California Film Commission

PROGRESS REPORT

Film and Television Tax Credit Program & Competition for California's Entertainment Industry

July 2013

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California Film & Television Tax Credit Program

Progress Report – July 2013

The California Film & Television Tax Credit Program (Program) was enacted in February 2009 as part of a targeted economic stimulus package to increase film and television production spending, jobs and tax revenues in California. The Program has just commenced its 5th fiscal year. This report will summarize the Program's progress from its launch in July 2009 through June 2013, and includes spending estimates and project information for the current fiscal year (July 2013 - June 2014). The report also includes a brief overview of California's entertainment industry and the growing competition for our state's motion picture production spending, as well as supplementary background on the changing landscape for scripted television series production.

The California Film Commission (CFC) administers the Program, which provides tax credits to eligible film and TV productions that meet specific criteria. The original legislation established a five-year, $500 million program, which was extended for an additional year in September 2011. Another Program extension was enacted in September 2012 to provide an additional $100 million per year for two years. The Program was designed to make the best use of available funding to target those productions most likely to leave the state due to incentives offered by other states and countries. For those film and TV projects that are eligible for tax credits, the Program has achieved its goal by keeping many at-risk projects in the state.

The 2009 law mandates the California Film Commission to allocate up to $100 million dollars in tax credits each fiscal year to eligible projects on a first-come, first-served basis through FY 2016-17. If the amount of credits requested by applicants in any fiscal year exceeds the amount authorized for the program ($100 million), credits may be allocated from the succeeding fiscal year. This provision enabled the CFC to allocate two fiscal year's worth of funding in the first year of the program. For all remaining fiscal year allocation periods, including the current fiscal year, the CFC may access only one year's funding. The statute also allows for any unallocated credits to roll forward to the next fiscal year's allocations.

Program regulations allow for allocations to be assigned via a lottery if more than one application is received on any given day. At the beginning of each fiscal year, the CFC is flooded with hundreds of applications from independent and studio producers who want to produce their projects in California. The lottery system helps ensure tax credits are distributed as equitably and transparently as possible. Without the lottery, credits would be awarded beginning on the first day of the application period solely on a first-come, first-served basis, which would enable one producer with applications for multiple projects to dominate and receive a disproportionate amount of credits. The lottery has helped to mitigate such problems. However, the lottery does not allow producers any certainty that credits will be available, and therefore many producers do not even apply, electing instead to take their productions out of state where credits are available. Other nations and U.S. states, even those with a very substantial volume of production, have a supply of tax credits sufficient to meet growing demand. California's lottery is a unique, albeit imperfect, solution to a unique problem.

Some projects selected initially to receive an allocation instead withdraw from the program due to a variety of factors – lack of adequate funding, schedule delays that push it beyond the program's timeline requirements, actor or director availability issues or other causes. When a project withdraws, those credits are reassigned to the project next in line on the waiting list. The CFC continues to manage the waiting list for the remainder of the fiscal year, monitoring the status of productions and tracking any that ultimately move out of state due to incentives offered elsewhere.

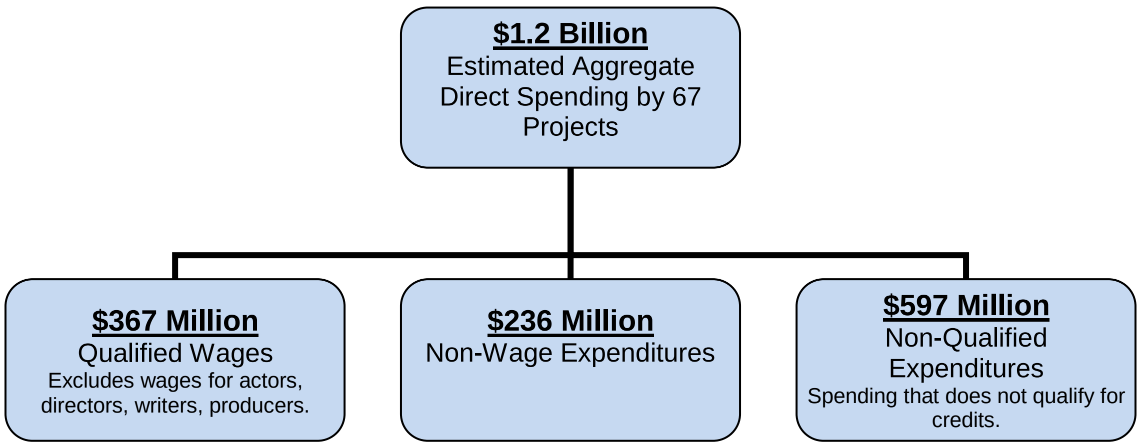
The initial allocation is treated as a "reservation" for tax credits. Applicants do not receive their tax credit certificates until they have completed post-production and the CFC has reviewed all required documentation - including CPA audited cost reports. The statute also provides that no tax credits could be issued prior to January 1, 2011.
In late 2011, the tax credit program underwent an internal control review - a risk assessment performed by Business, Transportation and Housing Agency management. The assessment involved a review of the Program's lottery procedure, application review process, internal monitoring systems, database, and final document review. The assessment resulted in a report commending the CFC for having the mitigating controls necessary to manage any Program-related risk. Business, Transportation and Housing management recommended creating and posting an application FAQ document. This new document was posted to the CFC website in January 2012.

The following pages provide information for each year of the program, with details on project spending and other statistics. All figures reflect direct spending. Generally recognized formulas or multipliers are not utilized in this report.

II. Program Year 1 Summary (July 2009 – June 2010)

Program regulations were approved in June 2009, and the CFC began accepting applications on July 1, 2009. By the end of July, all $100 million in tax credits from FY 2009-10 were allocated (i.e., "reserved"). Due to the high volume of applications, the CFC then allocated credits from FY 2010-11. By January 2010, all 2010-11 tax credit allocations had been exhausted. For the remainder of the fiscal year (through June 2010), the CFC maintained a waiting list for projects seeking tax credits.

