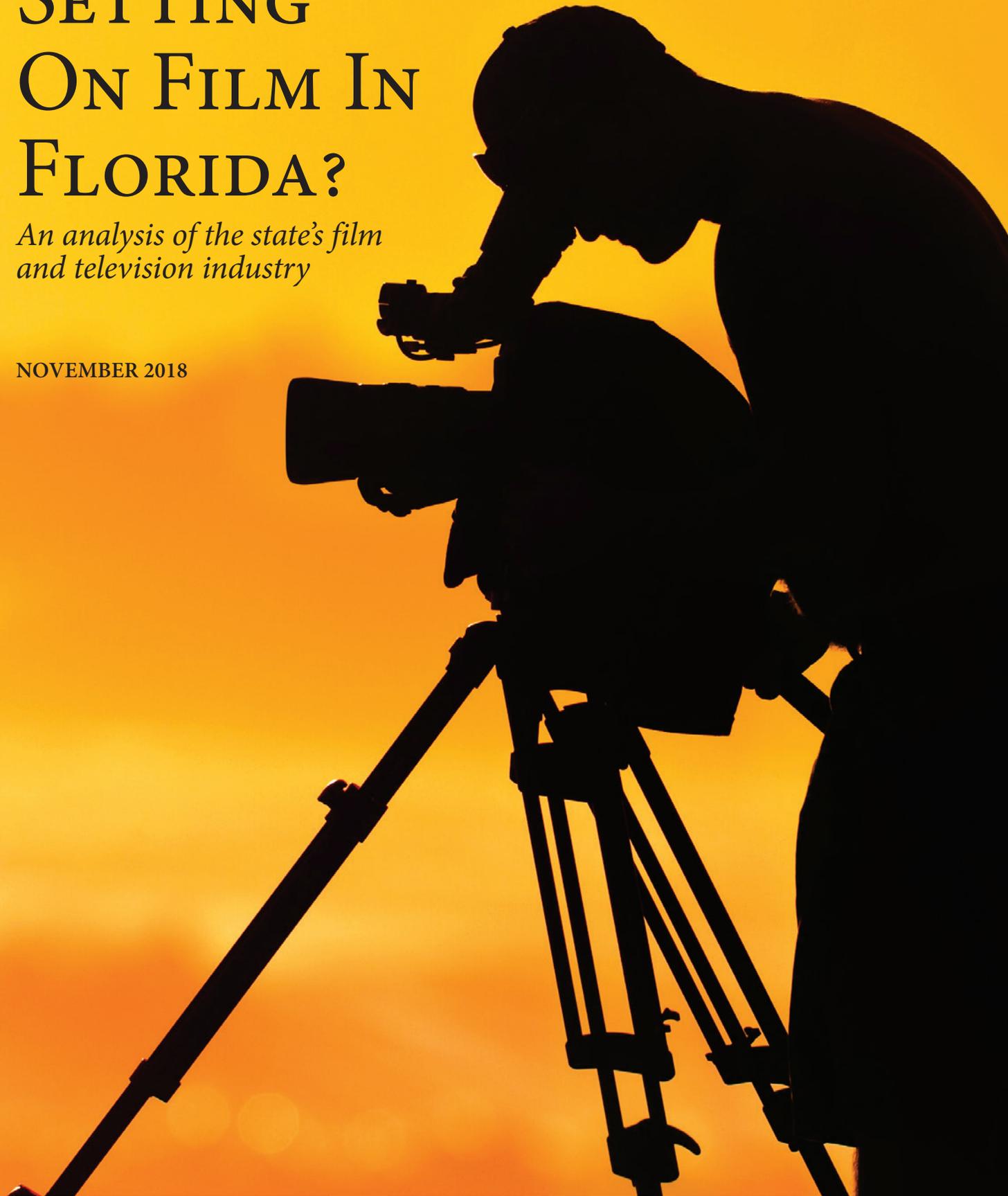


IS THE SUN SETTING ON FILM IN FLORIDA?

*An analysis of the state's film
and television industry*

NOVEMBER 2018





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David Mann
Chairman of the Board of Trustees

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Dear Fellow Taxpayer

Since its inception in 1979, Florida TaxWatch has researched a wide variety of topics that impact the everyday lives of Florida taxpayers. Perhaps the most consistent focus over the past nearly four decades has been on economic development. Florida, like all states, has put in place a number of incentives to attract new businesses to Florida and to grow existing Florida businesses from within.

These programs often generate considerable ideological debate among policymakers and those looking to influence the legislative process, and it is vital that the public understand how effective these programs are, and what other states are doing that may put Florida at a competitive disadvantage.

Florida TaxWatch took on this project to examine the current state of Florida's film and television industry; explore what other states are offering in the way of incentives to recruit and retain film production companies; and to see what Florida can and should do to remain competitive in a most competitive business environment. Florida's business-friendly tax climate, good weather, and beaches have their advantages, but this review finds that there are areas within which the state can improve relative to its competitors.

It is our hope that the information contained in this report will be helpful to policymakers looking to make educated decisions on behalf of the taxpayers, and to the taxpayers looking to learn more about where their hard-earned tax dollars are spent.

Sincerely,

A handwritten signature in black ink that reads "Dominic M. Calabro".

