

By Kevin Segalla

Members of the Commerce Committee, My name is Kevin Segalla. I am President of the Connecticut Film Center.

I have come today to address Senate Bill 249 and House Bill 6505, both regarding the film and digital media industry.

CFC was founded over two years ago as a direct result of the tax incentive program for the entertainment industry. In that time, we have grown into a thriving company with nine full time employees using the services of countless other Connecticut businesses and professionals.

We have invested over \$15 million into our Connecticut facilities- and within the next month, we will be making two announcements that will encompass an additional \$55M investment in the growth of CFC. This investment will spur the creation of thousands of jobs, not just in the entertainment industry, but with the construction trades, the tourism industry, and the service sector. And our story is one of many throughout this state.

If you were here last Monday, you would have seen just a few - about 400 - of the many people that have been a part of the explosive growth of this new industry.

We had people from every corner of the state, representing small businesses and tradesmen that have seen what this forward looking program has done to stimulate our economy, create jobs, and build new industry.

We had crew people that work on the movies – from PA's to location scouts to electricians.

But we also have union construction workers that have or will be building some of the many new facilities that have been proposed.

We had representatives of the tourism industry including hotel workers, car rental and restaurant employees.

We had a furniture rental company, a waste hauler, a computer supply company.

We had real estate brokers, property owners, a number of accountants, at least three entertainment attorneys.

We even had a few of the many many police officers that are paid by the productions to direct traffic – and the list goes on.

We had in-state production companies here that have seen their fortunes rise with the incentive. They've added employees, increased production, and attracted new business that would have gone elsewhere.

We also had companies that have moved here as a result – from a very successful TV production company to a world-class visual effects outfit.

There were representatives here of at least five major proposed facilities in New London, South Windsor, Norwalk, Bridgeport and Windsor.

Connecticut Production Coalition was out in force – with over 1500 members having joined this organization in just the past two months.

We also had a few of the many visual effects, animation and video game companies that are considering a move to Connecticut that could together bring nearly 5000 new jobs.

And of course, NBC came to discuss a very significant new investment in the state.

Finally, the teamsters came carrying nearly three thousand signatures of others who have seen the benefits of the incentive program. *CONT.*

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What's my point?

These tax credits pervade every part of our economy. Yes, they provide a benefit to the major studios and television networks but when six hundred million dollars is brought to the state you begin to see the meaning of "economic stimulus"

While I understand that in these tough times, everything must be on the table, this program is exactly what the doctor ordered. Cutting it will kill jobs, end the development of a vital new industry, and most importantly – it will reduce tax revenue to the state.

This program is working and we should be very careful in making changes to it. While I feel the goal of SB249 to require a motion picture to shoot at least 50% in a Connecticut Studio is a good one - As the owner of studio facilities, I can tell you that this proposal would not propel growth of the industry as intended - it would actually stifle it.

As for the Job Training Bill - it serves to reaffirm the incredible work that OWC has done in developing a workforce training program for film. They are a shining example of what good Government can do and taking this training program away from them would be a big mistake.

The incentive program does three things: 1. It creates jobs. 2. It diversifies our economy. And 3. It generates tax revenue.

Number 1: **Jobs** -

I don't know if you saw the reports a few weeks ago but in Waterbury, over 850 people flooded the Holiday Inn to compete for 50 low-wage jobs. 850 people. There is no denying it. Like the rest of the nation, Connecticut is being swept up in massive jobs losses. According to many economists, the pain has only just begun.

Contrast that with the entertainment industry- perhaps the only growing sector of our economy. 91 productions have brought thousands of high paying, skilled jobs to the state. And now the digital media initiative is taking root. More than a dozen companies are engaged in active discussions to come to Connecticut and be a permanent part of this new industry.

This is all great stuff, but the real kicker - the thing that makes this a home run, is all of the indirect jobs created by this program. From lumber yards to copy shops, from dry cleaners to restaurants - increased business means new jobs. And of course, with at least seven new facilities being planned throughout the state - we will see thousands of construction jobs.

The second thing the incentive program does is **diversify our economy**. With the current financial crisis hitting Connecticut so hard, it is clearer than ever that we must create new industries and end our over-reliance on the financial sector.

The last point I want to make is that the idea that this program costs the state \$90M a year is just plain wrong. Through 2008, the state issued \$92M in tax credits and those credits generated \$600M in production and an estimated \$1.5B in new economic activity.

Ernst & Young just released a comprehensive study of the New Mexico program and found that every dollar spent generated \$1.50 in tax revenues. Not only is the program there generating thousands of jobs - it is actually providing a substantial net increase in revenues to the state. A similar study was just released in New York, and the benefits were even more pronounced.

It is precisely because these programs are effective that we are now seeing even more states moving to enact incentive programs. You would be hard pressed to find a state other than Connecticut that is considering paring down their incentive program.

That said, we at CFC understand that tough times like this require belt-tightening from everyone. We are very open to looking at ways to make the program more efficient and more effective. Thank you.

