

**THE ECONOMIC IMPACT OF LOUISIANA'S ENTERTAINMENT TAX
CREDIT PROGRAMS**

For

**Office of Entertainment Industry Development
Louisiana Department of Economic Development**

By

**Loren C. Scott & Associates, Inc.
743 Woodview Court
Baton Rouge, LA 70810
www.lorencscottassociates.com
225-751-1707**

April 2013

Executive Summary

The purpose of this report is to examine the economic impact of the Louisiana tax credit incentive programs for the entertainment industry as administered by the Office of Entertainment Industry Development (OEID) within the Louisiana Department of Economic Development (LED) as required by La R.S. 47:6007(D)(6); 47:6023(D)(5) and 47:6034(G). Seven programs are examined: (1) film production, (2) film infrastructure---which sunset on January 1, 2009, (3) digital media, (4) sound recording production, (5) sound recording infrastructure---which sunset on August 1, 2009, (6) live performance production, and (7) live performance infrastructure--scheduled to sunset on January 1, 2014. A history of each program's development and a comparison to similar programs in key competing states is reviewed.

This analysis is based upon the amount of audited expenditures finally certified and credits issued in calendar years 2010, 2011 and 2012 based upon the final certification date. The economic impact is measured and calculated upon this premise. A portion of the spending that has been subsequently certified in the given calendar year may have occurred in a previous year. However, the fiscal impact is not felt until the credits are certified and issued.

Table EX-1 shows the amount of tax credits certified by year in each of the seven programs over 2010-12. Note that the film production figures for all three years and the digital media figure for 2012 have been adjusted for the 85% buy-back provision optioned.

Table EX-1
Tax Credits Certified Per Program: CY2010- CY12
(Millions of Dollars)

Category	2010	2011	2012
Film Production	\$110.1*	\$183.9*	\$218.4*
Film Infrastructure	17.3	8.9	7.2
Digital Media	2.5	8.3	6.3*
Sound Recording Production	0.3	0.3	0.1
Sound Recording Infrastructure	0.4	0.6	0
Live Performance Production	0.5	0.6	1.7
Live Performance Infrastructure	0	4.9	2.7
Total	\$131.1	\$207.5	\$236.4

Source: Louisiana Department of Economic Development, Office of Entertainment Industry Development.

*Number adjusted for buy-backs

The amount of certified Louisiana spending in each of these seven programs over 2010-12 is shown in Table EX-2. For the purposes of this analysis, "certified Louisiana

spending” is defined as the actual amounts of qualified spending verified by an independent audit and certified in the given calendar year based upon the final certification date when the tax credits are issued.

Table EX-2
 Certified Spending in Louisiana: CY2010- CY12

Category	2010	2011	2012
Film Production	\$387,069,483	\$676,998,925	\$717,175,057
Film Infrastructure	43,222,239	22,272,760	17,958,038
Digital Media	11,415,907	28,947,293	19,646,998
Sound Recording Production	1,379,243	1,085,665	421,352
Sound Recording Infrastructure	1,438,069	2,417,780	0
Live Performance Production	2,061,869	3,624,538	7,035,416
Live Performance Infrastructure	0	19,501,997	10,935,569
Total	\$446,586,810	\$754,848,958	\$773,172,430

Source: Louisiana Department of Economic Development, Office of Entertainment Industry Development

A state input-output table was used to estimate, inserting the direct spending in Table EX-2, the total impact on the Louisiana economy. Table EX-3 illustrates the impact in 2012 of each of the seven programs on business sales, household earnings and jobs in the state. In that year the tax credit programs supported just **over \$1.1 billion in sales at firms in the state, \$770.6 million in household earnings** for state citizens, and **15,184 jobs**. While not shown in the table, it is estimated that in 2012 this spending generated **\$53.9 million for the state treasury** and **\$34.7 million for local governments**. The last column shows the business sales per dollar of tax credits.

Table EX-3
Total Impacts Certified Spending on the Louisiana Economy: CY2012

	Business Sales	Household Earnings	Jobs	Sales Per Dollar of Tax Credit
Film Production	\$1,034.1	\$717.9	14,011	\$4.75
Film Infrastructure	37.4	11.8	294	5.19
Digital Media	25.5	23.6	447	4.05
Sound - Production	0.5	0.4	14	5.00
Sound - Infrastructure	0	0	0	0
Live Performance Production	10.1	7	239	5.94
Live Performance Infrastructure	22.8	9.9	179	8.44
Total	\$1,130.4	\$770.6	15,184	\$4.80

Note: Sales & earnings in millions of dollars. No certified sound recording infrastructure spend in 2012.

Table Ex-4 shows the estimates of the direct and indirect jobs under each program. By dividing the total job number of 15,184 by the total direct jobs of 6,363 there is an overall job multiplier of 2.4 for these programs. That is, for every job supported in the entertainment sector, 1.4 jobs are supported indirectly elsewhere in the state via the multiplier effect.

Table EX-4
Direct, Indirect & Total Jobs Generated by Entertainment Sector: CY2012

	Direct Jobs	Indirect Jobs	Total Jobs
Film Production & Infrastructure	5,976	8,329	14,305
Digital Media	221	226	447
Sound - Production	6*	8*	14
Sound - Infrastructure	0	0	0
Live Performance Production & Infrastructure	160	258	418
Total	6,363	8,821	15,184

Note: No certified sound recording infrastructure spend in 2012. *Numbers too small for direct estimation.

Data from Table EX-2 along with certified tax credits were used to estimate the impact to the state budget of achieving the benefits shown in Table EX-3. The amount of the impact to the state's budget and the cost to the state per job are shown in Table EX-5.

Table EX-5
 Budgetary Impacts Across All Entertainment Programs: For Calendar Year 2012

Program	Net Impact on State Treasury (Millions)	Cost Per Job to State (Per Year)
Film Production	-\$168.2	\$12,005
Film Infrastructure	-6.4	21,769
Digital Media	-4.6	10,291
Sound Recording Production	-0.08	5,714
Sound Recording Infrastructure*	-0.5*	12,500*
Live Performance Production	-1.2	5,017
Live Performance Infrastructure	-2.0	11,387

*Data are for 2011. There was no sound recording infrastructure spend in 2012.

The programs clearly have an economic impact to the state of Louisiana in the form of increased business sales and jobs for Louisiana residents. However, there are some expenditures that currently qualify that have minimal direct impact to Louisiana's economy. As a result, it is recommended that the legislature and program administrators take into consideration statutory limitations on certain expenditures that do not have significant direct economic impact to Louisiana's economy such as the amount of non-resident producer, director, writer, and talent salaries that are currently eligible for tax credits. In addition, there are several other "soft costs" (airfare, bond fees, finance fees and interest) that currently qualify and should not be eligible for credits. These changes would enhance the economic impact of these programs.

TABLE OF CONTENTS

	Page
Executive Summary	ii
I. Introduction	1
II. History of Entertainment Incentives in Louisiana	1
Film - Legislative History	1
Film-Administrative Improvements	2
Digital Media – Legislative History	5
Sound Recording – Legislative History	7
Musical and Theatrical Production Income Tax Credit - Legislative History	9
III. A Comparison to Programs in Other States	10
Comparative Film Inducements	10
Incentives for Digital Interactive Media and software Development, Sound Recording and Live Performance	13
IV. Economic Impacts of Entertainment Spending in Louisiana	13
Direct Entertainment Spending in Louisiana	13
Indirect Impacts of Entertainment Spending in Louisiana	14
Measuring the Indirect Effects	14
Data Nuances for Impact Analysis	15
Impact of Film Production Spending	16
Impact of Film Infrastructure Spending	17
Film Production & Infrastructure Industry Effects	18
Impact of Digital Interactive Media & Software Spending	19
Digital Interactive Media & Software Production Industry Effects	20
Impact of Sound Recording Production Spending	21
Impact of Sound Recording Infrastructure Spending	22
Sound Recording Production & Infrastructure Industry Effects	22
Impact of Live Performance Production Spending	22
Impact of Live Performance Infrastructure Spending	23
Live Performances Production & Infrastructure Industry Effects	24
Total Impacts of All Certified Entertainment Spending	25
V. Benefits Compared to Tax Credits	28
Impact on the State Treasury	29
Uses for Tax Credits	29
Tax Credits and Film Production	31

Tax Credits and Film Infrastructure	32
Tax Credits and Digital Media	32
Tax Credits and Sound Recording Production	33
Tax Credits and Sound Recording Infrastructure	33
Tax Credits and Live Performance Production	34
Tax Credits and Live Performance Infrastructure	34
Summary of Budgetary Impact for 2012	35
VI. Recommendations for Program Improvement.....	35
Treatment of Soft Costs and Above the Line Salaries.....	35
VII. Summary & Conclusions.....	36

I. Introduction

The purpose of this report is to examine the economic impact of the Louisiana tax credit incentive programs for the entertainment industry as administered by the Office of Entertainment Industry Development (OEID) within the Louisiana Department of Economic Development (LED) as required by La R.S. 47:6007(D)(6); 47:6023(D)(5) and 47:6034(G). Incentives are presently provided to four different broadly defined areas within the industry: (1) motion pictures, (2) digital interactive media and software development, (3) sound recording, and (4) live performances. Incentives are provided to encourage producing these activities within the state and also, in some cases, for building infrastructure---such as sound stages, support facilities and theaters---to support the industries incentivized by the state's tax credit programs..

In Section II of this report, a brief history of the legislation that has been adopted to secure these industries for Louisiana is highlighted and shows recent trends in the four different areas over the 2008-12 period. A comparison of Louisiana's entertainment promotion programs to those in several competing states is the topic of Section III. A key question is to what extent have these incentives impacted business sales, household earnings, jobs, and tax collections in the state? That is the topic covered in Section IV. While the impacts estimated in Section IV may be impressive, it is important to compare those benefits to the cost of the program to the state's budget. That is the subject of Section V. In Section VI, the information covered to that point in the report is used to make suggestions for future changes in the incentive program if any appear warranted. A summary and conclusions follow in Section VII.

II. History of Entertainment Incentives in Louisiana

Film - Legislative History¹:

The modern day film incentive program was originally enacted in 2002 as a **non-transferable** tax credit program for film investors. In later years, the program has been enhanced to include fully **transferable** tax credits, an infrastructure tax credit (which has since sunset), and a state-buyback.

Substantive details of the program are documented in the timeline below:

In **2002**, the modern Motion Picture Investor Tax Credit Program was created. The program allowed for a 10% tax credit to be earned on projects investing between \$300,000 and \$1,000,000 with an additional 10% for Louisiana payroll. For investments greater than \$1,000,000 a 15% tax credit was allowed and an additional 20% for

¹ **Film:** Acts 2002, 1st Ex. Sess., No. 6, §1, eff. July 1, 2002; Acts 2003, No. 551, §§3 and 6; Acts 2003, No. 1240, §3, eff. July 1, 2003; Acts 2004, 1st Ex. Sess., No. 7, §1, eff. March 25, 2004; Acts 2005, No. 456, §1; Acts 2007, No. 456, §2, eff. July 1, 2007; Acts 2009, No. 478, §1, eff. July 9, 2009; Acts 2009, No. 530, §1, eff. July 10, 2009; Acts 2010, No. 633, §2, eff. July 1, 2010.

Louisiana payroll. In addition, there was a sales tax exemption on purchases totaling \$250,000 or more in Louisiana.

In **2003**, minor tweaks were made to the program to increase the investment range and the credits were made **transferable**. A 10% tax credit on investments between \$300,000 and \$8,000,000 was allowed, and a 15% tax credit was allowed on investments greater than \$8,000,000. The Louisiana payroll credit remained the same as did the sales tax exemption.

