



April 16, 2022

The Honorable Tasha Boerner Horvath
California State Assembly
State Capitol
Sacramento, CA 95814

SUBJECT: AB 2926 - Oppose

Dear Assembly Member Horvath,

On behalf of the Los Angeles Area Chamber of Commerce, we **oppose** Assembly Bill (AB) 2926. If passed, this legislation will disrupt the practices and legal principles impacting the motion picture, TV, and streaming business. Additionally, AB 2926 undermines private contracts and collective bargaining process that currently uphold the framework for the entertainment industry.

California is today the music capital of the world. Music currently adds approximately \$40 billion annually to California's GDP, supporting over 430,000 jobs and 72,000 venues across the state. The current system is producing the highest artist advances and royalties for artists in the history of the music business, with a record number of new artists choosing a diverse number of options with record labels.

But AB 2926 would disrupt this major California industry by limiting artist choice and driving down pay and penalizing working artists and businesses that support them. All without giving artists in the state any meaningful new protections. While sponsors claim the bill is needed to ensure artists are protected by the "Seven Year Rule" for personal services agreements, recording contracts are already clearly subject to this limitation. But under the current seven-year rule, record companies can seek to recover losses if an artist does not meet their contractual agreements to deliver recordings during the seven year period. The bill would eliminate that statutory remedy – attacking the basic rule that a deal is a deal.

Major concerns about AB 2926 include:

- **Reduced Investment in artists** - AB 2926 introduces new uncertainty that will disincentivize or reduce investment in and payments to artists, limiting development and promotion of new acts.
- **Limited opportunities for aspiring artists** - AB 2926 increases the financial risk of new signings and as a result, fewer artists will be signed to record deals and those who do will be paid less.
- **Put artists "on the clock."** – The present model allows artists and labels flexibility in the recording schedule and to decide when a record is ready for delivery. A statutory timeframe takes away that choice and, perversely, would discourage labels from exercising options that artists negotiated and encourage.

- ***A threat to diverse voices and genres*** - By steering labels to “safe” deals, AB 2926 would hurt diverse voices, niche genres, and artists seeking to break new ground and take creative risks.
- ***Unnecessarily restrict choices available to artists*** - AB 2926 would effectively limit renegotiations to “no more than one additional album,” tying the parties’ hands and limiting artists’ ability to renegotiate valuable new payments and deals.
- ***Largely foreclose exclusive employment contracts throughout the state*** - With remarkable sweep, AB 2926 would prohibit any “contract for the personal or professional services of an employee” from being exclusive to the employer, except in the most limited circumstances. This unprecedented prohibition would upend every industry in the state (not limited to music, or even the entertainment industry more generally) and would have far-reaching and harmful consequences for the state’s economy.

Lastly, AB 2926 is unconstitutional and will lead to years of costly and harmful litigation. This legislation searches for a non-existent problem and if passed, AB 2926 will upend the vital entertainment industry in California. The state’s economy is continuing to recover and this bill will further hinder the greater economic recovery.

I hope the Assembly Committee on Arts, Entertainment, Sports, Tourism, & Internet Media will review our considerations and vote to **oppose AB 2926**. Thank you for your consideration. Please contact Senior Policy Manager, Cindy Lee, with any questions at clee@lachamber.com.

Sincerely,



Maria S. Salinas
President & CEO