



MOTION PICTURE ASSOCIATION OF AMERICA, INC.

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TESTIMONY OF

VANS STEVENSON

SENIOR VICE PRESIDENT, STATE GOVERNMENT AFFAIRS

IN SUPPORT OF MICHIGAN SENATE BILL 569

BEFORE THE

SENATE ECONOMIC DEVELOPMENT COMMITTEE

OCTOBER 26, 2011

THANK YOU FOR THE OPPORTUNITY TO TESTIFY ON BEHALF OF THE MOTION PICTURE ASSOCIATION OF AMERICA (MPAA), OUR MEMBER COMPANIES, AND OUR ASSOCIATES HERE IN MICHIGAN.

MPAA REPRESENTS THE LEADING PRODUCERS AND DISTRIBUTORS OF MOTION PICTURES AND TV PROGRAMS, INCLUDING CBS (AN AFFILIATE MEMBER), DISNEY, FOX, SONY, PARAMOUNT, UNIVERSAL AND WARNER BROS.

I APPRECIATE THE OPPORTUNITY TO SUPPORT AND URGE ADOPTION OF SB 569 (WITH AMENDMENTS), WHICH WOULD FURTHER ADVANCE THE POTENTIAL ECONOMIC DEVELOPMENT AND JOB CREATION POTENTIAL OF MICHIGAN'S PRODUCTION INDUSTRY, STILL IN ITS EARLY DEVELOPMENT STAGES BUT POISED FOR GROWTH AND SUCCESS.

SB 569 WOULD EXTEND THE STATE'S FILM PRODUCTION TAX CREDIT PROGRAM, WHILE ESTABLISHING THE NECESSARY CRITERIA FOR THE STATE TO BE GOOD AND PROPER STEWARDS OF THE INVESTMENT MICHIGAN TAXPAYERS ARE MAKING TO HELP GROW THE INDUSTRY HERE FOR THE OPPORTUNITIES IT CAN PROVIDE FOR JOB CREATION.

SB 569 ESTABLISHES THE FOLLOWING KEY CRITERIA, WHICH THE MPAA BELIEVES TO BE PRUDENT AND FAIR:

- THE NEW PROGRAM STRUCTURE PROVIDES THE MOST BENEFIT FOR HIRING LOCAL MICHIGAN TALENT
- IT ENSURES THE CREDIT WILL INURE FOR IN-STATE EXPENDITURES
- THE CAPS ON TALENT AND TOTAL ELIGIBLE COMPENSATION ENSURE THE STATE'S INCREASED RETURN ON INVESTMENT

THIS IS ABOUT INVESTING IN ECONOMIC DEVELOPMENT IN MICHIGAN, AND JOB CREATION FOR MICHIGANDERS. THIS ALSO IS ABOUT A PARTNERSHIP BETWEEN THE STATE AND INDUSTRY WHERE BOTH WIN.

OUR PRODUCTION COMPANIES ARE PLEASED TO SEE SB 569 CONTINUE TO POSITION MICHIGAN TO COMPETE FOR THE INDUSTRY'S INVESTMENT AND JOB CREATION IN MICHIGAN.

SB 569 ESTABLISHES A COMPETITIVE PRODUCTION PROGRAM FOR MICHIGAN WITH

- A 32% CREDIT FOR QUALIFIED WAGES — WAGES OF MICHIGANDERS, AND
- 27% CREDIT FOR QUALIFIED EXPENDITURES — EXPENDITURES MADE WITH MICHIGAN VENDORS.

THE ADDITIONAL UPLIFTS TO FILM AT QUALIFIED FACILITIES ALSO PROVIDES FURTHER OPPORTUNITIES TO ATTRACT PRODUCTIONS.

THE PRODUCTION OF MOVIES AND TV PROGRAMS PROVIDED A MUCH NEEDED IMMEDIATE ECONOMIC STIMULUS BY CREATING PRODUCTION JOBS FOR MICHIGAN CITIZENS AND RELATED INFRASTRUCTURE DEVELOPMENT IN MICHIGAN COMMUNITIES.

INVESTMENT BY THE PRODUCTION INDUSTRY IN MICHIGAN SINCE 2008 — IN EXCESS OF \$920 MILLION, ACCORDING TO THE FILM OFFICE'S 2010 ANNUAL REPORT — HAS HAD A SIGNIFICANT RIPPLE EFFECT ON THE STATE'S ECONOMY.

MPAA-MEMBER STUDIOS ALONE GENERATED \$59.9 MILLION FOR 971 LOCAL VENDORS IN 2009.

THE LARGEST STAGE PRODUCTION IN RECENT HISTORY IS BEING PRODUCED ON-LOCATION AT RALEIGH STUDIOS IN AUBURN HILLS, EMPLOYING HUNDREDS OF MICHIGAN RESIDENTS.

WALT DISNEY'S "OZ: THE GREAT AND POWERFUL", IS A MAJOR MOTION PICTURE PRODUCTION CURRENTLY CONTRIBUTING AN ESTIMATED \$225,000 EVERY DAY TO THE LOCAL ECONOMY — PAYING WAGES TO MICHIGAN RESIDENTS, FOOD AND CATERING PURCHASES, LODGING, TRANSPORTATION, ETC. PROVIDED BY SOUTHEAST MICHIGAN BUSINESSES AND ENTREPRENEURS.

