
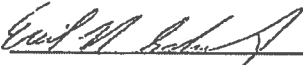


Schedule 13
Funding Request for the 2013-14 Budget Cycle

Department: Governor's Office Economic Development Programs
 Request Title: Colorado Office of Film, Television and Media Funding Increase
 Priority Number: R-5

Dept. Approval by:  10-17-12
 Date
 OSPB Approval by:  10/19/12
 Date

- Decision Item FY 2013-14
- Base Reduction Item FY 2013-14
- Supplemental FY 2012-13
- Budget Amendment FY 2013-14

Line Item Information		FY 2012-13		FY 2013-14		FY 2014-15
		1	2	3	4	6
	Fund	Appropriation FY 2012-13	Supplemental Request FY 2012-13	Base Request FY 2013-14	Funding Change Request FY 2013-14	Continuation Amount FY 2014-15
Total of All Line Items	Total	3,195,541	-	300,000	1,000,000	1,000,000
	FTE	4.5	-	4.5	-	-
	GF	-	-	-	1,000,000	1,000,000
	GFE	-	-	-	-	-
	CF	3,195,541	-	300,000	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-
(4) Economic Development Programs- Colorado Office of Film, Television, and Media	Total	3,195,541	-	300,000	1,000,000	1,000,000
	FTE	4.5	-	4.5	-	-
	GF	-	-	-	1,000,000	1,000,000
	GFE	-	-	-	-	-
	CF	3,195,541	-	300,000	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: Office of Film, Television and Media, 19H

Reappropriated Funds Source, by Department and Line Item Name: Not Required

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments: Not Required

Other Information: Not Required



**GOVERNOR'S OFFICE
ECONOMIC DEVELOPMENT PROGRAMS**

John W. Hickenlooper
Governor

*FY 2013-14 Funding Request
November 1, 2012*

Kenneth W. Lund
Executive Director

K. W. Lund 10/23/12
Signature Date

Department Priority: R-5
Request Title: Colorado Office of Film, Television & Media Funding Increase

Summary of Incremental Funding Change for FY 2013-14	Total Funds	General Fund	FTE
Colorado Office of Film, Television & Media Funding Increase	\$1,000,000	\$1,000,000	0.0

Request Summary:

The Office of Economic Development and International Trade (OEDIT) is requesting a General Fund appropriation of \$1.0 million to support its film incentive rebate and loan guarantee program in FY 2013-2014. Through H.B.12-1286, the General Assembly appropriated \$3.0 million for the film incentive program for FY 2012-13 which was a one-time appropriation. This request will allow OEDIT to partially continue this investment through FY 2013-14. This request is projected to generate \$5.0 million in direct local production expenditures for the state. In total, the requested funding is estimated to generate approximately \$9.57 million in economic benefits and 103 direct and indirect jobs earning an average wage rate of \$47,696.

Problem or Opportunity:

Film productions are overwhelmingly located in states that offer significant production incentives. The states that offer the highest levels of incentives are capturing the largest percentage of the nation's productions. Examples include: New Mexico, Louisiana, Georgia and North Carolina. Exhibit B is a sampling of funding levels that other states have available and utilize to compete for production opportunities.

Colorado clearly has many advantages such as proximity to Los Angeles and ample non-stop flights, available hotel space, great locations, reasonable cost of living and skilled workers. However, in order to compete with other states Colorado needs to maintain financial incentives to attract production businesses. The opportunity is to make funding available that can be used to provide financial incentives and loan guarantees in support of production companies, which results in local hires and money spent in local economies.

Brief Background:

The Colorado Film Incentives Cash Fund was established by the General Assembly in 2006. The fund was established to provide a performance based incentive rebate on qualified local expenditures to approved production companies. This incentive rebate program was designed to encourage film production in Colorado and is administered by the Colorado Office of Film, Television & Media (COFTM). The mission of OFTM is to promote Colorado as a location for making feature films, television shows, television commercials and digital games. Content creation for film production is an important and growing international business. Colorado was once a leader in the film and

television business and has seen its market share of people employed in the industry decline significantly—with the decline being directly related to the implementation of incentives in other states that have left Colorado in a noncompetitive position.

