Introduction

- Articles 5 and 6 - Quonset Piers
  - Article 5, Question 2 – G.O. Bond
  - Article 6 – Revenue Bond

- Article 17 - Economic Development Incentives
  - Wavemaker Fellowships Tax Credits
  - New Qualified Jobs Tax Credits
  - Tax Stabilization Incentive Reimbursements
  - Economic Development Incentive Funds
  - New Research and Development Tax Credit
Quonset Piers

- Articles 5 and 6 - Quonset Piers
  - Article 5, Question 2 – G.O. Bond
  - Article 6 – Revenue Bond
Assembly Role

- Appropriate Pay-Go (Articles 1 & 10)
  - RICAP
  - Federal Funds
  - Other
- Approve General Obligation Bond Referenda
  - Voters approve or reject
  - Debt service automatic
- Approve other debt
Project Considerations

- Does the project need to be done
- Is the project ready to be done
  - When will it start
  - Is it well thought through and ready for funding/financing
  - When will it be complete
Funding Considerations

- Should a project be financed or pay-go
  - Rhode Island Capital Plan funds available as pay-go for all or part of project
  - More pay-go equals less future debt service
Funding Considerations

- State’s overall debt structure
  - Net tax supported debt would increase by $51.3 million to $1,727.1 million
  - Had dropped to $1.3 billion in FY 2003 after use of tobacco bonds to defease debt
  - Past practice indicates it will be higher as more projects are added
Debt as a percent of personal income would decrease from 3.6% in FY 2015 to 2.9% into FY 2017
  - Refunding of state debt
  - Would then drop to 2.6% in FY 2021, but likely to be higher based on projects being added
Debt Service as Percent of Useable General Revenues

---|---|---|---|---|---
Current | New | Current | New | Current | New | Current | New
Debt Service as Percent of Useable Revenues

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenues</td>
<td>General Revenues &amp; Gas Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Gov. proposes $257.5 million of new GO bonds for Nov. 2016 ballot

- URI Engineering/Innovative Campus
- Quonset Piers
- Green Economy
- Affordable Housing
- School Construction
- Veterans’ Home
<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>URI Engineering Phase II (March 17)</td>
<td>$25,500,000</td>
</tr>
<tr>
<td>Innovation Campus (March 17)</td>
<td>20,000,000</td>
</tr>
<tr>
<td><strong>Quonset Piers</strong></td>
<td><strong>70,000,000</strong></td>
</tr>
<tr>
<td>Green Economy (March 9)</td>
<td>35,000,000</td>
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<tr>
<td>Affordable Housing (March 9)</td>
<td>40,000,000</td>
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<tr>
<td>School Construction (March 31)</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Veterans’ Home (March 9)</td>
<td>27,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$257,500,000</strong></td>
</tr>
<tr>
<td>Project</td>
<td>Annual Debt Service</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>URI Engineering Phase II</td>
<td>$2.1</td>
</tr>
<tr>
<td>Innovation Campus</td>
<td>1.7</td>
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<tr>
<td><strong>Quonset Piers</strong></td>
<td><strong>$5.8</strong></td>
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<tr>
<td>Green Economy</td>
<td>2.9</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>3.3</td>
</tr>
<tr>
<td>School Construction</td>
<td>3.3</td>
</tr>
<tr>
<td>Veterans’ Home</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$21.3</strong></td>
</tr>
</tbody>
</table>

Data in millions; assumes 5% rate and 20 year bonds
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
Article 5, Question 2 – Quonset Piers

- Article 5, Question 2 allows the state to issue up to $70.0 million in general obligation bonds to support repairs and renovations to Davisville Pier 2 located in Quonset Business Park
  - Operated by the Quonset Development Corporation
Would allow the Commerce Corporation to issue up to $20.0 million of bond funds for the repairs and renovations

- Assuming 4% interest rate & 20 year term, debt service estimated at $1.5 million/year
  - Interest and term assumed in Governor's capital budget, but not identified in article
- Debt service paid from Quonset Development Corporation funds
# Quonset Piers

