
A BILL FOR AN ACT

RELATING TO FUNDING FOR FILM AND DIGITAL MEDIA DEVELOPMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 **PART I**

2 SECTION 1. Hawaii's film industry brings in an estimated
3 \$250,000,000 in production revenues per year, providing the
4 State with an estimated economic impact of over \$400,000,000
5 annually. The Hawaii film office in the creative industries
6 division of the department of business, economic development,
7 and tourism is involved with all aspects of this industry,
8 including those statutory mandates for film permitting, tax
9 incentive management, and studio operations and management.

10 With the passage of Act 89, Session Laws of Hawaii 2013,
11 and enhancements to the tax credit program, production activity
12 is increasing and with it the demands on an office that has been
13 operating with limited staff and resources since the reduction
14 in force in 2009. While positions and some funding have been
15 restored, the costs to support productions, manage the motion
16 picture, digital media, and film production income tax credit
17 program, and maintain the Hawaii film studio far exceed the
18 existing general fund allocations.



1 This Act broadens the sources of revenue for and renames
 2 the special fund created in section 201-113, Hawaii Revised
 3 Statutes. By capturing revenues from the studio and other
 4 sources, the special fund will provide a necessary funding
 5 mechanism for ongoing repair and maintenance of the Hawaii film
 6 studio, which averages \$150,000 per year. With anticipated
 7 revenues generated by film studio rental of \$500,000 annually,
 8 the department of business, economic development, and tourism
 9 will have the means to maintain the studio facility and support
 10 programs that are not currently possible with the existing
 11 general fund allocation.

12 SECTION 2. Chapter 201, Hawaii Revised Statutes, is
 13 amended by amending the title of part IX to read as follows:

14 "[+]PART IX.[+] HAWAII [~~TELEVISION AND~~] FILM AND DIGITAL MEDIA
 15 DEVELOPMENT"

16 SECTION 3. Section 201-113, Hawaii Revised Statutes, is
 17 amended to read as follows:

18 "[+]§201-113[+] Hawaii [~~television and~~] film and digital
 19 media development special fund. (a) There is established in
 20 the state treasury the Hawaii [~~television and~~] film and digital
 21 media development special fund into which shall be deposited:

22 (1) Appropriations by the legislature;



- 1 (2) Donations and contributions made by private
2 individuals or organizations for deposit into the
3 fund;
- 4 (3) Grants provided by governmental agencies or any other
5 source; [and
6 ~~(4) Any profits or other amounts received from venture~~
7 ~~capital investments.]~~
- 8 (4) Revenues, fees, and charges from the rental and
9 operation of the Hawaii film studio;
- 10 (5) Revenues, fees, and charges from the processing of
11 film permits pursuant to section 201-14; and
- 12 (6) Revenues, fees, and charges from the processing of the
13 motion picture, digital media, and film production
14 income tax credit pursuant to section 235-17.
- 15 (b) The fund shall be used by the [~~board to assist in, and~~
16 ~~provide incentives for, the production of eligible Hawaii~~
17 ~~projects that are in compliance with criteria and standards~~
18 ~~established by the board in accordance with rules adopted by the~~
19 ~~board pursuant to chapter 91. In particular, the board shall~~
20 ~~adopt rules to provide for the implementation of the following~~
21 ~~programs:~~



- 1 ~~(1) A grant program. The board shall adopt rules pursuant~~
2 ~~to chapter 91 to provide conditions and qualifications~~
3 ~~for grants. Applications for grants shall be made to~~
4 ~~the board and shall contain such information as the~~
5 ~~board shall require by rules adopted pursuant to~~
6 ~~chapter 91. At a minimum, the applicant shall agree~~
7 ~~to the following conditions:~~
- 8 ~~(A) The grant shall be used exclusively for eligible~~
9 ~~Hawaii projects;~~
- 10 ~~(B) The applicant shall have applied for or received~~
11 ~~all applicable licenses and permits;~~
- 12 ~~(C) The applicant shall comply with applicable~~
13 ~~federal and state laws prohibiting discrimination~~
14 ~~against any person on the basis of race, color,~~
15 ~~national origin, religion, creed, sex, age, or~~
16 ~~physical handicap;~~
- 17 ~~(D) The applicant shall comply with other~~
18 ~~requirements as the board may prescribe;~~
- 19 ~~(E) All activities undertaken with funds received~~
20 ~~shall comply with all applicable federal, state,~~
21 ~~and county statutes and ordinances;~~



