



## MINUTES

California Film Commission Board Meeting  
November 03, 2023  
L.A. County Museum of Art (LACMA) Board Room  
5900 Wilshire Blvd., 14th Floor  
Los Angeles, CA 90036

### **COMMISSIONERS IN ATTENDANCE**

Wendy Greuel (Chair)  
Joshua LaFarga (Vice Chair)  
Jennifer Gonring (Secretary)  
Senator Ben Allen  
Andy Davis  
Thom Davis  
Steve Dayan  
Robert Gleason  
Bonnie Goldfarb  
Janet Knutsen  
Debra Langford  
Alevtina "Alya" Michelson  
Kerri Wood Einertson

### **CFC STAFF**

Colleen Bell  
Karla Sayles  
Nancy Rae Stone  
Laura Baptista  
Joseph Cruz  
Eric Klosterman  
Hedvig Marx  
Leah Medrano  
Lori Moilov  
Mo Taghizadeh  
Shadina Tiffith  
Alfonso Casey  
Isaiah Sandoval

### **GUESTS**

Geoffrey Baum  
Kevin McDonald  
Erik Deutsch  
Lauren Pizer Mains  
Rad Nowroozi  
Ri-Karlo Handy  
Eva Bitar  
Matt Antonucci  
Ed Duffy  
Vijay Mepani  
Craig German  
Melissa Patack  
Genevieve Morelos  
Eva Bitar  
Ken Ziffren  
David Gonzalez  
Chris Moulton  
Ralph Loyola  
Tara Khonsari  
Roxanne Captor

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

Meeting called to order at 1:35 p.m., Chairperson Greuel welcomed Board members and guests, Roll Call.

**II. CHAIR'S REPORT – Wendy Greuel**

Chairperson Greuel discussed the importance of educating people about the role and importance of ensuring that we have diversity in the entertainment industry. The Board can be helpful in supporting the California Film Commission, Governor and legislators. We may need to go meet with stakeholders, highlight this issue, and encourage those that are hiring people and creating programs that diversity should be at top of the list.

**III. APPROVAL OF MINUTES – Wendy Greuel, Chair**

Motion to approve the Minutes from July 28, 2023 was made by Thom Davis, seconded by Josh LaFarga and approved by Board.

**IV. DIRECTOR'S REPORT – Colleen Bell, Executive Director**

Since our last meeting, there has been a lot of activity around the signing of SB132. On June 27<sup>th</sup> California's legislature passed the bill, followed by Governor Newsom signing California's 2023-24 budget which includes funding to extend our \$330 million-a-year Film and TV Tax Credit Program an additional five years through fiscal 2030-31.

Building upon a strong track record of success from previous iterations of the program, whose productions have generated more than \$23 billion in economic output and supported the employment of more than 178,000 cast and crew, this new budget will create the state's fourth-generation film/TV tax credit program – known as Program 4.0.

Program 4.0 will include new workforce diversity provisions and increased funding (via a required contribution from tax credit projects) for our Career Pathways Training Program, which helps prepare Californians from diverse communities for careers in the production industry. To qualify for a full allocation of tax credits, participating projects will be required to file a diversity workplan and demonstrate a good faith effort to hire a workforce that is "broadly reflective" of California's population.

Finally, for the first time since the initial program was launched in 2009, tax credits will be refundable beginning with the 2025–26 fiscal year. Refundability will open the doors to production companies that want to film their projects here, but do not have sufficient in-state tax liability to utilize a non-refundable tax credit.

This will benefit a wider range of productions to maximize economic benefits to the State, provide decision makers with more options and the certainty they need to make long term decisions, while delivering on our goal of retaining and growing in-state production.

Additionally, Program 4.0 will contain a first in the nation Safety on Production Pilot Program, which involves a firearms training requirement and the inclusion of a specialized advisor to monitor on-set safety establishing clear and enforceable safety standards for those working on a production.

The Bill:

- Establishes the nation's first Safety on Production Pilot Program, which takes effect on July 1, 2025; and
- Establishes the nation's first state safety regulations for the motion picture industry, also effective July 1, 2025.
- The new Set Safety Pilot requires every production that receives a motion picture tax credit to hire a full-time Safety Advisor to work exclusively on the production.
- This new position will be responsible for leading a new risk assessment identification and evaluation process and submit a final safety report to the Film Commission and Industry-Wide Labor Management Safety Committee once production has been completed.
- We are in the process of working with our labor colleagues, the Industry-Wide Labor Management Safety Committee, and the Motion Picture Association on the roll out of this program and will be sure to keep this group updated as we work through the various requirements set forth in the legislation.
- Additionally, SB 132 sets forth new safety standards that will apply to all film, television, commercial and other productions of moving pictures irrespective of whether the project is in the tax credit program or produced for a commercial purpose.

