TAX EXPENDITURE REVIEW

FINAL REPORT

Visual Media Incentives –

Maine's Visual Media Incentives Have Had Limited Effect and Have Not Been Adequately Administered

Report No. TE-FILM-22

March
2023

a report to the
Government Oversight Committee and the Legislature
from the
Office of Program Evaluation & Government Accountability
of the Maine State Legislature

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MAINE STATE LEGISLATURE

OFFICE OF PROGRAM EVALUATION AND
GOVERNMENT ACCOUNTABILITY

March 24, 2023

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

As directed by the 130th Legislature's Government Oversight Committee (GOC), and in accordance with the parameters approved by the Committee, OPEGA has completed a review of Maine's Visual Media Incentives. The approved project parameters, included in Appendix F, establish the goals, intended beneficiaries, and base performance measures considered in this evaluation. The scope and methods for this review can be found in Appendix A.

OPEGA conducts reviews of tax expenditures in accordance with Title 3 §§998 and 999. The statutory tax expenditure review process ensures that tax expenditures are reviewed regularly, according to a schedule approved by the GOC. The process is detailed in Appendix E.

OPEGA would like to thank the management and staff of the Department of Economic and Community Development, Maine Film Office, Maine Office of Tourism, and Maine Revenue Services for their cooperation throughout this review.

In accordance with Title 3 §997, OPEGA provided reviewed agencies an opportunity to submit comments after reviewing the report draft. No comment was provided to be included with this report.

Sincerely,

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Executive Summary

Visual Media Incentives

About the Visual Media Incentives

Maine's visual media (VM) incentives include a tax credit and a wage reimbursement provided for qualifying visual media productions in the state. The tax credit is 5% of non-wage production expenses and is non-transferable, non-refundable and may not be carried forward. The wage reimbursement is 12% of production wages for Maine resident wage earners and 10% for non-resident wage earners. The VM incentives were enacted in 2006 and are jointly administered by the Maine Film Office (MFO), located in the Maine Office of Tourism (MOT) within the Department of Economic and Community Development and Maine Revenue Services.

The VM Incentives Have Had Limited Effect and Have Not Been Adequately Administered

OPEGA found that Maine's VM incentives exist among many similar incentives nationally. Many states have identified concerns about the administration and effectiveness of their incentives, and we identified similar concerns in Maine. At present the low usage of Maine's VM incentives has kept costs to the State low, but it has also limited the potential impacts. Looking forward, the issues and recommendations identified are areas that OPEGA thinks the State should address if it intends to retain or amend the VM incentives.

Issues and Recommendations

OPEGA identified two issues, each with multiple sub-parts, and made associated recommendations.

Issue	Sub-parts
Issue 1 – Maine's VM Incentives Have Had Limited Effect and Are Not Structured to Effectively Target Specific Goals	A. Maine's VM Incentives Are Infrequently Used, Limiting Potential for Impact
	B. The VM Incentives' Purposes Have Not Been Specified in Statute nor Shared Among Stakeholders, Hindering Efforts to Improve Program Effectiveness
	C. Current Design is Not Targeted to Specific Goals
	D. Existing Data is of Limited Value in Measuring VM Incentive Impacts
	E. Given Present Design, VM Incentives Lack Organizational Alignment with MOT
Issue 2 – MFO Has Not Adequately Administered Maine's VM Incentives	A. MFO Has Not Ensured Compliance with Statutory Requirements
	B. MFO Was Not Able to Readily Provide Basic Program Information to Support Oversight
	C. MFO Has Lacked Clarity About the Confidentiality of Data It Holds
	D. Current Annual Reporting Does Not Provide Adequate Information for Program Performance to Be Accurately Understood
	E. MFO Has Not Ensured that Eligibility Criteria are Clear, Transparent, and Can Be Consistently Applied; Responsibility for Two Key Program Controls is Not Clear
	F. Travel Activities of MFO Do Not Correspond to Incentive Use
	G. Maine's VM Incentives Warrant Additional Internal Oversight

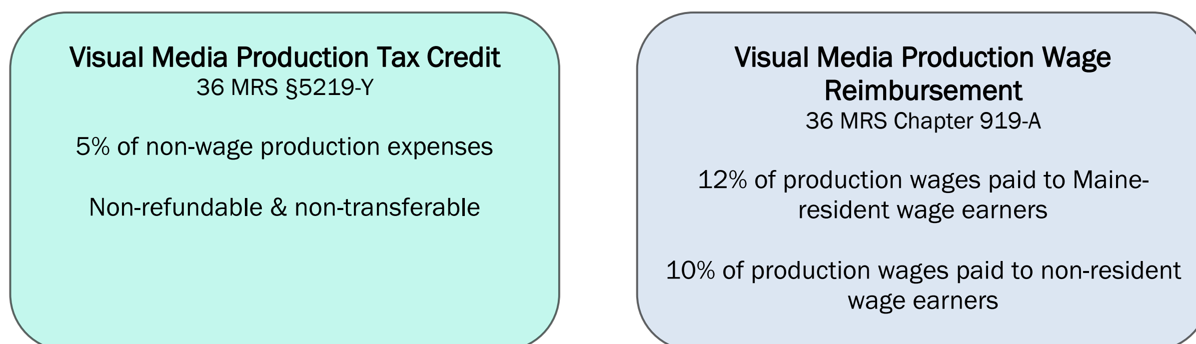
Visual Media Incentives – Maine's Visual Media Incentives Have Had Limited Effect and Have Not Been Adequately Administered

What are Maine's Visual Media Incentives?

Maine's visual media incentives--a tax credit and a wage reimbursement--have provided limited benefits and have experienced few changes since enactment.

The Visual Media Incentives Include a Tax Credit and Wage Reimbursement

Maine's visual media (VM) incentives include an income tax credit and a wage reimbursement provided for qualifying visual media productions in the state. The tax credit is 5% of non-wage production expenses and is non-refundable, non-transferable, and may not be carried forward.[1] The wage reimbursement is 12% of production wages for Maine-resident wage earners and 10% for non-resident wage earners.[2]



The incentives were enacted in 2006. They are jointly administered by the Maine Film Office (MFO), located in the Maine Office of Tourism (MOT) within the Department of Economic and Community Development (DECD), and Maine Revenue Services (MRS).

Qualifying visual media productions that are certified may claim one or both of the benefits depending on the nature of their expenses in Maine. Visual media productions must spend greater than $75,000 to be eligible for either benefit.

Under 5 MRS §13090-L(2-A)(D), the definition of "visual media production" includes not only television and movie productions but also digital media projects, such as video games or websites, or photographic projects, such as catalog productions. The definition explicitly excludes:

- News, current events or public programming shows or a program that includes weather or market reports;
- Talk shows;

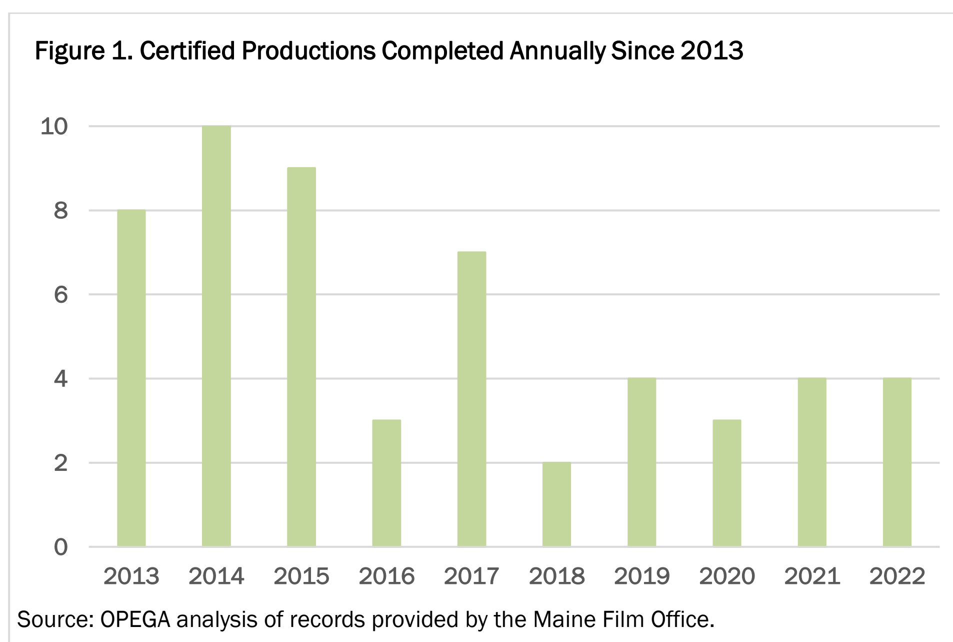
[1] Taxpayers that claim the Pine Tree Development Zone tax credit are not eligible for the certified visual media production tax credit.
[2] For the wage reimbursement, certified production wages that are claimed are limited to $50,000 per individual. Wages that exceed the $50,000 limit for the wage reimbursement cannot be included in "nonwage visual media expenses" for the credit. The definition of "certified production wages" also includes amounts paid to temporary employee-leasing companies for personal services rendered in the state by a leased employee in connection with a certified visual media production (36 MRS §6901).

- Sports events or activities;
- Gala presentations or award shows;
- Finished productions that solicit funds; and
- Adult films or explicit materials required to keep records under 18 U.S. Code §2257.

Maine's VM Incentives Have Been Used Infrequently with Low Cost to the State

Since the incentives' enactment, in 2006, there have been 9 tax credit claims totaling $37,875 and 95 wage reimbursements totaling $2,180,450.[3] This means that, on average, there has been less than one credit claim per year and roughly six reimbursements per year. Low program use to date has kept program costs low, however, low program use also limits the potential for the incentives to have an impact.

Between 2013 and 2022, MFO's records show that a total of 54 certified productions were completed in Maine – and average of just over 5 productions per year.[4] The highest number of projects per year was in 2014, when 10 productions were completed. More recently, completed productions have numbered four or fewer per year.



Maine Revenue Services and MFO both reported low annual costs for the administration of the visual media production incentives, as one might expect for incentives with few users. Together the agencies estimated it has cost the State approximately $5,200 to $5,800 annually to administer the incentives.

In the most recent Maine State Tax Expenditure Report, MRS estimates revenue loss from the VM incentives will be $860,000 annually for fiscal years 2024 and 2025 based on the incentives' current structure.

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[3] Based on aggregated data provided by Maine Revenue Services (MRS) for the years 2006 through 2021. Aggregated credit claims include only claims that resulted in a reduction in tax liability. Because of the small number of incentive users, MRS said they could not share information about actual claims by participants per year without potentially jeopardizing data that MRS considers confidential taxpayer data not subject to public disclosure. OPEGA is authorized to access confidential taxpayer information. In this case, we chose not to because the small number of claims would have limited OPEGA's ability to report on the data in a way that avoided inappropriate disclosures. All production-level data discussed in this report is data OPEGA obtained from MFO which was determined to be publicly disclosable.

[4] Figures based on final reports that certified productions are required to file with the MFO after production is finished and before benefits are claimed.

The VM Incentives Have Had Few Changes Since Their Enactment, and No Substantive Changes in Recent Years

Since enactment in 2006, relatively few changes have been made to the VM incentives. In 2010, changes were made to the calculation of the income tax credit, a limit was introduced for wages eligible for the wage reimbursement, and a certification process for productions was introduced. Changes to the definitions of eligible expenses were made in 2011. However, the basic structure of the incentives, and the nature of the productions that can qualify for benefits, have not undergone substantive revision since the incentives were enacted. In that time, the media industry has evolved dramatically, and moving forward Maine's VM incentives might benefit from modernization.

Table 1. Key Statutory Changes for Maine's Visual Media Incentives

Key Changes	Enabling Law
Enacted the certified visual media production tax credit and certified visual media production wage reimbursement.	PL 2005, c. 519
Changed the calculation of the tax credit. Introduced a limitation to the wage reimbursement of $50,000 per individual and made temporary employee-leasing company expenses eligible for the wage reimbursement. Reduced the required spending limit from $250,000 to $75,000. For certification, began requiring that productions "provide a projected schedule for preproduction, production and postproduction of the visual media production that shows that the production will begin within 60 days after certification pursuant to this subsection." Began requiring the Maine Film Office (MFO) to submit an annual report to the Taxation Committee on certifications and tax credit and wage reimbursement activities. Removed language that required MFO to award a 2nd certification before benefits could be accessed, requiring only a final report to both MFO and MRS (a later bill struck the requirement to provide the reports to MRS).[5]	PL 2009, c. 470
Clarified that expenses eligible for the credit do not include wages even if they are above the threshold for inclusion in the wage reimbursement. Added detail about what payments to employee-leasing companies and out-of-state performing artists qualify as a part of "certified production wages" under §6901(2).	PL 2011, c. 240

Source: OPEGA review of legislative history.