Recognizing that the 2006 incentive rebate program was not competitive in the current environment, the General Assembly enacted H.B. 12-1286 which implemented changes that were effective July 1, 2012 including: 1) 20% of qualified local expenditures made by approved productions may be rebated as a performance based incentive; 2) a 50% local hire requirement and a minimum expenditure requirement of \$1 million dollars for out of state productions and \$100,000 for in state productions; and 3) the establishment of a loan guarantee program.

All projects seeking the film incentive rebate and/or a loan guarantee must be first conditionally approved by the Colorado Economic Development Commission (EDC). Upon completion of production activities and prior to receiving an incentive, the production company must retain a Colorado CPA to audit the reported qualified local expenditures.

The COFTM receives an annual appropriation for this program and its administrative costs, from Gaming Fund revenue which varies each year. In FY 2012-2013, the General Assembly also made an initial one-time appropriation of \$3.0 million to the COFTM's Cash Fund. In addition to the Incentive and Loan Guaranty Programs, the COFTM provides a broad range of services to the community including location assistance, educational outreach, marketing Colorado, and acting as a liaison between communities, government agencies and productions, and special projects.

As of September 13, 2012, the date of the last EDC meeting and approximately 2.5 months since the new programs took effect, \$2,391,491 in projected production expenditures have been conditionally approved for incentive rebates. No

loan guarantees have been approved. An example of one production which has received approval for incentives is the Prospectors television series being created by High Noon Entertainment, Colorado's premier television producer, for the Weather Channel. This show will be a national broadcast and will showcase mountain towns such as Leadville, Buena Vista and Crested Butte, for which the production not only is spending money in these communities, but will likely provide a boost in tourism to these places that are virtually unknown outside of Colorado. Without this incentive, High Noon Entertainment would have produced the show in Utah or New Mexico, both of which have 25% rebates on local expenditures.

Exhibit A provides detailed information on the incentives approved to date. Virtually as much production has been incentivized in the current fiscal year as in all of FY 2011-2012. Given the volume of inquiries and applications, it is anticipated that the remaining funds will be committed by April 1, 2013 or sooner.

Proposed Solution:

The proposed solution is for the state to make an additional \$1.0 million available to COFTM to continue to incentivize production activities in Colorado for the purpose of job creation and positive economic impact on communities. This solution will position Colorado to more strongly compete with other states, particularly New Mexico and Utah.

Alternatives:

Colorado has not been competitive with film incentives provided in other states, and with the recent program changes and additional funding, it now has the tools to compete. As such, the requested annual increase in funding is needed to make and keep Colorado competitive in this key industry. Consequently, other alternatives are not available if Colorado is to be competitive.

Anticipated Outcomes:

With the additional \$1.0 million dollars, COFTM will be able to incentivize \$5 million in

production activities across the state which will result in direct expenditures in local communities (hotels, restaurants, equipment rentals, catering, etc.) and will allow Colorado to be competitive in the business of content creation. According to the University of Colorado Leeds School of Business 2011 "Economic and Fiscal Impact Analysis of Actual Film Budget Scenario on Colorado" the multiplier effect of this expenditure results in an additional \$4.57 million in economic activity (see a summary of the Leeds study in Exhibit C), on top of the \$5.0 million.

The requested funding will incentivize projected direct employment of 67 individuals and indirect employment of 36, for a total of 103 jobs. In 2010, film production and post-production wages averaged \$57,998, or 21% higher than the state average for all industries per published wages in the North American Industry Classification System, which includes NAICS 51211 – Motion Picture and Video Production, 51212 – Motion Picture and Video Distribution, and 51219 – Post Production Services and Other Motion Picture and Video Industries.

