

Montana's Film Industry

The Economic Impact of the Film Production Industry
in Montana and the MEDIA Act, July 2022-Mid-May 2024

Presentation to The Revenue Interim Committee (RIC), June 24, 2024

Agenda

1. Scope, Methodology, and Data Sources
2. National Context
3. Scale of Film Industry in Montana
4. Economic and Fiscal Impacts in Montana: Film Production and Tourism
5. Key Takeaways and Considerations

Scope of Work

- Evaluate economic and tax impacts of Montana's film industry based on film production activities from July 2022 – Mid-May 2024 (~24 months).
- Compare impacts of film production activities overall and recipients of MEDIA Act tax credits.
- Conduct focus groups and other stakeholder outreach.
- Quantify impacts of film-induced tourism.

Defining the Film Industry

Film Production Activities

- Screenwriting
- Acting
- Set Design
- On-Location Filming
- Post-Production (editing, graphics, sound)
- Support personnel (logistics, admin, security)

Types of Productions

- Feature Motion Pictures
- Documentaries
- Television series
- Music videos
- Commercials
- Political Advertisements

Methodology

ESI used IMPLAN, an industry-standard input-output model, to evaluate economic impact in terms of:

- **Direct Impacts:** film production and induced tourism visitation spending
- **Indirect Impacts:** business-to-business spending on goods and services
- **Induced Impacts:** local employees spend some of their earnings on various goods and services.



Key Data Sources

- MEDIA Act Applications (MT Department of Commerce)
- MEDIA Act Tax Credit Allocations (MT Department of Revenue)
- Big Sky Film Grants applications (MT Department of Commerce)
- Previous Impact Studies (ESI)
- Production Data from Association of Film Commissioners International (AFCI)
- Production Data Provided by Individual Productions and Studios
- Institute for Tourism & Recreation Research (University of Montana)
- Film Industry Commentary (Focus Groups)
- Economic Data (Bureau of Labor Statistics)

National Context of the Film Industry

A significant industry nationally - The motion picture industry supports over 2.7 million jobs, accounting for \$242 billion in wages (Motion Picture Association)

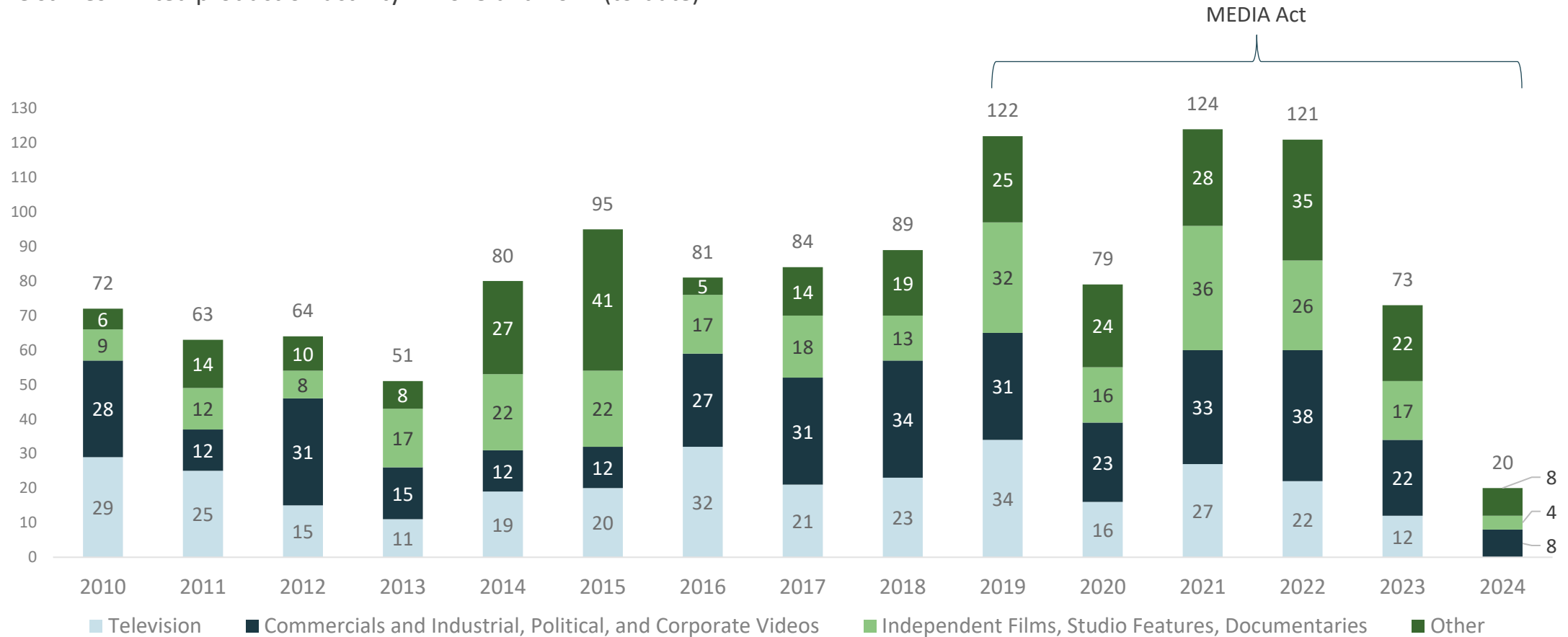
Recent disruptions to the industry - COVID-19 pandemic and Screen Actors Guild (SAG) and Writer's Guild of America (WGA) strikes temporarily slowed (or halted) production activities.

