#602

Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER)

Report to
the Mississippi Legislature

An Evaluation of the Effectiveness of the Mississippi Film Office

December 15, 2015

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms, with one Senator and one Representative appointed from each of the U. S. Congressional Districts and three at-large members appointed from each house. Committee officers are elected by the membership, with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

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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The Mississippi Legislature

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December 15, 2015

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Honorable Philip Gunn, Speaker of the House
Members of the Mississippi State Legislature

On December 15, 2015, the PEER Committee authorized release of the report entitled **An Evaluation of the Effectiveness of the Mississippi Film Office.**

Becky Currie

Representative Becky Currie, Chair

This report does not recommend increased funding or additional staff.

Table of Contents

Table of Contents (continued)

List of Exhibits

An Evaluation of the Effectiveness of the Mississippi Film Office

Executive Summary

Introduction

PEER received a legislative inquiry as to why other states appear to be attracting more film production work than Mississippi does. The inquiry further requested additional information in regard to the Mississippi Film Office's efforts to attract film production to the state.

PEER sought to determine the differences in the Mississippi Film Office's approach to promoting movie production in the state compared to the approaches of other states' film offices. The analysis took into consideration the current state of the film industry, the economic impact and return on investment of the incentive program, and the Mississippi Film Office's goals regarding film production in Mississippi.

Background

The Mississippi Film Office (MFO), originally the Mississippi Film Commission, was created in 1973 by executive order. It is currently organizationally housed in Visit Mississippi, which is a division of the Mississippi Development Authority.

The MFO's current goals are to:

- create economic benefit;
- present the state's beauty;
- provide greater economic opportunity;
- increase tourism;
- support community pride and development; and,
- cultivate public relations opportunities that help strengthen local industry.

The MFO's average annual budget for FY 2010 through FY 2015 was approximately $392,054.

The Competitive Environment of the Film Industry

Rapidly changing technology, diminished dependence on traditional locales for production, and multi-national efforts to attract film production are critical factors in the present filmmaking environment.

The competitive environment of the film industry has changed due to the mobility of film productions made possible through advancements in technology and the development of film incentive programs.

The MFO is taking a development approach similar to the integrated approach used by Canada to break into the film industry in the early 1990s. The MFO is focusing on building the film industry from the ground up by creating depth of workforce and breadth of support and service.

The Legislature has tailored Mississippi's incentive program to reflect these goals. The minimum state spend of $50,000, per project cap of $10 million, and annual cap of $20 million make Mississippi's incentive program attractive to the smaller productions and independent films the MFO is seeking.

The Status of Film Industry Resources and Infrastructure in Mississippi

In addition to its incentive program, the Mississippi Film Office has created or supports several other resources that help it achieve its goals. These resources help Mississippi attract the MFO's specific market: small and independent films.

Mississippi's incentive program provides the competitive edge to attract filmmakers to the state, while the state's variety of film organizations, societies, and festivals fosters the growth of the film industry and supports the base of local filmmakers. The Mississippi Film Office Crew Resource Directory allows producers to locate industry professionals easily and the state's film-related degree programs help provide a supply of educated crew. Mississippi's independent studios provide the structure and services to develop films in state.

Economic Impact of the Incentive Program: Return on Investment and Job Creation

State film incentive programs are controversial, as they may often yield relatively low returns on investment. While the return on investment of Mississippi's film incentive program is only forty-nine cents on the dollar, the program has succeeded in producing a higher return on investment than that produced by many other states' incentive programs (e. g., Louisiana's program had a return of twenty-three cents on the dollar). It has also succeeded in achieving the film office's strategy of creating jobs and increasing local film production.

Recently, states' film industry incentive programs have been criticized based on studies that highlight their poor return on investment. However, many states still offer such programs due to potential economic growth in other areas such as employment opportunities, infrastructure, and support services.

Return on Investment of the MFO's Incentive Program

PEER worked with the State Economist's Office to project the economic impact of the Mississippi's Film Office's incentive program. The model used to project direct economic impact for this report is known as REMI Tax-PI, which is an analytical tool designed to evaluate the impact of various tax policies on the Mississippi economy.

For a six-year period beginning in FY 2010 and ending in FY 2015, the model compared the impact of the incentive program with potential investment in manufacturing, in the service sector, and with devoting the funds to other government agencies and programs. Generally, the performance of the incentive program would have been exceeded by investing the same amount in the manufacturing sector. According to PEER's calculations, for fiscal years 2010 through 2015, the MFO's incentive program returned approximately forty-nine cents for every dollar invested, a loss of fifty-one cents on the dollar.

The two main factors contributing to the incentive program's net loss to the state (in terms of return on investment) are the size of the rebate and the fact that the motion picture industry in Mississippi is still in its infancy.

Job Creation of the MFO's Incentive Program

Most incentive programs are created in order to produce more jobs in an industry and therefore the amount of employment opportunities created by an incentive must also be considered along with the return on investment. Based on the model's calculations, the MFO's incentive program created 1,094 direct and secondary jobs in FY 2015.

Potential Threats to Mississippi's Film Industry

Although Mississippi's film production industry appears to be growing, the limited size of its experienced domestic workforce, few film production educational opportunities, and scarcity of film industry-related infrastructure limit Mississippi in the size and number of film productions that it can support. The MFO believes that through the state's development of short-term film production training programs, the MFO's promotion and development of infrastructure, and continual monitoring of certain aspects of the industry, it can cultivate a competitive edge outside its specific market.

Despite having less film industry-related infrastructure than other states, Mississippi saw the number of films annually produced in this state increase dramatically between 2006 and 2014. If the number of films produced in Mississippi each year continues to increase, as expected, the supply of available local crew to service these films must meet the growing demand if Mississippi hopes to establish long-term film industry growth.

Mississippi's limited number of film industry-related higher education options and lack of workforce training options prevent this state from establishing and maintaining the trained workforce necessary to support film production. The Mississippi Film Office believes the state should create short-term, non-academic film production workforce training and certification programs in order to maintain the type of labor force needed to work on film productions.

The Mississippi Film Office staff has indicated that it helps any parties interested in producing a project in Mississippi to get in touch with potential resources that can help them. However, such assistance is currently conducted in an ad hoc manner; as a result, potential productions may be deterred or lost due to the lack of an easily accessible communications bridge between interested producers not participating in the incentive program and local production resources.

Recommendations

1. To help Mississippi remain competitive as a venue for film production, the Mississippi Film Office should take additional steps to upgrade the workforce to be prepared to work in the film industry. Such efforts should include, but not be limited to:

    - *Planning and implementing a certification program for local businesses that have demonstrated necessary skills and competence to support the film industry.* The contact information for such businesses should be included in the existing crew and vendor directory available to any person interested in producing films in the state.
    - *The Mississippi State Workforce Investment Board, created and empowered by MISS. CODE ANN. Section 37-153-7 (1972), should work with the MFO to develop, for inclusion in the state's workforce development plans, a program for educational certification of technical specialists needed in the film industry.* Such plans could provide for developing non-degree-granting certificate programs taught through the state's community colleges in such areas as lighting, set construction, and other needed specialties that could be developed and enhanced through a short-term certificate program. The State Workforce Investment Board, in developing any plans or programs, should take into consideration the unique part-time workforce of the film industry.

- *Developing a plan to coordinate efforts with the existing film studios in the state to enhance their continued use when possible.*

2. The Mississippi Film Office should develop and implement a program for persons interested in producing films who might have the financial resources, but not the necessary technical knowledge of film production, to help them find the types of technical and professional assistance necessary to develop their film production projects.

3. To conduct ongoing analysis of its effectiveness, the Mississippi Film Office should work in conjunction with the Mississippi Development Authority to produce a yearly report compiling the following information:

   - the number of Mississippi residents employed on any film project;

   - factors that led the producers to select Mississippi as a site for production, how the producers became aware of the benefits of Mississippi as a production site, and what producers consider to be the strengths and weaknesses of Mississippi as a film production venue; and,

   - a summary of the MFO's continual monitoring of the film production environment. The summary should include any aspects relative to Mississippi's current strategy for attracting film production and whether the MFO believes that the current strategy is still viable or whether changes should be implemented to keep a competitive position in the industry. The MFO should also include any other recommendations it might have for fostering growth in local employment and continued expansion of the domestic film industry.

For More Information or Clarification, Contact:

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An Evaluation of the Effectiveness of the Mississippi Film Office

Introduction

Authority

PEER reviewed the operations of the Mississippi Film Office (MFO) in relation to the Mississippi Motion Picture Incentive Program (hereafter referred to as the incentive program) and the office's future goals for film production in Mississippi. The Committee acted in accordance with MISS. CODE ANN. Section 5-3-51 et seq.

Problem Statement

PEER received a legislative inquiry as to why other states appear to be attracting more film production work than Mississippi does. The inquiry further requested additional information in regard to the Mississippi Film Office's efforts to attract film production to the state.

Scope and Purpose

PEER sought to determine the differences in the Mississippi Film Office's approach to promoting movie production in the state compared to the approaches of other states' film offices. The analysis took into consideration the current state of the film industry, the economic impact and return on investment of the incentive program, and the MFO's goals regarding film production in Mississippi.

PEER sought to address the following objectives:

- review the establishment of the MFO and the competitive environment of the film industry;
- review Mississippi's current resources relative to film industry workforce development and infrastructure;
- analyze the MFO's strategy and programs to increase film industry resources and production in Mississippi;

- analyze the success of the MFO and its development programs based on return on investment and job creation in light of the MFO's development strategy; and,

- recommend improvements for weaknesses discovered in the incentive program or the operational model of the MFO.

PEER reviewed data on the MFO's operations, its return on investment, and job creation for fiscal years 2010 through 2015.

Method

During the course of this review, PEER:

- reviewed relevant sections of MISS. CODE ANN. § 57-89-1 et seq. (1972);

- reviewed relevant sections of the Mississippi Development Authority's policies and procedures;

- interviewed authoritative sources on the incentive program and film education programs throughout the state;

- analyzed reviews conducted by other states and private entities on film offices and related tax incentives;

- worked with the State Economist's Office to develop an appropriate economic impact model for a return on investment and job creation analysis of the incentive program;

- reviewed literature on economic impact studies relative to film production incentives and differences in interpretation of these studies;

- interviewed film office staff in contiguous states; and,

- interviewed staff of institutions and commissions of higher learning in contiguous states.

See page 23 for additional information on methods.

Background

Goals and Organization of the Mississippi Film Office

The Mississippi Film Office, originally the Mississippi Film Commission, was created in 1973 by executive order. It is currently organizationally housed in Visit Mississippi, which is a division of the Mississippi Development Authority.

The Mississippi Film Commission, now known as the Mississippi Film Office, was created in 1973 by Executive Order No. 135 issued by Governor William Waller for the purpose of attracting, supporting, and developing the film industry in Mississippi.

The MFO's current goals are to:

- create economic benefit;
- present the state's beauty;
- provide greater economic opportunity;
- increase tourism;
- support community pride and development; and,
- cultivate public relations opportunities that help strengthen local industry.

The last two goals were recent additions, but the other goals have not changed since the original formation of the office.

The MFO is part of the Mississippi Development Authority (MDA) and is located organizationally within the tourism division of MDA, known as Visit Mississippi. The MFO staff consists of four employees: a Bureau Manager, two associate senior project managers, and an associate manager for tourism services. The MFO Bureau Manager reports to the Director of Visit Mississippi, who reports to the Executive Director of MDA. One associate senior project manager is housed in Jackson and the other at an MFO satellite office in Biloxi. The MFO created the Gulf Coast satellite office because of an increase in production demand in the coastal area and to help local film alliances in that area.