- 1 ~~(F) The applicant shall indemnify and save harmless~~
- 2 ~~the State of Hawaii and its officers, agents, and~~
- 3 ~~employees from and against any and all claims~~
- 4 ~~arising out of or resulting from activities~~
- 5 ~~carried out or projects undertaken with funds~~
- 6 ~~provided hereunder, and procure sufficient~~
- 7 ~~insurance to provide this indemnification if~~
- 8 ~~requested to do so by the department;~~
- 9 ~~(G) The applicant shall make available to the board~~
- 10 ~~all records the applicant may have relating to~~
- 11 ~~the project, to allow the board to monitor the~~
- 12 ~~applicant's compliance with the purpose of this~~
- 13 ~~chapter; and~~
- 14 ~~(H) The applicant, to the satisfaction of the board,~~
- 15 ~~shall establish that sufficient funds are~~
- 16 ~~available for the completion of the project for~~
- 17 ~~the purpose for which the grant is awarded; and~~
- 18 ~~(2) A venture capital program. The board shall adopt~~
- 19 ~~rules pursuant to chapter 91 to provide conditions and~~
- 20 ~~qualifications for venture capital investments in~~
- 21 ~~eligible Hawaii projects. The program may include a~~
- 22 ~~written agreement between the borrower and the board,~~



1 ~~as the representative of the State, that as~~
2 ~~consideration for the venture capital investment made~~
3 ~~under this part, the borrower shall share any~~
4 ~~royalties, licenses, titles, rights, or any other~~
5 ~~monetary benefits that may accrue to the borrower~~
6 ~~pursuant to terms and conditions established by the~~
7 ~~board by rule pursuant to chapter 91. Venture capital~~
8 ~~investments may be made on such terms and conditions~~
9 ~~as the board shall determine to be reasonable,~~
10 ~~appropriate, and consistent with the purposes and~~
11 ~~objectives of this part.] department of business,~~
12 economic development, and tourism for:

- 13 (1) Operations, repair, and maintenance of the Hawaii film
14 studio;
15 (2) Support for the operations of the Hawaii film office;
16 (3) Programs and initiatives for digital media industry
17 development; and
18 (4) Internships and training programs that expand the
19 skill sets of Hawaii's resident workforce and the film
20 and digital media industry."

21 SECTION 4. Section 201-111, Hawaii Revised Statutes, is
22 repealed.



1 ~~["§201-111] Definitions. As used in this part:~~

2 ~~"Applicant" means a person applying for a grant or venture~~
3 ~~capital investment from the board under this part.~~

4 ~~"Board" means the Hawaii television and film development~~
5 ~~board.~~

6 ~~"Eligible Hawaii project" or "project" means an~~
7 ~~entertainment project in which at least seventy-five per cent of~~
8 ~~the budget for the production costs, excluding salaries and~~
9 ~~costs for the producer, director, writer, screenplay, and actors~~
10 ~~in the project, is dedicated for the purchase or lease of goods~~
11 ~~or services from a vendor or supplier who is located and doing~~
12 ~~business in the State.~~

13 ~~"Fund" means the Hawaii television and film development~~
14 ~~special fund.~~

15 ~~"Venture capital investment" means any of the following~~
16 ~~investments in a project:~~

- 17 ~~(1) Common or preferred stock and equity securities~~
18 ~~without a repurchase requirement for at least five~~
19 ~~years;~~
- 20 ~~(2) A right to purchase stock or equity securities;~~
- 21 ~~(3) Any debenture, whether or not convertible or having~~
22 ~~stock purchase rights, which is subordinated, together~~



1 ~~with security interests against the assets of the~~
2 ~~borrower, by their terms to all borrowings of the~~
3 ~~borrower from other institutional lenders, and that is~~
4 ~~for a term of not less than three years, and that has~~
5 ~~no part amortized during the first three years; and~~
6 ~~(4) General or limited partnership interests."]~~

7 SECTION 5. Section 201-112, Hawaii Revised Statutes, is
8 repealed.

9 ~~["§201-112] Hawaii television and film development board.~~

10 ~~(a) There is established the Hawaii television and film~~
11 ~~development board. The board shall be attached to the~~
12 ~~department of business, economic development, and tourism for~~
13 ~~administrative purposes only. The board shall administer the~~
14 ~~grant and venture capital investment programs and the Hawaii~~
15 ~~television and film development special fund established under~~
16 ~~this part. The board shall also assess and consider the overall~~
17 ~~viability and development of the television and film industries~~
18 ~~and make recommendations to appropriate state or county~~
19 ~~agencies.~~

20 ~~(b) The board shall be composed of nine members, four of~~
21 ~~whom shall be appointed by the governor pursuant to section 26-~~
22 ~~34, and all of whom shall serve four-year staggered terms. One~~



1 ~~of the governor's appointments shall be made from a list of~~
2 ~~nominees submitted by the president of the senate and another~~
3 ~~appointment shall be made from a list of nominees submitted by~~
4 ~~the speaker of the house of representatives. The four appointed~~
5 ~~members shall possess a current working knowledge of the film,~~
6 ~~television, or entertainment industry. The director of~~
7 ~~business, economic development, and tourism, and the chairs of~~
8 ~~the four county film commissions or its equivalent, shall serve~~
9 ~~as ex officio voting members, who may be represented on the~~
10 ~~board by designees.~~

11 ~~The chairperson and vice chairperson of the board shall be~~
12 ~~selected by the board by majority vote. Five members shall~~
13 ~~constitute a quorum, whose affirmative vote shall be necessary~~
14 ~~for all actions by the board. The members shall serve without~~
15 ~~compensation but shall be reimbursed for expenses, including~~
16 ~~travel expenses, necessary for the performance of their duties.~~

17 ~~(c) The film industry branch development manager shall~~
18 ~~serve as the executive secretary of the board.~~

19 ~~(d) The board may adopt rules pursuant to chapter 91 to~~
20 ~~effectuate the purposes of this part."]~~

21 SECTION 6. Section 201-114, Hawaii Revised Statutes, is
22 repealed.



1 ~~["§201-114] Inspection of premises and records.~~ The board
2 shall have the right to inspect, at reasonable hours, the plant,
3 physical facilities, equipment, premises, books, and records of
4 any applicant in connection with the processing of a grant to
5 the applicant."]

