Assembly Budget Subcommittee Hearing
OCTOBER 21, 2015

California Film and Television Tax Credit Economic Impact Study
2014 Update
Film and Television Production

▸ Production is very lucrative – and mobile
  • Cost considerations override most other factors in location decisions
Film and Television Production

- Competition from other states is designed to induce development of an industry cluster
  - Has been quite successful in luring away production
California’s Film Industry

- California has a concentration of industry employment
  - Accounts for approximately 11 percent of all US employment
  - … but 41 percent of US employment in this industry
California’s Film Industry

- California has a deep and well-established industry cluster
  - More than 92 percent of the goods and services purchased by the industry are sourced from within the state
  - Spending $14 billion on goods and services in 2013, $16 billion in employee compensation
California’s Film Industry

- California enjoys stronger impacts from its incentive program than other states
  - California’s economy is large
  - Industry is deep and comprehensive
  - Incentives are moderate
  - Taxes in California are progressive
Tax Credit Programs

- California’s program was enacted in 2009
- Is the program worth keeping?
- What is the cost to the state?
- Should it be modified?
How We Studied This

► Reviewed the first three years of funding

► 109 projects completed, closed, audited and issued tax certificates

► Estimated the economic and fiscal impact of these expenditures
What We Found

The first three years of funding:

- 109 projects completed
- Spent $1.9 billion in California
- Added $4.3 billion in output
- Generated 22,300 jobs
- Paid $1.8 billion in labor income
- Added $247.7 million in tax revenues
What We Found

For each $1 tax credit certificate:

- $19.12 – economic output
- $7.15 – wages and benefits
- $9.48 – state GDP
- $1.11 – state and local taxes
Ancillary production
  • Availability of talent, supplies and services tends to facilitate additional production activity coincident or related to main production

Film-related tourism
  • Tourism impacts are not included here but are likely to be significant
Factors to Consider

The overriding factor influencing the ROI is the % of California spend that does not qualify

- This is essentially free-riding spending
Factors to Consider

▸ Spending often exceeds original estimates on which the allocations are based
Factors to Consider

- There is a long delay between credit allocation and credit realization
Our Recommendations

- Larger budgets have bigger impacts
  - Suggests removing budget caps but limiting the qualifying expenditures
Our Recommendations

► Many television series are long-running, local businesses will benefit over time

• Suggests allowing all types of TV series to qualify
Our Recommendations

- Carefully consider targeted incentives for VFX
Conclusions

- Careful examination of the first three years of funding generated better than expected returns.
- Also highlighted lost opportunities.
- Program 2.0 has made several necessary changes to the original program.
Thank You

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http://laedc.org/IAE