Most recently, legislation was introduced in 2021[6] that would have made substantial changes to the incentives, including reducing the minimum spending in Maine required by participants and increasing incentive amounts and accessibility. OPEGA noted a lack of concurrence about the purpose of the incentives, and the most effective way to amend them, among those who testified on the bill.

[5] PL 2011, c. 285.
[6] LD 1334.

How Do Maine's VM Incentives Compare to Those in Other States?

Maine's VM incentives are not competitive compared to other states' incentives; and other states have identified concerns regarding their incentives.

Visual Media Incentives Are Numerous Nationwide, and Maine's VM Incentives are Comparatively Small

Though VM incentives are common in the U.S., they are also fluid, with programs constantly being amended, removed, and created and reinstated. This makes it difficult to provide a definitive number and characterization of existing VM incentives that will not quickly become outdated. As of late fall 2022, OPEGA identified a total of 37 states and territories (including D.C., Puerto Rico, and the U.S. Virgin Islands) with VM incentives. The National Conference of State Legislatures (NCSL) notes that the number of states with VM incentives peaked in 2010 at 45. After that time, NCSL reports that many states pared back on programs to save money on the heels of the Great Recession, and in response to reports showing that the incentives did not provide a substantial return on investment to states and may not be well-aligned with economic development policy goals.[7]

Since 2021 the trend has been toward enactment of new VM incentives, expansion of existing incentives, or reinstatement of previous VM incentives in states.[8] NCSL's 2022 report on film incentives summarized the current state of film incentives in the country in this way:

> *Despite the questions surrounding the overall efficacy of film tax incentives, they're still very much an item of interest. Film projects are highly popular with host localities and the public and there's no denying that incentives are a factor in where companies decide to make movies.*

Existing VM incentives include both rebates or refunds and tax credits. Of the 37 states or territories with incentives, 11 offer only rebates, reimbursements or grants; 20 offer only tax credits; and six, including Maine, offer multiple types of incentives. Credit and reimbursement percentages vary across and within states (depending on various thresholds or standards that must be met). For instance, some states offer increased incentives for productions in certain geographic areas, with certain percentages of resident employees, certain types of productions, or certain production budgets. While incentives of this sort are widely offered in the U.S., neither of Maine's northern New England neighbors, New Hampshire or Vermont, offer an incentive of this sort.

Base credit/rebate percentages range from a low of 5% (like Maine's credit) to 40% (the highest rates offered by Louisiana and Puerto Rico). Many incentives are in the 20-35% range. Both of Maine's incentives offer a substantially lower rate than 20%[9] (see Appendix B for a table of other states' incentives).

Not only are VM incentives plentiful around the country, but they have also been frequently reviewed by state agencies and consultants. The following sections will discuss the findings of these reviews of other states' VM incentives in the areas of outcomes, costs and returns on investment (ROIs), and administration.

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[7] National Conference of State Legislatures (NCSL). 2022. "Fiscal Brief: Film Tax Incentives Back in the Spotlight." https://www.ncsl.org/research/fiscal-policy/film-tax-incentives-back-in-the-spotlight.aspx

[8] Ibid.

[9] Maine's credit is rarely used and not accessible to most productions. As such, Maine's wage reimbursement rates of 10-12% are the most appropriate points of comparison.

In Other States, Concerns Have Been Identified About Whether VM Incentives Deliver the Expected Outcomes

OPEGA identified a large body of reports on comparable state incentives produced by non-partisan state entities, academics, and consultants on behalf of film offices and stakeholders (see Appendix A for full citations). The table below compiles findings from recent reports related to achievement of the goals set for this evaluation. Overall, the reports found that VM incentives are important to production companies, but that states have experienced mixed results increasing film production and that large incentives may be needed to achieve this goal, reducing any return on investment that states might receive. Reports from other states have largely been unable to quantify impacts on tourism as a result of VM incentives, but suggest that any such impacts are likely not typical. Impacts on jobs and local spending were often found to be temporary. Reports that considered impacts on state budgets generally found that states spent more on incentives than they received back as fiscal returns.

Table 2. Visual Media Incentive Research Findings	
Evaluation Goal	**Findings from Other States' Reports**
Increased Film Production	• Many reports note that VM production incentives are important to production companies in deciding where to film. • Mixed results from reports: some find evidence of increases in filming, but also some find evidence that trends are independent from programmatic changes. • Many state reports comment on the large incentives and decreasing ROIs that may be needed to compete for productions.
Increased Tourism	• Reports from other states have largely been unable to quantify or reliably measure any impact from film production. • Impacts that might exist are likely not typical and non-generalizable. • It is difficult to disaggregate tourism that would be occurring anyway in which visitors might visit filming locations coincidentally from new visits to a state that are primarily driven by film tourism.
Increased Local Spending from Out of State	• Reports from other states did not always address local spending impacts, but many did find that any economic impacts from the incentives are short-term.
Increased Tax Revenue	• Reports that have attempted to quantify the impact of VM incentives on state budgets have generally found that the state's outlay on the incentives far exceeds the money returned directly to the state (see Figure 2).
Growth of Local Film Industry	• Not all state reports consider impacts to local film industries. Among those that do, the results are mixed.
Job Growth	• States found that jobs created are temporary; that they may occur out of state; and that alternative uses of the funds could create more jobs. • Some academic research found large incentives can increase employment; other academic research shows no employment impacts or only temporary impacts.
Strengthened State Economy	• Some consultant reports found positive overall economic benefits to states (see Figure 2). • NCSL concluded in a 2022 brief that "despite the positive anecdotal evidence that accompanies big film projects, such programs do not provide a substantial return on investment and, if economic development is the goal, other policy avenues might be more productive."
Sources and further supporting information provided in Appendix C.	

State Reports Have Identified Issues in Administration of VM Incentives

In addition to providing information about the efficacy of VM incentives in achieving their goals, reports out of Alaska, California, Georgia, and West Virginia identified concerns with the administration of VM incentives in those states. The concerns and identified risks dealt with:

- Control weaknesses, resulting in companies receiving credits for which they were not eligible or which were higher than earned;[10]
- Deficiencies in administration practices that led to incomplete records and misleading, inflated reporting;[11] and
- Lack of written criteria for evaluating whether productions were in a state's best interest and weak residency verification and documentation requirements.[12]

Additionally, visual media incentives have been identified as particularly vulnerable to fraud. For this reason, business professionals have suggested requiring production completion audits[13] and being vigilant to the signs of fraud in the industry.[14]

In addition to raising concerns about administrative practices and efficacy in achieving program goals, research also suggests that the cost of VM incentives that are competitive among states could be high and that these incentives are not a cost-efficient way to generate economic growth.

Studies Suggest Increased Film Production May Come at Significant Cost to States

Research suggests the price to compete with other states' VM incentives is high, and that the high cost reduces returns that states may see for their expenditures. For Maine, starting from a point of comparative disadvantage—with a filming season shortened by weather, a location far from many of the key industry locations, and a small existing number of industry workers—the cost to outcompete other states already offering very large financial incentives could be prohibitive.

Georgia, heralded as a success story for attracting new film projects to the State,[15] is expected to spend over $1 billion on film incentives for FY23.[16] Further research on Georgia found that:

> *Direct spending on film production in Georgia is nearly $3 billion, which represents approximately 1/200th of the state's $600 billion economy. While film production in Georgia may exceed other states, contrary to popular perception, the film industry is not a major driver of economic output or jobs in the State.*[17]

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[10] The Georgia Department of Audits and Accounts, Performance Audit Division's 2020 "Administration of the Georgia Film Tax Credit" identified issues stemming from limited requirements and clarity in state law, inadequately designed procedures, insufficient resources, and agency interpretations of law that differed from those of the auditors. See https://documents.ncsl.org/wwwncsl/Fiscal/evaluationDB/AdministrationoftheGeorgiaFilmTaxCredit.pdf. The CT Mirror noted that state auditors identified that Connecticut overpaid one animation company by almost $50 million during FY16 to FY19 (https://www.ctpublic.org/news/2022-06-09/ct-economic-development-commissioner-calls-for-cutbacks-to-film-tax-credit).

[11] West Virginia's Legislative Auditor recommended that the state terminate its film tax credit program in 2018. The issues identified extended beyond program administration, but the Legislative Auditor found that deficiencies in business practices led to the collection of revenue without statutory authority, incomplete records, and misleading inflated reporting. The program was ended but reinstated in June 2022. See https://www.wvlegislature.gov/legisdocs/reports/perd/FIlm_January_2018.pdf.

[12] A report from Alaska found in 2012 that there was a "necessary improvement" to develop written criteria for evaluating whether or not a production is in the state's best interest and in strengthening residency verification and documentation requirements. See https://documents.ncsl.org/wwwncsl/Fiscal/evaluationDB/Alaska_Film_Production_Tax_Incentive_Program_Select_Performance_Issues.pdf.

[13] See Macguire, Karen A. 2015. "Film, Fraud, and Fixes: Choosing Film Production Tax Incentives that Maximize Stakeholders' Value While Minimizing Fraud." *Business Management Dynamics*. 4(11): 8-24. https://www.bmdynamics.com/issue_pdf/bmd110538-%2008-24.pdf.

[14] Business advisory firm Aprio warned in an online article in 2022 that "[t]he film industry creates an environment that is uniquely vulnerable to fraud – especially tax-related fraud schemes like tax evasion and payroll fraud." https://www.aprio.com/catch-them-if-you-can-fraud-in-the-film-industry/.

[15] See for instance, "Why Georgia is becoming the new U.S. film production capital." https://www.cnbc.com/2021/12/16/why-marvel-studios-films-in-georgia.html.

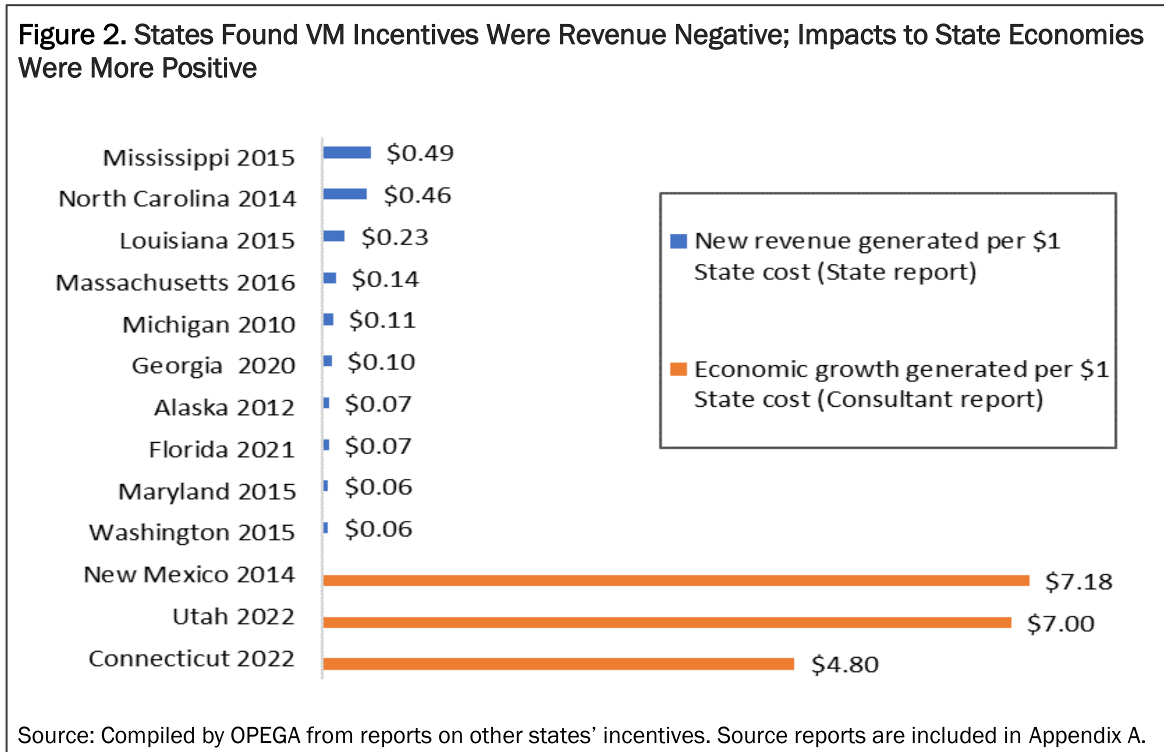
[16] NCSL 2022.

