

Committee on Economic Development

Thursday, January 11, 2007

9:30 am – 12:00 pm

Reed Hall

COMMITTEE ON ECONOMIC DEVELOPMENT

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Reed Hall

- I. **Call to Order**
- II. **Remarks by Chairman**
- III. **Introduction of Committee Members and Committee Staff**
- IV. **Presentations by:**
 - **Scott Fennell**, Legislative and Budget Director
Office of Tourism, Trade and Economic Development
Overview of Purpose and Programs
 - **John Adams**, President and CEO
Enterprise Florida
Overview of Programs and Florida's Strategic Plan
 - **Paul Sirmons**, Film Commissioner
Office of Film and Entertainment
Overview of Program, 2007 Legislative Proposal
- V. **Workshop on Creating a Family-Friendly Hollywood in Florida**
- VI. **ADJOURN**

GOVERNOR'S

OFFICE

OFFICE OF TOURISM, TRADE & ECONOMIC DEVELOPMENT

Our Mission



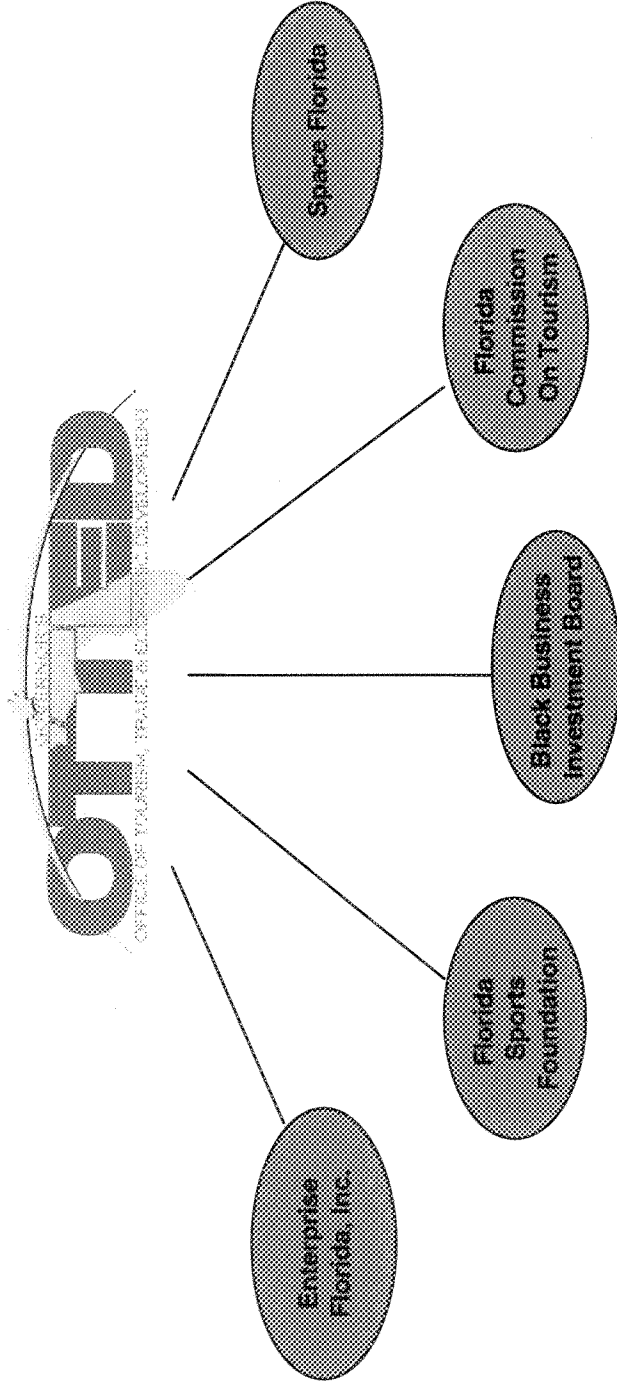
Created in 1996 by the Legislature, the **Office of Tourism, Trade and Economic Development (OTTED)**, within the Executive Office of the Governor, assists the Governor, Lieutenant Governor, and Legislature to formulate policies and strategies designed to provide economic opportunities for all Floridians.

The State of Florida has an important role to play in promoting an economic climate in which Florida's businesses can be competitive and productive with minimal government interference. OTTED provides executive direction and staff support to develop policies and advocate for economic diversification and improvements in Florida's business climate and infrastructure. Economic development programs are implemented through public/private partnerships for which OTTED provides direct oversight.

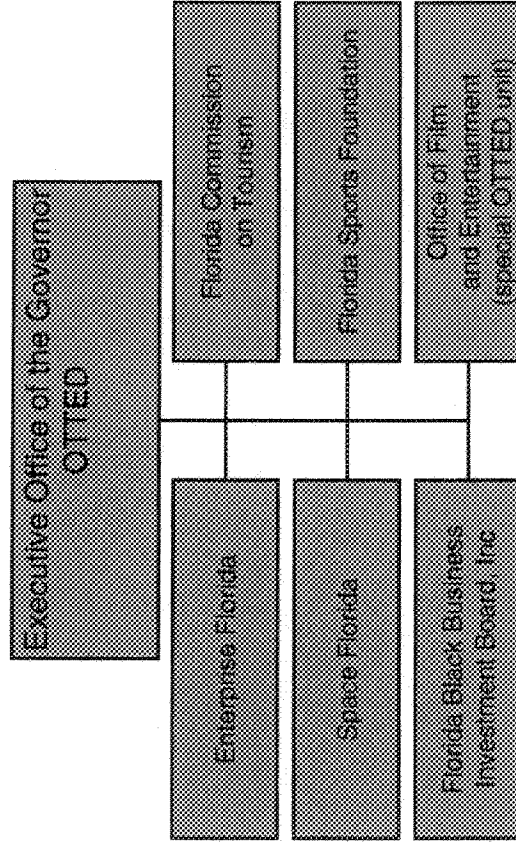
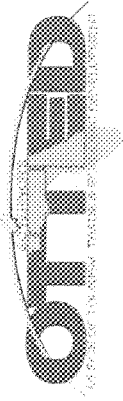
Public/Private Partnerships



As part of its role, OTTED oversees the activities of seven public/private partnerships which serve to increase trade, job creation, and critical industry development in Florida. Each partnership focuses on a unique area of economic program development. In addition, while part of OTTED staff and structure, the Office of Film & Entertainment is a special unit that operates semi-autonomously from OTTED.

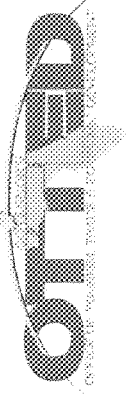


Partnerships





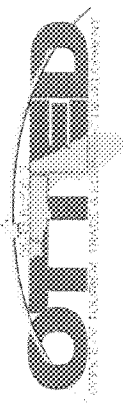
Office of Tourism, Trade, and Economic Development		06/07 Appropriations Act	
	Positions	21.00	
	Salary Rate	1,270,145	
		Gen Rev	Trust
1	Executive Direction and Support Services	1,336,177	1,400,844
2	Total (GR & Trust)	2,737,021	
3	Salaries and Benefits	676,273	880,890
4	Lump Sum	409,904	219,954
5	Performance Monitoring	250,000	300,000
6	Economic Development Programs and Projects	363,396,651	48,047,959
7	Total (GR & Trust)	411,444,610	
8	Lump Sum - Rural Operations	79,525	0
9	Rural Operations	79,525	
10	Economic Development Tools	21,420,000	4,961,250
11	Qualified Target Industries - QTI	19,750,000	4,937,500
12	Qualified Defense Contractors - QDC	95,000	23,750
13	High Impact Performance Incentives	1,575,000	
14	Quick Action Closing Fund	45,000,000	0
15	Quick Action Closing Fund	45,000,000	
16	Innovation Incentive Fund	200,000,000	0
17	Innovation Incentive Fund	200,000,000	
18	Brownfield Redevelopment Bonus Refunds	950,000	237,500
19	Brownfield Redevelopment Bonus Refunds	950,000	237,500
20	Life Science, Industry Enhancement and Promotion	2,500,000	0
21	Andrews Institute of Orthopedic Science and Research	2,500,000	



22	Black Business Investment Board	0	0
23	Black Business Investment Board - Operations	-	
24	BBIB & BBIC Capitalization Program	-	
25	Hispanic Business Initiative Fund	400,000	0
26	Hispanic Business Initiative Fund	400,000	
27	Florida Sports Foundation	200,000	2,750,000
28	Florida Sports Foundation		2,750,000
29	Sunshine State Games	200,000	
30	Enterprise Florida	7,600,000	4,900,000
31	Expansion, Retention and Recruitment	3,400,000	
32	National Marketing	2,100,000	
33	Florida Trade and Exhibition Center	300,000	
34	Special Needs	800,000	
35	International Programs	1,000,000	4,900,000
36	Military Base Protection	4,400,000	0
37	Military Base Protection	3,400,000	
38	Defense Reinvestment	1,000,000	
39	Tourism Commission / VISIT FLORIDA	4,400,000	20,299,209
40	Tourism Commission	4,400,000	20,299,209
41	Film and Entertainment	20,753,296	0
42	Film and Entertainment - Operations	753,296	
43	Film and Entertainment - Incentives	20,000,000	
44	Space Florida	7,000,000	0
45	Space Florida - Operations (10 Months)	2,400,554	
46	2 Month transition funding for dissolving entities	599,446	
47	Space Florida - Educational Programs and Financing	4,000,000	



