



May 15, 2018

Report to the Mississippi Legislature

Evaluation of the Effectiveness of the Mississippi Film Office: A Follow-Up

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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Evaluation of the Effectiveness of the Mississippi Film Office: A Follow-Up

Synopsis

The *Mississippi Film Office Impact Report* provides examples of direct causal relationships between the elimination of the out-of-state rebate program and the loss of several film production opportunities in the state. The report also shows a general decline in overall productions filmed in the state, which the Mississippi Film Office (MFO) speculates is due to the elimination of the out-of-state rebate program, although it cannot provide a direct causal link. In FY 2016 applications for the rebate program numbered 48, with estimated economic impact to the state of almost \$100 million and to resident wages of more than \$18.5 million. Conversely, for FY 2017 there were only 23 applications for the program, with an estimated economic impact of approximately only \$16.6 million, with projected resident wages projected to drop below \$5 million.

The MFO also reported that the resident workforce experienced a 44% drop as well as a decline in opportunities, resulting in workers moving out of state. In addition, several film-related businesses, including the state's only stand-alone sound stage facility, have closed or are expected to close. This is in line with the findings of *PEER Report #602: An Evaluation of the Effectiveness of the Mississippi Film Office* (December 15, 2015), in which PEER determined incentives to be the driving force behind the film industry in the state. Therefore, eliminating a portion of the incentive rebate program would naturally result in a decline in productions. However, the Legislature must weigh the costs to the state against the return on investment to determine whether the program has a positive economic impact overall.

In an attempt to more accurately understand if the gain from the positive secondary economic impacts of the out-of-state rebate program outweigh the negative return on investment, the MFO will seek to develop with the State Economist's Office improved methods to capture data that will more accurately assess the economic uptick in tourism and local business sales when productions are filmed in-state. These data can provide a fuller understanding of the secondary impacts of the film incentive rebate program and potential for better return on investment. Having such data will allow the MFO to make informed data-driven recommendations to the Legislature for building a more robust film industry in the state.

Background

PEER reviewed the FY 2017 annual report produced by the Mississippi Film Office, which it created to implement the recommendations made in *PEER Report #602: An Evaluation of the Effectiveness of the Mississippi Film Office*. The MFO addressed the following recommendations made by PEER in its report:

1. The Mississippi Film Office should increase its current efforts to cultivate a stable workforce and develop infrastructure to heighten its competitive edge in the industry and ensure local economic growth.
2. The Mississippi Film Office should increase its efforts to expand the education and training opportunities for technical film industry jobs within the state, as few opportunities for this type of the training exist.
3. The Mississippi Film Office should implement data collection policies that will allow for a more accurate measurement of the growth and economic impact of jobs and of secondary benefits resulting from the film rebate incentive program, publish these data in an annual report, and use the data to make more informed suggestions to the Legislature regarding the incentive program.

Implementation of PEER's Recommendations and Analysis of Relevant Collected Data

Efforts To Implement PEER's Recommendations

The Mississippi Film Office acted to implement the three overarching recommendations made by PEER in Report #602 (December 15, 2015) in order to promote the growth and stability of the state's film industry in terms of the number of productions filmed in-state, infrastructure, and workforce.

Efforts To Implement Recommendation 1

Increase current efforts to cultivate a stable workforce and develop infrastructure to heighten its competitive edge in the industry and ensure local economic growth

The MFO update of its crew and resource directory helps expand local infrastructure by including businesses that provide support services. The improved directory also addresses another of PEER's recommendations: to better provide access to technical production services for individuals new to the industry who may not know the first steps to take. Additionally, the MFO has queried the Association of Film Commissioners International about using its certification program to enable local businesses to provide the specific certification-required services needed in the film industry.

Efforts To Implement Recommendation 2

Increase efforts to expand the education and training opportunities for technical film industry jobs within the state

The Mississippi Film Office contacted the State Workforce Investment Board, as PEER recommended, to attempt to create more workforce training programs to strengthen the state's crew base. However, the board told the MFO that it cannot provide such assistance due to the unique part-time nature of the film industry's workforce and restrictions on funding, which limit its use to programs that produce full-time employment. However, the MFO is still monitoring current programs and noted that seven colleges and universities within the state created or expanded a film/media curriculum in the past two-to-five years, but this may change should job opportunities decline.

Efforts To Implement Recommendation 3

Implement data-collection policies that will allow for a more accurate measurement of the growth and economic impact of jobs and secondary benefits resulting from the incentive program, publish these data in an annual report, and use the data to make more informed suggestions to the Legislature

The Mississippi Film Office is working with the Department of Revenue to determine how to create a more accurate production

ledger to better collect the data mentioned in the annual report. In addition, the MFO is working with the State Economist’s Office to develop better methods to collect data that reflect the permanency of jobs and economic impact of secondary benefits that result from the film incentive rebate program. The MFO also has begun to conduct general and post-production surveys to collect data from production companies and crew filming in Mississippi and listed in the MFO workforce directory.

Also, as part of the effort to implement Recommendation 3, the MFO collected production, infrastructure, and workforce data for FY 2017 through April of FY 2018 and for FY 2016 in order to analyze any changes in the competitive market of the film industry within the state.

