Economic Impact of the Utah Film Production Tax Credit

Emerging Findings

20th October 2021

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Contents

- **Introduction and Context**
- Overview of Production in Utah
- Economic Impact Findings
- Film Tourism
- Next Steps

About SPI

We are an international creative industries consultancy, specialising in the global screen sectors

Our international client base include government ministries, public agencies and institutions and commercial entities, specialising in the worlds of film, television, video games and digital media

Our expert services help our clients to plan, design and deliver sustainable growth, evidence impact and evolve and expand in a highly-competitive and fast-moving industry

The Study

- **Provides an independent evaluation of the economic impact of Utah's Motion Picture Incentive Program**

- Examines seven years of production data and outlines a multi-year economic analysis of the impact of this incentive, as well as wider strategic benefits for the state of Utah

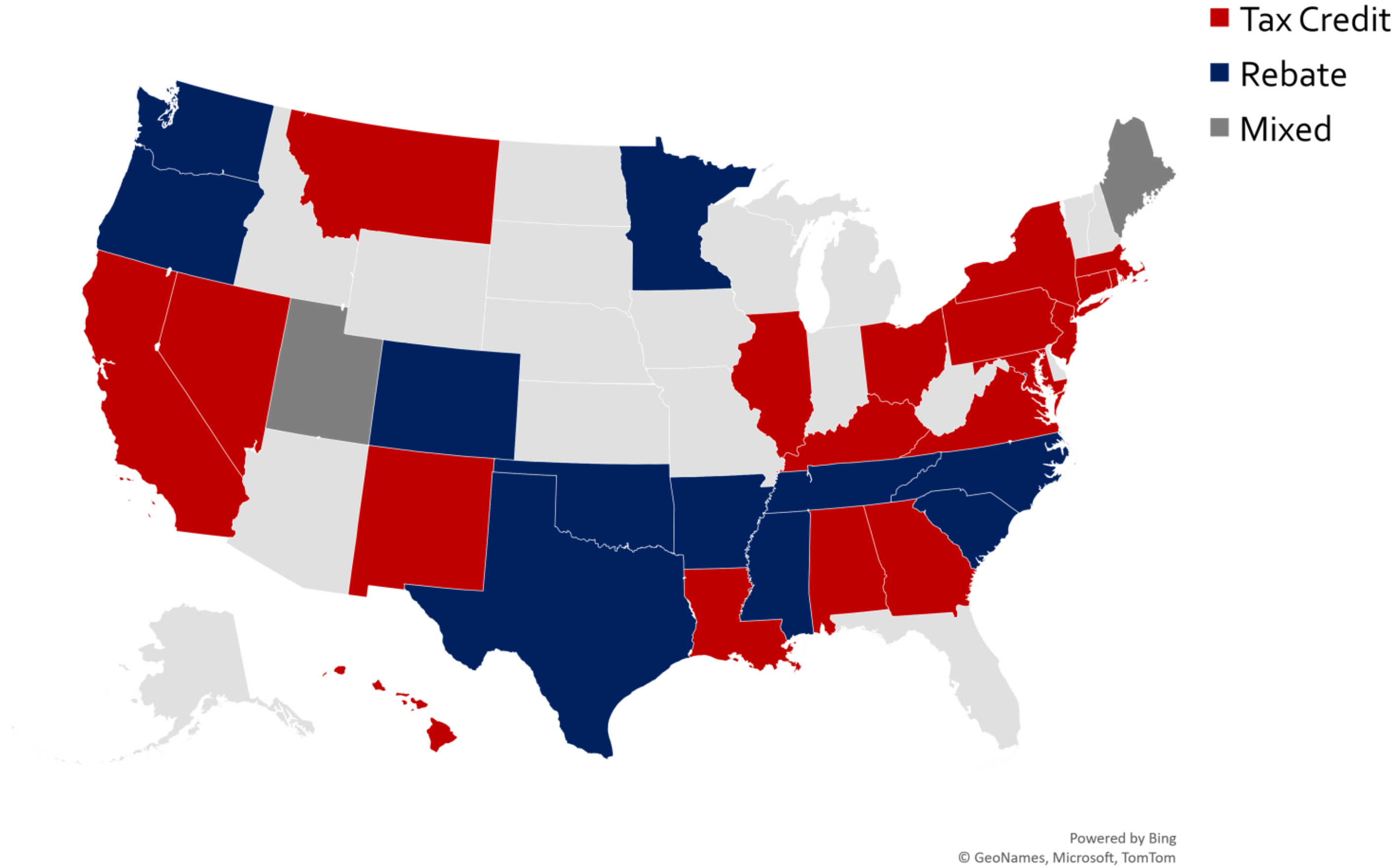
- Standard economic impact measures are used, including **Output** and **Gross Value Added (GVA)**

- Additional effects of production are examined, including the geographic impact of in-state production spend and the effect on tourism

Context

Global Incentives Growth

- Currently, over 100 countries, states, or provinces operate such an incentive
- Utah is one of 33 states to offer an automatic incentive. Of these, Utah is one of the lowest in terms of its annual cap of $8.3 million



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Global Value of Film and Television Production

$177 billion

Global value of production of feature films, scripted television and documentary in 2019

- Voracious consumer and investor demand has created a global deluge of production
- In the US in 2019, according to calculations by UBS reported in the *Economist*, content spending by 16 companies was roughly equal to the sum invested in America's oil industry in the same year
- Despite a slowdown in 2020 related to the COVID-19 pandemic, the industry is continuing to grow

