

Economic Impact of Utah's Motion Picture Incentive Program

A Study for the Motion Picture Association of
Utah by Olsberg•SPI



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1. EXECUTIVE SUMMARY

1.1. Introduction

The Motion Picture Association of Utah (the “**Client**”), with support from the Utah Film Commission, has commissioned creative industries consultancy Olsberg•SPI (“**SPI**”) to undertake an independent evaluation of the economic impact of Utah’s Motion Picture Incentive Program (the “**Study**”).

This analysis covers standard economic impact measures, such as Gross Value Added (GVA), full-time equivalent (FTE) job creation and economic Return on Investment (RoI), as well as effects of incentivized activity on the screen production supply chain, the geographic impact of in-state production spending, and effects on tourism. Incentive and production data were sourced from the Utah Film Commission, and a range of confidential consultations were also undertaken with producers of supported projects, vendors, and other state stakeholders.

The Study examines seven years of production data in relation to the Motion Picture Incentive Program (MPIP) and provides a multi-year economic impact analysis, as well as considering wider strategic benefits of film and television production for the state of Utah.

The Study also includes a range of recommendations for the future of Utah’s film and television incentive, as well as related modelling and forecasts.

1.2. Context

In recent years, there has been a deluge of film and television production on a global basis. This is driven by voracious demand for all types of screen content from consumers and investors alike – which include newer entrants, as well as established broadcasters and studios. Governments and legislators in jurisdictions of all sizes have increasingly recognized and valued the considerable economic and other benefits delivered by this global growth sector, especially as they look to diversify their economies and recover from the economic effects of the COVID-19 pandemic.

A key policy intervention to stimulate production activity in this global growth sector is an automatic incentive. The MPIP is one of 101 programs active globally, and one of 34 in the US. Despite its long history as a production destination and its highly attractive filming locations, Utah’s growth has been constrained by the comparatively limited incentive allocation. The state’s current incentive offer is outlined in the following table.

Table 1
Overview of the Utah Motion Picture Incentive Program

Utah Motion Picture Incentive Program: Key Elements	
Type	Rebate / tax credit
Value	Rebate: 20% for projects spending between \$500,000 and \$1 million Tax credit: 20% for projects that spend between \$500,000 and \$1 million; 25% for projects that spend above \$1 million and if additional criteria are met. A 5% increase may be reached by hiring 75% Utah cast and crew (excluding extras and five principal cast) or undertaking 75% of production days in rural Utah.
Annual Cap	\$8.29 million

Alongside the MPIP, Utah also offers the Community Film Incentive Program. Designed to foster new and upcoming local film-makers and productions, this is a post-performance incentive worth 20% for projects spending between \$100,000 and \$500,000. The impacts of the Community Film Incentive Program have not been examined as part of this Study.

1.3. Production in Utah and Related Incentive Use

1.3.1. Overview

Analysis of annual film and television production spend in Utah between FY2005 and FY2021 shows that while spend is often uneven due to the nature of film and television production there has been overall growth since FY2005.¹ Since FY2017, growth has levelled off somewhat, which relates to the underlying incentive budget in Utah. A decline occurred in FY2020 in relation to the COVID-19 pandemic: while spend reached \$64.0 million in FY2019, this decreased to \$46.9 million in FY2020, with a similar level of \$47.9 million in FY2021. It should be noted that the latter fiscal year does include a significant proportion of 2020, the first year of the pandemic, and that the global film and television sector has seen a strong return to production since initial disruption from COVID-19. According to reports, Utah was the first state in the US to resume film and television work and is well placed to continue to benefit from the high volume of production being undertaken in the sector.²

The overall number of projects accessing Utah's incentive has increased significantly since 2005, but by a smaller proportion than the increase in production spend. This means that projects have been spending larger amounts in Utah over time, and likely relates to a broader industry trend towards higher budgets, as well as a development in the film and television sector in Utah which enables more spend to take place in the state. In FY2021, 30 projects accessed the MPIP including 22 features and eight episodic projects.

Overall, analysis of the type of projects utilizing Utah's incentive between FY2019 and FY2021 shows more impact from episodic projects than feature films. This is in line with broader sector trends.

1.3.2. Rural Activity

Rural production is significant in Utah. Over the past five years, around a quarter of filming days were undertaken 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.

The total number of permits granted in rural areas between FY2017 and FY2020 (the last year with available data) exceeds that for urban areas.

1.3.3. Distribution of Spend

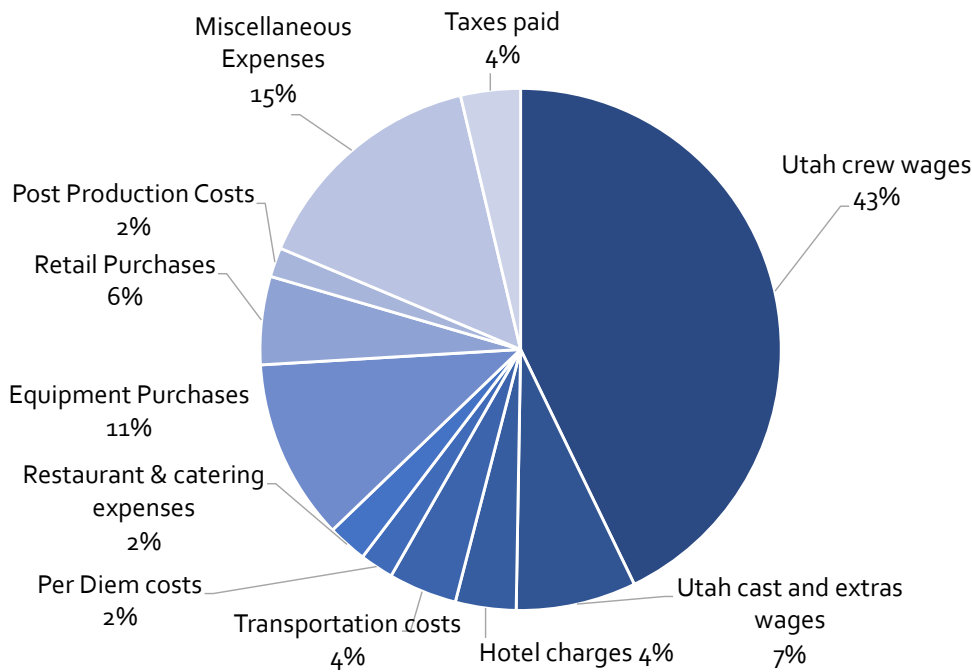
As a kind of specialized manufacturing activity, film and television production in Utah involves purchases and payments to a wide variety of industries and individuals including equipment hire, hotels and transportation. The supply chain impacts of such productions therefore benefit a large number of workers and vendors beyond those working solely in the film and television sector.

Analysis of projects in Utah shows that a significant 29% of all production costs were spent on food, accommodation, transport, and incidental purchases and equipment costs.

¹ Note on usage: the Utah state fiscal year runs July 1st to June 30th, across two calendar years. This Study therefore uses the convention of FY2005 (for example) to denote the 2004-05 fiscal year

² *Lights, Camera, Covid: How The Utah Film Industry Beat The Odds Amidst The Pandemic*. 19th December 2020. ABC4 Utah. Accessible at: <https://www.abc4.com/news/lights-camera-covid-utah-film-industry-on-the-rise/>

Figure 1 – Breakdown of Production Expenditure FY2019 to FY2021



Source: Utah Film Commission

1.4. Economic Impact of Production and the Tax Credit

1.4.1. Additionality

Additionality describes how much production expenditure can be attributed to the MPIP. To determine additionality, a survey that was sent to all production incentive applicants to explore what production companies would have done without the incentive. There were 34 responses out of 60 recipients, a robust response rate of 57%.

Overall, the MPIP leverages very high additionality for Utah, with particularly high additionality for productions by companies based out of Utah. Incentives were clearly identified as the most important decision factor for producing in Utah.

The rate of additionality was found to be between 83% and 100% — i.e. Utah’s incentives are responsible for between 83% 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.

All economic impact results presented account for activity which would not have happened without the incentive and are therefore the additional impact of the incentive.

1.4.2. Output

Between FY2015 and FY2021, the incentive generated \$614.1 million in net output. Nearly half (49%) was from direct spend in the industry, while a further \$143.1 million was created in the supply chain and \$170.3 million through the subsequent wage effects.

1.4.3. GVA

GVA is a key measure of the additional economic value created by an activity. Between FY2015 and FY2021, the total GVA created by activity incentivized by the credit was \$350.1 million, an

average of \$50.0 million a year. This includes a total of \$178.2 million of direct GVA, \$77.0 million in indirect GVA and \$95.0 million in induced.

1.4.4. Employment

The hiring of cast and crew for Utah productions incentivized by the MPIP generated 516 direct FTE year-round jobs in FY2021. The additional activity also leads to jobs in the supply chain (indirect effects) and moves through the economy through wage expenditure in other businesses. In total in FY2021, a total of 810 FTE jobs can be attributed to the MPIP including 164 indirect jobs and 130 induced jobs.

1.4.5. Labor Income

The total labor income for the seven years between FY2015 and FY2021 is \$238.0 million. This includes income earned in the supply chain and the consequences of increased wages throughout the economy.

1.4.6. Return on Investment

RoI is an important measure of the effectiveness of a film and television production incentive. 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).

The average GVA RoI between FY2015 to FY2021 is 7.0. For each \$1 spent on the tax credit, \$7.0 is returned to the Utah economy. RoI varies over the years due to the effective incentive rate (relationship between the incentive amount of the production values) varying over time.

1.5. Film Tourism

In addition to the economic impacts, film and television production also delivers a range of supplementary benefits, including tourism effects.

Film and television induced tourism has increasingly been recognized as an important component of tourism marketing and visitor attraction, and the economic impacts arising from screen tourism can be substantial.

Survey research undertaken by SMARInsights for the Utah Film Commission identifies Utah visitors who said a film or television 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 television.

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 television series.

