



**Department of Commerce**  
Innovation is in our nature.

# Motion Picture Competitiveness Program

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**September 17, 2012**  
Report to the Legislature  
Rogers Weed, Director

## **Statutory Authority**

In 2006, the Legislature created an incentive program to attract film industry investment to Washington State. RCW 43.365. The incentive is administered by the non-profit 501(c)6 organization, Washington Filmworks. The Department of Commerce is responsible for rules that guide the incentive program and reporting results to the Legislature each even-numbered year by September 1.

## **Incentive Program**

Productions are eligible once they meet the following Washington state spending thresholds:

- \$500,000 Feature Films
- \$300,000 Television
- \$150,000 Commercials

## **Projects**

### **2007**

*The Holidays*, Feature Film  
*Lipitor*, Commercial  
*Diamond Dog*, Feature Film  
*The Immaculate Conception of Little Dizzle*,  
Feature Film  
*Mervyn's*, Commercial  
*Letter to Bill Gates*, Movie of the Week  
*The Golden Door*, Feature Film  
*True Adolescents*, Movie of the Week

*Target*, Commercial  
*The Ward*, Feature Film  
*Campbell's Chunky Soup*, Commercial  
*Chevrolet*, Commercial  
*The Details*, Feature Film  
*The Joneses*, Feature Film  
*The Big Bang*, Feature Film  
*Microsoft - In-store*, Commercial  
*Microsoft – Sherlock*, Commercial  
*XBOX 360 Lips Classics*, Commercial

### **2008**

*Traveling*, Feature Film  
*Finding Bliss*, Feature Film  
*Alicia's Book*, Feature Film  
*WA State Lottery*, Commercial  
*Norman*, Feature Film  
*The Whole Truth*, Feature Film  
*World's Greatest Dad*, Feature Film  
*Commit*, Commercial  
*Dear Lemon Lima*, Movie of the Week  
*Give Em Hell, Malone*, Feature Film  
*Hyundai Sonata*, Commercial  
*Mervyn's*, Commercial  
*Oy Vey, My Son is Gay*, Feature Film  
*BECU*, Commercial

### **2010**

*The Hit List*, Feature Film  
*Coors Banquet Beer*, Commercial  
*Late Autumn*, Feature Film  
*Catch 22*, Commercial  
*Microsoft – Natal*, Commercial  
*Knights of Badassdom*, Feature Film  
*Toyota Running Footage*, Commercial  
*Evergreen 2010*, Commercial  
*Grassroots*, Feature Film

### **2009**

*Wrong Turn at Tahoe*, Feature Film  
*WA Lottery "Frisbee" Mini Musical*,  
Commercial  
*Banner Bank*, Commercial  
*\$5 Cover*, Feature Film

### **2011**

*The River Sorrow*, Feature Film  
*Xbox LIVE All-Up*, Commercial  
*WA Lottery Celebration*, Commercial  
*Chevy*, Commercial  
*Bridgestone*, Commercial  
*Ben Bridge Jeweler*, Commercial  
*Green Squirrel*, Commercial

*Camilla Dickinson*, Feature  
*Chevy Crossroads*, Commercial  
*WA Lottery Beneficiary*, Commercial  
*WA Lottery How to Play*, Commercial  
*WA Lottery Joust*, Commercial  
Thunderballs, TV  
*Xbox Play*, Commercial  
*Bank of America*, Commercial\*  
*Seattle Cancer Care Alliance*, Commercial\*  
*Navy Spirit Lake*, Commercial\*

\*Addendum to the 2011 report to the  
Legislature adding the three referenced  
surveys.

## **2012**

*Safety Not Guaranteed*, Feature  
*Cathay Pacific*, Commercial  
*MS Xbox Kinect*, Commercial  
*Fat Kid Rules the World*, Feature  
*21 & Over*, Feature  
*Mine Games*, Feature  
*Eden*, Feature  
*Touchy Feely*, Feature  
*XBOX E3*, Commercial

PRODUCTION SURVEY SUMMARY  
 Production Incentivized by Washington Filmworks  
 July 1, 2007 to September 1, 2012

