



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Written Testimony Presented Before the
House Committee on Finance
April 8, 2009 at 4:30 p.m.

SB 1299, SD1, HD1 Relating to Advanced Flight Simulator Training

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

The University of Hawai'i stands in support of this measure.

Honolulu Community College (HCC) operates the University System's only flight training and aviation mechanic training programs. The mechanic's program was started in 1949 and the flight training program, founded in 1998, is looking forward to its 11th year of operation. Although the flight industry is in a turbulent time, both programs have the potential for growth. The College hopes to eventually partner with airlines and/or airplane manufacturers in offering this training domestically and internationally to countries that are in great demand for pilots and aviation mechanics.

Since the first private pilot class in August 1998, the Pacific Aerospace Training Center under HCC has helped over 650 students earn their FAA pilot flight certifications and ratings. These commercial pilots are flying with air carriers in Hawai'i, nationally, and worldwide.

Over the last 3 years, HCC has been in numerous discussions with one of the world's largest airline manufacturers to develop partnerships on both pilot and aviation mechanic training for their customers. A bill such as this would assist prospective private sector partners in making an investment in expensive flight training resources in Hawai'i.

We look forward to further solidifying the University of Hawai'i's capacity to become a world-class flight training center.

TAXBILLSERVICE

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SUBJECT: MISCELLANEOUS, Expand enterprise zone eligibility

BILL NUMBER: SB 1299, HD-1

INTRODUCED BY: House Committee on Economic Revitalization, Business & Military Affairs

BRIEF SUMMARY: Amends HRS section 209E-2 to amend the definition of “qualified business” in an enterprise zone to include a business engaged in advanced flight simulator training for pilots, dispatchers, mechanics, or air traffic controllers.

EFFECTIVE DATE: July 1, 2112

STAFF COMMENTS: This measure proposes to expand enterprise zone laws to include a business that provides advanced flight simulator training for pilots, dispatchers, mechanics, or air traffic controllers. In an enterprise zone, businesses are attracted and encouraged to relocate to the zone through tax incentives, bonds, and other appropriate measures. Businesses located in an enterprise zone may claim a credit against taxes paid for a period of seven years and also allows the sale of items sold by such businesses to be exempt from the general excise tax.

While it appears that it is the intent of the legislature to utilize the enterprise zone concept to encourage new and existing businesses to expand their employment bases and increase their marketing territories, or in this case, provide advanced flight simulator training, enterprise zones merely exacerbate what is already considered a poor climate in which to do business. Singling out businesses for preferential treatment merely confers preferences for those businesses at the expense of all other taxpayers.

Enterprise zones are merely an abdication of government’s responsibility to create a nurturing and supportive business climate so that all businesses can thrive in Hawaii and provide the jobs the people of Hawaii need. Concurrent efforts must be made to improve Hawaii’s business climate to enhance the economic prospects for all businesses.

Instead of expanding the enterprise zone program, the program should be repealed in favor of across-the-board tax relief for all businesses in Hawaii. For example, the consultant to the 2007 Tax Review Commission suggested that all business-to-business transactions be exempt from the general excise tax as a means of reducing not only the cost of doing business in Hawaii but the overall cost of living.

It should be remembered that while this measure attempts to confer favorable tax treatment under Hawaii laws, one must ask what happens to them under the federal income tax laws? With no state tax liability, more of the businesses’ income is exposed to the federal income tax where the rates are much higher.

Before further corrupting the economic marketplace with added versions of the enterprise zone concept, an evaluation of the current zones should be undertaken. Instead of expanding the enterprise zone program, the program should be repealed in favor of across-the-board tax relief for all businesses in Hawaii.

Digested 4/8/09

George R. Ariyoshi
999 Bishop Street, 23rd Floor
Honolulu, HI 96813

TESTIMONY

February 5, 2009

Re: SB1299 relating to advanced flight simulator training

Dear Members of the Twenty-Fifth Legislature:

I am writing this testimonial in strong support of SB1299, which adds "advanced flight simulator training" as a "qualifying business" for enterprise zone benefits.

