Executive Office of Commerce

Staff Presentation
FY 2017 Revised and
FY 2018 Recommended Budgets
April 13, 2017
Introduction

- 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, including:
  - Executive Office
  - Housing and Community Development
    - Transferred from DOA, consistent with legislation
  - Commerce Corporation
  - Other Quasi-Public Agencies
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
Target Issues

- Budget Office provided a general revenue target of $35.8 million
  - Current service adjustments of $18.4 million
  - 8.0% reduction of $1.4 million
- Budget submitted is $10,248 above the target
  - Reduced or eliminated additional funding requested new and existing programs
- Governor recommends $16.0 million more than target
FY 2018 Recommendation

- General Revenues: 67.5%
- Federal Funds: 23.3%
- Restricted Receipts: 5.4%
- RICAP (I-195): 3.8%
FY 2018 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
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
Most supported by savings from debt restructuring spread over 2 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></th>
<th>FY 2016</th>
<th>FY 2017E</th>
<th>FY 2017R</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Wave Closing Fund</td>
<td>$ 5.0</td>
<td>$ 7.0</td>
<td>$ 8.5</td>
<td>$ -</td>
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<tr>
<td>I-195 Redev. Fund</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Wavemaker Fellowships</td>
<td>1.8</td>
<td>3.5</td>
<td>2.0</td>
<td>1.6</td>
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<tr>
<td>Streetscape Impvmt.</td>
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<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
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<td>Industry Cluster Grants</td>
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<td>0.5</td>
<td>0.5</td>
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<tr>
<td>Innovation Initiative</td>
<td>1.0</td>
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<td>2.5</td>
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<tr>
<td>P-Tech</td>
<td>0.9</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
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<tr>
<td>Rebuild RI</td>
<td>1.0</td>
<td>25.0</td>
<td>25.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Air Service Develpmnt.</td>
<td>-</td>
<td>1.5</td>
<td>1.5</td>
<td>0.5</td>
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<tr>
<td>Anchor Institution</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
<td>-</td>
</tr>
<tr>
<td>New Qualified Jobs*</td>
<td>1.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 38.3</strong></td>
<td><strong>$ 41.9</strong></td>
<td><strong>$ 41.9</strong></td>
<td><strong>$ 36.9</strong></td>
</tr>
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</table>

*first year revenue impact; supported by new employee withholdings
## FY 2018 Recommended Initiatives

<table>
<thead>
<tr>
<th>New Article 2 Initiatives</th>
<th>2018 Rec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refundable Investment Tax Credit*</td>
<td>$ 3.25</td>
</tr>
<tr>
<td>Refundable Job Training Tax Credit*</td>
<td>2.0</td>
</tr>
<tr>
<td>Tech Assist Municipal Zoning &amp; Permitting Fund</td>
<td>0.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 5.5</strong></td>
</tr>
</tbody>
</table>

*Budget treats as revenue loss; intent is appropriation to funds established - Article 2 heard (3/16)
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 $12.0 million
  - FY 2016 $5.0 million; FY 2017 $7.0 million
  - $1.9 million committed over 5 projects
- Governor recommends $1.5 million more for FY 2017; no new funds for FY 2018
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 Commission
  - Authority to collect application or other fees
- Funded at $25.0 million for FY 2016
  - $19.5 million committed to Wexford related projects
- Governor recommends new $10.1 million for FY 2018
Wavemaker Fellowships

- Tax credits - up to 4 years of college loan assistance
  - Amt. credits/candidate/year based on degree & actual loans
  - Max credits per year:
    - $1,000/year for associate’s,
    - $4,000/year for bachelor’s, and
    - $6,000 for graduate/post grad.
- Funds/Credits withheld if recipient becomes noncompliant
  - Annual recertification required
Wavemaker Fellowships

- Eligible applicants must work full-time for OR have accepted offer from company focused 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 applicants who went to RI college)
Wavemaker Fellowships

- Governor recommends $1.6 million for FY 2018
- Enacted budget includes $3.5 million
  - FY 2017 revised $0.2 million - $1.5 million less based on expected need
- FY 2016 enacted budget included $1.8 million
  - $0.8 million awarded each year over two years once recertified
  - 215 fellows awarded; 208 accepted
Streetscape Improvement

