

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 P.M. on January 27, 2005 in Room 526-S of the Capitol.

All members were present except:

Carl Krehbiel- excused  
Judy Loganbill- excused  
Todd Novascone- excused  
Tom Burroughs- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department  
Susan Kannarr, Kansas Legislative Research Department  
Renaë Jefferies, Revisor of Statutes  
Helen Pedigo, Revisor of Statutes  
Carlene Maag, Committee Secretary

Conferees appearing before the committee:

Jerry Longergan, Kansas Inc.  
Barbara Nash, Film Commission  
Doug Curtis  
Steve Kelly, Department of Commerce

Others attending:

See attached list.

Rep. Annie Kuether requested introduction of legislation that is a clean-up bill related to the Film Commission. A motion was made by Rep. Huntington to introduce the legislation proposed by Rep. Kuether. Rep. Treaster seconded the motion. A vote was taken, motion passed.

**HB 2010 - Income tax credit and sales tax exemption report; production responsibility moved from Kansas, Inc. to Revenue Department**

Helen Predigo provided an overview of the Interim Committee study which lead to introduction of **HB 2010**. The major issue of the interim study this summer was sales tax exemptions and income tax credits. (Attachment 1) Currently, Kansas Inc. is required to submit an annual report on sales tax exemptions and income tax credits to evaluate cost effectiveness of those exemptions and credits. The problem is, Kansas Inc. does not have access to the information to complete such a report. The Interim Committee recommended a bill be introduced to move that responsibility to the Kansas Department of Revenue. The rest of the bill is clean up of language in the statute to transfer annual reporting responsibility from Kansas Inc. to the Kansas Department of Revenue.

Jerry Lonergan, President, Kansas Inc. provided information regarding the effort by Kansas Inc. and the House Economic Development Subcommittee on Lights, Camera and Action to promote the film industry in Kansas. In 2004 expenditures related to the film industry in Kansas were approximately \$7 million. Kansas, Inc. recommends that if the state wants to pursue a film initiative, Kansas focus on targeting independent film makers with state ties as opposed to reliance on tax credits and rebates. This approach will provide Kansas with the ability to attract and retain young professionals in an industry expected to grow substantially and one that is rich in the innovative use of technology expansion. Kansas is competitive due to the already successful film school at KU. Kansas Inc. recommends a funding base starting with \$1 million the first year and \$450,000 for the following three years. The proposal requires that funds be spent only in Kansas.

A goal of promoting the film industry is to enable young professionals to achieve their career goals in Kansas. The competitive advantages Kansas possess are lower costs to film producers, cooperative and eager communities, fewer regulatory barriers for productions, and the excellent KU film School. The written testimony provides specific recommendations. (Attachment 2) Mr. Lonergan also presented committee members with a copy of testimony given by Peter Jasso at the Joint Committee on Economic Development. (Attachment 3)

## CONTINUATION SHEET

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Rep. O'Malley expressed appreciation for the co-operative effort of all interested parties and for the very clear, specific recommendations.

There was a question and answer session after Mr. Lonergan's presentation.

Chairperson Gordon introduced Barbara Nash, Chairperson, Kansas Film Commission. She shared that at one time the Kansas Film Commission aggressively pursued film production in Kansas and succeeded for one reason because of our central location. Today, Kansas is not as active and that is a loss to Kansas. Not only are we losing revenue by not attracting the film industry back to Kansas, we are losing the talents of many young people that must pursue their career goals outside Kansas. The Kansas Film Commission is dedicated to marketing the state to the film industry. The first Kansas Film Industry Summit will be held in March. With a commitment to recruiting the film industry to Kansas, the arts, business and education will benefit. (Attachment 4)

Barbara Nash introduced Doug Curtis, a Dodge City native and film producer. Mr. Curtis is a member of the Director's Guild of America and the Producer's Guild of America. He shared an article from the organization's newsletter that compares state tax incentives. (Attachment 5) As a line producer who does the budget and the schedule for a movie, it is his responsibility to deliver that movie within the budget. In reviewing a script it is necessary to determine, where do we make this film? In recent times, because the dollar is weak, a movie can be filmed in Vancouver for \$30 million versus \$36-37 million in Los Angeles. That is changing. States have seen that trend and are developing initiatives to attract movie makers. Movie makers like to go to Austin, Texas. Film producers who go to Austin always want to go back. Lawrence has the same potential. Mr. Curtis stated he hopes Kansas will become competitive, especially with the potential offered by the KU film school and the Lawrence community. Discussion with Doug Curtis brought out two facets of promoting the film industry - the promotion of independent film makers with Kansas ties drawing on the expertise at KU and a second approach of the state offering incentives to attract major movie makers.

There was a lengthy discussion among Committee members and Mr. Curtis.

Chairperson Gordon expressed her appreciation to Mr. Curtis for meeting with the Committee and educating the group on the film industry process.

Steve Kelley, Kansas Department of Commerce, presented information on film making in Kansas. The Department of Commerce has been promoting the state as a film site since 1982, and the effort has resulted in generation of over \$230 million in film production spending in Kansas. The written testimony includes information presented to the Joint Committee on Economic Development in August 2004. Mr. Kelly recognized the work of Kansas Inc. and the Lights, Camera, Action Subcommittee and their conclusion that there are benefits Kansas can derive from the film industry.

However, economic development incentives in the film industry are not competitive as a job creation strategy compared to most other industries. Kansas Inc.'s study indicated that \$1 million of in-state film revenue yields ten jobs. If growth in film activity is to be encouraged through incentives, the costs of those incentives need to be evaluated in relation to the economic benefit. The film industry does not meet the typical economic development concepts of the Department of Commerce mission. The Department of Commerce supports efforts to increase film making in Kansas but believes other entities should assume a larger leadership role to develop the financial resources to promote the uniqueness of the film industry. (Attachment 6)

A question and answer period followed Mr. Kelly's testimony.

Chairperson Gordon mentioned a film production report by the Public Policy Clinic, KU School of Law could be obtained by e-mailing [rlevi@ku.edu](mailto:rlevi@ku.edu).

The meeting adjourned at 5:20 p.m. The next meeting is scheduled for 2-1-05.

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