



Film and Television Tax Credit Program

PROGRESS REPORT

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ABOUT THE CALIFORNIA FILM COMMISSION

The California Film Commission (CFC) was created in 1984 as a state agency to enhance California's position as the premier location for all forms of media content creation.

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 facilitate filming in-state.

The CFC supports a production-friendly environment to retain and 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 manage filming-related issues and requests. More information is available at <http://www.film.ca.gov>.



EXECUTIVE SUMMARY

The California Film Commission (CFC), housed under the Governor's Office of Business and Economic Development (GO-Biz), administers California's film and television tax credit programs. The 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 public with an assessment of each of the program's economic benefit to the state, as well as statistical information and insights into California's entertainment production industry. This report provides an overview of the third iteration of California's tax credit program ("Program 3.0") which wrapped its 2020-2021 fiscal year on June 30, 2021. The 48 approved projects for fiscal year one of Program 3.0 are estimated to generate \$2.6 billion in direct in-state spending, including more than \$992 million in qualified wages. The 48 projects comprised of 14 non-independent feature films, 4 independent projects with budgets over \$10 million, 13 independent projects with \$10 million budget or less, 12 recurring television series, and 5 relocating television series.

❖ **Covid-19 and Filmmaking:** Covid-19 continued to have a substantial impact on filming in California during the 2020-2021 fiscal year. Productions must follow safety protocols to avoid the spread of Covid-19. Testing became a mandatory part of the filmmaking process, with those crew in close contact with talent testing daily.

❖ **Big Budget Films:** During the 2020-2021 fiscal year, 6 films with budgets over \$60 million were admitted into Program 3.0 resulting in an estimated \$683 million in total spending in California. Collectively, the 6 projects are estimated to employ 1,961 cast and crew members with a \$276 million in total qualified wages in California.

❖ **Regional Filming in California:** More than 25 dozen feature films and television series are projected to film 490 days out of 894 in-state shoot days (54%) in counties throughout California including San Bernardino, San Luis Obispo, San Diego, and Siskiyou.

❖ **Career Readiness Requirement:** Approximately 85 productions under Programs 2.0 and 3.0 hired more than 200 interns to fulfill the Career Readiness Requirement, resulting in approximately 41,000 hours of paid work. A total of 65 faculty members were invited by 33 projects to experience an externship, while 25 productions selected to host a classroom workshop and/or panel. Close to 400 students and teachers participated in a professional skills tour, which were hosted by 33 projects.

❖ **Career Pathways Program:** Senate Bill 878 created a training and outreach program for individuals from underserved communities. The program enlisted participants despite the challenges presented by the pandemic. To date,

approved projects under fiscal year 2020-2021 have contributed \$837,000 to the Career Pathways Program.

❖ **Diversity and Inclusion:** New to Program 3.0, all approved projects must submit the company's initiatives and programs to increase the representation of women and minorities. Company statements reflect a desire to see diversity improved among above and below-the-line personnel within the entertainment industry and take affirmative measures to ensure a diverse cast and crew.

❖ **Infrastructure Usage and Growth:** Per FilmLA, application activity for Los Angeles film permits jumped 45% in March 2021 compared to February 2021, and leasing of soundstage space is expected to soar. A significant issue currently confronting feature and television projects wishing to film in California/Los Angeles is a shortage of stage space.

❖ **Lost Productions:** Surveyed projects - mainly with smaller budgets - that applied but ultimately filmed in California without receiving tax credits generated \$60 million in the state. However, larger, runaway projects accounted for \$266 million in production spending outside California - a loss to the state's below-the-line production workers and the ancillary businesses that rely on the film and television production industry. This disparity emphasizes the importance of tax credits, particularly for retaining larger budgeted productions.

❖ **Global Competition:** Worldwide competition continues to siphon film and TV production from the state. The industry continues to pursue other jurisdictions that offer robust tax credits, significant infrastructure, and generous visual effects incentives.

California Soundstage Filming Tax Credit Program: In July 2021, Governor Gavin Newsom signed Senate Bill 144 which creates a new tax credit program. Under the new statute, a first-come-first-served program will allocate up to \$150 million in tax credits to qualified projects filming in CFC-certified new or renovated soundstages; no jobs ratio ranking required.

INTRODUCTION

According to an April 2021 report by the Motion Picture Association (MPA), the film and television industry employs more people nationwide than other major industry sectors, including mining, oil & natural gas extraction, crop production, utility system construction, and rental & leasing services. Across the United States, the entertainment industry supported more than 2.5 million jobs, including 331,000 direct jobs engaged in producing, marketing, and manufacturing motion pictures, television shows, and video content; direct jobs totaling 579,000 were engaged in distributing motion pictures, television shows, and video content to consumers.¹

The California Film Commission (CFC), part of the Governor's Office of Business and Economic Development, incentivizes film and TV production in the state by administering film and television tax credit programs. First enacted in 2009, the tax credit program was created to provide economic stimulus designed to increase film and television production, jobs, and tax revenues in California. The CFC publishes an annual report to provide the public with an assessment of the program's economic benefit, as well as statistical information and insights into California's entertainment production industry and its competition. This report provides a summary of approved projects from the first fiscal year of Program 3.0 – the third iteration of the tax credit program. Data from July 1, 2020 to June 30, 2021 includes a breakdown of labor and expenditures, an analysis of television series that relocated to California, a summary of big-budget films, regional filming data, and career readiness requirement data. New in this report are approved applicant summaries of diversity and inclusion initiatives and data on the pilot career pathways program.

In addition, this report provides an analysis of productions that applied but did not receive tax credits, and ultimately left California to film in other parts of the country and the world. Year after year, consistent data shows that other locales entice filmmakers by offering competitive production and post-production (including visual effects) incentives along with new or expanded production infrastructure.

Regardless of growing infrastructure and competitive tax credits, production worldwide came to a halt in mid-March 2020 due to the Coronavirus global pandemic.

CORONAVIRUS (COVID-19) PANDEMIC AND ITS IMPACT ON THE ENTERTAINMENT INDUSTRY

In mid-March 2020, the coronavirus pandemic forced many productions to pause production. Working remotely from home, CFC staff remained fully functioning to provide regular services while adjusting to the latest industry and government developments. On March 27, 2020, the CFC published a production alert outlining Covid-19 resources and established Covid-19's impact on film production as a force majeure event. This enabled productions to apply and receive waivers for all the time-sensitive parameters in the tax credit program, thus alleviating the fear that projects would lose their reservation of tax credits if they could not begin or finish their projects as per program requirements. The CFC continues to evaluate the impact of the pandemic on CFC projects and issue force majeure waivers as appropriate.

On June 1, 2020, with combined efforts from studios and unions, the Industry-Wide Labor-Management Safety Committee Task Force published the "[white paper](#)" – a proposed set of health and safety guidelines for motion picture, television, and streaming projects to resume production during the Covid-19 pandemic. Since many productions shoot predominantly in the Los Angeles area, the Los Angeles County Department of Public Health published specific guidelines on June 12, 2020 outlining minimum safety requirements for any Los Angeles productions, including commercials and small independent projects. Productions filming outside Los Angeles County were mandated to adhere to county-specific Covid-19 filming protocols. The Producer's Guild of America also published "[COVID Safety Protocols For](#)

[Producing Independent Productions](#)" in August 2020. "The Safe Way Forward," a set of protocols released by the unions and guilds, was replaced by the "Covid-19 Return to Work Agreement" on September 21, 2020. This agreement was negotiated by the Alliance of Motion



A fan favorite, television series *Lucifer* relocated to California from British Columbia, Canada.
Image Source: Warner Bros.

Picture and Television Producers (AMPTP) with the Director's Guild of America (DGA), International Alliance of Theatrical Stage Employees (IATSE), Screen Actors Guild – American Federation of Television and Radio Artists (SAG-AFTRA), Teamsters and Basic Crafts. It was effective until April 21, 2021, and then extended to June 30, 2021. All parties involved met regularly to discuss possible modifications to the agreement based on changing Covid-19 conditions. On June 30, 2021, as the AMPTP, DGA, IATSE, SAG-AFTRA, Teamsters and Basic Crafts needed to assess further modifications, the return-to-work Covid-19 safety protocols were extended indefinitely.

Covid-19 continued to have a huge impact on filming in California during the 2020-2021 fiscal year. Productions had to follow safety protocols in order to avoid the spread of Covid-19, including establishing at least four different pods within the crew, which operate in concentric circles of distance from the on-camera talent. Testing became a mandatory part of the filmmaking process, with crew members that come in close contact with talent getting tested daily. A whole new Covid Department came into existence, with the responsibility of ensuring on-set health and safety. Duties of the Covid department include supervision of sanitary conditions, enforcement of mask-wearing and the use of face shields, oversight of social distancing within the different departments, and supervision of quarantine for new employees and production visitors, as well as for any cast and crew testing positive or experiencing Covid-like symptoms.

Covid departments typically range from two or three people on lower budget projects and up to as many as 15 people on large crews with multiple units. Labor positions include Covid Supervisor, Covid Coordinator, Covid protocol compliance managers, Set Sanitation PAs, Covid Testers, Covid Medical personnel, and additional Drivers and Locations Assistants to help maintain social distancing. Materials include tests, sanitation stations, face shields, PPE masks, outside testing contractors and medical personnel, additional vehicles, and stipends paid to crew to quarantine or work remotely.

