

# Executive Office of Commerce

Staff Presentation to the House Finance  
Committee  
April 28, 2015

## Introduction

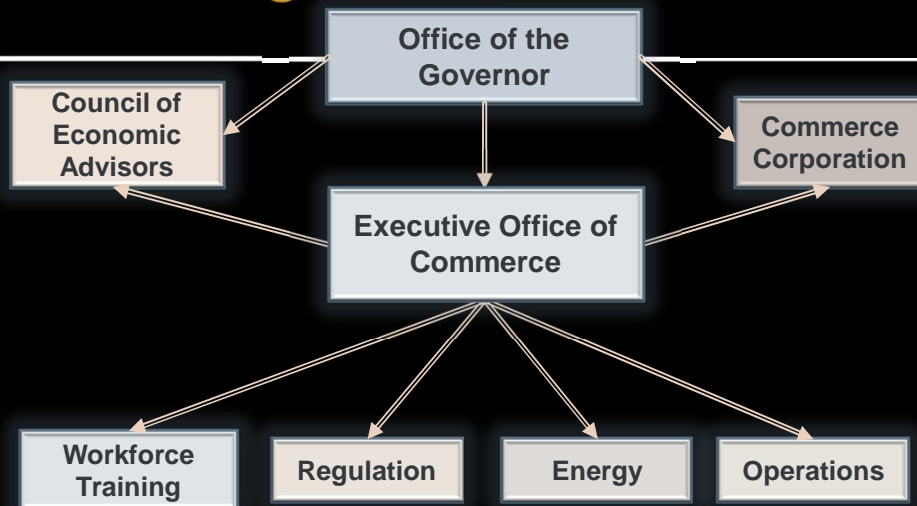
- 2013 Assembly created Executive Office of Commerce
  - Oversee and serve as the lead agency of the Executive Branch for managing the promotion of commerce and the state's economy
  - Administered by a secretary of commerce
  - Effective February 1, 2015

# Introduction

- Executive Office of Commerce
  - Pursuant to 2013-H 6063, Substitute B, on or about Feb. 1, 2015
  - Powers to operate functions from the Department of Business Regulation
    - Recommendation maintains stand-alone agency
  - Other functions from Department of Administration
    - Reflected in the FY 2016 recommended budget

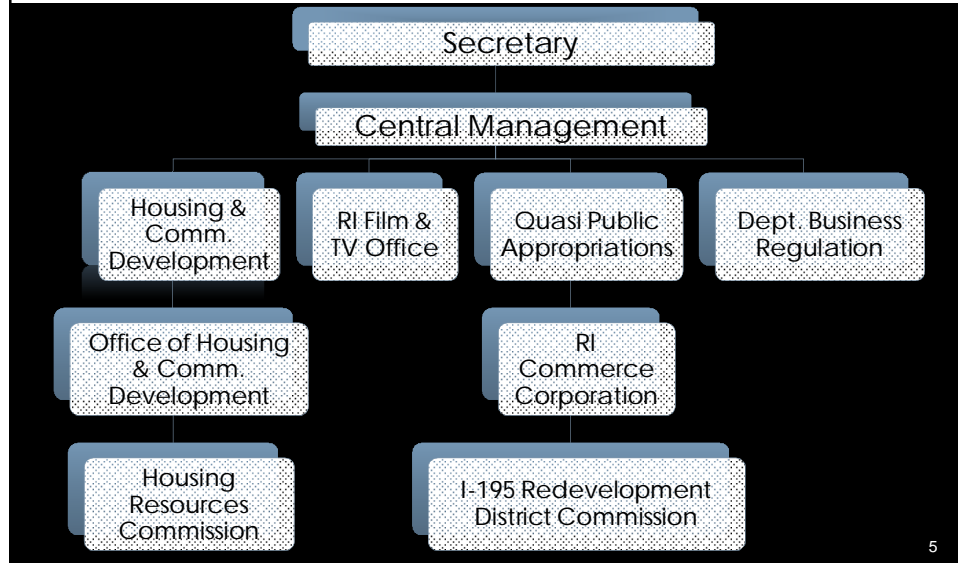
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# 2013 Legislation



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## FY 2016 Governor



## FY 2015 Revised

- Transfer of programs to occur in FY 2016
- FY 2015 Revised Recommendation
- Executive Office of Commerce
  - \$0.3 million from general revenues
  - For operations and staffing of 2.0 full-time positions
    - 5.0 positions are authorized

