

Report of the

Film Production Workgroup

Provided in Response to Request from the Senate Budget and
Taxation Committee and House Committee on Appropriations
Joint Chairman's Report 2009 Legislative Session

Introduction



At the conclusion of the 2009 legislative session, Maryland's Senate Budget and Taxation Committee and House Committee on Appropriations (the "Budget Committees"), concerned with Maryland's ability to attract movies, film and television productions to the State, requested that the Department of Business and Economic Development ("DBED") convene a stakeholder workgroup ("Workgroup") to review Maryland's existing Film Production Rebate Program, the production incentive programs used in other states, and the status of Maryland's film and video production industry. The Budget Committees specified that the Workgroup findings include recommendations for legislation to modify or replace the current Film Production Rebate Program if it determined that the current program is not effective in attracting and retaining movie, film and television production activities to the State.

The Workgroup consists of thirteen Maryland citizens, appointed by DBED, representing a cross-section of industries and perspectives, including labor, education, law, tourism, economic development, film and government. The Workgroup reviewed Maryland's film production incentive program, comparing it with production incentive programs in other states.

The Workgroup's findings and recommendations are based on its review of production incentive programs and economic impact studies from various states, the findings of an independent economic and fiscal assessment by the Sage Policy Group and the stakeholders' own research, experience and knowledge of the Maryland film and television industry. After numerous meetings, internal deliberations and consultations with the Sage Policy Group, the Workgroup has produced these findings and recommendations responsive to the Budget Committees' request.

I Brief Summary of Findings & Recommendations



The Budget Committees were well advised to express concern about the state of Maryland's film and video production industry, because Maryland is losing its film industry. With the loss of this industry, Maryland is also losing its highly skilled film and television labor force ("crew base") to other states where production activity is on the rise. Other east coast states, including Pennsylvania, North Carolina, Georgia, New Jersey, Connecticut, Massachusetts and Rhode Island, are effectively using production incentive programs to attract the production activity that might otherwise take place in Maryland. The attrition of Maryland's highly regarded crew base diminishes Maryland's competitiveness and represents a serious impediment to future growth of the film and television industry in Maryland. Maryland's loss of film production activity has also resulted in a significant loss of opportunities available to Maryland students and educational institutions, for internships, part-time employment, and valuable educational and career development interactions between students and film industry professionals.

The economics of the U.S. film and television industry have changed in recent years due to the prevalence of state production incentive programs. Production incentives are now widely viewed as essential to attract film production

activity to a state. The overwhelming majority of states (44) offer film production incentives. Failure to offer competitive production incentives is in effect a state's decision to forfeit this industry to other states that incent production activity.

Unlike states that have developed film and television industries principally through the use of production incentives, Maryland had a well-established film and television industry before the proliferation of state incentive programs. If not for its lack of a competitive production incentive program, Maryland would be the natural choice for many film and television producers. While Maryland has not responded effectively to the changes in the industry resulting from the proliferation of state production incentive programs, other states without filmmaking traditions have developed dynamic film and television industries by attracting production activity, including production activity that would otherwise take place in Maryland.

In response to the Budget Committees' request that the Workgroup determine whether it would recommend modifications in the Film Production Rebate Program, or a different type of incentive program, to effectively attract and retain movie, film and television production activity in



Will McKinley, Morgan State University graduate and aspiring filmmaker

the state, the Workgroup finds that the problem is not with the structure of the existing program, but with the lack of sufficient funding.

Since its enactment, production incentives available through Maryland's Film Production Rebate Program have been among the lowest offered by any state. Instead of increasing funding to make Maryland competitive with other states, funding has been cut time and again, and has been essentially eliminated in 2009. The Workgroup recommends that Maryland fund the Film Production Rebate Program at a level sufficient to maintain a flow of film and television productions into the State. This would stem the loss of Maryland jobs, and provide much needed support to many small businesses that have grown in Maryland to service this industry.