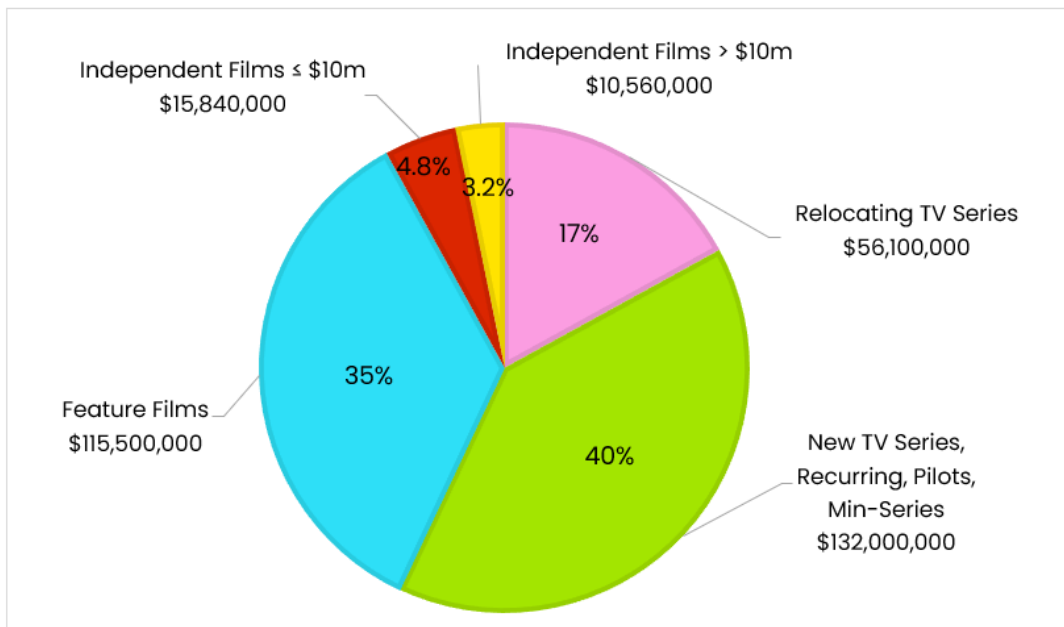
The CFC allows all Covid-related expenditures in the state to qualify for tax credits. Project budgets submitted for review in the tax credit program indicate that approximately 40% of Covid expenditures go to Labor costs and 60% go to Materials. Aggregate data shows that feature films with budgets greater than \$20M in the Tax Credit Program typically anticipate spending between 5% and 6.5% of their total budgets on Covid-related costs. This translates to approximately 9% of their Qualified Expenditures. Low-budget films and television series typically anticipate about 4.25% of their total budgets for Covid-related costs and about 6.2% of their Qualified Expenditures.

The raw numbers are far more startling: 50 projects currently in the Tax Credit Program are expecting to outlay more than \$90,000,000 for Covid-related costs, in aggregated budgets totaling \$1.9 billion.

TAX CREDIT PROGRAM 3.0 OVERVIEW

The CFC developed regulations, program guidelines, and other procedures to administer a newly extended tax credit program (“Program 3.0”) which became effective on July 1, 2020 with the signing of Senate Bill 878 (SB 878). (See Appendix A for enacting legislation.) With \$330 million per fiscal year, Program 3.0 runs from July 2020 through June 2025. SB 878 made several modifications to Program 2.0, which had a sunset date of June 30, 2020. (See Appendix B for comparison chart.)

Annual Tax Credit Allocation Breakdown



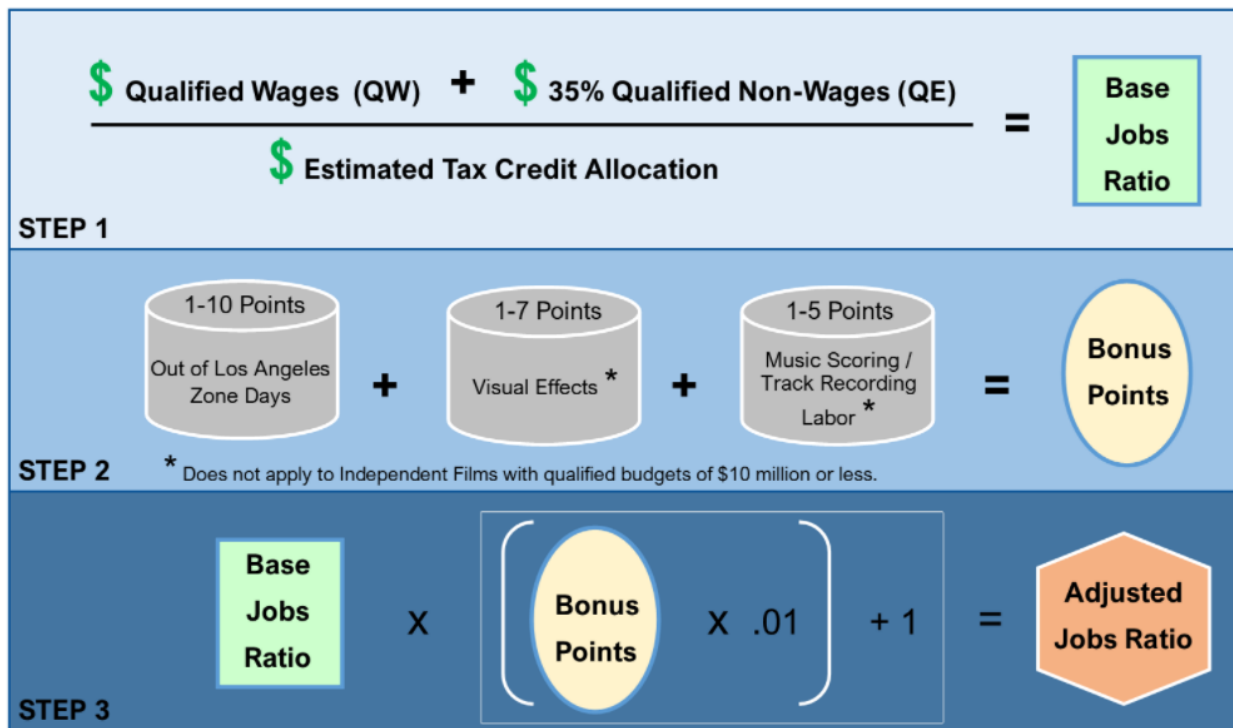
Each fiscal year, the \$330 million in available funding is divided into five different funding buckets that target different categories of production. Television projects (new or recurring TV series, pilots, mini-series) and non-independent feature films are eligible to receive 20%. Independent films (bifurcated in two categories depending on budget size) and relocating TV series - in their first season filming in California - qualify for a 25% tax credit. The chart below shows available funding for each category. Under SB 878, the proportion of credits for the relocating TV category is reduced from 20% to 17%, as compared to Program 2.0. The credits

available for the independent film category increased from 5% to 8%. Funding for independent film is split into two categories – under \$10 million and over \$10 million budgets – allowing for more access to the program for smaller budgeted independent films and more funding overall for independent films. [Program Guidelines](#) provide further details on project eligibility requirements.

Similar to the previous program, Program 3.0 follows a Jobs Ratio Ranking system to select projects for tax credits. Several application windows are held each fiscal year for specific project categories. Projects compete against the same project category. A step-by-step calculation of the jobs ratio is shown below; numerous [resource materials](#) are available to applicants outlining the jobs ratio selection process.

California Film and Television Tax Credit Program 3.0

Jobs Ratio Calculation



July 1, 2020 | California Film Commission | www.film.ca.gov

Please contact the California Film Commission for specific questions about the jobs ratio calculation.

The adjusted jobs ratio is comprised of the base jobs ratio and bonus points. The base jobs ratio may be increased based on activities in three areas: out-of-zone filming, visual effects spend, and music labor expenditures. Approved projects under Program 2.0 were able to use filming in approved soundstages as a bonus points factor; for Program 3.0, this factor has

been eliminated and was replaced with expenditures on music wages. As a result, receiving a 5% uplift for music labor and non-labor expenditures were eliminated.

All approved projects, regardless of the production type, are eligible to receive an additional 5% credit on wages paid to individuals who live and work on tax credit projects outside the City of Los Angeles 30-mile zone; this is a new uplift under Program 3.0. Non-independent productions continue to be eligible to receive 5% additional credits for visual effects. Also new under Program 3.0, expenditures on visual effects may now be bifurcated as 70% attributed to wages and 30% to non-wages. Applicants are advised to review the [Budget Tagging and Tracking Tips](#), which provide a description for each bonus point factor and uplift.

Applicants to Program 3.0 are now required to submit their company's written policy against unlawful harassment. This includes procedures for reporting and investigating harassment claims. This documentation must contain a statement that the company will not retaliate against an individual who reports harassment. In addition, applicants are required to provide a copy of the company's initiatives and programs to increase the representation of minorities and women in job classifications that are excluded from qualified wages - directors, producers, writers, actors, etc. The Diversity Initiatives section in this report outlines initiatives submitted by approved projects.

Once a project is approved in the tax credit program, a number of interim responsibilities are required in order to receive the final tax credit certificate. New to Program 3.0, all approved projects are required to participate in the Pilot Career Pathways Training Program. All applicants receiving a credit allocation letter are required to make a financial contribution to fund a training program for individuals from underserved communities to receive training for careers in the industry. A summary of the pilot program is outlined under the Career Pathways Program section. The current Career Readiness requirement, in which approved projects must provide career exposure opportunities such as paid internships and in-class workshops, remains intact.

In addition to existing documentation for the final tax credit certificate, approved projects under Program 3.0 are now required to submit bifurcated statistics on the gender, race, and ethnic status of individuals with non-qualified and qualified wages. As this information is not available until a project is completed and is audited, the CFC does not have any related data from the first fiscal year of Program 3.0.

TAX CREDIT CERTIFICATES

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 in-state expenditures; and 3) provide all required documentation, including cost reports audited by a Certified Public Accountant (CPA). Under Program 3.0, approved applicants may now extend the date by which principal photography must begin from 180 days to 240 days for projects with budgets over \$100M in qualified spending. During the audit process, the CPA recalculates each project's Jobs Ratio score and compares it to the approved application Jobs Ratio score. Penalties apply if the final Jobs Ratio score has been reduced by a specified amount. Program 3.0 reduces the jobs ratio overstatement penalty threshold for independent productions to match non-independent productions. Tax Credits may be utilized beginning in the tax year in which the credit certificate is issued. Independent productions may transfer or sell tax credits to an unrelated party. Non-independent productions must utilize the credits against state income tax liability, sales or use tax liability, and may also assign credits to an affiliate. In July 2020, Governor Gavin Newsom imposed new tax regulations to offset the California budget deficit due to the Covid-19 pandemic. (See Appendix C for a summary of credit limitations when utilizing tax credits.)

