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Louisiana Music Commission

Summary Report

Fiscal Year 02-03

June 2003

Introduction

The Louisiana Music Commission both facilitated and underwent significant change over the past year. Despite a reduction in funding, the agency continues to be an economic engine amassing tens of millions of dollars in impact over the past eleven years. The LMC maintains a strong focus on generating commerce and putting money into the hands of musicians and music industry professionals.

This past year, the LMC helped kill a tax that for more than 60 years harmed the music industry. In a more than 10 year battle to kill the Amusement Tax on live music in New Orleans, victory was achieved. This accomplishment alone represents a long term reinvestment in live music that will tally millions of dollars. It is probably the single biggest accomplishment in the history of the LMC. But there were many other important developments.

The Grammy Expo, to which the State of Louisiana has committed \$9.9 million in Capital Outlay funds and agreed to sell up to \$90 million in bonds, remains an active project with a new agreement in place between the National Academy of Recording Arts & Sciences (NARAS) and the primary developer,

Entertainment Realty.

Another long term project, the Robert E. Nims Jazz Walk of Fame on the Algiers levee, in which more than \$1 million in federal, state and private money has been invested, is nearly complete, with the promenade and lamps now in place.

A major financial investment by the State of Louisiana, second only to the Grammy project, in a local music-oriented business can also be credited to the LMC. Working with Senator Ken Hollis, the LMC played a key role in the \$1 million economic development grant to CA Guitars in Lafayette by the Louisiana Economic Development Corporation (LEDC).

And the state's higher education system added yet another music business program. The LMC assisted in the development and initiation of a Delgado Community College plan to create a certificate program that very soon will be an Associate Degree in Music Business Studies.

The LMC staff have assisted literally thousands of people directly via the website and personal contacts. Additionally, we reached tens of thousands with promotional programs touting the Buy Louisiana Music website, buylouisianamusic.com, which offers links to local e-commerce sites selling Louisiana music.

The historic Louisiana Quarter Launch Ceremony, coordinated by the Office of the Governor, depended upon the LMC for planning assistance and a once-in-a-lifetime assemblage of Louisiana musical legends for the public ceremony at which the U.S. Mint released the newly minted Louisiana quarter. LMC director Bernie Cyrus was appointed to the Governor's Commemorative Coin Commission and produced the musical extravaganza that featured Irma Thomas, Pete Fountain, Ellis Marsalis, Jean Knight, Rockin Dopsie Jr., Amanda Shaw, Hunter Hayes, Brian Stoltz and more, all performing pro bono at the public ceremony.

Many other developments occurred over the past year, including: the founding of the Louisiana Independent Music Merchandisers Association; the development of the MetroVision Entertainment Cluster in New Orleans; a strong effort in the Lafayette area to grow NARAS membership and to create a Cajun/Zydeco Grammy category; a new, historic agreement between the City of Shreveport and a newly formed organization to fully develop the Municipal Auditorium, the site of the Louisiana Hayride, into a major music museum that promotes tourism and education; the Louisiana Cavalcade that Secretary of State Fox McKeithen has now extended into a second year; the 10th Annual Cutting Edge Music Conference & Roots Music Gathering, the longest-running music conference in Louisiana; continued development of the New Orleans/South Africa Connection (NOSACONN), which brings together music and business in an international economic development effort; and a renewal of movie production that has given the LMC the opportunity to put Louisiana music into the hands of producers, directors and other movie professionals.

Several issues pervaded the past year. On the national level, radio consolidation, pay for play, digital rights management, and a general slowdown in record sales made the year a sometimes difficult one. Large scale layoffs amongst the major labels, combined with poor stock performance by the newly consolidated media giants has created both problems and opportunities. New business models, such as the one created by New Orleans Digital Entertainment, have led the LMC to support the creation of an Arts & Entertainment Industry Development Fund. Senator Hainkel introduced SB749 which is finding strong support in the Legislature. SB749 will create a mechanism for the state to invest in music businesses that create exportable products, including record labels and instrument manufacturers.

