Public subsidy estimate Draft 081720

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**Background**: States and countries compete to attract large-budget media productions by awarding tax credits or spending rebates to film and TV producers. These public subsidies effectively reduce the production cost of the film or TV series and bring the break-even point closer for the larger company contracting the production and distributing it worldwide.

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**How we estimate public subsidies**

Subsidies are awarded as a set percentage of eligible spending. Some jurisdictions publicly report the subsidies awarded to specific productions, but others do not. To estimate net subsidy rates across jurisdictions, we survey the gross published rates and cost exclusions in the areas making transparent reports and test whether the shares of production costs excluded vary with the size of the production. Finally, we assume that all jurisdictions in the end must offer competitive net rates, after exclusions, to all applicants.

To estimate the public subsidy per film, we multiply film’s reported production budget by that competitive net subsidy rate: currently 18 percent. The exception to this treatment is California, the largest producer of top-grossing films. The state has revised its eligibility rules several times. Unlike other jurisdictions, all animated feature remain ineligible and major studio films with budgets more than $70 million were ineligible until 2014. California subsidy sums reported on this site reflect these rules.

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*Rules for sums and displays*

1. Definition: Subsidy value = Film’s production budget ($) X net subsidy rate (.18).

The net rate should be estimated based on the best information available. Subsidy rates have tended to increase over time. We should have the ability to update the net subsidy rate and to make it replace the existing net rate from a selected year onward.

Example: If the existing net rate is 18%, we should have the ability to replace that value from the starting year of 2010 or from a later year, such as 2017, or from the current year. The change will affect all T10 films in that time frame.

Subsidy rules for TV series may be different enough that the net rate for a non-T10 sample would be different. We just don’t know yet. Best have the ability to select samples as well when updating net rates?

1. Jurisdictions (film/video “Origins”)

Definition: The film’s “primary origin” (country; if US, country and state; if Canada, country and province) is the jurisdiction credited for the subsidy.

Very few top-grossing films get produced without subsidies, and this database is full of top-grossing films (T10 sample). Assume that all countries, US states and Canadian provinces offer subsidies.

If this changes in the future, we should have the ability to mark a country or its sub-division as “Non-subsidy” for a single year or a set of years “XXXX” through “XXXX.” (Note: Most countries do not have subdivisions, but the countries producing the most T10 films do.)

1. Samples engaged

Subsidies should only be created for T10 sample films produced in subsidy jurisdictions AFTER 2009. While subsidies existed before 2010, we researched our net rates in 2010. Only subsidies 2010-current should be summed and reported.

If another sample is added (such as a video sample), we should be able to set, update, sum and display the subsidy results with the same selectivity: jurisdiction and time frame.

1. Subsidy *sums* will likely be displayed in one of more of these dimensions:

• Sample (e.g., top-grossing film or T10 + a video sample)

• Rating (MPA or TVPG; singly such as PG-13 or R; combination such as youth-rated: G/PG/PG-13)

• Jurisdiction (place) making the subsidy (Country and or sub-unit)

• Smoking content (smoking films, all films, or metrics such as audience impressions)

• Time periods (Single year or year spans, such as 2010-current)

• Company benefiting from the subsidy (Parent company or named independent)

For example, a company page might include the sum value of taxpayer subsidies since 2010 for its top-grossing films and videos with smoking.

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