RECLAIMING CALIFORNIA'S ROLE IN GLOBAL ANIMATION

THE CASE FOR MODERNIZING CALIFORNIA'S FILM AND TV TAX CREDIT

Cover Art: Renato Bernal

CVL ECONOMICS

PREFACE

CALIFORNIA'S LEGACY MEETS A CHANGING WORLD

When people think of the film and television industry, they often picture live-action sets, cameras rolling on location, and bustling crews behind the scenes. But behind some of the most globally recognized stories—from *Frozen* to *Spider-Man: Across the Spider-Verse*—lies an equally powerful but often overlooked engine of creative and economic activity: animation and visual effects (VFX).

These sectors don't just support films; they power franchise empires, drive cutting-edge technological innovation, and sustain long-term, high-wage careers in storytelling, software development, and design. As California works to retain its leadership in entertainment, it's time to stop treating animation and VFX as an afterthought—and recognize them as foundational pillars of the state's creative economy.

The proposed updates under SB 630 present a once-in-a-decade opportunity to modernize California's Film and TV Tax Credit. But as currently structured, the system still favors traditional live-action formats and leaves animation and VFX projects at a competitive disadvantage—despite their long-term value and growth potential.

This report outlines why that matters not just for equity, but for strategy: because the future of content creation is increasingly digital, global, and IP-driven. If California wants to lead in the next generation of media, it must build an incentive system that includes the full creative stack—not just what happens in front of the camera.

April 2025

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EXECUTIVE SUMMARY

RECLAIMING CALIFORNIA'S ROLE IN GLOBAL ANIMATION

AN INDUSTRY IN PERIL

California's longstanding animation powerhouse status is rapidly eroding. Once the undisputed global leader, the state has witnessed an alarming 40-point drop in market share—from 67% to just 27%—of top-grossing animated films between 2010 and 2023. Animation employment in California fell by 4.7% since 2019, while competing regions experienced explosive growth: British Columbia (+71.6%), New York (+18.4%), and Ontario (+12.9%).

JOBS AND ECONOMIC IMPACT

Animation jobs are a high-value economic engine for California, paying an average of $48.87 an hour—well above the statewide average—and fueling a wide ecosystem of vendors, suppliers, and support services. A single major animated film like *Moana* can generate 817 jobs, $87 million in wages, and $178 million in state GDP. But when Disney chose its Vancouver studio as the lead production site for *Moana 2*, much of that economic impact left with it. The relocation marks more than a creative decision—it's a warning sign that California is losing ground in a sector it once dominated. Animated production has steadily migrated offshore, accelerating in the wake of the pandemic. Today, even long-running American staples like *SpongeBob SquarePants*, *Fairly OddParents*, and *Looney Tunes* are outsourcing key components of their production pipelines to studios in Canada, Korea, and France—regions offering more favorable financial conditions and aggressive government incentives. This shift underscores a growing structural disadvantage for California and highlights the urgent need for policy interventions that re-anchor high-value animation jobs in the state.

A BOOMING GLOBAL MARKET LEFT BEHIND

As California loses ground, the global animation market surges—projected to more than double from $413 billion in 2024 to $896 billion by 2034. Animation now extends beyond entertainment into gaming, education, healthcare, and manufacturing, powering innovation across multiple high-growth sectors. The industry shows remarkable resilience, with animated productions reaching all-time highs in 2024 despite broader market disruptions.

THE HISTORIC POLICY GAP

Unlike 30 other U.S. states and numerous international locations, California has historically excluded animation from its film and television incentive framework. Industry executives cite this as the primary factor in production decisions, with 93% ranking tax incentives among their top three cost-control measures. Without addressing this critical competitive disadvantage, California will continue losing high-value productions, skilled jobs, and economic opportunity to regions offering more favorable conditions.

THE RIPPLE EFFECT

The migration of animation production doesn't just affect studios—it threatens an entire innovation ecosystem. Each departing production removes both immediate creative jobs and economic activity across retail, restaurants, healthcare, and professional services. Current trends suggest even core pre-production creative work is now shifting away, potentially hollowing out California's remaining competitive advantages in talent and expertise.

EXECUTIVE SUMMARY

RECLAIMING CALIFORNIA'S ROLE IN GLOBAL ANIMATION

A CRITICAL MOMENT

California still retains significant advantages—proximity to major studios, skilled workforce, cultural alignment, and high-quality production. However, these strengths are rapidly eroding as competing regions build their own animation ecosystems. For Canada, they have a thirty-year head start. Without prompt action to match global incentives, California risks permanent displacement as the heart of animation innovation—forfeiting not just today's productions but tomorrow's pioneering advances in a rapidly evolving digital economy.

ANIMATION CAN HELP REGIONS RISE

Animation and VFX work—unlike traditional live-action production—can be done remotely, which opens the potential for broader geographic distribution of jobs across California. Because this type of work doesn't require being on set, animators and VFX artists could live and work in places outside of Los Angeles and support more equitable access to creative economy jobs in underrepresented regions of California if studios are investing in the state again.

RECENT LEGISLATION IS A START

While Senate Bill 630 and its companion measure, Assembly Bill 1138 are a welcome step toward revitalizing California's competitiveness, they lean heavily on the regulatory foundations of previous tax incentive programs—many of which were not designed with animation and VFX-intensive productions in mind. As a result, key structural and implementation challenges remain that could limit the program's effectiveness for the very projects it aims to attract. To unlock its full potential, industry stakeholders and advocates must stay engaged throughout the rulemaking process, ensuring that statutory changes are matched with meaningful public input and smart policy design that reflects the realities of today's animation production pipeline realities.

WHERE IT ALL BEGAN

In 1937, Snow White and the Seven Dwarfs changed everything.

Walt Disney didn't just pioneer the first feature-length animated film—he built an entirely new studio system around it. Over a three-year period, an estimated 750 artists, animators, and technicians worked on the production, a stark contrast to the average live-action film at the time, which typically wrapped in 4 to 8 weeks with a crew of 100 to 150.

But the economic impact didn't stop at ticket sales. *Snow White* was the first film ever licensed for mass merchandising—dolls, figurines, records, books—turning characters into enduring brands. By 1955, the film's cultural imprint was so deep it became part of Disneyland itself, with "Snow White's Scary Adventures" opening as one of the park's original attractions. Characters weren't just on screen—they became place-based assets, anchoring tourism and real estate development.

Snow White wasn't just a movie. It was a cultural asset and an economic engine, proving that bold, high-quality animated storytelling could generate jobs, export value, branding power, and creative infrastructure that lasts nearly a century.

And yet — today, *Snow White* wouldn't qualify for California's film tax credit.

Despite its legacy, Disney's groundbreaking animated film would be ineligible under any version of the state's incentive program. Why? Because of its format. California's current credit structure excludes most animated features, regardless of their economic footprint, simply because they are not live-action.

Meanwhile, **employment in California's animation, visual effects, and postproduction sectors has declined 58% since 1990—and 65% in Los Angeles County alone.** It's no coincidence that 2025 marks the 30th anniversary of Canada's production tax credit, which has included animated features since day one. The UK followed suit in 1997. These programs helped grow robust animation industries abroad, often with California talent leading the charge.

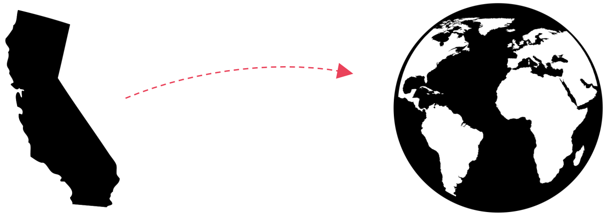
This report asks a simple but urgent question:

Does California still believe in animation as an economic driver? And is it willing to invest in the creative infrastructure needed to keep it here?

Snow White and the Seven Dwarfs © Disney Enterprises, Inc. All rights reserved.

CALIFORNIA'S DECLINING ROLE IN A BOOMING GLOBAL MARKET

The animation industry is experiencing unprecedented global growth, driven by rising demand for content that spans genres, formats, and age groups.



No longer seen as just children's entertainment, animation has expanded into adult-oriented storytelling, with series and films tackling complex themes and attracting massive viewership across streaming platforms.

At the same time, animation is becoming integral to other high-growth sectors—playing a central role in gaming, visual effects, and virtual production, while also gaining traction in other industries like education, retail, marketing, and manufacturing. Technological advances like real-time engines and motion capture are further accelerating this expansion, making animation a key tool for communication, simulation, and innovation across industries.

In California, animation has long been more than just a creative industry—it's an economic cornerstone. The state is home to one of the most concentrated and interconnected ecosystems in the world, encompassing world-class animation studios, game developers, VFX houses, and film and television production companies. This cluster supports tens of thousands of jobs and generates billions in economic activity annually.

But as the global value of animation becomes increasingly apparent, countries and regions around the world are stepping up with targeted investments and policy support. From Canada and Ireland to South Korea and India, governments are offering generous tax incentives, workforce development programs, and infrastructure funding to attract animation production.

This global momentum is reshaping the geography of the industry. Once the undisputed center of animation, California is now losing ground as studios follow incentives—and cost savings—to other jurisdictions that recognize animation's cultural and economic potential.

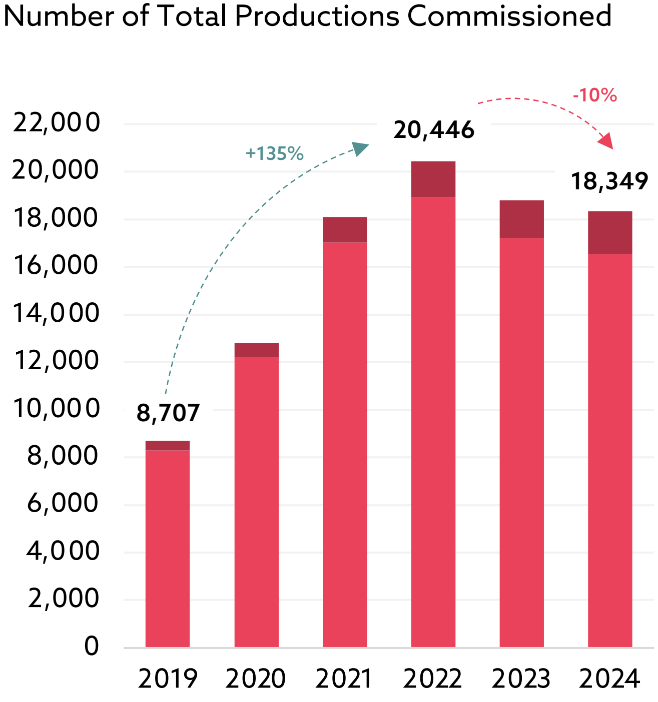
THE GLOBAL ANIMATION MARKET IS GROWING RAPIDLY ...

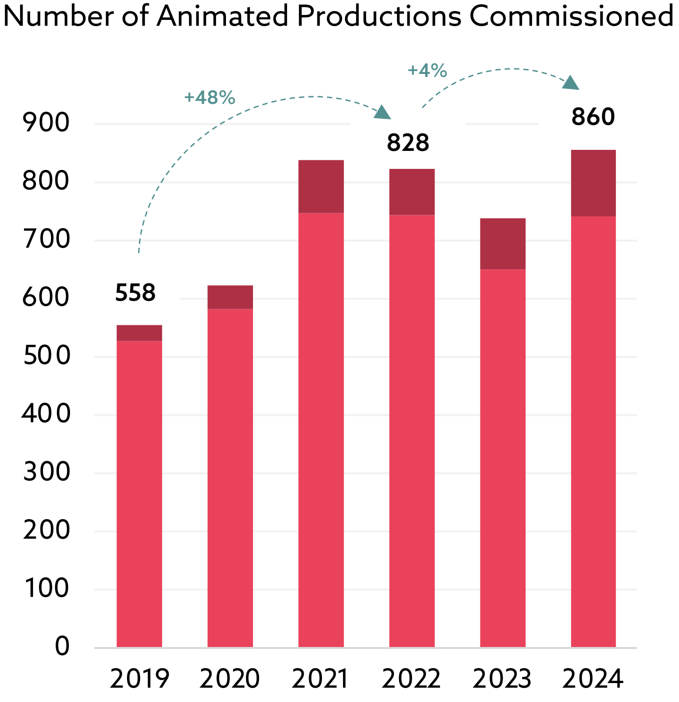
The global film and television industry has grown significantly over the past five years.

In 2019, just 8,707 film and television titles were commissioned worldwide across all genres. By 2022, that number had more than doubled, reaching a peak of 20,446 titles. In 2023, industry disruptions stemming from the SAG-AFTRA and WGA strikes slowed momentum, and the sector has yet to fully rebound. Still, with 18,349 titles commissioned in 2024, global content remains a notable 111% higher than pre-pandemic levels.

Amid these fluctuations, the animation sector has emerged as a steadily growing segment, accounting for 5% of all global content commissioned. Between 2019 and 2024, animation commissions rose by 54%, with the category reaching an all-time high in 2024—bouncing back from the industry downturn in 2023, demonstrating more resilience to market disruptions than the broader industry.

GLOBAL FILM AND TV COMMISSIONING
2019 to 2024





TV Shows (First Run and Renewals) Movies

Source: Ampere Analysis, CVL Economics.

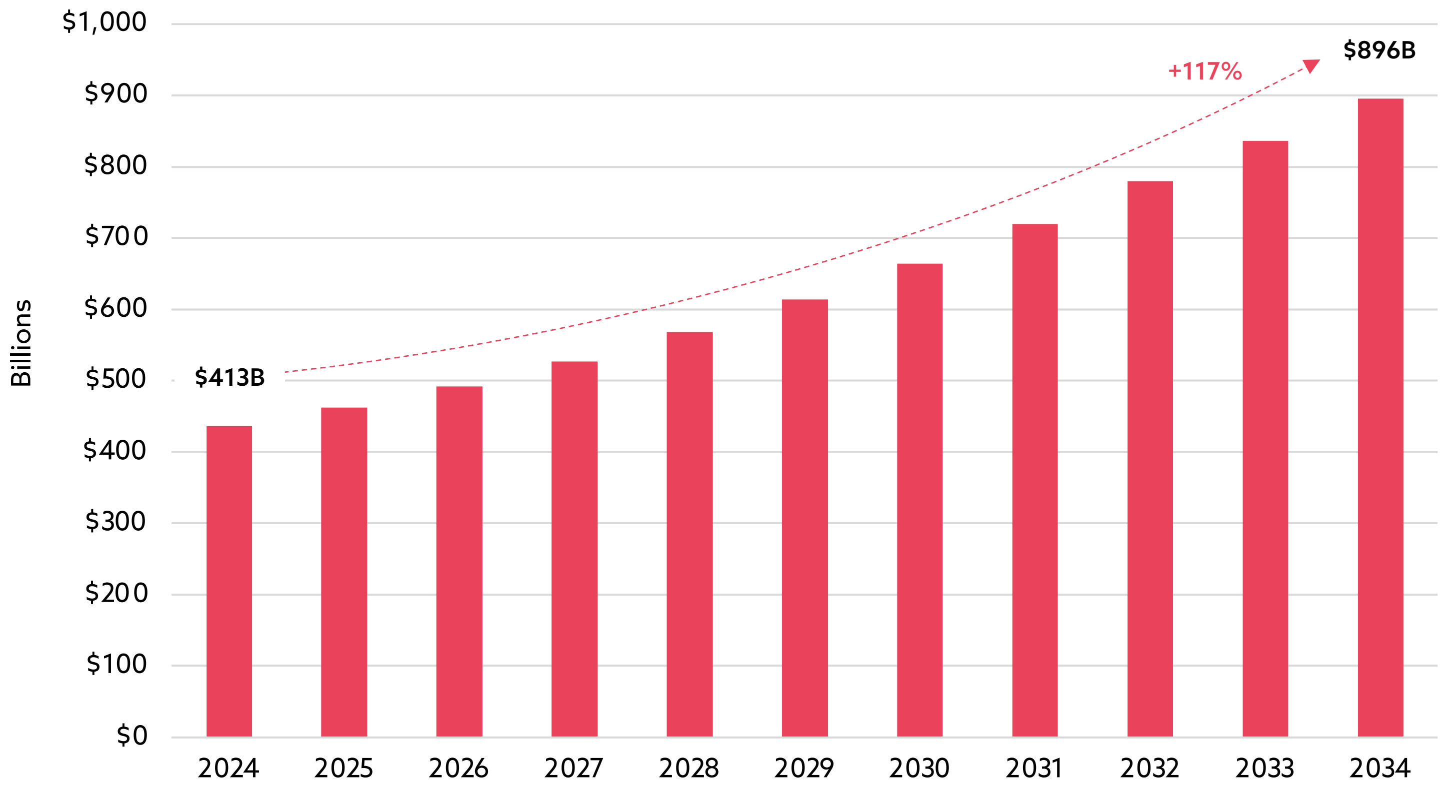
... AND IS EXPECTED TO CONTINUING GROWING ...

The global animation industry is poised for sustained growth over the next decade.

In 2024, the animation market is projected to reach $413 billion, and by 2034, it's expected to more than double, hitting $898 billion. This represents a remarkable 117% growth over ten years, reflecting increasing demand for animated content across film, television, gaming, advertising, and digital platforms.

Fueled by advances in technology, an expansion in streaming services, and a growing appetite for global storytelling, animation is no longer a niche sector—it's a major force in the entertainment industry, with strong growth potential across both mature and emerging markets.

PROJECTED GLOBAL ANIMATION MARKET SIZE
2024 to 2034



Source: Precedence Research, CVL Economics.

… DUE TO GLOBAL DEMAND & SHIFTS IN CONSUMER PREFERENCES

CVL ECONOMICS

Consumer preferences in animation have evolved significantly in recent years, with growing demand for both family-friendly and adult-oriented content.

2024 truly marked the year of animation, and the impact speaks volumes: animated films accounted for 26% of total global box office receipts, and 30% of the top 100 grossing films were animated. Most notably, three of the top five highest-grossing films were animated—*Inside Out 2*, *Despicable Me 4*, and *Moana 2*.

At the same time, audiences are increasingly embracing adult-oriented animation, which accounted for 41% of all animated commissions in 2024—up from 26% before the pandemic. Streaming platforms have fueled the growing influence of forms like anime, which has played a key role in redefining animation as a medium for adult storytelling. This shift reflects a broader cultural recognition of animation as a format that transcends age, opens new creative frontiers, and expands its global audience.

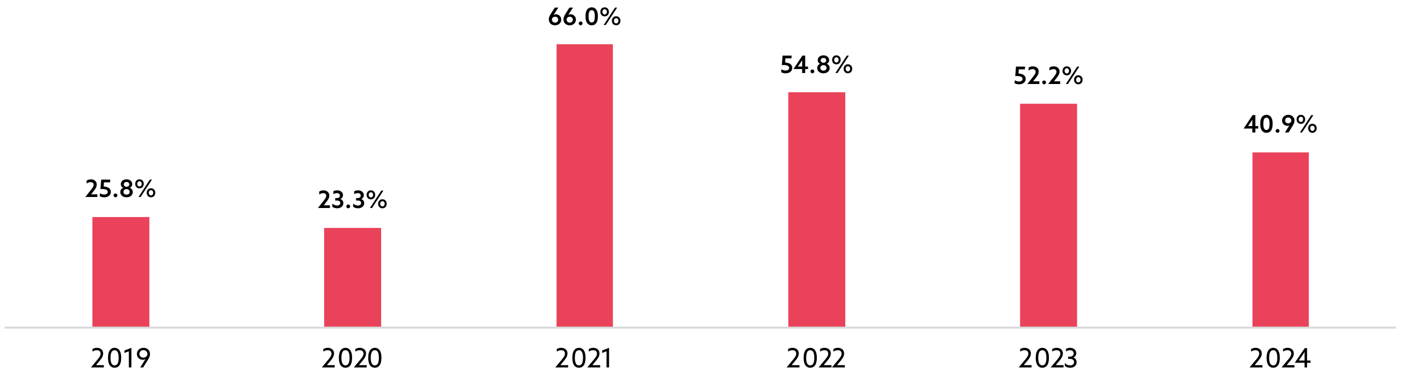
TOP 5 GLOBAL BOX OFFICE HITS

2024

$	Inside Out 2	Deadpool & Wolverine	Moana 2	Despicable Me 4	Wicked
Worldwide	$1.7 Billion	$1.3 Billion	$1.0 Billion	$969 Million	$718 Million
Domestic	$653 Million	$637 Million	$451 Million	$361 Million	$470 Million

ADULT-ORIENTED CONTENT AS SHARE OF TOTAL GLOBAL ANIMATED COMMISSIONS

2019 to 2024



Source: Ampere Analysis, Box Office Mojo, CVL Economics.

