

Minnesota's Film and TV Future:
Cultivating a Healthy Ecosystem

MPP Professional Paper

In Partial Fulfillment of the Master of Public Policy Degree Requirements
The Hubert H. Humphrey School of Public Affairs
The University of Minnesota

Amelia Cruver
Matt Hauck
Micah Intermill
Leah Lundquist
John Meyer

May 1, 2012

*Signature below of Paper Supervisor certifies successful completion of oral presentation **and** completion of final written version:*

Typed Name & Title, Paper Supervisor

Date, oral presentation

Date, paper completion

Typed Name & Title, Second Committee Member

Date

Signature of Second Committee Member, certifying successful completion of professional paper

Minnesota's Film and TV Future: Cultivating a Healthy Ecosystem

Amelia Cruver
Matthew Hauck
Micah Intermill
Leah Lundquist
John Meyer

Table of Contents

- Executive Summary 5**
- Problem Statement 5
- Methods 5
- Findings 5
- Recommendations 6

- Introduction and Context..... 7**
- Research Shaping Our Analytical Approach..... 7
- The Case for Public Support of Film & Television Industry..... 8
- The Case Against Public Support of Film & Television Industry..... 11
- The Production Ecosystem 13

- Research Findings 16**
- Location Quotient Analysis 16
- Strengths and Weaknesses of Current Minnesota Film & Television Landscape..... 18
- Opportunities and Challenges Facing the Minnesota Film and Television Production Industry .24

- Recommendations 32**
- Strengthen Minnesota’s Film & Television Production Network 33
- Shape Minnesota’s Film & Television Production Policy Framework 34

- References 36**

- Appendix A. Qualitative Methodology 38**

- Appendix B: Occupational Analysis 42**

Executive Summary

The stated mission of Minnesota Film and TV is “to create jobs and economic growth by promoting and supporting the state's production industry.” (MN Film and TV, 2011) This paper examines the literature around public investment in the film and television industry; the current state of the industry in Minnesota, including film, television, corporate and advertising production work and trends; and possible strategies to grow Minnesota's production industry through public investment and the strategic leadership of Minnesota Film and TV.

Problem Statement

Minnesota's film and television industry has become dramatically uncompetitive relative to other domestic and international jurisdictions over the last decade. As a result, Minnesota is losing industry jobs and dollars to other states and countries that are aggressively courting the industry.

In keeping with its mission, Minnesota Film and TV is interested in identifying whether and why additional public funds should be invested in funding a more competitive production environment and how best to spend public funds for the purpose of sustainably growing the industry.

Methods

This paper utilizes a mixed-methods approach, using both qualitative and quantitative data to examine the state of the local industry and support the outlined recommendations. Data was collected in order to answer the following research questions: What are the compelling reasons for Minnesota taxpayers to invest in the film and television industry? What is the most effective way for Minnesota Film and TV to support its growth in terms of return on investment, immediate impact, and sustainability?

Data were collected and analyzed in the following ways:

- Semi-structured interviews with professionals involved with production in the film, television, corporate, and advertising sectors as well as with politicians and political professionals who work with art as economic development.
- Quantitative data was used to compute location quotients examining Minnesota's relative advantages and disadvantages regarding production employment. This data was also used examine Snowbate spending trends and return on investment.

Findings

Our findings are organized around the concept of a “SWOT analysis.” That is, we identified the Strengths and Weaknesses of the current Minnesota production industry as well as the Opportunities and Threats present in the local and national production environments and the trends in the industry. Some of our key findings in these areas:

Strengths- Affordability of MN production; well-regarded crew and talent; and a strong advertising and corporate production industry.

Weaknesses- Snowbate is not competitive with other states incentive programs; lack of crew depth; lack of 4-year film program; lack of visibility for the film festival.

Opportunities- The legislature is focused on economic development; the content needs of consumers are changing; the festival can be used for more promotion of the local industry.

Threats- The current political climate is unlikely to support production as economic development; the bottom line production mindset makes it difficult to hold onto business.

Recommendations

Our findings convince us that in order to support sustainable growth, the Minnesota film and television production industry depends on the support and cultivation of film and television among the local arts culture and national and international visibility. This requires a focus on the long-term and strategic use of Minnesota's strengths in youth and education in order to build a vital, nationally prominent film and television production industry. Considering the complex and interconnected nature of the industry, our recommendations focus on Minnesota Film and TV using its unique position in the center of a diverse industry to act as a connector, convener, and catalyst for the industry by implementing the following recommendations:

Strengthen Minnesota's Film and Television Network

- Develop legislative partners in the Minnesota House of Representatives
- Cultivate partnerships and a featured Film Festival in Minnesota
- Organize the academic community to support the needs of the industry

Shape Minnesota's Film and Television Production Policy Framework

- Strengthen Snowbate to be more competitive
- Spur investment in the industry through an investment tax credit
- Invest in a film festival in order to raise the profile of Minnesota film
- Incentivize the construction of a large production studio
- Invest in education in order to train the next generation of creative talent and crew

Introduction and Context

Since incorporation in 1983, Minnesota Film and TV has been promoting and supporting film and TV production in Minnesota. As the only U.S. film commission established as a nonprofit organization, it truly represents a private-public partnership. Feature film production boomed in Minnesota throughout the '80s and '90s. Over the course of the '80s, *Purple Rain*, *Patti Rocks* and *Far North* were filmed here. In the '90s, 68 feature films were produced in Minnesota, including: *The Mighty Ducks*, *Grumpy Old Men* and *Grumpier Old Men*, *Fargo*, *A Simple Plan*, *Jingle All the Way*, *Iron Will* and *Funkytown*.

Recognizing the benefits of film and television production, Canada initiated both national and provincial tax credits to attract the activity in the mid-90s. Minnesota was the first state to respond, offering a tax incentive in the form of a rebate in 1997. This production incentive, known as "Snowbate," allowed Minnesota Film and TV to do more to attract production than to simply provide producers information on and connections with locations, equipment, and local talent. And it worked. According to data from Minnesota Film and TV, between 1997 and 2001 Snowbate reimbursed \$2 million and attracted \$48 million in production expenditures to the state. (MN Film and TV, 2011)

With the end of Governor Jesse Ventura's term in 2001, Snowbate funding was eliminated. According to Minnesota Film and TV, this resulted in a loss of at least \$65 million from the feature films *Paul Bunyan*, *Bro*, *Sorry Baby*, and *Miracle*, as well as the TV series *Little House on the Prairie*. (MN Film and TV, 2011) Meanwhile, competition among states to attract production through tax incentives was growing in intensity, resulting in large incentives from states such as Michigan, Louisiana, New Mexico, Pennsylvania, New York and Illinois.

From 2002 until Governor Tim Pawlenty reinstated Snowbate in 2006, Minnesota's production industry contracted. During that time other states initiated incentive programs. Though funding has been restored, Snowbate today is not competitive with some of the most generous programs. As industry growth has leveled to an inflation-adjusted ten-year average GDP of nearly \$300 million (Bureau of Labor Statistics), the question remains: How can Minnesota best grow its film and television production industry?

Research Shaping Our Analytical Approach

The question of whether and why to invest public funds in growing Minnesota's film and television production industry is not a new one. Our approach began with an examination of the literature surrounding arguments for and against investment in the

arts and industry generally, the film and television industry specifically, and arts as economic development.

The Case for Public Support of Film & Television Industry

What research supports the investment state governments make in the film and television production industry? Similar to the argument made for other industry subsidies, credits, or rebates, advocates argue that film and television brings large direct economic benefits in the form of new jobs and outside dollars being spent locally as well as indirect benefits, such as increased tourism; improved image, pride, and identity; and increased innovation. Though not all film and television production is considered artistic, there is much crossover of talent between this and other artistic industries. The argument for public investment in the film and television industry specifically can be bolstered by the economic argument for investing in the arts more broadly.

Indirect benefit through cross-economic artistic dividend

The positive impact artists have on their regional economy is frequently underestimated. Traditional measures of arts economic impact capture money spent by patrons attending performances and on restaurants, shopping and lodging near theatres and large performance halls. Yet artistic activity has a much broader impact on both regional productivity and earnings than these measures capture.

In the book “Art Worlds,” Howard Becker illustrates how artistic activity is intertwined with the mainstream economy, making its impact powerful, but often hidden. Artists use innovative products and share the same labor pool and supply chain with private industry. Our education systems train workers, consumers and audiences. Workers and suppliers are shaped by the demands of the artistic activity and industry. Because these two worlds share the same people and things, innovation occurring in one world will spill over into the other. (Becker 1982)

In coining the term “artistic dividend,” economists Ann Markusen and David King argue that artists’ creativity and skills “enhance the design, production and marketing of products and services in other sectors.” (Markusen & King, 2003) Markusen’s work has shown how these intersecting spheres of art and industry produce innovation and boost economic activity in regions with thriving art communities. Thus, the higher the level of artistic activity, the greater the dividend.

In many ways, artists and their products impact local market’s supply and demand for goods and services. Suppliers, designers and marketers are all involved in the creation and distribution of art. When private businesses work for the artists, some form of innovation or expansion of services can take place to meet the artists’ visions for their

work. This will often translate into new goods or services provided by those more traditional industries. At the same time artists collaborate with designers to create new products to sell and then are often involved in the marketing of that product, creating value that will not show up on any traditional analysis of economic growth.

Markusen's dividend – or Becker's spillover – is near impossible to measure. One cannot track all the innovations that came from a supplier creating something for an artist that then has a commercial use, nor can one capture exactly how much added value an artist who works part time in an advertising company brings to his/her work. One can look at the large presence of artists in a region as a proxy for these positive spillover effects, yet this too presents methodological challenges. Many artists are self-employed and so do not register when conducting an analysis of regional industry. Occupational data may more accurately show the artistic presence in a region, but it does not capture the large and important sector of part time artists whose primary income comes from work in another industry (indeed this is demonstrated below in our own occupational analysis). Their art almost certainly impacts their work, but we do not currently have the quantitative measures to measure its importance, large or small. While the evidence of these positive effects on local economies is not easy to track, it is demonstrated through the qualitative work done by Markusen and others.

