

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

February 24, 2015

1:32 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Cathy Giessel, Vice Chair
Senator Kevin Meyer
Senator Gary Stevens
Senator Johnny Ellis

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARINGS

- Alaska Workers' Compensation Board
Lake Williams - Fairbanks
- CONFIRMATION ADVANCED on 4/7/15
- Board of Certified Real Estate Appraisers
Renee Piszczek - Fairbanks
- CONFIRMATION ADVANCED on 4/7/15
- Board of Massage Therapists
David Edwards-Smith - Soldotna
Amanda Unser - Anchorage
Traci Gilmour - Juneau
Ron Gibbs - Kodiak
Shirley Nelson - Anchorage
- CONFIRMATIONS ADVANCED on 4/7/15
- State Medical Board
Dr. Steven (Craig) Humphreys - Soldotna
- CONFIRMATION ADVANCED on 4/7/15

- Board of Examiners in Optometry
Dr. Stephen Stralka - Anchorage

- CONFIRMATION ADVANCED on 4/7/15

SENATE BILL NO. 33

"An Act relating to remittance of tire fees; and providing for an effective date."

- MOVED SB 33 OUT OF COMMITTEE

SENATE BILL NO. 34

"An Act relating to investment of the power cost equalization endowment fund; and providing for an effective date."

- MOVED SB 34 OUT OF COMMITTEE

SENATE BILL NO. 39

"An Act repealing the film production tax credit; providing for an effective date by repealing the effective dates of secs. 31 - 33, ch. 51, SLA 2012; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 33

SHORT TITLE: FEES FOR TIRES

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/30/15	(S)	READ THE FIRST TIME - REFERRALS
01/30/15	(S)	L&C, FIN
02/17/15	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/17/15	(S)	Heard & Held
02/17/15	(S)	MINUTE(L&C)

BILL: SB 34

SHORT TITLE: PCE ENDOWMENT FUND INVESTMENT

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/30/15	(S)	READ THE FIRST TIME - REFERRALS
01/30/15	(S)	L&C, FIN
02/17/15	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/17/15	(S)	Heard & Held
02/17/15	(S)	MINUTE(L&C)

BILL: SB 39

SHORT TITLE: REPEAL FILM PRODUCTION TAX CREDIT
SPONSOR(s): SENATOR(s) STOLTZE

02/04/15	(S)	READ THE FIRST TIME - REFERRALS
02/04/15	(S)	L&C, FIN
02/19/15	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/19/15	(S)	Heard & Held
02/19/15	(S)	MINUTE(L&C)
02/24/15	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

RON GIBBS, Appointee
Board of Massage Therapists
Kodiak, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Massage Therapists.

SHIRLEY NELSON, Appointee
Board of Massage Therapists
Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Massage Therapists.

RENEE PISZCZEK, Appointee
Board of Certified Real Estate Appraisers
Fairbanks, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Real Estate Appraisers.

TRACI GILMOUR, Appointee
Board of Massage Therapists
Juneau, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Massage Therapists.

STEVEN "CRAIG" HUMPHRIES M.D., Appointee
State Medical Board
Soldotna, Alaska

POSITION STATEMENT: Testified as appointee to the State Medical Board.

STEVE STRALKA, Optometrist, Appointee
Board of Examiners in Optometry
Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Examiners in Optometry.

JERRY BURNETT, Deputy Commissioner,
Department of Revenue (DOR)
Juneau, Alaska

POSITION STATEMENT: Reviewed the Alaska Film Office annual during the hearing on SB 39.

JARED MEYER, Fellow
Manhattan Institute for Policy Research
Washington, D.C.

POSITION STATEMENT: Provided supporting testimony for SB 39.

RON HOLMSTROM, representative
SAG-AFTRA
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

KAREN TALLENT, representing herself
Anchorage, Alaska

POSITION STATEMENT: Testified in adamant opposition to SB 39.

