SUBMITTED TO:

Louisiana Entertainment
617 North Third Street, PO Box 94185
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Economic and Fiscal Impact

MOTION PICTURE PRODUCTION TAX CREDIT, FY 2021–FY 2022

Louisiana Entertainment

OCTOBER 2022

PREPARED BY:

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ABOUT CAMOIN ASSOCIATES

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin Associates has served EDOs and local and state governments from Maine to California; corporations and organizations that include Amazon, Lowes Home Improvement, FedEx, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of $6 billion. Our reputation for detailed, place-specific, and accurate analysis has led to over 1,500 projects in 45 states and garnered attention from national media outlets including *Marketplace* (NPR), *Crain's New York Business*, *Forbes* magazine, *The New York Times*, and *The Wall Street Journal*. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. We are based in Saratoga Springs, NY, with regional offices in Richmond, VA; Portland, ME; Boston, MA; and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter @camoinassociate and on Facebook.

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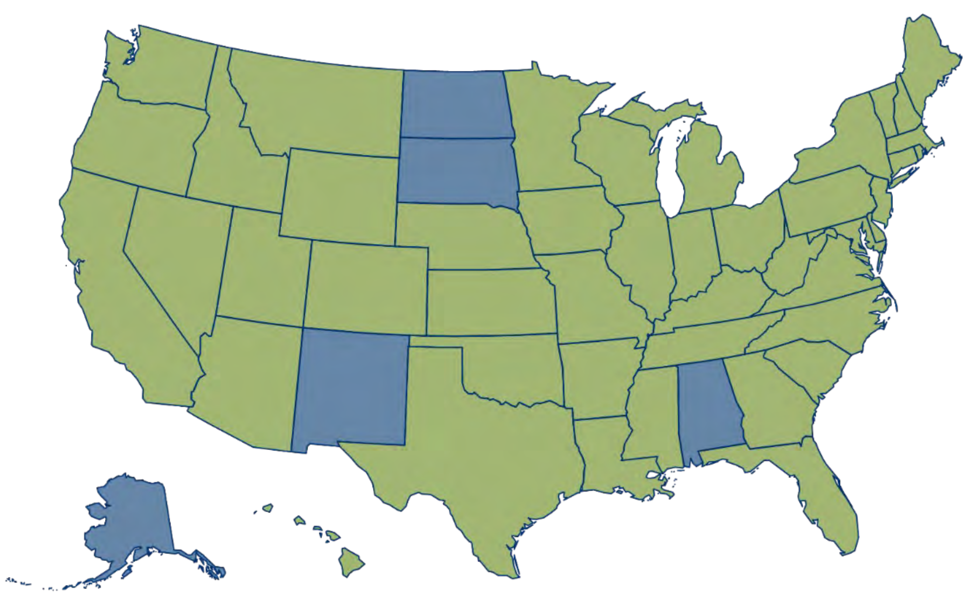
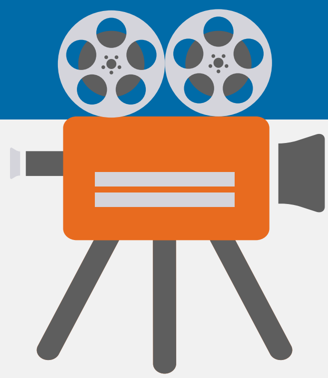


LOUISIANA ENTERTAINMENT

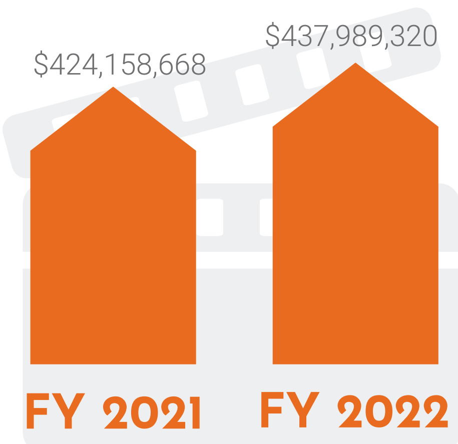
ECONOMIC IMPACT OF THE MOTION PICTURE TAX CREDIT



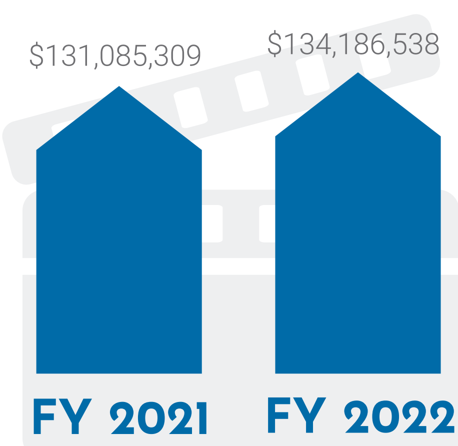
Louisiana's Motion Picture Production Tax Credit incentivizes investment in Louisiana-based productions. This program helps to develop a self-supporting motion picture production industry and encourages job creation and investment within the state.

The report includes expenditures certified in FY 2021 and FY 2022 and quantifies the economic and fiscal impacts of the live performance tax credit program on the state.

TOTAL CERTIFIED SPENDING



TOTAL CERTIFIED CREDITS



ANNUAL ECONOMIC ACTIVITY GENERATED

	JOBS	EARNINGS	SALES
FY 2021	9,441	$324,210,234	$822,318,685
FY 2022	10,323	$362,130,294	$847,645,952

TOTAL TAX REVENUE GENERATED

FY 2021	FY 2022
$46,352,895	$51,723,148

ADDITIONAL EARNINGS FOR LOUISIANA'S RESIDENTS

For every one dollar of credits certified, there was an additional:

FY 2021	FY 2022
$2.47	$2.70

in earnings in the state.

Source: Louisiana Economic Development

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INTRODUCTION

The purpose of this report is to quantify the economic and fiscal impacts generated by the Motion Picture Production Tax Credit administered by the Office of Entertainment Industry Development (OEID) within the Louisiana Department of Economic Development (LED).

As required by LA R.S. 47:6007(D)(6), LED provisions a biennial review of the economic and fiscal impacts of these credits and has retained Camoin Associates to complete this review for the 2021 and 2022 fiscal years. In prior years, LED analyzed these programs on a calendar-year basis and the historical figures remain on a calendar-year basis. However, in this report beginning in FY 2021, these programs are being analyzed on a fiscal-year basis to better align with the Legislature's fiscal-year evaluations. The State of Louisiana's fiscal year runs from July 1 through June 30. Due to this change in reporting, the analysis for FY 2021 includes the last six months of calendar year 2020; therefore, the results from this analysis include a period that was previously reviewed and reported.

The goal of the Louisiana motion picture production tax credit program is to encourage investment and job creation within Louisiana. The purpose of this analysis is to calculate the impact of the tax credit program on the state's economy.

HISTORY OF THE LOUISIANA MOTION PICTURE PRODUCTION TAX CREDIT

The Louisiana motion picture production tax credit was first implemented in 1992 and expanded ten years later to further facilitate the development of a self-supporting motion picture production industry. Legislative changes in 2017 provided predictability to those applying for credits regarding how much they will be able to access each year. These changes affected spending and jobs, as shown in Figure 1 and Figure 2. Today, LED can issue a maximum of $150 million of credits per fiscal year. Up to $180 million of credits can be claimed or redeemed at the Louisiana Department of Revenue. The program provides up to a 40% tax credit, which includes a 25% base credit, a 10% increase for Louisiana screenplay productions, and a 5% increase if the production is outside of the New Orleans MSA. There is also an additional 15% credit provided on the Louisiana resident payroll. There is a $50,000 minimum in-state expenditure requirement for Louisiana screenplay productions and a $300,000 minimum for all other productions.

This year reporting has switched from a calendar-year basis to a fiscal-year basis. Spending grew from 2017 to 2019, then fell in calendar year 2020

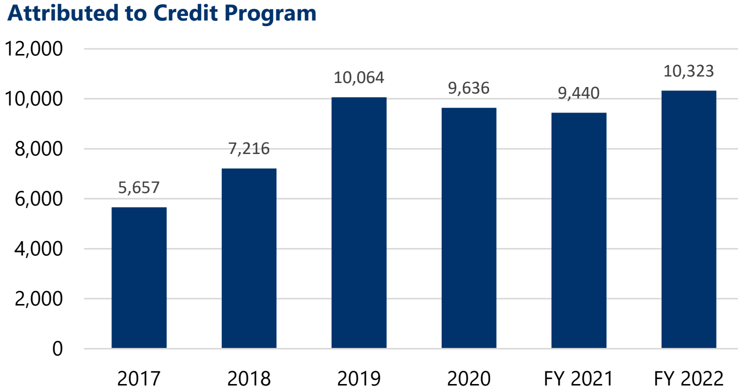
Figure 1

Louisiana Entertainment Motion Picture Production Tax Credit Certified Spending

Source: Louisiana Economic Development

Figure 2

Total Louisiana Motion Picture Production Jobs Attributed to Credit Program



Source: Lightcast (formerly Emsi), Louisiana Economic Development

and fiscal year 2021 due to the pandemic. Spending increased in FY 2022. As a result of the statutory changes in 2017, some productions reported higher spending than was certified. These productions were only able to receive credits equal to the statutory cap. In other words, they spent more in Louisiana, but did not receive additional credits beyond the statutory maximum.

METHODOLOGY

Louisiana Entertainment, a division of Louisiana Economic Development, administers the motion picture production tax credit program. In addition, the total certified spending and payroll amounts are verified by an independent Certified Public Accountant (CPA) that is assigned by LED before any credit is issued by LED. The total Louisiana spending and earnings were provided to Camoin Associates by the program for projects with credits certified in FY 2021 and FY 2022. The data that is being analyzed is actual spending that was verified by the independent CPA and credits issued by LED based upon the date of final certification within the time periods being reported. Furthermore, the spending that was certified in these fiscal years actually occurred at some point prior to final certification.

