Economic Impact of Arkansas' Digital Product and Motion Picture Incentive and Recommendations for Future Growth

Report to the Executive Subcommittee of the Arkansas Legislative Council by Olsberg•SPI

First Draft

23rd May 2025

OLSBERG · SPI

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About Olsberg•SPI

Olsberg•SPI ("**SPI**") is an international creative industries consultancy specializing in the global screen sector, providing independent strategic insight and advice to drive sustainable growth across the sector to both public and private clients.

Formed in 1992, SPI is among the leading international consultancies in this sector which includes film, television, video games and digital media. Our work includes developing and assessing national strategies and public policies including production incentives; providing analysis in areas like workforce and skills development and studio provision; and economic impact assessments.

SPI's expert independent advice, trusted vision, and proven track record create high levels of new and repeat business from a diverse group of companies and organizations. These include but are not limited to: national and sub-national governments; established studios and streamers; facilities and content investors, film commissions, and training and skills development organizations.

Further information on SPI's work can be found at www.o-spi.com.

Glossary of Key Terms

Above-the-Line ("ATL") and **Below-the-Line ("BTL")** refer to screen production workforce and the different types and seniority of roles across talent, cast, and crew. **ATL** refers to key talent, including directors, writers, and actors; **BTL** refers to other crew, for example in technical production roles

Direct impact refers to the economic uplift of companies engaged in screen production (and post-production) resulting from increased incentivized production (and post-production) expenditure on such activity. This encapsulates companies both within the screen production sector, as well as other industries where eligible spend has occurred

Indirect impacts capture the economic activity created in companies that supply goods and services to those directly engaged in incentivized screen productions, either within the screen production sector or other industries where eligible spend has occurred

Induced impacts refer to the wider economic activity that arise from the spending of labor income by workers directly engaged in incentivized screen productions (direct impact channel), and those in the associated supply chain (indirect impact channel)

Total impact is the sum of all three channels of impact, namely the direct, indirect and induced

Economic return on investment ("ROI") is a measure of how much economic value, measured in terms of gross value added, is created per $1 of (net) investment in the incentive. The cost to the state is the estimated total value of the incentive provided minus the additional state and local taxes received as a direct result of the uplift in activity

Full-time equivalent ("FTE") employment accounts for part-time and full-time working patterns and temporary or contract-based workers. It is based on a year-round and 'permanent' definition of FTE employment which means that, for example, if one person is working full-time on a three-month contract, it is counted as 0.25 of an FTE worker

Gross Value Added ("GVA") is a key measure of economic performance, used to calculate both state-level and national Gross Domestic Product ("**GDP**"). GVA represents the value added to the economy by an individual company, industry, or sector. Essentially, GVA measures the difference between the income generated from selling goods and services and the costs incurred in producing them. By quantifying this additional value, GVA helps assess the contribution of specific economic entities to the overall economy

Labor income reflects the combined cost of total payroll paid to employees (known as employee compensation) – i.e. wages and salaries, supplements to wages, and payroll taxes – and self-employed income (known as proprietor income)

Nominal prices measure the value of goods and services in a given year, using the (current) prices of that year

Real prices are adjusted to reflect inflation over time and reflect constant price terms

Screen production includes the production of motion pictures; documentaries; long-form programs; specials; mini-series; series; music videos; television programming; interactive television and games; video games; commercials; digital media; and post-production activity

Qualifying Production Expenditure ("QPE") is the eligible spend associated with the production (and post-production) of incentivized screen content.

1. EXECUTIVE SUMMARY

1.1. About the Study

The Executive Subcommittee of the Arkansas Legislative Council commissioned creative industries consultancy SPI to undertake an independent economic impact assessment of the Arkansas Digital Product and Motion Picture Incentive and make recommendations aimed at supporting future expansion of the screen production sector in-state (the "**Study**").

This document is the first full draft of the Study, following an interim deliverable in March 2025. It presents the findings from the Study across three main areas:

1. A holistic assessment on the impact of the incentive program to date, including economic impact and any broader evidence and analysis of screen production's strategic value to Arkansas;
2. Analysis on whether the screen production sector represents an opportunity for economic and strategic growth in Arkansas and, if so, what structural, administrative, or other improvements should be made to maximize future value for the state. These recommendations are discussed in detail in Section 5;
3. Discussion on the current status of the screen production sector in the US and globally, the development of production policy and strategy in states that are neighbors or competitors to Arkansas, and the broader competitiveness of Arkansas' current incentives offer and production sector support and policy.

1.2. Overview of Approach

SPI uses an Economic Impact Assessment ("EIA") to estimate the economic impact of the Arkansas Digital Product and Motion Picture Incentive. This involves quantifying the economic contribution to the Arkansas economy across three channels of economic impact: direct, indirect, and induced. The total impact is the sum of all three channels and is measured in terms of key metrics, including:

- GVA
- FTE jobs
- Labor income
- Economic (GVA) ROI.

The analysis uses data provided by the Arkansas Department of Finance and Administration ("DFA") on productions that received the incentive between FY14 and FY25 to date to estimate the level of production expenditure that took place on the ground in-state in each year.[1] This is the key data input to IMPLAN, a widely used and reputable economic modelling software, which is used to generate the economic impact results.

Qualitative evidence on the strategic impact of screen production in Arkansas has been developed through extensive desk research and confidential consultations with over 30 key stakeholders and decision-makers. These include state government legislators, leaders from Arkansas' screen production sector, educational and training organizations. These insights, combined with the EIA and SPI's experience and expertise, have informed the Study's recommendations.

[1] In Arkansas, fiscal year (FY) is the period between July 1st and June 30th of the following year. For example, FY25 covers July 1st, 2024 – June 30th, 2025. The analysis presented in the Study is based on data received on January 8th, 2025, from the DFA.

Economic results presented in the main body of this report (see Section 3) represent the total impact of all productions awarded the incentive between FY14 and FY25 to date. This analysis includes productions considered to be outliers – i.e., for which the incentive amount paid out are significantly larger than those that are usually made in-state. Therefore, the analysis demonstrates the kind of major economic impact possible if larger productions could be attracted more regularly.

Separately, SPI has considered all productions except those considered to be outliers (defined above). This analysis is presented separately in the Appendix (see Section 6.4). Production incentive data received from the DFA provides information on the incentive amount paid out by the state government to individual productions. It is important to note that project titles are not provided. Within these data, a significant incentive was attributable to a single project. Given the scale of the incentive and the fact it is larger than usual incentive payouts, this data point has been excluded from the Core Analysis to provide a more typical view of the incentive.

It is important to that the DFA holds data on incentive amount paid out by fiscal year, but this does not necessarily reflect the year in which production expenditure occurred in state. This is because expenditure in Arkansas by productions takes place before the incentive is paid out.

The analysis presented in the Study is based on data received from the DFA in early January 2025. Therefore, the figures reflect a partial view of activity, and the associated level of economic impact, in FY25.

Results relating to FY25 in isolation or as captured within cumulative and annual averages are therefore subject to change as data for the full fiscal year becomes available.

1.3. Key Findings – Economic Impact

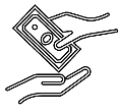
Over the Study period, between FY14 and FY25 to date, $19.7 million (nominal prices) has been invested through the Arkansas Digital Product and Motion Picture Incentive. It is important to note that while data from the DFA shows the amount of incentive paid out in each year, data on qualified production expenditure that occurred on the ground in-state in each year is not tracked. For this reason, SPI has estimated direct qualified production expenditure that is associated with the level of investment paid through the incentive in each year. Using this approach, SPI estimate that direct qualified production expenditure in-state totaled $93.8 million (nominal prices) over the period.

Economic analysis of incentive data shows that the system has delivered positive returns in-state across key economic metrics and across all channels of impact (direct, indirect and induced). In terms of ROI, the incentive has returned $3.62 in economic (GVA) value for every dollar invested.

Figure 1 – Economic Impact Results, Total Analysis (All Incentivized Productions)

Total Analysis: Economic Impact of Arkansas' Digital Product and Motion Picture Incentive Across Direct, Indirect and Induced Channels

Cumulative FY14-FY25 to date (unless otherwise stated)

Total GVA	Total Labor Income	Peak Annual Employment
		
$54.3 million across direct, indirect and induced channels of impact	**$28.4 million** across various industries in Arkansas	**600 FTE jobs,** on average, in FY18

Economic Return on Investment (ROI)

Average over the FY14-FY25 (to date) period

$3.62

in GVA for every dollar of investment

Source: Olsberg•SPI Analysis

Note: figures relating to GVA and labor income are expressed in constant prices (or real prices) and cover the FY14-FY25 to date period. Therefore, figures relating to FY25 reflect a partial view of activity and associated level of impact; and so are subject to change as data for the full fiscal year becomes available. Given fluctuations in employment over the entire time frame, the figures above focus on the peak year of employment, with further analysis found in Section 3.

The EIA results in this final report are expressed in net terms. This accounts for the economic deadweight which is represented by productions that might have occurred in Arkansas even without the incentive program. In other words, the Study's results represent the additional activity directly attributable to Arkansas' incentive program, after removing an estimated level of production activity that might have occurred anyway (i.e. economic deadweight). This assessment of additionality is based on survey responses and further discussion is in the Section 6.2.

All figures relating to GVA, labor income and GVA ROI are expressed in constant prices (or real prices) – i.e. adjusting for the effects of inflation and are presented in 2025 prices. Adjusting and removing the impact of price changes provides a more accurate picture of volume change over time.

The EIA does not consider the opportunity cost of deploying investment in the incentive program for alternative uses. Practically, modelling the opportunity cost is challenging given the endless alternative ways in which the investment might be used; with each having its own level of impact and nuanced considerations.

A full detailed methodology can be found in the Appendix.

1.4. Key Findings – Recommendations for Future Growth

Historically, Arkansas' screen production sector has struggled for consistency and in recent years this has been made more challenging due to broader global sectoral headwinds including the COVID-19 pandemic, a retrenchment in spending from some content investors, production cost inflation, and recent labor action in the US. That said, a major factor impacting the sector's inconsistency is the state incentive, which is not optimal in terms of budget, formulation, structure, marketing, and processing. These factors combined have significantly

impacted the ability of the state to secure productions and has resulted in inconsistent throughput.

Despite these challenges, there is an opportunity for Arkansas to build a more stable screen production sector – delivering more value and providing increased and more regular employment for Arkansans, both directly working in the sector and more generally. Arkansas has several strengths in terms of building its offer as a screen production destination. The state offers a low-cost base – a key attraction given inflationary pressure for all screen content producers – as well as skilled crew, and diverse filming locations.

In considering how Arkansas can expand its screen production sector, this Study makes a number of key recommendations. These are summarized in the following figure and in detail in Section 5.