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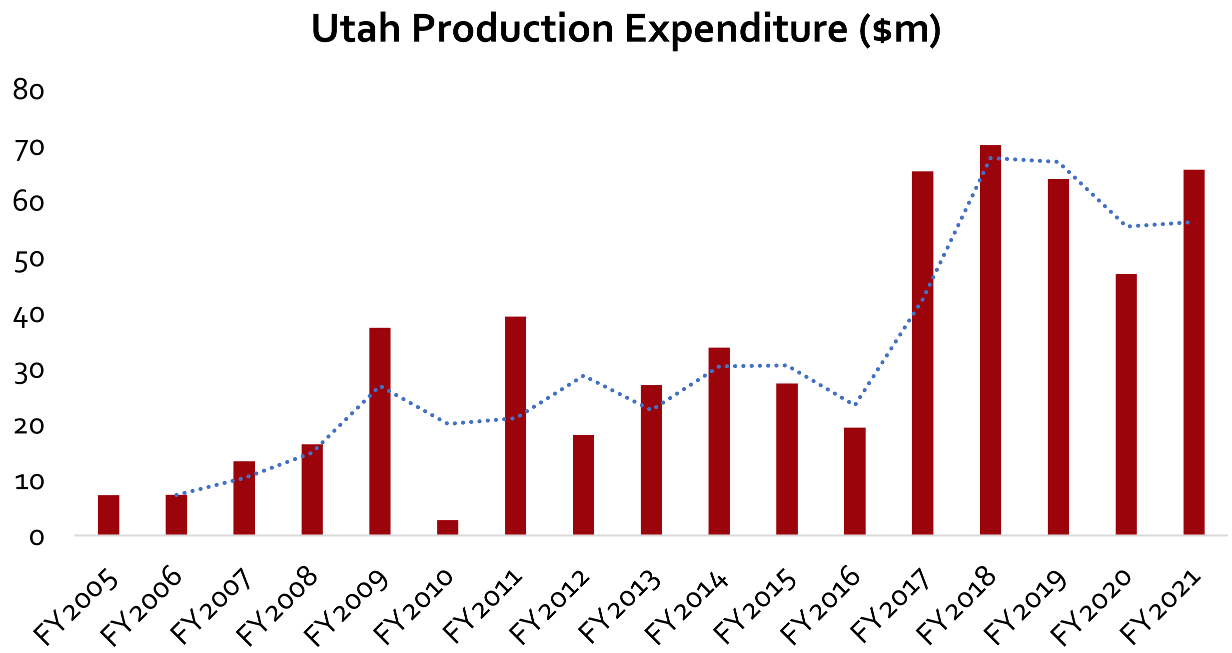
Production Expenditure

- In FY2021, **$66 million** was spent in Utah on film and television productions, which shows a strong rebound from the previous fiscal year which was significantly affected by COVID-19 restrictions
- While expenditure is often uneven due to the nature of production, overall, there has been a growth since 2005. Since 2017, this growth has levelled off which relates to the underlying incentive budget

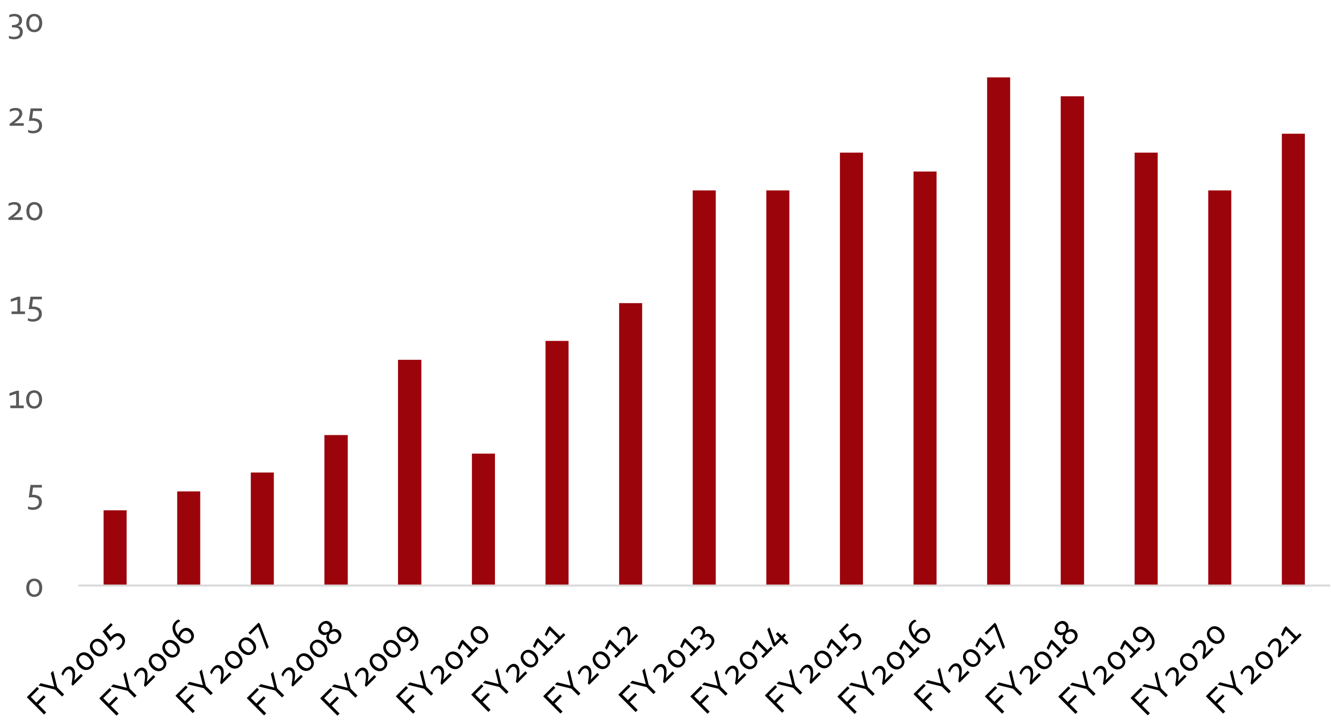


Source: Utah Film Commission

Project Volume

- The overall number of projects accessing the incentive has increased significantly since 2005, but by a smaller proportion than the increase in production spend. This means that the **average project size has increased**, from $1.8 million to $2.7 million between 2005 and 2021

