

# Growing an Industrial Cluster

**Movie Production Incentives and  
the Georgia Film Industry**

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# State Movie Production Incentive (MPI)

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

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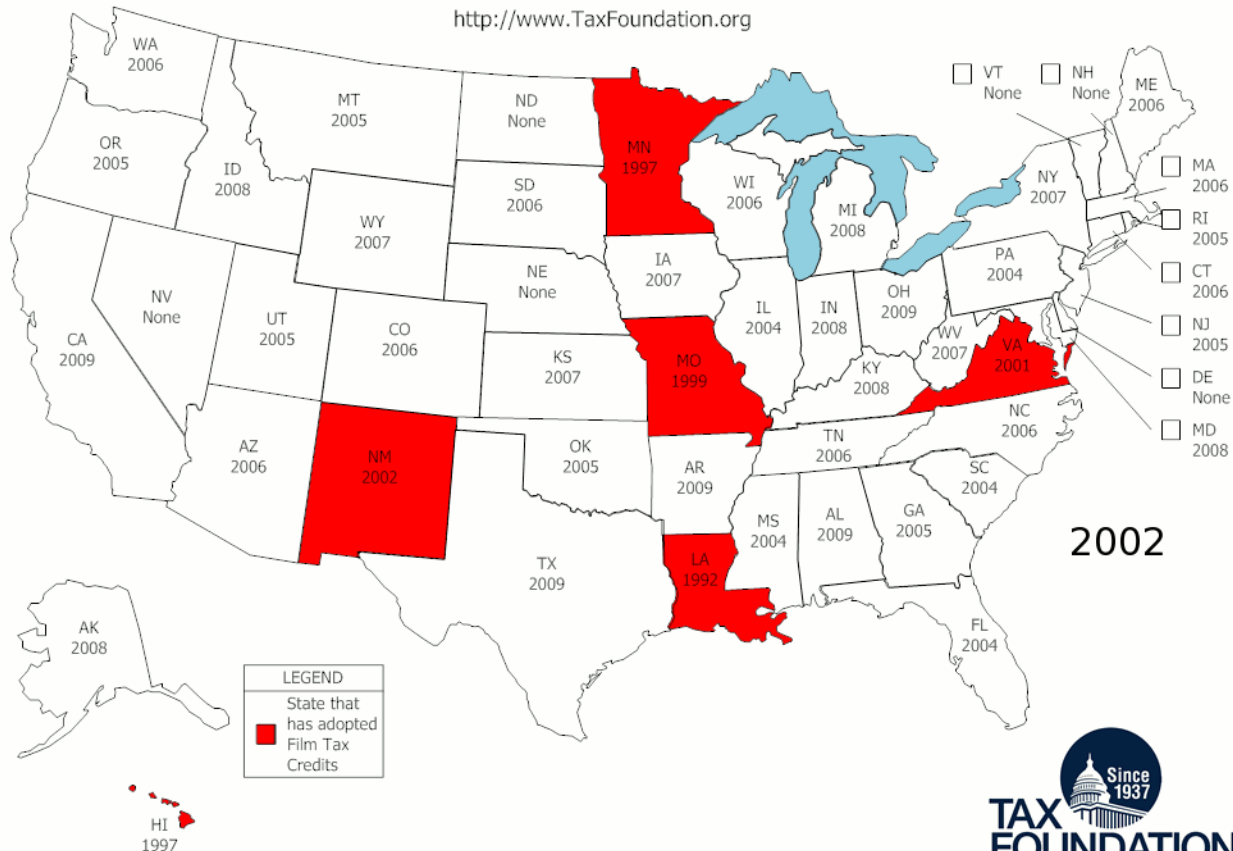
# Rapid Expansion of MPIs