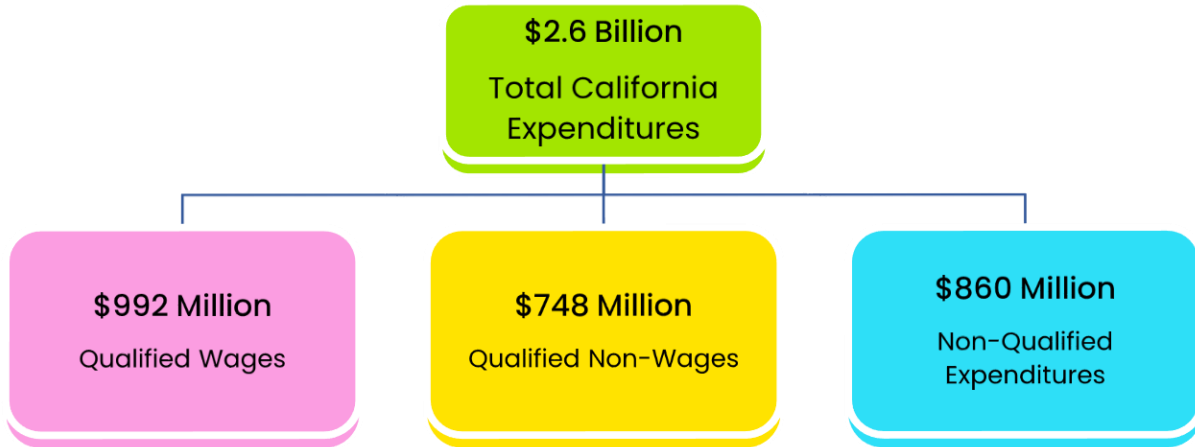
PROGRAM 3.0 STATISTICS

FISCAL YEAR 2020–2021: AGGREGATE DATA

During fiscal year 2020–2021, \$335 million was allocated to 48 film and television projects. In order to provide tax credits to all the recurring TV series which were grandfathered into Program 3.0 from 2.0, the program did not accept new TV Series, Miniseries or Pilots during its first fiscal year. (See Appendix D for Program 2.0 statistics.)

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. The 48 approved projects for fiscal year one are estimated to expend \$2.6 billion in direct in-state spending, including more than \$992 million in qualified wages. The chart below shows additional aggregate data.

Fiscal Year 2020-2021 Aggregate Data



48 APPROVED PROJECTS				
12 Recurring Television Series	5 Relocating Television Series	14 Non-Independent Films	4 Independent Films > \$10 Million	13 Independent Films ≤ \$10 Million
EMPLOYMENT HIRES				
5,000 Cast Members Hired	8,000 Crew Members Hired		91,600 Background Players in Man-Days	

RELOCATING TV SERIES

During the 2020-2021 fiscal year, California gained five relocating television projects, giving the Golden State a total of 27 series that have moved to California under the California Film and Television Tax Credit Program: Programs 1.0-3.0. (See Appendix E for Program 1.0 statistics.) A relocating television series is a scripted series of any episode length that filmed its most recent season (minimum 6 episodes) outside California. This category qualifies for a 25% tax credit, which is reduced to 20% for any subsequent seasons filmed in California.

The five most-recent relocating television series – *Chad*, *Hunters*, *In Treatment*, *Miracle Workers*, *The Flight Attendant* – are projected to film 60 episodes, employ 492 cast, 927 crew, and 6,093 background players, measured in man-days. Total qualified wages paid to California workers by these projects are estimated at \$174 million.

Relocating TV Series



Qualified Expenditures	\$14 million	\$75 million	\$20 million	\$20 million	\$44 million
Tax Credit Allocation	\$3 million	\$18 million	\$5 million	\$5 million	\$11 million
Cast Hired	37	267	8	37	143
Crew Hired	200	160	125	200	242

Image Source: IMDB

BIG-BUDGET FEATURE FILMS

The 20% tax credit for non-independent productions applies only to the first \$100 million in qualified spending. For independents, the first \$10 million of qualified expenditures count toward the 25% tax credit allocation. During the 2020-2021 fiscal year, seven films with budgets over \$60 million were admitted into Program 3.0 resulting in \$683 million in direct spending within California. Projects like *Gray Man*, *Here Comes the Flood*, and *Bullet Train* lead the big-budget list with an estimated total California spend of \$392 million. Collectively, the seven projects are estimated to employ 1,961 cast and crew members with a total of \$276 million in qualified wages in California. Measured in man-days, the seven big-budget features have been projected to produce as many as 17,666 jobs for background players. Two of the seven big-budget projects plan to shoot outside the city of Los Angeles 30-mile zone.

Big-Budget Feature Films

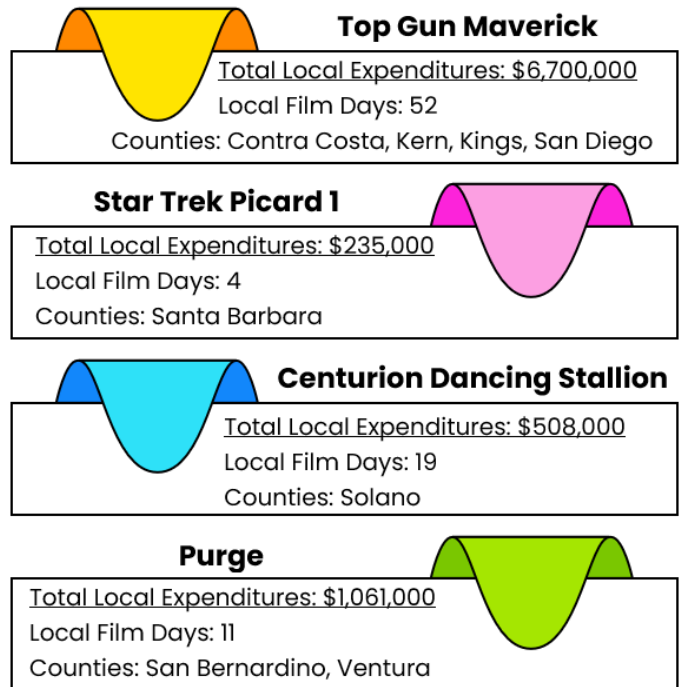
Project Title	Qualified Wages	Total Qualified Expenditures	Tax Credit Allocation
Ashley's War	\$ 29,538,000	\$ 51,086,000	\$ 10,709,000
Bullet Train	\$ 46,700,000	\$ 86,291,000	\$ 10,240,000
Gray Man	\$ 67,966,000	\$ 101,805,000	\$ 20,000,000
Here Comes the Flood	\$ 46,003,000	\$ 68,345,000	\$ 13,777,000
Me Time	\$ 23,539,000	\$ 38,088,000	\$ 7,643,000
Scarface	\$ 28,512,000	\$ 47,790,000	\$ 9,852,000
Untitled Live Action Project	\$ 34,349,000	\$ 61,238,000	\$ 12,247,000

Note: Data as of 06/30/2021 for approved projects under fiscal year 2020-2021.

REGIONAL FILMING IMPACT

New to Program 3.0, local hire labor uplift incentivizes applicants to take advantage of hiring local talent outside the city of Los Angeles 30-mile zone. Non-independent productions - feature films, new and recurring television series, pilots, or miniseries - are eligible to receive an additional 10% tax credit for qualified local hire labor. Independent films and relocating television series are eligible to receive an additional 5% tax credit for qualified local hire labor. Documentation is required (e.g., California driver's license, recent utility bill) to substantiate

where local labor is domiciled. Projects may also receive up to 10 bonus points to raise their jobs ratio score and increase their chance of being selected based on the percentage of filming days outside the City of Los Angeles 30-mile zone. When productions film on location outside the Los Angeles area, data reflects a typical spend \$50,000 - \$150,000 *per day* in the local region. With 33 million acres of forests, seven million acres of desert, 840 miles of coastline, 482 cities, and 58 counties, California provides a large assortment of location options. (See Appendix F for local incentives offered throughout the state of California.)



More than two dozen feature films and television series are projected to film 490 days out of 894 shoot days (54%) in counties across California, including San Bernardino, San Luis Obispo, San Diego, and Siskiyou. Since many Program 3.0 productions have not begun principal photography or started filming outside the zone, the CFC has not yet received local community expenditure data. (See Appendix D for Program 2.0 Regional Filming Data.)



Sir Patrick Stewart on location for *Star Trek Picard* in Santa Ynez Valley, California. Photo Credit: CBS

CAREER READINESS REQUIREMENT

The Career Readiness requirement mandates all applicants who receive a tax credit reservation offer or support career-based learning and training programs for students and career-technical education teachers based in California. In collaboration with the California Department of Education and the California Community Colleges Chancellor’s Office, the CFC developed the structure for participation.

Career Readiness Requirement Options



The CFC also engaged non-profit organizations throughout California involved with career-pathway opportunities for high school and post-high school students, such as Film2Future, Bay Area Video Coalition, Los Angeles Film School, RespectaAbility, ManifestWorks, Digital Nest, and Veterans in Media & Entertainment.

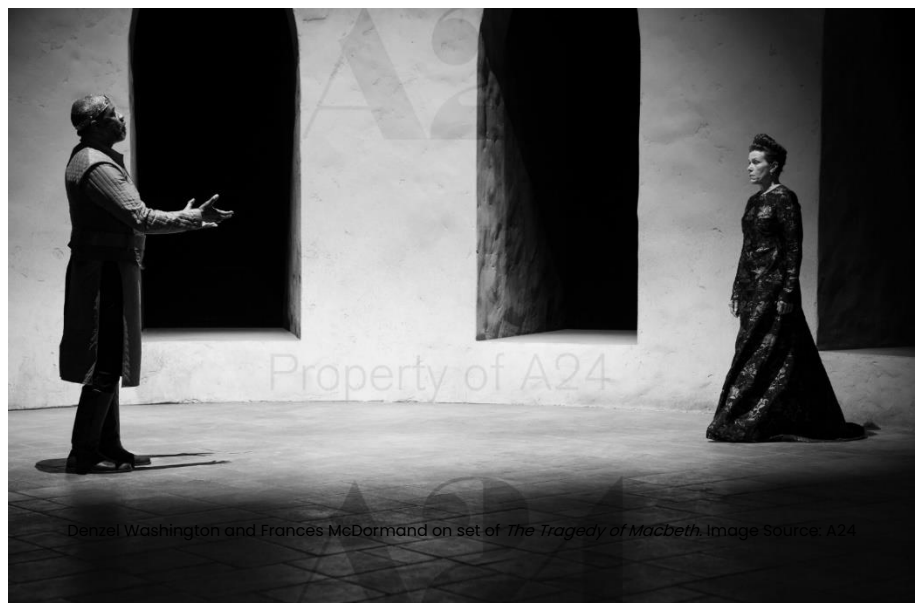
To date, about 85 productions under Programs 2.0 and 3.0 hired more than 200 interns to fulfill the Career Readiness Requirement, totaling approximately 41,000 hours of paid work. Sixty-five faculty members participated in career-developing externship opportunities across

33 projects, while 25 productions selected to host a classroom workshop and/or panel. Close to 400 students and teachers participated in a professional skills tour, hosted by 33 various projects.

