



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
GOVERNOR
MIKE MCCARTNEY
DIRECTOR
CHUNG I. CHANG
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
MIKE MCCARTNEY
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

Friday, February 11, 2022
10:00 AM
State Capitol, Conference Room #312

In consideration of
HB 2086
**RELATING TO THE HAWAII FILM AND CREATIVE INDUSTRIES
DEVELOPMENT SPECIAL FUND.**

Chair Quinlan, Vice Chair Holt and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) strongly supports HB 2086 which seeks to increase financial resources for Hawaii Film and Creative Industries Development (CID) special fund (HRS 201-113) by including rental fee deposits from DBEDT, CID managed facilities, to expand funding resources for the purposes of the fund.

Act 228, Session Laws of Hawaii 2019 (HRS 201-113) renamed the Hawaii television and film development special fund as the Hawaii film and creative industries development special fund to align with the state's focus on knowledge-based industries development, creative sector workforce development programs expansion and support for marketing efforts for the creative and film projects developed by local Hawaii residents.

In SLH 2021, a ceiling was added so the fund can expend up to \$750,000 per year to effectuate the purposes of Act 228, which will provide seed funding for Hawaii's

emerging filmmakers and creatives with projects who require access to capital to enable them to advance their projects, establish entrepreneurial businesses and accelerate IP creation, local and global licensing opportunities.

These amendments would solidify the ability to deposit lease and rental revenues from infrastructure managed by DBEDT/CID (Kalaeloa Stages, Entrepreneurs Sandbox CreativeSpace & Studio, and future facilities) and provide an investment from rental of stage facilities to build a sustainable model for projects which would not qualify for participation in Section 235-17, HRS, Hawaii Motion Picture, Digital Media, and Film Industry Tax Credit Program.

We look forward to collaborating with the Legislature, industry and government partners as this bill moves through the session, to ensure we build a sustaining mechanism to advance IP export initiatives.

Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Expand Scope of Hawaii Film and Creative Industries Development Special Fund

BILL NUMBER: HB 2086, SB 3054

INTRODUCED BY: HB by SAIKI by request; SB by KOUCHI by request (Governor's Package)

EXECUTIVE SUMMARY: Expands funding sources and authorized uses of the Hawaii Film and Creative Industries Development Special Fund. Makes an appropriation out of the special fund.

SYNOPSIS: Amends section 201-113, HRS, to provide that effective July 1, 2022, all revenues, fees, and income received by the department from its management of public facilities that support media and entertainment workforce and business development, with the exception of the Hawaii Film Studio, shall be deposited into the special fund. Also specifies that moneys in the fund may be used for repair, maintenance, and related costs of the department's management of public facilities that support media and entertainment workforce and business development.

EFFECTIVE DATE: Upon Approval

STAFF COMMENTS: This is an Administration measure submitted by DBEDT and identified as BED-10 (22).

Special funds are pots of money that exist for a specific purpose, and largely bypass the legislative appropriation process. The existence of hundreds of these special funds has often confounded those who seek answers to simple questions like "How much money does the State have?"

Our Legislature is supposed to be the steward of all state moneys, but special funds make it very easy to lose track of where the money is and how it is being spent. Departments are supposed to tell the Legislature if they have special funds and how much is in them, but they don't always. Recently, in Report No. 20-01, the State Auditor took DBEDT to task for failing to report \$6.5 million in non-general fund moneys. DBEDT's response? Just that they'll "take corrective action." Not even a "Whoops! We screwed up and promise to do better next time!" This followed closely on the heels of Report No. 19-16, where the Auditor found that \$1.04 million in non-general fund moneys administered by the Attorney General wasn't reported. That department responded that they "shall establish procedures to assure required reports are issued." Is it any wonder that it's getting harder and harder to follow the money and rein in government spending?

Another tactic that appears to be gaining traction among special fund supporters, and one that is present in the current bill, is "scope creep." It involves expanding the scope of what the special

fund moneys may be spent on. If special fund moneys can be spent on more and more things, then there tends to be more spending, and then the funds need to be fed more and more to stay afloat. Then who is going to do the feeding? Probably we, the taxpayers.

The moral of the story is that special funds are often used to obfuscate and confuse, to put a smokescreen between those who spend the money and those who are charged with making sure the money is well spent. Let's do all of ourselves a favor and get rid of the special funds we don't really need, and make sure that the operations of the ones we do need are transparent and accountable.

Digested: 2/9/2022