- Provides loans, matching grants and other form of financing
  - Create attractive environment for businesses
  - Enhance sidewalks, building facades, signage and lighting
- Governor recommends enacted level of $1.0 million for FY 2018
  - FY 2016 $0.9 million awarded to seven communities
  - FY 2017 applications in-process
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
- FY 2017 enacted includes $0.5 million
  - $0.1 million awarded
  - No funding recommended FY 2018
  - Awarded all $0.8 million from enacted FY 2016 budget
Innovation Initiative

- **Innovation Vouchers** –
  - Small businesses w/ less than 500 employees
    - Purchase wide range of support from institutions of higher ed. and other providers
    - Voucher awards $5k – $50K
- **Governor includes $2.5 million for FY 2018**
  - $1.0 million more than FY 2017 enacted
    - Article 2 proposes to reserve $1.0 million for small business manufacturers
      - Expands use to allow internal research and development funding by these businesses without higher ed. or other partner
Supports partnerships among high schools, CCRI, other institutions of higher education and employers

Offer courses towards diplomas, internships and associate degrees

Being implemented in 5 districts –
- FY 2016: Westerly, Newport & Providence
- FY 2017: North Providence & Woonsocket

Governor includes $1.2 million for FY 2018
- Same as prior year funding
Rebuild RI Tax Credit

- Credits for real estate development equal to lesser of 20% 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
2016 Assembly revised earlier legislation to address issues raised:
- Capped credits allowed under program at $150.0 million
- Allow use of funds for Tax Stabilization Incentive reimbursements
  - 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

- Rebuild RI credits are paid out over a period of up to 5 years
- FY 2018 budget adds $20.0 million for future payments
  - FY 2016 & FY 2017 authorized $26.0 million of total funding acted budgets
- Approved credits total $57.9 million

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Estimated Rebuild RI Cash Flow</th>
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<tbody>
<tr>
<td>2017</td>
<td>$0.4</td>
</tr>
<tr>
<td>2018</td>
<td>$12.3</td>
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<tr>
<td>2019</td>
<td>$12.0</td>
</tr>
<tr>
<td>2020</td>
<td>$10.5</td>
</tr>
<tr>
<td>2021</td>
<td>$10.7</td>
</tr>
<tr>
<td>2022</td>
<td>$10.4</td>
</tr>
<tr>
<td>2023</td>
<td>$1.1</td>
</tr>
<tr>
<td>2024</td>
<td>$0.4</td>
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<tr>
<td>2025</td>
<td>$0.3</td>
</tr>
<tr>
<td>Total</td>
<td>$57.9</td>
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</tbody>
</table>
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
- FY 2017 enacted $1.5 million
- Additional $0.5 million FY 2018
  - No funds committed, 1 application in process
Anchor Tax Credit

- Credit against corporate income tax
- For existing RI businesses that attract other businesses to state, either:
  - Physical relocation
  - At least 10 full-time jobs
  - Credit amount determined by Commerce Corporation
    - FY 2016 & FY 2017 total funding of $1.5 million; no FY 2018 funding
  - No funds committed
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 withholding
- Allowed against all tax types
- Replaced Job Development Act by closing it to new recipients
- Companies already certified can continue to get JDA credits
New Qualified Jobs Tax Credit: Current Law

- Company must attest that jobs would not be created in RI “but for” credit
  - Must maintain level of jobs created for agreement period
- 16 Agreements through March 2017
  - 10 relocated from out of state
  - Totaling 1,338 jobs
  - Typically 10-year agreements
  - Median wages range from $33,500 - $137,000
    - Median wage of $51,500 across all agreements
New Qualified Jobs Tax Credit – Requested Amendment Art 2

- Reduce minimum job creation requirements for manufacturers
  - 200 employees or less
    - Add at least 5 new full-time jobs
  - Over 200 employees
    - Add at least 5% of base jobs or 50 new jobs
  - Manufacturers with 50 employees or less may join together for common purpose or collective expenditure
    - Create 5 new full-time jobs, and 1 at each partner
### New Qualified Jobs Tax Credit: Governor’s FY 2018 Proposal

<table>
<thead>
<tr>
<th>Targeted Industry</th>
<th>Current Law</th>
<th>Governor’s Requested Amendment to Art 2</th>
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<tbody>
<tr>
<td></td>
<td>Employees</td>
<td>New Jobs</td>
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<tr>
<td>≤100</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>&gt;100</td>
<td></td>
<td>≥10% of empl. base or ≥100</td>
</tr>
<tr>
<td>Non-targeted Industry</td>
<td>≤200</td>
<td>20</td>
</tr>
<tr>
<td>&gt;200</td>
<td></td>
<td>≥10% of empl. base or ≥100</td>
</tr>
<tr>
<td>Manufacturers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2+ Manufacturers</td>
<td>No current distinction</td>
<td></td>
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</table>
Article 2 - Refundable Investment Tax Credit

