

Texas Film Commission Program Summary

House Bill 873 Summary

House Bill 873 was signed into law on April 23, 2009. This legislation made changes to the Moving Image Industry Incentive Program, 80(R) HB 1634, by allowing the flexibility to offer a more competitive incentive program for the Film, Television, Commercial, and Video Game industries. The General Revenue Fund provided the appropriation of \$62M to fund the program for Fiscal Years 2010-2011.

The formation of the rules for 81(R) HB 873 was developed by the Texas Film Commission (TFC) with consideration of the appropriation, balanced with the needs of the industries to be competitive. TFC evaluated the effects of 80(R) HB 1634 program during 2007-2009, and observed that a program offering 5% across the board had different impacts on the various industries, in some cases resulting in a less-than-competitive program when compared to other states. For 81(R) HB 873, TFC addressed each industry individually with the intention to stem the tide of lost work and maintaining a competitive position.

Commercials are the backbone of the traditional production industry and in Texas, this industry is thriving. Texas is home to several hundred companies producing everything from local commercials to SuperBowl ads. This level of production makes use of our available workforce and talent pool, and helps keep production costs low. The overall effect makes Texas a competitive choice when compared to commercial production in Los Angeles, New York or Chicago.

For Video Games, it is our skilled workforce and technology clusters that make Texas competitive. With more than 125 game development companies in Texas, and a deep pool of resources in Austin and Dallas, the video game industry is very substantial.

Currently, the Commercial and Video Game industries are not exclusively motivated by incentives. Before this incentive program went into effect, Texas was nationally ranked top five in commercial production and number three in video game development.

Texas is currently among a handful of states offering programs for the Commercial and Video Game industry segments. Thanks to our strong infrastructure, we have not seen a major loss of production development or attrition of the workforce. Because Texas was proactive in implementing an incentives program for both these industries, we have preempted the loss of potential business to other states.

However, the Film and Television industries did not fare as well. With 80(R) HB 1634 program set at 5%, the program ranked last place out of 43 states with incentive programs. Although some film and television production did happen during this time, it was only projects that were adamant on being in Texas and utilized other assets our state has to offer, such as experienced crew and talent, and a diversity of locations.

Regardless, we saw a significant decrease in production because most opted for other states after comparing incentives programs; resulting with Texans continuing to leave the state to work elsewhere.

In developing the rules for 81(R) HB 873, the focus was on the Film and Television industries, in effort to stop the continued loss of business and workforce. There were no essential changes for Commercial program. For Video Games, a statutory change removed the cap on video game payouts. This had prevented Video Games spending more than \$5M in Texas from realizing additional value.

The goal of 81(R) HB 873 was to keep Texas competitive, and attract Film and Television production back to the state. When you look at the level of incentives compared to other states, Texas is now in the middle, and is showing good performance in attracting new productions to the state.

The good news is, with more Film and Television productions considering and coming to Texas, our other assets (our experienced workforce, talent, business environment and locations) are quickly realized. Our program doesn't have to match the level of incentives in other states that don't have production crews, and essential equipment and services. An inexperienced crew can cost a film production enormously; and with at \$200,000-a-day production expenses, inexperience can break the budget.

Our other goal for 81(R) HB 873 is sustainability. We need a program that returns real value to Texas. The program only returns value when you hire Texas residents and pay Texas companies for their services. Many other states' programs include the salaries for out-of-state workers and talent. Producers love this because they want anything to help their bottom line. Although this doesn't directly build a workforce or infrastructure, the productions coming to those states is solely incentive dependent, and the minute the incentive stops so will all production activity. Building and keeping a workforce and infrastructure is what will keep us competitive into the future. Eventually these states will have to call a halt to the extravagance because they don't make fiscal sense.

Current Program Assessment

Currently, 43 states offer incentives to Film and Television industries; and they all look a little different. Almost all are Tax Credits, some require a business to be set up and some only require state income taxes to be paid by the workers to qualify for a credit. The fact that this program is a cash program that goes directly to the applicant allows them to understand exactly what the program will return to their production, no smoke and mirrors.

