

# Executive Office of Commerce Department of Business Regulation

Staff Presentation  
FY 2016 Revised and  
FY 2017 Recommended Budgets  
April 13, 2016

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# Executive Office of Commerce

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# Introduction

- 2013 Assembly created Executive Office of Commerce
  - Oversee and serve as the lead agency of the Executive Branch for managing the promotion of commerce and the state's economy
  - Administered by a secretary of commerce
  - Statutes effective February 1, 2015

# Introduction

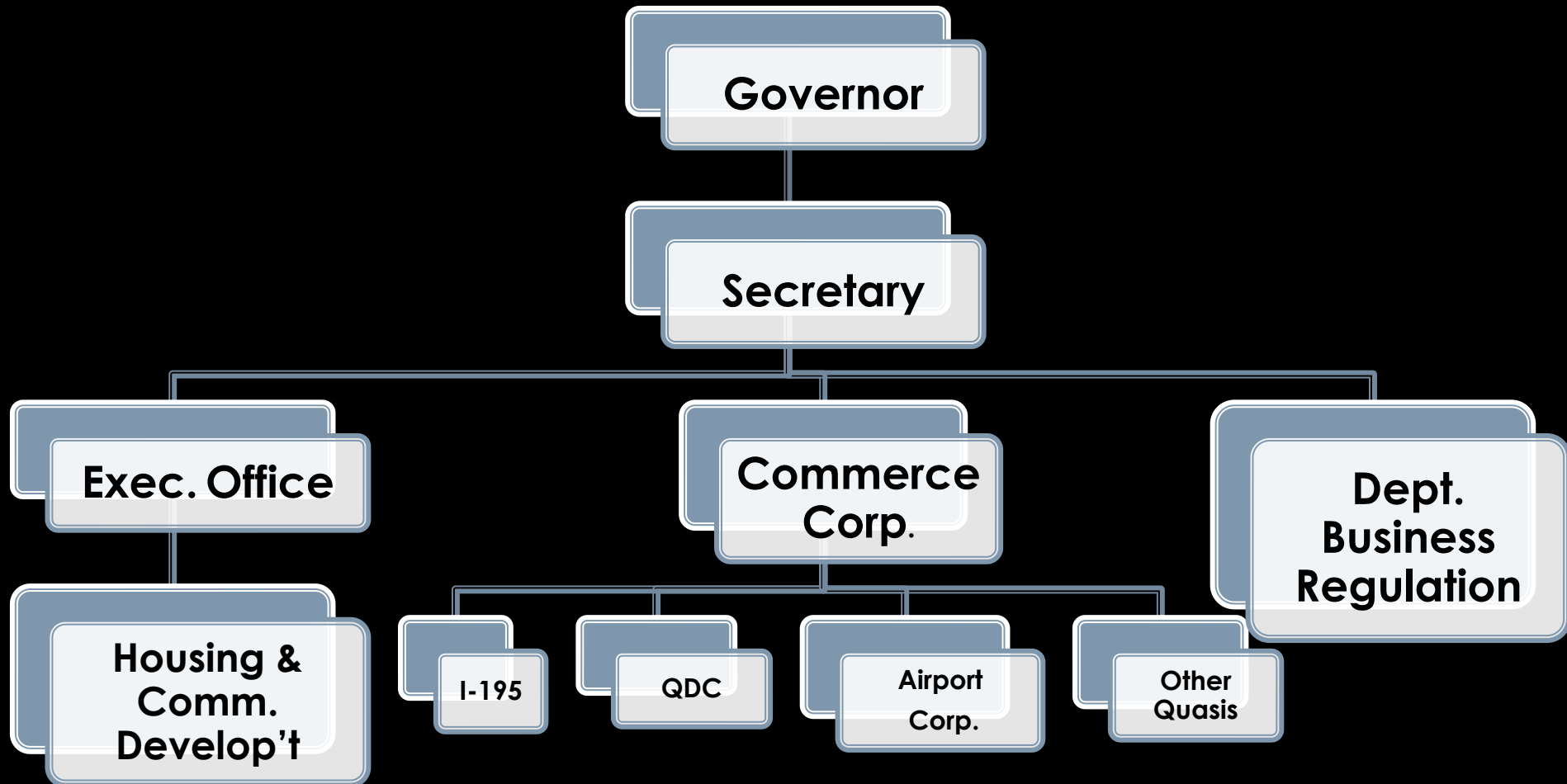
- Secretary received Senate approval in February 2015
- Executive Office of Commerce established for FY 2016, including:
  - Executive Office
  - Housing and Community Development
    - Transferred from DOA, consistent with legislation
  - Commerce Corporation
  - Other Quasi-Public Agencies



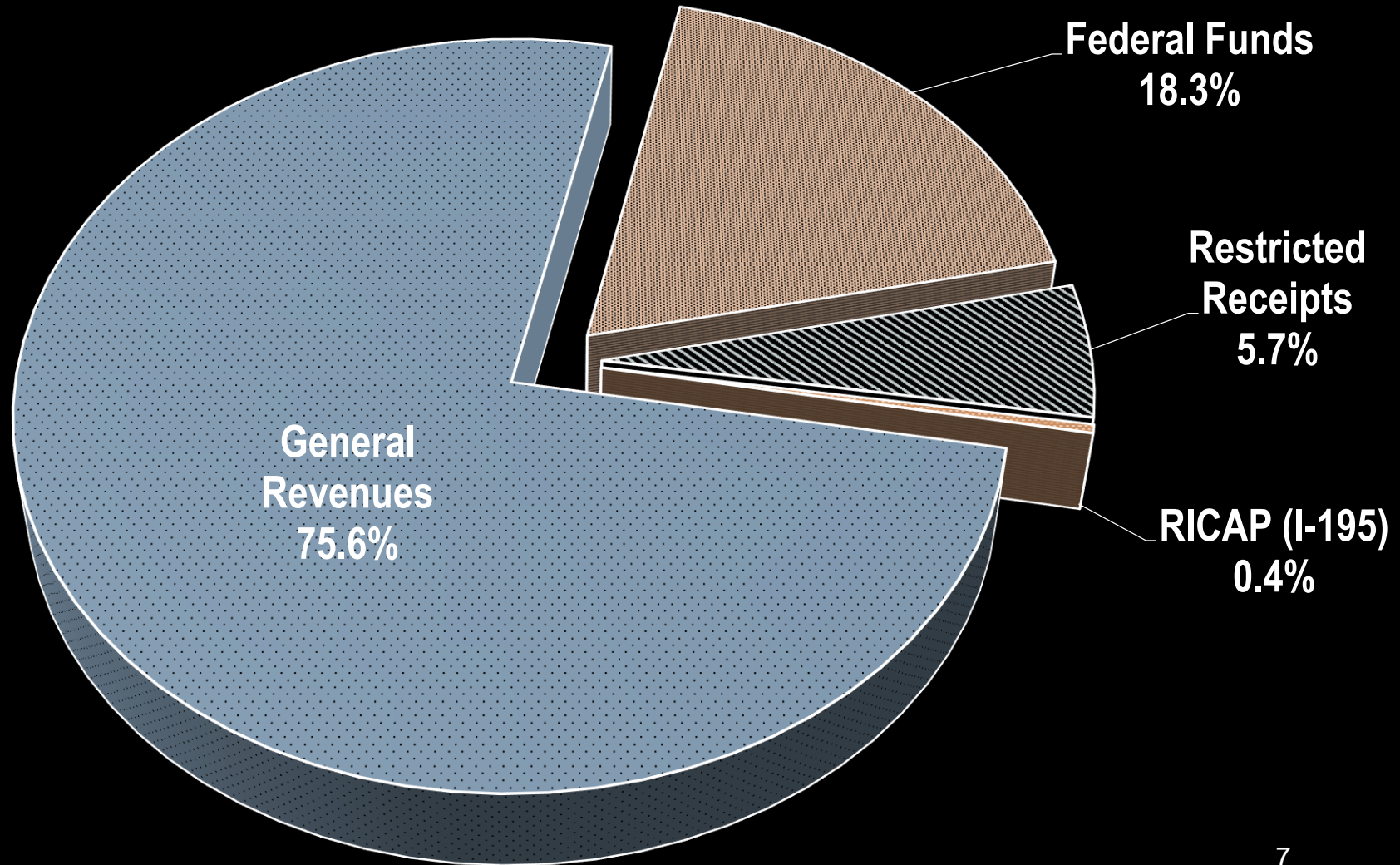
# Introduction

- 2013 Legislation included power to operate Department of Business Regulation functions
  - Governor's FY 2016 recommendation maintained as stand-alone agency
  - Assembly concurred
  - Department falls under management of Secretary and Executive Office

# Introduction



# FY 2017 Recommendation



# Economic Development Incentives - Background

- 2015 Assembly enacted 15 programs as part of the FY 2016 budget in support of the Governor's economic strategy
  - 5 tax incentive programs
  - 10 other programs, investments & initiatives
  - Partially funded from debt restructuring

# Economic Development Incentives - Background

<i>FY 2016 Enacted Budget</i>	<b>2016</b>	<b>2017*</b>
Closing Fund	5.0	-
I-195 Redevelopment Fund	25.0	-
Small Business Assist. Program	5.5	-
<b>Wavemaker Fellowships*</b>	1.8	1.8
Streetscape Improvement	1.0	1.0
Industry Cluster Grants	0.8	1.3
Innovation Initiative	1.0	1.0
P-Tech*	0.9	0.9

*\*Ongoing funding assumed*

# Economic Development Incentives - Background

<i>FY 2016 Enacted Budget</i>	<b>2016</b>	<b>2017</b>
<b>Rebuild Rhode Island</b>	\$ 1.0	\$ 12.1
Tax Increment Financing	-	-
<b>Tax Stabilization Incentives</b>	-	0.6
<b>Anchor Institution</b>	1.8	3.9
<b>New Qualified Jobs</b>	1.0	-
<b>New Incentives Total</b>	<b>\$45.0</b>	<b>\$22.6</b>

# Economic Development Incentives

- Debt restructuring expected to yield \$16.8 million more than anticipated when FY 2016 budget passed
  - Most recommended for Commerce programs
- FY 2017 Budget increases funding for commerce programs by \$26.5 million

# Economic Development Incentives

- FY 2017 Budget increases funding for commerce programs by \$26.5 million
  - This is \$11.0 million more than the use of \$15.5 million in excess debt savings
- Mix of one-time and ongoing programs
  - Changes to approved programs



# Programs and Investments FY 2017 Recommendation

<i>Current Programs</i>	<i>2016 Rev.</i>	<i>2017</i>
Closing Fund	\$ 5.0	\$ 5.0
I-195 Redevelopment Fund	25.0	-
Small Business Assist. Program	5.5	-
Wavemaker Fellowships	1.8	5.0
Streetscape Improvement	1.0	1.0