## QDC Income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Est. Opening</td>
<td>$77,445</td>
<td>$19,441</td>
<td>$41,254</td>
<td>$65,717</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Rental Income</td>
<td>7,310,630</td>
<td>7,789,649</td>
<td>7,513,774</td>
<td>7,590,488</td>
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<tr>
<td>Pier Income</td>
<td>1,349,848</td>
<td>1,551,848</td>
<td>1,400,000</td>
<td>1,629,440</td>
</tr>
<tr>
<td>Utility Sales</td>
<td>2,355,312</td>
<td>2,484,025</td>
<td>2,425,000</td>
<td>2,415,590</td>
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<tr>
<td>Other Income</td>
<td>678,691</td>
<td>606,874</td>
<td>562,477</td>
<td>627,421</td>
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<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$11,693,914</strong></td>
<td><strong>$12,432,396</strong></td>
<td><strong>$11,876,788</strong></td>
<td><strong>$12,248,564</strong></td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$11,771,359</strong></td>
<td><strong>$12,451,837</strong></td>
<td><strong>$11,942,505</strong></td>
<td><strong>$12,328,656</strong></td>
</tr>
</tbody>
</table>
### Quonset Piers

#### QDC Expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$3,780,552</td>
<td>$3,667,966</td>
<td>$3,968,047</td>
<td>$4,053,173</td>
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<tr>
<td>Operating Expenses</td>
<td>$3,866,450</td>
<td>$4,048,019</td>
<td>$3,622,327</td>
<td>$3,947,019</td>
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<tr>
<td>Debt Service</td>
<td>$1,304,916</td>
<td>$1,544,598</td>
<td>$1,536,414</td>
<td>$1,498,372</td>
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<tr>
<td>Capital Expenditures</td>
<td>$2,800,000</td>
<td>$3,150,000</td>
<td>$2,750,000</td>
<td>$2,750,000</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$11,751,918</td>
<td>$12,410,583</td>
<td>$11,876,788</td>
<td>$12,248,564</td>
</tr>
</tbody>
</table>
### Quonset Piers

#### QDC Income and Expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Est. Opening</td>
<td>$77,445</td>
<td>$19,441</td>
<td>$41,254</td>
<td>$65,717</td>
</tr>
<tr>
<td>Total Resources</td>
<td>11,771,359</td>
<td>12,451,837</td>
<td>11,942,505</td>
<td>12,328,656</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>11,751,918</td>
<td>12,410,583</td>
<td>11,876,788</td>
<td>12,248,564</td>
</tr>
<tr>
<td><strong>Ending Balance</strong></td>
<td><strong>$19,441</strong></td>
<td><strong>$41,254</strong></td>
<td><strong>$65,717</strong></td>
<td><strong>$80,092</strong></td>
</tr>
</tbody>
</table>
Quonset Piers
Quonset Piers

- Pier 2 constructed between 1956 and 1957 - anticipated design life of 50 years
- Technically, Pier 2 is earth-filled wharf surrounded by metal girdle/bulkhead
  - Pier - structure built on posts extending from land out over water
  - Wharf – solid structure built along or at an angle from the shore that permits ships to lie alongside for receiving & discharging cargo and passengers
# Quonset Piers

## Recent repairs around/to Pier 2

<table>
<thead>
<tr>
<th>CY</th>
<th>Repair Description</th>
<th>Source</th>
<th>Project Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>Cofferdam cell 56 repair</td>
<td>EDA Grant w/42.5% match from 1996 G.O. Bond</td>
<td>$56,661</td>
</tr>
<tr>
<td>2000</td>
<td>General Repairs</td>
<td>EDA Grant w/51% match from 1996 G.O. Bond</td>
<td>$2,301,923</td>
</tr>
<tr>
<td>2011</td>
<td>Infrastructure Improvements</td>
<td>Federal Dept. of Transportation Tiger Grant</td>
<td>$6,407,766</td>
</tr>
<tr>
<td>2012</td>
<td>Dredging around Pier 2</td>
<td>Revenue Bond</td>
<td>$6,579,203</td>
</tr>
</tbody>
</table>