Direct economic benefit through job creation and outside money being spent locally

Advocates including local film commissions and the Motion Picture Association of America (MPAA) tout job creation as a strong argument in favor of public investment in film and television production. According to the MPAA, in 2007, the film and television industry was the source for 2.5 million American jobs with an average salary of \$74,700. (MPAA, 2011) This same report also attributes \$38.2 billion in payments to US vendors, suppliers, and businesses, and \$13 billion in income and sales taxes. The MPAA argues that the jobs created pay higher than average and engage knowledge workers with positive spillover to other industries.

Another direct benefit for public investment in film and television is the importation of economic activity that would otherwise take place elsewhere. Non-local talent that works on films produced locally will give the local economy a boost, spending their money locally over the course of a film or television shoot.

Many states have commissioned economic impact analyses to assess their local industry's direct and indirect fiscal and economic impact. Categories of measurement include:

- **Direct spending:** In-state expenditures to support the core activities associated with incentivized film or television production or post-production.
- **Indirect and induced spending:** In-state business-to-business transactions (indirect) or consumer spending (induced) that occurs as a result of incentivized film or television production or post-production.
- **Direct job creation:** The number and wages of both “above-the-line” and “below-the-line” talent directly hired as a part of the incentivized film or television show’s local production and/or post-production.
- **Indirect job creation:** The number of jobs created to as an indirect result of incentivized film or television production and/or post-production.
- **Fiscal impact:** Revenues - both state and local taxes and fees - generated from incentivized film and or television production (Connecticut Commission of Culture and Tourism, 2008; Economics Research Associates, 2009; Nelson, 2005; Sage Policy Group, 2010).

Indirect economic benefit through indirect job creation and increased tourism

In addition to the myriad of direct impact arguments these same economic assessments cite the positive indirect impact created through increased tourism. In particular, Susan Christopherson cites two studies written in the late '90s that attest to the increased benefit of tourism induced by the attraction of film and television shooting locations. (Christopherson & Rightor, 2009)

However, more recent research argues these economic bumps are small and episodic, with sites recognized as film or television backdrops not likely becoming vacation destinations, but rather stops along a journey if tourists are already visiting the location. This same study argues that the tourist draw is more likely to be significant if the film location is already associated with a tourism destination – such as Universal Studios or Disney World. (Christopherson & Rightor, 2009)

That said film festivals do hold the ability to bring “serious tourists” - individuals seeking to spend their vacation and travel time engaging in rich cultural experiences - to a location. (Prentice and Andersen, 2003) Yet to be economically impactful, the festival must draw the above-the-line talent – producers, directors, and actors – in order to bring along the serious tourists. (Stringer, 2008)

Maintaining regional and global competitiveness

One consistent theme of the literature regarding public support of the film and television industry is that to attract national production, states must have competitive incentives. (Davis and Kaye, 2009) These incentives have expanded in use with even nationally recognized production centers New York and California employing the tactic to counter

what has come to be known in the literature as “runaway production.” (Scott and Pope, 2005) Over the last 20 years, these traditional centers – and indeed Minnesota – lost production spending to other states, and, significantly, to other countries. With the introduction of tax subsidies in the 1990s, Canada successfully lured high levels of production from the United States. (Christopherson, 2006) Other countries, especially in Eastern Europe, soon followed suit. However, there are signs that even the robust industry established in Vancouver, due to its proximity to Hollywood, is not sustainable as transnational production firms out-source their specialized and highly skilled production and post-production needs across oceans. (Christopherson, 2006)

The Case Against Public Support of Film & Television Industry

Arguments supporting investment in the film and television production industry are complicated by research that is more critical of the concept. Other authors argue that film and television production has a short-term, unsustainable impact; that high mobility makes it a less efficient industry; that competition in the subsidies arena causes a race to the bottom where the economic cost of subsidies outweigh their benefits; and that the claims of impact are difficult to measure and unreliable. These arguments must be considered when developing and employing strategies to sustainably grow the local industry.

Short-term impact

Different kinds of businesses will have different impacts on the regional economy. Manufacturing plants require some kind of infrastructure investment and moving a headquarters to a new city comes with moving costs. These sunk costs are a disincentive to frequent moves, meaning that as long as the company stays healthy, the jobs created in the region will be relatively long-term. Isaiah A. Litvak and Marilyn Litvak (2006) suggest that since movie production is short-term work, the jobs resulting from public investment in production are likely to be short term.

Christopherson and Rightor (2009) also point out a jobs issue that plagues many state production industries: the question of “crew depth.” In order to produce the multiple Hollywood projects needed to employ people year round, there must also be enough production workers available (and unemployed) at any given time for another project. So even in a robust production economy, many workers spend part of the year unemployed.

High mobility of production industry

Film and television production is highly portable. After working in one state, a production team could easily move to another. The use of financial incentives to lure film and television production to one region has encouraged “rent-seeking” behavior in

production companies. (Christopherson & Rightor, 2009) Because so many states and regions have adopted incentives, production companies can count on that money as a revenue stream for their project and will create a strategy that maximizes it. Further, the nature of the film-industry as a project-based industry makes gains in production very difficult to sustain, as the next production can be produced elsewhere, and local events such as natural disasters can also have limiting effects. (Litvak and Litvak, 2006)

Race to the bottom

Direct financial incentives to production companies can be compared to the smokestack chasing practices of attracting manufacturing jobs in the past. Literature relating to the study of the past manufacturing attraction can elucidate this argument. According to Robert Lynch (2004), direct economic business incentives do not make sense when considered from a competitive standpoint. Lynch suggests that giving funding to individual firms can damage a region's ability to hold jobs in the long term, as those public monies could be better spent on workforce and infrastructure investments. Furthermore, it is nearly impossible to determine which companies would have done business within the region without the incentive, thereby not needing the money from the enticer to motivate their location decision. Finally the net result from attracting production to one state or another is less than zero on the national economy, because public dollars are being spent to attract production that would have otherwise occurred.

Davis and Kaye (2009) point out that this situation is leading to a 'race to the bottom':

“Cost-based competition on the basis of tax incentives, wage concessions and infrastructure is a race won by the location providing the best package of subsidies, incentives and low labor costs. The race to the bottom results from successive rounds of rival, increasingly generous tax and other incentives to compete with lower-cost new entrants and concessions offered by incumbents.”

Without a mindset towards global economies, the only real benefactors are the production companies - not the regions that woo them. Climate, labor force, distinctiveness are all likely to be weighed in the production location decision. So when a company has narrowed the field to two or three locations, they can pit these regions against each other in an attempt to draw the highest subsidy from the eventual winner.

Allocation of tight public budgets

This competition has caused states to spend more on incentives than they are worth in economic advantages. (Litvak and Litvak, 2006) As more and more states offer financial incentives, more and more has been carved out of public budgets to support film and TV production. Because the money going to support these films is taxpayer money, the

opportunity cost of that investment must be weighed. True, if \$1 million had not been spent to lure a movie production, the state would likely not see the boost in GDP and short-term employment. But if that \$1 million had been spent on something else – education, workforce development, tax or fee cuts — how would citizens benefit?

The Production Ecosystem

In addition to the drawbacks listed above, arguments have been made that given the complexity of the industry; public production incentives may not be enough. Indeed growth of the industry comes on the back of solid infrastructure, not solely on tax breaks. (Christopherson & Rightor, 2009)

Recognized production hubs Los Angeles and New York have built their industrial success on six infrastructural components that include: "...decision makers in the industry... business services... (small business) that provide input into the production process... training and education processes... facilities...tradeshows, film festivals, and trade association and union programs that provide this industry with its analogy to 'research and development.'" (Christopherson & Rightor, 2009) Though these cities have built their industries and the supporting infrastructure over a century's time, the fact remains that in order for the production industry to be viable in the long term, publicly funded incentives are likely not enough; supporting services and facilities must continue to exist.

The example of Portland, Oregon

Recent television and web programs such as *Grimm*, *Leverage*, and *Portlandia* have made many aware of the filming strengths of Portland and Oregon as a whole. The additional benefit of multiple filming projects, small or large, is that the availability of jobs for production individuals is increased, allowing these individuals to remain in Portland without changing professions or facing over-large periods of unemployment.

In the incentives game Portland and Oregon use the same strategy employed in Minnesota: a film rebate program. The only advantage Oregon has is a slightly higher incentive: a 20% rebate, with an additional 16.2% available for paying local employment costs.

A group of 27 cities and 3 counties have banded together to provide benefits that the state could not, drawing business and notoriety in the production world. These benefits take the form of fee-free filming locations - areas that will waive the fees that a project would normally have to pay to use a location for production. The return to these areas is a required mention or acknowledgement within the project or its credits. The state has

stoked this partnership to create attractive benefits beyond the monetary incentive that they offer.

Furthermore, the executive director of the Oregon Film and TV Office talks directly with programs planning pilots either to be filmed or based in Portland. This personal sales approach allows the opportunity to promote Portland as a strong filming hub or an interesting setting for an artist's story. The City of Portland is being sold as a character in and of itself, a strategy that only becomes stronger as more production projects grow people's familiarity with the city.

