Ohio House Finance Committee
May 7th, 2019
Testimony from Matt Waldeck, p.g.a. (Producer’s Guild of America)

President, Zodiac Features/Lead Producer - I SEE YOU (2019)

Thank you Chairman Oelslager, Vice Chair Scherer, Ranking Member Cera, and members of the Committee for this opportunity to submit testimony regarding H.B. 166, and more specifically, the Ohio Motion Picture Tax Credit.

I am a proud Ohio resident, and I am also a world-class film producer. Prior to the state’s adoption of its motion picture tax credit, these two were mutually exclusive. After graduating high school in 2002, and with no meaningful entertainment industry opportunities to speak of in Cleveland, I became part of an increasingly problematic rust belt endemic—brain drain—and traveled to Los Angeles to pursue higher education and my career of choice. I spent twelve years in Los Angeles, and watched from a distance as the Ohio State Legislature began laying the foundation for a sustainable and world-class film and television industry stimulated by the motion picture tax credit, and in 2014, I became another Midwest cliché and boomeranged back to Ohio to start my production company, Zodiac Features. I am only here today because of all of you, and it is up to all of you whether myself and the several thousand other skilled laborers, tradesmen, and union members earning a living from our state’s motion picture industry will remain tax paying Ohioans beyond this summer.

Motion Picture Tax Credits are easy targets. It’s a convenient narrative to label them as handouts for fat cat out-of-state producers or movie stars, or that the state is picking winners by virtue of its administrative process; that there’s a regional bias... Well it’s true I brought a movie star to Cleveland last summer. Helen Hunt, an Oscar winner. But it’s also true that my production created well over 100 union jobs and injected several million dollars into the local economy. Those jobs were filled by men and women from all over the state and created by a producer who had made a long-term commitment to Ohio by opening a brick and mortar shop and targeting Ohio-feasible projects. And none of it would have been possible without the essential financing which was obtained by way Production’s Ohio Motion Picture Tax Credit.

The film, called I SEE YOU, premiered at one of the world’s most competitive film festivals, South by Southwest. Two weeks from now, licensing agreements will be executed at the Cannes Film festival by my London sales partners in territories from Spain to Japan. The film will be heard in countless languages spanning the globe and when the credits roll, every single person will see in big bold letters “Filmed in Ohio”. There’s no other product in the world as expansive culturally as film, and in many ways it’s America’s number one export, culture—and because of
the tax incentive it’s manufactured right here in Ohio. What a shame it would be to destroy that when Ohio’s film industry is already a tangible means to connect the state with the global economy and it is barely a decade old.

With companies like Netflix, Amazon, Apple, and now Disney/Fox racing for content streaming supremacy, the demand for content or more simply “product” has never been greater in the history of the entertainment industry. In 2018 there were just under 500 scripted television series filmed in the U.S. In 2016 direct industry jobs generated $53B in wages and yielded $20.6B in public revenues from sales taxes on goods and state income taxes nationwide. Sound stages in New York and Los Angeles are overwhelmed with demand as studios greenlight more manufacturing of content than ever before.

De-centralization of content manufacturing will continue provided competitive tax credits remain in states like Illinois, New Mexico, Georgia, and Ohio. Being an industry insider, I tell you with full conviction that the Ohio Motion Picture Tax Credit is regarded as one of the most desirable in the country. It is easily navigable, certificates are turned around swiftly, and its administrators are responsive and reliable. From a producorial standpoint, the state of Ohio offers rich and varied landscapes which allow for great flexibility and suitability on the creative side, and there is a skilled labor base able to meet the expectations of world-class film and television productions. These elements put Ohio, and by extension its treasury, squarely in the crosshairs of the burgeoning content budgets being deployed by the aforementioned studios. According to the New York Times, the leading 2019 content budgets are: Disney/Fox $43B; Netflix $15B; Amazon $6B; Apple $1B. For Ohio to readily choose to exclude itself from a recession proof global industry on the cusp of an unprecedented boom after a decade long commitment to building the industry’s foundation in favor of achieving more immediate budgetary goals would be shortsighted. What is needed now more than ever is further commitment to a strategic vision comprised threefold of growing the labor base with educational and vocational programs, increasing deal flow and by extension, work days—by supporting local producers and implementing administrative discipline with regard to incentive award and clawback, and finally the increase of the biennium Ohio Motion Picture Tax Credit allocation.

