Date of Hearing:

ASSEMBLY COMMITTEE ON ARTS, ENTERTAINMENT, SPORTS, AND TOURISM
Christopher M. Ward, Chair
SB 756 (Smallwood-Cuevas) – As Amended May 23, 2025

SENATE VOTE: 38-0

SUBJECT: California Film Commission: motion picture tax credits: tracking and compliance program

SUMMARY: SB 756 requires the California Film Commission (CFC) to collect additional data from productions receiving motion picture tax credits; to address noncompliance with data collection requirements; and to publish an annual compliance report summarizing the collected data, trends in diversity and economic impact, and recommendations for program improvements.

Specifically, **this bill**:

1) Requires CFC to integrate additional data collection requirements for productions receiving motion picture tax credits, including:

   a) Demographic data currently not required for all hired employees, including disability status, veteran status, and LGBTQ+ status (where voluntarily provided).

   b) Aggregate ZIP Code hiring data voluntarily reported by motion picture tax credit recipients for the purpose of assessing local workforce impacts.

   c) Apprenticeship and trainee utilization reports demonstrating the inclusion of underrepresented groups in film production trades and related industries.

   d) Data regarding the participation of individuals with prior interactions with the criminal justice system, commonly known as justice-involved individuals, in apprenticeship and trainee programs utilized by productions receiving motion picture tax credits. This requirement does not require employers to inquire about or collect criminal record history or prior convictions directly from employees or job applicants.

2) Requires CFC, in consultation with industry stakeholders, payroll companies, and subject matter experts, to ensure clarity, feasibility, and practical implementation, to adopt definitions, reporting templates, and narrowly tailored metrics for collecting the additional data required by this legilstaion.

3) Requires CDC to develop data collection protocols to reduce nonresponse rates.

4) Specifies that where feasible, workforce demographic and wage and hours data may be reported in aggregate using certified payroll data or verified third-party payroll reports and requires CFC to work with industry stakeholders and payroll companies to develop standardized templates to ensure data accuracy and to protect employee privacy. Requires CFC, in developing reporting templates and evaluation metrics, to consider proportional representation relative to the California general population and historic national-level underrepresentation in the film and entertainment industries.

5) Requires CFC to address noncompliance with data collection requirements through existing enforcement conditions and motion picture tax credit procedures.

6) Requires CFC to publish an annual compliance report on its website summarizing the collected data, trends in diversity and economic impact, and recommendations for improvements in the motion picture tax credit framework. The report shall be made publicly available on the commission's website.

7) Makes these requirements operative upon an appropriation by the Legislature.

EXISTING LAW:

1) Establishes the CFC, with a board consisting of 27 members, to encourage motion picture and television filming in California and make recommendations to the Legislature, the Governor, and GO-Biz to improve the position of the state's motion picture industry in the national and world markets. (Government Code Section (GOV) 14998 - 14998.13)

2) Requires the CFC's Director to prepare and implement a program to promote media production for the benefit of the state's economy by administering a one-stop permit office, among other responsibilities. Requires the CFC to develop and oversee the implementation of a Cooperative Motion Picture Marketing Plan, which shall increase CFC marketing efforts and offer state resources to local film commissions and local government liaisons to the film industry for the purpose of marketing their locales to the motion picture industry. (GOV 14998.and 14998.12).

3) Authorizes the CFC to allocate, and for qualified taxpayers to claim, the California Motion Picture and Television Production Credit for an additional five years, starting in 2025-26 with an authorization amount of $750 million per year. (Revenue and Taxation Code Section (RTC) 17053.98.1 and 23698.1)

4) Provides recipients with 96% of the credit amount and includes an additional four percent if the applicant chooses to submit a diversity workplan that includes specified diversity goals for the project. Applicants are required to submit a diversity workplan checklist, developed by the CFC upon submission of their application for the credit. Upon receipt of a tax credit, applicants who choose to submit a diversity workplan to address diversity and be broadly reflective of California's population in terms of race, ethnicity, gender, and disability status, including required components in statute and regulation. Applicants may submit an interim assessment on progress towards meeting the goals of the workplan to the CFC. Applicants who submit a diversity workplan must submit a final diversity assessment including information about how the project met or made a good-faith effort to meet the diversity workplan.

