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Southern States Efforts to Attract Filmmakers' Business

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JUNE 2007

Introduction

The motion picture industry—symbolized by Hollywood—remains one of the most identified global associations with America, a phenomenon that has prevailed for almost a century now.[*] Ever since the famed American inventor Thomas Alva Edison and his British assistant William Kennedy Laurie Dickson first developed the Kinetophonograph, a device that synchronized film projection with sound from a phonograph record in 1891, America's influence in the development and advancement of this industry to its current level has been preeminent.[1] Further, progress in these endeavors led to the 1894 screening of the first commercially exhibited movie as we know them today in New York City and, in 1895, Edison exhibited hand-colored movies at the Cotton States Exhibition in Atlanta, Georgia. With noted contributions from several British, French and German inventors in camera and projection systems, this nascent industry gathered momentum during the next 15 years with the emergence of fictional stories on film, the establishment of movie production companies, the construction of permanent movie theaters and the formation of a number of ancillary activities related to the industry.

By the late 1910s and early 1920s, most American film production had moved to Hollywood, California, although some movies continued to be produced in New Jersey and in Queens, New York. The relocation was the result of the Los Angeles Chamber of Commerce proffering a range of incentives to lure filmmakers to the West Coast— Hollywood specifically—including lower labor costs, relatively inexpensive and abundant land for studio construction, a variety of landscapes for every type of film, along with the guarantee of extended periods of sunshine, a vital commodity before the dawn of indoor studios and artificial lighting. Very soon, there were nearly two dozen Hollywood studios producing a prolific number of films—as many as 800 films per year in the 1920s and 1930s—a remarkable number. (In contrast, in contemporary times, average production hovers at about 500 films a year.) Today, American films remain ubiquitous across the globe and are shown in more than 150 countries while American television programs are broadcast in over 125 international markets. Reinforcing its status as a major cultural export, the U.S. film industry provides the majority of home entertainment products seen in hundreds of millions of homes throughout the world.[2]

[*] This *Regional Resource* will use the terms "motion picture industry" and "film industry" interchangeably. In addition, for purposes of this paper, television and commercial productions fall under the category of the film and motion picture industries.

According to the latest 2007 economic impact report released by the Motion Picture Association of America (MPAA), the trade association of the American film industry, the economic impact of the industry remains substantial on a state-by-state, regional and national level. In fact, alongside facilitating the creative impulses of scores of different players, the motion picture industry represents an economic engine that creates billions of dollars in positive economic flows and hundreds of thousands of jobs in practically every corner of America. Specifically, the motion picture and television production industry's economic impact contributes $60.4 billion in output to the U.S. economy; results in jobs for more than 1.3 million Americans; generates $10 billion in income and sales taxes that translates into an estimated $200,000 a day pouring into the coffers of the local governments in cities and towns across the United States; and, finally, at a time when America's trade deficit has soared to unprecedented heights, the motion picture industry maintains a positive (or surplus) balance of trade with the rest of the world, estimated at $9.5 billion.[3]

Even on a state-by-state basis, the results are staggering. As an example, in Louisiana, film and television production is expected to contribute more than $400 million to the state economy in 2007.[4] According to a December 2006 report submitted to the Louisiana Department of Economic Development, employment in Louisiana's film industry has grown 23 percent per year since 2001, the highest growth rate in the nation; the industry supported 5,437 jobs in 2003 and, by 2005, an additional 13,445 jobs were created; and wages have increased more than 31 percent each year. Most impressively, the estimated total output of the film industry in Louisiana—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 an astounding $1 billion in 2005. In addition, another noteworthy achievement is that currently, Louisiana 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.[5] The industry has boomed since the state passed tax credits in 2002 and has emerged so much stronger and more vibrant despite Hurricane Katrina's devastating impact in August 2005.

In another SLC state, North Carolina, the motion picture and television industries' impacts continue to be impressive too.[6] According to the North Carolina Film Office, established in 1980 to capitalize on Hollywood's need for lower production costs and audience demand for location authenticity, in a 25-year span (1980 to 2005) the cumulative impact of more than 800 motion pictures, 14 network and cable television series and countless commercials amounted to more than $7 billion in revenues for local economies across the state. This included several years when estimated revenues from all production types exceeded $400 million, including $504.3 million in 1993, $440 million in 1996 and $426 million in 1990. Most recently, North Carolina's production incentives drove spending on features, television programs, commercials and other productions to $300 million in 2005. The 2006 hit movie, *Talladega Nights: The Legend of Ricky Bobby,* that took in $47 million during its opening weekend was filmed in Charlotte and Rockingham, while two popular television series, *One Tree Hill* and *Dawson's Creek,* are filmed in the state as well. *One Tree Hill* is filmed in and around Wilmington and at Screen Gems Studio (located in Wilmington), while *Dawson's Creek* is filmed in Durham, Chapel Hill, Southport and Wilmington and at Screen Gems Studio.[7]

While the tremendous economic impacts and the gusher of positive publicity generated by the presence of famous movie personalities filming within their borders remain strong incentives to actively seek filmmakers' business, it is important to note that only within the last five years or so have so many state legislatures aggressively pursued this strategy with legislation. Specifically, in recent years, a majority of the states have worked assiduously to secure the business of filmmakers by enacting legislation offering a range of tax incentives and other benefits. In fact, state legislators quickly realized the untapped potential of this industry and that there were significant economic benefits that could be realized by attracting moviemaking to their states.

As noted by Louisiana State Representative Steve Scalise, the author of Louisiana's legislative initiatives to attract the movie industry, "[I] don't know much about the film industry outside of going to the movies but what I do understand is that tax policy can drive economic development."[8] Similarly, Mississippi State Senator Alan Nunnelee, another legislator favoring incentives to the movie industry, indicated, "[A]ny time you can use the tax code to bring jobs and recognition to Mississippi is a good thing."[9] Also, former Alabama State Senator Bradley Byrne, an avid proponent of film industry incentives in his state during his time in the Alabama Legislature stated "[W]e love the attention. We love being in the movies. By the way, I look at it as another industry just like any other industry. It can bring jobs and incomes to people." Representative Julia Howard, North Carolina, the 2006-2007 SLC Chair Elect, commenting on the motion picture industry in her state noted that "[N]orth Carolina must remain competitive with other states in attracting economic development ventures. The film industry is one such economic opportunity and the incentives provided by North Carolina remain an important component of our economic growth."Then, former Oklahoma State Representative Doug Miller, author of the rebate funding bill in his state for the film industry, noted that "[I]t is obvious that we have been missing out on a great partnership opportunity with the film industry. This year, we have established new policies and a new attitude that Oklahoma is wide open to the film industry."[10]

The major objective of this *Regional Resource* is to provide a broad sketch of how the 16 SLC states are working proactively toward luring the motion picture and television industries to work within their borders. In addition, this *Regional Resource* sets the stage for why the film industry landscape in the United States recently has become very competitive with states vying aggressively for the business of filmmakers by offering both new and revised financial and other incentives. In order to accomplish these twin tasks, the report is divided into four parts. Part 1 sets the backdrop and rationale for the recent surge in interest at the state level to court filmmakers. Part 2 provides a breakdown of the general areas in which states may offer incentives, both financial and non-financial, to filmmakers. Part 3 demonstrates the national and SLC state economic impacts of the motion picture industry and how these positive economic flows enhance the growth potential at the local level. Finally, Part 4 carries out the 16 SLC state-by-state breakdown—a hallmark of all SLC publications—of the motion picture industry, including details on the major incentives provided by the state and other relevant information in the last few years.

Part 1
Why the Surge? Rationale for Recent SLC State Efforts to Attract Filmmakers

In the first few years of this decade, in the midst of a national recession and economic slowdown, states confronted their worst fiscal crisis in decades. During this time period, alongside the steep drop in revenue inflows, state fiscal systems were—and continue to be—in the midst of a major structural transformation typified by the shift away from an economy based on the manufacturing sector to one based on the service sector. A critical by-product of this radical structural shift to an economy based on the service sector is that states will be unable to rely largely on their manufacturing sectors to drive economic activity and generate much needed tax revenues. This is because state sales taxes, the major source of revenue for practically every state, largely are built on taxing manufactured items as opposed to taxing services. Hence, the movement to an economy largely driven by the service sector results in states facing the unenviable future of dwindling revenues from sales taxes due to their current sales tax structure not capturing a predominant share of these services.

The U.S. Department of Commerce reports that currently the private non-good producing industries account for approximately 70 percent of total economic activity in the United States.[11] These non-good producing industries include the retail and wholesale trade sectors and the service industries. The service industries alone account for 55 percent of economic activity in the United States, a remarkable transformation from prior decades. Another comparison further highlights this trend. In 1960, 42 percent of U.S. wages and salaries were earned in the goods-producing sector (manufacturing, mining, construction and agriculture); by 2004, the share attributed to goods and production had shrunk to 22 percent.[12]

Given these striking new developments, state policymakers were forced to devise innovative strategies to enhance the economic capacity of their states, a situation made even more urgent with the ongoing fiscal downturn, and pursuing the motion picture industry quickly emerged as one of those strategies. The motion picture industry remains one of the most important components of the services sector with the vast potential to generate a variety of high-wage, high-tech jobs. Consequently, states like Louisiana and New Mexico, in the early years of this decade enacted very specific legislative policies to attract and retain the film industry. A major factor likely driving the surge by state policymakers to take advantage of the economic potential of the film industry in the last five years was the compelling need to adjust to the changing economy given the larger role played by the service sector.

Alongside adapting to the changing structure of the economy, there are a number of additional factors which have been very instrumental in the recent move at the state level to establish incentives for the motion picture industry. The following sections describe some of these factors.

California, specifically Hollywood, has remained the fulcrum of the U.S. motion picture industry since around the 1920s. The state's key competitive advantage revolves around its critical mass of talented film production workers experienced in every dimension of the business, alongside the substantial industry base and impressive infrastructure. However, the state, by its own admission and the analysis of independent observers, remains a high-cost location for practically every category of business, including the film industry.[13] Given that cost considerations often are the most dominant variable in the calculations of movie producers, the opportunity to lower overall costs by filming at overseas locations, for instance, swiftly loomed large as an effective strategy about two decades ago. Another factor that allowed producers to entertain this option was the fact that technological advances in film production allowed films to be shot outside of the major production centers in California.

In an effort to take advantage of this premium placed by the studio houses on lowering production costs, beginning in the 1980s, a number of foreign countries began aggressively pursuing American filmmakers by offering a range of economic incentives to attract film production. Canada ranked very high among the foreign nations that pursued these U.S. productions and was successful in recruiting a plethora of movies to be filmed in the Canadian provinces. Similarly, Britain, Mexico, Australia, Czech Republic and other Eastern European locales, Italy, Germany, New Zealand and a number of other European and Latin American locations soon ranked high as alternate filming locations for hundreds of U.S. movies and television shows. Very soon, 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 in these foreign locations a sound fiscal decision.

In Canada, alongside the numerous financial and tax incentives offered by the Canadian central government, the individual provincial governments provided incentives. Canada was a particularly attractive location not only because of the easy access and American familiarity, but because movie producers quickly realized that Toronto could be made to look like New York City and Vancouver could pass for San Francisco with relative ease.[14] Consequently, some 57 movies that were "set" in Chicago since 1985 were actually shot in Canada, including the 2002 Oscar-winning movie *Chicago* that was filmed in Toronto.[15] Even the Mary-Kate and Ashley Olsen movie *New York Minute* was filmed in Toronto! Similarly, another recent movie that garnered numerous Oscar nominations and several Oscars, *Cold Mountain*, the Civil War movie that was supposed to be set in Virginia and North Carolina, was actually filmed in Rumania. Then, as recently as last year, the movie-musical *Hairspray* by Baltimore, Maryland, native John Waters, set in early 1960s Baltimore was filmed entirely in Toronto, Canada.[16]

However, an interesting twist of events turned things around for the movie industry beginning in the early years of this decade. Specifically, in the last seven years or so, the steady depreciation of the U.S. dollar has proven to be an unexpected boost to domestic film industries. During the 1980s and 1990s, when the U.S. dollar appreciated *vis-à-vis* the major world currencies, it made a great deal of economic sense for American film producers to take advantage of the powerful U.S. dollar and film movies overseas. In other words, during this period when the U.S. dollar was in ascendancy in comparison to the major world currencies, one U.S. dollar would purchase a greater amount of foreign currency. However, the steady erosion in the value of the U.S. dollar made filming overseas increasingly expensive, a development that made American movie producers 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. As a direct result of this legislative action, Louisiana soon saw a huge surge in interest from movie producers that enabled the state to garner huge amounts of financial activity. New Mexico, led by Governor Bill Richardson, was 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. As a result, since 2004, movie production in the state leapt nearly tenfold, a development that produced a financial effect of $428 million in the last fiscal year.[17] In stark contrast, just a decade ago, the state of New Mexico's film production capabilities was extremely limited.

Table 1 presents data from the Federal Reserve Bank of New York comparing how many U.S. dollars were needed to purchase one Euro on or around April 10 for the years 2000 through 2007.

table 1

Depreciating Dollar *vis-à-vis* the Euro 2000 to 2007

Date	Value of the U.S. Dollar
April 10, 2007	1.3436
April 10, 2006	1.2091
April 11, 2005	1.2972
April 9, 2004	1.2102
April 10, 2003	1.0803
April 10, 2002	0.8794
April 10, 2001	0.8884
April 11, 2000	0.9591

Source: Federal Reserve Bank of New York, *Foreign Exchange Rates Historical Search*

As demonstrated in Table 1, the steady attrition of the U.S. dollar in the last seven years or so has resulted in an increasing number of U.S. dollars necessary to purchase Euros, the principal currency unit in Europe. For instance, in April 2001, 89 U.S. cents was sufficient to purchase a single Euro; by April 2007, 134 U.S. cents (or $1.34) were required to purchase a single Euro. To extrapolate this analysis to the movie industry, a movie that might have been budgeted to cost $20 million in April 2001 to film in Italy would now cost an additional 50 percent (or more than $30 million) as a result of the dollar's depreciation, even without factoring in a range of other variables that might result in cost inflation. Consequently, the attractiveness of filming this movie at a location within the United States became infinitely more appealing to cost-conscious movie producers, a development quickly seized by state policymakers.

