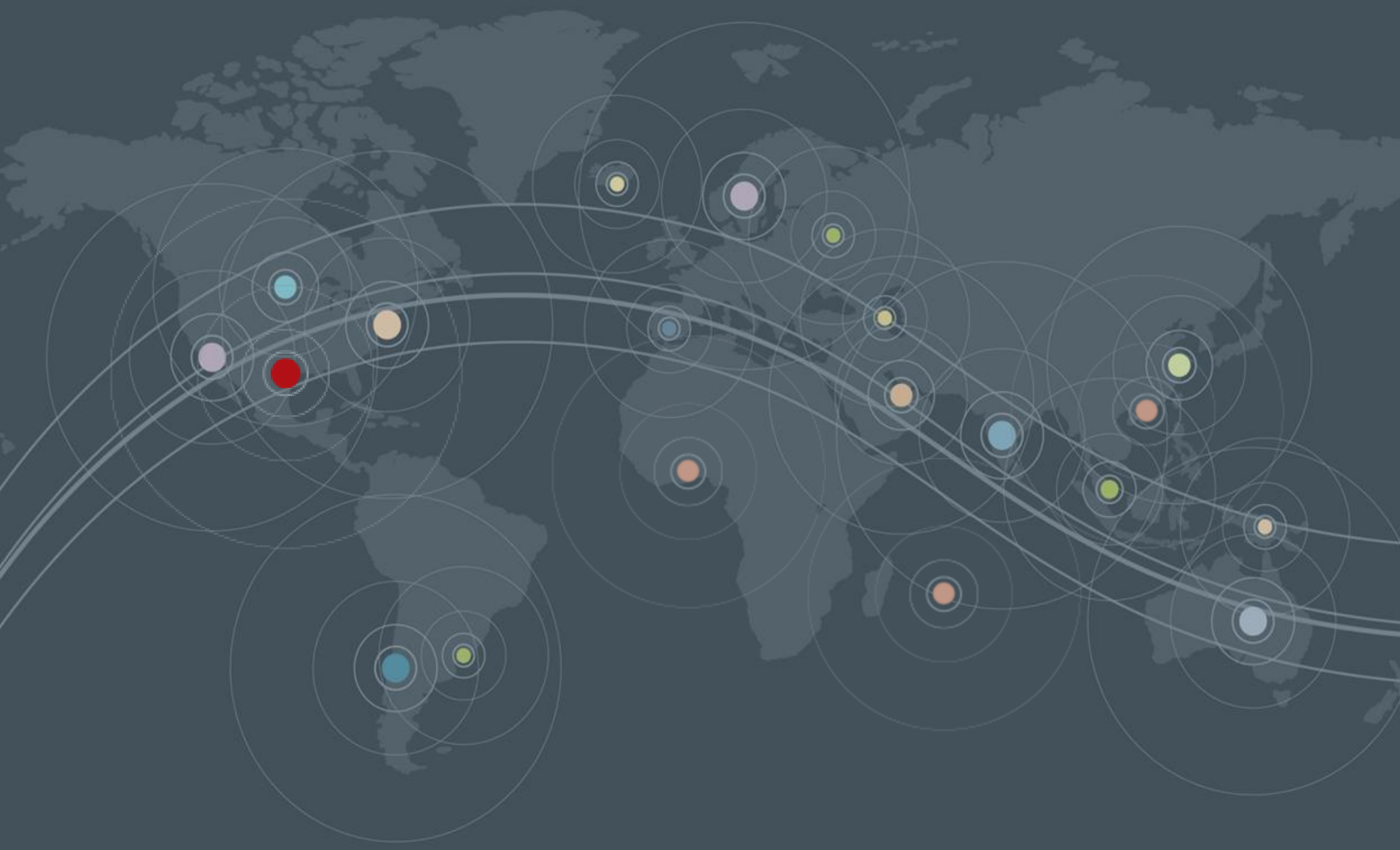
Economic Impact of the New Mexico Film Production Tax Credit

A Study for the New Mexico Film Office by Olsberg•SPI



19th November 2021

OLSBERG•SPI

Contents

1. SUMMARY OF KEY FINDINGS

The Economic Importance of the New Mexico Film Production Tax Credit

$854 million
Direct economic output
of projects accessing the tax credit between FY20 and FY21

$160 million
Production tax credit issued
between FY20 and FY21

$995 million
Total Gross Value Added
generated by the tax credit between FY20 and FY21

241
Separate eligible productions
accessed the tax credit between FY19 and FY21

$8.40
Economic return on investment
for every dollar of tax credit outlay

Film and television production expenditure ripples through the local economy and impacts a wide range of sectors, including those heavily affected by the COVID-19 pandemic

2. EXECUTIVE SUMMARY

2.1. About the Study

In May 2021, the New Mexico Film Office ("**NMFO**") commissioned creative industries consultancy Olsberg•SPI ("**SPI**") to undertake an independent evaluation of the economic impact of the New Mexico Film Production Tax Credit (the "**Study**").

This analysis covers standard economic impact measures, including Gross Value Added (GVA), and economic Return on Investment (RoI), as well as effects of incentivized activity on the film and television production supply chain, the geographic impact of in-state production spending, and effects on tourism[1]. As overall film and television employment in New Mexico has recently been calculated for the New Mexico Economic Development Department (EDD) using a different methodology, SPI has been asked not to include employment metrics.[2] The EDD's calculations relating to employment are appended in a separately authored document which has not been reviewed by SPI.

Sources of data cover registration forms, film statistics forms, application forms to the New Mexico Taxation and Revenue Department, data on the disbursement of the tax credit, as well as consultations with supported productions, legislators, vendors and other stakeholders.

Due to data limitations and a change in administration, the study considers the impact since July 2019 (FY20[3]) only.

2.2. Context

In recent years, there has been a deluge of film and television production on a global basis. This is driven by voracious demand for all types of content from consumer and investors alike – which include newer entrants, as well as established broadcasters and studios. Governments and legislators in jurisdictions of all sizes have increasingly recognized and valued the considerable economic and other benefits delivered by this global growth sector, especially as they look to diversify their economies and recover from the economic effects of the COVID-19 pandemic.

Against this backdrop, New Mexico legislators have highlighted film and television production as a key growth sector to diversify the state economy, with particular interest in the added value and economic impact of the New Mexico Film Production Tax Credit. The details of the tax credit are summarized in the table below.

Table 1
Overview of the New Mexico Film Production Tax Credit[4]

New Mexico Film Production Tax Credit: Key Elements	
Value	25-35% of eligible spend in state (not total spend)
Type	Refundable Tax Credit
Cap	Annual budget of $110 million, $100 million limit on backlog. New Mexico Film Partners (including Netflix and NBCUniversal) are exempt from cap.

[1] Economic Return on investment is a measure of how much economic value, in terms of total GVA, is created for the State of New Mexico for every $1 of state investment in tax credits. The economic RoI calculation removes costs to the state, including the total amount of tax credit outlay. A glossary is provided in Appendix 2

[2] *Empower & Collaborate. New Mexico's Economic Path Forward*. New Mexico Economic Development Department. Prepared by the Center for Innovation Strategy & Policy @ SRI International, October 2021

[3] FY stands for Fiscal Year. FY20 is July 19 to June 2020 and FY21 runs July 20 to June 21

[4] For full information see *FYI-370*. New Mexico Taxation and Revenue Department. Accessible at: https://nmfilm.com/wp-content/uploads/2020/09/FYI-370-Information-Regarding-Film-Prouction-Tax-Credits.pdf

Alongside the tax credit, the NMFO runs a series of initiatives to support the development of the New Mexico crew base and encourage inward productions to invest in film and television production infrastructure in state.

2.3. New Mexico Film and Television Production and Incentive Use

Production activity and expenditure in New Mexico is increasing. In FY21, expenditure reached its highest recorded level at $623.8 million. Although the industry was restricted by COVID-19 in FY20, production has shown significant resilience, rebounding back to higher than before the pandemic in the last financial year. While expenditure has been rising, the number of productions in New Mexico has fallen, reflecting rising average production budgets.

Television productions make up around 60% of projects covered by the incentive, which is in line with global trends, with television series production driving a significant amount of growth.

The Film Production Tax Credit program attracts significant expenditure to New Mexico. In FY20 and FY21, the estimated cost of the tax credit was $160 million, incentivizing over $920 million in production expenditure.

Most production activity in New Mexico is focused in urban areas in and around Albuquerque and Santa Fe. The rural uplift attempts to incentivize rural production through the provision of an additional 5% incentive on expenditure outside of these two main hubs. There has been a gradual increase in rural production spend of $4.5 million in FY20 and $6.6 million in FY21. Nevertheless, rural spend is still only a small proportion of production – 1.1% in FY21.

2.4. Economic Impact of Production and the Tax Credit

Production activity in New Mexico involves purchases and payments to a wide variety of industries and individuals, which impact a wide range of industrial sectors throughout the state's economy – including construction, hotels and real estate. During the COVID-19 pandemic, when the tourism and hospitality industry in New Mexico was badly hit, film and television production provided a vital source of income.

Evidence from a survey of production companies and confidential consultations undertaken for this Study indicates that the incentive is an important factor in drawing production expenditure to New Mexico and that very little production activity would be attracted to New Mexico without the incentive. The economic impact findings presented here reflect this high level of additionality.

In FY20 and FY21, the total direct output associated with the production tax credit was $854 million. Indirect impacts describe the impact of the uplift of activity in the supply chain and induced effects are created as a result of the wages of those working in the production sector. When indirect and induced effects are added to this, the total output attributed to the credit over these two years is $1.39 billion.

As noted, SPI has been asked not to include employment metrics, which are appended in a separately authored document.

GVA is a measure of the value that is created by economic activity, and is the difference between gross output and intermediate inputs. These are the goods and services utilized by an industry in producing its gross output. SPI's analysis using the IMPLAN economic model indicates that in FY20 and FY21, the total GVA created by the tax credit was $995 million including $696 million in direct GVA (2021 prices).

The economic RoI is a measure of how much economic value is created per $1 of investment in tax credits by the state of New Mexico. The economic RoI calculation removes the costs to the state, including the total amount of tax credit outlay.

Overall, the tax credit program has a positive and significant economic RoI in terms of GVA created. Across the two years, the economic RoI is 8.4, meaning that for every $1 invested through the program, the benefit to the state economy is $8.40 in terms of additional economic value.

Table 2 displays the additional impact of the credit and accounts for deadweight. Figures are in £million and rounded to the nearest $100,000.

Table 2
Economic impact of the NM Film Tax Credit

	Year	FY 20 ($million)	FY 21 ($million)
Output	Direct	273.1	573.9
	Indirect	87.3	183.8
	Induced	83.2	175.5
	Total	443.6	933.2
GVA	Direct	223.9	470.4
	Indirect	49.6	104.5
	Induced	46.1	97.2
	Total	319.6	672.1

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2.5. Wider Strategic Impacts of the Tax Credit

New Mexico has been featured as a location in many successful films and television series that have been produced in the state. The most notable of these has been internationally recognized television series *Breaking Bad* (2008-2013) and its prequel *Better Call Saul* (2015-2022) shot in Albuquerque and Santa Fe.

The locations have benefited from being associated with the series and attracted tourists from around the world, with multiple *Breaking Bad* themed tours and merchandise. *Breaking Bad* has also put New Mexico on the map for other productions, with its high-quality production providing a very strong example of what New Mexico is able to create.

