

Executive Office of Commerce

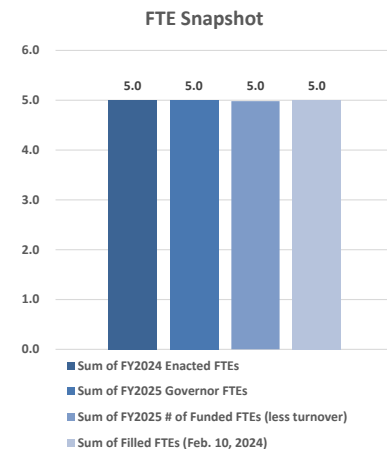
Expenditures By Program	FY2023 Actual	FY2024 Enacted	FY2024 Governor	Change from Enacted		FY2025 Governor	Change from Enacted	
Central Management	\$2.3	\$2.2	\$2.1	(\$0.1)	-4.5%	\$2.3	\$0.0	0.7%
Commerce Programs	27.3	101.2	117.8	16.6	16.5%	6.3	(94.9)	-93.8%
Economic Development Initiatives Fund	36.3	64.9	65.5	0.6	0.9%	37.5	(27.4)	-42.2%
Housing and Community Development	72.2	-	-	-	-	-	-	-
Quasi-Public Appropriations	31.8	73.4	73.5	0.2	0.2%	22.6	(50.7)	-69.2%
Total	\$169.9	\$241.6	\$258.9	\$17.3	7.2%	\$68.7	(\$173.0)	-71.6%
Expenditures By Source								
General Revenue	\$57.1	\$66.4	\$66.3	(\$0.1)	-0.2%	\$38.3	(\$28.2)	-42.4%
Federal Funds	92.4	174.4	191.6	17.2	9.9%	22.0	(152.4)	-87.4%
Restricted Receipts	19.5	-	-	-	-	-	-	-
Other Funds	0.9	0.8	1.0	0.2	19.7%	8.4	7.6	943.0%
Total	\$169.9	\$241.6	\$258.9	\$17.3	7.2%	\$68.7	(\$173.0)	-71.6%
Authorized FTE Levels	20.0	5.0	5.0	-	-	5.0	-	-

\$ in millions. Totals may vary due to rounding.

The Executive Office of Commerce (EOC) was established pursuant to RIGL 42-64.19 to be the principal agency of the executive branch of State government for managing the promotion of commerce and the economy in the State. The Secretary of Commerce oversees the Executive Office of Commerce. The agency is charged with coordinating a cohesive direction for the State's economic development activities and to be the lead agency for economic development throughout Rhode Island.

The Housing and Community Development program was transferred to the Executive Office of Commerce by the General Assembly in FY2016. In addition, the funding and administration for the Rhode Island Commerce Corporation (Commerce Corp) and the I-195 Redevelopment Commission, both previously funded in the Department of Administration, were transferred to the EOC. The Commerce Corp. is a quasi-public agency responsible for implementing statewide economic development programming including business relocation services, business financing, tourism support, and incentive programs.

In 2022, the General Assembly created the Department of Housing and transferred the Housing and Community Development program and its staff from EOC to the new agency.



MAJOR ISSUES AND TRENDS

The Governor recommends a total of \$68.7 million in FY2025, to fund the economic development initiatives and operations of the Executive Office of Commerce and the Commerce Corporation. This is \$173.0 million less than the FY2024 enacted level, a reduction that results primarily from a \$148.8 million appropriation of federal American Rescue Plan Act (ARPA) State Fiscal Recovery Funds (SFRF) in FY2024 that does not reoccur in FY2025. General revenue, representing 55.7 percent of total funding, is down \$28.2 million (42.4 percent) from the enacted level. This net decrease is attributable to reduced year-over-year funding for incentives, most notably in the First Wave Closing Fund and the Rebuild RI programs.

For FY2024, the Governor recommends \$258.9 million in total funding, a \$17.3 million increase over the enacted level. This current year change reflects the mandatory reappropriation of unspent ARPA funds from previous fiscal years.

American Rescue Plan Act Federal Funding

Federal funding budgeted within the EOC comes entirely from allocations under the American Rescue Plan Act. EOC administers seven ARPA SFRF initiatives, one ARPA Capital Project, and the Small Business Credit Initiative that is directly allocated funds under the Act. The General Assembly was compelled to appropriate all of the State's ARPA allocations in FY2024 in order to meet U.S. Treasury obligation and spending deadlines. Because of this, the year-over-year comparisons between FY2024 and FY2025 are dramatic. In FY2024, federal funds represented 74.0 percent of the budget, whereas in FY2025 they comprise only 32.0 percent. It is also important to note that because many of the initiatives will take several years to complete, the General Assembly required that any unspent ARPA funds at the end of any given fiscal year be reappropriated for the same purposes. It is for this reason that the Governor includes \$17.2 million in additional federal funds in the FY2024 Supplemental recommendation. It should also be noted that an additional \$2.0 million in SFRF funds are budgeted in FY2025 to support the tourism, hospitality, and events industry. These funds are part of recommended \$51.7 million package of funds that are being taken from previously funded projects and repurposed. The net funding changes are summarized in the following table.

	FY2024 Enacted	FY2024 Governor	Change from Enacted	FY2025 Governor	Change from Enacted
ARPA SFRF Initiative					
Port of Davisville	\$59.0	\$59.0	-	-	(\$59.0)
Bioscience Investments	45.0	45.0	-	-	(45.0)
South Quay Marine Terminal	35.0	35.0	-	-	(35.0)
Minority Business Accelerator	4.0	5.0	1.0	-	(4.0)
Destination Marketing	1.5	2.1	0.6	-	(1.5)
Small Business Financial and Technical Assistance: Direct Grants	0.3	0.6	0.3	-	(0.3)
Aid to Tourism, Hospitality, and Events Industries	-	-	-	2.0	2.0
	\$144.8	\$146.7	\$1.9	\$2.0	(\$142.8)
ARPA Capital Projects Initiative					
Broadband	9.6	25.0	15.4	-	(9.6)
	9.6	25.0	15.4	-	(9.6)
ARPA Direct Initiative					
State Small Business Credit Initiative	20.0	20.0	-	20.0	-
	20.0	20.0	-	20.0	-
Total ARPA	\$174.4	\$191.6	\$17.2	\$22.0	(\$152.4)

