



LAFAYETTE, LOUISIANA

SMALL FILMS
ECONOMIC IMPACT ANALYSIS

2018



PREPARED BY LAFAYETTE ECONOMIC DEVELOPMENT AUTHORITY

EXECUTIVE SUMMARY

- With three films currently in production in Acadiana and two more in the pipeline, two local production companies, Active Entertainment and Curmudgeon Films, will directly spend **\$4.7 million** in Louisiana on a total of five films in 2018.
- On average, **90%** of total expenditures are spent within the borders of Louisiana.
- The five films in 2018 will have a total economic impact of **\$19 million** in Louisiana.
- The five films will create **\$3.2 million** in new income for Acadiana residents in 2018.
- For every dollar that Active Entertainment directly spends, an extra **\$0.33** is generated and put back into Acadiana.
- The five films will directly support 48 jobs in Acadiana in 2018 and indirectly support an additional 30 jobs, for a total of **78 jobs** created due to these project.
- The total state and local property and sales tax revenues collected in 2018 due to these five films are estimated to be more than **\$56,000**.
- In 2018, these five films will generate **\$45,774** of tax revenue for Louisiana, **\$5,692** in Lafayette Parish and **\$5,060** in the City of Lafayette.
- Each film shot locally generates **2,795** nights in Lafayette hotels. That totals nearly 14,000 nights for five films, generating more than **\$1 million** in revenues and **\$43,000** in Hotel/Motel Tax revenues.
- After 2018, these two companies anticipate to collectively film eight movies per year in Louisiana. Film budgets range drastically from **\$350,000 to \$5 million** per film.

INTRODUCTION

In June of 2018, the Lafayette Economic Development Authority (LEDA) was asked to complete a study of the impact the two production companies, Active Entertainment and Curmudgeon Films, have on the region's economy.

Together they are currently filming three movies in the Acadiana area with two additional films planned for this year, for a total of five films in 2018. After 2018, each company anticipates producing an average of four films per year in Louisiana. These two companies directly impact Lafayette and Acadiana in many ways, which include:

- Spending \$4.7 million within Louisiana just this year.
- Providing jobs and valuable experience to local talent and skilled labor whereas they would otherwise need to move out of the area to pursue a career in the film industry.

The purpose of this study is to identify and quantify, where possible, the economic impact that Active Entertainment and Curmudgeon Films have on the Acadiana area. This report measures the economic effect of the companies' employment, household earnings, capital expenditures, and day-to-day operations. The impact estimates direct local spending by Active Entertainment and Curmudgeon Films, along with localized economic multipliers, to determine the companies' indirect and induced effects on other industries and households in the region.

In addition to the quantifiable influences, other positive impacts are examined to show the importance of the production companies to the local community. It is essential to discuss the exposure that local talent and skilled labor are experiencing. Active Entertainment and Curmudgeon Films provide a steady stream of films which creates sustainable jobs and economic impact.

METHODOLOGY

The data on which this analysis is based came directly from Active Entertainment and Curmudgeon Films. The companies provided data on films, expenditures, staffing, and future expectations. LEDA supplemented data with RIMS II multipliers to calculate the total economic impact on the region. RIMS II is based on an accounting framework called an I-O table. For each industry, an I-O table shows the distribution of the inputs purchased and the outputs sold. Data sources used to derive these tables come from the Bureau of Economic Analysis: their national I-O table, which shows the input and output structure of nearly 500 U.S. industries, and their regional economic accounts, which are used to adjust the national I-O table in order to reflect a specific region's industrial structure and trading patterns.

In order to use RIMS II a study area must be defined. The Bureau of Economic Analysis supplies multipliers for a wide range of geographies. For the purposed of this study, the regional labor market area designated by the Louisiana Workforce Commission was used for the area of geographic measure. This eight parish area is comprised of Acadia, Evangeline, Iberia, Lafayette, St. Landry, St. Martin, St. Mary, and Vermilion parishes. All economic impact estimates, except where noted, are for this region.

Active Entertainment and Curmudgeon Films expenditures were converted into fiscal year 2015 dollars in order to be compatible with RIMS II multipliers data. The conversion was done using the Consumer Price Index for all urban consumers from the Bureau of Labor Statistics. After the multipliers were applied to the converted expenditure figures, the impact was then converted back to 2018 dollars. The only figure which remains in 2015 terms is the jobs impact because jobs are not expressed in monetary terms, and thus cannot be projected forward using the Consumer Price Index. The job impact would be overstated if the conversion is not done.

ECONOMIC IMPACT

In addition to the direct impact, the five films will create added indirect and induced economic impacts within Acadiana. The total impact of the films can be separated into three different effects: output, earnings, and employment. The economic impact of the films is calculated from the films' total expenditures such as payroll and other operating expenses in combination with specific industry multipliers.