Production, Infrastructure, and Workforce Data

The Mississippi Film Office reported a decline in film industry productions, infrastructure, and workforce throughout the state. The MFO attributes this decline to the elimination of the out-of-state portion of the film incentive rebate program. Although this cannot be definitively measured after only one year of data collection, the film office was able to provide several examples of decline directly causal to the change in the incentive program.

The Mississippi Film Office also reported a decline in industry workforce, infrastructure, and productions from FY 2016 to FY 2017 and attributes this decline to elimination of the out-of-state portion of the tax incentive program, which was allowed to lapse when the Legislature decided not to extend the repealer on this portion of the rebate program during the 2017 Legislative Session.

Productions

The Mississippi Film Office noted a decline in the number of applications for the film incentive rebate program, which is reflected in Exhibit 1. Exhibit 1 is based on information from applications. All projects have not yet gone into production; thus, these are not actual spend numbers, but estimates. However, the number of applications is accurate, and this can be tracked from year to year to assess interest in use of the incentive program.

Exhibit 1: Comparison of Applications for the Film Incentive Rebate Program between FY 2016 and FY 2017

2016		2017	
Number of Applications	48	Number of Applications	23
Estimated MS Spend	\$98,557,000	Estimated MS Spend	\$16,592,291
Estimated Resident Wages	\$18,532,000	Estimated Resident Wages	\$ 4,773,160

SOURCE: 2017 Annual Report of the Mississippi Film Office.

The Mississippi Film Office also provided documentation that eliminating of the out-of-state portion of the rebate program had the direct causal effect of several companies choosing not to film productions in Mississippi. These productions are listed in Exhibit 2.

Exhibit 2: Productions Lost Due to Elimination of Out-of-State Rebate Program

Production Title	Production Budget	MS Resident Payroll Estimate	Location Filmed
<i>Easy Does It</i>	\$762,520	\$190,096	Louisiana
<i>Stolen Sister</i>	\$459,400	\$150,000	Louisiana
<i>Reprisal</i>	\$5,788,928	\$1,063,925	Unknown
<i>Escape Plan 2</i>	\$12,442,325	\$3,338,965	Ohio
<i>Off</i>	\$7,654,321	\$2,345,678	Unknown
<i>MGM TV Series</i>	\$90-\$280 million	Unable to estimate as series is to film for 3-7 years	Louisiana/Georgia

SOURCE: 2017 Annual Report of the Mississippi Film Office.

Workforce

According to the Mississippi Film Office, resident payroll fell by 44%, which represents a decline in the workforce of crew members of 173. In addition, the MFO reported a decline in job opportunities, reflected in its recent survey, which is forcing local crew to seek work out of state. The MFO stated that, of local crew surveyed, 16% indicated that they had moved out of state in 2017 to seek work, and 80% indicated that they knew of other local crew who also had moved.

Infrastructure

Regarding infrastructure, the MFO reported that Mississippi Film Studios, the state’s only stand-alone sound stage facility; Hollywood Trucks & Rentals; and MBS Equipment have closed. Furthermore, a major production company, Red Planet Entertainment, moved to Atlanta and another, Eyevox Entertainment/MadGenius, down-sized its equipment and inventory. In addition, Midtown Props, a local movie prop-development company, has discontinued building inventory and is expected to liquidate.

Future Efforts To Implement PEER's Recommendations

The Mississippi Film Office indicated in its annual report and through interviews that it has plans to try to further implement PEER's recommendations by obtaining additional data sources that can provide an even more accurate view of the status of the film industry within the state and the effects of the film incentive program.

The Mississippi Film Office indicated that it intends to conduct a joint study with the State Economist's Office to more accurately capture secondary economic impacts. Specifically, the MFO wants to determine a method or methods to accurately assess the economic impact of tourism and local business sales resulting when a production is filmed in the state. The MFO plans to focus on specific productions when trying to determine an accurate method of measuring these data. The following examples illustrate the specific production impacts the MFO plans to discuss with the State Economist's Office:

- the impact of the HGTV show "Home Town" on retail sales at the Laurel Mercantile;
- the tourism impact brought to Mississippi solely when the blockbuster film *The Help* was produced locally; and
- the impact of visitors to the Canton Film Museum.

Capturing these data should allow for the MFO to more accurately measure and understand the total economic effect a production has within the state. Additionally, collection of these data will allow the MFO to more fully understand the secondary impacts of the rebate program, which may increase the return on investment, and will allow it to make more informed recommendations to the Legislature regarding its effectiveness in relation to the competitive market of the film industry.

Further Considerations

PEER notes that there are several other mitigating factors to consider when reviewing this report and copy of the 2017 *Film Office Economic Impact Report* presented in the appendix. First, other market factors may have led to a decline in productions from FY 2016 through FY 2017, and as the MFO's annual report is its first, eliminating other market factors that may have contributed to a decline in infrastructure, workforce, and productions is impossible. However, the fact that the MFO was able to obtain direct causal evidence that specific production companies decided not to film in Mississippi after the elimination of the out-of-state rebate supports PEER's conclusion that incentive programs are a primary driver of the competitive environment of the film industry. PEER also notes that, because of this, it can be logically reasoned that productions filmed within the state likely have declined.

