HOUSE
RESEARCH
ORGANIZATION bill analysis 5/24/2005

SB 1142
Carona, et al. (Hamric)
(CSSB 1142 by Dukes)

SUBJECT: Creating a film industry incentive program in the Governor's Office

COMMITTEE: Culture, Recreation, and Tourism — committee substitute recommended

VOTE: 5 ayes — Kuempel, Baxter, Dukes, Gallego, Phillips

0 nays

2 absent — Hilderbran, Dunnam

SENATE VOTE: On final passage, April 13 — 30-0

WITNESSES: *(On House companion, HB 2954 by Hamric:)*
For — Paul Alvarado, Villa Muse Studios; Liz Atherton, The Alliance; Janis Burkland, Dallas Film Commission, Dallas Convention and Visitors Bureau; Rebecca Campbell, Austin Film Society and Austin Studios; Bobby Hill, City of Bartlett; Drew Mayer-Oakes, City of San Antonio, SACVB; Ken Rector, International Alliance of Theatrical Stage Employees, Motion Picture Studio Mechanics; John Schrimpf, Panavision Dallas; John Trube, City of Buda; Greg Faucett; Donise L. Hardy; Warren David Long; (*Registered, but did not testify:* Gary Bond, Austin Film Commission; Jay Aaron Podolnick, Villa Muse Studios; Jody Richardson, Motion Picture Association of America; Jane Barkow; Amanda C. Hall)

Against — None

On — Tom Copeland, Governor's Office, Texas Film Commission; Ron Ommerman, Texas Comptroller of Public Accounts

BACKGROUND: The music, film, television, and multimedia office within the Governor's Office promotes the development of the entertainment industries in the state by informing members of the industry and the public about available resources. In fiscal 2004-05, the office received about $840,000 per year.

DIGEST: CSSB 1142 would create a new film industry incentive program within the Governor's Office and administered by the Governor's Music, Film, Television and Multimedia Office. The fund would provide grants to production companies for each film, television program, or major commercial they produced in the state, provided they paid at least $500,000 in wages to Texas residents per film or television program or $50,000 per commercial.

The grants could not exceed the lesser of $750,000 or 20 percent of the wages paid to state residents, although that grant could be increased by an additional 5 percent of wages if at least 25 percent of the filming days were located outside of Austin, Houston, and Dallas-Fort Worth. Wages could not include money paid to an actor or director that constituted a major part of the production costs or were spent before the beginning of production. If a production company owed money to the state at the time a grant was awarded, the amount of the grant would be offset by the amount of the debt.

The governor's Music, Film, Television and Multimedia Office would be authorized to accept gifts, grants, and donations to implement the grant program. The office would be required to develop a procedure for the submission of grant applications and the awarding of grants, including the submission, prior to filming, of wage estimates for Texas residents and methods for determining Texas residency.

The bill would take effect September 1, 2005.

SUPPORTERS SAY:

CSSB 1142 would help Texas promote the state's film industry and entice filmmakers to locate projects in the state. After years of assiduously building its film industry, the state recently has been losing film projects to other states that have implemented these types of incentives. Thirteen states and every Canadian province already have similar programs, and legislation to create film incentives is pending in several states. These incentive programs are dramatically altering film production location decisions in the United States. For example, the amount of film production dollars going to New Mexico and Louisiana has increased more than tenfold since these states implemented incentive programs two years ago. At the same time, the Texas Film Commission reported a 25 percent decrease in leads in 2004. Without an incentive program, Texas risks losing its once promising film industry.

Promoting film production in the state would increase employment for Texans, bring the state production-related dollars, and increase tourism. Film production is, by nature, a mobile business. By luring this production to the state, these grants would increase the number of Texans employed in filmmaking. Film-related businesses, such as equipment manufacturers or editing services, would benefit from the increased production. Local businesses also would gain business as the out-of-state crew members spent money on hotels, food, and other goods and services in the filming locations. Increasing the presence of Texas in movies could also increase tourism. For example, Smithville, which appeared in the movie "Hope Floats," has seen a considerable increase in tourists since the film was produced.

The bill would allow the Governor's Office flexibility to impose appropriate criteria on grant seekers. Specifying rigid criteria in statute could hinder the governor's ability to respond quickly to film production opportunities. Filmmakers considering location decisions often are on tight schedules and cannot afford to delay production.

The bill would strike an appropriate balance between the need to provide incentives to filmmakers and the current fiscal reality in the state. By allowing the office to accept grants and gifts, the bill would provide a mechanism for funding the grant program without draining the state's limited resources.

OPPONENTS SAY:

CSSB 1142 lacks adequate accountability controls and reporting requirements. The bill sets only vague criteria for the grants and would leave much of the process of determining how to award these grants to the Governor's Office. Moreover, the bill contains no provision requiring the Governor's Office to report to the Legislature on the number of grants made, the amount of wages paid by grantees, the geographical distribution of the films produced, or the effects of grants on local economies. Without this information, the Legislature would be unable to determine whether the grant program was meeting its objectives. The bill should be amended to include more precise grant criteria and reporting requirements.

OTHER OPPONENTS SAY:

While CSSB 1142 is a good start, it lacks an adequate funding mechanism to ensure that the grant program has the resources necessary to draw filmmakers to the state. The governor's budget requested $30 million - $20 million for film incentive grants and another $10 million for tourism marketing. This appropriation could be funded from the redirection of one-half of one percent of the hotel occupancy tax rate through 2007.

NOTES:

CSSB 1 by Ogden contains a rider in Article 11 that would appropriate $30 million to the film incentive fund contingent upon passage of enabling legislation. Consequently, the fiscal note estimates that the bill would cost the state $30 million. The author’s office has suggested, as part of continuing negotiations on this bill, that that rider be deleted.

The committee substitute deleted a provision that would have prevented wages negotiated before production began from entering the calculation of the grant amount.

The House companion bill, HB 2954 by Hamric, was placed on the General State Calendar on May 12, but the House did not consider the bill.