48	Space, Defense and Rural Infrastructure	40,700,000	0
49	Defense Infrastructure	3,000,000	
50	Rural Infrastructure	2,700,000	
51	Space Infrastructure - Crew Exploration Vehicle	35,000,000	
52	Economic Development Transportation Projects	0	14,000,000
53	Road Fund		10,000,000
54	Lake Wales Municipal Airport Economic Development Project		3,000,000
55	Hangar Construction - Okaloosa County		1,000,000
56	Rural Community Development	400,000	900,000
57	Rural Community Development - Grants and Loans	400,000	900,000
58	Advocating International Business Relationships	4,334,231	0
59	International Grants - Lump Sum	59,231	
60	FAVA/CA	650,000	
61	FTAA, Inc.	525,000	
62	SEUS/Japan & FL/KOR	150,000	
63	GoMSA	50,000	
64	Implementation of Haiti Initiative	1,000,000	
65	Florida International Business Expansion Initiative - EFI	1,900,000	
66	Special Categories	784,599	0
67	EDA Grants - State Match	784,200	
68	Transfer to Department of Management Services	399	



69	Local Economic Development Projects	2,475,000	0
70	State Flag Manufacturing - Goodwill	75,000	
71	Beaver Street Enterprise Center - Fresh Ministries	350,000	
72	CAMACOL - Life Sciences Program	300,000	
73	SEUS/Japan - Annual Conferene	250,000	
74	City of Bell Glade Boat Lock - Palm Beach County	1,500,000	
Totals		364,732,828	49,448,803
Total (GR & Trust)		414,181,631	
Appropriated in substantive legislation			

Enterprise Florida, Inc.



Enterprise Florida is a partnership between Florida's business and government leaders and is the principal economic development organization for the State of Florida. Its mission is to increase economic opportunities for all Floridians by supporting the creation of quality jobs, a well-trained workforce, and globally competitive businesses. The organization pursues this mission in cooperation with its statewide network of economic development partners.

In addition to its work in strengthening Florida businesses, attracting targeted industries to the state, and helping Florida companies tap the international marketplace, Enterprise Florida works with its partners to continually improve Florida's business climate against global standards of competitiveness.

In 1996, Florida became the first state in the country to place principal responsibility for economic development, international trade, research, and business image marketing in the hands of a business-government partnership. The move was the result of several years of effort by business and government leaders.

Enterprise Florida is governed by a board of directors chaired by the Governor. The board consists of prominent business, economic development, and government leaders from throughout Florida.

Headquartered in Orlando, Enterprise Florida also has offices in Miami and Tallahassee; and representation in 12 locations worldwide assisting Florida companies seeking to become involved in global business.

Enterprise Florida Performance Measures



Percentage increase in the salary average of high wage jobs facilitated by Enterprise Florida	124.5%
Number of direct full-time jobs facilitated as a result of Enterprise Florida's recruitment, expansion, and retention efforts	26,000
(I) Rural areas (subset)	2,100
(II) Urban core areas (subset)	2,100
(III) Critical industries (subset)	18,000
Documented export sales attributable to programs and activities	\$540,653,000
Number of qualified marketing leads generated through Enterprise Florida's comprehensive marketing programs	1,800
(I) Trade leads (subset)	1,000
(II) Investment leads (subset)	800
Satisfaction of economic development practitioners and other appropriate entities with efforts of Enterprise Florida in providing economic development leadership in the full range of services required for state and local economic growth, including critical industries	75%
Satisfaction of economic development practitioners and other appropriate entities with efforts of EFI in marketing the state, including rural communities and distressed urban communities, as a pro-business location for potential new investment	75%
Number of companies assisted by Enterprise Florida in the area of international trade	5,500
Number of active recruitment, expansion, and retention projects worked during the year	515
Number of leads and projects referred to local economic development organizations	325
Number of successful incentive projects worked with local economic development organizations	80
Number of times Enterprise Florida's information services are accessed	305,324

Florida Sports Foundation



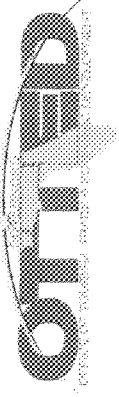
The Florida Sports Foundation, Inc. is the official sports promotion and development organization for the State of Florida. It is charged with the promotion and development of professional, amateur, recreational sports, and physical fitness opportunities that produce a thriving Florida sports industry and environment.

With a seemingly endless list of sporting ventures and venues, the Florida Sports Foundation strives to promote Florida's unique sports industry. The Foundation's staff is dedicated to serving the needs and interests of Florida's sports community and assists with all questions concerning Florida sporting activities and issues.

To create the thriving sports industry and environment, the Florida Sports Foundation:

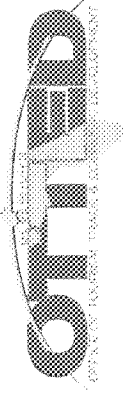
- Provides grants to support sporting events that bring out-of-state visitors to Florida;
- Produces and distributes annual golf, fishing and boating, and baseball spring training guides for both in-state and out-of-state tourists; and
- Organizes the annual Sunshine State Games, an Olympic-style festival for Floridians of all ages, and the Florida Senior Games State Championships for senior athletes, age 50 and over.

Florida Sports Foundation Performance Measures



Economic contributions from Florida Sports Foundation - sponsored regional and major sporting events grants	\$94,300,000
Economic contributions to communities as a result of hosting Florida's Senior State Games and Sunshine State Games Championships	4,400,000
Number of out-of-state visitors attending events funded through grant programs	174,888
Satisfaction of the area sports commissions with the efforts of the foundation to promote and develop the sports industry and related industries in the state	80%
Number / amount of major and regional sports event grants awarded	30 / \$700,000
Percentage Increase / Number of athletes competing in Florida's Senior Games and Sunshine State Games	5% / 13,665

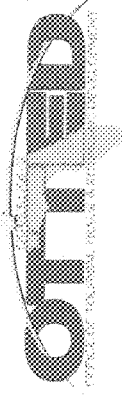
Florida Black Business Investment Board, Inc



The Florida Black Business Investment Board, Inc. (FBBIB) provides technical assistance and capitalization programs to encourage growth of Black-owned businesses in Florida. The FBBIB was established by the Legislature in 1985 to address three major concerns to black business development in Florida: limited access to technical assistance, limited access to capital, and limited access to opportunities. The FBBIB addresses these, and other related issues, primarily through program activity facilitated by a network of seven regional Black Business Investment Corporations (BBICs) and the statewide BBIC. The regional BBICs provide technical assistance, loan guarantees, and direct lending products to Florida's Black-owned businesses in a 29 county service area, while the statewide BBIC provides similar services to Black-owned businesses in 38 counties outside of the regional BBICs service area. In addition to the financing and technical assistance products and services, the FBBIB:

- Administers the statewide Franchise Finance and Development Program;
- Under a contract with the Office of Urban Opportunity (DOU), administers a specific loan program that provides direct loans, loan guarantees, and technical assistance for economic development initiatives in the six designated Front Porch Florida neighborhoods; and
- Sponsors "Black Business Investment Days" which brings African-American business owners and supporters from around Florida to Tallahassee to network with other entrepreneurs, government representatives, and procurement officials from various government agencies.

Florida Black Business Investment Board, Inc Performance Measures



Number of jobs created or retained by regional and statewide BBICs	2,703
Dollar amount and procurement opportunities generated for Black businesses	\$2,650,000
Matching dollars leveraged by the Black Business Investment Board	\$1,407,847
Number of businesses provided assistance through Statewide BBIC	662

Office of Film and Entertainment



The **Office of Film & Entertainment** within the Office Tourism, Trade, and Economic Development is charged to provide wholesale service and support to promote and build the Film and Entertainment Industry in Florida. From facilitating a request from a production company to film on state-owned lands, to recruiting film and entertainment companies to produce in Florida, the Office of Film & Entertainment strives to be the one-stop shop to serve all of the industry's needs in the state of Florida.

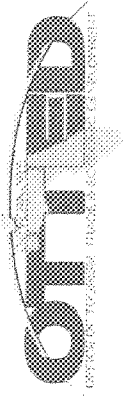
The motion picture industry sector is a vital part of the Florida economy. The industry comprises over 3500 establishments, and over 39,000 full time employees. By including freelance workers for every full-time employee, the industry is comprised of nearly 80,000 high-skill, high-wage workers earning an average of over \$50,000 per year. In 2000, the industry generated over \$3 billion in economic impact in the state, from motion picture productions, music videos, and television movie productions, to commercials, still photography, and digital media.

