



JANET T. MILLS  
GOVERNOR

STATE OF MAINE  
DEPARTMENT OF ECONOMIC  
AND COMMUNITY DEVELOPMENT



HEATHER JOHNSON  
COMMISSIONER

April 26, 2023

To: Sen. Craig V. Hickman, Chair  
Rep. Jessica L. Fay, Chair  
Members Government Oversight Committee

From: Heather Johnson, Commissioner  
Denise Garland, Deputy Commissioner

Senator Hickman, Representative Fay, and esteemed members of the Government Oversight Committee, we are writing to you regarding the recent OPEGA report on the Visual Media Incentives program, in preparation for your work session this coming Friday, April 28, 2023.

We would like to first address several of the points in the report and appreciate the opportunity to make a few clarifications for the committee as well.

The Department notes that the report identified several key questions:

First, is the visual media incentive program a good one, in the sense of being competitive with other jurisdictions and encouraging film production in our state?

Second, did the Department/the Maine Film Office administer it well?

And third, what are the overall responsibilities of the Maine Film Office staff in addition to administering the visual media incentive?

For the first question, the answer is no, the visual media incentive program is not competitive with other jurisdictions. The report noted that the visual media incentive program, which includes a tax credit and a wage reimbursement, has been infrequently used, and has had a low cost to the State. As you saw in the report, that is in part because the incentives are very low compared to other jurisdictions. We would like to provide a sense of what this program has cost the State.

Since 2012, the average spend on visual media incentives has been \$159,515, and the total spent during this ten-year period was \$1,754,660. The year since 2012 which saw the greatest spend on the visual media incentive program was 2021, when a total of \$327,736 was spent. In the packet we shared with the committee prior to the public hearing, you will find a chart illustrating these expenditures over time.

For the second question, regarding administration of the program, we recognize there were challenges with the manual way we have been doing things. In the information packet provided to the committee in advance of the public hearing on April 14, we detailed the process we use. That process includes a full vetting of expenses incurred by production companies seeking to

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qualify for the incentives, and working cooperatively with Maine Revenue Services as they conduct their review process with the production companies before approving and releasing funds. As funds are approved and released by Maine Revenue Services, we are confident that there has been no misappropriation of funds.

The third question speaks to the overall scope of work for staff of the Maine Film Office. In addition to marketing Maine as a filming location, assisting productions that film in Maine, and cultivating relationships with film industry stakeholders, the Film Office staff also assists the Maine Office of Tourism on a project basis - which sometimes includes out-of-state travel. Accordingly, some Film Office out-of-state travel is film-related, and some is tourism-related. You will find a chart showing the number of out-of-state trips taken by Film Office staff, and for which purpose, on page 3 of our information packet.

One of the pieces of the report that we would like to clarify for the committee is around travel costs. The report suggested that the Maine Film Office had incurred more than \$86,000 in travel costs for out-of-state trips in the past four years. We are glad to be able to share that on Departmental review of FORTIS and other data used to track these expenses, we found that in fiscal years 2019 through 2022, actual out-of-state travel expenses added up to \$28,935.56. You will find the year-by-year breakdown on page 2 of the information packet.

We want to assure you that the Department is working to resolve the issues identified in the administration of the visual media incentive program, including continuing to work with Maine Revenue Services, and deploying an online application portal that will ensure that all statutory requirements are included as part of the electronic application process, instead of the existing manual process. That online portal will be available in June 2023. In addition, we are working with Olsberg SPI to conduct an evaluation of the visual media production capacity in Maine. This includes interviews and information-gathering from stakeholders across the state who participate in various areas of the visual media industry. We look forward to sharing the results of that evaluation, which are expected this summer. These results will form the base of information to drive the creation of a new, more impactful film program.

We welcome future discussions with both OPEGA and GOC on how the visual media incentives program can be improved. As a starting point, we have attached a document that suggests a possible path forward for an inclusive stakeholder process to build consensus around the goals and economic impact of an updated visual media incentive program.

Thank you for the opportunity to share this information with the committee. We will be available at your work session for any questions you may have.

PROPOSED PROCESS TO WORK WITH INDUSTRY STAKEHOLDERS  
ON THE PURPOSE AND GOALS OF THE VM INCENTIVE PROGRAM

**GOAL:** Build industry consensus around the purpose and goals for the VM Incentive program and make recommendations provided by stakeholder input to the sponsor of LD 1075.

➤ **ACTION ITEM: PRODUCTION INFRASTRUCTURE, CAPACITY AND DEVELOPMENT ANALYSIS OF THE VM SECTOR, CONDUCTED BY Olsberg•SPI**

This analysis of Maine's VM sector is scheduled to be completed the week of June 19.

The Olsberg•SPI analysis of Maine's VM industry will provide a roadmap for economic development in Maine's VM industry. The Study will include strategic insight and advice for sector growth and will include a detailed analysis of the:

- Current ability to attract and service specific levels and types of production
- Production infrastructure and capacity audit
- Production capacity, constraints, and opportunities for growth
- Current incentives compared to other states that might attract similar projects, as well as the amount of increased production likely to result from improving incentives.

Olsberg•SPI provides a range of expert consultancy and strategic advisory services to public and private sector clients, specializing in the worlds of film, television, video games and digital media.

