State of Oklahoma
Incentive Evaluation Commission
Film Enhancement Rebate Draft Evaluation

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Contents

Key Findings and Recommendations

Incentive Overview

The State of Oklahoma Film Enhancement Rebate Program provides a base incentive for qualified productions of 20 percent of qualified spend and uplifts that can increase the rebate to a maximum of 30 percent. There are multiple uplifts as well as limits on eligible expenses subject to the rebate. The program was modified substantially since the last evaluation in 2020.

Recommendation: Retain, with modifications.

Key Findings:

- **Most states provide incentives specific to the entertainment industry, generally targeting motion picture and television production.** Louisiana was the first state to create these types of incentives (1992), Oklahoma first enacted its rebate via the Compete with Canada Act in 2001. As of April 2024, 38 states and the District of Columbia provide this type of incentive (or in some states, more than one incentive).

- **Oklahoma uses a common form of incentive, which reimburses eligible productions for a percentage of eligible production costs.** There is wide variation among states, including the percentage of reimbursement; the types of costs that are eligible for reimbursement; requirements for use of state workers, or the percentage of a production located within the state; floors and ceilings on the production budget and amount of reimbursement; whether (in the case of tax credits) they are transferrable or refundable; and whether there are annual caps on program credits or reimbursements. Oklahoma uses rebates rather than tax credits, which removes the need to deal with tax credit refundability or transfer issues.

- **Oklahoma, as with many states, provides 'uplifts' for certain production activities.** Uplifts increase the percentage of eligible expenses that are rebated and are meant to further incent specific types of economic activity. Oklahoma has a number of uplifts that can increase the standard percent of rebated expenses from 20 percent to as much as 30 percent. The uplifts are provided for, among others, filming in a rural or less populated county or municipality, Oklahoma post-production or soundstage, and multi-film deals.

- **Oklahoma updated its program to the Filmed in Oklahoma Act in 2021.** While this significantly changed the levels and percentages of rebate for eligible expenses, the preceding Filmed in Canada Act is still making eligible reimbursements but has not been authorized to make additional awards as of July 2, 2021. Among the notable features was an increase in the cap on annual rebates to $30 million from the prior $8 million.

- **While the program cap is in place, the actual reimbursements have not approached that level since it was raised.** Of course, the industry has dealt with COVID-related disruptions in production in 2020 and 2021, and screenwriters and actors strikes during much of 2023. As a result, it will likely be 1-3 years before activity returns to expected levels.

- **In general, Oklahoma's program cap falls into the middle of a range that includes states with no cap or very large dollar caps and other states with significantly lower caps.** Among the major players are Georgia, with no cap and years with tax credits of over $1 billion, and New York ($700 million) and California ($330 million).

- **While Oklahoma has attracted several noteworthy film and television productions, the industry is still dominated by California and New York.** While these two states' share of the market is eroding, it was still two-thirds of the market in 2022 – but down from 82 percent in 1975. Oklahoma has a negligible share of the national market, and establishing additional production infrastructure will be a requirement to grow the industry in relationship to the rest of the states.

- **The Department's OF+MO has dramatically improved its administration of the program.** In the 2016 evaluation of the program, it was noted that data necessary to undertake evaluation was not available, and the data that was available had internal inconsistencies or was incomplete. To its credit, the OF+MO revised its data collection processes, and the data they collect is quite useful for evaluation purposes. There are opportunities for some refinement in the data collection that would improve the confidence level of the calculations of economic impact.

- **The incentive aligns with several incentive best practices.** Among these are the fact that the incentive is discretionary, and the OF+MO is selective in determining program eligibility. The available data and information makes the program relatively transparent, although some aspects of the scoring process are not available to the general public. The program has a dollar cap, and through the uplifts it seeks to take into consideration local economic conditions in its awards. At the same time, the statute is complicated, which leads to complexity, but that is not the fault of OF+MO in terms of administration. Perhaps most telling, from an incentives best practice standpoint, is that this incentive answers the 'but for test' (whether the incentive is necessary for the economic activity to occur). It is generally accepted that this is a nomadic industry, and it will, in many cases, locate where incentives are readily available.

- **On a purely quantitative basis, the incentive does not yield a positive return on investment for the state.** When comparing economic activity that generates state tax revenue, the incentive returns about $0.25 for every $1.00 of rebate. Of course, that does not include local tax revenue, and there are positive qualitative impacts associated with the industry and the publicity it may generate for the state. However, given the 'nomadic' nature of the industry and the generally small number of Oklahoma employees associated with it on a permanent basis, it is unlikely that the incentive will change significantly in terms of return on investment in the near future. It remains to be seen whether the industry can build the necessary infrastructure in the state to allow for significant growth.

Recommendations:

1. **Target the credit more directly at post-production activities.** Film and other productions are generally the largest portion of the rebates, but they tend to support surges of economic activity that are temporary. To the extent that the state can grow its post-production industry, there is the opportunity to create longer-lasting economic impact. The location quotient data suggests Oklahoma falls in the middle of the states based on employment and wages, and post-production activities are one opportunity to improve on that. Currently, the state allows for an uplift for post-production activities in Oklahoma (3 percent if at least 3 percent of qualified expenditures are for Oklahoma-based post-production), and it also has a differing set of requirements for post-production, but they all compete for the same $30 million in capped rebates. In some states, there is a specific program for post-production (New York is an example). Setting up a portion of the program for post-production could focus more attention on it, and it may provide some assurance that those activities won't get 'crowded out' by large productions that do no Oklahoma post-production.

2. **Expand the content creation eligible for the rebate.** The current program is primarily geared toward film, television, streaming content, and commercials. Other states have expanded eligible activities, for example to video game production. That industry is growing - the video game industry is projected to see a rise in revenue from $262 billion in 2023 to $312 billion in 2027.[1] To the extent that the state is interested in growing its footprint in the entertainment sphere, this may be one opportunity.

3. **Build out the content on the OF+MO website.** While there is a lot of information available on the website, including a useful FAQ, it requires visiting several locations to get complete information on eligibility, uplifts, the application process, etc. Also, at least one hyperlink to information on the incentive leads to an 'under construction' page.[2]

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[1] "Top 5 developments driving growth for video games," pwc, January 11, 2024, accessed electronically at https://www.pwc.com/us/en/tech-effect/emerging-tech/emerging-technology-trends-in-the-gaming-industry.html
[2] https://dev.okfilmmusic.org/incentives

4. **Refine the existing data collection.** As noted, the OF+MO has made remarkable improvements in its data collection. To build on that, the project team recommends that OF+MO include the year that funds were spent in the reporting requirements for productions. This will be used to determine when the economic impacts took place as different productions have different timelines and are awarded funds over different time periods.   As part of the reporting requirements, OF+MO should include the full-time equivalent of all jobs associated with the production, including extras. This may be calculatedby OF+MO based on data provided by applicants, or by applicants themselves. For example, it may be given as an estimate based on average number of hours worked per day or per production for jobs where the individual number is high, such as extras. This will be used to enhance the economic impact associated with the reported jobs. Currently each job is treated equally for reporting purposes, even extras, which would not come close to being a full-time equivalent (FTE) job. In industries such as this, where positions are often part-time and/or temporary, an FTE calculation is necessary to identify the associated impact on jobs and labor income.

5. **Maintain the existing $30 million program cap.** While this is a popular program (as exhibited by the number of letters of support that were directed to the program team), it is also notable that current award activity has not approached the program cap. Even if that would be the case, the state should focus on aspects of the industry that will create recurring, regular activity and should demonstrate that for several years before considering to raise the cap. It is also notable that the state will have a hard time competing with the biggest players among the states. While Oklahoma was able to attract the television series Tulsa King (originally slated for Missouri, a state without an incentive at that time), most of season two of that popular series is now being filmed in Georgia – and Oklahoma is unlikely to be able to win that incentive war when Georgia routinely provides over $1 billion in tax credits for the industry.

Introduction

Incentive Evaluation Commission Overview

In 2015, HB2182 established the Oklahoma Incentive Evaluation Commission (the Commission). It requires the Commission to conduct evaluations of all qualified state incentives over a four-year timeframe. The law also provides that criteria specific to each incentive be used for the evaluation. The Commission has completed two cycles of qualified evaluations, from 2016-2019 and 2020 through 2023. This is now the first year of a new four-year cycle.

In 2023, the Legislature approved, and Governor Stitt signed into law SB 745, which made a number of changes to the incentive evaluation process that were recommended by the Commission. Among them was the ability of the Commission to review qualified incentives within the four-year evaluation cycle. In prior cycles, incentives had to be reviewed at least once every four years, which effectively locked in place the order that incentives would be evaluated. As a result, some incentives in this cycle may be reviewed in less or more than four years.

One reason for the change in the evaluation cycle was to allow incentives with similar purposes or that are targeted to specific industries or parts of the state to be evaluated in the same year. This allows for continuity in the discussion and comparisons of effect and effectiveness. This grouping is considered an evaluation best practice.[3] For 2024, there are two broad categories of evaluated incentives:

- Financing/Venture Capital/Early Business related.
- Tourism/Film/Quality of Life related.

This evaluation of the Film Enhancement Rebate, administered by the Oklahoma Department of Commerce Film and Music Office ("the Department" and the "OF+MO") and the Oklahoma Tax Commission ("OTC") is one of 12 evaluations being conducted by the Commission in 2024 and fits within Tourism/Film/Quality of life incentives category. Based on this evaluation and their collective judgment, the Commission will make recommendations to the Governor and the State Legislature related to this program.

This program was evaluated in 2016 and again in 2020. While the 2016 recommendation of the Commission was to repeal the program, the 2020 evaluation, which was impacted by COVID-19's effect on the program, was to retain the program and revisit it once the film and television industry returned to a more normal state. That makes the current evaluation timely and appropriate.

2020 Evaluation Findings and Recommendations

Key findings from the 2020 evaluation of this program are displayed in the following table:

Table 1: Summary of Findings, 2020 Evaluation

Topic Area	Findings
Fiscal and Economic Impact	**Fiscal Impact:** For the period 2017-2020, the state tax revenue return was \$0.52 for every \$1.00 of rebates. This was, however, an improvement on the \$0.05 for every \$1.00 of rebates for 2013-2016. **Economic Impact:** Total economic activity generated was \$2.41 for every \$1.00 of rebates, a multiplier of 2.41:1.00.

[3] "Best Practices for Planning Tax Incentive Evaluations: Lessons Learned from Indiana's Evaluation Process," Pew Charitable Trusts, August 2022, p.3. Accessed electronically at www.pewtrusts.org/-/media/assets/2022/08/best-practices_incentiveeval-planning_2022-3-24_final.pdf

Topic Area	Findings
Adequate Protections for Future Fiscal Impact?	Yes. The program has a cap of $8 million per fiscal year; claims exceeding the cap can be paid in following years.
Effective Administration?	Yes. The Oklahoma Film and Music Office (OF+MO) has established processes that are smooth, fair and verifiable. A clear and comprehensive set of guidelines is available to applicants.
Achieving Its Goals?	To some extent yes. There is evidence that total qualified payroll associated with incentive productions increased meaningfully between FY2013 and FY2019. At the same time, the average 'below the line' employee wage growth declined. It was anticipated that FY2020 productions would lead to a significant increase in production activity, but COVID-19 prevented most filming.
Changes to Improve Future Evaluation	

Based on these findings, the 2020 recommendation was to retain and revisit in the future. While the program has a potentially low return on investment and is limited to a small group of beneficiaries, the project team's analysis notes that there has been an increase in activity since the program cap was raised and the sunset extended. Given that the OF+MO has improved program administration and some of the expected economic activity for FY2020 has, because of COVID-19 been put on hold, the project team recommends that this incentive "stay the course," and revisit the program after the impacts of increasing the annual cap to $8 million can be more fully analyzed and understood.

