

**Government of the District of Columbia
Office of the Chief Financial Officer**



CHAIRMAN CROPP

2006 DEC -4 PM 1:30

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: DEC 4 2006

SUBJECT: Fiscal Impact Statement: "Film DC Economic Incentive Act of 2006"

REFERENCE: Bill Number 16-935, (Committee Print, November 30, 2006)

Conclusion

The proposed legislation is subject to funding from unallocated revenue in the December 2006 revised quarterly revenue estimate of the OCFO. The proposed legislation would allocate the unallocated revenue from the December 2006 estimate to fund, the "Film DC Economic Incentive Act of 2006" up to a maximum of \$1.6 million, as well as other DC Acts. Together, the proposed legislation and such other D.C. Acts would result in a reduction of revenues available to the General Fund of \$13.4 million in FY 2007 and \$81.7 million in the FY 2007 through FY 2010 budget and financial period.

Background

The proposed legislation would establish a segregated, non-lapsing, non-reverting fund – the Film DC Economic Incentive Grant Fund ("Fund") – to be the repository of revenue and appropriations for providing incentives for qualifying film and television projects. The Fund would appear as a separate program line within the budget of the Office of Motion Picture and Television Development. Revenue in the Fund would be used to provide discretionary grants for nationally distributed film and television projects that spend at least \$500,000 on qualified expenditures in a period of five or more days for production activities located in the District. Grants from the Fund would not be allowed to exceed the lesser of 10% of qualified expenses or 100% of taxes paid to the District on the qualified expenses. The proposed legislation would also require the Mayor to submit an annual report to the Council that documents the amount of

each grant, revenue generated for the District by each project awarded a grant, the criteria used in evaluating grant proposals, and the number of grant applications received.

The intention of the legislation is to provide incentives to attract and retain film, television, and multimedia business in the District. Over 40 states offer some sort of subsidy to encourage film and television production in the state. While D.C. does not currently offer film and television subsidies, it should be noted that the District is already forgoing potential income tax revenue from nonresidents who earn income in the District while filming. Unlike other states, several of which tax this income (e.g. film actors and other employees), the District is not permitted to tax income earned by nonresidents in D.C.

Financial Plan Impact

The proposed legislation is subject to funding from unallocated revenue in the December 2006 revised quarterly revenue estimate of the OCFO. Specifically, the proposed legislation would allocate the unallocated revenue from the December 2006 revised quarterly revenue estimate for FY 2007 to fund other D.C. Acts and then fund the proposed legislation up to a maximum of \$1.6 million.¹ (The funding mechanism for Section 1043 of the FY 2007 Budget Support Act of 2006, Subtitle I-D, is already part of District law because of its inclusion in D.C. Act 16-476. Section 1043 accordingly is already required to be funded if there are sufficient revenues in the December 2006 revised revenue estimate.)

The table below illustrates the estimated revenue impact on the District's financial plan associated with implementing the legislation. In total, the proposed legislation together with such other D.C. Acts would result in a reduction of revenues available to the General Fund of \$13.4 million in FY 2007 and \$81.7 million in the FY 2007 through FY 2010 budget and financial period.

| Summary Table | | | | | |
|--|----------------|----------------|----------------|----------------|-----------------------|
| Estimated Revenue Impacts to the Financial Plan | | | | | |
| (\$ in 000s) | | | | | |
| Item | FY 2007 | FY 2008 | FY 2009 | FY 2010 | 4 - Year Total |
| Film DC Economic Incentive Act of 2006 | (\$1,600) | (\$1,600) | (\$1,600) | (\$1,600) | (\$6,400) |
| FY 2007 Budget Support Act of 2006, Subtitle I-D | (\$11,500) | (\$21,000) | (\$21,000) | (\$21,000) | (\$74,500) |
| Washington Stage Guild Exemption Act of 2006 | (\$19.6) | (\$20.3) | (\$21.0) | (\$21.8) | (\$82.7) |
| Organ and Bone Marrow Donor Act of 2006 | (\$273.6) | (\$131.0) | (\$139.1) | (\$148.0) | (\$691.7) |
| The Domestic Partnership Joint Filing Act of 2006 | (\$25.0) | \$0 | \$0 | \$0 | (\$25.0) |

¹ The four Acts are: D.C. Act 16-476 ("Local Supplemental Appropriations Approval Procedures Establishment and Fiscal Year 2007 Allocation of Additional Revenue Act of 2006," Subtitle I-D of the FY 2007 Budget Support Act of 2006); D.C. Act 16-441 ("Washington Stage Guild Tax Exemption Act of 2006"); D.C. Bill 16-701 ("Organ and Bone Marrow Donor Act of 2006," passed on 2nd reading); and D.C. Bill 16-958 ("The Domestic Partnerships Joint Filing Act of 2006").