5) Requires the CFC to submit to the Legislature on an annual basis, commencing June 30, 2027, a report containing diversity data provided by the applicants. The report shall contain, in the aggregate and per project, an assessment of whether the diversity workplan goals required by this section were met for qualified motion pictures that submitted the final assessment to the CFC in the prior fiscal year and specified details. This reporting is in

addition to tax credit specific reporting to the Legislative Analyst's Office (LAO), and other aggregate data reported to the Legislature and on the CFC website.

6) Requires the LAO to provide the Assembly Committee on Revenue and Taxation, the Senate Committee on Governance and Finance, and the public a report evaluating the economic effects and administration of the film tax credit. Authorizes LAO to receive all information reported to the CFC by recipients. Requires the LAO, on or before May 1, 2025, to provide the Assembly Committee on Revenue and Taxation, the Senate Committee on Governance and Finance, and the public a report that summarizes the workforce diversity information collected by the CFC and that evaluates the effectiveness of the film tax credit in increasing the diversity of the film production workforce. (RTC 38.9)

7) Establishes the Civil Rights Department (CRD) and outlines various prohibited practices, including but not limited to practices by employers related to discrimination. Requires employers with 100 or more employees to submit a pay data report to the CRD that includes specified information, including but not limited to the number of employees by race, ethnicity, and sex in specified job categories and authorizes CRD to annually publish and publicize aggregate reports based on this data. (GOV 12900-12907)

8) Prohibits a private or public employer with five or more employees from including on a job application any questions about conviction history before a conditional job offer has been made. (GOV 13952)

9) Prohibits an employer from asking applicants to disclose information concerning an arrest or detention that did not result in conviction, or information concerning a referral to, and participation in, any pretrial or posttrial diversion program, or concerning a conviction that has been dismissed or ordered sealed, and precludes any employer from seeking or utilizing such information as a factor in determining any condition of employment, any record of arrest or detention that did not result in conviction, or any record regarding a referral to, and participation in, any pretrial or posttrial diversion program, or concerning a conviction that has been judicially dismissed or ordered sealed pursuant to law. (Labor Code Section 432.7)

FISCAL EFFECT: According to the Senate Committee on Appropriations, GO-Biz would likely incur, at a minimum, an annual cost pressure of $1 million in General Fund monies to implement the provisions of the bill.

COMMENTS:

1) Author's statement. According to the author, "California's motion picture tax credit is a powerful tool for keeping film and television production—and the jobs that come with it—right here in our state. As the Senator for the 28th District, which includes some of the most active and iconic hubs of film production in the world, I see firsthand how this industry shapes our regional economy. But I also see the disparities—working people from the very communities where films are shot are often left out of the opportunity pipeline.

   "SB 756 is about equity and accountability. It ensures that the state's significant investment in the entertainment industry delivers measurable returns for local workers, small businesses, and historically excluded communities. This bill establishes a tracking and compliance program within the California Film Commission to require productions receiving tax credits to report annually on who they hire, where they hire, and how they are building inclusive pathways—such as through apprenticeships and job training—for underrepresented groups. It also mandates a regular independent economic impact analysis, so we can better understand whether this public investment is creating lasting, equitable economic growth.

"In a district where film production is a major economic driver, we must ensure that the benefits are shared more broadly. SB 756 brings transparency to how tax credits are used and ensures that taxpayer dollars help build a stronger, fairer entertainment workforce across California."

2) Background. The California Film & Television Tax Credit Program was enacted as a part of an economic stimulus plan to promote production spending, jobs, and tax revenues in California. The program is administered by the CFC. The credit first became available in July of 2009. To be eligible for the credit, a project must meet have a minimum 75% of its production days or total production budget in California, and must be a qualifying motion picture.

California's Film and TV Tax Credit Program has struggled to compete with more attractive incentives from states like New York and Georgia, along with the UK. The decline in production is impacting the state's film industry and the cast and crew who depend on consistent work, prompting some to seek opportunities out of state. The Motion Picture Pension Plan reported a significant decrease in union jobs, with a loss of over 17,000 full-time jobs between 2022 and 2024. To revitalize California's film industry, collective action is crucial to protect existing jobs and create new opportunities, restoring the state's position as a hub of creativity and innovation.

Programs in New York, the United Kingdom, and Georgia have been particularly effective in drawing work away from California. In 2023, a report by the California Film Commission found that the state lost 74% of production spending by those projects that applied for but did not receive a California tax credit; 39 out of 66 projects that did not receive a tax credits, left California to be produced out-of-state. These runaway projects accounted for $1.5 billion in production spending loss. These figures however do not include jobs and economic losses for film and television production.