Furthermore, the Mississippi Film Office reports that it has attempted to tailor its incentive program to promote smaller-budget and local productions within the state in an effort to create a niche market that could provide more stable work opportunities and encourage growth in the industry's workforce and infrastructure while also being fiscally responsible. Therefore, when considering the 2016 data and the 2017 data presented in the MFO annual report, PEER notes that measurable changes in workforce and infrastructure are the key indicators of any future growth and stability in the state's film industry.

Appendix: Mississippi Film Industry Impact Report (2017)

MISSISSIPPI FILM INDUSTRY IMPACT REPORT (2017)

Since the establishment of the Mississippi Film Office in 1973, hundreds of films, television projects, documentaries, and commercials have filmed in every corner and county of the state and Mississippi has built a solid foundation in the film industry by focusing on its greatest attributes: people, place, and an unparalleled storytelling heritage.

To maintain a competitive business environment for filmmaking, Mississippi created their first incentive program specifically for the film industry in 2004. Designed as a rebate, it is paid *after* a film production's financial investment has been made to Mississippi's economy. In 13 years, 241 productions have filmed in Mississippi utilizing the program and have spent just over \$201 million in direct production expenditures with Mississippi businesses and payroll. Over the same period of time, Mississippi has issued \$28,570,643.39 in rebates to productions.

A 2015 PEER Committee Report regarding the film program noted the steady and upward progress of the film industry and recognized its long term potential, concluding that: 1) Mississippi's incentive program is returning a far better ROI than any other state incentive program reviewed, 2) the still emerging industry is only in the early stages of building the infrastructure necessary to realize its full potential and maximized secondary impact, and 3) the incentive is doing exactly what Mississippi incentive programs are designed to do: create unique, exciting, and escalating employment potential, community development, and economic opportunity.

PEER also recommended a more vibrant data collection effort to detail the progress of the industry. The Mississippi Film Office initially targeted a five year period, 2012-2016. The data for calendar year 2017 has been collected and added for comparison, and the study will continue on an annual basis. To be noted, in July 2017 the non-resident payroll rebate expired.

Direct Production Loss

- In response to the expiration of the non-resident payroll rebate, 5 productions withdrew their approved incentive commitment letters
- The estimated total of direct production loss is \$27.1M
- The estimated total of Mississippi resident payroll loss is \$7M
- Projects relocated to Louisiana, Georgia, Ohio, or to an undisclosed location.
- Additionally, MGM is no longer considering Mississippi for a television series which could have created 3-7 years of production creating jobs, workforce training, and community development with an estimated budget of \$90 - \$280 million budget.

Infrastructure:

- Mississippi Film Studios, the state's only stand-alone sound stage facility, closed in September 2017.

- Hollywood Trucks & Rentals and MBS Equipment, the state's largest equipment providers, closed in 2017.
- Red Planet Entertainment relocated operations to Atlanta in 2017.
- Eyevox Entertainment / MadGenius down-sized equipment inventory in 2017.
- Midtown Props stopped building inventory in 2017 and may liquidate.

Workforce:

- Mississippi resident payroll for 2017 was \$2.9M: 44% lower than 2016.
- Almost 173 fewer people are listed as resident film industry workforce in 2017.
- Production activity continues to provide on the job training/experience for our workforce.
- 7 colleges and universities created or expanded film/media curriculum in the last 2-5 years, but fewer job opportunities were available for graduates in 2017.
- Of those surveyed, 16% indicated they moved out of state in 2017 to seek work and 80% indicated they know someone that moved out of state for work.

Additional impact:

- Millions of dollars have been contributed to the state unemployment insurance trust fund.
- Production spend ripples through the MS economy for up to 24 months before a rebate payment.
- Mississippi-resident cast and crew working out of state bring additional money and taxes to Mississippi.
- Home Town (Laurel, MS) on HGTV, the 3rd largest cable network, is in almost 100 million households each week it airs.
- Bring It! (Jackson, MS), now in Season 5 on A&E Networks' Lifetime reaches eight out of 10 American homes, with 500 million digital users.

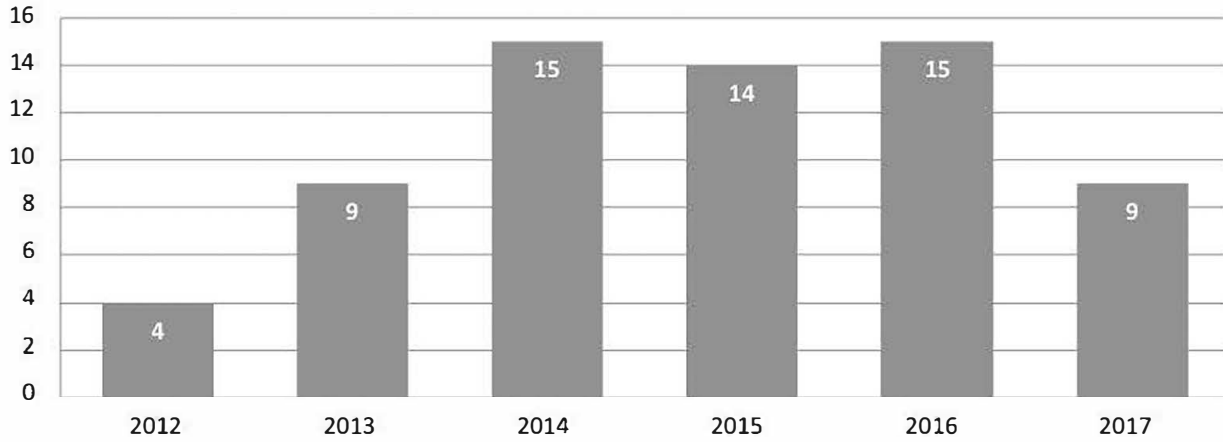
Ancillary opportunities:

- The city of Laurel and Laurel Mercantile have become a retail destination from the Home Town series.
- The Help tours are still occurring in Greenwood and Jackson.
- The Canton Film Museum continues to attract visitors.
- Based on information from just 22 of the 66 features since 2012: 164 existing, non-film specific businesses have benefitted from the film industry, and 40 hotels statewide have housed film crew.

PRODUCTION

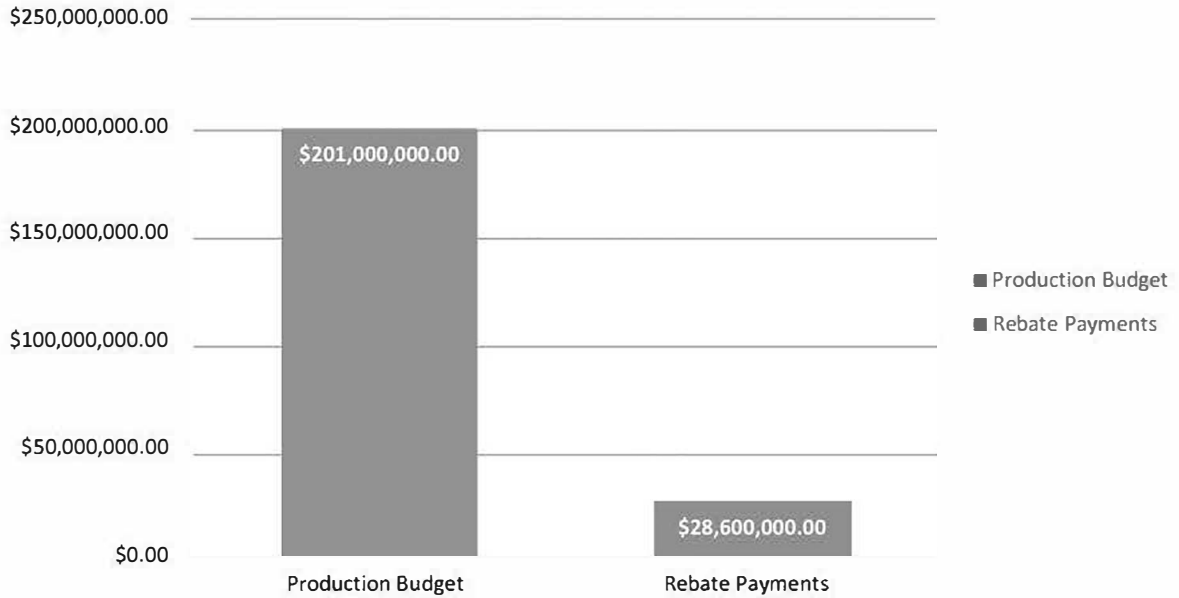
After making a marked jump from 2013 to 2014, production activity had remained strong until a decrease in 2017 coinciding with the loss of the non-resident payroll rebate. Project applications reached an all-time high of 48 projects in 2016, but diminished to 23 in 2017.

