



LEGISLATIVE BUDGET BOARD

Overview of Texas Enterprise Fund, Emerging Technology Fund, Moving Image Industry Incentive Program, and Major Events Fund

**Incentive Programs at the Trusteed Programs within the Office of
the Governor and the Comptroller of Public Accounts**

PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE

LEGISLATIVE BUDGET BOARD STAFF

FEBRUARY 2015

Incentive Program Overview

Trusted Programs Within the Office of the Governor

- Texas Enterprise Fund
- Emerging Technology Fund
- Moving Image Industry Incentive Program
- The Trusted Programs Within the Office of the Governor include 30 additional programs including Disaster and Deficiency funds, Criminal Justice grants, and other Economic Development incentives.

Comptroller of Public Accounts

- Major Events Trust Fund
- The Comptroller's office also administers three other events-related trust funds: Events Trust Fund, Motor Sports Racing Trust Fund, and Special Events Trust Fund.

Texas Enterprise Fund

Texas Enterprise Fund (TEF) is primarily used for:

- Economic development, infrastructure development, community development, job training programs, and business incentives to attract new jobs and business investment to the state.

TEF was established by Senate Bill 1771, Seventy-eighth Legislature, Regular Session, 2003.

- Codified in Chapter 481 of Texas Government Code
- Awards are granted by the Governor with the prior approval of the Lieutenant Governor and the Speaker of the House of Representatives.

No dedicated funding source; program is supported by:

- Appropriations by the Legislature;
- Interest earnings on balances held within the State treasury in GR-Dedicated Account No. 5107;
- Gifts, grants, and donations; and
- Transfers from the Employment and Training Investment Assessment (ETIA) Holding Account when the ETIA account is above 1.0 percent of taxable wages.
 - House Bill 2457, 82nd Legislature, 2011 eliminated these transfers.

TEF Appropriations

BIENNIUM	APPROPRIATION IN GAA	FUNDING SOURCE
2004-05	\$285.0 million	Economic Stabilization Fund
2006-07	\$182.3 million +UB	General Revenue (\$140.8 million) Employment Training Investment Assessment (ETIA) Holding Account (\$41.5 million)
2008-09	\$225.0 million +UB	ETIA Holding Account (\$120.0 million) Unexpended Balances (estimated to be \$85.0 million) Interest (\$20.0 million)
2010-11	\$67.6 million +UB	General Revenue (\$20.0 million) Unexpended Balances (estimated to be \$41.3 million) Interest (\$6.3 million)
2012-13	\$150.0 million +UB	Unexpended Balances (estimated to be \$146.4 million) Interest (\$3.6 million)
2014-15	\$120.0 million +UB	Unexpended Balances (estimated to be \$118.8 million) Interest (\$1.2 million)
2016-17	\$30.0 million	Unexpended Balances

Note: Unexpended balances in the Texas Enterprise Fund do not count toward certification of the General Appropriations Act.
Source: Legislative Budget Board and the Office of the Governor

Emerging Technology Fund

The Emerging Technology Fund (ETF) is awarded in the form of equity, convertible debt, grants, and other forms of contribution or investment.

ETF funds may be used to:

- Expedite innovation and facilitate commercialization;
- Increase the number of high-quality jobs in Texas; and
- Expand higher education technology research capabilities.

ETF was established by House Bill 1765, Seventy-ninth Legislature, Regular Session, 2005.

- Awards are granted by the Governor with the prior approval of the Lieutenant Governor and the Speaker of the House of Representatives.

No dedicated funding source; program is supported by:

- Appropriations by the Legislature;
- Interest earnings on balances held within the State treasury in GR-Dedicated Account No. 5124;
- Gifts, grants, and donations; and
- Any benefits realized from a project undertaken with money from the fund, such as royalties or revenue realized from the commercialization of intellectual or real property developed from any ETF award.

