Economic Impact of the Georgia Entertainment Industry Tax Credit

Joint Tax Credit Review Panel

4th October 2023

OLSBERG • SPI

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About us

Olsberg•SPI ("SPI") was commissioned by Georgia Screen Entertainment Coalition ("GSEC") to evaluate the economic impact of the Georgia Entertainment Industry Tax Credit (the "Study")

SPI is an international creative industries consultancy based in London, specializing in the global audiovisual sector

Our international client base includes government ministries, public agencies and institutions, and commercial entities, specialising in the worlds of film, television, video games and digital media

Our expert services help our clients to plan, design and deliver sustainable growth, evidence impact and evolve and expand in a highly competitive and fast-moving industry.

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Methodology

- **Confidential consultations** with over 36 individuals, including Georgia's film and television industry, studio operators, incoming US and international producers, members of the Georgia legislature, and other key stakeholders
- **Online survey** with recipients of the Georgia Entertainment Industry Tax Credit to understand more about the effects of the tax credit in attracting production to Georgia, and other factors determining production location decisions. The survey captured approximately 82% of expenditure in Georgia between FY 2018 and FY 2022
- **Confidential studio construction data survey** with studio owners or operators in Georgia to gather highly detailed and robust data on the value of studio investment in the state, as well as estimated expenditure for expansion or redevelopment projects up to FY 2027. The survey captured 96% of the construction investment from FY 2012 to FY 2022
- **Data analysis:** Sources for quantitative data included: GDEcD, GDOR, production companies, and studio developers and operators
- **Extensive desk research** reviewing a wide range of studies, reports and articles regarding Georgia's film and television sector, as well as the broader Georgia economic environment and legislative and policy landscape
- **Economic impact modelling**, utilizing IMPLAN software

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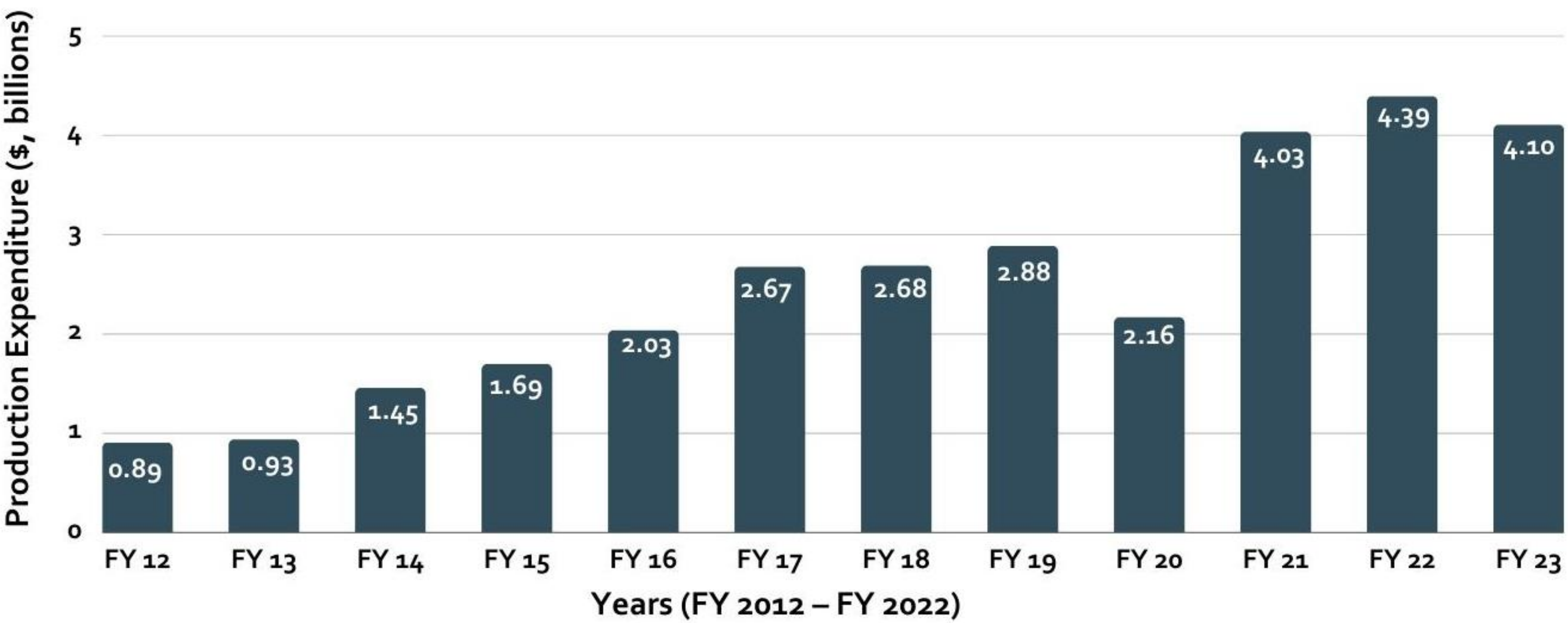
Industry Growth

