

## **BILL ANALYSIS**

C.S.H.B. 2417  
By: Gervin-Hawkins  
Culture, Recreation & Tourism  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

It has been suggested that access to incentive programs, long-term investments, and production commitments for the moving image industry in Texas have not kept pace with the rest of the country. This industry, which includes film, television, commercials, video games, and visual effects, has transitioned into a technology-driven industry with a particular increase in demand for streaming content. Current requirements and restrictions make it difficult for production companies to produce content in Texas. This has had a negative economic impact on the state as production companies have chosen to go to other states. C.S.H.B. 2417 seeks to address this issue by providing for a media production facility incentive program in order to more effectively engage the moving image industry and stimulate the state's economy and job market.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Music, Film, Television, and Multimedia Office in SECTION 2 of this bill.

### **ANALYSIS**

C.S.H.B. 2417 amends the Government Code to require the Music, Film, Television, and Multimedia Office to administer a media production facility incentive grant program for production companies that construct media production facilities at a qualified media production location, as such facilities and locations are defined under the Media Production Development Zone Act. The bill authorizes the office to accept and use gifts, grants, and donations for the purpose of the program's implementation, and the office may also use appropriations made available for that purpose. For purposes of the program, "production company" includes a film production company, television production company, digital interactive media production company, or film and television production company.

C.S.H.B. 2417 requires the office to develop a procedure for the submission of grant applications and the awarding of grants under the program, which must include the following:

- requirements for the submission, before facility construction begins, of an estimate of total in-state construction spending; and
- provisions relating to the submission of other information considered useful and necessary by the office for an adequate and accurate analysis of a production company's qualifications for a grant.

The bill defines "in-state construction spending" as the amount of money spent by a production company on the acquisition, construction, renovation, or lease of a media production facility.

C.S.H.B. 2417 requires a production company to meet the following qualifications to qualify for a grant:

- the production company must be one of the following:
  - a limited liability company, partnership, or corporation formed or organized under state law; or
  - a joint venture or other legal entity in which at least one entity that holds at least a 30 percent ownership interest is such a company, partnership, or corporation; and
- the production company must commit to constructing a media production facility and producing moving image projects for a 10-year period.

The bill establishes that a production company is not required to reapply for a grant for each year of the 10-year period.

C.S.H.B. 2417 establishes that a grant amount is determined as follows:

- if the production company spent at least \$2 million but less than \$4 million on the facility, the grant amount is equal to 10 percent of in-state construction spending on the facility; or
- if the production company spent at least \$4 million on the facility, the grant amount is equal to 20 percent of in-state construction spending on the facility.

C.S.H.B. 2417 makes a production company eligible for an additional grant in an amount equal to 7.5 percent of the total amount of the company's in-state construction spending for a media production facility under the following conditions:

- the company constructs the facility in an underutilized and economically distressed area; or
- the company constructs the facility to produce projects with a focus on persons from diverse ethnic backgrounds and at least 35 percent of the persons employed at the facility are women or are from such backgrounds.

The bill requires the office to adopt rules prescribing the method by which the office will determine whether a production company meets the requirements for an additional grant under the latter condition. A production company is eligible for an additional grant under each respective condition.

C.S.H.B. 2417 includes streaming content in the definition of "moving image project" applicable to the Media Production Development Zone Act.

### **EFFECTIVE DATE**

September 1, 2021.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 2417 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

With respect to the bill's incentive program, the original and substitute differ as follows:

- the substitute establishes the program under the Media Production Development Zone Act, whereas the original established it under provisions relating to the music, film, television, and multimedia industries;
- the substitute names it as the media production facility incentive program, whereas the original named it as the moving image production facility incentive program;
- the substitute makes grants available for a media production facility, as that term is defined by the Media Production Development Zone Act, whereas the original made grants available for a production facility, which the original defined as facilities and

related equipment that produce films, television programs, digital interactive media, video games, or visual effects projects;

- the substitute requires that an eligible production facility be constructed at a qualified media production location, whereas the original required construction in Texas;
- the substitute adds a grant qualification not in the original requiring that a production company commit to constructing a media production facility and producing moving image projects for a 10-year period;
- the substitute includes a specification not in the original that a production company is not required to reapply for a grant for each year of the 10-year period; and
- with respect to the additional grant for certain media production facilities that is based on employment of certain persons and a focus on diverse ethnic backgrounds:
  - the substitute increases the grant amount from 2.5 percent to 7.5 percent of the total amount of a production company's in-state construction spending for a production facility;
  - with regard to the requirement that the company construct the facility to produce projects with a focus on persons from diverse ethnic backgrounds, the original specified that it has to be the primary focus whereas the substitute does not include this specification; and
  - the substitute replaces the original's requirement for at least 25 percent of the persons employed at the facility to be from diverse ethnic backgrounds with the requirement for at least 35 percent of the persons employed at the facility to be women or be from diverse ethnic backgrounds.

The substitute contains a provision not in the original that includes streaming content in the definition of "moving image project" applicable to the Media Production Development Zone Act.

The substitute does not include the original's changes to the moving image industry incentive program.