

- SUBJECT:** State loans to build motion picture facilities in Texas
- COMMITTEE:** Economic Development — committee substitute recommended
- VOTE:** 9 ayes — Oliveira, Yarbrough, Greenberg, Keffer, Luna, Raymond, Seaman, Siebert, Van de Putte
- 0 nays — None
- WITNESSES:** For — Chris Christianson, Studios at Las Colinas; Doug Foreman, Ranch Studios Austin; Teri Jackson, City of Grand Prairie; Roger Burke, Dallas Fort Worth Regional Film Commission; Dwight Adair; Danette G. Alberts; Donald W. Hicks Sr.
- Against — Seth Newberger, Sake Studio Motion Picture and TV Production Studios; Bennett S. Pearlman, Pearlman Productions Inc.
- On — Dan Wattles, Texas Department of Commerce
- DIGEST:** CSHB 365 would allow the Texas Department of Commerce to make loans to fund half of the construction or improvement of two motion picture facilities in Texas. Loans would be made based upon a borrower's intent to construct and operate a motion picture facility and ability to pay for at least half of the initial construction of the facility. The department could determine the terms of the loan. Loans would have to be repaid within 20 years of issuance and would be interest-free.
- The bill would allow the Texas Department of Commerce to impose loan application and annual fees as well as other costs to offset administrative expenses. A motion picture facility account would be created as an account in the state treasury for deposit of fees collected, appropriations, and investment earnings. The board could adopt rules to carry out the loan program.
- Loan applicants who provided false information would be banned from submitting another application for two years and would be liable for any expense incurred by the state that otherwise would not have been incurred.

Payments to the borrower could be made through electronic funds transfers or warrants initiated by the comptroller or an appropriate state agency. CSHB 365 would require the Texas Department of Commerce to report to the comptroller borrowers in default of motion picture facility loans. The comptroller or appropriate state agency would be prohibited from paying borrowers in default, but could issue a payment to an assignee of the borrower if the assignment was made before the default and could still pay a state officer or employee. The comptroller would be prohibited from reimbursing a state agency in violation of these terms.

CSHB 365 would take effect September 1, 1997.

**SUPPORTERS  
SAY:**

CSHB 365 would expand the film and video industry in Texas by creating a state loan program to fund motion picture facilities that are difficult to finance otherwise. Because backlots and soundstages cost between \$5 million and \$10 million each, few banks make loans to build these facilities. In addition, the facilities are too expensive to be funded by just one private company. State investment in motion picture facilities is necessary to nurture the film industry in Texas. The bill is based on the findings of an interim study by the House State, Federal and International Relations Committee, which was charged by the speaker with examining the feasibility of constructing and operating a motion picture facility in Texas.

Texas is currently the fourth largest producer of movies and television shows in the nation. With its varied landscapes, year-round temperate weather, and low production costs, Texas is an ideal state to film movies and television shows. However, it cannot compete with other states for more industry dollars because it lacks adequate facilities. If Texas is to remain competitive and gain a larger share of the film and video industry, the state needs to help build additional backlots and soundstages.

CSHB 365 would help boost the Texas economy. The loan program would have the same risk as other state-run loan guarantee programs but with greater economic ripple effect. The 63 movies and film projects filmed in Texas in 1995, including 28 feature films, poured almost \$1 billion into the state's economy. However, the impact on the state's economy could be even greater if additional infrastructure were present to satisfy demand. Any amount of state subsidy would be repaid many times over through the

creation of jobs, increase in tourism, and impact on other sectors of the economy. In addition, loans could be provided to expand existing facilities.

OPPONENTS  
SAY:

The film and video industry is not booming, and current facilities in Texas are adequate. Adding more infrastructure would not stimulate business and would result in underutilized backlots and soundstages. Money would be better spent expanding current infrastructure and promoting the Texas film and movie industry as a whole instead of singling out only two companies to receive large government subsidies.

Furthermore, CSHB 365 would undercut the efforts of existing motion picture facilities in Texas and put them at a competitive disadvantage. Hardworking Texans have spent their own private money to build facilities and would not be able to compete with government subsidized facilities.

OTHER  
OPPONENTS  
SAY:

The state should not make loans to fund motion picture facilities because too much risk would be involved. Few banks make loans for this purpose because it is too risky, and the state should not make these loans either.

CSHB 365 would be a waste of taxpayer money without a guaranteed return on investment. Rather than finance movie facility projects, the state should channel funds to more worthy needs such as affordable housing, education and health care.

NOTES:

The committee substitute changed the original version of the bill to broaden the definition of motion picture facility; replace a grant program with a loan program; allow the Texas Department of Commerce to specify the terms of the loans; create rules for loan defaulters; provide penalties for applicants supplying false information; and allow the department to collect fees to cover administrative costs.

The companion bill, SB 1431 by Nelson, has been referred to the Senate Finance Committee.

During the 74th session, SB 1677 by Barrientos et al., which would have studied the feasibility of constructing a motion picture soundstage in Travis County, was passed by the Senate and reported favorably as amended by the House State Affairs Committee.