Motion Picture Production in California

By Martha Jones, Ph.D.

Requested by Assembly Member Dario Frommer,
Chair of the Select Committee on the
Future of California's Film Industry

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Note from the Author

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Internet Access

This paper is also available through the Internet at the California State Library's home page (www.library.ca.gov) under CRB Reports.

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EXECUTIVE SUMMARY

The motion picture industry is part of California's mystique. It is also an important part of the state's economy. If we use standard aggregate numbers, motion picture production is our 18th largest industry by share of gross state product. Of those core industries that drive California's economy by exporting goods outside the state, motion pictures are the tenth largest, and the fourth most rapidly growing. It is a high-wage sector, with average salaries 70 percent higher than salaries in other businesses statewide.

Although there is no doubt that motion picture production is of major economic importance in California, attempts to quantify that importance are troubled by remarkable variation and statistical softness. For example, the Motion Picture Association of America estimates that the entertainment industry generated $27.5 billion in California in 1996, compared with a U.S. Bureau of Economic Analysis estimate of $13.1 billion. Estimates of the number of people employed in motion picture production in California in 1996 vary from 127,000 to 480,000.

There are a number of reasons for this astounding imprecision. The most important arise from differences of opinion about whom to count. Clearly the director, producer and leading actors are counted as employed by the motion picture industry; they are called "above-the-line" employees. But much of the work of making a film is done by "below-the-line" employees, such as people who work for contractors who build sets, produce costumes, or maybe do legal work. These people are more likely to be counted as carpenters, garment workers, and lawyers than as motion picture employees. There are also differences of opinion about where the edges of the film industry are, and which firms are in or out. There are no consensus definitions or standard practices for counting beans for this industry. One result is that many studies about the economic importance of the film industry, or, more importantly, about how it is faring over time, show widely different results and perhaps have less credibility.

The film industry is changing, including:

- Demand for movies, television programs, commercials, home video, cable, and other film products is skyrocketing in the United States and around the world.
- While the "majors," studios producing big-budget films, have become part of international conglomerates, a second tier of small, independent production companies has apparently grown rapidly (apparently because three credible industry sources counted 709, or 1,177, or 3,500 motion picture production firms in Southern California in 1999).
- Contrary to the popular image of movie production by large studios, most production firms are small in terms of the number of employees. The industry has shifted from mass production to a project-by-project format in which much of the work is done by freelance workers and subcontractors.
- Production technology is shifting from traditional film to digital media.

- U.S.-developed film production is becoming geographically dispersed, with considerable activity in several other states, in the Canadian provinces of British Columbia, Quebec, and Ontario, and in other English-speaking countries.

It is natural to wonder if these changes will result in California's movie industry growing and prospering, or if they present a threat, one that perhaps appropriate state actions could reduce. The most troubling change at the moment appears to be geographic dispersal, known as "runaway production." Runaway production refers to films that were conceptually developed in the United States, but filmed somewhere else. If the conversation is at the federal level, runaway production goes to other countries. If at the state level, production that goes to other states is runaway.

Considerable evidence is at least consistent with the notion that California is losing film production to other places. Industry data for films and television programs, however, are plagued with a whole set of problems of their own. Data collection methods vary, resulting in different estimates. Feature film production often takes place in multiple locations, so keeping track of productions accurately is a challenge. Moreover, the ups and downs of the industry mean the numbers vary considerably from year to year, making it difficult to infer long-term trends. Evidence of runaway production from California includes:

- Eighty-two percent of U.S. film starts were in California in 1996, a recent record. Only 55 percent of U.S. film starts were in California in 1999, the same share as in 1988.
- From 1998 to 1999, film starts in Canada increased from 59 to 93, a gain of 34. In the United Kingdom the increase was from 15 to 63, a gain of 48. Film starts in California decreased from 510 to 440, a reduction of 70. These numbers look even worse if we go back to 1997, when California had 637 film starts.
- There is the notion that relocation of production to Canada has particularly affected movies made for television, called Movies-of-the-Week (MOWs). But the available numbers lead to significantly different views of this phenomenon. A Los Angeles Film Office study of MOWs found that Canadian production was already dominant in 1997 (45 percent of all MOWs), and that it maintained that share in 1999. California's produced 20 percent of MOWs in 1997, increasing slightly to 21 percent in 1999 (and to 24 percent in 1998, a high production year). The share of MOWs produced in other states dropped from 26 percent to 15 percent, with production going to other foreign countries. So while it may be regrettable that Canada's 45 percent share of MOWs is not filmed here, California is holding its own.
- A different source, the Katz report, which uses a broader definition of MOWs, found a more ominous trend. It shows California MOWs production declining slightly from 39 in 1998 to 36 in 1999, while Canadian production increased from 122 to 154. It also found that Canada had almost caught up with California in the number of filming weeks for large-budget feature films.
- A third source, the Monitor report, takes a longer-term, national view. It found that the foreign share of production of films and television programming

combined increased from 29 percent of all starts in 1990 to 37 percent in 1998. The foreign share increase was most pronounced in television program production. The study also showed that the overall volume of production had increased so much that the numbers (as opposed to the percentage) of both films and television programs increased in the United States despite its declining share.

What we call runaway film production appears to occur for a number of fairly compelling reasons, including:

- Technological changes, especially digitization, make it easier to produce films in far-flung locations. Time Warner President Richard Parsons says, "digitization... will... completely eviscerate the concept of distance as a limiting factor in defining your marketplace."[1]
- The market for films and related entertainment has become global.
- Canada and other states have built sound stages and other film infrastructure, and they have people experienced in various aspects of film production. So filmmakers who go there are not pioneering.
- Costs are higher in California than in other states or other countries.
- A strong dollar makes production in other countries even cheaper.
- Other states and countries offer tax and other incentives. Several states rebate all or part of the sales tax on purchases associated with movie making. Some rebate hotel taxes for film crews. Many states allow free use of public places for filming. Many help film companies find filming locations. Some, such as Oklahoma, offer a rebate of up to 15 percent of filming costs incurring in the state. The Canadian national government and various provinces offer combinations of such incentives.

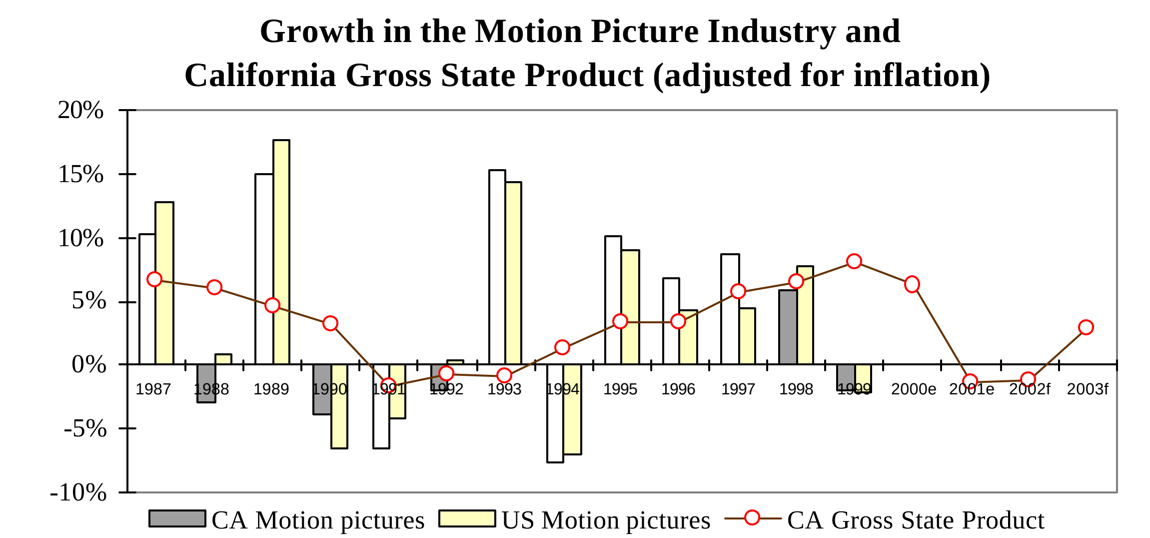
I. OVERVIEW OF THE CALIFORNIA MOTION PICTURE INDUSTRY

SIZE AND GROWTH OF THE CALIFORNIA MOTION PICTURE INDUSTRY

The Motion Picture Industry Measured by the Value of Output During the 1990s

Economic activity in the motion picture industry is volatile and sensitive to the business cycle. Following a period of negative growth during the recession in the early 1990s, economic activity in motion pictures picked up significantly and contributed to California's emergence from the recession. Output growth, even when adjusted for inflation, was high in the motion picture industry between 1995 and 1998. In 1999, however, motion picture growth declined by two percent. Although the data are not yet available, further declines in motion picture growth are expected in 2000 and 2001 as the economy has slowed down. In most years, motion picture growth in California is about the same magnitude as motion picture growth in the nation. Compared with growth in gross state product, motion pictures generally follow the same pattern but are more volatile and have wider swings.

Chart 1



Source: U.S. Bureau of Economic Analysis, California Dept. of Finance, UCLA Anderson Forecast, (2002f, 2003f), California Research Bureau, 'e' indicates estimate; 'f' indicates forecast.

How large is the California motion picture industry in relation to the California economy and to the national motion picture industry? Table 1 shows that from 1995 to 1999, the California motion picture industry fluctuated between a 1.2 percent share of gross state product and a 1.4 percent share of the state economy. The California motion picture industry represented slightly over 50 percent of total U.S. motion picture industry output.

Table 1

SIZE OF THE CALIFORNIA MOTION PICTURE INDUSTRY (Billions of Dollars)	1995	1996	1997	1998	1999
CA Gross State Product (GSP)	$926	$973	$1,045	$1,126	$1,229
CA Motion Pictures	$12	$13	$15	$16	$16
CA Motion Pictures as a % of GSP	1.2%	1.3%	1.4%	1.4%	1.3%
U.S. Motion Pictures	$22	$25	$26	$29	$30
CA as % of U.S. Motion Pictures	52%	53%	55%	54%	54%

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, http://www.bea.doc.gov/, California Dept. of Finance, California Research Bureau.

How does the value of output in the motion picture industry compare to output in other large California industries? In Table 2, industries are sorted by the value of their output in 1999.[2] The motion picture industry is only slightly smaller than the insurance carrier industry and legal services. After adjusting for inflation, the motion picture industry grew 30 percent between 1990 and 1999, slightly higher than the 28 percent growth rate attained by the state economy.

Table 2

Size of Important California Industries
CALIFORNIA GROSS STATE PRODUCT, 1999

	Sort by 1999 GSP Billions of Dollars	1999	Real growth From 1990 to 1999
	Total Gross State Product	**$1,229**	**28%**
1	Real estate	190	17%
2	Retail trade	113	41%
3	State and local government	100	11%
4	Business services	86	91%
5	Wholesale trade	83	66%
6	Health services	55	-5%
7	Construction	47	-2%
8	Other services	42	14%
9	Communication	38	99%
10	Electronic equipment	37	336%
11	Industrial machinery	31	233%
12	Depository institutions	27	-35%
13	Federal civilian	21	-11%
14	Electric, gas, & sanitary	19	-6%
15	Legal services	18	-6%
16	Instruments and related products	17	-9%
17	Insurance carriers	17	8%
18	Motion pictures	16	30%
19	Security brokers	16	437%
20	Food & kindred products	15	-6%
21	Amusement and recreation	13	25%

Sources: California Dept. of Finance, U.S. Bureau of Economic Analysis, California Research Bureau.

The Motion Picture Industry Measured by Employment

In 2001, the motion picture industry in California accounted for 185,000 jobs, up from 122,000 jobs in 1992. Motion pictures had roughly the same number of jobs in 2001 as food and kindred products. The motion picture industry enjoyed rapid job growth in the 1990s. While total non-farm employment grew 21 percent from 1992 to 2001, motion picture growth of 52 percent was surpassed only by business services (which includes computer services) at 81 percent and special trade at 78 percent.

Table 3

California's Largest Employers

Rank	Title	1992 (Thousands)	**2001 (Thousands)**	Percent Growth
	Total Non-Farm	12,154	**14,697**	21%
1	Local Government	1,366	**1,666**	22%
2	Business Services	724	**1,309**	81%
3	Eating & Drinking Places	775	**954**	23%
4	Health Services	822	**950**	16%
5	Special Trade	298	**528**	78%
6	Engineering & Management	390	**504**	29%
7	Wholesale--Durable	412	**487**	18%
8	State Government	384	**461**	20%
9	Miscellaneous Retail Trade	277	**338**	22%
10	Food Stores	305	**329**	8%
11	Wholesale—Non-durable	301	**324**	8%
12	Social Services	204	**310**	52%
13	Electronic Equipment	222	**269**	22%
14	Federal Government	346	**255**	-26%
15	General Merchandise	240	**250**	4%
16	Automotive Dealers & Service	202	**245**	21%
17	Private Educational Services	172	**228**	33%
18	Industrial Machinery	199	**221**	11%
19	Amusement & Recreation Services	161	**220**	37%
20	Real Estate	191	**210**	10%
21	Communications	152	**201**	33%
22	Depository Institutions	252	**201**	-20%
23	Hotels & Other Lodging Places	181	**199**	10%
24	Food & Kindred Products	183	**187**	3%
25	Motion Picture Industry	122	**185**	52%
26	Instruments & Related Products	199	**182**	-9%
27	Trucking & Warehousing	150	**178**	19%
28	Auto Repair & Parking	128	**175**	37%
29	Membership Organization	142	**172**	21%
30	General Building Contractors	117	**170**	46%

Source: CA Employment Development Dept., http://www.edu.ca.gov, EDD 83-00 CA cal$haw.xls. The industries in this table use 1992 SIC codes at the 2-digit level, 2001 Benchmark.

California's Leading Export Industries Ranked by Employment

Another way to look at the motion picture industry is to examine its role in exporting products outside the state. The Center for Continuing Study of the California Economy (CCSCE)[3] does an annual study of basic industries (goods and services) that sell primarily to markets outside California. Employment in these industries in 2000 represented about 25 percent of all employment in California.

Table 4a

Employment in Basic Industries That Sell Primarily Outside California

	1990 Jobs (Thousands)	2000 Jobs (Thousands)	Change Since 1990	Percent Growth
Tourism & Entertainment	**433**	**563**	**130**	**30%**
Hotels	192	199	7	4%
Motion Picture Production	**89**	**154***	**65**	**72%**
Amusements	152	210	58	38%
High Tech Manufacturing	**391**	**430**	**39**	**10%**
Computers	101	95	-6	-6%
Communication Equipment	31	42	12	38%
Electronic Components	139	163	24	17%
High Tech Instruments	121	130	9	8%
Diversified Manufacturing	**918**	**996**	**79**	**9%**
Textiles	16	27	11	69%
Apparel	133	144	12	9%
Furniture	55	61	6	11%
Drugs	23	40	17	73%
Misc. Manufacturing	36	49	13	37%
Plastics and Rubber Products	77	74	-2	-3%
Metal Products	155	155	1	0%
Special Industry Machinery	11	20	9	83%
Other Non-High Tech Machinery	185	177	-8	-4%
Aircraft/Space/Defense	**482**	**218**	**-264**	**-55%**
Aircraft/Space/Defense	162	75	-87	-54%
Shipbuilding	13	11	-2	-13%
Missiles/Space	76	22	-54	-71%
Search & Navigation Equipment	99	49	-51	-51%
Federal Civilian Defense	131	61	-70	-54%
Resource Based	**474**	**487**	**13**	**3%**
Agriculture	364	408	44	12%
Pressed Fruits & Vegetables	53	41	-12	-23%
Transportation-Wholesale Trade	**617**	**682**	**66**	**11%**
Air Transportation	120	142	22	18%
Wholesale Trade - Durables	459	499	41	9%
Professional Services	**635**	**963**	**328**	**52%**
Computer Services	113	371	258	228%
Legal Services	130	124	-6	-5%
Engineering and Management	393	469	76	19%
Total Export Industries	**3,979**	**4,370**	**390**	**10%**
Total Jobs	**14,193**	**16,303**	**2,110**	**15%**

Source: California Employment Development Dept., Center for the Continuing Study of the California Economy. 2000 estimates are for ten months only. *The current EDD 2000 production estimate is 149,000.

One of the export industries is motion picture production (film production, distribution, and exhibition make up the industry). Employment in motion picture production increased by 72 percent from 89,000 jobs in 1990 to 154,000 jobs in 2000, representing about one percent of the 16.3 million jobs in the state. The 72 percent employment growth was about the same as growth in textiles and in drugs. Only two industries grew faster: special industry machinery (83 percent) and computer services (228 percent). In terms of the number of jobs in 2000, motion picture production ranked tenth at 154,000 jobs, about the same as metal products (Table 4b).

Over a longer time horizon, an important shift in employment has taken place as the aircraft industry has declined and the motion picture industry has grown. In 1972, the California aircraft industry accounted for three times as many jobs as motion picture production. In 2000, California had 80,000 more jobs in motion picture production than in aircraft. Salaries were higher in motion picture production, averaging $67,000 compared to $58,000 in aircraft.[4]

Table 4b

Employment in Basic Industries That Sell Primarily Outside California
Industries With More Than 100,000 Jobs
Sorted by 2000 Jobs

		1990 Jobs (Thousands)	**2000 Jobs** (Thousands)	Change Since 1990	Percent Growth
1	Wholesale Trade – Durables	459	**499**	41	9%
2	Engineering & Management Services	393	**469**	76	19%
3	Agriculture	364	**408**	44	12%
4	Computer Services	113	**371**	258	228%
5	Amusements	152	**210**	58	38%
6	Hotels	192	**199**	7	4%
7	Other Non-High-Tech Machinery	185	**177**	-8	-4%
8	Electronic Components	139	**163**	24	17%
9	Metal Products	155	**155**	1	0%
10	**Motion Picture Production**	**89**	***154**	**65**	**72%**
11	Apparel	133	**144**	12	9%
12	Air Transportation	120	**142**	22	18%
13	High-Tech Instruments	121	**130**	9	8%
14	Legal Services	130	**124**	-6	-5%

Source: California Employment Development Dept., Center for the Continuing Study of the California Economy. 2000 estimates are for ten months only. *The current EDD 2000 production estimate is 149,000.

The MPAA Report, Economic Impact of the Entertainment Industry on California

The size of motion picture production is usually measured using official estimates for direct production and employment. However, since the film industry affects jobs and output in many industries, a broader analysis of the economic impact of films can be done. The broader analysis includes the indirect economic impacts of motion picture production on other industries as well as the direct effects measured in official statistics. One such analysis is the 1998 Motion Picture Association of America (MPAA) report called "State of the Industry: The Economic Impact of the Entertainment Industry on California." The report also measures the size of the industry by looking at the number of California-based films, television programs, and commercials.

According to the MPAA report, entertainment production exploded in California from 1992-1996 by almost all measures for two main reasons:

(1) The demand for movies, television programs, commercials, home video, and similar products skyrocketed as multiplex theaters grew dramatically, cable-television-channel capacity generated new program services, and VCR penetration was peaking; and

(2) California retained new film production activity despite concerns that it would relocate to other states or countries.[5]

In addition, the State of California took steps to change what many perceived as an unfriendly approach to business in general and to the entertainment industry in particular. For example, permit delay and location access problems were addressed.

The MPAA report chronicles large increases in the numbers of California-based films, television programming, and commercials. Between 1992 and 1996, the number of California-based films rose from 319 to 572 while out-of-state production, despite aggressive relocation incentives, fell from 157 to 131.[6] In 1996, California accounted for 80 percent of U.S. television programming and 81 percent of U.S. motion-picture starts, up from only 67 percent in 1992. The production of commercials also flourished in California, generating an estimated $2.3 billion of payroll, vendor expenditures, and other economic activity in 1996, up from just $1.5 billion in 1992. About 70 percent of total U.S. expenditures on commercials were spent in California in 1997.[7]

The MPAA report estimates that the entertainment industry generated $27.5 billion in economic activity in California in 1996, more than double the U.S. Bureau of Economic Analysis motion picture output estimate of $13.1 billion in 1996 (Table 1). Almost all of this economic activity took place in Los Angeles County, with $14.2 billion in the City of Los Angeles alone. The methodology used for the MPAA economic impact estimate is discussed in Appendix D, Method 1.

The $27.5 billion in economic activity generated $895 million in personal income and sales taxes ($468 million due to personal income taxes paid by industry workers and $427 million due to sales taxes paid on vendor purchases). The loss of even one percent of entertainment production would have amounted to a loss of almost $9 million in tax revenue to the state and local governments. In the California labor market, entertainment production generated 226,000 jobs directly and at least 233,000 to 253,100 jobs indirectly, bringing the industry's total employment to well over 450,000.

The MPAA report found that between 1992 and 1996:

- The $27.5 billion economic impact from entertainment production in 1996 was an increase of 69 percent over the 1992 estimate of $16.3 billion. The $27.5 billion was divided between $12 billion in payroll and $15.5 billion in purchases of goods and services used in entertainment production.
- Direct production employment increased 38 percent, from 164,000 to 226,000. By contrast, California's total non-farm employment grew five percent.
- Entertainment production payrolls climbed 62 percent, from $7.4 billion to $12 billion, and grew almost three times faster than California's total payroll.
- Average entertainment salaries grew to $53,000, nearly 70 percent higher than average salaries statewide ($31,773) and over 80 percent higher than salaries nationwide. Average salaries rose by 18 percent over 1992, compared with just ten percent growth statewide.
- In 1996, 91 percent of movie production firms employed ten or fewer employees, compared with 85 percent in 1992. Contrary to the popular image of movie production by large studios, most motion picture/video production firms are small, and getting smaller, in terms of the number of employees.

The Number of Firms and Structure of the Motion Picture Industry

Hollywood's major studios dominate the film industry. The major studios have an important and long-standing presence in production and distribution, own substantial film library assets, and usually operate studio production facilities. Most of the Hollywood majors constitute operating units within even larger multinational media and entertainment conglomerates. Fox, Columbia Tri-Star, and Vivendi are part of foreign corporations. As of the late 1990s, there were six major theatrical-film studios: The Walt Disney Company, Sony Pictures, Paramount, Twentieth Century Fox, Warner Bros., and Universal. Major studios of smaller size are Metro-Goldwyn-Mayer, Inc. and the so-called mini-majors such as New Line Cinema and DreamWorks.

In recent years, the majors have relied more and more on smaller subsidiaries and independent production companies to spread risks, diversify market offerings and explore emerging market opportunities. Since 1980, the number of films released annually by the majors has remained constant at about 100 films per year, while the number of films released by their subsidiaries has increased dramatically.[8]

The second tier of production companies consists of independent producers. Counting the number of motion picture production firms is difficult. According to County Business Patterns data, there were a total of 3,500 establishments in motion picture and video production in the five counties of Southern California in 1999 and the median size of these establishments was just two employees.[9] Other sources of information, the Hollywood Reporter's Blu-Book and Ifilm's Producers, identify 709 and 1,177 film production companies in Southern California.[10]

For Los Angeles County, County Business Patterns data show trends in employment and firm size.[11] Production employed is reported in two subcategories: production alone and services allied to production.

(1) Motion picture and video production in Los Angeles County

- From 1980 to 1999, *employment declined* from 39,318 to 29,262; by contrast, the number of establishments increased from 983 to 3,237. This resulted in a *significant downsizing of the number* of *persons per establishment*, from 40 in 1980 to nine in 1999, reflecting increasing numbers of small independent producers.

(2) Services allied to motion picture production in Los Angeles County

- From 1980 to 1997, *employment grew* from 10,946 to 120,000, and the number of establishments grew from 509 to 2,326. This clearly reflects the great rise in demand for intermediate inputs to the industry, including special effects and other digital services. The number of *persons per establishment grew* from 22 in 1980 to 52 in 1997.[12]

Smaller firms have a greater propensity than larger firms to vary their intake of labor by employing part-time and freelance workers. Scott (1998)[13] conducted face-to-face interviews with multimedia industry[*] representatives in smaller firms and found that:

- A common employment strategy is to maintain a small cadre of full-time workers and periodically supplement with part-time and freelance workers as the need for labor rises and falls. Within sampled firms, there were 1.4 part-time workers and 3.5 freelance workers for every ten full-time workers on average.
- There is a statistically significant inverse relationship between the ratio of part-time workers or freelancers to full-time employees on one hand and the number of full-time workers employed in any firm on the other hand. Scott surmises these flexible employment practices are a response to the many market uncertainties in this business.
- The skills demanded by employers fall into three broad categories: creative (content development), technical, and business or managerial. Workers in the multimedia industry are on the whole highly skilled and receive high average salaries. Some 41.7 percent of the labor force consists of females.

How has the Hollywood production system evolved over time and what is the current relationship between the majors and the independent producers? The old studio system of the 1930s originally was a dominant group of seven majors, each of them vertically integrated across production, distribution, and exhibition. Filmmaking was characterized as a mass production process. The restructuring of this system was induced by two main factors: The 1948 Paramount antitrust decision forced the majors to divest themselves of their extensive theater chains (i.e. production/distribution was separated from exhibition). Then in the late 1950s, television drained off theater audiences. The net effect was a

[*] In addition to motion picture production, the larger multimedia industry includes other industries such as computer equipment, computer programming and software, cable, radio and television broadcasting, etc.

dramatic rise in competitiveness, uncertainty and instability in the motion picture industry, and the break-up of studio-based mass production.[14]

As a result, the majors divested themselves of much of their former productive capacity and contractual engagements and became the nerve centers of vertically disintegrated production networks. In the process, many kinds of skilled employees who had previously been on studio payrolls became freelance agents.[15] Large numbers of small, flexibly specialized firms were formed, providing direct and indirect inputs to the majors. This allowed the majors to cut overheads, pursue more diversified forms of production, and flourish in the "New Hollywood."

The feature film business does not fit neatly into well-defined industrial structures because of its unusual characteristics.[16] Industries that require sizable capital investments, like feature films, can normally be expected to evolve into purely oligopolistic forms with only a few very large firms, such as in steel and automobile manufacturing. Movies, however, are not a homogeneous product but are each uniquely designed and packaged. The result is a combination of large oligopolistic organizations that interface with and depend on small, specialized service and production firms. Some independent producers have regular contact with the major studios but the vast majority does not.[17] Vogel (2001) describes this interesting interaction between the majors and the independents as follows:

> "At least in Hollywood, energetic little fish often can swim with great agility and success among the giant whales, assorted sharks, and hungry piranha. Hollywood is always in flux, a prototype of the emerging network economy, assembling and disassembling itself from one deal and one picture and one technology to the next."[18]

Employment Trends in Motion Picture Production

Employment in motion picture production grew rapidly in the late 1980s, dipped during the recession of the early 1990s, grew again in the mid-to-late 1990s, and then leveled off in 2000. In 2001, employment fell in both the motion picture industry and production (Table 5). Almost half the industry employment decline and two-thirds of the production decline took place in Los Angeles. Production employment in Los Angeles fell by 7,400 jobs from its peak of 137,900 in 1999 to 130,500 in 2001.

Charts 2 and 3 show employment estimates and shares for the United States, California and Los Angeles. Between 1988 and 2001, California employment accounted for between 50 and 60 percent of national employment in motion picture production. The Los Angeles share of California production fluctuated between 91 percent and 95 percent during the period. Annual growth rates for employment in motion picture production, the motion picture industry and total non-farm are shown in Chart 4: The line represents growth in non-farm employment; the columns represent growth in the motion picture categories. Motion picture employment shows much wider swings in growth than total non-farm, similar to the output growth pattern in Chart 1. Production employment dropped almost five percent during the recession in 1992; rebounded more quickly than non-farm employment in 1993; stayed at about ten percent through 1997; then slowed down and turned negative again in 2000 and 2001. In most years, motion picture production employment had slightly higher growth than the motion picture industry. UCLA Anderson Forecast data show motion picture industry employment with negative growth in 2002 (-5 percent) and then picking up again to 4.4 percent growth in 2003. UCLA forecasts for production are not available.

Table 5

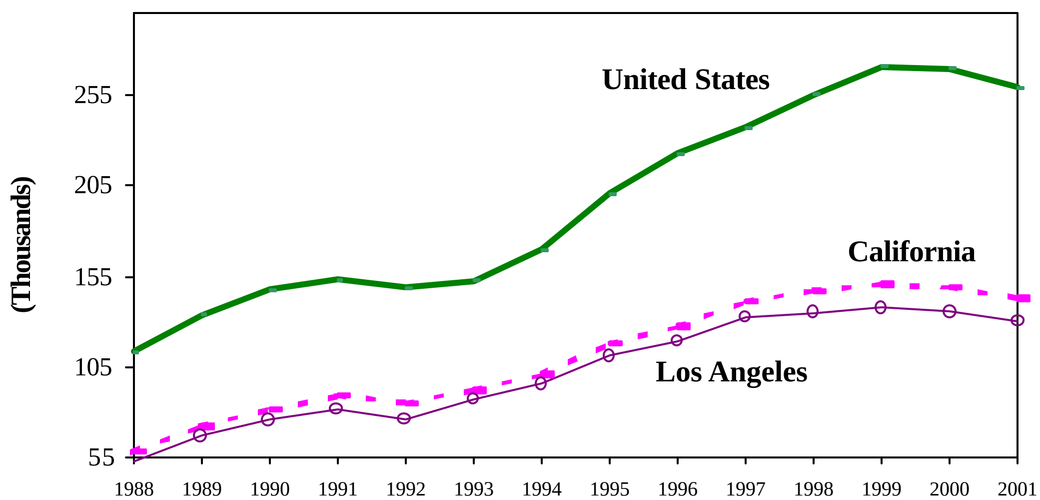
Motion Picture Employment (Thousands) 1999 - 2001

	1999	2000	2001	Change 1999-2001	Percent Growth 1999-2001
Motion Picture Industry (SIC 78)					
United States	598.8	593.8	591.9	-6.9	-1%
California	195.0	191.8	185.1	-9.9	-5%
Los Angeles-Long Beach MSA	153.1	150.0	144.9	-8.2	-5%
New York	60.7	65.5	65.4	4.7	8%
Florida	25.2	24.0	24.0	-1.2	-5%
Other States	318.1	315.7	305.5	-12.6	-4%
Motion Picture Production and Services (SIC 781)					
United States	270.9	269.9	259.0	-11.9	-4%
California	150.6	149.0	142.8	-7.8	-5%
Los Angeles-Long Beach MSA	137.9	135.3	130.5	-7.4	-5%
Other States	120.3	120.9	116.2	-4.1	-3%

Source: Current Employment Statistics, U.S. Bureau of Labor Statistics.

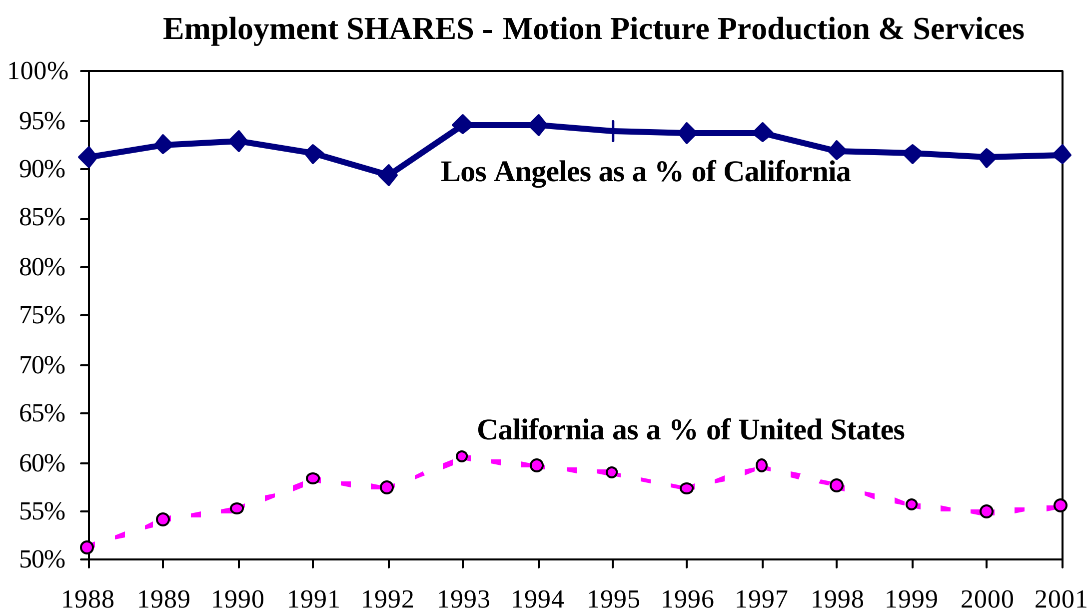
Chart 2

Motion Picture Production & Services Employment in Los Angeles, California, and the United States



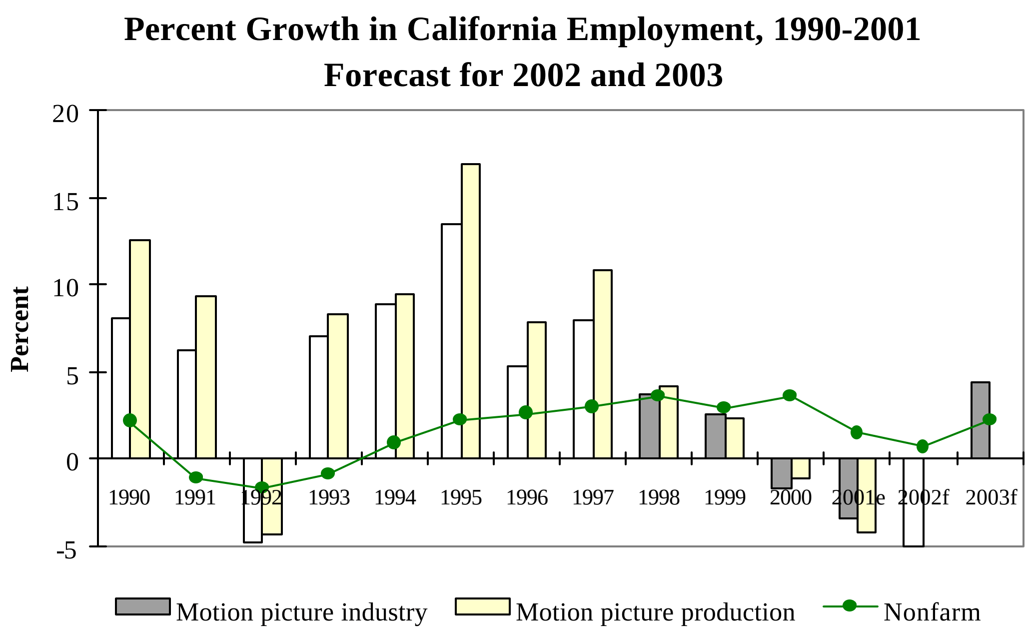
Data Source: California Employment Development Dept.; U.S. Bureau of Labor Statistics, Current Employment Statistics (CES) SIC 781.

