TEAMSTERS LOCAL UNION NO. 17

Attachment F

STATES OF COLORADO & WYOMING

7010 BROADWAY, STE. 200, DENVER, CO 80221-2921
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MICHAEL A. SIMEONE
PRINCIPAL OFFICER AND
SECRETARY-TREASURER

DUANE C. GROVE
PRESIDENT

February 11, 2009

House Finance Committee

State of Colorado

Dear Chairman and Members of the House Finance Committee:

Teamsters Local 17 represents over 3200 working men and women in the states of Colorado and Wyoming, including those working in the film industry.

HB 1010 provides a performance based tax credit for the film industry, that will help Colorado compete with other states for film productions. This bill will bring new high wage and benefit jobs as well as additional revenue to our state.

This bill is good for the men and women who work in Colorado, the film industry, businesses, and the residents of the State.

Teamsters Local 17 supports HB 1010 and we ask for your support on behalf of everyone who lives and works in the State of Colorado.

Very truly yours,

TEAMSTERS LOCAL NO. 17

Duane C. Grove - President

DCG/jal

Top 10 Reasons to Support HB 09-1010

1. Revenue neutral to the state
2. Film incentives create jobs quickly
3. Creates high paying primary jobs
4. Incentives are proven to work nationwide
5. Colorado issues a tax credit after the production spending occurs and is documented
6. Statewide benefits- cities & counties will benefit
7. Does not require new infrastructure to derive the benefits BUT – infrastructure will ensue
8. No risk to the state- no production/no credits issued
9. Colorado's crews are "Camera Ready" (ready to work now!)
10. Inaction has a real cost to Colorado!
    a. Continued loss of jobs
    b. Loss of existing state and local tax revenues
    c. Loss of future state and local tax revenues
    d. Loss of tourism & publicity
    e. Loss of our college graduates

WHO SUPPORTS HOUSE BILL 1010?

Tuesday, February 10, 2009

• Acme Props and Effects	• Great Divide Pictures
• AEC	• High Noon Entertainment
• AFLCIO	• IATSE 7
• AFTRA, Denver Local	• Ken Jones, Art Director
• America Soda Machines	• Kiddie Rides USA
• Big Fish Talent Agency, Denver	• Lighting Services, Inc
• Boulder Convention & Visitor's Bureau	• Main Man Films, LLC
• City of Steamboat Springs	• Maximo Producers Agency
• Club 20	• NABET Local 52 - Operators and Engineering Group of KCNC/CBS4
• Colorado Film & Video Association	• New Denver Ad Club
• Colorado Film Society	• NFIB
• Colorado Hotel & Lodging Association	• PayReel, Golden
• Colorado Municipal League	• Post Modern
• Colorado Springs Convention and Visitor's Bureau	• Radical Artists Agency, Denver
• Colours TV, The Multicultural Network	• Rep Anne McGihon (D, Denver)
• Core Interactive	• Representative Tom Massey (R, Poncha Springs)
• Custer County Commissioners	• Scenic Mercenary Studio
• Denver Film Society	• Screen Actors Guild, Colorado
• Denver Pro Photo	• Senator Dan Gibbs (D, Silverthorne)
• Denver Studio Complex	• Senator Nancy Spence (R, Centennial)
• Directors Guild of America, Inc	• Steamboat Springs Chamber of Commerce
• Donna Baldwin Talent	• Teamsters Local 17
• Douglas County Business Association	• The Brown Palace Hotel
• Durango Area Tourism Office	• The Colorado Business Marketing Association
• FX West	• The Ritz-Carlton, Denver
• Gator Farm	• Visit Denver
• Glenwood Springs Chamber of Commerce	

Rebuilding the Film Industry in Colorado

Support House Bill 09-1010

Film is Jobs

The film industry creates jobs for more than 1.3 million Americans.

·Higher than average wages: film employees averaged $73,000 (in 2005), *80% more* than the average US salary ($40,677).

·The average feature film spends between *$150,000 to $250,000 per day* on location.

Film is Real Business

Film creates an industry with studio infrastructure, high-tech jobs, and new revenue.

·New Mexico now boasts a new *$74 million studio* which is booked for three years.

·Lured by incentives, Warner Brothers is looking to open a "multiple studio complex" in Michigan.

·Since 2007 Pennsylvania's incentives have brought in *5 new studios* for an estimated $170 million.

·Massachusetts is building a $422 million studio that will employ *150 full time workers* & attract more than *2,000 production-related jobs*, driven by incentives.