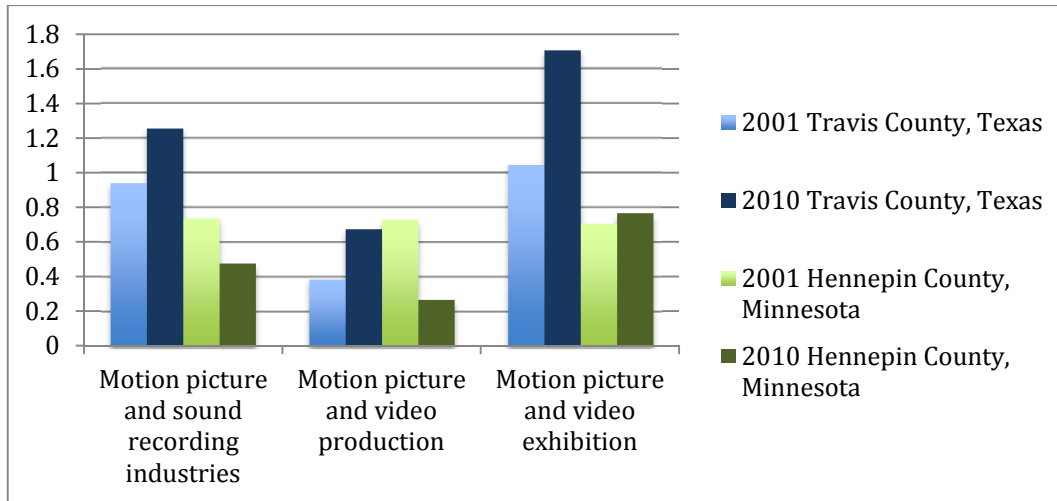
An additional benefit to Portland/Oregon's production community is the state's lack of a sales tax. This aspect alone reduces a production projects costs by 7 to 8 percent, without a need to fill out paperwork or use incentives to recoup the money spent on state taxes. This costs the state nothing. Because there were already no sales taxes it is not a loss to make a project free of paying them.

All of these factors come together to create a very robust Portland/Oregon production environment. A 2007 study of Oregon's film and television market impact reports an economic output for the state of just under \$710 million. This figure has been broken down further to show that the City of Portland had an economic output of \$543 million.

The example of Austin, Texas

Austin, Texas has a thriving film industry driven by its infrastructure, world-renowned local directors and producers, and a long and diverse list of annual festivals. According to Bureau of Labor Statistics data, Travis County, Texas specializes in motion picture production and exhibition, both of which have grown rapidly over the last decade. Figure 1 shows that Austin has grown at the same time that Minneapolis's production hub has lost ground. Specifically, Austin has grown increasingly specialized in the motion picture production, exhibition and sound recording sectors, while Minneapolis has lost jobs when compared to national employment in these sectors, with the exception of motion picture exhibition. Austin's success in growing a thriving film industry is impressive, especially given the state of Texas's moderate film incentive programs.

Figure 1. Industry specialization in Austin, TX and Minneapolis, MN in 2001 and 2010



The Austin Film Society was founded in 1986 as a non-profit educational organization. Led by filmmaker Richard Linklater, the Film Society's early years focused on frequent screenings and film education/appreciation activities and outreach to local schools. These efforts helped to build demand for all kinds of films, leading to what is now a nationally known film culture. In 1995 the society began financially supporting local artists, while continuing their work with local audiences and schools. (Austin Film Society website, 2012)

Austin Studios was opened in 2000 by the Austin Film Society in partnership with the city of Austin, using a 20 acre site northeast of the city to build its studio in five abandoned airplane hangars. Even though the studio began as a small resource, mainly used by local filmmakers, it generated \$1.5 million for the local economy in its first year in operation. (Broaddus & Associates, 2009) In 2006 the City of Austin passed a \$31 million bonding bill to support local arts with \$5 million dollars going to build an improved Austin Studios. After an additional \$1 million contribution from Austin Water Utility, a team of local builders and engineers set out to create a full-scale major motion picture studio. By 2009 the Mayor Pro-Temp of Austin declared that the studio had a \$1 billion impact on the local economy.

In addition to providing local filmmakers with financial support and infrastructure, the Austin Film Society also sponsors Austin-based filmmakers to travel internationally to show their work at major festivals like Sundance, Cannes, Berlin, or Toronto. And along with hosting the nationally renowned SXSW festival, Austin hosted a dozen film festivals locally in 2012. This effort to get local artists on the national and international scene through attendance at outside film festivals illustrates the importance of marketing to building a local film culture.

The University of Texas at Austin's Department of Radio-Television-Film supports the work of the Austin Film Society in building the local film industry. The department offers Bachelor of Arts degrees as well as Masters of Fine Arts, Masters, and PhDs in media production and media studies and currently serves 900 undergraduates and 160 graduate students. The Department acts as a talent pipeline for local film production, and in recent years more and more directors and producers trained at the university decide to stay and make their films in Austin. While attending the University of Texas at Austin, Robert Anthony Rodríguez wrote and produced the movie *El Mariachi*, which went on to receive both critical acclaim and some commercial success. His decision to remain in Austin, and the subsequent decisions of other nationally known artists, and has been a turning point for the local film industry. The department quotes from an interview with filmmaker George Lucas, "Just the fact that Robert's in Austin, I'll bet, has inspired about 100 other kids to be filmmakers. And the key is for them to realize that when they go off to film school or wherever they go, to come back to Austin and not buy into the idea that they want to go to Hollywood and become Michael Bay or Steve Spielberg." (University of Texas website, 2012)

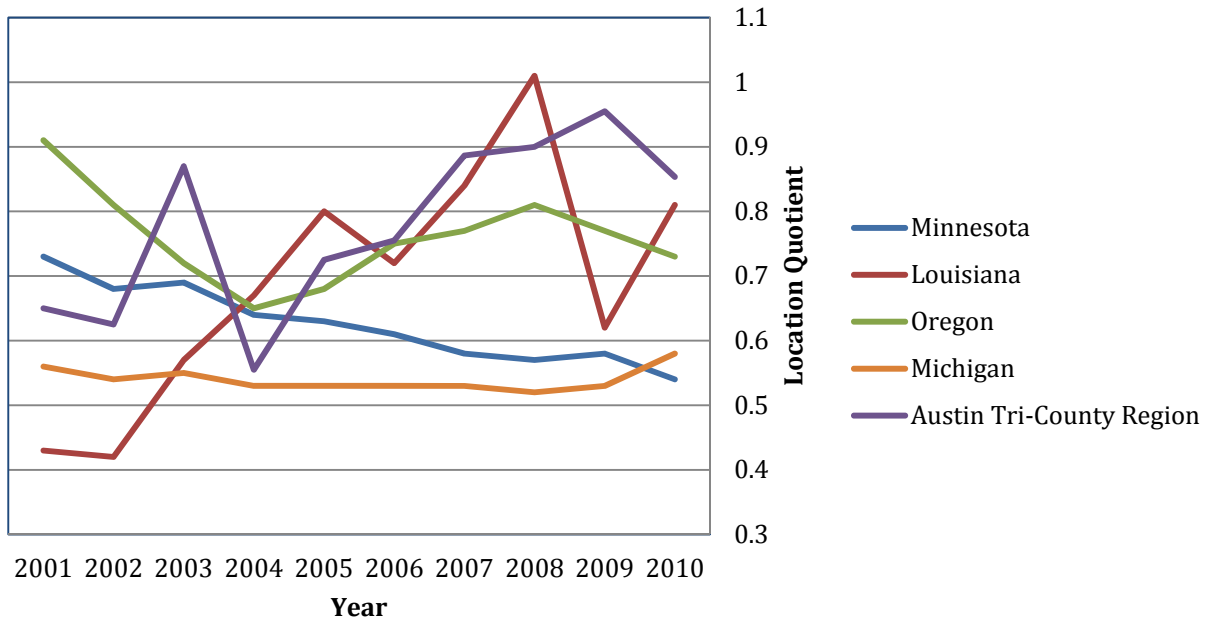
Research Findings

In our examination of the Minnesota production landscape, we conducted in-depth qualitative analysis of the industry through interviews with people involved in policy-making and production work. (See Appendix A for methodology) We also conducted quantitative economic research focused on contextualizing Snowbate's effectiveness and comparing Minnesota's industry to the industry of other states. (See Appendix B for in-depth findings)

Location Quotient Analysis

A location quotient (LQ) is an economic tool used to study industrial employment across regions. Thus a LQ of 1 for a given industry represents a self-sufficient market wherein a given area would predictably have enough employees working in the industry to meet any demands that the local market would make. If the LQ dips below 1 then it is assumed that the region would have to import goods or services that the industry produces, resulting in an outflow of monies to other more competitive regions; A LQ higher than 1 would have the inverse effect, bringing in monies from other less competitive regions.

Figure 2. Comparison of Industry Employment by Location Quotient



The figure above shows the LQ figures for Minnesota and several other states over the last decade relating to the 512 NAICS (North American Industry Classification System) group. This grouping is the broadest categorization of the motion picture and sound recording employment, which is used in this analysis for the sake of capturing the many production types that are found in Minnesota. The LQ figures for Minnesota shows a gradual decrease in the 10-year period, a reduction of .19 points. For comparison there are 3 other states, and the Austin tri-county region listed. Louisiana and Michigan represent states with strong incentive programs, and Oregon represents a state with an economic climate similar to Minnesota.

The strong incentive states have seen radically different results from their incentive strategies. Louisiana has gone from the least powerful state in the beginning of the period, to the strongest in the year 2010. The drawback to this strategy is that despite large monetary investments into attracting production projects, the resulting employment figures are quite volatile showing changes as large as .38 points in a single year, more than other states change in the entire 10-year period. Michigan has seen more positive, if less impressive, results over the same period. Michigan had fewer smaller changes in LQ ending .02 points higher in 2010 than they started in 2001.

Finally we look at Oregon, the state that closely relate to Minnesota's economy. This similar state has seen substantial growth in their production employment figures, albeit after it saw losses in the early years of the study. Oregon starts the period much stronger than any other state, and drops rapidly down to the LQ figures that Minnesota

held in 2004, but they manage to change their trend and end almost .2 point above Minnesota who has continued to lose jobs in the aftermath. Interestingly though, Oregon does end up .18 points lower than they started, showing similar losses to Minnesota over the period, they started in a much better position.

The Austin tri-county region saw some rapid changes early in the observed period. During the second half of the decade the region has steady growth. The growth seen after 2004 is comparable to that seen in the state of Oregon, but the growth is stronger, without the rapid changes seen in Louisiana. There is a downturn in 2010, but this is when we see the incentive based states gain while the others decline.

