MILKEN INSTITUTE

MAY 2025

A HOLLYWOOD RESET

Restoring Stability in the California Entertainment Industry

Executive Summary

For over a century, California has held a unique position as the global center of filmed entertainment. During this time, Hollywood, both as a concept and a location, has become synonymous with movies, television, and, more recently, streaming and online content. The entertainment industry has contributed not only cultural and physical exports for the state but also a tremendous impact on tourism and a role in global culture that has helped to translate to other fields such as design, technology, and even innovative manufacturing. While numerous industries, such as shipping, software, aerospace, advanced manufacturing, and agriculture, play a larger role both in employment and overall output, it is hard to overstate the broader significance of the entertainment industry in the state's identity and exports.

Filmed entertainment itself has seen many highs and lows in California over the past century or more, but it has not faced as significant and wide-ranging a threat as has impacted Hollywood production in the wake of reaching "peak television" in 2021. While previous disruptions to Hollywood have involved technological disruption such as the advent of television (in the late 1940s), a strong dollar (in the 1990s), and competitive film incentives (in the early 2010s), never has Hollywood faced all of these issues at the same time. Combined with high levels of financial strain facing the studios in the wake of the 2023 strikes, driven by stagnating streaming growth and the loss of prior revenue streams in DVDs and broadcast television, the need to find less expensive locations has never been stronger. And the consequent impact on California's workers and businesses, both inside and supporting production, has never been felt more quickly and more severely.

Numerous important data points underline the urgency for state and local leaders to address the flight of production as quickly as possible. Nationally, streaming growth has slowed. From 2019 to 2023, streaming revenue increased 150 percent. However, from 2023 to 2028, PWC projects only a 30 percent growth in streaming revenue. This growth has not been enough to offset the decline in revenue and demand from movies, broadcast television, and cable.

Consequently, national entertainment employment has decreased by 13.8 percent between 2019 and 2023, with the number of productions having peaked around 2016. At the same time, California has faced increasing competition from both inside and outside the United States.

The consequences for California have been significant. California suffered a $4.14 billion loss in total output and 17,234 job losses due to a declining share of the US entertainment industry between 2019 and 2023. From the second quarter of 2019 to the second quarter of 2024, entertainment jobs decreased by 15 percent in California.

At the same time, it is clear that 2024 demonstrated that working hours and wages for California entertainment workers did not bounce back from the strikes. In 2023, the entertainment industry had 28.5 average weekly hours worked and $30.84 in average hourly earnings. In 2024 through November, it had 27.3 average weekly hours worked and $27.38 average hourly earnings. The problem is particularly noteworthy in filming activity within Los Angeles County. Since 2019, according to FilmLA, the number of on-location filming days has declined by 35.7 percent and sound stage filming days by 29.5 percent.

Since the last filmed production incentives were introduced in 2014 in California, the global level of competition has only increased. Other states are rapidly increasing their film incentives programs to attract film productions. New York has seen its annual incentives funding grow from 2022 to 2025, raising the budget to $700 million per year and increasing the base credit rate to 30 percent. Texas is expected to increase its biannual incentives funding between 2022 and 2025, raising the budget to $498 million per year.

While most states other than New York cannot compete with California's combination of skilled workers and filming infrastructure, California's base 20 percent incentives, combined with dramatically higher housing and business costs, have left the state uncompetitive. Overseas locations, such as the UK, Spain, Hungary, Australia, and Canada, among others, have also significantly increased their incentives. And as crews outside of California have grown, the opportunities for California workers to travel for job opportunities have shrunk.

Actions must be taken now to address the lack of work before the loss of talented workers, prop houses, costume shops, catering firms, camera rentals, and others becomes irrecoverable. An upcoming report from the Milken Institute examines key recommendations at the state and local level, including:

- Increase film incentive rates to a base of 30 percent and total levels to at least $700 million per year. This will generate $2.94 billion additional entertainment spending in California and $5.57 billion in total output to the California economy.

- Address key gaps in productions covered, including shorter-form shows under 40 minutes, and increase coverage for independent films and mid-budget productions that provide consistent streams of regular local work.

- Move to a year-round schedule for allocating tax incentives and significantly improve the regulatory processes for applying for such credits.

- Streamline and improve local filmmaking permits and restrictions on the use of local buildings.

The full report will be available in late spring at https://milkeninstitute.org/content-hub/research-and-reports/reports/hollywood-reset-restoring-stability-california-entertainment-industry.