA DEVELOPMENT

The Screen Actors Guild (SAG), the International Alliance of Theatrical Stage Employees (IATSE) Mixed Local 665, the American Federation of Musicians (AFM) Local 677 and Hawaii Teamsters Local 996, collectively represents over 2,000 union members who work in the film, television, digital and new media industry.

We strongly oppose Senate Bill 3050 that would transfer the film office out of the Department of Business and Economic Development and Tourism (DBEDT) to the Hawaii Tourism Authority (HTA).

The film industry is a stand-alone creative industry. While it may compliment tourism, it is **NOT** tourism. These are two entirely different industries that are fundamentally different in its components and objectives.

Thank you for giving us this opportunity to submit testimony on Senate Bill 3050.

Glenn Cannon, SAG
President
596-0388

Henry Fordham, IATSE
Business Agent
596-0227

Brien Matson, AFM
President
596-2123

Jeanne Ishikawa, Teamsters
Business Agent
847-6633



THE SENATE
TWENTY-SIXTH LEGISLATURE REGULAR SESSION OF 2012

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

COMMITTEE ON TOURISM
Senator Donna Mercado Kim, Chair
Senator Ronald D. Kouchi, Vice Chair

TESTIMONY ON SENATE BILL 3050
RELATING TO FILM, TELEVISION, DIGITAL, AND NEW MEDIA DEVELOPMENT

The Screen Actors Guild (SAG), the International Alliance of Theatrical Stage Employees (IATSE) Mixed Local 665, the American Federation of Musicians (AFM) Local 677 and Hawaii Teamsters Local 996, collectively represents over 2,000 union members who work in the film, television, digital and new media industry.

We strongly oppose Senate Bill 3050 that would transfer the film office out of the Department of Business and Economic Development and Tourism (DBEDT) to the Hawaii Tourism Authority (HTA).

The film industry is a stand-alone creative industry. While it may compliment tourism, it is **NOT** tourism. These are two entirely different industries that are fundamentally different in its components and objectives.

Thank you for giving us this opportunity to submit testimony on Senate Bill 3050.

Glenn Cannon, SAG
President
596-0388

Henry Fordham, IATSE
Business Agent
596-0227

Brien Matson, AFM
President
596-2123

Jeanne Ishikawa, Teamsters
Business Agent
847-6633



THE SENATE
TWENTY-SIXTH LEGISLATURE REGULAR SESSION OF 2012

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

COMMITTEE ON TOURISM
Senator Donna Mercado Kim, Chair
Senator Ronald D. Kouchi, Vice Chair

TESTIMONY ON SENATE BILL 3050
RELATING TO FILM, TELEVISION, DIGITAL, AND NEW MEDIA DEVELOPMENT

The Screen Actors Guild (SAG), the International Alliance of Theatrical Stage Employees (IATSE) Mixed Local 665, the American Federation of Musicians (AFM) Local 677 and Hawaii Teamsters Local 996, collectively represents over 2,000 union members who work in the film, television, digital and new media industry.

We strongly oppose Senate Bill 3050 that would transfer the film office out of the Department of Business and Economic Development and Tourism (DBEDT) to the Hawaii Tourism Authority (HTA).

The film industry is a stand-alone creative industry. While it may compliment tourism, it is **NOT** tourism. These are two entirely different industries that are fundamentally different in its components and objectives.

Thank you for giving us this opportunity to submit testimony on Senate Bill 3050.

Glenn Cannon, SAG
President
596-0388

Henry Fordham, IATSE
Business Agent
596-0227

Brien Matson, AFM
President
596-2123

Jeanne Ishikawa, Teamsters
Business Agent
847-6633



THE SENATE
TWENTY-SIXTH LEGISLATURE REGULAR SESSION OF 2012

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

COMMITTEE ON TOURISM

Senator Donna Mercado Kim, Chair
Senator Ronald D. Kouchi, Vice Chair

TESTIMONY ON SENATE BILL 3050
RELATING TO FILM, TELEVISION, DIGITAL, AND NEW MEDIA DEVELOPMENT

The Screen Actors Guild (SAG), the International Alliance of Theatrical Stage Employees (IATSE) Mixed Local 665, the American Federation of Musicians (AFM) Local 677 and Hawaii Teamsters Local 996, collectively represents over 2,000 union members who work in the film, television, digital and new media industry.

We strongly oppose Senate Bill 3050 that would transfer the film office out of the Department of Business and Economic Development and Tourism (DBEDT) to the Hawaii Tourism Authority (HTA).

The film industry is a stand-alone creative industry. While it may compliment tourism, it is **NOT** tourism. These are two entirely different industries that are fundamentally different in its components and objectives.

Thank you for giving us this opportunity to submit testimony on Senate Bill 3050.

Glenn Cannon, SAG
President
596-0388

Henry Fordham, IATSE
Business Agent
596-0227

Brien Matson, AFM
President
596-2123

Jeanne Ishikawa, Teamsters
Business Agent
847-6633