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AT ISSUE

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CALENDAR

Information related to upcoming study committee meetings will be listed in future editions of At Issue, once details are available.

A Message from Senator Shafer

This edition of *At Issue* focuses on legislative efforts to stimulate job creation, including the effort to best prepare our young people for the workplace.

The General Assembly took bold action during the 2015 Legislative Session to provide a mechanism to rescue chronically failing schools and their students. Inside, we examine Governor Deal's proposal to create a statewide Opportunity School District with authority to assume operational and managerial responsibility of chronically failing public schools.

Georgia has served as a backdrop for many movie and television productions in the last decade, emerging as California's largest competitor when it comes to selecting filming locations. In this issue, we also take a look a the package of industry tax incentives which are credited for helping to spur this boom.

The Senate and House Retirement Committees began the process of selecting fiscal retirement bills, which must be held over a session before being acted upon, for in depth analysis. Three Senate bills were selected, and we will follow the work of the committees in this newsletter.

David J. Shafer, Senate President Pro Tempore
david.shafer@senate.ga.gov

Education & Youth

Paving the Way for Innovative Education

Satyn Geary, Senior Policy Analyst
satyn.geary@senate.ga.gov

Eric Harrison, 2015 Senate Aide

On April 21, Governor Deal signed Senate Bill 133, which authorizes the Opportunity School District (OSD) to assume the supervision, management, and operation of public elementary and secondary schools that are failing. Failing schools are defined as those that earn an "F" rating on the Georgia Department of Education's accountability measures and the College and Career Performance Index (CCRPI) for three consecutive years. Based on an analysis of the 2011 – 2014 CCRPI scores, 139 of Georgia's 2200 schools will be eligible for the OSD.

Statewide jurisdiction will be under the control of the Governor's Office of Student Achievement. The Governor will appoint the OSD Superintendent, subject to Senate confirmation, and establish qualifications and salary. The OSD Superintendent must develop operational procedures for the OSD and report annually to the General Assembly.

The OSD will select up to 20 schools in any single academic year, not to exceed a total portfolio of 100 schools, based upon an analysis of performance over the three-year period, taking into consideration various factors, including:

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- The school's performance on growth measures;
- Any recent changes in leadership in the school and/or school districts;
- Geographic clusters of qualifying schools;
- Feeder patterns with multiple eligible schools;
- Availability of qualified partners; and
- Community engagement and support.

The selection process will include a public hearing that allows for community and parental involvement. However, the final selection will be at the sole discretion of the OSD Superintendent. The Department of Education will provide improvement services and technical assistance to qualifying schools that are not selected for intervention.

The OSD Superintendent can apply one of four intervention models to opportunity schools:

- The OSD can directly manage the school;
- A Shared Governance model between the OSD and the local education authority (LEA), under which the LEA manages the school, but the OSD has the authority to direct changes to be made in the school;
- The Reconstitution model, which involves a charter petition process where the OSD will work with the State Charter School Commission to approve a charter for the school; or
- School closure, which is specified as an intervention model of last resort.

A school taken over by the OSD will be under the jurisdiction of the OSD for at least five years, but not more than ten years. If an OSD charter school receives a rating above an F for three consecutive years, it will no longer be under the authority of the OSD; however, it will remain under the authority of the State Charter School Commission.

"Over 19,000 students dropped out between grades nine and 12 over the past school year. That is far too many. Neither Georgia nor these young people can afford the disparaging effects that typically result when someone leaves high school prematurely."

- Gov. Nathan Deal

Funding for the OSD will come from the following sources:

- Quality Basic Education (QBE) formula earnings, QBE grants, and federal grants earned by the school based on the school's enrollment, school profile, and student characteristics;
- A proportional share of state categorical grants, non-QBE state grants, state equalization grants, and all other state and federal grants; and
- An amount determined by the OSD for each student enrolled in such school equal to a proportional share of local revenue from the local school system in which the school is located.

Senate Bill 133 becomes effective on January 1, 2017, only if an amendment to the Georgia Constitution is ratified on the November 2016 ballot allowing the General Assembly to authorize the establishment of the OSD to provide for state interventions for failing schools.

