

JOSH GREEN M.D.
GOVERNOR

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STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

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GARY S. SUGANUMA
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DEPUTY DIRECTOR

TESTIMONY OF GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1458, Relating to Taxation of Advertising Revenue by Major Social Media Platforms

BEFORE THE:

House Committee on Economic Development & Technology

DATE: Wednesday, February 11, 2026
TIME: 8:30 a.m.
LOCATION: State Capitol, Conference Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. No. 1458 for your consideration.

H.B. 1458 directs DOTAX to apply the state corporate income tax to advertising revenue earned by “major social media platforms” if the revenue is derived from content created within Hawai‘i or from audiences located in Hawai‘i. Section 2 of the bill amends chapter 206S, Hawaii Revised Statutes (HRS), by adding a section that establishes a new “Broadband and Digital Equity Special Fund,” intended to fund initiatives that expand broadband access and local journalism.

Section 3 of the bill amends chapter 235, HRS, by adding a new section to Part IV that applies Hawai‘i’s income tax law to “major social media platforms earning advertising revenue from content created within the State or from audiences located in the State.” It also authorizes DOTAX to adopt rules pursuant to chapter 91, HRS, to achieve the purposes of the bill.

The bill defines “advertising revenue” as “any income generated from the sale of

advertising, including but not limited to targeted advertisements based on user data, interactions, or Hawaii-based content or audiences.” “Major social media platform” is defined as “an online platform that: (1) Has over one million active users in the United States; (2) Earns revenue primarily from advertising; and (3) Collects data or otherwise interacts with users located in the State.”

The bill is effective July 1, 2025.

First, DOTAX notes that the bill applies chapter 235, Hawaii’s income tax law, to “major social media platforms,” which are primarily corporations. However, chapter 235 already applies to corporate taxpayers. Moreover, the income tax applies to a taxpayer’s “taxable income,” rather than to a taxpayer’s “revenue.” “Taxable income” is a term of art defined under section 235-1, HRS, which incorporates the federal definition from the Internal Revenue Code (IRC). DOTAX requests clarification whether the intent is to tax “revenue” or “taxable income.”

Further, DOTAX notes that it does not have the subject-matter expertise or ability to determine whether a taxpayer is a “major social media platform” based on the definition under the bill. For example, it is not clear what is considered an “active user,” when a taxpayer earns revenue “primarily from advertising,” or how to determine when a taxpayer “collects data or otherwise interacts with users located in the State.” DOTAX recommends amending the bill to provide definitions and clarifications for these terms and statements and to authorize a third party with the requisite subject-matter expertise to certify when a taxpayer would be subject to the new tax contemplated by this bill.

Furthermore, DOTAX would not be able to readily determine the amount of revenue collected under the new section. A corporation’s income tax liability may be based on numerous income streams, tax rates, deductions, and credits. Taxpayers report a total amount due, which may not equal the amount actually paid. The total amount paid cannot be easily broken down by revenue stream. Accordingly, DOTAX requests that subsection (c) be deleted.

Additionally, DOTAX notes that chapter 206S, HRS, was repealed by Section 2 of Act 201, Session Laws of Hawaii 2025.

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

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax on Advertising Revenue Earned by Major Social Media Platforms

BILL NUMBER: HB 1458

INTRODUCED BY: HUSSEY

EXECUTIVE SUMMARY: Directs the Department of Taxation to apply the state corporate income tax to advertising revenue earned by major social media platforms if the revenue is derived from content created within the State or from audiences located in the State. Establishes the Broadband and Digital Equity Special Fund to receive those revenues to fund initiatives expanding broadband access and local journalism initiatives. Appropriates funds.

SYNOPSIS: Adds a new section to HRS Chapter 206S to establish the broadband and digital equity special fund to be administered by DBEDT, into which shall be deposited the revenues collected under section 235 ____.

Moneys in the fund shall be used to 1) fund initiatives of the office under this chapter, 2) to expand broadband access; and 3) support local journalism initiatives.

Adds a new section 235 ____, HRS, to tax all major social media platforms earning advertising revenue from content created within the State or from audiences located in the State.

The department shall adopt rules pursuant to chapter 91 to implement and enforce this section, including provisions for determining the proportion of advertising revenue subject to the tax pursuant to this section.

Revenues collected to be deposited into the broadband and digital equity special fund established under sec 206S ____.

Defines “advertising revenue” as any income generated from the sale of advertising, including but not limited to targeted advertisements based on user data, interactions, or Hawaii-based content or audiences

“Major social media platform” means an online platform that: (1) has over one million active users in the United States; (2) earns revenue primarily from advertising; and (3) collects data or otherwise interacts with users located in the State.