Production Expenditure

- Production expenditure has grown rapidly in the state, at an **average annual rate of over 17% between FY 2012 and FY 2022**
- Recent reporting for FY 2023 shows a slight decline to $4.1 billion – likely a reflection of the impact of the labor strikes.

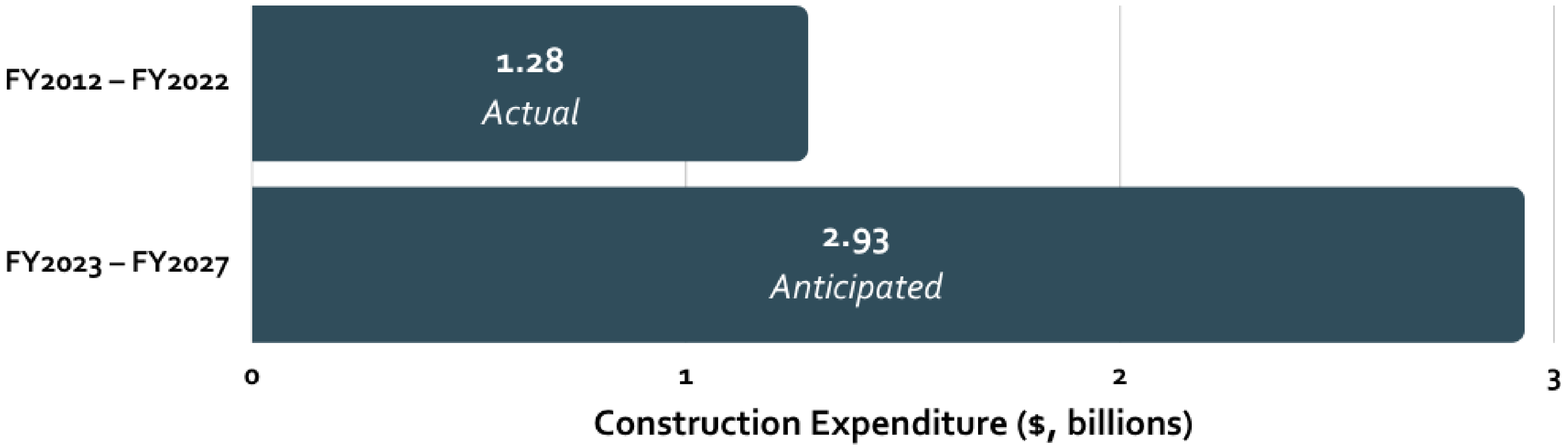
Production Expenditure in Georgia, FY 2012 – FY 2023



Construction Investment

- **Between FY 2012 and FY 2022, $1.28 billion was spent on studio construction in the state**
- Investor confidence in Georgia is strong and there is $2.93 billion investment for studio construction planned for the next five years to FY 2027 .