Similar Action: Louisiana and Tennessee

In 2003, the state legislature of Louisiana passed a Recovery School District Act (RSDA) that allowed the state to take over failing schools with the intention of turning around the worst performing schools and returning them to their original school district once they had recovered. The RSDA was used for a majority of schools under the purview of the Orleans Parish School Board (OPSB) after Hurricane Katrina in September of 2005. After Katrina, 100 of the 127 schools in Orleans Parish were flooded and the school board decided to close all of its schools for the school year. This was on top of the already significant financial issues that OPSB was experiencing. It was at this point that they saw an opportunity for the Recovery School District (RSD) to take action and turn around OPSB schools. The RSD has essentially become the school district for New Orleans. New Orleans has seen a steady increase in state test scores. If the current trend continues, it is possible that the RSD schools in New Orleans will be some of the best performing public schools in the state.

In 2010, the state legislature of Tennessee authorized the Achievement School District (ASD), modeled after the Louisiana RSD. Tennessee was awarded funds through the national Race to the Top Contest, making it one of the first two states in the country awarded funding. This was the most extensive education law passed in Tennessee in over two decades. The ASD was charged with "building the possible" by moving the bottom 5 percent of the schools in the state into the top 25 percent within five years.

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Hollywood Comes to Georgia

John Culverhouse, Senior Policy Analyst
john.culverhouse@senate.ga.gov

By all accounts, the film industry in Georgia is booming. The Hollywood of the South, Y'allywood, and ATLwood are a few of the monikers being attributed to this fast growing industry, and grow it has. In Fiscal Year 2014, Georgia-lensed feature films and television productions generated an economic impact of $5.1 billion, up from $1.33 billion in Fiscal Year 2010. Not only are all 159 Georgia counties deemed to be Camera Ready, a first of its kind program designed to connect the film and television industry to local resources, but Georgia offers one of the most robust tax incentive packages in the country. The Entertainment Industry Investment Act provides a tax credit of up to 30 percent for companies producing feature films, television series, music videos, and commercials in Georgia. Additionally, Governor Deal plans to establish the Georgia Film Academy, a training ground where film-industry workers attain the skills necessary for behind-the-scenes jobs such as set designers, electricians, makeup artists, and production assistants. In 2014, Georgia ranked third nationally in film production with ten feature films, behind California and New York, and more films are being produced in the state every year.

How Georgia Got Here

The film Deliverance (1972), starring Burt Reynolds and Jon Voight, is often cited as the production that put Georgia on Hollywood's radar screen. Because of the commercial success of the film, and the notoriety it brought to the state, then-Governor Jimmy Carter created the Georgia Film, Music and Video Office in 1973 (now known as the Film, Music and Digital Entertainment Office). This office has been responsible for recruiting more than 800 film and television productions since its inception. Throughout the following decades, many feature films and prominent television series were filmed in Georgia, but the industry did not truly take off until the Georgia General Assembly began offering tax incentives to production companies.

The first tax incentive, enacted in 2001, exempted the film and television industry from sales and use taxes on production-related expenses. In 2005, the General Assembly passed the Georgia Entertainment Industry Investment Act (HB 539), which included a transferrable income tax credit equal to 9 percent of the base investment if the investment exceeded $500,000. The credit could be increased through filming in a Tier 1 or 2 Georgia county, employing Georgia residents in the production, or with a base investment of greater than $20 million. As other states began implementing more lucrative tax incentive packages, production in Georgia slowed.

The 2008 Georgia Entertainment Industry Investment Act (HB 1100) strengthened the effort made in 2005 by making the tax credit more competitive and in line with other state offerings. The 2008 Act simplified the tax credit by scrapping the convoluted tier incentive and establishing a consistent 20 percent credit on production and postproduction expenditures when a production company spends a minimum of $500,000 in the state. An additional 10 percent credit is available if a production company includes the Georgia promotional logo in the finished product. Finally, the Georgia Entertainment Industry Investment Act was amended in 2012 (HB 1027) to require the Georgia promotional logo be more prominently placed within the credits.

Economic Impact of the Film and Television Industry

According to the Georgia Department of Economic Development, 158 feature film and television productions were shot in Georgia in Fiscal Year 2014. These productions spent $1.4 billion during that time. The Motion Picture Association of America (MPAA) says the film and television industry in Georgia is responsible for more than 77,900 jobs and $3.8 billion in total wages (including indirect jobs and wages). Upwards of 24,000 Georgians are employed directly by the film and television industry, including 9,200 production-related employees. MPAA member companies (Paramount, 20th Century Fox, Warner Bros., Sony, Universal and Disney) paid $696 million to 4,066 vendors in Georgia in 2012. However, not everyone is completely thrilled with the film tax credit. Critics contend the cost to the state in lost income tax revenue exceeds the economic benefits created by the credit. Numbers provided by the Georgia Department of Revenue state that in 2012, a total of $190,461,261 worth of credits were utilized to offset Georgia taxpayer's income tax liability. *(continued on page 5)*

The Hunger Games franchise filmed all of their movies in Georgia; taking advantage of the film tax credits offered.