ANIMATION INDUSTRY LANDSCAPE

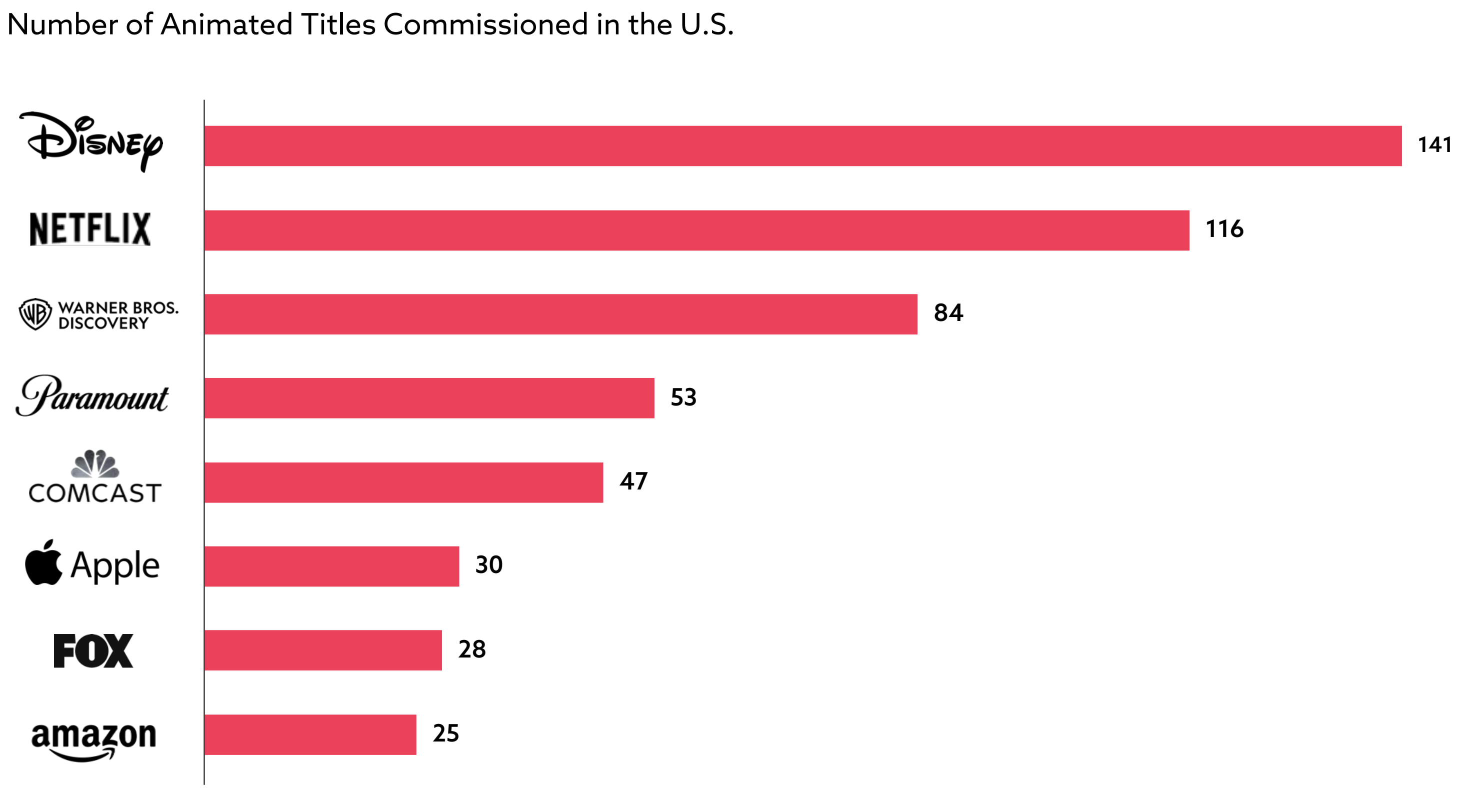
DISNEY TOPS THE U.S. ANIMATION MARKET ...

Disney (including Walt Disney Animation Studios and Pixar) leads the U.S. animation market, commissioning nearly 140 titles between 2022 and 2024, with recent major releases like *Moana 2* and *Zootopia*.

Netflix follows closely, expanding its slate with originals for both kids and adults. Warner Bros. Discovery (Cartoon Network and Warner Bros. Animation), Paramount (Paramount Animation and Nickelodeon), and Comcast (DreamWorks Animation, Illumination, and Universal Animation Studios) continue to be key players, while Fox focuses on adult animation through Bento Box Entertainment.

TOP U.S. PARENT COMMISSIONERS OF ANIMATED FILM & TV PRODUCTIONS

3-Year Total | 2022 to 2024



Source: Ampere Analysis, CVL Economics.

… BUT NETFLIX LEADS GLOBALLY AS STUDIOS EXPAND CONTENT

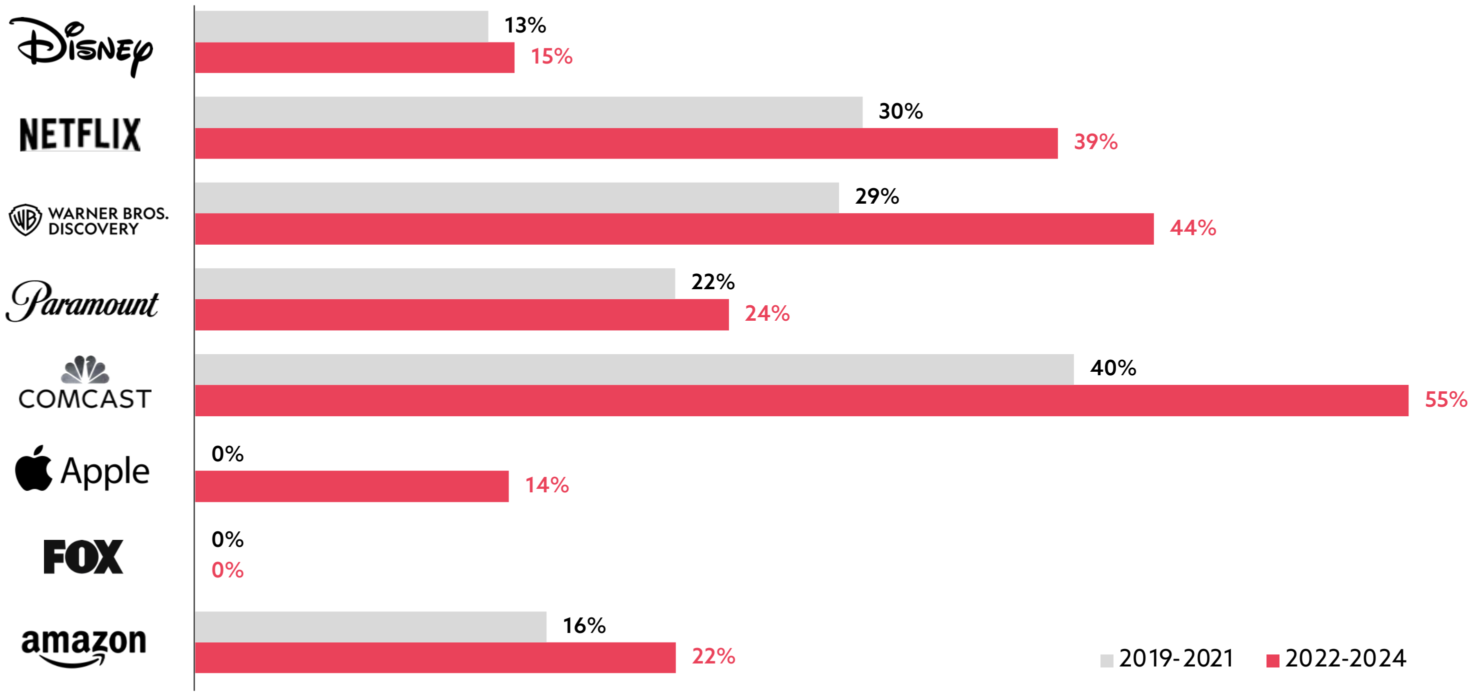
While Netflix ranks second in the U.S. for animated title commissions, it leads on a global scale, commissioning more animated content worldwide than any other studio.

Many major U.S. studios are increasingly expanding their international footprint, with the share of animated titles commissioned outside the U.S. rising across the board. Comcast, already a global leader with 40% of its commissions produced internationally between 2019 and 2021, has seen that figure climb to 55% from 2022 to 2024. Warner Bros. Discovery also saw a notable rise, from 29% to 44% over the same periods. Apple, which previously had no international animated productions, increased its share to 14%.

TOP U.S. PARENT COMMISSIONERS OF ANIMATED FILM & TV PRODUCTIONS

3-Year Total | 2019-2021 vs. 2022-2024

Share of Animated Titles Commissioned Internationally



Source: Ampere Analysis, CVL Economics.

ANIMATION INDUSTRY LANDSCAPE

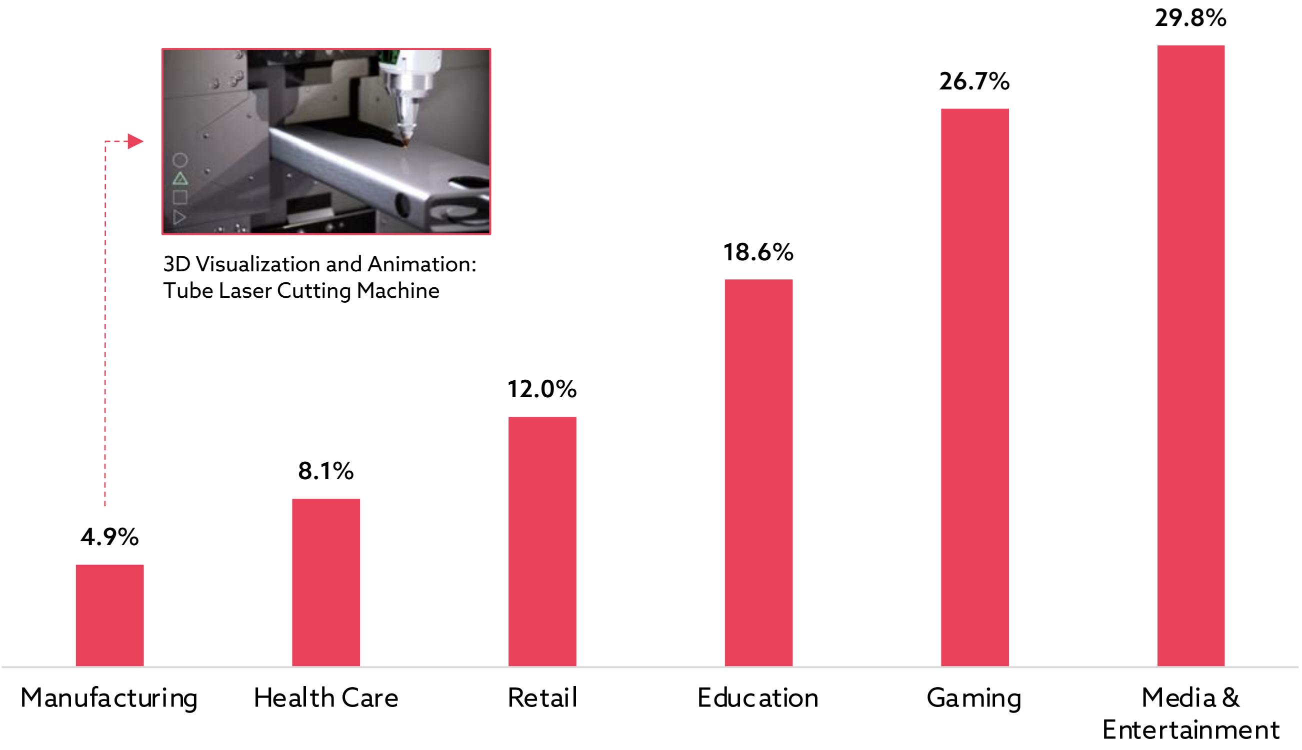
ANIMATION POWERS INNOVATION ACROSS A WIDE SET OF SECTORS ...

Animation is not confined to the world of film and television—it's a vital tool that is increasingly being used across a range of sectors.

Unsurprisingly, Media & Entertainment holds the largest share of the animation market at 29.8%. The industry is closely followed by Gaming at 26.7%, where animation plays a critical role in character movement, cinematic storytelling, and immersive world-building—often using tools like Unreal Engine that bridge traditional animation and real-time interactive design.

Education accounts for 18.6%, reflecting the growing use of animation in e-learning, instructional videos, and interactive classrooms. Retail, Health Care, and even Manufacturing are adopting animation for training, simulation, marketing, and product visualization. This wide application shows that animation goes far beyond entertainment—it's a dynamic tool shaping innovation and communication across high-value sectors and the broader economy.

ANIMATION MARKET SHARE BY SECTOR
2023



Source: Precedence Research, CVL Economics. Animation still from 3D-Ase.

... DRIVING GROWTH ACROSS CALIFORNIA'S CREATIVE & TECH ECOSYSTEM

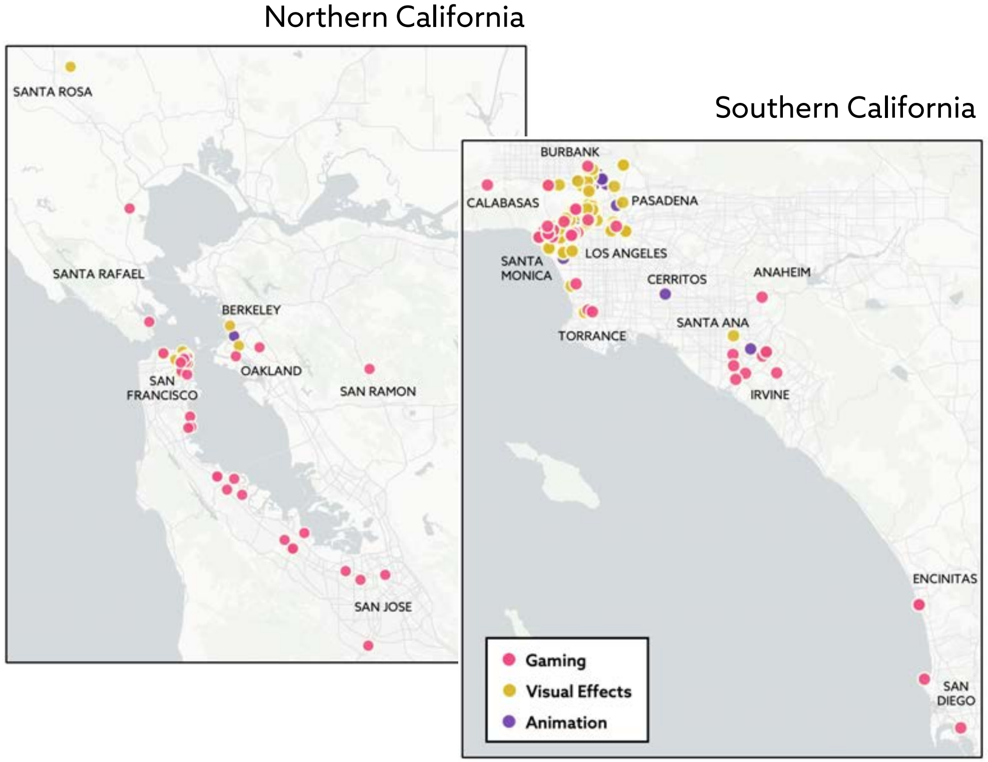
While animation production remains central to California's creative industries, the evolving landscape of digital content creation increasingly blurs the lines between animation, visual effects (VFX), and gaming.

Today's animation studios leverage advanced technical tools and processes shared broadly across these interconnected sectors. Unlike traditional incentives, support for animation-related activities offers unique spillover benefits. These benefits include increased technological innovation and skill crossover, fostering broader ecosystem development.

This technical and creative convergence supports a broader "tech-enabled creative ecosystem" that spans far beyond traditional studio boundaries. Importantly, the VFX and gaming industries extend California's creative economic footprint across a geographically diverse set of regions, fostering innovation and ecosystem synergies that drive economic growth and job creation statewide. The state is home to over 250 animation, gaming, and VFX studios located in 43 cities across the state.

Supporting animation incentives not only sustains California's historic leadership in animation itself but strengthens and interconnects the state's entire digital creative economy—benefiting local economies, communities, creative talent, and cross-industry innovation pathways across throughout the state.

ANIMATION, GAMING, AND VFX STUDIOS IN CALIFORNIA
As of April 2025



Source: Studio Hog, CVL Economics.

THE PRODUCTION VALUE CHAIN EXTENDS BEYOND ANIMATION ...

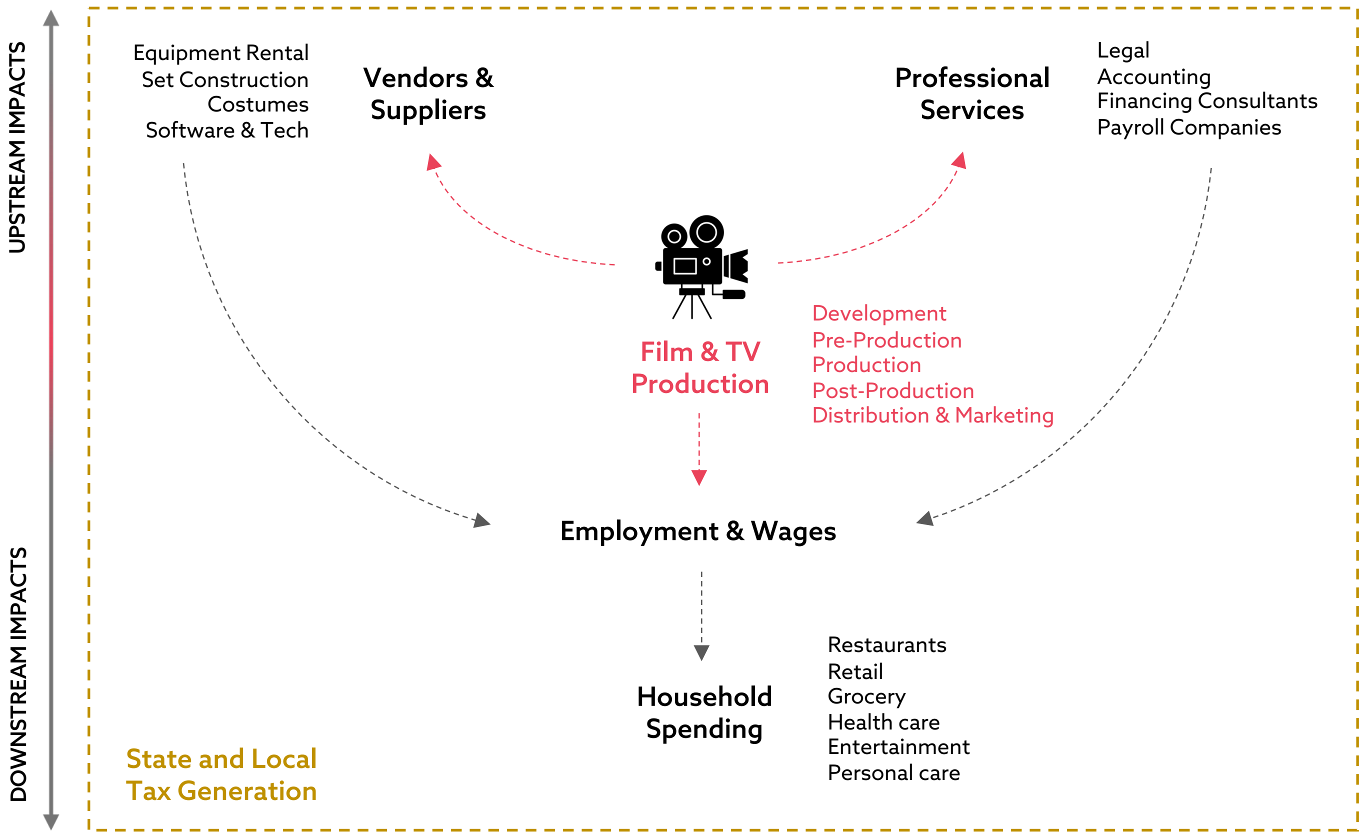
An animated production generates widespread economic activity that include both upstream and down-stream impacts.