Camoin Associates employed the following methodology to calculate the economic impact of the Louisiana motion picture production tax credit program. *This impact analysis report does not take into consideration any decrease in state funding for other programs or public services.*

1. **CALCULATE TOTAL DIRECT SPENDING AND EARNINGS**: The first step is to identify the total amount of spending occurring and earnings generated in Louisiana as a result of the tax credit program — these figures were used as the direct input into the model. This information was provided by Louisiana Entertainment and reviewed by Camoin Associates. For purposes of this analysis, it is assumed that 100% of this spending and earnings are net new to the Louisiana economy and, without the credit programs, this spending would not occur.
2. **MODEL INDUSTRY ACTIVITY:** In order to model the economic impact of the tax credits, it is important to accurately model the industries within which this activity is taking place. This analysis uses the direct spending and earning identified in Step 1 and distributes it among two major six-digit NAICS industries covering Louisiana's motion picture production industry. These categories represent the dominant industries within Louisiana's greater film production ecosystem and accurately reflect the industries where the tax credits will have the strongest impact.
3. **MODEL ECONOMIC IMPACTS:** Using the total sales and earnings figures as inputs, we modeled the indirect impacts — in terms of jobs, earnings, and sales — of the tax credits on the state of Louisiana. Economic multipliers were provided through the Lightcast software package.
4. **MODEL FISCAL IMPACTS:** Local and state tax revenues resulting from economic activity associated with the tax credits were then estimated based on the results of the economic impact analysis.

Modeling Software

Lightcast (formerly Emsi) designed the input-output model used in this analysis. The Lightcast model allows the analyst to input the amount of new direct economic activity (spending, earnings, or jobs) occurring within the state of Louisiana and uses the direct inputs to estimate the spillover effects that the net new spending, earnings, or jobs have as these new dollars circulate through the study area's economy. This is captured in the indirect and induced impacts and is commonly referred to as the "multiplier effect." See Appendix A for more information on economic impact analysis.

What does "Net New" Mean?

When looking at the economic impacts of a project, it's important to look only at the economic changes that would not happen in that project's absence. These effects are the "net new" effects: purchases made only as a result of the project in question.

Definition of a "Job"

A "job" is equal to one person employed for some amount of time (part-time, full-time, or temporary) during FY 2021 or FY 2022. For example, if a person is employed full-time in FY 2021 and FY 2022 that would be considered two jobs. Another example, if one person is employed part-time for four months, then takes two months off and is hired again for four months that would be considered two jobs.

In addition, this spending did not create new jobs; however, the jobs reported should be considered "jobs supported by the certified spending."

The information must be calculated in this way due to the manner in which the job information is reported by the Quarterly Census of Employment and Wages (QCEW), Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA). The information is provided by the employers to the government in terms of total jobs, not by total number of total full-time equivalents (FTE).

ECONOMIC IMPACT ANALYSIS

Table 1 shows total Louisiana spending and earnings in fiscal years 2021 and 2022 associated with the motion picture production tax credit program, as reported in the tax credit application and provided by Louisiana Entertainment. In total, credit-eligible projects accounted for over $424 million in spending in FY 2021 and nearly $438 million in FY 2022.[1] Additionally, these projects generated nearly $152 million in earnings in FY 2021 and over $169 million in earnings in FY 2022.

Table 1

Total Certified Spending and Earnings
Motion Picture Production

Period	Spending	Earnings
FY 2021	$424,158,668	$151,716,770
FY 2022	$437,989,320	$169,287,257

Source: Louisiana Economic Development

The total annual spending and earnings figures were used as the direct inputs in the model to generate the total impacts in terms of new sales, jobs, and earnings.

TOTAL MOTION PICTURE PRODUCTION INDUSTRY IMPACT ANALYSIS

ECONOMIC IMPACT – FY 2021

As shown below, the Louisiana motion picture production tax credit programs resulted in an additional almost $400 million in new indirect and induced sales in FY 2021, adding a total of over $822 million in new spending. This spending supported over 9,400 jobs, including over 4,800 direct jobs, as well as over $324 million in earnings.

ECONOMIC IMPACT – FY 2022

As shown below, the Louisiana motion picture production tax credit programs resulted in an additional almost $410 million in new indirect and induced sales in FY 2022, adding a total of over $847 million in new spending. This spending supported over 10,300 jobs, including nearly 5,300 direct jobs, as well as over $362 million in earnings.

Table 2

Economic Impact of Motion Picture Production

	FY 2021			FY 2022		
	Sales	Jobs	Earnings	Sales	Jobs	Earnings
Direct	$424,158,668	4,824	$151,716,770	$437,989,320	5,279	$169,287,257
Indirect	$193,858,405	2,753	$86,444,160	$195,618,319	2,962	$95,249,555
Induced	$204,301,612	1,864	$86,049,304	$214,038,313	2,082	$97,593,482
Total	**$822,318,685**	**9,441**	**$324,210,234**	**$847,645,952**	**10,323**	**$362,130,294**

Source: Louisiana Economic Development, Camoin Associates, Lightcast (formerly Emsi)

[1] Spending for one production exceeded the statutory credit cap. Thus, total *certified* spending in FY 2022 was $437.4 million. Credits were issued based on the certified amount, but the actual amount shown in Table 1 was used to estimate impacts.

FISCAL IMPACT ANALYSIS

Beyond the economic impacts calculated above, there are also fiscal impacts of the motion picture production industry that result from increased economic activity and accrue in the form of additional tax revenue. The following section calculates the fiscal impact and the return on investment of the motion picture production tax credit program.

IMPACTS ON STATE AND LOCAL REVENUE

IMPACTS ON STATE REVENUE

Table 3 calculates the state revenue that is generated because of the motion picture production tax credit program's economic activity. It is estimated that approximately 8.7% of worker earnings are paid to the state as taxes.[2] Using total new earnings calculated above and applying 8.7%, over $28 million in new state revenue in FY 2021 and over $31 million in FY 2022 were generated.

Table 3

Fiscal Impact of the Motion Picture Production Tax Credit Programs on State Revenue

	FY 2021	FY 2022
Total New Earnings	$324,210,234	$362,130,294
State Revenue Generated from Earnings	8.7%	8.7%
Total New State Revenue	**$28,206,290**	**$31,505,336**

Source: State of Louisiana, Camoin Associates

IMPACTS ON LOCAL REVENUE

Table 4 calculates the amount of tax revenue that local agencies received in FY 2021 and FY 2022 as a result of the economic activity generated by the motion picture production tax credit program. Camoin Associates calculated the proportion of film industry spending associated with credit-eligible projects (total sales figure from Table 2) relative to total sales across all industries in FY 2021 (the most recent year for which data were available). This percentage was then applied to Louisiana's total local tax collections in FY 2020 and FY 2021 (the most recent years available) to determine the portion of tax collections attributable to the motion picture production tax credit program.

Source: Louisiana Economic Development

This methodology is based on the assumption that the share of credit-related industry spending relative to the total state sales activity is approximately equal to the share of local tax collections attributable to the tax credit program. In other words, the motion picture production industry activity makes up a certain percentage of the state's total economic activity, and therefore, the entertainment industry accounts for a similar percentage of the local jurisdictions' revenue.

[2] As determined in the 2019 study, *Economic and Fiscal Impact of Louisiana Entertainment Tax Credits* conducted by Camoin Associates with Louisiana Entertainment. Camoin Associates worked with the state to determine the portion of workers' earnings that generate revenue for Louisiana.

In total, the motion picture production tax credit program resulted in over $18.1 million in new local tax revenue in FY 2021 and $20.2 million in FY 2022.

Table 4

Fiscal Impact of the Motion Picture Production Tax Credit Programs on Local Revenue

	FY 2021		FY 2022	
Total New Sales Attributable to Program		$822,318,685		$847,645,952
Total State Sales in FY 2021		$500,873,734,593		$500,873,734,593
% of All Sales		0.16%		0.17%
	Total Public Collections (FY 20)	**Tax Generated (0.16%)**	Total Public Collections (FY 21)	**Tax Generated (0.17%)**
Local Revenue	$11,053,084,340	**$18,146,605**	$11,946,698,781	**$20,217,812**

*Total local revenue estimated based on 2020 Census figures comparing state revenue to local revenue in Louisiana.

Note: Tax Generated calculated as Total Public Collections x % of All Sales for individual programs.

Source: Lightcast (formerly Emsi), State of Louisiana, U.S. Census, Camoin Associates

TOTAL IMPACT ON PUBLIC REVENUE

Combining the state revenue and local revenue calculated above, Table 5 shows the total impact of the entertainment tax credit programs on public revenue streams.

Table 5

Total Impact of the Motion Picture Production Tax Credit Program on State and Local Revenue

	FY 2021	FY 2022
New State Revenue	$28,206,290	$31,505,336
New Local Revenue	$18,146,605	$20,217,812
Total New Public Revenue	**$46,352,895**	**$51,723,148**

Source: Camoin Associates

RETURN ON INVESTMENT

The State is essentially investing in the motion picture production industry in Louisiana through the use of the tax credit program. When considering the return on that investment, there are several ways to look at it, including direct new state and local tax revenue generated by the industry and additional sales/earnings in the state that are attributable to the program. The following tables show the impact of the motion picture production tax credit program on the state's finances, overall state resident earnings, and industry sales.[3]

ADDITIONAL PUBLIC REVENUE PER DOLLAR OF TAX CREDIT

STATE AND LOCAL TAX REVENUE

As calculated in the previous section, the motion picture production tax credit program generated over $46 million in additional state and local tax revenue in FY 2021 and over $51 million in FY 2022. With over $131 million in credits

[3] Because the state typically appropriates all available state general funds each year, the return on investment in Tables 6 and 7 denotes a maximum value due to the balanced budget requirement in state government. Under a balanced budget constraint, funds that are spent on the incentive generating a positive multiplier impact are no longer spent elsewhere in the budget, implying a negative multiplier impact in the state that could offset this return calculation.

certified in FY 2021 and over $134 million certified in FY 2022, this means that the return on investment for the motion picture production program was approximately 0.35, or about 35 cents in tax revenue for every dollar of the tax credit, in FY 2021, and approximately 0.39 in FY 2022. This ratio contemplates only the tax revenue generated and must be understood in terms of the jobs, wages, and economic activity associated with the tax credits. Additionally, this type of analysis is based on the best available data and readers should expect a slight margin of error in the return on investment (ROI) of approximately 10%+/-.

Table 6

Return on Investment of the Motion Picture Production Tax Credit Program – State and Local Tax Revenue

	FY 2021	FY 2022
State and Local Tax Revenue	$46,352,895	$51,723,148
Credits Certified	$131,085,309	$134,186,538
Return on Investment	**0.35**	**0.39**

Source: Camoin Associates

STATE TAX REVENUE

Louisiana's state government issues the tax credits and bears the cost of doing so. Therefore, a more conservative calculation of the program's return on investment excludes local tax revenue collected as a result of the program. The motion picture production tax credit program generated over $28 million in additional state tax revenue in FY 2021 and over $31 million in FY 2022. This means that the return on investment for the motion picture production program was approximately 0.22, or about 22 cents in tax revenue for every dollar of the tax credit in FY 2021, and approximately 0.23 in FY 2022. Again, this is a conservative calculation based only on state tax revenue generated and the recognition that the state covers the cost of the credits issued.

