
A BILL FOR AN ACT

RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM.

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

1 SECTION 1. The legislature recognizes the economic and
2 tourism benefits of Hawaii's creative economy, which represents
3 fifty-four thousand entrepreneurs and businesses in the film,
4 arts, culture, design, interactive, literary, broadcasting and
5 publishing sectors. Anchored by the State's film industry,
6 which had a record year in 2018 of an estimated \$470,000,000 in
7 production expenditures, these collective industry clusters are
8 integral to the foundation of a vibrant diversified economy.
9 Representing \$3,800,000,000 of Hawaii's gross domestic product
10 and cited as one of the State's emerging industry clusters in
11 the recent report from the research and economic analysis
12 division of the department of business, economic development,
13 and tourism, the legislature sees the creative sectors as
14 integral to the State's innovation strategy. With local
15 screenwriters and songwriters from Hawaii island to Hanalei
16 successfully pitching and having their work produced for



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1 networks, such as Lifetime Television, and licensing original
2 songs for placement in television series, such as Fox's "Empire"
3 or CW's "Nashville", the growth of the creative entrepreneurial
4 sector jobs in film and media are accelerating through
5 initiatives such as Creative Lab Hawaii.

6 The creative industries division of the department of
7 business, economic development, and tourism has grown beyond the
8 startup phase in 2003 into a catalyst for our innovation economy
9 through its expanded responsibilities on talent, infrastructure,
10 and access to capital. Key initiatives include developing a
11 pipeline of talent, establishing access to decision makers in
12 media, providing creative co-working sites and partnering with
13 the university of Hawaii on the development of a commercial
14 creative media and sound stage facility in west Oahu, and
15 creating support jobs in media in the region and statewide.

16 The legislature also recognizes the need to better serve
17 the neighbor islands to ensure that they are integrated into an
18 overall growth strategy.

19 While growing the jobs in our creative sectors, the
20 division and the State's film office are responsible for the
21 statutory programs of film permitting facilitation and



1 management of the film tax credit program. It is crucial to
2 ensure the State's investment is managed by accounting and audit
3 staffing in the creative industries division or the State's film
4 program. As recommended in the department's response to a 2016
5 state auditor's report, the legislature concurs that additional
6 positions dedicated to management, data collection, tracking,
7 and reporting are critical to protecting the State's investment
8 in this core industry. Therefore, the legislature finds that to
9 adequately fulfill and strengthen Hawaii's creative economy, the
10 creative industries division must be provided with adequate
11 staffing.

12 The purpose of this Act to:

- 13 (1) Establish the office of creative media industries
14 Hawaii in statute and provide that the Hawaii film
15 office shall be an agency of that office;
- 16 (2) Specify that the office of creative media industries
17 Hawaii shall include an administrative officer, who
18 shall serve as chief operating officer, an
19 administrator of creative ecosystem and workforce
20 development, a film production industry manager, and
21 employees as necessary to operate the office;



- 1 (3) Rename the existing Hawaii television and development
2 board as the creative industries Hawaii advisory group
3 and amend its duties accordingly;
- 4 (4) Rename the Hawaii television and film development
5 special fund as the creative media and film
6 infrastructure special fund and expand funding sources
7 of the fund to support creative industries development
8 within the department of business, economic
9 development, and tourism;
- 10 (5) Provide appropriations for four full-time equivalent
11 (4.0 FTE) positions, which shall be an administrative
12 officer position; an accountant V position; an
13 administrative specialist IV position; and a general
14 professional VI position; and
- 15 (6) Provide additional appropriations for the office of
16 creative media industries Hawaii.

17 SECTION 2. Chapter 201, Hawaii Revised Statutes, is
18 amended by adding a new section to part IX to be appropriately
19 designated and to read as follows:

20 "§201- Office of creative media industries Hawaii;
21 administration; Hawaii film office. (a) There is established



1 an office of creative media industries Hawaii within the
2 department. The office of creative media industries Hawaii
3 shall have:

4 (1) An administrative officer, who shall serve as chief
5 operating officer;

6 (2) An administrator of creative ecosystem and workforce
7 development;

8 (3) A film production industry manager; and

9 (4) Employees as necessary to operate the office.