Hawaii's unique mid-Pacific location has well established our island state as a strategic node for trans-Pacific aviation. Both our inter-island flight corridors and extensive Asia-Pacific aviation routes make Hawaii an ideal hub for international aircraft pilot training. This potential is especially significant in light of the increased demand for airplane pilots projected for this region in coming years.

For example, by 2024, Asia-Pacific nations will have received 28% of all new large commercial jets scheduled for delivery world-wide, and the global demand for new pilots will exceed 10,000 per year. Over the next 20 years, it also is estimated that China will require 34,000 new pilots, North East Asia 26,000, South East Asia 26,000, Oceania 6,200, South West Asia 5,800, and India 4,200, which in turn will require substantial expansion of pilot training capabilities throughout the region.

Major aerospace companies such as Boeing and Lockheed, as well as leading flight training organizations such as FlightSafety International, Alteon and CAE, are looking to establish flight training centers to service this anticipated demand, and over the past three years have expressed increasing interest in establishing advanced flight simulator capabilities to service the Asia-Pacific flight corridors. The tax benefits provided by designating advanced flight simulator training as a qualifying business for Hawaii's enterprise zone law would provide a significant incentive for these companies to locate such operations in Hawaii.

The benefits of establishing flight simulator operations in our State would be substantial. Clearly this enterprise would help establish a new technology-based industry in Hawaii that can become a major training resource for Pacific Basin countries. It also would provide between 100 and 200 new, well-paid jobs in the Kapolei area (with preference given to qualified Hawaii residents), and enhance the attractiveness of Kalaheo and Kapolei as a place to do business.

SB1299
February 5, 2009
Page two

In addition, flight simulator operations would enhance the University of Hawaii's ability to establish a new 4-year, airline management baccalaureate program to service the Asia-Pacific community, building upon the University's existing Travel Industry Management courses. It also would provide Hawaii's airlines with a local training resource that can reduce the cost of pilot training by at least 25%, while providing an ongoing and reliable source of well-trained local pilots.

Finally, flight simulator operations will afford technical ground support that will enable Kalaeloa Airport to attain its full potential to serve as a general aviation reliever airport, as well as a key destination for executive jet traffic.

I applaud the Legislature's efforts to help realize our State's full potential as an international hub for aviation pilot training through SB 1299, and urge you to adopt this legislation.

Thank you for the opportunity to provide these comments.

Sincerely,


George R. Ariyoshi

GRA:khy

FINTestimony

From: Jim Crisafulli [JCrifafu@dbedt.hawaii.gov]
Sent: Wednesday, April 08, 2009 1:37 PM
To: FINTestimony
Subject: Supportive Testimonies for SB1299 (House Finance Hearing, Wednesday, April 8, 4:30 p.m., Room 308)
Importance: High
Attachments: Testimony of Robert Bumgarner (SB1299).pdf; Testimony of Gov George Ariyoshi (SB1299).pdf; Impact Analysis - Advanced Flight Simulator Training.pdf

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Impacts of an Advanced Flight Simulator Training Center

(Pursuant to SB749 and SB1299)

Summary

DBEDT has been asked to estimate the economic gains associated with an advanced flight simulator training center, which would be incentivized through SB 749 and SB 1299. This analysis focuses on the primary mission of the center to train new commercial pilots for certification, which is estimated at about 75 trainees per year on average. However, there are other sources of revenue to the training center that cannot as yet be estimated with confidence. One of these is recurrent training of pilots by airlines, particularly Hawaiian airlines. Depending on airline participation this could include around 200 pilots per year utilizing the center's simulator. Another source of revenue is the use of the simulator to train Hawaiian Airline pilots on the newer Airbus aircraft the airline is expected to purchase. That training would likely be incorporated into the purchase of the equipment, but the number of aircraft and their introduction into the Hawaiian fleet is not year clear.

Based on assumptions and methods discussed in this report, our estimates of the total impacts generated by the training of new pilots by the center are summarized in the table below.