While a total of $200 million was available (as referenced on page 1), ultimately only $154 million was allocated to 67 projects for this fiscal year period. Some projects initially allocated credits withdrew and due to the timing of those withdrawals, any remaining credits were rolled over into the next fiscal year's funding. Program year 2009-10 impact is as follows:



Individuals Hired		
9,000 Crew Members	4,400 Cast Members	108,000 Background Players

Breakdown by Project Type

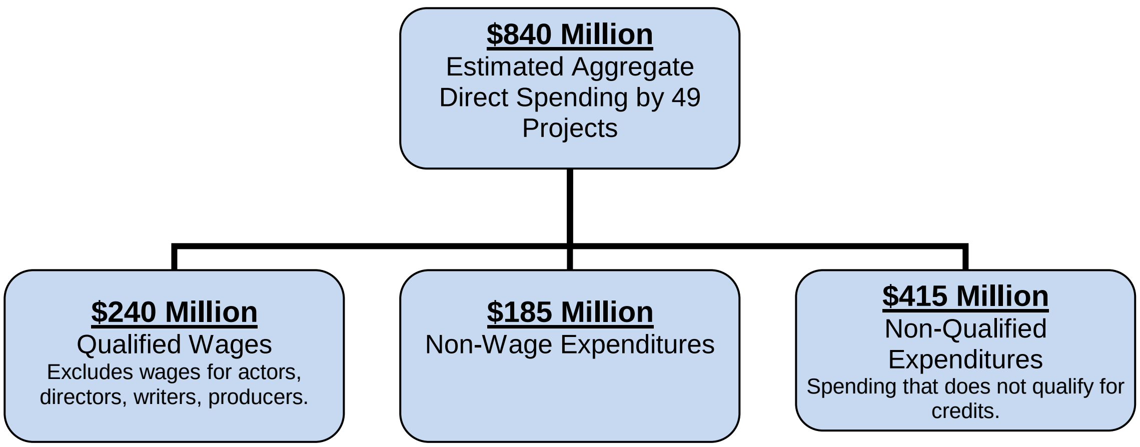
	Feature Films	TV Movies	TV Series	Relocating TV Series	Mini-Series	Total
Number of Projects	46	13	6	1	1	67
Percentage of Credit Allocation	83 %	3 %	12 %	1 %	1 %	100 %

Independent VS. Non-independent Breakdown

	Independent	Non-independent
Number of Projects	30	37
Percentage of Credit Allocation	11 %	89 %

III. Program Year 2 Summary (July 2010 – June 2011)

On June 1, 2010, the Film Commission began accepting applications for the FY 2011-12 allocation. These funds were available for allocation on July 1, 2010. Seventy applications were received on June 1st and credit allocations (reservations) were issued to 51 projects that exhausted the $100 million in funding available for the fiscal year. The demand for tax credits was a mixed blessing in that the Program proved successful in achieving its objectives, but "sold out" in just one day. The CFC continued to receive applications, and by the end of the fiscal year a total of 119 applications were submitted requesting credits. In total, $100 million in tax credits was allocated to 49 projects. Program Year 2 impact is as follows:



Individuals Hired		
6,900 Crew Members	3,600 Cast Members	65,000 Background Players

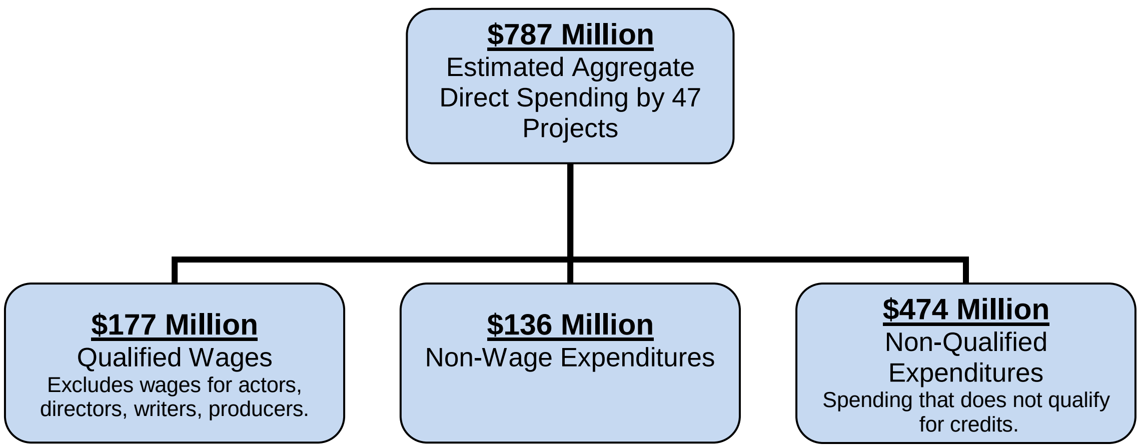
Breakdown by Project Type						
	Feature Films	**TV Movies**	**TV Series**	**Relocating TV Series**	**Mini-Series**	**Total**
Number of Projects	24	12	11	2	0	49
Percentage of Credit Allocation	44 %	7 %	37 %	12 %	0 %	100 %

Independent VS. Non-independent Breakdown		
	Independent	**Non-independent**
Number of Projects	28	21
Percentage of Credit Allocation	14 %	86 %

IV. Program Year 3 Summary (July 2011 – June 2012)

On June 1, 2011, the Film Commission began accepting applications for FY 2012-13. These funds were available for allocation on July 1, 2011. A total of 176 applications were received on the first day of the application period. On that first day, 29 projects received conditional allocations. This exhausted the $100 million in available funding for Program Year 3, and the remaining projects were placed on the waiting list. Once again, the program was oversubscribed in just one day.