Strengths and Weaknesses of Current Minnesota Film & Television Landscape

In developing a strategy to grow Minnesota’s film and television industry, it is first important to recognize its current strengths and weaknesses. While some of these are identified for producers by Minnesota Film and TV in their list of 10 reasons to “Make it in MN,” (MN Film and TV website, 2012) the lists below more broadly capture industry strengths and weaknesses identified through interviews with local stakeholders.

Table 1. Minnesota Film and TV Industry Strengths and Weaknesses

Strengths	Weaknesses
<p style="text-align: center;">Finance</p> <p style="text-align: center;">Affordability Robust philanthropic sector Support for the arts Existence of Legacy Amendment</p> <p style="text-align: center;">Talent</p> <p style="text-align: center;">Acting talent Strong Work Ethic Creativity MN production people easy to work with Spirit of cooperation Capable of working in all sectors of the industry</p> <p style="text-align: center;">Educational Opportunities</p> <p style="text-align: center;">Support for new and emerging industry professionals through groups like IFP and MCTC</p>	<p style="text-align: center;">Finance</p> <p style="text-align: center;">Incentive not competitive Lack of financing</p> <p style="text-align: center;">Talent</p> <p style="text-align: center;">Acting base dominated by theater actors Lack of big name cast Lack of ‘above-the-line’ talent (i.e., directors, producers, and writers) Lack of local crew depth (only ~1.5 - 2 deep currently) & crew tied up with commercial and corporate commitments</p> <p style="text-align: center;">Educational Opportunities</p> <p style="text-align: center;">No 4 year degree program Lack of professional development opportunities for more seasoned producers/filmmakers</p>

<p style="text-align: center;">Sub-industries</p> <p>Strong advertising community Strong Growth in Public TV Production Strong technology sector, including talent from companies such as 3M</p> <p style="text-align: center;">Place</p> <p>Accessibility/easy to get around here Livability</p> <p style="text-align: center;">Political</p> <p>Supportive Mayors</p>	<p style="text-align: center;">Sub-industries</p> <p>Local post-production industry not optimized for film</p> <p style="text-align: center;">Place</p> <p>Lack of visibility for film festival Distance from both coasts Climate</p> <p style="text-align: center;">Political</p> <p>Low visibility at state legislature</p>
---	--

This section explores these strengths and weaknesses in more detail, supported by quantitative economic analysis where appropriate.

Finance

As one interview respondent explained, film is expensive and requires piecing together many sources of funding.

“Film is an expensive medium and you may be able to make your one-off entry film on a couple of 10k grants...after that you need significant financing for your film...Funding isn’t one person’s job – it’s a matrix. You don’t have a single funder. Production funding is a high dollar game. The only place you’re going to find a single funder is a studio and we don’t have those here.”

The foundation for a vibrant film and television industry is a supportive financing landscape. Interview respondents acknowledged Minnesota’s “vibrant arts culture” and the “strong tradition of supporting the arts,” as evidenced by Minnesota’s Legacy Funds. However, there were differing perspectives on whether Minnesota’s broad philanthropic support for the arts has translated into support for film and/or television production. One respondent suggested it has saying, “Some of those people on the board of the Walker and the board of the Guthrie are the same people who invest in film.” Another respondent acknowledged the challenging perception of film as a commercial enterprise that does not warrant philanthropic support: “There is a spirit among the community here with wealth and assets that supports the arts, but it probably does a better job supporting other forms of art than film. Film is still looked at as a commercial form.”

Recent changes in the funding priorities of local foundations have ended the continuum of philanthropic support coordinated by these foundations to support local filmmakers.

“Jerome [Foundation] supported early, McKnight [Foundation] mid-career, Bush [Foundation] the later years. Our theory was that we could support filmmakers through their entire life and we could draw artists at different parts of their career because we would have significant rewards.”

Awards like the Bush Artist Fellowship provided enough recognition to draw film artists and create local figureheads with national visibility; however, philanthropic dollars could never match the level of financing available through public incentives.

In relation to Minnesota’s public financing landscape, all respondents acknowledged the issue defined in this paper’s problem statement: that Minnesota’s film and television incentive is not competitive nationally. As one respondent put it, “The problem with Snowbate is that it is just not that competitive on the national scale. Whatever faults it has, all of those would be relieved if it were just more sizeable.”

Figure 3. Snowbate and Production Spending in MN

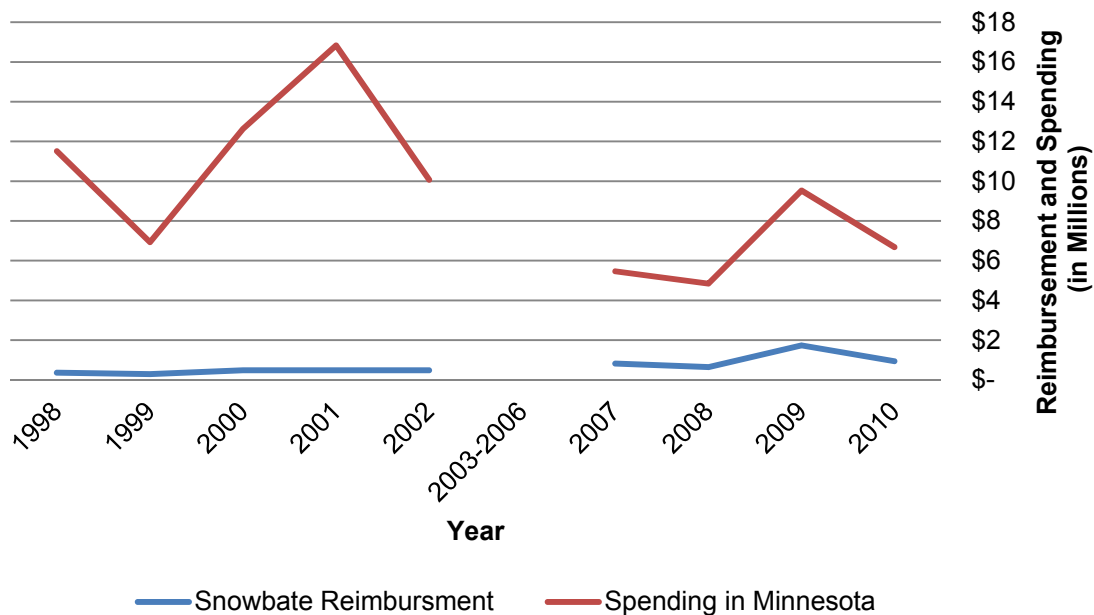


Figure 3 contains data Minnesota Film and TV has collected regarding the amount of Snowbate reimbursement given out over the last decade compared to the amount of spending by production companies. Several conclusions might be drawn from this data. The first is that increases in funding in correspond with increases in production. Likewise the opposite may be true. The danger in drawing these first two conclusions is to assume that the Snowbate spending caused the change, rather than simply highlighting correlation. Furthermore, given the known lag time between three events (1)

when funds become available, (2) when production dollars are spent, and (3) when projects are reimbursed, causality cannot be definitively found.

Yet the data clearly show that while the amount of Snowbate reimbursements remain relatively level the amount of Minnesota production spending fluctuates quite wildly, showing as much as a \$10 million difference between various years. This suggests that a great many factors outside of Minnesota's incentives – including those of other states – influence production spending.

While Minnesota once enjoyed competitive advantage in the early days of Snowbate, most other states have joined the production incentive arena – greatly diminishing the power of the program. According to Cast & Crew Entertainment Services, a private firm that specializes in incentive work, 39 states plus Puerto Rico and the District of Columbia currently offer incentives. Minnesota's incentive falls in the bottom quartile among all incentive states, lagging behind the regionally similar state of Wisconsin as well as the economically similar states of Oregon and Washington.

While Snowbate is not nationally competitive, Minnesota-based producers still appeal to bottom-line media companies. Both respondents involved with television highlighted that Minnesotans could generate a higher return on investment than producers on either coast. "We can produce it on tighter budgets, and part of that is because our overheads here are lower...we are pretty scrupulous about spending money where it matters and not spending money where it doesn't."

Talent

Most of the strengths highlighted about Minnesota's industry workforce related to inter-relational qualities, while the weaknesses related to an industry too lean to retain key talent. Interview respondents particularly highlighted what Minnesota Film and TV lists as #8 on their "Make it in MN" list: "MN Nice & Midwestern Work Ethic." Respondents spoke to Minnesotans' "strong work ethic" and "creativity." They claimed that the Minnesota workforce is seen as "easy to work with" and that the industry here has a "spirit of cooperation." One respondent suggested Minnesotans are known for "creative film-making and innovative storytelling."

The weaknesses respondents highlighted in Minnesota's talent were related to the insufficient size and lack of particular specializations of the workforce. According to them, Minnesota lacks both extensive "above-the-line" talent - including directors, producers, lead actors and screenwriters - and "below-the-line" talent - including character actors and crew. According to the interview respondents, our "crew depth" hovers around 1.5- to 2-deep or enough crew to staff the shooting of two feature films

simultaneously. According to industry conventions, 3-deep is optimal for a thriving industry. However, it poses a challenge to retain deeper talent when the jobs are not available. Individuals in this industry often work in the corporate or advertising industry to make a living when feature film or television work is not available. While multiple respondents acknowledged the talent that exists in Minnesota's vibrant theater scene, a few also acknowledged "what you need for corporate and film is usually different than theater."

Educational Infrastructure

One interview respondent spoke to the value of having a public four-year, industry-specific degree program saying,

"Students are more mature in their discipline when they graduate. They also spent at least 4 years together in a team building sense, and a lot of those folks work together after school to create work, short and feature length projects. If you look at schools like NYU, more so at UT, less so at USC and UCLA, those people work together, build bonds continue to work together and build little mafias...these relationships are created, and that helps stimulate people staying here and making films."