- The goal of the new requirements was to codify the Industry-Wide Labor Management Safety Committee's Bulletins 1 and 2 on the handling of firearms in an effort to prevent another tragedy like the one that occurred on the set of "Rust" in 2021.

New requirements include:

- Additional training for property masters, armorers and assistant property masters handling a firearm, and training for any employee handling or in the proximity of a firearm on set. New courses are being developed to help productions train their cast and crew members.
- Prohibits the use of firearms, blanks, and ammunition on sets except in very limited circumstances and subject to certain safety practices.

The extension of our program is estimated to provide 60,000 jobs and \$10 billion investment in California. SB 132 is critically important to the future of motion picture, television, and streaming production in the state of California by keeping us competitive with other states offering incentives. While preserving good middle-class jobs that are safe and accessible to all working families in California.

This extension is a testament to Governor Newsom's leadership. His commitment and the commitment of the legislature to extending the program for another five years will create these high-quality jobs, bring new investment opportunities to the state and further encourage the industry to diversify their production projects.

For more than a century, our unmatched crews, talent, infrastructure, and locations have made California the world's entertainment capital. The extension of our tax credit program will strengthen our global competitiveness and deliver significant, long-term value to California's economic future.

#### Global Competition/Preview of Progress Report

Today's business model for film and television production continues to rely heavily on tax incentives to manage production costs. All the films and television projects are produced without receiving tax credits, the availability of incentives is a key deciding factor where projects will be filmed.

Financing for projects by independent production companies incorporate the monetization of tax credits – sale of tax credits to third parties - as key part of the financing structure. Non-independent productions heavily factor in tax incentives when considering production locations, creating multiple budget comparisons to calculate net costs and savings realized from tax credits.

In this current climate, space and financial savings play significant factors in television and film production. Regional and global jurisdictions continue to maintain competitiveness by offering 1.) robust tax credits, 2.) specific incentives for visual effects, and 3.) growing infrastructure; this section outlines these three key factors in global competition and filmmaking as California's top competitors' commitment to become the premiere filming location continues to grow.

#### Competing Factor: Tax Credits

Various jurisdictions globally and within the United States offer financial incentives to lure jobs and spending away from California. Once incentives take root in other states and countries, those locales, in turn, construct or renovate long-term infrastructure with stage construction, post-production facilities, and job training programs.

For example, incentive-rich jurisdictions such as New York, Louisiana, Massachusetts, Georgia, Toronto, and Hungary have built impressive multi-studio facilities over the past few years. Production companies may relocate above-the-line creative teams - producers, actors, directors, writers - to another locale for the duration of the production.

Meanwhile, rather than allocating money on travel and housing, it is more cost-effective to hire local below-the-line (BTL) crew members, such as drivers, propmakers, make-up artists, camera technicians, and electricians. The local crew members then, gain hours and become skilled in particular crafts, therefore adding to the pool of experienced BTL positions in non-California jurisdictions.

Although California receives a slight differential in taxes owed based on the tax rate in-state versus out of state, the cast and crew members who work out-of-state pay income tax in that specific filming jurisdiction. Furthermore, skilled California crew members end up training the local workforce.

This process helps create a growing pool of skilled local crews across 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 lost productions as competing states that offer incentives achieve dramatic growth in production spending. With robust tax credits, many jurisdictions have seen an increase in economic growth with a rising skilled workforce.

#### Competing Factor: Visual Effects and Virtual Production

As stated from previous report, the Los Angeles Economic Development Corporation report illustrated the efficacy of film tax incentives in California. However, it also mentions that California is the only major production center that lacks a stand-alone visual effects (VFX) credit.

The majority of VFX work is performed outside of California, assigned to companies in countries and provinces with a 30-40% rebate on visual effects work without the requirement of filming the same project in that jurisdiction. VFX artists, technicians, programmers, coordinators, producers, supervisors, match movers, composers, effects artists, and hundreds of other types of VFX workers living outside of California are being paid for visual effects work from studios and companies based in California.