The New Mexico film and television sector was able to bounce back quicker than other industries following COVID-19, with the NMFO's *Back2One* providing guidance on how to safely return to work, as well as protective equipment and testing.

2.6. Opportunities and Challenges for the Development of the Film and Television Production Sector in New Mexico

New Mexico is regarded as a notably film-friendly state, with a favorable tax credit and a supportive legislature. The NMFO team is also highly regarded.

Most supported producers and production companies responded positively when asked about the administration and conditions of the tax credit, stating it has been invaluable to their projects and productions. The state's comparatively low living and production costs were also noted.

A major challenge looking to the future is that New Mexico suffers from a lack of film and television production workforce capacity, at all levels and roles. Where local crew exist, they are either already committed to a project and/or are not at the level and role required – or they are located in another part of the state. The Film Crew Advancement Program (FCAP) has enabled many cases of crew members successfully moving up within departments. However, issues around familiarity of new inward productions with the program, as well as its application process, is limiting its potential impact.

Availability of high-quality production space is a common challenge highlighted by consultees, across all sizes of production. This was particularly relevant for soundstages and post-production facilities. There is optimism around the arrival of Netflix and potential other Film Partners to further invest in capital projects and growth in the state's production capacity.

Crew and infrastructure capacity is currently a sectoral challenge on a global basis – and while these factors are certainly key challenges for future growth in New Mexico they should also be regarded as opportunities.

There remains a challenge in reaching and benefiting communities outside the production hubs of Albuquerque and Santa Fe, where the rural uplift has limited ability to cover overnight costs.

Consultees highlighted a missed opportunity for the tax credit to more effectively engage with and amplify the voices of native communities and celebrate the diversity of the state.

2.7. Acknowledgements

SPI is very grateful for the assistance of Laird Graeser, NMFO, EDD, TRD, as well as consultees and sources of data.

3. THE GLOBAL FILM AND TELEVISION PRODUCTION DELUGE AND NEW MEXICO

3.1. The Global Film and Television Production Deluge

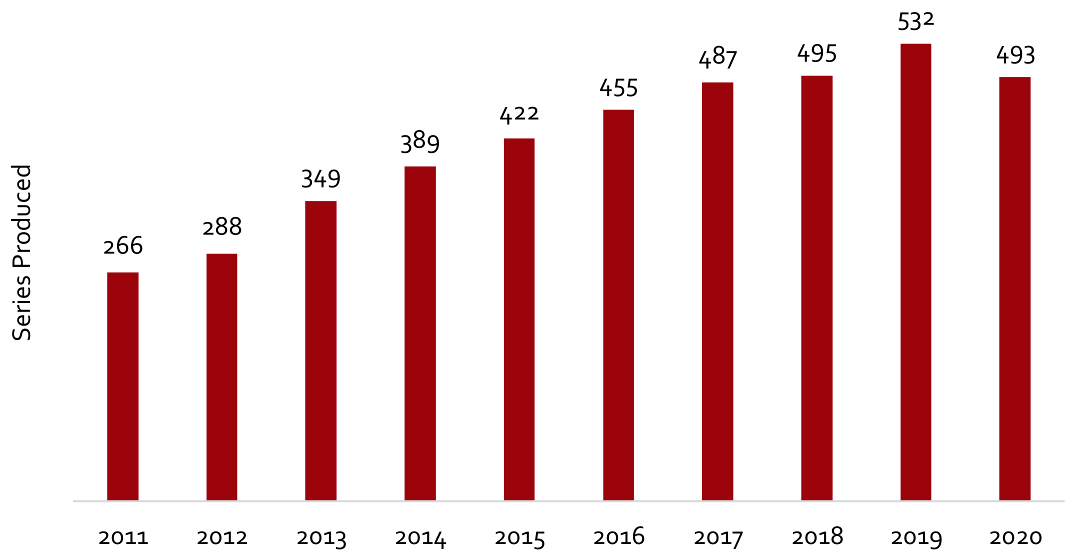
Recent years have seen an unprecedented deluge of film and television production in response to voracious consumer and investor demand. In 2019, an unprecedented $177 billion was spent on the production of feature-length films ($42.6 billion), television films, drama series and documentaries ($134.4 billion).[5]

In the US in 2019, according to calculations by UBS reported in the *Economist*, content spending by 16 companies was roughly equal to the sum invested in America's oil industry in the same year.[6]

This increase is being driven by streaming services such as Netflix, which is reported to have increased its content spend to over $17 billion in fiscal 2021.[7] Other new and well capitalized players have entered the market and investment from established studios and broadcasters has increased. Disney, for example, announced at its 2020 Investor Day that it expected its global direct-to-consumer content expense to be between $14 billion and $16 billion dollars across Disney+, Hulu and ESPN+ for fiscal 2024.[8]

Much of the growth has been driven by television series (Figure 1), although the production of feature film has also been increasing (Figure 2).

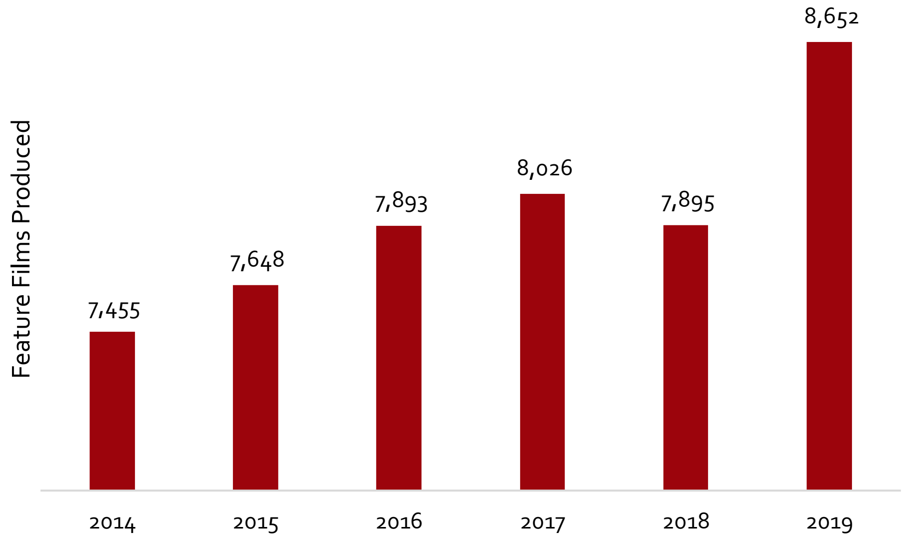
Figure 1
Scripted Original Series Production in the US, 2011-2020



Source: FX Networks Research

[5] *Global Screen Production – The Impact of Film and Television Production on Economic Recovery from COVID-19*. Olsberg•SPI, 25th June 2021. Accessible at: https://www.o-spi.com/projects/economic-impact-studies-research-and-evaluation-lyglh
[6] *The future of entertainment*. The Economist, 14th November 2019. Accessible at: https://www.economist.com/briefing/2019/11/14/the-future-of-entertainment
[7] *Netflix Reveals $17 Billion in Content Spending in Fiscal 2021*. Variety, 20th April 2021. Accessible at: https://variety.com/2021/tv/news/netflix-2021-content-spend-17-billion-1234955953/
[8] The Walt Disney Company investor day Transcript, 10th December 2020. Accessible at: https://thewaltdisneycompany.com/app/uploads/2020/12/Disney_Investor_Day_2020_transcript.pdf

Figure 2
Worldwide Feature Film Production, 2014-2019



Source: European Audiovisual Observatory

Governments of all sizes and jurisdictions have increasingly recognized and valued the considerable economic benefits delivered by film and television production. As a type of specialized and fleetfooted manufacturing activity, it creates modern, highly skilled, productive, and mobile employment. It also typically delivers an attractive return on public investment alongside a variety of other economic measures. It increases inward investment, stimulates tourism, helps national branding, and enhances soft power.

These economic benefits sit alongside the many cultural impacts delivered by the film and television ecosystem. These benefits have been recognized for decades and have often been the starting point for government strategies addressing the sector.

Despite initial disruption of film and television production by the COVID-19 pandemic, global spend on film and television production and licensing of new content by streamers, studios and independents has soared 16.4% year-on-year from $189.1 billion in 2019 to $220.2 billion in 2020. Furthermore, spend is forecast to rise to $250 billion in 2021, reflecting the resilience of the sector and significant demand for film and television content.[9]

3.2. An Opportunity for New Mexico

Compared to other US states, New Mexico has one of the lowest per capita personal incomes of US$46,338 in 2020, which ranks it 48th of the 50 US states.[10] Its economy is largely based on primary industries, such as gas and oil production, and agriculture. It also receives significant federal spending on in-state military production and services.

The current New Mexico Governor recognizes film and television production as key growth sector to diversify beyond primary industries, which are increasingly regarded as sunset industries, as well as increasing pressures to develop cleaner industries. In addition to this, legislators have highlighted the softer cultural impacts of film and television production, where

[9] Streaming drove 16.4% rise in 2020 global production, licensing spend to $220bn (report). Screendaily.com, 28th June 2021. Accessible at: https://www.screendaily.com/news/streaming-drove-164-rise-in-2020-global-production-licensing-spend-to-220bn-report/5160937.article
[10] Source: Bureau of Economic Analysis

the production and depiction of New Mexico in film and television provides positive publicity, branding, and unique interest to inward investors and tourists generally.

4. NEW MEXICO FILM PRODUCTION INCENTIVES

4.1. Background to Production Incentives

In a competitive global market where film and television production spend has reached unprecedented levels, tax incentives have become increasingly recognized by governments as an efficient and strategic policy tool to attract and strengthen local production sectors and build skills, employment, and infrastructure in a future-facing global industry, as well as attract high-value inward investment.

4.2. The New Mexico Film Production Tax Credit

The NMFO oversees the New Mexico Film Production Tax Credit and is responsible for registrations and management, with applications and disbursements managed by the New Mexico Taxation and Revenue Department. The tax credit has changed over the last few decades.

A tax incentive for film in New Mexico was first introduced in 2003 at a rate of 15%. The rate of the credit has risen over time to a base of 25%, with a maximum amount of 35% – and an additional 5% credit for productions that are shot at least 60 miles beyond the exterior boundaries of Bernalillo and Santa Fe Counties. The rebate can only be used on eligible qualifying expenditure, examples of which include:

- Above-the-line (ATL) expenditures for New Mexico cast and crew (including wages, benefits, workers' compensation, fringes and handling fees)
- Non-resident below-the-line (BTL) crew for services rendered in New Mexico (including wages, benefits, workers' compensation, per diem, and handling fees)
- New Mexico expenditure for services rendered in state on set construction and operations, set wardrobe, set accessories, set related services, photography, sound synchronization, lighting, editing, rental of facilities and rental of equipment. [11]

As noted, the credit covers ATL and BTL, although there is a cap of $5 million for non-resident performing artists and resident principal performing artists in a production.

The Non-resident BTL Crew Exception (NRCE) allows for a 15% credit for the payment of wages for BTL crew who are not New Mexico residents.

The incentive was last revised in 2019 with the Film Production Tax Credit Act coming into force in July that year. This Act raised the annual cap of the credit to $110 million and included the additional 5% credit for expenditure outside certain counties as specified above.