Production incentive programs are most effective without an annual funding cap, or with a relatively high annual cap. Having no cap or a high annual cap does not mean that the number of incented productions would be unlimited, or that a relatively higher annual appropriation would be fully utilized each year. Rather, it allows a state film office flexibility to commit production incentives earlier to a higher number of promising projects, without the concern that it would encumber limited funds on projects that might not proceed to production (e.g. a television pilot is not picked up by the network, after a commitment is made to provide production incentives for a year-long series). Higher cap and no cap programs, such as those in Pennsylvania (\$42 million), North Carolina (no cap) and Georgia (no cap),

have enabled other states to develop dynamic film and television sectors by extending more offers to incent more potential projects.

The Workgroup recommends that Maryland maintain the structure of its current Film Production Rebate Program, which is a popular type of incentive program, that can be quite effective if adequately funded. The Workgroup recommends that the Maryland Film Office continue to have considerable discretion to negotiate with film and television producers to maximize the benefits of the incentive program. The Workgroup recommends that an enhanced production incentive specifically targeting television series be added to the program, i.e., a slightly higher percentage rebate (e.g., 27% of qualified spending incurred in-state instead of 25%). Because a successful television series provides employment for a longer period of time for many Maryland workers and supports hundreds of small businesses in Maryland, the benefits of specifically incenting television series would give Maryland a competitive advantage over other states.

Sage Policy Group's economic and fiscal impact study, referenced below, concludes that 58% of film production incentives paid out under Maryland's Film Production Rebate Program are returned to state and local governments, even without taking into account the time value of money, or tax revenues derived from: non-incented production activity induced by the existence of incented production activity; private capital investment in infrastructure; non-film related expenditures resulting from incented production activity; various types of residual income paid to Maryland residents; or revenues from film tourism. According to the Sage Policy Group, "if states seek to attract, maintain, or sustain film and television production activities, they must offer incentives.

While there are distinct advantages to unlimited or higher cap programs, Maryland's inherent advantages, including its experienced crew base and reputation as a film-friendly state would enable it to compete without an unlimited or high annual cap. Because Maryland's incentive program budget has been one of the lowest in the country, the Workgroup recommends that Maryland now support its incentive program with a \$15 million annual appropriation – higher than nearby states West Virginia and New Jersey (\$10 million annual caps), lower than Pennsylvania (\$42 million) and North Carolina (no cap). Rhode Island has enjoyed considerable success with its \$15 million production incentive program. This level of funding will enable Maryland to effectively compete with other states, and should be sufficient to enable the Film Office to attract a television series and/or several feature films each year.

II Growing Importance of Film Production Incentives

Throughout the 1990's, domestic film and television producers leveraged a favorable exchange rate by producing films, television programs and commercials in Canada, which encouraged this so-called "runaway production" by offering financial production incentives to U.S. producers, enabling Canada to develop a robust film and television industry. Canada's strategic investment continues to impact the U.S. film and television industry. The 2002 Oscar-winning movie *Chicago*, was filmed in Toronto, as were 57 other movies set in Chicago since 1985. In 2006, Maryland film director Barry Levinson produced *Man of the Year*, starring Robin Williams. Even though the film was set in Maryland, and despite Mr. Levinson's strong preference for filming in Maryland, *Man of the Year* was almost entirely filmed in Canada because Maryland did not offer competitive production incentives.

By 2002, states that previously had little film activity began to compete with Canada by offering production incentives to attract film and television productions. Louisiana and New Mexico were among the first states to offer film production incentives, and were richly rewarded with significant private investment in infrastructure and thousands of new jobs. Maryland, which had already developed a highly regarded film and television production industry before the proliferation of production incentive programs, began to lose film and television productions to other states, but did not respond to the competition by enacting a production incentive program until 2005. However, since its inception Maryland's production incentive program has been underfunded, resulting in continued loss of production activity to other states.

Today, 44 states offer film production incentive programs. Even California, in the midst of its worst recession, enacted a film production incentive program in 2009, recognizing that it could no longer ignore the new economic realities of the film and television industry, where production incentives have become key factors in determining locations for film and television production.