While the structural shift in the U.S. economy to one driven by the service sector, of which the movie industry is an important component, and the depreciating U.S. dollar proved to be useful catalysts for action by state policymakers in encouraging the motion picture industry in their states, a number of additional factors remain important. The following represents some of these additional potential benefits driving the recent surge at the state legislative level to attract movie production:

» Filming a major movie in a state generates a great deal of positive media attention and publicity for the state. For instance, in the last few years, there has been a great deal of interest and media buzz across the country surrounding poker, including Texas Hold'em, and other card-based games. In response to this trend, Hollywood production teams currently are scouting locations for a film about Phil Hellmuth, the 10-time world poker champion, who is a native of Madison, Wisconsin. Consequently, Wisconsin officials are working to ensure that filming of the state's best-known gambler's life story takes place right where it happened, in Wisconsin.[18] Wisconsin officials maintain that the positive publicity from a movie based on one of their native sons would be tremendous for a number of years and draw parallels to the continuing interest in Dyersville, Iowa, (where *Field of Dreams* was filmed) and Wabasha, Minnesota (where *Grumpy Old Men* was filmed).[19] This viewpoint is confirmed by Maryland officials who maintain that "[F]ilmmaking is also a matter of pride. You see your state's beauty on the big screen and people want to come and visit. It has that lasting effect on tourism."[20] The movie *Elizabethtown* (produced by Cameron Crowe) was filmed in Versailles, Louisville and Elizabethtown, Kentucky; the mayor of Elizabethtown noted during the movie's premiere "[Y]ou cannot buy this kind of publicity" regarding the appeal of showing the state's natural assets on movie screens around the world.[21]

» An important corollary to the positive feature of generating media attention involves the tourism factor. There are numerous examples of movie locations which have quickly become major tourist attractions long after the filming of the movie. Film tourism has been around for decades and one of the longest-running contemporary movie tours in the world is in Austria, the 1965 setting of the movie *The Sound of Music*. Experts who track film tourism note that the advent of DVDs—and all the accompanying features—have elevated this genre of tourism to a whole new level.[22] For instance, viewers can repeatedly watch scenes in their favorite movies facilitating a sense of 'ownership' over the film; in this light, visiting the location where the film was shot further enhances this sense of familiarity, these experts contend. Currently, tourism officials, both public and private, are much more savvy about destination marketing, and research shows that the number of visitors rises an average of 54 percent over four years when a location is featured in a successful film. For instance, tourists still travel to and eat pizza at *Mystic Pizza* because of the 1988 film by that name that starred Julia Roberts in Mystic, Connecticut.[23] In Georgia, tourists regularly travel to The Whistle Stop Cafe in Juliette (in Monroe County, some 50 miles south of Atlanta), scene of the movie *Fried Green Tomatoes*, more than 15 years after the movie was released.[24] In North Carolina, the train wreck set from the scene of the 1993 film *The Fugitive* (starring Harrison Ford) is still a popular tourist attraction in Dillsboro (in Jackson County).[25]

Perhaps the most well-known example of a successful recent film converting its filming location to a huge tourist destination is the movie *Sideways* and Santa Barbara County, California. Tourism officials in Santa Barbara worked with the film's studio and used art from the movie to produce its *Sideways in Santa Barbara* tourism campaign. Officials produced a self-guided tour of area wineries and, consequently, the area's wineries saw a 300 percent increase in traffic. The Hitching Post restaurant in Buellton, California, featured so prominently in the movie, reported a 42 percent increase in business—with sales of the Highliner Pinot Noir (the movie's favored wine) jumping 400 percent—from the movie's release in fall 2004 through June 2005.

» Increasingly, state economic development officials are realizing that by treating movie production companies as a growth industry akin to other economic development projects like biotechnology parks and manufacturing plants, states stand to generate substantial economic profits. For instance, in order to produce a big movie like the Oscar-winning *Ray*, there is a huge demand for dozens of electricians, carpenters, make-up artists and other below-the-line[†] workers who potentially make as much as $350 a day.[26] Similarly, state policymakers quickly realized that there were "few other industries that create $20-an-hour jobs for people without college degrees."[27] In fact, analysts note that owners of "lumber yards, antique shops and many other businesses like selling to production crews, who buy in bulk and pay on time."[28]

» The economic impact generated from the presence of a movie production crew remains impressive. Subsequent, sections of this *Regional Resource* highlight even more of these economic impact figures and demonstrate that the direct and indirect economic flows remain a significant driving force in the recent effort to recruit the industry. Finally, for a project that has the potential to generate hundreds of millions of dollars, adverse environmental impacts remain negligible too. The latter dimension remains important to officials at the Georgia Department of Economic Development, who noted in 2004, that "two non-polluting industries—entertainment and tourism—look pretty attractive" and that "recruitment in those areas [such as luring more filmmakers] will be a priority."[29]

† A film production includes above-the-line and below-the-line expenses. Above-the line expenses involves paying for the creative talent involved in a film (director, producer, writer, and actors) while below-the-line talent involves the expenses for all other crewmembers, including technical, professional and skilled tradespersons. The key people on most productions are a director of photography, sound mixer, gaffer, key grip, production designer, property master, wardrobe master, key makeup artist, special effects expert, stunt coordinator, location manager, and still photographer. All these individuals have a series of expenses related to the equipment, props and items they need to carry out their craft.

Part 2
Financial and Non-Financial Incentives Provided to Filmmakers by States

Since the 1980s or so, the allure of low or no taxes, cheap labor, favorable bureaucratic conditions, beautiful scenery—all girded by a strong U.S. dollar—prompted numerous American filmmakers to travel overseas to film movies. However, the depreciating U.S. dollar and structural shifts in the U.S. economy precipitated a re-evaluation of this strategy with producers focusing on locations in the United States. Alongside the incentives enacted by state legislatures across the country, the federal government enacted legislation in 2004 to promote filmmaking domestically. Specifically, the federal government passed a tax cut allowable in the year in which the expenditure was made, provided that the production budget was between $1 million and $15 million (with a $20 million cap for filming in economically depressed areas) with the additional requirement that 75 percent of the labor activity takes place in the United States.[30]

The recent emergence of financial and non-financial incentives to attract filmmakers to a particular state remains a striking development of the contemporary economic development field. Renowned director Taylor Hackford noted that a $3.7 million tax credit provided by the state of Louisiana was the principal factor behind his decision to film the Oscar-winning movie *Ray* in Louisiana. Hackford's comment "[I] wouldn't have been able to make that film without that kind of assistance" helps explain why states across the country are seizing the opportunity to line up a steady roster of films. The traditional movie-making states, like California and New York, have consequently been pressured to act expeditiously by offering their own set of incentives in response to those offered by states that are relatively new to actively encouraging the motion picture industry.

As noted, a majority of states—more than three dozen—offer some sort of incentive packages to the motion picture industry, certainly intensifying the already competitive economic development landscape. At the outset, it should be noted that these state incentive packages could take the form of rebates or tax credits for qualifying expenditures. (Specifically, a rebate is money provided by the state, while a tax credit is a reduction in the filmmaker's overall tax liability.) In terms of tax credits, states also offer either refundable tax credits or transferable tax credits. It is important to stress the distinction between these two types of tax credits because filmmakers are much more interested in the refundable tax credits. For instance, when a movie production carries a negative tax liability, a refundable tax credit—in the form of a check from the state—helps the production company lower the extent of this negative tax liability. In contrast, if the state issues the production company a transferable credit, the production company has to turn around and sell this tax credit to either another company or a wealthy individual if it wants to recoup a portion of its investment in the movie. However, selling the tax credit often involves discounting it, paying accountants and lawyers to execute the sale and dallying in numerous administrative obstacles, all factors that delay the production company's access to these credits. Hence, they consistently prefer the option of securing refundable tax credits from states. In this regard, South Carolina's 30 percent refundable tax credit is considered one of the most aggressive among the states with movie companies able to receive a refund check for their negative liability within 30 days of ending production.

In deciphering state economic incentive packages in this realm, experts establish six general areas in which a state may provide incentives.[31]

» **Sales and Use Taxes:** Money spent within a state on goods and services by filmmakers are subject to state and local sales taxes. As part of the incentive package provided by a state, these taxes may be waived. 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.

» **Hotel Taxes**: Another financial incentive offered by states to filmmakers involves waiving the hotel tax for qualifying stays. Given that all out-of-state labor – or even out-of-area labor – requires overnight stays in area hotels, this benefit acts as a further incentive to filmmakers contemplating bringing in out-of-area labor. While a qualifying stay generally involves at least 30 days of consecutive nights, the tax credit or rebate is applied either to the total stay, or to all nights past the required minimum. This incentive is particularly attractive to feature filmmakers working in a location for an extended period of time.

» **Labor Taxes:** States provide incentives for filmmakers to hire local, rather than out-of-state, labor by subsidizing the cost of in-state labor. This incentive generally takes the form of a tax credit for a portion of the in-state labor costs.

» **Investment Credits:** This category contains some of the most generous incentives offered by states and enables filmmakers to recoup some of the costs of investing in the film's infrastructure.

» **Flat Rebate or Credit:** Another incentive type offered by states involves several of the categories already described. For instance, states might provide a flat rebate or credit, as a percentage of all spending that occurs in a state as a result of the movie including labor, hotels, retail, investment, and other qualifying expenditures.

» **Fee-Free Filming:** Many states provide state parks, municipal and state buildings, and other public property available to filmmakers free-of-charge. In certain settings, the state might also arrange for public employees, like police, to be available free of any changes.

While these financial incentives remain powerful tools to attract filmmakers to a state, there are a number of other non-financial incentives that remain prominent in the calculations of filmmakers and production companies. For instance, a number of SLC states have made an investment to facilitate a thriving professional training environment in the industry, and these non-financial incentives remain a strong contributor to a flourishing film industry. The following examples from a sampling of SLC states help illustrate how their film production capacities have been enhanced—as a result of the following non-financial incentives—in recent years.

Florida: Experts often cite the presence of a top-notch film school as a critical ingredient in the path toward a state staking a claim as a major film destination. In this regard, Florida State University's College of Motion Picture, Television and Recording Arts in Tallahassee, has gained a fine reputation nationally and currently ranks as one of the top film schools in the nation.[32] Not only is the program at Florida State the only film school in the United States with undergraduate and graduate production programs that pay for the production of student films, film school students have won more Student Oscars and Collegiate Television Academy Awards combined in one year than any other film school. Full-time faculty members, who are professional filmmakers—not adjuncts or graduate teaching assistants—teach students in a conservatory setting with a 6-1 student-to-faculty ratio. Another important feature of the program is that students are assigned industry mentors upon graduation which allows for nearly all of them to secure work in the industry within the year.

Georgia: Georgia is a state that has worked proactively to attract more attention from Hollywood. While experts tout the state's financial incentives, established under the 2005 Georgia Entertainment Investment Act, others quickly note that "the depth and talent of the state's crew base" remains a strong incentive to filmmakers.[33] Georgia's film and video infrastructure includes more than 800 production service companies and 20 sound stages, an impressive collection of facilities by any standard. As a result, producers can easily locate companies and individuals that are experienced and skilled in every stage of preproduction, production support and post-production activities including casting, location management, sound, lighting, film editing, wardrobe stylists, caterers and equipment suppliers.

Another strong non-financial incentive is Georgia State University (GSU), the home of the largest film production program in the Southeast with more than 600 undergraduate students. The Digital and Entertainment Lab at GSU is renowned in the industry for its work and recently joined forces with several related organizations to launch C-47, an effort to showcase the educational resources and social network available at GSU to foster and support filmmakers in the state. Industry experts acknowledge that creating and nurturing a thriving indigenous industry is of tremendous importance, particularly in the effort to attract more film producers to the state.

A striking example of the state's capabilities in film and television production involves the work of Riverwood Studios in Senoia, Georgia (Coweta County), a location some 40 miles southwest of Atlanta. Established nearly two decades ago, county and business officials are focusing renewed interest in positioning Senoia as the prime location in Georgia for film and television productions. Specifically, they are touting plans to re-create the 19th century town of Senoia with new commercial buildings and residences in historic styles so as to attract additional Hollywood productions interested filming in that era. About 15 movies already have been shot in Senoia, including *Fried Green Tomatoes*, and the county has seen a spate of television movies and pilots in recent years. Local officials note that "on average, an episodic television series will spend between $20 million and $40 million on a production season," a solid injection of cash into Coweta County. County officials also are aggressively pushing for state recognition as a Center for Innovation and designation as the nucleus for media-related activity in the state. (Presently, Georgia has identified six Centers for Innovation in the fields of Life Sciences, Agriculture, Aerospace, Information Technology, Maritime Logistics and Manufacturing Excellence.)[34]

Louisiana: In Louisiana, as in several other states, there is a concerted effort to attract more than just filmmaking, i.e., secure other valued added fields in the pre-production, production and post-production stages of the making of a movie. Undoubtedly, this entails a workforce that is well-trained and competent to take on the increasingly sophisticated technological aspects of the modern movie making business. Experts maintain that in the early stages of a state's involvement in the industry, the state work force in this arena likely will be dominated by below-the-line workers who carry out the nitty-gritty aspects of filmmaking; however, as the state of the industry in Louisiana matures, the competence level of the workers will be increasingly in 'above-the-line' fields, fields that involve a higher degree of technical competence.[35]

Two recent examples from Louisiana illustrate this trend aptly. The first centers on an old warehouse that was used to store furniture in an industrial park on the western side of New Orleans has been rapidly transformed into a high-tech movie studio with state-of-the-art editing and screening suites.[36] The Nims Center Studios is a division of the University of New Orleans Foundation and is operated in cooperation with the University of New Orleans, the Louisiana Governor's Office of Film & Television Development, New Orleans Office of Film & Video and Jefferson Parish President's Office. The Center currently hosts two large studios, production offices and support facilities, high-definition production suites and a roster of experienced workers. In fact, the burgeoning activity at the Center resulted in the creation of Panavision New Orleans, a full-service Panavision office for camera, digital camera, grip and lighting, expendables and Super Techno crane rentals, located directly across the street from the Center. The rising recognition of the Center is quickly apparent after scanning the list of recent movies that have been "worked on" in the facility: *Déjà vu* (starring Denzel Washington and directed by Tony Scott); *Failure to Launch* (starring Matthew McConaughey and Sarah Jessica Parker); *Glory Road* (a Walt Disney Pictures and Jerry Bruckheimer Films production); *Last Holiday* (starring Queen Latifah); *All the King's Men*, a movie about Louisiana Governor Huey P. Long (starring Sean Penn, Jude Law, Kate Winslet and Patricia Clarkson); *Runaway Jury* (starring Gene Hackman, Dustin Hoffman, John Cusack and Rachel Weisz); *Ray* (starring Jamie Foxx and directed by Taylor Hackford). In addition, the Center also has been involved in numerous music videos and commercials.

