

# Executive Office of Commerce

Staff Presentation  
FY 2019 Revised  
FY 2020 Recommended  
FY 2020-2024 Capital Budget  
April 3, 2019

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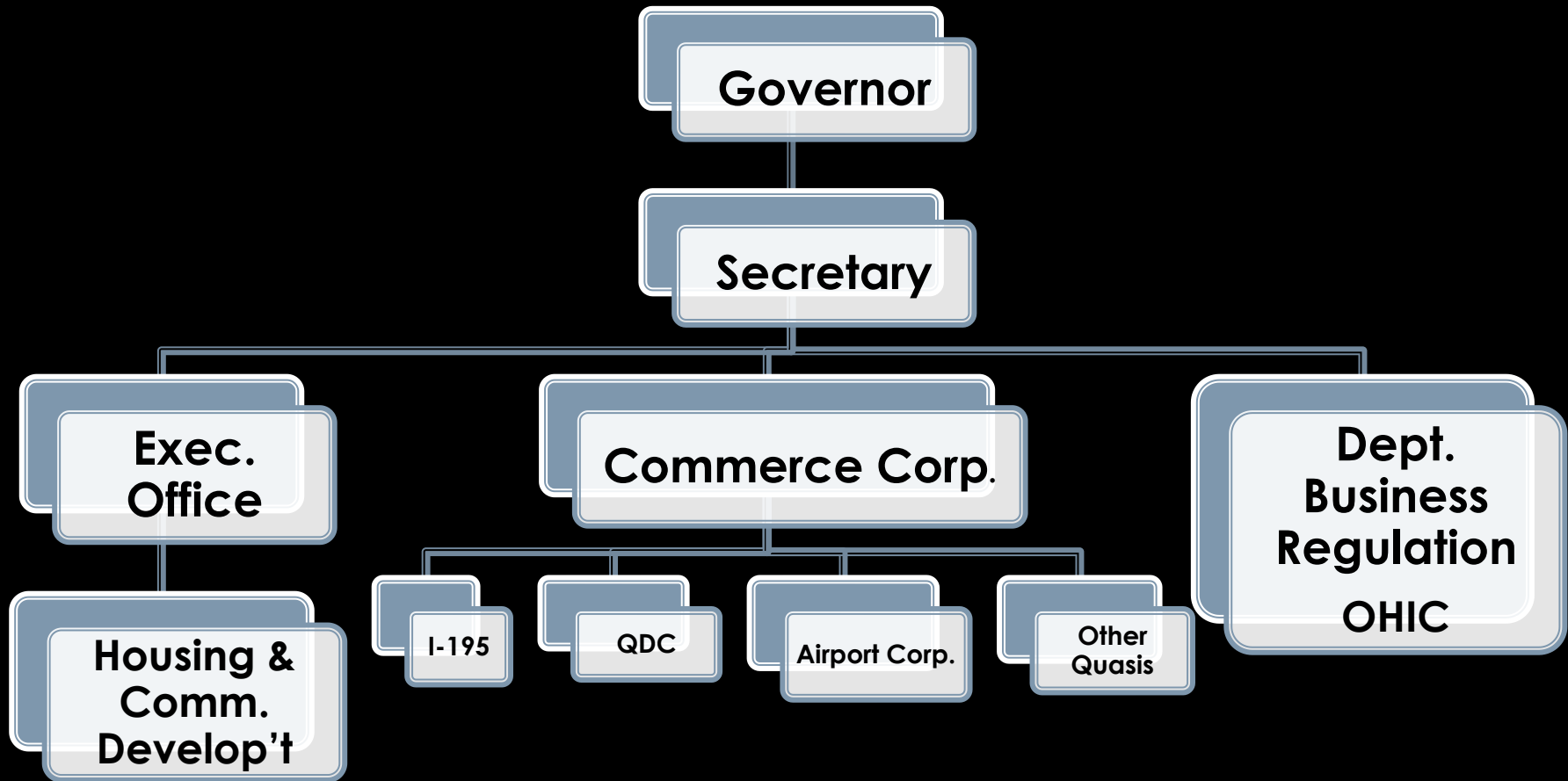
# Background

- 2013 Assembly created Executive Office of Commerce
  - Oversee and serve as the lead Executive Branch agency to manage & promote commerce and the state's economy
- Established for FY 2016
  - Executive Office
  - Housing and Community Development
    - Transferred from DOA, consistent with legislation
  - Commerce Corporation
  - Other Quasi-Public Agencies

# Background

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

# Organizational Hierarchy



# Target Issues

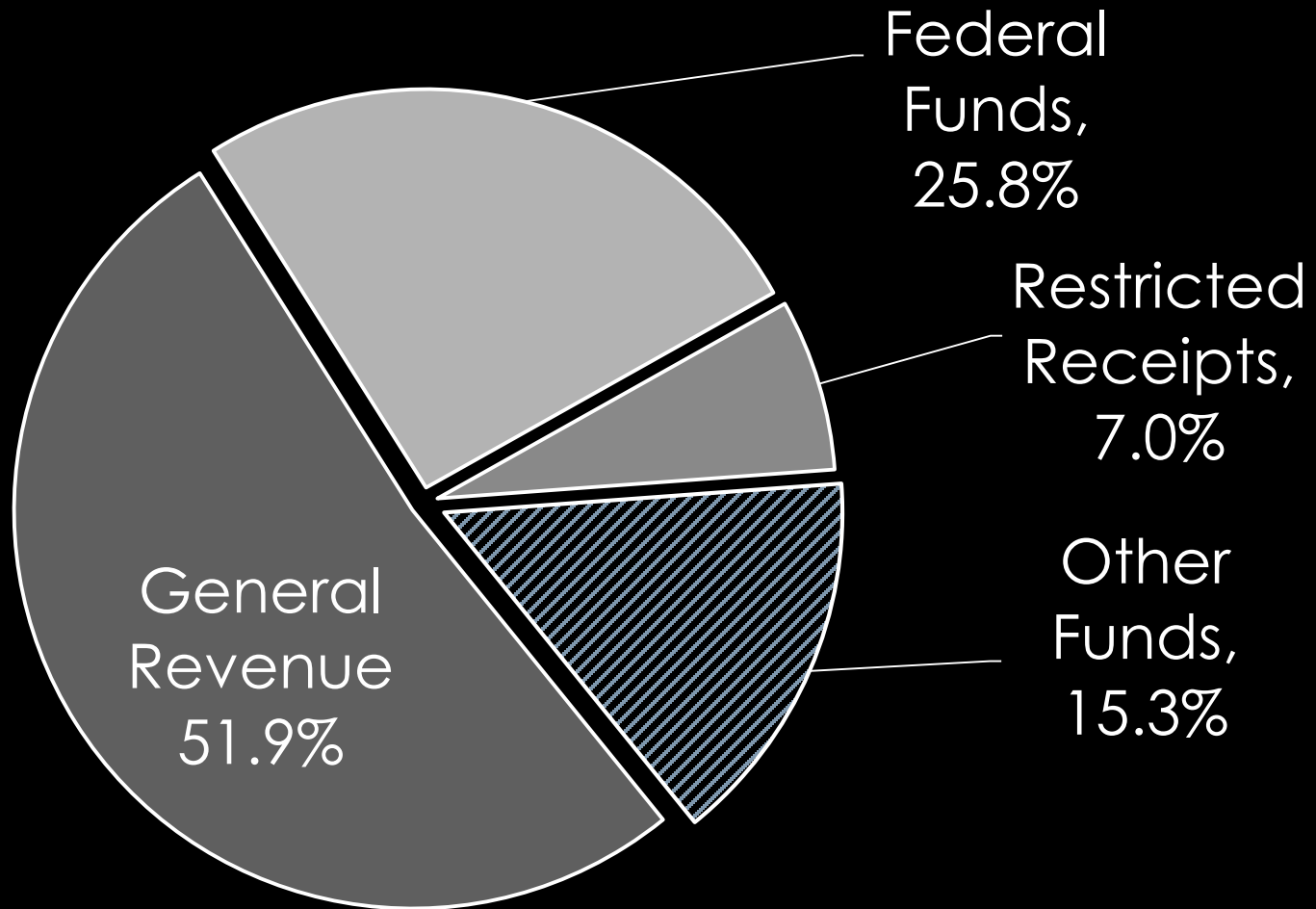
- Budget Office provided a general revenue target of \$37.5 million
  - Current service adjustments of \$7.8 million and a 5.0% reduction of \$0.7 million
- The Executive Office did not submit a constrained request
- Governor recommends \$2.8 million less than the current service estimate
  - Lowered estimated Rebuild RI funding need by \$5.0 million