Film is New Revenue

While the US trade deficit has soared, the film industry maintains a surplus balance estimated at $9.5 billion. Colorado is missing out!

·In less than eight years, New Mexico has brought over *$3 billion* in new revenue to the state.

·With a 10%, $10 million incentive program, Colorado could *increase film activity by $100 million dollars.** And all costs will be recouped through taxes paid by the productions.

Film is Tourism

Locations featured in a successful film have seen tourism increase up to 54% over the following four years.

·Sean Penn's movie adaptation of *Into the Wild* boosted tourism in Alaska more than *100%*.

·"The Lord of the Rings" trilogy increased travel to New Zealand by *34%*.

Look Who Endorses Performanced-Based Film Incentives!

·Representative Tom Massey
·Senator Nancy Spence
·Representative Anne McGihon
·Senator Dan Gibbs
·Colorado Film and Video Association
·Boulder Convention and Visitor's Bureau
·Steamboat Springs Chamber of Commerce
·Durango Area Tourism Office
·Screen Actors Guild, Colorado
·Colorado Springs Convention and Visitor's Bureau
·Glenwood Springs Chamber of Commerce
·Club 20
·The Brown Palace Hotel
·Colorado Municipal League
·The Ritz-Carlton, Denver
·The Gazette Telegraph, Colorado Springs
·Directors Guild of America, Inc
·New Denver Ad Club
·PayReel, Golden
·Denver Film Society

** Leeds School of Business' Impact of Film Incentives Study 2008*

Quick Answers

Who benefits from Film and Commercial Productions?

·**Film Production and Talent:** Over **750 production crew** and **2500 actors** live in Colorado but must seek work out-of-state.
·**Statewide Impact:** 72% of Colorado's 64 counties have media production.*
·**Transportation:** Car and truck rentals, gas, parking, tolls
·**Tourism Industry:** Hotels, restaurants, tourist attractions
·**Travel:** Airline, buses, car rentals, truck rentals and limo rentals
·**Location fees:** Permits, rental, security, waste removal, ranging up to $50,000 per location
·**Equipment Rental:** Lights, cameras, generators, sound recording, rain & snow machines
·**Meals:** Caterers, restaurants, farmers, grocery stores
·**Other services:** Makeup, hairstylists, dry cleaners, laundry, retail, lumber, painters, contractors

Why does Colorado need a film incentive now?

·**Colorado has one of the worst film incentive programs in the nation.**
·Film incentives work quickly; Louisiana's production grew from $12 M to $189 M **in one year!**
·Illinois created **$155 million and 26,000** job hires through film incentives.
·In the first year, each dollar invested in the film incentive could **return $13.77** (ROI).*
·Colorado is losing **hundreds of millions of dollars** in new revenue every year.
·Colorado continues to lose industry market share while the national film industry grows faster than the GDP.

What is a performance-based incentive?

·A tax credit issued to a production company on all direct Colorado production expenditures occurring within the state.
·It is a **no-risk proposition** because if the business doesn't come, **Colorado pays nothing.**
·Only after a production is completed in Colorado and expenses are verified is a tax credit issued.
·If we pass a 10%, $10 million incentive program **all the money will be recouped by the state** through tax collections (a revenue neutral proposition).*

Are we talking big money?

Yes! Studio film budgets average **$65 million** and spend an average of $150,000 per day.
·When "Nowhereland" (2007) was filmed, **$3.25 M was spent in Colorado** in just 12 days.
·In the past 3 years, 1,790 studio films were made in the US, spending **$116 billion.**
·In 2007, Louisiana's film production revenue grew to over **$500 million,** driven by incentives.

What will Colorado gain if we pass viable incentive legislation?

·**500 jobs in the first year.***
·**Millions of dollars** in incremental revenue to our economy.
·**College graduates.** Colorado loses most of its media graduates to other states.
·**Rebuild our film industry.** We have a 100 year history in film that can be reenergized.
·**Higher than average paying jobs and commercial infrastructure.**
·**Increased tourism and** publicity for Colorado and its rich cultural and geographic assets.
·**Economic and cutural diversity.**

Where can I learn more?

·Go to www.coloradofilm.org or call 303.592.4075
·Kevin Shand, Film Commissioner: kevin@coloradofilm.org
·Marcia Morgan, Deputy Director: marcia@coloradofilm.org

What can I do?

·**Ask your legislator to support HB 09-1010** (www.legstate.co.us).

the C O L O R A D O F I L M incentive
rebuilding the film industry in Colorado

The State of Colorado's Creative Economy

Alliance for Creative Advantage

Regional Technology Strategies and

Mt Auburn Associates, Inc.

