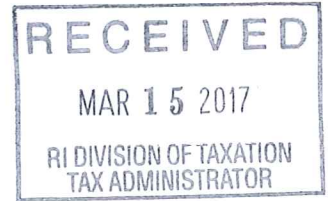




*A Limited Liability Partnership*



March 10, 2017

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

The Honorable Senator Daniel DaPonte  
Chairperson of the Senate Committee on  
Finance  
Rhode Island State House  
82 Smith Street  
Providence, RI 02903

Dear Mr. 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 a tax credit agreement between the Rhode Island Commerce Corporation and Surplus Solutions, LLC under the Rhode Island Qualified Jobs Incentive Act of 2015.

Should you have any questions or concerns, please contact undersigned at 401-272-1400.

Very truly yours,

Christopher J. Fragoneni, Esq.

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

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**Rhode Island Commerce Corporation**  
**Qualified Jobs Incentive Tax Credits – Economic Impact Analysis**  
***Surplus Solutions LLC Application***

**Introduction**

The Rhode Island Commerce Corporation (the “Corporation”) may issue Qualified Jobs Incentive tax credits to Surplus Solutions LLC (the “Company”), a firm that buys and sells used laboratory and biotechnology industry equipment. The credits would be issued in connection with the Company’s decision to relocate its operations from Massachusetts to a site the Company is seeking to acquire in Woonsocket. The Company would initially employ 12 people at its new location, rising to 16 in 2018.

The jobs to be relocated or created would range from management to sales to warehouse operations, with an overall median salary of approximately \$51,000 in 2018. The total value of the requested Qualified Jobs Incentive Tax Credits would be \$454,681 over ten years.

This analysis was prepared by Appleseed, a consulting firm with more than twenty years of experience in economic impact analysis.

**Jobs Analysis**

***Construction***

Based on information provided by the Company, we assume for purposes of this analysis that its relocation to an existing building in Woonsocket will not entail any significant spending on tenant improvements or other construction.

***Annual operations***

Upon relocating from Massachusetts in 2017, the Company would initially employ 12 full-time workers in Woonsocket, with plans to increase this total to 16 by the end of 2018. Based on data provided by the Company, we estimate that in 2018 its operations in Rhode Island would directly and indirectly account for:

- 24 full-time equivalent jobs in Rhode Island;
- Approximately \$1.8 million in annual earnings (in 2018 dollars);
- \$4.9 million in annual State-wide economic output;<sup>1</sup> and
- An increase of \$3.2 million in Rhode Island’s annual GDP.

These impacts are summarized below in Table 1. The project’s *direct impact* is the impact of the Company direct operations – the number of people it employs, the wages it pays, etc. Its *indirect impact* is the effect of spending by the Company’s in-state suppliers and contractors.

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<sup>1</sup> Output is a measure of the total sales by Rhode Island companies (including the “sale” of labor by Rhode Island households) generated by the project.

**Table 1: Direct and indirect impact of annual operations, 2018 (employment in FTE; income, value-added and output in millions of 2018 dollars)**

	Employment	Earnings	Value added	Output
Direct Effect	16	\$1.3	\$2.3	\$3.5
Indirect Effect	8	\$0.5	\$0.9	\$1.4
<b>Total Effect</b>	<b>24</b>	<b>\$1.8</b>	<b>\$3.2</b>	<b>\$4.9</b>

In addition to the impacts cited above, the Company would in 2018 generate a projected gross increase of \$108,000 in taxes paid to the State. These taxes would include approximately:

- \$69,000 in state personal income taxes paid by workers employed at the Company's new location in Woonsocket, or whose jobs are indirectly attributable to that facility's operations;
- \$30,000 in state sales taxes paid on those workers' taxable household spending; and
- \$9,000 in state business corporation taxes.

## **Benefits**

Employee benefits provided by the company include medical, dental and long-term disability insurance and a 401(k) profit-sharing plan.

## **Hiring**

The Company's hiring process includes the following steps:

- Posting available positions on sites such as LinkedIn.com, Monster.com and Indeed.com, and with local colleges
- Reviewing resumes and selection of applicants for informal phone interviews
- Inviting those who do well in phone interviews for in-person interviews with the President, General Manager and/or Vice President for Sales
- Final selection, background checks and extending an offer to the elected applicant

## **Impact**

The state fiscal impact of the requested tax credits is \$454,681 in foregone state revenue. The direct and indirect economic and fiscal benefits of the proposed project include an estimated \$3.2 million increase in Rhode Island's annual GDP starting as of 2018; and a gross increase of approximately \$1.3 million in personal income, sales and business corporation tax revenues directly and indirectly generated by the Company during a twelve-year commitment period.

Beyond the fiscal impact noted above, there is no anticipated financial exposure to the state. Any risk that employment (and associated tax revenues) might not reach the level assumed in this analysis (16 employees by 2018) is mitigated by the fact that Qualified Jobs Incentive tax credits will be based on actual employment and wages.