Feature Films Made in MS



*from Mississippi Film Office data

**Total Production Budgets vs Rebate Payments
2004 - 2017**

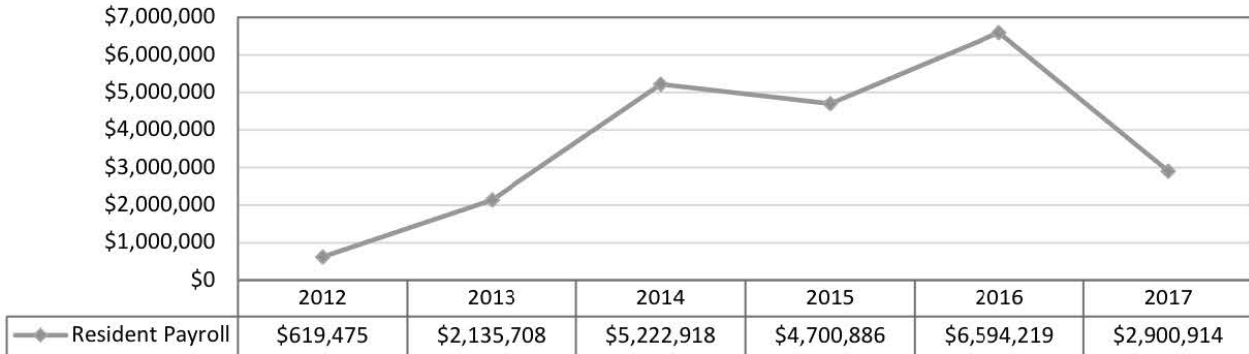


*from MDA certified project applications, 2017

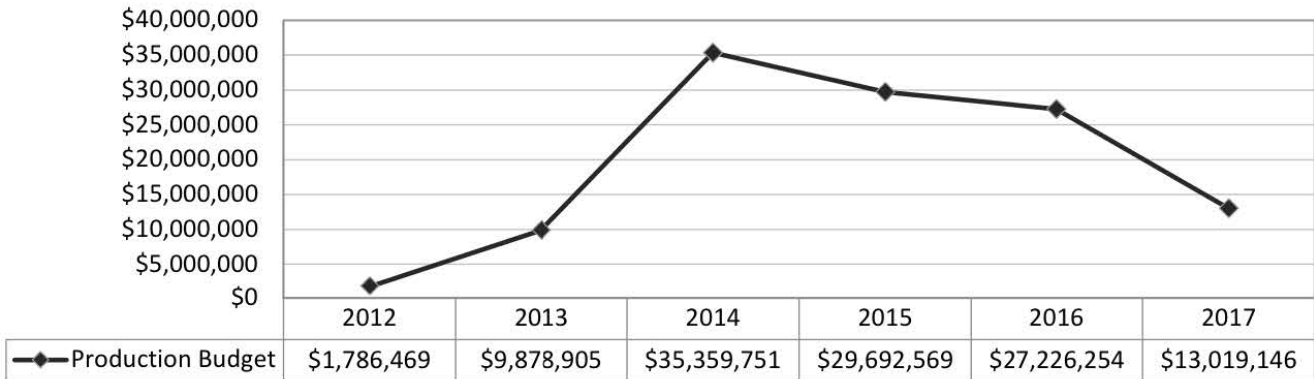
SALARIES

From 2012 to 2016 the resident payroll increased with a high of \$6.6 million in 2016. Resident payroll decreased in relation to fewer projects in 2017.

Resident Payroll

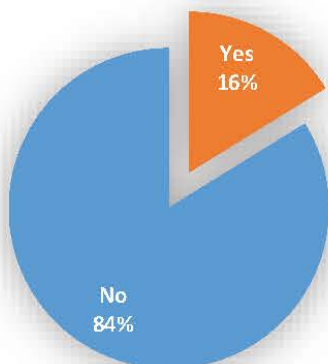


Production Budget

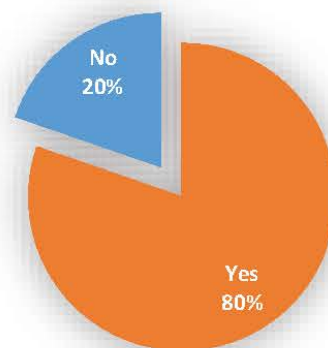


*from MDA certified project applications, 2017

16% of surveyed workforce moved out of state in 2017



80% of surveyed workforce knows someone that moved out of state to seek work

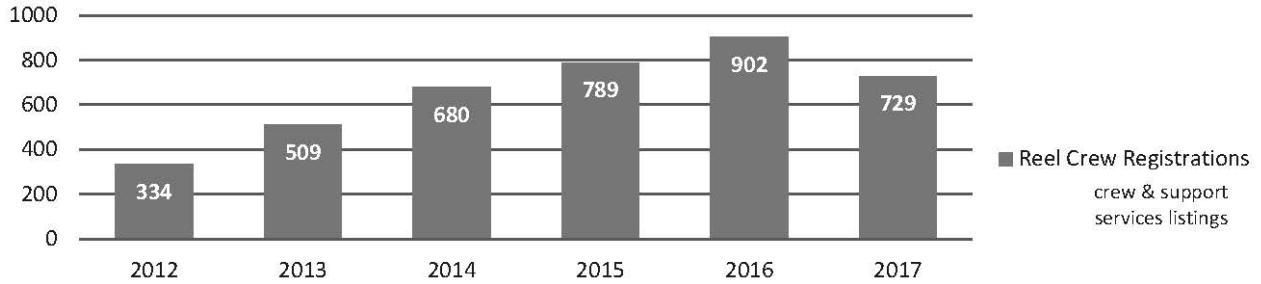


*from Mississippi Production Survey, 2017

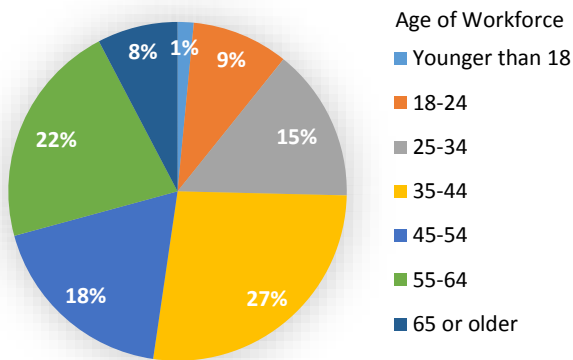
WORKFORCE

Without dedicated and available workforce training funds, incentivized productions serve as de facto community colleges: providing entry level opportunities, creating on the job training and advanced experience, and enabling professional and business expansion. Nearly half of the workforce is under 40 years old; 1/3 of them are moving up in their departments and over 65% have purchased equipment for business use. Within the last 2-5 years, 7 film production-related college programs have been created or expanded.