- Expands existing Investment Tax Credit beyond C corporations
  - Allowed for others prior to PIT reform
- Establishes a refundable credit
  - Refundable for award year; carryover there after
- Manufacturing associated activities
  - Equipment with 4+ years of useable life
  - Property/Structural with 4+ years of useable life
  - Technology
Article 2 - Refundable Investment Tax Credit

- Credit up to $0.2 million, subject to appropriation
- Governor requested amendment to clarify that all credits will be refunds
- Limits C Corps to investments in excess of tax liability
- Other business types up to credit amount
- Non-transferrable/assignable
Article 2 - Refundable Jobs Training Tax Credit

- Expands existing Jobs Training Tax Credit to manufacturers or targeted industries beyond C corporations
- Establishes a refundable credit
- Similar uses and eligibility of existing tax credit
  - Greater eligibility restrictions
  - Not on per employee basis
  - Not a percent of spend
Eligibility

- Businesses report to the Governor’s Workforce Board, not professional services
- Employees: 150% minimum wage, 30 hours
- In-state training unless not available or less expensive
- Manufacturers or targeted industries
  - Governor requested amendment to cap non-manufacturers claims at 20% of total appropriation
Article 2, Refundable Jobs Training Tax Credit

- Credit up to $0.2 million, subject to appropriation
- Governor requested amendment to clarify that all credits will be refunds
  - Limits C Corps to expenses in excess of tax liability
  - Other business types up to credit amount
  - Non-transferrable/assignable
Governor requested amendment to unify job training tax credit programs under the Commerce Corporation.

- Currently administered through DLT
  - Governor’s Workforce Board/Human Resources Investment Council
  - Currently programs must be preapproved by the Governor’s Workforce Board
Article 2 - Technical Assistance for Municipal Zoning & Permitting

- Establishes fund for the Commerce Corp. to assist municipalities in streamlining zoning, planning, & permitting processes
  - By application
    - Grants, Loans and "other forms of financing"
- Annual reporting on commitments, disbursements, usage, economic impact
- Sunsets December 31, 2019
- Governor recommends $250,000
FY 2018 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
### Personnel

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<thead>
<tr>
<th></th>
<th>FTEs</th>
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<tr>
<td>Enacted Authorized</td>
<td>16.0</td>
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<tr>
<td>FY 2017 Revised</td>
<td>16.0</td>
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<td>FY 2018 Request</td>
<td>18.0</td>
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<tr>
<td>FY 2018 Governor</td>
<td>17.0</td>
<td>1.0</td>
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<tr>
<td>FY 2016 Average Filled</td>
<td>11.3</td>
<td>(4.7)</td>
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<tr>
<td>Filled as of April 1, 2017</td>
<td>14.0</td>
<td>(2.0)</td>
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</tbody>
</table>
FY 2018 Staffing and Operations Recommendation
  - $1.4 million from general revenues
    - All but $0.1 million is for salaries and benefits
  - Staffing of 5.3 full-time equivalents
    - Adds Financial Administrator
      - Shared with Housing & Comm. Dev. 30/70
    - Includes a $98,617 cost allocation for a Governor’s Office employee charged to the Executive Office
## Staffing – Cost Allocation

<table>
<thead>
<tr>
<th>Position</th>
<th>Agency</th>
<th>% Time</th>
<th>Cost</th>
</tr>
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<tbody>
<tr>
<td>Special Counsel</td>
<td>Executive Office</td>
<td>50%</td>
<td>$0.1</td>
</tr>
<tr>
<td><strong>Total (in millions)</strong></td>
<td></td>
<td></td>
<td><strong>$0.1</strong></td>
</tr>
</tbody>
</table>
Statewide Savings

- Assessment to salaries that funds workers’ comp., unemployment & unused leave
  - Lowered from enacted based on experience
    - Savings of $1.2 million in FY 2017
    - Savings of $1.5 million in FY 2018

- Medical benefit cost growth
  - Lower than initial estimates
    - Savings of $2.6 million in FY 2018

- Total impact to Executive Office
  - $2,968 in FY 2017; $9,259 in FY 2018
Housing & Community Dev.