Chart 3



Source: California Employment Development Dept., U.S. Bureau of Labor Statistics, Current Employment Statistics (CES) SIC 781.

Chart 4



Source: California Employment Development Dept., U.S. Bureau of Labor Statistics, UCLA Anderson Forecast for 2002 and 2003, March 2002.

Employment Statistics in Motion Picture Production

Employment statistics in the film industry are no less confusing than estimates of the industry's size. Employment estimates already cited above are very different: The MPAA report found that 226,000 Californians worked directly in motion picture production in 1996, but the total would be more than 450,000 Californians if indirect employment were included; the official Employment Development Department (EDD) estimate was only 127,400 workers employed in motion picture production in 1996 and 169,900 workers in the industry. Why are these estimates so different?

- *No standard definition of the "film industry."* Some analysts look at motion picture production defined very narrowly, while others look at broader definitions, such as the motion picture industry (which includes production, distribution, and exhibition), the entertainment industry, or the multimedia industry.
- *Different data sources and methodologies*. Some estimates are based on data from a sample survey of firms and others attempt to count workers in all establishments. The Employment Development Department estimates employment using monthly payroll data from a sample of firms (Current Employment Statistics). Examples of data sources that include all firms in the universe are Covered Employment and Wages, which use quarterly tax return data for all firms with unemployment insurance, and County Business Patterns, which use annual administrative records from the U.S. Census Bureau.
- *Underestimates of the number of people employed*. Official data for motion picture production employment count "above-the-line" workers, which generally refer to producers, writers, directors, and principal actors employed by studios. The film industry, however, employs many "below-the line" workers, such as the tens of thousand of technicians, less-well-known actors, assistant directors, set movers, cab drivers, painters, carpenters, post-production workers, and make-up artists who labor behind the scenes. Official data include some below-the-line workers, but omit those who are self-employed or who work on film projects occasionally on a contract basis. Organizations such as the Center for the Continuing Study of the California Economy (CCSCE) and the Los Angeles Economic Development Corporation (LAEDC) have developed methodologies to adjust official CES data for undercounted workers.
- *Different industry classifications*. Researchers classify firms into industries using various systems of classification. Data sources are currently moving from the old system, the 1987 Standard Industrial Classifications (SIC), to the new system, the North American Industrial Classification System (NAICS). One disadvantage of switching to NAICS is the lack of comparability with previous years for many categories of employees. While the new industry classification is intended to more accurately reflect the current industrial structure, the new NAICS classification in motion picture production results in smaller employment numbers because many services formerly counted as allied to production were moved into other categories. (Appendix A, Table A5).

- *Different data release schedules*. Data series issued monthly are quite timely; data series issued annually by the U.S. Census Bureau are out-of-date by the time they are released, especially since they are issued with a lag of several years.

Alternative data sources for establishment-based employment estimates[†] are presented in Appendix A and show detailed examples of various estimates for motion pictures: official estimates for production, those that adjust for the undercount, and estimates for broader categories such as multimedia. In this section, a comparison is made between the Motion Picture Association of America (MPAA) employment estimates for 1996 and those from two other sources: Current Employment Statistics (from EDD using sample payroll data) and County Business Patterns data (from the U.S. Census Bureau using administrative records of all establishments). These data are shown in Table 6.

The MPAA employment estimate of over 450,000 workers in 1996 includes both direct and indirect employment. Current Employment Statistics and County Business Patterns estimates for motion picture production only include direct employment. County Business Patterns data are further disaggregated into production alone (SIC 7812) and services allied to production (SIC 7819).

Table 6

1996 Employment in the Motion Picture Industry
(thousands of workers)

	MPAA	
	Direct Employment	226
	Indirect Employment	233-253
	Total Employment	459-479
SIC code	**Current Employment Statistics (CES)**	
781	Total Production	127
	County Business Patterns (CBP)	
7812	Motion Picture Production Alone	53
7819	Services Allied to Production	118
781	Total Production	171

Source: MPAA, California Employment Development Dept., U.S. Census Bureau.

Table 6 should give the reader a feel for the range of employment estimates available in this industry at any one point in time. When these different series are analyzed over time, they also show conflicting trends. In the mid-1990s, the MPAA numbers showed booming employment and production between 1992 and 1996. The MPAA report also finds that “the possibility that this new production activity would occur in states outside of California, or in other countries, did not materialize.”[19]

[†] Establishment-based employment statistics are reported by place of work. Household-based estimates, such as the Current Population Survey, are not considered in this analysis.

Using County Business Patterns data, however, the opposite conclusion has been reached by several analysts. Between 1988 and 1997, employment for production alone (dotted lines with triangles) actually decreased and services allied to production (solid thin line with boxes) increased substantially (Chart 5). The California shares of U.S. employment in the same motion picture categories are shown in Chart 6. The California share of employment in the narrowly defined production alone category (dotted lines with triangles) decreased while the share for the whole industry was basically flat.

Chart 5

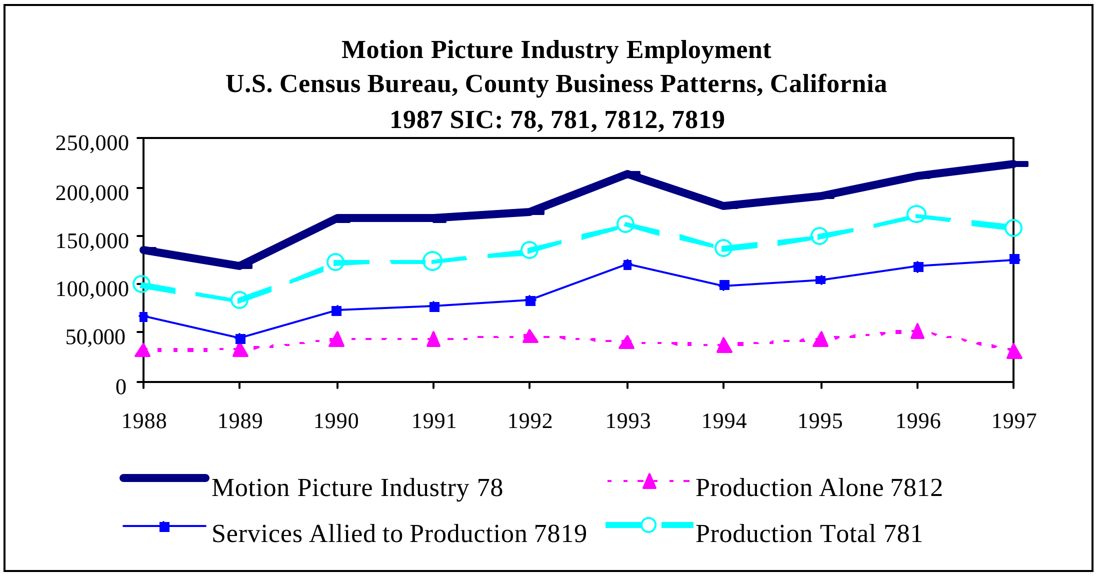
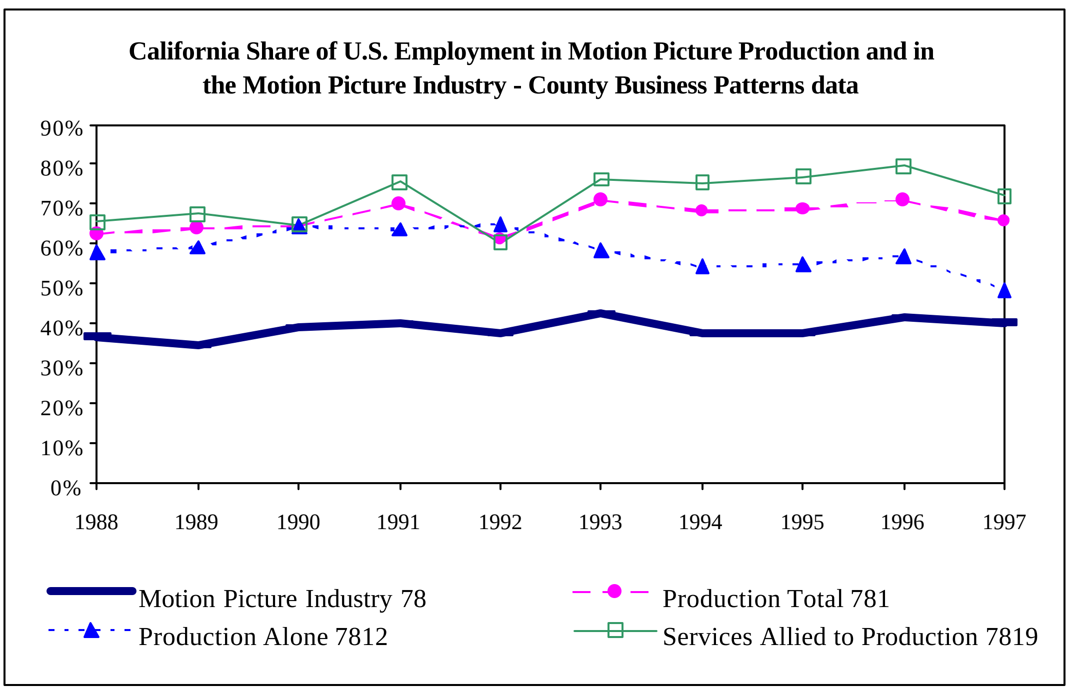


Chart 6



These County Business Patterns trends have been widely cited as evidence that motion picture production was dispersing away from California during 1993 to 1997. The U.S. Commerce 2001 report on *The Migration of U.S. Film and Television Production* states:

> "Thirty years ago, the economic benefits from the film industry accrued overwhelmingly to California, except in certain niche markets, such as television commercials, where New York was long the leader. Then a dramatic change took place, and the California film industry began to fan out across the country."[20]

The "Economic Assessment of the Florida Film and Entertainment Industry" report issued in December 2000 highlights the successes of the Florida film industry at the expense of California.[21] Using the same County Business Patterns data, the report claims:

- "*The motion picture and video production sector has moved out of the State of California*. California had just 48 percent of the total number of employees in 1997, compared to 58 percent in 1993. The State also had 67 percent of the total payroll in 1997, compared to 72 percent in 1993. California's share of the total number of establishments remained steady at 37 percent. New York, New Jersey, and Florida captured the majority of California's declines. All three states increased their shares in total number of employees and total payroll between 1993 and 1997."
- "*Services allied to motion picture production moved away from both California and New York between 1993 and 1997*. In the State of California, the number of employees fell from 77 percent of the total in 1993 to 72 percent in 1997."

Why do the MPAA and the County Business Patterns data give such different interpretations of the film industry in the same time period? Mainly because the data were collected differently and different workers were included in each category. If production employment numbers should be defined broadly to accurately reflect employment in motion picture production as many analysts have argued, it seems misguided to rely so heavily on shares based on a very narrow segment of the industry. Moreover, a look at the absolute changes, and not just the changes in shares, reveals that while California's share of services allied to motion picture production decreased from 1993 to 1997, the number of people employed in services increased from 121,150 to 125,935. Even as California's share in services allied to production declined somewhat, employment in services did grow over the period.[‡]

The tendency to describe employment trends in motion picture production on the basis of narrowly-defined categories might become more widespread after all employment data series change to NAICS codes. The NAICS category "motion picture production" is narrower than the SIC category with the same label. (Appendix A, Table A5).

[‡] In the case of production alone, however, both California's share and the absolute number of workers declined over the period.

Output and Employment Long-Term Forecasts

Motion picture production and computer services have been among the fastest growing, high-wage industries in California and the nation since 1990. Recent forecasts show continued growth in the motion picture industry through 2010, although at much lower rates than the 1990s.

For the United States, forecasts published by the U.S. Bureau of Labor Statistics show that for the motion picture industry, expected average annual growth in real output between 2000 and 2010 is 1.1 percent, down from 5.7 percent between 1990 and 2000 (Table 7). For employment, annual growth in the motion picture industry is projected at only 1.2 percent between 2000 and 2010, down from 3.8 percent during the 1990s.

California forecasts provide a separate motion picture production forecast in addition to the forecast for the industry total (Table 8). The California Employment Development Department (EDD) forecasts that growth in motion picture production employment in California will drop from an average annual 6.2 percent growth in the 1990s to 2.3 percent between 1998 and 2008.[§]

The Center for Continuing Study of the California Economy (CCSCE) expects motion picture production to continue to be one of the fastest growing basic industries in the decades ahead.[22] CCSCE projects an additional 89,400 jobs will be added in motion picture production between 2000 and 2010, about 4.7 percent average annual growth.

In its September 2001 forecast, UCLA Anderson[23] projected that motion picture industry employment in California would continue to grow rapidly through 2020, adding about 100,000 workers every decade. In their March 2002 forecast, however, estimates for employment growth in the motion picture industry were published only through 2003. Annual rates of growth were negative in 2002 (-5.0 percent), then rebound in 2003 with 4.4 percent growth. On average, the motion picture industry is projected to decline by 1.4 percent per year between 2000 and 2003.

The LAEDC 2001-2002 Economic Forecast and Industry Outlook[24] provides an employment forecast for 2001 that leaves employment unchanged from the previous year's level. While box office results were disappointing in 2000, they were forecast to be more upbeat in 2001. The report provides background information on important issues in the industry such as the 2001 contract negotiations between the studios and the Writers and Screen Actors guilds. To protect themselves in case of a strike, the studios rushed production at the beginning of the year, resulting in a slowdown in production activity at the end of 2001. To cut costs, the networks continue to look at reality series, which are much less expensive (and less labor-intensive) to produce. Other major issues are technology, runaway production, the industry roster, and piracy problems. In its 2002-2003 forecast for Los Angeles County, LAEDC projects that motion picture/TV production employment will add 1,600 jobs in 2002 and 1,500 in 2003.[25]

[§] The current EDD forecast for California uses a 1998 benchmark. It will be updated soon. The EDD forecast for Los Angeles has already been updated to the 2000 benchmark.

Table 7

Forecasts to 2010 for Motion Picture Employment and Real Output Growth for the United States

SIC	United States	Employment (Thousands of jobs) 1990	2000	2010
78	Motion picture industry	408	594	672
781-783	Motion picture production, distribution and exhibition	274	426	499
784	Video tape rental	134	168	173

SIC	United States	Average annual rate of change 1990-2000	2000-2010
78	Motion picture industry	3.8	1.2
781-783	Motion picture production, distribution and exhibition	4.5	1.6
784	Video tape rental	2.3	0.3

SIC	United States	Real Output (Billions of 1996 dollars) 1990	2000	2010
78	Motion picture industry	45	77	86
781-783	Motion picture production, distribution and exhibition	40	69	77
784	Video tape rental	5	9	9

SIC	United States	Average annual rate of change 1990-2000	2000-2010
78	Motion picture industry	5.7	1.1
781-783	Motion picture production, distribution and exhibition	5.6	1.1
784	Video tape rental	5.8	0.6

Source: U.S. Bureau of Labor Statistics, Office of Occupational Statistics and Employment Projections Table 3. Employment and output by industry, 1990, 2000, and projected 2010.

Table 8

EMPLOYMENT FORECASTS for the CALIFORNIA MOTION PICTURE INDUSTRY
(Thousands of jobs)

SIC					Increase in number of jobs	Average annual rate of change (%)
SIC	**CALIFORNIA Current Employment Statistics**	1990	2000			
78	Motion picture industry	120.7	191.8		71.1	4.7
781	Motion picture production	81.6	149.0		67.4	6.2
782-784	Other motion pictures	39.1	42.8		3.7	0.9
	EDD forecast, California March 1998 benchmark		1998	2008		
78	Motion picture industry		185.9	231.0	45.1	2.2
781	Motion picture production		143.3	179.8	36.5	2.3
782-784	Other motion pictures		42.6	51.2	8.6	1.9
	CCSCE forecast - California		2000	2010		
781	Motion picture production		153.8	243.2	89.4	4.7
	UCLA Anderson forecast - California		2000	2003		
78	Motion picture industry		191.8	184.0	-7.8	-1.4
SIC	**Los Angeles-Long Beach Current Employment Statistics**	1990	2000			
78	Motion picture industry	90.6	150.0		59.4	5.2
781	Motion picture production	75.8	135.3		59.5	6.0
782-784	Other motion pictures	14.8	14.7		-0.1	-0.1
	EDD forecast, Los Angeles County March 2000 benchmark		1999	2006		
78	Motion picture industry		153.1	161.7	8.6	0.8
781	Motion picture production		137.9	145.1	7.2	0.7
782-784	Other motion pictures		15.2	16.6	1.4	1.3

Source: Current Employment Statistics, CA Employment Development Dept. and the U.S. Bureau of Labor Statistics, "Projections and Planning Information," Module D, Table 2, http://www.calmis.ca.gov; CCSCE, *California Economic Growth*, 2001, pp. 5-30; UCLA Anderson Forecast, September 2001, Table 5, California Employment, California-B. 14.

U.S. Exports

The U.S. has long been the dominant exporter for film and television programming; its net trade balance for these products has recently been approximately $3 billion per year.[26] Despite the international financial turmoil of the past few years, demand for U.S. entertainment products is strong. The explosive growth of motion picture and television exports continued through 2000. Film and video rentals, which are cross-border exports, rose from $1.9 billion in 1991 to $8.9 billion in 2000. Sales of foreign affiliates of U.S. companies, which are not U.S. cross-border exports because they are transactions between a foreign affiliate and a foreigner who purchases the service, were $7.9 billion in 1998. Adding cross-border exports to sales of foreign affiliates, film production and distribution recently generated about $18 billion in direct and indirect export revenues.[27]

Film Industry Statistics: Film Starts and Releases, Television Movies, etc.

The size of the motion picture industry and its economic impact fundamentally depend on the demand for and supply of filmed entertainment: the number of movies being made, the size of their production budgets, the scope of each project, the number of movie admission tickets sold, and the profitability of the industry. Relationships between these variables are complicated: Variations in movie production starts are eventually reflected in the number of films released to theaters. The number of releases and the rate of theater admissions influence industry profits. The number of releases and ticket admissions are not independent of each other, however, and profits are also influenced by the demand for filmed entertainment in other markets such as television.

In this section, film industry statistics are reviewed for both feature films and made-for-television movies. Film industry data are problematic because there are many different methods of data collection. The short-term nature of film production and the fact that production often takes place in multiple locations make it challenging to keep track of all productions and to count them accurately. Moreover, within each series, data vary considerably from year to year, making it difficult to infer long-term trends. The methodology for calculating economic impact is particularly problematic. Some analysts use production days; others use film starts; others use production budgets. Efforts to estimate total economic impact using multipliers are often suspect because multiplier estimates vary considerably and are applied inconsistently. Data sources for film statistics used in this report are discussed in Appendix B.

In Chart 7, the number of feature film starts[**] since 1988 are displayed for California, the United States and four English-speaking countries combined: the United States, the United Kingdom, Canada, and Australia. After increasing steadily since 1990, the number of film starts dipped in 1995 and again in 1998. In 1999, film starts recovered in the United States and abroad, but declined in California for the second year in a row.

Table 9 lists the states and countries with differences of four or more film starts between 1997 and 1999. The difference column on the right shows an increase of 68 starts for the four-country total between 1997 and 1999. Clearly, the state that lost the most between 1997 and 1999 was California, with a decrease in 197 films. The places that gained the most film starts were Canada, the United Kingdom, New York, Illinois, Nevada, and Australia. For many of the states and countries, these data vary considerably from year to year. They do not increase slowly each year in a predictable way.

[**] Feature film starts are defined as the date a production begins shooting (that may include principal photography or effects). A production is counted once, even if it shoots in two separate calendar years.

Chart 7

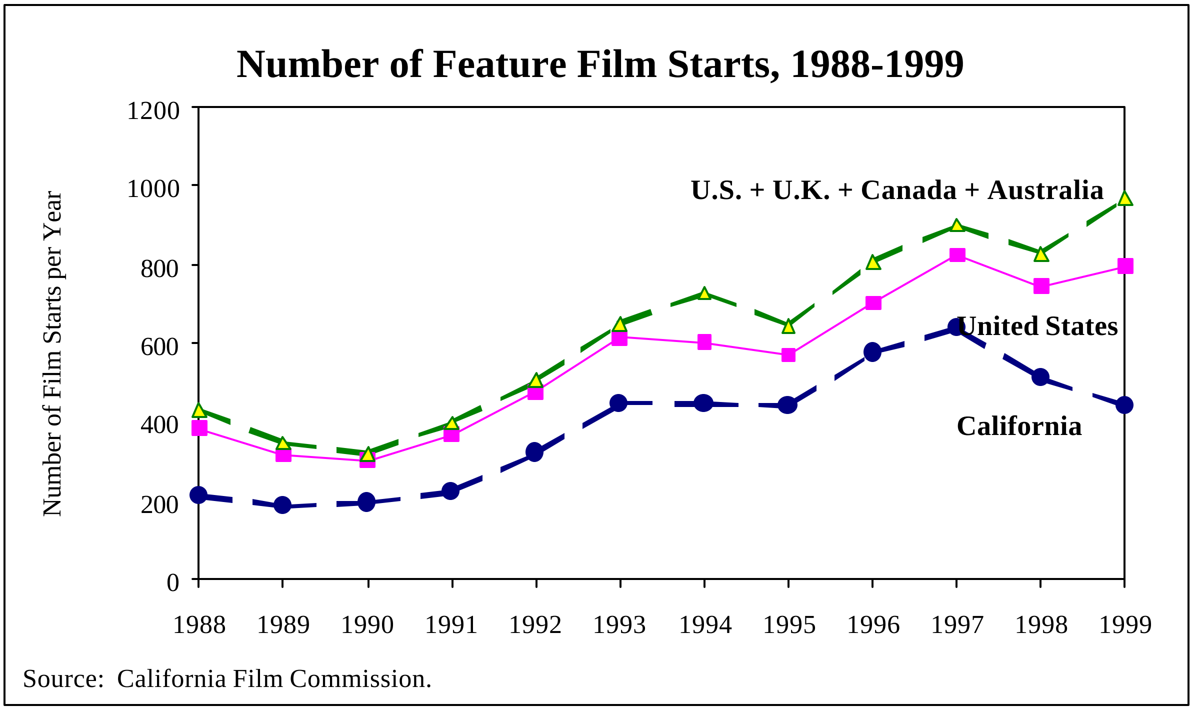


Table 9

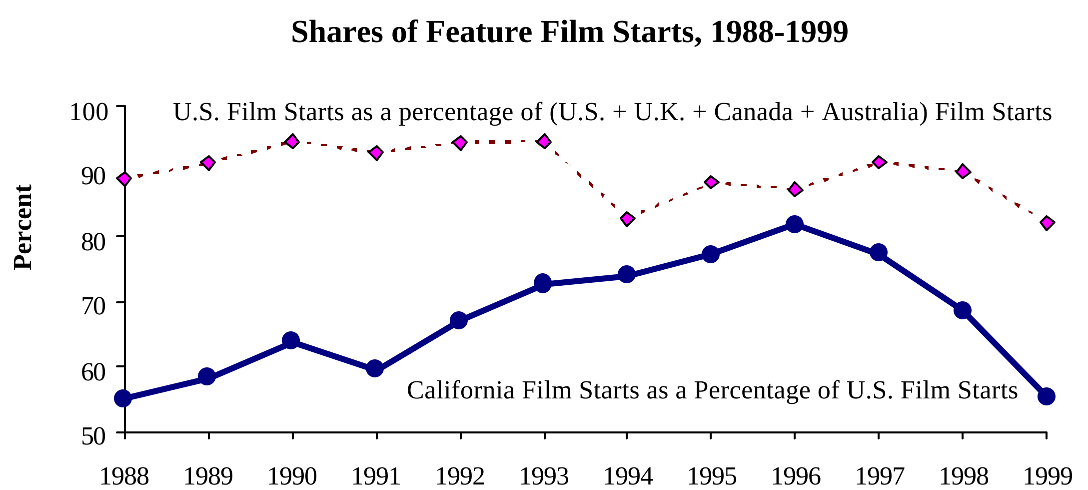
COMPARISON OF FEATURE FILM PRODUCTION STARTS: 1994 - 1999

		1994	1995	1996	1997	1998	1999	Difference 1999 – 1997
Total = (U.S + U.K. + Canada + Australia)		**726**	**644**	**805**	**900**	**827**	**968**	**68**
State/Countries with at least 4 more film starts in 1999 than in 1997								
1	**Canada**	**56**	**38**	**58**	**38**	**59**	**93**	**55**
2	**United Kingdom**	**37**	**33**	**37**	**32**	**15**	**63**	**31**
3	New York	73	60	63	79	75	99	20
4	Illinois	9	8	18	10	6	21	11
5	Nevada	15	13	17	9	11	20	11
6	**Australia**	**32**	**4**	**8**	**7**	**9**	**17**	**10**
7	New Jersey	9	9	9	14	12	22	8
8	Pennsylvania	9	6	3	3	4	11	8
9	Indiana	1	2	1	0	1	5	5
10	South Carolina	4	4	5	2	1	7	5
11	Texas	18	17	34	17	36	22	5
12	Florida	19	20	21	17	8	21	4
13	Virginia	2	5	4	2	2	6	4
14	Wisconsin	0	3	1	0	2	4	4
State/Countries with 4 or fewer film starts in 1999 than in 1997								
1	Michigan	3	3	4	5	6	1	-4
2	Montana	1	0	0	5	0	0	-5
3	**United States**	**601**	**569**	**702**	**823**	**744**	**795**	**-28**
4	California	445	439	574	637	510	440	-197

Source: California Film Commission.

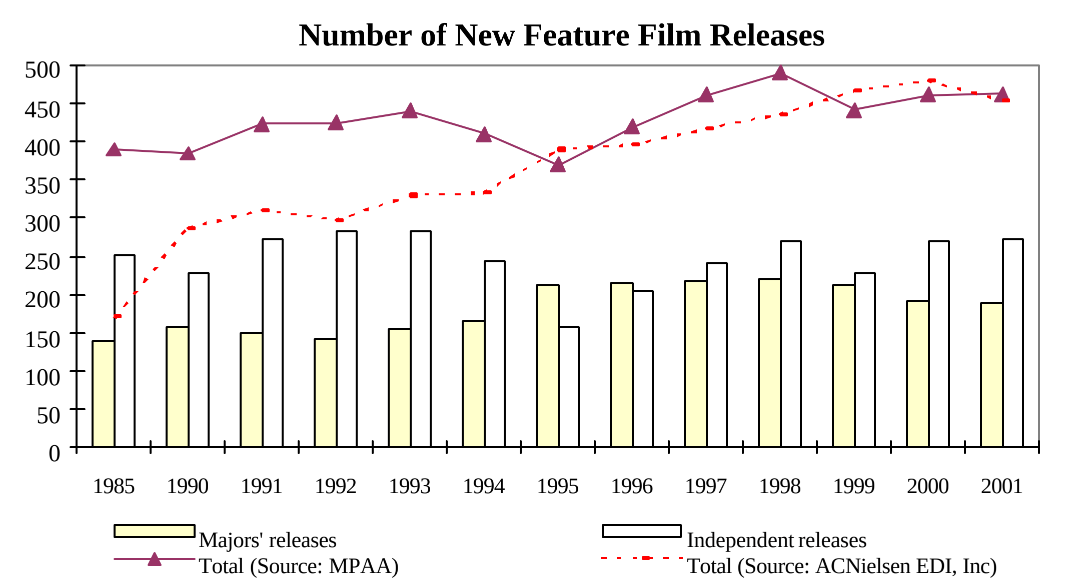
Chart 8 shows the share of California film starts out of U.S. starts, and the share of U.S. starts out of total starts. In 1999, California feature film starts were only 55 percent of U.S. film starts, down from recent highs of 82 percent in 1996, but at the same level as in 1988. As a percentage of film starts in the four countries, U.S. film starts declined from 95 percent of the total in the early 1990s to 90 percent in the mid-to-late 1990s. In 1999, U.S. film starts represented 82 percent of the four-country total, about the same as in 1994. Updates are not currently available because the California Film Commission is reviewing its methodology for classifying film starts.

Chart 8



Source: California Film Commission.

Chart 9



Source: MPAA, *2001 U.S. Economic Review*, ~~http://www.mpaa.org~~. ACNielsen EDI, Inc., FilmSource, ~~http://www.entdata.com~~.

Like film starts, film releases vary from year to year. New release counts also differ between sources. Chart 9 shows new releases since 1985 according to both the MPAA and ACNielsen EDI. For most of the period, the ACNielsen counts were lower than the MPAA counts, and did not always move in the same direction. MPAA counts for new releases by both major and independent producers are shown in Table 10 and also as bars in Chart 9. In 1999, for example, 442 new films were released, of which 48 percent were released by the major studios. In terms of expenditures, these 1999 releases totaled $11 billion in total feature-film expenditures of which $10 billion, or 90 percent, was spent by the majors.[28] The majors' share of the number of new releases is smaller than their share of expenditures because the majors make the high-budget films.

Table 10

New Feature Films Released in the United States

	Majors	Independents	Total	Majors' Share
2001	189	273	462	41%
2000	191	270	461	41%
1999	213	229	442	48%
1998	221	269	490	45%
1997	219	242	461	48%
1996	215	205	420	51%
1995	212	158	370	57%
1994	166	244	410	40%
1993	156	284	440	35%
1992	141	284	425	33%
1991	150	273	423	35%
1990	158	227	385	41%
1985	138	252	390	35%
1980	134	57	191	70%

Source: MPAA, *2001 U.S. Economic Review*, http://www.mpaa.org.

Where are the production locations of feature films released in the U.S. domestic market? The Center for Entertainment Industry Data and Research (CEIDR) did a study in 2001 of the migration of feature film production from the United States to Canada. The film data, which are based on the annual list "The Top 250 Films,"[29] show declines in the number of films shot in the U.S., a result both of the general slowdown in the film industry and the shift in production locations to Canada (Tables 11, 12, and 13). For films in the $5 million to $50 million-budget range, the decline in films shot in both California and the U.S., with an offsetting increase in Canada, is even more pronounced.

Many of the films produced in Canada were less profitable than those produced in the U.S. For films released in the U.S., the percentage ratio of gross domestic box office receipts to estimated budget was negative for films shot in Canada in 1998 and 1999.[††] The low profitability of the films shot in Canada resulted from either "a poorer quality

[††] Box office receipts to estimated budget = (Box Office Receipts – Estimated Budget)/Estimated Budget.

product made in Canada or simply the fact that marginal films were produced in Canada because they could be done 'for less.'"[30]

Table 11

Production Location of U.S. Domestic Releases

	U.S.	Canada	Other	Total
1998	127	23	45	195
1999	122	18	46	186
2000	108	37	52	183

Source: Center for Entertainment Industry Data Research (CEIDR), 2001.

Table 12

Films Shot in North America with Budgets between $5 Million and $50 Million

	North America	Canada	California	New York	Rest of U.S.
1998	96	20	40	12	24
1999	105	16	38	19	32
2000	89	31	24	11	23

Source: Center for Entertainment Industry Data Research (CEIDR), 2001.

Table 13

Box Office to Estimated Budget for Films Released Domestically

	U.S.	Canada
1998	8%	-18%
1999	29%	-28%
2000	24%	10%

Source: Center for Entertainment Industry Data Research (CEIDR), 2001.

Much of the discussion of runaway production to Canada revolves around made-for-television movies, or movies-of-the-week (MOWs), which have significantly smaller budgets – usually around $3 million – than feature films. On low-budget MOWs, producers can lower their overhead by as much as ten percent to 30 percent by shooting in Canada, in addition to other savings resulting from buying out residuals and reduced health and pension costs.[31]

There are at least three data sources for television movies. Differences in methodology between these sources are discussed in Appendix B.

(1) The Entertainment Industry Development Corporation (EIDC), which is the L.A. Film Office, "MOWs – A Three-Year Study, 1997-98, 1998-99, 1999-00."

(2) Steve Katz and Associates (SKA) of Los Angeles, "1999 Motion Picture and Movie of the Week Production Survey."

(3) The 1999 Monitor Company report, "U.S. Runaway Film and Television Production Study Report." These 1990-1998 data are summarized in the runaway production section later in this report.

Using EIDC data, MOWs filming sites for projects that were broadcast on network television or cable are shown in Table 14. Over the past three television seasons, Canada has consistently captured nearly half of all MOWs shot worldwide. The share of U.S. MOWs dropped from 46 percent in 1997-98 to 36 percent in 1999-00. In terms of absolute numbers, Canada produced more MOWs than the U.S. in 1998-99 and 1999-00.