Production activities directly support work taking place regionally in the development, pre-production, production, post-production, and distribution phases of a project. In turn, these activities generate demand for vendors and suppliers—like equipment rental, set construction, and software—and for professional services such as legal, accounting, and payroll.

Jobs are supported across all of these sectors, and employee wages are spent on various goods and services throughout the economy, such as on retail, personal care services, restaurants, healthcare, and more.

This cycle not only sustains local jobs but also drives state and local tax revenue. The diagram shows how a production project acts as an economic engine, triggering ripple effects across industries throughout the broader economy.

THE PRODUCTION VALUE CHAIN



Source: CVL Economics.

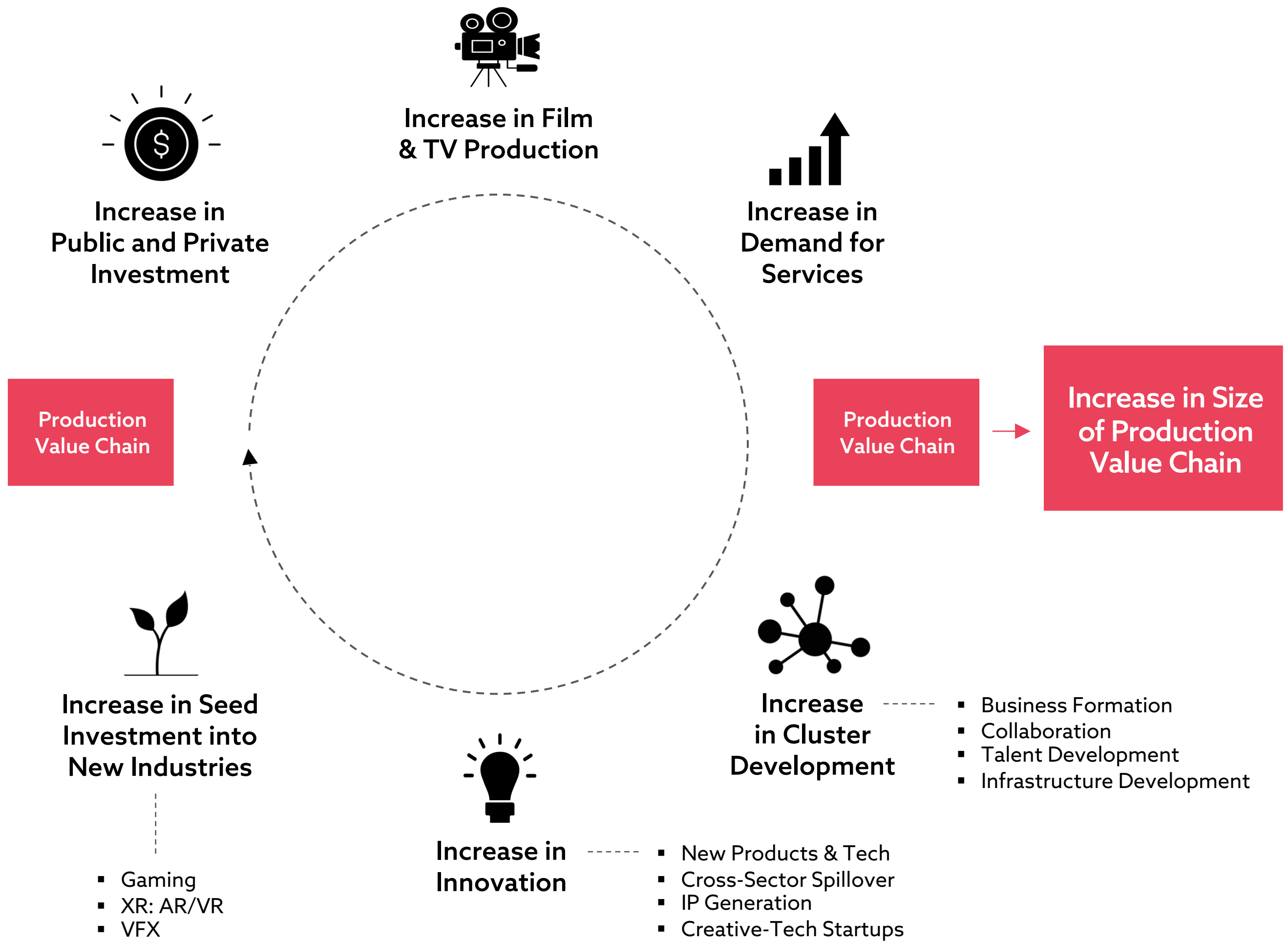
… AND FUELS A BROADER ECONOMIC ECOSYSTEM

As investment in animation production activates the production value chain, it triggers a cascading impact that fuels broader industry and economic growth.

Increased project volume drives demand for talent and production services—expanding the value chain and strengthening regional specialization.

Over time, this sustained activity fosters cluster development, bringing together studios, service providers, workforce development programs, businesses, and entrepreneurs. These clusters become engines of innovation, generating new products, technologies, and intellectual property that spill over into adjacent sectors.

With the foundations in place, the tools, talent, and technologies developed within animation can help seed new sectors like gaming, immersive technology and visual effects.



Source: CVL Economics.

ANIMATION INDUSTRY LANDSCAPE

SPOTLIGHT: PARALLEL SECTORS WITH OVERLAPPING TALENT DEMANDS

Animation feeds into a range of adjacent industries—most notably visual effects (VFX)—through shared talent skills, technological tools, and business workflows. While animation typically focuses on original content creation and the development of intellectual property (IP), VFX work is most often delivered as a service, with studios rarely retaining ownership. Yet despite these differences, both industries operate under fee-for-service models and rely on highly technical skills such as rigging, simulation, and compositing—underscoring their shared talent pipelines, tools, and workflows. Both also serve major film and television productions, reinforcing their integral roles across the broader entertainment ecosystem.

ANIMATION VS. VFX INDUSTRY CHARACTERISTICS

	ANIMATION	VFX
Definition	The art and science of creating moving images from drawings, models, or computer-generated elements that exist independently of live-action footage	The integration of computer-generated imagery (CGI) with live-action footage to enhance or alter real-world environments, characters, or effects
Business Model	Original content creation	-
	Fee-for-service contracts	Fee-for-service contracts
	Technical services	Technical services
	IP licensing and merchandise	No ownership of content in most cases
Intellectual Property	Creative content IP	-
	Propriety technology assets	Propriety technology assets
Clients and Collaborators	Major studios, Film/TV studios, TV Networks, Advertising Agencies, Theme Park and Event Designers, Emerging tech (VR, AR, XR)	Major studios, Film/TV studios, TV Networks, Advertising Agencies, Theme Park and Event Designers, Emerging tech (VR, AR, XR)
	Licensing Partners	-

PRODUCTIONS USING ANIMATION & VFX SERVICES

ANIMATION	VFX
Pixar Animation Studios **Turning Red** (2022): A fully original, internally developed animated feature released on Disney+.	Weta FX **Avatar: The Way of Water** (2022): Delivered full environment builds, CG characters, and underwater motion capture for *20th Century Studios*.
DreamWorks Animation **The Bad Guys** (2022): Original feature produced in-house; represents DreamWorks' push into stylized, non-franchise animation.	Framestore **Guardians of the Galaxy Vol. 3** (2023): Created Rocket Raccoon and other character VFX in partnership with Marvel Studios.
Walt Disney Animation Studios **Encanto** (2020): Developed in-house, showcasing original IP and full pipeline from story through final animation.	DNEG **Oppenheimer** (2023): Provided practical and visual effects including black-and-white compositing for Universal Pictures.

Source: CVL Economics.

HIGH DEMAND FOR ANIMATION SKILL SETS

Animation skillsets are in high demand across global gaming and VFX studios, reflecting their growing role in digital content creation.

Recent data on animation and animation-adjacent job openings underscores the overlap of skillsets across industries. From January to March 2025, gaming studios accounted for the largest share of postings both in the U.S. and globally.

Film & TV studios made up about a quarter of postings in both regions, while the VFX industry accounted for 24% globally and 14% in the U.S. This cross-sector demand highlights how animation talent increasingly drives multiple areas of digital content creation.

As global competition accelerates, other countries are rapidly investing in the same animation and adjacent sectors that California helped pioneer. Europe now accounts for nearly half of these artistic and production job postings in animation, gaming, and VFX, compared to 24% in the U.S.

SHARE OF ANIMATION AND ANIMATION-ADJACENT JOB POSTINGS BY INDUSTRY

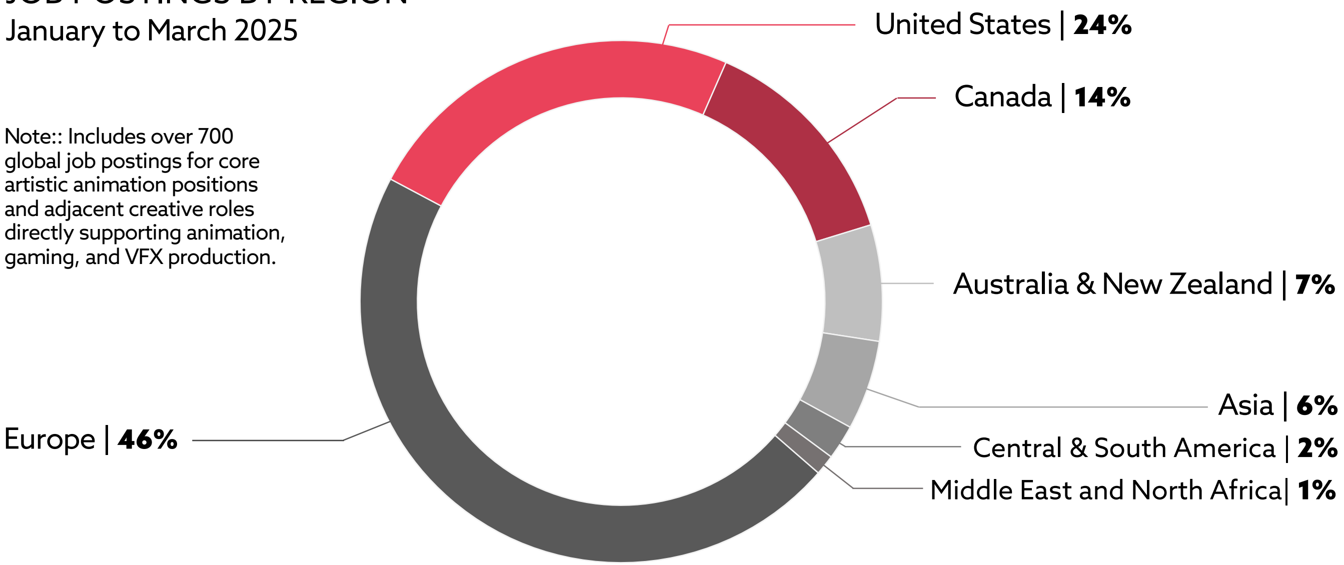
January to March 2025

	Film & TV	Gaming	VFX	Other
United States	24%	51%	14%	12%
Globally	24%	45%	24%	8%

JOB POSTINGS BY REGION

January to March 2025

Note:: Includes over 700 global job postings for core artistic animation positions and adjacent creative roles directly supporting animation, gaming, and VFX production.



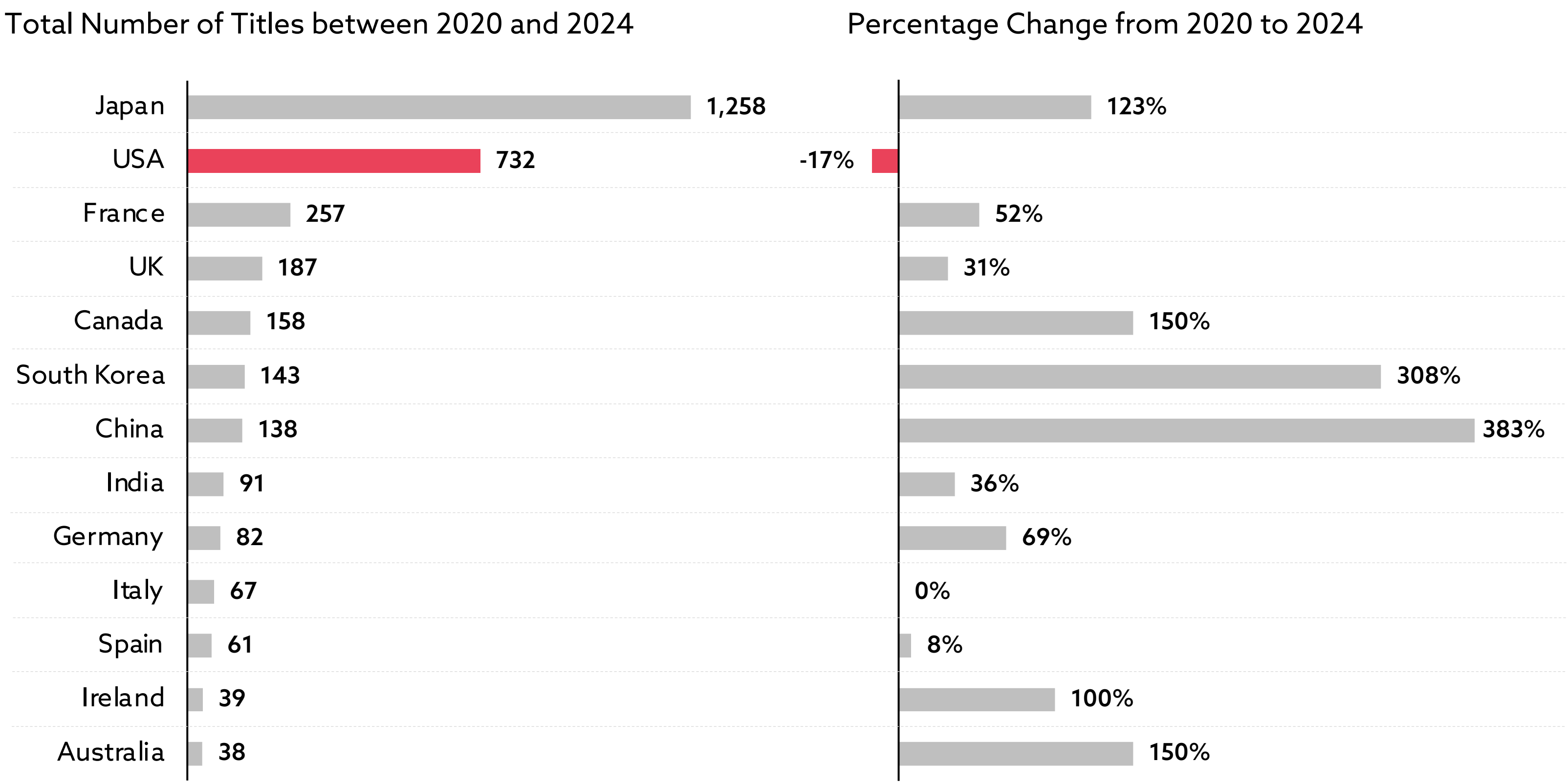
Source: Chris Mayne Animation/VFX/Gaming Industry Job Postings, CVL Economics.

U.S. DECLINE IN ANIMATED CONTENT AMID RISING GLOBAL COMPETITION

A growing number of countries are emerging as key production hubs. Japan, the birthplace of anime and now a global cultural force, commissioned the highest number of animated titles between 2020 and 2024, with nearly 1,300 titles. The U.S. ranked second, with just over half as many animated titles commissioned (732), followed by strong activity in France, the UK, Canada, South Korea, and China.

While global animation production has surged, the U.S. was the only major hub to experience a decline (-17%) in commissions between 2020 and 2024. In contrast, Japan expanded its lead with a 123% increase. Canada, Ireland, and Australia—where governments have leaned heavily into animation tax incentives—each saw commissions more than double, highlighting the growing influence of policy in shaping global animation production.

ANIMATED TITLES COMMISSIONED BY COUNTRY



Source: Ampere Analysis, CVL Economics.

ANIMATION INDUSTRY LANDSCAPE

CALIFORNIA'S CEMENTS ITS DOMINANCE FROM 1980's TO THE 2000's ...

From the 1920s to the 1970s, animation evolved from early synchronized sound to the expansion of animated TV shows and the emergence of adult-oriented content. The 1980s marked a major turning point, especially in California, where animation exploded with hits like *The Simpsons*, *The Little Mermaid*, and *Roger Rabbit*, helping spark a creative renaissance.

Meanwhile, Japan's *Dragon Ball* and Studio Ghibli films fueled the global rise of anime, and Europe built strong foundations in children's animation. However, these industries largely operated in silos at the time, unlike today's streaming-driven landscape where content circulates widely across global audiences and co-productions between countries becoming increasingly popular.

The 1990s and 2000s marked a transformative period in global animation. The Disney renaissance solidified California's dominance, while advances in computer animation led to breakthroughs like *Toy Story* and *Shrek*. At the same time, countries like Canada and Ireland began investing in animation through tax credits and government subsidies. By the 2000s, global players like Cartoon Saloon, Brown Bag Films, and WildBrain were gaining recognition, and Australia joined the field with its own federal animation incentive. This era laid the groundwork for today's globally distributed animation industry.

Source: CVL Economics.