2024 Criteria for Evaluation

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation. In the case of this incentive, the specific goal included in legislation is to "increase film production in the State of Oklahoma by providing an incentive that will stand out among those of other states."

Additionally, to assist in a determination of program effectiveness, the Commission adopted the following criteria:

- Marginal wages and salaries paid to Oklahoma residents by films eligible for the rebate – comparison to period prior to the rebate.
- Film-related expenditures in Oklahoma by films eligible for the rebate – comparisons to period prior to the rebate.
- Growth in employment and wages in the industry in Oklahoma compared to nationally and benchmark states (shift share analysis).
- Additional identifiable business activity directly or indirectly produced by films eligible for the rebate.
- Additional identifiable benefits that accrue to the State by films eligible for the rebate.
- Return on investment (economic activity versus rebates paid).

2024 Evaluation Approach

To conduct its 2024 review of the Film Enhancement Rebate, the project team conducted the following activities:

- Submitted an information request to OF+MO;
- Reviewed and analyzed OF+MO-provided data;

- Completed subject matter expert/internal stakeholder interviews with representatives from OF+MO;
- In collaboration with the Oklahoma City, Tulsa and State Chambers of Commerce, conducted external stakeholder interviews with industry representatives;
- Benchmarked Oklahoma’s incentive relative to peer state programs;
- Conducted an economic impact analysis of the incentive.

Industry Background

Film Production Activity: U.S. Competition with Other Countries

In 1999, the Directors Guild of America (DGA) and the Screen Actors Guild (SAG) commissioned an analysis of the so-called "economic runaway production phenomenon."[4] Economic runaway productions are those developed and intended for initial release or television broadcast in the U.S. but are actually filmed in another country to achieve lower production costs.[5] The analysis found that, in 1998, of the 1,075 U.S.-developed film and television productions in the DGA study's scope, 285 (27 percent) were economic runaways, a 185 percent increase from 100 in 1990. When productions moved abroad, the U.S. incurred a $10.3 billion economic loss (defined as lost direct production spending plus the "multiplied" effects of lost spending and tax revenues) in 1998 alone. This amount was five times the $2.0 billion lost in 1990. Canada accounted for 81 percent of the total; collectively, Australia and the U.K. accounted for an additional 10 percent. According to the analysis, the phenomenon was a result of three primary factors:[6]

- **Exchange Rates**: The value of Canadian, Australian and U.K. currencies had declined by between 15 and 23 percent since 1990 relative to the U.S. dollar, reducing production costs abroad.

- **Lower Costs**: Wages and rates in these countries, which were generally lower than those in the U.S. in the early 1990s, increased at a slower pace than in the U.S. As a result, producers realized at least a 15 percent reduction in production costs from lower labor costs and costs of goods and services when filming in Canada.

- **Government Incentives**: These counties offered rich tax incentives and rebates on production activity. For instance, Canada offered federal and provincial tax credits of between 22 and 46 percent of labor expense, yielding up to a 10 percent reduction in overall production expense. Canada, Australia and the U.K. also offered up to a 100 percent tax credit for qualifying "national" and/or "cultural" productions.

To compete with Canada and other countries, several states began to offer their own tax incentives for productions filmed within their borders. Louisiana was the first state to adopt state tax incentives for film and television productions in 1992, but it wasn't until it expanded its program in 2002 that its film industry began to experience strong growth.[7] Most other states followed suit, including Oklahoma through its Compete with Canada Act in 2001. By 2009, 44 states offered film incentives. However, over time, many of these states decided to end their programs: as of April 2024, 38 states and the District of Columbia provided incentives.[8] Many states that continued their programs opted to change their requirements and/or implemented new or reduced existing dollar caps.

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[4] Directors Guild of America and Screen Actors Guild, "U.S. Runaway Film and Television Production Study Report," (1999). Available at https://www.dga.org/News/PressReleases/1999/~/media/Files/Press%20Releases/1999/0625PrRelRunawayProduction.pdf

[5] A second type of runaway production is a "creative" runaway in which production departs because the story takes place in a setting that cannot be duplicated or for other creative considerations.

[6] The report noted that an additional cause was that the quality of Canadian and Australian production crews had improved to a point where most productions can be filmed in these countries without a major difference in quality/productivity – and their ability to handle larger, more complex production increased in tandem.

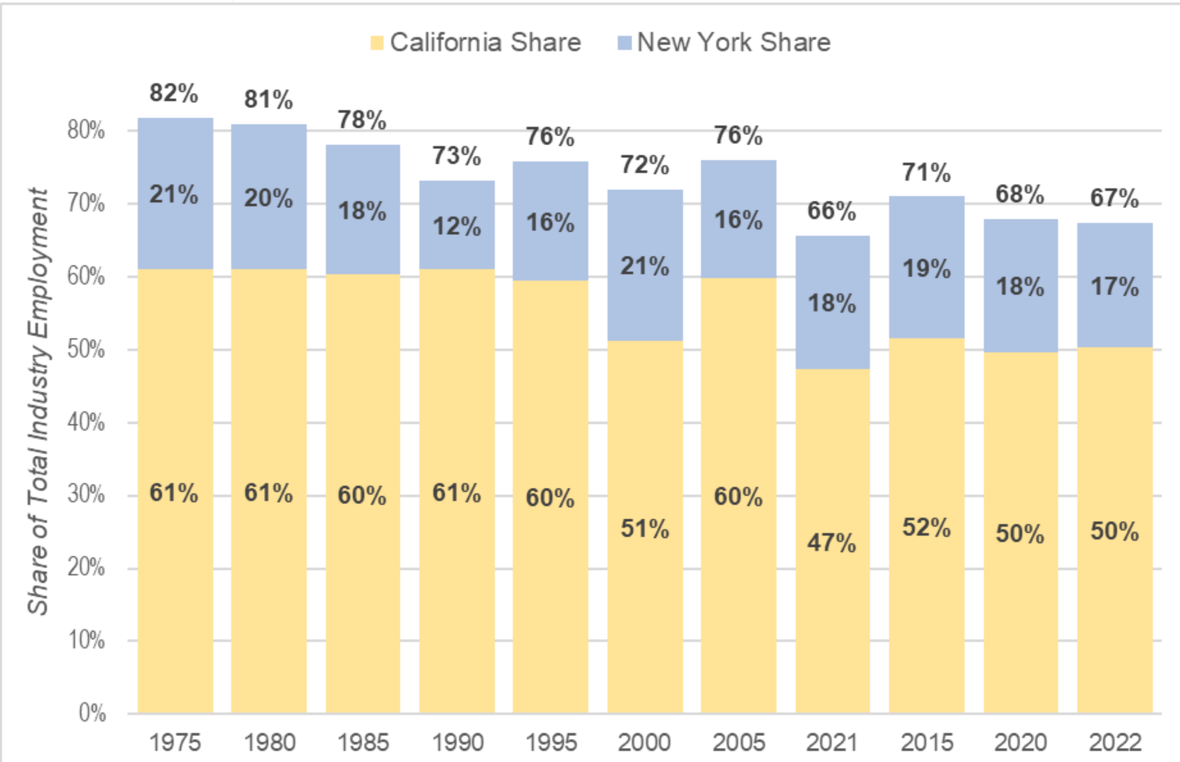
[7] NCSL, "State Film Production Incentives and Programs," (February 5, 2018). Available at: https://www.ncsl.org/research/fiscal-policy/state-film-production-incentives-and-programs.aspx#:~:text=Louisiana%20was%20the%20first%20state,states%20responded%20to%20Louisiana's%20success.

[8] NCSL, "State Film and Television Incentive Programs, April 8, 2024, available at: https://www.ncsl.org/fiscal/state-film-and-television-incentive-programs

Film Production Activity: State Competition

Film activity has been concentrated primarily in California and secondarily in New York for decades. The following graph provides a historic representation of that fact.

Figure 1: New York and California Share of Nationwide Motion Picture and Video Production and Post-Production Employment, 1975-2022



Source: PFM analysis of BLS QCEW data for NAICS codes 51211 and 51219

That said, the share for California and New York is eroding, and this can be at least partially attributed to the rise of significant film credit programs in a number of states. The states that have made the largest investments (in terms of foregone revenue from film tax credits besides California and New York) include Georgia (an uncapped credit that has been over $1.0 billion in claims in some years), Louisiana ($150 million cap), New Jersey ($100 million cap), New Mexico ($110 million and growing by $10 million a year to $160 million), and Pennsylvania ($100 million cap).

According to an analysis by the National Conference of State Legislatures, 38 states offer some form of film and television incentive program.[9] They also note that, since 2021, at least 18 states have enacted measures to implement or expand film tax incentives.

While there may well be benefits associated with the publicity and economic activity associated with filming within a state, it tends to be limited in duration and can be episodic. Whether it provides lasting benefits to a state is an important question. As noted in the benchmarking discussion, most economic impact studies find that while there is positive economic impact, it does not translate into a positive tax revenue return on investment to the state. That said, the trend is certainly toward adding this type of credit and, in many states, increasing the dollar cap associated with it.

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[9] "State Film and Television Incentive Programs," National Conference of State Legislatures, April 8, 2024, accessed electronically at https://ncsl.org/fiscal/state-film-and-television-incentive-programs

Within Oklahoma, both a location quotient and shift share analysis suggest that the industry has yet to become a significant part of the state economy. It is notable that BLS Quarterly Census on Employment and Wages (QCEW) data indicate that the Oklahoma level of employment for the industry through 2022 numbers in the hundreds (rather than thousands or tens of thousands) of full-time employees.

Incentive Usage and Administration

Incentive Characteristics

Oklahoma's film enhancement rebate is equal to a percentage of documented expenditures made in-state that are directly attributable to the production of a film, television production or television commercial. Initially set at 15 percent, the rebate amount was increased to 35 percent in 2009. The Filmed in Oklahoma Act now provides for a 20 percent rebate, with various uplifts that can bring the total rebate to 30 percent.

To qualify, the total budget for the production must be at least $50,000. The qualified expenditures vary by the type of expenditure:

- All Oklahoma resident labor qualifies for a 30 percent rebate, regardless of qualified uplifts. This includes all above the line or below the line expense.
- Oklahoma expatriates (has previously resided in the state for at least one year but does not currently reside there), they qualify for a 30 percent earned rebate amount.
- Non-resident 'below the line' staff qualify at a flat 20 percent. They are not eligible for any uplifts.
- Non-resident 'above the line' staff can qualify with certain limitations, but they are limited to 25 percent of total qualified spend.
- It is also notable that all contract employees (paid via a 1099) do not qualify as a labor expense under any circumstances.

