# ADVANCING THE RESILIENCE OF THE FILM AND TELEVISION INDUSTRY IN LOS ANGELES

Los Angeles County Film Office

department of economic opportunity
COUNTY OF LOS ANGELES

Beacon Economics

# ACKNOWLEDGMENTS

## COMMISSIONED BY

Los Angeles County Film Office
Department of Economic Opportunity

Los Angeles County is one of the nation's largest counties, totaling 4,084 square miles, and is its most populous with nearly 10 million residents, who account for approximately 27 percent of California's population. The County is charged with providing numerous services that affect the lives of all residents, including law enforcement, tax collection, public health protection, public social services, elections, and flood control.

## SPECIAL THANK YOU TO:

Supervisor Kathryn Barger, Fifth Supervisorial District
Supervisor Lindsey P. Horvath, Third Supervisorial District
NBC Universal
FilmLA
Los Angeles City - Mayor's Office
Motion Picture Association
Teamsters Local 399
Netflix
New Filmmakers LA
California FIlm Commission
IATSE
Los Angeles Film School
Evermore

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# EXECUTIVE SUMMARY

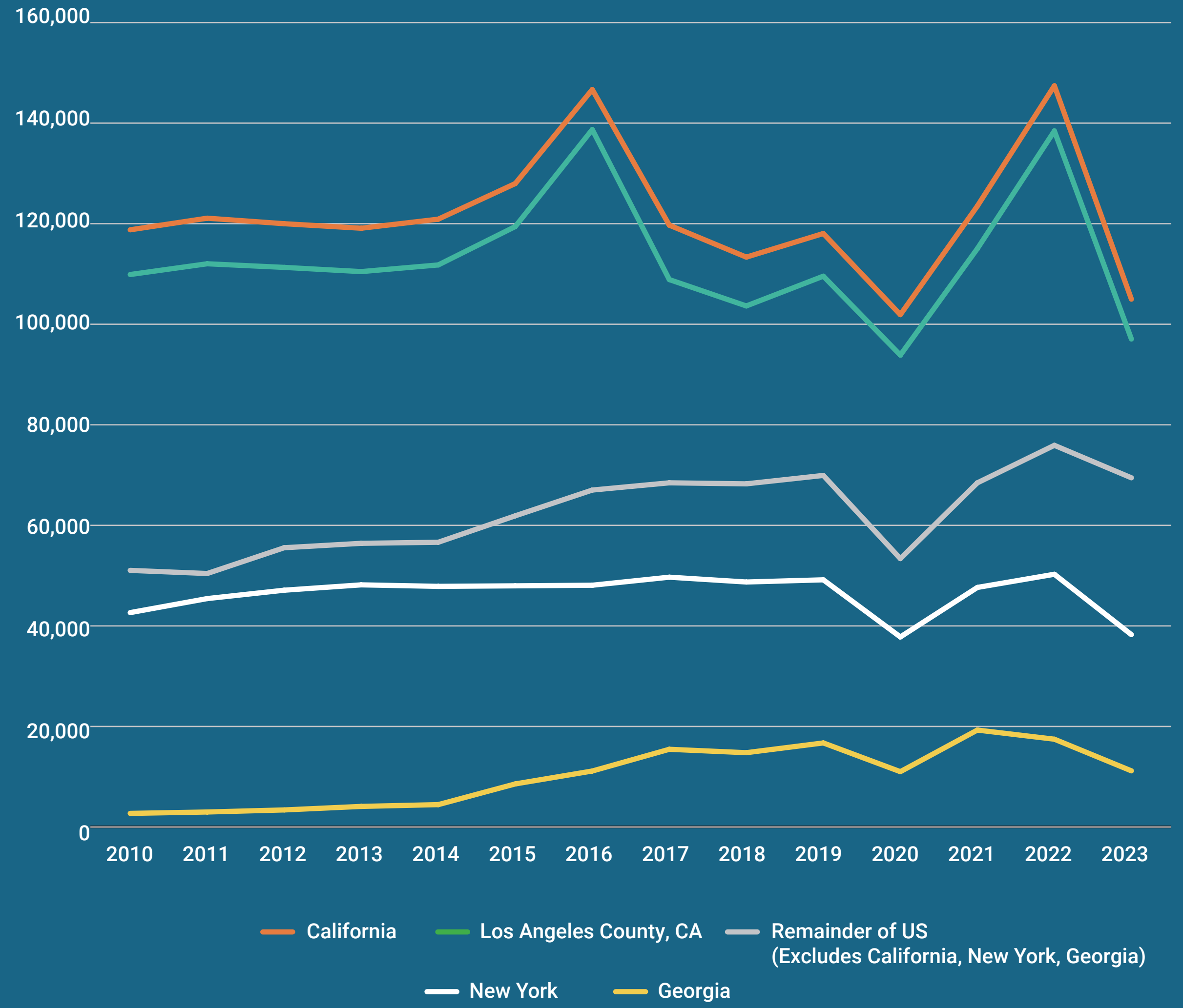
In the face of fierce competition and technological disruption, Los Angeles County (the County) should support its iconic Film and Television Industry to nurture growth and employment opportunities for a broad array of Angelenos. Despite remaining the world leader in the Film and Television Production Industry (FTP), the County has gradually lost market share over decades and now faces challenges from the digitization of both distribution and production.

This report responds to a September 26, 2023 motion by Supervisors Kathryn Barger, and Lindsey P. Horvath, directing the County Film Office - Department of Economic Opportunity (DEO) to develop recommendations for innovative strategies that will attract and retain production in the region. The motion identified several potential policies and programs to incentivize new and continued movie, commercial, and television production that should be analyzed for possible implementation.  These strategies include incentive packages, possible reductions in the County's regulatory barriers, and the potential creation of a creative economy capital development fund (evergreen fund). The first section of this report examines these potential strategies based on factors such as impact, cost, ease of implementation, and timeliness, and provides actionable policy and program recommendations for each. Section two of the report provides extensive analysis of film incentives provided by other states and international jurisdictions, while section three provides a detailed economic and fiscal impact analysis for the FTP Industry, including current industry economic trends and indicators. The analysis and research in sections two and three was used to guide the recommendations provided in section one.

The motion was passed amidst growing concerns over the industry's contraction and exodus from the County. We find that the doom and gloom scenarios that are sometimes reported are often exaggerated. Nonetheless, the pain and uncertainty that those in the industry perceive are very real. The industry is navigating through a turbulent period of disruption. Over the past decade, the number of FTP jobs in the County has fallen from 111,000 to roughly 95,000. Employment was particularly high in the years leading up to the pandemic, because studios were launching their streaming services and producing  huge amounts of content. That unsustainable level of production came down in the years following the pandemic, and coupled with the 2023 Hollywood Strikes, has led the number of "shoot days" to drop from 38,000 in 2017, to about 23,000 last year.

The decline is partly due to other states and countries offering attractive tax incentives to filmmakers—often cited as the main culprit. However, a significant portion stems from fundamental shifts within the industry itself. As shown in the chart below, this recent employment dip is not unique to the County but reflects broader trends across all major markets.

## FILM & TELEVISION PRODUCTION INDUSTRY EMPLOYMENT 2010-2023

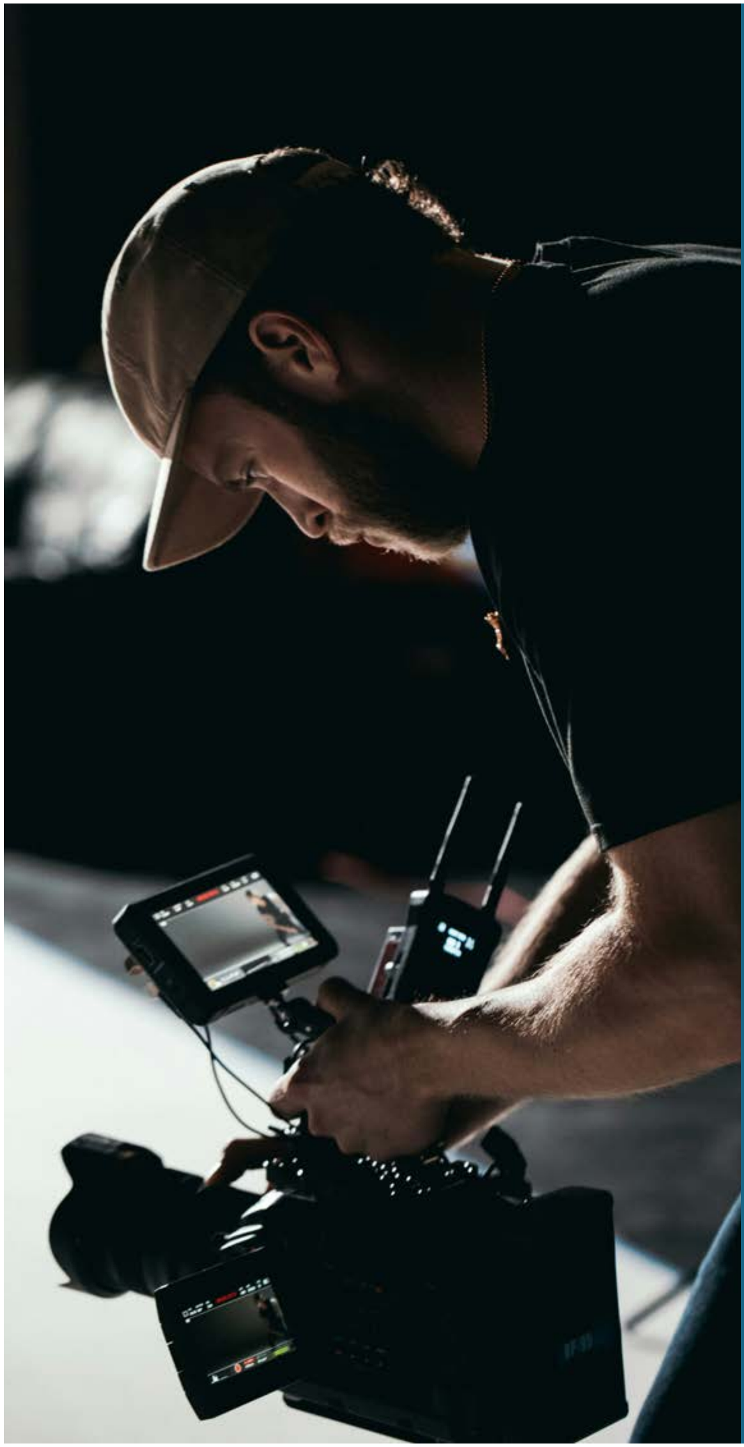



Source: Bureau of Labor Statistics. Analysis by Beacon Economics

The County has many competitive advantages over other markets, principally its deep well of talent and developed industry infrastructure, which is second to none in the world. Many industry professionals call the County home and would prefer to film here given the choice. Additionally, its varied and stunning topography and year-round clement weather offer excellent natural filming opportunities and conditions.

On the other hand, it faces challenges such as a high cost of living, burdensome filming regulations, and new technologies that have enabled remote workers to move to more affordable locations. Further, as a County, and not a state, the County cannot create state tax credits and thus is limited in its ability to compete with other states who are offering attractive tax subsidies to siphon away more of the industry.

Therefore, taken together, the County's strategy should be to help build an industry in Los Angeles that is not only adaptive to change but also leading the change in technological innovation, making it as easy as possible to film in the County, and protecting market share where it can. With these objectives in mind, Beacon Economics examines the following policy and program recommendations. To give policymakers options, some policies represent large impactful programs, while others suggest tweaks to existing systems. They are categorized based on whether they aim to streamline film permitting operations, reduce costs for productions, or improve the County's FTP technological leadership.



# 1. FILM AND TELEVISION PROPERTY TAX CREDIT

Beacon Economics recommends that the County explore the creation of a new property tax credit for firms in the FTP industry. Property tax is the largest source of revenue for the County and is the taxing mechanism that gives the County the greatest financial leverage when offering FTP companies subsidies. Currently, the FTP industry pays about $200 million of the County's $20 billion in annual property tax revenue. The County could establish a cap so that FTP companies can only receive the property tax credit up to a particular threshold. This helps ensure smaller companies benefit more than large companies. However, the County could also design this credit instrument so that it can offer special benefits to certain companies if they build major FTP infrastructure. This would give the County a tool to encourage local development.

As a rough estimate, a $30 million property tax credit for the FTP industry is projected to generate $55 million in economic output, support 160 jobs, and produce $17 million in earnings and wages.

The County Film Office - DEO could meet with the County Assessor's office to analyze the feasibility of creating this property tax credit and determine appropriate eligibility requirements and credit caps. The implementation may require establishing a dedicated Property Tax Credit Division within the County Treasurer and Tax Collector's office to oversee the program and manage applications (for more details see page 17).

## 2. STREAMLINE FILM PERMIT DEPARTMENTAL APPROVAL PROCESS

The County Film Office - DEO could undertake a review of existing County departmental film permitting policies, procedures, and regulations in collaboration with key departments such as Fire, Sheriff (LASD), Beaches and Harbors (DBH), Regional Planning (DRP), etc. This review would aim to identify areas for streamlining or elimination to enhance the ease of permitting for productions. Concurrently, the Film Office could continue its efforts with the Fire Department to simplify criteria for determining when Fire Safety Officers (FSO) or Fire Safety Advisors (FSA) are required on set. To modernize processes, the Film Office could engage with the Sheriff's Department and County Counsel to promote the adoption of electronic signatures for approving private entity contracts. Additionally, the Film Office could also explore the feasibility of establishing a public safety refund program for productions by consulting with the CEO office's budget team (For more details see page 26).

## 3. UPDATE ENVIRONMENTAL AND ZONING REGULATIONS

The County Film Office - DEO could collaborate with DRP to analyze current and future zoning regulations (Title 22) affecting media production. It could also identify and address regulatory impediments to film, television, and commercial projects, working with the DRP to develop appropriate policies that properly balance production needs and environmental protections (For more details see page 32).

# 4. DEVELOP PUBLIC-PRIVATE PARTNERSHIPS FOR LA FILM TOURISM

The County Film Office - DEO could convene partners from the LA Tourism Board, Hospitality Industry representatives, Restaurants Associations, and Entertainment Industry to create a strategic public-private partnership focused on developing innovative promotional events and activities to increase interest for national and international productions to film within the region (For more details see page 38).

# 5. EVERGREEN FUND

The County Film Office - DEO could establish a public-private evergreen fund dedicated to funding innovative technology start-ups in the FTP industry, with the goal of raising \$80-\$100 million in the initial years. The fund could be equally financed by County funds and private investors, with the County aiming to secure its portion through state and federal grants and potentially auctioning tax credits for any remaining budget. Clear investment criteria should be established for firms receiving funding, emphasizing the improvement of innovative FTP technologies in Los Angeles and the creation of local jobs. This evergreen fund would provide LA County with a flexible and sustainable funding mechanism to guide and encourage technology development in the local FTP industry (For more details see page 48).

## 6. FILM TECHNOLOGY ADVISORY BOARD

The County Film Office - DEO could develop a Film Technology Advisory Board (FTAB) to advise policymakers on the rapidly evolving landscape of the FTP industry, and provide guidance on workforce needs. The FTAB would be an advisory board comprised of 8 to 12 members and function as a subcommittee under the existing County Entertainment Partnership Committee (CEPC) in the DEO. The advisory board could be composed of a diverse group of business and community leaders, including representatives from technology firms, film studios, production companies, film unions, and relevant community-based organizations (For more details see page 42).

## 7. PURPOSE-BUILT RESEARCH SOUND STAGE

The County Film Office - DEO could work with other County entities to establish public-private partnerships to develop a state-of-the-art sound stage and/or post-production facility focused on research and innovation in film technology. This facility would serve as a hub for workforce training, creating a world-class talent pipeline for local students and industry professionals while fostering advancements in cutting-edge film technologies. By building the facility on County-owned land, costs of development could be reduced, and its strategic location could spur economic growth in an underdeveloped area of the County. Estimated construction costs range from $20 million to $50 million, with annual operational costs of $4 million to $8 million. Capital could be raised through fundraising efforts, while revenue from renting studio space could help sustain ongoing operations (For more details see page 52).

# 8. FILM AND TELEVISION PAYROLL TAX DEDUCTION

This recommendation, aimed at reducing production costs, proposes a tax deduction or rebate for filmmakers who shoot in Los Angeles County. However, this recommendation is not supported since payroll taxes are state-administered and the state is already considering expanding Film Tax Credits (For more details see page 58).

# 9. FILM AND TELEVISION SALES TAX REDUCTION OR CREDIT

This recommendation offers a sales tax reduction for productions filming in unincorporated areas of the County. It is not recommended because only 1%, of the 9.5% of sales tax, is flexible, with the rest being specifically dedicated to specific budget measures. Further, sales tax is not a significant enough cost to change film location decision-making (For more details see page 62).

# INTRODUCTION

"There's no place like home." These famous words, from the legendary 1939 MGM production of "The Wizard of Oz", were spoken by Judy Garland on a Culver City sound stage in Los Angeles County – not in Kansas. For a century, the County has been home to the American film industry. No other region comes close to the County in the number of film-related jobs, studios, and overall activity. However, many states and countries offer attractive film policies that have been siphoning film production away from the County. Over the past two decades, the County's share of U.S. film industry jobs has declined from roughly 50% to around 40% today.[1] Despite this, Beacon Economics finds that most filmmakers would prefer to remain in Los Angeles if they could, presenting the County with an opportunity to implement strategies to bolster its status as the definititve home of the film industry.

[1] Employment statistics can be less reliable in the film industry relative to other industries because of the project-based, short-term nature of some roles. While the numbers presented should be viewed as an estimate, they are still useful in illustrating overall trends in the industry and differing employment scenarios between regions.

The following report explores policies and strategies the County can employ to ensure that the Film and Television Production Industry (FTP) stays rooted in Los Angeles. At the direction of the Board of Supervisors per motion, it was commissioned by the Los Angeles County Film Office, housed within the Department of Economic Opportunity (DEO), to "provide a comprehensive review and report of recommendations that would incentivize new and continued movie, commercial, and television production in the County."[2] The report examines a host of policy recommendations the County can employ and finds that some are not possible, some may be beneficial but costly, and some are certainly worth moving forward.

The report comprises three related sections. First, section one examines policy options for the County, evaluating the advantages and disadvantages of various strategies. Section two examines filming tax incentives and policies in various American states, local jurisdictions, and other countries, focusing on their efficacy and applicability to the County. Last, the third section provides a detailed economic analysis of the industry and its fiscal impact on the County. Section two and three detail the background research that was used to create the policy recommendations in section one.

FTP industry is a dynamic and deeply interconnected sector, making it difficult to impose clear delineations of what economic activity is included and what is not. For our purposes, we use the definition of companies in the North American Industry Codes System (NAICS) codes 512110, Motion Picture and Video Production, and 512191, Teleproduction and Other Postproduction Services.[3] This covers the production of feature films, television shows, and commercials. It does not encompass the broader entertainment or creative industries which include sectors like sports entertainment, video games, art and theater.

[2] Los Angeles County, Department of Economic Opportunity, REQUEST FOR SERVICES NO. WO-ED-003, January 5, 2024scenarios between regions.
[3] https://www.census.gov/naics/

# STAKEHOLDERS

In addition to rigorous data analysis, the policy recommendations in this report were informed by 60-minute semi-structured interviews with key stakeholders. Their intimate knowledge of the film production process sheds light on how various policies impact film location decisions. Interviewees were affiliated with the following organizations: FilmLA, The California Film Commission, the Motion Picture Association (MPA), The Los Angeles Film School, The International Alliance of Theatrical Stage Employees (IATSE), NewFilmmakersLA, NBCUniversal, Netflix, Teamsters Local 399, Evercore Inc., and others.

# POLICY AND PROGRAM RECOMMENDATIONS

The FTP industry provides over $34 billion in wages to hundreds of thousands of Angelenos. Thanks to unionization, the industry offers a more equitable wage distribution than many others and a median income approximately 20% above the Countywide average. Yet, technology is reshaping the industry's dynamics, shifting control over content distribution and altering the skills and labor demanded. In addition, other regions are actively luring productions away by offering appealing tax incentives.

The primary objectives of the County's policies should be to address two broad issues. One, improving the local operating environment by making it easier to film in the County, and potentially providing local financial incentives. Second, focusing on guiding technological change, fostering cutting-edge technology, and building strong talent pipelines.

The suggested policies are summarized in the table below. Some are substantial and would cost the County over $100M, while others are smaller and involve minor adjustments to the existing system. This variety provides County policymakers with a range of options to choose from.

The table offers a qualitative impact size for each category, of small, medium or large. These are not expressed in monetary terms since some policies influence the industry's trajectory rather than causing straightforward, linear changes. Additionally, the size of their impact would depend on the specific level of investment. It is worth noting, a small increase in FTP industry growth has significant impacts because of the industry's broad reach. A 1% increase in the industry leads to:

- an additional 1,552 FTP jobs,
- 1,660 jobs in industries that support or relate to the FTP industry,
- a total of $336 million in additional earned income,
- and $994 million in economic output.

## TABLE 1: POLICY STRATEGIES SUMMARY

| Policy | Recommendation | Expected Impact | Required County Resources |
|---|---|---|---|
| 1. Film and Television Property Tax Credit | Recommend | Large | Large |
| 2. Streamline Film Permit Departmental Approval Process | Recommend | Medium | Small |
| 3. Update Environmental and Zoning Regulations | Recommend | Medium | Small |
| 4. Develop Public Private Partnerships for LA Film Tourism | Recommend | Small | Small |
| 5. An Evergreen fund | Recommend | Large | Large |
| 6. Film Technology Advisory Board | Recommend | Small | Small |
| 7. Purpose-Built Research Sound Stage on County-Owned Land | Recommend | Large | Large |
| 8. Film and Television Payroll Tax Deduction or Credit | Not Recommended | Small | Large |
| 9. Film and Television Sales Tax Deduction or Credit | Not Recommended | Small | Large |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# 1

# FILM AND TELEVISION PROPERTY TAX CREDIT

## RECOMMENDATION

- Beacon recommends that the County explore the creation of a new property tax mechanism that provides tax credits for a certain amount of property taxes paid by firms in the FTP industry.

    - State-level film tax credits are much larger than any tax credits the County can offer, but property tax is the largest tax the County levies and offers it a tool to offer financial incentives.

- The purpose of the property tax credit would be to provide financial relief from operating in Los Angeles County and to encourage further FTP development.

- FTP companies that fall into specific NAICS categories related to film production would be eligible for the tax credit.

- Eligible firms would be awarded a property tax credit capped at a specific amount, roughly $30,000 to $50,000, however Beacon Economics requires data from the LA County Treasurer and Tax Collector, to determine this threshold.

    - The FTP accounts for roughly $200 million of the $20 billion the County collects in property taxes each year.

- If the County provided $30 million in property tax credits to the FTP industry, it would have the following effects:

    - lead to $55 million of economic output,
    - support 160 jobs,
    - generate $17 million in earnings and wages,
    - and this economic activity would generate $267,000 in taxes for the County.

- A specialized subsection of this property tax credit could be designed to offer higher tax credits than the capped amounts for particular large development projects that are searching for a locality to build. The purpose of the property tax credit in this instance would be to provide the County a tool to offer FTP companies an incentive to locate and further develop their physical infrastructure in the County.

# BACKGROUND

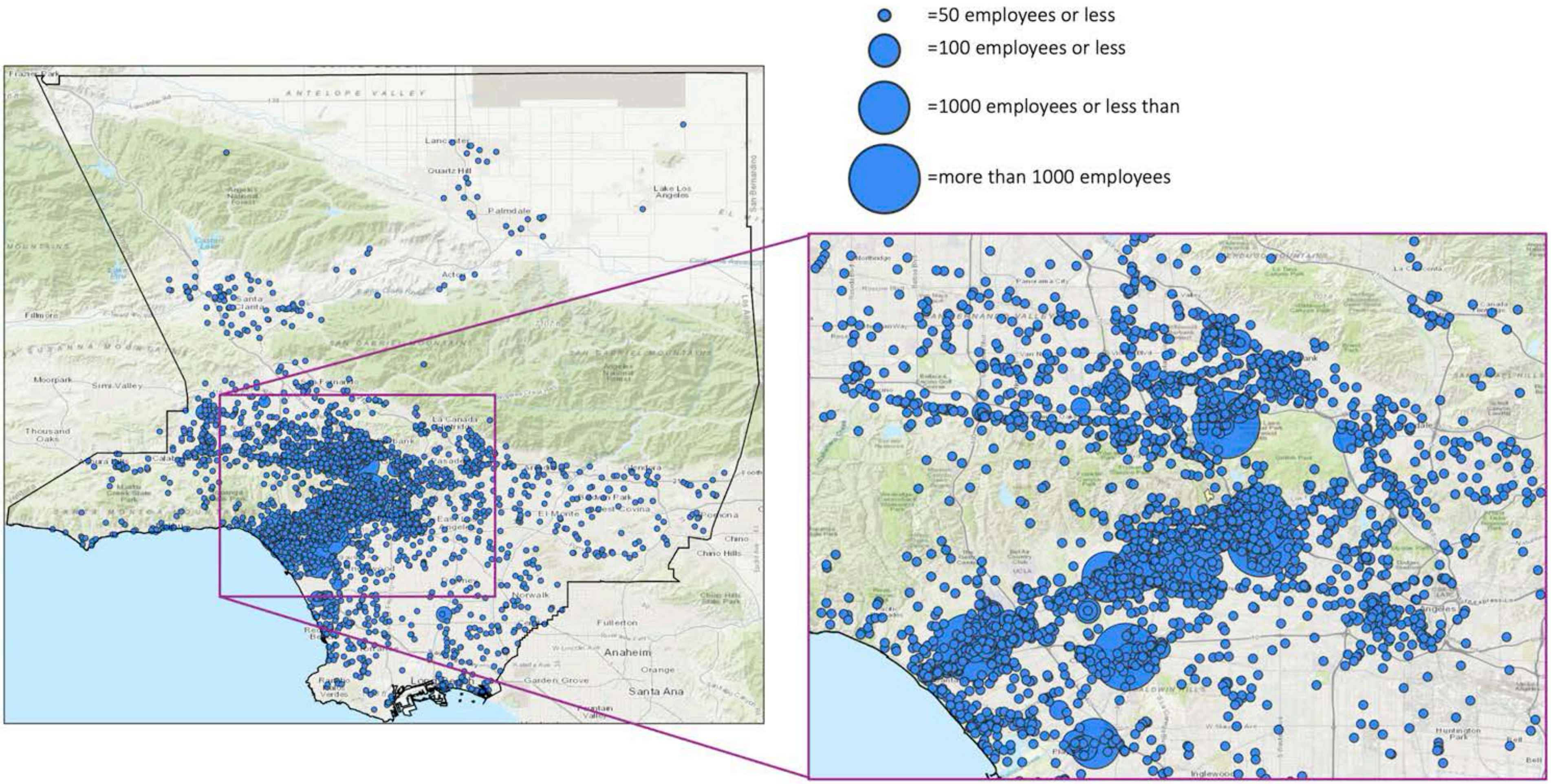
Property tax is the largest locally generated source of income for the County government, accounting for $20 billion in revenue last year.[4] Property tax in the County is 1% of the assessed value, and the total property assessment of all parcels in the County was just over $2 trillion in 2023.[5] Additional amounts can be charged depending on the jurisdiction and any special districting.

No Film Tax incentive programs in the United States currently offer a property tax credit (see the Appendices for details on incentive programs). Some jurisdictions offer property tax credits for certain industries, but these programs are typically for the construction of a business headquarters, a factory, or some physical facility.

As illustrated in the below map, most FTP companies are located near Burbank, and between Santa Monica and Hollywood. This is the highest value land in Los Angeles, meaning they will pay higher property taxes. Beacon Economics estimates that the FTP industry directly contributes around $200 million in property taxes (and another $260 million through supportive companies and supply chain-related industries). There are about 4,000 FTP companies throughout the County, and their locations are displayed on the map below. Most pay less than $30,000 in property tax a year, although some large companies pay over $1 million. In 2011, Paramount challenged the County over its assessed property value of $137 million to reduce its tax burden.[6] With a tax rate between 1% and 1.25% (the rate of the City of Los Angeles), this assessment indicates Paramount was paying roughly $1.5 million in property tax per year. The County could establish a cap on the property tax credit, so that FTP companies can only receive a credit to a particular threshold. To ensure accuracy of data, Beacon Economics would need data from the Treasurer and Tax Collector's office to establish the cap threshold.