The tax credit programs' 25% tax credit is not competitive enough for some company's financial goals; therefore, many California-approved tax credit projects decide to get VFX work done at other locales which provide a stand-alone VFX tax credit.

The Administration has worked closely with stakeholders and legislative partners on how to evolve diversity initiatives, but it is important to understand that California is the only state with Prop 209. We are limited in its approach, but we have found creative ways to increase diversity within the workforce, like the 4% opt in for 4.0 for projects to present diversity workplans that will outline the specific steps they intend to take to make their productions more inclusive four percent of the total dollar award for each project to be placed in reserve until the production submits its final paperwork, including a report showing how they fulfilled the commitments they make in their diversity workplans.

The increase from 25% of the credit allocation - that goes toward training is now increased to 50%. This increase in funds will allow for more individuals to participate in the program and for us to look for opportunities to expand into other regions in California.

Creating intentionality coupled with the data collection and publication requirements in previous iterations of the program will enhance diversity within California's program. And, with additional funding, we can now hire new CFC staff members who will oversee the 4.0 diversity provision for projects in our program and will launch and support other DEI initiatives.

We are all extremely excited to welcome new members to our team and work together to accelerate progress in this important space. The application window for the Diversity, Equity, and Inclusion Initiative Manager will close on November 9<sup>th</sup>. If you have someone who is interested in the position, let me know and we will direct them to the application portal. Once this individual has been selected and onboarded, they will begin the hiring process for the additional position.

#### Strike

We have been living in unprecedented times with the pandemic and the strikes. Actors and writers had not been on strike at the same time since 1960. As you know, the writers and AMPTP came to an agreement, but SAG is still on strike.

It has been estimated that the loss of production in the state, due to the strikes, has had an economic loss of 4.5 billion dollars to date. Lost wages, and tough times for so many. Also, the impact on so many small businesses that support entertainment production, many of those that were vulnerable after the pandemic and now in a deeply challenging position.

When the final contract is signed and ratified, under mutually agreeable terms, it will be a great relief for so many.

FilmL.A. released a report on filming activity. Local on-location film production declined in the third quarter, with 5,311 Shoot Days (SD)\* logged for a -41.4 percent decline against 2022 levels.

#### Permitting

Senior Permit Manager Eric Klosterman provided a permitting update for the CFC.

We are in the process of hiring two new permit coordinators. We have two openings in the department, one due to an employee returning to work for State Parks and another due to retirement.

CFC Permit Statistics Comparison 2022 – 2023

The overall number of permits issued for filming on State property in the 3<sup>rd</sup> quarter of this year is down 25% from the same period last year. Permits issued for the first 3 quarters of 2023 are down 20.6% from 2022.

	3 <sup>rd</sup> Quarter 2023	3 <sup>rd</sup> Quarter 2022	% change
Buildings & Facilities permits issued	30	39	-23%
Caltrans permits issued	50	81	-38%
State parks permits issued	<u>243</u>	<u>312</u>	<u>--22%</u>
<b>Total</b>	<b>323</b>	<b>432</b>	<b>-25%</b>

	YTD 2023	YTD 2022	% change
Buildings & Facilities permits issued	85	88	-03.4%
Caltrans permits issued	210	270	-22.2%
State parks permits issued	<u>839</u>	<u>1,071</u>	<u>-21.7%</u>
<b>Total</b>	<b>1,134</b>	<b>1,429</b>	<b>-20.6%</b>

YTD figures as of 9/30/23 and 9/30/2022

**V. DEPUTY DIRECTOR’S REPORT – Karla Sayles, Deputy Director**

Outside of the tax credit program, the Film Commission also supports productions through the production process. Our Locations team manages a location library with over 7,000 locations listed in Cinema Scout. They are in the process of updating the location library to ensure the latest contact information and location details are listed and available. We will continue with outreach to all of our locations twice a year to maintain a useful tool for location managers and productions to rely on.

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

Tax Credit Program Deputy Director Stone notified the Board that she will be resigning from her appointment as Deputy Director of the tax credit program at the end of this calendar year.

Overview of Tax Credit Program 1.0 to Program 3.0

Program 1.0 Overview:

Program 1.0 was called a “lottery” program. On day one of the allocation, dozens and dozens of hopefuls would line up at the CFC and drop off envelopes with their projects, each of which was assigned a lottery number. Our fire safety officer would pick numbers out of a bowl which would match the number on an envelope. The envelopes would be opened in the order their numbers were picked and when we had added up all the requested tax credits and it equaled \$100M, the rest of the projects were put on a wait list. One of our projects, ‘ARGO’, won the Academy Award for best picture.

