



HB 162 Sponsor Testimony
Ways and Means Committee
State Representative Kent Smith
May 9, 2017

Chairman Schaffer, Vice Chairman Scherer, Ranking Member Rogers and members of the Ways and Means Committee.

I greatly appreciate the opportunity to provide sponsor testimony in support of HB 162 which would create the Ohio Sound Recording Investor Tax Credit. My testimony includes an overview of the legislation and ten brief reasons for its implementation. I will abbreviate some of these points if they were covered by my friend and cosponsor, Representative LaTourette.

Overview of HB 162:

The Ohio Sound Recording Investor Tax Credit will grant a 25 percent tax credit for sound recording production projects in the state. The incentive program will also return 25 percent of music studio construction and recording infrastructure costs to qualifying participants. To qualify, sound production costs must exceed \$10,000 per project, with a maximum tax credit of \$75,000 per project and an annual tax credit cap of \$1 million.

Supportive Arguments:

1. It's a huge industry

The Ohio Sound Recording Investor Tax Credit, or OhioSounds for short, will work to attract more of the almost \$7 billion in annual music industry revenue to the state. In 2014, the US Recording Industry posted annual sales of \$6.9 billion. According to ReMix Cleveland, a Cleveland State University analysis of the music industry in the Cleveland MSA, 3.6 million albums were purchased in the Cleveland market area in 2010. OhioSounds would create jobs and drive economic growth by making Ohio a destination for the recording industry. Ohio can become a destination for musicians, producers and industry leaders who will create jobs and strengthen our local economies.

The \$6.9 billion is only a 'sales' figure but the music industry is much bigger than simply sales. David Byrne of The Talking Heads wrote an article entitled "The Price of a CD" for Wired Magazine in December 2007, where he identified no fewer than six economic business partners in the production of every new record. Those include Retail overhead, 24% and Retail profit 5%, Label overhead, 18% and Label profit 11%, Marketing / Promotion 15%, Distribution costs 6%, Publishing / Royalties 6%, Packaging costs 5%. THE ARTIST gets 10%. Cleveland State University released a 178-page study of the Northeast Ohio Music industry in 2011 called, ReMix Cleveland. That study identified eight separate business partners that contribute to or are direct partners with the music industry.

2. Ohio's diverse musical history.

Ohio is the birthplace of legendary musicians, unforgettable songs and 'Rock N' Roll'. OhioSounds builds upon our proud history and works to cultivate our state's musical legacy moving forward.

Moving backwards chronologically, let me remind this Committee of some of the major events in Ohio's ground breaking musical past.

Cleveland disc jockey Alan Freed hosted the first rock concert ever, the Moondog Coronation Ball on March 21, 1952 which was attended by 20,000.

King Records was founded in Cincinnati in the 1940s. King Records recorded country and rhythm and blues acts which included James Brown, Bootsie Collins and a diverse collection of artists.

The Wings Over Jordan Choir was founded at Gethsamane Baptist Church in Cleveland in 1935. The choir had a weekly radio show by 1937 and it became the first fulltime professional black choir in America, performed worldwide to non-segregated audiences.

The Cleveland Orchestra was founded in 1918. It is approaching 100 years old and is seen as one of the greatest classical musical ensembles in the world.

3. Ohio musical acts come from across the state and perform every type of music. Some of those include:

98 Degrees (Cincinnati), The Black Keys (Akron), Bootsie Collins (Cincinnati), Dave Grohl (Warren), Dean Martin (Steubenville), Devo (Akron), Doris Day (Cincinnati), Foxy Shazam (Cincinnati), The Isley Brothers (Cincinnati), John Legend (Springfield), Kid Cudi (Cleveland), The O'Jays (Canton), The Pretenders (Akron), Rascal Flats (Columbus), Twenty One Pilots (Columbus), Joe Walsh (Kent), Nine Inch Nails (Cleveland), Angela Perly & The Howling Moons (Columbus), Guided By Voices (Dayton), Tracy Chapman (Cleveland), Foster The People (Chagrin Falls), Phil Keaggy (Youngstown), Ohio Players (Dayton), Macy Gray (Canton), Bone Thugs-n-Harmony (Cleveland), Jim Brickman (Cleveland), "Screamin" Jay Hawkins (Cleveland), LA Reid (Cincinnati), Kim and Kelly Deal (Dayton), Robert Lockwood Jr. (Cleveland), Gerald Levert (Cleveland), Johnny Paycheck (Greenfield), Dwight Yoakam (Columbus), Danny Thomas (Toledo), Boyz Scaggs (Canton), The Dazz Band (Cleveland).

4. Ohio has a number of Musical Industry assets already in place that can support the OhioSounds tax credit.

There are established higher education partnerships that are world renowned inside our state. Among them are Oberlin College's Conservatory of Music which is seen as a leading music school in the country and in 2009 it won a National Medal of Arts. Another would be Baldwin Wallace College which is home to its Bach Festival - the oldest collegiate festival of its type in the country. Also Cuyahoga Community College and its Recording Arts and Technology Center of Excellence.

Rock N Roll Hall of Fame: Ohio is the home of the Rock and Roll Hall of Fame - opened September 1, 1995 (21 years ago), it has seen 10 million visitors pass through its doors. 85% of Rock Hall visitors are from outside the state (2014 numbers). During the Rock Hall induction

Week activities in April 2016, then Senator Tom Patton correctly stated about the Rock Hall, "49 other states would love to have it".