[17] Bradbury, John Charles. 2020a. "A Comment on Georgia Department of Economic Development Report: *The Impact of the Film Industry in Georgia.*" Kennesaw State University. Quote on page 14. https://ssrn.com/abstract=3526169.

The report also calculated that the foregone tax revenue from the incentives equated to about three percent of the state budget, about $230 per Georgia household.

The cost to compete is not unique to Georgia. A compilation of other states' reports, and reports completed by consultants, shows the ranges of returns on investment (ROIs) identified for visual media production incentive programs in other states.

Figure 2. States Found VM Incentives Were Revenue Negative; Impacts to State Economies Were More Positive



Source: Compiled by OPEGA from reports on other states' incentives. Source reports are included in Appendix A.

The figure above shows a noticeable difference between the economic impacts identified by state entities and those identified in consultant reports. This is because the measurements being used are different. State studies tend to measure ROI based on the new revenue generated for the state budget per dollar of incentive cost. This essentially measures whether the incentives are covering their own costs. Only figures above $1 represent a net gain for the state. Consultant reports, however, often assess ROI based on broader economic impacts, such as estimated increases in state gross domestic product, per dollar of incentive cost. Economic impacts are typically larger than revenue increases, hence an incentive may show a positive economic return per dollar of incentive cost even if it is not generating enough new state revenue to cover its own costs. However, ROIs based on broader economic impacts, like those provided in the consultant reports, are hard to interpret on their own without context about what sorts of returns the state might achieve with other uses of the funds. Though subsidizing an industry may spur more economic activity in that sector than would have otherwise been happening, the question facing policymakers is how to most effectively deploy state funds.

Recent experience in Connecticut illustrates this difference between budgetary return and broader economic impacts. In 2022, a contracted study of CT's film incentives reported an ROI (based on broader economic impacts) of $4.80 between FY12 and FY20. However, after the report's release, Connecticut's DECD Commissioner called on state lawmakers to consider capping or reducing the program, arguing that while the incentives had grown the industry and jobs, they had done so at "significant" cost to the state.[18]

Maine's Visual Media Incentives Have Some Features Recommended by the National Conference of State Legislatures to Manage Budgetary Risk

As noted in the previous sections, studies on VM incentives in other states have identified issues with their effectiveness and also with the cost they can represent for states' budgets. Maine's VM incentives provide lower benefits than those of many other states, and their statutory design includes some features recommended by the National Conference of State Legislatures (NCSL)[19] to limit the budgetary risk that can accompany such incentives.

Table 3. Maine's VM Incentives Include Some NCSL Recommendations for Limiting Budget Risk from Film Incentives	
Increasing the amount that productions must spend or film in the state to qualify for incentives	✓[20]
Targeting the credit towards workers who reside in the state	✓
Capping program costs	
Capping salaries eligible for a credit	✓
Disallowing credit transferability	✓
Disallowing credit refundability	✓

Source: National Conference of State Legislatures (NCSL). 2022. "Fiscal Brief: Film Tax Incentives Back in the Spotlight." https://www.ncsl.org/research/fiscal-policy/film-tax-incentives-back-in-the-spotlight.aspx and 36 MRS, Chapter 919-A; 36 MRS §5219-Y; & 5 MRS §13090-L

Maine's tax credit is already non-transferable and non-refundable, and the wage reimbursement is subject to a cap on salaries. However, some of these features, while limiting cost to the state, may also be contributing to the low use of Maine's incentives. While recommending the features listed above to manage budgetary risk, NCSL's report notes that larger credits may be needed to attract long-term investment, acknowledging the tension between designing an incentive that can effectively attract production while managing cost to the state.

Altogether, research identifies that VM incentives nationwide have had mixed to negative results in achieving state goals and that achieving significantly increased film production may come with a substantial budgetary cost. They've also found that the administration of VM incentives is a high-risk area. The following sections of this report will consider the administration of Maine's incentives, incentive performance respective to the goals set for this evaluation, and issues identified in this evaluation and recommendations for addressing those issues.

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[18] See https://ctmirror.org/2022/06/09/ct-economic-development-commissioner-lehman-cutbacks-film-tax-credit/. Additionally, a 2017 Alabama report concluded that "our in-depth analysis of the data for these 53 projects revealed a negative impact on tax revenues and only marginal impacts on employment and economic activity that together do not justify the revenue cost of the program to the state." See Murray and Bruce. 2017. "Evaluation of Alabama's Entertainment Industry Incentive Program & New Markets Development Program." *Prepared under contract for Alabama Department of* Revenue: 2. https://documents.ncsl.org/wwwncsl/Fiscal/evaluationDB/2017_Evaluation_of_Alabamas__Entertainment_Industry_Incentive_Program_and_New_Markers_Develop_Program.pdf.

[19] NCSL lists other considerations for states regarding their film incentives beyond those linked with limiting state fiscal exposure.

[20] Maine's VM incentives do have a minimum amount that must be spent in the state to qualify for the incentives--$75,000—though this amount is below what many states require (see Appendix B). Maine does not have a minimum percentage of filming that must occur in the state.

Is the Administration of Maine's VM Incentives Effective?

Issues with the administration of Maine's VM incentives must be addressed if the State intends to retain or amend the incentives.

OPEGA found that the administration of Maine's VM incentives has been inadequate to create consistent and clear decisions and processes, ensure statutory compliance, provide information needed for oversight, promote the state's incentives and highlight issues that should be addressed. These issues create risks that program participants may not all be treated equally and that incentives may be provided to unqualified recipients or for incorrect amounts.

OPEGA acknowledges decisions about appropriate levels of administrative effort vary based on a number of factors, including the financial magnitude of a program. Minimal administration can make sense for a program that is small, as this one is. However, even minimal administration can, and should, meet minimum standards such as providing for consistent treatment of program participants and ensuring that incentive recipients are eligible. Current MFO administration does not meet these minimum standards, and the risks associated with this condition will increase if participation in Maine's incentives increases.

While MFO and MRS are co-administrators of the incentives, MFO is responsible statutorily for the certification of productions, receiving final reports from productions, and reporting to the Legislature. MRS is responsible for paying out the incentives to recipients. The following sections focus primarily on the administration elements statutorily assigned to MFO.

MFO Has Not Ensured Compliance with Statutory Requirements

MFO has not consistently ensured that statutory guidelines under its purview, including certification and reporting requirements, are met in its administration of the VM incentives.

In order to claim either incentive, productions must be certified ahead of production by MFO/DECD to ensure they will meet program requirements. Applicants are required to provided information about the planned production and those involved, proof of insurance, financial information demonstrating full financing and that productions are expected to incur at least $75,000 in visual media production expenses in Maine. Applicants must also provide data demonstrating that the visual media production will benefit the people of Maine by increasing opportunities for employment and that the production will strengthen the economy of the state.[21]After completion of the production, certified visual media production companies must then provide a final visual media production report to MFO/DECD before receiving incentives from the state.

Statute requires MFO to ensure that program applicants meet the requirements to be certified (5 MRS §13090-L(3)).The MFO has not ensured that all of these requirements are met in the following ways:

- *Rule-making.* MFO has not promulgated any program rules since the inception of the incentives despite the requirement to do so in statute under 5 MRS §13090-L(3)(E).

[21] The requirements are specified under 5 MRS §13090-L(3). Productions are also required to provide the names and contacts of the principals; an agreement to provide an on-screen credit in the visual media production for the State of Maine; evidence that the visual media production is not owned by, affiliated with or controlled by a person that is in default on a loan made by the state or guaranteed by the state; and a projected schedule for the preproduction, production, and postproduction that shows that the production will begin within 60 days after the certification.

- *Evidence of Insurance and Full Financing.* Statute requires that productions provide evidence of insurance, and that they are fully financed, to receive certification through the MFO. MFO was not able to provide documentation that it had obtained evidence of insurance or full-financing from any applicants.

- *Minimum Spend Threshold.* Statute requires that productions estimate that they will spend at least $75,000 in eligible expenses and/or wages to become certified. In order to claim the state's VM incentives, productions must have at least $75,000 in eligible expenses and/or wages once the production is completed. One production was certified by MFO when less than $75,000 of estimated visual media production expenses was reported.

- *Evidence of Economic Impact.* Statute requires that productions provide data demonstrating that the visual media production will benefit the people of Maine by increasing opportunities for employment and that the production will strengthen the economy of the state. While the requirement is broad, most but not all, productions for which OPEGA saw applications were required to estimate visual media production expenses. However, MFO did not require an estimate of visual media production expense if estimated wages surpassed the $75,000 threshold.[22] This inconsistency limited the collection of evidence of an economic impact to the State.

- *On-Screen Credits*. Statute requires applicants for a visual media production certificates to agree to include on-screen credits. However, it also allows MFO to exempt productions from this requirement at its discretion and requires MFO to create rules regarding the exact wording and size of the on-screen credit to be included. Twenty-six percent of the productions completed were exempted from including an on-screen credit. MFO also has not promulgated the required rules related to on-screen credits.

In addition to not always ensuring that statutory requirements are met, MFO has also allowed uncertainty to persist in how some program requirements could be interpreted as discussed in the following sections.

MFO Has Not Ensured that Eligibility Criteria are Clear, Transparent, and Consistently Applied

While some of Maine's certification requirements are clear and specific, others are open to interpretation or designed to allow for exceptions where appropriate. OPEGA found that MFO has not created guidance to clarify eligibility requirements or conditions in which exceptions will be allowed. Lack of clarity in these areas makes it difficult to determine how these decisions are being made, whether they are being made consistently, and whether they ultimately align with legislative intent. Additionally, a lack of clarity in program requirements can lead to uncertainty for program participants. Program areas that OPEGA noted as in particular need of clarity include:

- *Eligible Production Types*. There is room for interpretation regarding what types of projects are eligible productions[23] and thus what productions should qualify for Maine's incentives. For instance, OPEGA noted an example of a production that was certified by MFO as eligible for the incentives. The production filmed an outdoor winter sports event in Maine. Under statute, sporting events do not qualify for incentives, but reality television shows do. The production was considered a reality television event by MFO, but it is not clear to OPEGA how this determination was made given a lack of clear guidance on eligible production types. Additionally, Maine's production type categories have not been updated since 2006 despite major changes in the media landscape.

[22] OPEGA noted at least four productions associated with one production company that declined to provide this information and were certified.
[23] 5 MRS §13090-L(2-A)(D).

- *Timing Requirements*. To qualify for Maine's VM incentives, productions must meet particular timelines for application, production start, production end, and filing of final reports.[24] However, the language in statute is not specific to how these timelines should apply to the many stages of production. For instance, applications must be filed before "production" begins—but it is not clear if this is intended to mean before filming begins, before filming begins in Maine, or before the preproduction work begins—which can be very different dates. Another example is final reports which must be provided to MFO within four weeks of the end of "production." This could be interpreted to mean within four weeks of the end of filming in general or within four weeks of the end of filming in Maine or within four weeks of the end of all production (including post production activities). OPEGA noted many examples of situations where it was unclear whether or not timelines had been met due to the lack of guidance. Some examples include: one application seems to have been submitted after the filming of the production had been completed. Three productions had certificates dated before the signature on their application forms. Three productions have signature dates on their final reports that precede the expected production end date. One production premiered before the signature date on its final report. If the timing requirements are important to the state, MFO should promulgate guidelines or rules to clarify how they should be implemented.

MFO has neither ensured that program requirements are consistently met nor created guidance or rules to clarify and create consistency in decisions around areas of the incentive certification that are currently open to interpretation.

It Is Unclear Whether MFO or MRS Bears Responsibility for Two Key Programmatic Controls

MFO and DECD are clearly identified in statute as the entities responsible for certifying applicants for the incentives based on the applicants' proposed future productions. MRS is also clearly identified in statute as the entity responsible for distributing incentive benefits to eligible participants after the productions are completed. However, between initial eligibility determination and final distribution of benefits, there is a gap in which it is unclear which agency bears responsibility for two critical programmatic controls: 1) ensuring that the productions went according to plan and continue to meet eligibility requirements; and 2) determining which production expenses qualify for the tax credit and should be the basis upon which the credit is calculated.

