

BILL ANALYSIS

C.S.H.B. 873
By: Dukes
Culture, Recreation & Tourism
Committee Report (Substituted)

BACKGROUND AND PURPOSE

During the 79th Legislature, Regular Session, 2005, the Texas Legislature established the moving image industry incentive 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 currently 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.

C.S.H.B. 873 requires the Music, Film, Television, and Multimedia Office in the office of the governor to establish, by rule, the maximum amount of a grant under the program and lowers the qualifications a production company must meet to qualify for such a grant.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Music, Film, Television, and Multimedia Office in the office of the governor in SECTIONS 3 and 4 of this bill.

ANALYSIS

C.S.H.B. 873 amends the Government Code to require the Music, Film, Television, and Multimedia Office in the office of the governor to establish, by rule, the maximum amount of a grant awarded under the moving image industry incentive program. The bill requires the office to adopt rules prescribing the method the office will use to calculate the amount of a grant and to publish a written summary of the method for determining grants before awarding a grant. The bill requires the method to consider, at a minimum, the current and likely future effect a moving image project will have on employment, tourism, and economic activity in Texas and the amount of a production company's in-state spending for a moving image project. The bill removes provisions establishing the maximum amount of a grant for different types of moving image projects. The bill increases the additional grant a production company is eligible to receive if the company spends at least 25 percent of a moving image project's filming days in an underutilized and economically distressed area from 1.25 percent to 2.5 percent of the total amount of the company's in-state spending for the project. The bill prohibits the office, in calculating an additional grant for an underutilized and economically distressed area or the amount of in-state spending, from including wages of persons employed in the production of a moving image project that exceed \$1 million, rather than prohibiting the inclusion of wages of persons that are a major part of the production costs of the project, as determined by the office, and are negotiated or spent before production begins. The bill authorizes the office to make a grant only from appropriated funds.

C.S.H.B. 873 decreases from \$1 million to \$250,000 the minimum amount a production company is required to spend in in-state spending for a film or television program to qualify for a grant under the program, provided the company meets the other qualifications. The bill requires a production company to spend a minimum of \$100,000 in in-state spending for an educational or instructional video or series of educational or instructional videos or a digital interactive media production to qualify for such a grant, provided the company meets the other qualifications. The bill creates an exception to the grant qualification requiring at least 70 percent of the production crew, actors, and extras for a moving image project to be Texas residents if the office determines and certifies in writing that a sufficient number of qualified crew, actors, and extras are not available to the production company at the time principal photography begins. The bill decreases from 80 to 60 percent the portion of the moving image project that must be filmed in Texas to qualify for a grant, provided the company meets the other qualifications. The bill adds an educational or instructional video to the definition of "moving image project." The bill removes the definition of "underused area" and defines "underutilized and economically distressed area" to mean any area of Texas that the office determines receives less than 15 percent of the total film and television production in Texas during a fiscal year or has a median household income that does not exceed 75 percent of the median state household income.

C.S.H.B. 873 requires the office to adopt the rules required for grants under the program not later than November 1, 2009. The bill prohibits the office from awarding such a grant before the rules are adopted.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 873 differs from the original by removing the term "underused area," defined as any area of Texas other than the metropolitan areas of Austin or Dallas, and adding the term "underutilized and economically distressed area, defined as any area of Texas that the Music, Film, Television, and Multimedia Office determines receives less than 15 percent of the total film and television production in Texas during a fiscal year or has a median household income that does not exceed 75 percent of the median state household income." The substitute authorizes the office to make a grant only from appropriated funds, whereas the original did not provide such restriction.