# Programs and Investments FY 2017 Recommendation

<i>Current Programs</i>	<i>2016 Rev.</i>	<i>2017</i>
Industry Cluster Grants	\$ 0.8	\$ 1.3
Innovation Initiative	2.0	1.5
Affordable Housing	3.0	1.0
P-Tech	0.9	1.4
Small Biz Innovative Research	1.0	2.0

# Programs and Investments FY 2017 Recommendation

<i>Proposed Programs</i>	<i>2016 Rev.</i>	<i>2017</i>
Impact Faculty	\$ -	\$ 2.8
University & College Collaborative	-	0.2
Air Service Development	-	1.5
Rhody Rail Commuter Pass	-	1.5

# Programs and Investments FY 2017 Recommendation

<i>Current Tax Incentives</i>	<b>2016 Rev.</b>	<b>2017</b>
Rebuild Rhode Island	\$ 1.0	\$ 20.6
Tax Increment Financing	-	-
Tax Stabilization Incentives	-	-
Anchor Institution	0.8	-
New Qualified Jobs	1.0	-
<b><i>Proposed Tax Incentive Program</i></b>		
Research & Development	-	5.0
<b>Total Programs &amp; Incentives</b>	<b>\$48.9</b>	<b>\$49.8</b>

# Wavemaker Fellowships: Current Law

- Tax credits - up to 4 years of college loan assistance
  - Amt. credits/candidate/year based on degree & actual loans
  - Max credits per year:
    - \$1,000/year for associate's,
    - \$4,000/year for bachelor's, and
    - \$6,000 for graduate/post grad.
- Enacted budget assumes \$1.8 million/year
- Application being finalized

# Wavemaker Fellowships: Current Law

- Eligible applicants must work full-time for OR have accepted offer from company focused in specific fields
  - Selection is employer & applicant -blind
  - Employer must be RI-based
- 70% of credits must be reserved for permanent RI residents (or applicants who went to RI college)
- Credits withheld if recipient becomes noncompliant

# Wavemaker Fellowships: Governor's Article 17

- Governor recommends eliminating annual credit limits
- Allowing fellows to receive more than 100% of their student loan debt/year
- Establish two new application processes for credits
  - Automatic, subject to available funds
  - Employer reservation of credits

# Wavemaker Fellowships: Governor's Article 17

- Governor's proposal eliminates employer-blind requirement for selection
  - Also eliminates candidate-blind requirement for selection
- FY 2017 Budget includes \$5.0 million
  - \$5.0 million per year assumed in out-year forecast



# Wavemaker Fellowships: Governor's Article 17

Applicant Requirements	Current Law	Gov.'s FY 2017	
		Auto. Approval	Business Reserved
Graduated from institution of higher ed	Yes	Yes	Yes
Grad of RI higher ed <b>OR</b> RI high school	No	Yes	No
Major or Discipline in STEAM fields	No	Yes	No
Applied w/in 1 year of graduating	No	Yes	No
Full-time (at least 35 hours/week) work	Yes	Yes	Yes
Work for Rhode Island-based employer	Yes	Yes	Yes
If not working yet – applied w/in 3 mos of receiving or accepting emp. offer	No	Yes	No
Work is STEAM-based	Yes	Yes	Yes
Nominated by employer	No	No	Yes

# Wavemaker Fellowships: Governor's Article 17

Application Process & Fellowship Credits	Current Law	Governor's FY 2017 Proposal		
		Competitive Selection	Auto. Approval	Business Reserved
Competitive selection	Yes	Yes	No	No
Applicant-blind selection	Yes	Yes	Yes	No
Employer-blind selection	Yes	No	No	No
Annual credit maximum	Yes	No	No	No
Credits more than 100% annual loan costs	No	Yes	Yes	Yes
Annual application	No	No	No	Yes

# New Qualified Jobs Tax Credit: Current Law

- Credit against all tax types
- Credit of between \$2,500 and \$7,500 for new job creation
  - Credit cannot be more than employee's income tax withholdings
  - Company must attest that jobs would not be created in RI "but for" credit
- Companies must maintain level of jobs created for agreement period

# New Qualified Jobs Tax Credit: Current Law

- Commerce approved first company on January 4<sup>th</sup>
  - Second company approved Feb 22<sup>nd</sup>

Company	Move to RI?	Jobs Created	Median Salary	Agreement Length	Est. Credit/year	Total Est. Credits
Greystone	No	25	\$52,000/year	10 years	\$46,000	\$460,000
Trade Area Systems	Yes	20 relocated; 8 new	\$72,000/year	10 years	\$50,000	\$500,000
<b>Total</b>					<b>\$96,000</b>	<b>\$960,000</b>

# New Qualified Jobs Tax Credit: Governor's Article 17

- Remove \$7,500 credit cap
  - Still limited to actual withholdings
- Reduce jobs created by 50% to qualify
- No additional fiscal impact assumed

	Current Law		Governor's Proposal	
<b>Targeted Industry</b>	≤100	10	≤100	5
	>100	≥10% of emp base or ≥100	>100	≥5% of emp base or ≥50
<b>Non-targeted Industry</b>	≤200	20	≤200	10
	>200	≥10% of emp base or ≥100	>200	≥5% of emp base or ≥50

# Tax Stabilization Incentives: Current Law

- Encourage property tax stabilization agreements for construction projects
- For projects of at least \$10.0 million
  - Unless “Hope Community”
  - Locals receive reimbursement up to 10% of foregone revenue for length of agreement
- Subject to appropriation
  - FY 2016 - agreement with Providence for \$0.3 million
  - Enacted budget assumes \$0.6 million for FY 2017 would be recommended

# Tax Stabilization Incentives: Governor's Article 17

- Allow munis to receive reimbursement up to 50% of foregone revenue
  - Hope Communities: Allowed 2 reimbursement agreements
    - Council must pass resolution for each – project 1 of 2 most important for economic development
    - No guidelines for “most important”
  - Others : Allowed 1 agreement
    - Also need resolution from Council – project most important for economic development

# Rebuild RI Tax Credit: Current Law

- Assumed FY 2016 & FY 2017 - Total \$13.1 million from debt restructuring
- Credit for real estate development projects
  - Project max credits of \$15.0 million
  - Lesser of 20% project costs or funding gap
- Credits transferable
- Carry forward – up to 5 years
- Refundable at 90% of value



# Rebuild RI Tax Credit: Current Law

- Projects qualify for credits up to 30%, if:
  - Rehabilitation of historic property
  - For targeted industry – industries determined by Commerce Corp.
  - In transit area
  - At least 20% affordable housing
  - Industrial property remediation/reuse
  - Meet environmental standards/LEED

# Rebuild RI Tax Credit: Current Law

- Developer applies to Commerce Corporation
  - Application fee and timing requirements to be determined
  - At least 25,000 sq. feet
  - Total project costs of \$5.0 million
  - Finished building houses at least 25 jobs
  - No minimum if project in Hope Community
    - Family poverty levels exceed state median

# Rebuild RI Tax Credit: Current Law

- Tax credits available based on amount in program fund and sign off from OMB
- Commerce Corporation board approves application
  - May require tax stabilization agreement
- Commerce must provide written confirmation of project scope, total credits to be authorized, & assumed impact

# Rebuild RI Tax Credit: Current Law

- As of March 28<sup>th</sup> meeting, conditional approval for \$24.6 million in credits

Approved	Location	Type	Est. Cost	Max. Credits
1/25/16	Providence	Mixed Use	\$10.1	\$2.7
	Providence	Residential	\$54.1	\$5.6
2/22/16	Providence	Mixed Use	\$7.7	\$2.2
	Providence	Mixed Use	\$17.1	\$1.3
3/28/16	Pawtucket	Residential	\$12.2	\$3.7
	Providence	Mixed Use	\$15.2	\$3.0
	Providence	Mixed Use	\$48.4	\$6.1
<b>Total</b>			<b>\$164.8</b>	<b>\$24.6</b>

# Rebuild RI Tax Credit: Governor's Article 17

- Allow use of Rebuild RI funds for Tax Stabilization Incentive reimbursements
  - Current law - condition of Rebuild credits can be required stabilization agreement for project
- FY 2017 Budget includes \$20.6 million
  - \$8.5 million more than anticipated
- Out-year assumptions: \$20 million/year

# Anchor Tax Credit: Current Law

- Credit against corporate income tax
- For existing RI businesses that attract other businesses to state, either:
  - Physical relocation
  - At least 10 full-time jobs
- Total credit amount determined by Commerce Corporation
  - No more than 75% of total can go to single entity
- No credits awarded

# Anchor Tax Credit: Governor's Article 17

- Allow funds appropriated for Anchor Institution tax credits to be used for Rebuild Rhode Island tax credits
  - Effectively allows use of Anchor funds for Tax Stabilization Incentive Agreement reimbursements
- Governor recommends
  - \$0.8 million for FY 2016 - \$1.0 million less than enacted
  - No funds recommended for FY 2017

# P-Tech Initiative

- Supports partnerships among high schools, CCRI, other institutions of higher education and employers
- Offer courses towards diplomas, internships and associate degrees
- Being implemented in 3 districts – Westerly, Newport and Providence
- Governor recommends \$1.4 million for FY 2017
  - \$0.5 million more than enacted/anticipated



# Closing Fund

- Intended to provide flexibility when working with businesses interested in locating to or expanding in Rhode Island
- Critical investments, resolve complex negotiating issues and obtain technical and legal support when closing transactions
- Funds can be used for working capital, equipment, fixtures, constructing or rehabilitation

# Closing Fund

- Cover financing gaps compared to need or to have an advantage over alternative out of state option
- Commerce Board to approve projects
- No per project total or % limits
- FY 2016 and FY 2017 - \$5.0 million each
  - Enacted budget does not assume funds for FY 2017
- No funds spent

# Innovation Initiative

- Innovation Vouchers –
  - Small businesses with less than 500 emps
    - Purchase research and development support from institutions of higher ed. and other providers
    - Voucher awards \$5k – \$50K
  - Corporation has awarded \$0.5 million to 11 companies
- Governor recommends enacted \$0.5 million for FY 2016 & \$1.5 million for FY 2017
  - \$1.0 million more than anticipated

# Innovation Initiative

- Innovation Grants –
  - Grants to organizations, must be matched
  - Non-profits, for-profit and universities
  - Offer technical assistance, space on flexible terms, and access to capital
  - Business in advanced or targeted industries
- Governor recommends \$1.0 million for FY 2016 & no funds for FY 2017
  - Enacted budget assumes \$0.5 million for FY 2017
  - \$0.4 million awarded to 4 entities

# Streetscape Improvement

- Provides loans, matching grants and other form of financing to create attractive environment for businesses
  - Enhance sidewalks, building facades, signage and lighting
- Governor recommends FY 2016 & FY 2017- \$1.0 million, each
  - Consistent with anticipated recs
- Corporation has awarded \$1.0 million to 6 municipalities

