



MINUTES

California Film Commission Board Meeting
Friday, March 24, 2023
1:30 p.m. – 3:00 p.m.
Academy Museum of Motion Pictures
6067 Wilshire Boulevard
Los Angeles, CA 90036

COMMISSIONERS IN ATTENDANCE

Wendy Greuel (Chair)
Joshua LaFarga (Secretary)
Assemblymember Wendy Carrillo
Andy Davis
Thom Davis
Steve Dayan
Robert Gleason
Bonnie Goldfarb
Jennifer Goring
Peter Kaufman
Janet Knutsen
Councilmember Kim Nguyen
Kerri Wood Einertson

CFC STAFF

Colleen Bell
Nancy Rae
Stone
Alfonson Casey
Joseph Cruz
Eric Klosterman
Hedvig Marx
Leah Medrano
Isaiah Sandoval
Shadina Tiffith
Omar Yousif

GUESTS

Greg Andersen
Scott Bernard
Frank Bigelow
Ed Duffy
Kathy Garmezy
Vijay Mepani
Christine Pelosi
Lauren Pizer Mains
Arlen Valdivia

I. CALL TO ORDER and WELCOME; INTRODUCTION OF MEMBERS/GUESTS – Wendy Greuel, Chair

Meeting called to order at 1:38 p.m., Chairman Greuel welcomed board members and guests, Roll Call.

II. APPROVAL OF MINUTES – Wendy Greuel, Chair

Motion to approve the Minutes from November 04, 2022 was made and approved.

III. DIRECTOR'S REPORT – Colleen Bell, Executive Director

Executive Director Bell thanked everyone for being here today in-person at the Academy Museum of Motion Pictures and welcomed new Board members Assemblymember Wendy Carrillo and Senator Steve Paddilla.

Here in California, people around the nation and the world think of our state as the home of entertainment with all that implies. It is an important part of our legacy and the entertainment industry has generated significant economic activity, job sustainability and job creation. States and Nations are working hard to do everything they can to lure entertainment production out of California by increasing and expanding their tax credit programs. Access to tax credits to offset the cost of production is a primary consideration for where projects will shoot. When projects leave, they are taking California jobs, economic opportunities and separating families.

The CFC tracks produced projects that applied for tax credits but were ultimately denied due to lack of available funds. Data shows that the state lost 77% of production spending by those projects that applied for but did not receive a California tax credit.

- 173 productions that were eligible but did not receive tax credits between June 2015 and June 2020 left California. The State lost \$8.6 billion in economic growth. This lost economic growth does not include all the projects that did not apply for the credit but shot elsewhere.
- For example: in FY 2021/22 16 out of 28 projects that did not receive tax credits left to be produced out-of-state and accounted for \$951 million in production spending outside California - a loss to the state's below-the-line production workers and the businesses that rely on the film and television production industry.

Productions that applied for but did not receive tax credits between 2020 and 2022 left California to generate expenditures in the following jurisdictions:

- New York (\$254 million)
- Georgia (\$130 million),
- New Mexico (\$28 million)
- Louisiana (\$2 million)
- Other U.S. Jurisdictions (\$299 million)
- Canada (\$88 million),
- England, Italy, Ireland, Mexico (\$150 million)

The flight of productions to other states and nations in response to competing incentives gives credibility to the assertion that the cost reductions made possible by our tax credit program are directly responsible for keeping many productions here in the State.

To date, 624 approved projects in the California Film and Television Tax Credit Program with an investment of \$2.7 billion in tax credits are on track to generate more than \$21 billion in California expenditures since the program started in 2009. These projects hired or will hire more than 69,000 cast, 103,000 crew, and 1,555,000 background players measured in man-days.

[A recent study](#) from March 2022 by the Los Angeles Economic Development Corporation (LAEDC) reported that each dollar allocated by California's Film and TV Tax Credit Program generated at least \$24.40 in output, \$16.14 in gross domestic product (GDP), \$8.60 in wages, and \$1.07 in initial state and local tax revenue.