Besides labor, there are multiple categories of qualified expenditures that can be part of the rebate:

- Housing.
- Meals paid to a restaurant/caterer.
- Construction and operations, wardrobe, accessories, props, and related services.
- Photography, sound synchronization, lighting and related sources.
- Permits and other government licenses/fees.
- Editing and related services.
- Rental of facilities and equipment.
- Travel and transportation.
- Security.
- Other direct costs of producing a film.
- CPA review.

Production companies are prohibited from claiming this incentive in conjunction with the State's Point-of-Purchase Sales Tax Exemption, which has been available since 1996. This program exempts from sales tax the sales of tangible personal property or services to a motion picture or television production company to be used or consumed in connection with an eligible production (documentary, special, music video, television commercial or television program that will serve as a pilot, feature-length motion picture intended for theatrical release or broadcast). According to OF+MO representatives, use of the sales tax exemption is extremely rare, as it is less financially beneficial than the film enhancement rebate.[10]

Oklahoma Film Production Activity Through 2020

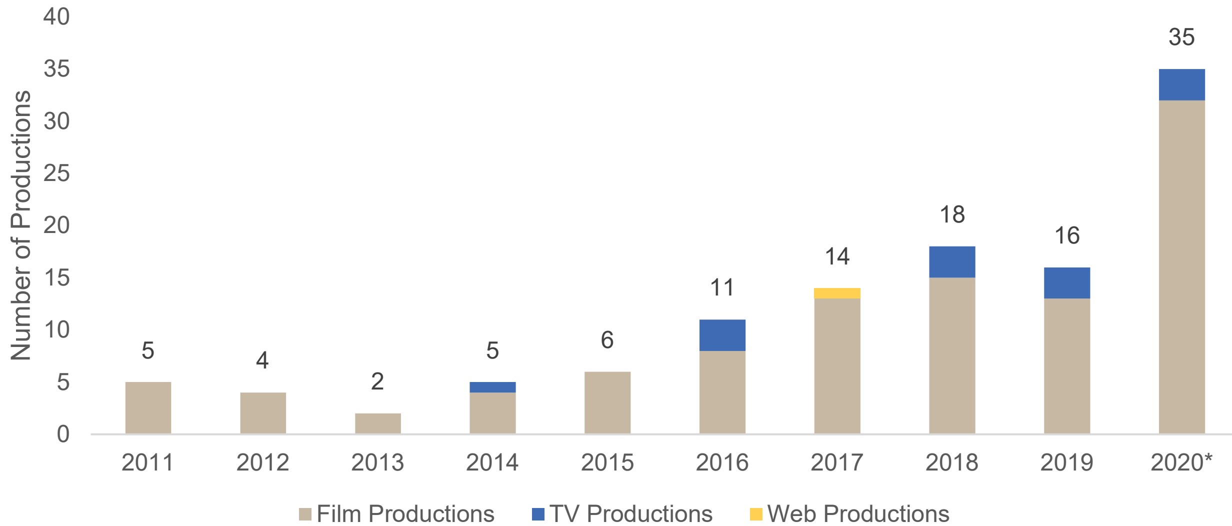
The State of Oklahoma passed the "Compete with Canada Act" in 2001 to position the State as "an attractive site for film production" and to "enhance the state's image nationwide." The intent of the legislation was to "provide an incentive that will stand out among those of other states and increase film production" in the state by providing a 15 percent cash back rebate on expenditures incurred in-state for movie and television

[10] In their eligibility and final applications, companies must attest that they did not use the sales tax exemptions. According to OF+MO representatives, use of both incentives would likely be discovered by the OTC during an audit.

production. When it was introduced, the Act provided three times the incentive of any other state. Total rebates allowed could not exceed $2.0 million in a single year to one production company.

Oklahoma Productions by Year
As shown in the following figure, the number of productions based in Oklahoma participating in the incentive program has increased significantly in recent years – a CAGR of 24.1 percent between FY2011 and FY2020.

Figure 2: Total Oklahoma Productions Participating in Incentive Program, FY2011-FY2020



Source: OF+MO
** FY2020 totals include films that are in the queue but have not yet begun principal photography.*

Enactment of the 'Filmed in Oklahoma Act'

In 2021, the Filmed in Oklahoma Act was signed into law, creating a new film enhancement rebate program that replaced the previous $8 million annual cap with an increased annual cap of $30 million. The Compete with Canada Act still exists until its scheduled sunset date, so that any projects that had already been prequalified under that program could still submit their final claims. However, as of July 1, 2021, all new applications for the Oklahoma Film Enhancement Rebate Program had to apply under the Filmed in Oklahoma Act.

The following are key features of the Filmed in Oklahoma Act rebate:

- $30 million annual cap:
  - $22.5 million is allocated for productions with a budget of at least $7.5 million.
  - $7.5 million is allocated for productions with a budget of at least $50,000 and less than $7.5 million.
- 20% base rebate of qualified expenses.
- Variety of possible additional rebates (uplifts) up to a maximum of 30% of qualified expenses.
  - 3% rural county uplift.
  - 3% uplift when at least 25% is filmed on location in a county less than 250,000 people.
  - 2% 'small municipality' uplift
  - 2% uplift when at least 25% is filmed on location in a municipality less than 25,000 people.
  - 5% soundstage uplift

- 5% uplift is 25% is filmed at a certified soundstage facility and 3% direct expenditures spent on soundstage
- 2% / 5% TV uplift (2% for a pilot or 5% for a season)
- If a pilot is part of a multi-film deal, the project can qualify for the multi-film 5%, but cannot also receive the pilot 2%
- 5% multi-film deal uplift
- 3% post-production uplift, if at least 3% of qualified expenditures spent on Oklahoma post-production
- 2% music uplift If at least 1% of qualified expenditures spent on Oklahoma music production

▪ There is also a stand-alone post production incentive with a 20 percent base and a maximum of 25 percent available through qualified uplifts
▪ The stand-alone post production incentive is part of the $30 million cap, there is not a separate fund for those projects.
▪ Eligible expenses include:
  - Salary costs for Oklahoma resident and expatriate crew.
  - Payments for crew that is not Oklahoma-based or non-residents, iincluding above-the-line personnel, which is capped at 25% of total QPE.[11]
  - Permits and fees paid to Oklahoma state and local governments.
  - Payments to Oklahoma vendors for necessary expenses (including but not limited to set construction; production management; wardrobe and make-up; set props and accessories; lighting and electrical materials, equipment, and services; lodging and accommodations; food, restaurants and catering; transportation and travel costs; other materials, supplies, and contracted services; CPA report).
▪ There is an application and scoring process, with the following among the factors considered for acceptance:
  - Oklahoma workforce.
  - Principal photography days.
  - Long-term or frequent investment in the state.
  - Oklahoma branding and image through distribution.
  - Percentage of budget spent on below-the-line crew.
  - Participation in festivals and/or industry recognized accolades.
  - Project has full or partial funding in place.
▪ Applications are considered for 6 award periods throughout the fiscal year.

Data comparisons for the program are difficult between FY2020 and FY2024 for two primary reasons:

▪ As previously noted, many projects that were prequalified in FY2019 through FY2021 were not reimbursed through rebate until FY2022 or FY2023. Determining which year (qualification or pay-out) to use for comparison purposes is difficult. While it is not unusual for projects to cross fiscal years, in the case of the COVID-19 disruption (and, to some extent, the actors and screenwriters strikes) the delay can be two or three years from qualification to reimbursement.
▪ The enactment of the Filmed in Oklahoma Act in 2021 created a substantially different program, and for several years, there were reimbursements made to different projects under both programs.
  - For projects paid in FY2022, there were 31 paid via the Compete with Canada program, and 3 via the Filmed in Oklahoma Act.
  - For projects paid in FY2023, there were 14 paid via the Compete with Canada program, and 13 via the Filmed in Oklahoma Act.

[11] Above the line personnel include writers, producers, directors, and principal actors.

- For projects paid in FY2024, there were 2 paid via the Compete with Canada program and 14 paid via the Filmed in Oklahoma Act.[12]

Production Spending and Rebates

The following table depicts film-related expenditures and rebates in Oklahoma by production companies eligible for the incentive. This includes direct spending, which is comprised of categories of spending within the state the Oklahoma, as well as payroll expenditures, which then encompasses the entirety of spending. As previously noted, there are anomalies that impact on the timing of reported expenditures and rebates. However, two major productions paid out in 2023 (the motion picture Killers of the Flower Moon) and 2024 (the television series Tulsa King, season one) have significantly impacted on the overall level of spending.

Table 2: Qualified Spend and Rebates Paid, FY2020-FY2024

Fiscal Year	Qualified Production Expenditures	Direct Spend	Total Spend	Final Rebate
2020	$14,458,972	$7,688,463	$14,543,804	$5,069,882
2021	$16,785,934	$8,114,254	$17,192,171	$6,033,059
2022	$52,292,903	$24,025,533	$52,987,276	$17,835,226
2023	$169,953,126	$62,479,047	$138,398,746	$17,474,873
2024*	$125,428,431	$65,878,318	$161,098,981	$33,486,182

Oklahoma Department of Commerce, OF+M0.
** Partial results for the fiscal year*

Oklahoma 'Below the Line' Spending and 'Above the Line' Spending
Data provided by OF+MO demonstrates significant growth qualified expenditures for Oklahoma 'below the line' employees. Non-Oklahoma 'above the line' qualified salaries have also grown, and there is no clear relationship between the two.

Table 3: Oklahoma Below the Line and Above the Line Payroll, FY2020-FY2024

Fiscal Year	Oklahoma Below the Line Salaries	Above the Line Salaries
2020	$4,347,475	$2,394,992
2021	$4,824,023	$3,212,593
2022	$14,206,099	$10,402,311
2023	$23,645,967	$34,060,203
2024*	$28,545,385	$24,768,080

Oklahoma Department of Commerce, OF+MO
**Partial results for the fiscal year*

Oklahoma-Based Production Companies

[12] The OF+MO MS-Excel workbook was provided on May 12, 2024, so it may not include the entirety of FY2024, which ended on June 30, 2024.

As of 2005, Oklahoma was home to 61 production companies.[13] By 2019, the total had grown to 99 – a CAGR of 3.5 percent. In the fourth quarter of 2023, Oklahoma was home to 132 production companies, which has more than doubled the number of companies from 2005. At the same time, these production companies do not employ a portion of the Oklahoma workforce. In December 2023, the 132 production companies employed a total of 712 workers and had quarterly wages of $10.4 million.

The BLS also publishes location quotients for employment and wages. According to the BLS, "A location quotient is a measure of the prevalence of an occupation in an area relative to the US average. It is the ratio of the share of an occupation's local area employment to its share of U.S. employment. A location quotient greater than one indicates the occupation has a higher share of employment in the area than average, and a location quotient less than one indicates the occupation is less prevalent than average. For example, an occupation that makes up 2 percent of an area's employment, but only 1 percent of U.S. employment will have a location quotient of 2."[14] The U.S. as a whole always has a location quotient of 1.00, so states with a smaller share of employment or wages will be below 1.00, and those with a larger share will be above 1.00.

Oklahoma's employment location quotient for the fourth quarter of 2023 was 0.33, which placed it 24th among the states. Seven states had an employment location quotient above 1.00 – California (4.04), Hawaii (2.76), New York (2.73), New Mexico (1.95), Utah (1.61), Connecticut (1.32), and Georgia (1.27). .

