

BILL ANALYSIS

Senate Research Center
76R10924 CLG-D

H.B. 1687
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Economic Development
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Engrossed

DIGEST

Currently, Texas law does not offer loan guarantees to certain Texas producers. H.B. 1687 would establish the Texas film industry development loan guarantee program for Texas films made by Texas film producers, and would subject the Texas film industry loan guarantee indemnity program to the Texas Sunset Act.

PURPOSE

As proposed, H.B. 1687 creates the Texas film industry development loan guarantee program.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the comptroller in SECTIONS 1 and 3 (Section 403.330, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 403, Government Code, by adding Subchapter N, as follows:

SUBCHAPTER N. TEXAS FILM INDUSTRY DEVELOPMENT LOAN GUARANTEE PROGRAM

Sec. 403.321. **DEFINITIONS.** Defines “eligible Texas film,” “filmed entertainment,” “production costs,” “program,” “Texas derivation,” “Texas film,” “Texas film producer,” and “Texas lender.”

Sec. 403.322. **LIBERAL CONSTRUCTION.** Requires this subchapter to be liberally construed to accomplish the purposes stated in this subchapter.

Sec. 403.323. **TEXAS FILM INDUSTRY ADMINISTRATIVE FUND.** Provides that the Texas film industry administrative fund (fund) is an account in the general revenue fund (GRF). Sets forth the amounts to be deposited in GRF. Authorizes money in the fund to be used only for the administration of this subchapter. Provides that Section 403.095 does not apply to the fund.

Sec. 403.324. **TEXAS FILM INDUSTRY LOAN GUARANTEE INDEMNITY PROGRAM.**
(a) Requires the comptroller to administer a program to guarantee a certain amount of one or more qualified Texas film production loans as a means to facilitate access to capital for the production of filmed entertainment in this state. Authorizes the comptroller to approve the issuance of a guarantee of a qualified Texas film production loan or loans for the production of more than one Texas film by a single Texas film producer.

(b) Prohibits the comptroller from approving the issuance of a loan guarantee except on approval of a qualified application submitted by a Texas film producer with the approval of a Texas lender who has agreed to make a qualified Texas film production loan to the producer.

(c) Requires the comptroller to determine the maximum guarantee amounts, and determine the terms and conditions relating to a guarantee, for each guarantee.

(d) Requires an action or claim under a loan guarantee to be brought no later than the third anniversary of the date on which the comptroller approves the issuance of the guarantee.

(e) Prohibits the guarantee amount approved for issuance by the comptroller under this subchapter from exceeding the lesser of 80 percent of the total amount of Texas film production loan, or \$2.4 million.

Sec. 403.325. QUALIFIED TEXAS FILM PRODUCTION LOAN. Requires a loan to meet certain requirements, to qualify as a Texas film production loan.

Sec. 403.326. APPLICATION FOR LOAN GUARANTEE. Sets forth the requirements of a loan guarantee under the program. Requires the comptroller to charge an application fee in a reasonable amount not to exceed \$100 to cover the cost of processing the application. Requires the comptroller to verify the information contained in the application, on receipt of an application. Authorizes the comptroller to conduct investigations as necessary to make a determination regarding information provided in the application. Authorizes the comptroller to contract with a private company to perform any of the comptroller's duties under Subsection (c) and to submit a written report of the company's findings to the comptroller. Prohibits the comptroller from approving an application submitted under this section unless it is complete and meets the requirements of this section.

Sec. 403.327. INDEMNITY REQUIREMENT. Requires the producer of the film to provide an indemnity against loss in amount equal to the full amount of the loan guarantee, for each film to be produced with the proceeds from a loan approved to be guaranteed under the program. Requires the indemnity to be issued to the comptroller as the beneficiary of the indemnity by an insurance company, surety company, or financial institution that is licensed and authorized to do business in this state, and approved by the comptroller.

Sec. 403.328. SURETY BOND FOR COMPLETION OF FILM. Requires an applicant to file with the comptroller a surety bond indemnifying this state, the lender, and the entity providing indemnity under Section 403.327 against loss that results from the film not being completed by the date and for the budget certified to the state in the application required by Section 403.326.

Sec. 403.329. ISSUANCE OF LOAN GUARANTEE. Prohibits the comptroller from approving the issuance of a loan guarantee under the program unless certain conditions exist.

Sec. 403.330. RULEMAKING AUTHORITY. Requires the comptroller to adopt rules relating to the implementation of the program and any other rules necessary to accomplish the purposes of this subchapter. Requires the rules to include terms and conditions for a security interest or other pledge of collateral to be provided to a lender or this state as security for any default of a loan guaranteed under the program, and procedures for the enforcement of obligations owed and pledges of collateral provided to the comptroller under the program.

Sec. 403.331. OFFENSE. Provides that a person commits an offense if the person signs as an application or submits to the comptroller a document the person knows is false in any material respect with the intent of causing the comptroller to issue a loan guarantee under the program. Provides that an offense under this section is a felony of the third degree.

Sec. 403.332. LIMITATIONS IN PROGRAM. Provides that no more than \$50 million of guarantees issued under this program may be outstanding at any one time. Provides that the liability of the state for a loan guarantee for a film is limited to the amount of the indemnity provided for the film under Section 403.327.

Sec. 403.333. QUARTERLY REPORT. Requires the comptroller to provide to the director of the Legislative Budget Board, the presiding officer of the Senate Finance Committee, and the presiding officer of the House Appropriations Committee a report that contains certain information, at least quarterly.

Sec. 403.334. GIFTS AND GRANTS. Authorizes the comptroller to solicit and accept gifts, grants, and donations from any source for the purposes of this subchapter.

Sec. 403.335. APPLICATION OF SUNSET ACT TO PROGRAM. Provides that the program is subject to review under Chapter 325 (Texas Sunset Act) as if it were a state agency subject to review under that chapter. Provides that the program is abolished and this subchapter expires

September 1, 2005, if the program is not continued in existence in accordance with that chapter. Requires the comptroller to perform the duty as it relates to the program, to the extent that Chapter 325 places a duty on a state agency subject to review under that chapter.

SECTION 2. Amends Chapter 403B, Government Code, by adding Section 403.029, as follows:

Sec. 403.029. TRANSFER OF CERTAIN MONEY TO GENERAL REVENUE FUND. Sets forth provisions on the expiration of Subchapter N.

SECTION 3. Authorizes the comptroller to adopt rules required by Section 403.330, Government Code, as added by this Act, no later than December 1, 1999.

SECTION 4. Effective date: September 1, 1999.

SECTION 5. Emergency clause.