

**Schedule 13**

**Funding Request for the FY 2016-17 Budget Cycle**

Department of Governor's Office

Request Title

**R-02 (GOV) COFTM Incentive Rebate Program**

Dept. Approval By:		<input checked="" type="checkbox"/>	Supplemental FY 2015-16
		<input type="checkbox"/>	Change Request FY 2016-17
		<input type="checkbox"/>	Base Reduction FY 2016-17
OSPB Approval By:	 10/28/15	<input type="checkbox"/>	Budget Amendment FY 2016-17

Summary Information	Fund	FY 2015-16		FY 2016-17	FY 2017-18	
		Initial	Supplemental	Base Request	Change	Continuation
		Appropriation	Request		Request	
<b>Total</b>		\$3,500,000	\$0	\$514,223	\$3,000,000	\$3,000,000
FTE		4.5	0.0	4.5	0.0	0.0
<b>Total of All Line Items Impacted by Change Request</b>						
GF		\$3,000,000	\$0	\$0	\$3,000,000	\$3,000,000
CF		\$500,000	\$0	\$514,223	\$0	\$0
RF		\$0	\$0	\$0	\$0	\$0
FF		\$0	\$0	\$0	\$0	\$0

Line Item Information	Fund	FY 2015-16		FY 2016-17	FY 2017-18	
		Initial	Supplemental	Base Request	Change	Continuation
		Appropriation	Request		Request	
<b>Total</b>		\$3,500,000	\$0	\$514,223	\$3,000,000	\$3,000,000
FTE		4.5	0.0	4.5	0.0	0.0
04. Economic Development Programs - Colorado Office of Film, Television, and Media						
GF		\$3,000,000	\$0	\$0	\$3,000,000	\$3,000,000
CF		\$500,000	\$0	\$514,223	\$0	\$0
RF		\$0	\$0	\$0	\$0	\$0
FF		\$0	\$0	\$0	\$0	\$0

Letternote Text Revision Required? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	If Yes, describe the Letternote Text Revision:
Cash or Federal Fund Name and CORE Fund Number:	
Reappropriated Funds Source, by Department and Line Item Name:	
Approval by OIT? Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required: <input checked="" type="checkbox"/>	
Schedule 13s from Affected Departments:	
Other Information:	

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# COLORADO

Office of Economic Development  
and International Trade

Priority: R-02  
COFTM Incentive Rebate Program  
FY 2016-17 Change Request

## ***Cost and FTE***

- This request is for \$3.0 million General Fund in FY 2016-17 and ongoing for the Colorado Office of Film, Television & Media (COFTM) to enable COFTM to continue the 20 percent rebate and loan guarantee programs for eligible film, television, and other creative productions.

## ***Current Program***

- The COFTM incentive rebate program includes a 20 percent rebate for production-related expenses incurred in Colorado, subject to Economic Development Commission approval. COFTM also provides services such as location and permitting assistance, public relations, and general support.
- Service recipients are production companies and crew, but this program also impacts the broader community. Productions support direct and indirect jobs and boost economic and tourist activity.

## ***Problem or Opportunity***

- Since the film incentive rebate of 20 percent began in 2012, jobs in the entertainment industry have increased significantly, representing 4,313 employees as of 2015 – an increase of 3.4 percent over the last three years. There are an additional 1,294 self-employed professionals and 474 production businesses as of 2014, a 3.3 percent increase from 2011. To maintain the program and continue to see growth in the entertainment jobs sector, COFTM needs more funding.
- COFTM received one-time funding of \$3.0 million in FY 2015-16. Providing continued funding for COFTM incentives and loan guarantees will continue to build momentum created in previous fiscal years by attracting major productions, thereby enhancing Colorado's image and business development. Since FY 2012-13, COFTM has incentivized 47 projects, and incentive and filming inquiries have increased dramatically because of available incentive funds.

## ***Consequences of Problem***

- Without adequate funding, Colorado will not attract production companies and job opportunities will not be created.
- COFTM has denied the rebate to over 20 prominent production projects due to limited funding and therefore, productions went to other states that offered more incentive funding.

## ***Proposed Solution***

- The proposed solution is to continue to fund COFTM for FY 2016-17 and ongoing with \$3.0 million General Fund to continue incentivizing production activities in Colorado. Funding will allow for program growth and generate at least \$15.0 million in direct production spending, and over \$25.0 million in economic activity.

