States return on investment:

- New Mexico*: $1.50 Return/$ invested, 3,829 jobs created, $2.2 Billion into state economy since '03
- New York*: $1.90 return/$, 19,512 jobs created
- Illinois: 2008 $141 mil. Profit, 5,392 jobs created
- Louisiana's legislature turbocharged film incentives this year by raising the tax credit to 30%, after it had been scheduled to drop from 25% to 15% by 2012 and killing its sunset clause.

Why Commercials:

- Bill 1535 regarding Tax Film Credits states commercial production to be included. (The Bill authors and lawyers confirmed)
- Crew pay rates 95% higher vs. movies ($1.95 vs. $1.00 / Per IATSE)
- Big 3 have committed to spend $30mil in production that equals 1,330 Permanent jobs plus 15,000 workday jobs. More jobs as other Michigan Companies come on board.
- Michigan Ad Agencies, Clients, Production Companies and Citizens would all benefit and thus the State.
- The Commercial Industry which is in place in Michigan will create the infrastructure to grow the movie industry more rapidly.

A Multiple of Multipliers

The multiplier is a coefficient that determines how much the input-output level of an economy will change as a result of a given change in investment spending. A multiplier of two would mean that a given investment would lead to total input-output equal to twice the size of the investment. This multiplier effect occurs because the economy is characterized by repetitive, continuous flows of expenditures and income. In recent years, several multipliers applicable to all or part of the film industry have been used.

The lowest of these multipliers is 1.798, which the Department of Commerce's Bureau of Economic Analysis computed for "Amusements and recreational services," industry number 76, in the industry classification used for the National Income and Product Accounts. The Bureau of Economic Analysis published this multiplier in its input-output accounts of the U.S. economy for 1996. The multipliers published in the input-output accounts range from a low of 1.22 for owner-occupied dwellings, to 3.04 for livestock and livestock products. The highest multiplier is 3.71 for "employment' in general. This is the figure that the Regional Economics Applications Laboratory furnished to Economics Research Associates, which then used it in its own study of filming television commercials in Chicago.

A number of other multipliers have been used for the film industry. The Monitor Company, in its report on runaway film production, used a multiplier of 3.1 for wages and a multiplier of 3.6 for goods and services. These numbers are taken from the Regional Input-Output Modeling System II (often referred to as RIMS II) created by the Bureau of Economic Analysis. Ernst & Young questioned the use that Monitor made of the RIMS II multiplier, asserting that more appropriate multipliers would be 1.99 for California, and 3.02 for the United States. Other multipliers include 2.12 for "both the income and labor effects attributable to the independent film industry;" which Arthur Andersen Economic Consulting used in its study of independent film making performed for the American Film Marketing Association. Finally, multipliers of 2.33 for the output effects and 2.61 for the earnings were used by the Economics Research Associates used in its study of television commercials in Chicago.

There appears to be widespread disagreement among economists over the correct multiplier to apply to the film production industry. These differing numbers suggest the need, noted by many industry participants, for further study to apply a more accurate multiplier and more consistency in the collection of data on the film industry.

Sources: Bureau of Economic Analysis, Arthur Andersen Economic Consulting, Economic Research Associates, Monitor.

In 1997, the Chicago Film Office commissioned a study of the economic impact of one production in Chicago.[20] The production on which the study was based was shot primarily on location in Chicago, used a predominantly Chicago-based crew, had a local production budget of $14 million, and spent approximately 15 weeks filming for a total of 90 production days. The direct economic impact of the production was calculated at over $12.5 million, while the indirect impact was estimated at over $21 million, almost twice the amount of the direct expenditures.

Efforts to measure the indirect impact of film and television production are described in the box on multipliers.

Big Bang for the Buck: Non-film Expenses for Features Add Up

In addition to personnel employed from the local film industry itself, an average of 300 different non-film businesses also provide goods and services for each production. The following list illustrates the variety of non-film expenditures for a recent feature motion picture filmed in Texas. The identity of the film cannot be released for reasons of confidentiality, but it is a good example of the impact on the general Dallas/Fort Worth economy.

- Private Residence Rental - $136,000
- Hotel Rentals - $291,000
- Short-term Crew Lodging - $98,000
- Car Rental - $420,000
- Freeway Tolls - $22,000
- Set Dressing/Props - $127,000
- Wardrobe - $128,000
- Furniture Rental (production office)- $49,000
- Party Rents - $32,000
- Airline Tickets - $350,000
- Lease (production office-5 months) - $105,000
- Gas/Oil/Vehicle Maintenance - $60,000
- Crane Rentals - $70,000
- Utilities (production office) - $25,000
- Construction Materials - $31,350
- Janitorial Services - $50,400
- Waste and Trash Removal - $24,462
- Outhouses/Dumpsters - $20,000-$30,000
- Catering/Food & Beverages on set - $186,851
- Office Supplies - $17,000
- Mailing/Express mail - $7,000-10,000/wk.
- Telephones (equipment & calls) - $111,000
- Cell Phone Use - $66,000
- Arts Supply - $3,500
- Film - $3,000
- Local Transportation/Limo service - $6,000
- Printed Forms - $2,500
- Courier Service - $5,000
- Locksmith - $4,000
- Store employees - Over 50 checks to store employees for OT, allowing stores to remain open for all-night filming.

Source: Dallas Film Commission

[20] Arthur Andersen LLP, "Economic Impact Study for the Chicago Film, Television & Commercial Economic Development Coalition", September 1997.

SmartZone Communications Center Collaboration Suite 4hgrace@comcast.net

commercial expenditures Wednesday, January 14, 2009 3:54:06 PM

From: 4hgrace@comcast.net
To: mdb@wowway.com
Bcc: dingemanj@oakgov.com; wensont@michigan.org; mitchum@albom.com; kstu42@wowway.com; scohn@donerus.com
Attachments: AICP News.pdf (366.7KB)

Mike
When we met in the Oakland County offices with Brooks I promised to try to find the total expenditures for the Commercial Production Industry. What I found was an Association of Independent Commercial Producers (AICP) survey conducted in August of 2007. The results show that its members spent $2.64b in direct production expenditures in 2006 with about $2.16B spent in the US and $475M outside of the US. Post production, talent payment and other indirect expenses represented about another $2.46b bringing the total to about $5b. As I expected, far below the $40b for the Movie Industry. Unfortunately the 2008 numbers are probably 30 to 40% less and 2009 will be even less with marketing budgets being so drastically reduced or being switched to the Internet.
If commercials were to be included in the bill (as was the intent) several thousand permanent jobs would be added in Michigan. The majority of those employees would reside on Oakland County. I can promise you Grace & Wild would be at the forefront in bringing people back to work. We would also build infrastructure.
I was at the Auto Show yesterday with the Carpenters Union and saw the new products displayed. The Auto companies must market those cars to generate sales. Michigan has been and must continue to be a leader in Automotive Advertising. This is a prefect opportunity to promote the State as the Automotive Capitol as well as the Automotive Advertising Capitol. Today the Commercial Industry in Michigan is not very healthy. It is a direct result of slashed automotive budgets and incentives in other States.
I understand the budget problems Michigan is having. Incentives for Commercials to be produced and edited in Michigan will have a direct major impact on at least four industries. Automotive, Advertising Agencies, Retail (sales) and Post Production. When my company has revenue problems I have to cut expenses. Same for the State. But the real answer is more revenue, more jobs more profitability. The question is how do we get there. Adding a Movie Industry to the State has quickly added those three items. If we help the Automotive industry sell more cars we help the State.
Let's do it!
Harvey

INDUSTRY NEWS

Industry News Index

AICP Releases Results of Comprehensive Industry Survey Spotlighting Trends
Production of Advertising for New Platforms Increases for 2nd Year

NEW YORK -- The Association of Independent Commercial Producers (AICP) today announced the release of its fifth annual Survey of the Commercial Production Industry. The study, conducted for the trade group by the Los Angeles-based research firm Goodwin Simon Victoria Research, measures industry trends and activity in commercial production.

"The data collected by Goodwin Simon Victoria Research paints a detailed picture of how and where the billions of dollars in commercial production activity are spent," said Matt Miller, President and CEO of AICP. "It gives us a clear view of the trends and challenges shaping our business."

The survey quantified the economic impact of commercial production, identified the centers of commercial filming activity by AICP member companies, calculated production outside U.S. borders; and measured industry responses to a number of key issues that impact the financial health of the industry.

This year's member survey explored developing trends in the production of nontraditional advertising by AICP members. "Our industry is evolving rapidly," said Miller. "The survey shows that nearly seventy percent of our member companies produced marketing communications outside of the traditional commercial in the past year. Our members are on the leading edge of creating new forms of advertising and marketing, and are now devoting about one in six shoot days to these projects such virals, branded entertainment, and mobile content. We expect that that figure to continue to grow."

Among the highlights of the study:

-AICP members spent about $2.64 billion dollars in direct production expenditures in 2006, with about $2.16 billion spent in the United States and $475 million spent overseas. When factoring in postproduction, talent payment and other indirect expenditures, commercial production represents a $5 billion industry.

-Commercial Producers Are Deeply Involved in Creating Nontraditional Advertising: Nearly seven in ten (67%) members produced "nontraditional advertising project outside of the traditional television commercial" in 2006. By far the most common format for such projects was an internet or broadband viral, followed by original content (branded entertainment).

-Commercial Producers Anticipate Swift Growth in Projects for New and Emerging Media Channels: At present, producers estimate that about 18% of their billings comes from nontraditional projects. But they estimate that by 2010, on average 38% of their billings will be from such projects.

-2006 Sees Slight Decrease in Overseas Filming Activity: Eighty-two percent of all reported shoot days took place domestically, with 18% abroad. This represents a decrease from the 23% of shoot days that were abroad in 2005, but is similar to the proportions found in 2004.

-Southern California Remains the Most Popular Location for Commercial Shoots: 42% of all shoot days took place in Southern California, with New York a distant second with 13% of all shoot days. Looking at domestic shoot days only, 51% took place in Southern California in 2006, compared to 16% in New York.

-Latin America Continues to See Explosive Growth as a Filming Location: Canada remains the largest overseas production center, capturing 36% of all foreign shoot days. However, the largest growth since 2002 continues to be in Central and South American locations, which has seen a rise from 12% of foreign shoot days in 2002 to 26% in 2006. This growth has come mostly at the expense of Europe and the UK which has seen a decline from 24% of foreign shooting in 2002 to 14% in 2006.

-Significant Filming Activity Occurs Outside of Traditional Production Centers: In 2006, about 24% of all shoot days, and 30% of domestic shoot days, took place away from the major production centers of New York, Florida, and Southern California.

"This study annually provides an eye-opening look at trends in commercial production," concluded Miller. "To succeed in a competitive environment, access to information which paints a true picture of where and how business is happening is paramount. This survey provides that resource, and we hope it will be a valuable tool for our members in making business decisions, and at the same time educate policymakers and others about the economic benefits to be gained by attracting and retaining commercial production."

ABOUT AICP
Founded in 1972, the AICP represents, exclusively, the interests of United States companies that specialize in producing commercials in various media -- film, video, digital --for advertisers and agencies. The association, with national offices in New York and Los Angeles as well as eight regional offices, serves as a strong collective voice for this $5-plus billion industry, disseminating information; representing the production industry within the advertising community, in business circles, in labor negotiations and before governmental officials; developing industry standards and tools; providing professional development; and marketing American production.

ABOUT GOODWIN SIMON VICTORIA RESEARCH
The study was prepared by Goodwin Simon Victoria Research, a survey firm with offices in Los Angeles, San Francisco, and Silver Spring MD. It was conducted online in August of 2007, and provided complete confidentiality for respondents. Fifty-one percent of AICP members participated in the survey.

Contact:
Kristin Wilcha
212-929-3000

From: "Andy Meisner" <andymeisner@gmail.com>
To: cpryde@ford.com, eric.henning@gm.com, fwh4@dcx.com
Subject: Film Incentive Package and Commercials
Date: Tuesday, September 02, 2008 3:42:40 PM

Gentlemen--

As you know from previous discussions, the Legislature recently enacted rather dramatic (pardon the pun) tax incentives for the motion picture and digital media industry.

Despite the clear intent of the Legislature (I'm pretty sure about this one since it was my bill) and overwhelming evidence, the administration has ruled that commercials are not included in the package.

I have been working with many people, including Harvey Grace of Grace and Wild Studios and my friends in Brooks Patterson's shop, to persuade the administration how important it is that commercials be eligible for the incentive.

We need your help in communicating to the administration about what kind of impact this move would have on the auto industry. As I suggested in chatting with at least a couple of you guys, I would like to convene a meeting with the Governor and the heads of each of your companies, or their designee, to discuss this matter.

Please be in touch with me or my office to let me know when we can make this happen.

Many thanks,

Andy Meisner

SmartZone Communications Center Collaboration Suite

4hgrace@comcast.net

FW: [MFPGroup] New Mexico Film Study: Film making brings state millions

Tuesday, January 20, 2009 9:26:14 AM

From: dingemanj@oakgov.com
To: 4hgrace@comcast.net; wensont@michigan.org

FYI
Jim

From: Zamora, Kristie [mailto:zamorak@oakgov.com]
Sent: Tuesday, January 20, 2009 8:57 AM
To: 'Jim Dingeman'
Subject: FW: [MFPGroup] New Mexico Film Study: Film making brings state millions

New Mexico Film Study: Film making brings state millions

A new report says New Mexico's tax incentives for film makers is generating extra revenue for the state.

The study by Ernst & Young says that for every dollar in tax breaks the state gives, it receives $1.50 back.

In addition, the study says the film industry has generated 3,829 jobs-- 2,220 in production and 1,609 in related services.

State tax collections in 2007 from film production amounted to $22.6 million.

Eric Witt of the governor's office said New Mexico's incentives program leads the nation."We are one of the most successful if not the most successful incentives programs in the country and indeed not just in the United States but elsewhere as well," he said.

The governor's office said the film industry has pumped about $2.2 billion into the state's economy since 2003. Despite that, lawmakers may trim funding for training and production centers to help balance the budget.

The state paid Ernst & Young $50,000 for the study.

The film industry and its supporters in New Mexico are most likely breathing a sigh of relief.

The long-awaited study by **Ernst & Young** on the economic return by the state's film and media incentives found that for every $1 extended in state tax credits, state and local governments received $1.50.

Gov. Bill Richardson made the announcement Friday and said the state's incentives to attract film and television productions have created high-quality jobs, health coverage and benefits for New Mexico workers.

Ernst & Young found that film production activities created 2,220 direct film and media jobs in 2007. This included about 1,670 below-the-line employees (typically crew jobs) that paid $49,500 annually and 550 actors, directors and producers working in New Mexico.

These 2,220 direct jobs created 1,609 additional jobs in other industries, resulting in a total employment impact of 3,829 jobs.

Film-related capital expenditures and projected film tourism spending attributable to 2007 productions here generated an estimated 3,769 direct jobs.

Combining the 2,220 direct jobs from film productions with the 3,769 jobs from capital expenditures and film tourism results in 5,989 total direct jobs attributable to the state's film production tax credit.

These direct jobs create a total of 3,221 indirect jobs, resulting in a total employment impact of nearly 9,210 jobs, according to Ernst & Young.

About 300 new film-specific businesses have been established in New Mexico since 2003, which is directly attributable to the production tax credit, according to the report, and more than 600 additional New Mexico businesses are benefiting from film activities.

Tax collections are up as a result of the economic activity created by the tax credit. State tax collections from film production activities in 2007 totaled $22.6 million. Additional state tax impacts from capital expenditures in 2007 and film tourism during 2008-2011 are estimated to total $21.5 million, with a total state tax impact of $44.1 million.

The study was conducted by the Quantitative Economics and Statistics division of Ernst & Young. It is available online at the **Web site** for the **New Mexico Film Office**.

An earlier **study** by the Arrowhead Center at **New Mexico State University**, commissioned by the Legislative Finance Committee, found that New Mexico gets about 14.4 cents in tax revenue for every dollar it spends on a tax rebate for film productions. Critics, including Richardson's staff, said the report was not comprehensive enough in reviewing the total economic impact of the industry. His office paid $50,000 for the Ernst & Young study.

Film industry proponents have been on edge as the start of the new legislative session on Jan. 20 draws closer because of the Arrowhead study and the fact that the state is facing a deficit of nearly $500 million. There have been some concerns that the tax rebates, which have grown to $98 million, would come under increased scrutiny in the tight economic environment.

"This is a successful initiative worthy of our continued support, especially in these difficult economic times," Richardson said of the new report.

Economic and Fiscal Impacts of the New Mexico Film Production Tax Credit

Prepared for the New Mexico State Film Office
and State Investment Council

January 2009

Ernst & Young

Executive Summary

New Mexico has provided tax incentives to film productions since the film production tax credit was adopted in 2002. The program has attracted more than 115 major film productions to New Mexico since its adoption in 2002, including 22 films that were assisted through the State Investment Council's loan participation program. In 2007, 30 films were produced in New Mexico generating $253 million of spending benefiting the New Mexico economy and generating higher state and local tax collections. This study presents the estimated economic and fiscal impact of the film production tax credit program.

- The benefits of New Mexico's film production tax credit program extend beyond the direct and indirect economic impacts of film production activities qualifying for tax credits. In addition to the film spending, New Mexico's economy also benefits from capital investment to support the film industry's growth in the state and additional film-related tourism.

- Film production activities in New Mexico created 2,220 direct jobs in 2007. This employment impact includes approximately 1,670 below the line employees earning $49,500 annually and 550 actors, directors, and producers working in New Mexico. These 2,220 direct jobs created 1,609 additional jobs in other industries, resulting in a total employment impact of 3,829 jobs.

- Film-related capital expenditures and projected film tourism spending attributable to 2007 productions generated an estimated 3,769 direct jobs and 1,612 indirect jobs, resulting in 5,380 total jobs attributable to capital expenditures and film tourism.