[4] https://auditor.lacounty.gov/revenue-allocation-summary/
[5] https://res.cloudinary.com/los-angeles-county-assessor/image/upload/v1690219350/AnnualReport/Assessed_Values_2023.pdf
[6] https://www.taxnotes.com/featured-news/californias-la-county-wins-paramount-pictures-property-valuation-appeal/2023/08/31/7h80l

## MAP 1: FTP FIRM LOCATIONS




Source: Database USA. Analysis: Beacon Economics

It is worth noting that Senate Bill 144 already provides a tax credit to a "certified studio construction project", as part of the California Film Commission State program, stating, "The bill would define a 'certified studio construction project' for these purposes as a project that provides for the construction or renovation of one or more sound stages located in the state, as specified, and would require a taxpayer seeking certification of a studio construction project to make various certifications to the commission, including that the project is a public work or pays the equivalent of prevailing wages, as provided, and uses a skilled and trained workforce, as provided."[7] Beacon Economics' analysis of the sound stage sub-sector is that it operates in a balanced manner, where supply and demand are relatively in line. Nor are property tax deferments or credits a primary factor in capital investment decisions in the film industry. One of the issues with capital investments is that there is a large upfront cost, not only for materials and labor but also for the entitlement process in Los Angeles County, and property tax credits would not alter this dynamic (another alternative for the entitlement issue would be for the County to implement a policy to fast-track capital projects in this industry, by reducing their permitting time).

On one hand, a property tax credit would bypass a large number of potential filmmakers and would not incentivize filmmakers from outside Los Angeles County to film in the area. Further, it would disproportionately benefit large production companies since they pay more property tax in the first place and, therefore, have more to gain from a credit.

On the other hand, a property tax credit would offer substantial financial benefits to the industry overall and be a powerful policy tool for the County. As mentioned, the County collects $20 billion in property tax. This amount is large enough for the County to provide targeted tax benefits for particular industry sectors (visual effects, for instance) or particular regions. For example, the unincorporated areas of Los Angeles generate $1.3 billion in property tax. [8]

The property tax credit would have short-term economic benefits, and longer term industry benefits. If the County provided $30 million in property tax credits to the FTP industry, for example, it would support 160 jobs, generate $17 million in wages, and lead to $55 million in economic output, on an annual basis, in 2024 dollars. Over the long term, it would lower the cost of operating a FTP company in the County, and help to nurture the industry.

While these economic benefits are welcome, this property tax credit could also be used as a tool to lure large development projects to the area. A specialized subsection of this property tax credit could be designed to offer higher tax credits than the capped amounts for significant development projects that are searching for a locality to build. A property tax credit would give the County a competitive edge against states like Nevada, Georgia, and New Mexico, which currently offer incentive packages (see the Film Incentive section). Thus, the benefits of a tax credit would be to capture investment that would otherwise occur outside the County, in addition to the economic boost it would provide locally. To ensure that the property tax would make economic sense and justifies the cost, the County could conduct an economic impact analysis when offering any property tax above the capped-limit.

[7] https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220SB144
[8] https://res.cloudinary.com/los-angeles-county-assessor/image/upload/v1721918159/AnnualReport/Assessed_Values_2024.pdf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## PROS AND CONS

**Pros:** Property tax is a significant cost to local companies. Reducing it would provide a substantial financial benefit, potentially influencing decision-making. It could serve as an effective incentive to encourage production companies to remain and grow in the County. Additionally, property tax is relatively transparent and easy to document, making the calculation and administration of a property tax credit straightforward.

**Cons:** A property tax credit is only useful if a production company owns property and pays property tax in the County. There are many instances where this is not the case, such as non-County filmmakers and small independent filmmakers. Small FTP industries who do not own property could benefit the most from government support, but would receive nothing under a property tax credit program.

# NEXT STEPS

1. The County Film Office - DEO could meet with the County Assessor's office to further analyze the feasibility of creating a property tax credit for film and television productions to either build new facilities or be able to remain in the County by reducing their property tax burden.

2. The County Film Office - DEO and the County Assessor's office could create eligibility requirements and a reasonable cap for the credit.

    a. A dedicated Property Tax Credit Division may need to be created within the County Treasurer and Tax Collector's office to oversee the program. This division would develop an online application portal, create detailed guidelines for applicants, and set up a review process involving relevant County departments, including the Assessor's Office and potentially the DEO. The application process would require companies to submit documentation proving their eligibility. To reduce paperwork, the application could mirror the California state film tax application (when applicable) so that companies could simply reuse relevant information.

    b. The eligibility criteria could include information that ensures the company is indeed in the FTP industry (using registered NAICS codes); it could include the number of employees the company employs to ensure the company is supporting local employment, and any other criteria the County wants to use to target specific geographies (for example, unincorporated areas) or sectors (for example, post visual and digital production). Firms proposing large development projects that qualify for property tax credits exceeding the established cap could be mandated to perform an economic impact analysis to ensure it generates sufficient economic benefit to the region.

# 2

# STREAMLINE FILM PERMIT DEPARTMENTAL APPROVAL PROCESS

## RECOMMENDATION

- Beacon Economics recommends that the County Film Office and Regional Planning department collaborate with the County Fire and Sheriff (LASD) departments to:

    - ensure that fire safety advisors (FSA), fire safety officers (FSO), and sheriff's deputies are part of a film set only when there is a legitimate fire or safety issue,

    - examine the LASD's Private Entity Contract permitting process to reduce approval time from 10 - 14 days, down to 7 days.

    - and consult with CEO office budgets team to assess the feasibility of establishing a public safety refund program for productions.

## BACKGROUND

Film productions often require support from fire and police departments to ensure on-set safety. However, it has become apparent from stakeholder interviews that high public safety costs and departmental bureaucracy are becoming a significant burden for film productions in the County. Three specific policy recommendations are described below.

First, when asked to provide examples of the difficulties filmmakers face in Los Angeles, one of the most common responses was the high rates charged for fire safety and police. These figures are typically over $100 per hour, and sometimes twice that much. Of course, production safety is of paramount importance, but there is evidence that safety regulations are sometimes overly restrictive and that the costs do not reflect the risk involved during production. Having more sensible policies regarding fire safety, in cases such as this, would lower production costs. Therefore, Beacon Economics recommends that the County continue to work with the County Fire Department to clarify the criteria[9] for when an FSO or an FSA is required on set.

[9] https://filmla.com/wp-content/uploads/2016/07/PSFU-Field-Inspection-Program-11-08-10_1289508053.pdf

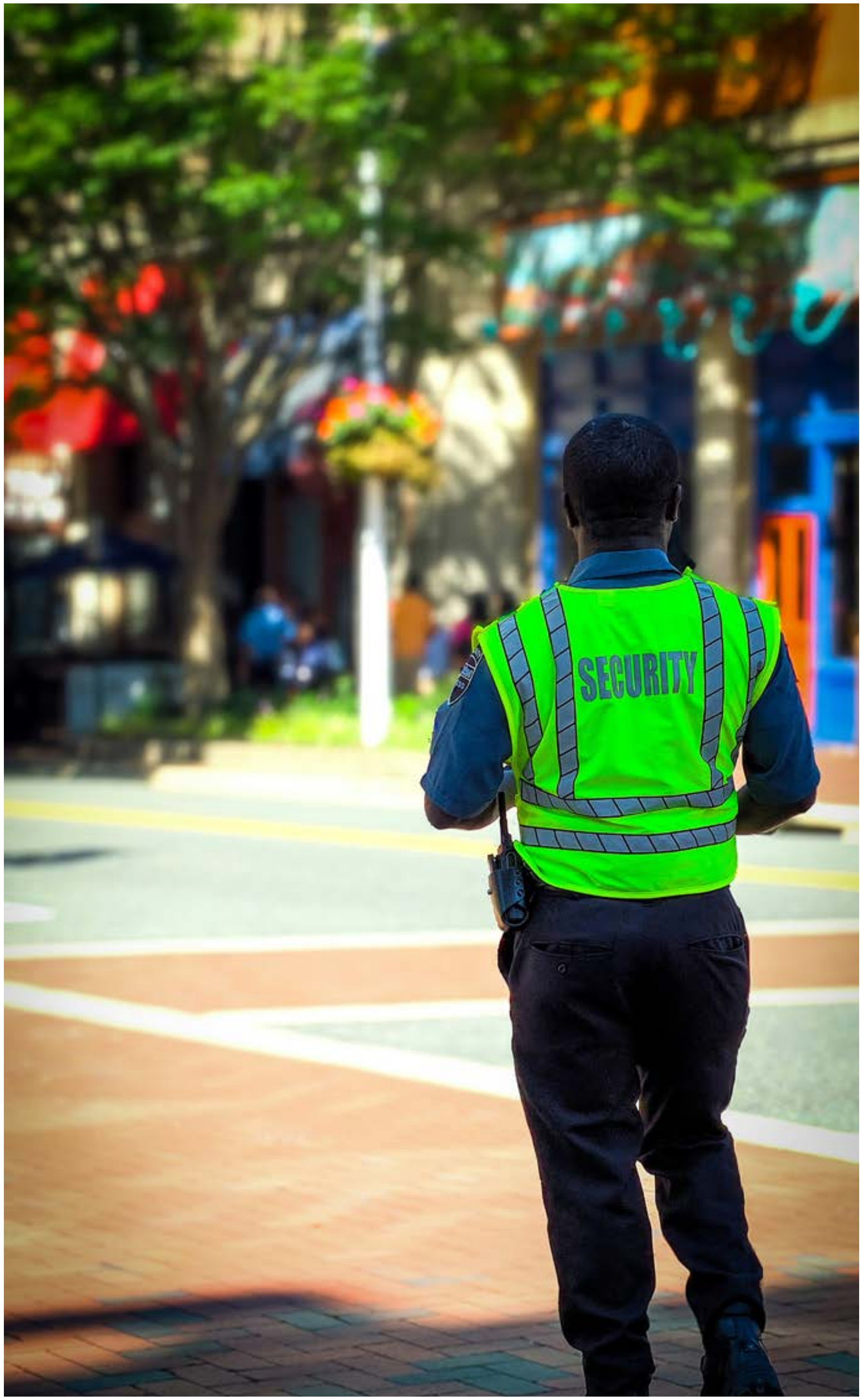
Second, the Los Angeles County Sheriff's Department (LASD) requires all film productions to execute a Private Entity Contract with the Department before a deputy can be hired for a shoot. This contract can take 10 days or more to execute with the LASD and requires multiple wet signatures from various LASD leaders. Productions rarely have that amount of time to wait. Film permits are typically approved within three days by the County's permit coordination office, FilmLA. In the face of this, many productions give up and choose to hire California Highway Patrol (CHP) officers, which does not have such a requirement. Thus, as it pertains to the execution of the LASD Private Entity contracts required for film production, it is recommended that LASD reduce the execution time of these contacts by utilizing electronic signatures instead of requiring wet signatures from multiple LASD personnel.

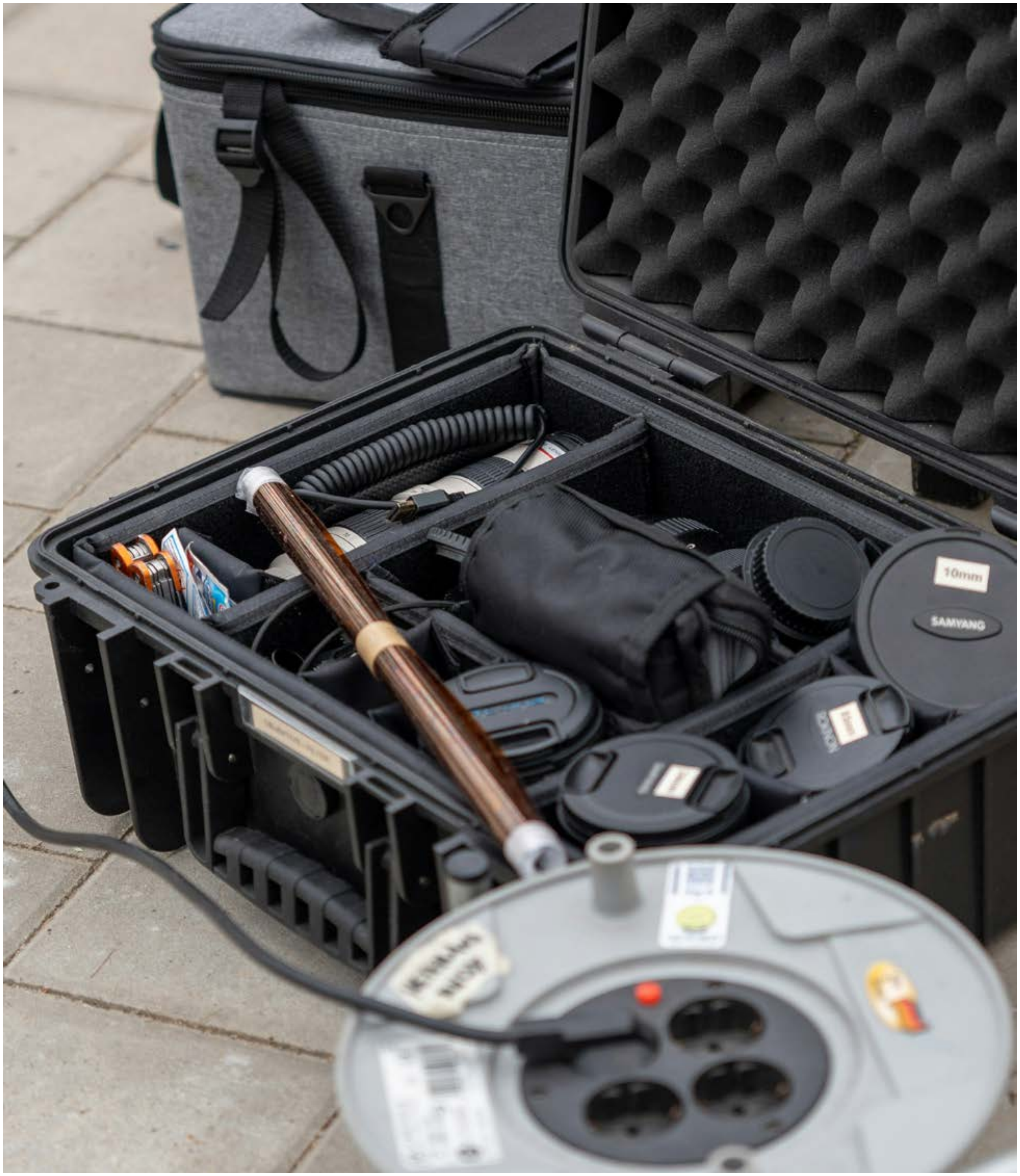
Third, Beacon Economics recommends that the County explore a refund program for public safety fees paid to the County Fire and Sheriff Department and LASD. There would need to be further work to determine how the program would be funded, but one suggestion is that it initially be capped at $2 million per year and that the rebates be distributed from the County's General Fund, as the Sheriff and Fire department budgets have limited flexibility, essentially charging cost-recovery fees for film projects. Eligibility for the refunds would depend on the number of shoot days and how much of the production budget is spent in the County's unincorporated areas.

For example, Film SF has a similar program called "Scene in San Francisco Rebate", which requires 65% of principal photography to take place in San Francisco for budgets over $3 million, and 55% of principal photography to take place in San Francisco for budgets under $3 million.[10] Qualifying productions are offered up to $600,000 in rebates for fees paid to Film SF, and to the City's police and fire departments, transit authority, public works department, and other offices. The rebate program was created in 2006. In 2018, the Board of Supervisors supported extending the Scene in San Francisco Rebate Program to June 30, 2028, allotting up to $1 million per year. From 2006 to 2023, the City rebated $7,395,572 to 41 productions.[11] While this is a useful example, it is worth noting the difference in magnitudes. San Francisco has around 100 filming days per year, whereas Los Angeles County has well over 5,000.  Therefore, without a cap, the programs funds would certainly be much higher than San Francisco's.

Having a similar rebate program in Los Angeles would enhance perceptions of Los Angeles County as a more film friendly environment. The size of the rebate would still only be a small percentage of the size of State Film Tax Credits coming from Sacramento, so those would continue to be the primary decision factor. Still, having more reasonable policies for safety experts, faster permit approval times, and a rebate program would significantly improve the ease of production in the County.

[10] https://www.sf.gov/step-by-step/apply-rebate-filming-sf
[11] https://www.sf.gov/sites/default/files/2024-11/SF_Film_Annual_Report_FY23-24_Final.pdf






# PROS AND CONS

**Pros:** Streamlining safety protocols and tailoring requirements to specific production risks can reduce costs, enhancing Los Angeles' appeal to filmmakers. Additionally, by minimizing bureaucratic delays in contracting—such as using electronic signatures—public safety personnel can minimize delays to filming.

**Cons:** Coordinating with multiple departments and reaching a consensus on safety criteria could be complex and time-consuming. Establishing a refund program for public safety fees may face budgetary constraints and funding challenges.

# NEXT STEPS

1. The County Film Office - DEO could meet with the Fire, Sheriff, Beaches and Harbors, and Regional Planning departments to review existing film permitting policies, procedures, and regulations to identify any areas that can be streamlined or eliminated to increase the ease of permitting for productions.

2. The County Film Office - DEO could continue to work with the Fire Department to clarify and simplify the criteria for when an FSO or FSA is required on set.

3. The County Film Office - DEO could work with the Sheriff Department and its County Counsel to encourage the use of electronic signatures for the approval of the required private entity contracts.

4. The County Film Office - DEO could consult with CEO team to assess the feasibility of establishing a public safety refund program for productions.

# 3

# UPDATE ENVIRONMENTAL AND ZONING REGULATIONS

# RECOMMENDATION

- Beacon Economics recommends that the County Film Office - DEO thoroughly review existing environmental and zoning regulations in partnership with DRP to identify opportunities for easing restrictions on filming in protected areas that overlap with popular filming locations.

# BACKGROUND

Many stakeholders and industry-insiders claim that environmental and zoning regulations have made the County a difficult place for film production and that certain regulations are especially restrictive and burdensome. These include limits on what can be filmed on certain County land and in certain parks, as well as limits on filming in protected areas. County Code Title 22 (Planning and Zoning) outlines zoning regulations in the County.[12] Filmmakers are already challenged by the high cost of shooting in the County, and various burdensome regulations are pushing some production activity to other counties in California, states, and countries. Amending or eliminating appropriate regulatory policies would help make the County more film friendly.

For example, the updated Significant Ecological Areas (SEA) ordinance has been in effect since early 2020 and has created new hurdles for filming in certain areas of the County.[13] Areas once accessible for filming have been incorporated into more restricted zones under the new SEA ordinance. This expansion means that any proposed development, including filming, within these SEAs would potentially require a biological review[14] from the Department of Regional Planning (DRP) to ensure compliance with conservation goals. These biological reviews can delay the schedule for productions. Fortunately, DRP has been expedient with their reviews. However, this practice may or may not continue as the Board continues to direct more restrictive access to sensitive biological areas without considering the impacts to production's needs.

The SEA ordinance affects film activity in the County, making certain popular locations off-limits to filmmakers. For example, some areas of the Antelope Valley, such as the Sandlot near Lancaster, are now in protected areas where filming is prohibited or severely restricted. The Sandlot is a highly sought-after location, featuring heavily in productions such as "The Mandalorian" (see breakout section on page 94). Limiting film productions in these protected areas creates unnecessary obstacles for filmmakers.

Stakeholders noted that certain public spaces—most beaches, for instance—have regulations that restrict certain activities. These directly impacted location managers working on the 2011 movie "Drive", a film set entirely in Los Angeles County and one that showcases the beauty of the region. However, due to County regulations, a key scene involving a car crashing onto a beach was filmed in Point Mugu, Ventura County.

It is important to note that the Department of Beaches and Harbors (DBH) works with the industry to accommodate scenarios such as allowing vehicles on the beach at Dockweiler Beach. But the County's beaches are also regulated in some instances by the CA Coastal Commission, adding another layer of complexity for filming. Last, many of the County beaches are facing erosion at a faster pace than other areas in California, so striking a balance between preservation and flexibility for filming is key.

Beacon Economics recommends that the County Film Office - DEO and DBH revisit and potentially relax some restrictions where appropriate, thus allowing more flexible access to these areas for filming, while still ensuring compliance with environmental protections. To be sure, Beacon understands that environmental protection is necessary and important. There have been instances of film production leaving permanent scars on natural environments. However, a common theme of stakeholder interviews is that the County has too many regulations that seem arbitrary and with no clear purpose. For certain scenes, these regulations simply push filmmakers to neighboring counties such as Ventura, San Bernardino, Riverside, and Orange. As the industry faces challenges, the County must adopt policies that encourage local filming, rather than hinder it. By revising these regulations, the County can better support the film industry, ensuring that the County remains a desirable location for productions without compromising environmental standards.

[12] https://file.lacounty.gov/SDSInter/bos/supdocs/97129.pdf
[13] https://file.lacounty.gov/SDSInter/bos/supdocs/142407.pdf
[14] https://planning.lacounty.gov/environmental-review/biological-reviews/

## PROS AND CONS

**Pros:** Amending regulations could open more locations for filmmakers. Also, additional production activity, attracted by the film-friendly environment, would boost local employment and revenue. Reducing regulatory barriers would make the County more competitive, helping to retain projects that might otherwise move elsewhere.

**Cons:** Relaxing regulations might lead to increased environmental degradation, affecting local ecosystems and wildlife. Changes to regulations could face resistance from communities concerned about the impact of filming on local areas.

## NEXT STEPS

1. The County Film Office - DEO, DRP, and DBH could analyze existing and future zoning regulations (Title 22) updates that relate to film and television production.

2. The County Film Office - DEO could identify any regulations that may impede the production of film, television, and commercial projects within the County and work to find solutions to these impediments.

# 4

# DEVELOP PUBLIC PRIVATE PARTNERSHIPS FOR LA FILM TOURISM

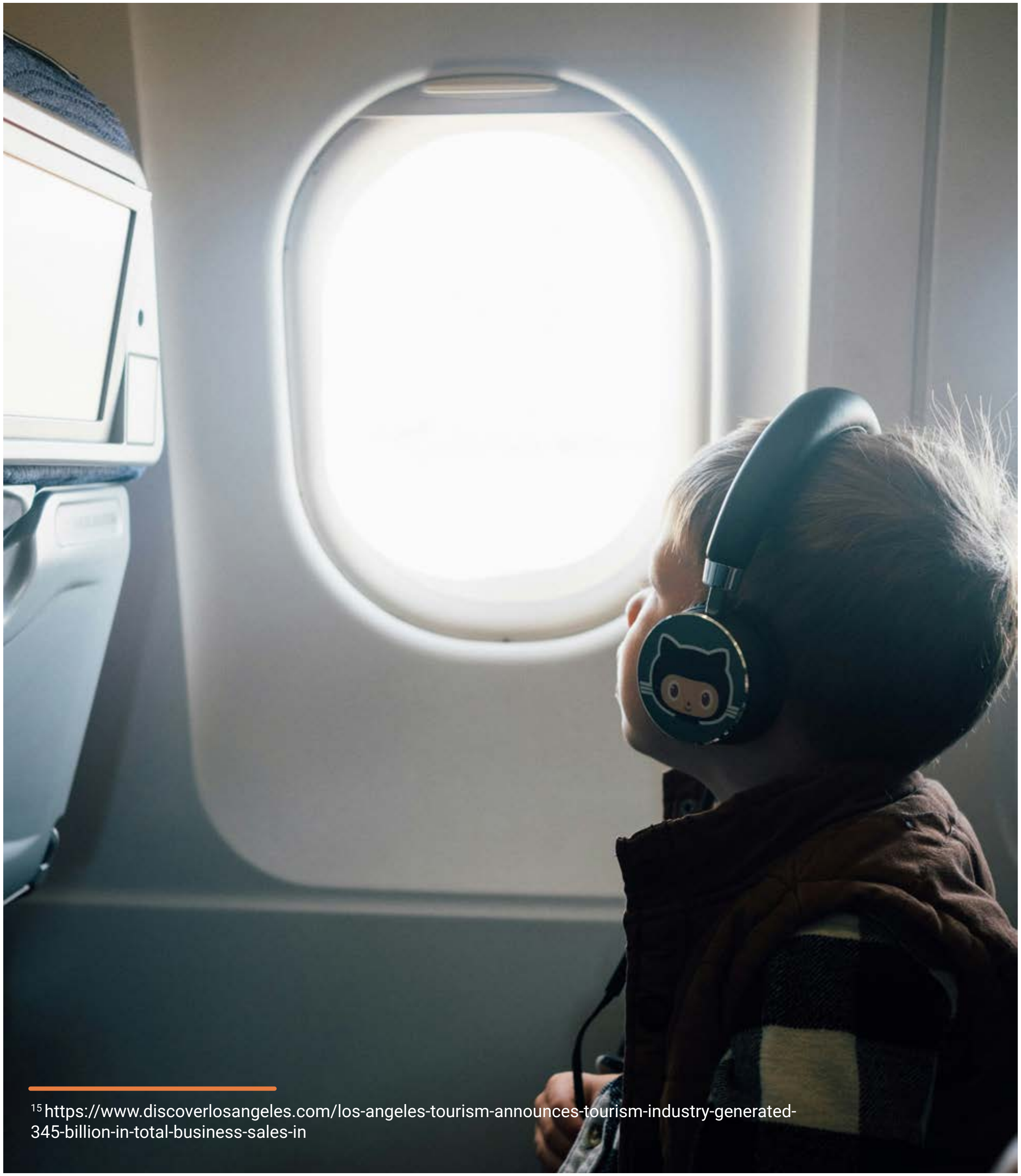
# RECOMMENDATION

- The County Film Office - DEO could convene partners from the LA Tourism Board, LA City Mayor's Office, hospitality industry, restaurant associations, and the entertainment industry with the goal of visioning a public-private partnership that would focus on developing innovative promotional events and activities to increase interest for national and international productions to film within the region.

# BACKGROUND

Partnerships between County and City governments, entertainment companies, and the tourism and hospitality sectors can expand entertainment and recreational opportunities for tourists and residents, provide direct and indirect economic benefits to businesses, attract out of state and foreign investment, and bolster tax revenues for the region.

Collaborative efforts between government entities and entertainment companies, and tourism boards is nothing new, and can enhance tourism services and infrastructure development. These partnerships can boost economic benefits, and interest in the region by developing promotional events focused on unique regions of the County where films and television shows have shot. Tourists spend money on lodging, food and beverage, transportation, amusements, retail and other industries when visitng the area. Moreover, building the film tourism infrastructure will enhance the area's reputation as the core of U.S. film making, and potentially help attract future film talent.



# PROS AND CONS

**Pros:** Tourists generated $34.5 billion in business sales in the County's economy in 2022.[15] By combining and coordinating efforts, the County, tourism boards, and local tourism entities can leverage their collective strengths to further promote tourism and enhance their marketing efforts. Promoting iconic Los Angeles film locations can further reinforce the County as the epicenter of film making.

**Cons:** Boosting film tourism will not directly lead to more films being made in the County. The film tax credits that are luring productions away, and the economic dynamics of the FTP will continue to drive film location decisions.

Additionally, it can be difficult to coordinate multiple tourism groups.

[15] https://www.discoverlosangeles.com/los-angeles-tourism-announces-tourism-industry-generated-345-billion-in-total-business-sales-in

# NEXT STEPS

1. The County Film Office and DEO could develop with various departments and Board offices to develop a promotional video campaign that highlights significant County-owned properties, parks, beaches, and natural areas geared towards attracting film and television productions to the region.

2. The County Film Office and DEO could work with restaurants associations such as DineLA to develop film and television location focused events that encourage direct and indirect economic benefits to small food businesses in the unincorporated areas of the County.

3. The County Film Office and DEO could convene partners from the LA Tourism Board, LA City Mayor's Office, hospitality industry, restaurant associations, and the entertainment industry to create a strategic approach to implementing these public private partnerships and resulting events and other activities.

# TECHNOLOGY-FOCUSED RECOMMENDATIONS

The following three policy strategies aim to help the County consolidate its leadership in the industry and adapt to tumultuous technological change. Beacon Economics believes waves of innovation from Artificial Intelligence (AI) and Virtual Reality (VR) will continue for many years, and the County should look to embrace, influence, and direct these innovations. The County should develop a comprehensive set of policy guidelines and initiatives that enable it to nurture and adopt new technology in a way that most benefits a broad array of industry stakeholders. These initiatives include developing inclusive, equitable, and evolving intellectual property rights, guiding cutting-edge technology, and building systems to grow strong technology based talent pipelines. For example, New Zealand's government, its film industry, and educational institutions have collaborated to strategically develop technology and build advanced visual effects capabilities. The government provides specific incentives for post, digital, and visual (PDV) production. Despite having a population only half the size of Los Angeles County, New Zealand has developed a major visual effects industry, one that Hollywood studios have relied on for blockbuster movies such as "Avatar", "The Avengers", and many more. The following policy recommendations could help the County take a more strategic approach to fostering new technology and supporting the industry in Los Angeles.


LOS ANGELES
LOS ANGELES

5

# AN EVERGREEN FUND

# RECOMMENDATION

- The County could establish a public-private evergreen fund, dedicated to funding innovative technology start-ups in the FTP industry.
- It could aim to raise $80 - $100 million over the first couple of years. 50% could be funded by County funds, and 50% could be funded from private investors.
    - The County could try to finance its portion of the funds through state, federal, or philanthropic grants as much as possible.
- The County could establish very clear investment criteria for any firms receiving funding. The criteria could include a dedication to improving innovative FTP technologies in Los Angeles and supporting new jobs locally.
- The evergreen fund would give the County a flexible and sustainable funding mechanism with which to guide and encourage technology development in the LA FTP industry.