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# COLORADO

## Office of Economic Development and International Trade

John W. Hickenlooper  
Governor

Fiona Arnold  
Executive Director

FY 2016-17 Funding Request | November 2, 2015

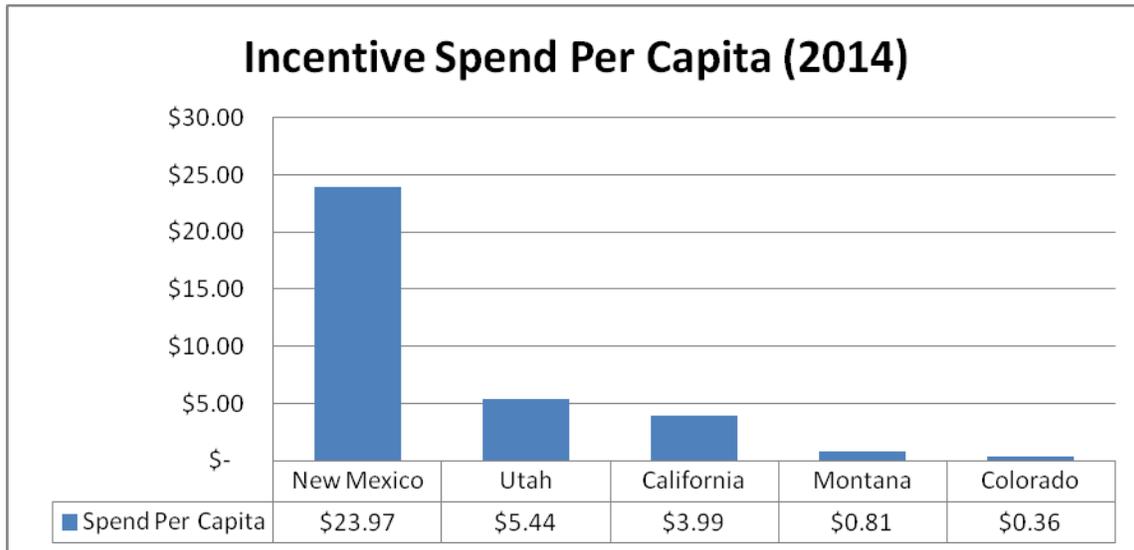
**Department Priority: R-02**  
**Request Detail: Film Incentive Rebate Program**

Summary of Incremental Funding Change for FY 2016-17	Total Funds	General Fund
Film Incentive Rebate Program	\$3,000,000	\$3,000,000

### **Problem or Opportunity:**

The Colorado Office of Film, Television & Media (COFTM) incentive rebate program was designed to encourage film and media production in Colorado. The mission of COFTM is to promote Colorado as a location for making feature films, television shows, television commercials, and digital games. Content creation, which is the contribution of information to any form of media, including for example, production or post production activities necessary to produce a finished film (editing and the creation of sets, props, costumes, and special effects, etc.), is an important and growing international business. Currently, film and television productions are overwhelmingly located in states that offer significant production incentives. The states that offer the highest levels of incentives are capturing the largest percentage of the nation's productions and, as a result, reaping the economic benefits. Most independent films are financed by small production companies that don't have access to the same capital as large studios. Tax incentives and cash rebates are a significant part of preparing budgets and are, therefore, important factors in picking the location where the film will be shot.

In order to compete with other states, Colorado needs to be able to offer financial incentives to attract these productions. Within the Western states that offer film incentive programs, Colorado is ranked last in the amount of incentive funding per capita (see charts below). If no General Fund dollars are appropriated to COFTM, then Colorado's incentive rebate program cannot compete with other states to incent production. OEDIT is requesting the funding because of the economic boost for local economies and job creation for current industry crew and new film school graduates.

