STATE OF RHODE ISLAND

Governor Daniel J. McKee

Economic Development Tax Incentives Evaluation Act:

Evaluation of

"Stay Invested in RI Wavemaker Fellowship"

(R.I. Gen. Laws § 42-64.26)

Tax Years 2022 through 2024

Office of Revenue Analysis

September 4, 2026

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Executive Summary

This report is an evaluation of the Stay Invested in RI Wavemaker Fellowship program for tax years 2022 through 2024, conducted by the Office of Revenue Analysis (ORA) in accordance with Rhode Island General Laws Chapter 44-48.2. The report provides an estimate of the economic and fiscal impacts of this tax incentive. ORA found that the program breaks even on a net general revenue basis if 38.3% of the jobs associated with the program are assumed to be additional jobs (created or retained) that would not have existed without the incentive, while 61.7% are existing jobs in the state economy that benefited from the personal income tax reduction. ORA relied primarily on data provided by the Department of Revenue, Division of Taxation ("Taxation"), and the Rhode Island Commerce Corporation to conduct the analysis. The following is a summary of this evaluation:

The Tax Incentive Provision:

The Wavemaker Fellowship tax incentive provides a refundable tax credit for those that graduated from an accredited post-secondary institution of higher learning with an associate's, bachelor's, graduate, or post-graduate degree and at which the applicant incurred education loan repayment expenses. An eligible beneficiary with an associate's degree receives up to $1,000 annually in refundable tax credits; an eligible beneficiary with a bachelor's degree receives up to $4,000 annually in refundable tax credits; and an eligible beneficiary with at least a master's degree receives up to $6,000 annually in refundable tax credits for up to four years. An eligible beneficiary need not be a Rhode Island resident, but they must work for a Rhode Island-based company in specific fields. The Stay Invested in RI Wavemaker Fellowship tax credit sunset was extended to December 31, 2027.

The Main Goals and Objectives of the Tax Incentive:

The main goals and objectives of the Wavemaker Fellowship program can be summarized as:

- Attract high-skilled and high paying jobs to create opportunities and retain young people in the state.
- Help lower the student loan burden for college graduates to ensure access to lucrative employment opportunities.

Key Findings:

- According to Taxation, a total of 462 individuals received the Wavemaker Fellowship tax incentive over tax years 2022 through 2024, totaling $1.5 million in tax credits/refunds issued. This is a decrease from tax year 2019 through 2021, when a total of $3.4 million of tax credits/refunds were issued to 993 individuals.
- Out of the $1.5 million, $1.3 million was received by fellows as a tax refund and $152,808 was received as a tax credit that could be applied against the fellows' personal income tax liability.

- The current analysis was conducted using a three-year average Wavemaker Fellowship tax credit amount of $569,877 and a three-year average of 167 credit recipients across all covered industries.[1]
- ORA used the Regional Economic Model Incorporated's Tax-PI model to conduct the current evaluation. ORA selected the Professional, Scientific and Technical Services and Health Care and Social Assistance sectors (North American Industry Classification System codes 54 and 62) as representative of the types of jobs in which eligible beneficiaries of the Wavemaker Fellowship program are employed.
- ORA modeled the Wavemaker Fellowship program as a combination of an increase in employment in the Professional, Scientific and Technical Services and Health Care industries, under the assumption that without the program the jobs occupied by Wavemaker fellows would not exist in Rhode Island, and an increase in after-tax personal income, under the assumption that the program merely subsidizes Wavemaker fellows in existing jobs in the state. As described below, ORA assumed each job fell into one of these categories and varied the ratio of those categories to conduct a breakeven analysis.
- ORA employed a breakeven analysis to estimate the minimum percentage of the jobs occupied by Wavemaker fellows that would have to be new to the Rhode Island economy (and therefore would not exist without the tax incentive) for the program to pay for itself on a net general revenue, gross domestic product, and total employment basis.
    - With respect to Rhode Island net general revenues, the Wavemaker Fellowship program breaks even if 38.3% of the recipients work in Rhode Island in new jobs that exist because of this tax incentive and 61.7% of fellows work in jobs already embedded in the state economy but benefited from the decrease in personal income taxes associated with the program.
    - With respect to Rhode Island Gross Domestic Product, the Wavemaker Fellowship program breaks even if only 1.0% of the recipients were assumed to work in Rhode Island in new jobs that exist because of this tax incentive and 99.0% of fellows work in existing jobs in the Rhode Island economy but benefited from the decrease in personal income taxes associated with the program.
    - With respect to Rhode Island total employment, the Wavemaker Fellowship program breaks even if only 0.8% of the recipients were assumed to work in Rhode Island in new jobs that exist because of this tax incentive and 99.2% of fellows work in existing jobs in the Rhode Island economy but benefited from the decrease in personal income taxes associated with the program.