State production incentive programs may utilize refundable tax credits, transferable tax credits, non-refundable non-transferable tax credits, or cash rebates. Maryland has a rebate program, a type of program that is popular with producers. Some programs have annual funding "caps", while other states have enacted production incentive programs with no annual cap. The advantage of a "no cap" program is the certainty producers have that if the production qualifies for the incentive, it will be available. To a lesser extent, the same could be said for states with relatively high program caps, such as Pennsylvania (\$42 million). States with lower program caps such as Maryland face a complex and often frustrating process in allocating limited production incentives among producers scouting locations in the state. The problem with lower funded programs, is that commitments cannot be made to all desirable productions. Maryland has had one of the lowest, if not the lowest, funding levels of any of the state programs.

With the majority of states offering film incentives, the National Governors Association's Center for Best Practices ("NGA") published an issue paper examining the subject entitled "Promoting Film and Media to Enhance State Economic Development" in July, 2008. The NGA report concluded that the motion picture industry benefits state and local economies by attracting out-of-state investments, creating high paying jobs, contributing to the economic and civic vitality of communities, and stimulating cultural tourism. According to the NGA, an estimated 70 to 80% of the workers needed to produce a film are hired locally, and typically earn higher wages than workers employed in other industries. The economic impact studies conducted by states with film incentive programs generally conclude that the film industry is a highly desirable industry -- an environmentally "green" industry, with higher paying knowledge-based jobs ranging from the literary, dramatic and visual arts, to digital technology, and emerging media technologies.

III Maryland's Production Incentive Program

Effect on Maryland Film Industry

Maryland has a storied history of film and television production. Barry Levinson, John Waters, David Simon, numerous writers, directors, studio executives, performers and highly skilled crew members hail from and live in Maryland and they chose to set and make their films here. Maryland has a tradition of memorable films and television programs, whether it be *Diner*, *Avalon*, *Hairspray*, *He's Just Not That Into You*, or *Homicide*. Marylanders have favorite films and television programs that were made in Maryland and scenes that connect them to places and time periods and memories of their State. However, many talented local crew members and many of the small businesses that call Maryland home and have worked in the film and television industry for decades are leaving Maryland for other states.

Maryland now attracts few film projects because it has not kept pace with other states that offer production incentives. Even films set in Maryland are no longer produced in Maryland. *Annapolis* was filmed in Philadelphia, lured by Pennsylvania's film production tax incentives. Barry Levinson, producer of classic Baltimore films such as *Diner* and *Avalon*, announced at the Maryland Film Festival last year that he can no longer afford to produce films in Maryland due to the lack of competitive incentives. *The Curious Case of Benjamin Button*, the beloved F. Scott Fitzgerald short story set in Maryland was re-written for New Orleans to take advantage of Louisiana's production incentives. Even *Hairspray the Musical*, was filmed in Canada.

Maryland enacted a film production incentive program, the Film Production Rebate Fund, in 2005. The initial funding was \$4 million that increased to approximately \$6.9 million in FY 2007 and then declined to \$4 million. For FY 2010, the appropriation was \$1 million, which was subsequently reduced by the Board of Public Works to \$550,000.

Maryland's production incentive program allows a qualified production company to claim a rebate in an amount up to 25% of the total direct costs incurred in Maryland while filming on-location for qualifying film and television productions. To qualify, the production must incur at least \$500,000 in total direct costs in the state and at least 50% of the production's filming must occur in Maryland. In addition, the production must be intended for nationwide

distribution. Rebates are funded by an annual appropriation. The rebate is distributed in the form of a grant which is not paid until after the qualified spending occurs and is accounted for in the Maryland Film Office.

Once Maryland enacted its production incentive program, it experienced a flurry of interest from film and television producers. Film production in Maryland hit its high watermark in FY 2006, generating \$158 million in economic impact, more than twice the prior year's total of \$66.3 million. However, such interest quickly dissipated because Maryland's incentive program has been under-funded relative to other states in the region (e.g., \$1 million reduced to \$550,000 in 2009, compared to \$15 million in Rhode Island and \$10 million in West Virginia and New Jersey). In 2009, Pennsylvania attracted 19 feature films with budgets over \$5 million with a production incentive program capped at \$42 million. In 2009, New Jersey, with a \$10 million production incentive program, attracted two television series, two television reality shows, and five feature films with budgets over \$5 million. North Carolina, with no annual cap, but a per-project cap of \$7.5 million, attracted two television series and six feature films with budgets over \$5 million in 2009. In contrast, in 2009, Maryland attracted no television series and no feature films with budgets over \$5 million.