Uplifts to the 25% base are also available, including an additional 5% credit for standalone pilots intended for television series in New Mexico, as well as television series productions intended for commercial distribution with an order for at least six episodes in a single season. An additional 5% credit is also available if certain criteria are met regarding the use of qualified production facilities.

Meanwhile, FCAP provides an incentive of 50% of wages for up to 1,040 hours to employers providing on-the-job training (see Section 5.4).

To qualify for the tax credit, a production must be intended for exhibition and reasonable commercial exploitation.[12] The project must be commercially viable and available to the public either via purchase or because media buys are in place. The project can be from a wide range

[11] For full eligibility information see *FYI-370*. Ibid

[12] *Eligibility*. New Mexico Film Office webpage. Accessible at: https://nmfilm.com/for-filmmakers/incentives/eligibility/

of genres, including feature films, television and certain commercials as well as student films, and content-based mobile apps.[13]

4.3. The New Mexico Film Partner Program

A New Mexico Film Partner is a film production company that has made a commitment to produce films or commercial audiovisual products in New Mexico and purchased or executed a 10-year contract to lease a qualified production facility.

This entitles a Film Partner to access a separate, uncapped tax credit fund, allowing 25-35% of eligible expenditures (or costs). To date, two production companies have become Film Partners: Netflix and NBCUniversal.

This is a highly innovative program and likely pre-empts a wider industry trend for jurisdictions to focus more on encouraging longer-term production commitments. New Mexico has early mover advantage here, and the state has clearly been able to attract major investors.

4.4. Film Crew Advancement Program

The Film Crew Advancement Program (FCAP) is an on-the-job training program for New Mexican residents working primarily in technical industry positions. FCAP is part of the New Mexico State's Job Training Incentive Program (JTIP), which funds classroom and on-the-job training for newly created jobs in expanding or relocating businesses for up to six months. It is therefore subject to JTIP's $2 million cap.

Independent of the 25% Film Production Tax Credit, this program serves as an incentive for participating companies to provide job opportunities to New Mexico residents who are ready to move up within their department or are adding a new skill set. The objective of the FCAP is to address skill gaps within local crew. Rather than bringing crew in from out of state, the FCAP encourages production companies to invest in already engaged local crew.

The FCAP program provides a 50% reimbursement of qualifying participants' wages for up to 1,040 hours physically worked by the crew member. There are a range of specific criteria for both the production company and the crew member. These include that the project budget must be above $200,000; post-production companies and digital production are not eligible; applications must be submitted prior to principal photography commencing; and the crew member must work a minimum of 80 hours and a maximum of 1,040 per position.

Since its implementation in FY14, 270 production companies have qualified for the FCAP, supporting a total of 3,077 participants. This includes notable productions as *Breaking Bad*, *Roswell*, and *Preacher*. To date, just under $20 million has been provided in reimbursement of associated wages.

4.5. Operation Soundstage

Operation Soundstage (OSS) acts as a sub-program of the FCAP, focusing on military veterans interested in a job in the film and television industry. The OSS allows for an additional position on each production to be available specifically to a New Mexico veteran. To date, only a small number of veterans have taken part in the OSS sub-program.

4.6. The Giveback Program

The Giveback Program stipulates non-resident spend is invested in the New Mexico film industry. NMFO require that 2.5% of the total non-resident below-the-line crew direct production expenditure is spent on a list of specific Giveback Options. These are tiered based on value and include payment by the production to a fund for New Mexico educational institution, social media video posts promoting New Mexico, and an approved trailer to be used

[13] Ibid

by NMFO for its own social media. To date, $1.1 million has been provided to 16 film and media programs.

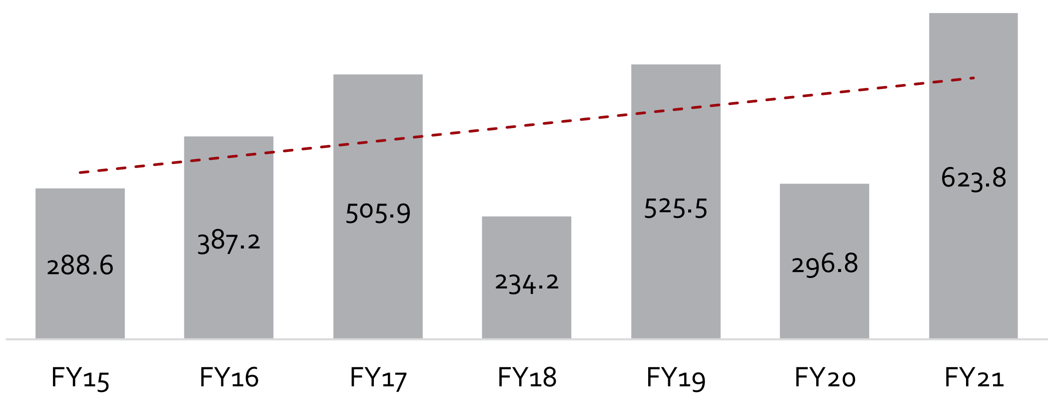
5. NEW MEXICO PRODUCTION AND INCENTIVE USE

5.1. Production Expenditure

Production activity in New Mexico has grown significantly since FY15 when data became available. The pattern of production expenditure is uneven, which is common in the industry and reflects a combination of reporting schedules and the uneven pattern caused by specific productions. Overall, there has been a positive growth trend since FY15 from $228.8 million to $623.8 million in the last fiscal year (FY21). Although the industry was affected by COVID-19 restrictions in FY20, expenditure indicates a strong rebound back to – and above – previous levels.

Initial data for FY22 (which runs to June 2022) suggest another strong year for production in New Mexico.

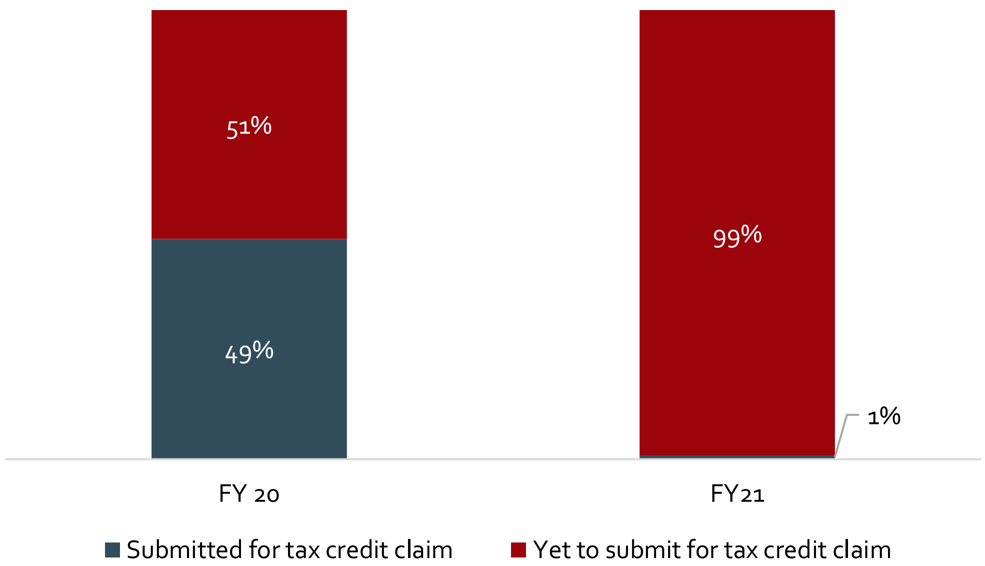
Figure 3
Direct Expenditure of Projects Accessing the New Mexico Film Production Tax Credit, FY15-FY21 ($m)



Source: data based on registrations submitted to NMFO. While any subsequently cancelled projects have been removed, audited final spend figures may vary

Of production expenditure undertaken in FY20, around half had been submitted in incentive applications to the New Mexico Taxation and Revenue Department by July 2021 (Figure 4). This shows the time lag between production expenditure occurring, and the submission and payment of the related the tax credit.

Figure 4
Film and Television Production Accessing the New Mexico Film Production Tax Credit — Expenditure in New Mexico, FY20-FY21 (% of submitted and yet to submit)

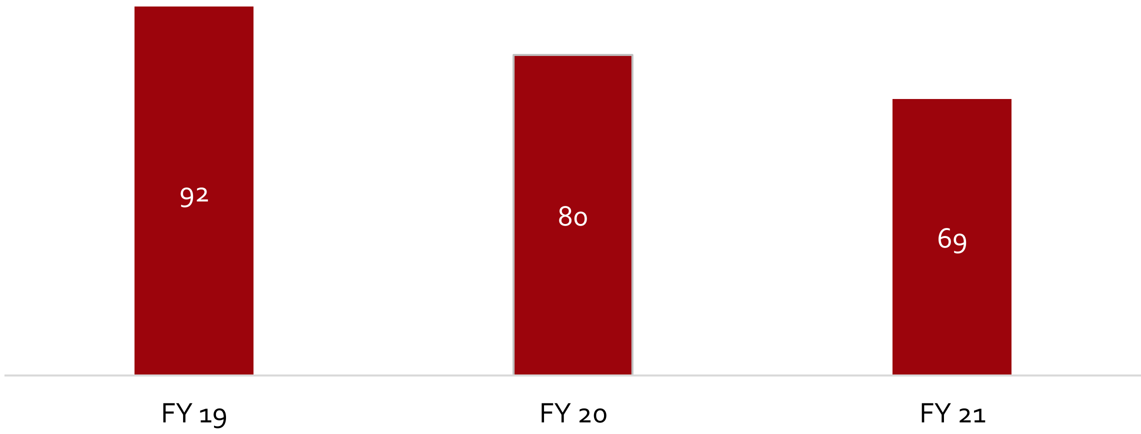


Source: registration data and application forms

5.2. Projects

The overall number of projects accessing the incentive has fallen since FY19, although the average project size has expanded, leading to an increase in expenditure overall (Figure 5). The average New Mexico spend per project was $5.7 million in FY19. By FY21 this reached $9.0 million.

