

February 25 testimony by Vince Porter, Executive Director Governor's Office of Film and Television

Chair Read, members of the committee, my name is Vince Porter and I am the executive director of the Governor's Office of Film and Television. I will try to be brief with my remarks as I know there are many people interested in testifying today. Over the past several years thanks to the legislature's implementation of the Oregon Production Investment Fund, we have seen dramatic growth in Oregon's film and television industry. For some comparison, in 2008 the total amount of qualified Oregon expenses on projects accepted into the OPIF program was \$48million. In 2012 the OPIF projects exceeded \$120million in spending. For the last two years this growth is in large part to the three television series being in production along with five independent films and several animated projects. What has resulted is the employment of hundreds of Oregonians and an engagement of over 1,000 local vendors throughout the state. We've also seen the improvement of local infrastructure for the industry and new opportunities arise for local small businesses. This business is a word of mouth business and thanks to the success of the projects that have already been here in our state, the interest and demand for more production in Oregon is at an all time high. My office fields 1-3 inquiries about "ready to go" projects each month all subject to available funds in OPIF. Just in the last month we were contacted about two television pilots – one for NBC and another for CBS – that were ready to go for our state in March if we had sufficient OPIF funds but were unable to make the deal work.

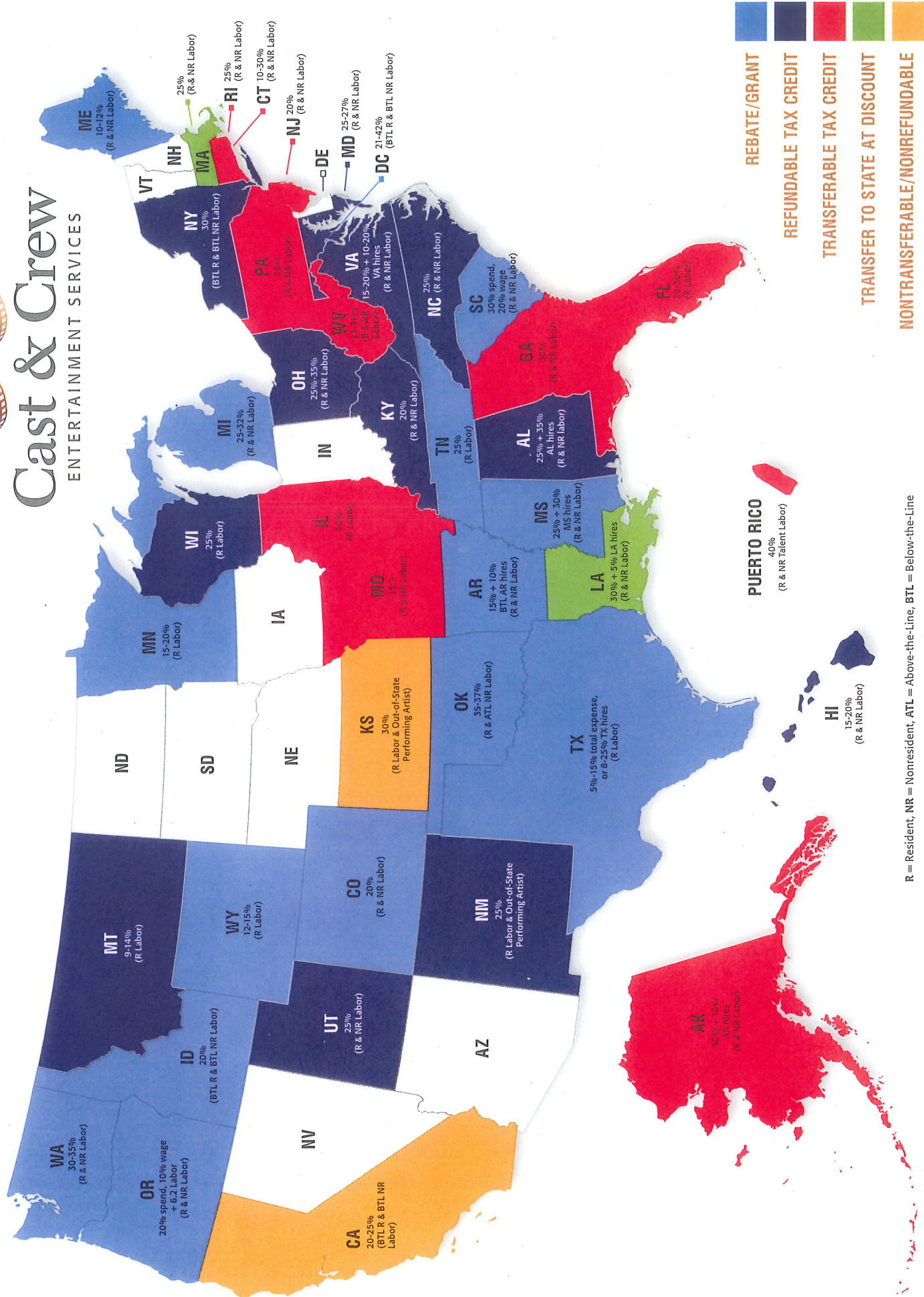
Thanks to all of this activity I believe we have the opportunity to not only land more film and television production, but we are now positioned to be a player in the ever changing digital media landscape. In the coming month we will be announcing a new effort with some high profile partners in the tech and creative industries that will hopefully allow Oregon to further capitalize on the results of the Oregon Production Investment Fund. For additional reference on OPIF I have submitted some documentation on the bill, a brief synopsis of the recent economic study, a detailed breakdown of how the Oregon Production Investment Fund works, and a map showing how we rank with the 40 other states in the country that offer film incentives. I am happy to answer any questions the committee might have but otherwise I'd like to give those who have made the effort to come and testify at this hearing a chance to speak. Thank you.