10 (b) The Hawaii film office shall be an agency of the
11 office of creative media industries Hawaii."

12 SECTION 3. 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 INDUSTRIES AND
15 FILM DEVELOPMENT"

16 SECTION 4. Section 201-111, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "[+]§201-111[+] **Definitions.** As used in this part:

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



1 ~~"Board" means the Hawaii television and film development~~
2 ~~board.~~

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

10 "Creative media" includes film, motion pictures,
11 television, and digital media as defined in section 235-17.

12 "Department" means the department of business, economic
13 development, and tourism.

14 "Fund" means the [~~Hawaii television~~] creative media and
15 film [~~development~~] infrastructure special fund.

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

18 ~~(1) Common or preferred stock and equity securities~~
19 ~~without a repurchase requirement for at least five~~
20 ~~years;~~

21 ~~(2) A right to purchase stock or equity securities;~~



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

9 SECTION 5. Section 201-112, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "~~{}~~**§201-112**~~{}~~ Creative industries Hawaii ~~[television and~~
12 ~~film development board.]~~ advisory group. (a) There is
13 established the creative industries Hawaii ~~[television and film~~
14 ~~development board.]~~ advisory group. The ~~[board]~~ advisory group
15 shall be attached to the department of business, economic
16 development, and tourism for administrative purposes only. ~~[The~~
17 ~~board shall administer the grant and venture capital investment~~
18 ~~programs and the Hawaii television and film development special~~
19 ~~fund established under this part. The board shall also assess~~
20 ~~and consider the overall viability and development of the~~



1 ~~television and film industries and make recommendations to~~
2 ~~appropriate state or county agencies.]~~

3 (b) The [~~board~~] advisory group shall be composed of nine
4 members, four of whom shall be appointed by the governor
5 pursuant to section 26-34, and all of whom shall serve four-year
6 staggered terms. One of the governor's appointments shall be
7 made from a list of nominees submitted by the president of the
8 senate and another appointment shall be made from a list of
9 nominees submitted by the speaker of the house of
10 representatives. The four appointed members shall possess a
11 current working knowledge of [~~the film, television, or~~
12 ~~entertainment industry.~~] creative media. The director of
13 business, economic development, and tourism, and the chairs of
14 the four county film commissions or its equivalent, shall serve
15 as ex officio[+], [+]
16 the [~~board~~] advisory group by designees.

17 The chairperson and vice chairperson of the [~~board~~]
18 advisory group shall be selected by the [~~board~~] advisory group
19 by majority vote. Five members shall constitute a quorum, whose
20 affirmative vote shall be necessary for all actions by the
21 [~~board~~.] advisory group. The members shall serve without



1 compensation but shall be reimbursed for expenses, including
2 travel expenses, necessary for the performance of their duties.

3 (c) The film production industry [~~branch development~~]
4 manager of the office of creative media industries Hawaii shall
5 serve as the executive secretary of the [~~board~~] advisory group.

6 (d) The advisory group shall recommend:

7 (1) Programs and initiatives for creative and media
8 industry development;

9 (2) Programs that expand the skills of Hawaii's resident
10 workforce, above and below the line, in the creative
11 media industries; and

12 (3) Infrastructure development and expansion to support
13 the creative media industries in Hawaii.

14 [~~(d)~~] (e) The [~~board~~] advisory group may adopt rules
15 pursuant to chapter 91 to effectuate the purposes of this part."