# 195 Redevelopment Fund

- Additional tool to attract new institutions and employers to this land
- Close financing gaps
- Bring “catalytic” projects
  - Adjacent land acquisition
- Funding for infrastructure improvements /enhance development of:
  - Transportation, parks, greenways, performance venues, community facilities

# 195 Redevelopment Fund

- Funding not authorized to finance stadium
- No project caps or overall limits beyond total allocation
- Administered by Commission
  - Authority to charge application or other fees
- Governor recommends \$25.0 million for FY 2016
- No funds spent

# Small Business Assistance Fund

- Business with less than 200 emps
  - Cannot get financing from other lenders
  - Start up, improve or expand operations
- Loans capped at \$750K
- 10% of funding for microloans (\$2K-\$25K)
- Different from current federal program
- Governor recommends \$5.5 million for FY 2016 & no funds for FY 2017
  - Consistent with enacted & anticipated
- Loan partners selected
  - Funds for each partner determined



# Industry Cluster Grants

- Support activities within an industry cluster and to close industry cluster gaps
  - Startup & technical assistance grants ranging \$75K to \$250K
  - Competitive grants from \$100K to \$500K
- Governor recommends \$0.8 million in FY 2016 and \$1.3 million in FY 2017
  - Consistent with enacted & anticipated
- No funds spent
  - Applications being reviewed

# New Refundable Research & Development Tax Credit

- Governor proposes refundable credit to support businesses' research and development investments
  - Investments have to meet federal definition of "qualified research expenses"
    - Such as - employee wages, supplies, fees paid to research agencies
- Credit could be taken against all tax types

# New Refundable Research & Development Tax Credit

- Annual credit - lesser of municipal property tax associated with R&D investment **OR** \$0.2 million
  - Company would enter into incentive agreement with Corporation
  - Agreement could cover period up to 5 years
    - Company would need to meet the requirements of incentive agreement each year

# New Refundable Research & Development Tax Credit

- Proposal establishes guidelines for Corporation to use to determine whether to enter into agreement
  - If company has made a multi-year commitment to conduct R&D in RI
  - If the company will make a substantial capital investment or hire new personnel
  - Whether the credit is a factor in the business's decision to conduct R&D in RI
    - No definition for the "factor" determination

# New Refundable Research & Development Tax Credit

- Credits could not be used with existing R&D credit
- FY 2017 Budget includes \$5.0 million for the program
- April 4, 2016 – Governor requested amendment to specify that the Corporation could not grant credits in excess of appropriations for program

# New Refundable Research & Development Tax Credit

- Budget Office reports out-year assumptions include ongoing annual \$5.0 million from general revenues for program
- No program sunset date included in the proposed legislation

# Other FY 2017 Economic Development Proposals

- No initial legislation included in Article 17
  - Rhody Pass
  - Impact Faculty
  - Air Service Development
- April 4, 2016 – Governor requested amendment to include legislation for
  - Rhody Pass
  - Impact Faculty
- Air Service Development amendment forthcoming – pending FAA review

# Rhody Pass

- Support of rail travel recommended by Brookings Institution's "Rhode Island Innovates"
- Would establish passenger rail enhancement fund
  - Support travel to, from, and within the state
  - Facilitate measures that "increase the convenience and affordability of rail travel"



# Rhody Pass

- Authorizes Commerce Corporation to work with MBTA & Amtrak
  - Fund could be used to provide discounted fares or tickets
    - Rail travel **OR** other transportation that connects
- Budget includes \$1.5 million from general revenues for FY 2017
  - Not from debt refinancing proceeds
  - Out-year assumptions include continued funding at same level

# Impact Faculty

- Fund established to provide funds for URI, RIC, and CCRI to support hiring or retention of faculty with track record of commercializing research
  - Commerce Corporation able to make grants following publicized solicitations
- Commerce Corporation would work with Post-Secondary Commissioner regarding details of program

# Impact Faculty

- Recommended in Brookings Institution's "Rhode Island Innovates"
  - Assist state in transitioning significant academic resources into commercialized products and services
- Budget includes \$2.8 million for FY 2017
  - \$1.5 million from debt refinancing
  - \$1.3 million from other general revenues
  - Out-year assumptions include continued funding of \$1.3 million/fiscal year

# Air Service Development

- Initiative to facilitate more direct air routes into & out of T.F. Green
  - Routes to major metro areas not currently served by direct flights
  - More direct flights to locations already served
- Commerce Corporation empowered to work with airlines and FAA
- Budget includes \$1.5 million from general revenues for FY 2017

# Executive Office of Commerce

- FY 2017 Staffing and Operations Recommendation
  - \$1.2 million from general revenues
    - All but \$55,402 is for salaries and benefits
  - Staffing of 5.0 full-time equivalent positions
    - Secretary of Commerce
    - Deputy
    - Chief of Staff
    - General Counsel
    - Executive Assistant

# Housing & Community Dev.

- Administers & oversees housing programs
  - Community Development Block Grant funds
  - Rental housing subsidies
  - Lead Hazard Reduction Program
  - Shelter operations

# Housing & Community Dev.

	FY 2016 Enacted	FY 2017 Gov. Rec.	Change to Enacted
General Revenues	\$0.6	\$0.6	\$0.0
Federal Funds	11.0	15.3	4.3
Restricted Receipts	2.8	4.8	2.0
<b>Total</b>	<b>\$14.4</b>	<b>\$20.7</b>	<b>\$6.3</b>

- Recommends staffing of 11.0 full-time positions
  - 10.0 positions filled as of April 2<sup>nd</sup>

# Housing & Community Dev.

- Lead Abatement & Housing Subsidies
  - Created by 2014 Assembly
  - Funded with \$0.30 from real estate conveyance tax
  - Provide a permanent stream of funding for rental subsidy, shelter operations and lead hazard abatement
- Governor recommends \$4.8 million for FY 2017
  - November 2015 REC - estimates \$3.4 million available



# Housing & Community Dev.

- Community Development Block Grants
  - State manages program for 33 municipalities - do not receive allocation directly from HUD
    - Cranston, East Providence, Pawtucket, Providence, Warwick & Woonsocket are "Entitlements" and operate their own programs

# Housing & Community Dev.

- Community Development Block Grants
  - State may only distribute funds to units of general local government
    - Communities distribute funds to non-profit and other entities to undertake eligible activities
- Governor recommends \$12.6 million from federal funds
  - \$3.9 million more than enacted
  - Adjustments based on anticipated spending & awards from HUD

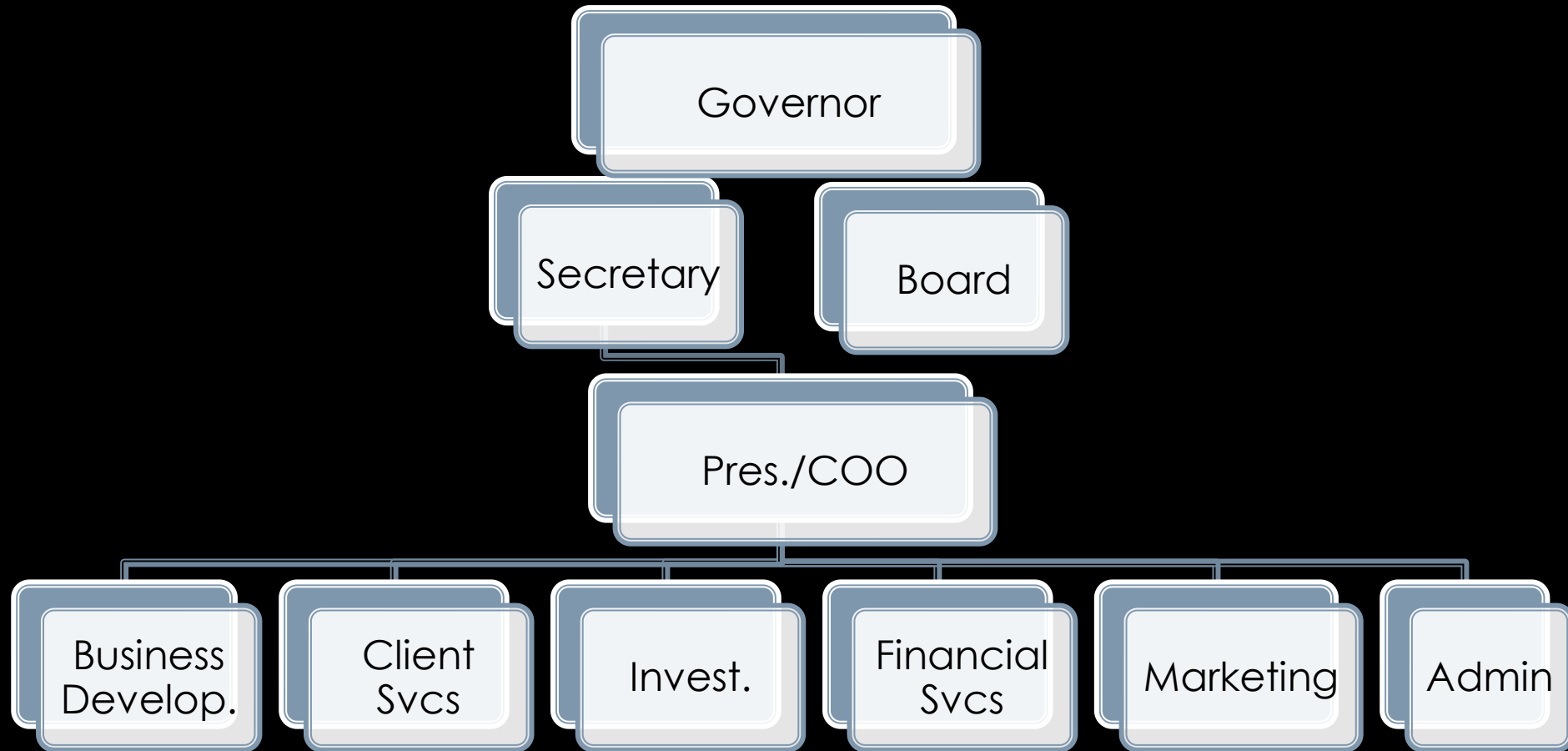
# Commerce Corporation

- Corporation is a quasi-public entity
  - Consolidates state economic development activities into one entity
  - Formed from merger of Department of Economic Development (state agency) and the Rhode Island Port Authority (quasi-public agency) in 1995
- As part of 2013 legislation, Assembly renamed the EDC the Rhode Island Commerce Corporation

# Commerce Corporation

- Commerce Corporation Board
  - Corporation's board of directors consists of 13 members,
    - Governor serves as Chair
  - Governor appoints all 12 members
  - Board oversees implementation of all state-level economic development programs

# Commerce Corporation



# Commerce Corporation

- Client Services – *liaison between businesses and government*
- Business Development – *attracting companies*
- Investments – *administer incentive prog.*
- Financial Services – *STAC, SBLF, REF & others*
- Branding/Marketing– *develop and maintain unified tourism and business*