Table 7

Return on Investment of the Motion Picture Production Tax Credit Program – State Tax Revenue

	FY 2021	FY 2022
State Tax Revenue	$28,206,290	$31,505,336
Credits Certified	$131,085,309	$134,186,538
Return on Investment	**0.22**	**0.23**

Source: Camoin Associates

DYNAMIC IMPACT OF PROGRAM ON STATEWIDE EARNINGS AND SALES

As shown in the Economic Impact Analysis, the motion picture production tax credit program resulted in new earnings and sales for residents and businesses in Louisiana. The following table calculates how the credits issued resulted in economic activity in the state. Specifically:

- For every one dollar of credits certified, there were an additional $2.47 in earnings in FY 2021 and $2.70 in earnings in FY 2022.
- For every one dollar of credits certified, there were an additional $6.27 in sales in FY 2021 and $6.32 in FY 2022.

Table 8

Dynamic Impact of the Motion Picture Production Tax Credit Program on Earnings and Sales

Additional Resident Earnings		
	FY 2021	**FY 2022**
Total Earnings	$324,210,234	$362,130,294
Total Credits Certified	$131,085,309	$134,186,538
Tax Credit Multiplier on Earnings	**2.47**	**2.70**
Additional Statewide Sales		
	FY 2021	**FY 2022**
Total Sales	$822,318,685	$847,645,952
Total Credits Certified	$131,085,309	$134,186,538
Tax Credit Multiplier on Sales	**6.27**	**6.32**

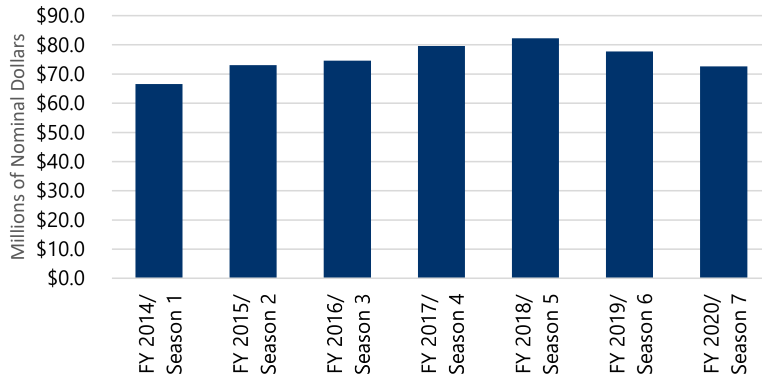
Source: Camoin Associates

CASE STUDY: *NCIS: NEW ORLEANS*

One repeated recipient of Louisiana Motion Picture incentives has been the CBS television show *NCIS: New Orleans*. This was the second location-specific spinoff from the original *NCIS*, after *NCIS: Los Angeles*. *NCIS: New Orleans* first aired in September 2014. The seventh and final season was filmed in the State in 2020, and began airing in November 2020. Over the life of the show, the series spent more than $528 million in Louisiana.

Figure 3

***NCIS: New Orleans* Production Spending in Louisiana**



Source: Louisiana Economic Development

Camoin Associates reviewed data related to the series and spoke with a representative from CBS about the impact of Louisiana and its incentive program on production. The following summarizes our findings.

- CBS chooses locations for franchises based on the success of the original series and from a financial standpoint. The availability of production incentives plays a significant role in location decisions; the presence of a deep crew base is important too. Louisiana provided both.
- In-state spending for *NCIS: New Orleans* grew from over $66 million for season 1 to a high of more than $82 million for season 5.
- The producers try to hire locally as much as possible. For *NCIS: New Orleans*, 95% of the crew was from Louisiana or neighboring states. A few key positions like the production designer or costume designer were brought in from Los Angeles. When a new series begins, CBS offers a relocation fee for the main cast and the crew receives a living allowance, including an amount for housing. The cast then find their own housing and live in-state for the length of filming.
- A typical 22-episode season begins filming in July and runs through March or April of the following year, with the season being picked up for airing starting in May. For an ongoing show, this provides the actors and film crew two to three months off between seasons and a one-month break for the production office. It can be difficult for the regular cast and nonlocal crew to be away from their permanent homes and families for the duration of a season's filming year after year.
- A typical workday for crewmembers is 12 hours, Monday through Friday, and not always beginning in the morning and ending in the evening. Some scenes require late-night shooting. By the time the weekend comes along, most crewmembers spend their free time resting.
- Filming takes place at a combination of sets on stage and real locations. CBS had a stage in New Orleans where they built basic sets for *NCIS: New Orleans*. They filmed 50% to 60% of scenes there, with the remainder filmed on location.
- COVID-19 interrupted production for Season 7. Production initially halted when the virus hit in the spring of 2020. However, they were back up and running by early fall and the first episode of the shortened season aired on November 8, 2020. The entertainment industry was able to maintain low levels of infection due to the testing they conducted, which was based partially on state protocols as well as union rules.

NCIS: NEW ORLEANS SEASON 7 IMPACT ANALYSIS

CBS spent over $72 million in Louisiana during the filming and production of *NCIS: New Orleans* season 7. This spending was used as the direct input in the model to generate the total impacts in terms of new sales, jobs, and earnings.

Filming and production of season 7 resulted in an additional almost $68 million in new indirect and induced sales in Louisiana in FY 2021 and early FY 2022, adding a total of over $140 million in new spending. This activity supported over 1,500 jobs, including over 800 direct jobs, as well as over $53 million in earnings.

Table 9

Economic Impact of *NCIS: New Orleans* Season 7 Production

	FY 2021		
	Sales	**Jobs**	**Earnings**
Direct	$72,658,295	821	$25,170,713
Indirect	$32,451,234	438	$13,981,600
Induced	$35,506,937	309	$14,473,364
Total	**$140,616,465**	**1,568**	**$53,625,678**

Source: Louisiana Economic Development, Camoin Associates, Lightcast (formerly Emsi)

Camoin Associates estimated the total economic impact of all seven seasons of the show on Louisiana. Because the Lightcast (formerly Emsi) model is a static, single-year model, annual *NCIS* spending was converted to constant FY 2020 dollars, and the seven-year average was entered into the model. The sales and earnings results were multiplied by seven to provide an idea of the cumulative impacts, while the jobs impacts represent the average annual employment supported by *NCIS* spending over the seven seasons. This approach does not account for changes in the state's economy between 2014 and 2020, which would cause changes in the multiplier effects. Therefore, the results in Table 10 represent a general estimate of the total economic impacts of the *NICS: New Orleans* series on Louisiana. These impacts amount to a cumulative total of roughly $1.1 billion in sales and $407.7 million in earnings, and average annual employment of 1,700 jobs.

Table 10

Total Economic Impact of *NCIS: New Orleans* Production

	Sales	**Jobs**	**Earnings**
Direct	$549,773,903	914	$191,691,130
Indirect	$250,727,451	494	$107,723,256
Induced	$264,369,053	335	$108,258,191
Total	**$1,064,870,408**	**1,742**	**$407,672,578**

Note: Impacts based on average annual certified spending (in constant FY 2020 dollars) across seven seasons of *NCIS: New Orleans*. Sales and earnings impacts were multiplied by seven, whereas jobs impacts were assumed to persist for the seven years of production.

Source: Louisiana Economic Development, Camoin Associates, Lightcast (formerly Emsi)

SEASON 7 IMPACTS ON STATE AND LOCAL REVENUE

Camoin Associates applied the same methodology used to estimate the state and local fiscal impacts of the entire motion picture production tax credit program, described above.

The $53.6 million in new earnings supported by the creation of *NCIS: New Orleans* season 7 generated over $4.6 million in new state revenue in FY 2021.

Table 11

Fiscal Impact of *NCIS: New Orleans* Season 7 on State Revenue

	FY 2021
Total New Earnings	$53,625,678
State Revenue Generated from Earnings	8.7%
Total New State Revenue	**$4,665,434**

Source: State of Louisiana, Camoin Associates

Season 7 also resulted in nearly $3.1 million in new local tax revenue in FY 2021.

Table 12

Fiscal Impact of *NCIS: New Orleans* Season 7 on Local Revenue

		FY 2021
Total New Sales Attributable to Season 7		$140,616,465
Total State Sales in 2021		$503,049,914,516
% of All Sales		0.03%
	Total Public Collections (FY 20)	**Tax Generated** (0.03%)
Local Revenue	$11,053,084,340	**$3,089,645**

*Total local revenue estimated based on 2020 Census figures comparing state revenue to local revenue in Louisiana.

Note: Tax Generated calculated as Total Public Collections x % of All Sales for individual programs.

Source: Lightcast (formerly Emsi), State of Louisiana, U.S. Census, Camoin Associates

Combining the state revenue and local revenue calculated above, Table 13 shows the total impact of *NCIS: New Orleans* season 7 on public revenue streams.

Table 13

Total Impact of *NCIS: New Orleans* Season 7 on State and Local Revenue

	FY 2021
New State Revenue	$4,665,434
New Local Revenue	$3,089,645
Total New Public Revenue	**$7,755,079**

Source: Camoin Associates

ATTACHMENT A: WHAT IS ECONOMIC IMPACT ANALYSIS?

The purpose of conducting an economic impact study is to ascertain the total cumulative changes in employment, earnings and output in a given economy due to some initial "change in final demand". To understand the meaning of "change in final demand", consider the installation of a new widget manufacturer in Anytown, USA. The widget manufacturer sells $1 million worth of its widgets per year exclusively to consumers in Canada. Therefore, the annual change in final demand in the United States is $1 million because dollars are flowing in from outside the United States and are therefore "new" dollars in the economy.

This change in final demand translates into the first round of buying and selling that occurs in an economy. For example, the widget manufacturer must buy its inputs of production (electricity, steel, etc.), must lease or purchase property and pay its workers. This first round is commonly referred to as the "Direct Effects" of the change in final demand and is the basis of additional rounds of buying and selling described below.

