



Ohio Association of Broadcasters
Testimony before the House Finance and Appropriations Committee
House Bill 64 – State Biennial Operating Budget Tax Provisions
March 26, 2014

Chairman Smith, Vice Chair Schuring, Ranking Member Driehaus, and members of the House Finance and Appropriations Committee, thank you for the opportunity to testify today.

My name is Dave Glass, I am Vice President and Director of Broadcast for the Findlay Publishing Company. Findlay Publishing is a fourth generation family-owned business which dates back to the early 1900s. In addition to our two daily newspapers – the Findlay Courier, and the Fostoria Review Times – we own and operate three radio stations in northwest Ohio – WFIN and WKXA in Findlay, and WBUK in Ottawa – as well as four stations in Indiana. I am here today as Chairman of the Board of Directors of the Ohio Association of Broadcasters.

Ohio is home to nearly 340 commercial radio and television stations in small and large communities across the state. These stations employ approximately 7,000 Ohioans with a payroll of more than \$400 million.

Ohioans rely on local radio and TV stations every day. They get traffic updates during their morning drive. They check local news and weather throughout the day. They listen to music in their car, tune-in to hear a local high school basketball game, and watch political debates. And, during an emergency, Ohioans depend on local radio and TV stations for round-the-clock, real-time, public safety information.

I would also share that in addition to our over-the-air commitments, many Ohio broadcasters are involved with other community leaders discussing items like economic development, workforce preparedness and education.

Our business model is based on selling advertising, which accounts for more than 90 percent of revenue for local radio and TV stations. Many of these ads are purchased by businesses in our communities – including local car dealers, restaurants, grocery stores, furniture stores, and other local retailers.

We commend Governor Kasich and this Ohio General Assembly for your commitment to strengthening Ohio's economy and budgeting state money responsibly. We do, however, have concerns with several of the business tax provisions contained in House Bill 64 that will increase the cost of producing and providing local programming to your constituents.

First, the new tax on professional services includes “market research and public opinion polling services.” This would significantly impact many of our members. Radio and TV stations invest in market research, focus groups, and other polling and ratings services to better serve their audiences and better connect with their advertisers.

Market research and polling give stations feedback on their programs, their on-air talent, and the preferences of their audiences. In Findlay, research affords us the strategic capacity to align our programming with the needs and interests of our audience. It provides opportunity to test new music and new formats.

As for ratings? They are very expensive and very important, even in Findlay. Ratings services estimate the size and composition of a station's audience, and are often THE tool advertisers use to make buying decisions.

These market research services are often times the 2rd or 3rd highest expense for a station. The impact of a new tax on these services could range from \$5,000-\$10,000 in smaller markets, up to \$150,000 in large markets.

Second, taxing “management consulting, public relations and lobbying” services would also increase costs for our members. Broadcasters regularly rely upon these services to manage their operations, ensure compliance with FCC regulations, and plan investment in new technology. At Findlay Publishing, we deploy the services of Six Disciplines – a management coaching firm – that provides strategic alignment between our print and broadcast operations with our new digital services. By any measure, we are a traditional media company that is focused on growing in the new digital landscape.

We also worry that the tax on these services could be interpreted to extend to legal and accounting services and independent sales representatives. Many radio and TV stations rely on independent sales reps to sell advertising.

Third, we are concerned that the broad definition of these services would be applied to advertising services – the lifeblood of radio and television station revenues.

Finally, the increase in the Commercial Activity Tax (CAT) rate will increase costs for most Ohio radio and TV stations. While a few of our members will benefit from the small business tax changes, the new tax on services would outweigh those benefits in most cases. For stations above the \$2 million threshold, the CAT rate increase would be in addition to the taxes on services.

The CAT rate increase and new taxes would also increase expenses for many of our advertising clients. If our clients pay more in taxes, they may be forced to reduce their advertising buys, which would have a real and immediate consequences for radio and TV stations. And, this reduction in advertising would also impact our economy. Every one dollar in advertising generates 22 dollars in the economy, so less advertising results in lower consumer awareness and less economic activity.

Broadcasters work every day to stay ahead in an ever-changing media landscape. We connect with our audiences over-the-air, as well as through mobile devices and a myriad of social media platforms. These technologies require significant investments. Make no mistake, these investments allow our audiences – your constituents – to stay in touch with what is happening in our local communities. That commitment to public service remains a core value of local radio and TV stations.

As you press on with the difficult task of striking the right balance in the state budget, we appreciate your consideration of the real-world impact that these proposals will have on our stations – and on our clients – in your local communities.

Thank you for the opportunity to testify today. I would be happy to answer any questions you may have.