**Total** $15,345,553
Quonset Piers

- Pier 2 is larger of two main piers located at Quonset
- Receives larger ships & most cargo
  - Predominantly cars
  - Port received more than 225,000 cars in 2015
- Metal bulkhead weakened over time
  - Pier can support 250 pounds per square foot
  - At time of construction, could support 1,000 pounds per square foot
Quonset Piers

- Proposed 5 year project
  - Repair south berth
    - Repair will include new bulkhead around old; space between filled with earth
    - Ships basically dock in same spot; propellers and rudders have damaged the metal girdle
  - Extend east berth
    - Current berth is too short for larger cargo vessels
    - Extension allows continued use of pier while south berth is repaired
  - Extend new bulkhead around east berth
Quonset Piers

Estimated project expenses

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost in 2015 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design and Permitting</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Improvements Dredging</td>
<td>$3,800,000</td>
</tr>
<tr>
<td>East Berth Extension</td>
<td>$16,100,000</td>
</tr>
<tr>
<td>South Berth Bulkhead Repairs</td>
<td>$37,800,000</td>
</tr>
<tr>
<td>New East Berth Bulkhead</td>
<td>$20,300,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$82,000,000</strong></td>
</tr>
</tbody>
</table>

To estimate project cost over 5 years, Corporation assumed 2% inflation in costs.
## Quonset Piers

- **Estimated project expenses by fiscal year**

<table>
<thead>
<tr>
<th>Activity</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In millions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design and Permitting</td>
<td>$4.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$4.1</td>
</tr>
<tr>
<td>Improvements Dredging</td>
<td>-</td>
<td>-</td>
<td>4.0</td>
<td>-</td>
<td>-</td>
<td>$4.0</td>
</tr>
<tr>
<td>East Berth Extension</td>
<td>-</td>
<td>-</td>
<td>17.1</td>
<td>-</td>
<td>-</td>
<td>$17.1</td>
</tr>
<tr>
<td>South Berth Bulkhead Repairs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>40.9</td>
<td>-</td>
<td>$40.9</td>
</tr>
<tr>
<td>New East Berth Bulkhead</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22.4</td>
<td>$22.4</td>
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<tr>
<td><strong>Total</strong></td>
<td>$4.1</td>
<td>$ -</td>
<td>$21.1</td>
<td>$40.9</td>
<td>$22.4</td>
<td>$88.5</td>
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</tbody>
</table>
Quonset Piers

Issues to consider:
- Corporation anticipates revenue bond issuance in FY 2021
  - Debt service beginning in FY 2022
  - Possible that construction costs may change in intervening years
- Revenue bond language is not linked to G.O. Bond passage
- Federal funds have been used as source for other capital improvements at the business park and to the piers
  - None assumed in current plan
Economic Development Incentives

Article 17 - Economic Development Incentives

- Incentives Background
- Existing Incentives
  - Wavemaker Fellowships Tax Credits
  - New Qualified Jobs Tax Credits
  - Tax Stabilization Incentive Reimbursements
  - Economic Development Incentive Funds
- New Initiatives
  - Refundable Research and Development Credit
  - Rhody Pass
  - Impact Faculty
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
Economic Development Incentives - Background

- Most supported by savings from debt restructuring
  - Spread over two years
- Some supported by general revenues through regular Commerce Corporation funding
- All programs given Dec 31, 2018 sunset
- All have annual reporting requirements
  - Tax Credit programs reporting more extensive
## Economic Development Incentives - Background

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

*Ongoing funding assumed
## Economic Development Incentives - Background

<table>
<thead>
<tr>
<th>FY 2016 Enacted Budget</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rebuild Rhode Island</td>
<td>$1.0</td>
<td>$12.1</td>
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<tr>
<td>Tax Increment Financing</td>
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<td>-</td>
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<tr>
<td>Tax Stabilization Incentives</td>
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<td>0.6</td>
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<tr>
<td>Anchor Institution</td>
<td>1.8</td>
<td>3.9</td>
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<tr>
<td>New Qualified Jobs</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td><strong>New Incentives Total</strong></td>
<td><strong>$45.0</strong></td>
<td><strong>$22.6</strong></td>
</tr>
</tbody>
</table>
Wavemaker Fellowships: Current Law