# BACKGROUND

In the context of a county government, an evergreen fund is a strategic financial mechanism designed to provide ongoing, sustainable funding for specific initiatives or investments. Unlike traditional one-time expenditures, an evergreen fund is structured to maintain or replenish its capital over time, allowing for continuous reinvestment in priority areas. No other city or county has an evergreen fund specifically for its FTP industry, however some are starting funds for innovative technologies. New Jersey started a $500 million evergreen fund in 2022, called the New Jersey Innovation Evergreen Fund (NJIEF), a few years ago to invest in technology firms. The fund is operated by the New Jersey Economic Development Authority, and is raising $250 million by auctioning tax credits, and another $250 million from private venture capital firms. It is a public-private partnership, which works with venture capital firms to invest in qualified companies in New Jersey. The NJIEF makes public announcements about how much they are willing to invest and outlines particular criteria for applicants, such as a commitment to improving innovation in New Jersey and supporting new jobs. The fund has recently made a $3 million investment into a women-owned company, for example, and has $33 million left in unallocated capital.

San Diego County recently created an evergreen fund aimed at a different type of activity. Using $80.6 million from projected remaining balances and American Rescue Plan Act (ARPA), San Diego will fund startups, but the proceeds will go toward supporting homelessness initiatives, affordable housing, and economic development.[16] It is using a non-profit company to manage the fund.

One reason an evergreen fund would be useful for the FTP is that industry is is a dynamic sector with historical ups and downs and evolving technology. The FTP industry has a long history of booms and busts, and this will undoubtedly continue in the future. It relies on viewers' discretionary household spending, meaning high price elasticity makes it innately more volatile than other industries. From a high-level perspective, the flexibility of an evergreen fund would allow its managers to spend in a counter-cyclical manner, spending more funds when the industry is down, and less when it is faring well. For example, the industry is currently in a downturn. Now would be a good time for an evergreen fund to invest in new companies and initiatives.

Further, it gives the County a tool with which to help guide innovation, by providing it with the ability to fund certain technologies. For example, innovations which advance the field, also create a large number of jobs and employment opportunities. The size of the fund would dictate how it can be used. A key concept of an evergreen fund is that it generates self-renewing revenue, so the funding should be spent in ways that allow it to recoup its investment. The County could use an evergreen fund to seed small, innovative startups in the film and television industry. By providing capital to companies, which focuses on sustainable production practices or cutting-edge innovation, it could help nurture companies that, in turn, deliver positive economic spillovers to the FTP industry. The County should set clear goals for the funding and use those goals to establish criteria for determining which companies are eligible.

The fund could operate by partnering with venture capital firms to co-invest in promising startups, like the New Jersey Innovation Evergreen Fund model. This would involve periodic funding rounds where startups pitch for investment, ensuring a steady stream of innovative projects. Venture Capital is one of the main ingredients responsible for the success of Silicon Valley. A LA County evergreen fund would enable the County to engage in this very successful financing and management model.

[16] "FISCAL SUBCOMMITTEE RECOMMENDATIONS FOR EVERGREEN FUND FRAMEWORK: BEHAVIORAL HEALTH SERVICES, HOMELESSNESS SERVICES, HOUSING, CLIMATE AND ECONOMIC PROSPERITY (DISTRICTS: ALL)" https://www.supervisorterralawsonremer.com/content/dam/d3/board-letters-pdf/2024/BoardLetterEvergreenFund.pdf

# PROS AND CONS

**Pros:** An evergreen fund is advantageous because it has several valuable characteristics:

- It offers a continuous funding source. An evergreen fund requires considerable upfront capital, but thereafter provides an ongoing, renewable source of capital that can be used to support local businesses and economic development initiatives over the long term.

- It provides a flexible funding source. While guardrails need to exist to provide some spending guidance, evergreen funds provide more discretionary funding opportunities than traditional budget allocations.  Also, the fund structure allows for capital to be recycled and reinvested as needed, rather than being locked up for fixed periods.

- It attracts private capital. An evergreen fund can be established in partnership with private investors, studios, and/or venture capital firms. This lowers the amount of public funding needed and allows private industry an opportunity to be involved.

**Cons:** Evergreen funds are rare in the public sector. This is partially because they are complex, susceptible to conflicts of interest, and use taxpayer dollars to take financial risks.

- Evergreen funds are more complex to set up and manage than traditional funds. For example, liquidity management is challenging because it is difficult to balance inflows and outflows while maintaining certain capital liquidity ratios.

- There are numerous potential conflicts of interest, typically between fund managers of public money and private investors. There can also be conflicts of interest between the fact that public sector investors and private sector investors do not have the same incentives or goals. The County could incorporate “public value” as an investment consideration, for example. Thus, determining where funds are to be spent and what will create the most “value” must be agreed on in advance.

- Some argue that it is the private sector’s role, and not the government’s, to pick which companies get funded. However, a review of economic history shows that government involvement in this manner can be very productive when investment is in companies that provide a positive externality (i.e., if the companies invested in have positive economic spillover effects that offer a public benefit to society).

- For these reasons, an evergreen fund requires considerable oversight. The open-ended nature necessitates continuous management and governance, making it challenging to build public trust.

# NEXT STEPS

The County Film Office - DEO could help:

1. Establish the purpose and structure of the fund

   The evergreen fund could be set up as a special revenue fund, similar to other dedicated funds operated by the County.[17] The County Board of Supervisors would need to approve the creation of the fund through a formal motion.

   A minimum balance could be maintained at all times. A portion of annual revenues should be reinvested to grow the fund. Unused funds would roll over to the next fiscal year instead of expiring.

2. Identify funding sources and establish public-private partnerships

   Potential funding sources could include discretionary grants from federal or state entities, allocated proportions of fees and permitting charges, or from an allotment of sales tax. To supplement these sources, the County could consider setting up a public-private partnership in which private-sector funding is included. The County could establish strict criteria to allow interested investors, such as venture capital firms, to apply, and offer them tax credits. The County could explore an auction method, as New Jersey used.

3. Create management and oversight mechanisms

   The fund could be managed by the DEO. A dedicated oversight committee could be established to ensure transparency and proper use of funds. The County could also consider hiring an outside fund manager to keep the fund within the desired size, liquidity, and risk parameters as it operates. Further, a public facing dashboard could be created to report on expenditures and outcomes.

4. Invest

   Using this funding mechanism, the County would then act as an equity investor in local companies and/or other revenue-generating activities. Firms with particularly large positive externalities for the County and for the County's FTP industry could be prioritized.

[17] See FY 2024-2025 Adopted Budget Funds, as examples, https://pw.lacounty.gov/explore-public-works/budget/funds/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CAN YOU DIG IT?
A HIP-HOP
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# 6

# FILM TECHNOLOGY ADVISORY BOARD

# RECOMMENDATION

- The County Film Office - DEO could create an 8 to 12 member Film Technology Advisory Board (FTAB) to provide advice on the shifting technology developments occurring in the FTP industry.
- The FTAB would provide advice to the County Film Office, DEO and Board of Supervisors on an ad hoc basis.
- Create the FTAB as a subcommittee under the existing County Entertainment Partnership Committee (CEPC).
- It could consist of a diverse group of business and community leaders from technology firms, film studios, production companies, academia, film unions, and relevant community-based organizations.

# BACKGROUND

Almost a century ago, a technological revolution changed movies forever – the introduction of synchronized sound. Since then, innovative technologies have continued to reshape the industry, forcing it to adapt and change. Currently, AI and VR are changing the industry, and, inevitably, more innovations will follow. Therefore, Beacon explored the idea of creating a Film Technology Advisory Board (FTAB) to help the County navigate technological advancements. The goal of the FTAB would be to advise the County Board of Supervisors, County Film Office – DEO, and FilmLA on emerging technologies, providing recommendations to foster innovation and help the County align its policies with technological changes in the industry.

Other cities have adopted similar measures for certain industries, but a technology advisory board for the FTP industry would be something entirely new. Seattle's Community Technology Advisory Board was founded in 1995.[18] San Francisco created its Technology Advisory Board in 2011,[19] and New York State recently created the Emerging Technology Advisory Board to help build and improve its technology industries.[20] Gauging the success of these boards is difficult, as they primarily provide advice. However, it is generally accepted that they are valuable in facilitating communication between industry experts and policymakers.

The question is, what type of issues would the County FTAB provide guidance on? First, they could provide guidance on the most demanded skill sets in the FTP industry to help guide FTP workforce training programs align their curricula with the needs of the industry. Their advice would be valuable in workforce development initiatives focused on the emerging technologies within the FTP industry.

Another issue they could provide guidance on is intellectual property (IP) rights. Current IP rights frameworks in the industry are struggling to keep pace with advancements in AI technology, creating a legal gray area around ownership and compensation for AI-related content. The existing copyright laws, which require human authorship for protection, fail to adequately address the complexities of AI-created works, leaving creators and studios uncertain of the rules when machines can produce scripts, visual effects, and even replicate an actor's likenesses. The County does not have jurisdiction over IP but needs to be abreast of these developments.

Finally, the FTAB could play an advisory role in deciding overall investment strategies and primary objectives of the evergreen fund, proposed above.

[18] https://seattle.gov/community-technology-advisory-board#:~:text=The%20Community%20Technology%20Advisory%20Board%20(CTAB)%20was%20established%20in%201995,050%20%2C%20Ordinance%20124736).
[19] https://www.cbsnews.com/sanfrancisco/news/san-francisco-mayor-forms-high-tech-advisory-board/
[20] https://www.governor.ny.gov/news/governor-hochul-announces-founding-members-new-yorks-emerging-technology-advisory-board

# PROS AND CONS

**Pros:** The benefits of a FTAB are clearly related to the advice they would provide policymakers. It would be an efficient mechanism for the County Government to obtain expert insight and anticipate technological shifts. The TAB could provide guidance on how a proposed film-related policy may affect, or be affected by, changes in technology.

**Cons:** There are several challenges in creating an effective FTAB. The risk of potential bias is one. Often advisory board membership is dominated by representatives of larger, more established companies. This could lead to recommendations that do not favor smaller independent filmmakers.

This relates to the second challenge, which is conflict of interest. Some board members may have a vested interest in promoting certain technologies or solutions. Transparency is essential, ensuring board members' affiliations and financial incentives are publicly disclosed.

While establishing the FTAB would involve some costs, they would likely be minimal. FTAB board members will not require compensation, but administrative resources could be necessary for the Board's formation and ongoing operations.

# NEXT STEPS

1. The County Film Office - DEO could create the FTAB as part of its existing County Entertainment Partnership Committee (CEPC).

2. Identify at least eight film and television technology experts, in partnership with the CEPC and Board offices, to join the FTAB. These would not be formal appointments but rather invites to potential FTAB members for a term of two years.


# 7

# PURPOSE-BUILT RESEARCH SOUND STAGE ON COUNTY-OWNED LAND

## RECOMMENDATION

- The County Film Office - DEO could establish public-private partnerships to build and run a research-oriented, purpose-built sound stage with a post-production lab.
- The purpose would be to:
  - build a world-class film technology production facility that can serve as a training site for new talent by offering workforce training opportunities to local students and industry workers in partnership with local CBOs,
  - and to nurture and invest in cutting-edge innovative film technologies.
- The facility could be on County land, thereby reducing its cost. Also, placing it in a strategic location could help foster economic growth in an underdeveloped area.
- Construction costs would likely be between $20 million and $50 million, and it would require $4 to $8 million per year to operate.
  - Fundraising efforts could help provide some of the necessary capital, and renting out space in the sound stage or production facility could provide ongoing revenue to offset costs.

## BACKGROUND

Here we examine the idea of using County-owned land to build an advanced sound stage and production facility for research and training purposes.

The County already leads the world in sound stage facilities, with 473 certified sound stages and 75 certified production facilities, totaling roughly eight million square feet of certified stage space.[21,22] For comparison, the United Kingdom has 6.6 million square feet, Georgia has 4 million, Ontario 3.8 million, and New York 3.3 million. Further, the County has almost 3.4 million square feet of new sound stage space in development.

Despite this, demand for sound stage space in Los Angeles is still high. Demand peaked in 2016 at 96% occupancy. It has slowly fallen since then but remains greater than 90%. Occupancy rates tend to be lower in competitor markets. London's occupancy rate is closer to 50% after the completion of recent builds, and Vancouver's is in the 70% range. Overall, the Los Angeles sound stage sector is relatively healthy and competitive.

[21] https://www.cbre.com/press-releases/cbre-secures-130-million-construction-financing-for-east-end-studios-mission-campus
[22] https://filmla.com/filmla-updates-ongoing-study-of-sound-stage-development-and-production/

The current trend in sound stage development is purpose-built facilities. They have high rigging load capacities, excellent sound insulation, customizable setups to accommodate diverse production needs, and incorporate new AI and VR. Developers are currently planning the first purpose-built sound stage in the County in 20 years. Most developers have been reluctant to invest in them because of the rapid pace of technological change.

The central idea for this proposal is for the DEO, in partnership with other County Departments, to establish public-private partnerships to build and run a research-oriented, purpose-built sound stage and production facility. This would differ from private sector sound stages in that its primary objective would be to:

- offer training opportunities to industry workers and local film students,
- and help nurture the development of innovative visual effects technologies.

The upfront cost of a professional purpose-built sound stage or production facility with high-end post production labs is prohibitive for most film schools, but the benefits from access to one are manifold. Some local schools have smaller sound stages, but this would supply a larger and more professional space that many schools could use, with the end goal of developing a world-class talent pipeline.

The public sector could play a valuable role as a co-investor of new cutting-edge technologies and training the next generation workforce. This would promote public-private partnerships, and reduce the risk for the private sector. Similar to how the US government supported foundational technologies like GPS and the internet, which the private sector later capitalized on, Los Angeles County would support film Research and Development (R&D) efforts through this research sound stage, which the LA FTP industry could then benefit from.

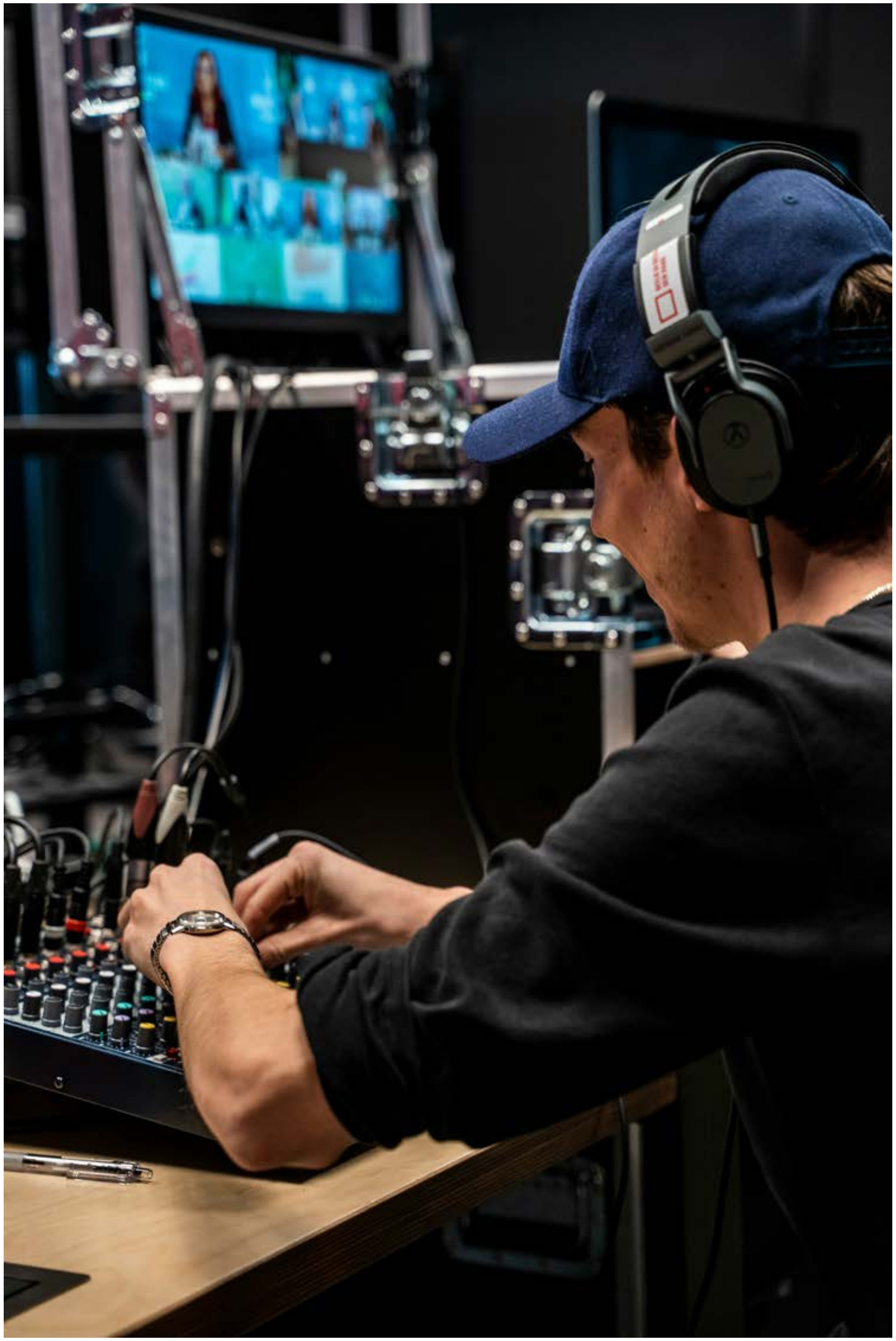
The County has several advantages that a private company does not. As a public entity, the County's cost of capital is lower than the private sector, reducing the financing cost. Plus, it can speed up the permitting and application process. Further, this facility could be rented out to film studios and production companies to raise revenue and fund research.

In fact, New York City did something similar to this recently. The City joined forces with developers to start construction on its first purpose-built sound stage on Pier 94, over the Hudson River.[23] New York City leases the property to the developers. It is expected to have a large impact economically and to draw substantial filming and production activities.

[23] https://www.blackstone.com/insights/article/behind-the-deal-manhattans-first-purpose-built-film-and-tv-studio-campus/ San Francisco is a unique consolidated city-county, where the city and county governments are merged into a single entity with the same geographical boundaries

However, unlike New York, the County should not get into the business of managing sound stages or production facilities. Rather, the County's facility would be focused on research and training. It would partner with some of the excellent local film schools and CBOs to help experiment with new technologies. It could still lease the space to certain clients to provide self-sustaining revenue and pay for its operations. It would offer the chance for the County to raise revenue while encouraging innovation, training a new workforce, and hopefully catalyzing creativity.

Regarding budget, developers recently paid between $100 million and $230 million for a large sound stage facility with several stages and supplemental facilities. For a research sound stage, the County would need to spend between $20 million and $50 million, as it would not need to build a full compound and could save money by using County land. Construction would support roughly 300 jobs and, assuming there was no property tax to pay, it would require roughly $4 million to $8 million per year to operate (the exact costs would depend on the space-sharing structure and exact activities). Still, assuming an annual operating budget of this magnitude, the sound stage would support 14 jobs directly, and 20 jobs through additional indirect and induced economic effects in the local area. Costs could be offset by renting out space and fundraising efforts, although this may require the creation of a 501 (c)(3) non-profit.



# PROS AND CONS

**Pros:** This would create a synergistic space where innovative technologies and new workforce training could both be developed, providing several benefits:

- Provide training opportunities for students and aspiring film professionals not available at local schools.
- Foster public-private partnership.
- Support the County's workforce in adapting to new technology and industry demands.

**Cons:** Downsides to this idea include:

- High upfront public investment.
- Risk of technological obsolescence without continuous updates.
- Balancing research, training, and commercial leasing demands.
- Ongoing maintenance and operational costs.
- Compensation, but administrative resources would be necessary for its formation and ongoing operations.

# NEXT STEPS

1. The County Film Office - DEO could develop relationships with private soundstage developers or other qualified developers with the goal of gaining further insight into the needs and costs of developing these types of soundstages in the region.

2. The County Film Office - DEO could consult with the Real Estate Division of the Chief Executive Office (CEO) regarding available vacant or underutilized land or physical properties that may be viable for the development of a purpose-built soundstage. The effort could also engage with the Department of Arts and Culture on pipeline programming and shared production space collaborations.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# 8

# FILM AND TELEVISION PAYROLL TAX DEDUCTION OR CREDIT

## RECOMMENDATION

- **Not recommended,** but because this concept was suggested in the original Board Motion, Beacon Economics is providing its analysis.
- Payroll taxes are State-level taxes. They are not administered by counties, unless counties add additional payroll taxes on top. Beacon does not recommend the County add additional payroll taxes, so that it can then reduce them for the film industry.

## BACKGROUND

The aim of this policy is to offer film producers a tax deduction or rebate if they shoot in Los Angeles County and/or unincorporated areas. Certain criteria, such as a minimum number of filming days, would need to be met for qualification. The main challenge with this type of deduction is that payroll tax is collected by the State, not the County.

Film SF ran a program that rebated payroll expense taxes that were unique to the City/County of San Francisco because it charged its own payroll tax in addition to the State's.[24] However, this was repealed in 2021, so the corresponding rebate is no longer relevant.[25]

There are several components of California payroll tax (federal payroll tax is excluded as Los Angeles County has no authority over it), including 1.1% for State Disability Insurance,[26] 1.5% to 5.9% for State Unemployment Insurance, and 0.1% for the Employment Training Tax.[27]

[24] San Francisco is a unique consolidated city-county governments are merged into a single entity with the same geographical boundaries
[25] https://sensiba.com/resources/insights/changes-san-francisco-gross-receipts-tax/
[26] https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220SB951
[27] https://edd.ca.gov/siteassets/files/pdf_pub_ctr/de202.pdf


# PROS AND CONS

**Pros:** In theory, this would provide a financial incentive for filmmakers to shoot in the County and in unincorporated areas. This would reduce filming costs in these locations, making them more competitive.

**Cons:** Payroll taxes are State taxes, collected by the California Employment Development Department (EDD). They are not set and collected by the County. Therefore, to offer a payroll tax break, the County would have to create a new payroll tax to be charged on top of the state payroll tax.

# NEXT STEPS

Beacon Economics does not recommend this policy since it would introduce an extra tax into the Los Angeles County economy, slowing growth. This tax would also affect the FTP industry by increasing the cost of doing business in the County. If the main point of this policy is to reduce tax burdens, creating a new tax makes little sense.

# 9

# FILM AND TELEVISION SALES TAX DEDUCTION OR CREDIT

## RECOMMENDATION

- **Not recommended,** but because this concept was suggested in the original Board Motion, Beacon Economics is providing its analysis.
- Beacon Economics does not recommend a sales tax reduction because it is not large enough to make a noticeable impact on the Industry.

## BACKGROUND

This proposal is based on the idea that reducing local sales tax would encourage production in the County. When buying material for a production, film companies receive quotes for key inputs such as timber, metal, props, and catering for cast and crew. It stands to reason that if the company can get a sales tax reduction on these inputs, they are more likely to continue to film in Los Angeles County.

In the County, sales tax is 9.50%. Most of this (7.25%) is State sales tax, which the County cannot alter. 1.25% of sales tax is already allocated to specific budget measures, such as Propositions, Measure R, and Measure M, which fund Homeless and transportation infrastructure. This leaves 1%, which flows into the County's General Fund, and which could be subject to a local film tax reduction.

# PROS AND CONS

**Pros:** Section 3 of this report details how sales tax revenue from the secondary effects of FTP industry spending exceeds the sales tax revenue generated from direct effects. Table 9 in Section 3 summarizes that spending by the FTP industry directly generates roughly $11 million in sales tax revenue for the County and supports around $15 million in sales tax revenue from purchases upstream in the supply chain as well as spending by employees. Sales tax reductions would reduce direct sales tax revenues, but in this case, that is worthwhile since there is a greater amount of sales tax generated through secondary effects. Runaway production would reduce both the direct sales tax revenue and the sales tax revenue stemming from secondary effects.

**Cons:** The main concern with this policy is the size of its impact. Because 8.5% of the 9.5% of the County's sales tax is already designated for certain spending, the County could only offer a 1% discount on sales tax. The County's 2023-2024 budget was $45.6B.[29] About a fifth of this comes from the State, a fifth comes from Special Fund/Districts, another fifth from charges for services, and about 12% comes from the Federal Government. Only a quarter of the County's budget is generated by local taxes, and only a small portion of this is from sales tax. So, while the County's budget is large, only a small proportion of it (several hundred million dollars), comes from sales tax. If the FTP industry generates roughly $11 million in sales tax, and the County could rebate 1% of it, that would amount to 10.5% of $11M, or about $1 million in potential sales tax rebates or credits.

# NEXT STEPS

Beacon Economics does not recommend a sales tax reduction. State tax incentives for the FTP industry amount to hundreds of millions of dollars, many times greater than a County Sales Tax reduction, and can therefore significantly influence decisions on where productions are filmed.

One consideration is to offer a sales tax reduction to smaller independent films. This would not have a large impact on the industry as a whole, but would offer a small cost reduction to local independent filmmakers. Providing an effective 1% sales tax reduction would not make or break a small film's budget, but it would help.

[29] https://ceo.lacounty.gov/wp-content/uploads/2023/12/LA-County-2023-24-Final-Budget-Book.pdf

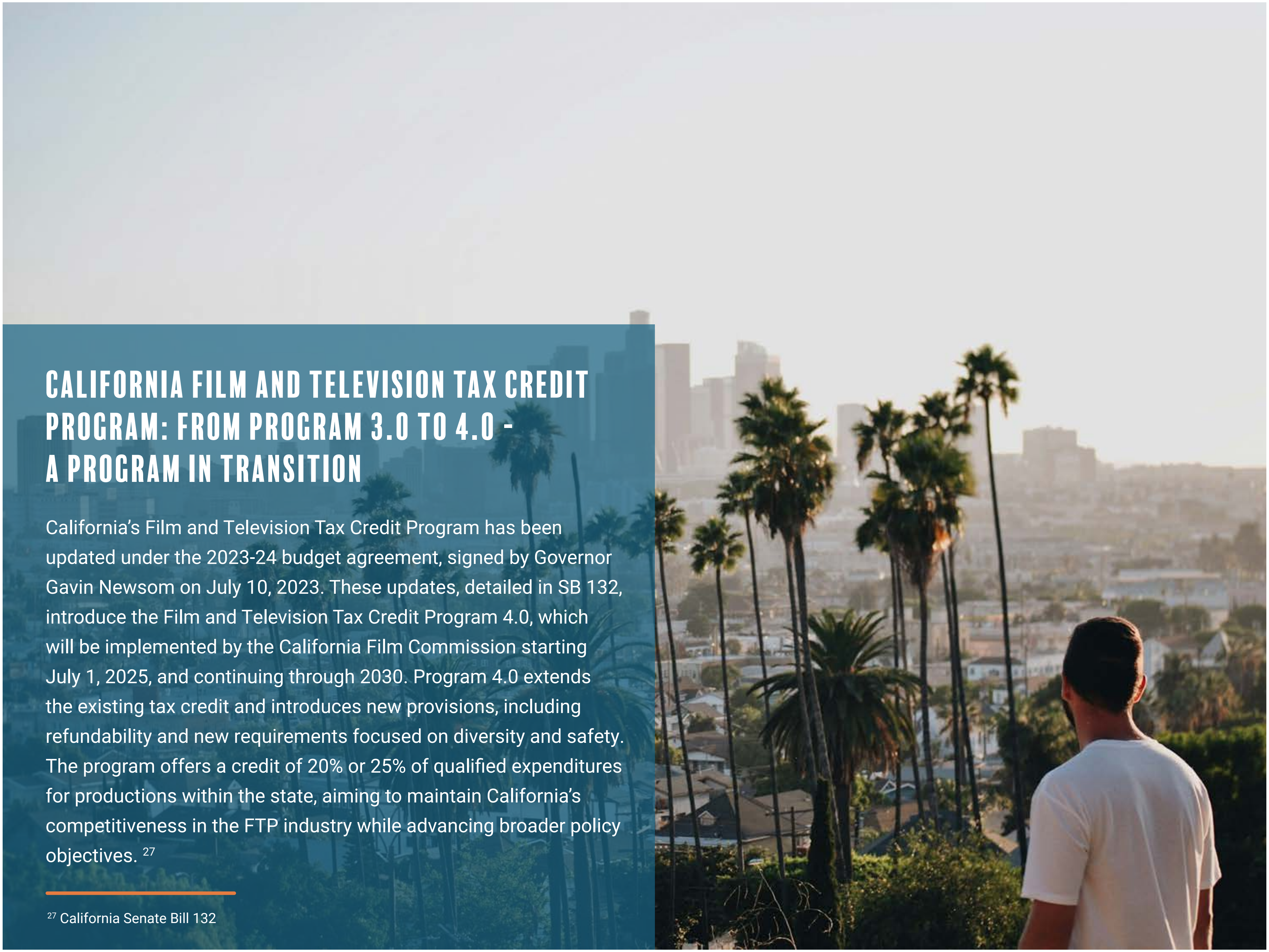
# FILM INCENTIVES ANALYSIS

The County has long been known as the entertainment capital of the world. However, this dominance has faced significant challenges from U.S. states and other countries that have introduced incentives to attract FTP activity away from the County. One of the most commonly used incentives used is film tax incentives (FTIs).