Minnesota does have the seed of a strong educational infrastructure with a public 2-year Cinema Studies program at the Minneapolis Community and Technical College, a public 4-year film program at Minnesota State University-Moorhead and a private 4-year film program at the Minneapolis College of Art and Design. The Journalism Studies major at the University of Minnesota also feeds the local industry. However, Minnesota lacks a *public* four-year program in the Twin Cities metro area, where much of the state's population resides.

Sub-industries

An occupational analysis reveals that Minnesota's workforce is highly specialized in Media and Communication Workers, and Designers (Appendix B). The following table shows the film and TV related occupations in which Minnesota is more highly specialized than New York or Louisiana. These states were used for comparison because they represent a state with a mature and strong film industry (New York) and a state with aggressive, albeit inconsistent, growth (Louisiana). These highlighted occupations illustrate the flexibility of Minnesota's workforce in the creative sector. The categories "Media and Communication Workers, All Other," "Designers, All Other," and "Media and Communication Equipment Workers, All Other" represent segments of

Minnesota's labor pool whose current work does not easily fit into traditional sector labels used by the Bureau of Labor Statistics. This can be interpreted as an innovative work force that could easily adapt to the changing needs of the film and television industry. These occupations should be considered when creating a strategy to promote growth in the industry.

Table 2. Specialized Occupations in MN, NY and LA

Occupation (SOC code)	MN LQ	NY LQ	LA LQ
Arts Design Entertainment Sports and Media Occupations (270000)	1.07	1.60	0.37
Media and Communication Workers All Other (273099)	5.52	0.55	0.80
Designers All Other (271029)	2.84	0.91	1.00
Multimedia Artists and Animators (271014)*	1.44	1.71	0.28
Media and Communication Equipment Workers All Other (274099)	1.36	0.91	1.11
Radio and Television Announcers (273011)	1.25	1.04	0.55
Photographers (274021)	1.22	1.06	1.86
*Specialized, but not quite as much as New York			

Minnesota continues to grow in its visibility around public television and “do-it-yourself” (DIY) broadcast television shows. However, according to one interview respondent, local post-production companies work closely with the corporate and advertising communities on a regular basis, but do not have the equipment to support working with feature films that could be shot here. Therefore, these businesses would need to expand to support growth in the film and television industry.

Minnesota has a LQ of 1.85 in NAICS category 55: Management of Companies and Enterprises in 2010. The Minneapolis/St. Paul MSA is even stronger than this, with the location quotient figure of 2.52 in the same category. As the 2011 Minnesota Film and TV whitepaper states: they provide services to 21 fortune 500 companies located in Minnesota, who spend a collective \$100 million each year in production.

Place

The film and TV professionals who live in Minnesota cite it as “livable”. One respondent depicted the community as, “a lot of interesting filmmakers who don’t want to live in LA or NY, want to make their personal films, and take advantage of the technology talent that exists here.”

Though Minnesota Film and TV lists Minnesota's central location as an asset in their "Make it in MN" list, an interview respondent spun this a more negative light, suggesting Minnesota is perceived as "equally inconvenient to both New York and Los Angeles. New York is where the money decisions get made and LA is where the production decisions get made." This inconvenience increases during the winter months when weather poses major challenges to shooting outdoors or flying in and out of the state. On their list, Minnesota Film and TV presents the Minnesota winters as a positive, lifting up the fact that we have the full spectrum of seasons.

Visibility

Minnesota currently hosts two local film festivals of note - the more established Minneapolis St. Paul International Film Festival and the nascent but promising Twin Cities Film Festival. Not having one dominant, nationally recognized festival, Minnesota lacks the visibility that other city's festivals have. According to one respondent, "We don't know to toot our horn. We don't know how to advertise this community."

Political

According to one interview respondent, both Mayor RT Rybak of Minneapolis and Mayor Chris Coleman of St. Paul are supportive of fostering economic development through the arts, including film and television production. The fact that one of our interviews was with the Director of Arts, Culture, and the Creative Economy for the City of Minneapolis is a testament to local government support for this and other artistic industries. This local support is counterbalanced however by a lack of awareness among state legislators described by another respondent:

"People (at the legislature) don't really know about it – it's not a top priority. It's in the economic development bill – so the legislators sitting around the table...if they don't know it's going to help their district, they're not going to be interested. So you've got to get producers or whoever to talk with their legislators."

Opportunities and Challenges Facing the Minnesota Film and Television Production Industry

Just as knowing the strengths and weaknesses of Minnesota's production industry is important while developing a strategy to grow the local industry, we must also consider the national and local trends and conditions that represent opportunities for and threats to the growth of the production industry. Through interviews with people involved in many aspects of the industry, the following opportunities and threats were identified:

Table 3. Minnesota Film and TV Industry Opportunities and Threats

Opportunities	Threats/Challenges
<p style="text-align: center;"><i>Political</i></p> <p style="text-align: center;">Focus on economic development at legislature Educating new legislators in November 2012</p> <p style="text-align: center;"><i>Technological</i></p> <p style="text-align: center;">Cost of digital equipment decreasing Opportunity to take leadership on 3D</p> <p style="text-align: center;"><i>Human Capital</i></p> <p style="text-align: center;">Multi-talented human capital increasingly sought</p> <p style="text-align: center;"><i>Cultural</i></p> <p style="text-align: center;">Using festival to promote local industry</p>	<p style="text-align: center;"><i>Political</i></p> <p style="text-align: center;">Current political & fiscal climate</p> <p style="text-align: center;"><i>Technological</i></p> <p style="text-align: center;">Ease, cost, and Mobility of editing and effects</p> <p style="text-align: center;"><i>Human Capital</i></p> <p style="text-align: center;">Loss of Bush Artist Fellowships Award Talent leaving state</p> <p style="text-align: center;"><i>Financial</i></p> <p style="text-align: center;">Bottom line production mindset (shows and productions move to cheapest place)</p> <p style="text-align: center;"><i>Visibility</i></p> <p style="text-align: center;">Apathetic industry perception of MN Ad production activity is centered on coasts</p>

This section explores these opportunities and threats in more detail, supported by quantitative economic analysis where appropriate.

Political

Legislators and others working at the state capital are increasingly focused on economic development and job creation. According to our respondents, there is an opportunity to press for public investment in the production industry as economic development. A lot of money is spent on production nationwide, and many view that spending as a potential source of economic development, potentially driving local job creation directly and through spillover.

One local government official said,

“We’re interested in gleaning the money that are a result of a film shoot and the broader issue – of course there’s direct impact of hotel rooms, goods, hiring people behind and in front of the camera – there’s a secondary impact which is

that it attracts people here. It provides a sense that Minneapolis is a place to locate to because it has jobs on an ongoing basis in the film industry. It's a place to study film techniques on all sides including acting. It supports the work of our colleges and keeps the talent we've invested in as a community in the community, as opposed to subsidizing the education of these people who leave. We don't want that drain to happen. We want to capture them if they come in to the state for education or if they're here already keep them here to make sure it's viable for them. And of course bring in those outside productions that will be fluctuating – but major film as well as advertising that will generate income.”

Additionally, films and television set in Minnesota could drive additional tourism according to a legislator close to the issue, “Y’know if you talk about Minnesota and you’re shooting a movie where there’s a Minnesota location and the movie makes it clear that we’re in Minnesota, sure that’s helpful to the state in a more subjective way.”

Perhaps the biggest upcoming political opportunity centers on the new legislators who will be elected in the upcoming 2012 election. While current legislators have been generally unreceptive to investing in production, the November elections will bring change. While there has historically been strong support from Sen. Richard Cohen, there has not been a person championing the film and television industry as economic development as strongly in the house. According to one of our respondents,

“You need a house champion – one with power and leverage and who’s willing to make this their number one issue. And there are going to be 50-60 new legislators next session because of redistricting and retirements and losses. They’re going to come in and know nothing about anything. And that is an opportunity. If you do good research prior to session starting and know where there are companies in the district or where their members live, you can build and grow a champion before they show up. And they won’t have baggage so you can provide the education.”

However, less than year after a state shutdown driven by the fiscal condition of the state government, increased investment in the arts is not a popular position in the legislature, even as economic development. Many do now want any state money spent on private industry, and many are worried about exposing themselves politically in a polarized climate. Our respondents confirm this,

“Among legislators generally, though, they don’t view right now with the current majorities there is not – and this is the first year they haven’t had to cut the budget in 4 years – so arts are the first to go. There’s a bill in the house to

remove the requirement that state buildings have to put art in new buildings. I could argue it both ways but when you're talking about legislators making hard choices about what they're funding... I could see why arts would go."

Part of the problem is the perception of the production industry as only providing short-term jobs. The perception is that money spent to bring productions to Minnesota will only provide jobs for a short amount of time considering the cost of bringing jobs here. One respondent who works with the legislature confirms this point,

"It's hard to change legislature's mind that these aren't short-term jobs. Clearly these people have made a career but the nature of it is job-to-job-to-job. Perception is that people fly in do their thing leave and everyone's out of work again. I would compare it to construction trades. It's the same thing. We pass huge bonding bills and the argument is it puts people to work and there's a huge constituency arguing for that but I don't think the film industry has the same support contacting the legislature and making the case."

Technological

Changes in technology are driving a lot of change in independent film, completely altering the landscape by allowing people to produce film, television, and video far more easily and cheaply than before. One of the respondents explained it well,

"I think the industry as a whole, nationally, has changed a lot, I focus on the independent side. It's changing so rapidly in so many ways. I think it will change more quickly in the next 5 years than it has in the last 40 years. Mostly driven by technology, some of it is just the economy in general. So, the access to production tools, so cameras and the like are much, the barriers of entry are really low. And then the post-production tools, editing, effects, the costs of that have gone grossly down, and are available to nearly anyone with some budget. And the tools for distribution and marketing, It used to be that you couldn't distribute your film nationally or worldwide without one of the big companies blessing your project, or at least a national distributor. Now you can put a movie on the World Wide Web in a matter of moments, even the marketing tools are less expensive, Twitter, Facebook. It creates problems while it solves problems. The noise is so much greater, for any project to break through to an audience of significant size is harder but not impossible. No longer to independents need to rely on gatekeepers at big companies. So I think that all those changes, and the changing economic climate will drive the industry to do more innovative things. I think how film is delivered, how it is consumed. Are doc filmmakers going to stick with long form, or a cluster around a topic centered on a website. There are all

kinds of ways of delivering that story. It all comes down to stories, and the way people consume stories is changing.”