Increasing competition from state tax credit programs/incentives - Thirty-seven states provide incentives to attract productions as an economic development initiative (Entertainment Partners)

Technology and evolving distribution of film - The rise of computer-generated imagery (CGI), and sophisticated editing software have reshaped every aspect of filmmaking. Streaming platforms have also led to changes in distribution models.

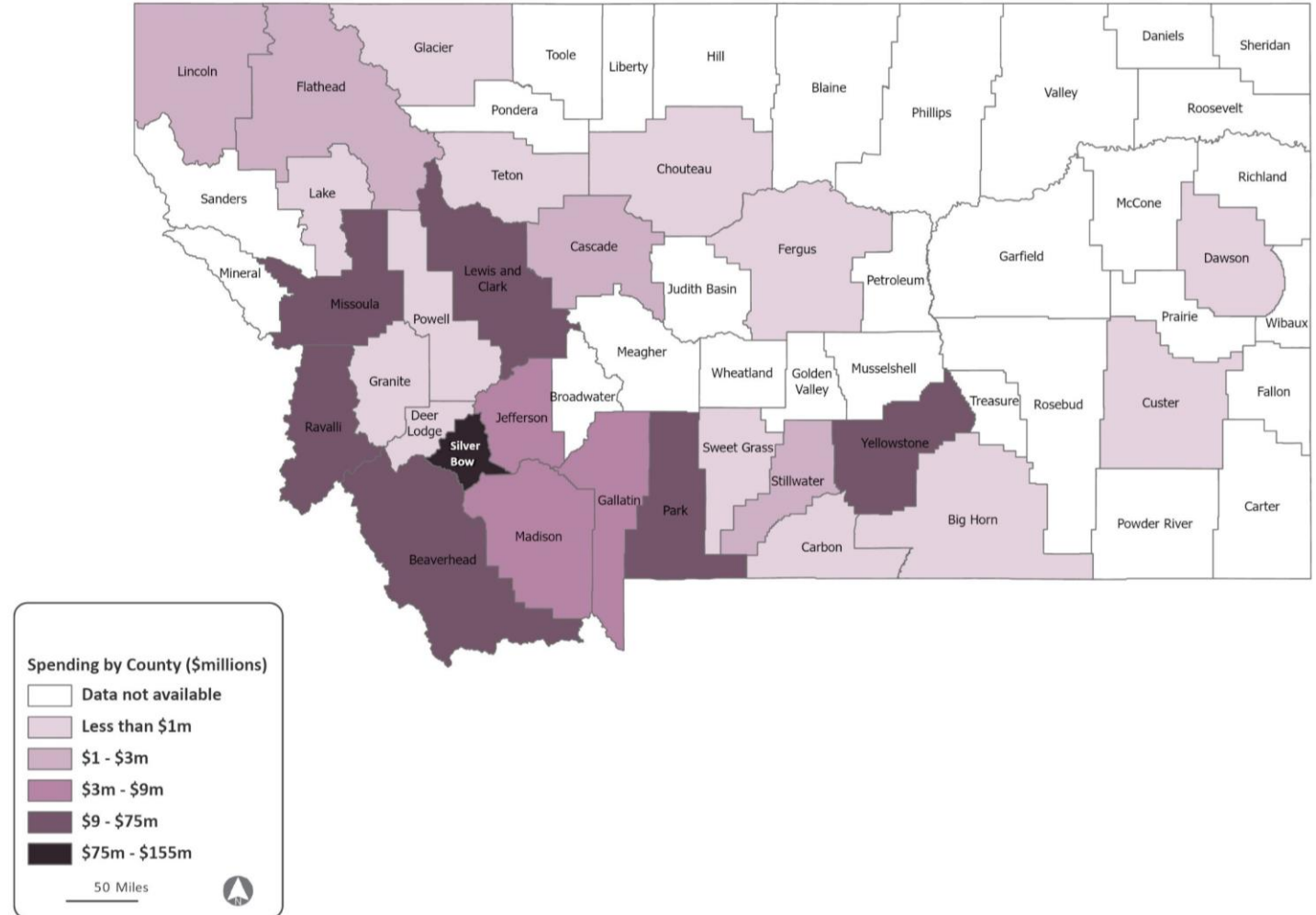
Sizing the Industry

- Over the past almost fifteen years, there has been **an average of 75 productions in Montana annually**.
- During this time period, Montana had the **most annual productions in the years after the MEDIA Act was passed** in 2019.
- The strikes limited production activity in 2023 and 2024 (to-date).



Economic and Fiscal Impacts

- 167 total productions evaluated
- 17 productions were certified to participate in the MEDIA Act Tax Credit program
- 37 counties were home to at least one production, or about 66 percent of all counties in the state



Economic and Fiscal Impacts

Spending by Production Type

| Production Type | Number of Productions | Total Production Spend (\$M) | MT Spend (\$M) | Resident Emp Comp (\$M) | Total MT Production Spend (\$M) | Non-Resident Emp Comp (\$M) |
|------------------------|-----------------------|------------------------------|----------------|-------------------------|---------------------------------|-----------------------------|
| Commercials | 31 | \$8.5 | \$2.6 | \$3.3 | \$5.9 | \$2.5 |