Dominic M. Calabro
President & CEO

Introduction

The production and distribution of motion pictures and television programs is one of the nation's most valuable cultural and economic resources. The U.S. motion picture and television industry is a major private sector employer, supporting 2.1 million jobs and \$139 billion in total wages in 2016.¹

Direct industry jobs generated \$53 billion in wages in 2016, with average salaries 42% higher than the national average. There were nearly 342,000 jobs in the core business of producing, marketing, manufacturing, and distributing motion pictures and television shows. These are high-quality, high-paying jobs, with an average salary (\$90,000) that is 68% higher than the average salary nationwide. There were more than 354,000 additional jobs in related businesses that distribute motion pictures and television shows to consumers.²

The motion picture and television industry is a nationwide network of more than 93,000 small businesses, 87 percent of which employ fewer than 10 employees. The industry contributed \$134 billion in sales to the overall economy in 2016 and generated \$20.6 billion in public revenues from sales taxes on goods, state income taxes, and federal taxes (including income tax, unemployment, Medicare and Social Security), based on direct employment in the industry.³

In 2017, there were more than 4,400 established businesses in Florida's film and entertainment industry (excluding digital media), employing more than 26,000 Floridians. These too are high-quality, high-paying jobs, with average salaries of more than \$81,700. This is almost 69 percent higher than the average annual wage for all Florida industries (\$47,060). The total wages paid to employees in Florida's film and entertainment industry in 2016 were \$2.2 billion.⁴

The industry also supports indirect jobs and wages in thousands of companies with which it does business, such as caterers, dry cleaners, hotels, florists, security guards and off-duty law enforcement officers, hardware and lumber suppliers, software, and digital equipment suppliers, as well as jobs in other companies doing business with consumers, such as video retailers and services, theme parks and tourist attractions.⁵

For decades, film and entertainment content was delivered to consumers through movie theaters and a limited number of television networks. With the advent of digital technology, consumers no longer wait passively for the release or delivery of media content. With digital technology, content delivery is more dynamic and personalized. Consumers can now view content through any number of technology platforms. This proliferation of content distribution platforms has created competition which, in turn, has created opportunities for job creation and new revenues for state and local governments --- significant revenues.

1 Motion Picture Association of America, Inc., "The American Motion Picture and Television Industry: Creating Jobs, Trading Around the World," November 2017.

2 Ibid.

3 Ibid.

4 Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2017.

5 Motion Picture Association of America, Inc., "The American Motion Picture and Television Industry: Creating Jobs, Trading Around the World," November 2017.

The Film Industry in Florida

The early 20th century marked a period of rapid growth for the American motion picture industry. At the time, New York City provided the major headquarters for this industry; however, with cold, harsh winters, and Hollywood not yet in the picture, the film industry was in great need of a winter filming location. Jacksonville's warm climate and easy access by rail quickly made Jacksonville "The Winter Film Capital of the World."⁶

The nation's first permanent film studio, Kalem Studios, opened in Jacksonville in 1908, followed quickly by other major film companies of the time. In 1915, Joseph Engel started Metro Pictures in Jacksonville. Metro Pictures later merged with another production company and became known as Metro-Goldwyn-Mayer, or MGM.⁷ In 1916, a Jacksonville studio, Norman Studios, pioneered the production of movies that were geared to African-American audiences. Norman's movies not only portrayed African Americans in a positive light but employed African Americans in the production side of the film industry.⁸

As American filmmakers moved west to Hollywood, Florida's film production dwindled. In 1979, Governor Bob Graham placed a high priority on the development of film and television production in Florida. As a result, Florida became the third largest film and video production center in the country, behind California and New York.⁹ Florida would hold this ranking until the early 2000's. Governor Jeb Bush signed legislation establishing the Florida Film & Entertainment Advisory Council, along with other measures intended to grow Florida's film industry.

In 2010, legislation was passed establishing a five-year, \$242 million "transferable tax credit for the state's film and entertainment industry." Instead of offering this incentive on the front end, a small tax rebate was offered after Florida residents were hired and production was completed. As a result, Florida was able to quickly reestablish its film, television, and digital media industry.

Qualified "projects . . . receive a rebate of 20% to 30% on qualified Florida expenditures." There is "an \$8 million cap for major productions." The tax exemption "allocates a 5% bonus for family-friendly projects and an additional 5% for activity taking place during hurricane season."¹⁰ The incentives program was extended through FY 2015-16, after which the Legislature allowed the program to sunset without establishing a successor program to ensure Florida remained competitive with other states. The last two significant productions to receive the tax credit were the successful television series "Ballers" (HBO) and "Bloodline" (Netflix).

6 Jacksonville's Place in Film History, retrieved from <http://www.coj.net/departments/sports-and-entertainment/film-and-television/film-history-in-jacksonville>, September 10, 2018.

7 Ibid.

8 Ibid.

9 Ibid.

10 Mary Pergola Parent and Kevin Hugh Govern, "Florida and the Film Industry: An Epic Tale of Talent, Landscape, and the Law," *Nova Law Review*, Volume 38, Issue 1, 2013.

Why Florida?

In Florida, the motion picture and television industry is responsible for more than 150,000 jobs and \$2.02 billion in wages in 2016.¹¹ Although Florida's film and entertainment production activity occurs statewide, activity has been typically concentrated in Central and Southeast Florida:

- Orlando --- Metro Orlando's state-of-the-art soundstages, unique locations and diverse landscapes have made it a leading destination for film, television and commercial production in the United States. The region is home to Universal Studios, Chapman-Leonard Studios, and various entertainment schools and businesses. Universal Studios Florida has been the site of widespread production activity including feature films, television programs, commercials, music, corporate and industrial videos since its opening in 1988.
- Miami --- Miami has developed into a major film and entertainment production area within Florida. Miami has also become a popular area for Spanish-speaking film and television productions, with both Telemundo and Univision having a presence in the Miami area.
- Tampa --- The Tampa Bay Film Commission is responsible for bringing production activities, including feature and independent films, commercials, still shoots, music videos and documentaries to the area. It is a "one-stop-shop for permitting; location, crew, and production services; assistance with hotel and other accommodations; familiarization tours; and location scouting services." The area has enjoyed steady film-making success in the past few years.¹²