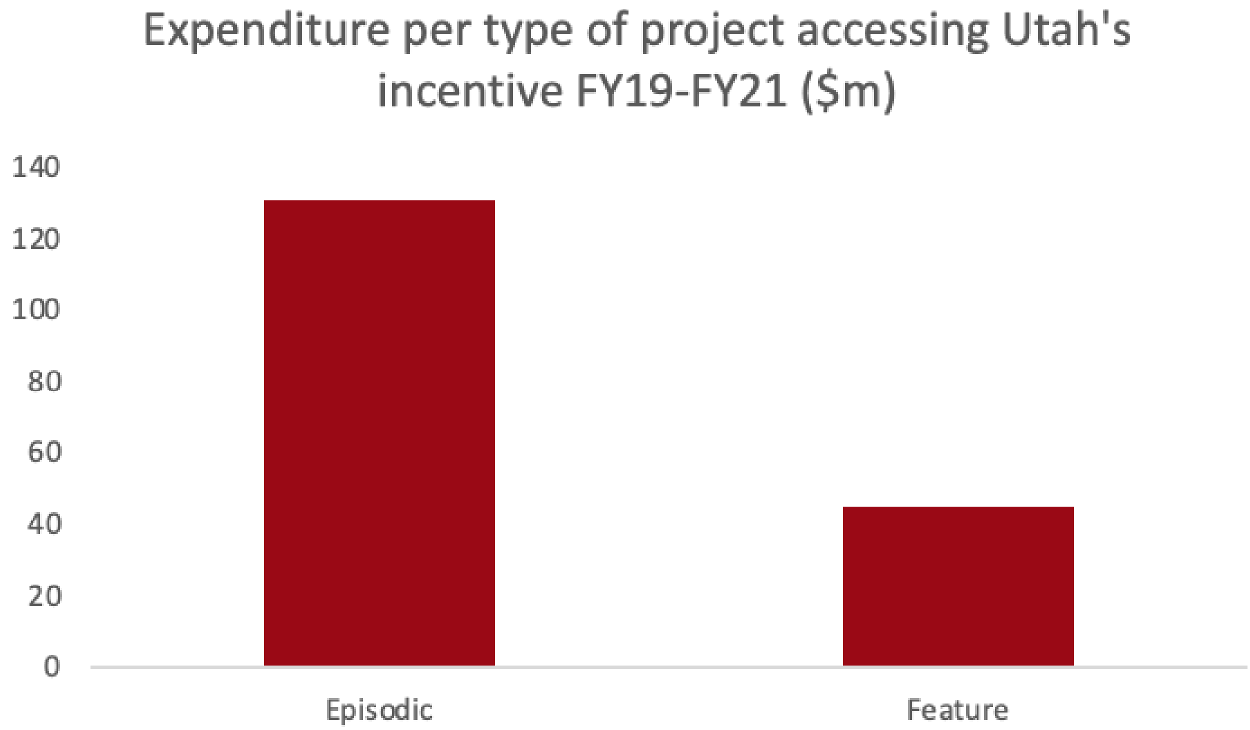
Number of Projects Accessing the Utah Production Incentive



Source: Utah Film Commission

Project Type

- Analysis of the type of projects utilizing Utah's incentive between FY2019-2021 shows more impact from episodic projects
- This reflects global trends, with series production driving growth in many production markets
- Such projects can also be particularly impactful, with longer production processes than features and potentially more effects on areas such as screen tourism



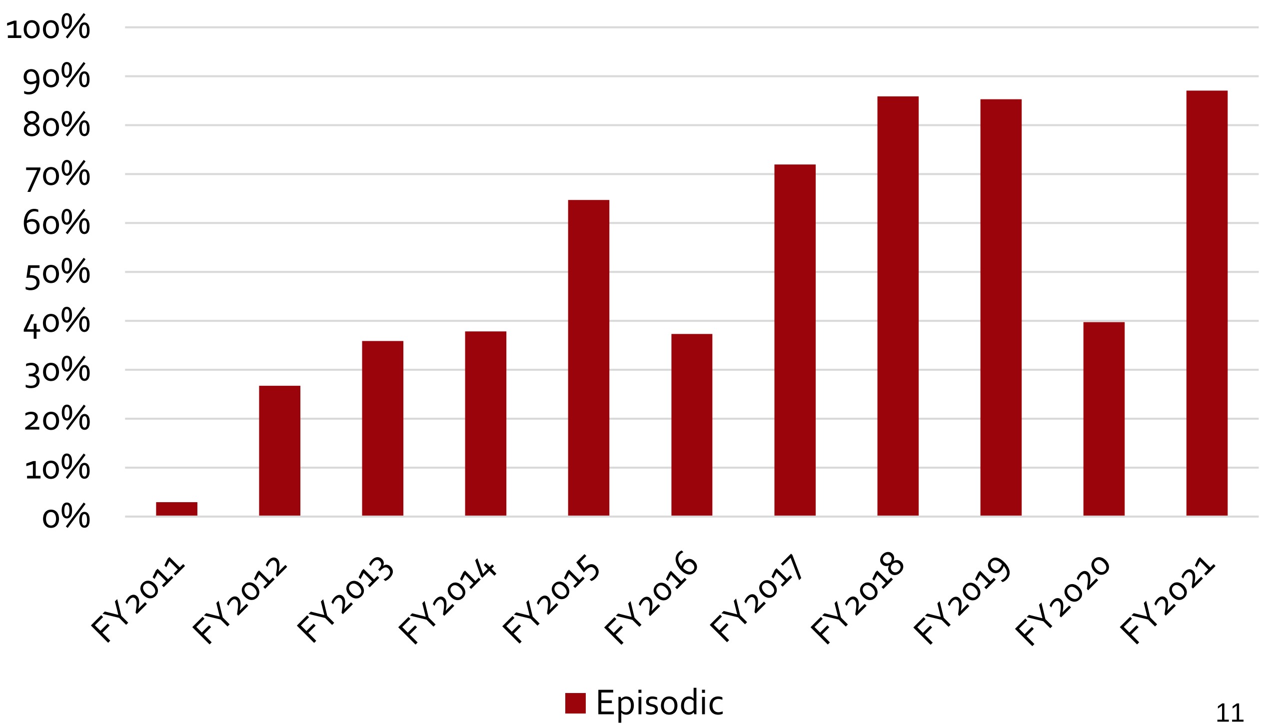
Source: Utah Film Commission

Production Data

Project Type

- Since 2011, there has been a significant shift in the pattern of expenditure in Utah from feature films to series. **In FY2011 only 3% of production expenditure was associated with series production, rising to 87% by 2021**