1.6. Recommendations for Future Development

Currently, Utah's growth as a hub for film and television production is constrained by the annual budget of its incentive. SPI reviewed Utah Film Commission data on projects that seriously enquired about shooting in state but ultimately opted to shoot elsewhere.

This analysis shows that Utah lost out on productions with budgets totaling \$216 million in 2018 and \$207 million in 2019. This decreased to \$70 million in 2020, due to the impact of COVID-19.

The variety of states that these lost productions ultimately ended up shooting in has been broad. While ultimate shooting locations could not be found for all productions lost to Utah, alternative locations included Canada (used as alternatives on three occasions), Georgia and

Louisiana (both used as alternatives on two occasions), and Illinois, New Mexico, Texas, Montana, Alabama, and Mississippi.

With Utah’s incentive allocation is one of the lowest of the US states offering film and television production incentives, the current level of allocation is usually assigned within four months of the fiscal year start.

To ensure the state retains economic and strategic impacts and builds a larger and more stable year-round production sector, an expansion of the current allocation should be considered. In addition to global production growth, Utah also has a number of unique attractions that would help attract more production alongside an expanded incentive. This includes the state’s locations and its renowned quality of life.

SPI has modelled two potential scenarios for expansion:

- Model One** retains the incentive cap at its current level, but adds an uncapped element for productions undertaking a majority of their production days in Utah in defined rural counties. This is designed to drive production and associated impacts to rural parts of the state and focus on building impacts from the sector away from the Wasatch Front. The projections in this model assume that the capped state incentive will continue to be fully utilized. Due to constraints on workforce capacity for additional productions being made rurally, it has been assumed that after an initial significant rise, production expenditure will remain steady, before starting to rise again as workforce depth increases.
- Model Two** instead assumes a gradually staged increase to Utah’s overall incentive budget, on a more conservative basis than model one. In year one, the incentive has been projected to increase from its current level of \$8.3 million to \$15 million, followed by further increases of \$5 million annually.

Projections for both models are included in the following tables, presented as net totals – i.e. adjusted using the additionality rate identified through the survey undertaken for this study. Gross totals are included in Section 7.2.

Table 2 – Model One Projections Related, FY2023 to FY2028 (\$m) – Net Impact (2021 dollars and based on 2019 data year [pre-Covid])

	FY 2023	FY2024	FY2025	FY2026	FY2027	FY2028
Total incentive budget (\$m)	20.8	27.8	27.8	34.8	34.8	41.8
Related spend (\$m)	83.2	111.2	111.2	139.2	139.2	167.2
GVA (direct, \$m)	40.4	54.0	54.0	67.9	67.9	81.2
FTEs (direct)	895	1,197	1,197	1,503	1,503	1,799
Output (direct, \$m)	71.5	95.6	95.6	120.1	120.1	143.8
GVA (total, \$m)	82.0	109.6	109.6	137.6	137.6	164.8
FTEs (total)	1,406	1,879	1,879	2,360	2,360	2,825

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	FY 2023	FY2024	FY2025	FY2026	FY2027	FY2028
Output (total, \$m)	148.0	197.8	197.8	248.4	248.4	297.5
GVA Rol	5.6	5.6	5.6	5.6	5.6	5.6

Note: 'Total' includes direct, indirect and induced phases of economic impact

Table 3 – Model Two Projections, FY2022-23 to FY2026-27 (\$m) – Net Impact (2021 dollars and based on 2019 data year [pre-Covid])

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Total incentive budget (\$m)	8.0	15.0	20.0	25.0	30.0	40.0
Related spend (\$m)	35.6	66.8	88.9	111.0	133.3	177.8
GVA (direct, \$m)	17.3	32.4	43.2	54.0	64.8	86.4
FTEs (direct)	383	719	957	1196	14345	1914
Output (direct, \$m)	30.6	57.4	76.5	95.5	114.6	153.0
GVA (total, \$m)	35.1	65.8	87.6	109.5	131.4	175.3
FTEs (total)	602	1128	1503	1878	2253	3005
Output (total, \$m)	63.4	118.8	158.2	197.7	237.2	316.4
GVA Rol	6.5	6.5	6.5	6.5	6.5	6.5

2. THE GLOBAL SCREEN PRODUCTION DELUGE AND UTAH

2.1. The Global Screen Production Deluge

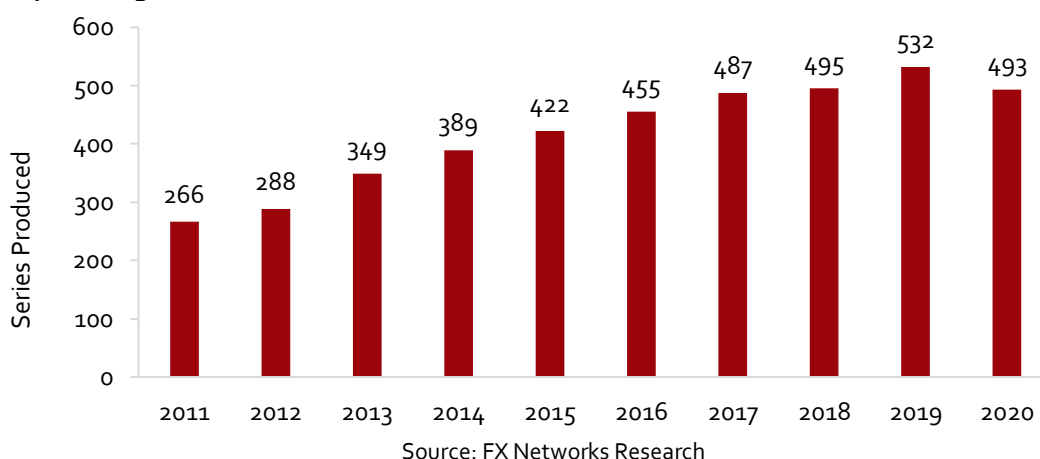
Recent years have seen an unprecedented deluge of film and television production in response to voracious consumer and investor demand. In 2019, an unprecedented \$177 billion was spent on the production of feature-length films (\$42.6 billion), television films, drama series and documentaries (\$134.4 billion).³

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.⁴

This increase is being driven by streaming services such as Netflix, which is reported to have increased its content spend to over \$17 billion in fiscal 2021.⁵ Other new and well capitalized investors have entered the market and investment from established studios and broadcasters has increased. Disney, for example, announced at its 2020 Investor Day that it expected its global direct-to-consumer content expense to be between \$14 billion and \$16 billion dollars across Disney+, Hulu and ESPN+ for fiscal 2024.⁶

Much of the growth has been driven by television series (Figure 2), although the production of feature film has also been increasing (Figure 3).

Figure 2
Scripted Original Series Production in the US, 2011-2020



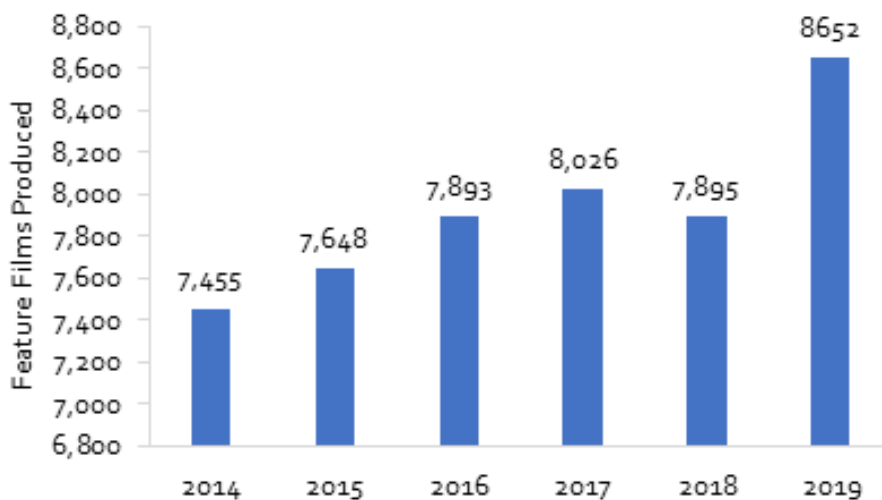
³ *Global Screen Production – The Impact of Film and Television Production on Economic Recovery from COVID-19*. Olsberg•SPI, 25th June 2021. Accessible at: <https://www.o-spi.com/projects/economic-impact-studies-research-and-evaluation-lyglh>

⁴ *The future of entertainment*. The Economist, 14th November 2019. Accessible at: <https://www.economist.com/briefing/2019/11/14/the-future-of-entertainment>

⁵ *Netflix Reveals \$17 Billion in Content Spending in Fiscal 2021*. Variety, 20th April 2021. Accessible at: <https://variety.com/2021/tv/news/netflix-2021-content-spend-17-billion-1234955953/>

⁶ The Walt Disney Company investor day Transcript, 10th December 2020. Accessible at: https://thewaltdisneycompany.com/app/uploads/2020/12/Disney_Investor_Day_2020_transcript.pdf

Figure 3
Worldwide Feature Film Production, 2014-19



Source: European Audiovisual Observatory

Governments of all sizes and jurisdictions have increasingly recognized and valued the considerable economic benefits delivered by screen production. As a type of specialized and fleetfooted manufacturing activity, it creates modern, highly skilled, productive, and mobile employment. It also typically delivers an attractive return on public investment alongside a variety of other economic measures. It increases inward investment, stimulates tourism, helps national branding, and enhances soft power.

These economic benefits sit alongside the many cultural impacts delivered by the screen ecosystem. These benefits have been recognized for decades and have often been the starting point for government strategies addressing the sector.

Despite initial disruption on screen production by the COVID-19 pandemic, global spend on screen production and licensing of new content by streamers, studios and independents has soared 16.4% year-on-year from \$189.1 billion in 2019 to \$220.2 billion in 2020. Furthermore, spend is forecast to rise to \$250 billion in 2021, reflecting the resilience of the sector and significant demand for screen content.⁷

2.2. An Opportunity for Utah

Utah's economic performance has consistently ranked amongst the strongest of all US states in recent years, with high levels of employment and strong wage growth. However, this has been unequally distributed between the Wasatch Front and more rural counties.