Office of Film and Entertainment Performance Measures



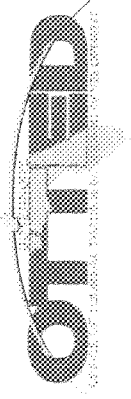
Related business transaction revenues as a result of the Office of the Film Commissioner's facilitated leads	112,350,000
Number of qualified leads generated	500
Number of liaison and policy development activities conducted	160
Production entities making on-site visits to Florida (location scouts)	100
Number of projects worked	890

Space Florida



Space Florida was created as a state government space agency during the 2006 legislative session to coordinate all space-related initiatives in Florida. Space Florida is focused on aerospace business development and job creation, financing, spacecraft operations, research and development, workforce development, and education. Space Florida is broadly empowered to own, operate, construct, finance, acquire, extend, equip and improve space infrastructure for governmental and commercial space clients. Space Florida also works to develop the nation's fledgling space tourism industry as well as ensure the State of Florida is the new home of the construction and launch for the next generation space vehicle, known as Orion. It has unique partnerships with the Department of Education, Enterprise Florida, Inc., the Department of Transportation, and Workforce Florida.

Economic Development Programs



Beyond oversight of public/private partnerships, OTTED also:

- Serves as state point on rural development issues in part through oversight of Rural Economic Development Initiative (REDI), rural infrastructure loans and grants,
- Administers military and defense retention, expansion, and grant programs, and oversees bi-annual Base Commanders Forums, as well as Governor's BRAC Advisory Council activities
- Administers international trade programs through the oversight of international trade and investment, diplomacy, and consular affairs.
- Coordinates and staffs the Emerging Technology Commission, the Governor's Council of Economic Advisors, the Scripps Florida development, and the Haiti Commission.
- Approves and certifies business expansion and retention incentive programs (e.g. qualified target industry tax refund, the qualified defense tax refund, and high impact industry grants, bond financing programs, and defense grant programs);
- Manages community development programs such as enterprise zones, community contribution tax credits and the urban and rural job tax credit programs;
- Serves as lead agency for expediting permit process on economic development projects;
- Maintains extensive interaction with business, economic development, and community leaders to advocate on their behalf to the Governor and Legislature; and,

Financial Incentives



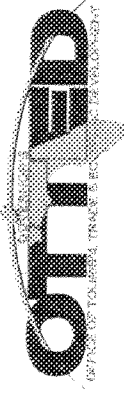
- **Qualified Target Industry Tax Refund Program (QTI)** – Designed to encourage the creation of high-skill jobs and encourage the growth of corporate headquarters and other targeted industries. QTI provides a tax refund of \$3,000 per new job created in Florida through the expansion of existing Florida businesses or the location of new ones. (This increases to \$6,000 per job within an Enterprise Zone or Rural County). A business is eligible for a \$1,000 per job bonus if it pays over 150% average wage in the area, and a \$2,000 per job bonus if over 200%. Projects must be supported by their community to the amount of 20% of the incentive.
- **Qualified Defense Contractors Tax Refund Program (QDC)** – A tool to preserve and grow Florida's high technology employment base – giving Florida companies a competitive edge as defense contractors consolidate defense contracts, acquire new contracts, or convert to commercial production. Pre-approved projects receive tax refunds of up to \$5,000 per job created or saved in Florida. Projects must be supported by their community, which provides funding for 20% of the incentive.
- **Economic Development Transportation Fund** – Referred to as the "Road Fund", this incentive is one of Florida's oldest incentive programs. It provides local governments with funding for transportation-related projects required to induce companies to locate, remain or expand within the local government's jurisdiction.
- **Rural Community Development Revolving Loan Program** – Created to promote the economic viability of rural communities and create jobs for residents of Florida's rural areas by leveraging the use of existing federal, state, and local financial resources. This program provides local governments with access to financial assistance through low-interest long-term loans.
- **Florida First Business Bond Pool** – Reserves 20% of Florida's total annual private activity bond allocation for large industrial projects making significant contributions to Florida's economy. Florida also reserves a portion of the total allocation to assist small manufacturers to obtain very cost-effective financing for expansion or relocation projects, if allocation is not available from the Manufacturing Facilities Bond Pool.
- **Enterprise Zone Program** – OTTEd is responsible for the designation of enterprise zones and provides technical assistance to communities and businesses regarding the Enterprise Zone Program. The Program encourages the revitalization of economically distressed areas in Florida by providing credits against Florida's sales tax or corporate income tax to businesses located in an enterprise zone for hiring zone residents. Corporate income tax credits are available for businesses who construct or expand their facilities within a zone. Sales tax refunds are available when businesses purchase business equipment or building materials for use within a zone. Local governments can provide additional incentives for a zone located within their boundaries.

Financial Incentives



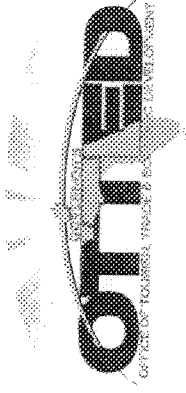
- **High Impact Performance Incentive Grants (HIPI)** – A negotiated incentive used to attract and grow major high impact facilities in Florida. Grants are provided to pre-approved applicants in certain high-impact sectors. Once approved, the high impact business is awarded 50 percent of the eligible grant upon commencement of operations and the other half once full employment and capital investment goals are met.
- **Rural and Urban Job Tax Credits** – An incentive for eligible businesses located within one of 15 rural areas or 13 urban areas to create new jobs. The tax credit ranges from \$500 to \$2,000 per qualified employee and can be taken against either the Florida Corporate Income Tax or the Florida Sales and Use Tax. These tax credits are provided to encourage meaningful employment opportunities that will improve the quality of life of those employed and to encourage economic expansion of businesses in rural and urban areas of Florida.
- **Semiconductor, Space and Defense Sales and Use Tax Exemption** – Used to attract and grow businesses in these sectors by providing an exemption for all sales and use taxes on investments in machinery and equipment used in manufacturing and research.
- **Capital Investment Tax Credit (CITC)** – Used to attract and grow capital-intensive industries in Florida. It is an annual credit against the corporate income tax which is available for up to 20 years in an amount equal to 5% of the eligible capital costs generated by a qualifying project. Eligible capital costs include all expenses incurred in the acquisition, construction, installation and equipping of a project from the beginning of construction to the commencement of operations. Available to businesses in HIPI-designated sectors. Businesses must make an investment of at least \$100M to receive the full credit.
- **Brownfield Redevelopment Bonus** – Created by the Legislature in 1997 to encourage development of abandoned, idled or underused industrial and commercial sites where expansion or development is complicated by actual or perceived environmental contamination. The Bonus is designed to work with QTI projects, paying a bonus of \$2,500/job over and above the QTI award. The Bonus Program was expanded by the Legislature in 2000 and provides a \$2,500 per job award for non-QTI projects that meet job creation and capital investment.
- **The Community Contribution Tax Credit Program** – OTTE oversees the Community Contribution Tax Credit Program which encourages private sector donations to community redevelopment projects in enterprise zones and to low-income housing projects. A tax credit of 50% of the donation is allowed.
- **The Quick Action Closing Fund** – Used to attract high-impact business facilities, privately developed critical rural infrastructure, or key facilities in economically distressed urban or rural communities. It is a one time incentive that helps “close the deal” when a cost differential exists between the State of Florida and the competing State.

Advocacy Programs



OTTED is also involved with a number of advocacy and community development programs:

- **Critical Industry Development/Business Climate Issues** OTTED focuses on policies and strategies to further build critical or transitioning industries (e.g. IT, Simulation, Space, Defense, Biotech,) as well as focuses on transportation, infrastructure, workforce development, and other significant business climate issues.
- **Defense and Military Affairs** OTTED facilitates the state's programs related to military base retention and reuse, including the Governor's bi-annual meetings with base commanders from installations throughout Florida. OTTED oversees a variety of grant programs designed to assist defense communities and related businesses with defense retention, diversification, and transition efforts.
- **International Trade and Affairs** OTTED is the state point on overseeing and advocating for international trade and investment, diplomacy, and consular affairs. OTTED is actively involved in initiatives promoting the state's role as a major international gateway and trade hub. In fiscal year 2004/2005, the legislature transferred to OTTED the responsibilities of the Office of International Affairs, formerly with the Department of State, to promote coordinated implementation of international programs.
- **Minority and Urban-Core Business Advocacy** OTTED advocates on behalf of minority-owned business creation, retention, and expansion in part through its contracts with Enterprise Florida, the Florida Black Business Investment Board, as well as the Division of Minority Contracting (DMS).
- **Rural Economic Development** OTTED acts as an advocate and coordinator for rural issues and projects that are important to the economic capacity of Florida's rural communities. It also administers the Rural Economic Development Initiative (REDI), a multi-agency effort involving state and regional agencies and organizations.
- **Small Business Advocacy** Helping to encourage small business growth in Florida, OTTED reviews state agency rule changes and makes recommendations to the agencies to alleviate unnecessary or adverse effects on businesses.



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Florida's Return on Investment in Enterprise Florida, Inc.

Fiscal Year 2006

Ernst & Young estimates Florida's return on investment in Enterprise Florida (EFI) by assessing the statewide economic impacts of the projects and export sales receiving assistance from EFI. The economic benefit from these projects and sales are summarized by their annual impact on employment, labor income and gross state product for the current year. (Although activity during previous fiscal years may continue to contribute to the state economy, only current year benefits are assessed.) Investment includes dollars invested in both EFI operations and state incentives. Specifically, the return on investment analysis provides the impact of EFI's activities on both private sector jobs and income and public sector tax revenue.