The second example focuses on a multimillion dollar movie studio (Celtic Media Center) that opened in Baton Rouge in January 2006 with plans for sound stages and space for the production and post-production of movies, television shows and video games.[37] The 30,000-square-foot facility, built in conjunction with a Los Angeles-based film development and production company, hopes to produce as many as four movies a year with budgets ranging between $5 million and $20 million.

The technical capacities of the Nims Center in New Orleans and the presence of a major production facility in Baton Rouge—both non-financial incentives—has reinforced the fact that filmmakers can stay on in Louisiana to accomplish valuable post-production projects as opposed to heading back to New York or California to complete production.

Mississippi: In May 2006, the state broke ground building the Mississippi Film Centre in Canton, Mississippi, a 25-acre facility that will include a sound stage and provide training on all aspects of film production, including videographers and location scouts.[38] At that time, nearly $6 million had been secured from federal, state and local government sources to complete the facility. Canton, located approximately 20 miles north of Jackson, has long earned a reputation as the movie capital of Mississippi. A number of movies have been filmed in Canton resulting in a $13 million economic impact to the city between 1995 and 2006. The acclaimed *A Time to Kill* was filmed entirely on location in Canton, while the streets and fields of Canton were the backdrop for the movie *My Dog Skip*. Similarly, such movies as *O Brother, Where Art Thou*; *The Rising Place*; and many other films, documentaries, and commercials have been filmed on location in the city. The advancements in movie technology that will be brought about as a result of the Mississippi Film Center will be a boon to the state's moviemaking capacity.

North Carolina: North Carolina is an SLC state with a lengthy history in actively promoting the film industry.[39] According to the North Carolina Film Office, the state offers a surfeit of non-financial benefits to the film industry such as the experience of hosting more than 800 feature films and 14 television series and an enviable production infrastructure that includes a world-class crew base of over 2,000 seasoned film professionals, eight full-service studio complexes, 32 soundstages, 400 support service companies, a state film office in its 27th year facilitating indigenous and visiting filmmakers, six localized film commissions, and the prestigious School of Filmmaking at the North Carolina School of the Arts in Winston-Salem.

A major attraction for filming operations in the state is the Screen Gems Studio in Wilmington, North Carolina. Touted as the largest film studio east of Hollywood, this property has more than 20,000 square feet of production office space; lighting, grip and generator rental; screening and post-production capacities; and shops, scene dock and standing sets. Until recently, when Louisiana surpassed it, North Carolina routinely ranked third (behind California and New York) in national rankings in a listing of the number of movies produced. A major reason for this achievement was the impressive movie production infrastructure contained in numerous locations around the state but particularly in the Wilmington area.

Another important corollary to the film industry in the state is the Winston-Salem-based North Carolina School of the Arts—School of Filmmaking (NCSA) that opened in 1965 with the distinction as the first state-assisted residential conservatory in the nation. However, it should be noted that the School of Filmmaking opened in 1997. The state of North Carolina funded the construction of the campus, which includes a 'studio village' comprising three soundstages that are 8,000, 4,000, and 2,500 square feet, respectively. These studios are restricted to student and non-professional productions.

Texas: Recent film news from Texas, particularly in the Austin area, demonstrates the efforts of both public and private sector entities to harness the state's creative talents in the film industry in order to stimulate economic growth.[40] In April 2007, developers announced plans to create Villa Muse, a $1.5 billion mixed-use project that would include a movie studio, capable of producing special-effects blockbusters; a 50,000-square-foot soundstage and multiple recording studios; and an outdoor amphitheater with seating for more than 70,000. At a location in Manor, Texas, a small city 15 minutes from downtown Austin, developers plan to transform 681 acres "to address the needs of our thriving creativity in Texas while attracting business that has been out of reach and forced to go elsewhere." The development would also include unique housing properties for 8,500 residents and provide jobs for 8,000 people and officials involved in the Villa Muse project, seeking to replicate the impact of the Hollywood Bowl and its presence right in the middle of Hollywood.

Currently, Austin Studios, the state's primary filmmaking site, is geared toward small and independent films rather than large-budget productions. The objective of the Villa Muse developers, in concert with the state incentives for film and television production being promoted by Representative Dawanna Dukes, Texas House of Representatives, would be to expand the state's potential to attract big-budget films too. The anchor for the entire complex would be the $125 million, 200-acre Villa Muse Studios with facilities for film, television, advertising, music and video game makers.

Virginia: Virginia-based video film operator Metro Productions celebrated its 25th anniversary in 2006 offering makeup and wardrobe facilities on site, as well as set design and construction services.[41] In late 2006, Metro Productions announced that it was building a $1 million, 10,000-square-foot facility in Richmond that would include a fully equipped 40-by-40 foot soundstage, a green room, three editing suites, an audio suite and a graphics suite that includes 3-D capabilities. While the facility will be used to shoot its own products, it also is available to outsiders looking for production services, space, talent and hardware. The company has an impressive roster of Fortune 500 clients and a number of U.S. government contracts (U.S. Army, U. S. Department of Health and Human Services, Army ROTC, and the U.S. Coast Guard).

Part 3
Economic Impact of the Motion Picture Industry

The SLC has researched and written extensively on the valuable contribution made by the arts in the economic welfare of the states for some years now and, while the motion picture industry is largely driven by commercial considerations, there is still an important nexus between the arts and economic effects in this industry.[42] Each of these SLC reports demonstrated in great detail that the multi-layered contributions of the arts and arts-related activities ranked among the lesser known and unheralded aspects of contemporary American society. In addition, these SLC publications noted that beyond the intrinsic benefits of the arts—i.e. benefits that serve to enrich an individual's life experiences, standard of living and learning—the arts have played a crucial role in generating a significant level of economic growth. This section documents how the motion picture industry has been critical in stimulating economic activities and economic growth on a state, regional and national basis.

As noted in the previously-referenced SLC and other publications, the economic impact of a particular economic activity, i.e., the change in total output, comprises three parts: direct impact (the amount of spending gained by state as a direct result of the business activity); indirect impact (the resulting transactions necessary to support this spending); and induced impact (the additional spending that results from greater income). Cumulatively, these three components comprise total economic impact, and the magnitude with which these components ripple across the economy depends on a factor referred to as the multiplier. For instance, in the hypothetical scenario of a $100 expenditure by a company on producing a film, $70 is spent in state on goods and services while the remaining $30 is spent outside the state. Of the $70 spent in the state, $45 stays in the state while the remaining $25 leaks outside the state; then, of the $45 spent in the state, $25 stays in the state and the remaining $20 leaks out. Eventually, the entire amount will ripple across the economy through either profits or imports, a process referred to as the multiplier effect.

An earlier section referred to the fact that The Motion Picture Association of America (MPAA), the standard-bearer for the industry, released a highly-publicized report in January 2007 that provided a breakdown of the economic impact of the motion picture industry on every aspect of the American economy.[43] According to this report, there were a number of specific areas that the industry impacted including jobs, developing small businesses and entrepreneurship, tax revenues and international trade.

» **Jobs**: According to this MPAA report, there were over 1.3 million people employed by the motion picture, commercial and television production industries with a combined payroll of more than $30.24 billion, a sizable employer indeed. While there were more than 180,000 people employed directly as studio, independent production company and core industry supplier staff (film labs, special effects and digital studios, prop and wardrobe houses, video duplicating services and stage rental facilities among others), an additional 231,000 people were freelance workers, including actors, directors, writers, and technical or craft specialists. In film industry parlance, "freelance" is not synonymous with 'part-time' as in many other industries, and more than a half of the industry's workforce are employed in this capacity. Furthermore, the industry generated tens of thousands of indirect jobs through companies such as movie theaters, themed retailers and restaurants, video rental stores and tourist attractions.

Another salient fact related to jobs in the industry is that they involved high quality and high wage jobs with the average salary of direct employees in the industry totaling $73,000 in 2005, a figure nearly 80 percent higher than the average nationwide salary. It should be noted that in calculating both the payroll and the average salary figures, the study excluded the salaries paid to highly compensated stars.

» **Developing Small Businesses and Entrepreneurship:** The 2007 MPAA report noted that direct payment for goods and services to vendors by the industry added $30.2 billion to the nation's economy. The report also highlighted that since the motion picture industry is one of the most decentralized within the system, more than 160,000 individual firms were involved in every aspect of the industry from production to distribution with both independents and studios being a key part of this process. In fact, small businesses play a dominant role in the industry, and almost 85 percent of the aforementioned firms employ fewer than 10 people; similarly, 65 percent of the films released in 2005 in the United States were produced by independent producers. The breadth of the industry's impact is quickly apparent when one considers that direct payments for vendors in the industry were provided to not only such specialized businesses, such as wardrobe companies and camera equipment firms that exclusively serve the industry, but also to general suppliers serving a number of other industries, such as caterers, lumberyards, apparel retailers and florists.

» **Tax Revenues:** The intent of this SLC *Regional Resource* is to document how states in the South are working proactively to recruit the film industry to make movies within their individual borders because, among other reasons, the industry attracts capital, creates economic activity, generates output and eventually produces tax revenues for every level of government. According to the latest MPAA report, approximately $10 billion in public revenues in the United States in 2005 was generated by just two types of taxes: income taxes paid by workers and sales taxes on goods and services. More specifically, as a result of industry economic activity, $3.1 billion in federal income taxes, $1.5 billion in state income taxes at the state level, along with $4.7 billion in additional unemployment, Medicare and Social Security taxes, were generated. Given the fact that these numbers did not include corporate income taxes, property taxes, business license taxes and other tax types, along with tax revenues generated by indirect employment, the industry's impact from a tax revenue perspective is considerably larger.

» **International Trade**: One of the striking features of the contemporary U.S. economy is the fact that the nation's trade deficit has been growing steadily in the last few years, ballooning to unprecedented levels. Specifically, the nation's goods and services deficit in 2006 was a record $763.6 billion, or 5.8 percent of U.S. gross domestic product.[44] In contrast, the American motion picture industry is one of the few industries in the U.S. economy that has repeatedly secured a positive balance of trade with the rest of the world. In fact, in 2005, according to the MPAA report, that surplus was $9.5 billion, a total larger than the combined positive trade balance for telecommunications and computer and information services, and 12 percent of the entire American private-sector service trade surplus. Impressively, the appeal of American films around the world ensured that in 2005 audio visual exports amounted to $10.4 billion, a 20 percent increase over 2000.

Along with the January 2007 report from the MPAA, there are several other national and state-based studies that help further reinforce the economic importance of the motion picture industry. For instance, the U.S. Department of Labor, Bureau of Labor Statistics employment data for the U.S. motion picture industry in the last decade presented in Table 2 demonstrates the importance of the industry as an employment generator.[45]

As demonstrated in Table 2, by the end of 2006 there were more than 357,000 individuals employed specifically by the motion picture industry in a variety of capacities. Even though employment levels in the industry were sluggish in the decade indicated, they still remain an important contributor to the overall employment rates and the health of the U.S. economy. Of note, employment levels in the motion picture industry expanded by nearly 17 percent in the decade between 1996 and 2006.

table 2

U.S. Motion Picture Industry Employment Levels 1996 to 2006 (In Thousands)

Year	Industry Categories			Total	Percent Change	
	Production & Services	Theaters & Video Rental	Other		Prior Year	2006
2006	194.3	134.5	28.5	357.3	0	-
2005	195.6	133.2	28.4	357.2	-1.7%	0
2004	196.5	137.4	29.3	363.2	3.3%	-1.6%
2003	183.1	139.2	29.4	351.7	-2.5%	1.6%
2002	191.7	138.4	30.6	360.7	4.0%	-0.9%
2001	180.9	133.2	32.6	346.7	-1.4%	3.1%
2000	182.1	136.9	32.6	351.6	-0.7%	1.6%
1999	182.5	138.6	32.9	354.0	4.5%	0.9%
1998	172.0	135.0	31.7	338.7	4.9%	5.5%
1997	159.6	131.2	32.2	323.0	5.6%	10.6%
1996	149.8	122.2	33.9	305.9	2.5%	16.8%

Source: U.S. Department of Labor, Bureau of Labor Statistics

table 3

Motion Picture and Video Industry Revenues and Inventories for Employer Firms 2004 and 2005 (In Millions)

Business Type	2004	2005	Percent Change
Motion Picture and Video Production and Distribution	$56,605	$58,346	3.1%
Motion Picture and Video Exhibition	$11,180	$10,789	-3.5%
Motion Picture and Video Post-Production Services and Other	$3,898	$4,234	6.1%
Total	**$71,774**	**$73,369**	2.21%
Inventories at Year End	$27,691	$27,813	0.4%

Source: U.S. Department of Commerce, *Service Annual Survey*, February 2007

Another useful measure of the economic impact of the industry may be extracted from a review of the latest U.S. Department of Commerce's *Service Annual Survey* released in February 2007.[46] Table 3 presents information on estimated revenue and inventories for employer firms in the motion picture and video industries in 2004 and 2005.

In addition to the studies depicting national impact figures for the motion picture industry, it is also appropriate to present data from a number of SLC states that further document the impressive positive economic flows from the motion picture industry.

Florida: In Florida, film and entertainment is a $3.9 billion industry, representing more than 5,500 businesses and employing more than 34,000 Floridians at an average salary of $53,000 per year.[47] Given the importance of the entertainment industry to the overall economy of the state, the Florida Legislature enacted legislation—sponsored by Representative Don Davis—during its 2007 session to provide additional incentives to ensure that the industry will continue to flourish in the state.

Even though the comprehensive review of the motion picture industry's economic impact in Florida goes back several years—the report was commissioned by the Florida Governor's Office of Film and Entertainment and released in February 2003—information on the economic contribution of the industry to the state economy remains a valuable tool in assessing overall impact.[48] According to this 2003 report, the following economic impacts from the industry were discernible:

» The motion picture production industry employed 8,492 wage and salary (direct) workers and generated more than $372 million in wages in Florida;

» Between 1995 and 2001, employment grew by 94 percent with a compound average annual growth rate of 11.7 percent;

» While employment peaked in 1999 with 9,243 wage and salary workers, wage growth outpaced employment growth from 1995 to 2001, with wages growing over 121 percent at a compound annual average growth rate of 14.1 percent;

» In 2002, a total of 1,554 firms involved in the industry were operating in Florida and employed (direct and indirect) 10,083 persons;

» Using an annual average wage of $311,675 per firm, the report estimated that the 1,554 firms generated wages of more than $484 million in 2002 to workers and owner proprietors in Florida; and

» Total sales in the industry's four main sectors—motion picture and videotape production; services allied to motion picture production; motion picture and videotape distribution; and services allied to motion picture and videotape distribution—were over $1.16 billion in 2002.