This analysis explores how California's FTI program compares to rival initiatives and identifies opportunities for fortifying the County's position in the global FTP industry. By examining successful strategies used by other states and countries, the aim is to provide actionable recommendations for the County to leverage its historical strengths while adapting to the competitive pressures of a globalized industry.

Since the County relies on the State of California and its FTI program, which has the resources to compete both domestically and internationally, the primary focus is on state-level programs. Additionally, international FTI programs are examined for comparative analysis, along with regional and local FTI programs, to identify potential strategies the County could adopt to strengthen its competitive edge.

An overview of some of the incentives currently in use is provided below. For technical details, refer to Appendix A.



# CALIFORNIA FILM AND TELEVISION TAX CREDIT PROGRAM: FROM PROGRAM 3.0 TO 4.0 - A PROGRAM IN TRANSITION

California's Film and Television Tax Credit Program has been updated under the 2023-24 budget agreement, signed by Governor Gavin Newsom on July 10, 2023. These updates, detailed in SB 132, introduce the Film and Television Tax Credit Program 4.0, which will be implemented by the California Film Commission starting July 1, 2025, and continuing through 2030. Program 4.0 extends the existing tax credit and introduces new provisions, including refundability and new requirements focused on diversity and safety. The program offers a credit of 20% or 25% of qualified expenditures for productions within the state, aiming to maintain California's competitiveness in the FTP industry while advancing broader policy objectives. [27]

[27] California Senate Bill 132

## EXTENDED TIMELINE

The current Film and Television Tax Credit Program 4.0 extends the program through 2030, with an annual budget of $330 million. This extension provides long-term support and stability for California's FTP industry, ensuring the continuation of incentives that keep productions in the state.

## REFUNDABILITY OF TAX CREDITS

A significant change in Program 4.0 is the introduction of refundable tax credits. Productions, both independent and non-independent, with insufficient tax liability can now receive up to 90% of the credit value as a cash refund, distributed over up to five years. This shift from the non-refundable model of Program 3.0 allows a wider range of productions, especially smaller and independent projects, to fully benefit from the tax credits, making the program more accessible and equitable.[28]

## DIVERSITY WORKPLANS

Starting in 2025, productions applying for the tax credit will be required to submit a diversity workplan. This plan must outline specific goals for achieving diversity within the production. Failure to meet these goals could result in a penalty of up to 4% of the total credit. This requirement supports the broader goal of ensuring that California's FTP industry more accurately reflects the state's diverse population.

[28] Program 4.0 Refundability Summary

## SAFETY ON PRODUCTIONS PILOT PROGRAM

To enhance on-set safety, Program 4.0 includes a new Safety on Productions Pilot Program. Productions seeking tax credits must have certified safety advisors on set to oversee compliance with safety standards. This initiative, overseen by the California Film Commission and funded through the state's tax credit allocations, aims to reduce accidents and foster a safer production environment. This provision is a response to past high-profile safety incidents in the industry.[29]

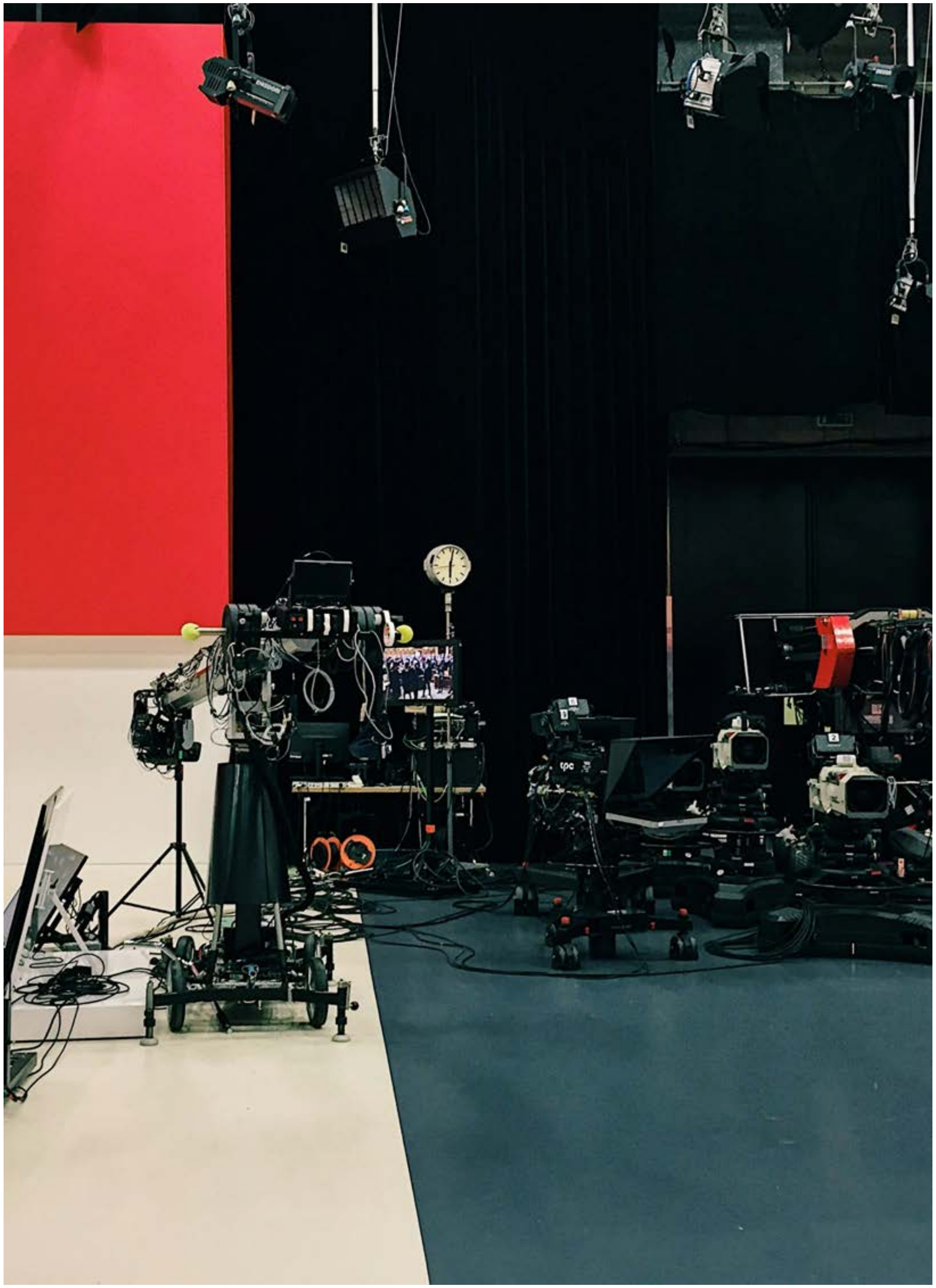
## REAUTHORIZATION

On October 27, 2024, Governor Gavin Newsom announced a proposal to increase California's Film & Television Tax Credit Program from $330 million annually to $750 million[30].

If passed, this increase would give California one of the largest capped film and television tax credit programs in the country, surpassing New York's annual allocation of approximately $700 million. By raising the cap to $750 million, California aims to compete more effectively with states like Georgia, which has no cap and spends over a billion dollars annually on film and television tax credits, making it a prime destination for productions.

This proposed cap increase is intended to better align production demand with available state funding. Currently, the time, costs, and uncertainty associated with California's $330 million Film & Television Tax Credit Program cause many projects to bypass California for locations with more accessible or substantial incentives. Raising the cap to $750 million would shift this trend, enabling more approved applications and encouraging more productions to stay in California, ultimately bolstering the state's position in the entertainment industry.

[29] DGA: The California State Safety on Production Pilot Program
[30] https://www.gov.ca.gov/2024/10/27/governor-newsom-proposes-historic-expansion-of-film-tv-tax-credit-program/

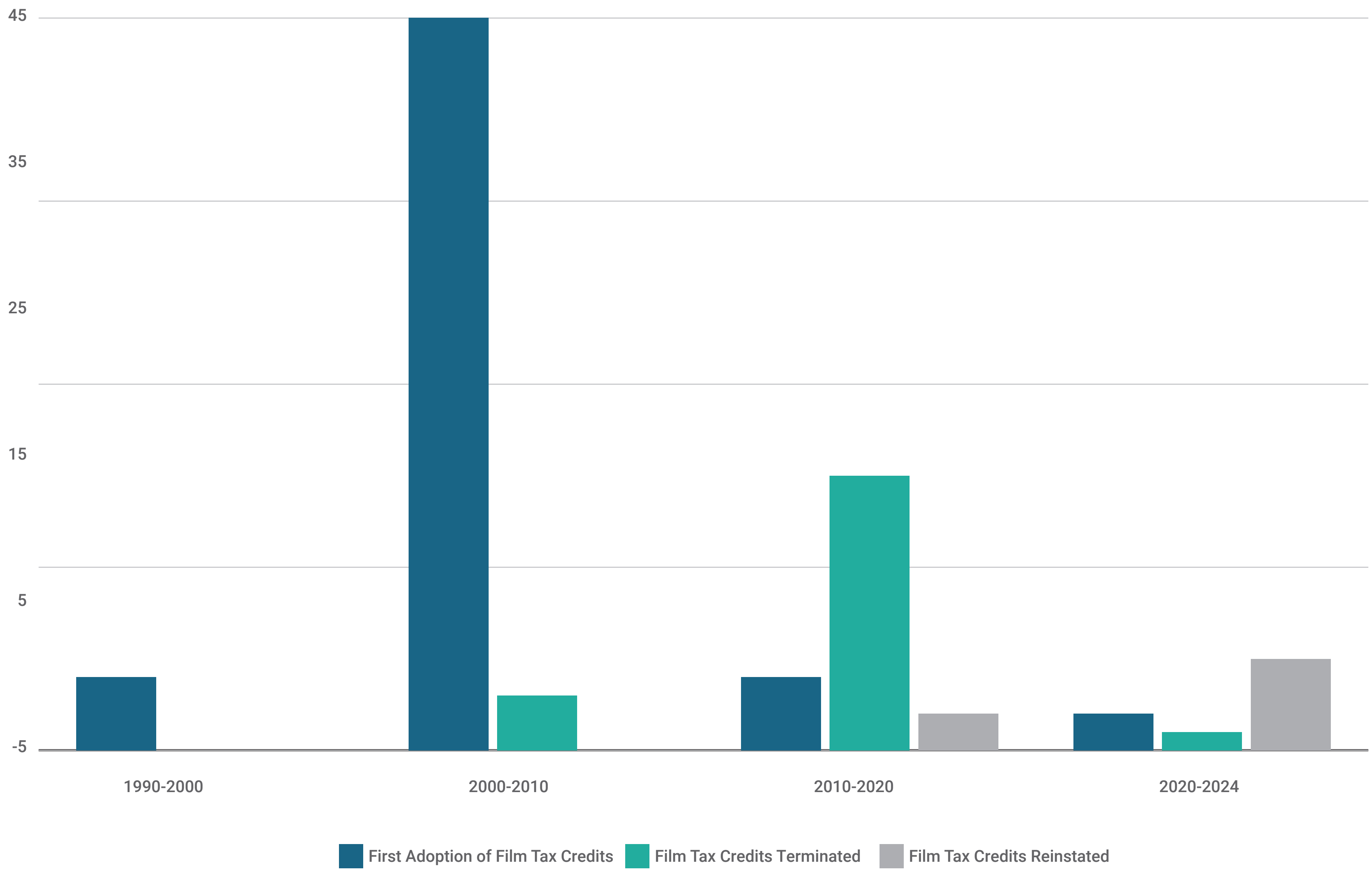


## Overview of Film Incentives in the U.S.

The landscape of FTI programs in the U.S. (including the 50 states, Washington D.C., Puerto Rico, and the Virgin Islands) has been dynamic, with programs constantly adopted, amended, eliminated, and reinstated.

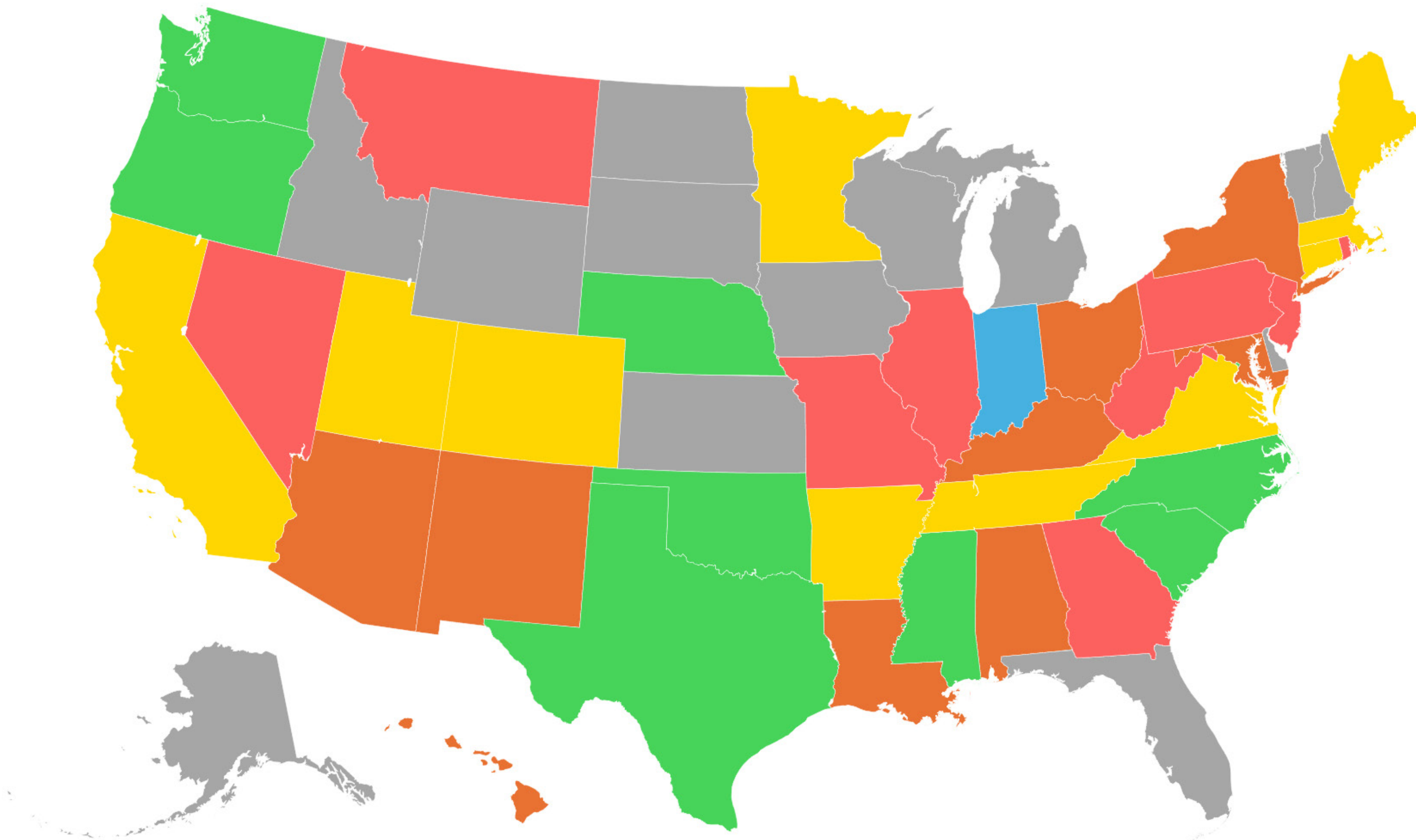
- The nation's first FTI program was initiated by Louisiana in 1992.
- Between 1990 and 2010, 44 states and territories adopted FTI programs, with Iowa, Kansas, and Wisconsin being eliminated between 2000 and 2010.
- From 2010 to 2020, four programs were adopted, 15 were eliminated, and two were reinstated.
- Alaska, Florida, Michigan, Missouri, Rhode Island, South Dakota, and West Virginia eliminated their programs.
    - Indiana and Rhode Island reinstated theirs.
    - Between 2020 and 2024, two programs were adopted, one was eliminated, and five were reinstated.
- As of 2024, there are 40 active FTI programs across the states and territories.

## FIGURE 1: FILM TAX CREDIT PROGRAM ADOPTION OVER TIME

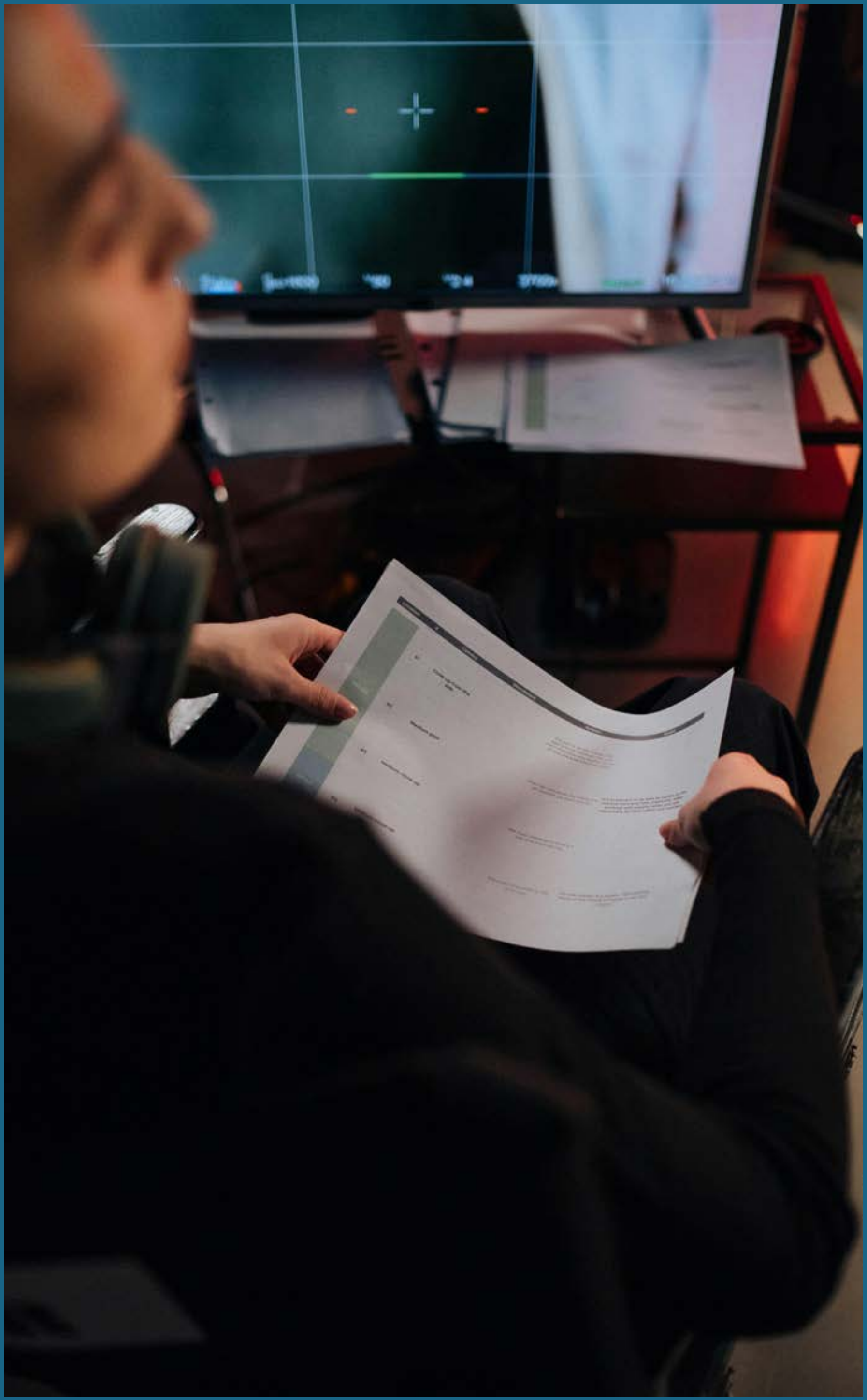



Source: State Film Tax Credit Reports. Analysis by Beacon Economics

## FIGURE 2: STATES WITH FILM INCENTIVES IN 2024



Source: State Film Tax Credit Reports. Analysis: Beacon Economics



Among the 40 active FTI programs across states and territories

- 11 offer a combination of multiple tax credits
- 1 program exclusively provides a non-refundable and non-transferable tax credit
- 9 programs offer only rebates or grants
- 9 programs are limited to refundable tax credits
- 10 programs solely offer transferable tax credits for film productions

Within the 11 programs that offer a combination of multiple types of tax credits

- 3 programs provide non-refundable and non-transferable tax credits
- 9 programs offer rebates or grants
- 4 programs have refundable tax credits
- 6 programs provide transferable tax credits

# DEFINITIONS OF TAX CREDIT TYPES: REFUNDABLE, TRANSFERABLE, REBATES, GRANTS, ETC.

## REFUNDABLE TAX CREDIT:

A tax credit that allows film production companies to receive a cash refund if the credit amount exceeds their tax liability. For example, if a production qualifies for a $10 million refundable tax credit but only owes $7 million in taxes, they will receive the remaining $3 million as a cash refund, providing financial support even if they owe less in taxes.

## TRANSFERABLE TAX CREDIT:

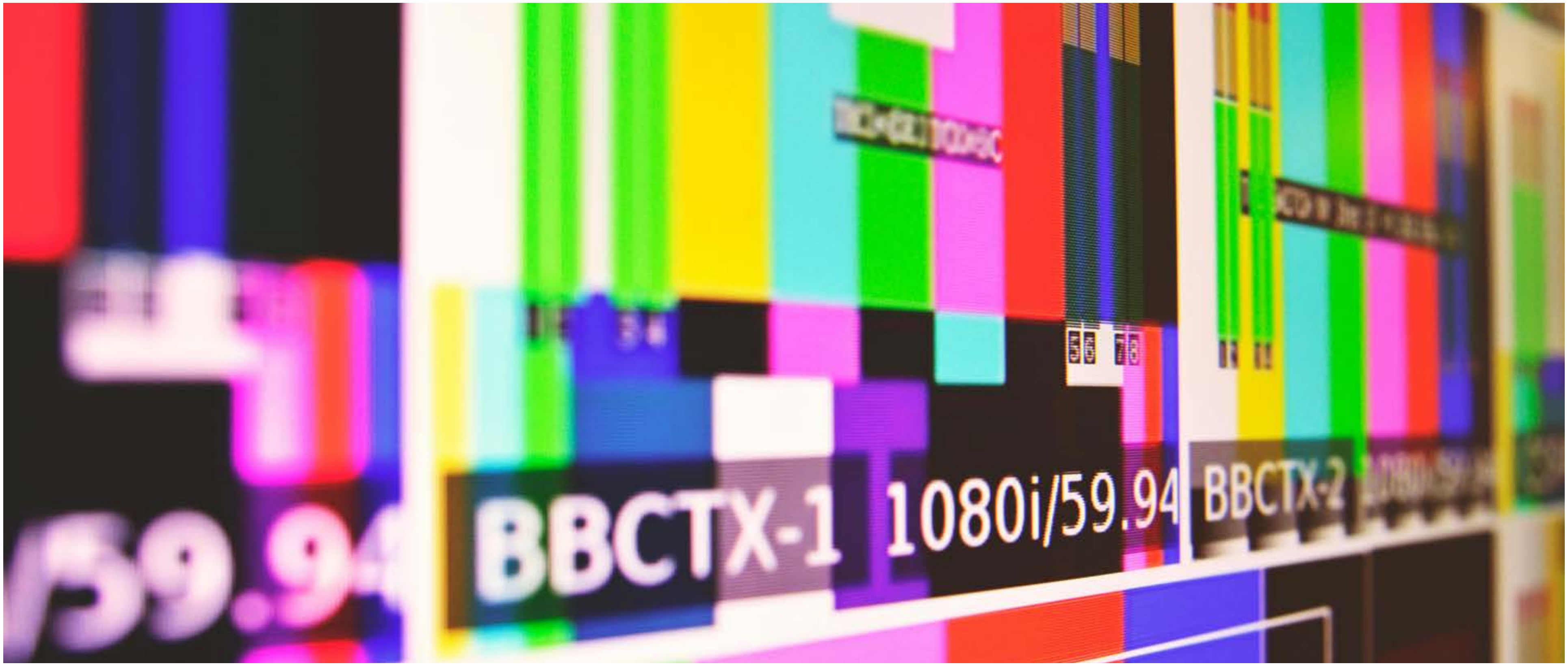
A tax credit that film productions can sell or transfer to another entity. For example, if a production qualifies for a $10 million transferable tax credit but doesn't have enough tax liability to use the full amount, the credit can be sold to another company for cash. This cash can then be used to lower the overall cost of production, providing financial flexibility and support.

## REBATES:

Direct financial assistance provided to film productions after qualifying expenses are made, offering immediate financial relief. For example, if a production spends $10 million on eligible costs, it might receive a 20% rebate, resulting in a $2 million cash payment. This payment is not tied to the production's tax liability, meaning the production gets the rebate regardless of how much it owes in taxes, helping to reduce overall production costs.

## GRANTS:

Direct financial assistance provided to film productions that does not need to be repaid. For example, a production might receive a $500,000 grant upfront to support hiring local crew or filming in a specific location. Unlike rebates, which are given after expenses are incurred, grants are often provided based on meeting certain criteria and are typically awarded before production begins, offering immediate funding support.




## DOMESTIC COMPETITION

The County faces domestic competition from across the nation but remains in a class of its own. New York and Georgia are the key competitors, and they continue to spend a great deal of public resources to try to compete with the County. Other states like Florida, Texas, and Illinois show signs of a minor industry presence that has been largely unaffected by their FTIs. States like Connecticut, New Mexico, and Louisiana have used FTIs for years, yet their industry employment levels and number of industry establishments remain small. Still, states continue to see the film industry as a development opportunity with Utah being the most recent state to experience some notable growth in industry employment.  Please see Appendix B for a complete list of film incentives by state.

[31] https://techxplore.com/news/2024-02-tyler-perry-ai-advances-halts.html

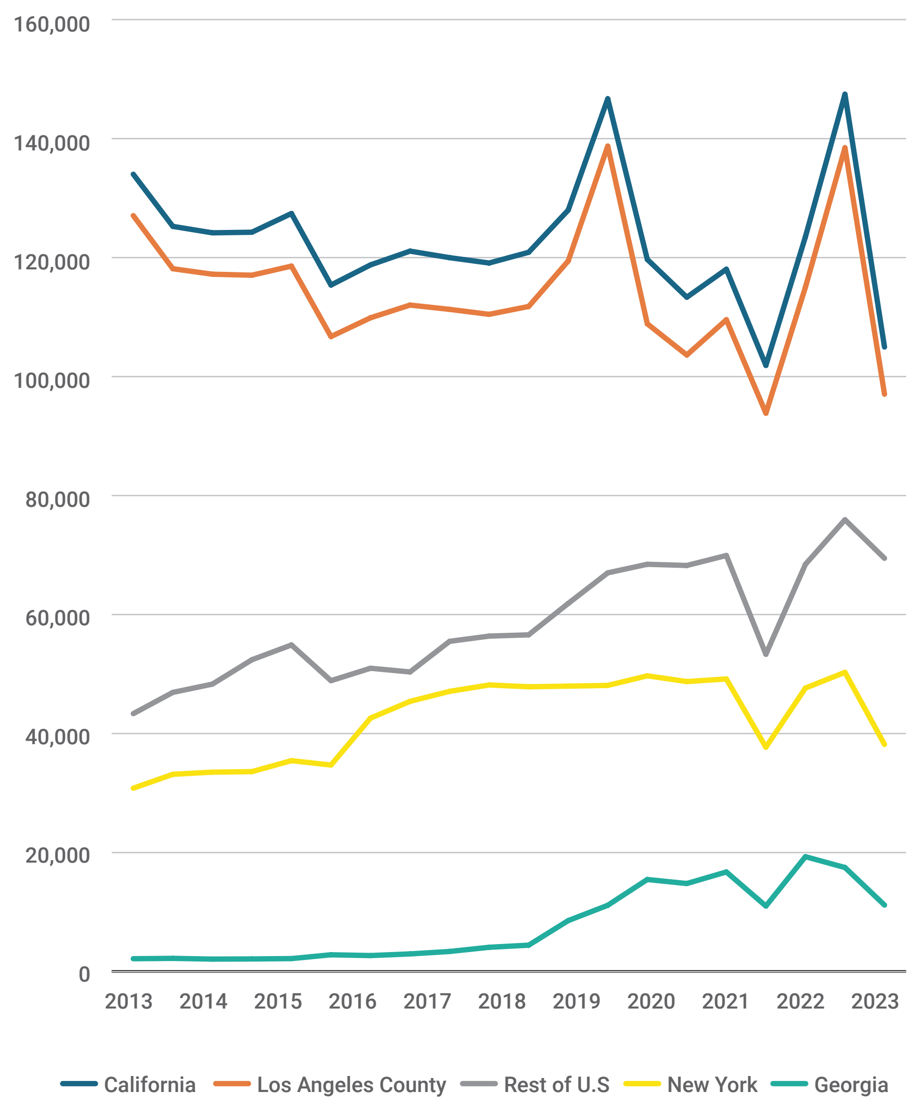
## MAJOR COMPETITORS: GEORGIA AND NEW YORK

Georgia offers a highly competitive and flexible film tax incentive program. There is no cap on the number of credits that can be issued annually, making it an attractive destination for large-scale productions.