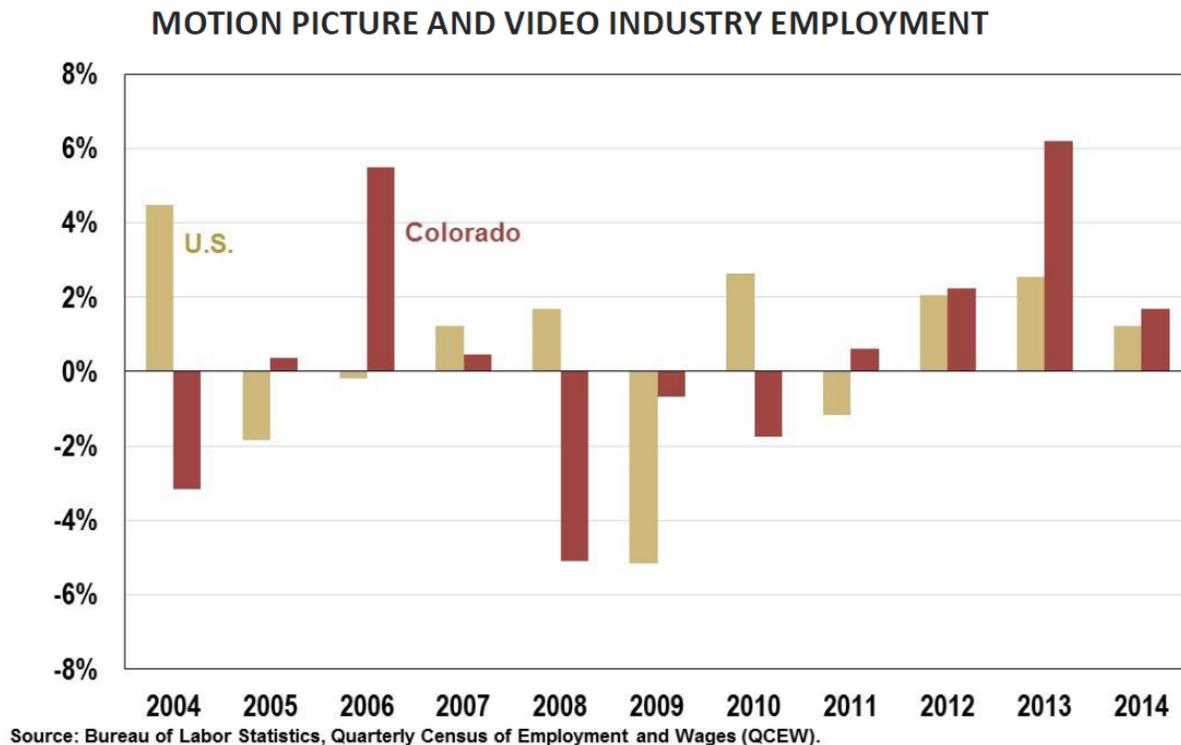


Competing Western States Offering Film Incentives (2014)		
State	Incentive	Spend in 2014
New Mexico	25-30% tax credit	\$50,000,000
Utah	20-25% tax credit	\$16,011,774
California	20-30% tax credit	\$155,000,000
Montana	15-20% tax credit	\$828,015
Colorado	20% rebate	\$1,918,174
Wyoming	12-15% rebate	unavailable
Texas	5-20% rebate	unavailable
Source: Annual Reports and Fiscal Year Summaries, 2014		

Since FY 2012-13, COFTM has received annual appropriations for the incentive rebate program and administrative costs. For FY 2015-16, a total of \$3.5 million was appropriated to COFTM. This includes a one-time appropriation of \$3.0 million General Fund for the incentive rebate program and an ongoing appropriation of \$500,000 cash funds for operating expenses.

During FY 2014-15, 17 projects were approved, and based on the figures provided in the project applications, COFTM expects the projects to bring over \$84.5 million of economic impact to Colorado and create 1,076 new jobs. Continued funding is necessary to maintain this level of job creation and economic growth in the state. Since 2011, Colorado has outperformed the nation in motion picture and video industry growth. The three year compound annual growth rate for Colorado was 3.4% versus 1.9% nationally, and

the number of related businesses (474) is the highest on record since 2001.<sup>1</sup> Additional funding for FY 2016-17 will allow COFTM to maintain the incentive program and thus continue to see growth in the entertainment job sector.



COFTM maintains close oversight over all beneficiaries of its programs, and as required by C.R.S. 24-48.5-116, all projects seeking the film incentive rebate must first be conditionally approved by the Colorado Economic Development Commission. Upon completion of production activities, and prior to receiving an incentive, the production company must retain a Colorado CPA to audit the reported qualified local expenditures. To be eligible for the rebate program, production companies must follow strict guidelines that benefit Colorado. For example, out-of-state production companies must spend at least \$1.0 million in Colorado production activities, and Colorado production companies must spend at least \$100,000. Both in- and out-of-state productions must hire a workforce of at least 50 percent Colorado residents, and all employees must pay Colorado income taxes.

In addition to the incentive programs, COFTM provides a broad range of services to communities including location assistance, educational outreach, marketing of Colorado, and liaising between communities, government agencies, and production crews. The funding for the past two years has been effectively deployed and committed as incentives to attract production companies to Colorado. To continue to attract production companies to Colorado, it is imperative that the state continues to fund COFTM’s programs.

<sup>1</sup> Derived from “Colorado Film Incentives and Industry Activity” prepared by Brian Lewandowski, Associate Director of the Business Research Division, Leeds School of Business, and University of Colorado Boulder, 2014.

