**At the State House**

The General Assembly is currently in a semi-holding pattern awaiting word from Washington D.C. There are reports that the federal House and Senate hope to come to a consensus on a state financial aid package by the end of July. With that as a backdrop, the Rhode Island legislature has decided to wait to see how much assistance is coming to the state before preparing a budget for fiscal year 2021. If no aid is provided, the state faces a revenue shortfall of over $500 million. To close that gap would require a reorganization of state and local government and services.

For these reasons, the state budget process will most likely pick up in August. Keep watching Tuesdays for Under the Dome. However, if the Chamber has nothing to report, then no edition will be sent to you.

**Senate Finance Committee To Meet in July**

On **Tuesday, July 7th at 4:00 p.m., the Senate Finance Committee** is scheduled to meet to accept testimony from the Governor’s staff concerning Article 8 section 2 (Hotel tax), Article 8 section 3 (US Treasury Offset Program), Article 11 (Economic Development) and Article 12 (Housing). As the Governor stated in a press conference, this budget was put forward at a different economic climate, so it is hard to know which initiatives the Governor still believes are possible in FY2021. The Senate Finance Committee may gain some insight through the testimony provided virtually at this hearing. The public may submit written testimony only. At this time there is no process listed for the public to testify verbally.

Article 8, section 2 proposes to change the way in which the hotel tax is distributed starting July 1, 2020. The distribution percentage of the tax collected changes, but keep in mind the Governor also proposed a 1% increase in the hotel tax (the increase is not part of the hearing on the 7th). Cities and Towns get 20.8% of the tax collected – down from the current 25%. The Providence and Warwick Tourism districts see their percentage lower from 30% to 25%. The Aquidneck Island Tourism District percentage lowers from 45% to 37.5%. Regional Tourism Districts such as the Blackstone Valley see a decrease from 45% to 37.5%. The amount of hotel tax going to the Commerce Corporation lowers in all regions about 3% to 3.5%. And, for the first time, 16.7% of the hotel tax generated would go to the General Fund for State use.

Article 11 seeks to accomplish the following:

* Gives the Commerce Corporation the ability to establish a site readiness committee that could step in to assist municipalities in creating sites ready and available to companies wishing to move into the state, including permitting processes, regulations and parcel planning. Municipalities can opt into the program, but once a municipality opts in, the rules cannot be changed. In the event a hope community opts in and provides a tax stabilization program agreement in connection with a project, then that community can apply to the commerce corporation for a partial reimbursement of up to 25% of the forgone tax revenue. The Commerce Corporation may only grant five certifications in any calendar year.
* Changes the Rebuild RI Tax Credit Act which is meant as a gap fund to help get projects over the success line. Current law calls for a maximum credit of 20% of the project cost. The Governor’s budget reduces the maximum credit to 15% unless the building involves a “recognized historic structure” or infrastructure costs that exceed 20% of the project costs, at which point the maximum would remain at 20%.
* Increases the maximum aggregate credits that can be issued from $210 million to $250 million
* Extends the sunset provision for the Rebuild RI Tax Credit, RI Tax Increment Financing, Tax Stabilization Incentive, Wave Closing Fund, I-195 Fund, Small Business Assistance Program, Main Street Program, Innovation Initiative, Industry Cluster Grant, High School Employer Partnership, RI Jobs Incentive and the Air Service Fund. All of these programs will sunset as of December 31, 2020, unless legislative action is taken. The Governor is asking for a 3-year extension.

Article 12 adds two members to the RI Housing and Mortgage Finance Corporation, and creates an Executive Branch division of housing and community development (DHCD). This division becomes responsible for creating a housing strategic plan and takes over responsibilities of the current Office of Housing and Community Development. Article 12 establishes a “Housing Incentives for Municipalities” program. Municipalities could designate areas as housing incentive districts. The state agency would then be able to help cities and towns with technical assistance as well as providing school impact offset payments (“a payment to a city or town to help offset increased municipal costs of educating eligible students”). In order to pay for the proposed programs, the Governor included in the budget an increase in the real estate conveyance tax. The tax would remain at $2.30 per each $500 in sales price for the first $500,000; and would double to $4.60 per each $500 over $500,000. The revenues collected from the portion of tax levied on the sales price over $500,000 (the new $4.60 per each $500) would distributed as follows: $.30 to the distressed community relief program; $.30 to the Housing and Community Development Restricted Receipt Account; $2.30 to a new housing production fund; $.60 to general revenue; and the remaining $1.10 goes to the municipalities. However, municipalities must pay a 2% administration fee to the division of taxation ($.022).