# Commerce Corporation

- 51 total positions - \$5.3 million all funds
  - Cost per position varies by types of operations
- \$2.3 million all funds for operating costs
  - Spending detail not included for quasi-state agencies like direct state agencies
- Governor recommends \$7.5 million from general revenues
  - \$0.1 million more from general revenues than enacted for new lease

# Tourism & Marketing

- 2015 Assembly provided \$5.0 million from state hotel tax for state tourism and marketing campaign
  - \$4.0 million for tourism marketing
  - \$1.0 million for marketing to businesses
  - Decreases shares for 7 regional districts
    - Difference shifted to Commerce Corporation
  - General Fund share to Commerce Corp.
- Districts must incorporate state campaign to receive share



# Tourism & Marketing – FY 2016 Changes

- Hotel tax base now includes unlicensed lodging rentals
  - Houses, condos, apartments, & other residential units
    - No minimum number of rooms or size of space for rent
  - Rentals through sites like Airbnb.com, Flipkey.com, Roomorama.com, Vacationrentals.com

# Tourism & Marketing – FY 2016 Changes

- Room Resale subject to hotel and sales taxes
  - Examples: Priceline.com, Hotwire.com, Expedia.com, Hotels.com
  - Different sales models
    - Merchant – purchase for resale
    - Commission or fee-based sales
    - “Auction”
  - All models include markup in price

# Tourism & Marketing – FY 2016 Changes

- FY 2016 Distribution\* through Dec 31<sup>st</sup>

Region	Districts	Prov./Wwck CVB	Cities & Towns	Commerce Corp.
Warwick	31.0%	23.0%	25.0%	21.0%
Providence	31.0%	23.0%	25.0%	21.0%
Commerce Corporation	-	7.0%	25.0%	68.0%
Regional Districts	47.0%	7.0%	25.0%	21.0%

*\*For unlicensed rentals: 75.0% of state hotel tax collections to Commerce Corp & 25.0% to City/Town where rental occurred*

# Tourism & Marketing – FY 2016 Changes

- Distribution for most rentals\*, effective January 1, 2016

Region	Districts	Prov./Wwck CVB	Cities & Towns	Commerce Corp.
Warwick	<b>28.0%</b>	23.0%	25.0%	<b>32.0%</b>
Providence	<b>28.0%</b>	23.0%	25.0%	<b>32.0%</b>
Commerce Corporation	-	<b>5.0%</b>	25.0%	<b>70.0%</b>
Regional Districts	<b>42.0%</b>	<b>5.0%</b>	25.0%	<b>28.0%</b>

*\*For unlicensed rentals: 75.0% of state hotel tax collections to Commerce Corp & 25.0% to City/Town where rental occurred*

# Tourism & Marketing – FY 2016 Changes

## FY 2016 Enacted Allocation Impact

<i>(in millions)</i>	State Sales Tax	State Hotel Tax	State Total	Comm. Corp.	Districts	Cities & Towns
Hotel tax redistribution	\$ -	\$(3.8)	\$(3.8)	\$4.4	\$(0.6)	\$ -
Hotel Room Resale	0.8	-	0.8	0.1	0.3	0.1
Small B&Bs/Unlicensed	0.9	-	0.9	0.5	-	0.2
Vacation Homes	5.4	-	5.4	-	-	0.8
<b>Total Impact</b>	<b>\$7.1</b>	<b>\$(3.8)</b>	<b>\$3.3</b>	<b>\$5.0</b>	<b>\$(0.3)</b>	<b>\$1.0</b>

# Tourism & Marketing

- September 2015 meeting, Corporation Board approved proposal for content development & marketing from:
  - Milton Glaser, Inc., and associated team
    - Theseus
    - The Mechanism
  - Havas, Inc.
  - Epic Decade
- Companies to conduct research, and develop the tourism and business attraction campaigns

# Tourism & Marketing

- At approval, campaign materials expected in March 2016

Category	Vendor	Cost
Research	Longwoods International	\$126,000
	Meltwater	33,000
	Theseus Communications	200,000
<i>Research Subtotal</i>		<i>\$359,000</i>
Branding	Milton Glaser	\$200,000
	Havas	166,450
	Epic Decade	150,000
<i>Branding Subtotal</i>		<i>\$516,450</i>

# Tourism & Marketing

- Campaign premiered at March 21<sup>st</sup> Board Meeting

Category	Vendor	Cost
Marketing/PR/ Events	Havas	\$1,378,337
	Havas refund	(100,000)
	Epic Decade	\$225,000
<i>Marketing/PR Subtotal</i>		<i>\$1,503,337</i>
<b>Total Research, Brand Development, &amp; Marketing</b>		<b>\$2,378,788</b>



# Tourism & Marketing

- Expected spending\* through June 2016

Category	Vendor	Cost
Research	Longwoods International	\$14,400
Events and Public Engagement	Epic Decade	275,000
Digital and Earned Media	Havas	562,728
Summer Media Campaign	No vendors selected	\$1,270,094
<b>Total to be spent</b>		<b>\$2,121,212</b>
<b>Total FY 2016 Campaign Cost*</b>		<b>\$4,500,000</b>

\*Does not include Commerce Corp. tourism and marketing staff costs

# Tourism & Marketing

- Governor recommends enacted \$5.0 million for tourism and business marketing in FY 2017
- Portion of FY 2016 costs one-time
  - Difference to be used for additional media purchases
    - Increased print and social media presence
    - Participation in trade shows

# Bond Referenda – November 2016

Project	Amount
Innovation Campus (March 17)	\$20,000,000
Affordable Housing (March 9)	40,000,000
Quonset Piers (April 5)	70,000,000
<b><i>Commerce Subtotal</i></b>	<b><i>\$130,000,000</i></b>
URI Engineering Phase II (March 17)	\$25,500,000
Green Economy (March 9)	35,000,000
School Construction (March 31)	40,000,000
Veterans' Home (March 9)	27,000,000
<b>Total</b>	<b>\$257,500,000</b>

# Bond Referenda – November 2016

Project	Annual Debt Service	Total Cost
<i>Innovation Campus</i>	<b>\$1.7</b>	<b>\$32.0</b>
<i>Affordable Housing</i>	<b>3.3</b>	<b>64.1</b>
<i>Quonset Piers</i>	<b>5.8</b>	<b>112.1</b>
<b>Commerce Subtotal</b>	<b>\$10.8</b>	<b>\$208.2</b>
Green Economy	\$2.9	\$56.0
URI Engineering Phase II	2.1	40.8
School Construction	3.3	64.1
Veterans' Home	2.2	43.2
<b>Total</b>	<b>\$21.3</b>	<b>\$412.3</b>

*Data in millions; assumes 5% rate and 20 year bonds*

# Bond Referenda – Innovation Campus

- \$20.0 million of G.O. bond funds to support construction of one or more innovation campuses
  - University/Business collaboration
  - Commercialize academic research
- Public/Private partnership initiatives recommended in Brookings report
  - Academic/Industry initiative
  - Collaborations in a physical space

# Bond Referenda – Innovation Campus

- Language in Article 5 would require state to hold competitive selection process
- Selection administered by Commerce Corporation to determine
  - Campus type
  - Campus location
- Other budget documents refer to project:
  - Innovation Center(s), University-Backed Innovation Campuses, Innovation Campuses

# Bond Referenda – Innovation Campus

- Winning proposal must include
  - Rhode Island-based university – preference given to proposals involving state university as sponsor
  - Private and/or federal funds totaling more than state investment
  - One business partner
  - Spur substantial number of new jobs at multiple skill levels

# Bond Referenda – Affordable Housing

- \$40.0 million of G.O. bond funds for Affordable Housing
  - New building construction
  - Rehabilitation of buildings for new units
  - Preservation of existing buildings and units
  - Proportion for each not specified
  - Language regarding foreclosure assistance as allowable use was inadvertent



# Bond Referenda – Affordable Housing

- 2006 and 2012 Voters approved total G.O. bond issuances of \$75.0 million for Affordable Housing
  - New building construction
  - Rehabilitation of buildings for new housing units
  - Rental units for families with income up to 80% of area median income
  - Ownership units for families with income up to 100% of area median income

# Bond Referenda – Affordable Housing

- 2006 Ballot - \$50.0 million
  - \$40.0 million for construction of new rental units – 1,002 units built
  - \$10.0 million for construction of units for homeownership – 251 units built
  - Construction essentially complete and developers reimbursed
  - 1,253 units
  - Also specified \$12.5 million per year

# Bond Referenda – Affordable Housing

- 2012 Ballot - \$25.0 million
  - No specific allocation
  - 783 units built
    - 558 rental units built
    - 213 special needs or Opening Doors housing rental units built
    - 12 homeownership units built
  - Governor's recommended capital plan includes the remaining \$15.7 million in available funds for FY 2016

# Bond Referenda – Affordable Housing

- FY 2016 enacted - \$3.0 million from debt refinancing proceeds to Rhode Island Housing
- FY 2017 recommended - \$1.0 million
  - Support preservation and rehab of existing affordable housing
  - Provide deferred loans to existing affordable housing developments and Public Housing Authorities

# Commerce Corporation – Subsidiary Agencies

- Subsidiary entities:
  - Quonset Development Corporation
  - I-195 Redevelopment District Commission
  - RI Industrial Facilities Corporation
  - RI Industrial-Recreational Business Authority
  - Related entities
    - Airport Corporation

# Quonset Development Corporation

- Quonset Business Park land originally naval base established in 1941
  - Base selected for closure in 1991
  - Land transferred to the state in 1995
    - Administered by different state agencies
- Corporation established by 2004  
Assembly to develop and manage  
Quonset Business Park

# Quonset Development Corporation

- Corporation receives no direct general revenues
  - Is self-sustaining
  - Debt service for 2 general obligation bonds paid from general revenues
- Subsidiary of Commerce Corporation, but receives no funds
  - Any non-G.O. bonds must be issued by Commerce Corp.