**Proposed Solution:**

The proposed solution is to fund COFTM for FY 2016-17 and ongoing with \$3.0 million from the General Fund. Maintaining COFTM’s funding at this level allows Colorado to entice filmmakers and television producers to the state by offering the incentive rebate. Without this funding, efforts to attract productions to Colorado will be severely handicapped.

**Anticipated Outcomes:**

Attracting more projects to Colorado is part of a broader strategy to capture the economic value of Colorado’s landscapes and build the necessary infrastructure to make Colorado attractive to the film industry. With \$3.0 million, COFTM expects a high return on investment.

**Use of Film Incentives  
FY13-FY15**

Film Incentive Data from 7/1/12-6/30/15	Total Production Company Spend in Colorado	Total Production Company Spend in Colorado w/ multiplier effect*	Total State Incentive Paid to Production Companies	Projected Tax Revenue* (from Colorado spend)	Net Program Cost to State (total incentive less tax revenue)	Net Incentive Paid (program cost divided by total Colorado spend)	Number of Jobs Created	Number of Jobs Created w/ multiplier effect*
<b>Total</b>	<b>\$78,549,561</b>	<b>\$151,600,652</b>	<b>\$12,149,381</b>	<b>\$9,425,947</b>	<b>\$2,723,434</b>	<b>3.47%</b>	<b>1,788</b>	<b>2,718</b>

\*Extrapolated from the University of Colorado Leeds School of Business 2011 Colorado Film Incentives, Economic and Fiscal Impact Estimated Tax Revenue from production spending

Production spending impacts local communities and allows Colorado to be competitive in the business of content creation. Production spending and hiring includes:

- Producers, directors, and writers;
- Actors, extras, and casting directors;
- Carpenters, electricians, painters, scenic designers, and artists;
- Makeup artists and hairdressers;
- Costume designers and wardrobe personnel;
- Editors, sound recorders, photographers, and musicians;
- Food services employees and caterers;
- Lawyers;
- Truck drivers and location specialists;
- Camera and lighting equipment rentals; and
- Dry cleaners, car rental agencies, suppliers of trailers and equipment, hotels, and apartment rentals.

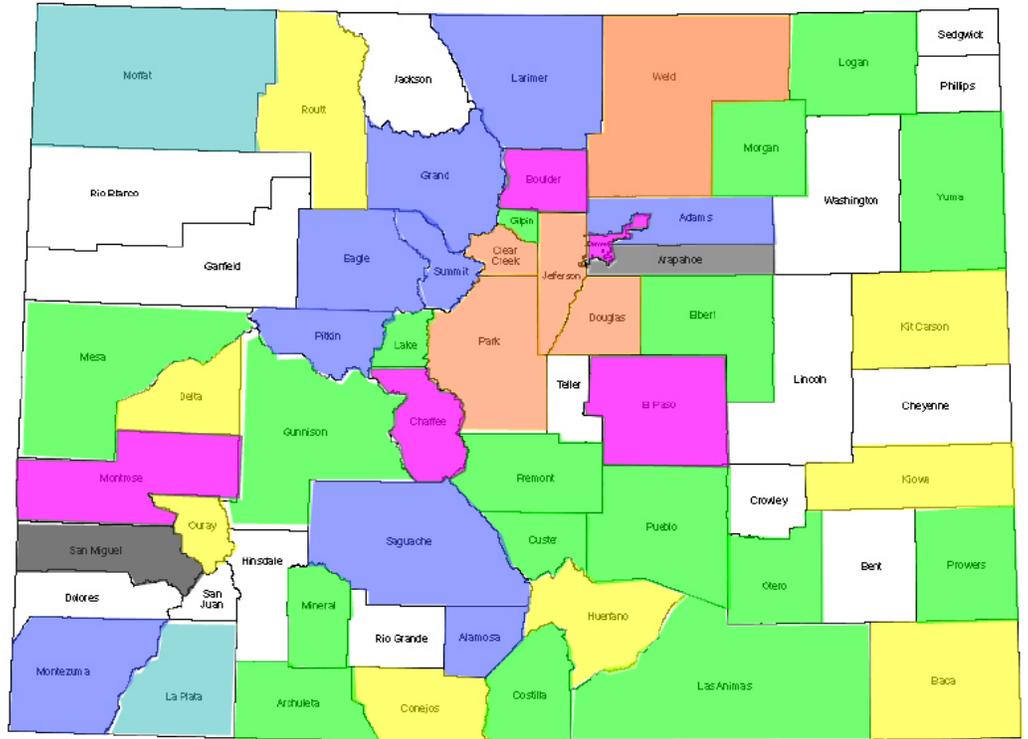
Many Colorado communities, urban and rural, benefit from money spent during productions. A variety of local businesses are affected. Productions also create new jobs and provide invaluable experience and training for new and existing workforce.

