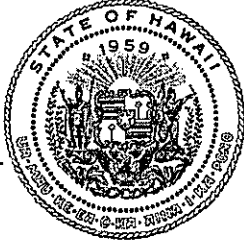


HB 70

Deletes the repeal of the High Technology Innovation Corporation that would have taken effect on June 30, 2013. Effective June 29, 2030. (HB70 HD2)



**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 COMMITTEES ON ECONOMIC DEVELOPMENT, GOVERNMENT
OPERATIONS AND HOUSING
and
TECHNOLOGY AND THE ARTS**

Monday, March 18, 2013
2:45 p.m.
State Capitol, Conference Room 016
in consideration of

**HB 70, HD2
RELATING TO ECONOMIC DEVELOPMENT.**

Chairs Dela Cruz and Wakai, Vice Chairs Slom and Nishihara and Members of the Committees.

The Department of Business, Economic Development and Tourism (DBEDT) supports HB 70, HD2, which deletes the repeal of the High Technology Innovation Corporation (HTIC).

The High Technology Innovation Corporation was created for the purpose of facilitating the growth and development of the commercial high technology industry, which we believe will be a part of the future success of Hawaii's economy.

Thank you for the opportunity to submit testimony on this bill.

Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation &
High Technology Innovation Corporation
before the
**SENATE COMMITTEES ON ECONOMIC DEVELOPMENT, GOVERNMENT
OPERATIONS AND HOUSING
AND
TECHNOLOGY AND THE ARTS**
Wednesday, March 13, 2013
2:45 p.m.
State Capitol, Conference Room 16
In consideration of
HB 70 HD2 RELATING TO ECONOMIC DEVELOPMENT.

Chairs Dela Cruz and Wakai, Vice Chairs Slom and Nishihara, and Members of the Committees on Economic Development, Government Operations and Housing and Technology and the Arts.

The High Technology Development Corporation (HTDC) and High Technology Innovation Corporation (HTIC) would like to submit testimony in **support** of deleting the repeal of the High Technology Innovation Corporation.

In 2005, The High Technology Innovation Corporation (HTIC) was created by the Hawaii State Legislature as a 501(c) (3) public not-for-profit corporate body, to facilitate the growth and development of the commercial high technology industry in Hawaii.

The not-for-profit structure was envisioned to facilitate public private partnerships, federal and state funding of high technology programs, and identifying other funding resources. The structure offers great financial leverage to HTDC and the State of Hawaii government. In particular, the State government saw it as a vehicle to receive donations from the private sector to leverage the tax deductible status.

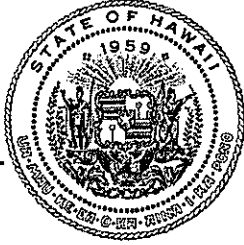
The not-for-profit structure is a model that has been successfully utilized by other states to support technology based economic development. The HTIC currently has a voluntary moratorium on all activities amidst well documented legislative concerns about its effective use.

While HTDC does not have any immediate plans to utilize the HTIC, it does not cost the state any money to maintain and it provides a potential public private funding opportunity for the State to fund high technology economic development programs. Creating a replacement for HTIC takes a fair amount of time and requires a lot of education and political support.

Thank you for the opportunity to submit testimony on this bill.

HB 70 SD1

Part I extends the sunset date of the HTIC from 2013 to 2018 and changes the composition of the HTIC's board of directors. Part II establishes a workforce development training program that provides wage reimbursement for on-the-job training by entities who receive a motion picture, digital media, and film production tax credit; deletes internet-only distribution exclusion for advertising; clarifies definitions of qualified production costs; extends the sunset date of the tax credit to January 1, 2025; and appropriates funds for the training program. Part III establishes the public-private partnership authority (PPPA); requires the PPPA to initiate pilot projects; appropriates an unspecified sum for the PPPA; and repeals 07/01/2018. (Proposed SD1)



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Fax: (808) 586-2377

Statement of
RICHARD C. LIM
Director

Department of Business, Economic Development and Tourism
before the

**SENATE COMMITTEES ON ECONOMIC DEVELOPMENT, GOVERNMENT
OPERATIONS AND HOUSING
and
TECHNOLOGY AND THE ARTS**

Monday, March 18, 2013
2:45 p.m.
State Capitol, Conference Room 016
in consideration of

**HB 70, HD2, Proposed SD1
RELATING TO ECONOMIC DEVELOPMENT.**

Chairs Dela Cruz and Wakai, Vice Chairs Slom and Nishihara and Members of the Committees.