Infrastructure Investment Associated with the Tax Credit – Construction Expenditure, FY 2012 – FY 2027



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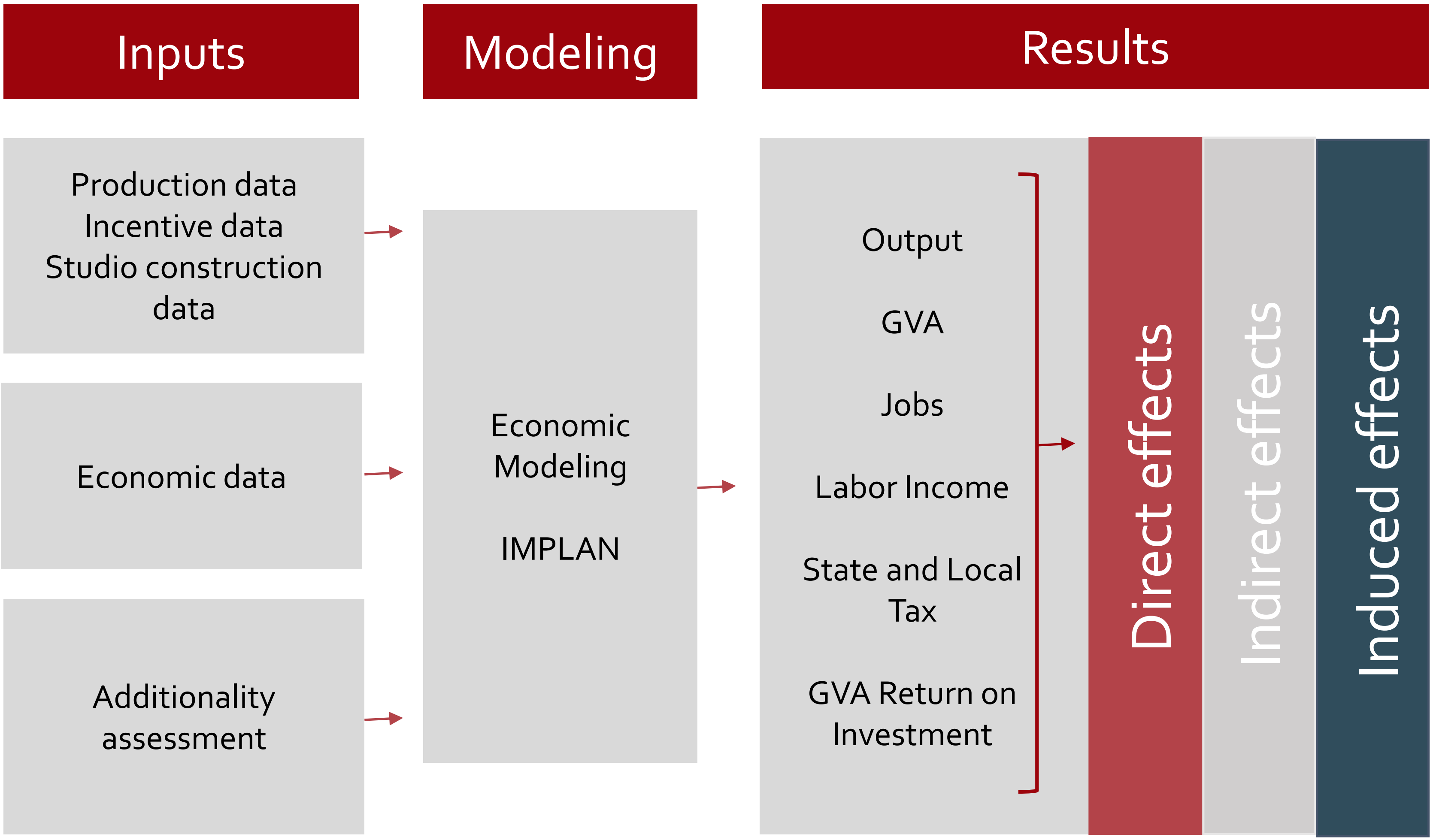
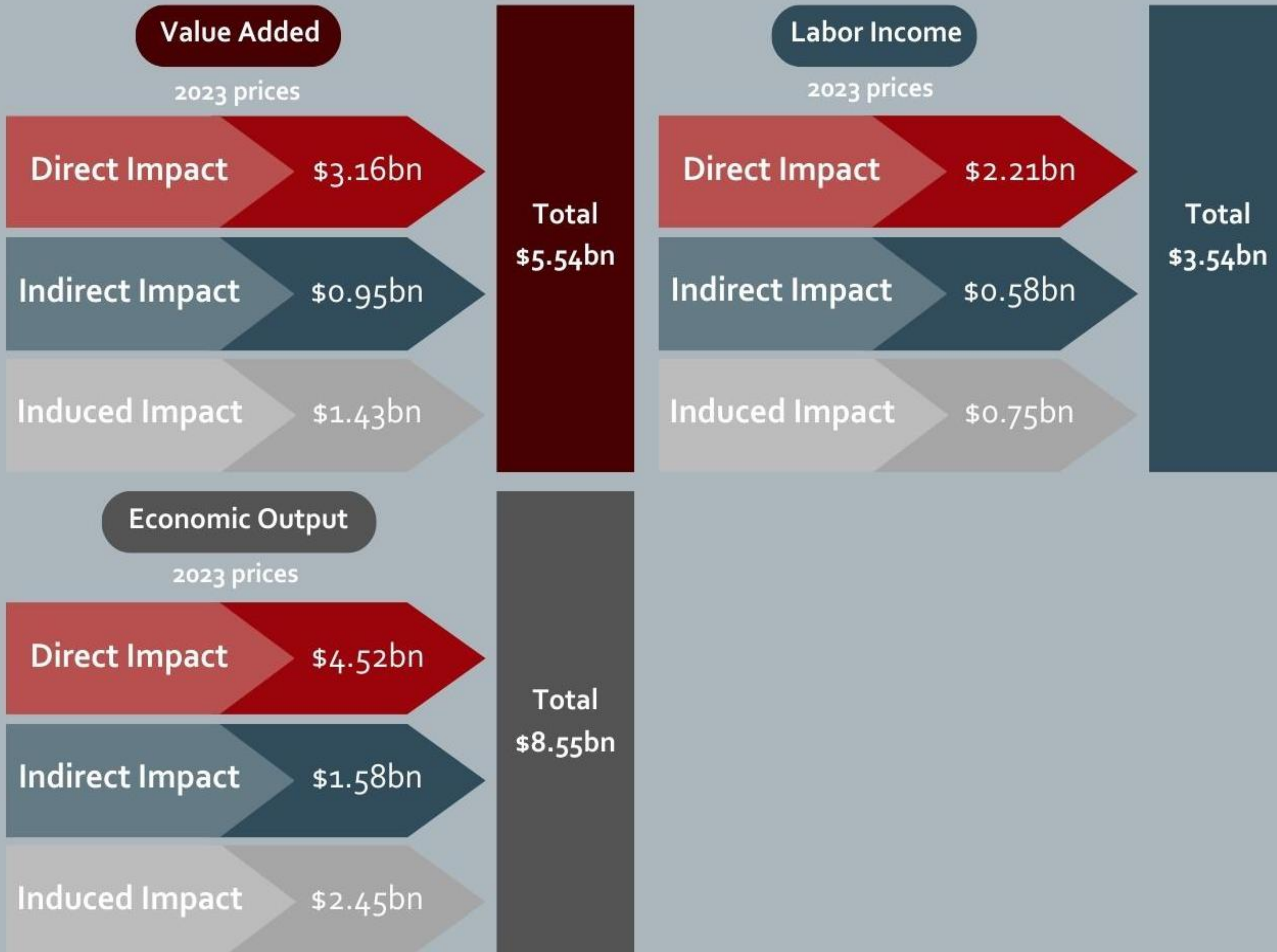