16 SECTION 6. 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~~]



1 creative media and film [~~development~~] infrastructure special
2 fund into which shall be deposited:

- 3 (1) Appropriations by the legislature;
- 4 (2) Donations and contributions made by private
5 individuals or organizations for deposit into the
6 fund;
- 7 (3) Grants provided by governmental agencies or any other
8 source; [~~and~~
- 9 ~~(4) Any profits or other amounts received from venture~~
10 ~~capital investments.]~~
- 11 (4) All revenues, fees, and charges from the rental and
12 operation of the Hawaii film studio;
- 13 (5) All revenues, fees, and charges from the processing of
14 film permits pursuant to section 201-14; and
- 15 (6) All revenues, fees, and charges from the processing of
16 the motion picture, digital media, and film production
17 income tax credit pursuant to section 235-17.

18 (b) The fund shall be used by the [~~board to assist in, and~~
19 ~~provide incentives for, the production of eligible Hawaii~~
20 ~~projects that are in compliance with criteria and standards~~
21 ~~established by the board in accordance with rules adopted by the~~



1 ~~board pursuant to chapter 91. In particular, the board shall~~
2 ~~adopt rules to provide for the implementation of the following~~
3 ~~programs:~~

4 ~~(1) A grant program. The board shall adopt rules pursuant~~
5 ~~to chapter 91 to provide conditions and qualifications~~
6 ~~for grants. Applications for grants shall be made to~~
7 ~~the board and shall contain such information as the~~
8 ~~board shall require by rules adopted pursuant to~~
9 ~~chapter 91. At a minimum, the applicant shall agree~~
10 ~~to the following conditions:~~

11 ~~(A) The grant shall be used exclusively for eligible~~
12 ~~Hawaii projects;~~

13 ~~(B) The applicant shall have applied for or received~~
14 ~~all applicable licenses and permits;~~

15 ~~(C) The applicant shall comply with applicable~~
16 ~~federal and state laws prohibiting discrimination~~
17 ~~against any person on the basis of race, color,~~
18 ~~national origin, religion, creed, sex, age, or~~
19 ~~physical handicap;~~

20 ~~(D) The applicant shall comply with other~~
21 ~~requirements as the board may prescribe;~~



- 1 ~~(E) All activities undertaken with funds received~~
2 ~~shall comply with all applicable federal, state,~~
3 ~~and county statutes and ordinances;~~
- 4 ~~(F) The applicant shall indemnify and save harmless~~
5 ~~the State of Hawaii and its officers, agents, and~~
6 ~~employees from and against any and all claims~~
7 ~~arising out of or resulting from activities~~
8 ~~carried out or projects undertaken with funds~~
9 ~~provided hereunder, and procure sufficient~~
10 ~~insurance to provide this indemnification if~~
11 ~~requested to do so by the department;~~
- 12 ~~(G) The applicant shall make available to the board~~
13 ~~all records the applicant may have relating to~~
14 ~~the project, to allow the board to monitor the~~
15 ~~applicant's compliance with the purpose of this~~
16 ~~chapter; and~~
- 17 ~~(H) The applicant, to the satisfaction of the board,~~
18 ~~shall establish that sufficient funds are~~
19 ~~available for the completion of the project for~~
20 ~~the purpose for which the grant is awarded; and~~



1 ~~(2) A venture capital program. The board shall adopt~~
2 ~~rules pursuant to chapter 91 to provide conditions and~~
3 ~~qualifications for venture capital investments in~~
4 ~~eligible Hawaii projects. The program may include a~~
5 ~~written agreement between the borrower and the board,~~
6 ~~as the representative of the State, that as~~
7 ~~consideration for the venture capital investment made~~
8 ~~under this part, the borrower shall share any~~
9 ~~royalties, licenses, titles, rights, or any other~~
10 ~~monetary benefits that may accrue to the borrower~~
11 ~~pursuant to terms and conditions established by the~~
12 ~~board by rule pursuant to chapter 91. Venture capital~~
13 ~~investments may be made on such terms and conditions~~
14 ~~as the board shall determine to be reasonable,~~
15 ~~appropriate, and consistent with the purposes and~~
16 ~~objectives of this part.]~~

17 department to provide for:

- 18 (1) Operations, repair, and maintenance of the Hawaii film
19 studio;
- 20 (2) Support for the operations of the department's film
21 industry branch;



1 (3) Programs and initiatives for creative media industry
2 development; and

3 (4) Programs that expand the skills of Hawaii's resident
4 workforce in the creative media and film industries."