81 (R) HB 873 has within the first year shown substantial improvement over 80 (R) HB 1634. The attached Program Summary chart shows marked improvements in the number of applicants in all categories. In the first year applications and expenditures are up in Film, Television and Video Games over the entire period of 80 (R) HB 1634.

Commercials, even with no changes to the program are tracking well ahead due to better knowledge of the program within the advertising agency world.

We have implemented a tiered system of payouts for film and television that targets the projects that were not coming to the state. The attached information sheet on the incentive lays out what projects get in return for their Texas expenditures.

We have also introduced a wage only option in the determination of the incentive level for Film and Television projects. This allows projects to get a similar return to the total spend option without having to document all of the detailed spending, speeding up the turnaround in the payout of the incentive. This was the biggest complaint levied in the original program. The structure of 80(R) HB 1634 required an examination of the documentation on all Texas production expenditures. The amount of required documentation for Video Games and Commercials was involved, but feasible. Video Games productions are typically long term projects with few vendors and most of their expenses going to payroll. Commercial productions have vendors and crew on payroll, but are very short term projects. But Film and Television productions have a long production schedule that typically has hundreds of vendors and thousands of people on payroll

We are happy to report for the first time in Texas production history we have three Television series filming in the state; Friday Night Light (NBC), The Good Guys (Fox) and The Deep End (ABC) with three other pilots for series also filming; The Chase (NBC), Midland (Fox) and Gen-Y (ABC). These projects are very valuable since they hire very high percentages of local crew and cast. To put it in context, they spend in three months of production what a video game may spend in 18 months. They also spend the money more broadly. They spread the money throughout scores of small businesses providing goods and services and thousands of individuals. For instance, Friday Night Lights, in one season paid \$10M to 4300 individuals and \$5.8M to 40 different Texas businesses. They definitely have the biggest spending footprint of all of our industry segments.

Video Game applications have increased substantially. In the first 23 months under 80 (R) HB 1634 there were a total of 32 applications representing \$47.9M in Texas spending. Under 81 (R) HB 873 in 11 months 41 applications have been submitted resulting in \$136.6M in direct spending.

Challenges

Regionally, Austin and Dallas have seen the most improvement. They were the two strongest centers for all activity in all of the industry segments before the incentive program began and have the most infrastructure and highest concentration of skilled workers. So it is natural for them to move ahead first. Unfortunately, we have not seen nearly as good results in other established production areas. Houston, San Antonio, Corpus Christi, Lubbock have had some projects come their way but they have not felt the real impact of the program. Also, to date, El Paso is the only major city in the state that has not had a single applicant project. This speaks to the continued challenge from New Mexico.

The changes to the Underutilized Area provision of 80 (R) HB 1634 have not really worked as we had hoped. The inclusion of the Economically Distressed Area provision that includes parts of Austin and Dallas has diminished the interest in projects going to other parts of the state.

Funding of the program has to be considered a challenge. We are seeing the results of an effective program that is doing what we had hoped, but there is so much interest that the current appropriation is not adequate to maintain the current level of work and not enough for expanding other segments. For instance if the program paid video games the same level as film and television it would have been an additional \$8M out of the appropriation just paying the games that did come at the 5% level. And we would have expended our FY 2010 in three months. So there would be less to go around for everyone else. We are attempting to balance the level of need to get these industries going against the limitation of the appropriation level.

Other Programs

Texas Moving Image Incentive Workforce Training Program

The Workforce Training Program provides educational opportunities in film, television and video game industries for Texas residents who may not otherwise have access to it. The program cultivates a more cohesive production community to help Texas maintain its position as a hub for moving image production. Taught by experienced industry professionals, the Workshops teach the skills needed to obtain and keep entry level employment in the film, television and commercial industry. Since the program's inception we have held more than 30 workshops and have certified more than 560 students. Our first training was the Production Assistant Workshop developed in FY 2008 soon followed by the Locations Scout Workshop. During FY 2009 we held our first Loader/Second Assistant Camera Workshop and in November of 2009 we launched our newest training, the Production Accounting Clerk Workshop. Currently, we are developing a Grip Workshop and we expect to be able to offer this workshop during the summer of 2010. This has been a statewide initiative with workshops held in; Austin, Corpus Christi, Dallas, El Paso, Harlingen, Houston, Laredo, Lubbock, Marshall, Mineral Wells, Odessa and San Antonio.