These EIDC data support the conclusion that Canada has maintained its 45 percent share of the MOWs market over the last three seasons, but not at the expense of California. Rather, EIDC data suggest that while the U.S. share of MOWs declined for the third consecutive year, California's share out of U.S. production actually increased. EIDC concludes that:

> "While Canada continues to grab a large percentage of MOWs, California – with its unique variety of locations and crew depth – is still home to a significant amount of MOWs work. In fact, the numbers suggest California is holding onto MOWs at the expense of smaller production centers in the U.S. This is not to suggest California – or Los Angeles – isn't losing production to foreign countries, or downplay the human factor associated with men and women who haven't worked as a result. Rather, production flight in combination with the changing economics of filmed entertainment is having a tremendous ripple effect throughout the workforce."[32]

The 1999 Katz report documents a drop in movies-of-the-week filmings in California and a compensating increase of MOWs filmings in Canada. The survey shows that the number of MOWs filmed in California dropped from 39 productions in 1998 to 36 in 1999. As MOWs production decreased in California, Canada's increased from 122 productions in 1998 to 154 in 1999. Moreover, California had a total of 152 weeks of MOWs production, whereas Canada had 696. Canada is also making inroads into large-budget feature film production. In 1999, Canada had 523 weeks of production compared to California's 569 weeks in the category of feature films with a production schedule of more than six weeks.[33]

Table 14

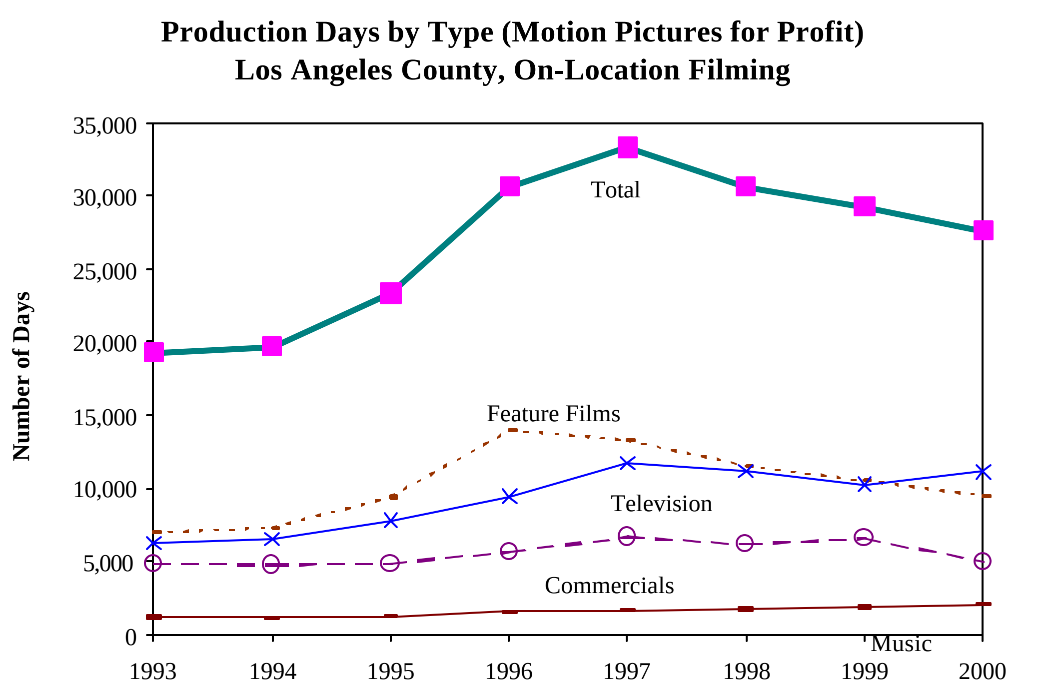
MOVIES-OF-THE-WEEK (MOWs)

Filming Site:	Number of MOWs broadcast on network cable — Television Season: 1997-98	1998-99	1999-00	Shares of Worldwide Production — Television Season: 1997-98	1998-99	1999-00
Canada	88	101	85	45%	46%	45%
Australia	5	8	7	3%	4%	4%
California	39	52	40	20%	24%	21%
Other U.S.	50	42	29	26%	19%	15%
Other Foreign	14	18	29	7%	8%	15%
Total	196	221	190			
				California's Share of MOWs shot in the U.S.		
California	39	52	40	44%	55%	58%
U.S.	89	94	69			

Source: Entertainment Industry Development Corporation (EIDC), January 2001.

Other EIDC data measuring film industry size and activity are production days, the number of projects, revenues of production firms, and production expenditures. The number of production days is often cited as an indicator of the level of Los Angeles filming activity outside studio back lots and sound stages. Total production days show a similar pattern to many other measures of film activity: rapid growth in the mid-1990s and a decline in the late 1990s.

Chart 10



Source: Entertainment Industry Development Corporation, http://www.eidc.com.

The EIDC also collects data on the number of projects in Los Angeles for feature films, television and commercials. Feature film projects in Los Angeles increased from 537 in 1996 to 581 in 2000. For other production centers in 2000, feature film project counts were: New York (201), Chicago (28), North Carolina (19), Orlando (15), Miami (13), British Columbia (55), and Ontario (46). Television projects in Los Angeles increased from 491 in 1996 to 634 in 2000. Commercial projects in Los Angeles increased from 1,317 in 1996 to 1,971 in 1999 and then declined to 1,449 in 2000.[34]

Economic impact is measured by EIDC using gross revenues for motion picture production firms. For 2000, EIDC shows revenues of about $31 billion for Los Angeles, $35 billion for California, and $71 billion for the United States.[35] By 2003, revenues are projected to increase to about $34 billion (L.A.), $39 billion (CA), and $79 billion (U.S.).

The direct economic impact of the motion picture industry can also be measured by production expenditures. Los Angeles clearly dwarfs other production centers: its expenditures were more than ten times larger than those of New York, the second largest center. Over time, direct expenditures in Los Angeles have increased from $25.5 billion in 1995 to $31.0 billion in 2000. Direct expenditures by production center in 1999 and 2000 were:[36]

	1999	2000
(1) Los Angeles	$29.4 billion	$31.0 billion
(2) New York	$2.5 billion	$2.45 billion
(3) British Columbia	$1.1 billion	$1.18 billion
(4) Toronto, Ontario	$834.5 million	$1.01 billion
(5) Orlando, Florida	$390 million	$432 million
(6) North Carolina	$300.2 million	$250 million
(7) Chicago, Illinois	$124 million	$84 million
(8) Miami, Florida	$31 million	$160 million

IMPACT OF THE FILM INDUSTRY ON OTHER INDUSTRIES (THE MULTIPLIER EFFECT)

In film production, the number of people directly working in the industry belies its true impact on the economy because many upstream, downstream, and peripheral industries depend on the primary industry. Examples of other industries that have similar indirect effects are housing construction and automobile production. When the direct contributions of an industry are multiplied through indirect effects on other industries, a "multiplier effect" is said to take place. Many industry insiders believe that the film industry's true economic impact is seriously underestimated unless multiplier effects are taken into account.

A multiplier is a coefficient that determines how much output will change as a result of a given change in spending. A multiplier of two would mean that a given level of expenditure would lead to total output equal to twice the size of the initial expenditure. The multiplier effect occurs because the economy is characterized by repetitive, continuous flows of expenditures and income. Estimates of the multiplier effect of film production on the economy range from twice to triple the official statistics (multipliers range from 1.7 to over 3.5) and are discussed in Appendix C.[37] Examples of different economic impact methodologies are given in Appendix D.

The film industry has significant effects on industries such as hotels, computer services, tourism, toys, games, apparel, and furniture manufacturing. In 2000-2001, for example, the Entertainment Industry Development Corporation estimates a typical feature film project shooting in Los Angeles spends about $200,000 per day. A typical one-hour television episode averages $125,000 per day.[38]

Several studies have measured both the direct and the indirect economic impacts of the film industry expenditures. One example is the 1999 Monitor study, *U.S. Runaway Film and Television Production Study Report*, which used multipliers to estimate indirect impacts of runaway production. The Monitor report's $2.8 billion estimate of total direct spending lost in the 1998 due to runaway production can be broken down into $2 billion in wages and salaries and $800 million in goods and services. The largest industries in the $800 million of goods and services are equipment rentals ($100 million), travel and hotel revenues ($50 million), and catering ($30 million).

Direct spending of $2.8 billion indirectly stimulated an additional $5.6 billion in economic activity, of which goods and services account for $3.0 billion and wages and salaries accounted for $2.6 billion.[39] The report further breaks down the $3.0 billion of goods and services by industry and found that the hotel industry was the one most affected by indirect film industry expenditures:

- $1.3 billion hotels,
- $0.2 billion real estate,
- $0.2 billion professional services,
- $0.1 billion retail trade,
- $0.1 billion medical services,
- $0.05 billion restaurants and bars, and
- $1.0 billion in all other industries.

In 1997, Arthur Anderson analyzed the economic impact of a $14 million-budget, local film production in Chicago. Anderson found that the 90-day production period produced a direct economic impact of over $12.5 million and an indirect impact of more than $21 million.[40] Another analysis by the Dallas Film Commission (DFC) found that, in addition to personnel employed from the local film industry itself, an average of 300 different non-film businesses provided goods and services for each film production. DFC detailed numerous non-film expenditures during a motion picture filming, including $420,000 on car rentals, $136,000 on the rental of a private residence, $66,000 on cell phones, $50,400 on janitorial services, $22,000 on freeway tolls, and $6,000 on local transportation.[41]

In 1988, a study by KPMG Peat Marwick commissioned by the California Film Office found that motion picture production has significant trickle-down effects: an average film production company spent $32,450 per day (about $50,000 after adjustment for inflation) when filming in Los Angeles on items such as dry cleaning, catering, donuts, equipment rentals, props, and so on.

REGIONAL ECONOMIC IMPACTS OF THE FILM INDUSTRY

The film industry remains centered in Southern California, although some firms are located in the San Francisco Bay Area. The following reports analyze regional impacts of the film industry in California.

Los Angeles County Economic Development Corporation (LAEDC)[42]
The LAEDC Economic Information and Research department provides current and forecasted data for Southern California. In September 2001, LAEDC issued a film industry profile. On the basis of employment, the movie business ranks fifth in Los Angeles County. Its 2000 annual average employment of 255,300[43] is exceeded by (1) business and professional services, (2) health science/bio-medical, (3) direct international trade, and (4) tourism. However, the movie industry has direct links to other export industries, such as fourth-ranked tourism and seventh-ranked apparel design/manufacturing.

Los Angeles County, Entertainment Industry Development Corporation (EIDC)
EIDC annual reports also analyze the film industry in Los Angeles County. Many of the film industry statistics cited in the previous section are collected by EIDC. In the EIDC 1998-99 Annual Report, reasons for lackluster employment trends are explored. EIDC proposed a variety of reasons for the flattening out in industry employment in Los Angeles County: the Asian economic crisis, cutbacks in feature film production, and the slowdown in demand for product and foreign competition, especially from Canada. They identify three important trends to watch in the coming year: more local production activity for the international market, labor negotiations, and changing technology.

Los Angeles, Milken Institute: The Milken Institute study in 2001 of the potential impact of a television and movie strike on the Los Angeles economy shows that entertainment in Los Angeles is among the strongest urban industry agglomerations in the nation. In 2000, Los Angeles accounted for more than one quarter of the nation's movie and television production, a larger national presence than New York enjoys in financial services, Detroit in automobile production, and Las Vegas in gambling. For motion pictures by itself, Los Angeles accounted for 52.8 percent of national activity. In addition, it accounted for 18.7 percent of total U.S. employment in movie and television production. In 2000, Milken estimates that the motion picture and television production industries in Los Angeles County directly accounted for $24 billion in output. Jobs increased from less than 70,000 in 1980 to roughly 185,000 in 2000, representing faster employment growth than in other industrial sectors in the county.[44]

The San Fernando Valley Economic Research Center[45] report on the San Fernando Valley economy defines the entertainment industry as a combination of production and distribution activities.[46] In 1999, the entertainment industry was a major contributor to the economy, accounting for 26 percent of the Valley's private sector payroll and 18 percent of its private sector employment. 1995 and 1996 were years of dramatic expansion in this industry, with payroll increasing about 12 percent in both years and employment surging 20 to 25 percent. After almost no growth in 1997 and 1998, payroll and employment increased ten percent in 1999.

San Diego Regional Employment Clusters,[47] a 2001 report by the San Diego Association of Governments (SANDAG), defines "Entertainment and Amusement" more narrowly than the San Fernando Valley report.[48] Employment and real wages in this cluster have fluctuated from 1990 to 1998. A surge in employment growth starting in 1994 has resulted in a 70 percent rise in jobs over the 1990 level. Wages, however, were up less than 15 percent.

II. RUNAWAY PRODUCTION

Runaway production generally refers to film industry products developed in the U.S. and intended for initial release/exhibition in the U.S., but filmed partly or entirely outside the U.S.[49] Runaway production is a problem for U.S. film production workers, especially below-the-line workers, because foreign artists and crews are employed instead of Americans. Often, analysts differentiate economic runaways from creative runaways. A creative runaway is a production filmed outside the U.S. due to script or setting requirements, or actor/director preference. An economic runaway is filmed outside the U.S. to reduce production costs.

In California, the term "runaway" is often used from a more local perspective. Since California has been the capital of the film industry for many years, industry relocation anywhere outside the state, whether to a foreign country or to another state, is often referred to as a "runaway." Even more locally, the term can be used to denote runaways from Hollywood to other parts of California.

A widely cited 1999 report by the Monitor Company entitled *U.S. Runaway Film and Television Production Study Report* provides an in-depth look at runaway production at the national level between 1990 and 1998. The report was commissioned by the Screen Actors Guild and the Directors Guild of America. Much of the analysis in the Monitor report is also discussed in the 2001 U.S. Department of Commerce report entitled *The Migration of U.S. Film and Television Production*.

The Monitor report finds that "economic runaway film and television productions are a persistent, growing and very significant issue for the United States."[50] Table 15 shows the location of production for U.S.-developed films between 1990 and 1998. The share of runaways as a percentage of total U.S.-developed production increased from 29 percent in 1990 to 37 percent in 1998. While the shares shifted in favor of runaways, it is also the case that production grew in every category on the chart. The situation, then, is an increasing pie, with growth in all categories but shifting shares.

Chart 11 shows U.S.-developed production in 1990 and 1998, broken down by location of production, type of production and type of runaway. In 1998, of the 1,075 U.S.-developed film and television productions, 285 were economic runaways, up from 100 in 1990. Of the 285 economic runaways in 1998, 100 were theatrical productions and 185 were for television. The most prevalent type of economic runaway television productions was television movies (MOWs). Most economic runaways went to Canada: 81 percent of total economic runaways, and 91 percent of television movies, went to Canada. Further analysis of these data is available in the Monitor report.

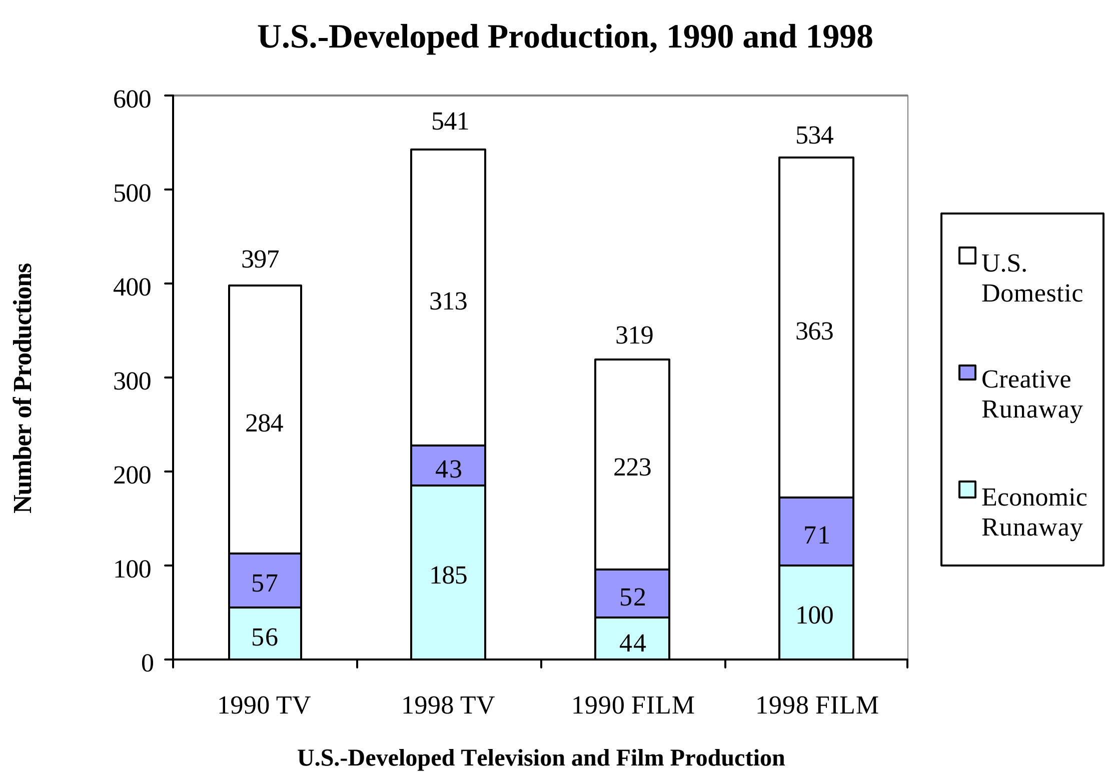
Table 15

U.S.-DEVELOPED FILMS AND TELEVISION – Location of Production

		Number		Share		Growth
		1990	1998	1990	1998	1990-98
Theatrical Films	Foreign-produced (runaway)	96	171	30%	32%	78%
	U.S. Domestic	223	363	70%	68%	63%
	Total Films	*319*	*534*			*67%*
Television	Foreign-produced (runaway)	113	228	28%	42%	102%
	U.S. Domestic	284	313	72%	58%	10%
	Total Television	*397*	*541*			*36%*
Films & TV	Foreign-produced (runaway)	209	399	29%	37%	91%
	U.S. Domestic	507	676	71%	63%	33%
	Total Films & TV	*716*	*1,075*			*50%*

Source: Monitor Company, *U.S. Runaway Film and Television Production Study Report*, 1999, p. 7.

Chart 11



Source: Monitor Company, *U.S. Runaway Film and Television Production Study Report*, 1999, pp. 7-8.

FACTORS CAUSING RUNAWAY FILM PRODUCTION

Runaway film production from the United States to other countries is due to:

1. globalization,
2. technological advances,
3. infrastructure construction and the development of local film expertise outside the United States,
4. rising costs in the United States,
5. exchange rates, and
6. wage, tax, and financing incentives.

The relative importance of each of these factors in encouraging runaway production is an unresolved issue and a subject of much debate. Each factor is briefly discussed below.

Globalization and Technological Advances

The International Monetary Fund defines globalization as "the increasing integration of economies around the world, particularly through trade and financial flows. The term sometimes also refers to the movement of people (labor) and knowledge (technology) across international borders."[51] This process is radically changing the world. In addition to being affected by globalization, the filmed entertainment market is playing a critical role in this process. Revolutions in transport, communications, and the growing privatization and deregulation of the media industry have created markets for filmed entertainment far larger than ever before.

The globalization process has been greatly accelerated by digitization. In the words of Time Warner President Richard Parsons, "digitization… will… completely eviscerate the concept of distance as a limiting factor in defining your marketplace."[52]

For the entertainment business, the world has become one big market and the potentially large economic gains to be made from developing a film cluster are a powerful incentive for other countries to do so. The expansion of television channels worldwide via cable has created a huge demand for productions that typically require lower budgets. New technologies have also made location shooting away from the Hollywood studios easier. Moreover, locations other than Hollywood are developing the infrastructure to support large-scale film production. These factors suggest that foreign production will most likely continue to increase.[53]

Infrastructure Construction Outside the United States

Shooting on location requires infrastructure investments such as sound stages as well as available pools of skilled actors, labor crews and technicians. The Monitor report indicates that largely as a result of investments by U.S. companies in infrastructure, British Columbia and Ontario are emerging as significant production clusters and have as much sound stage space as New York and North Carolina combined.[54] In the long run, runaway production could become self-reinforcing by helping to develop the cluster infrastructure necessary to attract even more production later.[55]

Examples of major studio investments between 1996 and 1998 are:[56]

- 1996 - Disney purchases a studio in Victoria, British Columbia.
- 1996 - Disney Animation Canada opens a new studio in Vancouver, British Columbia.
- 1996 - Fox builds a water-tank-based studio in Rosarito Beach, Mexico.
- 1997 - Paramount Studios invests in the construction of four sound stages and production offices in Vancouver.
- 1997 - MGM and Bridge Studios open a new studio in Vancouver.
- 1998 - Fox opens a new studio in Sydney, Australia.

Rising Costs

According to Hozic (2001), the main impetus for location shooting from 1980 to 2000 is the rising average cost of film production and distribution.[57] Negative costs, which are the average costs of production for feature films produced by the majors, rose to $54.8 million per film in 2000 (Table 16). Even after controlling for inflation, negative costs have risen substantially over the past 25 years (Chart 12). In 2001, however, negative costs declined to $47.7 million, a decrease of $7.1 million or 13 percent.

Negative Cost Components include:

(1) Story rights acquisition	Concepts, books, screenplays
(2) Pre-production	Script development, set design, casting, crew selection, costume design, location scouting, budget
(3) Principal photography	Above-the-line: actors, producers, directors, writers Below-the-line: soundstage, wardrobe, set construction, labor
(4) Post-production	Film editing, scoring, titles & credits, dubbing special effects, sound track

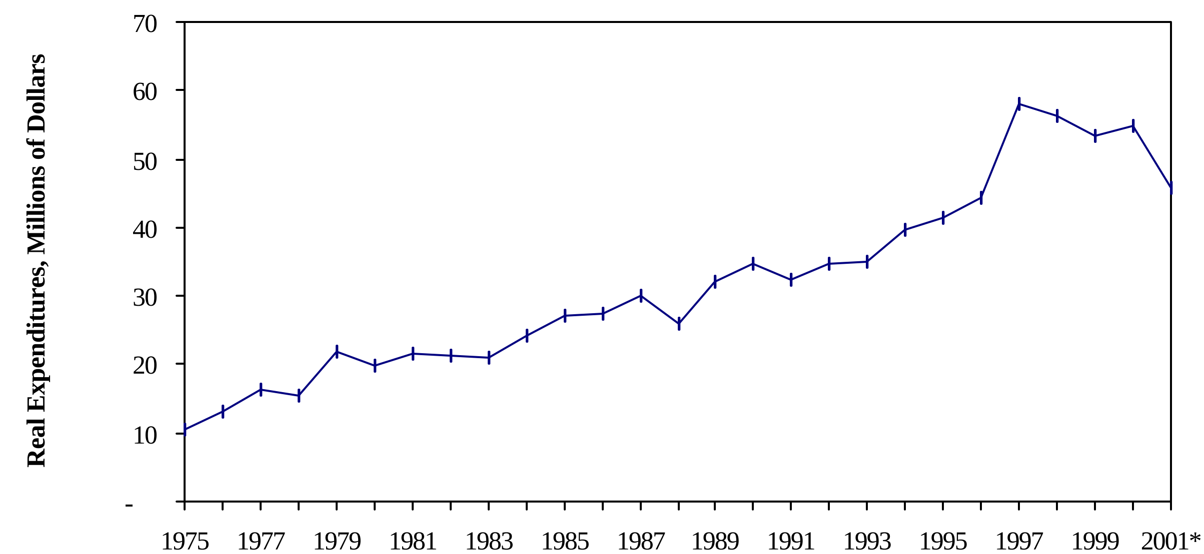
Marketing costs have also increased since 1980, mainly due to the dependence on expensive TV advertising and "saturation releases," the simultaneous opening of films in several thousand theaters. Most analysts agree that negative costs have been pushed up by escalating salaries for "above-the-line workers," such as top stars and screenwriters. As a result, below-the-line costs became the only variable costs that studios and producers can manipulate. In Los Angeles, below-the-line costs were high because of the high cost of living and the union-controlled wage scale. As a result, producers took production to Southern "right-to-work" states,[‡‡] Canada, and, less frequently, Australia or

[‡‡] A right-to-work law secures the right of employees to decide for themselves individually whether or not to join or financially support a union, meaning there cannot be a union closed shop. These states are listed on Table 17.

other countries. Since below-the-line workers are mostly hired locally, employment opportunities shifted away from California to the new production locations.

Chart 12

Negative Cost Expenditures for Major Film Releases, 1975-2000 (Adjusted for Inflation)



Source: MPAA, *2001 Economic Review*, California Research Bureau. Inflation adjustment using California CPI from the Ca. Dept. of Finance. * 2000-2001, abandoned project costs no longer a part of negative costs.

In the 1980s, below-the-line labor cost differentials between producing in Hollywood and producing elsewhere were large. According to Department of Labor statistics from 1987, residents of right-to-work states employed in film and TV productions were earning on average 83 percent less than their counterparts in non-right-to-work states.[58] The general level of fringe benefits was about three percent of the payroll in right-to-work states compared with 32 percent in Southern California.[59] In the case of Canada, these cost differentials were magnified by the strength of the U.S. dollar.

Labor unions have an important influence on the economics of filmmaking. Union guidelines for compensation at each defined level of trade skill are used to calculate below-the-line costs. According to Vogel (2001), a film can be produced with no noticeable qualitative differences for as much as 40 percent less in nonunion or flexible-union territories outside of Hollywood, and independent producers may sometimes attempt to reduce below-the-line costs by filming in such territories.[60] Studios may also make use of an International Alliance of Theatrical Stage Employees[61] contract provision (Article 20) that allows the financing of low-budget nonunion movies and television shows if the studio claims to have no creative control.[62] Article 20 is controversial because studios can cut costs by developing a film concept, farming it out to a nonunion independent, and then taking it back for distribution as a negative pickup while claiming to have no creative control.[63]

Table 16

Negative and Marketing Cost Expenditures for Major Film Releases
(Average Cost per Film in Millions of Dollars)

	Number of MPAA releases	Negatives	Ads	Prints	Total Release Cost	Real Growth in Negative Costs per Film
1980	161	9.4	3.5	0.8	13.7	-9%
1981	173	11.3	3.5	0.9	15.7	8%
1982	173	11.8	4.1	0.9	16.8	-2%
1983	190	11.9	4.2	1	17.1	-1%
1984	167	14.4	5.4	1.3	21.1	15%
1985	153	16.8	5.2	1.2	23.2	12%
1986	139	17.5	5.4	1.2	24.1	1%
1987	129	20.1	6.9	1.4	28.4	10%
1988	160	18.1	7.1	1.4	26.6	-14%
1989	169	23.5	7.8	1.4	32.7	24%
1990	169	26.8	10.2	1.7	38.7	8%
1991	164	26.1	10.4	1.7	38.2	-6%
1992	150	28.9	11.5	2	42.4	7%
1993	161	29.9	12.1	1.9	43.9	1%
1994	183	34.3	13.9	2.2	50.4	13%
1995	234	36.4	15.4	2.4	54.2	4%
1996	240	39.8	17.2	2.6	59.6	7%
1997	253	53.4	19.2	3	75.6	31%
1998	235	52.7	22.1	3.3	78.1	-3%
1999	218	51.5	21.4	3.1	76.0	-5%
2000*	197	54.8	24.0	3.3	82.1	3%
2001*	196	47.7	27.3	3.7	78.7	-16%

Average Negative Costs include production costs, studio overhead and capitalized interest.
*Due to changes in financial reporting regulations, abandoned project costs are no longer a part of negative costs.
Source: MPAA Worldwide Market Research, *2001 U.S. Economic Review*, http://www.mpaa.org.

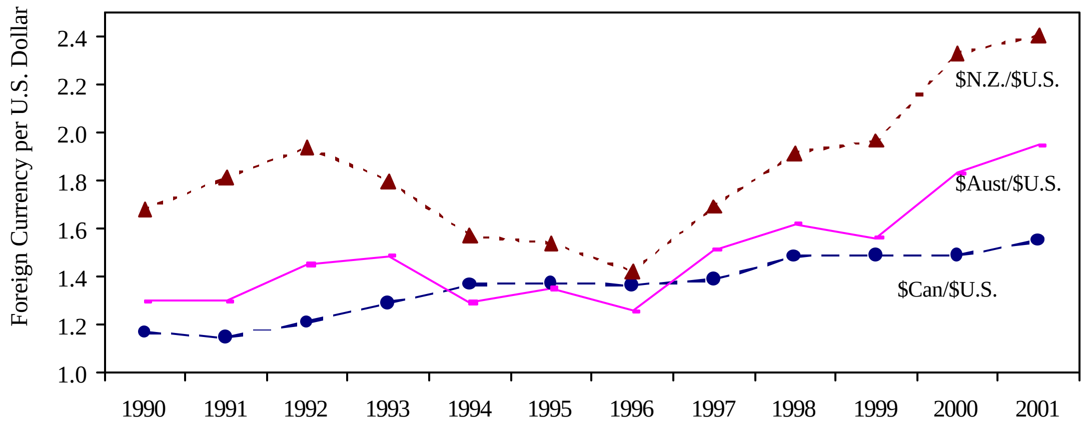
Exchange Rates

While feature film costs have risen dramatically, a strong U.S. dollar also makes it attractive to shift production elsewhere. Chart 13 shows trends for the average number of Canadian, Australian, and New Zealand dollars per U.S. dollar from 1990 to 2001. Since 1990, a rising number of Canadian dollars has been needed to purchase one U.S. dollar, representing a decrease in the value of the Canadian dollar against the U.S. dollar. The value of the U.S. dollar affects movie profitability because 30 to 40 percent of gross rentals earned by the majors are generated outside the domestic market (the U.S. and

Canada). According to Vogel (2001), a strong dollar is associated with lower foreign ticket revenues and studio profitability. Although there is some countervailing effect from the lower costs of shooting pictures in weak-currency countries and from maintaining foreign-territory distribution and sales facilities in such locations, a strengthening U.S. dollar exchange rate will, on balance, noticeably decrease movie industry profitability.[64]

Chart 13

Annual Average Exchange Rates Against the U.S. Dollar 1990-2001: Canada, Australia, and New Zealand



Source: Federal Reserve Bank of St. Louis, FRED, http://www.stls.frb.org/fred/.

Incentives

One measure of increased interest in encouraging entertainment production is the proliferation of film offices worldwide. Many countries and all 50 U.S. states have film commissions, plus many local offices. Fifty-six local California jurisdictions have film offices.[65] Many film offices have extensive websites.

Another measure of interest in attracting film production is the range of financing and tax incentives offered by countries, states, and some cities. Within the United States, common types of incentives are sales tax incentives, rebate/exemption of transient occupancy (hotel) taxes, no fees for filming on state properties, and a simplified permit process. Some states have no permits. California has numerous incentives for the film industry, including a sales tax exemption for some purchases. Most of these incentives were enacted by the California legislature in the mid-1990s. Relative to other states, California has a good incentive program, but some states have even stronger ones. Minnesota and Oklahoma, for example, have production cost rebates. North Carolina, Florida, and New York also have wide-ranging incentives.

Most of these tax breaks represent a small portion of operating expenses, and are really only a small incentive. "What distinguished some states from others is the degree to which they finance or subsidize both the physical and human infrastructure that supports the industry."[66] North Carolina has been the one of the most aggressive states in pursuing the film industry and has had generous public resource support to do so.[67] It has more studio production complexes and soundstages than any state outside of California as well as an excellent school of filmmaking with good film production facilities. Florida also has a filmmaking master's degree program at Florida State University with a modern soundstage facility.

Common state-based incentives are summarized in Table 17. These include sales tax incentives, state hotel tax exemptions, and few or no permits. The minimum length of stay (number of days) before obtaining the hotel tax exemption is listed in the state hotel tax column. Other incentives summarized are income tax breaks and production cost rebates. Some states consider filming a manufacturing activity, and thus grant producers many tax breaks. Right-to-work states are also identified.[68] Not all of them advertise their right-to-work laws as an incentive to filmmakers, but some do.

Most developed countries except the United States offer financing and tax incentives to attract film production. Some countries offer incentives to domestic producers only, while other countries target both domestic and foreign producers. Canada seems to be viewed by other U.S. states as the most aggressive foreign country with respect to efforts to attract film production. To advertise their incentives, Canadian film commissions have elaborate websites and their representatives attend events in Los Angeles, New York City, and other U.S. production centers. Canadian incentives aimed primarily at reducing labor costs both at the federal and the provincial level are more attractive than those currently offered by U.S. states, including California.

Incentives offered by U.S. states and by English-speaking countries such as Canada, the United Kingdom, Australia, Ireland, and New Zealand are described in Appendix E.