D.K. JOHNSTON, Tri-Seven Pictures
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

ERIC ULZER, Business Manager
IATSE local 918
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

DANIEL JOSEPH LEE, representing himself
Unalaska, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

LISA ROBERTS, representing herself
Unalaska, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

BETH SKABAR, Original Productions
Unalaska, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

MATT SZUNDY, Glacier Film Productions
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

DAVID MCGOVERN, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

KEN FANKHAUSOR, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

LOIS SIMENSON, representing herself
Eagle River, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

DAVID BOYLE, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 39.

MARY KATZKE, Affinity Films
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

RANDY DALY, President elect
Alaska Film Group
Kenai, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

MARTIN WEISER, Managing Partner
Fireside Media Group (FMG)
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

DEREK MUSTO, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SB 39.

ACTION NARRATIVE

[1:32:15 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Ellis, Giessel, Meyer, and Chair Costello. Senator Stevens arrived soon thereafter.

CONFIRMATION HEARINGS

Alaska Workers' Compensation Board

Board of Certified Real Estate Appraisers
Board of Massage Therapists
State Medical Board
Board of Examiners in Optometry

[1:33:12 PM](#)

CHAIR COSTELLO announced the first order of business would be confirmation hearings of governor appointments to boards and commissions. She read the names of the appointees. Alaska Workers' Compensation Board - Lake Williams from Fairbanks; Board of Certified Real Estate Appraisers - Renee Piszczek from Fairbanks; Board of Massage Therapists - David Edwards-Smith from Soldotna, Amanda Unser from Anchorage, Traci Gilmour from Juneau, Ron Gibbs from Kodiak, and Shirley Nelson from Anchorage; State Medical Board - Dr. Steven (Craig) Humphreys from Soldotna; and Board of Examiners in Optometry - Dr. Stephen Stralka from Anchorage.

CHAIR COSTELLO asked the appointees to tell the committee about their background and interest in serving.

[1:35:14 PM](#)

RON GIBBS, Appointee, Board of Massage Therapists, Kodiak, Alaska, stated that he has been practicing massage therapy in Kodiak for 11 years and he supports licensing for the profession.

SENATOR GIESSEL asked if he had any experience with professional regulation.

MR. GIBBS replied he had experience with teacher certification when he lived in the Lower 48.

[1:36:55 PM](#)

SHIRLEY NELSON, Appointee, Board of Massage Therapists, Anchorage, Alaska, said she has worked in the education field for 34 years and currently chairs the budget advisory commission for the Anchorage School District. She has also been a small business owner.

[1:38:04 PM](#)

SENATOR GIESSEL asked where she resides and if she was appointed as a public member.

MS. NELSON confirmed her appointment is as a public member and she resides in Anchorage.

[1:38:54 PM](#)

RENEE PISZCZEK, Appointee, Board of Certified Real Estate Appraisers, Fairbanks, Alaska, said she's been in banking for 25 years and an underwriter of residential mortgage loan appraisals for 15 years. She looks forward to helping appraisers and lenders understand changes coming about in the field.

[1:40:13 PM](#)

TRACI GILMOUR, Appointee, Board of Massage Therapists, Juneau, Alaska, told the committee that she has practiced massage for more than 20 years and has worked in both medical massage and private practice. She expressed enthusiasm for the appointment.

[1:41:23 PM](#)

STEVEN "CRAIG" HUMPHRIES M.D., Appointee, State Medical Board, Soldotna, Alaska, reported that he did undergraduate work at the University of Notre Dame in pre-med, medical training in Chicago, a fellowship at the University of Wisconsin, a traveling fellowship in China, and was the director of an orthopedic group for about 12 years. When he returned to Alaska he wanted to be involved and hopes to be of service to the board.

[1:42:40 PM](#)

STEVE STRALKA, Optometrist, Appointee, Board of Examiners in Optometry, Anchorage, Alaska, stated that he has practiced optometry for 34 years. He was first licensed in Alaska in 1984 when he served at the Fort Wainwright hospital. He has served with AOA and HAOA in years past and hopes to serve the board in a greater capacity.

[1:43:29 PM](#)

SENATOR STEVENS joined the committee.