1920s

Introduction of synchronized sound and the rise of Disney

1930s

Color and depth in animation, emergence of cartoon superstars and *Snow White*

1940s

Feature films and the rise of television

1950s

Shift from classic theatrical cartoons to limited animation in TV series for children

1960s

Animated TV shows and the rise of anime

1970s

Adult-oriented cartoons and music videos

1980s

Disney develops its own 3D-style California animation boom with titles like G.I. Joe, Roger Rabbit, Mighty Mouse, The Simpsons, and The Little Mermaid

European successes include The Smurfs (Belgium), Inspector Gadget (France/USA), and Danger Mouse (UK)

France establishes a strong foundation in children's animation with sustained government support

Japan's Studio Ghibli rises with TV anime such as Dragon Ball

1990s

Disney Renaissance: Films like Beauty and the Beast, Aladdin, The Lion King, Mulan, Pocahontas, and Tarzan reinforce California's global leadership in animation

Beauty and the Beast is nominated for Best Picture at the Academy Awards in 1992, becoming the first full-length animation feature film to make that category

Fox Animation Studios and Warner Bros. Feature Animation established Computer (3D) animation emerges with Pixar's Toy Story and visual effects in Terminator 2: Judgment Day and Jurassic Park

Canadian Film and Video Production Services Tax Credit (PSTC), which includes animation, launches in 1997

Ireland introduces Section 481 in 1997, a tax incentive for film and television production

India sees the rise of domestic studios (Toonz, Pentamedia) and becomes a key outsourcing hub for Western animation work

2000s

Disney develops its own 3D-style computer-animated features, including The Emperor's New Groove, Lilo & Stitch, and Brother Bear

DreamWorks' Shrek wins the first-ever Academy Award for Best Animated Feature in 2001

Disney acquires Pixar, strengthening its position in 3D animation in 2006

Australia launches a federal animation incentive program in 2007

Canadian studios such as WildBrain, Mainframe Entertainment, and Nelvana gain international recognition

Irish studios begin leveraging Section 481 tax relief, helping launch globally renowned studios like Cartoon Saloon and Brown Bag Films

… BUT LAYS THE GROUNDWORK FOR TODAY'S GLOBAL INDUSTRY

In the 2010s, animation continued to thrive across television and film, with major players like Nickelodeon, Cartoon Network, Disney, and Titmouse producing iconic shows. In 2013, *Frozen* became the highest-grossing animated film of all time, surpassing *The Lion King* and *Toy Story 3*.

Internationally, countries began introducing more aggressive incentives to grow their animation industries: the UK launched its Animation Tax Relief program and Australian states expanded regional incentives to layer on top of federal support. California expanded its film and TV tax credit in 2014 but notably left out animation. The rise of streaming platforms in the mid-2010s—and their explosive growth in the 2020s—significantly increased global access to animated content and helped amplify international forms like anime.

In countries like South Korea and India, the animation industry initially grew by serving as outsourcing hubs for Western studios—handling production work for major international shows and films. This foundation not only built technical expertise and infrastructure but also fostered a skilled workforce and robust studio ecosystems.

Over time, these capabilities enabled local studios to shift from service work to creating original IP, fueling the development of culturally rooted, globally competitive content. Today, both countries are investing in their own storytelling, with South Korea integrating animation into its broader "K-culture" exports, and India expanding its portfolio of regional-language animated series and features for domestic and global audiences.

2010s

U.S. networks like Nickelodeon, Cartoon Network, and Disney continue to drive global youth animation with shows like Kim Possible and Phineas and Ferb

Independent studios push stylistic boundaries and adult animation

Disney's Frozen becomes the highest-grossing animated film of all time in 2013, surpassing The Lion King and Toy Story 3

UK Animation Tax Relief (ATR) program launched in 2013

South Korea begins pivoting from service work to developing original IP and international co-productions

Australia enhances competitiveness by expanding state-level animation incentives to stack with federal subsidies

Streaming platforms like Netflix and YouTube expand access to animated content.

2020s

COVID pandemic results in global shutdowns of live-action production, as animation and remote workflows prove more resilient

South Korea integrates animation into its broader K-Culture export strategy alongside K-pop and K-drama with growth in animated content for streaming platforms, mobile games, and AR/VR.

Netflix expands its original animation division

Streaming platforms increase animation global animated offerings

SAG-AFTRA and WGA strikes in 2023 affected scripted productions.

New York expands its Post-Production Tax Credit program

China's Ne Zha 2 becomes the highest-grossing animated film and sixth-highest-grossing film of all time in 2025

Source: CVL Economics.

CALIFORNIA'S INDUSTRY SHARE PLUMMETS AS COMPETITION RISES

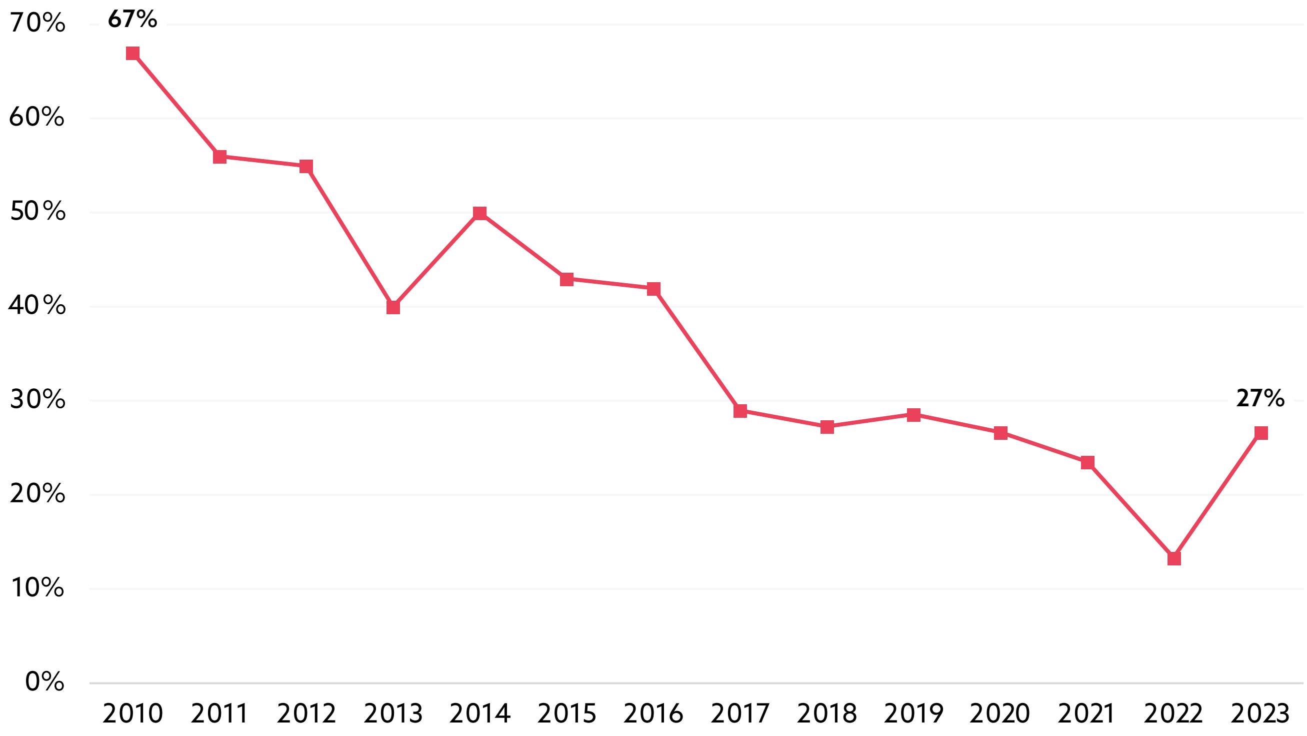
Historically, California had been at the heart of the animation industry, home to legacy studios like Disney, Warner Bros., and DreamWorks, and a hub for generations of animators and storytellers.

However, its dominance is slipping as other jurisdictions have grown more competitive. Between 2010 and 2023, the share of top 100 grossing animated films produced in California dropped from 67% to just 27%—a steep 40-point decline.

This shift reflects not only the rise of international production hubs, but also changes domestically within the U.S., as other states offer more competitive tax incentives and lower production costs.

The economic stakes are high: a single top-grossing animated film can generate hundreds of millions in local spending through employment, vendor services, and infrastructure—opportunities that other jurisdictions are increasingly capitalizing on.

SHARE OF ANIMATED MOVIES IN TOP 10 GROSSING FILMS PRODUCED IN CALIFORNIA
2010 to 2023



Source: FilmLA, Box Office Mojo, CVL Economics.

ANIMATION INCENTIVES

HOW INCENTIVES ARE RESHAPING THE GLOBAL ANIMATION INDUSTRY

Incentives have become a defining factor in the race for content production.

As jurisdictions recognize the economic potential of the film, television, and animation industries, they are investing aggressively in tax credits and other financial tools to attract projects, grow local talent pipelines, and build creative infrastructure. This competition is reshaping the global production landscape—redirecting billions of dollars in spending and thousands of jobs to regions offering the most cost-effective climates.

Indeed, studio executives increasingly point to tax incentives as the top factor influencing where productions are made. In a recent survey conducted by ProdPro, 93% of studio executives ranked tax incentives among their top three cost-control measures. With most executives anticipating flat or tighter budgets in 2025, there is mounting pressure to do more with less. Hiring local crews ranked as the second-highest measure, which depends on the presence of a skilled regional workforce, making talent availability another critical factor.

Additionally, findings from the California Film Commission underscore how influential incentives have become in determining where productions go. From 2020 to 2023, California lost nearly $1.46 billion in production spending from projects denied tax credits due to limited funding—nearly three-quarters of the total tracked. That figure represents just a fraction of total losses, as it includes only projects that entered the tax credit program. Many of these projects ultimately moved to other states (including New York, Georgia, and New Mexico) and countries (including Canada, England, and Ireland), resulting in a significant loss to California's below-the-line workers and small businesses that rely on local production.

Despite California being home to many of the world's leading animation studios, it still does not offer a tax incentive for animation. **The state has long relied on its historic industry dominance, but that position is increasingly vulnerable.** As other regions aggressively invest in incentives, California risks losing ground if it continues to underestimate how quickly production can and will shift to places offering better policy support and lower costs.

TOP 10 COST-CONTROLLING MEASURES CONSIDERED BY STUDIO EXECUTIVES

1. Tax incentives
2. Hiring local crew
3. Shorter schedules
4. Digital workflow
5. Co-productions
6. Fewer episodes
7. Lower negotiated supplier rates
8. Reduced crew size
9. Virtual production
10. Remote production techniques

93%

of studio executives ranked tax Incentives as a Top 3 cost-control measure

Source: ProdPro, California Film Commission, CVL Economics.

ANIMATION INCENTIVES

CALIFORNIA'S TAX CREDIT PROGRAM LAGS OTHER JURISDICTIONS

California's Film & TV Tax Credit program covers fewer production types compared to other leading competitive jurisdictions and excludes animation.

While New York and Georgia and regions in Canada provide incentives across a wide range of formats—including commercials, documentaries, game shows, and video games—California limits eligibility primarily to scripted television, pilots, and feature films.

Notably, animation projects are not eligible for California's tax credit, despite the sector being a major contributor to the state's creative economy and employment base. This exclusion stands in stark contrast to other leading jurisdictions—New York, Georgia, and British Columbia—which all include animation as an eligible production type under their incentive programs.

By excluding animation, California risks falling behind in a high-growth, high-value industry that other regions are actively nurturing through targeted support and competitive tax policies.

TAX INCENTIVE-ELIGIBLE PRODUCTION TYPES IN SELECT JURISDICTIONS
As of April 2025

	STATE OF CALIFORNIA	STATE OF NEW YORK	STATE OF GEORGIA	BRITISH COLUMBIA
Animation		✓	✓	✓
Commercials		✓	✓	
Documentaries			✓	✓
Feature Films	✓	✓	✓	✓
Game Shows			✓	
Pilots	✓	✓	✓	✓
Post Only		✓	✓	✓
Reality			✓	✓
Scripted	✓	✓	✓	✓
Television	✓	✓	✓	✓
Talk Shows		✓	✓	
Video Games		✓	✓	

Source: Entertainment Partners, CVL Economics.

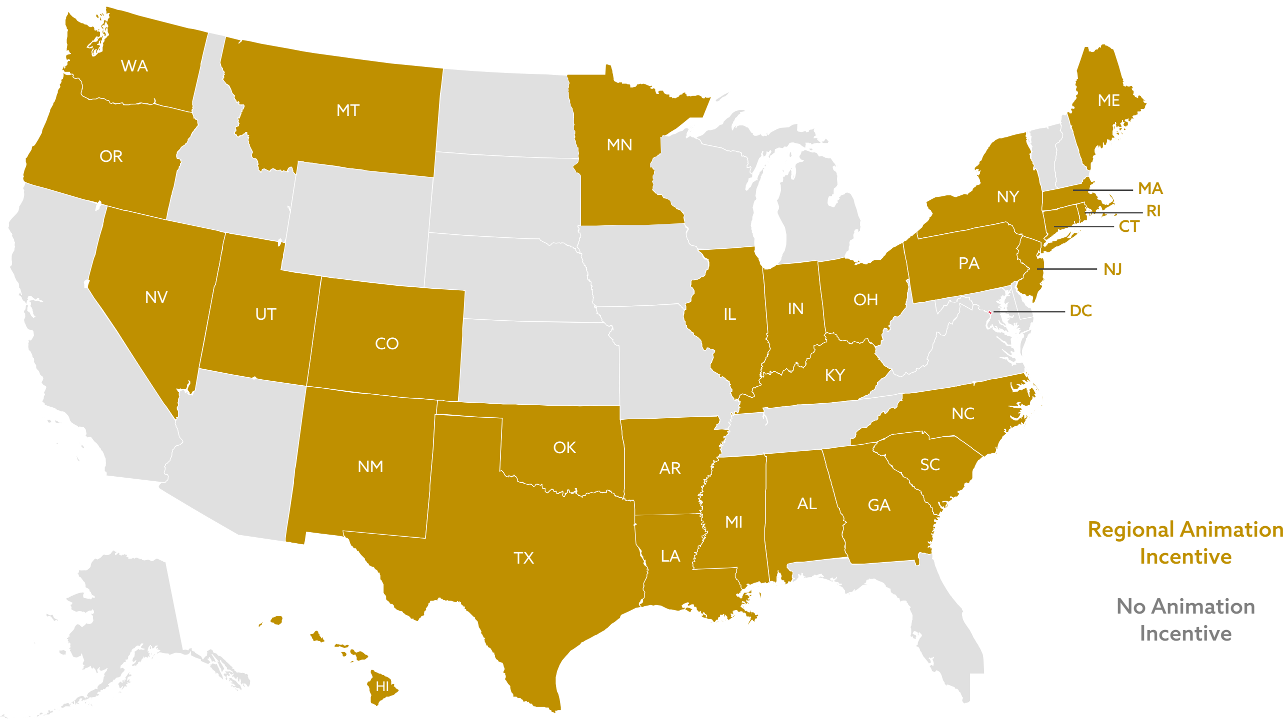
ANIMATION INCENTIVES

30 U.S. STATES OFFER ANIMATION INCENTIVES—CALIFORNIA IS NOT ONE

New York and Georgia are not outliers when it comes to offering tax incentives for animation production. In fact, over half of U.S. states offer regional tax incentives that include animation. Other states like Louisiana and New Mexico have also made targeted efforts to draw animation work, leveraging competitive incentives to diversify their creative economies, attract high-profile projects, and build out local talent pipelines.

Texas has a strong independent and adult animation scene in cities like Austin, and Oregon is home to acclaimed stop-motion studio Laika. Meanwhile, Washington has positioned itself as a hub for creative technology, with a strong ecosystem in gaming, software, and digital media. The state has cultivated a tech-forward creative industry where animation intersects with interactive storytelling virtual production, and real-time rendering.

U.S. STATES WITH ANIMATION PRODUCTION INCENTIVES
As of April 2025



Source: Entertainment Partners, CVL Economics.

CANADA AND AUSTRALIA HAVE ALSO EMERGED AS MAJOR PLAYERS

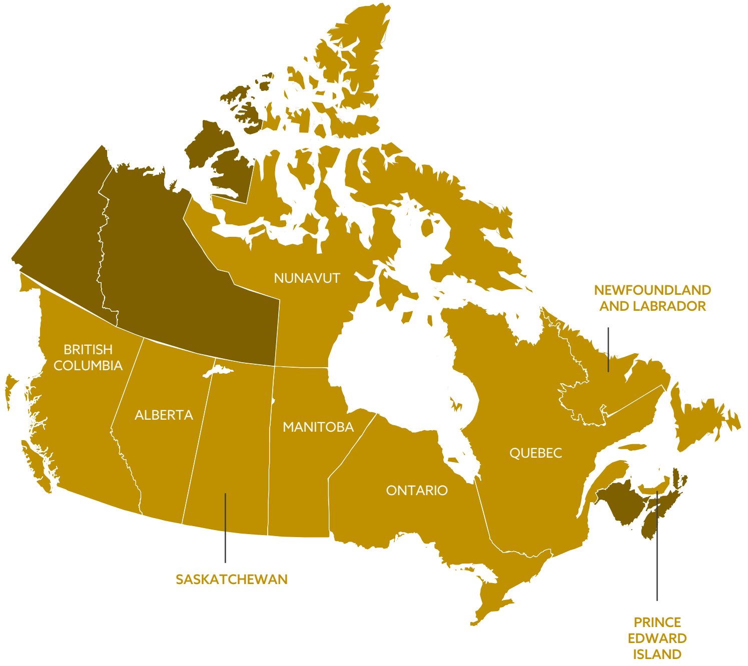
Canada and Australia have also emerged as global leaders by establishing animation hubs and offering federal animation incentives plus stackable regional incentives across their jurisdictions.

In Canada, a competitive national incentive is enhanced by stackable provincial credits in key hubs like British Columbia, Ontario, and Quebec, pushing total support as high as up to 46%. This structure has drawn major international productions while strengthening the domestic industry.

Australia offers a similar framework, with a 30% federal rebate through the Post, Digital and Visual Effects Offset, plus additional state-level incentives in Victoria, New South Wales, and Queensland.

JURISDICTIONS WITH ANIMATION INCENTIVES
As of April 2025

Canada



Australia

Regional Animation Incentive
Federal Animation Incentive

Source: Entertainment Partners, CVL Economics.

SPOTLIGHT: CANADA'S EARLY INVESTMENT IN FILM, TV & ANIMATION

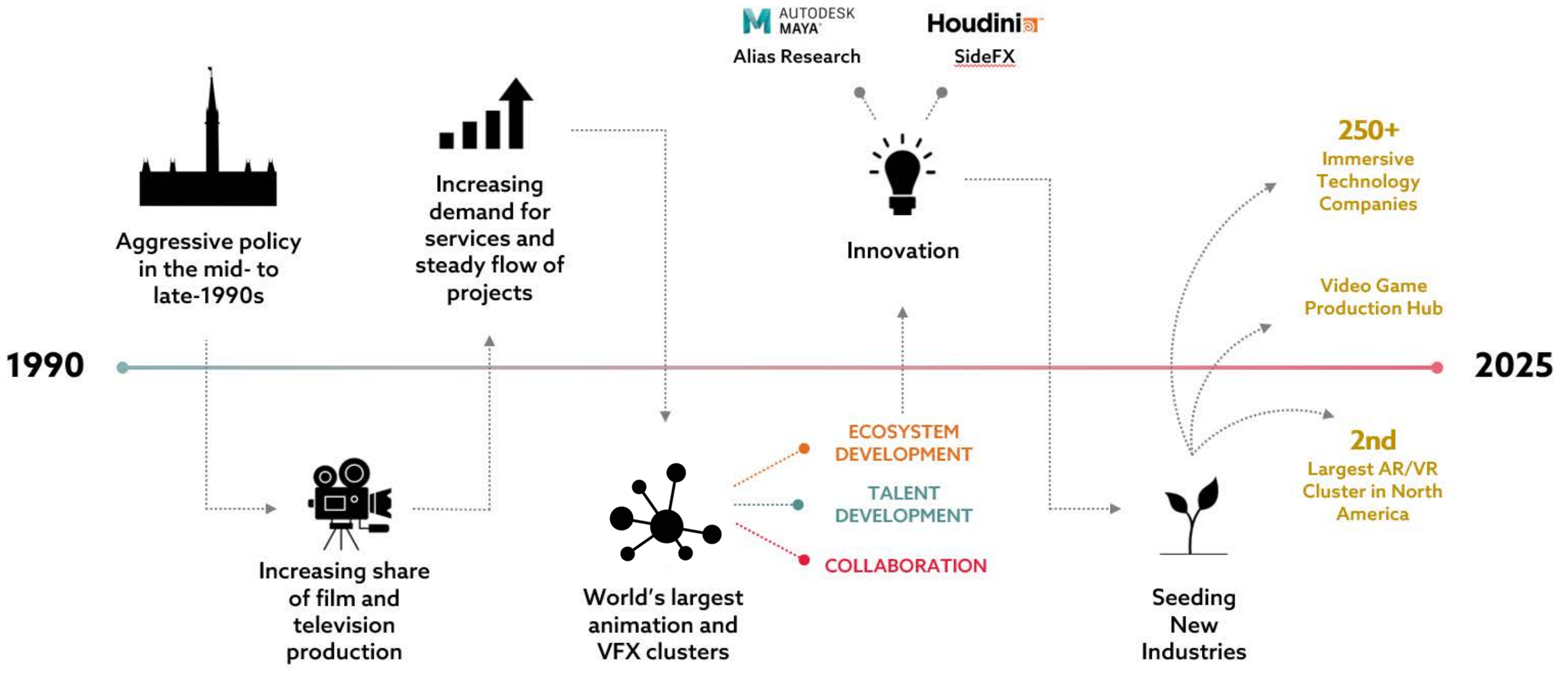
Canada's early investment in animation and digital media—starting with aggressive policy initiatives in the mid- to late-1990s—laid the foundation for one of the world's largest animation and VFX clusters.