The Florida Office of Film and Entertainment offers prospective television and film makers the following reasons for filming in Florida:¹³

- Top business climate --- State tax advantages (i.e., tax exemptions) and no personal income tax make Florida a business-friendly state;
- Weather --- Florida's blue skies and sunshine make it a year-round production destination;
- Beaches --- 663 miles of beaches;
- Locations --- Nearly 2,000 film-friendly listed locations;
- Local resources --- More than 60 local film commissions, several of which offer performance-based incentives, cash rebates, and discounted use of facilities;
- Talent pool --- Florida colleges and universities host a number of film and digital media programs, producing award-winning alumni and a robust talent pool; and
- Sales tax exemption --- Any qualified production company producing motion pictures, made for television motion pictures, television series, commercial advertising, music videos or sound recordings in Florida, may be eligible for a 6 percent sales and use tax exemption on certain production-related purchases in Florida.

11 Retrieved from www.mpa.org/what-we-do/driving-economic-growth/, June 10, 2018.

12 MNP LLP, "Economic and Social Impacts of the Florida Film and Entertainment Industry Financial Incentive Program," March 2013.

13 Retrieved from <https://filminflorida.com/why-film-in-florida/>, June 10, 2018.

The Motion Picture Association of America ranked the film and television economic contribution for each state and the District of Columbia (see Appendix A). Florida ranks third in terms of the number of film and television industry jobs (150,012), fourth in terms of wages paid (\$2.02 billion), and tenth in terms of the number of films (14) and television series (26) shot in the state. Florida's high ranking in the number of film industry jobs (third) and wages paid (fourth) is the result of decades of investment and building Florida's film and entertainment industry; however, Florida's lower ranking in the number of films and television series shot in the state (tenth) makes it unclear whether Florida will be able to sustain its overall ranking.

Why Elsewhere?

California has long been the motion picture and television capital of the world, so it comes as no surprise that California ranks first in terms of film and television industry jobs (715,555), wages paid (\$22.24 billion), and the number of films (559) and television series (824) shot in the state.¹⁴ Over the past 20 years or so, other states have begun to offer increasingly competitive movie production incentives to lure film and television productions away from California (as well as from other states).

In 2009, in response to pressure from other states, California launched a five-year, \$500 million (\$100 million per year) tax credit program to protect its industry leadership role by providing tax credits to those productions most likely to leave the state due to incentives offered by other states and countries. In 2014, California Legislature passed the California Film and Television Job Retention and Promotion Act (Assembly Bill 1839), which created a five-year film incentive program beginning in fiscal year 2015-16. Under the program, \$330 million in tax credits is made available each year for the purposes of bringing film projects to California.¹⁵ This new incentive program expands eligibility for a wide range of projects that were excluded from the 2009 tax credit program (e.g., big budget feature films and TV pilots).

Although California remains the home to most of the major film studios, production companies are taking advantage of some of the more lucrative tax credits, grants, sales tax exemptions, and cash rebates offered by other states. Only three of the 100 top-grossing films of 2016 were shot in California using state tax incentives, according to a recent report from FilmL.A.¹⁶

Figure 1 identifies the different production incentives that are in use by states to attract film and television production companies. As shown in Figure 1, 18 states (including Florida) have no incentives program of any kind. Florida is the only state in the Southeast that offers no incentive program. The different types of incentive programs employed by each state are identified below:

- No incentives (18) --- Alaska, Arizona, Delaware, Florida, Indiana, Iowa, Kansas, Michigan, Missouri, Nebraska, New Hampshire, New Jersey, North Dakota, South Dakota, Vermont, West Virginia, Wisconsin, and Wyoming;
- Rebates/Grants (14) --- Arkansas, Colorado, District of Columbia, Idaho, Minnesota, Mississippi, Montana, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Texas, and Washington;
- Rebate and Tax Credits (4) --- Maine, U.S. Virgin Islands, Utah, and Virginia;

¹⁴ See Appendix A.

¹⁵ Retrieved from <http://filmworksca.com/california-film-television-tax-credit/>, June 10, 2018.

¹⁶ FilmL.A., Inc., "2016 Feature Film Study," May 2017.

The entertainment industry as a whole – which includes commercial and music video productions – spent \$2.7 billion and had an economic impact of \$9.5 billion on the state.¹⁹

In 2005, Georgia passed a tiered system of tax incentives to attract film production companies. In 2008, the incentives package was updated. Georgia’s Entertainment Industry Investment Act provides a 20 percent tax credit for companies that spend \$500,000 or more on production and post-production in Georgia, either in a single production or on multiple projects. The state grants an additional 10 percent tax credit if the finished project includes a promotional logo provided by the state. If a company has little or no Georgia tax liability, it can transfer or sell its tax credits.²⁰

“Since we passed the tax incentives, from a financial standpoint, it’s been pretty nuts.”

LEE THOMAS

Deputy Commissioner, Georgia Film, Music
& Digital Entertainment Office

“The magnitude of Georgia’s tax break is one of the best, if not the best, in the country.”

BRODERICK JOHNSON

Producer, *The Blind Side*

“The film work in Georgia has been nonstop. There’s more work than you can handle right now. We started working in Florida until the tax incentives went away and everything came up to Georgia. That was the reason we moved to Georgia, to keep steady work.”

