



GOV. MSG. NO. 926

EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

July 9, 2008

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fourth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

Re: Senate Bill No. 3030 SD2 HD2 CD1

On July 8, 2008, Senate Bill No. 3030, entitled "A Bill for an Act Relating to Mixed Martial Arts" became law without my signature, pursuant to Section 16 of Article III of the Constitution of the State of Hawaii.

Regulation of mixed martial arts events was mandated in 2007 under Act 279, a bill I allowed to go into law without my signature. My Administration warned from the beginning that the proposed regulation was complex and would be expensive, particularly given the small size of the industry. We were particularly concerned that Act 279 did not provide for a necessary funding stream to cover start-up expenses for the program, but enacted an initial set of fees and assessments to help cover the costs after the regulatory program was in place on July 1, 2009.

Since Act 279 became law, the department has performed a detailed, conscientious review of the costs of regulating this industry. They have found that the fees and assessments provided for in the 2007 legislation would not be adequate to cover these projected costs. Their analysis found that the original fee structure would create a shortfall of \$190,000 over the first four years and an estimated \$347,500 over the subsequent four years of regulation.

The 2008 legislation now before me was initiated for the specific purpose of addressing the problems that arose in Act 279. The Department of Commerce and Consumer Affairs correctly recognized that fees would need to be adjusted significantly to recoup start-up costs, as well as cover operational expenses when the program begins next year. Regrettably, the fees and assessments will be high for an industry that it likely to stage only a half-dozen events in our state each year. Some have indicated that the fees would make it cost prohibitive for them to stage mixed martial arts events in this state.

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This legislation demonstrates the adverse impact that well-intended legislation can have on particular industries. I would urge members of the Legislature to re-examine the basis upon which they passed regulation of this industry in 2007 and I will ask my department to submit a proposal in 2009 to significantly revamp the regulatory framework for this industry such that adequate oversight can be done without stifling the ability of the industry to stage events in our state.

For the foregoing reasons, I allowed Senate Bill No. 3030 to become law as Act 238, effective July 8, 2008, without my signature.

Sincerely,



LINDA LINGLE

A BILL FOR AN ACT

RELATING TO MIXED MARTIAL ARTS.

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

1 SECTION 1. Section 440E-7, Hawaii Revised Statutes, is
2 amended by amending subsection (d) to read as follows:

3 "(d) In addition to the payment of other fees and moneys
4 due under this chapter, a licensed promoter shall pay:

5 ~~[(1) A license fee of three per cent of the first \$50,000
6 of the total gross receipts from admission fees to an
7 event, exclusive of federal, state, and local taxes;~~

8 ~~(2) A license fee of two per cent of the total gross
9 receipts over \$50,000 from admission fees to an event,
10 exclusive of federal, state, and local taxes;]~~

11 (1) For fiscal years 2009-2010 to 2012-2013, a license fee
12 of four per cent of the first \$50,000 of the total
13 gross receipts and three per cent of the total gross
14 receipts over \$50,000 from admission fees to an event,
15 exclusive of federal, state, and local taxes;

16 (2) For fiscal years beginning July 1, 2013, a license fee
17 that is six per cent of the total gross receipts from



1 admission fees to an event, exclusive of federal,
2 state, and local taxes;

3 (3) ~~[Two]~~ In addition to the license fees established in
4 paragraphs (1) and (2), a licensed promoter shall also
5 pay two per cent of the gross sales price for the
6 sale, lease, or other exploitation of broadcasting,
7 television, Internet, and motion picture rights for a
8 contest or an event, without any deductions for
9 commission, brokerage fee, distribution fees,
10 advertising, contestants' purses, or any other
11 expenses or charges, including federal, state, or
12 local taxes; and

13 (4) Two per cent of the gross receipts from subscription
14 or admission fees, exclusive of federal, state, and
15 local taxes, charged for viewing ~~[within the State of]~~
16 a simultaneous or pay per view telecast of ~~[an]~~ a
17 contest or event ~~[, provided that payments]~~.

18 Payments under this subsection shall be deposited into a
19 separate account in the compliance resolution fund and shall be
20 used to cover the costs of administering this chapter."

21 SECTION 2. At each promoter's license renewal period, each
22 promoter shall pay an additional surcharge fee of \$16,750, or



1 any other amount determined by the department of commerce and
 2 consumer affairs to be appropriate that shall be deposited into
 3 the compliance resolution fund established pursuant to section
 4 26-9(o), Hawaii Revised Statutes. The department may adjust the
 5 additional surcharge fee to equitably apportion the cost among
 6 the promoters based on the number of licensed promoters. Upon
 7 the full payment of \$335,000 for fiscal years 2007-2008 and
 8 2008-2009 to cover the cost of implementing the provisions of
 9 chapter 440E, Hawaii Revised Statutes, no surcharge shall be
 10 assessed thereafter and any funds in excess of this amount shall
 11 remain in the compliance resolution fund.

12 SECTION 3. Statutory material to be repealed is bracketed
 13 and stricken. New statutory material is underscored.

14 SECTION 4. This Act shall take effect on July 1, 2009.

APPROVED this day of , 2008

GOVERNOR OF THE STATE OF HAWAII



