

Senate Finance Committee Testimony  
May 23, 2019

Against Elimination of Film Tax Incentive  
In Favor of Retaining/Increasing Film Tax Incentive

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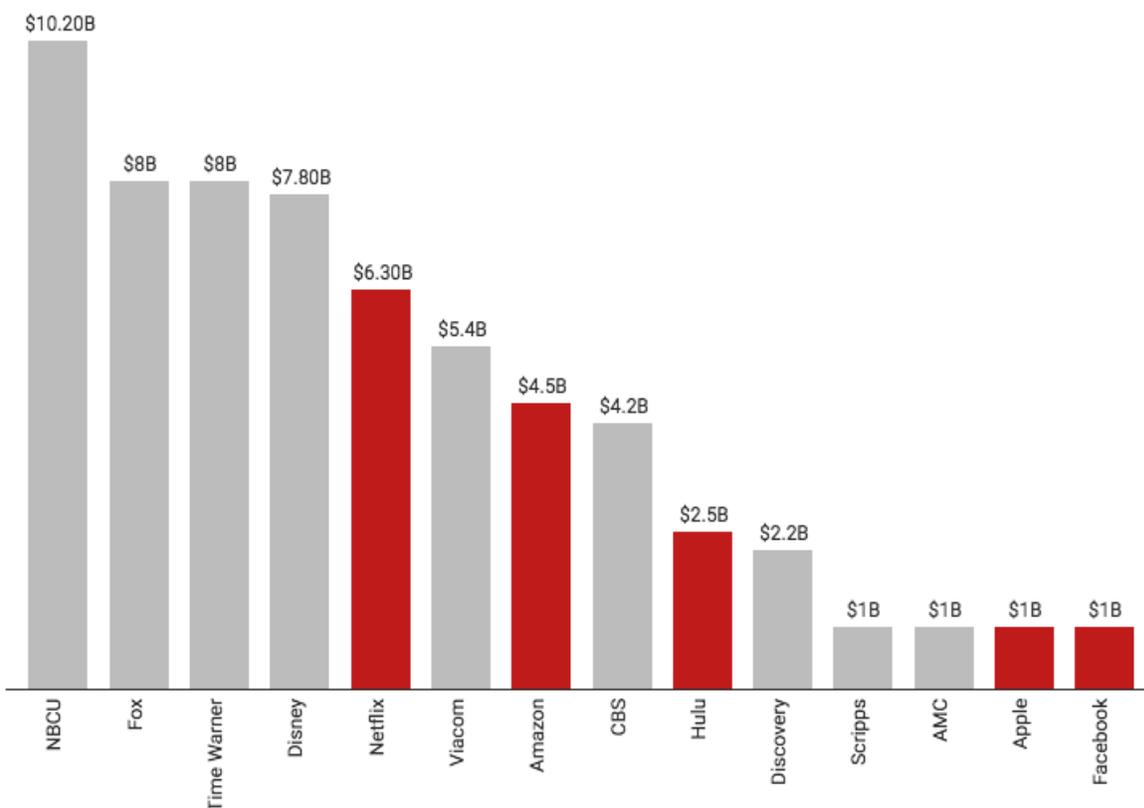
Motion Picture Association of America

Sep 2, 2016 - (ancient history)

- US film & television industry: 1.9 million U.S. jobs and \$121 billion in wages. ...
  - average salary 48% higher than the national average.
  - heavily unionized workforce

## 2017 non-sports programming spend

Internet companies highlighted in red



*Includes original and acquired programming.*

Source: MoffettNathanson, Wall Street Journal (Facebook 2018 spend) • [Get the data](#) • [Created with Datawrapper](#)

- 2017: \$63 billion
- 2018: \$70-\$75 billion?
- 2019: \$85-90 billion?
- 2020: \$100 billion???

– this is content that needs to be created somewhere where there are tax incentives –

Streaming Has a New Constant: Content Need

“Success in the subscription marketplace ...it’s about retention over the long haul. Netflix ... want(s) to keep you on the hook ... by offering a steady stream of engaging content—shows and movies that represent opportunities for repetitive cash flow and sustained interest.”

