

Growing Alaska's Film Industry

Fiscal Years 2009 – 2013



2014 Report to the Legislature

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State of Alaska
Department of Commerce, Community, and Economic Development
Division of Economic Development
Alaska Film Office / Alaska Film Production Promotion Program
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Alaska Film Production Incentive Program Overview

Information contained in this report reflects the activities of the Alaska Department of Commerce, Community, and Economic Development (DCCED) Alaska Film Office (AFO) through the 2013 calendar year, including responsibility for the incentive program through June 30, 2013 and efforts undertaken by the Alaska Film Production Promotion Program (AFPPP) between July 1 and December 31, 2013.

Background

From the 1980s, through the mid-1990s, the State of Alaska had an active film office that attracted a number of productions to the state. Projects included *Runaway Train*, *The Big White*, *White Fang*, and *On Deadly Ground*. Over time, funding for the office was discontinued leading to a decline in the use of Alaska as a filming location.

During the same timeframe, British Columbia (BC) began an aggressive effort to develop a production industry using incentives as well as the relative weakness of the Canadian dollar against the US dollar. This led to exponential growth in BC's film industry and the large scale migration of projects set in Alaska to the province including *Mystery Alaska*, *Insomnia*, *Snow Dogs*, and a host of other projects.

During the past 20 years, most jurisdictions have implemented an incentive for film and TV production as they have become a critical component of the industry's business model. For Alaska to become competitive with jurisdictions like British Columbia, Iceland, and New Zealand, the state decided to offer an incentive program.

Established in 2008, Alaska's incentive program offers filmmakers a transferable tax credit based on their in-state production expenditures. It offers a base rate of 30 percent enhanced by additional percentages for Alaska hire, rural filming, and off-season production. The incentive provides a tax credit based on what filmmakers actually spend in Alaska – and all claimed expenses must be verified by an independent Alaska-licensed CPA. The tax credits are typically sold at a discount to Alaska businesses for use against their Alaska tax liabilities.

How has Alaska's incentive worked over its first five years? Through the end of June 2013, 67 projects have completed production and been issued more than \$38 million in tax credits based on more than \$117 million in eligible expenses. About half were non-fiction TV shows like *Deadliest Catch*, *Alaska State Troopers*, and *Flying Wild Alaska*, but other production categories are also well represented: Alaska supported both local and international documentaries, a variety of commercials, some large features (*The Proposal*, *Big Miracle* and *The Frozen Ground*) as well as several smaller features that shot in locations across Alaska (e.g. *On the Ice*, *Love of Life*, and *Wildlike*).

Film and television production brings new money into the state and provides valuable exposure. The creative industries, including film and television, are an important component of a strategy to diversify Alaska's economy and provide good jobs for Alaskans now and in the future.



Legislative History

The Alaska Film Production Incentive Program was initially created by the 25th Alaska State Legislature through Senate Bill 230 (SB230), which was signed into law on June 4, 2008. The legislation authorized up to \$100 million in Alaska Film Industry Tax Credits through June 30, 2013 and established an Alaska Film Office within DCCED to carry out assigned duties.

During the 27th Alaska State Legislature, Senate Bill 23 (SB23), revamped the tax credit program and provided an additional \$200 million in tax credits to be issued through June 30, 2023. Signed into law on May 30, 2012, the legislation moved the Alaska Film Office and all functions related to the tax credit to the Department of Revenue effective July 1, 2013, but left the marketing and development responsibilities with DCCED through the new Alaska Film Production Promotion Program, which is housed within the Division of Economic Development.

Status of the Alaska Film Production Incentive | FY2009 – FY2013

The original legislation (SB230) required the AFO (under DCCED) to track and report the number of applications received, final applications approved, and the number and amount of tax credits disbursed. The *Public Information* page of the AFPPP website (www.film.alaska.gov/reports) contains detailed lists of qualified projects and tax credits. This report addresses only the program administered by DCCED through June 30, 2013. Under the new legislation (SB23), the Department of Revenue's (DOR) Film Office has different reporting requirements, which will be addressed in an independent report.

1. **Applications received** – As of June 30, 2013, the AFO received a total of 146 applications (qualification requests). Of these productions, four qualifications were denied, twelve expired without completing a final application, and five productions withdrew their qualifications. Based on the remaining 125 qualified productions, the estimated cumulative tax credit encumbrance totaled \$85,797,094.48, which includes completed productions that received tax credits. Table 1 summarizes applications received since program inception.