- Administers & oversees housing programs
  - Community Development Block Grant funds
  - Rental housing subsidies
  - Lead Hazard Reduction Program
    - Governor proposes Article 22 (heard 3/2) transferring function to DOH
  - Shelter operations
## Housing & Community Dev.

<table>
<thead>
<tr>
<th></th>
<th>FY 2017 Enacted</th>
<th>FY 2017 Rev.</th>
<th>FY 2018 Rec.</th>
<th>Chg. to Enacted</th>
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<td>Gen. Rev.</td>
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<td>$0.6</td>
<td>$0.6</td>
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<td>Fed. Funds</td>
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<td>17.9</td>
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<td>Rest. Receipts</td>
<td>4.8</td>
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<td>4.2</td>
<td>(0.6)</td>
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<td><strong>Total</strong></td>
<td><strong>$23.2</strong></td>
<td><strong>$23.6</strong></td>
<td><strong>$22.7</strong></td>
<td><strong>($0.5)</strong></td>
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- Governor recommends staffing of 11.7 full-time positions
  - 1.0 new federally funded Principal Planner
  - shifts 0.3 Financial Admin cost to Office
Community Development Block Grant
- 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
- Governor’s budget includes $6.8 million from this federal grant
  - Includes annual allocation and unspent carry forward from prior years
Community Development Block Grants

- State also currently spending funds from an allocation for disaster recovery expenses including hurricane Sandy
  - $8.9 million for this purpose for FY 2018

Other federal funds

- Shelter Grants $2.6 million
  - Title XX
  - Emergency Shelter
Housing & Community Dev.

- **Lead Abatement & Housing Subsidies**
  - Converted from general revenue support by 2014 Assembly
    - $0.30 from real estate conveyance tax
    - Provide a permanent stream of funding for rental subsidy, shelter operations and lead hazard reduction abatement

- **Governor includes $4.1 million**
  - Recommends Art 22 to transfer $0.6 million of estimated resources for consolidated lead program at DOH
Article 22 – Summary

- Centralizes RI’s lead prevention programs within the Department of Health
  - Identifies funding for DOH through existing resources currently dedicated to both housing and lead programs
  - Proposes changes to:
    - Which pre-1978 properties are subject to lead mitigation laws
    - Requirements of affected property owners
Article 22 – Background

- Lead Prevention Programs:
  - Housing Resources Commission
  - Department of Health
  - Interagency Coordinating Council
    - DOH
    - DEM
    - DHS
    - Housing Resources Commission
    - Attorney General
    - League of Cities and Towns appointee
Article 22 – Background

Lead Hazard Mitigation Act

Housing Resources Commission

- Designated as lead state agency for:
  - Lead hazard mitigation planning
  - Education
  - Technical assistance and coordination of state projects
  - State financial assistance to property owners for lead hazard mitigation
Article 22 – Lead Prevention

Article 22:
- Centralizes lead poisoning prevention under Department of Health
- Department to oversee interagency coordination activities
- Adopt rules and regulations
  - Certify lead safe compliance for all residential units
  - Permitting lead inspectors
Article 22 – Lead Prevention

- 2014 Assembly increased Real Estate Conveyance Tax by $0.30 to $2.30
  - To HRC to fund lead & housing initiatives instead of general revenues
- Article 22 – as originally submitted
  - Splits existing $0.30
  - $0.05 to Department of Health
    - Fund program costs, including 3.0 new positions; 2.0 lead inspectors and one data manager
  - $0.25 remains with HRC
Governor requested amendment

- Requires annual transfer of “not less than” $590k from HRC to DOH
  - In lieu of split of $0.30 dedicated tax
  - Transfer amount would be more stable
  - Proposed language does not appear to create mechanism for a transfer of more than $590k

Other technical changes

- Corrections to citations other clarifications
- Still technical revisions needed to match intent
# Article 22 – Lead Prevention

<table>
<thead>
<tr>
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<th>HRC – Current Law $0.30</th>
<th>Article 22- $0.05</th>
<th>Article 22 – New Version</th>
<th>Difference</th>
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<td>FY 2018*</td>
<td>$4,166,667</td>
<td>$694,445</td>
<td>$590,000</td>
<td>$(104,445)</td>
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<tr>
<td>FY 2017*</td>
<td>$3,866,667</td>
<td>$644,445</td>
<td>$590,000</td>
<td>$(54,445)</td>
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<td>FY 2016</td>
<td>$3,476,888</td>
<td>$579,481</td>
<td>$590,000</td>
<td>$ 10,519</td>
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<tr>
<td>FY 2015</td>
<td>$3,164,488</td>
<td>$527,415</td>
<td>$590,000</td>
<td>$ 62,585</td>
</tr>
</tbody>
</table>

