

Governor's FY 2021 Budget: Articles

Staff Presentation to the House Finance
Committee
April 13, 2021

Introduction

Topic	
Article 9	Economic Development
	<i>Engineer Licensing</i>
	<i>Sunset Repeal</i>
	<i>Rebuild RI</i>
	<i>Wavemaker Fellowship</i>
	<i>Small Business Development</i>
Article 16	Housing
	<i>Reorganization</i>
	<i>Housing Production Fund</i>
Other Bills	<i>H 5456 & H 5687: Real Estate Conveyance Tax</i> <i>H 5951 Deputy Secretary of Housing</i>

H 6122, Article 9, Sec. 1 – Engineer Licensing

- Current law licenses engineering graduates as Professional Engineers & Engineers in Training
 - Utilizes Accreditation Board for Engineering & Technology (ABET) standards
 - Licensure subject to exams, quality of work experience, years of experience
 - New 4-year graduates require 4 years' work experience
 - Same for engineering program graduates whether ABET accredited or not

H 6122, Article 9, Sec. 1 – Engineer Licensing

- Engineering Technologist training similar, not equivalent
 - ABET also accredits these programs
 - More applied sciences, less theoretical math
 - Engineer Board: work experience can lead technologists to be successful engineers
- RI Colleges & Universities offer 18 ABET accredited programs
 - URI: 8, Brown: 6, Roger Williams: 2
 - NE Tech offers 2 engineering technology programs

H 6122, Article 9, Sec. 1 – Engineer Licensing

- Governor proposes new licensure standards to expand opportunities
 - Engineering Technologists
 - Pathway for ABET-accredited graduates only
 - Non-ABET graduates not licensed w/o ABET accredited advanced degree
 - Current law for all engineering technology grads
 - New Engineer-in-Training standards similar
 - Current law license 12-years; Gov. repeals renewal requirement
 - Expansion adds \$90,000 of new license fees

H 6122, Article 9, Sec. 1 – Engineer Licensing

- Governor proposes increasing years of experience required for some licensees

Program - Accreditation		Current Law	Article 9	Diff
Engineer	ABET	4	4	-
	Non-ABET	4	6	2
Engineering Technologist	ABET	-	8	8
	Non-ABET	-	-	-

**Requirement for advanced ABET-accredited engineering degree remains*

Economic Development

- 2015 Assembly enacted 15 programs with FY 2016 budget in support of Governor Raimondo's economic strategy
 - 5 tax incentive programs
 - 10 other programs, investments & initiatives
 - Partially funded from debt restructuring
- 2016 - 2020 Sessions
 - Added & made revisions
 - Extended sunsets
 - Recaptured unused funds

Economic Development

- FY 2022 Budget
 - Adds funding to some established programs
 - Modifies 2 existing programs
 - Extends sunsets to December 31, 2022
 - Ending existing programs w/current Governor term

Economic Development

Current Programs	2016 – 2020	2021 R	2022
Rebuild RI	\$44.7	\$22.5	\$22.5
Cluster Grants	2.4	0.1	0.1
Wavemaker	7.3	1.2	1.6
Innovation Initiative	6.5	1.0	1.0
Small Business Assist.	6.0	-	1.0
Supply RI*	0.6	0.3	0.3
Site Readiness*	-	1.0	1.0

*\$ in millions *Not established via statute; sunset repeal does not apply*

Rebuild RI Tax Credit: Current Law

- Credits for real estate development equal to lesser of 20% of project costs or the funding gap
 - 30% if they meet criteria for rehabilitation, reuse, sustainability, affordability or targeted industry
 - \$15.0 million project cap; \$25.0 million for Hope Point
 - Redeemed over 5 years
 - Credits transferable / refundable at 90% of value
- Projects may also get sales tax exemption

Rebuild RI Tax Credit: Current Law

- 2016 Assembly revised earlier legislation to address issues raised
 - Capped total credits at \$150 million
 - Allowed use of funds for Tax Stabilization Incentive reimbursements to municipalities
 - Modified language to deal with issues raised by developers and financing entities
- 2019 Assembly raised cap to \$210 million
 - Required sales tax exemption feature to be paid from funds set aside and within cap
 - Established distinct \$25M cap for Parcel 42

