

FINAL BILL REPORT

ESHB 1914

C 270 L 22
Synopsis as Enacted

Brief Description: Updating and expanding the motion picture competitiveness program.

Sponsors: House Committee on Community & Economic Development (originally sponsored by Representatives Riccelli, Orcutt, Berry, Leavitt, McEntire, Ryu, Santos, Walen, Wicks, Ortiz-Self, Stonier, Robertson, Peterson, Rule, Vick, Goodman, Dolan, Orwall, Eslick, Barkis, Graham, Berg, Dent, Bateman and Macri).

House Committee on Community & Economic Development
House Committee on Finance
Senate Committee on Ways & Means

Background:

The Motion Picture Competitiveness Program (Program) was created by the Legislature in 2006 for the stated purpose of leveling the competitive playing field through a partnership with the private sector to regain Washington's place as a premier destination to make motion pictures, television, and television commercials. The Program must be overseen by a nonprofit organization with the sole purpose of revitalizing the state's economic, cultural, and educational standing in the national and international market of motion picture production and associated creative industries.

Washington Filmworks (Filmworks) is the private nonprofit that oversees and manages the Program. Filmworks must be administered by a board of directors (Board) appointed by the Governor. The following must be represented on the Board:

- one member of the Washington motion picture production industry;
- one member of the Washington motion picture postproduction industry;
- one member of the Washington interactive media or emerging motion picture industry;
- one member representing Washington visitors and convention bureaus;
- one member representing the Washington tourism industry;
- one member representing the Washington restaurant, hotel, and airline industry;

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- two members representing labor unions affiliated with Washington motion picture production; and
- a chairperson, chosen at large.

The Board must evaluate and award financial assistance to motion picture projects under criteria adopted by the Department of Commerce (Commerce). Money received by the Program may only be used for:

- benefits for employees and other costs associated with film production; and
- staff and related expenses to maintain the Program's proper administration and operation.

In return for contributing to the Program's incentive fund, a person may receive a credit against Business and Occupations (B&O) tax liability up to \$750,000 per year. The total amount that may be credited any calendar year is \$3.5 million. No credit may be earned for contributions made on or after July 1, 2027.

Each motion picture production receiving funding assistance under the Program must report information to Commerce by filing an annual survey. The survey must include information on taxes paid, amount of funding assistance received, and employment and wage data. A person claiming a tax credit for contributions made to the Program must file an annual report with the Department of Revenue (DOR). The report must include employment and wage data, among other information.

Summary:

The stated Purpose of the program is modified to include promoting an equitable film industry. The Department of Commerce must consider giving preference to motion picture productions that tell stories of marginalized communities when establishing criteria for the Program.

Tax-Related Provisions.

The total statewide B&O tax credit limit for Program contributions is increased to \$15 million per calendar year. The B&O tax credit limit one person may claim for Program contributions is increased to \$1 million per calendar year.

Entities contributing to the Program and receiving a tax credit, and not otherwise receiving funding assistance under the Program, are exempt from the DOR's and Commerce's annual reporting requirements.

A tax preference performance statement that identifies the Legislature's public policy purpose and intent for the Program tax credit is included. The Joint Legislative Audit and Review Committee must review and make a recommendation to the Legislature regarding the effectiveness of the Program by December 1, 2026.

A person may claim credits against business and occupation tax liability, in exchange for contributing to the program, until July 1, 2030, instead of July 1, 2027.

Program Funding Assistance.

The following are included as authorized uses of Program funding assistance

- supporting the growth and development of the state film industry through career-connected learning, workforce development, and business development with a focus on better supporting people from marginalized and rural communities; and
- developing resources to facilitate filming in rural communities including, but not limited to, economic development grants for filming, training for film liaisons, information about film permitting processes, and grants to support the expansion of location database collateral.

Up to a 10 percent enhancement award on a motion picture production's state investment must be given for motion pictures: (1) located or filmed in a rural community; or (2) that tell stories of marginalized communities.

Funding assistance must include up to \$3 million for small motion picture productions produced in Washington that are creatively driven by Washington residents. To qualify, the small motion picture production must have at least two Washington residents in any combination of the following positions: writer, director, producer, or lead actor. An entity seeking funding assistance for a small motion picture production must demonstrate that the amount of the total actual investment for the production is less than \$1 million. The Program, after determining a conditional approval of the production, must hold the production's funding assistance in reserve while the entity seeking funding assistance for the production secures financing for the remainder of the budget. Once the entity seeking funding assistance for the production demonstrates to the Program that it has secured the necessary financing, the Program must certify the small motion picture production as approved. If the entity seeking funding assistance cannot demonstrate within six months from the date of conditional approval that it has secured the total budget, the Program must make the funding assistance available to other eligible applicants with funding assistance approval.

The Program must allocate funds for training and job placement for marginalized communities as follows:

- for fiscal years 2023 and 2024, a minimum of \$500,000 for each fiscal year; and
- for each fiscal year on or after July 1, 2024, a minimum of \$750,000.

Filmworks' Board of Directors.

Filmworks' Board membership is modified. The number of Board members is increased from nine to 13 members. In addition to two labor representatives and the chairperson, the Board must include:

- two members representing the Washington motion picture industry, with one demonstrating expertise in motion picture financing;

- one member representing technologies impacting the Washington emerging motion picture industry;
- three members representing industries and businesses impacted by motion picture production, two of whom must each represent a side of the Cascade Mountain range;
- two co-chairs of the Board's equity committee, as recommended to the Board by the Governor; and
- two co-chairs of the Board's advisory committee, as recommended by the Governor.

Board members must comply with all requirements of a 501(c)(6) organization, including the prohibition on using information obtained as a board member for personal gain. Board members must act in the best interest of the approved motion picture competitiveness program. Each board member must complete an annual conflicts of interest form to disclose all conflicts and potential conflicts of interest with board actions. If a board member has a conflict of interest with respect to an application for funding assistance, the board member must disclose the board member's conflict and not be present for a discussion or vote on the application.

The board's goal must be to commit at least 20 percent of funding assistance to motion picture productions located or filmed in rural communities and 20 percent of funding assistance to motion picture productions that tell stories of marginalized communities.

Report.

By December 31, 2022, and annually thereafter, Commerce must report to the Legislature on the Program. The report must include an annual list of recipients awarded financial assistance from the prior year with total estimated production costs, locations of each production, and the board's progress towards the goal of at least 20 percent of its funding assistance provided to motion picture productions located or filmed in rural communities and 20 percent of its funding assistance provided to motion picture productions that tell stories of marginalized communities. The report must also include information on workforce development, career connected learning, and business development activities, including whether they have been scaled up in size from the previous year and how they are meeting the goal of supporting people from marginalized communities.

Votes on Final Passage:

House	93	3	
Senate	45	3	(Senate amended)
House	96	2	(House concurred)

Effective: June 9, 2022