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DATE: April 9, 2001

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE
COUNCIL ON COMPETITIVE COMMERCE
ANALYSIS**

BILL #: CS/HB 379

RELATING TO: Entertainment Industry

SPONSOR(S): Council for Competitive Commerce & Representative(s) Allen

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) TOURISM YEAS 6 NAYS 0
 - (2) FISCAL POLICY & RESOURCES YEAS 9 NAYS 0
 - (3) COUNCIL ON COMPETITIVE COMMERCE YEAS 10 NAYS 0
 - (4)
 - (5)
-

I. SUMMARY:

In order to reflect better the scope of industries served by the Office of the Film Commissioner, this bill renames the Office of the Film Commissioner to the Office of Film and Entertainment, the Film Commissioner to the Commissioner of Film and Entertainment, and the Florida Film Advisory Council to the Florida Film and Entertainment Advisory Council. It also authorizes the Office of Film and Entertainment (office) to request or accept grants and donations for any of the office's strategic plan purposes or permitted activities.

A representative of Workforce Florida, Inc., is added to the Florida Film and Entertainment Advisory Council as an ex officio, nonvoting member. The bill clarifies that the chair of the council must be elected from the council's appointed membership.

Finally, the bill enables motion picture production businesses and their allied industries to apply for tax incentives under the Urban High-Crime-Area Job Tax Credit Program and the Rural Job Tax Credit Program

Committee Substitute: The bill makes a minor change relating to the membership of the Florida Film and Entertainment Advisory Council. See Sections V. C. and VI. for a complete explanation of the change.

The Revenue Estimating Conference noted the fiscal impact of this bill as "negligible" and stated that adding the entertainment industry to the list of eligible industries will not have a major impact on the amount of credits taken. Moreover, the bill does not revise the existing statutory tax credit maximums; it only expands the types of businesses that might take advantage of existing tax credits to include the entertainment industry.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

The film and entertainment industry is a significant part of the Florida economy. A recent study, conducted by MGT of America, Inc., for the Office of the Film Commissioner, estimates that the Florida entertainment industry generated more than \$3.9 billion in revenue and more than 39,000 full-time jobs in 1999. The motion picture and video sub-sector of the industry accounted for about one-third of these totals. Furthermore, U.S. Census data indicates that workers in the industry earn an average wage of more than \$50,000 per year.

To assist the growth of this industry, in the 1999 Legislative Session, the Legislature created the Office of the Film Commissioner within the Governor's Office of Tourism, Trade, and Economic Development (OTTED) in s. 288.1251, F.S. Established in late 1999, the Office of the Film Commissioner develops, markets, promotes, and provides services to the state's entertainment industry. The office's activities include scouting potential media locations; providing industry communications, education and liaison services; marketing the Florida entertainment industry; recruiting and assisting the retention of state entertainment businesses; and working with the entertainment industry's unique workforce development issues. The responsibilities and operations of the office are based upon a five-year strategic plan required by law. "Entertainment industry," as it is used in and relates to the sections of law governing the Office of the Film Commissioner and the Florida Film Advisory Council, is defined in s. 288.125, F.S., to mean:

[T]hose persons or entities engaged in the operation of motion picture or television studios or recording studios; those persons or entities engaged in the pre-production, production, or postproduction of motion pictures, made-for-TV motion pictures, television series, commercial advertising, music videos, or sound recordings; and those persons or entities providing products or services directly related to the pre-production, production, or postproduction of motion pictures, made-for-TV motion pictures, television series, commercial advertising, music videos, or sound recordings, including, but not limited to, the broadcast industry.

The Florida Film Advisory Council also was created by the Legislature in 1999 in s. 288.1252, F.S. The council serves as an advisory body to OTTED and the Office of the Film Commissioner. The council provides these offices with industry insight and expertise related to developing, marketing, promoting, and providing services to the state's entertainment industry.

Currently, entertainment businesses within the "motion picture production and allied services" standard industrial classification are not eligible to participate in the Urban High-Crime Area Job Tax Credit Program and the Rural Job Tax Credit Program.