Figure 2 – Key Recommendations for Screen Production Sector Growth in Arkansas

Finding	Recommendation
Arkansas' incentive is not competitive: it has a low cap, is inconsistently funded, and is not coherently formulated	As a cornerstone element of any jurisdiction's competitiveness in the screen production sector, the incentive should be reformed with priority given to creating a single structure that can be consistently funded, providing predictability for investors with the aim of underpinning a more stable sector in-state that can thrive
Sectoral development has been limited by a lack of clarity, transparency, and cohesiveness	Link an expanded incentive to a cohesive industry development strategy; focusing on opportunities for industry oversight and knowledge sharing
The film commission is a single-person office, which is not conducive to expanding the sector	Expand the film commission to enable it to undertake a more strategic role in developing the sector, and review its structure and operations to ensure success. This should include consideration of the most effective state department in which to position the film commission to ensure future success for it and the sector
Published data are limited on the level of interest in the incentive and on incentive usage and process	Improve data collection and publication, releasing regular usage and system interest updates for legislators, industry, and other interested parties

2. ARKANSAS' SCREEN PRODUCTION SECTOR

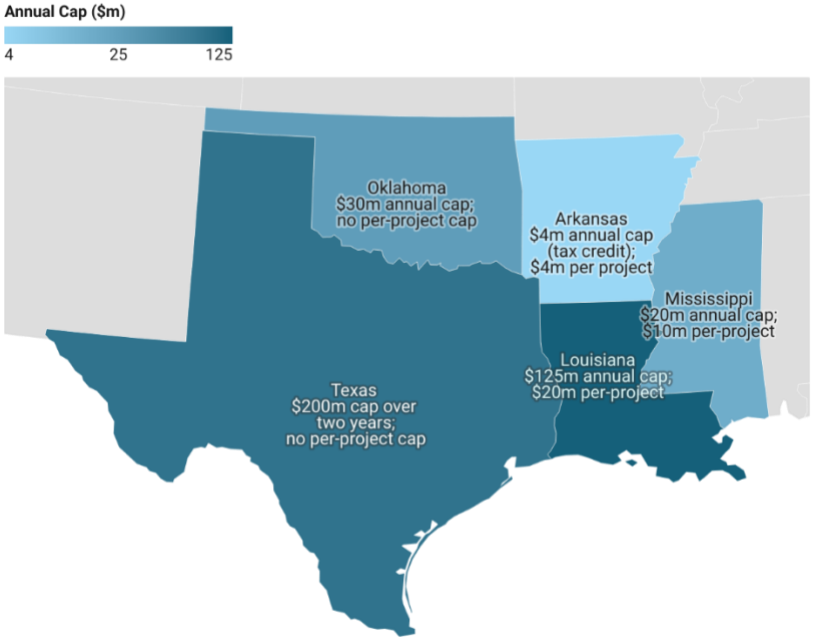
2.1. The Current Landscape

With incredible natural and built locations, low costs in comparison to some other screen production destinations and a degree of crew provision and facilities, Arkansas has potential to grow its screen production sector. However, the state has struggled for consistency at a time when competitor states have been seeing significant growth. This is due to a number of factors both specific and general. The latter include global sectoral headwinds such as the COVID-19 pandemic, and a retrenchment in spending by some production investors as they focus on profitability. Further challenges have stemmed from the strikes in 2023 by the Writers Guild of America (WGA) and the Screen Actors Guild – American Federation of Television and Radio Artists (SAG-AFTRA).

However, a major specific factor in limiting sectoral growth and consistency in Arkansas is the state incentive, which is not optimal in terms of budget, formulation, structure, marketing, and processing. The lack of stable and secure funding undermines investor confidence; while the tax credit program's annual cap of $4 million lags significantly behind neighboring states. Indeed, the annual caps are much higher in major markets like Louisiana ($125 million) and Texas ($200 million over two years), but also notably higher in both Mississippi and Oklahoma (see Figure 3).

Incentives are a cornerstone financing mechanism for the majority of screen productions, and the landscape of incentives is highly competitive both in the US and globally. The weakness of Arkansas' offer in this area has significantly impacted the ability of the state to secure productions and has resulted in inconsistent throughput. Sectoral workers in state can therefore struggle to find regular employment and some look to other sectors to provide supplementary income. Anecdotally, this has also led to an outflow of talent from Arkansas as sectoral workers interested in furthering their careers move to out-of-state hubs to do so including Arkansas' neighboring states.

Figure 3 – Incentive Comparison, Annual and Per-Project Caps



Source: Olsberg•SPI Analysis (2025)

2.2. Arkansas' Incentive Program

The incentive was introduced by the Digital Product and Motion Picture Industry Development Act, with the following aim: "*To cultivate the*

industry by offering financial incentives to foster the development of the digital product and traditional film industry in Arkansas."[2]

Figure 4 – The Digital Product and Motion Picture Incentive

Name of Incentive	Digital Product and Motion Picture Incentive
Type	Cash Rebate / Transferable Tax Credit
Value	25% base rate
Uplift	An additional 10% for the payroll of below-the-line employees who are full-time Arkansas residents, or veterans An additional 10% for qualifying expenditures paid to a veteran-owned small business An additional 5% for either: the payroll of below-the-line employees who are full-time residents of a Tier 3 or Tier 4 county; or payments to a person or business for qualified production costs associated with a state-certified production project located in a Tier 3 or Tier 4 county; producing a qualified multi-project production. **Maximum incentive of 30%. However, it should be noted that this maximum is incompatible with the uplifts above**
Per-Project Cap	$4 million
Annual Budget	$4 million (tax credit) Discretionary top-up funding (cash rebate)

The dual incentive in Arkansas currently offers both a long-standing cash rebate and a more recently introduced transferable tax credit. While the cash rebate model is well-understood by producers in-state there is uncertainty around the availability of the cash rebate, which requires discretionary funding to be approved every year, typically from the state government's Quick Action Closing Fund ("**QACF**") – a targeted economic development incentive program that provides discretionary cash grants to select companies aiming to attract and retain business in-state. The uncertainty of Arkansas' rebate has been a major limiting factor for Arkansas, since producers require incentives to be predictable and dependable.

On the other hand, the transferable tax credit, introduced in 2021, does not require a cash allocation from government; instead credits are issued to beneficiaries, who can use them against their tax liabilities, or monetize the credits by selling them (at a discount) to third party buyers. While credit systems are commonly and successfully utilized by other screen production jurisdictions, there are concerns in Arkansas regarding this model. These concerns relate to a potential lack of credit buyers, given Arkansas' low taxation, and a general lack of familiarity with their operation.

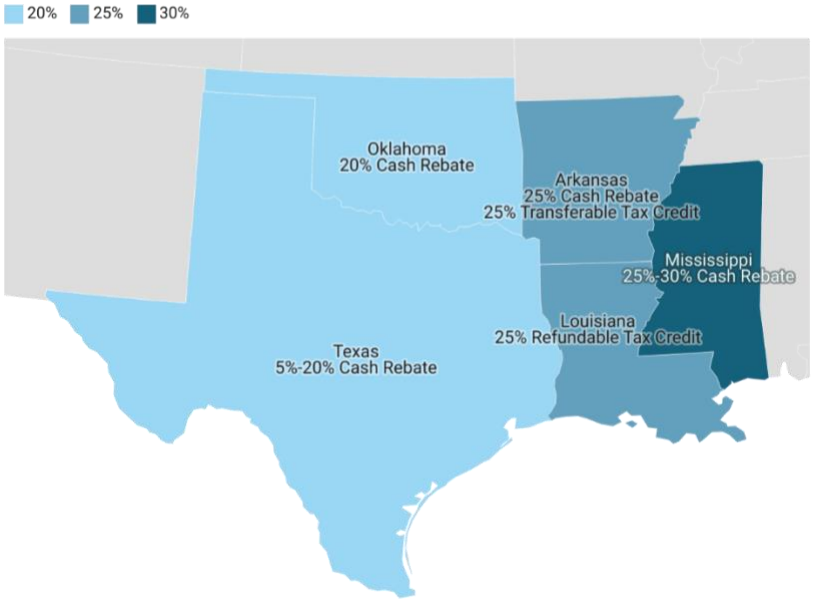
Both the cash rebate and tax credit have a 25% base incentive, and with multiple uplifts available, the maximum incentive value is 30%. Arkansas' incentive rate is therefore comparable with many other US states, including those analyzed in Figure 5, and like these comparator states, objective-based uplifts are available in Arkansas. For example, Louisiana offers a 10% uplift for Louisiana screenplays, while Oklahoma and Texas both offer uplifts for filming in rural or underutilized counties.

In terms of the approval process, Arkansas' incentive program is administered on a case-by-case basis. The Executive Director of

[2] Arkansas Digital Product and Motion Picture Industry Development Act (Act 816 of 2009). Rules and Regulations. Accessed on May 5th, 2025. https://www.sos.arkansas.gov/uploads/rulesRegs/Arkansas%20Register/2009/aug_2009/168.00.09-002.pdf

Arkansas Economic Development Commission ("**AEDC**") retains sole discretion to determine which projects are selected and the amount of incentives available to each selected project.

Figure 5 – Base Incentive Rates in Comparison US States



Olsberg•SPI Analysis (2025)

2.3. Key Features of Production Incentives

Each incentive program has a specific set of rules which determine how they work, and the value for producers. The type of program governs how the production can monetize the incentive. Common types of production incentive include **cash rebates** whereby a percentage of a production's qualifying expenditure is repaid as cash by an administering authority; and/or **tax credits** whereby a percentage of a production's qualifying expenditure is available as a credit that can be used against the applicant's other tax liabilities.

Refundable tax credits are converted to a cash equivalent and, except for the fact they are administered through the tax system, are similar to cash rebates. **Transferable tax credits** can be sold to third parties. They are sold at a discount (e.g. the buyer may pay 90¢ for every $1 of credits) and the third party can therefore use them to pay off their tax liabilities at a discount.

The incentive rate is a percentage that is applied to the qualifying expenditure to calculate the incentive amount, usually between 15%-40% for standalone state or country incentives. A higher incentive rate results in a larger incentive for producers, but is ultimately governed by other rules:

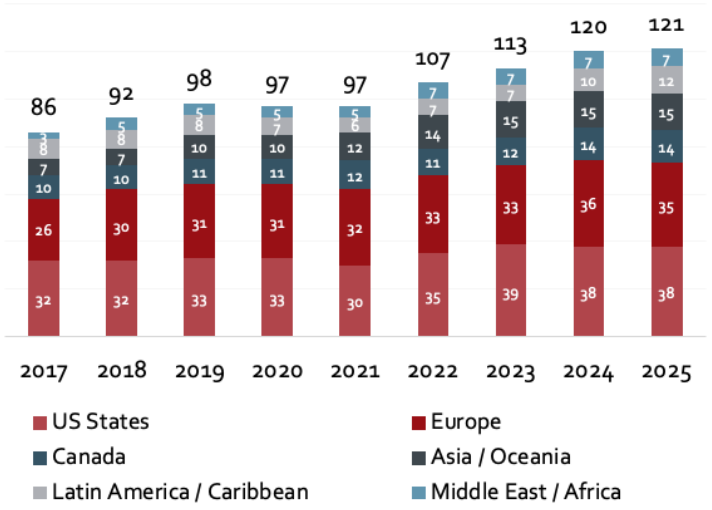
- As incentives grow in usage by governments, targeted 'uplifts' have become more common to encourage specific production practices or to achieve strategic objectives. Uplifts provide additional incentive value (usually around 5-10%) for meeting specific criteria
- The per-project cap of an incentive is the maximum incentive available to any single project
- The annual or program cap of an incentive sets a limit on the total amount of funding available in a given year, or across the lifespan of a program. In other cases, incentive funding is requested (e.g. by the film office) each year based on the volume of applications.

2.4. Global Incentives

Around the world, governments have introduced or expanded production incentives to attract investment and foster the development of their screen production sector. At time of writing, 121 production incentives are in operation globally, all following common principles, but with tailored rules and objectives based on local priorities.

Each program has a set of conditions for eligibility, and for eligible productions, offers a percentage return on qualifying expenditure, subject to administrative rules. Successful incentives meaningfully reduce costs for productions, while providing value-for-money to governments. While each program has a headline rate (25% in Arkansas) the actual value to a production varies based on expenditure rules (that determine which costs qualify), caps, and other regulations.