Oklahoma ranks 26th among all states for location share based on quarterly wages. In this category, only three states had shares above 1.00. California once again heads the list (4.22), followed by New York (2.35) and neighboring Connecticut (1.55). This suggests that there is still a significant concentration of high wage motion picture and video production work done in (mostly Southern) California and New York City and surrounding areas.

Shift Share Analysis to Identify Incentive Impact on Industry Growth

While location quotients present a point-in-time look at the prevalence of an occupation in a state relative to the US average, shift share looks at changes in employment both nationally and at the state level over time and attributes those changes to federal or state economic and industry conditions.

As has been noted, Oklahoma, as with many states, has had incentives in place to target the film industry for over 20 years. One rationale for the use of tax incentives is to grow an industry with the expectation that the growth will outpace that of its competitors. To determine how the industry's growth in Oklahoma compares to that nationally, the project team conducted a shift-share analysis, examining employment within the sector in Oklahoma, then comparing it to employment growth both within the entire national economy and the national motion picture industry. The data for this is taken from the BLS QCEW, a commonly used source for employment within industries, by NAICS code.

Table 4: Motion Picture Industry Shift Share Analysis, 2013-2022

Description	US 2013	US 2022	OK 2013	OK 2022	OK Industry Growth	US Overall Growth	National Industry Growth	OK Industry Growth
Total - All Industries (Private, Any Size)	112,958,334	128,718,060	1,241,022	1,304,605				
Film Industry (NAICS Code 51211)	210,708	271,321	204	367	163	28	30	104

Change in Jobs	**+15,759,726 (+13.95%)**	**+63,583 (+5.12%)**	**+163 (+79.90%)**

[13] Based on BLS Quarterly Census of Employment and Wages data for North American Industry Classification System (NAICS) code 51211 – Motion Picture and Video Production
[14] BLS Occupational and Employment Wages Statistics, accessed electronically at https://www.bls.gov/oes/about_charts.htm

Job Change Expected from Overall US Growth	+28
Job Change Expected from US Growth in Industry	+30
Job Change Attributable to OK Industry Growth	+104

Source: PFM analysis of BLS QCEW data for NAICS Code 51211, Motion Picture and Video Production, August 14, 2024

From this, it can be determined that overall private nonfarm growth in the U.S. economy from 2013 to 2022 was 13.95 percent, while growth in the motion picture and Video Production industry nationally was 28.77 percent. By contrast, growth in the motion picture and video production industry in Oklahoma for that same period was 79.9 percent. In that time period, Oklahoma added an additional 163 jobs. Of that, 28 could be attributed to growth in the national economy, 30 to national industry growth, and the majority, 104, to growth in the Oklahoma motion picture and video production industry.

This is very strong growth, but the numbers are small, meaning that even small fluctuations can change the overall results. The following table reports annual employees in the industry in Oklahoma:

Table 5: Oklahoma Employees in the Motion Picture and Video Production Industry

Year	Employment
2013	204
2014	159
2015	181
2016	240
2017	273
2018	274
2019	306
2020	256
2021	377
2022	367

Source: BLS QCEW August 14, 2024

Historic Use of the Rebate

In the prior evaluation, claims paid by the Film Enhancement Rebate program have varied. The total number of productions with paid rebate claims trended downward between FY2010 and FY2014 by a CAGR of -26.9 percent. Claims paid have generally increased each year since that point, growing by a CAGR of 42.9 percent between FY2014 and FY2020. The following figure demonstrates these trends.

The average rebate per claim between FY2009 and FY2020 also varies. The average was lowest in FY2010, when seven productions received rebate claims totaling $617,000, averaging just over $88,000 per production. The average was highest in FY2013, when three productions received rebate claims totaling $5.0 million, averaging $1.7 million per production. The following table shows the top production per year, in terms of rebate claims.

Table 6: Productions with Highest Rebate Claims per Year, FY2009-FY2024

Fiscal Year	Total Rebate Claims Paid	Production Type	Production
2009	$408,984	Film	The Killer Inside Me
2010	$205,954	TV	Extreme Makeover: Home Edition
2011	$1,586,774	Film	To the Wonder
2012	$3,925,691	Film	Yellow
2013	$4,640,598	Film	August: Osage County

Fiscal Year	Total Rebate Claims Paid	Production Type	Production
2014	$184,346	Film	Rudderless
2015	$979,696	Film	The Veil
2016	$719,120	Film	Gosnell
2017	$802,864	Film	Wildlife
2018	$1,591,176	Film	I Can Only Imagine
2019	$1,503,408	Film	Unplanned
2020	$1,111,819	Film	The Mustard Seed
2021	$1,969,388	Film	Thirteen Minutes
2022	$6,155,272	Film	Reagan
2023	$4,363,077	Film	Killers of the Flower Moon
2024	$14,123,333	TV Series	Tulsa King Season 1

Source: Oklahoma Department of Commerce, OF+MO

It is also notable that payouts for the next highest rebates in 2022-2024 were much higher than in previously years. For example, in 2022, Starbright was the second highest payout, at $3,916,668. In 2023, Reservation Dogs, Season 2, was the next highest at $4,104,322. In 2024, both American Underdog and Reservation Dogs, Season 3 were over $5.0 million. By contrast, the second highest payout in 2021 was just under $2.0 million, and for 2020, it was less than $500,000.

Incentive Administration

The Oklahoma Department of Commerce Film and Music Office is responsible for administering the Film Enhancement Rebate program, while the Oklahoma Tax Commission (OTC) also plays a role.

The administrative process is generally comprised of two steps: eligibility application and prequalification; and final application and payment of rebate claims.

Eligibility Application and Prequalification
To apply for a rebate, a production company submits an eligibility application and all necessary forms via the OF+MO website (or as otherwise specified by OF+MO). Applications for projects filmed inside the state may be submitted no earlier than one year prior to the start of principal photography but no later than 45 days prior to the start of principal photography. The requirements of the eligibility application generally include:

- General information about the production;
- Contact information;
- A copy of the screenplay or treatment if appropriate;
- The production budget top sheet and estimated headcount;
- Various acknowledgments of program and OF+MO requirements and agreements to abide by them.

Post-production activity on a project filmed outside the state also may be submitted no earlier than one year prior to the occurrence of the post-production activity occurring in the state but no later than 14 days prior to the occurrence of the post production activity occurring in Oklahoma. The application requirements generally include:

- The post-production budget or budget top sheet including post-production services;
- Proof of funding for the post-production services.

Notably, in FY2020, OF+MO began collecting additional information about potential productions as part of the initial application process. These modifications provide more factors for consideration when making award determinations. They will presumably allow for more refined analysis of the program's impact in the future. Additional information requested includes:

- Distribution plans.
- Planned Oklahoma shooting locations.
- Whether the project is scripted for Oklahoma.
- Whether post-production will be done in Oklahoma, and if so, who will provide those services.
- Whether it is a union production, and if so, which unions.
- Whether the production will use a five- or six-day work week; if episodic, the amount of shoot days per episode.
- Additional detail regarding estimated personnel.
- More specific categories of estimated Oklahoma expenditures.

Application into the program does not guarantee acceptance. OF+MO considers each eligibility application based on many factors, including compliance with program rules, the benefits of the project to Oklahoma (such as jobs, tourism, branding, image and follow-on work), funds available, anticipated future program needs and other projects applying for a rebate.

If an eligibility application is approved, the production is deemed "prequalified," and the application estimate is multiplied by the appropriate rebate percentage to determine the estimated amount to be paid in the rebate claim. Once prequalified, OF+MO works with the production to establish a rebate schedule, and productions are assigned to a fiscal earmark year[15] based on the start of principal photography. Prequalification does not guarantee ultimate approval of a rebate claim.

Final Application and Payment of Rebate Claims

Upon completion of the production and after satisfying the requirements of the rebate schedule,[16] the production company submits a final rebate application. Each final rebate application must be accompanied by a report prepared by an independent Certified Public Accountant currently licensed by the State of Oklahoma. The report must attest that:

- Actual production expenditures were at least $50,000 incurred in-state (or if a high-impact production, actual expenditures were at least $50,000,000.
- All amounts on the application are properly calculated and materially accurate.
- All Oklahoma payroll tax returns due from the production company (or its payroll processor) have been filed.
- All Oklahoma income tax returns for the production company due as of the review date have been filed.

In FY2020, OF+MO began collecting additional production information as part of the final application process, including:

- Distribution plans (including whether a theatrical distribution deal is in place).
- The dates of the first and last Oklahoma expenditures incurred.
- The start date of principal photography.
- Number of days in preproduction, principal photography and post-production.
- Total production days in Oklahoma.

[15] "Fiscal earmark year" is the fiscal year to which payment of potential rebate claims is assigned.
[16] The rebate schedule is a schedule of dates, deadlines and submittals the production must achieve to submit the final application and have its rebate claim approved.

OF+MO approves or denies all claims within 60 calendar days of receipt of a properly completed final application. If the final application and actual rebate claim are approved, the amount of the rebate claim depends on the actual expenditures incurred in-state. If they are less than or equal to the application estimate, the rebate claim will be paid in full. If they are more than the application estimate, the potential rebate claim amount will be paid within the normal payment timeframe. The remainder will be considered an additional claim and may, depending on OF+MO's discretion and budget, be paid outside the normal timeframe (in alignment with the process for carrying forward payment described previously).

Upon notification of approval from OF+MO, the OTC issues payment for all approved claims, subject to the fiscal year maximum imposed by statute.[17] As mentioned previously, the program has a rolling cap, which adds a new amount to the fund available to pay rebate claims each fiscal year. In order to ensure funds are available to pay all prequalified productions, OF+MO assigns each prequalification to a fiscal earmark year, which may be one or more calendar years in the future. If the total amount available to pay claims in any one fiscal year is restricted by statute, claim approval priority will be determined using the fiscal earmark year, and some productions may have to wait until the first day of a future fiscal year in order to receive payment. This statutory maximum does not affect the amount of the claim or its ultimate payment but can affect the timing of when it is paid.

The end credit crawl of all release prints of a completed short- or long-form film must include "Filmed in Oklahoma utilizing the Oklahoma Film Enhancement Rebate Program" and a logo provided by OF+MO. In addition, the production company must provide to OF+MO with Production stills, behind the scenes footage or other images OF+MO can use to promote the program.

Alignment with Incentive Best Practices

The practice team analyzed the existing rebate program with what are considered incentive industry best practices.[18] The following features of the program generally align with best practices:

- **Targeted.** This rebate is primarily available to the film and video production industry. Whether this is a strategically important industry for the state is open to discussion.
- **Discretionary.** There is an application process, and the Department has discretion as to applicants to accept into the program.
- **Take into consideration local conditions.** There are specific uplifts that will apply to certain types of counties and municipalities. In this case, the incentive has been written to provide additional benefits to rural or less populated local governments.
- **Acountable.** The department maintains significant data on use of the incentive and activity associated with it.
- **Capped.** The program has a $30 million annual cap on rebates.