After completion of productions, while entities are responsible for submitting final reports to MFO, there is no statutory assignment of administrative responsibility for which entity should ensure that the productions remain eligible for the incentives and should determine the amount of production expenses that qualify for the VM tax credit. Neither MFO nor MRS has promulgated rules, sought clarity through proposed amendments to statute, nor created guidance to address this gap. Absent such guidance, and after discussion with agency staff, OPEGA found that it was unclear whether either agency is performing these responsibilities and what procedures were in place to ensure they were performed consistently. This lack of clarity raises risks for incentive benefits being provided to potentially ineligible productions,[25] or in incorrect amounts, and for inconsistent treatment of participants—risks also identified by studies of other states' VM incentives.[26]

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[24] 5 MRS §13090-L(3) & (4).

[25] An example is the case of a certified production that reported less than $75,000 in eligible production spend on its final report. That production should not have received state VM incentives. OPEGA cannot determine whether this production was ultimately improperly awarded state funds without accessing confidential taxpayer information, and delaying the release of this report. However, this case highlights that this risk of improper payments exists even in Maine's small program, particularly without the clear delineation of agency responsibility for ensuring final eligibility and qualifying expenses.

[26] MRS noted that guidance for determining the applicable wages is in statute and instructions for MRS Form 841ME. OPEGA agrees that there is guidance in statute and in Form 841ME, but we note here that there is no clear administrative entity tasked with ensuring that the guidance is met.

Additionally, unlike many other states (81% of states with similar incentives[27]), Maine does not require that productions undergo an audit as a precursor to receiving incentive payments. Hence there is no additional check to ensure that expenses are accurate and payments from the state are appropriate. While at present the use of the incentives is low, changes need to be considered moving forward to ensure that this risk area is addressed particularly if participation in Maine's incentives increases.

Another area to be addressed is record keeping and data, as covered in the next section.

MFO Could Not Readily Provide Basic Incentive Records and Lacked Clarity About the Confidentiality of Incentive Data

MFO was unable to readily report a complete count of applicants or incentive users to OPEGA during the course of this tax expenditure evaluation. It took MFO three months and multiple requests to provide 81 applications and 54 final report forms from productions dating back to 2012. It remains unclear if all forms have been provided to OPEGA. Additionally, OPEGA noted that the MFO's data management system may contribute to the inability to quickly produce records. MFO stores some materials in email folders and some materials in paper folders and had no ongoing summary of productions participating in the program at the time of this evaluation.

MFO also lacked clarity about whether program information held by the office is public, confidential to some standard, or confidential taxpayer information. The application forms state that the information collected is not confidential unless otherwise agreed between the Department and the applicant, but MFO expressed that confidentiality was not clear. It is important that forms communicate accurately and clearly about confidentiality so that participants know what data may become public when they provide it on an application.

Annual Reporting by MFO on Maine's VM Incentives Has Not Been Adequate to Support Legislative Oversight

MFO has been submitting annual reports to the Taxation Committee as required by statute. However, the information provided in those reports is not sufficient to allow oversight and has sometimes been misleading about incentive performance. Title 5 section 13090-L(7) describes the MFO's reporting responsibilities with regard to the visual media production incentives.

MFO must submit an annual report (by January 15th) to the Taxation Committee containing the following information:

- a description of any rule-making activity related to the implementation of the credit and reimbursement;
- outreach efforts to visual media production companies;
- the number of applications for the visual media production credit and reimbursement;
- the number of credits and reimbursements granted;
- the revenue loss associated with the credit and reimbursement; and
- the amount of visual media production expenses generated in the state as a result of the credit and reimbursement.

[27] OPEGA identified 30 states that require an audit of some sort before the receipt of state incentives. Not all states had easily identifiable information about audits in their programs. Some states only require audits above certain incentive or spend thresholds or for one but not both types of incentives offered in the state. There are additional states that suggest but do not require audits, reserve the right to have an external audit conducted, or require a report prepared by an outside accounting firm.

Annual reports MFO has provided to the Legislature appear to conflate incentive activity with general activity of MFO making it difficult to understand incentive use and promotion. For example, some productions highlighted in the MFO's annual reports do not appear to have made use of Maine's VM incentives. Additionally, in the 2021 annual report (produced in 2022), production spend information is not provided, and in prior years the information reported was estimated and not actual spend. Total estimated production spending in the state may differ significantly from actual spending for any year, particularly given that not all applicants go on to film in Maine after certification.

MFO May Not Be an Effective Promoter of the State's VM Incentives

Despite low VM incentive use, efforts have not been undertaken by MFO to revamp outreach efforts or identify ways to improve incentive use. MFO told OPEGA that there are productions that film in Maine but opt not to use our wage reimbursement, but was unable to provide information about why productions would leave this incentive money on the table. This information could prove valuable in highlighting ways the state could improve incentives and achieve desired results.

OPEGA also noted that the quantity and out-of-state nature of the MFO's outreach trips was at odds with program use. MFO has taken 46 out-of-state trips since 2013. From 2016 to 2019, out-of-state travel expenses cost the state more than $86,000. Based on MFO records provided to OPEGA, there have been 81 applications for certification since June 2012 of which 50% came from in-state productions. A number of the out-of-state applications represent continuing seasons of single television shows, not new productions that are being brought to Maine.

Additionally, international outreach efforts are highlighted in every annual report, but only one production not based in the U.S. has been certified for the incentives (in 2013). MFO's strong focus on out-of-state versus in-state relationships was also apparent in stakeholder interviews for this review—OPEGA notes that some stakeholders were either unfamiliar with the activities or existence of MFO or questioned the outreach efforts of MFO and whether MFO could market Maine's VM industry effectively without forming connections within it.

Program Administration Warrants Additional Internal Oversight

The number and variety of issues identified above regarding the administration of the state's VM incentives indicate that the incentives may not have been a priority for administrators. OPEGA notes that, although MFO is funded by dedicated revenue through Maine Office of Tourism (MOT), the location of MFO under MOT may be misaligned in terms of office missions (see discussion of MOT strategy on page 17). We also note that administration of many of the Department's other tax incentives is pooled in DECD's Tax Incentive Group.

The Maine Film Commission is established by 5 MRS §13090-H under the Office of Tourism. The Commission is intended to consist of 11 members appointed by the Governor in addition to the Director of the Maine Arts Commission and the DECD Commissioner or the commissioner's designee. The Commission's power and duties include:

- Recommending rules for the implementation of the provisions related to the promotion of filming activities in the state;
- Advising and assisting the Director of the Maine Film Office and the Director of the Office of Tourism;
- Raising and accepting funds from public and private sources to be used to promote filming activities in the state; and
- Promoting the state for in-state, on-location filming of movies, advertisements and videos.

However, the Maine Film Commission has been inactive since at least 2019. Whether it was more active prior to that is unclear because MFO was unable to produce historical meeting minutes.

At the time of the report writing, efforts were underway to appoint Commission members. When the Commission is re-established, it could provide advice and direction to MFO to support needed improvements in the administration of the VM incentives, including in the promotion of filming activities and the recommendation of needed rules.

In summary, while small incentives may appropriately receive limited administration, Maine's VM incentives have not been adequately administered. Statutory requirements have not been met, guidelines to ensure consistency in program implementation have not been created, basic program information has not been tracked and made available.The following sections of the report turn to available information on the performance of Maine's VM incentives.

Are the VM Incentives Increasing Visual Media Production in Maine?

- The low use of Maine's VM incentives indicates they are not attracting substantial visual media production to Maine.
- The low use also limits the ability of the VM incentives to drive economic impacts.
- Challenges accessing the tax credit and the small size of the incentives may hinder credit use.

Since 2013, 54 certified productions have been completed in connection with Maine's VM incentives, an average of five per year. The number of productions resulting from the incentives is likely even lower. Attribution refers to the amount of an activity that was directly caused by an incentive. Attribution is generally less than 100%, meaning that some activity, in this case film production, may have occurred without the incentives. MFO supported the idea of less than 100% attribution in conversations with OPEGA, suggesting that some productions do film in Maine without regard to the incentives. Overall, the low use of the incentives indicates they are not attracting substantial filming to Maine, which in turn limits the incentives' ability to produce the desired economic impacts.

Table 4. Types of Certified Productions Completed Since 2013

Production Type	Total
TV Series or Episode	20
Feature Film	13
Documentary	11
Photo Shoot - Catalog	4
Commercial	3
Web Marketing Video	2
Sporting Event Filming[28]	1
Total Completed Productions	**54**

Source: OPEGA analysis of records provided by MFO and publicly available information about production genres.

[28] Although the incentives are not available for sporting events, this production was characterized as "reality television."

Low Participation Limits the Impacts that Can Be Expected to Flow from Maine's VM Incentives

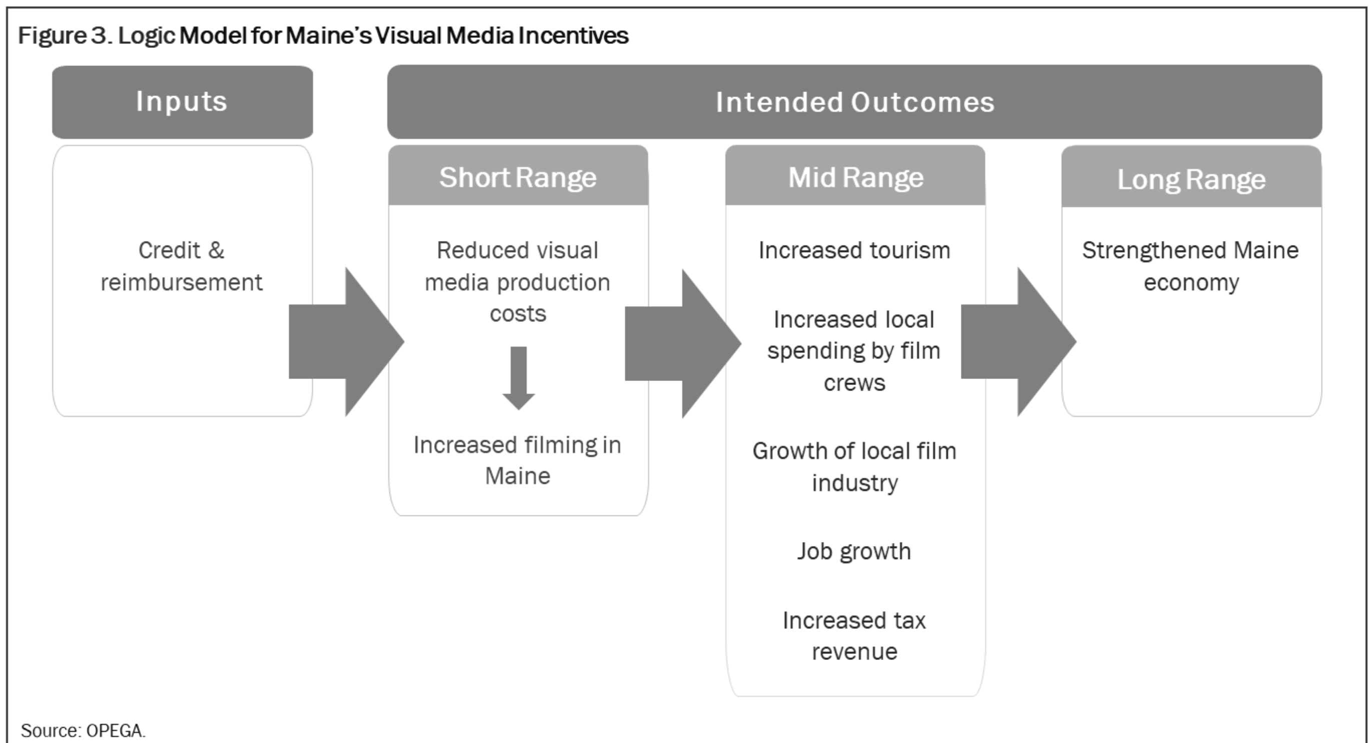
Logically, the ability of most incentives to achieve their goals is in part determined by the amount that they are used. If incentives are not used, they are not incentivizing the intended outcomes. In the case of the state's VM incentives, there is little use of the incentives which naturally limits the accompanying economic impacts one might expect to flow from productions participating in the program.