| Documentaries | 17 | \$5.5 | \$1.4 | \$3.2 | \$4.7 | \$0.9 |
| Independent Features | 18 | \$35.3 | \$10.4 | \$18.0 | \$28.4 | \$6.9 |
| Industrial/Corporate | 4 | \$0.4 | \$0.1 | \$0.2 | \$0.3 | \$0.1 |
| Music Videos | 5 | \$0.8 | \$0.2 | \$0.3 | \$0.5 | \$0.2 |
| Online/Web Content | 4 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Other | 16 | \$1.3 | \$0.4 | \$0.5 | \$0.9 | \$0.4 |
| Political | 13 | \$2.9 | \$0.9 | \$1.1 | \$2.1 | \$0.9 |
| Short Films | 16 | \$2.6 | \$1.8 | \$0.3 | \$2.1 | \$0.5 |
| Still Photography | 19 | \$1.0 | \$0.3 | \$0.4 | \$0.7 | \$0.3 |
| Television | 24 | \$275.7 | \$72.2 | \$32.1 | \$104.3 | \$171.4 |
| All Productions | 167 | \$334.0 | \$90.4 | \$59.5 | \$149.9 | \$184.1 |

Economic and Fiscal Impacts

The total economic impact of the film production activity that occurred within the State between July 2022 and May 2024 is shown here. In aggregate, these productions have a total economic impact of \$312.2 million, supporting 1,320 FTE jobs with \$95.8 million in employee compensation.

| | Other Productions | MEDIA Act Tax Credit Productions | All Productions |
|--|-------------------|--|-----------------|
| Direct Output (\$M) | \$33.1 | \$116.8 | \$149.9 |
| Indirect and Induced (\$M) | \$41.6 | \$120.7 | \$162.3 |
| Total Impact (\$M) | \$74.7 | \$237.5 | \$312.2 |
| Direct Jobs Supported (FTE) | 110 | 400 | 510 |
| Indirect and Induced Jobs Supported (FTE) | 210 | 600 | 810 |
| Total Jobs Supported (FTE) | 320 | 1,000 | 1,320 |
| Total Employee Compensation Supported | \$30.6 | \$65.3 | \$95.8 |