[1] Typically, ORA uses the actual three-year average of credit usage as an input into the cost-benefit model. As shown on page 20, this average is $515,530 in annual credit usage for 154 recipients. However, in 2024 the program was expanded to include additional healthcare applicants. ORA adjusted the inputs into the model by adding additional usage from healthcare applicants (using the actual usage from 2024 data).

Overall Assessment and Recommendations:

ORA recommends that the Wavemaker Fellowship be retained at this time but that adjustments be made in accordance with the following recommendations:

- Given that the program is succeeding in delivering benefits to applicants with well-paying jobs, the State should consider adjusting the amount of the Wavemaker Fellowship award based on applicant income.
- The program should consider adding "but for" due diligence into the application process to ensure new jobs are attributable to the incentive.
- The initial application should specify that applicants must be subject to Rhode Island withholding to qualify for the incentive.
- The program should improve data collection to help conduct a detailed economic analysis.
- The program should seek to reduce administrative costs to ensure program efficiency.

Finally, policymakers should consider that the Wavemaker Fellowship program challenges two tenants of tax policy: vertical and horizontal equity. Vertical equity would be addressed by amending the program to include an income phaseout as described in the first recommendation. Horizontal equity is more difficult to address given that only a subset of taxpayers eligible for the program apply and are awarded the incentive. Opening the program to all eligible taxpayers would solve horizontal equity concerns but would substantially increase the cost of the program.

Foreword

The evaluation of the Stay Invested in RI Wavemaker Fellowship program, *Tax Years 2022 through 2024* was prepared at the request of Matthew McCabe, Chief of the Rhode Island Department of Revenue, Office of Revenue Analysis in accordance with Rhode Island General Laws § 44-48.2-4. Madiha Zaffou, *Ph.D.*, Deputy Chief and Anoushka Mohnot, Senior Economic & Policy Analyst, in the Office of Revenue Analysis were the project leaders for the production and writing of this report, under the guidance of Mr. McCabe.

Much of the information needed to complete the analysis contained in this report was provided by the Rhode Island Department of Revenue, Division of Taxation (Taxation), under the direction of Neena Savage, State Tax Administrator. The compilation of the data that was provided to the Office of Revenue Analysis was due to the tremendous efforts of Tracy Wunder, Chief Data Analyst in the Division of Taxation. Tracy was assisted in this task by Donna Dube, Chief Revenue Agent, Forms, Credits and Incentives.

In addition, the Office of Revenue Analysis would like to thank the Rhode Island Commerce Corporation (CommerceRI), under the direction of Stefan Pryor, Secretary of Commerce, for providing information pertaining to this tax incentive program.

The Office of Revenue Analysis is appreciative of the efforts made by Taxation and CommerceRI to provide us with the best information available at the time this report was written.

Part I: Introduction

Pursuant to Rhode Island General Laws § 44-48.2-4, titled the *Rhode Island Economic Development Tax Incentives Evaluation Act of 2013,* the Chief of the Office of Revenue Analysis (ORA) in the Rhode Island Department of Revenue is required to produce a report that contains analyses of economic development tax incentives as listed in R.I. Gen. Laws § 44-48.2-3(1). According to R.I. Gen. Laws § 44-48.2-4(1), the report "[s]hall be completed at least once between July 1, 2014, and June 30, 2017, and no less than once every three (3) years thereafter."