By combining government support with a strong focus on talent development, ecosystem building, and industry collaboration, Canada was able to attract a steady pipeline of international projects and grow its domestic capacity.

This long-term strategy also fostered innovation through homegrown tools like Maya (Alias Research) and Houdini (SideFX), widely used across global animation and VFX.

It is no coincidence that today Canada emerges as a hub for video game and immersive technology, due to its early investments in industries with transferable resources and skillsets.

ANIMATION ECOSYSTEM DEVELOPMENT IN CANADA
1990 to 2025



Source: CVL Economics.

SPOTLIGHT: AUSTRALIA'S BLUEY AND THE ECONOMIC SPILLOVER OF I.P.

The runaway success of Bluey illustrates the powerful spillover effects that animated intellectual property can generate beyond the screen. Premiering in 2018 with support from Screen Australia and Screen Queensland, Bluey quickly grew into a global phenomenon. While its core product—a high-quality children's series—was a critical and commercial hit, its broader economic impact extended well beyond television ratings. The show catalyzed a merchandise boom, drove tourism to Brisbane (where the show is set), and sparked international licensing deals, significantly amplifying the return on public investment.

Bluey's estimated $2 billion brand value underscores how animated content, when tied to strong creative development and strategic production support, can serve as a cornerstone for national soft power and export growth. In addition to direct job creation in writing, animation, and post-production, the brand has activated retail, publishing, live entertainment, and travel sectors. For policymakers and industry leaders, Bluey is a compelling case for investing in animation as a high-leverage component of the media economy, capable of generating enduring cultural and economic returns.

FINANCIAL TIMES

How Australia's 'Bluey' conquered children's entertainment

The offbeat television show about animated family of cattle dogs has fast become the country's most important cultural export

thrillist

'Bluey' Is Driving Big-Time Tourism to Australia

The popular children's show has become a source of travel inspiration for families, and they are willing to make the trek to Queensland to experience Bluey's World

Source: CVL Economics.

ANIMATION INCENTIVES

THE LANDSCAPE ACROSS EUROPE

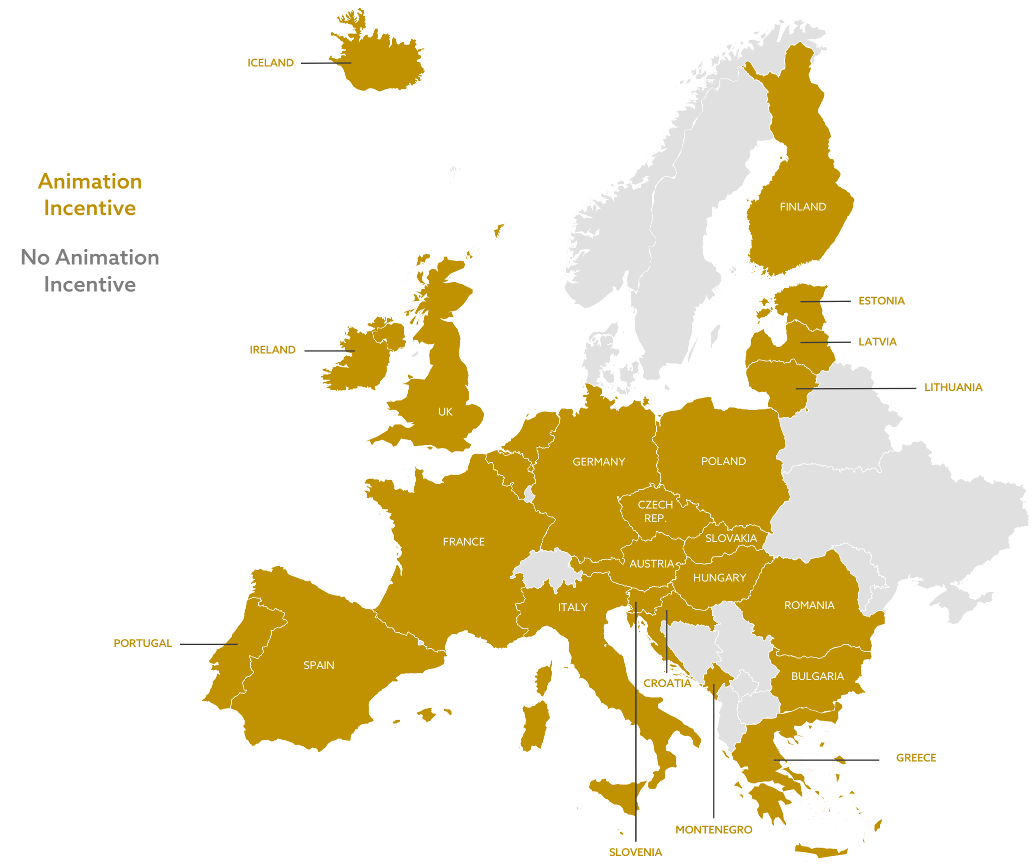
Animation incentives are offered in most European countries, and the UK offers a unique standalone framework tailored to animated productions.

More than 20 European countries—including France, Ireland, Germany, Spain, and Italy—offer dedicated animation tax incentives. These programs typically provide rebates or credits on eligible labor and production costs, often with specific provisions that recognize the labor-intensive nature of animation. In countries like France and Ireland, incentives have been paired with long-term public investment and talent development, helping to build globally competitive ecosystems.

The UK has a standalone tax incentive specifically for animation. Through its Animation Tax Relief (ATR) program, the UK offers a 25% rebate on qualifying production costs for animated content, which is separate from its film and high-end TV incentives. The ATR has a lower minimum spend threshold than the High-End TV Tax Relief (HETR) program, which helps support lower budget and children's animation.

Source: Entertainment Partners, CVL Economics.

EUROPEAN COUNTRIES WITH ANIMATION PRODUCTION INCENTIVES
As of April 2025



SPOTLIGHT: THE ECONOMIC FORCE OF THE UK'S PEPPA PIG

Peppa Pig exemplifies how a well-crafted animated property can transcend its original medium to become a significant economic force. Debuting in the UK in 2004, Peppa Pig rapidly evolved into a global franchise, generating approximately $1.35 billion in worldwide retail sales by 2019. The brand's expansion into merchandise, publishing, and theme parks—such as Peppa Pig World in Hampshire and international attractions in Germany and China—has not only diversified revenue streams but also stimulated tourism and related industries.

The franchise's success has been bolstered by strategic partnerships and government support. In 2016, UK TV animation productions claimed £19.4 million in tax relief, contributing to a £355 million boost to the economy. Hasbro's acquisition of Entertainment One, the owner of Peppa Pig, for £3.3 billion in 2019 underscores the brand's substantial value and its role in enhancing the UK's cultural exports . Peppa Pig's trajectory illustrates the potent spillover effects of animated IP, driving economic growth, job creation, and international cultural influence.

THE TIMES

Peppa Pig is one of Britain's greatest cultural feats, says Quentin Tarantino

The Guardian

Peppa Pig on track to be $2bn brand after making splash in US and Asia

Daily Mail

Peppa Pig World, Chester Zoo and some very grand buildings: England's top tourist attractions revealed

Source: CVL Economics.

CA'S FILM & TV TAX CREDIT PROGRAM FALLS SHORT IN MANY KEY AREAS

California's Film & TV Tax Credit Program falls short in several key areas compared to other leading jurisdictions, limiting the state's ability to attract and retain a diverse range of productions. While the exclusion of animation is a major gap that leaves an entire segment of the industry unsupported, short-comings in labor coverage, budget thresholds, and incentive caps further weaken the state's competitiveness in today's production landscape.

ELIGIBLE PROJECT TYPES

California's Film & TV Tax Credit (v. 3.0 & 4.0) program does not include animation. Other regions, like New York, Georgia, and British Columbia (B.C.), include animation along with other categories like video games, commercials, and post-production work. This broader eligibility allows them to cultivate more dynamic creative ecosystems, where talent, production workflows, and infrastructure can transfer and intersect across sectors.

ANNUAL CAP

California currently has a $330 million annual cap, which limits the number of projects that can benefit from the credit. This total is divided across categories, with $132 million allocated to scripted television and $115.5 million to feature films. While the state has proposed increasing the total cap to $750 million, it still falls short of the flexibility seen in Georgia and B.C., both of which operate with no cap. New York, which has a smaller film and TV industry than California, has a $700 million cap and includes a $45 million allocation specifically for post-production. New York has also proposed adding an additional $100 million pool for independent films, bringing the total to $800 million.

LABOR

California is the only major film hub where incentives exclude above-the-line (ATL) costs like actor, director, and producer salaries—a large portion of overall production costs—and its below-the-line labor (BTL) credit is limited to 20%–25%. New York offers a 30% credit for both ATL and BTL resident and non-resident labor. B.C., which has two primary programs—the Production Services Tax Credit (PSTC), designed to attract both domestic and foreign productions, and Film Incentive BC (FIBC), aimed to promote Canadian productions—provides credits upwards of 40% of ATL and BTL labor, though only for resident labor.

MINIMUM BUDGET SIZE

California has a flat $1 million minimum budget requirement for all productions types. Georgia allows productions to qualify with budgets as low as $500,000. New York offers reduced thresholds for projects outside the NYC area and no cap for post-production projects, and B.C. scales its requirements by project type, such as lower minimums for television episodes compared to feature films. These more flexible frameworks make incentives accessible to a broader range of productions, including smaller and independent projects.

PROJECT CAP

California places a cap on individual projects—$100 million for feature films and TV, and $10 million for independent films. New York, Georgia, and B.C. do not impose project caps, allowing higher-budget productions to take full advantage of the incentive.

UPLIFTS

Uplifts in California range from 5% to 10%, depending on factors like local hires (10%), regional zones (5%), or VFX (5%) work. Other jurisdictions offer more generous and targeted uplifts. B.C., for example, offers an additional 16 percent through the DAVE program for digital animation, VFX, and post-production, making it attractive for animation and digitally productions.

ANIMATION INCENTIVES

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CVL ECONOMICS

DETAILED COMPARATIVE FRAMEWORK OF FILM & TV INCENTIVES IN SELECT JURISDICTIONS

As of April 2025

	INCENTIVE GUIDELINES			QUALIFIED COSTS & CRITERIA				
JURISDICTION	ELIGIBLE PROJECTS	INCENTIVE TYPE	ANNUAL CAP	ABOVE-THE-LINE LABOR	BELOW-THE-LINE LABOR	MINIMUM BUDGET SIZE	PROJECT CAP	UPLIFT OPPORTUNITIES
CALIFORNIA [1]	Feature Films, Scripted Television, Pilots	**Refundable Tax Credit** (Implemented for Program 4.0, launching July 2025)	**$330M** includes $132M allocation for TV projects, $115.5M for feature films, $56.1M for relocating TV series, and $26.4M. for independent films	**N/A**	**20%** (Feature Films & TV) **25%** (Independent Films & Relocating TV) **Resident and Non-Resident**	**$1M**	**$100M** (Feature Films and TV) **$10M** (Independent Films)	**5% or 10%** with VFX, Out of Zone, and local hire spend
NEW YORK [2]	Animation, Commercials, Feature Films, Pilots, Post Only, Scripted Television, Talk Shows, Video Games	**Refundable Tax Credit**	**$700M** includes $45M allocation for post-production	**30% Resident and Non-Resident** Capped at $500K/person, limited to directors, writers, actors, composers, 1 line producer, and 1 executive producer	**30% Resident and Non-Resident**	**$1M** (NYC and environs) **$250K** (rest of state) **None** (post-production)	None	**10% + 5%** (post-production) with Upstate NY production
GEORGIA	Animation, Feature Films, Scripted TV Pilots, Commercials, Reality TV, Documentaries, Post Only, Game Shows, Talk Shows, Video Games	**Transferable Tax Credit**	**None**	**20% Resident and Non-Resident**	**20% Resident and Non-Resident**	**$500K**	None	**10%** with Georgia marketing promotion
BRITISH COLUMBIA [3]	Animation, Pilots, Post Only, Reality TV, Feature Films, Scripted TV, Documentaries	**Refundable Tax Credit**	**None**	PSTC: **46.2%** FIBC: **40%** **Resident only**	PSTC: **46.2%** FIBC: **40%** **Resident only**	**PSTC: $1M CAD** | Films **$200K CAD** | TV ep > 30min **$100K CAD** | TV ep < 30min **FIBC:** None	None	**PSTC: 2%-16%** with regional and animation, VFX, and post-production **FIBC: 12.5%-30%** with regional and animation, VFX, and post-production, and training program

[1] California has proposed increasing its annual cap to $750 million and its payout for BTL labor to 35% for Program 4.0 (launching July 2025). These measures have yet to be approved at the time of writing.
[2] New York has proposed increasing its payout for ATL labor to 40%, removing the $500,000 cap per ATL job, and expanding its annual cap to $800 million with an additional $100 million dedicated for independent films. These measure have yet to be approved at the time of writing.
[3] British Columbia offers two primary tax credit programs to support film and television production: the Production Services Tax Credit (PSTC), designed to attract both domestic and foreign production companies to B.C., and the Film Incentive BC (FIBC), aimed at promoting Canadian-owned and controlled productions. | SOURCES: Entertainment Partners, Regional Film Commissions, CVL Economics.

JOB LOSSES AND COSTS TO CALIFORNIA

The migration of animation production from California to other regions has led to significant job losses within the state. California's existing film and television tax credit program notably excludes animation, making the state less attractive for animation projects compared to regions offering targeted incentives. As a result, studios seek jurisdictions with more favorable financial environments for production work.

For instance, DreamWorks Animation has shifted away from producing films entirely in-house at its Glendale, California studio, opting instead to collaborate with third-party studios in locations that are more cost effective. Similarly, Disney has moved entire productions of films like *Moana 2* from Los Angeles to its Vancouver facility, reflecting a broader industry trend of relocating work to areas offering substantial tax incentives.

This outsourcing affects California's labor market, particularly entry-level positions crucial for career development. Middle-income jobs that previously served as on-ramps into the industry are largely disappearing in California, undermining workforce diversity and reducing opportunities for long-term job stability.

More broadly, animation is deeply embedded across a range of creative and technical sectors—including gaming, visual effects, and immersive media. Without robust support for animation, California risks weakening an entire innovation ecosystem and forfeiting thousands of high-quality, transferable jobs that fuel some of the state's most dynamic industries.

ANIMATION PRODUCTIONS SUPPORT A VARIETY OF JOBS

Animation productions support a wide range of creative, technical, and administrative roles—from story artists and composers to art directors and sound designers. These positions are typically categorized as either above-the-line (ATL) or below-the-line (BTL), a distinction used in film and television to separate creative leadership from technical roles.

ATL roles—like executive producers, writers, and voice actors—help shape a project's vision and typically negotiate higher, fixed-rate contracts. While critical, they represent a smaller share of total jobs. BTL roles, by contrast, make up most of the workforce, including storyboard artists, animators, editors, and production staff. In animation, directors are often classified as BTL due to the hands-on, technical nature of their work.

BTL jobs are vital to California's creative economy, offering steady, middle-income employment and serving as career entry point for diverse talent. But they're also the most vulnerable to outsourcing, as studios increasingly relocate work to regions with stronger incentives.

SELECT BELOW-THE-LINE OCCUPATIONS ON ANIMATION PRODUCTIONS BY DEPARTMENT

DIRECTOR UNIT
Director
Assistant Director
Supervising Director
Art Director

PRODUCTION STAFF
Line Producer
Associate Producer
Production Manager
Production Coordinator
Production Assistant
Production Administrative
Production Accountant

RECORDING
Sound Engineer
Dialogue Editor

STORYBOARDING
Storyboard Artists
Storyboard Revisionists
Pre-Production Checkers
Freelance Storyboard Artist

MUSIC
Composer

POST-PRODUCTION SOUND
Sound Designer and Mixer

ANIMATIC
Animatic Editors
Assistant Animator Editor
Track Read

PRE-PRODUCTION DESIGN
Character Designer
Prop Designer
Assistant Character Designer
Color Designer
Background Designer
Background Painter
Freelance Background Designer

ANIMATION PRODUCTION
Animators (2D)
Rigging Artist (2D)
Sheet Timer
Tech Supervisor

EDITORIAL
Editor
Assistant Editor
Quality Control

RETAKES
Retake Animator
Retake Compositor
Retake Director
Retake Animator

COMPUTER-GENERATED (CG)
CG Supervisor
Look Development Artist
CG Asset Lead
Modeling Artist
Texture Artist
Lighting Artist
Environment Artist
Background Painter
Layout Artist
Posing Artist
Animators (3D)
Rigging Supervisor
Rigging Artist (3D)

COMPOSITING
Prep Artist
Roto Artist
Compositing Supervisor
Compositor

WORKFORCE IMPLICATIONS

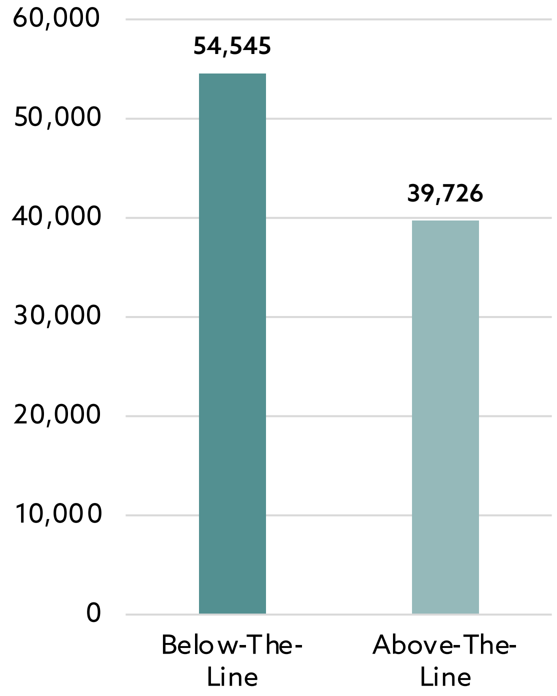
THE PRODUCTION INDUSTRY OFFERS WELL-PAYING JOB OPPORTUNITIES

California's production workforce is a major economic driver, with over 54,500 people across the state employed in the motion picture and video industry in below-the-line (BTL) roles such as animators, editors, and crew.