The goals set for Maine's VM incentives for the purpose of this evaluation were:

1) To increase filming of visual media productions in Maine;
2) To strengthen the Maine economy;
3) To increase tourism;
4) To increase local spending by out-of-state visual media crews;
5) To increase state tax revenue;
6) To establish/grow the Maine visual media industry; and
7) To grow jobs in Maine.

OPEGA conceptualized the logic behind how the incentives might be thought to achieve the goals set for this evaluation below. As the graphic shows, the first step in the chain is the use of the incentives.

Figure 3. Logic Model for Maine's Visual Media Incentives



Source: OPEGA.

The logic model shows that the achievement of any of the goals is predicated on incentive use. This report will discuss the specific evaluation goals set for this report in the coming sections, but first identifies a number of factors that could be contributing to the low use of Maine's incentives.

Maine's Tax Credit is Available to Few and Can Be Challenging for Participants to Navigate; While the Broadly Available Wage Reimbursement is Not Competitive with Other States

Maine's VM tax credit is small—just 5% of nonwage visual media production expenses[29]—and is also available to only a narrow pool of production companies. To access the credit companies must have an income tax liability in Maine, which excludes most out-of-state entities from claiming the credit. Credit claimants must also be profitable in the year that they file for the credit, as the credit is non-transferable, non-refundable, and cannot be carried forward. Additionally, OPEGA heard from program participants that, due to the small size of the credit and the amount of administrative effort involved in claiming it, the credit is often not "worth it" even for production companies in Maine that could actually claim it.

The VM wage reimbursement benefit is more broadly available, since no Maine income tax liability is required to claim it. The wage reimbursement is also larger[30]—12% to 15% of eligible production wages, for non-resident and Maine resident wages respectively. However, Maine's wage reimbursement faces different barriers to use, such as competition with the more generous incentives of other states.

Still, some production companies have found the wage reimbursement to be valuable. OPEGA heard from Maine-based program stakeholders committed to visual media production work in Maine that the wage reimbursement has made a difference in their ability to take on more productions, hire more workers, and provide their workers with better benefits in Maine.

While evidence suggests that Maine's wage reimbursement is more desirable and accessible to visual media production companies than the credit, there is no evidence that either benefit is significantly inducing production activity in the state. In the following sections we will discuss first the degree to which the VM incentives appear to support increased tourism in the state, and then the degree to which the incentives appear to be producing the desired economic impacts. OPEGA will also provide performance metrics assigned for this evaluation where applicable and available.

Are Maine's VM Incentives Driving Increased Tourism?

Maine's VM incentive design and implementation has likely not supported increased tourism in the State.

No data has been collected by MFO or MOT about the degree to which visual media produced in Maine, including productions using Maine's VM incentives, have impacted tourism in the state. However, based on the limited use of Maine's VM incentives, we would expect limited effect, if any, on tourism. In addition, OPEGA found that the incentives have been used by productions unlikely to drive tourism for Maine, and that productions have often been exempted from the on-screen credits for the State of Maine that are required by statute and could serve to market the state as a tourist destination.

[29] 36 MRS §5219-Y.
[30] OPEGA notes that the reimbursement percentage is higher than the credit's, but it is also calculated on a different base. OPEGA saw that wages reported were generally higher than non-wage expenses, meaning that the reimbursement is not only a bigger percentage, but often a bigger percentage of a larger base figure.

No Data Has Been Collected about the VM Incentives Impacts on Tourism, and the Incentives Are Not Part of the Maine Office of Tourism's Strategy

Although MFO, which administers the incentives, is housed within the Maine Office of Tourism, neither office has collected any data on film-induced tourism in Maine generally or on the potential tourism impacts associated with users of Maine's VM incentives. The two offices noted that meaningful data on this point can be challenging to obtain, as it can be difficult to tease apart all of the various factors that influence a tourist's decision about where to travel. However, OPEGA also observed that neither MFO nor the visual media incentives appear to have been prominent in Maine's tourism strategy.

Additionally, the MOT Director acknowledged that film-induced tourism has not been a focus point for MOT. OPEGA also observed that MOT's 5-Year Tourism Strategy Plan highlighted a very limited role for visual media, generally, and no role for visual media incentives with regard to tourism in the state.[31]

The VM Incentives Have Supported Productions That Do Not Feature Maine and Have No Planned Filming Days in Maine; Such Productions Are Unlikely to Generate Increased Tourism

One of the ways VM incentives are typically expected to support tourism in a state is by functioning as a sort of tourist advertisement, showcasing the state in a way that may increase interest in it as a tourist destination. At present, productions may qualify for Maine's VM incentives regardless of whether they feature Maine or Maine people, and regardless of whether any of the production is filmed in Maine. Productions such as these are unlikely to function as advertising for the state, and hence unlikely to drive any increased tourism.

Of the 54 certified productions that were completed in Maine since 2012, OPEGA identified three that did not include any filming in Maine. An additional five productions had three or fewer filming days in Maine, some of which were characterized on application forms as including "voice overs" and were at production studio locations, not at identifiable Maine locations. Other productions did film in Maine, but did not feature Maine as a destination (such as filming a reenactment of events from a different state) or were not aimed at an outside audience (advertisements for local medical facilities, for instance).

One-Fourth of Productions Certified for VM Incentives Have Been Exempted from the Requirement to Provide On-Screen Credit for the State of Maine

On-screen credits in productions that use VM incentives can also function as advertising for the state, hence potentially serving as another mechanism for increasing tourism. Maine's VM incentives include a statutory requirement for productions to include an on-screen credit for the State of Maine.[32] However, statute allows the MFO to provide exemptions from this requirement at its discretion, and OPEGA found that slightly over 1/4th of all productions certified by the MFO since 2012 were exempted from this requirement. Given the lack of rules or guidelines governing on-screen credit exemptions, it is unclear under what circumstances exemptions should be granted and whether these exemptions are at odds with the state's potential goal of increasing awareness of and potential tourism draw to Maine.

In summary, no data is collected on film-induced tourism in Maine, and the VM incentives are not a substantive part of the state's tourism strategy. Additionally, Maine's VM incentives do not effectively target tourism as an outcome, and they provide benefits to productions that are unlikely to promote Maine as a tourist destination. Additionally, research on VM incentives has suggested that they may not be an efficient, or consistently effective, method of driving tourism.

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31 See https://motpartners.com/wp-content/uploads/2019/10/Maine_5Year_Strategy_Plan_2019-2023.pdf.

32 5 MRS §13090-L(3)(E).

Are Maine's VM Incentives Generating Economic Impacts?

Economic impacts are limited by the low use of Maine's VM incentives, and incentive design and implementation are not effectively targeting economic impacts.

A number of the goals established for evaluation of the VM incentives speak to economic impacts the incentives were expected to generate. These include the goals of:

- Increasing local spending by out-of-state visual media production crews;
- Growing jobs in Maine;
- Increasing state tax revenue;
- Establishing or growing the Maine visual media production industry; and
- Strengthening the Maine economy.

Other states' research highlighted some concerns about the ability of VM incentives generally to drive and sustain economic impacts. Researchers noted that spending and jobs induced by VM incentives are likely to be temporary and reliant on ongoing subsidies. Additionally, concerns have been raised about the high cost of attracting visual media productions due to competition among states, making VM incentives potentially inefficient to achieve states' economic goals. All information in this section should be considered with this context in mind.

Within Maine, OPEGA found that data collected by MFO is of limited use in estimating many of these expected economic impacts. Additionally, we found that some of the types of productions using Maine's VM incentives may not be likely to contribute to the economic goals listed above.

The following sections address the economic impact goals in turn and provide (1) data related to economic impacts, where available, along with information on data limitations, and (2) information on the design and use of Maine's incentives with regard to each of these goals.

Maine's VM Incentives Allow for Productions that Don't Guarantee Out-of-State Spending in Maine

Available Data. Although OPEGA noted weaknesses in MFO's data collection and management, which impact the reliability of production spending estimates, we found the data could be used to provide a rough estimate of the magnitude of spending associated with certified visual media productions completed in Maine. For the 10-year period from 2013 through 2022, completed productions reported total production spend of $22.8M, or an average of $2.3M per year. This includes total estimated non-wage production spend of $9.0M and $13.8M in wages, averaging approximately $900,000 and $1.4M per year respectively.

An important caveat is that, while these figures estimate the production spend connected with Maine-certified visual media productions, they do not attempt to estimate the degree to which Maine's VM incentives caused certified productions to spend more or less in the state than they might have absent the incentives. Said another way, it is unknown how much of this production spend may have occurred in Maine regardless of whether VM incentives were available.

Additionally, we know that 50% (27/54) of productions that filed a final report with MFO (and thus were ultimately eligible for the incentives) were based in Maine. Whether or not these productions could be thought to induce out-of-state spending would depend on how one defined this—some may fund their production with contracts from out-of-state sources, while others may have internal funding.

Design and Implementation. Regarding the design of Maine's VM incentives and the goal of inducing out-of-state spending, at present only the wage reimbursement is available to out-of-state production companies. This is due to the fact that the credit is available only to those entities with Maine tax liability. Hence, the tax credit is unavailable to most out-of-state productions and therefore unable to support the goal of inducing out-of-state spending.

Considerations. Stakeholders described the economic impacts of visual media productions coming to Maine and filming in local communities wherein they purchased supplies, food, and hired locals. However, some of the productions that have been determined eligible for Maine's incentives would not be generating these sorts of impacts because they have done little, or no, filming in Maine.

The Level of In-State Job Creation Associated with the Incentives is Unclear; Design Could Be Tailored Depending on Specific Job Goals

Available Data. At present, there are no readily-available and reliable data[33] about the number of jobs connected with certified productions completed in Maine. Although MFO requires completed productions to report job counts and total wages, because MFO gathers no further information about the duration of the jobs, the collected information cannot be meaningfully interpreted. This leaves job impacts for the incentives unknown.

Job duration is a key piece of information for visual media productions because short-term work is common in the industry and job duration can vary dramatically. Absent information about job duration, which MFO does not collect, it's unclear how many of the jobs reported by productions lasted only a handful of days versus those that lasted weeks or possibly months. The duration of jobs makes a big difference in the employment impact of a production. While 29 one- or two-day jobs represent an employment impact of 29 to 58 job-days, those same 29 jobs could represent an employment impact of 290 job-days if the jobs averaged 10 days in duration. The duration of the jobs here in Maine makes a difference for both the immediate incentive goal of increasing employment opportunities, and also for the downstream economic impacts one might expect from increased spending connected to employment.

Design and Implementation. Maine's wage reimbursement does specifically reward VM production jobs, while the tax credit does not. The wage reimbursement offers a slightly higher rate (12%) for wages paid to Maine residents versus wages for out-of-state residents (10%). However, the qualifying basis for Maine's tax credit explicitly excludes wages and thus does not target jobs at all. In addition, while some elements of the incentives' designs target job creation, there may be ways to tailor Maine's VM incentives depending on the types of jobs Maine is looking to grow.

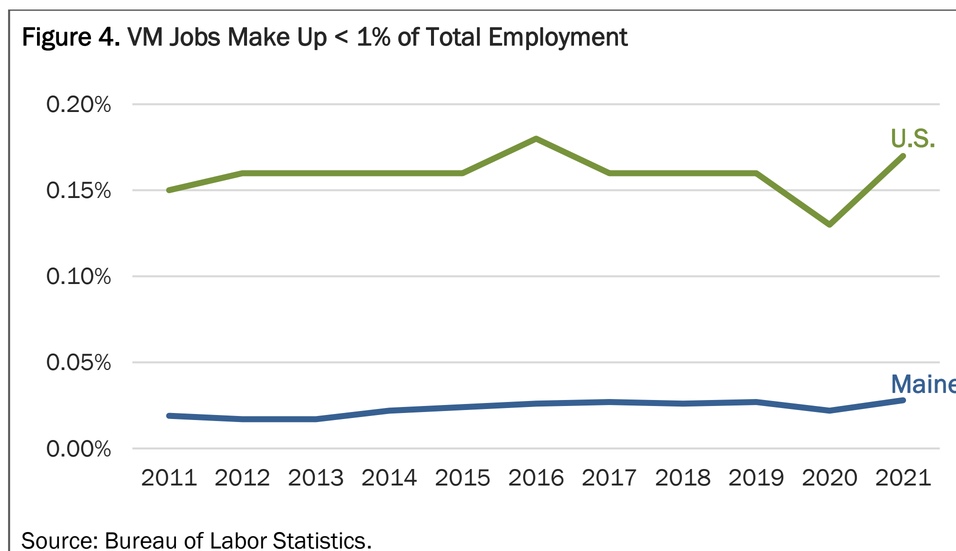
Considerations. Often the expectation of visual media incentives is that they draw in outside productions which then create jobs. While this sort of job creation may happen in Maine to some degree, OPEGA noted that among Maine's current program users there are also Maine production companies that ongoingly employ Maine people. Moving forward legislators could consider specifying the types of employment the incentives are aimed at supporting, whether that be short-term employment supported by outside production companies or ongoing jobs in Maine-based production companies, and ensure that adequate data is collected to measure these distinct impacts.