Georgia has emerged as one of the top filming destinations, especially for feature films, and has greatly expanded the available sound stage space, recently surpassing New York.  The recent production lull and fast-changing technology that is impacting the entire industry is leading some to ponder whether there has been an overbuilding of sound stages.

Despite the rise of Georgia as a center for filmmaking, the employment data suggests that its generous film tax incentive cannot insulate it from industry downturns, as FTP employment has decreased by more than 36% in the last year alone.

## FILM & TELEVISION PRODUCTION INDUSTRY EMPLOYMENT 2004-2023




Source: Lightcast. Analysis by Beacon Economics.

Moreover, the concentration of the industry is not quite at the level of the County, and it is unclear if the industry can be self-sustaining without the incentives that subsidize film production activity. Bradbury (2019)[32] estimates that film tax incentives cost Georgia taxpayers $800 million in 2018. With employment levels near 16,000, and accounting for the multiplier effect, Bradbury finds that a full-time film production job costs taxpayers $119,000.

New York offers a refundable and transferable tax credit of 30% on qualified production expenditures, with an additional 10% available for labor costs incurred in certain upstate counties. This ensures immediate financial benefits and greater flexibility for film productions. New York's program is particularly appealing due to its refundability and transferability, which enhance liquidity for production companies.

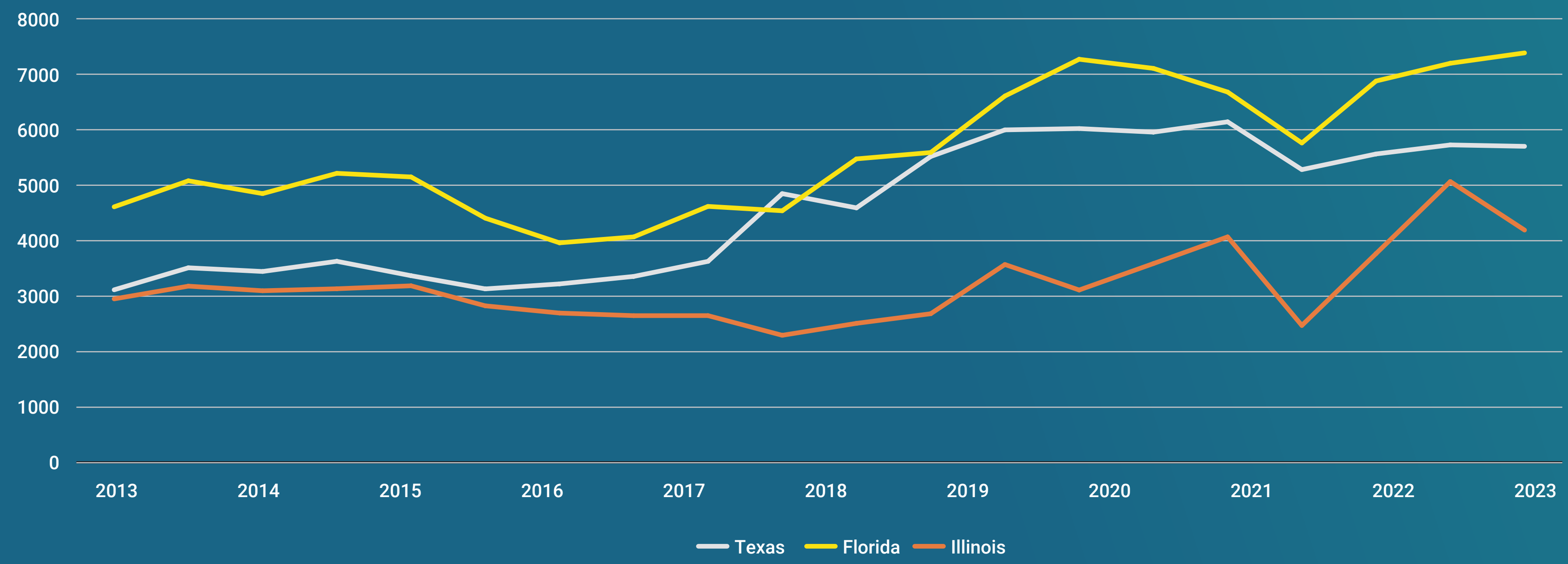
Recently, New York expanded its tax credit to $700 million a year, more than double the money allocated to California's tax credit. A state-funded report found that, including indirect and induced jobs, every dollar spent on the tax break resulted in 31 cents in tax revenue.  This is a cautionary tale for California, as increasing the tax credit does not guarantee a positive return on investment.

[32] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3407921

## POTENTIAL CHALLENGERS: FLORIDA, TEXAS, AND ILLINOIS

Florida, Texas, and Illinois are the next largest industry employers outside of the County, Georgia, and New York. Although their employment levels are still relatively low, these states should be considered potential competitors. Each has a big economy and the major metros needed to support an FTP industry cluster.

### FILM & TELEVISION PRODUCTION INDUSTRY EMPLOYMENT 2004-2023




Source: Lightcast. Analysis by Beacon Economics.

[33] https://www.nysenate.gov/newsroom/in-the-news/2024/james-skoufis/state-funded-report-says-nys-700-million-film-tax-credit

## FLORIDA

Florida does not have a statewide film tax incentive program but offers several local incentives. Florida has performed relatively well by using these local incentives as opposed to a statewide tax credit program like other states. Employment has grown by nearly 12% (787 jobs) in Florida since it dropped its statewide tax credit program in 2016. This suggests that the County could effectively boost film production by offering local sales tax exemptions.

## TEXAS

The program provides grants ranging from 5% to 20% of eligible in-state spending and is funded on a biennial basis with a cap of $200 million, increased from $45 million. [34] The grants are complemented by various tax exemptions. These include the Texas Sales and Use Tax Exemption for purchases and rentals of taxable items essential for production, an exemption from hotel occupancy taxes for stays exceeding 30 consecutive days, and exemptions from motor fuel taxes for off-road usage of gasoline and diesel fuel.

One notable feature of the Texas program that the County could adopt is offering additional incentives for filming in economically distressed areas, which can encourage local investment. In Texas, incentives of up to 2.5% are available for activities such as filming in distressed areas or using underutilized production facilities. Incorporating similar incentives could significantly promote equity within the County's FTP industry.

## ILLINOIS

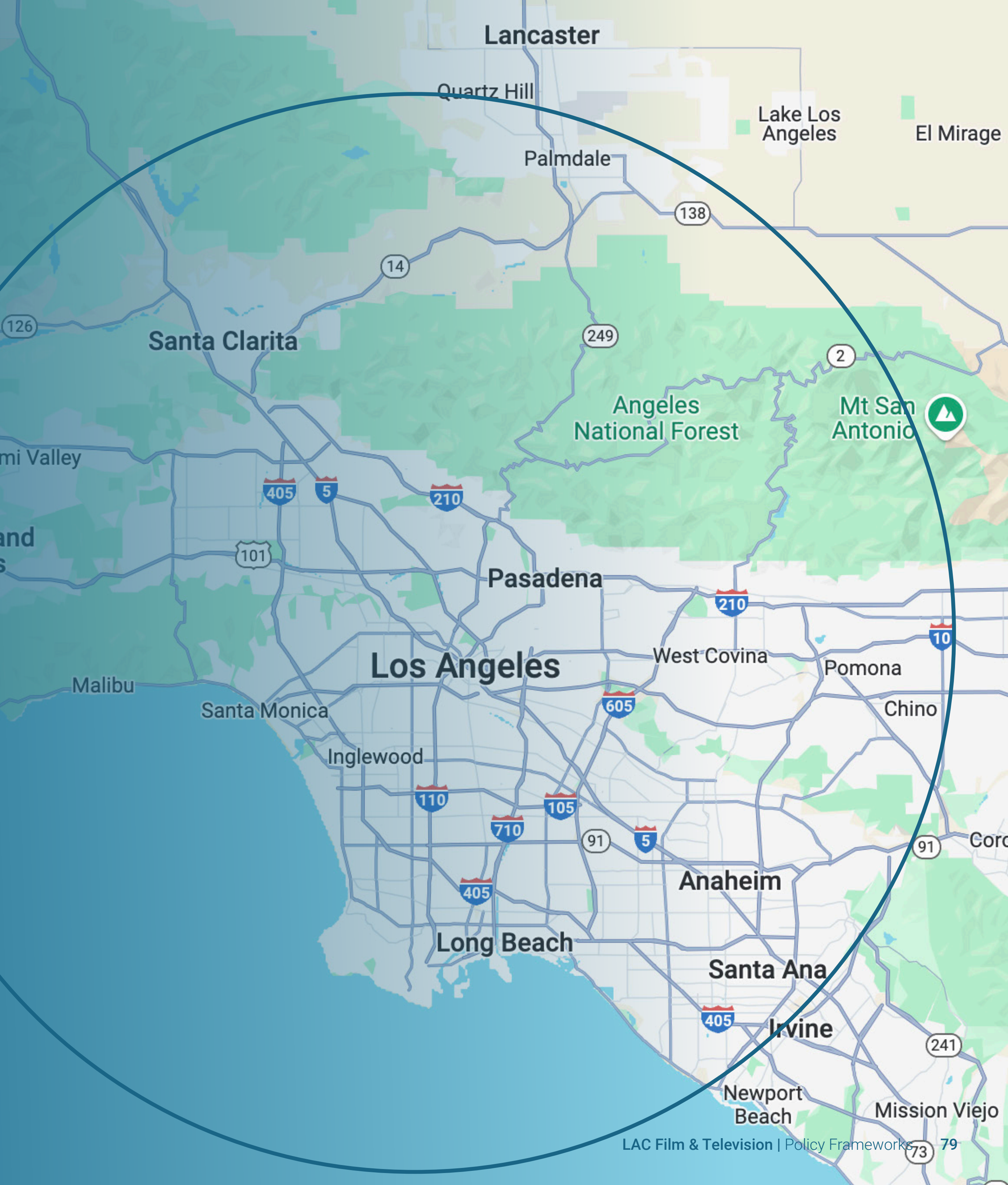
Illinois's incentive program began in 2004, and employment decreased by nearly 15% by 2014. Employment increased through 2019 as the streaming boom led to increased activity in various locations. The case of Illinois demonstrates that the tax film incentives alone will not create production activity. Industry trends will determine to what extent production activity is done outside the County.

[34] https://www.texasmonthly.com/arts-entertainment/texas-film-incentives-200-million/

# LOS ANGELES COUNTY FILMING EQUITY BONUS

California's film tax credit program includes an Out-Of-Zone Bonus, which offers a 5% increase in tax credits for qualified expenditures and resident payroll when productions film outside the Los Angeles 30-mile zone, defined as the area within a 30-mile radius of the intersection of Beverly Boulevard and La Cienega Boulevard.

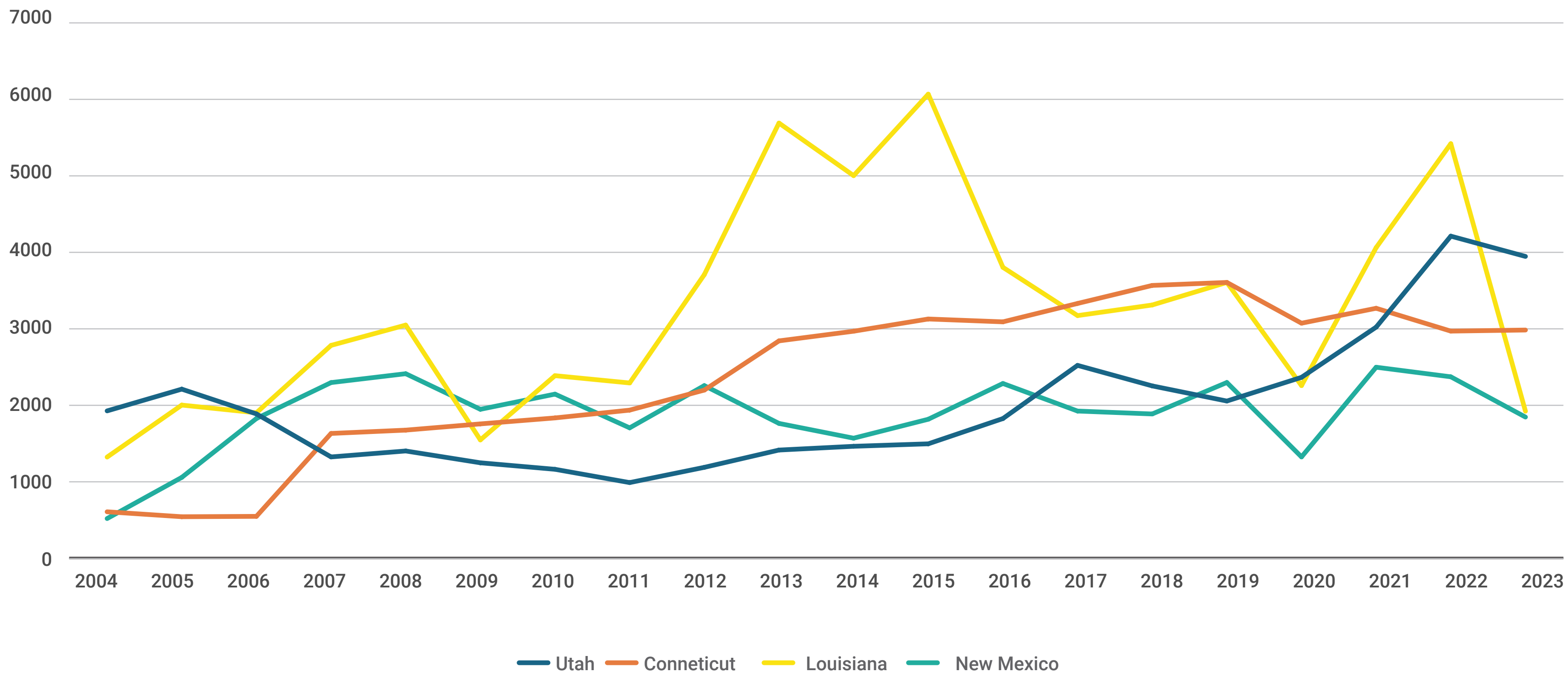
The County could implement a similar program by offering incentives to productions that choose to film in underutilized or economically disadvantaged areas within the County's unincorporated regions. This approach would encourage more equitable distribution of filming activity, supporting economic development in these areas while also easing the burden on heavily used filming locations.



## FAILURE TO TAKE OFF: CONNECTICUT, NEW MEXICO, AND LOUISIANA

Connecticut, New Mexico, and Louisiana were all early adopters of FTIs, but none have been able to build a solid industry cluster or sustain employment growth beyond some modest gains on the adoption of the FTI.

### FIGURE 5: FILM & TELEVISION PRODUCTION INDUSTRY EMPLOYMENT 2004-2023




Source: Lightcast. Analysis by Beacon Economics.

## CONNECTICUT

Connecticut has been studied closely as its proximity to New York makes it a key competitor able to poach production activity from its neighbor. The film incentive has proven to be ineffective in Connecticut as it does not pay for itself[35] despite its impact on employment. The credit began in 2006, and film production employment essentially tripled from 536 to 1,630. Ultimately, employment has settled at around 3,000. This is the result of one of the most generous incentive programs in the U.S., which suggests that film incentives may increase employment, but they are unlikely to create a solid industry cluster. Interviews with film crew members reveal that some Los Angeles County-based crews fly out and provide support in Connecticut when necessary.

## NEW MEXICO

Many stakeholders mentioned New Mexico as one of California's main competitors due to its proximity and generous tax incentives. New Mexico has seen the highest employment growth rate over the past 20 years, a huge 409%. However, this translates to only around 1,850 FTP jobs as of 2023. Also, Los Angeles County-based crews are often used for productions in New Mexico due to the small local workforce.

New Mexico was an early adopter of film tax incentives and has been the subject of various studies. Button (2021)[36] reports that the state's film tax incentive did increase the number of feature films and TV shows made there but did not have an impact on employment or business establishments. This is consistent with anecdotal evidence from stakeholder interviews.

[35] Jennifer Weiner's memorandum, "Cost-Benefit Analysis of Connecticut Film Tax Credit," Federal Reserve Bank of Boston, January 19, 2009
[36] Button, Patrick, "Can Tax Incentives Create a Local Film Industry? Evidence from Louisiana and New Mexico," Journal of Urban Affairs, Vol. 43, No. 5, 2021.

## LOUISIANA

Louisiana was the first state to offer a film tax credit in 1992, and the program has since been expanded. Button (2021) estimates that the incentives have increased feature film production in Louisiana, but not employment or business establishments. Despite being in place for over 30 years, the tax incentive has not created an FTP industry cluster in Louisiana. Beacon Economics finds that there are around 236 FTP business establishments in Louisiana, about 3% of establishments in Los Angeles County. The cap on the tax incentives was recently scaled back but not repealed. A study by the Louisiana Department of Revenue found that the state gets $0.07 for every dollar that goes to a production.[37] The report also notes that film production companies find it difficult to hire industry workers, even in New Orleans, where 78% of production in Louisiana takes place.[38] This finding is a testament to the importance of agglomeration economies in the industry.

## A NEW CONTENDER: UTAH

Utah has performed well in recent years, likely benefitting from its proximity to Los Angeles. However, FTP employment remains relatively low, with stakeholder interviews indicating that Los Angeles crews frequently travel to Utah to support productions.

Utah has adopted innovative approaches to increase studio space, recently repurposing an old high school into a functioning studio. Similarly, the County should explore opportunities to transform underutilized public buildings into production-ready spaces.

[37] https://www.nola.com/news/politics/louisiana-legislature-extends-lucrative-film-tax-credit/article_5cc5c5de-04a9-11ee-97e3-efff0d4b5aea.html
[38] https://www.brproud.com/news/louisiana-news/louisiana-auditor-breaks-down-how-movie-tax-credit-helps-state-economy/

# OVERVIEW OF INTERNATIONAL FILM INCENTIVES

Many countries offer tax credits and rebates to attract film productions. Refundable tax credits are among the most common incentives, available in countries such as Australia, France, Ireland, Spain, the United Kingdom, and Canada (including several Canadian provinces). These credits provide significant financial relief by allowing production companies to receive refunds on a portion of their expenditures. Rebates are also widely used, offering direct cash payments after production, as seen in Hungary, Iceland, New Zealand, and several regions in Canada.

The United Kingdom, Canada, Australia, and New Zealand have all begun to develop successful visual effects (VFX) companies by using subsidies targeting VFX. For instance, the UK recently increased its tax credit by 5% specifically for costs incurred by productions using UK-based VFX.[39] Various stakeholders view this as an unfair practice, and movements have sought to get the U.S. government to impose countervailing duties. In the case of VFX (and digital products in general), World Trade Organization (WTO) rules are not clear, [40]further complicating the situation. This will further affect employment across the U.S., especially in California and Los Angeles County. Employment in the FTP industry has seen a growth in technical careers and these industrial policies that provide subsidies in other countries can further undermine the future health of industry employment and business in the County.

Another concern is that the globalization of the FTP industry enables production companies to cut costs by outsourcing work to countries offering lower wages and favorable exchange rates. This puts the County at a disadvantage as local labor and other operating costs have continued to rise. Lower wages have lured productions to countries including Hungary and Romania where film crews can support productions at a fraction of the cost that would be incurred in the County.

Overall, many competitive disadvantages are undermining the County FTP industry on the global stage. It is of paramount importance that the County explores policies to ensure it remains competitive in motion picture and video production and post-production services.

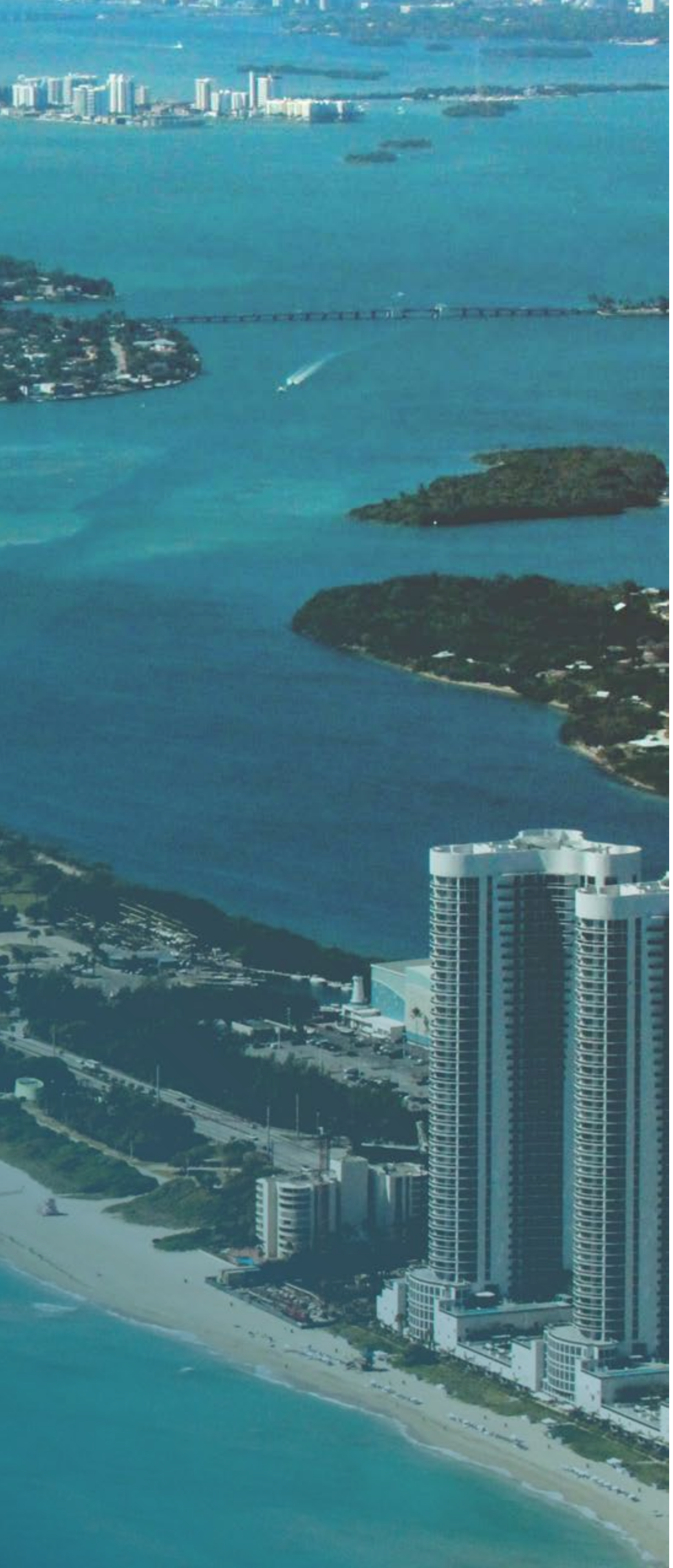
[39] https://deadline.com/2024/03/uk-government-budget-film-high-end-tv-tax-credit-raised-1235847069/
[40] https://variety.com/2013/biz/news/wto-cvd-duties-visual-effects-1200568359/

# LOCAL INCENTIVES

Throughout the United States, various local jurisdictions enact their own film incentives to attract FTP activity. Many of these places might draw an occasional production to film in their city/town, but these tend not to be as robust and are often subject to discretionary funding. Outlined below are three film commissions with incentives that could serve as valuable models for consideration (For a full list of local film tax incentives refer to Appendix D).

## FILM MIAMI

Miami-Dade County is one of the top-performing counties in Florida in terms of FTP activity and employment. The State of Florida got rid of state tax credits, but there are local sales tax exemptions that are used throughout the state. Film Miami provides a practical example of how this type of tax policy can be implemented.

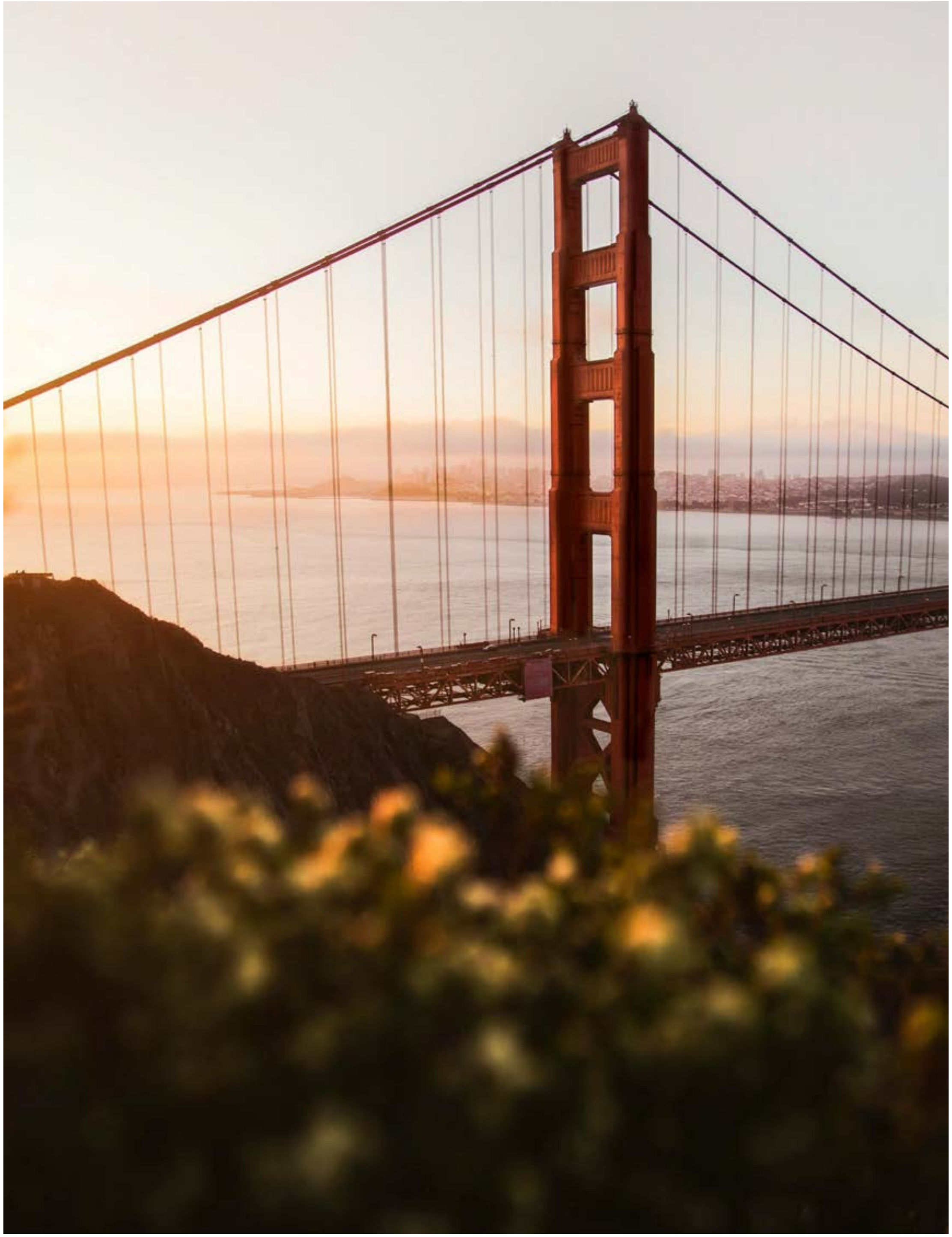


The Miami-Dade County TV, Film, and Entertainment Production Incentive Program provides rebates for productions spending between $1 million and $5 million locally, with a requirement that 70% of the cast, crew, and vendors be local. Rebates range from $50,000 to $100,000. The Miami-Dade County High Impact Film Fund Program (HIFFP) will offer up to $50 million over five years, providing up to a 20% cash rebate for productions that spend a minimum of $5 million locally and hire 60% Miami-Dade residents, ensuring that 90% of the production within Florida occurs in Miami-Dade County. The HIFFP will be funded by the County's general fund.[41] A maximum of two grant agreements are allowed per year per production, allowing for incentives to be layered.