# Quonset

## ■ QDC Income

	FY 2014 Actual	FY 2015 Actual	FY 2016 Revised	FY 2017 Rec.
Est. Opening	\$77,445	\$19,441	\$41,254	\$65,717
<i>Revenues</i>				
Rental Income	7,310,630	7,789,649	7,513,774	7,590,488
Pier Income	1,349,848	1,551,848	1,400,000	1,629,440
Utility Sales	2,355,312	2,484,025	2,425,000	2,415,590
Other Income	678,691	606,874	562,477	627,421
<i>Total Revenues</i>	\$11,693,914	\$12,432,396	\$11,876,788	\$12,248,564
<b>Total Resources</b>	<b>\$11,771,359</b>	<b>\$12,451,837</b>	<b>\$11,942,505</b>	<b>\$12,328,656</b>

Source: Governor's Recommended FY 2017 Budget



# Quonset

## ■ QDC Expenses

	FY 2014 Actual	FY 2015 Actual	FY 2016 Revised	FY 2017 Rec.
Personnel	\$3,780,552	\$3,667,966	\$3,968,047	\$4,053,173
Operating Expenses	3,866,450	4,048,019	3,622,327	3,947,019
Debt Service	1,304,916	1,544,598	1,536,414	1,498,372
Capital Expenditures	2,800,000	3,150,000	2,750,000	2,750,000
<b>Total Expenditures</b>	<b>\$11,751,918</b>	<b>\$12,410,583</b>	<b>\$11,876,788</b>	<b>\$12,248,564</b>

Source: Governor's Recommended FY 2017 Budget

# Quonset

- QDC Income and Expenses

	FY 2014 Actual	FY 2015 Actual	FY 2016 Revised	FY 2017 Rec.
Est. Opening	\$77,445	\$19,441	\$41,254	\$65,717
Total Resources	11,771,359	12,451,837	11,942,505	12,328,656
Total Expenditures	11,751,918	12,410,583	11,876,788	12,248,564
<b>Ending Balance</b>	<b>\$19,441</b>	<b>\$41,254</b>	<b>\$65,717</b>	<b>\$80,092</b>

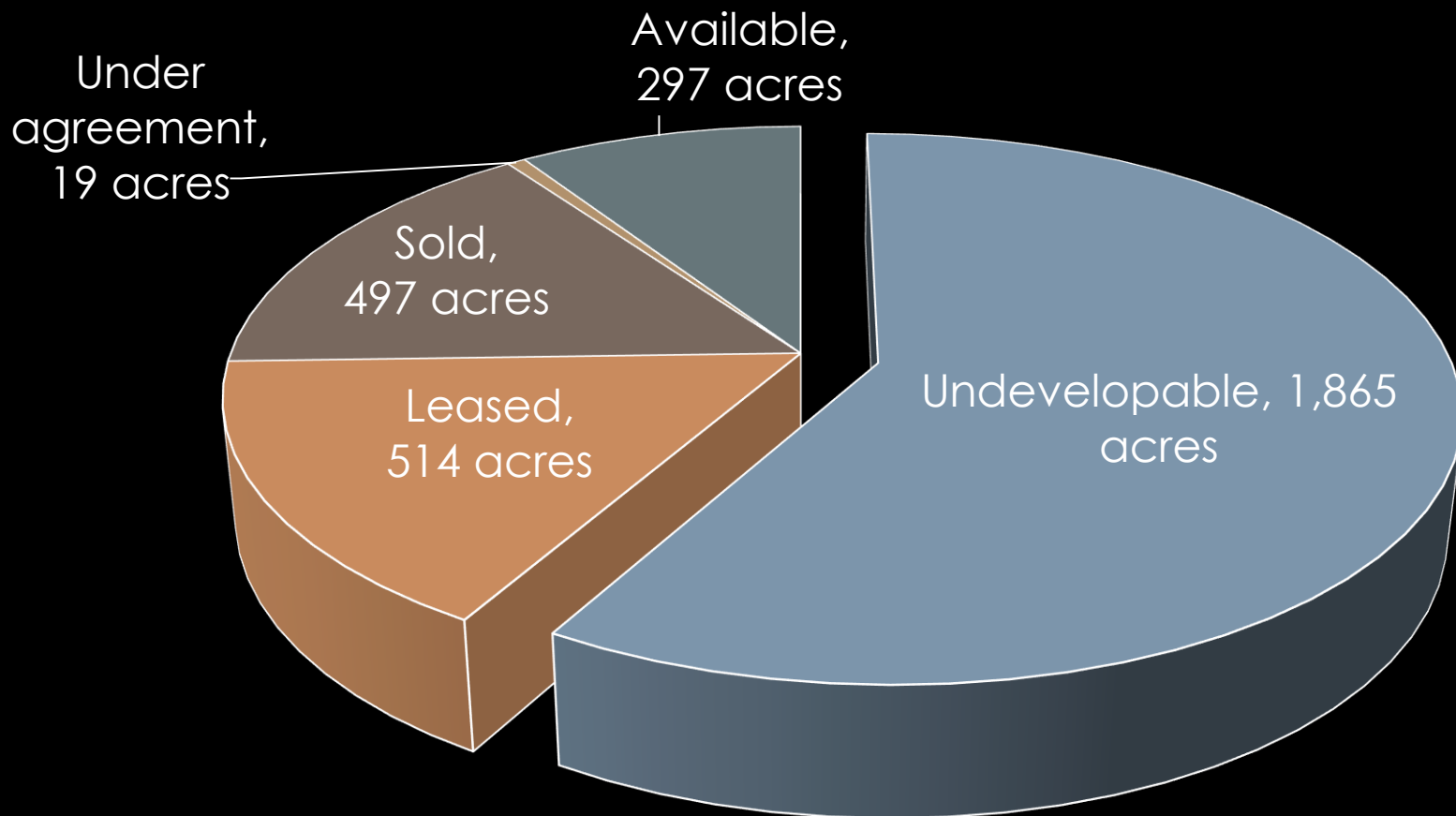
Source: Governor's Recommended FY 2017 Budget

# Quonset Development Corporation

- Pier Income - \$1.6 million
  - Cargo mostly autos
    - Over 225,000 CY 2015
  - Wharfage is \$4.10/vehicle paid by shipper
  - Dockage is \$5.15/sq foot paid by shipper
- Rental Income - \$7.6 million
  - 533 acres leased or under agreement
  - 54 tenants lease building space and/or land
  - \$1.8 million from Norad

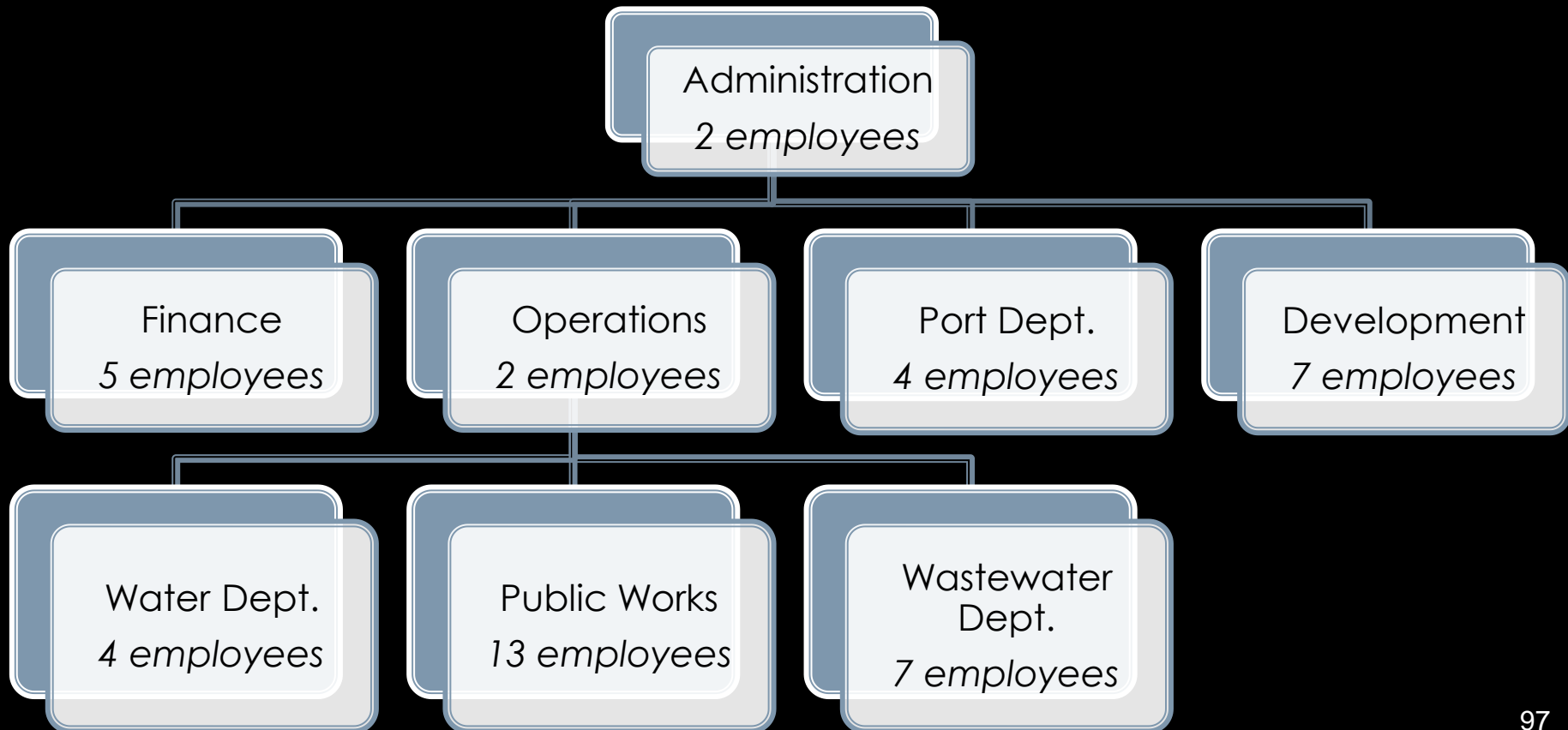
# Quonset

- Park is 3,212 total acres



# Quonset Development Corporation

- Corporation currently has 44 employees - no vacancies



# Quonset

- 1996 Ballot – voters approved up to \$72.0 million of general obligation bonds for infrastructure improvements
- 2006 Ballot – voters approved up to \$48.0 million of general obligation bonds for infrastructure improvements
- 2012 – Assembly approved EDC to issue up to \$7.5 million for port dredging project

# Bond Referenda – Quonset Pier 2

- Article 5, Question 2 - State issue up to \$70.0 million in G.O. bonds
- Article 6 – Commerce corp. issue up to \$20.0 million in revenue bonds
  - Debt svc of \$1.5 million/year – Corp. funds
- Repairs and renovations to Davisville Pier 2 located in Quonset Business Park
  - Operated by the Quonset Development Corporation

# I-195 Redevelopment District Commission

- I-195 Development District as a subsidiary of the Corporation in 2011
- Authorized District to purchase surplus I-195 land from Dept. of Transportation
- Corporation to issue the bonds
- Corporation provides office space and technical support to Commission



# I-195 Redevelopment District Commission

- Debt Service Structure
  - 2011 authorized issuance of up to \$42.0 million for purchase of land from DOT
    - \$39.4 million to acquire land
    - First 5 years (FY 2014 – FY 2018) interest payments
    - \$0.5 million in DOA
  - Principal amortized over 20 years – beginning in 2019
  - Balloon payment in year 10 (FY 2023)
    - Can be prepaid

