

THE ECONOMIST

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Fleeing Films

Moving images are big business. From movies to television series to next-generation extended reality to video games and beyond, these media generate billions in investments annually. For a state to serve as a location can lead to a huge influx of funds, and enhancing needed infrastructure and supplier and talent networks can generate a notable sustained presence.

The Texas Film Commission was established in 1971 to facilitate and encourage projects, and in 2007, the Texas Legislature added incentives. Qualifying productions can receive a cash grant based on a percentage of eligible Texas expenditures. Grants vary by budget levels and types of productions, with projects of \$3.5 million or more receiving 20%, plus an extra 2.5% for productions filmed in underutilized areas. Texas also offers sales and occupancy tax incentives. To qualify, 70% of paid crew and paid cast (including extras) must be Texas residents, with 60% of total production days completed in the state.

Here's the problem. The program is woefully underfunded, and the film community often requests multiples of available grant amounts. Funding for the program and the incentives it can provide has varied, with current levels of \$25 million per year, down significantly from a few years ago. Also, there is the risk that funding could dwindle further or dry up if not allocated during each session. History shows it's a valid concern, and for longer-term series or big-budget films, it's a major problem. The result is that even many prominent films that are about Texas and set in Texas are actually filmed elsewhere.

Georgia shows us an example of what could be. In that state, a \$500,000 annual minimum expenditure (with a single or multiple projects) can generate a 20% rebate of income tax liabilities which can be used or sold to other Georgia taxpayers. Another 10% can be earned by including a Georgia promotional logo in certain approved projects and linking to the Georgia film website. There is no cap, and the incentives have stood the test of time through political change.

As of a couple of years ago, more feature films were made in Georgia than in California or the United Kingdom. The economic impact of the industry (as of 2017) was estimated to be \$9.5 billion, with \$2.7 billion in direct spending alone. In the past year, 320 film and television productions were shot in the state, including several Marvel movies, Netflix's "Stranger Things," and AMC's "The Walking Dead."

Tens of thousands of people are employed and viewers around the world see Georgia and potentially consider visiting or even locating there. The network of supporting industries continues to grow, including Georgia-based production companies. That could be Texas, with appropriate competitive incentives.

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