

RI Legislative Update

June 2014

Over the last several updates we have talked about the transition of the new House leadership and their challenges in the short and long term. Fortunately, based on what we have seen as of late, Speaker Mattiello has kept to his word and has demonstrated a pro-business outlook and has been careful when reviewing various pieces of legislation that it must be looked at in full and understand the short and long term impact to business and particularly to jobs. This was discussed in detail at our last Board meeting and here are some of the notes from that discussion:

Tony Fonseca, of Packaging & More and the Chairman of the RIFDA legislative committee, provided the group an update on the early events of this year's general assembly session.

Tony gave an overview of the changes made in the General Assembly and his observations and thoughts on the new speaker of the House Mattiello. Tony attended a fund raiser for the Speaker last week and had the opportunity to talk to the Speaker one on one. Speaker Mattiello seems very sincere and intelligent and appears to be very results oriented. He appears to be very pro-business and recognizes the importance of those companies that are willing to invest in RI. Steve Arthurs added that he had the opportunity to attend a private meeting with the Speaker two weeks ago and came away with similar impressions that Tony had shared.

Tony noted that there have been no significant changes on the bills we are following and provided some insight into the likelihood of some sort of minimum wage bill passing this session. Steve added to the discussion of the minimum wage bill by giving an update on his meeting with both the House and Senate bill sponsors and the respective Labor Committee chairs and what the results have been since then.

One of the biggest areas of focus this session has centered on corporate tax reform. It is generally accepted that the corporate taxes must be lowered in order to stimulate business investment – including investment in additional jobs. The challenge with this is that any concession to taxes will negatively impact the state budget. The budget is currently projected to have a 65 to 75 million dollar shortfall. There was a very good synopsis of this issue from Channel 12 Blogger Ted Nesi. A quick review of this puts this issue in its appropriate perspective:

It seems the Speaker has put the word out on combined reporting, as revenue neutral with the lowering of the corporate tax.

*Four months after **Governor Chafee** proposed his budget for the fiscal year that starts July 1, a roughly \$70 million shortfall has opened up in his tax-and-spending plan. The culprits include soaring Medicaid enrollment, weak tax revenue, unbudgeted union raises, and \$4.6 million for HealthSource RI. **Richard Licht**, the governor's right-hand man, says the administration is "looking at lots of options" to close the gap. "We have a \$70 million problem – we will solve it,*

*working cooperatively with the General Assembly,” Licht said on this week’s Newsmakers. “I wish we had \$70 million to spend; unfortunately, we have \$70 million to cut, and we will.” Of course, that \$70 million shortfall doesn’t account for the cost of the General Assembly’s own priorities – notably tax cuts and nixing the Sakonnet tolls. A two-step on the corporate tax – dropping the rate to 7% while switching to combined reporting – has momentum and is apparently revenue neutral, so its passage is highly likely. Another **Speaker Mattiello** priority – restructuring the estate tax to eliminate the “cliff” at \$921,655 – will be more challenging but could still find its way into the final document. A solution on tolls remains uncertain. The budget machinations are all taking place against the backdrop of an election year, which has lawmakers hoping to finish the session early without making anybody too mad – especially before the June 25 filing deadline for candidates.*

With the budget being the primary focus of the General Assembly – particularly House Leadership – it is doubtful we will see much action with regard to the large number of bills that are being held in committee. In the most likely scenario with we will see a good number of bills passed quickly and all at once after the budget process is completed and the necessary bargaining for votes has been completed. Unfortunately, one of the bills that seem sure to pass – in some form - is the minimum wage increase mentioned earlier. We have been and will continue to work diligently to minimize the amount from the original \$1 per hour increase, make it a one year bill (vs. 3) and eliminate the cost of living language for subsequent years.