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Review & Outlook

Film Subsidies: Exit Stage Right

Michigan feels the pain from years of corporate welfare

Corporate welfare is popular with politicians, but those who want to throw money at millionaires might watch the debate in Michigan. The Wolverine State may end its subsidies for Hollywood as it faces the fiscal damage from years ladling taxpayer cash on business.

Last week the Michigan House voted to end the state's film incentive program, which has spent \$500 million to lure movie makers into shooting projects in Detroit and elsewhere. The program debuted in 2008 as a refundable tax credit, but in recent years the state changed wardrobes and now simply reimburses production companies for up to 27% of eligible costs. Michigan shelled out \$39 million in 2013.

Former Democratic Governor Jennifer Granholm promoted the credit to create jobs and develop a permanent film industry. Sure enough, filmmakers rolled in to cash in; "Batman v. Superman: Dawn of Justice" was made in Detroit and East Lansing with \$35 million in taxpayer assistance. The program also helped paupers like liberal filmmaker Michael Moore, whose production folks applied for \$1 million to film parts of—irony alert—"Capitalism: A Love Story" in 2009.

What has the state received in return? Not much. Michigan's Senate Fiscal Agency found in 2010 that for every dollar the state spends on the program, it recoups 11 cents. There were 100 fewer film-industry jobs in Michigan in 2013 than there were in 2008, according to Bureau of Labor Statistics data dug up by the Mackinac Center for Public Policy's James Hohman and Jarrett Skorup. By the Michigan Film Office's own report, the program didn't create a single permanent job in 2013.

Meantime, the state has grappled with a \$532 million shortfall in the general fund, due mostly to more than \$9 billion in other corporate welfare commitments dished out under Gov. Granholm. In 2009 Michigan offered poorly designed tax incentives to companies that are now cashing in faster than expected. Taxpayers don't even know who the recipients are thanks to the Michigan Economic Development Corporation's interpretation of tax law. GOP Governor Rick Snyder ended the



Photo: Getty Images

The set of "Batman v Superman: Dawn Of Justice" in Detroit last year.

tax-credit blowout in 2011, but the state will pay dearly for more than a decade.

To fill this year's revenue hole, Mr. Snyder issued an executive order cutting spending by \$106 million, including a modest cut for film subsidies, and the state plans to raid a \$120 million surplus in the school aid fund. In May Michiganders will vote on a more than \$1.6 billion tax increase to fix state roads. You could fill 2.5 million potholes with the \$50 million proposed film-subsidy spending for 2016, the Mackinac Center estimates.

The bill to end the movie moolah now heads to the Senate, where it could be scuttled by film-subsidy friendly Republicans, despite the GOP's 27-11 majority. Even Governor Snyder, who has long opposed the film program, seems to be getting stage fright: Last week he told reporters that an abrupt end to the incentives wasn't "the appropriate answer." It's shaping up to be like one of those movies in which you can't tell who the good guys are.

Mr. Snyder ran as "one tough nerd" who would reform the state's fiscal mess. Whether he's serious about ending handouts to film studios will be one way to know if he was merely acting.