A BILL FOR AN ACT

RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Chapter 201, Hawaii Revised Statutes, is amended by amending the title of part IX to read as follows:

"PART IX. HAWAII [TELEVISION-AND] FILM AND CREATIVE INDUSTRIES DEVELOPMENT"

SECTION 2. Section 201-111, Hawaii Revised Statutes, is amended to read as follows:

"§201-111 Definitions. As used in this part:

"Applicant" means a person applying for a grant or venture capital investment from the board under this part.

"Board" means the Hawaii television and film development board.

"Eligible Hawaii project" or "project" means an entertainment project in which at least seventy-five per cent of the budget for the production costs, excluding salaries and costs for the producer, director, writer, screenplay, and actors in the project, is dedicated for the purchase or lease of goods
“Creative industries” means those sectors that comprise Hawaii's creative economy, including media, arts, culture, music, design, fashion, publishing, animation, interactive, and emerging media.

“Department” means the department of business, economic development, and tourism.


“Media” means film, motion pictures, television, interactive, over-the-top television productions, virtual reality, augmented reality and other forms of emerging media, multi-player videogame publishing, and other digitally-developed content for theatrical or digital distribution via streaming, mobile, and broadcast media.

[“Venture-capital-investment” means any of the following investments in a project:]

(i) Common or preferred stock and equity securities without a repurchase requirement for at least five years,
(2) A right to purchase stock or equity securities;

(3) Any debenture, whether or not convertible or having stock purchase rights, which is subordinated, together with security interests against the assets of the borrower, by their terms to all borrowings of the borrower from other institutional lenders, and that is for a term of not less than three years, and that has no part amortized during the first three years; and

(4) General or limited partnership interests.

SECTION 3. Section 201-113, Hawaii Revised Statutes, is amended to read as follows:

"...section 201-113..." Hawaii [television and] film and creative industries development special fund. (a) There is established in the state treasury the Hawaii [television and] film and creative industries development special fund into which shall be deposited:

(1) Appropriations by the legislature;

(2) Donations and contributions made by private individuals or organizations for deposit into the fund;
(3) Grants provided by governmental agencies or any other
source; and

[(4) Any profits or other amounts received from venture
capital investments.]

(4) Effective January 2, 2021, all revenues, fees, and
charges from the processing of the motion picture,
digital media, and film production income tax credit
pursuant to section 235-17.

(b) The fund shall be used by the [board to assist in, and
provide incentives for, the production of eligible Hawaii
projects that are in compliance with criteria and standards
established by the board in accordance with rules adopted by the
board pursuant to chapter 91. In particular, the board shall
adopt rules to provide for the implementation of the following
programs:

(1) A grant program. The board shall adopt rules pursuant
to chapter 91 to provide conditions and qualifications
for grants. Applications for grants shall be made to
the board and shall contain such information as the
board shall require by rules adopted pursuant to
chapter 91. At a minimum, the applicant shall agree
to the following conditions:

(A) The grant shall be used exclusively for eligible

Hawaii projects;

(B) The applicant shall have applied for or received

all applicable licenses and permits;

(C) The applicant shall comply with applicable

federal and state laws prohibiting discrimination

against any person on the basis of race, color,
national origin, religion, creed, sex, age, or

physical handicap;

(D) The applicant shall comply with other

requirements as the board may prescribe;

(E) All activities undertaken with funds received

shall comply with all applicable federal, state,

and county statutes and ordinances;

(F) The applicant shall indemnify and save harmless

the State of Hawaii and its officers, agents, and

employees from and against any and all claims

arising out of or resulting from activities

carried out or projects undertaken with funds
provided hereunder, and procure sufficient
insurance to provide this indemnification if
requested to do so by the department;

(G) The applicant shall make available to the board
all records the applicant may have relating to
the project, to allow the board to monitor the
applicant's compliance with the purpose of this
chapter; and

(H) The applicant, to the satisfaction of the board,
shall establish that sufficient funds are
available for the completion of the project for
the purpose for which the grant is awarded; and

(2) A venture capital program. The board shall adopt
rules pursuant to chapter 91 to provide conditions and
qualifications for venture capital investments in
eligible Hawaii projects. The program may include a
written agreement between the borrower and the board,
as the representative of the State, that as
consideration for the venture capital investment made
under this part, the borrower shall share any
royalties, licenses, titles, rights, or any other
monetary benefits that may accrue to the borrower
pursuant to terms and conditions established by the
board by rule pursuant to chapter 91. Venture capital
investments may be made on such terms and conditions
as the board shall determine to be reasonable,
appropriate, and consistent with the purposes and
objectives of this part.]

department to provide for:

(1) A program to provide seed capital for film, media, and
creative industries intellectual property development
projects for export, as determined by the department;

(2) Programs that expand the skills of the State's resident
workforce in the film, media, and creative industries;

(3) Marketing programs that attract business opportunities
within the film, media, and creative industries in the
State."

SECTION 4. Section 201-112, Hawaii Revised Statutes, is
repealed.

"[201-112]—Hawaii television and film development board.

(a) There is established the Hawaii television and film
development board. The board shall be attached to the
department of business, economic development, and tourism for
administrative purposes only. The board shall administer the
grant and venture capital investment programs and the Hawaii
television and film development special fund established under
this part. The board shall also assess and consider the overall
viability and development of the television and film industries
and make recommendations to appropriate state or county
agencies.

(b) The board shall be composed of nine members, four of
whom shall be appointed by the governor pursuant to section 26-
34, and all of whom shall serve four year staggered terms. One
of the governor's appointments shall be made from a list of
nominees submitted by the president of the senate and another
appointment shall be made from a list of nominees submitted by
the speaker of the house of representatives. The four appointed
members shall possess a current working knowledge of the film,
television, or entertainment industry. The director of
business, economic development, and tourism, and the chairs of
the four county film commissions or its equivalent, shall serve
as ex-officio[,] voting members, who may be represented on the
board by designees.

The chairperson and vice chairperson of the board shall be
selected by the board by majority vote. Five members shall
constitute a quorum, whose affirmative vote shall be necessary
for all actions by the board. The members shall serve without
compensation but shall be reimbursed for expenses, including
travel expenses, necessary for the performance of their duties.

(c) The film industry branch development manager shall
serve as the executive secretary of the board.

(d) The board may adopt rules pursuant to chapter 91 to
effectuate the purposes of this part."

SECTION 5. Section 201-114, Hawaii Revised Statutes, is
repealed.

["§201-114—Inspection of premises and records. The
board shall have the right to inspect, at reasonable hours, the
plant, physical facilities, equipment, premises, books, and
records of any applicant in connection with the processing of a
grant to the applicant."]

SECTION 6. There is appropriated out of the general
revenues of the State of Hawaii the sum of $1,200,000 or so much
thereof as may be necessary for fiscal year 2019-2020 for the University of Hawaii creative media program for the purposes of strengthening the pipeline of students to the creative media industry.

The sum appropriated shall be expended by the University of Hawaii for the purposes of this Act.

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 8. This Act shall take effect on July 1, 2019.
Report Title:
Hawaii Film and Creative Industries Development Special Fund; DBEDT; Hawaii Television and Film Development Board; UH Creative Media Program; Appropriation

Description:
Renames the Hawaii Television and Film Development Special Fund as the Hawaii Film and Creative Industries Development Special Fund and expands its funding sources and purposes. Appropriates funds for the UH creative media program. (CD1)

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