HDTV - Entertainment, Inc.™
People, Service, Talent, Technology... Outstanding Television

Richard Spangenberg
Executive Producer & Managing Director

Finance, Revenue and Bonding Committee
Legislative Office Building, Room 3700
Hartford, CT 06106

02/23/2009

Re: Bill 933 - Sec. 7. Subsections (a) and (b) of section 12-217jj Line 463

> For each calendar year commencing on and after January 1, 2009,
> 464 the total amount of tax credit vouchers issued by the commission in
> 465 such calendar year shall not exceed thirty million dollars.

Distinguished Members of the Committee,

This revision in the bill represents a significant reduction in the program that was previously 90 million dollars. It effectively removes the incentive from any new ventures in the state in that the majority of these dollars will have already been spoken for. Thus killing all new activity.

I have heard that the primary complaint against the program is focused on a lack of job creation and bringing in outsiders to support the projects that have been done. Actual infrastructure progress has just begun to take place. That is progress. Jobs are the result of such activity. We have all heard of the plans being made for various sound stages, etc. Not to mention the FX house that is moving into Greenwich along with over 300 jobs. This is just the beginning or perhaps the end of growth if this bill is passed.

Perhaps bringing in outsiders is true at the moment, but that will not last long if the industry continues to be supported. And the true cost of the program can only be minimal as it must generate revenues that compensate for most if not more than the expense. Most significantly, it is a growth program that more than pays for itself!

It is pretty obvious that sometimes legislation should be supported because it is the right thing to do and will benefit the state over the long run. It takes time to build an industry and it is not done overnight. Building a film and television establishment within the state is the right thing for Connecticut. It will create jobs over time and create revenues for the state. It is exactly the type of spiraling upward the state needs. But, it will take some time to accomplish. It can be accomplished. It just takes commitment and a strategic decision to do it. All indications from other states are that these programs can generate an incremental 50 cents to 80 cents on every dollar provided. Even if the tax benefit merely broke even, it is again, the right thing to do. Exactly what the return is - is not important. Building jobs in CT and have the impact on the region such an industry would create over time is.

21 Bridge Square • Westport, CT 06880 • ph: 203.341.9812 • fax: 203.286.2277 • www.HDTV-Entertainment.com

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Thinking that jobs created for film production are not permanent is short term thinking and does not display a strategic understanding of what it takes to build an industry in the state. It takes time – not just two to three years. It's payback is enormous for decades into the future.

It is obvious that early in the development of a new business industry, bringing in talent is exactly what you would expect until the business is developed. Where else would the talent come from until studios, post houses and more are established. Not until vendors are established to support the industry. Jobs are built as residents are trained and gain experience. Jobs result as individuals want to live near where they work. Without projects being supported here, there would be no development and no training. Establishing a film and television industry takes some time and is beginning to happen.

As you know, since 2006 there have been 91 films made in Connecticut and 10 of them are up for Golden Globes.

Several projects are underway to develop sound stages, post houses and more. It is starting to happen. But now that the state is considering eliminating the benefits or reducing them dramatically, it could drive such projects away just as they are being planned. Firms do not commit to such things easily. They learn they need facilities once they see they are there often. They commit to them once the trust in the location and there is a strong benefit to being there.

Such a reduction would drive the project that I am working on away. That includes production of eight television shows, utilizing local stage facilities, establishing our own post production faculties and eventually building our own sound stages once that made sound economic sense.

I ask you to stay the course. Trust you own belief in building the industry in CT that you have stood by for the last few years. It is an investment that at worse is breakeven, at best perhaps generating as significant incremental revenue for the State.

And, it has the longer term benefit that will establish an industry in the state that will yield economic and individual rewards for all citizens within the state. I ask that we spiral upward in a down economy. I ask that we do not accelerate the decline. Vote in favor of maintaining the film tax incentives. Vote in favor of an increase of the budget not a decline.

Thank you for your time and support on this matter.

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02/19/2009

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> 464 the total amount of tax credit vouchers issued by the commission in
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Distinguished Members of the Committee,

This revision in the bill represents a significant reduction in the program that was previously 90 million dollars. It effectively removes the incentive from any new ventures in the state in that the majority of these dollars will have already been spoken for. Thus killing all new activity.

It has come to my attention that the finance committee is meeting this Monday to discuss cutting the film tax credit from $90 million to $30 million. <u>This is of grave concern to me and given the current economic times, I believe a mistake.</u>

I've attached reports from several state studies showing that film incentive generate revenues significantly beyond that of the tax benefit. *Results show anywhere between an incremental 50 cents to 86 cents on the dollar.* All surveys and studies can be interpreted incorrectly and debated as to details and methodology, but when several come to the same finding from several in several parts of the country. The debate has ended. These programs work; they generate funds for the state, create jobs, and generate wealth for the surrounding towns and cities. Dropping them or cutting them back would have the opposite effect.

<u>One could even make a case in poor economic times that caps should be removed</u>. These results would be considered phenomenal by any major US corporations even in good times. They would take all the business they could get. They would pour all of the funding they could into the program as they more than pay for themselves. It's a win, win. It's one way to stop the spiraling down of our state's economy. Cutting it back would make no logical sense.

For those that feel that reducing the level of film benefits or capping them at a much lower level would generate incremental revenue. Think again. <u>The effect on the state film and television production would be devastating</u>. Projects would simply leave and move to a state with a program. They would not stay and pay taxes. And if the work leaves, it probably won't be back for years even if the program is reinstated. It takes a long time, its part of a long term planning cycle, and once the work leaves, it's hard to get it back.