To continue this example, the widget manufacturer's vendors (the supplier of electricity and the supplier of steel) will enjoy additional output (i.e., sales) that will sustain their businesses and cause them to make additional purchases in the economy. The steel producer will need more pig iron and the electric company will purchase additional power from generation entities. In this second round, some of those additional purchases will be made in the US economy and some will "leak out". What remains will cause a third round (with leakage) and a fourth and so on in ever-diminishing rounds of industry-to-industry purchases. Together, these are the "Indirect Effects". Finally, the widget manufacturer and its suppliers have employees who will naturally spend their wages. Again, those wages spent will either be for local goods and services or will "leak out" of the economy. The purchases of local goods and services will then stimulate other local economic activity. These effects are referred to as the "Induced Effects" of the change in final demand.

Therefore, the total economic impact resulting from the new widget manufacturer is the initial $1 million of new money (i.e., Direct Effects) flowing into the US economy, plus the Indirect and Induced Effects. The ratio of Total Effects to Direct Effects is called the "multiplier effect" and is often reported as a dollar-of-impact per dollar-of-change. Therefore, a multiplier of 2.4 means that for every dollar ($1) of change in final demand, an additional $1.40 of indirect and induced economic activity occurs, for a total of $2.40.

Key information for the reader to retain is that this type of analysis requires rigorous and careful consideration of the geography selected (i.e., how the "local economy" is defined) and the implications of the geography on the computation of the change in final demand. If this analysis wanted to consider the impact of the widget manufacturer on the entire North American continent, it would have to conclude that the change in final demand is zero and therefore the economic impact is zero. This is because the $1 million of widgets being purchased by Canadians is not causing total North American demand to increase by $1 million. Presumably, those Canadian purchasers will have $1 million less to spend on other items and the effects of additional widget production will be canceled out by a commensurate reduction in the purchases of other goods and services.

Changes in final demand, and therefore Direct Effects, can occur in a number of circumstances. The above example is easiest to understand: the effect of a manufacturer producing locally but selling globally. If, however, 100% of domestic demand for a good is being met by foreign suppliers (say, DVD players being imported into the US from Korea and Japan), locating a manufacturer of DVD players in the US will cause a change in final demand because all of those dollars currently leaving the US economy will instead remain. A situation can be envisioned whereby a producer is serving both local and foreign demand, and an impact analysis would have to be careful in calculating how many "new" dollars the producer would be causing to occur domestically.

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Louisiana Entertainment
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Economic and Fiscal Impact

SOUND RECORDING INVESTOR TAX CREDIT, FY 2021–FY 2022

Louisiana Entertainment

OCTOBER 2022

PREPARED BY:

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ABOUT CAMOIN ASSOCIATES

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin Associates has served EDOs and local and state governments from Maine to California; corporations and organizations that include Amazon, Lowes Home Improvement, FedEx, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of $6 billion. Our reputation for detailed, place-specific, and accurate analysis has led to over 1,500 projects in 45 states and garnered attention from national media outlets including *Marketplace* (NPR), Crain's New York Business, *Forbes* magazine, *The New York Times*, and *The Wall Street Journal*. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. We are based in Saratoga Springs, NY, with regional offices in Richmond, VA; Portland, ME; Boston, MA; and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter @camoinassociate and on Facebook.

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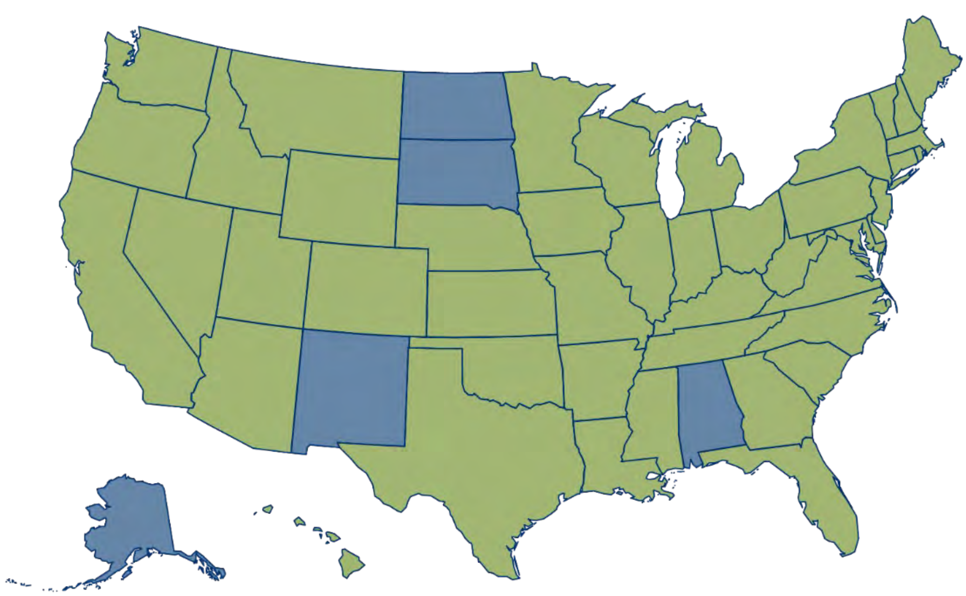


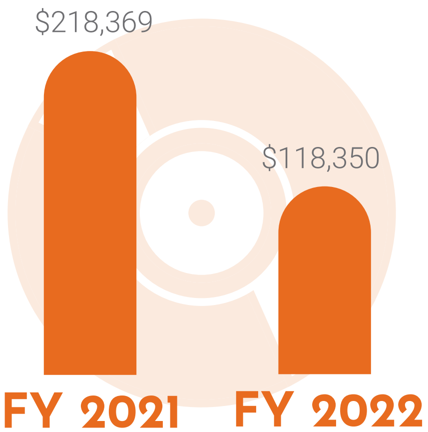
LOUISIANA ENTERTAINMENT

ECONOMIC IMPACT OF THE SOUND RECORDING TAX CREDIT

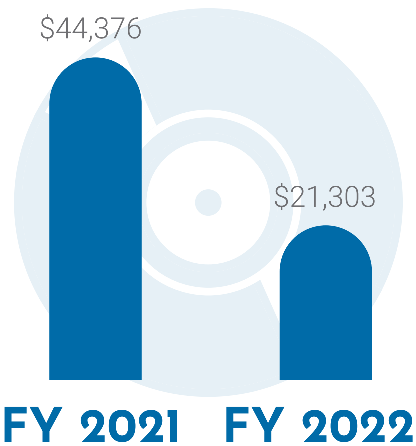
Louisiana's Sound Recording Investor Tax Credit incentivizes sound recording (the recording of music, poetry, or spoken work performance) produced in Louisiana. This program helps attract and retain jobs, as well as generates investment in Louisiana's music economy while promoting the state's entertainment industry.

The report includes expenditures certified in FY 2021 and FY 2022 and quantifies the economic and fiscal impacts of the sound recording tax credit program on the state.

TOTAL CERTIFIED SPENDING



TOTAL CERTIFIED CREDITS



ANNUAL ECONOMIC ACTIVITY GENERATED

	JOBS	EARNINGS	SALES
FY 2021	3	$91,449	$341,347
FY 2022	1	$48,650	$183,807

TOTAL TAX REVENUE GENERATED

FY 2021	FY 2022
$15,489	$8,617

ADDITIONAL EARNINGS FOR LOUISIANA'S RESIDENTS

For every one dollar of credits certified, there was an additional:

FY 2021	FY 2022
$2.06	$2.28

in earnings in the state.

camoin associates


Source: Louisiana Economic Development

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INTRODUCTION

The purpose of this report is to quantify the economic and fiscal impacts generated by the Sound Recording Investor Tax Credit (sound recording program) administered by the Office of Entertainment Industry Development (OEID) within the Louisiana Department of Economic Development (LED).

As required by LA R.S. 47:6023(D)(5), LED provisions a biennial review of the economic and fiscal impacts of these credits and has retained Camoin Associates to complete this review for the 2021 and 2022 fiscal years. In prior years, LED analyzed these programs on a calendar-year basis and the historical figures remain on a calendar-year basis. However, in this report beginning in FY 2021, these programs are being analyzed on a fiscal-year basis to better align with the Legislature's fiscal-year evaluations. The state of Louisiana's fiscal year runs from July 1 through June 30. Due to this change in reporting, the analysis for FY 2021 includes the last six months of calendar year 2020; therefore, the results from this analysis include a period that was previously reviewed and reported.

The goal of the Louisiana sound recording tax credit program is to encourage investment and job creation within Louisiana. The purpose of this analysis is to calculate the impact of the tax credit program on the state's economy.

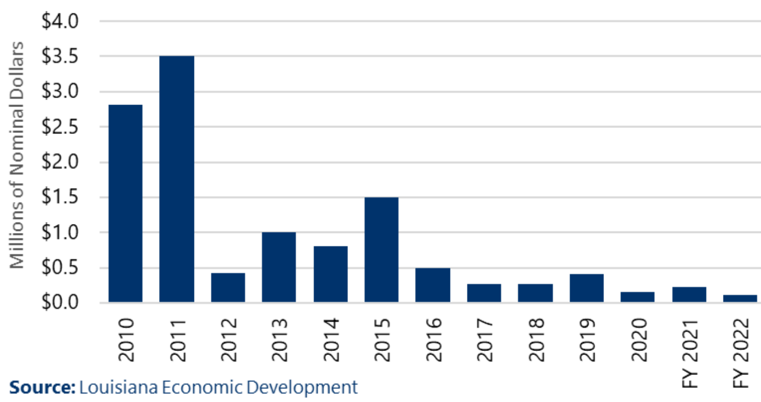
OVERVIEW OF THE SOUND RECORDING INVESTOR TAX CREDIT

The sound recording program incentivizes sound recording, defined as a recording of music, poetry, or spoken-word performance produced in Louisiana in whole or in part. The program provides an 18% tax credit for eligible production expenditures, for which $25,000 minimum expenditures are required (or $10,000 for Louisiana residents). Eligible expenditures include studio rental fees and associated costs, artist and musician salaries, producer fees, instrument and equipment rentals, and travel expenses, among others.

Certified spending under this program trended upwards slightly from 2017 to 2019, but has since declined. The trend in industry jobs attributed to the program has been similar, with a small increase occurring in 2019 but flat to declining in FY 2021 and FY 2022. Note that this year reporting has switched from a calendar-year basis to a fiscal-year. Fiscal year 2021 includes the last six months of calendar year 2020.