There are a couple of areas where the incentive is less in alignment. There is a significant amount of complexity associated with the rebate, and it can be somewhat difficult to navigate the available information on the Department's website. There are also aspects of the scoring process for applicants that are not transparent. While that may be necessary to prevent 'gaming' the process, it still calls into question whether the process is open and transparent. Finally, it is unclear as to the leverage of private capital – most other incentives that target capital provide a smaller percentage of capital expenditures as the incentive.

[17] And any other agreements that the production and OF+MO have agreed to in writing in the case that the production is a high-impact production.
[18] A discussion of incentive best practices is provided in Appendix D.

Beyond these best practices, another important consideration is the ‘but for test’ – which is a determination as to whether the economic activity would have occurred without the incentive. In this case, there is general agreement that the industry will seek out the ‘best offer’ and in many instances go where the incentive is better. Of course, the Oklahoma incentive is not likely to win in instances where ‘the highest bidder’ is the determining issue. States such as Georgia, New York, and California have programs that are 10-30 times larger than the Oklahoma program cap. There are other programs, such as New Mexico and Louisiana, that also have program caps 3-6 times that of Oklahoma.

Economic and Fiscal Impact

Economic Impact Analysis

Economic and Fiscal Impact Analysis – Film Enhancement Rebate

A detailed description of the IMPLAN economic impact methodology is provided in Appendix C.

Economic impacts of the film production rebate incentive are measured by the amount of spending that occurs in Oklahoma for qualifying payroll and production expenses. The economic activity that is associated with this spending takes into account both the direct spending and the multiplier effects of that spending throughout the economy.

Due to the pandemic, the economic impacts in 2020 were significantly less than in succeeding years as the film industry was in recovery mode and able to restart productions that had been put on hold. This led to a higher number of jobs and economic output in 2021.

Table 7: Economic and Fiscal Impacts, 2020

Effect	Jobs	Labor Income	Value Added	Output	Est. OK Tax Revenue
Direct	522	$15,164,809	$15,164,809	$30,178,658	$316,631
Indirect	64	$2,657,545	$4,218,193	$9,678,303	$219,338
Induced	75	$3,597,549	$6,353,031	$11,715,984	$394,398
Total	**661**	**$21,419,903**	**$25,736,033**	**$51,572,945**	**$930,367**

Table 8: Economic and Fiscal Impacts, 2021

Effect	Jobs	Labor Income	Value Added	Output	Est. OK Tax Revenue
Direct	1,918	$76,970,551	$76,970,551	$145,782,425	$1,418,629
Indirect	264	$11,432,999	$22,331,718	$50,898,893	$682,307
Induced	383	$18,883,501	$34,585,536	$64,182,758	$1,886,999
Total	**2,565**	**$107,287,051**	**$133,887,805**	**$260,864,076**	**$3,987,935**

Table 9: Economic and Fiscal Impacts, 2022

Effect	Jobs	Labor Income	Value Added	Output	Est. OK Tax Revenue
Direct	1,060	$43,963,029	$43,963,029	$101,840,210	$878,278
Indirect	226	$10,280,863	$16,936,315	$42,794,831	$849,788
Induced	238	$12,063,549	$22,792,300	$42,388,264	$1,371,804
Total	**1,525**	**$66,307,441**	**$83,691,644**	**$187,023,305**	**$3,099,869**

Table 10: Economic and Fiscal Impacts, 2023

Effect	Jobs	Labor Income	Value Added	Output	Est. OK Tax Revenue
Direct	1,405	$58,264,590	$58,264,590	$117,968,135	$1,163,989
Indirect	233	$10,605,285	$17,470,755	$44,145,259	$876,604
Induced	303	$15,316,259	$28,937,456	$53,817,258	$1,741,657
Total	**1,941**	**$84,186,133**	**$104,672,801**	**$215,930,652**	**$3,782,249**

Given some of the lag associated with payment of the rebates, it is difficult to do individual years' return on investment calculation. For this reason, the combined rebates and estimated state tax revenue are combined for 2020 to 2024. When doing so, film enhancement rebates total $46,413,040 and state tax revenue total $11,800,420. This is an ROI of $0.25 for every $1.00 of program rebate.

This generally aligns with similar studies of state film incentives. Of course, this does not capture local government revenue or qualitative impacts associated with the film industry.

Incentive Benchmarking

Benchmarking

A detailed description of comparable state programs can be found in **Appendix B.**

For evaluation purposes, benchmarking provides information related to how peer states use and evaluate similar incentives. At the outset, it should be understood that no states are 'perfect peers' – there will be multiple differences in economic, demographic and political factors that will have to be considered in any analysis; likewise, it is exceedingly rare that any two state incentive programs will be exactly the same.[19] These benchmarking realities must be taken into consideration when making comparisons – and, for the sake of brevity, the report will not continually re-make this point throughout the discussion.

The process of creating a comparison group for incentives typically begins with bordering states. This is generally the starting point, because proximity often leads states to compete for the same regional businesses or business/industry investments. Second, neighboring states often (but not always) have similar economic, demographic or political structures that lend themselves to comparison.

In the case of the Film Enhancement Rebate, however, similar state incentives are prevalent and extend well beyond the states neighboring Oklahoma. As mentioned previously, as of April 2024, 32 states provided such incentives. Notably, most states that currently do not offer incentives are located in the midwestern U.S.

Of Oklahoma's neighboring states, only Kansas does not have a similar program (in 2024, the Kansas Legislature passed a film tax credit program, but it was vetoed by their Governor). Notably, Missouri has enacted its own tax credit program in 2024. It is well known that Tulsa King, with the first season filmed in Oklahoma, was originally going to be set in Kansas City, Missouri, but the absence of a tax credit program led to its being filmed in Oklahoma. However, the second season of that television series is being primarily filmed in Atlanta, Georgia, with some also being filmed in Oklahoma.

One notable difference among the benchmarked states is the program dollar cap. Georgia does not have a cap and has typically had claimed tax credits of over $1 billion in recent years. On the other end of the scale, Colorado's rebate is limited to $5 million a year. Besides Georgia, New York's annual film production tax credit cap was raised last year to $700 million,[20] and California's program has an annual cap of $330 million.

Benchmarking Return on Investment Studies of the Film Incentives

While states continue to offer the incentives (and expand them in many instances), the impact studies mostly conclude that they do not provide a positive return on investment for the state.

Findings in Other State Studies

Many of the other state evaluations had a broader scope that looked at issues beyond economic impact. The methods used to weigh economic impact and return on investment also vary. In general, however, most of the studies identify some basic findings that are also evident, to some degree, in this study. These include:

[19] The primary instances of exactly alike state incentive programs occur when states choose to 'piggyback' onto federal programs.
[20] New York also has separate programs for post-production work and commercials.

- The industry is nomadic, and it will shop for locations based on the available incentives.[21]

- Because of the temporary/nomadic nature of the industry, most spending will be for labor costs, and a low proportion will be for capital investment.[22]

- Much of the associated spending for the incented projects will occur out of state, which lessens the expected economic impact.[23]

- There are indirect positive effects associated with entertainment productions, but it is difficult to attach a dollar value to them.[24]

- As a result, the return on investment, as measured by state tax dollar collections associated with the incented projects versus the tax incentives, is generally (but not always) determined to be negative for the state.[25]

- There are also doubts that film tax credits have a major impact on employment and film production within the states. A 2018 study on California's Film Production Tax Credit 2.0 found no link between the program and film production within the state, nor did it find that other states' spending in similar programs led to a decrease in filming within California.[26]

Outside Studies

Besides state evaluations, there have been many academic studies of related incentives, as well as studies funded by the Motion Picture Association and/or other groups. Among academic studies, one often-cited paper examined the effect of motion picture incentives from 1998 through 2013 on all 50 states. For a variety of reasons, it found little efficacy related to the incentives and growth of the industry in that state. Interestingly, it found that a significant factor that limited growth in other states

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[21] As was noted in the "Evaluation of Alabama's Entertainment Industry Incentive Program…" (2017), "perhaps the worst efficiency-related outcome of state entertainment industry incentive programs is that they pit the states against each other in a high-stakes competition for highly mobile activity. This almost certainly results in a significant portion of the benefits going to out-of-state entities and does not leave a lasting economic impact in any particular filming location."

[22] The Rhode Island Department of Revenue "Evaluation of Motion Picture Production Tax Credits (2022) notes that "The small amount of capital investment can be explained by the fact that many of the …recipient firms are short-term entities incorporated by out-of-state production firms for the length of the production and lacking a substantial physical presence in the state. These firms do not make typical capital investments such as owning or renting real estate for offices and production space. Furthermore, to the extent that firms with a significant, long-term physical presence in Rhode Island do take advantage of the [credit], these firms' capital investments would not be associated with a single motion picture production and therefore would not be eligible to be considered certified production expenses for the purposes of the [credit]."

[23] The Georgia Department of Audits and Accounts 'Impact of the Georgia Film Tax Credit (2020)' noted that 'While the $818 million to nonresident workers included is included in the direct labor income, it has little impact on the Georgia economy because nonresidents are expected to spend their wages in their home state. Production companies are typically required to pay for nonresidents' living expenses (e.g., hotel, transportation, per diem) while the worker is away from home. These living expenses were included in our impact analysis. As a result, nonresidents are unlikely to spend significant portions of their wages while in Georgia."

[24] The Alabama evaluation notes that "To be sure, certain productions can bring indirect advertising, visibility, and prestige effects that might increase tourism or general interest in an area, but those effects are exceedingly difficult to quantify."

[25] See, for example, Independent Fiscal Office, "Pennsylvania Film Production Tax Credit, An Evaluation of Program Performance (January 2019), p. 15 for a summary of recent state RIOs from other evaluations.

[26] Michael Thom, "Time to Yell 'Cut?' an Evaluation of the California Film and Production Tax Credit for the Motion Picture Industry," California Journal of Politics and Policy 10, no. 1, May 13, 2018, accessed online at https://doi.org/10.5070/p2cjpp10138993.

was the industry concentration in California and New York State.[27] Another academic paper compared the economic impact of the Georgia film tax credit based on a report by the Georgia Department of Economic Development to the author's separate findings. In this case, the author found a significantly lower economic impact.[28]

In many instances, these studies tend to focus on different impacts and results. As was noted in a recent informational brief by the Louisiana Legislative Auditor (LLA), return on investment (and, for that matter, economic impact) can be calculated in different ways. The LLA noted, for example, that a study by the Louisiana Department of Economic Development examined return on investment (ROI) based on an increase in household income versus the cost of the credits issued; in contrast, a study by the Louisiana Department of Revenue focused on fiscal ROI – the increase in state revenue versus the cost of the credits issued.[29]

Motion Picture Association (MPA) studies have reached different conclusions. The MPA has funded studies in numerous states and has used those to make the case for existing, new, or expanded film tax credits.[30]

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[27] Michael Thom, "Lights, Camera but No Action? Tax and Economic Development Lessons from State Motion Picture Incentive Programs," American Review of Public Administration, 2018, accessed online at https://doi.org/10.1177/0275074016651958.

[28] John Charles Bradbury, "Film Tax Credits and the Economic Impact of the Film Industry on Georgia's Economy," Kennesaw State University Policy Brief, August 15, 2019, accessed online at https://dx.doi.org/10.2139/ssrn.3407921.