Figure 6 – Number of Automatic Production Incentives, 2017-2025

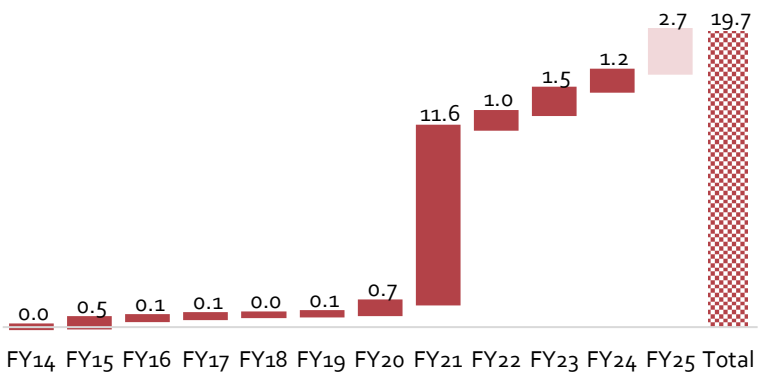


Source: Olsberg•SPI Analysis (2025)

2.5. Incentive-led Screen Production Sector Spend in Arkansas

Data on the Arkansas incentive from the DFA shows that between FY14 and FY25 to date the amount of incentive paid out – both the cash rebate and tax credit – totaled $19.7 million (nominal prices). Most of which was distributed through the cash rebate ($18.8 million in nominal prices), largely reflecting the fact that the tax credit is relatively newly introduced. Further analysis of the data from the DFA, which includes incentive amounts paid out to projects, shows that production in-state to date has been largely based around low and low-mid budget projects. Using anonymized production specific data from the DFA along with the advertised incentive rate suggests that the average production budget size of projects having received the incentive is below $2 million.

Figure 7 – Total State Investment (Cash Rebate Plus Tax Credit) in Arkansas, US$ Millions (Nominal Prices), FY14-FY25 (to date)

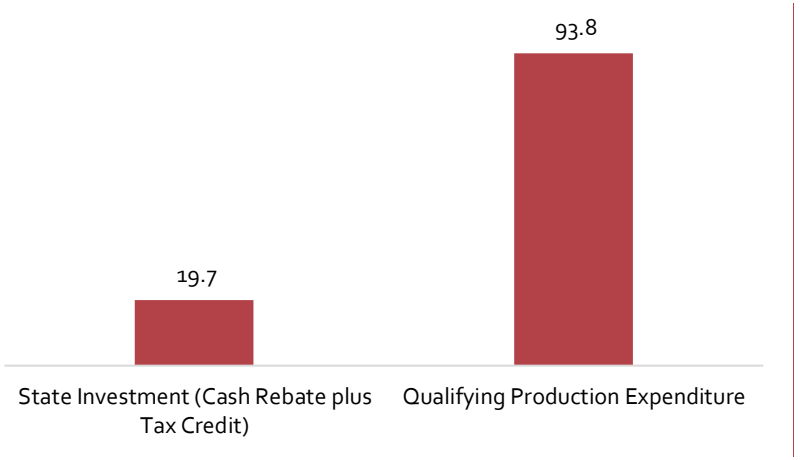


Source: DFA

Data on qualified production expenditure that occurred on the ground in Arkansas in each year, however, is not tracked by the DFA. Instead, this has been estimated using the data on the incentive paid out and the incentive rate in each year. In other words, SPI estimated the level of production expenditure that is associated with a given amount of incentive paid out by the state government in each year. This means that while the data from the DFA shows the incentive amount paid out in each fiscal year, the estimated incentivized production spend does not necessarily reflect the year in which production expenditure occurred in-state.

Using this approach, SPI estimates that the level of investment made by the Arkansas state government through the incentive between FY14 and FY25 to date supported $93.8 million (nominal prices) in total qualified production expenditure. Of this total, SPI estimates that almost 60% of the incentive that was awarded was paid in FY21.

Figure 8 – Cumulative State Investment and Estimated Total Qualifying Production Expenditure, US$ Millions (Nominal Prices), FY14-FY25 (to date)



Source: DFA and Olsberg•SPI Analysis (2025)

Note: both absolute figures presented in this chart have not been adjusted for additionality, though this is accounted for in the economic impact results presented in Section 3.

2.6. Future Opportunities: A Strong and Buildable Foundation

Despite clear challenges, there is an opportunity for Arkansas to stimulate a more stable screen production sector – delivering more economic value and providing increased and more regular employment for Arkansans. Analysis of data published by the US Bureau of Economic Analysis (BEA) supports the notion that the screen production sector in-state has scope to grow and further contribute to Arkansas' economy. Published data on the broader Motion Picture and Sound Recording industry (NAICS 512) in Arkansas, which includes screen production activity and other activities, shows that it has performed relatively well in recent years; with real GDP growth averaging 4.2% each year between 2016 and 2023 – outperforming the national industry average (2.8% each year). However, it is important to note that strong growth is driven by the fact that the broader industry is relatively small. To place this into context, total real GDP for the Motion Picture and Sound Recording industry in Arkansas stood at $122 million in 2023 – almost one-quarter of the size of Louisiana's industry ($440 million).

There are several drivers of opportunity for Arkansas' screen production sector which can be considered in terms of the state's key competitive offer and how this aligns with the current realities of the broader screen production sector. In terms of the competitive offer in Arkansas, there is a developed – albeit small – screen production sector with specialist workers, equipment and some facilities already in place. The sector's crew bases and specialist supply chain hubs are predominantly in Little Rock and North West Arkansas; beyond this, the state also offers a diverse and unique locations which often have not been over-filmed. There are also specialist training providers and broader components such as a developed festival offering. This provides a strong foundation for activating future growth. For the state, further screen production growth strongly aligns with the strategic aim of expanding the tourism and the outdoor economy.

In terms of external factors, the screen production sector is undoubtedly experiencing a period of adjustment and retrenchment. Inflation has increased focus on production costs, placing even greater emphasis on incentives, and Arkansas is competing globally with other jurisdictions for production investment.[3] Nevertheless, there is an opportunity for Arkansas to attract higher investment than current levels with some key improvements. There remains producer interest in all US states with an incentive offer that is also backed up by crew and facilities: this includes the type of low and low-mid budget projects that Arkansas has hosted – and this is a market that has some new energy given the retrenchment in spending by some major production investors. Arkansas' low-cost base relative to other US production centers is also highly attractive for both major and independent producers who are sensitive to cost and are constantly seeking alternative cost-friendly production hubs.

These factors combined highlight Arkansas' strong foundations to build its screen production sector, with key recommendations presented in Section 5 of this report.

[3] It should be noted that the Trump administration's stated focus on more screen production being undertaken in the US could also be a supportive factor in Arkansas' development in the sector, although the lack of detail at the time of writing means that this remains uncertain.

3. ECONOMIC IMPACT

3.1. Approach Overview

The impact of the Arkansas Digital Production and Motion Picture Incentive – which includes a cash rebate and a tax credit – is estimated using an EIA. This involves quantifying the economic contribution to the Arkansas economy across three channels of economic impact: direct, indirect, and induced.

THE CHANNELS OF IMPACT EXPLAINED

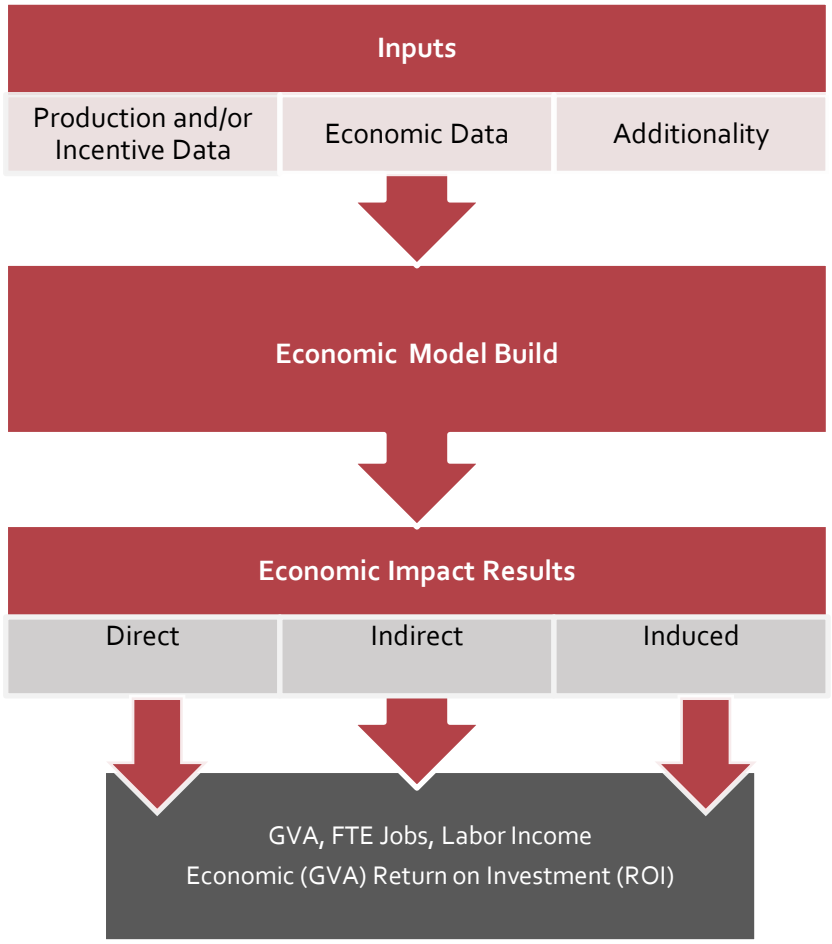
Direct impact is the GVA, FTE jobs, labor income and taxes generated by companies engaged in screen production (and post-production) that have received the Arkansas incentive. The direct operational spending of these companies includes the spending on wages/salaries and goods and services from local vendors that qualify as eligible under the incentive program.

Indirect impacts capture the economic activity created as vendors who sell goods and services to companies directly engaged in incentivized screen productions (and post-productions), either within the screen production sector or other industries where eligible spend has occurred, purchase goods and services from other vendors in their supply chain to meet the increased demand. This is often referred to as business-to-business or supply-chain spending.

Induced impacts refer to the wider economic activity that arise as workers directly engaged in incentivized screen productions (and post-productions) and those in the associated supply chain spend a proportion of their earnings to purchase goods and services in the wider economy.

The total impact is the sum of all three channels and is measured in terms of key metrics, including GVA, FTE jobs, and labor income. The Study also estimates the economic (GVA) return on investment (ROI).

Figure 9 – Overview of SPI's Economic Model



Source: Olsberg•SPI

The Study uses an Input-Output ("I-O") approach to estimate the economic impact of Arkansas' incentive program. A key driver of the economic model is the data received from the DFA on productions that were awarded the incentive. While these data show the incentive amount paid out in each fiscal year between FY14 and FY25 to date, the data on production expenditure does not necessarily reflect the year in which production activity occurred in-state. For this reason, SPI has estimated the level of production expenditure that is associated with the dollar amount of incentive paid out in the given fiscal year. The resulting figure is the key data input to IMPLAN, a widely used and reputable economic modelling software, which has been used to generate the economic impact results.

The analysis presented in the Study is based on data received from the DFA in early January 2025. Therefore, the figures reflect a partial view of activity, and the associated level of economic impact, in FY25.

Results relating to FY25 in isolation or as captured within cumulative and annual averages are therefore subject to change as data for the full fiscal year becomes available.

An I-O approach models the interconnections between the screen production sector and other sectors in Arkansas, and the relationships between key metrics including GVA and FTE jobs.

The methodology is based on several successful studies that SPI has undertaken around the world, and it is consistent with international best practice, including studies in the UK, a number of US states, New Zealand, Australia, and Europe.

Economic results presented in this section presents the total impact of all productions awarded the incentive between FY14 and FY25 to date. This analysis includes productions considered to be outliers – i.e., for which the incentive amount paid out are significantly larger than those that are usually made in-state. Therefore, the analysis in Section 3 demonstrates the kind of major economic impact possible if larger productions could be attracted more regularly.

Separately, SPI has considered all productions except those considered to be outliers – as defined above. This analysis is referred to as the 'Core Analysis' and is presented separately in the Appendix (see Section 6.4). Production incentive data received from the DFA provides information on the incentive amount paid out by the state government to individual productions. It is important to note that project titles are not provided. Within these data, a significant incentive was attributable to a single project. Given the scale of the incentive and the fact it is larger than usual incentive payouts, this data point has been excluded from the Core Analysis to provide a more typical view of the incentive.

