

## 2022 Report and Recommendations of the Governor's Council on Film and Media Industries

1 December, 2022

Honorable Michelle Lujan Grisham  
Honorable Brian Egolf, House Speaker  
Honorable Mimi Stewart, President Pro Tempore of the Senate  
Cabinet Secretary Alicia J. Keyes, Economic Development Department

Madams and Sirs:

*Pursuant to Section 9-15-4.1 NMSA 1978, per statute, the Governor's Council on Film and Media Industries (the "Film Council") was created to advise the Economic Development Department and the Governor on ways to promote film production in New Mexico, assist in the design and implementation of the department's strategic plan for building a media infrastructure in the state, assist in designing a workforce training program for film production and to make recommendations for incentives and funding for these efforts.*

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### Introduction

Throughout 2022, the Film Council met in public meetings as well as working group sessions, assessing industry progress and challenges. The Film and Media Industries are thriving and, with a continuing favorable regulatory and incentive environment, should continue to grow rapidly. The overall annual cap on incentive payouts should be increased to keep pace with our success. Other challenges include managing this growth in ways that will ensure that the maximum benefits inure to a diverse group of New Mexicans, from those working in production to a wide range of corollary industries.

### Incentive Optimization

The current film incentives system based on a 35% cap on qualified expenditures is fundamentally well-designed, competitive, and functional, but can be improved upon. To better incentivize a film industry that will benefit a more diverse pool of New Mexicans, we recommend introducing additional paths to attaining the 35% maximum incentive. We recommend potential 5% uplifts for:

- Productions that hire and train a diverse New Mexican work force, including women, Native American, Hispanic, and Black New Mexicans.
- Productions based on the creativity of homegrown New Mexican “above the line” talent.
- Productions that also do their post-production locally and train and mentor NM post-production talent.
- Productions that comply with stringent safety protocols, including limiting most shooting days to 10 hours or less.
- Productions that achieve sustainability performance goals, discussed later in this report

In addition:

- The 5% “rural uplift” should be re-named the “geographic diversity uplift” for accuracy, and qualifying territory should be defined as 60 miles from Santa Fe and Albuquerque City Hall (instead of from Santa Fe and Bernalillo county lines) in line with similar geographic distinctions used by unions and others.
- Accounting should be simplified for the 5% rural and qualified facility uplifts, as production equipment, props, and talent may shift venue many times in the course of a single day. When the process becomes too burdensome, they are no longer incentives. We suggest basing the uplifts on the overall percentage of days shot at qualifying stages/locations and/or qualifying rural areas, and grant a 5% uplift on that percentage of the overall qualifying spend.
- Script development should qualify for incentives, contingent on a distribution deal, allowing for the creation of NM based Writers Rooms. We recommend allowing non-resident writers to qualify as long as a NM Resident is hired for every non-resident that qualifies.
- “Pass through” companies that bring in products or services not readily available in New Mexico should be subject to greater oversight, ideally by the New Mexico Film Office, which will need additional staffing for this oversight. The NMFO should share data on what goods and services are regularly imported in order to facilitate the development of local vendors.
- Expenses on tribal lands should qualify for incentives, even when they do not accrue GRT.
- Changes to the incentive system should not apply to projects already in pre-production or production.

### From Development to Distribution

Promoting corollary businesses will require consultation with both existing NM Film Partners and out-of-state post production houses and other businesses that might develop NM satellite offices. NMFO should share available production data with local vendors. Training and mentoring of local post production talent should be supported. While aspects of post-production can be taught at the New Mexico Media Academy and elsewhere the development of

truly sophisticated local talent will require local workers to be paired with experts that we need to attract to New Mexico from out of state. We recommend:

- Creating a Post Vendor qualification, where qualified facilities would agree to hire/mentor a percentage of NM residents and receive the qualified facility incentive bump.
- Consider incentives to Post Production outside of the SB2 incentive ecosystem, such as a Post Advancement Program modeled on FCAP, or with job definitions redefined to include post-production job titles, ideally with flexible language that will not need to be reworked every few years.
- Clarify the details of Post Production tax credits with a separate web page summary and a separate application form. We recommend allowing the tax credit to apply to non-residents with the condition that residents are also hired and trained.
- It would also be helpful if the Taxation and Revenue Department could create a separate application form for post-production rebates. Post Production vendors have received contradictory information from TRD, and in some cases being initially denied, educating TRD personnel, and then qualifying. TRD/Post understandings of incentive rules should be standardized.
- Development and distribution deals for NM residents should also be supported.

### Education and Training

A shortage of skilled film industry workers threatens to bottleneck growth and thus limit industry benefit to New Mexicans. To match NM workforce skillsets with industry needs, there is a critical need to dramatically ramp up education and training programs for the film and media sector.