6 SECTION 7. There is appropriated out the general revenues
7 of the State of Hawaii the sum of \$ or so much thereof
8 as may be necessary for fiscal year 2014-2015 to be deposited
9 into the Hawaii film and digital media development special fund.

10 SECTION 8. There is appropriated out of the Hawaii film
11 and digital media development special fund the sum of
12 \$ or so much thereof as may be necessary for fiscal
13 year 2014-2015 for the purposes of this part.

14 The sum appropriated shall be expended by the department of
15 business, economic development, and tourism for the purposes of
16 this part.

17 **PART II**

18 SECTION 9. Chapter 206M, Hawaii Revised Statutes, is
19 amended by adding a new part to be appropriately designated and
20 to read as follows:



1 **"PART . CREATIVE FILM AND DIGITAL MEDIA PARK**

2 **§206M- Purpose.** The legislature finds that the State's
3 production resources and educational programs, including the
4 ongoing development of the University of Hawaii at West Oahu and
5 the searider productions program at Waianae high school, provide
6 a genuine opportunity to foster a film production industry that
7 benefits the State and the community. The influx of film
8 companies has also reinvigorated this sector of the State's
9 economy. If a geographic area is dedicated for a film and
10 digital media park to promote growth in the business of creative
11 digital media and film, high school graduates who studied in
12 programs such as the searider productions program would have an
13 opportunity to obtain employment in their field within the
14 State.

15 A creative film and digital media park would attract
16 international investments in film and digital media production
17 that would enable the creation of facilities and employment and
18 the development of workforce housing. Further, a centralized
19 locale of entities will stimulate and promote innovation and
20 attract start-up companies to also locate in the hub.

21 The purpose of this part is to establish a creative film
22 and digital media park.



1 **§206M- Creative film and digital media park;**
2 **established.** There is established a creative film and digital
3 media park that shall include properties in west Oahu identified
4 by the following tax map key numbers: 91016179, 91016180,
5 91016181, 91016183, 91017095, 91017096, 91017097, 91017098,
6 91017099, 91017110, 91018005, and 91018008. The park shall be
7 administered by the board.

8 **§206M- Purpose of the creative film and digital media**
9 **park.** The purpose of the creative film and digital media park
10 shall be to facilitate economic growth of the creative film and
11 digital media industry by locating film and digital media
12 entities in a designated geographic hub.

13 **§206M- Guidelines.** (a) The board shall develop the
14 creative film and digital media park in consultation with the
15 state film office, the Hawaii housing finance and development
16 corporation, the University of Hawaii at West Oahu, and the
17 department of education.

18 (b) The board shall coordinate any planning and designs of
19 the park with the University of Hawaii at West Oahu."

20 SECTION 10. Section 206M-2, Hawaii Revised Statutes, is
21 amended by amending subsection (a) to read as follows:



1 "(a) There is established the high technology development
2 corporation, which shall be a public body corporate and politic
3 and an instrumentality and agency of the State. The development
4 corporation shall be placed within the department of business,
5 economic development, and tourism for administrative purposes,
6 pursuant to section 26-35. The purpose of the development
7 corporation shall be to facilitate the growth and development of
8 the commercial high technology industry in Hawaii. Its duties
9 shall include, but not be limited to:

- 10 (1) Developing and encouraging industrial parks as high
11 technology innovation centers and developing or
12 assisting with the development of projects within or
13 outside of industrial parks, including participating
14 with the private sector in such development;
- 15 (2) Providing financial and other support and services to
16 Hawaii-based high technology companies;
- 17 (3) Collecting and analyzing information on the state of
18 commercial high technology activity in Hawaii;
- 19 (4) Promoting and marketing Hawaii as a site for
20 commercial high technology activity; [and]
- 21 (5) Providing advice on policy and planning for
22 technology-based economic development[-]; and



Report Title:

Hawaii Film and Digital Media Development Special Fund; Creative Film and Digital Media Park; Appropriation

Description:

Part I: Expands funding sources to support the Hawaii film studio and office and film and digital media industry development within the DBEDT. Repeals statutory sections relating to the Hawaii television and film development board, which has been inactive for many years and no longer serves its original funding mechanism purpose. Appropriates funds. Part II: Requires the board of directors of the high technology development corporation to create a film and digital media park. Designates certain properties to be included in the park. Appropriates funds. Effective 1/20/2050. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