Feature Films Made in Georgia

Taken 3
Release Date: January 9, 2015

Furious 7
Release Date: April 3, 2015

Selma
Release Date: April 3, 2015

Ant-Man
Post-production
Anticipated Release Date: July 17, 2015

The Hunger Games: Mockingjay, Part 2
Post-production
Anticipated Release Date: November 20, 2015

Ride Along 2
Post-production
Anticipated Release Date: January 15, 2016

Senate Retirement Committee Selects Bills for Actuarial Study

Emily Fisher, Principal Policy Analyst
emily.fisher@senate.ga.gov

Retirement bills having a fiscal impact must be introduced during the first year of the legislative biennium and may only be passed by the General Assembly during the second year of the biennium. Each legislative retirement committee considers the fiscal retirement bills during a joint meeting held after the first year of the legislative biennium and determines whether an actuarial investigation should be undertaken on each of the bills. The Senate and House Retirement Committees held this joint meeting on May 7, 2015, and the following Senate bills were forwarded for actuarial study.

Senate Bill 149 (Sen. Josh McKoon)

Designed to incentivize veterans to participate in state employment, this bill allows any member of the Employees' Retirement System (ERS) with two years of state service to apply for up to five years of service credit, year for year, for active United States military service occurring after January 1, 1990. Qualifying members would have a two-year window to apply, or within six months of attaining two years of joining ERS, whichever date is later. To purchase the service, the member would make a lump sum payment of 3 percent of the annual military base pay rate for each year of creditable service sought, a payment amount that mirrors the federal program for buyback. The sponsor argued that this measure would help Georgia compete with sister states in retaining veterans. The measure also highlights the state's veteran-friendly atmosphere, a good thing for the base realignment and closure process.

Senate Bill 243 (Sen. Jack Hill)

Along with serving as legal counsel for the General Assembly, the Office of Legislative Counsel drafts legislation, counsels legislators and committees, and issues legal opinions to legislators on statutory interpretation and constitutionality. Prior to 2005, all legislative counsel were members of the Georgia Judicial Retirement System (JRS), but hires initiated after 2005 became members of ERS. This bill, coupled with an additional FY16 budget appropriation of $364,880, aims to recruit and retain legislative counsel by allowing those employees hired after 2005 to become members of JRS. Not only is this move designed to accommodate mid-career attorneys, much like judges covered under JRS, it also represents a cost reduction for the Office of Legislative Counsel: the employer share for JRS (12.19 %) is less than both ERS (24.72 %) and Georgia State Employees' Pension and Savings Plan (GSEPS) (21.69 %). This change would affect only seven current employees of Legislative Counsel, but JRS membership would be open for new hires as well.

Senate Bill 246 (Sen. Judson Hill)

Popularized around 2007, divestment policies aim to prevent public pension funds from being invested in certain countries designated as states of terrorism. In 2008, the Georgia General Assembly passed its own divestment legislation, which required divestment in companies conducting business in Iran's petroleum sector; however, that legislation contains a sunset date of July 1, 2015. Senate Bill 246 seeks to extend and expand Georgia's divestment policy by prohibiting public pension funds from investment in any "scrutinized companies." "Scrutinized companies" are defined as companies doing business with the government of a "proscribed country," companies complicit in the Darfur genocide, or companies that supply military equipment within a proscribed country, with some exceptions. Countries designated as state sponsors of terrorism by the United States Secretary of State as of May 1, 2015 qualify as "proscribed countries." As of May 31, 2015, the list currently includes Iran, Sudan, and Syria after the Secretary of State removed Cuba from the list following a 45-day notification period. The State Treasurer would prepare an annual list of scrutinized companies, and each public fund would determine which of those companies it has direct or indirect holdings. The fund would then notify the company of its scrutinized company status and provide a 90-day recourse period, after which the fund must divest if the company fails to cease its scrutinized business activities.