Appropriates out of the broadband and digital equity special fund an unspecified sum of \$ _____ or so much thereof as may be necessary for fiscal year 2025-2026 and the same sum or so much thereof as may be necessary for fiscal year 2026-2027 for the purposes of the special fund. to be expended by DBEDT.

EFFECTIVE DATE: July 1, 2025

STAFF COMMENTS: We are not sure what the amendments proposed by this Act add to the income tax law that we already have.

Under existing income tax law, major social media platforms that have nexus with Hawaii are already required to pay Hawaii income tax on an apportioned share of their total net income. The apportioned share is generally system-wide income multiplied by an average of (1) the Hawaii property factor (generally, percentage of property in Hawaii), (2) Hawaii payroll factor, and (3) Hawaii sales factor.

“Nexus” is a federal, not a state, concept, but generally exists if the putative taxpayer engages in 200 transactions in Hawaii, derives at least \$100,000 in Hawaii gross income, or has some kind of physical presence in Hawaii..

To the extent that this bill is trying to impose tax on taxpayers without nexus in Hawaii, no state law can do that.

To the extent that the bill is trying to change the methodology by which revenue is apportioned to Hawaii for this industry, consider amending section 235-38, HRS, which is currently the statute that supports other special apportionment methodologies for special industries such as air carriers, construction contractors, ocean carriers, publishing, radio broadcasting, and television broadcasting. See Hawaii Admin. Rules secs. 18-235-38-06 to -06.05.

Furthermore, the tax collected would be deposited to a newly established special fund.

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 let’s just say 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.” 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?

Perhaps as the result of the foregoing concerns, the Legislature has itself established criteria for when a special fund may be maintained (HRS section 37-52.3). Those criteria are that the special fund:

(1) Serves a need, as demonstrated by:

- (A) The purpose of the program to be supported by the fund;
- (B) The scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and
- (C) An explanation of why the program cannot be implemented successfully under the general fund appropriation process;
- (2) Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries or a clear link between the program and the sources of revenue, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process;
- (3) Provides an appropriate means of financing for the program or activity that is used only when essential to the successful operation of the program or activity; and
- (4) Demonstrates the capacity to be financially self-sustaining.

The proposed method of financing the fund is a diversion of corporate income tax. That doesn't fit the requirement that the activity supported by the special fund be self-sustaining.

There is no explanation of why disparities in broadband access cannot be funded out of general appropriations as it is now. This special fund is thus inappropriate, as is the proposed method of financing the fund.

Furthermore, with any earmarking of revenues, the legislature will be preapproving each of the initiatives fed by the tax earmark, so expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether too little or too much revenue has been diverted from other priorities in the state budget.

Digested: 2/9/2026

Chair Greggor Ilagan and Vice Chair Ikaika Hussey
Committee on Economic Development and Technology
Hawaii House of Representatives
415 South Beretania St
Honolulu, HI 96813

Re: HB 1458

Dear Chair Ilagan, Vice Chair Hussey, and Members of the Committee:

I write to you today in my capacity as the Journalism Advocacy Director at Free Press Action. Since 2003, Free Press Action has worked with federal policymakers, state lawmakers, and community leaders to strengthen our media system and democracy through policy change, with a core emphasis in recent years on tackling the growing local news crisis.

We led the organizing push behind the [New Jersey Civic Information Consortium](#) (a first-of-its-kind public grantmaking body to support local news), supported the enactment of the California Local News Fellowship program, and last year launched “[Local News for the People: A Policy Agenda for Meeting Civic-Information Needs](#),” which has been endorsed by more than 60 leaders and organizations in the journalism and democracy spheres. This session, we are actively engaged with lawmakers in multiple states as they search for durable, public-interest solutions to the local news crisis – including in Pennsylvania, where legislators [just last week](#) advanced a package to establish a new grantmaking body and a state-backed journalism fellowship.

Thank you for the opportunity to submit testimony on HB 1458. At a high level, we strongly support the legislature’s effort to explore [taxing the advertising revenues of Big Tech companies to invest in local news](#) and broadband equity. This approach reflects a growing recognition that access to reliable local news is not a luxury, but essential civic infrastructure – as fundamental to healthy communities and democratic participation as roads, libraries, or schools.

HB 1458 is grounded in a clear and important principle: that local news is a public good, and that policymakers have a role to play in ensuring that communities have access to the trustworthy news and information they need to participate fully in civic life. It also reflects a growing recognition that the dominant technology and corporate platforms that extract enormous value from the digital advertising market should help reinvest in the local information ecosystems that have been hollowed out in the process.