JUSTIN BERNHARD

Rigging Grip

While Georgia uses the tax incentives to attract film and TV business, it relies on infrastructure to keep it there. According to Adweek, 16 film and TV studios announced plans to locate or expand facilities in Georgia since 2010.²¹

Florida’s Film Industry is in Decline

The growth of Georgia’s film and TV industry has been aided in part by the mass exodus of film and TV productions from Florida following the elimination of the state’s tax credit incentive in 2016. In 2010, the Florida Legislature created the Entertainment Industry Financial Incentive (Tax Credit) Program²² to provide tax credits for qualified expenditures related to filming and production activities in Florida. Qualified expenditures include payments to Florida vendors for products and services as well as wages paid to Floridians working on the production. Annual credit caps were initially set for five years, from FY 2010-11 through 2014-15, for a total of \$242 million. In 2011, the Legislature increased the total to \$254

19 Stephen Mays, “What Sustains Georgia’s Film Industry?” U.S. News and World Report, October 20, 2017, retrieved from <https://www.usnews.com/news/best-states/articles/2017-10-20/georgias-film-presence-continues-to-grow>, June 11, 1018.

20 Retrieved from <http://www.georgia.org/competitive-advantages/tax-credits/film-television-and-digital-entertainment/>, June 11, 2018.

21 Stephen Mays, “What Sustains Georgia’s Film Industry?” U.S. News and World Report, October 20, 2017, retrieved from <https://www.usnews.com/news/best-states/articles/2017-10-20/georgias-film-presence-continues-to-grow>, June 11, 1018.

22 Subsection 288.1254(2), Florida Statutes.

million. In 2012, the program was extended through FY 2015-16 and an additional \$42 million in credits were authorized, for a total of \$296 million for the six-year period.²³

Section 288.1254(4)(a), Florida Statutes, requires the Office of Film and Entertainment (OFE) to qualify projects on a first-come, first-served basis. Once a project is qualified, it is then certified based on its anticipated Florida expenditures. Non-resident wages and purchases from non-Florida based companies do not qualify for the program.²⁴

In 2012, at the request of the Governor, the Legislature's Office of Economic and Demographic Research (EDR) used two different economic models (the REMI Tax-PI model and the Statewide Model) to calculate the return on investment (ROI) for the tax credit incentive program. The results were similar. The ROI was 0.46 for the statewide model, and 0.40 for REMI. A 2015 update by EDR calculated an ROI of 0.25 to 0.43 for the tax credit incentive.²⁵ Although both studies concluded that the tax credit incentive program had a positive ROI, none of the calculated ROIs suggests that the tax revenue generated by the tax credits is sufficient to cover the cost of the tax credits.

Since 2012, the Legislature has not appropriated any additional funds for the tax credit incentives, and the incentives sunset in 2016. A January 2018 ROI update by EDR determined that the Florida Entertainment Industry Financial Incentive Program (tax credit) generated a lower ROI of 0.18 in 2018 compared to the reported 0.43 in 2015.²⁶

The Florida Department of Economic Opportunity (DEO) reports that between July 1, 2010 and June 30, 2017, 300 productions for tax credits were certified, with projected Florida expenditures of approximately \$1.26 billion. More than \$751 million in wages are associated with the 300 productions, creating an estimated 117,417 Florida jobs.²⁷ The 300 certified production types include:

- 53 motion pictures (e.g., theatrical, made for television, direct to video, documentaries, visual effects sequences);
- 53 digital media productions (e.g., video games, web series, interactive websites);
- 142 television productions (e.g., television series, television pilots, telenovelas, award shows); and
- 52 commercials.

Critics of the tax credit incentive program point out that the program, as designed, was seriously flawed. The first-come, first-served requirement precluded the OFE from giving preference to projects that would or produce the greatest economic impact or create the greatest number of jobs. Under a 2015 legislative proposal designed to correct this flaw, the state film commissioner would have been given the authority to more quickly approve state funds, and to determine the level of quality and the economic impact of film projects that receive state grants. Film projects would receive a rebate on taxes paid in the state. The result would be more money spent in Florida and less money invested by the state. The Senate bill died in Appropriations, however, and the House bill died on the Calendar.

²³ Office of Economic and Demographic Research, "Return on Investment for the Entertainment Industry Incentive Programs," January 2015.
²⁴ Florida Department of Economic Opportunity, "Florida Office of Film and Entertainment Fiscal Year 2015-2017 Annual Report," Nov. 1, 2017.
²⁵ Office of Economic and Demographic Research, "Return on Investment for the Entertainment Industry Incentive Programs," January 2015.
²⁶ Office of Economic and Demographic Research, "Return on Investment for the Entertainment Industry Incentive Programs," January 2018.
²⁷ Florida Department of Economic Opportunity, "Florida Office of Film and Entertainment Fiscal Year 2016-2017 Annual Report," Nov. 1, 2017.

Tying the availability of incentives to minimum spends makes good business sense because, if history has shown us anything, it is that film and television production companies will in fact spend. When Walt Disney Studios recently filmed in Lakeland for a new movie, the company spent more than \$134,000 for hotel rooms, local cast, catering, and other expenditures --- in just three days.²⁸

Based upon an analysis of studio and television network accounting records, independent producers and production managers, commercial production companies, exit reports submitted to film commissions, and generally accepted estimates from film commissioners, the Association of Film Commissioners International has developed a set of reasonable guidelines for calculating the production spending of certain projects. A high-budget feature film production can be expected to spend as much as \$260,000 a day in a local community; a weekly network television series as much as \$300,000 a day.²⁹

TaxWatch analyzed the certification and award of tax credits from 2010 to 2017 (see Table 1) to determine the relationship between tax credits awarded, economic impact, and job creation.