The additional analysis as required by R.I. Gen. Laws § 44-48.2-4(1) shall include, but not be limited to the following items as indicated in R.I. Gen. Laws § 44-48.2-5(a):

1) A baseline assessment of the tax incentive, including, if applicable, the number of aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through taxes applied to their employees;
2) The statutory and programmatic goals and intent of the tax incentive, if said goals and intentions are included in the incentive's enabling statute or legislation;
3) The number of taxpayers granted the tax incentive during the previous twelve-month (12) period;
4) The value of the tax incentive granted, and ultimately claimed, listed by the North American Industrial Classification System (NAICS) Code associated with the taxpayers receiving such benefit, if such NAICS Code is available;
5) An assessment and five-year (5) projection of the potential impact on the state's revenue stream from carry forwards allowed under such tax incentive;
6) An estimate of the economic impact of the tax incentive including, but not limited to:
    i. A cost-benefit comparison of the revenue forgone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees; and
    ii. An estimate of the number of jobs that were the direct result of the incentive;
7) The estimated cost to the state to administer the tax incentive if such information is available;
8) An estimate of the extent to which benefits of the tax incentive remained in state or flowed outside the state, if such information is available;
9) In the case of economic development tax incentives where measuring the economic impact is significantly limited due to data constraints, whether any changes in statute would facilitate data collection in a way that would allow for better analysis;
10) Whether the effectiveness of the tax incentive could be determined more definitively if the General Assembly were to clarify or modify the tax incentive's goals and intended purpose;
11) A recommendation as to whether the tax incentive should be continued, modified, or terminated; the basis for such recommendation; and the expected impact of such recommendation on the state's economy;
12) The methodology and assumptions used in carrying out the assessments, projections and analyses required pursuant to subdivisions (1) through (8) of this section.

The current report is one part of a series of reports for each one of the tax credits to be analyzed according to R.I. Gen. Laws § 44-48.2-3(1). This report concerns R.I. Gen. Laws § 42-64.26 titled "Stay Invested in RI Wavemaker Fellowship" and measures the economic impact associated with the tax incentive during tax years 2022 through 2024. This analysis is performed at the micro-level using information provided by the Rhode Island Commerce Corporation (CommerceRI) and the Division of Taxation (Taxation). This report is divided into five sections. Section I provides a detailed description of the tax incentive and its statutory programmatic goals and intent. Section II presents some background regarding this tax incentive. Section III presents a description of the data provided and used in the analysis by ORA. Section IV assesses the economic impact generated under the Wavemaker Fellowship program. Section V discusses relevant policy recommendations that could help in the decision process as to whether the tax credit should be continued, modified, or terminated.

1. Description of the Incentive

The Wavemaker Fellowship program offers qualifying individuals a refundable tax credit worth the value of their annual student loan burden. This program is primarily administered by CommerceRI and is designed for applicants who

- "shall have graduated from an accredited two-year, four-year or graduate post-secondary institution of higher learning with an associate's, bachelor's, graduate, or post-graduate degree and at which the applicant incurred education loan repayment expenses";
- "is a full-time employee whose wages are subject to Rhode Island income tax withholding with a Rhode Island-based employer located in this state"; and
- "whose employment is for work in one or more of the following covered fields: life, natural or environmental sciences; computer, information or software technology; advanced mathematics or finance; engineering; industrial design or other commercially related design field; or medicine or medical device technology."
    - In addition, in the 2022 legislative session, "healthcare applicant" are newly eligible for the program and are defined as any eligible applicant who works full time as a high demand healthcare practitioner or mental health professional, including clinical social workers and mental health counselors licensed by the Department of Health starting July 1st, 2022[2].
    - The 2023 legislative session included "teacher" (who can be an educator with a valid Rhode Island teacher, support professional, or administrator certificate and is employed in the state as a teacher, support professional, or administrator) in Rhode Island schools as eligible for this tax credit.
    - Finally, the 2024 legislative session added a definition of "primary care" and set aside $500,000 of the Wavemaker Fellowship fund in the FY 2025 budget specifically for this subset of fellows.

[2] Statutory provisions also extend eligibility to certain healthcare applicants operating as single-member LLCs, sole proprietorships, or within healthcare partnerships.

