Testimony on H7247: Motion Picture Production Tax Credit
House Finance Committee
January 28, 2020

The Economic Progress Institute supports the creation of good jobs for Rhode Islanders and encouraging economic development in those communities most in need of such development. It is critical that we accomplish this by making investments in programs with a confirmed track record and with a strong return on investment. This is especially the case when the state is addressing budget gaps and revenue challenges. Given Rhode Island's current budget challenges, we urge caution when considering H7247, which significantly changes the process and impact of the Motion Picture Production Tax Credit.

The General Assembly has clearly expressed its desire to make sure we are getting the "bang for our buck" when it gives out tax credits—most pointedly in the **Economic Development Tax Incentives Evaluation Act of 2013**. The legislative findings and purpose of the Act includes the following provision: "In order to improve state government's effectiveness in serving the residents of this state, the legislature finds it necessary to provide for the systematic and comprehensive analysis of economic development tax incentives and for those analyses to be incorporated into the budget and policymaking processes." (RIGL § 44-48.2-2.4)

In its 2018 report *Economic Development Tax Incentives Evaluation Act: Evaluation of "Motion Picture Production Tax Credits" Tax Years 2013 through 2015*, the Office of Revenue Analysis used a Regional Economic Models, Incorporated (REMI) breakeven analysis and concluded that under *all* possible scenarios—even where an unlikely 100% of additional revenues could be attributed to the Motion Picture Production Tax Credits program—new revenues never prove adequate to cover the value of tax credits awarded. According to the report, "[F]or every dollar spent on the MPPTC the state generates 27 cents of new revenue. This payback ratio shows that new revenues generated from MPPTC-incentivized activity may help to mitigate costs of the MPPTC, but it is not sufficient for the tax credit to 'pay for itself.'" Other states have conducted similar analyses, almost all of them concluding that similar programs lose money and often cost more than $100,00 per job created.

Given this context, the Economic Progress Institute has significant concerns with H7247, which would allow the director of the Film & Television Office to waive the current requirement that productions must have Rhode Island serve as their primary location.

First, the primary location requirement has served as one of the key arguments articulated by supporters of the Motion Picture Tax Credit. If we eliminate this requirement, it is not clear how the program will incentive businesses to film here in Rhode Island. As we understand it, qualifying expenses include the salaries of high-paid stars, so that even the law's $10M minimum would not prove enough of a protection, and Rhode Islanders will wind up subsidizing productions largely conducted out of state.

Second, we are concerned with reducing the General Assembly's oversight of this program. Leaving exercise of this exemption to the sole discretion of one individual would reduce oversight and detract from the goal of these incentives and their evaluation being "incorporated into the budget and policymaking processes."