Career Readiness Requirement Statistics

	Program 2.0	Program 3.0	Total
Paid Internships			
Participating Projects	81	4	85
Internships	198	7	205
Total Hours	38,957	2,100	41,057
Classroom Workshops			
Participating Projects	22	3	25
Professional Skills Tours			
Participating Projects	32	1	33
Students	358	10	368
Teachers	32	3	35
Faculty Externships			
Participating Projects	21	1	22
Teachers	38	27	65
Financial Contributions			
Participating Projects	70	1	71
Total Contributions	\$517,345	\$12,000	\$529,345

Due to the pandemic, many projects selected virtual options, creating some of the most unique educational experiences held to date. Creative and Production department heads from director Joel Coen’s production of *The Tragedy of Macbeth*, starring Denzel Washington and Frances McDormand, met, and interacted virtually with students from



a career-based learning program, providing detailed descriptions of their creative process, accompanied by drawings, photos, and sketches.

In June 2021, the CFC collaborated with the Arts, Media, and Entertainment (AME) career technical education program and hosted a Visual Effects virtual event for a select group of 27 California high school teachers. AME programs prepare high school students to enter California's thriving creative economy and were established by the California Department of Education in 2005. AME serves 231,000 students and is the largest career-technical education industry sector in the state of California.²

Organization Spotlight: **INCLUSION FILMS**



Based in Bakersfield, California, Inclusion Films teaches filmmaking to individuals with developmental disabilities. In addition to workshops, the organization travels throughout the country hosting short film camps for children and adults with developmental disabilities.

Collaboration: Before the pandemic lockdown began, the television series *This is Us* hosted Inclusion Films where 10 students with disabilities met with department heads, had a Q&A during lunch, and observed filming on set.

"All of the students enjoyed the experience and learned an invaluable lesson. To have them shadow the department of their chosen profession allowed our students to receive real time experience to prepare them for their future careers. They felt like their disability was not a factor in their ability to do the job they were chosen to do." Tammy Reynolds, Case Manager



Externships for Los Angeles Unified School District (LAUSD) teachers given by the *Visual Effects Society*, facilitated by the CFC and California Department of Education, took teachers through a series of workshops and panels focused on different aspects of VFX. Teachers explored how

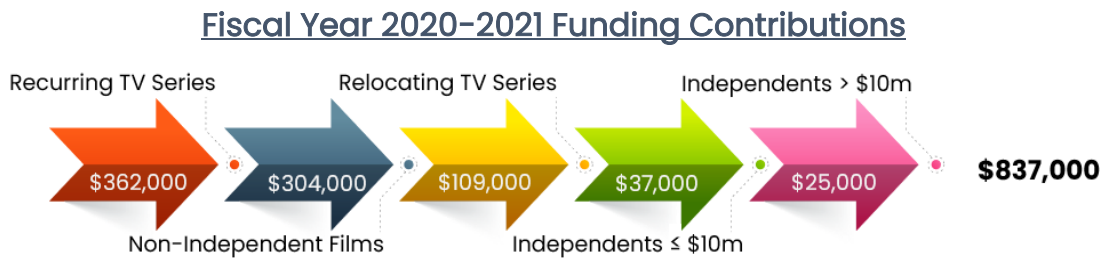
VFX is integrated in live action and animated films: from prep to physical production, and post-production. The different roles of VFX personnel (design, on-set, technical, and creative) and the future of VFX and virtual production were also discussed. During the externship, teachers worked on a project under the supervision of VFX professionals in Adobe After Effects, an activity that can be duplicated in the classroom. Teachers who did not have access to this software were provided with a free 90-day trial from AME Institute sponsor Adobe.

The virtual events noted above created so much interest that future sessions are being planned. Video recordings of these and other sessions will eventually be added to the CFC website for student and educator use.



CAREER PATHWAYS PROGRAM

The Career Pathways Program requirement is a pilot program under Program 3.0. Senate Bill 878 created a training and outreach program for individuals from underserved communities. Funding is provided by projects in the Tax Credit Program. A new requirement under Program 3.0, approved projects are required to contribute 0.25% of their credit allocation to the Career Pathways Program. To date, approved projects under Fiscal Year 2020–2021 have contributed \$837,000.



The program provides life skills and professional craft skills training for entry-level positions in film and television production. The goal is to provide skills and access that leads to careers in production and membership in the below-the-line craft unions. The Program seeks to attract new and diverse talent, create a pathway that makes it easier for job seekers to pursue a career in the entertainment industry, and ensure California has a trained and diverse workforce pipeline to support the entertainment industry. The pilot program may serve as a model for the creation of similar statewide programs.

Year one of the pilot Career Pathways Program was faced with layers of challenges in funding, recruitment, and training logistics as a result of the COVID-19 Pandemic. Despite these challenges, the program was able to serve 55 students in its first year. A summary of two of the training partner organizations’ participation in year one of the Career Pathways program, administered by the IATSE Training Trust Fund, the fiscal agent for the program, appears below:

ManifestWorks

There were two tracks of participants from ManifestWorks in year one of the program. The first track were 12 alumni from the ManifestWorks main program. In December of 2020, these 12 participants were accepted as Y-16a: Production Sound/Video Trainees at IATSE Local 695. The Y-16a classification afforded trainees the opportunity to gain paid apprentice positions

before being included on the Industry Experience Roster. The IATSE Training Trust Fund also provided trainees with LinkedIn Learning and AVIXA accounts. As of December of 2020, 11 of the 12 trainees were employed on contracts that ranged from 1-8 months, and were earning wages that ranged from \$19.05 to \$29.00 per hour. Ten of these trainees are now IATSE members of Local 695.

The second track of 25 participants from ManifestWorks completed the main program in spring 2021. This 12-week Set Production Assistant Training Program includes life skills and on-set training, as well as networking skills. ManifestWorks also provides mental health and other support services to their participants, and in doing so keeps a record of other metrics that illustrate the challenges facing their participants. In the 25 spring cohort, 16 were formerly incarcerated, five are currently in transitional housing, and three have experienced homelessness. Two of the participants have disabilities and one has a history with the military. Twenty-four of the spring ManifestWorks participants are currently working in TV/Film production.

The logo for ManifestWorks, featuring the word "MANIFESTWORKS" in white, bold, uppercase letters on a dark blue rectangular background.

The Brotherhood Crusade

The first cohort of CFC Pilot Career Pathways Program with The Brotherhood Crusade began in March 2021. Twenty-one participants began in the spring cohort, however three dropped out of the program soon thereafter. The cohort began a unique Life Skills course tailored specifically for the Pilot Career Pathways Program participants. Of the 18 remaining participants, eight enrolled in courses with Hollywood CPR.



Overall Year 1 Participant Information

Before the pandemic, it was estimated that the CFC Pilot Career Pathways Program would serve approximately 150 participants in its first year. In year one of the program, the ManifestWorks and The Brotherhood Crusade/Hollywood CPR cohorts served 55 participants. All training and classes were held remotely due to the pandemic.

DIVERSITY INITIATIVES

With Program 3.0, all approved projects must submit the company’s initiatives and programs to increase the representation of women and minorities. The Diversity Initiative statement must include a description of what the program is designed to accomplish and information about how the program is publicized to interested parties. Diversity submissions have fallen under one or more of these categories: directing, writing, casting, and production. Company statements are reflective of a desire to see diversity improved among above and below-the-line personnel within the entertainment industry and agree to adopt measures to ensure a diverse applicant pool. The chart below shows samples of initiatives submitted to the CFC from approved projects under year one of Program 3.0; a comprehensive list is on the CFC website.

SAMPLE STATEMENTS: DIVERSITY INITIATIVES

AMAZON Building an inclusive culture: Mentorships Leadership Workshops
AmazeCom - an internal conference highlighting the benefits of diversity since 2015
CORE - internal conference exploring how race impacts our daily lives.

NETFLIX Inclusion, Outreach and Networking program. Using the pandemic downtime to create Virtual Connections to build relationships between Underrepresented department heads, line producers and network executives.

WARNER MEDIA Supports greater diversity in content by focusing on four areas: on-screen representation, cultivating storytellers, impacting audiences, and growing the production pipeline, which is being implemented through a partnership with the Access to Action program.

FX / DISNEY Snowfall and the late John Singleton have been committed to diversity since the outset of the show. They have also partnered with Walt Disney Television PA Program.

NBC UNIVERSAL Targeting women and minority hiring at all levels of crew. Identify department(s) in demand of critical growth and consider career advancement opportunities for experienced crew candidates.

INFRASTRUCTURE USAGE & GROWTH

According to FilmLA, application activity for permits jumped 45% in March 2021 compared to February 2021 and leasing of soundstages is expected to soar.³ A significant issue currently confronting feature and television projects wishing to film in California and the Los Angeles region is a shortage of stage space. Between increased demand for content with the proliferation of streaming services⁴, and the fact that some companies reserve soundstages even when they are not actually filming⁵, there is a substantial boom in creating additional stage space. Far more cost-effective than building new stages from the ground up, an increasingly popular practice within the industry is to take an existing space, such as a warehouse, and re-purpose it.⁶

Quixote North Valley Studios, opened in Pacoima in 2019, has five stages totaling approximately 75,000 square feet. LA North Studios' second and third Santa Clarita-based facilities, added another stage of approximately 8,000 square feet at the second facility in 2020, and two at 44,250 and 55,750 square feet at their third facility, which opened in March 2021. Several other sound stages are currently in development with projected opening dates through 2025.

