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Movie Production Incentives and the Georgia Film Industry

Ric Kolenda

Georgia State University & Georgia Institute of Technology

State Movie Production Incentive (MPI)

- Monetary inducements for film production
- Biggest growth in tax credits for film production costs
 - ▣ Credits from 5 to 40% of production costs
 - ▣ Most are transferable and/or refundable (i.e., regardless of tax liability)

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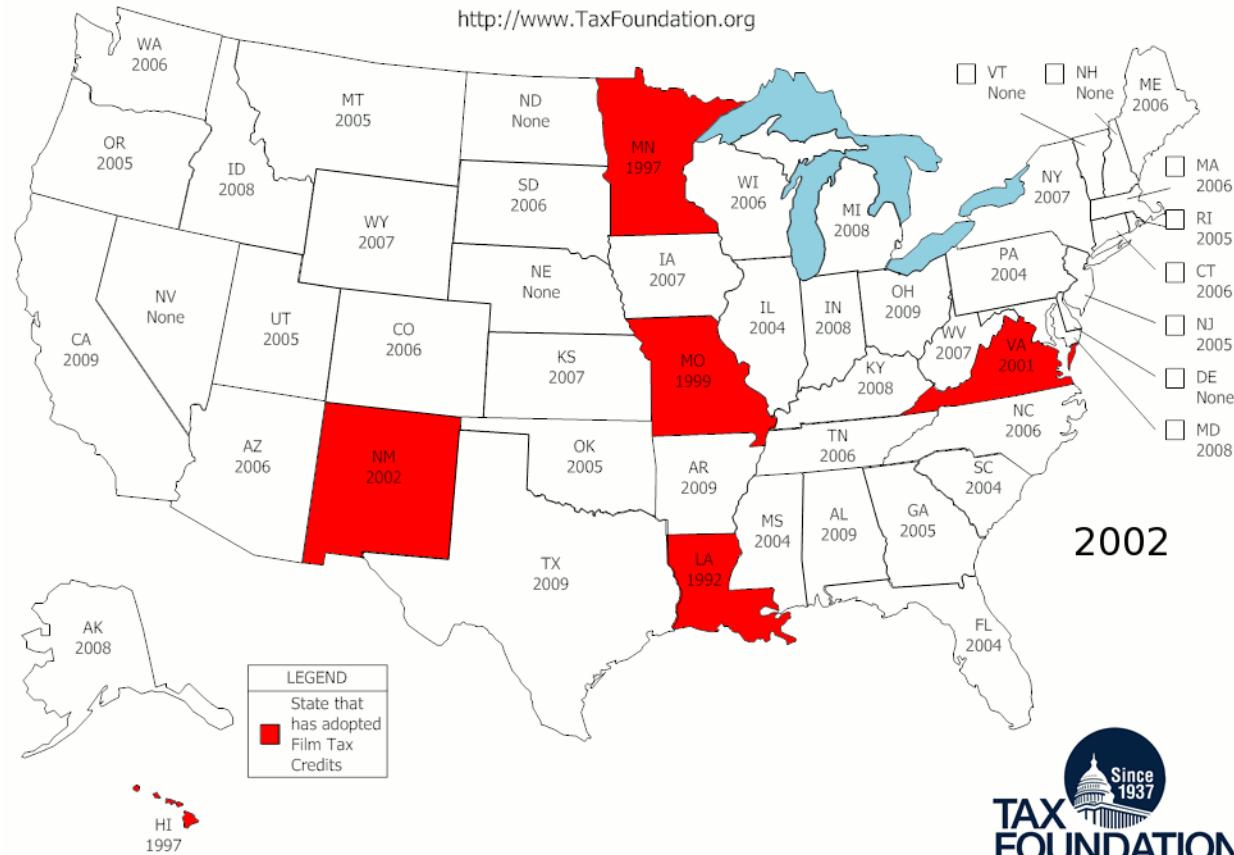
Rapid Expansion of MPIs

