

Testimony of Hal Katersky, Chairman

Pacific Ventures

Before the Commerce Committee of the CT General Assembly

Raised Bill No. 6505 An Act Concerning Expansion, Development and Job Training for the Film and Digital Animation Industry in Connecticut

Senator LeBeau, Representative Berger, Senator Frantz and Representative Alberts thank you for the opportunity to testify in support of Raised Bill 6505, An Act Concerning Expansion, Development and Job Training for the Film and Digital Animation Industry in Connecticut. My name is Hal Katersky and I am Chairman and CFO of Pacifica Ventures, a company that focuses on the worldwide acquisition, development and operation of filming and production facilities for motion pictures and television productions. We currently own and operate Albuquerque Studios in New Mexico and have plans to build a studio here in Connecticut. Our project can be shovel ready this year and have paying customers within a year from ground breaking. Raised Bill 6505 is an important bill for the film industry and the state. This bill focuses on reporting and analyzing the film industry's impacts and on training Connecticut's workforce for the job opportunities created by the film and digital animation industry -- an industry that is beginning to mature here in the state due to the legislature's enacting of the digital media and motion picture tax credit.

The reporting and data collection aspects of this bill are straightforward -- to look at the three film-related tax credits and report back to policy makers on the effectiveness of the credits and to analyze how the state promotes the credits and supports the film industry. This will allow policy makers to understand the magnitude of what these credits do for the state and to evaluate how to continue to support the development of the industry. As we have seen in other parts of the country, particularly in New York and in New Mexico these credits work. The credits incentivize companies to come to Connecticut and film, creating significant economic impact. Recent economic impact studies in New York and New Mexico, states with significant motion picture studio infrastructure, further prove that these incentive packages work and there is a direct correlation between the incentives and the number of productions. In New York, for example, State and City Return on Investment equals \$1.90 for each dollar

of state tax credit.¹ Similarly in New Mexico, where Albuquerque Studios – built and operated by our company, the enactment of the credit program has resulted in state and local tax collections of \$1.50 for each dollar of state rebate payment.² These studies, done by the international accounting and consulting firm Ernst & Young, provide empirical evidence which proves that spending driven by these tax credits benefit the state and local economies more than the cost of the tax credit. The studies further show that states with significant sound stage infrastructure have high yields (NY=190% and NM=150%) on film production tax credit programs. What this bill will do is provide the state the opportunity to see for itself just how much this program yields.

The second critical piece to this bill is the recognition that there needs to be education and training for Connecticut residents so that they can become gainfully employed within the industry. We saw this first hand in New Mexico and where we worked closely with the state, the educational institutions and the Unions to provide this training.

We are poised to replicate that here in Connecticut and have located and secured a site in the Greater Hartford area. Our Studio will be approx. 400,000 square feet and we will invest over \$65,000,000. Comprehensive education and training that is focused on the industry's needs is paramount to the success of the industry and maximizing the return for the state. At our Connecticut studio alone, we are projecting 1,650 production related union jobs per year paying an average salary of \$68,200, generating approximately \$112,500,000 in additional annual Connecticut payroll and an additional 114 full time studio facility jobs paying an average salary of \$37,500 generating approximately \$4,275,000 in additional Connecticut payroll. Our biggest challenge is the training and retraining of Connecticut residents in the Greater Hartford area in the skills required to operate in a state of the art film and television studio. By training Greater Hartford residents in these skills we will maximize the return on investment to the State of Connecticut for the tax credit and job training investments made by the State. In order to achieve these numbers – and not rely on either out-of-state employees or out-of-state post production facilities - we need trained professionals. Today's film and digital media industry is highly technical. We look forward to providing a valuable connection to the entertainment industry for Connecticut's regional technical schools, colleges and universities with related academic programs and providing strong incentives for graduates and young professionals to remain in the state. CT Studios will be a good neighbor. We will support community programs as we have in Albuquerque and we will meet

¹ Estimated Impacts of the New York State Film Credit prepared by Ernst & Young

² Economic and Fiscal Impacts of the New Mexico Film Production Tax Credit prepared by Ernst & Young

the business challenges that are presented to us. For example, we know that electricity charges are large in this area and our customers use a great deal of electricity in producing films and television shows. To address this challenge we plan to purchase and install Fuel Cells produced by United Technologies---our neighbor.

We urge the members of the Commerce Committee to support the legislation. Thank you for the opportunity to speak and I would be happy to answer any questions you may have.