HOUSE RETIREMENT BILLS CHOSEN FOR ACTUARIAL STUDY

House Bill 605 (Rep. Tom Weldon): Changes the calculation of benefits paid to JRS members with prior part-time service.

House Bill 635 (Rep. Bubber Epps): Alters the payment of dues and calculation of retirement benefits within the Judges of the Probate Courts Retirement Fund.

House Bill 591 (Rep. Bill Hitchens): Amends funding streams of the Georgia Peace Officers' Annuity and Benefit Fund.

House Bill 421 (Rep. Chad Nimmer): Updates terms in the retirement code to reflect the creation of the Department of Community Supervision under House Bill 310.

House Bill 508 (Rep. Barry Fleming): Reduces the age threshold for normal retirement benefits for appellate court judges covered under ERS.

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The Special Council on Tax Reform and Fairness for Georgians noted in its 2011 final report that while the Film Tax credit has undoubtedly increased the number of film productions in Georgia, it is unclear whether the revenue produced is greater than the cost of the tax credits. In defense of film and television tax incentives, a MPAA-commissioned study concluded in a 2011 report that for every $1.00 spent in Georgia as a result of the Film Tax Credit program, $1.24 is returned in state and local taxes. "Furious 7," a feature film recently shot in Georgia, generated more than $47 million in economic impact, according to the MPAA. Specifically, the production hired over 7,500 Georgians and spent over $15 million on hotels and nearly $5 million on hardware and lumber supplies.

Georgia Film Academy

In order to sustain Georgia's position as a leader in film and television productions, the state must be committed to producing a skilled workforce to fill the vital below-the-line jobs (BTL) needed for film and television production. A BTL crew is comprised of technical positions hired for the entirety of the production. Governor Deal has been quoted as saying, "we cannot afford to let another state do to us what we have done to Hollywood." This is why Governor Deal has prioritized the creation of the Georgia Film Academy.

The idea behind the Georgia Film Academy is to connect existing film-related programs within the University System of Georgia with those of the Technical College System of Georgia. In the Fiscal Year 2015 state budget, the Georgia General Assembly allocated $400,000 to "provide funds for the development of a concentrated university and technical college curriculum... for workforce development related to the growing film, television, and digital media industries in Georgia." This funding will be reduced to $200,000 in FY 2016. Additionally, in FY 2016, $2,565,600 in new funds will be allocated to "continue the establishment and development of the Georgia Film Academy through a Cooperative Partnership between the University System and the Technical College System."

In 2014, the Georgia Board of Regents established the Film Alliance Task Force to determine the workforce education needs related to the film and television industry. They found that when studios look to film outside of Los Angeles, crew depth of the local community is a major concern. The positions most difficult to staff were sound, grip and electric. Importing labor from out of state is expensive for production companies and lowers the allure of tax incentives. Having a trained workforce on hand will only solidify Georgia's continued presence in the film industry.

There is little doubt the film and television industry is a powerful economic engine for Georgia. Whether it is Georgians directly employed by the film and television industry, or local communities creating film induced tourism, many stand to benefit from the state's investment. Georgia is now seen as a leader in attracting large film and television projects. Because of a diverse landscape, the nation's finest universities, the world's busiest airport, an attractive tax incentive program, and a steady commitment from Georgia's leaders, our state is poised to be at the forefront of the film and television industry for years to come. *-JC*

Georgia's Entertainment Industry Investment Act

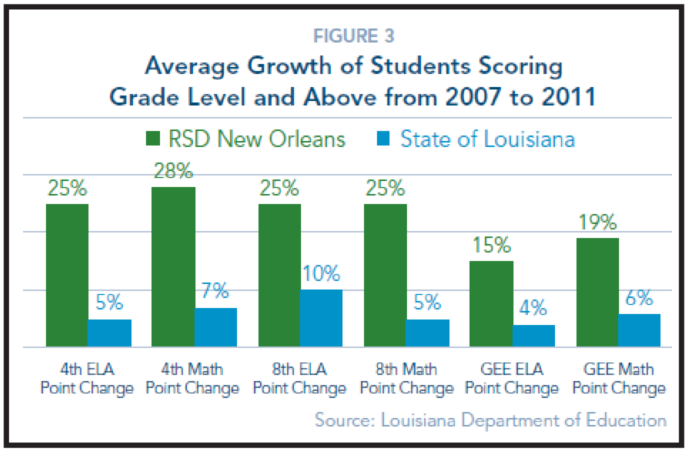
- 20 percent base transferable tax credit.
- 10 percent Georgia Entertainment Promotion uplift can be earned by including an embedded Georgia logo on approved projects and a link to TourGeorgiaFilm.com on the promotional website.
- Must have a minimum investment of $500,000 over a single tax year on qualified productions in Georgia. The credit has no limits or caps on the Georgia spend, and no sunset clause.
- Both resident and non-resident workers' payrolls and FICA, SUI, and FUI qualify.
- No salary cap on individuals paid by a 1099, personal service contract or loan out. Payments made to a loan out company will require six percent Georgia income tax withheld.
- Production expenditures must be made in Georgia to qualify from a Georgia vendor.
- Travel and insurance qualify if purchased through a Georgia agency or company.
- Original music scoring eligible for projects produced in Georgia qualify.
- Post production of Georgia filmed movies and television projects qualify.
- Development costs, promotion, marketing, license fees, and story right fees do not qualify.