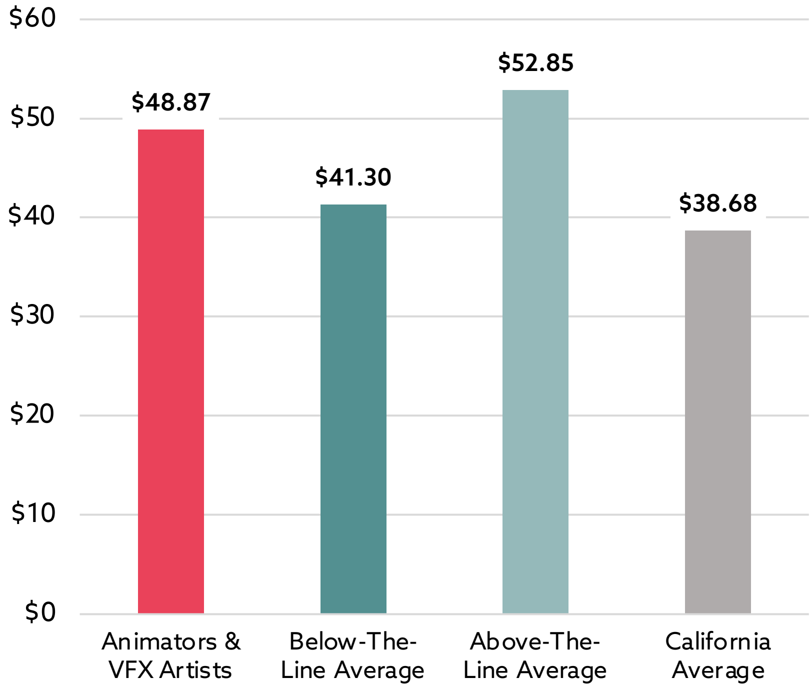
Above-the-line (ATL) workers like producers, writers, and directors represent a smaller portion of the workforce, but still total nearly 40,000 jobs in the industry. And while ATL workers earn more on average ($52.85/hour), BTL roles also earn strong wages at $44.43/hour, well above the statewide average of $38.68. Among these, animators are a particularly well-paid occupation, earning $48.87 per hour on average.

It's not just employment numbers at stake—it's a large share of middle- and high-wage creative jobs that not only form the foundation of the entertainment industry, but the many others these skillsets touch as well.

CALIFORNIA MOTION PICTURE & VIDEO JOBS BY OCCUPATION TYPE
2024



AVERAGE HOURLY WAGE BY OCCUPATION TYPE IN CALIFORNIA
2024



Source: U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Bureau of Economic Analysis, CVL Economics.

Note: Includes salaried, self-employed, and gig workers.

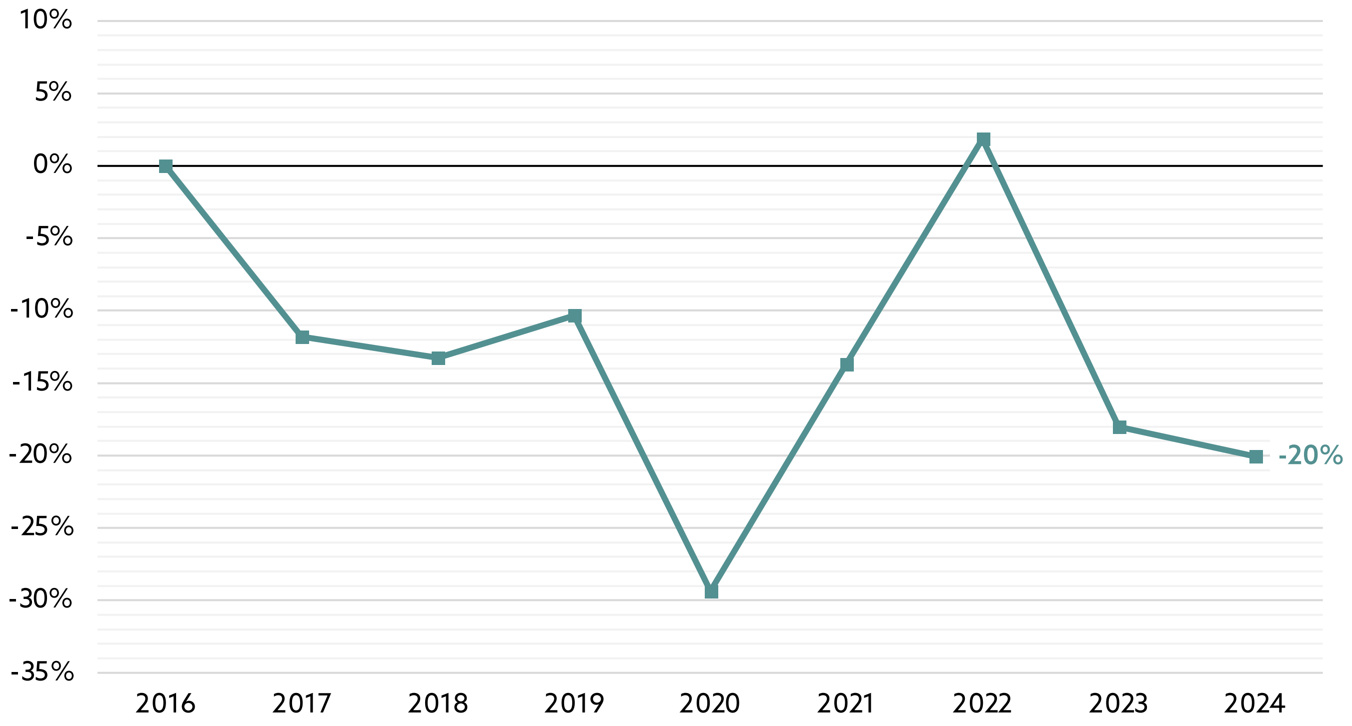
THE PRODUCTION INDUSTRY HAS FACED CHALLENGES FOR SOME TIME

California's film and television industry has seen a significant decline in employment over the past several years. In 2024, industry employment sat 20% below 2016 levels—a sharp drop that highlights the growing challenges facing the state's once-dominant production sector.

Though the industry saw a temporary rebound in 2021 after pandemic-related shutdowns, that recovery was short-lived. The 2023 writers' and actors' strikes further disrupted production and opened the door for other regions to gain ground. The industry has yet to recover from the disruption stemming from the labor disputes. This downward trend is not only a warning sign for the entertainment industry but also for the thousands of workers and local businesses that depend on a thriving motion picture economy in California.

MOTION PICTURE AND VIDEO INDUSTRY EMPLOYMENT GROWTH IN CALIFORNIA

Annual Percent Change since 2016



Source: U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Bureau of Economic Analysis, CVL Economics.

WORKFORCE IMPLICATIONS

ANIMATION EMPLOYMENT HAS BEEN HIT PARTICULARLY HARD

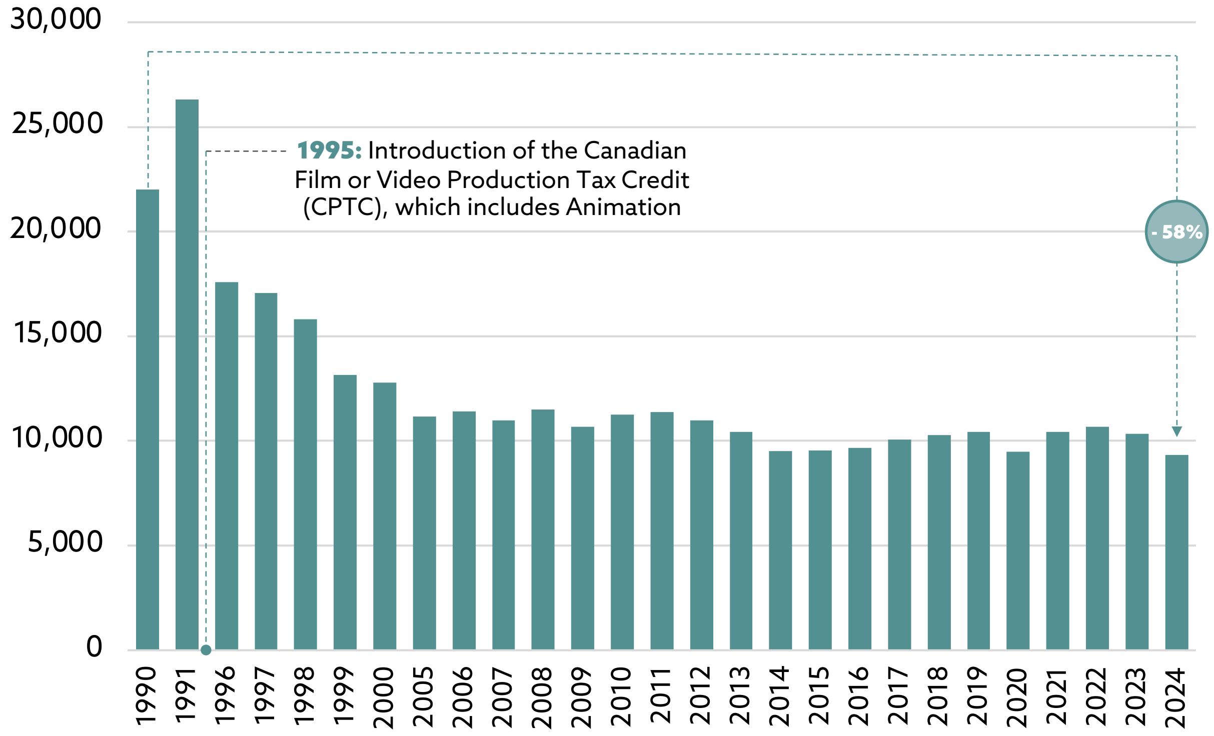
California's post-production employment has been on a steady decline since the early 1990s, shedding more than half its workforce over three decades.

A pivotal moment came in 1995, when Canada introduced the Canadian Film or Video Production Tax Credit (CPTC), which—crucially—included animation. This policy sparked a long-term industrial strategy that transformed Vancouver into a global hub for animated content. As Canadian provinces layered on additional incentives, major U.S. studios began shifting work north to capitalize on lower costs and a growing pool of skilled labor. What began as a cost-saving maneuver quickly matured into a full-fledged talent and infrastructure migration.

The impact on California has been profound. The state saw continuous attrition—especially in mid-level and entry-level animation jobs—through the 2000s and 2010s. As global outsourcing accelerated and streaming platforms demanded more content, Canada, rather than California, absorbed the boom. Productions that might have anchored careers and communities here—like The Willoughbys, Angry Birds, Paw Patrol, and Sausage Party—were animated in Vancouver and Toronto.

POST-PRODUCTION SERVICES EMPLOYMENT IN CALIFORNIA

1990 to 2024



Note: Payroll employment for NAICS code 51219: Postproduction Services and Other Motion Picture & Video Industries.
Source: U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Bureau of Economic Analysis, CVL Economics.

INDUSTRY STAKEHOLDERS EXPRESS HOW THEY HAVE BEEN IMPACTED

To better understand the shifting dynamics of animation production and its impact on jobs, CVL Economics conducted a survey in partnerships with The Animation Guild (TAG), representing a wide cross-section of professionals working in the industry. With 648 respondents, the survey captured firsthand insights into where work is moving, which departments are most affected, and how these trends are reshaping opportunities for artists, technicians, and production staff across California and beyond. Key themes that were highlighted include:

- **A GROWING SHIFT AWAY FROM IN-HOUSE PRODUCTION**

  Many respondents expressed concern that once-traditional U.S.-produced animated films and shows are now being handled in countries like Canada, Korea, and France, as studios try to cut costs and take advantaged of more favorable financial environments abroad. The animation segment of the work was flagged as being the most outsourced department.

- **CLASSIC TV ANIMATION MOVING ABROAD**

  Long-standing California-based TV series like *SpongeBob SquarePants*, *Fairly OddParents*, and *Looney Tunes* were identified as projects now relying on foreign studios for parts of their production.

- **NEWER PROJECTS FOLLOWING THE OUTSOURCING TREND**

  Shows like *Dog Man* have also been mentioned as projects that previously might have been handled in California but are now being produced elsewhere.

> “Krapopolis at Bento Box Entertainment outsourced to Ireland and Australia. Design work including background paint and color design was done through Ireland, while animation and retake animation was done by a team in Australia. Several union staff members were directly affected through layoffs to make this happen.”

Source: CVL Economics analysis based on survey responses from 648 employees working in the animation industry.

WORKFORCE IMPLICATIONS

CALIFORNIA'S ENTIRE ANIMATION INDUSTRY IS ON THE BRINK

STANDARD PRODUCTION PHASES FOR ANIMATED FILMS AND TELEVISION

DEVELOPMENT

California remains a global hub for developing high-concept animated IP due to its talent pool, studio infrastructure, and proximity to decision-makers

Production phases are already largely out-sourced, and pre- and post-production are seeing increasing movement—putting the entire production chain at risk.

PRE-PRODUCTION

Pre-production, which includes storyboarding, voice acting, and design, is increasingly being split between California and other countries offering generous incentives for pre-production work. As a result, even highly creative pre-production tasks—once considered the state's stronghold—are being offshored or hybridized, with California-based artists working in parallel with foreign teams. This diffuses creative control and limits opportunities for newer local talent to gain experience.

PRODUCTION

This is where incentives hit hardest. Animation itself is highly mobile, and tax incentives in countries like Canada, France, Ireland, and South Korea are aggressively structured to support frame-by-frame labor and VFX-heavy scenes, making it far more cost-effective for studios to outsource the bulk of production overseas.

For California-based animators there are now fewer full production pipelines in the state. The new reality is limited job continuity and professionals are increasingly being hired to oversee, guide, or manage animation work that is physically done elsewhere.

POST-PRODUCTION

Some post-production tasks, particularly compositing and rendering, are now being bundled into incentive packages in foreign jurisdictions. While voice talent and sound design often remain in California due to SAG-AFTRA and legacy infrastructure, finishing work is increasingly globalized.

Studios seek integrated pipelines that complete both production and post-production in regions that maximize financial return.

DISTRIBUTION & MARKETING

California still dominates global marketing, licensing, and franchise management. However, because the economic value of distribution rights often depends on qualifying spend in incentive jurisdictions, California-based companies are increasingly forced to co-brand or co-produce with foreign partners.

Source: CVL Economics.

WORKFORCE IMPLICATIONS

ENTRY LEVEL JOBS AND SMALLER STUDIOS ARE VULNERABLE

Emerging talent in California faces steep hurdles, with fewer entry-level opportunities available. Smaller studios in the state struggle to stay competitive, losing out to international productions fueled by foreign incentives. As California shifts into a hub for high-level creative and executive roles, the lack of local production weakens the career pipeline for homegrown artists. Jobs in the **production phase**—including animation, rigging, modeling, lighting, and FX—are among the most impacted by the industry's shift toward international outsourcing. These roles are labor-intensive and cost-sensitive, making them prime targets for relocation to countries offering generous tax incentives and lower production costs. As a result, many skilled artists and technicians in California find fewer opportunities to break in or sustain careers in this core part of the pipeline. Increasingly, roles in **pre-production** (like storyboarding, design, and editorial) and **post-production** (such as compositing, audio, and color correction) are also being affected. Advancements in remote collaboration technology make it easier for studios to offload more of the creative process abroad, which further erodes the local ecosystem that once supported a full spectrum of animation and media careers from concept to final delivery.

JOB DEPARTMENTS BY PRODUCTION PHASE FOR ANIMATED FILMS AND TELEVISION

DEVELOPMENT

Creative Development
Writing
Visual Development
Business Affairs

PRE-PRODUCTION

Story / Storyboarding
Design
Editorial (Animatic)
Casting / Voice Direction
Production Management
Recording

PRODUCTION

Animation (2D, 3D, Stop Motion)
Rigging
Modeling
Texturing / Surfacing
Lighting
Effects (FX) Animation
Technical Direction (TD)
Asset Management

POST-PRODUCTION

Compositing
Sound / Audio
Music / Scoring
Editorial (Final Cut)
Color Correction / Grading
Final Delivery

DISTRIBUTION & MARKETING

Distribution
Marketing & Publicity
Licensing / Merchandising
Sales & Acquisitions

Source: CVL Economics.

ROLES IN ANIMATION DEPARTMENTS ARE MOST VULNEARBLE

Survey results make clear that outsourcing is no longer limited to peripheral or support functions—it now encompasses core creative and technical roles that have traditionally been staffed in California.

Animation was cited most frequently as the department being outsourced, reflecting a broader shift in where the bulk of production labor is now performed. In addition, storyboarding and layout, once considered foundational in-house functions, are increasingly handled by international teams.

Animation jobs are increasingly migrating to regions that offer strong incentive programs, lower costs, and growing talent pools. Canada—especially Vancouver, Toronto, and Montreal—has become a leading destination, supporting thousands of animation roles through generous tax credits and well-developed pipelines.

Korea continues to host a large share of traditional animation jobs for global television series, while India and the Philippines offer cost-effective technical labor. France is attracting more design and creative roles as its reputation for high-quality production grows. Emerging hubs like Australia, Ireland, and Spain are also expanding job opportunities.

In the U.S., states like Georgia, New York, and Washington are gaining ground, drawing jobs away from California through competitive incentives and a lower cost of doing business.

> "DreamWorks has outsourced production of Captain Underpants, Dogman, The Bad Guys 2, and all future feature animation to Sony Imageworks in Canada. Disney, meanwhile, produced Moana 2 and Zootopia 2 in Vancouver and has announced it does not plan to hire additional artists in Burbank, opting instead to rely on labor in Canada."

Source: CVL Economics analysis based on survey responses from 648 employees working in the animation industry.

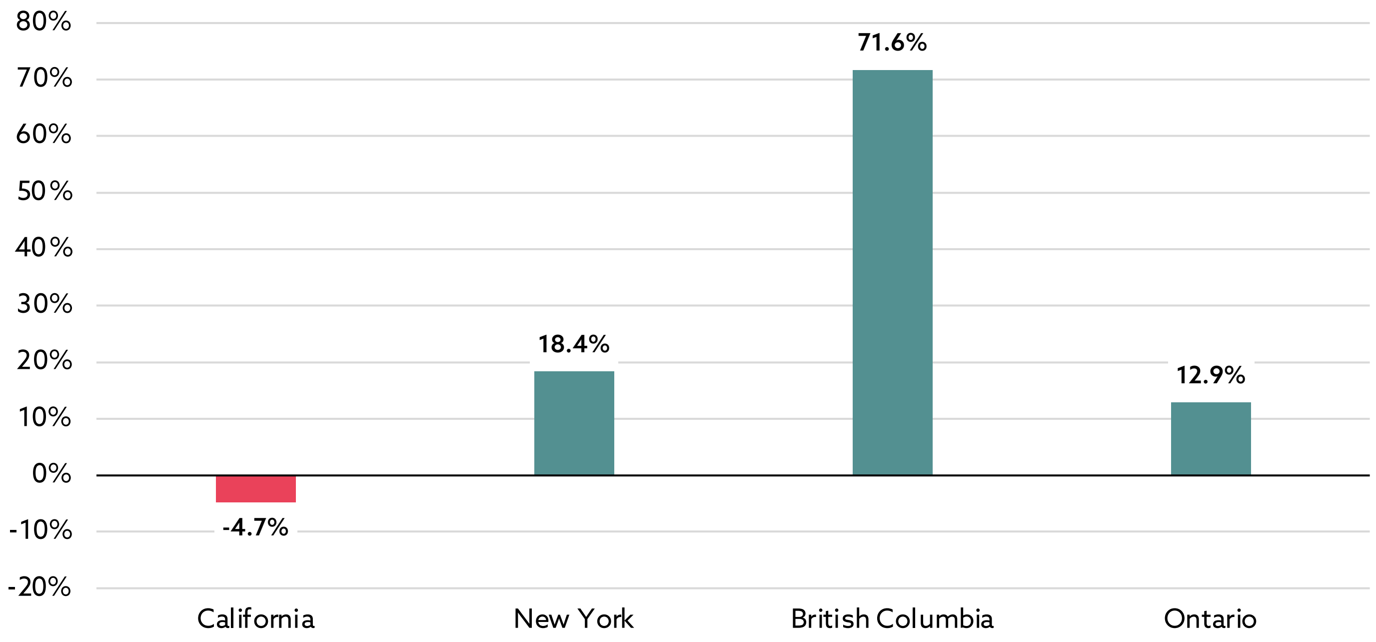
ANIMATION HUBS WITH INCENTIVES SHOW JOB GAINS

California has witnessed a loss in industry animation jobs over the past five years while other hubs experience gains, showing incentives have a clear impact on jobs.