SENATOR GIESSEL questioned the information on the application that says that Dr. Stralka, a licensed optometrist, is being appointed to a public seat.

DR. STRALKA said he didn't have an explanation because he understood he was being appointed as one of the four optometrists on the board.

SENATOR GIESSEL asked for clarification of the misunderstanding.

[1:44:25 PM](#)

At ease

[1:44:30 PM](#)

CHAIR COSTELLO reconvened the meeting and announced that the confirmations would be held until Dr. Stralka's appointment was clarified. This would also give the other appointees an opportunity to testify.

SB 33-FEES FOR TIRES

[1:48:42 PM](#)

CHAIR COSTELLO announced the consideration of SB 33. "An Act relating to remittance of tire fees; and providing for an effective date." Public testimony was taken at the previous hearing and it was closed. Finding no questions, she solicited a motion.

[1:49:33 PM](#)

SENATOR GIESSEL motioned to report SB 33, labeled LS-GS1044\A, from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO announced that without objection, SB 33 is reported from the Senate Labor and Commerce Standing Committee.

[1:49:51 PM](#)

At ease

SB 34-PCE ENDOWMENT FUND INVESTMENT

[1:51:18 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SB 34. "An Act relating to investment of the power cost equalization endowment fund; and providing for an effective date." Finding no public testimony, she closed it. She asked the members if there were any questions.

[1:52:16 PM](#)

SENATOR STEVENS asked if the return on the endowment fund investments had ever fallen below seven percent.

[1:52:36 PM](#)

JERRY BURNETT, Deputy Commissioner, Department of Revenue (DOR) clarified that the return hasn't fallen below seven percent in the past five years, but it did in 2008-2009. Since inception the geometric average return is 6.05 percent, but in the last five years it's over 14 percent.

SENATOR STEVENS observed that the intention is to reach a seven percent return but that isn't always possible.

MR. BURNETT related the concern that setting an investment policy based on an expectation in any given year to achieve seven percent introduces additional risk to the fund by.

CHAIR COSTELLO found no further questions and solicited a motion.

[1:53:54 PM](#)

SENATOR GIESSEL motioned to report SB 34, labeled LS-GS1018\A, from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO announced that without objection, SB 34 is reported from the Senate Labor and Commerce Standing Committee.

[1:54:11 PM](#)

At ease

SB 39-REPEAL FILM PRODUCTION TAX CREDIT

[1:58:05 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SB 39. "An Act repealing the film production tax credit; providing for an effective date by repealing the effective dates of secs. 31 - 33, ch. 51, SLA 2012; and providing for an effective date."

She stated that Jared Meyer would give brief remarks and then public testimony would be heard until 3:00. She asked for individual testimony to be limited to three minutes.

[1:59:19 PM](#)

JARED MEYER, Fellow, Manhattan Institute for Policy Research, Washington, D.C., summarized the purpose of the film tax credits and questioned whether the program had been effective in stimulating the overall economy rather than just for the film industry. He said the data from other states and the Alaska Film Office suggest that film tax credits fail to pay for themselves. The credits aren't linked to profit but to the amount the filmmaker spends on qualified expenses during production. He also pointed out that the credits are more valuable than typical deductions because they can be sold to another taxpayer or sold back to DOR for 75 percent of their value. He described SB 39 and Governor Walker's proposal to suspend the program as welcome

steps because targeted tax breaks - especially ones targeted at the film industry, are problematic.

MR. MEYER warned that states that choose to enter the competitive arena of offering film tax credits are in a losing battle and will have to continually increase the incentives to keep the film companies from moving to other states that offer better deals. He maintained that studies cited by proponents of film tax credits are flawed. For example, a study funded by the Motion Picture Association assumed that every dollar in credits creates \$17.75 in economic activity and leads to \$1.88 in increased tax revenue. He said that is pure fantasy. He referenced independent studies that found that film tax credits are not effective at creating permanent jobs or economic development and only generate about 30 cents for every dollar spent. Other states are taking notice of this problem and the proposed legislation indicates that Alaska is as well. He noted that in 2010, 40 states spent \$1.4 billion on incentive programs, but since then many states have eliminated or suspended their credits. For example, Connecticut suspended its film production tax credits for two years due to mounting questions about whether the program paid for itself. Even the Federal Reserve Bank of Boston concluded the program didn't pay for itself when lost tax revenue is taken into account. He noted that some states are ignoring the economic cost and racing to see who can most heavily subsidize Hollywood. He described this as a battle that benefits film producers but one that states can't win.