Rebuild RI Tax Credit: Current Law

- Certain exemptions
 - Hope communities
 - Projects w/ a manufacturer
 - Historic structures not qualified for Historic Tax Credits

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

**Hope Community only; higher poverty rates than other municipalities*

Rebuild RI Tax Credit

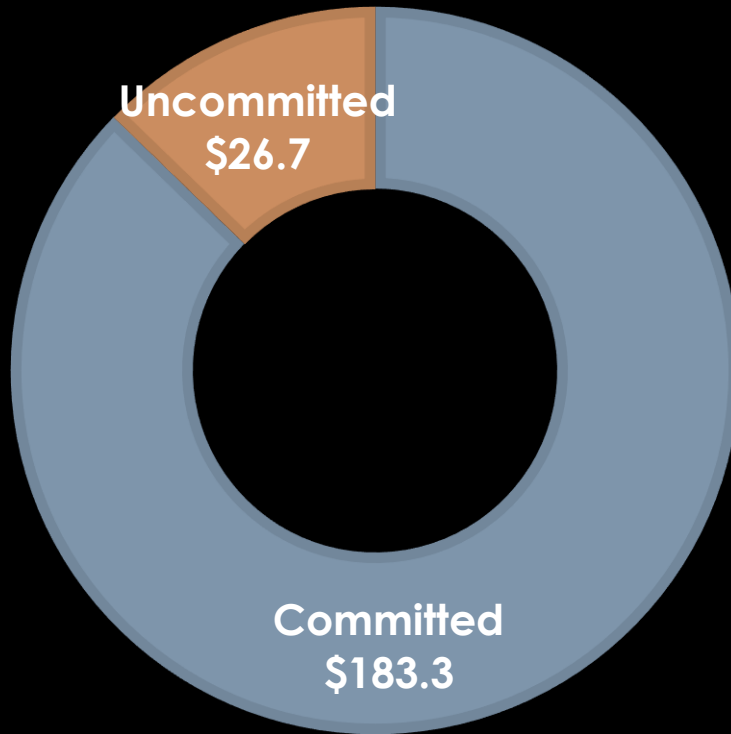
- Rebuild RI credits are paid out over a period of up to 5 years
 - Prefunding tax credits taken over time
 - \$22.5 million for FY 2021
 - Currently \$67.2 million set-aside from prior appropriations
 - Approved credits approx. \$183 million
 - Inclusive of about \$46 million sales tax exemption
 - Program sunsets June 2021

H 6122, Article 9, Sec. 2 – Rebuild RI Tax Credit

- Governor proposes \$30 million cap increase: \$240.0 million
 - 18 month sunset extension: Dec. 31, 2022
 - Includes \$22.5 million for FY 2022
 - Total set-aside increases to \$89.7 million
- Out-years assume need to increase the appropriation to fund commitments
 - Assumes \$29.5 million annually through FY 2025
 - FY 2026 assumes \$15.5 million appropriation
 - \$46.3 million assumed for post-FY 2026 period

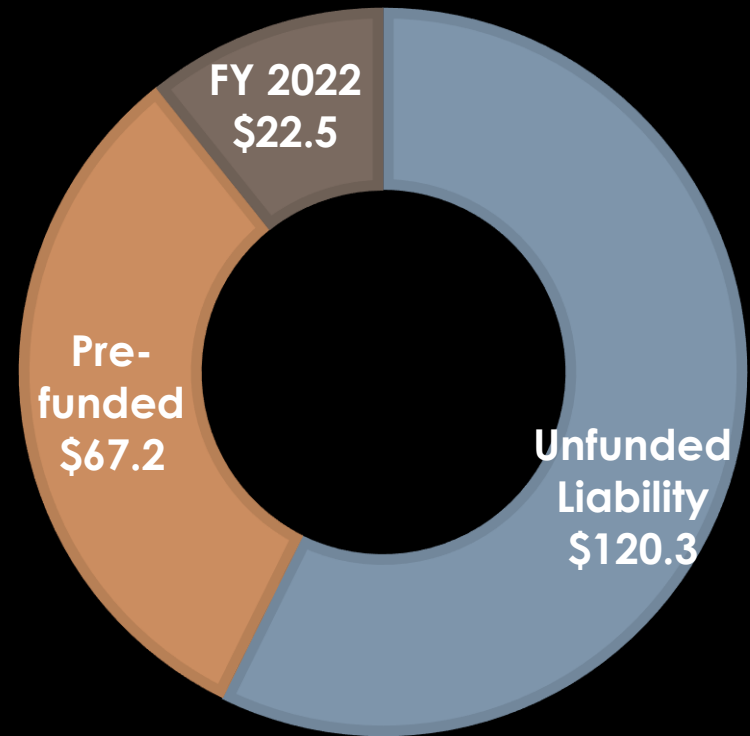
Rebuild RI Tax Credit: Current Law – Committed vs. Funded

