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## **Economy & Efficiency Commission Presentation**

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*Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.*

**PRESENTATION BY  
Melinda Ann Farrell  
Deputy Director  
California Film Commission**

**Topic: The Economic Benefits of Filming in California**

**December 5, 2002**

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Commissioner Boonshaft welcomed Ms. Farrell and introduced her to the Commission.

Ms. Farrell stated that she would welcome questions during her presentation. She commented that she would explain the ways in which the California Film Commission is attracting and retaining film production within the State as well as how they are recycling State-owned assets to offer free locations to filmmakers.

The California Film Commission has made a conscious decision to become a more production company oriented organization. This was necessary because production companies felt that it wasn't responding to their needs and they were taking their business elsewhere. The California Film Commission has now become a full-service agency. An example of the services provided is in its response to a production company wanting to film on the west coast. The Commission notified the 55 local and regional film commissions in California to communicate the production company's requirements. A response identified a State-owned property site in Sonoma County. This site has been referred to the production company for their decision. The California Film Commission has a program whereby it will rebate to production companies doing films, TV programs, commercials, and still shoots up to \$300,000 to cover production costs for such items as police monitoring, fire safety, etc.

Commissioner Boonshaft commented that this rebate program results in a significant savings for production companies and often makes the difference of whether something is done in California or elsewhere, especially for television programs and small budget films. Ms. Farrell stated that communities that support filming efforts can infuse substantial funds into their local economies. For example, the town of Ridgecrest, which hosted the filming of "The Planet of the Apes", generated \$3.2M for the community. Another program provides California locations to double for locations around the world.

Commissioner Padilla asked about the cost percentages on productions in California versus other locations. Ms. Farrell responded that it depends on the level of the production, for example the differential between shooting in Canada and California is approximately 25%. The problem with Canada is that there aren't

enough well-trained technical crews which creates some difficulty. Another problem is that there isn't as much stage space in Canada. In Canada, the currency exchange is also a critical factor in a budget. All the production companies would much rather shoot close to home, if at all possible, for many reasons. Since no one knows if a film or television pilot will be successful, every area available for savings is critical.

Ms. Farrell stated that, in addition to the budget considerations, another critical factor is ease of access. The studios can control the production much easier in the U.S., especially in California. Often, filming overseas can be very difficult. The newest program of the California Film Commission is called the STAR (State Theatrical Arts Resource) Partnership. This program offers free use of state-owned resources to film companies. These resources include craftsman homes still standing after the cancellation of a freeway project, racetracks, parking lots and empty buildings. Normal location fees run anywhere from \$5-50K per day, so this program results in a major savings for the production companies. These properties also provide a fixed location where production offices can be set up. This recycles state properties that are empty and unproductive. The California Film Commission encourages film companies to use as many of their programs as possible to support their production. The State agencies are working with the California Film Commission to use State resources to generate revenue.

Commissioner Barcelona asked what the difference would be in the labor rate between crews in Canada and California. Ms. Farrell replied that there may be a 10% difference. Another consideration is the "Canadian Content Rule" which states that when a company makes a film in Canada, a certain percentage of the actors on the screen have to be Canadian. Often a production company will have to hire voice coaches for Canadian actors which can be expensive. Commissioner Boonshaft mentioned that to offset those expenses, there are huge tax incentives. Even on a big movie, the pros and cons are such that at least some shooting will be done in Canada. Ms. Farrell stated that the hidden costs can often make a difference. When a film is shot on California stages, the crews have all worked together and the stages are all seasoned such that everything (lights, dolly grip, etc) works well. In Canada, they are building new stage space, but during the first year or two of a new stage, there is so much adjustment that needs to take place that productive shooting time is lost. On big movies these shooting costs are often \$250,000 per day.

Chairman Philibosian asked if there are any economic studies (quantitative analyses) that show the benefits of keeping production in California. Ms. Farrell responded that the California Film Commission is just starting to do that now and will use it in their presentations to production companies. Commissioner Boonshaft stated that production companies do a cost analysis if they are considering filming elsewhere. The production companies are going to start providing their analysis to the California Film Commission. The Motion Picture Association of America (MPAA) puts out an Economic Impact Report every other year that describes all this information. Chairman Philibosian asked if some of that economic data could be shared with the Economic Development Task Force. Ms. Farrell responded that she would be glad to share any data the Task Force would like.

Commissioner Fuhrman stated that he would be interested in the California Film Commission's impact studies on Pasadena, since he's a Pasadena resident. Commissioner Boonshaft responded that the California Film Commission has tried many things in their presentations to the Pasadena City Council and have decided that it is too burdensome to do business in Pasadena because of the lack of local cooperation.

Ms. Farrell presented some statistics on the film industry from the MPAA 2000 Economic Impact Report. In 2000, the film industry generated \$33.4B and employed 500,000 Californians, \$16.1B in direct and indirect payroll, and \$17.3 for vendor expenditures. Los Angeles County, Beverly Hills and Burbank generated 92% of the above figures. Through more effective programs and ideas, these numbers can be even higher. Commissioner Boonshaft added that the entertainment industry is 7% of the U.S. GNP and is the number one U.S. export.

Commissioner Fuhrman asked for more information about the Commission itself. Ms. Farrell stated the California Film Commission has 23 staff. They are the State permitting agency for shooting on state-owned property. They also do location breakdowns which provide location information to production companies. They administer the Film California First Program that has been used by 3,000 productions. The California

Film Commission is funded, in part, by the State General Fund. The California Film Commission is interpreting the concept of recycling in many different ways in working with the 55 regional film commissions throughout California. Ms. Farrell showed a brochure that the California Film Commission uses to promote California locations. This brochure provides pictures of locations within the State of California together with the contact information for all of the film commissions. The California Film Commission further supports this effort by maintaining a digital location library online. They also have a service that provides a filmmaker with a specific type of location that is based upon stated requirements from the library database with contact information. The California Film Commission has a CHP officer and a fire safety marshal on staff who can provide filmmakers feedback on locations they are considering.

Commissioner Barcelona asked about the filming taking place in India and England. Commissioner Boonshaft stated that Bombay currently is the largest producer of films, but they are primarily domestic musical films. Ms. Farrell remarked that England is a niche market which is shrinking.

In closing, Ms. Farrell commented that she is a fourth generation Californian and is excited about being able to discuss the work of the California Film Commission. She is working to help keep the legacy here that has been built as a result of the hard work of so many people. The California Film Commission is developing this legacy as well as maintaining the resulting revenue streams.

Commissioner Hill asked if the California Film Commission collects data on the various communities where companies film. Ms. Farrell responded that some film companies are working with the neighbors on where they shoot to make sure that the community can be brought into the process and to keep the amount of claims down. Commissioner Boonshaft commented that many studios have improved the manner in which they relate to the communities in which they shoot.

Commissioner Sylva asked Ms. Farrell to call on the Commission if she finds any ways the Commission can support the work of the California Film Commission.

Chairman Philibosian thanked Ms. Farrell for her valuable and informative presentation.

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