

Hollywood subsidies fail to meet promises, benefit few

The original film credit system bombed; the remake is even worse

By Samuel Peterson | July 2024

A proposal to have taxpayers subsidize film companies to shoot in Michigan is in pre-production. House Bills 4907 and 4908 passed out of committee in the spring and are now on the House floor ready for deliberations. The bills would allow producers to pass 30% of their costs onto the public.

Some politicians claim that these subsidies will benefit the state, but the experiences of Michigan and other states show that giving money to Hollywood producers does not pay for itself, does not boost the economy, and does not serve the public interest. Rather, subsidies enrich a small group of show business players at the expense of all Michigan residents.

Former Michigan Gov. Jennifer Granholm signed into law the state's first film subsidy program in 2008. "We're going to grow this industry," Granholm said, "and in the process grow our economy and create jobs."

Michigan spent \$500 million on film subsidies before the program was eliminated in 2015. That generated a few hundred short-term jobs, according to the Bureau of Labor Statistics, all of which disappeared when the state stopped subsidizing films. No self-sustaining film industry was created in Michigan, and taxpayers also ended up on the hook for several failed studio-building projects.

“Lawmakers should acknowledge that film incentives concentrate benefits in some hands at a cost to everyone.”

Michigan's film subsidy program lost 89 cents for every dollar spent, according to the Senate Fiscal Agency. Proponents still claim film subsidies can pay for themselves, but the previous program showed that they don't.

The new bills aim to spend less than the previous program, which subsidized more than 40% of production costs. But they also hide the costs to taxpayers by using tradable tax credits instead of giving cash directly from the state budget — moving the taxpayer expense from the spending side of the state's balance sheet to the revenue-collecting side.

This effectively launders spending through the tax returns of companies that buy the credits, according to James Hohman, the Mackinac Center's director of fiscal policy.

The latest proposal would authorize the state to give \$2 billion to Hollywood over the next ten years. It's clear that some people would stand to gain when taxpayers pay for 30% of a film's expenses. Producers and people who work on films and sell goods or services to production companies are happy to let taxpayers shoulder a big portion of their expenses.

Politicians argue that the broader economic benefits justify taxpayer expenses. But as with all public subsidies to private enterprises, the benefits go to the direct recipients and the people they spend money on, not to the public. Michiganders soured on the Granholm subsidy program in part because the beneficiaries — Hollywood producers who have little to no organic interest in Michigan — are especially unsympathetic.

Lawmakers should acknowledge that film incentives concentrate benefits in some hands at a cost to everyone. If they approve film subsidies again, a select few people who work in film and television would receive payments while Michigan foots the bill.

Those people have financial incentives to lobby for subsidies. But the people who pay for the subsidies

have less at stake. The \$2 billion the state would spend would be spread out over ten years and four million households, hardly enough to cause a significant public uproar.

Many proponents of the bills have argued that film subsidies will help the state population grow. While having more jobs would increase the state's population, film subsidies won't do it. There is no shot-in-the-arm policy that will make Michigan's population grow overnight.

At best, film subsidies give billions of taxpayer dollars to a select few involved in the film industry. At worst, they make the state's budget less sound and give taxpayer money to special interests. Film subsidies fail to provide meaningful economic benefits to the state. The transfers create few jobs at high taxpayer expense, with no economic benefit to the state. Michigan turned thumbs down on the previous program, and we should pull the plug on the remake.”

Available online at: www.mackinac.org/v2024-21



Samuel Peterson was a fiscal policy intern at the Mackinac Center for Public Policy.