Connecticut Digital Media Infrastructure Developments

In our effort to build a permanent digital media industry in this state, the Connecticut Film Center (CFC) launched an international initiative to recruit companies, specifically video game development and visual effects companies, to relocate their operation to the Digital Media Center we are building in Connecticut. These companies would eventually establish thousands of permanent jobs in the state. We have met with the decision makers in major media companies in L.A., San Francisco, New York, the UK and France, and it is clear that we have just scratched the surface of potential for building a robust digital media industry in Connecticut. Consider that we launched the initiative just nine months ago, and already we are in relocation discussions with companies representing nearly 4300 initial permanent jobs leading to potential for many more permanent jobs and thousands of construction jobs for their facilities. What is by far the primary driver behind their interest is the combination of Connecticut's 30% tax credit and 20% infrastructure tax credit.

Consider the following companies, all of which are actively engaged with us in discussions to relocate to Connecticut.

COMPANY

BACKGROUND & STATUS

POTENTIAL NEW JOBS

Top International Game Development, Console & Video Game Publishing Company

Game console and game development giant and recognized worldwide leader in massively multiplayer online games, with development studios in multiple states and international locations. In active discussions with CFC to open a new development studio in CFC's Digital Media Center to fulfill 2009 expansion demands.

350 growing to 1,100

One of top 3 Visual Effects and Digital Animation Companies and the Digital division of a major US Film Studio

Academy award winning digital media studio and acknowledged pioneer of digital effects techniques actively pursuing alternative locations for operation. Considers CT and CFC Digital Media Center top of the list for re-location. Discussions ongoing from July 2008.

250 growing to 1,400

Largest independently owned visual effects company with clients across all major studios, and commercial production companies

Award winning, LA-based visual effects studio with a need to double its studio operation and employee base to fulfill feature film contracts for years 2010 and beyond. In discussion with CFC for the last 12 months to locate a new operation in the CFC Digital Media Center in 2009. Meetings in Hartford to discuss tax incentives, and work force development planned for first quarter 2009

Growing to 300 in first 24-36 months

<u>COMPANY</u>	<u>BACKGROUND & STATUS</u>	<u>POTENTIAL NEW JOBS</u>
Recognized world leader in feature film visual effects	Lead visual effects creator for the <i>Harry Potter</i> franchise and multiple Academy Award winning studio interested in creating a Connecticut-based joint venture, in partnership with CFC, to develop and train a digital media workforce to work on future top tier film effects assignments	50 growing to 1,500
Largest New York City-based game development company, owned by a major international video game publisher	In conjunction with the US Army developer of high tech, near future 50+ multiplayer first person user games. Success of their game franchises is driving immediate need for additional studio space.	Immediate need for studio space and up to 100 new hires
Owned by founder of French publishing giant, a New York based game development company.	Mid size game studio with operations in Quebec, PEI, and NY, seeking to expand East Coast operation to a more family friendly, recruitment friendly location with tax incentives and room to grow	150 growing to 500
Leading European Video Game Publisher	Meeting set for January to discuss CFC Digital Media Center and CT tax incentive to this tax saavy game publishing company.	Approximately 100
Largest UK visual effects and digital animation company in film, commercials and television	Producers of Christmas release, <i>Tale of Despareaux</i> with London and New York offices, in discussion with CFC to open an East Coast feature film base in a tax comprehensive state.	Approximately 100
Boutique Visual effects company	West Coast visual effects company in discussion with CFC to relocate their 36,000 square foot Santa Maria studio to a more tax effective and recruitment friendly environment	100 or more

OTHER CT DIGITAL MEDIA DEVELOPMENTS

Rhino Efx. Top East Coast based visual effects company	Already has a small CT presence, looking to expand	50 or more
Venan Entertainment. Connecticut-based mobile game development company	Successful Connecticut game development company owned by a young entrepreneur with the desire to expand their business beyond work for hire and to develop proprietary intellectual property	16 but could expand dramatically with continued incentive
New York City Digital Media Design Company.	Considering Spring 2009 move to CT.	Start with 25, grow to 50 or more.
3 yr Animated Project	Directed by leading animation director	300 jobs

CT SOUNDSTAGES/PRODUCTION FACILITIES

Clearlight Studios. Production Studio	80,000 sq ft production studios based in Bridgeport
Connecticut Studios	Major film/tv/digital media studio based in S. Windsor - managed by Pacifica Ventures (Albuquerque Studios)
United Studios of America. Production Studio	Searle Field and Howard Baldwin's company potentially based at Sonalyst in Waterford, bringing in major company
Mototown USA. Production Studio	Based in Windsor, UK partners
Hollywood East Studio	Based in Stratford. Multiple studios
RM Studios	Based in Norwalk
Connecticut Film & Digital-Media Center	Being developed by Connecticut Film Center, llc with major announcements to come of incoming Digital Media companies and new soundstages
Two Major Television Networks	Both considering very large investment in the state