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**Laura Lanese**

**State Representative**

**23<sup>rd</sup> Ohio House District**

**House Ways and Means Committee: HB 599**

Chairman Merrin, Vice Chair Riedel, Ranking Member Sobecki, and Members of the House Ways and Means Committee, thank you for the opportunity to provide sponsor testimony on House Bill 599, the Entertainment Technology Initiative. The purpose this bill is to encourage an independent, self-sustaining animation, film, and gaming infrastructure that will lead to continued growth in these high tech fields that will not only attract talent from around the world, but to further grow the handful of companies in this state, as well as provide for jobs for our Ohio college graduates, who are now having to leave the state in order to find employment in the fields in which they majored.

Entertainment technology includes post-production film technology, video game design, animation, sound stage production, and virtual reality to name a few. This bill will provide for a credit up to 35% for qualifying expenditures, which will be capped at \$2 million initially and increase incrementally. The tax credits will be allowed on a first-come, first-served basis. No one company will be able to receive more than 20% of the total aggregate statewide cap each year to encourage small companies and start-up growth.

To qualify for the tax credit, companies must invest a minimum of \$500,000, start with at least three full-time employees and have five full-time employees from FY-2025 and on. The full-time employees must be permanent Ohio residents or recent graduates of an Ohio university. The company must also employ a minimum of two interns per year and these interns must attend an Ohio-based university. Lastly, a company must have a minimum aggregate payroll of \$150,000 per year from FY2022-FY2025 and this will increase to \$300,000 from FY2025 and on.

Entertainment technology jobs are some of the fastest growing in the world, a fact that the pandemic underscored as Americans hunkered down at home and fed these billion-dollar industries. As an example, the streaming service industry is expected to grow from \$38.56 billion in 2018 to \$149.34 billion in 2026. And this is just one entertainment tech industry. Video games are currently a \$77 billion industry in the US and growing exponentially. Sound stage production is another entertainment tech industry, which the Wall Street Journal notes is spending tens of billions of dollars and looking for locations throughout the country to meet the insatiable appetite for entertainment. These companies can locate anywhere in the world, so why not Ohio?

Currently, there are over 50 media companies in Ohio that do post-production, gaming, and animation work. The organization that brought this issue to my attention is the Ohio Film Group, located just around the corner on Broad St. Ohio Film Group's cofounder, Len Hartman is the poster child for this legislation. Len received his degree from The Ohio State University after a stint on the football team, where he earned an Academic All-American title and went to Hollywood where he could pursue his career in the entertainment industry. After being a highly successful film maker (he has "Free State of Jones" as one of his writing credits), he wanted to come back to Ohio to raise his family. He was fortunate to be able to start a company that "delivers Hollywood quality services at a great Midwestern price." If you want to see what's possible for this industry visit OFG's webpage to see the number of films, animation series, and

other projects being developed here in Ohio and you'll get a sense of the potential of the entertainment tech industry could be with a little help in the form of tax credits.

The goal of this bill is to ensure these types of job creators are popping up all over the state, and we are just beginning to see the possibilities. For example, A Dayton based new company, 1913 Studios, just purchased a 200,000 square foot former manufacturing site and is in the process of transforming it into the largest film production studio in the Midwest. Good Deed Entertainment, a film distributing company originally from Los Angeles, moved to Ashland only a few years ago and has been creating award winning films, like *Loving Vincent*, which earned an Academy Award nomination in 2018. A current production starring Keira Knightly titled, *Charlotte*, tells the story of a young artist fleeing Nazi Germany. Gravitas Ventures located in Cleveland is one of the largest independent film distributors in the world and was acquired last year for \$73 million by Anthem Sports & Entertainment to expand the company and create new opportunities.

Additionally, both Cleveland and Cincinnati were ranked within the top 20 best places to create a movie in North America according to *Moviemaker Magazine*. To further emphasize the potential of tax credits in the entertainment industry in Ohio, director and writer John Ridley, who wrote the film *12 Years a Slave*, said in a recent interview that he chose Cincinnati as a site for his film because, "Ohio has tax incentives. Ohio chose to bring business here." These examples highlight how Ohio can make become a leader in this industry, while businesses are starting to realize that technology allows them to do business anywhere and that Ohio is the place to do it most affordably. This legislation will not only build buzz about Ohio and the tech entertainment industry, it will help us achieve critical mass so that we can become a star in this highly profitable industry.

Another goal of this legislation is to provide opportunities for Ohio students who are graduating in these fields to remain in Ohio. Currently there are 22 universities that offer a combination of film, animation, and gaming degrees alone. These universities have achieved a notable amount of success from students in these fields. For example, the Cleveland Institute of Art was ranked second in the world for 2D animation. Their enrollment recently doubled in size. Bowling Green State University ranks ninth in the Midwest for animation. Shawnee State has routinely been in the top 20 video game design schools since the inception of its program. And Wright State University now has the Tom Hanks Center for Motion Pictures, which opened in 2015 and is dedicated to training students in all areas of motion film production.

Most notably of these university programs I'd like to highlight the animation studios at The Ohio State University. OSU was a pioneer in the field of animation because of Professor Charles "Chuck" Csuri. Professor Csuri attended OSU on a football scholarship and was captain of the first National Championship game in 1942. He was selected for the 1944 NFL draft, but instead chose to serve his country. During his military service he was awarded a Bronze Star for heroism in the Battle of the Bulge. Upon returning to the US, he completed his master's degree at OSU, where he went on to teach for over forty years at OSU. Most importantly for our purposes, he started several graphic research programs, one of which was the Ohio Supercomputer Graphics Project and established OSU as the birthplace of computer animation. After many successes and breakthroughs in the field, the Smithsonian anointed him as the "father of digital art and computer animation." Although Csuri passed away just a couple of months ago, his daughter, Caroline, has maintained the family legacy of digital art and continues to revolutionize the field and hopefully will be here to testify as well. It is out of respect for him and his achievements that we have decided to name this bill in his honor.

These are but a few examples of the reasons for this bill. In the post-pandemic era, we are well-situated to capture many of the jobs that have traditionally been based on the two coasts. But technology and low costs have encouraged a small group of entrepreneurs to take a risk on Ohio. The time is ripe to grow these small companies before other states recognize the opportunities for these industries. Georgia has already taken the lead with similar legislation passed in 2017 and has successfully lured business out of

California to become a major player in this arena. This is an opportune time for Ohio to do the same and take the lead in this high-growth, high-paying technology sector and also to provide our Ohio college students an opportunity to stay in the Buckeye State and put their degrees to work here. We need to stop the hemorrhaging of our home-grown creative talent and grow this nascent industry into the blockbuster show we all know it can be.

Once again, thank you for the opportunity to provide testimony, and I'll turn it over to my joint sponsor, Representative Carruthers.