*November REC subject to change in May
FY 2018 Recommendation

- Economic Development Incentives
  - Current program updates
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- Executive Office Budget
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- Quasi-Public Entities
  - Commerce Corp
  - Quonset
  - I-195 Commission
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 Board

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

- Governor
  - Secretary
  - Board
  - Pres./COO
    - Business Develop.
    - Client Svcs
    - Invest.
    - Financial Svcs
    - Marketing
    - Admin
Client Services – liaison between businesses and government
Business Development – attracting companies
Investments – administer incentive prog.
Financial Services – SBLF, REF & others
Branding/Marketing – develop and maintain unified tourism and business
Governor recommends $7.5 million from general revenues
- $80,000 more than enacted
- Funding from all sources totals $9.6

59.5 total positions - $6.1 million from all funds for staffing
- $4.9 million from general revenues support 44.0 positions

$3.5 million all funds for operating costs
- Spending detail not included for quasi-state agencies like direct state agencies
Tourism & Marketing

- 2015 Assembly provided $5.0 million from general revenues for state tourism and marketing campaign
  - $4.0 million for tourism marketing
  - $1.0 million for marketing to businesses
  - Decreased shares for 7 regional districts
    - Difference shifted to Commerce Corporation
  - General Fund share to Commerce Corp.
- Districts must incorporate state campaign to receive share
Hotel tax base now includes unlicensed lodging rentals
  - Rentals through sites like Airbnb.com, Flipkey.com, Roomorama.com, Vacationrentals.com
- Room Resale subject to hotel and sales taxes
## Expansion of Hotel Taxes: Recap

<table>
<thead>
<tr>
<th>Rental – All Booking Methods</th>
<th>7.0% Sales Tax</th>
<th>5.0% State Hotel Tax</th>
<th>1.0% Local Hotel Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel/Motel</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>B&amp;B (3+ rooms)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>B&amp;B (≤ 3 rooms)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Hotel/Motel/B&amp;B + other amenities</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Tour Operator Services</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>House/Condo/Apt. space (≤ 30 days)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>House/Condo/Apt. space (31+ days)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entire House/Condo/Apt. (≤ 30 days)</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Entire House/Condo/Apt. (31+ days)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Concerns over statewide campaign rollout and impact to regionals led to temporary reversal of regional share reductions.

**FY 2017 Budget**

- For only FY 2017, distribution of 5.0% hotel tax returned to CY 2015 shares.
- Regional districts’ increase taken from Commerce Corporation’s shares.
  - Estimated $1.1 million for FY 2017.
## Hotel Tax Allocation

### Distribution July 1, 2016 – June 30, 2017

<table>
<thead>
<tr>
<th>Region</th>
<th>Districts</th>
<th>Providence/Warwick CVB</th>
<th>Cities &amp; Towns</th>
<th>Commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warwick</td>
<td>31.0%</td>
<td>23.0%</td>
<td>25.0%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Providence</td>
<td>31.0%</td>
<td>23.0%</td>
<td>25.0%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Omni</td>
<td>31.0%</td>
<td>12.0%</td>
<td>-</td>
<td>57.0%</td>
</tr>
<tr>
<td>Statewide</td>
<td>[47.0%]</td>
<td>7.0%</td>
<td>25.0%</td>
<td>68.0%</td>
</tr>
<tr>
<td>All Other Regionals</td>
<td>47.0%</td>
<td>7.0%</td>
<td>25.0%</td>
<td>21.0%</td>
</tr>
</tbody>
</table>
## Hotel Tax Allocation