ETF Programs

The ETF provides awards for three programs which have a statutory allocation of ETF funds:

- Commercialization Program (50.0 percent allocation)
Awards finance early stage ventures focused on bringing high technology products or processes to market;
- Research Matching Program Grants (16.67 percent allocation)
Institutions of higher education and companies receive state funding to acquire federal research and commercialization grants; and
- Research Superiority Program (33.33 percent allocation)
Grants are awarded that allow higher education-private sector partnerships to develop research centers and attract prominent scientists.

The current allocation was enacted by House Bill 1188, 80th Legislature, Regular Session, 2007.

ETF Appropriations

BIENNIUM	APPROPRIATION IN GAA	FUNDING SOURCE
2006-07	\$200.0 million	Economic Stabilization Fund (\$100.0 million) General Revenue (\$100.0 million)
2008-09	\$117.3 million +UB	General Revenue (\$75.0 million), Unexpended Balances (estimated to be \$25.0 million) Interest (\$17.3 million)
2010-11	\$203.0 million +UB	General Revenue (\$24.0 million), FEMA Reimbursement (\$70.0 million), Unexpended Balances (estimated to be \$97.1 million) Interest (\$12.0 million)
2012-13	\$140.5 million +UB	Unexpended Balances (estimated to be \$138.3 million) Interest (\$2.2 million)
2014-15	\$57.2 million +UB	General Revenue (\$50.0 million), Unexpended Balances (estimated to be \$7.1 million) Interest (\$0.1 million)
2016-17	\$32.0 million	Unexpended Balances

Note: Unexpended balances in the Emerging Technology Fund do not count toward certification of the General Appropriations Act.
Source: Legislative Budget Board and the Office of the Governor

Moving Image Industry Incentive Program

Moving Image Industry Incentive Program (MIIP) provides grants to production companies that film in Texas to increase local employment, tax revenues, and private spending. Qualifications include:

- A production company must have spent a minimum of:
 - \$250,000 in in-state spending for a film or television program; or
 - \$100,000 in in-state spending for commercials, educational or instructional videos, or a digital interactive media production;
- At least 70 percent of the production crew, actors, and extras for a moving image project must be Texas residents, unless exempted;
- At least 60 percent of the moving image project must be filmed in Texas;
- A production company must submit to the office an expended budget that reflects all in-state spending.

Moving Image Industry Incentive Program

MIIIP was established by Senate Bill 1142, Seventy-ninth Legislature, Regular Session, 2005.

- Codified in Chapter 485 of Texas Government Code
- Originally known as the Film Industry Incentive Program. House Bill 1634, Eightieth Legislature, Regular Session, 2007, amended the program to include the production of other types of multimedia, and renamed the program the Moving Image Industry Incentive Program.
- Administered by the Texas Film Commission within the Music, Film, Television, and Multimedia Office as a Trusteed Program within the Office of the Governor.

No dedicated funding source; program is supported by:

- Appropriations by the Legislature; and
- Gifts, grants, and donations.

MIIP Appropriations

BIENNIUM	APPROPRIATION IN GAA	FUNDING SOURCE
2008-09	\$22.0 million	General Revenue
2010-11	\$62.0 million +UB	General Revenue
2012-13	\$22.0 million +UB	General Revenue
2014-15	\$85.1 million +UB	General Revenue (\$22.0 Million) General Revenue – Hotel Occupancy Tax (HOT) Deposits Account No. 5003 (\$63.1 million)*
2016-17	\$0.0**	

* Appropriation in 2014-15 GAA, Rider 20, Contingency Appropriation for Film, Music, and Tourism Activities.

** HB 1 does not include contingency funding for incentive awards. Strategy C.1.3, Film and Music Marketing retains \$10.0 million in General Revenue for program operations and 24.1 FTEs in the 2016-17 biennium.

Source: Legislative Budget Board and the Office of the Governor

Major Events Trust Fund

Mechanism to draw certain events to the state and to fund the events through the incremental increase in revenue attributed to the events.

■ Examples of eligible events include:

- Super Bowl
- NBA All-Star Game
- Formula One auto races

■ Revenue sources used to fund an event include:

- State: sales and use tax, motor vehicle rental tax, hotel occupancy tax, mixed beverage taxes and alcoholic beverage taxes.
- Local: sales and use tax, hotel occupancy tax, and local allocation of mixed beverage taxes.