- MPIs proliferated in the 2000s
 - From **4** states in 2002 to **44** states in 2010
 - A few have cancelled or deactivated since 2010
- Cost to states
 - \$1.4 billion in 2010
 - Nearly **\$6 billion** since 2001
- Also expanded to related industries
 - Music Recording & Production
 - Digital Media Development

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Growth of MPIs by State 2002-2009

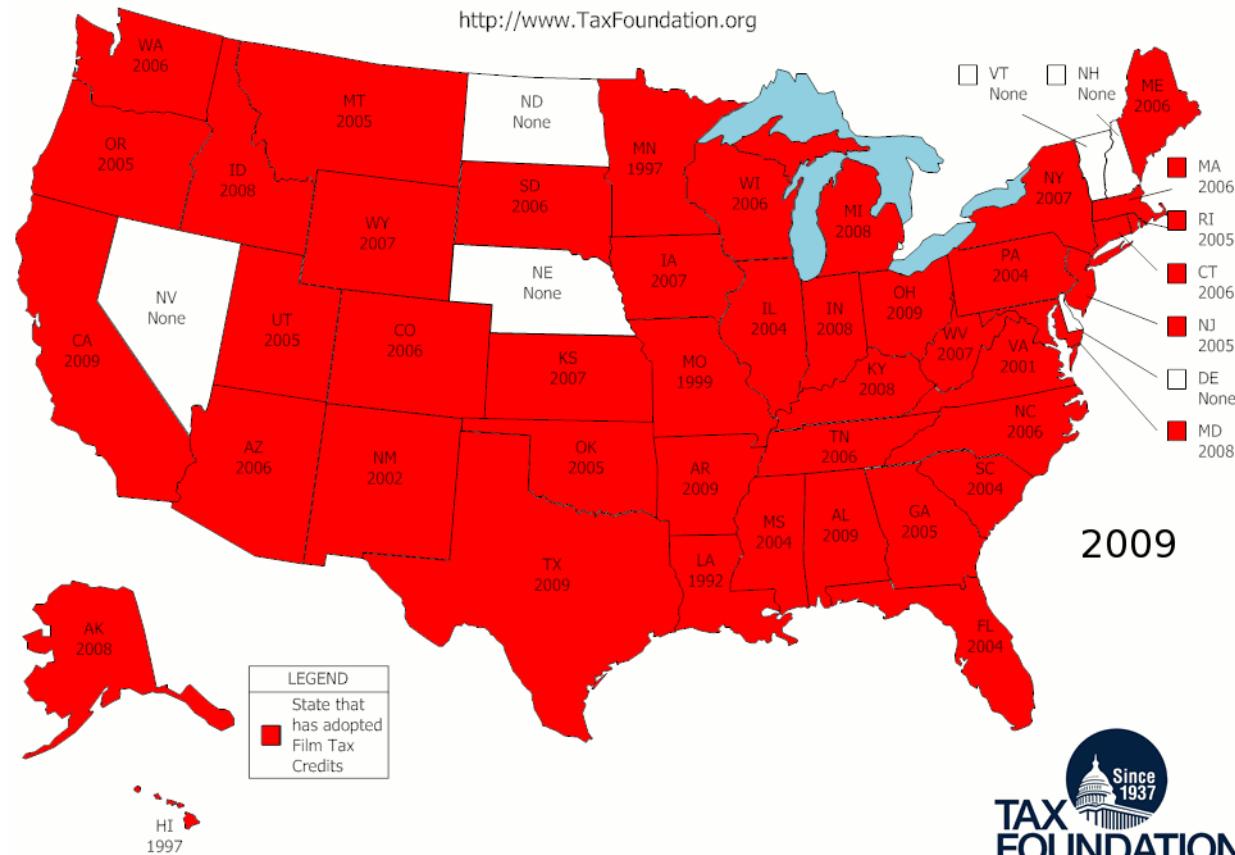
<http://www.TaxFoundation.org>



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Growth of MPIs by State 2002-2009

<http://www.TaxFoundation.org>



Source: Tax Foundation
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The Question of Industry Incentives

- Do they work in building sustainable industry clusters?
- Critiques:
 - ▣ “Race to the bottom”
 - ▣ Rent-seeking behavior
 - ▣ Need to address supply & marketing chains
 - ▣ Lack of accountability
 - ▣ Corruption

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The Motion Picture Industry: A Special Case?