Other findings in the LAEDC report include:

- What delineates California's film tax credit from incentive programs in other states and nations is its transparency related to sharing data about projects, allocations and resulting economic impact. Such transparency ensures accountability.
- California's tax credit program is uniquely focused on incentivizing the types of projects most susceptible to 'runaway productions', or productions that could potentially be lured away from the Golden State.
- California's program is more restrictive than most due to its 'qualified expenditures provision', which makes tax credits applicable only to below-the-line wages and payments to in-state vendors (not above-the-line costs). This makes it a better value for taxpayers.
- The tax credit program provides statewide benefits both in terms of tax revenues and production jobs and spending. It facilitates production across the state, including a growing volume of filming outside the traditional Los Angeles 30-Mile Studio Zone.
- To date, more than 60 feature films and television series spent close to \$208 million outside the City of Los Angeles 30-mile zone under the Film and TV Tax Credit Program 1.0, 2.0, and 3.0.
- This spending benefitted many small businesses, including grocers, hardware stores, gas stations, hotels, and other retail businesses, as well as local hires for services such as catering and set construction. In addition, such spending impacted local governments directly via payments made to local police and fire departments, as well as revenue from local permit fees.
- The 60 projects locally employed at least 132 cast, 1,906 crew, and 14,503 background players. As other productions complete post-production and ultimately submit final expenditures report, the local community expenditure spend figures will actualize and most probably increase.
- The new Soundstage Filming Tax Credit Program is California's latest tool to improve its competitiveness amid global competition to host film and TV production. It joins our very successful production tax credit program to demonstrate our state's commitment to remaining the world's entertainment production capital.

Diversity – Film and TV Tax Credit Program

California's Film and TV Tax Credit Program promotes workforce training, diversity and inclusion. The Career Readiness requirement mandates that all tax credit projects participate in learning and training programs such as paid internships for students, externships for faculty members, workshops, panels and professional skills tours.

The Program also requires participating projects to have a written policy for addressing unlawful harassment and submit voluntarily reported above and below-the-line cast and crew employment diversity data. Each production must also provide the state with a copy of its initiatives and programs to increase the representation of women and minorities.

The newly proposed Program 4.0 includes a diversity workplan component to promote shared goals of providing equal opportunity in the motion picture and television production industry. The Administration structured this proposal to provide an incentive of four percent of total dollar award amounts for project applicants to submit and make a good faith effort to achieve a project specific diversity work plan. This provides an incentive to "opt in" to the diversity provisions, without reducing the total amount of funding available for applicants. We envision that all taxpayers applying for the credit will participate and be successful in their efforts and will therefore receive 100% of their award.

Additionally, the new Soundstage Filming Tax Credit Program takes an innovative approach to achieving two key goals – developing more infrastructure and promoting workforce diversity. It demonstrates California's leadership and serves as a model for other states.

We recognize that we are still early in the budget process and the Administration hopes to continue conversations and collaboration with the Legislature on this topic to increase diversity in employment and opportunity to enter the film and television industry, while balancing competition with other states and funding availability. It is important we find the right structure to achieve these desired results.

IV. TAX CREDIT PROGRAM REPORT – Nancy Rae Stone, Tax Credit Program Deputy Director

Tax Credit Program Statistics 1.0, 2.0, 3.0

The CFC allocated \$2.9B in tax credits to 654 projects, which spent \$22.9B in total CA expenditures, including \$8B in qualified wages. These projects hired approximately 220,000 cast and crew.

We are now in fiscal year 3 of the program. In our most recent feature allocation period, the program approved 24 projects (3 features, 6 indies over \$10M, 15 indies under \$10M) estimated to spend \$432M in qualified expenditures including \$258M in qualified wages. These projects will hire 3,900 cast and crew and earn collectively \$80 million in tax credits. These figures do not capture the \$225M in non-qualified spend which we do not incentivize.

Our fiscal year 3 projects reported that they will be shooting in at least 8 out-of-zone counties, including Kern, Orange, Palm Springs, Riverside, San Bernardino, San Francisco and Santa Barbara counties.