IN ALL, MOTION PICTURE AND TELEVISION PRODUCTION CREATED 32,367 MICHIGAN JOBS, AND \$1.4 BILLION IN TOTAL WAGES PAID TO MICHIGAN WORKERS.

PRODUCTION COMPANIES ARE EXPECTED TO SPEND \$922 MILLION IN THE STATE FROM 2008 THROUGH 2011.

MICHIGAN'S TAXPAYERS HAVE INVESTED IN BUILDING THE INFRASTRUCTURE HERE NECESSARY TO SUPPORT A VIBRANT FILM PRODUCTION INDUSTRY TO LAST WELL INTO THE FUTURE.

LIKE OTHER INFRASTRUCTURE INVESTMENTS, MICHIGAN'S INVESTMENT IN ITS PRODUCTION INDUSTRY INFRASTRUCTURE HAS BEEN MADE WITH THE GOAL OF IT SUPPORTING THE ONGOING ECONOMIC IMPACT AND JOB CREATION POTENTIAL OF THE INDUSTRY.

THE STATE NOW HOSTS NO FEWER THAN FIVE FILM STUDIOS — STUDIOS THAT REQUIRED CAPITAL INVESTMENT TO ESTABLISH AND OUTFIT TO SERVE THE NEEDS OF THE INDUSTRY WELL INTO THE FUTURE.

- 1) THE PRODUCTION TAX CREDIT PROGRAM PROVIDES AN IMMEDIATE OPPORTUNITY TO EXPAND LOCAL EMPLOYMENT IN A CHALLENGING ECONOMY.
- 2) MICHIGAN HAS THE BENEFIT OF CURRENT TIME VALUE OF MONEY EMPLOY NOW — PAY LATER. THIS MEANS THE STATE WILL ONLY AWARD A CREDIT FOR

INVESTMENTS IN MICHIGAN. INVESTMENTS ARE MADE TODAY WITH CREDIT APPLIED APPROXIMATELY TWO YEARS LATER.

WITH SB 569, MICHIGAN HAS THE OPPORTUNITY TO REALIGN ITS PRODUCTION INCENTIVE PROGRAM TO ENSURE THE STATE REMAINS POSITIONED TO CAPITALIZE ON ITS NOW-SOLID REPUTATION AND THE INFRASTRUCTURE INVESTMENT ALREADY MADE BY THE STATE, LOCAL ENTREPRENEURS, AND THE INDUSTRY.

THE INCENTIVE PROGRAM HAS PROVIDED AN UNPRECEDENTED OPPORTUNITY TO EXPAND LOCAL EMPLOYMENT AND HAS ENCOURAGED PERMANENT INFRASTRUCTURE AND ATTRACTED CAPITAL INVESTMENT. MANY OF THE VENDORS AND OTHER COMPANIES THAT WERE STRUGGLING THROUGH RECENT ECONOMIC CHALLENGES ARE IN BUSINESS TODAY BECAUSE OF THE OPPORTUNITIES THE FILM AND TELEVISION PRODUCTION INDUSTRY CREATED

MANY STATES THAT REVIEWED THEIR PRODUCTION TAX INCENTIVE PROGRAMS THIS YEAR MAINTAINED OR INCREASED THEIR PROGRAMS.

NY, CA, FL, CT, GA, IL, NC, MA, MI, NM, PA, RI, SC AND TX ALL SUSTAINED OR ENHANCED THEIR INCENTIVE PROGRAMS.

WITH 37 STATES ENGAGED IN THESE INITIATIVES, A COMPETITIVE ECONOMIC INCENTIVE PACKAGE IS INTEGRAL TO MICHIGAN'S COMPETITIVE POSITION. STATES KNOW THAT THEY NEED TO HAVE INCENTIVES IF THEY WANT TO COMPETE FOR THE INVESTMENT.

WHEN THE FILM CREDIT IS COUPLED WITH MICHIGAN'S VIBRANT NATURAL RESOURCES AND QUALIFIED WORKFORCE, IT WILL CONTINUE AS AN IMPORTANT CATALYST FOR ECONOMIC GROWTH WELL INTO MICHIGAN'S FUTURE.

IN CLOSING, I ENCOURAGE YOU TO VIEW MICHIGAN'S APPROACH TO DEVELOPING ITS FILM PRODUCTION INDUSTRY AS AN INVESTMENT STRATEGY THAT IS, AND WILL CONTINUE TO RETURN POSITIVE DIVIDENDS.

I AM SUBMITTING THE MPAA'S SUGGESTED AMENDMENT FOR YOUR CONSIDERATION.

THE CHANGE INCLUDES: BEGINNING ON PAGE 18 - DISTRIBUTION COSTS ARE INCLUDED IN THE CREDIT CALCULATION - WE THINK THE STATE MAY WISH TO CONSIDER ELIMINATING THIS AUTHORIZATION TO SUBSIDIZE DISTRIBUTION COSTS. CHANGING THIS ELIGIBILITY WILL ALLOW ADDITIONAL FUNDS TO BE USED FOR PRE-THROUGH POST PRODUCTION.

THANK YOU AGAIN. I WOULD BE PLEASED TO ANSWER QUESTIONS.