The Department of Business, Economic Development and Tourism (DBEDT) offers comments on HB 70, HD2, Proposed SD1.

Part I deletes the repeal of the High Technology Innovation Corporation (HTIC) and changes the Board of Directors from the nine member HTDC board to seven ex-officio members.

DBEDT supports Part I and recommends a seven-member board with three ex-officio voting members as follows: DBEDT Director, HTDC Executive Director, and HSDC Executive Director; two members appointed by the Governor; and one member each appointed by the President of the Senate and the Speaker of the House.

Part II establishes a workforce development training program in the Department of Labor and Industrial Relations (DLIR) and appropriates funds for same, amends HRS 235-17, the Motion Picture, Digital Media and Film Production Tax Credit to extend the sunset date to 2025, and allows internet distribution as a qualified activity, includes clarifying language for definition of qualified production costs.

DBEDT supports the extension of the sunset date to 2025, including internet distribution as a qualified activity; however, we are not in support of a 50 percent wage reimbursement for newly hired employees of film, TV, and digital media productions. Hawaii labor unions representing the members of the film industry are opposed to this language. Training is best managed by the labor unions. We are concerned that the 50 percent wage reimbursement for on-the-job labor training may not be fiscally prudent given the State's economic situation.

Part III establishes the public-private partnership authority (PPPA). DBEDT supports Part III, subject to the addition of sufficient funds, \$1.0 million, and three exempt positions to implement the pilot project.

Thank you for the opportunity to submit testimony on this bill.

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

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

To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Economic Development, Government
Operations and Housing

The Honorable Glen Wakai, Chair
and Members of the Senate Committee on Technology and the Arts

Date: Monday, March 18, 2013
Time: 2:45 p.m.
Place: Conference Room 016, State Capitol

Re: H.B. 70, H.D. 2, Proposed S.D.1, Relating to Economic Development

The Department of Taxation (Department) **appreciates the intent** of H.B. 70, H.D. 2,
Proposed S.D. 1, and provides the following information and comments for your consideration.

Workforce Development Training Program

Section 3 of H.B. 70, H.D. 2, Proposed S.D.1, adds a new section in section 394, Hawaii Revised Statutes, to create a workforce development training program. This program is to be administered by the Department of Labor and Industrial Relations.

Motion Picture, Digital Media, and Film Production Tax Credit

Sections 3 of this measure amends section 235-17, Hawaii Revised Statutes, by deleting the internet-only distribution exclusion for advertising messages, and for clarity by defining qualified production costs to exclude state and county facility and location fees that are not subject to Hawaii general excise tax or income tax. This amendment on the definition of qualified production costs is consistent with the Department's position, but provides taxpayers with further clarity.

The Department defers to the Department of Business Economic Development, and Tourism (DBEDT) on the merits of section 5, which extends the sunset date of Act 88, Session Laws of Hawaii 2006, from January 1, 2016 to January 1, 2025; and section 6 which requires a cost benefit analysis of the tax credits by DBEDT.

Thank you for the opportunity to provide comments.



STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
www.hawaii.gov/labor

March 18, 2013

To: The Honorable Donovan M. Dela Cruz, Chair,
The Honorable Sam Slom, Vice Chair, and
Members of the Senate Committee on Economic Development, Government
Operations and Housing

The Honorable Glenn Wakai, Chair,
The Honorable Clarence K. Nishihara, Vice Chair, and
Members of the Senate Committee on Technology and the Arts

Date: Monday, March 18, 2013
Time: 2:45 p.m.
Place: Conference Room 016, State Capitol

From: Dwight Y. Takamine, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 70, HD 2, Proposed SD1, Relating to Economic Development

I OVERVIEW OF PROPOSED LEGISLATION

The department supports this bill with the requested revisions in Section 3 pertaining to the Workforce Development Training Program provided that its passage does not replace or adversely impact priorities indicated in the Executive Budget. DLIR defers to other departments regarding other substantive aspects on this measure and notes that the Department of Business, Economic Development & Tourism (DBEDT) has grave concerns about the additional responsibilities in the proposal especially in light of the House's elimination of two positions in the Film Office, which would be essential to carrying out the wage reimbursement provision of the Workforce Development Training Program.

