Film and Television Tax Credit Programs

PROGRESS REPORT

November 2018

Amy Lemisch, Executive Director

CALIFORNIA FILM COMMISSION

7080 Hollywood Blvd. Hollywood, California 90028

323-860-2960 | www.film.ca.gov

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CALIFORNIA FILM COMMISSION

California Film & Television Tax Credit Programs

EXECUTIVE SUMMARY

The California Film Commission (CFC) administers the state's Film & Television Tax Credit Program 2.0 (Program 2.0) enacted in 2015. The CFC is also responsible for administering the expired, first-generation film and television tax credit program (Program 1.0) which launched in 2009. Both programs were created as targeted economic stimulus initiatives designed to increase film and television production, jobs, and tax revenues in California. The CFC issues an annual report to provide the Legislature, state government staff, and the public with an assessment of the program's economic benefit to the state, as well as statistical information and insights into California's entertainment production industry.

The following report provides an overview of Program 2.0 at the conclusion of its third year (FY 2017-18). It includes project data, a breakdown (by project category) of tax credits allocated, and a summary of project spending as well as a summary of Program 2.0's Career Readiness component. It also includes an updated summary of project information and spending estimates for each fiscal year of the expired Program 1.0 in the appendix section.

New to this year's Report is an assessment of California's production infrastructure, with news regarding robust sound stage development and occupancy rates.

As in prior years, this 2018 report provides a brief overview of California's film and television production industry, including the global competition from other states and countries as they build production infrastructure and offer guaranteed incentives.

Finally, this report provides encouraging third-party data affirming a sustained increase in in-state employment among major industry labor unions coinciding with implementation of Program 2.0.

Information specific to this year's report includes:

- **Summary of the expanded Film & Television Tax Credit Program 2.0**
  The first three fiscal years of Program 2.0 produced substantial economic impact. With an $815 million investment of tax credit reservations, approved productions are on track to generate nearly $6.0 billion of direct in-state spending. This includes $2.25 billion in qualified wages, $1.89 billion in qualified vendor expenditures, and another $1.85 billion in other expenditures which do not qualify for tax credits. Collectively, these productions are hiring more than 18,000 cast and 29,000 crew members.

- **Summary of third party data reveals job and infrastructure growth**
  Members of California's below-the-line unions working in film and television have experienced substantial growth in employment – a **15.6 percent** increase in hours worked in 2017 compared to 2014 – the year before Program 2.0 began. SAG-AFTRA reported a significant increase in the number of in-state entertainment background performer jobs with a **22.4 percent** increase in 2017 compared to 2014. The region is also benefiting from a surge in stage and production support space construction while sound stages are operating at near capacity.

- **Summary of television series that have relocated to California due to the tax credit program**
  The establishment of separate (dedicated) funding categories for different types of productions has enabled California to attract 15 television series from out-of-state to relocate. Program 2.0 has attracted projects from across North America – Florida, Georgia, Louisiana, Maryland, New York, North Carolina, Texas – and four television series from Vancouver, Canada. Collectively, these projects are contributing more than $1.2 billion in direct spending in California, including nearly $435 million in qualified wages.

- **Program 2.0 attracts big-budget films**
  Program 2.0 expanded eligibility to include projects with budgets over $75 million. To date, California has attracted 10 such big-budget feature films – *A Wrinkle in Time, Ad Astra, Birds of Prey, Bright, Bumblebee, Call of the Wild, Captain Marvel, Ford vs Ferrari, Island Plaza,* and *Once Upon a Time in Hollywood* – resulting in $1.1 billion of direct spending in California.

- **Summary of economic impact in counties outside of Los Angeles**
  Program 2.0 provisions grant added incentives for projects filming outside the Los Angeles region. As a result of the program, approved productions have spent more than $78 million across 19 counties outside of Los Angeles. The report also includes a brief overview of supplementary local/regional incentives offered by cities and counties across California to attract film and television production.

- **Career Readiness Requirement Summary**
  Program 2.0 mandates that all participating projects fulfill the "Career Readiness" requirement. This report provides an overview of this requirement and tracks how productions are participating in career-based learning opportunities including paid internships, faculty externships, classroom workshops, professional skills tours, and donations.

- **Analysis of projects that applied to Program 2.0, but were denied due to insufficient availability of tax credits**
  While the state has retained much production as a result of Program 2.0, many projects that apply are denied due to limited funding. The CFC tracks the fate of those projects that are subsequently produced without California tax credits. The majority of these projects are shot outside California in jurisdictions where other tax credits are available. From July 2015 to June 2017, such 'runaway' projects accounted for nearly $2.9 billion in production spending outside California. It is important to note that this figure does not include the economic loss from projects that bypass Program 2.0 altogether, opting instead to seek incentives in other states or nations where they are more readily available. This data affirms the important role tax credits play in determining where film and television projects are filmed.

- **Looking Ahead: A summary of new Program 3.0 provisions**
  In August 2018, the legislature enacted the third iteration of the California Film and Television Tax Credit Program. Dubbed Program 3.0, it is a five-year incentive that will go into effect when Program 2.0 expires in July 2020. This report includes a comparison analysis of the changes between Program 2.0 and Program 3.0. Upcoming changes include more funding for independent productions, a new pilot skills training program that targets underserved communities, and a requirement that productions provide diversity initiatives as well as anti-harassment policies.

About the California Film Commission

The California Film Commission (CFC) was created in 1984 to enhance California's position as the premier location for motion picture production.

The CFC supports film, television, and commercial productions of all sizes and budgets by providing one-stop support services including location and troubleshooting assistance, permits for filming at state-owned facilities, and access to resources including an extensive digital location library. The CFC also administers the state's Film & Television Tax Credit Program and serves as the primary liaison between the production community and all levels of government (including local, state, and federal jurisdictions) to eliminate barriers to filming in-state.

The CFC encourages a production-friendly environment to retain/grow production jobs and economic activity statewide. It works in conjunction with more than 50 local film offices/commissions (Regional Film Partners) across California to resolve film-related issues and handle specific filming requests. More information is available at http://www.film.ca.gov.

Progress Report – August 2018

Since the passage of the expanded Film & Television Tax Credit Program 2.0 (Program 2.0), the California Film Commission (CFC) has administered two parallel programs for allocating tax credits to film and television productions that meet specific criteria. Both Program 2.0 and Program 1.0 were enacted as part of targeted economic stimulus packages aimed at increasing film and television production spending, jobs, and tax revenues in California.

This report provides an in-depth summary of the first three years of Program 2.0, including early indicators of the Program's effectiveness. The report also summarizes results and updates data from the expired original California Film & Television Tax Credit Program (Program 1.0), from its launch in July 2009 through June 2018.

For a detailed comparison of the provisions of Program 1.0 versus Program 2.0 see Appendix A.

Methodology:

Note that the analysis in this report is based on the direct spending by projects allocated tax credits. It does not attempt to measure any secondary economic impacts. Generally recognized formulas or multipliers are not used in this report.

Looking Forward: Program 3.0

In August 2018, the legislature enacted the third iteration of the California Film and Television Tax Credit Program. Program 3.0 is a five-year incentive which goes into effect in July 2020. The legislation builds upon Program 2.0 with modifications and improvements and authorizes the California Film Commission to continue administration of the program through June 2025. A comparison analysis between Program 2.0 and Program 3.0 is included in this report (See Appendix B).

I. Tax Credit Program 2.0 – Overview

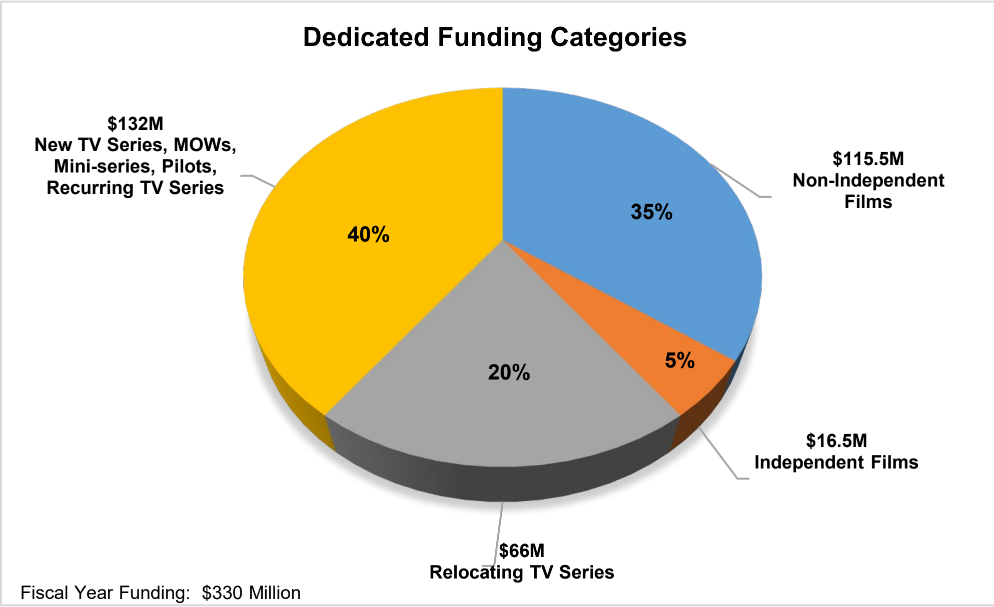
In September 2014, Governor Edmund G. Brown, Jr. signed bipartisan legislation establishing the new Film & Television Tax Credit Program, known as *Program 2.0*. AB1839 created a five-year program beginning in FY 2015-16 and running through FY 2019-20. The legislation increased program funding from $100 million to $330 million per fiscal year. During the first fiscal year (2015-16), $230 million was made available for Program 2.0 because $100 million in funding was already reserved for the final year of the expiring, first-generation Program 1.0. Aimed at retaining and attracting production jobs and economic activity across the state, Program 2.0 also expanded eligibility to include a range of project types that were excluded from Program 1.0. Such projects include big-budget feature films, television pilots, and 1-hr television series for any distribution outlet. This expanded eligibility represents a major strategic improvement for California's Film & Television Tax Credit Program, which now enables the state to attract a greater number and wider range of films and television series.

During the first three years of the expanded program, California gained 55 feature film projects and 65 television projects. The TV component is comprised of 18 television pilots, three movies of the week/mini-series, 31 television series (many in production for multiple seasons), and 13 relocating television series. Two additional relocating series were added at the beginning of the 2018-19 fiscal year, bringing the total to 15.