Incentives

In 2015, the General Assembly established numerous economic development incentives to spur investment in new capital and critical industry sectors, improve the workforce, and promote innovation. General revenue appropriations supporting these incentives totaled \$244.0 million prior to FY2024. The FY2024 Budget includes an additional \$52.7 million and the FY2025 Budget includes \$22.5 million. The following table shows the total appropriations, awards, and remaining balances for each of the incentives:

Incentive	Pre-FY2024	FY2024 Enacted	FY2024 Governor	FY2025 Governor	Appropriated To Date	Awarded to Date	Balance
Rebuild RI	\$148.2	\$26.4	\$26.4	\$10.1	\$174.6	\$205.0	(\$30.4)
I-195 Redevelopment Fund	28.0	2.0	2.0	1.0	30.0	25.7	(4.3)
First Wave Closing Fund	10.3	10.0	10.0	-	20.3	11.1	(9.2)
Wavemaker Fellowship	13.3	4.0	4.0	3.6	17.3	3.3	(14.0)
Small Business Assistance Fund	7.3	4.0	4.0	3.6	11.3	7.4	(3.9)
Innovation Initiative	13.6	2.0	2.0	1.0	15.6	10.4	(5.2)
Main Street RI Streetscape Improvement Fund	8.0	1.0	1.0	1.0	9.0	2.8	(6.2)
Air Service Development Fund	4.8	2.3	2.3	1.2	7.1	2.0	(5.1)
P-Tech	2.5	-	-	-	2.5	1.6	(0.9)
Innovate Small Business (STAC)	8.0	1.0	1.0	1.0	9.0	3.1	(5.9)
Qualified Jobs Tax Incentive	-	-	-	-	-	59.3	59.3
Tax Increment Financing	-	-	-	-	-	80.1	80.1
Tax Stabilization Agreement Incentive	-	-	-	-	-	2.1	(2.1)
Total	\$244.0	\$52.7	\$52.7	\$22.5	\$296.7	\$413.9	\$52.3

\$ in millions

The Budget includes revisions to some of the incentives as follows:

- **Reauthorization of Incentive Programs:** Reauthorizes the incentive programs for an additional year by extending the statutory sunset provisions placed on them from December 31, 2024, to December 31, 2025.
- **Innovate RI Small Business Fund:** Amends the Innovate Rhode Island Small Business Program by increasing various matching grants managed by the State's Science and Technology Advisory Council (STAC).
- **Innovation Initiative:** Expands the Innovation Initiative incentive program by extending eligibility for matching grants to employee-owned (or transitioning to employee-owned) businesses and establishing a new "invention incentive" program.

CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions by providing leadership, management, and strategic planning activities.

Central Management	General Revenue
FY2024 Enacted	\$2,249,368
<i>Target and Other Adjustments</i>	<i>(8,892)</i>
Personnel	24,227
FY2025 Governor	\$2,264,703

Personnel **\$24,227**

The Budget includes a net \$24,227 increase in personnel expenditures within EOC's Central Management program for FY2025. This includes an expected increase of \$22,369 in base personnel expenditures and an additional \$1,858 in target adjustments related to medical and retirement benefits. The Executive Office of Commerce has 5.0 FTE positions with an average cost of \$207,465.

COMMERCE PROGRAMS

The Budget includes \$6.3 million from general revenues in FY2025 to support Commerce Programs, \$973,600 less than the FY2024 Enacted level. The Budget reflects a \$93.9 million reduction in federal funds related to the one-time appropriation in FY2024 of federal American Rescue Plan Act (ARPA) funds for small business assistance, economic development, and infrastructure initiatives.

Commerce Programs	General Revenue
FY2024 Enacted	\$7,250,000

<i>Target and Other Adjustments</i>	-
Air Service Development Fund	(1,050,000)
Minority Business Accelerator	500,000
Wavemaker Fellowship Program	(423,600)
Main Street RI Streetscape Improvement Program	Informational
FY2025 Governor	\$6,276,400

Commerce Programs	Other Fund Changes
ARPA SFRF Initiatives (federal funds)	(80,000,000)
ARPA CPF Broadband (federal funds)	(9,573,500)

Air Service Development Fund **(\$1.1 million)**

The Budget includes \$1.2 million in total general revenue to support the development of additional direct airline routes to major metropolitan areas, \$1.1 million less than the FY2024 enacted level.

Program Background: The Air Service Development Fund (ASDF) was established by the General Assembly in 2016 for the purpose of providing airlines various incentives to establish new direct flights originating at Rhode Island T.F. Green International Airport. These include the reduction of an airline's risk when implementing a new route by providing revenue insurance that can be used to offset losses incurred if the new route is not profitable. If the routes prove to be profitable, then incentive funds can be recaptured. In addition to revenue supports, the ASDF can also be used for other direct financial incentives determined by the Rhode Island Commerce Corporation's Air Service Development Council to be impactful to incentivizing new air service. The ASDF program is currently set to sunset on December 31, 2024. Article 7 of the Budget would extend the incentive another year.

Status: Rhode Island T.F. Green International Airport currently accommodates 34 non-stop destinations, serviced by 9 airlines.

Since FY2017 the ASDF has received \$4.8 million in appropriations. In 2023, the ASDF funds were included used as part of a package of incentives used to secure commitments from Breeze Airlines to establish a hub and expand routes at the Airport. In an agreement that goes to 2033 and has significant ramp up thresholds by 2028, Breeze has committed to building out significant operations and warehouse space, basing up to 6 aircraft at the airport, achieving an average of 20 flights per week (to no less than five underserved routes) by 2028 and increasing to an average of 40 by 2033 (20 underserved routes). In turn, the State has committed to \$2.0 million over 2 years for ground handling, and \$6.0 million over five years for destination marketing.