For years, a small number of companies have captured the vast majority of digital advertising revenue, while local news outlets – particularly community-based, nonprofit, and ethnic media – have faced deep and accelerating resource constraints. Historically, advertising functioned as an implicit support system for local journalism. As that revenue has disappeared from local markets, lawmakers are right to consider how public policy can transform that implicit system

into an explicit, durable one. Taxing a narrow slice of digital advertising revenues is a sound, targeted way to ensure that the production of public-interest news and information can be sustained and made abundant in communities across Hawai'i.

This framework aligns with policy proposals and research that have [long argued](#) for public reinvestment in local news systems, including proposals to fund local news through advertising taxes and other progressive revenue mechanisms. These approaches are especially compelling when compared to more controversial alternatives, such as mandated bargaining or arbitration regimes between news outlets and platforms. Experiences in states like California and Oregon have shown that those models can generate significant legal risk, political backlash, and uncertainty, often without delivering timely or equitable support to the newsrooms that need it most. By contrast, an advertising tax model is more [durable, transparent, and better aligned](#) with the public interest.

That said, while HB 1458 presents a promising framework, its ultimate success will depend on how funds are actually distributed to support local news and information needs across Hawaii.

As lawmakers continue to develop this proposal, we urge you to prioritize a distribution model that focuses on addressing the state's most critical news and information gaps, while maintaining flexibility across business models, ownership structures, and media formats. Public investments should strengthen reporting capacity where communities are most underserved – including rural areas, Native Hawaiian communities, immigrant communities, and neighborhoods that have seen sustained newsroom closures.

Other states are currently exploring a range of distribution approaches, but the strongest and most responsible model emerging nationally is the creation of an independent public grantmaking body. This structure has proven effective at preserving editorial independence, maintaining strict firewalls between government and news providers, and ensuring that public dollars are directed toward the greatest public need rather than being captured by large corporate media giants. The New Jersey Civic Information Consortium offers a successful example of how an independent, community-rooted entity can steward public funds transparently and equitably, distributing more than \$12 million since its inception in 2022. More recently, a local news package advancing in Pennsylvania would similarly establish an independent grantmaking body to support local journalism while protecting against political interference and corporate capture.

We are encouraged by the leadership that Hawaii lawmakers are showing in taking up this issue, and we believe the state has an opportunity to position itself as a national leader by advancing a thoughtful, community-rooted policy to invest in local news and broadband equity. With careful attention to distribution, governance, and safeguards for independence, this bill could represent a key step in strengthening Hawaii's local news and information ecosystem for years to come.

Thank you for your consideration, and for your commitment to ensuring that communities across Hawaii have access to the local news and information they need to thrive.

Sincerely,

Alex Frandsen
Journalism Advocacy Director
Free Press Action



To: House Committee on Economic Development & Technology
Hearing: 8:30AM, Wednesday, February 11, 2026
Conference Room 423

TESTIMONY FOR HB 1458 RELATING TO TAXATION OF ADVERTISING REVENUE BY MAJOR SOCIAL MEDIA PLATFORMS.

Chair Ilagan, Vice Chair Hussey and Members of EDT Committee:

Media Council Hawaii supports HB 1458 “relating to taxation of advertising revenue by major social media platforms” as a worthy starting point to develop future public resources for information equity and local journalism across the Islands. This measure will need substantial revision to meet the purpose, so your thoughtful consideration is needed - we expect national experts to weigh in with recommendations.

Generally, HB1458 would require the State to assess taxes for online advertising revenue that currently leaves the State to enrich large online platform owners. There is a clear rational nexus to tax such funds to address community needs and local interests that are harmed by online advertising. Online platforms are capturing local advertising revenue, exporting essential media resources to distant corporations. Beyond their beneficial purpose, online ads diminish localism, reduce diversity and result in anti-competitive impacts across the marketplace of ideas.

[Research by the Hawai'i Institute for Public Affairs](#) shows that local journalism is declining as “News Deserts” expand: “As local news outlets diminish, residents lose access to essential information about government, politics, public safety and community events, fostering gaps in civic awareness and by making residents more vulnerable to the spread of misinformation.”

At the same time, federal support for public media has been cut, and community media resources are declining statewide. So it makes sense to create a public fund to support information equity - designed to meet local needs and interests such as those identified in Community Needs Ascertainments for cable TV franchise reviews by DCCA.

[Media Council Hawai'i](#) is a non-partisan organization established in 1970 which seeks to improve public access to information; strengthen public support for First Amendment rights and freedoms; and broaden public understanding of the role of the media.