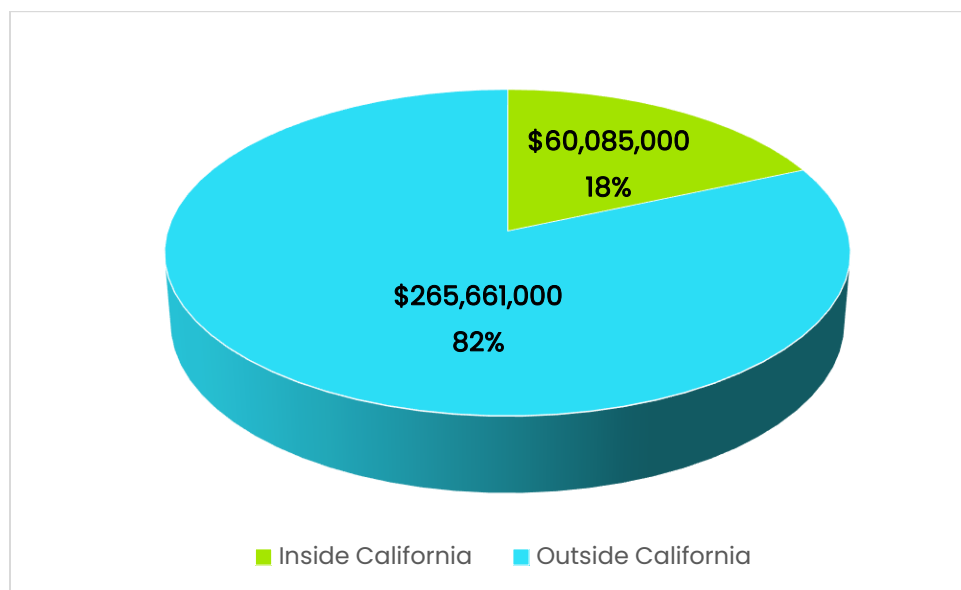
Local Soundstage Developments

Name, Location	# of Stages	Estimated Square Feet	Opening Date	Notes
8 th and Alameda Studios Downtown Los Angeles	17	300,000	2024	26-acre property in downtown LA, LA Times printing facility; subject to city approval. ⁷
Blackhall Studios Santa Clarita	Up to 20	500,000	Mid-2024	Purpose-built facility on a 50-acre parcel. ⁸
Echelon Studios Hollywood	4	76,000	2025	Formerly Sears, 5-acre property. ^{9,10}
Jesse Street Studios Los Angeles	4	TBD	TBD	East Los Angeles. ¹¹
Sunset Glenoaks Sun Valley	TBD	240,000	2023	A total investment of \$170-190 million by Hudson Pacific Properties and Blackstone. ¹²
Television City TVC 2050 West Hollywood	8+	TBD	TBD	With an investment of \$1.25 billion, owner Hackman Capital plans to add up to 1.3 million sq. ft. of total space for total of 15 stages. ⁴
Quixote Studios Hollywood	1	9,400	May 2021	Adaptive reuse of a warehouse. ⁵
Pacoima	4	80,000	April 2022	Adaptive reuse of a warehouse. ⁵
Sylmar	2	50,800	Soon	Adaptive reuse of a warehouse. ⁵

LOST PRODUCTIONS

The CFC conducted a detailed analysis of projects that applied for California film and television tax credits in fiscal year 2020–2021 but ultimately did not receive tax credits. Though the state has retained much production as a result of Tax Credit Programs 1.0 and 2.0, data consistently shows that a large number of those projects not awarded ended up filming outside of California, compared to those that remained in the Golden State.

Fiscal Year 2020–2021: Lost Productions



Surveyed projects which responded that ultimately filmed in California without receiving tax credits generated \$60 million in the state. Taking advantage of California’s skilled cast and crew, independent projects account for 72% of the projects that remained in California. With bigger and more flexible budgets and schedules, non-independent feature films and TV series were more apt to leave for jurisdictions outside California. These runaway projects accounted for \$266 million in production spending – a loss to the state’s below-the-line production workers and the ancillary businesses that rely on the film and television production industry. For example, a \$140 million budgeted television series which applied but did not get tax credits, filmed in New York. A \$28 million budgeted non-independent feature film that had hoped to film in California selected to shoot in New Mexico where tax credits were available.

As Program 3.0 progresses, the CFC will continue to collect further lost productions data. The above data represents solely projects that applied during year one of Program 3.0. (See Appendix D for Program 2.0 lost productions data.) The CFC is unable to track projects that do not apply for California's film and television tax credits or that are ineligible; thus, total runaway production losses are presumed to be substantially higher.

GLOBAL COMPETITION

Although there are films and television projects produced without the benefit of tax credits, the availability of incentives is a key factor when it comes to where projects are filmed. For several years, the business model for feature film and scripted television production has relied heavily on tax incentives to manage production costs. In addition, booming infrastructure and other jurisdictions' production and post-production incentives have increased regional and global competition.

Competing Factor: Tax Incentives

Financing for projects by independent production companies incorporates the monetization of tax credits (selling tax credits to third parties) as a key part of the financing structure. Non-independent (studio) productions factor in tax incentives heavily when considering production locations, creating multiple budget comparisons to calculate net costs and savings realized by virtue of tax credits. In addition to international competition from Canada, Australia, the United Kingdom (U.K.), and most European Union nations, nearly 40 U.S. states offer financial incentives to lure production and post-production jobs and spending from California.

Incentive-rich jurisdictions such as New York, Louisiana, Massachusetts, Georgia, Toronto, and Hungary seem committed to growing their foothold as top-notch film and television production centers. Once incentives take root in other states and countries, those locales, in turn, develop long-term infrastructure with stage construction, post-production facilities, and job training programs. These top competitors have built impressive multi-studio facilities over the past few years. Many of these jurisdictions have instituted job training programs as well. While production companies will often relocate their 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, grips, electricians, carpenters, make-up artists, prop masters, drivers) from California are hired due to the additional expense for travel and housing. The few that work on-location out-of-state pay income tax in the work state. (California receives only the differential in taxes owed based on the in-state

versus out of state tax rate.) Furthermore, skilled California crew members end up training the local workforce. This process helps create a growing pool of skilled local crews across

Tax Incentives: Georgia, Louisiana, New Mexico, New York

Production incentives include a 25% fully refundable tax credit on qualified expenses while filming in **New York** State, sales tax exemptions on qualified expenditure purchases and rentals and 10% credit uplift for production expenditures incurred in 53 counties outside the NYC region. There is a \$420 million rolling cap.

The **Georgia** Entertainment Industry Investment Act grants a transferable income tax credit to qualified productions of 20% of all in-state costs for film and television investments of \$500,000 or more. An additional 10% tax credit is awarded to approved projects that embed a Georgia Entertainment Promotional logo within the titles or credits of each production.

New Mexico offers a state sales tax exemption on all production costs, a 25% refundable income tax credit on in-state film production and post-production expenditures, and a 5% credit on production expenditures for a qualifying television series or soundstage usage.

Louisiana provides a transferable investor tax credit between 25% and 40% of in-state production-related investments in excess of \$300,000. Credits may only be transferred to the state at 90%. There is a \$20 million per-project cap (\$25 million per TV series season), a \$180 million annual back-end cap and a \$150 million back-end cap per fiscal year.

Source: Motion Picture Association¹

the country and around the world. Some film industry workers who cannot find work in California have relocated their families to incentive states, resulting in lost tax revenue and a steadily decreasing pool of skilled labor. Despite the success of California’s film and television tax credit programs, the state has lost productions as competing states that offer incentives achieve dramatic growth in production spending. In 2020 alone, productions in Georgia, Louisiana, New Mexico, and New York spent \$18 billion in motion picture and television production – a significant economic loss to California. More than 300 film and television projects hired 167,000 cast and crew in these jurisdictions.

2020 Regional Economic Impact

	Georgia	Louisiana	New Mexico	New York
Entertainment-related wages in the state:	\$3.8 Billion	\$660 Million	\$280 Million	\$13.1 Billion
Entertainment industry jobs in the state:	45,830	11,670	4,990	107,730
Jobs related to production:	19,300	5,430	2,550	54,590
Jobs related to distributing movies, TV, and other video content to consumers:	26,520	6,240	2,430	53,140
Jobs including direct and indirect impact on local vendors and other businesses:	159,070	25,210	10,340	290,990
Films Produced in 2020	26	8	17	40
TV Series Produced in 2020	81	19	12	143

Source: Motion Picture Association¹

Competing Factor: Infrastructure

Various jurisdictions, both regionally and globally, boosted construction of new soundstages to provide a competitive edge. New York, Georgia, Oklahoma, and Washington state have built or renovated soundstages with more than 250,000 square feet between December 2020 and to June 2021. In Canada, several soundstages in Toronto, Vancouver, and Calgary are being built or retrofitted this year to expand existing production space. Croatia, Iceland, Ireland, Italy, Scotland, and Spain join the United Kingdom in developing and renovating several soundstages between 2021 and 2022 to entice filmmakers to produce projects throughout Europe. In addition, millions of dollars are earmarked for new soundstage construction in Australia and New Zealand.