Between 2019 and 2024, animation employment declined by 5% in the motion picture and video industry. New York saw significant growth at 18%, and Canadian jurisdictions saw animation jobs rise as much as 72% in British Columbia and 13% in Ontario.

These gains reflect the success of targeted policy support, competitive tax incentives, and investments in infrastructure and talent development in those regions. In contrast, California's lack of a dedicated animation incentive has made it less competitive in a rapidly evolving global market. As other jurisdictions strengthen their position, animation work is increasingly being outsourced or relocated—taking jobs, spending, and future growth with it.

JOB GROWTH IN ANIMATION OCCUPATIONS IN THE MOTION PICTURE AND VIDEO INDUSTRY
2019 to 2024



Note: Animation occupations Include "Special Effects Artists and Animators" and "Graphic Designers" for U.S. jurisdictions and "Graphic Designers and Illustrators" and "Graphic Arts Technicians" for Canadian jurisdictions in the Motion Picture and Video industry.

Source: U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Bureau of Economic Analysis, CVL Economics.

WORKFORCE IMPLICATIONS

SPOTLIGHT: NEW YORK'S DEDICATED POST-PRODUCTION TAX CREDIT

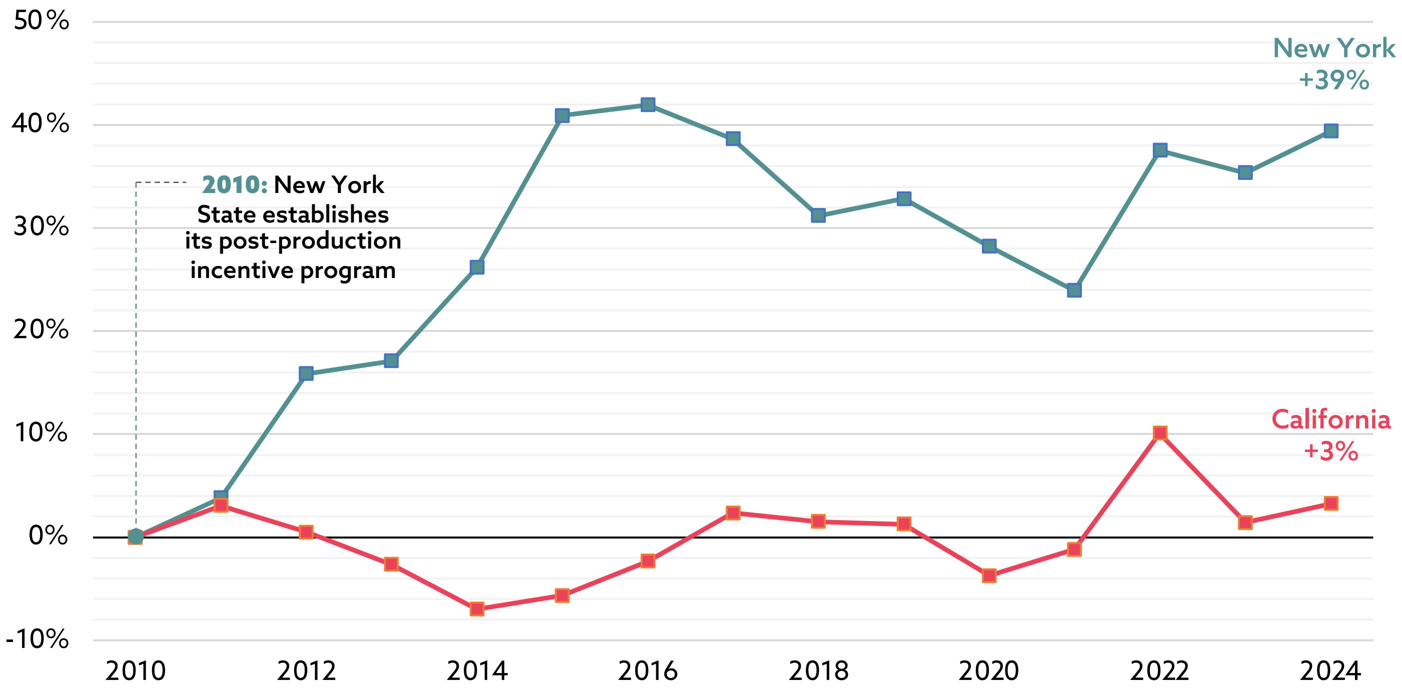
New York launched its Post-Production Tax Credit in 2010 as an extension to the state's broader Film and Television Tax Credit Program. While the main program supports film and TV productions, particularity principal photography, the state recognized that post-production work like editing, animation, VFX, and sound is a significant part of a project's pipeline. New York sets aside $45 million of its $700 million annual cap specifically for post-production activities.

The post-production credit functions as a standalone incentive, meaning projects that shoot elsewhere can still qualify to complete post-production work in New York, earning up to 35% in credits for that portion of the work. Projects that conduct both production and post-production in-state can receive up to 45% in combined credits.

Since launching its post-production incentive in 2010, New York has seen a dramatic rise in industry employment—growing 39% between 2010 and 2024. In contrast, California, which offers no dedicated incentive for post-production, has struggled to keep pace, with only a 3% increase in the same period.

PERCENT CHANGE IN POST-PRODUCTION INDUSTRY EMPLOYMENT

2010 to 2024



Note: Includes payroll employment for NAICS code 512191: Teleproduction and Other Postproduction Services

Source: U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Bureau of Economic Analysis, CVL Economics.

WORKFORCE IMPLICATIONS

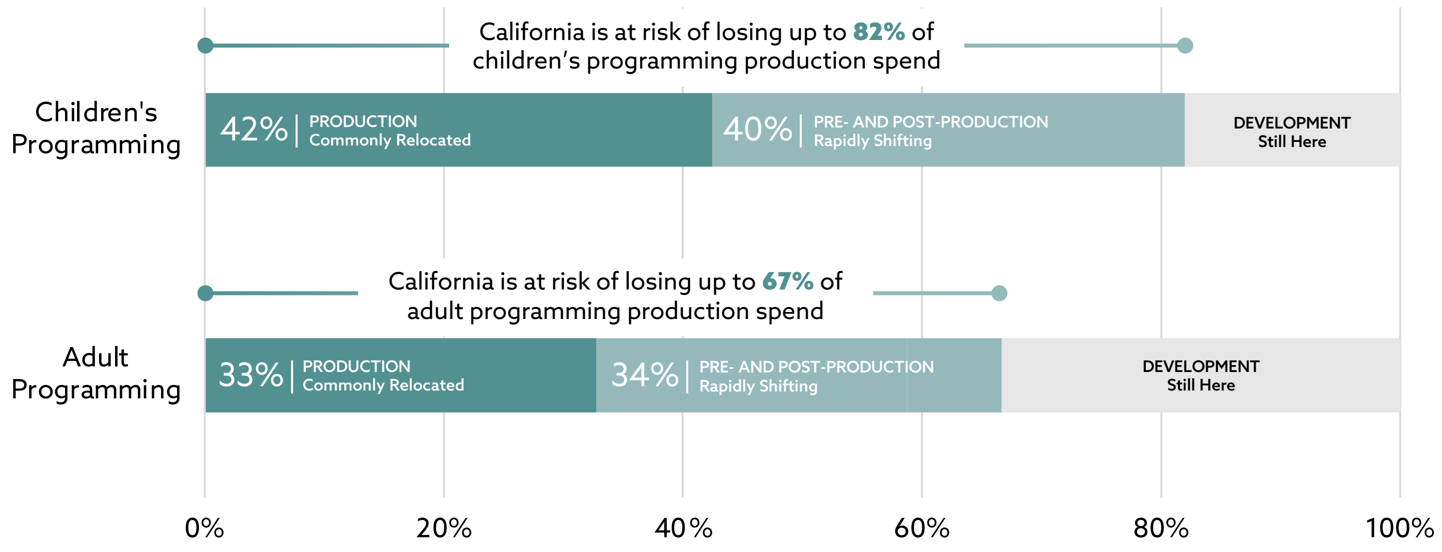
CALIFORNIA INCURS SIGNIFICANT COSTS AS PRODUCTIONS LEAVE STATE

Today, it's typical for entire animation departments to be outsourced—for animated-only projects, this constitutes much of the production phase. As such, a significant portion of overall budgets regularly leaves California, often to countries like Korea, Malaysia, and India.

CVL Economics analyzed budgets for children's and adult animated television projects provided by California-based independent studios. Because animation work—or the entire production phase of animated content—is commonly relocated, California has already incurred significant losses. For children's programming, at least 42% of what would have been spent in California is now spent out-of-state or overseas; for adult programming, that figure starts at 33%.

As insights from industry workers pointed to, pre-production (e.g., storyboarding) and post-production (e.g., compositing) activities are also rapidly moving to other jurisdictions. The addition of these phases being outsourced raises the share of total budgets leaving the state to as high as 82% for children's programming and 67% for adult.

SHARE OF ANIMATED TV PRODUCTION BUDGETS ON THE MOVE



Note: Percentages are a share of the total budget for Development, Pre-Production, Production, and Post-Production, and does not include Distribution & Marketing. Budget shares are modeled on the estimated cost of producing the entire project in California to illustrate spending that is no longer taking place in the state.

Source: CVL Economics analysis based on budgetary data provided by studios.

WORKFORCE IMPLICATIONS

MORE THAN JUST HIGH COSTS ARE DRIVING PRODUCTION AWAY

Survey responses pointed to a range of factors driving the continued outsourcing of animation work from California. While cost is a central theme, the issue is multifaceted, with structural, policy, and operational dynamics accelerating the trend:

- **Cost savings** were the most commonly cited driver. Studios are under pressure to reduce budgets and are increasingly turning to lower-cost labor markets abroad to produce the same quality work at a fraction of the cost.
- **Tax incentives** in other jurisdictions are significantly reshaping production decisions. Locations such as Canada, Georgia, and Ireland offer generous, stackable tax credits that make relocating work financially attractive—even if it means breaking traditional production pipelines.
- **Studio policy changes** are also playing a role. Respondents referenced both formal mandates and informal internal goals at companies like DreamWorks and Disney to outsource a set portion of production work, embedding outsourcing into the development process itself.
- **Improved infrastructure and international partnerships** have made outsourcing more operationally seamless. Long-standing relationships with overseas studios—particularly in Canada, Korea, and the Philippines—have created efficient pipelines that reduce friction in production handoffs.
- **Workforce reductions in California** were noted as both a symptom and consequence of these trends. Multiple respondents described shrinking in-house teams, increasing layoffs, and reduced local hiring as studios shift core production tasks elsewhere

> "Luma Pictures used to be located in Santa Monica. The studio eventually laid off most of its United States employees to receive tax incentives from hiring and basing in Vancouver, BC."

Source: CVL Economics analysis based on survey responses from 648 employees working in the animation industry.

MOANA 2 AND THE CHANGING DYNAMICS OF WHERE CONTENT IS MADE

A clear example of shifting animation production trends is *Moana 2*. While the original 2016 film was produced at Disney's Burbank studio in California, the sequel's development moved north to Disney's animation studio in Vancouver, Canada—illustrating how studios are increasingly turning to international talent hubs and tax incentives to manage costs.

Disney's Vancouver studio was originally established to handle long-form series and special projects for Disney+. *Moana* 2 began as a streaming spinoff but was later turned into a full theatrical release. Much of the animation was completed by Canadian artists and animators; B.C.'s incentive program offers tax credits specifically for resident labor.

Both *Moana* and *Moana 2* became box office hits—the latter grossed $1.1 billion globally and ranked as the third-highest grossing film worldwide in 2024, highlighting the impact these films have on regional and global economies.

Note: Monetary values for Moana (2016) have been inflation-adjusted to 2024 dollars.

Source: IMDb, Box Office Mojo, U.S. Bureau of Labor Statistics, CVL Economics.

Budget: $196M

Domestic Box Office:
Gross Receipts: $325M | Rank: #13

Worldwide Box Office
Gross Receipts: $841M | Rank: #12

Primary Production Studio: Walt Disney Animation Studios in Burbank, California

Budget: $150M

Domestic Box Office:
Gross Receipts: $460M | Rank: #4

Worldwide Box Office
Gross Receipts: $1.1B | Rank: #3

Primary Production Studio: Walt Disney Animation Studios Vancouver in British Columbia, Canada

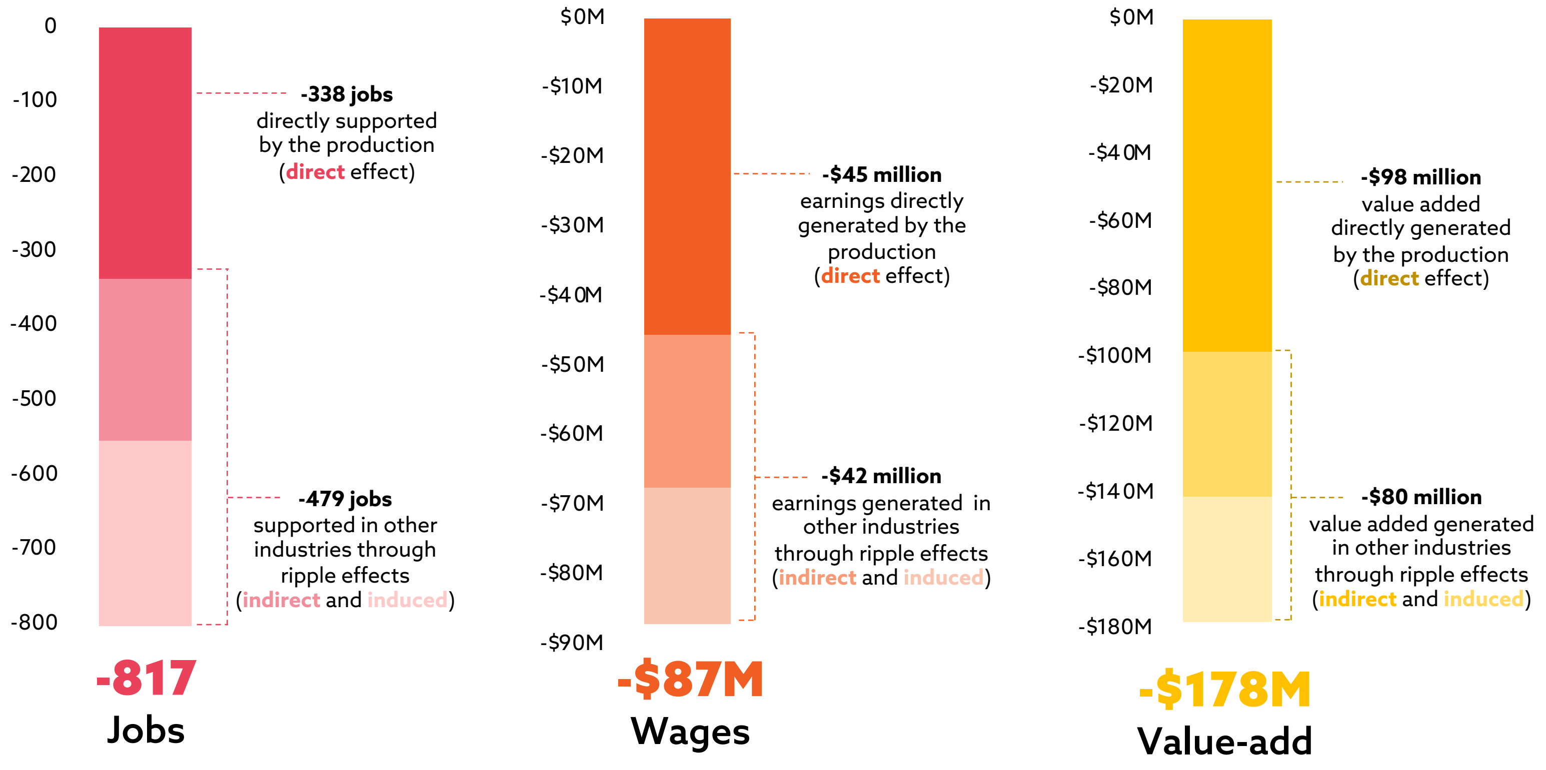
LOST OPPORTUNITY: IF MOANA 2 HAD BEEN MADE IN CALIFORNIA …

The shift of production for Moana 2 from Disney's animation studio in Burbank to its one in Vancouver came at a significant cost to California.

The entertainment industry is part of a broader regional ecosystem comprised of interactions with other industries and consumers. For instance, film production supports other industries through supply-chain transactions. At the same time, the industry pays wages to employees who then go and spend their incomes on various goods and services throughout the economy, like at restaurants, dry cleaners, and grocery stores. Measuring this additional activity, which extends beyond the direct industry itself and into upstream and downstream industries (indirect effect) and households (induced effect), provides a clearer picture of the full breadth of a production's impact on California's economy.

If *Moana 2* had been produced in California like the original in 2016, the production would have supported a total of 817 jobs and $87 million in employee earnings. Additionally, it would have contributed about $178 million to state gross domestic product (value-add) in 2024.

TOTAL ECONOMIC LOSS TO CALIFORNIA FROM *MOANA 2* PRODUCTION IN CANADA
2024



Source: IMDb, IMPLAN, CVL Economics.

RELOCATION OF PRODUCTIONS HAS RIPPLE EFFECT ACROSS INDUSTRIES

The loss of production-supported employment in California affects a wide range of industries.