TABLE 1. ENTERTAINMENT INDUSTRY FINANCIAL INCENTIVE PROGRAM SUMMARY: 2010 - 2017

PROJECT TYPE	NUMBER	PROJECTED JOBS	QUALIFIED EXPENDITURES	PERCENT	TAX CREDITS CERTIFIED & AWARDED	PERCENT
<i>Motion Pictures (n=53)</i>						
Theatrical motion picture	43	16,884	\$132,588,655	10.54%	\$33,176,273	11.51%
Made for TV motion picture	1	185	\$697,328	0.06%	\$139,465	0.05%
Direct to video motion picture	3	795	\$7,105,868	0.57%	\$1,583,009	0.55%
Documentary film	6	189	\$1,562,840	0.12%	\$318,711	0.11%
<i>Digital media productions (n=53)</i>						
Video games	25	6,172	\$235,056,382	18.69%	\$62,249,890	21.59%
Digital media projects	26	435	\$11,963,782	0.95%	\$2,335,405	0.81%
Interactive websites	2	157	\$16,772,059	1.33%	\$4,193,015	1.45%
<i>Commercials (n=52)</i>						
Commercials	52	11,164	\$38,211,268	3.04%	\$7,487,041	2.60%
<i>Television (n=142)</i>						
TV series - high impact	19	42,593	\$365,619,852	29.07%	\$81,312,584	28.21%
TV series - non high impact	89	22,538	\$389,460,837	30.97%	\$84,679,695	29.37%
TV series - pilot	9	5,223	\$22,911,848	1.82%	\$4,487,611	1.56%
TV production - non series	5	211	\$1,602,416	0.13%	\$320,481	0.11%
TV awards show	20	3,668	\$34,077,207	2.71%	\$6,004,289	2.08%
Totals	300	110,214	\$1,257,630,342	100%	\$288,287,469	100%

Source: Florida Department of Economic Opportunity, "Florida Office of Film and Entertainment Fiscal Year 2016-2017 Annual Report," November 1, 2017.

28 Paul Guzzo, "Disney Movie Spent More Than \$134,000 While Filming in Lakeland," Tampa Bay Times, July 12, 2018, retrieved from http://www.tampabay.com/news/business/Disney-movie-spent-more-than-134-000-while-filming-in-Lakeland_169921627, July 26, 2018.

29 Association of Film Commissioners International, "Production Revenue Tracking Guidelines, Direct Spending for On-Location Production - US Dollars," Revised February 2007.

The tax credits awarded are generally proportionate to the projected number of jobs created and the amount of qualified expenditures for motion picture projects, commercials, and television projects:

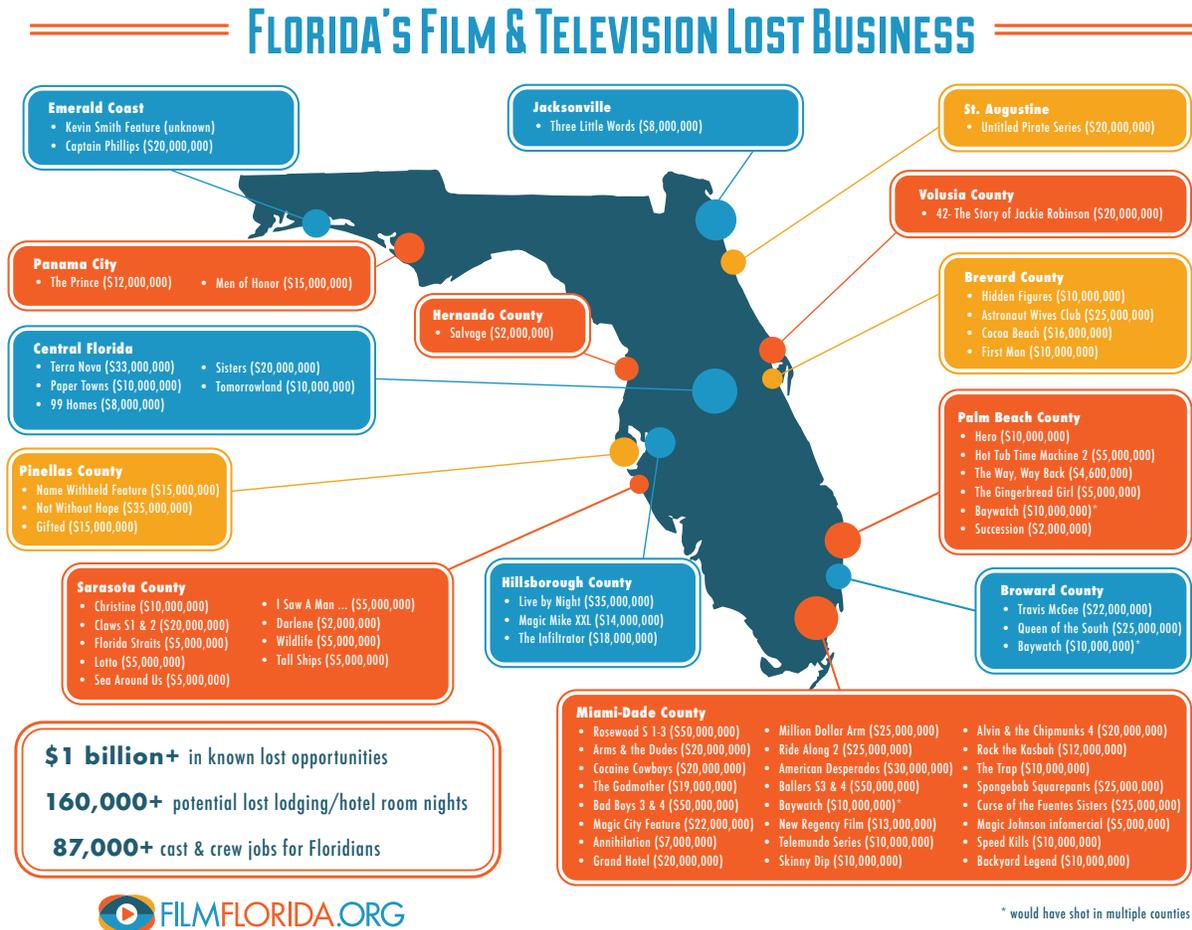
- The 53 motion picture projects received 12.2 percent (\$35.2 million) of the total tax credits awarded and generated 11.3 percent (\$141.9 million) of the qualified expenditures and 16.4 percent (18,053) of the projected jobs.
- The 52 commercials projects received 2.6 percent (\$7.5 million) of the total tax credits awarded and generated 3.0 percent (\$38.2 million) of the qualified expenditures and 10.1 percent (11,164) of the projected jobs.
- The 142 television projects received 61.3 percent (\$176.8 million) of the total tax credits awarded and generated 64.7 percent (\$813.7 million) of the qualified expenditures and 67.4 percent (74,233) of the projected jobs.
- The 53 digital media productions received 23.9 percent (\$68.8 million) of the total tax credits awarded and generated 20.1 percent (\$263.8 million) of the qualified expenditures and 6.1 percent (6,764) of the projected jobs.