- Unique modes of production (project-based)
- Unique location requirements (studio & remote)
- Unique labor organization (network of large & small firms and individual contractors)

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Research Questions

- Can MPIs create a self-sustaining local industry?
 - Do MPIs increase local industry employment?
 - Do MPIs increase local industry establishments?
 - Do higher MPIs perform better than lower ones?
 - Can a local industry be sustained in light of competition from other states?

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Do MPIs create a sustainable industry?

- Little academic research on film industry & economic development
- Prior research has focused on short-term fiscal & economic impacts
- I look at local jobs and establishments

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The Case of Georgia

- 40-year history of film production support
- First tax incentive package passed in 2005
 - 9% transferable base tax credit
 - Additional 3% for hiring Georgia residents
- Incentives expanded in 2008
 - 20% transferable base tax credit
 - Additional 10% for animated logo



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Legislative Purpose

- Some argue that any spending by film production is beneficial
- Most studies use economic impact to assess value
- GA legislators seem to focus more on industry growth than immediate economic impact

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Evidence Supporting Industry Growth Goals

- Press statements from Former-Governor Sonny Perdue offered the following rationale:
 - “The legislation will help **attract** and **grow traditional film and video** companies and projects, as well as lay the foundation to **grow the next generation of entertainment companies in this state.**” (2005)
 - “It will be a catalyst that will **spur immediate economic investment** and **create jobs.**” (GA Sen. Mitch Seabaugh, 2008)
 - “**We expect to see an increase in the number of industry jobs and overall economic impact for the state in the coming years.**” (GDEcD Commissioner Ken Stewart, 2008)

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The Problem of Measurement

- The stated purpose is to create industry jobs and build the industry in the state
- The metrics for success are the number of productions and the costs of those productions
- The question remains: does the tax incentive create industry jobs, and/or grow the local industry?

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Datasets – ES-202

- ES-202 (a.k.a. Quarterly Covered Employment Where Wages, or QCEW)
 - Establishment-level monthly data (12th of each month)
 - Detailed to 6-digit NAICS
 - Does not include self-employed

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Datasets – IMDb Pro

- **IMDb Pro Database**
 - Subscription-based service for professionals
 - Most complete resource for people & companies
 - Limited functionality for scholarly use

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Datasets – 2013 Georgia Sourcebook

- 2013 Georgia Film, Video & Digital Entertainment Sourcebook
 - ▣ Good directory of Georgia-based production companies and freelancers
 - ▣ Used by film producers to hire local talent
 - ▣ Still processing this data: not used in this presentation

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Data Issues

- ES-202 data is monthly, so I chose
 - ▣ March data for annual estimates (similar to CBP), and
 - ▣ 3rd month for quarterly estimates
- IMDb Pro required manual searches and editing
 - ▣ Georgia productions include any production with GA locations
 - ▣ Still in progress for Georgia-based people and companies

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Selected NAICS for MP Industry