With these gains, Program 2.0 has produced substantial economic impact. With $815 million invested in tax credit reservations, approved film and TV projects have spent, or are planning to spend, $5.9 billion in direct expenditures. This includes $2.25 billion in qualified wages, $1.89 billion in qualified vendor expenditures, and another $1.85 billion in other expenditures which do not qualify for tax credits. Collectively, these productions are hiring more than 18,000 cast and 29,000 crew members in California.

Allocation Funding

Under Program 2.0, tax credits are allocated from four dedicated funding "buckets" that target different categories of production. These include: 1) Television projects (new television series, mini-series, movies of the week, pilots, and recurring television series already in the Program), 2) Relocating television series, 3) Independent films, 4) Non-independent (i.e., studio) films. Allocating tax credits via these categories enables applicants to compete directly against comparable projects.



The enacting statute established specific percentages of fiscal year funding available for each production category. The CFC is authorized to allocate any unused tax credits from a specified category to another category with higher demand for tax credits, albeit with certain limitations.

A "Recurring TV Series" is defined as a Television Series or Relocating Television Series (in its second or subsequent season in California) that received a prior allocation of tax credits. Any unallocated tax credits for this category remaining at the end of the fiscal year were rolled into the next fiscal year's funds.

A "Relocating Television Series" is a scripted series of any episode length that filmed its most recent season (minimum six episodes) outside California. This category qualifies for a 25 percent tax credit, which is reduced to 20 percent for any successive seasons (after the first) filmed in California.

The statute distinguished between "Non-Independent" and "Independent" based on whether a company is publicly traded/partially owned by a publicly-traded company or privately-held. Independent companies cannot be publicly traded. Tax credits for non-independent projects are non-transferable (i.e., may be used only by the production company to offset in-state income tax or sales and use tax liability), while tax credits for independent projects may be transferred (i.e., sold to a third party).

Fiscal Year Funding

Note: During fiscal year 2015-16, $230 million in tax credits was available for Program 2.0 allocation. The program's full $330 million in annual tax credit funding began in fiscal year 2016-17 and will run through 2019-20.

Project Eligibility and Applicable Tax Credit

Projects eligible for a 25% tax credit on qualified spending:

- **Relocating Television Series:** Regardless of episode length that filmed its most recent season (minimum 6 episodes) outside California. The non-transferable credit is reduced to 20% after the first season filmed in California.
- **Independent Films**: No budget cap, but credits apply only to the first $10 million of qualified expenditures. Credit is transferable.

Projects eligible for a 20% tax credit on qualified spending:

- **Feature Films (Non-independent)**: No maximum budget cap, but credit allocation applies only to the first $100 million of qualified expenditures.
- **Movies of the Week** and **Mini-series**
- **New Television Series:** For any distribution outlet, at least 40 minutes per episode, excluding commercials; one-half hour shows, non-scripted series and other exclusions apply.
- **Television Pilots**: For any distribution outlet, scripted series at least 40 minutes per episode, excluding commercials.

Projects receiving the base 20% may receive additional 5% “uplifts” for:

- **Filming outside the Los Angeles 30-mile zone**
- **Visual effects** (minimum thresholds apply)
- **Music scoring / track recording**

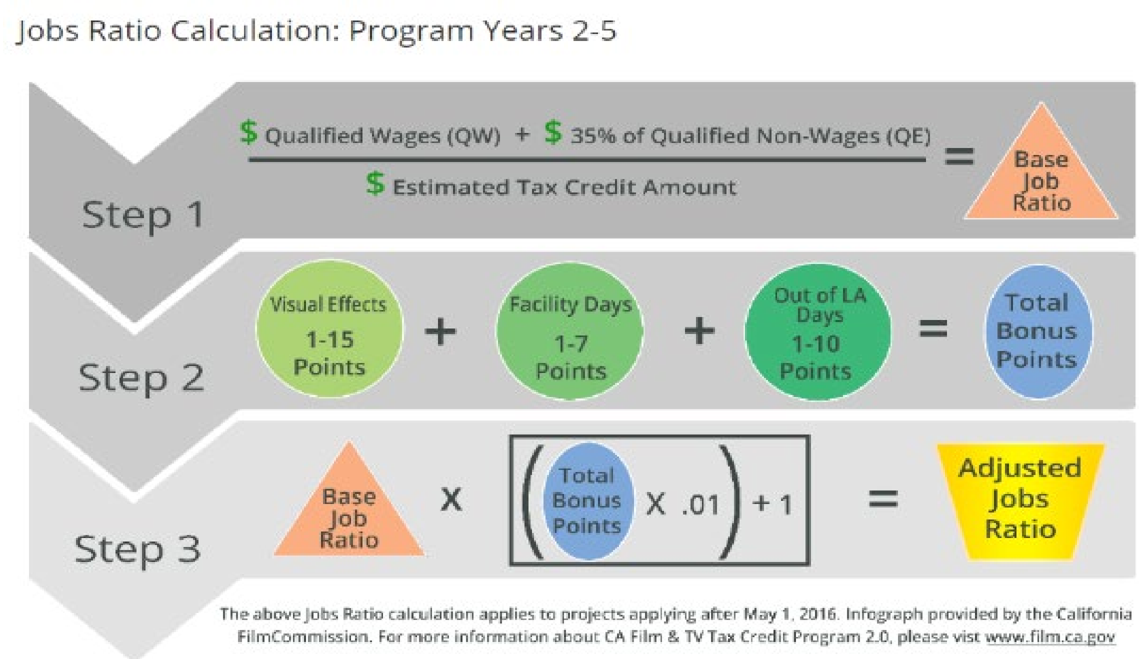
Application Process

Each fiscal year, the CFC conducts multiple application periods which are grouped according to type of production – television project applications or feature project applications. During FY 2015-16 and FY 2016-17, the CFC administered five application periods each fiscal year. Two periods targeted independent films and non-independent feature films, and three were conducted for television projects and relocating television series. During the third program year (FY 2017-18), the CFC conducted six application periods (three for television and three for feature films).

Any credits that become available when projects withdraw from the program are allocated to projects on the waiting list or are rolled into the next applicable application period.

Application Selection - Jobs Ratio Ranking

Program 2.0 utilizes a "Jobs Ratio" ranking system for selecting projects to receive tax credits. This new system replaced the random lottery system used under Program 1.0. Projects are selected for tax credits based on their Jobs Ratio score, which is determined by the amount of qualified wages the project will generate divided by the amount of tax credits to be allocated, plus other factors including qualified spending for vendors, equipment, etc. The base Jobs Ratio score can be increased up to 25 percent by accruing "bonus points" for in-state spending on visual effects, filming outside the Los Angeles 30-mile zone, and filming at approved production facilities.



Note: See www.film.ca.gov/incentives for a detailed explanation of the jobs ratio ranking and bonus points system.

Applications submitted during an application period are ranked from highest to lowest against comparable projects (e.g., television against television, independent against independent) according to their Jobs Ratio score. Applications with a Jobs Ratio score within the top 200 percent (i.e., those that would qualify if *double* the amount of funding was available for the current allocation period) are elevated to *Phase II* for further evaluation and review. The highest-ranking projects (top 100 percent) are selected to receive a conditional allocation of tax credits until the available credits for each application period are exhausted. The remaining applications not selected are placed on the waiting list. If a selected project fails to move into production and withdraws from the program, the next project in line on the waiting list is offered credits as they become available.

Waiting lists expire at the beginning of the next application period for each dedicated funding category. If an applicant does not receive a tax credit allocation and has not yet begun principal photography, they may re-apply during any subsequent application period for the applicable category.

Tax Credit Certificate Issuance

The initial allocation for each selected project is treated as a "reservation" of tax credits. Tax credit certificates are awarded only after selected projects: 1) complete post-production; 2) verify the creation of in-state jobs (in accordance with their Jobs Ratio score); and, 3) provide all required documentation, including Certified Public Accountant audited cost reports.

The CFC periodically conducts a seminar for CPA firms interested in performing the Agreed Upon Procedures (AUP). A CPA firm is eligible to perform the AUP for applicants once it completes the orientation. The Program's rigorous AUP has served as the model for several states seeking to design their own audit procedures.

During the AUP, the CPA recalculates each project's Jobs Ratio score and compares it to the Jobs Ratio score determined at the time of application. Penalties apply if the final Jobs Ratio score has been reduced by a specified amount.

Certificate Issuance Timeline

Due to long pre-production, production, and post-production schedules, applicants typically receive their tax credit certificate 18-24 months after their initial tax credit reservation. The CFC generally reviews and issues tax credit certificates within 20 business days of receiving an applicant's final documentation.

Program 2.0 Tax Credit Certificate Status as of June 30, 2018

Tax Credits Issued to 61 applicants: **$225,305,000**

- No credits have been claimed against sales and use taxes
- No credits have been claimed against income tax liability

Credit Caps and Feature Films

Program 2.0 expanded eligibility by eliminating the caps on the maximum budget allowable for feature films. While productions of any size may apply, the tax credit applies only to the first $100 million in qualified spending for non-independent films, and the first $10 million for independent films. Under Program 1.0, films with budgets exceeding $75 million (non-independent) and $10 million (independent) were not eligible to apply.

To date, 10 big-budget films (over $75 million) were accepted into the program resulting in $1.1 billion of direct spending in California. These types of projects have a big spending footprint and were specifically targeted by Program 2.0. However, other states and countries that continue to offer <u>uncapped</u> incentives have been successful in attracting many of these movies, as the differential in incentives offered is too great.

Additionally, the elimination of budget caps has allowed California to attract bigger budget independent films. These projects provide a great return on investment for the state as the tax credit remains capped. However, removal of the cap on production spending has negatively affected the ability of smaller independent films to compete against bigger budget independent films, as the available credits for this category are limited to only five percent of the tax credit program's total annual allocation.

II. Employment and Production Metrics (Third-Party Indicators)

Growth in Production Industry Employment

The CFC collects data from a variety of sources to track and better understand film and television production levels as well as employment in the entertainment sector.

- Members of California's below-the-line unions working in film and television (Teamsters, IATSE, basic crafts, and others covered under the Motion Picture Industry Pension & Health Plans) have experienced substantial growth in employment – a **15.6 percent** increase in hours worked in 2017 compared to 2014 – the year before Program 2.0 began. Hours worked by these employees during the first six months of 2018 compared to the same period in 2017 increased by **4.35 percent.**

- California's motion picture employment increased **9.36 percent** from 141,416 jobs in 2014 (the year prior to the launch of Program 2.0) to 154,658 in 2017
(Source: EDD (NAICS 5121 Categories).

