

2015 HOUSE FINANCE AND TAXATION

HB 1422

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1422
1/28/2015
22723

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A Bill to provide an appropriation to the department of commerce for promoting the state as a production site to the film and television industry.

Minutes:

Attachments 1, 2, 3

Chairman Headland: Opened hearing.

Representative Strinden: Introduced bill. See attachment #1 for written testimony.

Chairman Headland: So we're going to create a position in the commerce department with a title of Film Commissioner?

Representative Strinden: The semantics change all the time. We actually talked about a commissioner with legislative council because that implies that there is a commission. It could be the Film Officer or something but it's a semantics issue.

Vice Chairman Owens: We heard in HB 1420 there was a position but it was taken away. I have questions for the Department of Commerce. What happened to the position? Where are the appropriations for that position? What are they using it for now? What happened to the phone number? Do you have any additional information to shed any light on that?

Representative Strinden: I know there was a department that was disbanded but they would have to give you the details on that.

Chairman Headland: We didn't have a Department of Commerce in the 1990s that might be why we don't have a position.

Representative Dockter: I think they mentioned in testimony it was actually under tourism department at the time when Kevin Cramer was in charge. I don't know when it got put together with commerce.

Representative Strinden: Thank you. We can do that.

Representative Froseth: I think when we do committee work on this we should have someone from the Department of Commerce here to answer some questions.

Representative Strinden: There are people here who can testify.

Jim Kambeitz, Production Manager at Dakota Media Access: We spoke earlier about the AFCI getting national recognition and being legitimate on the national level for film and media industry and that's in the discretionary fund of this full time employee. The big part of that is getting us nationally recognized and building our infrastructure here. This is a budget for two years so this is a very small amount. It leaves us with \$35,000 a year that pays the membership fees and such. It's a good start but a very small amount. We know there are a lot of people from North Dakota who would like to shoot here badly and they're connected to the industry but they can't right now. We have a lot of potential and a lot of support from all over the nation and the world.

Chairman Headland: Is there any further testimony in support? Is there any opposition? We have representatives from the Department of Commerce and Tourism.

Sara Otte Coleman, Director of Tourism with the Department of Commerce: I'm understanding that you're curious as to why the film commission disappeared and that was before my time but my understanding was that with the budget and resources the tourism division had they felt we needed to focus our dollars where we could show an immediate strong return on investment. We have not funded core tourism like our neighbors have so the efforts were pulled in and the focus was put on more of the tourism marketing. We are currently doing things similar to the South Dakota office as they too don't have a funded dedicated program; they operate theirs under their tourism division as well. They have double the staff and budget than we do so they spread it out over a larger staff. We take calls and Mike does a lot of the individual work especially in location scouting. Most of the calls we get are from out of state and are major projects but this is not something we specialize in but we try and refer them on. We maintain a production guide for operators in the state that offer services and that is available online. A lot of times we'll educate them on licensing requirements and where they can shoot; basic information and services.

Chairman Headland: If we're going to appropriate some money we could just as well appropriate into the tourism department and continue to work through that agency rather than starting a new program in commerce?

Sara Otte Coleman: Yes but we would need additional funds. The department of commerce is continuing every session to get more and more programs with no increases in staff so it's very difficult to add major events.

Chairman Headland: You sparked some interest in me. I agree that if Minnesota is doing it through a nonprofit organization that seems more appropriate than a government agency in my estimation.

Sara Otte Coleman: They may receive some state support; I'm not exactly sure of their make-up. I believe they have a partnership but they are under a nonprofit umbrella.

Jim Kambeitz: Minnesota is a nonprofit but it's quasi-governmental. They spend most of their time trying to raise money. Once they raise \$1 million the government matches it three to one so the government gets \$3 million and now they have a \$4 million film fund. They've seen a direct increase from 2013-14 once they reinstated their initiatives but they get considerable government support.

Chairman Headland: We will close the hearing on HB 1422.