Figure 1

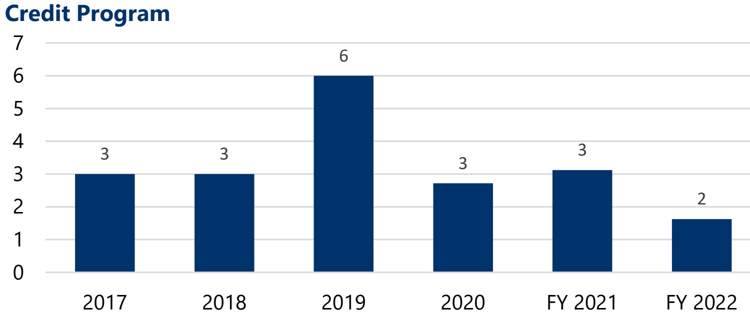
Louisiana Entertainment Sound Recording Tax Credit Certified Spending



Source: Louisiana Economic Development

Figure 2

Total Louisiana Sound Recording Jobs Attributed to Credit Program



Source: Lightcast (formerly Emsi), Louisiana Economic Development

METHODOLOGY

Louisiana Entertainment, a division of Louisiana Economic Development, administers the Sound Recording Investor Tax Credit program. In addition, the total certified spending and payroll amounts are verified by an independent Certified Public Accountant (CPA) that is assigned by LED before any credit is issued by LED. The total Louisiana spending was provided to Camoin Associates by the program for projects with credits certified in FY 2021 and FY 2022. The data that is being analyzed is actual spending that was verified by the independent CPA and credits issued by LED based upon the date of final certification within the time periods being reported. Furthermore, the spending that was certified in these fiscal years actually occurred at some point prior to final certification.

Camoin Associates employed the following methodology to calculate the economic impact of the Louisiana sound recording tax credit program. *This impact analysis report does not take into consideration any decrease in state funding for other programs or public services.*

1. **CALCULATE TOTAL DIRECT SPENDING AND EARNINGS**: The first step is to identify the total amount of spending occurring and earnings generated in Louisiana as a result of the tax credit program — these figures were used as the direct input into the model. This information was provided by Louisiana Entertainment and reviewed by Camoin Associates. For purposes of this analysis, it is assumed that 100% of this spending and earnings are net new to the Louisiana economy and, without the credit programs, this spending would not occur.
2. **MODEL INDUSTRY ACTIVITY:** In order to model the economic impact of the tax credits, it is important to accurately model the industries within which this activity is taking place. This analysis uses the direct spending and earning identified in Step 1 and associates it with the NAICS industry that is representative of Louisiana's sound recording ecosystem. This reflects the industry where the tax credits will have the strongest impact.
3. **MODEL ECONOMIC IMPACTS:** Using the total sales and earnings figures as inputs, we modeled the indirect impacts — in terms of jobs, earnings, and sales — of the tax credits on the state of Louisiana. Economic multipliers were provided through the Lightcast software package.
4. **MODEL FISCAL IMPACTS:** Local and state tax revenues resulting from economic activity associated with the tax credits were then estimated based on the results of the economic impact analysis.

Modeling Software

Lightcast (formerly Emsi) designed the input-output model used in this analysis. The Lightcast model allows the analyst to input the amount of new direct economic activity (spending, earnings, or jobs) occurring within the state of Louisiana and uses the direct inputs to estimate the spillover effects that the net new spending, earnings, or jobs have as these new dollars circulate through the study area's economy. This is captured in the indirect and induced impacts and is commonly referred to as the "multiplier effect." See Appendix A for more information on economic impact analysis.

What does "Net New" Mean?

When looking at the economic impacts of a project, it's important to look only at the economic changes that would not happen in that project's absence. These effects are the "net new" effects: purchases made only as a result of the project in question.

Definition of a "Job"

A "job" is equal to one person employed for some amount of time (part-time, full-time, or temporary) during FY 2021 or FY 2022. For example, if a person is employed full-time in FY 2021 and FY 2022 that would be considered two jobs. Another example, if one person is employed part-time for four months, then takes two months off and is hired again for four months that would be considered two jobs.

In addition, this spending did not create new jobs; however, the jobs reported should be considered "jobs supported by the certified spending."

The information must be calculated in this way due to the manner in which the job information is reported by the Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA). The information is provided by the employers to the government in terms of total jobs, not by total number of total full-time equivalents (FTE).

ECONOMIC IMPACT ANALYSIS

Table 1 shows the total Louisiana spending in FY 2021 and FY 2022 associated with the sound recording tax credit program, as reported in tax credit applications and provided by Louisiana Entertainment. In total, credit-eligible projects accounted for over $218,000 in spending in FY 2021 and over $118,000 in FY 2022.

Table 1

Total Certified Spending
Sound Recording

Period	Spending
FY 2021	$218,369
FY 2022	$118,350

Source: Louisiana Economic Development

The total annual spending figures were used as direct inputs in the model to generate the total impacts in terms of new sales, jobs, and earnings.

TOTAL SOUND RECORDING INDUSTRY IMPACT ANALYSIS

ECONOMIC IMPACT – FY 2021

As shown below, the Louisiana sound recording tax credit program resulted in an additional approximately $123,000 in new indirect and induced sales in FY 2021, adding a total of nearly $341,000 in new spending. This spending supported three jobs, as well as over $91,000 in earnings.

ECONOMIC IMPACT – FY 2022

As shown below, the Louisiana sound recording tax credit program resulted in an additional approximately $65,000 in new indirect and induced sales in FY 2022, adding a total of nearly $184,000 in new spending. This spending supported 1 job, as well as over $48,000 in earnings.

Table 2

Economic Impact of Sound Recording

	FY 2021			FY 2022		
	Sales	Jobs	Earnings	Sales	Jobs	Earnings
Direct	$218,369	2	$41,311	$118,350	1	$22,024
Indirect	$36,238	0	$14,945	$18,203	0	$7,530
Induced	$86,740	1	$35,193	$47,254	0	$19,096
Total	**$341,347**	**3**	**$91,449**	**$183,807**	**1**	**$48,650**

Source: Louisiana Economic Development, Camoin Associates, Lightcast (formerly Emsi)

FISCAL IMPACT ANALYSIS

Beyond the economic impacts calculated above, there are also fiscal impacts of the sound recording industry that result from increased economic activity and accrue in the form of additional tax revenue. The following section calculates the fiscal impact and the return on investment of the sound recording tax credit program.

IMPACTS ON STATE AND LOCAL REVENUE

IMPACTS ON STATE REVENUE

Table 3 calculates the state revenue that is generated because of the sound recording tax credit program's economic activity. It is estimated that approximately 8.7% of worker earnings are paid to the state as taxes.[1] Using total new earnings calculated above and applying 8.7%, nearly $8,000 in new state revenue in FY 2021 and over $4,000 in FY 2022 were generated.

Table 3

Fiscal Impact of the Sound Recording Tax Credit Program on State Revenue

	FY 2021	FY 2022
Total New Earnings	$91,449	$48,650
State Revenue Generated from Earnings	8.7%	8.7%
Total New State Revenue	**$7,956**	**$4,233**

Source: State of Louisiana, Camoin Associates

IMPACTS ON LOCAL REVENUE

The table below calculates the amount of tax revenue that local agencies received in FY 2021 and FY 2022 as a result of the economic activity generated by the sound recording tax credit program. Camoin Associates calculated the proportion of sound recording industry spending associated with credit-eligible projects (total sales figure from Table 2) relative to total sales across all industries in FY 2021 (the most recent year for which data were available). This percentage was then applied to Louisiana's total local tax collections in FY 2020 and FY 2021 (the most recent years available) to determine the portion of tax collections attributable to the sound recording tax credit program.

This methodology is based on the assumption that the share of credit-related industry spending relative to the total state sales activity is approximately equal to the share of local tax collections attributable to the tax credit program. In other words, the sound recording industry activity makes up a certain percentage of the state's total economic activity, and therefore, the sound recording industry accounts for a similar percentage of local jurisdictions' revenue.

In total, the sound recording tax credit program resulted in more than $7,500 in new local tax revenue in FY 2021 and over $4,300 in FY 2022.

[1] As determined in the 2019 study, *Economic and Fiscal Impact of Louisiana Entertainment Tax Credits* conducted by Camoin Associates with Louisiana Entertainment. Camoin Associates worked with the state to determine the portion of workers' earnings that generate revenue for Louisiana.

Table 4

Fiscal Impact of the Sound Recording Tax Credit Programs on Local Revenue

		FY 2021		FY 2022
Total New Sales Attributable to Program		$341,347		$183,807
Total State Sales in FY 2021		$500,873,734,593		$500,873,734,593
% of All Sales		0.0001%		0.00004%
	Total Public Collections (FY 20)	**Tax Generated** (0.0001%)	Total Public Collections (FY 21)	**Tax Generated** (0.00004%)
Local Revenue	$11,053,084,340	**$7,533**	$11,946,698,781	**$4,384**

*Total local revenue estimated based on 2020 Census figures comparing state revenue to local revenue in Louisiana.

Note: Tax Generated calculated as Total Public Collections x % of All Sales for individual programs.

Source: Lightcast (formerly Emsi), State of Louisiana, U.S. Census, Camoin Associates

TOTAL IMPACT ON PUBLIC REVENUE

Combining the state revenue and local revenue calculated above, the below table shows the total impact of the sound recording tax credit programs on public revenue streams.

Table 5

Total Impact of the Sound Recording Tax Credit Program on State and Local Revenue

	FY 2021	FY 2022
New State Revenue	$7,956	$4,233
New Local Revenue	$7,533	$4,384
Total New Public Revenue	**$15,489**	**$8,617**

Source: Camoin Associates

RETURN ON INVESTMENT

The State is essentially investing in the sound recording industry in Louisiana through the use of the tax credit program. When considering the return on that investment, there are a number of ways to look at it, including direct new state and local tax revenue generated by the industry and additional sales/earnings in the state that are attributable to the program. The following tables show the impact of the sound recording tax credit program on the state's finances, overall state resident earnings, and industry sales.[2]

ADDITIONAL PUBLIC REVENUE PER DOLLAR OF TAX CREDIT

STATE AND LOCAL TAX REVENUE

As calculated in the previous section, the sound recording tax credit program generated over $15,000 in additional state and local tax revenue in FY 2021 and over $8,000 in FY 2022. With over $44,000 in credits certified in FY 2021 and over $21,000 certified in FY 2022, this means that the return on investment for sound recording programs was

[2] Because the state typically appropriates all available state general funds each year, the return on investment in Tables 6 and 7 denotes a maximum value due to the balanced budget requirement in state government. Under a balanced budget constraint, funds that are spent on the incentive generating a positive multiplier impact are no longer spent elsewhere in the budget, implying a negative multiplier impact in the state that could offset this return calculation.

approximately 0.35, or about 35 cents in tax revenue for every dollar of the tax credit in FY 2021, and 0.40 in FY 2022. This ratio contemplates only the tax revenue generated and must be understood in terms of the jobs, wages, and economic activity associated with the tax credits. Additionally, this type of analysis is based on the best available data and readers should expect a slight margin of error in the return on investment (ROI) of approximately +/- 10%.