It is important to note that in this final report the EIA results are presented in net terms. This aims to account for the economic deadweight which is represented by productions that may have occurred in Arkansas even without the incentive program. In other words, the net results represent the additional activity directly attributable to Arkansas' incentive. This assumption has been informed by an additionality assessment – discussed in the Appendix.

It is also important to note that the results for the EIA do not consider the opportunity cost of deploying state investment for alternative uses. Practically, modelling the opportunity cost is challenging given the endless alternative ways in which the investment might be used; with each having its own level of impact and nuanced considerations. For these reasons it is outside the scope of this Study.

All figures relating to GVA and labor income are presented in constant prices (or real prices) – i.e. they have been adjusted for inflation and are presented in 2025 prices.

A full detailed methodology is in the Appendix.

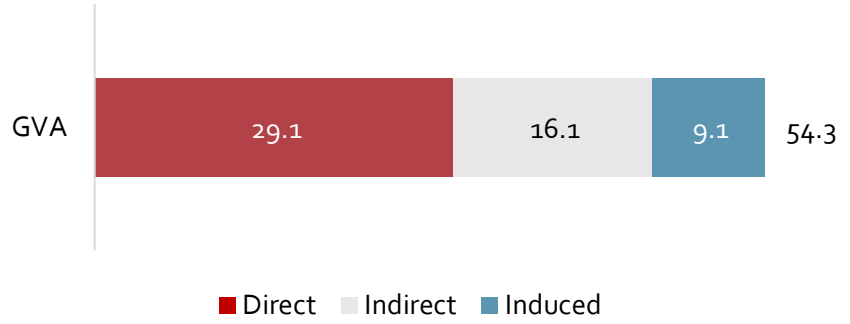
3.2. Economic Impact – Total Analysis (All Productions)

This section considers the economic impact associated with the level of qualifying production for **all productions** awarded the incentive (either the cash rebate or tax credit) between FY14 and FY25 to date.

Over this period, qualifying production expenditure totaled an estimated $93.8 million in nominal prices, or $99.5 million in real prices. Having adjusted for economic deadweight, the expenditure supported an estimated $54.3 million in total GVA across various industries in Arkansas' economy, with $29.1 million supported directly by the activities of the productions that received the incentive.

A further $16.1 million in GVA is estimated to have been stimulated across the supply chain; while wage spending of workers in both the direct and indirect impact channels is estimated to have supported an additional $9.1 million in GVA.

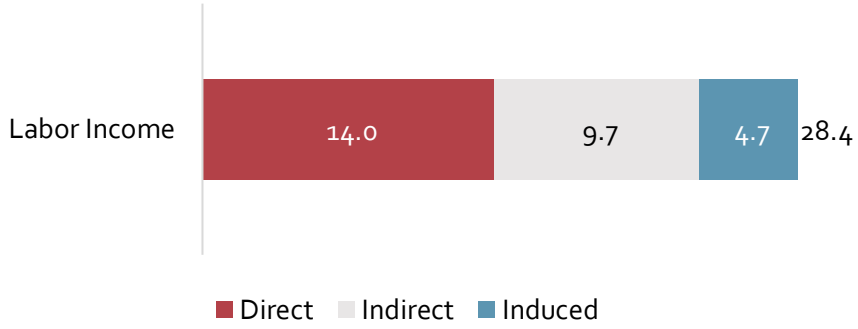
Figure 10 – Cumulative Total GVA in Arkansas' Wider Economy, Stimulated by the Incentive, US$ Millions (Real Prices), FY14-FY25 (to date)



Source: Olsberg•SPI Analysis (2025)

Between FY14 and FY25 to date, the incentive sustained an estimated $28.4 million in total labor income in Arkansas across all channels of impact. Of which, approximately half, or $14.0 million, was accounted directly by the activities of the productions that received the incentive.

Figure 11 – Cumulative Total Labor Income in Arkansas' Wider Economy, Stimulated by the Incentive, US$ Millions (Real Prices), FY14-FY25 (to date)



Source: Olsberg•SPI Analysis (2025)

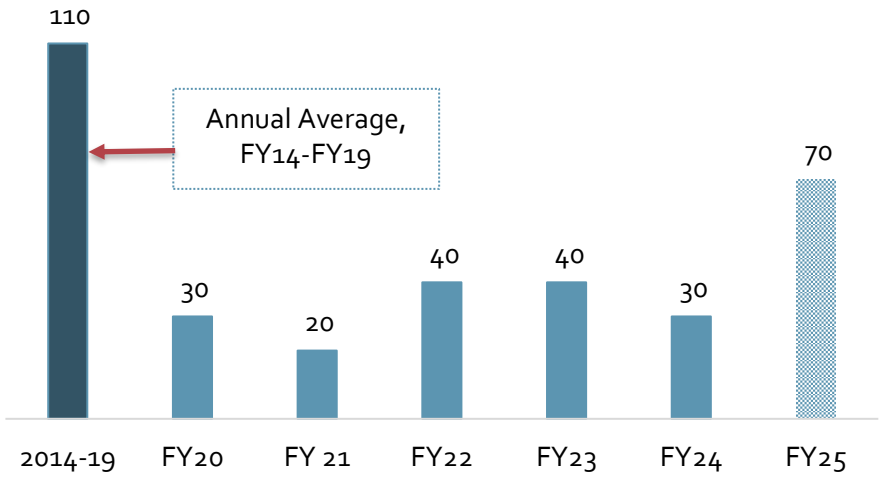
Incentivized screen productions also support employment across Arkansas. The number of economy-wide FTE jobs supported by the incentive increased from FY14 to Fy25 to date. However, there have been year-on-year fluctuations, with employment having peaked at an estimated 600 FTE jobs in FY18. Focusing over the last five years, SPI estimate that nearly 40 FTE jobs on average each were sustained across Arkansas' economy since FY20, with 20 direct FTE jobs supported by incentivized productions.

However, screen production could support a higher level of employment in Arkansas, as highlighted in Figure 12. It shows a significantly larger number of FTE jobs, on average, over the Fy14-Fy19 period. Over this period incentivized productions supported an estimated 110 FTE jobs, on average each year. A closer look at the data, however, shows that this figure was largely underpinned by a single

project. Desk research suggests that it is likely reflecting a large production that filmed in Arkansas in FY18. While this is an exception, it does highlight the kind of sizeable economic impact that could be obtained for Arkansas if larger productions could be attracted more regularly.

Data for this single production is explored separately in more detail on the following page.

Figure 12 – Total FTE Jobs in Arkansas' Wider Economy Supported by the Incentive, FY14-FY25 (to date)



Source: Olsberg•SPI Analysis (2025)

Overall Arkansas' incentive is associated with a positive and notable (GVA) Return on Investment (ROI). This Study focusses on economic (GVA) ROI as this aligns closely with the broader economic development objectives typical of screen production incentives. In other words, ROI associated with incentive systems relating to the screen production sector should consider a wider lens of wider economic development, and so should extend beyond the high-level "cash-in, cash-out" analysis.

(GVA) ROI is set against the net cost of incentive paid, after accounting for local and state level estimated direct tax receipts. It is important to reiterate that this represents the estimated net impact of the incentive – i.e. having removed economic deadweight.

Between FY14 and FY25 to date, ROI averaged an estimated 3.62 over the period. To put this into perspective, for every $1 invested through the incentive program, the economic benefits to the Arkansas economy averaged $3.62 a year in terms of additional economic value from all channels of impact combined (direct, indirect and induced).

Figure 13 – Total Analysis: Changes to Key Components of ROI

Net Total GVA	(Net GVA) ROI
$54.3m	3.62

Source: Olsberg•SPI Analysis (2025)

Given the various factors influencing the ROI, including the scope of the supply chain serving the screen production sector in-state among others, SPI does not undertake a comparison of ROI across jurisdictions.

3.3. Economic Impact – Spotlight on Significant Outlier

This analysis considers the economic impact associated with the level of incentive received by a single project. Indeed, the scale of the incentive is considerably larger than the usual incentive paid out and is therefore considered both unique and significant. It has been analyzed here separately to highlight the potential benefits that could be realized in-state should Arkansas attract and retain productions of similar magnitude more regularly.

Data from the DFA shows that this production received a rebate of $11.0 million in nominal prices, or $11.9 million in real prices. Using an average incentive rate assumption, SPI estimate that this translates into $60.0 million (in real prices) in qualifying production expenditure which is assumed to have taken place in Arkansas in FY18. Having adjusted for economic deadweight, using the same additionality assumptions applied throughout this Study, this level of expenditure is estimated to have supported $32.7 million in total GVA across various industries in-state and $17.4 million in labor income.

The incentive amount awarded to the individual production supported an estimated 430 direct FTE jobs in FY18. A further 170 FTE jobs were supported across Arkansas' wider economy through the indirect and induced channels of impact. The total FTE job impact in Arkansas was therefore an estimated 600.

The (GVA) ROI is estimated to have equated to 4.03 in FY18. Again, it is calculated based on net cost of incentive paid out to this single production, after accounting for local and state level estimated direct tax receipts. It is important to reiterate that this represents the estimated net impact of the incentive – i.e. having removed economic deadweight.

Figure 14 – Economic Impact of the Outlier: Total GVA and Labor Income in Arkansas' Wider Economy Supported by the Incentive, US$ Millions (Real Prices), FY18

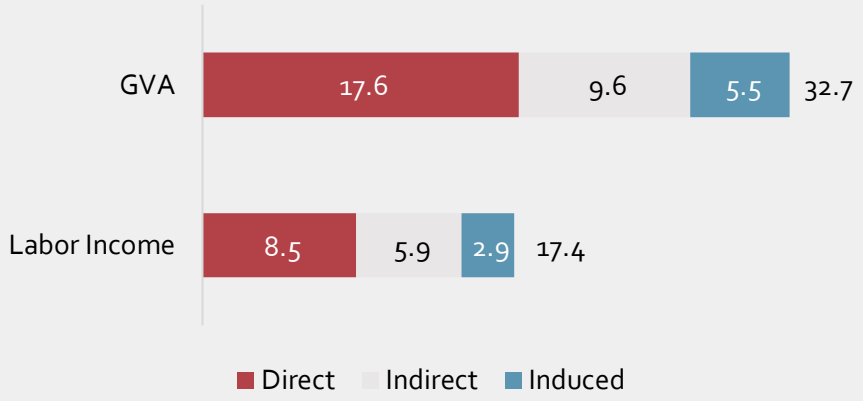
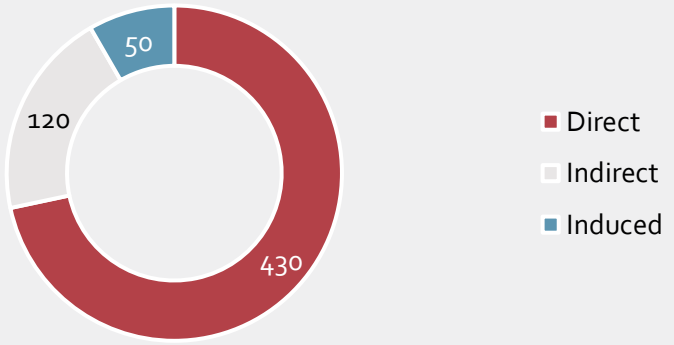


Figure 15 – Economic Impact of the Outlier: Total FTE Jobs Supported in Arkansas' Wider Economy Supported by the Incentive, FY18



Source: Olsberg•SPI Analysis (2025)

4. FURTHER STRATEGIC IMPACTS – MICRO IMPACTS

Screen production is a type of advanced manufacturing process that requires a range of inputs, including a significant number of workers – in creative, technical, logistical, and support roles – as well as equipment, facilities, infrastructure, and services. Therefore, the production of screen content creates a range of benefits across the economy. While a percentage of a production's expenditure is directed towards screen production-specific vendors, a notable portion of spend is directed to other areas of the economy, such as hospitality services, that do not solely service the screen production sector.