Summary of Economic Impacts of Enterprise Florida Activities

(\$ millions)

Ongoing Impact of Announced Projects

Employment	39,848
Labor Income	\$1,868
Gross State Product	\$3,063

Ongoing Impact of Assisted Exports

Employment	6,753
Labor Income	\$305
Gross State Product	\$586

Total On-going Impacts (Projects + Exports)

Employment	46,601
Labor Income	\$2,173
Gross State Product	\$3,651

Fiscal Year 2006 Investment Impacts

Employment	12,206
Labor Income	\$546
Gross State Product	\$656

Return on Investment in Enterprise Florida

Fiscal Year 2005-2006

Additional Taxes (millions) \$158.4

State Investments (millions)

Operating Budget	\$11.7
Operating + Incentives	\$45.4

Public Rates of Return (per dollar invested)

Operating + Incentives	\$3.49
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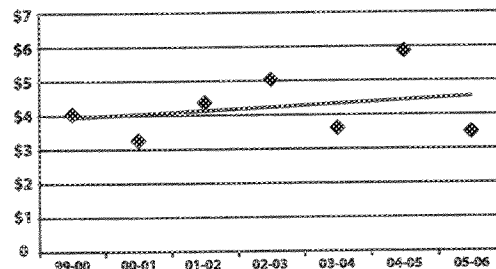
The analysis of fiscal year 2005-2006 identified the following economic benefits:

- ▶ As a result of EFI programs:
 - 46,601 new or retained jobs were generated for the state; and
 - an additional 12,206 jobs were generated due to investment spending on new construction and equipment.
- ▶ As a result of employment and export activity facilitated by EFI:
 - \$2.7 billion were added to Florida's labor income; and
 - nearly \$4.3 billion were added to the Gross State Product (including the \$2.7 billion in labor income).
- ▶ \$158.4 million increase in state and local tax revenue was generated as a result of EFI activities.
- ▶ Public return on investment (ROI) of 3.49 was realized (based on a state investment of \$11.7 million in EFI operating costs and \$33.7 million in state incentives).

Florida received a return of \$3.49 for each dollar invested in EFI activities in fiscal year 2006.

Ernst & Young has estimated Florida's return on investment in EFI for 10 years. Recognizing that the data assessed in these studies can be volatile from year to year, but is more indicative over time, EFI focuses on

the average trend line and allocates its resources to continue to deliver a positive return on investment with upward growth over time.



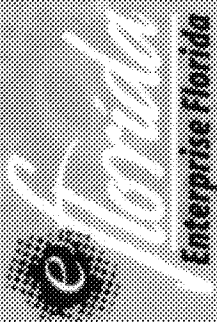
ROI: Enterprise Florida
Return for dollar invested

◆ ROI on total investment
--- Linear
(ROI on total investment)

Source: Ernst & Young, LLP



For a complete copy of Florida's Public Return on Investment in Enterprise Florida, Inc. Fiscal Year 2006 as prepared by Ernst & Young, please contact Michele Miller at 407.316.4532 or mmiller@eflora.com.



Vision

Florida is a global leader in knowledge-based jobs, leading-edge technology and competitive enterprises in the 21st century.

Enterprise Florida's Mission

Diversify Florida's economy and create better-paying jobs for its citizens by supporting, attracting and helping to create businesses in innovative, high-growth industries.

Goals and Strategies

1. **Accelerate Florida's value-added economy**
 - Ensure a competitive business climate
 - Brand and market Florida as a global business leader
 - Expand targeted high-impact clusters through retention, expansion, recruitment, trade and creation strategies
 - Strengthen international trade and business development

Principal Target Measures

- 06-07 OTTED goals:
 - 26,000 jobs
 - Export sales of \$540 million
 - 1,800 trade and investment leads
- EFI Goals:
 - 40% of jobs pay 135% of Florida's average wage
 - 40% of investment leads in targeted clusters
 - Export sales of \$265 million in targeted clusters

2. Partner with stakeholders to support economic development

- Expand public and private-sector support networks
- Maintain effective relationships with the Executive Office of the Governor, Legislature and Board of Directors

- 85% stakeholders satisfaction score
- 95% board investor loyalty score (recurring investments)

3. Secure adequate, sustainable public and private-sector investment

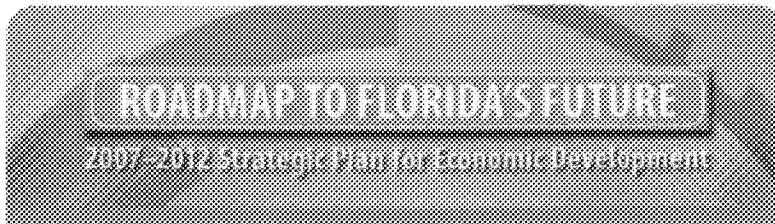
- Expand private-sector investment in Enterprise Florida
- Secure recurring public-sector investment
- Establish cost neutral event management

- Private-sector investment of \$ 3 million in FY 06-07
- Government funding of \$12.5 million
- Full recovery of direct costs for trade shows & events

4. Attain organizational excellence with measurable results

- Develop and retain high-performance team resources
- Maintain a corporate culture that fosters employee engagement
- Ensure effective administrative support

- Achieve 95% Administrative Effectiveness Index
- 98% uptime on information networks



The Charge

Section 288.905(2), Florida Statutes, mandates that the Enterprise Florida Board develop the statewide strategic plan for economic development, *Roadmap to Florida's Future*, and provide it to the Governor and Legislative leaders by Jan. 1, 2007.

The Vision

Florida is a global leader in knowledge-based jobs, leading-edge technology, and competitive enterprises in the 21st Century.

The Goals

Globally competitive businesses • Well-paying jobs for Floridians • High quality of life throughout Florida

Creating the 2007-2012 Roadmap to Florida's Future

- Assessed the quantitative and qualitative progress Florida has made in implementing prior *Roadmap* priorities
- Analyzed the level of Florida's competitiveness as demonstrated by key comparative benchmarks
- Created the 21st Century Economic Development Task Force as an ad hoc Enterprise Florida Board committee to help identify long-term strategic issues for Florida's continued competitiveness
- Along with Enterprise Florida's local and regional economic development partners, hosted eight regional forums, with over 1,000 participants, to solicit input from state and local experts and advocates
- Held issue-oriented focus groups of Enterprise Florida's Board and Stakeholders Council
- Surveyed strategic planning stakeholders to assess the relevance of past strategic planning priorities and gather input on new priorities

2007-2012 Strategic Priorities

- **Build World-Class Talent:** Talent has emerged as the top economic development issue for a knowledge-based economy. Education is the new bedrock for economic development. Skilled, educated talent at all levels (pre-K to 12, workforce, higher education) is key to Florida's economic success for high-wage jobs and innovation.
- **Ensure Business Climate Competitiveness:** Two business climate issues currently threaten Florida's competitiveness: available and affordable insurance and affordable workforce housing. To maintain a competitive business climate, Florida must also address the need for new incentive tools that reward productivity and innovation.
- **Promote Sustainable Development to Ensure Florida's Superior Quality of Life:** Florida is expected to become the third largest state in the U.S. Key to Florida's future quality of life will be a proactive approach to multi-faceted growth management challenges with balanced land use planning and multimodal infrastructure to meet future needs.
- **Invest in Florida's Innovation Economy:** Science and technology-based economic growth founded on research and development has become the underlying source of wealth in the 21st Century. Innovation and new technologies are the major drivers for new firm formation that ultimately translate into the jobs of the future – high-wage, high value-added jobs in emerging industries that help to accelerate the diversification of the economy.
- **Establish Florida as a Pre-eminent Global Hub:** Florida is known as the gateway to Latin America. To maintain global leadership, Florida's must advance its status from "international gateway" to "premier global business hub."
- **Accelerate Florida's Economic Diversification:** A large, diversified economic structure is crucial for Florida's stability, prosperity, and global competitiveness. The key elements of diversification include having multiple engines of industry growth, fostering balanced geographic growth, and raising the quality of that economic growth – addressing issues of both the quantity and quality of growth of Florida's targeted industries.



FLORIDA FILM & ENTERTAINMENT ADVISORY COUNCIL
RECOMMENDED CHANGES TO THE
2007-08 ENTERTAINMENT INDUSTRY FINANCIAL INCENTIVE

Type of Funding:

- Transferable tax credit (currently an annual appropriation)

Percentage:

- 15% tax credit (only of 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.

Family-Friendly Production Adjustment:

- Additional 2% tax credit for feature film rated 'G' or 'PG'
- As requested by the House of Representatives, per its *100 Ideas* book
- Only paid after a feature film production receives the equivalent of an MPAA-type 'G' or 'PG' rating.

Program Duration:

- Six years

Funding Amount:

- Tax Credits of \$90 million per year (same amount as New York)

Threshold:

- 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.

Cap per production:

- Raise to \$4,000,000 (Current cap is \$2,000,000)
- To reach incentive cap, a production will spend \$26.6 million in Florida qualified expenditures
- Films qualifying for the hurricane season adjustment will have additional cap increase of \$1.3 million;
- Productions qualifying for family-friendly rating adjustment will have additional cap increase of \$520,000.