What stands out the most is the disproportionate amount of tax credits awarded to the 53 digital media production projects. During the 6-year life of the Entertainment Industry Financial Incentive Program, DEO awarded \$68.8 million in tax credits, almost one-fourth of the total tax credits awarded, to projects that generated only 20.1 percent (\$263.8 million) of the qualified expenditures and only 6.1 percent (6,764) of the 110,214 projected jobs created. The majority of the tax credits (\$62.2 million) awarded for these projects was for the production of video games.

Given the choice between fixing the flawed Entertainment Industry Financial Incentive (Tax Credit) Program and scrapping the program, the Legislature chose to scrap it. Those critical of the incentives program believed that, just like in the early 1900's, Florida's warm climate, exotic locations, and beaches would continue to attract film and television production companies to the Sunshine State, even without economic incentives. This is true to a certain degree; however, Florida's film and television industry will continue to lose projects at a significant pace in the absence of economic incentives.

The results of discontinuing the economic incentives have been predictable. Several high-profile productions have either been cancelled or moved to another state, and the film industry workforce and infrastructure are leaving with them. Film Florida, a not-for-profit association that provides a leadership role in Florida's film, TV, commercial & digital media industry, estimates that the Legislature's unwillingness to fund the tax credit incentives has cost the state more than \$1 billion in known lost film and television opportunities; more than 160,000 potential lost lodging/hotel room nights; and more than 87,000 cast and crew jobs for Floridians (see Figure 2).

FIGURE 2. FLORIDA'S FILM & TELEVISION LOST BUSINESS (FILM FLORIDA)



Source: Graphic provided by Film Florida

“Without a funded program to entice projects and companies to our state, in the last three-plus years we’ve lost more than 50 major film and television projects that would have spent more than \$1 billion in Florida.”

JOHN LUX, EXECUTIVE DIRECTOR
Film Florida

Other states that have discontinued their incentives have experienced similar industry declines. The North Carolina legislature’s decision in 2014 to eliminate film production tax credits led many companies and a touted production crew base to uproot and move to Georgia. As a result, film production spending in North Carolina dropped from \$377 million in 2012 to \$140 million in 2016. The revenue falloff and extensive lobbying by state film officials led legislators to provide film credit grant funding in 2015 and performance-based grants in years 2016-2018.³⁰

30 Richard Craver, “Revived N.C. Film Grant Program Lacking Takers Despite \$65 Million in Funding,” Winston-Salem Journal, March 11, 2018, retrieved from www.journalnow.com/business/business_news/local/revived-n-c-film-grant-program-lacking-takers-despite-million/article_489bffb9-84ec-56be-af01-44153facba8d.html, July 26, 2018.

During a 2015 budget crisis, Louisiana's legislature capped incentives at \$180 million. Legislators allowed the state's development agency to recruit film production companies with pledges of reimbursement as its economy improved; however, a backlog of unpaid claims discouraged the companies enough to move their production to Georgia. Louisiana now tries to manage a steady flow of projects in the state by competing for mid-tier Hollywood projects.³¹

Film-Induced Tourism

Film-induced tourism is a rapidly growing and important trend in tourism, in which the tourist's choice of destination is motivated in large part by film. Researchers have identified three major benefits of using movies to attract tourists: stronger destination image or effective destination branding; positive economic impacts; and higher tourist visitation.³² Films and television shows are replacing newspapers, magazines, and books as major sources of information about global tourist destinations.

Given this link between films and tourism, it is no surprise that Florida's tourism industry also suffers from the decline of Florida's film and television industry. A 2013 study of the economic and social impacts of the Florida film and entertainment industry financial incentive program acknowledges the longstanding relationship between the film and television industry and tourism in Florida. Film and television productions do not bring only production jobs and business to Florida, but also help to attract tourists to the state (film induced tourism).³³

The 2013 study estimated total impacts arising from production spending and film induced tourism between 2011 and 2016, based upon the conservative assumption that 5 percent of the visitors to Florida are influenced in whole or in part by film and/or television. Film induced tourism was projected to add \$20 billion to the gross state product and almost \$2.8 billion in state and local taxes.³⁴ Research by Film Florida also found that 19.5% of all visitors to Florida said viewing a movie or television series filmed there contributed to their decision to visit the state.³⁵ As Florida's film and television industry continues to decline, Florida's tourism industry will also feel the pain.