Because not every production scouted is made, the Maryland Film Office frequently finds itself unable to make a commitment to a desirable production, because of previous commitments made, that if used, would max out the program's available funds. If incentives are committed to a project that is not made and other projects are lost because no production incentive could be committed, the State derives no benefit from its incentive program. Having a higher level of funding would allow the Maryland Film Office flexibility to make more offers, and thereby secure more production activity for the State.

Maryland was once a top destination for filmmakers, due to its iconic and varied locations, top-notch crew base, experienced film offices, excellent working conditions, and close proximity to Washington, D.C. and New York. During the 1990's and 2000's, the NBC television series, *Homicide* and the HBO series *The Wire*, provided steady em-

ployment for many Marylanders, enabling Maryland to develop a highly skilled crew base. These successful and critically acclaimed television series supported high paying jobs for the crew, production staff, and in hundreds of small businesses that serviced or supported the production activity. The skilled crew base and small business infrastructure made Maryland a famously “film-friendly” state, which producers found attractive. The Maryland Film Office and Baltimore Film Office are acknowledged as among the best in the country.

Some states provide special incentives for certain types of productions. For example, Florida provides an extra 2% rebate for family-friendly productions, and 5% for off-season productions, to promote Florida as a year-round production location. Because Maryland has an excellent track record with television series, beginning with the NBC series *Homicide*, and more recently with HBO’s *The Wire*, and because a television series provides employment for hundreds of people for an extended period, the Workgroup recommends providing a higher level of production incentive specifically targeted to television series.

The Workgroup found that many Maryland citizens and small businesses are adversely affected by the State’s failure to adequately fund the Film Production Rebate Program. A concern was expressed within the Workgroup that because production incentives are used to attract out-of-state producers, some may incorrectly assume that the primary beneficiaries of production incentives are out-of-state interests. The Workgroup asked several Maryland citizens to allow their stories to be included in its findings as illustrative examples of the local impact of budget decisions concerning Maryland’s Film Production Rebate Program.

Impacted Marylanders



William “BJ” Spencer

“I used to help employees write resumes for higher positions. Now I am helping former employees apply for public benefits.”

From his first job on a production, William “BJ” Spencer recognized that he provided a unique security service to the film industry and built a small minority-owned business. His security service employed 110 people who needed a job and BJ gave them their first opportunity to build a resume and career. BJ’s company grew to become the only service that knew the film and television industry, its needs and had trained personnel. With the film industry depleted in Maryland, he is the only employee left in his small business and continues to struggle to pay taxes, insurance premiums and licensing fees in order to maintain the shell of the business in hopes that the film industry comes back to Maryland.



Patrick McAllister

“Our income depends on the film industry. The alternative rental markets for the generators (the occasional high end event and the local sport broadcasts) are not enough to cover even the basic operating expenses, and local vendors developed this business in other states that have active film industries so we have no where to go.”

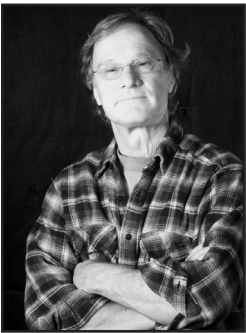
Patrick and Patricia McAllister, Centreville, both 58, started in the film industry in the mid 1980’s and began a small business in 1990 specifically for the film industry. Patrick is a Generator Operator and they own a motion picture generator rental business that has suffered a 75% loss. They helped build the film industry in Maryland by creating an equipment business. They own six motion picture generators made in America and must maintain the business by paying taxes, utility and phone bills, permits, \$18,000 in truck and business insurance, and tags for the trucks and generator trailers for transport.



Fran Gerlach

“My career of over 22 years is disappearing from Maryland.”

Fran Gerlach, Scenic Painter, 55, started in the film industry in 1988 and provides the primary income for her family since her husband was injured on a film in North Carolina. They own a home in Baltimore and Fran’s mom is in an assisted living facility. Fran has been forced to work out of state on film projects and is strongly considering uprooting from Maryland to follow the work.



Lee Shapiro

“My biggest fear is that I may have to leave my Baltimore County community to follow the work to another state.”