One advantage of the HIFFP, as noted by Miami-Dade County's Chief of Film and Entertainment Marco Giron,[42] is the streamlined process his team facilitates, collaborating with the 34 municipalities in Miami-Dade County. This collaboration ensures a smooth experience for productions, as the office works closely with local jurisdictions, including mayors and police departments, to navigate the complex landscape of filming. This hands-on approach helps minimize bureaucratic obstacles, making Miami-Dade film-friendly. Giron also emphasizes the fund's goal of promoting Miami as a global tourist destination through films and TV shows, boosting tourism and international exposure.

This incentive model is particularly relevant to the County. As many states and countries enhance their incentive programs, it becomes crucial for the County to maintain a competitive edge to retain and attract productions. By adopting similar streamlined and attractive incentives, the County can continue to be a top choice for filmmakers, ensuring sustained economic benefits and industry growth.

[41] https://www.miamidade.gov/govaction/matter.asp?matter=240208&file=false&fileAnalysis=false&yearFolder=Y2024
[42] https://www.c21media.net/department/fundamentals/miami-brings-the-heat-with-50m-fund-for-us-international-projects/



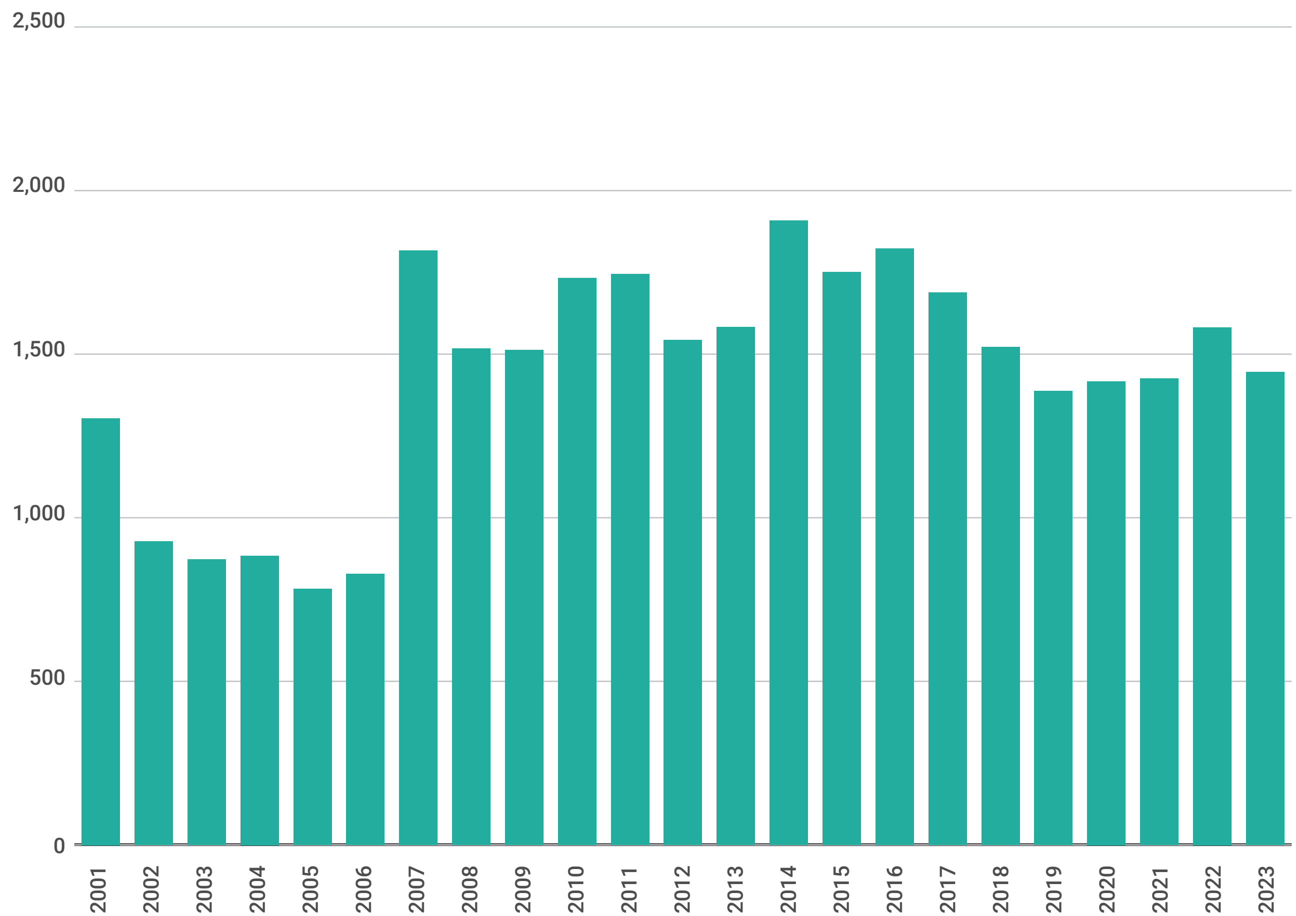
# FILM SF

San Francisco and the Bay Area have played a historically important role in the FTP industry. Not only has the city and the surrounding region served as the location for classic films such as Bullitt and Vertigo, but it has also contributed to advancements in streaming and other essential FTP technologies. Film SF provides various incentives that facilitate the production of feature films, TV shows, web series, and documentaries. Eligible productions get a refund for their daily use fees. Moreover, refunds are provided for fees paid to participating city departments for the use of city properties, equipment, or employees. For instance, the fees paid to the San Francisco Fire Department to oversee a production can be refunded if eligibility criteria are met. Based on stakeholder interviews, Beacon Economics asserts that this is a rebate that would be welcomed by filmmakers and television showrunners in the County as these costs impact film location choices.

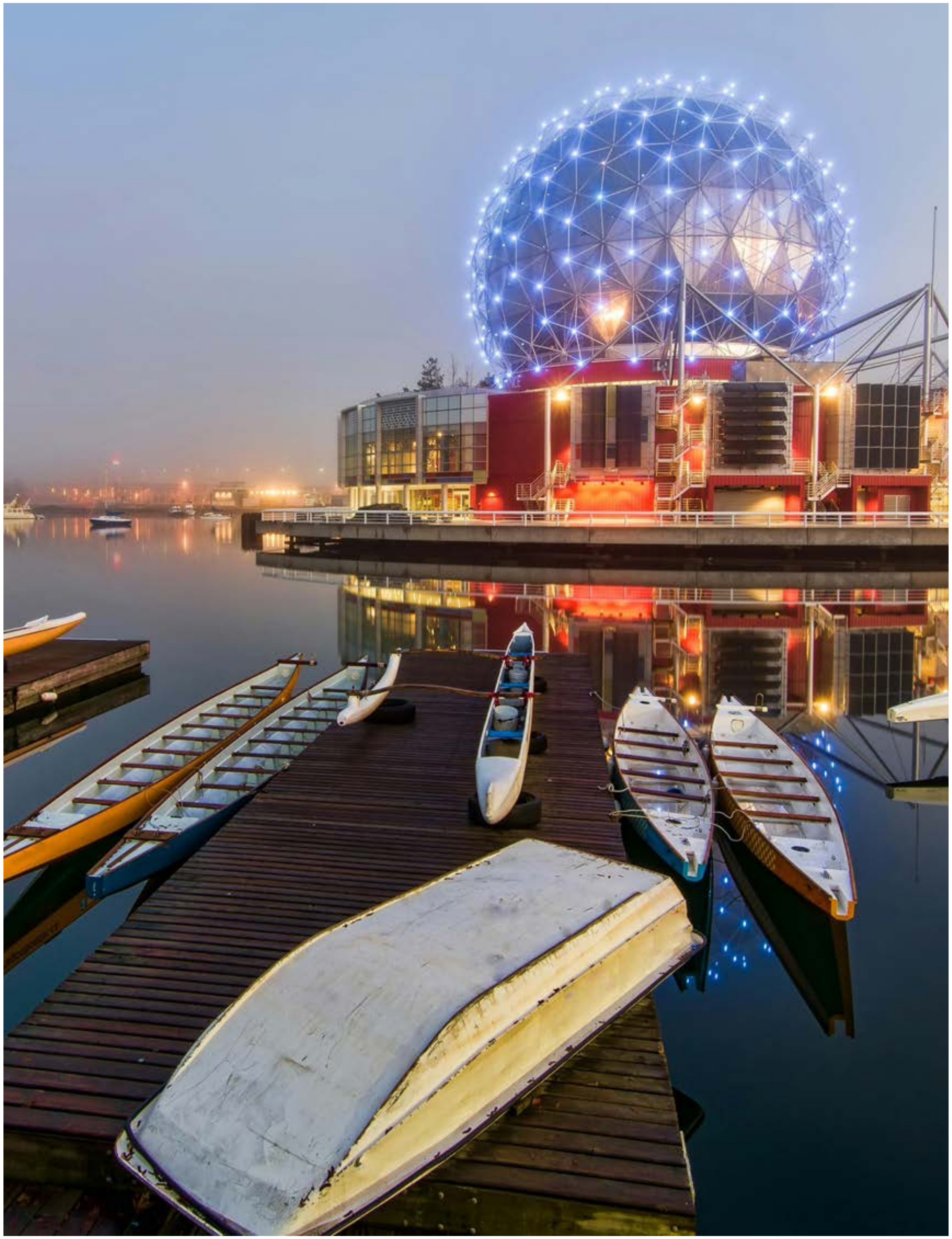
To qualify for the project, there are clear guidelines. Projects with a budget over $3 million must shoot 65% of principal photography in the city. For projects budgeted under $3 million, 55% of principal photography must be shot in the city. Other eligibility requirements include registering the production as a business in San Francisco, an effort to hire local workers, and meeting with the Film SF office. Certainly, the effort to hire locals will not be an issue in the County.

The Film SF program was passed in 2006 and had a notable effect on employment, which increased by over 50%. The figure below shows that this increase has been sustained over time. Given the agglomeration in the County, this type of policy could significantly boost film production activity.

## FILM AND TELEVISION PRODUCTION EMPLOYMENT IN SAN FRANCISCO COUNTY




Source: Lightcast. Analysis by Beacon Economics.



# CREATIVE BC

Creative BC is an organization that supports the growth and development of the creative sector in British Columbia, Canada. Creative BC administers local tax incentives. The Production Services Tax Credit (PSTC) is a tax incentive that allows firms to claim some of their labor costs on their taxes, and even provides a refund if there is a remaining balance. This is an incentive that the County could explore as it helps address the labor costs that are driving some productions out of the County.

The program also manages various funds that further support film and the creative economy. The Interactive fund supports digital media projects providing up to $50,000 per project. In 2024, there was $600,000 in available funds. This type of program could be useful in the County as it actively promotes the film and digital media industry and could foster innovation at the intersection of creative works and technology.

# IMPLICATIONS FOR CALIFORNIA AND LOS ANGELES COUNTY

California's Film & Television Tax Credit Program is one of the most robust incentive programs in the United States. Even so, it faces stiff competition from other states and countries also offering attractive incentives. Through discussions with industry stakeholders, Beacon Economics has identified several shortcomings within the current program. One major issue is the restrictive application window, which poses a challenge for productions that need to be agile and cannot afford to wait for the designated application period. As a result, these productions often choose to leave the state. Additionally, the complexity of the application and compliance process, which requires substantial documentation, can be off-putting to smaller productions that may lack the resources to navigate these requirements effectively. Furthermore, the annual funding cap of $330 million, while substantial, may still be too restrictive given the size and demand of California's FTP industry, potentially leaving many worthwhile projects without the necessary funding to proceed.

Because the County accounts for so much of the FTP industry in California, the competitiveness of the California Film Tax Credit has major implications for its FTP industry and economy. Examining the various incentive programs across states, countries, and local jurisdictions makes it clear that the County must adapt to the competitive environment by advocating for improvements to the state film tax credit program, creating innovative policies to support the FTP industry, and emulating policies that seem to be working elsewhere.

Section 3 of this report outlines specific policies recommended by Beacon Economics and details how they could be successfully implemented. The following section analyses the economic and fiscal impacts of the FTP industry on the County. The offers valuable insights into the industry's impact on the local economy and will guide policy recommendations. Since most policy incentives involve government spending, it is essential to evaluate the economic benefits such spending could generate.

# ECONOMIC AND FISCAL IMPACT ANALYSIS

## CURRENT LANDSCAPE

The FTP industry faces considerable challenges in 2024, emerging, like many others, from the COVID-19 pandemic significantly changed. While some businesses adjusted relatively easily to remote work, film and live performance struggled with the multiple precautions and adjustments necessary to continue safe operations. It was not only COVID itself that affected the FTP industry. The social and economic changes it brought about caused a paradigm shift in the way the industry connects with its customers.

Streaming media was nothing new in 2020, but consumption of film and television began to change radically in response to pandemic restrictions. As movie theatres sat empty, audiences grew comfortable on the couch. Streaming platforms exploded in all directions – not merely in quantity but also in the size of content libraries and viewership. More than ever before, Americans were accessing entertainment on demand, and this shift still affects revenue formulas and product distribution.

The end of pandemic-era restrictions did not diminish the popularity of streaming, even as it brought live events roar back to life. The transformations brought about by streaming media are not going away. The advent of generative artificial intelligence has caused yet more anxiety among industry professionals due to its potential to automate or replace much of the production process. The largest FTP industry labor dispute in recent history—the overlapping 2023 Writers Guild of America (WGA) and Screen Actors Guild–American Federation of Television and Radio Artists (SAG-AFTRA) strikes—suggested an industry in crisis with some commentators estimating the economic loss at somewhere between $4 and $6 Billion[43].

Yet cutting through the noise, data reveals that although the FTP industry faces challenging times, it is not on the brink of collapse as some suggest. Long-term employment trends have generally been positive, and firms in the industry employed marginally fewer people in 2023 than they did in 2019. Reports of the "death of Hollywood" have been exaggerated, as the County has seen some of the strongest growth in FTP employment both long-term and since the start of the pandemic. The benefits of industry clustering and agglomeration continue to pay dividends for the home of American motion picture and video production. This is important for policy considerations because it implies that the objectives of the policies should not be to "fix" the County but to improve the industry overall.

[43] https://variety.com/2023/biz/news/hollywood-strike-economic-toll-workers-1235760692/

# THE MANDALORIAN

With three successful seasons and an upcoming spin-off feature film, The Mandalorian—produced by Lucasfilm and streaming on Disney+—is a testament to California's continued dominance of the FTP industry.

The series was mostly filmed on location in the Antelope Valley and across the County, while also utilizing cutting-edge virtual production techniques at MBS Media Campus in Manhattan Beach. This local filming not only supported the County's FTP industry but also created economic benefits for surrounding businesses and communities.

The production of The Mandalorian was largely driven by the rapid expansion of the streaming industry, with Disney+ emerging as a key player. The streaming boom created an increased demand for high-quality original content, prompting significant investment in large-scale productions like The Mandalorian. This surge in production has had a ripple effect throughout the local economy, fueling job creation and supporting ancillary industries, from post-production services to local hospitality and retail sectors. The County benefitted greatly from this boom, with FTP employment hitting a peak in 2022.

# EMPLOYMENT AND ESTABLISHMENT TRENDS

Although there are several ways to analyze the impact of film incentives, comprehensive data on movies and television shows produced in U.S. states and foreign countries is unavailable. Even if such data existed, it would be challenging to interpret, as films are often shot in multiple locations across the U.S. and beyond. Simply indicating that a certain production was shot in a certain location does not necessarily give any insight into the actual investment made. The best data for analyzing the impact of film incentives is employment and establishments data as these are collected regularly across states and counties in the United States.

Employment in the FTP industry can be difficult to gauge, given that many workers are employed on a specific project rather than at a single firm. Many in the industry may operate as independent contractors, which are not measured by the Bureau of Labor Statistics. Beacon Economics captures the employment of independent contractors by using data from sources such as the Bureau of Economic Analysis and the Census Bureau to establish the level of independent contractor employment by industry.[44]

[44] https://lightcast.io/resources/blog/data-spotlight-independent-contractors-on-the-rise

Focusing solely on film and television production, Figure 1 shows that the level of employment in the County has been variable over the last two decades. Employment increased in the early 2000s before settling at a level near 110,000. A resurgence of the industry from 2014-2016 brought industry employment to its all-time high of 138,821, but this was followed by a decline, worsened by the pandemic, which saw employment[45] drop below 100,000. While the post-pandemic recovery has brought increased FTP activity and new employment opportunities to the County, strikes and changing industry trends have created a scarcity of jobs in the FTP sector, leaving many workers adversely affected.

## FIGURE 7: FILM AND TELEVISION EMPLOYMENT IN LOS ANGELES COUNTY

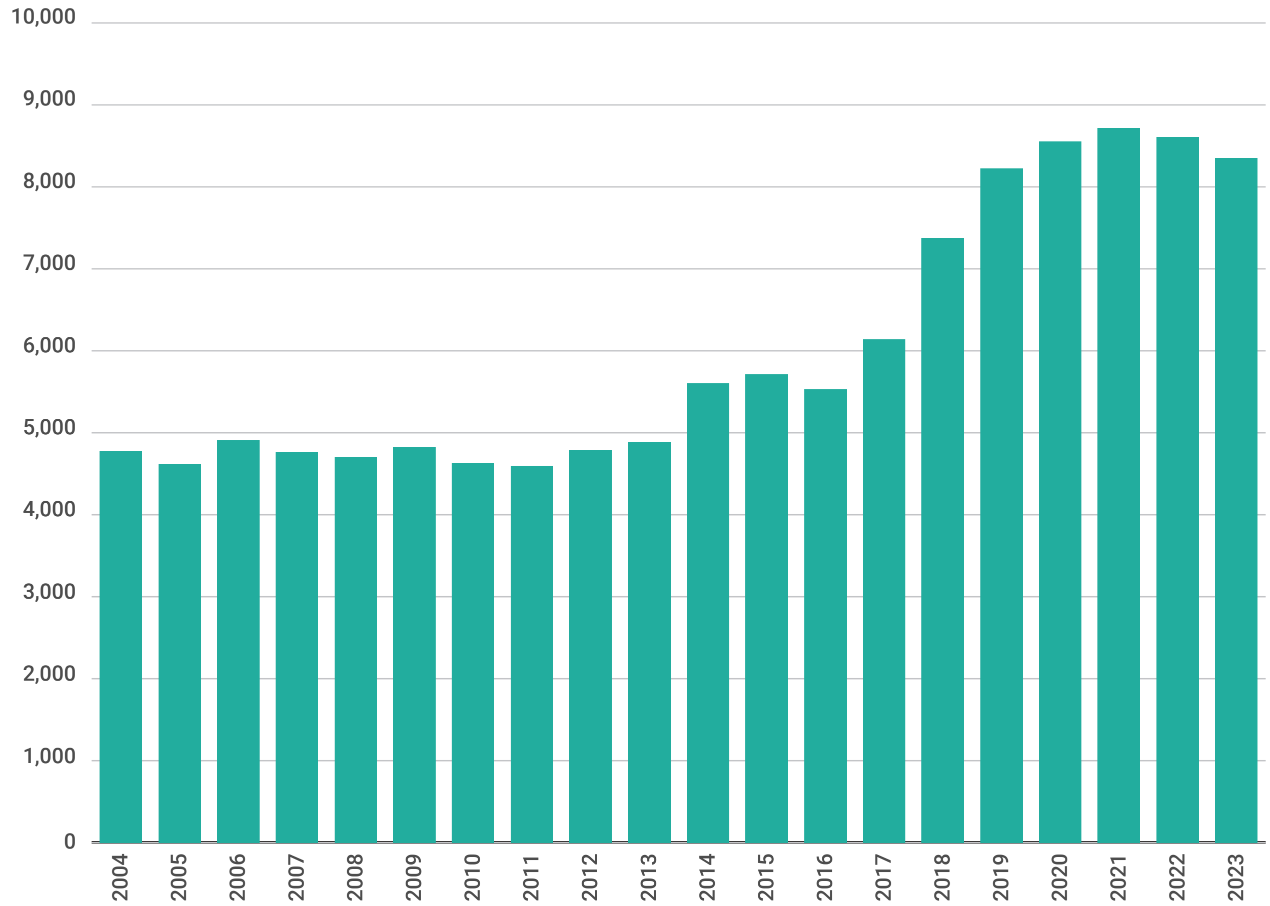

Source: Bureau of Economic Analysis and the Census Bureau. Analysis by Beacon Economics.

[45] This includes employment in Motion Picture and Video Production (NAICS code 512110) and Teleproduction and Other Postproduction Services (NAICS code 512191)

Although the County's share of national FTP employment has been on a downward curve for the last two decades, it still stands at 43%. The industry has been creating more content as consumer demand has increased and new mediums have emerged. This has increased job opportunities nationwide, with employment peaking in 2022 at a level 15% higher than in 2001. Given the County's dominant role in the industry, it is not surprising that the national trend has essentially followed the same path as the County. The most recent decline is not only affecting the County, but also industry hubs across the entire nation, including New York and Georgia.

Figure 2 illustrates that despite some losses in FTP employment in the County, the number of business establishments in the FTP industry has increased over the last decade. There has been a slight decline in establishments over the last two years, but the overall increase since 2016 suggests that the County's FTP industry is in good health.

## FIGURE 8: FILM AND TELEVISION PRODUCTION ESTABLISHMENTS IN LOS ANGELES COUNTY




Source: Bureau of Economic Analysis and the Census Bureau. Analysis by Beacon Economics.

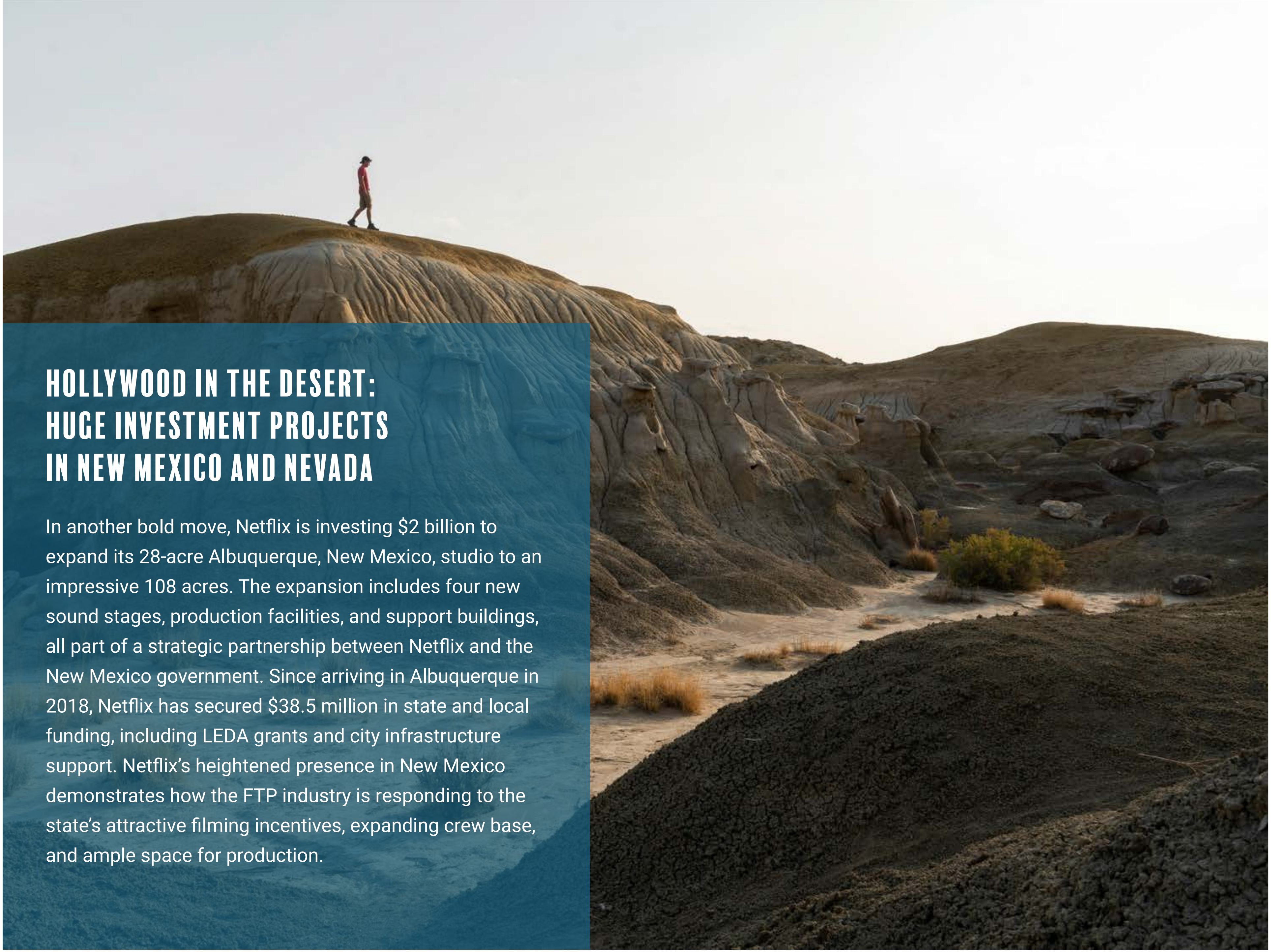
Comparing the trends in the County to other locations reveals that declines in the last year have been felt across the nation and are not specific to the County. The County's closest competitors are New York and Georgia, and both experienced similar decreases in employment from 2022 to 2023.

In many filming locations outside of the County, a limited local FTP workforce can hinder production. Therefore, professionals from Southern California are often brought in to enhance and lead local projects. This is why County FTP employment remains robust despite production activity being lured to other states. Importantly, data suggests that FTP industry clusters are not emerging in other regions despite the lucrative incentives being offered.

## TABLE 2: TOP 10 FTP EMPLOYMENT IN 2023 BY LOCATION

| Place | Jobs 2023 | 1-Yr Growth (%) | 5-Yr Growth (%) | 10-Yr Growth (%) | 20-Yr Growth (%) |
|---|---|---|---|---|---|
| California | 104,870 | -29 | -7 | -12 | -11 |
| LA County | 96,947 | -30 | -6 | -12 | -12 |
| New York | 38,161 | -24 | -22 | -21 | 21 |
| Georgia | 11,202 | -36 | -25 | 178 | 355 |
| Florida | 7,404 | 3 | 4 | 64 | 46 |
| Texas | 5,716 | 0 | -4 | 18 | 49 |
| Illinois | 4,201 | -17 | 17 | 85 | 38 |
| Utah | 3,959 | -6 | 76 | 182 | 65 |
| Tennessee | 3,623 | 1 | -5 | 109 | 158 |
| New Jersey | 3,360 | -4 | 20 | 18 | 47 |

Source: Bureau of Economic Analysis and the Census Bureau. Analysis by Beacon Economics.



## HOLLYWOOD IN THE DESERT: HUGE INVESTMENT PROJECTS IN NEW MEXICO AND NEVADA

In another bold move, Netflix is investing $2 billion to expand its 28-acre Albuquerque, New Mexico, studio to an impressive 108 acres. The expansion includes four new sound stages, production facilities, and support buildings, all part of a strategic partnership between Netflix and the New Mexico government. Since arriving in Albuquerque in 2018, Netflix has secured $38.5 million in state and local funding, including LEDA grants and city infrastructure support. Netflix's heightened presence in New Mexico demonstrates how the FTP industry is responding to the state's attractive filming incentives, expanding crew base, and ample space for production.

Netflix is actively producing several original series in Albuquerque. Notably, after three seasons filmed entirely in Atlanta, Georgia, season four of Stranger Things will now be shot in New Mexico.[46] This shift highlights the growing trend of studios chasing tax credits, making New Mexico an attractive option for major productions seeking financial incentives. This suggests that no other state will be able to develop a full-fledged industry cluster as in the County, since the tax credits are everchanging.

Despite this impressive development, industry outside of the County remains minute, and FTP projects in New Mexico often have to bring in cast and crew from Los Angeles.

In Nevada, Warner Bros. Discovery is pledging $500 million annually toward productions in the state through a partnership with the University of Nevada, Las Vegas (UNLV) and Birtcher Development, **contingent on legislative approval of a significant tax credit expansion**.[47] This partnership aims to establish the Nevada Studios Campus, a 34-acre media production facility at UNLV's Harry Reid Research & Technology Park in Las Vegas. The campus will feature full-service studios, including the Nevada Media and Technology Lab, designed to support vocational training, internships, and research opportunities from K-12 through higher education. With the proposed tax credit program increasing to $95 million annually over 17 years, Nevada is positioning itself to compete for major productions by cultivating local talent and infrastructure to support the industry.


[46] https://deadline.com/2020/03/stranger-things-new-mexico-production-season-4-the-harder-they-fall-hot-spots-1202877427/
[47] https://thenevadaindependent.com/article/warner-bros-pledges-massive-nevada-expansion-if-lawmakers-expand-film-tax-credit

Data on business establishments in the FTP industry reveals that the County has more FTP establishments than the next five locations combined, and California has more establishments than the rest of the list. This demonstrates that California, specifically the County, remains the predominant hub of the industry. Georgia only has 1/10th of the establishments that the County does, undermining the notion that Georgia is overtaking the County as the center of FTP in the United States.