# Summary by Source

	<b>FY 2019 Enacted</b>	<b>FY 2019 Rev.</b>	<b>FY 2020 Rec.</b>	<b>Change to Enacted</b>
General Revenue	\$30.3	\$30.2	\$35.4	\$ 5.1
Federal Funds	14.4	16.0	17.6	3.2
Restricted Receipts	4.8	4.8	4.8	-
Other Funds	7.0	7.9	10.5	3.5
<b>Total</b>	<b>\$56.4</b>	<b>\$58.9</b>	<b>\$68.2</b>	<b>\$11.7</b>

*\$ In millions*

# FY 2020 Recommendation



# Centralized Services

- 2017 Assembly authorized establishment of internal service funds for centralized services
  - Information technology, capital asset management & maintenance, & human resources
- Costs previously budgeted in DOA
  - 2018 Assembly included costs in user agency budgets
  - Final FY 2018 & FY 2019 budget



# Centralized Services

<b>General Revenues</b>	<b>FY 2019 Enacted</b>	<b>FY 2019 Revised</b>	<b>Chg. to Enacted</b>	<b>FY 2020</b>	<b>Chg. to Enacted</b>
Facilities	\$271,192	\$172,623	(\$98,569)	\$172,623	(\$98,569)
IT	26,570	34,116	7,546	33,922	7,352
HR	23,985	23,985	-	23,985	-
<b>Total</b>	<b>\$321,747</b>	<b>\$230,724</b>	<b>(\$91,023)</b>	<b>\$230,530</b>	<b>(\$91,217)</b>

# Statewide Savings Initiatives

- Governor distributes statewide general revenue savings enacted for FY 2019 in the Department of Administration
  - Prompt Payment - \$0.4 million
    - Vendors voluntarily offer a discount if payments are received within an agreed upon date
  - Contracts - \$3.0 million
    - Effort to reduce costs of certain commodities
      - Food, maintenance, office equipment, telecommunications
  - Insurance - \$0.5 million
    - Reductions in policies for property & crime

# Statewide Savings Initiatives

<b>Initiative</b>	<b>FY 2019 Revised</b>	<b>FY 2020</b>
Prompt Payment	\$(100)	\$(100)
Contract	(8,663)	(8,968)
Insurance	(82)	(82)
<b>Total</b>	<b>\$(8,845)</b>	<b>\$(9,150)</b>

- Non general revenue savings are not reflected

# FY 2020 Recommendation

- **Economic Development Incentives**
  - Current program updates
  - New program proposals
- Executive Office Budget
  - Housing and Community Development
- Quasi-Public Entities
  - Commerce Corp
  - Quonset
  - I-195 Commission
- Capital

# 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
- Amended in 2016 and 2017 to modify some programs and add the Air Service Development fund
  - 1 program allowed to sunset, Oct. 2018

# Economic Development Incentives - Background

- Most supported by savings from debt restructuring spread over 2 years
- Some supported by general revenues through regular Commerce Corporation funding
- Programs given Dec 31, 2018 sunset
  - 2018 Assembly extended to June 30, 2020
- All have annual reporting requirements
  - Tax credit programs reporting more extensive

# Economic Development Incentives - Background

	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Rebuild RI	\$ 1.0	\$25.0	\$12.5	\$11.2	\$15.0
Closing Fund	5.0	8.5	1.8	-	-
I-195 Fund	25.0	-	2.0	1.0	1.0
Small Business Asst.	5.5	-	-	-	0.8
Wavemaker	1.8	2.0	0.8	1.6	1.2
Streetscape	1.0	1.0	0.5	0.5	-
Innovation Initiative	1.0	1.5	1.0	1.0	1.0
Cluster Grants	0.8	0.5	-	0.1	0.1
P-Tech	0.9	1.2	-	0.2	0.2
Air Service	-	1.5	0.5	0.5	-
Qualified Jobs	1.0	-	-	-	-
<b>Grand Total</b>	<b>\$42.9</b>	<b>\$41.2</b>	<b>\$19.1</b>	<b>\$16.1</b>	<b>\$19.3</b>

*\$ In millions*

# Economic Development Incentives - Proposed

<b><i>New Initiatives</i></b>	<b><i>FY 2020</i></b>
State & Local Partnership Council	\$1.45
Site Readiness (RICAP)	1.00
Transferable R&D Tax Credit	1.30
Opportunity Zone Modifications	-
<b>Total</b>	<b>\$ 3.75</b>

*\$ In millions*



# Rebuild RI Tax Credit: Current Law

- Credits for real estate development equal to lesser of 20% of project costs or funding gap
  - Up to 30%, if they met designated criteria for rehabilitation, reuse, sustainability, affordability or targeted industry :
    - Project max of \$15.0 million
    - Redeemed over 5 years
    - Credits transferable / refundable at 90% of value
- Projects may also get a sales tax exemption

# Rebuild RI Tax Credit: Current Law

- 2016 Assembly revised earlier legislation to address issues raised
  - Capped program credits at \$150 million
    - Sales tax exemption not capped
  - Allow use of funds for Tax Stabilization Incentive reimbursements to municipalities
    - Up to 10% of foregone revenues
    - Rebuild credit seekers can be required to obtain a stabilization agreement for project
  - Modified language to deal with issues raised by developers and financing entities

# Rebuild RI Tax Credit: Current Law

Rebuild RI Project Thresholds			
Dev. Type	Cost	Min ft <sup>2</sup>	Other min
Commercial	\$5.0 million	25,000	1+ Businesses and 25 FT Employee
Multi-Family Residential*	Discretionary	20,000	20 Residential Units
Mixed Use	\$5.0 million	25,000	1 Business