To model this cross-sector impact, SPI uses an approach referred to as a ripple analysis, which involves working with a production's budget, in this case that of a feature filmed in Arkansas and received the incentive. Using the production budget, the expenditure of the project is analyzed and categorized according to several business sectors that typically supply goods and services to productions.4 This section of the Study also considers how the production budget filters across various geographies in-state, known as a vendor heatmap analysis. For this Study the data available allows for the focus on the location of vendors.

Due to the sensitivity of the data analyzed, no identifying elements have been provided, and the film has been titled according to its format – being a feature film – and the budget range in which it falls – being a medium budget.

4.1. Ripple Analysis: Mid-Budget Feature Film in Arkansas

Analysis of this production showed that, in total, 39.6% of the total BTL spend was retained in the screen production sector – i.e. to individuals and businesses who only work in screen production. The remaining 60.4% of spend flowed to other sectors in the Arkansas economy – a notable portion of project expenditure.

Travel and Transport (22.7%) is the highest percentage for the non-screen specific spend. A higher portion of budget spend being designated to Travel and Transport is often reflected through the use of multiple local vehicle rental companies (for cast, crew and smaller equipment/set/wardrobe transport). This further disseminates across the local economy through spend on fuel, car washes, and any use of publicly available transport.

There is a notable portion of spend allocated to Digital Services (8.3%). This often indicates the use of hardware from larger technology providers (such as hard drives for dailies[5] and computers for production offices, for example) as well as software (such as that used for accounting, payroll and production management, for example). This could also be due to the use of post-production suites that cater for various content development.

Compared to other business sectors, a marginally higher Construction allocation of the budget spend (6.0%) points towards the use of local materials and resources for the building of sets and rigs. Often, in constructing specific sets or stage set-ups the production will engage with local hardware suppliers as well as builders that either service the other creative industries, such as theatre, or service the wider business sector.

As with any business, a production has many administration requirements. Office set-up as well as operational needs, including but not limited to printing, would fall under the notable spend allocated to Business Support (4.9%).

The portion of spend allocated for Music and Performing Arts (3.0%) and Finance, Legal and Company Costs (2.9%) could reflect in the hiring of services and employing of local talent specific across the musical and theatrical sectors as well as expertise and services available from other

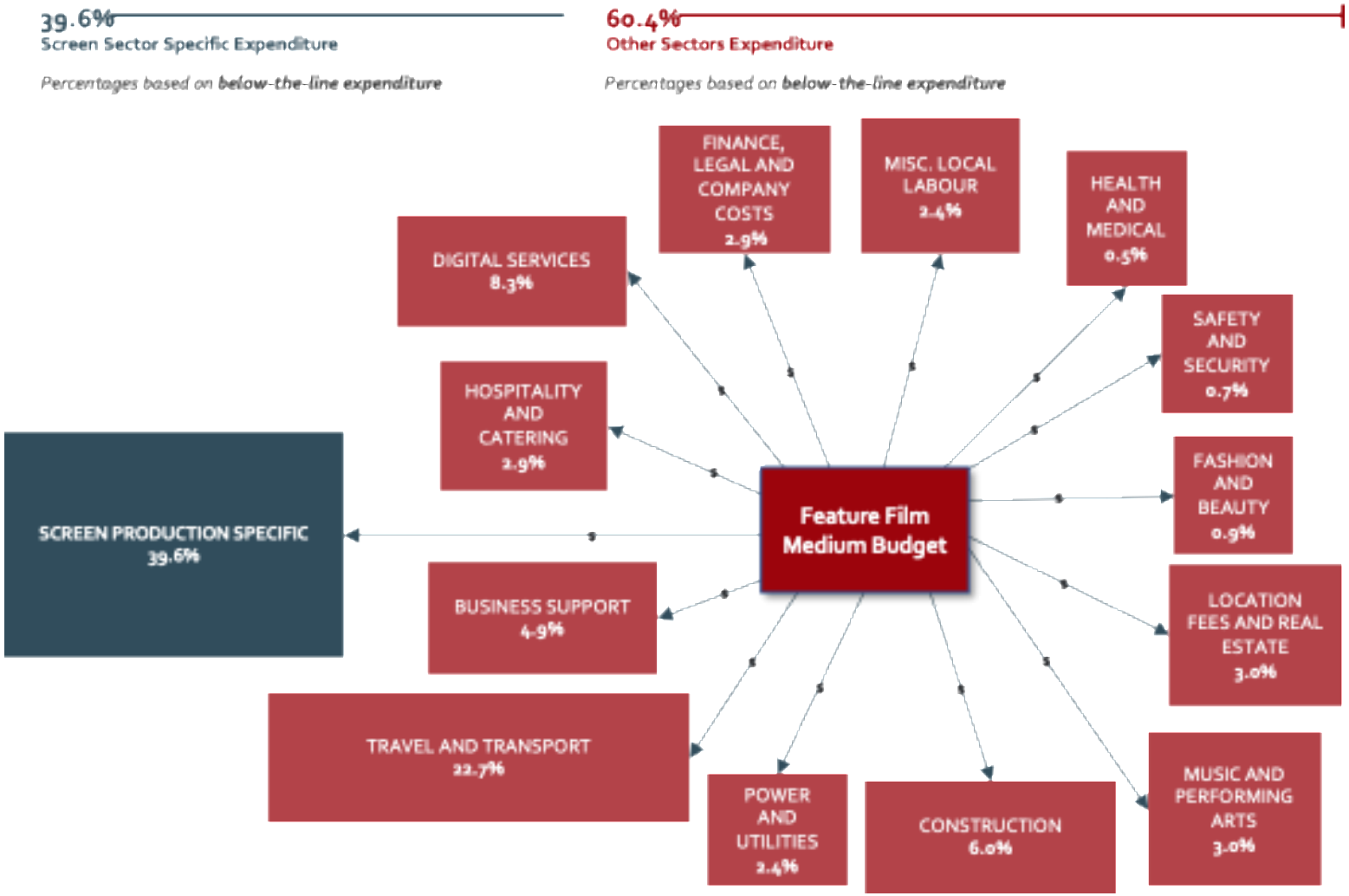
[4] For details on business sectors, please refer to the Appendix.

sectors, such as legal advisors and accountants. The portion of spend directed to Power and Utilities (2.4%) and Miscellaneous Local Labor (2.4%) could be due to the use of municipal facilities and services, such as water, electricity, gas and/or fuel for generators as well as waste management, respectively.

There are moderate spend allocations for Locations and Real Estate (3.0%), which could account for any expenses associated with filming in and around a location, such as permit fees and/or parking fees, for instance, as well as for Hospitality and Catering (2.9%), which would account for any international cast and crew.

The remaining non-screen specific production expenditure highlights the breadth of reach across other business sectors.

Figure 16 – Ripple Analysis of a Feature Film Filmed in Arkansas, Medium Budget



Source: Olsberg•SPI Analysis (2025)

4.2. Vendor Heatmap: Mid-Budget Feature Film in Arkansas

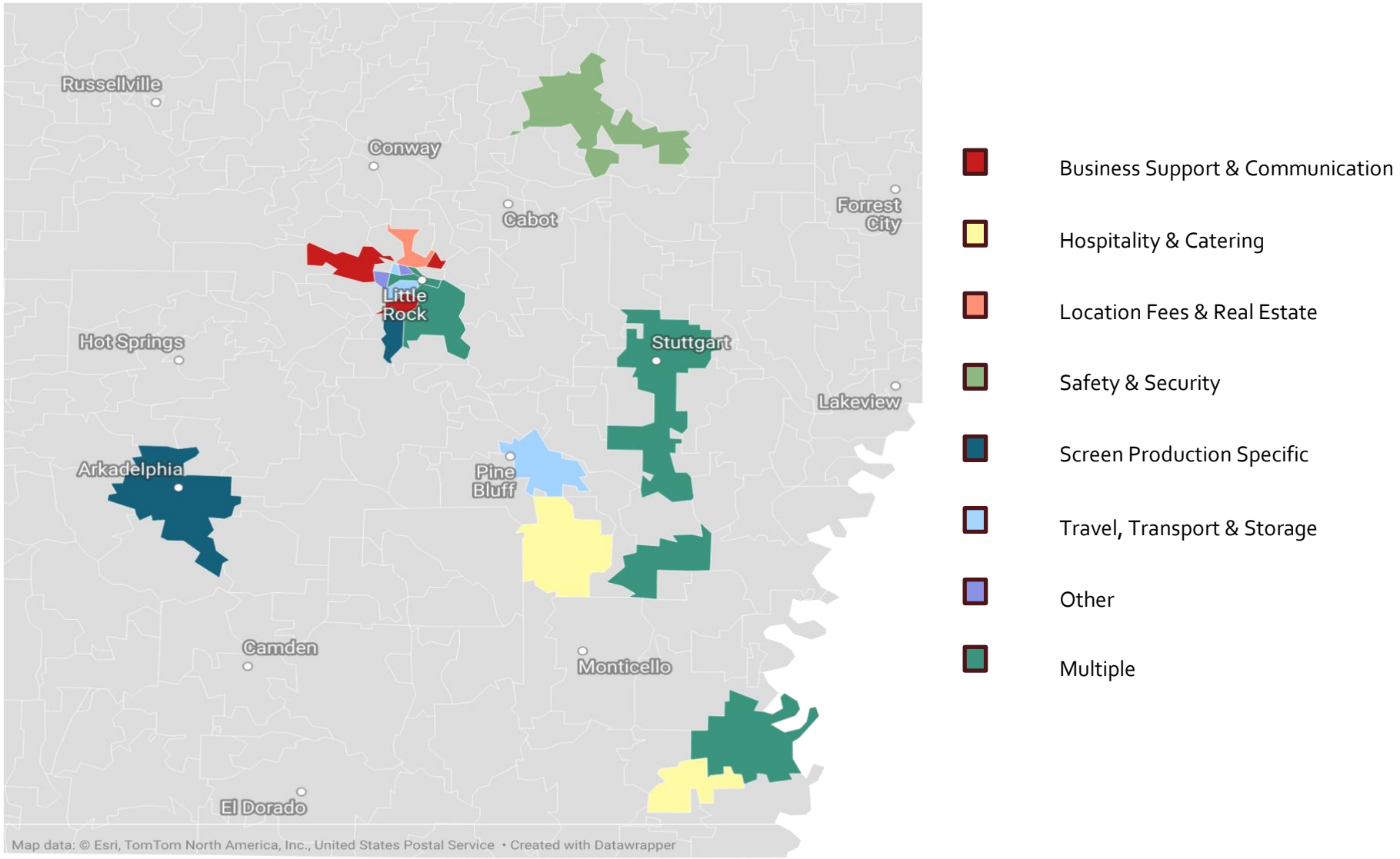
While data on vendor expenditure was not available for the purpose of this Study, Figure 17 maps the location of vendors used during the filming of the production.

As with the ripple analysis, the list of vendors was analyzed in detail and categorized according to several broad business sectors that typically supply goods and services to productions. Analysis shows that most of the vendors were concentrated in Stuttgart (zip code 72160). The mix of vendors spanned multiple business sectors, as shaded in dark green, within which include Business Support and Communication; Construction; Power and Utilities; Finance and Legal; Health and Medical; Hospitality and Catering; Location Fees and Real Estate; Safety and Security, and Travel, Transport and Storage.

Several vendors were also located in Little Rock, which included businesses specific to screen production such as casting agencies.

It is important to note that since the production of this project the geographic distribution of vendors might now vary. As such this heatmap is presented for illustrative purposes, highlighting the spread of business activity that occurs with the filming of a production.