## TABLE 3: TOP 10 FTP ESTABLISHMENTS IN 2023 BY LOCATION

| Place | Establishments 2023 | 1-Yr Growth (%) | 5-Yr Growth (%) | 10-Yr Growth (%) |
|---|---|---|---|---|
| California | 10,150 | -3 | 13 | 70 |
| LA County | 8,350 | -3 | 13 | 71 |
| New York | 3,202 | 7 | 6 | 16 |
| Florida | 1,653 | 10 | 58 | 51 |
| Texas | 1,387 | 10 | 90 | 119 |
| Georgia | 837 | 10 | 45 | 79 |
| Illinois | 780 | 8 | 23 | 10 |
| North Carolina | 725 | 18 | 88 | 156 |
| Oregon | 615 | 42 | 92 | 129 |
| Colorado | 608 | 15 | 68 | 101 |

Source: Bureau of Economic Analysis and the Census Bureau. Analysis by Beacon Economics.

Employment share data shows that FTP jobs are now more dispersed across the United States than in the past. However, no state is likely to overtake the County as the nation's primary FTP cluster. What is more concerning is that, without timely action, the County will likely continue to lose production to other regions.

Examining the economic and fiscal impact of the motion picture and video industry in the County is key to understanding its role in the local and state economy, including output, employment, labor income, and tax revenue. This assessment can highlight the industry's direct and indirect benefits and help the County make informed decisions on support measures.

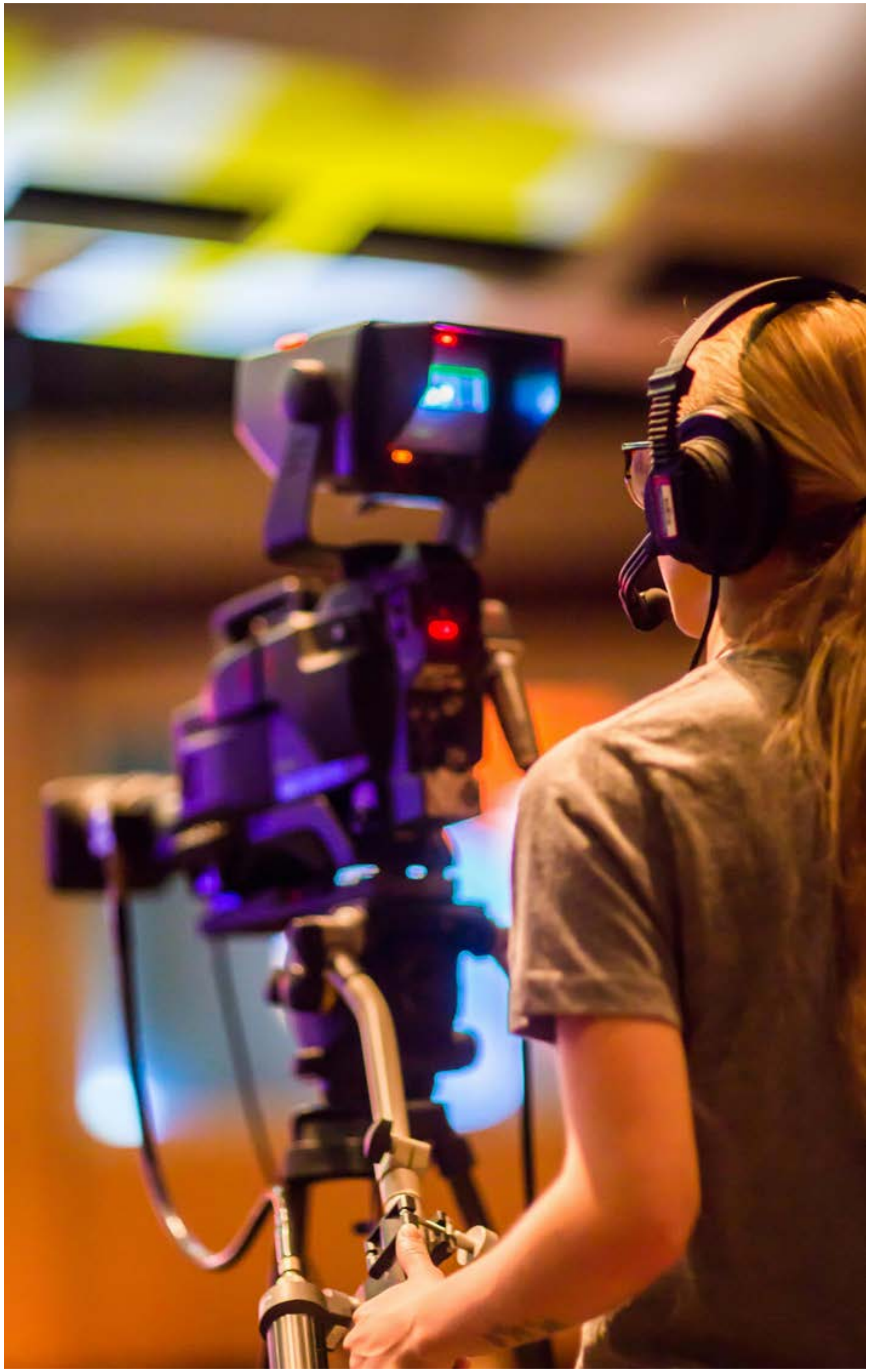
## TABLE 4: TOP 10 FTP EMPLOYMENT SHARE IN 2023 BY LOCATION

| Place | Employment Share 2023 | 1-Yr Change | 5-Yr Change | 10-Yr Change | 20-Yr Change |
|---|---|---|---|---|---|
| California | 47 | -4 | 1 | -5 | -13 |
| LA County | 43 | -4 | 1 | -5 | -13 |
| New York | 17 | 0 | -3 | -4 | 1 |
| Georgia | 5 | -1 | -1 | 3 | 4 |
| Florida | 3 | 1 | 0 | 1 | 1 |
| Texas | 3 | 1 | 0 | 0 | 1 |
| Illinois | 2 | 0 | 0 | 1 | 0 |
| Utah | 2 | 0 | 1 | 1 | 1 |
| Tennessee | 2 | 0 | 0 | 1 | 1 |
| New Jersey | 2 | 0 | 0 | 0 | 0 |

Source: Bureau of Economic Analysis and the Census Bureau. Analysis by Beacon Economics.

# LOS ANGELES COUNTY'S FILM AND TELEVISION PRODUCTION INDUSTRY CLUSTER

This section explains that the County is home in the FTP industry cluster and the dynamics that help keep the cluster together. There are many reasons why the County became the center of the FTP industry. People point to the diverse geographic features such as the ocean, mountains, desert terrain, and the great weather, all of which facilitate year-round location filming, a necessity in the early days of the movies. Additionally, early filmmakers needed to flee the East Coast to escape the litigation of Thomas Edison, who was aggressively enforcing patents on various elements of filmmaking technology. Ever since its founding, in the early years of the 20th century, the FTP industry has been a major contributor to the County and California economies.



The FTP industry has directly supported lucrative jobs across the skills spectrum, generated tremendous output, and contributed to the state, national, and local tax base. Moreover, the economic activity in the FTP industry extends to other industries, as workers spend much of their discretionary income locally and because the FTP industry has an extensive supply chain that provides necessary inputs for FTP activity. For instance, caterers provide food and beverages to the cast and crew on a film set, so expenditures stemming from the production of a feature film, TV show, or commercial lead to indirect and induced impacts in other industries.

Three economic dynamics that attract companies to an Industry cluster are present in Los Angeles: labor pooling, information spillovers, and specialized suppliers.

## LABOR MARKET POOLING

Labor market pooling occurs when workers with specialized skills concentrate in a particular region. This benefits both producers and workers. Producers benefit from having a pool of workers for when they need to expand, which leads to increased productivity. There is also an increase in favorable labor market outcomes for workers since firm concentration in a single location makes it easy to switch employers. Film and Television production in the County is a classic example of an industry cluster and labor market pooling. Talented actors, crewmembers, and sundry other film business professionals, such as specialized attorneys, managers, agents, and publicists, would be more expensive to locate and hire if they were not centrally situated. [48]

[48] Christopherson, Susan, and Ned Rightor, "The Creative Economy as 'Big Business': Evaluating State Strategies to Lure Filmmakers," Journal of Planning Education and Research, Vol. 29, No. 3, March 2010.

## INFORMATION SPILLOVERS

Information spillovers stem from increased interaction among workers and occur when firms are clustered in a certain region. This type of information spillover increases firm productivity as they adopt and create better products and technology. Information spillovers are prevalent in the FTP industry, and the County continues to offer these benefits as the preeminent FTP industry cluster in the world. The opportunity to interact with writers, directors, actors, and other industry professionals remains a powerful draw for people looking to break into the industry to the County.

## SPECIALIZED SUPPLIERS

Industries requiring specialized inputs for production are likely to cluster since it makes sourcing special inputs easier and more cost-effective. Again, the FTP industry serves as an excellent example of this.[49] Inputs such as costumes and sound stages have high fixed costs, so specialized suppliers benefit greatly from having a large market to serve, as is the case when there is an industry cluster. This allows specialized suppliers to charge lower prices. Overall, industry clusters facilitate these interactions between multiple buyers and sellers, which translates into better economic outcomes for all involved. Once a cluster is formed it is hard for it to relocate elsewhere.

[49] Scott AJ (2004). The other Hollywood: the organizational and geographic bases of television-program production. Media, Culture & Society, 26 (2), 183–205. doi: 10.1177/0163443704039498

# DEFINITIONS

**Direct Economic Impact**: The direct effects includes jobs, wages, and economic output that is solely attributable to the industries of interest.

**Indirect Economic Impact**: The indirect effects include the impact of industries buying goods and services from other industries upstream in the supply chain in a region that stems from an initial input purchase (the direct effect).

**Induced Economic Impact**: The induced economic impact stems from household spending of labor income net of tax, savings, and commuter income. This includes spending by employees within the entire supply chain.

The economic impact of the FTP industry has persuaded many states and countries to foster their own FTP industries. Many U.S. states have turned to policies such as tax credits (often transferable and refundable), rebates, grants, and exemptions from sales and lodging taxes to attract film production. Their hope is that these incentives will foster a local FTP industry through agglomeration economies. However, given the County's historical role as the center of the industry, and the industry's current highly mobile technology, it is unclear if any other location can expand enough for agglomeration to reach the levels it has in the County. **Moreover, because so many competing states are offering these incentives, it is difficult for any one state to consolidate its position and benefit from agglomeration economies.**

# FALLOUT'S BIG MOVE: A WIN FOR CALIFORNIA'S TAX CREDIT PROGRAM

Amazon MGM Studios' "Fallout" is making a bold move by relocating from New York to California for its second season. This is happening despite New York increasing the cap on its tax credit program to $700 million, more than double the current cap for the California Film and Television Tax Credit Program. This relocation is a testament to California's competitive edge and how that edge is enhanced by the tax credit.

The relocation of "Fallout" underscores the program's success in attracting major productions back to California. Since 2009, the tax credit initiative has successfully brought 33 series from other states and countries to California. By bringing "Fallout" into the fold, the program is delivering exactly as intended: drawing top-tier productions, creating valuable job opportunities, and stimulating local economies.

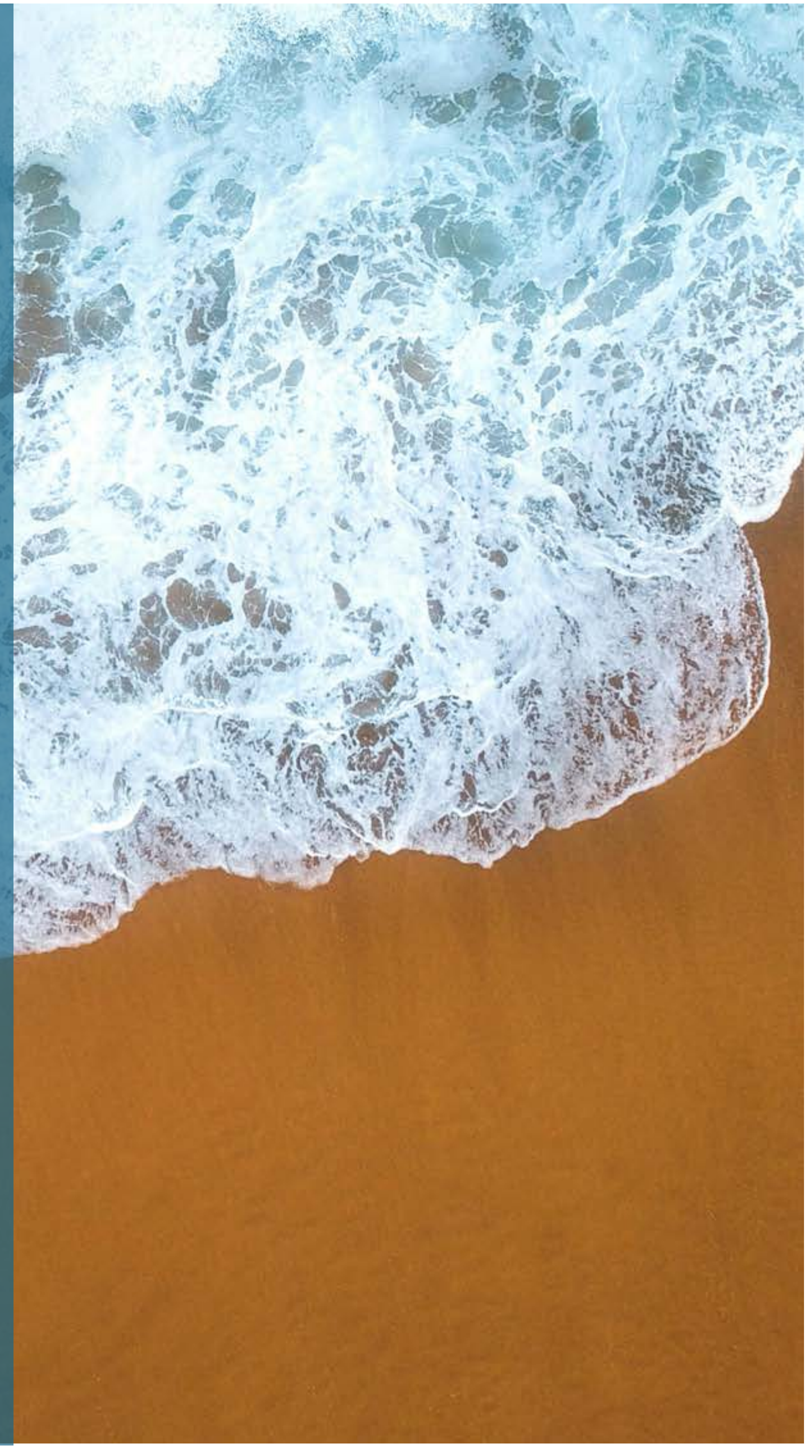
"Fallout" is projected to generate approximately $153 million in qualified expenditures and support jobs for about 170 cast and crew. "Fallout" is not just another production—it's one of the most significant relocating projects in the history of California's Film and Television Tax Credit Program.

California remains the preferred filming location for producers when tax credits are not a factor. However, the harsh reality is that states and nations are using tax credits to develop their FTP industry and lure activity away from the County. California's Film and Television Tax Credit Program has proven itself an effective tool for keeping California competitive, but most contend that it should be strengthened in response to the increased use of industrial policies by other states and nations. On the other hand, many are concerned about the cost-effectiveness of such programs and fear that increasing incentives for FTP activity is a "race to the bottom.[50]"

The effect of these policies has been scrutinized by various studies which have found that these policies offer a low return on investment for the State funding the incentives. Some studies find a positive return on investment, like California, while others rely on dubious assumptions about the effect of film production on tourism so that the return-on-investment estimate is biased by the tourism that is supposedly generated by the filming activities.[51]

Still, interviews with stakeholders reveal that decisions on filming locations are based primarily on cost after accounting for incentives. Declining production has had a notable effect on the industry in the County, especially regarding feature films. The share of total industry employment has also declined, even though the County remains the center of the FTP industry. There's no doubt that the landscape of the industry has changed over the last two decades, but it is clear that the decline of the County FTP industry is not as severe as some reports claim.

[50] https://variety.com/2013/biz/news/robert-reich-former-labor-secretary-says-movie-and-tv-tax-incentives-create-a-race-to-the-bottom-1200856000/
[51] R. Tannerwald, "State Film Subsidies: Not Much Bang for Too many Bucks," Center on Budget and Policy Priorities, December 9, 2010. https://arev.assembly.ca.gov/sites/arev.assembly.ca.gov/files/hearings/CBPP_Report.pdf




# METHODOLOGY

To assess the industry's importance, Beacon Economics employs an industry contribution analysis (ICA) using the IMPLAN Multiregional Input-Output (MRIO) model focusing on two regions: Los Angeles County and the rest of California. This analysis examines the economic effects of the **motion picture and video industry** in the County, as well as its impact on the broader California economy, as defined by the following NAICS codes.

The ICA is used to estimate the value of an industry or group of industries within a region based on their current production levels. The MRIO model employs data to illustrate how spending in one region, such as hiring film crews or renting equipment, stimulates economic activity in other regions. For example, a film production in the County might purchase props from a manufacturer elsewhere in California, generating jobs and income in that area. This analysis highlights the ripple effects of the motion picture and video industry's expenditures, helping policymakers make informed decisions about this vital sector.

Beacon Economics models the direct economic output generated by the motion picture and video industry in the County, as well as the induced and indirect impacts of the industry on the state. For instance, an example of indirect economic activity would be the increased business for local catering services due to film production companies purchasing on-set meals for their cast and crew. The increased economic activity leads to more revenue for caterers and leads caterers to hire more workers and purchase more goods. Moreover, the additional income earned by employees in the industry, and throughout the supply chain, creates further economic activity in the County. This phenomenon, known as induced demand, occurs as these employees spend their earnings on goods and services in the local economy. The sum of the direct, indirect, and induced impacts represents the total economic impact of the motion picture and video industry in the County and throughout California.

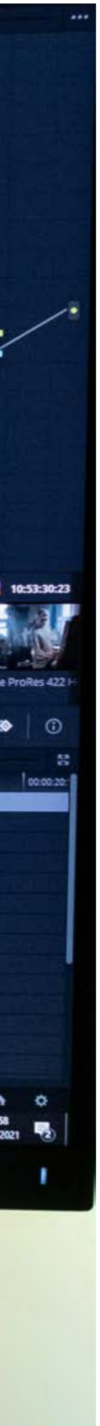
## TABLE 5: MOTION PICTURE AND VIDEO INDUSTRY COMPOSITION, 2022

| NAICS Code | Sub-Industry Name |
|---|---|
| 512110 | Motion Picture and Video Production |
| 512120 | Motion Picture and Video Distribution |
| 512131 | Motion Picture Theaters (except Drive-Ins) |
| 512132 | Drive-In Motion Picture Theaters |
| 512191 | Teleproduction and Other Postproduction Services |
| 512199 | Other Motion Picture and Video Industries |

Source: Bureau of Economic Analysis and the Census Bureau. Analysis by Beacon Economics.


# INDUSTRY CONTRIBUTION TO OUTPUT

Using an ICA with an MRIO, Beacon can report the total economic impact of the motion picture and video industry in the County and across the state.




- Of the $117.2 billion in economic output generated in California by the motion picture and video industry, $70.7 billion represented direct spending related to the industry, while $46.5 billion represented secondary spending by the industry's suppliers and by firms that received business from employees who, in turn, received income from the industry directly or indirectly.

- Of the $100.6 billion in economic output generated, $62.9 billion represented direct spending related to the industry, while $37.7 billion represented secondary spending, by businesses and workers upstream in the industry's supply chain.

- Of the $16.6 billion in economic output generated in the rest of California, $7.7 billion represented direct spending related to the industry, while $8.9 billion represented secondary spending, by businesses and workers across the state.

## TABLE 6: IMPACT OF THE MOTION PICTURE AND VIDEO INDUSTRY ON OUTPUT 2022

| Impact | Total | Los Angeles County | Rest of California |
|---|---|---|---|
| Direct | $70.7 Billion | $62.9 Billion | $7.7 Billion |
| Indirect | $21.8 Billion | $18.4 Billion | $3.4 Billion |
| Induced | $24.7 Billion | $19.3 Billion | $5.5 Billion |
| **Total** | **$117.2 Billion** | **$100.6 Billion** | **$16.6 Billion** |

Source: IMPLAN. Analysis by Beacon Economics.

As demonstrated above, because the motion picture and video industry are highly concentrated in the County most of the economic impacts occurred within the boundaries of the County. The industry consequently has a substantial impact on the County economy. Moreover, the industry spending activity extends beyond the County and across the state.

# INDUSTRY CONTRIBUTION TO EMPLOYMENT

Industry-related spending also helped support tens of thousands of jobs in the County and California economies. The industry's operations supported an estimated 326,460 jobs in the County, and 71,003 jobs in the rest of California. Across California, 100 jobs in the motion picture and video industry support nearly 115 secondary jobs.

- Of the 326,460 jobs supported in the County, 155,230 represented jobs directly supported by the motion picture and video industry, while 171,230 jobs were supported through secondary spending by businesses and workers upstream in the supply chain.

- Of the 71,003 jobs supported in the rest of California, 30,043 represented jobs directly supported by the industry, while 40,960 were supported through secondary spending by businesses and workers across the industry's supply chain.

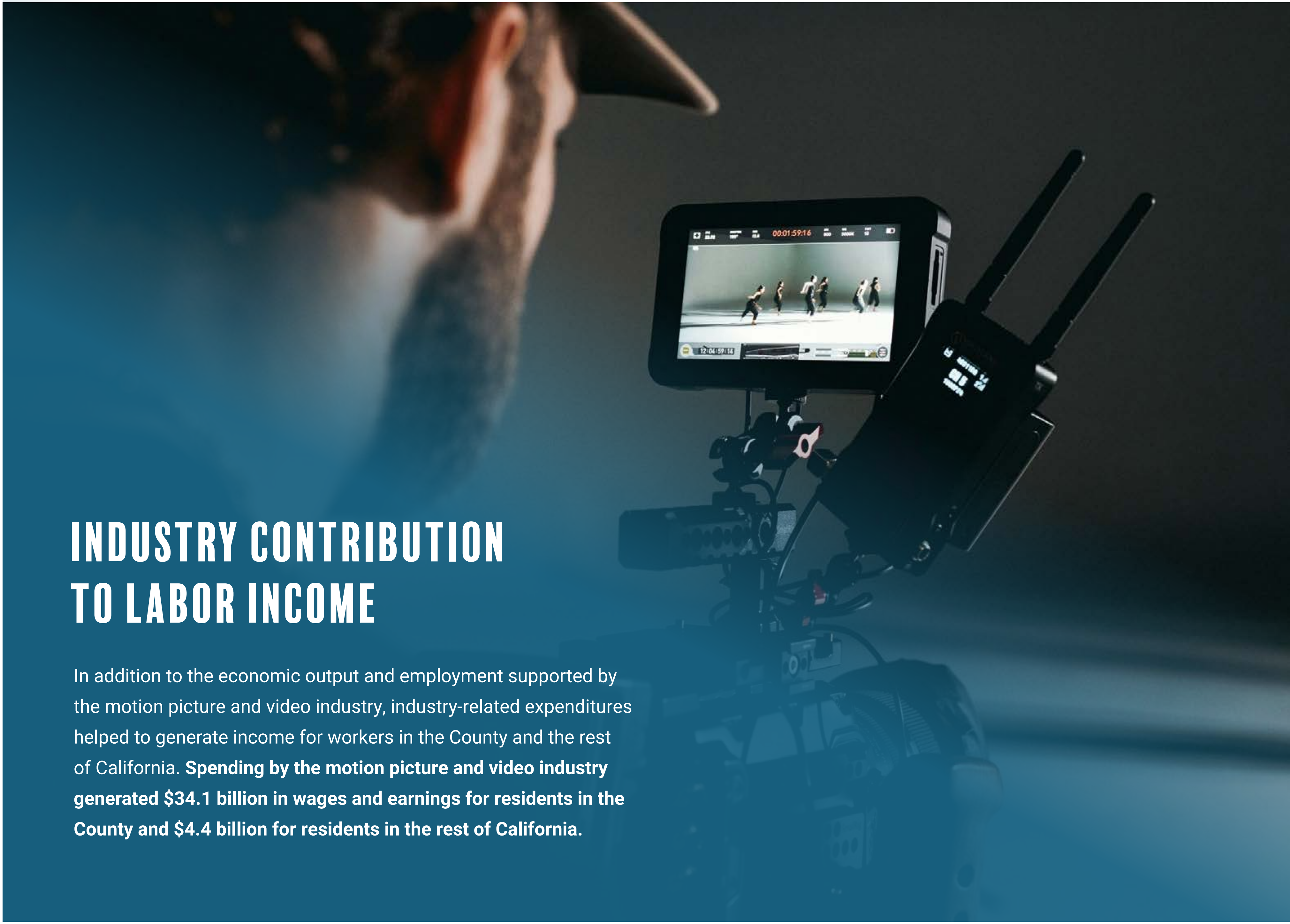
Jobs supported by the motion picture and video industry span a wide range of sectors. Among sectors seeing the largest employment impacts were Real Estate, Employment Services, Advertising and Public Relations, Market Research, and Management Consulting.

In effect, the motion picture and video industry supports jobs of all income levels across many sectors of the economy. The activities of the industry are a key source of employment in the state.

## TABLE 7: IMPACT OF THE MOTION PICTURE AND VIDEO INDUSTRY ON EMPLOYMENT, 2022

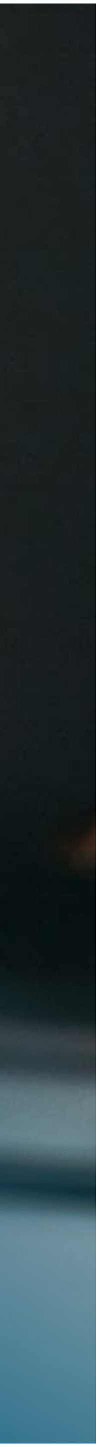
| Impact | Total | Los Angeles County | Rest of California |
|---|---|---|---|
| Direct | 185,273 | 155,230 | 30,043 |
| Indirect | 88,453 | 73,716 | 14,737 |
| Induced | 123,737 | 97,514 | 26,223 |
| **Total** | **397,463** | **326,460** | **71,003** |

Source: IMPLAN. Analysis by Beacon Economics.



# INDUSTRY CONTRIBUTION TO LABOR INCOME

In addition to the economic output and employment supported by the motion picture and video industry, industry-related expenditures helped to generate income for workers in the County and the rest of California. **Spending by the motion picture and video industry generated $34.1 billion in wages and earnings for residents in the County and $4.4 billion for residents in the rest of California.**



- Of the $34.1 billion in earnings supported in the County, $21.3 million represented wages supported directly by the motion picture and video industry, along with another $12.8 billion in wages supported through secondary spending, by businesses and workers upstream on the industry's supply chain.

- Of the $4.4 billion in earnings supported in the rest of California, $1.4 billion represented wages supported directly by industry-related expenditures, along with another $3.0 billion in wages supported through secondary spending, by businesses and workers further back in the supply chain.

The motion picture and video industry provides a crucial source of income for hundreds of thousands of residents throughout the County, and the state of California. These wages are then put back into the local economy, through spending at local restaurants, retail establishments, entertainment venues, and more.

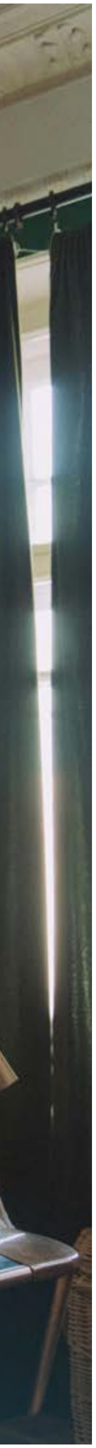
## TABLE 8: IMPACT OF THE MOTION PICTURE AND VIDEO INDUSTRY ON LABOR INCOME, 2022

| Impact | Total | Los Angeles County | Rest of California |
|---|---|---|---|
| Direct | $22.7 Billion | $21.3 Billion | $1.4 Billion |
| Indirect | $7.4 Billion | $6.2 Billion | $1.1 Billion |
| Induced | $8.4 Billion | $6.6 Billion | $1.9 Billion |
| **Total** | **$38.5 Billion** | **$34.1 Billion** | **$4.4 Billion** |

Source: IMPLAN. Analysis by Beacon Economics.

# INTERREGIONAL INDUSTRY CONTRIBUTIONS

Given that the motion picture and video industry is highly concentrated in the County, it is essential to examine how the industry contribution in the County reverberates throughout the rest of the state. Industry expenditures originating in the County were associated with nearly $3.98 billion in output, supported around 18,695 jobs, and provided nearly $1.36 billion in labor income in the rest of California.