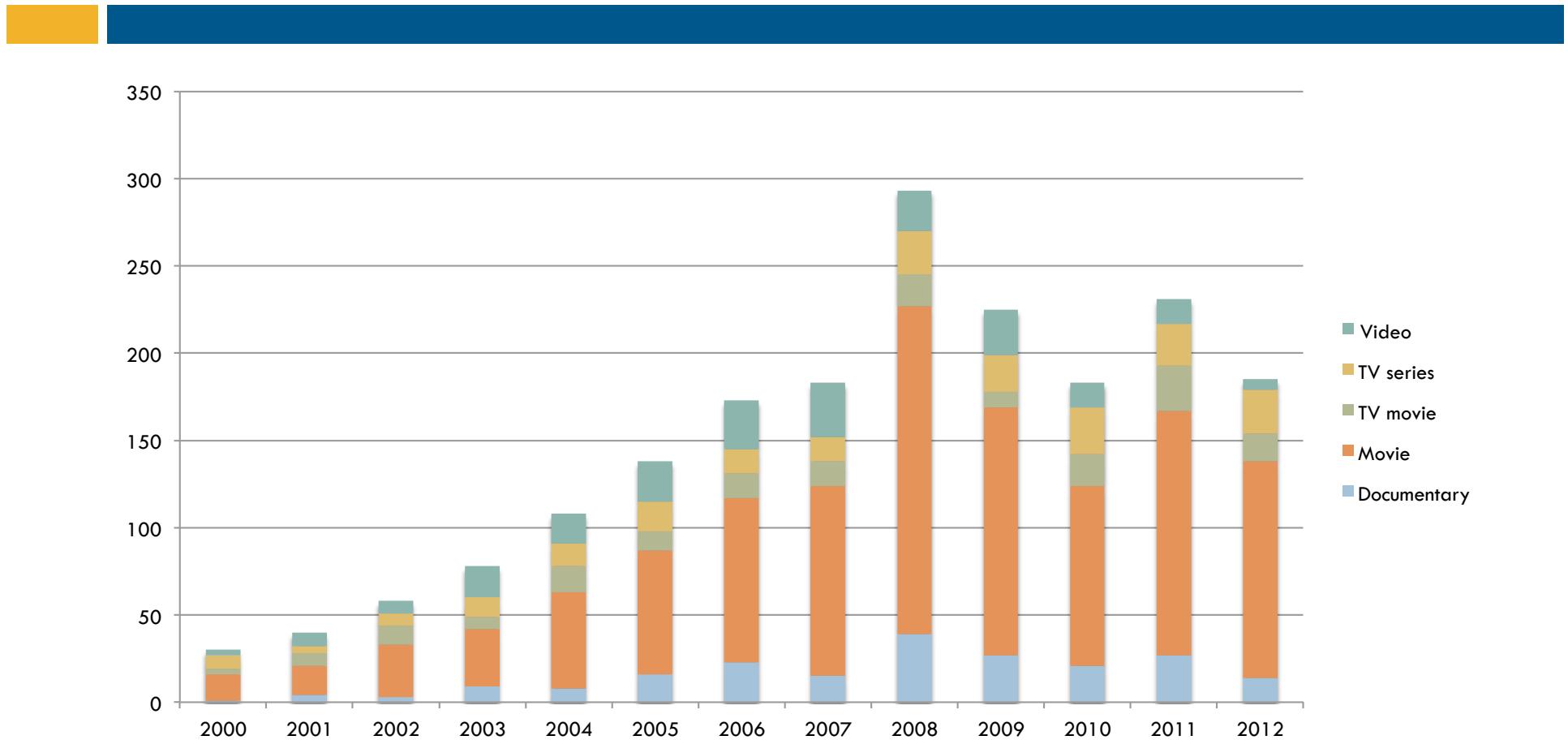
- These are the key NAICS for film & video production

NAICS	Industry
512110	Motion Picture & Video Production
512120	Motion Picture & Video Distribution
512191	Teleproduction & Other Postproduction Services
512199	Other Motion Picture & Video Industries

