

Ohio Senate Finance Committee  
May 23<sup>rd</sup>, 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 Dolan, Ranking Member Sykes, and members of the Senate Finance Committee for this opportunity to voice 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 facts 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 known as *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 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, as it is likely we would need to seek work elsewhere.

Motion Picture Tax Credits are easy targets. It's a convenient narrative to label them as handouts for 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 has made a long-term commitment to Ohio by opening a brick and mortar shop in this state and targeting Ohio-feasible projects. And none of it would have been possible without the essential financing which was obtained by way of the Production's Ohio Motion Picture Tax Credit allocation.

The film, called I SEE YOU, premiered at one of the world's most competitive film festivals this past March, South by Southwest. And at this very moment, licensing agreements are being executed at the Cannes Film festival by my London sales partners in territories on every continent. The film will be heard in countless languages spanning the globe, and when the end credits roll, every audience member 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 just 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 producerial 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. Per 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 remove 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

I have heard the criticisms about motion tax credits in other jurisdictions like Michigan and North Carolina where incentives have been abolished. I've heard dialogue that Ohio will never be Hollywood, and that the investment required by the state to move the needle is astronomical. Well as a leader in Ohio's film industry I submit that we should not, and are not striving to be Hollywood at all. According to the Motion Picture Association of America, of the 789 films produced domestically in 2016, 85% had budgets of less than \$15M. That's 670 films without quote "Hollywood" budgets. This is what we should be focused on. My film, I SEE YOU, had a sub five million dollar budget, received an \$890K tax credit allocation and created 60 work days for 100 full time equivalent employees. Ohio can be a star in

its own role, going an inch wide and a mile deep by way of its allocation process to ensure production *volume* is serviced rather than workflow getting clogged by a few large projects holding on to precious incentive dollars.

Criticisms about “full time equivalent” jobs lacking permanence were also 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 along with additional changes to the credit language have been sound moves. 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 simply 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.

In addition to wages, the industry creates wealth in other ways too. On top of the hundred or so jobs created by my company’s film last summer, Ohio investors provided roughly 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 of course 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, manufacturing of product, and distribution of product 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, and 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.