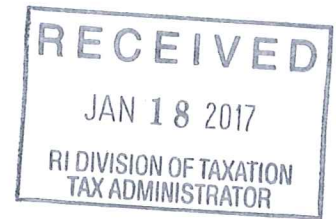


*A Limited Liability Partnership*



January 17, 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 Granite Telecommunications, 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. 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

1080 Main Street  
Pawtucket, Rhode Island 02860  
p 401.272.1400 f 401.272.1403

www.shslawfirm.com

# Rhode Island Commerce Corporation Qualified Jobs Incentive Tax Credits – Economic Impact Analysis

## *Granite Telecommunications, LLC Application*

### Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Qualified Jobs Incentive tax credits to Granite Telecommunications, LLC (the “Company”), a firm that provides a full range of telecom services to corporate and institutional customers. The credits would be issued in connection with the Company’s decision to expand its existing regional headquarters in Lincoln. Over a three-year period (2017 through 2019) the Company would add 50 new jobs at this site, including 47 jobs in sales and 3 in administrative support, with median annual earnings of \$48,293.

The total value of the requested Qualified Jobs Incentive Tax Credits would be \$779,464 over ten years, with a Company commitment to maintain the new full-time jobs for at least 12 years.

### Jobs Analysis

#### *Construction*

Prior to occupying the space into which it will be expanding, the Company estimates that approximately \$800,000 will be spent on tenant improvements, and \$200,000 on fixtures and equipment. We estimate that this expenditure will directly and indirectly support:

- 7 person-years<sup>1</sup> of work in Rhode Island;
- \$365,000 in earnings;
- Approximately \$1.1 million in State-wide economic output<sup>2</sup>;
- A one-time increase of \$566,000 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 spending by contractors for goods and services (insurance, construction materials, etc) purchased from other Rhode Island businesses.

In addition to the impacts cited in Table 1, spending on tenant improvements, fixtures and equipment would directly and indirectly generate a projected one-time increase of approximately \$21,000 in taxes paid to the State during construction, including:

- \$13,000 in state personal income taxes paid by workers employed on the project, or whose jobs are indirectly attributable to the project;
- \$6,000 in state sales taxes paid on those workers’ taxable household spending; and
- \$2,000 in state business corporation taxes.

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<sup>1</sup> A person-year is equivalent to the time worked by one person who is employed full-time for a year. It could for example represent the work of two people who are each employed full-time for six months; or the work of one person who is employed half-time for two years.

<sup>2</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 construction and related spending (employment in person-years; income, value-added and output in thousands of 2016 dollars)**

	Employment	Earnings	Value added	Output
Direct Effect	5	\$264	\$395	\$843
Indirect Effect	2	\$101	\$171	\$281
<b>Total Effect</b>	<b>7</b>	<b>\$365</b>	<b>\$566</b>	<b>\$1,124</b>

The anticipated wage rates for construction jobs are shown below in Table 2. Anticipated wage rates are the median hourly wage for these occupations in Rhode Island.

**Table 2: Anticipated wages during construction**

Occupation	RI median hourly wage <sup>3</sup>
Construction manager	\$54.17
Carpenter	\$21.04
Electrician	\$24.86
Plumber	\$23.54
Painter	\$18.10
Laborer	\$18.33

Fringe benefits associated with these jobs are expected to be in accordance with industry norms, with the cost of such benefits generally ranging between 22 and 28 percent of wages. Workers who fill these jobs are expected to be drawn primarily from the Providence-Warwick RI-MA New England City and Town Area (NECTA).

### **Annual operations**

The Company plans to hire 16 employees in 2017, 17 in 2018 and 17 in 2019, for a total of 50 new employees over three years. Based on data provided by the Company, we estimate that as of 2019 this incremental growth would directly and indirectly account for:

- 78 full-time equivalent jobs in Rhode Island;
- Approximately \$4.0 million in annual earnings (in 2017 dollars);
- \$19.7 million in annual State-wide economic output; and
- An increase of \$11.4 million in Rhode Island's annual GDP.

These impacts are summarized below in Table 3. The Company'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.

In addition to the impacts cited above, the Company would in its third year generate a projected gross increase of \$236,000 in taxes paid to the State. These taxes would include approximately:

- \$151,000 in state personal income taxes paid by the workers hired as part of the Company's expansion in Lincoln, or whose jobs are indirectly attributable to that expansion;
- \$66,000 in state sales taxes paid on those workers' taxable household spending; and

<sup>3</sup> Rhode Island Department of Labor and Training, Occupational Employment Statistics, 2015



- \$19,000 in state business corporation taxes.

**Table 3: Incremental direct and indirect annual impact of Granite Telecommunications expansion, years 3-12 (employment in person-years; income, value-added and output in millions of 2017 dollars)**

	Employment	Earnings	Value added	Output
Direct Effect	50	\$2.4	\$8.4	\$14.6
Indirect Effect	28	\$1.6	\$3.0	\$5.1
<b>Total Effect</b>	<b>78</b>	<b>\$4.0</b>	<b>\$11.4</b>	<b>\$19.7</b>

## Benefits

The Company provides an array of benefits that includes medical, dental and eye care coverage, term life insurance, disability insurance, an employee assistance plan, and a group legal plan.

## Hiring

Granite uses a variety of methods in its recruitment efforts. These practices include, but are not limited to, college fairs, intern programs, social media postings, online job sites and an internal referral incentive program.

## Impact

The state fiscal impact of the requested tax credits is \$779,464 in foregone state revenue. The direct and indirect economic and fiscal benefits of the proposed project include an estimated \$11.4 million increase in Rhode Island's annual GDP as of 2019; and a gross increase of \$2.6 million in personal income, sales and business corporation tax revenues directly and indirectly generated by the Company during construction and during a twelve-year commitment period.

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

- The Company's decision to expand in Lincoln will reinforce the state's efforts to market Rhode Island as an advantageous location for the regional facilities of national and global businesses.
- The Company's expansion in Lincoln will also highlight the state's attractiveness as a location for technology-based businesses.

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 (50 additional employees by 2019) is mitigated by the fact that Qualified Jobs Incentive tax credits will be based on actual employment and wages.