



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 ECONOMIC DEVELOPMENT

Friday, March 18, 2022
10:30 AM
State Capitol, Conference Room #312

In consideration of
SB 3054, SD1
**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 SB 3054, SD1, which seeks to add a sustainable funding source derived from rental of DBEDT managed facilities, in addition to appropriations and grants, to execute the purposes of the Hawaii Film and Creative Industries Development (CID) special fund (HRS 201-113) providing seed capital for local film and creative IP development for projects under \$200,000.

In SLH 2021, the Legislature approved a ceiling to expend up to \$750,000 per year to effectuate the purposes of the fund. Until grants are received, DBEDT is seeking to amend HRS 201-113 to include revenues from the rental of production and related facilities, which are currently held in a trust account within the department.

Through SB3054, SD1 amendments as proposed, CID/DBEDT would utilize majority of these funds allocated toward the seed funding aspects of Act 228, and a percentage of the rents allocated to cover R&M at department managed facilities, with the exception of Hawaii Film Studios, which is currently deposited into the general fund. Utilizing this avenue, in addition to appropriations for the purposes of the fund, address an important aspect of access to capital for creative startups.

Our talent development programs in the non-profit and government sectors, along with our University of Hawaii ACM and DOE media and technology programs, are expanding a strong pipeline of Hawaii talent. Utilizing rental funds from mainstream film and television productions can directly support local creative IP development and support legislative intent.

We note that the requirement of a lower threshold for eligible projects that would be funded through Act 228 SLH 2019 would be below \$200,000. This is intentionally designed to support startups in creative and knowledge-based industries which would not be participating in HRS 235-17, the Hawaii Motion Picture, Digital Media, and Film Industry Tax Credit Program.

We look forward to working with the House and Senate to advance this measure through the session which will strengthen funding opportunities for our growing creative IP export industry.

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: SB 3054 SD 1

INTRODUCED BY: Senate Committee on Ways & Means

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: July 1, 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: 3/16/2022

SB-3054-SD-1

Submitted on: 3/16/2022 7:47:05 PM

Testimony for ECD on 3/18/2022 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Gerard Elmore	`Ohina/NMG Network	Support	Written Testimony Only

Comments:

My name is Gerard Elmore and I'm the VP of Film for NMG Network, Executive Director of `Ohina and lecturer at ACM Manoa. I'm writing to strongly support this bill. I previously wrote in support of House Bill 2086.

My personal passion project has been to help as many filmmakers as possible through `Ohina. ohina.org

Over two decades later, `Ohina has grown into a three (3) tiered media pipeline responsible for helping local filmmakers and storytellers bring cinematic visions to the big screen. We have brought Hollywood mentors to work with local writers and directors at the script stage. Fellows workshop scripts and the `Ohina team finds resources/funding to help get the films made. We have proud to produce a number of award-winning short films since 2017.

At NMG Network, we believe just as much as `Ohina does in local talent and local films. We try to fund as many projects as possible, hire students out of the ACM programs, and develop future projects. This year was a break out year for Hawai'i filmmakers. Filmmaker Alika Tengan (a `Ohina alumni) was the first native Hawaiian filmmaker with a narrative feature at Sundance. NMG Network was proud to help support and fund his film with Pacific Islanders in Communications. Many other NMG Network and `Ohina funded films continue to screen around the world and Hawai'i continues to build a reputation among the best storytellers.

This bill is the bill we've been waiting for. The Creative Industries community is where it is because of people and organizations chipping in to make our films and stories possible. Spending our own money and begging others to believe in the community, our stories and our talent.

It's worked but we can't sustain it and if we are looking to diversify our economy and if we want to create great jobs for our local students, this bill provides us the opportunity to create our own IP and sell it outside of Hawai'i. We believe we can create and develop shows, commercials, movies here and that our local talent can be the ones in charge. We are seeing it happen with local talent being hired to be writers on TV shows, commercials and films. Writer on Doogie Kamealoha, M.D., Alexander Bocchieri being a part of Disney +'s Launchpad program. <https://launchpad.disney.com/2021directors>

We got the talent, the skills, and the drive to make it happen. We need the help. Not only to keep the momentum going but to create better jobs and opportunities for the state.

Believe in our talent, believe in our stories and let's build our industry together.

Mahalo for your time.

Gerard Elmore

March 17, 2022

To Whom it May Concern:

This is a letter in support of the amendments in SB3054 SD1. These important measures will provide the ability to deposit rental fees from Hawai'i's Kalaeloa studio and other managed facilities to increase capital and resources for the Hawaii Film and Creative Industries Special Fund (HRS 201-113) which was established to seed fund creative IP projects in various stages of development.

Coupled with existing funds already established by HIFF, Pacific Islanders in Communications, the Nichols Family Fund and others, this is another avenue to financially support up and coming filmmakers, designers, playwrights, performing arts projects, and even early-stage game developers.

HIFF wholeheartedly supports any efforts to continue investing in our vital creative communities. These significant creatives and the stories and culture they honor and cultivate are the foundation of a healthy society.