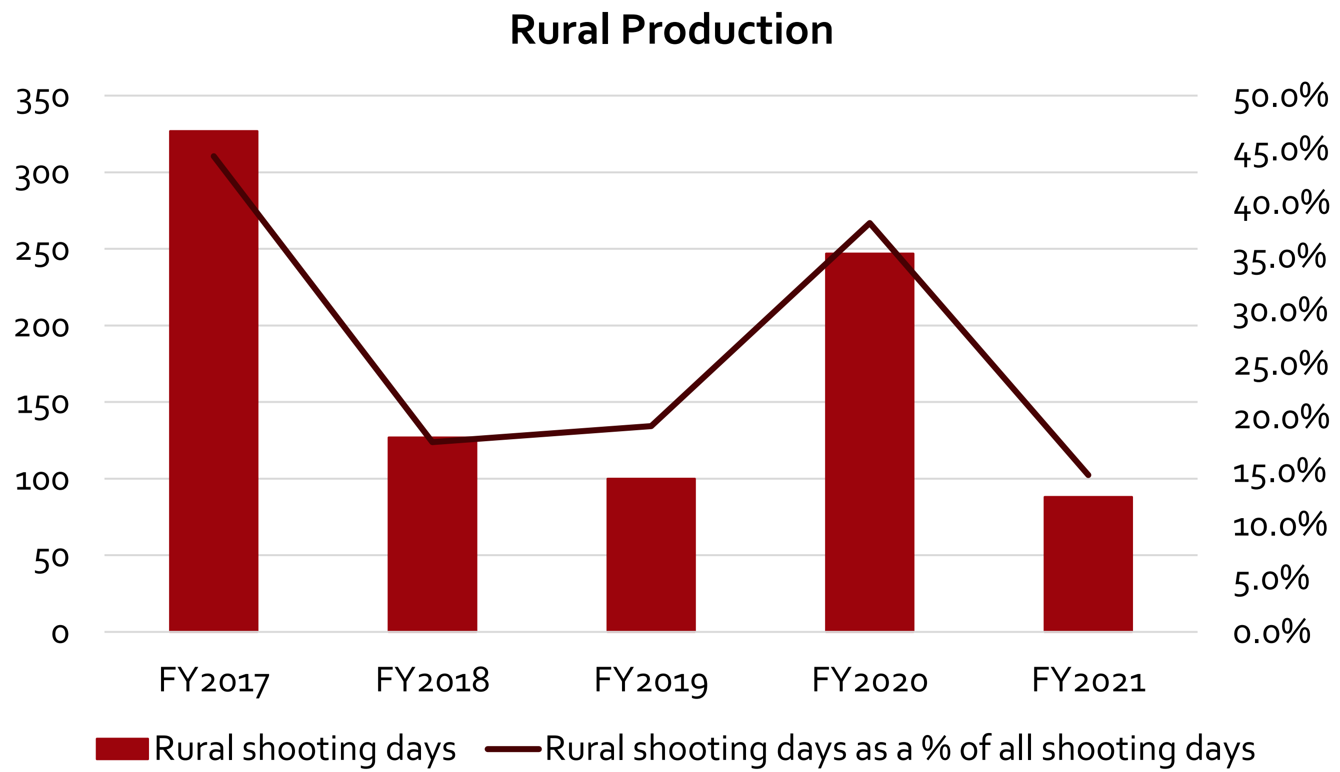
Episodic Expenditure as a % of all Production Expenditure in Utah, FY2005 to FY2021



Source: Utah Film Commission

Impact on Rural Utah (filming days)

- Rural production is significant in Utah – **over the last five years around a quarter of filming days were in rural locations**. This pattern is driven by a small number of productions and therefore the total number fluctuates significantly year to year
- This underlines the interest among producers in using Utah's natural locations



Source: Utah Film Commission Data

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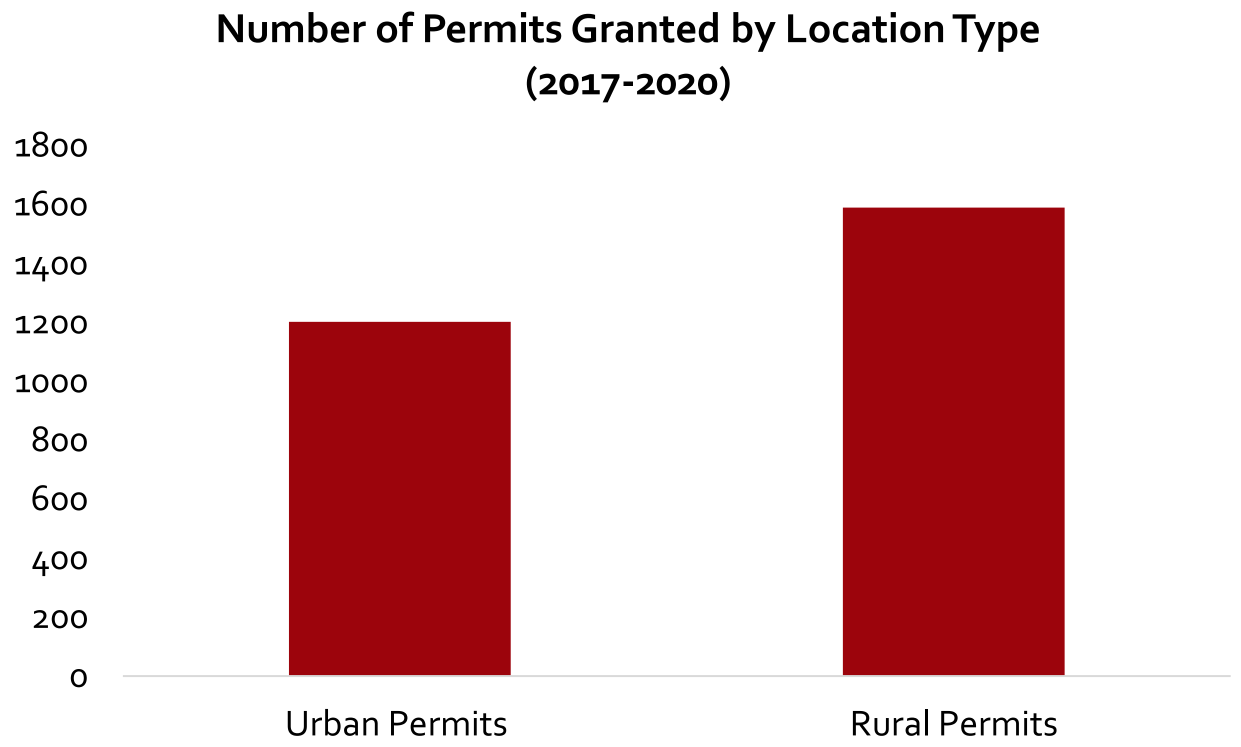
Production Data