MR. MEYER reviewed the most recent report by the Alaska Film Office and stated that the numbers support the argument that there are better uses of scarce taxpayer dollars than subsidizing films, especially reality TV shows. He also cited data from the [DCCED] program that shows that only eight percent of the total qualified expenditures went to Alaska residents. He stressed that the jobs coming to Alaska are not worth the cost of foregoing tax revenue to try to bring in a new industry to the state, especially in the face of falling revenues.

MR. MEYER summarized his comments stating that the economic literature, trends in other states, and data from the Alaska Film Office all suggest that subsidizing Hollywood producers is neither fair nor smart economic policy.

[2:08:43 PM](#)

SENATOR STEVENS asked Mr. Meyer to give some background on the Manhattan Institute including how it's funded as well as his personal education and experience.

MR. MEYER said the Manhattan Institute is a 501(c)(3) nonprofit that works on policies to promote economic growth. He attended school at Saint John's University in New York City where he studied finance. His current focus is primarily on regulation and how tax breaks affect the economy.

CHAIR COSTELLO asked for a copy of the independent studies he cited.

MR. MEYER agreed to provide the information. He reiterated that those findings stand in stark contrast to what the Motion Picture Association of America concludes when it does studies on the effect of film tax credits.

CHAIR COSTELLO thanked Mr. Meyer for the broad view.

[2:10:39 PM](#)

RON HOLMSTROM, representative, SAG-AFTRA, Anchorage, Alaska, testified in opposition to SB 39. He spoke of having to defend his livelihood every year, of the incentives that have been eliminated since the program started, and the local entrepreneurs that have given up their plans to build ancillary businesses for the film industry. He pointed out that there hasn't been a major motion picture in Alaska in over three and one-half years and that while membership in SAG quadrupled in the first two years of the program, it has added just four members since the program was changed.

MR. HOLMSTROM suggested that now was an excellent time to diversify the Alaskan economy. He pointed to Louisiana, New Mexico, Georgia and British Columbia as examples of jurisdictions that are thriving on the film industry. They have built the necessary infrastructure to support the industry, which Alaska has not done.

He concluded saying that while film production may not be the golden goose, it could be one golden goose in these difficult economic times.

[2:15:08 PM](#)

KAREN TALLENT, representing herself, Anchorage, Alaska, stated that she is intimately knowledgeable of the film industry in Alaska and she is adamantly opposed to SB 39. She understands

why Governor Walker suspended the program, but believes it would be a costly mistake to repeal the program altogether. She pointed out that the film industry brings much-needed money to the state and this is the kind of economic diversity the state needs in the current fiscal situation. For example, the small budget film "Big Miracle" spent \$16 million during filming. A larger budget film scheduled to film in Whittier in the spring has the potential to bring in much more while providing jobs for Alaskans and economic opportunity for Alaskan businesses. Revenue from this industry could help to improve the financial health of Alaska. However, if the tax credit program is repealed, producers won't come and the state will lose the chance to build a viable and sustaining industry that is badly needed to diversify the economy in Alaska.

MS. TALLENT characterized SB 39 as unnecessary and shortsighted. It would kill a growing industry that brings needed revenue to the state, diversifies the economy, and provides jobs and economic opportunities for Alaskan businesses.