- Tax credit - up to 4 years of loan forgiveness
  - Credits available per candidate per year depends on level of education and actual loan obligations
  - 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 funding of $1.8 million/year
Wavemaker Fellowships: Current Law

Eligible applicants must work for or have accepted offer from company in:

- Life, natural or environmental sciences;
- Computer, information or software technology;
- Advanced math or finance;
- Engineering;
- Industrial design or other commercial design field; or
- Medicine or medical device technology
Wavemaker Fellowships: Current Law

- Selection is employer-blind
- Recipients must work at least 35 hrs./week for an RI-based employer
  - Has at least 51% of workforce in state OR
  - Registered to conduct business in RI & filed state taxes previous year
- 70% of recipients must be permanent RI residents or attended college here
Funds/Credits withheld if recipient becomes noncompliant with program requirements

Rules and regulations in effect as of March 14, 2016

Application not yet available
  - Anticipated April 2016
Governor’s proposal would eliminate annual credit limits for each degree level

- Would also eliminate provision that applicants may not receive more than 100% of their student loan debt obligations in a given year

- FY 2017 Budget includes $5.0 million
  - $5.0 million per year assumed in out-year forecast
Establish two new application processes for credits
- Automatic, subject to available funds
- Employer reservation of credits

Governor’s proposal eliminates employer-blind requirement for selection
- Also eliminates candidate-blind requirement for selection
Wavemaker Fellowships: Governor’s FY 2017 Proposal

- Automatic approval for applicants who:
  - Satisfy all existing eligibility requirements, AND
  - Applies within one year of obtaining bachelor’s or graduate degree OR graduating from RI high school with a B+ GPA
    - B+ GPA to be defined by Commerce Corp.
  - Applies within three months of accepting or receiving an employment offer for job satisfying work-related eligibility requirements
Automatic approval

- If applicant has bachelor’s or grad degree, degree must be in:
  - Life, natural or environmental sciences;
  - Computer, information or software technology;
  - Advanced mathematics or finance;
  - Engineering; or
  - Industrial design or other commercially related design field
- Bachelor’s or Graduate degree is from RI school of higher education
Wavemaker Fellowships: Governor’s FY 2017 Proposal

- Business Reservation of Credits
  - Rhode Island-based employers able to reserve up to 15% of total funds available for employees that qualify
  - Employees of a business that has reserved credits automatically approved
    - If they meet the program’s other eligibility criteria.
  - Employees of businesses that have reserved credits would need to be nominated each year by their employer
Business Reservation

- Article does not include restriction on total percent of available credits that can be reserved by multiple businesses.
  - As drafted, the businesses could reserve 100% of total credits available in a fiscal year.
- Article establishes guidelines Corporation can follow to determine whether to allow a business to reserve credits
**Wavemaker Fellowships: Governor’s FY 2017 Proposal**

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

<table>
<thead>
<tr>
<th>Application Process &amp; Fellowship Credits</th>
<th>Current Law</th>
<th>Governor’s FY 2017 Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Competitive Selection</td>
</tr>
<tr>
<td>Competitive selection</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Applicant-blind selection</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Employer-blind selection</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Annual credit maximum</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Credits more than 100% annual loan costs</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Annual application</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
New Qualified Jobs Tax Credit: Current Law

- Credit against all tax types
- Replaced Job Development Act by closing it to new recipients
  - Companies already certified can continue to get JDA credits
- Credit of between $2,500 and $7,500 for new job creation
  - Credit cannot be more than employee’s income tax withholdings
New Qualified Jobs Tax Credit: Current Law

- Company must attest that jobs would not be created in RI “but for” credit
- Companies must maintain level of jobs created for agreement period
- FY 2016 - $1.0 million revenue loss
  - Employees’ withholdings deposited as restricted receipts until actual credits determined
- Program intended to be revenue neutral
  - FY 2017 estimated impact - between $1.4 million and $4.6 million less
New Qualified Jobs Tax Credit: Current Law