During Program Year 3, several large budget projects withdrew, and their credits were re-assigned to many small budget independent projects. This resulted in an increase in the total number of projects allocated credits from 29 (on the first day) to 47 by the end of the fiscal year. Ultimately, $73 million in tax credits was allocated, as some projects dropped out towards the end of the fiscal year. The estimated impact for Program Year 3 is as follows:



Individuals Hired		
5,700 Crew Members	3,400 Cast Members	59,000 Background Players

Breakdown by Project Type						
	Feature Films	**TV Movies**	**TV Series**	**Relocating TV Series**	**Mini-Series**	**Total**
Number of Projects	27	11	8	1	0	47
Percentage of Credit Allocation	48 %	8 %	41 %	3 %	0 %	100 %

Independent VS. Non-independent Breakdown		
	Independent	**Non-independent**
Number of Projects	32	15
Percentage of Credit Allocation	33 %	67 %

V. Program Year 4 Summary (July 2012 – June 2013)

On June 1, 2012, the CFC began accepting applications for the FY 2013-14 allocation. The CFC received 322 applications on the first day of the application period -- an 83 percent increase compared to the 176 applications received in 2012. Credit allocations (reservations) were conditionally issued to 27 projects. As in past years, the program was oversubscribed and all funding was exhausted in just one day. The remaining applications were placed on the waiting list.

As noted in previous years, some projects issued an initial allocation withdrew from the Program, thus freeing up corresponding credits for allocation to projects on the waiting list. During Program Year 4, several large budget projects withdrew, and their reserved credits were reassigned to many small budget independent projects. This resulted in an increase in projects from 27 initially to 72 by the end of the fiscal year. Ultimately, $155 million in tax credits was allocated to those 72 projects. (The additional $55 million in credits rolled over from the previous fiscal year.) The preliminary[1] estimated impact for Program Year 4 is as follows:

$1.1 Billion
Estimated Aggregate Direct Spending by 72 Projects

$388 Million
Qualified Wages
Excludes wages for actors, directors, writers, producers.

$333 Million
Non-Wage Expenditures

$379 Million
Non-Qualified Expenditures
Spending that does not qualify for credits.

Individuals Hired		
6,700 Crew Members	4,300 Cast Members	89,000 Background Players

Breakdown by Project Type						
	Feature Films	**TV Movies**	**TV Series**	**Relocating TV Series**	**Mini-Series**	**Total**
Number of Projects	37	21	11	2	1	72
Percentage of Credit Allocation	46 %	7 %	32 %	15 %	0 %	100 %

Independent VS. Non-independent Breakdown		
	Independent	**Non-independent**
Number of Projects	46	26
Percentage of Credit Allocation	25 %	75 %

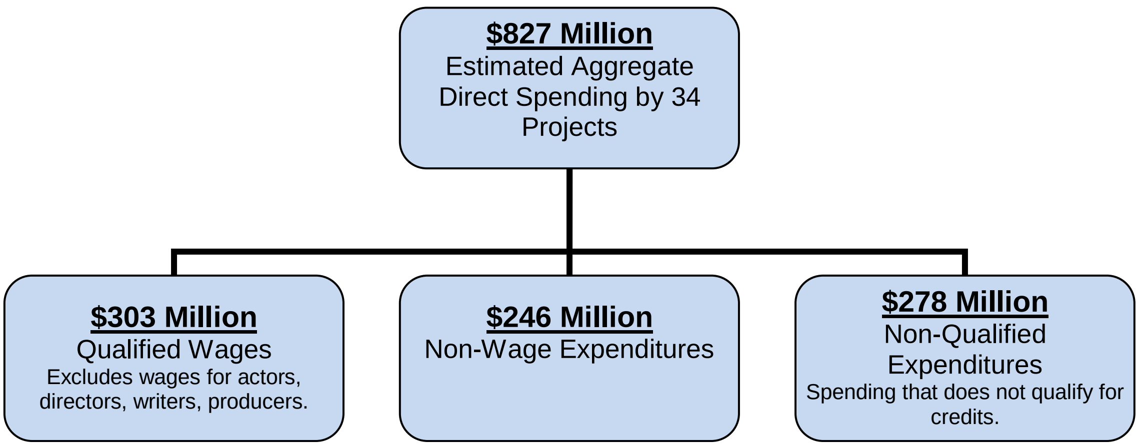
1 Some Program Year 4 projects are not yet completed.

VI. Program Year 5 Summary (July 2013 – June 2014)

This year, on June 3, 2013, the CFC began accepting applications for the FY 2014-15 allocation. A record 380 applications were received on the first day of the application period -- an 18 percent increase compared to 322 applications received last year.

As expected, the program was oversubscribed with all funding exhausted in a single day. The remaining projects were placed on the waiting list. To date, there are 350 applications on the waiting list.

Based on previous years, it is expected that some projects issued an initial allocation will withdraw from the Program, thus freeing up corresponding credits for allocation to projects on the waiting list. As of June 30, 2013, $118 million in tax credits has been allocated conditionally to 34 projects. The preliminary[2] estimated impact for Program Year 5 is as follows:



Individuals Hired		
3,800 Crew Members	3,200 Cast Members	83,000 Background Players

Breakdown by Project Type

	Feature Films	TV Movies	TV Series	Relocating TV Series	Mini-Series	Total
Number of Projects	14	5	12	2	1	34
Percentage of Credit Allocation	21%	3 %	61 %	15 %	0 %	100 %

Independent VS. Non-independent Breakdown

	Independent	Non-independent
Number of Projects	16	18
Percentage of Credit Allocation	14 %	86 %

2 Program Year 5 data is subject to change.

VII. Issuance of Tax Credit Certificates

As mentioned previously, productions do not receive tax credit certificates (i.e., actual tax credits) until all post-production is completed and the California Film Commission has reviewed all required documentation - including CPA audited cost reports. As per the statute, no credits were issued prior to January 1, 2011. Because of varying production schedules, applicants typically submit their final documentation within 12 – 24 months after they receive their initial allocation letter. The Film Commission issues the certificates within 20 business days of receiving final documentation.