Table 17

Film Incentive Programs by State

State	Sales Tax	Income Tax	Production Cost Rebate	State Hotel Tax	Permits	Filming As Manufacturer	Right-to-Work
Alabama	Yes			30	None		Yes
Alaska							
Arizona	Yes			> 30			Yes
Arkansas	Yes						Yes
California	Yes						
Colorado				30			
Connecticut	Yes			> 30			
Delaware				> 28			
District of Columbia							
Florida	Yes						Yes
Georgia	Yes						Yes
Hawaii		Yes					
Idaho				30			Yes
Illinois				30			
Indiana							
Iowa				30	Few		Yes
Kansas	Yes						Yes
Kentucky	Yes						
Louisiana	Yes			> 30			Yes
Maine	Yes			> 28			
Maryland	Yes						
Massachusetts							
Michigan				> 30			
Minnesota	Yes		Yes				
Mississippi					None	Yes	Yes
Missouri		Yes					
Montana				> 30			
Nebraska					Few		Yes
Nevada							
New Hampshire					None		
New Jersey	Yes			90			
New Mexico		Yes		30			
New York (City)	Yes			Varies		Yes	
North Carolina	Yes						Yes
North Dakota							Yes
Ohio							
Oklahoma	Yes		Yes				Yes
Oregon							
Pennsylvania	Yes			30			
Rhode Island							
South Carolina	Yes						Yes
South Dakota							Yes
Tennessee	Yes				Few		Yes
Texas	Yes			30	None	Yes	Yes
Utah				30	None		Yes
Vermont	Yes	Yes		31	Few		
Virginia	Yes			> 90			Yes
Washington	Yes			30			
West Virginia							
Wisconsin					None		
Wyoming	Yes		Discount	30			Yes

THE IMPACT OF RUNAWAY PRODUCTION ON THE U.S. ECONOMY

The Monitor report finds that runaway film production is having an increasingly dramatic impact on U.S. film and television production, especially in the area of made-for-television movies. The report documents how runaway film production has affected thousands of workers in industries from computer graphics to construction and catering. Each time a film or television production leaves the U.S., ten to 30 supporting actors; stunt and background performers and 40 to 150 crewmembers are hired in a foreign location instead of in the U.S. From 1989 to 1998, a total of 125,100 full-time equivalent positions were lost due to "economic" runaway film production, a trend the report expects to increase. Nearly four times as many jobs were lost in 1998, estimated at 23,500 full-time equivalent positions, as in 1990, estimated at 6,900 jobs. These estimates are direct job losses, not including multiplier effects.*

The Monitor report estimate of a $10.3 billion loss to the U.S. in 1998 due to economic runaway production comprises:

- $2.8 billion in lost direct production spending
- $5.6 billion in multiplier effects
- $1.9 billion in lost tax revenue†

How large is this $10.3 billion loss in relation to the total impact of film production expenditures of U.S.-developed theatrical films and television on the U.S. economy? Monitor estimates the total impact on the U.S. economy from direct production expenditures at $74.3 billion. This includes expenditures on projects that were filmed wholly or partially in the U.S. The $10.3 billion lost due to U.S. economic runaway productions represents almost 14 percent of the total $74.3 billion. The economic impact methodology used in the Monitor report, which relies on multipliers, is discussed in Appendix D, Method 2.

Canadian sources dispute the magnitude of the Monitor findings. If direct production expenditure dollars lost due to economic runaways were $2.8 billion, as the Monitor report found, the presumed Canadian share (81 percent) would be $2.24 billion in 1998.

- An Ernst & Young study, commissioned by the Directors Guild of Canada in response to the Monitor report, derived a much smaller, but still significant, economic loss: $1.74 billion.[69]
- The Canadian Film and Television and Production Association estimates that total revenues from foreign film shooting in Canada in 1998/99 were just $740 million (C$1.1 billion) and in 1999/00 were $1 billion (C$1.5 billion).[70]

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* These U.S. job loss estimates seem high. According to Canadian industry estimates, there were 41,900 direct jobs in 1998-99 in film and television production in Canada. Official Canadian job estimates were 30,496 in 1998. (Chart 16).

† The tax revenue is lost from the point of view of U.S. government revenue collection but not from the U.S. as a whole. Most economists would agree that including the $1.9 billion in the total $10.3 billion amounts to double counting.

- According to Pamela Brand, National Executive Director, Directors Guild of Canada (DGC), 5/29/00: Based on the number of films registered with the Commission, DGC estimates that U.S. filmmakers spent $573 million in 1998.[71]

Major discrepancies also exist between estimates for the amount spent in Canada by U.S. filmmakers. The 2001 U.S. Commerce report, *The Migration of U.S. Film and Television Production* contrasts estimates using official U.S. trade data with estimates using production budget data from Steve Katz & Associates:[72]

- U.S. trade statistics: Payments by a U.S. film company to foreigners are considered a U.S. import of services. One of the line items in the services trade data, "Miscellaneous disbursements," includes subcategories "disbursements to fund production costs of motion pictures" and "disbursements to fund production costs of broadcast program material other than news."[73] Using these data and several other assumptions, the U.S. Commerce report estimates total payments to Canada in 1999 for motion picture and non-news television production of about $630 million.[74]
- Using data from the 1999 Katz report, total budgets for runaway productions to Canada were estimated at $2 billion (constituting $1.5 billion in payments for feature-film production in 1999, $300 million for MOWs and $200 million for television series programming and commercials). Assuming that half the film budget is spent in Canada, about $1 billion was spent there, a bit less than twice the estimate of $630 million based on official data.[75] The methodology used to obtain economic impact estimates using sample production budgets is also described in Appendix D, Method 4.

The U.S. Commerce report notes that these estimates ignore multiplier effects and concludes that:

> "What is clear from this discussion is that the official data on disbursements and the industry data collected and analyzed by Katz & Associates produce different results for total film import figures from Canada. The analysis of U.S. payments for film and television production in Canada suggests that the payments may be considerably higher than what the official import statistics would seem to indicate. Thus, if the Katz data are accurate, and most industry observers believe that they are, once again, official import data do not give a satisfactory picture of what is happening in the industry."[76]

For movies-of-the-week, lost revenues are estimated in the Association of Imaging Technology and Sound report. This report estimates that approximately $775 million in direct production and post-production revenues were lost due to runaway production between 1996 and 2000.[77]

THE IMPACT OF RUNAWAY PRODUCTION ON THE CALIFORNIA ECONOMY

U.S. regional impacts of runaway production were measured in the Monitor report by using direct production expenditure data. From 1990 to 1998, larger production centers such as New York City and Los Angeles experienced growth in production expenditures while smaller production centers, which often get small-budget projects, were more affected by runaway production. Direct production expenditures in North Carolina declined 35.8 percent from 1995 to 1998, a decrease of $120 million. Washington State, Illinois, and Texas also experienced declines of 37.5 percent, 19.8 percent and 31 percent respectively. Collectively, these four states lost almost $200 million in direct production expenditures between 1995 and 1998. Using production expenditure criteria, therefore, California suffered less between 1990 and 1998 because of production runaways to foreign countries than many other states did.[78]

What is the effect on output and employment of a film that "runs away?" Estimates vary.

- According to a May 1999 report by the Film and Television Action Committee, California's loss of a relatively low budget, $18 million feature film to a foreign location, would cost the state a total of $7 million and 592 jobs in above-the-line and below-the-line employment.[79]
- Ron Ver Kuilen, director of the Illinois Film Office, estimates that the expenditure of $10 million of total production dollars represents a loss or gain of 300 to 400 jobs.[80]
- According to estimates by the Chicago Film Office and the Illinois Film Office, every $10 million of lost or gained revenue results in 2,500 jobs lost or gained.[81]

SOME FILM PRODUCTION IS GOING TO OTHER STATES

Thirty years ago, California was the world's only major film producer. It still dominates the industry, but production capacity has spread to other states and countries. States with major film industries are California, New York, Texas, Florida, Illinois, and North Carolina. States with growing film industries are Nevada, New Jersey, Arizona, Utah, Louisiana, Washington, and Massachusetts.

In the late 1980s and 1990s, North Carolina and Florida were the states that benefited the most from production that ran away from Los Angeles.[82] The North Carolina film industry developed 29 sound stages (more than any state other than California), a state-sponsored film school in Winston-Salem, and a large pool of well-trained technicians and crewmembers. Wilmington, North Carolina, grew into the second largest film-production center on the East Coast. Factors such as North Carolina's right-to-work status, its nonunion labor, and its business incentives packages have transformed the state into one of the most attractive, low-cost production areas in the U.S. as well as the most business-friendly. North Carolina did not develop its own local film production, however. In the late 1980s, Florida became the site of two large studios: Universal and Disney/MGM, both located next to Disney World and the Epcot Center in Orlando.

What are other states saying about their movie production industry? How do they view Hollywood and runaway production? The Florida Economic Assessment report issued in December 2000 highlights its concerns with runaway production and intentions to change state policies accordingly.[83]

- *"Runaway productions are becoming an increasing problem*. Currently, with the incentives provided by international governments and exchange rate issues, U.S. developed productions can save up to 23 percent on the cost of production by filming in Canada, Australia, or the United Kingdom…."
- *"The State has not provided adequate incentives to businesses in the film and entertainment industry."* In 2001, Florida improved its tax incentive program by adding a sales tax incentive.
- *"There is a lack of cooperation among regions, businesses, and organizations within the industry in the State."* Florida's competing regional film commissions are often cited as examples of intense competition with some counterproductive results. According to Hozic, "The effects of their fratricidal struggle were such that the state started lagging behind North Carolina both in the number of films produced and the revenue generated by film productions."[84]

The report on the New York City film industry done by the Boston Consulting Group (BCG) in 2000, on the other hand, points out the reasons for New York City's failure to attract more films. The BCG report also analyzes a firm's location decisions using interview data. Among the study's most interesting findings:

- *Traditional media location decisions are driven by cost, script requirements and talent preferences.* Generally, in the absence of unique script or talent situations, cost will be the main driver of the location decision. Within traditional media, features, television, and commercials value the three main criteria differently. In general, as budgets get smaller for television movies and commercials, cost becomes more important in location decisions. *In comparison with the three main criteria, government incentives are not very important.*
- *Digital media location decisions are driven by availability of labor, industry cluster advantages, and availability/cost of space*. Access to talent is a primary concern. This section of the report compares New York and California, finding:[85]

    (1) *California attracts more talent than New York*. Support for this claim rests mainly on education statistics: "Although New York State has a relatively equal share in top creative programs, New York State is disadvantaged in top engineering programs. Two of the top three computer engineering specialty programs are located in Silicon Valley, for example. Moreover, California schools have the best reputations in computer-aided graphics/digital media."

    (2) *Lack of industry critical mass in New York further hurts the ability to attract talent*. Critical mass is needed to support freelance worker community: "Talent moves to California because they need a large pool of companies who can offer a steady stream of work – New York lacks the critical mass to supply a strong job network," said one digital media

> executive. Moreover, talent attracts more talent: "I lose a lot of people to California because they feel that they have learned all they can here in New York and need to move on to more 'cutting edge' work," said another digital media executive.

Other comments on New York's competitive position:

- Among major production centers, Canada is the most aggressive with direct subsidies.
- U.S. film companies have not benefited from federal subsidies. Other English-speaking countries are offering direct budget support.

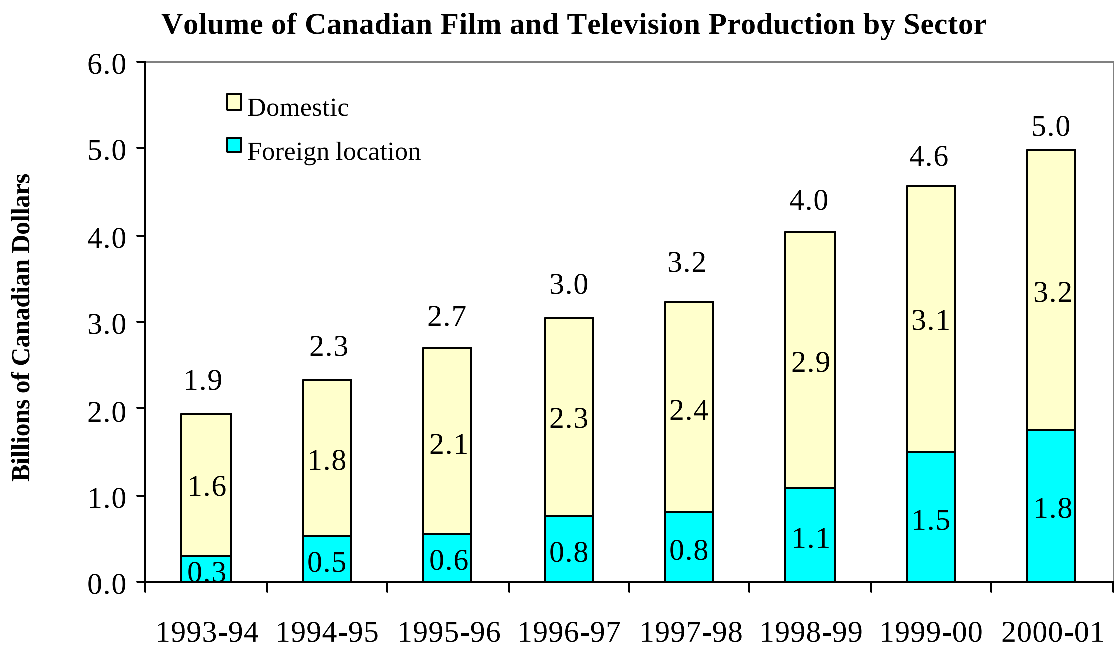
SOME FILM PRODUCTION IS GOING TO OTHER COUNTRIES, ESPECIALLY CANADA

Canada's share of total U.S. economic runaways increased from 63 percent in 1990 to 81 percent in 1998. In 1998, there were 285 economic runaways, of which 232 went to Canada. The Monitor report estimates that U.S.-developed productions located in Canada have been able to realize direct savings of approximately 17 percent to 20 percent. After the production is completed, additional savings can be realized by applying for tax rebates associated with Canadian labor spending, resulting in total budget savings of up to 26 percent. Approximately 60 percent of the direct savings come from below-the-line labor cost differences. Labor rates and fringe benefits, for example, are lower in Canada.

Canada's film industry grew rapidly in the 1990s, with U.S.-developed productions widely recognized as making a major contribution to that growth. Most production took place in British Columbia, Ontario, and Quebec. The industry experienced 13 percent average annual growth for the last five years, increasing in volume from C$1.9 billion in 1993-94 to C$5.0 billion in 2000-01 (Chart 14).

Foreign location shooting in Canada, the majority of which can be presumed to be U.S. runaway production, increased almost six-fold during the period 1993-94 to 2000-01. In 2000-01, foreign production volume was C$1.8 billion, representing a 17 percent increase over the previous year. Foreign location television production, which represents 24 percent of all television production in Canada, increased 35 percent in 2000-01 to C$904 million. Foreign theatrical production, which represented 70 percent of all theatrical production in Canada, grew only three percent to C$858 million in 2000-01. This slow growth in foreign theatrical production is down substantially from the high growth in the two previous years (Chart 14 and Table 18). In 2001, U.S. runaway production to Canada reportedly slowed because (1) Hollywood studios and networks required less product after hoarding programming in anticipation of a strike by Los Angeles writers and actors in Spring 2001, and (2) the September 11 terrorist attack cut into travel. Canadian producers and actors are not anticipating a steady return of runaway production before Spring 2002.[86]

Chart 14



Source: Canadian Film and Television Production Association and l'Association des Producteurs de Films et de Television du Quebec, *Profile 2001* , Exhibit 3, p. 19 and *Profile 2002* , Exhibit 3, p. 19. Domestic production includes CAVCO certified, CAVCO non-certified, and broadcaster in-house. PricewaterhouseCoopers recently revised the 1998 and 1999 estimates upwards.

Table 18

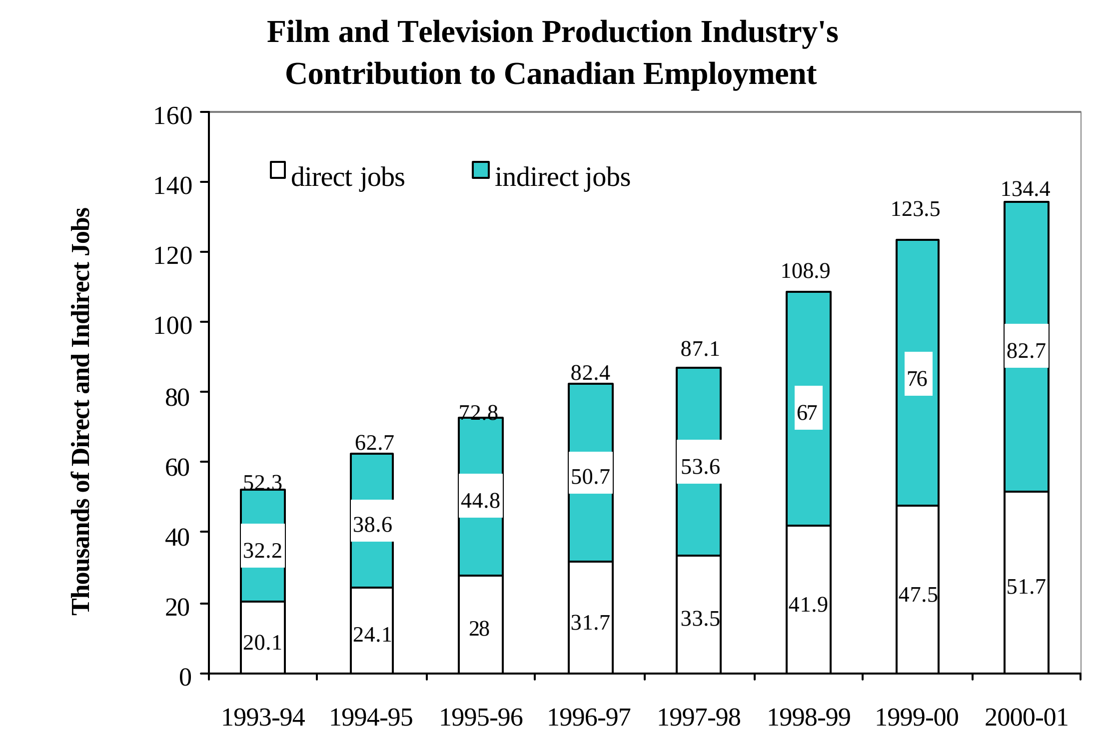
Foreign Location Television and Theater Production in Canada
Millions of Canadian Dollars

	1996-97	1997-98	1998-99	1999-00	2000-01
Foreign Location Television	$448	$523	$530	$672	$904
Foreign Location Theater	$320	$295	$566	$834	$858
Foreign Location	$768	$818	$1,096	$1,506	$1,762
Foreign Location as a Percent of Total Canadian Production	25%	25%	27%	33%	35%

Source: CFTPA, APFTQ, and PricewaterhouseCoopers, *Profile 2002*, Exhibits 9 and 11.

In Canada, total motion picture production employment, including direct and indirect jobs, more than doubled from 52,300 jobs in 1993-94 to 134,400 jobs in 2000-01. Direct jobs correspond to official employment statistics in the motion picture industry while indirect jobs include jobs related to films in other industries. Of the 134,400 jobs in 2000-01, 51,700 were direct jobs and 82,700 were indirect jobs.[87] Chart 15 shows Canadian estimates for direct and indirect jobs between 1993 and 2000. On a percentage basis, Canadian estimates for indirect jobs are higher than California estimates done by LAEDC, CCSCE and MPAA.[88] See Appendix A for indirect job estimate details.

Chart 15



Source: Canadian Film and Television Production Association and l'Association des Producteurs de Films et de Television du Quebec, *Profile 2002* , Exhibit 20, p. 31 and *Profile 2001*,Exhibit 13, p. 27. PricewaterhouseCooper's estimates based on CAVCO, Statistics Canada, CRTC, CBC/SRC, and the Dept. of Canadian Heritage.

COMPARE MONITOR REPORT ESTIMATES OF U.S. JOB LOSSES WITH CANADIAN EMPLOYMENT ESTIMATES

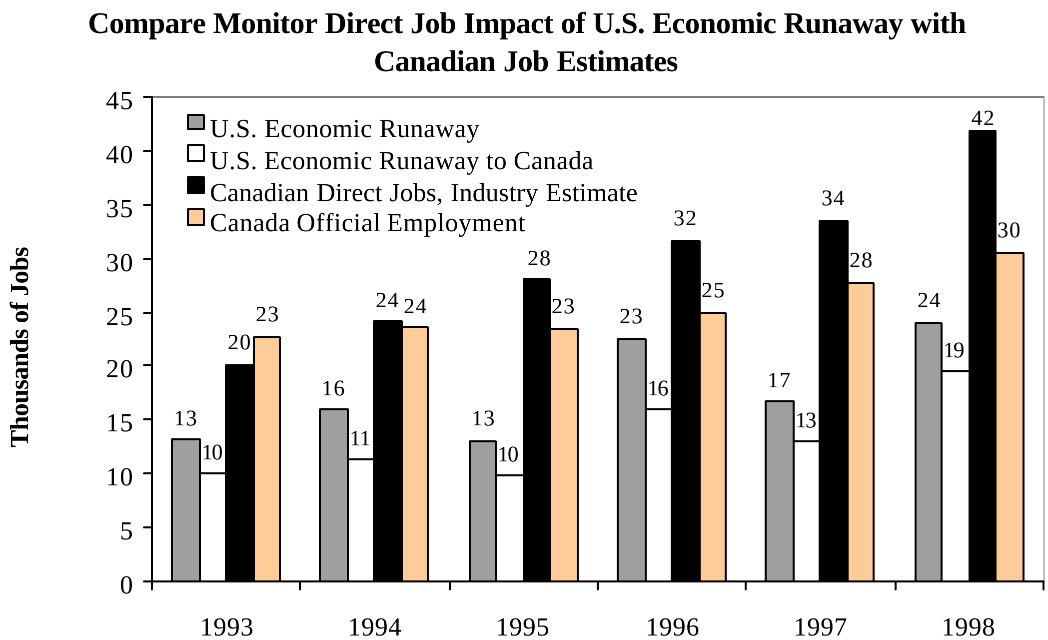
Since most U.S. economic runaway productions go to Canada, U.S. job losses should show up as job gains in Canada. Chart 16 compares Monitor report estimates of U.S. job losses to Canada with Canadian employment figures in motion pictures. For 1993 to 1998, Chart 16 includes:

- the Monitor report's estimate of the number of U.S. jobs lost to the rest of the world due to economic runaways,
- the number of U.S. jobs lost to Canada due to economic runaways,[‡]
- the Canadian industry estimate of direct jobs in motion picture production, calculated by PricewaterhouseCoopers (PwC) in conjunction with the Canadian Film and Television Producers Association (CFTPA) and l'Association des Producteurs de Film et de Television du Quebec (APFTQ), and

[‡] The Canadian share of total U.S. economic runaways (in terms of the number of productions) was 76 percent in 1993, 71 percent in 1994, 76 percent in 1995, 71 percent in 1996, 78 percent in 1997 and 81 percent in 1998. (Monitor report, p. 9).

- an official estimate of motion picture industry employment calculated by Statistics Canada using administrative data in its report, *Annual Estimates of Employment, Earnings and Hours*.[89]

Chart 16



Source: Monitor report, p.16; CFTPA and APFTQ, *Profile 2002*, p. 31; Statistics Canada, Annual Estimates of Employment, Earnings, and Hours, NAICS 5121.

PwC job estimates are not strictly comparable to those of Statistics Canada because PwC's employment figures are an estimate of full-time jobs and full-time equivalents while Statistics Canada's figures represent the sum of all full-time and part-time jobs.[90] As the last two columns in Chart A4 illustrate, Canadian film industry estimates show higher employment growth than the official source. Canadian data using fiscal years are matched to calendar years as follows: 1993-94 fiscal year equals 1993 calendar year.

Using the higher Canadian estimates done by their film industry, U.S. economic runaway jobs to Canada as a share of total Canadian motion picture employment range from 35 percent in 1995 (10,000 jobs lost in the U.S. in 1996 out of 28,000 total in Canada) to 50 percent in both 1993 and 1996 (16,000 U.S. jobs lost in 1996 out of 32,000 total in Canada).[§] The 35 to 50 percent shares seem high relative to the proportion of total production dollars spent in Canada on foreign location production (Table 18), which are on the order of 25 to 35 percent. Further research matching U.S. job losses and Canadian job gains should be carried out.

[§] If creative runaway jobs from the U.S. to Canada were included, then these shares would be even higher. Production locations of U.S. creative runaways were not reported in the Monitor report.

The Monitor Company derived its estimates of full-time equivalent positions by dividing the number of runaway productions by the average number of projects a director, production manager, artist or craftsperson, etc. completes in a year. Screen Actors Guild full-time equivalent positions, on the other hand, were based on an average annual utilized member income.[91]

POLICY OPTIONS

Examples of steps that have been taken recently to stem the tide of runaway film production by U.S. legislators and industry activists are:

- Federal legislation has been proposed for wage tax credits in the motion picture production industry.
- Several bills have been proposed in the California legislature for tax credits for film production costs, loan guarantees for California films, and commitments to improve the business climate in the State.
- Governor Gray Davis has proposed a wage tax credit for California-based productions, effective 2004.
- Many states, including California, are introducing or expanding incentive programs to attract and retain film production. Minnesota, for example, increased its "Snowbate" program in Summer 2001 from a five percent production cost rebate to a ten percent rebate. Oklahoma now offers a 15 percent rebate on production dollars spent in state.
- A coalition of Hollywood unions submitted a petition to the International Trade Administration (U.S. Dept. of Commerce) and the U.S. International Trade Commission requesting that countervailing duties be imposed on film and television products imported from Canada to the United States.

In this section, policy options and analyses by various authors are outlined.

The Los Angeles County Economic Development Corporation (LAEDC) 2001 Film Industry Profile notes that the motion picture industry continues to be in a period of major change and has been "traversing a bumpy road."[92] LAEDC recommends that Los Angeles should:

- Acknowledge that motion picture/TV production is an important component of the local economy, and step up efforts to support it.
- Acknowledge that motion picture production is becoming a global business, that studios are part of conglomerates and that not everything will be produced locally.
    - The Los Angeles film community needs to recognize the level of competition for production business, and review its cost structures to keep them competitive.
- Care must be taken with the incentive game, as this is a never-ending spiral. If the U.S. government institutes incentives, how soon will the competition respond?

- Recognize the many local assets for the film industry – the cluster of allied industries, the large and skilled pool of local talent, and the access to cutting-edge technology. These assets may need to be communicated more vigorously.

Clough (2000) notes the following key findings on the subject of runaway production and the industry's long-term future:

- In a large and fast-growing industry, expanding production outside of Southern California need not depress activity within the region – much as the Silicon Valley high-tech economy expands even as production facilities move elsewhere.
- Southern California retains a strong competitive edge in pre-production and post-production activities – segments with high wages and high value added.
- The dominant future trend in the industry is digitization – the conversion of images, sound and text into machine-readable form – and the growth of computers and the Internet as both a production and distribution medium. Whoever wins in the competition for leadership here will be the industry leader, and Southern California can act to strengthen its initial advantages. Clough adds that one of Southern California's competitors could be the San Francisco Bay Area.

While foreign productions may have reduced the total share of films and television shows shot in Hollywood, absolute levels of production in Hollywood increased during the 1990s. According to the EIDC, the total number of film production days in L.A. (which include commercials, theatrical films, music and TV shows) increased from 26,640 in 1993 to 46,808 in 2000.[93] According to the Monitor report, U.S. domestic productions increased from 507 in 1990 to 676 in 1998. The Monitor report comments, "To a certain extent, this growth has masked the true impact of runaway production by creating a 'rising tide' for the domestic production industry." Clough looks at the same increase in production and has a different point of view: "This suggests the situation is not a zero sum game. If, as foreign production increases, the global demand for filmed entertainment also increases, Hollywood could prosper even if its overall share of world production decreases."[94]

As the global market for filmed entertainment (and digital content, more generally) grows, Clough notes that foreign production will inevitably expand because:

- Tremendous market growth has increased the economic gains to be made from developing a competitive filmed entertainment cluster.
- The transport/communications revolution has made it easier for film producers to work in locations outside Hollywood.
- Globalization has had the paradoxical effect of heightening fears that local cultures will be "Americanized;" so new impetus has been given to efforts to protect indigenous "cultural industries."
- As the importance of the non-U.S. market has grown, producers are now more concerned about making sure that their product will sell as well in the global

market as in the domestic market. To do that, they need to be close to the market to better understand local audience tastes and ensure local appeal.

In the foreign television market, incentives for Hollywood studios to expand television production in other countries (by engaging in co-production with foreign companies or building additional facilities abroad) are greater than the incentives for them to expand film production in other countries. Hollywood productions of television shows in other countries are certain to increase because foreign television viewers tend to prefer local fare. Moreover, because of the size of the budgets, cost considerations are very important in deciding where television films are produced.

Clough lists barriers to developing effective regional strategies:

- The assumption that the filmed entertainment market can be divided into domestic and foreign segments. This assumption underlies the mistaken belief that Southern California's interests lie mainly in protecting Hollywood's ability to produce films and shows for the U.S. domestic market.
- Problems with the Monitor report's definition of 'runaway productions:'[**]
    - It fails to take into account the fact that, even if Americans aren't the primary audience for a film, the global reach of U.S. media outlets presents powerful marketing reasons to release a film in the U.S. first.
    - It fails to recognize the growing importance of the transnational segments (such as Latinos) of the global market.
    - It assumes that the norm is for filmed entertainment to be developed and produced in the same country or region.
- Clough believes that focusing narrowly on efforts to change the economic equation that makes it more profitable to film some productions in places such as Canada and Australia is misguided. Southern California should pay more attention to enhancing its existing advantages in pre- and post-production. It should recognize that some production will run away, and it should work to ensure that other regions do not have strong incentives to strengthen their own pre-production/development capabilities. The region's advantages in pre-production may become its strongest advantage.
- Not recognizing that the most serious threat to Hollywood is likely to be posed by digitization and restructuring, not runaway production.

Hollywood is likely to remain a major filmed entertainment production center for the indefinite future because of its comparative advantages in workforce size, skills and production infrastructure. It is also home to so many of the industry's leading producers, actors and directors. Clough's strategy for Southern California follows:

(1) The need for regional leadership – "the ability of the Southland to realize the dream of becoming "Tech Coast" will depend largely on its ability to use the

[**] According to the Monitor report, runaway productions are ones that "are developed and are intended for initial release/exhibition or television broadcast in the U.S. but are produced in foreign countries." P. 2.

comparative advantages created by its filmed entertainment cluster to compete with Silicon Valley, Greater Seattle, and other metropolitan regions in attracting the individuals and companies who will shape the new digital-global economy."[95]

(2) Capitalize on Diversity: They need a coalition of the region's old downtown establishment and the new ethnic communities' leaders.

(3) Establishing global partnerships.

(4) Build a bridge to the Bay Area; and

(5) Establish stronger ties to educational institutions.

Scott (2001) is optimistic about Hollywood's ability to remain the center of an increasingly complex and global industry: "There is every likelihood that Hollywood will continue indefinitely to lose certain kinds of production to one country or another, subject to the availability of adequate sound state facilities and crews at alternative locations. A dramatic parallel case can be found in the Los Angeles fashion industry. So far, runaway production has not seriously undermined the vitality of the Hollywood film industry, and it may well never become life threatening, at least in the more creative segments of the industry. This inference is based on a presumption (a) that Hollywood's towering competitive advantages in pre- and post-production work will continue and (b) that films requiring close supervisory control and complex customized inputs at all stages of production will continue to constitute a significant core of the industry's product range."[96] Scott (2002) notes, however, that, "a new crisis may be in the making as runaway production continues to accelerate. Over a more distant time horizon, too, competitive conditions may well become more difficult for Hollywood production companies as new and revivified cultural-products agglomerations continue their rise in many different parts of the world."[97]

More pessimistic views about Hollywood's future as the center of the entertainment industry have been made by Aksoy and Robins[98] to the effect that "Hollywood is now everywhere… production now moves almost at will to find its most ideal conditions, and with it go skills, technicians and support services." Hozic[99] talks about "Hollywood's exodus into worldwide locations." Scott comments that these claims are "exaggerated and premature."[100] Veron (1999) points out that this debate is fundamentally about whether geography matters. In other words, whether the geographic concentration of firms, resulting in low costs of negotiating and increasing returns, accounts for Hollywood's competitive advantage.[101]

Vogel (2001) explains the dominance of Hollywood, current and past, as a function of historical happenstance, technological development, availability of capital, application of marketing prowess, the large U.S. home market, culture, and the use of English. "Given these advantages it seems unlikely that the export dominance of the U.S. feature film business will be seriously eroded anytime soon. But in television, application of new technologies and the development of regional production skills suggest that the U.S. share will probably be reduced."[102]

In their study on the film industry and local economic development in Texas, Weinstein and Clower (2000) conclude that although the production of films and videos can generate significant direct and indirect economic benefits for communities, policymakers "should realize that the potential for growth in this industry outside California and New York is limited…. a careful assessment should be made before allocating scarce fiscal resources to lure the filmmaking business."[103]

A view from Europe: Comments from "The Strategic Development of the Irish Film and Television Industry 2000-2010," Industry Strategic Review Group, August 1999, p. 35.

> "There are significant differences between the American industry and market and the industry in all other countries. The United States market is large, uni-lingual, and culturally more homogenous than Europe. It sustains a number of powerful 'Major' players as well as strong independent producers. The majors are highly diversified and integrated; their film activities benefit from synergies with related activities in media, publishing and other entertainment. U.S. films command some 80 percent of world market share in theatrical film and some 70 percent market share in television fiction."
>
> "Though Europe is potentially a larger market for film entertainment, it is fragmented by comparison to the U.S., politically, culturally and linguistically. Its film production sector is also fragmented in spite of the fact that Europe possesses some media and publishing corporations (with film production interests) as large as their U.S. counterparts. American producers dominate European distribution and screen exhibition and their European sales are incremental to the more profitable U.S. market, where their dominance is more complete. In spite of signs of revival and some recent successes, Europe has failed to develop products with the same international audience appeal as the U.S. product. This has led to a situation whereby Europe, potentially the largest and most complex market in the world, is controlled by another market…. the relative rise and decline of different sectors and the impact of new technologies may have altered this picture somewhat and may alter it still further over the next few years. However the Review Group believes that there is no room for wishful thinking about the international structure of the industry."