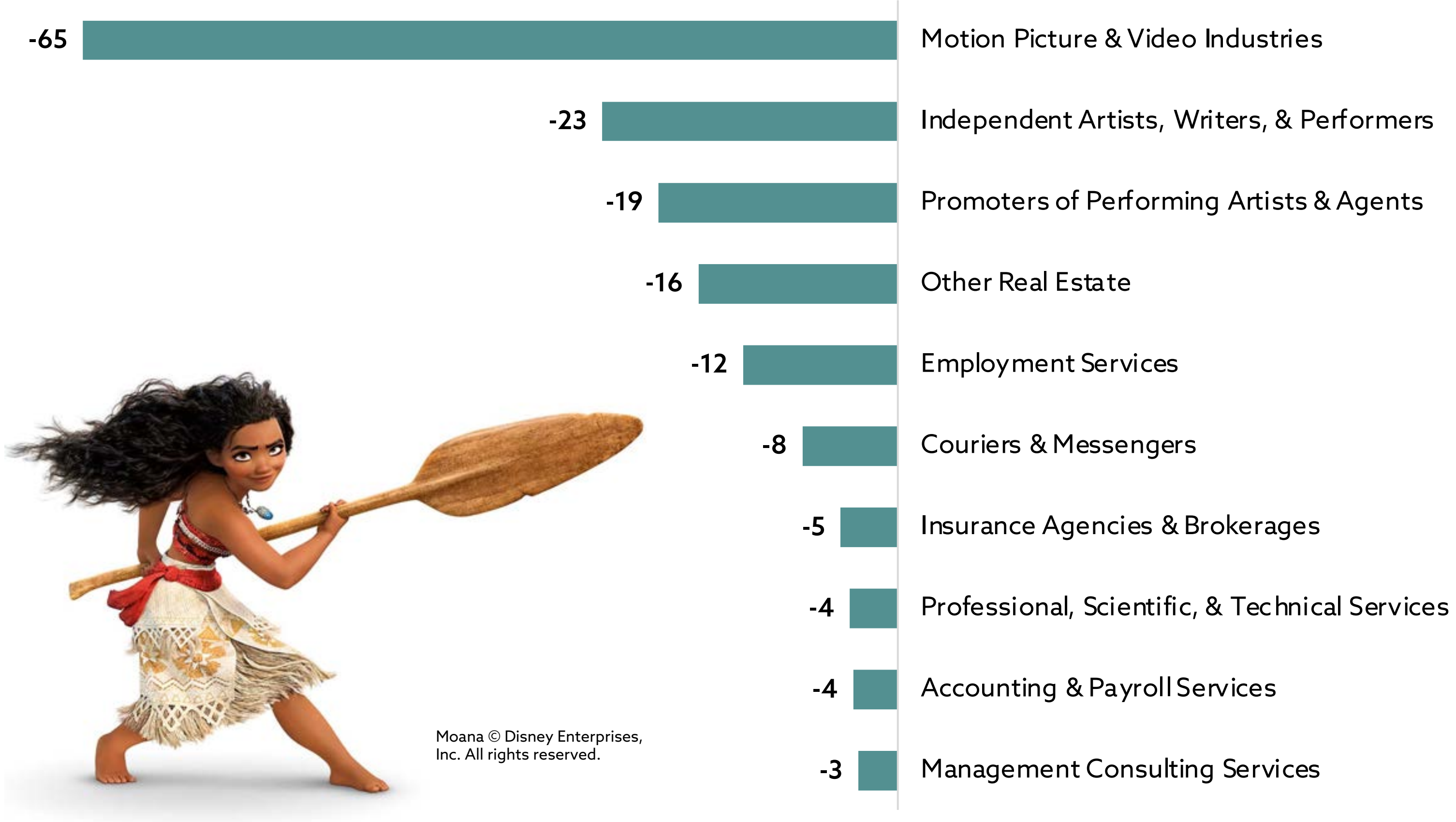
While the largest impact is on other businesses within the motion picture and video sector, significant job impacts also occur among Independent Artists, Writers, and Performers and Promoters of Performing Artists and Agents industries.

Perhaps less obvious is the impact on sectors such as real estate, accounting, courier services, and even insurance, reflecting the broad supply chain required to support a major production.

These indirect effects highlight how entertainment drives employment not only in creative roles, but across the wider economy—making it a foundational piece of California's economic ecosystem.

Source: IMDb, IMPLAN, CVL Economics.

LOSS OF *MOANA 2* PRODUCTION-SUPPORTED SUPPLY CHAIN EMPLOYMENT IN CALIFORNIA
2024



WORKFORCE IMPLICATIONS

MANY INDUSTRIES FEEL THE PINCH OF REDUCED HOUSEHOLD SPENDING

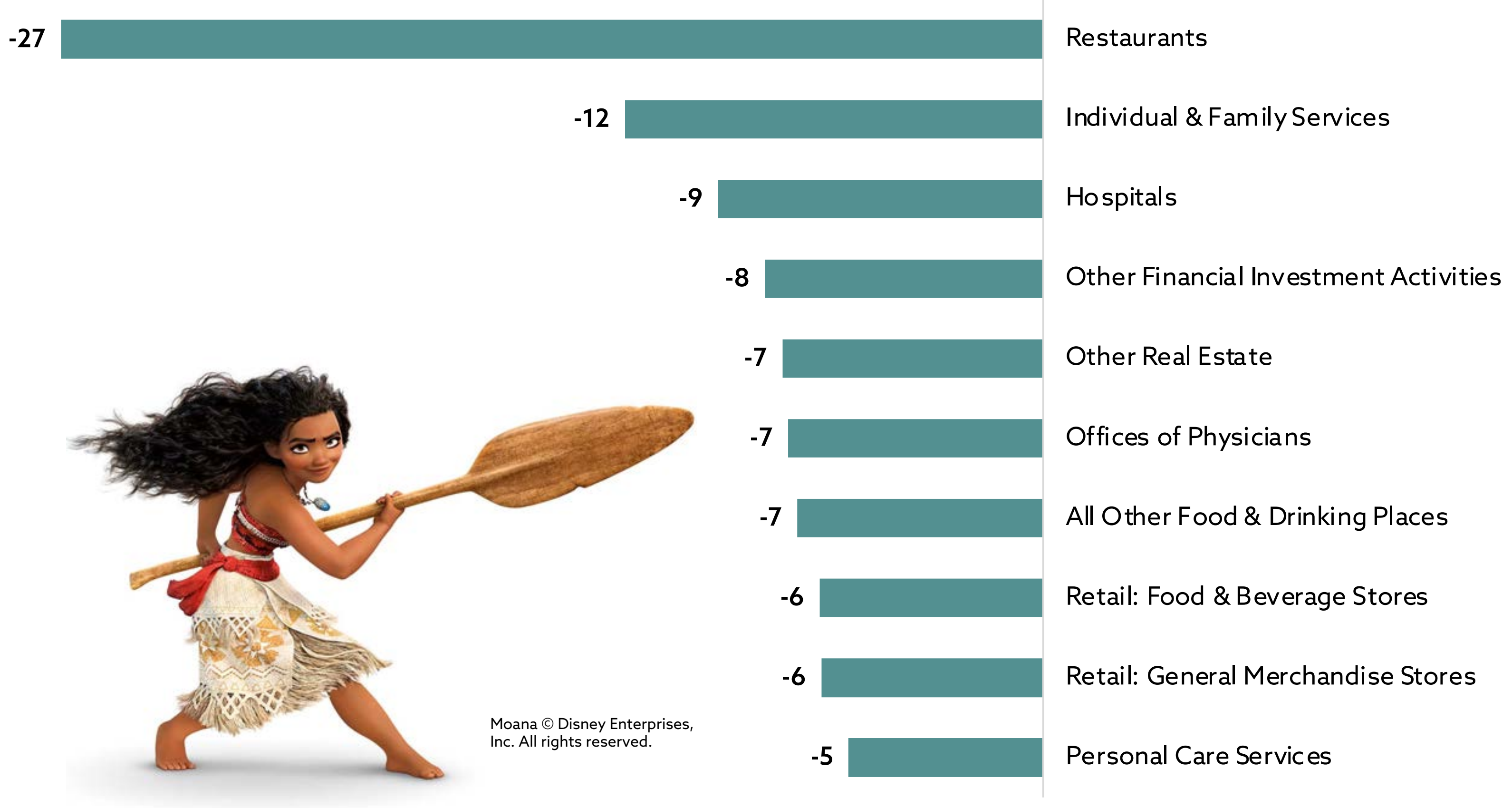
When workers don't earn income, their reduced spending impacts a wide array of consumer-facing industries.

Restaurants are hit hardest, reflecting their dependence on discretionary income. Other sectors—like individual and family services, hospitals, retail, and personal care—also experience employment impacts as a result of declining local demand.

These induced effects underscore how deeply entertainment wages circulate through the economy, supporting everyday services and businesses far beyond the creative sector itself.

Source: IMDb, IMPLAN, CVL Economics.

LOSS OF *MOANA 2* PRODUCTION-SUPPORTED EMPLOYMENT IN CALIFORNIA BY HOUSEHOLD SPENDING
2024



INNOVATION THROUGH ANIMATION

The next generation of film and television production is being fundamentally reshaped by the skillsets, technologies, and workflows that originated in animation, visual effects (VFX), and post-production. These disciplines—once siloed to the final stages of production—are now driving innovation upstream into preproduction and on-set processes. Virtual production, for instance, relies heavily on real-time rendering, 3D asset creation, motion capture, and compositing—skills traditionally honed within VFX and animation teams.

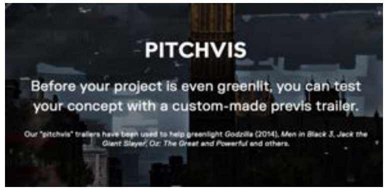
Today, job titles such as Unreal Engine technical artists, layout supervisors, virtual camera operators, and CG environment artists are not just post-production contributors—they are essential collaborators from day one of production. These workers are bridging the creative and technical, shaping everything from previsualization and digital scouting to the in-camera VFX that define cutting-edge storytelling.

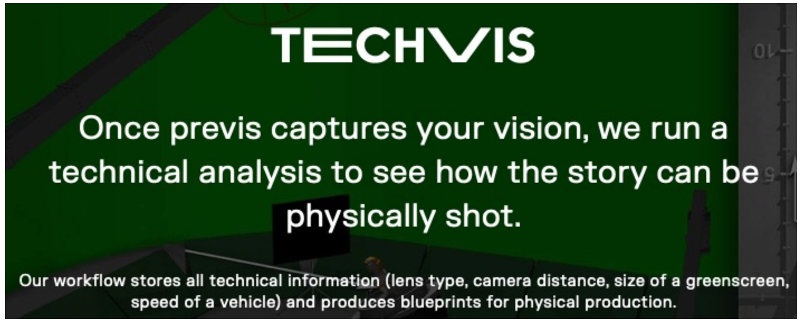
However, California has allowed much of this talent base to erode. While we remain home to some of the industry's most iconic studios and creative leadership, the global competition for VFX and animation labor—often fueled by aggressive tax incentives—has pushed much of the work offshore or to other hubs like Vancouver, Montreal, London, and Seoul. These regions have built strong pipelines and stable clusters of animation and VFX professionals, attracting both major productions and the next wave of R&D in virtual production workflows.

If California wants to maintain its leadership in entertainment, the state cannot only simply protect legacy production models—it must invest in the future of the industry. Rebuilding a robust cluster of animation talent is not about nostalgia; it's about talent competitiveness. By incentivizing this work to return, California can seed the next wave of innovation and ensure that our creative economy evolves with the new rules of production.

Animation workflows and skillsets evolving and in demand as production evolves.

"The Third Floor" Company Landing Page, March 2025





INNOVATION SPILLOVER

"SPIN VFX" Company Landing Page, March 2025

INNOVATION IN SEEDING NEW INDUSTRIES

> "With a team of industry-leading artists from around the world, SPIN VFX has amassed a sought-after crew of some of the most talented creatives in visual effects today. SPINVFX has two sister companies JAXX, an advertising post-production studio, and BRIO, a cloud & licensed subscription-based AR, VR & 3D platform, sold to Adobe in 2022."

AGGRESSIVE POLICY IN CANADA & GEORGIA

- 1987: Spin VFX founded in Toronto, Canada
- 1994: Launches JAXX, which integrates creative, production, and post-production
- 1999: Release first Feature Film
- 2009: Releases first Television Show
- 2019: Opens office in Atlanta, GA
- 2019: Launches BRIO, which enables content creators to quickly produce photorealistic, interactive, multimedia experiences for their audiences without coding or programming
- 2021: Launches ROTATE virtual production studio
- TODAY: Employs approximately 300 + professionals

TALENT PIPELINE

The skillsets, technologies, and workflows that originated in animation, visual effects (VFX), and post-production driving the next generation of film and television production.

- VFX Supervision
  ON-SET AND IN STUDIO
- On-Set Production Services
  LOCATION CAPTURE & BODY SCANNING
- Concept & Visualization
  PITCH, PRE, POST
- 3D Animation
  CREATURE AND CHARACTER
- CG Effects
  MASSIVE/CROWD DUPLICATION
- Matte Paining
  2D AND 3D

FINAL CONSIDERATIONS

LEVERAGING STRENGTHS BUT UNDERSTANDING WEAKNESSES

The case for keeping animation production in California is not dead.

The state, and particularly Los Angeles, still offers unmatched advantages—proximity to major studios, reputable educational institutions that train a highly skilled workforce, and a legacy of high-quality production.

Many artists, directors, and producers want to stay and work in California. But for studios facing tighter budgets, the math no longer pencils out. Rising business and operation costs and fewer entry-level roles make in-state production harder to justify.

Meanwhile, more cost-effective hubs like New York and Vancouver continue to lure projects with competitive incentives and lower overhead, however may lack in industry focus or talent quality and availability.

Without stronger support, California risks losing production—not because talent or studios want to leave, but because the state hasn't kept pace with the economic realities driving production decisions.

STRENGTHS AND WEAKNESSES OF PRODUCING IN SELECT JURISDICTIONS

	LOS ANGELES, CA	NEW YORK, NY	VANCOUVER, BC
+	▪ Proximity to major studios ▪ Skilled workforce ▪ High-quality production ▪ Cultural alignment	▪ Competitive tax incentives ▪ Lower costs, especially for children's programming ▪ Growing animation industry ecosystem	▪ Competitive tax incentives ▪ Lower labor costs ▪ Strong government support
-	▪ High costs ▪ Decline in entry-level jobs ▪ Heavy reliance on sending frame-by-frame animation overseas	▪ Smaller talent base ▪ Less focused on adult animation	▪ Smaller talent base ▪ Lower quality work

Source: CVL Economics based on interviews with industry executives and stakeholders.

RECLAIMING CALIFORNIA'S ROLE IN GLOBAL ANIMATION

SB 630 (and AB 1138) represents a significant step forward in modernizing California's Film and Television Tax Credit Program. With increased annual funding and explicit inclusion of animation and short-form television, the bill is well-positioned to retain and grow in-state production. However, key structural and implementation issues remain that could prevent animation and visual effects-intensive productions from fully benefiting from the program.

INCENTIVIZE LIVE ACTION TO KEEP VFX AND ANIMATION ELEMENTS IN-STATE

California's existing VFX bonus has largely failed to influence production decisions, remaining underutilized and widely viewed as ineffective by industry stakeholders. The current draft of SB 630 (and AB 1138) removes the VFX-specific bonus altogether, missing an opportunity to fix what's broken. Rather than creating a standalone VFX incentive, the smarter path is to integrate VFX more robustly into the general credit structure. Specifically, for live-action projects that already qualify for the tax credit, California-based VFX expenditures should be excluded from the per-project cap. This simple fix would remove a key disincentive and encourage productions to keep their VFX work in-state, rather than claiming a California tax credit for live action and then immediately outsourcing post-production to other jurisdictions.

CONTINUE TO EVALUATE ALLOCATIONS AND ELIGIBILITY THRESHOLDS

SB 630 (and AB 1138) offers a crucial opportunity to modernize California's film tax credit, but its reliance on outdated regulatory frameworks risks sidelining animation and VFX-heavy productions. The current proposal to allocate the $750 million fund across legacy categories—40% to TV series, 35% to features, and smaller shares to independent and relocating productions—fails to reflect the unique structure and economic contribution of animation. If the program is expected to be oversubscribed, as in the past, animation stakeholders have a strong case for carving out a dedicated funding category or aggregating eligibility across categories, as seen in New York's approach. Moreover, the qualification criteria themselves create an uneven playing field. Live-action projects can qualify by meeting the 75% shoot-days test, but animation productions, which don't operate on traditional shoot schedules, must qualify by spending 75% of their total budget in California—essentially requiring full in-state production while live-action would be able to qualify for the tax credit and still outsource the VFX work. Without adjustments to both funding allocations and eligibility thresholds, SB 630 (and AB 1138) risks reinforcing a two-track system that disadvantages the very sectors poised to drive the next wave of media innovation.

CONCLUSION

To lead the next frontier of storytelling, California must rebuild an ecosystem where animation and VFX talent—especially early-career workers—can thrive. The state is now decades behind the aggressive policy strategies implemented by global competitors, and the erosion of in-state production has had a profound impact on its once-thriving animation talent pipeline**.** As high-profile work moved elsewhere, world-class studios became increasingly inaccessible to those without advanced technical skills or industry connections. The collapse of a baseline ecosystem has meant fewer internships, entry-level jobs, and real-world learning opportunities.

Reversing this trend requires more than just bringing the work back; it demands a coordinated effort to rebuild the conditions where diverse talent can grow. These jobs offer not only strong wages but also a rich portfolio of transferable skills that fuel innovation across commercials, indie games, immersive media, and beyond—exactly the kind of cross-pollination that will define the next era of storytelling.

ACKNOWLEDGEMENTS

Commissioned by:

BRIC FOUNDATION

BRIC Foundation has one main goal: to increase representation in Entertainment, Gaming, Media and Tech. By strategically engaging with leaders across these industries, along with Government and Education Partners, BRIC strives to Break, Reinvent, Impact and Change the foundations of these businesses and create inclusive opportunities for women and underrepresented people to be successful.

THE ANIMATION GUILD

The Animation Guild, also known as Local 839 of the International Alliance of Theatrical Stage Employees (IATSE), was founded in 1952 as a labor union. Today, the Guild represents more than 6,000 talented artists, technicians, writers, and production workers in the animation industry.

TITMOUSE FOUNDATION

Titmouse Foundation is a non-profit 501(c)(3) public charity run by a group of artists who are embracing a progressive world. We were founded in 2020 by hosting an art show fundraiser to assist a fellow artist and his family. We want to share the growth and success of our company by providing opportunities for underrepresented artists.

Entertainment Industry Foundation

The Entertainment Industry Foundation is the creative community's trusted partner in philanthropy. For more than 80 years, EIF has leveraged the powerful voices and talents of our industry to positively impact millions of people globally.

Gnomon

For over 25 years, Gnomon has educated many of the world's best digital artists on its state-of-the-art campus in Los Angeles, California. Recognized as one of the top U.S. colleges in Forbes' 2023 rankings and called "the MIT of visual effects" by Fast Company magazine, Gnomon offers a variety of educational options to help students reach their goals in the entertainment industry, with certificate and degree programs, and over 100 individual courses. Gnomon is dedicated to empowering aspiring artists with the skills and expertise needed to succeed in today's competitive creative landscape.

Fourth Wall Management

Fourth Wall Management is an entertainment management company that represents actors, writers, directors, and filmmakers across all media. Committed to representing the world builders and genre blenders who push the boundaries of their craft, we advocate for our clients and work together to achieve their goals.

Group Effort Initiative

The Group Effort Initiative exists to create a pipeline for members of underrepresented communities to get real experience towards lasting careers within the entertainment industry.

West Studio

West Studio is a concept art and visual development studio that blends passion and process to create some of the best concept art in the world. We tackle every challenge in the worldbuilding process—from concept to production to marketing and post-launch. Inspiration drives us. Great design fulfills us.

The Gotham Group

The Gotham Group is a Hollywood-based management and production company founded by Ellen Goldsmith-Vein in 1993. The Gotham Group's literary management practice encompasses all aspects of writing and directing, whether it be film, television, animation, publishing, journalism, or content creation.

WIA

Women in Animation (now WIA) was created in 1993 to support the small number of women in the field of animation through community building and professional networking opportunities. Since then, WIA has evolved into the foremost non-profit advocacy group supporting female-identifying and non-binary people in animation, visual effects, and gaming, and includes over 15,000 members worldwide.

CVL Economics is an economic consulting firm that takes a data-driven, human-centric approach to equitable development and sustainable growth, with a focus on the creative economy. Founded in 2021, CVL Economics partners with communities, municipalities, organizations, and institutions to address today's most complex challenges and foster bold action. Coupling our robust economic models with innovative research methodologies, we provide decisionmakers with the actionable insights needed to effect change, expand opportunity, and improve economic well-being.

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