Total tax credit certificates issued to date: $242,575,382 to 125 applicants.

- As of June 2013, **$27,541,479** in credits were claimed against sales & use taxes.
- As of June 2013, total tax credits claimed against income tax liability**: $34,330,822**

VIII. Aggregate Spending and Economic Impact

Including this year's conditionally allocated tax credits, approximately $600 million in tax credits has been allocated (reserved) to eligible film and TV projects, resulting in:

- Estimated total aggregate direct spending by Program projects: **$4.75 billion**
- Estimated total qualified wages paid/to be paid by Program projects: **$1.48 billion**

Each $100 million in tax credit allocations allows an average of 45 projects to participate, (number of projects in any given year fluctuates depending on individual project budgets). Based on the average aggregate spending by projects from each fiscal year to date, each $100 million allocated will generate $792 million in direct production spending, including $250 million in payroll for below-the-line workers. For every $100 million in tax credits allocated, productions will hire an estimated 8,500 cast and crew members and utilize 10,000 vendors. Collectively, they will also employ more than 67,000 daily hires as extras.

In June 2011, the Los Angeles Economic Development Corporation (LAEDC) released a study to determine the economic impact of the tax credit program. The study analyzed the first 77 productions approved for tax credits totaling nearly $200 million. The executive summary states:

> *"During the first two years of the program, California's Film and Television Tax Credit has generated more than $3.8 billion in economic output and is supporting more than 20,000 jobs in California.*
>
> *For every tax credit dollar approved under California's Film and Television Tax Credit program, at least $1.13 in tax revenue will be returned to state and local governments."*

The full study is available at: http://www.film.ca.gov/2011_Reports_&_Studies.htm

In Feb. 2012, another report (conducted by The Headway Project in collaboration with the UCLA Institute for Research on Labor and Employment) reviewed the methodology and results as reported in the earlier LAEDC report. The Headway report made adjustments, based on more recent data, and determined that for every dollar in tax credits issued, $1.04 in state and local tax revenues will be returned - rather than $1.13 as indicated in the LAEDC study. Regardless of which report is referenced, the Program has been determined to generate a positive return on investment. The full Headway/UCLA report is available at: http://www.headwayproject.org/downloads/Headway_Entertainment_Report.pdf.

IX. Statewide Production Trends

The California Film Commission tracks the number of days filmed on location statewide by collecting data from many of our regional film offices (data does not include days filmed on certified sound stages, where permits are not required).

Table #1 reveals a 30% decline in feature filming days in California from 2008 to 2009, and a 16% decline for television filming days between 2008 and 2010. In 2009, the year the incentive program launched, a steady growth begins, reversing the downward trend. Feature filming days captured in this data grew 20% between 2009 and 2012, while television days began to rise after 2010.

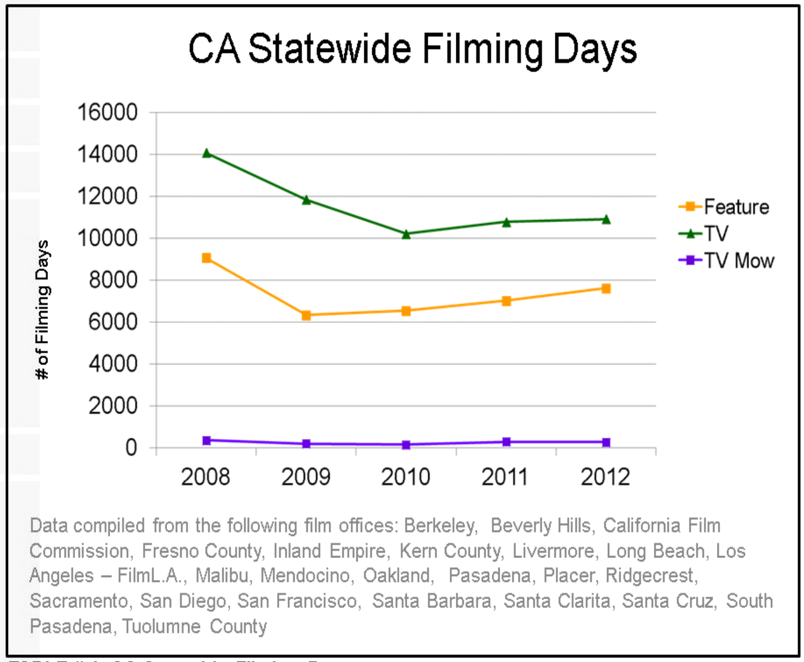


TABLE # 1: CA Statewide Filming Days

Television Drama Production – Recent Trends

The Film and Television Tax Credit Program limits eligibility for TV to those 1-hour series produced for distribution on basic cable. (Network and premium cable series are not eligible for the Program, unless the series is relocating from out of state – see page 14.)

An analysis of 1-hour TV series from 2005 – 2012 reveals a 48% growth in the number of series produced - from a total of 79 shows in 2005 to 117 in 2012. At the same time, California's market share declined from 65% of all 1-hour TV series produced in 2005 to just 34% of all shows produced in 2012 -- resulting in a market share decline of nearly 48%. (Table#2)