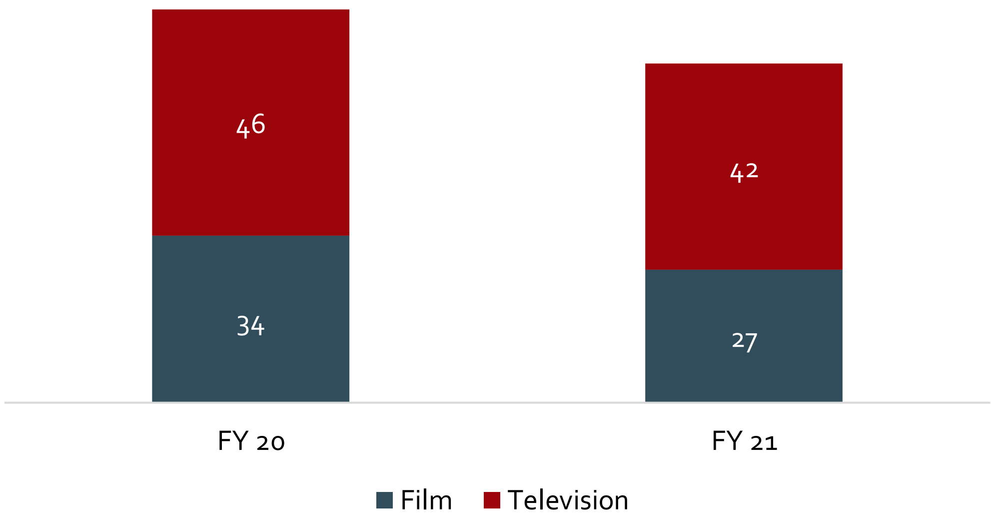
Figure 5
Number of Projects Accessing the New Mexico Film Production Tax Credit, FY19-FY21[14]



Source: Registration data. Note: Projects are allocated to the fiscal year when principal photography commenced in New Mexico

Analysis of the type of projects utilizing New Mexico's incentive shows a higher proportion of television[15] than films (Figure 6). The reflects global trends, with series production driving the majority of impact in many production markets

Figure 6
Type of Productions Accessing the New Mexico Film Production Tax Credit, FY20 – FY21



Source: Registration data

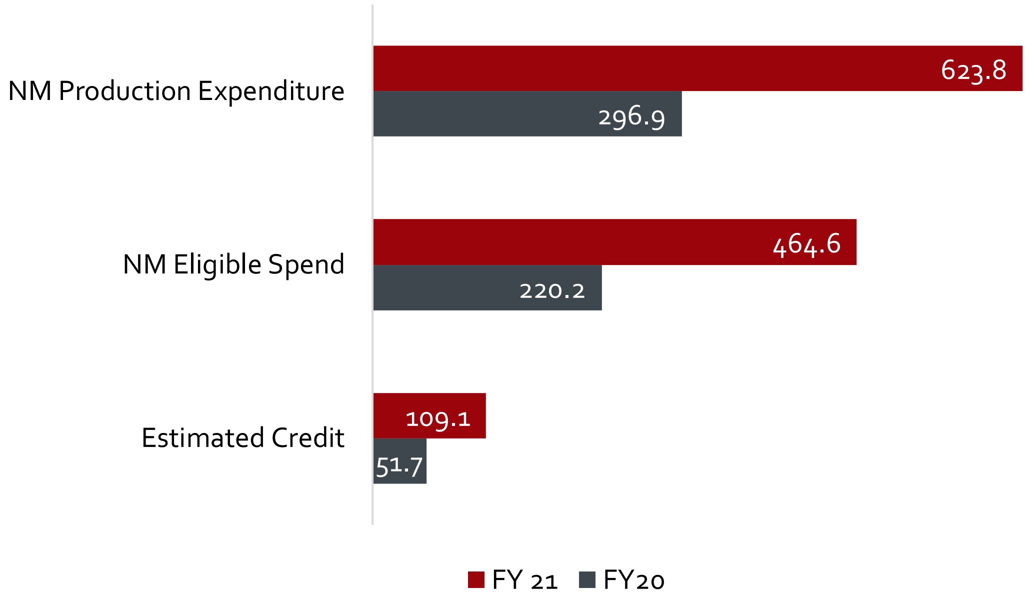
[14] The FY 21 data is the figure reported by July 2021, this has risen to 73 since the analysis was undertaken.
[15] NMFO define these projects as television projects

5.3. Credit Use

The incentive provides a credit of 25% of eligible production expenditure. This can be topped up by an uplift of 5% for rural expenditure by combining spend on a pilot and utilizing an eligible production facility. These uplifts are stackable to a maximum rate of 35%.

The estimated total tax credit associated with production in FY20 and FY21 is $160.1 million. The final tax credit amount will not be confirmed until the productions submit the full application.

Figure 7
New Mexico Production Expenditure, Eligible Spend and Estimated Credit for Projects Accessing the New Mexico Film Production Tax Credit, FY20 – FY21 ($m)[16]



Source: Registration data, NMFO

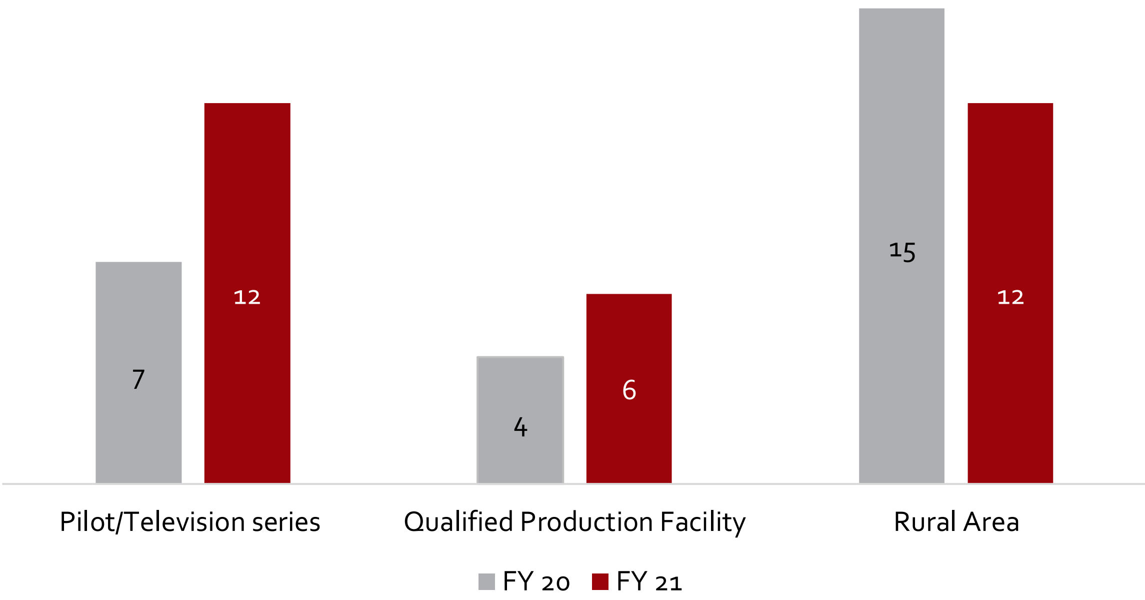
The total New Mexico production expenditure by projects funded by the credit is a third higher than the eligible spend indicating how the incentive is leveraging significant additional expenditure into the state.

5.4. Incentive Uplifts

The credit uplifts aim to encourage certain specified activities and it is designed to promote the development of a sustainable, diverse industry in state. Overall, in FY20 and FY21, 13% of projects qualified for the pilot/series uplift, 7% qualified through the use of specified production facilities and 18% accessed the rural uplift for a proportion of expenditure.

[16] All data is from registration forms submitted before NM principal photography. The NM Eligible spend is estimated at this stage and the estimated amount of credit is calculated by NMFO.

Figure 8
Number of Projects Accessing the New Mexico Film Production Tax Credit with an Uplift, FY20 – FY21



Source: Registration data

5.5. Rural Activity

Rural spend is defined as spend undertaken 60 miles outside of the county boundaries of Santa Fe and Bernalillo. The 5% uplift in credit amount aims to encourage more filming and production outside Albuquerque and Santa Fe to spread the economic impact of production across New Mexico.

There has been a gradual increase in rural production spend of $4.5 million in FY20 and $6.6 million in FY21. Nevertheless, rural spend is still only a small proportion of production – 1.0% in the latest financial year (Table 3).

This suggests that to encourage significant production out from the key urban centers, a coordinated approach to locations, crew development and infrastructure, alongside the rural uplift, may be required to grow rural production.

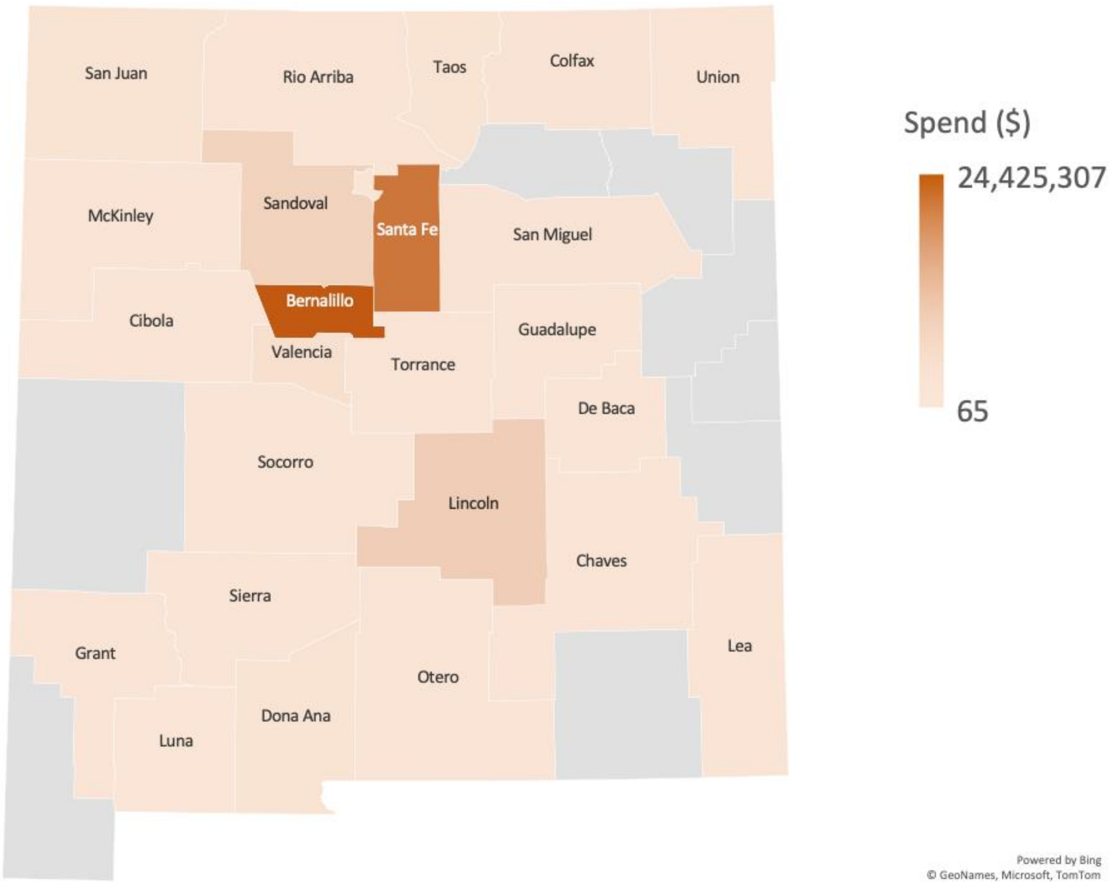
Table 3
Number of Projects Accessing the New Mexico Film Production Tax Credit with an Uplift, FY20 – FY21

Year	Rural Spend	% of NM budget
FY20	$4.5 million	1.5%
FY21	$6.6 million	1.0%

Source: Registration data

Unsurprisingly, production expenditure is concentrated in Bernalillo County and Santa Fe (Figure 9), but there is evidence of production expenditure in Sandoval ($2.9 million in FY20 – FY21) and Lincoln ($3.9 million in the same period).

