

California State Assembly



Assembly Budget Agenda

Subcommittee No. 5 on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Tuesday, March 4, 2025

1:30 P.M. - State Capitol, Room 447

Informational Hearing

- I. Welcome and Introductions
- II. Bringing Production Back to California: Overview of the Governor's Proposal on the California Film and Television Tax Credit
 - *Colleen Bell, Executive Director, California Film Commission*
 - *Lauren Greenwood, Deputy Director of Legislative & External Affairs, GO-Biz*
 - *Rowan Isaaks, Economist, Legislative Analyst's Office*
 - *J.T. Creedon, Finance Budget Analyst, Department of Finance*
- III. Film Production in California
 - *Paul Audley, President, FilmLA*
 - *Shannon M. Sedgwick, Senior Director, LAEDC Institute for Applied Economics*
- IV. Workforce Perspective
 - *Jason George, Actor, SAG-AFTRA National Board Member and Chair, SAG-AFTRA National Government Affairs Committee*
 - *Malakhi Simmons, Entertainment Union Coalition (EUC), Vice President, Local 728, International Alliance of Theatrical Stage Employees (IATSE)*
 - *Ashlee Hypolite, Executive Director, Hollywood CPR, Career Pathways Training Programs*
- V. Members Questions and Comments
- VI. Public Comment
- VII. Adjourn

Items To Be Heard

0509 Governor's Office of Business

Issue 1: California Film and Television Tax Credit Expansion

The Governor's budget proposes to expand the California Film and Television Tax Credit (Film and TV Tax Credit 4.0 Program) from \$330 million to \$750 million. The 4.0 program is set to begin in July 1, 2025.

Background. Below is the history of the evolution of the Film tax Credit program that began in 2009, beginning with the latest authorized credit, the 4.0 Program.

Film and TV Tax Credit 4.0. In 2023, SB 132 (Committee on Budget and Fiscal Review) was signed into law, extending the authority for the California Film Commission (CFC) to allocate, and for qualified taxpayers to claim the Film Tax credit (4.0 Program) for an additional five years, starting in 2025-26, maintaining the current authorization amount of \$330 million per year.

The 2023 Budget Act modernized the 4.0 Program by making the film tax credit refundable, allowing taxpayers with insufficient tax liability to make use of the credit for the first time ever. The credit is electively refundable at a discounted 90-percent rate and the refundable credit is taken over five years. Additionally, the 4.0 Program included the diversity workplans created in the Soundstage tax credit with some modifications. SB 132 expanded the Career Pathways Training Program to provide more opportunities for Californians to enter the union workforce. Finally, it added set safety provisions as a pilot to the 4.0 Program.

Soundstage Tax Credit. The 2021 budget package included SB 144 (Portantino, Chapter 114, Statutes of 2021) which allocates \$150 million in film tax credits for productions that are filmed at new or renovated soundstages. The credits are available for productions in 2022 through 2032. The Commission identifies and certifies qualified soundstage construction projects. Productions receiving credits under this program are required to submit a diversity workplan to the Commission. The diversity workplan is required to include goals that are broadly reflective of California's population, in terms of race and gender. Those productions are eligible to receive an additional 4 percent tax credit if they meet or make a good faith effort to meet their diversity goals.

Film and TV Tax Credit 3.0. In 2018, the Legislature enacted the Film and TV Tax Credit 3.0, authorizing the Commission to allocate \$330 million in credits each year through 2024-25 [SB 871 (Budget and Fiscal Review Committee), Chapter 54, Statutes of 2018]. SB 871 allowed a credit equal to 20 percent or 25 percent of qualified expenditures for production of a qualified motion picture in California, with additional credits for qualified expenditures related to original photography, as defined. Additionally, SB 871 required applicants to submit a summary of their

voluntary programs designed to increase the representation of minorities and women in certain job classifications and directed the Commission to establish the Career Pathways Training program, among other provisions.

Film and TV Tax Credit 2.0. In 2014, the Legislature enacted the "Film and TV Tax Credit 2.0," which directed the Commission to allocate \$230 million in credits in 2015-16, and \$330 million in credits each year through 2019-20 [AB 1839 (Gatto), Chapter 413, Statutes 2014]. The lower amount for the initial allocation reflected the \$100 million yet to be allocated pursuant to the Film and TV Tax Credit 1.0.

Film and TV Tax Credit 1.0. In 2009, the Legislature first established a credit for qualified motion picture productions in California by enacting two bills, AB X3 15 (Krekorian, Chapter 10, Statutes of 2009 Third Extraordinary Session), and SB X3 15 (Calderon, Chapter 17, Statutes of 2009 Third Extraordinary Session), commonly referred to as the "Film and TV Tax Credit 1.0". These bills directed the Commission to annually allocate \$100 million in credits until 2012-13 and to allocate two years' worth of credits, totaling \$200 million in the 2009-10.