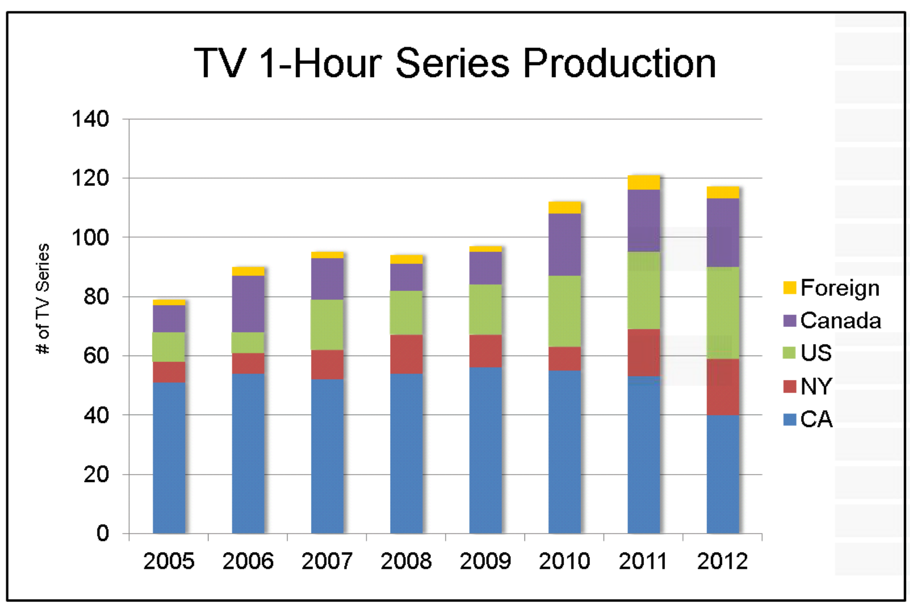


TABLE # 2: TV 1-Hour Series Production

Most of the growth in 1-hour TV production is attributable to a year-after-year increase in basic cable production. The number of series produced in this category grew 277%, from just thirteen 1-hour basic cable series in 2005, to 49 basic cable series produced in 2012. Table #3 illustrates a 17% growth in California's market share of basic cable TV series from 2005 to 2009. However, the market share advantage begins to dip again in 2011 as other states and Canada gain a larger share of basic cable TV growth. New York reported a record number of TV series in 2012, with 23 programs shot locally.

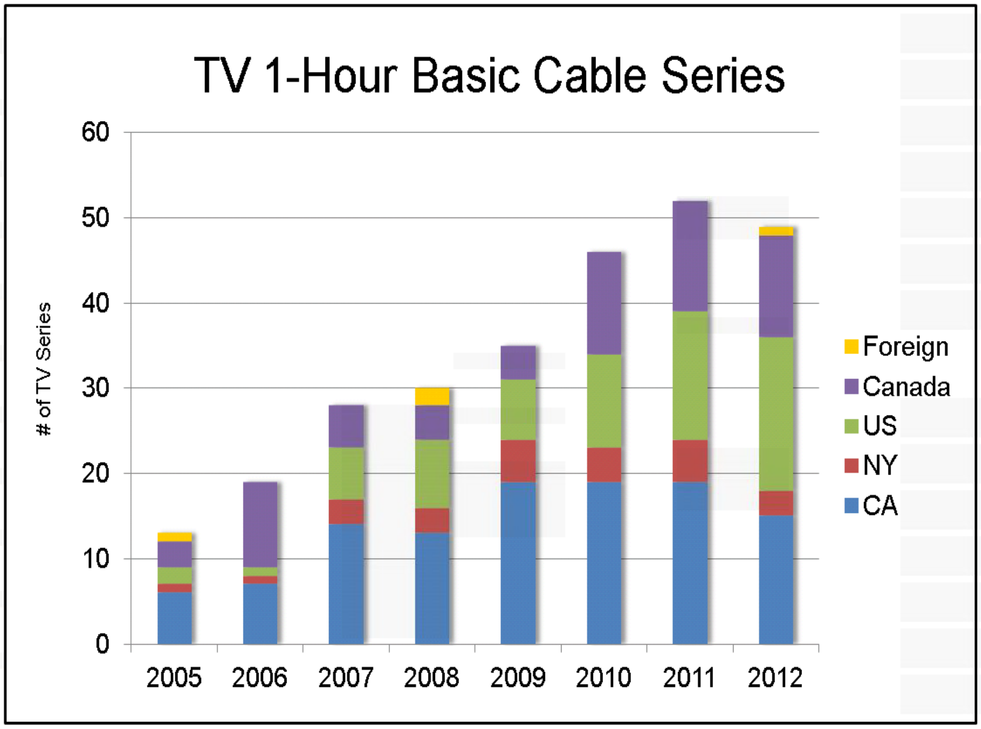


TABLE # 3: TV 1-Hour Basic Cable Series

California's share of network 1-hour TV series, which are not eligible for the Program, experienced a dramatic 58% decline, from 89% of all network 1-hour production in 2005 to just 37% of network production in 2012. Table #4 illustrates corresponding growth in out-of-state network TV production.