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

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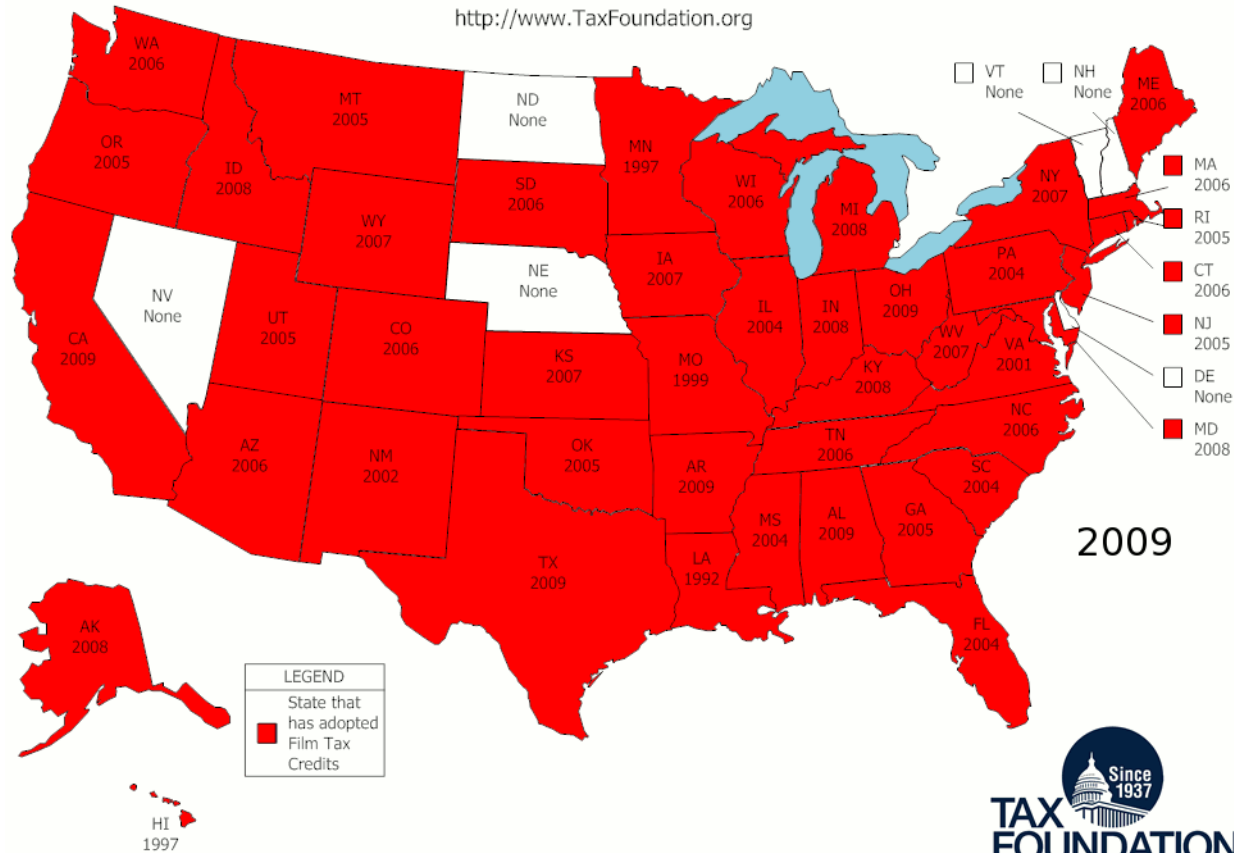
# Growth of MPIs by State 2002-2009



Source: Tax Foundation  
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# Growth of MPIs by State 2002-2009



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# The Question of Industry Incentives

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

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# The Motion Picture Industry: A Special Case?

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

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# Research Questions

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

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# Do MPs create a sustainable industry?