In 2011, the Legislature extended the program for one year to 2014-15 [AB 1069 (Fuentes), Chapter 731, Statutes of 2011], and then extended the program for two additional years until 2016-17 [AB 2026 (Fuentes), Chapter 841, Statutes of 2012, and SB 1197 (Calderon), Chapter 840, Statutes of 2012]. The Commission last allocated the final \$100 million authorized under the Film and TV Credit 1.0 on July 1, 2015.

Budget Impact. According to the Governor's "A pages", the proposal is expected to reduce revenues by \$15 million in 2025-26. Costs are projected to increase in subsequent years, reaching \$209 million by the end of the multiyear period in 2028-29, and peaking outside of the multiyear period. While this expansion applies to fiscal years beginning in 2025-26, credits are claimed four years after allocation on average because film productions typically take multiple years and credits are only claimed once a verified tax return is filed.

Credit Utilization. Since its inception, \$3.4 billion in credits haven been allocated by the California Film Commission, however, as of 2022, only about \$1.64 billion has been claimed. With the Governor's budget proposal, an additional \$3.75 billion will be available over the next five years.

Below is the historical data related to the film credits that have either been claimed on a Franchise Tax Board (FTB) tax return or sales tax reimbursement from California Department of Tax and Fee Administration (CDTFA). (Note: the FTB data is through tax year 2022 and will be updated for tax year 2023 with tax returns by mid-April.)

Film Tax Credits Claimed			
(\$ in millions)			
	FTB Usage		Sales Tax
2011	\$	32.5	2011-12
2012	\$	70.1	2012-13
2013	\$	80.3	\$ 27.5
2014	\$	55.6	\$ 10.7
2015	\$	52.6	\$ 0.0
2016	\$	65.7	\$ 14.8
2017	\$	92.8	\$ 0.0
2018	\$	148.9	\$ 19.0
2019	\$	208.3	\$ 70.5
2020	\$	35.2	\$ 114.6
2021	\$	21.2	\$ 99.2
2022	\$	66.9	\$ 168.5
			\$ 111.1
			2023-24
			2024-25
			(through
			9/30/24)
			\$ 74.2
Totals	\$	930.2	\$ 710.1

Staff Comments

1. There is no denying that the Legislature has been and remains supportive of keeping Hollywood in California. Since 2009, the Legislature has authorized five film tax credit programs and provided extensions to ensure adequate time to utilize these credits to retain one of its most iconic California industries. The 4.0 Program was authorized two years in advance of the 3.0 Program expiring and modernized the program by moving from a tax credit to a refundable credit to signal to the industry and the workforce that California wants to keeps jobs in California.

However, 2025 has started much different than anyone anticipated with increasing threats to federal funds, creating new cost pressures to the General Fund but also the existing large structural deficit, addressed temporarily with a suspension of businesses' tax credit and net operating loss deduction usage and with state revenues such as Proposition 30 taxes that expire in five years. The Legislature will have to evaluate this program and its benefits in the larger context of the overall budget.

2. Two spots bills have been introduced in the Legislature to further "modernize" the 4.0 Program. The details of these bills have yet to be released.

The Subcommittee may wish to ask the following questions:

Panel 1:

1. Can you explain the goals of the increased credit amount? Will the increase in the credit amount be enough to retain the film industry in CA?
2. What are the economic benefits from the California Film tax Credit? What data does the state collect to report the economic benefits from tax credits?
3. How many of the awarded tax credits are filmed in Los Angeles versus throughout the rest of the state? What is the return on investments on the credit for areas outside the LA region?
4. How has the CFC prepared to implement the diversity workplans that will be required with the 4.0 program? Have any diversity workplans been completed with the Soundstage studio?

For Panel 1 and 2:

5. According to a CapRadio article on Monday, February 24, 2025, "State officials in New York also reported in 2023 that its tax credit program was, at best, breaking even and most likely costing the state. And in Georgia, officials estimate the state's return on investment is about 19 cents per dollar it spends." According to a study, LA EDC says that for each \$1 of credit generates about \$24 for the economy. Why are these numbers vastly different?

For Panel 3:

6. Can you discuss how the strikes and the wildfires affected the workforce over the past five years?

7. What is needed to get workers back to work and to grow the workforce?
8. How many people have been trained through the Career Pathways program? How much funding has been set aside to fund the training program and how is this funding allocated? What type of jobs are people being trained for through the program?

Staff Recommendation: Due to the format of this hearing, an informational hearing, no action can be taken at this time.