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**TESTIMONY OF JESSICA FULTON, OUTREACH DIRECTOR  
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**At the Public Oversight Roundtable on  
A Review of the Office of Motion Picture and Television Development's Plans For  
Incentivizing Film and Television Production for Fiscal Year 2014  
District of Columbia Committee on Business, Consumer, and Regulatory Affairs  
October 2, 2013**

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 serves as a tool for diversifying the District economy through building our film industry. I am here today to talk about how we can use our economic development tools to achieve this goal in light of the analysis completed on both the viability of the industry and the effectiveness of the Film Economic Incentive Fund. The study, completed by ECONorthwest, suggests that DC might be able to better direct its resources to build a stronger, more sustainable, local film industry.

**Film Incentives Don't Work Well in DC**

In September of 2013, ECONorthwest completed a study, "An Analysis of the Entertainment and Media Industry in Washington, DC," which examined the viability of the film industry in the District, as well as the effectiveness of subsidies in luring out-of-state filmmakers to DC. The study found that, while DC's film industry is alive and well, we have lost taxpayer resources on incentives intended to be tools of economic development. The study examined the jobs and local spending that occurred when beneficiaries of the Film Economic Incentive Fund filmed in the District. It also calculated the revenues received by the government as a result of that spending. Specifically, the study found that DC offered subsidies totaling \$2.6 million in 2007, 2009, and 2010, but that the spending only generated tax revenues of \$1.15 million. Thus, the incentives cost the District approximately \$1.5 million.

DC's revenue system makes it especially difficult to experience a net tax return from film incentives. Often, out-of-state filmmakers bring in their own crews for the highest-paying, highest-skilled work,

leaving the low-skilled, low-paying positions for DC residents. Because the District can levy income tax only on residents, the city gets no income tax from non-residents who come to film a movie.

Moreover, DC's film incentives reward those films that might have located in the District anyway. Our unique location and history make the District a sought after location for even those films that do not receive subsidies. And the Office of Motion Picture and Television Development appears to be hard at work recruiting filmmakers, with 19 productions completed in DC in 2012. None of them received a subsidy from the city.

### **Film Incentives Aren't Great Economic Development Tools across the Country**

Forty-two states offer incentive programs with hopes of luring filmmakers. As often occurs with state and local economic development subsidies, the cost of winning has risen as the competition for filmmakers has increased and states outbid each other for films. Moreover, research finds that film subsidies do not support sustained economic development. The jobs the films bring are often low-wage and temporary, not long-term, high paying jobs that boost economic growth. An analysis by the Center on Budget and Policy Priorities highlights studies completed across the country that show these subsidies do not pay for themselves. DC itself offers subsidies that are above the national average, costing the District approximately 56 cents for each dollar spent. This further suggests that DC's efforts to boost economic development through subsidies to large film companies is unlikely to pay off.

### **DC's Should Direct Economic Development Efforts towards Growing the Indigenous Film Industry**

In contrast to the challenges and limited benefits of luring out-of-state film companies, the ECONorthwest study highlights the productivity and potential of indigenous filmmakers. In fiscal year 2012, this sector supported 1,877 jobs and \$160.9 million in labor income in the region, versus the 266 jobs supported by out-of-state productions. By targeting economic development dollars at local filmmakers, DC can grow skills and productivity in the local industry.

Ultimately, building our film industry is likely to have greater long-term payoffs, at a lower cost, than providing deep subsidies for large film companies to film briefly in the city.

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