HB70 HD2SD1 Proposed, proposes to, among other things:

- Extend the sunset date of the High Technology Innovation Corporation (HTIC) and change the HTIC's board of directors composition;
- Establish a workforce development training program that provides wage

reimbursement for on-the-job training by entities that are prequalified by DBEDT to receive a motion picture, digital media, and film production tax credit;

- Appropriate funds for the workforce development training program;
- Clarify definitions of qualified production costs;
- Extend the sunset date of the tax credit; and
- Establish the public-private partnership authority (PPPA) and appropriate an unspecified sum for the PPPA.

II. CURRENT LAW

Chapter 235-17, HRS, established a tax incentive to attract film and digital media productions to Hawaii. To qualify for the tax credit, a production company must:

1. Meet the definition of a qualified production;
2. Have qualified production costs totaling at least \$200,000;
3. Provide the State, at a minimum, a shared-card, end-title screen credit, where applicable;
4. Provide evidence of reasonable efforts to hire local talent and crew; and
5. Provide evidence of financial or in-kind contributions or educational or workforce development efforts, in partnership with related local industry labor organizations, educational institutions, or both, toward the furtherance of the local film and television and digital media industries.

III. COMMENTS ON H.B. 70, HD2, SD 1 PROPOSED

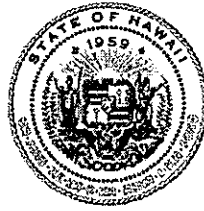
The department requests that in Part II, SECTION 3 of HB70 HD2SD1 Proposed, the word, "upon" be replaced with "until" so that the entire sentence starting from page 4, line 13 reads as follows:

"The new hire must be guaranteed full-time employment of a minimum of thirty-two hours per week with the entity upon successful completion of the training period or until the termination of the motion picture, digital media, television, or film production."

This change will enable productions of short durations to participate in the workforce development training program. The department supports this bill with the requested revisions provided that its passage does not replace or adversely impact priorities indicated in the Executive Budget.

DLIR defers to other departments regarding other substantive aspects on this measure and reiterates its shared concern with DBEDT regarding the Film Office .

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Testimony of
WILLIAM J. AILA, JR
Chairperson

Before the Senate Committees on
ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING
and
TECHNOLOGY AND THE ARTS

Monday, March 18, 2013
2:45 PM
State Capitol, Conference Room 016

In consideration of
HOUSE BILL 70, HOUSE DRAFT 2, PROPOSED SENATE DRAFT 1
RELATING TO ECONOMIC DEVELOPMENT

House Bill 70, House Draft 2, Proposed Senate Draft 1, proposes to (1) Extend the sunset date of the High Technology Innovation Corporation (HTIC) from 2013 to 2018; (2) Change the composition of the HTIC's board of directors; (3) Establish a workforce development training program that provides wage reimbursement for on-the-job training by entities who receive a motion picture, digital media, and film production tax credit; (4) Delete internet-only distribution exclusion for advertising; (5) Clarify definitions of qualified production costs; (6) Extend the sunset date of the tax credit to January 1, 2025; (7) Appropriate funds for the training program; (8) Establish the public-private partnership authority (PPPA); (9) Require the PPPA to initiate pilot projects; and (10) Appropriate an unspecified sum for the PPPA; and repeals the PPPA on July 1, 2018. **The Department of Land and Natural Resources ("Department") supports items 8, 9 and 10 above which pertain to PARTs III and IV of this measure and provides the following comments.**

Public-private partnerships are used worldwide to address economic challenges faced by governments. The Department has been over-extended by our many diverse missions and severely limited resources. The PPPA will facilitate collaboration among all state agencies and private sector entities is an efficient and effective means to deliver services and facilities to the public. It will provide a uniform and consolidated approach that optimally utilizes the special skills and assets of diverse entities to undertake public projects for the economic, environmental, and social benefit of the people of Hawaii. The PPPA will coordinate and administer projects, while ensuring that the State's precious resources are maintained in an appropriate and culturally-sensitive manner for the people of Hawaii. It will do so transparently while operating

WILLIAM J. AILA, JR.
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ESTHER KIA'AINA
FIRST DEPUTY

WILLIAM M. TAM
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING

FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAIHOOLOAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

in conformance with all applicable sunshine, environmental, cultural, historical, land use, zoning and permitting laws.

