

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEES ON ECONOMIC REVITALIZATION & BUSINESS  
AND TOURISM  
ON  
SENATE BILL NO. 3050, S.D. 2

March 15, 2012

RELATING TO FILM, TELEVISION, DIGITAL, AND NEW MEDIA DEVELOPMENT

Senate Bill No. 3050, S.D. 2, assigns to the Hawaii Tourism Authority the responsibilities for film, television, digital, and new media development; repeals the film industry activities within the Department of Business, Economic Development, and Tourism; and requires the Hawaii Tourism Authority to restructure the debt service for the state obligations related to the Hawaii Convention Center and fund the implementation of the film, television, digital, and new media development activities for fiscal year 2012-2013 and fiscal year 2013-2014 from the savings from any debt restructuring.

The Department offers comments on Section 12 of the bill regarding the restructuring of the general obligation reimbursable debt service payments. The Department issued approximately \$347.5 million of general obligation bonds in 1992 through 1997 to fund construction cost related to the Hawaii Convention Center. The Convention Center Authority (CCA), was responsible for the repayment of the actual debt service on the general obligation reimbursable (GOR) bonds issue for this project and the funding source for the GOR debt service was a portion of the Transient Accommodations Tax (TAT) dedicated to the CCA. In 1999, the CCA projected that they would incur future operating losses based upon the actual annual GOR debt service payments and the projected CCA and TAT revenues. The CCA requested that the actual GOR debt service be restructured to reamortize the outstanding balance of \$337.8 million

over a 25-year term (original GOR bonds had a 20-year term) to reduce the annual GOR debt service payments. Pursuant to Act 98, SLH 1999, the then Director of Finance, with the approval of the Governor, reamortized the \$337.8 million of outstanding GOR debt with a 25-year term at 6.00% to provide for annual GOR debt service payments of approximately \$26.4 million per year. At this point, the reamortized GOR debt service payments had no correlation to the actual GOR bonds issued to fund the project.

The statutory authority for the CCA expired on June 30, 2000 and the responsibility for the administration of the Hawaii Convention Center and the related GOR debt service was transferred to the Hawaii Tourism Authority effective July 1, 2000 (fiscal year 2001). However, the portion of the TAT revenues previously dedicated to the CCA for the payment of the GOR debt service was not conveyed or transferred to the HTA until fiscal year 2003. Thus, in fiscal years 2001 and 2002, the HTA did not pay the annual GOR debt service payments due to the Department. The HTA resumed payment of the GOR debt service payments in fiscal year 2003. The HTA and Department discussed various options to address the nonpayment in fiscal years 2001 and 2002, however, were not able to come to an agreement on the disposition of the payments due for fiscal years 2001 and 2002. In 2011, the Department of the Attorney General issued legal advice stating that the HTA was responsible for the fiscal years 2001 and 2002 GOR payment and in September 2011, the HTA and Department, with the approval of the Governor, entered into an agreement to extend the 1999 GOR debt service payment by an additional 2 years to reflect all GOR payments. The September 2011 agreement did not result in any increase in principal or interest payments when compared with the prior agreement executed in 1999.

Thank you for the opportunity to provide testimony on this measure.



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

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Statement of  
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Department of Business, Economic Development, and Tourism  
before the

**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS AND  
HOUSE COMMITTEE ON TOURISM**

Thursday, March 15, 2012

11:15 a.m.

State Capitol, Conference Room 312

in consideration of

**SB3050 SD2**

**RELATING TO FILM, TELEVISION, DIGITAL AND NEW MEDIA DEVELOPMENT**

Chairs McKelvey and Brower, Members of the Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) **supports** **the intent** of Senate Bill 3050 SD2 which would transfer the Hawaii Film Office from the Creative Industries Division, a division in DBEDT, to the Hawaii Tourism Authority (HTA), an attached agency.

Additional funding and staffing for the Hawaii Film Office through the HTA has the potential to increase the impact that film and television have on Hawaii's tourism industry and further develop Hawaii as a world-class location/destination for producers and visitors alike.

Since the 2009 reduction-in-force, the Hawaii Film Office has relied on help from the Creative Industries Division staff to expedite film permits and administer Act 88 tax credit certifications. If the Hawaii Film Office staff of four is transferred to HTA, there will be a critical need for additional staff to manage the workload.

There are other measures under consideration in both Houses that would amend HRS 235-17. Any changes should be consistent with one another.

Thank you for the opportunity to testify on this measure.