Lee Shapiro, 58, Key Grip (a specialized occupation in the film industry), Baltimore County, settled in Baltimore in 1969 and graduated from Towson University. He has lived in his home for 17 yrs with his wife, a breast cancer survivor and nurse, and his 19-year-old-son. Lee cannot roll his specific film production skills as a grip into another career and is getting by with odd jobs while trying to market his own produced film and trying to establish a business here in Maryland. He is actively involved in his community and deeply values his home, family and neighbors.

Like a major sports team, Maryland’s film production team is a valuable asset to the State – a source of pride and an economic engine. But Maryland is losing its film team. Pennsylvania, Connecticut, Massachusetts and Rhode Island to the north, and North Carolina, Georgia and Florida to the south, are building dynamic film and television industries of the future by attracting the production activity that would otherwise choose Maryland, which has led to private investment in infrastructure in those states. Maryland’s crew base has been forced to travel to and in some cases relocate to those states to work. This loss of jobs and tax base will continue unless and until Maryland adequately funds its Film Production Rebate Program.

IV Economic and Fiscal Impacts

The Sage Study

DBED retained the Sage Policy Group (“Sage”) to provide an assessment of Maryland’s film industry and production incentive program (the “Sage study”). One of the key, very favorable findings of the Sage study was that film projects generate state and local tax revenues that recover 58% of the cost of the incentive program. A tangible return on investment like this on an investment in economic development is rare. After taking this impact into account, the actual public sector cost is less than half the outlay, making film incentives an even more attractive economic development tool. For a modest cost to the State, thousands of jobs will be saved, a multitude of small businesses preserved, an important cultural sector will be strengthened and a host of other, less quantifiable benefits to the State’s economy will be realized.

Unlike economic studies of other state programs (discussed below), the Sage study did not take into account items such as capital construction, the time value of money, increased tourism, or the economic benefit of incented production activity on indigenous film and television industry in Maryland. Had Sage taken this economic activity into account, its study would have reflected an even higher return on investment. Other states that have included such revenues in economic impact studies have reported considerably higher returns on investment:

- In New Mexico, a 2009 study by Ernst and Young concluded that \$49.4 million in film incentive tax credits (25%) credit in fiscal 2007 resulted in state and local tax revenues of \$70.5 million or a 142.7% return on investment. The Ernst and Young study discounted the tax credits to \$47.1 million on a present value analysis to achieve a return of 150%. State and local tax revenues of \$70.5 million included \$32.2 million from the actual productions, \$12.6 million from capital investments, and \$25.7 million from increased tourism. The direct return on investment from the actual production was 65.2%.
- In North Carolina a 2009 study by Ernst and Young indicated that \$23.1 million in film incentive tax credits

(15% credit) in fiscal 2007 resulted in state and local tax revenues of \$29.6 million or 123.9% of the incentive. The study discounted the tax credits of 23.1 million to \$22 million on a present value analysis to achieve a return of 130%. State and local tax revenues included \$24.8 million from the actual productions and \$3.8 million from increased tourism. Capital investments of \$1.25 million in 2007 yielded approximately \$110,000 in state and local taxes, capital expenditures of \$44 million are projected to occur over the two-year period, 2010-2011. North Carolina’s tax credit will increase to 25% in 2010.

- In Pennsylvania a 2009 study by Economic Research Associates indicated that film production credits in fiscal 2008 totaled \$64.8 million of the \$75 million authorization. The film credits resulted in state and local tax revenues of \$17.9 million or a return of 27.6%. The entire film industry resulted in state and local tax revenues of \$62.7 million or a return of 96.8%. The study discounted the tax credits to \$58.2 million on a present value analysis to achieve a return on investment of 111%.

Sage Policy Group, as an economic research firm, restricted its analysis to readily quantifiable data. It is important to note that the true economic and fiscal impact of film and television production activity is not limited to readily quantifiable data. While accurately noting the benefits of the Maryland film industry and a production incentive program to protect and grow that industry, the Sage study does not include in its analysis all of the economic and fiscal benefits of film and television production activity in Maryland. In fact, some revenue streams that were not counted in the Sage study continue for many years after production activity ends, providing income for Maryland citizens and businesses, and tax revenues for the State.