Budget of the Mississippi Film Office

The Mississippi Film Office's budget is allocated as part of Visit Mississippi's budget within the Mississippi Development Authority. The MFO's average annual budget for FY 2010 through FY 2015 was approximately $392,054.

The MFO's budget is allocated as part of Visit Mississippi's budget and comes from MDA's line-item budget, which is appropriated every year by the Legislature.

PEER's analysis of the MFO's operational budget from fiscal years 2010 through 2015 showed that the budget did not change significantly during that period. The Cultural Heritage Program ended in 2012. However, salaries and fringes remained higher than in the years preceding the Cultural Heritage Program, as an additional full-time associate senior project manager was added in Fiscal Year 2014 in order to help cultivate the growth of film production on the Gulf Coast.

During fiscal years 2010 through 2015, the MFO had an average operational budget of $392,054. The largest expenses each year were in salaries, travel, sponsorship, and advertisement. During that period, an average of 67% of the operational budget went to salaries and fringes and 33% toward marketing, including travel, sponsorship, advertisement, and brochures. This reflects the MFO's marketing plan, which focuses on promoting film festivals and creating public relations opportunities through active engagement with producers in order to promote the specific market upon which the MFO is focusing (see page 13).

The Competitive Environment of the Film Industry

Rapidly changing technology, diminished dependence on traditional locales for production, and multi-national efforts to attract film production are critical factors in the present filmmaking environment.

This chapter addresses:

- how the competitive market of the film industry came to be driven by incentive programs; and,
- Mississippi's incentive program and its position within the competitive market of the film industry.

Changes in the Film Industry Environment

The competitive environment of the film industry has changed due to the mobility of film productions made possible through advancements in technology and the development of film incentive programs.

Film production has historically been located near film industry hubs such as Los Angeles and New York City because of the unique clusters of industry-specific infrastructure[1] and workforce in these cities. However, these industry hubs began to lose productions in the 1990s. Expert commentators coined the term "runaway" productions to refer to these lost productions. Commentators identified two types of runaway productions: "creative" runaways and "economic" runaways. Creative runaways seek production locations based on specific considerations that cannot be replicated or for authenticity of location. Economic runaways seek production locations based on the potential for lowering production cost. [2]

Most industry insiders believe that the majority of runaway productions today are economic runaways. This comes as a result of both advancements in technology and the formation of new industry hubs. Currency exchange rates, lower costs of goods and services, and industry-specific government incentives in different areas are often the driving factors behind production costs. However, lower production cost opportunity due only to a disparity in currency will not attract runaway productions if some

[1]In relation to the film industry, *infrastructure* refers to any facility or business that aids in the production of a film--i. e., studios, post-production facilities, or any other facility or business that can readily meet industry-specific needs.

[2]The Directors Guild of America (DGA) and Screen Actors Guild (SAG) hired the Monitor Company in January 1999 to investigate the phenomenon of "runaway" film and television production in the U. S. The term and description of "economic runaways" was elicited from the report produced from the Monitor Company's investigation.

relocation factors (such as travel expense or lack of quality infrastructure or workforce) negate potential gains in profit.

Many of the economic runaway productions in the 1990s went to Canada. At the time, Canada was an undeveloped location for the film industry. It was thought to have been initially able to attract runaway productions due to its proximity and similarity to the U.S. and due to the decline in the value of Canadian currency relative to the dollar at that time. Canada then used what became known as an *integrated approach* to develop its film industry further and become a stable filming hub.

U.S. productions shooting in Canada had to import most of their crews at first. In order to spark a growth in local film crews, Canada initiated a national investment tax credit. The credit was an attractive offer to U.S. production companies, but it came with conditions that aided the growth of the Canadian film industry. In order to qualify for the tax credit, U.S. production companies had to hire a certain number of local personnel. Hiring locally allowed the local workforce to gain experience and grow. The availability of experienced crew in turn attracted more productions and as the number of productions increased, investments in infrastructure were made. Canada then began to secure employment for its crew base by restricting the ability to import "below the line"[3] crew members such as production crew, set designers, set construction, and extras, which provided more stable employment for Canadian crews.

By the end of the 1990s, Canada's film industry was large enough to influence local government decisionmakers. Canadian provinces took notice of the success of the national investment incentive and began to initiate labor tax credits on foreign production at a local level. This soon led to a competitive environment in which Canadian provinces competed with each other and with the U.S. market. This competition prompted individual states within the U.S. to offer incentive programs as well in an attempt to capture the economic benefits of the industry as Canada had done.

As noted previously, lower production costs are only viable if travel expenses or the lack of quality infrastructure and workforce do not offset net profit. However, advances in technology relative to the film industry, such as advancement in computer technology, lighter and more compact filming equipment, and the

[3]According to the *New Mexico Film Office Glossary, below the line* (BTL) "is an industry term associated with the 'fixed' costs. Examples include studio fees, equipment rental, travel costs and crew rates. Therefore, BTL crew refers to the technical crew hired for the length of the production, often paid hourly or weekly for that time period. These individuals do not have primary creative or financial control of the project, nor do they receive residuals." *Above the line* crew (ATL) "is an industry term derived from where the money is budgeted for writers, directors, producers and principal talent. This term refers to job positions that are associated with the creative and/or financial control of a film or multimedia project, not the technical aspects."

development of easily accessible worldwide communication networks, have enabled the creation of "moving production factories." The mobility of production companies, in combination with the growth and availability of experienced film crews, has dissipated much of the monopoly that Los Angeles and New York City once held on the film industry's infrastructure and workforce. Breaking this monopoly caused the film industry's competitive environment to shift. Allowing disparate areas to gain a competitive edge in the industry by offering low production costs led to the expansion of film incentive programs both in the U. S. and abroad.

These film incentive programs are now considered to be one of the most important factors considered by production companies. This has led to a competition, on a statewide and international level, based upon which location can offer the best incentive program. This competition has often been referred to as a "race to the bottom." This term arises from the fact that in competing to offer the best incentive package, governing authorities may not be taking into account the potential losses in revenue that they are incurring.

Mississippi's Incentive Program and Position Within the Competitive Market of the Film Industry

The MFO is taking a development approach similar to the integrated approach used by Canada to break into the film industry in the early 1990s. The MFO is focusing on building the film industry from the ground up by creating depth of workforce and breadth of support and service. The Legislature has tailored Mississippi's incentive program to reflect these goals.

The MFO is focusing on developing its film infrastructure from the ground up in a manner similar to the integrated approach used in Canada. The Legislature has tailored the incentive program to attract lower budget and independent films. The MFO is hoping to expand the film industry workforce and infrastructure in the same manner as Canada by focusing on sustainable employment opportunities and creating a competitive edge by focusing on a specific market.

The Mississippi Motion Picture Incentive Program

The Legislature created the Mississippi Motion Picture Incentive Program in 2004 to raise Mississippi's profile as a film location and to allow Mississippi to compete with other film programs for economic runaways.

Incentive programs may come in several forms, including tax credits, cash rebates, grants, sales and use tax exemptions, lodging exemptions, and an assortment of other offers tailored to attract production companies. The Mississippi Motion Picture Incentive Program, referred to in this report as the "incentive program" and codified in MISS. CODE ANN. § 57-89-7 (1972), is a mixture of cash rebate and sales/use tax reduction programs. The Legislature created the incentive program in 2004 to raise Mississippi's profile as a film location and to allow Mississippi to compete with other states for economic runaways.

The incentives include the production of feature films, television projects, documentaries, commercials, video games, and short films. The incentive program supports productions that are designed for theatrical distribution, television or cable broadcast, and internet delivery and includes computer-generated production and post-production. The MFO has indicated that it chose to extend the program over such a broad range of productions due to advances in technology that are continually expanding the nature of the industry.

The rebate portion of the incentive program provides for cash rebates to production companies on eligible in-state expenditures as well as production payroll and fringes. The program focuses on attracting smaller budget productions and independent films, as they provide a stable market of employment and allow for a foundation to be developed for larger workforce training and infrastructure opportunity. The requirements to qualify for the rebate are tailored to promote this agenda.

The incentive program requires a production company to invest a minimum of $50,000 on spending within the state, which includes Mississippi spend[4] and resident payroll, and it caps rebates at $10 million per project and $20 million annually. There is no minimum production day requirement. At least twenty percent of the production crew must be Mississippi residents. The producers must also agree to acknowledge the utilization of the incentive program in their film, acknowledge any cities or counties where filming took place, and include a Mississippi Film Office logo in the end credits.

The rebates available for qualifying productions are:

- 25% rebate on Mississippi spend;

- 25% rebate on payroll of non-resident cast and crew;

- 30% rebate on payroll of Mississippi cast and crew; and,

- 5% bonus rebate on payroll of honorably discharged veterans of the U. S. Armed Forces.

More than one rebate may apply per production.

The MFO states that the incentive requirements have been tailored to help advance certain goals relative to the MFO's development plan. The incentives and their intended goals are as follows:

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[4] *Mississippi spend* refers to money spent on production needs that is paid to Mississippi vendors.

- The minimum spend of $50,000 helps support smaller productions and those generated by local filmmakers. These types of productions help advance the film industry in Mississippi by creating greater job opportunity at a greater percentage than larger films can, providing more experience opportunities for local crew and actors, and by adding depth to the local film infrastructure.

- The rebate percentages, ranging from 25% to 30% on spend and payroll with an additional 5% for veteran employment, are designed to attract outside production and help encourage the hiring of local crew.

- The per-project cap of $10 million allows for productions that provide both greater industry profile and greater employment opportunity.

- The $20 million annual cap provides a reasonable fund commitment for the state and establishes a baseline for the industry's growth and development.

Appendix A, page 39, provides additional information on how the incentive program works.

How Mississippi's Incentive Program Compares to Those of Other States

The minimum state spend of $50,000, per project cap of $10 million, and annual cap of $20 million make Mississippi's incentive program attractive to the smaller productions and independent films the MFO is seeking.

The MFO has noted that while Mississippi competes with other states and countries for film productions, its chief competitors are usually Alabama, Georgia, Louisiana, North Carolina, and South Carolina. All states compete with California and New York for film productions. In order to be more competitive, many states have instituted film industry incentives that include tax credits or rebates. Exhibit 1, page 10, shows the tax incentive programs in the abovementioned competitive states.

In comparison to some of the incentive programs listed in Exhibit 1, Mississippi's incentive program is rather conservative. Its minimum spend of $50,000, per project cap of $10 million, and annual cap of $20 million for all projects attracts the types of projects the MFO is seeking to attract while also helping to expand the local crew base. The Legislature tailored the program this way, as is described on page 7, to make Mississippi more attractive for smaller productions and independent films when compared to competitive states. The $50,000 buy-in is low enough for these smaller productions to compete for incentives. Also, the MFO places comparatively smaller annual and per-project caps on its incentives in order to try to keep revenue loss down while building local film workforce and infrastructure.