Impact on Rural Utah (permits granted)

- The total number of permits granted in rural areas between 2017 and 2020 (the last year with available data) exceeds that for urban areas
- This reflects the significance of rural areas for location shooting in Utah – including for commercials, which are counted in the data below



Source: Utah Film Commission Data

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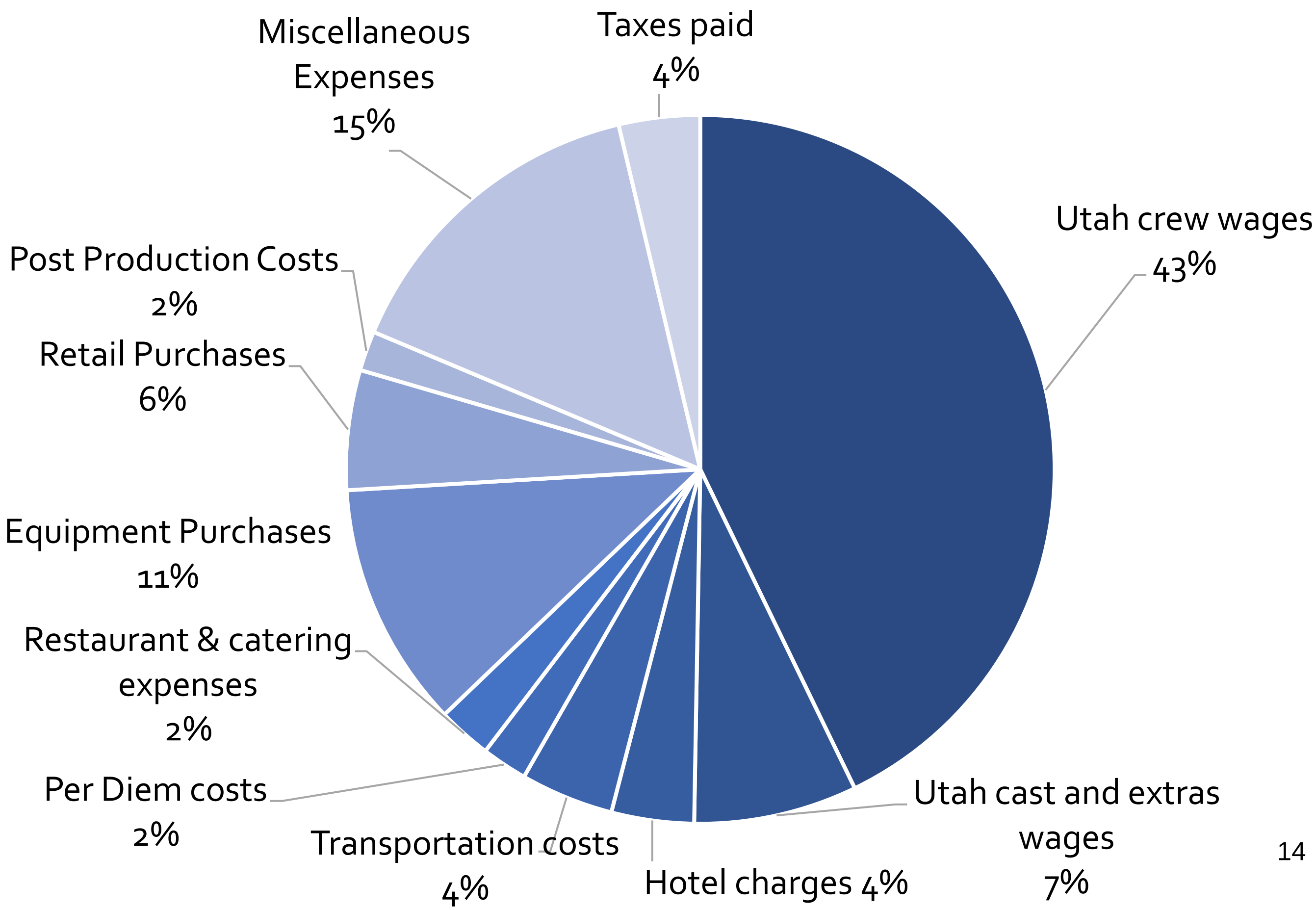
Production Data

Distribution of Spend

- Production budgets in Utah involve purchases and payments to a wide variety of industries and individuals including equipment hire, hotels and transportation
- Significant sums (29% of production costs) were spent on food, accommodation, transport and incidental purchases and equipment costs

Breakdown of Production Expenditure FY2019-21



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Project Case Study

- Analysis of detailed expenditure information for one example production – a series that filmed in Utah in 2020 – provides an insight into earnings and employment
- The median hourly wage for a worker on this production was $29.7. On average, they worked for around 600 hours on the production and their overall earning from the production was around $26,000
- The median hourly wage on this production ($29.7) is higher than the Utah state median hourly salary of $15.7

Key statistics from production case study	
Total hours worked on production	218,633
Average hours worked (mean)	628.3
Total Utah payroll for production	$9,035,182
Median Utah wages for production	$12,493
Mean Utah wages for production	$25,963
Number of Utah workers on production	323
Median Utah hourly salary on production	$29.7
Mean Utah hourly salary on production	$35.6