*\*Hope Community only*

- Hope communities
  - Higher poverty rates than rest of the state

# Rebuild RI Tax Credit: Current Law

- Rebuild RI credits are paid out over a period of up to 5 years
  - Prefunding tax credits taken over time
    - \$15 million for FY 2020
    - Total set-aside increases to \$65 million
  - Nov REC testimony was payments for FY 2019 & FY 2020 would be \$16 million
  - Approved credits total \$105 million
    - Sales tax exemptions total \$40.7 million over more than a decade into the future
    - Program sunsets June 2020

# Article 12 - Rebuild RI Tax Credit

- Governor proposes \$100 million increase in cap
  - And a 3.5 year extension on sunset
  - Out-years assume need to increase the appropriation to fund commitments
    - \$25 million in FY 2021 and FY 2022
    - Almost \$50 million beginning FY 2023
      - Most of that is from the cap increase
  - Sales tax exemption unchanged, not capped

# Article 12 - Rebuild RI Tax Credit

- Article 12 permits separate buildings on I-195 land to be subject to separate \$15.0 million project caps
  - Allows same project to get capped amount on phases if those phases are distinct buildings
  - Current law considers all phases part of the single project and subject to \$15 million cap
    - Narrow exemption exists for a distinct project within a project on 195 land once a year only

# Article 12 - Rebuild RI Tax Credit

- Eliminates a number provisions added in 2016, along with financing flexibility, to ensure uniform applicability of prior limits on tax credit use
  - Drafting issues make the intent unclear
    - Some changes would be significant
- Permits Corporation to use funds set aside to repay credits for “technical assistance” to applicants
  - Up to \$250,000 annually

# Article 12 - Rebuild RI Tax Credit

- Article 12 requires Taxation to send notices to applicants on the 2013 Historic Tax Credit the waiting list for those credits
  - Expense paid by Commerce Corporation
- Requires development of distinct application process for project with
  - Affordable or workforce housing
  - Certified or recognized historic structures
  - A manufacturer



# Article 12 - Rebuild RI Tax Credit

- Article 12 eliminates minimum project cost & square footage thresholds for
  - Projects with 1+ manufacturers
  - Recognized or certified historic structures not qualified for the Historic Tax Credits
    - 2013 program participants already exempt
- Limits awards to these entities to 15% of amount Corporation awards annually
  - Current law limits to 15% of funds appropriated annually

# Article 12 - Rebuild RI Tax Credit

	<b>Rebuild RI</b>	<b>Historic 2013</b>
Credit	Value of project cost gap - Max 20%	Minimum 20%
Enhanced Credit	Max 30%	Minimum 25%
Enhanced Credit Requirement	Locate in Hope Community	If rentable area available to trade or business is the entirety of the 1st floor represent % of the total space
Comm./Mixed Development	Min 25,000 sq. feet	No minimum
Multi-Family Residential*	Min 20,000 sq. feet	

\*With 20 units in a Hope Community

# Article 12 - Rebuild RI Tax Credit

	Rebuild RI	Historic 2013
Required Investment	20%	-
Min. Project Cost*	\$5,000,000	-
Max. Aggregate Credits	\$150,000,000	Available Funding
Max. Project Cap	\$ 15,000,000	\$5,000,000
Administrative Fees	-	3% of qualified rehabilitation expenses to Taxation
Transferable	Yes but state may redeem at 90%	Yes
Carry Forward	5 years	10 years
Current Sunset	June 30, 2020	June 30, 2019

\*Discretionary in a Hope Community

# First Wave 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

# First Wave 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
- Total funding appropriated \$15.3 million
  - Last appropriation \$1.8 million for FY 2018
  - \$2.6 million committed over 6 projects

# I -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

# I - 195 Redevelopment Fund

- No project caps or overall limits beyond total allocation
  - Administered by the I-195 Commission
  - Authority to collect application or other fees

<b>Prior Funding</b>	<b>FY 2019 E/R</b>	<b>FY 2020 Gov.</b>
\$27.0	\$1.0	\$1.0

\$ In millions

- \$24.4 million committed to various projects, primarily Wexford
- Governor recommends new \$1.0 million for FY 2020

# Small Business Assistance

- Capital access for business with < 200 employees having difficulties obtaining financing from traditional lenders
  - For start up, improvement or expansion
    - Focus includes minority & women-owned
  - Loan amounts from up to \$750,000
    - Sets aside 10% to 25% of funding for microloans of \$2,000-\$25,000
  - Commerce can provide direct assistance or partner with lenders
- Governor includes \$750,000 for FY 2020



# Small Business Assistance

## Small Business Assistance Uses to Date

Lender	Alloc.	Tech Assist	Balance	SBAP Funds	Total Loans
Business Dev. Cap'l Corp- MA	\$1.70	\$0.82	\$0.34	\$0.54	\$5.05
Business Dev. Corp RI	1.00	0.10	0.08	0.82	2.31
Community Investment Co	0.86	0.10	0.58	0.18	1.05
SE Econ. Dev Corp	1.20	0.10	0.08	1.02	3.06
<i>Community Investment Co</i>	<i>0.26</i>	<i>0.07</i>	<i>0.02</i>	<i>0.17</i>	<i>0.33</i>
<i>Center Women &amp; Enterprise</i>	<i>0.20</i>	<i>0.05</i>	<i>0.00</i>	<i>0.14</i>	<i>0.14</i>
<i>Social Enterprise Greenhouse</i>	<i>0.13</i>	<i>0.03</i>	<i>0.00</i>	<i>0.09</i>	<i>0.09</i>
<i>RI Black Business Association</i>	<i>0.10</i>	<i>0.03</i>	<i>0.08</i>	-	-
<b>Grand Total</b>	<b>\$5.45</b>	<b>\$1.29</b>	<b>\$ 1.19</b>	<b>\$2.96</b>	<b>\$12.04</b>

\$ In millions; *italics = microloans*

# Wavemaker Fellowships: Current Law

- Tax credits - up to 4 years of college loan assistance
  - Amt. credits/candidate/year based on degree & actual loans
    - Implemented as 2-year awards
  - Funds/Credits withheld if recipient becomes noncompliant
    - Annual recertification required

<b>Max credits per year</b>		
<b>Associate's</b>	<b>Bachelor's</b>	<b>Grad/Post Grad</b>
\$1,000	\$4,000	\$6,000

# Wavemaker Fellowships: Current Law

- Eligible applicants must work full-time for OR have accepted offer from company in specific fields
  - Selection is employer-blind & applicant-blind
  - Employer must be RI-based
- 70% of credits must be reserved for permanent RI residents or attendees of a RI college

# Wavemaker Fellowships: Current Law

- Funding through FY 2019 funds 3 cohorts
- Governor includes \$1.2 million for FY 2020
  - Fully funds 4<sup>th</sup> and partially funds a 5<sup>th</sup> but smaller cohort

Appropriations						Gov. Rec	
FY 2016		FY 2017		FY 2018		FY 2019	FY 2020
\$1,750,000		\$2,000,000		\$ 800,000		\$1,600,000	\$1,200,000
Wavemaker: Applicants & Fellowships							
FY 2016		FY 2017		FY 2018		FY 2019	FY 2020
305	208	328	219	382	240	<i>Pending</i>	<i>Pending</i>

# Article 12 - Wavemaker Fellowships

- Article 12 defines “Businesses” to include a variety of financial institutions, pass-through entities & federal agencies
- Repeals the requirement for wages to be subject to withholding
  - To permit eligibility for business owners who pay estimated taxes rather than withholding income tax

