


# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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DATE: February 13, 2023

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso   
Chief Legislative Analyst

Council File No. 23-0002-S24  
Assignment No. 23-02-0076

SUBJECT: Resolution (Krekorian – Blumenfield) relative to support for the Governor's 2023-24 State Budget proposal to extend funding to the Film and Television Tax Credit Program for five more years and make the tax credits refundable.

**CLA RECOMMENDATION:** Adopt Resolution (Krekorian - Blumenfield) to include in the City's 2023-2024 State Legislative Program SUPPORT for the Governor's 2023-24 State Budget proposal to extend funding to the Film and Television Tax Credit Program for five more years and make the tax credits refundable.

## SUMMARY

Resolution (Krekorian – Blumenfield), introduced on January 27, 2023, states that the film and television industry provided California with over 180,000 jobs in 2021. While this is one of the State's signature industries, in recent decades, other states and countries have lured production away from California with lucrative incentives. In 2009, the State created the California Film and Television Tax Credit Program (Program), which, since inception, has provided tax credit incentives for local productions to keep them in-state.

The Governor's proposed 2023-24 State Budget (Budget) extends funding to the Program for five additional years and proposes to make the credits refundable. The Resolution notes that this change would support small productions, and that the City's economy and workforce would benefit by a five-year extension to the Program. The Resolution therefore recommends support for the Governor's Budget proposal to extend funding to the Program for five more years and make the tax credits refundable.

## BACKGROUND

In 2009, California introduced the Program on an initial five-year basis to provide \$100 million annually in tax credits to incentivize film and television production in the State, as administered by the California Film Commission. In 2015, the Program was expanded to provide \$330 million annually in tax credits through 2020. In the Governor's 2018 State Budget, the Program was again extended through 2025, maintaining the \$330 million annual limit. In 2021, this amount was temporarily increased to \$420 million per year for two years, decreasing back to \$330 million in 2023. The states of New York (\$420 million) and Georgia (\$1.2 billion) offer similar tax credit incentives to the film and television production industry.

On March 9, 2022, the Los Angeles County Economic Development Corporation (LAEDC) released an economic impact study of the Program's effectiveness between July 2015 and June 2020. In this five-year timeframe, LAEDC estimates that the Program contributed almost \$21.9 billion in economic output, and provided State and local governments with \$961.5 million in tax revenue. For each tax dollar allocated, the State's economic activity increased by over twenty-four dollars. Notably, for each tax dollar allocated, the tax revenue returned was \$1.07, meaning the Program was a financial net positive for local and State governments. Additionally, LAEDC's study mentioned, but did not quantify, film-related tourism that is encouraged by the continued vibrancy of the State's film industry.

LAEDC's study notes that, in the five-year timeframe, 312 productions applied for but did not receive tax credits; of those, 157, or just over fifty percent, left California for another State. LAEDC estimates that the loss of these productions cost the State \$7.7 billion in generated economic activity, 28,000 total jobs, \$2.6 billion in labor income, and \$354.4 million in State and local taxes.

The Governor's proposed Budget, released on January 10, 2023, would extend funding to the Program for five additional years through 2030, maintaining the \$330 million annual limit. The proposal would also make the tax credits refundable. This revision would allow production companies with insufficient tax liability for the existing Program to instead apply for a tax refund at a discounted value over multiple years to lessen the revenue loss to the state. This change would be consistent with the tax credit incentive plans of other States and jurisdictions that compete for productions in the film and television production industry.

The Independent Film and Television Alliance, a trade association of unions, guilds, studios, State film offices, and other members of the film and television production industry, has declared its support for the Governor's budget proposal, noting an increase in incentives from competitive States, and the lack of capacity due to the Program's current budget allocation. The Department of Public Works, Office of Citywide Filming, has also noted its support for the proposal.


Support for this Budget proposal would be consistent with the City's historical commitment to promotion of the local film industry. As made evident by LAEDC's study, the Program has provided substantial financial and commercial benefits to the City and its residents, and could even be expanded to provide support for additional productions, to ensure that a maximum number are retained in-State.

DEPARTMENTS NOTIFIED

Public Works  
FilmLA

BILL STATUS

1/10/21 - Governor's proposed state budget introduced

  
Alex Whitehead  
Analyst

Attachments: Resolution (Krekorian - Blumenfield)

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state, or federal government body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, film and television production has been California's signature industry for over 100 years, and in 2021 that industry provided California with 180,000 jobs; and

WHEREAS, in recent decades, other states and countries have lured production away from California with lucrative initiatives such as tax credits and rebates, a phenomenon known as runaway production; and

WHEREAS, in 2009, California took its first major step to fight back against runaway production by enacting ABX3 15 (Krekorian), which created the California Film and Television Tax Credit Program, and the program has been renewed and expanded since that time; and

WHEREAS, the Los Angeles County Economic Development Corporation (LAEDC) recently conducted an analysis of the economic impacts of the California Film and Television Tax Credit Program, and it found that, between between 2015 and 2020, the program supported productions that created over \$21.8 billion in local economic activity; and

WHEREAS, this analysis also concluded that each tax credit dollar generated \$24.40 in economic output and increased the total amount workers earned by \$8.60, showing that this tax credit has cost-effectively saved California jobs; and

WHEREAS, the Governor's proposed 2023-24 state budget extends funding to the Film and Television Tax Credit Program for five more years and proposes making the credits refundable; and

WHEREAS, changing the program to make the tax credits refundable would greatly support small productions that often have tight margins and so do not currently receive the entire nonrefundable tax credit; and

WHEREAS, the economy and workforce of Los Angeles will greatly benefit from the proposed continuance and improvement of this effective tool to maintain and expand the film and television industry in California;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2023-2024 State Legislative Program SUPPORT for the Governor's 2023-24 state budget proposal to extend funding to the Film and Television Tax Credit Program for five more years and make the tax credits refundable.

PRESENTED BY:   
PAUL KREKORIAN  
Councilmember, 2nd District

SECONDED BY: 

ORIGINAL

JAN 27 2023