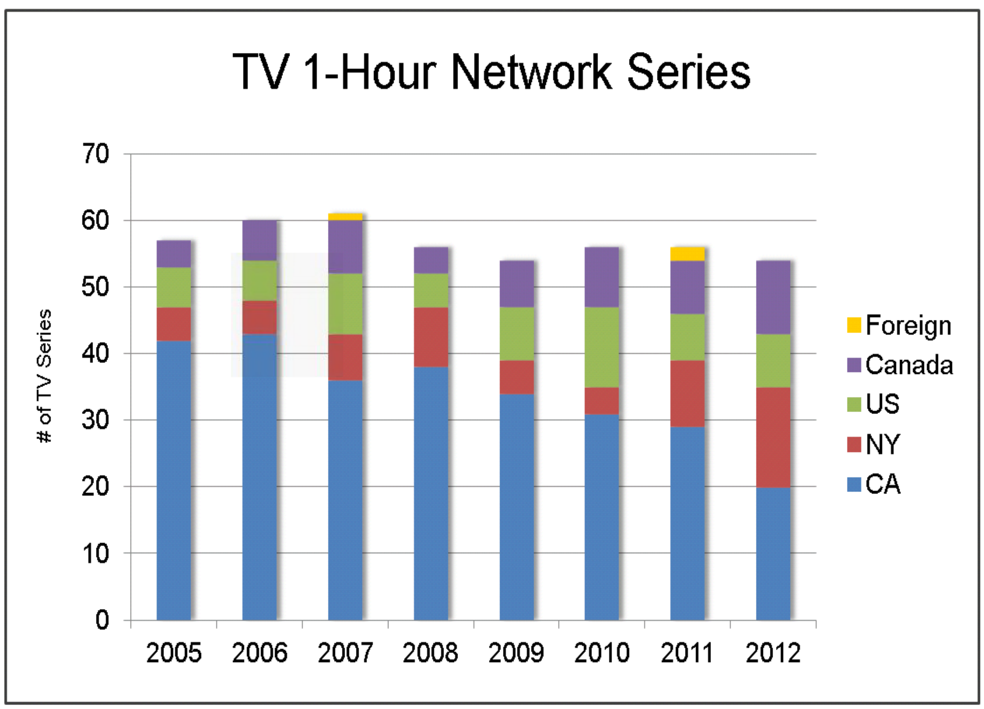


TABLE # 4: TV 1-Hour Network TV Series

Relocating TV Series

California's tax credit Program allows broader eligibility criteria for TV series that wish to move their production to California from out of state. These are classified as "relocating TV series," and include scripted 1-hour and half-hour programs for distribution on network, basic cable or pay cable. Since the launch of the Program in 2009, the following four series have relocated to California: *Important Things with Demetri Martin* (from New York), *Torchwood* (from U.K.), *Body of Proof* (from Rhode Island) and *Teen Wolf* (from Georgia).

Each year, the CFC receives applications from many TV shows hoping to relocate. Since the Program launched, only those that have received credits have moved to California. For example, only one out of the six TV series that applied to relocate last fiscal year received a tax credit. That series was *Teen Wolf,* which produced 24 episodes for the season and generated nearly $60 million in direct production spending in California. The series will film another season in California this year.

X. Economic Impact to Local Regions

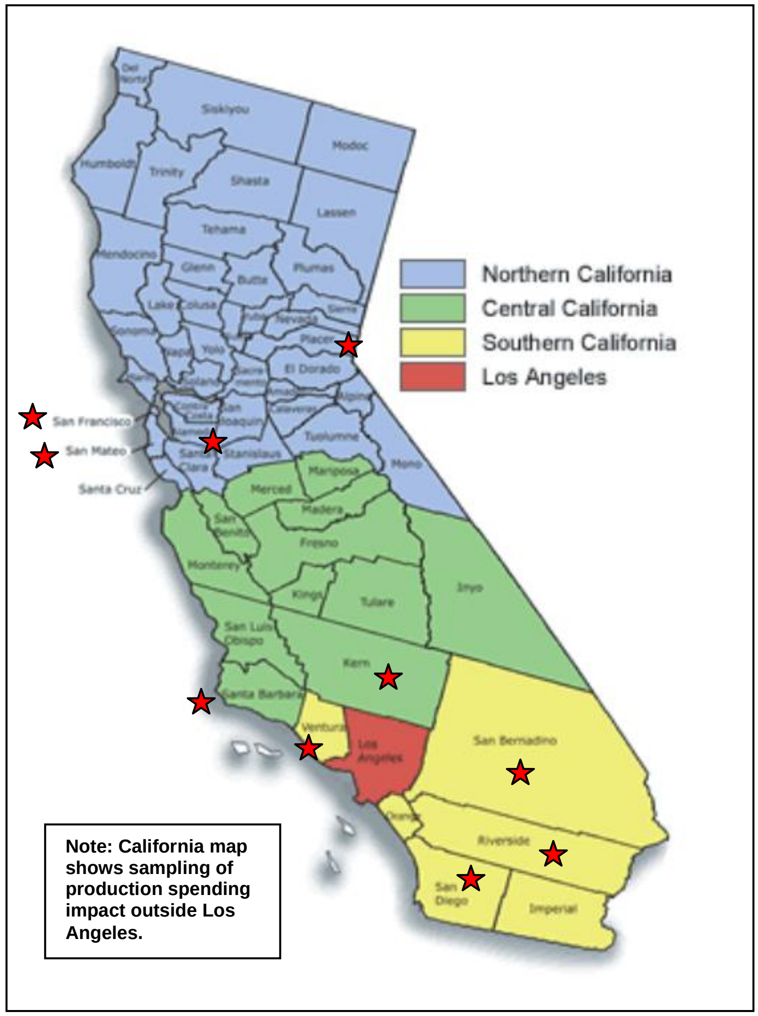
While most production activity occurs in the greater Los Angeles area, other regions across the state have seen significant economic impact from tax credit Program productions. A sampling of production spending impact outside Los Angeles includes:

- **Alameda County**: In 2010 and in 2011, a feature film and an Emmy Award winning TV movie, *Hemingway & Gellhorn,* shot for several days in Alameda County. These productions were responsible for a total of $4,446,000 in local spending (including $2,276,000 in local wages, $203,000 at local hotels and $240,000 for food/catering).

- **Kern County**: In 2009 and 2010, two feature films shot for several days in Kern County. These productions were responsible for a total of $243,000 in local spending (including $68,000 in local wages, $111,800 at local hotels and $9,800 for food/catering).

- **Placer County**: In 2010, a feature film shot for several days in Placer County. This production was responsible for a total of $79,000 in local spending (including $5,700 in local wages, $20,000 at local hotels and $3,400 for food/catering).

- **Riverside County**: In 2011, a feature film shot for two weeks in Riverside County resulting in $251,000 in local spending (including $16,000 in local wages, $59,000 at local hotels, $41,000 for food purchases.)



- **Santa Barbara County**: In 2011, two feature films shot in Santa Barbara and were responsible for more than $410,000 in local spending (including $57,000 in local wages, $68,000 at local hotels and $71,000 in location fees).

- **San Bernardino County**: In 2010 and 2012, two feature films shot for several days in San Bernardino, including *Argo,* the Academy Award Winner for Best Picture. These productions were responsible for $902,000 in local spending (including $87,000 in local wages, $349,000 at local hotels and $30,000 for food/catering).

