

H.B. NO. 2298

A BILL FOR AN ACT

RELATING TO FUNDING FOR CREATIVE MEDIA AND FILM DEVELOPMENT.

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

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

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

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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 basic repair and maintenance of the Hawaii
6 film studio, which average \$150,000 per year. With anticipated
7 revenues generated by film studio rental of \$600,000 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]~~ CREATIVE MEDIA AND FILM
15 [DEVELOPMENT] INFRASTRUCTURE SPECIAL FUND"

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

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

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

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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;~~

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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,~~

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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 to provide 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 creative media industry
17 development; and
18 (4) Programs that expand the skill sets of Hawaii's
19 resident workforce in the creative media and film
20 industries."

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

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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~~

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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~~

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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.

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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 of the general
7 revenues of the State of Hawaii the sum of \$500,000, or so much
8 thereof as may be necessary, for fiscal year 2016-2017 to be
9 deposited into the creative media and film infrastructure
10 special fund. The sum appropriated shall be expended by the
11 department of business, economic development, and tourism for
12 the purposes of this Act.

13 SECTION 8. There is appropriated out of the creative media
14 and film infrastructure special fund the sum of \$500,000 or so
15 much thereof as may be necessary for fiscal year 2016-2017 for
16 the purposes of the fund. The sum appropriated shall be
17 expended by the department of business, economic development,
18 and tourism for the purposes of this Act.

19 SECTION 9. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.

21

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1 SECTION 10. This Act, upon its approval, shall take effect
2 on July 1, 2016.

3

4

INTRODUCED BY: _____

Justin

5

BY REQUEST

6

JAN 25 2016

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Report Title:

Creative Media and Film Infrastructure Special Fund

Description:

Amends section 201-113, Hawaii Revised Statutes, to expand funding sources to support creative industries development within the Department of Business, Economic Development, and Tourism; and repeals sections 201-111, 201-112, and 201-114, Hawaii Revised Statutes.

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

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO FUNDING FOR CREATIVE MEDIA AND FILM DEVELOPMENT.

PURPOSE: To provide a dedicated source of funds for the operations, repair, and maintenance of the Hawaii film studio and to further support programs of the Hawaii Film Office within the Creative Industries Division.

MEANS: Amend the title of part IX of chapter 201 and section 201-113, Hawaii Revised Statutes, and repeal sections 201-111, 201-112, and 201-114, Hawaii Revised Statutes.

JUSTIFICATION: Renaming the existing fund to the "Creative Media and Film Infrastructure Special Fund" is critical to establish the mechanism to capture rental fees from the Hawaii Film Studio tenants and reinvest these funds to provide a dedicated revenue stream for necessary repairs and maintenance of the aging facility, which has been in steady operation since 2004. In addition, the Creative Media and Film Infrastructure Special Fund will enable the Department of Business, Economic Development, and Tourism to support its statutory duties regarding the film program including consolidated film permitting, updates to the online permitting system, and the motion picture, digital media, and film production income tax credit program under section 235-17, Hawaii Revised Statutes.

Sections 201-111, 201-112, and 201-114, Hawaii Revised Statutes, need to be repealed because the board created and governed by these sections has been inactive for nearly 10 years.

The general fund appropriation included in this measure has been made in accordance with

the statutorily defined appropriation ceiling for the Executive Branch pursuant to section 37-92, Hawaii Revised Statutes. Including appropriations made up to and including the regular session of 2015, the Executive Branch appropriation ceiling for fiscal year 2015-16 has already been exceeded by \$14,892,787 or 0.2 percent. Funding requested in this measure is needed to provide a dedicated revenue stream for necessary repairs and maintenance of the aging facility, which has been in operation since 2004. In addition, the Creative Media and Film Infrastructure Special Fund will enable the Department of Business, Economic Development, and Tourism to support the film program. This measure will result in the appropriation ceiling for the Executive Branch to now be exceeded in fiscal year 2016-17 by an additional \$500,000 or .007 percent. This current declaration takes into account additional general fund appropriations authorized for fiscal year 2016-17 in this measure only, and does not include other general fund appropriations for fiscal year 2016-17 that may be authorized for the Executive Branch in other legislation submitted to the Legislature during the regular session of 2016.

Impact on the public: Strengthens and maintains the infrastructure for the film industry which contributes to the State's economy, enhances quality of life through creative sector growth, and supports a clean industry that protects the natural environment and provides well-paying jobs for Hawaii's people.

Impact on the department and other agencies: The special fund will support the activities of the Department of Business, Economic Development, and Tourism's Film Office which certifies the motion picture, digital media, and film production tax credits for the Department of Taxation.

GENERAL FUND: Reduction of \$600,000, film studio rental income of \$50,000/month per year when facility is occupied with a paying tenant.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: BED 105.

OTHER AFFECTED AGENCIES: Department of Taxation, Department of Budget and Finance.

EFFECTIVE DATE: July 1, 2016.



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
Luis P. Salaveria
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Tuesday, February 9, 2016
9:00 AM
State Capitol, Conference Room 312

In consideration of
HB2298
**RELATING TO FUNDING FOR CREATIVE MEDIA AND FILM
DEVELOPMENT**

Chair Kawakami, Vice Chair Kong, and Members of the House Committee on Economic Development & Business.