The Urban High-Crime Area Job Tax Credit Program was created in 1997 in s. 212.097, F.S., to encourage the creation of jobs in urban areas of Florida. The program provides tax credits to eligible businesses that are located within the 13 urban areas designated by OTTED and hire a specific number of employees. The credit ranges from \$500 to \$2,000 per qualified job and can be taken against either the Florida Corporate Income Tax or the Florida Sales and Use Tax, but not both. A total of \$5 million of tax credits may be approved under the Urban Job Tax Credit Program each calendar year. In 2000, OTTED approved eight program applications and awarded \$4,999,500 in tax credits.

The Rural Job Tax Credit Program, created in 1997 in s. 212.098, F.S., provides an incentive for eligible businesses located within one of 17 designated rural areas to create new jobs. The tax credit ranges from \$500 to \$2,000 per qualified employee and can only be taken against either the Florida Corporate Income Tax or the Florida Sales and Use Tax. A total of \$5 million of tax credits may be approved in a calendar year. In 2000, OTTED approved one program application and awarded \$21,000 in tax credits.

C. EFFECT OF PROPOSED CHANGES:

In order to better reflect the scope of industries served by the Office of the Film Commissioner, House Bill 379 amends ss. 288.1251 and 288.1252, F.S., to rename the Office of the Film Commissioner to the Office of Film and Entertainment, the Film Commissioner to the Commissioner of Film and Entertainment, and the Florida Film Advisory Council to the Florida Film and Entertainment Advisory Council. Sections 288.1253, 288.1258, and 14.2015, F.S., are also amended to reflect the name changes.

The bill also amends s. 288.1251, F.S., to authorize the Office of Film and Entertainment (office) to request or accept grants and donations of funds or property for any of the office's strategic plan purposes or permitted activities. The funds are required to be deposited in the Grants and Donations Trust Fund of the Executive Office of the Governor for use by the office in carrying out its responsibilities and duties and pursuant to any terms and conditions of the grants, payments, or gifts. The office is required to separately account for the public funds and the private funds deposited into the trust fund.

Section 288.1252, F.S., is further amended to add a representative of Workforce Florida, Inc., to the Florida Film and Entertainment Advisory Council as an ex officio, nonvoting member and to clarify that the chair of the council must be elected from the council's appointed membership.

Finally, the bill amends ss. 212.097 and 212.098, F.S., to enable motion picture production businesses and their allied industries to apply for tax incentives under the Urban High-Crime-Area Job Tax Credit Program and the Rural Job Tax Credit Program by adding standard industrial classification code 781, relating to those businesses and industries, to the list of businesses eligible for those credits. According to the Revenue Estimating Conference, adding the entertainment industry to the list of eligible industries will not have a major impact on the amount of credits taken and noted the impact as "negligible". Moreover, the bill does not revise the existing statutory tax credit maximums; it only expands the types of businesses that may take advantage of existing tax credits to include the entertainment industry. The credits range from \$1500 to \$500 based upon the number of employees and location of the business.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 14.2015(2) and (7), F.S., to conform to name changes made in ss. 288.1251 and 288.1252, F.S.

Section 2. Amends s. 212.097, F.S., to add standard industrial classification code 781 (motion picture production and allied services) to the list of businesses eligible for the Urban High-Crime Area Job Tax Credit Program.

Section 3. Amends s. 212.098, F.S., to add standard industrial classification code 781 (motion picture production and allied services) to the list of businesses eligible for the Rural Job Tax Credit Program.

Section 4. Amends s. 213.053(7)(t), F.S., to conform to name changes made in s. 288.1251, F.S.

Section 5. Amends s. 288.1251, F.S., to change the name of the Office of the Film Commissioner to the Office of Film and Entertainment and the name of the Film Commissioner to the Film and Entertainment Commissioner. The section is also amended to authorize the Office of Film and Entertainment (office) to request or accept grants and donations of funds or property for any of the office's strategic plan purposes or permitted activities. The funds are required to be deposited in the Grants and Donations Trust Fund of the Executive Office of the Governor for use by the office in carrying out its responsibilities and duties and pursuant to any terms and conditions of the grants, payments, or gifts. The office is required to separately account for the public funds and the private funds deposited into the trust fund.

