Staff Presentation to the House Finance Committee
April 28, 2015

Executive Office of Commerce

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
- Effective February 1, 2015
Executive Office of Commerce
- Pursuant to 2013-H 6063, Substitute B, on or about Feb. 1, 2015
- Powers to operate functions from the Department of Business Regulation
  - Recommendation maintains stand-alone agency
- Other functions from Department of Administration
  - Reflected in the FY 2016 recommended budget
FY 2016 Governor

Secretary

Central Management

Housing & Comm. Development

RI Film & TV Office

Quasi Public Appropriations

Dept. Business Regulation

Office of Housing & Comm. Development

RI Commerce Corporation

Housing Resources Commission

I-195 Redevelopment District Commission

FY 2015 Revised

- Transfer of programs to occur in FY 2016
- FY 2015 Revised Recommendation
  - Executive Office of Commerce
    - $0.3 million from general revenues
    - For operations and staffing of 2.0 full-time positions
      - 5.0 positions are authorized
FY 2016 Recommendation

<table>
<thead>
<tr>
<th>Programs</th>
<th>FY 2016 Governor</th>
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<tbody>
<tr>
<td>Executive Office of Commerce</td>
<td>$1.0</td>
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<tr>
<td>Housing and Community Dev.</td>
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<tr>
<td>RI Television and Film Office</td>
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<tr>
<td>Quasi-Public Appropriations</td>
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<tr>
<td>Economic Development Initiative Funds</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$76.3</strong></td>
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</table>

*In millions*

FY 2016 Recommendation

- General Revenues: 81.5%
- Restricted Receipts: 3.7%
- Federal Funds: 14.4%
- Other: 0.4%
Executive Office of Commerce

FY 2016 Recommendation

- $1.0 million from general revenues
  - All but $56k is for salaries and benefits
- Staffing of 5.0 full-time equivalent positions
  - Secretary of Commerce
  - Deputy director
  - Director of communications
  - Chief of strategic planning, monitoring & evaluation
  - Administrative support
Executive Office of Commerce

- Housing and Community Development

Housing & Community Dev.

- Transferred from DOA
  - Consistent with adopted legislation in 2013
  - Within Statewide Planning
- Administers & oversees housing programs
  - Community Development Block Grant funds
  - Rental housing subsidies
  - Lead Hazard Reduction Program
  - Shelter operations
Housing & Community Dev.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>General Revenues</td>
<td>$0.6</td>
<td>$0.6</td>
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<tr>
<td>Federal Funds</td>
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<tr>
<td>Restricted Receipts</td>
<td>3.4</td>
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<td><strong>Total</strong></td>
<td><strong>$15.4</strong></td>
<td><strong>$14.4</strong></td>
<td><strong>($1.0)</strong></td>
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</tbody>
</table>

*in Department of Administration

- Recommends staffing of 11.0 full-time positions
  - 7.0 positions filled – pay period ending 4/18

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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 reduction abatement
  - Recommends $2.8 million
    - $0.6 million less than enacted
    - One-time funding from settlement funds
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

State may only distribute funds to units of general local government
- Communities distribute funds to non-profit and other entities to undertake eligible activities

Recommends $4.4 million from federal funds
- $0.4 million less than enacted
- Adjustments based on prior year spending and new awards from HUD
Executive Office of Commerce

- RI Television and Film Office

RI Television & Film Office

- Mission - promote state as the ideal site for film & television, and to help the state’s film and video
  - $15.0 million cap on tax credit
  - Sunsets on July 1, 2019
RI Television & Film Office

- Recommends $0.3 million and 2.6 positions
  - Consistent with enacted budget
  - Transfer from DOA
    - Needs statutory change to effectuate
    - Previously in Council on Arts
      - 2012 Assembly transferred to DOA