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

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# The Case of Georgia

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



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# Legislative Purpose

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

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# Evidence Supporting Industry Growth Goals

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

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# The Problem of Measurement

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

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# Datasets – ES-202

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

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# Datasets – IMDb Pro

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

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# Datasets – 2013 Georgia Sourcebook

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

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# Data Issues

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

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# Selected NAICS for MP Industry

- These are the key NAICS for film & video production

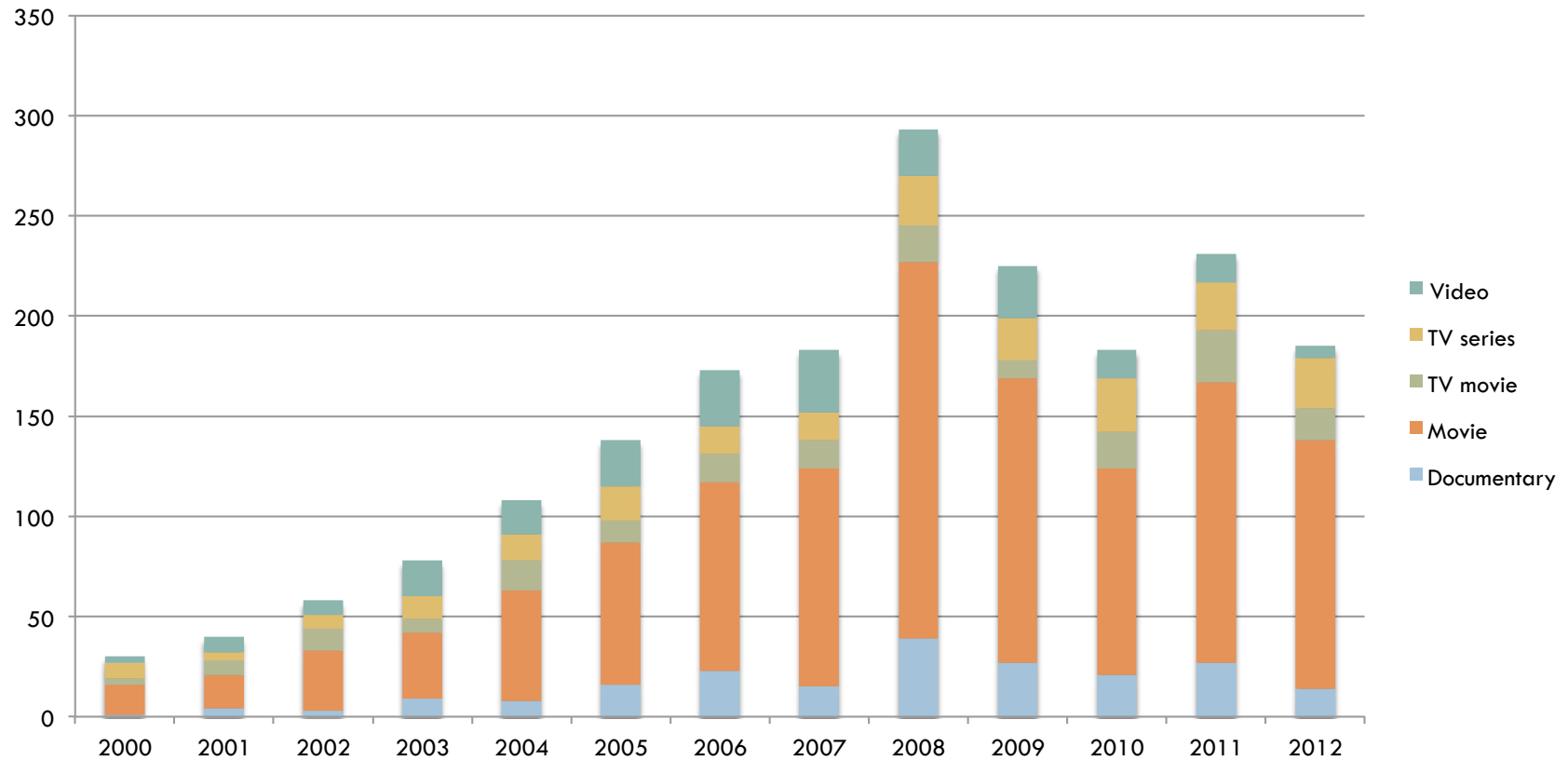
NAICS	Industry
512110	Motion Picture & Video Production
512120	Motion Picture & Video Distribution
512191	Teleproduction & Other Postproduction Services
512199	Other Motion Picture & Video Industries