# I-195 Redevelopment District Commission

Fiscal Year	Principal	Interest	Total Debt Service	Estimated Offsets (land sales)	Total Projected Net Debt Service
2016	-	\$2,978,400	\$2,978,400	(2,478,400)	\$500,000
2017	-	2,978,400	2,978,400	(2,478,400)	500,000
2018	-	2,978,400	2,978,400	(2,478,400)	500,000
2019	1,420,000	2,950,600	4,370,600	(4,370,600)	-
2020	1,540,000	2,836,694	4,376,694	(4,376,694)	-
2021	1,660,000	2,715,019	4,375,019	(4,375,019)	-
2022	1,790,000	2,583,850	4,373,850	(4,373,850)	-
2023	31,990,000	2,442,413	34,432,413	(34,432,413)	-
<b>Total</b>	<b>\$38,400,000</b>	<b>\$22,463,776</b>	<b>\$60,863,776</b>	<b>\$(59,363,776)</b>	<b>\$1,500,000</b>

Source: Governor's Recommended Capital Budget, FY 2017 – FY 2021 period

# I-195 Redevelopment District

- Total 21 parcels - 819,526 acres
  - 4 parcels unavailable
    - 1 parcel sold - \$2.7 million (Johnson & Wales University)
    - 3 parcels under purchase and sales agreement
  - 17 parcels available
- Commission allowed to establish charges and fees for self-support
  - To date, no plan in place for Commission to become self-supporting

# I-195 Redevelopment District Commission

- Responsible for sale, marketing & oversight of land
- Staffing support of 3.0 positions
  - Current Exec. Director & project director
  - New project manager in FY 2017
- Governor recommends \$1.2 million for FY 2017
  - \$0.8 million from general revenues
  - \$0.3 million from Rhode Island Capital Plan funds – use unclear

# Industrial Facilities Corp & Industrial-Recreational Building Authority

- Industrial Facilities Corp
  - Issues tax exempt and taxable revenue bonds on behalf of RI companies seeking financing
  - Conduit financing – no financial exposure
- Industrial-Recreational Building Authority
  - Insures mortgage payments on industrial and recreation projects approved by the authority
    - Up to \$5.0 million
  - Backed by \$60.0 million general obligation bonds (\$16.2 million used – June 30, 2015)

# Other Pass-Throughs

Airport Impact Aid – \$1.0 million

- Consistent with enacted
- Provides aid payments to seven communities that host six state airports
- Payments are made proportionately based on the number of total landings and takeoffs

# Other Pass-Throughs

EPSCoR - \$1.2 million

- Support for state's participation in Nat. Science Foundation's Experimental Program to Stimulate Competitive Research (EPSCoR)
  - FY 2017 is level funded with FY 2016
  - 12<sup>th</sup> installment bringing total to \$15.2 million
    - Initially a three-year commitment

# Other Pass-Throughs

- Chafee Center at Bryant
  - Helps local companies initiate and/or develop international trade opportunities
  - Recommends enacted \$0.4 million
- Community Service Grants
  - \$0.6 million for 13 grants
  - \$0.4 million less than enacted
    - FY 2017 recommendation excludes funding for 3 one-time FY 2016 grants



# Department of Business Regulation

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# Department of Business Regulation

- Divisions include:
  - Central Management
  - Banking Regulation
  - Securities Regulation
  - Board of Accountancy
  - Insurance Regulation
  - Office of the Health Insurance Commissioner
  - Commercial Licensing, Racing & Athletics
  - Boards for Design Professionals

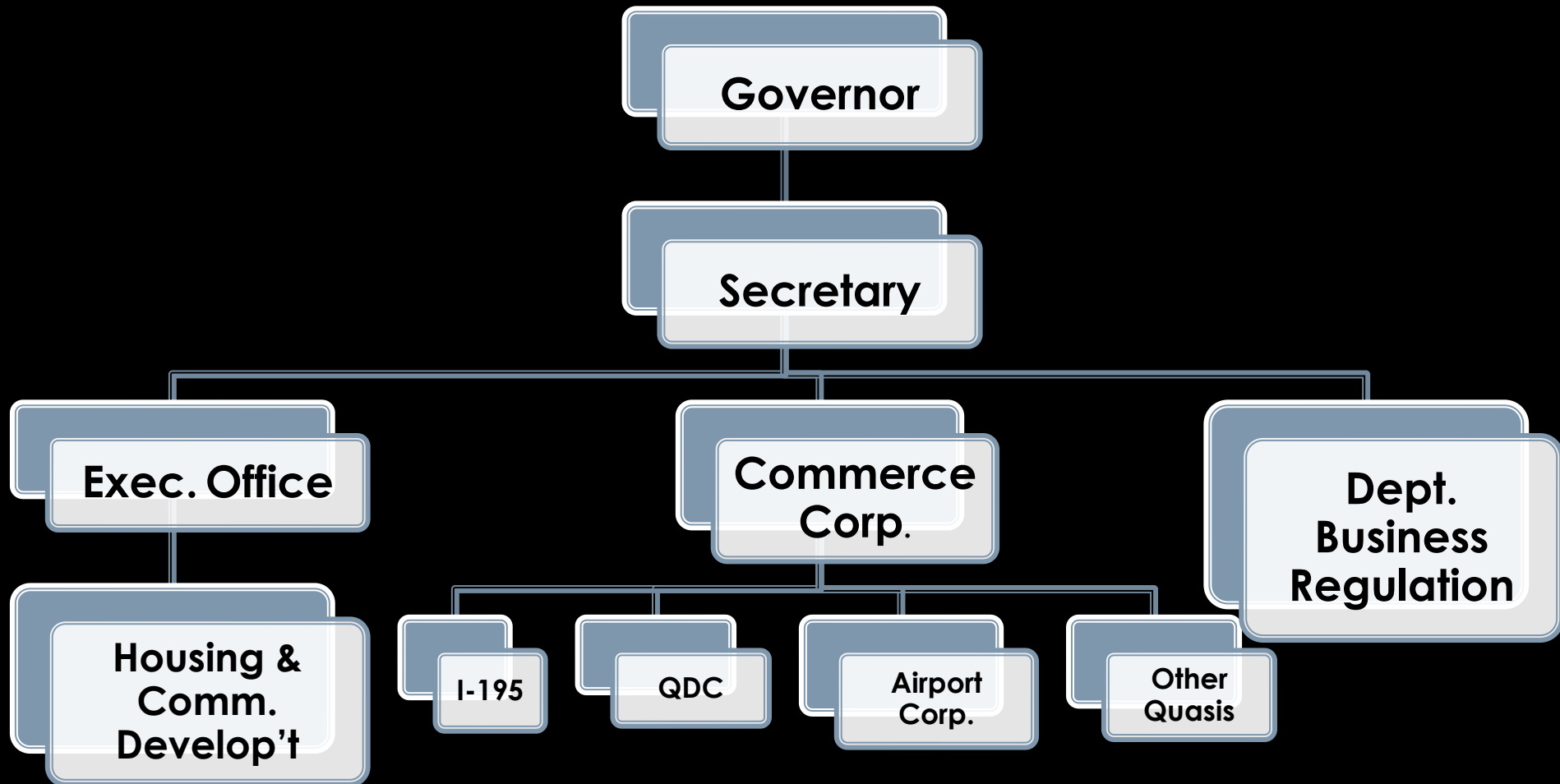
# Introduction

- 2013 Assembly created Executive Office of Commerce
  - Oversee and serve as the lead agency of the Executive Branch for managing the promotion of commerce and the state's economy
  - Administered by a secretary of commerce
  - Statutes effective February 1, 2015

# Introduction

- 2013 Legislation included power to operate Department of Business Regulation functions
  - Governor's FY 2016 recommendation maintained as stand-alone agency
  - Assembly concurred
  - Department falls under management of Secretary and Executive Office

# Introduction



# FY 2016 Revised and FY 2017 Recommended

<i>In millions</i>	<b>FY 2016 Enacted</b>	<b>FY 2016 Revised</b>	<b>FY 2017</b>	<b>Change to Enacted</b>
Gen. Rev.	\$9.2	\$9.1	\$12.8	\$3.5
Fed. Funds	2.8	2.8	1.1	(1.7)
Restricted Receipts	2.6	2.5	3.2	0.6
<b>Total</b>	<b>\$14.6</b>	<b>\$14.4</b>	<b>\$17.0</b>	<b>\$2.4</b>

# FY 2016 Revised

- Governor recommends \$14.4 million
  - \$0.2 million less from all funds
  - \$9.1 million from general revenues
    - \$0.1 million less than enacted and requested
    - Primarily from turnover savings
  - Statewide savings from medical benefits
- Authorizes 1.0 new pari-mutuel operations specialist
  - Funded from restricted receipts
  - Does not increase FTE authorization

# Target Issues

- Department provided with general revenue target of \$9.6 million
  - Includes current service adjustments totaling \$0.1 million
  - 7.5 percent reduction or \$0.7 million
- Constrained request \$1.0 million above the target
  - Includes elimination of 3.0 unidentified positions, 9.0 positions in Office of the Health Insurance Commissioner
  - Proposes eliminating pricing data activities