# Innovation Initiative

- Innovation Vouchers –
  - Small businesses w/less than 500 employees
    - Purchase wide range of support from institutions of higher ed. and other providers
    - 2017 Assembly expanded the use to allow internal research & development for small business manufacturers without higher ed. or other partner
    - Voucher awards \$5k – \$50K
- Governor includes \$1.0 million
  - Same as enacted

# 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
  - \$1.2 million awarded to 10 awardees

2016	2017	2018	2019 E/R	2020
\$0.8	\$0.5	\$ -	\$0.1	\$0.1

\$ In millions

- FY 2020 budget includes \$0.1 million

# P-Tech Initiative

- Supports partnerships among high schools, CCRI, other higher education institutions & employers
  - Offer courses towards diplomas, internships & associate degrees
  - Six programs implemented
    - Providence, Davies, N. Providence, Woonsocket, Westerly, Newport
  - Also an administrative allocation to CCRI
- Governor adds \$0.2 million for FY 2020
  - Used \$1.3 million of \$2.3 million appropriated



# Supply RI

- Established for FY 2019
  - Commerce Corporation had committed \$325,000 from other resources first
- Connects the RI's largest purchasers w/ small, in-state suppliers
  - Maintains a supplier online database & support services
  - Information sessions & Networking events
- Governor recommends \$300,000
  - Same as enacted

# New Qualified Jobs Tax Credit: Current Law

- Credit of between \$2,500 and \$7,500 for new full-time job creation
  - Credit cannot be more than employee's income tax withholdings
  - Allowed against all tax types
- Replaced Job Development Act by closing it to new recipients
  - Companies already certified continue to get JDA credits if they remain eligible

# New Qualified Jobs Tax Credit: Current Law

- Company must attest that jobs would not be created in RI “but for” credit
  - Must maintain agreed job level for agreement period, typically 10 years
- 30 agreements through January 2019
  - 18 relocated from out of state
  - Total value \$65.5 million
  - 8 new since February 2018
  - Required job ranges total 3,252 to 4,061
    - 1,270 more than February 2018
      - 2 awards totaling 1,002 new jobs

# Article 12 - New Qualified Jobs Tax Credit

- Article 12 reduces the maximum award cap from \$7,500 to \$6,500
  - Except for new class of applicant deemed a economic development opportunity
    - Must be a targeted industry w/ 51% of new jobs defined as high wage by the Commerce Corp
    - Must have
      - Minimum of 100 new jobs – or –
      - Corporate hub or relocated regional/national HQ

# Article 12 – Opportunity Zones

- Established by 2017 Tax Cuts & Jobs Act
  - State designated census tract certified by the U.S. Treasury to receive Opportunity Fund Investments
    - Eligibility based on federal low income guidelines
    - 25 Rhode Island Opportunity Zones
  - Opportunity Zone Fund
    - Investment tool, capitalized through realized capital gains, which deploys 90% of its funding in an opportunity zone

# Article 12 – Opportunity Zones

- Preferential tax treatment for Opportunity Zone Funds
  - Tax deferred for reinvested capital gains
    - Until the fund sold or December 31, 2026
  - Original tax liability reduced by
    - 10% for 5 years, 15% for 7 years
  - No liability on Opportunity Fund gains after 10 years
    - Does not apply to original capital gains liability

# Article 12 – Opportunity Zones

- Article 12 allows investors to access the exemption on new gains through year 7
  - Reserved for 10 years under federal law
  - State would see impact three years sooner than if investment were held for the full term
    - Investor gets no federal tax benefit from an early exit

# R&D Tax Credit: Current Law

- 1994 Assembly established an R&D tax credit
  - Against business, insurance, & personal tax liabilities
    - 22.5% for the first \$25,000; 16.9% thereafter
  - Not to exceed 50% of a taxpayer's liability
    - Nor less than the corporate minimum tax
  - 7-year carry forward
    - Not refundable



# Article 12 - Transferable R&D Tax Credit

- Article 12 provides for a transferable R&D tax credit
  - 22.5% of qualified expenses
  - Investments have to meet federal definition of “qualified research expenses”
    - Includes employee wages, supplies, fees paid to research agencies
- Awards capped at \$1.3 million annually
  - Budget includes revenue reduction
    - 3/12 amendment requested caps awards at \$250k
      - Limits to 5 awards per recipient

# Article 12 - Transferable R&D Tax Credit

- Credits can not be used with existing R&D credits awarded after June 30, 2019
  - In case of credits awarded prior, the non-transferable credit applies first
- Competitive application to the Commerce Corp.
  - Corporation to define terms
    - Company substantially increasing investment
    - Early stage company

# Article 12 - Transferable R&D Tax Credit

- 15-year carry forward for unused credits
  - Also extends the existing non-transferable tax credit carry forward to 15 years
  - Credit may be sold, transferred or assigned
    - Proceeds from transfer are tax exempt
- Includes reporting requirements and sunset date of December 31, 2023
  - Reporting requirements annual, but delivery date is undefined

# Article 12 – State & Local Partnership/Site Readiness

- Establishes a new quasi-public entity
  - State & Local Partnership Council
    - 9 member board appointed by the Governor, includes Secretary of Commerce & 8 members
    - Same powers as QDC including debt issuance
  - Coordinate with municipalities to improve processes & develop, manage & market lands for development
  - Authority granted only applicable with approval by a governing body or under contract

# Article 12 – State & Local Partnership/Site Readiness

- Preparation & implementation of development policy or planning
  - To the extent permitted by the contract
  - Financial assistance for implementation
    - Including environmental remediation
    - Recommend enhanced reimbursement (up to 50%) for tax stabilizations agreements
      - Subject to Commerce Corporation Board approval
      - Reimbursement awards up to 5x annually

# Article 12 – State & Local Partnership/Site Readiness

- Permits a separate 9 member QDC board to act in place of the Partnership Council
  - Secretary & 6 members appointed with advice & consent of the Senate
  - Also includes 2 members from an impacted municipality
    - Or 1 member from each impacted municipality
  - Prohibited from decisions regarding the Quonset Business Park

# Article 12 – State & Local Partnership/Site Readiness

- Assume development authority upon conveyance of property
  - Expedite pre-permitting & permitting processes
  - Sole issuer of permits & licenses
    - Provided federally mandated environmental licensing remains with the requisite authority
  - Develop designated parcels of land
    - Local authority retained to the extent of the agreement

# Article 12 – State & Local Partnership/Site Readiness

- Governor requested an amendment on March 12, 2019 to clarify that
  - The second 9 member board is intended to be the QDC Board w/ local representation; it may operate in place of the Council
  - Only Commerce Corporation can approve enhanced tax stabilization support
  - Council would issue permits through DBR
    - Consistent with proposed Streamline & Simplify initiative co-administered by EOC & DBR



# Article 12 – State & Local Partnership/Site Readiness

- March 12, 2019 Amendment
  - Removes the Commerce Secretary as the State & Local Partnership Council chair
  - Further defines types of project that could be eligible for this program
  - Allows for management of property vs. ownership
  - Strikes language requiring local vote to enter into agreements with new Council
  - Permits sharing of associated revenues