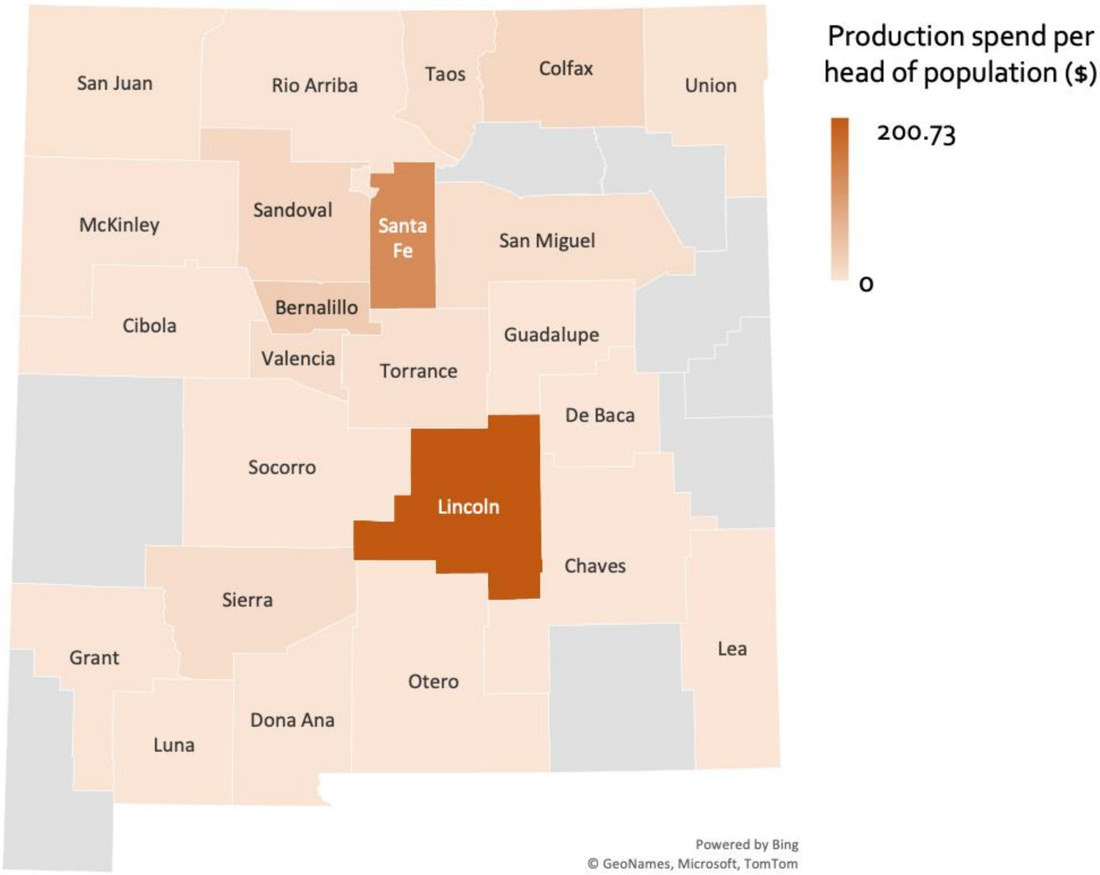
Figure 9
Production Expenditure of Projects Accessing the New Mexico Film Production Tax Credit by County, FY20 – FY21



Source: Stats forms for projects in FY20 and FY21, county spend data available for $57 million of production expenditure

When comparing the spend to population size (Figure 10), Lincoln has a particularly strong track record for production given its rurality. This county was a location for the independent film Wander in 2019, which us likely to be the driver of this pattern.

Figure 10
Production Expenditure of Projects Accessing the New Mexico Film Production Tax Credit by County and Per Head of Population, FY20 – FY21

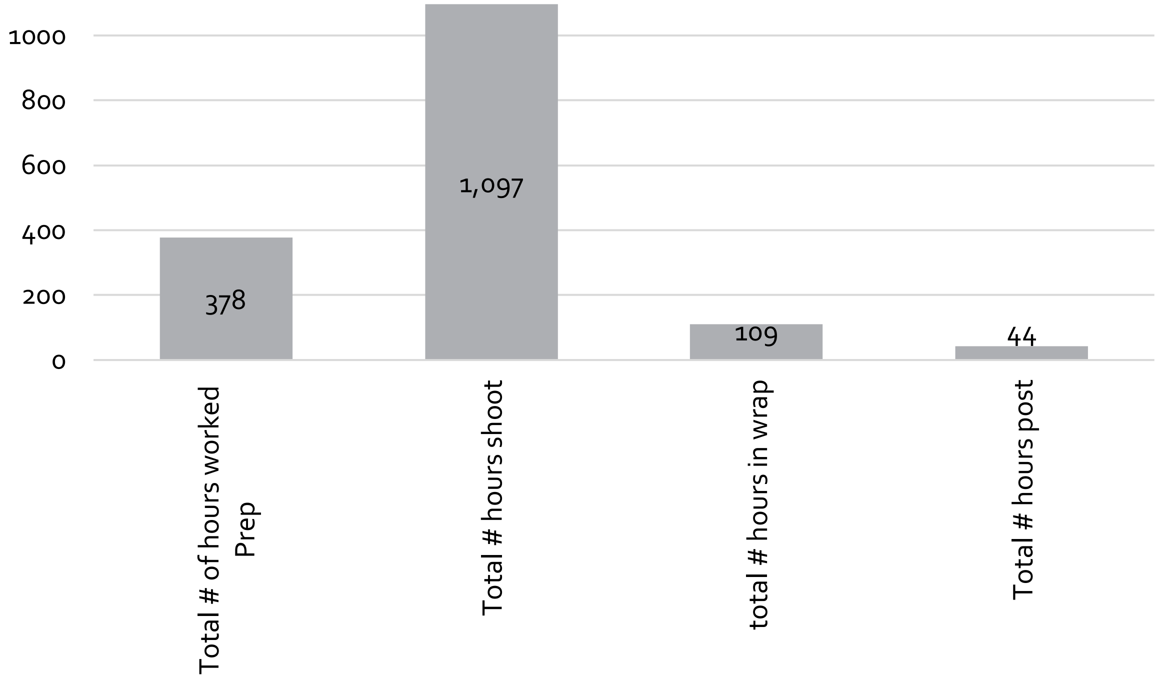


Source: Stats forms for projects in FY20 and FY21, county spend data available for $57 million of production expenditure. Production spend per head of population equates to total county production spend divided by the total population of that county

5.6. Cast and Crew

There are some data available on the number of cast and crew roles which worked on productions. The 51 productions in FY20 and FY21 which have submitted data had a total of 8,516 cast and crew roles. This number counts the roles rather than specific people and during this time it is likely that cast and crew worked on multiple productions. On average, each production employed 258 New Mexico cast and crew.

Figure 11
Hours Worked by Cast and Crew on Projects Accessing the New Mexico Film Production Tax Credit – 51 projects for which data is available, FY20 – FY21 (Thousands)



Data from NMFO, indicates that the median hourly wage for a New Mexican BTL crew member was $25.64 in FY20 and it was $43.27 for ATL roles. New Mexican actors received a median of $84.54 an hour (excluding background actors) in FY 20. All hourly rates are substantially higher than the New Mexican (median) average which was $17.97 in May 2020 (FY20), indicating how the growing film and television sector is positively contributing to wage growth in the state.[17]

[17] Occupational Employment and Wage Statistics. Bureau of Labor Statistics, May 2020

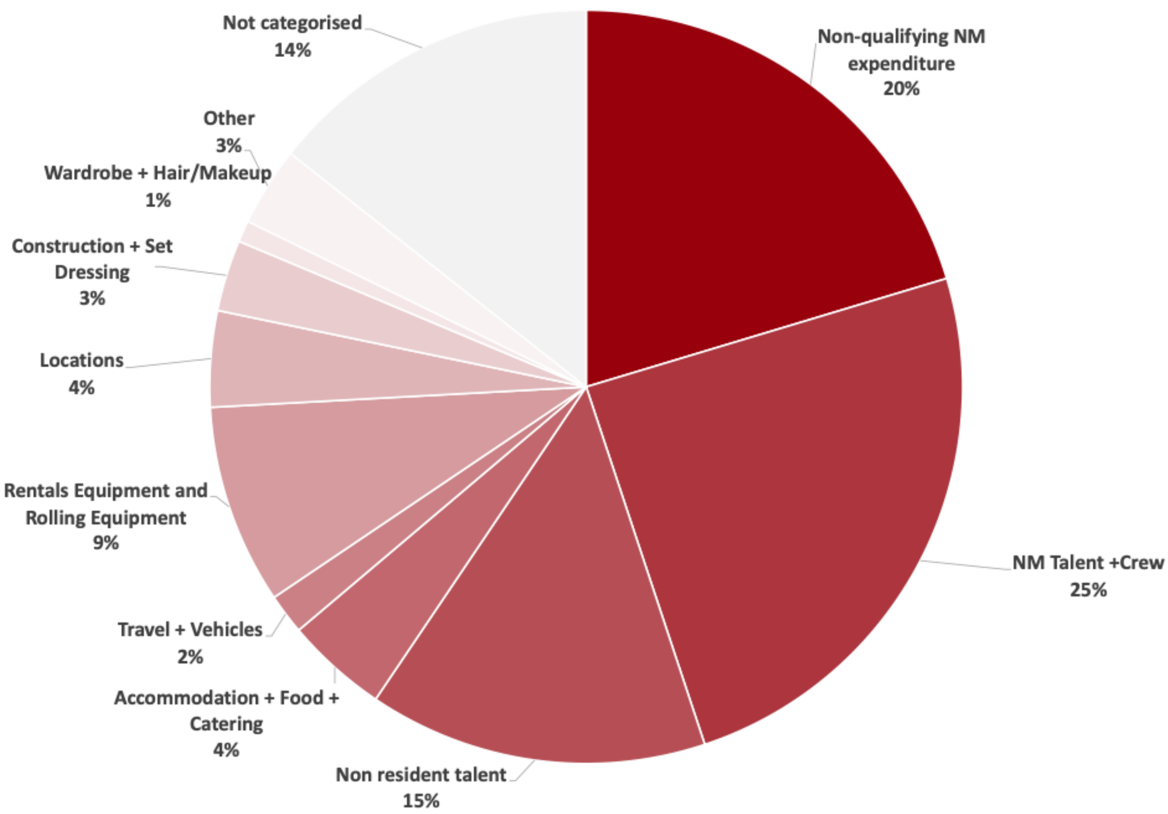
6. ECONOMIC IMPACT OF PRODUCTION AND THE TAX CREDIT

6.1. Film Sector Supply Chain

Production budgets in New Mexico involve purchases and payments to a wide variety of industries and individuals. Figure 12 outlines how direct production expenditure is spent in the local economy. This analysis covers over $143 million of expenditure in New Mexico during FY20 and FY21 for which the breakdown data are available. A similar pattern for all New Mexico production expenditure is anticipated.

This analysis shows that a quarter of state production budgets are spent on New Mexican talent and crew (Figure 12). The production expenditure also moves through many different sectors and supports a significant supply chain across many different parts of the economy. This supply chain includes rental of equipment (9%), accommodation and catering (4%), location costs (4%), construction (3%), travel (2%) and wardrobe and hair and makeup (1%). Even a relatively low percentage here can translate into significant expenditure when total production expenditure in New Mexico was $600 million in FY21.

Figure 12
Breakdown of NM Production Expenditure of Projects Accessing the New Mexico Film Production Tax Credit, FY20 – FY21



Source: Stats forms for projects in FY20 and FY21

The importance of film production on local businesses was also reinforced by consultations. There is evidence of businesses setting up to specifically meet the requirements of film and television productions. Home Local 505, for example, caters for the specific accommodation needs of cast and crew, working to facilitate rentals in the Albuquerque area. As Home Local

505 is a local vendor, accommodation expenditure through the company qualifies as eligible expenditure.

