

Schedule 13
Funding Request for the 2014-15 Budget Cycle

Department: Office of Economic Development and International Trade
 Request Title: Colorado Office of Film, Television and Media
 Priority Number: R-7

Dept. Approval by: [Signature] 10/24/13
 Date

OSPB Approval by: [Signature] 10/25/13
 Date

- Decision Item FY 2014-15
- Base Reduction Item FY 2014-15
- Supplemental FY 2013-14
- Budget Amendment FY 2014-15

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	5
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
Total of All Line Items	Total	1,300,000	-	507,701	5,000,000	-
	FTE	4.5	-	4.5	-	-
	GF	800,000	-	-	5,000,000	-
	GFE	-	-	-	-	-
	CF	500,000	-	507,701	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-
Economic Development Programs- Colorado Office of Film, Television & Media	Total	1,300,000	-	507,701	5,000,000	-
	FTE	4.5	-	4.5	-	-
	GF	800,000	-	-	5,000,000	-
	GFE	-	-	-	-	-
	CF	500,000	-	507,701	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-

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

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

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments:

Other Information:



COLORADO

Office of Economic Development
and International Trade

Priority: R-7
Colorado Office of Film, Television and Media
FY 2014-15 Change Request

Cost and FTE

- This request is for an increase of \$5.0 million General Fund in FY 2014-15 to expand the Colorado Office of Film, Television, and Media (COFTM) incentive and rebate programs to incentivize production companies to Colorado. The request does not include additional FTE.

Current Program

- 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, and Media (COFTM). The mission of COFTM is to promote Colorado as a location for making feature films, television shows, television commercials, and digital games.

Problem or Opportunity

- 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. The decline is directly related to the implementation of incentives in other states that have left Colorado in a noncompetitive position. Currently, film and TV 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 and as a result, reaping the economic benefits in their state.
- As of September 12, 2013, approximately 14 months since the new program took effect; the projects through COFTM have generated \$33,626,248 in total expenditures from production activities, 649 jobs throughout the state and an estimated \$4,032,290 in state and local tax revenue.

Consequences of Problem

- The funding for the past two fiscal years has been effectively deployed or committed for incentives to attract production companies to Colorado. To continue to attract production companies to Colorado, it is critical to continue to fund the film incentive programs.

Proposed Solution

- The proposed solution is to continue to fund the COFTM and increase funding for FY 2014-15 to \$5.0 million General Fund in order to continue to incentivize production activities in Colorado. Funding will allow for growth in the program, and generate approximately \$49.0 million in economic activity.

FY 2014-2015 FUNDING REQUEST

*Priority: R-7 Colorado Office of Film, Television, & Media Funding Request
Request Detail*

Problem or Opportunity:

The Colorado Film Incentives Cash Fund was established by the General Assembly in 2006. The Fund was established to provide performance-based incentive rebates 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 COFTM 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. Currently, film and TV productions are overwhelmingly located in states that offer significant production incentives. The states that offer the highest levels of incentives (see Appendix A) are capturing the largest percentage of the nation's productions and as a result, reaping the economic benefits in their state.

In order to compete with other states, Colorado needs to maintain financial incentives to attract these productions. 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 went into effect July 1, 2012. To be eligible for the rebate program, production companies must follow strict guidelines that benefit Colorado. For example, out of state production companies must spend at least \$1.0 million in Colorado production activities and Colorado production companies must spend at least \$100,000. Both in and out-of-state productions must hire at least 50% Colorado residents for their workforce and all employees must pay Colorado income taxes.

All projects seeking the film incentive rebate must first be 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 the incentive and rebate programs and administrative costs. In FY 2012-13, the General Assembly made a one-time appropriation of \$3.3 million to the COFTM's Cash Fund. In FY 2013-14, a total of \$1.3 million was appropriated; \$800,000 from the General Fund and \$500,000 from Cash Funds. In addition to the incentive programs, the COFTM provides a broad range of services to communities including location assistance, educational outreach, marketing Colorado, and acting as a liaison between communities, government agencies, productions, and special projects. The funding for the past two years has been effectively deployed or committed for incentives to attract production companies to Colorado. To continue to attract production companies to Colorado, it is critical to continue to fund the film incentive programs.

As of September 12, 2013, approximately 14 months since the new program took effect; the projects through COFTM have generated \$33,626,248 in total spending in Colorado on production activities, 649 jobs

throughout the state and an estimated \$4,032,290 in state and local tax revenue. (See Appendix B). Continued funding is necessary to keep this type of activity operating in the state.