Written testimony distributed to the committee from **Kevin Tengesdal, print production graphic designer and actor:** See attachment #2.

Written testimony distributed to the committee from **Jason Allen, First Assistant Director DGA:** See attachment #3.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1422
2/10/2015
23619

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Bruckler

Explanation or reason for introduction of bill/resolution:

A bill to provide an appropriation to the department of commerce for promoting the state as a production site to the film and television industry.

Minutes:

No attachment

Representative Strinden: MADE A MOTION FOR A DO PASS.

Representative Mitskog: SECONDED.

Vice Chairman Owens: I really want to amend this and force them to do it because I don't think we need to pay them for a position we're already paying them for.

Representative Strinden: I'll withdraw my do pass if you want to work on that.

Representative Mitskog: Withdrew second.

Vice Chairman Owens: I'd like to amend the money out and have them create an office to help those kids.

Representative Strinden: I would suggest putting in \$10,000-20,000 as a discretionary fund so they can join the national organization they were talking about.

Representative Toman: I think this makes sense to me because some of the folks I deal with did not testify in support of the credit bill and they have hundreds of thousands of followers on their site. They do self-production and have people asking them to shoot their ads for them in local communities here already so if we had this to help them coordinate that I believe it would help them more than a tax credit.

Chairman Headland: So we're talking about a hog house because the bill is the appropriation.

Representative Schneider: Is there a way to leave that sum in there for an alternative but to reference the money that is left over and unused within the department?

Vice Chairman Owens: I doubt it's been unused. I think they just absorbed it somewhere else.

Chairman Headland: I'm looking for direction.

Representative Dockter: Do you want to do the amendment?

Vice Chairman Owens: I'd like to see if I could get an amendment.

Chairman Headland: We'll discuss further once we get the amendment.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1422
2/11/2015
23657

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A bill to provide an appropriation to the department of commerce for promoting the state as a production site to the film and television industry.

Minutes:

Attachment #1, 2

Representative Strinden: Distributed proposed amendments dated February 11, 2015 and explained. See attachment #1. This amendment allocates \$2,000 for membership to the association of film commissioners international and that's for the biennium. It costs \$1,850 but fees go up so we allocated \$2,000. It directs the department of commerce to create one full time employee for the purposes that we've discussed. It doesn't give them money; they were already allocated that money and worked it into their budgets in other places so we can debate whether that's a good idea or not. This is the amendment that Vice Chairman Owens wanted to craft but I did it.

Chairman Headland: There was some information I handed out from Sara Otte Coleman before and in there was testimony from the commerce commissioner, Shane Goettle, and it was referring to a senate bill. They were asking legislature to get rid of that position and they did it. I struggle with the fact that we're going to now tell them they have to reinstate it which is what this amendment would do. Vice Chairman Owens also had the same feeling.

Representative Strinden: We don't have to have the amendment. I think that the climate for film and television in North Dakota has changed since they dissolved the position in the 1990s. I think it was demonstrated at our hearing that there is a need for this. I would like favorable consideration for something like this added back into the commerce department.

MADE A MOTION FOR A DO PASS.

Representative Schneider: Seconded.

Chairman Headland: I'm going to reject the do pass motion. I think that since commerce got rid of the position I would want someone from commerce explain that it is needed. There are more favorable ways we can spend our money.

Representative Trottier: I feel that this should be continued in some way. Isn't there someone out there who could form an organization and go from there?

Representative Strinden: We heard testimony from the guys from the film association and the problem they run into is that they are all starting their own businesses and they don't have enough time to do the multimedia things and run the organization and do the fundraising for that.

Representative Hatlestad: I can support the idea of setting something up with the department of commerce. I'm not enthused about \$100,000 or a full time position but maybe one of their administrative assistants could spend some time each day doing that job. The national organization wouldn't hurt us but I can't support it the way it sits right here.

Representative Kading: People want this position and as an entrepreneur I see opportunities to make money off of this and probably do it better than the government.