- The maximum amount of credit that can be granted to an applicant is "up to a maximum amount for each" 12 month period "of $1,000 for an associate's degree holder, $4,000 for a bachelor's degree holder, and $6,000 for a graduate or post-graduate degree holder,…not to exceed the education loan repayment expenses incurred by such applicant during each 12 month period completed for up to four consecutive 12 month periods."[3] Seventy percent of the total amount awarded in each calendar year should be reserved for applicants who are permanent residents of the state of Rhode Island or who attended an institution of higher education located in Rhode Island when they incurred the education loan expenses.

The credit is allowed against the personal income tax imposed by R.I. Gen. Laws Chapter 44-30. The fellowship recipient may also request a refund of his/her credits in whole or in part, for 100% of the credit amount. Usage of the incentive is reimbursed from the Wavemaker Fellowship fund, which to date has consisted of money appropriated in the state budget to this fund (meaning the State prefunds this tax incentive program through the budget process). Funding for the program is limited. The number of awards depends on the number of eligible applications and available funding. No incentives or credits under the program can be authorized after December 31, 2027.

A copy of the 2023 Wavemaker Fellowship Program application can be found in Appendix A.

2. Statutory and Programmatic Goals and Intent of the Tax Incentive

According to R.I. Gen. Laws § 42-64.26-2, the General Assembly finds and declares that:

1) A well-educated citizenry is critical to this state's ability to compete in the national and global economies.
2) Higher education both benefits individual students and is a public good benefiting the state as a whole.
3) Excessive student loan debt is impeding economic growth in this state. Faced with excessive repayment burdens, many individuals are unable to start business, invest or buy homes, and may be forced to leave the state in search of higher paying jobs elsewhere.
4) Relieving student loan debt would give these individuals greater control over their earnings, would increase entrepreneurship and demand for goods and services, and would enable employers in this state to recruit and retain graduates in the fields of science, technology, engineering and mathematics.
5) The Stay Invested in RI Wavemaker Fellowship is designed to achieve the following goals:
   i. Promote economic opportunity for people in this state by ensuring access to the training and higher education that higher-paying jobs require;
   ii. Bring more and higher-paying jobs to this state by increasing the skill level of this state's workforce;
   iii. Offer educational opportunity and retraining to individuals impacted by job loss, workplace injury, disability or other hardship;

[3] For example, an eligible applicant with an associate's degree could receive at most $4,000 in refundable tax credits over a four-year period provided the applicant has and pays on student loan debt payments of at least $4,000 for the same period. The comparable figures are $16,000 and $24,000 for an eligible bachelor's degree holder and an eligible graduate or post-graduate degree holder respectively. Note that certified award amounts are based on mandatory annual loan obligations and do not include voluntary principal prepayments.

iv. Keep young people in the state through incentives for educational opportunity and creation of more high-paying jobs;
v. Encourage an entrepreneurial economy in Rhode Island;
vi. Accomplish all of the goals in this chapter with as little bureaucracy as possible.

Part II: Benchmarking and Background

This benchmarking and background section presents information useful for understanding how the Wavemaker Fellowship program functions and the economic environment in which it operates. This section provides some information on the availability of similar tax incentives in neighboring states, as well as discussion of local economic factors that may be related to the program. Where appropriate, this section provides data on Rhode Island, other New England states, and nationwide. Data generally are compiled from public sources such as the U.S. Department of Labor, Bureau of Labor Statistics, U.S. Department of Commerce, Census Bureau and the U.S. Department of Treasury, Internal Revenue Service.

The federal government offers different tax incentive programs that are designed to lower the burden of student loan debts, ranging from tax credits that can be directly applied to a taxpayer’s tax liability to deductions that help lower the amount of income subject to federal tax. For purposes of this benchmarking analysis, ORA will only focus on the first type of federal tax benefit. As of now, there are two federal tax credit programs that help offset the cost of higher education through a direct reduction in a taxpayer’s tax liability: the American Opportunity Credit and the Lifetime Learning Credit. However, taxpayers cannot claim more than one tax credit for the same students and the same expenses. The following table provides a detailed description of these tax credits.