Oregon Production Investment Fund Step-by-Step Process

1. State of Oregon authorizes the auction of state tax credits at the beginning of each fiscal year (current allocation is \$6million).
2. Department of Revenue conducts the tax credit auction in cooperation with the Oregon Film and Video Office (OFVO). The baseline rate that a taxpayer may bid is \$.95 for every \$1.00 of tax credit. At the conclusion of the auction the winning bids are selected based on the best rate offered to the state. In 2012 the auction resulted in \$5,867,837.40 of contributions or a rate of 97.8%.
3. The contributions are held in the Oregon Production Investment Fund (OPIF), which is managed by Business Oregon. Five percent of the contributions are set aside for productions that are produced by "local filmmakers" and meet the specified criteria.
4. Film and Television production companies interested in producing a project in Oregon fill out an application including budget, schedule, finance plan, and script to be qualified for a portion of the OPIF fund. OFVO reviews the application and determines if there are funds available to allocate for the project.
5. The rebate calculation is a 20% rebate on Oregon qualified goods and services expenses and a 10% rebate on qualified labor expenses. Often OFVO will negotiate with the production company a portion of this calculated amount based on available funds and number of projects interested in participating in OPIF. For projects not qualified as a "local filmmaker" project, budget must exceed \$750,000 in Oregon qualified spending. "Local filmmaker" projects must be between \$75,000 and \$750,000.
6. Once OFVO has reviewed the application and both parties agree on the potential rebate amount, a contract is prepared and executed by both parties formally reserving the funds.
7. Upon the completion of the project, the production submits a full accounting to OFVO including payroll reports and proof of every Oregon goods and service expense (invoice and check copies). OFVO completes an audit verifying these expenses, and at the completion of the audit determines the actual amount of the rebate.
8. OFVO sends a notice to Business Oregon authorizing payment of the rebate. The actual payment of the rebate is usually four to six months after the completion of the production.



Cast & Crew ENTERTAINMENT SERVICES



- REBATE/GRANT
- REFUNDABLE TAX CREDIT
- TRANSFERABLE TAX CREDIT
- TRANSFER TO STATE AT DISCOUNT
- NONTRANSFERABLE/NONREFUNDABLE

R = Resident, NR = Nonresident, ATL = Above-the-Line, BTL = Below-the-Line

Legislative Briefing 2013: HB 2267

The Oregon Production Investment Fund



Summary: HB 2267 increases the annual allocation of Oregon Production Investment Fund (OPIF) tax credits to \$12million annually and makes adjustments to the local filmmaker program.

Film and Television Industry at an All-Time High - In 2011 and 2012 the OPIF resulted in over \$220million of direct spend by film and Television Projects in the state. The total amount of OPIF tax credits allocated over these two years was \$13.5million. This activity is in spite of the fact that OPIF remains one of the lower ranking film incentive programs in the United States.