Sales to film and television productions are an important element of business activity for a wide range of other types of vendor. A supplier from the state building sector indicated that the sector accounted for around 5-10% of annual sales. These sales are consistent even when other types of sales subdued.

Hotels in Sante Fe, Taos, Las Cruces and Albuquerque report substantial sales connected to film and television production. Productions require a range of accommodation at different price points and styles, including luxury hotels for A-list cast and crew. In addition, hotels see location rental income and some hotels have dedicated teams to deal with location scouts and production travel coordinators. During the COVID-19 pandemic, when the tourism and hospitality industry in New Mexico was badly hit, film and television production provided a vital income stream. One hotel reported that film and television production was the first industry to come back after the COVID-19 closure in 2020 and business travel and corporate meeting bookings for other sectors are not yet back to the pre-pandemic levels.

6.2. Economic Impact

6.2.1. Overview of Methodology

The economic impact methodology is set out in full detail in the Appendix. The approach uses production expenditure data collected from companies as part of the registration and application process for the New Mexico Film Tax Credit Program. Data on cast and crew and hours worked is also collected, allowing for a direct estimate of FTEs to be determined.

The total economic impact of the incentive is the sum of the direct, indirect and induced effects:

- **Direct impacts** are the economic uplift in terms of output and value created (GVA) within the film and television sector resulting from the increase in production and postproduction expenditure.
- **Indirect impacts** are the output and value created (GVA) effects observed in sectors that supply goods and services into the film and television production sector.
- **Induced impacts** are the output and value created (GVA) uplift created as a result of the wage effects of those working in the production sector.

To calculate the direct GVA and all indirect impacts, IMPLAN economic modelling software has been used.

Nominal figures are presented for annual figures and when impact is aggregated over years, real figures (2021 prices) are displayed.

Note on employment and tax impacts: As overall film and television employment in New Mexico has recently been calculated for the New Mexico Economic Development Department (EDD) using a different methodology, SPI has been asked not to include employment metrics.[18] The EDD's calculations relating to employment are appended in a separately authored document which has not been reviewed by SPI. Additionally, this Study does not include an analysis of tax impacts and focuses instead on economic RoI, as outlined in Section 6.2.5.

6.2.2. Additionality

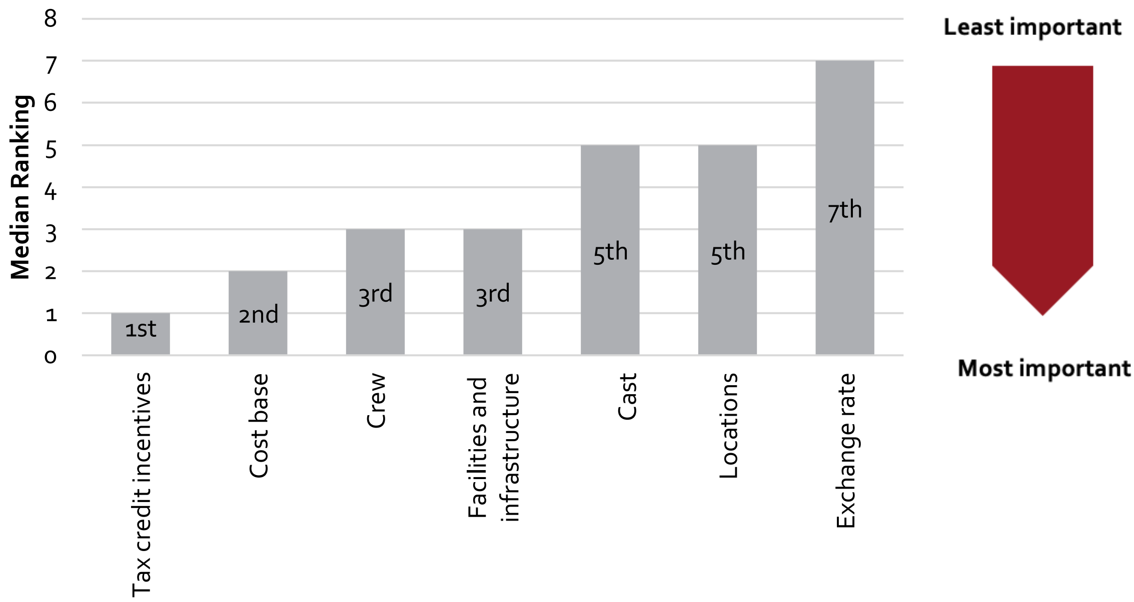
Additionality describes the extent to which an observed change or impact can be attributed to a particular intervention. In this case, it describes how much of the production expenditure can be attributed to the New Mexico incentive. To determine additionality, a survey was sent to all production incentive applicants to explore what production companies would have done

[18] Empower & Collaborate. New Mexico's Economic Path Forward. Ibid

without the incentive. The survey was completed by 17 companies which is a response rate of around 30%. While this is not fully representative of all incentive users, the results can be seen as indicative, particularly as the results are in line with qualitative data from the confidential consultations.

Overall, there is strong evidence from companies that the incentive program is an important factor in drawing production expenditure to New Mexico. When asked to rank the importance of six factors in the decision to produce in New Mexico, 70% of respondents indicated the tax credits were the most important factor. Figure 13 ranks the decision factors for producing in New Mexico.

Figure 13
Decision Factors for Producing in New Mexico, Median Rank



When asked how much of their productions would have happened in New Mexico without the incentive, the average (median) response was that there would be no production without the incentive and all production companies based out of New Mexico responded zero to this question. The mean response was that 8% of production would have happened without the incentive, but this is influenced upwards only three companies responding that any production activity at all would happen without the incentive.

The additionality of the credit is therefore very high – between 92% and 100%. This means that the tax credit is responsible for between 92% and 100% of production expenditure in state. Due to the distribution of the survey results, it is likely that real impact is closer to the top end of this. However, in the economic impact analysis we have chosen to use a more conservative additionality assumption of 92%.

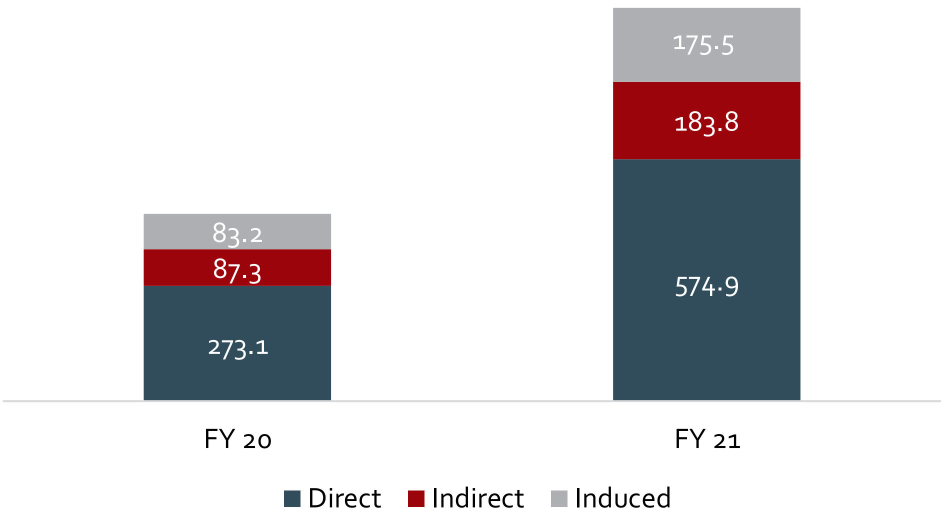
During the consultations, California and Georgia were mentioned numerous times as an alternative and competing location due to proximity, the strength of infrastructure and crew base (California) and production incentive program (Georgia).

6.2.3. Output

In FY20 and FY21, the total direct output associated with the production tax credit was $854 million. When indirect and induced effects are added to this, the total output attributed to the credit over these two years is **$1.39 billion (2021 prices).**

Figure 14 shows the increase in output between FY20 and FY21. This represents the suppressed activity in FY20 due to COVID-19 restrictions and a strong recovery in the following year.

Figure 14
Output, FY20 to FY21 ($m, nominal)

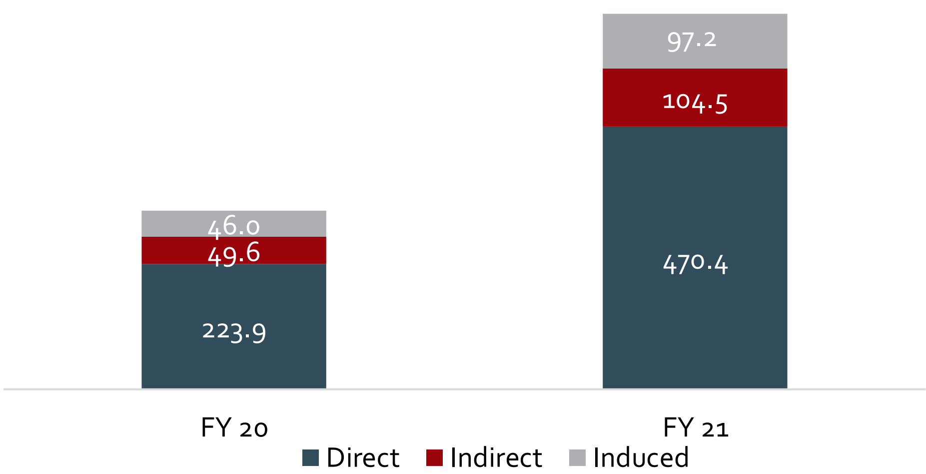


6.2.4. Gross Value Added

GVA is a measure of the value that is created by economic activity. It is the difference between gross output and intermediate inputs. These are the goods and services utilized by an industry in producing its gross output. GVA represents the value of labor and capital used in producing gross output. The sum of value added across all industries is equal to gross domestic product for the economy.

SPI's analysis using the IMPLAN economic model indicates that in FY20 and FY21, the total GVA created by the tax credits was $995 million including $696 million in direct GVA (2021 prices) (Figure 15).

Figure 15
GVA, FY20 to FY21 ($m, nominal)



6.2.5. Economic Return on Investment

The economic RoI is a measure of how much economic value is created per $1 of investment in tax credits by the state. The cost to the state is then estimated to be total value of the tax credits minus the additional state and local taxes received as a result of the uplift in activity.

Overall, the tax credit program has a positive and significant economic RoI. Across the two years, the economic RoI is 8.4, meaning that for every $1 invested through the program, the benefit to the state economy is $8.4 in terms of additional economic value.

7. WIDER STRATEGIC IMPACTS OF THE TAX CREDIT

7.1. Film Tourism

Film and television induced tourism ("film tourism") has increasingly been recognized as an important component of tourism marketing and visitor attraction. The economic impacts arising from film tourism can be substantial.

New Mexico has been featured as a location in many well-recognized films and television shows that have been produced in-state. The most notable of these has been internationally recognized television series *Breaking Bad* (2008-2013) and its prequel *Better Call Saul* (2015-2022). The cities of Albuquerque and Santa Fe were the locations for much of the shooting and have benefited from being associated with the series and attracted tourists from around the world.

