Assembly Budget Subcommittee Hearing
OCTOBER 21, 2015

California Film and Television Tax Credit Economic Impact Study

2014 Update

LAEDC
Christine Cooper, Ph.D.
Senior Vice President
Los Angeles County Economic Development Corporation

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?

LAEDC

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

LAEDC

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

Extra Extra!

- 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

LAEDC

Thank You

Christine Cooper, Ph.D.
(213) 236-4842
christine.cooper@laedc.org

View all our research at:
http://laedc.org/IAE