

TESTIMONY OF BRIAN O'LEARY

TAX COUNSEL

NBCUNIVERSAL

IN SUPPORT OF

HOUSE BILL 525

BEFORE THE OHIO HOUSE GOVERNMENT
ACCOUNTABILITY AND OVERSIGHT COMMITTEE

WEDNESDAY, APRIL 11, 2018

THANK YOU CHAIRMAN BLESSING, VICE CHAIR REINEKE,
RANKING MEMBER CLYDE AND MEMBERS OF THE HOUSE
GOVERNMENT ACCOUNTABILITY AND OVERSIGHT
COMMITTEE.

MY NAME IS BRIAN O'LEARY, TAX COUNSEL FOR
NBCUNIVERSAL. THANK YOU FOR ALLOWING ME TO
APPEAR TODAY TO TESTIFY IN SUPPORT OF HB 525. IF
ENACTED, HB 525 WILL BE A CATALYST FOR OHIO
REALIZING ITS POTENTIAL TO BECOME ONE OF THE LEADING
PRODUCTION CENTERS IN NORTH AMERICA.

IT IS WELL UNDERSTOOD THAT THE CURRENT OHIO PRODUCTION TAX CREDIT IS OVERSUBSCRIBED EACH YEAR AS THE DEMAND TO FILM IN OHIO FAR OUTPACES CURRENT PROGRAM FUNDING. TWO CRITICAL FACTORS CONTRIBUTE TO THIS ANNUAL OCCURANCE, THE FIRST BEING THE PRODUCTION TAX CREDIT IS WELL DESIGNED TO ALLOW OHIO TO BE JUST FINANCIALLY COMPETITIVE ENOUGH TO MATCH UP FAVORABLY WITH OTHER U.S. STATES AND CANADIAN PROVINCES THAT HAVE BUILT THRIVING MEDIA PRODUCTION CENTERS. THE SECOND IS THE PRODUCER EXPERIENCE WORKING HERE. WITH SO MANY GLOBAL ALTERNATIVES TO CREATE CONTENT, PRODUCERS NEVERTHELESS KEEP TURNING TO OHIO. MUCH OF THIS ACTIVITY IS REPEAT BUSINESS AND THE BALANCE IS PRODUCERS DRAWN TO FILM IN OHIO BECAUSE OF POSITIVE WORD OF MOUTH FROM OTHER STUDIOS WHO HAVE HAD SUPERIOR EXPERIENCES PRODUCING IN OHIO COMMUNITIES WITH OHIO CREW.

FOR NBCUNIVERSAL, IN 2016 OUR FILM STUDIO UNIVERSAL PICTURES WAS FORTUNATE ENOUGH TO SHOOT COMPLEX ACTION SEQUENCES FOR OUR FEATURE FILM, *FATE OF THE FURIOUS* IN OHIO. OUR DECISION TO FILM IN OHIO WAS INFLUENCED BY THE AVAILABILITY OF INCENTIVE FUNDS

AND THE STRONG ENDORSEMENTS OF THE PRODUCTION TEAMS THAT WORKED IN OHIO ON *THE AVENGERS* AND *CAPTAIN AMERICA*. OVER THE COURSE OF THREE MONTHS WORKING IN THE STATE, UNIVERSAL PICTURES HIRED MORE THAN 3,400 OHIO RESIDENTS AND PAID MORE THAN \$2.3MM IN OHIO WAGES. THE COMPANY ALSO SPENT \$4.75MM WITH OHIO SUPPLIERS, PREDOMINANTLY SMALL AND MEDIUM BUSINESSES INCLUDING CATERERS, DRY CLEANERS, LUMBER AND HARDWARE SUPPLIERS, TRUCK RENTALS, THE PAYMENT OF FILM LOCATION FEES AND HOTELS.

UNIVERSAL PICTURES EXPERIENCE IN OHIO HAS MADE OUR COMPANY INTERESTED IN BECOMMING A REPEAT CUSTOMER. UNFORTUNATELY, BOTH THE FEATURE FILM AND SCRIPTED TELEVISION PILOT WE SOUGHT TO FILM IN THE STATE LAST YEAR WERE UNABLE TO ACCESS THE PRODUCTION CREDIT BECAUSE FUNDING LIMITS WERE ALREADY REACHED CAUSING MORE THAN \$30MM IN PRODUCTION SPENDING TO OCCUR ELSEWHERE. THIS PRODUCTION SPENDING DOES NOT ACCOUNT FOR THE ADDITIONAL DIRECT INVESTMENT THAT OCCURS FROM THE POTENTIAL SERIES ORDER ARISING FROM THE PILOT.