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APPENDIX A

EMPLOYMENT ESTIMATES

Data sources and estimates for establishment-based employment statistics are compared in this Appendix. Data sources are divided into survey sources and universe counts. Estimates for motion picture production employment in 1996 are compared.

Tables listing various employment estimates between 1996 and 2001 follow the text. Table A1 describes categories of workers included by each data source. Subsequent tables present employment estimates first using the narrowest definitions of motion picture production (Table A2), then the motion picture industry (Table A3) and finally, the entertainment and multimedia industries (Table A4). Table A5 shows the correspondence between the old 1987 SIC codes and the new 1997 NAICS codes. Using NAICS, motion picture production employment is lower because most services allied to motion picture production were classified into other industries. Table A6 shows 1999 production data for all states using the narrower NAICS definition. Chart A1 compares employment estimates from Table A2 for motion picture production. Chart A2 compares the broader estimates for the motion picture industry, the entertainment industry, and the multimedia industry from Tables A3 and A4.

SURVEY DATA

(1) The **Current Employment Statistics (CES)** survey is a national survey that summarizes monthly employment, hours and earnings data from a sample of employer payroll records. The Employment Development Department (EDD) conducts the survey in California and supplies the U.S. Bureau of Labor Statistics (BLS) with the data. The EDD survey is part of a national monthly survey of 390,000 employers. EDD data are reported by place of work and exclude self-employed persons, unpaid family members, domestics, volunteers and those involved in labor-management trade disputes.

These data are timely but use 1987 Standard Industrial Classifications (SIC), which are outdated.[*] These include establishments that produce, distribute and exhibit motion pictures as well as productions for television or other media using film, tape or other means. The label, "Motion Picture Employment," generally refers to the entire industry (SIC 78), while "Motion Picture Production Employment" refers only to the production end of the business (SIC 781). Production is further broken down into production alone (SIC 7812) and services allied to production (SIC 7819). CES data underestimate the number of people working in the motion picture industry because they exclude most freelance workers, who are usually self-employed and work by the project. In 1996, the CES estimate of the number of California workers in motion picture production jobs (SIC 781) was 127,400.

[*] CES will convert to the new North American Industry Classification System (NAICS 2002) definitions in June 2003.

Several organizations suggest methods to adjust CES employment data to compensate for the underestimate problem. Two examples are CCSCE and LAEDC, which both increase official employment statistics by a given percentage. While a percentage adjustment provides a better idea of the size of motion picture employment at any point in time, it does not provide an estimate of omitted workers that is independent of official estimates. If the percentage adjustment is the same across time, then adjusted data will rise or fall along with the official statistics.

(1a) The **Center for the Continuing Study of the California Economy (CCSCE)** estimates that "There are probably 50 self-employed jobs for every 100 wage and salary jobs."[104] Using this adjustment, CCSCE would increase the CES jobs estimate by 50 percent and estimate approximately 191,000 workers in motion picture production in 1996. Adjusted employment numbers are not presented in CCSCE tables.

(1b) The **Los Angeles County Economic Development Corporation (LAEDC)** adjusts for the underestimate by increasing the CES estimate a little less than 90 percent. The LAEDC adjustment factor was derived using information from the 1998 MPAA survey. Using this method, motion picture production employment in 1996 would have been 240,750 workers. LAEDC publishes adjusted employment figures for Southern California in their *Film Industry Profile,* September 2001.

(2) The **Motion Picture Association of America (MPAA)** compiled 1996 data from its own survey and released a report in 1998 entitled, *Survey of the Industry: The Economic Impact of the Entertainment Industry on California*. The entertainment industry is defined by the MPAA as the manufacture of motion pictures, television and commercials. The MPAA definition does not include music videos, still commercial photography, documentary films or industrial films. All these other film-related projects can include the same workers employed in motion pictures, television and commercials. However, since they were not included in the surveys conducted by MPAA, total industry employment was underestimated. The MPAA survey also excludes part-time workers, and many of the fees and payments made by major studios and television networks. An update of this report is scheduled for release in April 2002.

The major studios and participating networks provided full-time employment data to the MPAA. The California Employment Development Department (EDD) provided data on employees of specialized suppliers and services directly allied to the production industry. These included such facilities as film labs, special effects and digital studios, location services, prop and wardrobe houses, research services and film stock houses, videotape duplicating services and stage rental facilities.

Full-time equivalent freelancers were identified by entertainment payroll companies, entertainment unions and guilds, and health benefits plans. Data from payroll companies identified workers who were not members of a union or guild. The health benefits plans identified those workers who earned full benefits, and were therefore considered full-time workers. Since many workers do not work full-time, the total number employed in the entertainment industry is underestimated.

Participants in the 1998 Motion Picture Association of America survey:

- *Studios and Networks*: The Walt Disney Company, Metro-Goldwyn-Mayer, Inc. Paramount Pictures, Sony Pictures Entertainment, Twentieth Century Fox Film Corp., Universal Studios, Inc., Warner Bros., ABC, Inc., CBS Broadcasting, Inc., Wilshire Court Productions.
- *Payroll Companies*: Axium Entertainment Services, Cast & Crew Entertainment Services, Entertainment Partners.
- *Unions and Guild/Producer-Union Health Plans*: Directors Guild of America, Motion Picture Industry Pension and Health Plan, Screen Actors Guild, Writers Guild of America.
- *Other Groups*: Alliance of Motion Picture and Television Producers, California Film Commission, Entertainment Industry Development Corp., California Employment Development Dept., Labor Market Information Division, Los Angeles Economic Development Corporation.

MPAA estimates for entertainment industry employment in 1992 and 1996 are shown in Table A4.[105] Direct employment estimates are given for 1996: 226,000 full-time workers in California. This total was computed by adding the full-time staff of 76,900, the secondary staff of 3,000, the primary freelance pool of 123,000, and the secondary freelance group of 23,100.[106] CES estimates from EDD are used as a baseline for the MPAA direct employment estimates.

In addition to direct employment, the MPAA estimated indirect employment in other industries generated from movie production activities. When indirect employment estimates of 233,000 to 253,100 California jobs are added to the direct estimates, total motion picture production employment in 1996 exceeded 450,000. To calculate indirect employment, the MPAA methodology did not apply the same adjustment factor in both 1992 and 1996 to the direct employment estimates. The employment factor implied by the 1996 numbers was slightly over 100 percent: one job directly counted stimulated about one indirect job. The employment factor implied by the 1992 numbers was about 134 percent: one direct job stimulated about 1.34 indirect jobs.

On a percentage basis, Canadian estimates of the indirect employment factor in the film and television production industry are higher than the estimates done by the MPAA, LAEDC, and CCSCE (see Chart 15).[107] PricewaterhouseCoopers estimates that each direct job created by the production industry results in the creation of an additional 1.6 indirect jobs (a factor of 160 percent). Their methodology for estimating jobs was reviewed in 2001 and, as a result, estimates for 1998 and 1999 were increased.

UNIVERSE COUNT DATA

(3) The **Covered Employment and Wages Program (CEW/ES-202)** is a cooperative program involving the U.S. Bureau of Labor Statistics (BLS) and the State Employment Security Agencies. The CEW/ES-202 program produces a comprehensive tabulation of employment and wage information for workers covered by state unemployment insurance (UI) laws and federal workers covered by the Unemployment Compensation for Federal

Employees program. The CEW/ES-202 is an employer-reported measure of employment and is associated with filled jobs and place of work. A person holding two jobs is counted twice. These data serve as an input to many BLS programs and are used as the benchmark source for employment by the CES program. The CES program uses outside sources to benchmark employment for industries not subject to UI laws. The UI administrative records collected under the CEW/ES-202 program serve as a sampling frame for BLS establishment surveys.

How many U.S. workers were not covered by unemployment insurance in 1999? In the private sector, those not included were: 0.2 million wage and salary agricultural employees; 1.3 million self-employed farmers; 8.8 million self-employed nonagricultural workers; 0.5 million domestic workers; 0.1 million unpaid family workers; and 0.2 million workers covered by the railroad unemployment insurance system.

The CEW/ES-202 estimate for motion picture production employment (SIC 781) in 1996 was 134,837 persons, very close to the CES estimate of 127,400 jobs (Table A2).

(4) County Business Patterns (CBP) give detailed statistics for employment, payroll, and firm size, using data from the administrative records of the Business Registrar, the Census Bureau's file of all known single- and multi-establishment companies. For employment figures, CBP include full-time and part-time employees who are on the payroll in the pay period including March 12, but exclude self-employed individuals.[†] CBP data are not timely (CBP data using the NAICS 1997 definitions are currently available only for 1998 and 1999), but they are useful for studying the economic activity of small areas and analyzing economic changes over time.[‡]

Down to the 4-digit SIC code, the CBP and CEW data sources categorize workers differently (Table A2). For example, using CEW numbers in 1997, production alone had 97,614 workers (SIC 7812), which was three times more workers than services allied to production, 35,393 (SIC 7819). Using CBP numbers, employment in services, 125,935 workers (SIC 7819), was four times larger than production alone, 31,791 (SIC 7812).

Comparability of CBP data over time is affected by changes in industry definitions. For motion picture employment, the continuity of CBP data was broken most recently in 1997, when the data series switched from using 1987 SIC definitions to using 1997 NAICS definitions. The new NAICS codes place the motion picture industry in the information sector along with publishing, sound recording, broadcasting, television, and information services. For motion picture production, NAICS codes are not broadly comparable with the old SIC codes. Only one narrow category, SIC 7812 (movie production alone), is comparable to NAICS 51211 (movie and video production). For 1999, CBP data by state for employment, payroll and number of establishments in NAICS 51211 are shown in Table A6. Establishment data are also available by size of establishment. The last column in Table A6 shows small establishments, those with 1-9

[†] Other excluded categories, less relevant to the motion picture industry, are employees of private households, railroad employees, agricultural production employees, and most government employees.
[‡] CBP data have been published annually since 1964 and at regular intervals dating back to 1946.

employees. Nationally and in California, almost 90 percent of these motion picture production firms had fewer than ten employees.

In 1996, CBP data show 170,834 workers in motion picture production (SIC 781), higher than the CES estimate (127,400 workers) and the CEW estimate (134,837 workers).

(5) Like CBP data, **U.S. Economic Census data** are tabulated from universe files and are not sample data. However, definitional and coverage differences affect the direct comparison of CBP and census data. Different sources are also used: the 1997 Economic Census generally uses respondent-reported data, while the CBP uses the administrative record for small establishments. Census employment data are a useful benchmark every five years, but are not timely estimates like monthly survey data.

For 1997, the Economic Census reported 49,762 workers in motion picture and video production. If post-production employment were added, the total would be 65,117 workers. These estimates are much smaller than the 1996 SIC-based estimates for production because most services allied to motion picture production have been re-allocated to other industries.[§]

NARROWER DEFINITIONS THAN THE MOTION PICTURE INDUSTRY

Employment estimates for the motion picture industry are shown in Table A3. Often, motion picture employment numbers are aggregated for production, distribution and video rentals, but exclude exhibition. Examples of this aggregation are shown on Table A4 for three different data sources (CEW/ES-202, CBP, and the U.S. Economic Census).

BROADER DEFINITIONS THAN THE MOTION PICTURE INDUSTRY

Since the film industry is broader than just movie, television and video production, film statistics are often presented with other entertainment and multimedia numbers. Examples are shown in Table A4. Using 1997 NAICS categories, LAEDC calculates a category "Motion Picture/TV Production & Distribution Industry" with 141,452 workers in 1997.[108] CCSCE combines movie production and distribution with amusements and hotels to obtain a "tourism and entertainment category" with 534,500 workers in 1997.

An example of the "multimedia industry" is found on the California Technology, Trade and Commerce Agency (CTTC) website,[**] which includes the following information:

> The multimedia industry combines the industries of computer technology, entertainment (which includes movies and videos) and software. These are all "knowledge-based," high-wage industries with a high value added during manufacture. Most multimedia firms are based in Los Angeles and

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[§] Workers previously classified in SIC 7819 are now distributed between NAICS 334612, 512191, 512199, 532220, 532490, 541214, 561310, and 711510.

[**] http://www.commerce.ca.gov/ California Technology, Trade and Commerce Agency (CTTC). The multimedia industry has no set definition but is estimated here as a combination of the following SIC codes: 357, 3663, 3679, 481, 483, 484, 4899, 5045, 7371, 7372, 781.

> the San Francisco Bay: Hollywood provides the content and Silicon Valley provides the technology. CTTC calculates that California is home to more than 16 percent of the nation's multimedia establishments and 21 percent of the employment. The big leaders are motion pictures and computers with 42 percent and 29 percent, respectively, of the nation's total multimedia firms. Multimedia jobs pay a high average wage, ranging from $38,900 in cable television to $73,200 for prepackaged software. People with specialized skills in computer-generated animation for movies can expect jobs paying around $75,000. Employment is difficult to determine with currently available data. All of the industries defined here as multimedia employ a combined total of about 580,000 people.[109] However, these industries vary as to multimedia activity.

Using the CTTC definition of multimedia, estimates for employment using CEW/ES-202 data range from 597,286 workers in 1997 to 727,986 in 2000.

Table A1

Data Sources for Establishment-based Employment Estimates	
1. CES	Current Employment Statistics, California Employment Development Dept. (EDD), and the U.S. Bureau of Labor Statistics (BLS)
1a. CCSCE	Center for the Continuing Study of the California Economy
1b. LAEDC	Los Angeles Economic Development Corporation
2. MPAA	Motion Picture Association of America
3. CEW ES-202	Covered Employment and Wages, U.S. Bureau of Labor Statistics (BLS)
4. CBP	County Business Patterns, U.S. Census Bureau
5. Economic Census	U.S. Economic Census, U.S. Census Bureau

	1 CES	1a CCSCE Adjust CES	1b LAEDC Adjust CES	2 MPAA '98	3 CEW ES-202	4 CBP	5 Econ Census
sample data	yes	yes	yes	yes	no	no	no
reference period	12^{th} of month	12^{th} of month	12^{th} of month		12^{th} of month	March 12^{th}	March 12^{th}
date of change from SIC to NAICS	2003	2003	2003		2001	1998	1997
frequency	monthly				quarterly	annual	5 years
<u>Workers included:</u>							
wage/salary: full time	yes	yes	yes	yes	yes	yes	yes
wage/salary: part time	yes	yes	yes	no	yes	yes	yes
temporary/intermittent	yes	yes	yes	no	yes	yes	yes
self-employed	no	yes	yes	yes	no	no	no
Federal government (civilian)	yes	yes	yes	no	yes	no	no
farm	no	no	no	no	some	no	no
domestic	no	no	no	no	some	no	no
railroad	no	no	no	no	no	no	no
unpaid family	no	no	no	no	no	no	no
Proprietors and partners in unincorporated business	no	no	no	no	no	no	no

Table A2

EMPLOYMENT ESTIMATES for MOTION PICTURE PRODUCTION in CALIFORNIA

	Source		Description	1996	1997	1998	1999	2000	2001e
SAMPLE DATA									
		1987 SIC							
1	CES Monthly	781	Motion picture production & services	127,400	141,200	147,100	150,600	149,000	142,800
1a	CCSCE method		Adjust CES data: add self-employed workers						
		781	Motion picture production & services	127,400	141,200	147,100	150,600	149,000	142,800
			Self-employed (50% of SIC 781)	63,700	70,600	73,550	75,300	74,5000	71,400
			Motion picture production & services ADJUSTED	191,100	211,800	220,650	225,900	223,500	214,200
1b	LAEDC method		Adjust CES data: add workers classified in other industries who primarily are engaged in film-related activities as well as workers who are self-employed						
		781	Motion picture production & services	127,400	141,200	147,100	150,600	149,000	142,800
			Adjustment (89% of SIC 781)[3]	113,348	125,626	130,875	133,989	132,565	127,050
			Motion picture production & services ADJUSTED	240,748	266,826	277,975	284,589	281,565	269,850
UNIVERSE COUNT – Universe defined as all establishments covered by unemployment insurance									
		1987 SIC							
2	CEW[1]	7812	Motion picture & video production	87,370	97,614	92,965	91,212	90,475	
	ES- 202	7819	Services allied to production	47,467	35,393	52,658	62,560	62,312	
	Quarterly	781	Motion pictures production & services	134,837	133,007	145,622	153,772	152,787	
UNIVERSE COUNT – Universe defined as all establishments									
		1987 SIC							
3	County	7812[2]	Motion picture & video production	52,670	31,791	*29,632*	*34,698*		
	Business	7819	Services allied to production	118,123	125,935				
	Patterns	781	Motion picture production & services	170,834	157,731				
	Annual								
		1997 NAICS							
	County	51211[2]	Motion picture & video production			29,632	34,698		
	Business	51219	Postprod & other movie & video industries			14,552	15,674		
	Patterns		TOTAL			44,184	50,372		
	Annual								
UNIVERSE COUNT – Universe defined as all establishments									
		1997 NAICS							
4	Economic	51211[2]	Motion picture & video production		49,762				
	Census	51219	Postprod & other movie & video industries		15,355				
	Every 5 years		TOTAL		65,117				

[1] CEW data source: 1996 data, *Employment and Wages, Annual Average*, U.S. B.L.S.; 1997-2000 data, http://www.bls.gov/cew/
[2] SIC 7812 = NAICS 51211
[3] 89% factor from LAEDC, *Film Industry Profile 2001*, p.9. For 2000, LA: (LAEDC estimate = 255.3) / (CES estimate 135.1) = 1.89.

Note: Milken Institute employment estimates for 2000 add about 40,000 workers (independent contractors and self-employed workers) to CEW ES-202 official estimates to adjust for the underestimate.[110] CCSCE (2001) *California Economic Growth* used a CES estimate of 154,000 in 2000. This has been revised by EDD to 149,000.

Table A3

EMPLOYMENT ESTIMATES for the MOTION PICTURE INDUSTRY in CALIFORNIA

	Source		Description	1996	1997	1998	1999	2000	2001
SAMPLE DATA									
		1987 SIC							
1	CES	781	Motion picture production & services	127,400	141,200	147,100	150,600	149,000	142,800
	Monthly	78x	Other motion pictures	42,500	42,100	43,000	44,500	42,800	42,300
		78	Motion picture & video industries TOTAL	169,900	183,300	190,200	195,100	191,800	185,100
UNIVERSE COUNT – Universe defined as all establishments covered by unemployment insurance									
2	CEW	781	Motion picture production & services	134,837	133,007	145,622	153,772	152,787	
	ES-202	782	Motion picture distribution & services	5,192	5,665	4,423	3,991	4,098	
		783	Motion picture theaters (exhibition)	19,189	20,101	20,599	21,413	19,138	
	Quarterly	784	Video tape rental	16,162	16,887	18,298	19,279	19,301	
		78	Motion picture & video industries TOTAL	175,380	175,660	188,942	198,455	195,324	
UNIVERSE COUNT – Universe defined as all establishments									
		1987 SIC							
3	County	781	Motion picture production & services	170,834	157,731				
	Business	782	Motion picture distribution & services	9,598	32,798				
	Patterns	783	Motion picture theaters (exhibition)	19,594	18,500				
		784	Video tape rental	11,686	14,863				
	Annual	78	Motion picture & video industries TOTAL	212,187	223,896				
		1997 NAICS							
	County	51211	Motion picture & video production			29,632	34,698		
	Business	51212	Motion picture & video distribution			21,647	22,677		
	Patterns	51213	Motion picture & video exhibition			22,572	21,760		
		51219	Postprod & other movie & video industries			14,552	15,674		
		5121	Motion picture & video industries TOTAL			88,403	94,809		
UNIVERSE COUNT – Universe defined as all establishments									
4	U.S.	51211	Motion picture & video production		49,762				
	Economic	51212	Motion picture & video distribution		6,934				
	Census	51213	Motion picture & video exhibition		19,554				
	Every	51219	Postprod & other movie & video industries		15,355				
	5 years	5121	Motion picture & video industries TOTAL		91,605				

Table A4

EMPLOYMENT ESTIMATES for Other Definitions of the MOTION PICTURE, ENTERTAINMENT, and MULTIMEDIA INDUSTRIES in CALIFORNIA

				1997	1998	1999	2000
NARROWER DEFINITIONS THAN THE MOTION PICTURE INDUSTRY (exclude Exhibition)							
		1987 SIC					
2a	CEW ES-202	781	Motion Picture Production	133,007	145,622	153,772	152,787
		782	Motion Picture Distribution	5,665	4,423	3,991	4,098
		784	Video Tape Rental	16,887	18,298	19,279	19,301
			Production + Distribution + Video	155,559	168,343	177,042	176,186
		1997 NAICS		Census	CBP	CBP	
3a	County Business	51211	Motion picture & video production	49,762	29,632	34,698	
	Patterns	51212	Motion picture & video distribution	6,934	21,647	22,677	
4a	Economic Census	51219	Postprod & other movie & video industries	15,355	14,552	15,674	
			Production + Distribution + Postproduction	72,051	65,831	73,049	
BROADER DEFINITIONS THAN THE MOTION PICTURE INDUSTRY							
5	LAEDC method	5121	Motion picture & video industries	91,605			
	"Motion	51312	Television broadcasting*	15,976			
	Picture/TV	5132	Cable networks and program distribution	20,243			
	Production & Distribution	7114	Agents/managers for artists, athletes, entertainers, & other public figures	4,604			
	Industry"	7115	Independent artists, writers & performers	9,025			
	Economic Census		TOTAL	141,453			
		1987 SIC					
6	CCSCE method	70	Hotels	180,800	187,000	196,800	199,000
	"Tourism &	781, 782	Motion picture production and distribution	147,700	148,100	155,500	153,800
	Entertainment"	79	Amusements	206,000	197,000	210,400	210,400
	Published annually		TOTAL	534,500	532,100	562,700	563,200
	CES data, Jan-Oct or Jan-Nov						
7	Ca TT&C method:	357	Computers and office equipment	94,872	95,921	98,631	98,587
	"Multimedia Industry"	3663	Radio, television & satellite communications equipment	15,972	16,287	18,558	19,104
	Data source:	3679	Satellite home antennas	33,637	34,880	32,494	33,521
	CEW ES-202	481	Telephone	104,015	111,687	122,252	127,429
	(Ca. Technology	483	Radio and television broadcasting	26,558	27,900	27,851	29,730
	Trade and	484	Cable and other pay-per-view television	19,144	19,966	23,053	25,924
	Commerce uses	4899	Satellite earth stations	5,340	5,673	4,398	3,890
	County Business	5045	Computers, peripherals and software	55,227	59,356	65,720	61,506
	Patterns data for	7371	Computer programming services	60,748	66,679	82,464	112,285
	these calculations	7372	Prepackaged software	48,766	54,038	58,076	63,193
	on their website)	781	Motion picture production and services	133,007	145,622	153,772	152,787
			TOTAL	597,286	638,009	687,269	727,986
8	MPAA		Direct Employment	1992	1996		2000
	"Entertainment Industry"		Primary full-time, wage/salary		76,900		
	1998 report, 1996 survey		Secondary staff		3,000		New
	1994 report, 1992 survey		Primary freelance pool		123,000		Report
			Secondary freelance pool		23,100		Expected
			Direct employment TOTAL	164,000	226,000		in April
			Indirect employment	220,000	233,000 - 253,100		2002
			Direct + Indirect Employment TOTAL	384,000	459,000 - 479,100		

*Radio broadcasting (NAICS 51311) could also be included, adding another 11,000 workers in 1997.

Table A5

Codes for Motion Picture Production
1987 Standard Industrial Classification (SIC) and
1997 North American Industrial Classification System (NAICS)

Bridge between 1987 SIC and 1997 NAICS

SIC		NAICS		
781	Motion picture production & allied services			
7812	Motion picture & video tape production	100%	51211	Motion picture & video tape production
7819	Service allied to motion picture production	42%	334612	Prerecorded CD (except software), tape, and record reproducing
		42%	512191	Teleproduction & other postproduction services
		88%	512199	Service allied to motion picture production
		3%	53222	Wardrobe rental
		6%	53249	Motion picture equipment rental
		30%	541214	Talent payment services
		1%	56131	Casting bureaus
		23%	71151	Independent motion picture production artist & technicians

Bridge between 1997 NAICS and 1987 SIC

NAICS		SIC		
51211	Motion picture & video production	100%	7812	Motion picture & video tape production
51219	Postproduction & other motion picture & video industries			
512191	Teleproduction & other postproduction services	29%	7819	Services allied to motion picture production
512199	Other motion picture & video industries	6%	7819	Services allied to motion picture production
		6%	7829	Services allied to film & video distribution

Source: http://www.census.gov/epcd/ec97brdg/.

Table A6

Motion Picture and Video Production (NAICS 51211) 1999

	Number of Employees	Rank	Annual Payroll ($1,000)	Rank	Number of Establishments	Rank	Establishments with 1-9 Employees
United States	72,505		5,301,296		9,796		8,644
Alabama	170	30	5,226	27	42	30	38
Alaska	20-99	35	(D)	34	12	45	12
Arizona	524	22	19,198	20	98	20	83
Arkansas	100-249	27	(D)	34	34	34	29
California	34,698	1	3,600,204	1	3,817	1	3,405
Colorado	865	15	27,983	18	160	12	145
Connecticut	1,031	9	77,729	6	109	19	101
Delaware	20-99	35	(D)	34	17	41	17
District of Columbia	711	19	36,081	16	76	25	62
Florida	2,742	4	120,712	3	475	3	432
Georgia	1,217	8	55,999	9	198	7	183
Hawaii	100-249	27	(D)	34	46	28	41
Idaho	20-99	35	(D)	34	9	47	9
Illinois	1,943	6	105,528	4	356	4	321
Indiana	300	26	10,002	26	64	26	57
Iowa	100-249	27	(D)	34	31	35	25
Kansas	139	32	3,407	32	36	33	33
Kentucky	81	36	2,709	33	22	38	19
Louisiana	156	31	4,440	28	43	29	39
Maine	20-99	35	(D)	34	26	37	24
Maryland	761	17	37,157	15	169	11	153
Massachusetts	1,023	10	46,636	10	185	9	165
Michigan	500-999	11	(D)	34	188	8	169
Minnesota	627	21	25,835	19	149	14	133
Mississippi	20-99	35	(D)	34	14	43	13
Missouri	437	24	13,172	23	95	21	83
Montana	20-99	35	(D)	34	17	41	15
Nebraska	20-99	35	(D)	34	13	44	13
Nevada	229	28	10,249	25	58	27	53
New Hampshire	100-249	27	(D)	34	27	36	25
New Jersey	1,460	7	75,409	7	216	6	200
New Mexico	109	34	4,386	29	34	34	32
New York	9,179	2	526,727	2	1,352	2	1,111
North Carolina	467	23	15,239	22	125	17	116
North Dakota	0-19	37	(D)	34	4	48	4
Ohio	3,228	3	66,911	8	142	15	124
Oklahoma	182	29	4,097	31	40	31	34
Oregon	959	13	41,879	13	91	22	78
Pennsylvania	965	12	44,129	11	180	10	165
Rhode Island	20-99	35	(D)	34	19	40	19
S. Carolina	100-249	27	(D)	34	38	32	32
South Dakota	20-99	35	(D)	34	11	46	9
Tennessee	863	16	39,188	14	124	18	104
Texas	2,496	5	103,181	5	331	5	289
Utah	641	20	15,277	21	81	23	69
Vermont	120	33	4,155	30	21	39	18
Virginia	957	14	42,866	12	156	13	133
Washington	728	18	32,519	17	139	16	116
West Virginia	20-99	35	(D)	34	15	42	13
Wisconsin	377	25	12,425	24	80	24	70
Wyoming	20-99	35	(D)	34	11	46	11

Source: U.S. Census Bureau, County Business Patterns. (D) Denotes data withheld to avoid disclosure.

Chart A1

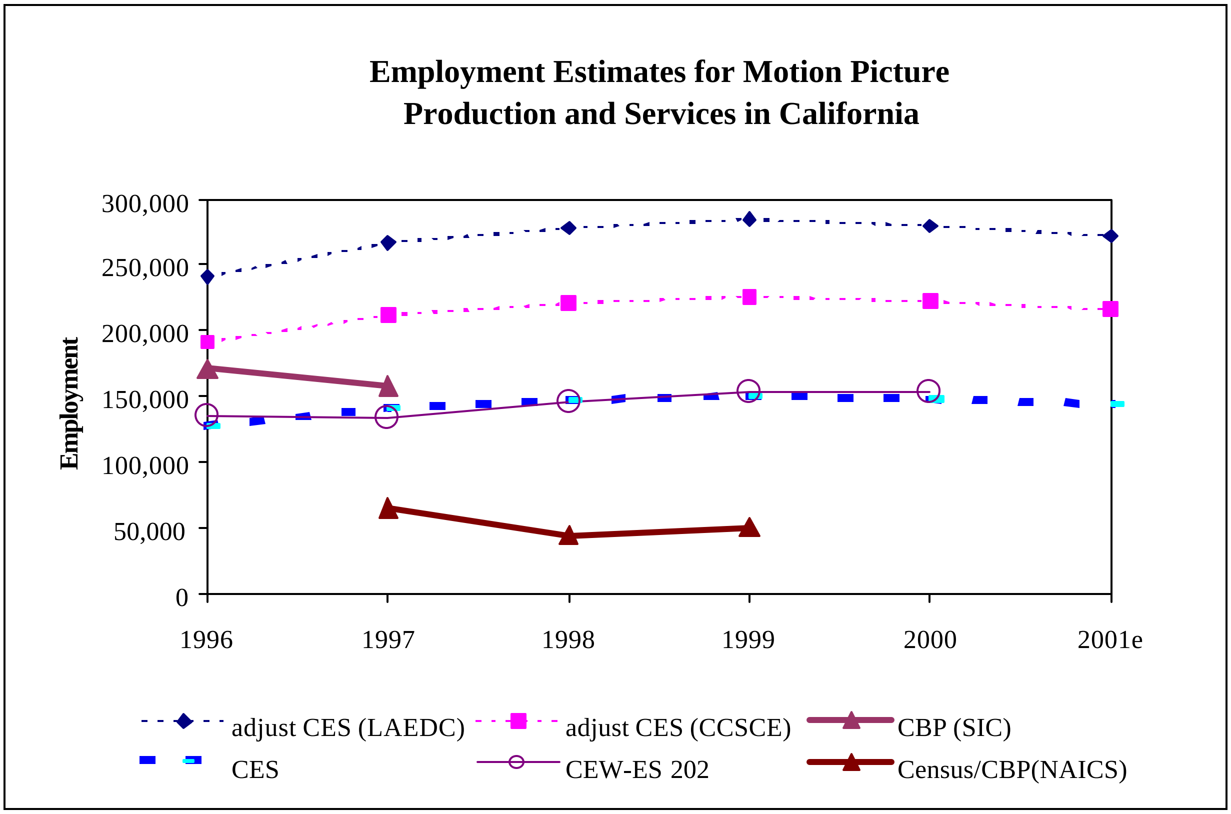
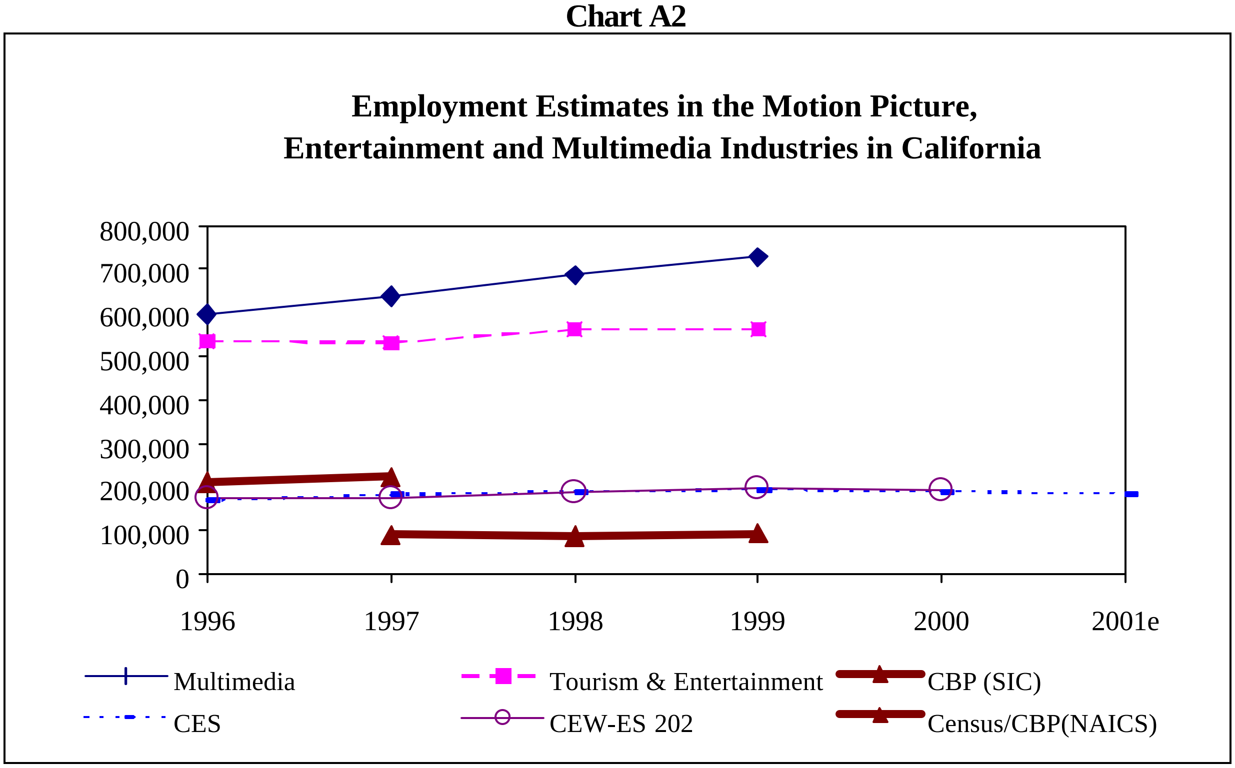


Chart A2



APPENDIX B

DATA SOURCES FOR FILM INDUSTRY STATISTICS

Employment Data
Current Employment Statistics:
U.S. Bureau of Labor Statistics, http://www.bls.gov/ces/home.htm.
California Employment Development Department,
http://www.calmis.ca.gov/htmlfile/subject/indtable.htm.
These are official employment estimates from EDD.