It is imperative to take all measures that allow us to invest in building a sustainable creative economy and stronger, more resilient, authentic Hawai'i.

Sincerely,



Beckie Stocchetti
Executive Director
Hawai'i International Film Festival

SB-3054-SD-1

Submitted on: 3/16/2022 2:04:51 PM

Testimony for ECD on 3/18/2022 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Christopher Gibbon	Individual	Support	Written Testimony Only

Comments:

As both a long time resident of Hawaii, and creative artist, I strongly support this measure to increase capital and resources for the Hawaii Film and Creative Industries Special Fund (HRS 201-113) which was established to seed fund creative IP projects in various stages of development. I am a recent Fellow of the prestigious Humanitas New Voices Program for emerging Screenwriters. I can draw a direct a direct line from my participation in the Creative Lab of Hawaii Writer's Immersive Program to my success with Humanitas. I am very grateful for the investment by the State in creative workforce development that allowed a program like Creative Lab to happen. But while Hawaii has made great strides towards supporting and developing its creative workforce - the benefits of which for the community and economy of Hawaii are both massive and well-documented - there remain many frustrating bureacratic barriers that prevent the talented emerging artists that are capabale of driving this workforce development from accessing the resources that are allocated, and simply sitting there unavailable. I have many friends wtih powerful projects ready to go that would create jobs and build careers, and positively impact the image and profile of Hawaii as a State that champions its unique and diverse storytellers, but who are unable to proceed simply because of these unnecessary barriers.

If you truly believe in diversifying and strengthening our economy by empowering local talent, I implore you to pass this bill.

Aloha,

Chris Gibbon

SB-3054-SD-1

Submitted on: 3/16/2022 3:26:37 PM

Testimony for ECD on 3/18/2022 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Benita Brazier	Individual	Support	Written Testimony Only

Comments:

I support this measure. Mahalo

From the desk of:

Tony Young
2414A Pauoa Rd.
Honolulu HI 96813
(808) 531-7184
Tlyoung88@yahoo.com



March 18, 2022

As a local film producer for over ten years, I've noticed many patterns in how locals (i.e. people raised and trained in Hawaii in their respective fields) make films.

The majority of independent producers are self funded, though some do acquire grants. Their films end up playing at HIFF with no star attachments and don't go any further. Yes, there is self distribution and aggregators that can get local product on Amazon Prime and other streaming services, but most local films keep within these low budget parameters and are not hitting the mainstream like our independent counterparts on the mainland.

This pattern is indicative of our film education here in the islands. We are not taught how to market our films. We are not encouraged to seek private equity and attach major stars to secure a place in the film market, and we rely too heavily on Hollywood producers on every level, from indies to studio, to come over here to tell our stories.

We have many stories to tell here that are literally unknown to mainland audiences. It's no secret that the life story of King Kamehameha has been floating around in development hell for years, because studios feel no one knows who he is. We've had to suffer Hollywood types watering down or oversimplifying local culture in order for them to incorporate "local color" into their narratives. Contrast the plays of Kumu Kahua Theater which explores all aspects of Hawaiian life to the movies or TV shows that are being set in Hawaii. There is no comparison.

We cannot rely on the mainland to "rescue us." But at the same time, we lack the knowledge and training that producers on the mainland have when it comes to packaging a film, producing it for a mass audience as well as marketing it afterwards.

Over the past seven years, things have gotten a little better. Creative Lab has been very helpful, but we need more opportunities. This is why I support this bill deposit rental fees from our Kalaeloa studio and other managed facilities to increase capital and resources for the Hawaii Film and Creative Industries Special Fund (HRS 201-113).

Our stories should be told by people who have lived here, using facilities in our home town.

Sincerely,

Tony Young
Producer, "Micky's Summer Resort"
Co Writer, "Samurai Cop 2: Deadly Vengeance"

LATE

SB-3054-SD-1

Submitted on: 3/17/2022 2:45:54 PM
Testimony for ECD on 3/18/2022 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Ann Chung	Individual	Support	Written Testimony Only

Comments:

Fully support this bill and urge you to pass it.

Mahalo!

LATE

RE: SB3054 – A Bill for an Act Relating to the Hawaii Film and Creative Industries Development Special Fund

Aloha Chair Quinlan, Vice Chair Holt, and members of the committee:

I stand in support of SB3054, which will positively impact the growth of our creative community and economy.

It's an extraordinary time for Hawai'i filmmakers, playwrights, and creative artists, and the vision of this bill is synergistic with a movement. It is essential we continue to cultivate a vibrant innovation ecosystem, and empower our entrepreneurs with the tools to create high quality media so that the narrative of Hawai'i is authentically shared with the world through the export of IP.

By further investing in workforce development for our diverse voices, growing opportunities for local ideation and production, and advancing storytelling and creative design that provides a deeper appreciation of cultures and communities, we're changing the way global audiences are accessing and experiencing our content, and exponentially growing our economy.

Mahalo for your time and consideration of this testimony.

Sincerely,
Susan Wright
Makakilo