- SAG-AFTRA reported a dramatic increase in the number of in-state entertainment background performer jobs since Program 2.0 launched. Employment for background actors working in scripted film and television in California increased **22.4 percent** in 2017 compared to 2014. The number of background jobs worked by San Francisco background performers grew by 52 percent and the number of jobs worked by background performers in San Diego grew by 103 percent in 2017 compared to 2014, as a result of more projects filming outside the Los Angeles area.

Growth of Production Infrastructure Use and Construction

FilmL.A. – the not-for-profit official film office of the City and County of Los Angeles – recently began tracking Sound Stage production days in bi-annual reports, analyzing the Los Angeles area's 334 certified sound stages totaling of more than 4.7 million square feet of production space. Combining these certified sound stages with hundreds of non-certified production facilities, FilmL.A. reported that in 2016, sound stages in the Los Angeles area were at near capacity – **96 percent**.
(Source: https://www.filmla.com/wp-content/uploads/2017/11/sound-stage-study-v3-WEB.pdf)

FilmL.A. also tracks the number of film days in the greater L.A. area and recorded the two best years on record in 2016 and 2017.

Responding to the high demand for studio space, the region has experienced substantial growth in new stage construction and/or conversions.

Allied Studios	Opening two new soundstages by the end of 2018 in Simi Valley.
Crimson Studios	Opened five stages in Chatsworth in 2017.
LINE 204	Plans to break ground in September 2018 to build 10 soundstages in Sun Valley, totaling 127,270 square feet.
NBCUniversal	Opened two new sound stages in 2016. They are currently building four additional sound stages of 18,000 square feet each.
Occidental Studios	Recently added a 20,000-square foot studio.
Santa Clarita	Added two soundstages with a combined 70,000 square-feet. Studio plans to build more once it locates the right property. The property owner attributes much of the growth to demand for space from tax credit projects.
Warner Bros.	Added its 36th stage to the studio complex and is planning to build three or four new stages at its nearby ranch facility.

The region is also benefiting from a surge in production office/support space construction. Apple plans to spend around $1 billion creating its own content in 2018 and is building a new studio home in Culver City, creating 128,000 square feet of offices and support space. Netflix made headlines in 2016 when the company leased the entire 323,000 square foot gleaming new Icon building in Hollywood to accommodate its rapid growth. Amazon Studios announced that it would be moving into the historic Culver Studios and occupying a total of 280,000 square feet by 2020.

In the meantime, FilmL.A. and the City and County of Los Angeles have been helping to identify warehouses or other properties which incoming productions can convert into temporary sound stages.

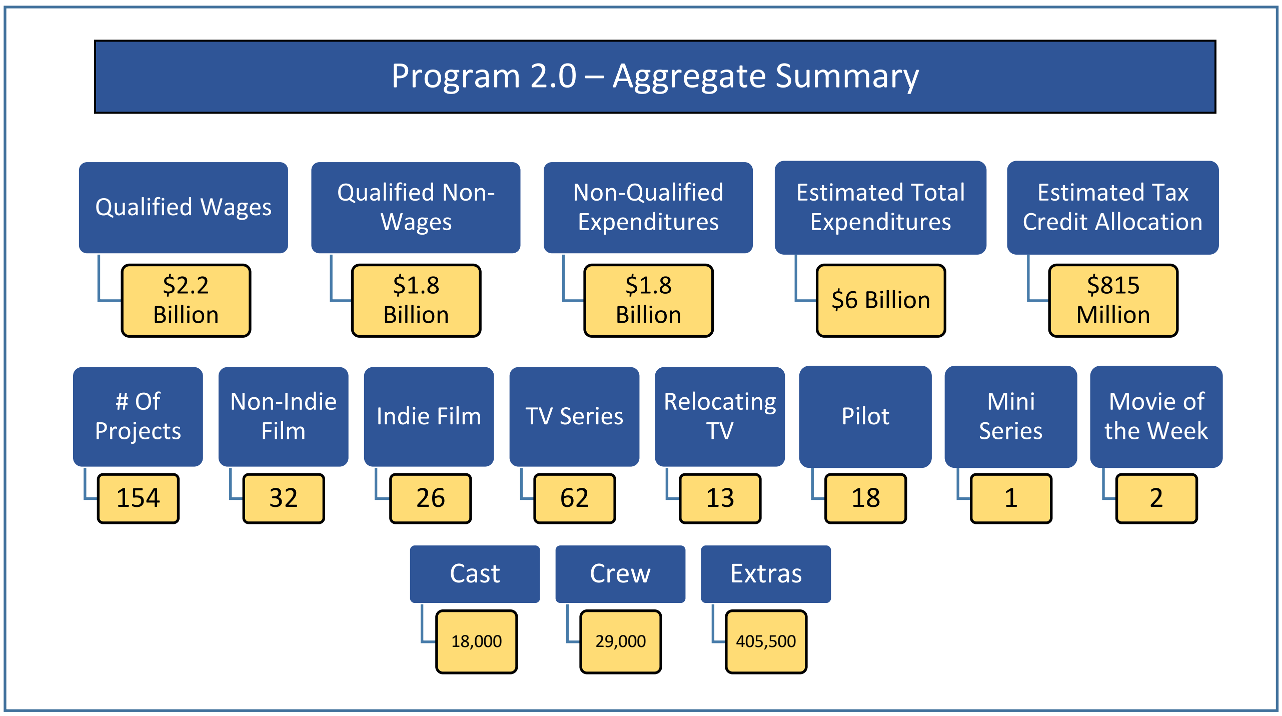
In Northern California, near Vallejo, Film Mare Island operates stages and equipment rentals at a former Navy ship building property. The studio opened in 2015 with five stages totaling 200,000 square feet.

While Los Angeles has, by far, the largest infrastructure for filmmakers in North America, competitors in other jurisdictions (e.g., New York, Georgia, Louisiana) and in Canada (e.g., British Columbia and Ontario) have built sound stages to accommodate projects attracted by tax incentives.

III. Program 2.0 Fiscal Year Allocation Summaries

Years 1 – 3 Aggregate Allocation Summary: July 2015 – June 2018

During the first three fiscal years of Program 2.0, California has benefited from a notable $5.9 billion in direct expenditures by film and TV projects approved for the program. This spending includes $2.25 billion in qualified wages, $1.89 billion in qualified vendor expenditures, and another $1.85 billion in other expenditures which do not qualify for tax credits. ("Qualified" wages do not include compensation paid to actors, writers, producers, directors, or other "above-the-line" workers, as these salaries do not qualify for tax credits.) Collectively, these productions are hiring more than 18,000 cast and 29,000 crew members. The investment of tax credits during this period totals $815 million.

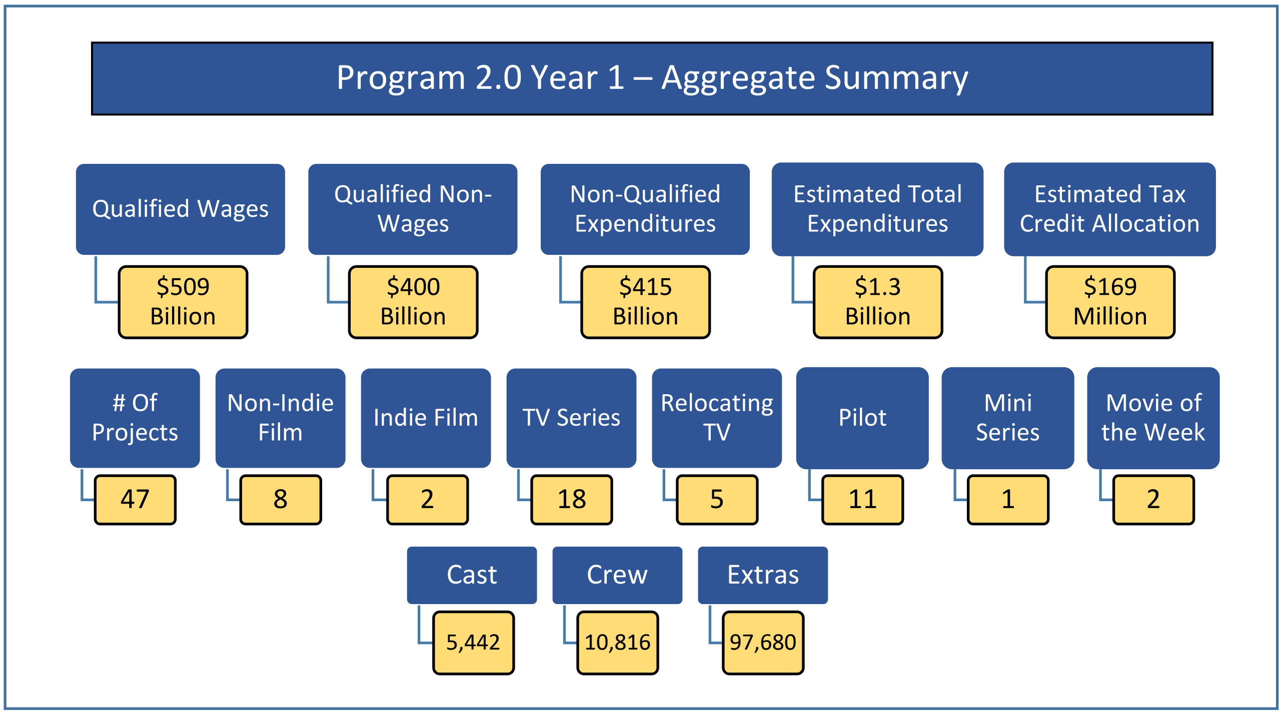


The above figures reflect direct spending for the projects receiving the credits. The report does not attempt to measure any secondary economic impacts. Generally recognized formulas or multipliers are not used.