Georgia: According to the Georgia Film, Video & Music Office at the Department of Economic Development, a 2004 report on the film and video industries indicated a $123.5 million economic impact.[49] More recently, in 2006, 291 projects were produced in Georgia, valued at $251.1 million, with a total economic impact of $448.3 million.[50] The Office also indicated that over a 30-year period the statewide impact from feature film and motion picture projects amounted to more than $3 billion. While there have been more than 500 feature film and television productions shot in the state since 1973, the year the state's film office was established, the average feature film budget amounted to $41.7 million, while a medium-budget feature film employed an average of about 150 to 175 local workers.

Louisiana: As previously indicated, Louisiana is an SLC state that recently released a comprehensive economic impact study (in December 2006) and some of the key information from this report quickly reveals the remarkable growth that industry has experienced in the state in recent years.[51] Table 4 presents information related to Louisiana's film industry for the period 2002 through 2005.

While there are a number of insights that may be gleaned from this study, the most striking feature is that the film industry's value added component to the Louisiana economy leapt from just under $7.5 million in 2002 to nearly $344 million, an astounding growth trajectory in the course of three years. It also was during this period that the Louisiana Legislature promulgated legislation to offer incentives to the motion picture industry to operate in the state and the end result was an impressive increase in the number of motion pictures filmed and economic activity. To further describe Louisiana's amazing performance in this sphere, total output increased from $22.1 million in 2002 to over $1 billion in 2005, a scant three years later. As described earlier, total output encompasses direct economic impacts (the amount of spending gained by the state as a result of the business activity), indirect economic impacts (the resulting transactions necessary to support this spending) and induced economic impacts (the additional spending that ensues from the greater income). In Louisiana, the researchers established that the motion picture and video industries had a total output multiplier effect of 1.847922, which contributed to the final total output.

In breaking down total value added from the film industry to the Louisiana economy, the report noted that it comprised four parts: employee compensation income (wage and salary payments, including health and life insurance benefits, retirement contributions, and other non-cash transactions); proprietary income (payments received by self-employed individuals as income); other property income (interest, rents, royalties, dividends and corporate profits); and, indirect business taxes (sales and excise taxes paid by individuals to businesses that eventually flow to government entities). In this instance, the positive flow from the film industry's activities in the state, increasing from $7.5 million in 2002, to $130.6 million in 2003, to

table 4

Economic Impact of the Film Industry in Louisiana 2002-2005

	2002	2003	2004	2005
Total Output	$22,083,753	$390,497,955	$721,080,940	$1,038,443,860
Total Value Added	$7,452,996	$130,591,102	$239,941,554	$343,843,992
Total Employee Compensation	$3,782,266	$66,399,682	$122,322,886	$175,738,248
Total Employment	320	5,437	9,683	13,445
Total Tax Impact	$1,347,504	$22,874,113	$40,733,169	$56,562,047

Source: Economics Research Associates, December 2006

table 5

Tax Impacts of the Film Industry in Louisiana 2002-2005

	2002	2003	2004	2005
Tax Impacts:				
» **Federal**	$777,217	$13,193,393	$23,494,188	$32,624,011
» **State & Local**	$570,287	$9,680,720	$17,238,981	$23,938,036
Total	$1,347,504	$22,874,113	$40,733,169	$56,562,047

Source: Economics Research Associates, December 2006

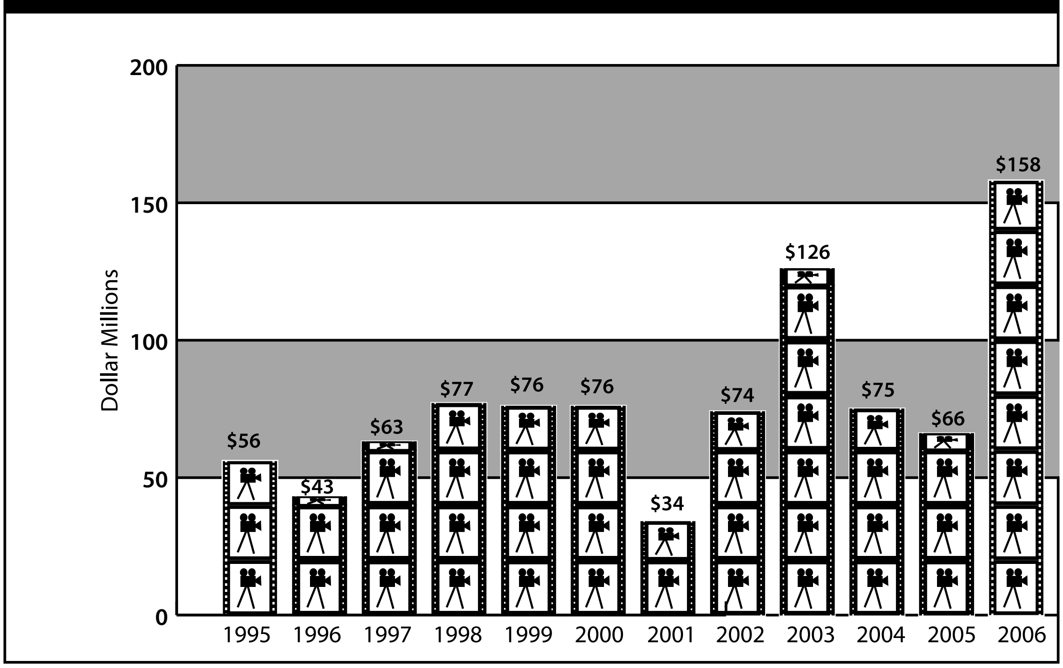
$239.9 million in 2004, to a staggering $343.8 million in 2005, an increase of substantial proportions in a short time period, impacted positively on every segment of the state economy.

Even on the employment front, the gains in the 2002 to 2005 period were most significant with full-time employment leaping from a mere 320 individuals in 2002 to 13,445 in 2005. Similarly, total employee compensation for these employees also saw a prominent expansion from $3.8 million in 2002, to $66.4 million in 2003, to $122.3 million in 2004, to a sizable $175.7 million in 2005. Another positive effect of the film industry's activities in the state involves tax revenues flowing to the various levels of government (Table 5). Specifically, the economic activity leads to wages, sales, and profits which, in turn, generates tax revenue and fees (such as motor vehicle licensing fees, fines, and payments for permits) for the federal government, as well as for state and local governments. On this front, Table 5 documents the impressive tax impacts during review period.

Maryland: According to the Maryland Film Office, a unit within the Department of Business and Economic Development, the economic impact of the film industry saw a significant increase in fiscal year 2006 after the state established a series of incentives for film producers during the 2005 legislative session. Specifically, filmmaking in Maryland hit record levels in fiscal year 2006, generating $158 million in economic impact and more than doubling the prior year's total of $66.3 million.[52] Soon after these incentives were enacted into law, the state experienced a rush of interest from

figure 1

Revenue Generated by Filmmaking in Maryland Fiscal Years 1995 to 2006



Source: Maryland Film Office

Hollywood producers ending a period when there was a distinct lull in the level of filming activity in the state. Figure 1 presents information on the economic impact of the film industry in the state including revenue generated by filmmaking in the last 12 fiscal years. The impressive jump in revenues in fiscal year 2006 is clearly apparent after a number of lean years.

Missouri: According to an economic impact study released by Representative Ed Robb, Missouri House of Representatives, the movie *The Game of Their Lives* (the true story of the 1950 U.S.A. World Cup soccer team which pulled off an amazing 1-0 victory over the powerhouse English team) was shot in St. Louis (doubling for New York City) in 2003 and spent more than $17.9 million in the state.[53] In turn, this spending level had an eventual economic impact of more than $52 million for the state. (Another report on the movie indicated that it was a $27 million production, which would make the complete economic impact of the movie on the state economy even larger than the aforementioned $52 million).[54] Missouri also has a fine reputation as a popular site for the shooting of television commercials; the director of the Missouri Film Office indicated that there have been commercials with budgets of more than $4 million shot in the state.

Oklahoma: According to the Oklahoma Film and Music Commission, in 2006, the film industry had an economic impact of $18.9 million in the state.[55] More importantly, the nearly $19 million economic impact was secured with a single producer taking advantage of the state's rebate program. Given the fact that a number of Oklahoma film projects, as well as many smaller independent films, are made with budgets well below the $2 million minimum, officials at the Commission maintain that lowering this minimum requirement would result in an even greater economic impact.

Texas: In April 2006, the Texas Film Commission released data on a number of film and television projects (and their budgets) filmed in Texas over a 10-year period (1996 to 2005). This information is presented below in Table 6 and provides insights into the kind of economic impact generated by this industry in the past decade in Texas.

While there were a combined 511 projects in the film and television industry during the decade under review, the cumulative budgets of these projects amounted to nearly $2 billion. The high point in the 1996 to 2005 period was 1996 when the budgets cumulatively added up to over $254 million. As expected, the budget numbers declined during the slowdown in the economy, such as in 2002 when it slumped to a record low level of $84.9 million. While the budgeted amount picked up in 2003 ($230.2 million), it declined in 2004 ($217.9 million) and dipped again, precipitously, in 2005, to $141.1 million.

Virginia: In February 2006, Virginia Commonwealth University's Center for Public Policy released a report on the impact of Virginia's film, video and television industries highlighting that in 2004, the total economic impact of the industry reached $510 million, while contributing $19.8 million to the state in the form of

table 6

Texas Film and Television Production 1996 to 2005

Type of Project	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	10-Year Totals
Studio Feature Film	7	8	7	6	9	5	4	8	8	6	68
Independent Feature Film	28	16	31	16	25	28	20	11	19	20	214
Giant Format Films (IMAX)	-	-	-	-	-	-	1	-	-	1	2
TV Movies	6	9	3	4	2	4	1	1	1	2	33
TV Series	11	7	5	3	4	6	8	6	7	12	69
TV Mini-series	2	-	1	-	-	-	-	-	-	-	3
TV Specials	-	4	1	1	1	1	-	3	4	1	16
TV Episodes/Segments	-	4	1	3	5	7	21	12	14	1	68
TV Pilots	2	3	-	-	-	-	1	1	3	1	11
Other Projects (see Note)	2	5	1	-	4	3	4	4	3	1	27
Total Number of Projects	58	56	50	33	50	54	60	46	59	45	511
Total Combined Budgets	$254.7	$172.8	$209.6	$148.5	$241.8	$188.8	$84.9	$230.2	$217.9	$141.1	$1,890.3

Source: Texas Film Commission, April 2006 tax revenues.[56] The study also calculated that the rate of return on potential investments in the film and video industry in the state was most impressive, noting that a $10 million investment could result in an economic impact of $143 million or, alternatively, there is a return of $14.30 for every dollar Virginia invests in the industry.

The study split the state into three regions in assessing the influence of the industry and reported that the economic impact was most significant in northern Virginia ($263 million), followed by Hampton Roads ($135 million), and the Central Virginia region, including Richmond, Petersburg, Charlottesville and surrounding counties ($63 million). Furthermore, while there were some 6,000 Virginians working different aspects of the industry (such as production company employees, actors, crew members, designers, editors, composers, writers and audio engineers), an additional 2,500 Virginians were employed in businesses that support film and video production.

As documented earlier, the average salaries of workers in the industry were relatively high and the study demonstrated that Virginia employees in the film industry commanded an average salary of $55,500, the fourth highest median salary for any industry in the state. Also, 259 businesses within the state were involved in media production.

In June 2006, Virginia Governor Kaine announced that in 2005 the state's film and video industry's 1,800 projects had a direct economic impact of $221.1 million—the highest ever reported—and a 14 percent increase over the 2004 figure of $192.1 million.[57] In terms of the distribution of this direct economic impact across the state, Central Virginia (an area that includes Richmond, propelled by the Home Box Office television mini-series *John Adams*) reported the largest amount with $88.7 million, while Hampton Roads, focusing on cable television and video productions, secured $69.4 million. Northern Virginia's high-tech post-production industry had a direct economic impact of $58.6 million, while the western portion of the state had $4.4 million.

Part 4
Production and Other Incentives Provided by the SLC States

Toward the conclusion of the Oscar-winning movie *Ray*, there is a scene featuring members of the Georgia General Assembly recognizing the legendary singer Ray Charles at the state capitol building and his rendition of the song *Georgia on My Mind*.[58] An important factoid associated with this event was that it did not occur in the Georgia General Assembly but in the Louisiana House of Representatives. When the producers of *Ray* were working on the logistics of the movie in 2002, their intention was to film for two weeks in Georgia and then complete a bulk of the movie back in Los Angeles. However, around that time, Louisiana enacted a package of economic incentives to attract producers to make movies within its borders, a development that quickly led to *Ray's* filmmakers changing plans and shooting nearly every scene of the movie in Louisiana.

The constant refrain that is quickly apparent when researching the incentive packages offered by states across the country is that Louisiana's model is the one most emulated and the sooner states introduce measures along the lines offered by Louisiana, the sooner states could begin to see the same impressive economic effects from the motion picture industry experienced in the last five years in Louisiana. An August 2005 comment from an official with the Maryland branch of the International Alliance of Theatrical Stage Employees (IATSE), which represents about 500 technicians and craftspeople in the Baltimore area, summarizes this growing national sentiment: "Everybody was going to Louisiana because of the incentive programs down there. For about six months, my phone was not ringing at all. That's when I got scared. That's when I got on the steps of the [Annapolis] Legislature. And may I say, they did listen."[59] Another example from a bill (HB 1634) designed to amend the existing film industry to encourage film production in Texas, passed in the Texas House in 2007, noted that both Louisiana and New Mexico have implemented film incentive programs and have seen dramatic increases in spending and film crew jobs.[60] Similarly, when North Carolina enacted its own legislation to attract film and television crews to work in the state, Representative Dan McComas, one of the co-sponsors of the legislation, noted "[O]ther states are bending over backwards to lure this business away from North Carolina. This will help us make sure we compete and get our share."[61]

This sequence of events aptly describes a trend that is sweeping across not only the SLC states but the entire country: state legislatures working actively toward enacting production and other incentives to attract moviemakers to operate within their states. As noted by Georgia Representative Jeff Lewis, "It doesn't cost the state money [speaking of the incentives provided by the state] because they must come to Georgia and spend money to be eligible for the credit. That's economic development, too, that doesn't cost us anything."[62]

Part 4 provides details on the specific incentive packages currently being offered by the SLC jurisdictions and additional information on the film industry in these states.