Executive Office of Commerce

- Quasi-Public Appropriations
  - Commerce Corporation
Commerce Corporation

- Corporation is organized as a quasi-public entity
  - Consolidates all economic development activities into a single entity
  - Formed from merger of Department of Economic Development (state agency) and the Rhode Island Port Authority (quasi-public agency) in 1995
- 2013 Assembly adopted 6071 Sub A
  - Rhode Island Commerce Corporation

Commerce Corporation

- Corporation has five subsidiaries
  - Small Business Loan Fund Corporation
  - Airport Corporation
  - Quonset Development Corporation
  - I-195 Redevelopment District
  - East Providence Waterfront Commission
- Other entities
  - RIIFC
  - RIIRBA
Rhode Island Industrial Facilities Corporation (RIIFC)
- Issues tax exempt and taxable revenue bonds on behalf of RI companies seeking financing
- Conduit financing - no financial exposure

Rhode Island Industrial-Recreational Building Authority (RIIRBA)
- Insures mortgage payments on industrial and recreation projects approved by the authority
- Up to $5.0 million
- Backed by $60.0 million previously approved general obligation bonds authority ($14.5 million used - June 30, 2014)
Commerce Corporation

- Commerce Corporation Board
  - Corporation’s board of directors consists of 13 members, including the Governor, who serves as chairperson
  - Governor appoints all 12 members
  - Board oversees implementation of all state-level economic development programs
- Amendment requested on 4/15
  - Secretary of Commerce to serve as chairperson of board
    - Secretary would no longer be CEO

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<table>
<thead>
<tr>
<th></th>
<th>Base Sources</th>
<th>FY 2016 Gov.</th>
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<tbody>
<tr>
<td>General Revenue</td>
<td>$3.9</td>
<td>$7.9</td>
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<tr>
<td>Commerce Programs*</td>
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<td><strong>Subtotal</strong></td>
<td><strong>$3.9</strong></td>
<td><strong>$11.5</strong></td>
<td><strong>$7.6</strong></td>
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<tr>
<td>Redirected Hotel Tax</td>
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<tr>
<td>Other (unrestricted cash &amp; program financing)</td>
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<td>3.0</td>
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<td><strong>Total</strong></td>
<td><strong>$7.0</strong></td>
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*Some authorized in Article 29
Commerce Corporation

<table>
<thead>
<tr>
<th>Item</th>
<th>FY 2016</th>
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<tr>
<td>Commerce Corp. Operations</td>
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<tr>
<td>Tourism &amp; Marketing</td>
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<tr>
<td>Student Loan Forgiveness (29-9)</td>
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<td>High School Partnership: P-Tech (29-9)</td>
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<tr>
<td>Small Business Initiative Research</td>
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<tr>
<td>Innovate Vouchers (29-11)</td>
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<tr>
<td>Building Code &amp; Fire Permit (29-1)</td>
<td>0.3</td>
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<tr>
<td>Office of Economic Empowerment</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$14.0</strong></td>
</tr>
</tbody>
</table>

- **Commerce Corporation** – Operations
  - Additional $4.3 million for operations
    - $4.0 million in direct general revenues
    - $0.3 million from redirected hotel tax
  - 20 new positions - $3.3 million
    - Cost per position would vary by types of operations
    - $1.0 million for operating costs
    - Spending detail not include for quasis like direct state agencies
- Client Services - liaison between businesses and government
- Business Development - attracting companies
- Investments - administer incentive prog.
- Financial Products - STAC, SBLF, REF & others
- Tourism/Marketing - develop and maintain unified tourism and business
**Tourism**

- Current statewide tourism budget of $0.5 million
  - Funds two positions and an intern
  - Operating costs
- An area where state is an outlier in terms of what other states spend
- U.S. Travel Association
  - Survey of state tourism office budgets for FY 2013 - states spent an average of $14.9 million for statewide tourism efforts

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**Tourism & Marketing Campaigns**

