DC Fiscal Policy Institute

An Affiliate of the
Center on Budget and Policy Priorities
820 First Street NE, Suite 460
Washington, DC 20002
(202) 408-1080 Fax (202) 325-8839
www.dcfpi.org

Testimony of Jessica Fulton, Outreach Director
DC FISCAL POLICY INSTITUTE

At the Public Oversight Hearing on the
FY 2015 Budget for the Office of Notion Picture and Television Development
District of Columbia Committee on Business, Consumer, and Regulatory Affairs
May 8, 2014

Good morning, Chairman Orange and other members of the committee. My name is Jessica Fulton and I am here today representing the DC Fiscal Policy Institute. DCFPI is a non-profit organization that engages in research and public education on the fiscal and economic health of the District of Columbia, with a special emphasis on those policies that affect low- and moderate-income residents.

The Office of Motion Picture and Television Development (OMPTD) serves as a tool for diversifying the District economy through building our film industry. The proposed budget for fiscal year (FY) 2015 would set new limits on the size of film productions that can qualify for subsidies, limit the amount that these productions can receive, require an annual report and audit of each film subsidy grant, and reduce the size of the film incentive fund.

I am here today to testify in favor of the proposed budget. The costly and ever-increasing film production subsidies across the country raise serious doubts about this approach to economic development. The proposed budget will bring increased transparency and accountability, protect the District from entering into the costly and ineffective film subsidies, and allow the OMPTD to focus more on building local talent.

Film Incentives Are Costly and Unsustainable

States across the country offer incentive programs to filmmakers with hopes of further developing their film industry. Because of the competition between states for films, the cost of winning has risen as states outbid each other for films. This leaves jurisdictions vying for films at a disadvantage to filmmakers who can pit jurisdictions against one another for their own economic gain. The recent experience of the Netflix show "House of Cards," in which the company threatened to move production from Maryland without very large subsidies or leave, suggests that film incentives are not an effective economic development tool. The film productions stay only as long as they receive large annual subsidies.

Moreover, this kind of job creation is not necessarily long-lasting or meaningful for local residents. Film companies often fill temporary and lower-paying positions with local residents. According to a study cited by the Center on Budget and Policy Priorities, "Most crew members are hired locally, while top personnel travel extensively from job to job[1]." This kind of economic development places a strain on workers desiring to staff projects and does not provide consistent work.

The District can take other steps to improve other factors to encourage filmmakers to come to the District, like streamlining processes and providing other technical assistance. This would improve the District's film industry without entering into costly competition over subsidies with states whose budgets are many times larger than our own.

To Build a Sustainable Industry, DC Should Focus On Local Talent

In order to build a self-sustaining film industry in the District of Columbia, the Office of Motion Picture and Television Development should look to DC's own residents. By investing in local talent, OMPTD can ensure that filmmakers are consistently filming in the District and are creating and sustaining jobs year-round.

By providing support for trainings, technical assistance, and financing to local filmmakers, DC can increase the quality and quantity of films produced in DC by DC residents. It also would encourage entrepreneurship in the creative economy and in an area that is increasingly accessible to our younger residents. To my knowledge, the Office of Motion Picture and Television Development recently started doing more local work and they should definitely continue down that path.

Limiting Film Incentives and Requiring a Yearly Audit Makes Sense

In the fiscal year 2015 Budget Support Act, the mayor proposes to only provide incentives for projects that spend at least $500,000 in qualified expenses over a period of five or more days. He also proposes that incentives not exceed 100 percent of the tax revenue paid to DC on the qualified expenses. These kinds of thresholds are being taken up across the country to ensure that jurisdictions are benefitting from the incentives.

The BSA also requires a yearly audit and report on each grant. This would increase transparency and help prevent instances like the over-awarding of funds to the filmmakers of "How Do You Know." In addition, by examining the businesses used by filmmakers, the Deputy Mayor for Planning and Economic Development can identify the kinds of business that might support the local film industry that are lacking in the District.

Overall, spurring economic development through film incentives is not cost-efficient or likely to lead to sustainable economic growth that the District needs. Given that the District has limited resources, we should instead focus on economic development that helps people build skills, like investing in local talent or funding important initiatives like adult literacy.

Thank you for allowing me to testify and I am happy to answer any questions.

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[1] Cathy Greenhalgh, "Traveling Images, Lives on Location: Cinematographers in the Film Industry," in Verid Amit, ed., *Going First Class? New Approaches to Privileged Travel and Movement,* Berghahn Books (New York: 2007), p. 74.