# Article 12 - Sunsets & Technical

- Original sunsets extended from December 31, 2018 to June 30, 2020 by the 2018 Assembly
- Extends the sunset dates on most programs to Dec. 31, 2023
  - Repeals Small Business Assistance Program sunset
- Makes technical corrections to the Tax Increment Financing statute

# Article 12 - Sunsets & Technical

Sec.	Program	Enacted Sunset	Proposed Sunset
6	Rebuild RI Tax Credit	June 30, 2020	Dec. 31, 2023
8	Tax Increment Financing		
9	Tax Stabilization		
10	First Wave Closing Fund		
11	I-195 Fund		
12	Small Business Assistance		Repeal
14	Wavemaker Fellowship		Dec. 31, 2023
15	Main Street Streetscape		
16	Innovation Initiative		
17	Industry Cluster Grants		
18	P-Tech		
19	Air Service Development		
28	New Qualified Jobs		

# Article 12 - Sunsets & Technical

- June 2020 aligns w/ comprehensive long term economic development report
  - Required during 1<sup>st</sup> year after every gubernatorial election
- Consistent with initial Office of Revenue Analysis reporting due on 2015 programs
  - Pursuant to RIGL 44-48.2
    - Rhode Island Economic Development Tax Incentives Evaluation Act of 2013
    - 5 years for the 1<sup>st</sup> report; triennial thereafter

# Article 12 - Sunsets & Technical

Program Analysis	Due By Statute
Anchor Institution*	June 2020
New Qualified Jobs Incentive Act	
Rebuild RI Tax Credit	
Rebuild RI Sales Tax Exemption	
Rhode Island Tax Increment Financing	
Stay Invested in RI Wavemaker Fellowship	

*\*Not utilized; allowed to sunset in 2018*

# FY 2020 Recommendation

- Economic Development Incentives
  - Current program updates
  - New program proposals
- **Executive Office Budget**
  - **Housing and Community Development**
- Quasi-Public Entities
  - Commerce Corp
  - Quonset
  - I-195 Commission
- Capital

# Staffing

## *Full-Time Equivalent Positions*

Full-Time Positions	FTEs	Chg. To Enacted
Enacted Authorized	16.0	-
FY 2019 Gov. Rev.	16.0	-
FY 2020 Request	17.0	1.0
FY 2020 Governor	18.0	2.0
FY 2020 Funded FTE	15.1	(0.9)
Filled as of March 30	13.0	(3.0)
FY 2018 Average Filled	13.7	(2.3)

# Staffing

<b>FY 2020 Governor Recommendation</b>		
	EOC	Statewide
Gross Salaries (in millions)	\$2.3	\$1,249.1
Turnover (in millions)	(0.4)	(42.9)
Turnover %	16.2%	3.4%
Turnover FTE	2.9	529.0
FY 2020 FTE recommended	18.0	15,413.1
Funded FTE	15.1	14,884.1
Filled as of March 30	13.0	14,131.4
Funded but not filled	2.1	752.7



# Staffing

<b>Full-time Equivalent Positions</b>	<b>FY 2019 Enacted</b>	<b>FY 2019 Rev.</b>	<b>FY 2020 Gov.</b>	<b>Chg. to Enacted</b>
EOC Management	5.25	5.4	7.4	2.15
Office of Housing & Community Development	10.75	10.6	10.6	(0.15)
<b>Total</b>	<b>16.0</b>	<b>16.0</b>	<b>18.0</b>	<b>2.0</b>

# Executive Office of Commerce

- FY 2020 Governor's Streamline & Simplify initiative
  - Administered jointly with DBR
  - Improve various licensing requirements which impact businesses
  - Support State & Local Partnership Council and Site Readiness implementation
    - Includes \$1.5 million from general revenues
- Adds 2.0 full time equivalent positions
  - \$265,000 from general revenues
    - Senior & Principal Economic & Policy Analysts

# Executive Office of Commerce

- FY 2020 Staffing and Operations
  - \$0.7 million from general revenues for existing staff
  - Increases allocation for a position shared w/OHCD, maintains vacancies in enacted
  - \$0.1 million for operations
    - Includes \$5,062 more for outside rent
    - 315 Iron Horse Way

# Housing & Community Development

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

# Housing & Community Development

- \$1.3 million for staffing
  - General revenues about half
  - Funds 10.6 positions
    - Reduces allocation FTE shared w/Executive Office
- \$21.7 million for programs
  - \$3.0 million more than enacted
    - Changes to the Community Development Block Grant funds
    - 2 new programs

# Housing & Community Development - Programs

	FY 2019 Enacted	FY 2019 Revised	FY 2020 Rec.	Chg. to Enacted
Persons with AIDS	\$ -	\$0.6	\$0.6	\$0.6
Neighborhood Stabilization	-	1.0	1.0	1.0
Community Development Block Grants	7.0	7.0	10.5	3.5
CDBG – Disaster Recovery	4.8	4.8	2.8	(2.0)
Emergency Shelter Grants	0.7	0.7	0.7	-
Title XX Shelter Grants	1.4	1.4	1.4	-
Lead Abatement	4.8	4.8	4.8	-
<b>Total</b>	<b>\$18.6</b>	<b>\$20.2</b>	<b>\$21.7</b>	<b>\$3.0</b>

*\$ In millions*

# Housing & Community Development

- Housing Opportunities for Persons w/AIDS
  - Transfers program from RI Housing
    - Consolidate homelessness & supportive housing initiatives
  - Provides additional support services
    - Assessment & case management, substance abuse & mental health treatment, job training & placement assistance
  - Budget adds \$0.6 million from federal funds for FY 2019 revised and FY 2020

# Housing & Community Development

- Neighborhood Stabilization Program
  - Federal program providing assistance to state & local governments to mitigate abandonment & blight
    - To rehabilitate, resell, or redevelop foreclosed or abandoned homes
- Budget adds \$1.0 million in both years



# Housing & Community Development - Grants

- Community Development Block Grants
  - State manages program for 33 cities and towns that do not receive allocation directly from federal government - HUD
    - Cranston, East Providence, Pawtucket, Providence, Warwick & Woonsocket are "Entitlements" and operate their own program
  - State also currently spending funds from an allocation for disaster recovery expenses including hurricane Sandy
    - Decrease reflects exhaustion of funds

# Housing & Community Development - Grants

- Federal Shelter Grants
  - Federal Title XX
  - Emergency Shelter
- Lead Abatement & Housing Subsidies
  - 2014 Assembly general revenue support to \$0.30 from real estate conveyance tax
    - Permanent stream of funding for rental subsidy, shelter operations & lead hazard reduction
    - November REC estimate equates to \$5.2 million available

