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FISCAL IMPACT REPORT

SPONSOR Maestas/Trujillo, J. ORIGINAL DATE 2/22/19
 LAST UPDATED 2/25/19 HB 653

SHORT TITLE Film Set Internship Program SB _____

ANALYST Klunt

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Impact	See Fiscal Impact		Recurring	Film Credit Liability
		\$150.0	\$150.0	\$300.0	Recurring	General, WSD OpBud

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
 Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

House Bill 653 (HB 653) requires the Workforce Solutions Department (WSD) to establish a film set internship program through a public private partnership (P3). The department will establish guidelines, register interns, work with private nonprofits to serve as the program administration and manage the interns on film sets.

Interns must be at least 18 years old and successfully complete a certificate or degree program with a focus on film. The private nonprofits must provide orientation training, serve as the employer of record, provide workers' compensation insurance, work to place the interns with productions and ensure guidelines and state laws are being followed. An intern will not be paid more than 135 percent of the state's minimum wage but if a production has a budget less than \$1.85 million they may use unpaid interns. An intern listed in the closing credits if they work more for than 80 percent of the production time on a film or on a television episode. If a production employs paid interns, they will qualify for a rebate of 50 percent of net wages, excluding taxes, benefits and payroll costs. The program will be funded through a 1 percent assessment of the Film Production Tax Credit that the production company receives.

FISCAL IMPLICATIONS

House Bill 653 (HB 653) earmarks one percent of the film production tax credit, equaling \$500 thousand per year, to a film set internship program to cover 50 percent of an intern's net wages upon completion of the project. This earmark could increase the state's film credit liability by reducing the amount of money that can be paid out to the industry in a single fiscal year under the current cap. The LFC estimate for the backlog in total accrued liabilities in FY19 is about \$211 million after paying out the required \$50 million under the cap.

WSD is concerned the agency would need an additional \$150 thousand and FTE to implement the administration of the program required by this bill.

SIGNIFICANT ISSUES

EDD noted HB 653 does not set a cap on the amount that could be paid out to production companies. With 1 percent of all Film Production Tax Credits going to fund this program, and no more than 10 percent of the total going to administration costs, this program may run into the same backlog issues that now face the EDD Film Office.

The New Mexico Film Office (NMFO) is required to assess a 1 percent fee at the time the production registers. NMFO will be using estimates to determine this fee based of an estimated budget from the production company. HB 653 would require inter-governmental communications as well as communications with the private sector that may be difficult to disseminate due to the protected taxpayer information as well as upon the NDAs customarily entered into by the Film Office. NMFO.

TRD believes the residency requirements in the bill may ensure that some of the expenditures from the film production tax credit remain investments in New Mexico's workforce. The program may incentivize film projects to hire New Mexico based interns and therefore improve the quality and training of the local New Mexico film industry.

CNM Provided:

“CNM is an active supporter of film in New Mexico and encourages all students to participate in work experience programs, such as internships or apprenticeships, to improve employability upon graduation from any degree or certificate programs offered by the College.

Over the last eight years, 1,616 students have enrolled in film courses at CNM. 581 students graduated from the following CNM film programs over the last eight years: Construction for Film, Associate of Arts in Film, Film Crew Technician, Associate of Applied Science in Film Production, and Post Production Technician. CNM Ingenuity has also worked collaboratively with the New Mexico Film Industry, offering CNM properties as shooting locations and creating a production office for rent in one of its buildings. Not only has CNM Ingenuity provided services to film companies, it has provided opportunities for CNM film students to connect with film productions taking place in Albuquerque.

In addition, CNM has included student work experience as a strategy to support student

success in its 2016-2020 Strategic Direction Plan. The College has worked to connect all students to work experience through internships at local businesses and through apprenticeship opportunities. HB 653 would be in alignment with work already underway by the College, and CNM students would benefit from opportunities for paid film internships.

However, there are several questions of implementation and timing for establishing this program. The bill does not state if the one percent assignments would begin immediately in FY20 or if groundwork needs to be laid with the film production companies. What is the timeline for payment of film tax credits, and how will this impact the timeline for establishment of the fund? There is also no way to determine the number of interns to be supported by this fund. Since interns' wages would be tied to the state minimum wage, the number of interns supported by the fund could decrease as minimum wages increase, and the fund would likely be depleted over time.”

TECHNICAL ISSUES

CNM provided:

“Although CNM has provided film training to New Mexico students for fifteen years, the College has not completed a pilot project with the City of Albuquerque, the Kellogg Foundation, and a nonprofit film training corporation as stated in Section 1.A of HB 653. While the Kellogg Foundation has provided significant support to CNM, none of the Kellogg funding for the College has gone to its film training programs. Additionally, the College has worked with the City often on projects such as Running Start for Careers, a dual credit partnership that included industry input, and recently established a memorandum of understanding to work with the City on a film campus to be located in the future at the Rail Yards in Albuquerque. However, the Rail Yards plan is a forthcoming project, not a completed pilot. As such, CNM should be removed from the language in Section 1.A in regards to the two-year pilot project.

The language of HB 653 also does not specify if the 10 percent DWS may use for administration would be the compensation to the nonprofit film training corporation and there are no other indications of how the nonprofit, which would house the program administrator, would be compensated.

Additionally, it is unclear if the nonprofit entity will directly pay interns, since the enumerated role of the program administrator is to serve as the employer of record (Section 1.C.2). It is also unclear if there is already a nonprofit film training corporation that has agreed to this, how that nonprofit will be compensated, and how the relationship between the nonprofit, DWS, the NM Film Office, and film production companies will work. Will the Film Office and DWS work with the film production companies to establish the one percent assignments to the fund from their tax credits? Have film production companies expressed a willingness to agree to using their tax credits to fund internships? Will the program administrator from the nonprofit pay the interns or will the film companies manage payroll? Will the film company or the program administrator provide oversight and training for the interns? HB 653 also states that the program administrator will provide assessments of interns at the end of their program, but if the film company is actually spending the time training and supervising interns, they may be

in a better position to assess interns.

Clarifying the language in the bill to address these uncertainties would significantly strengthen the chance for a successful implementation of the film internship program should HB 653 become law.”

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