# BILL ANALYSIS

Senate Research Center
81R12834 YDB-F

H.B. 873
By: Dukes et al. (Deuell)
Economic Development
4/8/2009
Engrossed

## AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

During the 79th Legislature, Regular Session, 2005, the Texas Legislature established the Moving Image Industry Incentive Program (program). Although Texas is recognized as a choice location for filming, it has fallen behind other states in attracting moving image productions. In the last decade, financial incentives have become a higher priority when production companies decide filming locations, and Texas lags behind other states in offering filming incentives. Texas' current maximum amount of a grant under the program is the lesser of five percent of a production company's in-state spending for a moving image project or a specified amount dependent on the type of moving image project produced, while some states offer 25 percent tax credits or rebates. According to the Texas Film Commission, the moving image industry spent almost $345 million in Texas in 2007, generating a total state economic impact of about $522 million and supporting over 2,400 full-time jobs.

H.B. 873 requires the Music, Film, Television, and Multimedia Office in the office of the governor to establish the maximum amount of a grant under the program and reduces the threshold requirements that a production company must meet to qualify for such a grant. The bill also increases the size of additional grants available to a production company that spends at least 25 percent of its filming days in an underutilized and economically distressed area.

## RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Music, Film, Television, and Multimedia Office in the office of the governor in SECTION 3 (Section 485.024, Government Code) of this bill.

## SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 485.021(2) and (5), Government Code, to redefine "moving image project" (project) and "underutilized and economically distressed area."

SECTION 2. Amends Section 485.023, Government Code, as follows:

Sec. 485.023. QUALIFICATION. Provides that to qualify for a grant under this subchapter:

(1) a production company is required to have spent a minimum of:

(A) $250,000, rather than $1 million, in in-state spending for a film or television program; or

(B) $100,000 in in-state spending for a commercial or series of commercials, an educational or instructional video or series of educational or instructional videos, or a digital interactive media production;

(2) at least 70 percent of the production crew, actors, and extras for a project are required to be Texas residents unless the Music, Film, Television, and Multimedia Office in the office of the governor (office) determines and certifies in writing that a sufficient number of qualified crew, actors, and extras are not available to the company at the time principal photography begins;

(3) at least 60 percent, rather than 80 percent, of the project is required to be filmed in Texas; and

(4) a production company is required to submit to the office an expended budget, in a format prescribed by the office, that reflects certain documentation considered necessary by the office to accurately determine the amount of a production company's in-state spending that has occurred.

SECTION 3. Amends Sections 485.024 and 485.025, Government Code, as follows:

Sec. 485.024. GRANT. (a) Prohibits a grant under this subchapter, except as provided by Section 485.025, from exceeding the amount established by office rule. Requires the office to adopt rules prescribing the method the office will use to calculate the amount of a grant under this subsection and to publish a written summary of the method for determining grants before awarding a grant under this section. Requires that the method consider at a minimum the current and likely future effect a project will have on employment, tourism, and economic activity in this state and the amount of a production company's in-state spending for a project. Deletes existing text prohibiting a grant from exceeding the lesser of five percent of the total amount of a production company's in-state spending for a project or certain amounts per type of project.

(b) Prohibits the office, in calculating a grant amount under Section 485.025 or the amount of in-state spending for purposes of rules adopted under Subsection (a), from including wages of persons, including an actor or director, employed in the production of a project that exceed $1 million, rather than that are a major part of the production costs of the project, as determined by the office, and negotiated or spent before production begins.

(c) Authorizes the office to only make a grant from appropriated funds.

Sec. 485.025. New heading: ADDITIONAL GRANT FOR UNDERUTILIZED AND ECONOMICALLY DISTRESSED AREAS. Provides that if a production company spends at least 25 percent of a project's filming days in an underutilized and economically distressed area, rather than an underused area, the company is eligible for a grant, in addition to the grant calculated under Section 485.024, in an amount equal to 2.5 percent, rather than 1.25 percent, of the total amount of the production company's in-state spending for the project.

SECTION 4. (a) Requires the office to adopt the rules required by Section 485.024, Government Code, as amended by this Act, not later than November 1, 2009.

(b) Prohibits the office from awarding a grant under Section 485.024, Government Code, as amended by this Act, before the rules described by Subsection (a) of this section are adopted.

SECTION 5. Effective date: upon passage or September 1, 2009.