### Distribution – after June 30, 2017

<table>
<thead>
<tr>
<th>Region</th>
<th>Districts</th>
<th>Providence/Warwick CVB</th>
<th>Cities &amp; Towns</th>
<th>Commerce Corp.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warwick</td>
<td>28.0%</td>
<td>23.0%</td>
<td>25.0%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Providence</td>
<td>28.0%</td>
<td>23.0%</td>
<td>25.0%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Omni</td>
<td>28.0%</td>
<td>12.0%</td>
<td>-</td>
<td>60.0%</td>
</tr>
<tr>
<td>Statewide</td>
<td>-</td>
<td>5.0%</td>
<td>25.0%</td>
<td>70.0%</td>
</tr>
<tr>
<td>All Other Regionals</td>
<td>42.0%</td>
<td>5.0%</td>
<td>25.0%</td>
<td>28.0%</td>
</tr>
</tbody>
</table>
Tourism & Marketing

- August 2016 Corporation retained 2 of 3 content development & marketing services vendors & announced new strategic media approach

- December 2016 meeting chose new tourism site vendor
  - Same vendor as Providence and Newport
## Other Program Funding

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2017 Enacted</th>
<th>FY 2017 Rev</th>
<th>FY 2018 Rec</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPSCoR</td>
<td>$1.2</td>
<td>$1.2</td>
<td>$1.2</td>
<td>$1.2</td>
</tr>
<tr>
<td>Airport Impact Aid</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Small Bus. Innovation Research</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Chafee Center at Bryant</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Building &amp; Fire Code Inspections</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Univ. Research Collaborative</td>
<td>-</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Polaris Manufacturing Ext.</td>
<td>0.4</td>
<td>0.3</td>
<td>0.3</td>
<td>0.6</td>
</tr>
<tr>
<td>National Security Infrastructure</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$4.3</td>
<td>$4.2</td>
<td>$4.2</td>
<td>$4.7</td>
</tr>
</tbody>
</table>
EPSCoR - $1.2 million

- Support for state's participation in Nat. Science Foundation's Experimental Program to Stimulate Competitive Research (EPSCoR)
  - FY 2018 is level funded with FY 2017
  - 13th installment bringing total to $15.4 million
    - Initially a three-year commitment
Airport Impact Aid

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
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
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

- Governor recommends the enacted $376,200
Building and Fire Code Inspections

- Initially allocated for FY 2016 as part of Governor’s plan to expedite building permit and fire inspection processes
  - Projects supported by Commerce Corporation & inspected by the state subject only to state building and fire codes
- FY 2018 assumes continuing the $250,000
University Research Collaborative

- Leverages expertise at RI’s 11 colleges and universities to conduct ongoing analysis to operationalize research
  - Includes fellow from each partner university and state policy leaders to
  - To provide research to support decision making
  - Governor recommends the enacted amount of $150,000 for FY 2018
Polaris Manufacturing Ext.

- Supports manufacturers engagement, education, execution for revenue & job growth
  - 3:2 federal match
- Governor’s FY 2018 budget transfers Polaris from URI Research Foundation to the Commerce Corporation
  - FY 2018 recommendation $550,000
    - $300,000 more than FY 2017 enacted level
National Security Infrastructure

- Originally authorized by 2005 Assembly to provide funding to national security infrastructure and repurpose defense facilities
- FY 2018 Governor recommends $0.2 million
- Work previously funded through grant to Newport Chamber of Commerce
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 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
Corporation receives no direct general revenues
- Is self-sustaining
- Debt service for 2 general obligation bonds paid from general revenues

Subsidiary of Commerce Corporation, but receives no funds
- Any non-G.O. bonds must be issued by Commerce Corp.
- Park is 3,212 total acres
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 to issue the bonds
- Corporation provides office space and technical support to Commission
Debt Service Structure

- 2011 authorized issuance of up to $42.0 million for purchase of land from DOT
  - Actual cost lower
  - 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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total Debt Service</th>
<th>Estimated Offsets (land sales)</th>
<th>Total Projected Net Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-</td>
<td>2,978,400</td>
<td>2,978,400</td>
<td>(2,378,400)</td>
<td>600,000</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>2,978,400</td>
<td>2,978,400</td>
<td>(2,378,400)</td>
<td>650,000</td>
</tr>
<tr>
<td>2019</td>
<td>1,420,000</td>
<td>2,950,600</td>
<td>4,370,600</td>
<td>(4,370,600)</td>
<td>-</td>
</tr>
<tr>
<td>2020</td>
<td>1,540,000</td>
<td>2,836,694</td>
<td>4,376,694</td>
<td>(4,376,694)</td>
<td>-</td>
</tr>
<tr>
<td>2021</td>
<td>1,660,000</td>
<td>2,715,019</td>
<td>4,375,019</td>
<td>(4,375,019)</td>
<td>-</td>
</tr>
<tr>
<td>2022</td>
<td>1,790,000</td>
<td>2,583,850</td>
<td>4,373,850</td>
<td>(4,373,850)</td>
<td>-</td>
</tr>
<tr>
<td>2023</td>
<td>31,990,000</td>
<td>2,442,413</td>
<td>34,432,413</td>
<td>(34,432,413)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$38,400,000</strong></td>
<td><strong>$19,485,376</strong></td>
<td><strong>$57,885,376</strong></td>
<td><strong>($56,635,376)</strong></td>
<td><strong>$1,250,000</strong></td>
</tr>
</tbody>
</table>