- Combining the 2,220 direct jobs from film productions with the 3,769 jobs from capital expenditures and film tourism results in 5,989 total direct jobs attributable to the film production tax credit. These direct jobs create a total of 3,221 indirect jobs, resulting in a total employment impact of nearly 9,210 jobs.

- The economic activity created by the film production tax credit program also results in higher state and local tax collections. State tax collections resulting from film production activities in 2007 totaled $22.6 million. Additional state tax impacts from capital expenditures in 2007 and film tourism during 2008-2011 are estimated to total $21.5 million in 2007 dollars, resulting in a total state tax impact of $44.1 million.

- Film production expenditures in 2007 qualified for $49.4 million of state film production tax credits to be paid in 2008. Expressed in 2007 dollars, these film credits total $47.1 million. Based on the 2007 value of present and future year tax receipts and the 2007 value of state film production tax credits, the program earns $0.94 in additional tax revenue for each $1.00 that is paid out in incentives. Local governments in New Mexico earn $0.56 for each dollar of state credits, resulting in combined state and local tax collections of $1.50 for each $1.00 of state credits.

Introduction

New Mexico has provided tax incentives to film productions since the film production tax credit was adopted in 2002. The program has attracted more than 115 major film productions to New Mexico since its adoption in 2002, including 22 films that were assisted through the State Investment Council's loan participation program. In 2007, 30 films were produced in New Mexico generating $253 million of spending benefiting the New Mexico economy and generating higher state and local tax collections. This study presents the estimated economic and fiscal impact of the film production tax credit program.

The benefits of New Mexico's film production tax credit program extend beyond the direct and indirect economic impacts of film production activities qualifying for tax credits. In addition to the film spending, New Mexico's economy also benefits from capital investment to support the film industry's growth in the state and additional film-related tourism.

Description of the Film Production Tax Credit Program

The New Mexico film production tax credit program was adopted in 2002 at a rate of 15% of production expenses incurred during the production and post-production phases of each film produced in the state. In 2005 and 2006, the rate was increased twice bringing the rate to 25% in 2006.

For qualified productions, spending that qualifies for the tax credit includes payments to employees who are New Mexico residents, payments to non-resident actors who provide their services through a personal service corporation (subject to a $20 million dollar cap on qualifying actor compensation), and all other direct production and post-production expenditures subject to New Mexico taxes. Payments to employees and contractors who are taxed as non-residents and certain fringe benefits are excluded from spending that qualifies for the current 25% film production tax credit.

Growth of the Film Tax Credit and the New Mexico Film Industry

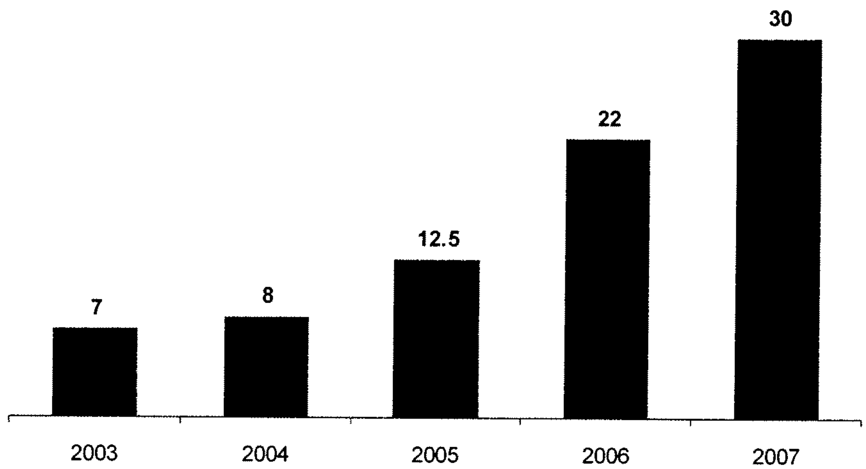
The New Mexico film production tax credit program has been successful in attracting an increasing number of films each year as shown in Figure 1. In 2007, 30 film projects qualifying for the credit were shot in New Mexico, a 36% increase from the 22 films that were shot in 2006 and more than four times the number that were shot in 2003. Of the 30 films shots in 2007 were award-winning and award-nominated films "No Country for Old Men", "3:10 to Yuma," and "Wild Hogs."

As shown in Figure 2, film spending in New Mexico has also increased significantly over the five year period, 2003-2007. In 2003, film productions in New Mexico had qualifying expenditures of $23 million and estimated total expenditures (including expenditures on labor and other expenses that do not qualify for the credit) of $29 million. By 2007, qualified spending grew to

$198 million while total spending was an estimated $253 million.[1] The total budget for films produced in New Mexico in 2007 was $575 million, meaning that 44% of these films' expenditures occurred in New Mexico. Only New Mexico expenditures are included in the analysis.

The information in Figures 1 and 2 shows that each time the rate of the film production tax credit has been increased, both the number of films qualifying for the film tax credit and total spending have increased significantly. In terms of total spending, when the credit rate was increased from 15% to 20% in 2005, total estimated spending rose from $24 million to $144 million. In the following year, when the rate was increased to 25%, total film spending increased to an estimated $223 million, a 55% increase from the prior year.

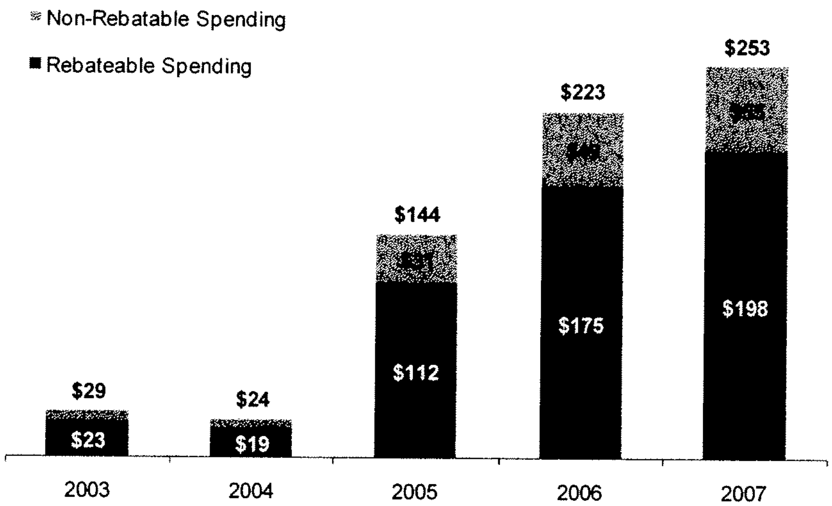
Figure 1: Number of Films Participating in the Credit Program, 2003-2007



Note: films that spanned two years are indicated as being half in the first year, half in the second year

[1] Note that the amount of qualified spending in any year does not equal the amount of spending receiving a credit during the same calendar year due to the delay from the time a film applies for a credit and begins production in New Mexico and the date on which the State incurs the expenditure cost for the credit. This delay averages 15 months, meaning that most films shot in New Mexico during one year will not incur any cost to the state until the following year.

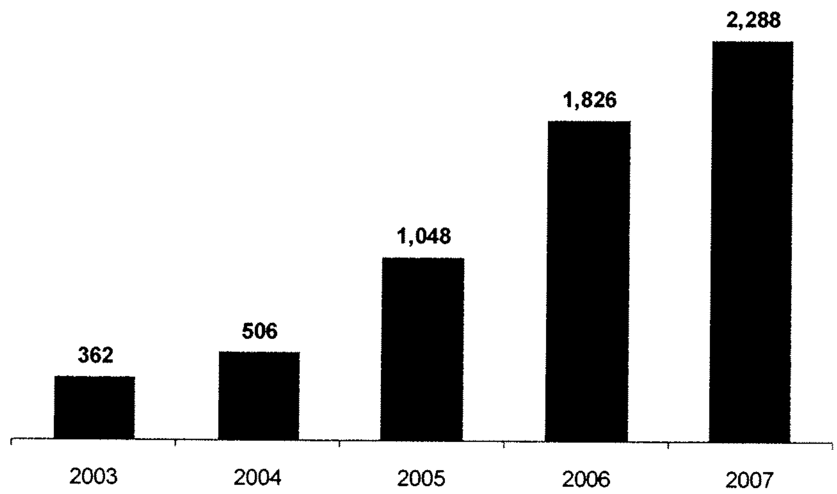
Figure 2: Annual Film Production Spending by Film Productions Participating in the Film Production tax Credit Program, 2003-2007



Employment in the film production industry has also increased significantly since the inception of the film production tax credit program. The U.S. Bureau of Labor Statistics (BLS) publishes an estimate of the employment in the New Mexico film and video production industry based on the number of employees and wages covered by the unemployment insurance program. While data published by BLS does not fully capture the contribution of film production activities on the New Mexico labor force, it provides a useful starting point from which to evaluate the total employment contribution of film and video productions in New Mexico.[2] As shown in Figure 3, employment in the New Mexico film and video production industry has increased by almost 2,000 people since 2003.

[2] While full and part-time employees are covered by the unemployment insurance program and therefore included in the BLS estimates, contract employees (for which unemployment insurance contributions are not required) are not included in the BLS estimates. Because film productions employ many actors, producers, directors, and employees who may work for production companies or personal service companies located in other states, the Bureau of Labor Statistics employment estimates understate the total size of the labor force involved in New Mexico film productions.

Figure 3: Employment in New Mexico Film Production Businesses*



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
*Data for NAICS 51211: Film and Video Production Industries

Economic Impact of the Film Production Tax Credit Program

This section presents estimates of the impact of the film production tax credit program on New Mexico's economy and briefly describes the methodology used to estimate the impacts. The analysis is designed to answer the following question: What is the economic impact of film productions participating in the film production tax credit program in 2007?

The tax credit program impacts the New Mexico economy through three channels: 1) increased film production activity, 2) increased investment in New Mexico film studios and equipment, and 3) spending by tourists who visit New Mexico or extend their trip to the state to see film-related attractions. Each of the three channels of economic impact result in direct, indirect, and induced economic impacts. These separate effects are estimated as described in the sections below, but can be generally characterized as follows:

- Direct impacts: The direct impact is the employment, income, or sales associated with the activity being modeled. These direct impacts include the spending by New Mexico film productions, studios investing in New Mexico, and tourists during their stay in New Mexico.
- Indirect impact: The direct impacts described above result in purchases of goods and services from other New Mexico firms (suppliers), which create multiplier effects as they are repeated throughout the state economy. The indirect impacts result from expenditures related to tangible property purchases as well as contract labor, business services, and other services provided by New Mexico firms.
- Induced impact: The wages paid to employees of film productions and firms that are affected by film-related capital investment and tourism result in substantial induced consumer spending. This spending generates additional economic activity as New Mexico's retailers and service providers expand to meet the additional demand for goods and services. To simplify the presentation of results, the indirect and induced impacts are combined and described as indirect effects.

Data Used in the Analysis

Ernst & Young worked with the New Mexico State Film Office to compile film spending and survey information that was used to estimate the impacts presented in this study. The data was obtained from three primary sources: 1) a survey of film industry employees and businesses related to the film industry, 2) budget information submitted by film productions during their application to the State Investment Council for participation loans, and 3) qualifying expenditures by all film productions participating in the film tax credit program as indicated on their application to the State Film Office.

- *Survey:* A survey of New Mexico film industry employees and businesses was conducted in the fall of 2008. The survey data was the primary source of wage information for below-the-line employees and capital expenditure (construction and equipment spending) data.
- *Loan Program Data:* Total qualified and non-qualified film production spending for 21 films that received New Mexico State Investment Council loans was compiled by the State Film

Office. Information provided in the spending data includes the amount of total qualified New Mexico spending, qualified and non-qualified below-the-line labor spending, aggregate expenditures on actors', directors', and producers' salaries, and the number of principal actors, directors, and producers for each film.

- *Film Production Tax Credit Application Data:* Total film budgets and total New Mexico spending qualifying for the film tax credit was supplied for each year.

Economic Impact of Increased New Mexico Film Production Activity

The film production tax credit generated an estimated $253 million of total spending by 30 New Mexico film productions in 2007. Examining total expenditures for 21 films that supplied complete budget information to the State Film Office and the State Investment Council reveals that 21% of film production expenditures in New Mexico do not qualify for the tax credit. In other words, productions incur an average of $0.28 of expenses that do not qualify for the film tax credit for each dollar of expenses qualifying for the credit. Based on this average ratio of qualified to total spending, films that spent a total of $198 million on labor, goods, and services that qualified for the film tax credit in 2007 also spent an estimated $55 million on labor and other expenditures during their New Mexico production periods that did not qualify for the tax credit. The composition of expenditures is shown in Table 1. Although the $55.2 million of expenditures does not qualify for the film tax credit, they generate economic activity and tax revenue for state and local governments in New Mexico.

Table 1
Qualified and Non-Qualified New Mexico Film Production Spending in 2007

Qualified Spending	$197.7
Non-Qualified Spending:	
Non-qualified below-the-line spending	$20.3
Director and producer compensation	$34.9
Total New Mexico Spending	**$252.8**

Source: EY estimates based on State Investment Council loan program data

The film spending and survey data provided by the State Film Office was used to calibrate a model of the New Mexico economy supplied by Minnesota IMPLAN Group. These data show the average earnings of below-the-line employees (stage crew) to be $49,500 while actors, directors, producers and other employees and contractors working on film productions earn significantly more, bringing the total average compensation to $82,400 and output (production spending) per worker to be nearly $114,000. This implies that 72% of the cost of production for New Mexico films was labor cost. Based on total labor compensation of $168 million in 2007 and an average wage of $82,400, films produced in New Mexico employed an estimated 2,220 people in 2007.

The economic model of the State of New Mexico was adjusted to reflect the average compensation and output of workers described above. The adjusted model was then used to estimate the total personal income, including employee compensation, proprietor's earnings, and other property-type income (payments to capital). Based on the film spending data supplied by the State Film Office and the adjusted state economic model, the direct personal income impact of film productions in New Mexico during 2007 was nearly $203 million.

The direct impacts of New Mexico film productions, shown in Table 2, were used as inputs to the adjusted state economic model. As shown in Table 2, the IMPLAN model estimates that direct film production expenditures of $253 million created an additional $166 million in indirect economic output, resulting in an estimated total of $418 million of economic output attributable to film production activities in 2007.[3]

Direct employment of 2,220 workers by film productions in New Mexico indirectly created an estimated 1,609 additional employees in other sectors of the economy, totaling more than 3,800 total employees in 2007. Based on the estimated indirect output and employment from New Mexico film productions, an estimated $85 million of indirect personal income was created from film production activities in 2007; total direct and indirect income was $288 million.

Table 2
Economic Impact of Film Production Activities in 2007

Film Production Activities	Direct	Indirect	Total
Output ($mil)	$252.8	$165.5	$418.3
Income ($mil)	$202.9	$85.0	$287.9
Employment	2,220	1,609	3,829

Impact of Film-Related Capital Expenditures in 2007

Capital expenditures related to the expansion of film industry infrastructure in New Mexico totaled $115 million in 2007. Of this amount, $103 million was spent on construction while the remaining $12 million was spent on equipment purchases. The capital expenditure estimate is based on survey responses by New Mexico businesses that indicated they had expanded their businesses due to the increase in New Mexico film production activity assumed to result from the continued support of the film tax credit program.[4] The $100 million Albuquerque Studios accounts for more than 85% of total capital expenditures in 2007.

As shown in the first column of Table 3, the construction and equipment expenditures described above generated $42 million of direct personal income and 930 direct jobs in 2007. Including

---

[3] The ratio of the total impact to the direct impact is referred to as the economic multiplier. For output, the multiplier is 1.65. In other words, one direct job in the film production industry creates 0.65 additional jobs (indirect and induced) for a total of 1.65 new jobs.

[4] The survey was conducted by the State Film Office in the fall of 2008.

indirect and induced economic impacts, the total economic impact of capital expenditures in 2007 was an estimated $188 million of economic output, $76 million of personal income, and 1,553 jobs.

Table 3
Impact of Capital Investments in Studios and Equipment

Capital Investment Impacts	Direct	Indirect	Total
Output ($Millions)	$115.1	$73.3	$188.3
Income ($Millions)	$41.8	$33.8	$75.6
Employment	930	623	1,553

The Impact of Film Tourism Spending in New Mexico

Tourism bureaus in other states and countries have reported increases in tourism after the release of a film or television series that was filmed in their jurisdiction. A study recently completed for the New Mexico Tourism Department presents the results of a survey of New Mexico tourists conducted in November 2008 that shows films and television shows shot in New Mexico have a significant impact on tourism in the state.[5] The survey indicates that total trips to New Mexico by tourists increased by 4.3% due to visitors' familiarity with films produced in New Mexico and that the length of the average tourist's stay in New Mexico increased by 1.2% due to interest in seeing locations where movies were filmed or other film-related attractions. Combining the effects of the increased number of tourists and the increased length of visits to New Mexico, film-related tourism accounted for an estimated 5.5% of total New Mexico tourism expenditures in 2008.

Because film tourism in 2008 was the result of films that were shot in New Mexico every year prior to 2008, the impact of 2008 film tourism cannot be attributed entirely to films that were produced in New Mexico during a single year. To account for the delay between the time a film is produced and the impact of that film on film tourism, the survey provides information about which films tourists recalled seeing. The responses show that 84% of survey respondents had seen films that were released in 2007 or 2008. Films produced in New Mexico during 2007 and 2008 include "No Country for Old Men," "Indiana Jones and the Kingdom of the Crystal Skull," "3:10 to Yuma," and "Wild Hogs." The other 16% of respondents indicated that they had seen films that were produced prior to 2007.

Based on the delay between the year in which films are produced in New Mexico and subsequently generate tourism, the analysis assumes that film production expenditures in 2007 first generate tourism spending in 2008. In 2009, films produced in 2007 are assumed to have less of an impact on tourism, 75% of their first-year impact. In 2010, films produced in 2007 are assumed to have only 50% of their first-year impact and by 2011, those films are assumed to have only 25% of their first year impact. The estimates also assume that after four years, films have no impact on film tourism.