- **San Diego County**: In 2009-2010, a television series based its production in San Diego County, and a feature film shot for several days in 2013. These productions contributed more than $17 million in local spending during the course of their shoots (including $10,508,000 in local wages, $586,000 at local hotels and $389,000 for food/catering).

- **San Francisco**: In 2011, the Bay Area hosted a TV movie that filmed for 47 days, an independent feature that filmed for 22 days and portions of a TV series. Together, these productions were responsible for more than $18.4 million in local spending (including $8,800,000 in local wages and $294,000 for food/catering).

- **San Mateo County**: In 2011, the feature film *Chasing Mavericks* shot for 35 days in San Mateo County, resulting in $1.5 million in local spending (including $495,000 in local wages, $160,000 at local hotels and $79,000 for food purchases.)

- **Ventura County**: In 2010 and 2011, several feature films shot extensively in Ventura County including *We Bought a Zoo* and *Water for Elephants*. These productions were responsible for a total of $6,438,000 in local spending (including $2,840,000 in local wages, $153,000 at local hotels, $142,000 for food/catering and $1,036,000 for location fees).

XI. Recent Legislation

SB X3 15 (Calderon) / ABX3 15 (Krekorian) was enacted in 2009 to create the California Film and Television Tax Credit Program, which provided a five-year, $500 million tax credit to be administered by the California Film Commission.

AB1069 (Fuentes) was enacted in Oct. 2011 to provide a one-year extension to the California Film & Television Tax Credit Program through FY 2014-15. The original bill sought a five-year extension, but was reduced to one-year in the Senate.

AB2026 (Fuentes) was enacted in Sept., 2012 to provide a two-year extension to the California Film & Television Tax Credit Program through FY 2016-17. The bill sought a five-year extension, but was reduced to a two-year bill in the Senate.

SB1197 (Calderon), identical to AB2026, was enacted in Sept., 2012 to provide a two-year extension to the California Film & Television Tax Credit Program through FY 2016-17. The bill sought a five-year extension, but was reduced to a two-year bill in the Senate.

XII. Global Competition for California's Motion Picture Production

Today's business model for motion picture production continues to rely on tax incentives as a means to lower production costs. Financing for projects by independent production companies now requires the monetization of tax credits in order to raise necessary funds. Without incentives, most independent projects would not be produced. Therefore, the availability of tax credits has become the determining factor when it comes to where the vast majority of projects are filmed. In addition to international competition from Canada, Australia, the U.K. and most EU nations, more than 40 U.S. states offer financial incentives to lure production and post-production jobs and spending away from California.

<u>Threat to Infrastructure</u>
Once such incentives take root in other states and countries, those locales effectively develop their long-term infrastructure with stage construction, post-production facilities and job training programs. For example, incentive-rich jurisdictions such as New Mexico, Louisiana, Philadelphia, Michigan, Toronto and Hungary have all built impressive multi-studio facilities over just the past few years. Pinewood Studios, one of the most successful movie production companies in the world, is building a multi-studio facility in Georgia, and is ramping up its education and training programs.

While production companies routinely relocate their relatively small creative teams (producers, actors, directors, writers) to another state for the duration of a film shoot, very few production crew members (drivers, camera technicians, carpenters, make-up artists) from California are hired. The few that work on-location out of state pay income tax in the work state. Furthermore, skilled California crew members end up training the local workforce so that fewer California workers are needed on subsequent film shoots. This process has helped create a pool of skilled local crews across the country and around the world.

As a consequence, California is losing market share of film and television production spending. Each year, competing states that offer incentives achieve dramatic growth in production spending – siphoning money that would have historically been spent in California. Louisiana announced that production spending there topped $700 million in 2012 -- a nearly *800 percent* increase since the state introduced its incentive in 2003. Georgia has seen a 600 percent increase in production spending since its program began in 2005, with $880 million in production spending reported in 2012. Georgia Public Broadcasting reported in 2013 that the state's film industry created $3.1 billion in economic activity during 2012, which led to an estimated 5,000 directly-related jobs.

<u>Employment Trends</u>
In September 2012, the *Los Angeles Times* reported on data provided by Entertainment Partners, the market leader for entertainment production payroll processing.

> *"California lost $3 billion in wages from 2004 to 2011 because of film and TV production flocking to other states and countries, a new study concludes.*
>
> *Burbank-based Entertainment Partners, the industry's largest payroll service company, …. says its own research has found that California lost 90,000 jobs and saw its share of overall production wages in the U.S. decline 10% during the period as film producers took their business elsewhere."*
> Los Angeles Times, Sept. 18, 2012
> http://articles.latimes.com/2012/sep/18/entertainment/la-et-ct-onlocation-20120918

The report also revealed a loss of market share in California entertainment industry wages. California's share of total production wages in the U.S. fell nearly 10% from 68% in 2004 to 59% in 2011. During the same period, the overall share of production wages in other U.S. states rose from 32% to 41%. When factoring in non-U.S. production wages, the decline is even greater.

The research showed that about half the lost wages went to New York, Louisiana, New Mexico, and other U.S. states that offer film tax credits and rebates -- states that added 45,000 production jobs during the same period. The other half of the lost $3 billion went to Canada, Britain and other foreign countries.

Entertainment Partners' research, as reported by the *Los Angeles Times*, found that the California tax credit has helped slow the job losses since it took effect in 2009.

Another report released in July 2010 by the Milken Institute (*Film Flight: Lost Production and Its Economic Impact on California)* stated, "There's no doubt that incentives have been drawing jobs and wages away from California.'' The report estimates that California's movie industry lost 10,600 direct jobs and 25,500 indirect jobs since its peak employment level in 1997.

<u>Erosion of Large-Scale Feature Film Production</u>

Perhaps the segment of entertainment production that has had the most damaging affect on California's infrastructure is the area of big-budget feature films. Big-budget productions employ thousands of workers and utilize thousands more support businesses on each project. They typically require the use of several very large sound stages for building complex sets.