The Los Angeles County Economic Development Corporation (LAEDC) reported that the economic output from 2015-2020 showed that 157 out of the 312 projects that applied for but did not receive a California tax credit left California for another state. The loss of this spending in California cost the state $7.7 billion in generated economic activity, 28,000 total jobs, labor income of approximately $2.6 billion, and state and local tax revenues, which have totaled $345.4 million.

The loss of production and economic output harms one of California's longest-standing industries and the hard-working cast and crew members who struggle to find work. Due to a lack of employment opportunities and high costs of living, workers are forced to work out of state or consider changing fields. According to reports on contributions to the Motion Picture Pension Plan, the decline in production in California has led to a sharp drop in union jobs, particularly in 2022 and 2024. In that same time frame, reported hours to the Motion Picture Pension Plan dropped by 34,654,648. This represents a loss of over 17,000 full-time equivalent jobs. It is critical that the state act to increase production to save and create jobs.

3) Legislative Analyst Office (LAO). In February 2025, the LAO released a report on California's film tax credit that raised a number of questions about its value to the state. In their assessment, they say that the evidence is clear that increasing the size of the credit will lead to an increase in the number of productions that choose to film in California; however, the evidence is lacking from their perspective that expanding the tax credit will have a benefit to the economy when compared to other economically beneficial programs. For example, according to their research on two of California's U.S. competitors for film and production, New York and Georgia, every $1 of credit allocation provided significantly less than a $1 return in state revenue. Georgia has no cap on their film tax credit, whereas New York's is $700 million, or $50 million less that California is proposing to increase the credit to under Program 4.0. California is also dealing with competition from outside of the U.S., with many productions choosing to film in Canada and the United Kingdom.

   The LAEDC responded to the LAO reports, saying that their numbers reflect data provided by CFC from 169 productions that were allocated credits as of February 2020. They found that from $915 million in tax credits that these productions generated a total of $7.4 billion in production spending, and that for each $1 of credit allocated led to $24.40 in economic activity.

   Of note, LAEDC's data does not take into account the significant downturn in statewide film production due to disruptions including the COVID-19 pandemic, the SAG-AFTRA and Writer's Guild of America strikes, and the recent wildfires in the Los Angeles area.

4) Diversity requirements. The Legislature has incrementally added requirements and procedures to the Motion Picture and Television Production Tax Credit to increase diversity in the industry. Under 1.0, the Legislature required CFC to include on a tax credit application the diversity of the workforce employed by the applicant, including the ethnic and racial makeup of the individuals employed by the applicant during the production of the qualified motion picture, to the extent possible. Program 2.0 incorporated this requirement and directed CFC to implement a Career Readiness requirement.

   Program 3.0 required CFC to include information necessary to collect this data on the tax credit application, and directed CFC to establish a verification procedure for that information. 3.0 precluded CFC from allocating a credit to an applicant that did not report information regarding aggregate data for individuals whose wages cannot generate credits (such as actors, writers, and directors), including their gender, ethnic, and racial makeup, as well as the diversity of its workforce employed on the production. 3.0 also required CFC to report aggregate diversity information for the productions allocated tax credits and the diversity of California's motion picture production industry more generally.

   SB 144's soundstage credit introduced requirements for diversity work plans with the goal that productions broadly reflect California's population, in terms of race and gender. The Legislature carried these requirements to 4.0, and added that a project that opts to fulfill diversity requirements must also submit an interim assessment and a final assessment of whether it is meeting its work plan.

5) Career Pathways Program. The CFC's Career Pathways Program is a workforce development initiative aimed at increasing access to film and television careers for individuals from underserved communities. Funded through contributions from productions participating in

the tax credit program, the initiative offers free training in various below-the-line crafts, such as production accounting, set lighting, grip, costume manufacturing, and virtual production. The program includes entry-level and mid-career courses, life-skills training, and mentorship opportunities with industry professionals. By partnering with community organizations and training providers, the Career Pathways Program seeks to diversify the entertainment industry workforce and create sustainable career opportunities.

6) Out of Zone. The Los Angeles zone is defined in current law to mean the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, and includes Agua Dulce, Castaic (including Castaic Lake), Leo Carrillo State Beach, Ontario International Airport, Piru, and Pomona (including the Los Angeles County Fairgrounds). The Metro-Goldwyn-Mayer, Inc. Conejo Ranch property is also considered within the Los Angeles zone. Existing law allows additional credits to be awarded to qualified motion pictures that are produced outside of the Los Angeles zone, including a 5% uplift on qualified expenditures, such as equipment, and a 10% uplift on qualified wages if hiring California residents outside the Los Angeles zone. The uplift on qualified wages is 5% for independent films and relocating television series.

