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To: Senator Mark Hass and Representative Phil Barnhart, Co-Chairs, Joint Committee on Tax Credits

From: Senator Lee Beyer, Chair and Senator Fred Girod, Vice-Chair, Committee on Business and Transportation

Date: April 27, 2015

Subj: Senate Bill 872A: Film Production Tax Credits

The Senate Business and Transportation Committee heard Senate Bill 872A and passed it to the Joint Committee on Tax Credits with recommendation for further consideration. The measure was properly noticed and scheduled as well as part of a public hearing. A cadre of entities, including Oregon Film, Cast Iron Studios, Southern Oregon Film and Media, JOMA Films, City of Portland, Klamath County Chamber of Commerce, HIVE-FX, Ravenous Studios and Clackamas County appeared in support of the measure.

Below are responses to questions posed in Appendix D, on page 101 of the Legislative Revenue Office's Research Report No. 2-15, 2016 Expiring Tax Credits (RR 2-15). Although Senate Bill 872A is a proposal for increasing an existing tax credit, the Business and Transportation Committee used the RR 2-15 questions in an attempt to provide more thoughtful insights on the measure. The responses are based upon information from the Business and Transportation Committee hearing.

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

  The public policy purpose is to aid in the continuing growth of the Oregon film, television and media industry by creating a competitive incentive program. There is no expected timeline with this program due to the competitive nature of the business and other states' and providences' continuing incentive programs.

- **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?**

It is directly targeting media production and creative content companies as well individual producers, directors, writers, crew, cast, and supporting vendors. There also is a target for local services and support companies which directly benefit from and service the industry as a whole.

The Department of Employment confirms that the job growth for the motion picture and video industry has grown 69% in the last five years with more than 350 companies now engaged in this industry across the state. For FY 2013-2014, $135million of in-state spending was directly tracked through the OPIF program (which has a $10M annual incentive cap).

- **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%?**

  Currently the OPIF program is fully subscribed prior to resetting its funding each fiscal year. A reduced or eliminated program would have the likely outcome of removing Oregon from the competitive field of film, TV and media production in the US. It is likely that all of the state's larger, multi-year TV series would move to other states or provinces, which do offer an incentive program.

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

  Similar programs are provided by more than thirty other states in the U.S. Oregon ranks in the bottom 3rd of states offering incentives for media production, but the state consistently excels compared to its competition with a lower rebate level.

- **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?**

  To be competitive in the current film, TV and media market in the U.S. and Canada, an incentive program is necessary. The film incentive programs in Oregon are managed and overseen by The Oregon Film & Video Office - a pseudo-government agency of four people. The agency also is tasked with advocating and enhancing the media economy in Oregon through recruitment of out-of-state work and providing support for the in-state growth of media companies and individuals. In order for Oregon to recruit competitively for media production projects from out-of-state a stable fund is required. The six-year sunset schedule of tax credits is currently the only tool the Legislature has to create the multi-year stability of funding this industry expects.

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

Oregon has three programs that seek to accomplish the policy goal of continuing the growth of the film industry in Oregon. These include:

- The Oregon Production Investment Fund offers qualifying film or television productions a 20% cash rebate on production-related goods and services paid to Oregon vendors and a 10% cash rebate of wages paid for work done in Oregon including both Oregon and non-Oregon residents. The labor portion of this rebate can be combined with the Greenlight Oregon program for an effective labor rebate of 16.2%.
- The Greenlight Oregon Labor Rebate offers productions that spend more than $1million in Oregon a cash rebate of up to 6.2% of Oregon-based payroll. This rebate can be combined with the Oregon Production Investment Fund incentive for an effective rebate of 16.2% on qualifying production payroll.
- The "Indigenous Oregon Production Investment Fund" (iOPIF) provides rebates of 20% of goods and services and 10% of Oregon labor for projects by Oregon producers who spend a minimum of $75,000, up to the first $1million of their spend. Other requirements will apply.

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

Programs incentivized directly through OPIF are just beginning the growth in media production for our state. The rest of Oregon's media production industry is also growing rapidly due to the existence of incentivized work. A larger fund would allow for greater efficiency in recruiting out-of-state projects, as well as further boost the growth of other media production companies.