



January 26, 2018

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

The Honorable William J. Conley, Jr.
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 eMoney Advisor Holdings, LLC under the Rhode Island Qualified Jobs Incentive Act of 2015 and the First Wave Closing Fund Act.

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

Very truly yours,

Christopher J. Fragomeni, 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
eMoney Advisor LLC Application

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Qualified Jobs Incentive tax credits to eMoney Advisor LLC (“the Company”), a Radnor, Pennsylvania-based developer of interactive technologies used by professional financial advisors and their clients. The credits would be issued in connection with the Company’s decision to establish a new office in leased space in downtown Providence, to be staffed primarily by software engineers.

The Company intends to hire 50 new employees at this location by 2018, rising to 75 in 2019 and 100 in 2020. The Company is requesting Qualified Jobs Incentive tax credits with an estimated value of \$3.2 million over ten years, and \$97,500 from the Corporation’s First-Wave Closing Fund.

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

Jobs Analysis

Construction

The Company expects to spend approximately \$750,000 on tenant improvements in its leased space in downtown Providence. As shown below in Table 1, we estimate that direct spending of \$750,000 will directly and indirectly support:

- 5 person-years¹ of work in Rhode Island;
- \$325,000 in earnings;
- \$943,000 in statewide economic output²; and
- A one-time increase of \$490,000 in Rhode Island’s GDP.

These impacts are summarized below in Table 1. The project’s *direct impact* is the impact of the company’s direct spending on design and construction. Its *indirect impact* is the effect of

¹ A person-year is equivalent to the time worked by one person who is employed full-time for a year. In this case, 6 person-years of work could for example represent an average of 18 workers employed full-time for four months.

² 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.

spending by contractors for goods and services (insurance, construction materials, etc.) purchased from other Rhode Island businesses.

Table 1: Direct and indirect impact of construction (employment in person-years; income, value-added and output in millions of 2017 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	4	\$0.254	\$0,374	\$0.750
Indirect Effect	1	0.71	0.116	0.193
Total Effect	5	\$0.325	\$0.490	\$0.943

In addition to the impacts on employment, earnings, output and state GDP cited above, direct spending of \$750,000 would generate a projected one-time increase of approximately \$19,000 in taxes paid to the state during construction, including:

- \$12,200 in state personal income taxes paid by Rhode Island workers employed on the project, or whose jobs are indirectly attributable to the project;
- \$5,300 in state sales taxes paid on those workers' taxable household spending;
- \$1,500 in state business corporation taxes.

Annual operations

As noted above, the Company intends to hire 50 new employees at its new location in Providence by 2018, rising to 75 in 2019 and 100 in 2020. Table 2 summarizes the categories in which these jobs will be created, and median earnings for each category.

Table 2: Projected employment in 2020

	Employees	Average Salary
Software engineers, Designers & Quality Assurance	90	\$80,000
IT Operations	4	85,000
Technical Management	2	120,000
Product Owners	2	90,000
Operations Support	2	50,000
Total jobs/median salary	100	\$80,000

Based on data provided by the Company, and using the IMPLAN input-output modeling system (an economic modeling tool commonly used in economic impact analyses), Appleseed estimates that in 2020, ongoing operations associated with the 100 full-time jobs the Company is committing to creating and maintaining will directly and indirectly support:

- 143 full-time-equivalent (FTE) jobs in Rhode Island;
- \$11.7 million in annual earnings;
- \$32.8 million in statewide economic output³; and
- An increase of \$25.8 million in Rhode Island’s annual GDP.

These impacts are summarized below in Table 3.

Table 2: Direct and indirect annual impact of ongoing operations (employment in FTE; income, value-added and output in millions of 2020 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	100	\$8.6	\$20.5	\$24.8
Indirect Effect	43	3.1	5.3	8.0
Total Effect	143	\$11.7	\$25.8	\$32.8

In addition to the impacts on employment, earnings, output and state GDP cited above, the Company’s operations in its new location would generate a projected increase of approximately \$686,000 in annual state tax revenues, including:

- \$439,000 in state personal income taxes paid by workers employed by the Company at its new location, or by Rhode Island workers whose jobs are indirectly attributable to the Company’s operations at that site;
- \$192,000 in state sales taxes paid on those workers’ taxable household spending; and
- \$55,000 in state business corporation taxes.

Workers employed by the Company are expected to be drawn primarily from the Providence-Warwick RI-MA New England City and Town Area (NECTA).

Benefits

The Company offers a comprehensive package of benefits, including medical, dental and vision insurance, including a free medical plan option with a health savings account contribution; company-provided life, short-term disability and long-term disability insurance; employee-paid supplemental life and long-term disability insurance; an employee assistance plan; an online on-demand medical assistance program; a 401(k) retirement plan with company match; and legal assistance, identity theft protection, critical illness and accident insurance, flexible spending

³ Output is a measure of the total sales by Rhode Island companies (including the “sale” of labor by Rhode Island households) generated by the Center’s operations.

accounts and pet insurance. The company also provides paid time off to all regular employees as well as eleven paid holidays.

Hiring

The Company posts all available positions on its own website (www.emoneyadvisor.com) and on other sites such as LinkedIn and aggregators such as Indeed.com. Resumes received are reviewed by the recruiting team. Selected applicants go through a phone and in-person interview process with the recruiter, hiring manager and team members. At the completion of the interview process, selected candidates receive an offer letter and background checks are performed. After background checks are successfully completed, a start date is established for the selected candidate.

Impact

The state fiscal impact of the requested tax credits and other incentives is up to \$3.3 million in foregone state revenue and direct spending. Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase in annual state GDP of \$25.8 million by 2020, the estimated associated job creation, and a gross increase of approximately \$7.9 million in personal income, sales and business corporation tax revenues during renovation and the twelve-year commitment period beginning in 2018. These benefits are detailed in the foregoing analysis. In addition to the economic and tax revenue impacts cited above, the proposed project would benefit Rhode Island in other ways, including:

- Highlighting the state's attractiveness as a location for financial technology companies
- Increasing employment in an area with excellent public transportation and regional rail service
- Increasing local tangible personal property tax revenues

Beyond the fiscal impact noted above, there is no anticipated financial exposure to the state. In addition, various features of the program mitigate risk to the state. In particular, Qualified Jobs Incentive tax credits will be determined on the basis of salaries and wages actually paid.