Overview of the American Opportunity Credit and the Lifetime Learning Credit
(Tax Year 2024)

	The American Opportunity Credit	The Lifetime Learning Credit
Maximum Credit	Up to $2,500 per eligible student	Up to $2,000 per return
Limit on Modified Adjusted Gross Income (MAGI)	$180,000 if married filing jointly; $90,000 if single, head of household, or qualifying widow(er)	$180,000 if married filing jointly; $90,000 if single, head of household, or qualifying widow(er)
Refundable	40% of credit may be refundable	Nonrefundable
Number of Years of Postsecondary Education	Available only if the student had not completed the first 4 years of postsecondary education before 2024 (generally, the freshman through senior years, determined by the eligible educational institution, not including academic credit awarded solely because of the student’s performance on proficiency examinations)	Available for all years of postsecondary education and for courses to acquire or improve job skill
Number of Tax Years Credit Available	Available only for four tax years per eligible student	Available for an unlimited number of tax years
Type of Program Required	Student must be pursuing a program leading to a degree or other recognized educational credential	Student doesn't need to be pursuing a program leading to a degree or other recognized education credential
Number of Courses	Student must be enrolled at least half-time for at least one academic period that begins during 2024	Available for one or more courses
Felony Drug Conviction	As of the end of 2024, the student had not been convicted of a felony for possessing or distributing a controlled substance	Felony drug convictions don't make the student ineligible
Qualified Expenses	Tuition required enrollment fees, and course materials that the student needs for a course of study whether the materials are bought at the educational institution as a condition of enrollment or attendance.	Tuition and fees required for enrollment or attendance (including amounts required to be paid to the institution for course-related books, supplies, and equipment)
Payment for Academic Periods	Payments made in 2024 for academic periods beginning in 2024 or beginning in the first 3 months of 2025	Payments made in 2024 for academic periods beginning in 2024 or beginning in the first 3 months of 2025

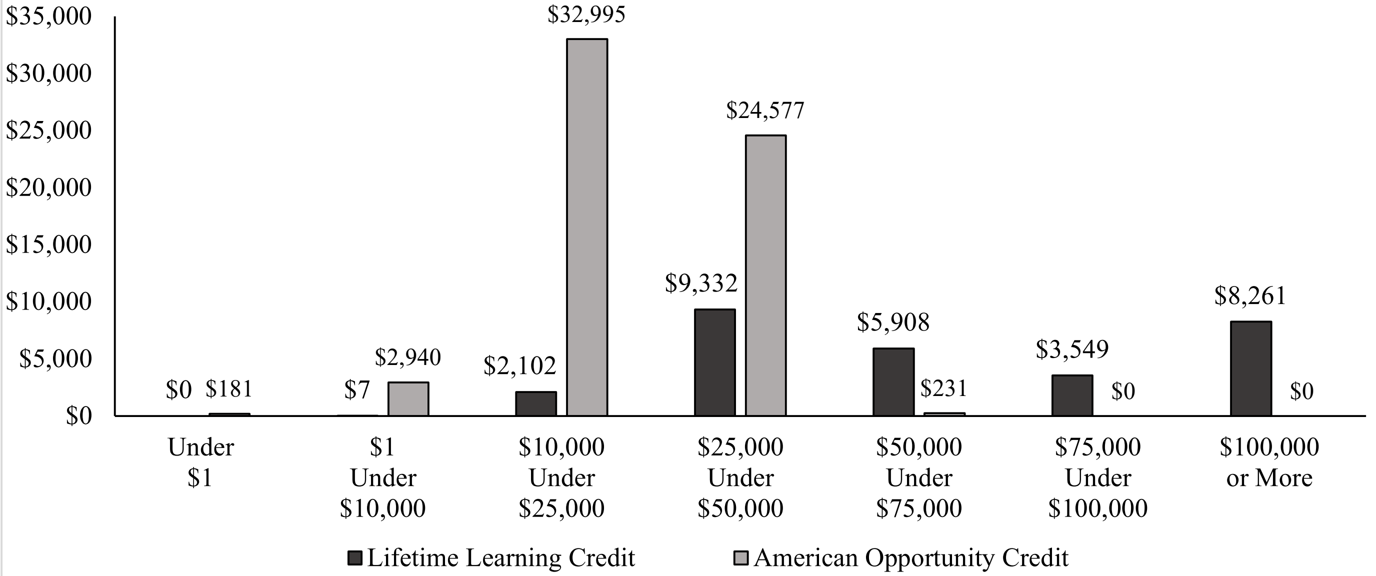
Source: Internal Revenue Service, Publication 970 “Tax Benefits for Education,” available at https://www.irs.gov/pub/irs-pdf/p970.pdf