   By adding aggregate ZIP-code hiring data to the workforce planning data collected by CFC, it will be easier to assess local employment impacts and benefits of the motion picture tax credit for all areas of the state.

7) Arguments in support. According to the California Arts Advocates in support, "California's Film and Television Tax Credit Program has played a key role in retaining in-state film production. Still, it lacks mechanisms to assess whether public dollars benefit diverse communities, advance union access, or contribute to local economies. As noted by the LAO, although the credit increases production activity, there is little evidence that it improves the broader economy, and there is currently no standardized way to assess equity outcomes or workforce development impacts."

   "SB 756 addresses these gaps by requiring production companies receiving film tax credits to submit annual reports detailing:

   - The demographics of their workforce (race, ethnicity, gender, disability status, veteran status)
   - ZIP Code-based hiring to assess local economic impact
   - Participation of apprentices, trainees, and justice-involved workers
   - A final project report and a biennial independent economic impact analysis

   "Notably, the bill ensures this information will be made public and used to shape policy improvements through an annual report from the Film Commission. This builds upon best practices already in place at other public agencies, such as Los Angeles World Airports (LAWA), which require robust labor tracking."

8) Policy considerations. The purpose of this legislation is to improve the quality of the data received by the CFC, in order to assess the effectiveness of the diversity workplans and the Career Pathways Program included in the framework of the motion picture tax credit program. With a budget in place that increases the motion picture tax credit to $750 million per year, and with AB 1138 (Zbur) making additional changes to the types of projects that

are eligible for the program containing an urgency clause, this bill may also need to add an urgency clause in order to make changes to CFC's data collection process prior to January 1, 2026.

9) Prior and related legislation:

a) SB 132 (Committee on Budget and Fiscal Review), Chapter 17, Statutes of 2025, increases the aggregate amount of the credit that may be allocated for a fiscal year to $750,000,000, effective immediately.

b) AB 1138 (Zbur), of 2025, would expand the types of projects eligible for the Motion Picture Tax Credit 4.0 and Soundstage Filming Tax Credit Program, and increase the credit amount percentages allowed for qualified motion pictures. The bill is currently on Senate Third Reading.

c) AB 1377 (McKinnor), of 2025, for Film and Television Tax Credit 4.0, would remove the good faith effort standard if a qualified taxpayer chooses to submit a diversity workplan, and requires CFC to determine whether the diversity goals in the workplan were met. The bill is currently in the Senate Committee on Revenue and Taxation.

d) SB 132 (Senate Committee on Budget and Fiscal Review), Chapter 56, Statutes of 2023, extended the authority for CFC to allocate, and for qualified taxpayers to claim, the Film and Television Tax Credit for an additional five years, starting in 2025-26, authorized at $330 million per year, and makes the credit. In addition, this bill made various changes to the current version of the credit (Film and Television Credit 3.0) and the California Soundstage Filming Tax Credit and includes set safety provisions.

e) SB 144 (Portantino), Chapter 114, Statutes of 2021, made changes to the Film and Television Credit 3.0, including allocating an additional $90 million in the 2021-22 and 2022-23 fiscal years, and established a new credit for productions filmed at certified studio construction projects.

f) SB 871 (Senate Committee on Budget and Fiscal Review), Chapter 54, Statutes of 2018, enacts Film and TV Tax Credit 3.0 from July 1, 2020 to July 1, 2025.

g) AB 1839 (Gatto), Chapter 413, Statutes of 2014, increased the annual amount of tax credits available for film and television productions, from $100 million to $330 million per year, and extended the program for five more years. It also broadened the eligibility criteria to include big-budget feature films, network television shows, and pilots, which had previously been excluded.

h) AB 2026 (Fuentes) Chapter 841, Statutes of 2012, extended the film production tax credit program for two years, until 2017

i) AB 1069 (Fuentes), Chapter 731, Statutes of 2011, extended the film production tax credit program for one year, until 2015.

j) ABX3 15 (Krekorian), Chapter 10, Statutes of the 2009-10 Third Extraordinary Session, established a five-year $500M tax credit for qualified expenditures on qualified productions. Limited allocations to $100M/year.

REGISTERED SUPPORT / OPPOSITION:

Support

California Arts Advocates

Opposition

None on file.

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