Category	Completed and Certified				2007-2010 Adjustment*	2011*	2012*	Total
	2007	2008	2009	2010				
Total Number of Completed Projects	8	14	11	3	8	17	9	70
Total WA State Spend	\$ 6,334,790.90	\$ 15,148,744.13	\$ 14,747,866.44	\$ 5,232,432.40	\$ 6,030,487.87	\$ 7,581,950.29	\$ 10,989,072.21	\$ 66,065,344.24
Total Production Budgets for Completed Projects	\$14,721,536.00	\$53,606,120.00	\$15,461,210.15	\$10,527,997.00	\$7,061,362.00	\$14,371,642.84	\$20,395,200.17	\$136,145,068.16
Total Amount of Funding Assistance Paid to Productions*	\$ 1,258,216.54	\$ 3,018,889.12	\$ 4,270,875.10	\$ 1,567,229.72	\$ 1,809,146.36	\$ 2,514,355.53	\$ 3,526,138.48	\$ 13,687,745.19
Total Employees Hired From WA State	470	996	981	345		1339	1942	4607
Total Employees Hired From Out-of-State	152	370	273	61		188	231	1275
Total Number of WA State Employees in the Following Salary Ranges, Calculated Per Production								
# Less than \$30,000	472	474	549	301		78	213	2087
# Greater than \$30,000 & Less than \$60,000	34	362	396	163		308	390	1653
# Greater than \$60,000	101	304	134	85		199	228	1051
Total Number of WA State Employees Typically Covered by Collective Bargaining Agreements That Received Production Provided Medical and Retirement Benefits in the Following Salary Ranges, Calculated Per Production:								
# Less than \$30,000	268	130	138	2		52	160	750
# Greater than \$30,000 & Less than \$60,000	31	297	324	155		244	237	1288
# Greater than \$60,000	94	324	111	85		182	213	1009

% Full Time WA State Employees (worked full filming schedule)	78%
% Part Time/Temporary WA State Employees (worked < full filming schedule)	22%

NOTES:

Average production schedules for feature films are 30 days. Very few production personnel make \$30,000 or more per production.
Not all positions on film sets are covered by a collective bargaining agreement.
All above figures are accrued from individual incentivized projects and not annual figures.
The surveys are turned in before official WF audit and review, therefore they are estimations. The final audited numbers may be slightly variable from the survey numbers, therefore the reported numbers in categories relating to WA spending and incentive

\*The Total Amount of Funding Assistance Paid to Productions for 2011 & 2012 refers the total amount of funding requested by each applicant. Timing issues and post production survey reporting are currently being resolved by Commerce and FilmWorks. The 2007-2010 adjustment figures are a result of misaligned reporting dates which we hope to resolve with new reporting policies.

Appendix to follow: Washington Film Works Response to Report



## **Narrative Response to Department of Commerce Report on the Motion Picture Competitiveness Program**

### **Overview**

In 2006, the legislature created the Motion Picture Competitiveness Program (MPCP), an economic development vehicle to attract film industry investment in Washington State (RCW 43.365.050). Washington Filmworks (WF) is the private non-profit organization that manages the MPCP and the state film program. During the 2012 legislative session, the MPCP was renewed through June 30, 2017.

As of June 30, 2012, the Board of Directors of WF has approved six productions including three commercials and three feature films. These projects will invest an estimated \$6M into our statewide economy over the summer months.

### *Certified and Complete Statistics*

Attached (Exhibit A) are the certified numbers for all productions that have been approved for funding assistance and completed principal photography. The statistics presented by WF are based on calendar years (January - December). It is important to note that once a project has completed their production and post-production surveys, WF incorporates the certified and complete information into the year in which the motion picture production is filmed. These numbers differ from the descriptive statistics provided by the Department of Commerce (DOC) for the reasons outlined below (and addressed in greater detail in subsequent sections of this report).

1. Each production approved for funding assistance is required to submit a Production Survey with the Department of Commerce (DOC) before receiving funding assistance from WF. Prior to issuing funding assistance, WF conducts an in-depth review of all productions to ensure that each line item of the budget is a qualified in-state expenditure. During this review process, WF finds expenditures that do not qualify or perhaps do not have proper documentation and these expenses are deducted from the total amount eligible for funding assistance. The descriptive statistics published by the DOC are gathered prior to WF internal review process and generally don't reflect any of these deductions.
2. Approved productions may submit two Completion Packages to WF detailing in-state expenditures, one for production expenses and one for post-production expenses. Because the DOC has never provided a post-production survey, the economic impact of post-production was never accounted for in the published descriptive statistics.