[33] Job counts in connection with productions that received VM incentives could be (more meaningfully) calculated using confidential taxpayer information from MRS Form 841ME, which lists each employee along with their certified production wages and number of days worked in Maine. However, because of the low number of participants in VM incentives, most analysis of this confidential data would not be publicly reportable since aggregation of a small population does not adequately maintain confidentiality to the degree required for confidential taxpayer information.

Jobs in Maine's VM Industry Have Remained Low

Available Data. OPEGA looked to the Bureau of Labor Statistics (BLS) data[34] to assess the degree to which VM industry jobs in Maine had grown between 2011 and 2021. As a caveat, it is not possible to know what role Maine's incentives have played in this growth versus other factors. According to the BLS data, Maine saw an increase in VM jobs from 109 jobs to 169 jobs from 2011 to 2021. The data also show that VM jobs make up a very small percentage of Maine's total employment—just 0.02% to 0.03% in each year of the data, tending closer to 0.03% in most recent years.[35] Nationwide, VM industry jobs represented 0.16% of total jobs in the U.S. for the majority of the years between 2011 and 2021, with a low year of 0.13%, a high year of 0.18%, and 0.17% in the most recent years.

Figure 4. VM Jobs Make Up < 1% of Total Employment



Source: Bureau of Labor Statistics.

The Maine Film Association, a film production stakeholder group in Maine, produced an economic impact study of the video and film production industry in Maine in May 2022 and estimated that the VM production industry created a direct economic impact to the Maine economy of $29.3M in revenue and $64.3M in annual economic impact including multiplier effects. The modeling in the study estimated that the VM production industry in Maine directly supported 312 full- and part-time jobs, and 609 full- and part-time jobs including indirect jobs.[36]

Design and Implementation. Based on the logic model created by OPEGA, VM industry growth would be expected to flow through other mechanisms incented by the VM incentives. To the degree that Maine's incentives drive visual media production in the state, VM industry impacts would be expected to follow.

Considerations. OPEGA notes that legislators may identify the value of the VM industry in Maine by other metrics than percentage of state GDP or jobs, such as by the contribution to arts or the quality of productions produced. While Maine has a small VM industry, OPEGA heard from stakeholders that it is an active industry with talented workers, though early in its development of infrastructure that might support

[34] Bureau of Labor Statistics. *Quarterly Census of Employment Wages for 2019.* NAICS code 512110 for "Motion picture and video production." Retrieved from https://www.bls.gov/cew/data.htm August, 2022.
[35] OPEGA notes that the Motion Picture Association of America reports a higher figure of 260 for 2020 (see https://www.motionpictures.org/what-we-do/driving-economic-growth/). While higher than the BLS data, this would still represent a small percentage of Maine jobs (0.04%).
[36] The data in the report comes from a 2019 survey that the Maine Film Association conducted which collected industry revenue and expense data collected from 128 Maine-based film and production entities. The study was a collaboration between Maine Film Association and Professor Todd Gabe of the University of Maine. See https://www.mainefilm.org/eco-impact-report/.

larger media projects. Maine's VM industry has also produced high-quality work, receiving national attention and accolades.[37]

Maine's VM industry also includes firms that produce work that may not be filmed primarily, or at all, in Maine. These firms have been primary users of Maine's incentives. Other states have decided to directly support similar work. Rhode Island includes in its visual media incentives a specific allowance for documentaries that do not film principal photography in the state provided that they spend 51% of their total production days, or 51% of their final production budget, in Rhode Island and employ five people in that state.[38] Moving forward, the Legislature could specify how exactly the VM incentives are expected to support Maine's VM industry and how success toward this goal will be measured.

DECD commissioned a Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis of Maine's visual media industry with an interim report due in April 2023 and a final report due by the end of June 2023. These reports could provide more information for the Legislature about the potential for Maine's VM industry.

Overall Conclusion

Maine's VM incentives exist among many similar incentives nationally, most of which offer more generous financial rewards to production companies than do Maine's. Many states have identified concerns about the administration and effectiveness of their VM incentives, and we identified similar concerns in Maine. The low use of Maine's incentives has kept costs to the state low, but it has also limited the incentives' impacts. Looking forward, the issues and recommendations that follow are areas that OPEGA suggests addressing if the state decides to retain or amend the VM incentives.

[37] See for example https://www.newscentermaine.com/article/news/local/207/against-the-odds-lone-wolf-media-maine-has-been-telling-stories-for-25-years/97-cb8e56b2-a15e-4521-9bc4-9877c3ab0b61.
[38] See http://www.film.ri.gov/tax/TaxIncentiveBreakdown.pdf.

Issues and Recommendations

1 Maine's VM Incentives Have Had Limited Effect and Are Not Structured to Effectively Target Specific Goals

At present, Maine's VM incentives have a limited effect. They are not widely used, in part because the tax credit is inaccessible to many taxpayers and the incentive amounts are not competitive with other states. Even if use were increased, the VM incentives lack a publicly-specified purpose and current design is not specific to the achievement of particular goals. Additionally, data collection at present is not adequate to measure program impacts. While the VM incentives are located within the Maine Office of Tourism, the current design of the incentives does not align with the organization. If the state intends to retain the VM incentives, they should be re-visioned from the public purpose, to specific goals and intended beneficiaries and an accompanying re-design and data collection strategy. The state should reconsider the location of the administration of the incentives during this re-visioning.

The issue regarding the effectiveness of Maine's VM incentives has multiple sub-parts detailed below. Altogether, they create a situation where Maine's incentives have had limited effect and are unlikely to become effective without a concerted re-visioning and redesign aimed at achievement of specific goals.

(A) Maine's VM Incentives Are Infrequently Used, Limiting Potential for Impact

Since 2006, there have been 9 tax credit claims totaling $37,875 and 95 wage reimbursements totaling $2,180,450. This usage averages to fewer than one tax credit claim per year and roughly 6 wage reimbursement claims per year.

Use of Maine's VM incentives is likely impacted by both the existence of more competitive visual media incentives in other states and design features such as the non-refundability and non-transferability of Maine's tax credit.

If Maine's VM incentives are not used, they cannot meaningfully deliver results for Maine.

(B) The VM Incentives' Purposes Have Not Been Specified in Statute nor Shared Among Stakeholders, Hindering Efforts to Improve Program Effectiveness

While VM incentive goals were set by the Government Oversight Committee for the purpose of this evaluation,[39] the VM incentives do not have formal goals, intended beneficiaries, or performance measures specified in statute. As a result, the VM incentives have lacked a clear purpose and recent attempts to improve them struggled absent a shared understanding of what the incentives are intended to accomplish.

When OPEGA reviewed public testimony on prior legislative efforts to amend the VM incentives and spoke to stakeholders and administrators, we encountered varying ideas about what the incentives are intended to achieve. For example, some believed the primary purpose was attracting out-of-state production companies, while others felt the growth of the VM industry in the state was most important. Differing purposes of the incentives suggest differing directions regarding improved design.

[39] See Appendix F for the evaluation goals set for the VM incentives for the purposes of this review.

(C) Current Design is Not Targeted to Specific Goals

At present, Maine's VM incentives are broadly conceived and small, unable to achieve any particular goal well. OPEGA noted that program requirements allow productions to be certified and eligible to receive VM incentives that do not align with all goals set for this evaluation. For example, productions can qualify for VM incentives without filming in Maine—seemingly at odds with the goals of inducing outside spending in the state and inducing tourism in Maine. Productions also can opt out of including on-screen credits recognizing the State of Maine, may not feature Maine and may not be directed at an outside audience, also limiting the potential for tourism impacts.

(D) Existing Data is of Limited Value in Measuring VM Incentive Impacts

At present, there are no performance metrics in statute indicating how program success should be measured. Additionally, program data to measure impacts is lacking: there is no data collected regarding tourism impacts; jobs data collected by MFO cannot be interpreted as there is no specification for how long jobs last; and production expense or spend data is collected inconsistently. Without program metrics or benchmarks or consistently collected and reliable program data, legislators will be unable to assess program performance and make alterations based on their goals.

(E) Given Present Design, VM Incentives Lack Organizational Alignment with MOT

Despite the location of the incentives' administration within the Office of Tourism, the current design and use of the incentives is unlikely to be significantly contributing to tourism in Maine. The incentives have also not been a significant part of the MOT's tourism strategy and DECD has other structures in place for managing economic development incentives.

Recommended Legislative Action: If the VM incentives remain important policy tools for the State of Maine, they should be re-visioned and modernized to effectively target a clearly defined purpose that reflects current economic and VM industry realities. 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 structure, or design, of the VM incentives should then be reworked to efficiently target those goals while minimizing administrative burden for participants. Quality data collection should be established to facilitate future oversight of the use and impacts of the incentives.

OPEGA notes that more resources and perspectives may be available to support re-visioning efforts later this year. DECD has commissioned a SWOT analysis on the Maine VM industry, with an interim report expected in April 2023 and a final reported expected by the end of June 2023. The Maine Film Commission is also in the process of being reconstituted. Finally, DECD has contracted for analysis of the economic impacts of a suite of economic development programs, including the existing VM incentives.

2 MFO Has Not Adequately Administered Maine's VM Incentives

Whether or not Maine's VM incentives are amended, the administration of those incentives must be improved to address the issues identified. The Maine Film Office has not ensured statutory compliance, clarity about program requirements and confidentiality of data, or consistent treatment of program participants. The Maine Film Office has not been able to provide basic incentive records, and annual reports produced by the office have conflated general MFO activity with activity related to the incentives. Additionally, Maine's incentives warrant additional internal oversight in the absence of clear program rules or guidelines.

The issue regarding the administration of Maine's VM incentives also has multiple sub-parts, together creating inadequate administration of the state's incentives.

(A) MFO Has Not Ensured Compliance with Statutory Requirements

MFO has not promulgated required rules (as per 5 MRS §13090-L(3)(E)) nor ensured that program requirements are consistently met. For instance, OPEGA found that MFO certified a production that did not meet the statutory requirement to have planned spending in Maine of at least $75,000. Additionally, MFO was unable to provide documentation to show that program applicants always provided evidence that they were not in default on a loan from the state, that they were fully financed or had provided proof of insurance.

(B) MFO Was Not Able to Readily Provide Basic Program Information to Support Oversight

During this review, it took the Maine Film Office three months, and multiple requests from OPEGA, to provide 81 application forms and 54 final report forms from productions dating back to 2012. Obtaining records from MFO for this evaluation required an unusual amount of time and effort, particularly given the small number of participants and hence limited program records. At the time of this report, it remains unclear if all participant records were provided to OPEGA.

The difficulty OPEGA experienced in obtaining basic program records raises concerns about record keeping, program compliance, and overall administration of the program. The absence of readily-available program data also makes strong oversight of the incentives impossible and creates the conditions where fraud or waste could exist within the program and go undetected.

(C) MFO Has Lacked Clarity About the Confidentiality of Data It Holds

Despite official program forms stating that information collected is not confidential unless an agreement is made between DECD and the production entity, MFO raised concerns about the potential for program information to be confidential at the start of this evaluation. By the evaluation's end, MFO had still not provided a clear policy regarding the confidentiality of VM incentive data held by the office. Participants deserve to know whether or not data they provide will be considered public before applying.

(D) Current Annual Reporting Does Not Provide Adequate Information for Program Performance to Be Accurately Understood

The Maine Film Office has been submitting annual reports to the Taxation Committee on the VM incentives as required by statute. The annual reports have included most of the elements required by statute. However, OPEGA observed that the information provided has not been sufficient to support oversight, and has sometimes been misleading about incentive performance. Annual reports appear to conflate incentive activity with the general activity of MFO, obfuscating the actual activity of the incentives alone. For example, some productions highlighted in MFO's annual reports—reports required specifically to summarize incentive activity—do not appear to have made use of Maine's VM incentives. In addition, when production spend data has been included in annual reports, the information reported was based on estimated spend prior to production, rather than the actual data required by MFO after certified productions are completed.