Gerald Kato, President
Sean McLaughlin, Secretary (808-595-4877)

<https://www.mediacouncilhawaii.com/>

[Media Council Hawai'i](#) - 1418 Mokuna Pl., Honolulu, HI 96816, e: mediacouncilhi@gmail.com



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February 10, 2026

Via E-mail

Representative Greggor Ilagan, Chair
Representative Ikaika Hussey, Vice Chair
House Committee on Economic Development & Technology
Hawaii House of Representatives

RE: Opposition to H.B. 1458

Dear Chair Ilagan, Vice Chair Hussey, and Committee Members,

On behalf of the Council On State Taxation (COST), we are providing comments in opposition to H.B. 1458 which would impose a corporate income tax on advertising revenue earned by major social media platforms doing business in Hawaii. Singling out a specific class of taxpayers raises constitutional concerns under both the Due Process and Commerce Clauses. Such legislation is likely to lead to protracted litigation.

About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 500 major corporations engaged in interstate and international business. COST's objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. Many COST members conduct business and retail operations in Hawaii and would be negatively impacted by this proposed change.

Targeting Specific Industries Violates Sound Tax Policy

Many states have been focused on new ways to impose taxes on social media and advertising revenue. COST adopted a policy position against this targeted approach because it is poor tax policy.¹ While Hawaii is taking a different approach from other states to fund social media efforts by taxing social media income, it still violates several core tenets of sound tax policy—transparency, economic neutrality, effective tax administration, and fairness. By imposing a new tax type on existing taxable income in Hawaii, H.B. 1458 creates an administrative burden on business to carve out this income and report it separately.

Additionally, because the proposed income tax is only imposed on major social media platforms and no other businesses it discriminates against social media platforms doing

¹ Find COST's Tax Policy here: <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/digital-services-taxes---final.pdf>

business in Hawaii. As such the bill raises serious threats of constitutional challenges under both the Commerce and Due Process Clauses of the U. S. Constitution.

No New Tax Revenue is Created

All income proposed to be taxed under H.B. 1458 is currently being taxed. Under the current corporate income tax scheme advertising revenue is characterized as net income derived from business activity in the state. As such, advertising revenue is subject to tax. This bill effectively carves out existing revenue that is currently reported and taxed. The bill merely moves the revenue reporting and tax remittance around from the current process to this new process. Thus, increasing the administrative burden on both the Department of Revenue and taxpayers.

Conclusion

H.B. 1458 violates sound tax policy and does not achieve the desired goals described in the bill. We respectfully request that you do not vote it out of committee.

Respectfully,

The image shows two handwritten signatures in blue ink. The signature on the left is 'Marilyn Wethekam' and the signature on the right is 'Dylan Waits'. Both signatures are written in a cursive, flowing style.

Marilyn Wethekam and Dylan Waits

cc: COST Board of Directors
Patrick J. Reynolds, COST President & Executive Director

REBUILD LOCAL NEWS

Feb. 10, 2026

House Economic Development & Technology Committee
415 South Beretania St.
Honolulu, HI 96813

Chair Iligan, Vice Chair Hussey, and members of the Committee:

My name is Matt Pearce, and I am the director of policy for Rebuild Local News, the leading nonpartisan, nonprofit coalition developing and advancing effective public policies to strengthen local news and information. Our broad-based organization brings together the largest alliance of local publishers, labor unions, civic organizations and newsrooms representing both rural and urban communities. Together, these 55 organizations represent over 3,000 newsrooms and 15,000 journalists working to revive local news.

I write in **support** of **HB1458** and its aim to provide a stable source of funding for community news programs in the years to come. Hawai'i's communities could desperately use the support. In 2002, according to our research with Muck Rack, the United States had about 40 journalists per 100,000 residents.¹ But today, Hawai'i only has about 6.1 journalists per 100,000 residents, ranking 42nd out of the 50 states.²

Across the U.S. in recent years, lawmakers have considered or enacted a broad range of public policies to rebuild local news:

- **Illinois** enacted a **refundable journalist employment tax credit** in 2024 which made it more affordable for newsrooms of all types to employ and hire journalists. This \$5 million a year program is supporting more than 260 local journalist jobs at 55 news entities operating more than 120 local outlets across the state: newspapers, digital news sites, broadcasters, commercial and nonprofit newsrooms alike. Recipients have reported plans to expand coverage or avert layoffs as a result.³ **New York** state has enacted a similar news employment tax