Current Service at Rhode Island T.F. Green International Airport	
Airline	Non-Stop Service To
Allegiant Airlines	Cincinnati, Nashville, Punta Gorda/Ft. Myers
American Airlines	Charlotte, Chicago-O'Hare, Philadelphia, Washington-Reagan
Breeze Airways	Charleston, Cincinnati, Columbus, Jacksonville, Los Angeles, Myrtle Beach, New Orleans, Norfolk, Pittsburgh, Raleigh-Durham, Tampa, Orlando, Ft. Myers, Sarasota, Vero Beach, Savannah
Delta	Atlanta, Detroit, Minneapolis St. Paul, New York - Laganardia
Jet Blue	Ft. Lauderdale, Orlando, West Palm Beach
SKYHigh Dominicana	Santo Domingo
Southwest Airlines	Baltimore, Chicago-Midway, Ft. Lauderdale, Ft. Myers, Orlando, Tampa, Washington-Reagan, Dallas, Denver
Sun Country	Minneapolis St. Paul
United Airlines	Chicago-O'Hare, Newark, Washington-Dulles
9 Total Airlines	34 Total Non-Stop Destinations

According to the EOC, previously appropriated funds were sufficient to cover the ground handling and first two years of marketing expenses. The remaining commitment will require \$1.2 million annually for the next three years.

Recipient	Date Approved	Incentive Parameters	Funds Disbursed		Type	Use	No. of New Routes		Airline Obligations
			to Date				Incentivized		
Frontier	8/9/2017	Up to \$200,000 per route	\$336,460		Grant	Reimbursable marketing expenses.	5		Marketing collateral toward which ASD funds contributed.
Norwegian	8/9/2017	Up to \$750,000 per route	1,663,540		Grant	Reimbursable marketing expenses.	4		Marketing collateral toward which ASD funds contributed.
Breeze Airlines	1/9/2023	Not to exceed \$2,038,400 and not more than \$1,019,200 in a 12 month period	-		Grant	\$700 per flight for ground handling operations	-		Establish base by 3/29/23, have 3 aircraft by 8/31/23, & average 20 flights/week/yearly from 1/1/24-3/29/28
Breeze Airlines	1/9/2023	\$6,000,000 over five years	-		Grant	Marketing campaigns to promote unserved and underserved routes	-		Establish base by 3/29/23, have 3 aircraft by 8/31/23, & average 20 flights/week/yearly from 1/1/24-3/29/28
Total			\$2,000,000				9		

Minority Business Accelerator

\$500,000

The Budget includes a net all funds reduction of \$3.5 million in FY2025 for the EOC's Minority Business Accelerator program. This drop reflects a one-time \$4.0 million federal ARPA SFRF appropriation in FY2024 that does not reoccur in FY2025. It also includes \$500,000 in new general revenue expenditures to continue the program's work in FY2025.

Minority Business Accelerator program supports and invests resources to enhance the growth of minority business enterprises as defined in RIGL 37-14.1. The initiative supports a range of assistance and programming, including financial and technical assistance, entrepreneurship training, space for programming and co-working, and assistance accessing low-interest loans. Commerce works with minority small business associations, including the Rhode Island Black Business Association (RIBBA), to advance this program.

Wavemaker Fellowship Program

(\$423,600)

The Budget includes \$3.6 million in general revenue in FY2025 for the Stay Invested in RI Wavemaker Fellowship Fund, \$423,600 less than the FY2024 enacted level (an approximately 10.0 percent year-over-year reduction).

Established in 2015, the Wavemaker program originally was a competitive student loan reimbursement program for college and university graduates who take employment in science, technology, engineering, and mathematics (STEM) fields in Rhode Island. In 2022 the General Assembly expanded the eligible professions to include healthcare and mental health professionals. It was expanded again in 2023 to include teachers. The program provides Wavemaker Fellows with refundable personal income tax credits that can be used to offset their annual student loan payments for up to 4 years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. \$1,000 for an associate's degree up to \$6,000 for a graduate or post-graduate degree. To offset the general revenue loss resulting from the use of the credits, the General Assembly established a Stay Invested in RI Wavemaker Fellowship Fund and limited the issuance of credits to the amount in the fund. As credits are used, the equivalent amount is transferred out of the program fund to the general fund.

The program is set to sunset on December 31, 2024. Article 7 of the Budget reauthorizes the program for another year. Since its inception the General Assembly has appropriated \$17.3 million in general revenue to the fund and has served approximately 664 fellows.

Analyst Note: The 10.0 percent reduction to Wavemaker in FY2025 was proposed as part of the EOC's constrained budget. The savings was offered by EOC to offset a funding increase related to the State's Innovation Initiatives incentives. According to the EOC, the reduction does not affect existing cohorts of fellows receiving the incentive. Commerce plans to make the new application for teachers available spring of 2024. As this will be the first cohort for teachers, Commerce indicated that this will give them a better sense of demand for the incentive. Any evidence of significant interest will likely result in a request for greater future funding.

Main Street RI Streetscape Improvement Program**Informational**

The Budget includes \$1.0 million of general revenue in FY2025, consistent with the enacted level, and \$1.0 million in FY2024 to support State's Main Street RI Streetscape Program. The program provides loans, matching grants, and other forms of financing to municipalities and other organizations to upgrade streetscapes in local business districts. Projects include refurbishing facades, improved lighting, and signage. Recipients are required to provide a 30.0 percent match. Since its inception \$8.0 million has been appropriated to the program of which \$2.8 million has been awarded (the General Assembly appropriated \$5.0 million for FY2023). The program has supported 24 projects across 16 municipalities.

ARPA SFRF Initiatives (federal funds)**(\$80.0 million)**

The Budget includes a reduction of \$80.0 million in FY2025 in federal ARPA State Fiscal Recovery Funds for various initiatives within the EOC's Commerce Programs. This drop reflects one-time SFRF appropriations in FY2024 that do not reoccur in FY2025.

