



Committee on Economic Development

**Thursday, January 11, 2007
9:30 AM
Reed Hall**

Committee Action

**Marco Rubio
Speaker**

**Rep. Don Davis
Chair**

COMMITTEE MEETING REPORT
Committee on Economic Development

1/11/2007 9:30:00AM

Location: Reed Hall (102 HOB)

Attendance:

	<i>Present</i>	<i>Absent</i>	<i>Excused</i>
Don Davis (Chair)	X		
Gary Aubuchon	X		
Marti Coley	X		
Michael Grant	X		
John Legg			X
Seth McKeel	X		
Frank Peterman	X		
Ari Porth	X		
Betty Reed	X		
Totals:	8	0	1

Committee meeting was reported out: Thursday, January 11, 2007 4:07:40PM

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Other Business Appearance:

2007 Proposed Film & Entertainment Incentive
Scott DuPont (General Public) - Proponent
Florida Motion Picture & Television Association
764 Maryland Avenue
Winter Park FL 32789
Phone: (407) 629-7268

Effective Film Incentive Legislation
Chris Ranung (General Public) - Information Only
Florida's Film Community
405 Shamrock Road
St. Augustine FL 32086
Phone: (904) 806-6369

Entertainment Industry Financial Incentive Legislation
Jud French (General Public) - Proponent
Digital Media Alliance Florida
690 Osceola Avenue Suite 700
Winter Park FL 32789
Phone: (407) 629-2772

Entertainment Industry Tax Incentive
Gabe Sheheane (Lobbyist) (General Public) - Proponent
Florida Chamber of Commerce
136 S. Bronough
Tallahassee FL 32301
Phone: (850) 521-1251

Film & Entertainment
Jamie Wilson (Lobbyist) (General Public) - Information Only
Motion Picture Association of America
106 E. College Avenue
Tallahassee FL 32301
Phone: (850) 681-1980

Film & Entertainment Incentives
Jack Neely (General Public) - Proponent
IATSE
10705 NW 33rd Street
Miami FL 33172
Phone: (352) 409-2129

Film & Entertainment Tax Incentive
Mark Zubaly (General Public) - Proponent
Florida Film & Entertainment Advisory Council
235 E. Virginia Street
Tallahassee FL 32301
Phone: (850) 224-5909

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Film Tax Credit
Brian O'Leary (General Public) - Proponent
NBC Universal
30 Rockefeller Plaza
New York NY
Phone: (212) 664-2227

Florida Educated Filmmakers; Florida Film Incentive
Frank Patterson (State Employee) (General Public) - Proponent
FSU College of Motion Picture, Television, & Recording Arts
2413 Oakdale Street
Tallahassee FL 32308
Phone: (850) 980-5495

Overview of Office of Film & Entertainment; 2007 Legislative Proposal; Idea #90
Paul Sirmons (Lobbyist) (State Employee) (At Request Of Chair) - Information Only
Executive Office of the Governor
Governor's Office of Film & Entertainment The Capitol
Tallahassee FL 32399
Phone: (850) 410-4765

Overview of Purpose and Programs of OTTED
Scott Fennell (Lobbyist) (State Employee) (At Request Of Chair) - Information Only
Office of Tourism, Trade, & Economic Development
Suite 1902, The Capitol
Tallahassee FL 32399
Phone: (850) 487-2568

Strategic Plan Update
John Adams (At Request Of Chair) - Information Only
Enterprise Florida, Inc.
390 North Orange Avenue
Orlando FL 32801
Phone: (407) 316-4600

Support Florida Film Incentive & current recommendations for revisions
Randy Molnar (General Public) - Proponent
UFTA Orlando - Reel Dreams Productions
613 Majorca Avenue
Altamonte Springs FL 32714
Phone: (407) 920-1780

Support Florida Film Incentive & current recommendations for revisions
Melissa Gruver (General Public) - Proponent
UFTA Orlando
139 W. Park Street
Lake Helen FL 32744
Phone: (407) 222-0482

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Summary: No Bills Considered

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Addendum to Meeting Packet

FLORIDA ABOUT OUR INCENTIVE

15% cash reimbursement on qualified productions that spend at least \$850,000 in Florida, up to \$2,000,000 per production.