- **Tourism Campaign**
  - Recommends $4.5 million
  - Promote state as a vacation and leisure destination
- **Timeline**
  - Request for Proposals
  - Transition plan/Interface with local districts
- **Marketing Campaign - $1.0 million**
  - Efforts to attract businesses
Student Loan Reimbursement Fund

- **Student Loan Reimbursement** - $1.8m
  - Competitive student loan forgiveness
  - Up to 4 years of loan forgiveness and 100% of education loan expenses during 4 yr. period
  - Awards are done as a cash payment
  - Application fee not to exceed $50
    - Deposited into fund
- **Data**
  - 57,000 workers in sectors
  - 4,200 job postings currently

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Student Loan Reimbursement Fund

- 2/3rd of recipients have to be permanent resident of the state or have attended an institution in the state
- Associate, bachelor, or graduate degree in: environmental sciences, computer tech., engineering and medicine
- Recipients must work at least 35 hrs./week for an employer located in the state
- Funds withheld if recipient becomes noncompliant
Partnerships – P-Tech

- Partnerships-Tech - $0.9 million
- Supports partnerships among High schools, CCRI, other institutions of higher ed. and employers
- Offer courses towards diplomas, internships and associate degrees
- Commerce would establish rules and regulation

Small Business Initiative Research

Innovate RI Small Business Program - $1.0M
- Adopted by the 2013 Assembly
  - Administered by the Science and Technology Advisory Council
  - Innovate RI Small Business - provides eligible businesses with grants to offset costs associated with applying for research grants
    - RI-based companies with 50 or fewer employees
    - A bioscience and engineering internship program
Innovation Vouchers

- Innovation Voucher - $0.5 million each in both years
  - Small businesses with less than 500 employees
  - Establishes Innovation Voucher Program
    - Purchase research and development support from institutions of higher ed. and other providers
    - Voucher awards $5k – $50K
  - Submit application to Commerce

Building & Fire Code Inspections

- Building and Fire Codes - $0.3 million
  - Projects receiving Commerce Corp. incentives be subject only to state building and state fire codes
  - A municipality with population greater than 150K may opt to have other projects reviewed and inspected by state
    - State building and fire codes will stand
**Office of Economic Empowerment**

- Office of Economic Empowerment
  - Serve as a one-stop shop for individuals to access federal and state benefits, including
    - Education
    - Job training
    - Employment opportunities

- Recommends $0.3 million

**Executive Office of Commerce**

- Quasi-Public Appropriations
  - I-195 Redevelopment District Commission
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

- 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

- Responsible for sale, marketing & oversight of land
- Recommends $1.1 million for FY 2016
  - $0.8 million from general revenues
  - $0.3 million from Rhode Island Capital Plan funds
- Staffing support of 2.0 positions
  - Director
  - Project director
- Adopted legislation allows charges - self support entity

### Ex. Office of Commerce

- Pass-through Appropriations
  - Airport Impact Aid
  - Slater Technology Fund
  - EPSCoR
  - Innovate RI Small Business Program
  - Community Service Grants
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

Pass-Throughs

Slater Technology Fund
- A state-backed venture capital fund that invests in new ventures
- Has a 17-year history
  - $46.2 million total fund to date
- Intent: eventually it would be self-sustaining through returns on investment
**Pass-Throughs**

**Slater Technology Fund**
- **Recommendation**
  - No more state support
  - Federal award $9.0 million as part of federal State Small Business Credit Initiative
    - Funds are budgeted in DOA
      - Oversight

**EPSCoR - $1.2 million**
- Support for state’s participation in Nat. Science Foundation’s Experimental Program to Stimulate Competitive Research (EPSCoR)
  - FY 2016 is level funded with FY 2015 – prior years had been $1.5 million
  - 11th installment bringing total to $13.0 million
    - Initially, this was a three-year commitment
Pass-Throughs

- Chafee Center at Bryant
  - Recommends $376,200 in both years
  - Increase of $250K in both years
  - Helps local companies initiate and/or develop international trade opportunities