Initiative	FY2024 Enacted	FY2025 Governor	Change to Enacted
Bioscience Investments	\$45.0	-	(\$45.0)
South Quay Marine Terminal	35.0	-	(35.0)
Total	\$80.0	-	(\$80.0)

\$ in millions

- **Bioscience Investments:** This initiative is intended to support and grow the biosciences industry in Rhode Island through the establishment of a Rhode Island Life Sciences Hub (RILSH) and a dedicated fund to support the development of laboratories, commercialization of technology and business development, and workforce development. According to the EOC, startup funding of \$2.0 million has been approved for the RILSH to early personnel and operating expenses. The remaining funding will be made available contingent upon additional program and expenditure planning developed by RILSH Board. The RILSH was incorporated in September 2023, and its first meeting was held January 22, 2024. Professional legal and communications services have also been procured.
- **South Quay Marine Terminal:** This initiative supports the creation of an intermodal shipping hub in East Providence's waterfront development district. It is intended to support the offshore wind industry. For FY2024, the General Assembly put restrictions the use of these funds, requiring that "sufficient matching funds for completion of the project are committed by February 1, 2024." According to the EOC, the principal developer and owner of the site, Rhode Island Waterfront Enterprises (RIWE), has partnered with ProvPort and its general manager Waterson Terminal Services. Waterson has pledged \$35.0 million for the project, pending completion of its due diligence. This did not occur by the deadline and therefore the project cannot formally move forward absent a change in statute. Because of this the State's Pandemic Recovery Office (PRO) has identified the South Quay Marine Terminal project as at risk of not meeting expenditure deadlines required by the U.S. Treasury. According to the EOC, discussions regarding the project and its ultimate disposition are ongoing with the Governor.

ARPA CPF - Broadband (federal funds)**(\$9.6 million)**

The Budget includes a reduction of \$9.6 million in FY2025 in federal ARPA Capital Projects Funds for Broadband initiatives within the EOC's Commerce Programs. This drop reflects one-time SFRF appropriations in FY2024 that does not reoccur in FY2025. The Governor's FY2024 Supplemental Budget, however includes an increase of \$15.4 million as compared to the original enacted level, bringing FY2024 CPF funds to \$25.0 million. The current year change reflects the mandatory reappropriation of unspent ARPA funds.

ConnectRI is the State's primary broadband development program. Administered by the Commerce Corporation in concert with the State's Broadband Advisory Council, it coordinates the planning, and

implementation of expanded internet capacity in the State. It has created a statewide strategic plan and is in the process of engaging federal agencies to access funding; create grant and other programs; and coordinate stakeholder and governmental organizations. ConnectRI finished taking public comment on its draft proposals for the federal Broadband Equity, Access, and Deployment (BEAD) Program and its Digital Equity Plan in December and February, respectively. Final proposals informed by the public comment period are currently being completed. The proposals are the first steps required to securing nearly \$110.0 million in federal Infrastructure and Jobs Act and Digital Equity Act funding.

ECONOMIC DEVELOPMENT INITIATIVES FUND

The Budget provides \$15.5 million from general revenues in FY2025 to support various incentives, business assistance, and development programs designed to create and expand economic development in Rhode Island. The Budget also includes \$22.0 million in federal American Rescue Plan Act funds to support small businesses and the tourism and hospitality industry.

Economic Development Initiatives Fund	General Revenue
FY2024 Enacted	\$43,360,000
<i>Target and Other Adjustments</i>	-
Rebuild RI	(16,275,000)
First Wave Closing Fund	(10,000,000)
I-195 Redevelopment Fund	(2,000,000)
Destination Marketing	1,400,000
Innovation Initiative	(1,000,000)
Small Business Assistance	Informational
Small Business Promotion	informational
FY2025 Governor	\$15,485,000

Economic Development Initiatives Fund	Other Fund Changes
Aid to Tourism, Hospitality, and Events Industries (federal funds)	2,000,000
State Small Business Credit Initiative	Informational

Rebuild RI **(\$16.3 million)**

The Budget includes \$10.1 million in FY2025, \$16.3 million less than the enacted level, and \$26.4 million in FY2024, for the Rebuild RI Tax Credit Program (Rebuild).

Rebuild uses both tax credit and sales tax exemption incentives to promote investment in real estate development for commercial and/or residential use across the State. Total credits and exemptions are limited to \$225.0 million and the per-project cap is set at \$15.0 million. Article 7 of the FY2025 Budget as Enacted extends the Rebuild sunset from December 31, 2024, to December 31, 2025.

Status: Commerce has awarded \$159.7 million in Rebuild RI tax credits and \$45.3 million in sales tax exemptions across 51 projects, for a combined total of \$205.0 million, or 91.0 percent of the current \$225.0 million program cap.

Tax Credit Details: Under Rebuild RI the Secretary of Commerce may issue a tax credit up to \$15.0 million, based on the lesser of 30.0 percent of the project cost or the amount needed to close demonstrated financing gaps. Tax credits are issued once a certificate of occupancy has been obtained. If the amount of the credit exceeds a taxpayer's liability in each year, the credit may be carried forward up to four years or until the full credit is used, whichever occurs first. Credits may be used against the following taxes: business corporations, financial institutions, insurance companies, public service corporations, and personal income taxes. Any use against sales and use taxes may be permitted at the discretion of the Secretary of Commerce. Prior to assignment of the credit, the State has the right to redeem (purchase) the credits at 90.0 percent of the credit value.

Sales Tax Exemption Details: Commerce also has the authority to provide qualifying projects with sale tax exemptions on certain qualified purchases that are related to the project’s development. These purchases can include construction materials and services as well as furnishings and other interior improvements. To receive these exemptions, the developer must make application to Commerce and if approved, will received a rebate those expenditures certified by Commerce. Most of the current Rebuild projects have a sales tax rebate incentive in addition to the Rebuild tax credits.