- I will look at others key codes where possible

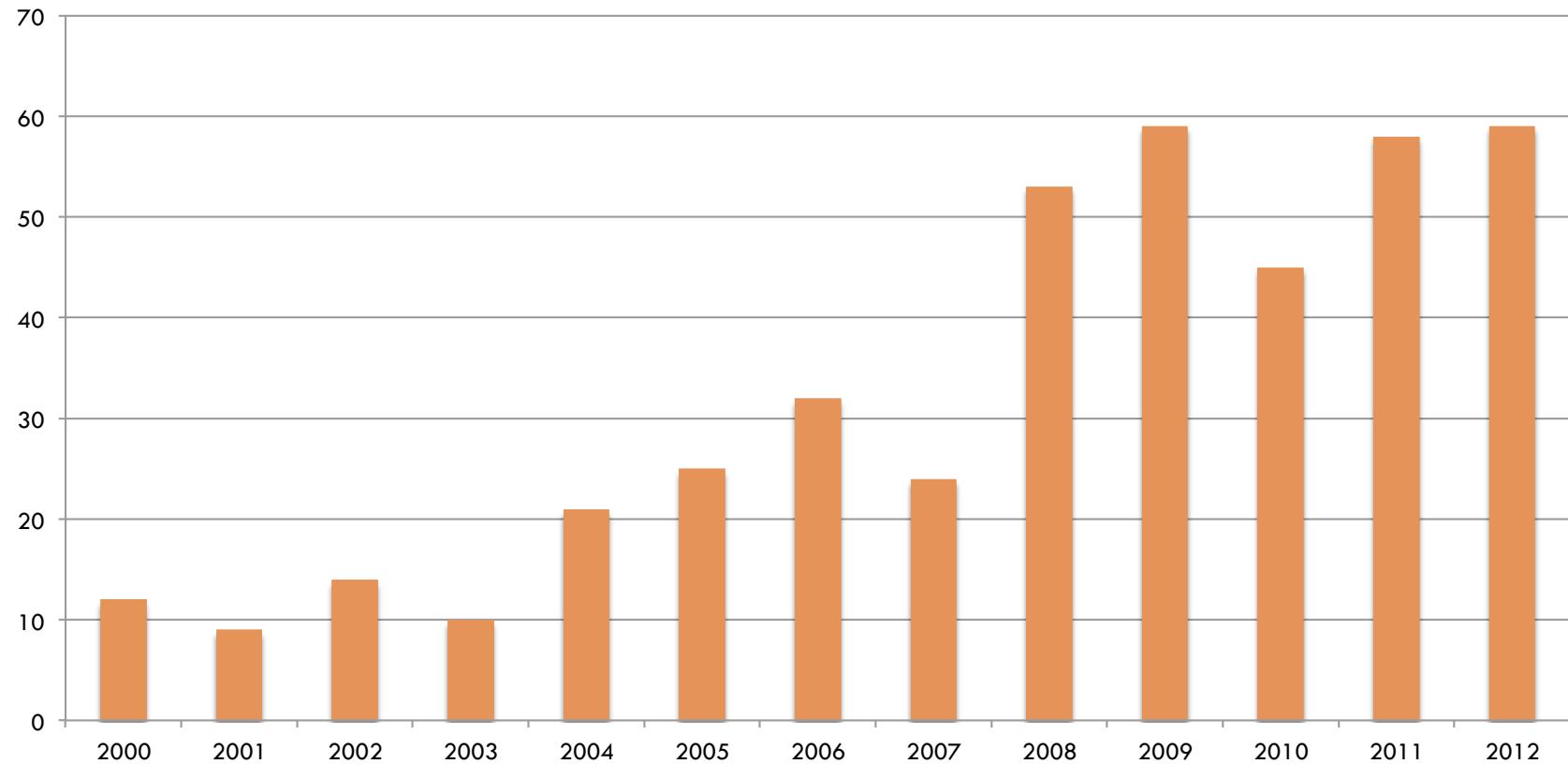
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Georgia Productions by Type