December 2008

aca

alliance for creative advantage

Regional Technology Strategies
205 Lloyd St, #210
Carrboro, North Carolina, 27510
www.rtsinc.org

B. Segmenting the Creative Economy

This section describes in more detail the sub-groups in Colorado's creative economy. Table 2 separates the state's creative economy into sub-groups of sectors that reflect different forms of creative value. The table shows employment for 2007, the change from five years earlier, and the location quotient, which is simply a comparison of the concentration in Colorado to the concentration nationally. If 1.0 is the national average, 1.16 can be interpreted to mean Colorado's concentration (proportion of all employment) is 16 percent higher than the national average.

Table 2: Employment by Sub-Group, 2007

Sub-group	Employment	% Change, 2002-07	Location Quotient
Design	33,999	15.9	1.16
Film & media	22,623	-1.4	1.08
Heritage	2,133	32.5	0.96
Literary & publishing	32,950	-0.5	1.02
Performing arts	16,548	8.9	1.09
Visual arts & crafts	14,036	16.0	1.29
Total	122,289	7.0	

Source: Data from Economic Modeling Specialists, Inc., 2008.

1. Design

Product and environmental design is "An activity that translates an idea into a blueprint for something useful, whether it's a car, a building, a graphic, a service or a process. The important part is the translation of the idea, though design's ability to spark the idea in the first place shouldn't be overlooked."[xvii]

With about 34,000 jobs, the design sector is the largest among the state's creative sectors. Growth in number of jobs also was among the highest in the creative economy, adding 4,675 jobs between 2002 and 2007. We estimate that about 36 percent of the growth was due to the state's unique regional attributes.[xviii] An area of particular design strength is in environmental design, the architects, design firms, interior designers, and landscape architects. Many design companies in Colorado offer integrated services that include multiple disciplines. In addition, the state has particular strength in sustainable, or "green," design, an area of rapid growth across the nation.

Design-related work pays relatively high salaries. In Colorado, workers in design-related industries earn an average annual income of more than $56,000, which is 37 percent more than the state per capita personal income of about $41,000.[xix]

2. *Film and Media*

The film and media sector has a strong presence in Colorado, with about 22,600 employed in 2007. However, the total number of jobs and the relative concentration of the sub-group compared to the U.S. in this highly competitive segment both have declined slightly since 2002. The average annual earnings of approximately $60,700 are higher than those of any other sector of the state's creative economy.

The film and media sector is fueled partially by Colorado's historic strengths in the telecommunications industry. The Colorado cable industry was a pioneer in the development of cable services and has been called the "cable capital of the U.S."[xx] While consolidation and contraction have reduced cable-related employment within the state, the industry remains an important economic force.

Companies such as EchoStar, Starz Entertainment, the DISH Network and the family-owned Jones International are all headquartered in the Denver area. The location of these national headquarters and the long history of cable in the state have also generated a number of ancillary companies and industries relevant to the creative economy.

One example is the Cable Center, a national nonprofit educational organization located in Denver. The mission of the Center is "...to provide education and information to the educational community, the cable

Film and Video in Colorado

Colorado's film and video industry is poised for potential growth. Partnerships between film nonprofit organizations and higher education institutions with cutting edge technology and facilities may enable Colorado to become a major player in the film and video industry and attract global talent. In addition to its many film and video production-related companies, Colorado has one of the largest and most engaged film audiences in the U.S. It has also developed a strong training infrastructure likely to spin out the next generation of filmmakers.

Denver Film Society & Starz FilmCenter: The Denver Film Society (DFS), established in 1978, promotes film as both an art form and a civic forum. In 2002, DFS partnered with the University of Colorado Denver's College of Arts and Media with support from the Starz Encore Group and the Scientific and Cultural Facilities District to launch Starz FilmCenter, a seven-screen cinematheque at the Tivoli Student Union, reclaimed home of the historic Tivoli Brewery. This cinematic education center hosts educational and community outreach programs and screens 600 to 700 film titles per year.

More than 200,000 Denver Film Society members and guests per year attend Starz FilmCenter's series, symposia, and festivals. The Tattered Cover Free Classic is hosted by Colorado Public Radio film critic and UC Denver College of Arts and Media Educational Director, Howie Movshovitz. DFS's flagship event, the 11-day Starz Denver Film Festival, includes international screenings, premieres, and awards ceremonies.