¹https://www.cjr.org/the_research_report/a_long_view_of_layoffs.php

²<https://muckrack.com/research/local-journalist-index>

³<https://www.rebuildlocalnews.org/supporting-local-reporting-in-illinois-early-lessons-and-opportunities/>

credit program.⁴

- **Washington** state, with the support of a broad-based local coalition, is currently considering a similar **formula-based journalist employment grant** approach, SB 5400, that would tax social media companies and search engines up to \$6 million each, with funds distributed based on the number of journalists employed. Funding could also support a local journalist fellowship program. Lawmakers in **Oregon** are considering a similar employment-subsidy approach, SB 1580, funded via an arbitration-backed bargaining process that also proposes a new grantmaking **civic information consortium** similar to the program in **New Jersey**.
- **California, New Mexico and Washington** created publicly funded **fellowship programs** that place early career journalists in local newsrooms to provide coverage for underserved communities. The largest of these programs, the California Local News Fellowship program administered by UC Berkeley, has placed approximately 75 journalist fellows in newsrooms across the state.^{5 6 7}
- **New Hampshire** and **Illinois** lawmakers this year are considering bills from Republican sponsors to support community news by creating **tax credits for small businesses that advertise in local news outlets**, with the hopes of creating stronger business ties in the local community.^{8 9} On the budget-neutral front, lawmakers in **Maryland** are considering a bill, HB0043, to **require government agencies to spend at least 50% of their advertising budgets in local media**, mirroring similar policies in New York City, San Francisco and the state of California. We expect similar government advertising set-aside policies to be pursued this year in New Jersey and Vermont.

In all cases, we strongly advocate that public policies be designed to support the diverse models and mediums now used to produce community news, with safeguards against violations of our First Amendment freedoms by favoring certain viewpoints or interfering with independent news decisions. Other states are proving these objectives are achievable. Hawai'i deserves a similar effort.

⁴<https://esd.ny.gov/empire-state-newspaper-and-broadcast-media-jobs-program>

⁵<https://fellowships.journalism.berkeley.edu/cafellows/>

⁶<https://www.newmexicolocalnewsfellowships.org/>

⁷<https://news-fellowship.murrow.wsu.edu/>

⁸New Hampshire HB1420-FN

⁹Illinois HB4869

Best,
Matt Pearce
Director of Policy, Rebuild Local News
mattpearce@rebuildlocalnews.org



Chairman Greggor Ilagan
Committee on Economic Development & Technology
15 S. Beretania Street
Honolulu, HI 96813

Dear Chair Ilagan and ECD Committee members –

I write to you today on behalf of Local Independent Online News (LION) Publishers, a nonprofit 501(c)(3) membership association. LION’s mission is to strengthen the local news industry by helping independent news publishers build more sustainable businesses that can pay a living wage, recruit and retain talent, and grow their reach, revenue, and impact. We have over 400 members in the United States and Canada, including in Hawaii

We’re grateful to see Vice Chairman Hussey bring forth HB 1458, which seeks to support Hawaii’s local journalism industry. LION sees a lot of potential in this bill’s framework, and we hope to offer some input in the beginning stages of this bill’s development that may help ensure the benefits of it equitably reach independent local news publishers in Hawaii.

Designing a funding distribution formula for the “Broadband and digital equity special fund”

The funds collected through this bill would no doubt be transformative for local newsrooms throughout Hawaii. How the funds reach newsrooms will be critical to the overall success of what the bill sets out to achieve. LION has been supportive of the work being done in other states to create public grantmaking bodies, often called “civic information consortiums.” [New Jersey’s Civic Information Consortium](#) has been an extremely successful example that can serve as a roadmap for future public grantmaking funds for journalism.

What we hope lawmakers keep in mind when designing funding distribution systems is ensuring equity in how funds are allocated. We discourage using the number of journalists a publisher employs (often referred to as headcount) as the sole factor for how the collected funds are distributed among publisher recipients. These types of systems reward newsroom size and staffing levels, incentivizing quantity of journalism content over quality. This can be particularly detrimental to more rural and historically under-resourced community newsrooms who have fewer staffing capabilities but have equally as important needs as larger newsrooms.

Ensuring the interests of independent digital media are taken into consideration

Lastly, we strongly encourage you to solicit input and feedback from the independent journalism community in Hawaii. We have encountered several instances in states across the country where

stakeholder conversations around journalism funding bills are dominated by legacy media voices and large publishers – often who are owned by out-of-state corporations – leaving small, independent, and digital media without a voice in these important policy conversations.

Sustainable funding for journalism is desperately needed, especially as the fragile threads of our democracy are tested daily. We're glad lawmakers recognize the urgency of having a healthy and sustainable news media industry in Hawaii.

Thank you,

A handwritten signature in black ink, appearing to read 'Chuck Corra', written in a cursive style.

Chuck Corra
Associate Director, Policy & Advocacy
LION Publishers