Summary Table, Total Economic Impacts

	Units	First-Year	Second-Year/Annual
Output impacts			
Direct (excluding imported)	\$M/Year	5.0	5.5
Direct & Indirect	\$M/Year	7.1	8.0
Direct & Indirect & Induced	\$M/Year	9.9	11.7
Total job impacts			
Direct	Jobs/Year	30	37
Direct & Indirect	Jobs/Year	44	57
Direct & Indirect & Induced	Jobs/Year	66	75

Source: DBEDT

As the table shows, there are significant impacts in the first year and these will increase in the second and subsequent years as the center moves into operational mode. First year impacts represent the construction phase. It is assumed that all construction funds are supplied from the private sector outside Hawaii. The construction of the center is estimated to directly generate \$5 million in economic output (a concept that roughly corresponds with sales revenues). About 30 jobs will be generated directly in the

construction phase. However, secondary impacts from first-year construction (called indirect and induced impacts) will occur as the spending flows through the economy. This will likely generate an additional \$4.9 million in output in the first year (for a total of \$9.9 million) and 33 more jobs (for a total of 66). In total, nearly \$10 million in additional output and 66 new jobs can be expected from first-year construction activity.

In the second and each subsequent year, operational expenditures of the center are estimated to directly generate \$5.5 million in additional output per year and 37 jobs. Again, as expenditures circulate in the economy, indirect and induced impacts will increase total output to nearly \$12 million per year and support a total of 75 jobs.

Basic Information and Assumptions

This report is based on the following assumptions and information found in the report attached to SB1299 (SB 1299, SD 1, SSCR 212), other information provided to the Senate Committee on Economic Development and Technology, as well as technical assumptions related to the methodology. The parameters of an aviation flight training center are complex and DBEDT has interpreted the information provided the best it can within the short period provided to develop these estimates of economic impact.

1. The program will generate \$5 million additional construction expenditures from new private external sources, outside of Hawaii. The project will utilize Hawaii construction firms and labor, and will be completed within one year (corresponding to year one in the data tables).
2. The program will be fully operational in the second year and beyond (second year/annual in the data tables) with 75 students per year. It is assumed that 75 percent of the students will be from overseas and 25 percent Hawaii residents. The program training center will employ a staff of 37 (representing direct jobs created).
3. Average revenue per student will be \$60,000 per year. This is the estimated yearly revenue for a 16 month training period costing a total of \$85,000 for a complete certification package.
4. Other expenditures (including rent for housing) are assumed to be \$20,000/year per non-Hawaii student and \$8,000 per year for Hawaii students (which excludes rent)
5. The full cost of students' training is covered and there are no in-state subsidies.
6. Aircraft, parts, and devices are imported from outside Hawaii, therefore investment in those inputs have a negligible economic impact on Hawaii.

The assumptions are summarized in Table 1.

Table 1. Assumptions

	Units	First-Year	Second-Year/Annual
New Construction	\$M	5.0	
# of Student	Students/Year		75
Revenue/Student	\$/Year		60,000
Total Student Revenues	\$M/Year		4.5
GET Rate	%		4.0
Total Annual GET on Revenue	\$		180,000
Other expenses/non-HI student	\$/Year		20,000
Other expenses/HI student	\$/Year		8,000
Share of HI students	%		25%
Total Other PCE of Students	\$M/Year		1.3

M=millions

Methodology and Estimated Impacts

The total output gains (which roughly correspond with sales revenues in the economy) and impacts on total jobs can be estimated based on the assumptions above and the 2005 State Input-Output Model.

The overall economic impacts of the ongoing, new pilot training by the center stem from three sources of expenditures:

- (1) One-time impacts of the \$5.0 million construction expenditure,
- (2) Impacts of the \$4.5 million annual student revenue, and
- (3) Impacts of the annual \$1.3 million personal consumption expenditures (PCE) from both Hawaii and non-Hawaii students.

For gains in both output and total jobs, three types of impacts are estimated;

- 1) *Direct impacts* are the initial expenditure on the industry providing the good or service (in this case construction for the first year and educational services thereafter).
- 2) *Direct and indirect impacts* include the direct impact plus the upstream impact on industries that supply goods and services to the directly-impacted industry. These are estimated based on the *Type I Multipliers* from the 2005 State I-O Model.
- 3) *Direct, indirect and induced impacts* include the impacts above, plus the impacts of personal consumption expenditures made by employees of those direct and indirect industries. This spending helps create additional output and employment in a range of other industries and is labeled as a Type II impact. These expenditures are captured by combining the Type I multiplier results with the Type II Multiplier results from the 2005 State I-O Model.