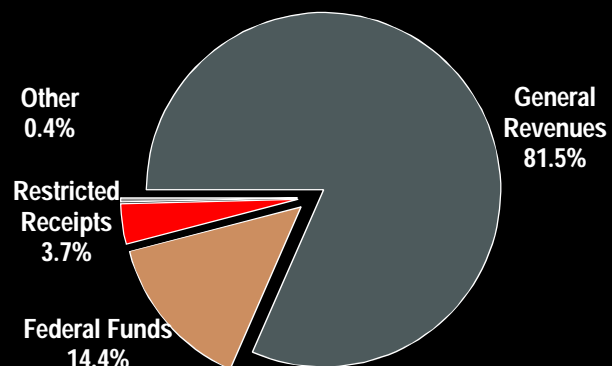
## FY 2016 Recommendation

Programs	FY 2016 Governor
Executive Office of Commerce	\$1.0
Housing and Community Dev.	14.4
RI Television and Film Office	0.3
Quasi-Public Appropriations	16.2
Economic Development Initiative Funds	44.5
<b>Total</b>	<b>\$76.3</b>

*In millions*

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## FY 2016 Recommendation



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## Executive Office of Commerce

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- Executive Office of Commerce

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## Executive Office of Commerce

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- FY 2016 Recommendation
  - \$1.0 million from general revenues
    - All but \$56k is for salaries and benefits
  - Staffing of 5.0 full-time equivalent positions
    - Secretary of Commerce
    - Deputy director
    - Director of communications
    - Chief of strategic planning, monitoring & evaluation
    - Administrative support

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## Executive Office of Commerce

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- Housing and Community Development

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## Housing & Community Dev.

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- Transferred from DOA
  - Consistent with adopted legislation in 2013
  - Within Statewide Planning
- Administers & oversees housing programs
  - Community Development Block Grant funds
  - Rental housing subsidies
  - Lead Hazard Reduction Program
  - Shelter operations

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## Housing & Community Dev.

	FY 2015 Enacted*	FY 2016 Gov. Rec.	Chng./ Enacted
General Revenues	\$0.6	\$0.6	\$-
Federal Funds	11.4	11.0	(0.4)
Restricted Receipts	3.4	2.8	(0.6)
<b>Total</b>	<b>\$15.4</b>	<b>\$14.4</b>	<b>(\$1.0)</b>

*\*in Department of Administration*

- Recommends staffing of 11.0 full-time positions
  - 7.0 positions filled – pay period ending 4/18

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## Housing & Community Dev.

- Lead Abatement & Housing Subsidies
  - Created by 2014 Assembly
  - Funded with \$0.30 from real estate conveyance tax
  - Provide a permanent stream of funding for rental subsidy, shelter operations and lead hazard reduction abatement
- Recommends \$2.8 million
  - \$0.6 million less than enacted
  - One-time funding from settlement funds

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## Housing & Community Dev.

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- Community Development Block Grants
  - State manages program for 33 municipalities - do not receive allocation directly from HUD
    - Cranston, East Providence, Pawtucket, Providence, Warwick & Woonsocket are "Entitlements" and operate their own programs

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## Housing & Community Dev.

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- Community Development Block Grants
  - State may only distribute funds to units of general local government
    - Communities distribute funds to non-profit and other entities to undertake eligible activities
- Recommends \$4.4 million from federal funds
  - \$0.4 million less than enacted
  - Adjustments based on prior year spending and new awards from HUD

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## Executive Office of Commerce

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- RI Television and Film Office

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## RI Television & Film Office

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- Mission - promote state as the ideal site for film & television, and to help the state's film and video
  - \$15.0 million cap on tax credit
  - Sunsets on July 1, 2019

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## RI Television & Film Office

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- Recommends \$0.3 million and 2.6 positions
  - Consistent with enacted budget
- Transfer from DOA
  - Needs statutory change to effectuate
- Previously in Council on Arts
  - 2012 Assembly transferred to DOA

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## Executive Office of Commerce

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- Quasi-Public Appropriations
  - Commerce Corporation

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## Commerce Corporation

- Corporation is organized as a quasi-public entity
  - Consolidates all economic development activities into a single entity
  - Formed from merger of Department of Economic Development (state agency) and the Rhode Island Port Authority (quasi-public agency) in 1995
- 2013 Assembly adopted 6071 Sub A
  - Rhode Island Commerce Corporation

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## Commerce Corporation

- Corporation has five subsidiaries
  - Small Business Loan Fund Corporation
  - Airport Corporation
  - Quonset Development Corporation
  - I-195 Redevelopment District
  - East Providence Waterfront Commission
  - Other entities
    - RIIFC
    - RIIRBA

