

Recommendations for Expanding West Virginia's Film Industry

December 1, 2017

Statutory Requirement

Pursuant to W. Va. Code §11-13X-12, the West Virginia Development Office, in consultation and coordination with the appropriate public and private entities, shall promote, foster, encourage and monitor the development of the film industry in this state as part of its comprehensive economic development strategy for West Virginia and report recommendations for expanding the industry in the state to the Governor and the Joint Committee on Government and Finance annually on or before the first day of December.

Brief History

Since 1994, the West Virginia Film Office ("Film Office") has been charged with recruiting motion picture, television, commercial and related media productions to select West Virginia as a place to conduct business. It does this by:

- Maintaining an online database of service providers and film locations in the state;
- actively recruiting projects to the state, including attending the American Film Market each year;
- acting as a liaison among business prospects and governmental agencies, communities, and property owners;
- advising prospects on business registration issues, research, and logistical support; and
- administering and promoting the West Virginia Film Industry Investment Act.

From 1994 to September 2006, the office consisted of one full-time employee. The staff grew to three in FY2007 following legislative approval of an improvement package. At the same time, the legislature passed West Virginia Film Industry Investment Act, which provided for an allocation of tax credits based on a participant's qualified in-state expenditures. The act has enabled West Virginia to better position itself as a competitor in business recruitment. The act spurred a large increase in business prospects that have spent more than \$43 million in direct expenditures, including:

- **"Super 8,"** a Paramount Pictures feature film shot in Weirton, directed by J.J. Abrams and executive produced by Steven Spielberg, which incurred more than \$14 million in direct expenditures, making it the largest film to have ever shot in the state.
- History's **"The Men Who Built America,"** an 8-part miniseries filmed in the Eastern and Northern Panhandles, produced by Stephen David Entertainment, nominated for 4 Emmy Awards, won 2.
- History's **"The World Wars,"** a 4-part miniseries filmed in the Eastern Panhandle, produced by Stephen David Entertainment, nominated for 3 Emmy Awards.
- Lionsgate's **"Out of the Furnace,"** starring Christian Bale, Casey Affleck, Woody Harrelson, partially filmed at the former WV State Penitentiary in Moundsville.
- ABC-TV's **"Jamie Oliver's Food Revolution,"** filmed in Huntington, won Emmy Award.

In FY2014, funding for the tax credit decreased from \$10 million to \$5 million. In FY2017, for the first time in the program’s history, applications for credits exceeded available funding.

Dedicated funding for the Film Office was eliminated during the 2017 legislative session. The Tourism Office has since absorbed the functions of the Film Office and commenced a review of its work and organization.

Recommendations

The Tourism Office believes the recommendations below will aid in building a sustainable film industry that will enhance West Virginia's economy by revitalizing and expanding the film industry workforce and promoting growth of business service providers.

No. 1: Increase or remove credit cap

The film industry follows tax credits. When one state offers a better incentive than others, the productions follow. In 2017 Georgia overtook California as the No. 1 state for filming according to FilmL.A.'s Feature Film Study because Georgia now offers a better credit than California. Georgia offers a 20 percent base credit plus an additional 10 percent for productions that help promote the state for a total of 30 percent. California offers 20 percent to 25 percent. Neither program has a funding cap.

West Virginia offers a competitive percentage of spend at 31 percent, but the program’s cap of \$5 million minimizes its effectiveness for recruiting major projects. The program was capped at \$10 million from inception until 2014, and during that period “Super 8” filmed on location in the state. Since the cap has been reduced to \$5 million, West Virginia hasn’t been considered for big-budget projects, though we have seen increased success attracting television episodes, mini-series, and documentaries.

As it currently stands, West Virginia isn’t even on the radar for major motion pictures. The chart below illustrates this point.