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.
- TV Series can receive incentive for first five years of Florida filming only; have priority position subsequent year for funds.
- Remainder of funding, approx. 70%

2. *TV 'Pilot' Queue* (pilots are the 'test' episode for proposed TV series)
 - Hold funds so they're available to be certified to pilots later in year.
 - Merges into Main Queue on Feb. 1 of each year.
 - 5% of funding

3. *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.
 - Merges into Main Queue on April 1st each year.
 - 10% of funding

4. *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.
 - 5% of funding, queue capped at \$2 million.
 - Merges into Main Queue on May 15th each year.

5. *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+).
 - Threshold of \$300,000 in qualifying expenditures.
 - Cap of \$1,000,000 per project.
 - Cap of 3 projects per company.
 - Recommends 10% of funding.
 - Merges into Main Queue on Feb. 1 each year.

Wage Cap Per Employee:

- Switch to a cap per employee of \$200,000
 - Currently we deduct the top 2 Florida salaries completely.
 - Only the first \$200,000 in wages will qualify for incentive.

Excluding / Adding Productions:

- Exclusions recommended:
 - News show, current events, current affairs program
 - Weather or market production
 - Sports event
 - Sports show
 - Awards show
 - Gala or special event
 - Production that solicits funds
 - Home shopping programming
 - Political programming or advertising
 - Video or internet gambling
 - Concerts
- Additions to Eligible Productions:
 - Digital Media (to be defined)
 - Mid-Season Pickups for Episodics / Telenovelas
 - Infomercial

Eliminate Current Ineffective Programs:

- Two programs:
 - Digital Media Effects Company -- used only twice, award too low, little interest.
 - Qualified Relocation Project -- never used, award too low, no interest.

Make First-Come, First-Serve Year-round:

- Currently, initial 2-week window for receiving applications is based on production start date. Then, On Feb. 1st, queues merge and again are ordered by start date. With a multi-year tax credit allowing shows to cross fiscal years lines, it is easier to market and to be consistent with first-come, first-serve year-round.

Rule Making Authority

- Currently only have statutory authority to create 'policies and procedures'.
- Need rule-making authority in statute to create binding rules.

Proof of Financing

- Bill should give OFE authority to determine a method for productions to use to provide proof of at least partial financing for each production as part of the application.

Minimum Florida Crew Hire

- Bill should establish a minimum amount of combined crew/cast in budgeted production positions that are FL residents, no higher than 50%.
- Should not inhibit production, but instead help insure productions qualifying for our incentive do benefit our industry workers.

Marketing Changes

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

The Florida Film and Entertainment Financial Incentive

A HIGH-RETURN TAX CREDIT FOR FLORIDA'S ECONOMIC DEVELOPMENT

What's the annual cost of the proposed incentive?

- \$90 million per year in transferable tax credits.

What's the annual return?

- \$540,000,000 each year paid to Florida cast, crew and businesses.

What's the cost over six years?

- \$540,000,000 in transferable tax credits.

What's the return over six years?

- \$3.24 BILLION DOLLARS paid to Florida cast, crew and businesses.

What's the return on investment?

- **6-to-1 ROI...**

... That's six dollars spent in Florida before one dollar is paid out as a transferable tax credit.

Florida companies can additionally benefit if an out-of-state production transfers (sells) its tax credits to them *at a discount*, leaving part of the incentive right here in Florida.

What's the economic impact on Florida?

- **\$9.72 BILLION DOLLARS over six years** (using a conservative 3X multiplier) with a six-year investment of only \$540 million.

(note: impact numbers based on recommendations as of 12/15/06, subject to change)

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	\$20,000,000	\$2,000,000	\$850,000
		15%	vendors			
New York ¹	Refundable tax credit	15%	labor	\$90,000,000	NO CAP	Must shoot part on a NY stage
		15%	vendors			
Connecticut	transferable tax credit	30%	labor & vendors	UNLIMITED	NO CAP	\$50,000
Louisiana	transferable income & investment tax credit	25%	Non La. labor	UNLIMITED	NO CAP	\$300,000
		35%	La. labor			
		25%	vendors			
New Mexico	refundable tax credit	25%	labor	UNLIMITED	NO CAP	no minimum
		25%	vendors			
South Carolina	cash rebate	20%	labor	\$10,000,000	NO CAP	\$1,000,000
		30%	vendors			
Hawaii	Refundable tax credit	15%	labor	UNLIMITED	\$8,000,000	\$200,000
		15%	vendors			
		20%	non-Oahu prod.			
Illinois	transferable income tax credit	20%	IL labor	UNLIMITED	NO CAP	\$100,000
		20%	vendors			
North Carolina	refundable tax credit	15%	labor	UNLIMITED	\$7,500,000	\$250,000
		15%	vendors			
New Jersey	transferable tax credit	20%	labor	\$10,000,000	NO CAP	none, but 60% of all production must be in NJ
		20%	vendors			
Georgia	transferable income tax credit	9%	vendors	UNLIMITED	NO CAP	\$500,000
		9%	Out-of-state labor			
		3% addtl	GA labor			
		3% addtl	distressed areas			
Rhode Island	transferable tax credit	25%	prod. expenses	UNLIMITED	NO CAP	\$300,000
Massachusetts	Refundable tax credit	20%	labor	UNLIMITED	\$7,000,000	\$250,000
		25%	prod. expenses			
Pennsylvania	Grant	20%	labor	10,000,000	\$2,000,000	60% spending of budget in PA.
		20%	vendors			
Arizona	transferable tax credit	<\$1M = 10%	labor & vendors	2006 = \$30,000,000	\$5,000,000	\$250,000
		<\$3M = 15%	labor & vendors	2007 = \$40,000,000		
		>\$3M = 20%	labor & vendors	2008 = \$50,000,000		
FLORIDA	FFEAC Proposed Changes FY 07/08	15%	labor & vendors	90,000,000	\$4,000,000	\$625,000
		20%	during hurricane season			

¹ NY state and city combined

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:	\$ 37,444,368	\$ 5,606,058	\$ 18,790,043	\$ 38,854,525	\$ 1,974,692	4027	13,633

Digital Media Companies	Type of Project	Total Approved FLA Qualified Revenue	Incentive Reimbursement Amount
15 COMMUNICATIONS CONCEPTS, INC.	DIGITAL MEDIA CO.	\$ 856,812	\$ 42,841
	GRAND TOTAL:	\$ 856,812	\$ 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	

NOTE FROM THE STATE FILM COMMISSIONER

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.

Workshop

FLORIDA'S ENTERTAINMENT INDUSTRY INFRASTRUCTURE:

*Are We Growing the Indigenous Industry
as well as Supporting Production?*

2006

You may access the full report online at www.myfloridahouse.gov by following these steps:

- Select the "Councils & Committees" tab.
- Click on the drop down box at the top of the page.
- Select the link that reads "Tourism Committee" under the State Infrastructure Council (near the bottom of the page).
- Click on the "Interim Projects (Reports)" link under the Committee Documents heading.
- Select the third report listed, Florida's Entertainment Industry Infrastructure.

FLORIDA'S ENTERTAINMENT INDUSTRY INFRASTRUCTURE

Executive Summary

Purpose

The purpose of the interim project is to review the current depth and breadth of the entertainment industry in the state and to identify issues potentially impacting the long-term growth potential of the industry. The information provided is to assist Members to have a better understanding of the state's entertainment industry sector and the needs of that industry to continue to grow and be competitive in the future. This will entail not only looking at current incentives that bring productions to the state, but also at how the state can grow the industry base and product in Florida.

Background

The Office of Film and Entertainment (OFE) in the Governor's Office of Tourism, Trade and Economic Development, created in 1999,¹ is responsible for promoting and developing the state's entertainment industry. Included in this responsibility, among other things, is the promotion and marketing of the state as a site for production; the promotion of our indigenous entertainment industry and producers; and servicing businesses, communities, organizations, and individuals engaged in entertainment industry activities. These activities are to be guided by the statutorily required 5-year strategic plan developed by the OFE with the advice of the Florida Film and Entertainment Advisory Council.²

In 2000, 2003 and 2005, incentives were provided statutorily for the entertainment industry to encourage the state as a site for production. The first incentive involved changing a refund of sales and use taxes to an upfront exemption for qualified productions.³ The next was a financial incentive in 2003 to encourage the use of the state as a site for filming, and for providing production services for, motion pictures, made-for-television movies, commercials, music videos, industrial and educational films, and television programs by the entertainment industry. The incentive also provided a mechanism to encourage relocation of entertainment industry businesses to the state; however, no relocation projects have received funding. The incentive was modified in

¹ The Office of the Film Commissioner was created by Ch 99-251, LOF, and placed within the Office of Tourism, Trade and Economic Development for the purpose of developing and promoting the state's entertainment industry. Although created on July 1, 1999, the Film Commissioner was not hired until late September, 1999.

² See s. 288.1252, F.S., for composition and responsibilities for advisory council.

³ A "qualified production company" is any production company engaged in this state in the production of motion pictures, made-for-TV motion pictures, television series, commercial advertising, music videos, or sound recordings that has submitted a properly completed application pursuant to s. 288.1258, F.S.