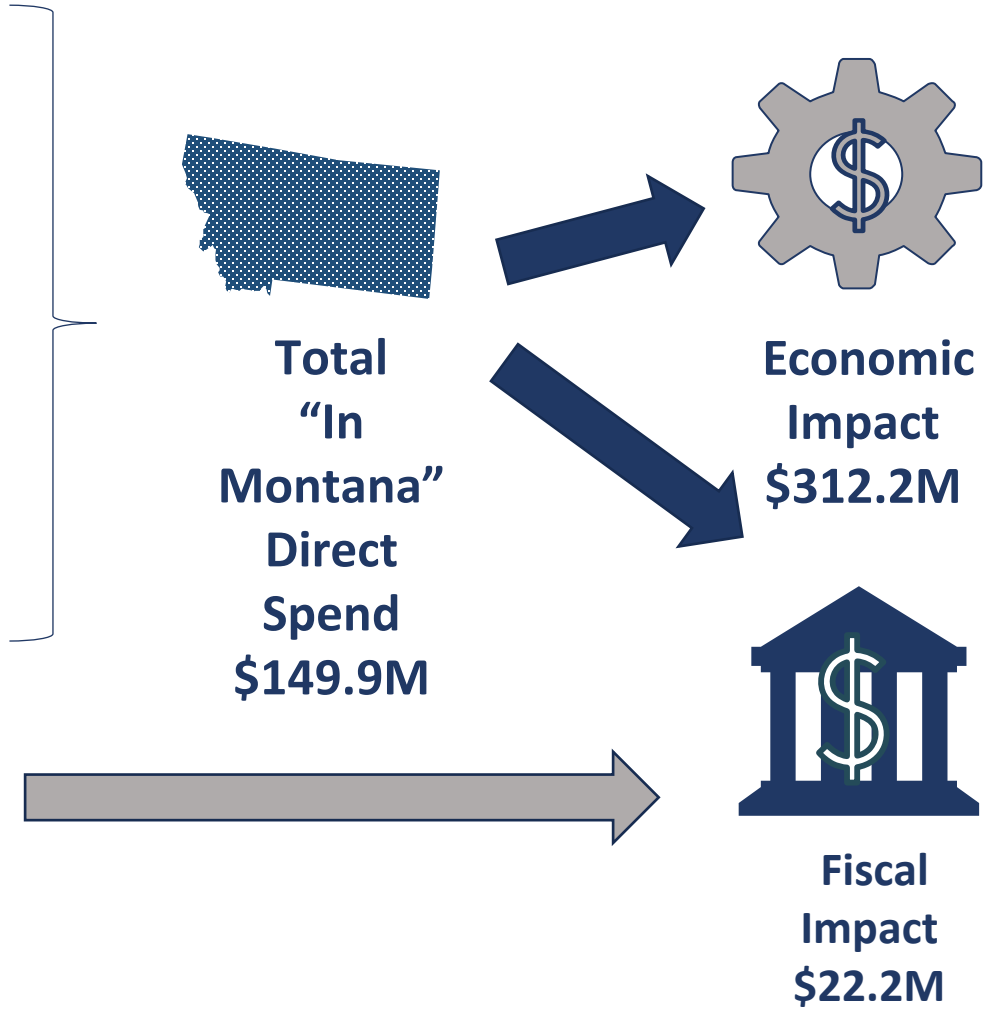
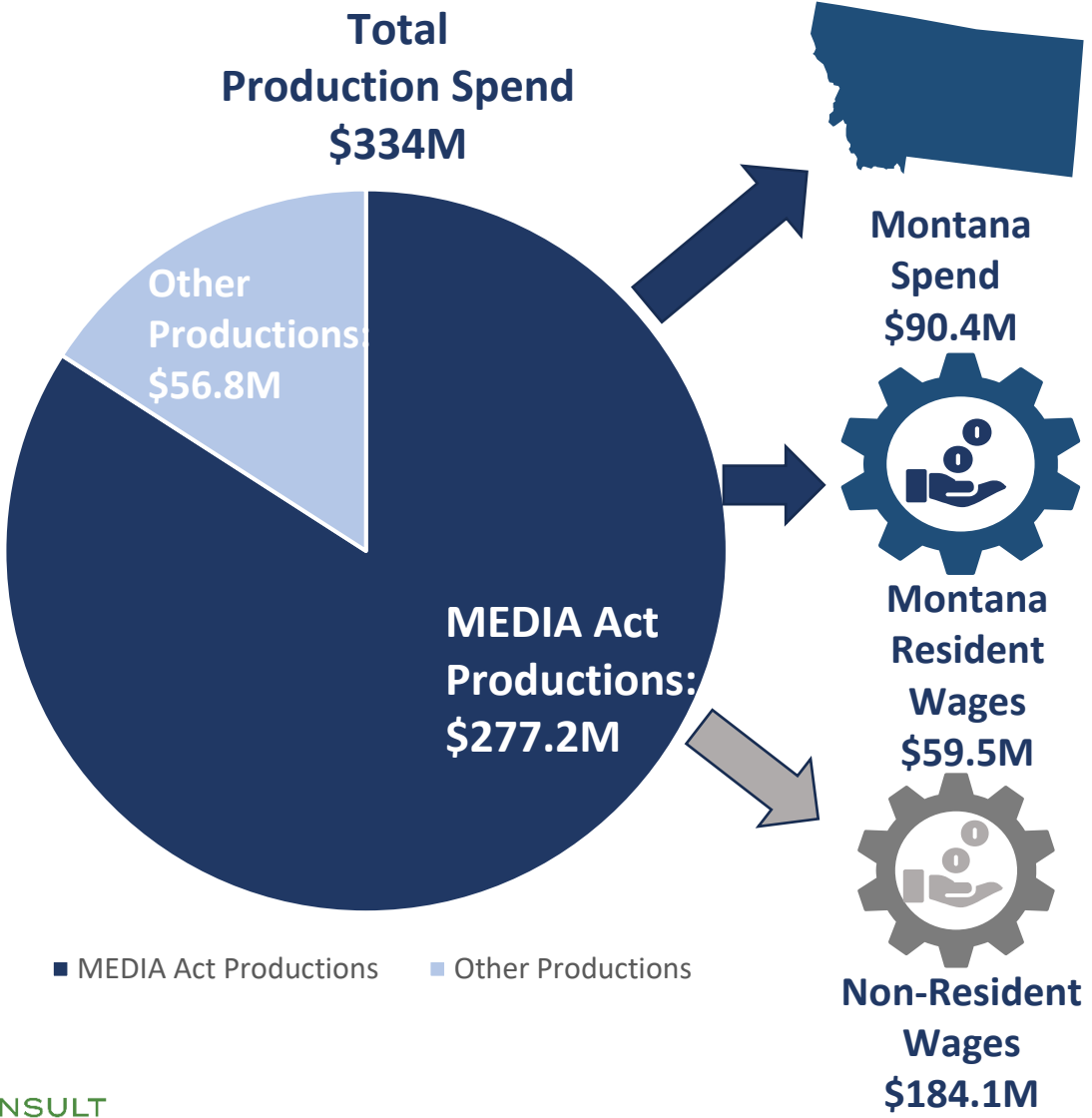
Economic and Fiscal Impact of the MT Film Industry