Film Friendly Texas certification program

Besides the Texas cities that support full-time film commissions, other Texas communities can now show the world that they're film-friendly and ready for production. Through the Film Friendly Texas certification program, Texas communities learn about the production process and how to effectively work with filming requests. Certified communities have sent a representative to a day-long training workshop; passed a film policy approved by the Texas Film Commission; and submitted location photos for inclusion in TEXscout, the Texas Film Commission's on-line location database. From March 2009 to March 2010, five day-long workshops were held in McAllen, Lubbock, Laredo, Georgetown and Richmond. A total of 136 community representatives attended. To date, 24 cities have become Film Friendly Texas certified.

Texas Production Directory

The Texas Production Directory offers free online listings for qualified Texas crew professionals, equipment providers and companies serving the specialized needs of the film, television, commercial, animation and video game industries. Prerequisites for listing in the Directory include a Texas address and at least one paid professional credit for each category chosen. Each listing includes contact information and professional industry credits, and listees may update their information at any time. Since 2006, the Directory has been revised from an annual hard-copy catalog to a green, 100% online, searchable database. Over the same period, the number of listings has increased 32%, to its current 1,755 statewide listings in 315 categories.

Texas Moving Image Archive

The Texas Film Commission's (TFC) Moving Image Archive Program celebrates the history of Texas and its film production heritage by preserving pieces of the past, and making them available to the public. Working in conjunction with the non-profit Texas Archive of the Moving Image (TAMI), the Film Commission's program consists of four components: opportunities to transfer films into digital format; a free online library of archival material; a film "round-up" tour to gather archival footage; and a free educational curriculum for teachers to download from the website. As of March 2010, TAMI/TFC partnership results include 3,840 films digitized; 331 films added to the TAMI Web site; and three Film Round-Ups, at which a total of 605 attendees contributed 1,475 films to the Archive.



TEXAS MOVING IMAGE INDUSTRY INCENTIVE PROGRAM SUMMARY
Status Report: April 1, 2010

Summary of Funds Encumbered

	Encumbered Amount	Amount Remaining
FY 2008/2009 (\$20 million appropriated)	\$20,000,000	\$0
FY 2010 (\$30 million appropriated)	\$28,344,522	\$1,655,478
FY 2011 (\$30 million appropriated)	\$0	\$30,000,000

Summary of HB 1634 Applicants (June 7, 2007 - April 22, 2009)

	Feature Film	Television	Commercial	Video Game	Totals
Total Applications	9	13	153	32	207
Total Crew/Cast Jobs	5,629	15,135	7,522	575	28,861
Full Time Equivalent Jobs	534	1,378	174	573	2,659
Total Texas Spending	\$40,074,449	\$69,966,142	\$32,350,303	\$47,913,349	\$190,304,243
Total Grant Amount	\$2,960,030	\$4,246,736	\$2,106,002	\$1,836,466	\$11,149,234

Summary of HB 873 Applicants (April 23, 2009 - April 1, 2010)

	Feature Film	Television	Commercial	Video Game	Totals
Total Applications	20	18	98	41	177
Total Crew/Cast Jobs	4,207	12,734	4,722	1,138	22,801
Full Time Equivalent Jobs	577	986	71	1,073	2,708
Total Texas Spending	\$49,618,957	\$89,720,628	\$24,961,933	\$136,636,202	\$300,937,720
Total Grant Amount	\$9,567,770	\$18,167,074	\$1,428,323	\$8,032,121	\$37,195,288
	Funds from FY 2009 Encumbered under HB 873				\$8,850,766

Summary of Motion Picture Industry Incentive Program

	Feature Film	Television	Commercial	Video Game	Totals
Total Applications	29	31	251	73	384
Total Crew/Cast Jobs	9,836	27,869	12,244	1,713	51,662
Full Time Equivalent Jobs	1,111	2,365	245	1,646	5,367
Total Texas Spending	\$89,693,406	\$159,686,770	\$57,312,236	\$184,549,551	\$491,241,963
Total Grant Amount	\$12,527,800	\$22,413,810	\$3,534,325	\$9,868,587	\$48,344,522