Program 1.0 was funded at \$100M per year with \$10M reserved for independent films. Feature films, which received a 20% tax incentive were capped at \$75M for total budget spend; and indies, with a 25% tax incentive, were capped at \$10M qualified spend.

The advantage of this program was that applicants knew within a day’s time if their projects got into the program but unless projects dropped out or were disqualified, there were no more funds until the next fiscal year.

Program 1.0 Stats:

- 302 projects
- \$5.1 Billion in CA expenditures with \$639 Million in tax credits allocated
- 67,000 cast and crew hired, \$1.8 Billion in Qualified Wages
- 4 relocating TV series

Program 2.0 Overview

Program 2.0 began in 2015, with a new jobs ratio ranking system, targeting those projects which created the most jobs. Bonus points for specific spend, such as out of zone filming or visual effects spending, increased the ratios, as well as additional tax credits, called “uplifts” for spend in similarly targeted areas.

The fiscal year allocation was now \$330 Million divided up between different project categories. Feature films were now capped at \$100 Million qualified spend and independent films were still capped at \$10 Million qualified spend but whether you were a \$5M indie or a \$30M indie, you competed for the same 5% of funding available.

The ranking system required the projects to tag their budgets very accurately as that determined their jobs ratio and the projects with the highest ratios received tax credits. Analyzing budgets and schedules for accuracy now would take about a month from application to CAL issuance.

Projects now were required to participate in the career readiness program, which provided exposure to high school, community college and career-based learning program participants to careers in the industry.

#### Program 2.0 Stats:

220 projects with \$11 Billion in CA spend in exchange for \$1.4 Billion in tax credits allocated.

76,000 cast and crew were hired and over 920,000 background.

18 relocating TV series were in the program.

*'Everything, Everywhere All At Once'* won the Academy Award for best picture

#### Program 3.0 overview

Program 3.0 launched during the covid pandemic in 2020. Funding remained at \$330 Million and the category qualified spend caps of \$100 Million for non-indies or \$10 Million for indies remained the same.

Category percentages for the different types of projects remained the same except 3% from relocating TV series was given to independent films, giving them 8% of the \$330 Million pie. The indie category was also now bifurcated so smaller indies competed among themselves for funding, while indies over \$10 Million competed separately. Like in Program 2.0, all recurring TV series were guaranteed credits for the life of the program but now their credit amounts were capped at their initial credit allocation letter amounts.

Program 3.0 added some new requirements - that all shows provide their programs to increase the representation of women and minorities. It also added the career pathways program and with contributions from its projects, the CFC provided funding to training programs for individuals from underserved communities for a myriad of careers in the industry.

In 2021, the incentive program funded the creation of a course to train individuals for entry-level accounting positions. The tax credit program will soon be issuing a Progress Report for f/y 2022-23. The Report contains data on the first 3 years of program 3.0:

#### Program 3.0 Stats:

152 projects, \$8.2 Billion in CA spend for \$1 Billion in tax credits

41,000 cast and crew hired, over 300,000 background players

10 relocating TV series in the program

#### Out Of Zone Highlights

Combining all the programs, incentive projects have spent approximately \$225 Million out of the LA zone, with over \$90 Million in local wages, over \$50 Million in local purchases and rentals, plus over \$25 Million in hotels and \$19 Million in fees and permits.

#### Force Majeure

The economic cost of the guild strikes in the entertainment sector have been estimated to be \$5 Billion dollars and of course, it impacted the tax incentive programs.

When the WGA voted to strike, we sent out notifications to all our approved projects, letting them know that labor disputes constituted a force majeure situation, and we would stop the clock on such time-sensitive program requirements, such as starting principal photography within 180 days and creating a final element within 30 months.

With SAG/AFTRA still on strike, more than half - 64 of our 119 active projects requested force majeure status. Whenever the SAG/AFTRA strike ends, these projects will be unable to pick up where they left off. Knowing that actors' schedules would be in flux, crew would need to be re-assembled, and stages would need to be re-booked, the tax credit programs will be giving each project ample time to start or restart principal photography as well as to create their final element.