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Executive Producer & Managing Director

Take HDTV-Entertainment for example... we are planning on producing eight television programs in the state and are currently securing the funding to do so. That equals 208 episodes every year for the next 10 years or more. We plan on doing all of our own post editing and will most likely build studios in the lower Fairfield County area to support our productions. Think of the number of employees and secondary business that will bring to the area.

What will we do if the state reduces the tax benefits to $30 million from the current $90 million? In one word ... "Move to New York State". We could not count on having the tax breaks available that we expect to support the business as required. We and any other production venture would have no option but to move elsewhere as it is impossible to support a film or television venture today without them. We would feel compelled to do so if we felt that the state was not committed to the film program over the long term as well. And if all states cut their programs, that leaves Canada.

Naturally, as many of us live in CT, this is not something we care to do. My fiduciary responsibility to my investors, however, would provide no other option.

Please stand behind CT and it's workers by standing behind and in favor of the CT state Film Tax Incentive Benefits program. DO NOT allow it to be reduced or eliminated.

Talk to anyone involved with program and let them know to support if fully.

Sincerely,

Richard Spangenberg
Executive Producer and Managing Director
HDTV-Entertainment

Enclosed you will find additional information on studies showing film tax benefit impact in various states. This is no way all of the results available as we have not studied these programs in depth.

Current State reports on film tax benefits:

Studies showing film tax benefit impact in various states.
Note: this is no way all of the results available as we have not studied these programs in depth.

A study of **NEW YORK**'s tax breaks for movie and television production suggested that a 30 percent credit offered by the state, along with an additional 5 percent offered by New York City, could be expected to keep or create about 19,500 jobs while yielding $404 million in tax revenue, at a cost of $215 million in credits. A return of $1.87 for every tax dollar spent!

Ernst & Young figured that the state would have spent $184.4 million, while getting $208.7 million back in taxes. New York City, meanwhile, would get $195.3 million from a tax credit expenditure of only $30.7 million.

MA Study:
http://www.mass.gov/Ador/docs/dor/business/outstate/March_2008_Film%20_Incentives.pdf

New Study Projects Long-Term Economic Benefits
For CONNECTICUT's Film Tax Credit Program

Findings reveal $282 million in expenditures incurred by film production companies and show positive effects on gross state product, jobs and personal income

OHIO - Hungry to prop up their ailing economies, U.S. states are locked in a fierce competition to lure Hollywood filmmakers to their gritty cities and picturesque towns with tax breaks and other incentives.

The movement remains intense despite state budgets facing near crisis, largely because the movie and TV industry has emerged as a tough survivor in hard economic times. California, facing a $42 billion budget deficit, nevertheless approved a film tax credit Thursday.

The film industry's economic health has pushed some places like the struggling industrial state of Ohio to take a second look at tax breaks for filmmakers and TV producers after years of viewing such financial incentives as luxuries the state couldn't afford. The state shuttered its film commission for five years in 2002 because of budget cutbacks.

Ohio lawmakers are poised to approve film industry tax breaks soon, once they work out whether to offer to make the breaks big or bigger. Ohio lawmakers are poised to approve film industry tax breaks soon, once they work out whether to offer to make the breaks big or bigger. Ohio is one of only a handful of states left that don't already offer a state-level tax break to filmmakers or a giant pot of cash that producers and directors can tap for incentives.

Lawmakers in **INDIANA** overrode a governor's veto of film industry incentives there a year ago.

Vans Stevenson, who oversees state government issues for the Motion Picture Association of America, said the incentives states offer are more than offset by the economic benefits that result from film and TV production.

"The perception that this is a giveaway in inaccurate," he said. "States have recognized that show business is an economic development engine, and they want to get on board."

In **MARYLAND**, state officials realized just how important such incentives were to a state's economy in 2004, when they lost the film "Annapolis" — a story set in the Maryland city — to neighboring Pennsylvania.

Karen Hood, a spokeswoman for the Maryland Department of Business and Economic Development, which houses the state film commission, said production crews were ready to roll when **PENNSYLVANIA** officials drove into town touting their freshly minted film incentive program.

"They literally parked their trucks outside and said, 'Maryland can offer you two or three million? Well, we'll offer you 10,'" she said. "That was our 'Omigod moment.'"

A study conducted for **NEW MEXICO**, where films such as the Oscar-winning "No Country For Old Men," "The Book of Eli" and "In Plain Sight," showed positive results. The review by Ernst & Young, released earlier this month, found that 30 films produced in 2007 in that state generated about $253 million in spending and directly created 5,989 jobs.

New Mexico Gov. Bill Richardson boasted in his recent State of the State speech that the state had "created a new industry" over the past six years through its film industry incentive program.

An analysis by the nonprofit group Film **WISCONSIN** released in December, for example, found that new breaks and incentives in that state had brought in more than $9.2 million and created at least 850 jobs.

Film making brings state millions

A new report says New Mexico's tax incentives for film makers is generating extra revenue for the state.

The study by Ernst & Young says that for every dollar in tax breaks the state gives, it receives $1.50 back.

In addition, the study says the film industry has generated 3,829 jobs-- 2,220 in production and 1,609 in related services.

State tax collections in 2007 from film production amounted to $22.6 million.

Urnst & Young Study: http://nmfilm.com/locals/downloads/EconomicFiscalImpact.pdf