(E) MFO Has Not Ensured that Eligibility Criteria are Clear, Transparent, and Consistently Applied; Responsibility for Two Key Program Controls is Not Clear

There are elements of the VM incentive administration that are not clear, and MFO has not sought clarity to ensure consistent and appropriate treatment of applicants. Areas that lack clarity include eligible production types, required project timelines, and eligible expenses. Additionally, statute defines a process and assigns responsibility for the initial certification of productions and for the distribution of benefits. However, between the initial certification and the distribution of benefits, there is a gap in which it is unclear which agency is responsible for 1) ensuring that productions continue to meet eligibility requirements upon completion and 2) determining which production expenses qualify for the tax credit and should be the basis upon which the credit is calculated. This lack of clarity raises risks for incentive benefits being provided to potentially ineligible productions, or in incorrect amounts, and for the inconsistent treatment of participants.

(F) Travel Activities of MFO Do Not Correspond to Incentive Use

MFO has taken 46 out-of-state trips since 2013. However, this out-of-state travel has not appeared to translate to substantial out-of-state use of the visual media incentives. Based on MFO records provided to OPEGA, there have been 81 applications for certification since June 2012 of which 50% came from in-state productions. A number of the out-of-state applications represent continuing seasons of single television shows, not new productions that are being brought to Maine. Additionally, while international outreach efforts are highlighted in every annual report, only one production not based in the U.S. has been certified for the incentives (in 2013). MFO's primary focus on out-of-state versus in-state relationships was also apparent in stakeholder interviews for this review.

(G) Maine's VM Incentives Warrant Additional Internal Oversight

The Maine Film Commission has not been available to fulfill its advisory role to the Maine Film Office, Maine Office of Tourism and DECD since 2019. The Maine Film Office Director was previously the clerk of the Commission during its operation but could not provide meeting minutes to OPEGA from historical meetings, making it unclear to what degree the MFC ever played an advisory role.

In addition to the Commission being unavailable to provide oversight, MFO certification, including decision-making about the treatment of applicants, has been handled by one person. While small incentives might warrant small administration, the absence of any program rules or guidance leaves open the possibility that decisions are not consistently made according to known standards. The Maine Office of Tourism is not involved in the certification of production companies or the qualification of expenses.

Recommended Management Action: Even if Maine's VM incentives are not revised as recommended in response to Issue 1, changes should be made to the incentives' administration. DECD should ensure full statutory compliance and that Maine Film Office is a good steward of state resources. Program requirements and processes should be clarified through rule-making and guidance development. Program data should be improved and be available for monitoring program performance.

Appendix A. Scope, Methods, and References

The GOC approved parameters for the evaluation of the Visual Media incentives are detailed in Appendix F.

In the course of this evaluation, relevant information was obtained from the following sources:

- relevant statute, including the history of changes made since the enactment of the VM incentives;
- testimony for related bills that have come before the Legislature since the incentives' enactment;
- completed MAFI1 (application) and MAFI2 (final report) forms obtained from Maine Film Office dating back to 2012;
- information from MRS related to tax credit claims and wage reimbursements dating back to 2006;
- MRS forms "Certified Visual Media Production Credit Worksheet" and Form 841ME;
- MRS' Maine State Tax Expenditure Reports;
- interviews with program administrators at MFO, MRS, and MOT; and
- interviews with program stakeholders.

No confidential taxpayer data was obtained in the course of this evaluation.

OPEGA also reviewed existing research on other states' related VM incentives. We began by searching the NCSL (National Conference of State Legislatures) tax expenditure review database and identifying relevant reports released within the last ten years. We obtained further sources from those reviews as well as by searching the NBER (National Bureau of Economic Research) database for academic articles and sources cited within those articles. Works cited or considered in this report include the following:

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Appendix B. Other States' Visual Media Incentives

The status of comparable VM incentives in the U.S. is fluid, with programs constantly in flux, being amended, removed, and created and reinstated. This makes it difficult to provide a definitive number and characterization of existing VM incentives that will not quickly become outdated. OPEGA's best efforts show a total of 37 states and territories (including D.C., Puerto Rico, and the U.S. Virgin Islands) with VM incentives as of late fall 2022.

Features in the 37 States Offering Visual Media Incentives						
State	Incentive Type	% of Expenses	% of Wages	Minimum Spend	Cap	Audit
AL	Rebate	25%	35%	$500,000	$20 million	Required
AR	Tax credit; Rebate	20%	10%	$200,000[i]	$4 million tax credit; variable for rebate	Required
CA	Tax credit	20-25%	0	$1 million or $500,000, depending on production type	$330 million	Required
CO	Rebate; Loan guarantee program	10-20%	0	$100,000 to $1 million, depending on whether CO-based or out-of-state production	Variable	Required
CT	Tax credit	10-30%	0	$100,000 to $1 million, linked to credit percentage	None	Required
D.C.	Rebate	10-35%	0	$250,000	Variable	Required
GA	Tax credit	20-30%		$500,000	None	Required
HI	Tax credit	20-25%	0	$200,000	$50 million annual cap; $15 million project	Required
IL	Tax credit	30%	15%	$50,000- $100,000 depending on production run time	None	Required
IN	Tax credit	20-30%	0	N/A	$5 million for FY22-23	Not determined
KY	Tax credit	30-35%	30-35%	$10,000 to $125,000 depending on production type	$75 million annual; $10 million per project	No
LA	Tax credit	25-40%	0	$300,000[ii]	$150 million annual[iii]; $20-$25 million project	Required
ME	Rebate; Tax credit	5%	10-12%	$75,000	None	None
MD	Tax credit	25-27%	0	$250,000[iv]	$12 million; $10 million project	Required
MA	Tax credit	25%	25%	$50,000 for the payroll credit[v]	None	Required[vi]
MN	Tax credit; Rebate	20-25%	0	$1 million tax credit; $100,000 rebate	$4.95 million tax credit; $500,000 rebate	Required[vii]
MS	Rebate	25%	25-30%	$50,000[viii]	$20 million annual; $10 million project	Required
MT	Tax credit	20-35%	15-25%	$50,000 to $350,000 depending on production type	$12 million	Required

[i] $50,000 if post production only.
[ii] $50,000 minimum spend for Louisiana screenplays.
[iii] Cap of $180 million credits claimed a year.
[iv] $25,000 minimum for MD Small Films.
[v] Spending more than 75% of the total budget or filming at least 75% of the principal photography days in MA makes the project eligible for the production credit and sales tax exemption.
[vi] For projects over $250,000.
[vii] Required for tax credit; required over spending threshold for rebate.
[viii] At least 20% of production crew must be MS residents.

Features in the 37 States Offering Visual Media Incentives						
State	**Incentive Type**	**% of Expenses**	**% of Wages**	**Minimum Spend**	**Cap**	**Audit**
NV	Tax credit	Up to 25%		$500,000[ix]	$10 million; $6 million project cap	Required
NJ	Tax credit	15-35%	None identified	$1 million	$100 million	Required
NY	Tax credit	25-35%	25% to 35%	$250,000	$420 million	Required
NC	Grant/rebate	Up to 25%	0	$500,000 to $1.5 million depending on production type	$31 million annual; $7-$15 million project cap	Required
OH	Tax credit	30%	30%	$300,000	$40 million	Required
OK	Rebate	10-38%	0	$50,000[x]	$30 million	Required
OR	Rebate	20%	10%	$1 million	$20 million; $7 million project cap	No[xi]
PA	Tax credit	25-30%	0	$1.5 million to $5 million, depending on production budget[xii]	$70 million annual; $12 million project	Required[xiii]
PR	Tax credit; Preferential tax rate	40%	20-40%	$25,000 to $50,000 depending on project type	$38 million	Required
RI	Tax credit	30%	30%	$100,000[xiv]	$20 million annual; $7 million project cap	Required
SC	Rebate	Up to 30%	20-25%	$1 million for cash rebate	Wage rebate capped at $1 million of wages per individual; Annual cap $15.5 million	Required
TN	Rebate/grant	25%	25%	$200,000 to $500,000 depending on production type	Variable	Required
TX	Grant	5-22.5%	0	$250,000 to $3.5 million, linked to incentive amount[xv]	Variable	Required[xvi]
UT	Tax credit; Rebate	20-25%	0	$500,000	$8.29 million annual	Required
VI	Tax credit; Rebate	10%-29%	0	$250,000[xvii]	$2.5 million annual; Project cap $500,000	Required
VA	Tax credit; Grant	15-20%	10-20%	$250,000 for the tax credit; no minimum for the grant	$6.5 million tax credit; $7 million grant	No
WA	Funding assistance		15-35%	$150,000 to $500,000 depending on production type	$3.5 million	No
WV	Tax credit[xviii]	27-31%	0	$50,000 per year	No cap	No[xix]
Source: NCSL, 2018. "State Film Production Incentives & Programs." https://documents.ncsl.org/wwwncsl/Fiscal/2018StateFilmIncentivePrograms_20189.pdf Updated Fall 2022 using state film office and commission websites.						

[ix] With 60% spent in-state.
[x] With at least $25,000 spent in OK.
[xi] The Oregon Film & Video Office may obtain an outside audit or accounting review.
[xii] At least 60% of total production budget must be spent in PA.
[xiii] For film tax credits of $100,000 or greater.
[xiv] Documentaries that do not film principal photography in RI are eligible for up to $5 million in tax credits, if they spend 51% of total production days, or 51% of their final production budget in RI and employ 5 individuals within the state.
[xv] 70% of paid crew must be TX residents and 60% of filming days must be in TX.
[xvi] For projects expecting to receive $300,000 or more.
[xvii] Incentive percentages linked to percentage of local hires on the productions.
[xviii] Eliminated in 2018, reinstated 2022.
[xix] Report for application must be prepared by independent Certified Professional Accountant (CPA).

Appendix C. Additional Information on Concerns from Other States' Reports

Visual Media Incentive Research Findings	
Evaluation Goal	**Findings from Other States' Reports**
Increased Film Production	• Many reports note that film production incentives are important to production companies in deciding where to film (NCSL 2022, NM [MNP, LLP] 2014, UT [OlsbergSPI] 2022, CT [OlsbergSPI] 2022, & MS 2018). • Mixed results from reports: some find evidence of increases in filming, but some find evidence that trends are independent from incentive changes. • State reports comment on the large incentives and decreasing ROIs that may be needed to compete for productions (NCSL 2022, MS 2018, MD 2015).
Increased Tourism	• Reports from other states have largely been unable to quantify or reliably measure any impact from film production (See NCSL 2022, MA 2020).[xx] • Impacts that might exist are likely not typical and non-generalizable (see NC 2013, FL 2021, MD 2015).[xxi] • It is difficult to disaggregate tourism that would be occurring anyway in which visitors might visit filming locations from new visits to a state that are primarily driven by film tourism.
Increased Local Spending from Out of State	• Reports from other states did not always address local spending impacts, but many did find that any economic impacts from the incentives are short-term (see MD 2015, VA 2017).[xxii]
Increased Tax Revenue	• Reports that have attempted to quantify the impact of film incentives on state budgets have generally found that the state's outlay on the incentives far exceeds the money returned directly to the state (see Figure 2 on page 7).
Growth of Local Film Industry	• Not all state reports consider impacts to local film industries. Among those that do, the results are mixed. • VA 2017 noted that local film industries did not grow and that film industries remained concentrated in California and New York.[xxiii] • LA 2017 noted growth of filming infrastructure and skilled labor pools in that state.[xxiv]
Job Growth	• States found that jobs created are temporary (MN 2015, MD 2015, WA 2016, FL 2021); that they may occur out of state (GA 2020); and that alternative uses of the funds could create more jobs (NC 2013). • Some academic research found large incentives can increase employment (Bradbury 2020a); other academic research shows no employment impacts or only temporary impacts (Thom 2018a, O'Brien & Lane 2018).
Strengthened State Economy	• Some consultant reports found positive overall economic benefits to the state (CT 2022, NM 2014, UT 2022). • NCSL 2022 concluded "despite the positive anecdotal evidence that accompanies big film projects, such programs do not provide a substantial return on investment and, if economic development is the goal, other policy avenues might be more productive."[xxv]
Source: Full citations list in Appendix A.	