Rebuild RI Fund: When Rebuild credits and exemptions are exercised by a developer, they negatively impact State revenue. To mitigate this impact, State law requires the state General Fund be reimbursed for the amount of the credits and exemptions from the Rebuild RI Fund. On an annual basis, Commerce works with the EOC, the Department of Administration, and the Division of Taxation to determine the availability of funds to award new tax credits. Each year, the Director of Revenue requests the amounts necessary to pay for the redemption of tax credits and sales tax rebates. This fund is capitalized by annual appropriations by the General Assembly. Since 2016, the Rebuild RI Fund has received \$174.6 million in appropriations through FY2024, or 85.0% of the \$205.0 million in current Rebuild obligations. The following table provides the estimated obligations, annual drawdowns, and required appropriations by fiscal year.

Estimated Cash Flow Summary for Rebuild RI										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Beginning Balance	\$59.6	\$94.0	\$91.1	\$100.1	\$90.6	\$86.9	\$91.2	\$91.4	\$95.4	\$102.2
Combined Draw Downs*	(18.1)	(16.4)	(17.4)	(19.6)	(18.7)	(15.7)	(14.8)	(11.0)	(3.2)	(22.0)
Estimated Appropriation^	52.5	13.5	26.4	10.1	15.0	20.0	15.0	15.0	10.0	15.0
Ending Balance	94.0	91.1	100.1	90.6	86.9	91.2	91.4	95.4	102.2	95.2

*Includes tax credits and sales tax exemptions. Amounts take into consideration all projects as of February 2024, excluding Fane Tower.

^ Appropriation levels for FY2026 through FY2031 have been chosen for demonstration purposes only. Consideration was given to keeping annual appropriations below \$25.0 million, while covering the draw downs, and leaving a reasonable ending balance (Senate Fiscal Staff estimates).

First Wave Closing Fund (\$10.0 million)

The First Wave Closing Fund incentive was established in FY2016 as a “last-dollar, flexible-financing” program to enable economic development transactions move forward that would not otherwise get funded and take place. It has received a net \$20.3 million in appropriation since then. It last received an appropriation in FY2018. In 2019, First Wave had a balance of \$12.7 million and had awarded \$2.6 million across seven projects. That year the General Assembly transferred \$5.0 million from First Wave to general revenue, reducing the balance to \$7.7 million.

In its FY2024 Budget request, the EOC asked to have the \$5.0 million restored, arguing that it would enable Commerce to continue to strategically and nimbly catalyze projects beneficial to the State’s economy. The Governor increased this by another \$15.0 million, recommending a total of \$20.0 million. The General Assembly reduced this by half, appropriating \$10.0 million. The Governor does not recommend additional funding in FY2025, resulting in \$10.0 million less in expenditures.

Program Background: First Wave is intended to support economic development by providing “gap financing” for certain types of projects. Gap financing is that portion of a project’s cost that remains to be financed after all other sources of capital have been considered or the amount that the State may invest in a project to gain a competitive advantage over another state.

When considering whether to award a project First Wave money, the Board is required to take into consideration several factors, including:

- The economic impact of the project
- The amount of the project financing gap

- The strategic importance of the project to the State, region, or locality
- The quality and number of jobs produced and the quality of the industry associated with the project
- The existence of any competitive offers regarding the project from another state or country
- The existence of any opportunity for the State to recoup or receive a return on all or portion of an award

In order to ensure that First Wave is available for more than one project, the Board is also required to consider several additional factors:

- The number and strength of applications received
- The level of appropriations
- The amounts of financing sought; and such other factors it deems relevant

According to the EOC, it is estimated that the current First Wave projects will generate 1,300 jobs and 500,000 square feet of development. The following table shows the recipients to date of First Wave Closing Fund financing.

Recipient	Project Location	Date of Award	First Wave Award
A.T. Cross Company	Providence	5/9/2016	\$200,000
General Electric Company	Providence	8/22/2016	650,000
Johnson & Johnson Services, Inc.	Providence	1/23/2017	250,000
eMoney Advisor Holdings, LLC	Providence	3/27/2017	97,500
LS One Ship, LLC	Providence	3/27/2017	700,000
Infosys Limited	Providence	12/18/2017	500,000
National Sailing Hall of Fame	Newport	3/26/2019	200,000
Virgin Pulse	Providence	9/30/2020	250,000
401 Tech Bridge	Portsmouth	12/8/2020	500,000
High Rock Westminster Street, LLC ("Superman Building")	Providence	5/11/2022	7,800,000
Total			\$11,147,500

I-195 Redevelopment Fund

(\$2.0 million)

The Governor does not recommend additional funding in FY2025 for the I-195 Redevelopment Fund program, representing a \$2.0 million year-over-year reduction compared to the FY2024 enacted level. Budget includes \$2.0 million in FY2024 for the I-195 Redevelopment Fund program (Fund). The program has received \$28.0 million in total since inception and last received an appropriation in FY2019.

The Fund is intended to serve as a catalyst for real estate development on former highway land in Providence by:

- Providing gap financing on real estate projects within the I-195 Redevelopment Zone District.
- Acquiring adjacent or proximate land nearby District land, but not an abutting parcel, including areas around the Garrahy Courthouse Garage and the South Street Landing project, or further away from the District. The I-95 Redevelopment Commission oversees the 20 acres of developable space.
- Financing public infrastructure and facilities that will enhance the District.

The I-195 Redevelopment Commission has committed \$25.6 million (91.0 percent) from the fund, supporting development projects such as the Wexford Science and Technology and CV Properties partnership development of a life sciences and research and development complex, including the Aloft Hotel and Cambridge Innovation Center. According to the EOC, the Fund's commitments have engendered over \$800.0 million in private investment in projects completed, planned, and under construction. The Commission is focused on attracting commercial lab spaces that are likely to need significant gap financing in Rhode Island. The additional funds proposed for FY2024 are estimated to support four new projects.

Destination Marketing

\$1.4 million

The Governor recommends \$1.4 million in general revenue in FY2025 to market Rhode Island as a destination in out-of-state markets and airports. The ability of the Rhode Island Airport Corporation to directly do this work is limited by federal regulations. In both FY2023 and FY2024, the General Assembly appropriated \$1.5 million in federal SFRF funds for this purpose. It also required the Commerce Corporation to provide an equivalent amount out of its portion of the state hotel tax for the same purposes, for a total of \$6.0 million over the two fiscal years. No hotel tax revenue is required in FY2025. Unspent FY2023 SFRF funds totaling \$600,368 are reappropriated in FY2024. There are no federal funds budgeted in FY2025 for destination marketing.