To cater for the international interest the Albuquerque tourism authority, Visit Albuquerque, has launched a website dedicated to the television series whereby key sites are geotagged and exclusive merchandise are advertised, including candy, clothing, Breaking Bad Burgers, and a Breaking Bad Brewery. Twisters, which was the site for the Los Pollos Hermanos restaurant in the *Breaking Bad* series, reportedly received 30-40 fan visits each day pre-pandemic. This has been boosted with the subsequent popularity of *Better Call Saul*.

There are also several *Breaking Bad* themed tours, which take tourists around the key filming locations of the series. A case study of the original tour operator, ABQ Trolley Co.'s BaD Tour is included below. Another tour, *The Breaking Bad Tour*, takes in 20-30 locations, and despite the series ending in 2013, still receives around 20 customers on each tour. Of these, around a third are from outside the US.

Case Study - The BaD Tour

The BaD Tour was set up in July 2012. Before this, ABQ Trolley Co. ran a TrolleyWood Tour that included *Breaking Bad* sets but also other filming locations for *Transformers*, *Avengers*, *No Country for Old Men* shot in Albuquerque. Due to the popularity of the *Breaking Bad* series, the tour morphed into a *Breaking Bad*-specific tour, providing a multimedia experience with soundbites played when the trolley approached each filming location.

It was important to the ABQ Trolley Co's co-founders Jesse Herron and Mike Silva to run an ethical business, working in partnership with those who lived and worked near the locations. This included working with residents and business owners to minimize their environmental impact during the tour, as well as endorsing local restaurants and bars along the tour route. They also worked in partnership with the Albuquerque Convention and Visitor Bureau and the Albuquerque Film Office to advertise the tour.

The BaD Tour was hugely successful. Despite the emergence of other competing *Breaking Bad* themed tours, the tour, with a capacity of 34 people, consistently sold out, being booked up months in advance, even though the show ended in September 2013. Between 2012 and 2019, a total of 3,837 customers took part in 169 tours. The tour was featured in the *LA Times* and *Washington Post* and attracted tourists from in-state but also internationally, including the UK and China.

As part of this Study, SPI ran a survey with 32 past customers of The BaD Tour to assess the significance of the series in attracting them to the area.

The survey showed that customers' decision to visit the area was strongly motivated by the series. Of the 16 customers who lived outside New Mexico or the US, nearly half (44%) reported that the *Breaking Bad* series was a main reason, alongside other factors, to visit New Mexico. A fifth (19%) reported it was the only factor and would not have visited otherwise. Similarly, of the 20 customers who lived outside Albuquerque, a quarter (25%) reported it was the only factor and would not have visited otherwise.

The survey also indicated the customers spent sizeable amounts during their visit. The survey asked past customers how much their group spent on accommodation, hospitality (restaurants, bars, cafes), transport and souvenirs during their visit. To determine the average spend per visitor group attributed to the Breaking Bad tour, the analysis looked exclusively at those who lived outside New Mexico and of those who reported that the Breaking Bad tour was the sole or main reason for their visit. This group spent on average $1,405 during their visit*. This is broken down by $785 on accommodation, $275 on hospitality, $237.50 on transport, and $107.50 on souvenirs.

Customers from outside Albuquerque are also strong promoters of Albuquerque following their visit, with an excellent Net Promoter Score of 50. This means that customers are more likely to actively promote the city than detract visitors from visiting.

In October 2019, ABQ Trolley Co stopped regularly running The BaD tour. Whilst there was still demand Mike and Jesse decided to focus back on a general city tour, with filming locations as part of the sites.

**N.B. These figures come from a very small sample and cannot be scaled up for all visitors to the New Mexico or all BaD Tour customers.*

7.2. COVID-19 Recovery

As highlighted, film and television production creates on average higher paid jobs, significant expenditure with vendors along the supply chain, as well as valuable skill development. In 2021, global production spend is forecasted to surpass that of 2019. For this reason, film and television production has been seen as a strategic investment for economies looking to bounce back from the effects of COVID-19.

To enable the quick recovery of New Mexico's film and television industry, the NMFO worked closely with industry, including Netflix and NBCUniversal to create a COVID-19 taskforce. *Back2One* provided guidance on how to safely return to work. This covered crew, providing details on best practice in Health and Safety and, for producers, providing guidance on how to prevent the potential transfer of the virus between departments. With this guidance, Personal Protective Equipment (PPE) and regular testing, the sector was able to bounce back relatively quickly and is now working through a large backlog of productions. [19] This is reflected in the fact that FY21 direct production expenditure of projects accessing the tax credit has surpassed the figures pre-COVID-19.

Incentivized productions also supported businesses to service their projects during COVID-19 state lockdowns. One example was an independent café was reopened to exclusively provide coffees for a project over a few months, meeting necessary social distancing and sanitation criteria.

Consultees noted that while guidance was well received, the criteria for the tax credit to account for the direct effects of COVID-19 lockdown restrictions on productions was largely unchanged. This was in contrast from other jurisdictions around the world, which were providing waivers and allowances to cover and account for the additional costs production companies were facing, as well the disruptions within their workforce and production schedule.

[19] Between Sept 1st 2020 and Sept 1st 2021, 176,598 COVID tests were administered throughout the various productions. Source: NMFO

8. OPPORTUNITIES AND CHALLENGES FOR THE DEVELOPMENT OF THE FILM AND TELEVISION PRODUCTION SECTOR IN NEW MEXICO

8.1. Opportunities for Filming in New Mexico

New Mexico was regarded as film friendly by many of the consultees. This was linked to relatively low living and production costs, as well as the favorable tax credit.

New Mexico as also regarded as having a low cost base by multiple consultees. Some technical crew and clerical staff alike have been drawn to the state, away from Los Angeles and neighboring states, by the cheaper cost of living and the lower labor and production costs in-state. This encouraged some, especially those working on long-term television productions to move their families to the state, whilst others commuted for a week at a time – notably from Los Angeles where it is possible to fly direct to Albuquerque and Santa Fe in under two hours. Where other states and production centers are driving up rental costs, New Mexico is still seen as largely affordable and favorable value for money.

The NMFO is also viewed as committed to supporting production companies when confronted by disruptions in film and television production. An example picked up by consultees was the NMFO's commitment to honoring the backlog of tax credit applications. This gave production companies and their production accountants confidence in the stability of the tax credit and to remain in-state.

8.2. Related to the Tax Credit

The majority of supported producers and production companies reported positively when asked about the administration and conditions of the tax credit, stating it has been invaluable to their projects and productions, especially in relation to other states they have worked in. This is reflected in the high additionality evidenced in this Study.

Public officials highlighted that they were keen to offer a measured and sustainable incentive to the film and television industry, rather than one which offered higher caps and rates and attract demand that was beyond the current capacity and therefore not able to maximize the potential value from the inward productions. They noted the commissioning of this Study reflects the interest and buy-in by legislators.

Consultees were also complementary about the NMFO staff, highlighting their accessibility.

8.3. Workforce Capacity and Development

New Mexico suffers from a lack of film and television production workforce capacity, at all levels and roles. Where local crew exist, they are either already committed to projects and/or are not at the level and role required. Despite a genuine desire to employ and grow a local crew, many of the producers spoke of how they regularly need to bring in crew from out of state (typically Los Angeles), despite this being more expensive and not guaranteed to be part of the credit reimbursement.

Related to this, retainment of crew is also an issue. Some experienced technical crew who have moved or started a family in-state have reservations of remaining and raising a family in parts of New Mexico.

There are also in-state crew challenges. It was noted that the main production center, Albuquerque, and to a less extent Santa Fe, is pulling talent from other parts of the state, which in turn creates challenges elsewhere with crew retention. The 5% Uplift is helping here but is not considered to be enough to neutralize the cost of taking crew to other parts of the state.

The FCAP is helping to upskill the New Mexico crew base, with many cases of crew members successfully moving up within departments to more executive and higher paid positions.

However, there were a few noted challenges around the FCAP that are limiting the potential impact it could have. First, consultees noted that the program, its uplift and its value could be more widely known by local and inward productions, particularly new production teams.

Second, there were some highlighted issues around the program's application process. Applicants need to register crew members for the program weeks before principal photography begins. At this stage it can be difficult to accurately predict the hours that an applicant will be working, as turnover of staff during production can occur for various reasons. This can be especially difficult for production accountants who are often those overseeing the FCAP applications and not the ones on the frontline and familiar with the individual crew members. Similarly, in the past productions have registered a crew member for the program, committed to their training, but later found that the individual had been claimed for that role on the FCAP in a previous project, which they were unaware. The upshot of these issues is that the budgeted rebate anticipated may not be the actual amount received.

8.4. Production Infrastructure and Logistics

Availability of high-quality production space is a common challenge highlighted by consultees, across all sizes of production. This was particularly felt in relation to soundstages and post-production spaces.

Smaller production companies are optimistic that the Film Partners initiative will translate to further capital projects and growth in the state's production capacity, where they can host their productions.

Related to this, producers and public officials who have been located in-state for a long period highlighted that the auxiliary infrastructure such as bars, restaurants, shops and cinemas have improved and grown over the years, fueled by the higher wages of those working on productions and those flying in for productions. This has led to the regeneration of parts of Albuquerque.

Whilst less strongly felt, access to high quality and affordable equipment hire can be a challenge to production companies. It is common for productions being forced to fly equipment in from Los Angeles or elsewhere. While this does not take long it means the production is not using an eligible vendor for the tax credit.

8.5. Rural Uplift

As highlighted, there is an in-state crew challenge, with the main production center, Albuquerque pulling talent from other parts of the state. This is reflected in the uneven spread of production expenditure across New Mexico counties.

The 5% Rural Uplift is helping here but has not proven enough to neutralize the cost of bringing in crew.

The relatively strict eligibility criteria for shooting outside Santa Fe and Albuquerque to get the uplift was highlighted as an issue here. Whilst in other US states, all rural spend is eligible, in New Mexico it is more selective. Taxable spending that occurs on native land still qualifies and can qualify for the rural uplift, however the taxable proportion of total spending will be less. Consultees spoke of the huge benefit of having the rural costs underwritten, given how these rural communities will benefit from greater inclusion within the film and television production sector through significant expenditure and job creation.

8.6. Other Uplifts

The Giveback Program stipulates non-resident spend is invested in the New Mexico film industry. NMFO requires that 2.5% of the total non-resident BTL crew direct production expenditure is spent on a list of specific Giveback Options. To date $1.1 million has been provided to 20 New Mexican schools. San Juan College received $100,000 from former New Mexico Governor Bill Richardson from the tax credit. This was used to buy camera kits to film projects, as well as invest in better camera kits. This enabled students to gain practical experience from working with real industry equipment rather than a purely theoretical training.

The pilot uplift provides an additional 5% credit for standalone pilots for television series production intended to take places in New Mexico. It aims to incentivize the early, often more risky production activity with a aim of being first choice location if a full series is commissioned. Seventeen percent of projects accessed this uplift in FY21. Consultation evidence suggests that for some production companies, the practice of commissioning pilots is becoming less common. It is important to monitor the production and commissioning process to ensure the incentive is targeted appropriately.

8.7. Cultural Impact Potential

A positive outcome from the emergence of the international streaming platforms is that this is giving a global audience instant access to new types of content, which they may not have accessed before. This has been a huge opportunity for non-English productions, as well as those depicting marginal communities and stories.

In light of this, it is common for film and television production incentives to promote or stipulate the inclusion of local voices within the productions they incentivize. While the New Mexico tax credit is supporting the growth of local crew, there may be an opportunity to use the credit to better represent the diversity and cultural heritage of the state, its people, and its stories.