Table 1. Qualified Production Applications | FY2009 – FY2013

Type	FY2009	FY2010	FY2011	FY2012	FY2013	Total
Commercial	0	1	0	2	8	11
Documentary	1	5	4	5	4	19
Feature Film	1	6	9	8	5	29
TV-Nonfiction	3	5	14	22	21	65
TV-Drama	0	1	0	0	0	1
Subtotal	5	18	27	37	38	125
DEW*	1	7	6	6	1	21
Total	6	25	33	43	39	146

* Applications denied, expired without final application, or withdrawn (DEW) as of 12/31/13.

2. **Applications approved** – As of June 30, 2013, the AFO approved 67 final applications for tax credits. The amount of tax credits approved totaled \$38,125,057.86 based on eligible spending of \$117,231,889 (32.52 percent). No final applications for tax credits were received in FY2009.
3. **Tax credits disbursed** – As of June 30, 2013, DOR issued 69 tax credit certificates to approved productions for \$38,125,057.86. The reason DOR disbursed more tax credit certificates than the AFO approved, is that in FY2012, due to appeals, two productions received two tax credit certificates. Table 2 summarizes approved tax credits since program inception.

Table 2. Approved Final Applications and Tax Credits Disbursed | FY2010 – FY2013

	FY2010	FY2011	FY2012*	FY2013	Total
Number of Tax Credits	4	17	24	24	69
Resident Wages	\$134,540	\$1,992,584	\$5,713,981	\$3,249,796	\$11,090,902
Nonresident Wages	\$284,212	\$10,789,238	\$34,130,224	\$17,758,169	\$62,961,843
Qualified Vendor Payments	\$326,203	\$6,271,064	\$17,546,255	\$19,035,623	\$43,179,144
Total Eligible Expenses	\$744,955	\$19,052,886	\$57,390,460	\$40,043,588	\$117,231,889
Tax Credit Approved	\$244,546.53	\$6,263,267.38	\$18,615,847.14	\$13,001,396.81	\$38,125,057.86
Average % Tax Credit	32.83%	32.87%	32.44%	32.47%	32.52%

* In FY 2012, due to appeals, two productions received two tax credit certificates.

Summary of Alaska Production Incentive Process under DCCED | FY2009 – FY2013

Qualification Process

Production companies were required to qualify for the incentive before their expenses would be considered eligible. To determine if a production met qualification requirements, a committee of at least three DCCED staff reviewed the production’s estimated Alaska budget, the script or synopsis of the project, projected salaries and work history of



Filming in Seward Alaska – courtesy of “Christmas with a Capital C”

producers, directors and actors, as well as the distribution plan. In addition to the qualification form and associated documentation, the committee evaluated any anticipated indirect benefits of the production and the estimated net economic benefit to the state.

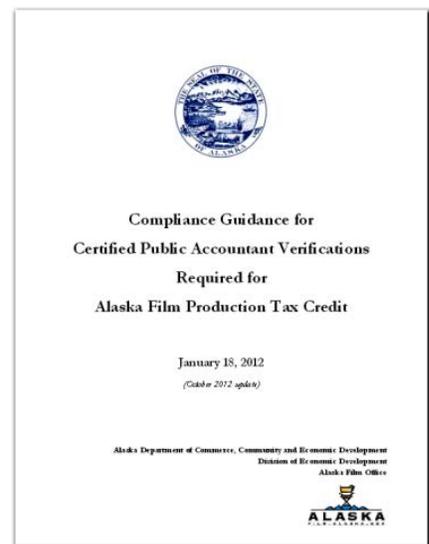
A production that completed the process satisfactorily was issued a qualification notice. The notice established the 24-month qualification period for the production and provided an estimate of the tax credit they could receive. It also stated the final amount of an approved tax credit would vary based on actual qualified expenditures.

Final Application Process

After a production completed its Alaska operations, a final application and supporting information were submitted for review, verification, and calculation of the tax credit. In addition to the final application form, productions submitted an expense report verified by an independent Alaska Certified Public Accountant (CPA), a rough assembly of the production, and a sworn certification that the producer followed the laws of Alaska and AFO procedures.