# Washington Filmworks

## **Motion Picture Industry Trends**

With 39 states across the country and a great many more international jurisdictions with production incentives in place, the MPCP remains the best tool that Washington State has to secure motion picture business. The MPCP remains the “hook” that gets producers interested in Washington State, however it is also the diverse locations, experienced cast and crew and an extensive production resource network that help get projects to commit to Washington state.

Los Angeles based producer Deborah Moore recently received funding assistance for the feature film “One Square Mile,” starring Richard Jenkins and Kim Basinger, which shot in Seattle in August. Moore commented, “Our film could have shot anywhere in the country and we did budget breakdowns for four different states. Ultimately we chose Washington because of the cash back incentive, the entrepreneurial approach of Washington Filmworks and the stellar reputation of the film community. Everyone in Hollywood knows that Washington has re-emerged on the national scene and it’s in large part because of the incentive program. I simply could not have made the film in Seattle without it.”

## **WF Role in the Creative Economy**

### *Career Diversity*

The careers of film industry professionals include many diverse projects. As highly skilled contractors, it is not uncommon for film industry professionals to work on multiple projects in a calendar year. The projects secured by WF are vitally important to film industry professionals because they are often the best paying work that provide workers health and retirement benefits.

WF and the MPCP afford our creative community economic freedom that allows our most promising professionals opportunity to build their careers. Seattle based director Megan Griffiths had this to say about her experience with WF projects, “I worked as an Assistant Director for five months on the film ‘Late Autumn.’ Not only was working on that film a great experience unto itself, but it also allowed me the financial means to be able to turn around after the film ended and make my own film, ‘The Off Hours.’ Since ‘The Off Hours’ was made with a very modest budget, it helped us greatly that Seattle crews had been working so regularly on incentive projects. I was able to pull together a very experienced team of people who may not have been able to support my project if they hadn’t had such consistent local work leading up to our shoot.” Griffiths critically acclaimed film premiered at the Sundance Film Festival and ultimately helped her secure her next feature “Eden.” Shot in both eastern and western Washington, “Eden” was filmed entirely in Washington State. The film had a budget twenty times that of “The Off Hours” and all of that money was invested directly in Washington workers and Washington businesses that support the film industry.

### *Filmworks Innovation Lab*

# Washington Filmworks

The legislation to renew the MPCP allows WF to commit up to 10% of its annual funding allocation to provide financial support for filmmakers who are Washington residents, and for film projects that are using new forms of production and emerging technologies. In response, WF has established the “Filmworks Innovation Lab.”

The Filmworks Innovation Lab is designed to invest in our local creative community and to encourage the development of original storytelling that capitalizes on new forms of production and technology. By leveraging our existing film infrastructure and the depth and diversity of our in-state technology resources, Washington is uniquely positioned to incubate a groundbreaking digital entertainment platform that fosters a new Creative Economy for Washington State.

## *Cluster Development*

As audiences begin to consume media in different ways, entertainment platforms are converging and there is greater opportunity for the creative sectors in Washington State to align. As the video game industry continues to develop within the state’s borders, for example, WF has discovered that game developers are beginning to rely more heavily on the film industry for creative support services. There is ample opportunity for cross pollination as actors can voice animated characters, production designers can help create virtual worlds, composers can provide melodic undertones and of course screenwriters can develop stories and dialogue for the virtual protagonist. The work that WF provides industry professionals helps to retain our local talent and in turn prevents the video game industry from looking to Hollywood to provide their creative support. There is still much opportunity to align these sectors but the key to its success is retaining local talent in each industry.

## **Reporting Practice Improvements to Better Evaluate Economic Impacts**

### *Economic Impact of Production Incentive Program*

WF is working with the Joint Legislative Audit and Review Committee (JLARC), the DOC and the Department of Revenue (DOR) to develop new reporting practices so that the legislature is better able to understand the effectiveness of the program and the economic impact of the film industry statewide. The legislation to renew the program requires this collective to draft a revised production survey that all approved productions must complete after principle photography and before funding assistance is issued.