The revamping of the Department of Economic Development, now called Louisiana Economic Development (LED), during the previous legislative session resulted in a major change in the structure and administration of the LMC. The LMC budget was reduced by \$90,000 and those funds were absorbed by LED for inclusion in the department's overall promotional budget. This gave the LMC access to the LED budget but also put the LMC into competition with every other component of LED for the limited dollars. When LED asked its various components to create spending plans, requests exceeded available funds by more than \$600,000. Thus the state's dedicated commitment to the music industry was reduced. Additionally, the power of the Chairman and the Commission to oversee budgeting and spending was eliminated. This means, according to the department's Undersecretary, that the LMC board no longer has the ability to set salaries or is needed to approve projects or expenditures. A major salary disparity continues to exist between the the LMC and the other components of LED. And, much to the chagrin of the LMC staff, the state's highly paid Entertainment Cluster Developer still has not visited the LMC offices.

Industry Overview

The record industry hit a bump in the road in the past year. As noted previously, there were massive layoffs amongst the major labels. Literally thousands of people lost their jobs at record companies around the world. Warner Music Group left Los Angeles to consolidate operations in New York City. Sony laid off more than 1000, BMG more than 500. Record sales were off by more than 13%. Louisiana artists did not amass their usual numbers. Britney Spears last effort did not achieve sales levels of her previous record. And the top selling run of hip hop artists on Cash Money and No Limit stalled.

No Limit left Louisiana for California. Cash Money lost some of its best artists to other labels. But, in country music, Kix Brooks, of Brooks & Dunn, and Tim McGraw maintained a strong presence. Overall, sales of music by Louisiana artists were down but still strong. And the high levels of prior years, where Louisiana artists sold literally hundreds of millions of dollars worth of product, cannot be expected to be maintained year after year in the fickle entertainment marketplace.

Radio continued to generate controversy with consolidation a major topic, and Pay for Play, today's version of payola, finally causing labels to reconsider their

marketing methods. The LMC has taken strong stances against consolidation and Pay for Play. Chairman Marsalis joined dozens of important musicians in signing a letter to Chairman Powell of the Federal Communications Commission calling for the FCC to halt any further changes to ownership guidelines. And the LMC took a strong stance, calling for a Congressional investigation of Pay for Play. Recently, due to both economics and ethics, several major labels have curtailed paying for airtime.

The LMC also got participated in an effort to stamp out piracy. At the request of a local label whose business is being hurt by sales of counterfeit copies, the LMC contacted the City of New Orleans and the Recording Industry Association of America (RIAA), the leading anti-piracy organization in the world, to coordinate an effort to attack this problem. This effort is ongoing. Additionally, the LMC is conducting an investigation regarding a case of potential fraud that is a matter too sensitive and confidential to delineate in this report.

Major Accomplishments and Issues

Amusement Tax on Live Music

In May of 2002, the City Council of New Orleans voted 4-3 to cease collecting the Amusement Tax on live music, ending a more than 60 year travesty that caused untold damage to the economic potential of music in the city. Working with then-councilmember Scott Shea, the LMC succeeded in lobbying the council. Voting with the LMC were outgoing members Shea, Troy Carter and Jim Singleton along with current member Oliver Thomas. A phone call from then-mayor elect Nagin, sealed the deal. Representative Mitch Landrieu, attorney Justin Zitler, Grammy developer Troy Von Otnott, businessman Tucker Crawford and musician Fredy Omar pleaded before the council. It has been estimated that ending this tax will return more than \$2 million annually to the live music industry. The LMC led this effort for more than 10 years and staff appeared before the New Orleans City Council a half dozen times. The tax was a national embarrassment that was often cited as the single greatest impediment to the economic development of the music industry in the city.

Grammy Exposition

Despite numerous obstacles, the Grammy Exposition project remains active. A new agreement between NARAS and the development team was signed in May, giving the team 6 months to address several issues about which NARAS is concerned. The state's commitment remains on the table.

CA Guitars

This Lafayette-based manufacturer of guitars made from advanced composite materials is on a strong roll. Demand for product is growing, the list of dealers is growing and employment at the company is growing. Working with Senator Hollis, the LMC assisted CA Guitars in securing a \$1 million grant from LEDC for the purchase of manufacturing-related equipment. This helped the company

secure other financial commitments that are allowing it to expand its facilities. This is the biggest investment by the State of Louisiana in the music industry to date and represents a team effort by the LMC, LED, LEDC, the Lafayette Economic Development Authority, Senator Ken Hollis and others.