If Minnesotans are prepared to take advantage of the new opportunities this will create, the local production economy could see more growth. This kind of technological change plays to Minnesota's strengths as a young, well-educated, and tech-savvy place. As the cost of production drops, it becomes easier for creative people to produce and distribute their work. Minnesota in general and Minneapolis in particular is home to a large creative community who if trained, supported, and encouraged, could be very well prepared for new and developing modes of production, making Minnesota a hub for new media (even as “new” becomes old quicker than ever). As another respondent pointed out, “As film has become much more digital it's made it so that you can get high quality work done even if the equipment isn't as top notch.” The lowered cost of entry, combined with a creative population, has the potential for many small projects to come out of Minnesota, building a reputation that could support larger work.

One of the promising new technologies is 3D production. There is an opportunity to make the Twin Cities a center in this type of production if local production houses are trained and supported. Legislators interested in bringing more high tech industry to Minnesota could support this. One respondent, involved with legislative work, said, “3D – legislators love things that are new and cutting edge... if we can say that there's something we can lead on those are the arguments that are most effective.”

While the ease of production is an opportunity for more people to do creative work, it also means that people can do this work anywhere, and possessing large post-production facilities is no guarantee that work will be done in Minnesota. TPT has invested a lot of money in infrastructure over the years for post-production, but as their head of productions says, “We have 9 smaller edit suites, 4 larger finishing suites, but nowadays, you can edit a show on a laptop.” The effect of this is that it is harder to build a production economy around a single element such as post-production.

The prevalent use of incentives plays into this as well, as described by another respondent, “Tax incentives go across the board so when you get a studio locating here – they won't do it unless there are incentives. If they don't shoot the film here will they come here for post-production? Only if it works financially.” That is to say that an area might be able to take some post-production work away from another if it is cheap enough, however, with such changes in the technology, it can not be guaranteed that anyone can hold onto a price advantage in any sustainable manner.

Human Capital

In order to support a full-time career in production, many local artists and crew need to be able to and do work in all the sectors of the production industry: television, film, commercial, and corporate. This was explained by one of our respondents,

“We do have some crossover between people producing broadcast spots and the corporate community. We use a lot of the same people. They may be working on a spot one day and a corporate training the next. I know some of the higher end production people will take corporate work to fill gaps. Talent wise, MN has a pretty strong base of technical talent and creative talents. Though we have lost some technical talent to the coast in the last few years.”

This is also true of the local companies working in the industry. Production houses such as Splice, Pixel Farm, and Crash and Sues all work with corporate work, ad work, film work, and television work. Being multi-talented is vital to survival in the Minnesota production environment. This necessity should be seen as a virtue. Increasingly producers are seeking multi-talented crew and creative talent, “Typically when we shoot a campaign, it’s an integrated campaign that requires motion content and skills, so I’d like to see more directors, photographers, who do both. I don’t want to have to hire a film crew and a still crew.”

This demand lines up well with Minnesota’s strengths in human capital. Minnesota has a pool of human capital that is prepared to do the kind of work that is increasingly demanded by advertising firms, as explained by one local ad producer, “I’m recruiting for digital from MCAD, Art Institutes, MCTC, because I’m looking for, the kids coming out of school have a different skillset. I’m calling it backpack journalism or, we’re looking for people who can do more than one thing.” The LQ analysis above shows this strength – that we are stronger than average in categories such as journalists and other creative people who have traditionally been on the fringes of the production ecosystem but are increasingly at the center of new trends.

For years the Bush Artist Fellowship helped develop creative talent in film. However, as foundations have tightened their belts in “the new normal,” and looked to invest in areas with measurable impact, they have shied away from support of the arts, making it harder for artists to make a living in Minnesota. One of our respondents described it,

“I used to work for Bush Foundation. They have a \$50k artist award that was given to 15 people each year. One specifically for film. Additionally there was a \$100k award for artists in their older years – 50 or older – artists who had been around and that was for film too. Both of those are gone now. Because I worked in the program and received one of those awards I know people moved here for

that. We were attracting artists to this region and to Minneapolis because we have an incredible and generous foundation community. It was the largest in the region for artists and it's gone –there's no replacement for that.”

While this does not have a huge direct impact on the bottom line of the production economy, it does eat into the creative base necessary for a thriving film scene. Without support for creative content creators, they will go elsewhere and bring the work with them. In fact, because of lack of local work compared to how many creative people come out of here, we are a net exporter of creative and crew talent. This is a huge challenge in building the industry here. One of our respondents with lot of connections in the local creative community said,

“In sound one of my students – her boyfriend actually digitizes sound and makes sound for online games. He couldn't stay here because the big dollar job isn't here – it's in Ohio so he moved there. He wanted to stay here but the work wasn't here. We do have the talent – great colleges, we're producing talent we're unable to keep in the region so it's like why are we bleeding? We're also unable to attract new talent because we don't have strong enough incentives to keep work here.”

If the most skilled people keep leaving and don't see Minnesota as a positive place to work, it will be hard to grow the industry. It also speaks to the urgency of growing the industry so there is enough work to keep talent here. This will occur through growth in all aspects of production, as talent often works across sectors.

Festival

There is an opportunity to use the festival as a tool to promote the local industry and expose others involved in production work as well as financiers to the quality of local work. For a long time the major festival in Minnesota, the Minneapolis- St. Paul International Film Festival has focused almost entirely on films from outside Minnesota, providing the valuable service of showcasing amazing films from all over the world. However, there was a missed opportunity to showcase Minnesota film and show the world what local talent is capable of. This is changing somewhat as the festival adds more local content, but there is still an opportunity to use the festival in a more strategic way. One of our respondents was cautiously optimistic about changes at the festival. “We're finally in the process of starting to bring the festival up to the next level but to the extent you're able to bring producers to MN, yeah there's a synergy to that.” If it is built up to a more national level, showcasing major indie work that brings talent, finance, and producers from all over the country, while also showing off local film, it could boost the image of Minnesota as a center for film.

Financial

With so many incentives available and with prices of production falling with new technology, it is truly a buyer's market for content. Studios and corporations are driven by a bottom-line mindset, and are producing wherever they can get quality work for the least money. One respondent spoke to the effect this has on choosing locations for feature films,

"Gran Torino was set in MN but filmed in Detroit. Same with Juno – the scriptwriters are here. The productions that could bring big dollars in to the state for one reason or another aren't coming here. It's not seen as economically, the bean counters in Hollywood don't care about authenticity they care about bottom line. If they can get the same look in another location and there's a reason to do that they'll go there. Or maybe they'll limit their shoot to a few days to get the sites that look like Minneapolis and then they go somewhere else."

Even in the television world, this is a driving force. Locally produced shows such as "Diners, Drive-Ins, and Dives" have moved away once they were bought by the network and they found cheaper production houses elsewhere. A local television producer explains the situation,

"[The] trouble when you are working with a national cable network is that the national cable network wants to own the franchise. And so, these networks use the least expensive production entity to get something done, so when another comes along, they move it. So to the extent that production companies can own the content, they can keep it, but the leverage is in the hands of the network."

Visibility

Compared to 20 years ago, Minnesota does not have as strong a reputation as a center of production for national product. This perception is prevalent where production decisions are made, and this is seen as a major obstacle by some of our respondents, "We're not known as a fabulous place to film – which isn't to say that we aren't – but we're not known that way." With financial decisions being made in LA and New York, it is important that Minnesota is on their radar if it is to get national work. This is true both of film and television as well as corporate and advertising work. According to those we spoke to, while many advertising firms are located in Minnesota, they are increasingly producing their spots in LA and New York because they are centers for the directors of this kind of work, and that's where their clients expect the production to be done.

"We tend, with the big brand spots, to shoot them in LA, New York, wherever, Vancouver, because the budgets are bigger and we really have access to the

best and brightest directors, and since this is a global economy, you can go anywhere to shoot and the prices are very competitive. So depending on what the idea is and what the brand is, we pick the best director, whether it's local or anywhere else...But for the bigger budgets, we tend to be able to go outside, because we are able to absorb the travelling.”

Even locally, among the creative community, film and television are not given the same prominence as other art forms such as theater, dance, and fine art, which have long histories of support in Minnesota. Those who patronize these art forms generally don't have film and television on their radar. One respondent involved in local support of the arts said, “I think of the film industry as relatively weak as compared to how well other arts sectors are doing. Comparative to theater or dance it just isn't as prominent nationally.”

Recommendations

Given the complex web of factors required to produce a film or television show, let alone grow the industry, it would be unwise – indeed naïve – for us as consultants to suggest specific tactical recommendations. Additionally, given the rapidly changing nature of the landscape with advances in technology and state-level policy innovation, today's wise tactics may well be folly merely five years from now. Instead, our academic theoretical research and quantitative and qualitative analysis has presented a menu of strategic recommendations for Minnesota Film and TV to pursue.

In order to grow a film and television production industry that will be able to survive changes in political support, technology, and new demands for content, the industry must be a vital part of a strong local arts community, and it must have national and international visibility. Despite the size and history of the Minnesota production industry, many from Minnesota and elsewhere are unaware of the existence of the industry let alone its benefits, thus such a level must be considered a baseline. In order to grow beyond that baseline, Minnesota Film and TV must raise the profile of the industry and in doing so influence Minnesota's cultural perception, internally and externally, as a film and television production center and create an ecosystem in which artists in film and television are nurtured and supported.

