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BILL ANALYSIS



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Senate Bill 569 (Substitute S-1 as reported)
Sponsor: Senator Randy Richardville
Committee: Economic Development

CONTENT

The bill would amend the Michigan Strategic Fund (MSF) Act to do all of the following:

- Require the Michigan Film Office to create and operate the Film and Digital Media Production Assistance Program to provide assistance for State-certified qualified productions through September 30, 2017.
- Provide for the Program to fund specified percentages of direct production expenditures, Michigan personnel expenditures, crew personnel expenditures, and qualified personnel expenditures.
- Establish requirements for applications for assistance, including an application fee, and agreements to provide assistance under the Program.
- Specify factors the Film Office would have to consider in determining whether to award funding under the Program.
- Provide for the protection of confidential information from public disclosure.
- Require the Film Office to produce a performance dashboard on the MSF website.
- Allow the MSF board to use up to 4% of the Program's annual appropriation to administer the Program.
- Specify legislative findings, declarations, and intent.

To be eligible to apply for funding, an eligible production company would have to have direct production expenditures and/or Michigan personnel expenditures of at least \$100,000. An eligible production company could not be delinquent in a tax or other obligation owed to Michigan, or be owned or under common control of an entity that was delinquent. For State-certified qualified production expenditures after September 30, 2011, an agreement under the bill would have to provide for funding equal to the sum of following:

- For direct production expenditures: 27%.
- For Michigan personnel expenditures: 32% after September 30, 2011, and before January 1, 2015; and 27% after December 31, 2014.
- For crew personnel expenditures: 25% after September 30, 2011, and before January 1, 2013; 20% after December 31, 2012, and before January 1, 2014; 15% after December 31, 2013, and before January 1, 2015; and 10% after December 31, 2014.
- For qualified personnel expenditures: 27% after September 30, 2011, and before January 1, 2015; and 12% after December 31, 2014.
- In addition to the expenditures described above, 3% of direct production expenditures and Michigan personnel expenditures at a qualified facility or postproduction facility for a qualified production produced at the facility.

Payments and compensation for all producers of a qualified production residing in Michigan could not exceed 10% of the direct production expenditures and qualified personnel expenditures for the qualified production. Payments and compensation for all producers of a qualified production who were not residents of Michigan could not exceed 5% of the direct production expenditures and Michigan personnel expenditures for the qualified production.

FISCAL IMPACT

The bill would provide for the expenditure of the \$25.0 million in General Fund/General Purpose (GF/GP) revenue appropriated as one-time funding for a film incentive program in FY 2011-12 by Article VIII of Public Act 63 of 2011. The bill would establish the Film and Digital Media Production Assistance Program within the Michigan Film Office (an existing office within the Michigan Strategic Fund) as a temporary program that would sunset on September 30, 2017. It would expand the size and uses of the Michigan Film Promotion Fund by providing for the \$25.0 million GF/GP appropriation for FY 2011-12 to be deposited into the Fund and directing that awards for the proposed Film and Digital Media Production Assistance Program and the administrative costs of the Program be paid from the Fund. Any balance in the Michigan Film Promotion Fund carries forward in that Fund and does not lapse to the General Fund.

The money available for administration of the Film Office would increase due to the proposed use of up to 4% of the annual appropriation for the Film and Digital Media Production Assistance Program for administration of the Program. In FY 2011-12, this would allow up to \$1.0 million of the \$25.0 million appropriation to be used for administration at the discretion of the Michigan Strategic Fund board. The bill also would establish an application fee of 0.2% of the funding requested, with a minimum fee of \$200 and a maximum fee of \$5,000. Fee revenue would be deposited into the Michigan Film Promotion Fund and would be available for the purposes of that Fund, including administration and production awards. Revenue from these fees would depend on the number and size of applications submitted.

The Michigan Film Office also has an appropriation in the Michigan Strategic Fund budget for FY 2011-12. The budget includes an appropriation of \$203,800 GF/GP for the Michigan Film Office and \$563,100 in spending authority for the Michigan Film Promotion Fund that would be supported by the fees provided in the bill and any balance available in the Film Promotion Fund. The closing balance for the Michigan Film Promotion Fund was \$456,141 at the end of FY 2009-10.

The Michigan Film Office would have additional responsibilities under the bill, including creating and operating the Film and Digital Media Production Assistance Program; creating and posting on the internet a performance dashboard that would report at least annually on several required indicators of program performance, including job creation; monitoring compliance of productions with award agreements; and making payments after it was determined that a production had complied with an agreement. The Film Office also would be authorized to conduct a separate program to directly support and promote qualified production facilities.

Participants receiving production assistance funds would be required to include an acknowledgement provided by the Film Office that promoted the Pure Michigan tourism campaign. The value of these promotional efforts to the State is unknown.

The bill would prescribe a civil penalty for people who willfully submitted fraudulent or false information. The penalty would be equal to the amount of funding provided under the Film Production Assistance Program. Any revenue from this civil penalty would be deposited in the Michigan Film Promotion Fund.

Date Completed: 11-3-11

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.