Infrastructure Growth: United States

New York

- Kaufman Astoria Studios opened in December 2020. Two new large construction facilities are also in the works. Source: [New York Times](#)

Georgia

- Tyler Perry purchased an additional 37.5 acres in Atlanta to build an entertainment unit. Source: [The Hollywood Reporter](#)
- Savannah College of Art and Design (SCAD) is opening a Hollywood-style backlot and a state-of-the-art XR stage for virtual production. Source: [Savannah Now](#)

Oklahoma

- In 2021, Prairie Surf launched Prairie Surf Studios in downtown Oklahoma City, with five soundstages totaling 138,000 square feet. Source: [Variety](#) and [Prairie Surf](#)

Washington

- A \$1.5 million county project to renovate what was once the Fisher Flour Mill on Harbor Island into a state of the art 117,000 square foot soundstage. Source: [King5 NBC News Seattle](#)

Infrastructure Growth: Canada

Toronto

- Plans to turn 8.9 acres of land on the waterfront into a 500,000-square-foot film studio near Pinewood Toronto Studios, which is also building another 200,000 square feet of new soundstages and support space. Source: [The Hollywood Reporter](#)

Vancouver

- Martini Film Studios is building a 600,000 sq. ft. facility to include 300,000 sq. ft. of new soundstages and 300,000 sq. ft. of production support space for wardrobe, workshops and offices. Source: [The Hollywood Reporter](#)

Calgary

- Fortress Studio in southeast Calgary targets Hollywood tentpole movie or series production as it offers 97,500 square feet of stage space with a clear height of 36 feet on around 12 acres in the city's downtown core. And nearby Fortress Support offers another 70,000 square feet of support space and around 20,000 square feet in office space. Source: [The Hollywood Reporter](#)
- William F. White International, expanding in Calgary and soon into Winnipeg with two purpose-built stages and one retrofit stage originals. Source: [The Hollywood Reporter](#)

Infrastructure Growth: London

Shinfield Studios

• **Reading.** 18 new soundstages in a 45,000 sq.ft. studio complex. Source: [Shinfield Studios](#)

Ashford International Film Studios

• **Kent.** 80,000 square feet of film studios, with 240,000 sq.ft. of production space. Source: [Deadline](#)

Dagenham Eastbrook

• **East London.** Twelve sound stages totalling 140,000 sq.ft. Source: [Hackman Capital](#)

The Wharf

• **Barking.** Six new stages near Dagenham Eastbrook Studios, see above. Source: [Hackman Capital](#)

Sky Studios

• **Elstree Hertfordshire.** Set to open in 2022 with 14 new soundstages. Source: [Elstree Studios](#)

London Films Studios (SHL)

• **Enfield.** Three stages. Source: [London Film Studios](#)

Raynham Hanger Studios

• **Norfolk.** Expansion plans are ongoing. Source: [The Studio Map](#)

Stratford

• **London.** TV studios, five studios plus two green screen studios. Source: [The Studio Map](#)

Mercian Studios

• **Birmingham.** Film & TV studios, six stages. Source: [The Studio Map](#)

The Depot

• **Liverpool.** 2 x 20,000 sq ft units, operational by Summer 2021. Source: [The Studio Map](#)

Littlewoods Studios

• **Liverpool.** Film & TV studios under the Twickenham Studios brand. Source: [The Studio Map](#)

Infrastructure Growth: Europe

Iceland

- Converted from a building that used to be a fertilizer plant, the roughly 8,000-m² (86,000-sq ft) studio is one of Europe's largest. Source: [Iceland Monitor](#)

Ireland

- Recent developments such as the greenlighting of a new €150 million Studio Space and Media Campus in Greystones, Co. Wicklow will effectively double Ireland's studio space. Source: [Irish Film and Television Network](#)

Italy

- Apulia Studios launched in 2021, converting a former aquatic theme park into 9 soundstages with two water tanks. Source: [Mia Market Italy](#)

Scotland

- Scotland is to get a new film and TV studio in Glasgow's west end under an £11.9 million plan to transform part of the historic Kelvin Hall into a new 10,000 sq ft studio facility. Source: [The Scotsman](#)
- New film studio to open in Edinburgh, after 85 years! Source: [The Scotsman](#)

Spain

- Secuoya will be the crown jewel of filming locations in Europe. Currently has 5 stages - will have 5 more open in 2022. Source: [KFTV](#)

Infrastructure Growth: Australia and New Zealand

Australia

- Russell Crowe has announced plans to back a new film studio in Australia's Coffs Harbour, situated on the country's New South Wales Mid North Coast. The state-of-the-art facility, with an estimated value of \$438M, will be constructed on a sprawling pre-existing Pacific Bay resort complex and will integrate production, post-production and accommodation and amenities. Source: [Deadline](#)

New Zealand

- Plans for a multi-million dollar film studio to be built on the south island of New Zealand have been submitted to Christchurch City Council. Source: [KFTV](#)
- The vast TEMPLE FILM STUDIOS complex will be constructed on an old hospital site in Templeton, just outside Christchurch and will include eight 25,402 square feet studios measuring between 42.4 to 45.9 feet, a wet stage and offices and workshops. There will also be a backlot for temporary film and video sets. Source: [KFTV](#)

Competing Factor: Visual Effects (VFX)

Global viewers are consuming more immersive content on their ultra-high-definition TVs, smartphones, and tablets via a myriad of platforms, including Netflix, Amazon, Hulu, AppleTV+, Paramount +, Peacock, and Twitch, as well as YouTube, Twitter, and Facebook. Streaming video is the fastest growing distribution channel for animation and is witnessing double digit growth which can be attributed to the exponential growth in the number of online video viewers throughout the world.¹¹ With studios including more animation and VFX shots, moviegoers are demanding high quality productions with engaging visual effects and realistic animation.

Many states and countries have enacted incentives that specifically target the visual effects industry. In the United States, New York State offers a 30% tax credit for visual effects and post-production work. In Canada, British Columbia, and Quebec each provide a 16% credit on visual effects work produced in these provinces - both of which are in addition to their provincial (28% and 20%, respectively) and federal tax breaks of 16%. In turn, many visual effects companies of all sizes have relocated to Vancouver, Canada - taking high-wage jobs with them.

According to a 2019 study, the field of visual effects has accounted for the most significant increase in jobs in the motion picture industry over the last 20 years. In 2018, visual effects crewmembers were hired four times more compared to other crewmembers.¹³ When surveyed, VFX executives at studios and production companies told the CFC that the most important factor they consider when awarding VFX contracts is tax incentives. The California Tax Credit Program offers an additional 5% tax credit for VFX work, bringing the credit up to 25% for projects in the program. Even with a 25% tax credit, many projects in the program choose to go to other locales with more generous VFX incentives. Program 2.0 projects, such as *Call of the Wild*, *A Wrinkle in Time*, *Bumblebee*, *Ad Astra*, and *Captain Marvel*, spent millions of dollars out of California for visual effects; in aggregate, Program 2.0 projects spent nearly the same outside the state (\$205 million) as they did inside the state (\$235 million) for VFX, indicating the 25% incentive is not enough to keep the work in California. It also may indicate that due to the lack of competitive incentives, the visual effects infrastructure that once existed in the state is no longer enough to support large visual effects projects. Tax credit projects are but a tiny fraction of projects that film in the state, so most projects have no incentives available to them when considering where to contract their VFX work. California is the only major film production center that does not specifically target VFX jobs, and as a result, much of this ever-expanding and in-demand industry has left the state.

CALIFORNIA SOUNDSTAGE FILMING TAX CREDIT PROGRAM

In July 2021, Governor Gavin Newsom signed SB 144 which created a new tax credit program, incentivizing projects that film in new or renovated soundstages as certified by the CFC. The new program has \$150 Million in tax credits to allocate on a first-come-first-served basis.



July 21, 2021: Governor Newsom at SB 144 bill signing with (from left) Senator Maria Elana Durazo (representing Senate District 24), Assemblymember Wendy Carrillo (representing Assembly District 51), Sunset Gower Studios CEO Victor Coleman, Senator Anthony Portantino (representing Senate District 52), CFC Executive Director Colleen Bell, and Assemblymember Autumn Burke (representing Assembly District 62).

In order to be eligible as a qualified production entity to receive tax credits under the California Soundstage Filming Tax Credit Program, a production entity may qualify if the project films within three years from the date of CFC certification of the soundstage. In addition, the production entity must film at least 50% of its principal photography stage shooting days at a certified soundstage. The production entity, in addition, must own more than 50% of the certified soundstage where the production is filmed or enter into a contract or lease for 10 years with the owners of the certified studio construction project where the production is filmed.

Once a construction or renovation project meets a set of certification criteria as defined by the CFC, the taxpayer may be eligible to receive tax credits. Actual construction or renovation expenditures must be at least \$25 million for construction or renovations made within five continuous years. Additional requirements under the new bill include submission of a diversity workplan.

The diversity workplan is required documentation submitted by the applicant indicating diversity goals, including race and gender, when hiring above- and below-the-line individuals. The workplan should broadly reflect California's diversity make-up in terms of race and gender. The CFC is in the process of creating guidelines and will have the authority to audit final diversity reports.

As a Soundstage Filming Tax Credit project, applicants are eligible to receive additional tax credits after successfully achieving the goals as stated in the diversity workplan. Verified by the CFC, if the applicant has met or made a good faith effort to meet the diversity goals of the workforce employed, the project may be eligible for up to an additional 4% tax credit.

The payment requirement from an approved Certified Studio Construction Project to fulfill the Career Pathways Training Program, as described in the Career Pathways Training Program section, has been modified under SB 144. The approved applicant filming on a certified soundstage is required to pay 0.5% (up from .25%) of the approved tax credit amount.

As approved Soundstage Filming Tax Credit projects, recurring TV Series are capped to receive \$12 million in tax credits per season, while feature films are capped at \$12 million in tax credits.

CONCLUSION

The California Film Commission (CFC) has been administering the state's film and television tax credit programs since 2009, growing from a yearly \$100 million lottery-based program to a \$330 million per year program based on a jobs ratio (jobs creation) system. Last year alone, the CFC reserved \$336 million in tax credits for an estimated return of \$1.6 billion in spending across California. Despite the programs' success at retaining many productions and stimulating the economy, there is growing pressure to compete globally with more film tax incentives, job training and infrastructure.

California must continue to invest in a skilled workforce and train individuals for jobs in the industry, and jobs must be accessible to a diverse pool of individuals. The Pilot Career Pathways program is working to provide such opportunities to individuals from underserved communities, as are many other diversity initiatives from studios and production companies. The Career Readiness Initiative, as well as partnerships with the California Department of Education and the CFC, assists teachers and students in gaining exposure and experience in the industry. SB144, with its diversity component, is another avenue in which the program encourages the hiring of individuals from underrepresented communities. With Arts/Media/Entertainment as the largest sector of Career Technical Education training in the state, it's clear that California's youth are very interested in careers in this industry. It is vital that the state continue its efforts to incentivize productions and support training programs and infrastructure growth so that a skilled workforce can support a robust entertainment community for years to come.