SB749 Louisiana Arts & Entertainment Industry Development Fund

This bill, introduced by Senate President John Hainkel, is widely supported in the Legislature. The bill was unanimously supported by the Senate and is awaiting House committee and floor votes. SB749 establishes a vehicle to evaluate business plans and disburse investment funding for Louisiana music business ventures that create exportable products. A House version of the bill was introduced by Rep. Alex Heaton. Preliminary work and development of this bill was initiated by the LMC and musician/entrepreneur Tucker Crawford. The LMC's role in the Fund is to serve as a primary evaluation entity for business plans. Administratively, the funds (the bill is currently unfunded) would be approved by the LEDC board and managed by LED. This is the first effort of its kind and sends a strong signal to the entertainment business that Louisiana strongly supports its music industry.

Robert E. Nims Jazz Walk of Fame

This project, a promenade honoring Louisiana jazz legends on the Algiers levee, was jointly developed by the LMC, New Orleans Jazz Centennial Celebration (NOJCC), and many others, recently opened to the public. Thanks to the private investment of more than \$300,000 by Ms. Jeri Nims, the final installation of lamps was guaranteed. The first 15 audio components are in place, and an additional 16 are scheduled to be installed in the coming weeks. More than \$1.5 million has been invested so far by federal, state, local and private groups.

Radio Consolidation, Pay for Play and Low Power Radio

The LMC continues to work closely with the Future of Music Coalition and the Prometheus Radio Project to keep radio diverse and available. The FCC, under Chairman Michael Powell, appears to be favoring more lenient ownership rules that will further consolidate radio and reduce the diversity of voices on the public airwaves. The LMC, along with literally dozens of major musical artists and organizations, strongly opposes the ownership rule change. Additionally, the LMC took a strong stand against Pay for Play, whereby record labels were literally paying for the playing of songs on radio. A combination of outrage, federal investigation and a soft economy has caused some major labels to reduce and even curtail this practice. The Low Power Radio initiative of the Clinton Administration was seriously reduced by the Bush Administration, but remains active. Several Louisiana licenses were created and the Prometheus Radio Project staged a Low Power Radio Barn Raising in Opelousas at which they provided information on how to build and run a low power radio station.

Other Accomplishments and Issues

Louisiana Quarter Launch Ceremonies

The Office of Governor Mike Foster worked closely with the LMC to stage a major, historic event at which the U.S. Mint released the Louisiana quarter. The LMC hosted several meetings of the Governor's Louisiana Commemorative Quarter Commission and contributed to the process of design (a trumpet was added to denote the state's role in music) and the staging of the event. The LMC secured the pro bono services of some of the state's most legendary musicians. Irma Thomas sang the National Anthem, Rockin Dopsie Jr. joined Doug Kershaw, Hunter Hayes and Amanda Shaw and drew a standing ovation, a first-ever duet by Pete Fountain and Ellis Marsalis showcased jazz, Chris Thomas King and his father Tabby Thomas performed as did Jean Knight and Brian Stoltz. Representatives of the U.S. Mint declared that Louisiana's quarter launch was the most entertaining one to date.

Louisiana Music Cavalcade

Working with the office of Secretary of State Fox McKeithen, the LMC participated in the first Louisiana Music Cavalcade which toured nine Louisiana cities. This year, in its renewal, a series of talent shows generated nearly 1000 applicants from which 114 were chosen to compete. Eleven talented and diverse Louisiana musical groups and singers were then selected to perform at Cavalcade stops. This celebration of native Louisiana talent is now in its second year and has been experienced by literally thousands of Louisiana citizens. This year the Cavalcade is scheduled to travel to Nashville, giving the winners an opportunity to reach a major segment of the music industry.

10th Annual Cutting Edge Music Conference & Roots Music Gathering

The LMC helped sponsor this milestone staging of the state's longest-running professional music conference. Held at the Hotel Intercontinental, the event was well attended and featured many prominent music industry professionals. However, due to the restructuring of the LMC's budget and spending procedures, sponsorship dollars for this year's conference are in danger of being withdrawn by LED.