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Georgia Feature Films Only



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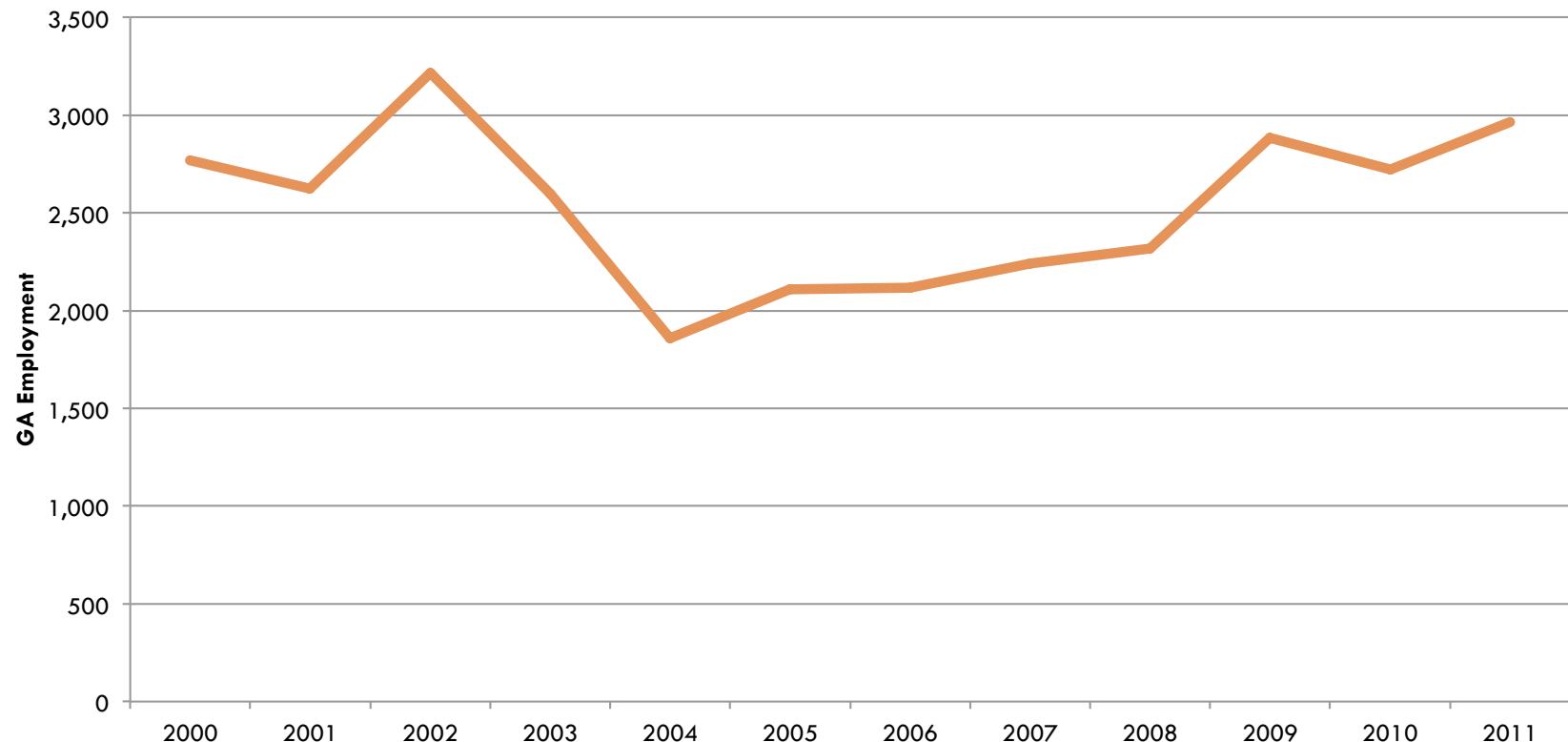
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Georgia Film Employment

