

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 907

(Senator Salling)

Budget and Taxation

Ways and Means and Appropriations

Maryland Film Office - Entertainment and Film Funding Grant Program -
 Establishment

This bill establishes the Entertainment and Film Funding Grant Program in the Department of Commerce’s Maryland Film Office. The program provides grants to qualifying production entities to assist with the production costs of entertainment and film projects in the State, as those terms are defined. Subject to specified application requirements, a grant from the program may be up to \$200,000 per project. For fiscal 2025, and each fiscal year thereafter, the Governor may include in the annual budget bill an appropriation of \$5.0 million to the office to award grants for the program. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: General fund expenditures increase by \$5.0 million annually beginning in FY 2024, under the assumptions discussed below. Revenues are not affected.

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	5.0	5.0	5.0	5.0	5.0
Net Effect	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Meaningful.

Analysis

Bill Summary: “Qualifying production entity” means an entity that is producing a theatrical production in the State or a film production activity in the State. “Film production activity” means the production of a film or video project that is intended for commercial distribution, including a feature film, television project, commercial, music video, and digital animation project. “Theatrical production” means a live stage theatrical production that is currently performing in the State.

To apply for a grant, a qualifying production entity must submit to the Maryland Film Office (1) a detailed description of the project; (2) an itemization of known and estimated costs; (3) the total investment required to complete the project; and (4) any other relevant information that the office requests.

The Maryland Film Office may adopt regulations to implement the provisions of the bill and specify criteria and procedures for grant applications, approvals, and awards.

Current Law: A qualified film production entity that meets specified requirements and is approved by Commerce may receive a refundable tax credit equal to 25% of qualified film production costs incurred in the State. For a television series, the value of the credit is increased to 27%. The Secretary of Commerce may not award in the aggregate more than \$10.0 million for a single film production activity. This limitation applies to each season of a television series. The Secretary may award a maximum of \$12.0 million in tax credits each fiscal year. Credits not issued in a fiscal year may be carried forward and issued in subsequent years.

In order to qualify for the tax credit, the estimated total direct costs incurred in the State must exceed \$250,000. A qualified small or independent film entity with estimated total direct costs of at least \$25,000 may receive a refundable income tax credit of up to 25%, with a maximum tax credit amount per project of \$125,000. Commerce must award 10% of all tax credits in each fiscal year to qualified small or independent film entities.

The film production entity must notify Commerce of its intent to seek the tax credit before the production activity begins. A film production entity is also required to submit an application containing specified information, including the project’s estimated total budget, employment and wage estimates, and the anticipated dates for carrying out the major elements of the film production activity.

“Film production activity” is defined as the production of a film or video product that is intended for nationwide commercial distribution and includes a feature film, television project, commercial, corporate film, music video, or digital animation project.

State Expenditures: The bill does not mandate a level of funding for the program, but does specify that, beginning in fiscal 2025, the Governor may include in the annual budget bill an appropriation of \$5.0 million to the Maryland Film Office to award grants for the program. This analysis assumes that amount of discretionary funding is provided to Commerce each year, beginning as early as fiscal 2024, and is used for grants and administrative expenses. Actual expenditures will vary to the extent that the timing and/or amount of discretionary funding is different from this estimate.

Commerce advises that the one full-time staff in the Maryland Film Office dedicated to administering the film production activity tax credit is fully subscribed and unable to absorb the added responsibilities of a grant program.

Accordingly, general fund expenditures increase by \$5.0 million in fiscal 2024, which reflects the bill's July 1, 2023 effective date. This estimate reflects the cost of hiring one program manager to oversee the overall administration of the program, which includes evaluation of applications and distribution of grants and any related follow-up and compliance activities. It includes a salary, fringe benefits, one time start-up costs, ongoing operating expenses, and \$4.9 million in grants.

Position	1.0
Salary and Fringe Benefits	\$99,861
Operating Expenses	7,674
Grants to Qualifying Production Entities	<u>4,892,465</u>
Total FY 2024 State Expenditures	\$5,000,000

Future year expenditures reflect annual salary increases and employee turnover as well as annual increases in ongoing operating expenses and an annual \$5.0 million discretionary appropriation, which leaves approximately \$4.9 million for grants each year after administrative costs.

Small Business Effect: Small businesses engaging in qualifying film and theater production activities benefit from grant funding made available under the bill – notably, the funding would be available prior to production, as opposed to the film production activity tax credit that is available after.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Commerce; Department of Budget and Management; Department of Legislative Services

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