From the start, the tax incentive program staff has been dedicated to helping studios, streamers, and Independent filmmakers employ people, rent and buy goods and services and produce their projects in California. Our goal has consistently been to help our filmmakers navigate complex program requirements and meet all the deadlines in the tax credit programs so that they can receive their tax credit certificates, while increasing employment and spending in the state.

## **VII. CAREER PATHWAYS UPDATE – Kevin McDonald, Director**

Current Climate of Work Stoppage Impact Due to Strike:

- Course Cancellations and Programming Delays
- Lack of Work and Placement Opportunities
- Entertainment Guild Membership Challenges
- Some Programs May Have Lower Numbers of Graduates

Year 4 Program Updates - All 2023:

- Handy Foundation: 11 Assistant Editor Graduates
- ManifestWorks: 25 Set PA Graduates
- Total Number of Program Graduates: 395 TV/Film Workers

Looking Ahead:

- Leadership Meeting: Nov 4th
- Production Accounting Mixer: Nov 18th
- Mid-Career Production Accounting Course
- Development - Course Launch: Summer 2024

Entry Level Production Accounting Course

- Application Opens: Jan 5th
- Course Begins: Feb 24th
- Course Ends: April 12<sup>th</sup>

Ri-Karlo Handy Founder & CEO of The Handy Foundation gave an overview of the program which connects below-the-line workers to job opportunities in Hollywood, provides professional development while helping studios and networks meet diversity and inclusion goals.

## **VIII. SUMMARY OF SOUNDSTAGE AND PROGRAM 3.0 REGULATIONS AMENDMENTS - Hedvig Marx, Soundstage Program Advisor**

This is an update on the regulatory process for the Program 3.0 and Soundstage Program regulations amendments. The CFC received requests to amend the proposed language that the Board approved in the previous Board meeting on July 28, from the Office of Administrative Law (OAL) and the Franchise Tax Board (FTB).

The requests were brought up as the Emergency Regulations for the Soundstage Program were reviewed and conditionally approved, allowing the CFC the opportunity to make corresponding corrections to the Program 3.0 regulations amendments and the certificate of compliance for the Soundstage Program amendments, prior to OAL submission. The changes are mostly related to increased clarity for applicants and refining the use of permissive vs. mandating language.

The CFC did not receive any other comments during either of the public comment periods.

If the Board approves the amended express terms of the Program 3.0 and Soundstage Program regulations that were shared for review prior to this meeting, CFC will submit the amended packages to the OAL in the week of November 6,

2023, and a determination is expected in late December 2023.

Thom Davis provided a comment, moving to approve the Soundstage Program regulations amendments with one change: striking the last sentence of section 5538(a)(2) (sentence bolded and underlined below). The section reads:

“(2) For purposes of this section, “continuously operated, maintained, and repaired” means ongoing services performed within a soundstage, or externally, if structural, that keep the soundstage in a state fit for operation and use. This includes but is not limited to, non-production related janitorial and security services inside the structure, internal and external structural upkeep, and soundstage systems maintenance and repairs. **It does not include replacement of full systems or stand-alone components, such as but not limited to HVAC systems replacement, comprehensive grid replacement, or plumbing systems replacement.**”

And Thom Davis explained that including the last sentence goes against the spirit of the statute and is problematic in terms of the workforce requirements that apply within the program. He also requested that the CFC bring similar proposed changes to more of the stakeholders prior to moving forward with them in the future.

The CFC provided context for the proposed language and then handed over to the Chair for the vote.

**IX. VOTE TO APPROVE SOUNDSTAGE AND PROGRAM 3.0 REGULATIONS AMENDMENTS – Wendy Greuel, Chair**

With no public comments during the Board meeting on the Soundstage and Program 3.0 Regulations Amendments, Chair Greuel put forth a vote to approve the Soundstage and Program 3.0 Regulations Amendments. CFC Board member Thom Davis motioned for adoption of the regulatory packages for program 3.0 and soundstage filming program and to authorize the Director of the CFC to submit the regulations and supporting documentation to the Office of Administrative Law for formal review and approval. The motion was seconded by CFC Board member Steve Dayan and approved by all Board members.

**X. NEW BUSINESS – Wendy Greuel, Chair**

2024 Board Meeting Dates To Be Scheduled in December.

**XI. PUBLIC COMMENTS – Wendy Greuel, Chair**

None

**XII. ADJOURNMENT – Wendy Greuel, Chair**

Meeting was adjourned at 3:25 p.m.