The CPA verification followed Agreed Upon Procedures (AUP) established by the AFO. The AUP documentation, *Compliance Guidance for Certified Public Accountant Verifications Required for Alaska Film Production Tax Credit*, provided important direction that clarified definitions, reporting criteria, coding for use in film production bookkeeping and verification, and schedule rules connecting the expense verification with the tax credit application. The AUP became mandatory in February 2012 and the AFO offered AUP training in January 2012 – 38 attendees from eight Alaska accounting firms participated. The AUP is available at www.film.alaska.gov/pdf/AFO-Agreed-Upon-Procedures.pdf.

A committee of at least three DCCED and DOR staff reviewed the final application packet of materials and determined the final tax credit amount. After committee approval, the AFO notified the production company and the DOR of the tax credit approval.



Tax Credit Issuance and Transfer

DOR issued (and continues to issue) tax credit certificates to producers and manages subsequent credit transfers. Tax credits under the original program may be used by producers or transferees as a credit against corporate income taxes within three years of the original date of issue.

Table 3. Film Industry Tax Credits Redeemed by Fiscal Year | FY2011 – FY2013

Fiscal Year*	Dollar Value
FY2011	\$193,765
FY2012	\$2,684,836
FY2013	\$5,986,309
Total	\$8,864,910

* No tax credits were redeemed prior to FY2011

DOR interprets “redeemed” to mean the date the tax return was filed, not the payment due date. The tax due can be reduced by the amount of the credit. The amounts shown in Table 3 represent the fiscal year in which a credit was claimed on a return filed with DOR.

Alaska Film Production Promotion Program (AFPPP) Activities

Promoting Alaska

Personal contact is the most important tool to market Alaska as a film location. The AFPPP is contacted daily by filmmakers inquiring about Alaska and the incentive program. Filmmakers want to know how the incentive makes Alaska a cost-competitive option, how locations and local expertise add value to their productions, and how to find local crew, support services, and talent.

The internet is another important tool; the AFPPP utilizes internet promotion in several ways. In addition to ongoing updates of the film program website (www.film.alaska.gov), the AFO/AFPPP is listed in key online film industry directories, trade publications, and web sites.

Advertising has also been a part of the promotional effort. Ads in industry specific publications such as *Produced By*, the Producers Guild magazine and *DGA Quarterly*, the Directors Guild magazine create awareness of Alaska as a film location.

The AFPPP staff also attends film industry trade shows and events. The state has regularly partnered with the Alaska Film Group and Film Anchorage to have a booth at the annual *AFCI Locations Trade Show* in Los Angeles. In addition, staff has attended the *Produced By Conference* and the *American Film Market*. Staff has also participated in film industry workshops and presentations. To maximize effectiveness of travel while in Los Angeles, staff arranges personal visits with filmmakers, production companies, and studios with potential Alaska projects.



Alaska's Delegation at the 2013 Location Trade Show

Contract Representation for Alaska

A contract with a firm to represent Alaska and assist the AFPPP in promoting Alaska as a film destination among production companies, independent filmmakers, and studios has been awarded to Glacier Film Productions, LLC with United Talent Agency in Los Angeles. Activity associated with the contract begins in January 2014.

Connecting Filmmakers with Alaska Resources

The AFPPP website (www.film.Alaska.gov) is the primary tool to connect filmmakers with Alaska businesses and individuals in the following areas:

- The *Filming in Alaska* page provides useful information on Alaska's regions, transportation, permits, rules, and regulations.
- The *Alaska's Incentives* page provides information on the current program and links to the DOR webpage (tax.alaska.gov/AlaskaFilmOffice) for current information and forms.
- The *Find People & Services* page is a fully-searchable database maintained by the "listees" and approved by the AFPPP. Listings are free to Alaska individuals and businesses. There are currently 391 crew listings ranging from makeup artists to videographers, 535 support services ranging from accommodations to video post-production studios, and 203 Alaska actors.
- The *Find Alaska Locations* page provides a searchable library of 689 Alaskan communities, locations, and buildings.



The AFPPP also has a *Make it Authentic* web page to link producers to Made in Alaska products and the Alaska Product Preference Program. Continued cross-promotion will result in additional product placements in productions, as well as the hiring of artists, craftsmen, technicians, and experts to ensure accuracy in the portrayal of Alaska Native cultures, occupations, resources, and other subject matter.