In **2005**, the first wave of major changes to the program was enacted. A 25% credit was allowed on in-state expenditures from January 1, 2006 through December 31, 2009, a 20% credit from January 1, 2010 through December 31, 2011 and a 15% from January 1, 2012 onwards. The Louisiana payroll credit was made 10% across the board. In the same statute, for the first time, an **infrastructure incentive program** was enacted at a total rate 40% (the original statute allowed for 25% plus an additional 15% for state-certified infrastructure projects). The sales tax exemption was removed and a full audit became mandatory for any project seeking motion picture tax credits. At this time, the **state buy-back provision** was added starting at 72% of the face value of the credits and increasing 2% every two years starting in 2009 until the percentage reached 80%.

In **2007**, minor clarifications were made to the production credit and the infrastructure credit---originally scheduled to sunset at the end of 2007---was extended another year to January 1, 2009. For further details on specific program requirements, see the legislation referenced in the footnote below.

A second wave of major changes was enacted in **2009**. The credit on in-state spending was raised to 30% without a sunset. The scale back in the credit value was removed, the Louisiana labor wage was reduced to 5% and the state buy-back was increased to 85% of the face value of the credits.

The current program has no sunset and remains at 30% of qualified in-state spending on goods and services performed in Louisiana. An additional 5% (limited to the first \$1,000,000 per Louisiana resident, per project) may be earned by the production for the employment of Louisiana resident labor. The tax credits remain fully transferable and there are three options for claiming these credits: First, the entity or individual that earns the credit can utilize it to offset any personal or corporate income tax liabilities. Second, the credits can be transferred to another Louisiana taxpayer. Third, the credits can be transferred back to the state for 85 percent of the face value of the credits.

Film - Administrative Improvements

Since 2008, significant improvements have been made to the program and the administration of the program as follows:

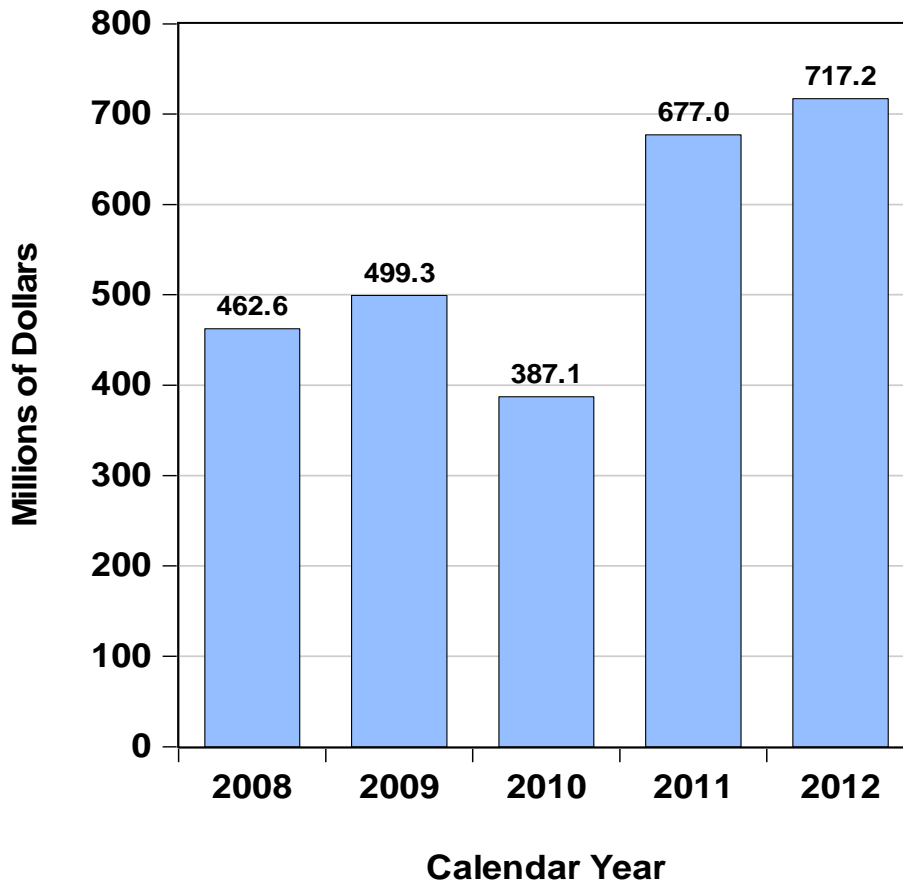
- A new legal position was funded that was dedicated to supporting the Office of Entertainment Industry Development (OEID) programs in 2008. Previously there

was no dedicated legal staff to support OEID, including the Motion Picture Tax Credit Program.

- Several staff positions were added in 2008 dedicated to administering OEID programs not associated with the Motion Picture Investor Tax Credit program, which enabled OEID staff members handling the Motion Picture Tax Credit Program to focus exclusively on administering and marketing that program (whereas before they had to divide their time across multiple incentive programs);
- Following years of negotiations and hearings with industry stakeholders and the legislative oversight committees, as well as multiple changes in related state law (in 2003, 2004, 2005, 2007, and 2009) that followed enactment of the modern-day Motion Picture Tax Credit Program in 2002, program rules were promulgated in 2010, and since promulgation they have been regularly issued to all applicants;
- With extensive input from the Louisiana Society of CPAs, audit guidelines for the Motion Picture Tax Credit Program, which are provided as an attachment to initial certifications, were strengthened and made more specific to the particular nature of the program in 2009, 2011 and 2012;
- Following the creation of a new mechanism to authorize and fund additional audits (at the direction of the Louisiana Department of Economic Development (LED)) when appropriate, the OEID entered into a three-year professional services contract with a forensic auditor who conducts such audits on a case-by-case basis on behalf of the state;
- OEID launched an updated website (LouisianaEntertainment.gov) in 2010 with an enhanced focus on informational notices, current audit guidelines and FAQs designed to better educate the entertainment industry on the Motion Picture Tax Credit Program (and other OEID programs), such as eligible and ineligible expenditures.

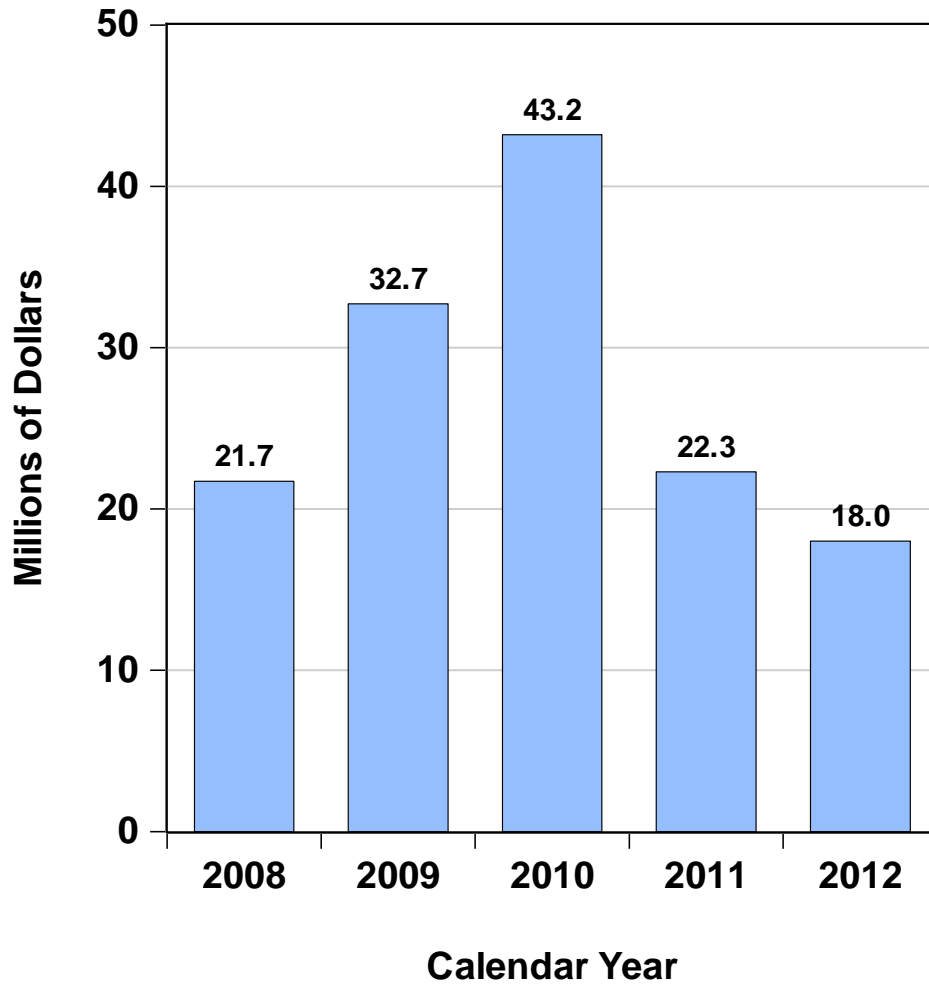
An obvious question is whether the legislative and administrative tweaks to the film production tax credit program have had any measurable effect in attracting the industry to Louisiana? The data on actual certified Louisiana spending on film production that has utilized the tax credit program over 2008-12 that are shown in Figure 1 is revealing. **Note that in the 5-year period from 2008-12, actual certified spending in Louisiana on film production (that utilized the tax credit program) is up by \$254.6 million---a quarter of a billion dollars, an improvement of 55%.**

Fig. 1: Certified Film Production Spend in Louisiana



When it comes to the certified film infrastructure spending in Louisiana the same sort of pattern does not exist, as seen in Figure 2. While film production spending increased in 2011-2012, film infrastructure spending fell. This spending reduction is because the motion picture infrastructure program is no longer active and sunset at the end of 2008 (statutory descriptions are detailed in the history section above). Tax credits were issued from 2010 through 2012 as a result of projects that were closing out their spending, and Figure 2 notes a steady decline in certified spending for these calendar years which, again, is appropriate for a program that is no longer active. It is apparent that the film infrastructure spending in the earlier years worked as an added incentive to attract film production spending in the following years by providing the state with much needed infrastructure.

Fig. 2: Certified Film Infrastructure Spend in Louisiana



Digital Media - Legislative History²:

The Digital Interactive Media tax credit program was enacted in 2005 and was originally designed to attract companies and increase development in the video game sector in Louisiana. In 2009, the focus of the program was expanded to also include a broad spectrum of digital media and software applications in addition to video games including:

- Mobile Apps and Internet Platforms (SAAS)
- Enterprise Software
- E-commerce platforms

² **DM:** Acts 2005, No. 346, §1, eff. June 30, 2005; Acts 2009, No. 454, §1, eff. July 1, 2009; Acts 2011, No. 415, §§1, 3, eff. July 11, 2011.