The following sections estimate the value of output and jobs generated by the three sources of expenditures, in terms of the three types of impacts.

1. Impacts of the \$5 Million Construction Expenditures

The estimated, one-time impacts of the \$5.0 million additional construction expenditure are provided in Table 2. Assuming all construction work is conducted by local firms and labor, the \$5 million in additional construction expenditures will increase the total output (revenues) of Hawaii's construction industry by \$5 million (the direct impact). Based on the Type I and Type II Multipliers, the direct & indirect and the direct, indirect & induced impacts on total output are \$7.1 million and \$9.9 million, respectively.

Based on the 2005 State I-O Model, the direct, direct & indirect, and direct, indirect & induced impacts of the one-time construction expenditures on total jobs are 30, 44, and 66 jobs, respectively.

Table 2. The Economic Impacts Construction Expenditures

	Units	First-Year
Output impacts (revenue gain)		
Direct	\$M	5.0
Direct & Indirect	\$M	7.1
Direct & Indirect & Induced	\$M	9.9
Total job impacts		
Direct	Total Jobs	30
Direct & Indirect	Total Jobs	44
Direct & Indirect & Induced	Total Jobs	66
Construction Output Multipliers		
Type I	\$/ \$	1.43
Type II	\$/ \$	1.98
Job Multipliers		
Job/output ratio	Jobs/\$M	6.09
Type I	Jobs/\$M	8.76
Type II	Jobs/\$M	13.11

2. Annual Impacts of Student Revenues

The estimated impacts of the \$4.5 million annual student revenue are provided in Table 3. The direct impact on output is the \$6.4 million additional revenue within Hawaii's educational service industry. Based on the Type I and Type II Multipliers, the direct & indirect and the direct, indirect & induced impacts on total output are \$6.6 million and \$9.9 million, respectively. These impacts will continue annually as long as the program is in operation at the same level of service.

Based on the 2005 State I-O Model, the direct, direct & indirect, and direct, indirect & induced annual impacts of the \$4.5 million additional student revenue per year on total jobs are 37, 46, and 60 jobs, respectively.

Table 3. The Annual Impacts of Increased Student Revenue

	Units	Second-Year/Annual
Output impacts		
Direct	\$M/Year	4.5
Direct & Indirect	\$M/Year	6.6
Direct & Indirect & Induced	\$M/Year	9.9
Total job impacts		
Direct	Jobs/Year	37
Direct & Indirect	Jobs/Year	46
Direct & Indirect & Induced	Jobs/Year	60
Output Multipliers		
Type I	\$/ \$	1.47
Type II	\$/ \$	2.19
Job Multipliers		
Job/output ratio	Jobs/\$M	8.22
Type I	Jobs/\$M	10.14
Type II	Jobs/\$M	13.34

If the student revenues are not subject to GET, the state will forgo the receipt of about \$180,000 GET revenues per year.

3. Annual Impacts of Additional Student Consumption Expenditures

The estimated annual impacts of the \$1.3 million additional student personal consumption expenditures (PCE, e.g. expenditures on housing, food, etc.) are provided in Table 4. At an estimated \$1.0 million, the direct impact on Hawaii produced goods and services is smaller than the total estimated personal consumption expenditures because about 21 percent of PCE in Hawaii is imported (Based on the 2005 I-O Model). Based on the Type I and Type II Multipliers, the direct & indirect, and the direct, indirect & induced impacts on total output are \$1.4 million and \$1.9 million, respectively.

Based on the 2005 State I-O Model, the indirect, and indirect & induced annual impacts of the \$1.3 million additional PCE per year on total jobs are 11 and 15 jobs, respectively.

Table 4. The Annual Impacts of Increased Student Other Expenditures (PCE)

	Units	Second-Year/Annual
Output impacts		
Direct (excluding imported)	\$M/Year	1.0
Direct & Indirect	\$M/Year	1.4
Direct & Indirect & Induced	\$M/Year	1.9
Total job impacts		
Direct & Indirect	Jobs/Year	11
Direct & Indirect & Induced	Jobs/Year	15
PCE Output Multipliers		
% of Imported PCE		0.21
Type I	\$/ \$	1.11
Type II	\$/ \$	1.47
Job Multipliers		
Type I	Jobs/\$M	8.93
Type II	Jobs/\$M	11.84

4. Total Impacts

The estimated total economic impacts are summarized in Table 5. The total direct annual impact on output is \$5.5 million. The annual total direct & indirect, and the direct, indirect & induced impacts on output are \$8.0 million and \$11.7 million, respectively.