Exhibit 1: Incentive Programs in Competitor States: Comparison Chart

State	Film Production Incentive/Credit Program
Alabama	A qualified production company shall be entitled to a 25 percent rebate of all state-certified expenditures and 35 percent of all payroll paid to residents of Alabama for the state-certified production. Production expenditures for a project must equal or exceed at least $500,000 but must not exceed $20,000,000. In addition to the rebate, the state offers sales tax and lodging tax exemptions.
California	For FY 2015–2016, two film incentive programs will coexist. The new program (incorporating changes and additions to the old program) became effective July 1, 2015. The old program will also continue through June 30, 2016. The program has a $230 million annual cap for FY 2015–2016 (in addition to a $100 million cap for the old program) and a $330 million annual cap per subsequent years through FY 2019–2020. The maximum tax credit, including additional credits or uplifts,[*] may not exceed 25% for any qualified expenditure. A 20% tax credit is available for feature films, movies of the week, miniseries, and new TV series for basic cable. Effective July 1, 2015, the new program allows new TV series for any distribution outlet, TV pilots, and subsequent seasons for relocating projects to be eligible for 20% credit. There is a 25% tax credit available for relocating television series and independent films. The new program provides for the following additional incentives: no maximum budget requirement for feature films and no maximum qualified expenditures budget requirement for independent films. Potential Uplifts: - There is 5% additional credit available for qualified expenditures relating to original photography outside the thirty-mile Los Angeles Studio Zone (pre-production through strike). - There is also another 5% additional credit for visual effects and music scoring/track recording attributable to a qualified motion picture in CA.

[*]Non-independent productions (excluding relocating series in their first season in the state) are eligible for an additional 5% in tax credits known as *uplifts*.

Georgia	The Entertainment Industry Investment Act offers an across-the-board flat, one-time transferable tax credit of 20 percent based on a minimum investment of $500,000 on qualified productions in Georgia. An additional 10 percent Georgia Entertainment Promotion uplift can be earned by including an embedded animated Georgia logo on approved projects. There is no cap on spending in Georgia. The state also offers a sales and use tax exemption. Qualified companies can get an immediate point-of-purchase sales tax exemption that will save productions up to 8 percent on most below-the-line materials and service purchases or rentals.
Louisiana	The state offers a 30 percent transferable income tax credit for total in-state expenditures related to the production of a motion picture. An additional 5 percent labor tax credit can be earned on the payroll of Louisiana residents that are employed by a state-certified motion picture production. The tax credits are fully transferable. Only money spent on production costs within the borders of the state qualifies for the 30 percent tax credit. For state-certified productions initially certified on or after July 1, 2015, payroll payments made directly to an individual shall exclude any portion of an individual salary in excess of $3 million. (Payments made to a loanout company are not subject to this cap.) For state-certified productions initially certified from July 1, 2015, through June 30, 2018, the maximum amount of credits that may be certified for a single state-certified production shall not exceed $30 million, which may be structured over two or more years. Effective July 1, 2015, for fiscal years 2016-2018, tax credit claims and transfers to the state (buy-back) shall be limited to an aggregate of $180 million each fiscal year. Louisiana will not buy back any motion picture investor tax credits from July 1, 2015, through June 30, 2016.
Mississippi	The Mississippi Motion Picture Incentive Program provides a cash rebate on eligible expenditures and payroll and provides sales and use tax reductions on eligible rentals/purchases. This program is available for nationally distributed motion pictures, television programs, DVDs, documentaries, short films, commercials, and video games, including animation and production utilizing new technology. National distribution includes theatrical, broadcast, festival screening, streaming video, and Internet delivery. There is a $50,000 minimum Mississippi investment (local spend) per project. There is a $10 million per project rebate cap. There is a $20 million annual rebate cap for all projects. There is no minimum requirement for production days or percentage of production spend. Under the Mississippi Motion Picture Incentive Program, a production is eligible for a 25 percent rebate on its base investment. Additionally, there is a 30 percent resident payroll rebate and a 25 percent non-resident payroll rebate. A production is eligible for an additional 5 percent rebate on salaries paid to veterans. Qualifying production equipment used directly in the filming/editing of project will be taxed at a reduced rate of 1.5 percent.

New York	The state offers a 30 percent fully refundable tax credit on qualified expenses while filming in the state. A 30 percent to 35 percent post-production tax credit is also available, regardless of filming location. Refundable tax credits for qualified commercials, with added incentives for companies increasing volume of work in New York, are available and there are film production activities/expenses that are exempt from state and local sales and use taxes. Also, a film investment tax credit of up to 5 percent on investments in construction and upgrades to qualified film production facilities plus employment incentive tax credits for two additional years are available for qualifying productions.
North Carolina	As of January 2015, North Carolina has implemented a new Film and Entertainment Grant program. Funds from the grant will serve as a rebate of up to 25% on qualified expenses/purchases of productions. The minimum spend is $1,000,000 per episode (average) for television series, $5 million for feature-length films, and $250,000 for commercials. The per-project caps are $9 million for television series per season, $5 million for feature-length films, and $250,000 for commercials. The annual cap is $30 million per fiscal year.
South Carolina	Productions that film in South Carolina can receive up to a 25 percent cash rebate on in-state employee wages. Out-of-state performing artists (including stunt performers) are eligible for a 20 percent cash rebate. Additionally, the state offers up to a 30 percent cash rebate on in-state supplier expenditures if at least $1,000,000 is spent in the state. The 20 percent wage rebate applies to any employee of the production whose wages are subject to the withholding tax and earns less than $1,000,000. The 30 percent supplier rebate applies to all goods and services acquired from a South Carolina supplier. In addition, all productions spending over $250,000 in the state are exempt from sales and accommodations taxes and all film productions are eligible to use state properties location fee-free.

SOURCE: "State Film Production Incentives and Programs," National Conference of State Legislatures, 28 March 2015, and individual film office websites.

The Status of Film Industry Resources and Infrastructure in Mississippi

In addition to its incentive program, the Mississippi Film Office has created or supports several other resources that help it achieve its goals.

- **The MFO's involvement in Mississippi's film organizations, societies, and festivals allows independent filmmakers an opportunity to showcase their work and expand their knowledge as filmmakers.**
- **The MFO's crew and service directory provides quick identification of Mississippi's available film production labor force.**
- **Hinds Community College's recently implemented two-year program in film production creates a means for preparing Mississippians to participate in a growing domestic film production industry.**
- **Mississippi's independent studios provide resources for interested producers to film in the state.**

These resources help Mississippi attract the MFO's specific market: small and independent films.

As previously discussed, the Mississippi Film Office has several goals:

- create economic benefit;
- present the state's beauty;
- provide greater economic opportunity;
- increase tourism;
- support community pride and development; and,
- cultivate public relations opportunities that help strengthen local industry.

The MFO hopes to achieve these goals by capitalizing on available resources, targeting independent films, and supporting Mississippi's film-related entities that also work toward the same goals. Ultimately, the MFO promotes the abovementioned goals in order to create employment opportunities and increase local film production.

This chapter addresses:

- Mississippi's available film-related resources, which include the incentive program, organizations, societies, and festivals;
- the MFO's crew and service directory;
- in-state film-related education opportunities; and
- Mississippi's independent studios.

Mississippi's Resources for Film Production Industry Growth

Mississippi's incentive program provides the competitive edge to attract filmmakers to the state, while the state's variety of film organizations, societies, and festivals fosters the growth of the film industry and supports the base of local filmmakers. The Mississippi Film Office Crew Resource Directory allows producers to locate industry professionals easily and the state's film-related degree programs help provide a supply of educated crew. Mississippi's independent studios provide the structure and services to develop films in state.

Incentive Program

The goal of the incentive program is to attract filmmakers to Mississippi and potentially provide an economic benefit to the state.

The Mississippi Motion Picture Incentive Program, discussed on page 7, makes the state a viable film location. The goal of the incentive program is to attract filmmakers to Mississippi and potentially provide an economic benefit to the state. The film office uses the incentive program as a resource to grow Mississippi's film industry.

Organizations and Societies

The MFO supports Mississippi film organizations and societies and helps them accomplish the goals of Mississippi's film industry.

The Mississippi Film and Video Alliance (MFVA), supported by the MFO, fosters the growth of the film industry in the state. The MFVA administers an Emerging Filmmaker Grant program, which is funded by money in the MFO's annual operational budget. The MFVA also helps filmmakers who want to apply for not-for-profit status or other grant programs. Although the MFO started the MFVA, the MFVA operates separately from the MFO. However, according to the film office, an MFO representative attends every MFVA meeting.

The MFO supports other Mississippi film organizations and societies. The MFO lists the state's film organizations on its website, MFO staff members speak at meetings and other events of local film societies, and the MFO helps these organizations accomplish the ultimate goals of Mississippi's film industry.

Several local film alliances or groups are located throughout the state. Some of them work in conjunction with the MFVA and some work separately:

- *The MS Production Group* is a network of Mississippians that share their film/video/media information with one another at monthly meetings and across social media platforms, such as Facebook and Vine.
- The *OxFilm* society is a community-wide effort to enhance film as a cultural, artistic, and economic driver for the Lafayette County-Oxford and University (of Mississippi) populations. OxFilm seeks to promote education and provide

tools to support local filmmakers while encouraging films to be made in the community. OxFilm also seeks to enhance existing film screenings with an ongoing series celebrating a range of film experiences.

- The *Tupelo Film Alliance,* intended to support filmmakers in Tupelo and throughout Mississippi, is made up of more than thirty-five directors, writers, actors, producers, editors, set designers, make-up artists, and movie fans.

- The *Crossroads Film Society* celebrates the art of filmmaking in all of its diversity and depth. The Crossroads Film Society facilitates and promotes a broader spectrum of film and video for the community, presents and honors films and videos related to Mississippi and the South, provides educational opportunities, and facilitates general discussions for film lovers and aspiring filmmakers.

- The *Mississippi Gulf Coast Film Alliance* is a network of Mississippians located in the Gulf Coast region that share their film/video/media information with one another via Facebook and during monthly meetings.

Film Festivals

Mississippi communities host at least fifteen film festivals each year and according to the MFO's staff, approximately twenty filmmakers who have attended these festivals have returned to the state to shoot films.

Mississippi hosts a variety of film festivals each year. According to the MFO, the goals of Mississippi's film festivals are:

- to support the local base of filmmakers;
- to encourage festival filmmakers that visit the state to return and produce their work in the state;
- to offer feedback to filmmaker attendees;
- to allow local and visiting filmmakers to network;
- to give the audience access to films that they normally would not see; and,
- to provide training and workshop opportunities.

Although the MFO does not collect data on the film festivals, MFO staff believe that about twenty filmmakers have returned to Mississippi to shoot films after attending Mississippi film festivals.

Exhibit 2, page 16, lists the names and locations of Mississippi's film festivals.

Exhibit 2: Mississippi's Film Festivals, as of October 2015

	Festival	Location
Fall Festivals	Grenada Afterglow Film Festival	Grenada
	Fear Fete Horror Film Festival	D'Iberville
	Reels to Rails Film Festival	Meridian
	Sun and Sand Film and Music Festival	Gulfport
	Mississippi International Film Festival	Jackson
Winter Festivals	Jewish Cinema Mississippi	Jackson
	Clarksdale Film Festival	Clarksdale
	Magnolia Independent Film Festival	Starkville
	It's About You Film Festival	Jackson
	Oxford Film Festival	Oxford
	Natchez Literary and Cinema Celebration	Natchez
Spring/Summer Festivals	Crossroads Film Festival	Jackson
	Tupelo Film Festival	Tupelo
	Festival South Film Expo	Hattiesburg
	Delta International Film and Video Festival	Cleveland

SOURCE: The Mississippi Film Office's website.