While the PPPA is currently limited to three pilot projects in this proposed Senate draft, the Department believes it could potentially be an effective vehicle for maintaining and improving certain public lands that are greatly underutilized and in severe need of repair and maintenance, particularly small boat harbors and state parks. As such, the Department supports House Bill 70, Proposed Senate Draft 1, for its potential to facilitate and enhance the use of public lands for public purposes.

The Department urges the Committees to add another pilot project to SECTION 9 of the measure to demonstrate the effectiveness of using a public-private partnership for maintaining and improving state recreational assets. The Department recommends the addition of the following pilot project:

“(4) A small boat harbor facility on the west side of the island of Hawaii.”



Joint Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation &
President
High Technology Innovation Corporation

AND
KARL FOOKS
President
Hawaii Strategic Development Corporation

before the

**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,
GOVERNMENT OPERATIONS AND HOUSING**
AND
SENATE COMMITTEE ON TECHNOLOGY AND THE ARTS

March 18, 2013
2:45 p.m.
State Capitol, Conference Room 016
In consideration of

HB 70 HD2 PROPOSED SD1 RELATING TO ECONOMIC DEVELOPMENT.

Chairs Dela Cruz and Wakai, Vice Chairs Slom and Nishihara, and Members of the Committee on Economic Development, Government Operations and Housing, and Members of the Committee on Technology and the Arts:

The High Technology Development Corporation (HTDC), High Technology Innovation Corporation (HTIC) and the Hawaii Strategic Development Corporation would like to submit testimony in **support of Part I only**, extending the effective date for the repeal of the High Technology Innovation Corporation. We respectfully offer **recommendations for Part I Section 2 on the HTIC board makeup**. We do not offer comment on Parts II, III, and IV.

We respectfully offer recommendations on the proposed senate draft to improve the HTIC's board structure as follows:

- **Add TWO industry members as voting members**, one selected by the Senate, the other by the House, to position itself better to pursue private sector funding opportunities and partnerships;

- **Replace the State Film Commissioner of the Hawaii Film Office with the Division Head of the Creative Industries within the Department of Business and Economic Development and Tourism**, to have parity with the rest of the board members and to ensure inclusion of digital media industry;
- **The board members be allowed to assign appropriate designees**, to ensure quorum can be met; and
- **The Executive Director and Chief Executive Officer of the HTDC be appointed the chair person of the HTIC, and the HTIC board be responsible for appointing its President**, by amending Chapter 206M-55 as follows:

[§206M-55] **Officers and employees of the innovation corporation.**
~~The executive director and chief executive officer of the high technology development corporation shall be the president of the high technology innovation corporation.~~ The high technology innovation corporation's board of directors may ~~also~~ appoint the president, other officers and employees as may be necessary in administering the affairs of the high technology innovation corporation. The high technology innovation corporation's board of directors shall set the employees' duties, responsibilities, salaries, holidays, vacations, leaves, hours of work, and working conditions and may grant other benefits as it deems necessary. New employees of the innovation corporation shall not be entitled to any benefits conferred under chapter 76, 78, 88, or 89, or any public employee collective bargaining agreement, executive order, executive directive, or rule; provided that any existing officer or employee of the State whose functions are transferred by this part shall not suffer any loss of salary, seniority, prior service credit, vacation, sick leave, or other employee benefit or privilege as a consequence of this part. [L 2005, c 173, pt of §1]

Thank you for the opportunity to submit testimony on this bill.

Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 17, 2013 10:48 AM
To: EGHTestimony
Cc: gb@nelha.org
Subject: Submitted testimony for HB70 on Mar 18, 2013 14:45PM

HB70

Submitted on: 3/17/2013

Testimony for EGH/TEC on Mar 18, 2013 14:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Gregory Barbour	Natural Energy Laboratory of Hawaii Authority	Comments Only	No

Comments: Please note that my testimony was submitted a few minutes ago. In this comment section I noted comments only. It should have stated support for Part 1. Thanks. gb

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Authority of the State of Hawaii attached to the Department of Business, Economic Development & Tourism

Statement of
Gregory P. Barbour
Executive Director

Natural Energy Laboratory of Hawaii Authority
before the

**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,
GOVERNMENT OPERATIONS AND HOUSING
and
SENATE COMMITTEE ON TECHNOLOGY AND THE ARTS**

Monday, March 18, 2013
2:45 pm
State Capitol, Conference Room 016

in consideration of

HB 70 HD2 PROPOSED SD1 RELATING TO ECONOMIC DEVELOPMENT.

The Natural Energy Laboratory of Hawaii Authority (NELHA) is pleased to present testimony in support of Part I only, extending the effective date for the repeal of the High Technology Innovation Corporation and changing the composition of the Board. We are not offering comments on Parts II, III, and IV of this measure.

The agencies listed in Part I of this measure have a long history of working together on economic development projects throughout the State. Placing them as members of the Board of the High Technology Innovation Corporation makes good business sense as each agency is bringing a specific area of expertise to the discussion and implementation of economic development projects and will result in increased collaboration.

Thank you for the opportunity to offer these comments.

**Committee on Economic Development, Government Operations and Housing
Committee on Technology and the Arts**

DATE: Monday, March 18, 2013

TIME: 2:45 p.m. - PLACE: Conference Room 16

Re: **HB 70 , HD 2 - PPPA**

Position: Strong Opposition

Aloha Chairs Delacruz and Wakai, Vice Chairs Slom and Nishihara and Committee Members,

I am Nancy Aleck, a 60+ year-old community activist and nonprofit executive.

This Economic Development Bill had enough problems before Part III was added with cloned language from the PLDC.

Slow down.

Each land use idea should be carefully studied and given full community vetting.

Good plans will rise to the top.

Development should be for the common good, not for corporate profit.

Dr. Luciano Minerbi of UH Manoa Dept. of Planning recently suggested in the Star-Advertiser that Public-Private needs a third collaborator: Community.

This can't be just about profit.

No name change.

No modifications.

No gut and replace.

No cloning.

Please Kill HB 70.

REPEAL the PLDC.

Start over. Make it fair. Make it pono.

Thank you for your consideration.

Nancy Aleck

Honolulu Star-Advertiser

What should the Legislature do with the Public Land Development Corp. (PLDC)?

- *A. Repeal it (78%, 784 Votes)*
- *B. Modify it (16%, 163 Votes)*
- *C. Keep it (6%, 58 Votes)*

Total Voters: **1,004**

Start Date: January 20, 2013 @ 12:00 am

End Date: January 20, 2013 @ 4:00 pm

Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 17, 2013 10:46 AM
To: EGHTestimony
Cc: henry.lifeoftheland@gmail.com
Subject: *Submitted testimony for HB70 on Mar 18, 2013 14:45PM*

HB70

Submitted on: 3/17/2013

Testimony for EGH/TEC on Mar 18, 2013 14:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Henry Curtis	Life of the Land	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

Twenty-Seventh Legislature
Regular Session of 2013

THE SENATE

Committee on Economic Development, Government Operations and Housing

Senator Donovan M. Dela Cruz, Chair

Senator Sam Slom, Vice Chair

Committee on Technology and the Arts

Senator Glenn Wakai, Chair

Senator Clarence K. Nishihara, Vice Chair

State Capitol, Conference Room 016

Monday, March 18, 2013; 2:45 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 70, PROPOSED SD1
RELATING TO ECONOMIC DEVELOPMENT**

The ILWU Local 142 supports the intent of H.B. 70, proposed SD1, which extends the sunset date of the High Technology Innovation Corp. to 2018 (Part I), establishes a workforce development training program for entities which receive a film tax credit and extends the sunset of the credit to 2025 (Part II), and establishes a Public-Private Partnership Authority, which sunsets on in July 2018 (Part III).