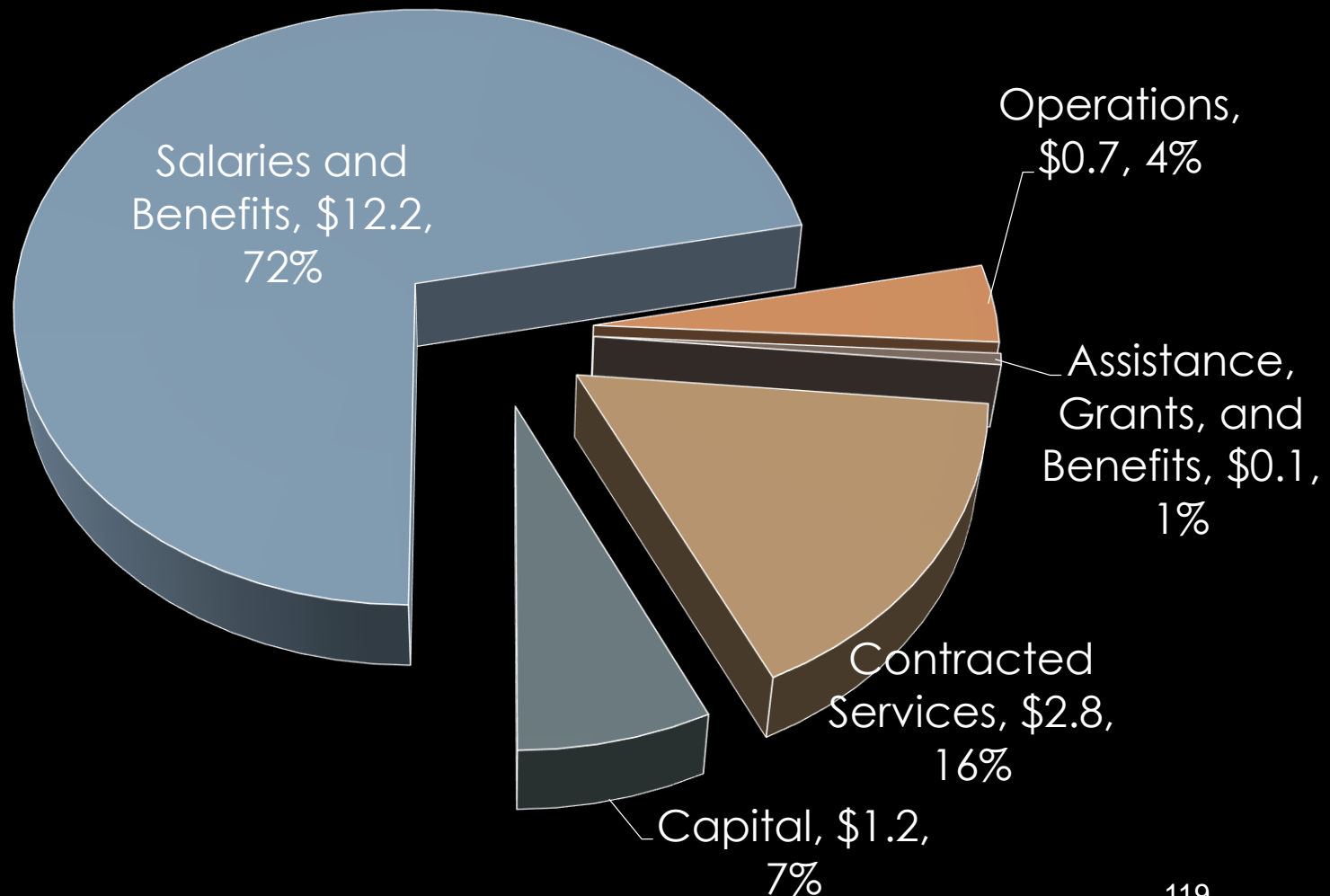
# Target Issues

- Department proposes enhanced fee and assessment collections & includes \$1.1 million of associated revenues
  - Governor concurs & includes funds
- Governor does not concur with proposal to eliminate positions
  - Includes \$0.9 million from general revenues for 9.0 positions currently funded from federal Rate Review grant funds
    - Grants will expire September 30, 2016

# Governor's FY 2017 by Program

<i>(All funds, in millions)</i>	FY 2016 Enacted	FY 2016 Gov. Rev.	FY 2017	Chng./ Enacted
Central Mgmt.	\$1.3	\$1.4	\$1.4	\$0.1
Banking Reg.	1.7	1.9	1.9	0.2
Securities Reg.	1.0	1.0	1.1	0.1
Comm. Licensing	1.2	1.3	2.3	2.0
Insurance Reg.	5.8	5.3	5.8	0.0
OHIC	3.3	3.3	3.3	0.0
Board of Acct.	0.0	0.0	0.0	0.0
Design Profs.	0.3	0.3	0.3	0.0
<b>Total</b>	<b>\$14.6</b>	<b>\$14.4</b>	<b>\$17.0</b>	<b>\$2.4</b>

# Governor's FY 2017 by Category

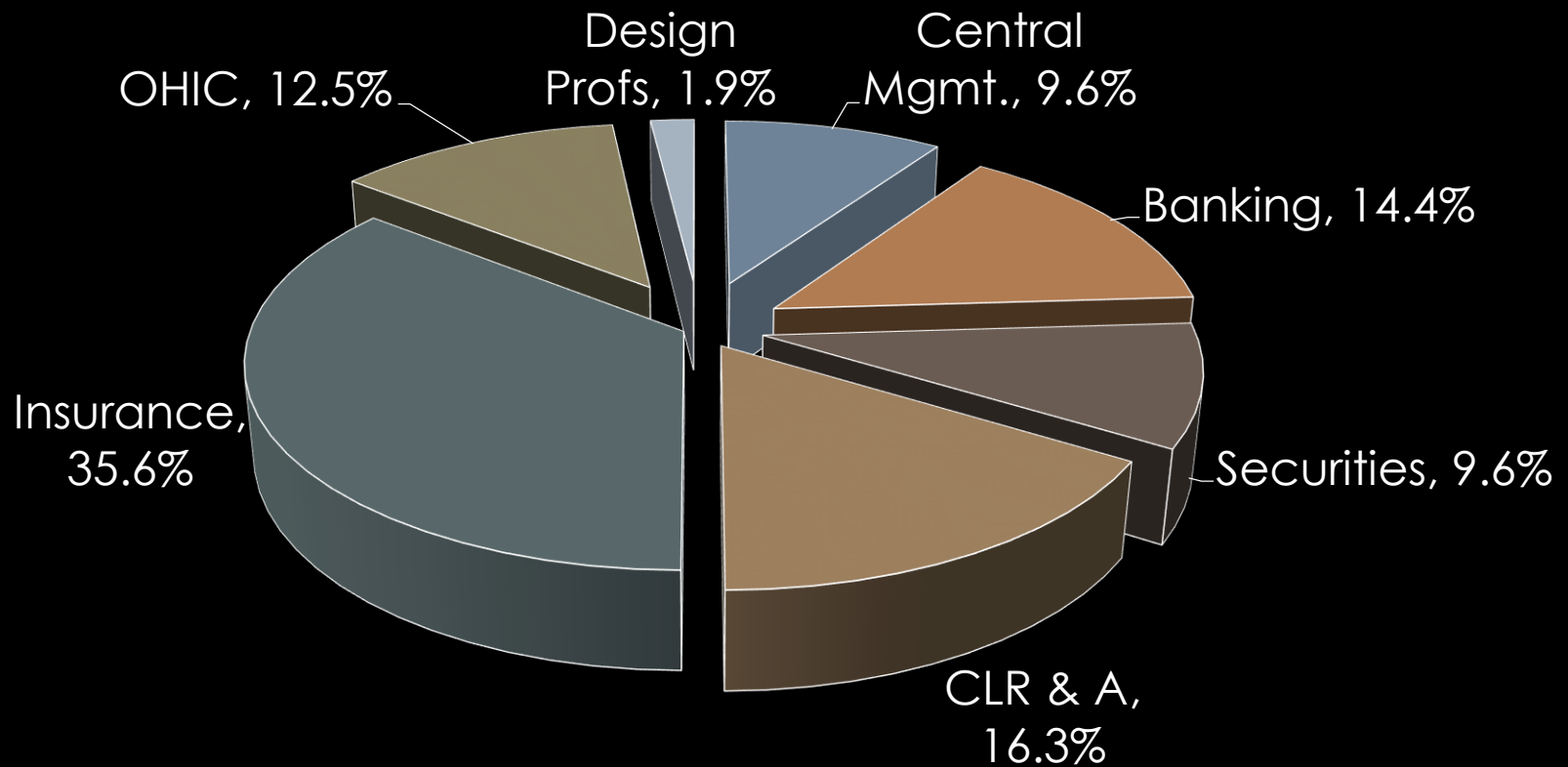


*In millions*

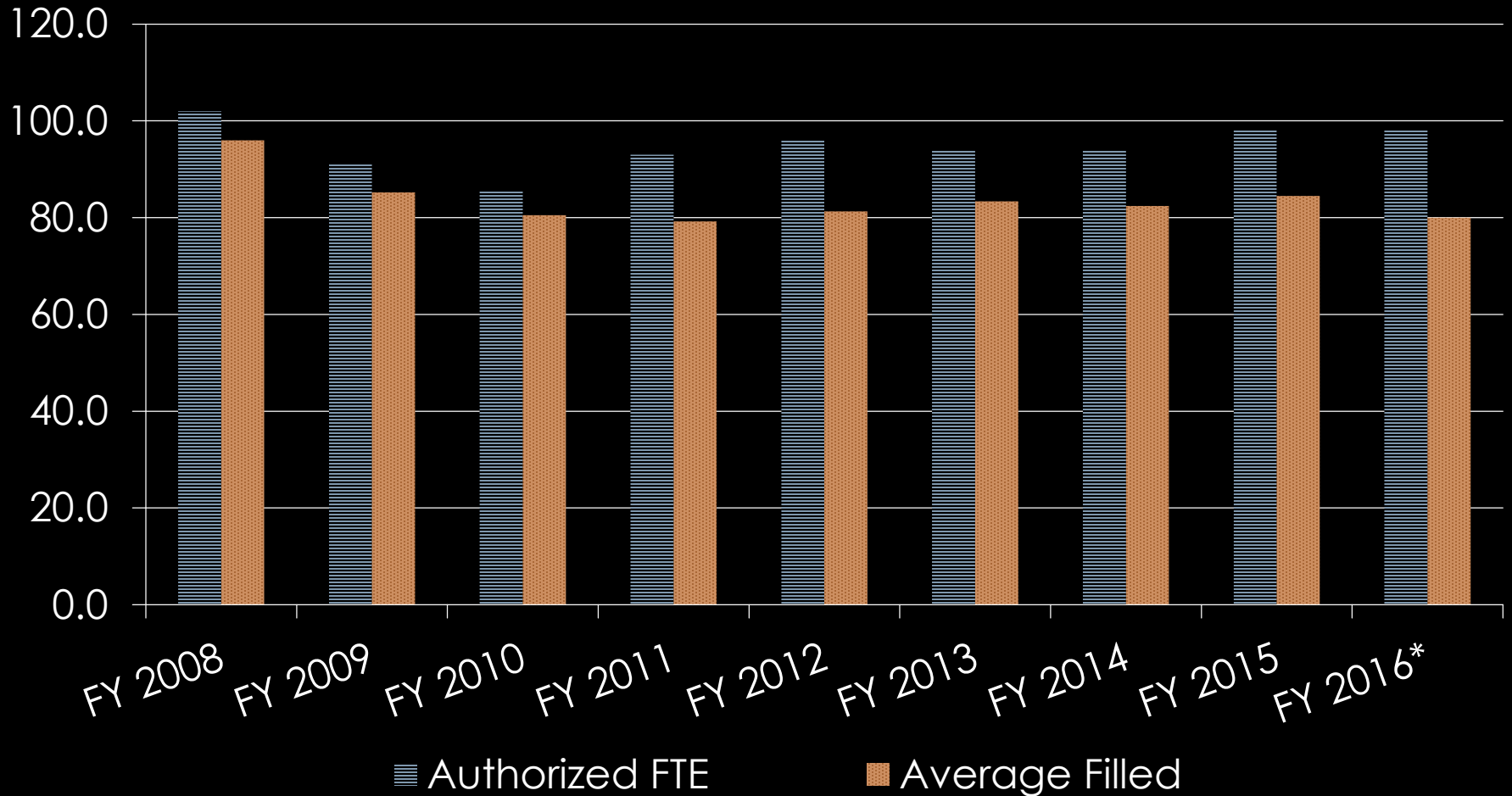
# Full-Time Equivalent Positions

- Governor recommends 98.0 positions for FY 2016 and 104.0 for FY 2017
  - Adds 6.0 new positions in FY 2017
    - 1.0 new position in Insurance Regulation
    - 5.0 new positions associated with Medical Marijuana restructuring
- Department had 18 vacancies as of pay period ending April 2<sup>nd</sup>