Year 1 – Allocation Summary: July 2015 – June 2016

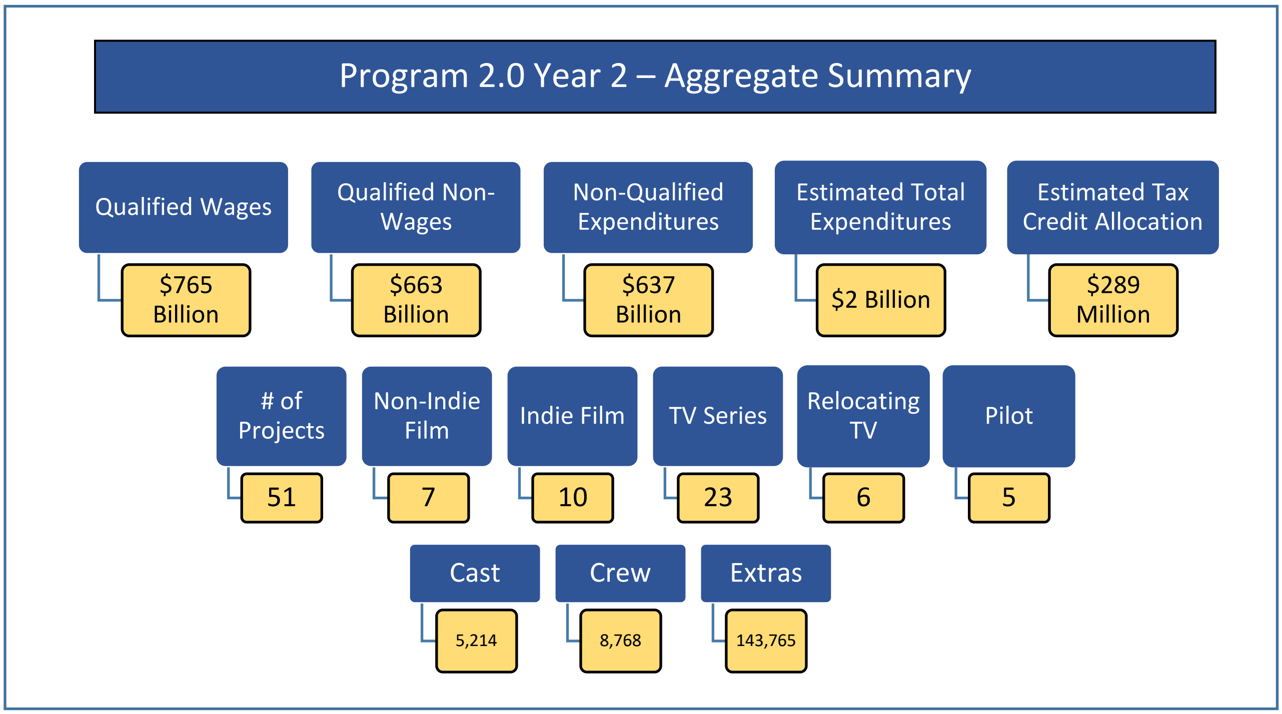
During fiscal year 2015-16, the CFC allocated approximately $169 million in tax credits to 47 film and television projects. Based on the budgets submitted by applicants, these projects are estimated to generate $1.3 billion in direct in-state spending, including $509 million in qualified wages.

While a total of $230 million was available for Year 1 of Program 2.0, the CFC allocated just $169 million as some projects initially allocated tax credits withdrew. Due to the timing of those withdrawals, any remaining tax credits were rolled over into the next fiscal year's funding.



Year 2 – Allocation Summary: July 2016 – June 2017

In fiscal year 2016-17, $289 million was allocated to 51 film and television projects. During the first two television application periods, only recurring television series and relocating television series were permitted to apply. This was due to the rapid success of Program 2.0 in attracting TV production to California. New television series, television pilots, movies of the week, and mini-series were permitted to apply during just one of the application periods. This restriction was necessary to accommodate the numerous recurring television applications already in the tax credit program.



The 51 approved projects for Program Year 2 are estimated to contribute $2 billion in direct in-state spending, including more than $765 million in qualified wages.

Recurring Television Series

Note: Program 2.0 statute mandates first priority of available tax credits for recurring television projects that have received a prior credit allocation. Priority is determined by the fiscal year of the original credit allocation, with higher priority afforded to the older projects. If further prioritization is necessary, applications are ranked according to the Jobs Ratio score in the most current applications.

Year 3 – Allocation Summary: July 2017 – June 2018

During fiscal year 2017-18, $357 million was allocated to 56 film and television projects. As in the previous fiscal year, new TV series, TV pilots, movies of the week, and mini-series were permitted to apply during just one of the three application periods due to high demand from recurring television series applicants which absorbed all available credits. In Program Year 3, two additional relocating series were added to the program, *Sneaky Pete* – which moved from New York and *Timeless* which relocated from Vancouver, Canada. Any unallocated tax credits remaining at the end of the fiscal year were rolled into funds for the next fiscal year.

The 56 approved projects for Program Year 3 are estimated to contribute $2.6 billion in direct in-state spending, including nearly $980 million in qualified wages.

Program 2.0 Year 3 – Aggregate Summary

Qualified Wages	Qualified Non-Wages	Non-Qualified Expenditures	Estimated Total Expenditures	Estimated Tax Credit Allocation
$979 Billion	$801 Billion	$637 Billion	$2.6 Billion	$357 Million

# of Projects	Non-Indie Film	Indie Film	TV Series	Relocating TV	Pilot
56	17	14	23	2	2

Cast	Crew	Extras
7,387	9,568	164,080

IV. Program 2.0 – Relocating Television Series

The dedicated funding category for Relocating Television Series gives those applicants considering a move to California much greater certainty that tax credits will be available. During the first three years of Program 2.0, 13 such series were selected under the Relocating Television Series category. During the first application period of Program Year 4, California gained two additional relocating projects, *Good Girls* which moved from Atlanta and *You* from New York. To date, a total of 15 television series have moved to California under Program 2.0.

Program 2.0 attracted projects from across North America – Florida, Georgia, Louisiana, Maryland, New York, North Carolina, Texas, and four television series from Vancouver, Canada. Collectively, these projects are contributing more than $1.2 billion in direct spending in California. It is worthwhile to note the substantial economic value of luring a television series to relocate to California, as such projects typically generate longer-term employment compared to feature films.

Program 2.0 - Relocating Television Series

Title	Previous Location	Season in CA	Qualified Wages for All Seasons in CA	Total CA Expenditures for All Seasons in CA	Total Credit Allocation for All Seasons in CA
American Crime - ABC	Texas	1	$ 12,201,000	$ 31,432,000	$ 5,010,000
American Horror Story	Louisiana	4	$ 82,257,000	$ 245,080,000	$ 30,662,000
Ballers	Florida	2	$ 31,265,000	$ 114,143,000	$ 13,985,000
Good Girls	Georgia	1	$ 20,091,000	$ 52,026,000	$ 9,294,000
Legion	Vancouver	1	$ 21,900,000	$ 60,904,000	$ 11,032,000
Lucifer	Vancouver	2	$ 68,642,000	$ 184,961,000	$ 30,660,000
Mistresses	Vancouver	1	$ 13,403,000	$ 21,903,000	$ 5,475,000
Scream Queens	Louisiana	1	$ 26,225,000	$ 61,891,000	$ 9,200,000
Secrets and Lies	North Carolina	1	$ 13,487,000	$ 35,981,000	$ 5,734,000
Sneaky Pete	New York	1	$ 22,067,000	$ 53,291,000	$ 9,204,000
Timeless	Vancouver	1	$ 22,261,000	$ 56,676,000	$ 9,957,000
The Affair	New York	1	$ 19,073,000	$ 50,181,000	$ 8,407,000
The OA	New York	1	$ 17,976,000	$ 45,163,000	$ 8,202,000
Veep	Maryland	3	$ 49,477,000	$ 175,259,000	$ 20,116,000
You	New York	1	$ 14,591,000	$ 34,116,000	$ 6,062,000
		TOTAL	**$ 434,916,000**	**$ 1,223,007,000**	**$ 183,000,000**

* Data reflects Program 2.0 Program Years 1-3 and the first quarter of Year 4

IV. Program 2.0 – Big-Budget Feature Films

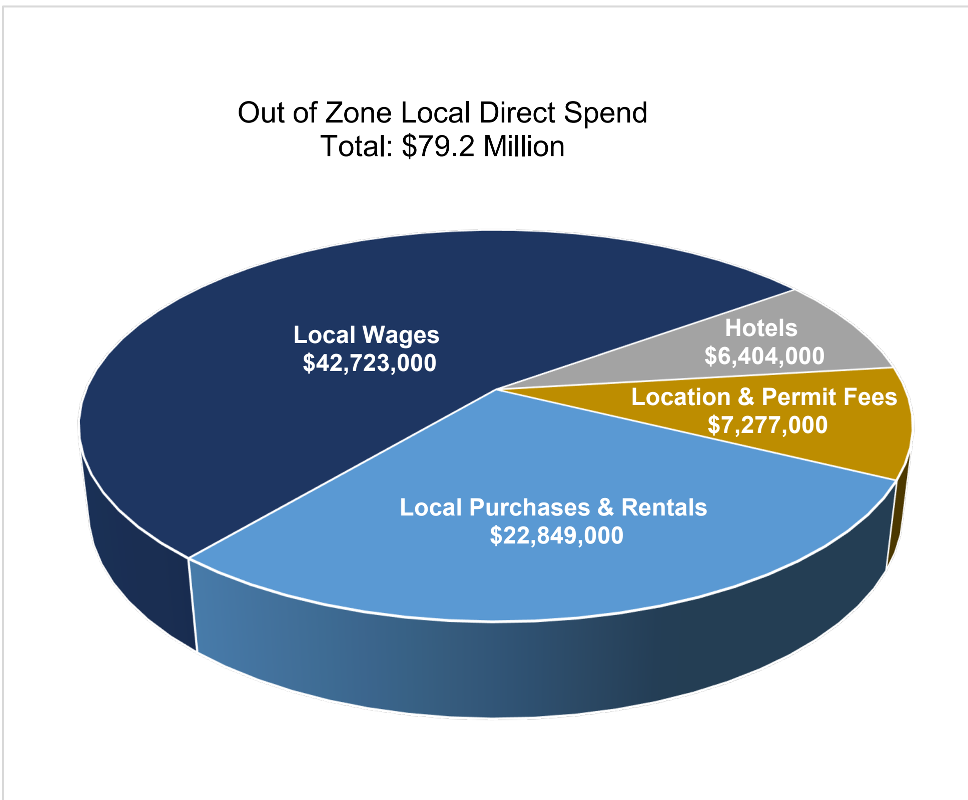
Program 2.0 legislation expanded eligibility to include projects with budgets over $75 million. Currently, any size feature film may apply, but the tax credit is applied to a maximum of $100 million in qualified spending. Since Program 2.0 has been in effect, California has attracted 10 big-budget feature films (budgets over $75 million) – *A Wrinkle in Time, Ad Astra, Birds of Prey, Bright, Bumblebee, Call of the Wild, Captain Marvel, Ford vs Ferrari, Island Plaza,* and *Once Upon a Time in Hollywood.*