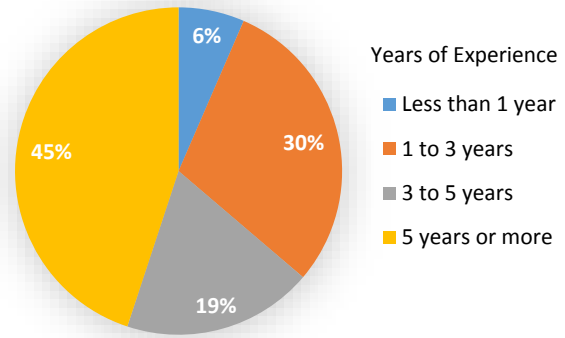
In 2017, resident crew and support service listings dropped by 173



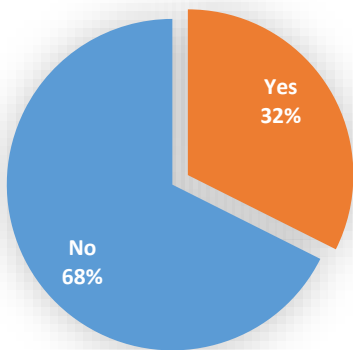
52% of workers are ages 18-44



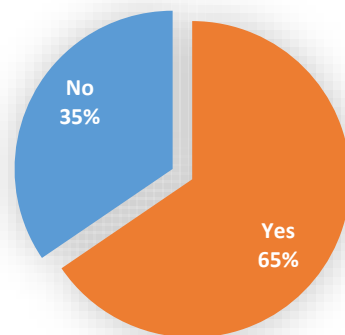
55% of workers joined the industry in the last 5 years



32% of the workforce has moved to a higher position in their department in the last 3 years



65% of workforce has purchased equipment to support their work or provide as rentals



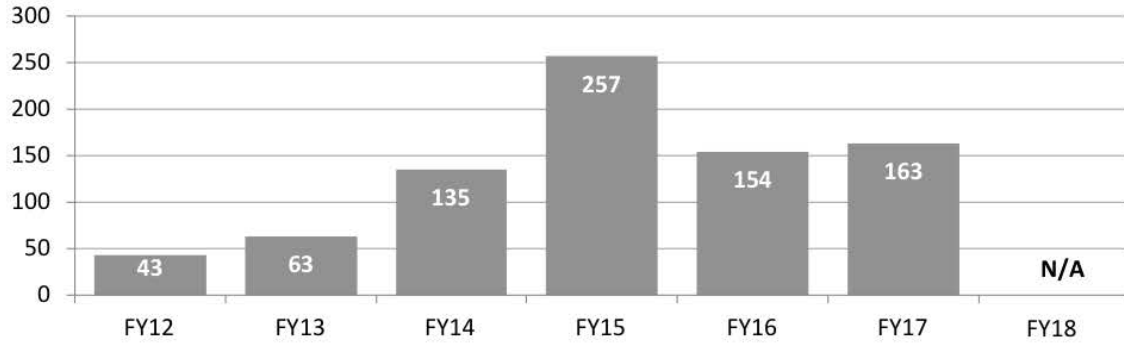
*from Mississippi Production Survey, 2017

DIRECT JOBS

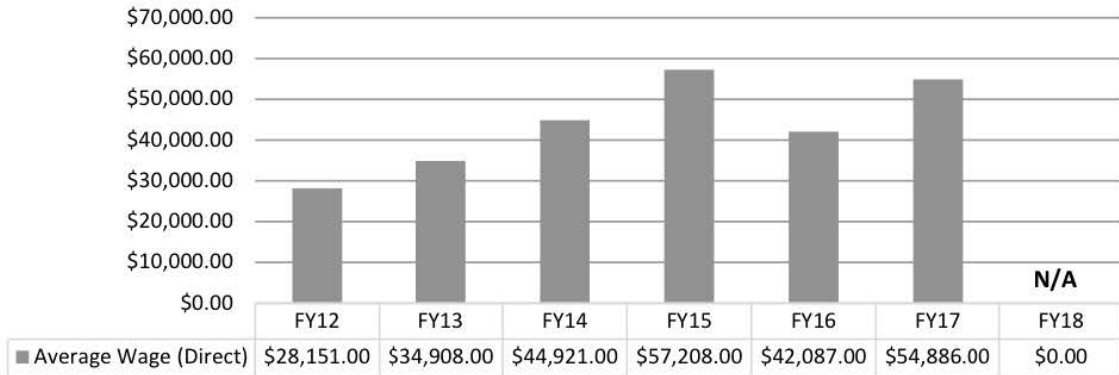
This is fiscal year data collected by the Mississippi Department of Employment Security based on pertinent North American Industry Classification System (NACIS) codes. Direct indicators are jobs and income data directly related to the production of filmed entertainment in Mississippi.

Note: Fiscal Year is July 1 to June 30. For example, FY2018 is July 1, 2017 to June 30, 2018, thus information is not yet available.