Film and television production offers a strategic ability to deliver impacts, including jobs, to more rural areas of the state. This is because productions deliver large amounts of expenditure in a relatively short production cycle. Film and television productions are also attracted to the unique locations offered in rural Utah. However, production incentives play a key role in attracting projects, and Utah's limited incentive has seen projects opt for other states.

⁷ Streaming drove 16.4% rise in 2020 global production, licensing spend to \$220bn (report). Screendaily.com, 28th June 2021. Accessible at: <https://www.screendaily.com/news/streaming-drove-164-rise-in-2020-global-production-licensing-spend-to-220bn-report/5160937.article>

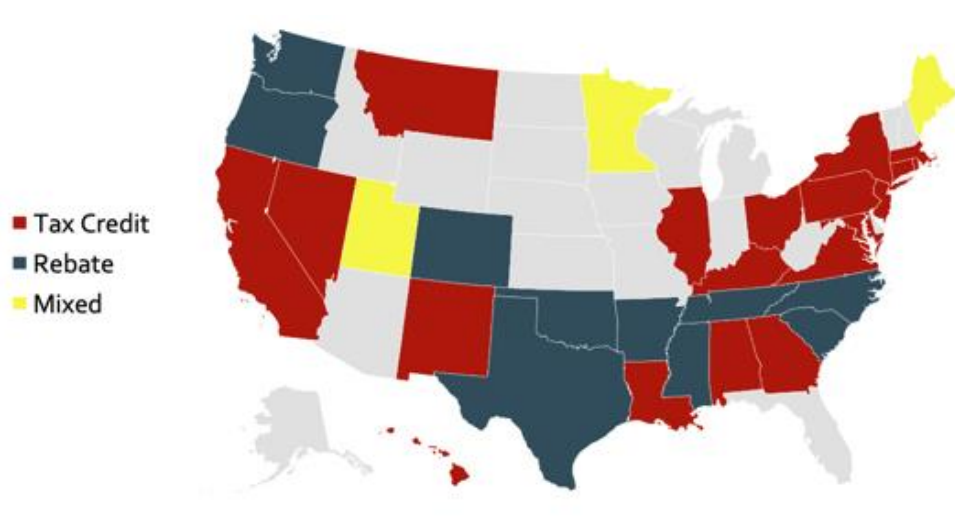
3. UTAH FILM PRODUCTION INCENTIVES

3.1. Background to Production Incentives

In a competitive global market where screen production spend has reached unprecedented levels, tax incentives have become increasingly recognized by governments as an efficient and strategic policy tool to attract and strengthen local production sectors and build skills, employment, and infrastructure in a future-facing global industry, as well as attract high-value inward investment.

There are currently 101 automatic national, state, or province-level systems operating worldwide. In terms of the US market, Utah is one of 34 automatic incentives.⁸ The MPIP's current cap of \$8.3 million makes it one of the lowest offers in the US, as outlined in Section 3-3.

Figure 4 – Screen Production Tax Incentives in the US



Source: SPI

3.2. The Utah Motion Picture Incentive Program

Production incentives for film and television were first introduced in Utah in 2004 in response to film and television productions being drawn to incentive offers elsewhere and leaving the state. Utah's initial incentives took the form of a trial fund, with an allocation of \$1 million. After this trial, a permanent fund was created with a budget of \$3 million, which would ultimately be run by the Utah Film Commission. The MPIP has a budget of \$8.3 million, after an increase during the 2021 legislative session from \$6.8 million.

In its current form, qualifying productions are feature films; documentaries; episodic pilots, series or episodes; short films and music videos; and reality television.

There are presently two uplifts available, with both requiring at least \$1 million being spent by a production in Utah. The first can be obtained by 75% or more of a production's cast and crew being Utah residents (excluding extras and five principal cast members). In this case, the incentive rises to 25% from the base 20%. Alternatively, locating at least 75% of principal

⁸ Incentives based on eligible spend, rather than other discretionary elements (e.g., cultural significance or artistic value)

photography days in rural Utah (outside of Salt Lake, Utah, Davis and Weber counties) will also increase the incentive available to 25%.

3.3. Comparison With US State Competitors

There is strong competition in the US to attract screen productions, with Utah as one of over 30 states offering production incentives. This section provides a high-level overview of state production incentives in order to compare Utah’s offer in two key areas: annual program cap (the annual amount budgeted for or invested by state governments on incentives), and incentive rate (the percentage-based return on eligible expenditure).

It should be noted that many international territories (including in Canada and Europe) also offer highly competitive incentive systems.

3.3.1. Program Caps

The table below outlines film and television production incentive programs in the US. The annual program budget or cap is indicated, and where no cap exists, actual government outlay on production incentives is included, where data are available.

Table 4 – Comparison of State Incentive Program Caps in the US Market

State	Annual Program Cap / State Outlay
Arkansas	No cap (amount unstated)
D.C.	No cap (amount unstated)
Maine	No cap (amount unstated)
Tennessee	No cap (amount unstated)
Georgia	No cap (\$915m, 2017)
Illinois	No cap (\$420m, 2018)
California	\$660m ⁹
New York	\$420m
Louisiana	\$150m
New Mexico	\$110m Note: uncapped for New Mexico Film Partners — e.g. Netflix and NBCUniversal
New Jersey	\$100m; additional €200m available for Studio Partners
Connecticut	No cap (\$110m five-year average between 2014-15 and 2019-20)
Kentucky	\$100m
Pennsylvania	\$70m
Massachusetts	No cap (\$56m-\$80m annually per 2021 review)
Hawaii	\$50m
Ohio	\$40m
North Carolina	\$31m
Oklahoma	\$30m
Texas	\$22.5m ¹⁰

⁹ includes \$150 million tied to the construction of new soundstages. *Legislature Passes Senate Bill 144, \$330 Million Dollar Investment In Film & Tv Production And Soundstages*. 15th July 2021. Accessible At: <https://sd25.senate.ca.gov/news/2021-07-15/legislature-passes-senate-bill-144-330-million-dollar-investment-film-tv-production>

¹⁰ In 2021, the state allocated \$45 million over two years.

State	Annual Program Cap / State Outlay
Alabama	\$20m
Mississippi	\$20m
Oregon	\$20m
Rhode Island	\$20m
South Carolina	\$15.5m
Maryland	\$12m
Montana	\$10m
Nevada	\$10m
Utah	\$8.3m
Virginia	\$6.5m
Minnesota (Tax Credit)	\$4.95m
D.C.	\$3.5m
Colorado	\$0.9m
Minnesota (Rebate)	\$0.5m

3.3.2. Rate

Utah’s incentive rate falls approximately in the middle of incentive systems in the US, at 20%-25%. The table below shows incentive rates in different US markets for reference and comparison. It should be noted that in many US states, incentives are offered at different levels for different types of spend, and these are outlined in the ‘Notes’ column below.

Table 5 – Comparison of State Incentive Rates in the US Market

State	Headline Incentive Rate	Uplifts	Notes
D.C.	35%	None	10% of personnel expenditure for non-D.C. residents; 30% for residents; 21% of production expenditure without a tax obligation to D.C.-registered vendors; 35% of production expenditure with a tax obligation to D.C.-registered vendors
Kentucky	35%	None	30% of goods and services; 35% of Kentucky-resident labor; 30% of non-resident labor
New Jersey	35%	2% Diversity Tax Credit	For qualified film production expenses incurred in New Jersey, but within a 30-mile radius of the intersection of Eighth Avenue/Central Park West, Broadway, and West 59th Street/Central Park

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State	Headline Incentive Rate	Uplifts	Notes
			South, New York, New York, the tax credit is worth 30% (Fort Monmouth falls outside of this 30-mile radius)
Illinois	30%	Additional 15% tax credit on Illinois labor expenditure of employees who live in areas of high unemployment	
Mississippi	30%	5% additional rebate for honorably discharged armed forces veterans	25% for local spend on goods/services; 25% for non-resident payroll; 30% for resident payroll
Ohio	30%	None	
Connecticut	30%	None	10% on production costs between \$100,000 and \$500,000; value increased to 15% on projects with eligible spend of more than \$500,000; projects of more than \$1m qualifying spend get 30%
Rhode Island	30%	None	
South Carolina	30%	None	25% on resident labor; 20% on non-resident labor; 30% on in-state supplies; 25% on out-of-state supplies
Washington	30%	35% for TV series of more than six episodes	
Alabama	25%	35% for payroll to Alabama residents	
Louisiana	25%	Additional 5% for out-of-zone filming; additional 10% for a Louisiana screenplay on expenditures between \$50,000 and \$5m; additional 15% for Louisiana payroll; additional 5% for visual effects	
Maryland	25%	None	25% for film production; 27% for TV production
Massachusetts	25%	Spending more than 75% of total budget or filming at least 75% of the principal	

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State	Headline Incentive Rate	Uplifts	Notes
		photography days in Massachusetts makes the project eligible for a 25% production credit and a sales tax exemption, in addition to the 25% base payroll tax credit	
Minnesota (Tax Credit)	25%		
Montana	25%	Additional 5% on expenditure in a high-poverty county; additional 5% for Montana screen credit	25% of compensation for Montana resident crew; 15% of compensation for non-Montana resident crew; 30% of compensation paid to students; 20% of above-the-line compensation per production or television series, with ceiling; 10% of payments to Montana colleges or universities; 10% of all in-studio facility and equipment rental expenditure
New Mexico	25%	Additional 5% for television series productions; additional 5% if certain criteria are met regarding the use of qualified production facilities; 5% for production expenditures in the state at least 60 miles	15% for non-resident industry crew wages when certain criteria are met
New York	25%	Additional 10% credit available on qualified labor expenses (direct hires only) in most upstate counties	
North Carolina	25%	None	
Pennsylvania	25%	5% for productions that meet the minimum state filming requirements at a qualified production facility; 5% for eligible post-production expenses incurred at a	