Some of the economic benefits from film and television activity in Maryland that were not counted by Sage in its economic analysis are set forth below:

- Maryland’s incentive program is a rebate program, which means that no money is actually paid out by the State un-

til a qualified production is completed, the production company has spent its money in Maryland and accounted for the “qualified spend” to the Maryland Film Office. Maryland has the use of tax revenues generated by these expenditures for many months before any rebate is paid out. The time value of money is not considered in the Sage study.

- Motion pictures and television programs can provide residual earnings for many years after a production is wrapped to actors, directors, composers, writers and others involved with a production, often Maryland residents who pay income taxes on their earnings. While the Sage study endeavors to quantify residual payments to actors, residuals are also earned by others who pay Maryland income taxes on such earnings for a lifetime, and these revenues are not counted in the Sage study. Maryland composers who earn public performance royalties from performing rights organizations BMI, ASCAP or SESAC, and musicians who earn union re-use payments from the AFM, are not counted in the Sage study. Maryland producers and investors can receive income in the form of profits from Maryland-made films and television programs throughout their entire commercial life, and pay Maryland income taxes on those earnings.
- Tax revenues are generated from non-incented film-making and television production facilitated by the infrastructure of equipment, crew, and capacity left-over from incented productions.
- Tax revenues are generated while a film company is in Maryland, for non-incented production work and for non-film activities. For example, when actors are on location in Maryland, they are available to do voice-over work for Maryland advertising agencies, producers and broadcasters, and their presence in Maryland serves as an inducement for out-of-state producers to travel to Maryland to take advantage of an actor’s availability to work on other non-incented projects while on location in Maryland.
- Producers, directors and actors working in Maryland often participate in community activities such as fund-raising events that generate tax revenues and provide assistance to local communities. For example, the producers of *Ladder 49* raised funds for the Firefighter’s Foundation while filming in Maryland. The producers and cast of *The Wire* raised money for the Parks and People Foundation at three of its season-end events, and also raised over \$400,000 for the Ella Thompson Fund to aid inner city children in Baltimore.

The communities that host film projects often realize long-term economic benefits including:

Improvements to infrastructure

- Production companies often invest significant resources in making improvements to communities that remain long after the filming ends.

Enhancing Tourism

- A film shot in Maryland is an unique Maryland export, with the potential to introduce a worldwide audience to Maryland locations and history. Such films stimulate cultural tourism, attracting out-of-state tourists to visit locations in Maryland. The tourism effect has been carefully studied in some states. For example, in New Mexico, the Tourism Office attributes 5% of the tourism dollars spent in New Mexico to “film tourism.” The Sage study mentions the New Mexico study, but does not use 5% or any other percentage to account for the tourism impact in Maryland. States that have attempted to quantify film tourism impacts have found impressive numbers. Prior to the March 2004 debut of HBO’s television series *Deadwood*, the town of Black Hills, South Dakota drew an estimated 1.2 million visitors annually, which increased by 800,000 visitors to 2 million visitors after the debut. In Worcester County, Maryland, at the Atlantic Hotel in Berlin, the “Richard Gere Room” is frequently requested by travelers who want to visit the locations where *Runaway Bride* was filmed. In Talbot County, weddings are booked at The Inn at Perry Cabin, a location often chosen by couples who want to have their wedding at the location where the *Wedding Crashers* was filmed. These economic impacts and associated tax revenues are not counted in the Sage study.
- Film production in Maryland effectively markets and promotes the state, which can enhance image-building efforts. The Pennsylvania Department of Commerce and Economic Development asked its media consulting agency to estimate the comparable value of purchasing publicity, concluding: “the film, *Wonder Boys*, which featured the Pittsburgh area locations and name, was estimated to have a media impact in the order of \$900,000 in its theatrical debut alone. That is to say, that the Commonwealth would have had to purchase \$900,000 of media advertising to receive a comparable level of publicity.”

V Education

Film and television production activity in Maryland provides opportunities for Maryland students to interact with the producers, directors, actors and technical personnel that travel to Maryland to work on productions. Students often secure internships or part-time employment with such productions, and learn valuable skills while adding valuable production credits to their resumes. Maryland's loss of film production activity ensures that for many Maryland students, employment opportunities will be unavailable in Maryland.