Career Readiness

Prior to receiving a tax credit from the California Film Commission, all approved projects are required to participate in the Career Readiness Program. There are five available options:

1. Making a Financial Contribution to California Department of Education (CDE) Arts, Media, and Entertainment (AME) programs or Foundation for California Community Colleges (CCC).
2. Participate in a Classroom Workshop or Lecture for students interested in exploring careers in this industry. During the pandemic, workshops and panels were accomplished via Zoom in order to provide this experience while remaining safe and giving filmmakers the most flexibility in terms of scheduling.
3. Productions may also host a Faculty Externship, allowing one or more educators to spend at least eight hours observing a working set.
4. Hire Paid Interns to work in departments of their choice for an aggregate of 300 hours or more.
5. Conduct a Professional Skills Tour permitting a group of chaperoned students to observe a working set for eight or more hours, interacting with the filmmakers.

Approved projects in programs 2.0 and thus far in program 3.0 have made these choices as to how to participate in Career Readiness: 93 financial contributions, 248 paid internships, 29 professional skills tours, 20 faculty externships, and 33 classroom virtual panels.

We are curating our large catalog of past Zoom panels and beginning to make them available (via link to YouTube) to anybody who would like to understand all the careers available in this industry and to look behind the scenes of films and television projects. These include extensive, in-depth conversations with filmmakers including Patty Jenkins, Chris Pine, Stacy Sher, Paul Weitz, the creative team behind Joel Coen's Oscar-nominated *MACBETH* and many others.

Career Readiness contributions have gone to the CA Dept of Education for their Arts, Media and Entertainment (AME) programs, as well as the Foundation for CA Community Colleges, which has used the funding for paid internships. These funds have contributed to multiple programs, including the 2023 AME Institute Oakland Pop-up for students and educators which took place earlier this month and the BRIC Institute this past February.

The BRIC (break, reinvent, impact, change) foundation is a non-profit dedicated to increasing representation in entertainment, gaming, media and tech.

On February 10th & 11th, the BRIC institute convened a group of over 200 educators at Netflix Animation in Burbank, while thousands of people from around the world logged on to collectively discuss how we support and nurture up-and-coming talent as it pertains to women and historically excluded groups who have an interest in being creative leaders.

During the workshops, participants were broken into randomly assigned groups where they spent time coming up with solutions to a variety of challenges. Tax Credit Deputy Director Nancy Stone sat on a panel entitled REINVENT: THE CREATIVE ECONOMY, where they discussed the issues and ways to grow our future workforce and to make an impact.

The Institute subsequently published takeaways from the Institute for educators and companies, most of which are already incorporated into the CFC Career Readiness Program, as well as our Career Pathways Program.

CFC Career Readiness maintains a database of over 100 Community Colleges and High Schools to which we can reach out and create opportunities.

One of the Career Readiness options is to offer educators eight or more hours visiting the set of participating shows. It is estimated that each educator who participates is able to spread that knowledge to as many as 150 students. We maintain a database of over 50 Career Based Learning Organizations, which we contact with opportunities when they arise.

Many of our Career Based Learning Organizations and Community Colleges help students identify the kinds of portfolios they will need and use employers as intermediaries to provide examples and create assignments that are industry standards.

Students who participate in Paid Internships through the Career Readiness Program gain firsthand knowledge of on-set and off-set responsibilities. Students who participate in the Professional and Studio Tours spend eight or more hours observing a professional film set.

Multiple individuals who have participated as paid interns have joined motion picture unions and embarked on successful careers in the industry. To date, 22 interns were hired under Program 3.0 – *The Sterling Affairs, Rebel Moon, Joker, The Residence, Star Wars: Skeleton Crew, and Interior Chinatown*. Total hours 10,000+.

V. SOUNDSTAGE FILMING TAX CREDIT PROGRAM UPDATE - Hedvig Marx, Soundstage Program Advisor

Studio Construction Projects

There has been no change since the last board meeting, which means we still currently have 13 certified stages, 8 new and 5 renovated.