Program 2.0 Big Budget Films				
Title	**Production Company**	**Total Qualified Wages**	**Total CA Expenditures**	**Tax Credits**
A Wrinkle in Time	The Walt Disney Studios	$ 44,848,000	$ 117,000,000	$ 18,155,000
Ad Astra	Lima Project Films	$ 28,766,000	$ 89,976,000	$ 2,500,000
Birds of Prey	Warner Bros.	$ 33,114,000	$ 97,146,000	$ 12,615,000
Bright	FogTeeth Productions, LLC	$ 37,406,000	$ 113,450,000	$ 7,233,000
Bumblebee	Paramount Pictures	$ 51,006,000	$ 128,796,000	$ 22,394,000
Call of the Wild	20th Century Fox Film Corporation	$ 42,193,000	$ 109,004,000	$ 17,093,000
Captain Marvel	Warbird Productions, LLC.	$ 61,448,000	$ 137,032,000	$ 20,755,000
Ford v. Ferrari	19th Century Fox Film Corporation	$ 38,909,000	$ 114,537,000	$ 16,957,000
Island Plaza	Paramount Pictures Corporation	$ 50,913,000	$ 173,589,000	$ 21,492,000
Once Upon a Time in Hollywood	L. Driver Productions, Inc.	$ 48,455,000	$ 108,933,000	$ 18,019,000
	Total	**$ 437,058,000**	**$ 1,189,463,000**	**$ 157,213,000**

* Data reflects Program 2.0 Program Years 1-3 and the first quarter of Year 4

V. Program 2.0 Statewide Impact – Local Spending

Program 2.0 encourages productions to use locations throughout California. Non-independent projects that film outside the Los Angeles 30-mile zone are eligible to receive an additional five percent tax credit for related costs incurred during the applicable period (prep, shoot, and strike). The Los Angeles 30-mile zone encompasses the greater Los Angeles area, where most filming typically occurs. The additional incentive for out-of-zone production applies only to *non*-independent films, as independents already receive the maximum 25 percent tax credit. Projects may also receive up to 10 bonus points to raise their Jobs Ratio score, increasing their chance of being selected based on the percentage of filming days that occur outside the Los Angeles 30-mile zone.



When productions film on location outside the Los Angeles area, data reflect that they typically spend $50,000 - $100,000 *per day* in the local region. As illustrated, this spending benefits many small businesses, including grocers, hardware stores, gas stations, hotels, and other retail businesses as well as local hires for services such as catering and construction work. In addition, such spending impacts local governments directly via payments made to local police and fire departments, as well as revenue from local permit fees.

The television series *13 Reasons Why* was able to gain bonus points by filming in Northern California. Produced by Paramount Pictures for distribution through Netflix, the series is set in the Bay Area, and films entirely in Alameda, Contra Costa, Marin, Napa, San Francisco, Solano and Sonoma counties. During its first two seasons, they spent more than $37.5 million in those counties. Now in its third season, *13 Reasons Why* is the first long-term tenant at the new Film Mare Island production facility in Vallejo, California.

Below are spending estimates from Program 2.0 projects that reported out-of-zone filming in fiscal year 2015-16, 2016-17, and 2017-18.

Program 2.0 - Local Spend Outside Los Angeles 30-Mile Zone		
County	**Total Local Spending**	**Project Title**
Alameda	$1,486,434	*Ballers*
Contra Costa	$1,828,481	*13 Reasons Why*
Fresno	$426,524	*Captain Marvel*
Humboldt	$498,945	*A Wrinkle In Time*
Inyo	$327,967	*Bumblebee*
Kern	$294,884	*Captain Marvel*
Los Angeles	$22,967	*This is Us*
Marin	$14,124,245	*13 Reasons Why, Bumblebee*
Mendocino	$1,225,382	*Sharp Objects*
Mono	$290,176	*Bumblebee*
Napa	$664,680	*13 Reasons Why*
Orange	$1,820,359	*Ballers, CHiPs, Magic Camp, Rosewood, Suburbicon, This Is Us*
Riverside	$88,949	*Twin Peaks*
San Bernardino	$115,811	*Veep*
San Diego	$2,805,661	*Pitch (Pilot), Animal Kingdom*
San Francisco	$2,122,996	*13 Reasons Why, Ballers, Bumblebee*
Santa Cruz	$1,698,517	*Bumblebee*
Solano	$41,591,389	*13 Reasons Why, Bumblebee*
Sonoma	$6,520,710	*13 Reasons Why*
Ventura	$386,310	*Ballers, Magic Camp, Rosewood, Scream Queens*
Total	**$78,341,387**	

VI. Career Readiness – Educational Opportunities

Program 2.0 created the "Career Readiness" requirement. All applicants that receive a tax credit reservation must participate in career-based learning and training programs for California students. The CFC developed the structure for participation based on extensive collaboration with the California Department of Education and the California Community Colleges Chancellor's Office. The CFC is also engaged with non-profits and other organizations involved in career-pathway opportunities for high school and post-high school students, such as Hire LA's Youth, First Star Academy (foster youth), Streetlights L.A. and Ghetto Film School.

To satisfy the Career Readiness requirement, applicants must choose one of the following methods of participation:

- Paid Internship: Provide students enrolled in an accredited high school, community college or approved career-based learning program three paid internship positions for a minimum of 75 hours each, or a combination of internships with a minimum of 75 hours per student to total 225 hours.

- Classroom Workshop/Panel: Provide students enrolled in an accredited high school or community college a minimum of eight hours of classroom workshops or demonstrations conducted by entertainment industry professionals. Topics may include various aspects of the industry such as set operations, post-production, and specific technical crafts.

- Professional Skills Tour: Provide students enrolled in an accredited high school or community college a minimum of eight hours of studio professional skills tours, which may include guided visits of sets and various departments, such as set construction, wardrobe, art, or editorial.

- Faculty Externship: Provide a minimum of eight hours of continuing education for faculty and/or other educators to observe set operations, post-production, and other specialized departments.

- Financial Contribution: Make a financial contribution to the California Department of Education (CDE) or the Foundation for California Community Colleges (FCCC). These funds are earmarked for use in arts, media and entertainment career- oriented programs. The minimum contribution for independent and non-independent productions is 0.25 percent of the estimated tax credit, with a minimum of $5,000 and a maximum of $12,000.

To date, 45 productions have hired 112 students as paid Interns who gained exposure to various departments including art, camera, grip, electric, wardrobe, and the production office. Thirty-three interns were from career-based workforce programs, 66 from Los Angeles area Community Colleges or high schools, and 13 from schools in Sonoma, Ventura, or Santa Clara County. Responding to a survey on their experiences, 100 percent of the surveyed interns said they would recommend this program to their peers.

M. Cortez, Intern – *Bird Box*

"It has given me more confidence now that I have been involved in a production to pursue a job in the industry."

B. Hoang, Intern – *Captain Marvel*

"It's the best way to get hands-on practice with several of the best wardrobe people in the industry. It's the chance of a lifetime."

Six productions participated in Classroom Workshop/Panels, while 16 conducted Professional Skills Tours. Fifteen projects chose Faculty Externships, enabling 29 educators from Los Angeles, Orange, San Diego and San Francisco counties to immerse themselves film sets.

Anna Geyer, Faculty Extern – *The OA*

"It was a great opportunity to be on the set of a large, skilled, smoothly operating shoot. It has been a while. I witnessed the use of recent technology and spoke with a number of professionals concerning their work."

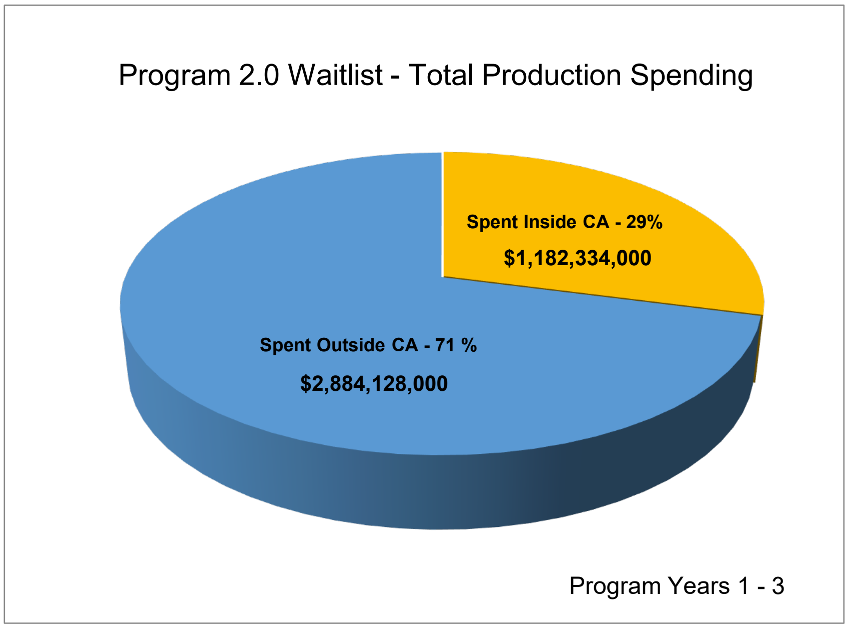
Fifty productions made Financial Contributions to either the high school or community college funds. California Department of Education (CDE) donations provided 87 scholarships to underserved California students for summer sessions at the California State Summer School for the Arts (CSSSA), which provides training to students who wish to pursue careers in the arts and entertainment industries in California. Contributions to the CDE also provided **65** stipends helping students attend the Arts Education event, *Student Voices,* in Los Angeles and Oakland. Community college donations provided paid internships for arts/media/entertainment students outside of Program 2.0.

Number of Projects and Participation Options				
45 Paid Internships	16 Professional Skills Tours	15 Faculty Externships	6 Classroom Workshops	50 Financial Contributions

Number of Individuals Participating		
112 Paid Interns Hired	29 Faculty Externships	64 Professional Skills Tours with Students and Faculty

VII. Program 2.0 Waitlist Analysis – Projects That Did Not Receive California Tax Credits

Data support that the tax credit has an impact on encouraging film and television projects to film in California. While the state has retained much production as a result of Program 2.0, many projects that applied for tax credits were wait-listed and later denied due to limited funding. The CFC has tracked the fate of those projects that were subsequently produced without the benefit of California tax credits. This analysis covers Program Years 1 -3.