[29] "Motion Picture Investor Tax Credit," Louisiana Legislative Auditor, Informational Brief, May 8, 2023, pp.3-4. Accessed online at https://app.lla.la.gov/publicreports.nsf/0/703fe38c905111a5862589a6005e378a/$file/0000171a.pdf

[30]See, for example, studies conducted by HR&A for the Motion Picture Association related to the states of New York, Massachusetts, and Louisiana, accessed online at https://www.motionpictures.org/wp-content/uploads/2014/01/Economic-and-Fiscal-Impacts-of-the-New-York-State-Film-Production-Tax-Credit.pdf, https://www.motionpictures.org/wp-content/uploads/2014/01/Economic-Impacts-of-the-Massachusetts-Film-Tax-Incentive-Program-.pdf, and https://www.motionpictures.org/wp-content/uploads/2015/04/Economic-Impacts-of-the-Louisiana-Motion-Picture-Investor-Tax-Credit1.pdf.

Appendices

Appendix A: Program Statute

SUBJECT: Filmed in Oklahoma Act of 2021

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3631 of Title 68, unless there is created a duplication in numbering, reads as follows: This act shall be known and may be cited as the ”Filmed in Oklahoma Act of 2021“.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3632 of Title 68, unless there is created a duplication in numbering, reads as follows: As used in the Filmed in Oklahoma Act of 2021:

1. ”Above-the-line personnel“ means producers, principal cast, screenwriters and directors who work on production of films or television series. The qualifying salary of above-the-line personnel may be included as crew, as defined in paragraph 3 of this section, if the salaries are paid to loan-out corporations and limited liability companies registered to do business in this state or the salaries are paid to Oklahoma-based above- the-line personnel. The qualifying salary of above-the-line personnel shall not comprise more than twenty-five percent (25%) of total expenditures as defined in paragraph 5 of this section. For purposes of this paragraph, ”Oklahoma-based“ means a company or individual with an Oklahoma income tax requirement;
2. ”Apprentice“ means a person who works for a skilled or qualified person in order to learn a trade or profession for an agreed-upon period of time. An apprentice may work in any of the trades recognized by the Oklahoma Department of Commerce as necessary for a film production;
3. ”Crew“ means any person who works on preproduction, principal photography and postproduction, with the exception of above-the-line-personnel;
4. ”Eligible television series“ means a project if either seventy-five percent (75%) of the series season is filmed within the state or, for an episodic television pilot, if more than seventy-five percent (75%) of the pilot is filmed within the state;
5. ”Expenditure“ or ”production cost“ includes but is not limited to: 3 a. wages or salaries of persons who are residents of this state and who have earned income from working on a film in this state including payments to personal services corporations with respect to the services of qualified performing artists, pursuant to the provisions of the Internal Revenue Code, 26 U.S.C., Section 62(a)(2), b. the cost of construction and operations, wardrobe, accessories and related services, c. the cost of photography, sound synchronization, lighting and related services, d. the cost of editing and related services, e. rental of facilities and equipment, f. other direct costs of producing a film, and g. the wages and salaries of persons who are defined and registered as an Oklahoma Expatriate by the Office of the Oklahoma Film and Music Commission;
6. ”Film“ means a professional single media, multimedia program or feature, which is not child pornography as defined in subsection A of Section 1024.1 of Title 21 of the Oklahoma Statutes or obscene material as defined in paragraph 1 of subsection B of Section 1024.1 of Title 21 of the Oklahoma Statutes including, but not limited to, national advertising messages that are broadcast on a national affiliate or cable network, fixed on film or digital video, which can be viewed or reproduced and which is exhibited in theaters, licensed for exhibition by individual television stations, groups of stations, networks, cable television stations or other means or licensed for home viewing markets. The term shall also include filming for interactive and video gaming including, but not limited to, green screen, motion capture and similar production techniques;
7. ”Multi-film deal“ means a project in which a production company films at least seventy-five percent (75%) of main crew principal photography for three (3) or more films in this state within three (3) years or where the third film starts main crew principal photography within the three (3) year period;
8. ”Nonresident crew member“ means a person who is not an Oklahoma resident, hired for a

qualifying production project occurring within the state and who is subject to the payment of Oklahoma employment taxes;
9. ”Production company“ means a person, producer or company who produces film for exhibition in theaters, on television or elsewhere;
10. ”Qualified production expenditure amount“ means an expenditure defined pursuant to paragraph 5 of this section; and
11. ”Qualified soundstage facility“ means a state certified industry standard soundstage facility having not less than seven thousand five hundred (7,500) square feet of combined soundstage space and with a total state rental cost to the production company equal to at least one percent (1%) of the qualifying Oklahoma expenditures with respect to a production. 4

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3633 of Title 68, unless there is created a duplication in numbering, reads as follows:
A. There is hereby created an incentive rebate program for certain film projects and eligible television series projects filmed or produced in Oklahoma who meet the requirements of this act.
B. The rebate program shall be administered by the Oklahoma Department of Commerce and the Oklahoma Tax Commission.
C. By October 1 of each year, the Oklahoma Department of Commerce shall submit an annual report to the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Chair of the Appropriations and Budget Committee of the House of Representatives, the Chair of the Appropriations Committee of the Senate and the Director of the Legislative Office of Fiscal Transparency detailing the program and incentive rebate payments.
D. The Oklahoma Department of Commerce and the Oklahoma Tax Commission may promulgate rules to implement the provisions of this act.
E. To be eligible for a rebate payment a production company shall: 1. Submit an application and documentation to the Oklahoma Department of Commerce as required by the Department; 2. Have filed any Oklahoma tax returns and tax documents required by law; 3. Provide evidence that all Oklahoma crew and local vendors have been paid and that there are no pending liens against the production company in this state; 4. Provide evidence of financing for production prior to the commencement of principal photography; 5. Provide evidence of a certificate of general liability insurance with a minimum coverage of One Million Dollars ($1,000,000.00) and a workers' compensation policy in compliance with law, which shall include coverage of employer's liability; and 6. Provide evidence, as required by the Department, that the projects pursuant to this act are completed.
F. A production company shall not be eligible to receive both a rebate payment pursuant to the provisions of this act and an exemption from sales tax pursuant to the provisions of paragraph 23 of section 1357 of Title 68 of the Oklahoma Statutes. If a production company has received the exemption from sales taxes and submits a claim for rebate pursuant to the provisions of this act, the company shall be required to fully repay the amount of the exemption to the Tax Commission. A claim for a rebate shall include documentation from the Tax Commission that repayment has been made as required in this subsection or shall include an affidavit from the production company that the company has not received an exemption from sales tax pursuant to the provisions of paragraph 23 5 of Section 1357 of Title 68 of the Oklahoma Statutes.
G. The Department of Commerce shall approve or disapprove all claims for rebate and shall notify the Tax Commission subject to the limitations set forth in Section 4 of this act. Upon notification of approval from the Department, the Commission shall issue payment for all approved claims from funds held in the Filmed in Oklahoma Program Revolving Fund created pursuant to Section 9 of this act and subject to the limitations set forth in Section 4 of this act. If the amount of approved claims exceeds the balance of the revolving fund, payments shall be made in the order the claims are approved by the Department. If an approved claim is not paid in whole, the unpaid claim or unpaid portion of the claim shall be paid upon the availability of funds.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3634 of Title 68, unless there is created a duplication in numbering, reads as follows:
A. The total amount of rebate payments conditionally pre-qualified by the Department of Commerce each fiscal year with respect to any of the incentives authorized pursuant to this act shall not exceed Thirty Million Dollars ($30,000,000.00). Projects not conditionally pre-qualified for rebate payments due to the limitations provided in this section may be conditionally pre-qualified by the Department in subsequent fiscal years.
B. The amount of rebate payments conditionally pre-qualified by the Department of Commerce each fiscal year with respect to any of the incentives authorized pursuant to this act shall not exceed: 1. Seven Million Five Hundred Thousand Dollars ($7,500,000.00) for production projects with total expenditures of less than Seven Million Five Hundred Thousand Dollars ($7,500,000.00); and 2. Twenty-two Million Five Hundred Thousand Dollars ($22,500,000.00) for production projects with total expenditures of Seven Million Five Hundred Thousand Dollars ($7,500,000.00) or more.
C. A production project shall have total expenditures of Fifty Thousand Dollars ($50,000.00) or more to be eligible for the rebate payments provided in this act.
D. In any fiscal year if the amount of rebate payments conditionally pre-qualified by the Department of Commerce are less than the limitations provided in this section, the excess rebate payments not utilized shall be added to subsequent f iscal year's limitation.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3635 of Title 68, unless there is created a duplication in numbering, reads as follows:
A. Subject to the final approval of the eligibility application by the Oklahoma Department of Commerce, a requirement that the incentive payments made pursuant to the provisions of this act achieve the maximum positive impact for the Oklahoma economy and subject to the Oklahoma workforce requirements of Section 7 of this act, the base incentive amount for a project filmed in this state shall be a maximum of twenty percent (20%) of the qualified production expenditure amount. An incentive for a project filmed in this state for wages paid 6 to nonresident crew, not including above-the-line personnel, before July 1, 2023, shall be provided in the amount of seven and one-half percent (7.5%).
B. In addition to the amount authorized by subsection A of this section, there may be an additional incentive amount, subject to the final approval of the Oklahoma Department of Commerce, in the maximum amount of: 1. Three percent (3%) of the qualified production expenditure amount for projects where at least twenty- five percent (25%) of main crew principal photography days are filmed on location, excluding sound stage production, in any county of this state if the county has a population of less than two hundred fifty thousand (250,000) persons according to the federal Decennial Census or most recent population estimate; 2. Two percent (2%) of the qualified production expenditure amount for projects whose hub location, as determined by the Department, is or projects where at least twenty-five percent (25%) of main crew principal photography days are f ilmed on location, excluding sound stage production, in a municipality having a population of thirteen thousand (13,000) or fewer persons according to the federal Decennial Census or most recent population estimate regardless of the county in which the municipality is located or partially located; 3. Five percent (5%) of the qualified production expenditure amount for soundstage expenditures if at least twenty-five percent (25%) of main crew principal photography days are filmed at a qualified soundstage facility; 4. For eligible television series as defined in paragraph 4 of Section 2 of this act: a. two percent (2%) of the qualified production expenditure amount for an eligible television episodic pilot, and b. five percent (5%) of the qualified production expenditure amount if a television series is filmed for one or more seasons; 5. Five percent (5%) of the qualified production expenditure amount for an eligible multi-film deal as defined in paragraph 7 of Section 2 of this act; and 6. Three percent (3%) of the qualified production expenditure amount based on expenditures paid to Oklahoma vendors for post-production expenses with a minimum expenditure of three percent (3%) of Oklahoma production expenditures. Post-production expenditures include but are not limited to the following categories: a. sound recording or mixing, b. color grading, c. editorial work, d. visual effects, e. animation, 7 f. deliverables, excluding marketing and advertising, g. music