We are in full support of Part II, which establishes a program to provide support for on-the-job training to increase the workforce capacity for new film and media productions likely to be attracted to Hawaii with the tax credit that we hope will be extended to 2025.

Hawaii is an ideal location for film and other media productions because of its climate, natural beauty, scenic views, and diverse culture. Extending the tax credit will ensure that productions will choose Hawaii over other locations. These productions have the potential to generate millions of dollars not only for direct production expenses (like housing, transportation, and food for cast and crew) but for ancillary services and the promotion of Hawaii as a visitor destination.

A film and media production tax credit is a worthy investment in economic diversification. Throughout our history, Hawaii's economy has relied on one or two dominant industries. For a long time, sugar was king, until sugar prices declined and plantations closed. Pineapple was also a dominant industry until competition from foreign grown and canned pineapple prompted companies to cease operations in Hawaii, where land is limited and costs are high. Reliance on one or two industries can be devastating to Hawaii's economy as a whole.

Tourism is now Hawaii's dominant industry and is currently flourishing. However, an economic downturn on the mainland and in the world could severely curtail tourism revenues, as we have seen following 9/11 and during the Great Recession. The film and media industry offers another means for Hawaii to diversify its economy while at the same time supporting the growth of our dominant industry.

The on-the-job training program proposed in Part II will aid in the development of new workers into the industry. Currently, fully trained and experienced workers are available to provide services needed for film and media productions. However, the current workforce may not be adequate to fully meet the demand of new productions. In order to attract productions, a willing and able workforce must be readily available. The training program proposed in Part II will ensure availability of this workforce.

We request that one word in the proposed draft be changed. In the last sentence of the new language proposed in Section 3, (a), the last word "until" should be changed to "upon." The sentence will then read: *"The new hire must be guaranteed full-time employment of a minimum of thirty-two hours per week with the entity upon successful completion of the training period or until the termination of the motion picture, digital media, television, or film production."* This clarifies that the guarantee of employment will start upon successful completion of the training period and end with termination of the production.

As for the Public-Private Partnership Authority, we believe, as the Honolulu Star-Advertiser did in a recent editorial, that it is worth a try. Language in H.B. 70, proposed SD1 seems to provide for safeguards to ensure that the PPPA will not become another PLDC and does provide for a sunset in 2018.

The ILWU urges passage of H.B. 70, proposed SD1. Thank you for the opportunity to share our views on this important matter.

Twenty-Seventh Legislature
Regular Session of 2013

THE SENATE

Committee on Economic Development, Government Operations and Housing

Senator Donovan M. Dela Cruz, Chair

Senator Sam Slom, Vice Chair

Committee on Technology and the Arts

Senator Glenn Wakai, Chair

Senator Clarence K. Nishihara, Vice Chair

State Capitol, Conference Room 016

Monday, March 18, 2013; 2:45 p.m.

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RELATING TO ECONOMIC DEVELOPMENT**

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We are in full support of Part II, which establishes a program to provide support for on-the-job training to increase the workforce capacity for new film and media productions likely to be attracted to Hawaii with the tax credit that we hope will be extended to 2025.

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We request that one word in the proposed draft be changed. In the last sentence of the new language proposed in Section 3, (a), the last word "until" should be changed to "upon." The sentence will then read: "*The new hire must be guaranteed full-time employment of a minimum of thirty-two hours per week with the entity upon successful completion of the training period or until the termination of the motion picture, digital media, television, or film production.*" This clarifies that the guarantee of employment will start upon successful completion of the training period and end with termination of the production.

As for the Public-Private Partnership Authority, we believe, as the Honolulu Star-Advertiser did in a recent editorial, that it is worth a try. Language in H.B. 70, proposed SD1 seems to provide for safeguards to ensure that the PPPA will not become another PLDC and does provide for a sunset in 2018.

The ILWU urges passage of H.B. 70, proposed SD1. Thank you for the opportunity to share our views on this important matter.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Extend motion picture, digital media and film production credit

BILL NUMBER: HB 70, Proposed SD-1

INTRODUCED BY: Senate Committees on Economic Development, Government Operations and Housing and Technology and the Arts

BRIEF SUMMARY: Amends HRS section 235-17 to amend the definition of “digital media” to include the production of digital media content that may be distributed over the Internet. Amends the definition of “qualified production costs” to exclude state and county facility and location fees that are not subject to the general excise tax or state income tax.