Proposed Solution:

The proposed solution is to continue to fund the COFTM and increase funding for FY 2014-15 to \$5.0 million General Fund in order to continue to incentivize production activities in Colorado. The \$5.0 million amount will allow for growth in the program. Incentivizing film and TV production creates jobs and dramatically increases economic activity in local communities. The following communities have directly benefited from production spending thus far: Aurora, Boulder, Colorado Springs, Commerce City, Denver, Evergreen, Fort Lupton, Grand Junction, Granada, Ignacio, Keota, La Junta, Lake George, Lakewood, Lincoln Hills, Longmont, Ludlow, Lyons, Manitou Springs, Nathrop, Niwot, Pine, Pueblo, Salida, Telluride, Towaoc, Villa Grove Watkins, and Wray. This solution will position Colorado to compete with other states, particularly New Mexico and Utah, and increase Colorado's positive presence in the media and boost tourism (See Appendix C).

Anticipated Outcomes:

With the additional \$5.0 million, COFTM will be able to incentivize at least \$25.0 million worth of Colorado production expenditures. Based on past experience, the \$5.0 million in additional funding could potentially produce an estimated \$49.0 million in economic activity, using the return on investment calculated from prior year incentive figures. Production spending impacts local communities (see appendix D) and allows Colorado to be competitive in the business of content creation. Production spending and hiring includes:

- Producers, directors, and writers
- Actors, extras, and casting directors
- Carpenters, electricians, painters, scenic designers, and artists
- Makeup artists and hairdressers
- Costume designers and wardrobe personnel
- Editors, sound recorders, photographers, and musicians
- Food services employees and caterers
- Lawyers
- Truck drivers and location specialists
- Camera and lighting equipment rentals
- Dry cleaners, car rental agencies, suppliers of trailers and equipment, hotels, and apartment rentals

Colorado towns and cities can directly benefit from increases in sales tax revenue (See Appendix D). Refer to Appendix E for current projects eligible for incentives and rebates and estimated financial impact on the State.

Assumptions and Calculations:

Calculations were arrived at by using data provided from production companies and the University of Colorado Leeds School of Business 2011 "Economic and Fiscal Impact Analysis of Actual Film Budget Scenario on Colorado."

Appendix A

Competing States Offering Film Incentives

State	Incentive	Cap
Colorado	20% rebate	Varies/cannot exceed yearly allocation
Georgia	30% tax credit	Unlimited – no cap
Illinois	30% tax credit	Unlimited – no cap
Louisiana	30-35% tax credit	Unlimited – no cap
Michigan	Up to 42% rebate	\$50,000,000
New Mexico	25-30% rebate	\$50,000,000
North Carolina	25% tax credit	Unlimited – no cap
Ohio	25-35% rebate	\$40,000,000
Utah	25% rebate	\$6,790,000

Source: Cast & Crew Entertainment Services, Summer 2013

Use of Film Incentives

Return on investment: Every \$1.00 invested through the rebate program returns \$9.84 in additional expenditures in Colorado. Revenue data is current as of 9/18/13.

Project Name	Total Colorado Expenditures	Colorado Jobs	Incentive / Rebate Cost	State and Local Tax Revenue	Loan Revenue	Total Program Revenue
Fast & Furious 7 Film	\$12,978,028	58	\$ 700,000	\$1,556,066	\$0	\$856,066
Universal Sports Payroll & 3 original tv shows)	\$6,917,899	111	\$ 497,821	\$829,456	\$0	\$331,635
Prospectors (Seasons 1 & 2) TV Show	\$4,325,597	118	\$ 345,119	\$518,639	\$0	\$173,520
Beg the Devil Film	\$3,000,000	55	\$ 600,000	\$359,700	\$ 0	\$(240,300)
Discovery Channel/5 post production projects	\$2,261,074	59	\$ 452,215	\$271,103	\$ 0	\$(181,112)
Dear Eleanor Film	\$1,606,793	89	\$ 321,359	\$192,654	\$0	\$(128,705)
Colorado Experience (2 Seasons) TV Show	\$613,764	26	\$ 122,753	\$73,590	\$0	\$(49,163)
Hyundai Commercial	\$600,870	45	\$ 120,174	\$ 72,044	\$0	\$(48,130)
The Frame Film	\$380,000	13	\$ 76,000	\$45,562	\$0	\$(30,438)
Coors Commercial	\$374,223	44	\$ 67,501	\$45,373	\$0	\$(22,128)
Dinonauts Animated Film	\$320,000	10	\$ 64,000	\$ 38,368	\$0	\$(25,632)
Clean Guys Comedy Show Special	\$248,000	30	\$ 49,600	\$29,735	\$0	\$(19,865)
	\$33,626,248*	658**	\$ 3,416,542	\$4,032,290+	\$0	\$615,749