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## Commerce Corporation

- Rhode Island Industrial Facilities Corporation (RIIFC)
  - Issues tax exempt and taxable revenue bonds on behalf of RI companies seeking financing
  - Conduit financing – no financial exposure

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## Commerce Corporation

- Rhode Island Industrial-Recreational Building Authority (RIIRBA)
  - Insures mortgage payments on industrial and recreation projects approved by the authority
  - Up to \$5.0 million
  - Backed by \$60.0 million previously approved general obligation bonds authority (\$14.5 million used – June 30, 2014)

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## Commerce Corporation

- Commerce Corporation Board
  - Corporation's board of directors consists of 13 members, including the Governor, who serves as chairperson
  - Governor appoints all 12 members
  - Board oversees implementation of all state-level economic development programs
- Amendment requested on 4/15
  - Secretary of Commerce to serve as chairperson of board
    - Secretary would no longer be CEO

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## Commerce Corporation

	Base Sources	FY 2016 Gov.	Diff.
General Revenue	\$3.9	\$7.9	\$4.0
Commerce Programs*	-	3.6	3.6
<b>Subtotal</b>	<b>\$3.9</b>	<b>\$11.5</b>	<b>\$7.6</b>
Redirected Hotel Tax	\$-	\$6.4	\$6.4
Other (unrestricted cash & program financing)	3.0	3.0	-
<b>Total</b>	<b>\$7.0</b>	<b>\$20.9</b>	<b>\$14.0</b>

\*Some authorized in Article 29

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## Commerce Corporation

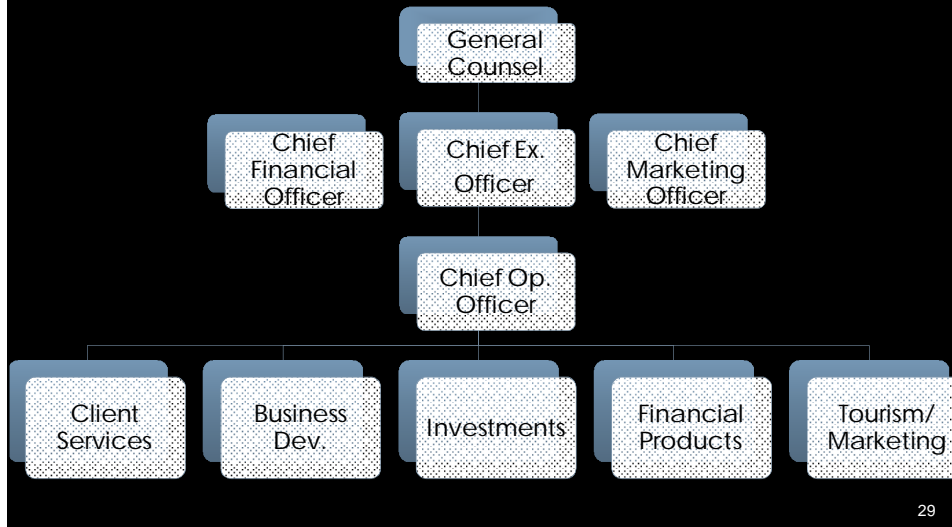
<i>Item</i>	<b>FY 2016</b>
Commerce Corp. Operations	\$4.3
Tourism & Marketing	5.5
<b>Student Loan Forgiveness (29-9)</b>	<b>1.8</b>
<b>High School Partnership: P-Tech (29-9)</b>	<b>0.9</b>
Small Business Initiative Research	0.5
<b>Innovate Vouchers (29-11)</b>	<b>0.5</b>
<b>Building Code &amp; Fire Permit (29-1)</b>	<b>0.3</b>
Office of Economic Empowerment	0.3
<b>Total</b>	<b>\$14.0</b> <sup>27</sup>

## Commerce Corporation

- Commerce Corporation – Operations
  - Additional \$4.3 million for operations
    - \$4.0 million in direct general revenues
    - \$0.3 million from redirected hotel tax
- 20 new positions - \$3.3 million
  - Cost per position would vary by types of operations
- \$1.0 million for operating costs
- Spending detail not include for quasis like direct state agencies

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# Commerce Corporation



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# Commerce Corporation

- Client Services – *liaison between businesses and government*
- Business Development – *attracting companies*
- Investments – *administer incentive prog.*
- Financial Products – *STAC, SBLF, REF & others*
- Tourism/Marketing – *develop and maintain unified tourism and business*

