



March 14, 2022

Assemblymember Ash Kalra  
State Capitol  
Suite 5130  
Sacramento, CA 95814

Re: AB 2926—SPONSOR

**Dear Assemblymember Kalra:**

The Music Artist Coalition (MAC) is proud to sponsor AB2926 and we are grateful that you have authored this legislation, which is vital for recording artists who call California home.

For decades, Labor Code 2855, otherwise known as the Seven Year Statute, protected all Californians from being held hostage by corporations to protracted contracts. Unfortunately, in 1987, the major record labels secured an amendment that effectively excludes one group of Californians: recording artists. AB2926 would restore the original intent of the Seven Year Statute, a law that has protected artists in the other creative industries without disruption of their business.

The music market is dominated by three multi-national, multi-billion dollar foreign controlled corporations that sign artists to long-term exclusive agreements, where an artist has to commit to delivering multiple albums under onerous terms. These corporations are conservatively valued at more than \$100B and control 68% of the global music market. On the other hand, many of artists impacted by the 1987 amendment are young, and unable to bargain for a fair deal at the outset of their career. Many of these young artists come from underserved communities and sign longterm contracts without the benefit of an attorney.

As a result, these contracts skew heavily in the favor of the record labels. Unlike customary deals where the costs are recovered “off the top” from gross revenues, these contracts require that the artist actually pays back the vast majority of the monies from the artist’s small share of royalties, leaving the artist with a negative balance while the

label reaps all the profits. The contracts also mandate that the label gets to continuously unilaterally extend the term of the agreement and retains ownership of the copyright in the artist's music. Finally, the major labels also often insist on 360 deals wherein the artists must pay the labels a percentage of the artist's non-record income (touring, merchandise, music publishing, and brand endorsements). The justification for 360 deals was a decrease in records sales due to piracy; while the rationale is gone, the labels still use their leverage to continue the practice.

Streaming has transformed the music industry. The labels have been the overwhelming beneficiaries: record companies have experienced tremendous revenue growth along with reduced expenses (as labels no longer have to manufacture and distribute physical product for the majority of their revenue).<sup>1</sup> The artists who drive the business are not benefitting from this boom due to protracted and outdated contracts.

Because of the 1987 amendment to the Seven Year Statute, artists remain trapped, oftentimes for the entirety of their career. Unlike the artist, the label has the unilateral contractual right to exit a record deal at any time during the term. AB2926 would help bring balance to the relationship between artists and the record labels who profit from the artists' music.

This initiative boils down to a simple concept: the 1987 amendment improperly excludes recording artists. This change in the law has done nothing but harm artists and empower corporations to take advantage of Californians with little leverage.

California has prided itself on being a place where the creative community is protected and encouraged to succeed. We thank you for your leadership and for carrying on the proud Californian tradition of fostering a marketplace in which artists can create.

**With gratitude,**

Irving Azoff

Coran Capshaw

John Silva

**Board Members, Music Artists Coalition**

<sup>1</sup> Streaming music revenues grew 13.4% to \$10.1 billion in 2020, making up 83% of all U.S. music industry revenues. Only 9% of revenue comes from physical products (CD, Vinyl, etc.). Revenue from CDs continues to decline, dropping 23% in 2020. "Year-End 2020 RIAA Revenue Statistics," Recording Industry Association of America (2021), available at [www.riaa.com](http://www.riaa.com)