The Mississippi Film Office Crew Resource Directory

The MFO's crew and service directory provides quick identification of Mississippi's available film production labor force.

The MFO maintains a statewide online resource directory that allows producers and potential clients to easily locate film, television, and media industry professionals and support services. Although the MFO has to approve registrants before their information can be accessed online, any individual or business can register to be included in the directory at no charge. Registrants are able to upload resumes, product brochures, and include credits and website links in their profile. Businesses can indicate which services they are able to deliver to a production that comes to the state. Many state film offices keep a crew and resource directory so that producers can locate services quickly.

According to the MFO's online resource directory, currently approximately 140 people are qualified to work on a feature film based on their listed experience.

Film Industry-Related Educational Opportunities

Mississippi has programs at two- and four-year higher education institutions where students may receive formal education in subjects relevant to film production.

Mississippi has two film industry-related degree programs: a two-year film production degree at Hinds Community College and a four-year degree at the University of Southern Mississippi. Two other four-year institutions offer a minor in a film-related field and one two-year institution offers film production classes. According to the MFO, other educational institutions in the state are talking about beginning film production programs. Mississippi has no short-term, non-academic workforce training programs.

The list below shows the film production educational opportunities currently available in Mississippi.

- The University of Southern Mississippi
  - B.A. in Entertainment Industry (Film)
  - B.A. in Entertainment Industry (Media Production)
- Hinds Community College
  - Radio and Television Production and Broadcasting Technology
    - Career Certificate
    - Technical Certificate
    - Associate of Applied Science Degree
  - Entertainment Media Technology--students can earn an AAS in either:
    - Animation and Visual Effects Technology
    - Film and Video Technology
    - Interactive Media Design Technology
- The University of Mississippi
  - Cinema minor
  - The Southern Documentary Project[5]

[5]The Southern Documentary Project ("SouthDocs") is an institute of the Center for the Study of Southern Culture at the University of Mississippi. SouthDocs produces short and feature-length documentary films with partners such as the Southern Foodways Alliance and radio programs such as "Highway 61" and "Sounds of the South." The academic mission of SouthDocs is to train the next generation of storytellers.

- Pearl River Community College
  - Film production class
- Millsaps College
  - Film minor

Film Industry-Related Infrastructure

Mississippi has two privately owned studios that provide resources for interested producers to film in the state.

The Mississippi Film Studios at Canton and the Mississippi Gulf Coast Studios in Biloxi are the two privately owned studios currently available in Mississippi for film production. Each studio offers at least one sound stage that can be used to shoot any film project. As of November 2015, details for each studio are as follows:

Mississippi Film Studios at Canton:

- 24,000 sq. ft. and 12,000 sq. ft. stages;
- 4,000 sq. ft. of production office space;
- sits on 31 acres;
- plug and play wireless Internet;
- break room, conference rooms, and offices; and,
- fully fenced.

Mississippi Gulf Coast Studio:

- 28,000 sq. ft. open span soundstage;
- climate controlled;
- 3,200 sq. ft. of rooms for hair, makeup, and wardrobe;
- 5,600 sq. ft. of production offices;
- 200 parking spaces;
- sits on 20 acres; and,
- high-speed Internet.

SouthDocs teaches and mentors undergraduate and graduate students in the Southern Studies academic program and the Cinema minor program.

Economic Impact of the Incentive Program: Return on Investment and Job Creation

State film incentive programs are controversial, as they may often yield relatively low returns on investment. While the return on investment of Mississippi's film incentive program is only forty-nine cents on the dollar, the program has succeeded in producing a higher return on investment than that produced by many other states' incentive programs (e. g., Louisiana's program had a return of twenty-three cents on the dollar). It has also succeeded in achieving the film office's strategy of creating jobs and increasing local film production.

This chapter addresses the following:

- controversy regarding states' film industry incentive programs;
- return on investment of the MFO's incentive program; and,
- the incentive program's creation of jobs.

Controversy Regarding States' Film Industry Incentive Programs

Recently, states' film industry incentive programs have been criticized based on studies that highlight their poor return on investment. However, many states still offer such programs due to potential economic growth in other areas such as employment opportunities, infrastructure, and support services.

Recently, film industry incentive programs have become a topic of debate regarding their benefit to the states that use them. Mississippi, like any other state with a film industry incentive program, forgoes general fund revenue for its incentive program. The controversy arises based on the fact that many believe the loss of revenue from such programs outweighs the economic gains made by a state. (See "race to the bottom" discussion on page 7.) A recent *Wall Street Journal* article[6] notes that for every dollar spent on film incentives, most states only receive cents back on the dollar, as shown in Exhibit 3, page 20.

Mississippi has a fiscally conservative incentive program in comparison to other states. According to MISS. CODE ANN. § 57-89-7 (1972), the total amount of rebates authorized in Mississippi's incentive program may not exceed $20 million in the aggregate in any fiscal year and may only be applied to workforce payroll and qualified film expenditures within the state. The Legislature has not enacted any incentive program tailored to the development of film production infrastructure, such as film

[6]Hudson, Chris, and Donald Bryson. "Yelling 'Cut!' for Moviemaking Tax Breaks: States Keep Discovering That the Dreamed-of Benefits Don't Materialize." *The Wall Street Journal* 18 Sept. 2015.

Exhibit 3: Return on Investment of Selected States' Film Industry Incentive Programs, According to Studies of Selected Programs

State	Company/Organization Reviewing the Program and Date of the Study	Return on Investment of State Film Industry Incentive Program (Cents on the Dollar)
Arizona*	Arizona Department of Commerce (2009)	$ .28
Connecticut	McMillen, et al. (2008)	.07
Florida	Florida Office of Economic and Demographic Research (2015)	.43
Louisiana	Louisiana Department of Economic Development (2015)	.23
Massachusetts	Massachusetts Department of Revenue (2009)	.16
Michigan*	Michigan Senate Fiscal Agency (2010)	.11
New Mexico	Popp and Peach (2008)	.14
North Carolina	North Carolina General Assembly's Fiscal Research Division (2014)	.46
Pennsylvania	Economic Research Associates (2009)	.24

*PEER notes that these states have recently cancelled their incentive programs.

SOURCE: Hudson, Chris, and Donald Bryson. "Yelling 'Cut!' for Moviemaking Tax Breaks: States Keep Discovering That the Dreamed-of Benefits Don't Materialize." *The Wall Street Journal* 18 Sept. 2015; Brasted, Chelsea. "Film Contributes up to $4B of Louisiana Economy, Industry Study Says." *The Times-Picayune* 6 Apr. 2015

studios. While the MFO provides advice to the Legislature, when requested, regarding the incentive program, the Legislature is ultimately responsible for raising or lowering the program's maximum rebate amount, as well as establishing incentive requirements and restrictions. The Legislature last modified the incentive program through Senate Bill 2374, 2014 Regular Session, including benefits and fringes in payroll calculations that qualify for the incentive program.

Most return on investment studies conducted by individual state auditing agencies show a net loss in revenue to the state treasury. An example of this net loss may be seen in Exhibit 4, page 22, which compares Louisiana's more aggressive film incentive program to Mississippi's more conservative program.

As seen in Exhibit 4, both Louisiana and Mississippi had net losses in tax revenue for their incentive programs in fiscal years 2010 through 2015. However, Louisiana's loss was much greater, as that state allocates much more money to its incentive program. (See Appendix B, page 41, for additional information regarding losses in tax revenue.)

A recent *Wall Street Journal* article[7] follows up on the abovementioned net losses by noting that for every dollar spent on film incentives, most states only receive cents back on the dollar. PEER, working in conjunction with the State Economist, estimates that Mississippi receives a return of forty-nine cents on the dollar, one of the highest returns reported so far by a state auditing agency for a film incentive program. In comparison, a recent study for Louisiana estimates that its program returns twenty-three cents on the dollar. Exhibit 3, page 20, provides these estimates of return on the dollar.

Some states have either cut back or cancelled their film industry incentive programs due to uncertainty regarding the programs' economic viability. Arizona, Idaho, Indiana, Iowa, Kansas, Michigan, Missouri, and Wisconsin have recently cancelled their film industry incentive programs due to uncertainty regarding the programs' economic viability and Louisiana has instituted a cap on its program due to potential losses. However, thirty-eight states still offer film industry incentive programs.

Incentive programs must be balanced by every state in terms of revenue lost and economic gains. Economic gain is not always expressed in positive revenue return but may also be shown through other economic growth, such as job creation (see page 27).

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[7] Hudson, Chris, and Donald Bryson. "Yelling 'Cut!' for Moviemaking Tax Breaks: States Keep Discovering That the Dreamed-of Benefits Don't Materialize." *The Wall Street Journal* 18 Sept. 2015.

Exhibit 4: Annual Motion Picture Rebates, Additions to State General Fund Revenue, and Net Returns to the State for Mississippi and Louisiana, Fiscal Years 2010-2014*

Mississippi

Fiscal Year	Tax Credit/Rebate	Tax Revenue Received by State	Net Impact to the State (Cost to the General Fund)
2010	$516,237	$350,468	-$165,769
2011	4,079,727	2,533,667	-1,546,060
2012	1,405,615	312,690	-1,092,925
2013	1,214,748	384,562	-830,186
2014	891,812	413,272	-478,540

Louisiana

Fiscal Year	Tax Credit/Rebate	Tax Revenue Received by State	Net Impact to the State (Cost to the General Fund)
2010	$110.1 million	$27.1 million	-$83.0 million
2011	183.9 million	47.4 million	-136.5 million
2012	218.4 million	50.2 million	-168.2 million
2013	246.6 million	56.7 million	-189.9 million
2014	222.3 million	50.9 million	-171.4 million

*All data listed is reflective of tax activity based on what was submitted during the selected fiscal years. This chart does not reflect production spend.

SOURCE: PEER analysis of Department of Revenue data and REMI data and Louisiana's Impact Report (2013 and 2015).

Return on Investment of the MFO's Incentive Program

PEER worked with the State Economist's Office to project the economic impact of the Mississippi Film Office's incentive program. According to PEER's calculations, for fiscal years 2010 through 2015, the MFO's incentive program returned approximately forty-nine cents for every dollar invested, a loss of fifty-one cents on the dollar.

Analysis of the Incentive Program's Economic Impact Using the REMI Tax-PI Model

PEER worked with the State Economist's Office to project the economic impact of the MFO's incentive program. The model used to project direct economic impact for this report is known as REMI Tax-PI, which is an analytical tool designed to evaluate the impact of various tax policies on the Mississippi economy.

In conjunction with the State Economist's Office, PEER used an economic impact model known as REMI Tax-PI to estimate the impacts resulting from the Mississippi Motion Picture Incentive Program. This model was developed by Regional Economic Models, Inc., specifically to evaluate tax policy issues in the Mississippi economy. The REMI Tax-PI Model is a fiscal and economic impact model that captures the direct, indirect, and induced fiscal and economic effects of taxation and other policy changes in Mississippi over multiple years. (See Appendix C, page 42, for additional information on the model.)

The REMI Tax-PI's ability to forecast industry growth in a specific market helps economists to predict how an industry will develop over several years, which is useful for long-term economic planning. Some other incentive studies have been carried out using other input-output models such as Impact Analysis for Planning (IMPACT), which was developed by MIG, Inc., or Regional Input Output Modeling System (RIMS II), which was developed by the U. S. Department of Commerce.