The Colorado Film School: The Colorado Film School, located on the Lowry Campus of the Community College of Aurora, provides certificates, and Associate of Applied Science degrees in writing and directing, cinematography/videography, or postproduction. The Colorado Film School immerses students in the film production industry by providing state-of-the-art cameras, stages, lighting grids, and editing labs. The school's teaching and training philosophy commands the use of this professional equipment: "Just as a medical school needs to run a hospital in order to train doctors, the Colorado Film School is actively engaged in original film productions so that our faculty can model the professional activity we teach."

- Colorado has the highest concentration of interior designers in the nation.

- BLS is projecting significant growth in these occupations over the next decade. According to BLS projections, Colorado will have the highest growth of interior designers in the U.S. (38 percent), the third highest growth in landscape architects (38 percent), and the third highest growth rate for architects (41 percent).

B. The Talent Pipeline

To sustain and grow the creative economy, Colorado not only needs a strong creative workforce, but it must also have a pipeline of creative talent. As a result of its highly perceived quality of life, one source of this pipeline is the thousands of talented individuals who move to Colorado as a location of choice. From musicians and writers, to architects and filmmakers, Colorado has increasingly become a destination location for creative individuals.

Table 7: Certificates and Degrees Awarded by Institutions of Higher Education in Colorado, 2005-06

Sub-group	Assoc & Certificate	Bachelors	Masters	Doctorate
Design	399	618	121	5
Film & media	355	1,077	49	0
Heritage & museums	7	3		0
Literary & publishing	1	562	98	0
Performing arts		493	133	25
Visual arts & crafts		142		0
Total	**762**	**2,895**	**401**	**30**

Source: Data from Economic Modeling Specialists, Inc., 2008.

Beyond those attracted to live in the state because of its obvious natural amenities, the educational pipeline in Colorado is a powerful generator of new talent. Colorado's emphasis on the importance of the creative economy is apparent in its comprehensive cultivation of creative talent throughout its higher education institutions. A spectrum of creative industries is represented in Colorado's college and university landscape, from traditional visual and fine art, to green design, to technology-based music business programs. In addition to awarding Bachelor's degrees in these fields, Colorado's higher education institutions offer associate degrees, certificates, and non-credit programs. For example, Pikes Peak Community College and San Juan Basin Technical College offer educational programs for television broadcasting technicians, as does the Colorado campus of the Ohio Center for Broadcasting. At the baccalaureate and higher levels, the University of Colorado at Boulder and University of Northern Colorado award doctorate degrees in music and theater.

In 2005-2006, 4,100 creative employment-based certificates and degrees were awarded by Colorado public and private universities, liberal arts colleges, and public community colleges.

NGA Center for BEST PRACTICES

Issue Brief

Contact: Stephanie Casey Pierce, Senior Policy Analyst
Office of the Director, 202/624-5332
July 15, 2008

PROMOTING FILM AND MEDIA TO ENHANCE STATE ECONOMIC DEVELOPMENT

EXECUTIVE SUMMARY

Thriving film, television, and related media arts industries offer states and localities in the United States not only cultural benefits but also significant economic benefits and opportunities. According to an economic impact report from the Motion Picture Association of America (MPAA), more than 1.3 million Americans were employed by the motion picture industry in 2005 and the total payroll that year exceeded $30 billion. The industry spent an additional $30 billion in direct payments for goods and services provided by U.S. businesses in 2005. Thus, direct economic benefits of filmmaking in the United States exceeded $60 billion in just one year.

The attraction and support of film, television, and related media arts is now part of many states' economic development strategies. Studies have shown that the motion picture industry benefits state and local economies by:

Benefits of Film Production

- Attracting out-of-state investments;
- Creating high-paying jobs;
- Contributing to the economic and civic vitality of communities; and
- Stimulating cultural tourism.

Today, states compete to attract film productions and reap economic rewards. Strong production workforces around the globe have enticed many American productions to locate in other countries, taking millions of dollars in payroll and expenditures on goods and services out of the United States—a phenomenon called "runaway production."

To capture these dollars, states are adopting strategies to make it easy to create, produce, and distribute film and other media productions from start to finish. State strategies that have proved successful include the following:

*
- Offer financial incentives to attract film industry activity, such as tax credits on in-state expenditures;
- Support the development of a state workforce with the skills to contribute to film activity through university-based and other training programs;
- Market the state to the film industry through state film office Web sites and other means;
- Facilitate the film production process in the state by creating production guides or providing scouting programs; and
- Cultivate local film activity and audiences by encouraging homegrown filmmaking and supporting film festivals and other events that engage the community.

