



## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of  
**MIKE MCCARTNEY**  
Director

Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON FINANCE**

Monday, April 4, 2022  
1:30 PM  
State Capitol, Conference Room #308

In consideration of  
**SB 3054, SD1, HD1**  
**RELATING TO THE HAWAII FILM AND CREATIVE INDUSTRIES  
DEVELOPMENT SPECIAL FUND.**

Chair Luke, Vice Chair Yamashita and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) strongly supports SB 3054, SD1, HD1 which seeks to deposit funds from rental income of DBEDT managed facilities, production stages, and creative space studios, to execute the purposes of the Hawaii Film and Creative Industries Development (CID) special fund (HRS 201-113) which, among its purposes, provides seed capital for local film and creative IP development for projects under \$200,000.

The Legislature approved the ceiling to expend up to \$750,000 per year to effectuate HRS 201-113 in SLH 2021. Rents collected average \$350,000 per year from Kalaeloa stages and other facilities, providing a baseline resource in addition to grants and appropriations. We call to your attention the requirement for the fund of \$200,000 or less for eligible projects is intentionally designed to support smaller projects which would not qualify for the HRS Section 235-17, the Hawaii Motion Picture, Digital Media, and Film Industry Tax Credit Program.

The department requests your consideration of the following amendments to the SB3054, SD1, HD1 to add clarifying language:

**In Section 1, Page 2, line 1, insert “all existing and future” clarifying language:**

(5) Effective July 1, 2022, all **existing and future** revenues, fees and income ...

**In Section 2, Page 3 line 4, insert “and 2023-2024”:**

...year 2022-2023 **and 2023-2024** for the purposes of the special fund ...

This fund supports the exponential growth of the local filmmaking and creative content industries, who need investment capital to support their early-stage projects in media, entertainment, and the arts. Not unlike the resources available to technology start-ups in Hawaii, this public resource establishes an avenue to capital which is nascent currently for creative entrepreneurs.

Hawaii’s talent is being recognized globally, gaining traction in mainstream media. This is thanks to workforce development programs in the non-profit and government sectors, such as Pacific Islanders in Communications, Ohina Labs and Creative Lab Hawaii, along with our University of Hawaii ACM and DOE media and technology programs.

Our emerging entrepreneurs in creative and film sectors require this next step of our investment, providing the ability to own their IP and monetize their works while remaining home in Hawaii. SB3054, SD1, HD1 amendments to Section 201-113, HRS, will provide them with the resources to get there.

Thank you for the opportunity to testify.

# TAX FOUNDATION OF HAWAII

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

BILL NUMBER: SB 3054 HD 1

INTRODUCED BY: House Committee on Economic Development

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: October 18, 2050.

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: 4/1/2022

**SB-3054-HD-1**

Submitted on: 4/1/2022 2:47:02 PM

Testimony for FIN on 4/4/2022 1:30:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ann Chung	Individual	Support	Written Testimony Only

Comments:

Fully support this bill and urge you to pass it.

Mahalo!