After an assessment of the biggest concerns regarding each model's assumptions, PEER requested that the State Economist Office run the REMI Tax-PI Model with the following considerations:

- *The "But for" Assumption*: The "but for" assumption proposes that but for MFO's incentive program, no movie production would have come to the state. Due to the fact that the current competitive environment of the film industry is tailored to economic runaways and the mobility of the film industry has changed the competitive environment of the industry, PEER used this assumption for its analysis.

- *Problems of Measuring the Effects on Tourism*: In PEER's analysis, tourism was not considered a factor regarding the increase of revenue or job creation due to the lack of solid data and inability to measure the effects on tourism created directly by any movie productions.

- *Opportunity Cost*: The baseline assumption for running the REMI Tax-PI Model was that the incentive program was not implemented and that the funding devoted to the incentive program financed other state government programs or agencies. However, in order to take into account opportunity costs, the model ran the total amount of revenue represented by the incentive program through scenarios in which the service and manufacturing sectors received the funding.

Total Economic Impact of the MFO's Film Industry Incentive Program

For a six-year period beginning in FY 2010 and ending in FY 2015, the model compared the impact of the incentive program with potential investment in manufacturing, in the service sector, and with devoting the funds to other government agencies and programs. Generally, the performance of the incentive program would have been exceeded by investing the same amount in the manufacturing sector.

The analysis of the economic impact of the Mississippi Film Office's incentive program includes both direct and indirect impacts. Direct impact takes into account expenditures on goods, services, and payroll by a motion picture production company. Indirect, and induced, impacts are created by the firms that supply the goods and services to a production company and the employees spending their wages in the local economy (see page 28).

To determine the direct economic impact of the incentive program, PEER and the State Economist's Office analyzed the state's return on investment for fiscal years 2010 through 2015 using the REMI Tax-PI Model with four possible scenarios:

1. *With no incentive program rebate (i. e., the baseline):* This scenario assumed that the incentive program was not implemented and the state used the funding devoted to it to finance other state government agencies and programs.

2. *With the incentive program rebate:* This scenario assumed that the incentive program was implemented.

3. *With the amount of the rebate invested in the manufacturing sector:* This scenario assumed that the amount generated by the rebate was implemented but that the funds were provided to the manufacturing sector rather than to the motion picture industry.

4. *With the amount of the rebate invested in the service sector:* This scenario assumes the amount generated by the rebate was implemented but that the funds were provided to the service sector rather than to the motion picture industry.

As shown in Exhibit 5, below, based on the results from the model, for Fiscal Year 2010 through Fiscal Year 2015 for scenarios 2 through 4, the result was an economic loss in comparison to Scenario 1, the baseline. Annual losses were not as large in the manufacturing and service sectors as in the motion picture production scenario, with the manufacturing sector suffering the least amount of loss on investment. The best scenario, in terms of return on investment, resulted from leaving the funds in the state's budget in order to finance the operations of state agencies and programs.

Exhibit 5: Annual Net Return to the State for Each of Four Scenarios, Fiscal Years 2010-2015

	Net Return to the State for Each Scenario			
Fiscal Year	Scenario 1: No Incentive Program Rebate (Baseline)	Scenario 2: With the Incentive Program Rebate	Scenario 3: Amount of Rebate Invested in the Manufacturing Sector	Scenario 4: Amount of Rebate Invested in the Service Sector
2010	$0	$ -165,769	$ -78,152	$ -139,484
2011	$0	-1,546,060	-861,970	-1,376,811
2012	$0	-1,092,925	-1,002,245	-1,070,818
2013	$0	-830,186	-714,817	-794,806
2014	$0	-478,540	-350,426	-426,220
2015	$0	-389,327	-311,469	-362,077

SOURCE: State Economist's Office: REMI Results.

Appendix D, page 43, presents the baseline state general fund collections and incentive program rebate amounts for fiscal years 2010 through 2015 that were considered in running the REMI Tax-PI Model to calculate the economic impact of the program. Appendix D also contains an analysis of the results for each of the individual scenarios.

PEER calculated the return on investment (ROI) of the MFO's incentive program using the total amount of rebates granted during fiscal years 2010 through 2015 and the total net income for the same period. PEER used these amounts in the following

ROI formula wherein the total amount of the rebate equals the cost and the total net income equals the gains:

$$\frac{(\text{Gains} - \text{Cost})}{\text{Cost}} = \text{Return on Investment}$$

PEER utilized numbers generated by the REMI Tax-PI Model for the ROI formula (see Appendix D, page 43). These numbers included total rebate amounts issued for purchases and employees during the abovementioned fiscal year period. PEER inserted into the model the expenditures for goods and services that qualify as Mississippi spend, in terms of the rebate requirements, as increases in the retail sales sector and new employees as increases in employment in the motion picture production sector.

$$\frac{(\$4{,}502{,}810 - \$8{,}756{,}993)}{\$8{,}756{,}993} = 0.49 \text{ (49 cents)}$$

As shown above, the result for the period analyzed (FY 2010 through FY 2015) was a return of forty-nine cents on the dollar for Mississippi's program, which could also be stated as a loss of fifty-one cents on every dollar invested.

The motion picture rebate qualifying expenditures represent net, new economic activity in Mississippi. These expenditures generate direct and secondary jobs, wages, and income taxes in the state. As shown in Exhibit 9, page 44, during the period of analysis, qualifying expenditures generated between $259,527 and $2,533,667 in additional annual state general fund revenue. The amount of the rebate, also shown in Exhibit 9, is greater than the amount of the general fund additions in every year included in the analysis. The incentive program has shown a net loss in every year PEER analyzed.

PEER compared this return on investment to that presented in several reports on incentive programs by other state audit offices as well as those conducted or sponsored by private organizations such as the Motion Picture Association of America (MPAA). Mississippi's ROI is high compared to the ROIs calculated by the audit agencies of other states (see Exhibit 3, page 20) but low in comparison to the ROIs calculated by organizations such as the MPAA. The differences between the ROI calculated for the MFO's incentive program and ROIs calculated for other states' incentive programs could be, in part, attributable to the different assumptions made in the economic impact models used in the reports from other states.

Factors Contributing to the Incentive Program's Annual Net Loss to the State

The two main factors contributing to the incentive program's net loss to the state (in terms of return on investment) are the size of the rebate and the fact that the motion picture industry in Mississippi is still in its infancy.

According to Mississippi's State Economist's Office, there are two principal reasons why the MFO's incentive program resulted in an annual net loss to the state in fiscal years 2010 through 2015:

- The amount of the rebate is quite large relative to most other economic development rebates. Each $1 million in qualifying expenditures receives $250,000 in rebates. This represents a cost to the state that has not been overcome by the additional economic activity generated by the motion picture production and it could not be overcome by most economic sectors in Mississippi. The only industry that might be capable of generating sufficient economic activity to overcome a cost to the state of this size is the automobile assembly sector.

- The motion picture production industry in Mississippi is still in its infancy. There are not many businesses in Mississippi that provide the specific goods and services that the motion picture industry requires. The infrastructure necessary to support the motion picture industry has not developed sufficiently in Mississippi (see page 35), which limits the state's ability to capture both the direct and secondary economic impacts of motion picture production.

Job Creation of the MFO's Incentive Program

Most incentive programs are created in order to produce more jobs in an industry and therefore the amount of employment opportunities created by an incentive must also be considered along with the return on investment. Based on the model's calculations, the MFO's incentive program created 1,094 direct and secondary jobs in FY 2015.

Incentive programs are often initiated in order to create a job market in a new or struggling industry. Therefore, when measuring an incentive program, the number of employment opportunities resulting from said program must be analyzed alongside the return on investment. This is especially true of emerging industries such as the film industry in Mississippi.

As noted previously, in considering the return on investment and opportunity costs of the incentive program, one must take into account that all new economic activity cannot be captured solely from the direct expenditures for goods, services, and labor; there are secondary economic benefits as well. Secondary benefits result from jobs created in lieu of the inputs needed to create the finished product of an industry. In the case of the film industry, this would mean jobs created from set design needs to the actual actors, actresses, and extras needed to complete the finished product. Also, business services such as accounting, custodial services, and transportation would have to be considered. All of the production inputs an industry purchases from vendors inside the state generate additional economic activity in Mississippi. These impacts are *indirect economic impacts*.

Another secondary impact to consider is the wages paid to employees of the industry. These employees spend a portion of their wages in the local economy buying the things they need to support their households. The employees at the local industries that supply production inputs to the film industry also spend a portion of their paycheck in the local economy. Together, these employee purchases create economic activity that did not previously exist. This new economic activity is referred to as induced economic effect. Together, the indirect effect and the induced effect are called secondary economic impacts.

Exhibit 6, page 29, represents the total number of direct and secondary jobs created from productions during the fiscal years listed. These numbers were produced by REMI, which used North American Industry Classification System (NAICS) data and multipliers to achieve an estimate of the total number of jobs created during each year. The NAICS data used consisted of all employment data under NAICS code 512, which includes motion picture and sound recording industries. The implied multiplier for this sector in REMI is 1.25 for employment. Multipliers are used to calculate secondary jobs created from a production. Secondary jobs would include employment that results from any inputs required of the production. For example, if lumber were needed for building a set, any jobs created for producing this extra lumber would be considered secondary.

Exhibit 6: Total Direct and Secondary Employment Resulting from the Incentive Program Using Multipliers and NAICS Data from REMI, FY 2010 through FY 2015

Fiscal Year	Motion Picture, Video, and Sound Recording Industries Employment
2010	1,217
2011	1,016
2012	1,069
2013	1,073
2014	1,079
2015	1,094

SOURCE: State Economist's Office: REMI Results.

Potential Threats to Mississippi's Film Industry

Although Mississippi's film production industry appears to be growing, the limited size of its experienced domestic workforce, few film production educational opportunities, and scarcity of film industry-related infrastructure limit Mississippi in the size and number of film productions that it can support. The MFO believes that through the state's development of short-term film production training programs, the MFO's promotion and development of infrastructure, and continual monitoring of certain aspects of the industry, it can cultivate a competitive edge outside its specific market.

Although Mississippi's film production industry appears to be growing, several factors discussed in this chapter threaten the cultivation of film production in this state. This chapter addresses areas within the film industry that Mississippi should monitor in order to be competitive, including:

- the need for a stable film production workforce;
- education/training opportunities;
- film industry-related infrastructure; and,
- promotion of local films outside of the tax incentive program.

As the film industry grows in Mississippi, the MFO will need to monitor threats that could arise in the abovementioned areas. The overarching threat would be the loss of competitive edge once Mississippi reaches the level of workforce and infrastructure needed to attract larger productions and moves out from its specific market of small and independent films. Without a distinct competitive edge, Mississippi may join the "race to the bottom," which is a pervasive concern throughout the film industry at the moment (see page 7).