In recent years, *Ironman 3* (North Carolina) , *The Amazing Spiderman 2* (New York), *Godzilla* (Vancouver, Canada), *The Lone Ranger* (New Mexico, Utah), *Wolverine* (Australia), *Oz: The Great and Powerful* (Michigan), *The Great Gatsby* (Australia), *Snow White and the Huntsman* (United Kingdom), *G.I. Joe: Retaliation* (Louisiana), *Dawn of the Planet of the Apes* (Louisiana), *Godzilla* (set in San Francisco but filmed in Vancouver, Canada) and the new *Star Wars* franchise (United Kingdom) are a few examples of films that have left California to access incentives. Collectively, these large-scale film projects employ tens of thousands of well-paid workers and represent several billion dollars in direct spending.

<u>Tourism, The Other Hollywood</u>

Tourists worldwide have traditionally flocked to California to see the iconic images of "Hollywood" that they have seen in films and television programs. One example, *Sideways*, which filmed in San Luis Obispo and Santa Barbara counties in 2004, helped create a wave of tourism that still lingers. According to a 2009 *Los Angeles Times* article:

> "*In the wine country north of Santa Barbara, the global economic crisis has drained wine sales, sapped tourist spending and siphoned away hotel profits. But five years after the Santa Ynez Valley was featured in an Oscar-winning film, the region is still feeling the upside of "Sideways."*
> http://articles.latimes.com/2009/sep/03/business/fi-sideways3

However, with the increasing amount of production flowing to other locales, more and more states are seeing an uptick in tourism as a result. Georgia Public Broadcasting reported:

> *"While the direct economic impact of production is easily measured, a side benefit has been tourism….. Fans have begun planning vacations around visits to film locations. Much of that has centered on the town of Senoia, where AMC's "<u>The Walking Dead</u>" is filmed, with plans to promote Georgia locations in connection with the coming release of the "Hunger Games" sequel. The state also has launched a website that lists movie tours and travel tips, pitching an opportunity to "walk in the footsteps of your favorite actors and musicians."*
> http://www.gpb.org/blogs/georgia-works/2013/04/29/5-000-georgia-film-jobs-only-the-beginning

XIII. California's Motion Picture Industry

Facts about California's Motion Picture Industry:

- The motion picture industry is an essential source of economic activity, tax revenue, jobs and tourism in California. It contributes $30 billion annually to our state's economy while supporting 160,000 well-paying entertainment industry jobs that provide health benefits. (Source: Employment Development Department and Motion Picture Association of America – MPAA)

- The average shooting cost for a feature film or TV series ranges from $100,000 to $300,000 <u>per day</u>. That's actual dollars that each production spends on wages, groceries, hotel rooms, gas, building supplies, props, payroll, etc.

- A typical film shooting outside of Los Angeles County will spend an average of $50,000 per day in the local community. (Source: Association of Film Commissions International - AFCI)

- The average annual salary for production employees is $75,000 -- well above the national average. (Source: MPAA)

- This industry is dominated by small businesses – 80% of entertainment companies employ fewer than 10 people. (Source: MPAA)

- An average $70 million feature film generates $10.6 million in state sales and income taxes. (Source: Los Angeles Economic Development Corp. - LAEDC)

- The motion picture industry is the fifth highest ranking employer in Southern California. (Source: Los Angeles Economic Development Corp. - LAEDC)

XIV. Conclusions

While our modest tax credit program has had an ameliorative effect in retaining some production spending, California continues to experience a pronounced erosion of this signature industry. California still boasts a superior critical mass of state-of-the-art facilities, highly-skilled film crews, and the best talent, but this infrastructure is at risk. Entertainment industry unions report high levels of unemployment among their members in the Golden State. Many businesses in California that support production have closed or been forced to lay off employees, while others have expanded their businesses out of state rather than investing at home. Many film industry workers and service providers report devastating income losses due to the large number of feature films and TV series relocating to other jurisdictions.

It is clear that demand for California tax credits far exceeds supply. Without adequate funding for the tax credit Program, California will continue to lose direct spending and tax revenues from film and TV productions that choose to film elsewhere. The situation is especially dire for TV series production, given that producers are unlikely to film their first season in California without a reasonable assurance that tax credits will be available for future seasons.

The California Film and Television Tax Credit Program was designed to target those productions most at risk of leaving the state, while working within the annual funding limits. The program has succeeded in attracting this target group: basic cable TV series, mid-sized feature films and made-for-TV movies. However (as noted in Tables 2, 3, 4 above), California continues to lose market share due to the limitations of the Program. In order to retain and grow California's signature entertainment industry, the state must be competitive. Otherwise, productions will increasingly choose other states and countries.

Once the epicenter for entertainment production, California can no longer assume this leadership position. Maintaining California's worldwide leadership role as the 'entertainment capitol of the world' is vital to the state's economy.

XV. About the California Film Commission

The CFC was created in 1984 to enhance California's position as the premier location for motion picture production. The CFC supports the state's film, TV and commercial industry by providing necessary services and encouraging productions to film within the state. The CFC serves as the state's primary liaison between the film production community and all levels of government (including local, state and federal jurisdictions) to eliminate barriers to filming in the state.

The CFC supports the film, TV and commercial production industry by offering support services such as location and troubleshooting assistance, Film and TV tax credits for eligible productions, a one-stop permitting authority for the use of state-owned property for film shoots, an extensive digital location library and a range of other production-related resources and assistance.

The main goal of the CFC is to encourage a business-friendly environment across the state for productions of all sizes, and to enhance the economic climate in California by increasing the number of film and TV productions and keeping crucial film industry jobs in the state.

The CFC works in conjunction with more than 50 local in-state film offices or commissions on film-related issues and specific filming requests from the industry. The partnership between the CFC and local "Regional Film Partners" is an integral part of the CFC's ongoing effort to enhance California's position as the premiere location for film, television, and commercial production.