COMMITMENTS



- Committed
- Uncommitted

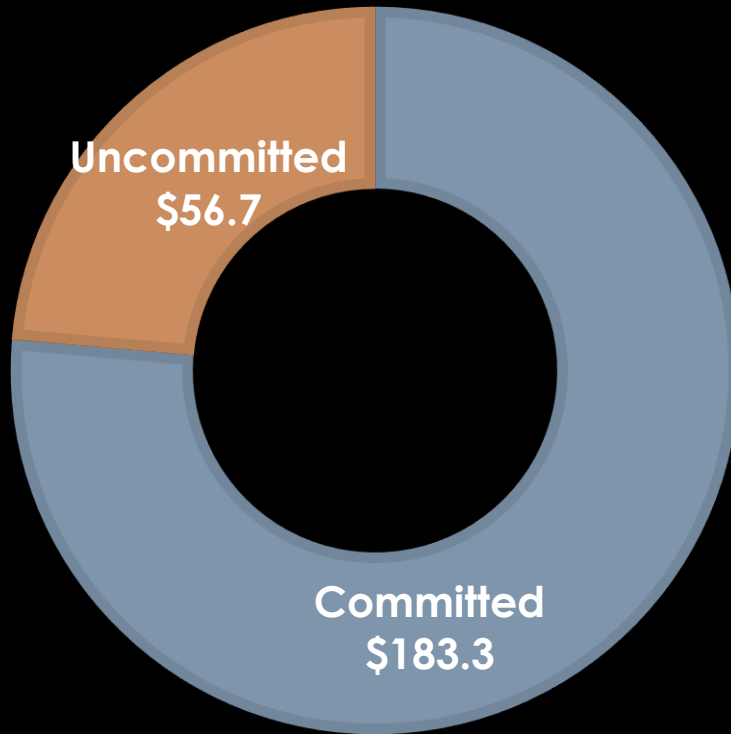
FUNDING



- Unfunded Liability
- Pre-funded
- FY 2022

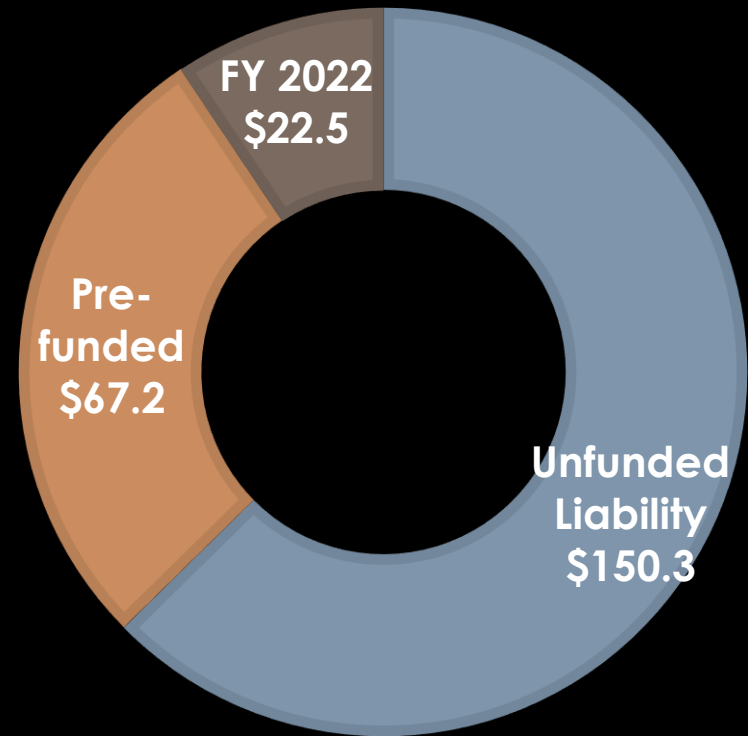
Rebuild RI Tax Credit: Gov. Rec. – Committed vs. Funded