The economic benefits of a sufficiently funded incentive program are significant. COFTM will be able to attract production companies that will create jobs for producers, directors, writers, actors, bankers and lawyers but also for skilled labor, including:

- Carpenters
- Electricians
- Painters
- Scenic Designers
- Artists
- Actors and extras
- Local casting directors
- Makeup artists
- Hairdressers
- Editors
- Sound recorders
- Photographers
- Musicians
- Food service employees
- Costume designers & wardrobe personnel
- Truck drivers & location specialists

Local service providers will benefit, such as:

- Caterers
- Dry cleaners
- Car rental agencies
- Suppliers of trailers
- Mobile homes
- Hotels
- Apartment rentals
- Camera & lighting equipment

Assumptions for Calculations:

Calculations were based on the University of Colorado Leeds School of Business 2011 "Economic and Fiscal Impact Analysis of Actual Film Budget Scenario on Colorado".

Consequences if Not Funded:

If the requested funding is not received, it will make it harder for Colorado to compete for productions and obtain the benefits of such production, such as job creation, taxes paid and additional money circulating throughout the state from the production related expenditures. Content creation has the added benefit of positive branding impact for the State of Colorado and can also significantly impact tourism. As an example of such production benefits, the Stanley Hotel in Estes Park has had over 115,000 paid admissions to its ghost tour during each of the last two years.

Relation to Performance Measures: This request is consistent with the Department's performance measures, including job retention and creation.

Current Statutory Authority or Needed Statutory Change:

COFTM's statutory authorization is C.R.S. 24-48.5-114, C.R.S. 12-47.1-701, and C.R.S. 24-46-104. No statutory changes are needed.

C.R.S. 24-48.5-114 provides specific requirements on the use of the funds by OFTM for incentives and loan guarantees and establishes the OFTM Operational Account Cash Fund. C.R.S. 12-47.1-701 governs the distribution of the Gaming Fund. C.R.S. 24-46-104 gives

Colorado Economic Development Commission
oversight responsibilities for the performance-
based incentive for film production program and
the loan guarantee program.

EXHIBIT A – OFFICE OF FILM TELEVISION AND MEDIA FILM INCENTIVE PROJECTS

FY 2012-2013 (20% Incentive)

Colorado Office of Film Television & Media
 FY 2013 Film Incentive Commitments
 20% Rebate Program & Loan Guarantee Program

Performance-based rebate applications FY 2013	Date Received	Approved by EDC	Projected Total CO Spend	Projected CO employment spend	Projected CO vendor spend	Proposed Incentive Amount	Type of Project	Applicant's anticipated hires	Loads estimated indirect employment
Rocky Mountain PBS - Colorado Experience	7/9/2012	7/18/2012	\$334,950	\$40,828	\$294,122	\$66,990	TV Series	6	3
High Noon Productions LLC - Prospectors	8/1/2012	8/8/2012	\$1,807,785	\$544,825	\$1,262,960	\$361,557	TV Series	34	17
Clean Guys Entertainment LLC	7/30/2012	9/13/2012	\$248,756	\$120,000	\$128,756	\$49,751	Theatrical	33	15
Totals			\$2,391,491	\$705,653	\$1,685,838	\$478,298		70	35

Loan guarantee program applications	Date Received	Approved by EDC	Loan Amount	Facility Fee	Notes
Totals				\$0	

FY 2012-2013 Approved Projects

Estimated total direct taxes	\$236,758
Estimated total indirect taxes	\$58,221
Total	\$294,979

Anticipated FY 2012-2013 Production Spend	\$15,000,000
Multiplier Effect	\$13,650,000
Total Spend	\$28,650,000

Estimated Direct Jobs	203
Estimated Indirect Jobs	106
Estimated Total Jobs	309

Anticipated FY 2013-2014 Production Spend	\$5,000,000
Multiplier Effect	\$4,571,013
Total Spend	\$9,571,013

Estimated Direct Jobs	67
Estimated Indirect Jobs	36
Estimated Total Jobs	103

EXHIBIT B – COMPETING STATE FILM INCENTIVE FUNDS

<i>State</i>	<i>Annual Cap</i>
New Mexico	\$50 million per fiscal year
Texas	\$30 million for Biennium Ending 8/31/2013
Utah	\$6.79 million per fiscal year
Oregon	\$6 million
Georgia	No Cap
Louisiana	No Cap
North Carolina	No Cap

*Source: Cast & Crew Entertainment Services, June 2012.