- Mobile communication including cell phones and GPS navigation
- Online learning and training
- Interactive devices

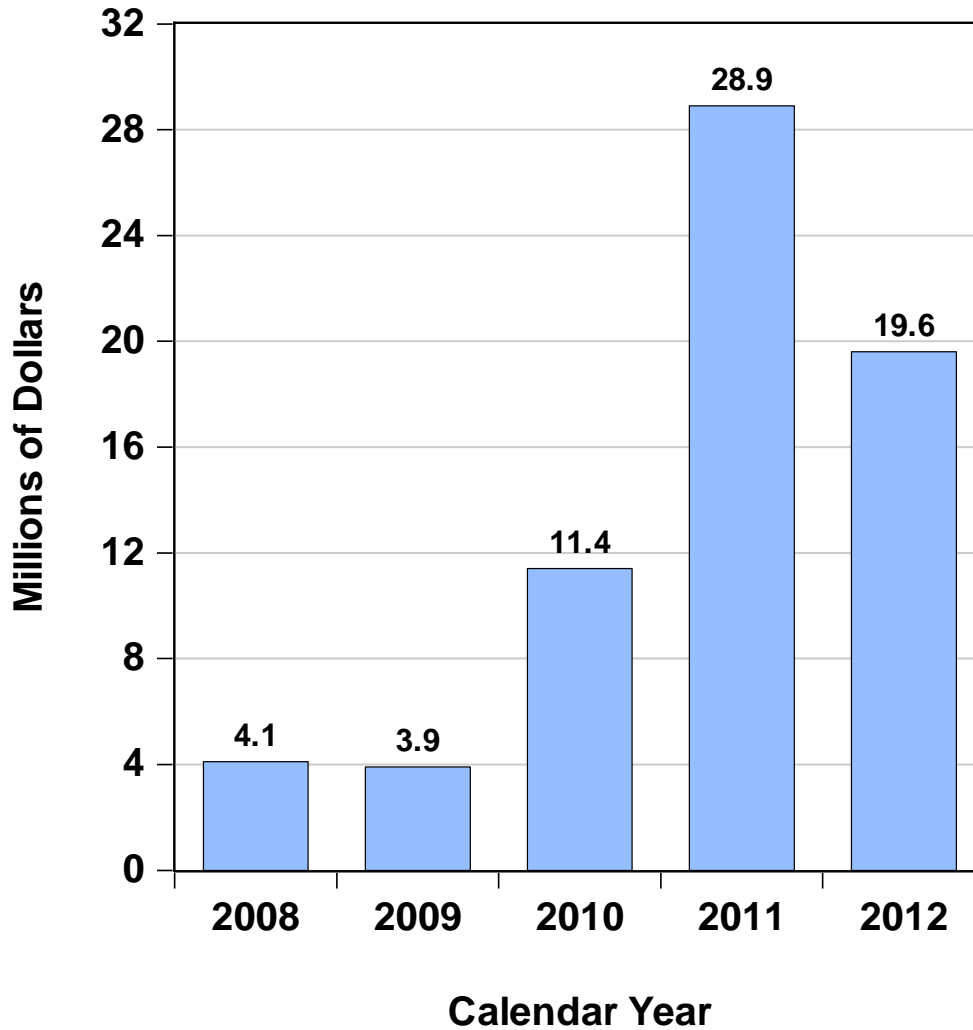
In **2005**, the Digital Interactive Media tax credit program was created. The original program granted tax credits at the rate of 20% for years 1 and 2; 15% for years 3 and 4; and 10% for years 5 and 6. The company had to be in operation in Louisiana for at least one year after the date of final certification. The first version of the program was originally scheduled to sunset on January 1, 2010.

In **2009**, the tax credit increased to 25% with an additional 10% for Louisiana resident labor and without the scheduled phase down. The sunset was lifted and the program was made permanent.

In **2011**, changes were made during the legislative session that included a 6-month look-back from date of initial certification to capture eligible expenditures, and transferability was eliminated. Prior to these changes, expenditures going as far back as July of 2005 were potentially eligible. The purpose of this legislation is forward thinking and designed as an incentive for future activity, not to reward past activity that has already occurred regardless of the incentive program. For any expenditures incurred after January 1, 2012, the applicant can opt for an immediate transfer to the state for 85% of the face value of the credits or opt to file credits against any outstanding Louisiana tax liability for 100% of the face value of the credits with any overpayment being refunded.

Figure 3 provides data on the Louisiana certified spending under the digital media program. Several points are noteworthy in this chart. First, the reader will note that this program generated a non-trivial level of Louisiana expenditures in the latest year of approximately \$19.6 million. Secondly, this figure is down about \$9.3 million from the peak year of 2011 (\$28.9 million) which is directly attributable to the change in the legislation in 2011 which provided that only expenditures made six months prior to the date of initial certification were potentially eligible for credits. Thirdly, the data suggest legislative and administrative changes have been helpful since 2008, because the spending level in 2012 is up by almost a factor of five since 2008.

Fig. 3: Certified Digital Media Spend in Louisiana



Sound Recording - Legislative History³:

Louisiana has a rich musical heritage, and the Sound Recording Investor Tax Credit Program, enacted in 2005, was designed to increase sound recording productions in Louisiana. The program's primary objective is to encourage development in Louisiana of a strong investment base for sound recording productions in order to achieve an indigenous sound recording industry. The sound recording program has provided support for many Grammy winning and nominated recordings including *The Rebirth Brass Band* and *The Dave Matthews Band*. Projects continue to utilize the sound recording program and production is taking place throughout the entire state of Louisiana.

³ **Sound:** Acts 2005, No. 485, §1, eff. July 12, 2005, applicable to tax years beginning on and after Jan. 1, 2006; Acts 2007, No. 368, §1, eff. July 10, 2007; Acts 2009, No. 475, §1.

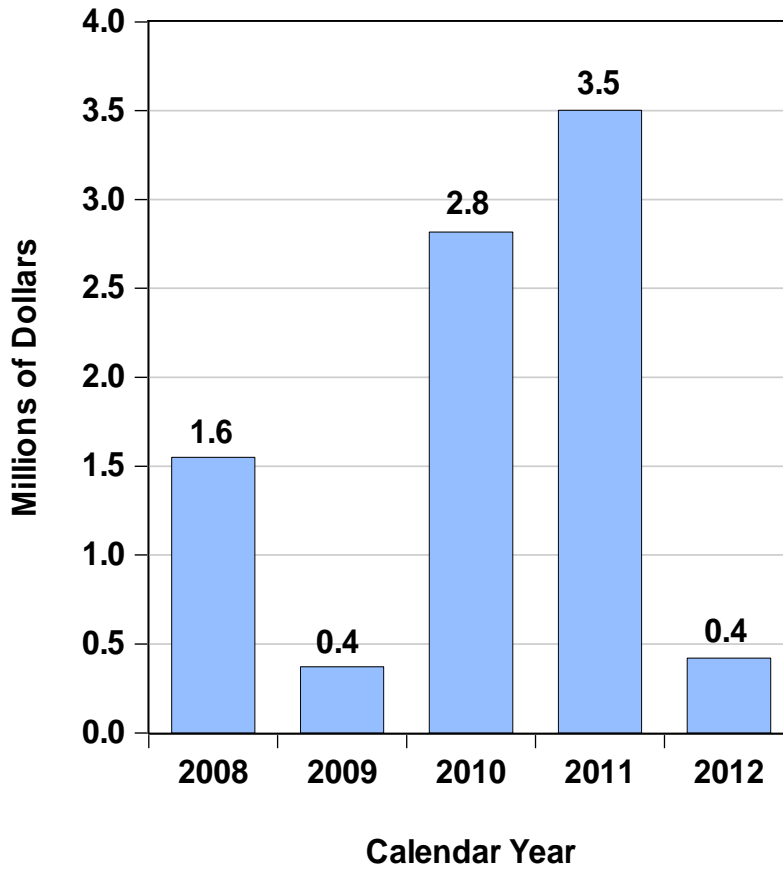
Again, the first legislation was passed in **2005** and it was scheduled to sunset in 2008. The program originally granted tiered tax credits of 10%, 15% or 20% based on level of expenditures for qualifying recording and infrastructure projects. There was a minimum spend requirement of \$15,000.

In **2007**, the sunset was extended to January 1, 2010. Credit was changed to 25% for all projects applying after July 1, 2007 that met a minimum spending requirement of \$15,000.

In **2009**, the sunset for production was extended to January 1, 2015. Sunset of infrastructure program was set at August 1, 2009. The program is capped annually at \$3,000,000 and is a 100% refundable tax credit.

Figure 4 illustrates the total Louisiana spending on **both** sound recording production and infrastructure. The charted decline between calendar years 2011 and 2012 highlights the sunset of the sound recording infrastructure program which had seen the bulk of related spending finally certified in calendar years 2010 and 2011.

Fig. 4: Certified Sound Recording Production & Infrastructure Spend in Louisiana



Musical and Theatrical Production Income Tax Credit Program - Legislative History⁴:

The Musical and Theatrical Production Income Tax Credit Program (also called the live performance tax incentive program) is the least mature of the entertainment incentive programs, but its early successes have been substantial and, much like the film program, other states are following Louisiana's lead by creating similar incentive programs. The program is providing support for major infrastructure projects in New Orleans, Shreveport, Baton Rouge, Lake Charles and Monroe. The damage from Katrina to New Orleans' historic theaters provided the impetus for the original legislation, and a theater renaissance has kicked off in New Orleans thanks to state tax credits.

The production incentive has supported major concert and theatrical productions across Louisiana, and Cirque du Soleil, the largest live entertainment company in the world, recently took advantage of the live performance production incentive to re-mount the Michael Jackson "Immortal" tour in Shreveport. This tour was Cirque du Soleil's largest tour in North America in history, and they will continue their production expansion in Louisiana with the re-mount of the "Varekai" tour in the Fall of 2013.

The Musical and Theatrical Production Income Tax Credit program was originally enacted in **2007**. The focus of the program is twofold: (1) renovation, restoration and construction of new and existing musical and theatrical production infrastructure, and (2) encouraging investment in production which originates in the State of Louisiana in the form of tour launches, pre-Broadway tryouts, technical rehearsals, and new resident and regional productions.

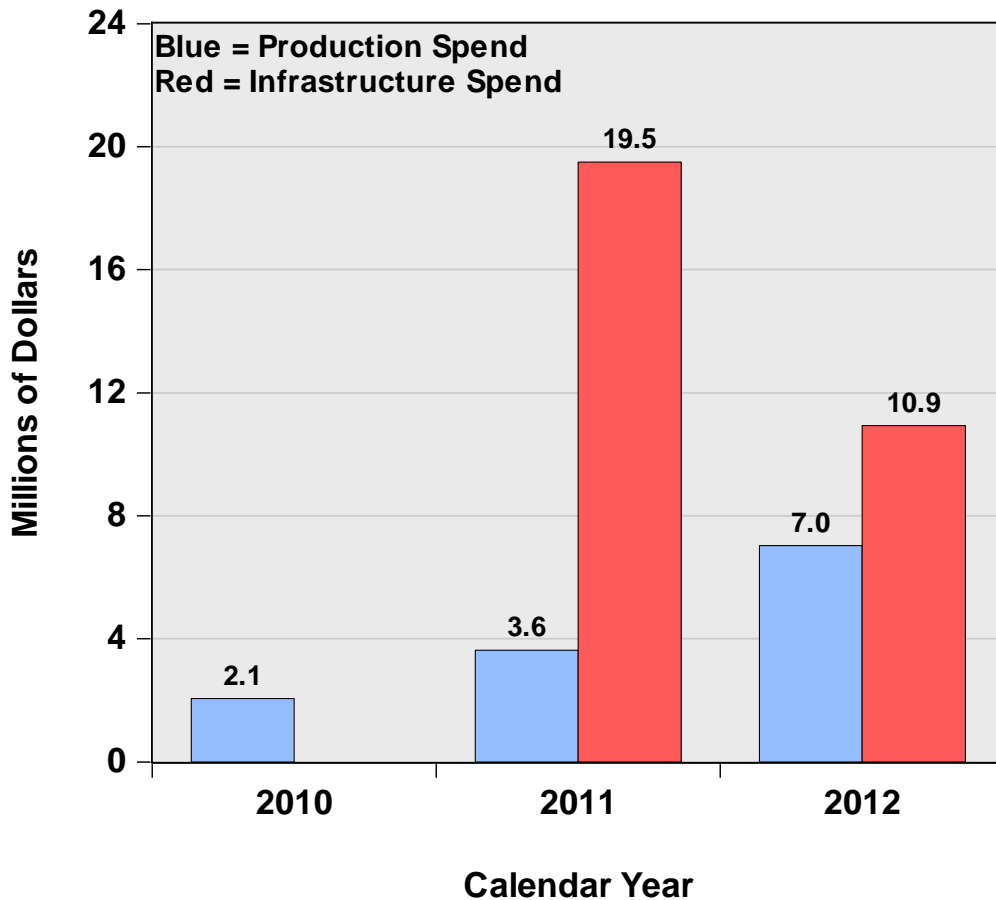
Again, in **2007** the first legislation was passed authorizing a refundable or transferable tax credit of 10%, 20% or 25% based upon level of expenditures with an additional 10% labor credit for Louisiana residents for qualifying production and infrastructure projects. The infrastructure program was capped at \$60,000,000 annually; however, there is no cap on production credits. In addition, while there is no sunset on production credits, there is a January 1, 2014 sunset on infrastructure credits.

In **2009**, minor statutory revisions were made to clarify definitions and the scope of qualifying projects. No material changes were made to the credits.