[2:20:29 PM](#)

D.K. JOHNSTON, Tri-Seven Pictures, Anchorage, Alaska, testified in opposition to SB 39. He stated that it is time to diversify the Alaskan economy not limit it further. He described the film production community in Alaska as alive with creativity and determination. He said this Alaskan workforce is growing in anticipation of the future in the film and television industry. There are increases in educational opportunities, community organizations, and small businesses that are rising to the challenge of keeping the industry going. He related that he recently attended a production education safety training course in Whittier. It was attended by welders, carpenters, painters, fishermen, and helicopter pilots as well as Alaskans who are production oriented. This is a small sample of the variety of jobs and professions that is needed to bring a large production to life.

MR. JOHNSTON asked the committee to carefully consider the consequences of repealing the film incentives and vote no on SB 39.

[2:22:37 PM](#)

ERIC ULZER, Business Manager, IATSE local 918, Anchorage, Alaska, testified in opposition to SB 39. He explained that local 918 is the film labor union comprised of painters, carpenters, welders, and caterers. He described what the union is doing in Whittier to provide an offseason bump for locals. He

said this demonstrates that the film tax incentive program benefits many people who aren't from Hollywood.

[2:25:10 PM](#)

DANIEL JOSEPH LEE, representing himself, Unalaska, Alaska, testified in opposition to SB 39. He told the committee that for three years he paid his mortgage with reality TV and it allowed his wife to continue her post-grad degree in psychology and education. He pointed out that individuals that work in film production and reality TV develop intangible skills that are an asset in any field. They become goal oriented and focused workers who show up on time and come prepared to work.

MR. LEE concluded that his family has been in Alaska for three generations and it would break his heart if he had to leave because the film industry fell apart

[2:26:54 PM](#)

LISA ROBERTS, representing herself, Unalaska, Alaska, testified in opposition to SB 39. She said she has worked in the film industry for about six years and she is an example of the success of the film tax incentive program. Film companies trained her as opposed to importing qualified workers and she has trained others. She said the incentive program is about putting Alaskans to work and SB 39 kills that opportunity. She urged the committee not to squash opportunities for Alaskans.

[2:28:18 PM](#)

BETH SKABAR, Original Productions, Unalaska, Alaska, testified in opposition to SB 39. She said that since the start of the incentive program she has seen the film community come together to grow an industry. New businesses have flourished, new careers have started, and friends and colleagues have worked their way up through the ranks in the industry. She emphasized that the film incentives are working. There are Alaska businesses and resources to support productions that weren't here before. Alaskans are working on productions and in jobs that previously would have gone to someone from New York. She pointed to the large production on her front lawn that is ready to spend millions of dollars in wages, goods, and services. This demonstrates that the film incentives are working.

MS. SKABAR concluded that SB 39 would unreasonably stop a successful program that aims to diversify the economy, which is what Alaska needs.

[2:30:22 PM](#)

MATT SZUNDY, Glacier Film Productions, Anchorage, Alaska, testified in opposition to SB 39. He provided a personal example of the unquantifiable blue sky benefits of the film industry in Alaska. In the past year he had two film industry contracts. One was specifically for production and the other was a contract with DCCED to serve as the state film representative. As a result of that work, he was able to put three employees on salary in tourism. That shows the trickledown effect of income in the state via film. He advised that a number of film productions are watching this legislation. They represent millions of dollars in jobs and services to the state.

MR. SZUNDY concluded that the incentive program brings economic benefit to the state, which is what the law says it is supposed to do. It doesn't say it is to bring economic benefit to the state government.

DAVID MCGOVERN, representing himself, Anchorage, Alaska, testified in opposition to SB 39. He pointed out that states that support the film industry all have sin taxes, which bring funds into the state budget. He suggested that a sales tax might be something to consider. He noted that Alaskans have had to fight for the incentive program every year and one of the biggest issues is the concern that the film industry will make Alaskans look bad. He questioned the merit of that concern when the state already has a reputation to overcome because it already has the highest per capita rates for rape and suicide in the nation. He suggested the committee consider the jobs the industry will bring.