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## Tourism

- Current statewide tourism budget of \$0.5 million
  - Funds two positions and an intern
  - Operating costs
- An area where state is an outlier in terms of what other states spend
- U.S. Travel Association
  - Survey of state tourism office budgets for FY 2013 - states spent an average of \$14.9 million for statewide tourism efforts

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## Tourism & Marketing Campaigns

- Tourism Campaign
  - Recommends \$4.5 million
  - Promote state as a vacation and leisure destination
  - Timeline
    - Request for Proposals
    - Transition plan/Interface with local districts
- Marketing Campaign - \$1.0 million
  - Efforts to attract businesses

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## Student Loan Reimbursement Fund

- Student Loan Reimbursement – \$1.8m  
Competitive student loan forgiveness
  - Up to 4 years of loan forgiveness and 100% of education loan expenses during 4 yr. period
  - Awards are done as a cash payment
- Application fee not to exceed \$50
  - Deposited into fund
- Data
  - 57,000 workers in sectors
  - 4,200 job postings currently

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## Student Loan Reimbursement Fund

- 2/3<sup>rd</sup> of recipients have to be permanent resident of the state or have attended an institution in the state
- Associate, bachelor, or graduate degree in: environmental sciences, computer tech., engineering and medicine
- Recipients must work at least 35 hrs./week for an employer located in the state
- Funds withheld if recipient becomes noncompliant

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## Partnerships – P-Tech

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- Partnerships –Tech – \$0.9 million
- Supports partnerships among High schools, CCRI, other institutions of higher ed. and employers
- Offer courses towards diplomas, internships and associate degrees
- Commerce would establish rules and regulation

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## Small Business Initiative Research

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Innovate RI Small Business Program – \$1.0M

- Adopted by the 2013 Assembly
  - Administered by the Science and Technology Advisory Council
  - Innovate RI Small Business - provides eligible businesses with grants to offset costs associated with applying for research grants
    - RI-based companies with 50 or fewer employees
    - A bioscience and engineering internship program

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## Innovation Vouchers

- Innovation Voucher – \$0.5 million each in both years
  - Small businesses with less than 500 employees
  - Establishes Innovation Voucher Program
    - Purchase research and development support from institutions of higher ed. and other providers
    - Voucher awards \$5k – \$50K
  - Submit application to Commerce

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## Building & Fire Code Inspections

- Building and Fire Codes – \$0.3 million
  - Projects receiving Commerce Corp. incentives be subject only to state building and state fire codes
  - A municipality with population greater than 150K may opt to have other projects reviewed and inspected by state
    - State building and fire codes will stand

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## Off. of Economic Empowerment

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- Office of Economic Empowerment
  - Serve as a one-stop shop for individuals to access federal and state benefits, including
    - Education
    - Job training
    - Employment opportunities
- Recommends \$0.3 million

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## Executive Office of Commerce

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- Quasi-Public Appropriations
  - I-195 Redevelopment District Commission

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## I-195 Redevelopment District Commission

- I-195 Development District as a subsidiary of the Corporation in 2011
- 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

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## I-195 Redevelopment District

- Debt Service Structure
  - 2011 authorized issuance of up to \$42.0 million for purchase of land from DOT
    - \$39.4 million to acquire land
    - 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

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## I-195 Redevelopment District

- Responsible for sale, marketing & oversight of land
- Recommends \$1.1 million for FY 2016
  - \$0.8 million from general revenues
  - \$0.3 million from Rhode Island Capital Plan funds
- Staffing support of 2.0 positions
  - Director
  - Project director
- Adopted legislation allows charges – self support entity

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## Ex. Office of Commerce

- Pass-through Appropriations
  - Airport Impact Aid
  - Slater Technology Fund
  - EPSCoR
  - Innovate RI Small Business Program
  - Community Service Grants

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## Pass-Throughs

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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

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## Pass-Throughs

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Slater Technology Fund

- A state-backed venture capital fund that invests in new ventures
- Has a 17-year history
  - \$46.2 million total fund to date
- Intent: eventually it would be self-sustaining through returns on investment

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## Pass-Throughs

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### Slater Technology Fund

- Recommendation
  - No more state support
- Federal award \$9.0 million as part of federal State Small Business Credit Initiative
  - Funds are budgeted in DOA
    - Oversight

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## Pass-Throughs

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### EPSCoR - \$1.2 million

- Support for state's participation in Nat. Science Foundation's Experimental Program to Stimulate Competitive Research (EPSCoR)
  - FY 2016 is level funded with FY 2015 – prior years had been \$1.5 million
  - 11<sup>th</sup> installment bringing total to \$13.0 million
    - Initially, this was a three-year commitment