State	Cap	Direct Jobs	Related Jobs	Wages
California	\$330 MM	198,203	142,454	\$21,020,000,000
New York	\$420 MM	90,252	53,316	\$10,240,000,000
Georgia	No Cap	28,656	12,518	\$1,940,000,000
Illinois	No Cap	19,984	6,554	\$1,020,000,000
Tennessee	No Cap	12,150	6,170	\$851,620,000
Pennsylvania	\$60 MM	14,756	5,268	\$793,900,000
Virginia	\$6.5 MM credit \$2.5 MM grant	12,329	2,592	\$632,980,000
North Carolina	\$30 MM rebate	11,440	2,966	\$595,460,000
Maryland	\$7.5 MM	6,167	2,797	\$537,010,000
Ohio	\$40 MM	11,660	2,974	\$459,630,000
Kentucky	No Cap (2015)	4,219	985	\$157,250,000
West Virginia	\$5 MM	1,547	237	\$53,990,000

In order for West Virginia to gain attention and capitalize on the recruitment of major productions, it must either raise or remove the credit cap.

No. 2: Modernize the West Virginia Film Industry Investment Act

The act is now ten years old and is due for updates to make it more relevant to the current state of the film industry. For example, the act does not address digital distribution including projects like webisodes. Other states have updated their program rules to reflect changes to the industry, and West Virginia’s program should undergo similar updates.

No. 3: Add additional percentage for marketing exposure

The tax credit as currently structured offers 27 percent to any qualified project that meets the minimum spend an additional 4 percent if the project employs 10 or more West Virginia residents to incentivize local employment. Other states structure their credits to incentivize other benefits, including the marketing and promotion of locations portrayed in the production.

Georgia’s film credit takes this approach, and it has been successful. The television series “The Walking Dead” is filmed and portrays locations in the state of Georgia. In addition to providing general positive exposure for those locations, the show has created a downstream tourism movement related to filming locations.

West Virginia could offer a 20 percent base credit with an additional 7 percent for providing marketing value to the state plus 4 percent for employing 10 or more West Virginians. By altering our breakdown, West Virginia would be better positioned to promote our productions and begin to work on film-inspired tourism.

No. 4: Better integration with partners

Many of the services needed by the film industry are available through a variety of existing state resources. Rather than duplicate these services, the Tourism Office should offer concierge services to connect businesses with the appropriate resources and agencies.

Scouting services that were once provided by Film Office staff can be better provided by local convention and visitor’s bureaus where the staff are more familiar with local sites and buildings and will ultimately become partners to projects that locate in their areas. Workforce development and training initiatives that once originated in the Film Office should come through a strategic partnership with WorkForce West Virginia, the state agency dedicated to workforce development. We can also leverage our partnership with the West Virginia Film Guild to connect with existing workforce.

We will continue to look for ways to work more collaboratively and efficiently with strategic partners.

Conclusion

A robust film industry produces tangible economic benefits in a variety of ways: employment, tax revenue, positive exposure, and film-based tourism are some of the most immediate. “Super 8” generated a tremendous amount of local economic activity. During Aug.-Nov. 2010, the film shot in and around the city of Weirton and spent more than \$14 million(*) in West Virginia. Below are a few highlights:

Lodging	\$370,000.00	Overtime Wages for Public Works Employees	\$8,000.00
Lumber, Glass, Building Materials, Heavy Equipment, etc.	\$167,000.00	Airfare	\$335,000.00

Dry Cleaning	\$12,000.00	Location Fees to Property Owners	\$330,000.00
Local Wages (WV residents as workforce)	\$215,000.00	Local Wages (WV residents in background/extras roles)	\$490,000.00
Telecommunications & Electronics	\$17,000.00	Professional Fees (lawyers, CPAs)	\$48,000.00
Truck and Vehicle Rentals, Towing Services, Repairs	\$130,000.00	Production Services Company	\$2,650,000.00
Sanitation & Utilities	\$15,600.00	Shipping & Freight	\$40,000.00

*(** All data submitted as part of an application is protected by law and is proprietary and confidential. The Film Office obtained written permission from Paramount Pictures to disclose expenditures in the aggregate.)*

Developing a mature industry takes time and consistency. Georgia launched its current efforts in 2005, and while the state did see modest immediate results, a decade later, Georgia's film industry is developed to the point that productions can use entirely local crews for even more cost savings and local benefit for the state.

With the changes outlined above, the Tourism Office believes there's enormous potential to grow West Virginia's film industry. In addition to the economic benefit of the film activity itself, these productions have the potential to positively improve our state's image and create film-inspired tourism. We welcome the opportunity to discuss these ideas in more detail.