Figure 5 tracks both production and infrastructure spending in Louisiana in the live performances category. This program only generated certified spending starting in 2010. It is the third smallest program among the entertainment promotion categories, and most of the tax credits in this area have been for infrastructure spending.

⁴ **Live:** Acts 2007, No. 482, §1, eff. July 19, 2007; Acts 2009, No. 448, §1, eff. July 8, 2009; Acts 2009, No. 465, §1, eff. July 8, 2009.

**Fig. 5: Certified Live Performance
Production & Infrastructure Spend in Louisiana**



III. A Comparison to Programs in Other States

Louisiana is considered a pioneer in entertainment incentive programs. Several other states (some 40+ in film alone) have adopted similar programs, creating intense competition for these types of businesses. This section of the report examines how Louisiana's incentives stack up against key states which the OEID has deemed the state's strongest competitors for this business.

Comparative Film Inducements

Table 1 details film incentive structures across various states including Louisiana, Georgia⁵, North Carolina⁶, Michigan⁷ and New Mexico⁸. Among these five states,

⁵ O.C.G.A. § 48-7-40.26

⁶ H 1973 (SL 2010-147); H 713 (SL 2010-89); S847 (SL 2012-194)

⁷ MCL 125.2029-MCL 125.2029h

⁸ New Mexico Statutes 7-2F-1

Louisiana offers a base incentive rate of 30%. Out of the five states, Georgia and Louisiana are the two most competitive; both offering a 30% base incentive rate with additional incentives (basic structures outlined in Table 1 below).

Table 1
Film Incentive Structures Across Various States: 2012

	Louisiana	Georgia	North Carolina	Michigan	New Mexico
Rate	30%	30%	25%	27% for spend & non-resident labor; 32% for resident labor; 20% for non-resident below the line labor (rates are applied to the particular category, not additional)	25%
Added Incentive	5% resident labor	Sales and use tax exemption	None	3% for qualified production or post-production facility	None
Caps	None	None	\$20 million in credits per project; first \$1 million of each resident & non-resident salary qualify	Cap of \$2 million (in payment) for each resident and non-resident; Payments for Michigan producers shall not exceed 10% of expenditures (5% for non-Michigan producers)	\$50 million allocation per fiscal year.
Sunsets	None	None	12/31/14	None	None
Minimum Spend	\$300,000	\$500,000	\$250,000	\$100,000	None
Credit Type	Transferable / Rebate (85%)	Transferable	Refundable (100%)	Rebate (100%)	Refundable (100%)

Source: Louisiana Department of Economic Development, Office of Entertainment Industry Development

In addition to the 30% base rate, Louisiana offers an additional credit for resident labor while Georgia, Louisiana's main competitor, allows for a sales/use tax exemption. While the base rate of incentives are important, the programs that have no overall caps in place tend to be the most successful. North Carolina boasts of a 25% refundable credit

but has a cap per project of \$20 million in credits; their program is scheduled to sunset at the end of 2014. Other states such as Michigan and New Mexico began their programs with no cap and since caps were introduced, these states have seen a significant reduction in the production activity within their jurisdictions. Implementing a program cap of any sort would clearly make it difficult for Louisiana to remain competitive with Georgia and other similar programs, unless the cap is set at or above the current level of annual credits (~\$250 million per year) and is implemented on a rolling basis (with any credits in excess of the current-year cap automatically first in line for the following year).

Table 2 lists some key restrictions on what qualifies for the tax credits that are available across these five states. Generally speaking, with the exception of how the resident labor provisions are handled, the other four states are more restrictive in what is allowed to count towards spending that qualifies for tax credits. For example, Michigan, North Carolina and New Mexico place limitations on Above-The-Line (ATL) expenditures and talent salaries. New Mexico does not allow any tax credits for non-resident directors, producers and writers.

Finally, when it comes to finance fees, loan interest, legal fees, insurance, bond fees, and airfare, all are qualified in Louisiana, Michigan and New Mexico. However, Georgia does not allow finance fees and loan interest while North Carolina prohibits finance fees, interest expenses, legal fees and bond fees.

Table 2
Specific Limitations on Tax Credit Qualifications

State	Limitations	ATL Spending
Louisiana	5% credit limited to 1st \$1 million of any individual resident's salary	Qualifies at 30%
Georgia	\$500,000 cap per W2 employee, per production; no cap on 1099 or services contract employee	Qualifies fully if paid as a loan-out or 1099
North Carolina	First \$1 million of each resident/non-resident salary qualifies	Same
Michigan	Maximum of \$2 million of each resident/non-resident salary qualifies	Same \$2 million limitation with these additional caveats: resident producer fee shall not exceed 10% of the total expenditures and non-resident producer fee shall not exceed 5%
New Mexico	Miscellaneous other expenditures limitations by law.	Credits on non-resident talent capped at \$5 million; Non-resident directors, producers & writers do not qualify

Source: Louisiana Department of Economic Development, Office of Entertainment Industry Development

Incentives for Digital Interactive Media and Software Development, Sound Recording and Live Performance

With innovative incentives and Oscar-worthy talent, Louisiana was the top-ranked state for Digital Media in *Business Facilities' 2012 State Rankings Report*. Louisiana's **digital media** incentive is the strongest in the United States. Other states offer similar incentives, but they do not cover the range of development activities that Louisiana incentivizes. Louisiana offers tax credits for video game development, consumer software, enterprise software, web-based software, mobile applications, interactive devices and embedded systems. The program is also unique in that it offers incentives to both small and large companies with no minimum or maximum spend threshold as required in most other states.

At this time, although most states have active music industry development initiatives, the only **sound recording** tax credits that mirror Louisiana's are located in Canada. New laws modeled on Louisiana's **live performance** program were recently passed in Rhode Island and Illinois, and efforts are underway in Massachusetts to pass similar legislation. These programs are solely for production tax credits and do not include infrastructure. In Rhode Island, the credit is 25% of total production and performance and transportation expenditures that must total at least \$100,000. No more than \$15 million in tax credits can be issued each year for motion picture productions and live performances combined.⁹ The Illinois law is even more restrictive with credits capped at \$500,000 per production and \$2 million per year, plus companies must use a venue with seating of at least 1,500.¹⁰

IV. Economic Impacts of Entertainment Spending in Louisiana

Back in Section II, Figures 1-5 illustrated the certified Louisiana spending in film production, digital media, sound recording and live performances over calendar years 2008-2012. An important aspect of the statutory requirement to provide a report every other year is to estimate the impact of this certified spending on the Louisiana economy for the three calendar years of 2010-12. That is the topic of this section of the report.

Direct Entertainment Spending As A Whole In Louisiana

The amount of the certified direct Louisiana expenditures from 2010 to 2012 by category and in total is detailed in Table 3. As was noted in the discussion of Figures 1-5, expenditures on **film production** are by far the largest among the categories, peaking at about \$717.2 million in 2012.

Since 2010, **total entertainment spending has steadily risen from almost \$446.6 million to nearly \$773.2 million in 2012----a 73% increase.** By examining the

⁹ Title 44, Chapter 44-31.3, Section 44-31.3-2

¹⁰ <http://blogs.wrpi.com/2012/11/27/ri-is-1-of-3-states-that-offer-musicals-plays-a-theater-tax-credit/>

data in the table, it is clear that the program is performing as designed and continues to increase the economic impact to the state.

Table 3
Certified Spending in Louisiana: CY2010-CY12

Category	2010	2011	2012
Film Production	\$387,069,483	\$676,998,925	\$717,175,057
Film Infrastructure	43,222,239	22,272,760	17,958,038
Digital Media	11,415,907	28,947,293	19,646,998
Sound Recording Production	1,379,243	1,085,665	421,352
Sound Recording Infrastructure	1,438,069	2,417,780	0
Live Performance Production	2,061,869	3,624,538	7,035,416
Live Performance Infrastructure	0	19,501,997	10,935,569
Total	\$446,586,810	\$754,848,958	\$773,172,430

Source: Louisiana Department of Economic Development, Office of Entertainment Industry Development

Indirect Impacts of Entertainment Spending in Louisiana

In determining the impact of the entertainment spending on the Louisiana economy, it is important to note that the data in Table 3 do not capture the full impact. The reason is that these data only capture the **direct impact** on the economy. When workers in the industry receive their paychecks, they will then take that money and spend some of it at grocery stores, car dealerships, clothing stores, theaters, etc., in the state. This creates new incomes for people in those sectors, and they will go spend their new earnings at grocery stores, car dealerships, clothing stores, theaters, etc., and the cycle keeps repeating.

It may be helpful to think of the Louisiana economy as one large economic pond. Into this pond a rock was dropped for certified spending in 2012 that represented \$773.2 million in entertainment spending. When the rock hits the pond, it will send ripple effects all the way out to the edge of the pond. These ripples are what economists refer to as the **indirect or multiplier effects** of the entertainment spending. These multiplier effects need to be added to the direct effects to determine the full impact of the entertainment spending certified in 2012 on the Louisiana economy.

Measuring the Indirect Effects

Fortunately, there is a handy tool for measuring these multiplier effects---an input-output (I/O) table. Such a table has been constructed for the Louisiana economy by

the Bureau of Economic Analysis (BEA) in the U.S. Department of Commerce. The BEA has been building I/O tables for various geographic areas for decades. The BEA is the same agency of the federal government that is responsible for such widely used data as national gross domestic product, gross state products, state income levels, and state/local population estimates between the census years.

Using the Louisiana I/O tables constructed by the BEA, the multiplier effect of the various types of entertainment spending back in Table 3 on (1) sales at Louisiana firms, (2) household earnings for Louisianans, and (3) jobs for residents of the state can be estimated. These data can then be used to estimate the impact of the various kinds of entertainment spending on state and local tax revenues.

Data Nuances for Impact Analysis

There are some unusual data issues that have to be addressed in order to use the I/O table for measuring the indirect effects. First, the spending data shown in Table 3 is **aggregate** spending. When these data are plugged into the I/O table they must be broken down into various **specific** spending categories, such as labor, construction, rentals, hotels, etc.

This is particularly problematic in dealing with the largest category---film production. Films range widely in size from small to very large productions, and as a result the percentage of the spend in each specific category can vary noticeably. To address this problem, the OEID reviewed all projects which received final certification in calendar years 2010-12 and broke down the spending into the specific categories (in cooperation with OEID) for input into the I/O table. Thus, the full "population" of the productions---not just a "sample"---was used, which increases the confidence in the breakdowns. A similar methodology was used in all the other spending categories listed in Table 3.

A second data issue had to do with **measuring the direct employment** created by the spending in each category. When requesting tax credits for their entertainment spending, applicants are required to document how much money (i.e., payroll) was spent hiring Louisiana residents on their projects. They are not required to document how many people they hired to generate this payroll. In addition, part of the issue in effectively accounting for everyone working in the motion picture industry is that many people are hired indirectly, either through 1099s or through a company that is engaged by the film production. The way the I/O tables work is that these 1099 individuals are captured in the indirect job count, when some might argue they should be included as direct workers in the industry.