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State	Headline Incentive Rate	Uplifts	Notes
		qualified post-production facility	
Tennessee	25%	Additional 5% on resident labor for scripted TV series that include 'Film in TN' logo	
Utah	25%	None	Rebate: 20% for projects spending between \$500,000 and \$1m Tax Credit: 20% for projects that will spend \$500,000-\$1m; 25% for projects that spend above \$1m and if additional criteria are met
Arkansas	20%	10% bonus for below-the-line Arkansas residents	
California	20%	None	20% for non-independent feature films, TV projects; 25% for independent films
Colorado	20%	None	
Georgia	20%	Additional 10% for including Georgia promotional logo in final production	
Hawaii	20%	None	20% for Oahu productions 25% for other islands
Minnesota (Rebate)	20%	5% additional rebate for productions with more than \$1m qualifying spend, or 60% of days outside metro area	
Oklahoma	20%	3% Rural County Uplift; 2% Small Municipality Uplift; 5% Soundstage Uplift; 2% / 5% TV Uplift; 5% Multi-Film Deal Uplift; 3% Post-Production Uplift	
Oregon	20%	Additional 6.2% Greenlight labor rebate for qualifying projects spending more than \$1m	20% on goods and services; 10% on labor
Texas	20%	2.5% for underused or economically distressed areas	Base rate of 5%-20%: 5% for projects of \$250,000-\$1m; 10% for projects of \$1m-\$3.5m; 20% for projects of \$3.5m+. Based on eligible in-state spending

Economic Impact of the Utah Motion Picture Incentive Program

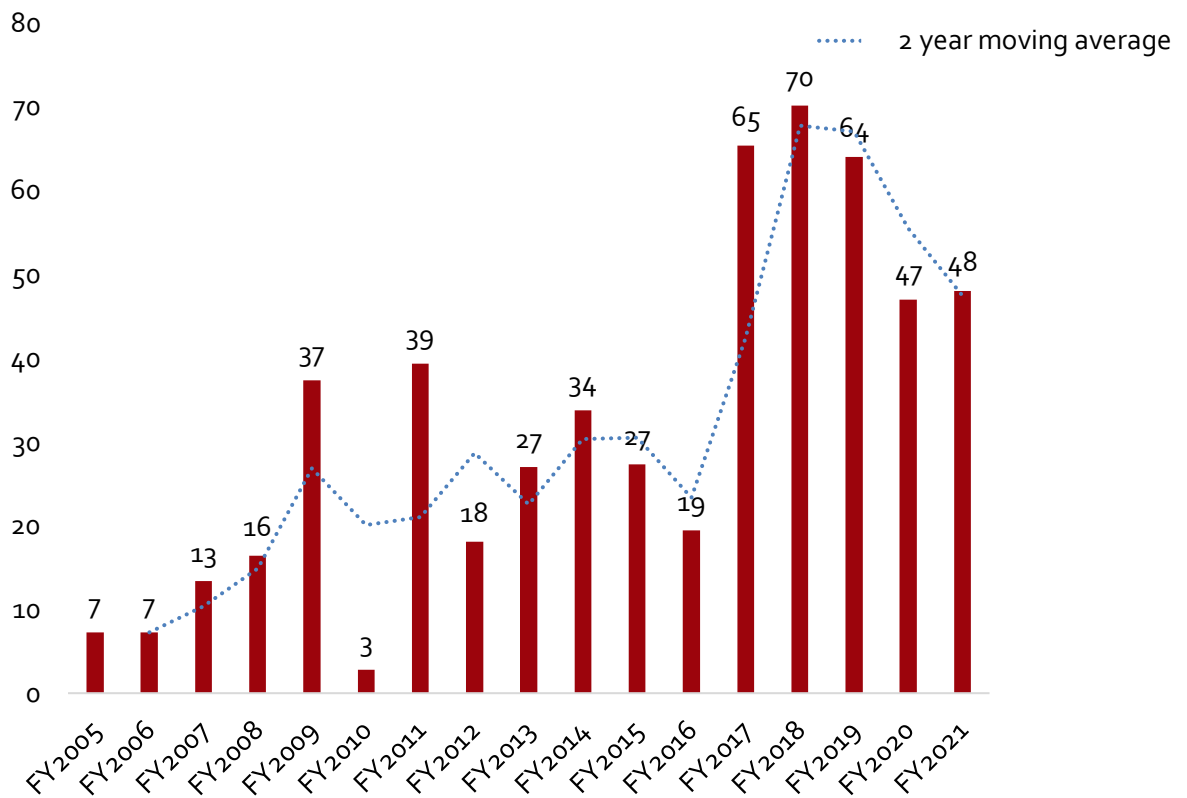
State	Headline Incentive Rate	Uplifts	Notes
Nevada	15%	None	Above-the-line: 15% resident, 12% non-resident Below-the-line: 15% resident Production costs: 15%
Virginia	15%	5% bonus for filming in an economically-distressed area of Virginia; 10% bonus for Virginia resident payroll if total expenditure in Virginia of \$250,000-\$1m, or 20% for Virginia resident payroll if total expenditure in Virginia of \$1m+; 10% bonus for Virginia resident payroll for Virginia residents employed for the first time as actors or members of a production crew	
Maine	12%	None	Rebate: 10% on non-resident wages; 12% on resident wages Tax credit: 5% on other eligible spend.

4. UTAH PRODUCTION AND INCENTIVE USE

4.1. Production Expenditure

Examination of annual expenditure patterns in Utah between FY2005 and FY2021 shows that while spend is often uneven due to the nature of film and television production there has been overall growth since FY2005. Since FY2017, growth has levelled off somewhat, which relates to the underlying incentive budget in Utah. A decline occurred in FY2020 in relation to the COVID-19 pandemic: while spend reached \$64.0 million in FY2019, this decreased to \$46.9 million in FY2020, with a similar level of \$47.9 million in FY2021. It should be noted that the latter fiscal year does include a significant proportion of 2020, the first year of the pandemic, and that the global film and television sector has seen a strong return to production since initial disruption from COVID-19. According to reports, Utah was the first state in the US to resume film and television work during the pandemic and is well placed to continue to benefit from the high volume of production being undertaken in the sector.¹¹

Figure 5 – Utah Production Expenditure, FY2005 to FY2021 (£m)



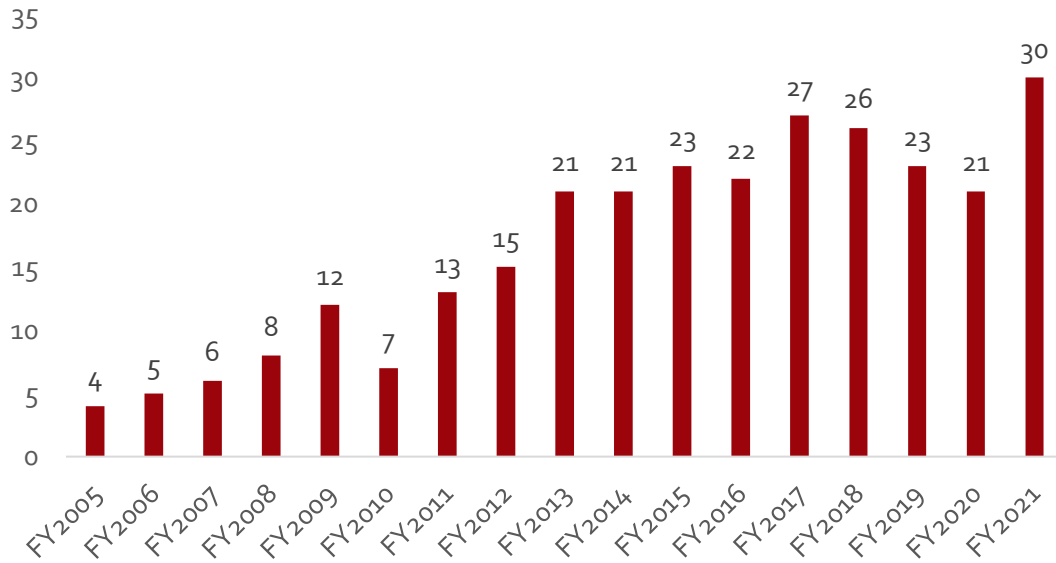
Source: Utah Film Commission / SPI analysis

4.2. Projects

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 projects have been spending larger amounts in Utah over time, and likely relates to a broader industry trend towards higher budgets, as well as a development in the film and television sector in Utah which enables more spend to take place in the state.

¹¹ *Lights, Camera, Covid: How The Utah Film Industry Beat The Odds Amidst The Pandemic*. 19th December 2020. ABC4 Utah. Accessible at: <https://www.abc4.com/news/lights-camera-covid-utah-film-industry-on-the-rise/>

Figure 6 – Number of Projects Accessing the Utah Production Incentive, FY2005 to FY2021

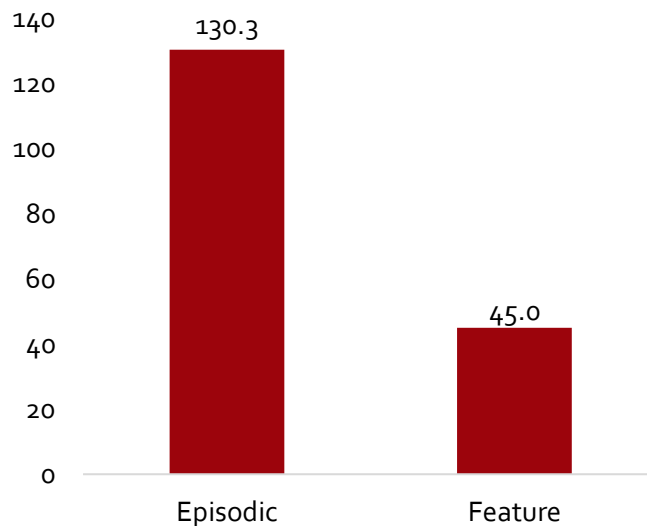


Source: Utah Film Commission / SPI analysis

Analysis of the type of projects utilizing Utah's incentive between FY2019 and FY2021 shows more impact from episodic projects than feature films. This is reflective of global sectoral 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.

