



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 22-1026
Prime Sponsors: Rep. Herod

Date: April 27, 2022
Bill Status: House Business
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Bill Topic: **MODIFY PERFORMANCE-BASED INCENTIVE FOR FILM PRODUCTION**

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill creates the Film Incentive Task Force and allows the executive director of the Office of Economic Development to approve incentives exceeding the current limit for qualified production companies. The bill makes a one-time fund transfer, and it will increase state expenditures in FY 2022-23 only.

Appropriation Summary: For FY 2022-23, the bill requires appropriations of \$2,002,131 to multiple state agencies.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 22-1408

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	\$2,131	-
	Cash Funds	\$2,000,000	-
	Centrally Appropriated	\$189	-
	Total Expenditures	\$2,002,320	-
Transfers	General Fund	(\$2,000,000)	-
	Cash Funds	\$2,000,000	-
	Net Transfer	\$0	-
Other Budget Impacts	General Fund Reserve	\$320	-

Summary of Legislation

The bill creates the Film Incentive Task Force to conduct a study and prepare a report with recommendations on how to make the performance-based incentive for film production in Colorado more effective. The task force will include two members from the House of Representatives, two members from the Senate, one representative of the Motion Picture Association, one representative of the film and television production sector, and the Director of the Office of Film, Television, and Media within the Colorado Office of Economic Development. The four legislative members are entitled to per diem compensation, while the non-legislative representatives serve without compensation. The task force is required to submit its report to the legislature by no later than January 1, 2023. The bill requires the Office of Economic Development to provide staff services to the task force.

The bill also allows the Executive Director of the Office of Economic Development to authorize the approval or issuance of an incentive in an amount that exceeds the current statutory limit of 20 percent of qualifying local expenditures for a production company at the director's discretion.

Finally, the bill transfers \$2.0 million from the General Fund to the Colorado Office of Film, Television, and Media Operational Account Cash Fund for use or use in awarding performance-based incentives for film production in Colorado and for the loan guarantee program to finance production activities.

Background

The Colorado Film, Television, and Media Performance-Based Incentive encourages film production in Colorado with a performance-based rebate for up to 20 percent of qualified expenses. To qualify, all production companies need to hire at least 50 percent local cast and crew. Colorado production companies need to have at least \$100,000 in qualified local expenses, while out-of-state production companies need to have at least \$1 million in qualified local expenses, except if they are producing television commercials and video game productions. Those productions need to have at least \$250,000 in qualified local expenses.

State Transfers

The bill transfers \$2.0 million from the General Fund to the Colorado Office of Film, Television, and Media Operational Account Cash Fund. The transfer is assumed to occur on July 1, 2022; see Technical Note.

State Expenditures

The bill increases state cash fund expenditures in the Office of Economic Development by \$2,000,000 and General Fund expenditures in the Legislative Department by \$2,320 in FY 2022-23. Expenditures are shown in Table 3 and detailed below.

Table 2
Expenditures Under HB 22-1408

	FY 2022-23	FY 2023-24
Office of Economic Development		
Film Incentives	\$2,000,000	-
OEDIT Subtotal	\$2,000,000	-
Legislative Department		
Per Diems and Expense Reimbursements	\$2,131	-
Centrally Appropriated Costs ¹	\$189	-
Legislative Dept. Subtotal	\$2,320	-
Total Cost	\$2,002,320	-

Centrally appropriated costs are not included in the bill's appropriation.

Office of Economic Development. In FY 2022-23, office expenditures will increase by \$2 million to provide film incentives utilizing existing staff and to provide staff services to the task force as required by the bill. This workload can be accomplished within existing appropriations.

Legislative Department. It is assumed that four members of the legislature will participate in four meetings of the task force before January 1, 2023, and will not meet after.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. Because legislative per diem is accounted for like salary, centrally appropriated costs will increase for supplemental employee retirement payments as shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to decrease the amount of General Fund held in reserve by \$320 in FY 2022-23, which will increase the amount of General Fund available for other purposes.

Technical Note

The bill transfers \$2.0 million from the General Fund to the Colorado Office of Film, Television, and Media Operational Account Cash Fund on July 1, 2023. It is assumed that this transfer will occur on July 1, 2022.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2022-23, the bill requires the following appropriations:

- \$2,000,000 from the Colorado Office of Film, Television, and Media Operational Account Cash Fund to the Office of Economic Development; and
- \$2,131 from the General Fund to the Legislative Department.

State and Local Government Contacts

Legislative Council Staff

Office of Economic Development