Consider the 2011 movie "Dolphin Tale," filmed in Clearwater. A study by the University of South Florida (St. Petersburg) College of Business found that the movie had dramatically increased the number of out-of-state visitors to the Clearwater Marine Aquarium. The local economic impact of the movie was expected to total more than \$500 million by 2013 and could triple by 2016.³⁶

31 Richard Craver, "Revived N.C. Film Grant Program Lacking Takers Despite \$65 Million in Funding," *Winston-Salem Journal*, March 11, 2018, retrieved from www.journalnow.com/business/business_news/local/revived-n-c-film-grant-program-lacking-takers-despite-million/article_489bffb9-84ec-56be-af01-44153facba8d.html, July 26, 2018.

32 Hudson, S. and Ritchie, B. "Promoting Destinations via Film Tourism: An Empirical Identification of Supporting Marketing Initiatives," *Journal of Travel Research*, 44, May 2006.

33 MNP LLP, "Economic and Social Impacts of the Florida Film and Entertainment Industry Financial Incentive Program," March 2013.

34 MNP LLP, "Economic and Social Impacts of the Florida Film and Entertainment Industry Financial Incentive Program," March 2013.

35 Irma Hunkeler, "The Rise of Film-Induced Tourism and its Impact on Local Businesses," *Tourism Opinion*, retrieved from <http://www.bizcommunity.com/Article/196/373/163146.html>, September 11, 2018.

36 Mike Brassfield, "Dolphin Tale Gives Local Tourism a Half-Billion-Dollar Boost, Study Finds," *Tampa Bay Times*, August 16, 2012, retrieved from <http://www.tampabay.com/news/business/tourism/dolphin-tale-gives-local-tourism-a-half-billion-dollar-boost-study-finds/1246161>, September 11, 2018.

A 2015 study of the economic impacts of the Netflix series “Bloodline” on the economies of Monroe County and Florida as a whole found that the Season 1 production of “Bloodline” generated \$65 million in new travel spending; created 1,738 new jobs and \$64 million in labor income; and generated \$9.4 million in state and local tax revenues. All this, in addition to the \$30 million in production spending.³⁷

Georgia appears to understand the value of film-induced tourism. To attract visitors interested in Georgia’s entertainment industry, Georgia’s Department of Economic Opportunity has launched a new website.³⁸ This interactive website promotes Georgia’s film and music history, film tours, Georgia-filmed productions, film locations, destinations, festivals and other events. By increasing visitation to entertainment-related destinations across the state, the Georgia Film, Music & Digital Entertainment Office’s new website seeks to enhance the film industry’s long-term impact on Georgia tourism.³⁹

Export of Talent

Another indicator of Florida’s declining film and entertainment industry is the “brain drain” of talent from Florida to other states. Not only is Florida losing seasoned film industry professionals, but Florida stands to lose the next generation of filmmakers as well. Film Florida’s website identifies 33 Florida colleges and universities that offer film and digital media programs, making Florida the home to more film and digital media degree programs than any other state in the country.

Florida is home to one of the top graduate schools in America for game design and Florida is home to 2 of the top 25 film schools in America. Every year more than 5,000 students graduate from Florida-based colleges and universities with film or digital media degrees. Graduates from Florida-based institutions are some of the most sought-after film and digital media talent in the world. Because of the limited number of available jobs in Florida, these students are taking their degrees and moving to other states to find jobs.

“Over 5,000 film and digital media students graduate every year and our state continues to tell those students to take their skills and training to work in other states,”

PAUL SIRMONS

Former State Film Commissioner

37 MNP, LLP, “Economic Impacts of the Netflix Original Series *Bloodline*, Prepared for the Monroe County Tourist Development Council,” December 2015.

38 www.ComeTourGeorgia.com

39 Team Georgia, “Georgia Launches New Tourism and Film Website,” retrieved from <http://team.georgia.gov/georgia-news/georgia-launches-new-tourism-and-film-website/>, September 11, 2018.

What's Next for Florida's Film Industry?

Florida's film industry is at a crossroads --- unless efforts are made to revive the industry, its continued decline is certain. Florida appears to have several options for rebuilding its film industry.

One option is to retool and relaunch the tax credit incentives program. There are a number of revisions worthy of consideration by the Legislature that would make sure that the tax credit incentives are awarded to projects that would or produce the greatest economic impact, generate the highest return on investment (ROI), or create the greatest number of jobs. These include, but are not limited to:

- Eliminating the requirement that the priority of tax credit awards will be determined on a first-come, first-served basis;
- Establishing a requirement that the priority of tax credit awards will be determined based upon a calculated numerical ranking or composite numerical score;
- Reducing the maximum percentage or amount of available tax credits;
- Increasing the minimum number of principal photography days filmed in Florida;
- Increasing the minimum percentage of production cast and crew members that must legally reside in Florida, be a veteran of U.S. military service, or be disabled (as defined by Florida law); and/or
- Increasing the minimum amount of eligible qualified expenditures, upon which the tax credit is based.

TaxWatch believes that state-level incentives to stimulate Florida's film and entertainment industry are both necessary and important. If the tax credit incentive program can be revised to ensure the state makes back its investment, to create jobs for Florida residents, to promote Florida tourism, and to pump additional revenue into local businesses, then TaxWatch believes it would be in the best interest of the state for the Legislature to consider such revisions. Given the current legislative leadership, especially in the House where these types of incentives are viewed as "corporate welfare," TaxWatch acknowledges that implementing this option will be a heavy lift.

A second option is for local governments to take up the slack and develop and make available their own incentive and subsidy programs. Miami-Dade County, for example, has begun offering a grant/rebate incentive that provides \$100,000 to a qualified production. To qualify:

- A project must spend at least \$1 million in Miami-Dade County;
- At least 70% of the production must take place in Miami-Dade County;
- At least 50 county residents must be hired for the main cast and crew; and
- At least 80 percent of the project's vendors must be businesses registered in Miami-Dade County.