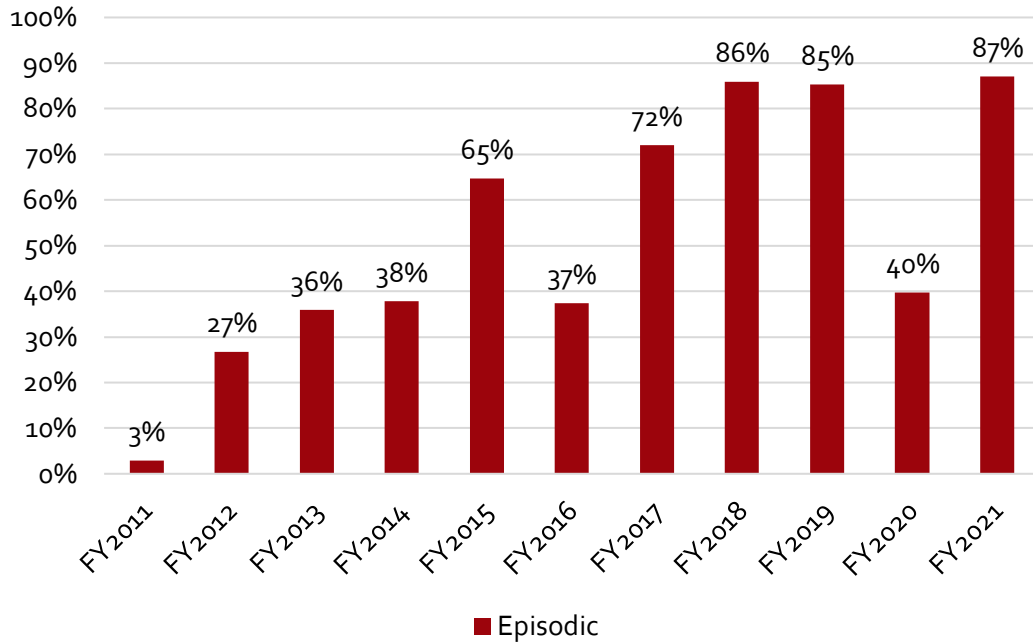
Figure 7 – Expenditure per Type of Project Accessing Utah's Incentive, FY2018 to FY2021 (\$m)



Source: Utah Film Commission / SPI analysis

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

Figure 8 – Episodic Expenditure as a % of all Production Expenditure in Utah, FY2011 to FY2021



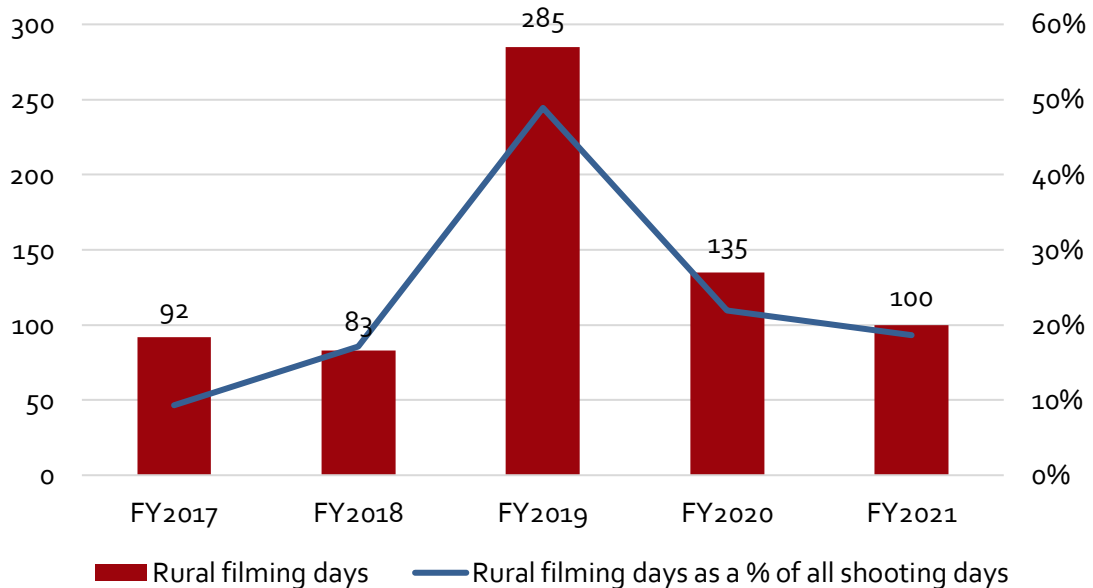
Source: Utah Film Commission / SPI analysis

4.3. Rural Activity

4.3.1. Filming Days

Rural production is significant in Utah. Over the past five years, around a fifth 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.

Figure 9 – Rural Production by Filming Days, FY2017 to FY2021

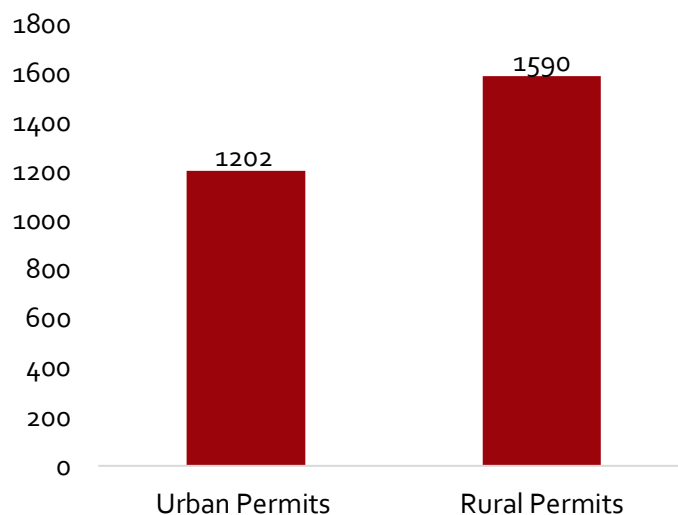


Source: Utah Film Commission / SPI analysis

4.3.2. Permits Granted

The total number of permits granted in rural areas between FY2017 and FY2020 (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.

Figure 10 – Number of Permits Granted by Location Type (FY2017 to FY2020)



Source: Utah Film Commission / SPI analysis

4.4. Distribution of Spend

As a kind of specialized manufacturing activity, film and television production in Utah involves purchases and payments to a wide variety of industries and individuals including equipment hire, hotels and transportation. The supply chain impacts of such productions therefore benefit a large number of workers and vendors beyond those solely active in the film and television sector.

Analysis of projects in Utah show that a significant 29% of all production costs were spent on food, accommodation, transport and incidental purchases and equipment costs.

4.5. Cast and Crew Earnings and Employment

Analysis of detailed expenditure information for one example project provides an insight into earnings and employment generated by film and television production activity in Utah.

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.

Table 6 – Key Employment Impacts from Production Case Study

Metric	Total
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

Economic Impact of the Utah Motion Picture Incentive Program

Metric	Total
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

5. ECONOMIC IMPACT OF INCENTIVIZED FILM AND TELEVISION PRODUCTION IN UTAH

5.1. Overview of methodology

The economic impact methodology is set out in full detail in the Appendix. The approach uses production expenditure data collected by the Utah Film Commission from companies as part of the registration and application process for the MPIP. Data on cast and crew and hours worked are also collected, allowing for a direct estimate of FTEs to be determined.

The total economic impact of the incentive is the sum of the direct, indirect and induced effects:

- **Direct impacts** are the economic uplift in terms of value created (GVA), labor income and employment within the screen sector resulting from the increase in production and postproduction expenditure.
- **Indirect impacts** are the GVA, labor income and employment effects observed in sectors that supply goods and services into the screen production sector.
- **Induced impacts** are the GVA, labor income and employment uplift created as a result of the wage effects of those working in the production sector.

To calculate the direct GVA and all indirect impacts, IMPLAN economic modelling software has been used.

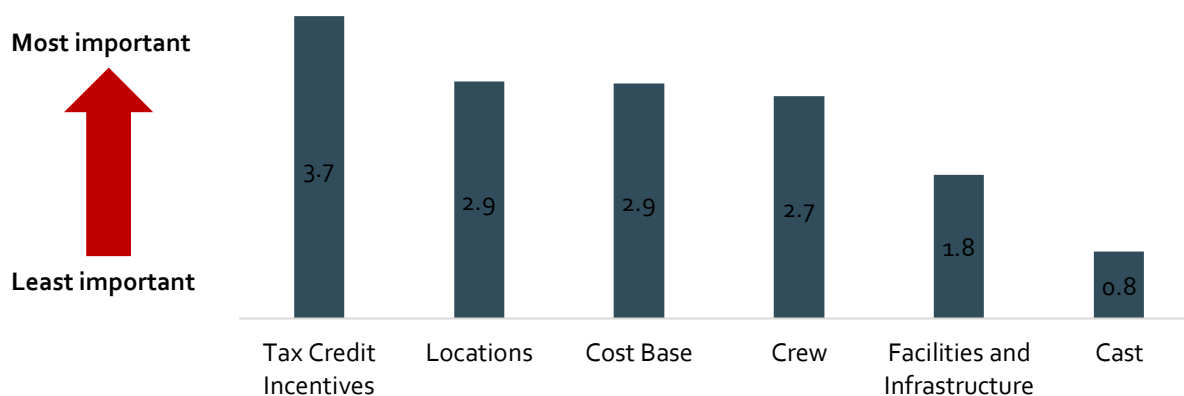
Note: where annual figures are presented, these are nominal – i.e. in prices corresponding with the data year. Where aggregated figures are reported, these use 2021 prices.

5.1.1. Additionality

Additionality describes the extent to which an observed change or impact can be attributed to a particular intervention. In this case, it describes how much production expenditure can be attributed to the MPIP. To determine additionality, a survey that was sent to all production incentive applicants to explore what production companies would have done without the incentive. There were 34 responses out of 60 recipients, a robust response rate of 57%.