GIVEN NBCUNIVERSAL'S DIRECT EXPERIENCE, INCLUDING MISSED OPPORTUNITIES IN OHIO WE FELT IT IMPORTANT TO SUPPORT THE ENACTMENT OF HB525. THE ADDITIONAL FUNDING, MATCHED WITH THE CURRENT INCENTIVE FRAMEWORK AND THE EXCELLENT LOCAL WORKFORCE AND SUPPORT BUSINESSES POSITION OHIO TO CAPTURE BOTH THE SEISMIC IMPACT OF LARGE BUDGET FEATURE FILMS ON A RECURRING BASIS AS WELL AS THE STEADY, LONG TERM ECONOMIC BENEFITS OF MULTIPLE HIGH IMPACT SCRIPTED TELEVISION SERIES. FOR CONTEXT, SINCE THE AVENGERS FILMED IN OHIO, THE NUMBER OF SCRIPTED TELEVISION SERIES HAVE GROWN 69% AND TOTAL PRODUCTION FOR THE STREAMING SERVICES HAS GROWN 680% DEMONSTRATING THERE REMAINS ENORMOUS POTENTIAL TO EXPAND ON OHIO'S SUCCESSFUL RELATIONSHIP WITH THE MEDIA AND ENTERTAINMENT SECTOR.

AN ADVANTAGE OHIO HAS AS COMPARED TO MOST TERRITORIES IS THE OPPORTUNITY TO INCREASE PRODUCTION IN THE STATE WILL NOT BE LIMITED TO ONE MUNICIPALITY, AS PRODUCTIONS HAVE AND CONTINUE TO SUCCESSFULLY FILM AROUND THE STATE.

EXPERIENCE IN OTHER JURISDICTIONS MAY HELP INFORM THIS COMMITTEE IN ITS CONSIDERATION OF HB525. ONE FACTOR IS THE ABILITY OF THIS INDUSTRY TO DRIVE JOB CREATION ACROSS A LOCAL ECONOMY. FOR EXAMPLE, A CORNELL UNIVERSITY REPORT ON THE NEW YORK FILM INDUSTRY FOUND THAT FOR EVERY DIRECT JOB CREATED, THE INDUSTRY CREATED TWO ADDITIONAL JOBS IN THE NEW YORK ECONOMY; A 3:1 RATIO. ANOTHER CONSIDERATION IS THE FISCAL IMPACT OF ATTRACTING AND EXPANDING FILM AND TELEVISION PRODUCTION. A REPORT BY THE ECONOMISTS AT THE ADVISORY FIRM, MNP LLP DETERMINED THE 30% GEORGIA PRODUCTION TAX CREDIT GENERATES MORE IN STATE AND LOCAL TAXES THAN THE VALUE OF CREDITS ISSUED. SINCE THE MNP REPORT'S ISSUANCE IN 2011 THE GEORGIA FILM INDUSTRY HAS GROWN FROM \$671.6MM IN DIRECT PRODUCTION SPENDING TO MORE THAN \$2.65 BILLION IN DIRECT SPENDING IN 2017. AMONG OTHER KEY METRICS ATTRIBUTED TO FILM AND TELEVISION PRODUCTION, SUCH AS INFRASTRUCTURE DEVELOPMENT AND SKILLS ENHANCEMENT, AN OFTEN OVERLOOKED BENEFIT IS ATTRACTING VISITORS TO FILM LOCATIONS. FOR EXAMPLE A NEW MEXICO GOVERNMENT REPORT IN 2016 CONCLUDED

THAT FILM INDUCED TOURISM CONTRIBUTES AT LEAST 5% ANNUALLY TO THE STATE ECONOMY. STATED ANOTHER WAY, TOURISM DRIVEN BY NEW MEXICO PRODUCED FILMS AND TELEVISION SERIES GENERATED APPROXIMATELY \$423.8MM IN ECONOMIC IMPACT AND 4,412 NEW MEXICO JOBS.

THE FOREGOING EXAMPLES ILLUSTRATE THAT ACROSS A RANGE OF DIVERSE STATES, COMPETITIVE, STABLE PRODUCTION TAX CREDIT PROGRAMS CAN HAVE BROAD ECONOMIC AND FISCAL BENEFITS FOR STATE RESIDENTS AND THEIR COMMUNITIES.

HB525 PRESENTS AN OPPORTUNITY FOR OHIO TO EXPAND AND DIVERSIFY ITS ECONOMY THROUGH MEDIA AND ENTERTAINMENT SECTOR INVESTMENT.

I AM HAPPY TO ANSWER ANY QUESTIONS.