All Motion Picture and Video Employment



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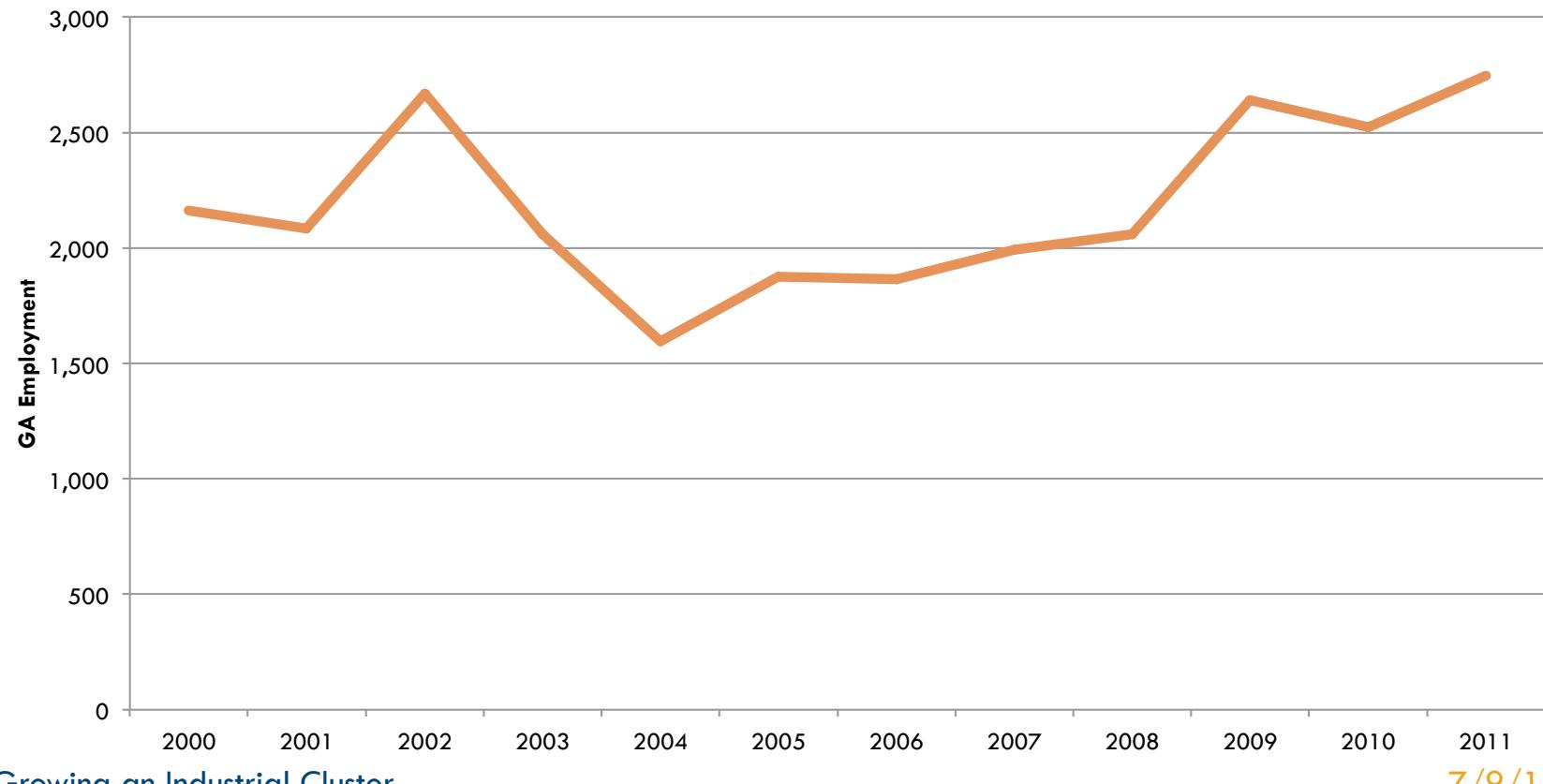
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Georgia Film Production Employment