All data refers to Utah workers. Source: Utah Film Commission Data

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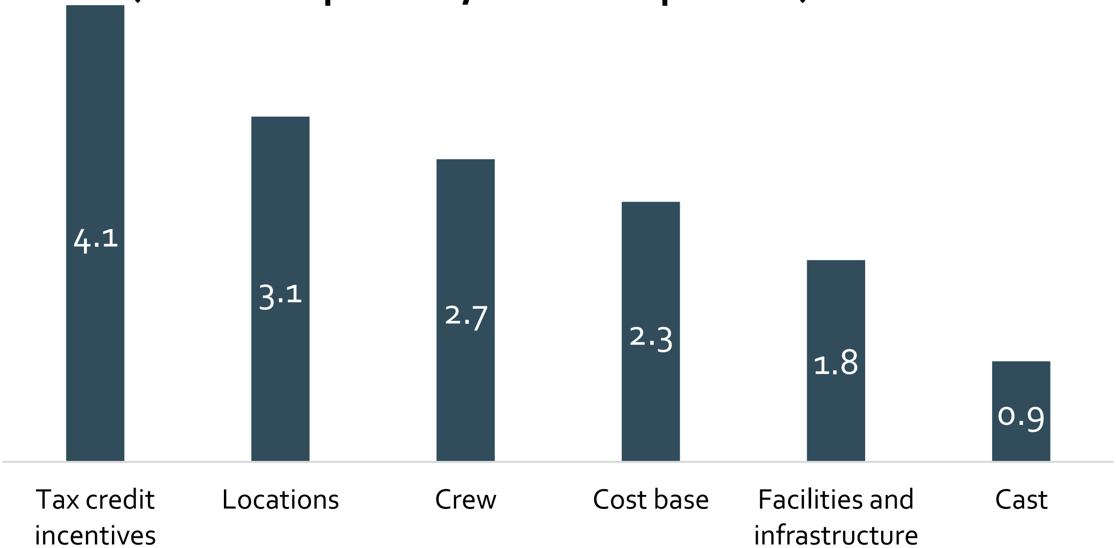
Additionality

- Additionality describes how much 'additional' activity is generated by the incentive i.e. the amount of production that can be attributed directly to the incentive
- To determine this, we undertook a survey sent to all incentive applicants to explore what production companies would have done without the incentive. There were 24 responses out of 60
- Overall, we find **very high additionality.** There is particularly high additionality for productions by companies based out of Utah
- Incentives are the most important decision factor identified

Decision Factors for Producing in Utah – Average Rank (6 most important, 1 least important)

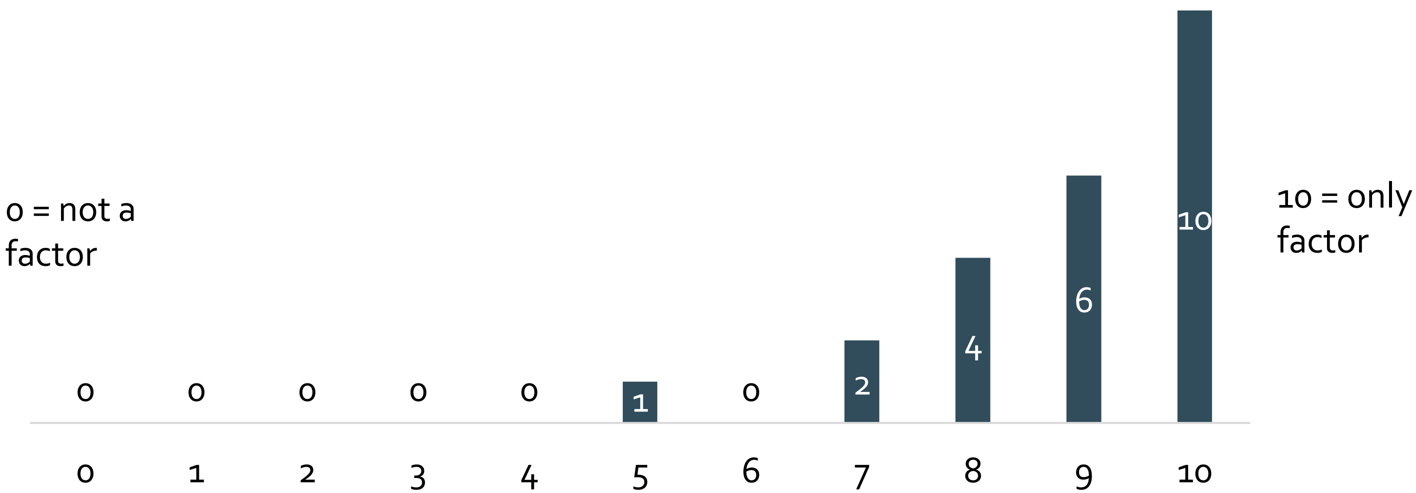


Source: SPI survey, n= 24

Additionality

- Survey respondents were also asked how important the incentive was in their decision to develop, produce or co-produce in Utah on a scale of 0 (not a factor) to 10 (the only factor)
- The results show that the incentive was very important to most company's decisions to produce in Utah. The most frequent response was that that the tax incentive was the most important factor (10/22 indicated a score of 10). 21/22 responses were 7 or above. The median response is 9 and the mean 8.9