Covered Employment and Wages:
U.S. Bureau of Labor Statistics, http://www.bls.gov/cew/home.htm.
California Employment Development Department,
http://www.calmis.ca.gov/file/es202/cew-select.htm.
CEW ES 202 data are not official employment data from EDD.

County Business Patterns (employment, payroll and number of establishments)
U.S. Census Bureau, http://www.census.gov/epcd/cbp/view/cbpview.html.

1997 Economic Census:
U.S. Census Bureau, http://www.census.gov/epcd/www/econ97.html.

Output:
California Department of Finance, *California Statistical Abstract*, October 2001, Section D, Tables D-2 and D-3. http://www.dof.ca.gov/HTML/FS_DATA/stat-abs/sec_D.htm.

Forecasts:
California employment forecasts (EDD)
http://www.calmis.ca.gov/file/indproj/latb2.htm.

The UCLA Anderson Forecast for the Nation and California, Los Angeles: UCLA, March 2002, Table 5, California B-7.

Center for the Continuing Study of the California Economy, Palo Alto: The Center.

U.S. employment and output forecasts
Berman, Jay M. "Employment outlook: 2000-10, Industry output and employment projections to 2010," *Monthly Labor Review*, U.S. Bureau of Labor Statistics, Office of Occupational Statistics and Employment Projections, November 2001, Table 3, p. 46.
http://www.bls.gov/opub/mlr/2001/11/contents.htm.

Multipliers:
Planting, Mark A., and Peter D. Kuhbach. "Annual Input-Output Accounts of the U.S. Economy, 1998," *Survey of Current Business*, December 2001, pp. 41-70. (http://www.bea.gov go to industry accounts, articles)

Export data, Film and Video Rentals, Sales through Affiliates, U.S. spending in Canada on Movie Production:

Total sales of U.S. filmed entertainment to foreign buyers can be estimated as the sum of (1) the cross-border sales of film rights between a U.S. seller and a foreign buyer abroad, and (2) the sales of rights to a foreign buyer by a majority-owned foreign affiliate of a U.S. company,[111] http://www.bea.gov/bea/di/1001serv/intlserv.htm and www.bea.doc/bea/di1.htm.

(1) Data on Cross-border Sales of Film and Video Rentals for 1997-2000: Bureau of Economic Analysis (BEA), U.S. International Services, Cross Border Trade, *Survey of Current Business*, November 2001, Table 5, pp. 76-83.

(2) Data on Sales Through Affiliates for 1998: Bureau of Economic Analysis, U.S. International Services, Sales of Services to Foreign Persons by U.S. MNC's Through Their Nonbank MOFA's SIC-Based Industry of Affiliate by County of Affiliate, 1998, *Survey of Current Business,* November 2001, Table 9.1, p. 93.

To estimate how much U.S. filmmakers spend on production in Canada: When a U.S. company makes a movie in Canada, payments to Canadians are a U.S. import of services. When these payments are made to unaffiliated companies, they are reported as trade data in the *Survey of Current Business*, Table 1, Private Services Trade by Type, "Miscellaneous disbursements." The detailed data for motion pictures are not published, but are available on request from BEA. "Disbursements to fund production costs of motion pictures" and "Disbursements to fund production costs of broadcast program material other than news" are two of seven categories reported under "Miscellaneous disbursements."[112]

Canadian Employment Data:

Statistics Canada, *Annual Estimates of Employment, Earnings and Hours,* on CD-ROM (72F0023XCB).

Statistics Canada, *Labour Force Survey,* on CD-ROM (71F0004XCB) Labour Force Historical Review.

California Film Commission

Feature film starts are defined as the date a production begins shooting (that may include principal photography or effects). A production is only counted once, even if it shoots in two separate calendar years. If a film shoots in two years, the film is counted the first year it begins production. For this report, a 'start' is defined as meaning the feature shot either partially or completely within a state. These data reflect any feature that was created directly for theatrical release. Data are scrutinized to remove documentaries, straight to video, student, director's reels, and those films that will never make it into large distribution. The data attempt to track English-speaking films only. Because very few of these feature films are filmed entirely outside English-speaking countries, only Australia, Canada, the U.K. and the U.S. are listed in the country starts.

The data are collected from various sources, including entertainment trade publications, association, organization and union publications, industry magazines, and non-industry newspapers, film liaisons throughout California, the United States and the Internet. Each production, when possible, is confirmed by phone, fax or other source. Other sources include Internet research, film commission verification, etc.

In addition, the California Film Commission collects data on permits issued and production days for filming on state properties. Projects associated with the Film California First program are also tracked.

Motion Picture Association of America (MPAA)
The MPAA publishes an annual *U.S. Economic Review* that tracks various film industry statistics including releases, box office receipts, industry costs, ratings, etc. The MPAA publications used in this report are available on-line at www.mpaa.org.

ACNielsen EDI, Inc.
Founded in 1976, ACNielsen EDI provides continuous tracking of box-office receipts from more than 45,000 movie screens in 11 countries. On a daily basis, ACNielsen EDI collects data from approximately 32,000 screens in the United States, Canada, the United Kingdom, Germany, Spain, and France. Its products range from daily box office reports to customized research. Its database, FilmSource, is available on-line at www.entdata.com and www.acnielsen.com.

Steve Katz and Associates/ECO 2000 of Los Angeles
Data are collected from trade publications, production reports, casting information, state and regional film offices, and personal contacts. These data tally all known productions with budgets, permits, titles, crew and other industry indications for the number of weeks shot on specific locations, regardless of whether the production was released. The data track productions with multiple shooting locales, including those filmed both in the U.S. and Canada that may be double-counted. Katz is a board member of The Entertainment Coalition of the United States (ECO) Group, an industry think tank dedicated to promoting alternative production wage scales as a means of retaining film production in Los Angeles and throughout the U.S.

Center for Entertainment Industry Data and Research (CEIDR)
CEIDR was recently founded by Mark A. Rosenthal, president of Raleigh Enterprises, and Steven Katz, Academy Award winner, to track production data world-wide. Its film release data are based on the lists "The Top 250 Films of 1998, 1999, 2000" as compiled by Anthony D'alessandro and published on the website Variety.com. In addition, all films that grossed domestically more than $500,000 were included if their budget could be found. Excluded were animated films, large-format films, and films released in Canada but not in the U.S. If a film had multiple production locations, the principal location was determined by where production ran the longest. The release year is defined as December 15th through December 14th of the following year.

Entertainment Industry Development Corporation (EIDC)

The EIDC, a non-profit agency formed by Los Angeles City and County, issues permits and promotes film production in the Los Angeles area. EIDC obtained listings of all movies aired by television and cable networks that produced original movies for the 1999-2000 television season. Companies contacted included ABC, CBS, NBC, UPN, A&E, The Disney Channel, Fox Family Channel, HBO, Lifetime, Showtime, The Movie Channel, TBS, TNT and USA. Titles shot previous to the 1999-2000 television season were eliminated from the analysis. To determine where films were produced, EIDC requested filmographies and cross-referenced lists from various state and local film offices in the United States and Canada. EIDC also contacted studios and individual production companies requesting location information relating to titles. In cases of film acquisitions, location information may have been unavailable, possibly resulting in an undercount of about five to ten titles.

How do data collected by EIDC compare with the Katz and Associates data? The methodology is similar, but EIDC data only show those movies that were aired by television and cable networks. Data collected by Katz concentrate on the number of weeks in production during 1998 and 1999, as opposed to productions filmed for that season, and include titles that were not aired.

Monitor Company

The Monitor Company (also called the Monitor Group) is a management-consulting firm. Its feature-length and television program database (1990-1998) used to quantify the scope of U.S. runaway productions has a broad range of sources: The Hollywood Reporter, Variety, Baseline, SAG/DGA databases, Internet Movie Data Base (IMDB). Monitor used a number of sequential criteria to determine the runaway status of productions, for example: Did the production involve a U.S. production company and/or have an English language title, use English-language directors/actors, have an American writer and/or American producer, have its first release in the U.S.? Monitor used setting/plot information or input from producers to determine whether the production was a creative runaway as opposed to an economic runaway. More than 70 interviews with a cross-section of production industry participants were conducted.

APPENDIX C

MULTIPLIER ESTIMATES

Economists calculating the multiplier to apply to the film industry come up with vastly different numbers; most range from 1.724 to 3.6.

- The lowest of these multipliers is 1.724, which the Department of Commerce's Bureau of Economic Analysis computed for "amusements and recreational services" in the National Income and Product Accounts. This number represents the 1998 output produced by all industries in order to provide one dollar of amusements services to GDP.[113] In 1996, the amusements multiplier was 1.798.
- The Monitor Group used a multiplier of 3.1 for wages and a multiplier of 3.6 for goods and services in its report on runaway production. These numbers are taken from RIMS II model, created by the Bureau of Economic Analysis. RIMS II stands for Regional Input-Output Modeling System II.[114]
- Ernst & Young questioned Monitor's use of the RIMS II multiplier, asserting that more appropriate multipliers are 1.99 for California and 3.02 for the U.S.[115]
- Arthur Anderson Economic Consulting used a multiplier of 2.12 for income and labor effects in its study of independent filmmaking, done for the American Film Marketing Association.[116]
- Economics Research Associates used multipliers of 2.33 for output and 2.61 for earnings effects in its study of television commercials in Chicago.[117]
- The Boston Consulting Group's June 2000 study of traditional media business in New York City surveyed all aspects of media spending, from pre- to post-production and all types of media. The study showed that traditional media direct spending was about $5 billion per year and total direct and indirect spending was about $10 billion. This assumed a multiplier of 2.0.[118]
- The Center for Entertainment Data and Research (CEIDR) estimated that a $610 million increase in Canadian film production in the year following the enactment of their tax incentives would produce over $2 billion in economic activity. CEIDR used a multiplier of 3.3.[119]
- The 1988 study by KPMG Peat Marwick commissioned by the California Film Office used an economic multiplier of 2.69 for the motion picture industry.[120] The study also found that each dollar spent in production outside of California actually costs the state four dollars in revenue and each job passed on to other locations means six lost jobs in the state.[121] In other words, the multiplier effect of each dollar spent in production outside California is equivalent to four in terms of revenue and six in terms of employment. These multipliers are very high.

The 1998 Motion Picture Association of America (MPAA) report did not use economic multiplier methodology to calculate the total economic impact of the film industry in California. However, the total MPAA economic impact of $27.5 billion is 2.1 times larger than the $13.1 billion direct economic impact estimated by the Bureau of Economic Analysis in 1996 (see Table 1). The implied multiplier was 2.1.[122]

APPENDIX D

ECONOMIC IMPACT METHODOLOGY

Four methods to estimate economic impact:

Method 1 - Payroll Estimates Approach
Motion Pictures Association of America (MPAA), "State of the Industry: The Economic Impact of the Entertainment Industry on California," 1998, pp. 25-37.

a) **Payroll expenditures –** ($12 billion)
   The MPAA report estimated wages of above-the-line and below-the-line workers using a payroll survey of networks and member studios. It supplemented that survey with information from payroll companies, independent studios, suppliers, guilds, and pension and health care providers.
b) **Direct vendor expenditures** ($12.4 billion)
   Vendor expenditures to California suppliers were collected using primary data from major studios and networks.
c) **Indirect vendor expenditures** ($3.1 billion)
   For films and television, secondary vendor expenditure estimates were based on an analysis of average 1996 motion picture costs provided by survey participants. For films, this analysis showed that 60 percent of a motion picture production budget was spent on payroll and the remaining 40 percent on vendor expenditures. For television, these percentages were 70 percent for payroll and 30 percent for vendors. Assuming vendor expenditures are a fixed percentage of total spending, secondary vendor expenditures are calculated. Indirect vendor expenditures are the sum of secondary vendor expenditures for films and television, plus vendor expenditures for commercials.

Table D1

Indirect Vendor Expenditures
(millions of dollars)

	Total Expenditure	Percent	Vendor Expenditure
Secondary data for films and television			
Film production not attributable to in-house studio production or negative pick-ups	$2,200	40%	$880
Non-captured network television production	$1,660	30%	$498
Basic cable networks	$913	30%	$274
Total secondary vendor expenditures			$1,652
Commercials			
Vendor expenditures for commercials			$1,478
Total indirect vendor expenditures			$3,130

Source: MPAA, "State of the Industry…" 1998, pp. 32-36.

d) **Total economic impact** ($27.5 billion) is the sum of

- total payroll expenditures ($12 billion)
- direct vendor expenditures ($12.4 billion)
- indirect vendor expenditures ($3.1 billion)

Method 2 – Multiplier Approach – U.S. Economic Impact of Runaway Production
Monitor Company, "U.S. Runaway Film and Television Production Study Report," 1999, pp. 11-16.

a) **Total direct production expenditures** of U.S. runaways ($4.0 billion)
Calculate direct spending using actual or estimated budgets for each production. Build off existing data such as principal filming location days to estimate full production value chain, including pre/post production, non-permitted commercial shooting.

b) **Direct spending recaptured by the U.S.** ($1.2 billion)
Direct expenditures need to be adjusted because not all production took place outside the U.S. and some wages were paid to U.S. talent.

c) **Direct spending lost (**$2.8 billion)
After payments to U.S. companies and workers were deducted, a total production cost net of spending returned to the U.S. (direct spending lost from the U.S.) was obtained.

d) **Indirect spending lost – Multiplier Effect (**$5.6 billion)
The multiplier effect is the indirect economic impact of lost spending. Multipliers were applied to certain components of the direct spending figures using different U.S. Bureau of Economic Analysis multipliers for labor (3.1) and output (3.6):
$5.6 billion = ($0.85 billion of wages and salaries multiplied by 3.1)
+ ($0.88 billion of goods and services multiplied by 3.6)

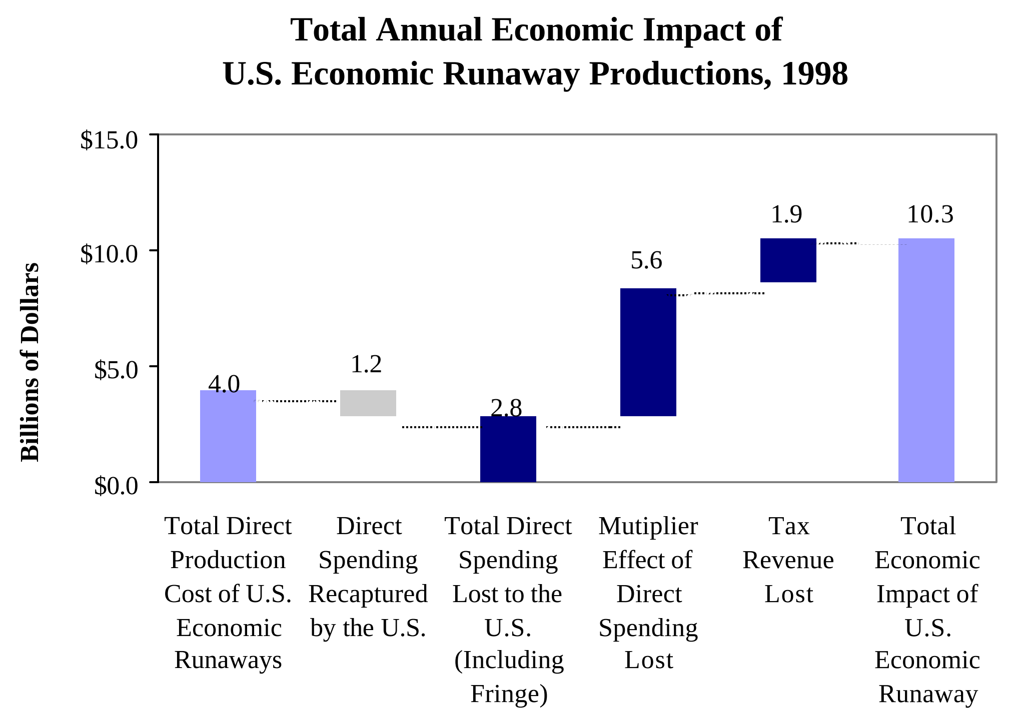
e) **Tax revenue lost (**$1.9 billion)
Monitor Group used average actual tax rates to calculate the tax revenue effects of lost production expenditures.

f) **Total economic impact** $10.3 billion is the sum of

- direct spending lost ($2.8 billion = $4.0 billion - $2.8 billion)
- indirect spending lost ($5.6 billion)
- tax revenue lost ($1.9 billion)*

* The tax revenue is 'lost' from the point of view of the U.S. government but not from the U.S. as a whole.

Chart D1



Source: Hollywood Reporter, Variety; Baseline; DGA/SAG Databases; Veronis, Suhler Associates; BEA; IRS; Federal Reserve; Monitor Analysis.

Method 3 – Production Expenditures
Direct economic impact is often measured using production expenditures. The economic impact data from the Entertainment Industry Development Corporation in Los Angeles use this methodology.

Method 4 – Sample Production Budgets
Direct economic impact can also be calculated using estimated spending through the analysis of sample budgets. An example of economic impact data using this methodology is the $2 billion estimate of U.S. filmmaker spending in Canada done by the U.S. Department of Commerce using sample budgets from Stephen Katz & Associates.[123] The number of films in each budget class (small-, medium- and large-budget films) was multiplied times the average cost of a film in that budget class to produce estimated production expenditures.

Additional reference: The June 2000 report by the Boston Consulting Group, Building New York's Visual Media Industry for the Digital Age, pages 13 and 33-37, has a good explanation and set of examples using New York data for Methods 1, 3, and 4.

APPENDIX E

FINANCING AND TAX INCENTIVES

In this section, incentive programs in the 50 U.S. states and in five English-speaking countries (Canada, the United Kingdom, Australia, Ireland, and New Zealand) are described.

INCENTIVES AND MARKETING EFFORTS IN OTHER STATES

Competition among numerous state and local film offices for film production is stiff. To document marketing efforts to attract film productions, each state's film commission website was visited. Most of the 50 websites advertise the following: their state film commission's services, their production guide and their film location spots. Many states, including California, have sophisticated, interactive film-location databases on-line. In addition to these common features, the following states advertised tax and financing incentives for a film producer to choose their state or pointed out characteristics of their state that would reduce film production costs.

Alabama

- Sales and use tax abatements for qualified productions.
- Lodging tax abatement for qualified productions. No sales tax for hotel accommodations after 30 days.[124]
- Permits are not required for filming in Alabama.

Arizona[125]

- Sales tax rebate – Arizona offers a 50 percent transaction privilege (sales) tax rebate to qualifying production companies for motion pictures, television/video, and commercial advertising productions filmed in Arizona. Production companies for feature films; telefeatures, music videos, documentaries and episodic television series must meet the expenditure threshold of $1 million in qualified spending over a consecutive 12-month period. For commercial advertising, the threshold is $250,000. Only purchased tangible goods and leased property can be claimed for refund.
- "Film in Arizona" Screenwriting Competition.
- Arizona/Sonora, Mexico announced first bi-national film partnership. (11/01).
- No state tax on lodging after 30 days.

Arkansas

- Sales and use tax refund – Qualifying motion picture production businesses spending more than $500,000 within six months or $1 million within 12 months may receive a refund of state sales and use taxes paid on qualified expenditures incurred in the project.

California

- Film California First – A $45 million program increasing California's competitive edge in attracting and retaining film projects. The fund amounts to $15 million annually, and has been authorized for the 2000-2001 fiscal year. Qualified production companies will realize cost savings through the program's various reimbursement categories when filming on public property in California. Eligible film costs incurred after January 1, 2001 will be reimbursed under this three-year program.
- The Davis plan proposes a 15 percent wage-based tax credit for the first $25,000 earned by workers on lower-budget projects. It would take effect in 2004 and is projected to save producers $50 million the first year, $80 million the second, and $100 million by the third year. This plan was proposed in January 2002.
- Filming on State Property – more than three dozen surplus state properties are being made available at little or no cost to the movie industry - No permit or site rental fees.
- Financial incentives for filming in California, including four percent sales tax exemption on the purchase or lease of post-production equipment for qualified persons.[126]
- No state hotel tax on occupancy. Most California cities or counties that impose a local tax have a tax exemption for occupancies in excess of 30 days.
- No sales or use tax on production or post-production services on a motion picture or television film. No sales or use tax on services generally. Industry-specific services include writing, acting, directing, casting, and storyboarding.
- One-stop film office, free permits, no location fees for state properties.
- On-site California highway patrol and on-site California state fire marshal.

Colorado

- No hotel occupancy tax on hotel stays of 30 days or longer.

Connecticut

- Property tax and sales and use tax exemption provides a five-year tax break for new and newly acquired equipment used in the production of motion picture, video and sound recordings.
- Fee-free shooting at most public locations and properties.
- No hotel occupancy taxes after 30 days.

Delaware[127]

- No hotel occupancy taxes after 28 days.
- Advertises low production costs: no sales tax in Delaware and a low accommodations tax (eight percent). Other fees associated with production (property rental, lodging, support services) are reasonable when compared with the rest of the country.

Florida

- As of 1/1/01, Florida offers a special sales tax exemption for the entertainment production industry. This exemption is part of the Entertainment Industry Incentive bill, HB 743. Motion picture, video and sound recording equipment purchased or leased as an integral part of production activities is exempt from paying sales tax at the point of purchase. Master tapes, records and films are also tax exempt.
- No sales tax is due on the lease, rental or license to use any real property when used as an integral part of the performance of qualified production services.
- No tax on labor to produce a film, commercial or sound recording made for a company's own use.
- No tax on the lease of real property to a person providing food and drink concessionaire services within the premises of a movie theater.
- Miami-Dade County offers free permitting and assistance. Most county-owned facilities and properties do not charge location fees.
- Florida is a low-tax state with no personal income taxes, no tax on inventory or goods-in-transit and a low corporate income tax structure. Florida's per capita state tax collection consistently ranks below the national average. A tax climate that is as mild as the weather.
- Film and entertainment is targeted by Miami-Dade County as a strategic growth industry and has a number of incentive programs available. There are empowerment and enterprise zones, for example.

Georgia

- Point-of-purchase sales and use tax exemption applying to materials and even certain vehicle rentals. No waiting until the end of the year because it's point-of purchase. Effective 1/1/02.
- No fees for permits.

Hawaii

- Refundable income tax credit of up to four percent of the costs incurred in Hawaii and up to 7¼ percent of the transient accommodations costs incurred in production of a motion picture or television firm the budget of which reaches certain thresholds.

Idaho

- Waiver of hotel/motel taxes for stays of 30 days or more.

Illinois

- Motion Picture Financing Initiative, 11/16/00, an effort to bring "Hollywood to the Heartland." This is an interest rate-reduced loan program for borrowers involved in motion picture production, industrial films, and commercials. The Initiative is an extension of the Illinois Development Finance Authority's (IFDA) participation loan program. The IDFA board set aside $500,000 for this program and IDFA's share of the participation loan is limited to $100,000. Participating

Illinois banks must match IDFA's loan. Projects are to be produced and/or post-produced in Illinois to be eligible. Borrowers must demonstrate jobs created and retained, as well as any gross "multiplier" effects on the State's economy.[128]

- Exemption from hotel occupancy tax for stay of 30 days or more.
- Screenwriting Competition.

Iowa

- In most cases, permits are not necessary for filming.
- Special rates and services with an established group of hotels.
- No sales tax for hotel accommodations after 30 days.[129]

Kansas

- Sales tax reimbursement program.

Kentucky

- Sales tax rebate program – refund of sales and use taxes on expenditures made in connection with production by eligible companies.

Louisiana[130]

- No hotel occupancy taxes after 30 days.
- State sales and use tax refund on purchases made in connection with filming or production if purchase exceeds $1 million or more in a 12-month period.

Maine

- Maine has organized a program that allows producers to borrow equipment for free from the state surplus division.
- Sales tax exemptions for certain equipment and machinery purchases.
- Fuel and electricity sales tax exemptions for 95 percent of cost of fuel and electricity used at production sites.
- Lodging taxes are reimbursed for stays of more than 28 consecutive days.
- Maine is currently researching both tax and rebate incentives, is redesigning its Internet database and production guide, and has new advertising programs.

Maryland

- Super state sales tax exemption for feature, TV, cable, commercial, and music video projects on sales, rentals and services. Effective 7/1/00.

Massachusetts

- Fee-free locations.
- Screenwriting competition and locations photo competition.

Michigan

- No incentives except hotel tax rebates after a stay of 30 days or more.

Minnesota

- Snowbate (formerly the "Film Jobs Fund") – returns up to ten percent of documented Minnesota production expenses to producers of feature film TV movies, and TV series ($100,000 cap per project). This rebate was increased from five percent in Summer 2001 and has already returned $1.5 million in rebates in the first four years. This incentive is advertised as a "direct counter-offensive to Canadian subsidies."
- Sales tax exemption on commercials.

Mississippi

- Mississippi Motion Picture Incentive Program, established 7/1/99. No further details on-line. Please contact film office.
- No permits or fees for filming.
- Filmmaking is considered manufacturing in Mississippi, which creates a no-tax situation on film, some building materials used in set construction, and some equipment.[131]

Missouri

- Film Production Tax Credit - state income tax credits equaling up to 25 percent of the company's film expenditures in Missouri, not exceeding $250,000 per project. To qualify: film production company must spend $300,000 or more in Missouri in the making of the film.

Montana

- The state advertises that, "Montana has no sales tax."
- Vehicle licensing exemptions: out-of-state vehicles used exclusively in film production are exempt from licensing requirement for 180 consecutive days.
- Migratory equipment tax exemption.
- No accommodations tax if staying longer than 30 days.

Nebraska

- Screenwriting Contest.
- Few permits.

New Hampshire

- Favorable tax structures: no sales, no property tax on machinery or equipment, no general personal income tax, no capital gains tax.
- No general filming permits, except special arrangements to film on state lands. Low hassle filming.

New Jersey

- Hotel stays of 90 or more consecutive days are exempt from occupancy tax.
- Sales tax exemptions for certain manufacturing/processing machinery and equipment. In urban enterprise zones, sales tax on non-exempt goods is reduced.

New Mexico

- Gross Receipts Tax and Nontaxable Transaction Certificate (NTTC) Program for Film Production Companies – The gross receipts tax is imposed on the gross amount received by the seller for tangible goods, services, rentals and some intangibles including licenses. The deduction allows persons selling property and services or leasing property to "qualified production companies" to be free of the tax through the NTTC program. Effective 7/1/96 by New Mexico Legislature.
- What production goods and services can be freed from gross receipts taxes? "Production costs" include: the cost of a story or scenario to be used for a film/salaries of talent, management and labor (labor on payroll do not need the NTTC as their salaries are already exempt); set construction, wardrobe, accessories and related services; sound, lighting, and grip services; editing, rental of facilities and other equipment, and related and direct costs of producing a film.
- After 30 days, the four percent lodgers tax is waived for hotel patrons.[132]

New York City (incentives advertised on-line)

- Sales tax breaks (exemptions) for the film industry for all production consumables and equipment rentals and purchases. In NYC, film production is considered a manufacturing activity, so producers are afforded all exemptions available to manufacturers. Both credits and refunds are advertised.
- NYC theatre sales tax breaks (exemptions).
- NYC tax cut on promotional materials and services. Certificate of exemption for purchases of promotional materials.

New York City (additional incentives described in Boston Consulting Group: *Building New York's Visual Media Industry for the Digital Age*, June 2000, Appendix).

- Free police, no fee locations, free parking, free permits.
- Low interest loans.
- P.I.L.O.T. programs, empowerment zone incentives.

North Carolina

- 83 percent tax break on the state's six percent sales and use tax on items purchased or rented for the making of films in North Carolina.
- Film Industry Development Account, created by the legislature in Summer 2000, to provide rebates to producers on expenditures for qualified in-state goods and services. When fully funded, the grants program will become part of an extremely aggressive filmmaking incentive package.
- No-fee permitting for shooting on state property.

Oklahoma

- Oklahoma Film Enhancement Rebate Program, a 15 percent rebate on production dollars spent in Oklahoma. This program is often cited as the "Compete with Canada Film Act." Effective as of 7/1/01 (SB 674). Total fund availability (FY) $2 million. No cap per individual project, no expenditure minimums, no interim statements. Authorized for ten years. Key points of the rebate program: "No other state offers this large an incentive."

- Oklahoma Sales Tax Rebate – offers eligible motion picture and television production companies a state and local tax rebate on all goods and services used or consumed on any project shot in Oklahoma.
- "Oklahoma, a right-to-work state, now has the most innovative and aggressive financial incentives for filmmaking in the country." Hassle-free shooting environment. One of the most film-friendly states in the country.

Pennsylvania

- Tax-exempt Status - Film production companies are not subject to sales tax on "the sale at retail to or use by a producer of commercial motion pictures distributed to a national audience." The Pennsylvania Film Office will provide manufacturer's sales tax exemption certificates to production companies when production offices are opened. Effective 7/1/97.
- Free Use of State-Owned Property for the purpose of making commercial motion pictures except for extraordinary activities.
- Philadelphia Film Office advertises exemption from hotel occupancy tax for visitors staying 30 days or more. Also, three police officers for free traffic control and security.

South Carolina

- Sales and Use Tax Exemption – Equipment and supplies used in the production of motion pictures and television are exempt from sales and use tax in S.C. One must obtain a certificate of exemption from the S.C. Dept. of Revenue. The certificate is issued to qualifying companies and the exemption is made at the point of purchase.

Tennessee

- Refund of sales and use tax to motion picture production companies located outside the state. The production company has to spend $500,000 on taxable goods and services. The filming in Tennessee must be completed during a period of 12 months or less.
- No permits are required to film within the borders of Tennessee except in Memphis, Nashville, and Davidson County and within state-owned facilities. No state fee for filming in Tennessee.

Texas

- Sales and use tax exemptions available to film/video producers – Under Texas law, motion picture producers are recognized as manufacturers, so they may claim 100 percent sales tax exemptions. Exemptions apply to state sales tax and local sales taxes. To claim the exemptions, fill out a tax exemption certification and give it to the vendor, so the vendor can document why the sales tax was not paid.

- Other tax exemptions that may apply to filmmakers: Hotel occupancy tax with stay of 30 consecutive days or more, sales tax rebate for fuel used off the road, Selling items (props, costumes, etc.).
- No formal permit is required to shoot in Texas.

Utah

- Transient room tax rebate for hotel stays of 30 consecutive days or more.
- No statewide permitting required however many state-owned properties require permits.

Vermont

- Sales tax incentive – some goods and services used in the making of a motion picture, television or commercial production are exempt from tax.
- Hotel tax exemption of stays of 31 days or more.
- Income tax for performers, limited to the amount the performer would pay in their home state had they worked there (if 0 percent, then none is owed; if Vermont's percent is less than their home state, then Vermont's rate is applicable).
- Relaxed child labor laws when the work involves acting or performing in a motion picture, theatrical, television, or radio program.
- Vermont is largely permit-free.

Virginia

- Sales and use tax exemption for filmmakers is available at the time of purchase.
- Advertises its Los Angeles office.
- Hotel tax rebate for occupancies of more than 90 days.
- Many state-owned locations are available for filming free of location fees.

Washington

- Hotels and car rental companies make special deals to accommodate the film business.
- State sales tax exemption on rental equipment and on the purchase of services. The exemption does not apply to the outright purchase of production equipment. Buyers use a retail sales tax exemption certificate.
- No state income tax.
- Local, state and special use taxes off rental vehicles "used in production."
- Hotel/motel tax exemption with a stay of 30 consecutive days.
- Seattle "one-stop shop" permitting; process/costs streamlined.
- Washington State screenplay competition update.

Wisconsin

- No film permits, low-to-no location fees. Low food, lodging and amenities costs.
- "The most flexible child labor laws in the nation."

Wyoming

- Film production incentive program – a list of Wyoming businesses offering production companies filming in Wyoming a ten percent discount on production-related services including hotels/motels, restaurants, caterers, etc.
- Tax incentive for film/video production companies in the form of a rebate of the three percent Wyoming state sales and use tax to any company that spends $500,000 or more within any 12-month period.
- No state income tax.
- State parks and historic sites require a permit, but no fee.
- No tax paid on hotel rooms occupied for one month or more.[133]

Anecdotal Information from Other State's Websites:

Kansas – The number of filming days has doubled since July 2000.

Maine – Maine has lost several projects to Canada recently.
Since September 11, 2001, Maine has lost projects to the West coast.
Maine supports federal legislation to keep projects in the U.S.

Florida – Metro Orlando Film and Television Commission.

- One of the largest film and television commissions in the nation.
- Despite increased competition from international markets, the industry had another solid year. In the past 12 years, Metro Orlando has grown from a $2.5 million film and television production market to a $402 million market.
- Economic Impact Study 1999 – showed $1.2 billion gross sales from local film, TV and commercial companies in the area.