[xx] MA 2020 states "… we have not included the impact of potential increase in economic activity resulting from greater exposure of the Commonwealth through films and other productions that are made in Massachusetts. It has been suggested that having high-profile movie and television actors in the Commonwealth for extended periods of time might be tantamount to advertising. However, DOR is not aware of any published or peer-reviewed study from a non-interested party, measuring the direct and indirect impact of film credit-induced tourism in an unbiased, objective manner" (26).
[xxi] NC 2013 summarizes "…the tourism benefits generated by any particular film largely depend upon a host of idiosyncratic factors such as the popularity of the film, whether the filming location is shown in an attractive way, and the accessibility of the filming location. As such, there is no way to extrapolate from evidence about any specific film to an average expectation of film-based tourism" (10).
[xxii] MD 2015 found "as soon as a film production ends, all positive economic impacts cease too" and "not only are the gains short-lived, but the State is actually worse off in the later years as there are fewer jobs compared to if there was no credit. The State essentially continues to pay for the credit after the production activity has ceased" (vii & 36). VA 2017 found that the "per job cost of film incentives is high, and jobs are short-term" (20).
[xxiii] VA 2017 found that while incentives in that state had influenced most productions filming in the state, that "film industry growth in Virginia has been very small overall even after increased spending through its incentives" (i). The report further observed that "Despite widespread use of incentives by states, film production remains concentrated in California and New York" (3).
[xxiv] LA 2017 found "the development of both mature, production related infrastructure, as well as a skilled labor pool that provides the resources major productions rely on in order to film in Louisiana" (7).
[xxv] See also Exhibits 1.5 & 1.6 on pages 9-19 of MD 2015. Exhibit 3 on pg. 20 of MS 2018. Table 1 on pg. 4 of Thom 2018b.

Appendix D. List of Productions that Submitted Final Reports (Eligible for Incentives)

Productions Certified for Maine’s Visual Media Incentives and Completed			
Production Name	**Production Company**	**Origin**	**Year of Final Report**
North Woods Law	Engel Entertainment	New York	2013
Grand Circle Corporation: EXPERIENCES	Compass Light, Inc.	Maine	2013
Astrea	Astrea Films, LLC	New York	2013
Cold River Cash	Left/Right, LLC	New York	2013
North Woods Law	Engel Entertainment	New York	2013
LL Bean, Inc. Summer Home 2012 Catalog	LL Bean, Inc.	Maine	2013
LL Bean, Inc. Spring 2013 Men's and Women's Catalog	LL Bean, Inc.	Maine	2013
Sinkholes: Swallowed Alive	Lone Wolf Documentary Group	Maine	2013
Maine Medical Group Commercial	Chelsea Pictures	California	2013
Catatonk Blues	Catatonk Blues, Inc.	Maine	2013
LL Bean, Inc. Spring 2013 Kids' Catalog	LL Bean, Inc.	Maine	2014
Grand Circle Corporation: Travel Web Series 2013-2014	Compass Light, Inc.	Maine	2014
D Day in HD	Lone Wolf Documentary Group	Maine	2014
Down East Dickering, Season 1	Pilgrim Operations, Inc.	California	2014
North Woods Law, Season 2B	Engel Entertainment	New York	2014
Yankee Jungle	Lone Wolf Documentary	Maine	2014
Frozen Rush	Red Bull Media House North America	California	2014
Anniversary	Gum Spirits Productions	Maine	2014
Night of the Living Deb	Cocksure Entertainment, Inc.	California	2014
The Bomb	Lone Wolf Documentary Group	Maine	2015
Down East Dickering, Season 2	Pilgrim Operations, Inc.	California	2015
Nazi Attack on America	Lone Wolf Media	Maine	2015
Five Nights in Maine	Five Nights in Maine, LLC	New York	2015
Yankee Jungle, Season 2	Lone Wolf Documentary Group	Maine	2015
North Woods Law, Season 4A	Engel Entertainment	New York	2015
North Woods Law, Season 4B	Engel Entertainment	New York	2015
LL Bean, Inc. Spring 2015 Men's and Women's Catalog	LL Bean, Inc.	Maine	2015
LL Bean, Inc Spring 2015 Kids' Catalog	LL Bean, Inc.	Maine	2015

Productions Certified for Maine’s Visual Media Incentives and Completed			
Production Name	**Production Company**	**Origin**	**Year of Final Report**
9/11 Inside the Pentagon	Lone Wolf Media	Maine	2016
Island Zero	Donkey Universe Films	Maine	2016
The Witch Files	The Witch Files, LLC	Maine	2016
Americans Underground: Secret City of WW1	Lone Wolf Media	Maine	2017
Pearl Harbor USS Oklahoma: The Final Words	Lone Wolf Media	Maine	2017
Holly Star	Holly Star Productions, LLC	Maine	2017
Maine Cabin Masters	Dorsey Pictures, LLC	Colorado	2017
Maine Health Oncology "Connected Mainers" and "Navigators" commercials	Hammer Productions, LLC	Illinois	2017
Bug Juice	EFT Media Productions, LLC d/b/a Evolution Media	California	2017
The Bride in the Box	Bad Rep, LLC	New York	2018
Xeljanz #1874M-18 commercial	Native Content	California	2018
Blow the Man Down	Easter Cove, LLC	California	2019
Puckland	Puckland, LLC	Maine	2019
Portraiture aka Dark Harbor	Portraiture, LLC	California	2019
Maine Cabin Masters	Dorsey Pictures, LLC	Colorado	2019
Maine Cabin Masters, Season 4	Dorsey Pictures, LLC	Colorado	2020
Tirdy Works	Scout Productions, Inc	California	2020
Summer Someday aka Danny Boy	Findustry Productions, LLC	Arizona	2020
Expedition: Bermuda Triangle	Lone Wolf Media	Maine	2021
Maine Cabin Masters, Season 5	Dorsey Pictures, LLC	Colorado	2021
Chopped 47-50	Notional LLC	California	2021
Wild Crime: Murder in the Rockies	Lone Wolf Media	Maine	2021
Americans Hidden Stories: Forged in Slavery	Lone Wolf Media	Maine	2022
Heightened	Heightened, LLC	Maine	2022
Maine Cabin Masters, Season 7	Dorsey Pictures, LLC	Colorado	2022
Doug to the Rescue, Season 2	Lone Wolf Media	Maine	2022

Appendix E. Maine's Tax Expenditure Review Process

OPEGA conducts reviews of tax expenditures in accordance with Title 3 §§998 and 999. Tax expenditures are defined by Title 5 §1666 as "state tax revenue losses attributable to provisions of Maine tax laws that allow a special exclusion, exemption or deduction or provide a special credit, a preferential rate of tax or a deferral of tax liability." Tax expenditure reviews fall into one of two categories, full evaluation and expedited review. The GOC, in consultation with the Joint Standing Committee of the Legislature having jurisdiction over taxation matters, assigns a category to tax expenditures and establishes a prioritized schedule for the reviews.

The tax expenditure review process was established as the result of Resolves, 2013, chapter 115, which directed OPEGA to develop a proposal to be considered by the Joint Standing Committee on Taxation during the 127th Legislative Session. On March 2, 2015, OPEGA submitted the report outlining the proposal for implementing ongoing reviews and included a chart of identified tax expenditures (http://mainelegislature.org/doc/578). The report states that the purposes of establishing a formal, ongoing legislative review process are to ensure that:

- Tax expenditures are reviewed regularly according to a strategic schedule organized so that tax expenditures with similar goals are reviewed at the same time;
- Reviews are rigorous in collecting and assessing relevant data, determining the benefits and costs, and drawing clear conclusions based on measurable goals; and
- Reviews inform policy choices and the policymaking process.

The proposal became LD 941 An Act to Improve Tax Expenditure Transparency and Accountability and was enacted as Public Law 2015, chapter 344. Part of this law, Title 3 §999, provides that the GOC establish parameters for each full review based on the following:

- The purposes, intent or goals of the tax expenditure, as informed by original legislative intent as well as subsequent legislative and policy developments and changes in the state economy and fiscal condition;
- The intended beneficiaries of the tax expenditure;
- The evaluation objectives, which may include an assessment of:
  - The fiscal impact of the tax expenditure, including past and estimated future impacts;
  - The extent to which the design of the tax expenditure is effective in accomplishing the tax expenditure's purposes, intent or goals and consistent with best practices;
  - The extent to which the tax expenditure is achieving its purposes, intent or goals, taking into consideration the economic context, market conditions and indirect benefits;
  - The extent to which those actually benefiting from the tax expenditure are the intended beneficiaries;
  - The extent to which it is likely that the desired behavior might have occurred without the tax expenditure, taking into consideration similar tax expenditures offered by other states;
  - The extent to which the state's administration of the tax expenditure, including enforcement efforts, is efficient and effective;
  - The extent to which there are other state or federal tax expenditures, direct expenditures or other programs that have similar purposes, intent or goals as the tax expenditure, and the extent to which such similar initiatives are coordinated, complementary or duplicative;
  - The extent to which the tax expenditure is a cost-effective use of resources compared to other options for using the same resources or addressing the same purposes, intent or goals; and
  - Any opportunities to improve the effectiveness of the tax expenditure in meeting its purposes, intent or goals; and
- The performance measures appropriate for analyzing the evaluation objectives. Performance measures must be clear and relevant to the specific tax expenditure and the approved evaluation objectives.

Appendix F. GOC Approved Evaluation Parameters

Tax Benefits for Media Production Companies – Evaluation Parameters

Approved June 15, 2022

At its meeting on June 15, 2022, the Government Oversight Committee (GOC) considered proposed evaluation parameters for OPEGA's full evaluation of the Tax Benefits for Media Production Companies and received stakeholder input. The GOC voted to approve the following evaluation parameters, pursuant to 3 MRSA §999(1)(A).

Purposes, Intent or Goals of the Credit
(1) To increase filming of visual media productions in Maine; (2) To strengthen the state economy; (3) To increase tourism; (4) To increase local spending by out-of-state visual media production crews; (5) To increase state tax revenue; (6) To establish/grow the Maine visual media production industry; and (7) To grow jobs in Maine.
Intended Beneficiaries of the Credit
(1) Directly: film production companies; and (2) Indirectly: a. Local Maine businesses b. Job seekers c. Maine visual media production industry
Evaluation Objectives
(a) The fiscal impact of the tax expenditure, including past and estimated future impacts; (b) The extent to which the design of the tax expenditure is effective in accomplishing the tax expenditure's purposes, intent or goals and consistent with best practices; (c) The extent to which the tax expenditure is achieving its purposes, intent or goals, taking into consideration the economic context, market conditions and indirect benefits; (d) The extent to which those actually benefiting from the tax expenditure are the intended beneficiaries; (e) The extent to which it is likely that the desired behavior might have occurred without the tax expenditure, taking into consideration similar tax expenditures offered by other states; (f) The extent to which the state's administration of the tax expenditure, including enforcement efforts, is efficient and effective; (g) The extent to which there are other state or federal tax expenditures, direct expenditures or other programs that have similar purposes, intent or goals as the tax expenditure, and the extent to which such similar initiatives are coordinated, complementary or duplicative; (h) The extent to which the tax expenditure is a cost-effective use of resources compared to other options for using the same resources or addressing the same purposes, intent or goals; and (i) Any opportunities to improve the effectiveness of the tax expenditure in meeting its purposes, intent or goal.

Performance Measures
(1) $ Amount of tax credits claimed (in past and future estimates); (2) $ Impact on state budget (revenue loss and net impact); (3) # Visual media productions supported by the incentives in Maine over time; (4) $ Visual media production spend in Maine over time; (5) $ Visual media production spend in Maine from productions supported by Maine's incentives over time; (6) # Visual media production industry jobs in Maine over time (normalized and compared to other states); (7) # Jobs supported by visual media productions receiving state incentives over time; and (8) Number, location and types of projects supported by the incentives.
* Each objective will be addressed to the extent that is warranted and practical based on our assessment of: the availability of the necessary data; the level of resources required/available; and the relevance of the particular objective to the tax credit.

The GOC also voted to have OPEGA include in this evaluation, to the degree possible based on available data and staff resources, the areas of interest raised in written comments from Representative Maureen Terry and the Maine Center for Economic Policy as well as those raised by GOC members in the work session.