

Date of Hearing: April 11, 2023

ASSEMBLY COMMITTEE ON ARTS, ENTERTAINMENT, SPORTS, AND TOURISM
Sharon Quirk-Silva, Chair
AB 1421 (Alvarez) – As Amended March 22, 2023

SUBJECT: The San Diego Regional Film Financial Incentive Pilot Program

SUMMARY: Establishes the San Diego Regional Film Financial Incentive Pilot Program.

Specifically, **this bill:**

- 1) Establishes the San Diego Regional Film Financial Incentive Pilot Program to be administered by the San Diego Regional Film Financial Incentive Pilot Program Office within the County of San Diego for purposes of awarding grants, beginning on July 1, 2024.
- 2) Defines a “Qualifying project” to mean a motion picture, movie, or film that is produced for distribution to the general public, regardless of medium, that meets all of the following requirements:
 - a) The project has a total production budget of no less than one hundred fifty thousand dollars (\$150,000) and more than nine hundred ninety-nine thousand nine hundred ninety-nine dollars (\$999,999).
 - b) At least 70 percent of the production budget consists of San Diego qualifying expenditures.
 - c) The applicant can demonstrate that the applicant has secured the appropriate financial resources required to complete the project.
 - d) The applicant can demonstrate that principal photography is set to commence within nine months of the project’s application approval date and will be completed within 12 months of the commencement of filming.
- 3) Defines a “San Diego qualifying expenditures” to mean amounts paid or incurred for tangible personal property purchased or leased, and used, within the County of San Diego to laborers, retailers, or suppliers who are permanent residents of the County of San Diego.
- 4) Requires an applicant to submit a specified application to the office, and would require the office to award grants in order of priority based on the ratio of the total moneys expected to be paid by the applicant as wages to laborers who are permanent residents of the County of San Diego divided by the total production budget.
- 5) Requires applications for the grant to contain all of the following information:
 - a) All relevant documentation needed to establish that the project is a qualifying project.
 - b) The budget for the project.
 - c) The number of production days.

- d) A financing plan for the project.
- e) The diversity of the workforce employed by the applicant, including, but not limited to, the ethnic and racial makeup of the individuals employed by the applicant during the production of the qualified project, to the extent possible.
- f) Financial information, if available, including, but not limited to, the most recently produced balance sheets, annual statements of profits and losses, audited or unaudited financial statements, summary budget projections or results, or the functional equivalent of these documents of a partnership or owner of a single-member limited liability company that is disregarded pursuant to Section 23038 of the Revenue and Taxation Code. The information provided pursuant to this clause shall be confidential and shall not be subject to public disclosure.
- g) The names of all partners in a partnership not publicly traded or the names of all members of a limited liability company classified as a partnership not publicly traded for California income tax purposes that have a financial interest in the applicant's qualified motion picture. The information provided pursuant to this clause shall be confidential and shall not be subject to public disclosure.
- h) The amount of wages the applicant expects to pay to employees.
- i) The amount of the grant the applicant computes the qualified motion picture expects will be allocated.
- j) A statement establishing that the grant described in this division is a significant factor in the applicant's choice of location for the qualified project. The statement shall include information about whether the qualified project is at risk of not being filmed or specify the jurisdiction or jurisdictions in which the qualified project will be located in the absence of the grant. The statement shall be signed by an officer or executive of the applicant.
- k) The applicant's written policy against unlawful harassment, including, but not limited to, sexual harassment, that includes procedures for reporting and investigating harassment claims, a phone number for an individual who will be responsible for receiving harassment claims, and a statement that the company will not retaliate against an individual who reports harassment. The applicant shall also indicate how the policy will be distributed to employees and include a summary of education training resources, including the prohibition against, and prevention and correction of, sexual harassment and remedies available.
- l) The ethnic and racial makeup and gender of individuals who will be paid wages by the applicant.
- m) A summary of the applicant's voluntary programs to increase the representation of minorities and women.

- n) Any other information the office deems relevant or necessary for purposes of the program.
- 6) Appropriates \$25,000,000 to the County of San Diego over a 3-year period for purposes of the program, including administrative costs.
- 7) Require the office to submit, on or before January 1, 2027, a report to the Legislature and the California Film Commission on the results of the program. By placing new requirements on the County of San Diego, the bill would impose a state-mandated local program.
- 8) Repeals these provisions on January 1, 2028.

EXISTING LAW:

- 1) Allows a credit against the personal income and corporation taxes for taxpayers producing qualified motion pictures, administered and allocated by the California Film Commission (CFC). (Revenue and Taxation Code (RTC) Section 23698)
- 2) Defines a “Qualified motion picture” to mean a motion picture that is produced for distribution to the general public, regardless of medium, that is one of the following:
 - a) A feature with a minimum production budget of one million dollars (\$1,000,000).
 - b) A miniseries consisting of two or more episodes, each longer than 40 minutes of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars (\$1,000,000) per episode.
 - c) An independent film, as defined.
 - d) A television series that relocated to California.
 - e) A pilot for a new television series that is longer than 40 minutes of running time, exclusive of commercials, that is produced in California, and with a minimum production budget of one million dollars (\$1,000,000).
- 3) Defines an “Independent film” means a motion picture with a minimum budget of one million dollars (\$1,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 25 percent of the producing company.

FISCAL EFFECT: Unknown. This measure has been keyed fiscal by the Legislative Counsel.

COMMENTS:

- 1) Author’s statement. According to the author, "Through government support, California has become the world leader in film and TV production, creating a massive economic and soft-power asset to the state. Although we have continued to provide support through the California Film Tax Credit, we have yet to extend that same support to smaller independent filmmakers with budgets under \$1,000,000. As a result, these filmmakers often film in other states that offer more substantial incentives. AB 1421 captures these missing filmmakers by

providing grants to independent filmmakers to produce their movies in San Diego. With ideal year-round weather, stunning scenery, and proximity to Mexico's increasingly large film trade, San Diego is uniquely positioned to complement our film industry by becoming the national hub for independent film-making."

- 2) Background. Currently, the CFC administers the Film and Television Tax Credit Program, which provides tax credits based on qualified expenditures for eligible productions that are produced in California. The program has a minimum eligibility threshold of \$1 million per independent feature film, meaning that lower-budget productions are not eligible for the tax credit. Financing is often the biggest challenge for independent filmmakers.
- 3) Prior and related legislation:
 - a) AB 3186 (Gloria), of 2020, would have establishes the San Diego Regional Film Financial Incentive Pilot Program. (Status: The bill was held in the Assembly Rules Committee without being referred to a policy committee.)

REGISTERED SUPPORT / OPPOSITION:

Support

There is no support on file.

Opposition

There is no opposition on file.

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