Overall, the MPIP leverages very high additionality for Utah, with particularly high additionality for productions by companies based out of Utah. As outlined in the following figure, respondents were asked to rank the importance of six factors in the decision to produce Utah with incentives clearly identified as the most important decision factor identified.

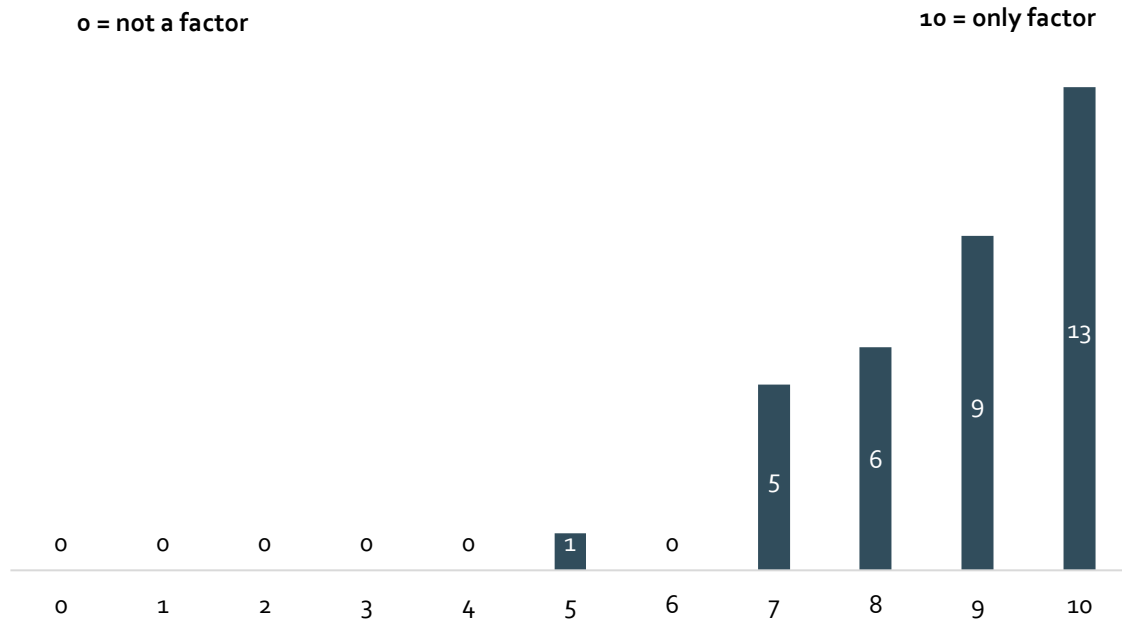
Figure 11 – Decision Factors for Producing in Utah – Average Rank (6 most important, 1 least important)



Source: SPI additionality survey, n=34

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). Again, 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 incentive was the most important factor, with 13 indicating a score of 10. The median response was 9, with the mean 8.8.

Figure 12 – Importance of Incentive to Production Location Decision, frequency



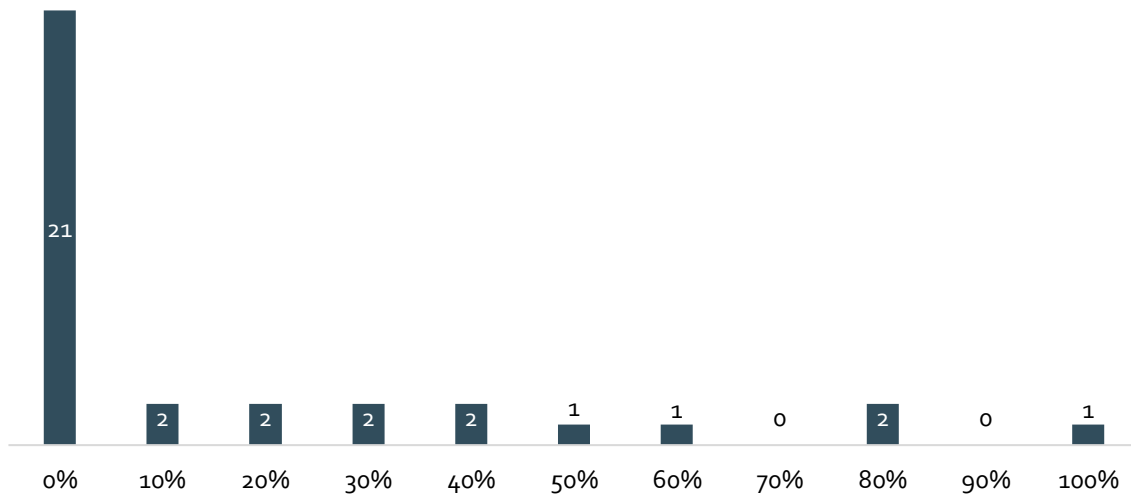
Source: SPI additionality survey, n= 34

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 (21 out of 34). The mean response was that 17% of production would have happened without the incentive.

The rate of additionality is therefore between 83% and 100% — i.e. Utah's incentives are responsible for between 83% 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.

Figure 13 – How Much Production Would Have Happened in Utah Without the Incentive? Frequency of score

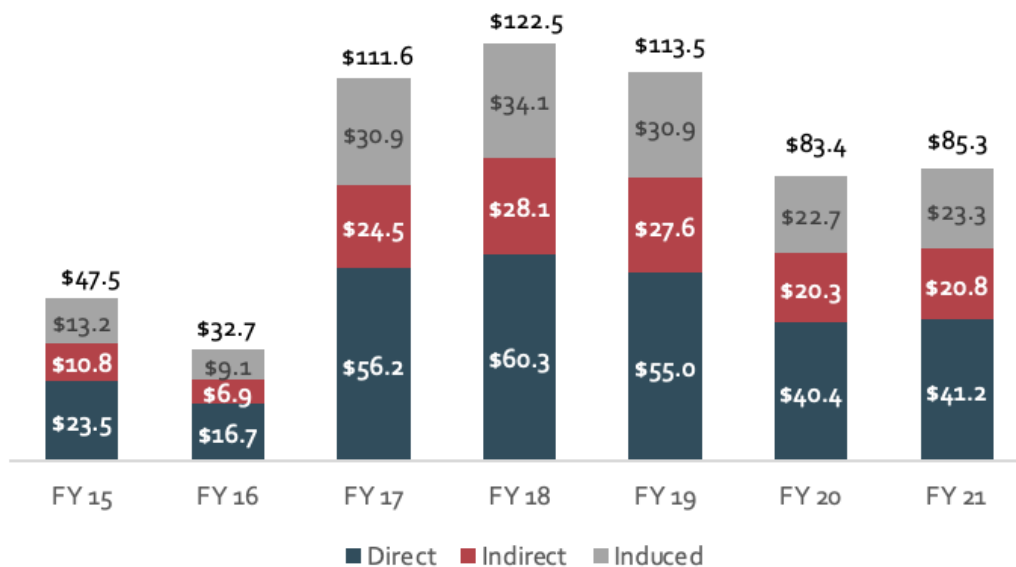


Source: SPI additionality survey, n= 34

5.1.2. Additional Output

Between FY2015 and FY2021, the incentive generated \$614.1 million in net output. Nearly half (49%) was from direct spend in the industry, while a further \$143.1 million was created in the supply chain and \$170.3 million through the subsequent wage effects.

Figure 14 – Additional Output, FY2015-FY2021 (\$m, nominal prices)



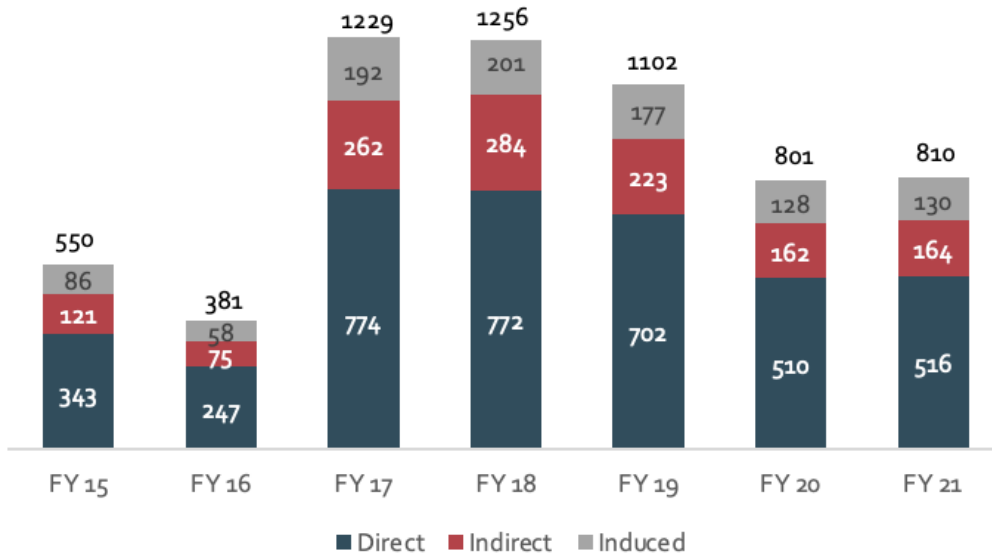
Source: SPI calculations, based on Utah Film Commission data

5.1.3. Additional Employment

Overall, the tax credit led to 515.8 direct year-round FTE jobs in FY2021.

The additional activity also leads to jobs in the supply chain (indirect effects) and moves through the economy through wage expenditure in other businesses. In total in FY2021, a total of 810 FTE jobs can be attributed to the MPIP including 164 indirect jobs and 130 induced jobs.

