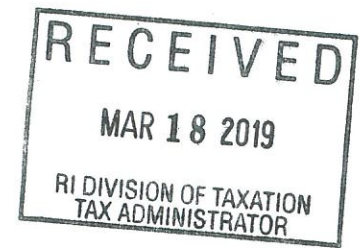


A Limited Liability Partnership



March 14, 2019

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 Collette Travel Service, Inc. under the Rhode Island Qualified Jobs Incentive Act of 2015.

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
Collette Travel Service, Inc. Application

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Qualified Jobs Incentive tax credits to Collette Travel Service, Inc. (“the Company”), a Pawtucket–based global tour operator and provider of travel services. The credits would be issued in connection with the Company’s decision to expand its operations in Rhode Island, resulting in the creation of new information technology, business development, marketing and management jobs in Pawtucket. The Company would add 50 jobs by 2021¹.

The Company has requested Qualified Jobs Incentive tax credits with an estimated value of approximately \$1.3 million.

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

Jobs Analysis

Annual operations

As noted above, the Company intends to add 50 employees to its Pawtucket operations in 2021. Table 1 summarizes the categories in which these jobs will be created (as of 2021), and the median salary for the new jobs.

Table 1: Projected employment, 2021

Job category	New positions (as of 2021)	Median salary
Information technology, product design and professional services	50	\$59,000

Based on data provided by the Company, and using the IMPLAN input-output modeling system (a modeling tool commonly used in economic impact studies), Appleseed estimates that in

¹ In addition to the 50 jobs cited here, the proposed expansion would entail the hiring of additional call center workers; but the Company has not included those jobs in its application for Qualified Jobs Incentive tax credits.

2021, ongoing operations associated with the 50 full-time jobs the Company would be committed to creating and maintaining would directly and indirectly support:

- 84 full-time-equivalent (FTE) jobs in Rhode Island;
- \$5.6 million in annual earnings (in 2021 dollars);
- \$16.8 million in statewide economic output; and
- An increase of \$8.6 million in Rhode Island’s annual GDP.

These impacts are summarized below in Table 2. The *direct impact* of the Company’s proposed expansion is the impact of the company’s increased spending on the wages and salaries paid to its new Rhode Island employees, and other expenditures associated with the work of those employees. Its *indirect impact* is the effect of the Company’s increased spending on goods and services (insurance, construction materials, etc.) purchased from other Rhode Island businesses.

Table 2: Direct, indirect and total annual impact of ongoing operations (employment in FTE; income, value-added and output in millions of 2021 dollars)

	Jobs	Earnings	Value added	Output
Direct	50	\$3.4	\$5.3	\$11.1
Indirect	34	2.2	3.3	5.7
Total	84	\$5.6	\$8.6	\$16.8

In addition to the impacts on employment, earnings, output and state GDP cited above, expansion of the Company’s operations in Rhode Island would generate a projected increase of approximately \$325,000 in annual state tax revenues, including:

- \$208,000 in state personal income taxes paid by workers newly employed by the Company in its expanded operations in Rhode Island, or by Rhode Island workers whose jobs are indirectly attributable to the Company’s expansion;
- \$91,000 in state sales taxes paid on those workers’ taxable household spending; and
- \$26,000 in state business taxes.

Benefits

The Company offers a comprehensive set of employee benefits. The Company pays 75 percent of the cost of health insurance, 50 percent of the cost of a dental plan and the full cost of vision care. It also offers a 401(k) plan, with an employer match equal to 50 percent of the employee’s contribution, up to 2.5 percent of total salary. Depending on its overall performance, the Company also awards “bonus” contributions to its employees’ 401(k) accounts, which can bring the total employer match up to 4.0 to 5.0 percent of annual salary.

The Company also provides a wellness program for all employees, 10 to 20 days of paid vacation per year, and 5 personal and/or sick days. Employees are also entitled to up to ten

days of “familiarization” tours each year, to ensure that they are familiar with the Company's travel products.

Hiring

After a request to fill a position has been approved by the Executive Vice President for Human Resources and the Chief Financial officer, the position is posted internally and on external career pages such as Monster.com and Indeed.com. The Company also seeks candidates through LinkedIn, and advertises vacancies in local newspapers and through university placement offices.

All applications received are reviewed, and qualified applicants are either screened by phone or called in for an initial interview with a recruiter. The most qualified candidates are then reviewed by a manager. Once a candidate is chosen, the Company checks references, as well as criminal and credit histories. If these checks are completed satisfactorily, the Company then extends an offer.

Impact

The state fiscal impact of the requested tax credits is estimated to be approximately \$1.3 million in foregone state revenue. Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase in annual state GDP of \$8.6 million, the estimated associated job creation, and a gross increase of \$3.9 million in personal income, sales and business tax revenues during the twelve-year commitment period beginning in 2021. These benefits are detailed in the foregoing analysis.

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

- Highlighting Rhode Island's attractiveness as a base for companies serving global markets
- Retaining its existing call center operations in Pawtucket
- Providing additional entry-level jobs in its expanded call center operations

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. The value of Qualified Jobs Incentive tax credits would be determined on the basis of the number of people actually employed and the salaries actually paid by the Company.