[2:34:56 PM](#)

KEN FANKHAUSOR, representing himself, Anchorage, Alaska, testified in opposition to SB 39. He said that now isn't the time to shut the door on economic diversity. Rather, it's time to make new, viable opportunities and jobs for Alaskans. He described the incentive program as a hand-up, not a handout. He related that about three years ago he began moving up through the industry by learning on-the-job skills from people who have come to Alaska to make films and television shows. Today he works as a camera operator or an assistant. He stressed that getting that type of work in Alaska is only possible because of the tax incentive. If SB 39 passes, he and many other Alaskans will have to leave the state because the industry won't survive.

[2:36:56 PM](#)

LOIS SIMENSON, representing herself, Eagle River, Alaska, testified in opposition to SB 39. She said she realizes that the

decision on SB 39 will be based on dollars and cents and whether the film incentive will continue to benefit Alaska. She said she is speaking as an Alaskan who has worked on most of the major films in Alaska. These projects are bridge builders that provide jobs for Alaskans and bring the community together in ways that cannot be captured on an Excel spreadsheet. She said the film industry gave Alaskans hope for a diversified economy and paved the way for an explosion of local film makers to enter the industry. These films promote Alaska and its tourism industry. They increase revenue for the support infrastructure, hotels, catering, and transportation businesses.

MS. SIMENSON urged the committee not to eliminate the film tax incentives which would send jobs out of state and force actors like herself to leave Alaska.

[2:39:48 PM](#)

DAVID BOYLE, representing himself, Anchorage, Alaska, testified in support of SB 39. He described the tax credit as a subsidy to the film industry and a shining example of crony capitalism that subsidizes outside companies and extracts money from the state treasury. He maintained that Alaska's subsidy is the most generous of the 40 states that offer film subsidies. He said these subsidies don't pay for themselves and they reduce funds that could support education, public safety, and infrastructure. He said a review of the approved tax credits shows that most of the jobs are nonresident. For example, the Deadliest Catch production employed 8 residents and 35 nonresidents and reaped \$691,000 in tax credits. He cited several more examples to support the point that the program isn't about employing Alaskans. Rather, it's about hiring nonresidents and sending Alaska money to outside companies while reducing tax liabilities for Alaskan corporations. He discussed an audit that shows the film tax subsidy cost Alaska more than \$19.9 million from 2008 to 2012. The same audit shows that from 2008 to 2011 Alaska direct hires represented just 16 percent of the total direct hires, and that Alaskans received about 15 percent of the \$52 million in wages paid. According to the Northern Economic Study, \$21.2 million in tax credits generated economic activity that resulted in an estimated \$1.2 million in additional taxes and fees.

MR. BOYLE urged the committee to pass SB 39.

[2:44:24 PM](#)

MARY KATZKE, Affinity Films, Anchorage, Alaska, testified in opposition to SB 39. She told the committee she has been

producing films in Alaska since 1980. This is work she loves and it's difficult to put a value on that. She told the committee that there is a rising pool of talent in Alaska and she would like that to continue. She said she respects the economic perspective of the testifier from the Manhattan Institute of Public Policy, but she doesn't believe he understands the film business. She said the average film takes 7-10 years from idea to the screen. The highly criticized reality shows are always the first to arrive but the goal is a television series that lasts five seasons. That means nine months of steady work for people. She and others have been working toward this for the last three and one-half years and they had a master plan in place until four weeks ago.

MS. KATZKE likened getting a film incentive program going to planting a forest. She said the seedlings are starting to come up and to send a mower in and knock everybody down is not the way to nurture them. She reminded the members that this fiscal crisis will pass and urged them not to kill the industry.

[2:47:29 PM](#)

RANDY DALY, President elect, Alaska Film Group, Kenai, Alaska, testified in opposition to SB 39. He said he is the publisher of the Alaska film industry news magazine and producer of a daily show, which has allowed him to hire an editor, a sales person, and a "second talent." He described SB 39 as a bad idea that does not decrease spending this year but harms the future. He said SB 39 won't solve the state's long-term budget problem of spending more than it generates, but diversifying the economy will. The Alaska film incentive provides some of that diversity and it is competitive. He said the legislature designed the program and if it is allowed to operate, the state will have the opportunity to harvest revenue benefits from business done in the state in the future. However, if SB 39 passes the money and sweat equity invested in the program be lost and future revenue will go away. The fact that the legislature has vacillated on the status of the program each year has caused some projects to leave the state and others to not come at all.

