



## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE  
GOVERNOR

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DIRECTOR

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Statement of  
**LUIS P. SALAVERIA**  
Director  
Department of Business, Economic Development and Tourism  
before the  
**HOUSE COMMITTEE ON FINANCE**  
Thursday, April 2, 2015  
2:00 PM  
State Capitol, Conference Room 308

In consideration of  
**SB1155, SD2, HD2**  
**RELATING TO THE CREATIVE MEDIA INDUSTRY.**

Chair Luke, Vice Chair Nishimoto, Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) supports the intent of SB 1155, SD2, HD2, which seeks to transfer the Hawaii Film Office and its programmatic and statutory elements from DBEDT to the Hawaii Tourism Authority and establish a special fund to implement film and television activities.

Hawaii's film industry generates approximately \$220M in direct spending to the State's economy annually, providing \$385M in economic impact and supports more than 2,000 jobs. If the film program is provided additional support and an environment in which to flourish, it could grow the industry and increase its impact on the State's economy.

Film Commissions compete in a global industry that is now worth \$88.3 billion while international tourism revenue grows beyond \$1 trillion. More than one billion people travel internationally for pleasure each year and one in five tourists are motivated to travel to certain destinations by the films and television programs they've watched. In an effort to develop a stronger connection between film and tourism, the Association of Film Commissioners International will host for the first time a Film Tourism Summit this September in Barcelona, Spain. This is exactly the type of film/tourism conference that the State of Hawaii should consider bidding on in the future.

Given the film program's current funding, DBEDT requests that the bill provide additional resources to the Hawaii Film Office to manage its current statutory duties. If the Legislature is inclined to pass this measure, DBEDT respectfully requests that the Legislature appropriates additional funds for both FY 2016 and FY 2017.

Thank you for allowing us to comment on this measure.

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 1155, S.D. 2, H.D. 2

April 2, 2015

RELATING TO THE CREATIVE MEDIA INDUSTRY

Senate Bill No. 1155, S.D. 2, H.D. 2: assigns to the Hawaii Tourism Authority the responsibilities for film development and marketing; repeals the film industry activities within the Department of Business, Economic Development and Tourism (DBEDT); establishes the film development and marketing special fund; and appropriates an unspecified amount of general funds for deposit to the special fund.

The Department of Budget and Finance (B&F) defers to DBEDT regarding the merits of the bill; however, as a matter of general policy, B&F does not support the creation of any special fund which does not meet the requirements of Section 37-52.3 of the HRS. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 1155, S.D. 2, H.D. 2, it is difficult to determine whether the fund will be self-sustaining.

I encourage the Legislature to review the fiscal and operational plan for this program to ensure that it does conform to the requirements of Section 37-52.3, HRS.

DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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To: The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance

Date: Thursday, April 2, 2015  
Time: 2:00 P.M.  
Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 1155, S.D.2, H.D. 2, Relating to the Creative Media Industry

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. 1155, S.D. 2, H.D. 2, and provides the following comments for your consideration.

S.B. 1155, S.D. 2, H.D. 2, transfers the Hawaii Film Office and its statutory elements from DBEDT to HTA, and creates a new film development and marketing special fund to assist in film office operations and marketing and the production of eligible Hawaii film and television projects. Section 3 of the measure creates a general excise tax exemption for the amounts received from the improvements of the Hawaii film studio under a financing agreement pursuant to chapter 37D, Hawaii Revised Statutes (HRS), or the operations of the Hawaii film studio. Section 6 of the measure exempts from use tax the material, parts, or tools imported or purchased that are used for the Hawaii film studio and improvements made to the Hawaii film studio. H.D. 2 has a defective effective date of July 1, 2053.

The Department acknowledges the importance of the Hawaii Film Office's role in the administration of the motion picture, digital media, and film production income tax credit (film tax credit). The Hawaii Film Office acts as the starting point of the film tax credit, by pre-qualifying productions, certifying qualified production costs, and certifying the amount of film tax credits claimed by qualified productions for each taxable year. The Department supports a continued partnership with the Hawaii Film Office in this capacity.