COMMITMENTS



- Committed
- Uncommitted

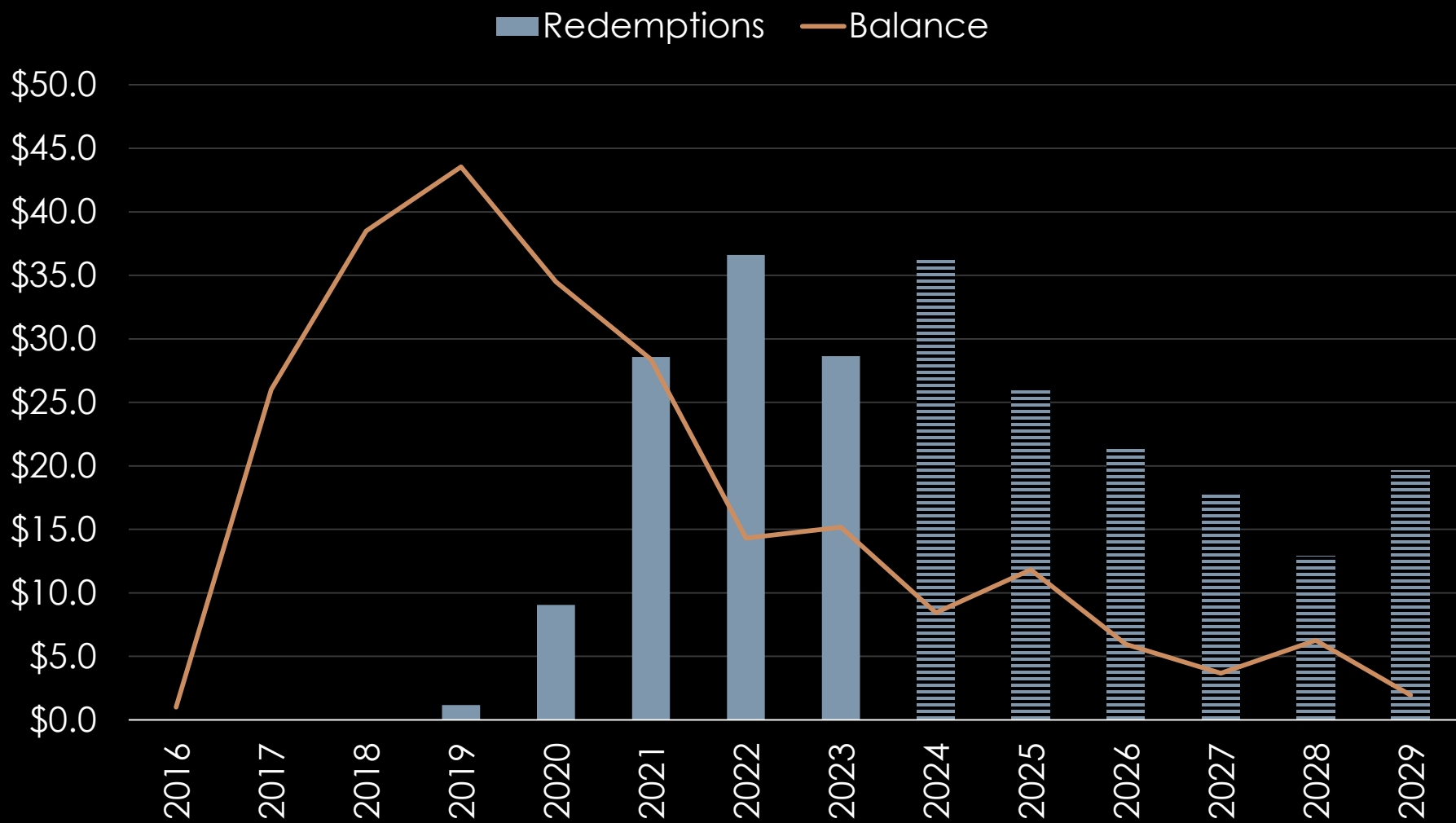
FUNDING



- Unfunded Liability
- Pre-funded
- FY 2022

Rebuild RI Tax Credit Net

Change of fund resources Fund



\$ in millions; Redemptions based on Nov REC \$176M + estimated future use to \$240M

Wavemaker Fellowships: Current Law

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

Max Credits Per Year		
Associate's	Bachelor's	Grad/Post Grad
\$1,000	\$4,000	\$6,000

Wavemaker Fellowships

- Eligible applicants must work full-time for **OR** have accepted offer from company in specific fields
 - Selection is employer-blind & applicant-blind
 - Employer must be RI-based
- 70% of credits must be reserved for permanent RI residents or attendees of a RI college
 - New application period opened April 6
 - Closes May 4, 2021

H 6122, Article 9, Sec. 8 – Wavemaker Fellowship

- Article 9 defines “Businesses” to include corporations, and pass-through entities, financial institutions, & federal agencies
- Repeals “wages subject to withholding” requirement
 - For business owners paying estimated taxes rather than withholding income taxes
 - Amends language to exempt tax credits from taxation
 - Currently only cash redemption tax exempt

H 6122, Article 9, Sec. 8 – Wavemaker Fellowship

- Appropriations through FY 2019 support 4 cohorts
 - FY 2022 budget includes \$1.6 million
 - \$0.4 million more than enacted
 - Last cohort awarded FY 2019 - \$2.4 million available now

Appropriations									
FY 2016		FY 2017		FY 2018		FY 2019		FY 2020	FY 2021
\$1.8		\$2.0		\$0.8		\$1.6		\$1.2	\$1.2
Applicants / Fellowships									
305	208	328	219	382	240	688	228	<i>Pending</i>	

\$ in millions

H 6122, Article 9, Secs. 14 & 15 – Small Bus. Development

- 2019 Assembly authorized development funds w/ 10-year plans
 - Capitalized by outside investors
 - Half Investor funds for tax credits against insurance taxes for provable metrics
 - Non-transferrable, with recapture provisions