Importance of Incentive to Production Location Decision, frequency

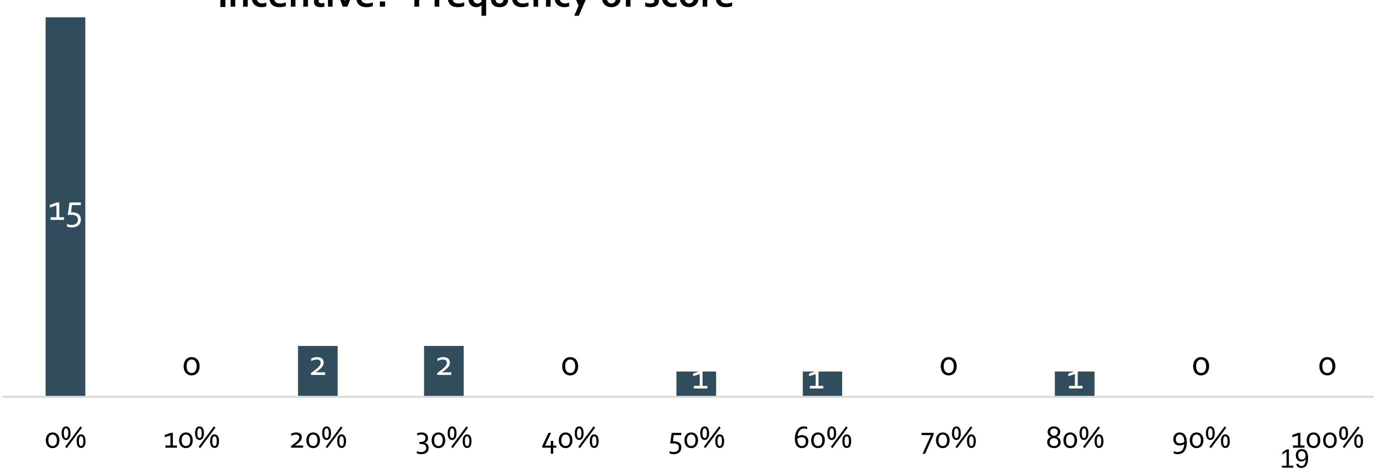


Source: SPI survey, n= 23

Additionality

- Survey respondents were also asked about how much of their productions would have happened in Utah without the incentive. The average (median) response was that there would be **no production without the incentive** (15 out of 23). The mean response was that 14% of production would have happened without the incentive
- The rate of additionality is therefore between 86% and 100% — i.e. Utah's incentives are responsible for between 86% and 100% of production expenditure occurring in state. In the economic impact analysis, we have chosen to use a conservative additionality assumption of 86%
- All production companies **based outside Utah** indicated that no production would have happened in state without the incentive, indicating how important the incentive is for attracting investment into the state

How Much Production Would Have Happened in Utah Without the Incentive? Frequency of score



Source: SPI survey, n= 22

Economic Impact – Direct, Indirect and Induced

- The analysis presented here accounts for additionality at a rate of 86% (see previous slide for justification of this rate) – i.e. the production that would have happened in Utah anyway in the absence of the incentive
  - **Direct impacts** are the gross value added (GVA) and full-time equivalent (FTE) jobs created within the Screen production sector in Utah
  - **Indirect impacts** are the GVA and FTE jobs created within sectors that supply goods and services to productions
  - **Induced impacts** are the GVA and FTE jobs created as a result of the re-spending of wages by those employed in production in Utah

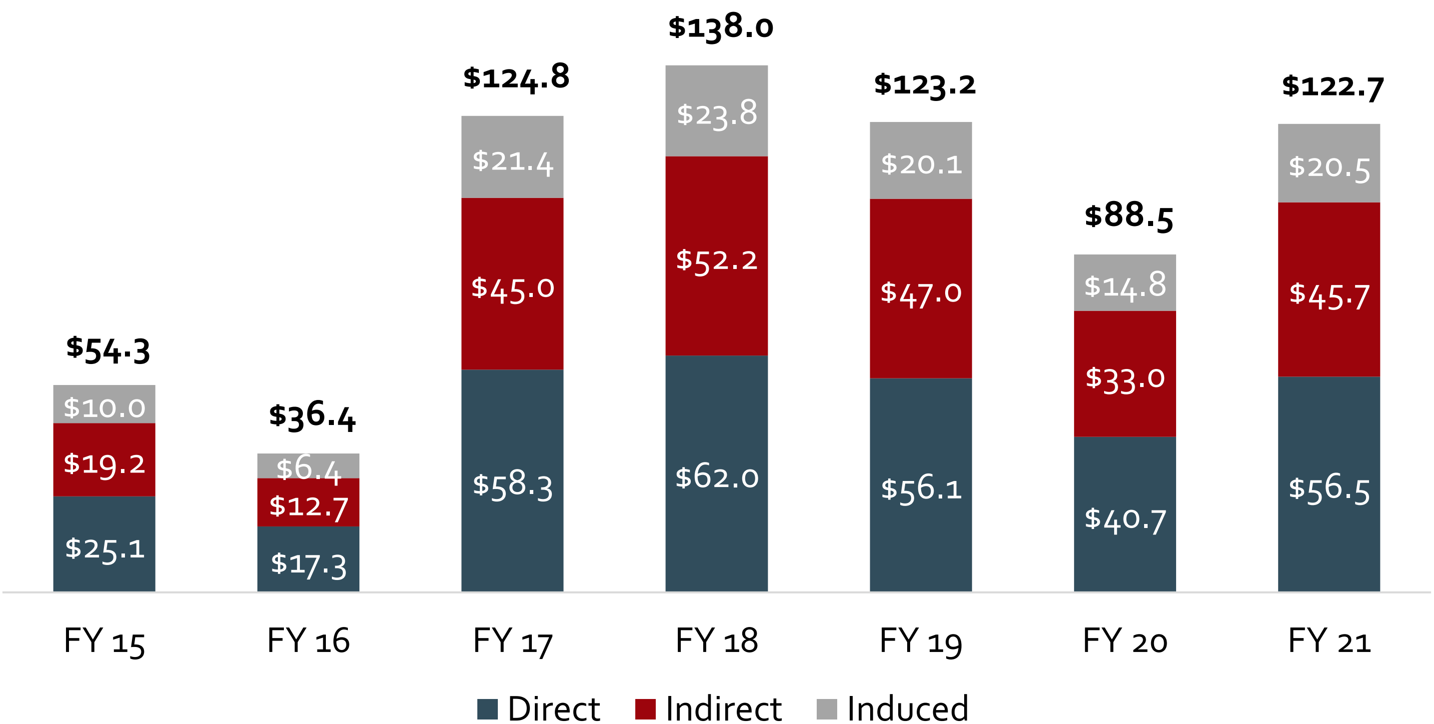
Note, where annual figures are presented, these are nominal i.e. in prices corresponding with the data year. Where aggregated figures are reported, these use 2021 prices

Net Economic Impact

Output

- Between FY2014/15 and FY2021/21, the incentive generated **$669.1 million in net output**. Nearly half (46%) was from direct spend in the industry, while a further $247. 5 million was created in the supply chain and $113.1 million through the subsequent wage effects