Table 4 shows the estimated impact of films produced in 2007 on tourism expenditures in 2008-2011. Line A shows the annual spending on film productions based on Figure 2, assuming that the 2007 level of activity continues in 2008-2011. The annual amounts on Line A are added to prior years to calculate cumulative spending shown in Line B. Line C shows the cumulative impact of film spending, adjusted to remove a portion of spending from prior years following the same "decay" pattern described in the previous paragraph. This provides an annual estimate of the film spending that is influencing tourism through 2011. Line D shows the expected pattern for the influence or impact of 2007 film production activities on movie tourism in future years. Line E presents the percentage of total cumulative film production expenditures that is assumed to have an impact on film tourism spending in each future year (calculated as Line D divided by Line C). This percentage is multiplied by Line F, the estimated film tourism expenditures each

[5] Southwest Planning & Marketing and CRC & Associates, "The Impact of Film Tourism on the State of New Mexico," December 2008.

year, 5.5% of total New Mexico tourism spending (held constant at the 2007 level). Line G presents the impact of 2007 productions on film tourism spending in each year. The amounts shown on line G are then discounted to 2007 at 5%. The sum of the discounted 2008-2011 incremental tourism spending estimates shown on Line G equals the value of the estimated film-related tourism spending impacts of the 2007 film activities in New Mexico.[6]

Table 4
Estimation of the Impact of Film Tourism from 2007 Film Productions ($mil)

Year of Film Production/ Year of Tourism Spending	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011
A. NM Film Production Activity (Qualified and Non-Qualified) – 2009 and 2010 estimated	$29	$24	$144	$223	$253	$252	*$252*	*$252*
B. Cumulative Total NM Film Production Activity	$29	$53	$197	$420	$673	$924	$1,176	$1,428
C. Cumulative Total NM Film Production Activity Assuming Greater Impact from Recent Films**	$29	$46	$176	$350	$498	$589	$622	$629
D. 2007 Spending Affecting Film Tourism**					$253	$190	$126	$63
E. % of Film Tourism Spending in Year Resulting from 2007 Film Productions (line D divided by line C)					51%	32%	20%	10%
F. Total Annual Film Tourism Spending Attributable to Recent Films (assumed to remain constant from 2008 level)					$161	$161	$161	$161
G. Film Tourism Spending Impact from 2007 Productions*** (line E times line F)					$82	$52	$33	$16

*Assuming 1-year lag between film production and film release.
**Assuming 100% of spending for films produced in the prior year affects tourism, 75% of spending for films produced two years prior, 50% of spending for films produced 3 years prior, and 25% of spending for films produced 4 years prior.
***Annual impacts are discounted at 5% to estimate the total 2007 film activity impacts on future tourism spending. Discounted tourism expenditure is equivalent to $165.9 million of 2007 tourism expenditures.

Table 5 presents the estimated direct and indirect impacts of film tourism based on the estimated $166 million in film tourism expenditures resulting from 2007 production expenditures. These tourism expenditures are estimated to generate $69.7 million in personal income and

[6] A key parameter used in determining the impact of film production activity in 2007 on film related tourism expenditures in later years is the ratio of film tourism spending during the current year to the value of film production activity that occurred in the four prior years, adjusted to more heavily discount spending that occurred in the earliest years. Going forward, the ratio of additional film related tourism expenditures to film production expenditures could decrease due to increasing production expenditures or decreasing film-related tourism expenditures. If there is no growth in total tourism spending or change in the percentage of tourism spending attributable to film tourism, as the stock of film production expenditures increases in future years, the ratio of film tourism to film production expenditures will decrease. The 2008 ratio of film-related tourism expenditures ($161 million) to cumulative adjusted film production spending ($498 million) was 32%.

2,839 jobs. Including the direct and indirect film tourism impacts, the total personal income impact of film tourism is $124 million and 3,827 jobs.

Table 5
Economic Impact of Film Tourism

Film Tourism Spending	Direct	Indirect	Total
Output ($mil)	$165.9	$119.2	$285.2
Income ($mil)	$69.7	$54.3	$124.0
Employment	2,839	989	3,827

Total Economic Impact of the Film Production Tax Credit Program

As shown in the sections above, the film production tax credit program generates additional jobs, income, and economic output in three areas: film production spending, capital investments related to the film industry, and film tourism spending. Table 6 below shows the total impact of the film production tax credit program incorporating these three impacts.

Table 6
Total Impact of the Film Production Tax Credit Program

Total Impact	Direct	Indirect	Total
Output ($mil)	$533.8	$358.1	$891.8
Income ($mil)	$314.4	$173.1	$487.5
Employment	5,989	3,221	9,209

Fiscal Impacts of the Film Production Tax Credit Program

The economic activity created by film production spending, capital investment activities, and film tourism generates significant state and local tax revenues. Except where noted, the New Mexico state and local tax impacts were estimated based on the historical ratio of tax collections to personal income.

Fiscal Impact of Film Production Activities

The fiscal impact of film production activity was estimated based on the estimated economic impact (measured by personal income) of film production activity and the ratios of tax collections to personal income. Gross receipts and individual income taxes were estimated directly from film production spending and income paid to employees of the film productions.

The direct state individual income tax impact was estimated assuming that the personal income of below-the-line employees would be taxed at the average ratio of individual income tax collections to New Mexico personal income. Based on the average earnings of above-the-line employees, a marginal rate of 4.3% was applied to 75% of personal income assumed to be subject to tax.

The direct state gross receipts tax (GRT) impact was estimated assuming that qualified New Mexico film production expenditures on purchased goods and services (including payments to actors through a super loan-out arrangement) would be subject to the 5% state tax rate. The impacts further assume that the film production spending would not occur in a tax increment district.

As shown in Table 7 below, the estimated direct state tax impact of film productions in 2007 was $16.4 million. Indirect taxes impacts account for an additional $6.1 million of estimated state tax collections, resulting in $22.6 million of total state tax impacts. At the local level, an estimated $6.8 million of direct local tax collections and an estimated $2.8 million of indirect tax collections were generated by film production activities, resulting in a total local tax impact of $9.6 million. Total state and local taxes increased by $32.2 million.

Table 7
Estimated Fiscal Impact of Film Production Activities, 2007 ($mil)

State	**Direct**	**Indirect**	**Total**
Gross Receipts	$6.8	$2.5	$9.3
Individual Income	5.4	1.8	7.2
Corporate Income	1.2	0.5	1.7
Other	3.1	1.3	4.3
Total State Taxes	**$16.4**	**$6.1**	**$22.6**
Local	**Direct**	**Indirect**	**Total**
Property	$3.1	$1.3	$4.5
Gross Receipts	2.8	1.2	4.0
Other	0.8	0.3	1.2
Total Local Taxes	**$6.8**	**$2.8**	**$9.6**
State and Local Taxes	**$23.2**	**$9.0**	**$32.2**

Fiscal Impact of Capital Expenditures

Capital expenditures generated an estimated $3.2 million of direct state taxes and $2.4 million of indirect state taxes. Capital expenditures were assumed to be subject to the state gross receipts tax at 5% and a local tax rate of 1.875%. However, all of the capital expenditures are assumed to occur in the Mesa del Sol Tax Increment Development District that diverts 75% of the incremental tax revenue generated by projects within its boundaries to local districts. The estimated gross receipts tax impact of the capital expenditures have been adjusted to remove 75% of the gross receipts impact and reallocate that amount to local districts. All other direct tax and all indirect tax impacts were estimated based on the estimated incremental personal income impacts and the historical ratio of tax collections to personal income.

As shown in Table 8, the capital expenditures are estimated to generate an additional $5.9 million of direct and $1.1 million of indirect local taxes. Capital expenditures generate $12.7 million of additional state and local taxes.

Table 8
Fiscal Impact of Capital Expenditures ($mil)

State	**Direct**	**Indirect**	**Total**
Gross Receipts	1.4	1.0	2.5
Individual Income	0.9	0.7	1.6
Corporate Income	0.3	0.2	0.5
Other	0.6	0.5	1.1
Total	**$3.2**	**$2.4**	**$5.6**
Local	**Direct**	**Indirect**	**Total**
Property	$0.6	$0.5	$1.2
Gross Receipts	5.1	0.5	5.6
Other	0.2	0.1	0.3
Total	**$5.9**	**$1.1**	**$7.0**
State and Local	**$9.1**	**$3.6**	**$12.7**

Fiscal Impact of Film Tourism

As shown in Table 9, film tourism generated an estimated $12.0 million of direct state taxes and $3.9 million of indirect state taxes, resulting in $15.9 million of total additional state tax collections. Film tourism also generated an estimated $7.0 million of direct local taxes and $2.8 million of indirect local taxes. Combined state and local taxes increase by $25.7 million.

Table 9
Fiscal Impact of Film Tourism ($mil)

State	Direct	Indirect	Total
Gross Receipts	$9.0	$1.6	$10.7
Individual Income	1.5	1.1	2.6
Corporate Income	0.4	0.3	0.7
Other	1.0	0.8	1.9
Total State Taxes	**$12.0**	**$3.9**	**$15.9**
Local	**Direct**	**Indirect**	**Total**
Property	$3.1	$1.3	$4.5
Gross Receipts	3.0	1.2	4.0
Other	0.8	0.3	1.4
Total Local Taxes	**$7.0**	**$2.8**	**$9.8**
State and Local Taxes	**$18.9**	**$6.7**	**$25.7**

New Mexico Public Return on Film Production Tax Credit Program

For the State of New Mexico, the public's return on investment in the film production tax credit program can be measured by the revenue received through higher state taxes per dollar of state expenditure on film tax credits. Additional taxes generated by the film tax credit occur in 2007 due to film productions and capital expenditures by film studios. The present discounted value of additional state taxes generated by higher film-related tourism spending in the 2008-2011 period is also included in the revenue impacts.

Table 10 presents the rate of return calculations if the present value of the future taxes related to tourism are added to the revenue generated by 2007 film productions and capital investment occurring in 2007. It should be noted that the estimates of the future tourism-related tax revenues are based upon information from a single survey and incorporate projected film tourism activity through 2011. For this reason, this component may be less reliable than the impact estimates for the film production and construction impacts.

Table 10
2007 State Return on Investment in Film Production Tax Credits Program, including Film Production, Capital Investment and Tourism Activities

A. State fiscal impact from film production, capital investment, and tourism ($mil)	$44.1
B. Discounted 2008 value of state film tax credits accrued to 2007 ($mil)	$47.1
C. State return on investment from 2007 and future tax revenues attributable to 2007 film productions (line A divided by line B)	0.94
D. State and local fiscal impact from film production, capital, investment and tourism ($mil)	$70.5
E. State and local return on investment from 2007 and future tax revenues attributable to 2007 film productions (line D divided by B)	1.50

As shown on line A of Table 10, additional state taxes from the three components is estimated to be $44.1 million. Given the $47.1 million cost of the credit in 2007 shown on line B, the state earns $0.94 for each $1.00 of credits accrued during 2007. Taking into account the tax impact of film tourism generated in 2008-2011, local governments earn $0.56 for each $1.00 of film tax credits. These additional local tax impacts bring the combined state and local return on investment to $1.50 (line E) for each $1.00 of state film tax credits.

Estimated Impacts of the New York State Film Credit

February 2009

Prepared for the New York State Governors Office of Motion Picture and Television Development and the Motion Picture Association of America

Ernst & Young

Estimated Impacts of the New York State Film Credit

Overview and Summary

New York State's Empire Film Credit has attracted feature film and television production to the State of New York since 2004 by initially offering a tax credit equal to 10% of qualified New York production activities. A similar credit is available to productions in New York City, equal to 5% of qualifying New York City production expenses.

Competition from states that have recently adopted new or more generous film credits reduced the effectiveness of the Empire and NYC film credits. According to data compiled by the New York State Governor's Film Office, introduction of competing incentives from other states, including Connecticut and Massachusetts caused a $750 million drop in New York film production from July 2006 – June 2007 as compared to the previous 12 months. To improve New York's ability to continue to attract films and television production activities, the Empire state film credit rate was increased from 10% to 30% of qualifying costs in 2008.

As described in the sections below, the 30% credit program evaluated at the $940 million level of film spending in 2007, has the following impacts[1]:

- **New York jobs created and retained: 19,512 jobs**
- **New York State and City Return-on-Investment (ROI): 1.90**

Impacts of the Film Credit

Factors Considered

Table 1 presents the impact of film production and post-production activities in New York. The estimates assume that the 30% credit rate will allow New York to retain its current level of film and post-production activity by competing with other states offering similar credits.

The ROI estimates compare the cost of the 30% credit with the additional state and local taxes collected from the 2007 level of economic activity for film and production activities receiving the credit and supporting activities. This impact analysis shows the impact of the $940 million in direct spending of the credit-assisted productions and the retention of post-production industry activity due to the credit.

In addition to the credit-eligible production and post-production activities, economies of scale that these projects create for companies and producers attract collateral productions such as non-credit eligible features and television projects, web casts, interstitials and video shorts. Absent the credit, it is reasonable to anticipate that, due to the loss of this industry cluster effect, New York's share of US employment in the industry would continue to decline at the rate experienced from 1999 to 2004. The economic and fiscal contributions of these additional activities from media and entertainment clusters, are taken into account in the impact estimates. (See the Appendix for a more detailed description of the methodology used in the study.)

---

[1] The rate-of-return (ROI) estimates assume that the 30% credit applies to the 2007 level of activities for credit-eligible film, television series, and pilots receiving credits (the most recent year complete data is available). These activities generated approximately $940 million of New York spending. The cost of the 30% credit was estimated based on the expenditure characteristics of projects receiving credits in 2007.

The analysis does not attempt to project the future level of film activity in New York that arises with the enhanced incentive. However, preliminary data compiled by the Governor's Film Office indicates a substantial increase in productions since the enhanced incentive to effect. From the Empire State Film Credit's enhancement on April 23, 2008 to the end of the calendar year, the New York State Governor's Film Office received 100 film applications, up from 60 applications for the same period in 2007. Spending on labor, facilities and vendors for the 100 projects received between April 23 and December 31, 2008 is in excess of $1.8 billion, as compared to the $940 million in spending for all of 2007.

The ROI does not take into account the positive impact on tourism associated with the production of feature films and television in New York. Although an additional tourism impact is not included in the analysis, there is a generally acknowledged relationship between film and television production and tourism. The Mayor of NYC recently noted the importance of local film production to New York City's tourism industry and the Economic Development Corporation of Los Angeles cited the negative impact on tourism of runaway production.[2] Research shows that certain locations where a successful motion picture was filmed enjoyed a 54% increase in tourism over the succeeding four years.[3]

Program's Impact Throughout New York Economy

In addition to generating economic impacts from direct spending by credit-assisted film productions in New York, the credit program has helped reverse the downward trend in film and television productions overall and contributed to expanded activities supporting film production, such as post-production and film processing facilities. The estimated economic and fiscal impact of the 30% film credit takes into account the contribution of the productions qualifying for credits, the increase in other production activities as well as the contribution of post-production activities.

Reversing Trend of Job Loss

New York employment in the film industry as a percentage of total US employment in the industry steadily declined over the 1999 to 2004 period. Absent the film credit, this trend would likely have continued, if not accelerated, given the proliferation of film incentives across the country. Following the adoption of the film credit, this trend was reversed. By 2007, New York enjoyed an estimated increase of 3,655 jobs from credit-eligible film and television productions, 1,815 additional jobs in non-credit-eligible production activity, and 1,561 jobs retained in post-production activities that support film and television production activities in New York and outside the state.[4] The sum of the jobs in these impacted areas (credit-eligible productions, non-credit-eligible productions, and retained post-production activities) is 7,031 jobs.

Current Results and Looking Ahead

Based on $940 million in direct spending by credit-eligible projects of similar characteristics as 2007 projects and additional spending by other affected film productions and post-production businesses, the film production and related post-production activities account for 7,031 direct jobs. (See Table 1.) The total impact on New York employment is over 19,500, which includes

---

[2] *See Bloomberg Touts Film, TV Impact on Economy*, Hollywood Reporter, October 20, 2008 and *What is the Cost of Runaway Production?* LAEDC, May 2005

[3] Riley, Roger, Baker and Van Doren (1998), 'Movie Induced Tourism', *The Annals of Tourism Research*, vol. 25, no. 4, 919 – 935.

[4] The proliferation of tax credits, coupled with the technological advancements in post-production services allow film support services to actually follow film projects. *See,* Orbit Digital's mobile post-production lab supporting films shooting in Connecticut. *Hollywood Reporter*, November 6, 2008

the direct impacts of film and post-production activities and the indirect impacts resulting from higher economic activity in other sectors of the economy.[5] The economic impact is expected to grow over time with the continued expansion of New York based support facilities,[6] and an increase in the volume of large budget feature films that is already taking place since the adoption of the 30% credit rate in April 2008.[7]

Table 1. Impact of New York Film and Retained Post-Production Activity, 2007 ($Millions)

Economic Impact	Direct	Indirect	Total	Multiplier
Production Value	$1,711	$2,157	$3,868	2.26
Income	$816	$1,242	$2,057	2.52
Jobs	7,031	12,481	19,512	2.77

As shown in Table 2, the estimated credit allocation and tax impact of film productions and related activities will yield a State ROI of 1.1. When New York City credits and local taxes are included, the ROI is 1.9. The credit cost presented in Table 2 is a hypothetical showing the cost of the credit if a 30% credit applied to qualified expenditures in 2007.