PRICEWATERHOUSECOOPERS

close window

Global home

Entertainment and media companies face a collaboration imperative for next five years, says PricewaterhouseCoopers annual Outlook report

Growth in Global Entertainment & Media Industry – Forecast by PricewaterhouseCoopers to be $2.2 Trillion in 2012 – Will Be Driven By Strategic Alliances

Contacts

Fiona Scholes
Tel: +44 (0) 20 7804 2695

* High Growth 6.6% for the entertainment & media sector

London, June 18, 2008 - Entertainment and media (E&M) companies hoping to drive growth over the next five years will need to accommodate dramatic changes in devices, market and consumer behaviour through striking strategic business alliances, according to PricewaterhouseCoopers' Global Entertainment and Media Outlook: 2008-2012, released today. The report also underscores the importance of continuing to extract revenues from traditional business segments while emerging technologies continue to solidify their consumer position. The highly anticipated annual report pegs global compound annual growth rate (CAGR) at 6.6% for the sector, anticipating it reaching $2.2 trillion in 2012.

"We're seeing a new business model solidify for entertainment and media companies," said Marcel Fenez, Managing Partner, Global Entertainment & Media practice, PricewaterhouseCoopers. "Some, such as the film industry, have dabbled in this in the past, but those will be small movements compared to what lies ahead. No single company will be able to successfully go it alone over the next five years. The challenges are too significant and the demand for innovation too complete."

Strategic Alliances Will Replace Vertical Integration

Several critical technologies are now reaching tipping points that will deeply influence both the pace and direction of entertainment and media growth over the next five years. Broadband penetration continues to accelerate globally. Mobile is gaining ground quickly —adding subscribers and upgrading infrastructure to enable the next wave of mobile expansion, driven by Internet access, advertising and television. Modern movie houses, digital cinemas and 3-D upgrades are enhancing the cinema-going experience, while high-definition television subscriptions and a resolution of the high definition DVD format wars will invigorate digital living rooms. The impetus behind these new technologies is rarely established companies. The global broadband boom continues unabated, fuelling overall growth, and more than doubling again to 661 million households in 2012, a 16.4% compound annual increase.

While digital and mobile are driving growth, established and traditional business segments will continue to dominate revenues, with the exception of recorded music, where digital distribution will surpass physical distribution in 2011. Although digital and mobile distribution comprised only 5% of global E&M spending in 2007, these revenues will account for 24% of all growth throughout the industry during the next five years. By 2012, digital and mobile revenues will account for just 11% of total E&M spending, or $234 billion of the $2.2 trillion global market.

COLORADO COMMI

Fiscal Year 2008-09	***Annual***	
Executive Director	$	85,000
Deputy Director	$	70,000
Colorado Locations Specialist	$	32,600
IT/Internet & Communtications	$	-
Administrative Asst.		NA
Subtotal Salary	$	187,600
Taxes & Benefits	$	56,280
Total Personnel Expenses	**$**	**243,880**
Travel	$	7,500
Trade Shows/Film Festivals	$	10,000
Printing	$	5,000
Accounting Services	$	-
Web Site Maintance	$	5,000
Computers & Support	$	7,500
Video Production (Showreel)	$	7,500
Video Distribution	$	1,000
Memberships	$	1,500
Board Training	$	-
Staff Training	$	3,000
Community Liaison Training	$	2,500
Rent	$	-
Office Furniture	$	-
Phone	$	-
PR/Marketing/Advertising	$	2,500
Leeds School of Business Study	$	-
LA / NY / CHI Events	$	-
Postage & Supplies	$	800
Subtotals	**$**	**53,800**
Totals	**$**	**297,680**

COLORADO COMMI

Fiscal Year 2008-09	*Annual*
Executive Director	$ 85,000
Deputy Director	$ 70,000
Colorado Locations Specialist	$ 32,600
IT/Internet & Communtications	$ -
Administrative Asst.	NA
Subtotal Salary	$ 187,600
Taxes & Benefits	$ 56,280
Total Personnel Expenses	**$ 243,880**
Travel	$ 7,500
Trade Shows/Film Festivals	$ 10,000
Printing	$ 5,000
Accounting Services	$ -
Web Site Maintance	$ 5,000
Computers & Support	$ 7,500
Video Production (Showreel)	$ 7,500
Video Distribution	$ 1,000
Memberships	$ 1,500
Board Training	$ -
Staff Training	$ 3,000
Community Liaison Training	$ 2,500
Rent	$ -
Office Furniture	$ -
Phone	$ -
PR/Marketing/Advertising	$ 2,500
Leeds School of Business Study	$ -
LA / NY / CHI Events	$ -
Postage & Supplies	$ 800
Subtotals	**$ 53,800**
Totals	**$ 297,680**