Section 6. Amends s. 288.1252, F.S., to conform to name changes made in s. 288.1251, F.S., and to change the name of the Florida Film Advisory Council to the Florida Film and Entertainment Advisory Council. The section is further amended to add the executive director of Workforce Florida, Inc., as an ad hoc nonvoting member of the council.

Section 7. Amends s. 288.1253, F.S., to conform to name changes made in s. 288.1251, F.S.

Section 8. Amends s. 288.1258, F.S., to conform to name changes made in s. 288.1251, F.S.

Section 9. Provides an effective date of July 1, 2001.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. <u>Revenues:</u>	<u>2001-02</u>	<u>2002-03</u>
General Revenue	-0-	-0-
2. <u>Expenditures:</u>		
General Revenue	See III.D.	See III.D.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Through the Urban High-Crime Area Job Tax Credit Program and the Rural Job Tax Credit Program, new and existing businesses with the standard industrial classification code 781 (motion picture production and allied services) would have a greater incentive to expand in urban high-crime and rural areas of Florida.

The Office of Film and Entertainment will be able to request and accept public and private donations and grants that will be used to aid and support the entertainment industry in Florida. This will be both a private sector and a public sector direct benefit.

D. FISCAL COMMENTS:

According to the Revenue Estimating Conference, the impact of the addition of SIC Code 781 to the Urban High-Crime Area Job Tax Credit Program and the Rural Job Tax Credit Program will not have a major impact on the amount of tax credits taken. In fact, the bill does not change the statutory cap on tax credits available for these two programs (up to \$5 million each).

The Office of Tourism, Trade, and Economic Development might have to review more applications for tax credits under the Urban High-Crime Area Job Tax Credit Program and the Rural Job Tax Credit Program. What, if any, cost will be caused by this is not discernable at this time.

Additionally, there will be some cost incurred by the change in name of the Office of the Film Commissioner to the Office of Film and Entertainment in changing written materials as electronic materials using the prior name. An estimate of cost is not known at this time.

It would seem that any costs incurred would be minimal.

There should be a positive impact by two provisions in the bill: the addition of the motion picture industry to the two job tax credit programs should help expand the growth of that industry, which should bring about increased revenue to the state; and the ability of the Office of Film and Entertainment to request and accept public and private donations and grants that can be used to grow this industry should also bring about increased revenue to the state. These impacts are not quantifiable at this time.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to expend funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority of counties or municipalities to raise revenue.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

On page 13, lines 5 and 6, of the original bill, the term "executive director" of Workforce Florida, Inc., was added to the membership of the Florida Film and Entertainment Advisory Council. Since there is a "president" of Workforce Florida, Inc., but no "executive director," it was assumed that the intent was to name the "president." The other entities having representation on the council as ex officio nonvoting members, VISIT FLORIDA and Enterprise Florida, Inc., are not required to have a specific person but only a representative from the entity. The Senate Commerce and Economic Opportunities Committee heard the companion bill, SB 814, on March 7, 2001. At that meeting, an amendment was adopted to change the reference from "executive director" to "a representative" of Workforce Florida, Inc., making the membership consistent with the other nonvoting entities.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 14, 2001, the Committee on Tourism adopted one amendment to the membership of the Florida Film and Entertainment Advisory Council (on page 13, lines 5 and 6 of the bill, as filed) that changed the reference from "executive director" of Workforce Florida, Inc., to "a representative" of Workforce Florida, Inc.

On April 5, 2001, the Council for Competitive Commerce adopted a committee substitute for HB 379 that incorporated the Tourism Committee amendment.

VII. SIGNATURES:

COMMITTEE ON TOURISM:

Prepared by:

Judy C. McDonald

Staff Director:

Judy C. McDonald

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AS REVISED BY THE COMMITTEE ON FISCAL POLICY & RESOURCES:

Prepared by:

Staff Director:

Douglas Pile

Greg Turbeville

AS FURTHER REVISED BY THE COUNCIL ON COMPETITIVE COMMERCE:

Prepared by:

Council Director:

Rebecca R. Everhart

Hubert "Bo" Bohannon