Earlier in 2012, WF submitted a draft of a Production Survey and a Post Production Survey that aligns with the requirements of the law and gathers much more detailed information about the economic impact of the program. As reported above, historically the DOC has not provided approved productions with a post-production survey to capture the economic impact of spending after the end of principle photography. WF estimates that during the first five years of the program by not providing a post-production survey the DOC has missed collecting approximately \$3M dollars spent in our statewide economy. Per JLARC’s

# Washington Filmworks

recommendation, WF also provided detailed instructions to accompany both surveys explaining in detail how to fill out each line item to ensure that data is being reported consistently,

WF also recently amended the program's Guidelines and Criteria to require that all productions submit their survey after the internal review process. This will help ensure that the most accurate numbers are reported to the DOC.

## *Economic Impact of Statewide Film Industry*

Since WF projects represent only a portion of the work in a film professional's career, it is important for the legislature to have a better understanding of how WF projects fit into the larger statewide film industry. In evaluating the JLARC report published in December 2010, it came to our attention that film industry employment is significantly under reported through typical state employment databases. Many companies engage heavily or entirely in film production, but their economic codes for some reason assign them to other sectors. In addition, the majority of projects that received funding assistance through WF used payroll service companies specializing in entertainment payroll. These agencies become the employer of record but do not register as businesses working in film, and rather are in a generic services-related industry code for all placement agencies. This means that the majority of jobs created by WF projects are not reflected in the employment data cited in the JLARC report.

There is also significant evidence to suggest that tax revenue from businesses that support the film industry is dramatically under-reported. Attached (Exhibit B) is a visual representation of how an approved feature film production spent money in Washington State. Of the 325 Washington based businesses the production wrote checks to, only 1% of the businesses are assigned a NAICS code that is unique to film. As a result, the vast majority of revenues of Washington businesses that come from film projects are dispersed and hidden among many sectors not known to be associated with film.

WF will continue to work hard to better qualify and quantify the employment and tax revenue opportunities of the production incentive program and the film industry statewide. We intend to issue a more thorough report on the economic impact of the film industry statewide in our inaugural Annual Report for the Film Industry to be published early in 2013.





**Exhibit A**

Washington Filmworks  
 Internal Review Statistics  
 2007-June 30, 2012

<b>Calendar Year (Jan-Dec):</b> Tracked by the calendar year in which the economic activity took place	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012 Through 6/30/2012</b>	<b>Total</b>
Total Projects for which fund have been committed or distributed as of 6/30/12	8	14	14	23	12	6	77
Projects for which completion packages for Production (and if applicable) Post Production have been reviewed & verified.	8	14	14	23	9	0	68
Projects for which completion packages for Production have been reviewed & verified, but have not yet submitted a post completion package. Funding Assistance for Post has not yet been issued.					2		2
Projects in Production. No Completion Package or Survey has been submitted. Funds have not yet been issued.					1	6	7
# Features	3	8	6	6	6	3	32
# TV/MOW	3	1	0	0	1	0	5
# Commercials	2	5	8	17	5	3	40
Verified Total Allowable Washington Spend Per Review:	\$6,334,790.90	\$15,148,744.13	\$15,140,536.68	\$17,413,651.47	\$11,725,851.67		\$65,763,574.85
Estimated Washington Spend for Projects in Progress:					\$1,656,251.97	\$6,083,679.00	\$7,739,930.97
<b>Total Estimated Washington Spend</b>	<b>\$6,334,790.90</b>	<b>\$15,148,744.13</b>	<b>\$15,140,536.68</b>	<b>\$17,413,651.47</b>	<b>\$13,382,103.64</b>	<b>\$6,083,679.00</b>	<b>\$73,503,505.82</b>
Total Funds Distributed as of 6/30/12	\$1,258,216.99	\$3,018,889.12	\$4,389,185.19	\$5,177,004.28	\$3,448,042.57		\$17,291,338.15
Funding Assistance Still Committed					\$496,875.79	\$1,719,802.00	\$2,216,677.79
<b>Total Estimated Funds Distributed/Committed</b>	<b>\$1,258,216.99</b>	<b>\$3,018,889.12</b>	<b>\$4,389,185.19</b>	<b>\$5,177,004.28</b>	<b>\$3,944,918.36</b>	<b>\$1,719,802.00</b>	<b>\$19,508,015.94</b>

**Exhibit B**  
Sample MPCP Project:  
Percentage of Qualified Washington Spend on Feature Film by NAICS