The majority of waitlisted projects left California to be produced out-of-state. In fact, the state lost 71 percent of production spending by projects that applied for but did not receive a California tax credit. These 'runaway' projects accounted for $2.88 billion in production spending outside California - a loss to the state's below-the-line production workers and the businesses that rely on the film and television production industry.

Note that the CFC is not able to track projects that do not apply for California's film and television tax credits or that are ineligible.

VIII. Program 1.0 "First Generation" Tax Credit Program Overview

Legislation passed in 2009 established a five-year, $500 million ($100 million per fiscal year) Film & Television Tax Credit Program. The Program was extended for an additional year in September 2011, then extended for two more years in September 2012, for a total of $300 million in additional funding. Program 1.0 officially ended June 30, 2017 per the sunset provision, however, the CFC will continue to review audits and other compliance requirements and process requests for tax credit certificates until all Program 1.0 projects have completed their final paperwork.

By June 2018, approximately $646 million in credits was allocated (reserved) for eligible film and television projects. The aggregate direct spending from these projects in California is **$5.21 billion**, including an estimated **$1.8 billion** in qualified (below-the-line) wages. Figures shown in Appendix C.1. are actual, audited spending; however, a few projects have not yet filed their final audits and therefore, some figures utilize production estimates.

Although the lottery system of awarding tax credits ended in April 2015, Program 1.0 continued to allocate tax credits to series already in the program that returned for subsequent seasons. However, numerous projects from Program 1.0 have since ceased production. In addition to the tax credits that became available from cancelled television series, tax credits were also available from projects whose final awarded credits were less than the original estimate, and from feature films that had previously received an allocation but had since withdrawn. These numbers are reflected in the final amount of unallocated credits from Program 1.0, which total $154 million. A provision in the new Program 3.0 statute allows the CFC to allocate these unused credits under the new program beginning in July 2020.

Program 1.0 was designed to target those productions that, at the time, were considered the most susceptible to leave the state due to incentives offered by other jurisdictions. Such projects included television series produced for basic cable, and low-to-mid-budget feature films. It allowed broader eligibility criteria for television series that wished to relocate to California from out-of-state. Like Program 2.0, these are classified as Relocating Television Series, and included scripted one-hour and half-hour programs for distribution on network, basic, or premium cable channels, or the internet. Under Program 1.0, four series relocated to California and contributed more than $328 million in direct spending, including $143 million in qualified wages (Appendix C.2.).

Program 1.0 achieved its goal of keeping many at-risk projects in California, as well as spreading productions throughout the state (see Appendix C.3.). While most California production activity under Program 1.0 occurred in the greater Los Angeles area, other regions across the state experienced significant economic impact from tax credit productions (see Appendix C.4.).

Despite this success, California continued to experience a steady erosion of projects <u>not</u> eligible for Program 1.0, including television series dramas produced for network, pay cable and internet distribution, and big-budget feature films – as a large number of projects that applied were denied due to limited funding. The CFC tracked the fate of those projects (see Appendix C.3.) that were denied and subsequently produced without California tax credits.

Productions do not receive tax credit certificates (i.e., actual tax credits) until all post-production is completed and the CFC has reviewed all required documentation – including CPA audited cost reports. Because of varying production schedules, applicants typically submit their final documentation within 18-24 months after receiving their initial allocation letter.

Program 1.0 Tax Credit Certificate Status as of June 30, 2018

Tax Credits Issued to 292 applicants: **$599,179,000**

- Credits claimed against sales and use taxes: **$53,076,000**
- Credits claimed against income tax liability: **$346,614,200**

IX. Global Competition for California's Motion Picture Industry

Today's business model for feature film and scripted television production continues to rely heavily on tax incentives to manage production costs. Although some projects are produced without the benefit of tax credits, the availability of incentives is a primary factor when it comes to determining where most of them are filmed. Independent production companies incorporate the monetization of tax credits (selling tax credits to third parties) as a key part of their financing structure. Non-independent (studio) productions routinely factor in competing tax incentives when considering where to base their projects. More than 30 U.S. states offer financial incentives to lure jobs and spending away from California, as do Canada, Australia, the United Kingdom, most European Union nations and Abu Dhabi – to name just a few. Visit https://www.epfinancialsolutions.com/ for a comprehensive listing of film and television tax credits available in the U.S. and around the world.

Out of State Competitors Maintain Growth

California's primary competitors have committed to growing their foothold as top-notch film and television production centers. Once incentives took root outside of California, those locales evolved their own infrastructures with stage construction, post-production facilities, and importantly, a skilled local workforce. Incentive-rich jurisdictions such as New York, Louisiana, Massachusetts, Georgia, Canada, the U.K., and Hungary have built impressive multi-stage facilities and instituted job training programs as well.

While production companies will often relocate relatively small creative teams (producers, actors, directors, writers) to another state for the duration of a film shoot, very few "below-the-line" crew members (e.g., camera technicians, electricians, make-up artists, prop masters, drivers) from California are hired due to the additional expense for travel and housing. The few skilled California crew members who are transported to work on-location end up, in practice, training the local workforce. This process helps create a growing pool of local crews across the country and around the world, making it less likely that California crew members will be needed to work out of state on subsequent projects. In a further economic hit to California, crew members who work out-of-state pay income taxes in the *work* state; California receives only the differential in taxes owed.

Despite the success of California's film and television tax credit programs, the state has lost significant production as competing incentive-offering locales have achieved dramatic growth in production spending.

Georgia

Georgia is now tied for second place (with the U.K.) in terms of hosting top-grossing feature films released at the U.S. Box Office in 2017. (Canada landed at No. 1.) According to Georgia Governor Nathan Deal, Georgia-lensed feature film and television productions generated a total economic impact of $9.5 billion during fiscal year 2017-18, and the 455 combined productions represent $2.7 billion in direct spending in the state. Georgia realized a 2100 percent increase in production spending since its program began in 2005.

Source: http://www.georgia.org/newsroom/press-releases/georgia-was-home-to-a-record-455-film-and-television-projects-in-fy-18/

Louisiana

In 2017, production spending decreased to $343 million following changes to Louisiana's incentive program which limited the amount of tax credits that could be claimed each year. Production spending topped $893 million in 2016 – a 1010 percent increase since the state introduced its incentive in 2003, according to Louisiana Economic Development.

New York

2017 broke production records in all areas, making it the fourth consecutive year of growth in New York, with $3.8 billion in direct production spending. The state's post-production incentive program also grew, up 12 percent over last year to $96 million.

United Kingdom

2017 was a banner year for film and TV production in the U.K., with spending hitting a record £2.84 billion ($4 billion) – an 11 percent increase from the previous year, according to data released by the British Film Institute. The U.K. ranked first in total budget spend within its borders for the third year in a row (Source: *FilmL.A. 2017 Feature Film Study*). The majority of U.K. spending (71 percent) was accounted for by films backed by the major US studios, a total of £1,354 million. This was an increase from £1,101 million in 2016, where U.S. films accounted for 64 percent of UK spend.

Source: https://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/bfi-film-high-end-television-and-animation-programmes-production-in-uk-full-year-2017.pdf

Canada

Film and TV production spending in Canada jumped by 24.3 percent to an all-time high of CAD $8.38 billion in fiscal year 2016-17. Much of that growth was attributed to an increase in productions by foreign producers – more than CAD $3.7 billion – the highest level the country has seen. Every province involved with foreign-based productions saw an increase over last year.

Source: *Profile 2017 - Economic Report on the Screen-Based Media Production Industry in Canada*
https://www.mpa-canada.org/research_docs/profile-2017-economic-report-on-the-screen-based-media-production-industry-in-canada/

Loss of Large-Scale Feature Film Production – Impacts California

The loss of big-budget feature films has had, perhaps, the most detrimental effect on California's production industry. Each such project can employ thousands of workers and generate business for more than a thousand suppliers. They often require the use of multiple large-scale sound stages to accommodate elaborate sets and equipment.

In 2017, 31 big-budget feature films with budgets over $75 million were released in theaters. Only one of these films was shot primarily in California (*Bright,* a tax credit recipient) and only three filmed partially in-state. By contrast, seven such films shot in the U.K., four filmed in Canada, and three in Georgia.

Program 2.0 legislation attempted to correct this trend by expanding eligibility to projects with budgets over $75 million. Since Program 2.0 has been in effect, California has attracted 10 big-budget feature films. Most of these have release dates in 2018 or later and will therefore be reflected in next year's report.

While California has succeeded in attracting these films, the credit cap and the availability of more generous tax credits out of state continues to hinder California's ability to attract more films of this size.

California's Visual Effects Industry Suffers Due to Out-of-State Competition

In addition to luring film production away from California, many states and countries have incentives that specifically target the visual effects industry. New York State offers a 30 percent tax credit for visual effects and post production work. British Columbia and Quebec, Canada each provide a 16 percent credit on visual effects work produced in these provinces, as well as their provincial (28 percent and 20 percent respectively) and federal tax breaks of 16 percent. In 2014, Sony Pictures Imageworks moved its headquarters from Culver City, CA to Vancouver, Canada. Many other visual effects companies have relocated to Canada – taking high-wage jobs with them.

This trend is also occurring on a global scale. One prominent example involves Industrial Light and Magic (ILM) – the renowned visual effects company founded in the Bay area by George Lucas. The company has expanded and grown its business by opening a U.K. division to train locals to handle work for many visual effects projects, including the S*tar W*ars franchise.

The 2017 Film L.A. Feature Film Study (referenced above) found that Canada and the U.K. have surpassed the U.S. in visual effects industry output. The report also notes that many big-budget films spend more than half their budgets on visual effects.

Program 2.0 was designed to motivate companies to do more of their visual effects work in California by providing an additional 5 percent tax credit for projects that spend either 75 percent of their total visual effects budget or at least $10 million in-state. Applicants also accrue Jobs Ratio bonus points based on their total visual effects spending in California, which can increase their Jobs Ratio.

X. Conclusion

Recognizing the need to compete more effectively for entertainment production jobs on a global scale, state lawmakers and Governor Brown created the expanded Program 2.0, which more than tripled Program 1.0 funding and added key provisions to attract additional types of projects (e.g., big-budget feature films and television series) that are highly vulnerable to runaway production. Building on its success, lawmakers created Program 3.0, which makes additional program improvements and continues funding through 2025.