U.S. Tax Incentive Comparison: 2009

	State	Incentive Type	Percent Offered	Annual Cap
1	Michigan	Refundable Tax Credit	42%	$7,000,000
2	Missouri	Transferable Tax Credit	35%	$4,500,000
3	West Virginia	Tax Credit	31%	$10,000,000
4	Alaska	Tax Credit	30-42%	$100,000,000
5	New York	Refundable Tax Credit	30-35%	$60,000,000
6	Connecticut	Transferable Tax Credit	30%	No Cap
7	Illinois	Transferable Tax Credit	30%	No Cap
8	Kansas	Tax Credit	30%	$2,000,000
9	Iowa	Transferable Tax Credit	25-50%	No Cap
10	Louisiana	Transferable Tax Credit	25% & payroll credit	No Cap
11	Massachusetts	Transferable Tax Credit	25%	No Cap
12	New Mexico	Refundable Tax Credit	25%	Not Specified
13	Pennsylvania	Transferable Tax Credit	25%	$75,000,000
14	Rhode Island	Transferable Tax Credit	25%	No Cap
15	Wisconsin	Refundable Tax Credit	25%	No Cap
16	Maryland	Cash Rebate	25%	$4,000,000
17	Arizona	Transferable Tax Credit	20-30%	$60,000,000
18	South Carolina	Cash Rebate	20-30%	$10,000,000
19	Mississippi	Cash Rebate	20-25%	$20,000,000
20	Georgia	Tax Credit	20%	Not Specified
21	New Jersey	Transferable Tax Credit	20%	$10,000,000
22	Oklahoma	Cash Rebate	20%	$5,000,000
23	Washington	Cash Rebate	20%	$3,500,000
24	Idaho	Tax Rebate	20%	$500,000
25	Oregono	Cash Rebate	16-20%	$5,000,000
26	Virginia	Cash Rebate	Discretion of the Governor	$500,000
27	Florida	Cash Rebate	15-20%	$25,000,000
28	Hawaii	Refundable Tax Credit	15-20%	$5,000,000
29	Minnesota	Cash Rebate	15-20%	$1,300,000
30	North Carolina	Refundable Tax Credit	15%	No Cap
31	Utah	Cash Rebate	15%	$4,000,000
32	Wyoming	Cash Rebate	15%	$1,000,000
33	Indiana	Refundable Tax Credit	15%	$5,000,000
34	Montana	Refundable Tax Credit	14-23%	No Cap
35	Tennessee	Cash Rebate	13-32%	$20,000,000
36	Maine	Tax Credit	10-12%	No Cap
37	***Colorado – Proposed***	***Tax Credit***	***10%***	***$10,000,000***
38	Colorado – Current	Cash Rebate	10%	$600,000
39	Texas	Grant	6% & Sales/Hotel	$11,000,000

* Source: Entertainment Partners December 2008

University of Colorado at Boulder

Business Research Division
Leeds School of Business

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303-492-8227
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January 12, 2009

Representative Tom Massey
Colorado State Capitol
200 E. Colfax
Denver, CO 80203

Representative Massey:

This correspondence contains an explanation and verification of the revenue neutrality of proposed film industry incentives on behalf of researchers at the Business Research Division.

The initial model assumed $10 million in incentives in 2009, increasing in steps of $2.5 million each year for 5 years. The model was revised on January 6, 2009 to reflect modifications in the bill to fund incentives at $10 million per year for 5 years. Given the linearity of many aspects of the input-output model, the reduction in incentives results in lower tax credits, as well as a corresponding reduction in tax revenue associated with operations, employee spending, and the multiplier effect. Real estate development and occupancy was also revised downward to more accurately reflect growth potential associated with the more conservative incentives.

The BRD utilized a universally accepted input-output model acquired by the state of Colorado in the 1990s, customized with current data and assumptions to show the costs and benefits associated with the proposed film incentives. Given the modifications, revenue neutrality (new tax revenues less incentive costs) at the *state and one-quarter school district* level occurs at 10.14% when incentives are funded at $10 million. *(In meetings with the Director of the Colorado Office of State Planning and Budgeting, an increase of $1 in school district revenues results in $0.25 reduction in state obligation to school districts.)* This break-even illustrates the five-year program in aggregate, and varies slightly in any given individual year.

Please contact us with any additional questions pertaining to the study or model modifications.