- I will look at others key codes where possible

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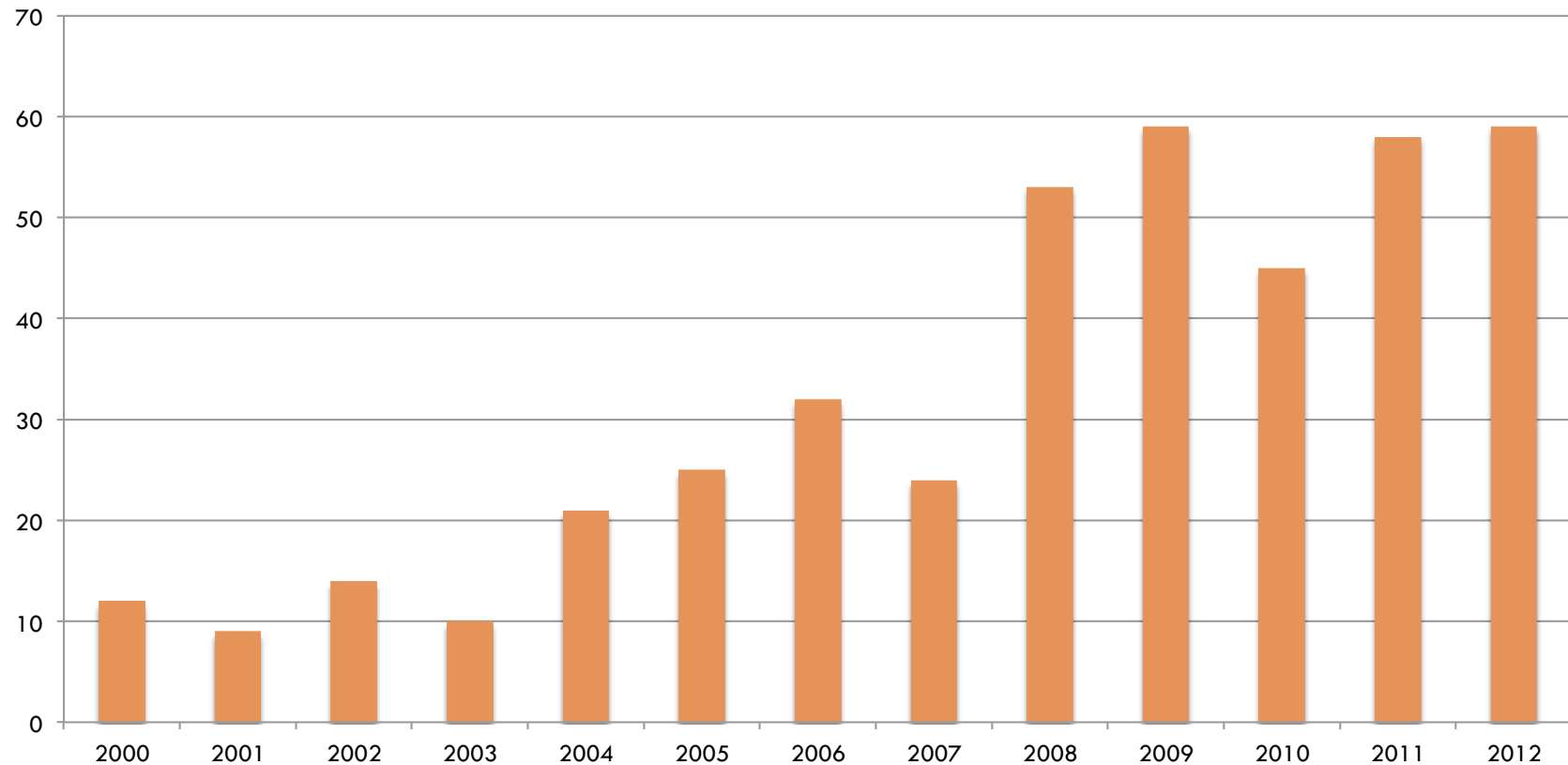
# Georgia Productions by Type



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# Georgia Feature Films Only