2005 to provide for qualifying and distributing funds according to placement in queues. The financial incentive fund received funding in FY 2004-05 of \$2.45 million and in FY 05-06 of \$10 million. The incentives are available for both indigenous and out-of-state film productions.

Since the statutory purpose of the entertainment industry incentive fund is to encourage the use of this state as a site for filming and providing production services for filmed entertainment, the law defines in great specificity the terms “filmed entertainment,” “motion picture,” and “digital media effects.” These definitions govern eligibility under the incentive. For purposes of the incentive, the law specifically excludes the electronic gaming industry and sporting events from the definition of “filmed entertainment.”⁴

The change in the tax rebate to an upfront exemption as well as the addition of the financial incentive were, in part, in response to international and other state incentives being used to capture a greater share of the entertainment industry market. In the late 1990’s, the concern was primarily with productions running away to the newly developed Canadian market with its very lucrative national and provincial incentives and exchange rate. Today, however, the term “runaway production” extends beyond Canada and other foreign markets and is often used to refer to productions going to other states. The use of financial incentives and other inducements by states has greatly increased over the last five years as more states are trying to encourage production and relocation of entertainment industry segments.⁵

Florida, once considered to be the third largest production center in the United States, is now, according to the Motion Picture Association of America (MPAA), considered to be in the top four or five in production in the United States.⁶

Because of the increasing number of incentives aggressively directed toward lowering production expenditures, increasing infrastructure capability (facility, crew, and vendor), and relocation of industry segments, and the concern over the state’s ability to compete in maintaining or increasing its short-term and long-term market share of the entertainment industry, several questions were raised concerning our law, efforts, and plan for the future.

Questions that have arisen concerning the long-term growth potential of the entertainment industry in the state are as follows:

- As we continue to raise our incentive amount for production, how do we compare with what other states are doing to increase their market share? What, if anything, do we need to consider doing in order to maintain or increase our market share? Is it worth our investment long-term?

⁴ See s. 288.1254(2)(a), F.S., for definitions. Electronic gaming is the creative development and physical creation of video games.

⁵ Incentives are discussed later in the report. For a detailed chart of all state incentives see Appendix C.

⁶ MPAA member companies include: The Walt Disney Company; Metro-Goldwyn-Mayer Studios, Inc.; Paramount Pictures Corporation; Sony Pictures Entertainment, Inc.; Twentieth Century Fox Film Corporation; Universal City Studios, LLP; and Warner Bros. Entertainment, Inc. MPAA conducts its own survey of employment in the industry in the six major studios and independent production companies.

- What are our state's entertainment industry infrastructure needs, short-term and long-term? How and when should these be addressed?
- What, if anything, is being done to encourage the relocation of entertainment industry companies to Florida? What should be done? What are other states doing?
- What is being done and what needs to be done to grow our indigenous entertainment industry? What are or should be the long-term goals of the state in this area?
- Does the Governor's Office of Film and Entertainment have sufficient staff and funding to meet the statutory requirements of the office and be competitive with other markets in its funding and staffing?

These questions will be addressed in the report.

Methodology

In order to answer questions outlined above, the committee staff did the following:

- Reviewed existing Florida law governing functions and responsibilities of the Office of Film and Entertainment, the Florida Film and Entertainment Advisory Council, and incentives afforded to the entertainment industry.
- Reviewed reports relating to the entertainment industry in the state.
- Surveyed all state film offices throughout the country to obtain information on incentives, office size and funding, both in writing and by telephone.
- Interviewed Departments of Revenue, Taxation, etc. in various states regarding tax incentives.
- Reviewed other state laws governing incentives.
- Reviewed other state reports governing the entertainment industry in their states.
- Reviewed international reports on the globalization of the market.
- Reviewed reports governing future market trends.
- Interviewed the Florida Film and Entertainment Commissioner.
- Surveyed industry representatives in Florida, including, but not limited to, members of the Florida Film and Entertainment Advisory Council, Film Florida, and state film and entertainment schools.

Findings

Incentives

General Comments:

Incentives to attract industry to an area have become an accepted practice especially for industries that infuse large sums of money into a state's economy and the rate of return on dollars invested is significant. The multi-faceted entertainment industry is no different from any other industry sector in this respect.

Entertainment industry production is an extremely attractive business. Even small productions may employ hundreds of people. The bulk of the job creation is below-the-line which are well-paid jobs that typically include health insurance and pension benefits.⁷

Unlike other industries that make decisions regarding location only once, productions are very flexible in decisions regarding location, with the exception of television series that have been long-running which tend to be more like regular businesses with considerations being given to established set locations. Other aspects of the entertainment industry, including electronic media and gaming, appear to be more akin to traditional industry.

International Impact on Incentives:

Since the 1990's, incentives being offered by other countries, such as Canada, New Zealand, United Kingdom, Australia, and other European and African countries, have continued to grow.

Often incentives are used to lure business into areas with little or no developed infrastructure, seeking to bring in resources while at the same time developing an indigenous infrastructure.

Over the years, even the more established global markets are becoming concerned about maintaining market share and production "running away" if incentives are not provided. An example is in the United Kingdom where there is concern about the increasingly competitive global entertainment industry market and its potential effect on the retention, let alone, the growth of its own industry. Concern is that with the loss of those workers who are highly mobile, the less mobile, yet well compensated, workforce left behind would have skills and services that would no longer be required. This would create an economic loss of wages and benefits that would have a significant impact.

National Response:

The "runaway" production economic loss to the United States, touted as being \$10.3 billion in 1998,⁸ did eventually lead to passage by Congress of the American Jobs Creation Act in 2004 which was viewed as a step in stemming runaway production and preserving and creating jobs both within the entertainment industry and related industries.

⁷ According to statistics provided by the Florida Agency for Workforce Innovation, the average wage in 2004 was \$52,972, excluding benefits. The International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts (IATSE) suggests that wages are even higher than those reported by AWI.

⁸ The Economic Impact of US Film and Television Runaway Production, The 1999 Monitor Report, commissioned by Screen Actors Guild & Directors Guild of America, prepared by Monitor Company, June 1999.

Florida Entertainment Industry Incentives:

Currently, Florida offers two incentives specifically for the entertainment industry, as defined in ss. 288.1251 and 288.1254, F.S.: a point of sale sales and use tax exemption and a financial incentive.

The purpose of the financial incentive program is to encourage the use of Florida as a site for film and video production, to advocate the hiring of Florida residents as staff, cast or crew and to support and encourage the use of other Florida services and equipment companies in the production of filmed entertainment. The program is also to encourage the relocation to and/or expansion of digital-media-effects companies and motion picture, television production and post production companies in Florida.

According to information provided by the Office of Film and Entertainment from data gathered on qualified productions receiving sales and use tax exemptions through a certificate of exemption and for qualified productions receiving incentive funding through the incentive reimbursement program, the rate of return on the state's investment is substantial. The latest data on the point of sale sales and use tax exemption for calendar year 2005 showed the total job creation attributable to the incentive as 36,867 and a return on investment of 66:1. The entertainment industry financial incentive return on investment on the \$10 million appropriation for FY 05-06 is estimated to be 7.4:1 with estimated total in-Florida production expenditure of \$73.9 million with Florida resident salaries accounting for more than \$36.6 million.

Questionnaire Responses on Adequacy of Incentive:⁹

Over 55% specifically indicated that the incentive amount needed to be increased to be more competitive with other states. Others did not indicate an increase in funds but did state that Florida needed to review what other states had done, such as Louisiana, Georgia, North Carolina, and New Mexico, to encourage both production coming into their states as well as indigenous production and to replicate what would benefit Florida. Specific suggestions are included on page 11. For those responding to the question relating to business relocation, 67% was unaware of any initiative by the state to relocate entertainment industry companies. Additionally, it was stated that the current economic development tools used by Enterprise Florida, Inc. (EFI) and local economic development agencies are appropriate but that the industry is not being properly targeted by EFI.

⁹ Whenever the term "questionnaire" is used in the report it refers to the Tourism Committee questionnaire on the entertainment industry that was used to survey more than 350 industry representatives in Florida, including, but not limited to, members of the Florida Film and Entertainment Advisory Council, Film Florida (an organization of Florida Film Commissioners and persons working at all levels in the industry), and state film and entertainment schools. The questions used are those listed under the discussion on background of the report. See Appendix A for a copy of the questionnaire.

*Recommendations for Change to the Entertainment Industry Financial Incentive
Proposed by the Florida Film and Entertainment Advisory Council:*

The Florida Film and Entertainment Advisory Council (FFEAC), in conjunction with Film Florida, has been reviewing the current law to determine what changes, if any, should be proposed to the Office of Film and Entertainment, the Governor, and the Legislature in order to improve the current financial incentive. Based upon a series of public meetings, changes were approved for recommendation at the December 9, 2005 meeting. These changes address concerns relating to commercial production, television pilots and episodes, minimum expenditure requirements, encouraging independent production, application process, and method of funding of the incentive, such as using transferable tax credits. A discussion of the changes is on pages 12 and 13 of the report.

Incentives in Other States:

The impact of the incentives being offered in other states is difficult to analyze and compare from state to state since the methodology for determination of the amount of production in a state and the determination of the overall impact is not shared between states. However, the State of Illinois is touting a 200% increase in production in the state after its implementation of its income tax incentive and Louisiana has increased its production from \$11.8 million to over \$354 million in two years.