Thank you,

Dr. Richard Wobbekind
Associate Dean for MBA and Enterprise Programs
Executive Director of the BRD
Leeds School of Business
University of Colorado at Boulder

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Research Analyst
Business Research Division
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University of Colorado at Boulder
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Phone: 303.492.3307

COLORADO COMMISSION

Key Messages

- HB 09-1010 will create jobs quickly!
  - Higher than average paying jobs
  - Projects can start coming and money can flow into Colorado's economy as soon as the legislation takes effect.
  - 500 direct jobs and over 700 indirect jobs could be created the first year
  - This bill has bipartisan support, labor, and business support

- HB 09-1010 will also establish the Office of Film, Television and Media (now the Colorado Film Commission) under the Office of Economic Development

- Colorado and the country are in a recession. It is critical that Colorado invest in avenues that can bringing in more business, creating more jobs and generating tax revenue – this bill does just that – and won't cost the state anything! This bill is revenue neutral (new revenue to the state coffers = incentive rebates) plus it will create jobs, grow infrastructure, and bring new money to Colorado- $1.3 billion over 5 years.*

- The sad fact is Colorado loses out on tens of millions of dollars in business every year because we don't have a sufficient film incentive program. New Mexico, Louisiana Utah, Wyoming, and Montana have all seen the wisdom of this kind of program – and are reaping the benefits. It is time Colorado gets in the game and gets our fair share instead of pushing potential revenue and jobs away. Now is the time to stop this loss – with a viable incentive program

- The proposed Colorado legislation is very conservative with virtually no risk at 10% incentive. Other states offer rebates up to 45% to attract film productions and cost their states millions of dollars in tax revenue.

- This program offers filmmakers a 10 percent rebate on qualified expenses, **after the money is spent** in Colorado. So, if a production comes into Colorado and spends money on hotels, restaurants, rental cars, florists, groceries, caterers, production staff, talent, trucking, electricians and host of other things that give Colorado's economy a shot in the arm – they would qualify for a rebate – 10 cents on the dollar.

- **Film production impacts the Front Range and rural Colorado**. According to a 2008 study by the University of Colorado Leeds School Business Research Division, film production had an economic impact in 75% of Colorado's 64 counties.

- Everyone knows that to make money you have to invest it wisely to get a solid return. If we have a $10 million incentive program, as this legislation proposes, Colorado could see a **return of more than $210 million dollars in economic activity** – based on conservative estimates. We could only wish to get that kind of return at the bank or from the stock market. Unlike other investments, it provides a guaranteed return because this is a rebate for money already spent.

- Now is the time for Colorado to offer a smart and fiscally responsible incentive program to bring major film and video production projects to Colorado.

C O L O R A D O   C O M M I S S I O N

House Bill 1010 Will Create New Jobs

- **House Bill 1010 expands the funding available for film incentives to $10 million per year and allows the film industry the potential to create hundreds of new jobs across Colorado.**
- **HB 1010 is revenue neutral to the state budget according to a 2008 study conducted by the CU Boulder Leeds School of Business.**
- This legislation will make Colorado more competitive but not a leader in the incentives offered to attract production.
- HB 1010 will create direct and indirect jobs in Colorado for Colorado residents.
    - Colorado has a world class crew base and many of those crew members currently have to go out of state to get a job due the lack of local filming.
    - The film industry pays higher than average wages but many of our crewmembers are either out of work or under employed.
    - Production has taken place in approximately 75% of Colorado counties and has the potential to take place in every county.
- In 2007 Paramount Pictures spent over $3.25 million in the Metro Denver in 12 filming days. It employed 65 local crewmembers and 1,300 extras.
- The average studio film spends over $100,000 per day when shooting on location.
- Film & Television exposure help generate tourism worldwide and Colorado could benefit from additional exposure. Tourism increase by over 34% in New Zealand after the "Lord of the Rings" movies.
- Filming can mean: feature films, television shows, television commercials, still photography shoots, music videos, animation or video gaming.
- Since incentives were first offered in New Mexico in 2002 the state has been the location for over 116 films.
- Since 2007 Pennsylvania's incentives have brought in 5 new studios with an estimated construction cost of $170 million. A new $422 million studio is being build in Massachusetts that will employ 150 full time workers and attract more than 2,000 production related jobs.
- More than $2 billion in productions have been filmed in Louisiana since 2002.
- The total direct impact to Louisiana's economy is $1.48 billion.
- Film-related jobs in Louisiana have grown at a rate of 23% per year.
- Over 50 projects were completed in 2007 statewide and an estimated 65 projects will be completed in 2008.
- In Lousiana the film industry contributed $4 million to the economy in 2001prior to incentives. After the incentives were enacted the impact increased from $125 million in 2004 and $600 million to June 2005. This resulted in 3,000 new jobs being created and 27 films being shot in state in 2004.
- In terms of global spending the Entertainment & Media generated $1.2 trillion in revenue worldwide in 2003 and it has a 4.8% growth rate. This field was responsible for 5.2% of the total Gross Domestic Product in 2002.