## TABLE 9: LOS ANGELES COUNTY ECONOMIC CONTRIBUTION TO THE REST OF CALIFORNIA, 2022

| Impact | Employment | Labor Income | Output |
|---|---|---|---|
| Indirect | 1,588 | $0.15 Billion | $0.41 Billion |
| Induced | 17,107 | $1.21 Billion | $3.57 Billion |
| **Total** | **18,895** | **$1.36 Billion** | **$3.98 Billion** |

Source: IMPLAN. Analysis by Beacon Economics.

In summary, the motion picture and video industry makes a significant contribution to both the County and the state. The industry is highly concentrated in the County, but there is no doubt the economic benefits extend throughout California. Moreover, a significant amount of tax revenue is generated by economic activity spurred by this industry.

# FISCAL (TAX REVENUE) CONTRIBUTIONS

The motion picture and video industry contributes substantially to the tax bases of the County, and the local and state tax revenues in California. Overall, industry-related expenditures led to a total fiscal contribution of $15.5 billion. Industry-related spending in 2022 generated an estimated:

- $516.2 million in tax revenues for the County, including $460.7 million in property taxes, $26.3 million in sales taxes, and $29.2 million in other taxes and fees, such as special assessments.
- $1.83 billion in tax revenues for counties and other local governments across the state, including $1.2 billion in property taxes, $456.6 million in sales taxes, and $169.6 million in other taxes and fees, such as special assessments and motor vehicle licenses.
- $4.06 billion in tax revenues for local governments and the state government in California, including $1.04 billion in sales taxes, $1.47 billion in personal income taxes, and another $1.55 billion in other taxes, such as property and corporate profits taxes.
- $9.59 billion in tax revenue for the federal government, including $4.24 billion in social security taxes, $1.13 billion in corporate taxes, $4.09 billion in personal income taxes, and about $126 million in other taxes such as customs duties and excise taxes.

The motion picture and video industry plays a major role in supporting public services, through the tax revenues generated by its day-to-day operations purchasing goods and services in the local area and throughout the state. Many of these purchases would not have been made, nor the taxes paid, the industry's presence in the County, and the state.

When considering tax breaks for an industry it is important to consider the indirect and induced tax revenue generated by that industry. The following section examines the direct, indirect, and induced tax revenue generated by the FTP industry for both the County and the State of California.

Overall, the indirect and induced tax revenue generated by the industry for the County exceeds the direct tax revenue. This suggests that tax breaks for the industry may be worthwhile if they increase film production. For instance, a substantial decrease in production would reduce sales tax revenues across the board, but a tax break that keeps film production in the County would only reduce the direct sales tax revenue. In this case, it makes sense for the County to provide this type of tax break since secondary sales tax revenues are higher than the direct sales tax revenue.

Table 10 illustrates the overall tax revenue contribution to the state stemming from activity in the motion picture and video industry. In this case, the direct tax revenue exceeds the secondary tax revenues for most tax types. Notably, the secondary sales tax is higher than the direct sales tax, which suggests that a statewide sales tax break could incentivize film production and contribute positively to state tax revenues. Overall, the industry makes a significant contribution to state tax revenues, underlining the importance of maintaining support for film production in California.

## TABLE 10: FISCAL CONTRIBUTION TO THE LOS ANGELES COUNTY GOVERNMENT 2022

| Tax Type | Direct | Indirect | Induced |
|---|---|---|---|
| Property Tax | $195.9 Million | $67.3 Million | $197.5 Million |
| Sales Tax | $11.1 Million | $3.8 Million | $11.4 Million |
| Special Assessments | $8.6 Million | $2.9 Million | $8.8 Million |
| Other Taxes | $3.7 Million | $1.3 Million | $3.9 Million |
| **Total** | **$219.3 Million** | **$75.3 Million** | **$221.6 Million** |

Source: IMPLAN. Analysis by Beacon Economics.

The focus finally shifts to the interregional effect of industry spending activity in the County on the rest of California. Throughout the state, there is an opinion that tax breaks for the FTP industry are unwarranted because the benefits are concentrated in Los Angeles County. However, the following table reveals that local governments at both the county and state level benefit from secondary tax revenues generated by industry activity in the County. Local and state governments received nearly $308.6 million in secondary tax revenues from industry expenditures that have their origin in the County and are collected in the rest of California from indirect and induced expenditures.

## TABLE 11: FISCAL CONTRIBUTION IN CALIFORNIA, 2022

| Tax Type | Direct | Indirect | Induced |
|---|---|---|---|
| Income Tax | $840.6 Million | $298.0 Million | $333.2 Million |
| Corporate Profits Tax | $665.5 Million | $224.7 Million | $240.5 Million |
| Sales Tax | $423.6 Million | $148.0 Million | $471.4 Million |
| Other Taxes | $222.4 Million | $64.6 Million | $128.8 Million |
| **Total** | **$2,152.1 Million** | **$735.3 Million** | **$1,173.9 Million** |

Source: IMPLAN. Analysis by Beacon Economics.

By supporting the FTP industry at the county and state levels, policymakers will help Californians by protecting well-paying jobs and ensuring that the industry continues to contribute to regional output and tax revenues that fund vital public services. With these economic and fiscal contributions in mind, the following section outlines policy recommendations to boost film production in the County, establish it as a leader in industry innovation, and create new revenue streams for the industry.

## TABLE 12: LOS ANGELES COUNTY FISCAL CONTRIBUTION TO THE REST OF CALIFORNIA, 2022

| Impact | Local[52] | State | Federal |
|---|---|---|---|
| Indirect | $6.9 Million | $15.5 Million | $35.5 Million |
| Induced | $107.9 Million | $178.3 Million | $307.3 Million |
| **Total** | **$114.8 Million** | **$193.8 Million** | **$342.8 Million** |

Source: IMPLAN. Analysis by Beacon Economics.

[52] Includes sub-county districts and county tax revenues

# CONCLUSION

The film industry is a major contributor to the Los Angeles County economy. The analysis presented in this report underscores the vital role that equitable and inclusive strategic policy interventions can play in fostering the growth of this sector. Through careful examination of industry trends, economic impacts, and policy frameworks, several key insights emerge.

First, despite abundant pessimistic narratives mourning the decline of filmmaking in the County, the industry remains relatively healthy. As recently as 2022, the County's film industry was booming, reaching a 20-year employment peak and recovering some of its job share in the nation. The current lull in film production is not unique to the County; it has also affected key competitors like New York, Georgia, and the United Kingdom. This is important to note as many are quick to blame the more generous tax incentives in these locations as the cause of the County's recent slowdown.

That said, Beacon Economics' analysis does show that tax incentives have a big influence on film producers, so it is recommended that the Los Angeles County Board of Supervisors adopt policies presented in this report to remain competitive. These incentives must be carefully designed to ensure that they deliver long-term benefits rather than fleeting gains, as in many other locations, such as Louisiana.

Ongoing collaboration between the County government and industry stakeholders is crucial. Such partnerships can help align resources and objectives leading to more effective and comprehensive policy solutions. Additionally, addressing the challenges posed by technological advancements, labor disputes, and domestic and global competition requires adaptive strategies that can be implemented more effectively through public-private collaboration. Major policies like leveraging public-private partnerships to build state-of-the-art sound stages and promote innovation can be highly effective in ensuring that the County remains the center of the film industry. Other policies, such as advocating for more competitive state tax credit programs, and local sales tax rebates will lend support to the film industry in Los Angeles by increasing production. More minor policies, like reducing public safety costs and removing regulatory and zoning barriers, will probably not make a major difference in the volume of production activity, but will greatly enhance perceptions of the County as more film friendly environment.

Right now, the film industry is at a crossroads, with significant opportunities for growth and development. Over the past eight years, the County has made great strides in reducing fees, such as those for scouting and property use, positioning itself as a leader in supporting film production in the region. The County has also provided grants to small entertainment businesses affected by the COVID-19 pandemic and recent labor strikes. However, the Board of Supervisors, the County Film Office, DEO, and County Departments must adopt a more proactive approach. Amid the many dynamic forces reshaping the industry, the County must foster the most favorable environment possible for film production, ensuring the industry continues to thrive and evolve in Los Angeles—its historic and cultural home.

# APPENDIX

## APPENDIX A: TECHNICAL BACKGROUND ON FILM INCENTIVES

Film tax incentives (FTIs) are implemented by various tiers of government worldwide. Internationally, these incentives are predominantly established at the national level, although some countries, such as Canada and others, also offer regional incentives. In the United States, film tax incentives are primarily provided at the state level. However, there are also local incentives available at the county and city levels. These local incentives serve to either compensate for the absence of a state program or complement an existing state program to attract film industry activities to specific areas within a state.

The main components of FTI programs can be categorized into two types: tax credits and grants/rebates. Tax credits come in three basic types: refundable, transferable, or non-refundable and non-transferable. A refundable tax credit is a refund the production company receives from the state after paying its income taxes in that state. Producers are eligible for these refundable credits even if they have no state income tax liability. Some states also offer partially refundable tax credits, which allow companies to receive refunds up to a certain limit. Transferable tax credits are not refundable. The production company must use the tax credit to offset its state income tax liability. If it has no such liability, it must sell or assign the tax credit to local taxpayers. A non-refundable and non-transferable tax credit requires the production company to use the tax credit to offset its own taxes. Although production companies cannot sell or transfer such credits, they can carry the credits forward to reduce their tax burden in subsequent years. Rebates are funds that the state pays directly to the production company for qualifying expenditures. Unlike tax credits, which can be claimed only after filing a tax return in the state providing the incentive, rebates do not require the producers to file a return.

Tax credits and grants/rebates are typically expressed as percentages of qualified expenditures. These percentages vary based on the specific qualifying criteria and strategic goals set by the government instituting the policy. Qualified expenditures typically include a wide array of costs associated with production. These can be categorized into two main types: expenses, and wages. Qualified expenses specifically refer to the money spent on goods and services directly related to the production. This can include costs for locations, catering, accommodations for cast and crew, and transportation. Additionally, qualified expenses often cover costs associated with special effects, costumes, and makeup. Qualified wages are the salaries paid to individuals working on the production. Many states have stipulations that a certain percentage of the crew must be local hires to qualify for the full incentive percentage.

Wages for both above-the-line (e.g., producers, directors, lead actors) and below-the-line (e.g., technicians, supporting cast, crew members) roles can be included in the calculation of the tax incentive.

FTI programs are often selective about the types of productions they support, as governments tailor their policies to develop specific sectors of the film industry within their jurisdictions. Different production types carry varying economic impacts, such as budgets, levels of visibility, number of jobs created, and production timelines. Consequently, incentive percentages often vary depending on the type of production. For example, feature films and television series, which typically have larger budgets and longer production timelines, may receive higher incentives due to their potential for greater economic benefits and job creation. In contrast, commercials and short films might have different incentive structures that reflect their shorter production periods and lower economic impact.

In addition to tax credits and rebates, film tax incentive (FTI) programs often include various tax exemptions and reductions. These measures are sometimes implemented at the state level but are more commonly local incentives due to budget constraints faced by smaller jurisdictions. Sales tax exemptions are a frequent component, allowing production companies to purchase goods and services without paying state or local sales tax. This can significantly reduce the cost of materials, equipment rentals, and other production-related expenditures, making the overall production budget more manageable. Use tax exemption's function, similarly, applying to items brought into the state specifically for production purposes, thus providing additional financial relief.

Payroll tax reductions or exemptions are another common feature of FTI programs, aimed at reducing the costs associated with hiring local crew and talent. These reductions can make it more attractive for production companies to employ local workers, thus boosting the local economy. Additionally, exemptions or reductions in hotel and lodging taxes are often offered to lower the accommodation costs for out-of-town cast and crew, which can be a significant expense for productions with extended shoots.

Other potential tax exemptions include property tax reductions for facilities used in production, which can incentivize the use of local studios and filming locations. Fuel tax exemptions are also sometimes provided, lowering transportation-related expenses for moving equipment, crew, and cast between locations. Collectively, these tax exemptions and reductions play a crucial role in making a location more attractive to film and television productions by directly lowering the overall cost of doing business in that area. By reducing these financial burdens, jurisdictions can better compete for productions, fostering economic growth and job creation in their regions.

To effectively stimulate local economies through increased spending on goods and services and job creation, governments implement various regulatory measures in their Film Tax Incentive (FTI) programs. These measures impose requirements on film productions to ensure that the funds benefit local communities and that taxpayer dollars are used responsibly.

One strategy employed by governments is the imposition of annual caps on their film tax incentive programs. These caps set a limit on the total amount of tax credits or rebates that can be awarded within a fiscal year. By establishing such caps, governments can manage their budgetary commitments and prevent over-expenditure on film production incentives. Annual caps encourage a balanced allocation of resources and ensure that the benefits of the incentive program are distributed equitably among eligible productions.

In addition to annual caps, governments often impose minimum spending requirements on film productions seeking to qualify for tax incentives. These requirements mandate that a certain portion of the production budget be spent within the specified region where the filming takes place. By stipulating minimum spending thresholds, governments aim to maximize the economic impact of film productions on local businesses and communities. These requirements help stimulate job creation, support local vendors, and generate ancillary spending in local economies.

Furthermore, governments may establish project caps to limit the size and scope of individual productions eligible for tax incentives. Project caps define the maximum amount of tax credits or rebates that can be awarded to a single film or television project. By imposing such caps, governments prevent excessive subsidization of large-scale productions that may have limited incremental benefits for the local economy. Project caps encourage diversity in the types of productions that qualify for incentives and promote a more balanced distribution of economic opportunities across the entertainment industry.

In addition to the fiscal management measures mentioned earlier, several other provisions and requirements play a crucial role in shaping the effectiveness and transparency of film tax incentive programs. A screen credit requirement is common in many FTI programs, ensuring that the jurisdiction providing the incentive receives acknowledgment in the credits of the film or television production. This acknowledgment helps promote the region as a filming destination and can enhance its reputation within the entertainment industry.

CPA (Certified Public Accountant) audits are often mandated to verify compliance with program requirements and prevent fraud or misuse of tax incentives. These audits provide an independent assessment of production expenses and ensure that productions meet eligibility criteria established by the jurisdiction providing the tax credit.

Diversity requirements are increasingly becoming a critical component of film tax incentive programs. These requirements encourage or mandate that productions hire a certain percentage of diverse talent and crew, promoting inclusivity within the industry. By incorporating diversity criteria, these programs help ensure that the economic benefits of film production are distributed more equitably and support the development of a more diverse workforce in the entertainment sector.

Loan-out registration is another aspect that some jurisdictions may or may not require. Loan-out companies are entities through which individuals in the film industry (such as actors or directors) contract their services. While some jurisdictions mandate the registration of these entities to streamline tax compliance and tracking, others do not have this requirement.

Income tax withholding policies also vary, with some jurisdictions not requiring withholding for individual or loan-out entity earnings related to film production. This can simplify the tax process for those involved in the production but requires careful oversight to ensure compliance with overall tax obligations.

The absence of a sunset date in some incentive programs provides stability and predictability for the film industry, encouraging long-term investment and planning. Productions can be more confident in their financial projections, knowing that the incentives will be available beyond a specific cutoff date. Carry-forward provisions allow productions to use any unused tax credits over a specified period, typically up to four years. This flexibility ensures that productions can fully benefit from the incentives, even if they cannot utilize all the credits in the initial year they are awarded.

Governments can modify their film tax incentive programs to enhance or reduce their competitiveness by adjusting key factors such as the type and structure of incentives, annual caps, minimum spend requirements, and project caps. For example, a government can introduce or increase refundable and transferable tax credits to attract more productions, as these are highly valued by film companies.

Changing the incentive percentage, which is the portion of qualified expenses reimbursed to the production, directly impacts the program's attractiveness. A higher percentage makes the jurisdiction more competitive in attracting film projects, while a lower percentage may reduce fiscal strain on the budget. Governments can also modify the annual funding cap, the total amount of money allocated for incentives each year. Increasing this cap can attract more productions, whereas decreasing it can limit the government's exposure.

Additionally, lowering the minimum spend threshold or increasing the annual cap on incentives can make the jurisdiction more appealing to a broader range of projects. Conversely, tightening these criteria can make it less competitive. Combining different incentive types, such as rebates and sales tax exemptions, can provide comprehensive benefits, further boosting the jurisdiction's attractiveness to filmmakers.

# APPENDIX B: STATE FILM INCENTIVES

| State | Incentive Type | Incentive Rate Range | Per Project Incentive Cap | Minimum Spend | Annual Funding Cap | Audit Required | Sunset Date |
|---|---|---|---|---|---|---|---|
| **Alabama** | Refundable Tax Credit | 25%-35% | No Cap | $500k | $20M | Yes | 12/31/28 |
| **Arizona** | Refundable Tax Credit | 15%-27.5% | No Cap | No Min | $100M | Yes | 12/31/43 |
| **Arkansas** | Transferable Tax Credit, Rebate | 25%-30% | No Cap | $200K, $50K if postproduction only | $4M tax credit; No Cap Rebate | Yes | 6/30/32 |
| **California** | Nonrefundable & Nontransferable Tax Credit, Transferable Tax Credit | 20%-30% | $2.5M to $30M depending on production type and Uplift | $1M | $330M | Yes | 6/30/30 |
| **Colorado** | Refundable Tax Credit, Rebate | 20%-22% | No Cap | $100K to $1M depending on whether production company is based in CO | $5M tax credit; $750K Rebate | Yes | 12/31/2024 tax credit, No Rebate |
| **Connecticut** | Transferable Tax Credit, Rebate | 10%-30% | No Cap | $100K to $1M linked to credit percentage | No Cap | Yes | None |
| **District of Columbia** | Rebate | 21%-35% | Discretionary | $250K | Discretionary | Yes | None |
| **Georgia** | Transferable Tax Credit | 20%-30% | No Cap | $500k | No Cap | Yes | None |
| **Hawaii** | Refundable Tax Credit | 22%-27% | $17M | $100K | $50M | No | 12/31/32 |

| State | Incentive Type | Incentive Rate Range | Per Project Incentive Cap | Minimum Spend | Annual Funding Cap | Audit Required | Sunset Date |
|---|---|---|---|---|---|---|---|
| **Illinois** | Transferable Tax Credit | 30%-45% | No Cap | $50K to $100K depending on pro-duction run time | No Cap | Yes | 12/31/32 |
| **Indiana** | Nonrefundable & Nontransferable Tax Credit | 20%-30% | No Cap | No Min | $5M | Yes | 6/30/27 |
| **Kentucky** | Refundable Tax Credit | 30%-35% | $10M | $10K to $125K depending on production type | $75M | Yes | None |
| **Louisiana** | Refundable Tax Credit | 25%-40% | $20M to $25M depending on production type | $300k | $180M | Yes | 6/30/31 |
| **Maine** | Nonrefundable & Nontransferable Tax Credit, Rebate | 5%-17% | No Cap | $75K | No Cap | No | None |
| **Maryland** | Refundable Tax Credit | 28%-30% | $125K to $10M depending on production type | $25K to $250K depending on production type | $15M | Yes | None |
| **Massachusetts** | Refundable or Transferable Tax Credit | 25% | No Cap | $50K | No Cap | Yes | None |
| **Minnesota** | Transferable Tax Credit, Rebate | 20%-25% | No Cap | $100K rebate; $1M tax credit | $25M tax credit; $1M Rebate | Yes | 12/31/2030 tax credit, None Rebate |
| **Mississippi** | Rebate | 25%-30% | $10M | $50K | $20M | No | None |
| **Missouri** | Transferable Tax Credit | 20%-42% | No Cap | $50K to $100K depending on pro-duction run time | $16M | Yes | 12/31/29 |

| State | Incentive Type | Incentive Rate Range | Per Project Incentive Cap | Minimum Spend | Annual Funding Cap | Audit Required | Sunset Date |
|---|---|---|---|---|---|---|---|
| **Montana** | Transferable Tax Credit | 20%-35% | No Cap | $50K to $350K depending on production type | $10M | Yes | 12/31/29 |
| **Nebraska** | Grant | 20% | $400K | $1M | Program Is Not Funded | No | 6/30/25 |
| **Nevada** | Transferable Tax Credit | 12%-25% | $6M | $500k | $10M | Yes | None |
| **New Jersey** | Transferable Tax Credit | 30%-37% | No Cap | $1M | $100M | Yes | 6/30/29 |
| **New Mexico** | Refundable Tax Credit | 25%-40% | No Cap | No Min | $120M | Yes | None |
| **New York** | Refundable Tax Credit | 30%-40% | No Cap | $100K to $1M depending on production type and filming location | $700M | Production & Post Optional Commercials | Production & Post 12/31/2034, Commercials 12/31/2028 |
| **North Carolina** | Rebate | 25% | $250K to $15M depending on production type | $250K to $1.5M depending on production type | $31M | Yes | None |
| **Ohio** | Refundable Tax Credit | 30% | No Cap | $300K | $50M | Yes | None |
| **Oklahoma** | Rebate | 20%-30% | No Cap | $50K | $30M | Yes | 6/30/31 |
| **Oregon** | Rebate | 20%-26.2% | 50% of the Annual Cap | $1M | $20M | No | 12/31/29 |
| **Pennsylvania** | Transferable Tax Credit | 25%-30% | 20% of the Annual Cap | $1.5M to $5M depending on production budget | $100M | Yes | None |

| State | Incentive Type | Incentive Rate Range | Per Project Incentive Cap | Minimum Spend | Annual Funding Cap | Audit Required | Sunset Date |
|---|---|---|---|---|---|---|---|
| **Puerto Rico** | Transferable Tax Credit | 20%-40% | No Cap | $25K to $50K depending on production type | $38M | Yes | None |
| **Rhode Island** | Transferable Tax Credit | 30% | $7M | $100K | $40M | Yes | 6/30/27 |
| **South Carolina** | Rebate | 20%-30% | No Cap | $1M | $15M | No | None |
| **Tennessee** | Nonrefundable & Nontransferable Tax Credit, Grant | 25%-30% | No Cap | $200K to $500K depending on production type | No Cap tax credit; $8M Grant | No tax credit; Yes Grant | None |
| **Texas** | Grant | 5%-22.5% | No Cap | $250K to $3.5M Linked to incentive amount | $200M | No | None |
| **US Virgin Islands** | Transferable Tax Credit, Rebate | 9%-29% | No Cap | $250K | $2.5M | Yes | None |
| **Utah** | Refundable Tax Credit, Rebate | 20%-25% | No Cap | $500K | $6.79M, $12M (Rural Production Only) tax credit; $1.5M Rebate | Yes | None |
| **Virginia** | Refundable Tax Credit, Grant | 15%-40% | At the Discretion of the Film Office | $250K tax credit; no minimum for the grant | $6.5M tax credit; $5M Rebate | Yes | 12/31/2026 tax credit, No Grant |
| **Washington** | Rebate | 15%-45% | No Cap | $150K to $500K depending on production type | $15M | No | 6/30/30 |
| **West Virginia** | Transferable Tax Credit | 27%-31% | No Cap | $50K | No Cap | Yes | 12/31/27 |

## APPENDIX C: INTERNATIONAL FILM INCENTIVES

| Place | Incentive Type | Incentive Rate Range | Per Project Incentive Cap | Minimum Spend | Annual Funding Cap | Audit Required | Sunset Date |
|---|---|---|---|---|---|---|---|
| **Australia** | Refundable Tax Credit | 30%-40% | No Cap | "$500K-$20M (AUD) depending on production type" | No Cap | Yes | None |
| **Canada, North-west Territories** | Rebate | 10%-55% | "$15K (CAD) - No Cap depending on qualified spend" | $60K (CAD) | $100K (CAD) | No | None |
| **Canada, Nova Scotia** | Rebate | 25%-31% | $10M (CAD) | $25K (CAD) | $39M (CAD) | Yes | None |
| **Canada, Prince Edward Island** | Rebate | 32%-35% | No Cap | 25K (CAD) | Discretionary | Yes | 3/31/24 |
| **Canada, Alberta** | Refundable Tax Credit | 22%-30% | No Cap | $500K (CAD) | $125M | Yes | None |
| **Canada, British Columbia** | Refundable Tax Credit | 28%-56% | No Cap | "$100K - $1M (CAD) depending on production type" | No Cap | No | None |
| **Canada, Federal** | Refundable Tax Credit | 16% | No Cap | "$100K - $1M (CAD) depending on production type" | No Cap | No | None |
| **Canada, Manitoba** | Refundable Tax Credit | 30%-65% | No Cap | No Min | No Cap | No | None |
| **Canada, New Brunswick** | Grant | 25%-40% | $1.5M (CAD) | No Min | $5M (CAD) | Yes | None |

| Place | Incentive Type | Incentive Rate Range | Per Project Incentive Cap | Minimum Spend | Annual Funding Cap | Audit Required | Sunset Date |
|---|---|---|---|---|---|---|---|
| **Canada, Newfoundland & Labrador** | Refundable Tax Credit | 40% | "$10M (CAD) Per 12-Month Period " | No Min | No Cap | Yes | None |
| **Canada, Ontario** | Refundable Tax Credit | 21.5%-39.5% | No Cap | "$100K - $1M (CAD) depending on production type" | No Cap | No | None |
| **Canada, Quebec** | Refundable Tax Credit | 20%-36% | No Cap | 250K (CAD) | No Cap | No | None |
| **Canada, Saskatchewan** | Grant | 25%-45% | 5M (CAD) | No Min | $12M (CAD) | Yes | None |
| **Canada, Yukon** | Rebate | 25%-40% | No Cap | No Min | $940K (CAD) | Yes | None |
| **France** | Refundable Tax Credit | 30%-40% | $30M (EUR) | 250K (EUR) or ≥ 50% of Budget if < 500K (EUR) | No Cap | Yes | None |
| **Germany** | Grant | 20%-25% | $4M to $25M (EUR) | "25% of total production costs, 20% if total production costs < 20M (EUR)" | Discretionary | Yes | None |
| **Hungary** | Rebate | 30% | No Cap | No Min | 300B (HUF) | Yes | 12/31/24 |

| Place | Incentive Type | Incentive Rate Range | Per Project Incentive Cap | Minimum Spend | Annual Funding Cap | Audit Required | Sunset Date |
|---|---|---|---|---|---|---|---|
| **Iceland** | Rebate | 25%-35% | No Cap | "$0 - $350M (ISK) depending upon rebate percentage desired" | No Cap | Yes | 12/31/25 |
| **Ireland** | Refundable Tax Credit | 32%-34% | No Cap | $250K | No Cap | No | None |
| **Italy** | Transferable Tax Credit | 40% | $20M (EUR) | No Min | 746M (EUR) | Yes | None |
| **New Zealand** | Rebate | 20%-25% | No Cap | $250K - $15M (NZD) | No Cap | Yes | None |
| **Spain** | Refundable Tax Credit | 25%-30% | "$10M to 20M (EUR) depending on production type" | $2M | No Cap | No | None |
| **United Kingdom** | Refundable Tax Credit | 34%-53% | 80% of total UK Core Expenditure | 10% UK Core Expenditure | No Cap | Yes | None |

## APPENDIX D: LOCAL FILM TAX INCENTIVES

| Place | Incentive Type | Incentive Rate Range | Per Project Incentive Cap | Minimum Spend | Annual Funding Cap | Audit Required | Sunset Date |
|---|---|---|---|---|---|---|---|
| **San Francisco, CA** | Rebate | All City Fees | $600k | None | $13M | No | 6/30/28 |
| **Santa Clarita, CA** | Refund | Film Permit Fee & Hotel Tax | No Cap* | None | $60K | No | None |
| **Greater Ft. Lauderdale, FL** | Rebate | 15% - 30% | "$175K- $2.5M depending on production type" | "$400K - $5M depending on production type" | Discretionary | No | None |
| **Jacksonville, FL** | Grant | 10% | $50k | $50k | Discretionary | No | None |
| **Miami-Dade County, FL** | Grant | 10% | "$50K - $100K depending on production type" | "$500K - $1M depending on production type" | Discretionary | Yes | None |
| **Sarasota County, FL** | Rebate | "100% Sarasota County Government Fees 10% - 20%" | $25K | $1K | $250K | No | None |
| **St. Pete/Clearwater, FL** | Rebate | 10% - 30% | $250K | No Min | $1.7M | No | None |
| **Savannah, GA** | Rebate | "10% + 25K Bonus depending on crew location" | "$100K to $250K depending on production type" | $500k | $1M | Yes | 12/31/24 |
| **St. Bernard Parish, LA** | Rebate | 3.5% | $100k | $150k | $200K | Yes | None |
| **Kansas City, MO** | Rebate | "4% - 9% + 0.5% Bonus depending on meeting marketing requirements" | No Cap | $10k – $100k | $150K | No | None |
| **San Antonio, TX** | Rebate | 7.5% | $250k | $100k | $250K | Yes | None |

# ABOUT BEACON ECONOMICS

Founded in 2006, Beacon Economics—an LLC and certified Small Business Enterprise with the state of California—is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Employing unique proprietary models, vast databases, and sophisticated data processing, the company's specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis, and economic impact studies. Beacon Economics equips its clients with the data and analysis they need to understand the significance of on-the-ground realities and to make informed business and policy decisions.

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