*Based on actual numbers and does not include a multiplier effect

**Does not include over 410 estimated extras and part-time positions

+ Extrapolated from the Leeds School of Business 2011 Colorado Film Incentives, Economic and Fiscal Impact Estimated Tax Revenue from production spending

Press related to the film industry and tourism

“Located in Estes Park, a Colorado resort town just east of Rocky Mountain National Park, the venerable Stanley Hotel has earned a spirit-ridden reputation. Stephen King wrote *The Shining* after spending the night in Room 217. The popular Syfy TV show *Ghost Hunters* and Travel Channel's *Ghost Adventures* have both filmed there...And every year, thousands of believers and wannabe believers converge on the property to test their inner skeptic and decide for themselves if the truth really is out there.” – USA Today

“Gov. Perdue credited the state’s tourism industry with supporting one of the most robust tax-incentive programs in the country for filmmakers. Visitor spending in North Carolina totaled a record \$17 billion in 2010, according to the state.” – The Charlotte Observer regarding *The Hunger Games* which was filmed in North Carolina.

“The movie so touched a chord that since its 1989 release, hundreds of thousands of fans have come to this corner of Iowa to run the bases, walk in the cornfields and soak up the feel of the place, which looks much as it did in the film.” – The New York Times, regarding the actual baseball field featured in the film *Field of Dreams*.

“But given its popularity, "people are traveling to our city to see the locations featured in the show and then spending time at our attractions, restaurants and hotels," he adds. "This unexpected new visitor market is definitely a pleasant surprise, and we will soon be marketing it more aggressively"” – USA Today, regarding tourism boosts in Albuquerque where the television show *Breaking Bad* is filmed.

“The movie “*Django Unchained*” has been drawing a large number of theater-goers since its release last week – prominently displaying the Tetons in a number of scenes. That exposure is anticipated to pique the interest of vacationers in the months ahead, and Wyoming Film Office Manager Michelle Howard says the travel commission is already capitalizing on that exposure... Howard says the experience the film crew had in filming here has already had a ripple effect in the industry. She says her office is already seeing that impact from the folks in the film industry who believe Wyoming must be a good place to film since the *Django* production crew had a good experience.” - Jacksonholeradio.com

“After all, the HBO series turned local favorites into national landmarks. Magnolia Bakery, to name just one, became famous after being featured on the show...Even several years after the show’s final episode, says Blau, "people want to see the hipper side of New York” by visiting the show’s landmarks.” – Forbes Traveler, on the television series *Sex and the City* and Magnolia Bakery which was made famous after its appearance on the show.

“Tricia Cunningham, president of the Greater Mystic Chamber of Commerce, says she believes the movie contributed to the transformation of Mystic into the tourist destination that it is today...And it pulled all of our sights into the movie, and because the landscape here is gorgeous and it definitely featured that, it made people say, 'Hey, I want to go there.' "The chamber still receives calls from people who "frame" their trip around Mystic Pizza, Cunningham says. "People ask, 'Was Mystic Pizza really filmed here?' People are still asking about that."” – USA Today, regarding the town of Mystic, Connecticut.

CITY OF CREEDE, CITY SALES TAX REVENUE, 2009-2012

Disney's *The Lone Ranger* filmed in Creede, CO for three weeks in late June of 2012. The data shows a significant increase in sales tax revenue recorded for July 2012, one month *after* the production left Creede.