Based on enrollment data from the Maryland Higher Education Commission (MHEC), over 2,500 students are enrolled in undergraduate and graduate academic programs in the state that have content related to, or majors and concentrations in film and electronic media. Most, if not all of the programs, require a minimum of a 3-credit internship, or the equivalent of 120 hours of on-the-job experience in the area of the profession. Some programs require or encourage up to 6-credits, or 240 hours of on-the-job experience. Local television stations do not provide the kinds of professional development defined by many program requirements, and there aren't enough local independent production companies in non-broadcast and informational film and video to fill the internship void left by television series and motion pictures lost due to lack of incentives. Ultimately, students face the harsh difficulty of funding travel and housing out of state to complete internships outside of Maryland.

Impacted Marylanders



Dana Lewis

"I would say that my jobs in the film industry have come directly from internships. A lot of talented people are leaving Maryland because the film industry has slowed down here."

For Dana Lewis, 28, internships paved the way to her successful career in film and television production in Maryland. As a 1999 Television Production major from Morgan State University, Dana's desire to be in the film industry benefited from a period of flourishing opportunities within the state for internships on television series and motion pictures. Her work as a production assistant for a Discovery Channel series eventually led to contacts and experience on commercials, films, and three seasons on the HBO series, "The Wire." Dana considers herself fortunate to have had these opportunities that along with her college education are the foundation for her career in film and television.



Will McKinley

"I seek a career in the film industry, and for me that begins right here in Maryland where I want to remain. However, if that option is not sustainable, I will go elsewhere to work on feature length films and episodic television shows."

Will McKinley, 22, is one of the emerging faces of film in Maryland. As a recent graduate in Television Production from Morgan State University, Will completed internships as a degree requirement like that of so many other higher educational programs in communications, film, and electronic media. However, due to production lulls in the Baltimore area, it wasn't until after graduation that he gained his first experience on a film set. Will's desire to be in the film industry is dependent upon access to opportunities that lead to location work and networking that is central to working in the industry.

VI Conclusion

Maryland cannot sustain its film and television industry without providing competitive production incentives, nor can it afford to wait for its economy to recover before addressing the runaway production problem that is causing Maryland to lose its talented crew base. According to the Sage Policy Group's study, this is a pivotal year for Maryland's film industry. Rebuilding this capacity later will be much more costly than actions that can be taken now to stem this loss.

Attracting film and television production activity through the strategic use of production incentives would be a worthy economic development initiative even if Maryland had no existing film industry. However, because Marylanders have invested in this industry for decades, establishing careers and small businesses that rely on production activity for their sustenance, Maryland has much to lose if it fails to provide competitive production incentives. When West Virginia can support its film incentive program with a \$10 million annual program, and Rhode Island with \$15 million, it is important that Maryland, which – unlike those states – has grown a respected film industry over decades, support its film industry labor force and small business infrastructure with a competitive production incentive program.

The Workgroup recommends that Maryland maintain the structure of its current Film Production Rebate Program, modifying it slightly to add an enhanced incentive (increased percentage of qualified in-state spending) specifically targeting television series production activity. While there are distinct advantages to unlimited and higher funded programs, the Workgroup believes that if Maryland acts now it can stabilize Maryland's film and television industry by funding its existing Film Production Rebate Program with \$15 million annual program funding. This recommendation is consistent with the conclusions reached by Sage Policy Group in its January 2010 study which states:

“To attract a television series, which has the highest number of production days, expenditures and potential longevity, a \$6-8 million per year incentive package would need to be offered. To attract a moderately budgeted feature film and incentive package of \$3-4 million per film would need to be offered. A television series and a moderately budgeted feature film, or two to three moderately budgeted films would be needed annually to sustain Maryland's film industry.”

Continued under-funding of Maryland's Film Production Incentive Program will result in further attrition of Maryland's crew base, as nearby states continue to strengthen their film industry crew base and the small businesses established to service this industry, as infrastructure. The Workgroup believes it would be more costly to rebuild this capacity in the future than to preserve it by implementing these recommendations now.

Film Production Workgroup

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