Southern States Attract Filmmakers

The Southern states, led by Louisiana, have been successful in luring Hollywood production companies through various incentives. The payoffs are not only economic, but also through increased tourism.

By Sujit M. Canagaretna
This photo is a scene from “Four Sheets to the Wind,” a film written and directed by Oklahoman Sterlin Harjo that shot in Tulsa and Holdenville and was selected for competition at the 2007 Sundance Film Festival. The cast members are, left to right, Jeri Arredondo, Tamara Podenski and Cody Lightning. Tamara Podenski received the 2007 Sundance Best Actress Award.

Photo Courtesy: Chuck Foxen and Oklahoma Film & Music Office
For more than a century, the motion picture industry—symbolized by Hollywood—has been recognized internationally as an American phenomenon.

Ever since 1891, when Thomas Alva Edison and his British assistant, William Kennedy Laurie Dickson, invented the Kinetophonograph, a device that synchronized film projection with sound from a phonograph record, America’s influence in the development and advancement of this industry has been pre-eminent.

By the early 1920s, most American film production had moved from the East Coast to Hollywood, lured there by a range of incentives offered by the Los Angeles Chamber of Commerce.

That trend continues with nearly every state offering incentives to attract filmmakers to work within their borders. Thanks to a weakening U.S. dollar, technological advances and the high cost of production in California, states are getting a piece of the $60 billion film industry pie.

Economics Lure Filmmakers Overseas

While California, specifically Hollywood, remains the fulcrum of the U.S. motion picture industry, the state, by its own admission and the analysis of independent observers, remains a high-cost location for many businesses, including the film industry.

In the late 1980s, movie producers saw an opportunity to lower overall costs by filming in foreign locations.

Another factor that allowed producers to effectively use this option was the technological advances in film production. This allowed films to be shot outside the major production centers in California.

In an effort to take advantage of studios seeking lower production costs, foreign countries began aggressively pursuing American filmmakers by offering a range of economic incentives.

Canada ranked very high among the foreign nations that pursued these U.S. productions and was successful in recruiting a plethora of movies filmed in the Canadian provinces.

Similarly, Britain, Mexico, Australia, the Czech Republic and other Eastern European locales soon ranked high as alternate filming locations for hundreds of U.S. movies and television shows. Consequently, by the late 1980s and throughout the 1990s, the blend of financial incentives offered by these foreign countries and a strong U.S. dollar made filming outside the U.S. a sound fiscal decision.

Declining Dollar Lures Film Industry Home

An interesting twist of events, however, turned things around for the American movie industry beginning around 2000. During the past seven years, the steady depreciation of the U.S. dollar has proved to be an unexpected boost to the domestic film industry.

During the 1980s and 1990s, American film producers took advantage of the U.S. dollar appreciating, vis-à-vis the major world currencies, and made films overseas. The steady erosion in the value of the U.S. dollar, however, made filming outside the U.S. increasingly expensive. This development has led American movie producers to seriously consider locations at home in an effort to curtail their costs.

Alert state lawmakers deftly stepped into this fortuitous set of circumstances and quickly devised a range of incentives to further reinforce the likelihood that these movies would be made in the United States.

Led by the incentives introduced by Louisiana in 2002, a development that has resulted in the state now being referred to as Hollywood South, states in every part of the country offer a range of tax incentives and other benefits to lure filmmakers to operate within their borders. New Mexico, led by former Gov. Bill Richardson, is another state that saw the movie industry as a potential revenue generator and worked aggressively to market itself as a viable alternative to film producers.

Six Primary Incentives

The financial incentives offered by states to attract the movie industry have centered on the following six general areas:

- **Sales and Use Taxes**: Money spent within a state on goods and services by filmmakers are subject to state and local sales taxes. These taxes may be waived as part of the incentive package provided by a state. Generally, this is accomplished by providing the production company a state-certified coupon that waives sales tax at the point of sale, or the state may refund the sales tax after filmmakers submit expense reports breaking down the qualified expenditures.
Huge Economic Impact

The economic impact numbers for states in CSG’s Southern Legislative Conference are staggering. In Louisiana, the state held up as the leader in the current wave of states establishing incentive packages, the estimated total output of the film industry—direct, indirect and induced outputs—has soared from $22.1 million in 2002, to $390.5 million in 2003, to $721.1 million in 2004, to $1 billion in 2005.

Another noteworthy achievement is that Louisiana currently ranks third in the number of films produced in the country behind California and New York, a ranking achieved as a result of the incentive package now in place.

In North Carolina, over a 25-year span from 1980 to 2005, the industry has created more than $7 billion in revenues for local economies across the state. Georgia is another SLC state where, in 2006, 291 films and videos were produced with a direct value of $251.1 million, with a total economic impact of $448.3 million.

Filmmaking in Maryland hit record levels in fiscal year 2006, generating a $158 million economic impact and more than doubling the prior year’s total of $66.3 million. Virginia’s governor, in June 2006, announced that the state’s film and video industry’s 1,800 projects in 2005 had a direct economic impact of $221.1 million, the highest ever reported and a 14 percent increase over the previous year.

As states continue to enact measures that attract the film industry, it remains to be seen how effective they will be in enhancing the more value-added aspects of the production process, particularly post-production activities, within their own borders. Continually enhancing these value-added processes will be critical in ensuring that states secure high-tech, high-wage jobs, which will reinforce America’s competitive advantage in this rapidly changing and global industry.

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