YEAR	FUNDING	ALLOCATED	ACTUAL EXPENDITURES	# OF JOBS	ROI
03/04	\$0	\$0	\$0	\$0	0:00
04/05	\$2,450,000	\$2,405,316	\$16,467,848	939	6.85 : 1
05/06	\$10,000,000	\$5,606,058	\$37,444,568	4027	7 : 1
06/07	\$20,000,000	*\$20,000,000	*133,000,000	TBD	>6.6 : 1

*\$20 million currently allocated to productions currently filming or planning to shoot in Florida. Actual allotment of funds not determined until expenditures are submitted and verified.

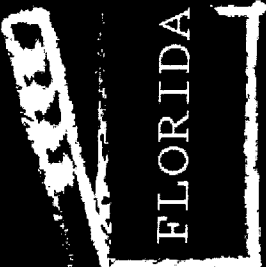
OUR INCENTIVE

VS.

OTHER COMPETITIVE STATES

FLORIDA

STATE	CASH OR TAX CREDIT	%	TOTAL FUND	CAP PER PRODUCTION	INCLUDED EXPENDITURES	MINIMUM EXPEND. TO QUALIFY
FLORIDA	cash reimbursement	15%	\$20 million	\$2,000,000	Labor & Vendors	\$850,000
NEW YORK (city & state combined)	refundable tax credit	15%	\$90 million	NO CAP	Labor & Vendors	Shoot part on stage/set or 75% of shooting days in NY
LOUISIANA	transferable income & investment tax credit	25% 35% 25%	Unlimited	NO CAP	Non La. Labor La. Labor Vendors	\$300,000
NEW MEXICO	refundable tax credit	25%	Unlimited	NO CAP	Labor & Vendors	NO MINIMUM
NORTH CAROLINA	refundable tax credit	15%	Unlimited	\$7,500,000	Labor & Vendors	\$250,000
CONNECTICUT	transferable tax credit	30%	Unlimited	NO CAP	Labor & Vendors	\$50,000



ECONOMIC IMPACT

STATE	TOTAL FUND	ANTICIPATED ANNUAL DIRECT ECONOMIC IMPACT
FLORIDA	\$ 20,000,000	\$130 million
NEW YORK <small>(state and city combined)</small>	\$ 90,000,000	\$1.5 billion
LOUISIANA	UNLIMITED	\$550 million
NEW MEXICO	UNLIMITED	\$400 million
CONNECTICUT	UNLIMITED	\$85 million
ILLINOIS	UNLIMITED	\$135 million
NORTH CAROLINA	UNLIMITED	\$250 million

COMPARING STATES OFFERING MAJOR COMPETITIVE FILM AND TV INCENTIVES

STATE	CASH OR TAX CREDIT	%	LABOR/ VENDOR	TOTAL FUND	CAP PER PRODUCTION	MINIMUM EXPENDITURE TO QUALIFY
Florida (current)	cash rebate	15%	labor & vendors	\$20,000,000	\$2,000,000	\$850,000
New York ¹	refundable tax credit	15%	labor & vendors	\$90,000,000	NO CAP	Must shoot part on a NY stage/set.
Connecticut	transferable tax credit	30%	labor & vendors	UNLIMITED	NO CAP	\$50,000
Louisiana	transferable income & investment tax credit	25% 35% 25%	Non La. Labor La. Labor vendors	UNLIMITED	NO CAP	\$300,000
New Mexico	refundable tax credit	25%	labor & vendors	UNLIMITED	NO CAP	no minimum
South Carolina	cash rebate	20% 30%	labor vendors	\$10,000,000	NO CAP	\$1,000,000
Hawaii	refundable tax credit	15% 15% 20%	labor vendors non-Oahu prod.	UNLIMITED	\$8,000,000	\$200,000
Illinois	transferable income tax credit	20%	labor & vendors	UNLIMITED	NO CAP	\$100,000
North Carolina	refundable tax credit	15%	labor & vendors	UNLIMITED	\$7,500,000	\$250,000
New Jersey	transferable tax credit	20%	labor & vendors	\$10,000,000	NO CAP	none, but 60% of all production must be in NJ
Georgia	transferable income tax credit	9% 9% 3% addtl 3% addtl	vendors Out-of-state labor GA labor distressed areas	UNLIMITED	NO CAP	\$500,000
Rhode Island	transferable tax credit	25%	prod. expenses	UNLIMITED	NO CAP	\$300,000
Massachusetts	refundable tax credit	20% 25%	labor prod. expenses	UNLIMITED	\$7,000,000	\$250,000
Pennsylvania	grant	20%	labor & vendors	10,000,000	\$2,000,000	60% spending of budget in PA.
Arizona	transferable tax credit	<\$1M = 10% <\$3M = 15% >\$3M = 20%	labor & vendors labor & vendors labor & vendors	2006 = \$30,000,000 2007 = \$40,000,000 2008 = \$50,000,000	\$5,000,000	\$250,000
Wisconsin (effective 7/1/07)	tax credit refundable tax credit	25% 25%	film investment labor & vendors	UNLIMITED	NO CAP	n/a