[5] The indirect economic impact of the retention of film and post-production activities was estimated using the IMPLAN model of the New York economy. Note that the multiplier associated with post-production activity is lower than the film production multiplier, resulting in a lower overall multiplier for activities under the expanded credit. Other studies have focused solely on a production multiplier in the 3:1 range See, e.g. *New York's Big Picture, Assessing New York's Position in Film, Television and Commercial Production*, Cornell University, August 2006; and *What is the Cost of Runaway Production?* LAEDC, May 2005

[6] In May, 2008 for example, the post-production house Deluxe opened a state-of-the-art, 40,000 square foot Motion Picture Laboratory and EFILM® Digital Intermediate Facility in New York City. http://www.bydeluxe.com/highlights_details.php?highlight=54. As New York's capacity to support all elements of film production expands, the economic impact will also increase.

[7] Because a smaller percentage of the expenditures of large budget features (greater than $50 million) qualify for the credit, New York's ROI on this category of films is higher than other genres. Data compiled by the Governor's film office indicates that the large budget film productions have increased significantly from the level in 2007. This should contribute to a higher ROI on film and television production activity in 2008 and 2009.

Table 2. State and Local Fiscal Impact of State and New York City Film Credit Programs ($Millions)

State Tax Revenue	Amount
Individual Income Tax	$143.2
Sales Tax	$34.1
Corporate Income Tax	$9.2
Other Selective Sales Tax	$4.7
Other Taxes	$17.5
Total State Taxes	**$208.7**
Estimated Film Credits	**$184.4**
State ROI	**1.1**

New York City Tax Revenue	Amount
Property Tax	$62.5
Individual Income Tax	$75.1
Sales Tax	$29.7
Corporate Income Tax	$12.6
Other Selective Sales Tax	$3.8
Other Taxes	$11.6
Total City Taxes	**$195.3**
Estimated Film Credits	**$30.7**
New York City ROI	**6.4**
Total State and City Taxes	**$404.0**
Total State and City Credits	**$215.1**
State and Local ROI	**1.9**

Cash Flow Impact of Credits

The structure of the Empire state film production tax credit program provides an additional favorable economic impact on New York State. The program in effect, front loads economic activity by requiring production activity to occur, followed by a State review process to verify production expenditures and concluding with a production company's claiming of tax credits on a tax return filed twelve to eighteen months later. For example, film credits arising from production activities in calendar year 2007 will not be claimed until fiscal years 2008 and 2009 because of the credit certification process and the timing of tax return filing. Taxpayers can only claim the credit after receiving a Tax Credit Certificate. The taxpayer submits a final application for the credit within 60 days of completing post production. A certificate is generally approved within 30 to 60 days of receiving the final application. The taxpayer then claims the credit on the annual tax return for the year in which the project is completed. In most cases, the tax return claiming the credit is filed in December following the year in which production is completed.

Table 3 shows that film productions and related activities are expected to result in more than $2,690 million of state and local taxes in fiscal years 2005-2010.[8] Over the same period, estimated state and city credits claimed will total $690.2 million. Based on the estimated taxes

[8] Estimated annual state and local tax impacts are based on film production data supplied by the New York State Governors Office of Motion Picture and Television Development and Ernst & Young estimates.

and credits claimed from fiscal year 2005 through fiscal year 2010, tax collections exceed credits claimed by $2,000 million.

Table 3. Estimated New York State and New York City Tax Collections and Film Credits by Fiscal Year ($Millions)

Calendar Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Fiscal Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Tax Collections						
Current Year	$208.8	$327.2	$439.9	$404.0	$546.1	$765.8
Cumulative	$208.8	$536.1	$976.0	$1,380.0	$1,926.1	$2,691.9
Credits Claimed						
Tax Credit Claimed		$60.4	$82.2	$106.2	$92.2	$349.2
Cumulative Tax Credit Claimed		$60.4	$142.6	$248.8	$341.0	$690.2
Revenues in Excess of Cost						
Current Year Difference	$208.8	$266.8	$357.7	$297.8	$453.9	$416.6
Cumulative Difference	$208.8	$475.7	$833.4	$1,131.2	$1,585.1	$2,001.7

Appendix
Detailed Results and Methodologies for Estimating Economic and Fiscal Impacts of the New York State Empire Film Credit

Economic Impacts

The estimated economic impacts of the New York State film credit include the impacts of three types of activities:
1) the impact of credit eligible film productions,
2) non-credit eligible productions, and
3) retained post-production activity.

As described in the sections below, the direct impacts were estimated based on either production spending data from the New York State Governor's Office for Motion Picture and Television Development or using Census data describing employment levels and trends in the film production and post production industries. Indirect and induced impacts were estimated using a 2006 IMPLAN model of New York State and Type-SAM multipliers.

Credit-Eligible Film and TV Production

Production spending for 2007 films is based on New York State film and television spending data supplied by the New York State Governor's Office for Motion Picture and Television Development. Table A-1 below shows the detailed budget information for films of different sizes, series and pilot productions in New York in 2007. This spending totaled $937 million in 2007.

Table A-1. New York Film & Televisions Production Spending ($Millions)

Film Budget	Total Budget	Total NY Spend
Feature films with budgets exceeding $50 mil	$290.9	$227.6
Feature films with budgets $20-50 mil	$165.6	$143.3
Feature films with budgets $5-20 mil	$36.5	$30.4
Feature films with budgets less than $5 mil	$46.2	$44.8
Television Series	$540.1	$420.0
Television Pilots	$77.2	$71.1
Total	**$1,156.5**	**$937.3**

Tables A-2 and A-3 present the estimated direct and total economic impacts of each component. The unadjusted 2006 IMPLAN New York State output multiplier for film and television production (IMPLAN industry 418) is 2.35. (No adjustments were made to the IMPLAN model to estimate this impact.) Based on $937 million of credit-eligible film and television spending, the total output impact of credit eligible productions is $2.20 billion.

The direct personal income impact of film and television production is $445 million, which includes $285 of employee compensation, $124 million of proprietary income, and $37 million of other property type income. These impacts are based on the unadjusted IMPLAN production function for film and television production (IMPLAN industry 418). The 2006 IMPLAN income multiplier (combined labor income and property type income multiplier) for eligible film and television production was 2.52, based on the unadjusted IMPLAN industry profile.

Based on the $937 million of production spending, IMPLAN estimates the direct employment impact at 3,655 jobs in 2007. Using the unadjusted IMPLAN employment multiplier for film and video production of 2.97, total employment from film production activities in 2007 is 10,872.

Non-eligible film and TV production:

Non-credit-eligible film and television production activity attributable to the credit program was estimated based on employment data for the film and television industry in New York over the 1999-2006 period. Between 1999 and 2004, New York film and television employment as a percentage of total US employment in the industry declined by approximately 0.9% per year – from 13% in 1999 to 8% in 2004. Given this downward trend in New York film and television jobs as a percentage of total US film and television jobs over the 1999 to 2004 period, and the increase and expansion of film incentives across the country it is expected that the trend would have continued in the absence of the film credit program. If New York film and television industry employment had continued to decline through 2006, New York employment in the industry would have been 9,472 in 2006 – 6,115 jobs fewer than the 15,587 actual jobs in 2006 under the credit program. Credit-eligible film spending in 2006 totaled $1.1 billion and created approximately 4,300 direct jobs, meaning that the full rebound in industry employment is not captured by the 4,300 jobs that were created by credit-eligible film productions in 2006. An additional 1,815 jobs were created and are assumed to be attributable to the film credit program. These 1,815 jobs are assumed to remain constant in 2007.

Based on the unadjusted IMPLAN film and video production industry output and income per worker, the estimated 1,815 jobs associated with non-credit-eligible productions generate $465.4 million of economic output and $221.0 million of personal income.

Using the unadjusted IMPLAN multipliers for the film and video production industry, the indirect impacts were estimated for output, income, and employment. The total impacts, including these indirect impacts are shown in Table A-3.

Retained Post-Production Activity:

Based on U.S. Census Bureau state-by-state data describing employment in the post-production industry in each state, each state's post-production employment as a percentage of total employment was calculated. In most large states with no significant film production activity, the percentage of total state employment in the post-production industry was only 45% as large as the share in New York. Based on this calculation, it is assumed that 55% of New York's post-production activity is directly linked to film and video production activity that occurs in New York. It is further assumed that in the absence of a film credit program, this 55% of post-production activity would leave the state. This share of the post-production industry is equivalent to 1,561 jobs.

The film and video production industry in the IMPLAN model was adjusted to reflect the post-production industry using data from the U.S. Census Bureau's 2006 *Service Annual Survey,* including average compensation of $95,093 and output per worker of $197,331. After these adjustments were made to the 2006 IMPLAN model, the output multiplier for post-production activity for New York was 1.87.

Table A-2 shows the direct economic impact estimates by component (film and television productions of various sizes, post-production, and non-credit-eligible films). Table A-3 shows the estimated total impacts of these same components.

Table A-2. Direct Impacts ($Millions)

Film Budget	NY Output	NY Income	NY Jobs
Feature films with budgets exceeding $50 mil	$227.6	$108.1	888
Feature films with budgets $20-50 mil	143.3	68.0	559
Feature films with budgets $5-20 mil	30.4	14.5	119
Feature films with budgets less than $5 mil	44.8	21.3	175
Television Series	420.0	199.5	1,638
Television Pilots	71.1	33.8	277
Total Film & Television Productions	$937.3	$445.2	3,655
Non-Eligible Film & TV Productions	465.4	221.0	1,815
Post Production & Allied	308.2	149.6	1,561
Total	**$1,710.8**	**$815.8**	**7,031**

Table A-3. Total Economic Impacts ($Millions)

Film Budget	NY Output	NY Income	NY Jobs
Feature films with budgets exceeding $50 mil	$533.8	$272.3	2,640
Feature films with budgets $20-50 mil	336.1	171.4	1,662
Feature films with budgets $5-20 mil	71.4	36.4	353
Feature films with budgets less than $5 mil	105.1	53.6	520
Television Series	985.3	502.6	4,872
Television Pilots	166.8	85.1	825
Total Film & Television Productions	$2,198.6	$1,121.5	10,872
Non-Eligible Film & TV Productions	1,091.7	556.9	5,398
Post Production & Allied	577.7	379.0	3,242
Total	**$3,867.9**	**$2,057.4**	**19,512**

Fiscal Impacts

Fiscal impacts were estimated by calculating the historical ratio of tax collections to personal income and applying this ratio to the estimated personal income impacts shown in Table A-3. The ratios were estimated for each category of tax revenue reported by the U.S. Census Bureau for the state and city. The ratios are then adjusted to reflect the historical elasticity of changes in tax collections to changes in personal income.

State Fiscal Impacts

After adjusting for the estimated elasticity of tax to income, the combined state-level tax ratio for New York State in 2007 was 10.15%. The fiscal impacts were estimated by multiplying the total state tax ratio (10.15%) by the estimated personal income impact for each component (film production, post-production, and non-credit-eligible productions). The impact for each tax is proportionate to its share of the total 10.15% state tax ratio.

Table A-4. Effective State Tax Rates on Personal Income

Tax	Ratio
State sales tax	1.66
State individual income tax[9]	6.85
State corporate income tax	0.45
Other state taxes	1.19
Total State Taxes	**10.15%**

City Fiscal Impacts

Using the same methodology as was used to estimate the state ratios of tax collections to personal income, the ratio for New York City was estimated at 9.49%.

The major tax categories used to estimate city tax collections are shown in Table A-5 below. For all tax categories except individual income, historical tax collections to personal income ratios were used to estimate tax impacts.

The estimated property tax impact includes incremental real property taxes paid by expanding film and television production and post-production operations as well as the real property taxes paid by indirectly affected businesses, including suppliers to the film and television production industry and retailers, hotels, restaurants, and service providers that sell goods and services to the employees of production-related businesses and indirectly affected businesses. The New York City commercial rent tax is included in the "other" tax category.

Table A-5. Effective City Tax Rates on Personal Income

Tax	Ratio
Property tax	3.04
City sales tax	1.44
City individual income tax[10]	3.65
City corporate income	0.61
Other city taxes	0.75
Total	**9.49%**

[9] The top marginal income tax rate of 6.85% was applied to personal income impacts.
[10] The top marginal income tax rate of 3.65% was applied to personal income impacts.

Louisiana, Wisconsin in different states of mind

By Borys Kit
July 15, 2009, 07:10 PM ET

ABOUT THIS COLUMN

ON LOCATION
Surveying the wide world of off-lot production, including film commissions and incentives news both nationwide and around the world. › RSS

Is 30% the new 25%?

Last week, Louisiana joined Ontario and Quebec in increasing its film-production tax credit to 30%. As the carrot on top of the carrot, the state's new law offers an additional 5% for in-state labor to encourage producers to hire locally -- making it 35% on local-hire payroll.

Quebec was the first major center to hit the 30% ceiling, quickly followed by Ontario. Louisiana is the first U.S. hub to follow suit, but it likely won't be the last.

While the champagne is popping in Louisiana, the glasses are empty in Wisconsin. That state has all but given up on the film industry after Gov. Jim Doyle exercised a line-item veto to place a deathlike limit on the state's 25% refundable credit: Instead of an available $1.5 million a year, the figure is capped at $500,000.

Last year, the state was flying high when Universal's "Public Enemies" shot in locales including Milwaukee, and it was looking forward to more shoots of that scale. Now those dreams are as dead as Dillinger.

"We all know it's the state of the economy," Film Wisconsin's Scott Robbe says. "People are much less apt to take risks on new developments through incentives. What's happening in Wisconsin is indicative of a national trend. Like everyone else, we are going to have to weather the storm."

Robbe says the state, with its cap, will attract small indie productions at best. A single big shoot like "Enemies" would drain the pool dry.

The small indie "No God, No Monster," starring David Strathairn, is due to start shooting this week. Like "Enemies," the 1920s period piece is taking advantage of Milwaukee architecture.

One problem facing lawmakers considering incentives is reconciling numbers being bandied about regarding economic impact, job creation and taxpayer costs.

"The evaluation of the program is only as good as the financial tracking," Robbe says. "And the problem here in Wisconsin is there were no really good financial tracking mechanisms put in place. Because it is a business whose intangibles are hard to track -- like tourism, for example -- it's hard to get an exact number."

Louisiana officials, however, say they have those numbers as they prepare to welcome more productions: The state says there was $429 million in production in 2007, resulting in an economic impact of $763 million. The City of New Orleans Office of Film & Video says 2008 saw $230 million in direct impact from the film and television industry.

"For every dollar we invest, we get $6.64 back on economic impact," says Chris Stelly of the Louisiana Governor's Office of Film and Television Development.

Stelly says the numbers were on everyone's mind while passing the new law, but he stressed that the state is in it for the long term and wants the industry to be a permanent fixture.

To show how serious it is, the program is now officially permanent. And as part of the new law, Louisiana instituted a buyback program of the credits at 85% of their face value, giving certainty to the producers that they will recoup a set amount of money.

Robbe, meanwhile, believes his state is being short-sighted.

"Louisiana is seriously in the game for the long haul, just like Canada," he says. "(This is an industry) that doesn't happen overnight, and if you think it does, you're deluded."

Robbe admits that each state must look at the numbers and ask whether productions are bringing beneficial long-term increases in jobs and revenue. But he says film and television jobs aren't akin to working in a factory, where one can be employed for 20 years, but rather a trade in which workers move from project to project.

"It's paramount that people who are working to build a TV and film business in their state educate lawmakers the realities of the business," he says.

BOOKMARK Save Print Email Reprints

Yahoo! Buzz Share on LinkedIn Digg

THE HOLLYWOOD REPORTER ON DIGG

POPULAR TODAY UPCOMING

Sadly, Futurama Voices Unlikely to Return. New Search Begins

Family Guy To Do Show On Abortion, But Fox Won't Air It

Coming Soon: WWII in Color. HD (vid)

Comic-con: Dexter Season 4 First-Look Trailer (Video)

Final page of 'LOST' script read at Comic-Con. Wait, WTF!?

content by THR.com powered by digg

MOST POPULAR

VIEWED EMAILED

» Katzenberg: 3D coming to homes

» Diane Keaton set for HBO comedy

» 'Resident Evil' duo picks up 'Warded'

» Research IDs top 20 new shows

» Actresses join 'The Border'

» District 9 -- Film Review

» 'Tron Legacy' director into 'Oblivion'

$50,000 for all services

4hgrace@comcast.net wrote:
> How much are they spending on this?
> Thanks
> HG
> ------Original Message------
> From: Dave Beerer
> To: 4hgrace@comcast.net
> Subject: web video info
> Sent: Nov 16, 2009 4:03 PM
>
> We are editing 4 separate videos for:
> Novalis Tx Radiosurgery Patient Video
>
> These videos will be shown to patients from the web who will
> be undergoing treatment from this machine at hospitals.
>
> These videos will include:
> SOT's; Patient and Doctor interviews
> B-roll lifestyle shots of patients from around the hospital campus
> This video will involve a production shoot of 12 people working for 2 days.
> It will include lighting, audio, camera and production crew members.
>
> The post will take 3 weeks and will involve the following positions:
> 1 Editor
> 1 Graphics person
> 1 Audio
> 1 Audio Asst.
> 1-Multi Media Tech
> 1 Director
> 1 Producer
> 1 Project Manager
>
> Dave Beerer
>
>
>
>
>
>
>
>
> Sent from my Verizon Wireless BlackBerry
>
>

SmartZone Communications Center Collaboration Suite 4hgrace@comcast.net

FW: Film incentive bill

Monday, November 02, 2009 1:03:45 PM

From: jrosenhaus@harris-hmg.com
To: 4hgrace@comcast.net

Harvey

I want to underscore the importance for Michigan and the Advertising industry as a whole, both small and large agencies as well as suppliers across the board, that commercials and production of commercials be reinstituted into the film incentive bill. That would do a lot to keep jobs here in Michigan. With the massive reassessment of the automotive agencies that is happening as we speak, the time is now. It is urgent that this be taken very seriously.

By keeping commerials in the bill, it will also help bring business to Michigan that is currently being service outside of the state. And has the potential to help Michigan agencies win large national accounts.

At our agency alone it could help creative up to 50 jobs.

