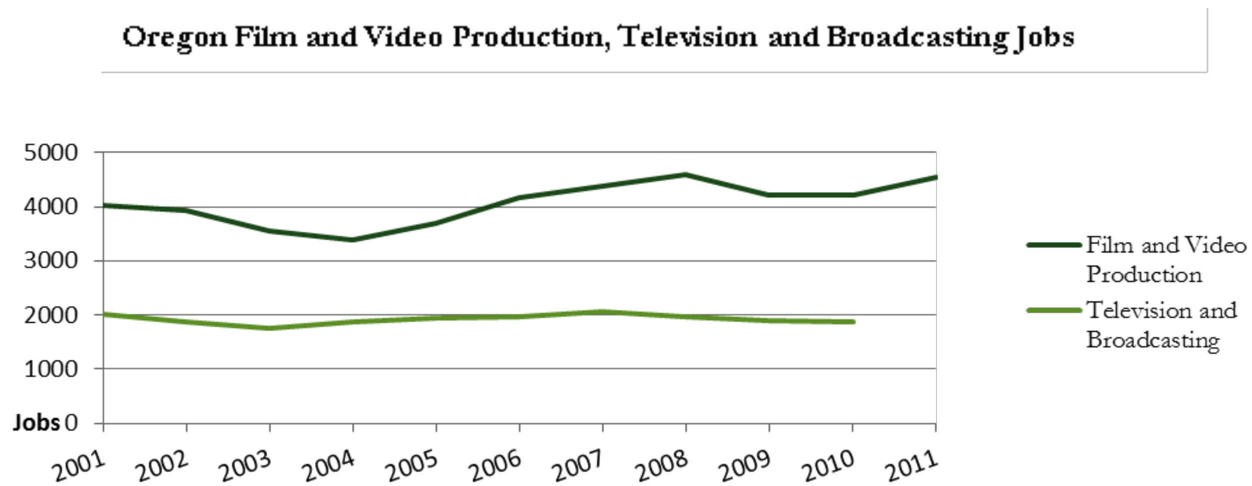
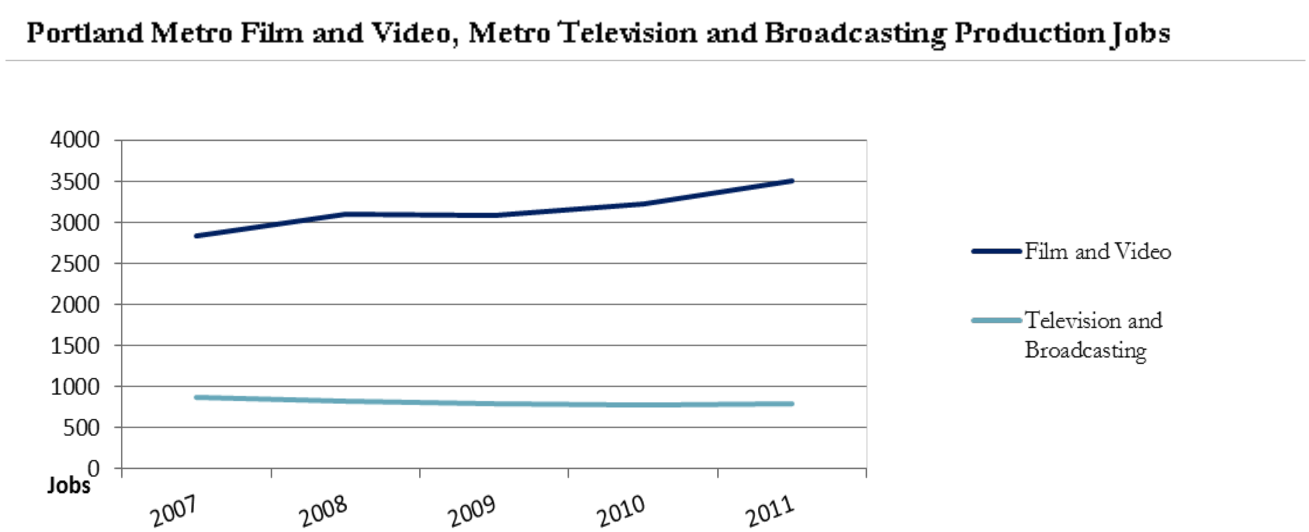
Tom Potiowsky's Legislative Presentation 2/25/2013
Northwest Economic Research Center (NERC)
**** Committee**

The Northwest Economic Research Center (NERC) was commissioned by The Governor's Office of Film and Television (OR Film) and the Portland Development Commission (PDC) to quantify the economic impact of the film and television industry and study the impacts of production incentive programs in Oregon and the Portland Metropolitan Area.