Alabama

There is a great deal of concern at various levels of authority in Alabama that the state's incentives to filmmakers have not kept pace with other states in the region.[63] These officials often make the point that even though there were a number of film producers interested in filming in the state, the fact that Alabama's incentives were less generous than those offered by a number of other states resulted in these producers electing to film in other states. Consequently, they maintain, the state was losing a great deal of revenue and positive publicity that would ensue with these filming opportunities. One such producer is Alabama-native Scott Lumpkin (Fairhope, Alabama) who was intent on filming the movie *Rocket* (with Sharon Stone and Tom Arnold) in the state but eventually ended up filming in Jacksonville, Florida, due to the incentives offered by the state of Florida. Proponents of Alabama offering incentives to the movie industry indicate that in contrast to a state like Louisiana that saw the value added from the industry rocket from \$7.5 million in 2002 to \$ 343.8 million in 2005, Alabama saw the amount of money spent by the film industry fall from \$30.3 million in 2003, which was the year that director Tim Burton made *Big Fish* in the Montgomery area, to \$6.7 million in 2006, when director John Sayles shot *Honeydripper* in Greenville.

In an effort to revive the film industry in the state, the Alabama Film Office and several legislators have made it a priority to enact incentives to attract a greater number of films to the state during the 2007 legislative year. They repeatedly point to Louisiana as a prime example of a state proactively working to attract the business of filmmakers and seeing very positive results. At the time of this writing (May 2007), the Alabama Legislature was still in session and advocates were hopeful that the bi-partisan support for enacting an array of incentives would be passed into law by the end of the session. Senators Tom Butler and Bradley Byrne (who resigned from the Alabama Senate on May 24, 2007) have co-sponsored legislation that would make Alabama much more competitive in attracting filmmakers.

Until recently, Alabama did provide some limited incentives to filmmakers in the form of sales and use tax abatement—as well tax abatements for lodging—for qualified productions. However, the legislation providing these benefits expired in September 2006, another reason for the urgent need to enact incentives. The proposed legislation would not only reinstate those benefits but would establish tax incentives for those investing in Alabama's film industry. Furthermore, the proposed legislation would treat taxes on facilities involved in film production, such as studios, the same way state law now views taxes in other economic development infrastructure projects such as assembly plants. Perhaps the most important feature of the proposed incentive structure would be to motion picture production companies spending more than $500,000 in the state; these companies would be eligible for a 10 percent tax credit on production expenditures and 15 percent for wages paid to Alabama residents. In addition, for productions topping $10 million spent in the state, the credit would be 15 percent for production expenditures and 20 percent for wages paid to Alabama residents.

Alabama does have a history with a number of prominent movies being filmed in the state. For instance, Steven Spielberg's *Close Encounters of the Third Kind* was filmed mostly in Mobile in 1977, and in 1992 the battleship *USS Alabama* had a starring role alongside actor Steven Seagal in the action thriller *Under Siege*. Downtown Mobile stood in for New Orleans in director Michael Mann's 1999 *The Insider*, which brought Oscar winner Al Pacino and future Oscar winner Russell Crowe to Mobile's Dauphin Street. Mobile also has played host to future Oscar winners Philip Seymour Hoffman, who worked on *Love Liza* in the city in 2001, and Alan Arkin, who played a part in *The Novice* in 2004. Alabama-native Scott Lumpkin was involved in a variety of capacities as location coordinator, line producer and producer for a host of films in southwest Alabama, including *Hometown Legend, Tough Luck, Sacrifice, Mi Amigo, Dead Birds* and *Frankenfish* along with the previously-mentioned *Love Liza, The Novice* and *The Insider*.

Along with efforts of the state film office, local officials in the cities of Mobile, Birmingham as well as other locations, also indicate their readiness to assist filmmakers in their production efforts in Alabama.

Arkansas

Advocates for promoting the film industry in Arkansas also are bemoaning the fact that the state's current incentive package—set to expire on June 30, 2007—should be much more competitive in comparison to a number of neighboring states.[64] In fact, these advocates make the point that with the exception of Texas, all Arkansas' neighbors offer much more attractive incentives to filmmakers. As an example, Arkansas native Joey Lauren Adams, who recently filmed *Come Early Morning* (the 2006 movie with Ashley Judd and Stacy Keach) in North Little Rock, received $37,000 in incentives from the state; if she had filmed across the state line in Louisiana, she would have received $700,000. As in the case of Alabama, film advocates in Arkansas cite the example of Louisiana as a state that has worked effectively to refine the incentives provided to filmmakers and quickly realized tremendous economic gains.

While the Arkansas Department of Economic Development's Film Unit was created in 1979 to promote Arkansas to film, video, television and commercial production companies, the *Arkansas Motion Picture Incentive Act of 1997* remains the legislation currently in effect to authorize the refund of state sales tax paid on Arkansas businesses, services, and citizens hired as cast and crew during a production in Arkansas.[65] However, for a refund, the following requirements are necessary:

» The film company must register with the Film Unit prior to filming and secure a letter of support from the filming locale;
» Expenditures must be paid with checks drawn on an account with an Arkansas financial institution;
» The film company must spend a minimum of $500,000 in Arkansas on one project within a 6-month period or a minimum of $1 million in Arkansas on multiple projects within a 12-month period; and
» Weekly reports are required for the state's revenue department to process the refund.

In the context that these incentives remain inadequate *vis-à-vis* those offered by other Southern states, there was an effort to introduce a new incentive package during the recently concluded 2007 legislative session. However, the nearly $200 million in other tax cuts that passed during this session precluded opportunities for the film industry to be offered tax cuts. It is likely that the issue will come up in a future session given the trend that is sweeping across the South and the nation.

According to the head of the Arkansas Film Office, his state was the first in the country to offer an incentive package to filmmakers with the *Nickel Rebate Program* introduced in 1983.[66] As implied by its title, this program entitled filmmakers working in the state to be awarded a rebate of five cents for every dollar spent on producing a movie in Arkansas. Mr. Glass, the state's Film Unit Leader, also stressed that Arkansas had focused a great deal of attention on developing and expanding the capacity of local individuals interested in pursuing a career in different aspects of the movie industry. In this connection, he cited the different public and private entities that have collaborated in creating the very successful *My Community* digital filmmaking program in the state; this program encourages individuals in the state, particularly students, to create a film (two to 10 minutes long and in digital format) about some aspect of community life in Arkansas. Assisting in this effort is the *EAST (Environmental and Spatial Technology) Initiative*, a project that originated in Greenbrier, Arkansas that and seeks to apply the latest in technology to help students take control of their own learning and accomplish a range of learning projects. The EAST Initiative has now been adopted in a number of other states and countries.

Some of the major movies that were filmed in the state include the 1939 Oscar-winning classic *Gone With the Wind*; *The Firm* (the 1993 movie featuring Tom Cruise based on Arkansas-born John Grisham's best-selling book); *Biloxi Blues* (filmed on location in Fort Chaffee and Van Buren, Arkansas, in 1988 with Matthew Broderick); the 1986 movie *Under Siege* about a group of suicide bombers attacking the U.S. Capitol with the Arkansas state capitol standing in for the U.S. Capitol; the 1991 movie *Stone Cold* (including the former University of Oklahoma football player Brian Bosworth in the lead role) featured the Arkansas state capitol one more time, this time standing in for the Mississippi state capitol; *The Legend of Boggy Creek* (1975); *Sling Blade* (the 1996 film with Arkansas native, Billy Bob Thornton was shot entirely in Benton, Arkansas); *White Lightning* (a 1973 movie also filmed in Benton with Burt Reynolds); *The Tuskegee Airmen* (filmed in Fort Chaffee, Arkansas in 1995 with Laurence Fishburne and Malcolm-Jamal Warner); and the 1982 CBS mini-series, *The Blue and the Gray*, the television series with the largest budget up to that time (filmed in a number of location in north-west Arkansas including Eureka Springs, Fayetteville, Fort Smith and Van Buren) was followed by another acclaimed television mini-series *North and South* in 1985 filmed partially in Reader, Arkansas.

Florida

Florida is an SLC state that relies heavily on the entertainment industry for its economic growth, and during the 2007 legislative session, a major priority of both the newly elected governor and the Florida Legislature was enacting legislation to spur activity in this industry.[67] This effort garnered support across the Legislature and in early May 2007, Governor Charlie Crist signed House Bill 1325, *The Don Davis Entertainment Industry Economic Development Act*, on the floor of the Florida House of Representatives. The bill was named after Representative Don Davis from Jacksonville, Florida, who was the driving force behind the effort to allow Florida to compete effectively with other states and offer incentives to lure the high-wage, high-value jobs associated with the film industry.

In essence, the 2007 legislation not only reinforces the importance of the film industry to Florida's economy, it builds on the incentive system that was previously in place. In addition, the recently enacted legislation provides incentives for the rapidly growing digital media industry, the commercial and music video industry and Florida's own filmmakers. Specifically, some of the key features of HB 1325 that take effect on July 1, 2007, are the following:

» Increase funding for the state incentive program to $25 million in the next fiscal year and, for the first time, authorizes that any unused funds may roll over into the next year;
» Lower the qualifying expenditures threshold from $850,000 to $625,000;
» Offer a cash reimbursement of up to 15 percent on the total Florida budget of a filmed entertainment program with a maximum reimbursement of $2 million;
» Provide the digital media industry with a separate funding flow under the current funding format;
» Provide Florida's independent filmmakers with a separate funding queue along with a lower qualifying threshold ($100,000);
» Create a separate threshold for commercials and music videos to enable them to qualify in the incentive program;
» Offer a 5 percent off-season bonus from June through November to many productions to help promote Florida as a 12-month production state;
» Eliminate the requirement that dropped the two highest Florida salaries as qualified expenditures, and instead limit any qualifying salary to the first $400,000;

» Allow productions to cross fiscal-year lines so that they may qualify for eligibility in both fiscal years; and
» Authorize a 2 percent bonus for family-friendly films.

Several of the features that passed in 2007 deserve particular mention when compared to the incentive scheme already in place. For instance, the multi-year feature, where production companies may qualify for incentives in more than one year, will spur long-term productions. Similarly, lowering the qualifying expenditure limit from \$850,000 to \$625,000 will promote small productions, while the maximum reimbursement of \$2 million will attract the blockbuster productions. The fact that the current crop of incentives are beginning as a three-year program would provide a degree of long-term certainty to the industry and production companies considering filming in Florida.

The Governor's Office of Film & Entertainment coordinates information on various discounts and deals that are offered to production companies by a number of businesses across the state in various production spheres (such as companies working in every aspect of the film production process), hotels, and others. Finally, Florida boasts of 49 local film offices covering every corner of the state that producers may contact to secure further assistance in making movies; Florida also hosts some of the more prominent film festivals in the industry.

While there have been hundreds of movies filmed throughout Florida, some of the best-known movies in the last two decades or so were filmed in Miami and include *Scarface, Black Sunday, There's Something About Mary, True Lies, Any Given Sunday, Miami Vice* and several in the James Bond series including *Goldfinger, Thunderball* and the latest, *Casino Royale*.

Georgia

Georgia became one of the first states to actively court the film industry when then-Governor Jimmy Carter visited the set of the 1972 movie *Deliverance* (starring Jon Voight, Burt Reynolds and Ned Beatty) being filmed in North Georgia and was impressed by the sheer enormity and complexity of a movie production set with all the equipment, vehicles, people and props involved.[68] Very soon, then-Governor Carter created what is now the Georgia Film, Video & Music Office within the Department of Economic Development in an effort to convince moviemakers from around the country to film at different locations in the state. This approach proved successful, and Georgia was the scene for the shooting of numerous movies and televisions series in the 1970s and 1980s.

As in other parts of the country, the 1990s proved to be challenging for Georgia with an increasing number of movie producers traveling to Canada and other parts of the globe for filmmaking. In addition, an increasing number of Georgia's work force of actors, camera operators and other film workers became unionized, a trend that diminished the state's comparative advantage of other traditional movie location states like California and New York. Consequently, the 1990s were a low point in the number of movies and television productions filmed in the state.

In 2001, Georgia sought to compete with other states for movie business by passing legislation for a sales tax exemption for activities related to film production. Currently, qualified companies receive an immediate point-of-purchase sales tax exemption that saves productions up to 8 percent on most materials and service purchases, leases or rentals. This measure saw immediate results because five major productions were filmed in Georgia in 2002 (*Sweet Home Alabama* with Reese Witherspoon; *The Clearing* with Robert Redford; the gospel comedy *The Fighting Temptations*; the college musical *Drumline*; and *Dumb & Dumberer: When Harry Met Lloyd*) along with nine smaller independent productions. Just in 2002, the economic impact of the movies shot in the state amounted to \$267.2 million. However, given the very aggressive incentive package offered to movie companies by Louisiana around that time—which resulted in the movie *Ray* being shot there instead of Georgia, where a significant portion of the movie plot was set—saw the Georgia General Assembly passing further legislation in 2005 to attract moviemakers to the state.

During the 2007 legislative session, House Bill 451 was passed unanimously by both chambers of the Georgia General Assembly providing major new incentives to out-of-state filmmakers to produce movies in the state. Even though the governor vetoed this legislation (and a number of other bills) for a variety of structural reasons, a snapshot of the proposed 2007 legislation helps illustrate the direction the state was moving towards with regard to incentives for the film industry. Among the major features of this bill are the following, if the base investment in Georgia equals or exceeds \$500,000 for qualified production activities:

» The production company shall be allowed a tax credit equal to 15 percent of the base investment in the state, an increase from the 9 percent rate that was in place;

» If Georgia residents are employed in the production, the production company shall be allowed an additional tax credit equal to 3 percent of the total aggregate payroll of Georgia residents; and
» If the base investment in the state exceeds $20 million for multiple television projects, for instance, the production company shall be allowed an additional tax credit equal to 2 percent of such base investment.[69]

In order to ensure the passage of the incentives proposed in 2007, representatives of the Georgia film industry have indicated that they will work very diligently prior to next year's legislative session to prepare an in-depth presentation advocating and providing justifications for additional improvements to the *2005 Entertainment Industry Investment Act*. [70]

Based on the incentive package passed in 2005, the state continues to offer production companies the possibility of qualifying for Georgia's sales and use tax exemption, a point-of-purchase sales tax exemption for up to 8 percent on most purchases and rentals in the state. Companies that are eligible for all these incentives include feature films, television, movies, pilots or series, commercials, music videos and certain interactive projects.

