

Honolulu, Hawaii

FEB 17 2012

RE: S.B. No. 3050
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committees on Economic Development and Technology and Tourism, to which was referred S.B. No. 3050 entitled:

"A BILL FOR AN ACT RELATING TO FILM, TELEVISION, DIGITAL, AND NEW MEDIA DEVELOPMENT,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Assign to the Hawaii Tourism Authority the responsibilities for film, television, digital, and new media development; and
- (2) Repeal the film industry activities within the Department of Business, Economic Development, and Tourism.

Your Committees received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Hawaii Tourism Authority; and one individual. Your Committees received testimony in opposition to this measure from the Hawaii Film & Entertainment Board, Screen Actors Guild, International Alliance of Theatrical State Employees (IATSE) Mixed Local 665, American Federation of Musicians (AFM) Local 677, and Hawaii Teamsters Local 996. Your Committees received comments from the Department of Taxation and Department of Human Resources Development.



As the State evaluates the cost-benefits of the film and television production credits under Act 88, Session Laws of Hawaii 2006, your Committees find that a number of other jurisdictions have leveraged their investments in film, television, and digital media production with increased emphasis on the benefits of film-related tourism.

For example, New Mexico's widely discussed economic impacts study, "Economic and Fiscal Impacts of the New Mexico Film Production Credit" (January 2009), found that the benefits of its film production tax credit program extended beyond the direct and indirect economic impacts of film production expenditures. The state's economy also benefitted from capital investment to support the film industry's growth in the state and additional film-related tourism - with fifty-eight percent of the total number of direct and indirect jobs being generated from capital expenditures and film-related tourism. The combined economic activity created by the film production tax credit program also resulted in higher state and local tax collections. In 2011, the State of Georgia also identified film-related tourism spending as having contributed toward positive economic impacts that exceeded the costs of its production credits.

Your Committees further find that this measure provides a structure to optimize the development of the tourism and the film, television, digital, and new media industries by pooling diverse and fragmented resources to market and nurture their growth. It will do so by creating a sound base that can be built upon to develop the programs and infrastructure to expand Hawaii's opportunities in film, television, digital, and new media.

Your Committees have heard the concerns raised by a number of stakeholders regarding the most appropriate home for the State's film, television, digital, and new media activities and enhancements in support of the industry. While this measure does not address all those concerns, many of them have been addressed in S.B. No. 2111, S.D. 1, which substantially amends the provisions of Act 88, Session Laws of Hawaii 2006, related to tax enhancements for the film, television, digital, and new media industry.

Your Committees believe that providing alternatives for discussion and consideration throughout the legislative process will result in a more collaborative and comprehensive means of



ensuring the growth of the film, television, digital, and new media industry.

Your Committees have amended this measure by:

- (1) Requiring the Hawaii Tourism Authority to restructure the debt service for 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;
- (2) Inserting an effective date of July 1, 2050, to ensure further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Your Committees understand that the Hawaii Tourism Authority and the Department of Budget and Finance are in discussions regarding the restructuring of the debt service for state obligations related to the Hawaii Convention Center, and the subsequent use of the savings to fund the implementation of the film, television, digital, and new media development activities. Your Committees look forward to further updates on this critical matter.

As affirmed by the records of votes of the members of your Committees on Economic Development and Technology and Tourism that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3050, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3050, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Economic
Development and Technology and
Tourism,



DONNA MERCADO KIM, Chair



CAROL FUKUNAGA, Chair



