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California Film and Television Tax Credit
Economic Impact Study

2014 Update



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Film and Television Production

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- ▶ 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

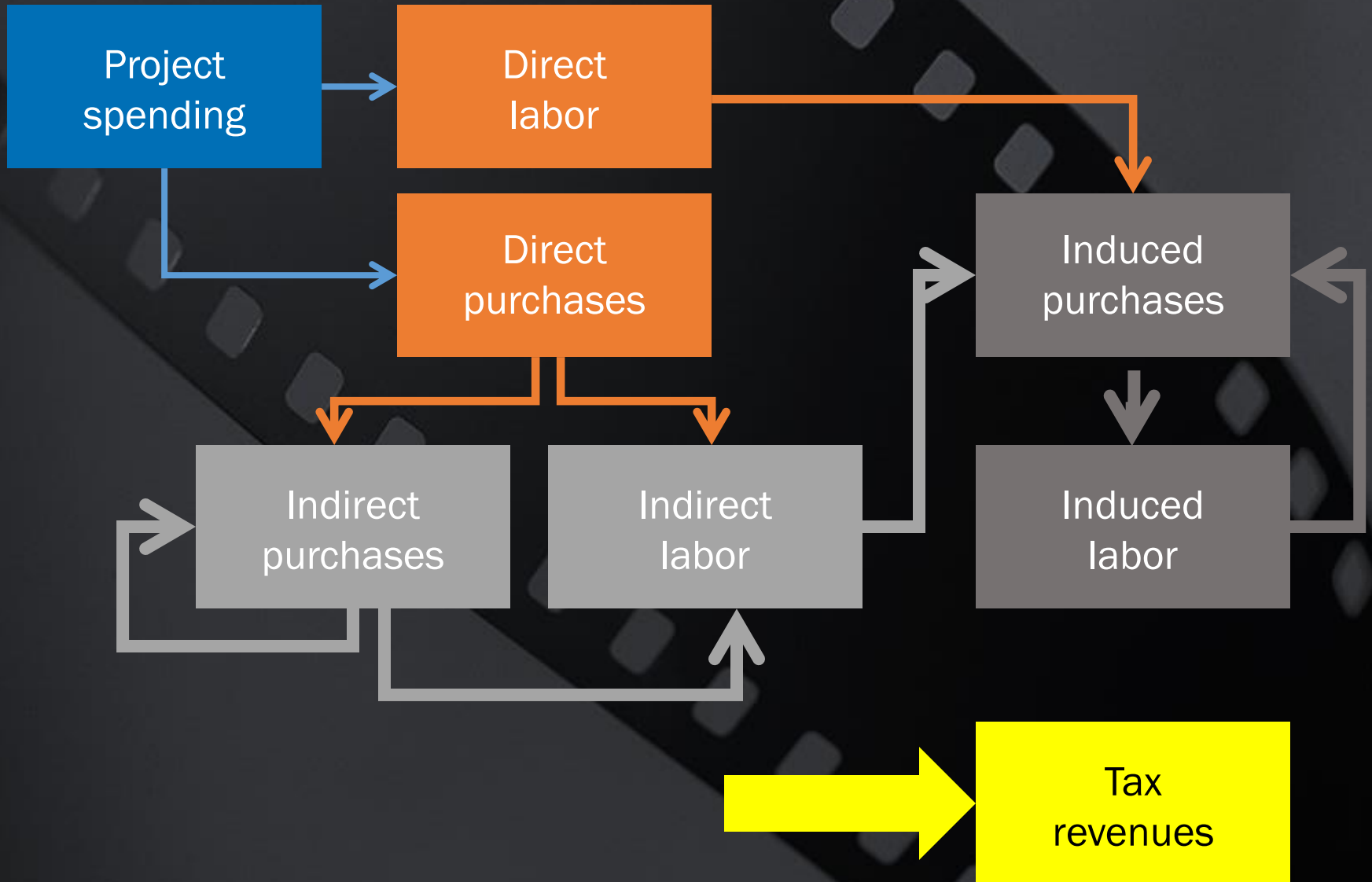
- ▶ California has a concentration of industry employment
 - Accounts for approximately **11** percent of all US employment
 - ... but **41** percent of US employment in this industry

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

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- ▶ 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**



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
- ▶ Cost-benefit analysis

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

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

Our Recommendations

- ▶ Larger budgets have bigger impacts
- ▶ Many television series are long-running, local businesses will benefit over time

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>

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