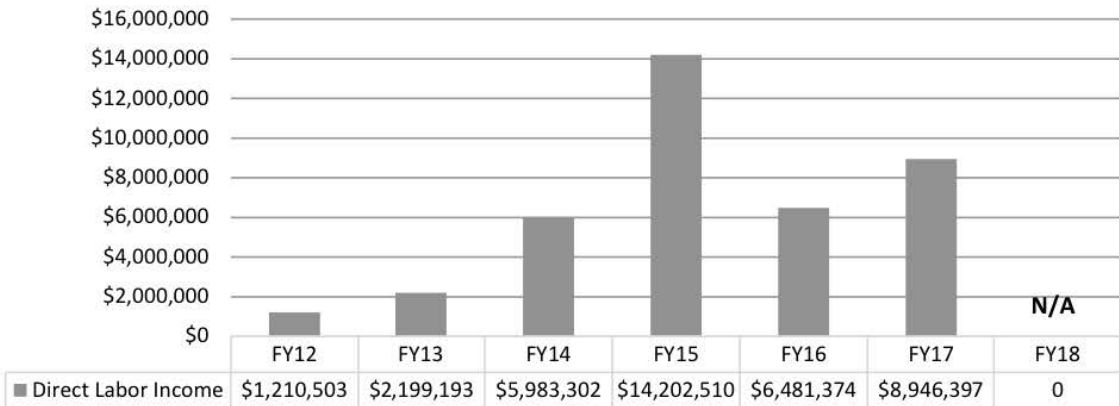
Direct Jobs



Average Wage



Direct Labor Income

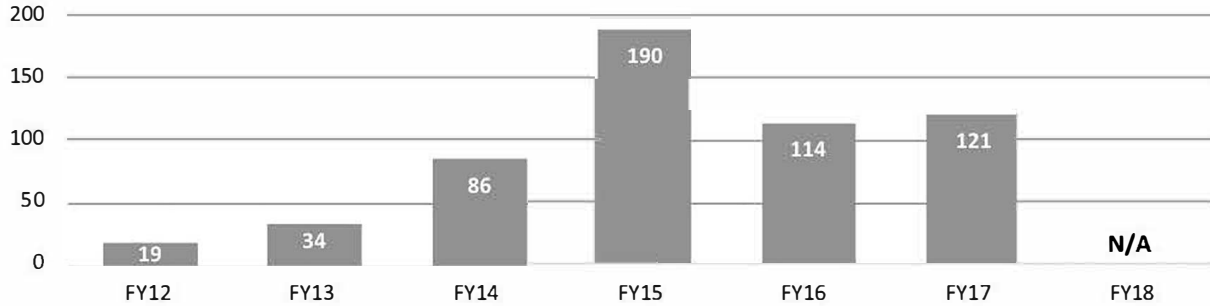


*from MDA Annual Reports, FY12- FY17

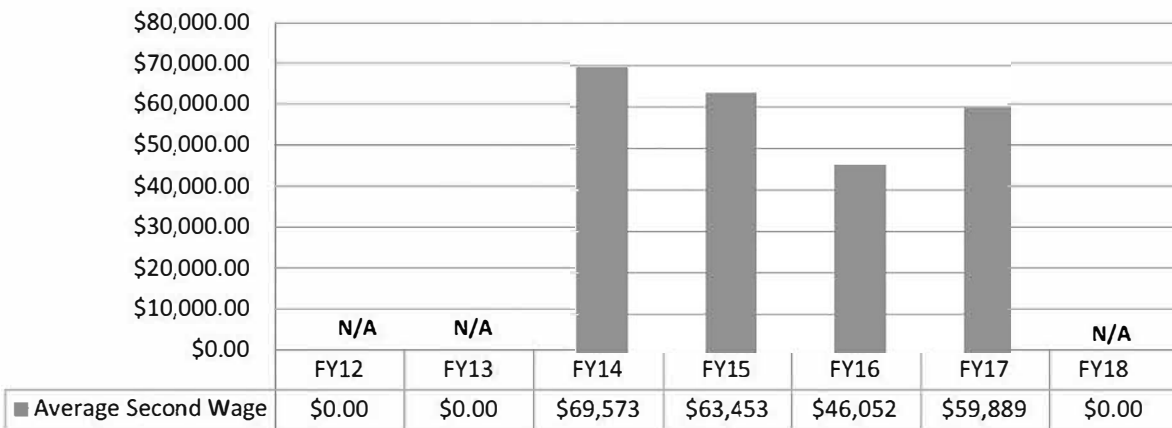
SECONDARY JOBS

This is fiscal year data based on pertinent NAICS codes. Secondary indicators are jobs and income data related to jobs created as a result of production in Mississippi.

