

— LEGISLATIVE —
TESTIMONY

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JAMES M. HOHMAN

Testimony on House Bill 4907 and 4908

**House Committee on Economic Development
and Small Business**

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My name is James Hohman, director of fiscal policy at the Mackinac Center. I am testifying today against House Bills 4907 and 4908. Handing out subsidies to filmmakers is an expensive favor that only leaves taxpayers worse off. It was a blockbuster failure before, and the proposed legislation includes all of the features that would cost taxpayers without producing the desired economic gains.

Michigan spent \$500 million on film subsidies in its previous film program. Yet the state failed to develop any film industry that could be sustained without massive taxpayer support.

Even during its most expensive years, the film subsidy barely made a dent in the number of jobs in the industry. The Bureau of Labor Statistics reports that there were a few hundred more film jobs in the state over this period. Those jobs disappeared when the subsidies were gone. This is a minuscule and fleeting part of the state economy.

There are 35 states that subsidize film production. The only way states can compete is by giving bigger subsidies to Hollywood. It's a race to the bottom where taxpayers bear the costs.

Economists have investigated the effects of film subsidies. As the economist JC Bradbury found in his 2020 assessment, "[A]ny gains [from film subsidies] do not spill over into the overall economy." Film producers win and states lose.

This makes sense. Paying up to 30% of the costs of film production is expensive. The amount of money spent or taxes deferred could be used for productive purposes elsewhere. This money could be spent on road construction or schools or sewer infrastructure or any other public purpose. These also have economic effects that ought to be considered in assessing the costs of film subsidies.

Supporters have claimed that the new program is better because it allows producers to sell film credits to other taxpayers. But laundering payments through other businesses at a discount decreases transparency. Subsidies should be part of the budget and be subject to annual appropriations. This keeps legislators in control of fiscal policy. The proposed credit is a worse structure than a grant program.

Film subsidies are expensive and ineffective at creating economic growth for Michigan. Legislators should look elsewhere when trying to improve the state economy.

James M. Hohman



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