SUMMARY OF THE IMPACT OF FILM INCENTIVES ON THE COLORADO ECONOMY AND ON PUBLIC REVENUES

Prepared for:
Colorado Film Commission

With support from:
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January 29, 2009

EXECUTIVE SUMMARY

Despite growth in the national film industry, Colorado's film industry is in a state of decline, caused by the lack of competitive incentives similar to those in other states, as well as a small and centralized infrastructure. Colorado's film industry accounts for less than 1% of total state gross domestic product (GDP), or roughly $145 million in 2008. This provides Colorado with the opportunity to diversify the state's economy and revenues by growing an industry from a small base. Growing a primary industry – one that exports services, imports spending, and pays above-average wages – will have a positive ripple effect throughout Colorado's economy and communities. Given the current small size and scope of film in Colorado, new incentives will not be diluted by the existing industry.

Colorado's film industry pays above-average wages and spans 72% of Colorado's 64 counties. However, wages are below the national average for this industry, suggesting that film workers are generally underemployed in Colorado. Incentives would create new opportunities for employees to work at their potential, resulting in a narrowing of the wage gap. Furthermore, given the mobility of the industry, potential exists for film to touch all 64 counties in the state. Higher wages would be spent in Colorado's communities, leading to increased employment in other industries, along with higher income tax revenues for the state. Spending on taxable goods leads to increased revenues for state, county, and local governments, including Colorado's school districts.

Incentives have proven successful in other states, with immediate positive impacts on employment, earnings, and state GDP (e.g., New Mexico and Louisiana). While the industry continues to grow nationally, market share remains a zero-sum game. States that have been on the losing end have passed aggressive legislation in the past two years to not only stop the decline, but take a larger share of the industry (e.g., Michigan and Alaska). As a leader in biotechnology and energy, Colorado was also once a trailblazer in film, having more than 100 years of history in the industry and creating the first legislated film commission in 1969. Providing incentives to the industry will again allow Colorado to competitively bid on major film projects and further develop a film infrastructure.

Given the incentive's structure, tax credits only apply to film activity in Colorado after production and post-production have taken place; therefore, Colorado is paying only for activity that comes to fruition. The risk is that Colorado does nothing, leading to a $44.2 million decline in the industry over the next five years and reducing direct employment by 381 jobs. The total opportunity cost from 2009 to 2013 associated with no new action is $611.4 million in direct industry output, more than 1,560 employees, and $26.5 million in new infrastructure, assuming all credits are consumed. In 2009, the state's investment of $10 million will result in $108.0 million in direct film activity and $128.0 million in indirect economic in 2009. Over the five-year horizon, direct and indirect tax revenues generated at the state-level will exceed the total cost of the program, with variances in any given individual year. This remains true when fractional amounts of the tax credits are consumed in each year.

CONCLUSION

Investment in the film industry by the state of Colorado will quantifiably reward the state in terms of increased GDP, employment, wages, and taxes. In addition, growth of the film industry will further economic and cultural diversity of the state.

The film industry in Colorado has been competing on an uneven national and international playing field in recent years due to aggressive incentives rolled out by other states, as well as favorable exchange rates from suitor countries (e.g., Canada). While this industry represents less than 1% of the state GDP, it is still in excess of $145 million (2008 estimate). With industry incentives, film has the opportunity to grow to nearly $245 million by 2013. Given that production and post-production budgets derive from out-of-state studios, this represents new money to Colorado paying above-average wages, which are then circulated and recirculated through the Colorado economy.

The film industry is important to Colorado's rural and urban economies alike. Film activity occurred in 72% of Colorado's 64 counties, and production and post-production employers paid above-average wages in 2006. Wages are, in turn, spent on homes and rents, services, and taxable goods, leading the employment in other sectors and tax revenues at all levels of government. Therefore, this industry, like all industries, helps support state, county, and local government; school districts; and special districts.

Enacting new film incentives would allow Colorado to compete in an industry that operates under the auspices of incentives. New aggressive incentives will lead to new film activity in the state, greater development of infrastructure, and higher levels of employment and wages compared to the current status of the industry, while managing the fiscal constraints put forth by the legislature.