MR. DALY suggested the committee think of the program in terms of a corn crop. Some of the corn will be sold and some will be used as feed, but first the farmer sets aside seed for next year's crop. This is sustainable into the future. By contrast, SB 39 would have the State of Alaska eat its seed and starve in the future. He asked that SB 39 be withdrawn.

[2:51:01 PM](#)

MARTIN WEISER, Managing Partner, Fireside Media Group (FMG), Anchorage, Alaska, testified in opposition to SB 39. He cautioned that repealing the film production tax credit program will reverse what has already been accomplished and destroy any future possibility for Alaska to claim its share of the growing entertainment and technology industries that otherwise would train Alaskans for state of the future jobs, return hundreds of millions of dollars to Alaska businesses, and secure Alaska's financial future without relying on oil.

He described a team of film and TV producers, Alaska-based Hollywood executives, artists, educators, and some business and civic leaders who have made a significant capital investment in the past two years to lay the foundation for a sustainable entertainment and information technology industry in Alaska. The Alaska film tax incentive is key to this plan, but they utilize the program differently than the majority of other producers and out of state productions.

MR. WEISER explained that the strategy is to couple physical production with post production, which is what happens after a film is shot. This phase often lasts up to a year and includes film editing, music scoring, audio engineering, visual effects, and the data management and encoding necessary to take the film to market. These post-production jobs are grounded in local businesses such as FMG that might be working on multiple projects at any given time. The jobs appeal to young Alaskans who are looking for ways to take their experience with video games, social media, and mobile computing into the workforce. They also appeal to working Alaskans looking for a career change that will provide skills that reach far beyond movie making.

He reviewed the accomplishments over the last 12 months including a partnership with the University of Alaska System to provide students and faculty with real world opportunities to learn from some of Hollywood's prominent directors, producers, and production staff. Another partnership has brought film and TV scores to the Alaska Symphony Orchestra, many of which are for productions filmed outside Alaska. This has made Alaska a global contender for music and audio services that typically go to symphonies in L.A. New York, London, and Eastern Europe.

MR. WEISER reported that they are close to signing a multi-year service agreement with some of Hollywood's major studios to pipeline a portion of the post-production work to Alaska, which would create a sustainable and long-lasting workload for their labor force. They have also established Alaska's first film and

TV financing syndicate to help co-finance certain projects that either film their physical production and/or do their post-production work in Alaska. He said this goes far beyond what the legislature envisioned when it passed the legislation. Alaskans will not only benefit from the production dollars spent here but also capture a share of the global revenues of these projects.

MR. WEISER said the recent announcement that the tax incentive program likely will not continue has brought all the hard work by their staff and partners to screeching halt. He warned that time is of the essence to restore market confidence that Alaska is still open for business.

[2:56:42 PM](#)

DEREK MUSTO, representing himself, Anchorage, Alaska, testified in opposition to SB 39. He works as a business agent for Teamsters Local 959 that represents the motion picture studio industry in Alaska. He described the suspension of the program as a sensible approach given the current fiscal situation. It gives the state the time needed to work through tough times without closing the door on the film industry. He emphasized that passing SB 39 won't save the state dollars, but it will permanently cripple a growing industry in Alaska that can operate anywhere it chooses. Keeping the program on the books will leave Alaska's door open to an industry that diversifies the economy and provides jobs. He urged the committee not to pass SB 39.

CHAIR COSTELLO announced she would hold SB 39 in committee and keep public testimony open.

[2:59:51 PM](#)

SENATOR ELLIS expressed appreciation for the time, energy, and passion that Mary Katzke has put into episodic television, which is the big prize. "My heart goes out to her and her efforts," he said.

[3:00:52 PM](#)

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at