5 SECTION 7. Section 201-114, Hawaii Revised Statutes, is
6 repealed.

7 ~~["~~§201-114~~ ~~Inspection of premises and records.~~ The~~
8 ~~board shall have the right to inspect, at reasonable hours, the~~
9 ~~plant, physical facilities, equipment, premises, books, and~~
10 ~~records of any applicant in connection with the processing of a~~
11 ~~grant to the applicant."]~~

12 SECTION 8. Notwithstanding the renaming of the Hawaii
13 television and film development board as the Hawaii creative
14 industries advisory group as provided in this Act, and the film
15 industry branch within the department of business, economic
16 development, and tourism shall continue to be maintained without
17 any reduction in staffing or funding, and all officers and
18 employees in the branch shall continue to perform their
19 functions and duties under this Act.

20 SECTION 9. There is appropriated out of the general
21 revenues of the State of Hawaii the sum of \$350,000 or so much



1 thereof as may be necessary for fiscal year 2019-2020 and the
2 same sum or so much thereof as may be necessary for fiscal year
3 2020-2021 for the establishment within the office of creative
4 media industries Hawaii of:

5 (1) One full-time equivalent (1.0 FTE) administrative
6 officer position;

7 (2) One full-time equivalent (1.0 FTE) accountant V
8 position;

9 (3) One full-time equivalent administrative specialist IV
10 position; and

11 (4) One full-time equivalent (1.0 FTE) general
12 professional VI position,

13 exempt from chapters 76 and 89, Hawaii Revised Statutes, and for
14 other expenses related to these positions.

15 The sums appropriated shall be expended by the department
16 of business, economic development, and tourism for the purposes
17 of this Act.

18 SECTION 10. There is appropriated out of the general
19 revenues of the State of Hawaii the sum of \$300,000 or so much
20 thereof as may be necessary for fiscal year 2019-2020 and the
21 same sum or so much thereof as may be necessary for fiscal year



1 2020-2021, to be expended by the department of business,
2 economic development, and tourism as follows:

- 3 (1) \$200,000 to support creative media laboratory programs
4 on neighbor islands; and
5 (2) \$100,000 for website creation and improvements for the
6 office of creative media industries Hawaii and the
7 Hawaii film office.

8 The sums appropriated shall be expended by the department
9 of business, economic development, and tourism for the purposes
10 of this Act.

11 SECTION 11. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of \$545,000 or so much
13 thereof as may be necessary for fiscal year 2019-2020 and the
14 same sum or so much thereof as may be necessary for fiscal year
15 2020-2021, for equipment and staffing of four creative media co-
16 working sites statewide.

17 The sums appropriated shall be expended by the department
18 of business, economic development, and tourism for the purposes
19 of this Act.


20 SECTION 12. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



1 SECTION 13. This Act shall take effect on July 1, 2019.

2

INTRODUCED BY:



Liakhtaganov

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JAN 22 2019



H.B. NO. 773

Report Title:

DBEDT; Creative Media Industries; Creative Media and Film Infrastructure Special Fund; Appropriation

Description:

Establishes the office of creative media industries Hawaii in statute, and provide that the Hawaii film office shall be an agency of that office. Renames the Hawaii Television and Film Development Board as the Creative Industries Hawaii Advisory Group. Renames the Hawaii Television and Film Development Special Fund as the Creative Media and Film Infrastructure Special Fund. Expands funding sources for the Creative Media and Film Infrastructure Special Fund to support creative industries development within the Department of Business, Economic Development, and Tourism. Amends the purposes for which the Creative Media and Film Infrastructure Special Fund may be used. Establishes and appropriates funds for positions. Appropriates funds for operations and programs.

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