- Community Service Grants
  - $0.6 million for 14 grants
  - Consistent with enacted budget

Executive Office of Commerce Corporation

- Economic Development Initiative Funds
Restructuring of GO debt

- Principal payments are deferred and/or shortened to provide additional savings in particular years
- In total, an additional $90.0 million of long term debt will be incurred to save the projected $83.9 million during the next two fiscal years
  - FY 2016 includes $44.5 million
  - Legislation for most programs are included in Article 29, April 15 & Article 24, April 28

### Economic Dev. Initiative Funds

<table>
<thead>
<tr>
<th>Article</th>
<th>2016</th>
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<tbody>
<tr>
<td>I-195 Redevelopment Fund</td>
<td>29</td>
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<tr>
<td>Small Business Assist. Program</td>
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<tr>
<td>Closing Fund</td>
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<tr>
<td>Affordable Housing</td>
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<td>RI Infrastructure Bank</td>
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<tr>
<td>Anchor Tax Credit</td>
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<tr>
<td>Streetscape Improvement</td>
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<tr>
<td>Industry Cluster Grants</td>
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<tr>
<td>Innovation Initiative</td>
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<tr>
<td><strong>Subtotal</strong></td>
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</tbody>
</table>
Ex. Office of Commerce

- Article 1 language
  - Authorizes Secretary of Commerce to transfer funds between each program initiative as he deems necessary
  - Prior to doing so, must notify the Director of the OMB, and chairpersons of the House and Senate Finance Committees

I-195 Redevelopment Fund

- I-195 Redevelopment Fund – $25.0 million
  - Additional tools to attract new institutions and employers
  - Close financing gaps
  - Bring “Catalytic” projects
    - Adjacent land acquisition
  - Funding for infrastructure improvements to enhance development such as transportation, parks, greenways, performance venues, community facilities
Small Business Assistance

Small Business Assistance – $5.5 million
- Capital Access Fund
- Business with less than 200 employees
  - Having difficulties obtaining financing from traditional lenders
- Start up, improve or expand operations
- Sets aside 10% of funding for microloan
  - Loan amounts of $2K-$25K

Closing Fund

- Closing Fund – $5.0 million
  - Provide flexibility when working with businesses interested in locating to or expanding in RI
  - 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 rehab.
  - Cover financing gaps compared to need or to have an advantage over alternative out of state option
**Affordable Housing**

- Affordable Housing – $3.0 million
  - Administered by RI Housing
  - Provide RI Housing with gap financing
  - Will be used in conjunction with fed. Funds
  - Will leverage approximately $12.0 million of federal funds and private equity
  - Finance development or preservation of affordable housing units
    - Assumption develop or preserve 200 to 300 affordable homes

**RI Infrastructure Bank**

- RI Infrastructure Bank – $2.0 million
  - Creates Efficient Buildings Fund
    - Technical, funding & administrative support to public entities
    - Energy efficient & renewable energy upgrades to public buildings & infrastructure
    - Fund will also be seeded with Regional Greenhouse Gas Initiative and Energy Revolving Fund proceeds totaling $5.0 million
  - $2.0 million is flexible; not limited as other sources are
Anchor Tax Credit

- Anchor Tax Credit – $5.7 million over 2 years
  - No project caps, no program caps
  - 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

Streetscape Improvement

- Streetscape Improvement – $2.0 million over two years
  - Provides loans, matching grants and other form of financing
  - Create attractive environment for businesses
  - Enhance sidewalks, building facades, signage and lighting
  - Loan/grant amounts
    - Commerce to develop criteria by which grant or loan applications will be judged/awarded
    - Grants or loans will be done on a rolling basis
Industry Cluster Grants

- Industry Cluster Grants – $0.8 million in FY 2016 and $1.3 million in FY 2017
- 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

Innovation Network Program – $0.5 million

- Provides 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
- Annual report on Dec. 31 to Speaker and Senate President