Figure 17 – Vendor Heatmap of a Feature Film Filmed in Arkansas, Medium Budget



Source: Olsberg•SPI Analysis (2025)

5. RECOMMENDATIONS

5.1. Introduction

This section provides high-level recommendations for the development of the screen production sector in Arkansas. As outlined earlier in this Study, SPI considers that there is an opportunity to further develop the state's screen production sector and boost economic impacts across Arkansas. These recommendations consider critical potential improvements to the structure of the incentive, while leveraging existing state-wide and industry-specific strengths.

The screen production landscape in both Arkansas and the US more widely is facing unique challenges. This context, along with evidence and insight gathered during the consultation process, has been used to develop a set of recommendations. These recommendations are also informed by SPI's wider expertise in undertaking screen production sector incentive and sectoral development work across the US and globally. Recommendations in this section have been developed so that they are practical for the state of Arkansas and its specific sectoral landscape.

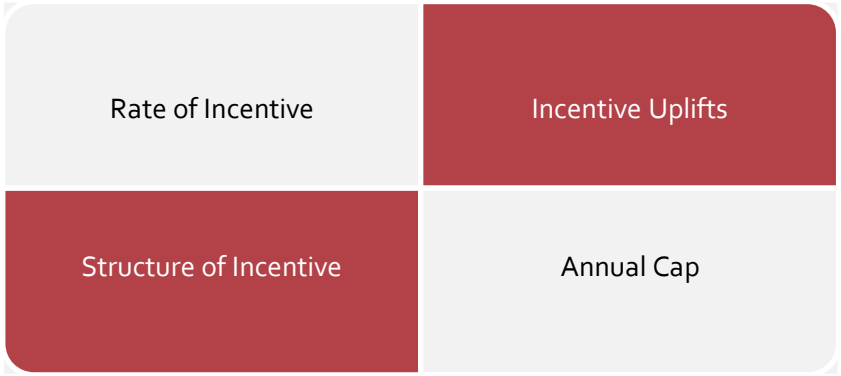
5.2. Redesign the Arkansas Incentive

Arkansas' current incentive structure is not optimal, and has not been effective in driving the development of a stable production sector in state. The tax credit's annual cap, of $4 million, is too low to drive regular production and there is also significant uncertainty around funding – making it challenging for in-state productions to plan financing, and limiting competitiveness for out-of-state producers considering whether Arkansas is a viable filming location. **In other words, to develop a more valuable and sustainable screen production sector in Arkansas it is critically important to find a secure a consistent source of investment for the incentive, alongside a notable increase in the tax credit system's annual cap.**

The incentive also has a dual structure as a cash rebate and a tax credit, which can lack clarity for potential users. The cash rebate has primarily been funded via the Quick Action Closing Fund ("**QACF**") – a targeted economic development incentive program that provides discretionary cash grants to select companies aiming to attract and retain business in-state. The current cash rebate model is not considered to be a secure source of investment, challenging the development of a sustainable and stronger screen production sector in-state.

Elements of the incentive should therefore be redesigned. This section considers four key components of potential incentive redesign, as summarized in Figure 18.

Figure 18 – Components Relating to the Redesign of the Arkansas Incentive



5.2.1. Recommendation: No Change to the Incentive Rate

As evidenced in Section 2.2, Arkansas' headline incentive rate (of 25% for both the cash rebate and tax credit) is competitive with neighboring states such as Oklahoma (20% cash rebate), Mississippi (25%-30% cash rebate) and Louisiana (25% refundable tax credit).

5.2.2. Recommendation: Remove the 30% Incentive Limit

In addition to the base rate (of 25%), the Arkansas incentive offers an uplift for full-time residents that are BTL employees, with additional uplifts available to those from Tier 3 or Tier 4 counties. While uplifts for full-time residents is important in driving further development of skilled workers; insight gathered consultations suggests that the geographical uplift has been under-utilized.

To ensure these geographically targeted uplifts, designed to stimulate activity in economically underdeveloped counties, remain available for future use, the current incentive limit should be removed. This is because the base rate combined with potential uplifts currently could exceed the advertised maximum rate which is capped at 30%.

5.2.3. Recommendation: Reform the Incentive Structure as a Transferable Tax Credit; Phase Out the Cash Rebate

It is evident from consultation feedback that the sector in Arkansas has developed familiarity and is comfortable with the long-standing use of the cash rebate. However, the cash rebate is not a secure or stable source of investment for the sector and has failed to build a resilient sector, or meet the aim of the Digital Product and Motion Picture Industry Development Act: *"To cultivate the industry by offering financial incentives to foster the development of the digital product and traditional film industry in Arkansas."*[6]

Since they do not require a budget allocation – and instead are funded by the state through foregone tax revenue – a tax credit model can provide a more secure and flexible source of investment. It is noted, however, that there are concerns from some in the Arkansas screen production sector about a tax credit. These concerns relate primarily to the loss of value in transferring the credit, which are generally monetized by producers through selling onto other taxpaying entities at a discount; uncertainty in finding credit purchasers in a low-tax state; and the costs of managing and processing credit transactions. While recognizing these concerns – particularly for producers of lower-budget work – a functional credit would nevertheless provide a more promising option for long-term growth than continued uncertainty provided by the existing cash rebate.

To reflect usability challenges for lower budget projects the credit system could include **an optional state buyback at a set discounted rate.** This means that, should producers find the credit system challenging either because of their budget level or lack of knowledge of dealing with credits, they could sell the credit back to the state in limited circumstances.

A buyback could be limited by production budget, for example, and this level should be set in relation to specific analysis of current incentive usage by low budget productions. The intention of a state buyback is to ensure that lower budget productions can continue to be made, and could be time-limited to support these productions as the credit market in state develops, along with producer competency in using such a system. This would require a budget allocation from the state but this could be set at a manageable level for the state – in relation to production budget level – and potentially removed as a provision once the credit is fully functional.

There are also concerns about the strength of a state credit market given reductions to tax in Arkansas. While consultations suggested there would be credit buyers in state, SPI suggests a review is undertaken to further test this market in-state. Key aspects to consider include assessing the number of potential buyers of tax credits; level of tax liability in-state including visibility on future changes in state tax rates. Additionally, the state government should consider an extension

[6] Arkansas Digital Product and Motion Picture Industry Development Act (Act 816 of 2009). Ibid

of the state buyback option to higher budget productions in the event of evidenced weakness across the state credit market.

To facilitate the use and acceptance of the tax credit, the film commission should produce and share information highlighting the investment stability advantages of a tax credit over the cash rebate. As part of this messaging, the tax credit should be emphasized as a secure and predictable source of funding while the cash rebate is funded on a discretionary basis via the QACF. Building this knowledge base will help to phase out the cash rebate component of the incentive.

5.2.4. Recommendation: Increase Annual Tax Credit Cap from $4 million to $20 million

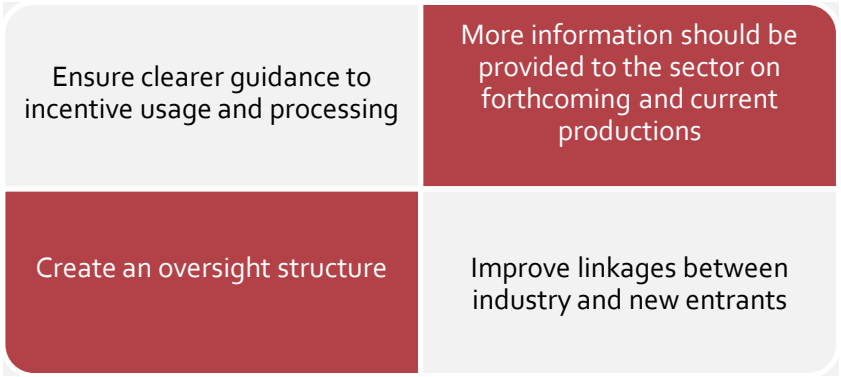
To help build Arkansas' screen production sector **an increase to the annual cap should be considered**. SPI suggests raising the annual cap from its current level of $4 million to $20 million. The increased annual cap should be considered a minimum commitment to help build the sector in-state.

A tax credit system would not require an annual direct state cash commitment – which is funded by foregone tax revenue. However, the buyback provision proposed above would require allocated funding – potentially time-limited – which would come from the overall cap. Ideally, flexibility should be built into the system to allow allocation beyond the $20 million for high-value production opportunities. Additionally, a review of the cap should be undertaken after two years.

5.3. Link Incentive Redesign and Industry Development Strategy

An industry development strategy would help Arkansas build more value from expanded production. It should foreground transparency and clarity of information, which the sector reports has been lacking in-state to date. The key recommendations are summarized in the figure below.

Figure 19 – Recommendations Linking Incentive Redesign and Industry Development Strategy



5.3.1. Recommendation: Ensure Clearer Guidance to Incentive Usage and Processing

Currently there is lack of clarity around detail of the incentive, and around application processes – including the amount of funding remaining during the year. Clearer information should be provided online about these, if and where possible. Establishing clear guidance around how annual funding is disbursed – i.e., first come first served, or in tranches – could provide more clarity for investors and make the system more functional.

In logistical terms, the film commission website should be improved with clearer submission forms: one for production of screen content and one for post-production, for example. Currently, the incentive form largely caters to screen production. A separate form with questions relating to post-production should also be available online as part of the application process.

Additionally, the film commission website should publish accompanying FAQ to ensure accessibility, inclusion, and a user-friendly site.

5.3.2. Recommendation: More Information Should be Provided to the Sector on Forthcoming and Current Productions

There is a lack of information sharing currently, with the 'Current Productions' section of the film commission website listing 2023 projects at time of writing. Better information sharing on productions – while ensuring necessary project confidentialities are respected – would enable producers and others in the sector to align and avoid schedule or other clashes. It would also help optimize existing human and other resources in the sector, helping to keep production costs competitive.

5.3.3. Recommendation: Create an Oversight Structure, such as an Industry Advisory Board

Currently, the screen production sector is not cohesive in Arkansas. While organizations such as the Arkansas Cinema Society ("**ACS**") and others are undertaking important work in this area, an industry advisory board – potentially formulated by the ACS – could ensure the film commission and industry are being responsive to opportunities and challenges, and that there are opportunities to work through difficulties, collaborate, and align. The sector in-state would certainly benefit from a more collaborative approach that foregrounds knowledge-sharing and strategic thinking. This advisory board should also ensure information flow to the broader sector – for example, through a biannual town hall meeting at the larger state film festivals.

5.3.4. Recommendation: Improve Linkages Between the Production Sector and New Entrants

While organizations such as the ACS and others are delivering in this area, an expanded incentive should be linked to a cohesive talent development approach. A jobs and training page on the film commission website would help with this and would help foreground in-state hiring. A good example is the New Mexico Film Office's Work in Film, which lists current work opportunities, training programs, and other related resources.

5.4. Expand the Arkansas Film Commission

Film commissions typically cover two fundamental roles: 1) marketing of the jurisdiction to studios, producers and investors; and 2) facilitating filming in the jurisdiction. Therefore, the scope of a film commission is extensive and while consultation feedback on the experience with Arkansas' film commission on these aspects has varied; it is important to highlight that the film commission in-state is managed by a one-person office. To enable Arkansas to better compete alongside an expanded incentive, and to ensure more strategic industry development and to deliver a consistent level of service to producers and studios, this should be expanded with at least one additional person. The expansion of the film commission would also help in the provision of a consistent level of service for producers and studios. The involvement of an industry advisory board would also expand strategic film commission capabilities with no additional cost.

Competing and neighboring states to Arkansas have more than one dedicated staff serving their state's screen production sector. Mississippi, similar in industry size to Arkansas, has four members with specialized roles – Director, Incentive Manager, Special Projects and Marketing Manager, Locations Specialist and Gulf Coast Liaison to meet the sector's needs.

In terms of additional areas of focus, priorities should be given to sector cohesiveness, information sharing, management of resourcing and marketing.

