Proposed Recommendation:

1. The Motion Picture Investor Tax Credit should be retained as a non-appropriated non-refundable tax credit incentive with both discounted redemption and transferability as alternative options for use, but reformed to remove the “back end cap” while aligning the monitoring and analysis of the program’s growth and development to better track the statutorily established immediate and long term objectives as indicated in the next four recommendations.

2. To provide some control over the long term exposure to the state, a front end cap on initial certifications should be considered; however, such a structure will require modification of the current approval process to assure that the cap is not exhausted by initially certified productions that do not obtain financing or by overly optimistic initial budgets that do not come to fruition but exhaust capacity under the cap.

3. Furthermore, it is recommended that the Legislature, along with LED and LDR, closely monitor and refine through the rulemaking process the substantive programmatic revisions made in the 2015 legislation that were designed to assist the industry to ultimately become self-sustaining.

4. As LED has advised, there is an active and comprehensive review of the program currently underway at LED at the request of Governor Edwards. A copy of the “LED Process” document is appended hereto,[1] and it is recommended that this process which is designed to further refine the incentive program that is better aligned to the state’s needs for budget predictability, improved ROI, sustainability and statewide impact, at a fundamental level, be allowed to proceed to conclusion as it is consistent with the Task Force’s philosophy.

5. Finally, the Task Force recommends a broader engagement with the private and public stakeholders to facilitate the development of concepts that will expand the state’s return on its investment in this program. This could be facilitated through the reestablishment of the Louisiana Film Commission to assist LED and LDR in implementing the results of LED’s Program Review and recommending further programmatic changes to meet the legislatively identified objectives.

In making these recommendations, the Task Force acknowledges that the Louisiana Legislature identified the motion picture industry, through the creation of the tax credit

[1] LED Process, Exhibit A

incentive, as a key industry for our state. At the outset, it was focused on encouraging investment that would lead to the development of a strong capital and infrastructure base to achieve the ultimate creation of a self-supporting industry.

The use of a tax credit vehicle encourages this development through the introduction of Louisiana taxpayers who were not familiar with investing in motion picture production the opportunity to consider investing in a manner that would facilitate developing that locally based investor base. Creation of a local investor base has generally been understood to be a fundamental element to anchoring the industry in Louisiana that would assist in making the industry more self-sustaining. However, the primary objective of this incentive like all other economic development incentives regardless of their design (e.g. exemptions, credits, abatements or grants) is facilitate job creation through economic development investment. Since its inception, the State and numerous private individuals and entities have expended billions of dollars into our State's economy. As per the most recent report prepared for LED[2], there was $727.1 million in certified expenditures in 2014 and $809 million in certified expenditures in 2013.[3] It should be noted that these are the direct expenditures by the productions on qualifying expenses; it does not encompass all of the spending associated with an individual production, as certain expenditures do not qualify under the rules. These can include payments to non-Louisiana residents, marketing and advertising, or payments deemed not to qualify for other reasons. Over the years, these expenditures have also included the development of infrastructure that facilitates production in a set environment, the development and training of human resources, and substantial indirect spending in the myriad of companies that have been formed to provide broad ancillary support services that are necessary for this industry.

In response to these expenditures and investments, according to the LED report, 12,641 jobs have been created. Notably, for each job created in the industry directly, 1.9 jobs indirect jobs are also created. As such, for 4,221 direct jobs created in 2014, there are 7,886 supported indirectly.[4]

And in response, Louisiana has in fact succeeded in many respects, but the industry cannot maintain itself at a high level of performance without some form of a state

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[2] 2015 Economic Impact of Louisiana's Entertainment Tax Credit Programs, March 2015 by Loren C. Scott & Associates, Inc. http://www.opportunitylouisiana.com/docs/default-source/Performance-Reporting/2015_oeid_program_impact_report_final.pdf?sfvrsn=2 Exhibit B

[3] Id at 4-5, Certified Film Production Spend as identified in the 2015 LED report from 2008 through 2014 is $4.2 Billion and Certified Film Infrastructure Spend as $144 Million, but also note that LED sought to sunset new infrastructure spending at the end of 2008. New facilities have been funded primarily through non-film tax credit methodologies, including a new facility in Algiers ("Deep South Studios") that is completing its financing round.

[4] Id. at 16.

incentive. While Louisiana has not yet displaced Hollywood or New York as centers of finance or production and it may never completely displace either, but it is clear that Louisiana is competitive with both Hollywood and New York, as well as multiple international production locations, a statement that could not be made little more than a decade ago. The capacity of the State to handle production in 2016 is substantially and materially greater than it was when the program incepted. The labor force is deeper; the quality and depth of the inventory is better and improving; the network of local governments that support and encourage development in their communities is broadly throughout the state; and the development and engagement with non-film related industries and business has materially evolved. As the industry has evolved, the convergence of film with digital media presents a unique opportunity to develop these two industries together in a mutually beneficial manner. Given the investment made, the successes attained, and the opportunities presented, terminating or substantially limiting the incentive program would be premature.