Output, FY2014/15-FY2020/21 ($m, nominal prices)



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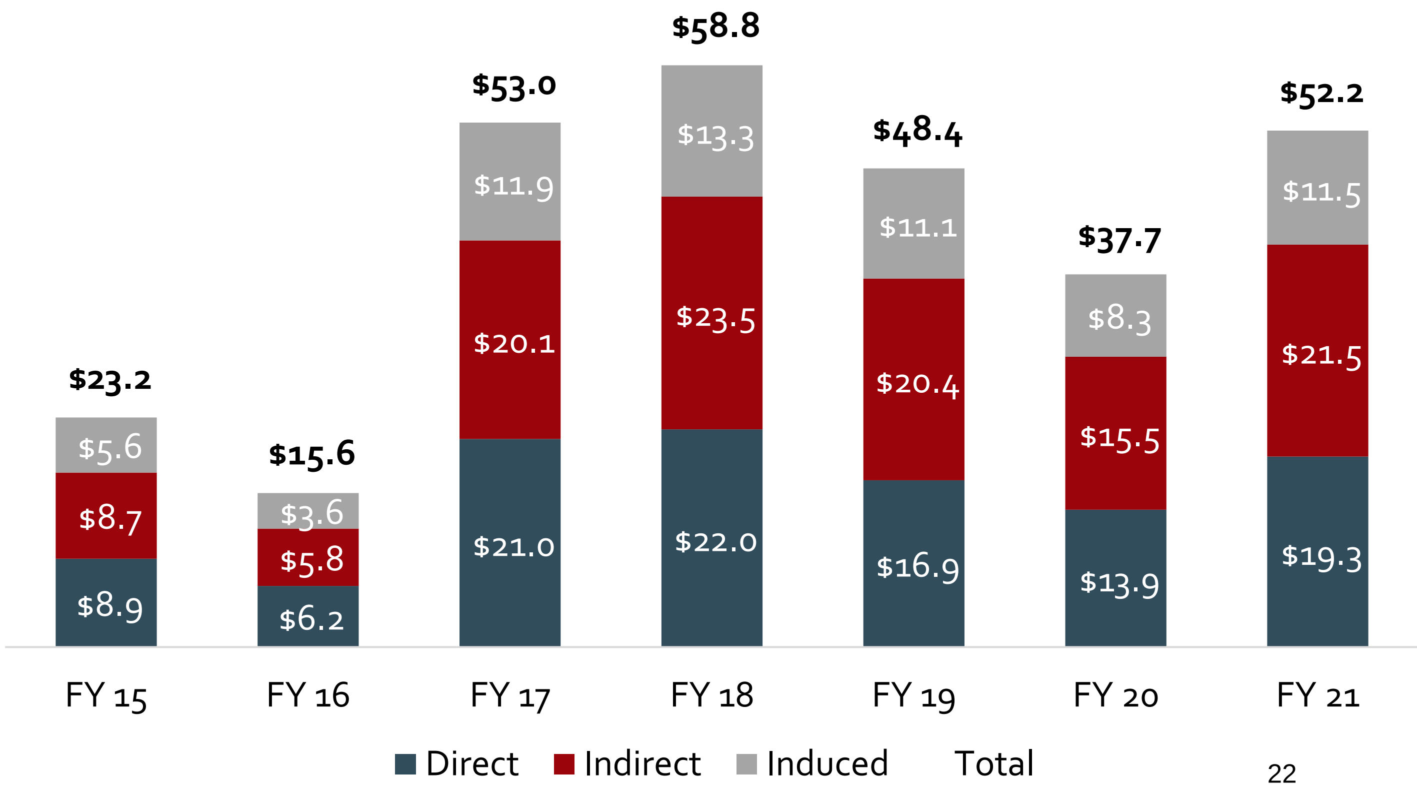
Source: SPI calculations, based on Utah Film Commission data

Net Economic Impact

Gross Value Added

- GVA is a key measure of the additional economic value created by an activity. Between FY2014/15 and FY2020/21, the total GVA created by activity incentivized by the credit was $280.9 million, an average of $40.1 million a year. This includes a total of $105.6 million of direct GVA, $112.1 million in indirect GVA and $63.1 million in induced

GVA, FY2014/15 – FY2020/21 ($m, nominal)



Source: SPI calculations, Utah Film Commission

Return on Investment

- Return on Investment (ROI) is an important measure of the effectiveness of the tax credit. **Economic ROI** uses the total value created in the economy as a result of the tax credits (GVA) and compares this with the net cost of the program (amount released in tax credits minus the additional state and local tax receipts received as a result of the credit)
- This is the best measure to use to assess this type of credit as it matches closely with the aims of the credit, which was established to:

a. Encourage the use of Utah *as a site for the production of motion pictures, television series, and made-for-television movies;*

b. Provide financial incentives to the film industry so that Utah might ***compete successfully*** *with other states and countries for filming locations*

c. Help develop a strong motion picture industry presence in the state that will contribute substantially to ***improving the state's economy***

- The average GVA ROI for FY2014/15 to FY2020/21 is 5.1. For each $1 spent on the tax credit, $5.10 is returned to the Utah economy. The ROI varies over the years due to the effective incentive rate (relationship between the incentive amount of the production values) varying over time

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Film Tourism

- There is a **proven link** between film and television productions and tourism
- Film tourism has been a key area of growth and strategic focus in some destinations, given its power and the fact that it aligns with some key tourism sector trends – such as the focus on experiential travel
- Survey research undertaken by SMARInsights for the Utah Film Commission identifies Utah visitors who said a film or TV series influenced their decision to visit the state or a location within the state, and that it was the main reason for their visit
- These represent additional tourists into state – and their spending is wholly stimulated by film or TV
- This study shows that this film tourism has delivered **2.2 million Utah trips and $6.0 billion in value** for the state over the past 10 years
- About 4 in 10 consumers indicate that they have chosen a vacation destination because of its link to a film or TV series

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Next Steps

Delivery

- Further examination of jobs impact is being undertaken
- Full written study, which will have more detail, will be delivered later this year
- This will include recommendations for areas in which the credit can be improved, and related financial forecasts

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