Figure 20 – Size Comparison of Comparator Film Commissions

State	Film Commission	Number of staff
Arkansas	Arkansas Film Commission	1
Louisiana	Film Louisiana	2
Mississippi	Mississippi Film Office	4
Oklahoma	The Oklahoma Film + Music Office (OF+MO)	6
Oregon	Oregon Film Office	4
Texas	Texas Film Commission	12

Consideration should also be given to where the film commission is sited in state government. Currently, the film commission exists within the AEDC: and while economic development is fitting and strategic, SPI proposes that consideration of other departments is considered should a structural shift provide an opportunity for more funding and specific strategic development. A potential consideration is the Arkansas Department of Parks, Heritage and Tourism ("**ADPHT**"). With the visitor economy a major strategic focus in Arkansas, consideration of this department would allow for a more joined up approach to delivering state objectives in tourism and economic development through screen production. There are clear and evidenced synergies between both of these areas.

It is noted, however, that the ability of this department to provide more extensive funding to the film commission is untested.

An expanded film commission should also extend its marketing capabilities to ensure broad sector knowledge of an improved incentive and the developing production offer in-state. Opportunities to do so include at key sector and festivals and so it is important that the film commission increases its presence at such events. In addie2tion, there should be an increased presence of the film commission within legislative discussions.

Furthermore, the film commission's online presence should also better market Arkansas' other strengths including its low-cost base; availability of crew, and different and easily accessible locations. Given identified challenges with incentive clarity, the website should also clarify rates and expenditures eligible for the incentive with particular attention around the regulations pertaining to non-resident ATL/BTL labor. The incentive's application and decision-making process should be clearly set out, and a list of key data required for the application and expected timelines associated with key milestones provided. This information should, ideally, be located in one place or be easily found on the parent website, and be presented in a digestible manner.

An up-to-date list of current projects and future projects will help clarify the production landscape in Arkansas, while the existing filmography on the website would also benefit from improved organization and presentation to compete with other jurisdictions. A good example of an impactful filmography can be seen on Utah's 'Filmed in Utah' website.

5.5. Improve Data and Information Sharing with the Sector

As economic development tools, a key element of best practice in incentive management is collecting and maintaining robust and clear application and usage data. While it is likely that much of this data is already being provided as part of applications for the incentive, it is equally important that the film commission share key summary statistics with interested parties.

Indeed, data collection and publication would enable the film commission to release regular usage and system interest updates including these data for legislators, industry, and other interested

parties. An example of data sought by the sector include, for example, the level of production interest in-state and related impacts.

Therefore, resources should be allocated in efforts to collate the necessary data into an established format which can be easily updated and tracked over time. It is important to note that there are marked confidentiality considerations in screen production so publication should be undertaken with the necessary redactions.

By keeping a basic record of enquiries and estimated budgets, the film commission would build up an evidence base showing demand, potential investment, and reasons for lost projects. This would support strategic and sustainable industry development. As part of this, the film commission should maintain a list of enquiries – both those that lead to productions in Arkansas, and those that are lost.

Publishing this information and informing legislators should be a key part of any film commission expansion.

6. APPENDIX

6.1. Economic Impact Assessment

6.1.1. Overview

SPI has undertaken an economic impact assessment ("EIA") of the Arkansas Digital Production and Motion Picture Incentive – which includes a cash rebate and a tax credit. This involved quantifying the economic contribution to the Arkansas economy across three channels of economic impact: direct, indirect, and induced.

The total impact is the sum of all three channels and is measured in terms of key metrics, including GVA, the number FTE jobs and labor income.

Production data relating to the incentive was provided by the DFA and included the following:

- Total incentive paid/payable in each fiscal year
- Total production expenditure (qualifying and non-qualifying)
- Total eligible (or qualifying) production expenditure ("**QPE**")
- Total payroll spend
- Total vendor spend
- A list of the individual incentives paid over this period, alongside the production company (not the production title or the year that the incentive was paid)

The DFA disaggregated this data by the tax credit program (covering FY24 and FY25 to date) and the cash rebate program (covering FY14-FY25 to date); expressed in nominal (or current) prices – i.e. did not adjust for inflation. SPI adjusted these data for inflation, with the economic impact results – in Section 3 – represented in real (or constant) 2025 prices.

Data from the DFA shows the amount of investment paid out in each fiscal year, and while data on production expenditure (including total QPE) was provided it does not necessarily reconcile with the qualifying production spend occurred on the ground in Arkansas – i.e., the incentive paid out may be lagged. For this reason, SPI estimated annual QPE associated with the known level of incentive paid out in each fiscal year and incentive rate. Annual estimates on QPE were constrained to the total figure covering the study period, as provided by the DFA.

The direct, indirect and induced impacts were modelled using IMPLAN – a recognised economic modelling software tool which is based on a wide range of data sources including data from the US Bureau of Economic Analysis ("BEA") and Bureau of Labor Statistics ("BLS"). For each US state, IMPLAN provides an Input-Output ("I-O") framework which allows for the estimation of economic impact within a given state boundary. Therefore, the estimated economic impact results reported in Section 3 relate to the activity that occurred in Arkansas, driven by production expenditure that was deemed eligible for the state incentive (QPE), even if the entities – i.e. production companies and workers etc – are normally based out-of-state.

Employment impact produced in IMPLAN were converted to FTE jobs using US-level data for the 'Motion Picture and Sound Recording Industries' sourced from the BEA. The FTE conversion applied was 0.898. Additionally, IMPLAN produced tax receipts at the local, state and federal level for each channel of impact. The direct local and state tax receipts have been used in SPI's calculation of economic (GVA) return on investment ("ROI"). More specifically, SPI calculated the net cost of incentive by subtracting the direct local and state tax receipts from the cost of the incentive. This result is placed against the total (direct, indirect plus induced) GVA for each fiscal year. These figures have been averaged over the study period to guard against year-on-year fluctuations.

In recognizing that some production activity might have occurred within Arkansas in the absence of the incentive, SPI has applied an 'additionality' assumption to account for some deadweight which might have occurred. This assumption has been informed through survey

responses from producers. More specifically, SPI has applied an additionality ratio of 0.86 to the initial *gross* impact estimates to produce the *net* impact estimates reported in Section 3.

6.1.2. Working With IMPLAN

IMPLAN has been adjusted to better reflect Arkansas' screen production sector, with adjustments informed by the analysis of data received from the DFA and the analysis of Arkansas' Motion Picture and Video Industries as presented in IMPLAN.

For economic modelling purposes, SPI typically adjust IMPLAN's underlying structure in terms of vendor and payroll splits, which are usually informed by incentive and production data received from the relevant agency/authority. For this Study, SPI analyzed production data provided by the DFA which showed a low proportion of total qualifying payroll spend accounted for by total qualifying payroll spend (c20%), while total qualifying vendor spend was high (c80%). The scale of these percentages are notably different relative to other US state-level studies conducted by SPI. Engagement with consultees and the DFA did not provide insight or detail as to why these percentages were as they are – and so SPI did not rely on this data for economic modelling purposes.

Instead, SPI developed an alternative approach which recognized that a proportion of total QPE was represented by vendor spend, spanning multiple industries. These expenditures were included in the direct channel of impact. This is because vendor spend that was *directly* supported by the incentive had to have occurred in-state for it to eligible for the incentive. To understand which industries were most likely to be vendors supporting screen content production, SPI analyzed IMPLAN's 'Commodity Demand' data specifically for the Motion Picture and Video Industries for Arkansas, represented by regional purchase coefficient (RPC), and gross absorption rates.[7] These metrics combined are used to show, for example, that in 2014 that c70% of total demand from Arkansas' Motion Picture and Video Industries was met by Arkansas-based suppliers. In other words, it shows how much is spent by Arkansas' Motion Picture and Video Industries sector on other industries in the state economy. This analysis has been done for each year.

Given the time intensity of modelling spend across all (156) industries in IMPLAN, SPI instead identified the top 10 industries that supply the Motion Picture and Video Industries sector in proportional terms for each year. Indeed the list of industries was relatively fixed over the study period, with the sector itself being the main supplier – typically, meeting c40-50% of its total demand. The table below shows the largest suppliers to the sector. SPI has used assumptions from IMPLAN for these industries to allocate a proportion of total QPE by industries across the study period. In other words, SPI has modelled the eligible production spend within the Motion Picture and Video Industries sector itself, and an equivalent amount for the remaining top nine industries that are supplying the sector in a given year. Data for these industries are entered as direct production expenditure, and treated as eligible vendor spend.

Spend has been allocated by industries using built-in functionality – called 'Industry Impact Analysis (Detailed)' and 'Social Accounting Matrix' ("**SAM**") – in IMPLAN. As part of this process, SPI removed the scope for double counting by adjusting IMPLAN's underlying structural tables used to create economic impact results.

In other words, SPI modelled production expenditure within the Motion Picture and Video Industries sector itself – approximately representing

[7] A glossary of IMPLAN definitions can be accessed here

68% of total QPE on average over the study – and other significant eligible vendor spend (representing c32%).

Figure 21 – Largest Industries Supplying Arkansas' Motion Picture and Video Industry Sector

Industry
Blank magnetic and optical recording media
Motion pictures and videos
Sound recordings
Monetary authorities and depository credit intermediation
Other real estate services
Commercial and industrial machinery and equipment rental and leasing services
Advertising, public relations, and related services
Marketing research and all other miscellaneous professional, scientific, and technical services
Employment services
Independent artists, writers, and performers
Promotional services for performing arts and sports and public figures

6.2. Additionality

Analysis in Section 3 presents impact in 'net' rather than 'gross' terms. Moving from 'gross' to 'net' impact has been done by accounting for additionality – which refers to the extent to which an intervention, in this case the incentive, creates new or additional value that would not have occurred without it. In other words, SPI has estimated and removed an amount of economic activity that might have happened without the incentive.

SPI utilized a primary survey approach as it considers it the most appropriate method of measuring additionality. Because of the globally connected nature of screen production, and the sector's sensitivity to incentives, it would not be possible to utilize a group of 'control' jurisdictions to examine growth in the absence of an incentive since activity in those jurisdictions would be significantly impacted by the offer of incentives in other jurisdictions. To reduce any respondent bias, SPI designed the survey so that the Arkansas incentive was not foregrounded as an answer but was positioned as part of a wider list of factors.

The assumption on additionality was informed by a survey of producers for which contact details were provided, suggested and/or found during desk research.

The survey, which takes a layered approach, poses three key additionality questions, including the factors drawing the project to Arkansas and their importance – i.e., the incentive, locations and talent; and the specific importance of the incentive in drawing the project as an individual rating; among others.

The survey was sent to 31 producers or production companies, in part reflecting the current size of the screen production sector in-state, with a response rate of c52% (16). In summary, when asked how much of their productions would have happened in Arkansas without the incentive. Based on these responses, the additionality of the incentive is therefore very high – at 86%. This is a similar level of additionality that has been found in other US State studies. The additionality assumption (of 0.86) was applied to the gross economic impacts to obtain the net results.

6.3. Return on Investment (ROI)

These estimates of additional economic benefits associated with the incentive are then used in to estimate the return on investment (ROI). Economic (GVA) ROI is set against the net cost of incentive paid, after accounting for local and state level estimated direct tax receipts. This in turn is set against the estimated total GVA impact. This is done on an aggregated basis over the period FY14 to FY25 to date, guarding against inter-year variability.