Economic impact of programs funded through the Colorado Office of Film, Television & Media since July 1, 2012

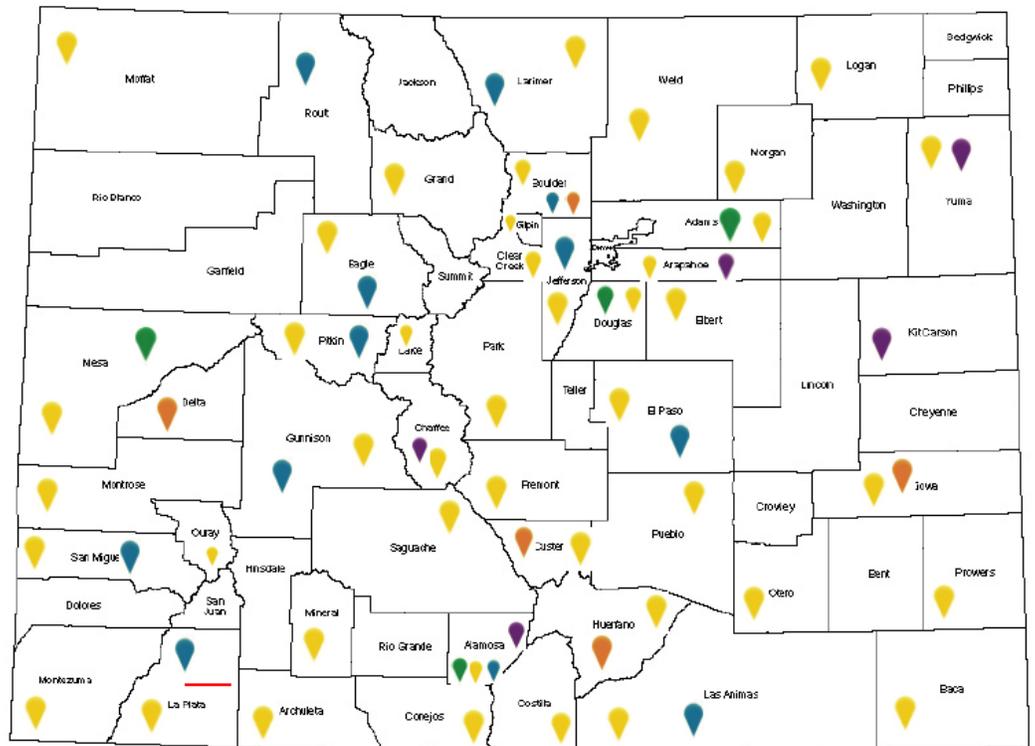
- \$500,000-\$1,999,999
- \$2,000,000 - \$4,999,999 \*
- \$5,000,000 - \$9,999,999 \*
- \$10,000,000-\$19,999,999
- \$1,000-\$14,999
- \$15,000-\$49,999
- \$50,000 - \$149,999
- \$150,000 - \$499,999
- >\$20,000,000

Broomfield \$50-\$49,999

\*No counties fall within this range



- Incentive
- Festival
- Education
- Theater
- Other



- Broomfield
- Denver

The film and television industries have a long lasting impact on tourism. COFTM and local tourism offices around the state receive numerous calls regarding the filming locations of various films, most notably, the Ridgway locations of *True Grit* and the Durango locations of *Butch Cassidy and the Sundance Kid*. More recently, the Weather Channel's hit television show *Prospectors* has brought tourism to Salida and the Mt. Antero area, where much of the show is filmed. Cities across the world see added tourism from popular film and television production and Colorado expects to see significant increases in tourism from exposure to Quentin Tarantino's *The Hateful Eight*. Since its announcement of Colorado as a filming location in September 2014, over 2.7 billion unique viewers have read about Colorado in relation to *The Hateful Eight*. Moreover, the critically acclaimed film *Cop Car*, starring Kevin Bacon, was filmed entirely in Fountain and Colorado Springs and will premiere in theaters nationwide, likely leading to increased tourism in both locations.

#### ***Assumptions and Calculations:***

The spending and job creation numbers come from actual expenditure and budget information provided in the incentive rebate applications. For other calculations, COFTM used data provided by production companies and the University of Colorado Leeds School of Business 2011 "Economic and Fiscal Impact Analysis of Actual Film Budget Scenario on Colorado."