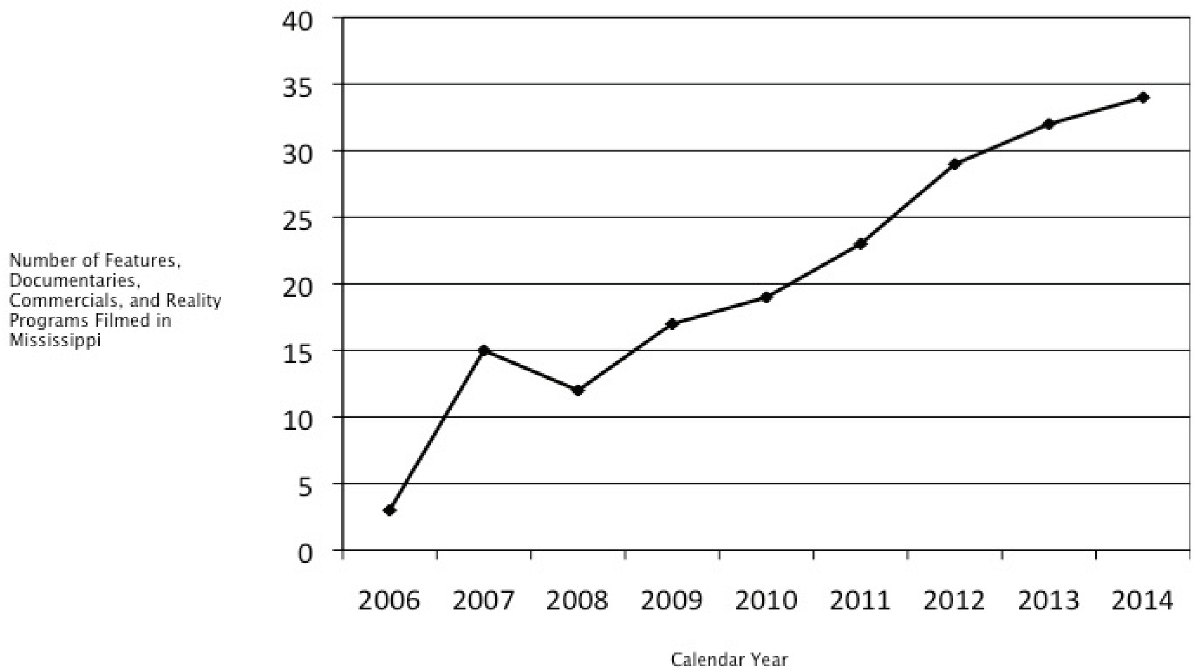
Growth of Mississippi's Film Industry

Despite having less film industry-related infrastructure than other states, Mississippi saw the number of films annually produced in this state increase dramatically between 2006 and 2014.

Even though Mississippi does not have all the same film services to the same degree that some surrounding states offer, film production in Mississippi has still grown over recent years. Due to the increase in the number of productions filmed on the Gulf Coast, in 2013, the MFO placed a full-time employee in that area. Additionally, in 2011, the associate's degree program in film production began at Hinds Community College (Rankin Campus). The film and video instructor at Hinds believes that bigger movies that have filmed in Mississippi and increased advertising efforts have helped to grow Hinds's program. In the 2015-2016 school year, that program exceeded its enrollment capacity of seventeen students per class.

The number of films made in Mississippi each year further demonstrates the growth of the film industry. Exhibit 7, below, shows the number of films produced in Mississippi each year since 2006.

Exhibit 7: Mississippi Motion Picture Projects, 2006-2014



SOURCE: Created from Mississippi Film Office data.

Mississippi's Need for a Stable Domestic Film Labor Force

If the number of films produced in Mississippi each year continues to increase, as expected, the supply of available local crew to service these films must meet the growing demand if Mississippi hopes to establish long-term film industry growth.

As previously mentioned, approximately 140 experienced individuals could work on a feature film in the Jackson metro area.[8] However, nearly 40 of the 140 are only qualified to be production assistants (an entry-level position in film). Also, many of the crew listed either have limited experience on a feature film (meaning productions would be less likely to hire them) or they are not union workers. According to the MFO, generally,

[8]The number of available and experienced crew workforce was gathered from the MFO's online resource directory based on listed experience.

nationwide, feature films with a budget over $1 million typically have existing contracts with guilds and unions and are not as likely to use non-union workers.

Because many film crew positions require individuals with specialized skills, obviously not all the available crew can work all needed positions. The MFO provided PEER staff with the following example:

> *After analyzing three upcoming productions that are on schedule to film in Mississippi in 2015, one production needs to hire four people in their camera department and another needs to hire five for a total of nine during the same time period. According to MFO directory listings, there are seven or eight people that may have the qualifications to fulfill those jobs, but some may already be committed on television and commercial work. It's likely each production will be able to only hire half of the people locally they need for that department.*

According to the MFO, that example is the case for most departments within each production. The MFO has found that productions usually bring crew from other areas of the country and are then facing expenditures in areas related to travel, accommodations, and per diem. If production companies had a domestic supply of qualified work force, they could save on travel and accommodation crew costs.

Compounding the issue of a limited local workforce, according to the MFO there is no way to anticipate the number of commercials and other television-based productions that might go into production during the same period as a feature film. If this happens, the number of available crew is reduced for features, since commercials and other television-based productions generally have a higher daily pay rate, making them more appealing to available crew.

When PEER inquired further on the issue of a limited crew base, the MFO provided the following information, as of November 2015:

> *When a producer asks about crew base, they always initially ask about local line producers, production managers, grip and electric crew, and art department crew. There are currently no experienced, local line producers in the state for a feature film; there are only 1-2 experienced and available production managers statewide; there are half a dozen qualified to work in the grip and electric department, 7-8 to fulfill the camera positions, and another 6-8 experienced enough to fill the art department roles in the Jackson metro area (there are far fewer options in other areas of the state). They will also be seeking to fill positions in the wardrobe, hair, makeup, sound, and locations departments along with a team of assistant*

directors. Nearly one third of those currently listed in our directory are not qualified for most of these positions, but only as production assistants. These production assistants need further training to move into higher-level positions, and all departments generally need more trained workforce in order to minimize the hiring of crewmembers from outside the state. As with most manufacturers and industries, the broader the potential workforce is, the more opportunity each production will see for qualified and experienced hires.

Film Production Education Opportunities in Mississippi Compared to Those in Contiguous States

Mississippi's limited number of film industry-related higher education options and lack of workforce training options prevent this state from establishing and maintaining the trained workforce necessary to support film production. The Mississippi Film Office believes the state should create short-term, non-academic film production workforce training and certification programs in order to maintain the type of labor force needed to work on film productions.

Mississippi's limited film industry-related higher educational offerings and absence of workforce training options keep Mississippi from maintaining the trained workforce necessary to support films being produced in Mississippi.

As mentioned previously, the only degree programs that Mississippi offers are a two-year film production degree at Hinds Community College and a four-year degree at the University of Southern Mississippi. Two other four-year institutions offer a minor in a film-related field and one two-year institution offers film production classes (see page 17).

Even though Mississippi is close geographically and similar in the types of films it can shoot compared to states such as Louisiana and Georgia, it is quite different in the number of educational opportunities and workforce-training programs offered. Louisiana, Georgia, Alabama, and South Carolina all offer short-term workforce training programs that can train individuals in film production. Mississippi has no short-term, non-academic workforce training programs. According to the Mississippi Film Office, workforce training options not associated with an academic degree are essential to establish and maintain the type of local workforce necessary to continue to grow Mississippi's film industry. While it is beneficial to have degree programs in state, short-term training programs can quickly increase the pool of candidates qualified to work on a film.

Ideally, workforce training would last anywhere from two days to five weeks to cover quickly the information necessary for an individual to work in film production. Interested individuals could simply register for these training programs and learn how to fill roles on a set such as production assistant, craft services, grip/electric, location scout, video assistant, wardrobe assistant, special effects assistant, assistant director, or sound and lighting worker. (See Appendix E, page 48, for definitions of the crew roles covered in typical workforce training programs.)

The MFO has developed the types of curricula necessary to begin workforce training programs targeted to the film industry. While the MFO has not specifically requested money from the Legislature for workforce training, the office has supported legislation for film industry training at the community colleges. According to the MFO, the challenge is that funding for workforce training in the state is focused on full-time occupations. Both federal and state regulations require that training be targeted to a job that averages a minimum of thirty hours per week over the course of a year. These regulations were created with a focus on traditional employment and film industry jobs do not follow the same employment patterns as traditional jobs.

Instead, the MFO has relied on other methods to grow the educational opportunities in film production in Mississippi. The MFO's staff members speak to high school and college students to encourage interest in the collegiate education programs, they aid in curriculum development and encourage educational institutions to start programs that would prepare students for the film industry, and they have worked with their professional alliances by discussing workforce training in public and private forums. According to MFO staff, MDA continues to work with the Mississippi Community College Board, Mississippi Department of Employment Security, and individual community colleges to identify ways that either non-credit training programs and/or on-the-job training could be modified to meet the needs of the state's growing film industry sector.

In addition to a regular workforce training program as described above, the MFO believes that two other types of film industry-related training could be beneficial in Mississippi, as described below:

- *Rapid Response Film Production Training*--Rapid response training could occur when Mississippi first gets word that a film is planning to come to the state. These training sessions would involve "crash course" seminars that would allow individuals to learn quickly what is necessary to work on the film that is soon to come.

- *Film Production Certification Programs*--Some neighboring states have established certification programs that allow an existing business or individual to be trained quickly on how they could service a film production. Upon completion, that individual or business would receive a document to show that they are certified to support Mississippi film productions.

  This certification program could further support the MFO's online directory, described on page 16. This "one-stop shop" approach could be a valuable resource for producers if that resource contained a larger and more qualified pool of candidates.

Film Industry-Related Infrastructure in Mississippi Compared to That in Contiguous States

Mississippi has three sound stages available for use for productions, a much lower number than in surrounding states that have larger film industries.

As noted previously, Mississippi has three sound stages: two in Canton and the other on the Gulf Coast. Having more places to service and film productions makes a state a more viable option when a producer is looking for film locations. Mississippi's limited infrastructure cannot compete with that of nearby states that have more options to film incoming productions.

Aside from Alabama, which is more similar to Mississippi in the available infrastructure, Louisiana, Georgia, South Carolina, and North Carolina all have considerably more sound stages and related infrastructure than Mississippi offers. Georgia alone has more than 100 sound stages.

Despite Mississippi's low number of sound stages, the state's film industry has continued to grow since the institution of the incentive program. As noted previously, the MFO targets smaller budget or independent films and many of the films Mississippi attracts due to its incentive program are filmed on location either due to budget constraints or technological advancements in filming equipment. Fortunately, Mississippi's low number of soundstages has not hindered production growth for smaller budget and independent films that usually do not need sound stages.

Promotion of Local Films Not Participating in the Tax Incentive Program

The Mississippi Film Office's staff has indicated that it helps any parties interested in producing a project in Mississippi to get in touch with potential resources that can help them. However, such assistance is currently conducted in an ad hoc manner; as a result, potential productions may be deterred or lost due to the lack of an easily accessible communications bridge between interested producers not participating in the incentive program and local production resources.

The MFO's staff states that it attempts to help all interested parties who seek to create a film production, including those that are not part of the incentive program. However, this is currently done on an ad hoc basis. Currently, the MFO does not have any guidance easily accessible to the public regarding how parties interested in producing a project outside of the incentive program can get in contact with production resources that might help them. The lack of an easily accessible set of written guidelines that explain the process of producing a film outside of the incentive program and listing potential production resources and contacts could be deterring some local productions.

One of the MFO's goals, as mentioned previously in this report, is to cultivate homegrown productions in order to promote growth and maintain a competitive edge. Addressing and creating tools to help the potential market described above to get in touch with the needed resources and guidance could help contribute to achieving this goal.