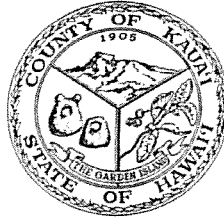
The Department of Business, Economic Development and Tourism (DBEDT) strongly supports HB2298, which would create the Creative Media and Film Infrastructure Special Fund, providing a mechanism to capture rental fees from the Hawaii Film Studio, film permit fees and tax credit application fees and expend these funds to support the repair and maintenance of the 7-acre facility.

Film production activity has maintained a steady \$200M to \$250M per year in production expenditures and is on course to increase in 2016. The Hawaii film studio has provided facilities for television and feature films steadily since 2004. With this continued tenancy, the ongoing repair and maintenance costs have exceeded the division's appropriation of \$75,000, and are not enough to cover repair and maintenance costs, which are at least \$150,000 per year. With the demands on the Hawaii Film Studio and Hawaii Film Office, the costs to support, manage and maintain the studio exceed existing allocations.

By providing the ability to deposit and expend film studio rent payments, and fees as noted, the Hawaii Film Office can: 1) better maintain the Hawaii Film Studio facility which is key to maintaining Hawaii's reputation as a world-class filming destination; and 2) address increased program costs, including marketing Hawaii as a premiere film location.

Thank you for the opportunity to testify on this measure.

Bernard P. Carvalho, Jr.
Mayor



George K. Costa
Director

Nadine Nakamura
Managing Director

OFFICE OF ECONOMIC DEVELOPMENT

County of Kaua'i, State of Hawai'i

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LATE

TESTIMONY IN SUPPORT

HB 2298: Relating to Funding for Creative Media and Development
Committee on Economic Development & Business
Tuesday, February 9, 9:00 a.m., Conference Room 312

Honorable Rep. Derek S.K. Kawakami, Chair, Rep. Sam Satoru Kong, Vice Chair,
And, Members, Committee on Economic Development & Business
House of Representatives
Honolulu, HI 96813

Dear Chair Kawakami, Vice Chair Kong, and, Members:

RE: HB2298: Relating to Funding for Creative Media and Film Development

Aloha! My name is Randall Francisco, and I am the Creative Industries and Small Business Specialist, County of Kauai – Office of Economic Development in which I serve as the Kauai Film Commissioner. The County of Kauai is in support of this legislation to provide the necessary and consistent funding in order to support the continued repair and maintenance upkeep of the Hawaii Film Studio and provide financial and long term support for the Creative Industries Division of Department of Business Economic Development & Tourism, State of Hawaii programs. This industry sector which we know is a clean industry represents an important aspect of our innovation economy and sends an important message about Hawaii's vision as we continue to transform and diversify our economy while complementing it with tourism.

The County of Kauai in partnership with the Kauai Visitors Bureau and other partners continues to have a successful track record of movies, films, and other media that helps to support our county as well as the state. A year ago, the world saw Kauai's beauty and natural landscapes captured in the renowned Sports Illustrated Magazine Swim Suit Edition. This edition initially had 8-10 pages planned, but, the editors of SI had the foresight to include an additional 12 pages that highlighted our island's scenic vistas. Furthermore, there was a 1 hour special on the Travel Channel, "Behind the Scenes of Making S.I.'s Swimsuit Edition". A few months later, the world once again saw Kauai captured on film in the world premiere of the "Jurassic World" film highlighting Kauai's locales. However, none of this could have been possible without the leadership and partnership of the Creative Industries Division of DBEDT facilitating these important opportunities. Thus, I am writing to ask for your support ---- for the long term by

supporting the CI division with the necessary revenue stream to continue its work, to lead and, support our innovation economy of the present, and, the future.

Should I be of any further assistance, please do not hesitate to contact me direct at 241-4953 (Office), 635-4130 (Cell) or email at rfrancisco@kauai.gov

Aloha.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Randall Francisco". The signature is fluid and cursive, with a long horizontal stroke at the end.

Randall Francisco
Creative Industries & Small Business Specialist
County of Kauai
Office of Economic Development

LATE

DATE: February 9, 2016
9:00 am
Conference Room 312

TO: Chair Derek S.K. Kawakami, Vice-Chair Sam Satoru Kong and Members
of the House Committee on Economic Development & Business

MEASURE: HB2289

SUBJ: Testimony in Support HB2289

Good morning Chair Kawakami, Vice Chair Kong and members of the House Committee on Economic Development and Business. My name is Bob Hall, partner with Pacific Growth Associates, and I submit testimony in support of HB2289.

Community based organizations (CBOs) in Hawaii have played an important role in supporting economic development, education, health and small business within their respective communities. They are catalytic in nurturing local, sustainable initiatives. Most seek grant and private funding year round for operational support and key community projects. Many also seek Legislative support each year through Grant in Aide.

The Community-based Economic Development Revolving Fund, facilitated by DBEDT, provides yet another opportunity for CBOs. These proposed changes to the Hawaii Community-Based Economic Development Technical and Financial Assistance Program provides program enhancements to definition and qualification, program efficiency through a smaller advisory, and program compliance for non-discrimination. HB2289 further seeks appropriate funding to "make all of this happen".

Pacific Growth Associates (PGA) is a strong advocate for successful CBOs. During the last 3 years, PGA has leveraged over \$50 million in private equity through the New Market Tax Credit Program, which in turn have built 3 federally qualified health centers, 1 commercial kitchen and the 1 community center on Hawaiian homestead lands.

PGA supports HB2289 and its intended results as it will further help CBOs.

Respectfully Submitted,



Bob Hall, Partner
Pacific Growth Associates