Raising Minnesota's production profile will pay dividends by recruiting artistic talent to the state. That talent will both generate indigenous production as well as draw others to the state. Furthermore, such a strategy would impact not only the artists who produce the work but also the policymakers who will ultimately decide whether or not to build a

framework conducive to growing the production industry. Finally, doing so will also help to build recognition of film and television production within the robust Minnesota arts community as an art form itself – building a strong and important long-term ally in providing support for the industry.

As a nonprofit organization with a state mandate for a public/private partnership, Minnesota Film and TV holds the potential to harness the best of both sectors by leveraging a diverse group of stakeholders to build a robust framework for sustained success of the industry. Further, Minnesota Film and TV is uniquely positioned at the intersection of arts and economic development to be a connector, convener, and catalyst for the industry. The recommendations below leverage that strong position towards growing and sustaining a more robust film and television environment in the state.

Strengthen Minnesota's Film & Television Production Network

As the environment surrounding film and television production is indeed a complex ecosystem, it is essential that stakeholders work together towards building the industry. Yet, in the current economic and political environment organizations are often at odds with each other, fighting for position in front of public and private funders alike. Given its position at the heart of the industry, Minnesota Film and TV can serve as a convener to bring together all industry stakeholders in order to develop a shared vision and cohesive strategy to meet the goal of sustainable growth.

Additionally, the strength of Minnesota Film and TV lies in its connections to all aspects of the industry – financiers, policymakers, actors, and filmmakers themselves. The organization must also serve as a connector in matching individuals and organizations that have complimentary needs and resources. In doing so, more of the work will become shared rather than at crossed purpose.

Potential tactical strategies towards strengthening the network include:

- **Develop legislative and executive branch champions.** Senator Richard Cohen has been instrumental to growing the film and television industry in the state. His work is even more impressive considering that he has lacked a consistent partner in the House of Representatives or serious support from a Chief Executive. Crucial to Senator Cohen's success is that he's been working on the issue since his freshman year in the legislature. Minnesota Film and TV would be wise to find the next Dick Cohen, which is to say a lifetime legislative champion of the industry, by targeting a handful of 2013 House Freshmen and cultivating their interest in advancing the industry's position. This will yield short-term and long-term benefit to the industry as these individuals will be able to help

Senator Cohen advance legislation immediately and carry the torch when the time comes that Senator Cohen leaves the legislature.

- ***Cultivate partnerships to feature a single film festival.*** As our research shows, a strong film festival will help to raise the profile of film and television production in the region, help to feature local talent, recruit national and international filmmakers, producers, and financiers to Minnesota, and draw “serious tourists” to the state. Be it the more established Minneapolis-Saint Paul International Film Festival or the nascent but growing Twin Cities Film Festival, Minnesota & the Twin Cities must support a flagship festival if that festival is to grow to the size necessary to make a measurable impact on the industry.
- ***Bring together the academic community in support of the production industry.*** Time and again our respondents mentioned Minnesota’s human capital – it’s highly educated and young workforce – as an asset to be built upon. Similarly, we heard concerns that Minnesota may soon become a major exporter of that talent if there’s not enough work to keep the workforce in state. Minnesota Film and TV must work with the University of Minnesota, Minneapolis Community & Technical College, Minneapolis College of Art and Design, and other institutions to build a network of young production professionals for the purpose of sharing work opportunities and connecting individuals who may otherwise not find each other, thus fostering a creative hub for the Minnesota production industry akin to what silicon valley was for the global tech industry. Additionally, Minnesota Film and TV should work with the academic community to ensure that the skills being taught in the classroom hold a forward-looking perspective so that graduates are equipped to do the work of the future rather than the past.

Shape Minnesota’s Film & Television Production Policy Framework

Public policy is the structure through which industry grows. Good public policy builds a framework for creative growth rather than providing a prescription for specific development. Minnesota Film and TV should advocate directly and in partnership with others in the network at the legislature for policies that strengthen this framework.

Short-term tactical strategies to grow the industry through policy include:

- ***Spur private investment in the industry.*** Financing is complex and crucial to any production’s success. Our research shows that regions have been successful in growing their production industry when access to financiers is proximal. Minnesota can be a leader in developing policy to incentivize private investment in film and television production through tax credits – similar to angel investment tax credits for tech companies that are being touted here in Minnesota and around the nation.

- **Strengthen Snowbate.** It is clear that in the short-term; production incentives such as Snowbate are a major determinant in where films are being produced. As this is unlikely to change, Minnesota simply must work to become more competitive in this arena. That said, given Minnesota's strengths in human capital and economic affordability, we do not have to have the most financially lucrative incentive in order to compete.

Minnesota would be well position to compete with other states if Snowbate were:

- More stable in the long-term, meaning fully funded for multiple biennia;
- Slightly stronger in terms of the percentage of production reimbursed being increased to 20%;
- And, more targeted, meaning focusing on specific segments of the industry such as documentaries, independent films, television, or studio produced feature films. It may be necessary to pick winners and losers in the short term in order to build the production base necessary to build the industry in the long-term.

Long-term tactical strategies to grow the industry through public policy focus on building the production infrastructure and may include:

- **Invest in a Film Festival.** A strong festival is a key component of many regional film and television production centers. Minnesota Film and TV should advocate for lawmakers to invest in a premier film festival to bring in tourism to the Twin Cities and greater Minnesota.
- **Build a production studio.** The state lacks a studio capable of housing production of the major films and television shows that will be a key component to growing the industry. Lawmakers can and should invest in the production of such a studio through state or municipal bonds or tax increment financing. To ensure use of the studio in the short-term, Snowbate incentive dollars can be tied to use of the studio – such a tactic has been successfully employed in other jurisdictions, namely New York State.
- **Invest in education.** Though human capital is indeed Minnesota's strength today, nobody knows what tomorrow may bring. Minnesota lawmakers can work to ensure Minnesota stays at the forefront of film and television production by supporting a public four-year degree in film and television production.

References

Becker, H. (1982). *Art Worlds*. Berkeley and Los Angeles, CA: University of California Press.

Broaddus & Associates (2009). "Austin Studios: From Empty Hangers to and Energetic Filmmaking Center." Broaddus & Associates.

"Cast and Crew: PRODUCTION INCENTIVES," last modified April 23, 2012, <http://castandcrew.com/production-incentives.php>.

Christopherson, S. (2006). "Behind the Scenes: How Transnational Firms Are Constructing a New International Division of Labor in Media Work." *Geoforum*. 37, 739–751.

Christopherson, S. & Rightor, N. (2009). "The Creative Economy as "Big Business": Evaluating State Strategies to Lure Filmmakers." *Journal of Planning Education and Research*. 29 (3), 336–352.

Connecticut Commission of Culture and Tourism (2008). "The Economic and Fiscal Impacts of Connecticut's Film Tax Credit." Connecticut Department of Economic and Community Development

Council of Economic Advisers (2009). "Estimates of job creation from the American Recovery and Reinvestment Act of 2009." Executive Office of the President.

Davis, C. & Kaye, J. (2010). "International Production Outsourcing and the Development of Indigenous Film and Television Capabilities: The Case of Canada." In Elmer, G. et al. *Locating Migrating Media*. Lanham, MD: Lexington Books.

Economics Research Associates (2009). "Project Report: Louisiana Motion Picture, Sound Recording, and Digital Media Industries."

Ernst and Young (2011). "Economic and fiscal impacts of the Michigan film tax credit." Detroit Metro Convention and Visitors Bureau.

Litvak, I., & Litvak, M. (2006). "Hollywood Movie production industry: Floating factories." In Academy of International Business Southeast (USA) 2006 conference proceedings (pp. 280–292).

Lynch, R. G. (2004). "Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development." Washington, DC: Economic Policy Institute.

Minnesota Film and TV. (2011). "The Case for Investing in Minnesota's Production Industry To Spur Economic Growth and Create Jobs." [White Paper]

Motion Picture Association of America. (2009). "The Economic Impact of the Motion Picture & Television Industry on the United States." Retrieved from: <http://newsroom.dc.gov/show.aspx?agency=film§ion=2&release=16831&year=2009&month=4&file=file.aspx%2frelease%2f16831%2fMPAA%25202009%2520Economic%2520Impact%2520Report.pdf>

Nelson, Mary. (2005). "An Economic Analysis of Virginia's Film and TV Industry." Virginia Film Office.

Pitter, Amy. (2011). "A Report on the Massachusetts Film Industry Tax Incentives." Massachusetts Department of Revenue.

Prentice, R. and Andersen, V. (2003). "Festival As Creative Destination." *Annals of Tourism Research*. 30 (1), 7 - 30.

Markusen, A., and D. King. (2003). "The artistic dividend: The hidden contributions of the arts to the regional economy." Minneapolis: Project on Regional and Industrial Economics, University of Minnesota.

Sage Policy Group. (2010) "An Economic Assessment of Maryland's Film and Television Production Industry and Policy Implications." Maryland Department of Business and Economic Development, Maryland Film Office.

Scott, A. & Pope, N. (2005). "Hollywood, Vancouver, and the World: employment relocation and the emergence of satellite production centers in the motion-picture industry." *Environment and Planning A 2007*, 39, 1364 - 1381.

Stringer, J. (2008). "Global Cities and the International Film Festival Economy, in Cinema and the City: Film and Urban Societies in a Global Context" In M. Shiel & T. Fitzmaurice. Oxford, UK: Blackwell Publishers Ltd.

Appendix A. Qualitative Methodology

To develop a better understanding of the current challenges, opportunities, and perceptions for the Minnesota film and television industry, we conducted nine semi-structured interviews with a range of film and television industry stakeholders representing the following sub-industries:

- Cable television Production
- State Legislature
- Public Relations & Marketing
- Public Policy & Technology
- Corporate Production
- Municipal Economic Development & the Arts
- Broadcast television Production
- Entertainment Law
- Independent Film Production

Three individuals conducted the interviews using a common interview protocol, modified to be relevant to the respondent's role in the industry. Using *NVivo* qualitative analysis software, the interviews were transcribed and coded for 1) Minnesota film and television industry's strengths, weaknesses, opportunities, and threats; 2) Recommended strategies for building the industry; and 3) Perceptions of Snowbate.