# Governor's FY 2017 FTEs by Program



# FTE History



\*Through April 2<sup>nd</sup>

# Gaming Regulation

- FY 2017 recommendation includes 3.0 pari-mutuel operations specialists
  - 1.0 more than enacted; consistent with FY 2016 revised
- Shifts \$0.1 million from general revenues to Gaming Regulation restricted receipts for portion of costs for some senior staff
  - Associated with regulation of Twin River & Newport Grand

# Central Management

- Administers and oversees the statutory functions of the department
- Support services: budgeting, accounting, personnel, legal and information technology
- Governor recommends \$1.4 million from general revenues and 10.0 FTEs
  - Shifts \$0.1 million for Director, senior legal counsel, and executive counsel to Casino Regulation restricted receipts



# Banking Regulation

- Required by statute to conduct annual examinations of banks and credit unions
- Monitors, regulates and examines 32 state-chartered financial institutions and credit unions and approximately 1,100 licenses

# Banking Regulation

- Governor recommends \$1.9 million for FY 2016 and 15.0 FTEs
  - All but \$50,000 is from general revenues
  - \$0.2 million more than enacted
  - Budget assumes vacancies will be filled
    - Includes 1.0 position unfunded in enacted budget
- Budget assumes \$0.4 million of new revenues from filling Banking and Insurance vacancies

# Insurance Regulation

- Conducts financial examinations of domestic insurance companies
- Licenses companies, producers, adjusters and appraisers
- Recommends \$5.8 million and staffing of 37 positions
  - Essentially consistent with enacted funding
- Budget assumes \$0.4 million of new revenues from filling Insurance and Banking vacancies

# Insurance Regulation

- Actuarial Services for Rate Review Filings
- Governor recommends \$1.5 million each in both years
  - Firms are employed to assist in preparation of insurance rate filings
    - Contracts with 5 firms
  - Complex analysis of loss and premium data gathered by insurers over a period of years
    - Expenditure of \$0.8 million average last five years

# Securities Regulation

- Enforces compliance with state laws for the securities industry, franchises, charities, fundraisers and time-shares
- Licenses and regulates securities professionals
- Recommends \$1.1 million and authorized 10.0 positions
  - \$0.1 million more than enacted
  - Restores majority of enacted turnover

# Commercial Licensing, Racing & Athletics

- Licenses & regulates real estate agents, brokers, appraisers, auto body shops, glass installers, upholsters & liquor wholesalers
- Licenses Twin River & Newport Grand employees and vendors
- \$3.2 million and 17.0 positions
  - 5.0 FTEs more than enacted to administer restructured Medical Marijuana program

# Medical Marijuana Restructuring

- Governor proposes significant restructuring of state's medical marijuana program (Article 14)
- Includes 5.0 new positions to administer and enforce caregiver/compassion center registrations and new plant tagging system
  - Governor includes \$0.5 million from restricted receipts for staff

# Medical Marijuana Restructuring

- Shift licensing of caregivers and compassion centers to Department of Business Regulation
  - Patients remain registered with Health
  - Authorized buyers would register with Health
- Alter total number of plants co-op caregivers pooling resources at single grow site may grow
  - Non-residential location – 72 plants
  - Residential location – 36 plants



# Medical Marijuana Restructuring

- Establish cultivator license (\$500)
  - Grow to sell only to compassion centers
  - Compassion centers not obligated to purchase from cultivators
- Co-op must have license from Department prominently displayed
- Require all licensed growers to grow at single location
  - Location must be registered with Dept.

# Medical Marijuana Restructuring

- Institute plant tagging system
  - Administered by Dept.
  - One tag per plant – tag can be used for new plant after harvest of mature, within year of purchase

Population	Annual Cost Per Tag
Self-grow patients	\$150
Caregivers with Medicaid patients	\$150
Caregivers	\$350
Co-op Growers	\$350
Cultivators	\$350

# Medical Marijuana Restructuring

Population	Annual Cost Per Tag	Estimated Tags	Revenue Assumption <i>(In millions)</i>
Self-grow patients	\$150	9,600	\$1.4
Caregivers - Medicaid patient	\$150	4,079	\$0.6
Caregivers	\$350	23,581	\$8.3
Co-op Growers	\$350	1,140	\$0.4
Cultivators	\$350	30	\$0.0
<b>Total</b>		<b>38,430</b>	<b>\$10.7</b>

# Medical Marijuana Restructuring

- Budget includes revenue changes
  - \$0.2 million decrease from surcharge reduction
  - \$0.9 million shift of registration and licensing fees from general revenues to restricted
    - Fund staff dedicated to program in Departments of Health and Business Regulation
- \$1.3 million for software system and staff training
- Net revenues of \$8.5 million for FY 2017

# Office of the Health Insurance Commissioner

- Created by 2004 Assembly within Insurance Regulation
- Established as a distinct program in FY 2012
- Oversees the activities of health insurers
  - Guards solvency
  - Protects interest of consumers
  - Encourages fair treatment of health care providers

# Office of the Health Insurance Commissioner – Federal Grants

- Rate Review, Cycles I - IV:
  - Develop policies and operations for premium and rate review of health insurance companies operating within RI's borders
- Consumer Assistance Planning:
  - Establish state insurance consumer assistance and data collection program
- Innovation Models:
  - Design or test innovative health care payment and service delivery models

# Office of the Health Insurance Commissioner – Federal Grants

- Since FY 2011, 10 FTEs funded from federal Affordable Care Act grants
  - Federal funds activities:
    - Researching state health insurance market
    - Developing educational materials on rate filings and drivers of rates for public reference
    - Working with health insurance companies on whether rates are appropriate
- Consumer helpline & health pricing website also funded from the grants
- Grants expire Sept. 30, 2016

# Office of the Health Insurance Commissioner

- Governor recommends \$3.3 million from all funds and authorized level of 13.0 FTEs
  - 3.0 positions entirely funded from general revenues
  - Shifts \$1.5 million from ACA grant funds to general revenues for 10.0 FTEs and \$0.6 million for rate review and helpline ops
    - Funding from gen. rev. beginning October 1, 2016
    - Costs annualize to \$2.0 million for FY 2018
  - ACA grant funds not intended to be permanent



# Board of Accountancy

- Autonomous board responsible for administration of licensing
  - Certified public accountants
  - Public accountants
  - Accountancy partnerships & corporations
- Governor recommends \$6,000
  - \$10,654 less than enacted budget for operating costs
    - Expended \$4,457 for FY 2015

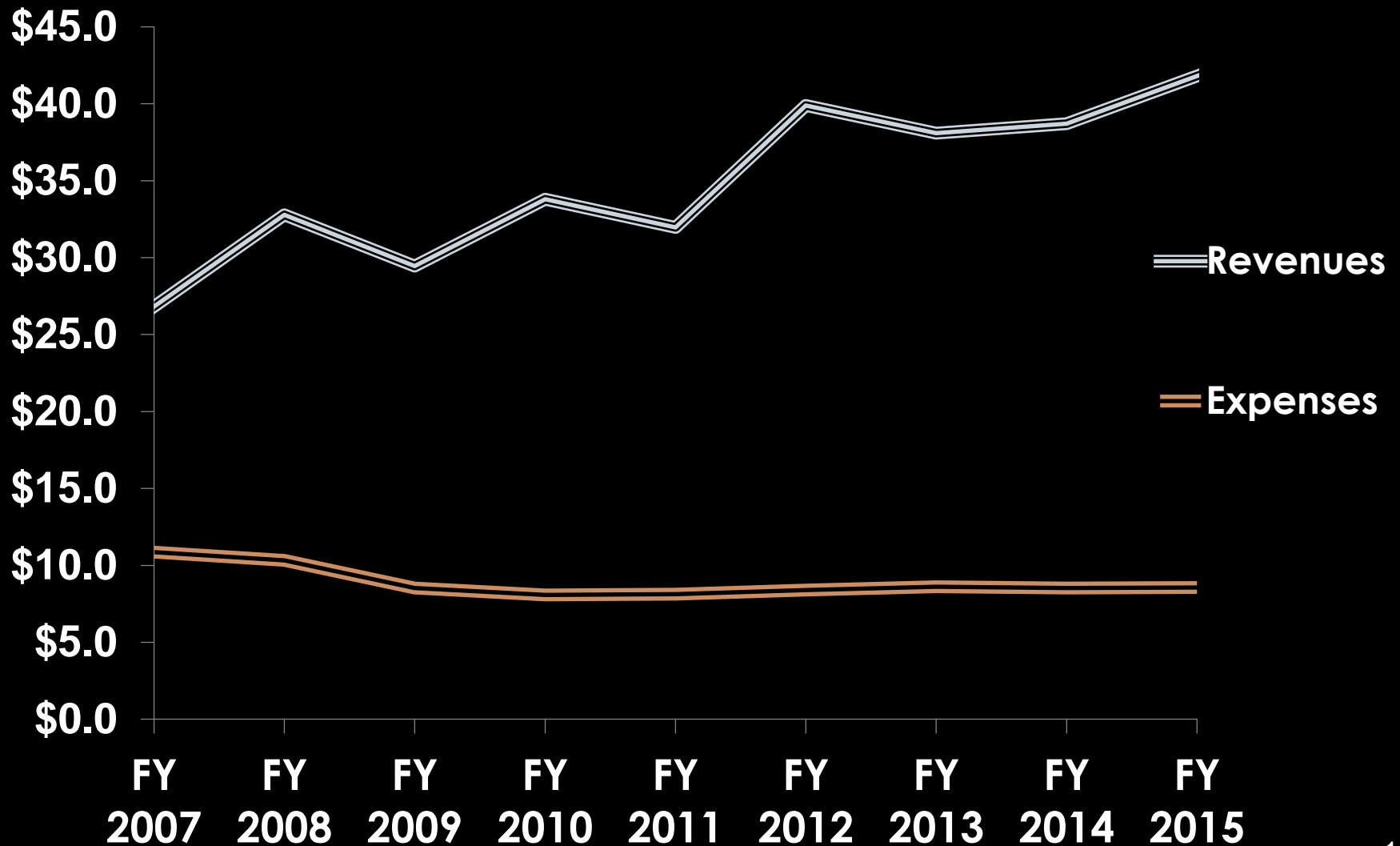
# Boards for Design Professionals

- Boards of Registration for professional engineers, land surveyors, landscape architects, and architects
- Examines and registers candidates, issues license renewals, proctors exams, and acts upon complaints
- Governor recommends \$0.3 million & authorized 2.0 positions
  - Essentially consistent with enacted

# Revenues

- Department generates revenues through:
  - Applications, exams, license renewals, late penalties and miscellaneous fees
- Funds collected are deposited as general revenues

# Revenues and Expenditures



# Executive Office of Commerce Department of Business Regulation

Staff Presentation  
FY 2016 Revised and  
FY 2017 Recommended Budgets  
April 13, 2016

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