Criticisms about “full time equivalent” jobs lacking permanence were dealt with head-on by previous changes to the credit language regarding prioritizing television program applicants. TV creates more workdays than films do typically, and this was the correct move. The fact that a television show has not anchored itself in Ohio long term yet is not a matter of a failing or underperforming tax incentive, but rather a matter of time. My company is developing a television series currently and I have every intention to steer it to Ohio provided the credit remains available. The industry can create wealth in other ways too. In addition to the hundred or so jobs created by my company’s film last summer, roughly Ohio investors provided one million dollars in equity as part of the financing structure. These individuals will realize healthy returns in the coming years and would not
have access to film investments like these were it not for Zodiac Features being an Ohio company, and Zodiac Features would not be an Ohio company were it not for the Ohio Motion Picture Tax Credit. The entertainment industry in Ohio is real and every strata of the business from development, financing, production, and distribution is present and represented by most regions of the state: For I SEE YOU my production legal team is located in Lexington, OH, my insurance broker in Beachwood, my banker in Columbus, my bridge lender in Cincinnati, my visual FX company in Brecksville, my lodging in Westlake, my costume designer in Cincinnati, my drone operator in Canton.

The Ohio Motion Picture Tax Credit means jobs and the export of a globally in-demand product stamped with the “Made in Ohio” seal. It creates wealth for the State, laborers, and investors. As a small business owner and proud Ohioan, I would encourage the committee to consider this testimony.

Thank You.
The production and distribution of motion pictures and television programs is one of the nation’s most valuable cultural and economic resources.

The industry is a major private sector employer, supporting 2.1 million jobs, and $139 billion in total wages in 2016:

- Direct industry jobs generated $53 billion in wages, and an average salary 42% higher than the national average:
  - There were nearly 342,000 jobs in the core business of producing, marketing, manufacturing, and distributing motion pictures and television shows. These are high quality jobs, with an average salary of $90,000, 68% higher than the average salary nationwide.
  - Additionally, there were over 354,000 jobs in related businesses that distribute motion pictures and television shows to consumers.
  - Direct industry jobs employ more people than mining, oil & natural gas extraction, crop production, utility system construction, and rental & leasing services.
- The industry also supports indirect jobs and wages in thousands of companies with which it does business, such as caterers, dry cleaners, hotels, florists, hardware and lumber suppliers, software, and digital equipment suppliers, as well as jobs in other companies doing business with consumers, such as video retailers and services, theme parks and tourist attractions.

The industry is a nationwide network of small businesses:

- The industry is comprised of over 93,000 businesses in total, located in every state in the country. These are mainly small businesses; 87% employ fewer than 10 people.
- The industry made $49 billion in payments to over 400,000 local businesses in 2016.

The industry increases the tax base:

- The industry generated $20.6 billion in public revenues in 2016 from sales taxes on goods, state income taxes, and federal taxes including income tax, unemployment, Medicare and Social Security, based on direct employment in the industry.

The industry contributes significantly to the overall economy:

- The industry contributed $134 billion in sales to the overall economy in 2016 (up 1% from 2015).

The industry is one of the most highly competitive around the world – one of the few that consistently generates a positive balance of trade in virtually every country in which it does business:

- The industry registered a positive balance of trade in nearly every country in the world with $16.5 billion in exports worldwide in 2016.
- The industry had a positive services trade surplus of $12.2 billion in 2016, or 5% of the total U.S. private-sector trade surplus in services.
- In 2016, the industry exported four times what it imported. The industry runs a trade surplus larger than each of the surpluses in the advertising, mining, telecommunications, legal, information, and health related services sectors.