This report also attempts to provide a best estimate of the current jobs number by implementing the following methodology. First, it was known from the certified spending in each calendar year how much the total direct resident payroll (employed directly by the production company and issued the traditional W2) was in each category in Table 3. Secondly, the U.S. Bureau of Labor Statistics generates data on the average annual wage

for persons working in the NAICS codes that cover the spending categories in Table 3. These average annual wage data were divided into the certified resident payroll data to produce an estimate of direct resident employment generated by the various types of entertainment spending. Again, some might reasonably argue that this methodology likely underestimates the total direct employment as the data provided does not capture individuals that may work as contract labor (1099) or for companies that contract these services. However, **these individuals are captured in the overall (direct plus indirect) total employment estimate.**

Impact of Film Production Spending

Table 4 shows the I/O table estimates of the impact of film production spending certified over 2010-12 on the Louisiana economy. Not surprisingly (given the data back in Table 3), the largest impacts of film production spending was in the year of the largest aggregate spend---2012. According to the I/O table, the aggregate film production spending of \$717.2 million created (1) **over \$1 billion in sales at firms in Louisiana**, (2) **\$717.9 million in household earnings for Louisianans**, and (3) **14,011 total jobs (5,976 direct and 8,036 indirect) for state residents.** As a reference point¹¹:

- Total earnings of all workers in Louisiana's paper industry in 2011 (latest data available) was \$643.6 million.¹²
- In December 2012, there were 13,400 people employed statewide in Louisiana's transportation equipment manufacturing sector.¹³

Table 4
Impacts of Film Industry Production Certified Spending on Louisiana:
CY2010-CY2012

	Sales	Earnings	Jobs
2010	\$558.1	\$387.5	7,866
2011	\$976.2	\$677.7	13,339
2012	\$1,034.1	\$717.9	14,011
Total	\$2,568.5	\$1,783.1	11,739*

Sales and earnings values in millions of dollars. *Jobs total represents an average of employment from 2010 to 2012.

There are a couple of other noteworthy points about the data in Table 4. First, the impact numbers in each column rise steadily between 2010 to 2012, and the numbers for 2012 are significantly greater than in 2010. This should not be surprising given the track of certified spending in this category that was documented back in the first row of Table

¹¹ Entertainment numbers are a combination of direct + indirect, while other industries are represented by direct numbers.

¹² www.bea.gov.

¹³ "Louisiana Workforce at a Glance", Louisiana Workforce Commission, January 25, 2013, p. 8.

3. Secondly, as indicated along the bottom row of Table 4, certified film spending in Louisiana over this 3-year period generated (1) almost \$2.6 billion in sales in Louisiana firms, (2) almost \$1.8 billion in household earnings for Louisiana residents, and (3) an about 11,800 jobs a year.

Thirdly, by dividing the household earnings number for 2012 (\$717.9 million) by the total jobs generated (14,011) one gets an implied average annual wage for all workers---direct and indirect---of **\$51,239**. The average annual wage of all workers in Louisiana's private sector in December 2012 was \$40,810 and the average annual wage in manufacturing was \$57,469. This suggests that the jobs supported by the film production activities are among the higher wage jobs in the economy---though not quite up to that of the state's manufacturing sector.

However, there is an important caveat to this conclusion. Under the regulations, the certified spending numbers used to calculate the numbers in Table 4 include payments made to talent, writers, directors, and producers---which are going to be the higher-end paid individuals on the project. It is a heroic assumption that these monies will actually be spent in Louisiana, since these individuals are typically not Louisiana residents. Inclusion of their salaries in the "certified Louisiana spend" for tax credit purposes no doubt exaggerates the numbers in Table 4.

Impact of Film Infrastructure Spending

Table 5 documents the I/O table estimates of film infrastructure spending on the Louisiana economy. The numbers in this table, while impressive, are much smaller than the impact numbers in Table 4, because the certified Louisiana spend numbers are so much smaller (see Table 3). Despite the smaller size, **film infrastructure spending certified in 2012 produced (1) \$37.4 million in sales at Louisiana firms, (2) \$11.8 million in household earnings for Louisianans, and (3) 294 jobs for state residents.**

Table 5
Impacts of Film Industry Infrastructure Certified
Spending on Louisiana: CY2010-CY2012

	Sales	Earnings	Jobs
2010	\$89.9	\$28.5	707
2011	\$46.3	\$14.7	364
2012	\$37.4	\$11.8	294
Total	\$173.6	\$55.0	455

Sales and earnings values in millions of dollars. Jobs total represents an average of employment from 2010 to 2012.

The implied average annual wage for the jobs supported by the film infrastructure spending in 2012 is just in excess of **\$40,100** (\$11.8 million divided by 294). This is essentially equivalent to the average wage in the private sector of the Louisiana economy (\$40,810).

Film Production & Infrastructure Industry Effects

Readers may be curious about which sectors of the Louisiana economy gain the most from the multiplier effects of the film production and infrastructure spending. Those estimates are provided in Table 6. It is important to note that these are the industries most affected by the multiplier effect. It does **not** include industries impacted by the direct spending.

Table 6
Multiplier Effects of Certified Film Production &
Infrastructure Spending on Louisiana by Industry:
CY2012

	Sales	Earnings	Jobs
Agriculture, Forestry, Fishing, And Hunting	\$6.6	\$1.5	59
Mining	\$17.5	\$2.6	22
Utilities	\$22.1	\$3.4	39
Construction	\$104.8	\$37.4	875
Manufacturing	\$94.1	\$13.4	226
Wholesale Trade	\$42.3	\$13.7	224
Retail Trade	\$77.3	\$28.6	1,090
Transportation And Warehousing	\$84.3	\$25.7	569
Information	\$25.6	\$4.8	101
Finance And Insurance	\$67.3	\$16.1	362
Real Estate And Rental And Leasing	\$211.8	\$19.7	828
Professional, Scientific, And Technical Services	\$36.4	\$16.6	296
Management Of Companies And Enterprises	\$9.0	\$4.1	61
Administrative And Waste Management Services	\$25.1	\$10.6	428
Educational Services	\$12.5	\$6.3	225
Health Care And Social Assistance	\$99.5	\$46.3	1,152
Arts, Entertainment, And Recreation	\$8.0	\$3.0	103
Accommodation	\$30.6	\$8.4	273
Food Services And Drinking Places	\$31.0	\$10.0	581
Other Services	\$65.7	\$26.3	736
Household	-	\$0.9	78
Total	\$1,071.6	\$299.5	8,329

Sales and earnings values in millions of dollars.

Perhaps the columns in Table 6 of greatest interest to citizens of the state are the last two. Which sectors gain the most in terms of creating incomes and jobs for Louisianans? From both an earnings (\$46.3 million) and job creation (1,152 jobs) standpoint, in 2012 workers in the health care sector are the largest beneficiaries of the film programs. Workers in the construction sector came in #2 in earnings (\$37.4 million) and #3 in job creation (875). Since payrolls play a big role in the direct film spend in

2012, it is not surprising that the retail trade sector ranks #2 in jobs creation (1,090 jobs) and #3 in earnings (\$28.6 million).

Adding the total jobs supported via the certified spending captured for film production in calendar year 2012 (14,011 in Table 4) to the total jobs supported via film infrastructure spending in that year (294 from Table 5) means a total of 14,305 jobs were supported by these two film programs in 2012. Of this total, an estimated 5,976 jobs were supported by the direct spending. **This implies a job multiplier of 2.4**, meaning for every direct job supported in these two programs, another 1.4 jobs are supported via the multiplier effect. (Or the 8,329 jobs at the bottom of the "jobs" column in Table 6 divided by 5,976 equals 1.4.)

Impact of Digital Interactive Media and Software Spending

Data on certified Louisiana spending in the digital media (DM) sector were documented back in Table 3 for calendar years 2010-12. DM represents the second largest program in terms of Louisiana spend, with a total of about \$60 million certified over this 3-year period. The pattern of this spending was a bit erratic, totaling \$11.4 million in 2010, rising to \$28.9 million in 2011, and then dropping to \$19.6 million in 2012. This difference may be attributed to 2011 legislative changes that limited historical expenditures to six months prior to the date of initial certification, whereas the previous version of the statute allowed expenditures to qualify as far back as 2005 (the inception of the statute). Prior to this change companies were allowed to receive credits for historical work over the course of several years. While the number of tax credits issued between 2011 and 2012 declined, the number of companies applying to the program increased significantly from 34 in 2011 to 66 in 2012.

Table 7 shows the I/O table estimates of this spending on the Louisiana economy over these three years. Note that the impact numbers follow the same up-and-down pattern as the certified Louisiana spend figures.

Table 7
Impacts of Certified Digital Media Production
Spending on Louisiana:
CY2010-CY2012

	Sales	Earnings	Jobs
2010	\$14.8	\$13.7	265
2011	\$37.6	\$34.8	665
2012	\$25.5	\$23.6	447
Total	\$77.9	\$72.2	459*

Sales and earnings values in millions of dollars. *Jobs total represents an average of employment from 2010 to 2012.

The DM impact spiked in 2011, while in 2012, the spending certified that year also created non-trivial impacts on the state's economy. As noted earlier, 2012 marked substantive changes in the legislation allowing for a six month look back for expenditures

to be captured. According to the I/O tables, DM certified spending in Louisiana in that year created **(1) \$25.5 million in sales at Louisiana firms, (2) \$23.6 million in household earnings for state citizens, and 447 total jobs.**

Dividing the household earnings total in 2012 by 447 results in an implied annual earnings number for the jobs supported in the DM sector of about **\$52,800**. Note that this number is (1) almost 30% higher than the average wage in Louisiana's private sector (\$40,810), and (2) is about equivalent to the implied average wage for jobs supported by film production spending (\$51,239). **Another important aspect about employment in the DM sector is that these jobs are typically permanent jobs held by Louisiana residents with a company that has permanent facilities in Louisiana.**

Digital Interactive Media and Software Production Industry Effects

How has the DM spending impacted other industries across the state via the multiplier effect? The I/O table results are illustrated in Table 8.

Table 8
Multiplier Impacts of Certified Digital Media
Production Spending by Industry: CY2012

	Sales	Earnings	Jobs
Agriculture, Forestry, Fishing, And Hunting	\$0.2	\$0.0	2
Mining	\$0.4	\$0.1	1
Utilities	\$0.7	\$0.1	1
Construction	\$0.3	\$0.1	2
Manufacturing	\$2.1	\$0.3	5
Wholesale Trade	\$1.1	\$0.3	6
Retail Trade	\$2.3	\$0.9	33
Transportation And Warehousing	\$0.8	\$0.3	5
Information	\$0.8	\$0.1	3
Finance And Insurance	\$1.5	\$0.4	8
Real Estate And Rental And Leasing	\$3.6	\$0.2	14
Professional, Scientific, And Technical Services	\$0.9	\$0.4	7
Management Of Companies And Enterprises	\$0.2	\$0.1	1
Administrative And Waste Management Services	\$0.7	\$0.3	11
Educational Services	\$0.4	\$0.2	7
Health Care And Social Assistance	\$3.2	\$1.5	37
Arts, Entertainment, And Recreation	\$0.3	\$0.1	3
Accommodation	\$0.3	\$0.1	3
Food Services And Drinking Places	\$1.0	\$0.3	18
Other Services	\$4.9	\$2.0	55
Household	-	\$0.0	3
Total	\$25.5	\$7.7	226

Sales and earnings values in millions.

The first noteworthy item in Table 8 is the total number of jobs supported by DM certified spending via the multiplier effect---226. The direct number of jobs in the industry in 2012 due to certified spending was 233. This means the **job multiplier for DM spending is right at 2**. That is, for every job supported in Louisiana via DM certified spending, another job is supported somewhere else in the state (see Table 8) via the multiplier effect. While the job multiplier is right at 2, these direct salaries are significantly above the average for other industries in this state.

As seen in Table 8, there are three industries that rank as the largest beneficiaries of the DM certified spending that took place in 2012. Number one is the "other services" category with \$2 million in household earnings and 55 jobs. This highest ranking is achieved because 19% of DM certified spend is for miscellaneous purchases which falls mainly in the other services part of the I/O table. Position #2 goes to the "health care and social assistance sector---with \$1.5 million in household earnings and 37 jobs---followed by retail trade, with \$0.9 million in earnings and 33 jobs. These two are common winners in this race when the primary input to the I/O table is wages and salaries.

Impact of Sound Recording Production Spending

In terms of total Louisiana spend---including both production and infrastructure spending---the sound recording (SR) area is the smallest as seen back in Table 3. SR production spending certified over 2010-12 amounted to only \$2.9 million, declining from just under \$1.4 million in 2010, to almost \$1.1 million in 2011, and then dropping further to only \$421,352 in 2012. SR infrastructure spend totaled only \$3.8 million and occurred only in 2010 (\$1.4 million) and 2011 (\$2.4 million).