Some states without a strong infrastructure, such as Louisiana, are using the incentives to lure business while infrastructure is being brought in from outside until a base can be built in the state.

Louisiana and seven other states have enacted transferable tax credits that are assignable, can be sold, or can be carried forward for a number of years. Depending upon the state, these credits are offered to production companies on investments (LA, GA), payroll (LA, GA, IL, MA), and production costs (LA, AZ, GA, MA, MO, PA, RI). Nine states offer income tax refunds, rebates, or credits on payroll, production costs, or investments. New Mexico and New Jersey offer low interest loans or loan guarantees to encourage film production. Three states, Louisiana, Oklahoma, and South Carolina, offer incentives for investment in facilities, productions, and certain entertainment businesses.

Florida's Entertainment Industry

Overview:

The entertainment industry in Florida is a \$3.9 billion industry.¹⁰ In 2004, the latest date for which statistics are available, 33,897 Floridians were employed at 5,599 businesses in the state. The average annual wage of these employees, excluding benefits, was

¹⁰ An Economic Assessment of the Florida Film and Entertainment Industry, Executive Summary, MGT of America, Inc., December 31, 2000, p. i.

\$52,972.¹¹ The economic impact cited in this statement does not take into account any impact that the industry has on ancillary businesses that benefit from entertainment industry production nor does it include any impact on tourism, which is considered as being significant in such states as California and New York.

According to Florida's Film and Entertainment Commissioner, Florida has multiple production centers with varied looks that have infrastructure, vendors, and deep crew base unlike states like Louisiana and New Mexico that have been able to attract industry business through their aggressive incentives and have been able to build infrastructure and attract vendors and crews to relocate. Additionally, having the production centers, infrastructure and crew serves as an attractor to production in the state, whether it is bringing producers in from outside the state or whether it is being able to keep our indigenous productions from leaving the state.

But what about the long-term view of what the industry should encompass and the direction that the state should take in its efforts to grow its own industry and capture or be influential in market segments in the future? How should the industry be defined? These questions need to be addressed in the strategic plan of the Governor's Office of Film and Entertainment. The PricewaterhouseCoopers study, "Global Entertainment & Media Outlook: 2005-2009," gives some indication of industry segment growth and food for thought. The report states that over the next five years, except for satellite radio:

- video games will be the fastest-growing segment, at a projected 12.9% compound annual increase, fueled by new console games associated with the next-generation hardware and an expanding online and wireless market;
- recorded music will be the next fastest growing segment, at 8% compounded annually, in part due to licensed digital distribution and mobile music; and
- filmed entertainment will expand at a 6.6% compounded annual increase, in part due to continued growth of DVD sales.¹²

Infrastructure:

For the purposes of this section, the term "infrastructure" includes not only the crew base, the physical structures, such as soundstages, and businesses that support pre-production, production, and post production efforts in the state but also includes film festivals, post secondary schools devoted to the film and entertainment industry educational programs, local film offices, and the state Office of Film and Entertainment.

Infrastructure – Film Offices

The film offices at the local level and the state Governor's Office of Film and Entertainment serve as the marketing, business development and industry servicing arm

¹¹ Florida Agency for Workforce Innovation, Labor Market Statistics. See Appendix H for the chart for 2001 to 2004 statistics on the industry.

¹²Global Entertainment and Media Outlook: 2005-2009 – Forecasts and economic analyses of 14 industry segments, Sixth Annual Edition – June 2005, PricewaterhouseCoopers, pp. 29-33.

to growing and maintaining the health of the entertainment industry. Florida has 21 full-service local film commission offices and 34 local film commission contacts/liaisons. The size, budget, and governmental location vary throughout the state.

Infrastructure – Film Festivals

As of October 20, 2005, there are 46 film festivals in Florida. The Florida Film Festival in Orlando is ranked as the 8th most important in the world.¹³

Infrastructure – Crew Base

According to the 2003 Economic Research Associates study of the motion picture industry in Florida, Florida had all the necessary equipment, services, and stages to accommodate any type of production. Yet, the study went on to state that because of the globalization of the industry and incentives being offered, the amount of external production was decreasing. The decreased production activity had forced Florida's crew base to become more mobile and frequently work out-of-state. The report stated that this translated into lost dollars for the state and the creation of a "fragmented" labor force.¹⁴

Today, according to the Office of Film and Entertainment, there are 3 to 4 full crews in Miami, 2 in Orlando, 1 in the Tampa area, and 1 in Jacksonville. According to the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts (IATSE), Local 477, Florida has the largest crew base, approximately 1000 members, in the U.S. outside New York or California.¹⁵ Yet, the crew base stays small because as crew gains experience, they leave to go where work is plentiful (such as Louisiana). Often crew members relocate to other areas when work is not available in the state. It is interesting to note that this comes at a time when work has been increasing in South Florida because of the state and local incentives.¹⁶

Other states, such as Illinois, Louisiana and New Mexico, have encouraged the training of residents through incentives or requirements for certification. New York City also is offering money to assist independent filmmakers through funds to offset costs of training crew. See page 29 of the report for details.

Infrastructure – Business:

According to information provided by the Agency for Workforce Innovation, the number of entertainment industry businesses in the state has increased from 4,412 in 2001 to 5,599 in 2004.¹⁷

¹³ See Appendix I for a complete listing of Florida film festivals.

¹⁴ Project Report Assessment of the Florida Motion Picture Industry, Vol. I, by Economics Research Associates, February 2003, pp. V-34 and V-35.

¹⁵ IATSE, the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts, is the labor union representing technicians, artisans and craftspersons in the entertainment industry, including live theatre, motion picture and television production, and trade shows.

¹⁶ Responses from Greg Kasper, George Cercihai, and Joe Humphries of IATSE.

¹⁷ See Appendix H.

Concerns raised in the questionnaire responses involved the relocation this past year from Florida to New Orleans of Lee Lighting, the lighting and grip equipment house for Panavision which is the maker of the 35mm cameras used on many feature film sets, Disney's animation arm in Orlando moving to another country, and the move of Telemundo's Mun 2 from Miami to Los Angeles. Respondents were concerned about the impact this would have on new businesses locating to the state, with the perception that business should not relocate here, if others are leaving. Responses to questions related to infrastructure and indigenous industry consistently cited the need to fill the gap in businesses related to distribution and financing.

The states of Hawaii, Louisiana, and South Carolina provide incentives to encourage business growth. These incentives are in addition to any specific incentives offered to productions. See page 30 of the report for details.

Infrastructure – Facilities:

In the five year strategic plan of the Office of Film and Entertainment, sound stages was listed as number two out of a list of the top ten support services needed in Florida.¹⁸

According to the 2003 study for the Office of Film and Entertainment on the status of the entertainment industry, the key piece of industry-specific infrastructure for the motion picture production industry is soundstages. In 2003, Mid-Florida and Southeast Florida were the only regions in the state with purpose-built dedicated soundstage space. Although the total square footage of soundstages in the Southeast composed about 50% of the entire available sound stage space in the state and over 60% of the total number of stages, the Mid-Florida region stages were considerably larger.¹⁹

The desire to have more and different types of soundstages was mentioned by the majority of film commissioners who responded to the questionnaire and was cited by other respondents as well. Some respondents, however, stated that if business increases, the need for facilities will take care of itself. Mr. Jeff Peel, Director of the Miami-Dade Mayor's Office of Film and Entertainment, stated that the problem for Florida's entertainment industry infrastructure is that there is either too much or too little because of the ebb and flow of the industry. He continued to state that business had been turned away because of the lack of facilities; however, building new infrastructure runs the risk of enduring periods when no production is taking place. Without the assurances of stable use, new facilities are not being built.

The states of Louisiana, Oklahoma, and South Carolina offer income tax credits to companies building or investors in the building of production facilities. Louisiana and Oklahoma provide incentives for both motion picture and music production facilities. Delaware offers a 15 year ad valorem tax exemption for motion pictures and plants on

¹⁸ Five-Year Strategic Plan for the Development of Florida's Film & Entertainment Industry, Office of the Film Commissioner, June 30, 2000, p. 48.

¹⁹ Assessment of the Motion Picture Industry, Economics Research Associates, February 2003, pp. IV-56 through IV-58.

lands, buildings and chattel. More information on these incentives can be found on pages 17 through 24 of the report, or for more details go to Appendix C.

Infrastructure – Education:

One of the questions posed by the questionnaire dealt with what role the state's post-secondary schools could play in addressing the issues related to the maintenance and growth of the entertainment industry in Florida.

In order to understand what role these institutions play and role or roles they could play in the future, it is necessary to examine their role in the state's entertainment infrastructure. As part of the infrastructure base for training the entertainment workforce at all levels and in all fields, it is important to understand how many post-secondary programs are in Florida, how many students are enrolled, and how many secondary schools have programs in the entertainment area. It is also important to note that Florida is recognized for the caliber of its educational programs with programs such as the Florida State University Film School and the University of Florida's College of Telecommunications being rated among the top five film schools in the United States.

In all, 60 post-secondary institutions provide educational programs in various areas of the entertainment industry and 20 school districts offer classes in fields related to the industry. For more detailed information see pages 32 and 33 of the report and Appendix J.

