



Motion Picture Competitiveness Program

Proposed Final Report

Joint Legislative Audit & Review Committee

December 1, 2010

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What Is the Motion Picture Competitiveness Program?



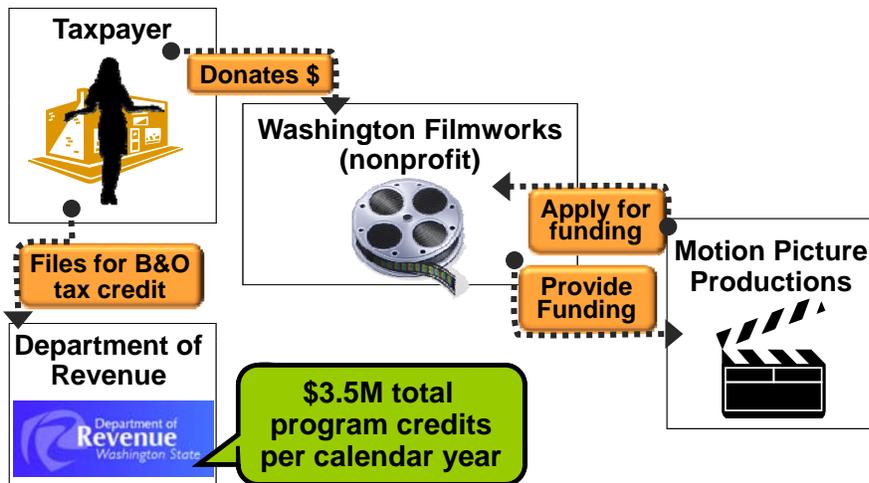
- Program offers tax credit to encourage donations which provide financial incentive for filming in Washington
- Enacted in 2006 in response to increasing competition from other states and British Columbia
 - Prior to 2006, 18 states had incentive programs
 - Currently, 44 states provide incentives
- Legislature enacted the program to maintain Washington's position as a competitive location for filming

JLARC Directed to Review Program Prior to Its Expiration

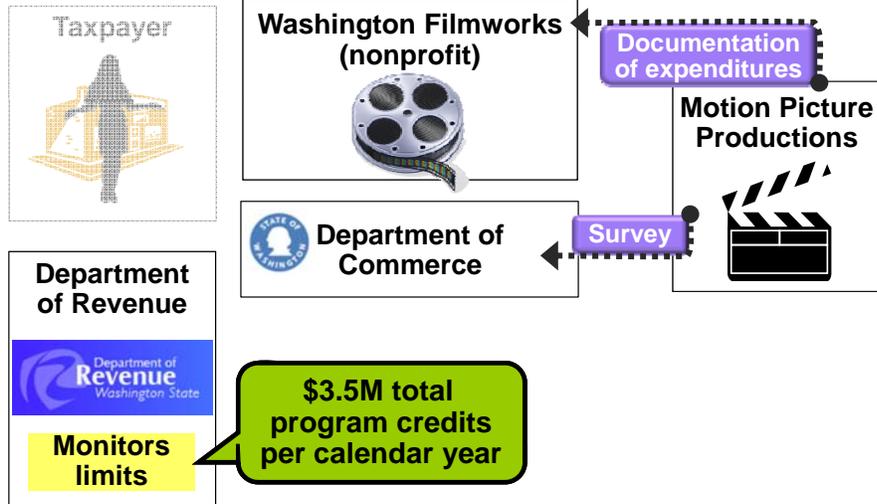


- As currently enacted, no tax credits may be issued after June 30, 2011
- JLARC to review whether program was meeting the stated goal of maintaining Washington's market position
- Legislature expressed interest in tax revenues, job creation, and economic effects of program
- Study also compares Washington's program to those of other states and British Columbia

How Does the Program Work?



Reporting and Monitoring



Program Contributions and Payments (2006-2009)



Total Contributions	Total Tax Credits	Total Incentive Payments to Production Companies (began in 2007)	Washington Filmworks Administrative Expenses
\$13.0 M	\$13.0 M	\$8.4 M	\$1.3 M

Source: Department of Revenue and Washington Filmworks.

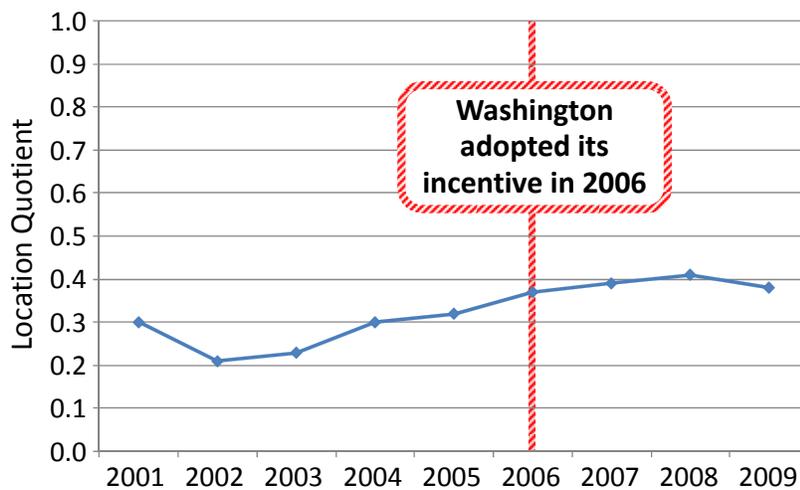
- Unspent funds available for additional projects

