

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**May 4, 2023**

**TO:** Honorable Trent Ashby, Chair, House Committee on Culture, Recreation & Tourism

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB4419** by Goldman (Relating to the promotion of film and television production in this state, including the eligibility of film or television productions for funding under the major events reimbursement program, the creation of a film events trust fund and a film production tax rebate trust fund, the establishment of virtual film production institutes, and the designation of media production development zones.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4419, Committee Report 1st House, Substituted : a negative impact of (\$127,379,300) through the biennium ending August 31, 2025 relating to provisions of the bill creating the Film Events Trust Fund and the Film Production Tax Rebate Trust Fund.

The fiscal impact on the Major Events Reimbursement Program cannot be determined since the cost would be dependent on the number and size of events covered under the bill. In addition, broadening the scope of the Media Production Development Zone could result in reduced sales and use tax revenues.

**General Revenue-Related Funds, Five- Year Impact:**

<i>Fiscal Year</i>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2024	(\$62,700,150)
2025	(\$64,679,150)
2026	(\$67,679,150)
2027	(\$70,679,150)
2028	(\$73,679,150)

**All Funds, Five-Year Impact:**

<i>Fiscal Year</i>	<b>Probable Savings/(Cost) from General Revenue Fund 1</b>	<b>Probable Revenue Gain/(Loss) from General Revenue Fund 1</b>	<b>Change in Number of State Employees from FY 2023</b>
2024	(\$700,150)	(\$62,000,000)	6.0
2025	(\$679,150)	(\$64,000,000)	6.0
2026	(\$679,150)	(\$67,000,000)	6.0
2027	(\$679,150)	(\$70,000,000)	6.0
2028	(\$679,150)	(\$73,000,000)	6.0

## **Fiscal Analysis**

The bill amend the Government Code to add film and television production to the list of events eligible for reimbursement under the Major Events Reimbursement Program. The bill would also establish the Film Events Trust Fund (FETF) and the Film Production Tax Rebate Trust Fund (FPTRTF).

The bill would amend the Education Code to permit Texas A&M University and Texas State University to each establish a virtual film production institute to provide education opportunities for students interested in studying virtual film production and promote student engagement in the development of a virtual film production in this state.

The bill would create the FETF as a fund held outside the state treasury and administered by the Comptroller.

The bill would direct the Office of the Governor (OOG) to determine the incremental tax increases directly attributable to a film event from receipts under Chapters 151 (sales and use tax), 152 (motor vehicle sales and use tax), 156 (hotel occupancy tax), and 183 (mixed beverage tax) of the Tax Code, and under Title 5, Alcoholic Beverage Code.

The bill would also direct the OOG to determine incremental collections attributable to a film event under Sections 321.101(a) (municipal sales and use tax) and 183.051(b) (mixed beverage tax clearance fund), Tax Code, for each endorsing municipality and county, and receipts under Chapter 351 (municipal hotel occupancy taxes) and 352 (county hotel occupancy tax) of the Tax Code.

The bill would direct the Comptroller, at the direction of the OOG, to deposit to the FETF the incremental amounts attributable to the municipal or county hotel occupancy tax, and direct the Comptroller to retain and deposit to the FETF the incremental amounts of local sales and use and mixed beverage sales taxes attributable to a film event that would normally be sent to the municipality or county under current statute until an amount equal to the incremental increase from those taxes determined by the Office is retained.

From state revenues, the bill would direct the Comptroller, at the direction of the OOG, to transfer to the FETF an amount equal to 6.25 times the amount of incremental municipal and county tax revenue retained or remitted under this chapter.

The bill specifies that, as only applicable to film events for which the OOG determined the total incremental increase would be less than \$5 million, an endorsing municipality or endorsing county would not be permitted to submit requests for funding for more than 30 events during any 12-month period.

The bill would create the FPTRTF as a trust fund outside the state treasury.

The bill would direct 25 percent of the incremental tax gains as a result of a film or television project from the taxes imposed under Chapters 151 (sales and use tax), 152 (motor vehicle sales and use tax), 156 (hotel occupancy tax), and 183 (mixed beverage tax) of the Tax Code, and under Title 5, Alcoholic Beverage Code, be deposited to the FPTRTF for disbursement to eligible film or television production organizations.

Under provisions of the bill, disbursements could be made from both the FETF and FPTRTF without appropriation.

The bill would remove language designating the maximum number of Media Production Development Zones (MPDZ) and locations throughout the state, as well as language that requires that a zone must be in a metropolitan statistical area where the principal municipality has a population of more than 250,000.

## **Methodology**

Section 151.3415, Tax Code exempts certain, otherwise taxable, MPDZ sales, rentals, and leases from the sales and use tax. According to the Comptroller's Office, the effect of adding virtual media production to this exemption, as well as the number of new MPDZs that would be created (and the amount of any resulting exemptions from the sales and use tax) are unknown, but could result in significant reductions of state tax revenue.

The included revenue estimate by the Comptroller's Office represents transfers from General Revenue to FETF and FPTRTF for 1) payments to film, television, and multimedia productions consistent with levels of such activity as has occurred in recent years under current law without inducement of such payments, and 2) film or multimedia presentations as permitted by the bill to number up to 30 per year per city or county.

According to the Office of the Governor, the fiscal impact of the bill's provisions relating to the Major Event Reimbursement Program cannot be determined without information from the event organizer's application. This included the number of attendees and the duration of the event.

According to the Office of the Governor, six additional FTEs would be needed to implement the Film Events Trust Fund Program. This includes one Director II, one Compliance Analyst III, two Program Specialist III, one Accountant V, and one Attorney V. The estimated FTE-related cost for the 2024-25 biennium is \$1,379,300.

According to the Texas A&M University System and Texas State University System there would be no significant fiscal implications from the administrative costs associated with the bill's provisions relating to the establishment of the virtual film production institutes.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either within or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

There would be effects on the Economic Stabilization Fund (ESF) balance limit and consequent effects for GR reserves and transfers to ESF. Because pertinent tax revenue is initially deposited to the general revenue fund, the reduction in tax revenue in the 2024-25 biennium would reduce the 2026-27 ESF balance limit by ten percent of the reduction in tax, reducing 2025 severance tax reserves for transfer to the ESF by the amount of the balance limit reduction, and increasing available GR in 2025 by the amount of reduction of the reserves, however that amount is not expected to be significant.

### **Technology**

The technology impact includes one-time costs of \$21,000 in fiscal year 2024. One-time costs include standard office equipment (computer, telecom/voicemail, etc.)

## **Local Government Impact**

The fiscal implications of the bill cannot be determined at this time.

**Source Agencies:** 300 Trusted Programs Within the Office of the Governor, 304 Comptroller of Public Accounts, 710 Texas A&M University System Administrative and General Offices, 758 Texas State University System

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