North Carolina

- The number-three filmmaking state in the U.S. according to the U.S. Department of Commerce.
- North Carolina continues to experience a resurgence of independent, non-union feature film production.
- Since 1980, North Carolina has attracted nearly 600 feature films; six network television series, and more than $5.5 billion in production revenue.

INCENTIVES AND MARKETING EFFORTS IN CANADA

Most developed countries except the United States offer financing and tax incentives to attract film production. Some countries offer incentives to domestic producers only, while other countries target both domestic and foreign producers.

Canada, the nation to which most U.S. films have moved, offers extensive tax and financing incentives at both the federal and provincial levels. Feature film and typical television movie producers can reduce production costs by 25 percent or more by shooting in Canada.[134] As a result, support for efforts to curb runaway production has grown in the United States.

Canadian officials have defended their incentive packages. At a recent Creative Coalition panel entitled "Made in America: The Plight of U.S. Film and Television Production," Canadian Consul General Colin Robertson asserted that Canada is not stealing production: All location decisions are made by the studios because it's good business. He also disputed the notion that Canada is the only country that gives production incentives, citing incentives by 41 U.S. states as well as every other country. Thirdly, he argued that Canada is not costing the U.S. jobs because the entertainment industry is the world's fastest-growing industry. Although panel members disputed his claims, they all agreed that if it weren't for Canada, some of their projects would never have been funded.[135]

In addition to tax incentives, American film workers have complained about Canadian cultural content policy. Canada has protected its cultural industries through tariffs, taxes, foreign investment restrictions, and content requirements. The United States has generally taken the position that the distribution of motion pictures should take place under existing trade arrangements, The General Agreement on Trade in Services. Other countries, notably Canada and France, have proposed exempting cultural industries from international trade rules. If motion picture production were classified as a manufacturing industry instead of a service industry, as some observers prefer, many of these issues would be resolved.[136]

U.S. film industry representatives believe Canada's protectionist measures should be addressed by international trade organizations. In December 2001, a petition for the imposition of countervailing duties against U.S. film and television productions shot in Canada was filed by a coalition of U.S. entertainment labor groups. This request was denounced by Hollywood's major studios, which prefer to see the federal tax credit bill enacted instead. The petition was withdrawn in January 2002, but reportedly will be resubmitted.

In October 2000, Canada introduced its new Feature Film Policy, "From Script to Screen." From 10/00 to 3/01, the Government of Canada will invest an additional $15 million. Beginning in April 2001, the new investment will grow to $50 million per year, doubling their annual investment in the industry from $50 million to $100 million.

As of November 5, 2001, Canada's federal government was looking to postpone the end of a lucrative financial incentive that benefits Hollywood producers shooting in Canada. The elimination of limited partnership tax shelters that benefit foreign producers might be delayed to April 1, 2002, rather than December 31, 2001, the original cancellation date.

Canadian tax refunds take a while to obtain. The Irish report comments that "Canadian tax schemes consist of a refundable tax credit. This is not seen to be very successful because of its 'backend-loaded' nature."[137] The Monitor report also notes that payment of Canadian tax rebates can take up to a year.[138]

Canadian Incentive Programs - Sources:

- *The Ernst & Young Guide to International Film Production*, 2001.
- U.S. Dept. of Commerce, *The Migration of U.S. Film and Television Production*, March 2001, Chapter 6.
- Film Industry Strategic Review Group, *The Strategic Development of the Irish Film and Television Industry, 2000-2010*, August 1999, Chapter 9, State Incentives and Supports.
- Research and Planning, Missouri Department of Economic Development, *Film Industry Tax Incentives*, 2000. (Their source: Bullock Entertainment Services).

Federal Incentive Programs

Tax Credit Programs are co-administered by Canadian Heritage through the Canadian Audio-Visual Certification Office (CAVCO) and Canada Customs and Revenue Agency (CCRA):

> *Film or Video Production Service Tax Credit (PSTC)*: This refundable tax credit is equal to 11 percent of qualified Canadian labor expenditures incurred after October 1997, with no cap on the amount. Eligibility: Available to taxable corporations with a permanent establishment in Canada whose primary business is the production of film and videos. Production costs must be at least C$1.0 million for a film, or C$100,000 for a pilot or episode of less than 30 minutes, or C$200,000 for an episode of more than 30 minutes.
>
> *Canadian Film or Video Production Tax Credit (FTC)*: This refundable tax credit is equal to 25 percent of eligible labor costs, to a maximum of 12 percent of total production costs. Total production costs are reduced by provincial tax credits and other grants. Eligibility: Available to Canadian-controlled taxable corporations whose primary business is Canadian films and videos. A minimum of 75 percent of production costs must be paid to Canadian individuals and 75 percent of production must take place in Canada.

Public/Private Funding:

> *Canadian Television Film (CTF) Fund*: The CTF operates two complementary funding programs: the License Fee program, administered by CTF, and the Equity Investment Program, administered by Telefilm Canada. The equity investment program, with a budget of C$200 million per year, enhances the Canadian broadcasting and production sector's capacity to make and distribute television programming in the two official languages. CTF's revenue comes from various broadcasting undertakings. (Generally, foreign co-production companies cannot qualify for CTF funds.)

Public Funding: Telefilm Canada administers numerous funds. Examples are:

> *Feature Film Fund:* Assists the development and production of English- and French-language feature films destined for theatrical release. It can fund a film project up to 49 percent of its budget, to a ceiling of C$15 million.
>
> *Multimedia Fund:* Supports the development, production, and marketing of educational and entertainment multimedia products intended for the general public.

Feature Film Distribution Fund: Aimed chiefly at recognized Canadian distributors, provides lines of credit for use in acquiring distribution rights to Canadian feature films.

Versioning Assistance Fund: Serves to make Canadian works widely accessible in French and English, providing up to 100 percent of dubbing costs.

Canadian Production Marketing Fund: Has two components: national (test marketing, launch, advertising and promotion) and international (promotional campaigns, advertising in specialized publications, marketing, etc.).

Provincial Incentive Programs

Alberta

Film Project Grants: Grants are offered up to C$500,000 per project per year.

British Columbia

Film Production Services Tax Credit: A credit of 11 percent of the labor costs paid to taxable Canadian residents and corporations. Taxable Canadian corporations or foreign-owned corporations with permanent facilities in British Columbia are eligible. Production costs must be at least C$1.0 million for a film, or C$200,000 for an episode.

"Certified Canadian" Film Incentive BC Tax Credit: A tax credit of 20 percent of labor costs, which are capped at 48 percent of production costs. There is an additional 12.5 percent regional credit for doing principal photography outside of Vancouver. All claimants must be BC-based production companies and 75 percent of production and post-production must be done in British Columbia. The film must be "certified Canadian" by meeting four out of ten "Canadian content criteria."

Manitoba

Film Production Tax Credit: Rebates 35 percent of approved Manitoba labor expenditures, up to a maximum of 22.5 percent of eligible production costs.

Winnipeg Film Incentive Package: Free parking, waivers of permit and location fees.

Deeming Provision: If there are no qualified production personnel available in Manitoba, production staff can be brought in from outside the province, as long as training is taking place. If so, salaries will be considered for the Film Production Tax Credit.

New Brunswick

Labor Incentive Tax Credit: The credit is equal to 40 percent of wages paid to New Brunswick residents, up to a maximum of 50 percent of total production costs of a film. The eligible film production company must have permanent facilities in New Brunswick and less than C$25 million in assets.

Film Development & Production Assistance: Up to C$500,000 available per project to New Brunswick-controlled corporations.

Newfoundland & Labrador

Labor Tax Credit: The amount of the credit is 40 percent of eligible Newfoundland and Labrador labor expenditures, to a maximum of 25 percent of the total production costs. Eligible labor must be resident in Newfoundland/Labrador, though in some cases the residency requirement may be waived. There is an annual tax credit maximum of C$1.0 million per project, and C$2.0 million per associated group of corporations.

Nova Scotia

Film Tax Credit: For production in the Greater Halifax Region, the amount of the credit is 30 percent of eligible Nova Scotia labor expenditures, up to a maximum of 15 percent of total production costs. (Outside of the Halifax Region, this is 35 percent and 17.5 percent, respectively.) This credit is available only to Canadian taxable corporations with a permanent establishment in Nova Scotia.

Ontario

The Ontario Film Development Corporation (OFDC): administers a tax credit program worth an estimated C$50 million a year. The OFDC administers four tax credits based on eligible Ontario labor expenditures.

Ontario Film & Television Tax Credit: A rebate of 20 percent on labor costs, available to Canadian-controlled, Ontario-based production companies.

Ontario Production Services Tax Credit: An 11 percent refundable tax credit on Ontario labor costs, available to foreign-based and domestic productions. A bonus of three percent is provided for projects with at least five production days in Ontario, and at least 85 percent of production days outside of the Greater Toronto Area.

Ontario Computer Animation & Special Effects Tax Credit: A 20 percent rebate of qualifying labor expenditures. Available to Canadian or foreign-owned corporations.

Ontario Interactive Digital Media Tax Credit: This 20 percent refundable tax credit on labor costs is eligible for projects involving interactive digital media.

Prince Edward Island (PEI)

Development Loan Programs: Loans are available to qualifying companies that are provincially or federally incorporated and have headquarters on PEI. Though no tax credits for labor are offered, loans are available to finance development and production of film or video projects on PEI.

Quebec

Film Tax Credits: An 11 percent refundable tax credit for film or television productions, applicable to labor costs. There is also a special 31 percent tax credit for certain labor expenditures related to computer animation and special effects. Minimum production costs are C$100,000 for a 30-minute TV episode, C$200,000 for a longer episode, and C$1.0 million for a film production.

Refunds of Provincial Sales Tax: A refund to non-residents of the 7.5 percent tax on the cost of goods and services.

Quebec City Film Incentives: Granted to foreign film producers when billing for municipal services. This eliminates the 20 percent administration fee as well as approximately 30 percent of the gross cost of municipal services provided.

Saskatchewan

Film Employment Tax Credit: A rebate of 35 percent of total wages of all Saskatchewan labor, up to 50 percent of eligible production costs. There is an additional five percent bonus for Saskatchewan labor expenditures for productions based in smaller centers and rural areas.

Deeming Provision: If no qualified production personnel are available in Saskatchewan, production staff can be brought in from outside the province, as long as training is taking place. If this is the case, salaries will be considered for the Film Employment Tax Credit.

POLICIES AND MARKETING EFFORTS IN COUNTRIES OTHER THAN CANADA

The principal destinations of U.S. runaway production besides Canada are the United Kingdom, Ireland and Australia. These countries are all English speaking, have skilled workforces, have rapidly growing film markets, and offer a variety of incentive programs to the film industry. As an example, the debate over tax incentives is discussed within the context of the current production of *Lord of the Rings* in New Zealand. In this section, federal and selected regional incentive programs are described.

United Kingdom

In May 2000, a new government body, the Film Council, was launched to consolidate and manage U.K. government funding as a whole. The Film Council strategy is to move away from the so-called “additionality” rational of the lottery (lottery money had to be additional to other financing; this had the effect of supporting films that would not otherwise have been made). The Council’s long-term strategy will focus on:

- encouraging British film companies to vertically integrate development, production and distribution in a way similar to Hollywood studios,
- increasing access to venture capital,
- addressing the industry’s structural issues, and
- exploiting new technology.

The Council manages numerous funds: Premiere Production Fund, Development Fund, New Cinema Fund, and Film Training Fund. The Council supports various organizations: the British Film Commission, British Screen Finance, and the British Film Institute. The British Film Council also supports film production with funds from the lottery. The U.K. imposes no cultural requirement qualifications.

Examples of Business and Tax Incentives in the United Kingdom:

Alternative tax amortization methods – Accelerated tax depreciation for qualifying British films. For example, a 100 percent tax write-off is available for British films with a total production expenditure of less than 15 million pounds.

Sale and leaseback arrangements have become a popular method for foreign productions that do not qualify for the 100 percent tax write-off. In a leaseback transaction, a non-qualifying foreign production company sells its film rights to a leasing company, which, in turn, leases back the film rights to the production company. The transaction allows the U.K. lessor to take advantage of tax relief; the benefits are divided between the U.K. partner and the foreign production company.

Film partnerships – individuals in the U.K. can invest in "British" films through partnerships, primarily to take advantage of the immediate 100 percent tax deduction at higher personal rates of tax.

Australia

Until recently, Australia's incentive system was aimed at domestic producers and offered few federal incentives to foreign producers. Federal Australian film incentives had requirements for Australian content (55 percent) as well as significant participation of Australian partners. On December 4, 2001, the Australian Federal Government introduced a new incentive for producers of foreign and larger budget films to be delivered in the form of a refundable tax offset. This is available to any foreign production shooting anywhere in Australia. The refundable tax offset is applied at a fixed rate of 12.5 percent of qualifying Australian expenditure on a film project. The key requirement for access to the incentive is a minimum Australian expenditure of $15 million Australian dollars.

State-based incentives such as payroll tax rebates and exemptions to producers are numerous and are very attractive to foreign filmmakers. New South Wales (NSW), for example, is the most important center for film and television production in Australia and Sydney boasts state-of-the-art facilities at Fox Studios. Examples of incentives are:

> *Film and Television Industry Attraction Fund* – rebates to eligible "footloose" productions.
>
> *Payroll Tax Rebate at Fox Studios* – The NSW government has provided Fox Studios Australia with an incentive fund to attract production to Sydney. The fund is in the form of a payroll tax rebate.
>
> *Regional Filming Fund* – This fund began operation on January 1, 2001, and was established to assist Australian productions that wish to film in regional NSW. Assistance will be considered for amounts up to 50 percent of the budgeted costs of filming in regional NSW, up to Aus$100,000 per production, with a minimum of a one-week shoot in regional NSW to be eligible. To assist filmmakers to cover additional costs of shooting on locations outside the Sydney metropolitan area, Aus$500,000 is available.

Ireland

The primary modes of State support take the form of (1) tax incentives administered through the Department of Arts, Heritage, Gaeltacht and the Island and (2) soft loans administered through the Irish Film Board.

Section 481 – A significant factor in the rapid growth of the Irish film industry has been the introduction of various tax incentives, most notably Section 481 of the Taxes Consolidation Act of 1997.[139] Section 481 (formerly called Section 35 financing) allows investors a non-refundable subsidy of up to 12 percent for film production. In the late 1990s, government support of Section 481 was erratic; it was being extended for only one year at a time. The Finance Act of 2000 extended the expiration date of the relief to April 5, 2005, for corporate and individual investors.

Ten Percent Manufacturing Tax Rate – The Irish corporate tax rate for non-manufacturing is 24 percent, effective 1/1/2000. In cases where not less than 75 percent of the production work on a film is carried out in Ireland, the film will be treated as a manufactured product, and a ten percent effective tax rate is applied to any income arising from production of the qualifying film.

The importance of tax incentives in developing the Irish film industry is pointed out in the Irish report, *The Strategic Development of the Irish Film and Television Industry, 2000-2010*: "Most European countries together with Canada, Australia and New Zealand have had flourishing film industries at one time or another, and a long history in film. Government supports in European countries arose initially as a result of State policies to influence and shape national cultures, and, later, in response to competitive decline and the pressure of American competition. Few had the same advantages as the United States in terms of home market size and relative cultural homogeneity or the opportunity to develop powerful integrated companies.

The Review Group believes that the reasons for [state support] can be simply stated: Film and television is the most powerful contemporary means of cultural expression. Unlike many other forms of cultural expression, film production requires a substantial and viable production industry. This [Irish] embryonic industry has shown success and great promise during the 1990s. There is a wide degree of consensus, within and without the industry, that State tax incentives and other supports were a crucially important component in bringing about this success and that they have so far succeeded in their strategic intent…. for as long as competing countries support their film industries with large and varied State supports, then, to compete at all, Ireland must do the same, albeit not necessarily in the same way."[140]

New Zealand

Most New Zealand Film Commission funding and tax incentives pertain to "New Zealand" films and foreign producers cannot take advantage of them. However, conditions have been subject to legislative amendment and conditions are changeable.

A recent example of a U.S.-developed production that enjoyed New Zealand tax breaks is *Lord of the Rings,* which was filmed in New Zealand in 2001. Before the release of the movie in mid-December 2001, news articles revealed uneasiness among New Zealand policymakers that they had not negotiated a good enough deal with AOL Time-Warner's New Line Cinema. The film benefited from a tax loophole that allowed an up-front tax deduction for the entire movie cost, estimated at $650 million, and most of the risk of the film was borne by New Zealand taxpayers. Finance Minister Michael Cullen stated that "it could cost half as much to give all 3.8 million Kiwis a free $10 ticket than allow Hollywood to milk the New Zealand tax base as it has done."[141]

The large size of the tax incentives offered to the New Line Cinema sparked a debate in New Zealand as to whether movies should be supported so generously with taxpayer money over and above other private industries. One question is whether New Line Cinema would have chosen to shoot in New Zealand regardless of the tax incentives. Peter Jackson, the film's American director, reportedly had said pretty clearly that *Lord of the Rings* would not have been shot in New Zealand if not for the tax breaks. New Zealand does not have a particularly attractive tax environment and policymakers felt that to attract the foreign investment, the tax breaks were necessary.

After the successful release of *Lord of the Rings*, however, New Zealand officials have been rethinking their position and the New Zealand government recently closed the tax loophole for future productions. In addition to bemoaning the tax loophole closure, the *Lord of the Rings* producer, Barrie Osborne, has recently cited New Zealand's labor laws and its intent to limit filming of the country's highest mountain as possible hindrances to future major productions. According to Osborne, New Zealand labor laws do not clarify the right to terminate employment or contract with minimal notice. "It's not just tax breaks that international film-makers need to make more major productions in New Zealand," says Osborne.[142]

APPENDIX F

FEDERAL AND CALIFORNIA LEGISLATION

FEDERAL LEGISLATION:

Examples of recent federal legislation pertaining to the film industry, runaway production, or film industry costs and business climate are listed below. Only one of these bills became law (H.R.154, 5/26/00). There were no relevant bills in the 103rd Congress or the 104th Congress.

107th Congress (2001-2002)

H.R. 3131

United States Independent Film and Television Production Incentive Act of 2001
Latest Major Action: Referred to House committee on October 16, 2001
Sponsor: Rep. Dreier, David (introduced October 16, 2001)

(Co-Sponsor: Becerra, Berman, Bono, Condit, Dunn, Foley, Hart, Jefferson, John, Kolbe, Lantos, Lewis, Matsui, McCarthy, McIntyre, Price, Rangel, Schiff, Solis, Waxman, Weiner, and Weller)

An act to amend the Internal Revenue Code of 1986 to establish an annual tax credit for 25 percent of up to the first $25,000 of qualified wages paid or incurred per qualified U.S. independent film and television production. Increase the credit to 35 percent if the production is located in an area eligible for designation as a low-income community or eligible for designation by the Delta Regional Authority as a distressed county or isolated area of distress.

S. 1278

United States Independent Film and Television Production Incentive Act of 2001
Latest Major Action: Referred to Senate committee on July 31, 2001
Sponsor: Sen. Lincoln, Blanche (introduced July 31, 2001)

(Co-Sponsor: Boxer, Breaux, Cleland, Collins, Durbin, Feinstein, Helms, Kennedy, Landrieu, Leahy, Santorum, Snowe, and Specter)

An act to amend the Internal Revenue Code of 1986 to establish an annual tax credit for 25 percent of up to the first $25,000 of qualified wages paid or incurred per qualified U.S. independent film and television production. Increases the credit to 35 percent if the production is located in an area eligible for designation as a low-income community or eligible for designation by the Delta Regional Authority as a distressed county or isolated area of distress.

106th Congress (1999-2000)

H.R. 154 RS

Latest Major Action: Became Public Law: 106-206 on May 26, 2000
Sponsor: Rep. Hefley, Joel (introduced January 6, 1999) (Co-Sponsor: Udall)

An act to provide for the collection of fees for the making of motion pictures, television productions, and sound tracks in National Park System and National Wildlife Refuge System units, and for other purposes.

H.R. 2747
Latest Major Action: Referred to House committee on August 5, 1999
Sponsor: Rep. English, Phil (introduced August 5, 1999) (Co-Sponsors: Foley and Weller)
To amend the Internal Revenue Code of 1986 relating to the unemployment tax for individuals employed in the entertainment industry.

H.RES. 384
Latest Major Action: Referred to House subcommittee on November 17, 1999
Sponsor: Rep. Weller, Jerry (introduced November 17, 1999)
(Co-Sponsors: Becerra, Berman, Bono, Buyer, Condit, English, Foley, Hayes, Kuykendall, Matsui, McIntyre, McKeon, and Rogan)
Calling on the United States Trade Representative Charlene Barshefsky: to consider the issues of runaway film production and market access for American-filmed entertainment as part of the discussion at the World Trade Organization (WTO) talks in Seattle; (2) to ensure that the United States enters into discussions with its trading partners and take steps to address issues that threaten employment and trade in the film industry; and (3) as a top U.S. priority at the WTO talks in Seattle, to make effective use of trade agreements to liberalize cultural content restrictions while addressing countries' cultural content and sovereignty concerns.

105th Congress (1997-1998)

S. 1123
Latest Major Action: Referred to Senate committee on July 31, 1997
Sponsor: Sen. Hatch, Orrin G. (introduced July 31, 1997)
(Co-Sponsors: Baucus, Boxer, d'Amato and Feinstein)
To amend the Internal Revenue Code of 1986 relating to the unemployment tax for individuals employed in the entertainment industry.

H.R. 2993
Latest Major Action: Referred to House committee on September 16, 1998
Sponsor: Rep. Hefley, Joel (introduced November 9, 1997)
(Co-Sponsors: Duncan, Skaggs, and Whitfield)
An act to provide for the collection of fees for the making of motion pictures, television productions, and sound tracks in National Park System and National Wildlife Refuge System units, and for other purposes.

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* www.mpaa.org.

CALIFORNIA LEGISLATION SUMMARY:
***Bold indicates the bill was enacted.**

2001-2002 Regular Session

AB 465	Wyman	Income and corporation taxes: credits: film production.
AB 502	Frommer	California Film Finance Act.
SB 301	Scott	Film and television production.

1999-2000 Regular Session

AB 358	Wildman, Kuehl	Income and bank and corporation taxes: credit: qualified television programs and motion pictures
AB 385	Knox	Taxation: Disclosure.
AB 484	**Kuehl**	**Film California First Program.**
AB 848	**Kuehl**	**Coastal Development Permits; temporary, nonrecurring movie, television & commercial production sets**.
AB 1665	Committee on Revenue and Taxation (Knox, Chair)	Sales and Use Taxes: exemptions: property used in teleproduction or post-production services.
AB 1853	Calderon	Cruelty.
AB 2180	Ashburn	California Film Development Act.
AJR 23	Runner	California Film industry.
SB 1490	Schiff	California Film Finance Act.
SB 2061	**Schiff**	**State Theatrical Arts Resources Partnership established within the California Film Commission**.

1997-1998 Regular Session

AB 298	**Murray**	**Failure to disclose the origin of a recording or audiovisual work.**
AB 744	**Washington**	**Employment of minors: entertainment industry.**
AB 1062	Battin	Sales and use taxes: exemptions: teleproduction.
AB 2065	Cardenas	Cities: license fees.
AB 2427	Knox, Wildman	Sales and use taxes: exemptions: teleproduction.
H.R. 52	Thompson	Regulation of video rentals to minors.
SB 1396	Knight, Haynes, Leslie, Monteith, Mountjoy	Pupil instruction: motion picture.

1995-1996 Regular Session

AB 534	Brulte	Disruption of film production.
AB 885	Archie-Hudson, Davis, Ducheny, Gallegos, Lee, Willard, Murray	California Small Business Competitive Network Act, 1995.
AB 2622	Brulte	California Film Commission.

1995-1996 Regular Session

SB 390	Rosenthal	Disruption of film production.
SB 1315	Rosenthal, Lockyer	Nuisances: motion pictures.

1993-1994 Regular Session

AB 762	Goldsmith	Economic promotion.
AB 1429	Polanco	Enterprise zone: entertainment industry.
AB 1873	**Moore**	**Commercial filming: permits.**
AB 2993	Brulte	Disruption of film production.
AB 3800	Brown	Film permit assistance.

Appendix G: December 9,1985 testimony - Assembly Committee on Economic Development and New Technologies, Sam Farr, Chairman.

CALIFORNIA LEGISLATION - DESCRIPTIONS OF EACH BILL:
2001-2002 Regular Session

AB 465 Wyman Introduced 2/21/01

- Income and corporation taxes: credits: film production.
- This bill would authorize a credit against tax laws (personal income, bank and corporation) for each taxable year in an amount equal to $33^{1/3}$ percent of the amount paid or incurred during the taxable year for the costs of film production in this state.

AB 502 Frommer Introduced 2/16/01, Amended 4/16/01, 4/25/01

- California Film Finance Act.
- This bill would enact the California Film Finance Act, to require the Technology, Trade and Commerce Agency to administer a program to guarantee appropriate amounts of qualified loans for California films, as defined, made by film producers, as defined.
- It would require a film producer to provide a surety bond or completion guarantee in order to qualify for a loan guarantee. It would provide that the maximum loan amount guaranteed at any one time shall not exceed $45,000,000.

SB 301 Scott Introduced 2/16/01

- An act relating to film and television production.
- Existing law requires the Director of the Film Office to administer a "one-stop" permit process for applications for permission to use state-owned property for commercial motion pictures. The office is also required to be the permitting authority for the use of state employee services for this purpose and is authorized to establish fees not to exceed the actual cost of the affected state agency.
- This bill would make various findings and declarations of the Legislature regarding the film industry within the state, including that the Legislature is committed to enhancing the economic climate in California by keeping film industry jobs in this state.
- Examples of the Legislature's findings and declarations.
- It is in the public interest to advance the filmed entertainment in California as part of an overall economic plan for the 21st century, and the filmed entertainment industry is deserving of the same governmental support as any other activity that creates jobs and contributes to this state's overall economic base.
- It is in the public interest to address the runaway film and television production from California.
- California's challenge is to meet the threat of competition for filming dollars from other states and countries by promoting and facilitating film production in California.
- In order to support its current filmed entertainment industry and foster and support its further expansion, California must commit additional public and

private resources in a manner that will close the financial gap between California's filmed entertainment production within the state and filmed production outside California.

1999-2000 Regular Session

AB 358 Wildman, Kuehl Introduced 2/11/99, Amended 5/10/99, 7/1/99, Amended in Senate 7/14/99

- Income and bank and corporation taxes: credit: qualified television programs and motion pictures.
- This bill would, contingent upon the maintenance of certain foreign financial incentives for movie and television productions, authorize a credit against those taxes for each taxable and income year beginning on or after 1/1/00 and before 1/1/03, in an amount equal to ten percent of the total amount paid or incurred by the taxpayer during the taxable or income year for qualified wages and salaries paid by the taxpayer in connection with a qualified television program or motion picture, or musical scoring session, as provided.
- This bill would make that portion of the credit that is in excess of the taxpayer's tax liability refundable.

AB 385 Knox Introduced 4/28/99, Amended 5/20/99, Amended in Senate 8/16/99

- Taxation: Disclosure.
- This bill would permit, under specified conditions, the disclosure of tax information concerning any taxpayer to tax officials of a charter city.
- However, information may not be provided to the charter city for a taxpayer who identified his or her business or professional activity code for federal income tax reporting purposes as either 711510 (encompassing independent writers, artists, and performers), 711130 (encompassing musicians), or any successor code encompassing the same categories, unless…

AB 484 Kuehl Chapter 699 Approved by the Governor 9/25/00

- Film California First Program.
- (1) Existing law establishes the Film California First Program, which authorizes the Trade and Commerce Agency to pay and reimburse the film costs, as defined, incurred by a public agency, as defined.
- This bill would revise the definitions of the terms "film costs" and "public agency" for purposes of the program and would revise the procedures for state payment and reimbursement of those costs. It would provide that the exemption from specified provisions of the Administrative Procedure Act, and the authorization to adopt emergency regulations, shall apply instead to the procedures and guidelines promulgated by the California Film Commission within the agency.

- (2) Existing law required the California Film Commission to prepare an annual status report of the Film California First Program. This bill would require instead that the commission prepare annual preliminary reports to be submitted to the Joint Legislative Budget Committee, prior to the adoption of the annual Budget Act, and submit a final report to the committee no later than 1/1/04. It would require the commission, in consultation with specified state agencies, to contract with an independent audit firm or qualified academic expert to prepare a report to be submitted to the committee no later than 1/1/04.

AB 848 Kuehl Chapter 491 Approved by the Governor 9/27/99

- Coastal Development Permits; temporary, nonrecurring movie, television and commercial production sets.
- This bill would expedite the lawful construction of temporary, nonrecurring location sets for motion picture, television, and commercial production projects in the coastal zone. The governing body of a local government with a certified local coastal program may elect to designate the commission as the appropriate authority to process and issue a coastal development permit for a temporary, nonrecurring location set, if the production activity, including preparation, construction, filming, and set removal at the site will not exceed 190 days, in accordance with the following procedures.

AB 1665 Committee on Revenue and Taxation (Knox, Chair Introduced 3/11/99, Amended 4/12/99, 4/29/99

- Sales and Use Taxes: exemptions: property used in teleproduction or post-production services.
- Current law provides various exemptions from the Sales and Use Tax, including an exemption for tangible personal property purchased for use by a qualified person, as defined, to be used primarily in teleproduction or post-production services, and tangible personal property used primarily to maintain, repair, measure, or test the property used in those services.
- Current law defines "qualified person" as any person that is primarily engaged in teleproduction or other post-production activities. This bill would instead, until January 1, 2007, define a "qualified person" as any person that is engaged in those teleproduction or other post-production activities.

AB 1853 Calderon Introduced 2/7/00, Amended 3/20/00

- Cruelty.
- This bill would prohibit any person who knowingly produces, prepares, makes, sells, buys, transports, delivers, or possesses any image, as specified, that depicts in any manner the intentional and malicious maiming, mutilating, torturing, or wounding of a live animal or human being, or the malicious and intentional killing of an animal or human being, as prohibited under existing law, if that maiming, mutilating, torturing, wounding, or killing of the animal or human being

actually occurred during the production of the depiction and for the purpose of producing the depiction.

AB 2180 Ashburn Introduced 2/23/00

- California Film Development Act.
- (1) Requires the Trade and Commerce Agency to administer a program to guarantee appropriate amounts of qualified loans for California films. It would require a California film producer to pay a guarantee fee and provide indemnity insurance in order to qualify for a loan guarantee. It would also prohibit more than an aggregate amount of $50 million in guaranties from being outstanding at any one time.
- Establish the California Film Finance Fund in the State Treasury for the receipt of specified moneys received for the purposes of the program, and would continuously appropriate the moneys in the fund to the agency for use in administering the program. It would appropriate $50 million from the General Fund to the California Film Finance Fund for the purposes of the program.
- Any person who signs an application or submits a document to the agency that he or she knows is false in any material respect with the intent of causing a loan guarantee to be issued is guilty of a misdemeanor. By creating a new crime, this bill would impose a state-mandated local program.
- (2) No reimbursements of local agencies for certain costs are required by this act for a specified reason.

AJR 23 Runner Chapter 91 Filed with Secretary of State 9/1/99

- California film industry.
- This measure would memorialize the President and the Congress of the United States to evaluate the relocation of film industry business to Canada and other foreign nations and to initiate trade-related legislation that would persuade the film industry to remain in California.

SB 1490 Schiff Introduced 2/11/00, Amended 3/29/00

- California Film Finance Act.
- (1) Requires the Trade and Commerce Agency to administer a program to guarantee appropriate amounts of qualified loans for California films. It would require a California film producer to provide indemnity insurance and a surety bond in order to qualify for a loan guarantee. It would also prohibit more than an aggregate amount of $25 million in guarantees from being outstanding at any one time.
- Establish the California Film Finance Fund in the State Treasury for the receipt of specified moneys received for the purposes of the program, and would continuously appropriate the moneys in the fund to the agency for use in administering the program. It would appropriate $25 million from the General Fund to the California Film Finance Fund for the purposes of the program.

- Any person who signs an application or submits a document to the agency that he or she knows is false in any material respect with the intent of causing a loan guarantee to be issued is guilty of a misdemeanor. By creating a new crime, this bill would impose a state-mandated local program.
- (2) No reimbursements of local agencies for certain costs are required by this act for a specified reason.

SB 2061 Schiff Chapter 700 Approved by the Governor 11/25/00

- State Theatrical Arts Resources Partnership established within the California Film Commission.
- The commission shall collaborate with the Department of General Services and other state agencies in identifying surplus state properties that may be available for use under the partnership.
- The commission shall list available properties for the use of filmmakers and location scouts at an interactive web site, with relevant information about the properties and instructions for contacting the commission and obtaining use of the properties.
- The state properties identified under the program shall be made available for film and television production at a nominal fee.

1997-1998 Regular Session

AB 298 Murray Chapter 303 Approved by the Governor 8/18/97

- Failure to disclose the origin of a recording or audiovisual work.
- Under existing law, a person is guilty of failure to disclose the origin of a recording or audiovisual work, punishable as a misdemeanor or a felony, when, for commercial advantage or private financial gain, he or she knowingly advertises or offers for sale or resale, or sells or resells, or causes the sale or resale, or rents or manufactures, or possesses for these purposes, any recording or audiovisual work, the outside cover box or jacket of which does not clearly and conspicuously disclose specified information.
- This bill instead would provide that a person is guilty of this crime when the cover, box, jacket, or label of the recording or audiovisual work does not clearly or conspicuously disclose the specified information. The bill would also make clarifying changes to related provisions. By changing the definition of an existing crime, this bill would impose a state-mandated local program.