During its first three years, Program 2.0 attracted film and television projects that will collectively contribute $6.0 billion in direct spending to California. Among those projects are 13 television series that relocated to California after being accepted into the program, with another two relocating series added in the first quarter of FY 2018-19. All of these series had received tax credits in the states where they originated. All told, they are on track to spend more than $1.2 billion in-state. Over multiple seasons, their spending impact will be even more substantial.

Program provisions that offer added incentives for projects filming outside the Los Angeles region are having the desired effect. Approved productions spent more than $78 million across 19 counties outside of Los Angeles.

High demand for studio space, with L.A. sound stages operating at near capacity, is spurring substantial growth in new stage and infrastructure construction.

In a highly competitive global environment, California still boasts a critical mass of state-of-the-art facilities and the best talent – both in front of and behind the camera. Leveraging modest, sustainable tax credits against the robust private spending associated with most film and television series production empowers our state to retain and grow its share of jobs and economic development generated by this distinctly California industry.

Appendix A | Program 1.0 vs. Program 2.0 - Comparison

	Program 1.0	Program 2.0
Funding	$100M per Fiscal Year	$330M per Fiscal Year ($230M in Year 1)
Funding Categories	• 10% Reserved for Independent Productions • 90% Unspecified	• 40% – TV Series, Pilots, Mini-series, Movies of the Week • 35% – Non-independent Films • 20% – Relocating TV Series • 5% – Independent Films
Eligibility	Non-indie and Indie films (budget caps apply), Movies of the Week, Mini-series, Relocating TV Series, and 1-hr TV Series (produced for basic cable)	Expands eligibility to include Feature Films without budget limit, 1-hr TV Series (for any distribution outlet) and TV Pilots.
Budget Caps	$75M production budget cap (for non-indie films) or $10M qualified expenditure budget cap (for independent films)	No budget caps, but tax credit eligibility applies only to each project's first $100M in qualified spending (for non-independent films) or first $10M (for independent films).
Application Selection	Lottery	"Jobs Ratio" Ranking within Specific Categories
Allocation Periods	Once per fiscal year	Multiple allocation periods each fiscal year
Tax Credit Allocation	• 25% - Independent films • 20% - Non-Independent	• 25% - Indies and Relocating TV • 20% (base) - Non-Indies • 5% Additional "Uplift" for filming outside the 30-Mile Zone, visual effects and music scoring/recording expenditures

Appendix B | Program 2.0 vs. Program 3.0 - Comparison

Changes indicated in bold.

	Program 2.0	Program 3.0
Sunset Date	June 30, 2020	June 30, **2025**
Funding	$330M per Fiscal Year	No change
Funding Categories	40% TV Series, Pilots, Mini-series, MOWs 35% Non-independent Films 20% Relocating TV Series 5% Independent Films	40% TV Series, Pilots, Mini-Series, **~~MOWs~~** 35% Non-independent Films **17%** Relocating TV Series **8%** Independent Films Independent film funding split between projects with budgets under $10m and over $10m.
Tax Credit Allocation %	25% Indies and Relocating TV 20% Non-Indies Additional 5% "Uplift" • Filming Outside 30-Mile Zone • Visual Effects Expenditures • Music Scoring/Recording Expenditures	25% Indies and Relocating TV 20% Non-Indies Additional 5% "Uplift" • Filming Outside 30-Mile Zone • Visual Effects Expenditures • **Eliminates 5% for** • **Music Scoring/Recording** • **5% Additional for Local Hires Working Out-of-Zone**
Application Selection	"Jobs Ratio" Ranking within Specific Categories.	"Jobs Ratio" Ranking within Specific Categories; **allows 70% of qualified Visual Effects expenditures paid to 3rd party vendors shall be treated as wages.**
Career Training	Career Readiness Requirement	Career Readiness requirement, PLUS: **Establishes pilot skills training for individuals from underserved communities to prepare for jobs in the industry; fee paid by applicants to fund training. Training fund to be administered by a non-profit fiscal agent; CFC to engage labor/management jointly administered training programs with skills training focused on entertainment industry jobs.**
Deadline to Begin Filming	180-day Rule – productions must begin filming within 180 days of credit allocation letter.	180-day Rule – Productions must begin filming within 180 days of credit allocation letter; **for projects with budgets over $100M, must begin filming within 240 days.**
Penalty for Overstatement of Jobs Ratio	Different penalties for Non-Independent and Independents.	**Same penalty for Non-Independent and Independents.**

Appendix B | Program 2.0 vs. Program 3.0 – Comparison (cont.)

	Program 2.0	Program 3.0
Reallocation of Funds Between Categories	• Surplus from Relocating TV funds must go to general TV Pot. • CFC may move excess funds within 60 days of an allocation period. • CFC may move 5% of funds to category with greater demand.	Any surplus must go to general TV Pot at the end of the fiscal year, (except Independent Film surplus stays within same category.)
Carry Forward	Taxpayer may carry forward tax credit for 5 years.	Taxpayer may carry forward tax credit for **8 years.**
Relocating TV Eligibility	Must have filmed most recent season outside of CA.	Must have filmed **at least 75%** of most recent season outside of CA.
Movies-of-the-Week	Eligible type of production.	**Omit Movie-of-the-Week;** this production type may apply as feature film category.
Bonus Points	Include facility usage as bonus point factor.	• Eliminate facility usage as bonus point factor • Add music scoring as bonus point factor
Unallocated Credits	After sunset date, CFC may not allocate unused credits.	• CFC may allocate unused credits from Programs 1.0 and 2.0. • After sunset date of 3.0, CFC may continue to allocate unused credits from all 3 programs.
Anti-Harassment Provision	None.	Requires approved applicants to provide their written policy against unlawful harassment which includes procedures for reporting and investigating harassment claims. Applicants shall indicate how policy will be distributed to employees and include education training resources and remedies available.
Diversity Reporting	Requires approved applicants to provide statistics on the diversity of the workforce employed.	Requires approved applicants to provide a copy of their initiatives and programs to increase the representation of minorities and women in job classifications that are excluded from qualified wages (directors, producers, writers, actors). Also requires applicants to provide statistics on the gender, racial, and ethnic status of individuals whose wages qualified and are not qualified.

Table 1. Aggregate Summary

Program 1.0 Years 1 - 7 Aggregate Summary									
Program Year	FY Funding	Estimated Tax Credit Allocation	Estimated Direct Spending	Qualified Wages	Qualified Non-Wage Expenditures	Non-Qualified Expenditures	# of Cast	# of Crew	# of Extras
1	2009-10 2010-11	$ 153,615,000	$ 1,230,290,000	$ 454,942,000	$ 321,190,000	$ 454,158,000	4,676	8,982	114,297
2	2011-12	$ 95,094,000	$ 830,863,000	$ 272,461,000	$ 196,728,000	$ 361,629,000	3,652	7,382	73,036
3	2012-13	$ 68,838,000	$ 602,107,000	$ 185,454,000	$ 136,688,000	$ 279,965,000	3,477	5,946	56,166
4	2013-14	$ 96,582,000	$ 770,545,000	$ 264,638,000	$ 188,977,000	$ 312,775,000	3,528	7,039	77,236
5	2014-15	$ 86,251,000	$ 697,700,000	$ 246,322,000	$ 173,950,000	$ 275,415,000	3,653	6,542	73,657
6	2015-16	$ 74,701,000	$ 534,845,000	$ 225,550,000	$ 141,460,000	$ 167,601,000	2,993	3,957	45,014
7	2016-17	$ 70,838,000	$ 547,600,000	$ 201,372,000	$ 124,366,000	$ 197,546,000	2,480	3,101	51,439
Aggregate All Years		$ 645,919,000	$ 5,213,950,000	$ 1,850,739,000	$ 1,283,359,000	$ 2,049,089,000	24,459	42,949	490,845

Table 2. Aggregate Summary

Program 1.0 Relocating Television Series						
Title	Previous Location	Seasons in CA	Qualified Wages for All Seasons in CA	Qualified Non-Wages for All Seasons in CA	Total CA Expenditures for All Seasons in CA	Total Credit Allocation for All Seasons in CA
Body of Proof	RI	2	$ 41,728,000	$ 22,760,000	$ 95,809,000	$ 16,122,000
Important Things w/ Demetri Martin	NY	1	$ 3,476,000	$ 2,104,000	$ 6,432,000	$ 1,340,000
Teen Wolf	GA	4	$ 93,144,000	$ 48,776,000	$ 197,597,000	$ 35,157,000
Torchwood	U.K.	1	$ 13,745,000	$ 9,942,000	$ 34,781,000	$ 5,700,000
		TOTAL	$ 152,093,000	$ 83,582,000	$ 334,619,000	$ 58,319,000

Table 3. Withdrawn Projects – Program 1.0

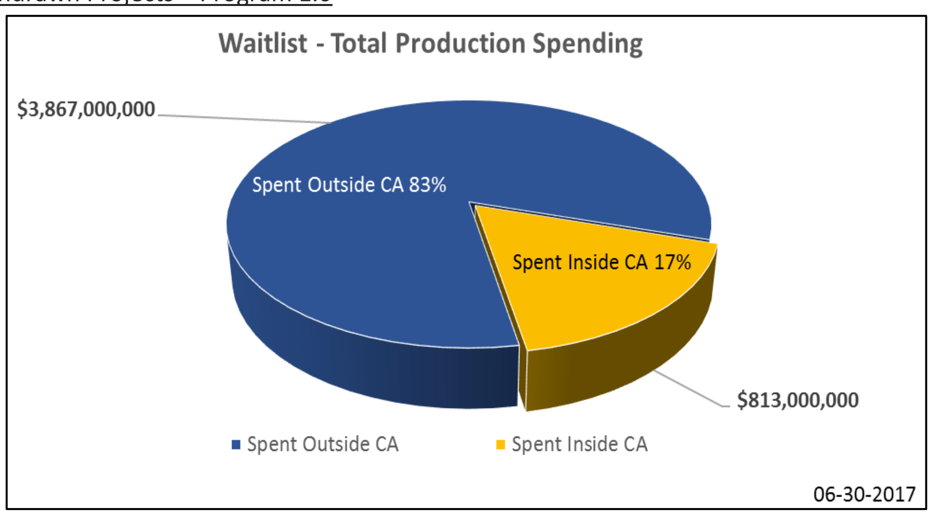


Table 4. Out-of-Zone Local Spend

Program 1.0 - Local Spend Outside Los Angeles 30-Mile Zone		
County	**Total Local Spending**	**Project Title**
Alameda	$4,447,000	*Hemingway & Gellhorn, Moneyball*
Humboldt	$855,000	*Swiss Army Man, Woodshock*
Imperial	$817,000	*American Sniper, Last Days in the Desert*
Kern	$327,000	*The Congress, Faster, Justified, In Your Pocket, Priest*
Nevada	$16,000	*Her*
Orange	$190,000	*J. Edgar, Jackass, Look of Love, Saving Mr. Banks*
Placer	$65,000	*Jackass*
Riverside	$621,000	*Behind the Candelabra, Billion Dollar Movie, The Gambler, Knight of Cups*
San Bernardino	$1,500,000	*American Sniper, Argo, Her, Hirokin, Hit the Floor, Jackass, Priest*
San Diego	$19,000,000	*Indwelling: Return of the Saint, Last Days in the Desert, Paranormal Activity: The Marked Ones, Terriers*
San Francisco	$16,000,000	*Hemingway & Gellhorn, Knife Fight, Murder in the First, Nine Lives of Chloe King, Please Stand By*
San Luis Obispo	$68,000	*Jackass*
San Mateo	$1,800,000	*Chasing Mavericks, Swiss Army Man*
Santa Barbara	$410,000	*No Strings Attached, Rites of Passage*
Ventura	$6,500,000	*Jackass, Justified, Super 8, Water for Elephants, We Bought a Zoo*
Total	**$52,616,000**	