Janice

>
>
>
>
> Janice Rosenhaus | CEO | 102 Pierce St., Birmingham MI, 48009 | Work
> 248.723.6300 | Mobile 734.476.4135 | jrosenhaus@harris-hmg.com |
> www.harris-hmg.com

------ End of Forwarded Message

SmartZone Communications Center Collaboration Suite

4hgrace@comcast.net

incents

Monday, November 09, 2009 2:55:07 PM

From: littmannd@aol.com

To: 4hgrace@comcast.net

WHAT'S CALLED FOR?

WE MUST NOW PLAY **LEAPFROG** IN THE GAME OF INCENTIVES TO RE-ESTABLISH OUR BUSINESS CLIMATE AS A MAGNET.
WELL, THAT IMPLIES INCENTIFYING:
1. All factors of production: land labor capital entrepreneurship, venture K
2. All regions geographically (no pick and choose) (no political favoritism)
3. All age groups
4. All income categories

In short, INCENTIVES must be ethical, legitimate, durable, predictable, and ubiquitous....market driven, not politically-contrived as a political favor to some at the expense of others.

Harvey, ...Great sitting with you today. Thanks again for your help and guidance with the media & journalists and for the genetic leads!

David

SmartZone Communications Center Collaboration Suite 4hgrace@comcast.net

we're getting mixed messages today... Tuesday, November 03, 2009 8:05:36 PM

From: plshapiro@rcn.com
To: 4hgrace@comcast.net
Attachments: michaelsneed.jpg_20080327_03_39_13_11-116-165.imageContent (3.8KB)

BY MICHAEL SNEED Sun-Times Columnist

Movie making in Chicago has hit a recession lull.

To wit: "The only thing we've got now are commercials," said Chicago Film Office Director **Rich Moskal.**

The buckshot: The generous Illinois 30 percent tax credit for movie makers can't compete with the bargain basement super-sized incentives offered by Michigan, Massachusetts and Georgia, said Moskal.

Backshot: The last film to shoot here was "Little Fockers," starring **Ben Stiller, Robert De Niro, Dustin Hoffman, Owen Wilson** and **Jessica Alba,** which shot for five days in early October.

SmartZone Communications Center Collaboration Suite 4hgrace@comcast.net

Red Car's new top guy arrives Monday Wednesday, October 28, 2009 11:10:10 AM

From: swild@gracewild.com
To: arothfeder@gracewild.com; kneff@gwstudio.com; ghart@gwstudios.com; 4hgrace@comcast.net
Attachments: image001.jpg (3.9KB)
image002.jpg (4.7KB)
image003.gif (2.4KB)
image004.gif (3.2KB)
image005.png (664B)
image006.png (600B)

Red Car's new top guy arrives Monday

Craig Duncan comes from Detroit's Griot Editorial

Ruth Ratny's ReelChicago.com

Craig Duncan takes the helm of Red Car

Oct 28, 2009 - Red Car's new managing director, Craig Duncan, arrives for work Monday morning after almost a decade in Detroit as Griot Editorial's VP/general manager, with a clear-eyed sense of the challenges facing the post business – sales being one of them.

At Red Car, Duncan will supervise a staff of eight, including five editors and an assistant, said Jon Desir, Red Car's senior producer.

"The managing director's title usually always included that of executive producer, but Craig's focus will be on sales, given the state of the economy," Desir added.

Duncan is no stranger to sales challenges, however. He had spent over a year as sales manager for both Griot and its sister company, Postique, a full service post/special effects house.

Before joining Griot in 2000, the Detroit native had spent eight years in Los Angeles as post production supervisor on the Fred Savage sitcom, "Boy Meets World," for Walt Disney/Touchstone.

"Boy Meets World" had a seven network year run, one Duncan describes as an "insane environment. You always had four shows going at once, all in different stages of completion. We were trying to make crazy deadlines. But it was cool getting my feet wet in post production."

A family decision, the birth of his daughter, led Duncan and his wife to return to the Midwest.

His new Red Car position came through a mutual connection with editor Cary Gries. "I was repping Cary in Detroit and Jennifer Lederman, Red Car national managing director was repping him in L.A.," Duncan said.

"When the spot opened up in Chicago, she let me know about the opportunity."

Duncan replaces Diana Schroeder, who recently joined Post Op in Dallas.

The Red Car staff is looking forward to working with Duncan, said Desir. "We gave him rave reviews from the first time he came in to meet us and felt a great rapport with him."

Duncan said his main focus in Chicago will be to get to know the market. "A huge part of the job is to be the face of the company, I will do a lot of client interfacing, a lot of presentations."

Duncan is not without Chicago relationships, however. "I've been on the AICE executive board for many years. People like Tom Duff at Optimus and Tim McGuire at Cutters are good friends and colleagues," he said.

Jon Desir, Red Car senior producer

How does our town look from the other side of the lake? "I think Detroit sees Chicago is an amazing city, one of the great cities of the world. Detroit looks at Chicago as a place with a great production community.

"I'm looking forward to being a part of it," Duncan concludes.

The Chicago Red Car office is one of seven – the others are in New York, L.A., Dallas, Miami, San Francisco and Buenos Aires.

The company was founded in 1982 in Los Angeles by president/CEO Larry Bridges, an acclaimed and multi-honored editor and director,

The Chicago office is located at 455 E. Illinois; phone, 312/645-1888. See www.redcar.com. — *Mark Frazel*

Steven Wild
President
Grace & Wild, Inc.

Mobile: 248.877.8785
Office: 248.471.6010
Email: swild@gracewild.com
Site: www.gracewild.com

Metro and State

Tuesday, May 26, 2009

Poll: Michiganians back graduated income tax

Mark Hornbeck and Charlie Cain / Detroit News Lansing Bureau

Michiganians support boosting income taxes on the wealthy, giving filmmakers the most generous tax credits in the nation and paying a flat fee per vehicle to support state parks, according to a Detroit News/WXYZ poll.

But they are evenly split when it comes to paying higher utility bills to support the state's renewable energy initiative.

Taxes, diversifying the economy and green initiatives are among the issues lawmakers and business leaders will discuss as they gather on Mackinac Island beginning today for the Detroit Regional Chamber of Commerce's annual policy summit.

Nearly twice as many Michiganians favor a graduated income tax that would lower the tax rate on the poor. The survey of 600 registered voters by EPIC-MRA of Lansing found 60 percent favor a graduated income tax as a replacement for the state's 4.35 percent flat tax on income for everyone while 33 percent oppose the idea. The poll, taken May 18-21, has a margin of error of 4 percentage points.

Discussions about changing the state's constitution to allow a graduated income tax have been growing as the state's revenues from taxes fall short of meeting its spending needs. The state had to make cuts of more than $300 million and use $1 billion in federal stimulus money to help plug a deficit that's expected to grow to $1.7 billion next fiscal year.

"It's fair. The more money you make, the more you pay out," said Carrie Davie, a retired nurse from Detroit, who took part in the poll.

But Cheryl Rafdal, a 53-year-old Rochester Hills mother of two, thinks it's a bad idea.

"People who have money are the ones who keep the economy going, and if they get taxed even more they won't go out to eat or shop or buy new cars, and then everything will come to a screeching halt," she said.

Bernie Porn of EPIC-MRA said he believes the support for the graduated income tax is a carryover from debate during last year's presidential contest over the fairness of tax proposals.

The survey shows Democrats are far more likely than Republicans to support a graduated income tax by 78 percent to 34 percent. And 59 percent of independents back the proposal. Two-thirds of women respondents favored the graduated tax to more than half of men respondents.

The last time Porn polled Michigan residents on the graduated income tax issue was June 2007 when 57 percent supported the idea and 33 percent opposed it.

Film tax credit gets support

A maximum 42 percent tax break for filmmakers who shoot movies in Michigan has its backers and its detractors. Some say it is bringing a new industry and high-paying jobs to the state; others say the $100 million cost of the state credit this year is too big of a price to pay.

But the film tax credit drew overwhelming support from poll respondents. The survey shows 70 percent favor it to 21 percent opposed.

"We had 'Gran Torino' made here and had nothing but positive feedback about it from folks in the Pointes," said Lori Zurvalec, a 54-year-old lawyer from Grosse Pointe. "People were very excited about it."

Dustin Waugh, a 37-year-old bricklayer from Westland, favors the tax credit but has doubts about its long-term viability.

"It's bringing jobs and excitement into Michigan, which I'm all for. I'm just not sure it's going to last," he said. "What happens when another state goes to a 43 percent tax credit? I'm not sure this is a long-lasting job opportunity."

Support for the movie incentive is strongest among voters in Metro Detroit at 82 percent versus 63 percent in the rest of the state.

Park plan response mixed

The Department of Natural Resources says vehicle park stickers no longer generate enough money to maintain the 98 state parks. A proposal moving through the Senate would slap a $10 fee on all vehicle registrations to pay for the parks. The plan has narrow support -- 50 percent to 45 percent -- the survey shows.

Among Democrats, 57 percent favor the fee, compared to 44 percent of Republicans and 41 percent of independents.

"I'm all for it. When you want something nice you have to pay for it," said Robert Bachman, a retired federal government employee from South Lyon. "It would be easy to tack $10 onto vehicle registrations."

But Sally Harris, a 65-year-old teacher from Garden City, said she'd rather stick with the current system.

"Those who use the parks should pay for them, rather than having all of us pay," she said.

Division on green power move

Gov. Jennifer Granholm and lawmakers last year approved a law requiring power companies to increase

MICHIGAN FILM PRODUCTION RESULTS AND TALKING POINTS

"According to Price Waterhouse Coppers the film industry grows annually at 7% with revenues of 40 billion dollars. Additionally the interactive game industry grows annually at 11% with revenues north of 100 billion dollars. Michigan's film and digital incentives represent an opportunity for the people of our state in industries that are GROWING and INVESTING in OUR future, as opposed to industries that are shrinking and disinvesting."

JOB CREATION AND ECONOMIC ACTIVITY

Recently tabulated numbers from completed projects through the first seven months:
Reminder, this activity began the moment the bill was signed, on April 8.

No. of productions wrapped:	27
No. of Jobs Created:	2,253
Estimated Michigan Expenditures:	$112,252,000
Estimated Incentive amount:	$ 44,633,000

ECONOMIC DEVELOMENT & PRIVATE INVESTMENT

Recently submitted infrastructure applications represent proposed new build and refurbishing of production and post-production facilities that have already reached an estimated $80,000,000 of private investment for 2008 and $80.000.000 of private investment for 2009.

EMPLOYMENT OPPORTUNITY (Quote from the US Bureau of labor Statics)

Wage and salary employment in the motion picture and video industries is projected to **grow 11 percent between 2006 and 2016, about as fast as growth projected for wage and salary employment in all industries combined.** Job growth will result from the explosive increase in demand for programming needed to fill the rising number of cable and satellite television channels, both in the United States and abroad. Also, more films will be needed to meet in-home demand for videos, DVDs, and films over the Internet. Responding to an increasingly fragmented audience will create many opportunities to develop films. The international market for U.S.-made films is expected to continue growing as more countries and foreign individuals acquire the ability to view our movies.

There is concern in the motion picture industry over the number of films that are being made abroad. Tax breaks offered chiefly by English-speaking countries, especially Canada, have induced U.S. filmmakers to increasingly move the production of films to other countries. Production of many lower budget films, such as made-for-television movies, and commercials has been moved abroad to reduce production costs. In addition, more feature films are being made abroad, but mostly for artistic reasons. When a film's production crew leaves, it takes with it large numbers of jobs that are filled at the site of the filming—most of the noncritical supporting actors and behind-the-scenes workers, caterers, drivers, and production assistants. **To address this issue, several cities and States have initiated tax breaks and other incentives to encourage filmmakers to make movies in their locales. Also, the U.S. Congress has considered legislation that offers tax incentives for filmmakers to stay in the United States.**

EXAMPLE: QUANTITIVE ECONOMIC IMPACT in Philadelphia, PA

During the period from 2004 to 2007, film, television and video production in the 5 county ***Philadelphia region*** generated:

- $759 million in total economic activity, (averaging nearly $190 million/year)
- $7.1 million in local taxes (averaging nearly $1.8 million per year)
- $398 million in salaries and wages (averaging over $99 million per year)
- **Over 13,000 jobs.**

The economic benefits within the ***Commonwealth of Pennsylvania*** resulting from the film industry were even more significant:

- Nearly $796 million in total economic activity (averaging $199 million/year)
- $22.5 million in state and local taxes (averaging nearly $5.6 million per year)
- Nearly $415 million in salaries and wages (averaging nearly $104 million per year)
- **Nearly 14,000 jobs.**

Qualitative Benefits

As we noted in earlier analyses, film, television and video production industries provide qualitative benefits to the region by enhancing its reputation and image in national and international markets. This is quite helpful to regional efforts to market the area as a tourism destination, both domestically and increasingly, internationally.

Film, television and video production is a "clean" activity, imposing only limited costs on the region and state. In addition, much like tourism (an industry that shares some important similarities in terms of regional economic effects), film production is a high tech "export" industry that for the most part brings in money from outside the region or state, contributing directly to the growth of the economy, and providing creative, "knowledge□based" employment opportunities so crucial to our future economy. Furthermore, it is a very significant "branding" and marketing activity, showcasing the City and region nationally and internationally.

Submitted From:
Econsult Corporation

PRODUCTIONS COMING TO SCREENS

Four films shot in the Detroit area will debut nationally in the next two months:

- ***Gran Torino***, starring, and directed by **Clint Eastwood**, opens in Detroit on Christmas Day, expanding wider in January. Named one of the Top Ten Films of 2008 by the National Board of Review, the NBR also named Clint Eastwood Best Actor.

- ***Prayers for Bobby,*** starring **Sigourney Weaver**, airs on Lifetime Network January 24.

- ***America***, starring **Rosie O'Donnell**, and **Cass Tech student discovery Philip Johnson** airs on Lifetime February 28.

- ***Gifted Hands: The Ben Carson Story,*** starring Cuba Gooding Jr., as world renowned brain surgeon and Detroit native, Ben Carson, is tentatively scheduled to air on TNT Network in February.

INDIVIDUAL SUCCESS STORIES

SOMERSET INN, Troy, MI

Over 7,000 room nights used, or booked through end of 2008;

- Hired over 20 new employees, in areas such as housekeeping, front desk, kitchen, restaurants
- Increased operational purchasing 15-20%, to over $70,000 in upgraded room amenities
- Projected guest room revenue of $850,000, plus incidental revenue of $350,000.

Gross Revenue Increase over 2007:	**20% in TOTAL OVERALL BUSINESS.**
GROSS FILM REVENUE YTD:	**$1.2 million**

Quote from **Pam Holland**, Dir. of Sales and Marketing, Somerset Inn

"This bill is the single best thing the governor has done for this state, and no one in any of these areas, outstate included, would say it is anything short of spectacular.

- **Motion Picture Institute**, Troy, MI:

Increase in student enrollment:	**32% over** 2007-08
Revenue increase:	$170,000 over 2007-08
No. of students from out-of-state:	10

Is already seeking a new facility to accommodate enrollment surge, needing at least 12,000 sq. ft., an increase of 20%.

- **Detroit Marriott Hotels - Renaissance Center and Courtyard**

Film company bookings surpassed $300,000 in first three months after legislation, with four film and television projects booked into both properties.

GROSS FILM REVENUE YTD:	$300,000
% over '07:	100%

- **S & R Event Rental,** Harrison Twp. – **(Revised with new info)**

Firm almost relocated to Pennsylvania, taking on several film projects there. The thought was abandoned after film incentives kicked in this year. **HIRED 11 NEW EMPLOYEES, including SEVERAL LAID OFF AUTO WORKERS.**

YEAR TO DATE FILM REVENUE:	$300,000
% OVER '07:	1000% (NOT A TYPO!)
ADD'L INVESTMENT:	$80,000 in new equipment and inventory

- **City of Highland Park,** received a general production investment of well over $750,000 into several residential streets from the film *Gran Torino.* Residential homes were upgraded with new driveways, garage expansions, porches, landscaping and paint jobs, in addition to personal cash payments to homeowners. "Leave it etter than how we found it," is Mr. Eastwood's motto.

SAMPLE RESIDUAL RESULTS FROM MICHIGAN FILMMAKING:

- **Film:** ***SEMI PRO*, New Line Cinema, 2007**
  Beneficiary: Michigan State Fairgrounds & Coliseum

In addition to the $20,000 paid for use of the building, New Line Cinema paid additional thousands of dollars to beautify, plant trees around the exterior,and power wash the entire building & walkways to spruce it up.

Film: ***BEVERLY HILLS COP,* Paramount Pictures, 1984**
Beneficiary: Mumford High School, Detroit
Iconic Mumford Phys. Ed. Dept. t-shirt, worn by Eddie Murphy in the film was sold nationally, grossing over $1 million for Mumford High School, in 1984-85. Media coverage from New York Times, NBC, CBS, ABC and other major outlets.

Film: ***SOMEWHERE IN TIME,* Universal Pictures, 1979**
Beneficiary: Mackinac Island, and Grand Hotel
Best residual result so far. Fan club of the film annually makes a weekend trek to the Grand Hotel, purchasing over 1,000 room nights, generating over $350,000 in revenue, in addition to business received by many B&Bs on the island.
PLUS, 30% of tourists responding to a survey cited SOMEWHERE IN TIME as how they learned of Mackinac Island.

<u>TALKING POINTS</u>

MISCONCEPTIONS:
Rebate recipients are <u>NOT "Hollywood tycoons or stars"</u> (as stated by one senator), but your neighbor, friend or relative – working on a crew, in a restaurant, sewing costumes, college graduates, laid off auto workers, teamsters and others.
* Crew members are not just employees, but also <u>small business owners</u>, as many electricians, grips, caterers, location scouts, etc. are creating their own LLCs.

- Local police and fire personnel utilized are NOT charged to local taxpayers, as some have claimed (Sen. Cassis), but instead are REIMBURSED by each film productions.