Study Results



1. Washington has retained its position as a competitive location for filming, but the program should be re-examined in the future
2. Reporting needs to be strengthened to obtain information on the revenue and economic impacts of the tax credit

Washington Maintained Its Share of the Film Industry Market



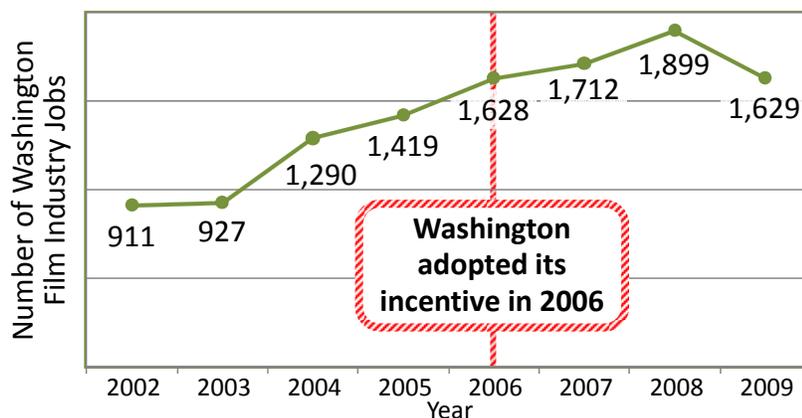
Source: US Bureau of Labor Statistics Location Quotient Calculator.

JLARC Estimated Sales Tax Revenues From Expenditures



- Survey tax data was unreliable
- JLARC used expenditure information from Washington Filmworks to estimate sales tax revenue
- For the calendar years 2007-2009, JLARC estimated the production companies paid \$837,000 in sales tax

Washington Film Industry Jobs Increased During 2006-2008



Source: Washington State Employment Security Department.

This graph represents all film industry employers in Washington, not just those receiving incentives

Economic Impact Consists of Three Factors



- **Direct Impact:** Washington Filmworks substantiated **\$36 million** in production company expenditures between 2007 and 2009
- **Indirect and Induced Impacts:** Economic model yielded a Washington film industry multiplier of **1.99**
- Estimate of Total Economic Impact:

Direct Impact		Multiplier		Total Impact
\$36 M	×	1.99	=	\$72 M

- Amount does not consider possible economic loss from not using funds for other industries or purposes

Current Survey Approach Does Not Yield Sufficient Reliable Information



Taxes

- No instruction regarding what types of taxes to report
- No monitoring for failure to report the taxes paid on survey

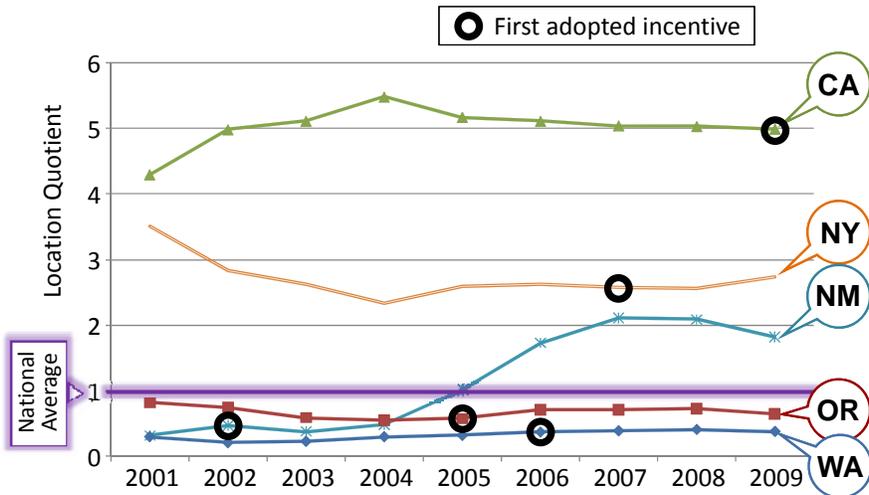
Jobs

- No instruction on website or survey form regarding what constitutes part- vs. full-time
- Project nature of work prevents determining annual employment

No clear responsibility for collecting and reviewing information

- Commerce is not monitoring completeness of surveys
- Washington Filmworks does not use survey information

A Few States Dominate the Market



Source: US Bureau of Labor Statistics Location Quotient Calculator.

Recommendation 1: Continue Program



Because Washington has maintained its position as a competitive location for filming, the Legislature should continue this preference and reexamine the preference at a later date to determine its ongoing effectiveness in encouraging filming in Washington.

- Fiscal Impact: \$3.5 million per year
- Washington Filmworks and Department of Commerce concur.
- Office of Financial Management and Department of Revenue stated they had no comment on this recommendation.

Recommendation 2: Require Better Reporting



If the Legislature desires information on the revenue and economic impacts of the tax credit, it should require more stringent reporting and clarify what entity is responsible for maintaining the information.

- Washington Filmworks, Departments of Commerce and Revenue, and Office of Financial Management concur.

Contact Information



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