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## Pass-Throughs

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- Chafee Center at Bryant
  - Recommends \$376,200 in both years
  - Increase of \$250K in both years
  - Helps local companies initiate and/or develop international trade opportunities
- Community Service Grants
  - \$0.6 million for 14 grants
  - Consistent with enacted budget

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## Executive Office of Commerce Corporation

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- Economic Development Initiative Funds

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## Economic Dev. Initiative Funds

### Restructuring of GO debt

- Principal payments are deferred and/or shortened to provide additional savings in particular years
- In total, an additional \$90.0 million of long term debt will be incurred to save the projected \$83.9 million during the next two fiscal years
  - FY 2016 includes \$44.5 million
  - Legislation for most programs are included in Article 29, April 15 & Article 24, April 28

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## Economic Dev. Initiative Funds

	<i>Article</i>	<i>2016</i>
I-195 Redevelopment Fund	29	\$25.0
Small Business Assist. Program	29	5.5
Closing Fund	29	5.0
Affordable Housing	N/A	3.0
RI Infrastructure Bank	24	2.0
Anchor Tax Credit	29	1.8
Streetscape Improvement	29	1.0
Industry Cluster Grants	29	0.8
Innovation Initiative	29	0.5
<b>Subtotal</b>		<b>\$44.5</b>

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## Ex. Office of Commerce

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- Article 1 language
  - Authorizes Secretary of Commerce to transfer funds between each program initiative as he deems necessary
  - Prior to doing so, must notify the Director of the OMB, and chairpersons of the House and Senate Finance Committees

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## I-195 Redevelopment Fund

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- I-195 Redevelopment Fund – \$25.0 million
  - Additional tools to attract new institutions and employers
  - Close financing gaps
  - Bring “Catalytic” projects
    - Adjacent land acquisition
  - Funding for infrastructure improvements to enhance development such as transportation, parks, greenways, performance venues, community facilities

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## Small Business Assistance

### Small Business Assistance – \$5.5 million

- Capital Access Fund
- Business with less than 200 employees
  - Having difficulties obtaining financing from traditional lenders
- Start up, improve or expand operations
- Sets aside 10% of funding for microloan
  - Loan amounts of \$2K-\$25K

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## Closing Fund

- Closing Fund – \$5.0 million
  - Provide flexibility when working with businesses interested in locating to or expanding in RI
  - 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 rehab.
  - Cover financing gaps compared to need or to have an advantage over alternative out of state option

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## Affordable Housing

- Affordable Housing – \$3.0 million
  - Administered by RI Housing
  - Provide RI Housing with gap financing
  - Will be used in conjunction with fed. Funds
  - Will leverage approximately \$12.0 million of federal funds and private equity
  - Finance development or preservation of affordable housing units
    - Assumption develop or preserve 200 to 300 affordable homes

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## RI Infrastructure Bank

- RI Infrastructure Bank – \$2.0 million
  - Creates Efficient Buildings Fund
    - Technical, funding & administrative support to public entities
    - Energy efficient & renewable energy upgrades to public buildings & infrastructure
    - Fund will also be seeded with Regional Greenhouse Gas Initiative and Energy Revolving Fund proceeds totaling \$5.0 million
    - \$2.0 million is flexible; not limited as other sources are

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## Anchor Tax Credit

- Anchor Tax Credit – \$5.7 million over 2 years
  - No project caps, no program caps
  - Credit against corporate income tax
  - For existing RI businesses that attract other businesses to state, either:
    - Physical relocation
    - At least 10 full-time jobs
  - Total credit amount determined by Commerce Corporation

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## Streetscape Improvement

- Streetscape Improvement – \$2.0 million over two years
  - Provides loans, matching grants and other form of financing
  - Create attractive environment for businesses
  - Enhance sidewalks, building facades, signage and lighting
  - Loan/grant amounts
    - Commerce to develop -criteria by which grant or loan applications will be judged/awarded
    - Grants or loans will be done on a rolling basis

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## Industry Cluster Grants

- Industry Cluster Grants – \$0.8 million in FY 2016 and \$1.3 million in FY 2017
- Support activities within an industry cluster and to close industry cluster gaps
  - Startup & technical assistance grants ranging \$75K to \$250K
  - Competitive grants from \$100K to \$500K

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## Innovation Initiative

- Innovation Network Program – \$0.5 million
  - Provides grants to organizations, must be matched
  - Non-profits, for-profit and universities
  - Offer technical assistance, space on flexible terms, and access to capital
  - Business in advanced or targeted industries
  - Annual report on Dec. 31 to Speaker and Senate President

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