I/O table estimates of the impact of certified SR production spending is provided in Table 9. These numbers are quite small and have been declining since 2010 in keeping with the decline in the certified spend numbers. In the latest year, SR certified production spending created (1) \$0.5 million in business sales, (2) \$0.4 million in household earnings and (3) 14 jobs in Louisiana. Over the entire 3-year period, the program created an estimated \$3.7 million in sales, (2) \$2.6 million in household earnings, and (3) an average of 29 jobs per year.

Table 9
Impacts of Certified Sound Recording Production
Spending:
CY2010-CY2012

	Sales	Earnings	Jobs
2010	\$1.8	\$1.2	39
2011	\$1.4	\$1.0	34
2012	\$0.5	\$0.4	14
Total	\$3.7	\$2.6	29*

Sales and earnings values in millions of dollars. *Jobs total represents an average of employment from 2010 to 2012.

Impact of Sound Recording Infrastructure Spending

Table 10 contains the I/O table estimates of certified SR infrastructure spending. These impacts are slightly larger than the SR production impact numbers because (1) more dollars were certified for SR infrastructure spending (\$3.8 million) than SR production spending (\$2.9 million) and (2) infrastructure spending is injected into the I/O table in the "construction" column which has a higher multiplier effect than the salary column.

Over the 3-year period, SR infrastructure certified spending created \$8 million in business sales, (2) \$2.5 million in household earnings and (3) an average of 21 jobs. There was no certified SR infrastructure spending in 2012.

Table 10
Impacts of Certified Sound Recording
Infrastructure Spending:
CY2010-CY2012

	Sales	Earnings	Jobs
2010	\$3.0	\$0.9	24
2011	\$5.0	\$1.6	40
2012	\$0.0	\$0.0	0
Total	\$8.0	\$2.5	21*

Sales and earnings values in millions of dollars. *Jobs total represents an average of employment from 2010 to 2012.

Sound Recording Production & Infrastructure Industry Effects

Because of the relatively small numbers involved, the multiplier effects of SR certified spending across industries is not reported.

Impact of Live Performance Production Spending

The impacts on the Louisiana economy of certified spending on live performance productions is shown in Table 11. The certified spend on Live performance productions steadily rose from \$2.1 million in 2010 to \$3.6 million in 2011 and to just over \$7 million in 2012. This pattern of steadily increasing spend is clearly reflected in the rising values of the impact numbers in Table 11 over 2010-12.

Table 11
Impacts of Certified Live Performance Production
Spending:
CY2010-CY2012

	Sales	Earnings	Jobs
2010	\$3.0	\$2.1	78
2011	\$5.2	\$3.6	126
2012	\$10.1	\$7.0	239
Total	\$18.3	\$12.7	148*

Sales and earnings values in millions of dollars. *Jobs total represents an average of employment from 2010 to 2012.

In the latest---and highest spend year---certified spending in this category created \$10.1 million in sales at firms in the state, \$7 million in household earnings, and 239 jobs. Of these 239 jobs, an estimated 160 were the direct employees associated with the certified spending with an average annual wage paid to individuals working in this sector a little over \$26,000 per year. Of course, most live performances do not operate on a 5-day week, 52 weeks out of the year. Performances are more sporadic, which tends to drive annual average wages down. In addition, as more of the live performance infrastructure projects (i.e. the Saenger Theatre) are put into service, there will likely be more live performances over a given calendar year, thus increasing the annual wage considerably. **Over the entire 3-year period, this program produced \$18.3 million in sales, \$12.7 million in household earnings, and an average of 148 jobs per year.**

Impact of Live Performance Infrastructure Spending

The statute governing the live performance infrastructure program required that final rules be promulgated prior to issuing any tax credits under that statute. The program was finally implemented in 2010 and the first certification of expenditures occurred in calendar year 2011. While there was no spending certified for live performance infrastructure in 2010, over 2011-12 this spend category was significant, \$19.5 million and \$10.9 million in each year, respectively. I/O table estimates of the impacts of this spending are detailed in Table 12.

Table 12
Impacts of Certified Live Performance
Infrastructure Spending:
CY2010-CY2012

	Sales	Earnings	Jobs
2010	\$0.0	\$0.0	0
2011	\$40.6	\$17.7	319
2012	\$22.8	\$9.9	179
Total	\$63.3	\$27.7	166*

Sales and earnings values in millions of dollars. *Jobs total represents an average of employment from 2010 to 2012.

Impact volumes obviously track the spend pattern, with the largest impacts in 2011 for certified spending in this calendar year, the second largest for certified spending in calendar year 2012, and none in 2010. Over this 3-year period, **certified live performance infrastructure expenditures generated \$63.3 million in sales for Louisiana firms, \$27.7 million in household earnings, and an average of 166 jobs a year** (249 jobs a year over the two years of actual spending).

Live Performances Production & Infrastructure Industry Effects

Table 13 details how the multiplier impacts of the certified production and infrastructure spending in the live performance area are spread across various industries in the state. By far the largest beneficiary of this spending is the construction sector with \$4.2 million in household earnings and 99 jobs produced by the spillover effects of the spending. This high ranking results from the fact that the biggest component (70%) of live performance spending over this 3-year period was on the infrastructure side. As was the case with the other entertainment categories, the other top major beneficiaries were retail trade (\$0.7 million in household earnings and 27 jobs) and healthcare (\$0.9 million in household earnings and 23 jobs).

According to the bottom line in this table, 258 jobs were supported in the Louisiana economy by the certified spending in calendar year 2012 via the multiplier effect by certified live performance spending. It is estimated that direct employment supported by the spending was 160 jobs, for a total of 418 jobs. This implies a **job multiplier of 2.6**, meaning for every direct job supported by spending in this area, another 1.6 jobs are supported elsewhere in the economy via the multiplier effect.

Table 13
Multiplier Impacts of Certified Live Performance
Production & Infrastructure Spending by Industry:
CY2012

	Sales	Earnings	Jobs
Agriculture, Forestry, Fishing, And Hunting	\$0.2	\$0.0	2
Mining	\$0.5	\$0.1	1
Utilities	\$0.5	\$0.1	1
Construction	\$11.9	\$4.2	99
Manufacturing	\$3.6	\$0.6	10
Wholesale Trade	\$1.1	\$0.4	6
Retail Trade	\$1.9	\$0.7	27
Transportation And Warehousing	\$1.3	\$0.4	9
Information	\$0.6	\$0.1	2
Finance And Insurance	\$1.2	\$0.3	6
Real Estate And Rental And Leasing	\$3.3	\$0.3	13
Professional, Scientific, And Technical Services	\$1.4	\$0.6	11
Management Of Companies And Enterprises	\$0.2	\$0.1	1
Administrative And Waste Management Services	\$0.6	\$0.2	10
Educational Services	\$0.2	\$0.1	4
Health Care And Social Assistance	\$1.9	\$0.9	23
Arts, Entertainment, And Recreation	\$0.2	\$0.1	2
Accommodation	\$0.4	\$0.1	4
Food Services And Drinking Places	\$0.6	\$0.2	12
Other Services	\$1.1	\$0.4	12
Household	-	\$0.0	2
Total	\$32.9	\$10.0	258

Sale and earnings values in millions of dollars.

Total Impacts of All Certified Entertainment Spending

Tables 4-13 highlight the data for the I/O table estimates of the impact of the certified spending across each of the four different categories of entertainment covered by Louisiana's entertainment industry incentives. What is the **total impact** of that spending? The results are shown by year over 2010-12 in Table 14.

Table 14
Total Impacts of All Certified Entertainment
Industry Spending on Louisiana:
CY2010-CY2012

	2010	2011	2012
Sales	\$670.6	\$1,112.4	\$1,130.4
Earnings	\$433.9	\$751.1	\$770.6
Jobs	8,978	14,887	15,184
Tax Revenue			
Local	\$19.5	\$33.8	\$34.7
State	\$30.4	\$52.6	\$53.9

Sales, earnings and tax values in millions of dollars.

These numbers are quite impressive. The numbers increase steadily over 2010-12 because the numbers are dominated by the film production spending which (1) made up 92% of the certified spending in 2012 and (2) rose by over 85% between 2010 and 2012. According to the data in Table 14, in 2012 the total certified entertainment spending in that year supported:

- Over **\$1.1 billion in sales** at firms in Louisiana;
- Nearly **\$771 million in household earnings** for Louisiana residents and;
- **15,184 total jobs** for Louisianans.

To put these numbers in perspective¹⁴:

- Total farm proprietor's income in Louisiana in 2011 (latest data available) was \$774 million.¹⁵
- The total personal income of all residents of Union Parish in 2011 was \$705.8 million. Total personal income of residents in each of 24 of Louisiana's 64 parishes is less than \$771 million.¹⁶
- In December 2012, there were 15,800 people employed statewide in Louisiana's non-residential building construction sector.¹⁷
- In December 2012 there were 15,504 people employed in St. Bernard Parish. Employment in each of 34 of Louisiana's 64 parishes was lower than 15,184 in December 2012.¹⁸

¹⁴ Entertainment numbers are a combination of direct + indirect, while other industries are represented by direct numbers.

¹⁵ www.bea.gov.

¹⁶ Ibid.

¹⁷ "Louisiana Workforce at a Glance", Louisiana Workforce Commission, January 25, 2013, p. 8.

¹⁸ Ibid., p. 12.

A second very important piece of data is provided in Table 14. It is possible to estimate the impact of this certified spending on state and local tax revenues. Officials in Louisiana's Legislative Fiscal Office (LFO) have estimated that for every dollar of earnings created in the state, a large portion of that money gets spent in Louisiana and the state collects taxes as a result. The LFO estimates that for every dollar of household earnings generated in Louisiana the state treasury collects seven cents in various taxes and fees, such as sales taxes, income taxes, gasoline taxes, etc. Thus, from the \$770.6 million in earnings supported in 2012 by the certified spending in that calendar year, **the State of Louisiana collected an extra \$53.9 million in various taxes and fees.** In 2010 and 2011, the boost to the state treasury was estimated to be \$30.4 million and \$52.6 million, respectively.

Secondly, in consultation with officials in the LFO, our team estimated that for every dollar of earnings generated in the state, local governments collect an additional 4.5 cents in various taxes and fees. Thus, on the \$770.6 million in household earnings generated by the certified entertainment spending **local governments were estimated to have collected an extra \$34.7 million in taxes and fees.** Comparable numbers for 2010 and 2011 were \$19.5 million and \$33.8 million, respectively.

An Important Caveat

In all our economic impact discussions above, this report attempts to describe the impacts as resulting from the **certified** Louisiana spending. In reality, when measuring the economic impact of an activity on the state one should only include money actually spent in the state. Measuring the impacts using certified spending means including under the film production section, payments made to talent, directors, producers, and writers--- who in most cases do not live in Louisiana and are highly unlikely to spend all that money in the state. Thus the state's return on investment is typically worse for those projects (primarily films) that involve a large proportion of multi-million dollar payments made to non-residents.

To more accurately measure the impact on the state's economy the payments made to these individuals should include only the portion of their salaries spent directly in the state and injected into the I/O table. The OEID data indicate that about 27% of the certified film production spending goes to these individuals, which turns out to be 25.2% of the total certified entertainment spend across all programs.

The data in Table 15 show the impact estimates on the state if these talent, producer, director and writer payments are totally excluded. Basically, this means dropping the initial estimates back in Table 14 by 25.2%. Instead of supporting 15,184 jobs in 2012, the number declines to 11,358. The household earnings number in that year drops from \$770.6 million to \$576.4 million.

A reasonable case can be made that the data in Table 15 represent a lower bound on the impacts, because perhaps at least some percentage of the payments made to these individuals would have been spent while they were working on the film in the state. No

data exists to suggest what this percentage might be, but intuition suggests it is not a very large percentage.

Table 15
Total Impacts of Adjusted¹⁹ Entertainment Industry
Certified Spending on Louisiana:
CY2010-CY2012

	2010	2011	2012
Sales	\$501.6	\$832.1	\$845.5
Earnings	\$324.6	\$561.8	\$576.4
Jobs	6,716	11,135	11,358
Tax Revenue			
Local	\$14.6	\$25.3	\$26.0
State	\$22.7	\$39.3	\$40.3

Sales, earnings and tax values in millions of dollars.