Projects produced in Oregon in 2011-2012 included:

- “Leverage” Seasons 4 & 5 (TNT Series)
- “Grimm” Seasons 1 & 2 (NBC Series)
- “Portlandia” Seasons 2 & 3 (Independent Film Channel Series)
- “Legit” Pilot (FX Network)
- “Gone” (feature film shot in Portland)
- “Night Moves” (feature film shot in Southern Oregon)
- “C.O.G.” (feature film shot in Hood River and Portland Metro)
- “ParaNorman” (Academy Award Nominee for best Animated Feature)
- “Jingle All the Way” – Two Hallmark Channel Animated Holiday Specials
- “The Digits” – Live Action Web Series/Interactive App nominated for a 2012 “Webby”

Media Production Hires Local and Pays a Living Wage - The vast majority (75%-95%) of the cast and crew on these projects are local hires with affiliations with guilds and unions that provide health and pension benefits. A full year’s of benefits are paid out to an employee with just six months of work. The productions also regularly do business with over a thousand local small businesses both directly and indirectly.

Demand for OPIF exceeds Current Supply - This current wave of projects has pushed the limits of capacity for OPIF. In some cases we have been successful in negotiating down the rebate amounts per project allowing the current activity to exist. At the current funding level of \$6million though, it’s not going to be possible to maintain the level of activity in the state any more. There is demand for more projects in Oregon. Film Office fields 1-2 “ready to go” project inquiries a month. Currently the film office is attempting to bring in three television pilots and a feature film as well as maintaining the funding levels necessary to keep both “Grimm” and “Portlandia”.



Northwest Economic Research Center Report –

The Governor’s Office of Film and Television along with the Portland Development Commission commissioned an Economic Impact Analysis report through the Northwest Economic Research Center. The full report can be found online at www/oregonfilm.org/news, but below are some key findings about both Oregon’s film and television industry and the film incentives the state of Oregon provides.

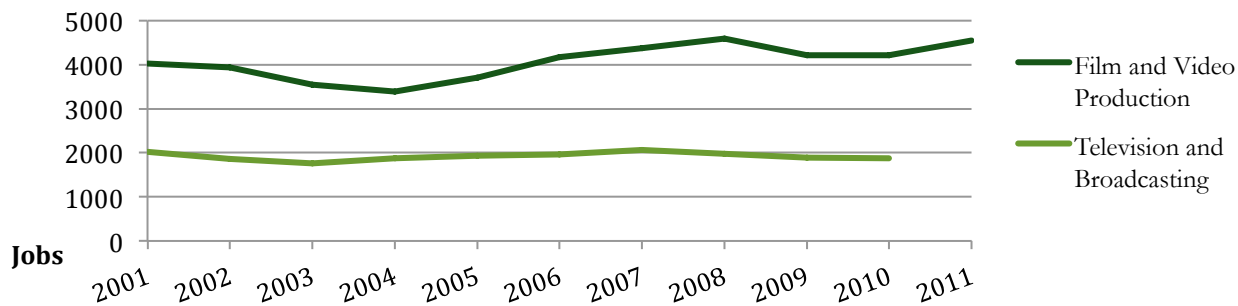
Total Oregon Impacts

When NERC used the economic impact tracking software IMPLAN, Oregon’s film and Television Industry has a direct impact of \$786,135,714 in Oregon’s economy. When you factor in the Indirect and Induced Effect that number grows to \$1,424,665,275.

Job Creation

“NERC found that the industry has rebounded from its decline in the mid-2000s, and has already recovered from mild job losses during and after the 2008 recession. The Oregon data masks the strong growth in the Portland Metropolitan Area. Aside from a low growth/small loss period during the worst of the 2008 recession, film and video production jobs and wages have increased. Since 2007, the Portland Metropolitan Area has seen a 24% increase in film and video production jobs. “

Total Jobs (direct and indirect) per \$1million in Incentives - 117
Total Jobs (direct and indirect) per 2012 OPIF Allocation (\$6million) - 702



“Other Impacts of Film and Television Sector”

Tourism: More than 25 years after its premiere, *Goonies* still draws visitors from all over the world to Astoria. Film and television shows can draw tourists interested in seeing specific locations, but can also increase the profile of the area in general. “Portlandia” advertises the unique aspects of Portland in a satirical fashion, but has contributed to a general awareness of the city and attractions.

Creative Class: Aside from the related sectors explicitly cited in other sections of the report, the film and television industry supports members of the creative class who are frequently cited as contributing to economic development. Jobs provide good wages to young Oregonians at a time when wages are below national averages for these groups. The industry also provides the flexibility that is attractive to the younger generation.

Retention of College Graduates: Oregon universities and colleges are increasingly producing graduates trained in media production. Without the promise of steady work provided by a well-developed production industry, these college graduates would leave the state.