- Funding for film rebates come from the state's general fund, and in no way affect budgets for public education, schools, colleges or universities, as contended by Sen. Cassis.

- **"Not long term sustainable jobs"- Sen. Cassis. This is not true**, as New Mexico and Louisiana continue to have thriving industries, once infrastructure and a substantial, capable work force are created. The industry becomes self-sustaining, even with better rebates elsewhere.

ADDITIONAL TALKING POINTS:
- **Is Michigan good on its word?** Inviting a billion dollar industry one day, and reversing it six months later sends a message of confusion not just to Hollywood, but ALL INDUSTRIES. This seriously compromises the state's reliability as a business partner.

-- **Michigan's many attributes recognized.** Once productions arrive, producers are bowled over by the geography, enthusiasm, receptivity and work ethic they don't find elsewhere.

-- **Stemming the youth migration and brain drain.** We've seen dozens of first-hand accounts of college/high school graduates now seeking employment here first, before considering a move out of state.

-- **Importing jobs rather than exporting** – Two experienced crew members just moved to Michigan from Austin, Texas, because of the growing film load. They left a house in the care of relatives, researched areas on Craigs List, and moved into a flat in Ferndale, all in one week.

-- **Perfect Example:** TV producer Bill Latka, a 20-year Hollywood veteran of non-fiction television and documentaries, just moved to Traverse City, **purchased a home**, is investing thousands of dollars more in post-production facilities, and is intending to hire 10-20 new people. He said to the Film Office, "This may sound corny, but I like signing paychecks. I was thrilled to be able to return to Michigan, purely based on the film incentives."

-- **Jeopardizing infrastructure** – Developers with hundreds of millions of dollars on the table are asking themselves, "Why should I build a studio if there won't be enough films to fill the stages?"

-- **Industry Proof of Infrastructure -** Once sound stages are built, people will see, and be more comfortable with the actual physical evidence of the industry's presence. Rather than just the scattered public appearances of film sets around the area.

-- **TOURISM** - Remember – the thriving tourism industry in Southern California was literally founded on the shoulders of the movie business. Once state locations, sites and landmarks are seen, tourism will only be enhanced.

- **Incentives not a single panacea,** to rebuild the state's economy. Only one part of the governor's many efforts to diversify the state's job base.

-- **"What else is there?"** - Supporters of the bill – regular citizens, not just those in the industry – tell us every day, 'what else is there?" They're tired of the endless parade of bad news that fills the front page every day. It's the only industry that can mobilize and build immediately, and continue gaining strength from there.

ENDORSEMENTS thus far:
Livonia Chamber of Commerce
Ferndale Chamber of Commerce
Novi Chamber of Commerce,
Royal Oak Chamber of Commerce

Detroit Free Press Editorial Page
Lansing State Journal Editorial Page
Oakland Press Editorial Page

The Economic Impact of Michigan's Motion Picture Production Industry and the Michigan Motion Picture Production Credit

February 6, 2009

Steven R. Miller
Abdul Abdulkadri

Center for Economic Analysis
Michigan State University

MICHIGAN STATE
UNIVERSITY

CEA
CENTER FOR
ECONOMIC ANALYSIS

For More Information

Steven Miller, Director , Center for Economic Analysis, (517) 355-2153 or mill1707@msu.edu

The Center for Economic Analysis is sponsored by the Michigan Agricultural Experiment Station, Michigan State University Extension, and the MSU Department of Agricultural, Food, and Resource Economics.

Executive Summary

In the nine months following passage of the Michigan Film Production Credit, 32 Michigan film productions were completed generating nearly $70 million in spending. This spending directly and indirectly benefited Michigan residents and businesses. This study presents the estimated economic impacts of film production in Michigan following the passage of this incentive. The Michigan REMI model is used to estimate state-wide economic impacts of audited expenditures of Michigan film productions in 2008.

- Michigan productions spent $65.4 million dollars in 2008. Of this, $25.1 million was spent on direct wages and salary and $40.3 million was spent on Michigan goods and services. Productions directly employed 2,763 Michigan residents during the duration of filming.
- Through a multiplier effect, film productions generated 1,102 year-round equivalent jobs in 2008 with total wage and salary income of $53.8 million. In addition, film expenditures generated $28.4 million in additional state-wide expenditures through the multiplier effect. In total, film production expenditures generated $93.8 million in state output in 2008.
- We estimate total production expenditures will grow 187 percent from 2008 to 2012 based on the experiences of Louisiana and New Mexico, who passed similar, but lower incentives in 2002. Both states continue to experience year-over-year growth in total in-state production expenditures.
- By 2012, we project total direct production expenditures will climb to $187.7 million. These expenditures will likely produce 2,922 jobs with annual income of $189.5 and total state output of $335.6 million, once accounting for the multiplier effect.
- Based on generally accepted economic theory, multiplier impacts will increase over time. This occurs as infrastructure develops around this new industry and a greater proportion of the total production budgets are captured in state.
- Michigan film will likely generate tourism impacts. We do not estimate such impacts but illustrate examples of locations in Michigan that have generated tourism and other indirect benefits from film production.

Table of Contents

Introduction 1
Impact of the Michigan Film Production Credit 2
Method 3
Film and Digital Media Direct Production Expenditures 4
State-wide Economic Impacts 7
Un-Measured Impacts and Motion Picture Tourism 10
Conclusion 12
Bibliography 14

Introduction

Michigan legislators enacted the Michigan Film Production Credit incentive program in April 2008 to correct Michigan's uncompetitive position in attracting film and digital media productions relative to other states. This act provides a refundable, assignable tax credit of up to 42 percent of the amount of a production company's qualified expenditures incurred in producing a motion picture or other media entertainment project in Michigan. Michigan combines this incentive with a 25 percent tax credit for companies that invest in new film and digital media studios in the state and 50 percent non-refundable and non-assignable tax credit for on-the-job training expenses. Combining these incentives, Michigan has created an incentive package to not only draw filming crews to Michigan, but also to attract a whole industry in one effort to offset Michigan's declining manufacturing base.

Under this program, productions receive a 40 percent refundable tax credit for qualified Michigan expenditures and may qualify for an additional 2 percent credit for purchases and transactions in any of Michigan's 103 Core Communities. Qualified Michigan expenditures include wages and salaries of Michigan residents, and purchases of goods and services from Michigan businesses. Additionally, expenditures generally categorized as *above the line* also qualify for the 40 percent credit and are eligible for the additional two-percent credit for production activity within a Core Community. *Above the line* expenditures encompass the creative talent component of the production, including writers, producers, directors, and cast. These expenditures are generally negotiated before filming begins. Finally, productions are eligible for a 30 percent credit for wage and salary expenses of *below the line* crew members hired from outside the state who do not make up the creative talent component of the production. *Below the line* expenditures include wages and salaries of non-cast crew.

Both Michigan and non-Michigan production companies are eligible for this incentive. To be eligible for tax incentives, production companies must spend at least $50,000 in the state for development, and production activities of a state qualified production. They must also provide a pro-forma, or projected budget, and enter into an agreement with both the Michigan Film Office and the Department of Treasury. The Michigan Film Office provides a post-production certificate of completion based on audited records of expenses, and the production is responsible for submitting this post-production certificate to the State Treasury for credit consideration.

The Michigan Film Office and the Department of Treasury have discretion on whether to enter into an agreement with eligible production companies. Several factors are considered before entering into such an agreement including whether the production will locate in another state in the absence of the incentive; the extent that the production will promote Michigan as a tourism destination; the economic development or job-creation linked to the production; and the background record of the production company. Furthermore, several types of productions are not eligible for credit, including those enterprises pursuing news and sporting event coverage, radio programming, political or product advertising, fundraising efforts, game shows, and those covering topics generally deemed obscene.

It is posited that this tax credit will continue to attract motion picture production projects to Michigan and will propel the development of the film and digital media industry cluster in Michigan. As this cluster develops, Michigan will be home to more production projects and will gain further revenue injections through film production expenditures. Furthermore, as the cluster develops, a greater proportion of production expenditures will be internalized within the Michigan economy. Michigan film industry will be more equipped to see the film making process through, from beginning to end throughout the calendar year. Using standard economic impact modeling techniques, this report shows that the potency of film production expenditures is likely to increase as Michigan's film and digital media production industry develops over time. This report also documents the economy-wide impacts from 2008 film production expenditures. Projections of film production expenditures in Michigan are created based on trends experienced in states with similar film incentives.

Impact of the Michigan Film Production Credit

In 2008, Michigan's Film Production Credit generated a great deal of film production activity in Michigan and created a stir in Hollywood. The L.A. Times reports (Verrier, 2008), "Not since Michael Moore's documentary "Roger and Me" has the Great Lakes state garnered so much attention from Hollywood." There is good reason too. Michigan's film incentives are generally considered to be the most aggressive in the U.S. Competing state incentives have resulted in a gradual whittling away of southern California's film production activities. These runaway productions have mostly been isolated to three cross-boarder locales such as Vancouver, Toronto, and Montreal (Scott & Pope, 2007). However, the decline of the dollar caused the cost of filming in Canada to increase, setting off competition across states to recruit available productions to their state.

Interest in filming in Michigan following the passage of the Michigan Film Production Credit is evident when comparing 2007 filming activity to 2008. The Michigan Film Office web site shows that only two motion picture productions were filmed in Michigan in 2007, and these productions generated about two-million dollars in state expenditures. In contrast, the Michigan Film Office received 221 scripts for potential consideration, leading to 136 applications and 71 approvals for the incentive program in the nine months following the passage of the legislation. In all, 32 new production ventures completed filming in Michigan in 2008; contributing nearly $70 million in direct expenditures.

The additional film production activity and interest in Michigan are testaments to the impact of the Michigan Film Production Credit. However, interest is not limited to actual film production. Several parties have inquired about building production studios in Michigan, taking advantage of the infrastructure credit accompanying the increased film production. Three soundstages are planned for construction in Southeast Michigan and interest in other studios and soundstages exist outside of southeast Michigan, according to the Michigan Film Office. Additionally, Michigan's universities and community colleges, and vocational training schools have announced various programs and partnerships statewide in response to immediate demand for training film industry and workforce training. West Shore Community College and 10 West Studios in Manistee have collaborated to offer a film production-training program; Oakland Community College and S3 Entertainment Group have developed new Fast Track educational programs; and the Macomb Community College is offering film-based programs to area residents among others. Interest in pursuing film careers in Michigan has spiked since Michigan enacted the Film Production Credit.

The following sections illustrate the model for estimating the economic impact of 2008 film production in Michigan. Projections are used to illustrate how film production expenditures are likely to expand over time. The following section describes the approach used to estimate the economic impact of film production expenditures and concludes with estimates of that impact. The next section describes the modeling framework and associated assumptions used to estimate economy-wide impacts in Michigan. The last section describes estimates of the direct and indirect effects and provides economy-wide summaries of the expected impact from 2008 to 2012.

Method

We use the Regional Modeling Incorporated's (REMI) Policy Insight Model for Michigan to estimate the economic impact of the Michigan Motion Picture Production Credit. The REMI model is designed for practitioners to understand how policy and industry changes affect the economics of all sectors of the economy and population. It is a quantitative model that incorporates accepted economic modeling principles in establishing value chains across industries, within and outside a modeled region. These value chains represent the transactions across industries when producing goods or services for final consumption. Within the current film production context, such transactions will likely include purchases of construction inputs, props, costumes, and other material purchases as well as a host of services that may include accommodations, equipment rental, property leasing, graphic-art services, set design, a host of technical consulting services, travel services, and others.

The REMI model uses a system of accounting for tracking transactions across all sectors of the economy in providing estimates of the total impact that accrues to a local economy from an initial stimulus. Such impacts start from an initial set of expenditures, called direct expenditures or direct effects. These dollars circulate within the state economy through secondary transactions, as beneficiaries of direct expenditures increase expenditures. Such secondary transactions continue at a progressively lower level overtime, dwindling from gradual leakages that occur when beneficiaries of secondary transactions purchase out of state. Once the initial economic stimulus runs its course through sequential secondary transactions, the measurable total economic impact will be larger than the initial stimulus.

REMI also imputes the necessary capital investment expenditures and labor required to support additional industry sales. Whenever industry sales ratchet up, both employment and capital are required to facilitate new sales. Across an inclusive set of industries, REMI uses national estimates of the capital and labor necessary to support a given level of industry sales. The model uses accepted economic modeling principles to track the expected gradual investment in capital necessary to sustain an increase in industry sales. Furthermore, industry employment increases to the extent that additional labor is required to support increased economic activity. As labor and capital are added to the economy to meet new demand, proficiency is created. Specialized labor becomes less expensive and more accessible as a pool of skilled workers grows. Labor also becomes more proficient, as the number of workers required to support a given level of industry sales declines. Furthermore, the cost of providing support services declines as vendors form core clusters. In essence, the REMI model captures agglomeration effects that accrue as industry clusters mature. As Michigan's film cluster develops, the Michigan motion picture and digital media industry becomes more efficient and competitive relative to the nation; affording more film and digital media production projects in Michigan and potentially less dependence on the incentive themselves.

Deriving meaningful estimates of the economic impact of film production expenditures requires careful consideration of what makes up the direct expenditures and proper assignment of these direct expenditures to various industries. This analysis uses a combination of audited actual expenditures and non-audited projected expenditures to accurately allocate expenditures into proper spending categories. As of this writing, the Michigan Film Office has provided post-production certificates of completion for 32 completed productions in 2008 that sought Film Production Credits. Post-production certificates document the audited expenditures across ten distinct spending categories.

Only expenditures reported to take place in Michigan are considered for this economic analysis. These direct expenditures are distributed among 19 expenditure categories for use in the REMI model based on detailed budgets and post-production certificates of completion of the 32 completed and audited productions.

Because only expenditures that take place in Michigan are included in the economic impact assessment, direct expenditures are lower than the total value of the 32 film budgets. Budgeted expenditures made to individuals and firms outside of Michigan are excluded from the analysis, and assumed to have no impact on the Michigan economy. Based on post-production certificates, about 45 percent of total 2008 production expenditures eligible for the Michigan Film Production Credit were out of state expenditures. About 26 percent are *above the line* expenses for creative talent, and 19 percent are for *below the line*, non-Michigan wages and salaries of cast and crew members.

Film and Digital Media Direct Production Expenditures

The Michigan Film Office and Department of Treasury collected 136 applications from film productions and approved 71 unique productions for state incentives. Over $492.4 million in production expenditures were approved between April 8 and December 31, 2008. However, not all of the 71 approved projects materialized in 2008, and some have signaled intent to film their projects or resubmit in 2009. In all, 32 of the approved film and digital media productions were completed in 2008. These approved productions have total production budgets of $172.1 million and Michigan approved $124.4 million of the total budgets for eligibility for credit under the Michigan Film Production Credit.

The 32 post-production certificates indicate productions spent 927 days filming in Michigan in 2008[1], and most production projects required fewer than 30 days of filming. Productions further report employing 2,763 Michigan workers, excluding extras. Based on the audited budgets, the 32 productions directly spent $65.4 million in Michigan. Table 1 summarizes the 2008 film productions.

Table 1: Summary of 2008 Film Production Enterprises	
Projects Approved	
Number of Project Applications	136
Number of Approved Projects	71
Total Budget Amount of Approved Projects	$ 492.4 Million
Completed Projects	
Number of Completed Projects	32
Approved Budgeted Expenditures of Completed Projects*	$ 172.1 Million
Approved Actual Expenditures of Completed Projects**	$ 124.4 Million
Total Michigan Expenditures***,§	$ 65.4 Million
Total Direct Employment****,§	2,763
Total Number of Filming Days	927

* includes eligible expenditures and ineligible expenditures at time of approval
** includes Michigan expenditures and all approved wages and salaries eligible for the incentive
*** includes only Michigan expenditures that contribute to a state-wide economic impact
**** does not include extras
§ applied to the REMI model for analysis

Direct Michigan expenditures measure the economic stimulus that drives the REMI economic impact calculations. Table 2 breaks out total approved budgets based on the post-production certificates and audited budgets. *Below the line* labor wages and salaries make up about 38 percent of the total in-state expenditures. Contracted services of Michigan firms make up the next largest component of in-state expenditures. All direct Michigan expenditures are allocated to 19 expenditures groups based on detailed audits. These breakouts allow REMI to capture the chain of secondary expenditures that provide the economy-wide impact.

The REMI model tracks economic impacts over time. To add a time element to direct film and digital media productions, total Michigan direct expenditures are trended over time. Louisiana and New Mexico enacted similar, yet less aggressive incentive credits in 2002 and 2003. Both states experienced explosive growths in film production activities following passage of these incentives. Growth rates in film production expenditures in Louisiana and New Mexico since enacting their respective incentives will provide guides to estimate the expected trajectory of Michigan film production expenditures over time.

[1] This number may be understated, as filming day numbers of some productions have not yet been fully verified. Filming days of unverified productions are not included.

Table 2: Spending Categories of Approved Expenditures*			
	Approved Non-Michigan Expenditures	Approved Michigan Expenditures	Approved Actual Expenditures of Completed Projects
ATL Labor Wages/Salaries	$ 36.4 Million		
Non-Michigan BTL Wages/Salaries	$ 22.5 Million		
BTL Labor Wages/Salaries		$ 25.1 Million	
Michigan Lodging Expense		$ 5.0 Million	
Michigan Building(s) Rental		$ 1.7 Million	
Michigan Food/Restaurant		$ 3.1 Million	
Michigan Equipment Rental/Purchase		$ 9.1 Million	
Michigan Materials Rental/Purchase		$ 8.4 Million	
Michigan Location Fees		$ 2.4 Million	
Michigan Contracted Services		$ 10.6 Million	
Totals	$ 58.9 Million	$ 65.4 Million	$ 124.4 Million

Only Approved Michigan Expenditures are applied to the REMI model.