Table 6

Return on Investment of the Sound Recording Tax Credit Program – State and Local Tax Revenue

	FY 2021	FY 2022
State and Local Tax Revenue	$15,489	$8,617
Credits Certified	$44,376	$21,303
Return on Investment	**0.35**	**0.40**

Source: Camoin Associates

STATE TAX REVENUE

Louisiana's state government issues the tax credits and bears the cost of doing so. Therefore, a more conservative calculation of the program's return on investment excludes local tax revenue collected as a result of the program. The sound recording tax credit program generated nearly $8,000 in additional state tax revenue in FY 2021 and over $4,000 in FY 2022. This means that the return on investment for the sound recording tax credit program was approximately 0.18, or about 18 cents in tax revenue for every dollar of the tax credit in FY 2021 and 0.20 in FY 2022. Again, this is a conservative calculation based only on state tax revenue generated and the recognition that the state covers the cost of the credits issued.

Table 7

Return on Investment of the Sound Recording Tax Credit Program – State Tax Revenue

	FY 2021	FY 2022
State Tax Revenue	$7,956	$4,233
Credits Certified	$44,376	$21,303
Return on Investment	**0.18**	**0.20**

Source: Camoin Associates

DYNAMIC IMPACT OF PROGRAM ON STATEWIDE EARNINGS AND SALES

As shown in the Economic Impact Analysis, the sound recording tax credit program resulted in new earnings and sales for residents and businesses in Louisiana. Table 8 calculates how the credits issued resulted in economic activity in the state. Specifically:

- For every one dollar of credits certified, there were an additional $2.06 in earnings in FY 2021 and $2.28 in earnings in FY 2022.
- For every one dollar of credits certified, there were an additional $7.69 in sales in FY 2021 and $8.63 in FY 2022.

Table 8

Dynamic Impact of the Sound Recording Tax Credit Program on Earnings and Sales

Additional Resident Earnings		
	FY 2021	**FY 2022**
Total Earnings	$91,449	$48,650
Total Credits Certified	$44,376	$21,303
Tax Credit Multiplier on Earnings	**2.06**	**2.28**
Additional Statewide Sales		
	FY 2021	**FY 2022**
Total Sales	$341,347	$183,807
Total Credits Certified	$44,376	$21,303
Tax Credit Multiplier on Sales	**7.69**	**8.63**

Source: Camoin Associates

ATTACHMENT A: WHAT IS ECONOMIC IMPACT ANALYSIS?

The purpose of conducting an economic impact study is to ascertain the total cumulative changes in employment, earnings, and output in a given economy due to some initial "change in final demand". To understand the meaning of "change in final demand", consider the installation of a new widget manufacturer in Anytown, USA. The widget manufacturer sells $1 million worth of its widgets per year exclusively to consumers in Canada. Therefore, the annual change in final demand in the United States is $1 million because dollars are flowing in from outside the United States and are therefore "new" dollars in the economy.

This change in final demand translates into the first round of buying and selling that occurs in an economy. For example, the widget manufacturer must buy its inputs of production (electricity, steel, etc.), must lease or purchase property, and pay its workers. This first round is commonly referred to as the "Direct Effects" of the change in final demand and is the basis of additional rounds of buying and selling described below.

To continue this example, the widget manufacturer's vendors (the supplier of electricity and the supplier of steel) will enjoy additional output (i.e., sales) that will sustain their businesses and cause them to make additional purchases in the economy. The steel producer will need more pig iron and the electric company will purchase additional power from generation entities. In this second round, some of those additional purchases will be made in the US economy and some will "leak out". What remains will cause a third round (with leakage) and a fourth and so on in ever-diminishing rounds of industry-to-industry purchases. Together, these are the "Indirect Effects". Finally, the widget manufacturer and its suppliers have employees who will naturally spend their wages. Again, those wages spent will either be for local goods and services or will "leak out" of the economy. The purchases of local goods and services will then stimulate other local economic activity. These effects are referred to as the "Induced Effects" of the change in final demand.

Therefore, the total economic impact resulting from the new widget manufacturer is the initial $1 million of new money (i.e., Direct Effects) flowing into the US economy, plus the Indirect and Induced Effects. The ratio of Total Effects to Direct Effects is called the "multiplier effect" and is often reported as a dollar-of-impact per dollar-of-change. Therefore, a multiplier of 2.4 means that for every dollar ($1) of change in final demand, an additional $1.40 of indirect and induced economic activity occurs, for a total of $2.40.

Key information for the reader to retain is that this type of analysis requires rigorous and careful consideration of the geography selected (i.e., how the "local economy" is defined) and the implications of the geography on the computation of the change in final demand. If this analysis wanted to consider the impact of the widget manufacturer on the entire North American continent, it would have to conclude that the change in final demand is zero and therefore the economic impact is zero. This is because the $1 million of widgets being purchased by Canadians is not causing total North American demand to increase by $1 million. Presumably, those Canadian purchasers will have $1 million less to spend on other items and the effects of additional widget production will be canceled out by a commensurate reduction in the purchases of other goods and services.

Changes in final demand, and therefore Direct Effects, can occur in a number of circumstances. The above example is easiest to understand: the effect of a manufacturer producing locally but selling globally. If, however, 100% of domestic demand for a good is being met by foreign suppliers (say, DVD players being imported into the US from Korea and Japan), locating a manufacturer of DVD players in the US will cause a change in final demand because all of those dollars currently leaving the US economy will instead remain. A situation can be envisioned whereby a producer is serving both local and foreign demand, and an impact analysis would have to be careful in calculating how many "new" dollars the producer would be causing to occur domestically.

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Economic and Fiscal Impact

LIVE PERFORMANCE PRODUCTION PROGRAM, FY 2021–FY 2022

Louisiana Entertainment

OCTOBER 2022

PREPARED BY:

camoin associates

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ABOUT CAMOIN ASSOCIATES

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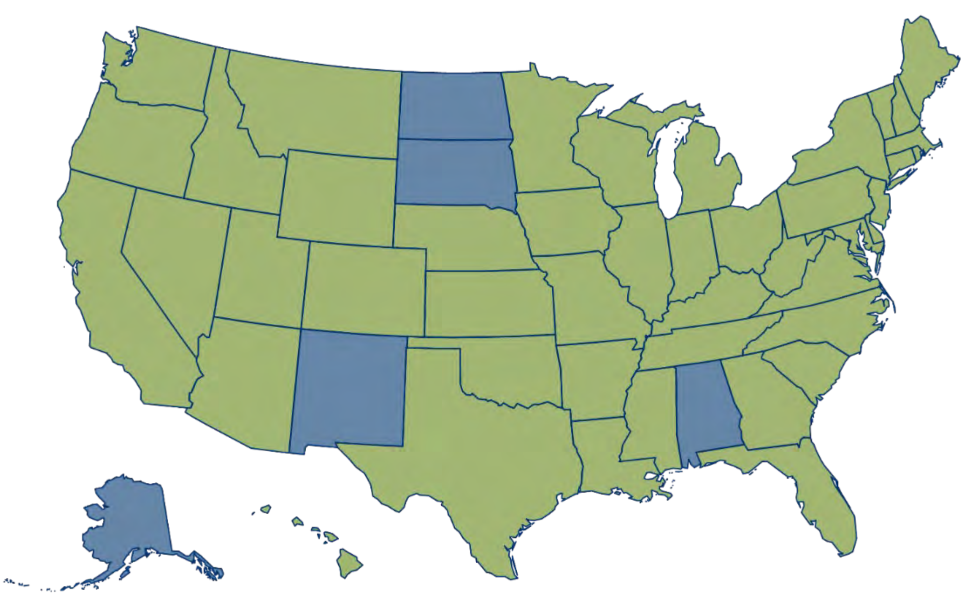


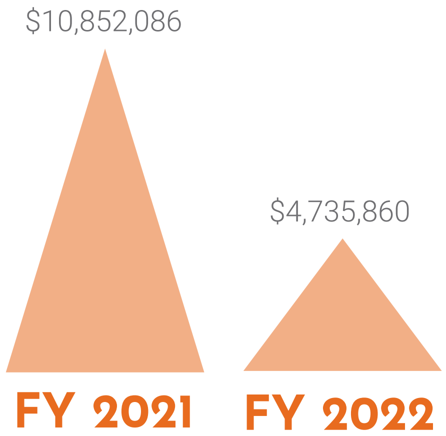
LOUISIANA ENTERTAINMENT

ECONOMIC IMPACT OF THE LIVE PERFORMANCE TAX CREDIT

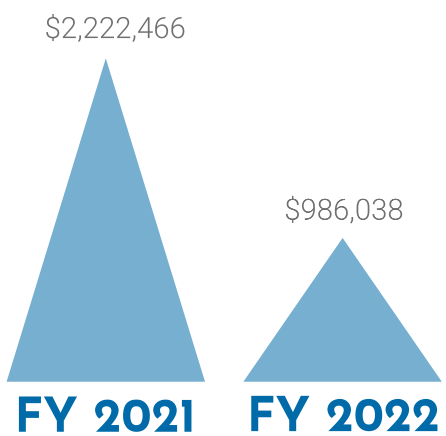
Louisiana's Musical and Theatrical Production Income Tax Credit (live performance) incentivizes investment in Louisiana-based productions. This program helps to attract and retain jobs and generate investment in Louisiana's economy, and promotes investment in musical and theatrical production infrastructure.

The report includes expenditures certified in FY 2021 and FY 2022 and quantifies the economic and fiscal impacts of the live performance tax credit program on the state.