EXHIBIT C

Colorado Film Incentives, Economic and Fiscal Impact Analysis of Actual Film Budget Scenario October 2011 – Leeds School of Business

The University of Colorado's Leeds School of Business analyzed the actual budget for a production that was filmed in the state of New Mexico in 2008. New Mexico was selected as the film location by and large due to their 25% film incentive offered on local spending. Leeds analyzed the "what if" scenario of filming this production in Colorado. To calculate the fiscal benefits, Leeds utilized actual Colorado sales, income and property taxes. The estimated employment figures were based on actual New Mexico expenditures.

The Net Benefit of Incentive (ROI) is equivalent to a return of \$1.20 per \$1 of state investment. The net job creation is equivalent to about 20 jobs per \$1 million of Colorado production spend. The table below shows excerpts from the study pertinent to this request.

Estimated Fiscal Impacts of Film Production in Colorado

Based on an example of a single actual production

Output

State Incentive Funding	\$	582,538	
Film Production's Colorado Spend	\$	5,825,383	
Direct Output			\$ 5,785,821
Additional Output (Multiplier on New Spending)			\$ 5,366,013
Total Output (Direct and Indirect)			\$ 11,151,834

Direct Operations Tax Revenue

State Income Taxes			\$ 12,300
State Sales Taxes			\$ 66,419
County Sales Taxes			\$ 14,429
City Sales Taxes			\$ 79,784
Special District Sales Taxes			\$ 15,970
County Property Taxes			\$ 49,399
City Property Taxes			\$ 20,035
School District Property Taxes			\$ 99,051
Special District Property Taxes			\$ 7,736
Subtotal: Direct Operations Tax Revenue			\$ 365,123

Direct Employment

Film Production's Direct Employment			79
Average Earnings	\$	47,696	
Total Earnings*	\$	3,777,509	
State Direct Income Taxes			\$ 86,883
State Sales Taxes on Taxable Purchases			\$ 19,048
County Sales Taxes on Taxable Purchases			\$ 4,138
City Sales Tax on Taxable Purchases			\$ 22,881
Special District Tax on Taxable Purchases			\$ 4,580

County Property Taxes	\$	20,972
City Property Taxes	\$	8,505
School District Property Taxes	\$	42,050
Special District Property Taxes	\$	3,284
Subtotal: Direct Employment Tax Revenue	\$	212,341

Indirect Employment

Not Forgotten Indirect Employment		41
Average Indirect Earnings	\$	45,483
Total Indirect Earnings*	\$	1,873,881
State Direct Income Taxes	\$	43,099
State Sales Taxes on Taxable Purchases	\$	11,249
County Sales Taxes on Taxable Purchases	\$	4,396
City Sales Tax on Taxable Purchases	\$	13,585
Special District Tax on Taxable Purchases	\$	2,705
County Property Taxes	\$	12,987
City Property Taxes	\$	5,267
School District Property Taxes	\$	26,041
Special District Property Taxes	\$	2,034
Subtotal: Indirect Employment Tax Revenue	\$	121,363

Tax Revenue

Direct Operations Tax Revenue	\$	365,123
Direct Employment Tax Revenue	\$	212,341
Indirect Employment Tax Revenue	\$	121,363
Total Taxes Collected	\$	698,827

Jobs Created

Film Production's Direct Employment		79
Not Forgotten Indirect Employment		41
Total Jobs Created		120

Cost of 10% Tax Incentive	\$	582,538
Total Taxes Collected	\$	698,827
Return on Investment (Total Taxes Collected per Dollar of Incentive)	\$	1.20
Total Production Expenditures	\$	5,825,383
Divided by \$1 million	\$	1,000,000
Total Production Expenditures in Millions	\$	6 million
Total Jobs Created		120 jobs
Jobs created per \$1 million spent in production expenditures		20 jobs

*The Calculated number appears slightly different due to rounding.