Destination Marketing Funding FY2023 - FY2025

Source	FY2023 Actual	FY2024 Enacted	FY2024 Governor	Change from Enacted	FY2025 Governor	Change from Enacted
SFRF	\$899,632	\$1,500,000	\$2,100,368	\$600,368	-	(\$1,500,000)
Commerce Corporation Hotel Tax Revenue	1,500,000	1,500,000	1,500,000	-	-	(1,500,000)
General Revenue	-	-	-	-	1,400,000	1,400,000
Total	\$2,399,632	\$3,000,000	\$3,600,368	\$600,368	\$1,400,000	(\$1,600,000)

According to the EOC destination marketing are being used to maintain existing air service programs and launch advertising in new markets, invest in New England sports media buys, create experiential events and installations, support Hotel Month, and underwrite agency fees for the creation and execution of the campaign and marketing assets. The marketing is targeted at driving leisure travel during the shoulder and off-season from gateway cities such as Los Angeles, Chicago, Washington DC, and Detroit.

Innovation Initiative

(\$1.0 million)

The Budget includes \$1.0 million in FY2025 for the Innovation Initiative, \$1.0 million less than the enacted level. There has been \$15.5 million appropriated since 2016 for this program.

The Innovation Initiative is a multi-pronged economic development incentive program administered by the RI Commerce Corporation. The program seeks to both build capacity among innovation business support organizations in the State and provide direct assistance to businesses, enabling them to better conduct research and development or procure technical assistance. A total of 160 companies have received approval from the Commerce Corporation for Innovation Vouchers or Network Matching grants totaling \$10.4 million.

Article 7 of the Budget expands the types of organizations eligible for the Innovation Network program to include businesses that are "evaluating a transition to become employee-owned businesses." The article also establishes a new invention incentive program that provides grants up to \$5,000 to small businesses and individuals to reduce barriers to filing a patent application.

Small Business Assistance

Informational

The Budget includes \$2.0 million in FY2025, consistent with the enacted level, for the State's Small Business Assistance Program (SBA). The SBA program was established to help small businesses (under 200 employees) gain access to capital. Grants are capped at \$750,000. According to the Executive Office of Commerce, the program offers more operating flexibility than the long-standing Small Business Loan Fund, which is subject to federal regulations from the U.S. Economic Development Administration. The

Commerce Corporation partners with private lending institutions to administer the applications and program. According to the EOC, 201 loans have been made resulting in 385 jobs and more than 50.0 percent have gone to minority- or woman-owned businesses.

The 2018 General Assembly increased the amount of Small Business Assistance program funds available for “micro loans” (\$2,000 to \$25,000) from 10.0 percent to 25.0 percent. These loans may be used to provide:

- Additional capital to businesses;
- Direct lending for subordinated and mezzanine debt (debt that is associated with acquisitions and buyouts where it may be used to prioritize new owners ahead of existing owners in case of bankruptcy, or be used to convert a debt into a stock option); or
- Collateral support and enhancement.

The following table shows the lenders, awards, and total loans originated to date:

Lender	SBA Award	Total Loans Originated
<i>Traditional Lending</i>		
BDC Capital	965,352	16,058,567
Business Development Co of RI	2,308,000	6,863,285
Community Investment Corporation (CIC)	916,875	4,569,805
South Eastern Economic Devel. Corp (SEED)	1,991,400	5,662,937
<i>Subtotal</i>	<i>\$6,181,627</i>	<i>\$33,154,594</i>
<i>Micro Lending</i>		
CIC Microloans	627,300	1,233,600
CWE Microloans	159,000	159,000
SEG Microloans	267,750	276,500
Rhode Island Black Business Association	167,200	207,450
<i>Subtotal</i>	<i>\$1,221,250</i>	<i>\$1,876,550</i>
Total	\$7,402,877	\$35,031,144

Small Business Promotion

Informational

The Budget recommends \$1.0 million for CommerceRI’s program that promotes Rhode Island-based suppliers and facilitates their connection to companies in the State that have significant procurement needs. This amount is consistent with the enacted level.

Known as SupplyRI, the program was established in 2018 after the EOC analyzed the operating expenditures of large employers in Rhode Island and discovered that a disproportionate number of operating budgets are spent on out-of-State suppliers. Supply RI is intended to facilitate interaction and contracting between large “Anchor” purchasing businesses and organizations and the several tier levels of Rhode Island suppliers. It does this through conducting trainings and events connecting anchors and suppliers and through a clearinghouse website. According to the EOC, the program has connected 2,200 suppliers with 16 anchors.

Aid to Tourism, Hospitality, and Events Industries (federal funds)

\$2.0 million

The Governor recommends repurposing \$2.0 million in previously appropriated ARPA SFRF funds to be used to support “placemaking” activities in FY2025. Rhode Island Commerce Corporation has supported businesses in the tourism, hospitality, and event industries through a grant programs that encourages capital improvement and event programming and “activations”. Also known as Commerce’s Placemaking Program, the initiative awarded 32 grants through the end of December, 2023, with \$3.0 million in SFRF funding obligated. Most of this is related to the event programming component. According to EOC, the

capital improvement projects are larger in scale and will take longer to complete and be reflected in the spending.

State Small Business Credit Initiative (federal funds)

Informational

The Budget includes \$20.0 million in non-SFRF, direct federal ARPA funds in both FY2023 and FY2024 for the Small Business Credit Initiative (SBCI). Funded through the U.S. Small Business Administration, the SBCI makes funds available to expand or create new state small business investment programs that provide access to capital, collateral support, loan participation, loan guarantees, and venture capital.

QUASI-PUBLIC APPROPRIATIONS

The Budget provides \$14.2 million from general revenues to support the Rhode Island Commerce Corporation and several pass-through appropriations to fund specific economic programs. There are no FTE positions allocated to this program.