TOTAL CERTIFIED SPENDING



TOTAL CERTIFIED CREDITS



ANNUAL ECONOMIC ACTIVITY GENERATED

	JOBS	EARNINGS	SALES
FY 2021	394	$11,014,195	$20,945,872
FY 2022	181	$5,082,598	$9,105,540

TOTAL TAX REVENUE GENERATED

FY 2021	FY 2022
$1,420,460	$659,369

ADDITIONAL EARNINGS FOR LOUISIANA'S RESIDENTS

For every one dollar of credits certified, there was an additional:

FY 2021	FY 2022
$4.96	$5.15

in earnings in the state.

Source: Louisiana Economic Development

CONTENTS

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INTRODUCTION

The purpose of this report is to quantify the economic and fiscal impacts generated by the Musical and Theatrical Production Income Tax Credit (live performance production program, or live performance) administered by the Office of Entertainment Industry Development (OEID) within the Louisiana Department of Economic Development (LED).

As required by LA R.S. 47:6034(G), LED provisions a biennial review of the economic and fiscal impacts of these credits and has retained Camoin Associates to complete this review for the 2021 and 2022 fiscal years. In prior years, LED analyzed these programs on a calendar-year basis and the historical figures remain on a calendar-year basis. However, in this report beginning in FY 2021, these programs are being analyzed on a fiscal-year basis to better align with the Legislature's fiscal-year evaluations. The state of Louisiana's fiscal year runs from July 1 through June 30. Due to this change in reporting, the analysis for FY 2021 includes the last six months of calendar year 2020; therefore, the results from this analysis include a period that was previously reviewed and reported.

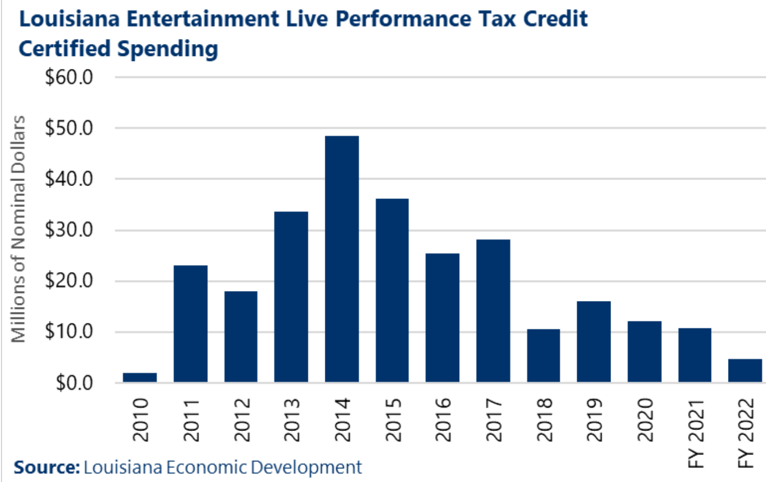
The goal of the Louisiana Live Performance Tax Credit program is to encourage investment and job creation within Louisiana. The purpose of this analysis is to calculate the impact of the tax credit program on the state's economy.

HISTORY OF THE LIVE PERFORMANCE PRODUCTION PROGRAM

The Musical and Theatrical Production Income Tax Credit was implemented in 2007 to encourage investment in productions that originate in the state of Louisiana.

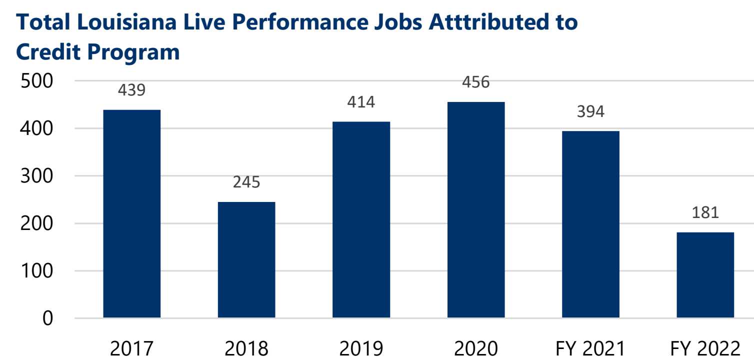
Today, this program offers up to an 18% tax credit on Louisiana expenditures, in addition to a 7% tax credit on resident payroll. The tax credit value increases with total production expenditures. Since 2017, the total number of live production jobs attributed to the program increased from 439 to 456 in 2020, then declined to 181 in fiscal year 2022. Figure 1 shows that the certified spending has decreased since 2014. This is likely attributed to the sunset of the initial infrastructure portion of the tax credit program on January 1, 2015. Covid-19 significantly impacted the Live Performance industry, drastically reducing the number of events for nearly two years — 2020 and 2021. This decline appears in the spending certified in FY 2022. This year reporting has switched from a calendar-year basis to a fiscal-year. Fiscal year 2021 includes the last six months of calendar year 2020.

Figure 1



Source: Louisiana Economic Development

Figure 2



Source: Lightcast (formerly Emsi), Louisiana Economic Development

METHODOLOGY

Louisiana Entertainment, a division of Louisiana Economic Development, administers the live performance production program. In addition, the total certified spending and payroll amounts are verified by an independent Certified Public Accountant (CPA) that is assigned by LED before any credit is issued by LED. The total Louisiana spending and earnings were provided to Camoin Associates by the program for projects with credits certified in FY 2021 and FY 2022. The data that is being analyzed is actual spending that was verified by the independent CPA and credits issued by LED based upon the date of final certification within the time periods being reported. Furthermore, the spending that was certified in these fiscal years actually occurred at some point prior to final certification.

Camoin Associates employed the following methodology to calculate the economic impact of the Louisiana live performance tax credit program. *This impact analysis report does not take into consideration any decrease in state funding for other programs or public services.*

1. **CALCULATE TOTAL DIRECT SPENDING AND EARNINGS:** The first step is to identify the total amount of spending occurring and earnings generated in Louisiana as a result of the tax credit program — these figures were used as the direct input into the model. This information was provided by Louisiana Entertainment and reviewed by Camoin Associates. For purposes of this analysis, it is assumed that 100% of this spending and earnings are net new to the Louisiana economy and, without the credit programs, this spending would not occur.

2. **MODEL INDUSTRY ACTIVITY:** In order to model the economic impact of the tax credits, it is important to accurately model the industries within which this activity is taking place. This analysis uses the direct spending and earning identified in Step 1 and associates it with four six-digit NAICS codes that best capture industry activity. These codes represent Louisiana's live performance industry and accurately reflect the industries where the tax credits will have the strongest impact.

3. **MODEL ECONOMIC IMPACTS:** Using the total sales and earnings figures as inputs, we modeled the indirect impacts — in terms of jobs, earnings, and sales — of the tax credits on the state of Louisiana. Economic multipliers were provided through the Lightcast software package.

4. **MODEL FISCAL IMPACTS:** Local and state tax revenues resulting from economic activity associated with the tax credits were then estimated based on the results of the economic impact analysis.

Modeling Software

Lightcast (formerly Emsi) designed the input-output model used in this analysis. The Lightcast model allows the analyst to input the amount of new direct economic activity (spending, earnings, or jobs) occurring within the state of Louisiana and uses the direct inputs to estimate the spillover effects that the net new spending, earnings, or jobs have as these new dollars circulate through the study area's economy. This is captured in the indirect and induced impacts and is commonly referred to as the "multiplier effect." See Appendix A for more information on economic impact analysis.

What does "Net New" Mean?

When looking at the economic impacts of a project, it's important to look only at the economic changes that would not happen in that project's absence. These effects are the "net new" effects: purchases made only as a result of the project in question.

Definition of a "Job"

A "job" is equal to one person employed for some amount of time (part-time, full-time, or temporary) during FY 2021 or FY 2022. For example, if a person is employed full-time in FY 2021 and FY 2022 that would be considered two jobs. Another example, if one person is employed part-time for four months, then takes two months off and is hired again for four months that would be considered two jobs.

In addition, this spending did not create new jobs; however, the jobs reported should be considered "jobs supported by the certified spending."

The information must be calculated in this way due to the manner in which the job information is reported by the Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA). The information is provided by the employers to the government in terms of total jobs, not by total number of total full-time equivalents (FTE).

ECONOMIC IMPACT ANALYSIS

Table 1 shows total Louisiana spending and earnings in FY 2021 and FY 2022 associated with the live performance tax credit program, as reported in tax credit applications and provided by Louisiana Entertainment. In total, credit-eligible projects accounted for almost $11 million in spending in FY 2021 and over $4 million in FY 2022. These projects also accounted for over $5 million in earnings in FY 2021 and over $2 million in FY 2022.

Table 1

Total Certified Spending and Earnings
Live Performance Production

Period	Spending	Earnings
FY 2021	$10,852,086	$5,617,884
FY 2022	$4,735,860	$2,599,891

Source: Louisiana Economic Development

The total annual spending and earnings figures were used as the direct inputs in the model to generate the total impacts in terms of new sales, jobs, and earnings.

TOTAL LIVE PRODUCTION INDUSTRY IMPACT ANALYSIS

ECONOMIC IMPACT – FY 2021

As shown below, the Louisiana live performance production program resulted in an additional approximately $10 million in new indirect and induced sales in FY 2021, adding a total of almost $21 million in new spending. This spending supported 394 jobs, as well as over $11 million in earnings.

ECONOMIC IMPACT – FY 2022

As shown below, the Louisiana live performance production program resulted in an additional approximately $4 million in new indirect and induced sales in FY 2022, adding a total of over $9 million in new spending. This spending supported 181 jobs, as well as over $5 million in earnings.

Table 2

Economic Impact of Live Production

	FY 2021			FY 2022		
	Sales	Jobs	Earnings	Sales	Jobs	Earnings
Direct	$10,852,086	239	$5,617,884	$4,735,860	112	$2,599,891
Indirect	$4,417,838	92	$2,504,854	$1,851,904	40	$1,122,525
Induced	$5,675,948	63	$2,891,457	$2,517,776	29	$1,360,182
Total	**$20,945,872**	**394**	**$11,014,195**	**$9,105,540**	**181**	**$5,082,598**

Source: Louisiana Economic Development, Camoin Associates, Lightcast (formerly Emsi)

FISCAL IMPACT ANALYSIS

Beyond the economic impacts calculated above, there are also fiscal impacts of the live performance industry that result from increased economic activity and accrue in the form of additional tax revenue. The following section calculates the fiscal impact and the return on investment of the live performance tax credit program.