¹ NY state and city combined

Prepared by Paul Sirmons, Florida Governor's Office of Film and Entertainment, rev. 1/5/07

FLORIDA FILM & ENTERTAINMENT ADVISORY COUNCIL, PUBLIC AND INDUSTRY
SUGGESTIONS FOR THE
2007-08 ENTERTAINMENT INDUSTRY FINANCIAL INCENTIVE

Type of Funding:

- Transferable tax credit (currently an annual appropriation)

Percentage:

- 15% tax credit (only on *Florida qualified expenditures*)

Hurricane Season Adjustment:

- Additional 5% feature film tax credit from June 1st to Nov. 30th.
- Only applies to:
 - Feature films with total budgets over \$2 million (those most affected by high prod. insurance increases) -OR-
 - High-impact TV series (per-episode FL qualifying expenditures >\$625,000)
- 75% of production days must occur from June 1st to Nov.30th.
- Why? Florida is the only state impacted by high production insurance rates (500% increase) *statewide* during hurricane season.

Program Duration:

- Six years

Funding Amount:

- Let the demand create the amount. Remember: Before one dollar has been rebated, over six dollars have been spent in Florida, paid to Florida residents or Florida businesses.

Minimum Expenditures
To Qualify:

- Lower to \$625,000 (currently \$850,000).
- If production occurs across two fiscal years (before June 30th and after July 1st), it can add Florida qualified expenditures from both fiscal years to satisfy threshold.

QUEUES:

1. *Film, TV and Series Queue (Main Queue)*

- Require producers using non-Florida equipment package or post-production services to get one good-faith estimate for each occurrence from a Florida vendor prior to production.

2. *Commercials and Music Video Queue*

- Allow commercials/music videos with minimum of \$75,000 in FL qualified expenditures per commercial or music video to add them together to reach a threshold of \$500,000.
- Cap per company of \$500,000.

3. *Independent Florida Filmmaker Queue*

- To be eligible, production must score 7 of 10 possible points for Florida hires in the following crew positions (with points per job): Writer (2); Director (2); Producer (1); Director of Photography (1); Star (1); UPM (1); Editor (1); Production Designer (1).
- Florida resident hires defined as either:
 - minimum 1 year FL residency -OR-
 - Florida film school or Florida university graduate
- Only for feature productions over 70 minutes in length.
- Lowered threshold of \$100,000.
- Must provide evidence 50% of financing in escrow to apply.
- Post production must be finished in Florida.
- Queue capped at \$2 million.

4. *Digital Media Projects Queue*

- Qualified projects are Interactive Entertainment projects defined as computer or video games, simulation, or animation, produced for commercial or educational distribution.
- Florida qualifying expenditures are Florida-resident labor only.
- 10% tax credit rebate – for projects rated up to, but not including ‘M’ or stronger rating by ESRB.
- Addtl 2% tax credit rebate (total 12%) – for family-friendly projects (rated EC, E or E10+) if workable.
- Threshold of \$300,000 in qualifying expenditures.
- Cap of \$1,000,000 per project.
- Cap of 3 projects per company.

Marketing

- Incentive should insure maximum state and/or local marketing value from productions benefiting from incentive.

THE CURRENT APPROPRIATIONS SYSTEM:

Drawbacks:

- Productions – especially higher-budget ones – need to plan their production months to a year ahead. When they consider Florida, they don't know until June if the incentive will be funded in July.