Representative Mitskog: Our economic development committee works collaboratively with the state, particularly with the commerce department. They are a great resource for business start-ups. I think we need to donate some funds so they can join those organizations and designate somebody within the commerce department who knows start-ups.

Representative Strinden: Distributed a second version of the amendment dated February 11, 2015. See attachment #2. This amendment allocates \$2,000 for the membership to the association of film commissioners international and gives the department of commerce authorization to create a position if it wants to.

Representative Strinden and Representative Schneider withdrew their motions for do pass.

Representative Strinden: MADE A MOTION TO ADOPT AMENDMENT DATED FEBRUARY 11, 2015 WITH \$2,000 APPROPRIATION FOR THE COMMERCE DEPARTMENT.

Representative Schneider: SECONDED. I think this would give an opportunity to the commerce department to start something they may have wanted to do for an economic tool and support for our arts community.

Chairman Headland: I think if the commerce department wanted to promote this they would scrape up the money from their massive budget.

Representative Toman: I would promote those people working with the commerce department to funnel contact to the private groups on this issue.

Chairman Headland: There is a lot of money in the department of commerce and if they wanted to belong and felt there was benefit I have to believe they would belong.

Representative Hatlestad: I think with the \$2,000 appropriation and the fact that they are going to be part of this national organization this might give them a little push.

Representative Trottier: I'm all for this but I see a problem of if it starts and we fund an organization for dues I doubt we do this for any other organization.

Representative Strinden: It has a sunset and only lasts for two years. This would be a really nice jumpstart for them so after the two years we wouldn't have to renew it.

Chairman Headland: The department of commerce has a pretty large budget. I believe they pay dues to other organizations for other activities. I have to believe that if they thought there was benefit to belonging to the association of film commissioners international they would belong. I'm going to reject the amendment.

Representative Strinden: I think sometimes it's important for the legislature to give guidance to our departments and tell them what's important. I don't know if the department of commerce has had the opportunity that we have to hear all the entrepreneurs and the multimedia industry to talk about why this is so important but we have. It wouldn't be out of place for us to give the department some guidance and hope they learn from our guidance that it is important.

**VOICE VOTE TOO CLOSE: ROLL CALL VOTE- 6 YES 6 NO 2 ABSENT
MOTION FAILS TO ADOPT AMENDMENT**

Chairman Headland: We have the un-amended bill before us.

Representative Dockter: MADE A MOTION FOR A DO NOT PASS.

Representative Klein: SECONDED.

**ROLL CALL VOTE: 8 YES 4 NO 2 ABSENT
MOTION CARRIES FOR A DO NOT PASS**

Representative Klein will carry this bill.

PROPOSED AMENDMENTS FOR HB 1422

Page 1, line 5, overstrike "\$170,000" and insert immediately thereafter "two thousand dollars"

Page 1, line 6, overstrike "promoting the"

Page 1, line 7, overstrike "state as a production site to the film and television industry" and insert immediately thereafter "paying dues to the Association of Film Commissioners International"

Page 1, line 8, overstrike "The department of commerce is authorized one full-time"

Page 1, overstrike line 9

Date: 2-11-15
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1422**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: Feb. 11, 2015 \$2,000 (attachment #2)
2-11-15 minutes

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Rep. Strinden Seconded By Rep. Schneider

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND		✓	REP HAAK	✓	
VICE CHAIRMAN OWENS	AB		REP STRINDEN	✓	
REP DOCKTER		✓	REP MITSKOG	✓	
REP TOMAN		✓	REP SCHNEIDER	✓	
REP FROSETH		✓			
REP STEINER	AB				
REP HATLESTAD	✓				
REP KLEIN		✓			
REP KADING		✓			
REP TROTTIER	✓				

Total (Yes) 6 No 6

Absent 2

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
Voice vote = Motion failed.