AB 744 Washington Chapter 239 Approved by the Governor 8/3/98

- Employment of minors: entertainment industry.
- Existing law does not require that a medical certification be obtained for employment of an infant under the age of one month on a motion picture set.

- This bill would preclude employment on a motion picture set of an infant under the age of one month unless a prescribed certification is made by a physician and surgeon who is board-certified in pediatrics.
- The bill would make a violation of that provision a misdemeanor punishable by a fine of $2,500 to $5,000, by imprisonment in the county jail not exceeding 60 days or by both. Because the bill would add a new crime, the bill would impose a state-mandated local program.

AB 1062 Battin Introduced 2/27/97, Amended 5/1/97, 1/22/98

- Sales and use taxes: exemptions: teleproduction.
- The sales and use tax law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property, and provides various exemptions from that tax.
- This bill would additionally exempt tangible personal property purchased for use by a qualified person, as defined, to be used primarily in teleproduction or post production services and in research and development, and specified tangible personal property used in connection therewith, as provided.
- This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date.

AB 2065 Cardenas (Co-author: Senator Rosenthal) Introduced 2/18/98, Amended 5/13/98, 5/19/98, Amended in Senate 6/24/98, 7/6/98, 7/14/98

- Cities: license fees.
- Existing law authorizes the legislative body of a city to license for revenue and regulation, and to fix the license tax upon, every kind of lawful business transacted in the city, except as specified.
- This bill would prohibit the legislative body of a city or county, including a charter city, from imposing work permit requirements, requiring or imposing a regulatory license or registration requirement, or imposing a regulatory license fee or business tax on any *home-based* writer, musician, director, or *other* creative artist, as defined, under specified conditions, relating to working at his or her home.

AB 2427 Knox & Wildman Introduced 2/20/98, Amended 3/26/98

- Sales and use taxes: exemptions: teleproduction.
- The sales and use tax law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property, and provides various exemptions from that tax.
- This bill would additionally exempt tangible personal property purchased for use by a qualified person, as defined, to be used primarily in teleproduction or post production services and in research and development, and specified tangible personal property used in connection therewith, as provided.

- This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date.

H.R. 52 Thompson Introduced 2/13/98

- Regulation of video rentals to minors.
- Resolved by the Assembly of the State of California that public libraries are requested to make every effort to identify the age of any person checking out a video who appears to be a minor and conform their check-out policies to the Motion Picture Association of America's rating system; and be it further resolved that the Chief Clerk of the Assembly shall transmit copies of this resolution to public libraries throughout the state.

SB 1396 Knight, Haynes, Leslie, Monteith, Mountjoy Introduced 1/12/98, Amended 3/9/98, 4/13/98

- Pupil instruction: motion picture.
- This bill would require that when a motion picture will be viewed in public junior, middle, or high school class, that has been released to commercial theaters to be viewed by the general public the parent or guardian of each pupil enrolled in the class shall first be notified in writing of the motion picture to be viewed, and may request in writing that his or her child not view the motion picture.
- This bill would further provide that a pupil whose parent or guardian requests that the pupil not view the motion picture may not be subject to disciplinary action, academic penalty, or other sanction, and shall be provided with an alternative educational activity while the motion picture is being shown to the other pupils.

1995-1996 Regular Session

AB 534 Brulte Introduced 2/17/95, Amended 4/25/95, Amended in Senate 7/13/95, 7/14/95

- Disruption of film production.
- This bill would provide that any person who seeks direct personal monetary consideration from a production company in exchange for ceasing or promising not to engage in conduct or activity which would disrupt the production of any motion picture, film or similar audio-visual recording, as specified, shall be liable in civil damages of up to $250 or three times the amount of the requested or obtained monetary consideration, whichever is greater, to the production company.
- The bill would also provide for a civil complaint to be issued to and served upon any such person by a uniformed private security officer who either witnessed the act or received a report from a third party who witnessed the act.
- The bill would require a person served with a complaint to provide his or her name and address to the uniformed private security officer for the purpose of completing service of the complaint; and would provide that upon filing the

complaint in court, the production company shall mail the court summons and a copy of the complaint to the offender, notifying that person of the court date and of his or her required attendance.

AB 885 Archie-Hudson, Davis, Ducheny, Gallegos, Lee, Willard Murray Introduced 2/22/95, Amended 4/25/95

- California Small Business Competitive Network Act of 1995.
- This bill would, until January 1, 2000, establish the California Small Business Competitive Network Program in the California Small Business Development Center Program, to perform various activities in partnership with local government and other entities, including the development of a network broker training program to be offered by applicant public and private agencies, on a fee-for-cost basis, to promote the formation and operation of small business networks in the state. It would, until that date, establish the Small Business Network Formation Loan Program within the program to provide loans or loan guarantees in specified amounts and according to specified criteria for the development of small business networks.
- This bill targets small businesses in "key industries," which includes traded sector industries, such as film and television technology, and multimedia production.

AB 2622 Brulte Introduced 2/21/96

- California Film Commission.
- An act relating to economic development.
- This bill would express the intent of the Legislature that the California Film Commission should expand its mission to include economic development, tax and regulatory policy, and education and job training for traditional motion picture and television production, as well as production using new technology.

SB 390 Rosenthal Introduced 2/14/95

- Disruption of film production.
- This bill would make the deliberate disruption of film production an infraction punishable by a fine of at least $50, but not more than $100, for the first offense, and at least $500, but not more than $1,000, for each subsequent offense.
- By creating a new crime, this bill would impose a state-mandated local program.

SB 1315 Rosenthal and Lockyer Introduced 3/6/95, Amended 5/15/95, Amended in Assembly 7/11/95

- Nuisances: motion pictures.
- This bill would provide that any person who seeks direct personal monetary consideration from a production company in exchange for ceasing or promising not to engage in conduct or activity which would disrupt the production of any

motion picture, film or similar audio-visual recording, as specified, shall be liable in civil damages of up to $250 or three times the amount of the requested or obtained monetary consideration, whichever is greater, to the production company.

- The bill would also provide for a civil complaint to be issued to and served upon any such person by a uniformed private security officer who either witnessed the act or received a report from a 3rd party who witnessed the act.
- The bill would require a person served with a complaint to provide his or her name and address to the uniformed private security officer for the purpose of completing service of the complaint; and would provide that upon filing the complaint in court, the production company shall mail the court summons and a copy of the complaint to the offender, notifying that person of the court date and of his or her required attendance.

1993-1994 Regular Session

AB 762 Goldsmith Introduced 2/24/93

- Economic Promotion.
- This bill would establish the California Economic Promotion Act of 1993.

AB 1429 Polanco Introduced 3/3/93, Amended 1/6/94

- Enterprise zone: entertainment industry.
- This bill would require Trade and Commerce Agency to establish an entertainment enterprise zone in Los Angeles County and require local agencies to establish specified fast track permitting procedures, thereby imposing state-mandated costs on local agencies.

AB 1873 Moore Introduced 3/5/93, Amended 5/10/93, 5/17/93, Amended in Senate 6/13/94, 6/30/94, 8/9/94, 8/19/94, Passed in Senate 8/23/94, Passed in Assembly 8/29/94. Approved by the Governor 9/20/94 Chapter 687

- Commercial Filming: permits.
- Existing law provides that local agencies are encouraged to utilize uniform film permit provisions.
- This bill would authorize a city or county to adopt an ordinance or other regulation governing the issuance of permits to engage in the use of property for occasional commercial filming on location.
- This authorization shall not limit the discretion of a city or county to limit, condition, or deny the use of property for occasional commercial filming on location to protect the public health, safety, or welfare.
- These ordinances and regulations would not be subject to local zoning ordinances or land use regulations unless the filming ordinance or regulations so provides.

AB 2993 Brulte Introduced 2/18/94

- Disruption of film production.
- This bill would make the deliberate disruption of film production an infraction punishable by a fine.

AB 3800 Brown Introduced 2/25/94

- Film Permit Assistance.
- This bill would provide that technical assistance provided by the Office of Permit Assistance within the Trade and Commerce Agency may include assistance in revising a permit process for film permits to conform to the model process for granting film permits developed by the California Film Commission. It would also enact an expedited permit process within 12 months of receipt, instead of ten months.

APPENDIX G

1985 INTERIM HEARING ON RUNAWAY PRODUCTION

Assembly Committee on Economic Development and New Technologies
December 9, 1985 Sam Farr, Chair

The issue of runaway production from California has been discussed in the legislature before. According to a report submitted to the Assembly Committee on Economic Development and New Technologies in 1985, evidence that California was experiencing "runaway film production" to other states and countries was increasing. This problem was costing the State of California and its local jurisdictions thousands of jobs and millions of dollars in potential tax revenue.

Some of the runaway production evidence cited at the hearing follows:

(1) In 1984, California lost nearly $1 billion of a total of $5 billion in production revenue to other states.
(2) Of the 165 feature films made in the U.S. in 1984, only 56 were shot entirely inside California, 29 were shot partially in California, and the remaining 80 were shot in other states.
(3) Approximately 50 percent of all movies made for television were shot outside of California in the 1983-84 season.
(4) California only produced 25-30 percent of all commercial advertisements shot nationwide, a $600 million industry.

According to the California Film Office, in 1984 California lost the most feature film production to four states, New York, Arizona, Texas, and Florida. New York was perhaps California's most successful competitor. The New York City Mayor's Office of Film, Theater, and Broadcasting handled all location permits for the city, and coordinates all other services such as police and fire. The New York City Police Department had a special task force to be used exclusively for film production, which, like sanitation and fire protection services, was provided at no cost to the production company. In addition, the city had several fully equipped film studios and state-of-the-art post-production houses.

Texas was also a formidable competitor to California. The Texas film commission was established in 1971. There were no required permits or location fees in Texas.

In contrast to these findings, a controversial study completed earlier in 1985 by researchers at the UCLA Graduate School of Architecture and Urban Planning found that while 50-70 percent of motion pictures made by U.S. companies are filmed outside of California, California's overall share of employment, payroll and business establishments has actually been increasing since the early 1970s. The report finds that California's losses in actual production, which account for 10-30 percent of a film project's budget, have more than been made up by a growing concentration of post production, financing, and distribution activities, which account for the bulk of a film's budget. However, the report notes that these activities could also experience a shift to other states if those states are able to develop permanent skilled labor forces and specialized studio facilities. Several other states, most notably Florida and North Carolina, have begun to develop these resources.

Selected Facts about Runaway Film Production

- The entertainment industry directly employs 80,000 Californians and indirectly employs 150,000.
- Money spent on location in NYC has increased while locations money spent in the City of Los Angeles has decreased.
- A **3.0 economic multiplier** may be used when determining the impact of a production dollar on location within a community. Each dollar spent on location shooting generates three additional dollars in associated expenditures in the community.

Economic Impact Statistics:

In 1984, 165 feature films were produced in the United States. Eighty of those films were shot entirely outside California; 24 films were shot partially outside California; and 56 were shot entirely inside California. Using an average film budget figure of $9 million (with 1/3 of that spent on location), budget money lost to California in 1984 amounted to $772.2 million.

An average feature film generates $330,478 in sales and personal income tax to the state.

Previous Research on Runaway Production:

Assembly Committee on Economic Development and New Technologies, Sam Farr, Chairman, "The Flight of the Motion Picture Industry from California," Los Angeles, Museum of Science and Industry, October 11, 1983.

Senate Committee on Industrial Relations, Alan Short, Chairman, "A study of the Economic Condition of the Motion Picture Industry in California," February 3, 1972.

ENDNOTES

[1] Richard Parsons, Time Warner President, October 1997, as cited in Michael Clough, "Can Hollywood Remain the Capital of the Global Entertainment Industry?" Pacific Council on International Policy, September 2000, p. 8.

[2] The U.S. Bureau of Economic Analysis classifies the industries listed in Table 2 as minor industries except for retail trade, wholesale trade and construction, which are major industries.

[3] Center for Continuing Study of the California Economy, *California Economic Growth 2001*, Palo Alto: The Center, various years 1997-2000. Note that 2000 employment figures reported here are estimates for the first ten months of 2000. Export industries are defined as the economic base in the CCSCE report.

[4] Center for Continuing Study of the California Economy, *California Economic Growth 2001*, Palo Alto: The Center, pp. 5-33. Salary data are from 1999.

[5] Motion Picture Association of America, *State of the Industry: The Economic Impact of the Entertainment Industry on California*, Los Angeles: The Association, California Group, 1998, p. 10.

[6] The MPAA's numbers are from the California Film Commission. These figures do not match those in Table 9 because the California Film Commission revised this series since publication of the MPAA report.

[7] A 1998 survey by the Association of Independent Commercial Producers found that commercial expenditures reached $4.5 billion nationwide in 1997. Source: Motion Picture Association of America, *State of the Industry: The Economic Impact of the Entertainment Industry on California*, 1998, p. 35.

[8] Allen J. Scott, "A New Map of Hollywood and the World," *The UCLA Anderson Forecast for the Nation and California*, Los Angeles: UCLA, March 2002, Table 1, p. California-3.2. These film release data are from the Academy of Motion Picture Arts and Sciences, <u>Annual Index to Motion Picture Credits</u>.

[9] Data Source: U.S. Census Bureau, County Business Patterns, NAICS 51211.

[10] Allen J. Scott, "A New Map of Hollywood and the World," UCLA, 2001, (unpublished), p. 14.

[11] Allen J. Scott, "A New Map of Hollywood and the World," *The UCLA Anderson Forecast for the Nation and California*, Los Angeles: UCLA, March 2002, p. California-3.4.

[12] County Business Pattern data for SIC 7812 (Motion picture and video production alone) are matched by NAICS 51211 and thus are extended beyond 1997. Data for SIC 7819 (Services allied to motion pictures) have no corresponding NAICS code and cannot be continued after 1997.

[13] Allen J. Scott, "From Silicon Valley to Hollywood, Growth and Development of the Multimedia Industry in California," UCLA, 1998.

[14] Allen J. Scott, "A New Map of Hollywood and the World," UCLA, 2001, (unpublished), pp. 4-7.

[15] Anderson, C., *Hollywood TV: The Studio System in the Fifties*, Austin, Texas: University of Texas Press, 1994 as cited in Scott, 2001. This point has been made by many authors, including Christopherson and Storper in various articles.

[16] Harold L. Vogel, *Entertainment Industry Economics: A Guide for Financial Analysis*. Cambridge: Cambridge University Press, 2001, p. 41.

[17] Allen J. Scott, "A New Map of Hollywood and the World," UCLA, 2001, (unpublished), pp. 14-15.

[18] Harold L. Vogel, *Entertainment Industry Economics: A Guide for Financial Analysis*. Cambridge: Cambridge University Press, 2001, p. 41.

[19] Motion Picture Association of America, *State of the Industry: The Economic Impact of the Entertainment Industry on California*, Los Angeles: The Association, California Group, 1998, p. 10.

[20] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, pp. 5-7.

[21] MGT of America, *An Economic Assessment of the Florida Film and Entertainment Industry*, Tallahassee, Florida: MGT of America, Inc. December 31, 2000, pp. 2-68. The data cited are from U.S. Census Bureau, County Business Patterns, SIC 7812 and 7819.

[22] Center for Continuing Study of the California Economy (CCSCE), *California Economic Growth*, Palo Alto: The Center, 2001, pp. 5-33.

[23] UCLA Anderson Forecast, Los Angeles: UCLA Anderson, September 2001, Charts - Forecast A-12.

[24] LAEDC, 2001-2002 Economic Forecast & Industry Outlook for the Los Angeles Five-County Area Mid-Year Update, Los Angles: The Corporation, July 2001, pp. 51-52.

[25] LAEDC, 2002-2003 Economic Forecast & Industry Outlook for Los Angeles County, February 21, 2002.

[26] Harold L. Vogel, *Entertainment Industry Economics: A Guide for Financial Analysis.* Cambridge: Cambridge University Press, 2001, p. 56.
[27] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, p. 5 (at least $18 billion) and p. 24 ($17 billion in 1998). I could not match these estimates exactly using trade data. A $15 billion estimate would be obtained by adding cross-border sales of film and video rentals ($7.076 billion in 1998) plus sales of services to foreign persons by U.S. multinational companies through their foreign affiliates in the industry, "Motion pictures, including television, tape and film" ($7.894 billion in 1998). Source: *Survey of Current Business*, November 2001.
[28] MPAA, U.S. Economic Review, http://www.mpaa.org.
[29] Published by *Variety*, at www.variety.com.
[30] Center for Entertainment Industry Data and Research (CEIDR), "The Migration of Feature Film Production from the U.S. to Canada Year 2000 Production Report," Los Angeles: The Center, December 2001, pp. 8-9.
[31] Entertainment Industry Development Corporation (EIDC), "MOWs – A Three Year Study," Los Angeles: The Corporation, January 2001, p. 2.
[32] Ibid., p. 8.
[33] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production.* Washington, D.C.: The Department, March 2001, p. 34. Data are courtesy of Steve Katz.
[34] Entertainment Industry Development Corporation (EIDC), *Annual Report 2000-01*, p. 16 and p. 18.
[35] Entertainment Industry Development Corporation (EIDC), *Annual Report 2000-01*, p. 19. These numbers were estimated by LAEDC using 1997 Economic Census data as a base.
[36] Entertainment Industry Development Corporation (EIDC), *Annual Report 1999-2000*, p. 13 and *Annual Report 2000-2001*, p. 19.
[37] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, p. 23.
[38] EIDC Annual Report 2000-2001, p. 21.
[39] Two multipliers were applied to the relevant subsets of the total direct spending lost to the U.S. in 1998, a goods and services multiplier of 3.6 and a wage and salary multiplier of 3.1. The multiplied effect totaled $5.6 billion ($0.88 billion of goods and services multiplied by 3.6 plus $0.85 billion of wages and salaries multiplied by 3.1).
[40] Arthur Anderson, LLP, "Economic Impact Study for Chicago Film, Television & Commercial Economic Development Coalition," September 1997 as cited in U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, March 2001, p. 22.
[41] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, p. 22.
[42] LAEDC Economics, *Film Industry Profile, Los Angeles County*, 2001, p. 5.
[43] LAEDC data use adjusted Current Employment Statistics data to reflect the undercount of people working in the film industry.
[44] Milken Institute, "The Impact of Potential Movie and Television Industry Strikes on the Los Angeles Economy," Los Angeles: The Milken Institute, April 2001, p. 5. The employment figure uses adjusted CEW ES-202 data. Milken adds about 40,000 independent contractors and self-employed workers to adjust for employment underestimates of official figures.
[45] San Fernando Valley Economic Research Center, *Report of Findings on the San Fernando Valley Economy 2000-2001*, Northridge: California State University Northridge, pp. 36-37.
[46] Include SIC codes 4830,7313,781,782,79,27,484,783. These industries include radio, TV, motion pictures, cable, printing, publishing, motion picture theatres, videotape rentals, amusement & recreation services.
[47] SANDAG, "San Diego Regional Employment Clusters, Engines of the Modern Economy," *Info Update*, August 2001, no. 1, p. 20.
[48] Include SIC codes 4830, 7812, 7819,7922,7941,7992,7996,7999,8412,8522. Similar to the San Fernando Valley definition except, cable, printing and publishing are excluded.
[49] Monitor Company, *U.S. Runaway Film and Television Production Study Report*, Santa Monica, California: The Monitor Company, California Group, July 1999, p. 2.
[50] Ibid.

[51] IMF Staff, "Globalization: Threat or Opportunity?" *Issues Brief*, Washington D.C.: The IMF**,** April 12, 2000.

[52] Richard Parsons, Time Warner President, October 1997 as cited in Michael Clough, "Can Hollywood Remain the Capital of the Global Entertainment Industry?" Los Angeles: Pacific Council on International Policy, September 2000, p. 8.

[53] Michael Clough, "Can Hollywood Remain the Capital of the Global Entertainment Industry?" Los Angeles: Pacific Council on International Policy, September 2000, pp. 13-14.

[54] Monitor Company, *U.S. Runaway Film and Television Production Study Report,* Santa Monica, California: The Monitor Company, California Group, July 1999, p. 24.

[55] Michael Clough, "Can Hollywood Remain the Capital of the Global Entertainment Industry?" Los Angeles: Pacific Council on International Policy, September 2000, pp. 23-24.

[56] Monitor Company, *U.S. Runaway Film and Television Production Study Report,* Santa Monica, California: The Monitor Company, California Group, July 1999, Exhibit 25, p. 24.

[57] Aida Hozic, *Hollyworld: Space, Power and Fantasy in the American Economy*, Ithaca: Cornell University Press, 2001, pp. 114-116.

[58] *Variety*, May 6, 1987.

[59] Will Tusher, "High Labor Costs Hold Key to Runaway Filming," *Daily Variety*, June 5, 1990, 3, 17.

[60] Harold L. Vogel, *Entertainment Industry Economics: A Guide for Financial Analysis.* Cambridge: Cambridge University Press, 2001, p. 83.

[61] International Alliance of Theatrical Stage Employees, a labor union representing technicians, artisans and craft persons in the entertainment industry.

[62] Harold L. Vogel, *Entertainment Industry Economics: A Guide for Financial Analysis.* Cambridge: Cambridge University Press, 2001, pp. 80-83.

[63] *Variety*, September 14, 1992 and Cones, J.W., *43 Ways to Finance Your Feature Film: A Comprehensive Analysis of Film Finance*, Carbondale, Illinois: Southern Illinois University Press, 1998, p. 56 as cited in Vogel, *Entertainment Industry Economics: A Guide for Financial Analysis.* Cambridge: Cambridge University Press, 2001, p. 83.

[64] Harold L. Vogel, *Entertainment Industry Economics: A Guide for Financial Analysis.* Cambridge: Cambridge University Press, 2001. The discussion in Vogel actually refers to a weak dollar, "Although there is some countervailing effect from the higher costs of shooting pictures in strong-currency countries and from maintaining foreign-territory distribution and sales facilities in such locations, a weakening dollar exchange rate will, on balance, noticeably improve movie industry profitability." p. 51.

[65] Local film commissions are members of Film Liaisons in California, Statewide (FLICS). http://commerce.ca.gov/state/ttca/ttca_navigation.jsp?path=California+Film+Commission.

[66] Bernard L. Weinstein and Terry L. Clower, "Filmed Entertainment and Local Economic Development: Texas as a Case Study," *Economic Development Quarterly*, vol. 14, no. 4, 2000, p. 390.

[67] Ibid. p. 391.

[68] Right-to-work states are listed at http://www.nrtw.org/rtws.htm.

[69] William Wilson and Chad Coadlier, "A Review of the Monitor Group Report on the Economic Multiplier for the U.S. Film and Television Production Spending," Ernst & Young LLP, May 2000 as cited in the U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, March 2001, p. 30. The Directors Guild of Canada was unwilling to send me a copy of this report. The report also provides details on the exact economic model used for evaluating the multiplier effect in the film and television industry.

[70] PricewaterhouseCoopers, *Profile 2002*, Ottawa, Ontario, Vancouver and Montreal: PricewaterhouseCoopers, Exhibit 3, p. 19.

[71] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, p. 46.

[72] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, pp. 19-21.

[73] *Survey of Current Business*, Nov. 2001, Table 1, Private Services by Type, "Miscellaneous Disbursements." Data for the subcategories are available from the BEA on request. "Disbursements to fund production costs of motion pictures" were $207 million in 1996 and rose to $355 million in 1999. For "Disbursements to fund production costs of broadcast program material other than news," payments

were $67 million in 1996 and $278 million in 1999. As cited in the U.S. Department of Commerce report, March 2001, p. 19.

[74] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, p. 19. To obtain the $630 million estimate, a number of assumptions were made. See the report for details.

[75] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, pp. 20-21. To obtain the $2 billion estimate, a number of assumptions were made. See the report for details.

[76] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, p. 21.

[77] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, 24, p. 31.

[78] Monitor Company, *U.S. Runaway Film and Television Production Study Report*, Santa Monica, California: The Monitor Company, California Group, July 1999, p. 15.

[79] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, p. 31.

[80] Center for Entertainment Industry Data and Research, *The Migration of Feature Film Production from the U.S. to Canada Year 2000 Production Report*, Los Angeles: The Center, December 2001, p. 6.

[81] The Chicago Film Office and the Illinois Film Office's "Report on Production and Economic Activity by Film U.S. Members" is cited in the U.S. Commerce report, *The Migration of U.S. Film and Television Production*, Washington D.C.: The Department, March 2001, p. 31.

[82] Aida Hozic, *Hollyworld: Space, Power and Fantasy in the American Economy*, Ithaca: Cornell University Press, 2001, p. 120.

[83] MGT of America, *An Economic Assessment of the Florida Film and Entertainment Industry*, 12-31-00, p. ii and pp. 2-67.

[84] Aida Hozic, *Hollyworld: Space, Power and Fantasy in the American Economy*, Ithaca: Cornell University Press, 2001, p. 120.

[85] Boston Consulting Group, *Building New York's Visual Media Industry for the Digital Age – Findings and Recommendations*, New York: The Boston Consulting Group, Inc., June 2000, p. 20

[86] The Hollywood Reporter, "Canada Could Extend Incentives," 11/5/01.

[87] PricewaterhouseCoopers and the Canadian Film and Television Production Industry, *Profile 2001, An Economic Profile*, Ottawa, Ontario, Montreal and Quebec: PricewaterhouseCoopers, Exhibit 13, p. 27. Each direct job results in the creation of an additional 1.6 indirect jobs. Their methodology to calculate direct jobs was revised in *Profile 2002*. Direct job estimates were increased for 1998-99 and 1999-00.

[88] Indirect jobs are often estimated as a percentage of direct jobs. The following are examples of the percentage factor used for indirect jobs: CCSCE (50 percent); LAEDC (89 percent); Canada, PricewaterhouseCoopers (160 percent). The MPAA did not estimate indirect jobs using a percentage markup methodology, but its implied markup was: MPAA 1996 (100 percent) MPAA 1992 (134 percent).

[89] According to Statistics Canada, *Annual Estimates of Employment, Earnings and Hours*, Canadian employment in the motion picture industry (NAICS 5121) was 24,324 in 1991; 22,015 in 1992; 22,778 in 1993; 23,552 in 1994; 23,488 in 1995; 24,944 in 1996; 27,791 in 1997; 30,496 in 1998; 31,617 in 1999 and 34,180 in 2000.

[90] CFTPA and APFTQ, *Profile 2002*, p. 32. There are several official sources for Canadian employment. Monthly *Labour Force Survey* estimates are also available.

[91] Monitor Company, *U.S. Runaway Film and Television Production Study Report*, Santa Monica, California: The Monitor Company, California Group, July 1999, p. 27.

[92] LAEDC Economics, *Film Industry Profile, Los Angeles County*, 2001, p. 6.

[93] EIDC, http://www.eidc.com/Coverage/Production_Data/Shooting_Days/shooting_days.html.

[94] Michael Clough, "Can Hollywood Remain the Capital of the Global Entertainment Industry?" Pacific Council on International Policy, September 2000, p. 14.

[95] Ibid., p. 29.

[96] Allen J. Scott, "A New Map of Hollywood and the World," UCLA, 2001, (unpublished), pp. 22-23.

[97] Allen J. Scott, "A New Map of Hollywood and the World," *UCLA Anderson Forecast*, p. California 3.8.

[98] Asu Aksoy and Kevin Robins. "Hollywood for the 21st Century: Global Competition for Critical Mass in Image Markets," *Cambridge Journal of Economics*, 1992, 16, p. 19.
[99] Aida Hozic, *Hollyworld: Space, Power and Fantasy in the American Economy*, Ithaca: Cornell University Press, 2001, p. 153.
[100] Allen J. Scott, "A New Map of Hollywood and the World," UCLA, 2001, (unpublished), p. 23.
[101] Luc Veron, "The Competitive Advantage of Hollywood Industry," Los Angeles: University of Southern California, March 1999, p. 17. http//www.ciaonet.org.
[102] Harold L. Vogel, *Entertainment Industry Economics: A Guide for Financial Analysis*. Cambridge: Cambridge University Press, 2001, p. 58.
[103] Bernard L. Weinstein and Terry L. Clower, "Filmed Entertainment and Local Economic Development: Texas as a Case Study," *Economic Development Quarterly*, vol. 14, no. 4, 2000, p. 393.
[104] Center for Continuing Study of the California Economy (CCSCE), *California Economic Growth*, Palo Alto: The Center, 2001, pp. 5-33.
[105] The 1992 data are from a 1994 report done by the Alliance of Motion Picture and Television Producers in conjunction with the MPAA entitled "The Economic Impact of Motion Picture, Television and Commercial Production in California."
[106] Motion Picture Association of America, *State of the Industry: The Economic Impact of the Entertainment Industry on California*, Los Angeles: The Association, California Group, 1998, p. 29.
[107] Canadian Film and Television Production Association and l'Association des Producteurs de Films et de Television du Quebec in conjunction with PricewaterhouseCoopers, *Profile 2002, An Economic Profile*, 2001, p. 31.
[108] LAEDC, *Film Industry Profile,* September 2001, p. 8. Radio broadcasting could also be included, adding another 11,000 workers in 1997.
[109] This is a 1993 estimate based on County Business Patterns data.
[110] Milken Institute, *The Impact of Potential Movie and Television Industry Strikes on the Los Angeles Economy*, Los Angeles: The Milken Institute and Sebago Associates, Inc., April 2001, p. 5.
[111] U.S. Dept. of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, p. 24.
[112] Ibid., pp.18-19.
[113] Peter D. Kuhbach and Mark A. Planting, "Annual Input-Output Accounts of the U.S. Economy, 1998," *Survey of Current Business*, December 2001, p. 70. Amusement and recreational services is industry number 76, which combines 1987 SIC 78 (motion pictures) with SIC 79 (amusement and recreation services).
[114] Monitor Company, *U.S. Runaway Film and Television Production Study Report,* Santa Monica, California: The Monitor Company, California Group, July 1999, p. 12.
[115] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, p. 23.
[116] Ibid.
[117] Ibid.
[118] Boston Consulting Group, *Building New York's Visual Media Industry for the Digital Age – Findings and Recommendations*, New York: The Boston Consulting Group, Inc., June 2000, p. 11.
[119] Center for Entertainment Industry Data and Research, *The Migration of Feature Film Production from the U.S. to Canada Year 2000 Production Report*, Los Angeles: The Center, December 2001, p. v.
[120] This is a Type 1 multiplier estimated in a 1976 report by the California Department of Water Resources. This multiplier is higher than for most industries, reflecting the highly diffuse nature of film industry purchases.
[121] Aida Hozic, *Hollyworld: Space, Power and Fantasy in the American Economy*, Ithaca: Cornell University Press, 2001, p. 117.
[122] In a footnote comparing direct and indirect employment estimates, the 1998 MPAA report claims to use "a Los Angeles County multiplier for the motion picture industry of 2.03 (California Trade and Commerce Agency). The multiplier used by the Alliance of Motion Picture and Television Producers and the Monitor Group for Los Angeles County in 1992 was 2.12." It is unclear whether this footnote refers to an implied multiplier for economic impact or whether it refers to the relationship between direct and total employment. Motion Picture Association of America, *State of the Industry: The Economic*

Impact of the Entertainment Industry on California, Los Angeles: The Association, California Group, 1998, footnote 5, p. 21.

[123] U.S. Department of Commerce, *The Migration of U.S. Film and Television Production*, Washington, D.C.: The Department, March 2001, pp. 20-21.

[124] National Association of State Development Agencies. http://www.nasda.com/.

[125] National Association of State Development Agencies. http://www.nasda.com/.

[126] Also advertised on the Deloitte Consulting website: www.dc.com/obx/.

[127] Information obtained directly from Delaware's Film office.

[128] This financing initiative is described on the Illinois Development Finance Authority website: http://www.idfa.com/movie.htm.

[129] National Association of State Development Agencies. http://www.nasda.com/.

[130] National Association of State Development Agencies. http://www.nasda.com/.

[131] This information was obtained directly from the Mississippi Film Office.

[132] National Association of State Development Agencies. http://www.nasda.com/.

[133] National Association of State Development Agencies. http://www.nasda.com/.

[134] Monitor Company, *U.S. Runaway Film and Television Production Study Report*, Santa Monica, California: The Monitor Company, California Group, July 1999, p. 4.

[135] The Hollywood Reporter, "H'Wood Coalition Aims at Runaway Production," 11/5/01.

[136] Center for Entertainment Industry Data and Research, *The Migration of Feature Film Production From the U.S. to Canada Year 2000 Production Report*, Los Angeles: The Center, December 2001, p. 5.

[137] Film Industry Strategic Review Group, *The Strategic Development of the Irish Film and Television Industry, 2000-2010*, Dublin, Ireland: Minister of Arts, Heritage, Gaeltacht and the Islands, August 1999, p. 117.

[138] Monitor Company, *U.S. Runaway Film and Television Production Study Report*, Santa Monica, California: The Monitor Company, California Group, July 1999, p. 22.

[139] Michael F. Dell, et al., *The Ernst and Young Guide to International Film Production: An Overview of Business Incentives and Tax Matters*, (New York: Ernst and Young LLP), 2001 Edition, p. 35.

[140] Film Industry Strategic Review Group, *The Strategic Development of the Irish Film and Television Industry, 2000-2010*, August 1999, Chapter 9, State Incentive and Supports, pp. 70-71.

[141] Simon Louisson, "We've Got a Ticket to Ride," *The Evening Post*, Wellington, December 12, 2001, p. 30.

[142] Russell Baillie, "Rules Could Stifle Next Blockbuster," *The New Zealand Herald*, December 12, 2001.