 - Remainder from other private investors with no expectation of tax credit
 - Limited to USDA & SBA Investment companies
 - Eligible businesses with less than
 - 250 FTE, \$15.0 million revenue
 - 60% of staff or payroll required to be in-state

H 6122, Article 9, Secs. 14 & 15 – Small Bus. Development

- Article 9 revisions
 - Expands applicable tax types for credit to include & allows transfers
 - Liability for recapture remains with seller
 - Allows different lenders, many small bank-type & others
 - Includes more SBA lenders, federal-regulated lenders to low-middle income communities, Minority Depository Institutions+
 - Removes first come first serve provision
 - Participation more subject to Commerce approval
 - Includes application process changes

Housing

- Housing Reorganization
 - Reduces Housing Resources Commission from 28 to 20 members, increases 4-member Coordinating Commission to 7
- Financial & technical assist for locals
 - Doubles conveyance tax on residential properties valued over \$0.7 million
 - Takes some of state portion
 - Eventually yields \$6.9 million annually
- Newly approved \$65.0 million bonds

Housing

- New rental and related assistance
 - Dec 27 Stimulus
 - \$200.0 million min. until Dec 2021
 - Based on Sept 2021 recapture provisions
 - American Rescue Plan Rental Assistance
 - \$152.0 million state minimum for rent & utilities assistance until Sept 2027
 - Separate funds for homeowners

Housing Policy Governance

- RI Housing Resources Act of 1998
 - Defines state's housing policy governance
 - Establishes 28-member Housing Resources Commission as lead entity
 - Includes 8 ex-officio members: 7 from state agencies, & RI Housing chairperson
 - Enumerates 7 professional association presidents & specific issue executive directors
 - Banking, real estate, housing & homelessness
 - Requires 1 chairperson & 12 issue representatives
 - Developers, homelessness, planning, building, minority interests, elder housing, & fair housing