Output Multiplier: The output multiplier estimates the total change in local sales resulting from the direct expenditures of the films in the study area (final demand). Multiplying the total expenditures of the films by the output multiplier provides an estimate of the total increase in sales for Acadiana. The output multiplier is used to assess the interdependence of sectors in the local economy. The larger the multiplier, the larger impact the industry has on the local economy.

Earnings Multiplier: The income multiplier measures the total increase of income generated in the local economy resulting from the operation of the films. Multiplying the total expenditures by the income multiplier for the industry provides an estimate of the increase in income for all individuals in the study area resulting from the existence of the films.

Employment Multiplier: Communities often wish to know the number of jobs that are supported as a result of an existing business. The employment multiplier measures how many jobs are supported by the existence of the films. The total expenditures by the films are multiplied by the employment multiplier for the industry which provides an estimate of the total jobs supported in Acadiana by the films.

Furthermore, each of the economic multipliers takes into account three impacts which are defined below.

Direct Impact: comprises the purchases of local resources such as labor, goods, and services to produce the films

Indirect Impact: encompasses purchases of local resources made by local businesses to produce the goods and services purchased by the film makers, along with consequent purchases by other businesses that supply the first group of businesses

Induced Impact: reflects changes in spending from households as income increases due to the operations of the film makers

Explanation of Economic Impacts

	Direct Impact	Indirect Impact	Induced Impact
Output Multiplier	Film makers' expenditures	Film makers' supplier expenditures	Local retail and service expenditures attributed to the added income from Film makers
Earnings Multiplier	Film makers' employee income	Film makers' supplier employee income	Local retail and service income attributed to Film makers
Employment Multiplier	Film makers' jobs	Film makers' supplier jobs	Local retail and service jobs attributed Film makers

As discussed in the methodology section of this report, to calculate the economic impact of the films expenditures using the RIMS II multipliers, the total expenditures were converted into fiscal year 2015 dollars. If the conversion had not been done, the employment impact numbers would have been overstated in the final analysis. The Consumer Price Index data indicated a 5.4% increase in economy-wide price levels between 2015 and 2018. The difference was used to deflate the expenditures to calculate the correct employment impact.

The five films in 2018 will have a total economic impact of \$19 million and create \$3.2 million in new income for Acadiana residents. For every dollar the film makers directly spend, an extra \$0.33 is generated and put back into Acadiana. In addition they will support a total of 78 jobs— 48 directly and 30 indirectly in 2018.

2018 Impact of Operation Budgets

	Output	Income	Employment	Value-Added (GDP)
Direct Impact	\$3,103,850	\$436,080	10	\$0
Indirect Impact	\$1,031,099	\$252,665	7	\$0
TOTAL IMPACT	\$4,134,949	\$688,744	17	\$2,322,921

2018 Impact of Labor Budgets

	Output	Income	Employment	Value-Added (GDP)
Direct Impact	\$11,182,850	\$1,571,150	38	\$0
Indirect Impact	\$3,714,943	\$910,324	23	\$0
TOTAL IMPACT	\$14,897,792	\$2,481,474	61	\$8,369,245

2018 Overall Economic Impact

	Output	Income	Employment	Value-Added (GDP)
Direct Impact	\$14,286,700	\$2,007,230	48	\$0
Indirect Impact	\$4,746,042	\$1,162,989	30	\$0
TOTAL IMPACT	\$19,032,741	\$3,170,219	78	\$10,692,166

FISCAL IMPACT

Besides economic impacts such as output, income, and jobs, the films also have a fiscal impact on Acadiana. The new income created by the films generate tax revenues for the state and local governments through income tax, sales tax, and hotel-motel tax. The new income created is also spent within the community boosting retail sales.

The total state and local property and sales tax revenue for 2018 is \$56,526. The Hotel/Motel Tax revenues are estimated to generate an additional \$43,043.

2018 State and Local Tax Revenues	
	Amount
Property Tax Revenues	\$ 33,758
Sales Tax Revenues	\$ 22,769
Hotel/Motel Tax Revenues	\$ 43,043
Total Tax Revenues	\$ 99,569

The follow are the basic assumptions used to calculate spending and tax revenues:

1. 20% of the films' employees wages are spent in Louisiana— of that 20%, 95%/90%/80% is spent in Louisiana, Lafayette Parish and the City of Lafayette respectively on taxable retail goods and services
2. Louisiana sales tax rate is 4%, Lafayette Parish sales tax rate is 2%, and City of Lafayette sales tax rate is 2% (in most areas)
3. Louisiana average marginal income tax rate is 4.27%
4. Each time a movie is filmed here, 10 employees stay in Lafayette for four months while 45 employees stay in Lafayette for five weeks. Every project generates an estimated 2,795 nights spent in a hotel in Lafayette. At an average daily rate of \$77 for a hotel in Lafayette.

For sources or more information on this report, contact Brittany Deal at the Lafayette Economic Development Authority at 337-593-1400.