-Brandon Katz - Observer

#### Netflix

- 2018: \$13 billion (*2x 2017 in the graph above*)
- 85% of new spending: original series & movies
- 90% of customers watch original programming
- 93% customer retention
- \$145 billion market valuation, 140 million subscribers
- Goldman Sachs predicts \$22.5 billion spend in 2022, a (*from \$6.3 B in 2017*)

#### ATT – WarnerMedia

- ATT paid over \$70 billion to acquire HBO et al– removed leadership to prepare for huge expansion – orders are to ramp up production and output above all.

Disney – 2019 acquired Fox Film & TV assets for Disney+ streamer for \$70+ billion

Disney – 2019 acquired 100% stake in HULU for \$27 billion.

- \$100 billion in acquisitions to create streaming content

AMAZON - \$1 billion for rights to Lord of the Rings, \$40 million for 4 movies at Sundance 2019, 100 million Prime Subscribers – big dog ramping up.

Apple – seeking high-end content to differentiate iPhone from competition. Deals with Oprah, Reese Witherspoon’s Hello Sunshine, Peanuts, Sesame Workshop, A24 – Screens in 1.4 billion pockets – \$245 billion in cash on hand to invest.

- MPAA: Georgia, the film & tv industry
  - 2016: employs 25,700 people, \$1.7 billion in wages.
  - 2018: more than 92,100 jobs, \$4.6 billion in total wages.
- Georgia-lensed feature film and television productions generated a total economic impact of \$9.5 billion during FY 2018. ...455 film and television productions shot in Georgia represent \$2.7 billion in direct spending in the state.
- Since 2010, more than 300 new businesses have relocated or expanded in Georgia to support the industry.

#### HIGHER EDUCATION:

I moved to Cleveland from Denver in July of 2017 because the legislature had the wisdom to invest \$7.5 million in the creation of Ohio’s first stand-alone film school, for provide the human infrastructure for the state’s film tax incentive program.

At this time last year Cleveland State University’s School of Film & Media Arts had received 283 applications to the School of Film & Media Arts.

This year we have received 461 applications, an increase of 63%.

CSU has in-state tuition of around \$10,000 for a full load of ten courses per year. The SSI (state share of instruction) is about 27%, or \$2700

Conservatively, there must be at least 2000 students in Ohio state-sponsored higher education who are majoring in film, video and the media arts. (CSU, Bowling Green, Cincinnati State Tech, Tri-C, Ohio State, Ohio University, Sinclair CC, University of Cincinnati, University of Toledo, Wright State, Lakeland CC, Lorain CC, Miami University, Kent State). On average let's assume a similar average SSI.

That's \$5.4 million per year in state subsidies, or \$21.6 million for the four-year education of these students, who will have to leave the state of Ohio in order to find work.

The elimination of the Ohio Film Tax Incentive will have the following effects:

1. Remove employment for 5000 Ohio tax payers
2. Export Ohio tax payer monies to states with tax incentives
3. Aid in the aging of the Ohio resident population
4. Export eager, talented and highly-trained creatives who could be forming the kind of talent and tax base necessary to develop a vibrant entrepreneurial economy.
5. Strike a blow against Ohio in the state-to-state competition for Talent, Trade and Tourism.

Other states will be more than happy to welcome our young talented graduates into their film-based industries. They'll be very happy to collect taxes from their employment. They'll welcome all the new businesses that develop around teams of creative storytellers.

-But I have a feeling that they won't even send a thank you note....

Conversely, increasing the Ohio Film Tax Incentive will have the following effects:

1. Creation of bricks and mortar infrastructure (studios).
2. Increased attractiveness to talented young people from neighboring states.
3. Increased out-of-state enrollment to subsidize in-state education.
4. Increased tourism due to film & show production.
5. Retention of talented young people to fill positions in a fast-growing attractive industry that does not create pollution or waste disposal issues.
6. Development of new businesses in support industries.