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COPY

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March 9, 2023

The Honorable Marvin L. Abney
Chairperson of the House Committee on
Finance
Rhode Island State House
82 Smith Street
Providence, RI 02903

The Honorable Ryan William Pearson
Chairperson of the Senate Committee on
Finance
Rhode Island State House
82 Smith Street
Providence, RI 02903

Dear Chairpersons,

Pursuant to R.I. Gen. Laws § 42-64-10(e), please find enclosed an economic impact analysis, conducted pursuant to R.I. Gen. Laws § 42-64-10(a), in relation to tax credit agreements between the Rhode Island Commerce Corporation and Flux Marine, LTD, under the Rhode Island Qualified Jobs Incentive Act.

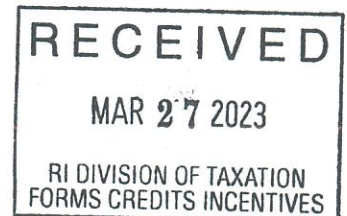
Should you have any questions or concerns, please contact the undersigned at 401-935-3404.

Very truly yours,

Thomas E. Carlotto, Esq.
Partner

Enclosure

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Matthew Weldon, Department of Labor and Training
Neena S. Savage, Division of Taxation



{2639-105 2023-03-09 Letter to EIA House and Senate.1}

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Rhode Island Commerce Corporation

Qualified Jobs Incentive Tax Credits – Economic Impact Analysis

Flux Marine, Ltd. Application

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Qualified Jobs Incentive tax credits to Flux Marine Ltd. (“the Company”), a manufacturer of electric outboard engines. The Company was founded in Massachusetts in 2018 and in 2020 moved East Greenwich, Rhode Island, where it currently employs 8 workers. The Company is requesting that the Corporation issue the tax credits in conjunction with a proposed expansion of its Rhode Island operations that would increase the number of workers it employs in Rhode Island from 8 to 48 in 2022, 68 in 2023 and a minimum of 88 by the end of 2024. The new jobs would be split between the Company’s current location in East Greenwich and newly-leased space in Bristol.

The Company is expected to request Qualified Jobs Incentive tax credits with an estimated value of \$1,857,750 over ten years, along with a \$50,000 Rhode Island Innovation Grant. As explained below, the Company could in 2024 qualify for additional credits by increasing the number of direct new jobs it adds in Rhode Island, beyond the minimum of 80 cited above.

This analysis was prepared by Appleseed, a consulting firm with twenty-five years’ experience in economic impact analysis.

Jobs Analysis

Initial capital costs

As Table 1 shows, the costs incurred by the Company in support of its expansion from 2022 through 2024 would include improvements to its leased space totaling \$860,000, and approximately \$3.8 million. For purposes of this analysis, we assume that all of the Company’s new equipment will be procured from sources outside the state.

Table 1: Initial capital costs (in \$ thousands of 2022 dollars)

Cost	
Build-out of leased space	\$860

Equipment	\$3,800
Total	\$4,660

Using the IMPLAN input-output modeling system, a modeling tool commonly used in economic impact analyses, Appleseed estimates (as shown in Table 2) that \$860,000 in construction spending will directly and indirectly support:

- 7 jobs in Rhode Island in construction and related industries, with \$467,000 in earnings (in 2022 dollars);
- \$1.047 million in statewide economic output; and
- A one-time increase of \$570,000 in Rhode Island's GDP.

Table 2: Direct, indirect and total annual impact of initial capital spending (income, value-added and output in thousands of 2022 dollars)

	Jobs	Earnings	Value added	Output
Direct	6	\$401	\$459	\$843
Indirect	1	66	41	204
Total	7	\$467	\$570	\$1,047

We further estimate that the projected expenditure of \$860,000 on construction would directly and indirectly generate approximately \$34,500 in State personal income, sales and business taxes (including sales and use taxes paid on materials used in construction).