To better understand Rhode Island taxpayers that benefit from the two federal education tax incentives described above, data on credit usage from Rhode Island resident tax returns is presented in the chart below:[4]

Rhode Island Refundable and Non Refundable Education Credits by AGI

Rhode Island Resident Taxpayers Only

(2022 IRS SOI, Total Thousands of Dollars)



Source: Internal Revenue Service Statistics of Income, Table 2. Individual Income and Tax Data, by State and Size of Adjusted Gross Income, Tax Year 2022.

The American Opportunity Credit was more likely to be claimed compared to the Lifetime Learning Credit by Rhode Island tax filers with federal Adjusted Gross Incomes (AGIs) under $25,000. The Lifetime Learning Credit was more likely to be claimed by those with a higher AGI, with the highest amount claimed by individuals with AGI between $25,000 and $50,000.

In addition to the federal incentives, ORA investigated the availability of tax incentive programs like the Wavemaker Fellowship in neighboring states. Maine and Connecticut offer a similar type of tax credit to college graduates. The following table contains a brief description of credit features in both states, as well as information on any identified credit cap and carryforward provisions.

[4] Data is from the Internal Revenue Service's Statistics of Income (SOI) for TY 2022 and includes federal individual income tax returns filed from Rhode Island addresses that were finalized prior to the issuance of the report. This was the most recent data available at the time of the writing of this report.

Wavemaker Fellowship Program in Rhode Island and Selected Comparison States

	Rhode Island	Maine	Connecticut
Credit Name	Stay Invested in RI Wavemaker Fellowship	Refundable Student Loan Repayment Tax Credit	Student Loan Payment Tax Credit
Statutory Reference	R.I. Gen. Laws § 42-64.26	36 Me. Rev. Stat. Ann tit. 36, § 5217-E	Conn. Gen. Stat. § 12-217qq
Credit Features	Associate, bachelor's, graduate, or post-graduate degree holders working for a Rhode Island-based employer whose employment is for work in certain fields and meeting other requirements can claim this credit.	This credit is available to associate, bachelor's, and graduate degree holders who attended an accredited college or university and live, work, and pay taxes in Maine, in addition to meeting other requirements.	This credit is available for employers making certain student loan payments, effective January 1, 2022. The tax credit is refundable for small businesses only.
Cap	Up to $1,000 per year for associate degree holders, up to $4,000 for bachelor's degree holders, and up to $6,000 for master's degree or higher.	Up to $2,500 per year including any carryover allowed under § 5217-D. Certain degree fields are allowed a cap up to $3,500. A qualified individual is subject to a lifetime cap of $25,000.	Up to 50% of the payments made by a qualified employer toward the outstanding principal balance the maximum credit allowed cannot exceed $2,625.
Carryforward	Up to 4 years	Up to 10 years	None
Source	http://webserver.rilin.state.ri.us/Statutes/TITLE42/42-64.26/INDEX.HTM	https://legislature.maine.gov/statutes/36/title36sec5217-E.html	https://portal.ct.gov/drs/publications/corporation-credit-guide/student-loan-payment-credit-01feb2023

Note: This table presents a single comparison credit program for each comparison state determined by ORA to be most like the Rhode Island Stay Invested in RI Wavemaker Fellowship program.

Despite these state and federal government tax provisions to make higher education more affordable, student loans continue to increase with the rising costs of college tuition. According to data by Experian, a consumer credit information agency, student loan debt in the U.S. reached $1.75 trillion in 2024, which represents a 41% increase over the period of ten years in 2014, with an average of $37,797 per borrower.[5] The following table provides a snapshot of student loan debt statistics nationwide and for selected states in 2024.

