

Introduction

Thank you for inviting us to submit written testimony to the Citizen's Commission after the hearing in Olympia on Friday, September 18.

Washington Filmworks continues to have significant concerns that the 2015 JLARC report does not accurately reflect the economic benefits that the Motion Picture Competitiveness Program (MPCP) has on Washington's economy. In particular, our concerns include:

1. **Different Criteria, Different Results.** The scope and scale of the 2010 JLARC report was more comprehensive and provided additional context for the legislature's review. The report considered economic impact multiplier effects, the type of jobs created in the film industry and tourism impacts. None of this information was included in the 2015 report. **Continuity is vital for a balanced evaluation of our program. Please apply the same criteria used in 2010 to the 2015 report.**
2. **Competitiveness in National and International Marketplace.** While the MPCP remains the best tool that Washington State has to win motion picture business, it also represents the core investment the state makes in the ecosystem of Washington's creative economy. Please consider the critical role that the MPCP plays in securing motion picture production work as well as the important role that film plays in sustaining the state's creative economy.
3. **Termination of the Tax Preference.** Funding through the MPCP is the most important factor in a producer's decision to invest in Washington. Without the MPCP, Washington State would lose out on millions of business dollars each year and become the quintessential flyover state.

Different Criteria, Different Results.

Fiscal vs. Economic Impacts.

The 2015 report highlights the fiscal impacts of the program, but does not clearly indicate the economic impacts of the MPCP (which include direct, indirect and induced impacts).

The 2010 report highlights, for example, that the film industry generates a multiplier of 1.99. Working with economists from Community Attributes, Inc. (and the IMPLAN model), they have identified that the multiplier is actually much higher at 2.75. In turn the economic impact of the MPCP is \$235M, much bigger than suggested in the 2015 report.

Jobs. The intent of the law was not to create full time equivalent (FTE) jobs but rather family wage jobs that provide health and retirement benefits for Washington workers. Motion picture production is "project based" (similar to the construction industry).

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The 2015 report suggests that the MPCP only creates 55 FTEs annually. What is not recognized, but crucial, is that the incentive projects serve as the foundation of film industry careers, allowing film professionals the opportunity to use work on a variety of other projects in the creative economy.

The 2010 report acknowledges this important factor by stating, “the data represents a snapshot in time, which may not reflect the long term employment situation in light of the project nature of film work.” The 2010 report also recognizes that the employment information cited, “does not include independent contractors in the film industry.”

The law does not ask the MPCP to create FTEs. **The better measure is to consider how jobs were counted in 2010, which made note of project based work.**

Other Factors Impacting Filming Decisions. The availability of funding assistance is the most important factor in determining where to film a production, however as the 2010 JLARC report highlights there are other factors influencing filming location decisions including artistic concerns, availability of skilled crews and access to infrastructure.

The motion picture projects that the MPCP brings to Washington State often represent the highest profile and most engaging work for the statewide film community. We would ask that the **2015 report consider the important role that the MPCP plays in maintaining infrastructure and retaining talent.** These assets are critical as they help facilitate a diversity of motion picture production occurring statewide that does not qualify for the incentive but continues to have an important economic impact.

Competitiveness in National and International Markets

Location Quotients. JLARC’s 2015 analysis uses Location Quotients (LQ) to measure the competitiveness of Washington’s film industry. It is not at all surprising that states with larger incentive programs such as, California, Georgia, Louisiana and New Mexico, all have a higher LQ. While the report states that Washington is below the national average, it doesn’t highlight the fact that there are only five states that rank above the national average.

Washington State currently ranks 14th in the nation (which is the top third in the country). **Over the past 12 years, Washington State’s film industry employment has grown by 50%, which is 2.5 times faster than the national average.** This increase in film industry employment moved Washington State’s LQ ranking from 17th to 14th. The MPCP is the most important factor in maintaining Washington State’s competitive position.

We would ask that the comparative analysis of Washington’s competitive position include an analysis of historical growth of the industry over time as well a more meaningful comparison to other states that have similar sized incentives such as Oregon.

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Film and the Creative Economy. The MPCP represents the state's core investment in the creative economy. The JLARC report does not mention this important factor about the role that film plays in Washington State.

Film is the gateway for growing industries and job creation in Washington State, including mobile technology, social media, gaming and rapidly evolving creative and professional services. Innovative methods of film production and distribution, combined with the proliferation of digital devices, makes content creation paramount to the success of Washington businesses, big and small. Businesses rely on the availability of trained storytellers, crafts people and artisans from the film industry to tell their story in the global marketplace.

Since the film industry has evolved so quickly (even since 2010), we would ask that the JLARC report consider these changes in the industry as part of a discussion about whether the MPCP helps to maintain Washington State's competitive position.

Why Washington Works. The 2015 report JLARC offers is a side-by-side comparison of the 37 states nationwide that offer production incentives. The information provided which includes minimum in-state spending thresholds and caps for programs, does not give the legislature enough information to evaluate Washington's competitive position in the market place. The 2010 report suggests the MPCP is "unique," and thoughtfully compares Washington to Oregon, which provides important context for our regional marketplace.

Washington is unique and our state has designed a smart, competitive incentive that is the model for good economic development in the film industry. The MPCP is strikingly different from other production incentive programs in that incentive funds are targeted for expenditures made in the state with local residents and businesses. Unlike other incentive programs, the economic benefit is not given to the approved production until after they have spent money in Washington's economy and hired local workers. And prior to receiving funding assistance, a production must complete a rigorous review to prove the money was spent in state. At the end of principal photography, all approved productions must supply final line item budgets, receipts and payroll documentation for all Washington state expenditures. **The MPCP continues to be the only program nationwide that requires motion picture productions to pay health and retirement benefits for film industry workers.**

Termination of Tax Preference.

