LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 13, 2017

TO: Honorable Craig Estes, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB99** by Hall (Relating to the abolishment of the Music, Film, Television, and Multimedia Office in the office of the governor and other incentives for media productions.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB99, As Introduced: a positive impact of $151,990,370 through the biennium ending August 31, 2019.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	$27,295,185
2019	$124,695,185
2020	$129,495,185
2021	$134,595,185
2022	$139,895,185

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *State Highway Fund* 6	Probable Revenue Gain/(Loss) from *License Plate Trust Fund No. 0802* 802
2018	$27,283,185	$12,000	$84,890,000	($12,000)
2019	$27,283,185	$97,412,000	$0	($12,000)
2020	$27,283,185	$102,212,000	$0	($12,000)
2021	$27,283,185	$107,312,000	$0	($12,000)
2022	$27,283,185	$112,612,000	$0	($12,000)

Fiscal Year	Change in Number of State Employees from FY 2015
2018	(19.0)
2019	(19.0)
2020	(19.0)
2021	(20.0)
2022	(21.0)

Fiscal Analysis

The bill would amend various codes relating to the abolishment of the Music, Film, Television, and Multimedia Office in the Office of the Governor and other incentives for media productions. The bill would direct all unobligated and unexpended appropriations of the Music, Film, Television, and Multimedia Office to lapse on the effective date of the bill. The bill would require the deposit of funds from sales of the "Texas Music" license plates in General Revenue instead of the Texas Music Foundation account and abolishes the Texas Music Foundation account. Additionally, the bill would amend tax code to repeal certain tax exemptions for items sold or used to construct, maintain, expand, improve, equip, or renovate media production facilities, and for property used in the production of motion pictures of video or audio recordings and broadcasts.

Under the provisions of the bill, it is estimated that the fiscal impact for eliminating the Music, Film, Television, and Multimedia Office and the Moving Image Industry Incentive Program would be a savings of $54,566,370 in General Revenue in the 2018-19 biennium and a reduction of 19.0 full-time equivalents (FTE) each fiscal year.

The Comptroller of Public Accounts estimates there would be $97,400,000 in additional revenue deposited into General Revenue in the 2018-19 biennium due to the elimination of sales tax exemptions for property used in media production, recording, and broadcasting, and for media production facilities.

The Office of the Governor and the Comptroller of Public Accounts indicate there would be $24,000 in additional revenue deposited into General Revenue in the 2018-19 biennium from the sale of the "Texas Music" license plates. The Department of Motor Vehicles indicates the costs associated with implementation of the bill could be absorbed with existing resources.

The bill would take effect September 1, 2017.

Methodology

The Office of the Governor indicates that the abolishment of the Music, Film, Television, and Multimedia Office would result in General Revenue savings of the administrative costs of $3,200,000 for the program in the 2018-19 biennium. There would also be a reduction of 19.0 of the 22.0 FTEs reported in the Legislative Appropriations Request for Strategy C.1.3, Film and Music Marketing for the Trusteed Programs Within the Office of the Governor. The Office of the Governor indicates the remaining 3.0 FTEs would be phased out through 2023 to complete outstanding incentive program audits. In addition, the Music, Film, Television, and Multimedia Office currently provides grants to eligible productions through the Moving Image Industry Incentive Program (MIIIP). This analysis assumes there will be a savings of $24,083,185 each year in General Revenue for grants, based on the estimated incentive grant awards in fiscal year 2016, as reported by the Office of the Governor. The total savings in General Revenue for the program's administrative costs and grants is estimated to be $27,283,185 each fiscal year.

According to the Comptroller of Public Accounts, the repeal of Tax Code 151.3185 would produce a gain of $84,890,000 to the State Highway Fund in fiscal year 2018 and a gain of $97,400,000 to the General Revenue Fund in fiscal year 2019, followed by similar amount in gains to General Revenue in the years thereafter by eliminating the corresponding sales tax exemption. According to the Office of the Governor, the fiscal impact associated with the removal of sales tax exemption cannot be estimated as music, film and television industry spending and potential revenue may be offset by losses in revenue to the State from a reduction in film, video and audio production.

The Office of the Governor and the Comptroller of Public Accounts estimates the gain to General Revenue would be approximately $12,000 in FY 2018 and $12,000 FY 2019, and similar fiscal implications would continue after FY 2019. This provision of the bill would result in an estimated loss of $12,000 per year to the License Place Trust Fund

The amount of unobligated and unexpended appropriations the Music, Film, Television, and Multimedia Office is estimated to be $0. This analysis assumes the program has high demand for grants and unexpended balances are not anticipated.

Local Government Impact

For FY 2018, the Comptroller of Public Accounts estimates a $16,272,000 gain to municipalities; $5,621,000 gain to transportation authorities; and a $2,965,000 gain to counties and special districts due to the abolishment of certain sales tax exemptions. The estimated total gain to municipalities from FY 2018- FY 2022 is $96,678,000; $33,421,000 total gain to transportation authorities; and a $17,570,000 total gain to counties and special districts. The Comptroller of Public Accounts estimates similar fiscal implications would continue after FY 2022.

Source Agencies: 300 Trusteed Programs Within the Office of the Governor, 301 Office of the Governor, 304 Comptroller of Public Accounts, 608 Department of Motor Vehicles

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