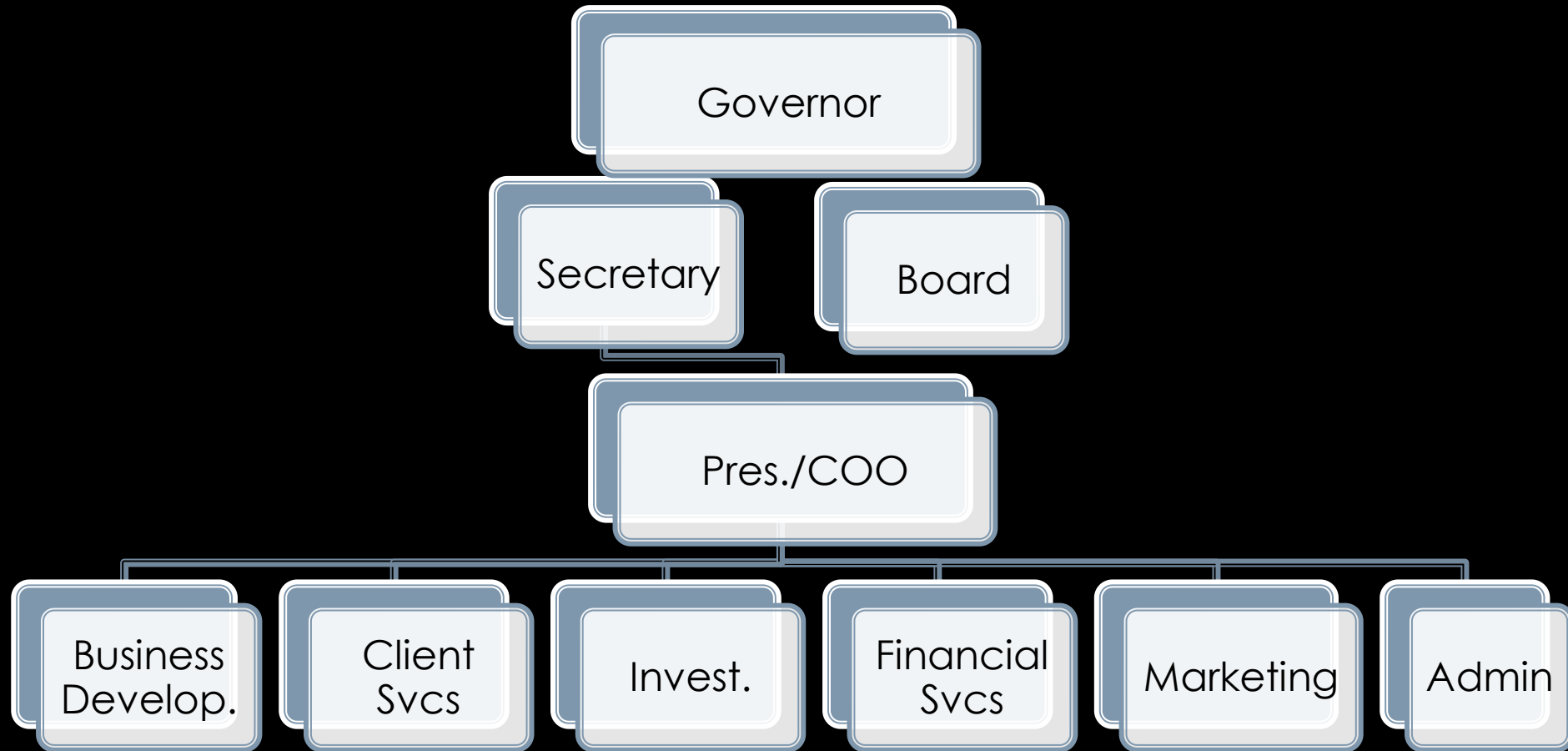
# FY 2020 Recommendation

- Economic Development Incentives
  - Current program updates
  - New program proposals
- Executive Office Budget
  - Housing and Community Development
- **Quasi-Public Entities**
  - **Commerce Corp**
  - **Quonset**
  - **I-195 Commission**
- Capital

# 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

- Governor FY 2020 - \$7.6 million from general revenues
  - \$0.1 million more than enacted for rent
    - 315 Iron Horse Way
  - General revenues support 42 of 62 positions
  - Also assumes \$7.7 million of other revenues
    - Hotel tax share accounts for \$5.6 million for tourism
      - Collected \$3.4 million as of December 2018
  - Spending detail not included for quasi-state agencies like direct state agencies

# Other Programs

	FY 2019 Enacted	FY 2019 Revised	FY 2020 Rec	Chg. to Enacted
Pay for Success	\$ -	\$ -	\$ 0.5	\$0.5
EPSCoR	0.9	0.9	0.9	-
Airport Impact Aid	1.0	1.0	0.8	(0.3)
Small Bus. Innovation Research	1.0	1.0	1.0	-
Chafee Center at Bryant	0.5	0.5	0.5	-
Urban Ventures	0.1	0.1	-	(0.1)
Polaris Manufacturing Ext.	0.4	0.4	0.4	-
<b>Total</b>	<b>\$3.9</b>	<b>\$3.9</b>	<b>\$4.0</b>	<b>\$(0.1)</b>

# Pay For Success

New - Pay for Success - \$0.5 million

- Joint program between the state, Harvard Government Performance Lab & private partners
  - To secure a \$1.0 million federal grant & leverage private funding
  - To support homeless, high-Medicaid users permanent supportive housing needs
    - Budget anticipates \$6.2 million over multiple years



# EPSCoR

EPSCoR - \$0.9 million

- Federal match for National Science Foundation's Experimental Program to Stimulate Competitive Research (EPSCoR)
  - Enacted level in both years
    - Reflects actual match of federal funds
    - Administered by the Science and Technology Council (STAC)

# Airport Impact Aid

- Airport Impact Aid – \$762,500
  - \$250,000 less than enacted
  - Provides aid payments to seven communities that host six state airports
    - Payments based on the number of total landings and takeoffs
  - Governor removes current \$25,000 minimum payment to each host community
    - Warwick share decreases ~\$190,000
    - Other communities essentially \$15,000 or less

# Small Business Innovation Research

- Rhode Island employers with less than 50 employees or employers with 51.0% of employees in Rhode Island
- Support Innovate RI Small Business Fund
  - Support internship programs
  - Certify 51.0% of research conducted in RI
  - 30.0% match of federal awards, not to exceed \$45,000
- FY 2020 includes the enacted level

# Chafee Center

- Chafee Center at Bryant
  - Designated the State International Trade Office; State Trade Expansion Program
  - Helps local companies initiate and/or develop international trade opportunities
  - FY 2020 includes enacted funding of \$476,200 from general revenues

# Urban Ventures

- 1998 Assembly established an urban business incubator
  - Urban Ventures was founded in January of 1999 and operates the funded incubator
    - R.I.G.L 42-64-13.1 requires an incubator be funded
- FY 2020 recommendation excludes enacted \$140,000
  - Does not repeal the statute nor identify a plan to satisfy the obligation

# Polaris Manufacturing Extension Partnership

- Supports manufacturers engagement, education, execution for revenue & job growth
  - 3:2 federal match
  - FY 2018 budget transferred Polaris from URI Research Foundation to the Commerce Corporation
- FY 2020 includes enacted \$350,000

# Commerce Corporation – Subsidiary Agencies

- Five subsidiaries:
  - Quonset Development Corporation
  - I-195 Redevelopment District
  - Small Business Loan Fund Corporation
  - Airport Corporation
  - East Providence Waterfront Commission
  - Other entities
    - RIIFC
    - RIIRBA