The un-weighted average growth of in-state production expenditures in Louisiana and New Mexico following the enactments of their respective incentive credits are used to project total direct expenditure growth in Michigan, as shown in Table 3. Because direct expenditures are distributed among 19 expenditure categories, the annual direct expenditure growth is applied to each of the expenditure categories – not shown in the table.

It is important to recognize that the growth in Michigan film expenditures are merely conjectures of how expenditures are likely to increase over time. The actual growth of production expenditures may vary from these projections. For example, since the Michigan Film Production Credit is more aggressive than other state incentives, it is feasible that the actual expenditure growth will be higher. Alternatively, the current economic environment may curtail future production budgets; leading actual future expenditures to be lower than projected. The reader is cautioned in interpreting the growth projections.

Table 3: Direct Expenditures and Employment and Projections*			
	Expenditure Growth Since 2008	Total Direct Expenditures ($ millions)	Total Direct Employment**
2008	NA	65.4	665
2009	105%	134.1	1,291
2010	135%	153.8	1,398
2011	163%	172.0	1,484
2012	187%	187.7	1,536

* 2008 encompasses 9 months of filming activity, and 2009 to 2012 projections are based on calendar year expenditures.

** Direct employment is estimated from direct expenditures in annualized jobs

The REMI model uses average sales per employee to calculate direct employment required to support direct expenditures. Table 3 also reports the estimated direct employment impacts in annualized jobs. This measure differs from the direct employment reported by production companies and shown in Table 1 in two aspects. First, production companies report hires as those directly hired by the production company. However, these direct hires are employed for the duration of the shoot, rather than over the course of a year. The typical 2008 production filmed for 23 days. Based on a 250-day work-year, 2,763 direct short-term employees generate approximately 254 annualized Michigan jobs in 2008. Estimated direct employment also differs from the post-production records of direct employment in that direct expenditures to Michigan businesses induce Michigan businesses to hire additional workers to fill new orders. REMI calculates the additional workers necessary to support these direct expenditures and we categorize these induced hires as direct employment impacts of film production expenditures. We estimate that non-wage, direct production expenditures generated an additional 411 direct Michigan jobs in 2008. Together, the number of annualized jobs hired directly by productions and the number of industry hires induced by direct production expenditures provide total direct employment of 665 for 2008.

The total direct expenditures and direct employment will be used to form the basis of multiplier calculations. Economic multipliers are common measures of the actual and potential economy-wide impacts from a given level of stimulus. Once the initial economic stimulus runs its course through sequential secondary transactions, the measurable total economic impact will be larger than the initial stimulus injection of the direct expenditures. The multiplier is a measure of the difference in direct expenditures and employment and the economy-wide expenditures and employment.

State-wide Economic Impacts

The REMI model of Michigan provides statewide economic impacts resulting from direct expenditures of film production in 2008 and the projected expenditures from 2009 to 2012. The calculated economic impacts provide measures of the industry multipliers and population impacts as discussed below. To be sure, only actual and projected Michigan expenditures are considered in deriving these economy-wide impacts.

Table 4 displays the economic impacts in terms of changes in Michigan employment, personal income, and output. Employment impacts measure how motion picture production expenditures changed statewide employment in 2008 and how they are likely to change statewide employment throughout the projection period. Similarly, personal income in the state increased by $53.8 million in 2008 and is expected to trend up as film and digital media production expenditures continue to trend up. The typical earnings of these new Michigan jobs are relatively high, with average earnings of nearly $49,000 in 2008 and increasing to nearly $65,000 by 2012.

The concept of the economic multiplier is at the core of impact analyses. Statewide economic impacts are measured as the sum of direct and indirect effects[2]. Economic

[2] Many researchers typify total impacts as the sum of direct, indirect, and induced effects. REMI estimates all three components of total impacts but does not distinguish indirect and induced effects.

multipliers are calculated as the ratio of total impacts divided by the direct effects and provide a measure of the degree to which initial economic stimulus disperses throughout the economy. The higher the multiplier the more potent the stimulus is at creating economy-wide impacts. In addition, economic multipliers are not necessarily constant over time. Since economic multipliers reflect the underlying structure of the economy, the economic multipliers will change as the structure of the economy evolves. More so, as industries develop clusters of interrelated businesses, their supply chains tend to deepen. Industries with deep supply chains will have larger multipliers than industries with shallow supply chains. An industry with a deep local supply chain is one that purchases a great deal of inputs from other industries within the same economy. In Michigan, the auto sector is an example of an industry with deep supply chains, because many of the automobile parts suppliers are also located within the state.

Table 4: Estimated Economy-wide Impact and Projections

Variable	2008	2009*	2010*	2011*	2012*
Total Non-Farm Employment	1,102	2,214	2,500	2,741	2,922
Private Non-Farm Employment	1,089	2,179	2,442	2,661	2,822
Public Admin Employment	13	35	58	80	101
Personal Income (Mil Nom $)	53.8	116.6	142.9	167.4	189.5
Output (Mil Nom $)	93.79	203.4	248.0	292.7	335.6

* projected economic impacts

In the context of film and digital media production, much of the supply chain does not yet exist in Michigan. Talent and infrastructure is in the process of development. Within the short nine months since enacting the Michigan Film Production Credit, Michigan's universities, community colleges and vocational schools have responded to this industry's need for creative and technical talent with new educational programs and courses designed around film and digital media productions. In addition, soundstages of the caliber required for large-scale productions have not yet been established in Michigan. However, staff at the Michigan Film Office references an extraordinary response from businesses and individuals seeking to locate in Michigan to pursue businesses and careers in film and digital media production. Indications show that Michigan is likely to be home to several new soundstages. As such, resources within Michigan will gradually ratchet up, the film and digital production industry's supply chain will deepen, and economic impacts of production expenditures will expand over time.

Table 5 reports the employment and output multipliers over time; indicating a deepening supply chain as the film and digital media cluster develops. As infrastructure and talent develops in Michigan, transactions become more internalized to the Michigan economy. Fewer outside suppliers are required to complete production and a greater proportion of total production budgets will remain in Michigan. Hence, Michigan businesses will enjoy a much larger share of the total value of production that goes into motion picture production as Michigan's film production cluster develops.

Table 5: Dynamic Impact Multipliers		
	Employment	Output
2008	1.66	1.43
2009*	1.71	1.52
2010*	1.79	1.61
2011*	1.85	1.70
2012*	1.90	1.79

* Projected values

Population impacts are likely to occur as well. According to the U.S. Census, Michigan has experienced a net outmigration of over 90,000 residents between 2005 and 2008. Michigan leads the nation in unemployment, and according to an annual United Van Lines study of migration, relative to other states Michigan has had the highest percent of outbound migrants for the last 3 years. Furthermore, it is well recognized in Michigan that outmigration of Michigan's young educated workforce is a concern (Burzynski-Bullard, 2008). Michigan is losing its young educated work force to states with better job prospects according to Lou Glazer, President of Michigan Future Inc.

As discussed above, the Michigan jobs connected to film and digital productions are high-paying high-skilled jobs that Michigan desires to attract and retain. The REMI model provides estimates of the population impacts of the film and digital media stimulus. Table 6 shows estimated population changes resulting from Michigan's growing film and digital media production industry. The positive impacts shown are cumulative and show that by 2012, film and digital media enterprises will likely partially offset Michigan's current outmigration by retaining or attracting 1,612 residents.

Table 6: Population Impacts (Change in Population)					
	2008	**2009***	**2010***	**2011***	**2012***
Total Population Change	206	570	926	1273	1612
Ages 0-14	50	141	232	323	414
Ages 15-24	46	121	185	238	281
Ages 25-64	110	307	506	706	906
Ages 65 and Older	0	1	3	7	12

* Projected values

In generating Table 6, the REMI model estimates migrations flows based partially on differences in expected income and prospects for employment. Regions that suffer both low wages and low employment opportunities relative to other regions generally experience outmigration. The REMI model uses relative employment opportunity and relative wage rates to estimate migration impacts. If employment opportunities increase or wages increase relative to the nation, REMI will predict net in-migration. As discussed above, film production expenditures generate high-wages and high-skilled jobs. The REMI model correctly anticipates a responding surge in migration as economic migrants pursue such jobs.

This section shows that film production creates real economic impacts. We project that by 2012, film production expenditures will increase to $187.1 million per year. Film productions and contracted businesses will directly employ 1,536 residents year-round. Through the multiplier effect, statewide output will gradually increase by $335.6 million and employment will expand by 2,922 jobs by 2012. These are high paying jobs offering wages in excess of $64 thousand a year and requiring substantial technical skills. Finally, these high-quality jobs are expected to help ease Michigan's recent outmigration.

Un-Measured Impacts and Motion Picture Tourism

Michigan has a very diverse environment, making it an ideal location sought out by motion picture producers according to feedback from 2008 producers. The film production industry is attracted to Michigan's blend of urban and rural settings, extensive historical communities and architecture, contemporary settings, and open space. Contributing to its appeal, Michigan is also home to an array of independent artists and talent to support such an industry. While Michigan has much to offer film and digital media producers, the converse is true as well.

While the motion picture production industry is not recession proof, it is resilient against economic down-cycles (Lev-Ram, 2008). During economic slumps, consumers may drastically curtail expenditures, closing the spigot of funds that circulate and re-circulate within the economy. However, movie receipts often go in the opposite direction, as moviegoers turn to cinema during tuff economic times. Such recessionary resilience is in contrast to Michigan's dominant manufacturing sector that tends to move with business cycles.

Other measurable benefits exist. While Michigan has an established tourism industry, film provides national and international exposure of Michigan's charms to further build on this existing industry. The right film at the right place has potential to spark significant tourism and open opportunities for Michigan's communities. When surveyed, approximately 30 percent of Mackinac Island tourists revealed that they learned about Mackinac Island from seeing the 1980 cult classic movie *Somewhere in Time*. Filmed on location on Mackinac Island, this movie has a loyal following of fans that flock to the Grand Hotel every October during the Somewhere in Time Weekend, and generates over 1,000 room nights and over $620,000 in annual sales[3]. In 1984, Eddie Murphy's character in *Beverly Hills Cop* sported Detroit high school insignia that generated over $1 million in t-shirt sales revenue for Mumford High School. Producers of *Semi-Pro* invested heavily in maintenance and landscaping around the Michigan State Fairgrounds and Coliseum during filming in 2007. In addition, 50 years after filming Anatomy of a Murder in and around Marquette, MI., Marquette continues to capitalize on tourism generated from this classic Jimmy Stewart film.

Many examples exist of regions benefiting from increased tourism by capitalizing on major motion pictures. Regional economic development professionals throughout Oregon set out early to capitalize on potential tourism impacts of the 2008 film, *Twilight*.

[3] Total sales is calculated using reservation prices, Michigan tourism spending profiles and standard economic multipliers.

Their efforts paid big dividends off the success of the movie. Lucrative events and tours around filming locations coincided and followed the release of the movie. Furthermore, tourism impacts can last for years. The *Field of Dreams Movie Site* continues to draw about 65,000 visitors a year following the 1989 release of *Field of Dreams*. The movie *The Bridges of Madison County* provides another example of potentially long-lasting tourism impacts of motion picture production. Approximately 150 people visit Madison County's tourism office on a typical day in search of the covered bridges featured in this 1995 Clint Eastwood film. Such attractions are easily leveraged with other attractions to create a tourism destination.

Other examples exist, as the list of hit movies that have sparked tourism growth in filming locations is extensive, and several lessons are learned from these experiences. Research on how the motion picture industry impacts tourism is growing with four broad categories:

- How a motion picture impacts the decisions to travel
- What are the profiles of motion picture tourists
- How a motion picture impacts the number of regional tourists
- How regions are marketing destinations through motion pictures and television.

The general finding is that motion pictures influence individuals' desires to experience new destinations. Destination placement in theaters exposes viewers to locations of interest that are further enhanced by involvement in the topic of the movie.

In a recent academic article, Hudson and Ritchie (2006) note that film-induced tourism is a growing segment of the tourism market. Many economic development professionals see geographic placement in movies as a viable approach to market their regions as tourist destinations. Product placement in movies to generate demand has been a long-time strategy for brands such as Coca-Cola and Pepsi. More recently, regions have looked to expand the reach of traditional commercial and print advertising for tourism with tourism-destination placement in movies. Since research indicates that product placement in movies is more effective than traditional media advertisement (Karrh, Mckee, & Pardun, 2003), economic and tourism development professionals anticipate that destination placement in movies will produce successes similar to those of product placement. When compared to the effectiveness of advertising destinations, the *Lord of the Rings* trilogy provided equivalent media exposure of $41 million in traditional tourism destination advertising for New Zealand travel (New Zealand Institute of Economic Research, 2002).

Hudson and Ritchie further survey destination-marketing organizations that have attracted film-induced tourist to better understand what factors are most effective at generating tourism. These factors included performance of the film at the box office and other attributes, destination attributes, and cooperation of government and non-government stakeholders in promoting their destination. They find that marketing activities are important in facilitating motion picture-tourism and that such efforts are best put into place before the release of the motion picture.

Other tourism research finds that motion picture-induced tourism is often year-round tourism; evading seasonal variations. In addition, film induced tourism often brings visitors to locations they would not likely visit otherwise. Film induced tourism has the potential to broaden the base of the visitor market if pursued. Such research indicates that motion picture-related tourism is a robust form of tourism that does not share the usual seasonal and economic cycles of traditional leisure tourism.

While these impacts are difficult to measure and are likely to vary across circumstances, they are real and observable. New Mexico finds that $2.50 is generated in film tourism for every dollar of in-state production expenditure (Ernst & Young, 2009). Increasingly, film tourism and issues associated with film tourism are topics in academic journals, and economic development professionals are realizing the potential to capitalize on film tourism as viable economic development initiatives. As reported in *The Annals of Tourism Research*, locations where a successful film was shot generally see a 54 percent increase in tourism visits over four years (Riley, Baker, & Van Doren, 1998).

Conclusion

This study documents the direct and indirect impacts of Michigan film production in 2008. These impacts follow the Michigan Film Production Credit enacted in April. Projections of direct and indirect impacts through 2012 reflect the expected growth in state production expenditures based on expenditure growths experienced in Louisiana and New Mexico following the launches of their film incentives. The Michigan REMI economic impact simulation model is used to model the actual 2008 impact and expected impacts from 2009 to 2012.

Film production expenditures increased to $65.4 million in 2008. Such expenditures are expected to double in 2009 and continue to increase at a decreasing rate through 2012. With the current incentives in place, we expect annual film production expenditures in Michigan will total $187.7 by 2012. This economic stimulus will generate 2,922 new jobs, annual wages commensurate to $189.5 million and a boost to total state output equal to $335.6 million annually.

Findings of this study show that Michigan film expenditures generated multiplier effects of 1.66 for employment and 1.43 for output in 2008. As film production infrastructure develops in Michigan, these multipliers are expected expand to 1.90 for employment and 1.79 for output. This expansion in multipliers is the result of deepening value chains, as Michigan will likely capture a greater proportion of total production budgets as its infrastructure develops. Evidence of infrastructure development has already been shown through investment in education and production facilities.

We also find evidence that film expenditures will positively influence migration in Michigan. The motion picture and digital media sectors are high-tech sectors that require a high-skilled labor force. These positions, whether they are on the set during filming, in the studios for post-production, or supplying services for productions, provide high-paying opportunities for Michigan workers.

This analysis has not taken into consideration the full spectrum of motion picture and digital media production. Film production enterprises and parties interested in establishing soundstages and production facilities have responded quickly to Michigan's incentives, but have not been included in this analysis. Other media production enterprises such as video game productions are likely to follow, as Michigan's labor force develops around film and digital media productions.

This analysis also does not take into consideration real economic impacts accruing to Michigan's tourism industry. While there exists evidence of such secondary impacts from past films in the state, conjectures of how filming in Michigan will impact tourism would be uncertain at best without further research.

Bibliography

Burzynski-Bullard, S. (2008, May 15, 2008). State's College Graduates Still Make Run for Border. *The Detroit News*,

Ernst & Young. (2009). *Economic and Fiscal Impacts of the New Mexico Film Production Tax Credit*. Retrieved. from.

Hudson, S., & Ritchie, J. R. B. (2006). Promoting Destination via Film Tourism: An Empirical Identification of Supporting Marketing Initiatives. *Journal of Travel Research, 44*(May), 387-396.

Karrh, J. A., Mckee, K. B., & Pardun, C. J. (2003). Practitioners' Evolving Views on Product Placement Effectiveness. *Journal of Advertising Research, 43*(2), 138-149.

Lev-Ram, M. (2008). The Box Office Indicator: When Times Get Tough, Consumers Beeline to the Movies [Electronic Version]. *Fortune, Online*. Retrieved August 22, 2008, from http://money.cnn.com/2008/08/21/news/companies/ Movies.fortune/index.htm?postversion=2008082207

New Zealand Institute of Economic Research. (2002). *Scoping the Lasting Effects of the Lord of the Rings*: Thorton Wellington: New Zealand Institute of Economic Researcho. Document Number)

Riley, R., Baker, D., & Van Doren, C. S. (1998). Movie Induced Tourism. *Annals or Tourism Research, 25*(4), 919-935.

Scott, A. J., & Pope, N. E. (2007). Hollywood, Vancouver, and the world: employment relocation and the emergence of satellite production centers in the motion-picture industry. *Environment and Planning A, 39*, 1364-1381.

Verrier, R. (2008, Sep 30 2008). Hollywood on the Huron: Michigan Now a Film Mecca. *L.A. Times*,

MICHIGAN FILM OFFICE
2008 ANNUAL REPORT

FILM INDUSTRY REFUNDABLE TAX CREDIT
OPERATION AND EFFECTIVENESS

MICHIGAN FILM OFFICE
2008 ANNUAL REPORT

OVERVIEW

On April 7, 2008, Governor Jennifer M. Granholm signed into law an aggressive film incentive package, part of an overall economic stimulus package design to grow the economy and create jobs in Michigan. The legislation was proposed by the governor in her 2008 State of the State address and was approved with bipartisan support from members of the Michigan House of Representatives and the Michigan State Senate.

