

## **BILL ANALYSIS**

C.S.H.B. 1634

By: Dukes  
Culture, Recreation, & Tourism  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The State of Texas is widely recognized as a choice location for filming due to its resources, such as technical crews, diverse locations, film equipment, and a mild climate. In the last decade, however, financial incentives have become a higher priority when production companies decide where to film. According to the Texas Film Commission, Texas has lost 29 films to one of the 23 states that already offer incentives. These films would have brought approximately \$313 million in direct spending and approximately 4,500 jobs to Texas. Both Louisiana and New Mexico have implemented film incentive programs and have seen dramatic increases in spending and film crew jobs. The purpose of C.S.H.B 1634 is to amend the existing film industry incentive program to encourage film production in Texas, create new jobs, and stimulate the economy.

### **RULEMAKING AUTHORITY**

It is the author's opinion this bill does not grant rulemaking authority to a specific agency or department.

### **ANALYSIS**

C.S.H.B. 1634 amends the heading of Subchapter B, Chapter 485, Government Code to read "Moving Image Industry Program" and conforms the name of the program to "Moving Image Industry Incentive Program". C.S.H.B. 1634 defines "in-state spending" as the amount of spending in Texas generated by a moving image project, including wages paid to Texas residents. It also changes the defined term found in current law from "filmed entertainment" to "moving image project" and amends that definition to include digital interactive media productions. However, it excludes from that definition certain productions required to maintain records under 18 U.S.C. Section 2257. It amends the definition of "Texas resident" by extending the length of time an individual must reside in Texas to 120 days before the first day of production in this state for a digital interactive media production or before the first day of principal photography for another type of project. It also adds digital interactive media production companies to the definition of "production company." C.S.H.B. 1634 includes the metropolitan area of Houston in the definition of an "underused area." C.S.H.B also requires an application to include an estimate of an applicant's total in-state spending. In order to qualify for a grant: 1.) a production company must generate a minimum of either \$10 million in in-state spending for a film or television program, or \$500,000 for a commercial, series of commercials, or digital interactive media production; 2.) at least 70 percent of the production crew, actors, and extras for a moving image project must be Texas residents; 3.) at least 80 percent of the moving image project must be filmed in Texas; and 4.) if the project is a digital interactive media production, it may not contain intense violence, blood and gore, graphic sexual content, nudity, or strong language. C.S.H.B 1634 stipulates that a grant, except as provided by Section 485.025, Government Code, may not exceed the lesser of 20 percent of the wages paid to Texas residents for a project or a maximum amount for each type of project (\$2 million for film, \$2.5 million for a television program, \$200,000 for a commercial or series of commercials, or \$250,000 for a digital interactive media production). Finally, C.S.H.B. 1634 excludes from the calculation of wages paid to Texas residents working on a project amounts that exceed \$50,000 for a film, commercial or digital production or \$100,000 for a television program.

### **EFFECTIVE DATE**

C.S.H.B 1634 is effective upon passage, or if the Act does not receive the necessary vote, the Act takes effect on September 1, 2007.

## **COMPARISON OF ORIGINAL TO SUBSTITUTE**

C.S.H.B. 1634 adds Houston as an "underused area" whereas the filed version did not grant Houston this designation. The substitute changes the amount a production company must generate for commercials or digital interactive media productions from \$1 million in in-state spending to \$500,000. The substitute adds a new requirement that at least 80% of the filming for a project must be filmed in Texas to qualify for a grant. The substitute lowered from 80% to 70% the percentage of the production crew, actors, and extras for a moving image project that must be Texas residents. The filed bill stipulated digital interactive media productions must be rated by the Entertainment Software Rating Board and could not be rated "Mature" or "Adults Only" to be eligible to receive a grant. The substitute removes that language but stipulates digital interactive media productions cannot contain intense violence, blood and gore, graphic sexual content, nudity, or strong language to be eligible to receive a grant. The substitute increases the maximum grant amount a film can receive from \$1.5 million to \$2 million, and from \$2 million to \$2.5 million for a television program. The original bill coupled the maximum amount of a grant for a commercial or a digital interactive media production while the substitute separates the two categories and specifies the maximum amount for a commercial is \$200,000 (increased from \$100,000 in the filed bill) while the maximum amount for a digital interactive media production is \$250,000 (increased from \$100,000 in the filed bill). Lastly, the filed version of the bill excluded amounts above \$50,000 from the calculation of wages paid to Texas residents. The substitute separates that calculation between film and television projects by excluding wages that exceed \$50,000 for a film, commercial or digital production and wages that exceed \$100,000 for a television program.