Methodology

DIRECT EFFECTS	INDIRECT EFFECTS	INDUCED EFFECTS
The impact on companies directly working on production	The effects on companies supplying the production	The effects caused by cast and crew and those working in the supply chain spending their wages in the local economy
Companies working in production	A lumber yard from which the production team purchases lumber ~ A dry cleaner which the costume department uses ~ A local sandwich shop that supplies catering to crew	A crew member purchasing lumber from the lumber yard to build some decking at their home ~ A crew member using a local dry-cleaner for a suit for a personal function ~ A crew member taking their family to a sandwich shop at the weekend

Economic Impact of Georgia Entertainment Industry Tax Credit for One Year (FY 2022)

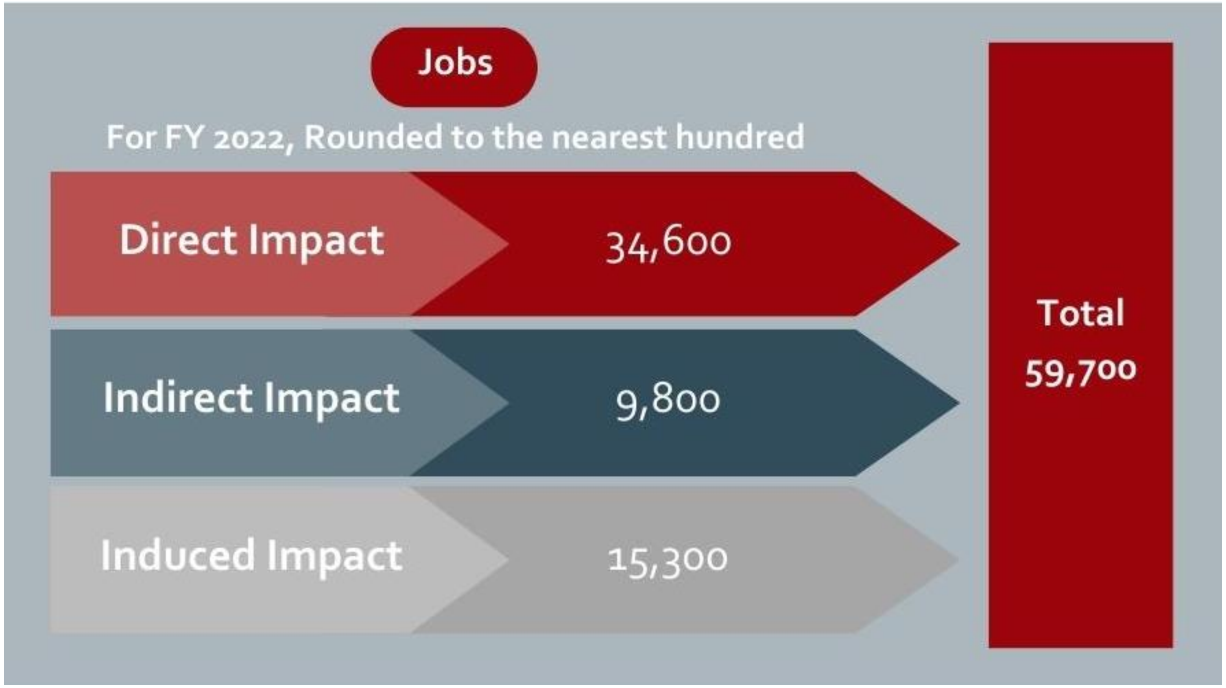


Combined Jobs: FY 2022

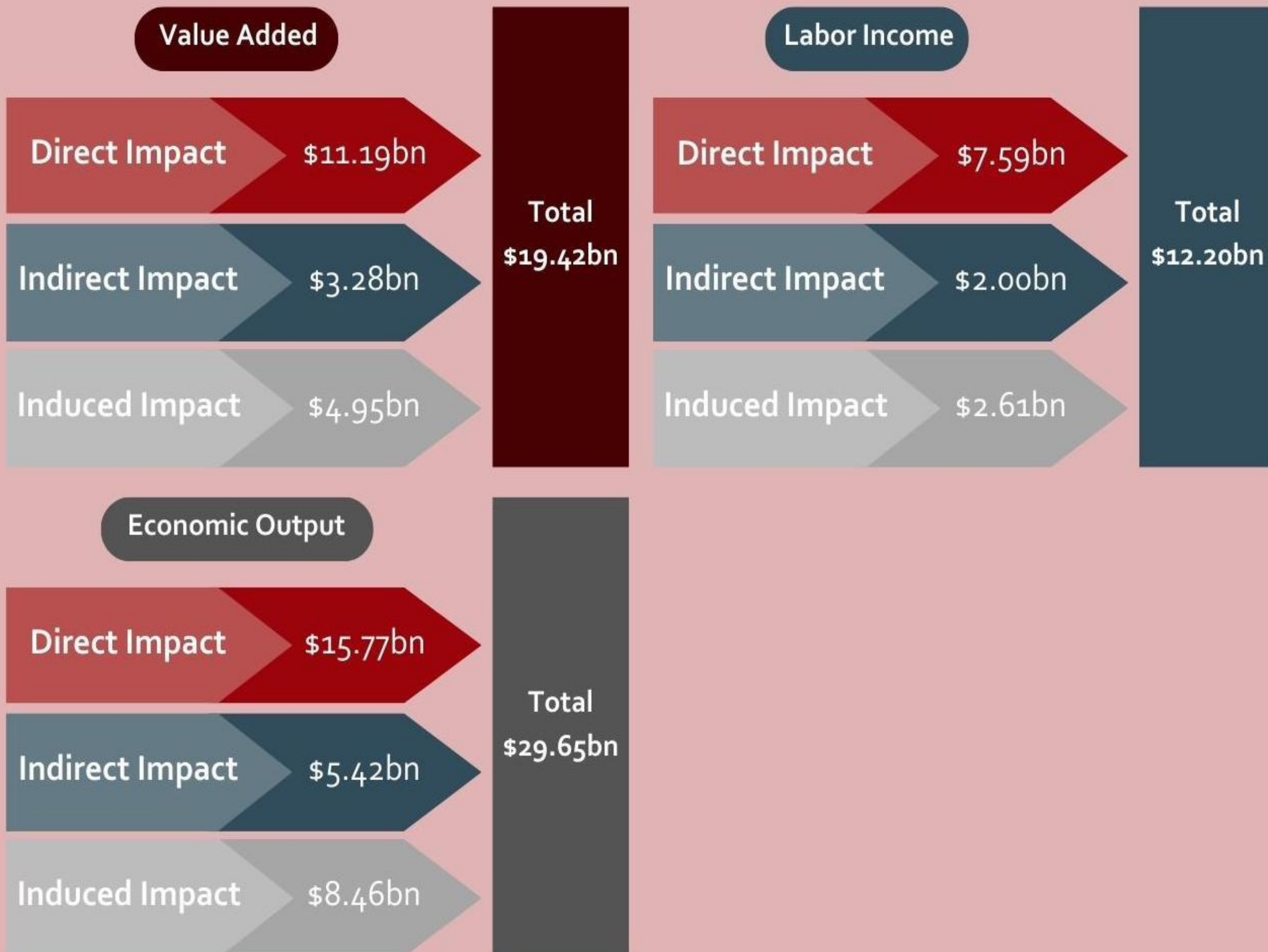
Jobs in the screen production sector are:

- Well paid
- Highly skilled
- Less susceptible to automation.

Jobs Attributable to the Georgia Entertainment Industry Tax Credit, FY 2022



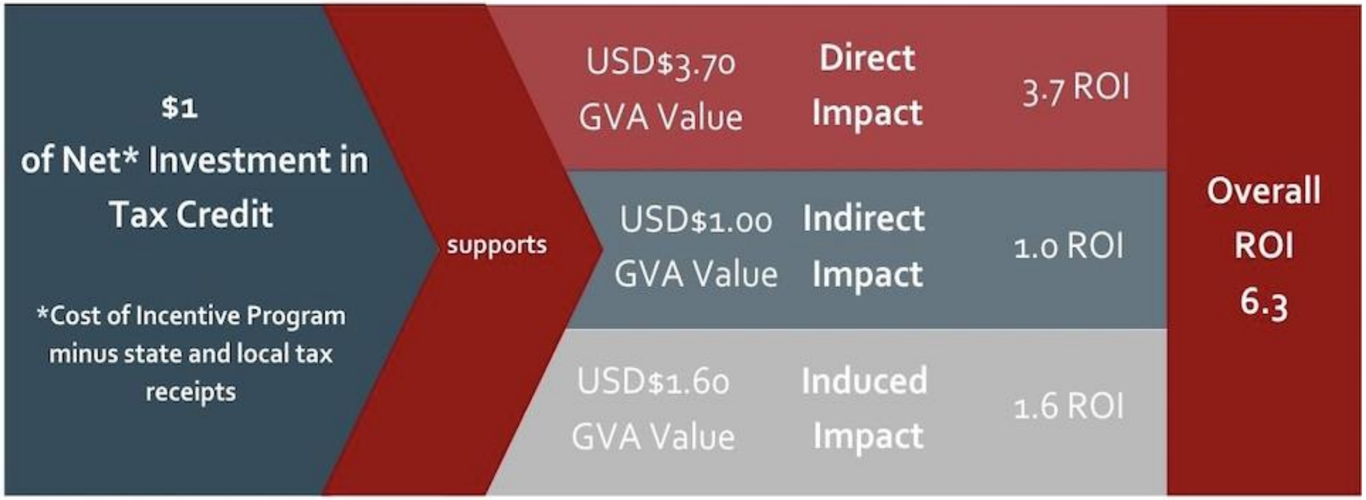
Economic Impact of Georgia Entertainment Industry Tax Credit for Five Years (FY 2018 – FY 2022)