Source: Governor’s Recommended Capital Budget, FY 2018 – FY 2022
Total 21 parcels - 819,526 acres

- 4 parcels unavailable
  - Parcels 8 and 30 with Royal Oaks Realty and Waldorf Capital management respectively
  - Parcels 22 and 25 with Wexford Science and Technology and CV Properties

- 17 parcels available

Commission allowed to establish charges and fees for self-support

To date, no plan in place for Commission to become self-supporting
Responsible for sale, marketing & oversight of land

Staffing support of 3.0 positions
- Exec. Director, senior project manager & assistant project director

Governor recommends enacted level of $1.2 million for FY 2018
- $0.8 million from general revenues
- $0.3 million from Rhode Island Capital Plan funds
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 ($14.5 million used – June 30, 2014)
<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
<th>Annual Debt Service</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Housing</td>
<td>$40.0</td>
<td>$3.2</td>
<td>$62.1</td>
</tr>
<tr>
<td>Urban Blight &amp; Revitalization</td>
<td>10.0</td>
<td>0.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Innovation Campus</td>
<td>20.0</td>
<td>1.6</td>
<td>29.4</td>
</tr>
<tr>
<td>Quonset Piers</td>
<td>50.0</td>
<td>4.0</td>
<td>80.2</td>
</tr>
<tr>
<td>Port of Providence</td>
<td>20.0</td>
<td>1.6</td>
<td>29.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$140.0</strong></td>
<td><strong>$11.2</strong></td>
<td><strong>$211.9</strong></td>
</tr>
</tbody>
</table>

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

- $10.0 million each in FY 2017 and FY 2018
- $20.0 million in FY 2019
Bond Referenda – 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 $5.0 million each in FY 2018 & FY 2019
Innovation campuses

- University of Rhode Island/Business physical space collaboration to commercialize academic research
- Applicants must provide 1:1 match to state resources

Governor’s capital plan programs $5.0 million each year from FY 2018 to FY 2021
Quonset Piers

- Total funding of $90.0 million
  - $50.0 million from G.O. Bonds
  - $25.0 million from QDC Revenue Bonds
  - $15.0 million from Rhode Island Capital Plan Funds

- Refurbish and extend Pier 2 at Davisville

- Governor’s capital plan includes the approved funding
  - Shifts $0.6 million of RICAP funding from FY 2017 to FY 2018 based on new timeline
## Bond Referenda – Quonset Piers

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>G.O.</td>
<td>-</td>
<td>$1.5</td>
<td>$11.0</td>
<td>$24.5</td>
<td>$13.0</td>
<td>-</td>
<td>$50.0</td>
</tr>
<tr>
<td>RICAP</td>
<td>$0.4</td>
<td>$2.6</td>
<td>$2.0</td>
<td>$5.0</td>
<td>$5.0</td>
<td>-</td>
<td>$15.0</td>
</tr>
<tr>
<td>Revenue Bond</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$2.2</td>
<td>$20.8</td>
<td>$2.0</td>
</tr>
<tr>
<td>Total</td>
<td>$0.4</td>
<td>$4.1</td>
<td>$13.0</td>
<td>$31.7</td>
<td>$38.8</td>
<td>$2.0</td>
<td>$90.0</td>
</tr>
</tbody>
</table>
Bond Referenda – 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 $10.0 million each in FY 2018 & FY 2019
Reporting Requirements

- **Executive Office of Commerce**
  - Annual Economic report
  - 10 economic development initiatives have annual reporting – all current

- **Office of Housing and Community Development**
  - Annual Housing Issues
  - Annual Lead Hazard Mitigation report
  - Annual Comprehensive Lead Program report
  - One-Time Findings and Recommendation of the Housing Act of 2013 Implementation – March 1, 2017