Connecticut’s investments in film industry are paying off, new report says

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Connecticut’s tax credit programs for film, television and digital media production have fostered economic development that may not have occurred in their absence, a new study from the Connecticut Department of Economic and Community Development has found.

Since 2012, the state’s three film sector incentive programs — targeted at media production, as well as the construction of facilities to support that activity — have led to job growth, personal income growth and a rise in the state’s economic output, according to researchers with industry consultancy Olsberg-SPI, who conducted the study for DECD.

“The results of this Study show that Connecticut’s incentives … have contributed significantly to the development of the state’s film and television ecosystem,” the researchers concluded.

A scene from "Soul Santa," filmed in Hartford for the BET channel. (Keith Nielsen)

In fiscal year 2020, Olsberg-SPI attributed 2,978 direct, indirect and induced jobs — those created by the additional money direct and indirect workers spend locally on goods and services — to the film tax credit programs, up from 2,644 in fiscal year 2012 and a low of 842 in 2013. Personal income in those jobs grew from $136 million in 2012 to $199 million in 2020.

As companies in the sector spent more on production, rising to $444 million in 2020 from $388 million in 2012, the state saw a rise in direct, indirect and induced economic output overall. In 2020, Olsberg-SPI found, the incentives boosted Connecticut’s economy by $359 million — a return on investment the study said was worth $4.60 for every dollar spent.

“Connecticut’s unique incentives offer has enabled the state to achieve what a number of other jurisdictions are aiming to do — i.e. encourage Screen producers and investors to build infrastructure and commit on a longer-term basis,” the study found.

The combined effects of Connecticut’s production and infrastructure programs have led to a heavier emphasis on digital media and television projects such as sports broadcasting, talk shows and other television series production in the state. (Theatrical feature-film projects, which tend to be shorter-lived, currently do not qualify for Connecticut tax credit programs.) There’s no cap on the state’s Film and Digital Media Production Tax Credit program and no limit on the number of years companies can apply for it. According to the report, there are a number of new infrastructure projects are underway that intend to draw on the Film Infrastructure Tax Credit in the coming years.

"In focusing on long-form production rather than solely on film, the state has built stable production throughput, rather than focusing only on itinerant projects," the study found.

As industry grows in CT, so do the incentives.

But that also could mean Connecticut has to keep up its annual expenditures on the tax credit programs if it wants to prevent film, television and digital production from leaving the state.

As part of its research, Olsberg-SPI surveyed 37 of the 90 companies that have received tax credits under Connecticut's programs. "When asked how much of their productions would have happened in Connecticut without the incentive, the average (median) response was that there would be no production without the incentive," the study found.

Dozens of other states offer enticing tax credits targeted at the sector. Without an incentive to stay, **media companies could decide to shift portions of their operations** — a network, a show or a streaming service, for example — to a studio facility outside Connecticut.

Yet the longer these productions stick around — and grow — the more they cost the state to support. According to the study, the annual volume of projects applying for Connecticut's marquee tax credit program has hovered between 25 and 41 since 2012. But the average expenditure per project has jumped from $8.7 million in 2012 to $12 million in 2020. (The credit awards are calculated as a percentage of how much was spent on production.)

Commissioning the study

DECD called on Olsberg-SPI to provide an assessment of the program's success thus far. At the time the study was commissioned, the numbers weren't looking good. **DECD reported** in 2019 that the average economic impact of the Film and Digital Media Production Tax Credit amounted to an annual loss of $58,510,604 in net revenue — well over half a billion dollars between 2010 and 2019.

While the industry had created thousands of jobs and generated hundreds of millions of dollars in personal income and billions of dollars in economic value, it had come at a cost. The study aimed to figure out how high.

"We sought out a reputable company with experience in the space and commissioned the independent Olsberg study in order to take a deeper dive in an effort to better understand the dynamics and performance of the film incentives," George Norfleet, director of DECD's film, television and media office, said in an email. The report was initially expected last year but was delayed by several months.

Olsberg-SPI, which specializes in studying the "creative Screen industries," has conducted similar reports for the states of **New Mexico**, **Utah** and **Ohio**, and for countries including the **United Kingdom**. Some **critics have questioned** whether the consultancy's motivations are too closely aligned with the film and television industry.

"They have a very strong economic reason to make sure that these reports show a positive impact," said Michael N'dolo, an economic development consultant who has studied film tax credits in several states. "That in and of itself does not necessarily mean that they're wrong," he said.

Olsberg-SPI didn't respond to an email request for an interview.

The big question

In response to the results of the study this week, Norfleet said it showed the tax incentive programs "are succeeding in creating in Connecticut a bona fide screen ecosystem of film,

television and media companies.” The study also encouraged restoring the tax credits for theatrical feature-film production, which Norfleet said, “would certainly increase the crew base” in the state.

“We do have that type of filming going on here, and it is measurable, and it is impactful. Certainly if we specifically were to incentivize that type of production, it would increase,” he said.

Lawmakers may be prompted to ask whether existence of that “ecosystem” is worth the state’s ongoing investment in the programs.

Olsberg-SPI calculated a return-on-investment to the state economy of $4.60 for every dollar spent. But economic value isn’t always the best way to measure the impact of spending on an industry-specific tax incentive.

A state or country might produce hundreds of millions more dollars’ worth of some product (i.e., generating economic value), but if workers’ wages stay the same, the local impact doesn’t change much, N’dolo said.

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“For the average person in Connecticut, they care about what they or their family is getting out of the deal,” he said.

Experts say it can be more meaningful to look instead at metrics like tax revenue coming to the state and the total amount of income earned by state residents working in the sector or in related jobs, also known as “labor income.”

For fiscal year 2020, direct, indirect and induced labor income amounted to $199 million in Connecticut, according to the study. That same year, the state paid about $134 million in film tax credits and took in about $38 million in tax revenue associated with those projects. (Local property and other taxes added another $41 million in revenue in Stamford, Bristol and other communities where production commonly takes place.)

In tax revenue and labor income, the state and its residents made back about $1.75 for every dollar spent on tax credits for the film, television and digital media sector. State lawmakers will have to decide whether that kind of return is worth keeping the program going.