Date: 2-1-15
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1422

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Rep. Darter Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓		REP HAAK		✓
VICE CHAIRMAN OWENS	✓		REP STRINDEN		✓
REP DOCKTER	✓		REP MITSKOG		✓
REP TOMAN	✓		REP SCHNEIDER		✓
REP FROSETH	✓				
REP STEINER	✓				
REP HATLESTAD	✓				
REP KLEIN	✓				
REP KADING	✓				
REP TROTTIER	✓				

Total (Yes) 8 No 4

Absent 2

Floor Assignment Rep. Klein

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1422: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (8 YEAS, 4 NAYS, 2 ABSENT AND NOT VOTING). HB 1422 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

HB 1422

HB 1422
1-28-15
#1

Mr. Chairman, members of the House Finance and Tax committee, I am Marie Strinden. I represent District 18 in Grand Forks.

HB 1420 is a bill very similar to Representative Owen's technology bill- HB 1089- that our committee considered yesterday. It is a bill that has almost no cost in revenue reduction unless companies produce in North Dakota. It attracts businesses to North Dakota, and it paves the way for qualified professionals- many of whom were educated in the university system- to return to North Dakota. These are many high-paying jobs, and include not only the people who craft the film, but accountants, electricians... every job you see listed at the end of feature films.

Here's the meat of the bill:

The tax credit will offer a production company a 14% tax credit on the first \$50,000 spent on compensation of North Dakota residents employed in a "state-certified" production. That's \$6,500 per ND employee.

The 9% credit is allowed for expenditures directly related to state-certified production, including lodging fees, restaurant and food expenses, location fees, lumber and construction material, rental or production equipment and vehicles, and supplies and materials that will be used in the production. It doesn't include anything bought out of state.



The taxation department has a couple of technical corrections to offer at the end of testimony, and the next bill- 1422- addresses the state-certification process.

This bill is different than other states' tax incentive bills. First, it encourages the hiring of North Dakota residents. We are not giving tax incentives for paying out of state employees- that is, a production can't travel from California, use the tax credits, and leave. Also, unlike other states, North Dakota would not offer transferable tax credits, and tax credits can never equal more than a certain percentage of in-state expenditures- meaning ND will not find itself in the position of paying productions to film here.

I'll let the experts in the audience elaborate on the benefits of this bill, but I'll leave you with two short perks.

1. This legislation will significantly increase tax revenues and jobs for our young, talented university graduates in the multi-media industry.
2. This bill provides much needed oversight. An essential role of the film officer who would certify the productions is to match up credible productions with local professionals. Today, North Dakota video crews and companies often receive calls from national and international companies seeking footage or crew members. But not all of these calls are credible, many don't offer compensation, and few of our state professionals have resources to protect themselves. At the same time, outside companies don't know how to find our local talent—and as a result often bring in contractors from outside the area for in-state work. (Jersey Shore)

HB 1422
1-28-15
#2

Finance and Taxation House Standing Committee

Wednesday, January 28, 2015

HOUSE BILL NO. 1420 -- relating to a North Dakota film production tax credit; and to provide an effective date.

HOUSE BILL NO. 1422 -- to provide an appropriation to the department of commerce for promoting the state as a production site to the film and television industry.

Chairman Headland, Vice Chairman Owens, Members of the Finance and Taxation Committee, and Citizens of North Dakota, Greetings.

My name is Kevin R. Tengesdal. I am a print production graphic designer, and I am a community actor on stage and in video productions. I have several friends who are actors and film producers who have left North Dakota because there is no viable film industry here in North Dakota. With these incentives, this could be the first step in ensuring that talented North Dakotans will not have to make the choice to leave the state to pursue their career passion. I am asking you to pass HB 1420 and 1422 without amendment. Thank you for your time and consideration.