# Quonset Development Corporation

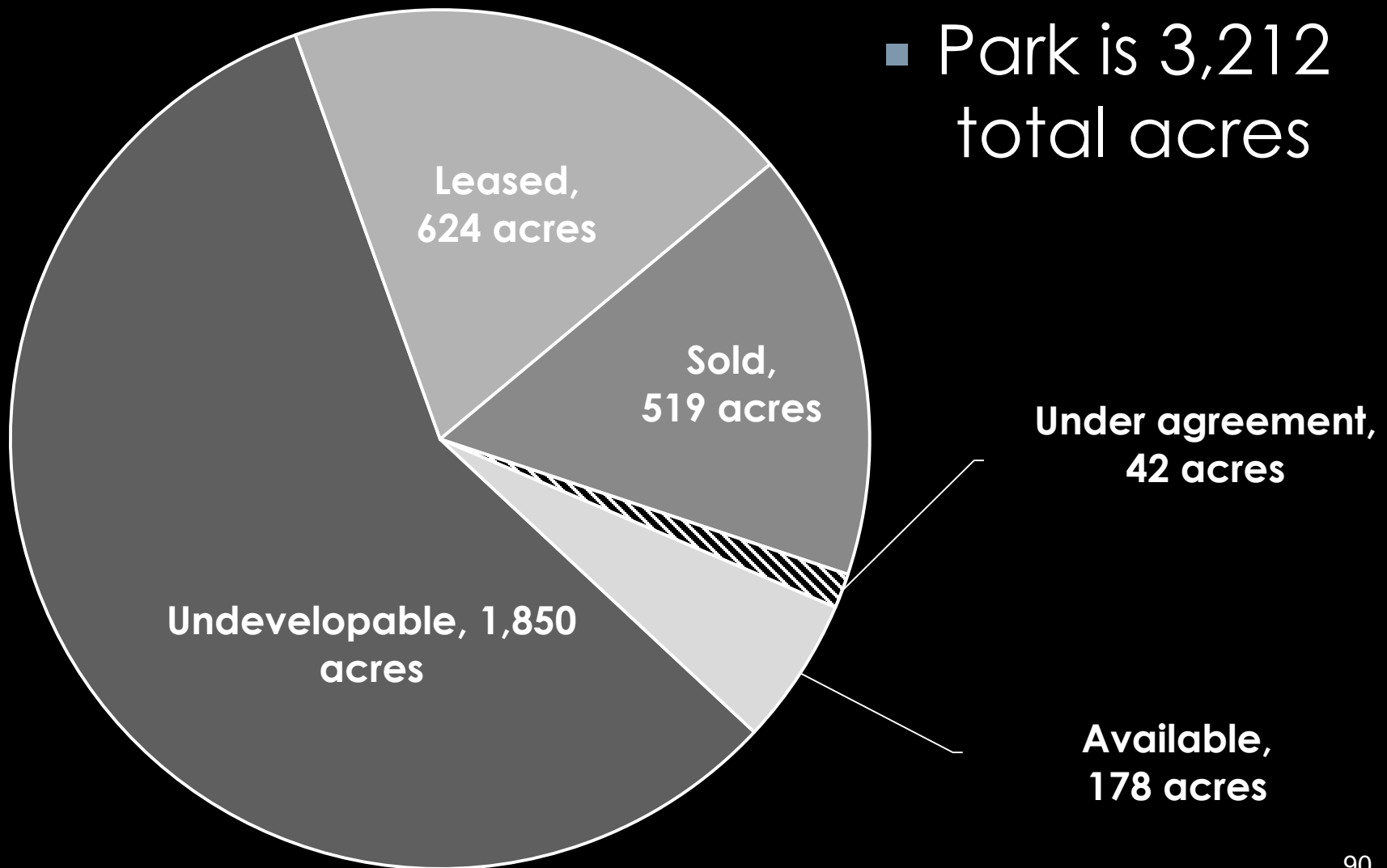
- Quonset Business Park land originally 2 naval bases established prior to 1942
  - Base selected for closure in 1991
  - Land transferred to the state from 1978-2000
    - Administered by different state agencies
- Corporation established by 2004 Assembly to develop and manage Quonset Business Park



# Quonset Development Corporation

- Corporation receives no direct general revenues
  - Is self-sustaining
  - State paid debt service for 2 G.O. bonds
- Subsidiary of Commerce Corporation, but receives no funds
  - Commerce Corp. must issue non-G.O. bonds
- FY 2018 enacted budget included \$1.0 million transfer to the state
  - Only enacted transfer since FY 2010

# Quonset



# Quonset – Capital

- Quonset Piers
  - Approved plan totaled \$90.0 million
    - \$50.0 from G.O. Bonds approved in 2016
    - \$25.0 million from QDC Revenue Bonds
    - \$15.0 million from RI Capital Plan Funds
  - Refurbish and extend Pier 2 at Davisville
- Governor's capital plan includes the approved funding
  - Adds \$0.4 million more from RICAP
    - Appears to be in error

# Quonset Piers

	<b>Prior</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Total</b>
G.O. Bonds	\$ -	\$24.5	\$20.0	\$5.5	\$ -	\$50.0
Revenue Bonds	-	-	-	9.1	11.9	21.0
RICAP	2.0	3.4	5.0	5.0	-	15.4
QDC Funds	-	1.0	1.0	1.0	1.0	4.0
<b>Total</b>	<b>\$2.0</b>	<b>\$28.9</b>	<b>\$26.0</b>	<b>\$20.6</b>	<b>\$12.9</b>	<b>\$90.4</b>

*\$ in millions*

# Quonset - Capital

- New project in FY 2019
  - Increase roadway crossing capacity & utility relocation
  - \$14.0 million from RICAP
    - \$4.0 million for FY 2019 and FY 2020
    - \$6.0 million for FY 2021
- Prior G.O. Bonds for infrastructure at Quonset

1996	2004
\$72.0	\$48.0

*\$ in millions*

# H 5150 & H 5151

## Article 1 Quasi Transfers

- Require payments to the General Fund
  - Various amounts from quasi-state agencies
  - Similar to last four years' proposals
  - \$13 million in new transfers for FY 2019
  - \$7.0 million in FY 2020
- Budgets for these entities appear in the budget publication program supplements
  - Data there do not reflect these transfers

# H 5150 & H 5151

## Article 1 Quasi Transfers

Quasi Transfers	FY 2019	FY 2019 R	Chg.	FY 2020	2Yr Chg.
Resource Recovery	\$ -	\$5.0	\$5.0	\$ -	\$5.0
RI Housing	-	2.5	2.5	1.5	4.0
Infrastructure Bank	4.0	4.0	-	4.0	4.0
RISLA	-	1.5	1.5	1.5	3.0
<b>QDC</b>	-	<b>2.0</b>	<b>2.0</b>	-	<b>2.0</b>
RIHEBC	-	2.0	2.0	-	2.0
<b>Total</b>	<b>\$4.0</b>	<b>\$17.0</b>	<b>\$13.0</b>	<b>\$7.0</b>	<b>\$20.0</b>