The CFC continues to provide technical assistance to entities that are expressing intent to or interest in submitting a Phase A (studio construction project) application, and we do see interest from several directions.

Some of these are still in planning or early stages of their construction projects; stages wishing to be certified must have permits dated after July 21, 2021 and must also have met certain spend requirements and specifications before submitting a Phase A application.

Qualified Motion Picture Projects

The second approved soundstage program project is currently in principal photography, this is season two of Quantum Leap, the TV series also filmed season one within the Program. Season two has been allocated credits for 13 episodes. Soundstage Program projects combined (Quantum Leap S1 and S2)

- Allocated \$24 million in credits
- Total Qualified Expenditure: over \$116 million, of which \$64 million in qualified wages
- Estimated 10 cast, 525 base crew, and 8,500 background/stand-in man-days

Soundstage Filming Tax Credit Program Regulations

Soundstage Program regulations approved by the Board in September were made permanent by the Office of Administrative Law on February 15, 2023. Future statutory changes that we are expecting will likely lead to amendments to the regulations being proposed sometime this summer, however this will be in a much smaller package.

Anticipated Statutory Changes

Proposed trailer bill language impacting the Soundstage Program is currently posted on the California Department of Finance's website. Many of the changes are the result of recommendations from the CFC based on feedback from stakeholders as well as changes that make the program more feasible for potential applicants.

Should this pass as proposed, the substantive changes for the Program are:

- The period of certification for a soundstage is increased from three to five years.
- The credit allocation cap is adjusted from \$12M to the higher of \$12M, or \$750,000 per episode of a TV series (a series would have to be at 16+ episodes to go over the \$12M cap).
- The qualified soundstage wage requirement is adjusted from \$7.5M to \$5M.

Clarifications include:

- The time period for meeting soundstage wage and stage shooting days requirement corrected to “production period” rather than “each taxable year.”
- Clarification made in the use of the term “applicant” for those cases when Phase A and Phase B applicants are separate entities, i.e., specifying which applicant is referenced where.
- Clarifications around the transferability of projects that film on once-certified stages into the main program and ensuring that transferability lives on in a successor program.

The current expectation is that language will be finalized by July.

Transferability between the Soundstage Program and the Main Film & TV Tax Credit Program

To clarify the transferability, any project, aside from a recurring television series, filming on a certified soundstage after Soundstage Program funds are depleted, or the stage(s) they are filming on are no longer within their active period of certification, may apply for an allocation of tax credits under the Main Program with a 133% jobs ratio advantage. These projects are subject to both Main Program and Soundstage Program requirements.

Recurring Television series in the Soundstage Program receive a lifetime allocation and will continue to be processed through the Soundstage Program throughout their run. After Soundstage Program funds are depleted, these Recurring Television series will receive an allocation of funds from the Main Program pot.

VI. CAREER PATHWAY UPDATE – Kevin McDonald, Director

Career Pathway Update:

- Spring Production Accounting Course application is open
- Training partner organizations developing new craft pathways
- Year 3 on course to serve more aspiring below-the-line workers than Years 1 & 2 combined
- Total served in Quarter 3 of Year 3 is already 35% greater than all of Year 2
- At least 81 graduates are already members of the IATSE (32% of total graduates)
- 78% of program graduates self-identify ethnically with communities that have been historically underrepresented in the below-the-line crafts
- 36% over 34 years old; 55% younger than 35 years old

Fall '22 Session

29 Graduates

Netflix Graduation & Hiring Fair

Graduates currently working for Netflix, Disney Marvel, Disney Post, Lionsgate, Warner Bros, Fifth Season, and on independent productions.

Spring '23 Session

Application closes: April 10th

Orientation: April 23rd

Production Accounting Professionals panel: June 8th

Graduation and Hiring Fair: June 12-15 TBD

VII. NEW BUSINESS – Wendy Greuel, Chair

None

VIII. PUBLIC COMMENTS – Wendy Greuel, Chair

None

IX. ADJOURNMENT – Wendy Greuel, Chair

Meeting was adjourned at 3:05 p.m.