Michigan's new film program provides incentives for film, television, and digital media production; infrastructure development; and workforce development. There is an added incentive for hiring Michigan workers and filming in Michigan's 103 core communities, urban communities, and traditional centers of commerce. It also provides a number of other incentives for growing the industry in Michigan, including enhancements for the Michigan Film Office.

Specifically, the new laws provide up to a 40-percent refundable or transferable tax credit for projects in Michigan, with an additional 2-percent available for projects produced in core communities.

The new laws also provide a 25-percent tax credit for film and digital media infrastructure investments for such activities as building new or expanding existing facilities.

Production companies are now eligible to receive tax credits issued by the Michigan Economic Growth Authority (MEGA) against Michigan Business Tax (MBT) liability for the creation of jobs.

In an effort to grow the number of film industry jobs in the state, the new laws establish a Film and Digital Media Worker Job Training Tax Credit of 50 percent for expenditures incurred by a production company providing on-the-job training for Michigan residents. Film, television, and digital media companies are allowed the use of state property for productions without incurring any location fees. This is an option local governments are allowed to authorize as well.

FILM INDUSTRY REFUNDABLE TAX CREDIT – OPERATION AND EFFECTIVENESS

The refundable tax credit has been very effective in attracting qualified productions to Michigan. While 35 states have some type of incentive for the film industry, only 14 are considered competitive. Michigan is currently ranked by various incentive groups and studios as one of the top three incentive states in America, along with New Mexico (tax credits took effect in 2003) and Louisiana (tax credits took effect in 2002). Since the legislation was signed into law, Michigan filming expenditures have gone from barely $2 million in 2007 to over $100 million in 2008.

In 2008, 136 applications were received. Of those, 71 applications were approved and 35 productions completed their work in 2008. The completed projects include:

Project Name	Project Type	Project Primary Locations
3rd and Bird	Animation	Southfield
All's Faire	Feature	Flint, Holly
America	Television Movie	Detroit
Art House	Feature	Ann Arbor, Traverse City
Butterfly Effect 3: Revelations	Feature	Detroit
Cherry	Feature	Kalamazoo
Come On Over	Children's Television Series	
Cyrus	Feature	Niles and vicinity
Demoted	Feature	Dearborn, Detroit, Inkster, Milford, Novi, Plymouth, Southfield
Gifted Hands	Television Movie	Detroit
Grand Torino	Feature	Detroit, Highland Park
Hey Josh	Feature	Grand Rapids
High School	Feature	Howell
Horse Crazy	Feature	Howell vicinity
Hung	Television Pilot	Orchard Lake and vicinity
Intent	Feature	Detroit
Kevorkian	Documentary	
Miss January	Feature	
Offspring	Feature	Muskegon
Prayers for Bobby	Television Movie	Ann Arbor, Bloomfield Township, Detroit, Ferndale, Royal Oak
Prince of Motor City	Television Pilot	Detroit, Rochester Hills, Royal Oak
Raised Alone	Feature	Redford Township
Red and Blue Marbles	Feature	Detroit
Regional Roots	Documentary	
Rothbury Music Festival	Documentary	Rothbury
Steam	Feature	Grand Rapids
Street Boss	Feature	Jackson, Saginaw
The Job	Feature	Detroit, West Bloomfield
The Pentagon Memorial	Documentary	Ann Arbor
Tug	Feature	Holland
Virgin on Bourbon Street	Feature	Detroit, Ann Arbor
Wedding Day	Reality Show	Saginaw
Whip It	Feature	Ann Arbor, Birch Run, Detroit, Ferndale, Frankenmuth, Novi, Royal Oak, Troy, Ypsilanti
Wonder Pets	Animation	Southfield
Youth in Revolt	Feature	Ann Arbor, Interlochen, Madison Heights, Traverse City

Other areas will be added as the Michigan Film Office receives all of the project location lists.

The law allows production companies to request confidentiality regarding their budgets; therefore, only the total amount spent by the companies on Michigan jobs and products is being reported.

Total Michigan expenditures made by the 35 completed projects:	$125,000,000
Estimated Michigan jobs for the 35 projects:	2,800
Film industry refundable tax credits for 2008:	$47,992,000*

*Based on reporting as of February 3, 2009

Attached is an "Estimates of the Economic Impact of Michigan's 2008 Film Production" prepared by Michigan State University. This impact analysis represents 32 of 35 productions completed, which is the information that was available as of February 3, 2009.

As evidenced above, not only are Michigan's aggressive film incentives bringing new investment to the state, they also are laying the foundation for an industry that will support long-term growth. This is evidenced by the Michigan Economic Growth Authority (MEGA) board's recent approval of state tax credits for three new film industry projects. The combined investment for all three projects is expected to be $156.8 million.

Motown Motion Pictures LLC plans to develop a film studio and production services company with nine sound stages in Pontiac; Wonderstruck Studios LLC, part of Detroit Center Studios, will produce film content with an emphasis on computer-generated (CG) visual effects and animation in downtown Detroit; and Stardock Systems Inc., a software developer and publisher, plans to expand its Plymouth Township facilities to allow for the development and implementation of a new PC game.

MICHIGAN FILM OFFICE ADVISORY COUNCIL

The Michigan Film Office Advisory Council, formerly the Michigan Film Commission, is responsible for advising the office, the fund, the Governor, and the Legislature on how to promote and market Michigan to film, television, digital media, and related industries. The council may make inquiries, studies, and investigations, hold hearings and receive comments from the public.

MEMBERS

William H. Black, Rochester Hills	Legislative and Community Affairs Director Michigan Teamsters
Robert L. Brown, Farmington	Managing Partner Purple Rose Films and Charity Island Pictures
James S. Burnstein, Plymouth	Owner Elsinore, LLC
Xenia E. Castillo-Hunter, Southfield	Manager Film Detroit (a division of Detroit Metro Convention & Visitors Bureau)
Hopwood Depree, Holland	Chief Executive Officer TicTock Studios
Marcia C. Fishman, Southfield	Detroit Branch Executive Director Screen Actor's Guild
Cory A. Jacobson, Southfield	Owner Phoenix Theaters
Danialle Karmanos, Orchard Lake	Foundation and Executive Director Danialle Karmanos' Work It Out
Emery C. King, Bloomfield Hills (Chairman)	Owner/Vice President, Kingberry Productions Communications Director, Detroit Medical Center
Timothy F. Magee, Grosse Pointe Park	Vice President International Alliance of Theatrical Stage Employees
Sue E. Marx, Birmingham	Film Producer/President Sue Marx Films, Inc.
Michael F. Moore, Central Lake	Filmmaker/Co-Owner Dog Eat Dog Films
William P. O'Reilly, Bloomfield Hills	President Montana Corporation
Marc L. Prey, Milford	Attorney-At-Law

AdvertisingAge®

Motor City Shops Hit the Skids

)nce-Great Ad Town Feels the Pain as $880 Million in Big Three Biz Drives Off

'y Jean Halliday

ublished: July 23, 2007

etroit's ad community is very, very nervous.

uch of the swagger of Motown's once-mighty auto-ad-agency population, fed by clients with big egos and even bigger ıdgets, is gone -- replaced by fear as struggling Detroit automakers break their tradition of decades-old agency loyalty.

ere's a lot of nervousness about what will happen with Ford, GM and Chrysler,' said Arthur 'Bud' Liebler, Chrysler oup's former senior VP-marketing and now principal of PR firm Liebler MacDonald.

he past year alone, creative accounts on brands that spent some $880 million in measured media last year have fled city as DaimlerChrysler moved its Jeep brand to Cutwater, San Francisco, and General Motors shifted its massive orate account to Deutsch, Los Angeles, and its national Cadillac creative to Modernista, Boston. The consolidated ck-Pontiac-GMC decamps for Leo Burnett on Oct. 1, leading to worries it will be serviced primarily from that ıcy's Chicago outpost. And it's becoming uncomfortably clear that the remaining member of the Big Three, Ford or Co., could land the launch of its Focus some 600 miles east at Arnold, Boston. That agency is pitching against mbent JWT Team Detroit and a third undisclosed shop.

rtising employment in Michigan -- which is concentrated in Detroit, traditionally the No. 4 ad market -- has fallen espite a rebound in U.S. advertising jobs nationwide from the downturn earlier in the decade. The state's share of ad-spending employment is now 3.2%, down from 4.3% in the mid-1990s.

ετies

e's a lot of nervousness about what will happen with Ford, GM and Chrysler," said Arthur "Bud" Liebler, Chrysler 's former senior VP-marketing and now principal of PR firm Liebler MacDonald. "The clients are in more distress ıe Detroit ad community."

:'s an undertone of uncertainty that plays on everyone's psyche," said Jerry Acciaioli, senior account exec at CBS

Digital Media's Detroit-area office and ex-longtime Jeep account chief at BBDO.

More uncertainty lies in Cerberus Capital Management's upcoming majority purchase of Chrysler Group from Germany's DaimlerChrysler and whether the private-equity powerhouse will move the Dodge and Chrysler brand accounts from Omnicom Group's BBDO Detroit.

A Chrysler spokesman said all is well on the accounts with BBDO Detroit, which successfully pitched a new blitz for Dodge slated for fall.

Lost business

With GM's account shifts, there's also anxiety at Chevy's shop, Interpublic Group of Cos.' Campbell-Ewald, that the automaker will ship some work out, as it did in 2006 when it gave sibling Deutsch, Los Angeles, Chevy's baseball and motor-sports accounts for a year.

A Chevrolet spokesman said the client "is locked into a very aggressive schedule" with its Detroit agency for, among other things, the upcoming launches of the new Malibu and two-mode hybrid Tahoe.

Another unknown stirring concern is how and where Publicis Groupe's Leo Burnett will staff its newly won Buick-Pontiac-GMC accounts. GM said the core Buick-Pontiac-GMC team from Burnett "will be headquartered in Detroit but will also utilize Publicis and Leo Burnett resources in Chicago and other locations."

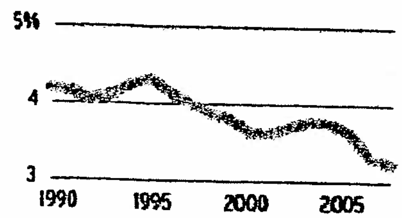
A GM insider said Burnett's proposal, handled at the highest levels of Publicis, called for creative to be based in Chicago. But a GM spokeswoman said, "We are still working through the details of how and where the work will be handled" but that all of Burnett's locations can provide flexible creative service for the three brands, depending on the specific project.

No reductions

McCann Erickson's 250-person office in Birmingham, Mich., was blindsided by the account move since GM had praised its Buick Enclave launch work two weeks before the switch. "We hope to replace the business quickly" so McCann has no plans for staff reductions, said Garry Neel, president-CEO of the office and global GM account chief. "We are not going anywhere." GM accounts for the overwhelming majority of the agency's business. Although an exact percentage wasn't available, its other clients are comparatively tiny and include Honeywell's Prestone antifreeze; Fram engine filter and Autolite spark plugs; Delphi Corp.; and the Detroit Medical Center.

STATE OF DECLINE

Michigan's share of U.S. ad jobs fell to 3.2% in 2007 from 4.3% in 1995



Advertising & related svcs. Source: Ad Age DataCenter, Bureau of Labor Statistics, Mich. Dept. of Labor & Economic Growth

But bringing in business from new categories isn't as easy as it may sound. Detroit agencies "are stuck with the 'automotive stigma' " that cause many out-of-town advertisers to leave them off the pitch lists, said Russel Wohlwerth, principal of Ark Advisors, which is handling the Porsche review. Only independent Doner, Southfield, Mich., and Campbell-Ewald have been able to diversify their client rosters beyond their car accounts, he said.

Campbell-Ewald handles the U.S. Postal Service, Farmer's Insurance, Alltell, U.S. Navy and the U.S. Mint, among others. Doner, however, has been struggling of late. In the non-automotive arena, Doner handles Blockbuster, Serta, IGTV, TNC and Bush Bros. But it, too, has had trouble holding on to accounts: Although it won the $170 million Expedia business, it's also lost Six Flags ($55 million), Sylvan Learning Centers ($60 million) and La-Z-Boy ($35 million). Outback Steakhouse's media ($87 million), which it shared with MPG, is also in review.

Mr. Wohlwerth said marketers have the misperception that shops with big car accounts are dominated by those clients and will treat other accounts like second-class citizens. "The reality is that automotive is one of the toughest battleground categories in the marketplace and requires an incredibly diverse set of capabilities," he said. Plus, he added, big auto agencies will "service the hell out of your business" because they highly value the diversification of a non-auto account.

the share of electricity generated by renewable resources such as wind and solar to 10 percent of their total output by 2015. The poll indicates that roughly the same number of Michiganians oppose the measure (48 percent) as support it (45 percent), partly because the alternative power sources, at least initially, will be more expensive.

The move to green power was favored by 57 percent of Democrats and only 30 percent of Republicans and 44 percent of independents.

Colin Moore, 54, a laid-off steelworker from Wyandotte, said he thinks it's a good idea to pursue green energy.

"I'm all in favor of going for wind power and solar power because I think it will create jobs," he said. "Wind turbines need steel and I'm in the steel industry."

Joel Husk, a 55-year-old General Motors Corp. retiree from Orion Township, said shifting to green power "sounds like a good idea. We have to have a good balance. But if it doubles my electric bill, I'm not in favor of it."

mhornbeck@detnews.com (313) 222-2470

Article Tools: Print Email Comment Read Comments Save and Share

In the blogs ...

Daniel Howes' Blog

Daniel Howes: Only in the parallel universe of Washington could the federal government be poised to own 60.8 percent of General Motors Corp. and could the president of the United ... Continued

Neal Rubin's Blog

Neal Rubin: I was rooting for Tom Watson to win the British Open today, but Lordamercy, this is a terrible putt. Sink it from eight feet and he's the champion -- an amazing ... Continued

Tigers Blog

Tom Gage: From NY. . . Joel Zumaya has been placed on the disabled list with right shoulder soreness, Ryan Perry has been recalled from Toledo - where he was 1-0 with a 2.63 ... Continued

More blogs

MORE IN: METRO AND STATE

- Metro Detroit students begin run for National Spelling Bee title - 05/26/2009
- IRS contractor charged after allegedly urinating in elevator - 05/26/2009
- Former President George W. Bush coming to Michigan - 05/26/2009
- 'Polite' armed robbers hold up women in Warren - 05/26/2009
- Combat heroes bask in Memorial Day support - 05/26/2009
- Granholm appeals for aid for suppliers as GM bankruptcy looms - 05/26/2009
- U.S., Canada to continue beefed up waterway patrols - 05/26/2009
- Oakland County to get $1 million brownfield grant - 05/26/2009
- Surcharges on Michigan energy bills OK'd - 05/26/2009
- Detroit woman accused of fleeing after hitting toddler with car - 05/26/2009
- Guilty plea in Facebook attempted rape case - 05/26/2009

Results of poll by The Detroit News/WXYZ-TV on

Metro and State

Tuesday, May 26, 2009

Results of poll by The Detroit News/WXYZ-TV on taxes, the economy

Lansing polling firm EPIC-MRA sampled 600 people May 18-21. The poll has an error margin of 4 percentage points. The questions were edited for brevity.

1. Are things in the United States generally headed in the right direction or are things headed on the wrong track?

45% Right direction

46% Wrong track

9% Undecided/don't know/refused

2. Are things in Michigan generally headed in the right direction or are things headed on the wrong track?

20% Right direction

71% Wrong track

9% Undecided/don't know/refused

3. Which state problem or issues are you concerned about most?

62% Improving Michigan's economy and providing jobs

10% Improving education

7% Making quality health care affordable and accessible

5% Keeping state taxes low

5% Promoting morality and family values

4% Controlling the state budget deficit

3% Controlling crime and drugs

2% Improving state and local roads and bridges

1% Protecting our air and water

1% Undecided/don't know/refused

4. In a year from now, do you think the U.S. economy will be better off than it is now, worse off, or about the same?

9% Much better off

39% Somewhat better off

29% About the same

10% Somewhat worse off

9% Much worse off

4% Undecided/don't know/refused

5. How would you rate the overall job being done by President Barack Obama?

23% Excellent

38% Pretty good

18% Just fair

19% Poor

2% Undecided/don't know/refused

6. When do you think Michigan's economy will turn around and experience major improvements?

22% Within one or two years

41% Three or four years

17% Five to seven years

6% Eight to 10 years

11% Doubt that it will ever completely turn around

3% Undecided/don't know/refused

7. Do you think the Obama administration's involvement in the financial operations and restructuring of the domestic auto industry has helped or hurt domestic automakers?

10% Helped a lot

29% Helped somewhat

10% Neither/both

18% Hurt somewhat

24% Hurt a lot

9% Undecided/don't know/refused

8. Would you favor or oppose a graduated income tax?

37% Strongly favor

23% Somewhat favor

10% Somewhat oppose

23% Strongly oppose

7% Undecided/don't know/refused

9. Do you think it was a good or bad idea by state government to offer tax incentives to attract the movie industry to Michigan?

70% Good idea to offer tax incentives to the movie industry

21% Bad idea because it needlessly gives away tax revenue needed to fund state services

9% Undecided/don't know/refused

10. Do you favor or oppose a proposal that would charge Michigan residents a $10 fee when they buy or renew their vehicle registrations to eliminate existing fees that are charged to enter state parks?

29% Strongly favor

21% Somewhat favor

14% Somewhat oppose

31% Strongly oppose

5% Undecided/don't know/refused

11. Do you favor or oppose a proposal that would require 10 percent of the energy generated in Michigan to come from renewable energy sources, which would mean higher energy bills for consumers?

22% Strongly favor

23% Somewhat favor

16% Somewhat oppose

32% Strongly oppose

7% Undecided/don't know/refused