With the advent of virtual production and increased demand for visual effects, California has the potential to gain thousands of jobs in this sector. However, with the abundance of visual effects incentive programs offered by many other locales, California's market share of visual effects work has steadily declined. As the only major industry hub without a stand-alone visual effects tax credit, California is missing the opportunity to increase employment in this sector of film production and post-production.

The ever-increasing demand for content needed to feed streaming services has created even larger film and TV production hubs worldwide. In order for California to retain its edge as the entertainment capital of the world, additional stages are needed to accommodate the demand. The passage of SB144 is intended to encourage content providers to invest in soundstages to produce their projects.

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APPENDIX A | Enacting Legislation

- SB 144 (Portantino). Taxes: credits: qualified motion pictures: certified studio construction projects: reports. The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws, including a motion picture credit for taxable years beginning on or after January 1, 2020, to be allocated by the California Film Commission on or after July 1, 2020, and before July 1, 2025, in an amount equal to 20% or 25% of qualified expenditures for the production of a qualified motion picture in this state, with additional credit amounts allowed, including for amounts equal to specified qualified expenditures and qualified wages relating to original photography outside the Los Angeles zone, as specified.
- SB 878 (Senate Committee on the Budget and Fiscal Review), Existing law allows credits under the Personal Income Tax Law and the Corporation Tax Law for taxable years beginning on or after or after January 1, 2016, to be allocated by the California Film Commission on or after July 1, 2015, and before July 1, 2020,
- 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.
- 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.
- 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.
- 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.
- 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.

APPENDIX B | Program 3.0 vs. 2.0 Comparison Chart

Sunset Date	June 30, 2020	June 30, 2025
Funding	\$330M per Fiscal Year	No change.
Funding Categories	<ul style="list-style-type: none"> • 40% TV Series, Pilots, Mini-series, MOWs • 35% Non-independent Films • 20% Relocating TV Series • 5% Independent Films 	<ul style="list-style-type: none"> • 40% TV Series, Pilots, Mini-Series • 35% Non-independent Films • 17% Relocating TV Series • 8% Independent Films <p>Independent film funding split between projects with budgets under \$10m and over \$10m.</p> <ul style="list-style-type: none"> •
Tax Credit Allocation Percentage	<ul style="list-style-type: none"> • 25% Indies and Relocating TV • 20% Non-Indies • Additional 5% "Uplift" <ul style="list-style-type: none"> • Filming Outside 30-Mile Zone • Visual Effects Expenditures • Music Scoring / Track Recording Expenditures 	<ul style="list-style-type: none"> • 25% Indies and Relocating TV • 20% Non-Indies • Additional 5% "Uplift" <ul style="list-style-type: none"> • Filming Outside 30-Mile Zone • Visual Effects Expenditures • Eliminates 5% for Music Scoring / Track Recording • 5% or 10% Additional for Local Hires Working Out-of-Zone
Application Selection	Jobs ratio ranking within specific categories.	Jobs ratio ranking within specific categories; allows VFX vendor payments split 70% wage/30% non-wage.
Career Readiness Requirement	Paid internship positions for a minimum of 75 hours each or a combination of internships with a minimum 225 hours in total. Payments to career readiness interns are not qualified. Workshops / panels must be at a minimum of eight (8) hours in length.	Paid internship positions for a minimum of 100 hours each or a combination of internships with a minimum 300 hours in total. Payments to career readiness interns are considered qualified wages. The 8-hour minimum requirement for workshops / panels is eliminated.

Pilot Career Pathways Training Program	None.	Pilot skills training program for individuals from underserved communities for careers in entertainment industry; fee of .25% of estimated tax credit to be paid within 10 business days of program acceptance.
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 qualified 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.
Bonus Points	Include facility usage as bonus point factor.	<ul style="list-style-type: none"> • Eliminate facility usage as bonus point factor. • Add music scoring/track recording wages as bonus point factor.
Carry Forward	Taxpayer may carry forward tax credit for 5 years.	Taxpayer may carry forward tax credit for 8 years.
Recurring TV – Pick-up Orders	No time limit as to when recurring TV series can submit pick-up orders.	Maximum 140 calendar days from date a credit allocation letter would have been issued to submit pick-up order.
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 in Independent Film or Feature Film category.

Unallocated Credits	After sunset date, CFC may not allocate unused credits.	<ul style="list-style-type: none"> • 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.	A summary of the applicant's voluntary programs to increase the representation of women and minorities including a description of what the program is designed to accomplish and information about how the programs are publicized to interested parties. This requirement is waived for independent films with qualified expenditures of ten million dollars (\$10,000,000) or less.

APPENDIX C | Tax Credit Usage Limitations

Special Note

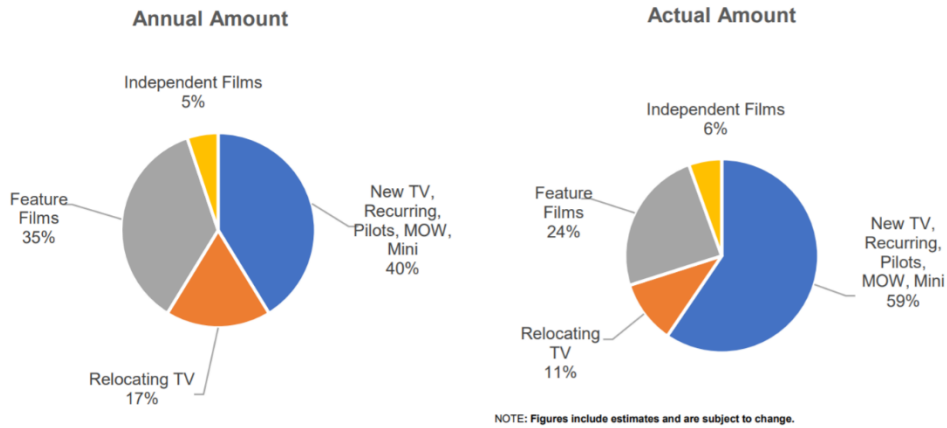
In July 2020, Governor Gavin Newsom imposed new tax regulations to offset the California budget deficit as a result of the Covid-19 pandemic (see page 42 for Covid-19 effects on California film and television productions). For the period beginning January 1, 2020 and before January 1, 2023, Non-Independent tax credit recipients are limited to a cap of \$5 million with respect to offsetting state income tax liability and a \$5 million cap with respect to offsetting Sales and Use tax liability. This applies to projects in both Program 2.0 and Program 3.0 tax credit programs. The cap on credits against income tax liability are at the combined reporting group level; the cap on credits against Sales and Use tax liability can be claimed by affiliates. Independent Films are also limited to the \$5 million tax credit limitation for the next 3 years. Companies which purchase tax credits from Independent Films have the same limitations when they elect to utilize their credits against their state income tax liability.

Qualified taxpayers, participating in the California Film & TV Tax Credit Program, or their affiliates are allowed a credit against the net tax in the amount specified on the Tax Credit Certificate. Tax Credits are governed by the year the credit certificate is issued. Once a taxpayer receives a Credit Certificate, they can claim it on their tax return beginning with the year the Certificate was issued. The excess credit may be carried over to reduce the net tax in the following taxable year and succeeding five (Program 2.0) or eight (Program 3.0), if necessary. This means that for Program 2.0, the carryover may be extended to six years and Program 3.0 to nine years. Due to the \$5 million per year limitation the first three years of Program 3.0, the carryover may be extended from six to nine years (2.0) and from nine to twelve years (3.0). The extension of the carryover period is only for the number of years that the credit was limited. For example, if a taxpayer has a Program 2.0 credit for \$15 million that they are eligible to utilize in 2022, the taxpayer would be limited for only one year. Therefore, the credit would be allowed an additional year of carryover.

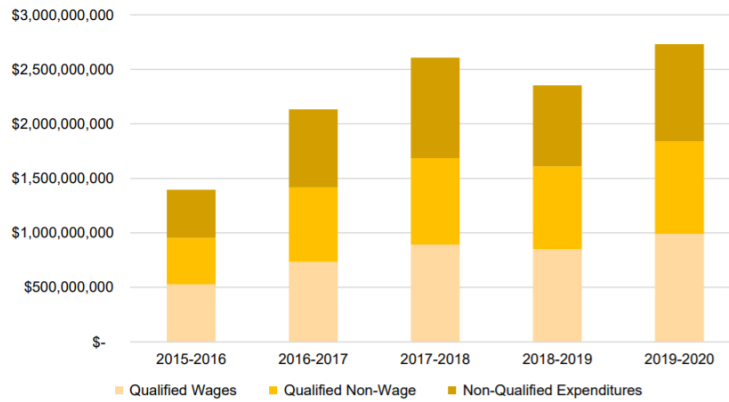
Tax credits may be assigned to one or more affiliates. Affiliate Corporation is defined in the Revenue & Taxation code as a corporation that is a member of a commonly controlled group as defined in Section 25110 subdivision (b). Qualified Taxpayers may elect to split the credits and apply a portion to their income tax liability and a portion to their Sales & Use, however, only one Credit Certificate will be issued to the taxpayer. There is no recapture provision for any Tax Credit Certificates issued. Productions must retain all records pertinent to the Credit Certificate for a minimum of three years from the date of filing their tax return claiming the credit. If a limited liability company (LLC) elects to be taxed as a partnership or "S" corporation, the LLC is treated as a passthrough entity. In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer is made at the entity level. No amount of credit is allowed to the pass-through entity. The credit is passed through to the partners, members, or shareholders.