Recommendations

1. To help Mississippi remain competitive as a venue for film production, the Mississippi Film Office should take additional steps to upgrade the workforce to be prepared to work in the film industry. Such efforts should include, but not be limited to:

   - *Planning and implementing a certification program for local businesses that have demonstrated necessary skills and competence to support the film industry.* The contact information for such businesses should be included in the existing crew and vendor directory available to any person interested in producing films in the state.
   - *The Mississippi State Workforce Investment Board, created and empowered by MISS. CODE ANN. Section 37-153-7 (1972), should work with the MFO to develop, for inclusion in the state's workforce development plans, a program for educational certification of technical specialists needed in the film industry.* Such plans could provide for developing non-degree-granting certificate programs taught through the state's community colleges in such areas as lighting, set construction, and other needed specialties that could be developed and enhanced through a short-term certificate program. The State Workforce Investment Board, in developing any plans or programs, should take into consideration the unique part-time workforce of the film industry.
   - *Developing a plan to coordinate efforts with the existing film studios in the state to enhance their continued use when possible.*

2. The Mississippi Film Office should develop and implement a program for persons interested in producing films who might have the financial resources, but not the necessary technical knowledge of film production, to help them find the types of technical and professional assistance necessary to develop their film production projects.

3. To conduct ongoing analysis of its effectiveness, the Mississippi Film Office should work in conjunction with the Mississippi Development Authority to produce a yearly report compiling the following information:

   - the number of Mississippi residents employed on any film project;

- factors that led the producers to select Mississippi as a site for production, how the producers became aware of the benefits of Mississippi as a production site, and what producers consider to be the strengths and weaknesses of Mississippi as a film production venue; and,

- a summary of the MFO's continual monitoring of the film production environment. The summary should include any aspects relative to Mississippi's current strategy for attracting film production and whether the MFO believes that the current strategy is still viable or whether changes should be implemented to keep a competitive position in the industry. The MFO should also include any other recommendations it might have for fostering growth in local employment and continued expansion of the domestic film industry.

Appendix A: How the Mississippi Motion Picture Incentive Program Works

Application and Rebate Process

To apply for the incentive program, a production company must submit an application to the MFO. The application must be signed and must include:

- the script and a one-page synopsis (if a feature/television project), the storyboard (if a commercial), or the treatment[9] (if a documentary); and,
- the proposed budget.

The application may be submitted at any point during production. However, any expenditure incurred before the application is submitted is not eligible for the incentive program. The MFO suggests that the application be submitted at least one month prior to the start of pre-production.

After receiving the application, the MFO reviews it for the required information listed above and then submits the application for approval to the Division of Financial Resources of the Mississippi Development Authority (MDA). Based upon the submitted budget information, the MDA establishes a maximum rebate figure. If the production later expects to spend a greater amount within the state, a revision of the original budget information must be requested in writing to the MFO and submitted prior to the halfway point of production in Mississippi. MDA then issues a Letter of Commitment upon approval of the production for the rebate request. All qualified production expenses are eligible for the rebate from the date of the letter and no rebates or tax reductions are given for any expenditure made prior to the date the letter is issued. Once the production is prepared to announce the project publicly, the production is issued a certificate at an MDA public meeting.

Upon completion of the Mississippi portion of any production applying for a rebate, the production company must supply the Mississippi Department of Revenue (DOR) and the MFO with documentation to substantiate the rebate request. The DOR provides sample templates for the submission of local spend amounts and payroll. Extensive documentation must be maintained and submitted during the rebate submission process. The DOR audits the submission in-house and attempts to process

[9]Regarding a documentary film, a *treatment* is a summation of a script, longer than a synopsis, with character descriptions, scene-by-scene descriptions, and possibly limited samples of dialogue.

all rebates within ninety business days after submission of all required and requested documentation.

Sales and Use Tax Reduction Process

In accordance with MISS. CODE ANN. § 27-65-11 (f) and 27-65-17 (e) (1972), any equipment and machinery used directly in the filming and/or editing of a project may be taxed at the reduced rate of 1.5%. The following production equipment is eligible for this reduced rate:

- audio equipment;
- camera equipment;
- lighting equipment;
- projection equipment;
- sound equipment; and,
- computer equipment used for animation, editing, or special effects.

To apply for any sales/use tax reduction, a production company must first obtain a direct pay permit from the Department of Revenue. The production company is then responsible for remitting its taxes based on the correct rate directly to the Department of Revenue on the company's use tax return.

SOURCE: *Mississippi Tax Incentive Booklet*, Section C.4, p. 74, October 2013, and interviews with the MFO staff.

Appendix B: Annual Motion Picture Rebates, Additions to State General Fund Revenue, and Net Returns to the State for Mississippi and Selected States,* Fiscal Years 2010 through 2014

Fiscal Year		Mississippi	Louisiana	Florida**	North Carolina
2010	Tax Credited/Rebated	$516,237	$110.1 million	N/A	$9.3 million
	Tax Revenue Received by State	350,468	$27.1 million	N/A	2.7 million
	Net Impact to the State (Cost to the General Fund)	-165,769	-83.0 million	N/A	-6.5 million
2011	Tax Credited/Rebated	4,079,727	183.9 million	$10.8 million	32.6 million
	Tax Revenue Received by State	2,533,667	47.4 million	$2.8 million	17.4 million
	Net Impact to the State (Cost to the General Fund)	-1,546,060	-136.5 million	-8 million	-15.1 million
2012	Tax Credited/Rebated	1,405,615	218.4 million	18.1 million	84.8 million
	Tax Revenue Received by State	312,690	50.2 million	6.5 million	60.5 million
	Net Impact to the State (Cost to the General Fund)	-1,092,925	-168.2 million	-11.6 million	-24.2 million
2013	Tax Credited/Rebated	1,214,748	246.6 million	38.4 million	63.5 million
	Tax Revenue Received by State	384,562	56.7 million	7.8 million	3.5 million
	Net Impact to the State (Cost to the General Fund)	-830,186	-189.9 million	-30.6 million	-60 million
2014	Tax Credited/Rebated	891,812	222.3 million	N/A	60.3 million
	Tax Revenue Received by State	413,272	50.9 million	N/A	17.3 million
	Net Impact to the State (Cost to the General Fund)	-478,540	-171.4 million	N/A	-43 million

*Alabama, Georgia, and South Carolina were unable to provide information to determine a net impact on their treasuries regarding tax incentive revenue within the allotted time frame of this project.

**Florida was only able to provide information for fiscal years 2011 through 2013.

SOURCE: PEER analysis of economic impact reports conducted in each abovementioned state, REMI analysis of Mississippi's incentive program, and interviews with the film offices and departments of revenue of Alabama, Georgia, and South Carolina.

Appendix C: The REMI Tax PI Model

REMI Tax-PI is a derivative of REMI Tax-PI + Version 1.7, which was designed for economic forecasting and policy analysis in Mississippi. The model is dynamic and has the ability to generate forecasts and simulations on an annual basis as well as generate behavioral responses to compensation, price, and other economic factors.

The model uses equations, the number of which varies based upon the extent of industry, demographic, demand, and other detail, in order to create a specific model. The overall structure of the model can be summarized in five major blocks:

- output and demand;
- labor and capital demand;
- population and labor supply;
- compensation, prices, and costs; and,
- market shares.

SOURCE: REMI PI + Version 1.7 Manual: Model Equations Section, pg. 3.

Appendix D: Analysis of Components of the Model and Results for the Individual Scenarios

As noted previously, PEER and the State Economist's Office used the REMI model to analyze the fiscal impacts of the incentive program by comparing the total (direct plus secondary) fiscal impact of the program in four possible scenarios.

The baseline scenario assumes the incentive program was not implemented and the state used the funding devoted to it to finance other state government agencies and programs. The second scenario assumes that the motion picture production rebate was implemented. The third scenario assumes the rebate was implemented but provided to the manufacturing sector rather than to the motion picture industry and the fourth scenario assumes that the rebate was provided to service sector industries.

No Incentive Program Scenario (Baseline)

The analysis of the incentive program starts with a baseline estimate of state general fund revenue. This baseline provides a projection of general fund collections in future years based on recent trend-line growth. The baseline projection of general fund collections serves as the "no incentive" scenario, leaving this revenue in the state's budget and available to finance state agencies and programs. Baseline estimates of state general fund growth are shown in Exhibit 8, below.

Exhibit 8: Baseline State General Fund Collections, 2010-2015

Year	2010	2011	2012	2013	2014	2015
Baseline General Fund Collections (millions)	$4,370.9	$4,500.5	$4,768.6	$5,005.2	$5,250.3	$5,459.8

SOURCE: State Economist Office: REMI Results.

Incentive Program Scenario

The annual amounts of the rebate, shown in Exhibit 9, page 44, include rebates for purchases and employees. Purchases (expenditures for goods and services were obtained from MDA) were inserted into the model as increases in the retail sales sector and new employees were inserted as increases in employment in the motion picture production sector.

The motion picture rebate qualifying expenditures represent net, new economic activity in Mississippi. These expenditures generate direct and secondary jobs, wages, and income taxes in the state. As shown in Exhibit 9, below, during the period of analysis, qualifying expenditures generated between $259,527 and $2,533,667 in additional state general fund revenue, annually. The amount of the rebate, also shown in Exhibit 9, is greater than the amount of the general fund additions in every year included in the analysis. The incentive program showed a net loss in every year analyzed.

Exhibit 9: Annual Motion Picture Rebates, Additions to State General Fund Revenue, and Net Returns to the State, Fiscal Years 2010-2015

Fiscal Year	Annual Amount of Rebate	Additions to General Fund Revenue	Net Return to the State
2010	$ 516,237	$ 350,468	$ -165,769
2011	4,079,727	2,533,667	-1,546,060
2012	1,405,615	312,690	-1,092,925
2013	1,214,748	384,562	-830,186
2014	891,812	413,272	-478,540
2015	648,854	259,527	-389,327

SOURCE: State Economist Office: REMI Results.

There are two principal reasons why the incentive program has resulted in an annual net loss to the state. First, the amount of the rebate is quite large relative to most other economic development rebates. Each $1 million in qualifying expenditures receives $250,000 in rebates. This represents a cost to the state that has not been overcome by the additional economic activity generated by the motion picture production. It could not be overcome by most economic sectors in Mississippi. The only industry capable of generating sufficient economic activity to overcome a cost to the state this large is the automobile assembly sector. Second, the motion picture production industry in Mississippi is still in its infancy. There are not many businesses in Mississippi that provide the specific goods and services that the motion picture industry requires. The infrastructure necessary to support the motion picture industry has not developed sufficiently in Mississippi, which limits the state's ability to capture both the direct and secondary economic impacts of motion picture production.

Manufacturing Sector Scenario

For the comparative purposes and in consideration of opportunity cost, a scenario was developed which substitutes the motion picture production sector for the manufacturing sector, but uses the same 25 percent rebate on qualifying costs and the same annual qualifying costs. The results in this scenario are also negative in every year analyzed. However, the annual losses are not as large as in the motion picture production scenario. The results for the manufacturing sector scenario are shown below in Exhibit 10.