Georgia is a state with a rich history of filmmaking dating back to the very inception of filmmaking, and this tradition has continued, assisted by the tremendous variety in terrain that includes Atlanta, coastal landscapes, court houses, rural and farming areas, government buildings, lakes and rivers, mountains, unique neighborhoods, old South mansions and houses, Savannah, scenic roads, schools and small towns, along with sport and entertainment locations. Consequently, more than 500 major motion pictures and television programs have been filmed in the state over the years. Burt Reynolds wielding a bow and arrow in *Deliverance,* Morgan Freeman chauffeuring Jessica Tandy through Atlanta's Druid Hills neighborhood in *Driving Miss Daisy,* William Peterson barreling down endless stairs at the High Museum (standing in for Hannibal Lector's insane asylum in *Manhunter*), Henry Silva flying out of an upper floor window of Peachtree Plaza and plummeting to the street in *Sharky's Machine,* Tom Hanks talking about life being a box of chocolates in one of Savannah's famed squares in *Forrest Gump*, are just a fraction of the movies featuring Georgia. Even some of the most famed television productions, such as *In the Heat of the Night, The Dukes of Hazzard* and the Emmy Award-winning HBO film *Warm Springs* (on President Franklin Delano Roosevelt) were filmed in the state.

Kentucky

The Kentucky Film Office is responsible for marketing the state to the film, television, and advertising industries.[71] Toward this goal, the office has initiated a number of steps to promote the state as a filming destination, including a visit to California by Governor Ernie Fletcher in August 2005 to discuss with Hollywood producers and studio officials the kind of measures the state would need to initiate to attract more productions. Given the prominence Louisiana has received as one of the premier movie making destinations in the country in the aftermath of its 2002 incentive legislation, there is discussion in Kentucky to introduce similar legislation.[72]

In the interim, Kentucky currently offers a sales tax rebate program which provides eligible motion picture and television production companies a refund of Kentucky's 6 percent sales and use tax on expenditures made in connection with the production. According to the film office, an eligible production includes feature-length motion pictures intended for theatrical release or for exhibition on national television by a network or through national syndication, or television programs that will serve as a pilot for, or be a segment of, an ongoing dramatic or situation comedy series televised on a network or through national syndication. Some of the typical qualified expenditures include accommodations, meals, production equipment rentals and purchases, set construction and rigging materials, production office equipment rentals and purchases, utilities, and prop and wardrobe rentals and purchases.

The Bluegrass state has been the location for movies going back decades such as *The Kentuckian* and *Raintree County* in the 1950s, *Goldfinger* in the 1960s, *Steel* and *Coal Miner's Daughter* in 1980 along with such movies as *A League of Their Own, Traffic, Black Beauty, Stripes* and more recently, *Seabiscuit* (2002), *Elizabethtown* (2005) and *Dreamer: Inspired by a True Story* (2005). The latter three movies generated a great deal of positive attention from the media, particularly *Seabiscuit* and *Dreamer* given their links to Kentucky's storied equine history.

Louisiana

A recurring theme of this report is that the increased energy demonstrated by states across the country in offering financial incentives for the film industry to work in their states was spurred by Louisiana's actions earlier in this decade. As mentioned at the outset, Louisiana Representative Steve Scalise shepherded the *Motion Picture Incentive Act of 2002* so that his state could actively recruit film and television productions to the state. Ever since

Louisiana's July 2002 efforts to recruit film and television production, the world's largest high-tech, high profit, non-polluting industry in the world after Silicon Valley, more than 36 states have followed the Louisiana model and enacted their own incentive legislation. Then, in 2005, Louisiana further revised its legislation with additional incentives provided to not only the motion picture industry but the video game and music industries too.

In Louisiana, the Office of Entertainment Industry Development is the public agency within the state's Department of Economic Development that serves as the conduit for information and provides assistance to film and television producers in the state.[73] Louisiana's incentive program was designed with the goal of encouraging film and video production in the state; expanding employment opportunities for Louisiana's technical crew and talent; and supporting the use of Louisiana equipment and services related to film and video production. Louisiana's incentive package covers the following areas and has been termed the "most generous"[74] in the country:

» **Investor Tax Credit:** If the total base investment is greater than $300,000, each investor is allowed a tax credit of 25 percent of the base investment made in the state. If the entire credit is not used in the year it was earned, any remaining credit may be carried forward and applied against income tax liabilities during the next 10 years.
» **Labor Tax Credit:** The production company is entitled to an additional tax credit of 10 percent of the amount spent specifically on payroll for Louisiana residents employed on the set. However, as in many other states, an individual whose salary exceeds $1 million will be excluded from a calculation of the total payroll for credit eligibility.

On June 19, 2007, House Bill 936 was approved 104-0 by the House of Representatives.[75] This bill sought to more clearly define Louisiana's motion picture tax credit program and was sponsored in reaction to recent proposals by movie studio projects that appeared "to be seeking the tax credits for ambitious real estate developments than for actual moviemaking facilities in Louisiana." This bill restricts approval of infrastructure credits to facilities directly related to film, video and television productions and Representative Steve Scalise, the sponsor of the original motion picture credit legislation, added an amendment stating that when the Legislature created the infrastructure credits, it "did not intend for developers to use the program for hotels, housing, retail shopping centers, golf courses and other facilities that state agencies consider unrelated to film production."

Alongside the clearer definition of the motion picture tax credit program, House Bill 936, as specified in the June 22, 2007, Fiscal Note includes the following provisions:
» Establishes a cap of $25 million of tax credit for a project;
» Provides for multi-use projects and the requirements for earning tax credits;
» Permits multi-year periods for applying for tax credits;
» Makes the availability of a total 40 percent credit for infrastructure projects explicit and extends this credit by one year to January 1, 2009; and
» Creates the *Entertainment Industry Development Fund* to receive the existing application fees with the Fund also entrusted with the task of promoting and marketing the state's entertainment industry.

The importance of financial incentives to film producers is quickly apparent when one considers the comments of director Donald Petrie who completed filming the 2006 movie *Just My Luck* in Louisiana.[76] According to Petrie, he saved about 20 percent on his overall costs by filming in the state, a sizable amount that definitely sways producers in making location decisions.

While movies have been filmed in Louisiana for nearly 110 years—the 1898 silent movie *Scene on the Steamship 'Olivette,'* filmed in New Orleans, remains one of earliest movies in history—in the ensuing decades there have been hundreds of movies, television series and commercials that have used the state as a filming location. Until the current raft of incentives were laid out by the state, movies filmed in Louisiana featured "voodoo princesses, angsty vampires, bayous, baffling accents, bawdy Mardi Gras celebrations and the rest of the Louisiana Gothic backdrop"[77] along with Zydeco music, Cajun spices, po-boy sandwiches and jazz. However, in the aftermath of the 2002 incentives package proffered by the state, Louisiana's film landscape has been transformed to encompass sets and designs that would have been unheard of previously.

For instance, Laurel Valley Plantation, a location just outside New Orleans, used in both *Angel Heart* (the 1987 thriller featuring Robert De Niro, Mickey Rourke and Lisa Bonet) and *Interview with the Vampire* (the 1994 movie based on New Orleans-resident Anne Rice's book with Tom Cruise, Brad Pitt, Kirsten Dunst and Christian Slater) stood in for Greenville, Florida, in the Oscar-winning movie *Ray*, the film on Ray Charles' life. Similarly, the story line for the 2006 comedy *Just My Luck* unfolds in New York City, but the movie was filmed almost entirely in Louisiana, while the 2004 movie *Mr. 3000* (with Bernie Mac and Angela Bassett), about an aging Milwaukee Brewers baseball player, was largely filmed in Louisiana. Even though the plot for *Big Momma's House 2* develops in Orange County, California, the movie was on location in Southern California for only three weeks with the area in and around New Orleans was the shooting location for eight weeks.

Maryland

While Maryland's connections to the movie industry span almost a century, it was the contributions of noted directors and Maryland-natives John Waters and Barry Levinson in the 1970s that resulted in numerous movies being shot in the state from that period through the late 1990s (such as *Pink Flamingos* in 1972; *Female Trouble* in 1974; *The Seduction of Joe Tynan* in 1979; *Violets are Blue* in 1986; *Home for the Holidays* in 1995 and for *Richer or Poorer* in 1997). These movies were all shot in Maryland without any incentives or rebates.[78] However, as noted previously, states like Louisiana initiated an aggressive campaign to pursue moviemakers' business around 2002, resulting in states without specific incentive programs—like Maryland—experiencing a drop in film production. The final straw for Maryland was when the blockbuster Disney film *Annapolis* moved production, along with an estimated $10 million economic impact, to Philadelphia because of a lucrative tax credit offered by the state of Pennsylvania.[79]

In response, the Maryland General Assembly and then-Governor Ehrlich acted in concert during the 2005 legislative session to introduce a series of incentives to attract movie makers to the state. Specifically, the state approved $4 million in wage rebates for movies, televisions and commercials filmed in Maryland. Under this format, a production company can claim 50 percent in rebates for the first $25,000 paid to an employee earning less than $1 million. Estimates for the initial year indicated that the $4 million investment made by the state spurred $65 million in local spending by production companies, a significant rate of return by any standard.[80]

During the 2007 legislative session, Governor O'Malley proposed a budget that included $6.9 million, or level funding, for fiscal year 2008. While the Senate left the governor's funding request intact, the House proposed cutting it to $4 million.[81] However, the House passed a bill unanimously that lifted the $2 million-per-film cap on the rebate program and tied the formula for rebates to production costs, as opposed to employee wages.

According to the Maryland Film Office, incentives offered by the state currently in place comprise two main types: production cost rebates and state sales tax exemptions.[82] An eligible production must be nationally distributed, incur at least $500,000 in total direct costs in Maryland with at least 50 percent of the production's filming occurring in the state. The other major benefit category involves exemption from the 5 percent state sales tax for eligible feature, television, cable, commercial, documentary and music video projects.

While the earliest known narrative movie (silent) filmed in Maryland was *A Child of the Regiment* in 1910, there have been a surfeit of movies filmed in the state since then including *Absolute Power* (with Clint Eastwood in 1997); *Accidental Tourist* (with William Hurt, Kathleen Turner and Geena Davis in 1988); *Avalon* (directed by Baltimore native Barry Levinson in 1990); *Beloved* (with Oprah Winfrey in Toni Morrison's highly praised novel adaptation in 1998); *The Contender* (2000); *Desperate Living* (with Baltimore native John Waters in 1977); *Enemy of the State* (with Will Smith in 1998); *Guarding Tess* (with Shirley MacLaine and Nicholas Cage in 1994); *Ladder 49* (with John Travolta and Joaquin Phoenix in 2003); *Minority Report* (with Tom Cruise in 2002); *No Way Out* (with Gene Hackman and Kevin Costner in 1987); *Sleepless in Seattle* (with Tom Hanks and Meg Ryan in 1993); *St. Elmo's Fire* (the 1980s classic filmed at the University of Maryland, College Park in 1985); *Sum of All Fears* (with Ben Affleck and Morgan Freeman in 2002); *Syriana* (with George Clooney and Matt Damon in 2005); *Tin Men* (another Barry Levinson classic in 1987); *True Lies* (with Arnold Schwarzenegger and Jamie Lee Curtis in 1994); and *Wedding Crashers* (filmed on the Eastern Shore with Owen Wilson and Vince Vaughn in 2005).[83]

As indicated, there have been many movies and television productions filmed in Maryland but the four top productions generating the greatest amount of revenue for the state are *The Wire* (the HBO series featuring the Baltimore drug scene as viewed from the perspective of drug dealers and law enforcement between 2002 and 2006); *Ladder 49* (the 2003/2004 Disney/Touchstone movie featuring John Travolta and Joaquin Phoenix as Baltimore fire fighters); *The Visiting* (a WB/Silver Pictures filmed in 2006); and, *Gods & Generals* (the Ted Turner Pictures epic movie of the American Civil War filmed in 2001).[84]

Mississippi

As in so many other states, there was pressure building in Mississippi to enhance the incentives available to attract more filmmakers to the state. Consequently, in 2004, the Legislature passed and the governor signed into law the *Mississippi Motion Picture Incentive Program* that provided a series of incentives to filmmakers alongside creating a more supportive environment for filming in the state.[85] In the light of additional pressure, during the 2007 session, the state supplemented the incentives granted in 2004 in the following manner:

» **Production Rebate:** A company shooting—films, television series, documentaries or commercials is entitled to a rebate that includes all production expenditures incurred in Mississippi (including payroll) of 20 percent on spending up to $1 million, 25 percent on spending from $1 million to $5 million and 30 percent on spending over $5 million.

» **Wage Rebate:** In addition, a production company is entitled to a 10 percent rebate on the payroll paid to out-of-state cast and crew whose wages are subject to Mississippi withholding taxes, if their salary is less than $1 million.

» **Sales Tax Exemptions and Reductions:** A number of items (including film, videotape, makeup etc.) are exempt from the state's 7 percent sales and use tax while additional items (including audio, camera, editing and lighting equipment etc.) are calculated at the reduced state sales and use tax rate of 1.5 percent.

Along with the incentives, experts in the movie industry cite the need for the state to devote more resources to workforce training and greater technical capacity (such as a sound stage) to attract more filmmakers to Mississippi.[86] For instance, from a high of 10 productions in 1999, the state saw a single film made in 2006; prior to the 2007 incentive "sweeteners," two television commercials and three films took advantage of the 10 percent tax rebate since 2004.