V. Benefits Compared to Tax Credits

Benefits from the state's entertainment promotion legislation---whether one accepts the data in Table 14 or the adjusted smaller numbers in Table 15---are significant. If the Governor was to announce tomorrow that the state had landed a company that would generate \$1,130.4 million in business sales in Louisiana, along with \$770.6 million in household earnings, 15,184 jobs, \$34.7 million for local governments and \$53.9 million for the state treasury, that would no doubt appear on the front page of the paper, above the fold the next day.

An alternative way of measuring the benefits to the state---one that was used in the previous two studies of these programs---is to look at the costs per dollar of business sales supported. Each program for calendar year 2012 is reported in Table 16. The business sales per dollar of adjusted certified tax credits are shown in the last column of this table. The value ranges from a high of \$8.44 dollars per dollar of tax credit certified for live performance infrastructure to a low of \$4.05 for Digital Media. In every case, the number is greater than zero and actually greater than \$4 per tax credit issued.

¹⁹ “Adjusted” means talent, producer, director, and writer payments excluded.

Table 16
Total Impacts Certified Spending on the Louisiana Economy: CY2012

	Business Sales	Household Earnings	Jobs	Sales Per Dollar of Tax Credit
Film Production	\$1,034.1	\$717.9	14,011	\$4.75
Film Infrastructure	37.4	11.8	294	5.19
Digital Media	25.5	23.6	447	4.05
Sound - Production	0.5	0.4	14	5.00
Sound - Infrastructure	0	0	0	0
Live Performance Production	10.1	7	239	5.94
Live Performance Infrastructure	22.8	9.9	179	8.44
Total	\$1,130.4	\$770.6	15,184	\$4.80

Sales & earnings in millions of dollars. No certified sound recording infrastructure spend in 2012.

Impact on the State Treasury

However, on hearing that news the analytically minded might ask, what did it cost the state to attract this entertainment business? The benefits in Table 14 were not free. In order to attract this activity to Louisiana the state has granted tax credits which effectively reduce the amount of money flowing into the state treasury. In 2012, the total face value of the tax credits certified was approximately \$241 million. While this is the full face value of the credits, some of these credits may be claimed for less than face value (i.e. film credits may be transferred back to the state for 85% of their face value).

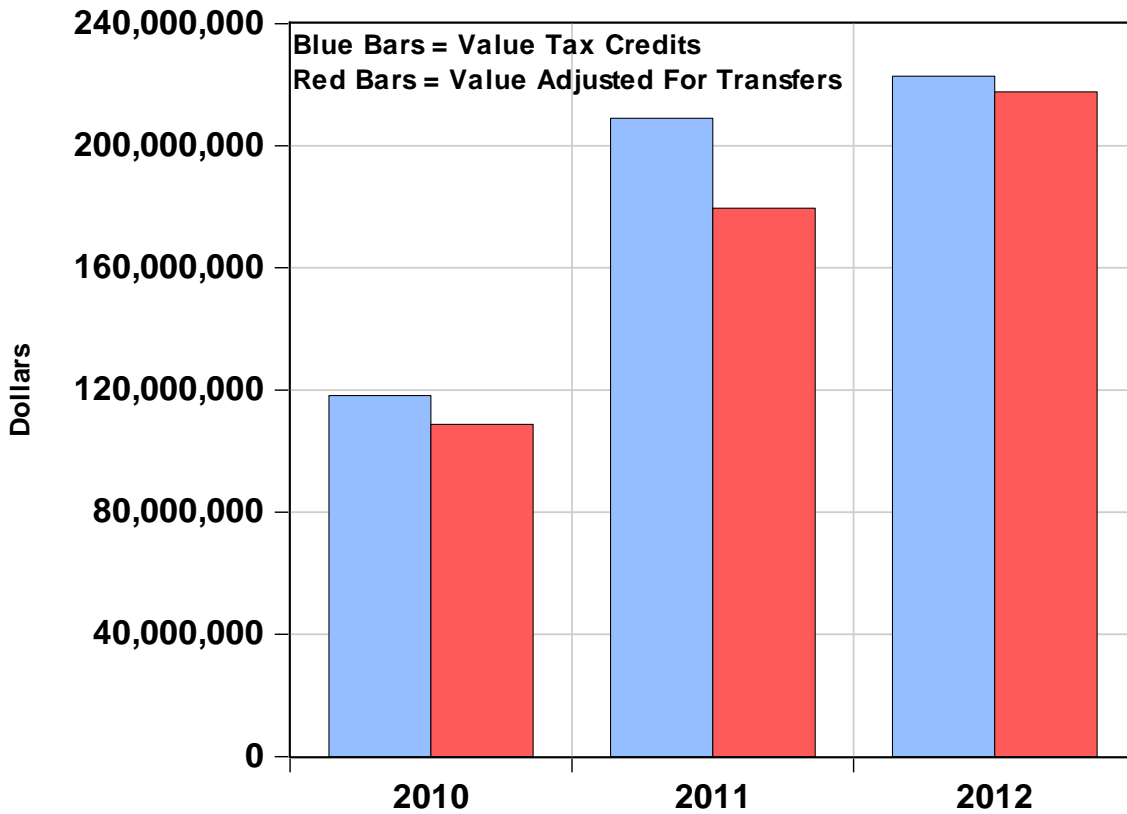
Uses for Tax Credits

The tax incentives administered by OEID have a variety of redemption and transfer options. Motion Picture tax credits may be used to offset personal and/or corporate income tax liabilities; may be transferred to another Louisiana taxpayer; or may be transferred back to OEID for 85% of the face value of the credits. Digital Media credits issued prior to January 1, 2012 may be used to offset a variety of taxes and are fully transferable. However, for DM credits issued on or after January 1, 2012 the recipient has the option to obtain a direct rebate of 85% of the face value of the credits or claim them on their Louisiana tax returns and receive a 100% refund of any overpayment of taxes. Any credits earned under the Sound Recording program are directly rebated at 100%. The credits earned under the Live Performance program may be applied to any Louisiana tax liability and a refund of overpayment of 100% is issued or the credits may be transferred on a one time basis to another Louisiana taxpayer.

To the extent that the film production industry opts for the state buy-back, when this mechanism is employed, the impact to the state budget is reduced by 15 percent. Figure 6 illustrates the extent to which this option has been used. Two points about this

chart are important to note. First, there is no nice neat pattern in the use of the transfer option. For the calendar years 2010 through 2012 the percentage of credits transferred back to the state was 45.2%, 79.8%, and 13% respectively. The drop in the rate in 2012 is likely due to several factors. For example, the relative strengthening of the economy which generated more income taxes for individuals and businesses, thus increasing the demand for credits; as well as the more practical reason being that at the time these data were isolated for the report, many productions had not yet opted for the state buy-back at that time. This percentage will likely increase overall and grow steadily.

Fig. 6: Value of Film Tax Credits Certified & Adjusted for Credits Transferred to State



For credits earned under the Motion Picture, Digital Media (prior to January 1, 2012) and Live Performance programs, there is another option to transfer these credits on the open market, if they do not use the credit against their own income tax liability. They can **sell these credits on the open market**. For firms with little or no Louisiana tax liabilities, this is the option utilized to monetize the credits at a privately negotiated price. A great deal of the tax credits not bought back by the state will likely be transferred to other third-party taxpayers who can claim the credits on their own personal or corporate returns.

Beginning in 2012, the digital media program offered this option to applicants and that garnered \$235,000 digital media credits transferred at this rate, which was only

3.7% of the DM credits granted that year. It is anticipated that the percentage will increase because many of the DM credits issued in CY2012 have not been sold back to the state at the time the data was compiled for this report.

How does the gross value of these tax credits, which are effectively the costs to the state, compare with the benefits? Below the report compares these costs to the tax receipts and jobs associated with each entertainment endeavor using the credits.

Tax Credits and Film Production

Table 17 provides some markers for decision makers to use in evaluating the film production tax credit. Row one shows the amount of the adjusted tax credits credited to these firms. "Adjusted" means that the revised numbers now are taking into account the savings to the state from transferring some of the credits to the state at an 85% discount.²⁰ Row two is our estimate of the gains to the state treasury from the economic activity brought to the state by the certified film production spend. This row is calculated by taking the I/O table household earnings estimates back in Table 4 and multiplying them by 7%. Row three is the difference between row one and row two---the estimated net deficit to the state treasury from this incentive program.

Row four contains the total jobs supported by the program as estimated by the I/O table and reported back in Table 4. The last row is the cost per job of this incentive program.

Table 17
Evaluating the Film Production Tax Credit Program Based on the Calendar Year the Spending Was Certified

	2010	2011	2012
Adjusted Certified Tax Credits	\$110.1	\$183.9	\$218.4
Taxes Received	\$27.1	\$47.4	\$50.2
Net Impact on State Treasury	-\$83.0	-\$136.5	-\$168.2
Jobs Supported	7,866	13,339	14,011
Cost to State Per Job (Per Year)	\$9,408	\$10,233	\$12,005

First three rows in millions of dollars

Given the recent ramp up in Louisiana spend in this category, the last column of Table 17 is likely the best indicator of the cost of this program's future impact. **The film production tax credit program's net cost to the state treasury is almost \$170 million a year** (see row three for 2012).

²⁰ The formula used was: Adjusted amount = certified credits – 15%(amount bought back)

Tax Credits and Film Infrastructure

Table 18 provides data on the impact of the film infrastructure tax credit program. This table is set up in the same manner as Table 17.

Table 18
Evaluating the Film Infrastructure Tax Credit Program Based on the Calendar Year the
Spending Was Certified

	2010	2011	2012
Adjusted Certified Tax Credits*	\$17.3	\$8.9	\$7.2
Taxes Received	\$2.0	\$1.0	\$0.8
Net Impact on State Treasury	-\$15.3	-\$7.9	-\$6.4
Jobs Supported	707	364	294
Cost to State Per Job	\$21,641	\$21,703	\$21,769

First three rows in millions of dollars. *See footnote 20.

Since the motion picture infrastructure program sunset in 2008, the certified spending in the calendar years covered by this report indicates that the program is really ramping down. As indicated in the middle row of numbers in Table 18, the film infrastructure tax credit program is becoming less of an impact to the state treasury, ranging from a high of \$15.3 million in 2010 to a recent low of \$6.4 million in 2012. However, this is also a program that creates substantially fewer jobs than the film production program, and as a result the cost to the state per job is almost double that of the production side---averaging about \$21,700 per job.

Tax Credits and Digital Media

In Table 19 the data for evaluating the digital interactive media and software development tax credit program are presented. Tax credits offered in this program have not followed a linear pattern, and consequently, neither does the impact to the state budget---which starts at \$1.5 million in 2010, rises to \$5.9 million in 2011, before dropping to \$4.6 million in 2012. The cost per job of the digital media program is also smaller than the other two programs. In 2012, the cost per job in DM was \$10,291.

Table 19
Evaluating the Digital Media Tax Credit Program Based on the Calendar Year the
Spending Was Certified

	2010	2011	2012
Adjusted Certified Tax Credits	\$2.5	\$8.3	\$6.3
Taxes Received	\$1.0	\$2.4	\$1.7
Net Impact on State Treasury	-\$1.5	-\$5.9	-\$4.6
Jobs Supported	265	665	447
Cost to State Per Job	\$5,660	\$8,872	\$10,291

First three rows in millions of dollars

Tax Credits and Sound Recording Production

Impacts of the sound recording production program are detailed in Table 20. Note that this program is small, so the dollar figures in the first three rows are actual (versus in millions in the previous three tables). Because the certified spend in this category has been steadily declining since 2010, so has the negative impact on the state treasury. The deficit peaked at \$258,995 in 2010 and steadily declined to only \$79,122 in 2012. In 2012, the cost per job supported was \$5,714---the lowest cost of the four programs evaluated to this point in the report. Below, it will be shown that cost per job in live performance production was slightly lower at \$5,017.