The fund is outside the treasury and events funding does not require an appropriation by the legislature.

Major Events Trust Fund: Significant Legislation

Senate Bill 275 (Seventy-eighth Regular Session, 2003): established the Other Events Trust Fund as a trust fund outside the state treasury.

Senate Bill 1515 (Eighty-first Regular Session, 2009):

- Renamed the Other Events Trust Fund to the Major Events Trust Fund.
- Included a provision to allow for state appropriations to provide an initial payment for an eligible event ahead of the event. The revenue generated from the event would be held in the trust fund and made available to pay the cost of securing the event in future years, for up to 10 years. After the last event, the original appropriation would be repaid.

Senate Bill 1678 (Eighty-third Regular Session, 2013):

- Repealed certain provisions added by Senate Bill 1515 which authorized state appropriations to provide funding for an eligible event prior to the event being held.

Major Events Trust Fund: Appropriations

House Bill 7, Supplemental Bill (Seventy-eighth Regular Session, 2003) provided \$10 million from the Economic Stabilization Fund to the Other Events Trust Fund.

- Amounts were not expended and per House Bill 4, Supplemental Bill (Eighty-second Regular Session, 2011) the funds were transferred to the treasury and deposited to the General Revenue Fund.

The 2010–11 General Appropriations Act (GAA) (Eighty-first Regular Session, 2009) appropriated \$25 million out of General Revenue for transfer to the Major Events Trust Fund. The funds were carried forward into the 2012–13 biennium pursuant to authority provided in the 2012–13 GAA (Eighty-second Regular Session, 2011).

- Funds were not expended.

No appropriations were made in the 2014–15 GAA for the Major Events Trust Fund and no funds are included in the 2016-17 Recommendations in House Bill 1.

Events-Related Trust Funds: Summary

	MAJOR EVENTS TRUST FUND	EVENTS TRUST FUND	MOTOR SPORTS RACING TRUST FUND	SPECIAL EVENTS TRUST FUND ¹
Statute	Vernon's Texas Civil Statutes, Art. 5190.14 Sec. 5A	Vernon's Texas Civil Statutes, Art. 5190.14 Sec. 5C	Vernon's Texas Civil Statutes, Art. 5190.14 Sec. 5B	Local Government Code, Chapter 398
Eligible Events	Events are specified in statute and include (not limited to): Super Bowl, NCAA Final Four, NBA All-Star Game, Republican or Democratic National Conventions, or largest event each year at sports entertainment venue with permanent seating capacity at least 125,000. Events must generate at least \$1 million in affected taxes.	An event or related series of events held in this state for which a local organizing committee, endorsing county or municipality seeks approval from a site selection organization.	Automobile racing event sanctioned by the Automobile Competition Committee for the United States and held at a temporary venue.	An event held in a public place selected by a site selection organization through a competitive process in which at least one other site outside of Texas was considered.
Taxes Eligible for Reimbursement	For Major Events, Events, and Motor Sports Racing Trust Funds: State: Sales and Use, Motor Vehicle Rental, Hotel Occupancy, Mixed Beverage, Alcoholic Beverage. Local: Hotel Occupancy, Sales and Use, and local allocation of Mixed Beverage Taxes. Locals may also remit surcharges and user fee revenue.			State: Sales and Use Local: None
Economic Impact Window²	One year	30 days	30 days	30 days maximum
Matching rate	For Major Events, Events, and Motor Sports Racing Trust Funds: \$6.25 for each \$1 in local revenue contributions.			State reimburses 50% of allowable expenses.

NOTES: 1. Event funding requires the approval of the Governor, Lieutenant Governor, and Speaker of the House of Representatives.

2. Economic impact window refers to the time period for which the Comptroller's office estimates the incremental increase in affected state and local taxes generated from the event.

SOURCE: Comptroller of Public Accounts



LEGISLATIVE BUDGET BOARD

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