LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 16, 2021

TO: Honorable Ken King, Chair, House Committee on Culture, Recreation & Tourism

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2417** by Gervin-Hawkins (Relating to incentives for media production facilities in this state.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2417, Committee Report 1st House, Substituted : a negative impact of ($45,700,026) through the biennium ending August 31, 2023. This analysis assumes that appropriations for the new Media Production Facility Incentive Program would be equal to that of the similar Texas Moving Image Industry Incentive Program.

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***
2022	($45,353,013)
2023	($347,013)
2024	($45,347,013)
2025	($347,013)
2026	($45,347,013)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Savings/(Cost) from *General Revenue Fund* 1**	*Change in Number of State Employees from FY 2021*
2022	($45,353,013)	4.5
2023	($347,013)	4.5
2024	($45,347,013)	4.5
2025	($347,013)	4.5
2026	($45,347,013)	4.5

The bill would establish a new grant program entitled Media Production Facility Incentive Program, which would provide grants to production companies spending money in-state on construction-related, renovation, and leasing costs associated with a production facility. The bill mandates in-state expenditures eligible to receive grant funding from the new program and specifies grant percentages. It also calls for additional bonuses for facilities constructed in underutilized or economically distressed areas and bonuses for hiring women and persons from diverse ethnic backgrounds.

Fiscal Analysis

The bill would establish the Media Production Facility Incentive Program, which would require additional funding and FTEs to administer.

The Office of the Governor estimates that the fiscal impact of the bill would be $136,714,064 over five years and would require 4.5 additional FTEs. According to the Office of the Governor, amendments made in the bill could potentially decrease sales and use and property tax revenue for the state and local governments.

The Comptroller's Office of Public Accounts indicates that the fiscal impact of the bill cannot be estimated.

Methodology

The Office of the Governor assumes that the Media Production Facility Incentive Program would require grant funding in amount similar to the current Texas Moving Image Industry Incentive Program ($45,000,000 per biennium).

The agency estimates FTE costs to General Revenue based on the SAO's compensation and classification system. This would involve the addition of 4.5 full-time-equivalent (FTE) positions: 1 Program Specialist II ($51,985), 1 Program Specialist III ($55,602), 1 Program Specialist V ($63,616), and 1.5 Compliance Analyst III ($82,500). Employee benefits and payroll contributions for these 4.5 FTEs amounts to $86,310 per year. In addition, the agency indicates that $2,000 is added per FTE to the first fiscal year to account for the cost of setting up and training a new employee with the agency.

Local Government Impact

If the new grant program is funded through additional legislative appropriation, the Office of the Governor anticipates a positive impact on local government sales and use tax revenues, as it may result in more production projects. If the new grant program is expected to split existing funding to TMIIIP, the agency anticipates a negative impact on local government sales and use tax revenues, as it could result in fewer production projects as less funding would be available for media production grants.

The Texas Association of Counties does not anticipate a significant fiscal impact to counties. If future funding is provided for the program, those counties that have a sales tax might see some sales tax growth if a facility locates within their boundaries, though the positive impact is not anticipated to be significant. Depending on where the funding for the Media Production Facility Incentive Program comes from, counties could see a negative fiscal impact, although the extent of that impact cannot be determined at this time.

Source Agencies: 300 Trusteed Programs - Gov, 304 Comptroller of Public Accounts

LBB Staff: JMc, AJL, LCO, HGR, AF