Annual operations

As noted above, the Company plans to add minimum of 80 qualifying jobs in Rhode Island from 2022 through the end of 2024. Table 3 summarizes the categories in which the Company expects to create these jobs, and the anticipated median salary for each category.

Table 3: Projected minimum employment, year-end 2024

New positions

Job category	(as of 2024)	Median salary
Marketing and admin staff	12	\$81,660
Technicians	16	\$45,490
Engineers	43	\$99,590
Managers	9	\$154,470
Total	80	\$99,680

Based on data provided by the Company, Appleseed estimates that by the end of 2024, ongoing operations associated with the 80 new jobs the Company would be committed to maintaining in Rhode Island for twelve years will directly and indirectly support:

- 148 jobs in Rhode Island;
- \$17.25 million in annual earnings (in 2024 dollars);
- \$53.52 million in statewide economic output; and
- An increase of \$23.39 million in Rhode Island's annual GDP.

These impacts are summarized below in Table 4. The *direct impact* of the Company's operations reflects the Company's direct employment, its direct spending on wages and salaries, the value its operations add to Rhode Island's GDP, and the total value of the goods and services it produces. Its *indirect impact* is the effect of the Company's spending on purchases of goods and services from other in-state businesses on employment, earnings, value-added and output in Rhode Island.

Table 4: Direct, indirect and total annual impact of ongoing operations (income, value-added and output in millions of 2024 dollars)

	Jobs	Earnings	Value added	Output
Direct	80	\$9.64	\$12.38	\$29.80
Indirect	22	1.72	3.03	5.46
Total	102	\$11.36	\$15.41	\$35.26

In addition to the impacts on employment, earnings, output and state GDP cited above, the Company's new operations in Rhode Island would by the end of 2024 make a projected increase of approximately \$433,500 in annual state tax revenues, including:

- \$268,400 in state personal income taxes paid by workers newly employed by the Company in its expanded Rhode Island operations; or by Rhode Island workers whose jobs are indirectly attributable to the Company's expanded Rhode Island operations;
- \$131,200 in state sales taxes paid on those workers' taxable household spending; and
- \$33,900 in state business taxes.

As noted above, the 80 new direct jobs cited in Table 4 represent the minimum number of jobs the Company would be committed to adding by the end of 2024 and maintaining for a minimum of twelve years. The Company could become eligible for additional Qualified Jobs tax credits by increasing from 80 to at least 95 the number of new jobs added in Rhode Island; and for still more credits by further increasing the number of new workers employed in its Rhode Island operations from 95 to 110.

Hiring

Candidates for engineering jobs at Flux Marine are asked to prepare and deliver a fifteen-minute presentation to a panel of engineers on a project that demonstrates their technical skills and the strengths they would bring to the Company. The presentation is followed by a question-and-answer session, and several one-on-one interviews.

Benefits

Employee benefits offered by the Company include a medical plan with vision and dental options and paid time off, including 15 holidays and (for new employees) 14 days of PTO.

Impact

The state fiscal impact of the requested tax credits is estimated to be approximately \$1,857,750 in forgone state revenue. Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase in annual state GDP of \$15.41 million in 2024, the estimated associated job creation, and a gross increase of approximately \$4.877 million in personal income, sales and business tax revenues during construction and during the twelve-year commitment period beginning in 2023. These benefits are detailed in the foregoing analysis.

In addition to the economic and tax revenue impacts cited above, the proposed expansion of the Company's operations would benefit Rhode Island in other ways, including:

- Highlighting Rhode Island's attractiveness as a location for companies that are actively engaged in the transition from carbon-based fuels to electricity
- Highlighting the state's role as a center of "the blue economy"
- Adding to local governments' personal property tax base

Beyond the fiscal impact noted above, there is no anticipated financial exposure to the state. Various features of the Qualified Jobs Incentive program mitigate risk to the state; and the value of Qualified Jobs Incentive tax credits would be determined on the basis of the number of people actually employed and the wages actually paid by the Company.