GOOD JOBS FIRST

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To: Members of the Joint Committee on Taxation

Re: LD 1075 - An Act to Promote Economic Growth Through Increased Film Incentives

My name is Nya Anthony. I am a research analyst at Good Jobs First, a national, non-profit, non-partisan research center dedicated to improving economic development. My specialty at the organization includes film and television production subsidies. We do not support the passage of LD 1075 because of its unnecessary expense to Maine's taxpayers and the program's general lack of transparency and accountability.

Maine's visual media incentives have never been an expensive tax expenditure for the state, nor should they be in the future. Good Jobs First has tracked academic and state audit studies of media production tax credits for over 20 years. Every credible study finds that state taxpayers lose 80% or more of these expenditures. That is, tax revenues generated as a share of expenses incurred invariably fall below 20%.[i]

States like Georgia and New Jersey have become trapped in the cycle of ever-expanding programs or a race to the bottom.[ii] Georgia does not cap spending on its film program, which has resulted in a record $1 billion annual expenditure.

We do not dispute that these lavish "tax credits," which amount to enormous cash gifts, cause production to occur in one place over another. Indeed, that indicates that Hollywood executives are what economists call "rent-seekers." They care more about reducing their costs and boosting their profits than the long-term growth of Maine's film industry.[iii]

Transparency throughout the administration of the film incentive program should also be considered in the policymaking process.

Last month, OPEGA's 2023 annual report found that the Maine Film Office inadequately administered Maine's visual media incentives.[iv] Inconsistent reporting and failure to comply with statutory requirements are the hallmarks of a mismanaged program. Any proposed program expansion, like that in LD 1075, should come only after the Maine Film Office improves its record-keeping and administrative procedures.

LD 1075 also proposes to lower the financing minimum by $50,000. I assume this is to court more applicants in response to OPEGA's finding that the program is underutilized.[v] However, the MFO has already demonstrated its inability to handle an average of seven applicants each year since the program began in 2006. As such, the state should question whether the MFO has the administrative capacity to manage this program effectively, especially if it expects additional traffic.

This body should consider voting down this proposition until the MFO has proven capable of managing this incentive under the current requirements.

[i] "Film Subsidies," *Good Jobs First*, https://goodjobsfirst.org/film-subsidies/.

[ii] Georgia Department of Audits & Accounts, "Tax Incentive Evaluation: Georgia's Film Tax Credit," December 2023, https://www.audits2.ga.gov/reports/summaries/tie-georgias-film-tax-credit/. See also Peter Chen, Pat Garofolo, "Reel Regret: The High Cost of Expanding Film Tax Credits in New Jersey," *New Jersey Policy Perspective*, June 2023, https://www.njpp.org/publications/blog-category/reel-regret-the-high-cost-of-expanding-film-tax-credits-in-new-jersey/.

[iii] Matthew Mitchell, "And the Winner of the 'Worst Tax Policy' Oscar Is…," *U.S. News and World Report*, February 2014, https://www.usnews.com/opinion/economic-intelligence/2014/02/19/the-oscars-of-bad-tax-policy

[I] Office of Program Evaluation & Government Accountability of the Maine State Legislature, "OPEGA Annual Report 2023," January 2024, p. 8, https://legislature.maine.gov/doc/10533

[v] Office of Program Evaluation & Government Accountability of the Maine State Legislature, "OPEGA Annual Report 2023," January 2024, p. 6, https://legislature.maine.gov/doc/10533