Directs the department of business, economic development, and tourism (DBEDT) to submit an annual report to the legislature prior to each regular session beginning with the 2014 regular session which shall contain a cost benefit analysis of the tax credits established in this act including: (1) the total number of full-time, part-time, and contract personnel on the payroll necessary to administer this act; and (2) the average wage of each of the above personnel groups and total earnings for the year. Requires DBEDT to report the data collected under this section along with a cumulative total of tax credits granted for each qualified production. The legislature may use the information to determine whether the tax credits are meeting the objectives of this act.

Amends Act 88, SLH 2006, to extend the motion picture and television film credit from January 1, 2016 to January 1, 2025.

Makes nontax amendments to establish a workforce development training program administered by the department of labor and industrial relations (DLIR), extend the sunset date of the high technology innovation corporation; and establishment of a public-private partnership authority.

EFFECTIVE DATE: Tax years beginning after December 31, 2012 and before January 1, 2025

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% in a county with a population over 700,000 and to 20% in a county with a population of 700,000 or less. Act 88 also repealed the income tax credit for transient accommodations and expanded the credit to include commercials and digital media productions, and limited the credit to \$8 million per qualified production. The proposed measure would expand the existing tax credits to include digital media content that may be used over the Internet and extends the credit from January 1, 2016 to January 1, 2025.

These motion picture credits have been morphing and expanding into full-blown tax credits since they “got their foot in the door” in 1997. It should be remembered that the perpetuation and expansion of the motion picture credits are a drain on the state treasury. It is incredulous how lawmakers can bemoan the fact that there are insufficient resources to catch up on the backlog of school repairs and maintenance, to fund social programs and not being able to provide tax relief to residents and yet they are willing to throw additional public resources at a subsidy of film production and media infrastructure. Taxpayers should be insulted that lawmakers can provide breaks for film productions but refuse to provide tax relief for residents, many of whom work two or three jobs just to keep a roof over their head and food on the table.

There is absolutely no rational basis for expanding and extending these tax credits other than that other states are offering similar tax credits. Then again those states can’t offer paradise, year-round good weather during which to film. Instead of utilizing back door subsidies through tax credits, film industry advocates need to promote the beauty that is synonymous with Hawaii.

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. While the sponsors try to make an argument that Hawaii needs to enact such an incentive to compete for this type of business, one has to ask “at what price?” Promoters of the film industry obviously don’t give much credit to Hawaii’s natural beauty and more recently its relative security. Just ask the actors of “Lost” or “Hawaii 5-0” who have bought homes here if they would like to work elsewhere. While film producers may moan that they will lose money without the proposed tax credits, is there any offer to share the wealth when a film makes millions of dollars? 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. While lawmakers look like a ship of fools, movie producers and promoters are laughing all the way to the bank and the real losers in this scenario are the poor taxpayers who continue to struggle to make ends meet.

So while there may be the promise of a new industry and increased career opportunities, lawmakers must return to the cold hard reality of solving the problems at hand. The long and short of it is that due in large part to the irresponsibility of handling state finances in the past, taxpayers cannot afford proposals like this. Thanks to the gushing generosity of those lawmakers who gave the state’s bank away in all sorts of tax incentive schemes in recent years, taxpayers cannot afford what looks like a promising opportunity.

Robert Tannenwald, a senior fellow at the Center for Budget and Policy Priorities, drew the following conclusions in a report entitled “State Film Subsidies Offer ‘Little Bang for the Buck’,” published in State Tax Notes Magazine, December 13, 2010:

“State film subsidies are a wasteful, ineffective, and unfair instrument of economic development. While they appear to be a ‘quick fix’ that provides jobs and businesses to state residents with only a short lag, in reality they benefit mostly nonresidents, especially well-paid nonresident film and TV professionals. Some residents benefit from these subsidies, but most end up paying for them in the form of fewer services - such as education, healthcare and police and fire protection - or higher taxes elsewhere. The benefits to the few are highly visible; the costs to the majority are hidden because they are spread so widely and detached from the subsidies.