Higher Education

The LMC continues to work closely with Peter Cho of Delgado Community College to develop a music industry curriculum and program. The first step, establishment of two Certificate programs in Music Business Studies, was successfully launched this past school year. The next step, an Associates Degree program, is moving forward. This community college program focuses on developing the workforce in event staging and management, live and studio audio production and general music industry practices. It will be a model for other schools around the state. Additionally, the LMC is working with Paul Blaum of LaCrosse University, an online educational institution in Louisiana, to develop a certification program in audio recording, which will fill a necessary niche in the skilled labor pool.

Primary & Secondary Education

The LMC continues to work with the Louisiana Alliance for Arts Education to help Louisiana schools adhere to the National Standards for Arts Education. Additionally, the agency has created audio vignettes for the Jazz Walk that will be used to form the basis of an educational outreach package that will help expand studies of Louisiana music history. Due to the cutback in the LMC budget, the Louisiana Music History CD ROM project has not gotten past the script stage.

Louisiana Independent Music Merchandisers Association

An effort led by Orleans Records president Carlo Ditta has successfully created the state's first association of record companies. The Louisiana Independent Music Merchandisers Association (LIMMA) has more than two dozen members statewide. A compilation CD was produced and a directory of members will provide information about the labels and their catalogs. The LMC has provided administrative assistance to develop LIMMA and purchased CDs and directories for distribution to music and entertainment industry professionals.

Artist Development & Assistance

The LMC continually responds to requests for advice, assistance and references from artists and managers. Over the past year the office assisted young artists such as Amanda Shaw, successful artists such as 12 Stones, developing artists such as American Idol semifinalist Misty Moon and many others. This assistance ranges from advising on improvements to promotional materials to finding rehearsal space to helping make connections to movie and video producers. The LMC website and offices regularly provide information that helps artists and music professionals make the connections needed to generate commerce.

Development of Museums and Historic Resources

The LMC continues to play a major role in preserving the state's unique music legacy. By providing references, lobby efforts and other advisory assistance, the agency has helped several entities move forward on legacy issues, historic preservation and development of museums. A long term effort to assist the City of Shreveport in celebrating its significant music history recently turned a corner. A new agreement between the city, the historic Municipal Auditorium and a nonprofit organization is moving quickly to establish a museum. Formerly the site of the Louisiana Hayride, "The Cradle of the Stars" radio show that helped launch the careers of Elvis Presley, Hank Williams and many others, the Shreveport Municipal Auditorium will now become a major tourist destination and an economic hub for the city's music industry.

Investigation of Misleading Music Search Events

The LMC conducted an investigation into phony music search events that

purport to bring musicians into contact with record labels and others seeking music. These searches, based on a similar program that exploits models, "qualify" people to go to a subsequent event where a high fee is charged to put them into contact with the so-called "movers and shakers" who can help the artists careers. The LMC worked with the Office of the Attorney General, and with other agencies both in Louisiana and around the country. The investigation was inconclusive due to the secretive nature of the company producing the events. The file is still open.

The LMC is also working closely with the Louisiana State Museum, the Louisiana State Archives and with private developers seeking to celebrate and preserve our music legacy.

Conclusion

The Louisiana Music Commission, coupled with the leadership of Chairman Ellis Marsalis and with the executive administration of director Bernie Cyrus and limited staff resources, has proven to be one of the crown jewels of LED for over a decade. The LMC has become an award winning and internationally recognized economic development success story thanks to the support of the Office of the Governor, the Louisiana Legislature and the LMC board members. If the Grammy Exposition comes to fruition, the LMC will be able to claim responsibility for helping generate more than \$100 million in economic impact during the Marsalis years. Under the Foster Administration, the LMC's budget and impact grew significantly. But much remains to be done. The state continues to focus on sports rather than the arts, with investment in sports exceeding investment in the arts by a ratio of literally hundreds to one. As Chairman Marsalis has noted time and again, until Louisiana celebrates the arts to the same degree that it celebrates sports, we cannot expect the state to be competitive and successful. For the arts are the key to generating the educational excellence that will bring Louisiana up from the bottom of the educational barrel. The LMC stands ready and willing to help Louisiana take the steps needed to improve our educational systems and business infrastructure. It is up to the Legislature and to future governors to see that these jobs are done.

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