➤ **ACTION ITEM: MEET WITH THE NEW MAINE FILM COMMISSION MEMBERS**

Invite the new commission membership to DECD offices for a round-table discussion about VM Incentives and ways to engage stakeholders in the conversation. Discussion to include:

- Stakeholder survey about VM Incentives
- Moderated In-Person Stakeholder Listening Session
- Four Zoom Stakeholder Listening Sessions
- Public Comment Period
- OPEGA Report on VM Incentives
- Production Infrastructure, Capacity and Development Analysis
- Salesforce VM Incentive Database
- LD 1075, An Act to Promote Economic Growth Through Increased Film Incentives

The Film Commission will review the steps below and make recommendations to shape the process of stakeholder discussion and feedback.

➤ **ACTION ITEM: SEND SURVEY ABOUT INCENTIVE PURPOSE AND GOALS TO STAKEHOLDERS**

Survey questions will be developed with the Maine Film Commission and will be divided into two categories:

- The first category will be purpose and will be geared toward questions that help define the purpose of the incentives in the long term (I.e., building crew base; developing infrastructure, bringing in productions vs supporting local productions, etc.).
- The second category will help define the goals of the incentives; the action items that will help achieve the long-term purpose of the incentives (I.e., make the tax credit refundable; raise the percentage of the wage reimbursement and the tax credit; increase the per employee wage cap; etc.).

Survey distribution will include sending the survey to:

- Working professionals who have created a listing in the MFO online database, which includes 402 crew/employee listings and 170 business listings
- Members of the Maine Film Association who have created listings in the MFA online database
- Working local VM professionals on the consultee list for the Production Infrastructure, Capacity and Development Analysis.
- We'll also encourage people who receive the survey to forward it to other locals working in the VM industry.

After the survey, MFO will provide a report about the survey responses.

➤ **ACTION ITEM: MODERATED IN-PERSON STAKEHOLDER LISTENING SESSIONS**

Conduct an in-person stakeholder listening session led by a professional moderator to discuss the OPEGA report's recommended legislative action, "OPEGA suggests that this effort begin with clarifying what policymakers expect the incentives to accomplish and memorializing a purpose and goals for the incentives."

The session will include a variety of stakeholders:

- DECD, MOT and MFO leadership
- Film Commission Members
- Stakeholders who provided testimony for LD 1075 and the OPEGA Report
- Local consultees who participated in the Production Infrastructure, Capacity and Development Analysis
- Sponsor of LD 1075, or designee

Before the meeting, participating stakeholders will receive copies of:

- The Production Infrastructure, Capacity and Development Analysis
- Results from survey sent to working professionals in the local VM community
- The OPEGA report with details about the current VM incentives
- Additional information about incentives in other states to provide a nuanced overview of incentives

After the meeting, the moderator will provide a report about the listening session discussion.

➤ **ACTION ITEM: FOUR ZOOM LISTENING SESSIONS**

Zoom sessions will allow a wide group of stakeholders to participate in the discussion.

Following the in-person stakeholder session, four Zoom sessions will be held over two weeks to cover a Monday, Tuesday, Wednesday, and Thursday, to ensure stakeholders have options to attend at least one Zoom session when their schedule allows. The number of participants able to attend each session will be unlimited and stakeholders will be able to join more than one session.

The Zoom Sessions will be advertised by email to:

- Working professionals who have created a listing in the MFO online database, which includes 402 crew/employee listings and 170 business listings
- Members of the Maine Film Association who have created listings in the MFA online database
- We'll also encourage people who receive the survey to forward it to other locals working in the VM industry.

A link will be included in the emails to a MFO webpage that includes background information for Zoom participants to review before the sessions:

- The Production Infrastructure, Capacity and Development Analysis
- Results from survey sent to working professionals in the local VM community
- The OPEGA report with details about the current VM incentives
- Additional information about incentives in other states to provide a nuanced overview of incentives

After the listening sessions, stakeholder feedback will be encouraged to provide ideas about the VM Incentives.

➤ **ACTION ITEM: STAKEHOLDER FEEDBACK**

Stakeholders will have an opportunity to provide feedback on the VM incentives purpose and goals.

After the survey and listening sessions, a call-to-action link will be emailed to stakeholders to provide an additional opportunity to share ideas about the purpose and goals of the VM Incentives and the best way to update them. An email address will be set up to receive the feedback.

The Stakeholder Feedback call-to-action will be advertised by email to:

- Working professionals who have created a listing in the MFO online database, which includes 402 crew/employee listings and 170 business listings
- Members of the Maine Film Association who have created listings in the MFA online database
- Any other email address provided by stakeholders that participated in the survey or listening sessions
- We'll also encourage people who receive the survey to forward it to other locals working in the VM industry.

After the feedback period, MFO will provide a report on the stakeholder feedback.

➤ **ACTION ITEM: NEW ONLINE SOFTWARE TO APPLY FOR INCENTIVES, REVIEW AND TRACK APPLICATIONS, AND DOCUMENT CLAIMS**

The new Salesforce VM Incentive software program is scheduled to be completed the week of June 9.

This new technology tool can accommodate and help manage a bigger, stronger VM Incentive program. Productions will apply for incentives online and can check their application status in real time with this new tool. DECD, MOT, MFO and MRS will have access to check the status of applications and review documents uploaded by the productions to support their incentive claims.

This software will include an easily searchable database of the incentive applications that will allow searches by field to facilitate data collection and analysis.

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