Appendix D | Enacting Legislation

- SB X3 15 (Calderon) / ABX3 15 (Krekorian) was enacted in 2009 to create the California Film and Television Tax Credit Program, which provided a five-year, $500 million tax credit to be administered by the CFC.

- AB1069 (Fuentes) was enacted in October 2011 to provide a one-year extension to the California Film & Television Tax Credit Program through FY 2014-15. The original bill sought a five-year extension, but was reduced to one-year in the Senate.

- AB2026 (Fuentes) was enacted in September 2012 to provide a two-year extension to the California Film & Television Tax Credit Program through FY 2016-17. The bill sought a five-year extension, but was reduced to a two-year bill in the Senate.

- SB1197 (Calderon), identical to AB2026, was enacted in September 2012 to provide a two-year extension to the California Film & Television Tax Credit Program through FY 2016-17. The bill sought a five-year extension, but was reduced to a two-year bill in the Senate.

- AB1839 (Gatto) was enacted in September 2014 creating a new Film and Television Tax Credit Program for five years and authorized funding at $230 million in FY 2015-16 and $330 million for each of the next four years. It expanded eligibility to include all 1-hour scripted television series regardless of distribution outlet (network, premium cable, internet, TV, etc.), big-budget feature films (but restricted credits to the first $100 million in qualified expenditures), and television pilots.

- SB 871 (Senate Committee on the Budget and Fiscal Review), was enacted in June 2018 creating an extension to the Film and Television Tax Credit Program for five years beginning July 1, 2020. Authorized funding of $330 million per fiscal year.

Feature Film Starts in California

Per Government Code section 14998.55, the California Film Commission releases annually the number of feature film starts that occurred within the state of California.

Please note that these totals represent feature films that shot entirely **or partially** in California and that budgets of feature films can vary greatly from less than $1 million to well over $100 million. These annual numbers are only estimates of the total amount of feature film production occurring in California, due to some margin of error within the collection methods.

The following chart shows the total number of feature film starts (produced by U.S. based production companies) from 2009-2017 within the state of California as compared to worldwide feature film starts.

Feature Film Starts in California and Worldwide – 2009 to 2017

Year	Total California	Total Worldwide	CA Market Share
2009	296	751	39%
2010	289	795	36%
2011	284	817	35%
2012	253	728	35%
2013	318	738	43%
2014	269	707	38%
2015	286	791	36%
2016	278	789	35%
2017	281	820	34%

Third Party Reports

Several studies have reported on California's Film and Television Tax Credit Program. A listing of past economic analyses is included for reference below.

Legislative Analyst's Office

In September 2016, the Legislative Analyst's Office (LAO), as required by statute, evaluated the economic effects and the administration of Program 1.0 in their report, *California's First Film Tax Credit Program*. The LAO noted that while 30 percent of projects in the program may have occurred in California without the benefit of a tax credit, fully 70 percent were drawn to the state as a result of the

Program. They estimated that Program 1.0 resulted in additional spending of roughly $4.5 billion in the state.
The full LAO report can be found here: http://www.lao.ca.gov/Publications/Report/3502

Southern California Association of Governments (SCAG)

In March 2014, the Southern California Association of Governments (SCAG) released a study titled, *California's Film and Television Tax Credit Program: Assessing Its Impact*. The research was conducted by the Economic and Policy Analysis Group at the Los Angeles County Economic Development Corporation.

The SCAG report measured the economic and fiscal impacts in terms of the current dollar value of the tax credits issued and found that for each dollar of tax credit certificate issued:

- Total economic activity in the state increased by $19.12
- Labor income per dollar tax credit (including to the self-employed) increased by $7.15
- Total state GDP per dollar tax credit increased by $9.48
- **$1.11 in tax revenue was returned to state and local governments (ROI)**

The report notes that its findings do not include the impact of film-related tourism, which is known to generate significant revenues at all levels of government. The full SCAG study can be found at: http://www.scag.ca.gov/Documents/SCAGFilmReport-Final.pdf

Milken Institute

A Milken Institute report released in February 2014, *A Hollywood Exit: What California Must Do to Remain Competitive in Entertainment – and Keep Jobs,* noted that California's stronghold on the entertainment industry is loosening as production jobs are lured to other locations due to production credits and other tax breaks. The report's finding is sobering: "Between 2004 and 2012, the state lost more than 16,000 jobs in filmed production employment – a more than 10 percent drop. Meanwhile, New York, California's main rival, added more than 10,000 such jobs." The full Milken Institute report can be found here:
http://www.milkeninstitute.org/publications/publications.taf?function=detail&ID=38801463&cat=resrep

Los Angeles Economic Development Corporation (LAEDC)

In June 2011, the Los Angeles Economic Development Corporation (LAEDC) released a study to determine the economic impact of Program 1.0, to date. The study analyzed the first 77 productions approved for tax credits totaling nearly $200 million. The executive summary states:

"During the first two years of the program, California's Film and Television Tax Credit has generated more than $3.8 billion in economic output and is supporting more than 20,000 jobs in California. For every tax credit dollar approved under California's Film and Television Tax Credit program, at least $1.13 in tax revenue will be returned to state and local governments."

The full study is available at: http://www.film.ca.gov/2011_Reports_&_Studies.htm

Headway Project/ UCLA Institute for Research on Labor and Employment

In February 2012, another report titled, *There's No Place Like Home, Bringing Film & Television Production Back to California,* (conducted by The Headway Project in collaboration with the UCLA Institute for Research on Labor and Employment) reviewed the methodology and results of the 2011 LAEDC report. The Headway/UCLA report made adjustments, based on more recent data, and determined that for every dollar in tax credits issued, $1.04 in state and local tax revenues had been returned – rather than $1.13 as indicated in the LAEDC study. Regardless of which report is referenced, the Program has been determined to generate a positive return on investment. The full Headway/UCLA report is available at:
http://www.headwayproject.org/downloads/Headway_Entertainment_Report.pdf.

Appendix F | Local Statewide Film Incentives

Many jurisdictions have created local initiatives to attract film and television production.

City of Los Angeles

- Provides free use of most available, city-owned locations for filming.
- Reduced Business Tax Rates for Entertainment Productions
- Special Tax Breaks for Entertainment Creative Talent
  http://ewddlacity.com/index.php/filming#tax

Riverside County

- Waives all film permit fees in unincorporated areas.
- Free use of County-owned properties for projects lasting 10 days or less.
- Waives transient occupancy tax (TOT) at participating hotels.
- **Palm Springs** offers a $5,000 grant available for qualified productions within the City of Palm Springs
- **San Jacinto** – waives film permit fees, with no location fees for filming on city-owned property.

City of San Francisco

- Offers a rebate program that refunds up to $600,000 on any fees paid to the City of San Francisco for production of a scripted or unscripted television episode, feature length film, or documentary. The rebate covers permit fees, payroll taxes, cost to pay up to four police officers per day, fees for city-owned locations, stage space costs, street closure fees, and more.
- San Francisco also has a Vendor Discount Program, offering 10-30 percent off hotels, restaurants, production services, car rentals, and a 5 percent discount on Virgin America, and a 5-13 percent discount on United Airlines.
  https://filmsf.org/incentives

Santa Barbara County

- Media Production Incentive Program provides a cash rebate for permit fees and 50 percent of affiliated CHP, Sheriff, or PD costs to qualified still photo campaigns, commercials, unscripted and scripted television, and feature film production. Program is capped at $50,000
  https://santabarbaraca.com/film-commission/media-production-incentives-program/

City of Santa Clarita

- Offers a three-part film incentive program that refunds basic permit fees for locally-based, recurring, and California Film & Television Tax Credit Program-approved productions. Provides partial refunds of Transient Occupancy Taxes (TOT).
  http://filmsantaclarita.com/for-filmmakers/film-incentive-program/

Appendix G | California's Motion Picture Industry

- The motion picture industry is an essential source of economic activity, tax revenue, jobs, and tourism in California. Annually, it contributes $19 billion in wages while supporting 190,000 well-paying entertainment industry jobs that provide health benefits. (Source: Employment Development Department and Motion Picture Association of America – MPAA)

- The average shooting cost for a feature film or TV series ranges from $100,000 to $300,000 per day. That's actual dollars that each production spends on wages, groceries, hotel rooms, gas, building supplies, props, payroll, etc.

- A typical film shooting outside of Los Angeles County will spend an average of $50,000 per day in the local community. (Source: Association of Film Commissions International - AFCI)

- The national average annual salary for production employees is $89,000 – well above the national private-sector average. (Source: Legislative Analyst's Office)

- The U.S. motion picture industry is dominated by small businesses – 84 percent of entertainment companies employ fewer than 10 people. (Source: MPAA)

- An average $70 million feature film generates $10.6 million in state sales and income taxes. (Source: Los Angeles Economic Development Corp. - LAEDC)

- Movies and television shows are one of America's greatest exports, generating $17.8 billion in exports from filmed entertainment distributed to more than 140 countries. (Source: MPAA)