Kevin R. Tengesdal
District 35
2025 North 16th #4
Bismarck, ND 58501

Jason Allen

DGA • First Assistant Director • iPhone: 310.766.3090 • E-Mail: film70mm@thelift.org
2514 Henry Street • Bismarck, ND 58503
7055 Trolleyway Street • Playa del Rey, CA 90293

HB 1422
L-28-15
3

[JA]

RE: Support House Bills 1420 & 1422 – North Dakota's Film & Television Industry

Wednesday - January 28th, 2015

To North Dakota State Legislative Assembly:

As a proud North Dakota native, it's my pleasure to write this letter encouraging that you vote in favor of this legislation (**HB 1420 & 1422**) to support & catalyze a state film, motion picture/ television, commercial & media industry. North Dakota is the only state that does not have a dedicated film commission and liaison to this multi-million dollar industry that's created thriving local economies in Georgia, Louisiana, New Mexico... Even so in nearby states like Minnesota, South Dakota & Colorado. We need to take this opportunity to start building an infrastructure & mentorship so that North Dakota will have its place in Hollywood.

After graduating from Century High School, I had to leave North Dakota to pursue my dreams of making movies in Los Angeles... An award-winning ULCA short film propelled me to ambitiously produce & direct a movie in Bismarck but it never took-off as the state resigned it's film commission office and we needed to reconstruct the film financing criteria following Wooley Boys. I knew that an emerging film industry in North Dakota would be a slow-steady process, requiring our persistence, patience and perseverance. My career path has lead me to become a reputable first assistant director, member of the Director's Guild of America, responsible for production management, scheduling, on-set safety operations for feature films, television and commercials in Los Angeles & throughout the country... <http://www.imdb.com/name/nm0020630/>

It's truly a passion of mine to imagine North Dakota as my production company central to the heartland, where I've always wanted to share my love for cinema with aspiring, future filmmakers so they can tell their story.

With over 15 years experience working on productions in the film & television industry, I have always wanted to bring more creative business back to North Dakota so we can thrive producing movies, television series, documentaries, commercials, music videos, video games, anything media, in our home state... Developing production, pre-production, post-production & distribution companies with state of the art equipment rental houses, sound stage facilities, editing/sound/mixing studios and a skilled, experienced, diverse industry-workforce takes initiative, incentive, momentum – Thousands of jobs, an influx of creative business & technology, will multiply in millions to the state economy for residents... This is possible with proper leadership, funding and expertise. Building a strong alliance with Hollywood to attract major studio partners with incentives will lay groundwork for North Dakotans to become integrated into the industry & get professional mentorship as local businesses blossom with opportunities for everyone.

For North Dakota to generate any economic development in the film/television industry, elevate creative entrepreneurs in media/technology and support local filmmaking endeavors, this legislation (**HB 1420 & 1422**) would be the spark to ignite a government position to advocate, establish and produce a solid foundation for the kind of Hollywood infrastructure that our home state can embrace... Thank you for your consideration of these house bills, we are truly appreciative of all your hard work & support.

Sincerely,



Jason Allen, first assistant director (DGA)

HB 1422
2-11-15
#1

Prepared Amendments
For Rep. Strinden
Feb 11, 2015

PROPOSED AMENDMENTS FOR HB 1422

Page 1, line 5, overstrike "\$170,000" and insert immediately thereafter "two thousand dollars"

Page 1, line 6, overstrike "promoting the"

Page 1, line 7, overstrike "state as a production site to the film and television industry" and insert immediately thereafter "paying dues to the Association of Film Commissioners International"

Page 1, line 8, overstrike "is authorized one full-time"

Page 1, overstrike "equivalent position for this purpose" and insert immediately thereafter "shall create one full-time film and television employee for the purpose of promoting the state as a production site to the film and television industry"

HB 1422
2-11-15
#2

Prepared Amendments
For Rep. Strinden
Feb 11, 2015

PROPOSED AMENDMENTS FOR HB 1422

Page 1, line 5, overstrike "\$170,000" and insert immediately thereafter "two thousand dollars"

Page 1, line 6, overstrike "promoting the"

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