Combined GVA Return on Investment

- GVA ROI is a measure of how much economic value is created per $1 of investment in the tax credits. The 'cost' to the state is estimated as the total value of the tax credits issued minus the additional state and local taxes received
- Across the Study years (FY 2012 to FY 2022), **the overall economic ROI is 6.3**
- This means that for every $1 invested through the program, the benefit to the state economy is $6.30 in terms of additional economic value from direct, indirect, and induced effects.

Return on Investment of the Tax Credit, FY 2012 – FY 2022



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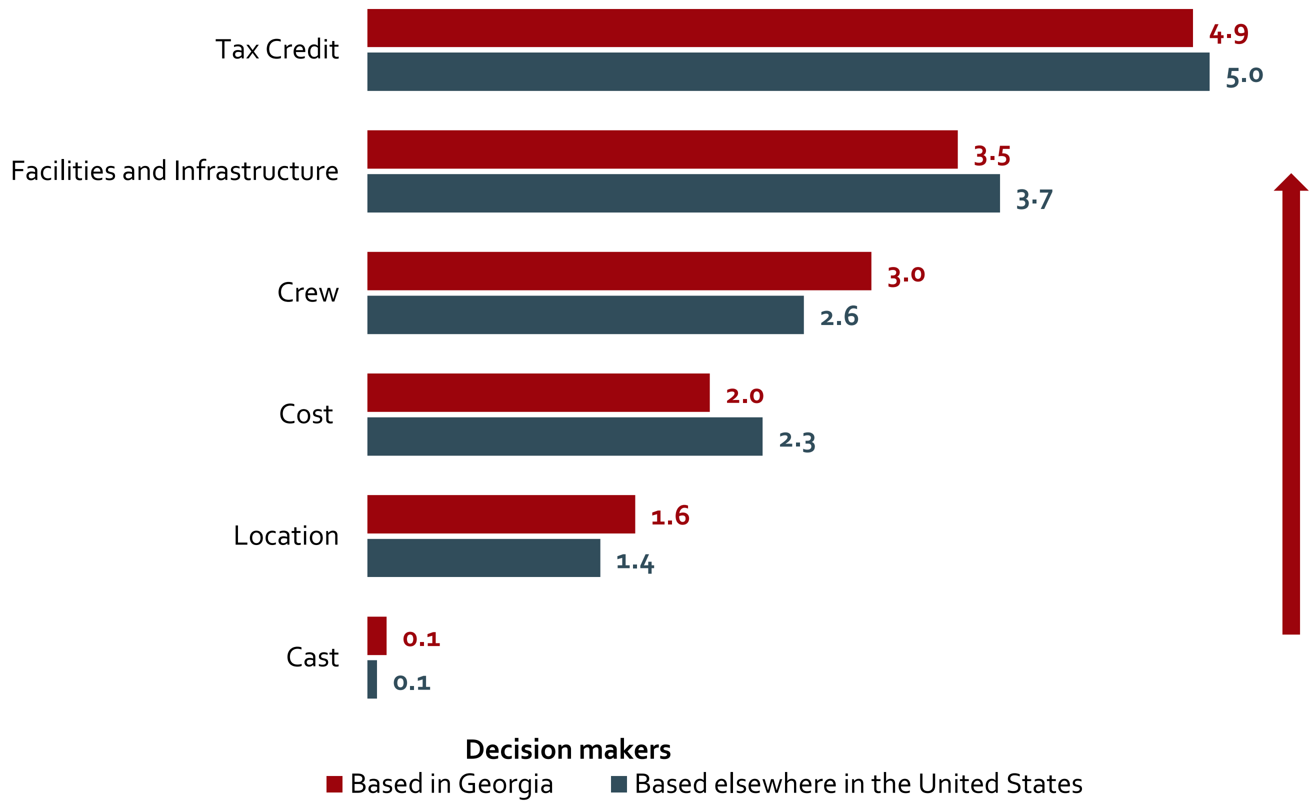
- Growth in Production Expenditure and Construction Investment
- Overall Economic Impact of the Georgia Entertainment Industry Tax Credit
- **Additionality of the Georgia Entertainment Industry Tax Credit**
- Conclusion