*\$ In millions*

# H 5150, Sec. 15 – Quonset Development Corporation

<b>FY 2018 Cash Flow</b>	<b>FY 2018</b>
<b>Total Cash</b>	<b>\$ 5,095,821</b>
<i>Open projects restricted funds</i>	<i>(1,462,557)</i>
<i>Electric Boat deposits (EB Construction projects)</i>	<i>(1,582,875)</i>
<i>QDC/North Kingstown Infrastructure fund</i>	<i>(1,460,187)</i>
<b>Net Available Cash</b>	<b>\$ 590,202</b>
<i>Accrued FY 2019 Expenses</i>	<i>(554,000)</i>
<b>Actual cash on hand as of July 1, 2018</b>	<b>\$ 36,202</b>



# H 5150, Sec. 15 – Quonset Development Corporation

- FY 2019 Revised Budget as submitted
  - Budget does not include transfer

Revenues		Expenses	
Rental Income	\$ 7,897,108	Personnel	\$ (4,581,947)
Pier Income	1,750,000	Operating	(4,009,640)
Utility Sales	2,948,814	Debt Service	(1,666,852)
RICAP	3,505,557	Capital	(6,505,557)
Other Income*	707,489		
<b>Total</b>	<b>\$16,808,968</b>		<b>\$(16,763,996)</b>

**FY 2019 Revised closing balance: \$44,972**

*\*Includes estimated FY 2018 carry-over of \$5,811; \$30,391 less than actual*

# I-195 Redevelopment District Commission

- I-195 Development District was established by the 2011 Assembly
  - Authorized District to purchase surplus I-195 land from Dept. of Transportation
  - Corporation issued the bonds
- Corporation provides the Commission office space

# I-195 Redevelopment District Commission

- Debt Service Structure
  - 2011 authorized issuance of up to \$42.0 million for purchase of land from DOT
    - Actual cost lower – fewer parcels
    - 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
  - Land sales revenue to support repayment

# I-195 Redevelopment District Commission

Fiscal Year	Principal	Interest	Total Debt Service	Estimated Offsets (land sales)	Total Projected Net Debt Service
2019	\$1.4	\$3.0	\$4.4	\$(1.8)	\$2.6
2020	1.5	2.8	4.4	(1.3)	3.0
2021	1.7	2.7	4.4	(1.4)	3.0
2022	1.8	2.6	4.4	(1.2)	3.2
2023	32.0	2.4	34.4	(32.0)	2.4
<b>Total</b>	<b>\$38.4</b>	<b>\$13.5</b>	<b>\$51.9</b>	<b>\$(37.7)</b>	<b>\$14.2</b>

*\$ In millions*

*Source: Governor's Recommended Capital Budget, FY 2020*

# I-195 Redevelopment District Commission

- Total 21 parcels – 25.9 acres;
  - 6.8 acres designated as parks

Activity	Sold	Under Contract	In-Process	Available
Parcels	30, 22 & 25 lot 1	22 & 25 lots 2 through 5, & 42	1A, 28, 6	15

- Commission established building fees
  - Statute requires the city to receive equivalent to fees otherwise collected

Fiscal Year	2018	2019	Total
City of Providence	\$564,660	151,463	\$716,123
1-195 Commission	\$503,094	102,418	\$605,512

# I-195 Redevelopment District Commission

- Responsible for sale, marketing & oversight of land
- Staffing support of 3.0 positions
  - Exec. Director, senior project manager & operations manager
- FY 2020 includes \$1.2 million
  - \$0.8 million from general revenues
  - \$0.5 million from RICAP for FY 2020 & \$0.4 million for FY 2019
    - FY 2020 is \$150,000 more than enacted
    - FY 2019 is \$125,000 more than enacted

# 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 (\$12.2 million used – June 30, 2016)

# FY 2020 Recommendation

- Economic Development Incentives
  - Current program updates
  - New program proposals
- Executive Office Budget
  - Housing and Community Development
- Quasi-Public Entities
  - Commerce Corp
  - Quonset
  - I-195 Commission
- **Capital**



# FY 2020 – FY 2024 Capital Plan

<b>Project</b>	<b>Status</b>	<b>Cost</b>	<b>Financing</b>	<b>End Date</b>
Site Readiness	New	\$1.0	RICAP	FY 2020
Quonset Infrastructure	Ongoing	\$14.0	RICAP	FY 2021
Affordable Housing	Ongoing	\$65.0	G.O.	FY 2021
Urban Blight	Ongoing	\$ 10.0	G.O.	FY 2019

*\$ in millions*

# FY 2020 – FY 2024 Capital Plan

<b>Project</b>	<b>Status</b>	<b>Cost</b>	<b>Financing</b>	<b>End Date</b>
Innovation Campus	Ongoing	\$20.0	G.O.	FY 2020
Quonset Piers	Ongoing	\$90.4	G.O., RICAP QDC Funds	FY 2022
Port of Providence	Ongoing	\$20.0	G.O.	FY 2020
I-195 Redev. District	Revised	\$2.4	RICAP	FY 2020

*\$ in millions*

# New – Site Readiness

- Site Readiness
  - Provide capital for remediation & land improvements for state property or land conveyed to the state
    - In conjunction with the State & Local Partnership Council and Streamline & Simplify initiatives
- Governor recommends \$1.0 million from RICAP

# Bond Referenda – November 2016

Project	Amount	Annual Debt Service	Total Cost
Affordable Housing	\$40.0	\$3.2	\$62.1
Urban Blight & Revitalization	10.0	0.8	10.8
Innovation Campus	20.0	1.6	29.4
Quonset Piers	50.0	4.0	80.2
Port of Providence	20.0	1.6	29.4
<b>Total</b>	<b>\$140.0</b>	<b>\$11.2</b>	<b>\$211.9</b>

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

# Affordable Housing

- Affordable Housing
  - New building construction
  - Rehabilitation & preservation of buildings for new & existing units
  - 2006 and 2012 Voters approved Affordable Housing G.O. bonds totaling \$75.0 million
- Governor's capital plan
  - \$20.0 million in FY 2019
    - Includes funds issued prior to FY 2016 bond
  - \$10.0 million each year FY 2020 – FY 2021

# Urban Blight and Revitalization

- Urban Blight and Revitalization
  - Improve residential and commercial spaces
  - Razing or redevelopment of structures, lots, or other spaces
- Governor's capital plan programs \$10.0 million for FY 2019

# Innovation Campus

- Innovation Campus
  - University of Rhode Island/Business physical space collaboration to commercialize academic research
  - Applicants must provide 1:1 match to state resources
  - 16 proposals received
- Governor's capital plan programs
  - \$12.5 million in FY 2019
    - Announced 3 awards totaling \$12.0 million in Dec.
  - \$7.5 million for FY 2020

# Port of Providence

- Port of Providence
  - Land acquisition and improvement up to 25.0 acres
  - Increase Port capacity
  - Anticipated to be operational in 2 years
    - Bond language allows up to 7 years to utilize funding
- Governor's capital plan programs \$12.5 in FY 2019 & \$5.0 million in FY 2020



# Reporting Requirements

- Executive Office of Commerce
  - Annual economic report
  - 10 economic development initiatives have annual reporting – all current
    - Quarterly updates beginning 2019
- Office of Housing and Community Development
  - Annual Housing Issues
  - Annual Lead Hazard Mitigation report
  - Annual Comprehensive Lead Program report

# Executive Office of Commerce

Staff Presentation  
FY 2019 Revised  
FY 2020 Recommended  
FY 2020-2024 Capital Budgets  
April 3, 2019

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