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TESTIMONY OF SOCRATES BUENGER, CEO OF MAUI FILM STUDIOS, LLC

BEFORE THE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Tuesday, March 19th, 2013, Conference Room 312, 9:00 AM

Senate Bill 463

RELATING TO FILM AND DIGITAL MEDIA INDUSTRY DEVELOPMENT

Senate Bill 750

RELATING TO DIGITAL MEDIA INFRASTRUCTURE

The Honorable Representative Clift Tsuji, Chair
The Honorable Representative Gene Ward, Vice Chair
And the Members of the Committee on Economic Development & Business

SUBJECT: TESTIMONY OF SOCRATES BUENGER, OWNER OF MAUI FILM STUDIOS, LLC ON SB463 and SB750, RELATING TO MOTION PICTURE, DIGITAL MEDIA, AND FILM PRODUCTION

Thank you for the opportunity to offer testimony partly in support, and partly against SB463 and SB750. The Film & Television industry has proven itself as being vital to the the economy of the State of Hawaii, bolstered by the Legislation's support of the film & TV industry through Act 88 - Hawaii's economically-prudent foray into attracting the film & TV industry here.

Act 88 has been a very good start, but it seems unwise to blend Production Tax Incentives with Media Infrastructure Tax Credits into one bill. While both seem to be supporting the film & TV industry, they each have dramatically different effects on Hawaii's economy at large.

I do NOT support the Media Infrastructure Tax Credit in both SB463 and SB750. While the Media Infrastructure Tax Credit would be of a direct financial benefit to Maui Film Studios, it seems to be a very narrow, ineffective application of taxpayers money. It turns out that the business of private, independent film studio facilities is profitable without having the taxpayers pay for any portion of such facilities. The emergence of Maui Film Studios proves this, as we expect to be fully operational by summer 2013, providing the largest film & TV production facility in the State of Hawaii using ONLY funds from private investors.

Maui Film Studios is currently developing an advanced film crew training program with UHMC and film industry unions to provide the necessary training for careers in the film industry – and at essentially no extra cost to the taxpayers of Hawaii. It is my hope that the plan we develop could be applied to all of Hawaii to help invigorate the film & TV industry further throughout the State.

Judging by the amount of film & TV production activity going on throughout the state, Act 88 should be considered a success – and a good start. Supporting Production Tax Incentives is an extremely effective use of taxpayers money for attracting film & TV productions to Hawaii, as it offers the widest disbursement of funds throughout the state. The effects of Production Tax Incentives have a tangible impact on the economy of Hawaii far exceeding the film & TV industry, and are certainly more effective than taxpayer funds being diverted to help pay for the buildings of private entrepreneurs.

That said, **I strongly support the extension of Act 88 through 2025, and increasing the Production Tax Incentives from 15-20% to 20-25%, and increasing the current Production Incentive cap from \$8 million to \$12 million.** This alone will create stability in the film & TV industry in Hawaii, and make Hawaii properly competitive with the rest of the country. To let Act 88 sunset would almost instantly remove an enormous economic engine from the State of Hawaii, with devastating impact. So too would be jumping too far ahead with the implementation of an Infrastructure Tax Credit as outlined in the bills mentioned herein.

It was with financial prudence that the Legislation first enacted Act 88, and it is with this same prudence that the next logical step toward improving the Production Tax Incentives of Act 88 should be considered.

Thank you for consideration of my testimony regarding SB463 and SB 750.

Socrates Buenger, CEO
Maui Film Studios, LLC

Testimony to
House Committee on Economic Development and Business
House Committee on Water and Land

Tuesday, March 19, 2013

By: Stephan D. Smith

President, SHM Partners/Film Studio Group

SB 750, SD2 —Relating to Digital Media Infrastructure

Representative Clift Tsuji, Chair; Representative Gene Ward, Vice Chair
Representative Cindy Evans, Chair; Representative Nicole E. Lowen, Vice Chair

The positive impact of film and television production on the State is irrefutable. The primary reason that there's not more of it is the lack of studio space. Given a stable production tax credit regime, there's no reason that production expenditures in Hawaii would not meet or exceed the high-water level of 2010, over \$400 million, every year if the proper infrastructure were built. Without it, production expenditures in the State will continue its seesaw pattern as it is so heavily based on location-based shooting, thereby missing many project entirely and losing over half the spending of others that leave the Islands for their stage work.

Passage of SB 750 would provide an essential building block for providing the proper studio infrastructure and ensuring the long-term viability of the film industry in the State. However, the qualified media infrastructure project tax credit must be refundable. The pool of qualified, and interested, taxpayers to utilize the credits is not deep enough to impose this restriction, and the discount on the 25% credit becomes steeper as the limited taxpayer demand is satiated. In addition, the taxpayer loses the federal tax deduction on State the tax credits taken which reduces their benefit by at least a third, further depressing demand.

It is also critical that the credit apply to the county where the critical mass of the film industry in the State resides, i.e. Oahu. The vast majority of Hawaii's crew base and infrastructure are on Oahu, not to mention the only truly urban "locations". While it might make sense for production facilities to exist on other islands, larger productions, which benefit the State the most, prefer to be based on Oahu.

Another building block for ensuring the sustainability and growth of the film industry is the production tax credit. As has been starkly demonstrated in other states and countries, the stability of this credit is critical to attracting productions. Beyond that, a modest increase in the credit and significant increase in the per-project cap would attract more productions as well as more private capital for infrastructure improvements. A new studio would be able to attract \$100 million productions; it would be a shame for the production tax credit to be the limiting factor.