Alterative Press Magazine, based in Cleveland, is one of the leading popular music publications in the world.

The rebirth of vinyl records is occurring in Ohio at Gotta Groove Records, which opened in 2009. Gotta Groove Records is one of 12 vinyl music pressing plants in the US and one of 24 in the world. While based in Cleveland, only 5-10% of their business is from Northeast Ohio. It has fielded orders from Canada, Australia and China among other nations.

Other assets include the fact that there are over 300 Ohio recording studios currently operating in the state. Also, as of 2010, Ohio was home to sixteen regional orchestras.

5. People were skeptic of the Film Production Tax Credit too.

Much like the Ohio film tax credit, this legislation seeks to incentivize investment in Ohio and create jobs in a dynamic industry. Northeast Ohio has seen quite an investment in response to the film tax credit, with major motion pictures filmed on the streets of Cleveland and throughout our region.

On June 27, 2015, *The Plain Dealer* wrote the following editorial about the film production tax credit, "Since 2009, the film tax credit has brought \$300 million in revenue to Ohio. It began as a \$10 million tax credit. It was doubled for 2012 & 2013. Currently it remains at \$20 million."

15,000 Ohioans have worked on films since 2009 which is the equivalent of 1,100 full time jobs in Ohio. Money and jobs that the state would not have seen otherwise. Given our history as the birthplace of Rock n' Roll, it just makes sense to extend that incentive to the music industry and embrace our heritage as musical innovators.

6. OhioSounds could help reverse brain drain.

The Knight Foundation released a study in 2010 called "The Knight Soul of the Community - why People Love Where They Live and Why It Matters - a National Perspective." They examined 26 cities across the US for three years. They concluded that their "Study has found a positive correlation between community attachment and local GDP growth." They said that "Community Attachment" had 3 major factors: 1. Aesthetics, 2. Openness and 3. Social Offerings. Social Offerings included two things: 1. Vibrant Nightlife and 2. The Availability of Arts and Cultural Opportunities.

This supports the premise that OhioSounds will create direct and indirect economic activity and therefore (as the Knight study concluded) grow state and local GDP growth.

7. OhioSounds will generate tourism and possible new Ohio residents

According to Destination Cleveland, 32% of new residents first visited their community as tourists. The 'tourism to new resident' cycle was explained by Maura Gast as the following:

"If you build a place people want to visit, you build a place where people want to live. If you build a place where people want to live, you'll build a place where people want to work. If you build a place where people want to work, you'll build a place where business needs to be. And if you build a place where business has to be, you'll build a place where people have to visit." -- Maura Gast, former Chairperson for Destination Marketing Association International.

8. Other states are attempting to enact similar legislation.

The Ohio Sound Recording Investor Tax Credit proposal is modeled after an existing tax incentive program in Louisiana, which began in 2007. The Louisiana program allows current residents to access credits for music production within the state without an upper cap limit. The Ohio program differs in that the credit is not limited to Ohio residents and has an upper limit of \$75,000 per project. Similar proposals have been introduced in the state of New York as a part of its prior budget cycle and as a stand-alone legislation in each of the last two legislative cycles.

9. The Music Industry can be a catalyst for other industries.

Richard Florida wrote about the importance of the music industry as an economy engine for innovation in his 2005 best seller, *The Rise of the Creative Class: And How it is Transforming Work, Leisure, Community and Everyday Life*. Florida writes, "But music is now being recognized as a fruit fly industry – an early indicator of new technologies, new business models and the economy in general. Music is a highly competitive business – a hyper competitive market in miniature."

Florida also wrote, "But just as music matters to cities, cities also matter to music. Even in an age when messages and mixes travel around the globe in seconds, where musicians and the members of the creative class live and create matters."

10. The ReMix study by Cleveland State University provides scholarly support that the OhioSounds proposal would not just help Ohio's Music industry but its broader economy.

The CSU study was an examination of the NE Ohio music industry and an analysis of scholarly research on the topic. In the report's Executive Summary, the authors wrote, "There is a growing awareness of the economic impact that a creative and entrepreneurial workforce can have on economic outcomes. Art, in all its forms, can provide a region with a "sticky," or long lasting, regional competitive advantage that is attractive to creative people.

Further in the report, they write, "Musicians as well as other art industries are classified in the academic literature as a part of the creative workforce. The creative workforce cluster contributes to their regional economies more than any other industry cluster including high-technology industries."

They also state, "Scholarly literature has detected strong relationships between regional economies and artistic activity and has argued for increased support of the arts and culture sector. Ann Markusen and David King's *The Artistic Dividend: The Arts' Hidden Contributions to Regional Development* documents how attracting and retaining artists can "contribute to broader regional economic activities."

According to 2010 data within the report, the Cleveland Music Sector accounted for 6,210 total jobs - 55% were directly connected to the music industry, 45% were indirect or induced. The Cleveland area music sector was responsible for \$840 million in economic activity and it paid \$91.6 million in taxes.

Thank you Mr. Chairman for allowing my colleague and me the opportunity to present HB 162 before the Committee and thank you to the Committee for your collective work and attention. We would be happy to answer any questions you all might have.