Mississippi's links to the industry remain very lengthy, and the first known movie filmed in the state was *The Crisis* in 1916. Since then, there have been a number including *Showboat* (1949); *Baby Doll* (the 1956 Elia Kazan-directed and Tennessee Williams written classic with Karl Malden, Carroll Baker and Eli Wallach); *The Autobiography of Miss Jane Pittman* (in 1973 with Cicely Tyson); *Mississippi Burning* (in 1988 with Gene Hackman and Willem Dafoe); *A Time to Kill* (based on the John Grisham novel in 1995 with Matthew McConaughey, Sandra Bullock, Samuel L. Jackson, Kevin Spacey, Donald and Kiefer Sutherland and Ashley Judd); *My Dog Skip* (in 1998 with Diane Lane and Kevin Bacon); *Cookie's Fortune* (in 1998 with Glenn Close and Julianne Moore); and *O Brother, Where Art Thou?* (the 1999 movie depicting 1930s Mississippi with George Clooney, John Turturro, John Goodman and Holly Hunter).

Missouri

The Missouri Film Office, created in 1983 as part of the Jefferson City-based Missouri Film Commission, was moved to the University of Missouri at Columbia in 2006. Along with luring filmmakers from across the country to work in the state, the office will now have access to the resources of the university, such as the new program at the College of Engineering focusing on media engineering, filmmaking and digital editing.[87]

Missouri has an incentive program to attract filmmakers through its Department of Economic Development, and a film production company may receive state income tax credits up to 50 percent of the company's expenditures in the making of a film in Missouri. While these tax credits may not exceed $1 million per project, an eligible production company must spend $300,000 or more in the state in the form of payments to Missouri companies, organizations or individuals in the making of the film. The tax credits may be applied by the original recipient against a state tax liability, or they may be sold or transferred to another taxpayer and applied by the transferee against such tax liability. The credits may be used for the tax period during which they are earned, or may be carried forward for up to five additional tax periods. The state's entire film production tax credit program is capped at $1.5 million per year.[88]

The Missouri Film Office assists potential production units with their scouting, pre-production, production and post-production needs, along with accommodating production companies in the liaison between government and other entities. In addition, the office has an extensive network of local film commissions and offices scattered throughout the state to assist production companies. In 2005, the office managed to recruit 168 productions to the state ranging from full-length feature films to television commercials.

Among the many feature films that have been shot in Missouri are *Escape From New York* (the 1981 classic filmed in Chain of Rocks Bridge and St. Louis with Kurt Russell, Lee Van Cleef, Ernest Borgnine, Donald Pleasence and Isaac Hayes); *Hail, Hail, Rock 'N' Roll: The Chuck Berry Story* (1987 movie on the Missouri native filmed at the Fox Theater in St. Louis); *Hoop Dreams* (1994); *Kansas City* (1996 film by Kansas City-native and legendary director Robert Altman); *King Of The Hill* (1993 directed by Steven Soderbergh); *National Lampoon's Vacation* (1983 with Chevy Chase); *Paper Moon* (1973 with Ryan O'Neal, Tatum O'Neal and Madeline Kahn filmed in St. Joseph, Missouri); *Planes, Trains & Automobiles* (1987 with Steve Martin and John Candy); *Tom Sawyer* (the 1973 musical filmed in Arrow Rock, Missouri) along with numerous other television productions and documentaries (such as the *Get Your Kicks on Route 66* and *Truman*, the HBO documentary).

North Carolina

In 1980, then-North Carolina Governor Jim Hunt created the North Carolina Film Office to expand the industry in the state and appointed Bill Arnold to head this office. In late 2006, after 26 years at the helm of the office and after overseeing more than 800 feature films, 14 television series, innumerable commercials and over $7 billion in estimated revenues from all productions, Mr. Arnold retired from state employment.[89] While the state has a growing line-up of film festivals, a clear indication of the state's commitment to the industry, the office works in partnership with six localized film commissions in the Charlotte, Durham, Eastern, Piedmont Triad, Western, and Wilmington regions.

North Carolina is another SLC state that has worked proactively to attract filmmakers to work in the state and, on August 13, 2005, Governor Mike Easley signed SB 622 into law to allow North Carolina to compete effectively with other states. This legislation was in response to states like Louisiana, New Mexico and New York offering incentives to attract the film industry, even though since the 1980s, North Carolina had trailed only California and New York as the state with the greatest number of productions and the highest direct film revenues.[90]

The 2005 legislation approved an incentive package that would return to producers, in a combination of tax credits and cash rebates, 15 percent of what they spend in North Carolina on qualified film projects. Unfortunately, due to a quirk in the state's tax law, which requires that companies that file a state tax return must also pay the state's 6.9 percent corporate income tax on the expenses they claimed to get the credit, the intended 15 percent credit resulted in only 8.1 percent. In fact, in 2006, not a single television pilot (proposed new shows) was filmed at the state's premier film destination in Wilmington, an unusual trend for the state.[91] However, in August 2006, Governor Easley corrected this glitch and signed a revised film incentive package that went into effect in January 2007 allowing the state's film incentives to revert back to their intended 15 percent level.[92] Experts maintain that even though North Carolina's 15 percent incentive package might be lower than the amount offered by other states (Louisiana and South Carolina, for instance), the state competes very strongly *vis-à-vis* these other states because it has an impressive roster of professional movie lots and an experienced crew base; consequently, production companies have to bring in fewer crew and equipment from California, a fact that lowers overall production costs.

Along with such benefits as the ability to portray exotic and diverse locations; experienced crews, with more than 1,500 professional technicians and craftspeople statewide; impressive infrastructure, with six production centers and 28 full-size soundstages, more than any other state except California; strong, industry-tested reputation, having hosted more than 800 feature films and 14 television series; temperate climate with four distinct seasons that generate greenery, colorful foliage and snow; daily direct flights to and from Los Angeles, New York and Europe from major airports across the state; a right-to-work state welcoming union, non-union and mixed productions; and the assistance of a film office that has worked with different production companies for decades, North Carolina currently provides the following financial incentives to the industry:

- » A production company spending at least $250,000 in North Carolina on a motion picture or television production is eligible to receive a refundable tax credit of 15 percent on in-state spending for goods, services and labor;
- » While companies earning the credit receive a check for the full value of their refund, the eligible film productions include theatrical, television, and direct-to-video/DVD features, episodic television series, television mini-series, animation productions, and commercials;
- » Even though the maximum tax credit for a feature film production is $7.5 million, spending for goods (fuel, food, airline tickets etc.) purchased or leased from a North Carolina business is eligible for the tax credit;
- » Spending for services during the course of production is eligible for the tax credit regardless of whether paid to residents or non-residents, as long as the services are performed in North Carolina;
- » Compensation and wages paid to employees for services performed in North Carolina are eligible for the tax credit—regardless of resident status—provided they do not receive compensation in excess of $1 million; and

» A reduced "privilege tax" of only 1 percent (the current sales and use tax is 4.25 percent) also is available for film production-related purchases made in-state.

As noted earlier, the state's reputation as an extremely popular filming destination in the past few decades has resulted in hundreds of movies being filmed in the state. For instance, the 1993 Harrison Ford and Tommy Lee Jones movie *The Fugitive* was filmed in western North Carolina in Jackson County, while the cast and crew of 1992's *Last of the Mohicans* (featuring Daniel Day-Lewis and Madeleine Stowe) spent 11 months in the Blue Ridge Mountains of North Carolina (mostly in Asheville) and generated about $70 million. Then, the 1987 classic *Dirty Dancing* (with Jennifer Grey, Patrick Swayze and Jerry Orbach) was filmed mostly at Lake Lure in western North Carolina while the 1988 sports classic, *Bull Durham*, starring Kevin Costner, Susan Sarandon and Tim Robbins featured a number of North Carolina locations too: Asheville, Burlington, Durham, Greensboro and Raleigh. The Peter Sellers classic, *Being There* was filmed in Asheville in 1979 and the 2003 Academy-Award winning movie *Two Soldiers,* based on a short story by William Faulkner, was filmed in East Bend, Elkin, Winston-Salem and Yadkinville, North Carolina. In 2007, a production in progress is *Nights in Rodanthe*, based on the Nicholas Sparks novel, featuring Richard Gere and Diane Lane, which is being made in Wilmington and the Outer Banks area. Also, the 1920s football romantic comedy movie *Leatherheads* featuring George Clooney and Renée Zellweger was filmed in Charlotte, Statesville and Greensboro.

Oklahoma

In Oklahoma, the promotion and growth of the film, television, video, and music industries lies with the state's Film & Music Office, a state agency that was established in 1979.[93] The office provides a range of services to filmmakers both contemplating and working in the state.

Even before the well-known Louisiana incentive package that has generated so much film industry interest in the state was enacted, an effort was made in 2001 to establish a film rebate program in Oklahoma. At that time, the program was not fully funded and during the height of the state fiscal crisis that swept across the country, in January 2004, the program was subsequently deleted. The status quo changed in May 2005 when the Oklahoma Legislature passed three bills (HB 1547; HB 1716; SB 877) designed to bolster film production in the state.

According to the Oklahoma Film & Music Office, the state's current crop of incentives to the film industry may be divided into four main sections and includes the following features:

» **Oklahoma Film Enhancement Rebate:** The rebate program currently is funded up to $5 million per year and provides a rebate of up to 15 percent of Oklahoma production expenditures to companies (film, television and commercial productions) filming in the state. During the 2007 legislative session, the Legislature passed SB 623 which lowered the minimum budget required to participate in this rebate program from $2 million to $500,000.[94] Prior to this legislative change, a company was required to have a minimum budget of $2 million and spend $1.25 million in the state to qualify. In addition to lowering the minimum budget requirements, SB 623 also allows for the inclusion of some additional qualifying expenditures such as salaries for cast, producer, writer and director, if those salaries are paid to Oklahoma companies.
» **Construction Tax Credit:** This feature provides companies building production facilities in Oklahoma state income tax credits ranging from 10 percent on a minimum $500,000 construction project to 25 percent for projects over $1 million.
» **Reinvestment Tax Credit:** Oklahoma taxpayers who invest in film or music projects produced in Oklahoma are entitled to a 25 percent income tax credit on profits made when those profits are reinvested in another film or music project produced in Oklahoma.
» **Sales Tax Exemption:** Another benefit offers point of purchase (POP) tax exemptions to qualified productions on sales taxes paid for property or services used in productions. While the state's current sales tax is 4.5 percent, local taxes, which vary from city to city and county to county, average between 3 percent and 4 percent. Though there is no minimum budget or expenditure requirement to take advantage of this incentive, the POP tax exemption cannot be used in conjunction with the 15 percent rebate.

Oklahoma's association with the film industry dates back to the early days of the industry and, in 1925, the movie *Wild West* was filmed in Ponca City. In subsequent decades, a host of movies ranging from *Grapes of Wrath* (in 1940 in Sayre and McAlester), *Around the World in Eighty Days* (in 1956 in Lawton), *Dillinger* (in 1973 around Enid, Nash and Oklahoma City), *The Outsiders* (directed by Francis Ford Coppola in 1983 around Tulsa), *Rain Man* (the acclaimed 1988 Barry Levinson directed-movie with Tom Cruise and Dustin Hoffman in El Reno, Guthrie, Oklahoma City and Hinton), *Twister* (in 1996 with Helen Hunt and Bill Paxton in a number of locations including Waurika, Wakita, Ponca City, Pauls Valley, Norman, Maysville and Guthrie), *Phenomenon* (in 1996 with John Travolta, Kyra Sedgwick, Forest Whitaker and Robert Duvall filmed around Tulsa) and *Surveillance* (in 2005 in Oklahoma City and Tulsa) all have been shot in the state.

The Oklahoma film, *Four Sheets to the Wind,* was selected for participation at the 2007 Sundance Film Festival where it was nominated for a Grand Jury Prize; the film went on to win a Special Jury prize for Best Actress. As a direct result of the revisions passed in SB 623, two feature films, *Splinter* and *Ivory Trade*, are scheduled to begin filming in the Oklahoma City area in July 2007 with a possible third feature targeted for Oklahoma filming in October.[95]

South Carolina

In May 2005, South Carolina Governor Mark Sanford signed H.3152 into law, signaling that the executive and legislative branches in the state were committed to pursuing film and television producers to work in the state. While the state already had a growing reputation as an ideal location in the industry, the presence of these aggressive incentives further enhanced South Carolina's attractiveness to producers.[96] Effective July 1, 2006, South Carolina further enhanced its incentive package to film and television productions with the following incentives:[97]

» Film productions in South Carolina may receive a cash rebate of up to 20 percent of employee wages and an additional cash rebate of up to 30 percent of supplier expenditures if they spend at least $1 million in the state. While the 20 percent wage rebate applies to any employee of the production whose wages are subject to the state's withholding tax and less than $1 million, the 30 percent supplier rebate applies to all goods and services acquired by the production company from a South Carolina supplier and on certain out-of-state expenses such as camera rental, film stock, and special equipment vendors still developing in the state;
» All film and television production companies spending over $250,000 in South Carolina are exempt from sales and accommodations taxes and are eligible to use state properties location fee-free; and
» If a company sets up a motion picture production or post-production facility—with an eligible minimum investment in the facility—the company may claim an income tax credit of up to 20 percent for the construction or conversion, or equipping, or any combination of these activities of the facility. While total credits claimed by all taxpayers under this category may not exceed $5 million in a single qualified facility, unused credit may be carried forward for the next 15 succeeding taxable years. In addition, the credits cumulatively cannot reduce a taxpayer's income tax liability by more than 50 percent for a given year.

The 2006 incentive package quickly elevated South Carolina to rank among the most aggressive in the country in terms of luring film, television and commercial productions. In particular, the state offering a cash rebate, paid to the production company within 30 days of the final audit, stands in contrast to the practice in other states where tax credits or tax refunds entail long waiting periods and employing brokers. Another striking feature in the South Carolina program is the fact that it is the only state that reserves the estimated rebate funds for a production. South Carolina also provides state filmmakers with grants (up to $100,000 each) from the South Carolina Film Production Fund, a fund created to develop collaborative projects in film, video, and multimedia between professionals in motion picture-related industries and institutions of higher learning in South Carolina.[98]

South Carolina's association with the film industry is extensive, and when Governor Sanford signed the 2005 incentive package into law he did that on the deck of the U.S.S. Yorktown, the scene of the Academy-Award winning documentary *The Fighting Lady* and numerous motion pictures (*Tora! Tora! Tora!*; *Apollo 8*; and many World War II and Vietnam-era movies). In addition, *The Notebook*; *Radio; The Big Chill; Cold Mountain, Days of Thunder; The Prince of Tides; Die Hard with a Vengeance; Forrest Gump; The Patriot;* and *The Legend of Bagger Vance* are a fraction of the feature films that have been shot in South Carolina, while *C.S.S. Hunley*, and *North and South* are some of the television productions filmed in the state.