Local Economic Impacts, by Counties with Over \$1 million in Expenditures

| | Beaverhead | Flathead | Gallatin | Jefferson | Lewis and Clark | Madison |
|--|---------------|--------------|---------------|--------------|-----------------|--------------|
| Direct Output (\$M) | \$10.6 | \$1.9 | \$4.6 | \$2.9 | \$14.9 | \$2.5 |
| Indirect and Induced (\$M) | \$7.5 | \$2.2 | \$5.6 | \$1.5 | \$15.9 | \$1.1 |
| Total Impact (\$M) | \$18.0 | \$4.1 | \$10.3 | \$4.4 | \$30.7 | \$3.6 |
| Direct Jobs Supported (FTE) | 35 | 5 | 15 | 10 | 60 | 5 |
| Indirect and Induced Jobs (FTE) | 40 | 10 | 25 | 10 | 85 | 5 |
| Total Jobs Supported (FTE) | 75 | 15 | 40 | 20 | 145 | 10 |
| Total Employee Compensation Supported | \$4.5 | \$1.7 | \$3.9 | \$2.4 | \$8.9 | \$1.9 |
| Total Tax Revenue (\$M) | \$0.7 | \$0.2 | \$0.4 | \$0.2 | \$1.2 | \$0.1 |

| | Missoula | Park | Ravalli | Silver Bow | Yellowstone | Cascade |
|--|---------------|---------------|---------------|---------------|---------------|--------------|
| Direct Output (\$M) | \$22.3 | \$21.1 | \$12.6 | \$43.6 | \$7.1 | \$1.0 |
| Indirect and Induced (\$M) | \$28.1 | \$10.9 | \$9.6 | \$36.0 | \$8.0 | \$1.1 |
| Total Impact (\$M) | \$50.4 | \$32.0 | \$22.3 | \$79.5 | \$15.1 | \$2.1 |
| Direct Jobs Supported (FTE) | 60 | 60 | 60 | 160 | 30 | 5 |
| Indirect and Induced Jobs (FTE) | 65 | 65 | 55 | 185 | 40 | 5 |
| Total Jobs Supported (FTE) | 125 | 125 | 115 | 345 | 70 | 10 |
| Total Employee Compensation Supported | \$18.2 | \$15.6 | \$6.1 | \$13.0 | \$6.3 | \$0.9 |
| Total Tax Revenue (\$M) | \$1.9 | \$1.3 | \$1.0 | \$2.5 | \$2.5 | \$0.1 |

Economic and Fiscal Impacts



Economic and Fiscal Impacts

Combined, the total fiscal impact of the film industry over the study period is estimated to be **\$22.2 million**. This value includes local, county, and state taxes collected from the economic impact of the film industry as well as the out-of-state resident wage tax. **\$12.8 million is generated from production activity and \$9.4 million is a result of nonresident wage taxes.**

| | Other Productions (\$M) | MEDIA Act Tax Credit Productions (\$M) | All Productions (\$M) |
|---|----------------------------|--|--------------------------|
| Sub-County General Taxes (City/Town) | \$0.2 | \$0.6 | \$0.8 |
| Sub-County Specific Taxes (School/Fire) | \$0.4 | \$1.3 | \$1.7 |
| County Taxes | \$0.4 | \$1.2 | \$1.5 |
| State Taxes | \$2.3 | \$6.1 | \$8.4 |
| MEDIA Act Transfer Fees | - | \$0.4 | \$0.4 |
| Non-Resident Workers' State Income Tax | \$1.2 | \$8.2 | \$9.4 |
| Total Fiscal Impact | \$4.5 | \$17.7 | \$22.2 |

Broader Impacts of Film Production in the State

Visitor Spending

- Film induced tourism attracted 2.2 million visitors to the state in 2023.
- Film induced visitation accounted for approximately 18 percent of tourism across the state in 2023.
- Visitation resulted in an economic impact of \$1.3 billion.
- Tax revenue impact of visitor spending was approximately \$60 million.

| Total Estimated Annual Economic Impact | Film-Induced Tourism Activity |
|--|--------------------------------------|
| Direct Output (\$M) | \$758 |
| Indirect and Induced (\$M) | \$587 |
| Total Impact (\$M) | \$1,345 |
| Total Jobs Supported (FTE) | 13,100 |
| Total Employee Compensation Supported (\$M) | \$431 |
| Total Tax Impact (\$M) | \$59.7 |

From Economic Impact to Tax Impact Key Results

From January 2019 through May 2024, tax revenues generated from the film industry activity alone total approximately **\$41.9 million** to local, county, and state jurisdictions, with **\$22.2 million** being generated since July 2022.

| | Study 1 (January 2019-June 2021) | Study 2 (July 2021-June 2022) | Current (July 2022-Mid May 2024) |
|---------------------------------|----------------------------------|-------------------------------|----------------------------------|
| State Revenues (\$M) | \$2.0 | \$12.0 | \$17.8 |
| Local and County Revenues (\$M) | \$1.5 | \$4.6 | \$4.4 |
| Total Revenues (\$M) | \$3.5 | \$16.6 | \$22.2 |

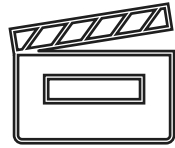
From Economic Impact to Tax Impact Key Results

When comparing the validated tax credit to the estimated tax revenue generated from the additional economic activity in Montana, there is a net loss of **\$1.8 million** when considering the tax generated to all jurisdictions. However, the taxes exclusively generated from film activity are only part of the impact.