The direct, direct & indirect, and direct, indirect & induced annual impacts on total jobs are 37, 57, and 75 jobs, respectively.

Table 5. Total Economic Impacts

	Units	First-Year	Second-Year/Annual
Output impacts			
Direct (excluding imported)	\$M/Year	5.0	5.5
Direct & Indirect	\$M/Year	7.1	8.0
Direct & Indirect & Induced	\$M/Year	9.9	11.7
Total job impacts			
Direct	Jobs/Year	30	37
Direct & Indirect	Jobs/Year	44	57
Direct & Indirect & Induced	Jobs/Year	66	75

Global Aeronautics LLC

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EMAIL: GLOBALAERONAUTICS@MAC.COM

TO: House Committee on Finance

For hearing on Wednesday, April 8, 4:30 p.m.

Testimony of Captain Robert R. Bumgarner
Managing Director, Global Aeronautics LLC

In favor of:

S. B. No. 1299

Relating to Advanced Flight Simulator Training

It is my pleasure to testify in favor of Senate Bill 1299, which is intended to provide targeted tax incentives for aviation training companies that are willing to make a substantial investment in the advanced training technologies needed to train airline pilots and others for high-level positions in the aviation industry.

For the past four years, my company has supported Honolulu Community College (HCC) in developing unique airline-oriented courseware that is designed to prepare students with no prior flight experience for training in advanced jet flight simulators. In 2007, I introduced Alteon Training LCC, a wholly owned training subsidiary of the Boeing Commercial Airplane Company, to the HCC project. In May, 2007, Alteon and HCC executed a letter of intent to evaluate formation of a joint training partnership that will provide, among other things, entry for HCC into Alteon's worldwide training

Testimony of Captain Robert R. Bumgarner
Favoring S. B. 1299
Page 2

network and promotion of HCC's training activities to airline customers of Boeing and Alteon. Alteon subsequently made several visits to HCC's training facility at Kalaeloa Airport and seriously considered entering into a joint-venture training contract.

Alteon also expressed an interest in allowing HCC to conduct major portions of its airline jet training program and mechanic training program in Hawaii. The investment by Alteon in advanced flight simulators for this project would have exceeded \$12,000,000.

Unfortunately, Alteon withdrew from this venture last year. I believe a significant factor in their decision was lack of State encouragement for the project. I also believe that the tax incentives in S.B. 1299 are needed to establish a sound business case for an investment by Alteon or other major training partner.

When fully developed, I estimate this project can generate more than 100 new jobs at the Kapolei and Honolulu International Airport facilities of H.C.C. It will also establish Hawaii as one of the premier centers for professional aviation training in the Pacific region.

I urge the committee to pass this important bill.

With respect,

/s/ Capt. Robert R. Bumgarner



April 8, 2009

Hawaii State legislature
State Capital
Honolulu, Hawaii 96813

Support Testimony on
S.B. NO. 1299

RELATING TO Enterprise Zone Designations

COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Wednesday, April 8, 2009, 4:30 p.m., Conference Room 308

Enterprise Honolulu, the Oahu Economic Development Board, **supports S.B. 1299**, adding advanced flight simulator training for pilots, dispatchers, mechanics or air traffic controllers to the definition of “qualified business” as part of the Enterprise Zone Program.

Adding this definition to the Enterprise Zone program will assist in the efforts to expand our Aerospace development activities and help secure a regional flight training facility in Hawaii. Currently all advanced flight training is done at facilities located in other parts of the country, creating an opportunity to build local capacity and meet the needs of hundreds of pilots and crews that need regular recurring training at simulator facilities.

We believe this bill will greatly assist in efforts to locate such a program here in Hawaii, creating new high paying jobs, diversifying our economy and lowering the cost of local air crew training. These facilities could also bring foreign aircrews to Hawaii for training as well, adding to the economic benefits of the program.