- Commerce approved first company on January 4th
  - Second company approved Feb 22nd

<table>
<thead>
<tr>
<th>Company</th>
<th>Move to RI?</th>
<th>Jobs Created</th>
<th>Median Salary</th>
<th>Agreement Length</th>
<th>Est. Credit/year</th>
<th>Total Est. Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greystone</td>
<td>No</td>
<td>25</td>
<td>$52,000/ year</td>
<td>10 years</td>
<td>$46,000</td>
<td>$460,000</td>
</tr>
<tr>
<td>Trade Area Systems</td>
<td>Yes</td>
<td>20 relocated; 8 new</td>
<td>$72,000/ year</td>
<td>10 years</td>
<td>$50,000</td>
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New Qualified Jobs Tax Credit: Governor’s FY 2017 Proposal

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

<table>
<thead>
<tr>
<th></th>
<th>Current Law</th>
<th>Governor’s Proposal</th>
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<td>≥10% of emp base or ≥100</td>
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<tr>
<td>&gt;200</td>
<td>≥10% of emp base or ≥100</td>
<td>&gt;200</td>
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</table>
Encourage property tax stabilization agreements between locals & developers

- For projects of at least $10.0 million
  - Unless “Hope Community”
- Locals receive reimbursement of up to 10% of foregone revenue for length of agreement
- Assumed $0.6 million for FY 2017
  - Subject to appropriation
Tax Stabilization Incentives: Governor’s FY 2017 Proposal

- Allow municipalities to receive reimbursement for up to 50% of foregone revenue subject to limitation
  - 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
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
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 may confer project status
  - Project exempt from sales and use tax
Rebuild RI Tax Credit: Current Law

- Commerce must provide written confirmation of project scope, total credits to be authorized, & assumed impact
- Additional reporting requirements for Commerce & Taxation
  - Includes: jobs created, project costs, credits awarded, credits taken each year
Rebuild RI Tax Credit: Current Law

- As of March 28th meeting, conditional approval for $24.6 million in credits

<table>
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<tr>
<th>Approved</th>
<th>Location</th>
<th>Type</th>
<th>Est. Cost</th>
<th>Max. Credits</th>
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<td><strong>Total</strong></td>
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<td><strong>$164.8</strong></td>
<td><strong>$24.6</strong></td>
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</table>
No explicit program cap
  - OMB must certify fiscal impact prior to credit assignment
    - Total credits recommended do not exceed existing & anticipated state revenues
    - Total credits recommended do not exceed funds appropriated for Rebuild RI tax credits
  - OMB must provide analysis of fiscal impact from credits at time of application & following years
Rebuild RI Tax Credit: Governor’s FY 2017 Proposal

- Allow funds appropriated for Rebuild Rhode Island tax credits to be used 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
Anchor Tax Credit: Governor’s FY 2017 Proposal

- Allow funds appropriated for Anchor Institution tax credits to be used for Rebuild Rhode Island Tax Credits
- Proposal effectively allows Anchor Institution credit funds to be used for Tax Stabilization Incentive Agreement reimbursements
Anchor Tax Credit: Governor’s FY 2017 Proposal

- FY 2016 Enacted Budget assumed $5.7 million over 2 years
  - $1.8 million in FY 2016
  - $3.9 million in FY 2017
- Governor’s Recommendation
  - $0.8 million for FY 2016 - $1.0 million less than enacted
  - No funds recommended for FY 2017
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
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
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 legislation included in Article 17 as submitted to legislature in 2016-H 7454
  - 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
Other FY 2017 Economic Development Proposals

- April 13th Budget Hearing - 2:00pm
  - Executive Office of Commerce
    - Commerce Corporation
    - Housing Resources Commission
    - I-195 Redevelopment District Commission
    - Quonset Development Corporation
  - Department of Business Regulation
Governor’s FY 2017 Budget: Articles

Staff Presentation to the House Finance Committee
April 5, 2016