Housing Policy Governance

- RI Housing Resources Act of 1998
 - Includes 4-member coordinating committee to develop MOA
 - Outline relationship between the Rhode Island Housing & Housing Resource Commission
 - Designate which federal programs each entity applies for on behalf of the state
 - Executive directive established Office of Housing & Community Development
 - Provides financial & operational support for programs of the Housing Resources Commission

Housing Policy Governance

- RI Housing Resources Act of 1998
 - Directs Commission functions & responsibilities
 - Defines affordable housing parameters

Administer housing programs pertaining to

Abandoned properties & remediation of blight

Services for the homeless

Lead abatement w/ RI Housing

Rental assistance

Tax credits for non-profits, housing, community development

Community development

Financial assistance & support to non-profits & community development corps.

Outreach, education & tech assist.

Housing Policy Governance

- Comprehensive Housing Production & Rehabilitation Act of 2004
 - Clarified the Commission's responsibilities
 - Develop policies, standards & programs
 - Provide technical housing assistance
 - Established formal role for Division of Planning
 - Establish metrics to achieve short & long term plans
 - Include housing production in state guide plan
 - Provide technical planning assistance, data, plan review & oversight to municipalities for compliance
 - State min. standards, 10% affordable housing threshold

Housing Policy Governance

- RIGL 45-53 sets min. affordable housing community threshold 10%
 - Only 6 communities comply; 14 less 5%

% Affordable Housing	Cities & Towns	Average
> 10%	6	13.2%
>8% - <10%	6	8.6%
>5% - <8%	13	5.8%
>3% - <5%	6	4.1%
>1% - >3%	8	1.7%
Statewide	39	6.3%

H 6122, Article 16, Housing

- Article 16 creates new hierarchy
 - Governor expands 4-member coordinating committee to 7-members
 - New Deputy Secretary for Executive Office of Commerce as its executive director

7-Member Coordinating Committee	
RI Housing Chairperson	<i>(3) state agency or political subdivision representatives</i>
<i>Secretary of EOHHS</i>	<i>• Including Continuum of Care member</i>
Housing Resources Chairperson	<i>Secretary of Commerce</i>

Italics = new members; replaces DOA Director & RI Housing Exec Director

H 6122, Article 16, Housing

- Article reduces 28-member Housing Resources Commission to 20
 - Includes 5 from coordinating committee
 - Two members similar to coordinating committee requirements
 - Includes 13 members from 15 enumerated issue areas and/or any other area deemed necessary
 - Governor still selects chairperson

Housing Policy Governance

- Article 16 renames the Office of Housing & Community Development as a Division

Division to administer housing programs pertaining to

Services for the homeless

Rental assistance

Community development

Disaster assistance

Financial assistance & support, to non-profits & community development corps

H 6122, Article 16, Housing

- Establishes housing incentive districts
 - Districts adopted by ordinance
 - Subject to coordinating committee guidelines
 - Specific development & subdivision review procedures
 - Consistent with local comprehensive planning requirements
 - Coordinating committee empowered
 - Provide “all manner of assistance”
 - Authorize RI Housing to pay school impact offset payments
 - Payment to locals to offset new education costs
 - Modeled after Massachusetts

Massachusetts

- Chapter 40B – Reduce affordable housing regulatory barriers enacted 1969
 - 10% local affordable housing requirement & standards
 - Similar to Comprehensive Housing Act of 2004
 - Comprehensive zoning permits to consolidate process
 - For government funded projects
 - State level appeals for developers where locality < 10% affordable threshold

Massachusetts

- Chapter 40R – Zoning incentive payments enacted 2004
 - For adopting overlay zoning districts by ordinance
 - Allow mixed-use, higher-density development as-of-right or through a limited plan review
 - Concentrated around
 - Areas near transit stations
 - Municipal centers & commercial districts
 - Advantageous infrastructure and/or underutilized facilities

Massachusetts

- Chapter 40R Payments
 - One-time payment for adopting a district based on size
 - \$3,000/unit for each building permit issued

