

Film subsidy program suffers from lack of analysis

by dermotcole

Dermot Cole

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The Alaska Legislature is continuing to push ahead with plans to extend the Alaska film subsidy program, providing up to \$200 million more over the next decade.

The problem with the film subsidy legislation is the same as that with the governor's oil tax decrease—an absence of analysis.

Supporters of the film subsidy will say that the study released a few weeks ago showing that the filming of "Everybody Loves Whales" brought \$16.5 million to the Alaska economy last year will say that is all the analysis that anyone needs.

But the study, prepared under contract for companies lobbying for an extension of the film subsidies, neglected to deal with the size of the state subsidy for "Everybody Loves Whales." The contractor told me that the size of the subsidy is not known yet and his firm was not asked to consider that portion of the economic impact from the \$30 million movie.

The study neglected half of the equation.

Until we know how much the state will be paying to the film producers, it is impossible for anyone to attach a number to the economic impact of the movie. It is possible that on a "cost per job" basis, the economic impact would be greater by putting those millions of dollars in state funds to some other use or uses.

Or it may be possible that the film subsidies are a great deal. We don't know enough to make a declaration one way or another.

I am not necessarily opposed to film subsidies. Just as I am not necessarily opposed to tax reductions for the oil industry. But in both cases I'd like to see more justification.

For the TV and movie subsidies, at the very least the state should release details on how much is going to Alaska residents in wages for work on subsidized production. The state claims that it can not release that information because of tax confidentiality. But these companies, for the most part, aren't paying taxes, so that argument is not a strong one.

The documents released by the state so far show how much was paid in total wages and other expenses for subsidized productions, but not how much went to Alaskans. We also don't know how much of the subsidized work is taking place in Alaska.

I think the real reluctance to disclose these details is that the state does not want to acknowledge that a large amount of the benefits are going to the movie stars and the producers and directors who earn the real money on productions like "Everybody Loves Whales."

The state will subsidize about one-third or more of the millions paid to Ted Danson, Drew Barrymore and others. There is no need to pretend this is not part of the economic impact. It is the major reason these companies are filming in Alaska.

Regarding the name of this program, it is referred to as a "tax credit." But it would be more accurate to call it a state reimbursement program because most of these companies are not paying Alaska taxes. The state reimburses them for one-third or more of their expenses in the form of "tax credits" they can sell to companies that do pay taxes.

The companies that buy the tax credits, at 80 or 90 percent of face value, use them to lower the amount they pay to the state treasury. This is an indirect transfer that obscures the nature of the subsidy.

The biggest subsidy paid so far is \$2.1 million to "Ghost Vision," the movie starring Jon Voight.

The subsidy paperwork released by the state says that the equivalent of 38 full-time Alaska jobs were created, lasting an average of two months. We don't know how much those jobs paid.

The "Alaska production expenses" are listed at \$6.6 million. We don't know how much of that total is made up of the amounts paid to the director, producer and Voight and the other stars. We also don't know how much was spent in Alaska.

If our state wants to subsidize movies and TV shows, we should do so with a clear picture of the costs and benefits, not the fuzzy image offered so far.