Tax Credit Committee Policy Questions

Answers relating to House Bill 2167 are provided below by the Oregon Film & Video Office (OFVO)

- What is the public policy purpose of this credit? Is there an expected timeline for achieving this goal?

Agency: The purpose of the credit is to provide a financing mechanism for the Oregon Production Investment Fund (OPIF) which is used to recruit film and television projects to Oregon. The Greenlight Labor rebate also works in tandem with OPIF to recruit not only film and television projects but also commercial production. The ultimate goal of both programs is to provide immediate economic impact in Oregon in the form of jobs for Oregonians and small business activity. In addition, the long term goal is to recruit enough film and television activity to Oregon so that local infrastructure and crew resources develop to the point of becoming a self sustaining industry. An added benefit is the PR and awareness that the projects filmed in Oregon bring to the state. In the month before the premiere airdate of "Portlandia" this year, over 200 articles were written about Portland and Oregon by publications all over the U.S., Canada, and Europe. Given the fact that over 40 states offer a film incentive program, it is still necessary for Oregon to have a program in order to compete for this type of business. While we can not give a specific timeline for achieving the goal of a self sustaining film and television industry, it is certainly worth re-evaluating the competitive landscape in the future. The OFVO would recommend that the sunset date extend to December 31, 2017 and have a full review of the program during the 2017 legislative session.

- Is economic development and job creation a primary goal of this credit? If so, the following should be addressed based on historical evidence for existing credits and projections based on new proposed credits:
  - Number of jobs associated with credit on an annual basis.
  - Break down between permanent and temporary jobs.
  - Break down between traded sector and domestic sector jobs.
  - Estimates of average wage per job.
  - Estimate of tax revenue cost per job.

Agency: Economic development is the primary goal of this credit. First and foremost the incentive programs allow Oregon to recruit significant film and television work to the state and as a result many local hires are put on payroll. It is difficult to define these jobs as permanent or temporary since they are project specific much like construction jobs, but these jobs created often provide time intensive periods where workers will work 60-80 hour weeks with pension, health and welfare benefits. A worker can work for five months on a television series like "Leverage" and secure enough payments into their health insurance account for the year.

In the interest of providing some numbers relating to the number of local hires on recent projects, we have provided this chart which reflects the submitted payroll records for each project.

OPIF Projects 2009-2011	Number of Local Hires on Payroll (excluding extras)
Leverage Season 3	471
Leverage Season 2	397
Grimm	198
Restless	198
A Walk In My Shoes	135
Braintrust	101
Portlandia Season 1	97
Something Wicked	69
Meek's Cutoff	24

The vast majority of these jobs pay between \$25/hour and \$55/hour. When this is translated to a 60 hour work week (including overtime) the weekly wages for the local crew are \$1,750-\$3,850. If one were to assume that each worker works only 30 weeks a year, the annual wages would be between \$52,500 and \$115,500. Locals hired as actors can also reap additional wages as most project pay out residuals over time equal to the initial salary for the job.

It's important to note that these numbers do not include the hundreds of thousands of dollars paid out to Oregon residents to perform as extras and background performers. On season 3 of "Leverage" alone, the show spent over \$350,000 on hiring locals to be extras. The numbers also do not include the jobs created in other sectors because of film and television production. In the 2007 EcoNorthwest report, it was stated that every 10 jobs in the film and video industry are associated with 11.1 jobs in other industry sectors in the state. This is evident in several ways but perhaps the most telling fact related to local security companies. When a film is in production in Oregon, they hire local security firms to provide on set security. For every day that a major production is on location, nine security people are provided by the security company. These nine hires do not appear on the project's payroll so the jobs are not included in the above table.

- Who (groups of individuals, types of organizations or businesses) directly benefits from this credit? Does this credit target a specific group? If so, is it effectively reaching this group?

Agency: Currently the OPIF credit is available to any Oregonian or Oregon business on a first come first serve basis at the beginning of each fiscal year. Those who make a contribution to the fund, receive a discounted tax credit. The primary benefit of recruiting film and television projects to Oregon affects those employed on the productions and all the small businesses that provide services for the project. In the case of the third season of "Leverage", 471 local hires were put on payroll and 417 small businesses in 22 of 30 senate districts received a check from the show.

- What is expected to happen if this credit fully sunsets? Could adequate results be achieved with a scaled down version of the credit? What would be the effect of reducing the credit by 50%?

Agency: The OPIF program combined with the Greenlight Labor Rebate are used to recruit film and television projects to Oregon. The two programs combined still put Oregon in the lower third of the states that have a film incentive program. Any scaled down version or reduction of the credit would not just reduce the amount of work that comes to Oregon, but could prevent the state from landing any amount of significant work.

There is only one state in the U.S. without an incentive program that receives some level of work from the Motion Picture Industry, and that is Nevada. The primary reason is the uniqueness of the Las Vegas Strip. If Oregon was to discontinue OPIF and Greenlight, it is reasonable to assert that Oregon would not be able to recruit any amount of significant production activity.