Tennessee

Created in 1979, the Tennessee Film, Entertainment and Music Commission operates within the office of the governor to attract and develop film, television, video, cable, commercial and music production to the state.[99] This statewide office works closely with the regional film commissions in Chattanooga, Memphis and Nashville to promote the state to the film industry.

Tennessee was one of the earliest states to offer economic incentives for film production (1994), a development that led to a host of films, including *21 Grams* and *The Green Mile,* being filmed in the state. More recently, during the 2006 legislative session, Representatives John DeBerry and Harry Tindell in the Tennessee General Assembly made an effort to further sweeten the incentives available to the film industry and enhance the industry's impact on the state economy.[100] Tennessee currently has a $20 million fund for rebates and a headquarters relocation refund plan.[101] As of May 1, 2007, Tennessee's incentives to the film and television industry comprise two main parts:

- The state offers a 13 percent rebate calculated on qualified below-the-line production expenditures incurred within a 12-month period in the state. To qualify for this rebate, if the company is headquartered outside the state, it must incur at least $500,000 in expenses, but if the company is headquartered within the state, it must only incur $200,000 in expenses. An additional 2 percent rebate is available to these companies if at least 25 percent of the cast and/or crew are Tennessee residents. Yet, another rebate of 2 percent is available (up to a maximum additional rebate of $100,000) if the production company spends at least $20,000 during post-production either in the acquisition costs for music created by Tennessee residents or for recording music in Tennessee. Hence, in total, Tennessee's rebate program could potentially add up to 17 percent.
- Tennessee offers a 15 percent rebate on qualified expenses if the production company is headquartered in the state and the company, or its subsidiary, incurs at least $1 million qualified expenses in the state.

Tennessee has been the filming location for a long line of movies stretching as far back as 1923 when *The Human Mill* was filmed in Franklin, Tennessee. Since then, hundreds of movies have been filmed in the state including *Walk the Line; Hustle and Flow; 21 Grams; The Client; The Firm; The Last Castle; Cast Away; The Green Mile; U.S. Marshalls; The Rainmaker; Wag the Dog; Silence of the Lambs; Days of Thunder; Blaze; Great Balls of Fire; 'Round Midnight* and *Walking Tall*.

Texas

There has been a push in Texas for some years now to enact legislation to provide more incentives to the film industry. This effort percolated in the Texas Legislature during the 2005 legislative session, and a bill was passed to initiate a film incentive program; however, it was never fully funded.[102] The effort (entitled the *Moving Image Industry Incentive Program*) was revived in the current 2007 session and HB 1634, sponsored by Representative Dawanna Dukes, passed the House overwhelmingly; Senator Robert Deuell sponsored the companion bill in the Senate (SB 782).

According to the Texas Film Commission, effective June 7, 2007, Texas' *Moving Image Industry Incentive Program* will offer grants equal to 5 percent of production company in-state spending, including wages paid to Texas residents.[103] While grants will be available to features, television programs, television commercials and video games, funding for the program will not be available until September 1, 2007. However, projects made after June 7 may apply for grants, which will be payable after September 1.

Based on the June 2007 incentive qualifying criteria, at least 80 percent of the production must be completed in Texas, at least 70 percent of the total number of crew, cast and extras must be Texas residents. In addition, each project must expend a minimum of $1 million for feature productions or television programs (for episodic series, $1 million per season) in in-state spending and a minimum of $100,000 in in-state spending for television commercials, series of commercials, and video games. These spending levels will qualify the productions for maximum grant amounts of $2 million for feature production, $2.5 million for television programs (for episodic series, $2.5 million per season), $200,000 for a commercial or series of commercials and $250,000 for video games.

In addition, the program will provide additional grant amounts for production in underused areas, defined as any part of Texas other than the metropolitan areas of Austin and Dallas. Projects that complete at least 25 percent of their total production days in these areas may receive a grant amounting to an additional 1.25 percent of total in-state spending. (The additional 1.25 percent applies to spending in all areas of Texas and is not restricted to the underused-area spending.)

In terms of the wage portion of production costs, the program mandates salary caps to the following limits: only the first $50,000 of each Texas resident's salary will be included in the grant calculation for features, non-episodic television, commercials and video games and only the first $100,000 of each Texas resident's salary per season will be included in the grant calculation for an episodic television series.

The implementation of Texas' incentive program passed in June 2007 has not affected other programs offering financial benefits to film, television, video and game production. Producers are exempt from 100 percent of state and local sales taxes on most items and services bought or rented for direct use in production. In addition, hotel rooms occupied for more than 30 consecutive days are exempt form the 6 percent state occupancy tax, retroactive to the first day. Fuel tax that was paid for fuel used off-road (as in generators or boats) may be refunded. And, after September 1, 2007, state-owned locations will be available for filming on a fee-free basis [House Bill 374 passed during the 2007 session, authored by Representative Joseph Pickett].

Furthermore, background information related to HB 1634 notes that while Texas has a fine reputation nationally and internationally as a preferred filming location for a number of reasons (technical crews, diverse locations, film equipment, and mild climate), in the last decade when financial incentives have loomed as a major factor in companies deciding where to film, Texas has experienced some setbacks. Since 2004, the Texas Film Commission has tracked 32 projects that researched Texas but ultimately chose locations in states or countries that provided incentives. According to the Film Commission, those 32 projects would have brought approximately $327 million in direct spending and 4,500 jobs to Texas.

While there have been in excess of 1,500 projects that have been made in Texas since 1910, a notable mention is the movie *Wings* filmed in San Antonio in 1927, the first film to win an Academy Award for Best Picture. A review of the movies made in the state quickly reveals some of the industry's luminaries including the Elia Kazan-directed *Viva Zapata!* (1951); *The Alamo* (1959 movie directed by John Wayne); *Giant* (1955); *Hud* (1963); *Bonnie and Clyde* (1967); *The Last Picture Show* (1971); *The Thief Who Came to Dinner* (1972); *The Getaway* (1972); *Benji* (1973); *Sugarland Express* (1973); *The Texas Chainsaw Massacre* (1973); *Urban Cowboy* (1979); *Tender Mercies* (1981); *Blood Simple* (1982); *Places in the Heart* (1983); *The Trip to Bountiful* (1985); *RoboCop* (1986); *Terms Of Endearment* (1983); *Born on the Fourth of July* (1988); *Heartbreak Hotel* (1988); *Lonesome Dove* (1988); *Flesh and Bone* (1992); *JFK* (1991); *What's Eating Gilbert Grape* (1992); *Waiting for Guffman* (1995); *Michael* (1996); *Rushmore* (1997); *Boys Don't Cry* (1998); *Office Space* (1998); the *Spy Kids* trilogy (2001-2003); *The Rookie* (2001); *Secondhand Lions* (2002); Disney's *The Alamo* (2003); the first and second seasons of NBC's *Friday Night Lights* (2006-2007); the second and third seasons of Fox's *Prison Break* (2006-2007); and Paul Thomas Anderson's *There Will Be Blood* (2007).

In closing, the Texas Film Commission notes that the state's extremely competent film crews remain one of its strongest assets. The Commission goes on to state that on most features shot in Texas, 75 percent to 80 percent of the below-the-line jobs are filled by Texans, an important feature that enables the production company to cut housing, transportation and per diem costs. The presence of very vibrant regional film commissions in Austin, Amarillo, Brownsville, Dallas, El Paso, Houston, San Antonio and South Padre Island remains another feature boosting the film industry in the state along with the efforts of the statewide Texas Film Commission.

Virginia

The Virginia Film Office (VFO), a division of the Virginia Tourism Corporation, seeks to promote film, cable television and video commercial production in the state.[104] In an effort to compete with other states in attracting movie production, beyond offering the state's ability to effectively portray Washington, D.C. and projects centered on historic themes, the Virginia General Assembly approved an appropriation to the governor's *Motion Picture Opportunity Fund* in 2006. However, the VFO maintains that of all the states with incentive programs for the motion picture industry only Vermont offers less than Virginia.[105] According to this report, the Virginia General Assembly made a one-time appropriation of $1.25 million a few years ago; VFO's current budget is $700,000.

At the governor's discretion, this performance-based incentive program provides a cash rebate to movie producers once certain targets related to length of filming, job creation, trainees hired and goods and services purchased are met. In addition, most of the expenses incurred in the purchase of production-related supplies or equipment are exempt—at the time of purchase—from Virginia's 5 percent sales and use tax. Also, a production company crew staying in a Virginia hotel or motel for at least 90 days will be exempt from paying the state's 5 percent sales tax on their entire stay. Most local governments also will exempt production crews staying in hotels and motels from the local sales tax after a stay of 30 days or more. Furthermore, some state-owned locations are provided free to production crews. For instance, a state-owned 35,000-square-foot office building—with 30-foot ceilings in some sections—in Richmond is available for office and production space without a fee. Finally, the Film Office will negotiate other free or low-cost locations resulting in significant savings to the production crew.

Virginia has a rich history of film productions with a notable collection of film festivals at locations around the state. At the local level, a number of film liaisons at various counties, cities and localities have been trained to assist filmmakers with their projects. The state's collection of movie locations, spanning its 400-year history, makes a compelling case for filming in Virginia for movies with a historic bent. Consequently, Virginia was honored in July 2006 by *Production Update Magazine* as one of the 10 best states for filming because of its people, hospitality, charm and proximity to Washington D.C. Virginia's reputation as an extraordinary place for film production was also confirmed by *MovieMaker Magazine* when Charlottesville was recognized for its thriving independent film community in 2005, and Richmond was ranked one of the top cities in the nation for independent filmmaking in 2004.

Virginia is a major production site for the shooting of commercials for major corporations ranging from Norfolk Southern, Mercedes Benz, Nike, Ford, Philip Morris USA to Seiko recently. It also is a major site for shooting television series (*The West Wing*, *Commander-in-Chief*) and documentaries (*George Washington: Man of Decision* and the National Geographic's *The Hunt for John Wilkes Booth*). Finally, the state has been the location for numerous feature films going back decades including *Evan Almighty* (with Steve Carell) in 2007; *Mission Impossible III* with Tom Cruise and Phillip Seymour Hoffman and the Clint Eastwood-directed *Flags of our Fathers*, both in 2006; *War of the Worlds* in 2005; *Gods and Generals* (which resulted in a 75 percent increase in inquiries about Civil War sites and tours in the state) and *Cold Mountain*, both in 2002; *Hannibal* with Anthony Hopkins in 2000; *True Colors* with John Cusack filmed in Charlottesville and *What About Bob* featuring Richard Dreyfuss, both in 1990; *Broadcast News* with William Hurt, Holly Hunter and Jack Nicholson in 1987; the Louis Malle-directed *My Dinner with Andre* filmed in Richmond in 1980 and *Giant* (featuring Rock Hudson and Elizabeth Taylor) in 1955.

West Virginia

West Virginia is another SLC state that has a long history in the film industry going back to 1925 when the Paramount Pictures movie *Stage Struck,* with a cast that included Gloria Swanson, was filmed in New Martinsville.[106] At this juncture, the West Virginia Film Office (WVFO), a division of the West Virginia Department of Commerce, supports motion pictures, television programs, commercials, music videos, and other productions that occur in the state. One of the important services carried out by the WVFO for industry officials is publishing, annually, the production services directory. This report connects producers with West Virginia's workforce and vendors in the industry by including information on filming guidelines, instructions for business registration, technical and other support services, accommodations, etc.

West Virginia offers the following incentives to the motion picture industry:

» By applying for a Direct Pay Permit with the state's Department of Tax & Revenue, purchases and rentals in West Virginia of tangible personal property directly used to create and manufacture motion pictures, television programs, commercials, music videos, and other similar types of entertainment properties are exempt from the 6 percent sales and service tax;
» Exemption from the state sales and service tax (6 percent) and exemption from the local hotel/motel tax (varies per region) on lodging stays in excess of 30 consecutive days per person at the same facility;
» An interesting feature allows movie companies to be able to control the flow of a river for production. This *River on Demand* feature allows the production company to choose between raging, whitewater or calm waters and is a service made possible by the drawdown of the Summersville Lake by the U.S. Army Corps of Engineers in the Huntington District;
» Most state-owned property is fee free, but fees may occur in certain circumstances, including cost recovery;
» Discount rates on rental cars are allowed for both production scouts and during filming; and
» Depending on the scope of the project, the WVFO may assist with negotiations of "soft" incentives such as discounted location fees, office space rental, lodging, vehicle rentals, etc.

As indicated at the outset, West Virginia's has a lengthy history with the film industry, and some of the movies and television productions that have been shot in the state include *We Are Marshall* (2006); *Gods and Generals* (2002); *Primal Fear* (1996); *Matewan* (1987); *The Deer Hunter* (1978); *The Hatfields and Mccoys* (1975); *Fools' Parade* (1971); *The Rain People* (1969); and *The Night of the Hunter* (1955).

Conclusion: That's A Wrap

A number of structural changes transforming state economic systems—the increasing importance of the service sector, the eroding value of the U.S. dollar—propelled state policymakers across the country to enact specific measures to seek the business of movie and television production companies. Led by the incentives introduced by Louisiana in 2002, a development that has resulted in the state now referred to as Hollywood South, states in every part of the country now offer a range of tax incentives and other benefits to lure filmmakers to operate within their borders. Beyond the positive media attention garnered by filming a movie in a state, the trend associated with movie locations as tourist attractions and state economic development officials treating movie production companies as a growth industry, policymakers quickly realized the tremendous economic benefits associated with this activity. On a national scale, according to a 2007 report, the motion picture and television production industry contributes $60.4 billion in output to the U.S. economy; creates over 1.3 million jobs; generates $10 billion in income and sales taxes; and maintains a $9.5 billion balance-of-trade surplus with the rest of the world.

Even on an SLC state-by-state basis, the economic impact numbers 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 an astounding $1 billion in 2005. In North Carolina, over a 25-year span (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. While 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; in Virginia, in June 2006, the governor 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 prior year.

A sampling of the economic impact information demonstrates that the proactive stance adopted by a number of SLC state legislatures in establishing financial and other incentives has reaped significant economic benefits to these states. In general, the financial incentives offered by the states take on a variation of investor tax, labor tax and sales tax credits with the packages currently being proffered by Louisiana and South Carolina considered very competitive. States offer other benefits that seek to sway the location calculations of production companies.

As states continue to enact measure that attract the business of this uniquely American art form, 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, the kind of jobs that will assure America's competitive advantage in this rapidly changing and global industry.

Endnotes

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