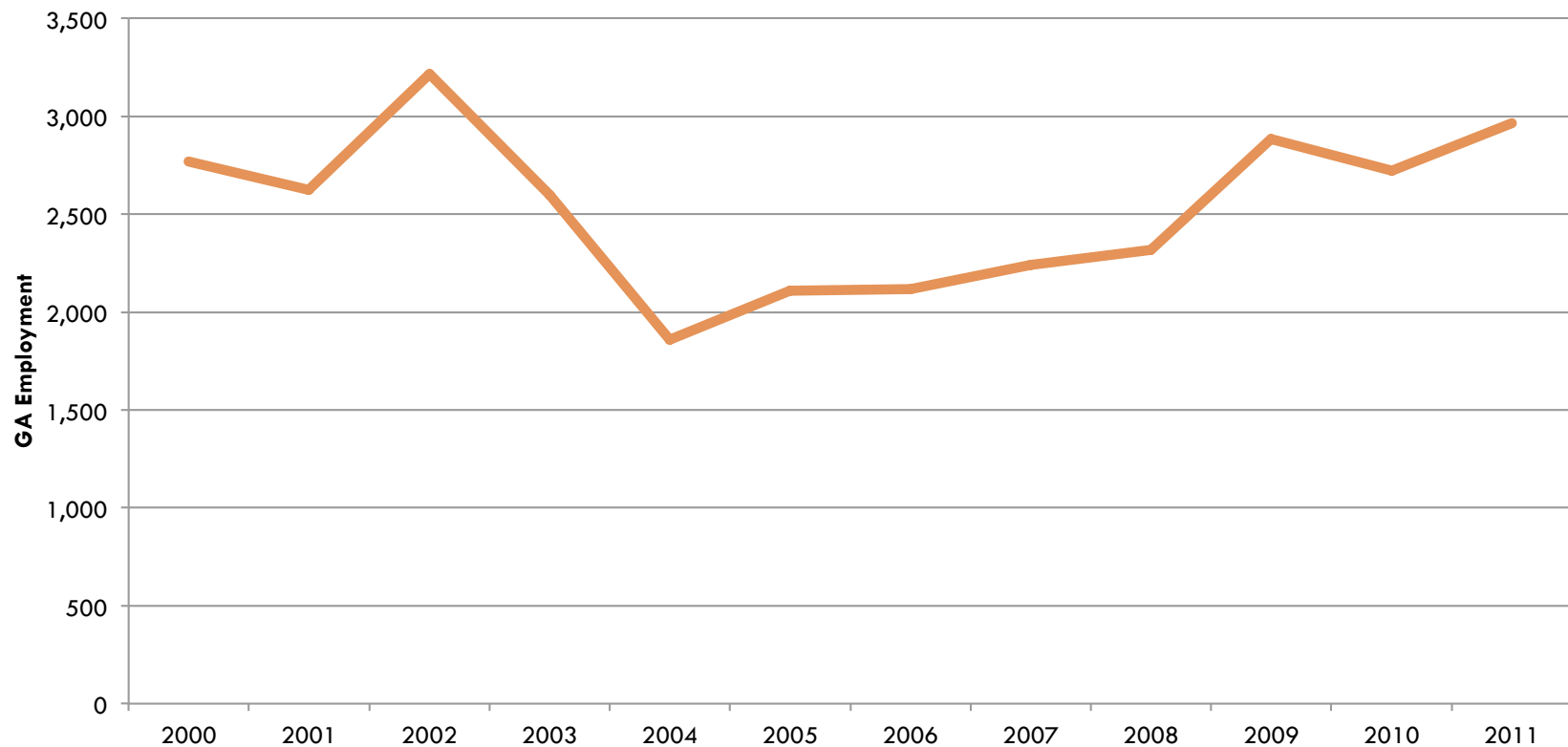


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# Georgia Film Employment

## All Motion Picture and