Zoning Incentive Payments	
Up to 20 Units	\$10,000
21-100 Units	\$75,000
101-200 Units	\$200,000
201-500 units	\$350,000
501+ Units	\$600,000

Massachusetts

- Chapter 40S – Net educational expense offset program enacted in 2005
 - Reimbursement for students who relocate to new district housing
 - Subject to appropriation
 - Reimbursement equals the value of education costs minus the value of new property & excise taxes from the district & increased state education funding

Massachusetts 40S Payments

FY	Eligible Municipalities	Eligible Amount	Amount Paid	Pct. Paid	FY Paid / Due
2010	2	\$0.36	\$0.36	100%	2012
2011	2	0.24	0.24	100%	2013
2012	2	0.18	0.18	100%	2013
2013	1	0.13	0.13	100%	2014
2014	2	0.44	0.44	100%	2015
2015	2	0.61	0.35	57%	2016
2016	2	0.61	0.25	41%	2017
2017	2	0.41	0.25	61%	2018
Total		\$3.0	\$2.2		

\$ in millions

H 6122, Article 16, Housing

- Establish housing production fund
 - Funded by proposed Real Estate Conveyance Tax changes
 - Administered by RI Housing subject to Coordinating Committee guidelines
 - Financial assistance for the planning, production, or preservation of housing
 - Technical & financial assistance for municipalities
 - Support housing production, regulatory reduction & housing incentives

H 6122, Article 16, Housing

- Real Estate Conveyance Tax
 - Tax on sale of property - \$2.30 per \$500 of property value (0.46%)
 - Must be paid within 5 days of sale

Recipient	Share	FY 2020
Housing Resources Commission	\$0.30	\$4.6
Distressed Community Relief (General Revenues)	0.30	4.6
State General Fund	0.60	9.3
Municipality	1.10	17.0
Total	\$2.30	\$35.6

FY 2020 \$ in millions

H 6122, Article 16, Housing

- Governor proposes 2nd tax tier
 - Doubles tax to \$4.60 per \$500 (0.92%) for residential properties valued over \$0.7 million
 - Accrues entire \$2.30 increase to restricted Housing Production Fund
 - Effective Jan 1, 2022
 - Shifts \$0.16 from state share from to new fund
 - Error in calculation as submitted
 - Adjusted expectations generate \$3.0 million in FY 2022 & ~ \$6.9 million annually
 - About \$3.0 million from \$0.16 share

H 6122, Article 16, Housing

- Governor proposes 2nd tax tier

Recipient	Share	FY 2022
Housing Resources Commission	\$0.30	\$5.3
Distressed Community Relief (General Revenues)	0.30	5.3
State General Fund	0.44	9.3
Municipality	1.10	19.4
Housing Production Fund	0.16/2.30	3.0
	\$0.16 from state	1.3
	\$2.30 new tier	1.7
Total	\$2.30+	\$42.4

Real Estate Conveyance

- Massachusetts conveyance tax
 - Barnstable County - \$3.24/\$500 (0.648%)
 - All other counties \$2.28/\$500 (0.456%)

Connecticut	Pct.
Residential dwelling	
First \$0.8 million	0.75%
Over \$0.8 million	1.25%
Non-residential dwelling	0.75%
Non-residential property	1.25%
Delinquent mortgager	0.75%

H 6122, Article 16, Housing

- Differences from to 2020-H 7171 Art. 12
 - Repealed & replaced Housing Resources Act
 - 4-member committee made a 7-member council
 - Elevated to lead housing authority
 - 28 member HRC to 17-member steering committee for community consultation
 - Exempted federally-funded affordable housing facility ownership transfers from conveyance tax in general
 - Double levied conveyance tax at \$0.5 million
 - Included 2.0% DOR assessment for conveyance tax collections when applicable

Other Bills

- Real Est. Convey. Tax
 - H 5456 provides \$0.60 share to HRC
 - To development affordable housing
 - H 5687 2-tier Conveyance Tax over \$0.5 million for all properties
 - Requires supported developments use apprentices
 - Exempts federally-funded affordable housing facilities from transfer tax
- H 5951 Deputy Secretary of Housing

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