NERC used data from the Quarterly Census of Employment and Wages for Oregon (QCEW), the Oregon Employment Department, U.S. Census Bureau, Bureau of Labor Statistics (BLS), and the Oregon Governor's Office of Film and Television (OR Film). This differed from previous TV/Film Economic Impact reports by focusing on firms whose primary activity is film or television production.





During the recession, the Oregon industry experienced a loss of jobs, but compared to the recession of the early 2000s, the impact was less severe and the recovery was faster. The Portland film industry was barely affected by the Great Recession. It is difficult to attribute this to incentives, but the film and television industry fared better than the economy as a whole, and the Portland area (where out-of-state production activity is concentrated) did better than Portland as a whole.

IMPLAN Results

- Direct Impacts: These are defined by the modeler, and placed in the appropriate industry. They are not subject to multipliers. In this case, purchasing, employment, and wage data were collected from the sources described above and placed into the appropriate industry.
- Indirect Impacts: These impacts are estimated based on national purchasing and sales data that model the interactions between industries. This category reflects the economic activity necessary to support the new economic activity in the direct impacts by other firms in the supply chain.
- Induced Impacts: These impacts are created by the change in wages and employee compensation. Employees change purchasing decisions based on changes in income and wealth.

Total Oregon Impacts

Impact Summary				
Impact Type	**Employment**	**Labor Income**	**Total Value Added**	**Output**
Direct Effect	6,409	$253,669,855	$408,354,063	$786,135,714
Indirect Effect	2,899	103,992,323	173,595,095	303,669,969
Induced Effect	2,934	115,038,902	206,876,196	334,859,592
Total Effect	12,243	$472,701,080	$788,825,355	$1,424,665,275

Total Portland Metro Impacts

Impact Summary				
Impact Type	**Employment**	**Labor Income**	**Total Value Added**	**Output**
Direct Effect	4,288	$158,654,073	$274,062,717	$521,984,088
Indirect Effect	1,745	73,934,997	119,282,887	193,041,795
Induced Effect	1,880	81,919,601	142,654,271	226,735,770
Total Effect	7,913	$314,508,671	$535,999,875	$941,761,653

The television and broadcasting subsector of the industry is more evenly distributed across the state than the film and video production and out-of-state productions which are concentrated in the Portland Metro Area.

Portland Metro is home to 82% of out-of-state production jobs and 67% of the total industry jobs. The strong current position of the industry in Portland Metro is reflected in the large share of overall output.

The growth of the industry has other positive effects, such as providing jobs for college-educated workers, creating flexible work opportunities for the creative class, and raising the profile of Oregon and Portland nationally.

While the industry appears to be healthy and growing (especially in Portland Metro), it is important to measure this success against the incentives needed to attract out-of-state productions. In 2011, the total amount used for all incentive programs was $11,824,973. The incentive funds come from the sale of tax credits and the return of some withheld income. The employment returns for the program are strong, but the tax revenue raised through increased activity did not fully fund the program.

The incentive programs generate 43% of the foregone revenue allocated to the program. The net revenue impact of these incentive programs vary by state, and is influenced by the state tax structure. This return is in-line with other low business tax states like Florida (40% return in fiscal 2012), but it is less than states like Connecticut and Louisiana.

The opportunity to work on out-of-state productions increases the skills and experience of local workers, and creates the labor pool necessary to attract additional work. If the incentive program was eliminated and out-of-state productions disappeared from Oregon, it would most likely have negative effects on the rest of the industry as skilled workers moved to areas with steadier, high-paying work, which would hurt other supporting industries. While the incentives are important for attracting out-of-state productions, they are only one factor when production companies choose a shooting location. A skilled, experienced labor pool is necessary to attract work. Efforts to support the industry must keep in mind the capacity of the area to provide these workers, and changes must remain in-line with this labor pool.

To calculate revenues, we used a customized production function based on detailed expenditure reports from out-of-state productions. Because these productions utilize support staff (legal, marketing, etc.) outside of Oregon, this deflated the revenue results. This is lower than past reports, but more accurate.

Return per $1M in Incentives

Return per $1M in Incentives	
Direct Jobs	68
Total Jobs	117
Direct Labor Income	$3,491,947
Total Labor Income	$5,345,434
Purchase of Oregon Goods and Services	$2,923,912
State Taxes	$430,415
Local Government Taxes	$238,701
Total State and Local Taxes	$669,116
Federal Taxes	$1,284,600

To calculate this cost per job, we assume that out-of-state productions would not exist without the incentive program. Out-of-state production jobs are divided by total incentives associated with 2011 production activity.