Video Employment

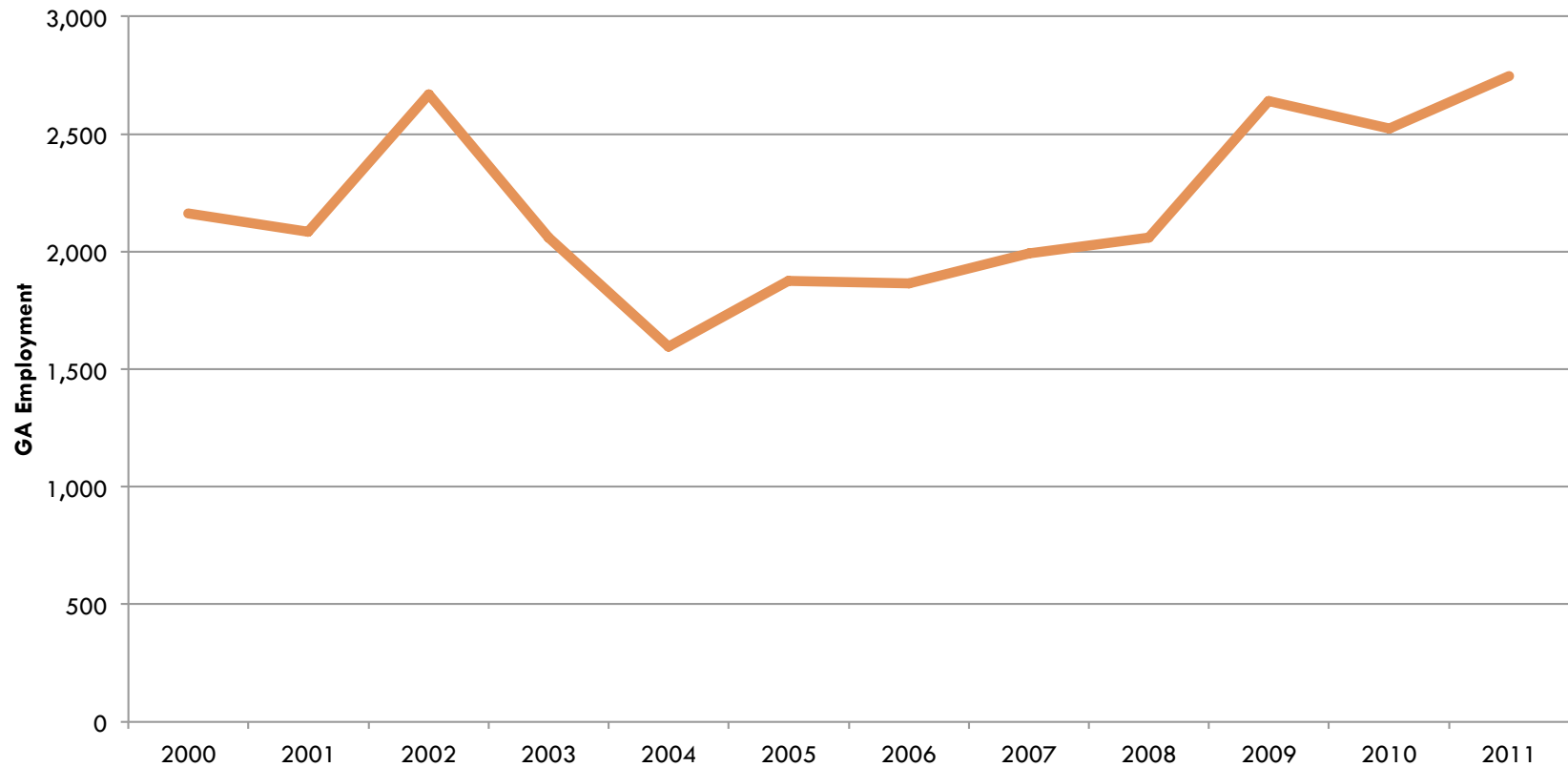


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# Georgia Film Production Employment