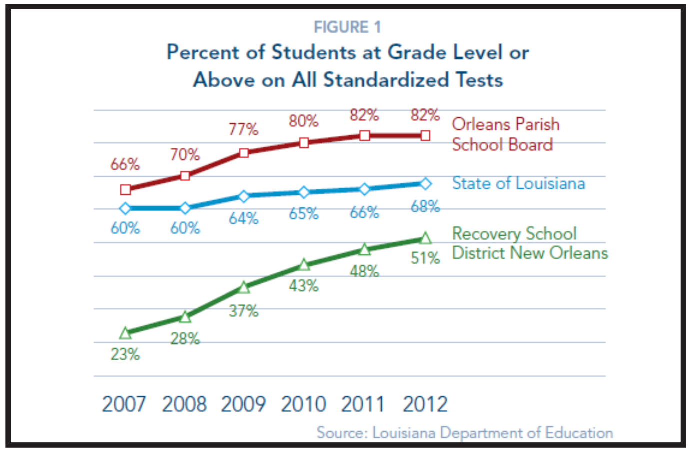
Information provided by the Georgia Department of Economic Development

(Education - continued from page 2) There are four possible paths for schools under the ASD. The Turnaround model involves a new principal, new instructional program, new staff, flexibility on how staff is compensated (i.e. a results-based compensation model), extended days, and a myriad of other different strategies. The Restart path involves establishing the school as a charter and turning over day-to-day operations to a charter organizer. The third is closure of the underperforming school. Finally, the Transformation model involves a new principal, more rigorous course work, and possible partnerships with outside non-profits.

Overall, Tennessee has seen improved test scores under the ASD. Tennessee is several years behind New Orleans, but as data trickles in, it appears the state will see similar long-term results as New Orleans. *-SG/EH*

Model of Success: New Orleans





(Retirement - continued from page 4)

House Bill 687 (Rep. Trey Kelley): Relates to transfer of funds from ERS to JRS.

House Bill 690 (Rep. Amy Carter): Allows eligible "law enforcement officers" to obtain up to five years of creditable service under ERS

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Georgia Public Retirement Systems

Acronym	Retirement System	Total Assets** June 30, 2014	Funding Ratio** June 30, 2014
ERS	Employees Retirement System	$13,291,531,000	72.8%
PSERS	Public Schools Employees Retirement System	$821,733,000	82.8%
LRS	Legislative Retirement System	$32,794,000	122.6%
JRS	Georgia Judicial Retirement System	$400,790,000	108%
GMPF	Georgia Military Pension Fund	$15,251,000	44.8%
TRS	Teachers Retirement System	$66,524,889,000	84.03%

NOTE: All of the retirement systems listed in the table are defined benefit plans, which pay retirees a specific benefit upon retirement. The Georgia State Employees' Pension and Savings Plan (GSEPS) is a hybrid defined benefit/defined contribution plan which includes a pension benefit and a 401(k) plan. Eligible state employees hired on or after January 1, 2009 are members of GSEPS.

**Total assets is calculated on current market value. The funding ratio is calculated by dividing total assets by projected obligations.

Senate Research Office
Jill Fike, Director • *jill.fike@senate.ga.gov*
204 Coverdell Legislative Office Building
404.656.0015

Senate Press Office
Jennifer Yarber, Director • *jennifer.yarber@senate.ga.gov*
201 Coverdell Legislative Office Building
404.656.0028