The meeting will be streamed live online via Capitol TV at <http://www.rilegislature.gov/CapTV/Pages/default.aspx>. Members of the public wishing to testify may submit written testimony to: [SLegislation@rilegislature.gov](mailto:SLegislation@rilegislature.gov)

**On Thursday, July 9th, the Senate Finance Committee** will hold a hearing on **Article 19 (Workforce Development)** of the Governor’s proposed budget. The Committee will also receive a report on the financial status of the **Unemployment Trust Fund** and “**potential employer tax schedule changes.**” Like the meeting to be held July 7th, this meeting will be streamed live online via Capitol TV at [www.rilegislature.gov/CapTV/Pages/default.aspx](http://www.rilegislature.gov/CapTV/Pages/default.aspx) . Members of the public wishing to testify may submit written testimony to: [SLegislation@rilegislature.gov](mailto:SLegislation@rilegislature.gov)

Article 19 is a 52 page Article that focuses on the construction industry and a few other areas of policy. If you are a member of the construction industry, the Chamber strongly urges you to read the Article which can be found at <http://webserver.rilin.state.ri.us/BillText20/HouseText20/Article-019.pdf>

Electrician (Class B) apprenticeship programs still require 8000 hours of on-the-job learning but it appears to eliminate the requirement to complete that training within 4 years. Maintenance electrician (Class M) still have 6000 hours but no longer within 3 years; and Lightning Protection Installers still need 4000 hours but no longer within 2 years. If an electrical apprentice obtained an associate degree in electrical technology, that person can get credit for 288 hours of academic instruction toward the apprenticeship requirement. The Electrician’s Board can also grant 144 hours of credit to apprentices that completed a high school electrical technology program.

Changes to the apprenticeship requirements are also made for electrical sign installers, plumbers, telecommunications, refrigeration technicians, pipefitters, and oil burnerpersons.

Of interest to all Rhode Island taxpayers is a section in Article 19 that only allows construction companies with apprenticeship programs, in every trade needed to build a school, to bid on a school construction project valued at $5 million or more. The Article states that 10% of the workers in each trade on the job must be apprentices, and that the company bidding must verify that it can meet this requirement at the time of bidding – not at the time the job begins. What does this mean in the real world? It means that only union construction companies will be able to bid on these projects, thus reducing the number of competitive bidders on school projects over $5 million. The Article does provide an out for the winning bidder if they determine there is a lack of apprentices in a specific field as long as the company demonstrated a good faith effort to comply. This allowance comes after the bid has been awarded, however. In a merit shop construction company (non-union), apprentices are full time employees of the individual company. The apprentice attends night classes and the individual company provides the on-the-job training requirement with approval by the Department of Labor. If the merit shop company does not have enough work for that apprentice, then – like most businesses – that employee will likely be laid off or terminated. A union construction company is different. The company calls the union hall and relays how many apprentices the company needs for a job. Joe Smith may work for one company one week and a different union company another week. Union construction companies can claim all of the union hall members as potential employees when attempting to qualify for bids. Merit shops can only claim their own full time employees. For this reason, it is extremely unlikely that any merit shop company will be able to bid on school buildings valued at $5 million or more should Article 19 pass.

Article 19 adds a provision to include nonprofit organizations with more than 1000 employees in the Job Development Assessment fee. In 2020, the taxable wage base for this fee is $24,000 per employee ($25,500 for those employers that have an unemployment experience rate of 9.19 or higher); and the tax rate is .21% (.0021).

Finally, this Article increases the earned-income tax credit. The Rhode Island tax credit would remain at 15% of the federal earned-income tax credit until December 31, 2020. The credit would increase to 16% from January 1, 2021 to December 31, 2021; 17% from January 1, 2022 to December 31, 2022; 18% from January 1, 2023 to December 31, 2023; 19% from January 1, 2024 to December 31, 2024; and to 20% effective January 1, 2025.