9. CONCLUSIONS AND RECOMMENDATIONS

This section provides a summary of key conclusions and recommendation from the Study.

9.1. Summary

This Study shows that, in the last two fiscal years, the New Mexico tax credit delivers strong economic benefits to the state across all key metrics. The incentive has enabled New Mexico to develop a strong production offer and production base, which was well positioned in its ability to return to production rapidly after the start of the pandemic and continue delivering benefits for the state.

In a competitive production market, New Mexico has also demonstrated innovation – for example, its Film Partner program has helped secure highly valuable and strategic long-term commitments from major producers.

The state is therefore well positioned to continue benefiting from the global deluge of film and television production.

However, New Mexico faces a critical challenge with crew capacity. Production growth is such that it can be challenging for producers to find crew. This has the potential to undermine the positive direction of travel in state, and should be regarded as an immediate priority.

A focused capacity development strategy should be a priority for the state, which should immediately seek to identify and prioritize critical skills gaps. Such a strategy should include detailed planning for industry-facing training and should also enable early oversight of gaps as they emerge in future. Consideration should be given to bringing in skills from other sectors in New Mexico to urgently address gaps.

While the incentive administration is considered good, clearer and more consistent information around eligibility would ensure ongoing efficiency.

As noted, the FCAP program is a unique model, and there are examples of crew successfully progressing. However, there have been issues around the processing of applications, which is limiting the potential impact. It would be helpful for the NMFO to make a public or easily accessible list of who is eligible for the FCAP or what hours they have had so accountants can plan more effectively. Other recommendations include providing a formal training plan with associated outcomes, which will provide guidance to the supported productions in suitable practices in developing relevant and high-quality skills.

Like many jurisdictions, New Mexico is also focusing on ensuring impacts across the state. However, the rural uplift is not proving to be enough on its own to drive production and further strategy is required here.

Another area where multi-stakeholder strategy would be advisable is film tourism. New Mexico has attracted major film tourism interest and should consider implementing a more strategic approach to leveraging benefits. Given the rising amount of production in state, the NMFO should consider a strategy to identify opportunities and develop strategic partnerships for relevant projects – working within IP constraints. Noting the development of other film tourism attractions worldwide, consideration could be given to a longer-term attraction connected to *Breaking Bad*, which could also connect to other state productions.

The effectiveness of the NMFO staff was clearly underlined by consultees. The office is well connected and respected by industry, which makes a clear difference to production.

Consideration should also be given to the development of New Mexican stories and culture.

Finally, administration of the tax credit should collect additional metrics on crew and hours worked, which is considered to be good practice.

10. APPENDIX 1 – ECONOMIC IMPACT METHODOLOGY

Analysis of production and post-production (eligible) expenditure (Gross direct effects)

To determine the gross direct effects, we used the following data:

- Total amount of production and post-production expenditure ('tax credit qualifying spend') by year.
- Estimated total expenditure (inclusive of non-qualifying spend) from the stats form.
- Total value of tax credits issued by year.

Leakage and commuting

Leakage is the economic activity that occurs outside the target geography – in this case outside New Mexico. The production expenditure counted in gross direct effects is spending on goods and services in New Mexico and payroll costs.

This EIA focuses on the economic impact in New Mexico. Therefore, this model includes all payroll costs for those working in New Mexico and paying taxes in the state. This includes eligible payment for non-resident performing artists (for whom production companies deducts and remits income tax). This direct economic activity is happening within the state, regardless of where the workers live. As there is limited day commuting into New Mexico by cast and crew, we treat non-resident cast and crew as temporary New Mexican residents.

Displacement

Displacement is the proportion of impacts offset by a reduction in activity elsewhere within the state. This is assumed to be small as the film production is a truly global sector and firms are unlikely to be competing with other New Mexico based firms.

Substitution

Substitution is the effect where a firm substitutes one activity for a similar one to make the most of the subsidies. We assume this is minimized by the tax credit only covering a proportion of production costs.

Indirect and induced impacts

The total economic impact of the incentive is the sum of the direct, indirect and induced effects.

- **Direct impacts** are the economic uplift in terms of output and value created (GVA) within the film and television sector resulting from the increase in production and postproduction expenditure.
- **Indirect impacts** are the output and value created (GVA) effects observed in sectors that supply goods and services into the film and television production sector.
- **Induced impacts** are the output and value created (GVA) uplift created as a result of the wage effects of those working in the production sector.

The relationship between direct, indirect and induced effects reflect the underlying economic system within a county, state or country.

Estimating direct impacts

Direct output is equivalent to production expenditure. IMPLAN is used to calculated **direct GVA**. This model uses economic data from Bureau of Labor Statistics and other sources to determine the relationship between GVA and Output for this sector.

The ratio of GVA to output that IMPLAN uses is 0.8197.

Calculating indirect and induced effects

IMPLAN allows us to input production and postproduction expenditure data, employment estimates and employee compensation for any given year and obtain the following outputs:

- Indirect output, GVA and employment (headcount)
- Induced output, GVA and employment (headcount)

From these we can calculate type I (indirect) and type II (induced) GVA and employment multipliers (Table 4).

Table 4
Multipliers

	Type I	Type II
Output	1.32028	1.62613
GVA	1.22209	1.42880

IMPLAN also provides output data for the uplift in total tax receipts (local, state and federal) as a result of direct, indirect and induced economic impacts. This data is used as part of the economic RoI calculation.

We use statistics from the Bureau of Economic Analysis to calculate the full-time equivalent jobs figure from the employment headcount.

Deadweight/additionality

To assess additionality and calculate 'net' impact from 'gross' impact, we need to remove the deadweight – i.e. the production and postproduction expenditure that would have happened without the incentive. This was explored during consultations and a quantitative additionality survey was sent to all companies accessing the credits.
The survey contained three key additionality questions, addressing:

- The factors drawing the project to NM. The incentive will be one of the factors listed along with elements such as locations and talent, and the respondent will be asked to rate the importance of each;
- The specific importance of the incentive in drawing the project as an individual rating; and
- How much lower NM project spend would have been without the availability of the incentive.

The additionality score across the program, based on the results of this survey and using the factors above.

The survey was sent to 54 production companies, the response rate was 31%. While this does not give a statistically significant result, it is in indicative and robust enough to be used in our economic impact model.

For details on the findings from the additionality survey, see 6.2.2. In sum, when asked how much of their productions would have happened in New Mexico without the incentive, the average (median) response was that there would be no production without the incentive and all production companies based out of New Mexico responded zero to this question. The mean response was that 8% of production would have happened without the incentive, but this is influenced upwards only three companies responding that any production activity at all would happen without the incentive.

The additionality of the credit is therefore very high – between 92% and 100%. This means that the tax credit is responsible for between 92% and 100% of production expenditure in state. Due to the distribution of the survey results, it is likely that real impact is closer to the top end of this. However, in the economic impact analysis we have chosen to use a more conservative additionality assumption of 92%.

This additionality assumption (of 0.92) was applied to the gross economic impacts to obtain the net results.

Economic return on investment

The economic RoI measure aligns with the economic development objectives of the tax credit. The economic return on investment (RoI) compares the cost of the tax credit with the GVA impact.

11. APPENDIX 2 – GLOSSARY

ATL and BTL

Above-the-line and below-the-line. These relate to film and television production workforce and the different types and seniority of roles across talent, cast, and crew: ATL refers to key talent, including directors, writers, and actors; BTL refers to other crew, for example in technical production roles.

Economic RoI

Economic return on investment. A measure of how much economic value, in terms of total GVA, is created for the State of New Mexico for every $1 of state investment in tax credits. The economic RoI calculation incorporates costs to the state, including the total amount of tax credit outlay.

FCAP

The Film Crew Advancement Program is an on-the-job training program for New Mexican residents working primarily in technical industry positions.

GVA

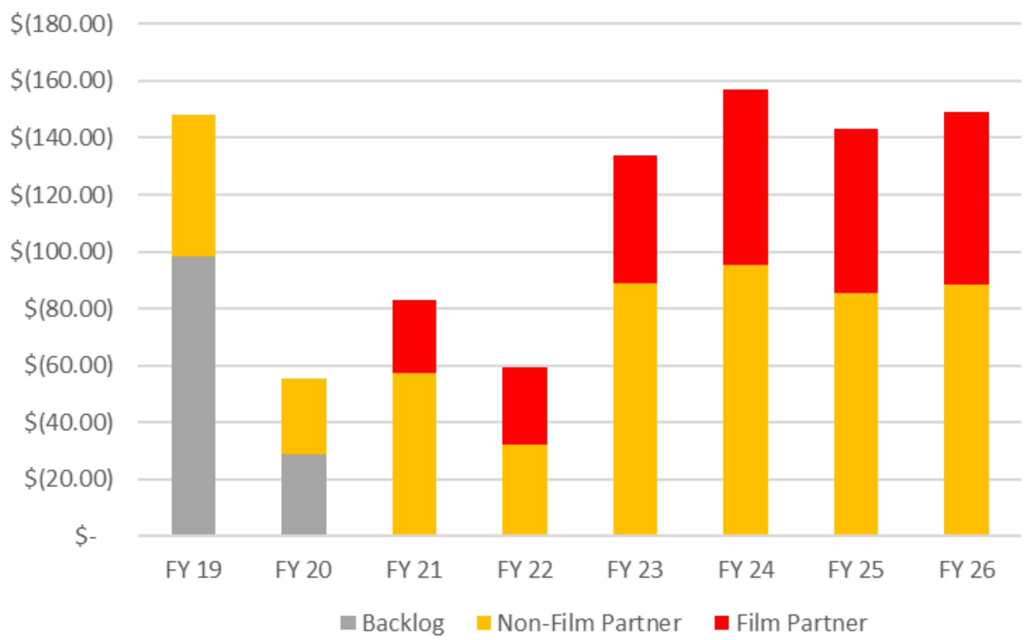
GVA is a measure of the value that is created by economic activity. It is the difference between gross output and intermediate inputs and at a national level aligns to Gross Domestic Product (GDP). These are the goods and services utilized by an industry in producing its gross output. In this Study, GVA refers to the film and television production sector supported by New Mexico's incentive.

12. APPENDIX 3 – PROJECTED FILM CREDIT PAYOUTS

Figure 16
Projected Film Credit Payouts

	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26
Backlog	$(98.22)	$(28.67)						
Non-Film Partner	$(50.00)	$(26.92)	$(57.22)	$(32.04)	$(89.07)	$(98.60)	$(85.66)	$(88.37)
Film Partner	$-	$ -	$(25.86)	$(27.26)	$(44.64)	$(61.63)	$(57.50)	$(60.68)
TOTAL	**$(148.22)**	**$(55.59)**	**$(83.08)**	**$(59.30)**	**$(133.71)**	**$(160.22)**	**$(143.16)**	**$(149.05)**
Previous Estimate 8.3.21	$(148.22)	$(55.59)	$(83.08)	$(59.30)	$(139.08)	$(159.78)	$(143.35)	($148.65)
Previous Estimate Non-Partner	(50.00)	(26.92)	(57.22)	(32.04)	(94.52)	(98.21)	(85.51)	(88.65)
Previous Estimate Film Partner			(25.86)	(27.26)	(44.56)	(61.57)	(57.85)	(60.00)

Estimated Film Tax Credit



Source: NMFO