## Motion Picture and Video Production Employment

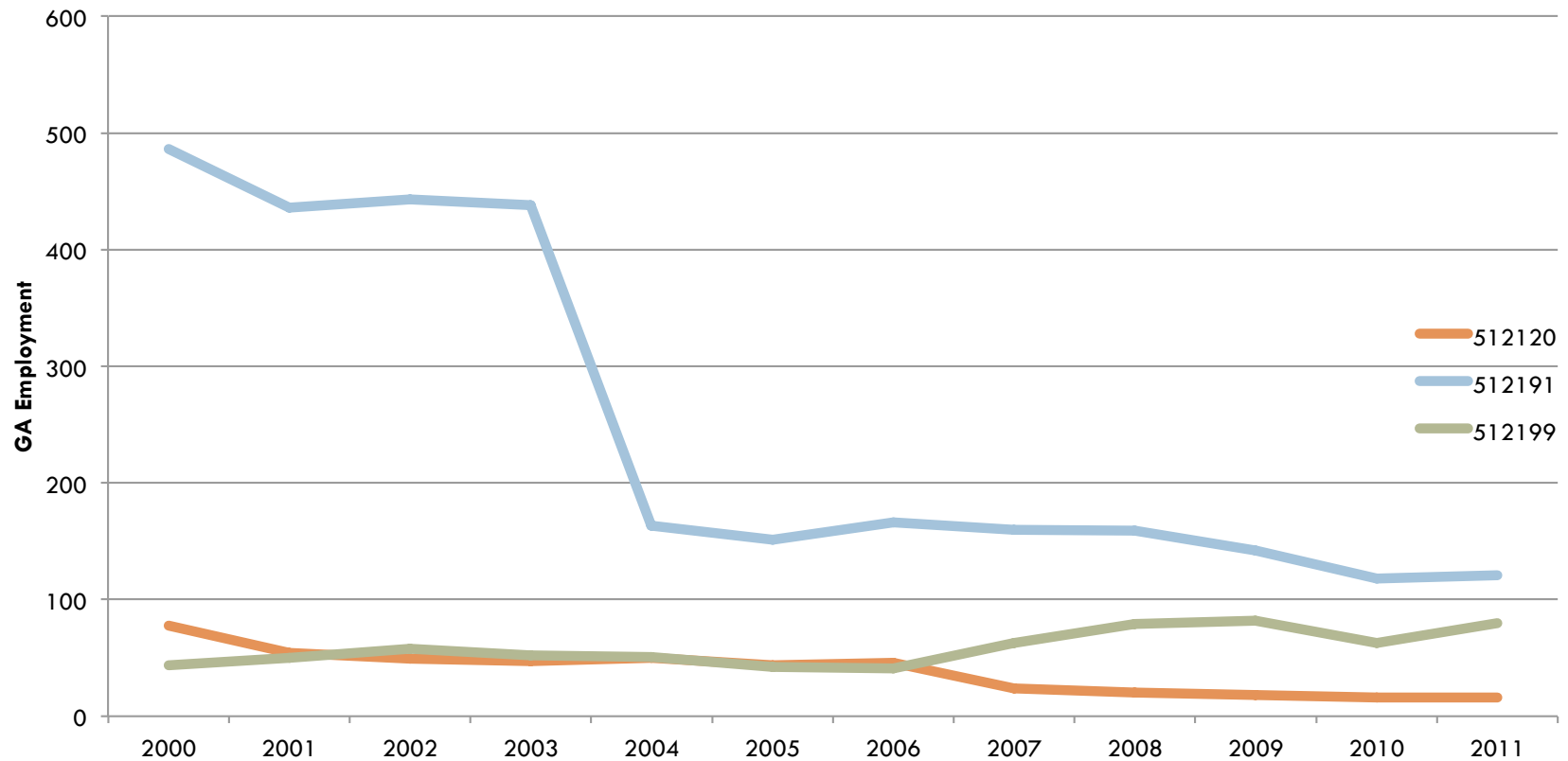


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# Other Film Production Employment

## Other Motion Picture and Video Production Employment



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# Film Industry Job Growth

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

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# Detailed Job Growth

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

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# Summary of Findings

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

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# Policy Implications

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

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# Future Research

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

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# For more information...

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