These results are conservative and are not accounting for cast/crew “visitor spend” or film-induced tourism impacts.

| | All Jurisdictions | State Revenue |
|-----------------------------|-------------------|---------------|
| Total Estimated Tax Revenue | \$22.2 | \$17.8 |
| Total Credit Available | (\$24.0) | (\$24.0) |
| Net tax Loss/Surplus | (\$1.8) | (\$6.2) |

Summary of Impacts of the Montana Film Industry



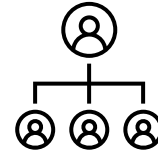
Number of
Productions



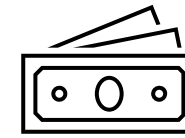
Local
Spending



Total
Impact



Total
Jobs



Employee
Compensation



Total Tax
Revenue

| | Number of Productions | Local Spending | Total Impact | Total Jobs | Employee Compensation | Total Tax Revenue |
|-----------------|-----------------------|-----------------|-----------------|------------|-----------------------|-------------------|
| All Productions | 167 | \$149.9 Million | \$312.2 Million | 1,320 FTE | \$95.8 Million | \$12.8 Million |

| | | | | | | |
|-----------------------|----|-----------------|-----------------|-----------|----------------|---------------|
| MEDIA Act Productions | 17 | \$116.8 Million | \$237.5 Million | 1,000 FTE | \$65.3 Million | \$9.5 Million |
|-----------------------|----|-----------------|-----------------|-----------|----------------|---------------|

Key Takeaways and Potential Recommendations for Consideration

- The film industry provides out of state spending to small communities across Montana.
- The film production ecosystem has grown considerably through the MEDIA Act and resources of the Film Office at the Montana Department of Commerce.
- Unique circumstances at national level dampened overall economic activity in the industry more broadly, which ultimately slowed overall spending in the sector.
 - Despite lower volume of productions, overall spending volume was double previous cycle's study
- Film induced tourism represents a valuable benefit to Montana and an opportunity for sustained impact to all parts of the state.
- Montana remains a unique and attractive place for productions to locate, but the tax credit provides the incentive to increase competitiveness against nearby states.
- Like all economic development incentives, the MEDIA Act Tax Credit requires consistent and sustained investment to see returns
 - Major investments in infrastructure and workforce development require continued commitment and competitive investment from the State



Thank you for your time!

lavery@econconsultsolutions.com
215.717.2777

1435 Walnut Street, 4th Floor
Philadelphia, PA 19102

Economic Impact Key Results from 2020 Study

- In aggregate, productions that have filmed generate a total economic impact of \$47.6 million, supporting 280 FTE jobs with \$17.6 million in employee compensation

| | Other Productions – Have Filmed | Certified– Have Filmed | All Productions That Have Filmed | Certified – Have Not Filmed |
|--|------------------------------------|---------------------------|-------------------------------------|--------------------------------|
| Direct Output (\$M) | \$17.7 | \$6.2 | \$23.9 | \$13.4 |
| Indirect and Induced Output (\$M) | \$18.1 | \$5.7 | \$23.8 | \$12.6 |
| Total Impact (\$M) | \$35.8 | \$11.9 | \$47.6 | \$25.9 |
| Direct Jobs Supported (FTE) | 75 | 25 | 100 | 55 |
| Indirect and Induced Jobs Supported (FTE) | 135 | 45 | 180 | 95 |
| Earnings (\$M) | \$13.7 | \$3.8 | \$17.6 | \$8.7 |
| Tax Revenue Impact (\$M) | \$1.0 | \$0.3 | \$1.3 | \$0.7 |

Economic Impact Key Results: 2022

The total economic impact of the film production activity that occurred within the State between July 2020 and June 2022 is shown here. In aggregate, these productions have a total economic impact of \$153.9 million, supporting 840 FTE jobs with \$41.5 million in employee compensation.

| | Other Productions | MEDIA Act Tax Credit Productions | All Productions |
|--|----------------------|--|-----------------|
| Direct Output (\$M) | \$34.9 | \$42.6 | \$77.5 |
| Indirect and Induced (\$M) | \$36.0 | \$40.4 | \$76.4 |
| Total Impact (\$M) | \$71.0 | \$83.0 | \$153.9 |
| Direct Jobs Supported (FTE) | 190 | 160 | 350 |
| Indirect and Induced Jobs Supported (FTE) | 270 | 220 | 490 |
| Total Jobs Supported (FTE) | 460 | 380 | 840 |
| Total Employee Compensation Supported | \$25.5 | \$15.9 | \$41.5 |