Connecting with the Private Sector

The AFPPP fosters a cooperative relationship with the Alaska film industry, allied non-profit trade associations, trade unions, and the business community at large.



Ongoing outreach and involvement with the Alaska film industry helps populate the crew and service provider database and promote the program. The service provider database provides filmmakers with a wide variety of indirect services such as transportation, food and lodging, accounting, construction, legal, telecommunications, insurance, and more.

Continued development of the film industry presents Alaska businesses with an opportunity to provide goods and services such as production equipment, office space, sound stages, and other facilities. Business opportunities will continue to expand as Alaska becomes a preferred location for filming.

Businesses with corporate income tax liabilities can also learn about the opportunity to purchase tax credits on the AFPPP web page under the *Film Production Tax Credit* tab at www.film.alaska.gov/business.

Certifying Internship and Training Programs

Although the AFPPP offers the crew and service provider listings as its primary resource for filmmakers to fill jobs, there remains a need to increase the numbers of qualified crew through film industry training. In the 2012 capital budget, the legislature appropriated \$486,000 to the Department of Labor and Workforce Development's (DOLWD) Alaska Workforce Investment Board (AWIB) in partnership with DCCED, to provide crew and cast training grants through June 30, 2015. DED and film office staff worked with AWIB on program design in 2011 and program implementation in 2012.

Through the Alaska Crew and Cast Advancement Program (AKCCAP), developed by DCCED and AWIB, the first round of competitive grants were made in 2012 to training providers for career and technical education to prepare Alaskans for demands, opportunities, and success in the film and television industry.



The project also created a system whereby Alaska residents can apply to receive matching funds for individual training accounts (ITAs) through the Alaska Job Center Network. ITAs can be used by Alaskans seeking specialized training in the Alaska film and television industry. The DOLWD Employment Security Division (ESD) is managing the ITAs. Table 4 provides a summary of ITAs that have been utilized for training.

Table 4. AKCCAP ITAs Utilized by Fiscal Year | FY2012 - FY2014*

	Number of ITAs	Dollar Amount
FY2012	0	\$0
FY2013	151	\$74,826.68
FY2014*	22	\$11,203.64
Total	173	\$86,030.32

* Through December 17, 2013.

The AFPPP continues to support the efforts of local school districts, the University of Alaska, labor unions, private employers, and other non-profit training providers to expand film industry training and opportunities in Alaska.



Students training for production jobs – courtesy of Alaska New Media Training Center

Conclusion

Alaska's film industry and the State of Alaska's film incentive program produced multiple notable milestones and accomplishments:

- The legislature extended the film production tax credit through 2023 and established the Alaska Film Review Commission presided over by four department commissioners.
- Workforce development progressed through the implementation of state grants that expanded the capacity of film industry training businesses and provided funds for individuals to receive training.
- Promotion of Alaska as a film production location continued through media, print, web services, and trade show participation with Alaskan partners.

Moving forward, Alaska's incentive program has \$200 million in tax credits available over the next ten years. With the aggressive rates the incentive program offers productions, combined with the department's ongoing efforts to promote Alaska as a premier location for filming, the state is well positioned to see a steady stream of new projects. Alaska's film incentive is ideally-structured for productions that seek Alaska's magnificent locations and flexible workforce.

The impact of Alaska's incentive has been realized in production spending that brings new money into Alaska's economy. Direct spending and the associated multiplier effect have reverberated throughout the state. New business activity and expanded seasons in the hospitality sector are notable results of production in major communities, but the effects are far more widespread. For example, when a small documentary or non-fiction TV crew visits a remote Alaska village, it provides a welcome economic boost.

In addition to economic impacts, productions' public relations value is tremendous. The world's infatuation with Alaska, driven largely by non-fiction television, provides the state's tourism, seafood, and other industries with visibility that cannot be bought at any price. Additionally, the rural focus of many programs provides off-the-beaten-path locations with opportunities to showcase themselves which can help diversify local economies statewide.



Filming "Deadliest Catch" – courtesy of Original Productions

The Department of Commerce, Community, and Economic Development markets and promotes many industries. The department's goal is to encourage the development of Alaska's economy to increase opportunities for Alaskans. In that role, the AFPPP works with the local film industry and other private sector businesses to help expand and further develop Alaska as a desirable location for film production. As a developing industry, the department will continue to assist the growth of Alaska's film and television industry including infrastructure development and workforce capacity building.

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