Exhibit 10. Annual Manufacturing Rebates, Additions to State General Fund Revenue, and Net Returns to the State, Fiscal Years 2010-2015

Fiscal Year	Annual Amount of Rebate	Additions to General Fund Revenue	Net Return to the State
2010	$ 516,237	$ 438,085	$ -78,152
2011	4,079,727	3,217,757	-861,970
2012	1,405,615	403,370	-1,002,245
2013	1,214,748	499,931	-714,817
2014	891,812	541,386	-350,426
2015	648,854	337,385	-311,469

SOURCE: State Economist Office: REMI Results.

Employment and labor income multipliers in the manufacturing sector are large relative to other economic sectors (e. g., construction, services, retail trade). Thus, the secondary economic impacts per dollar of production are larger than for most other economic sectors. The total economic impacts generated by manufacturing production are significantly larger than in the motion picture production industry. However, they are not large enough to overcome the loss to state general fund revenue created by the 25 percent rebate.

Service Sector Scenario

Another opportunity cost scenario was developed which substitutes the service sector for the motion picture production sector and once again uses the same 25 percent rebate on qualifying costs and the same annual qualifying costs. The results in this scenario are also negative in every year analyzed. The annual losses in this scenario are larger than for the manufacturing scenario but not as large as in the motion picture production scenario. The results for the service sector scenario are shown below in Exhibit 11.

Exhibit 11: Annual Service Sector Rebates, Additions to State General Fund Revenue, and Net Returns to the State, Fiscal Years 2010-2015

Fiscal Year	Annual Amount of Rebate	Additions to General Fund Revenue	Net Return to the State
2010	$ 516,237	$ 376,753	$ -139,484
2011	4,079,727	2,702,916	-1,376,811
2012	1,405,615	334,797	-1,070,818
2013	1,214,748	419,942	-794,806
2014	891,812	465,592	-426,220
2015	648,854	286,777	-362,077

SOURCE: State Economist Office: REMI Results.

Employment and labor income multipliers in the service sector are larger, on average, than for the motion picture production industry, but smaller than the average for the manufacturing sector. Thus, the secondary economic impacts per dollar of production in the service sector are larger than in the motion picture production industry, but smaller than in manufacturing. The total economic impacts generated by service sector activities are modestly larger than in the motion picture production industry. If the rebate on qualifying costs was granted to the service sector rather than the motion picture production industry, it would not generate enough additional economic activity (employment, labor income and tax revenue) to overcome the loss to state general fund revenue created by the 25 percent rebate.

Comparison of Scenarios

Leaving these funds in the state's budget to finance the operations of state agencies and programs generates the best fiscal outcome of the four scenarios. This occurs for two reasons. First, an estimated 80 percent of state general fund revenue is devoted to paying labor costs. This is much higher than in most sectors of the private sector economy. In the manufacturing sector, wages account for approximately 10 to 15 percent of all production costs. In the service sector, wages account for approximately 20 to 30 percent of all production costs. In the motion picture production industry, wages only account for about 15 percent of the production costs. Thus, transferring state revenue to the private sector (i. e., the rebate) generates a larger loss of state government employment than is created by the rebate to the private sector. Average wages for state government employees are higher than those of the private sector. In 2015, the average annual state government wage in Mississippi is approximately $37,500, the average annual manufacturing wage is approximately $43,800, the average annual service sector wage is $28,501, and the average annual wage in the motion picture industry is $12,000. Due to the high percentage of production costs devoted to payroll in state government, coupled with the relatively high average annual wages of state government workers, a reduction in state general fund revenue generates a much larger reduction in economic activity than the increase that occurs by transferring these funds to the private sector.

The most significant reason that this rebate produces an across-the-board negative return on investment is the outsized percentage of qualifying expenditures that the state rebates (25 percent). If the rebate for this incentive was reduced from 25 percent to 10 percent, the taxes generated by the new jobs and purchases would offset the rebates provided by the state, resulting in no net loss to the state. It would have to be reduced further to generate a positive return on investment. However, in considering any reduction to rebate amounts one must consider the nature and status of the industry and take a long view regarding potential industry growth.

SOURCE: PEER analysis of the State Economist's Office's REMI findings.

Appendix E: Definitions of the Crew Roles Covered in an Ideal Workforce Training Program for Film Production

Art Department Crew

A production's art department is concerned with visual artistry. Art department crew work under the supervision of the production designer and/or art director. The art department is responsible for arranging the overall "look" of the film (e. g., modern/high-tech, rustic, futuristic) as desired by the director.

Camera Operator/Cameraman

There are usually two types of camera operators:

- *First Assistant Camera Operator*: This person is responsible for the maintenance and care of the camera. In smaller camera crews, this person may also perform the duties of clapper-loader (see definition of Second Assistant Camera Operator) and/or focus puller (a camera operator who maintains image sharpness on whatever subject or action is being filmed).
- *Second Assistant Camera Operator (also referred to as Clapper-Loader):* This person is responsible for loading film stock into film magazines (compartment in camera where rolls or cartridges of film are held), keeping up with camera gear on set, and assisting the First Assistant Camera Operator.

Craft Service

The Craft Service (or Services) position handles all non-meal food for crew consumption. This person is in charge of purchasing, preparing, maintaining, and clean-up each production day.

Electrician

The electrician or grip (see definition for Grip) is the person in charge of and familiar with the electrical equipment on the set, primarily lighting equipment. Whereas a grip handles the accessories for the light such as materials used to color, diffuse, or shape the light, an electrician's role is to physically set up the lights and safely provide electricity to the necessary equipment.

Extras Casting Coordinator

The Extras Casting Coordinator handles the casting of and communication with all non-speaking (background) actors.

Grip

A grip is a skilled person responsible for the set-up, adjustment, and maintenance of production equipment on the set. Typical duties involve camera movement, lighting refinement, and mechanical rigging.

Location Manager

The Location Manager handles all logistics relevant to the locations used on a production. This person coordinates location activity with all departments and serves as the chief liaison with the community.

Location Scout

The Location Scout searches for filming locations and works with the Location Manager and other location scouts. In most cases on location, the scout also serves as the Location Manager.

Picture Car Coordinator

The Picture Car Coordinator works within the Transportation Department and secures and provides all vehicles used on camera.

Production Assistant

The Production Assistant is the entry-level position on most sets. Production Assistants can be hired for any department (e. g., assistant directors, wardrobe, art, sound). Depending on the department, they assist in production organization and preparation as well as taking care of actors, producers, directors, and financiers.

Production Manager

The Production Manager supervises the budget, hires the crew, approves purchase orders and time cards, and generally makes sure all departments are doing their respective jobs within the parameters of the budget. This person reports to the film's producer.

Script Supervisor

The Script Supervisor tracks which parts have been filmed and how the filmed scenes deviated from the script. This person also makes continuity notes (because films are rarely shot in the order in which they are presented), creating a lined script (a script that indicates which film "takes" cover which part of the script).

Sound Mixer

The sound mixer is an audio engineer who works with a boom operator (crew member who operates the boom microphone) to record the production sound on the set at the time of shooting.

Special Effects Assistant

The Special Effects Assistant handles all activities related to the creation of on-location special effects. While most often on set, some in-office preparation may be required. Activity may include construction of effects equipment (e. g., rain towers), rigging of explosives effects (e. g., bullet hits), or coordination of effects contractors.

Video Assist

Motion picture cameras often include a video camera that allows instant review of a scene to monitor framing, focus, and performance. Both this system and the person operating it are referred to as Video Assist.

Wardrobe Assistant

The Wardrobe Assistant handles all wardrobe-related activities. This person works both on set and in the warehouse and is responsible for all costumes on all actors and all background.

SOURCE: The Mississippi Film Office

STATE OF MISSISSIPPI
PHIL BRYANT, GOVERNOR
MISSISSIPPI DEVELOPMENT AUTHORITY
GLENN MCCULLOUGH, JR.
EXECUTIVE DIRECTOR

December 8, 2015

James A. Barber
Executive Director
Joint Committee on Performance Evaluation and Expenditure Review
501 North West Street, Suite 301-A
Woolfolk Building
Jackson, MS 39201

Dear Mr. Barber:

Thank you for the opportunity to respond to PEER's draft report, "An Evaluation of the Effectiveness of the Mississippi Film Office." The Film Office was pleased to be able to work with the PEER team in its inquiries and in-depth discussions. The report's recognition that our film program, still in its infancy, is steadily moving forward helps us navigate through the competitive and complex film production industry.

The PEER draft report findings show Mississippi's return on its film production investment exceeds all other states with similar programs even compared to states with far greater competitive advantages in this field. However, Mississippi's level of return on investment (ROI) for film production incentives, while significant in comparison to other jurisdictions, continues to be of concern. The Mississippi Film Office will continue its constant evaluation of the prospects and progress of the industry. In addition, The Film Office will work within the existing parameters of the authorizing legislation to continue to develop means of growing ROI through secondary impacts and permanent infrastructure development.

We are committed to improving outcomes while continuing to expand production, within the constraints of our budget and our scope of authority. The report clearly demonstrates during the last five years – and especially in the past two – production activity across the state has increased dramatically. The incentive program has been the primary driver for both attracting production from outside the state and supporting production generated by in-state production companies. In fact, the 2013 MDA/Mississippi Incentives Report found the Film Incentive Program to be one of our most utilized economic development initiatives, an indication of the growing level and opportunity of on-location film production.

The Film Office will continue to carefully manage its marketing funds to achieve the greatest impact in terms of promoting the state's advantages at industry events through an array of media outlets, trade publications and social media, and will continue sponsorship and participation in a variety of film activities, both locally and out-of-state. As the report clearly described, workforce development challenges continue to constrain film production, and both MDA and the Film Office will continue to bring this issue forward through every allowable venue.

While the report provides sound information and specific details on a variety of issues, the reference to salaries attributed to the film industries appears low and likely is not a clear reflection of the annual salaries for film production workers. The $12,000 average annual salary is affected by the workers employed as temporary extras as well as hourly workers at theatres and broadcast facilities who are also included in various movie, television, and broadcast employee data bases. Additionally, a study conducted for the "Mississippi's Creative Economy: 2014 Update" shows the average payroll, per job, for film and media in 2013 was more than $51,000. In the reality of today's increased production activity, Mississippi has also seen steady increases in solely film-production earnings as well as upward work mobility. A Mississippi film worker can move from an entry-level job of $100 per day to $2,000 per week in the space of only a few productions. For those involved in union productions, hourly rates, a usual 16-hour workday, and a sometimes-six-day work week can push salaries considerably higher.

Finally, MDA understands PEER's role is one of objective review, and not one which traditionally considers the subjective value of a program's impact. It is MDA's hope PEER can acknowledge in its report the incalculable benefits for the state accruing from the intangibles of on-location production, in the creation of a climate for creative sector job growth, in bolstering positive public perception for and about the state, and in the affirmation of the many Mississippi communities which have hosted production work over the past several years. Through such films as "**The Help,**" "**Get on Up,**" "**Dixieland,**" "**Precious Cargo,**" and "**Same Kind of Different as Me**," and through the testimony of such industry notables as Mick Jagger, Viola Davis, Brian Grazer, Octavia Spencer, Dan Akroyd, Faith Hill, and Anna Kendrick, Mississippi has been praised in both national and international media as a hospitable, progressive, and supportive production center, with extraordinary people and social and entertainment values not to be missed.

I will be happy to provide any further information and again reiterate MDA's collective appreciation for the professional, thorough, and inquisitive work of the PEER team.

Sincerely,

Daron W. Wilson

Daron Wilson
Interim Executive Director
Visit Mississippi

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