Press Release

SOUTHERN CALIFORNIA ASSOCIATION of GOVERNMENTS

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Contact: Steve Lambert, The 20/20 Network
(909) 841-7527/ steve@the2020network.com

SCAG: Report Shows Film and Television Tax Credits Work Better Than Thought

LOS ANGELES – California's Film and Television Tax Credit Program returned an impressive 11 percent return on investment in its first three years and helped generate $4.3 billion in economic activity and supported 22,300 jobs, according to a study released today by the Southern California Association of Governments.

The report makes a compelling case to extend, restructure and expand it before funding is exhausted, perhaps as early as July 1, 2015. Among the findings of the study:

- Under the first three years of funding, 109 film projects were funded and completed.
- Those projects generated $247.7 million in state and local tax revenues, $4.3 billion in economic output and $1.6 billion in labor income.
- For every $1 of tax credit certificate issued, total economic activity in the state increased by $19.12, total state gross domestic product increased by $9.48, and $1.11 was returned to state and local governments in the form of tax revenues.

"You cannot look at this program and not see it as a formidable economic and fiscal benefit," said Hasan Ikhrata, SCAG Executive Director. "California is very much at risk of losing its film industry, and without this program the past five years, the losses would have been even more painful."

Lost Opportunities

As it was, California continued to see its market share erode. In the 2013 fiscal year alone, 75 percent of the 41 live action feature films with production budgets in excess of $75 million were filmed outside of California. Among these "lost" films, accounting for $4 billion in total budgets, were: "Man of Steel," filmed in Illinois at a cost of $220 million; "The Hobbit," Parts 1 and 2, filmed in New Zealand at a combined budget of $320 million; and "Iron Man 3" and "Oz, The Great and Powerful," filmed in North Carolina and Michigan, respectively, at costs of $200 million each.

According to the study, the loss of big-budget pictures cost California $410 million in state and local tax revenues, 47,600 jobs and total economic output of $9.6 billion.

"Even the loss of only half of that spending cost the state a significant amount of economic activity," the report states. "It is evident that (California) is losing ground to other states and nations."

The report was commissioned by SCAG, the nation's largest metropolitan planning organization, and principally authored by Christine Cooper, Vice President, Economic and Policy Analysis, for the Los Angeles County Economic Development Corp.

“It is not hyperbole to assert that the state is losing jobs to other states and nations and is continuing to bleed out at increasing rates,” Cooper wrote.

Ikhrata called the decline in California’s motion picture industry “one of the most pressing economic challenges facing the state.” He urged lawmakers not to just expand the tax credit program, but to make it even stronger.

“It is an investment in our economy and our future, not a cost, and the numbers in this report bear that out,” Ikhrata said, referencing the $1.11 in state and local tax revenue generated for every dollar spent. While other states have been luring away California film makers with lucrative incentives, California stands alone in its return on investment – in large part, because of the infrastructure, supply chains and labor force already in place.

Maximizing the ROI

A significant enhancement to the program, the report states, would be lifting the $75 million budget cap on films that qualify for the incentive. This could also encourage more home-grown visual effects operations, since those services are not currently part of the program.

In fact, California is one of only a handful of film locations that does not have a subsidy program specifically targeting visual effects. As a result, some California-based companies are opening offices overseas to qualify for tax incentives there.

“This report shows very clearly that this is a mistake,” said John Husing, president of the Inland Empire-based Economics & Politics Inc. “The film industry is very important to California. We don’t have many things that we can point to that are going to, or potentially going to, grow our economy. We need to take some kind of action, and to those who think it’s a subsidy, it’s not a subsidy if it’s returning more than it’s costing. It’s an investment.”

Other findings of the study:

- Of the 109 projects funded and completed under the first three years of the program, 65 were feature films, including “Bridesmaids,” “The Lincoln Lawyer,” “The Social Network” and “We Bought a Zoo.”
- Television series brought the highest ROI under the program, 19 percent, followed by independent feature films at 15 percent.
- An analysis of five unidentified, high-budget feature films that were shot elsewhere showed California losing $2.3 billion in economic activity, 11,550 jobs and $857 in state and local tax revenues.

A copy of the report is available upon request.

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About SCAG
SCAG is the nation’s largest metropolitan planning organization, representing six counties, 191 cities and more than 18 million residents. SCAG undertakes a variety of planning and policy initiatives to plan for a livable and sustainable Southern California now and in the future. For more information about SCAG’s regional efforts, please visit www.scag.ca.gov.