During our testimony, Chair Longbrake asked us to address what would happen if the tax preference was terminated.

37 states across the country and a great many more international jurisdictions have production incentives. Production incentives factor in part of the financing structure of any motion picture production. **Without the incentive Washington State would not be able to compete.**

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Attached as addendum A is a list of testimonials from producers and studio executives about the importance of the film incentive program in their decision making process. Without the MPCP, none of these projects would have filmed in Washington State.

The MPCP has put Washington State back on the filmmaking map. Over the past two years we have committed all of our funds in the spring forcing us to turn away millions of dollars of direct spending. In 2015 Washington Filmworks had committed its \$3.5 M fund by March, turning away six additional projects that would have had generated an estimated \$55 M of economic activity over the summer months.

If the MPCP were to disappear, so would film infrastructure and our local cast and crew. Film professionals would be forced to move to states where film production is a priority of government, such as production centers like Oregon, Utah and California. And our local businesses looking to create content would have no choice but to import talent and infrastructure from places like Los Angeles and New York.

The impact of the MPCP cannot be underestimated.

- The MPCP has approved productions over the last two years that have spent money with local businesses in every legislative district.
- The MPCP provides meaningful, entry level jobs and internships for students studying at the 15 film studies programs in Washington State.
- The MPCP provides resources and leadership to help the 97 film liaisons across the state facilitate production in their communities.
- The MPCP's television series, feature films, and commercials are seen across the world and generate tourism opportunities now and in the future.

If the MPCP were to be terminated the effects would ripple across Washington State.

Addendum A:

Robert Scarff (Producer, *You Can't Win*)

"Our film would not have been possible without financial assistance from our production state. Despite the many talented people and wonderful locations found in the state, the **producers would not have considered Washington had we not been approved for the production incentive program.** Fortunately, we found our way into the program, and our experience with Washington Filmworks was excellent. From the application process through the final production and post-production records submission and audits, the communication and service was first class. I have and will continue to recommend Washington as a place to make films, and I believe fellow independent filmmakers will give this recommendation significant consideration as long as the state's financial incentives remain competitive."

Jodi Binstock and Steve Graham (Producers, *Z-Nation*)

"The incentive program was absolutely the deciding factor [to film in Washington]. This show would not have shot in Washington if it weren't for the incentive. There are many other places we could have taken our series, but are so happy that we were able to come to Spokane. We hope to be picked up for a second season and would **absolutely consider making this our home again if the incentive can satisfy our needs and grow with us.**"

Stephen Gyllenhaal (Director, *Grassroots*)

"My experience on *Grassroots* was an excellent one. My crew was...experienced and committed. We made a movie I have been very proud of and **the tax rebate that we received was critical** to getting the movie completed."

"The advantages [of the incentive program] to the state of Washington, I think, could even be more than they've been to the other states and countries, such as Canada. Not only would it bring jobs and infusions of serious capital, but it would further enliven the creative community whose talents could then help the many high-tech companies based in Washington with better presenting themselves through the media. Not to mention, using Washington as a location makes it an increasingly attractive tourist sight, something I felt from the beginning."

Patrick Peach (Producer, *The Architect*)

"This is the second project I have brought to Washington State because Washington Filmworks continues to be the premiere state incentive program in the United States. **Because of the funding assistance we received, this film could not have been done anywhere else,** and Washington Filmworks deserves very strong commendations for such stellar, filmmaker friendly support and service. I have developed strong

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relationships with the local talent, crew, and vendors, and I have thoroughly enjoyed working with them. This is why people need to shoot in Washington!

Rick Rosenthal (Producer, *7 Minutes*)

“The production was based in Everett, where the combination of urban and rural settings made for a very attractive production center and central location. Everett city officials were incredibly helpful. With picturesque locations and solid film crews, **the lure to shoot in the Pacific Northwest is strong, but it was the 30% incentive from Washington Filmworks that helped make an unbeatable case for filming in the state.**”

Jennifer Roth (Executive Producer, *Laggies*)

“As a producer, my job is to help the creative team make informed, smart decisions about where they can make the best business and creative decisions for their project. I have produced films all over the country in places like Michigan, New York and North Carolina, but Seattle is my home and I am so very pleased to help bring such a wonderful and worthwhile film such as *Laggies* to our community. If it weren't for the production incentive program and the help of Washington Filmworks, it never would have been possible.”

Deborah Moore (Producer, *Four Minute Mile*)

“When we found out that Washington's production incentive program had come back in 2012, we immediately started to reconsider where to shoot the film. **We could shoot this script anywhere, but the production incentive was key to our decision-making process.** We were actually one of the few that qualified for the California program, but between Washington's competitive incentive, the talented crew, and the help of Washington Filmworks, we couldn't resist coming to Seattle. We found a home here and I think we made a great film thanks to all that the area has to offer.”

Colin Plank (Producer, *Eden*)

“I personally had my heart set on making the feature film, *Eden*, in my home state of Washington. But while we did find great filming locations in Seattle and eastern Washington, **the ultimate decision about where to shoot came down to the availability of incentive dollars.** And without funding assistance through Washington Filmworks, we never would have been able to make the film at home.”

Gerrarda O'Beirne (Producer, *A Bit of Bad Luck*)

“Our movie was shot in Seattle and Morton, and the locations were perfect for us to tell this story. **The incentive made it possible for us to stay and film here in Washington.** Without the incentive we would not have had the funds to complete the project, and just as important, there would not have been such talented crew available locally to support the production.”