IMPACTS ON STATE AND LOCAL REVENUE

IMPACTS ON STATE REVENUE

Table 3 calculates the state revenue that is generated because of the live performance tax credit program's economic activity. It is estimated that approximately 8.7% of worker earnings are paid to the state as taxes.[1] Using the total new earnings calculated above and applying 8.7%, over $958,000 in new state revenue in FY 2021 and $442,000 in FY 2022 were generated.

Table 3

Fiscal Impact of the Live Production Tax Credit Programs on State Revenue

	FY 2021	FY 2022
Total New Earnings	$11,014,195	$5,082,598
State Revenue Generated from Earnings	8.7%	8.7%
Total New State Revenue	**$958,235**	**$442,186**

Source: State of Louisiana, Camoin Associates

IMPACTS ON LOCAL REVENUE

The table below calculates the amount of tax revenue that local agencies received in FY 2021 and FY 2022 as a result of the economic activity generated by the live performance tax credit program. Camoin Associates calculated the proportion of live performance industry spending associated with credit-eligible projects (total sales figures from Table 2) relative to total sales across all industries in FY 2021 (the most recent year for which data were available). This percentage was then applied to Louisiana's total local tax collections in FY 2020 and FY 2021 (the most recent years available) to determine the portion of tax collections attributable to the live performance tax credit program.

This methodology is based on the assumption that the share of credit-related industry spending relative to the total state sales activity is approximately equal to the share of local tax collections attributable to the tax credit program. In other words, the live performance industry activity makes up a certain percentage of the state's total economic activity, and therefore, the live performance industry accounts for a similar percentage of the local jurisdictions' revenue.

In total, the live performance tax credit program resulted in approximately $462,000 in new local tax revenue in FY 2021 and $217,000 in FY 2022.

[1] As determined in the 2019 study, *Economic and Fiscal Impact of Louisiana Entertainment Tax Credits* conducted by Camoin Associates with Louisiana Entertainment. Camoin Associates worked with the state to determine the portion of workers' earnings that generate revenue for Louisiana.

Table 4

Fiscal Impact of the Live Production Tax Credit Programs on Local Revenue

	FY 2021		FY 2022	
Total New Sales Attributable to Program		$20,945,872		$9,105,540
Total State Sales in FY 2021		$500,873,734,593		$500,873,734,593
% of All Sales		0.004%		0.002%
	Total Public Collections (FY 20)	**Tax Generated** (0.004%)	Total Public Collections (FY 21)	**Tax Generated** (0.002%)
Local Revenue	$11,053,084,340	**$462,225**	$11,946,698,781	**$217,183**

*Total local revenue estimated based on 2020 Census figures comparing state revenue to local revenue in Louisiana.

Note: Tax Generated calculated as Total Public Collections x % of All Sales for individual programs.

Source: Lightcast (formerly Emsi), State of Louisiana, U.S. Census, Camoin Associates

TOTAL IMPACT ON PUBLIC REVENUE

Combining the state revenue and local revenue calculated above, the table below shows the total impact of the live performance tax credit programs on public revenue streams.

Table 5

Total Impact of the Live Production Tax Credit Program on State and Local Revenue

	FY 2021	FY 2022
New State Revenue	$958,235	$442,186
New Local Revenue	$462,225	$217,183
Total New Public Revenue	**$1,420,460**	**$659,369**

Source: Camoin Associates

RETURN ON INVESTMENT

The State is essentially investing in the live performance industry in Louisiana through the use of the tax credit program. When considering the return on that investment, there are a number of ways to look at it, including direct new state and local tax revenue generated by the industry and additional sales/earnings in the state that are attributable to the program. The following tables show the impact of the live performance tax credit program on the state's finances, overall state resident earnings, and industry sales.[2]

Source: Louisiana Economic Development

[2] Because the state typically appropriates all available state general funds each year, the return on investment in Tables 6 and 7 denotes a maximum value due to the balanced budget requirement in state government. Under a balanced budget constraint, funds that are spent on the incentive generating a positive multiplier impact are no longer spent elsewhere in the budget, implying a negative multiplier impact in the state that could offset this return calculation.

ADDITIONAL PUBLIC REVENUE PER DOLLAR OF TAX CREDIT

STATE AND LOCAL TAX REVENUE

As calculated in the previous section, the live performance tax credit program generated over $1.4 million in additional state and local tax revenue in FY 2021 and over $659,000 in FY 2022. With over $2.2 million in credits certified in FY 2021 and nearly $1.0 million certified in FY 2022, this means that the return on investment for live performance programs was approximately 0.64, or about 64 cents in tax revenue for every dollar of the tax credit, in FY 2021, and approximately 0.67 in FY 2022. This ratio contemplates only the tax revenue generated and must be understood in terms of the jobs, wages, and economic activity associated with the tax credits. Additionally, this type of analysis is based on the best available data and readers should expect a slight margin of error in the return on investment (ROI) of approximately +/- 10%.

Table 6

Return on Investment of the Live Production Tax Credit Program – State and Local Tax Revenue

	FY 2021	FY 2022
State and Local Tax Revenue	$1,420,460	$659,369
Credits Certified	$2,222,466	$986,038
Return on Investment	**0.64**	**0.67**

Source: Camoin Associates

STATE TAX REVENUE

Louisiana's state government issues the tax credits and bears the cost of doing so. Therefore, a more conservative calculation of the program's return on investment excludes local tax revenue collected as a result of the program. The live performance tax credit program generated over $958,000 in additional state tax revenue in FY 2021 and over $442,000 in FY 2022. This means that the return on investment for the live performance tax credit program was approximately 0.43, or about 43 cents in tax revenue for every dollar of the tax credit in FY 2021, and approximately 0.45 in FY 2022. Again, this is a conservative calculation based only on state tax revenue generated and the recognition that the state covers the cost of the credits issued.

Table 7

Return on Investment of the Live Production Tax Credit Program – State Tax Revenue

	FY 2021	FY 2022
State Tax Revenue	$958,235	$442,186
Credits Certified	$2,222,466	$986,038
Return on Investment	**0.43**	**0.45**

Source: Camoin Associates

DYNAMIC IMPACT OF PROGRAM ON STATEWIDE EARNINGS AND SALES

As shown in the Economic Impact Analysis, the live performance tax credit program resulted in new earnings and sales for residents and businesses in Louisiana. Table 8 calculates how the credits issued resulted in economic activity in the state. Specifically:

- For every one dollar of credits certified, there were an additional $4.96 in earnings in FY 2021 and $5.15 in earnings in FY 2022.
- For every one dollar of credits certified, there were an additional $9.42 in sales in FY 2021 and $9.23 in FY 2022.

Table 8

Dynamic Impact of the Live Production Tax Credit Program on Earnings and Sales

Additional Resident Earnings		
	FY 2021	**FY 2022**
Total Earnings	$11,014,195	$5,082,598
Total Credits Certified	$2,222,466	$986,038
Tax Credit Multiplier on Earnings	**4.96**	**5.15**
Additional Statewide Sales		
	FY 2021	**FY 2022**
Total Sales	$20,945,872	$9,105,540
Total Credits Certified	$2,222,466	$986,038
Tax Credit Multiplier on Sales	**9.42**	**9.23**

Source: Camoin Associates

ATTACHMENT A: WHAT IS ECONOMIC IMPACT ANALYSIS?

The purpose of conducting an economic impact study is to ascertain the total cumulative changes in employment, earnings, and output in a given economy due to some initial "change in final demand". To understand the meaning of "change in final demand", consider the installation of a new widget manufacturer in Anytown, USA. The widget manufacturer sells $1 million worth of its widgets per year exclusively to consumers in Canada. Therefore, the annual change in final demand in the United States is $1 million because dollars are flowing in from outside the United States and are therefore "new" dollars in the economy.

This change in final demand translates into the first round of buying and selling that occurs in an economy. For example, the widget manufacturer must buy its inputs of production (electricity, steel, etc.), must lease or purchase property and pay its workers. This first round is commonly referred to as the "Direct Effects" of the change in final demand and is the basis of additional rounds of buying and selling described below.

To continue this example, the widget manufacturer's vendors (the supplier of electricity and the supplier of steel) will enjoy additional output (i.e., sales) that will sustain their businesses and cause them to make additional purchases in the economy. The steel producer will need more pig iron and the electric company will purchase additional power from generation entities. In this second round, some of those additional purchases will be made in the US economy and some will "leak out". What remains will cause a third round (with leakage) and a fourth and so on in ever-diminishing rounds of industry-to-industry purchases. Together, these are the "Indirect Effects". Finally, the widget manufacturer and its suppliers have employees who will naturally spend their wages. Again, those wages spent will either be for local goods and services or will "leak out" of the economy. The purchases of local goods and services will then stimulate other local economic activity. These effects are referred to as the "Induced Effects" of the change in final demand.

Therefore, the total economic impact resulting from the new widget manufacturer is the initial $1 million of new money (i.e., Direct Effects) flowing into the US economy, plus the Indirect and Induced Effects. The ratio of Total Effects to Direct Effects is called the "multiplier effect" and is often reported as a dollar-of-impact per dollar-of-change. Therefore, a multiplier of 2.4 means that for every dollar ($1) of change in final demand, an additional $1.40 of indirect and induced economic activity occurs, for a total of $2.40.

Key information for the reader to retain is that this type of analysis requires rigorous and careful consideration of the geography selected (i.e., how the "local economy" is defined) and the implications of the geography on the computation of the change in final demand. If this analysis wanted to consider the impact of the widget manufacturer on the entire North American continent, it would have to conclude that the change in final demand is zero and therefore the economic impact is zero. This is because the $1 million of widgets being purchased by Canadians is not causing total North American demand to increase by $1 million. Presumably, those Canadian purchasers will have $1 million less to spend on other items and the effects of additional widget production will be canceled out by a commensurate reduction in the purchases of other goods and services.

Changes in final demand, and therefore Direct Effects, can occur in a number of circumstances. The above example is easiest to understand: the effect of a manufacturer producing locally but selling globally. If, however, 100% of domestic demand for a good is being met by foreign suppliers (say, DVD players being imported into the US from Korea and Japan), locating a manufacturer of DVD players in the US will cause a change in final demand because all of those dollars currently leaving the US economy will instead remain. A situation can be envisioned whereby a producer is serving both local and foreign demand, and an impact analysis would have to be careful in calculating how many "new" dollars the producer would be causing to occur domestically.

Leading action to
grow your economy

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