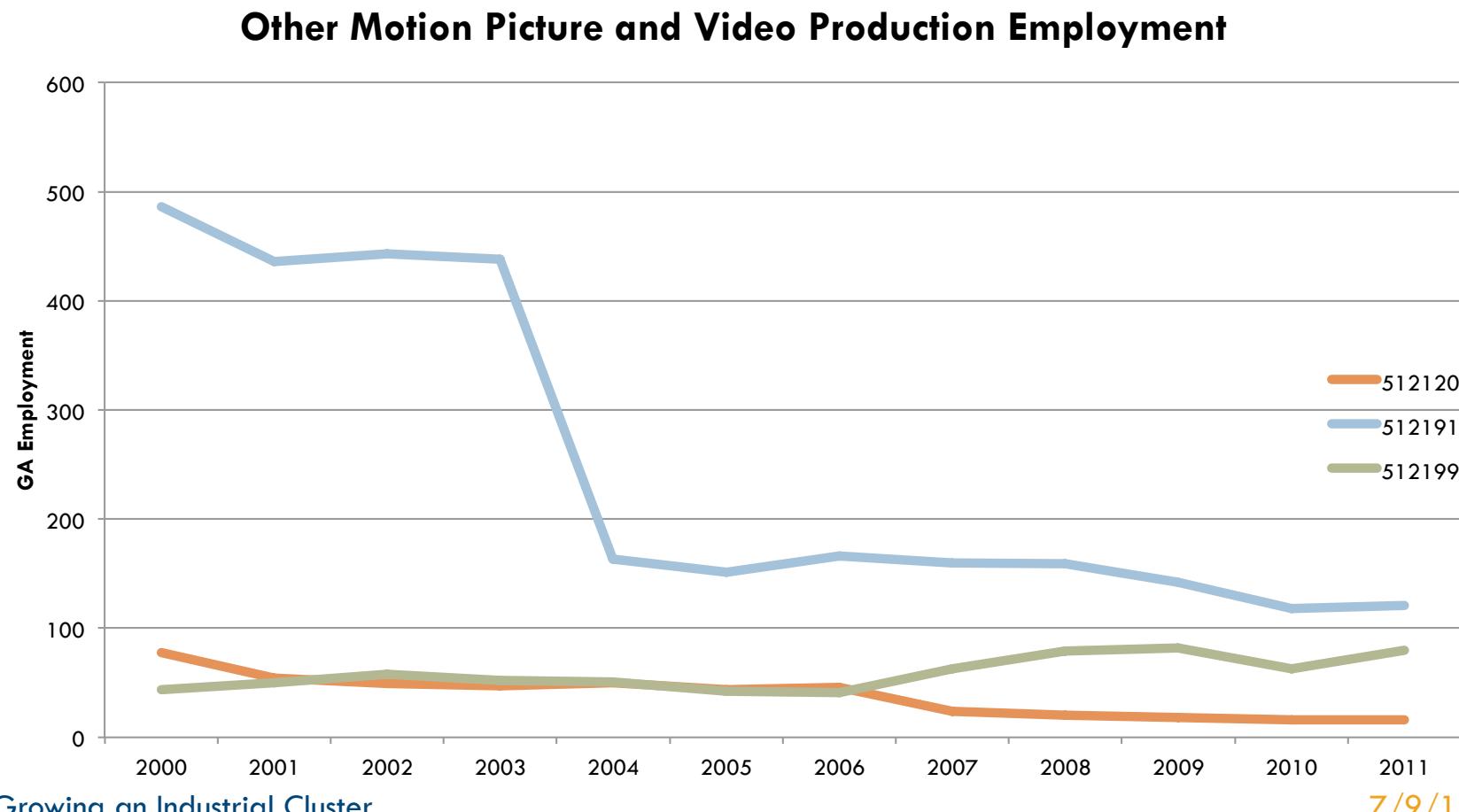
Motion Picture and Video Production Employment



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Other Film Production Employment



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Film Industry Job Growth

- Industry employment peaked in 2002
 - This is the year other states, most notably Louisiana, began offering tax incentives
- Steady growth since 2004
- The largest growth rates were in years of tax incentive packages being implemented (2005 and 2008)

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Detailed Job Growth

- Production jobs have accounted for virtually all growth, & have surpassed the 2002 peak in 2011
- Teleproduction and Other Postproduction declined sharply in 2004, and has been flat since
- Distribution and other motion picture industries have been flat since 2000

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Summary of Findings

- Competing tax incentives seem to have a great impact
- The employment effects of tax incentives taper off noticeably after the first year
- Feature films increasingly dominate the production levels
- The growth in film production does not equate to similar growth in local employment

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Policy Implications

- Caution in using MPIs
- Production and employment are affected by competing states
- Employment effects tend to be short-lived
- Lack of growth in post-production and other areas suggests potential problems for sustainability

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Future Research

- Time-series analysis using ES-202
- Establishment analysis combining ES-202 with IMDb Pro and Georgia Sourcebook
- Analysis of production budgets as well as production numbers (data not always available)

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For more information...

Ric Kolenda

rkolenda1@gsu.edu

ric@gatech.edu

<http://kolenda.com/web/research.html>

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