Figure 15 – Additional FTE Employment, FY2015 to FY2021 (nominal)

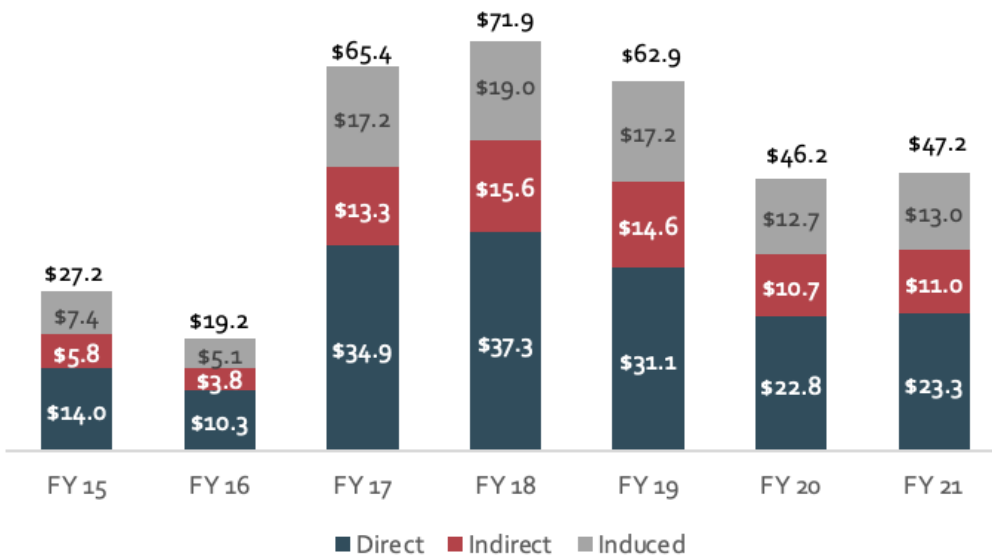


Source: SPI calculations, based on Utah Film Commission data

5.1.4. Additional Gross Value Added

GVA is a key measure of the additional economic value created by an activity. Between FY2015 and FY2021, the total GVA created by activity incentivized by the credit was \$350.1 million, an average of \$50.0 million a year. This includes a total of \$178.2 millions of direct GVA, \$77.0 million in indirect GVA and \$95.0 million in induced over the seven years (FY15 to FY21).

Figure 16 – Additional GVA, FY2015 to FY2021 (\$m, nominal)



Source: SPI calculations, based on Utah Film Commission data

5.1.5. Additional Labor Income

The total labor income for the seven years between FY2015 and FY2021 is \$238.0 million. This includes income earned in the supply chain and the consequences of increased wages throughout the economy.

Table 7 – Labor Income, FY2015 to FY2021 (\$m)

Labor Income	
Direct	\$137
Indirect	\$51
Induced	\$50
Total	\$238

5.1.6. Return on Investment

Rol is an important measure of the effectiveness of a film and television production incentive. Economic Rol 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 Rol between FY2015 and FY2021 is 7.0. For each \$1 spent on the tax credit, \$7.0 is returned to the Utah economy. The Rol varies over the years due to the effective incentive rate (relationship between the incentive amount of the production values) varying over time.

6. WIDER STRATEGIC IMPACTS OF THE TAX CREDIT

In addition to the economic impacts generated by the MPIP outlined in the previous section, incentivized film and television production in Utah also delivers a range of supplementary benefits. These include impacts on rural locations in state, as well as tourism outcomes. This section outlines these wider strategic benefits.

6.1. Impacts on Rural Locations and Communities

As outlined in Section 4.3, a considerable amount of film and television production takes place in Utah's rural areas. The state's range of natural locations are a significant draw for film-makers – though the attractiveness of Utah's locations is underpinned by the availability of an incentive, as the results of the additionality survey undertaken for this Study demonstrate.

With the total number of permits granted in rural areas between FY2017 and FY2020 exceeding those for urban areas, Utah has already seen a significant impact on rural locations and communities resulting from film and television production.

The example project analyzed in Section 4.4 shows that the distribution of production spend benefits a wide range of areas. This includes Utah crew, with 43% of spend. While a state crew base may not be developed in all locations being utilized, producers will bring in human resources necessary for production, creating impacts in state on transport and hotels and restaurant services locally.

6.2. Film Tourism

Film and television induced tourism has increasingly been recognized as an important component of tourism marketing and visitor attraction, and the economic impacts arising from screen tourism can be substantial.

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.

Utah has been featured as a location in many well-recognized films and television shows that have been produced in-state – from *Stagecoach* to *Butch Cassidy and the Sundance Kid* to *High School Musical*.

Survey research undertaken by SMARInsights for the Utah Film Commission identifies Utah visitors who said a film or television 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 television.

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.

6.3. COVID-19 Recovery

As highlighted, screen production creates on average higher paid jobs, significant expenditure with vendors along their supply chain, as well as valuable skills development. In 2021, global production spend is forecasted to surpass that of 2019. For this reason, screen production has been seen as a strategic investment for economies looking to bounce back from the effects of COVID-19.

Incentivized productions also supported businesses to service their projects during COVID-19 state lockdowns.

Utah's response to COVID-19 has been very effective in the film and television production sector. Soon after the outbreak, COVID-19 compliance officers were trained and protocols

were put in place to maximize safety on sets. Protocols included provision of PPE masks, gloves being worn on set, increased hygiene and sanitization, strict social distancing measures, and on-set testing of cast and crew. Such protocols contributed to Utah being the first state in the country to start film and television work amid the pandemic.

7. OPPORTUNITIES AND CHALLENGES FOR THE DEVELOPMENT OF THE SCREEN SECTOR IN UTAH

This Study also considers the development of the film and television production sector to date, and the role of the MPIP in growing the sector in Utah – as well as its potential to continue driving expansion for the future.

7.1. Production Lost to Competitor Markets

While film and television production is a significant growth sector, there is also global competition to attract projects.

As outlined, Utah's MPIP is one of 101 automatic incentives on offer, and one of 34 in the US. In comparative terms, the incentive's annual budget is one of the lower offers in the US market – at \$8.3 million in the current fiscal year. This level has limited Utah's ability to continue to increase production impacts year on year, as producers opt to take productions to alternative destinations that have more incentive availability.

To consider this further, SPI reviewed Utah Film Commission data on projects that seriously enquired about shooting in state but ultimately opted to shoot elsewhere. It is assumed that a lack of available incentive was a key reason for the projects undertaking production elsewhere.

The lost productions included a mixture of episodic and feature length productions, as well as being from a range of different producers, including both in-state and out-of-state. This analysis shows that Utah lost out on productions with budgets totaling \$216 million in 2018 and \$207 million in 2019. This decreased to \$70 million in 2020, due to the impact of COVID-19 on production volumes.

It should be noted that not all of the budgets for lost productions would have been spent in Utah, however, these figures illustrate the level of demand for production in state, and the extent to which this exceeds the incentive budget currently available.

The variety of states that these lost productions ultimately ended up shooting in has been broad. While ultimate shooting locations could not be found for all productions lost to Utah, alternative locations included Canada (used as alternatives on three occasions), Georgia and Louisiana (both used as alternatives on two occasions), and Illinois, New Mexico, Texas, Montana, Alabama, and Mississippi.

7.2. Adjusting the Incentive

The current allocation for the MPIP has been insufficient to service the full scale of production demand. Utah's allocation is one of the lowest of the US states offering film and television production incentives and the current level of allocation is usually assigned within four months of the fiscal year start, according to the Utah Film Commission. This means that the state is losing economic and strategic impacts that additional production would deliver, as well as the potential to build a more stable year-round production sector. There is also clear evidence of the scale of lost productions, as outlined previously.

These factors suggest that an expansion of the current allocation could easily be utilized. SPI's consultations and analysis of industry trends also underlines the fact that there is significant

producer interest in undertaking more production in Utah. The state is close to Los Angeles and in addition to its natural locations offers strong lifestyle appeal for incoming cast and crew.

An expansion in the annual incentive allocation would enable Utah to attract more impact from a rapidly growing global sector, as well as developing jobs and production infrastructure in state.

SPI has therefore modelled two potential scenarios for an expanded incentive as follows:

- **Model One** retains the incentive cap at its current level, but adds an uncapped element for productions undertaking a majority of their production days in Utah in defined rural counties. This is designed to drive production and associated impacts to rural parts of the state. The projections in this model assume that the capped state incentive will continue to be fully utilized. Due to constraints on workforce capacity for additional productions being made rurally, it has been assumed that after an initial significant rise, production expenditure will remain steady, before starting to rise again as workforce depth increases.
- **Model Two** instead assumes a gradually staged increase to Utah’s overall incentive budget. In year one, the incentive has been projected to increase from its current level of \$8.3 million to \$15 million, followed by further increases of \$5 million annually.

Projections for both models are included in the following tables, and presented as both gross and net totals, with the latter adjusted using the additionality rate identified through the survey undertaken for this study.