APPENDIX D | Program 2.0 Summary

ACTUAL FUNDING CATEGORIES PROGRAM YEARS 1 - 5



AGGREGATE SUMMARY

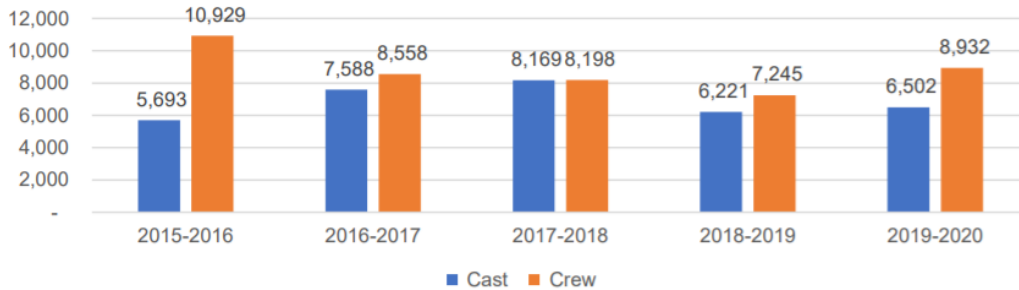


APPROVED PROJECTS PER PRODUCTION TYPE

Project Types	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
New TV	12	7	5	3	3	30
Recurring	6	16	17	19	18	76
Pilot	11	5	2	0	0	18
MOW	2	0	0	0	0	2
Mini-Series	1	0	0	0	0	1
Relocating TV	5	6	1	4	2	18
Features Films	8	7	12	9	20	56
Independent Projects	2	10	8	6	11	37
TOTAL	47	51	45	41	54	238

APPENDIX D | Program 2.0 Summary (cont.)

PRODUCTION HIRES



RELOCATING TV SERIES

Title	# of Seasons in California	Previous Filming Location	Qualified Wages for all Seasons in CA	Expenditures for all Seasons in CA	Tax Credit Allocation for all Seasons in CA
ABC American Crime	1	Texas	\$ 12,201,811	\$ 31,432,144	\$ 5,010,840
American Horror Story	6	Louisiana	\$ 137,308,516	\$ 361,821,976	\$ 47,826,647
Ballers	3	Florida	\$ 46,873,588	\$ 170,940,228	\$ 20,039,030
Dream	1	New Jersey	\$ 24,866,699	\$ 53,826,712	\$ 10,903,391
Good Girls	2	Georgia	\$ 43,103,436	\$ 107,037,779	\$ 17,566,316
Legion	2	Vancouver	\$ 45,550,876	\$ 119,610,253	\$ 19,940,879
Lucifer	4	Vancouver	\$ 103,950,461	\$ 399,306,321	\$ 43,173,463
Mistresses	1	Vancouver	\$ 13,394,396	\$ 21,903,292	\$ 5,473,502
Penny Dreadful: City of Angels	1	Ireland	\$ 58,952,764	\$ 133,218,760	\$ 24,957,584
Scream Queens	1	Louisiana	\$ 17,969,956	\$ 46,099,075	\$ 7,906,606
Secrets and Lies	1	North Carolina	\$ 13,322,464	\$ 36,272,587	\$ 5,734,650
Sneaky Pete	1	New York	\$ 21,071,013	\$ 56,741,742	\$ 9,204,308
Special	1	Texas	\$ 3,646,970	\$ 9,966,684	\$ 1,583,870
The Affair	2	New York	\$ 38,521,178	\$ 106,332,328	\$ 15,106,429
The OA	1	New York	\$ 18,516,455	\$ 118,115,178	\$ 8,202,967
Timeless	1	Vancouver	\$ 23,146,573	\$ 59,653,082	\$ 10,249,408
Veep	3	Maryland	\$ 50,029,196	\$ 179,885,501	\$ 20,071,970
You	2	New York	\$ 37,334,795	\$ 95,727,372	\$ 13,275,577
TOTALS			\$ 709,761,147	\$ 2,107,891,014	\$ 286,227,437

Note: Estimated figures are updated as final expenditures are submitted to the CA Film Commission.

BIG-BUDGET FEATURE FILMS

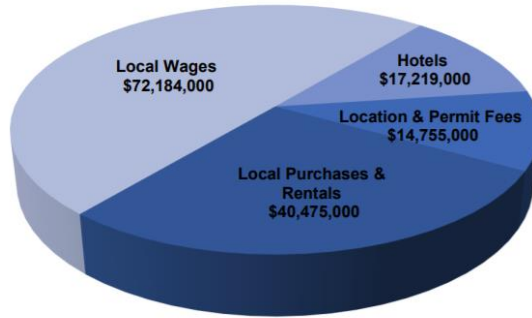
Project Title	Qualified Wages	Total California Expenditures	Tax Credits
A Wrinkle in Time	\$ 40,480,000	\$ 120,971,000	\$ 17,217,000
Ad Astra	\$ 31,801,000	\$ 91,203,000	\$ 2,500,000
Babylon	\$ 46,994,000	\$ 109,552,000	\$ 17,512,000
Birds of Prey	\$ 33,113,000	\$ 97,145,000	\$ 12,614,000
Bright	\$ 37,406,000	\$ 113,449,000	\$ 7,233,000
Bumblebee	\$ 46,883,000	\$ 152,992,000	\$ 21,818,000
Call of the Wild	\$ 46,958,000	\$ 109,004,000	\$ 17,093,000
Captain Marvel	\$ 69,341,000	\$ 185,938,000	\$ 20,755,000
Deadwood	\$ 9,559,000	\$ 116,887,000	\$ 3,247,000
Ford v Ferrari	\$ 40,359,000	\$ 114,536,000	\$ 14,886,000
Top Gun: Maverick	\$ 50,913,000	\$ 173,588,000	\$ 21,491,000
Once Upon A Time In Hollywood	\$ 43,244,000	\$ 116,887,000	\$ 16,021,000
Space Jam 2	\$ 43,158,000	\$ 183,717,000	\$ 21,804,000
TOTAL	\$ 540,209,000	\$ 1,685,869,000	\$ 194,191,000

Note: Estimated figures are updated as final expenditures are submitted to the California Film Commission.

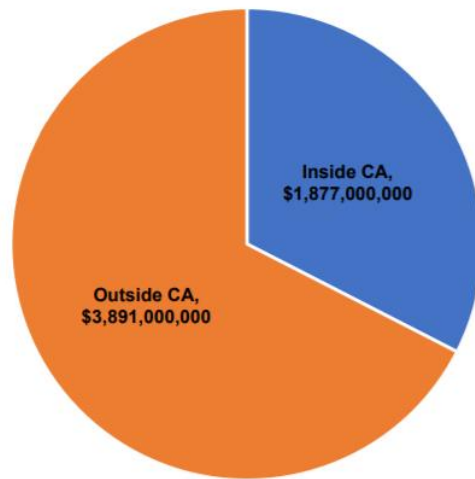
APPENDIX D | Program 2.0 Summary (cont.)

OUT-OF-ZONE LOCAL DIRECT SPEND

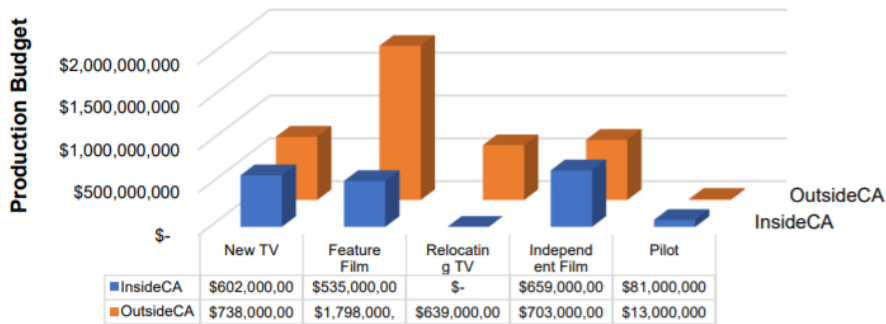
Total: \$144 Million



LOST PRODUCTIONS: YEAR 2015 TO 2020



EXPENDITURES INSIDE & OUTSIDE OF CA PER PRODUCTION TYPE OF PROJECTS DENIED TAX CREDITS



APPENDIX E | Program 1.0 Summary

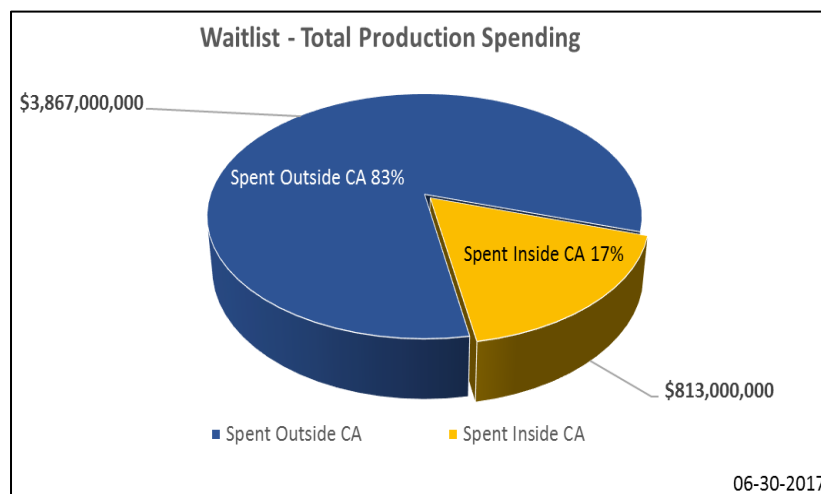
Table 1. Aggregate Summary

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. Relocating TV Series

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. Lost Productions Data



APPENDIX E | Program 1.0 Summary (Continued)

Table 4. Regional Filming Impact

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

APPENDIX F | Local California Film Incentives

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.

More Info: <https://ewddlacity.com/index.php/entertainment-incentives>

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.

More Info: <http://filmriversidecounty.com/Incentives.aspx>

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.

More Info: <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.

More Info: <https://santabarbaraca.com/film-commission/production-resources/>

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).

More Info: <http://filmsantaclarita.com/for-filmmakers/film-incentive-program/>

Shasta County

- ❖ Shasta County is dedicated to serving the film industry. Qualifying productions can receive up to \$50,000 through the local incentive program.
- ❖ The local incentive program is aimed at retaining and increasing feature and television production in Shasta County by subsidizing permit fees, offering hotel rebates and direct spend incentives.

More Info: <https://filmshasta.com/for-filmmakers/>