State governments cannot afford to fritter away scarce public funds on film subsidies, or, for that matter, any other wasteful tax break. Instead, policymakers should broaden the base of their taxes to create a fairer and more neutral tax system. Economic development funds should be targeted on programs that are much more likely to be effective in the long run, such as support of education and training, enhancement of public safety, and maintenance and improvement of public infrastructure. Effective public support of economic development may not be glamorous, but at its best, it creates lasting benefits for residents from all walks of life.”

Finally, given all of the other proposals by the administration to exact this or that fee or tax out of the economy and from Hawaii’s residents, one must ask just how much can we afford? At the very time, Hawaii residents are being asked to chip in another dime for a single-use bag, or another dollar on their vehicle registration fee for a parking program for the disabled, or a penny per ounce on sugary drinks, can taxpayers really afford to hand millions of dollars to a film production in the promise that it will bring more jobs. Let’s see, we are going to put people out of business by raising taxes and fees to create jobs for people who will have nowhere to go to buy their plate lunch. Instead of handing out tax credits for which lawmakers have no clue of the overall drain on state tax dollars, subsidies for these film productions, if that is what lawmakers believe is needed, should be subject to legislative review and appropriation like any other expenditure of state tax dollars.

Lawmakers must reconcile this measure which hands out millions of tax dollars to the film industry against all of the demands for the expenditure of tax dollars such as the administration’s push for the funding of early childhood education, watershed restoration and preservation, and alternate energy and food safety. Do lawmakers realize the size of the tax burden now borne by their constituents just so tax incentive programs like these can be pursued? Although advocates may drag out workers employed in this industry, what about workers in other industries who are still sitting on the bench?

Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 17, 2013 11:59 AM
To: EGHTestimony
Cc: bondma@cs.com
Subject: *Submitted testimony for HB70 on Mar 18, 2013 14:45PM*

HB70

Submitted on: 3/17/2013

Testimony for EGH/TEC on Mar 18, 2013 14:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Mike Bond	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 17, 2013 11:40 AM
To: EGHTestimony
Cc: icec002@hawaii.rr.com
Subject: Submitted testimony for HB70 on Mar 18, 2013 14:45PM

HB70

Submitted on: 3/17/2013

Testimony for EGH/TEC on Mar 18, 2013 14:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
charles ice	Individual	Oppose	No

Comments: This grab-bag of developer tricks deserves to be hooted down. You have hour upon hour of public testimony objecting to the elements of this bill. It's hard to think very highly of "elected representatives" who think they can repeal one extremely unpopular measure and approve the same wolf in another coat. Do we need an academy for democracy?

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Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 17, 2013 10:59 AM
To: EGHTestimony
Cc: vsc@hawaiiantel.net
Subject: Submitted testimony for HB70 on Mar 18, 2013 14:45PM

HB70

Submitted on: 3/17/2013

Testimony for EGH/TEC on Mar 18, 2013 14:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Victoria Cannon	Individual	Oppose	No

Comments: Stop this nonsense now. No waiving, no exemptions, no PLDC evil twin look alike legislation, no gut and replacing maneuvering, no shananigans, no subverting the power of the people to manage and maintain their public lands and its resources.

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Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 16, 2013 9:40 PM
To: EGHTestimony
Cc: athurston@irmt.org
Subject: *Submitted testimony for HB70 on Mar 18, 2013 14:45PM*

HB70

Submitted on: 3/16/2013

Testimony for EGH/TEC on Mar 18, 2013 14:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Anne Thurston	Individual	Oppose	No

Comments:

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Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 17, 2013 3:07 PM
To: EGHTestimony
Cc: fotiiprmk@hawaii.rr.com
Subject: Submitted testimony for HB70 on Mar 18, 2013 14:45PM

HB70

Submitted on: 3/17/2013

Testimony for EGH/TEC on Mar 18, 2013 14:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Mollie Foti	Individual	Oppose	No

Comments: The Public-Private Partnership Authority is an ill conceived concept that is apparently designed to keep the "public" out of the loop. Just like the PLDC. Please kill this bill. Thank you.

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