Table 8 – Model One Projections, FY2023 to FY2028 – Gross Impact (2021 dollars and based on 2019 data year [pre-Covid])

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Total incentive budget (\$m)	20.8	27.8	27.8	34.8	34.8	41.8
Related spend(\$m)	83.2	111.2	111.2	139.2	139.2	167.2
GVA (direct, \$m)	47.0	62.8	62.8	78.9	78.9	94.5
FTEs (direct)	1,041	1,391	1,391	1,747	1,747	2,092
Output (direct, \$m)	83.2	111.2	111.2	139.2	139.2	167.2
GVA (total, \$m)	95.3	127.4	127.4	160.0	160.0	191.6
FTEs (total)	1,634	2,185	2,185	2,744	2,744	3,285
Output (total, \$m)	172.1	230.0	230.0	288.9	288.9	345.9
GVA Rol	7.0	7.0	7.0	7.0	7.0	7.0

Note: 'Total' includes direct, indirect and induced phases of economic impact

Table 9 – Model One Projections, FY2022-23 to FY2026-27 (\$m) – Net Impact (2021 dollars and based on 2019 data year [pre-Covid])

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Total incentive budget (\$m)	20.8	27.8	27.8	34.8	34.8	41.8
Related spend(\$m)	83.2	111.2	111.2	139.2	139.2	167.2
GVA (direct, \$m)	40.4	54.0	54.0	67.9	67.9	81.2
FTEs (direct)	895	1,197	1,197	1,503	1,503	1,799
Output (direct, \$m)	71.5	95.6	95.6	120.1	120.1	143.8
GVA (total, \$m)	82.0	109.6	109.6	137.6	137.6	164.8
FTEs (total)	1,406	1,879	1,879	2,360	2,360	2,825
Output (total, \$m)	148.0	197.8	197.8	248.4	248.4	297.5
GVA Rol	5.6	5.6	5.6	5.6	5.6	5.6

Note: 'Total' includes direct, indirect and induced phases of economic impact

Table 10 – Model Two Projections, FY2023 to FY2028 – Gross Impact (2021 dollars and based on 2019 data year [pre-Covid])

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Total incentive budget (\$m)	8.0	15.0	20.0	25.0	30.0	40.0
Related spend (\$m)	35.6	66.8	88.9	111.0	133.3	177.8
GVA (direct, \$m)	20.1	37.7	50.3	62.8	75.3	100.5
FTEs (direct)	446	836	1,113	1,391	1,669	2,226
Output (direct, \$m)	35.6	66.8	88.9	111.1	133.3	177.8
GVA (total, \$m)	40.8	76.5	101.9	127.4	152.8	203.8
FTEs (total)	700	1,312	1,747	2,184	2,620	3,495
Output (total, \$m)	73.7	1,38.1	184.0	230.0	275.8	367.9
GVA Rol	8.2	8.2	8.2	8.2	8.2	8.2

Note: 'Total' includes direct, indirect and induced phases of economic impact

Table 11 – Model Two Projections, FY2022-23 to FY2026-27 (\$m) – Net Impact (2021 dollars and based on 2019 data year [pre-Covid])

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Total incentive budget (\$m)	8.0	15.0	20.0	25.0	30.0	40.0
Related spend (\$m)	35.6	66.8	88.9	111.0	133.3	177.8
GVA (direct, \$m)	17.3	32.4	43.2	54.0	64.8	86.4
FTEs (direct)	383	719	957	1,196	1,435	1,914
Output (direct, \$m)	30.6	57.4	76.5	95.5	114.6	152.9
GVA (total, \$m)	35.1	65.8	87.6	109.5	131.4	175.3
FTEs (total)	602	1,128	1,503	1,878	2,253	3,005
Output (total, \$m)	63.4	118.8	158.2	197.7	237.2	316.4
GVA Rol	6.5	6.5	6.5	6.5	6.5	6.5

7.3. The Production Opportunity and Utah

Utah is well positioned to benefit from an increase in its incentive for a number of reasons. As mentioned, the state’s locations are highly attractive, and its lifestyle offer for cast and crew is renowned. Quality of life is very important: due to film productions spanning several months, and television series potentially spanning years, the quality of life that can be enjoyed by cast and crew coming in from out of state is often an important consideration in choosing a filming location. Utah is consistently cited as a desirable living destination, owing to its climate, cost of living relative to incomes, low crime rates and availability of services, giving it an advantage in location decisions.

Despite Utah’s relatively high incomes, costs generally associated with film and television production tend to be lower in Utah than in some alternative states – although a full cost base analysis has not been undertaken for this Study.

Supportiveness during COVID-19 is also a consideration. Several effective protocols were implemented in Utah that reduced the impact caused to its film and television sector. This led to a quick bounce-back.

Finally, several consultees were highly positive in their assessments of the administration of Utah’s film incentive. Consultees cited the ease of use of the incentive scheme and the support that they get from the Utah Film Commission with the process, and the responsiveness of the Utah Film Commission during the process.

There are several factors for further consideration should Utah increase its incentive. At present, the state does not have the capacity to handle much more production than it is currently seeing. This is in part because some crew have left Utah to move to other states that

have seen more production activity. A strategy to develop workforce training and capacity should be implemented alongside an incentive increase.

In infrastructure terms, Utah does have high-quality production space available to productions, and equipment is also readily available.

8. APPENDIX 1 – ECONOMIC IMPACT METHODOLOGY

Analysis of production and post-production expenditure (Gross direct effects)

To determine the gross direct effects, the following data were used:

- Total amount of production and post-production expenditure by year.
- Total value of tax credits issued by year.
- Estimated split between vendor spend and payroll.

Leakage and commuting

Leakage is the economic activity that occurs outside the target geography – in this case outside Utah. The production expenditure counted in gross direct effects is spending on goods and services in Utah and payroll costs.

This Study focuses on the economic impact in Utah. Therefore, this model includes all payroll costs for those working in Utah and paying taxes in the state. This includes eligible payment for non-resident performing artists (for whom production companies deducts and remits income tax). This direct economic activity is happening within the state, regardless of where the workers live. As there is limited day commuting into Utah by cast and crew, non-resident cast and crew are treated as temporary Utah residents.

Displacement

Displacement is the proportion of impacts offset by a reduction in activity elsewhere within the state. This is assumed to be small as the film production is a truly global sector and firms are unlikely to be competing with other Utah based firms.

Substitution

Substitution is the effect where a firm substitutes one activity for a similar one to make the most of the subsidies. We assume this is minimized by the tax credit only covering a proportion of production costs.

Indirect and induced impacts

The total economic impact of the incentive is the sum of the direct, indirect and induced effects.

- **Direct impacts** are the economic uplift in terms of output and value created (GVA) within the film and television sector resulting from the increase in production and post production expenditure.
- **Indirect impacts** are the output and value created (GVA) effects observed in sectors that supply goods and services into the film and television production sector.
- **Induced impacts** are the output and value created (GVA) uplift created as a result of the wage effects of those working in the production sector.

The relationship between direct, indirect and induced effects reflects the underlying economic system within a county, state or country.

Estimating direct impacts

Direct output is equivalent to production expenditure. IMPLAN is used to calculate **direct GVA**. This model uses economic data from Bureau of Labor Statistics and other sources to determine the relationship between GVA and output for this sector.

The ratio of direct GVA to direct output that has been used in this analysis is on average 0.59. This reflects the adjustments that SPI has made through our approach to reflect the evidence that Compensation of Employees and Proprietary Income has been higher than modelled

through IMPLAN. Therefore, we have ‘customized’ the data to reflect the evidence provided. Consequently, GVA is higher than represented in IMPLAN.

Calculating indirect and induced effects

IMPLAN allows us to input production and postproduction expenditure data, employment estimates and employee compensation for any given year and obtain the following outputs:

- Indirect output, GVA and employment (headcount)
- Induced output, GVA and employment (headcount)

From these we can calculate type I (indirect) and type II (induced) GVA and employment multipliers (Table 12).

Table 12 – Multipliers, Average

	Type I	Type II
Output	1.472	2.039
GVA	1.430	1.965
Employment	1.331	1.581

IMPLAN also provides output data for the uplift in total tax receipts (local, state and federal) as a result of direct, indirect and induced economic impacts. This data is used as part of the economic RoI calculation.

We use statistics from the Bureau of Economic Analysis to calculate the full-time equivalent jobs figure from the employment headcount.

Deadweight/additionality

To assess additionality and calculate ‘net’ impact from ‘gross’ impact, we need to remove the deadweight – i.e. the production and post production expenditure that would have happened without the incentive. This was explored during consultations and a quantitative additionality survey was sent to all companies accessing the credits.

The survey contained three key additionality questions, addressing:

- The factors drawing the project to Utah. The incentive will be one of the factors listed along with elements such as locations and talent, and the respondent will be asked to rate the importance of each;
- The specific importance of the incentive in drawing the project as an individual rating; and
- How much lower Utah project spend would have been without the availability of the incentive.

There were 34 responses out of 60 recipients, a robust response rate of 57%. While this does not give a statistically significant result, it is indicative and considered robust enough to be used in the economic impact model.

For details on the findings from the additionality survey, see 5.1. In summary, when asked 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 and all production companies based out of Utah responded zero to this question. The mean response was that 17% of production would have happened without the incentive, but this is influenced upwards only three companies responding that any production activity at all would happen without the incentive.

The additionality of the credit is therefore very high – between 86% and 100%. This means that the tax credit is responsible for between 86% and 100% of production expenditure in state. Due

to the distribution of the survey results, it is likely that real impact is closer to the top end of this. However, in the economic impact analysis we have chosen to use a more conservative additionality assumption of 86%.

This additionality assumption (of 0.86) was applied to the gross economic impacts to obtain the net results.

Economic return on investment

The economic RoI measure aligns with the economic development objectives of the tax credit. The economic RoI compares the cost of the tax credit with the GVA impact.

9. APPENDIX 2 – ABOUT OLSBERG•SPI

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. Formed in 1992, it has become one of the leading international consultancies in these dynamic creative Screen industries. With its trusted insight and track record the firm has a diverse client base that includes:

- Multi-national public authorities
- National governments, including culture and economics ministries
- National film institutes and Screen agencies
- Regional and city development agencies and local authorities
- National and regional tourism agencies
- Studios and facilities companies
- Independent companies at all points of the Screen business value chain
- National and international broadcasters
- Trade associations and guilds
- Training and skills development organizations
- Publishers and conference organizers.

Olsberg•SPI has expertise in all areas of the fast-moving global creative sectors, and the firm's services span:

- Strategy and policy development for the creation and management of healthy and sustainable national and regional Screen sectors
- Advising on the creation and implementation of fiscal incentives for the Screen industries
- Research projects on all aspects of the value chain – including mapping and economic impact studies
- Business development for content companies
- Strategic development of studios, including business planning and feasibility studies
- Acquisition and divestment advice for owners of SMEs
- Evaluations of publicly funded investment schemes
- Creating prospectus-style funding proposals
- International cost comparisons for film and television productions
- Advising on inward investment and exports for national and regional public bodies
- Identifying and measuring the cultural value of a productive Screen sector
- Analyzing workforce skills, diversity and related best practice strategies
- Assessing the value of tourism generated by a nation or region's film and television output and developing strategies to maximize future impacts
- Providing strategic advice for Screen commissions, including business and marketing plans.