Introduction

- 2015 Assembly enacted 15 programs as part of the FY 2016 budget in support of the Governor’s economic strategy
- Staff review of programs, purposes and implementation progress
- Opportunity to hear directly from Executive Office of Commerce
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
Introduction

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

- Principal payments are deferred and/or shortened to provide additional savings in particular years
- Assumed to be $83.9 million over FY 2016 and FY 2017
  - Net present value savings will be positive
## New Programs and Investments

<table>
<thead>
<tr>
<th>Article 19 (Section)</th>
<th>2016</th>
<th>2017*</th>
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<tbody>
<tr>
<td>Closing Fund (6)</td>
<td>5.0</td>
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<td>Wavemaker Fellowships* (9)</td>
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<tr>
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<td>P-Tech* (16)</td>
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*Ongoing funding assumed
## New Tax Incentive Programs

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<td>$1.0</td>
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<td>New Qualified Jobs (15)</td>
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<td><strong>Article 19 Total</strong></td>
<td><strong>$45.0</strong></td>
<td><strong>$22.6</strong></td>
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</table>
Closing Fund

- FY 2016 - $5.0 million
- 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
Closing Fund

- 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
- Commerce Board to approve projects
- No per project total or % limits
195 Redevelopment Fund

- FY 2016 - $25.0 million
- Additional tool to attract new institutions and employers to this land
- Close financing gaps
- Bring “catalytic” projects
  - Adjacent land acquisition
195 Redevelopment Fund

- Funding for infrastructure improvements /enhance development of:
  - Transportation, parks, greenways, performance venues, community facilities
- Funding not authorized to finance stadium
- No project caps or overall limits beyond total allocation
Administered by Commission
- Authority to charge application or other fees
- 1.0 new architect position in DOA to review projects
  - Ensure project review will not be delayed
- Rules & Regs. effective 2/1/2016
  - Application currently unavailable
Small Business Assistance Fund

- FY 2016 - $5.5 million
- Business with less than 200 employees
  - Having difficulties obtaining financing from traditional lenders
  - Start up, improve or expand operations
- Loans capped at $750K
- Sets aside 10% of funding for microloan
  - Loan amounts of $2K-$25K
Small Business Assistance Fund

- Commerce to develop procedures for program administration
  - can select an entity to manage
- Different from current federal small business loan program which follows federal standards
Wavemaker Fellowships

- Commerce Budget assumes - $1.8 million annually
- Tax credit for up to 4 years of loan forgiveness
  - Per year - $1K for associate’s, $4K for bachelor’s & 6K for graduate/post grad.
  - Life, natural or environmental sciences; Computer, information or software technology
- 70% of recipients must be permanent RI residents or attended college here
Wavemaker Fellowships

- Recipients must work at least 35 hrs./week for an RI employer
- Funds withheld if recipient becomes noncompliant
- Rules and regs. under ORR review
  - Application currently unavailable
Streetscape Improvement

- FY 2016 and FY 2017: $1.0 million
- Provides loans, matching grants and other form of financing
- Create attractive environment for businesses
- Enhance sidewalks, building facades, signage and lighting
Streetscape Improvement

- Commerce rules and regs. describe
  - Loan/grant amounts
  - Criteria by which grant or loan applications will be judged/awarded
- Grants or loans will be done on a rolling basis
- Currently soliciting applications
$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
Current application deadline 2/8 – was 1/26
Innovation Initiative

- Innovation Voucher - $0.5 million for FY 2016 and FY 2017
  - 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
- Commerce currently soliciting applications
Innovation Initiative

- Innovation Grants - $0.5 million for FY 2016 and FY 2017
  - 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
- Application currently available
P-Tech Initiative

- $0.9 million annually
- Supports partnerships among high schools, CCRI, other institutions of higher education and employers
- Offer courses towards diplomas, internships and associate degrees
- Being implemented in 3 districts – Westerly, Newport and Providence
Total $13.1 million from debt restructuring
Credit for development projects
- Project max credits of $15.0 million
- Lesser of 20% project costs or funding gap
Credits transferable
Carry forward – up to 5 years
Refundable at 90% of value
Rebuild RI Tax Credit

- Projects qualify for credits up to 30%, if:
  - Rehabilitation of historic property
  - For targeted industry – industries to be 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

- 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

- 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
Developers reimbursed up to 30% of project costs from revenues
- Up to 75% of revenues that would not have been generated without project
  - Includes current revenue at risk of loss
- Agreements apply to privately issued bonds or Commerce issued bonds
- Can be used for pre-existing municipally-owned stadium w/10,000 seats
Tax Stabilization Incentives

- FY 2017 - $0.6 million from debt restructuring
  - No program caps, subject to funding
- Encourage 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
Anchor Tax Credit

$5.7 million over 2 years – $1.8 in FY 2016

- 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
- Rule and regs. complete
Qualified Jobs Tax Credit

- FY 2016 - $1.0 million revenue loss
- Credit against all tax types
- Credit of between $2,500 and $7,500 for new job creation
  - Credit cannot be more than employee’s income tax withholdings
  - Must attest that jobs would not be created in RI “but for” the credit
Companies must maintain level of jobs created for agreement period

Commerce approved first company on January 4th

Replaces Job Development Act by closing it to new recipients
  - Companies already certified can continue to get JDA credits
# New Programs and Investments

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Includes select Commerce Corporation programs in report produced by Office of Revenue Analysis, including:

- Rebuild RI Tax credits
- Tax Increment Financing
- Wavemaker Fellowship credits
- Anchor Institution credits
- New Qualified Jobs credits
Recent national attention to states’ practices around tax incentives and expenditures
RI adopted legislation to require routine evaluations of its tax incentives
  - Every 3 years
  - Due by close of FY 2017
  - Staffing issue likely to delay this
Tax Expenditures

PEW Center on the States “Tools to avoid blank checks”

- Reliable cost estimates
  - Project economic impact, identify uncertainty, link to policy
  - Professional and transparent
- Annual controls
  - Budget for costs, set caps, reconsider in future years