Quasi-Public Appropriations	General Revenue
FY2024 Enacted	\$13,561,774
<i>Target and Other Adjustments</i>	-
Industrial Recreational Building Authority Obligations	452,553
Rhode Island Commerce Corporation Base Appropriation	215,553
FY2025 Governor	\$14,229,880
Quasi-Public Appropriations	Other Fund Changes
ARPA SFRF Port of Davisville (federal funds)	(59,000,000)

Industrial Recreational Building Authority Obligations **\$452,553**

The Governor includes \$452,553 in general revenue in FY2025 to meet a statutorily mandated moral obligation related to the Rhode Island Industrial Recreational Building Authority (RIIRBA).

Background: RIIRBA is a quasi-public entity established to promote the expansion of commercial, industrial, and recreational (travel/tourism) facilities in the state. It does this through the provision of mortgage insurance that lowers risk to private lending institutions when making loans to businesses looking to expand their facilities.

The insurance can backstop tax-free bonds, taxable bonds, and conventional mortgages. Businesses pay premiums to maintain the insurance through RIIRBA. This revenue comprises the reserve out of which RIIRBA makes any required payments to lenders on bad debt. RIIRBA is limited to \$60.0 million in the total amount that it may insure and \$5.0 million per project. It can cover up to 90.0 percent on real estate, 80.0 percent on machinery and equipment, and 75.0 percent on tourist/travel recreation projects.

Payments: In 2010, the Providence-based company Capco Steel, L.L.C. was looking to expand its facilities and purchase additional capital equipment. The company received a \$5.0 million loan from Webster Bank that was secured through a tax-free bond issued by the Rhode Island Industrial Facilities Corporation and insured by RIIRBA. In 2012, Capco defaulted on its payments to the bank, triggering RIIRBA to step in and begin making the scheduled payments out of its cash asset balance. RIIRBA continues to make these payments.

The remaining balance owed on the bonds as of June 30, 2023, is \$648,322. At present, RIIRBA has insufficient funds in its portfolio to make the next payment, which totals \$452,553. Under Rhode Island law, RIIRBA insurance is back by the full faith and credit of the State (RIGL 42-34-15) and therefore requires the General Assembly to appropriate the necessary funds.

Rhode Island Commerce Corporation Base Appropriation**\$215,553**

The Rhode Island Commerce Corporation (Commerce) is a quasi-public entity charged with implementing the delivery, performance, and accountability of the State's economic development activities.

The State provides general revenue appropriations to Commerce; however, the General Assembly does not directly approve its budget. Commerce's board has the sole responsibility to authorize the Corporation's annual budget.

The Budget includes \$8.5 million from general revenues to Commerce as its base allocation. This is \$215,553 more than the enacted level. Commerce's total budget in FY2025 is \$24.2 million. The base allocation represents 48.3 percent of the quasi-public agency's annual revenue. The balance is comprised of hotel tax revenue (36.0 percent), federal grants (1.8 percent), financial programs (2.8 percent), and other miscellaneous revenue (11.1 percent).

Commerce requested a \$521,631 increase in its base allocation in anticipation of increases in costs associated with personnel, healthcare, energy and technology. The lower amount reflected in the Governor's recommendation uses the 2.6 percent growth in inflation adopted by the November 2023 Revenue Estimating Conference.

The following table shows the revenues and expenditures that compose the annual Commerce RI budget:

Revenues	FY2022 Actual	FY2023 Actual	FY2024 Projected *	FY2025 Projected *	Change
<u>State Appropriations</u>					
RI Commerce Corporation Base Appropriation	\$7,659,565	\$7,947,778	\$8,290,488	\$8,687,776	\$397,288
Total State Appropriations	\$7,659,565	\$7,947,778	\$8,290,488	\$8,687,776	\$397,288
<u>Other Revenues</u>					
Hotel Tax Revenue	\$6,179,118	\$6,762,922	\$6,471,020	\$6,471,020	-
Finance Program Allocation	474,358	530,031	502,195	502,195	-
Federal Grants	329,000	333,738	331,369	331,369	-
Other	3,101,035	901,310	2,001,173	2,001,173	-
Total Other Revenues	\$10,083,511	\$8,528,001	\$9,305,757	\$9,305,757	-
Total Revenues	\$17,743,076	\$16,475,779	\$17,596,244	\$17,993,533	397,288
<u>Expenditures</u>					
Total Operations (Personnel and Operating)	\$14,701,888	\$19,017,708	\$19,522,615	\$20,040,927	\$504,907
Grants or Partnerships	4,460,104	3,860,907	4,160,506	4,160,506	299,599
Total Expenditures	\$19,161,992	\$22,878,615	\$23,683,121	\$24,201,433	\$804,506
Operating Surplus/(Deficit)	(\$1,418,916)	(\$6,402,836)	(\$6,086,877)	(\$6,207,900)	(407,218)
<u>Pass-Through and Federal Grants</u>					
STAC Research Alliance (EPScore)	\$900,000	\$900,000	\$900,000	\$900,000	-
Innovative Matching Grants	1,000,000	1,000,000	1,000,000	1,350,000	-
Renewable Energy Fund	2,628,789	11,738,838	5,500,000	5,500,000	(6,238,838)
Airport Impact Aid	1,000,102	1,010,036	1,010,036	1,010,036	-
Chafee Center at Bryant/International Trade Export Prog.	476,200	476,200	476,200	476,200	-
Polaris Manufacturing Technical Assistance	350,000	450,000	450,000	450,000	-
East Providence Waterfront Commission	50,000	50,000	50,000	50,000	-
Urban Ventures/Minority Entrepreneurship Prog.	140,000	140,000	140,000	140,000	-
Municipal Infrastructure Bank Match	1,000,000	2,500,000			
OSCAR Program - RIIB	-	4,000,000	-		(4,000,000)
Pass-Through - Subtotal	7,545,091	22,265,074	9,526,236	9,876,236	(10,238,838)
Federal Grants	329,000	333,738	357,584	383,134	
Federal Grants - Subtotal	329,000	333,738	357,584	383,134	23,846
Total	7,874,091	22,598,812	9,883,820	10,259,370	(\$12,714,992)

Source: Executive Office of Commerce

* Pending Board Approval

Port of Davisville (federal funds)**(\$59.0 million)**

The Budget includes a reduction of \$59.0 million in FY2025 in federal ARPA State Fiscal Recovery Funds for the Port of Davisville within the EOC's Quasi-Public Appropriations Programs. This drop reflects a

one-time SFRF appropriation in FY2024 that does not reoccur in FY2025. The original appropriation supports the advancement of the Quonset Development Corporation's (QDC) infrastructure master plan.