- What background information on the effectiveness of this type of credit is available from other states?

Agency: There have been numerous studies done on film incentives across the country. Some very positive and some negative. One that we believe is relatively balanced is the Ernst and Young study that was done for New Mexico. It can be found here - http://www.nmfilm.com/filming/production-stats/index.php. Since every state has a unique program with varying levels of incentives, it's hard to point to one state that is a good apples to apples comparison. The most popular states for film and television productions recently have been Louisiana, Georgia, and New Mexico. Other states like North Carolina, Florida, Pennsylvania, and Alaska have seen increases in production. Oregon still remains in the lower third of incentive states with our comparatively conservative program.

It's worth noting that some states like Michigan have begun to evaluate their aggressive incentive programs and as a result, have pulled back on their program. The suggested caps on the incentive programs in Michigan and New Mexico still are higher than Oregon's current cap, but as the aggressive states pull back, Oregon is sure to benefit. Oregon has never had to be the most lucrative program and it would have been a mistake to follow the path of some states. That being said, having a conservative incentive program allows Oregon to be in the conversation when producers are considering a location for their project.

- Is use of a tax credit an effective and efficient way to achieve this policy goal? What are the administrative and compliance costs associated with this credit? Would a direct appropriation achieve the goal of this credit more efficiently?

Agency: Yes, we believe a tax credit structure is the most effective way to recruit the type of projects we feel are the best fit and most impactful for Oregon. In the last two years we have come to realize that the projects that fit best for our incentive programs are television series, low budget feature films, and animation projects. These types of productions tend to hire and contract with a higher ratio of local employees and small businesses. In order to lure these types of projects, we need to represent a level of certainty over multiple years in the recruitment process. It's also true that these types of recruitment projects often take 12-24 months and it is important to have a certain program over that time period.

The new amendment in HB 2167 does provide the legislature the flexibility to directly appropriate the discounted funds in lieu of the tax credit on a yearly basis. OVFO is in support of this amendment as it would still provide certainty to the program.

- What other incentives (including state or local subsides, federal tax expenditures or subsidies) are available that attempt to achieve a similar policy goal?

Agency: We do not know of other incentives at this point other than a small grant program in Eugene for telecommunications equipment on film and television projects. Often local coordination and logistical support can help in recruitment but those efforts do not involve any specific incentive programs.

- Could this credit be modified to make it more effective and/or efficient? If so, how?

Agency: OFVO is always open to suggestions as to how the program can be more effective. A-Engrossed HB 2167 with the coming amendment modifies OPIF so the legislature has more flexibility in the financing of the program. OFVO is in support of these changes and we believe it would make the program potentially more effective and more efficient.

- How would the return on the state's investment best be measured for this credit? Which of the following can be quantified as a "return" or "benefit" resulting from the use of this credit:
    - Jobs & overall economic activity
    - Environmental goals such as energy conservation, air/water quality
    - Social goals

Agency: There are several ways to measure the benefit of this tax credit but first and foremost the credit ought to be evaluated by the number of jobs created and the overall impact of the film and television projects have had on the local small businesses. As stated above, there are significant numbers of jobs being created on each project. In addition, hundreds of small businesses are impacted. During season 3 of "Leverage", 417 local small businesses received a check or payment from the show.

Over the past four years both OPIF and Greenlight have performed very well. From the beginning of 2007-2010, the total amount of direct spend in Oregon on "OPIF and Greenlight qualified" Film and Television projects was over $178million. In addition Greenlight brought in over $30million of commercial production. After 2011 which will be the biggest year ever for film and television production in Oregon the total "OPIF and Greenlight" number is projected to be over $275million.

As will be demonstrated in the tax credit committee there are also more investments being made locally to provide a greater depth of resources for the local motion picture industry. As the larger productions continue to come to Oregon, more and more small businesses are investing in equipment and infrastructure to support the work. Most of these investments are going to local vendors.

Finally a less tangible but extremely beneficial "return" on this credit is the increase in exposure for our state. In some cases the exposure that comes from these film and television productions directly results in significant tourism revenue. Some of these examples include the 3,000 people who attended the "Goonies" anniversary in Astoria, over 400 people who attended the "Leverage" convention last year, and the countless numbers of "Twilight" fans who have visited Oregon. In addition shows like "Portlandia" and "Meek's Cutoff" have provided a wealth of media exposure which if translated to advertising dollars, would be in the millions. Perhaps the best example of this was the Irish Times travel piece written a few months ago inspired by "Portlandia". As the media has gone "viral", the overall exposure to Oregon has multiplied thanks to these productions.

- Using the three broad categories above, how do these credits rank in terms of their expected return on investment?

Since this is specifically a jobs and overall economic activity credit, we believe the results rank very high on the expected return on investment. Because there is a cap on the tax credit, OPIF often over performs the expected generation of economic activity. If a production spends more money in Oregon than originally anticipated, and there are no more available funds in OPIF, then the production company does not get a rebate for the additional spending. On average over a five year span, there is over $5million spent annually that is not subject to a rebate because of unavailable funds.

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