	2011	2012
JUL	\$33,625.68	\$47,628.54
AUG	\$31,995.74	\$32,142.54
SEP	\$25,117.90	\$33,401.24
TOTAL	\$90,739.32	\$113,172.32
		24.7% increase

-Data provided by Eric Grossman, Mayor of Creede

Projects eligible for incentive rebates in FY 2012-13 & FY 2013-14

1. ***Fast & Furious 7*** by FF5 Productions – FF5 productions is filming select scenes for the 7th installment of the blockbuster franchise. The movie reunites the infamous gang for another high-speed action-packed film starring Vin Diesel, Paul Walker and Dwayne “The Rock” Johnson. The film is scheduled to open in theatres worldwide in July 2014.

a) Est. Colorado expenditures: \$12,978,028 b) Est. Colorado crew hires: 58

2. ***Dear Eleanor*** by Appian Way & Front Row Productions – Produced by Appian Way (owned by Leonardo DiCaprio) and executive producer David Hillary (Yellow, American Psycho). This feature film was directed by Kevin Connolly (Entourage, The Notebook) and aims to premiere during the Sundance Film Festival in 2014.

a) Est. Colorado expenditures: \$1,606,793 b) Colorado crew hires: 89

3. ***Beg the Devil*** by Front Row Productions – Front Row Productions seeks to produce an independent noir thriller. Matthew Worth, a night patrolman at an Omaha supermarket falls for shy checkout girl Gwen. Gwen comes to Matthew, scared for her life and desperate for help to escape her violent car-stealing boyfriend. The film stars Michael Shannon (Man of Steel, Boardwalk Empire), Juno Temple (Atonement, The Dark Knight Rises). Sony Pictures will distribute the picture.

a) Est. Colorado expenditures: \$3,000,000 b) Est. Colorado crew hires: 55

4. **Universal Sports**, a partnership between NBC Sports & InterMedia Partners, LP, is the premier multi-platform media destination for Olympic related sports on both DirectTV and Dish Network. From its new operation in Comcast Media Center, Universal Sports packaged and distributed 238 sporting events between 12/28/12-6/30/13. They also seek to produce three original sports programs during the 2013-2014 fiscal year.

a) Est. Colorado expenditures: \$6,917,899 b) Est. Colorado hires: 111

5. ***Prospectors*** by High Noon Entertainment – Created by one of America’s leading reality television producers, High Noon delivers more than 25 series and specials to several networks including Discovery, Travel, HGTV, & Food Network. Prospectors premiered on The Weather Channel in March 2013, becoming the highest rated show on the network. A second season has been scheduled for production. (Note: numbers include seasons 1 & 2, but no incentive will be paid for season 2).

a) Est. Colorado expenditures: \$4,325,597 b) Est. Colorado hires: 118

6. **Discovery Communications**, the world's #1 nonfiction media company, relocated post-production work for five new shows, Pawn in the Game via The Discovery Channel, Catch and Release via Animal Planet, The Disney Cruise Special via Destination America, Bakery Go Time via TLC, and Smoked via Destination America.

a) Est. Colorado expenditures: \$2,261,074 b) Est. Colorado hires: 59

7. ***Clean Guys Entertainment*** by Clean Guys Entertainment, LLC – To be produced by Jim Janicek, an executive producer of several television promotion campaigns for ABC, NBC, and Walt Disney. This comedy special will air on National Cinemedia’s Fathom Events Network (Centennial, CO), which distributes exclusive events to over 700 cinemas nationally.

a) Est. Colorado expenditures: \$248,000 b) Est. Colorado hires: 30

8. **Gartner** is a commercial production company based in Santa Monica, CA. (clients include Hallmark, Minute Maid, Duracell, and FedEx). Gartner produced three, 30 second national commercials in Telluride,

CO for the Coors Banquet Brand.

a) Est. Colorado expenditures: \$374,223 b) Colorado hires: 44

9. **Park Pictures** is a commercial production company based in New York and Los Angeles. They seek to film several television commercials featuring multiple Hyundai models in & around Denver and Colorado Springs.

a) Est. Colorado expenditures: \$600,870 b) Est. Colorado hires: 45

10. **Colorado Experience** by Rocky Mountain PBS – Produced by Colorado’s only statewide network, which reaches 900,000 viewers throughout the state. The television series is a show based on the well-renowned PBS show American Experience.

a) Est. Colorado expenditures: \$613,764 b) Est. Colorado hires: 26

11. **The Frame** by The Frame, LLC – A feature film produced by Colorado based Jamin & Kiowa Winans, who have produced two acclaimed independent features (Ink and 11:59).

a) Est. Colorado expenditures: \$380,000 b) Est. Colorado hires: 13

12. **Dinonauts** by Dinonauts LLC – To be produced by Colorado Springs based executives which include Emmy award-producers and co-producer Howard Cook, head of animation at CU Denver. This is a full-length animated feature.

a) Est. Colorado expenditures: \$320,000 b) Est. Colorado hires: 10