production, recording, mixing or composition, h. licensing of Oklahoma music, and i. editing equipment or editing facility rental.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3636 of Title 68, unless there is created a duplication in numbering, reads as follows:
A. Subject to the final approval of the eligibility application by the Oklahoma Department of Commerce, and subject to the requirement that incentive payments pursuant to the provisions of this act have the maximum positive impact for the economy of the state, the base incentive amount for postproduction activity occurring in this state for a project filmed outside this state shall be a maximum of twenty percent (20%) of the qualified production expenditure amount.
B. In addition to the amount authorized by subsection A of this section, there may be an additional incentive amount, subject to the final approval of the Oklahoma Department of Commerce, for eligible television series as defined in paragraph 4 of Section 2 of this act in the following amounts: 1. Two percent (2%) of the qualified production expenditure amount for an eligible episodic television pilot; and 2. Five percent (5%) of the qualified production expenditure amount if the television series is filmed for one or more seasons.
C. In addition to the amount authorized by subsection A of this section, there may be an additional five percent (5%) of the qualified production expenditure amount, subject to the final approval of the Oklahoma Department of Commerce, for an eligible multi-film deal, as defined in paragraph 7 of Section 2 of this act, produced outside this state.
D. The provisions of this section shall be applicable only with respect to qualified production expenditure amounts for post- production activity occurring within the state including, but not limited to, the following categories: 1. Sound recording or mixing; 2. Color grading; 3. Editorial work; 4. Visual effects; 5. Animation; 6. Deliverables, excluding marketing and advertising; 8 7. Music production, recording, mixing or composition; 8. Licensing of Oklahoma music; and 9. Editing equipment or editing facility rental.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3637 of Title 68, unless there is created a duplication in numbering, reads as follows: To qualify for the maximum twenty percent (20%) base incentive payment authorized for Oklahoma production projects pursuant to subsection A of Section 5 of this act, the production project shall utilize the services of apprentices according to the following requirements: 1. For a production with expenditures of Seven Million Five Hundred Thousand Dollars ($7,500,000.00) or less, two (2) apprentices; 2. For a production with expenditures greater than Seven Million Five Hundred Thousand Dollars ($7,500,000.00) and Fifteen Million Dollars ($15,000,000.00) or less, four (4) apprentices; 3. For a production with expenditures greater than Fifteen Million Dollars ($15,000,000.00) and Twenty-five Million Dollars ($25,000,000.00) or less, eight (8) apprentices; and 4. For a production with expenditures greater than Twenty-five Million Dollars ($25,000,000.00), sixteen (16) apprentices.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3638 of Title 68, unless there is created a duplication in numbering, reads as follows: All production projects for which any incentive is paid pursuant to the provisions of this act shall contain a logo, as approved by the Oklahoma Department of Commerce, to be displayed in the end credits of the finished production or, if the production does not contain end credits, the Oklahoma Department of Commerce shall obtain a commitment by the production company to provide equivalent value as determined by the Oklahoma Department of Commerce.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3639 of Title 68, unless there is created a duplication in numbering, reads as follows:
A. There is hereby created in the State Treasury a revolving fund for the Oklahoma Tax Commission to be designated the ”Filmed in Oklahoma Program Revolving Fund“. The fund shall be a continuing fund, not subject to fiscal year limitations, and shall consist of all monies received by the Tax

Commission which are specifically required by law to be deposited in the fund, any public or private donations, contributions and gifts received for the benefit of the fund and any amounts appropriated by the Oklahoma Legislature. All monies accruing to the credit of the fund are hereby appropriated and may be budgeted and expended by the Tax Commission for the purpose of paying rebates as provided in this act. Expenditures from the fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of the Office of Management and Enterprise Services for approval and payment.
B. Any unencumbered funds remaining in the Filmed in Oklahoma Program Revolving Fund upon the expiration of this act as provided in Section 11 of this act shall be transferred to the State Treasurer for deposit in the General Revenue Fund.

SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3640 of Title 68, unless there is created a duplication in numbering, reads as follows: Any company or entity that receives rebate payments for a project pursuant to the provisions of the Compete with Canada Film Act shall not be eligible for rebate payments provided pursuant to this act for the same project.

SECTION 11. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3641 of Title 68, unless there is created a duplication in numbering, reads as follows: The provisions of this act shall cease to have the force and effect of law on June 30, 2031. Incentive payments may be made after such date to the extent necessary for payment of claims based on projects approved not later than June 30, 2031.

§68-3621. Short title. This act shall be known and may be cited as the “Compete with Canada Film Act”. Added by Laws 2001, c. 259, § 1, eff. July 1, 2001.

§68-3622. Legislative intent. The Legislature hereby finds that the production of films in Oklahoma not only provides jobs for Oklahomans and dollars for Oklahoma businesses, but also enhances the state’s image nationwide. Recognizing that the high costs of film production are driving motion picture and television production out of the country, most notably to Canada, and that the film industry is always seeking attractive locations that can help cut the costs of production, the Legislature further finds that the State of Oklahoma, with the appropriate incentive, can become an attractive site for film production and that Oklahoma is presently among several states with minimal incentives to attract the film industry. It is therefore the intent of the Legislature that Oklahoma provide an incentive that will stand out among those of other states and increase film production in this state. Added by Laws 2001, c. 259, § 2, eff. July 1, 2001.

§68-3623. Definitions. As used in the Compete with Canada Film Act:

1. "Crew" means any person who works on preproduction, principal photography, and postproduction, with the exception of producers, principal cast, screenwriters, and the director. The qualifying salary of producers, principal cast, screenwriters, and the director, also known as "above-the-line personnel", may be included as crew if the salaries are paid to loan-out corporations and limited liability companies registered to do business in the State of Oklahoma or the salaries are paid to Oklahoma-based above-the-line personnel. The qualifying salary of above-the-line personnel shall not comprise more than twenty-five percent (25%) of total expenditures as defined in paragraph 2 of this section. For purposes of this paragraph, "Oklahoma-based" means a company or individual with an Oklahoma income tax requirement;
2. "Expenditure" or "production cost" includes but is not limited to:
    - **a.** wages or salaries of persons who are residents of this state and who have earned income from working on a film in this state, including payments to personal services corporations with respect to the services of qualified performing artists, as determined under Section 62(a) (A) of the Internal Revenue Code,
    - **b.** the cost of construction and operations, wardrobe, accessories and related services,

c. the cost of photography, sound synchronization, lighting and related services,
d. the cost of editing and related services,
e. rental of facilities and equipment,
f. other direct costs of producing a film, and
g. the wages and salaries of persons who are defined and registered as an Oklahoma Expatriate by the Office of the Oklahoma Film and Music Commission;

3. "Film" means a professional single media, multimedia program or feature, which is not child pornography as defined in subsection A of Section 1024.1 of Title 21 of the Oklahoma Statutes or obscene material as defined in paragraph 1 of subsection B of Section 1024.1 of Title 21 of the Oklahoma Statutes, including, but not limited to, national advertising messages that are broadcast on a national affiliate or cable network, fixed on film or digital video, which can be viewed or reproduced and which is exhibited in theaters, licensed for exhibition by individual television stations, groups of stations, networks, cable television stations or other means or licensed for home viewing markets;
4. "High impact production" means a production for which total expenditures or production costs are equal to or greater than Fifty Million Dollars ($50,000,000.00), with at least one-third (1/3) of total costs deemed Oklahoma expenditures by the Office of the Oklahoma Film and Music Commission; and
5. "Production company" means a person or company who produces film for exhibition in theaters, on television or elsewhere.

Added by Laws 2001, c. 259, § 3, eff. July 1, 2001. Amended by Laws 2002, c. 203, § 1, eff. July 1, 2002; Laws 2006, c. 29, § 1, eff. July 1, 2006; Laws 2007, c. 341, § 1; Laws 2008, c. 436, § 14, eff. July 1, 2009; Laws 2019, c. 313, § 2, eff. July 1, 2019.

§68-3626. Termination of act. The provisions of the Compete with Canada Film Act shall be terminated effective July 1, 2027, and no claim shall be paid thereafter. Added by Laws 2001, c. 259, § 6, eff. July 1, 2001. Amended by Laws 2008, c. 436, § 16, eff. July 1, 2009; Laws 2014, c. 2, § 1; Laws 2019, c. 313, § 5, eff. July 1, 2019.

§68-3624. Oklahoma Film Enhancement Rebate Program.

A. There is hereby created the Oklahoma Film Enhancement Rebate Program. A rebate in the amount of up to seventeen percent (17%) of documented expenditures made in Oklahoma directly attributable to the production of a film, television production, or television commercial, as defined in Section 3623 of this title, in this state, may be paid to the production company responsible for the production. Provided, for documented expenditures made after July 1, 2009, the rebate amount shall be thirty-five percent (35%), except as provided in subsection B of this section.

B. The amount of rebate paid to the production company as provided for in subsection A of this section shall be increased by an additional two percent (2%) of documented expenditures if a production company spends at least Twenty Thousand Dollars ($20,000.00) for the use of music created by an Oklahoma resident that is recorded in Oklahoma or for the cost of recording songs or music in Oklahoma for use in the production.

C. The rebate program shall be administered by the Office of the Oklahoma Film and Music Commission and the Oklahoma Tax Commission, as provided in the Compete with Canada Film Act.

D. To be eligible for a rebate payment:

1. The production company responsible for a film, television production, or television commercial, as defined in Section 3623 of this title, made in this state shall submit documentation to the Office of the Oklahoma Film and Music Commission of the amount of wages paid for

employment in this state to residents of this state directly relating to the production and the amount of other production costs incurred in this state directly relating to the production;

2. The production company has filed or will file any Oklahoma tax return or tax document which may be required by law;

3. Except major studio productions, the production company shall provide the name of the completion guarantor and a copy of the bond guaranteeing the completion of the project or if a film has not secured a completion bond, the production company shall provide evidence that all Oklahoma crew and local vendors have been paid and there are no liens against the production company pending in the state;

4. The minimum budget for the film shall be Fifty Thousand Dollars ($50,000.00) of which not less than Twenty-five Thousand Dollars ($25,000.00) shall be expended in this state;

5. The production company shall provide evidence of financing for production prior to the commencement of principal photography; and

6. The production company shall provide evidence of a certificate of general liability insurance with a minimum coverage of One Million Dollars ($1,000,000.00) and a workers' compensation policy pursuant to state law, which shall include coverage of employer's liability.

E. A production company shall not be eligible to receive both a rebate payment pursuant to the provisions of this act and an exemption from sales taxes pursuant to the provisions of paragraph 23 of Section 1357 of this title. If a production company has received such an exemption from sales taxes and submits a claim for rebate pursuant to the provisions of the Compete with Canada Film Act, the company shall be required to fully repay the amount of the exemption to the Tax Commission. A claim for a rebate shall include documentation from the Tax Commission that repayment has been made as required herein or shall include an affidavit from the production company that the company has not received an exemption from sales taxes pursuant to the provisions of paragraph 21 of Section 1357 of this title.

F. The Office shall approve or disapprove all claims for rebate and shall notify the Tax Commission. The Tax Commission shall, upon notification of approval from the Office of the Film and Music Commission, issue payment for all approved claims from funds in the Oklahoma Film Enhancement Rebate Program Revolving Fund created in Section 3625 of this title. Excluding any rebate payments to high impact productions as provided for in subsection G of this section, the amount of payments in any single fiscal year shall not exceed Eight Million Dollars ($8,000,000.00). If the amount of approved claims exceeds the amount specified in this subsection in a fiscal year, payments shall be made in the order in which the claims are approved by the Office. If an approved claim is not paid in whole or in part, the unpaid claim or unpaid portion may be paid in the following fiscal year subject to the limitations specified in this subsection.