It is important to note that the estimate of economic (GVA) ROI can therefore be influenced by several factors, which can vary across different US states, these include:

- The level of incentive paid when set against the QPE – i.e. the incentive rate
- The average output: GVA ratio for the Motion Picture and Sound Recording industries over the study period
- The scale of (Type I and Type II) multipliers for the industry, which, in turn, reflects how 'self-contained' the industry is within a given state – i.e. the extent of leakage from the area
- The scale of direct local and state tax receipts supported by the screen production activity

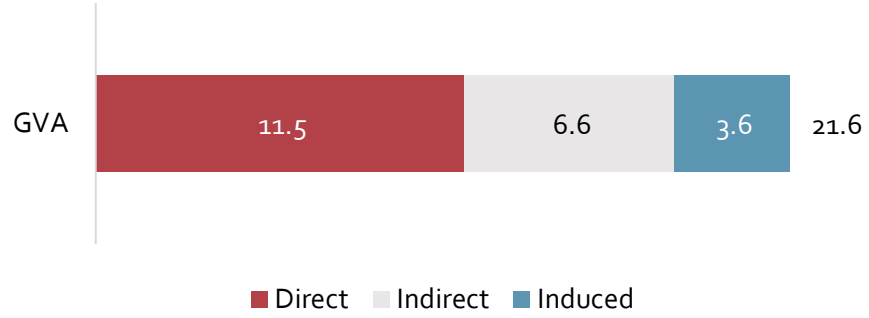
6.4. Economic Impact – 'Business-as-Usual'

As a mentioned earlier, production incentive data received from the DFA provides information on the incentive amount paid out by the state government to individual production companies. Within these data, a significant incentive was attributable to a single production. Given the scale of the incentive and the fact it is larger than usual incentive applications, this data point has been excluded from the results presented in this section, providing a more typical ('business-as-usual') view of the incentive. In other words, this section considers the economic impact associated with the level of qualifying production for **all productions (excluding the outlier)** awarded the incentive (either the cash rebate or tax credit) between FY14 and FY25 to date

Over this period, qualifying production expenditure totaled an estimated $38.4 million in nominal prices, or $39.5 million in real prices. Having adjusted for economic deadweight, the expenditure supported an estimated $21.6 million in total GVA across various industries in Arkansas' economy, with $11.5 million supported directly by the activities of the productions that received the incentive.

A further $6.6 million in GVA is estimated to have been stimulated across the supply chain; while wage spending of workers in both the direct and indirect impact channels is estimated to have supported an additional $3.6 million in GVA.

Figure 22 – Cumulative Total GVA in Arkansas' Wider Economy, Stimulated by the Incentive, US$ Millions (Real Prices), FY14-FY25 (to date)

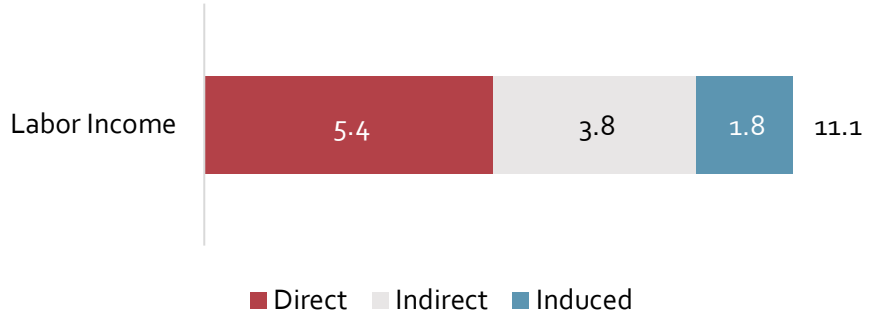


Source: Olsberg•SPI Analysis (2025)

Between FY14 and FY25 to date, the incentive sustained an estimated $11.1 million in total labor income in Arkansas across all channels of

impact. Of this approximately half, or $5.4 million, was accounted directly by the activities of the productions that received the incentive.

Figure 23 – Cumulative Total Labor Income in Arkansas' Wider Economy, Stimulated by the Incentive, US$ Millions (Real Prices), FY14-FY25 (to date)



Source: Olsberg•SPI Analysis (2025)

Figure 24 – Total FTE Jobs in Arkansas' Wider Economy Supported by the Incentive, Fy14-Fy5 (to date)

Source: Olsberg•SPI Analysis (2025)

Incentivized screen productions also support employment across Arkansas, with the number of economy-wide FTE jobs estimated to have increased overall between FY14 and Fy25. It important to reemphasize that this masks the year-on-year fluctuations that had occurred over the period. Focusing over the last five years, SPI estimate that nearly 40 FTE jobs on average each were sustained across Arkansas' economy since FY20; of which, half were supported by directly by incentivized productions. This is consistent with the numbers presented earlier and reflects the same timeframe being considered.

However, because this section of the Study focusses on providing a view on performance that removes the impact of productions that would distort the 'business-as-usual' analysis, the level of employment supported by the incentive for FY14-Fy19 period is notably lower than presented earlier in Figure 12.

(GVA) ROI is estimated to have averaged 3.14 over the period covering FY14 and FY25 to date. Again, it is calculated based on the net cost of incentive paid out, after accounting for local and state level estimated direct tax receipts, and adjusts for possible economic deadweight.

To put this into perspective, for every $1 invested through the incentive program, the economic benefits to the Arkansas economy averaged $3.14 a year in terms of additional economic value from all channels of impact combined (direct, indirect and induced).

Figure 25 – Core Analysis: Changes to Key Components of ROI

Net Total GVA	(Net GVA) ROI
$21.6m	3.14

Source: SPI Analysis (2025)

6.5. General Limitations of Input-Output (I-O) Frameworks in EIAs

I-O analysis is a commonly used method of establishing the economic contribution or economic impact of a particular firm, investment or wider sector. It is used around the world by government and the private sector to communicate the significance of a sector and the effect of investments and policies.

SPI's approach to undertaking economic impact studies is aligned to international best practice.

As with all modelling approaches, there are limitations to the approach. Specifically, I-O analysis makes the following assumptions:

- No supply constraints. I-O assumes there are no restrictions on inputs, raw materials and employment. This means that modelling a change in the industry needs to be undertaken sensitively to when this assumption might not hold. In this Study SPI has identified potential supply constraints and indicated where action is necessary to mitigate these.
- The model is not dynamic. There are no embedded feedback loops or price effects dampening demand. I-O does not account for counteracting or balancing effects of a change being offset or counter acted by a change in another industry.

6.6. Ripple Analysis

6.6.1. Overview

While some of inputs for screen production will be sourced directly from the screen production sector – i.e. from individuals or vendors who only work in film and television production – normally a larger proportion of expenditure is made in other areas of the economy. SPI describes this as the "Ripple Effect" – which refers to the micro impacts that each production generates for other business sectors.

To demonstrate this impact, forensic analysis of an anonymous production's budget is undertaken. Here, production costs are allocated to the business sector into which the money is spent.

The process of assigning expenditure involves evaluating each individual line item of spend and firstly determining if that spend is associated with a screen specific vendor or service provider (such as a gear rental house, special effects make-up artist or production crew wage, for example). If it is not, then that line item is categorized into one of the non-screen specific categories according to the vendors' role or function, such as Travel and Transport or Construction. This is to ensure that all possible non-screen specific activity can be captured.

Those totals are then calculated into percentages of the below-the-line (BTL) budget.

6.6.2. Breadth of Impact Across Business Sectors

The ripple analysis investigates production spend in the following business sectors:

- Screen production-specific
- Business support
- Construction
- Digital services
- Real estate

- Travel and transport
- Hospitality and catering
- Finance and legal
- Fashion and beauty
- Music and performing arts
- Power and utilities
- Safety and security
- Training and education
- Health and medical
- Local labor miscellaneous.

These are described further below.

Screen Production-Specific

The proportion of production spend on wages of crew and companies supplying services that exclusively work in the screen production sector. These suppliers do not participate in other sectors of the economy and therefore do not contribute to the ripple effect.

Business Support

Like any economic activity, screen production uses the services of general business equipment, services and supplies sector in many ways. This could involve purchases of office equipment, printing and copying services. Producers also purchase or rent a large number of miscellaneous items, such as storage containers and marquees, especially when a significant production goes on location, when producers will rely heavily on being able to access local supplies as they set up temporary bases.

Construction

Much of a production's construction expenses could be classified as screen production-specific; a film set is normally only of any use to a specific type of production. The construction department, however, will reach out to the wider construction sector to hire equipment and specialists, for example earth diggers and heavy lifting equipment; such costs have been allocated here.

Digital Services

This sector is heavily dependent on screen production, and the bulk of such costs in most budgets will be allocated to the category specific to screen production. There is, however, some crossover of skills between this sector and the other key digital industries, in particular the video games sector, and the costs of such persons and suppliers have been allocated to this category.

Location Fees and Real Estate

The costs of renting space from purpose-built or adapted studios have been included in the screen production-specific category but, when productions are on location, they may rent buildings that also serve other sectors of the economy.

Travel and Transport

A key expense of production is the cost of bringing ATL and BTL personnel into and around where the production is located. Furthermore, a moving unit requires considerable transport back up – whether that is by road, train, or air. The spend is normally higher on location-based productions rather than largely studio-based shows.

Hospitality and Catering

These costs relate to accommodating and feeding substantial numbers of talent and crew, especially when a production is using locations at a distance from where the workforce is permanently based. Consequently, the hotel and accommodation sector is an important supplier to productions, regardless of whether they are largely studio-based or predominantly moving between different locations.

Catering for the working unit is usually provided by mobile catering companies, but the quality and availability of restaurants are also important to those having travelled to the location of the production.

Finance, Legal and Company Costs

Like any business sector, screen production has many requirements for this expertise, with a plethora of standard and specialized contracts to be negotiated. The accounts department of a production also has a crucial role, especially as so many projects involve funding sources that require external audits.

Fashion and Beauty

For many contemporary productions, much of the on-screen costume requirement is simply purchased from retailers, while period or futuristic shows on the other hand will require considerable work by skilled cutters, tailors, and dressmakers. Specific costume hire spend has been allocated to the screen-production specific category.

Equally, hair and make-up look to the general 'beauty' sector for both their products and skilled practitioners – wig makers are a good example of the screen production world interacting to mutual benefit with the broader fashion and beauty sector.

Music and Performing Arts

It is sometimes challenging to differentiate between these two sectors and screen production specific. Almost all the creative roles are filled with people who have either moved in the past or continue to move between theatre, musicals, and the visual arts. In the design area, for example, the 'concept' artists who bring the designer's work to life will also work in the exhibition field and in theatre. Actors move continuously between live theatre and screen. Producers are constantly looking to the live theatre scene for new talent, and writers often move between live theatre and screen.

Musicians and singers who work in orchestras and opera companies will often be found in recording studios providing musical background for screen productions.

Power and Utilities

As with any major business sector, screen production is a considerable consumer of power and general utilities. While on location, production units will use generators to power their lighting rigs and location bases. However, the sector is increasingly looking to adapt to more environmentally responsible ways of consuming power and other utilities, and major financiers are constantly interested in mitigating their environmental impact.

Safety and Security

Risk assessments for screen productions can be very specific, so specially trained health and safety advisors are common and of more importance in recent years because of the COVID-19 pandemic. Stunt work, for example, calls for close co-operation between the production, the stunt coordinator, and health and safety officers.

Security, particularly on location, can be coordinated by the production but will require considerable support from the local community, and close contact between the production and a local security operation is often a huge asset to both sides.

Training and Education

Many countries have adopted a variety of training initiatives, internships, and apprenticeship schemes to enable pathways for diverse kinds of training across many disciplines. All training and education has been considered to be within the screen specific component rather than taking place in other business sectors in Georgia.

Health and Medical

This area is becoming an even more crucial sector in the wake of the COVID-19 pandemic and has therefore gained far greater significance. Trained medical staff attend sets and construction sites, providing immediate health cover. Screen production also relies on the medical community in several ways, including the health checks that all key staff undergo – this has increased substantially because of pandemic issues and protocols. Special training of such staff has become necessary across the industry since COVID-19, with considerably increased costs in this category as a result. Given the specialized nature of this, it is likely to be included in the screen specific category.

Miscellaneous Local Labor

In the analysis there were some labor costs where it was not sufficiently clear to which expenditure category they belonged. These costs have therefore been allocated to a miscellaneous category.