- The funding was 'gone' in 11 days last year, and three months this year. Bigger productions tend to stop calling.
- For a pilot, the funding is 'gone' by the Jan. to March window they generally film in. By not being pilot-friendly, we lose the TV series they could spawn if picked up.

- For a TV series, there is no assurance there will be incentive funding for a second or third season. Studios specifically cited this as a problem bringing a TV series here.

- They must fit within our 'fiscal year box':
 - a) They can not start filming before July 1st or they cannot qualify for incentive.
 - b) Once funds are committed, any production that begins filming can not get funds that might become available by other shows forfeiting their certified funds.

- The economic impact is felt mostly where the production films, since almost all of their expenditures are in the cities they film in.
- After filming, 100% of our incentive rebate goes back to the production's home – often out-of-state.
-

AS A TRANSFERABLE TAX CREDIT:

Remedies:

- Since a tax credit is established for a specific number of years, productions can plan ahead with the comfort of knowing the incentive will be available each year until it 'sunssets'.

- The market can determine the amount of tax credits needed.

- Productions can plan on a tax credit being available in subsequent years, as long as it's before the 'sunset' year. This allows us to attract longer-lasting production.

- Productions can cross fiscal years, because tax credits and certification of expenses can be allowable in whatever tax year the expense is incurred, (providing the minimum threshold on qualified expenditures is reached.)

- Not all productions will have a tax liability in Florida – those that don't will 'sell' their tax credit to a Florida corporation *at a discount*. These Florida corporations could be located anywhere in our state, creating the potential to spread the economic impact statewide by returning a percentage of our incentive to Florida corporations.

Furthermore:

- The time the OFE/OTTED spends yearly on the legislative appropriations process is reduced.
- Every state offering a substantial incentive offers a tax credit rather than a rebate (except S.C.)