Table 20
Evaluating the Sound Recording Production Tax Credit Program Based on the Calendar
Year the Spending Was Certified

	2010	2011	2012
Adjusted Certified Tax Credits	\$344,810	\$271,416	\$105,338
Taxes Received	\$85,815	\$67,549	\$26,216
Net Impact on State Treasury	-\$258,995	-\$203,867	-\$79,122
Jobs Supported	39	34	14
Cost to State Per Job	\$6,641	\$5,996	\$5,714

Tax Credits and Sound Recording Infrastructure

Like its production counterpart, the SR infrastructure program is a small, but growing part of the entertainment tax credit program, and all the dollar figures in Table 21 are actual as opposed to being presented in millions. Since this program has also sunset, there was no certified spending on this program for calendar year 2012. The SR infrastructure program impacted the state treasury for \$293,199 in 2010 and \$492,947 in 2011. As was the case with the film infrastructure program, the cost per job for SR infrastructure is at \$12,500 per job in 2011---second only to the much higher cost per job in film infrastructure (\$21,703 in 2011). These results are likely skewed a bit on the high end as this program, like film infrastructure, is sunset and there is no new activity on the horizon. There may be some (though very little) certification of credits in the future due to past qualified spending (of which there is no time limit on LED and OEID to receive an audit of that spending).

Table 21
Evaluating the Sound Recording Infrastructure Program Based on the Calendar Year the
Spending Was Certified

	2010	2011	2012
Adjusted Certified Tax Credits	\$359,517	\$604,445	0
Taxes Received	\$66,318	\$111,498	0
Net Impact on State Treasury	-\$293,199	-\$492,947	0
Jobs Supported	24	40	0
Cost to State Per Job	\$12,217	\$12,500	0

Tax Credits and Live Performance Production

Table 22 provides data on the impact of the live performance production tax credit program. While not quite as small as the sound recording category, the live performance production is a fraction of the size of the film or digital media areas.

Because activity in this category has been on the rise since 2010, so have its impacts on the state budget. The treasury was reduced by \$370,983 in 2010, \$380,239 in 2011, and then by a much larger \$1.2 million in the latest year. The cost per job of \$5,017 in 2012 was the lowest among all the entertainment categories examined in this report.

Table 22
Evaluating the Live Performance Production Program Based on the Calendar Year the
Spending Was Certified

	2010	2011	2012
Adjusted Certified Tax Credits	\$515,467	\$634,226	\$1,691,990
Taxes Received	\$144,484	\$253,987	\$493,001
Net Impact on State Treasury	-\$370,983	-\$380,239	-\$1,198,989
Jobs Supported	78	126	239
Cost to State Per Job	\$4,756	\$3,018	\$5,017

Tax Credits and Live Performance Infrastructure

In Table 23, data are presented on the budgetary impact of the live performance infrastructure program. There was no certified spending in this program for calendar year 2010. In 2012 this certified spending impacted the state budget by almost \$3.7 million, followed by just over \$2 million in 2011. The 179 jobs this program supported in 2012 came at an estimated cost of \$11,387 per job.

Table 23
Evaluating the Live Performance Infrastructure Program Based on the Calendar Year the
Spending Was Certified

	2010	2011	2012
Adjusted Certified Tax Credits	0	\$4,913,760	\$2,733,892
Taxes Received	0	\$1,240,639	\$695,677
Net Impact on State Treasury	0	-\$3,673,121	-\$2,038,215
Jobs Supported	0	319	179
Cost to State Per Job	0	\$11,514	\$11,387

Summary of Budgetary Impacts for 2012

While comparative budgetary impacts across the seven programs examined were discussed under each heading, the data for 2012 are summarized in Table 24 to make it easy for readers to compare results across each program. Note that there was no certified sound recording infrastructure spend in 2012 so 2011 data were used.

Table 24
Budgetary Impacts across All Entertainment Programs: Certified Spending for CY2012

Program	Impact on State Budget	Cost Per Job to State
Film Production	-\$168.2	\$12,005
Film Infrastructure	-6.4	21,769
Digital Media	-4.6	10,291
Sound Recording Production	-0.08	5,714
Sound Recording Infrastructure*	-0.5*	12,500*
Live Performance Production	-1.2	5,017
Live Performance Infrastructure	-2.0	11,387

*Data are for 2011. There was no sound recording infrastructure spend in 2012.

VI. Recommendations for Program Improvement

Some recommendations below follow as a result of the data developed in this study and some are recommendations flowing out of LED that the author supports.

Treatment of Soft Costs and Above the Line Salaries

As pointed out when estimating the economic impacts of the film production tax credit back in Section IV, impacts were estimated based on "certified" Louisiana spend. In conducting impact studies, analysts are careful to include in spending only those expenditures that occur **within the state**.

In the film production category there are types of qualified spending included in the certified spend that is very unlikely to have much of an economic impact as these earnings are probably spent elsewhere. The largest of these is "above-the-line" salaries

paid to non-resident directors, producers, talent, and writers. It is spending used to calculate benefits to the state when in reality little, if any, of this money is spent directly in Louisiana.

We recommend that some limitations be placed on the amount of above-the-line, non-resident salaries that qualify as certified spending.

The level of these limitations should be carefully considered by LED and the Legislature in consultation with stakeholders in the film industry, taking into account the overall package of incentives provided to film companies in comparison to what our key competing states are offering. Because they are such a large component of film production costs, limiting these costs at more stringent levels than competing states will naturally reduce Louisiana's ability to attract film production to the state. Note that Georgia---like Louisiana---imposes no cap on this ATL spending. However, (1) North Carolina allows only the first \$1 million per person, (2) Michigan caps these fees at \$2 million per person, and (3) New Mexico has a \$5 million cap on talent and allows no credits for director, producer, or writer salaries.

A second area of costs with similar effects on the Louisiana economy as the above-the-line costs is "**soft costs**". These include finance fees, insurance fees, bond fees, and airfare costs. These costs presently qualify as certified spending, yet little of the money is actually spent in Louisiana and consequently it has little if any impact on the state.

These fees are not a large part of the certified spending in film production---about 4% cumulatively. Among the four key states with whom Louisiana directly competes, Georgia and Michigan allow these fees to be counted toward certified spending. Georgia does not allow finance fees and loan interest, and North Carolina prohibits the same two and also prohibits legal and bond fees. All four key competing states allow airfare and insurance fees.

We recommend that finance fees, insurance costs, loan interest, airfare and bond fees be ineligible for tax credits.

VII. Summary & Conclusions

The purpose of this report is to examine the economic impact of the Louisiana tax credit incentive programs for the entertainment industry as administered by the Office of Entertainment Industry Development (OEID) within the Louisiana Department of Economic Development (LED) as required by La R.S. 47:6007(D)(6); 47:6023(D)(5) and 47:6034(G). The purpose of this report is to examine the economic impact of the Louisiana tax credit incentive programs for the entertainment industry as administered by the Office of Entertainment Industry Development (OEID) within the Louisiana Department of Economic Development (LED). Seven programs are examined: (1) film production, (2) film infrastructure---which sunset on December 31,

2008, (3) digital media, (4) sound recording production, (5) sound recording infrastructure---which sunset on August 1, 2009, (6) live performance production, and (7) live performance infrastructure---scheduled to sunset on December 31, 2013. A history of each program's development and a comparison to similar programs in key competing states is reviewed.

Table 25 shows the amount of tax credits certified by year in each of the seven areas over 2010-12. Note that the film production figures for all three years and the digital media figure for 2012 have been adjusted for the 85% buy-back provision optioned.

Table 25
Tax Credits Issued Per Program: CY2010- CY2012
(Millions of Dollars)

Category	2010	2011	2012
Film Production	\$110.1*	\$183.9*	\$218.4*
Film Infrastructure	17.3	8.9	7.2
Digital Media	2.5	8.3	6.3*
Sound Recording Production	0.3	0.3	0.1
Sound Recording Infrastructure	0.4	0.6	0
Live Performance Production	0.5	0.6	1.7
Live Performance Infrastructure	0	4.9	2.7
Total	\$131.1	\$207.5	\$236.4

Source: Louisiana Department of Economic Development, Office of Entertainment Industry Development.

*Number adjusted for buy-backs

The amount of certified Louisiana spending in each of these seven categories over 2010-12 is shown in Table 26. For the purposes of this analysis, “certified Louisiana spending” is defined as the actual amounts of qualified spending verified by an independent audit and certified in the given calendar year based upon the final certification date.

Table 26
Certified Spending in Louisiana: CY2010- CY2012

Category	2010	2011	2012
Film Production	\$387,069,483	\$676,998,925	\$717,175,057
Film Infrastructure	43,222,239	22,272,760	17,958,038
Digital Media	11,415,907	28,947,293	19,646,998
Sound Recording Production	1,379,243	1,085,665	421,352
Sound Recording Infrastructure	1,438,069	2,417,780	0
Live Performance Production	2,061,869	3,624,538	7,035,416
Live Performance Infrastructure	0	19,501,997	10,935,569
Total	\$446,586,810	\$754,848,958	\$773,172,430

Source: Louisiana Department of Economic Development, Office of Entertainment Industry Development

A state input-output table was used to estimate, inserting the direct spending in Table 26, the total impact on the Louisiana economy. Table 27 illustrates the impact in 2012 of each of the seven programs on business sales, household earnings and jobs in the state. In that year the tax credit programs supported just **over \$1.1 billion in sales at firms in the state, \$770.6 million in household earnings** for state citizens, and **15,184 jobs**. While not shown in the table, it is estimated that in 2012 this program generated **\$53.9 million for the state treasury** and **\$34.7 million for local governments**. The last column shows the business sales per dollar of tax credits.

Table 27
Total Impacts Certified Spending on the Louisiana Economy: CY2012

	Business Sales	Household Earnings	Jobs	Sales Per Dollar of Tax Credit
Film Production	\$1,034.1	\$717.9	14,011	\$4.75
Film Infrastructure	37.4	11.8	294	5.19
Digital Media	25.5	23.6	447	4.05
Sound - Production	0.5	0.4	14	5.00
Sound - Infrastructure	0	0	0	0
Live Performance Production	10.1	7	239	5.94
Live Performance Infrastructure	22.8	9.9	179	8.44
Total	\$1,130.4	\$770.6	15,184	\$4.80

Sales and earnings in millions of dollars. No certified sound recording infrastructure spend in 2012.

Data from Table 26 along with certified tax credits were used to estimate the cost to the state budget of achieving the benefits shown in Table 27. All seven programs resulted in a net fiscal reduction to the treasury. The amount of the fiscal reduction and the cost to the state per job are shown in Table 28. The fiscal impact to the state treasury ranges from a high of \$168.2 million in the film production program to a low of only \$80,000 for the small sound recording production area. Cost per job to the state varies widely, from a high of \$21,769 per job in film infrastructure to a low of \$5,017 in live performance production.

Table 28
Budgetary Impacts Across All Entertainment Programs: 2012

Program	Impact on State Budget (Millions)	Cost Per Job to State
Film Production	-\$168.2	\$12,005
Film Infrastructure	-6.4	21,769
Digital Media	-4.6	10,291
Sound Recording Production	-0.08	5,714
Sound Recording Infrastructure*	-0.5*	12,500*
Live Performance Production	-1.2	5,017
Live Performance Infrastructure	-2.0	11,387

*Data are for 2011. There was no sound recording infrastructure spend in 2012.

The programs clearly have an economic impact to the state of Louisiana in the form of increased business sales and jobs for Louisiana residents. However, there are some expenditures that currently qualify that have minimal direct impact to Louisiana's economy. As a result, it is recommended that the legislature and program administrators take into consideration statutory limitations on the amount of non-resident producer, director, writer, and talent salaries that are currently eligible for tax credits. In addition, there are several other "soft costs" (airfare, bond fees, finance fees and interest) that currently qualify and should not be eligible for credits. These changes would enhance the economic impact of these programs.