Enterprise Honolulu, the Oahu Economic Development Board, supports **SB 1299**.

Sincerely,

John Strom

VP Director of Business Development & Technology



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6 February 2009

The Honorable Carol Fukunaga
Chair, Committee on Economic Development and Technology
11th Senatorial District
Hawaii State Capitol, Room 216
415 South Beretania Street
Honolulu, HI 96813

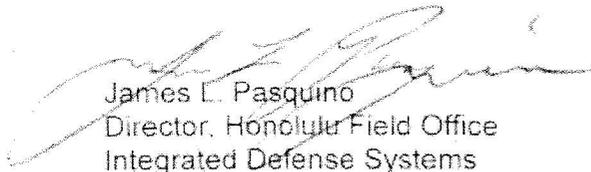


RE: SB 1299 – Relating to Advanced Flight Simulator Training

Dear Senator Fukunaga:

As the world's leading aerospace company and the largest manufacturer of commercial jetliners and military aircraft combined, Boeing offers its support for SB 1299. SB1299 has the potential to advance flight simulation training for pilots, dispatchers, mechanics, and air traffic controllers. Simulation is being used at an increasing frequency to train crew and support personnel for both civil and defense applications. SB 1299 will serve as an important tool for the State of Hawaii to capitalize from this expanding field. We encourage your support of this important legislation.

Sincerely,



James L. Pasquino
Director, Honolulu Field Office
Integrated Defense Systems
The Boeing Company



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

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON FINANCE

Tuesday, April 08, 2009
4:30 p.m.

State Capitol, Conference Room 308

in consideration of
SB 1299 SD1 HD1

RELATING TO ADVANCED FLIGHT SIMULATOR TRAINING

Chair Oshiro, Vice-Chair Lee, and members of the Committee. The department supports the concept of SB 1299 SD1 HD1, which includes commercial aviation training as a qualified business for enterprise zone benefits, as long as its implementation does not impact or replace the priorities set forth in the Executive Biennium Budget for Fiscal Years 2009-2011.

This bill would allow businesses engaged in commercial aviation training for pilots, dispatchers, mechanics, or traffic controllers to be eligible to participate in the State Enterprise Zone Partnership program.

Hawaii's EZ program has been modeled after a nationally recognized tax credit program. Established in 1986, it is one of the State's few funded programs that assist for-profit businesses. The State provides tax incentives such as GET exemptions, State unemployment insurance credit, and income tax credit. The Counties may also provide

additional benefits such as building permit priority processing, building permit fee waiver, grading permit fee waiver, and property tax rebates.

By allowing commercial aviation training to become eligible for Enterprise Zone benefits, we will be encouraging new investment in Hawaii, creating more jobs with better pay for our residents, and providing more opportunities for those airlines that are already established in Hawaii to become more profitable by building a better trained workforce of local residents. We feel that the commercial aviation training sector presents an opportunity for our State to raise the level of education and skills of our resident workforce.

Thank you for the opportunity to provide these comments.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

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**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING SB 1299 SD 1 HD1
RELATING TO GENERAL EXCISE TAX**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: APRIL 8, 2009

TIME: 4:30PM

ROOM: 308

This bill proposes to amend section 209E-2, HRS, to modify Hawaii Enterprise Zone law by expanding the definition of "qualified business" to include businesses engaged in advanced flight simulator training for pilots, dispatchers, mechanics, or air traffic controllers.

The House Committee on Economic Revitalization, Business and Military Affairs amended the effective date to encourage further discussion.

The Department of Taxation ("Department") **opposes the unbudgeted revenue loss contained in this measure.**

UNSURE OF ANY FLIGHT SIMULATION FOR MECHANICS—The Department points out that it is unsure what types of advanced flight simulation would be available for mechanics and questions this term's inclusion in the bill.

OPPOSED DUE TO BUDGET IMPACT— The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue collections, this measure would add to the budget shortfall.

REVENUE LOSS—This bill will result in a revenue loss of approximately \$400,000 for fiscal year 2010, \$1.2 million for fiscal year 2011, \$400,000 for fiscal year 2012 and \$275,000 per year thereafter.