FY 2005-06 ENTERTAINMENT INDUSTRY FINANCIAL INCENTIVE - YEAR END LEGISLATIVE REPORT

Film & Video Production Title	Type of Project	Total Approved FLA Qualified Expenditures (QE)	Incentive Reimbursement Amount	QE Spent on FLA Vendors	QE Spent on FLA Wages	Two Highest Paid FLA Wages (Non-Qualifying)	Total FLA Workers	Est. # of Hotel Room Nights
1 TEMPEST KEY AKA "AQUAMAN"	TV SERIES PILOT	\$ 4,967,084	\$ 734,435	\$ 3,864,417	\$ 1,102,667	\$ 90,590	187	1000
2 BILLBOARD LATIN AWARDS	TV SPECIAL	\$ 1,784,496	\$ 267,674	\$ 1,522,179	\$ 262,316	\$ 36,903	117	N/A
3 CHRISTMAS IN MIAMI	FEATURE FILM	\$ 2,481,387	\$ 372,208	\$ 1,237,972	\$ 1,243,415	\$ 127,906	426	800
4 COSECHA DE AMOR	TELENOVELA	\$ 1,623,651	\$ 243,548	\$ 425,076	\$ 1,198,575	\$ 110,500	51	180
5 CSI MIAMI	TV SERIES	\$ 2,093,016	\$ 313,952	\$ 1,044,952	\$ 1,048,064	\$ 57,065	409	1100
6 DEXTER	TV SERIES PILOT	\$ 2,208,770	\$ 331,316	\$ 1,226,464	\$ 982,306	\$ 51,721	247	650
7 MY BIG FAT FABULOUS WEDDING	TV SERIES	\$ 878,753	\$ 131,813	\$ 155,931	\$ 722,821	\$ 188,437	77	N/A
8 FULL GROWN MEN	FEATURE FILM	\$ 896,640	\$ 134,496	\$ 710,241	\$ 186,399	\$ 27,260	83	467
9 HOGAN KNOWS BEST	TV SERIES	\$ 853,913	\$ 128,087	\$ 347,610	\$ 506,303	\$ 77,973	88	1516
10 HOOT	FEATURE FILM	\$ 6,775,196	\$ 1,016,279	\$ 2,936,511	\$ 3,838,685	\$ 772,692	979	3000
11 I LOVE MIAMI	FEATURE FILM	\$ 890,617	\$ 133,593	\$ 704,069	\$ 186,548	\$ 65,000	129	486
12 LARRY THE CABLE GUY: HEALTH INSPECTOR	FEATURE FILM	\$ 1,707,743	\$ 256,162	\$ 648,067	\$ 1,059,677	\$ 51,404	144	650
13 MY SEXIEST YEAR	FEATURE FILM	\$ 2,254,773	\$ 338,216	\$ 1,118,311	\$ 1,136,463	\$ 77,241	723	456
14 SOUTH BEACH	TV SERIES	\$ 8,028,530	\$ 1,204,280	\$ 2,848,243	\$ 5,180,287	\$ 240,000	367	3327
	GRAND TOTAL:	\$ 37,444,568	\$ 5,606,058	\$ 18,790,043	\$ 18,654,525	\$ 1,974,692	4027	13632
NOTE FROM THE STATE FILM COMMISSIONER								
15 COMMUNICATIONS CONCEPTS, INC.	DIGITAL MEDIA CO.	\$ 856,812	\$ 42,841	\$ 42,841				
	GRAND TOTAL:	\$ 856,812	\$ 42,841	\$ 42,841				
RETURN ON INVESTMENT (ROI): 20:1								
GENERAL SUMMARY								
05/06 ENTERTAINMENT INDUSTRY FINANCIAL INCENTIVE APPROPRIATION		\$ 10,000,000	\$	\$				
TOTAL AMOUNT REVERTED TO GENERAL REVENUE		\$ 4,351,102	\$	\$				
TOTAL INCENTIVE REIMBURSEMENTS:		\$ 5,648,898	\$	\$				
TOTAL SPENT ON FLA VENDORS		\$ 18,790,043	\$	\$				
QE SPENT ON FLA WAGES		\$ 18,654,525	\$	\$				
TWO HIGHEST PAID FLA WAGES (NON-QUALIFYING)		\$ 1,974,692	\$	\$				
TOTAL SPENT ON FLA WAGES		\$ 20,629,218	\$	\$				
GRAND TOTAL FLORIDA EXPENDITURES (VENDORS & WAGES):		\$ 39,419,261	\$	\$				
RETURN ON INVESTMENT (ROI):		7:1						

The 7-to-1 ROI and the nearly \$40 million created in Florida expenditures with over \$20 million of it wages are impressive results from the incentive rebate totaling \$5.6 million. However, because of legislatively directed time limitations on use of funds, of the \$10 million appropriated, \$4.3 million was returned to the general revenue – even though over 40 productions submitted applications. Because our incentive program is funded by annual appropriation, it limits rebates on expenses to a single fiscal year. When several productions forfeited \$4.3 million of incentive funds very late in the fiscal year, no productions took advantage because they would have to start filming before the end of our fiscal year, but would not be eligible for the rebate on expenditures made in the next fiscal year. This, along with the fact major productions choose where and when to film many months in advance, discouraged productions from taking advantage of the late availability of funds.

This problem will be largely solved if the legislature switches the incentive funding to a three-year tax credit program. This change will allow productions that film across fiscal years to receive tax credits from both fiscal years. Also, the proposed 'glitch bill' will allow the OFE to create guidelines to lessen the chance of speculative films qualifying and then failing to begin production.

Florida Entertainment Industry Financial Incentive – 2004-2005 -- Final Report

Show	Type	Est. Florida Expenditures	Incentive Reimbursement	Est # Fla. Employees	Est. Fla. Wages	Est Fla Room Nights	Est Housing Costs
Transporter 2	Motion Picture	\$10,104,968	\$1,515,745	367	\$6,312,003	1,761	\$188,760
Billboard Latin Music Awards	TV Special	\$2,126,318	\$318,948	250	\$356,400	471	\$117,719
Altered	Motion Picture	\$2,037,059	\$305,923	113	\$418,943	N/A	\$62,116
Lonely Hearts	Motion Picture	\$2,199,503	\$264,700	209	\$2,035,853	3,150	\$340,000
TOTALS		\$16,467,848	\$2,405,316	939	\$9,123,199	5,382	\$708,595

RETURN ON INVESTMENT: 6.85 TO 1 (no multiplier)