Other Florida counties offering film industry incentives and subsidies include Broward, Duval, Hillsborough, Palm Beach, Pinellas, and Sarasota. TaxWatch believes that although local government film incentives and subsidies are important, they should supplement, and not supplant, state-level incentive programs. Local programs are helpful in attracting independent films and lower budget feature films and television series; however, they are unlikely to attract medium to high-budget feature films and weekly network television series.

A third option is for the private sector to take up the slack and develop and make available their own incentive and subsidy programs. Universal Orlando, which operates one of the largest production lots in the state, has begun wooing productions with its own incentive packages that include things like discounted hotel rooms and catering service.⁴⁰

A fourth option is to develop a new program to reenergize film and television production in Florida. State Senator Annette Taddeo (D-Miami) introduced a bill during the 2018 legislative session to create a public-private partnership to attract film and television production companies. Senate Bill 1606 would establish the Florida Motion Picture Capitol Corporation, that would be set up to receive public and private funds to be used to finance feature film and television productions that generate the greatest economic impacts to the state. SB 1606 died in the Appropriations Subcommittee on Transportation, Tourism, and Economic Development. Other business-oriented options, such as making incentives available to projects that are moving to Florida from other states, or to projects that are being recruited by other states, are certainly worthy of consideration.

While any and all of these options are worthy of consideration, maintaining the status quo is not a viable option. The competitive nature of today's economy, and of the film and television industry in particular, requires the strategic and targeted use of incentive packages that will help to create thousands of high-paying jobs and permit Florida to compete with other states and countries for film and television production projects.

Florida is not the only location that can offer a business-friendly tax climate, good weather, beaches, and a talented workforce. For Florida to be competitive, it must be willing to make available a package of tax credits, sales tax exemptions, and other incentives that help film and television companies reduce their costs and generate greater returns, while pumping millions and millions of dollars into the state's economy.

"In a perfect world, we wouldn't need them [incentives], but it's not a perfect world."

DOMINIC CALABRO, PRESIDENT & CEO
Florida TaxWatch

The competition among states and other countries in attracting film and television production businesses has grown fierce, and the use of incentives to "outdo the competition" has created an arms race between states and countries competing for film and television job creation and economic development. TaxWatch is not suggesting that the state get caught up in this race, or that the Legislature relaunch an incentive program on a scale designed to outdo the competition. TaxWatch believes that Florida has much to offer film and television production companies, and that a sound, fiscally responsible incentive program will help to create and sustain an environment in which film and television production companies can grow and grow Florida's economy at the same time.

TaxWatch has long maintained that incentives are simply one tool in the state's economic development toolkit and that, although not a substitute for the fundamentals of good economic growth, incentives for the film and television industry should not be ignored as a part of the state's overall economic development strategy.

⁴⁰ "The Film Industry in Florida: Lights, Camera, Inaction," Florida Trend, May 29, 2018, retrieved from <http://www.floridatrend.com/article/24632/the-film-industry-in-florida-lights-camera-inaction>, June 12, 2018.

Appendix A - State Film Industry Rankings

STATE	JOBS	WAGES (MILLIONS)	2016-17 FILMS	2016-17 TV SERIES
Alabama	10,210	\$189.50	9	5
Alaska	1,957	\$32.41	-	23
Arizona	26,294	\$390.90	6	11
Arkansas	4,907	\$149.00	3	1
California	715,555	\$22,400.00	559	824
Colorado	35,707	\$562.82	5	8
Connecticut	29,613	\$1,230.00	7	20
Delaware	1,722	\$20.68	-	-
District of Columbia	7,277	\$481.41	7	5
Florida	150,012	\$2,020.00	14	26
Georgia	92,494	\$2,150.00	116	150
Hawaii	6,252	\$118.10	4	10
Idaho	4,500	\$53.89	4	1
Illinois	57,779	\$1,090.00	37	29
Indiana	17,982	\$242.23	7	4
Iowa	7,679	\$89.83	2	5
Kansas	7,419	\$91.30	2	1
Kentucky	10,043	\$175.00	18	-
Louisiana	22,707	\$397.14	48	26
Maine	3,630	\$56.97	-	2
Maryland	24,429	\$634.30	3	3
Massachusetts	33,566	\$595.35	31	13
Michigan	29,073	\$488.60	9	5
Minnesota	21,880	\$302.72	8	3
Mississippi	4,771	\$73.07	17	9
Missouri	24,824	\$346.75	-	3
Montana	3,315	\$50.65	6	4
Nebraska	6,614	\$113.96	1	-
Nevada	14,489	\$210.34	18	33
New Hampshire	5,447	\$81.00	-	1
New Jersey	38,861	\$890.95	9	12
New Mexico	10,816	\$218.92	38	25
New York	241,424	\$9,880.00	298	311
North Carolina	38,606	\$762.36	9	18
North Dakota	2,536	\$38.68	-	-
Ohio	35,625	\$459.61	25	1
Oklahoma	13,273	\$220.35	15	6
Oregon	20,661	\$304.55	16	19
Pennsylvania	47,445	\$810.57	17	18
Rhode Island	2,882	\$52.65	5	-
South Carolina	11,992	\$172.85	5	7
South Dakota	2,447	\$30.36	-	-
Tennessee	39,964	\$898.61	9	11
Texas	105,525	\$1,810.00	33	38
Utah	21,841	\$252.88	21	10
Vermont	1,732	\$29.94	-	1
Virginia	37,407	\$646.37	8	3
Washington	39,350	\$413.68	8	7
West Virginia	3,204	\$47.50	2	3
Wisconsin	18,677	\$220.62	1	-
Wyoming	1,346	\$17.30	-	-

www.mpaa.org/what-we-do/driving-economic-growth/

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ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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