- We fully support the creation of the New Mexico Media Academy (NMMA) and call for meaningful annual funding of its activities. Priorities should include training positions across all craft departments and entry level production assistants, and making students and film/media professionals aware of the pathways to New Mexico film programs.
- Bootcamps are needed to train New Mexicans who already possess transferable skills that are applicable to the film and media industries, including for example graphic designers, accountants, and construction workers who do not need to be taught a craft but need only a rapid introduction to prepare them to enter the film/media industry workforce.
- Those who complete NMMA modules, boot camps, and/or masterclasses and are deemed prepared to join the workforce should be offered paid internship positions. Paid internships are crucial to ensure equitable access for all New Mexicans.
- Whether through NMMA or other boot camps/workshops, access to training should be equitable, with scholarships provided, access to housing during training, stipends where

applicable, training across the state where possible, with access to industry standard equipment.

- Enhanced Marketing and outreach will can help communicate the diverse opportunities across the film and media industries to New Mexicans in every region of the state, perhaps with student-produced PSAs about opportunities for education and employment in the field. A central hub/database/clearinghouse sorted into categories by experience level, skill type, education, and training would help industry locate and hire appropriately skilled New Mexicans.
- Getting students involved at an early age, ideally 7<sup>th</sup> grade, would prepare them for more sophisticated training later on.
- Mandatory trainings around safety, harassment, bullying, discrimination, etc. should be considered.
- Increased funding is also needed to support worthy independent film making along the model of the John Pinto Memorial Fund, perhaps including awards modeled on the Duke City Shootout and the Governor’s Cup, with an emphasis on diversity and inclusion.

### Sustainability

The natural beauty of New Mexico is not only a boon to our citizens and tourists, but entices many productions to film in NM. The industry can thus be part of a beneficial economic and ecological cycle, creating rural employment predicated on the preservation of habitat, outdoor recreation areas, and the livelihoods of our farmers and ranchers. Climate change threatens this, impairing the film industry’s ability to find filmable locations (e.g. unburned forests; grasslands with grass) while increasing the frequency of weather impediments such as flooding, dust storms or excessive heat. As the national industry is seeking to embrace principles of sustainability, we believe that greening the NM industry would in fact attract more film projects to the state.

The simplest incentive structure would be to add another 5% pathway for climate friendly practices, and this could be a first-in-the-nation incentive. We also suggest more direct financial incentives for efforts that directly reduce film carbon emissions. Such activities could include renting solar panels, volt stacks, portable wind turbines or other alternatives to fossil-fuel generators, using zero emission vehicles, installing EV chargers and solar panels at studio locations, and purchasing carbon offsets from qualified New Mexicans who might generate credits by capping abandoned oil & gas wells, replanting forest burn scars, etc.

These reimbursements should begin aggressively and then taper off as “non-carbon” technologies become normal and economical. Proposed level of reimbursement for the above list, perhaps starting with a reimbursement of 75% of approved expenditures for the next two years, trialing off to 10% by 2029. We also recommend that any wages paid to production sustainability officers are reimbursed at 50% during this transition. This reimbursement would

occur outside of (and therefore in addition to) the established film incentives, possibly using funds from the Inflation Reduction Act or other one-time grants/funds, and could be overseen by EDD and/or Environment departments. We note that this expenditure could help launch new NM industries, creating high-tech green jobs, often in rural and tribal areas.

### Film Safety

Regarding Film Safety, we reiterate our main findings developed last year in the wake of the *Rust* tragedy, namely that a state certification process for armorers should be created; that all NM productions, union & non-union, should be required to follow all Contract Services Industry Wide Labor-Management Safety Committee Safety Bulletins; and that all productions should provide employees either courtesy housing or round trip transportation to their homes when work and travel time exceeds 14 hours.

### Financing

State-sponsored low interest loans could help with the expansion of film and corollary industries, from post-production to craft, from wardrobe to specialized technologies such as drones and sustainable energy sources. Specifically, while SB380 established a pool of 2.5% of the Severance Tax Permanent Fund for investment in film projects in 2003, unrealistic requirements have effectively nullified the program. We strongly recommend ending this program, and substituting a new low interest loan financing mechanism to become available not just for investments in films themselves, but in New Mexico owned and New Mexico based corollary businesses, housed at the New Mexico Finance Authority instead of at the State Investment Council. Lending to credit-worthy, diverse, locally-based, film-related businesses will allow NM vendors to grow, limiting the need for “pass through” imports of goods and services.

### Modifications

The film industry changes rapidly, whereas the legislative process by design moves slowly. Accordingly, we recommend creating a new board composed of representatives of relevant entities such as Economic Development/New Mexico Film Office, the Taxation and Revenue Department, this Council, or others with local film industry expertise, and that this new board be empowered to make minor changes in the application of the incentive and regulatory system in ways that will simplify the process for industry, make the incentives work for more New Mexicans, and generally ensure that the programs are executed in line with the original intent.

### Additional Information



**MAIN:** 505.476.5600  
**SOCIAL:** @NMFilmOffice  
**WEB:** [NMFilm.com](http://NMFilm.com)

Council members stand ready to answer questions, provide rationale and detail, and to help source expert witnesses for any upcoming rule-making processes and legislative sessions.

Respectfully submitted,  
James Gollin, Chair

cc: Amber Dodson, Director, New Mexico State Film Office