MN Film & TV Interview Protocol

The purpose of these interviews is to harvest local (boots on the ground) knowledge of the Minnesota Film & television industry, as well as the local political & policy-making climates. Information gathered will help to determine what sorts of policies are (1) favored by local players in the industry, and (2) currently politically feasible to implement.

Background & Framework:

Most of these interviews will be done with individuals who have no connection to the Humphrey School or this project, and many will be cold-calls. At the same time, all of the respondents have an interest in the future of Minnesota's film & television economy. As such, the interviewer(s) should establish a framework for the conversation that is both warm and safe for creative dialogue.

The interviewer(s) should, prior to asking any substantive questions:

- Make sure the respondent is okay with the conversation being recorded digitally and assure them everything they say will remain anonymous outside our research team.
- Introduce themselves, their background, and their interest in this project in particular.
- Provide a very general overview of this project: We are working with the MN Film & TV Board to help them develop a strategy to support sustainable growth in the statewide film & television industry. Tell the subject that we are covering the entire range of film, television, and commercial production. Keep the project description vague to ensure you are not influencing the respondent's perception of the issue.

The interviewer should also keep in mind that this is intended to be a *semi-structured* interview and though there are a few data points we'd like to collect from each respondent, the most substantive information gained from a given interview will often emerge along an unlikely path. Be comfortable with ambiguity, and have fun!

Questions:

1. Before we begin, could you tell me about yourself and your role or interest in the film & television production industry? *Note: Modify this question appropriately based on your pre-interview research on the individual and their specific role.*

Film & TV Production Landscape & Trends

Ask these overview questions as appropriate, based on industry role of respondent.

1. Given that the industry is national and global, what do you think the general perception of MN as a location for producing film and television is?
2. What does the feature-film production landscape look like in Minnesota?
3. What does the television & commercial landscape look like in Minnesota?
4. What does the documentary landscape look like in Minnesota?
5. What does the post-production landscape look like in Minnesota?
6. What direction do you think the industry is heading industry-wide? Where will it be in 5 years?
 - Where is the Minnesota Film and television production industry heading?

Strengths & Weaknesses

7. What are comparative advantages of the Minnesota film and television production industry nationally and internationally?
 - What are the opportunities for growth?
8. What are comparative disadvantages of the Minnesota film and television production industry nationally and internationally?
 - How could these constraints be overcome?
9. Are you and those you work with familiar with Snowbate?
 - Is it effective in recruiting film and television production to Minnesota?
 - Is it effective in building local film and television production in Minnesota?

View of Minnesota Film and TV production industry from the Legislature (These questions especially for legislative contacts)

10. In what cases do you support public investment in the arts?
 - In what cases do you support investment in film and television?
 - In what cases do you not support investment?
11. When you look at public investments in the arts, what metrics do you and your colleagues use to judge them?
12. What is your opinion of the Snowbate program?
13. What is your vision of the Minnesota film and television industry 5 years from now?
 - What role does government play?

Minnesota's Capacity

14. Is Minnesota's film & television production industry operating at capacity?
 - How much room is there for growth given current talent levels and infrastructure?
15. What is the level of interest in Minnesota in investing in growing a more sustainable local industry through education, workforce development, or infrastructure investments?
16. What strategies do you think could effectively grow film and television production in MN?
 - Is pursuing post-production as a growth strategy a viable option?

Anything else?

17. Is there anything else we should know or look for as we continue our work? Who else should we be talking to?

Wrap-up:

Be sure to thank the respondent for their time and expertise. If appropriate, ask for permission to follow up later. Also, obtain copies of documents and web site citations as necessary.

Appendix B: Occupational Analysis

Data source: <http://bls.gov/OES/> , 2010 MN and US data

Location Quotients for Arts Design Entertainment Sports and Media Occupations (Occupation SOC code 270000)

Occupation (SOC code)	MN Emp	US Emp	LQ
Arts Design Entertainment Sports and Media Occupations (270000)	37150	1716640	1.07
Choreographers (272032)	(8)-	12390	#VALUE!
Media and Communication Workers All Other (273099)	2640	23740	5.52
Public Address System and Other Announcers (273012)	560	7580	3.66
Designers All Other (271029)	490	8560	2.84
Athletes and Sports Competitors (272021)	520	12660	2.04
Dancers (272031)	450	11200	1.99
Writers and Authors (273043)	1460	40980	1.77
Art Directors (271011)	1000	29700	1.67
Multimedia Artists and Animators (271014)	770	26560	1.44
Editors (273041)	2870	99160	1.44
Media and Communication Equipment Workers All Other (274099)	460	16820	1.36
Interior Designers (271025)	1090	40120	1.35
Graphic Designers (271024)	5160	192240	1.33
Interpreters and Translators (273091)	1140	44200	1.28
Merchandise Displayers and Window Trimmers (271026)	1650	64330	1.27
Radio and Television Announcers (273011)	820	32520	1.25
Photographers (274021)	1340	54550	1.22
Fine Artists Including Painters Sculptors and Illustrators (271013)	250	10320	1.20
Artists and Related Workers All Other (271019)	180	7560	1.18

Reporters and Correspondents (273022)	1060	45130	1.16
Commercial and Industrial Designers (271021)	650	28670	1.12
Umpires Referees and Other Sports Officials (272023)	330	15250	1.07
Technical Writers (273042)	950	43990	1.07
Music Directors and Composers (272041)	440	20640	1.06
Broadcast Technicians (274012)	640	30520	1.04
Set and Exhibit Designers (271027)	160	8120	0.98
Craft Artists (271012)	90	4790	0.93
Floral Designers (271023)	830	47850	0.86
Audio and Video Equipment Technicians (274011)	780	47510	0.81
Broadcast News Analysts (273021)	80	5670	0.70
Producers and Directors (272012)	1110	83520	0.66
Musicians and Singers (272042)	570	43350	0.65
Public Relations Specialists (273031)	2930	225590	0.64
Coaches and Scouts (272022)	2380	184280	0.64
Camera Operators Television Video and Motion Picture (274031)	180	16760	0.53
Film and Video Editors (274032)	170	19930	0.42
Actors (272011)	460	54740	0.42
Fashion Designers (271022)	100	15060	0.33
Sound Engineering Technicians (274014)	100	15650	0.32
Entertainers and Performers Sports and Related Workers All Other (272099)	110	23510	0.23

Minnesota's workforce is highly specialized in Media and Communication Workers, and Designers. It is interesting to note that we do not appear specialized in Actors, even though the number of union and non-union actors in Minneapolis is the highest in the nation. This shows us that many of those actors do not list acting as their primary occupation or they were not considered full time actors in this data set. This under-estimation of Actors (and other artistic occupations) is important to remember as we continue our research.

Specialized Occupations- Primary to Film and TV

Occupation (SOC code)	MN Emp	US Emp	LQ	MN mean wage	US mean wage
Arts Design Entertainment Sports and Media Occupations (270000)	37150	1716640	1.07	48090	52290
Choreographers (272032)	(8)-	12390	#VALUE!	71450	42110
Media and Communication Workers All Other (273099)	2640	23740	5.52	48040	50490
Designers All Other (271029)	490	8560	2.84	52350	50440
Dancers (272031)	450	11200	1.99	(4)-	(4)-
Writers and Authors (273043)	1460	40980	1.77	56800	65960
Art Directors (271011)	1000	29700	1.67	74280	94100
Multimedia Artists and Animators (271014)	770	26560	1.44	51160	63440
Editors (273041)	2870	99160	1.44	50350	59340
Media and Communication Equipment Workers All Other (274099)	460	16820	1.36	38800	63530
Graphic Designers (271024)	5160	192240	1.33	45640	48140
Radio and Television Announcers (273011)	820	32520	1.25	33220	39910
Photographers (274021)	1340	54550	1.22	42890	35980
Artists and Related Workers All Other (271019)	180	7560	1.18	37010	61760
Reporters and Correspondents (273022)	1060	45130	1.16	37400	43780
Music Directors and Composers (272041)	440	20640	1.06	55100	52750
Broadcast Technicians (274012)	640	30520	1.04	39530	41170

Specialized Occupations- Compared to NY and LA

Occupation (SOC code)	MN LQ	NY LQ	LA LQ
Arts Design Entertainment Sports and Media Occupations (270000)	1.07	1.60	0.37

Choreographers (272032)	N/A	0.10	0.17
Media and Communication Workers All Other (273099)	5.52	0.55	0.80
Designers All Other (271029)	2.84	0.91	1.00
Dancers (272031)	1.99	2.30	0.95
Writers and Authors (273043)	1.77	2.54	0.71
Art Directors (271011)	1.67	2.55	N/A
Multimedia Artists and Animators (271014)	1.44	1.71	0.28
Editors (273041)	1.44	2.77	0.27
Media and Communication Equipment Workers All Other (274099)	1.36	0.91	1.11
Graphic Designers (271024)	1.33	1.50	0.80
Radio and Television Announcers (273011)	1.25	1.04	0.55
Photographers (274021)	1.22	1.06	1.86
Artists and Related Workers All Other (271019)	1.18	1.25	1.04
Reporters and Correspondents (273022)	1.16	1.39	0.56
Music Directors and Composers (272041)	1.06	1.95	0.85
Broadcast Technicians (274012)	1.04	1.86	0.58

Mean Wages for Arts Design Entertainment Sports and Media Occupations (270000)

	MN	NY	LA
Annual Mean Wage	\$48,090	\$68,370	\$40,550

The US annual mean wage is \$44,410. Arts Design, Entertainment, sports and media occupations had higher than average annual incomes in 2010, and were higher than Louisiana's average wage in the same occupation. However, Minnesota is still less than the average in a state with a mature film and TV industry like NY.