Responses to Questionnaire – General Respondents

The majority of respondents wanted the schools to encourage students to remain in Florida and work. At the same time, respondents noted that in order to keep students here there had to be sufficient work and possibly some form of incentive to lure these new filmmakers to remain.

Responses to Questionnaire – School Respondents

The schools provided a variety of ways in which they could work to help train and educate the existing and future entertainment industry workforce. At the same time, the schools identified the need for funding to accomplish some of the suggestions offered. One suggestion was to establish cooperative programs between institutions designed to focus on specific needs of the workplace or on critical needs in the professional infrastructure. The listing of some of the ideas is on pages 33 and 34 of the report.

Additionally, Florida State University's Film School is encouraging its successful alumni to bring their talents and filmmaking ideas back to the state through the creation of Torchlight Pictures, a production company that will produce original media in the state.

Indigenous Industry:

The indigenous industry in Florida is comprised of all aspects of what has been discussed under the heading of infrastructure as well as filmmakers and other creatives in the state involved in the development and production of entertainment.

According to Paul Sirmons, Florida's Film and Entertainment Commissioner,

We cannot think of ourselves as a state that attracts a film to come in spend money, and leave. Certainly that is part of the equation. But the long picture should have us thinking of Florida as a creator and producer of entertainment, and as a distributor of entertainment – to the USA and to the world.²⁰

Respondents to the questionnaire on the entertainment industry provided similar views. They also cited the need for distribution and financing access for independent productions, creation of a low interest loan program, retention of Spanish language programs, professional retraining programs, development of programs to help young filmmakers, getting out in front on the digital media and gaming industry and claiming it while we can, and marketing the industry aggressively.

In addition to other incentives offered by states, the states of New Jersey, New Mexico, Oklahoma, Rhode Island and South Carolina provide incentives in the form of loan guarantees, no interest guaranteed loans, or income tax incentives for investments in in-state productions. See page 35 of the report or pages 17-24 for more detail on these incentives.

Office of Film and Entertainment

This section of the report pertains to the specific questions posed in the report related to the Governor's Office of Film and Entertainment. The section briefly reviews the Governor's Office of Film and Entertainment responsibilities, staffing, and funding. The staffing and funding of the office is compared to that of other states to provide a point of reference for our ranking with competitor states.

The Office of Film and Entertainment is responsible for developing, marketing, promoting, and providing services to the state's entertainment industry. The primary duties and responsibilities of the office are delineated in ss. 288.1251, 288.1253, 288.1254, and 288.1258.²¹ Administration of the two financial incentives for the encouraging growth of the entertainment industry in the state are two of the more recent

²⁰ Response of Paul Sirmons, State Film and Entertainment Commissioner, to House Tourism Committee questionnaire on entertainment industry.

²¹ See Appendix K for a copy of the statutory responsibilities of the Office of Film and Entertainment and a breakout of the core services.

responsibilities added to the office.²² Additional duties of the office relating to the Florida Film and Entertainment Advisory Council are delineated in s. 288.1252, F.S.

The requirements for submission of annual reports to the Legislature have been fulfilled in a timely fashion and the office has consistently met or exceeded its performance standards related to number of leads generated, number of projects worked, number of scouts/site visits facilitated, percent of new projects resulting in new business, and percent of new projects resulting in business.²³

The office, by law, is responsible for developing and implementing an ongoing five year strategic plan. The plan was developed and expired in 2005. Staff has not seen a copy of an updated annual strategic plan nor a long range plan for the growth and development of the industry sector in the state.

On November 8, 2005, the new Film and Entertainment Commissioner spoke to the Tourism Committee and delineated the following goals for the OFE:

- Support and Strengthen the Entertainment Industry Financial Incentive and Make It Work Across the Production Spectrum;
- Brand the State of Florida to the Outside Film World;
- Support Our Film Festivals On a Wider Basis Around the State;
- Build the Standings of Our Film Schools, and Interface Them With Each Other and the Real World of Filmmaking in Florida;
- Attract Key Foreign Production to Florida; and
- Build Film, Video and Digital Infrastructure – by increasing production demand in Florida.

Staffing and Funding

In 1999, when the OFE was created and there were no incentives as part of the responsibility of the office, three staff positions were provided and a total budget of \$524,420. Today, there are four full-time positions and 1 OPS, with a total budget of \$928,296. The 5 year strategic plan developed for OFE in 2000, indicated that the goal for staff and budget for FY 2004-05 was 13 FTE and 8 OPS with a continuation budget of \$2.9 million.

When compared with 16 states comprising states in the Southeast and some of the major competitor states in the entertainment industry, both Florida and Alabama tied for the fifth lowest number of staff. Part time or OPS staff were not considered since all states did not report this level of staffing. A full listing of all states and their staffing can be found in Appendix M.

For those who responded to the questions related to the sufficiency of staff and funding of the Office of Film and Entertainment to meet current and future responsibilities, 97%

²² The point of sale sales tax exemption became effective January 1, 2001. The financial incentive was enacted in 2003 but was not funded until FY 04-05.

²³ See Appendix L for a copy of OFE performance for 2001-02, 2002-03, and 2003-04.

indicated that the staffing level was not sufficient. Of those who responded to the question as to whether there was a need for a staff person in New York City like is in Los Angeles, 65% responded affirmatively, 23% responded negatively.

Conclusions

The following conclusions are made from the findings of the report and are provided for the consideration of the Members:

- Other states are aggressively pursuing various aspects of the entertainment industry through a variety of incentives. These incentives have and will continue to impact the amount of production that the state is able to bring in and the amount that we are able to keep in the state.
- Some of the states with aggressive incentives, such as Louisiana, do not have the established infrastructure that Florida has. These states, however, are also aggressively pursuing the building of an infrastructure, buildings and people, to support the industry base. Currently, crews are being brought in from other states, including Florida and Texas.

As business continues to grow and become steady in other states, especially neighboring states, the potential for Florida's seasoned trained crew base to further erode is great. Erosion of a well-known, marketable, draw to a state for business needs to be avoided.

- As one respondent to questionnaire stated, "Ignoring it, won't make it go away." The current financial incentive of the state, although extremely successful, should be reviewed and modified to make it more competitive while retaining the integrity of the incentive to benefit the state and our industry and crew. In other words, do not give away the farm.

Concerns relating to the following aspects of the incentive need to be addressed:

1. threshold level of the incentive acting as a disincentive,
 2. adequacy of the incentive regarding commercial production, television pilots, television series, and independent productions,
 3. perception of uncertainty of funding acting as a disincentive to doing business in the state, and
 4. ineffectiveness of the incentive for digital-media-effects and business relocation.
- The use of a transferable corporate tax credit versus annual appropriation should be reviewed to determine if this will ameliorate concerns regarding the state's incentive and will bring more business to the state on a long-term basis.
 - There is a need for a strategic plan for growth of the entertainment industry sector in the state which includes specific steps for growing our indigenous industry.

This should be a roadmap that is developed by the Office of Film and Entertainment in conjunction with Enterprise Florida, Inc., Workforce Florida, Inc., the appropriate university, college, and community college programs in the state. Local film commissions and persons in the industry should be involved in the discussions as well.

- The variety of incentives that encourage independent production and indigenous industry growth that are being used in other states should be reviewed to determine if these could help benefit the state in its efforts to grow this economic development engine. These include incentives related to infrastructure, training, and independent production. They also relate to encouraging distribution and financing.
- Florida is the only state that statutorily specifically excludes “electronic gaming”, i.e., the creative development and physical creation of video games, from its incentives. This is at a time when electronic gaming and other electronic media developments are viewed as being the up and coming wave of the future in the entertainment industry. Louisiana specifically offers incentives to lure such business to relocate to the state. Georgia is trying to become the leader in the field in the Southeast. Questionnaire respondents, film commissioners, crew, and educators, stated that Florida should become the “grandfather, not the grandchild” of this area. Florida should examine how this industry fits into its plans. Possibly the current incentive is not appropriate; however, the issue is with providing a disincentive, even if just perceived, by a growing segment of the industry.
- The sales and use tax exemption does not include an exemption for raw stock film, videotapes, and videocassettes unlike our neighboring competitive states in the southeast and other states. In order to remain competitive, this exemption should be reviewed to determine if it will help the state in its efforts to grow market share. The exemption of these items also needs to be reviewed to determine what additional fiscal impact it would have on the state, both cost and benefit.
- The use of film festivals as distribution hubs for independent filmmakers should continue to be explored by the Office of Film and Entertainment.
- The post-secondary institutions should be encouraged to come together to establish cooperative programs between institutions designed to focus on specific needs of the workplace or on critical needs in professional infrastructure in the entertainment industry. These institutions, if amenable, should be called together to be a think tank for the industry and the state.
- The Office of Film and Entertainment has done a yeoman’s job with the staff and resources at its disposal. From the responses to the questionnaire on entertainment industry and from the survey of other state film offices, it is apparent that the staffing level is inadequate for the statutory responsibilities and

for the expectations of the office. The Film Commissioner should independently determine the staffing level that would help the OFE meet current and future needs. An understaffed office and an under-funded office will have difficulty doing what is required, making a continual positive impression on the industry, and aggressively marketing our state to the world.