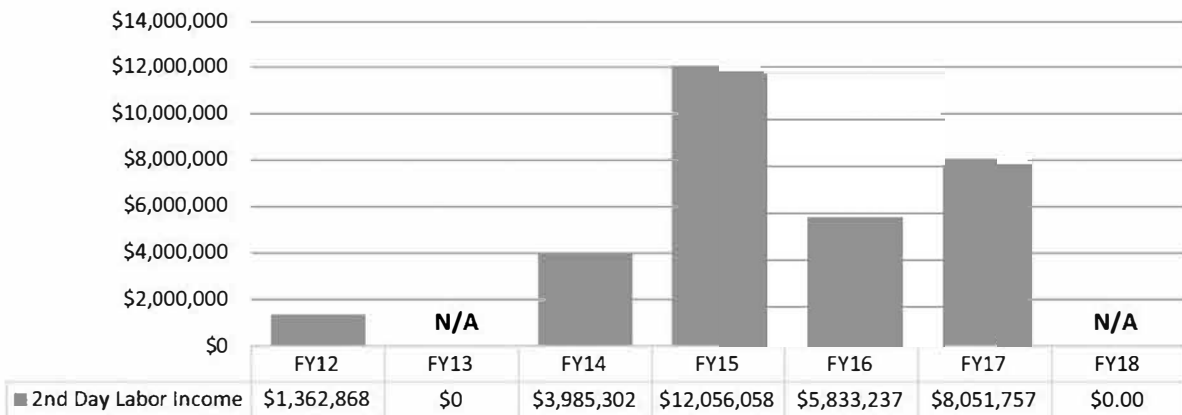
Secondary Jobs



Average Second Wage



2nd Day Labor Income



*from MDA Annual Reports, FY12- FY17

HISTORY OF THE FILM INDUSTRY IN MISSISSIPPI (2017)

A core function of government is to provide the environment for good jobs to be created, and that, as presented at the 2016 MEC HOBNOB, "...our No. 1 priority in state government is job creation, to bring better and high paying jobs to our state...to encourage [the business community] ..." That has been happening in the film industry all across Mississippi. It is a growth industry with a limitless future: demand for product, and therefore jobs, is ever-increasing (scripted series have increased by 8-12% in the last several years with 454 series created in 2016 in North America alone). Technology and automation are actually *creating* more jobs for individuals in the film industry every day, unlike in other manufacturing industries. In a world constantly gazing at a screen, film production is an ever-expanding business sector.

Mississippi has been a film location since the filming of *A Gentleman from Mississippi* (1914) in Natchez over 100 years ago. In 1973, recognizing the value of on location production, Governor Bill Waller established the Mississippi Film Commission, now called the Mississippi Film Office. It was only the second such office in the world. Since, Mississippi has built a solid reputation in the film industry by focusing on and recognizing its greatest attributes: people, place, and an unparalleled storytelling heritage.

Mississippi first targeted industrial development in 1936, when Governor Hugh White's Balance Agriculture With Industry (BAWI) program sought to expand economic opportunity through the recruitment and expansion of manufacturing through incentives, training, and geographic appeal. In 2004, recognizing the increasing mobility of a global industry, Mississippi created their first incentive program specifically for filmed entertainment. By design it is a rebate, a post-spend incentive on a production's financial investment. More than a one time, project-specific incentive package proposed to lure a single project, it is a business development program: a competitive, everyday program designed to develop and support an industry in total, creating an environment to encourage and grow film production.

The film incentive is forced to serve as all of the components normally included in a traditional economic development incentive package, covering the entire cycle of business development: create direction and opportunity for individuals and businesses; build workforce through education and experience; encourage infrastructure and support sector development; and expand private sector financial investment. As it provides support for a broad range of production, it doubles up as a robust community development program, creating immediate jobs, industry infrastructure, and economic impact across the state. And a vibrant and nurturing film environment supports the professional production alliances in Jackson, Oxford, Tupelo, and on the Coast, film festivals around the state, and the funding of indigenous filmmaking through the Emerging Filmmakers Grant program administered by the Mississippi Film and Video Alliance.

This ongoing review of the film industry in Mississippi takes a detailed approach to calculating the impact of film production, looking beyond aggregated, non-specific annual expenditures and rebate to the tracking of specific productions and their in-state production spending in depth and inclusive of all in-state expenditures. Productions and data are now studied to chart the program's ROI as workforce, resources, and infrastructure have expanded or decreased in order to yield a picture of our incentive investment.

Additional research is establishing that the film industry in Mississippi is more than the calculation of specific production spend and rebate and is creating an even more panoramic picture of the industry in Mississippi: financial impact beyond obvious and direct spending; the emergence of permanent film-specific support services and production companies; expanded educational and vocational workforce training curriculum; and a view of our workforce, both actor and crew.

These direct and permanent results expand the ROI of the production-based incentive and serve as clear examples of a successful and business development program with vision. This vibrancy is especially noted in the private sector as we saw from 2012-2016: enhanced production capabilities at The Mississippi Film Studios at Canton and Waveland Studios (both closed by 2017); new support service companies statewide creating permanent and staffed in-state production bases (many closed or decreased footprint in 2017); and financial commitment from Charter Bank, BankPlus, The First, Butler Snow, and various private individuals.

Mississippi has used direct and indirect development tools to create an environment of economic activity. Through that commitment to the industry is commitment in return: companies, attracted and permanent, creating continual and expanding employment opportunity and production infrastructure, and training and expanding an engaged and creative workforce, all adding to the financial and social bottom line of our communities today and to the future of Mississippi.

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