The Port of Davisville is a publicly-owned international shipping port located within the Quonset Business Park (QBP) in North Kingstown. The facilities currently include 4,500 linear feet of berthing space, consisting of five terminals, two piers (each 1,200 feet in length), a bulkhead, 32 feet of controlled water depth, on-dock rail, and 60 acres of laydown and terminal storage.

CAPITAL PROJECTS

The Budget includes \$316.0 million in capital project spending for FY2023-FY2028, with \$114.6 million in FY2023 and \$147.0 million in FY2024.

EOC Capital Projects	FY2024			FY2025			FY2026-FY2029			Total
	RICAP	Bonds	Agency Funds	RICAP	Bonds	Agency Funds	RICAP	Bonds	Agency Funds	
Broadband Infrastructure	-	-	\$25.0	-	-	-	-	-	-	\$25.0
Port of Davisville	-	8.4	59.0	-	-	-	-	20.0	-	87.4
I-195 Commission	1.0	-	-	0.6	-	-	2.1	-	-	3.7
I-195 Park Improvements	-	3.8	-	3.0	-	-	-	-	-	6.8
Innovations Centers	-	4.2	-	-	7.3	-	-	6.5	-	18.0
ProvPort	-	0.8	-	-	5.0	-	-	4.2	-	10.0
Quonset Infrastructure and Carrier Pier	-	-	-	4.8	-	-	5.0	-	-	9.8
South Quay Marine Terminal	-	-	35.0	-	-	-	-	-	-	35.0
Industrial Site Development	-	2.5	-	-	10.0	-	-	10.0	-	22.5
Total	\$1.0	\$19.7	\$119.0	\$8.4	\$22.3	-	\$7.1	\$40.7	-	\$218.1

\$ in millions

- **Broadband Infrastructure:** The Budget includes \$25.0 million in federal American Rescue Plan Act (ARPA) Capital Projects funds for Broadband Infrastructure in FY2024 to finance broadband projects that will provide high-speed, reliable internet to across the entire state. Funds will be awarded to municipalities, public housing authorities, business cooperatives and local internet service providers for projects targeted at those unserved and underserved by the current infrastructure as defined by national telecommunications and information administration standards.
- **Port of Davisville:** The Budget includes \$59.0 million in ARPA State Fiscal Recovery Funds in FY2024 to advance of the Quonset Development Corporation's (QDC) infrastructure master plan. The recommendation also includes \$10.0 million of bond proceeds in both FY2026 and FY2027 3 for the same purpose.
- **I-195 Commission:** The Budget includes \$963,819 from the RI Capital Plan Fund in FY2024 and \$646,180 in FY2025 for the continued development of the land made available by the relocation of I-195. Funding will continue to support engineering, design review, legal work for ongoing and prospective deals, and the design and construction of additional park infrastructure enhancements.
- **I-195 Park Improvements:** The Budget includes \$3.8 million in bond proceeds to help finance the construction of park infrastructure enhancements adjacent to the Providence River Pedestrian Bridge in the I-195 District in FY2024 and \$3.0 million in FY2025. In March 2021, voters approved a \$4.0 million bond referendum for this purpose. Funding is being used to construct park infrastructure enhancements, including a pavilion for food and beverage service, enhanced infrastructure, office space, and a small storage facility.
- **Innovation Centers:** The Budget includes \$4.2 million in FY2024 and \$7.3 million in FY2025 from bond proceeds to support additional business collaborations with higher education institutions, where cutting-edge research will be developed into new products, services, and businesses. Project funding was authorized by voters in 2016. Projects include the RI Innovation Hub and Accelerator, the

University of Rhode Island & Arizona State University Innovation Hub, and the RI Agricultural Technology Park.

- **ProvPort:** The Budget includes \$780,000 in FY2024 and \$5.0 million in FY2025 from the 2016 General Obligation bond authorization to increase terminal capacity at the Port of Providence, specifically by financing the acquisition of up to 25 acres of land located between Allens Avenue in the City of Providence and the Providence River. Once acquired and improved, the State of Rhode Island anticipates leasing the land to ProvPort, the City of Providence's current port operator. ProvPort, in turn, will enter into subleases with one or more private terminal operators. Those entities will make private investments in their terminal operations as well as pay fees to ProvPort for the land they lease. The State will share in the gross revenues, including sublease payments, generated from the expanded port area. The State will also realize additional income taxes from expanded employment.
- **Quonset Infrastructure and Carrier Pier:** The Budget includes \$4.8 million in Rhode Island Capital Plan funds in FY2025 for capital improvements to the infrastructure and piers at Quonset. The Port has two piers (Pier One and Pier Two) that are long past their expected useful lifespan. As part of the Quonset Development Corporation's \$205.0 million Port of Davisville master plan, Pier 2 will be rehabilitated by building an east extension and installing a sheet pile bulkhead.
- **South Quay Marine Terminal:** The Budget includes \$35.0 million in ARPA SFRF funds to develop a marine terminal industry on the East Providence waterfront that would support the offshore wind industry. This project is currently stalled based on failure to meet statutory deadlines for financing and cannot move forward absent a change in statute. The PRO has identified the project as at risk of not meeting expenditure deadlines required by the U.S. Treasury.
- **Industrial Site Development:** The Budget includes \$8.0 million in bond proceed funding in FY2024 for industrial site development. In March 2021, voters approved a \$40.0 million bond referendum for this purpose. According to the EOC, the funds are being allocated competitively for the purpose of preparing sites for the development of facilities related to manufacturing, assembly, distribution, and other job-producing commercial activities.