The Department appreciates the House Committee on Tourism's adoption of the Department's suggested amendment to section 235-17 (e), HRS, to exclude amounts received by

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productions from State agencies, including the HTA, from being "qualified production costs" for purposes of claiming the credit under section 235-17, HRS, film tax credit.

Thank you for the opportunity to provide comments.



House of Representatives  
The Twenty-Eighth Legislature  
Regular Session of 2015

Committee on Finance  
Representative Sylvia Luke, Chair  
Representative Scott Y. Nishimoto, Vice Chair

RE: SB 1155, SD2, HD2 - RELATING TO THE CREATIVE MEDIA INDUSTRY  
Date: Thursday, April 2, 2015,  
Time: 2:00 p.m.  
Conference Room 308  
State Capitol, 415 South Beretania Street, Honolulu, HI

Aloha Chair Luke, Vice Chair Nishimoto and Members of the Committee,

We are representatives of the film and entertainment industry unions, Brenda Ching, SAG-AFTRA Hawaii Local, Henry Fordham, I.A.T.S.E. Local 665 and Brien Matson, American Federation of Musicians' Local 677. Together we represent over 1500 members working in film, television and new media productions as performers, crew and musicians in Hawaii.

We do not support SB 1155, SD2, HD2 as written. The Film industry is a *unique* and *creative* industry. At its core, it promotes and provides jobs and business opportunities for a broad spectrum of local companies. It is a business and economic driver for the State.

While Film and Tourism do complement each other, they are very distinct and separate industrial engines that influence our local economy, particularly when it comes to how the islands are positioned in marketing messages.

The Film industry is a business that is driven by *creative content*; the telling of stories commemorating events or documenting history which touches on many subjects and sensitivities. Hawaii has proven it is a stage that can play the world as itself as in *Hawaii Five-0* and *The Descendants*, or as other locations as in *Jurassic Park*, *Lost* and *Pirates of Caribbean*. The industry must be able to support content without prejudice, whether or not it is the Visitor Bureau's view of Hawaii.

We firmly believe that the film office is in the right agency – the Department of Business & Economic Development and Tourism (DBEDT). But the film office needs additional funds to market the tax credit and to support local and out of state companies. Therefore, we strongly urge you to consider adding additional funds necessary to operate the film office.

We appreciate the legislature's strong support of the film industry. Thank you for giving us the opportunity to offer testimony opposing this measure.

c/o SAG-AFTRA, 949 Kapiolani Blvd., Suite 105, Honolulu, Hawaii 96814 \* 808-596-0388



House of Representatives  
The Twenty-Eighth Legislature  
Regular Session of 2015

Committee on Finance  
Representative Sylvia Luke, Chair  
Representative Scott Y. Nishimoto, Vice Chair

RE: SB 1155, SD2, HD2 - RELATING TO THE CREATIVE MEDIA INDUSTRY  
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c/o SAG-AFTRA, 949 Kapiolani Blvd., Suite 105, Honolulu, Hawaii 96814 \* 808-596-0388





**LATE**

Testimony of  
**Ronald Williams**  
President and Chief Executive Officer  
Hawaii Tourism Authority  
on  
**S.B. No. 1155, S.D.2, H.D.2**  
**Relating to the Creative Media Industry**  
House Committee on Finance  
Thursday, April 2, 2015  
2:00 p.m.  
Conference Room 308

The Hawaii Tourism Authority (HTA) supports S.B. 1155, S.D.2, H.D.2, which assigns to the HTA the Film Industry Branch responsibilities for film and digital media development and marketing.

The 2000 Film and Television Study found that the film business is good business for Hawaii's visitor-based economy. The study found that key visitor business can be substantially affected, as when the film-related business for an O'ahu hotel totaled 4,300 room nights, valued at \$1.6 million. Film projects provide millions in dollars of free advertising and marketing by simply showcasing a Hawaii location and consequently, the Hawaii brand. In addition, the film 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. 1155, S.D.2, H.D.2, 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 Hawaii's opportunities in film.

For these reasons, we support S.B. 1155, S.D.2, H.D.2.

Mahalo for the opportunity to present these comments.