Additionality

Producer Additionality Survey

- A survey was conducted with producers who have used the Georgia Entertainment Industry Tax Credit in the past to understand more about the effects of the tax credit in getting productions into Georgia
- This represents **approximately 82% of expenditure in Georgia between FY 2018 and FY 2022.**

Factors Affecting Decision to Shoot in Georgia (Ranking)

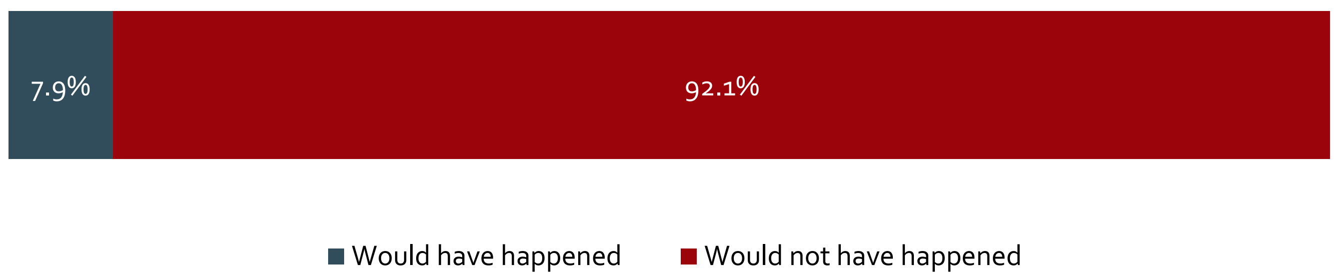


Additionality

Producer Additionality survey - Expenditure without Tax Credit

- Production companies were asked to estimate to the nearest 10% the proportion of the project that would have been made in Georgia in the absence of the tax credit
- Weighting the results based on the scale of Georgia expenditure results in the insight that **the average expenditure loss would have been 92.1% of expenditure, with only an estimated 7.9% of the current expenditure happening in the state in the absence of the incentive**.

Expenditure Estimates in the Absence of the Georgia Entertainment Industry Tax Credit



Studio Construction Additionality Survey - Construction Investments

A survey with studio stakeholders provided insights on studio investment in Georgia influenced by the tax credit

The survey captured **96% of the construction investment from FY 2012 to FY 2022**

94% asserted their investments would either not have proceeded or would have moved elsewhere without the Georgia tax credit.

For investments planned for FY 2023 to FY 2027, the survey indicated that all the planned construction expenditure is dependent on the tax credit.

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Conclusion

- Georgia's tax credit stimulates both incentivized and non-incentivized activity in the state – and creates significant economic impact with high additionality
- Screen production is a type of advanced manufacturing– which requires a wide range of jobs
- Georgia has developed an ecosystem that has driven unprecedented growth in an era of increasing global competition
- The state's offer has been underpinned by a stable incentive, but Georgia's talent, infrastructure, and gold-standard training offer – including through the Georgia Film Academy – combine to sharpen its competitive edge
- Other jurisdictions are trying to emulate what Georgia has achieved.

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