G. 1. At the time the Office of the Film and Music Commission issues a conditional prequalification for a production, such prequalification may include a proposed designation as a high impact production, as defined in Section 3623 of this title.
2. The proposed designation must be approved by the Cabinet Secretary for Commerce and Tourism.
3. If the high impact production otherwise meets all of the requirements of the Compete With Canada Act and the Office gives final approval to rebate claims, such rebate claims shall not be subject to the Eight Million Dollar ($8,000,000.00) cap provided for in subsection F of this section.
4. The payment of a rebate claim approved by the Office for a production designated as a high impact production by the Cabinet Secretary may be made as follows:

a. by special appropriation to the Oklahoma Film Enhancement Rebate Program Revolving Fund, if the claim is approved during a regular or special session of the Oklahoma Legislature, or

b. by payment from the Oklahoma Quick Action Closing Fund pursuant to Section 48.2 of Title 62 of the Oklahoma Statues, if the claim is approved when the Oklahoma Legislature is not in session.

Added by Laws 2001, c. 259, § 4, eff. July 1, 2001. Amended by Laws 2002, c. 203, § 2, eff. July 1, 2002; Laws 2005, c. 381, § 15, eff. July 1, 2005; Laws 2006, c. 29, § 2, eff. July 1, 2006; Laws 2007, c. 341, § 2; Laws 2008, c. 436, § 15, eff. July 1, 2009; Laws 2009, c. 426, § 14, eff. July 1, 2009; Laws 2017, c. 121, § 1, eff. July 1, 2017; Laws 2019, c. 313, § 3, eff. July 1, 2019.

Appendix B: Comparable State Programs

	Incentive Amount	Incentive Type	Refundable/ Transferable/ Carry Forward	Minimum Spend	Qualified Labor	Program Dollar Cap	Screen Credit Required	CPA Audit Required	Sunset Date
OK	20% base, up to 30% with uplifts	Rebate	NA/NA/NA (direct payment)	$50k	All R, Ex-pats; NR BTL	$30M.	Yes	Yes	6/30/2027
AR	25% Spend & Labor +10% BTL R Labor + 5% lower income counties	Rebate or Tax Credit	Yes/No/NA (tax credit)	$200k Feature, $50k Pilot	1st $500k of Each R & NR Subject to AR Income Tax	$4M. tax credit $5M. rebates	Yes	Yes	6/30/2029
CO	20% Spend & Labor	Rebate	NA/NA/NA (direct payment)	$100k in state or $1M	1st $1m of Each R/NR – at least 50% Rs.	$5M.	Yes	Yes	None
MO	20% +5% mostly filmed in state, +5%at least 15% rural or blighted area; +5% positively markets Missouri. +10% project located in lower-tier county.	Tax Credit	No/Yes/Yes	$50k 30 minutes length or $100k over 30 minutes	All BTL, 25% ATL subject to MO income tax	$8M	No	Yes	12/31/2029
NM	25% Spend, + 5% Location/Stage/Pilot 15% Limited BTL NR Crew	Tax Credit	Yes/Yes/No	$0	Each R, NR Performing Artists, Limited BTL NR Crew subject to state income tax	$120M	Yes	Yes	None
TX	5% $250k-$1M, 10% $1-3.5M, 20% >$3.5M +2.5% Underutilized Area	Grant	NA/NA/NA (grant program)	$250k Film/TV $100k Comm./ Video	1st $1M of Rs, 55% must be Rs, 60% work completed in TX	None	Yes	No	None

	Incentive Amount	Incentive Type	Refundable/ Transferable/ Carry Forward	Minimum Spend	Qualified Labor	Program Dollar Cap	Screen Credit Required	CPA Audit Required	Sunset Date
GA	20% Spend & Labor +10% Promotional	Tax Credit	No/Yes/3yr	$500k	1st $500k of each R and NR on W-2	None	Yes	Optional	12/31/2028
LA	25% Spend & R Labor +10% Screenplay + 5% Out-of-Zone + 5% VFX Costs	Tax Credit	No/Yes /5yr Can transfer back to state for 88% of credit.	> $300k	1st $3M of Each Resident & Nonresident	$150M/year issued $180M/ year claimed	Yes	Yes	7/1/2031

Abbreviations:

ATL: Above-the-Line (refers to highly compensated personnel, such as directors, producers, writers, primary actors)
BTL: Below-the-Line (refers personnel not included in the Above-the-Line categorization)
NR: Non-Resident
R: Resident
VFX: Visual effects

Appendix C: IMPLAN Economic Impact Methodology

The economic impact methodology utilized to determine the multiplier effects is IMPLAN (Impact Analysis for PLANning), a proprietary model; PFM has obtained a license for use of the IMPLAN model for these evaluations.

IMPLAN's Social Accounting Matrices (SAMs) capture the actual dollar amounts of all business transactions taking place in a regional economy as reported each year by businesses and governmental agencies. SAM accounts are a better measure of economic flow than traditional input-output accounts because they include "non-market" transactions. Examples of these transactions would be taxes and unemployment benefits.

Multipliers

SAMs can be constructed to show the effects of a given change on the economy of interest. These are called Multiplier Models. Multiplier Models study the impacts of a user-specified change in the chosen economy for 440 different industries. Because the Multiplier Models are built directly from the region-specific SAMs, they will reflect the region's unique structure and trade situation.

Multiplier Models are the framework for building impact analysis questions. Derived mathematically, these models estimate the magnitude and distribution of economic impacts, and measure three types of effects which are displayed in the final report. These are the direct, indirect, and induced changes within the economy.

- **Direct** effects are determined by the Event as defined by the user (i.e., a $10 million order is a $10 million direct effect).
- The **indirect** effects are determined by the amount of the direct effect spent within the study region on supplies, services, labor, and taxes.
- Finally, the **induced** effect measures the money that is re-spent in the study area as a result of spending from the indirect effect.

Each of these steps recognizes an important leakage from the economic study region spent on purchases outside of the defined area. Eventually, these leakages will stop the cycle.

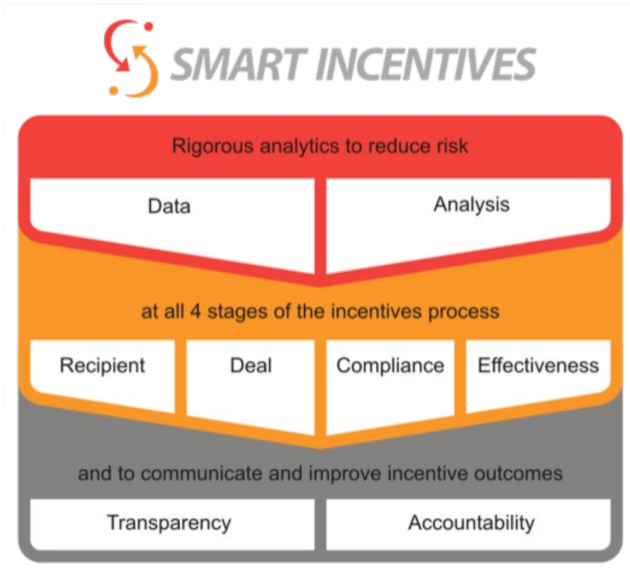
Fiscal Impacts

The IMPLAN tax report captures all tax revenue in the study area, across all levels of government that exist in that study area, for the specific industries and institutions affected by an event or group of events. Tax Impact results are based on the collected and reported taxes within the region for the given data year. IMPLAN taxes shown (and collected) are industry and geographically specific. The IMPLAN tax impact report splits the tax impacts into the various tax categories based on the picture of that region's economy. But, there is no industry-specific profile for taxes paid by tax category, so the distribution across tax categories is an all-industry average. While this is a limitation of the IMPLAN fiscal reporting, the IMPLAN tax report serves as an appropriate measure of jurisdictional tax results in the aggregate. Tax results cannot be added to any summary or detailed results as they are already included as a portion of Output. State taxes do not include taxes or district assessments levied by Federal, county, sub-county, city or township governments.

Appendix D: Business Incentives Best Practices

There has been extensive writing around what constitute business incentives best practices. From the project team's review of many sources,[31] it has identified 10 important best practices and sought to incorporate them into the analysis and discussion of this incentive.

As a starting point, business incentives should be viewed as a process, not an event. The award of an incentive and the incentive features are part of that process, and many of the identified best practices reflect that. The process itself should take into consideration each of these factors, which PFM's subcontractor, Smart Incentives, demonstrates in the following illustration:



While the project team believes this is a strong set of best practices, there may well be others that are as (or more applicable) in specific situations. It is also likely that some of the best practices will come into conflict in some situations. For example, application and reporting requirements may reduce the simplicity of business compliance. As a result, these will always be subject to analysis on a case-by-case basis.

The 10 best practices are:

1. **For maximum impact, incentives should be targeted.** Examples of useful targeting include companies or industries that export their goods or services out-of-state; high economic impact companies or industries – such as those with higher wages and benefits, significant job creation, or significant capital investment.

2. **Incentives should be discretionary.** In most instances, an application process enables the state government to require company disclosure of information related to eligibility criteria and enables the state to reject applications that do not meet its standards.

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[31] Three resources in particular were relied upon on putting together the list of best practices. They are "What Factors Influence the Effectiveness of Business Incentives?" The Pew Charitable Trusts, April 4, 2019, accessed electronically at https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/04/what-factors-influence-the-effectiveness-of-business-incentives; "Improving Economic Development Incentives," Timothy J. Bartik, W.E. Upjohn Institute for Employment Research, 2018, accessed electronically at https://research.upjohn.org/cgi/viewcontent.cgi?article=1000&context=up_policybriefs; "Best Practices for the Design and Evaluation of State Tax Incentives Programs for Economic Development," Matthew N. Murray and Donald J. Bruce, January 2017, included within another evaluation at https://media.al.com/news_mobile_impact/other/AL%20ENTERTAIN%20NEWMKTS%203%209%2017.pdf

3. **Incentives should leverage significant private capital.** Ideally, the incentive should leverage private investment that is at least several multiples of the state investment.

4. **Incentives should provide most of the benefit within 1-3 years and have a limited duration.** Company discount rates are much higher than for the state, and businesses will significantly devalue incentive payments in later years.

5. **Incentives should take into consideration state and/or local as well as industry economic conditions.** Incentives that are provided in high performing areas or for stable and profitable businesses or industries will likely fail the 'but for test' – meaning the activity would likely occur without the state incentive.

6. **'Smart' incentives help businesses overcome practical barriers to growth.** In particular, customized assistance for locally owned, small and medium-sized businesses can have significant impact.

7. **Incentives should be transparent.** The incentive purpose should be clearly articulated, as are eligibility requirements, and regular, detailed reporting should be required from all program recipients.

8. **Incentives should require accountability.** When upfront financial incentives are offered in return for job creation, retention, or capital investment, there should be contract language in place that allows the state to 'claw back' state resources should the company not meet performance requirements.

9. **Incentives should have caps.** To ensure the state's financial health, program dollar caps or limits should be in place. Incentive programs should also have a limited duration, with sunsets in place to require regular review of incentive performance.

10. **Incentives should be simple and understandable.** The state should be able to easily and effectively administer the incentive, and users should be able to readily comply with its requirements.