[5] This study can be found at https://www.experian.com/blogs/ask-experian/state-of-student-loan-debt/.

Student Loan Debt Overview
(Tax Year 2024)

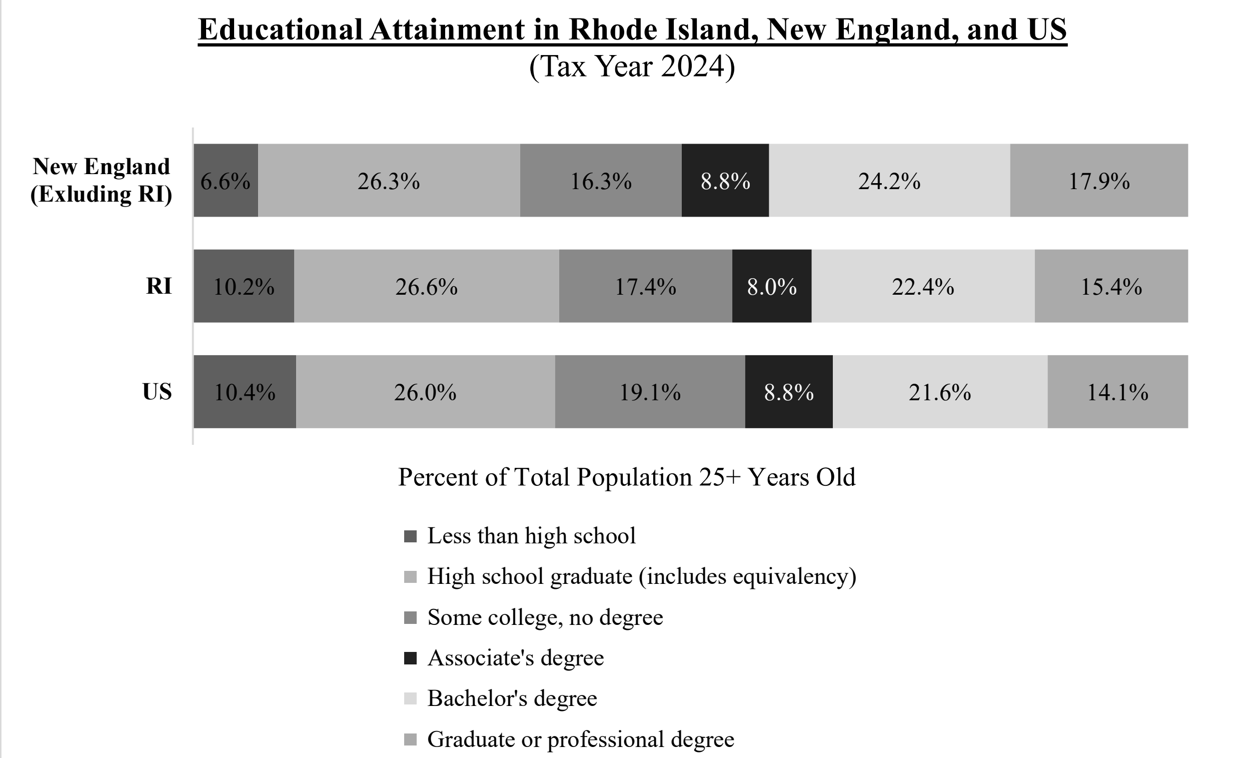
United States Student Loan Debt Statistics:	
Total student loan debt in the U.S.	$1.75 trillion
Average student loan debt per borrower in the U.S.	$37,797
Washington D.C., had the highest average student loan debt	$56,000
North Dakota had the lowest average student loan debt	$30,400
Average annual tuition and fees for a public four-year in state college	$11,950
Average annual tuition and fees for a public four-year out of state college	$31,880
Average annual tuition for a private non-profit four-year college	$45,000

New England Student Loan Debt Average:	
Maine	$35,678
Vermont	$38,857
Massachusetts	$39,350
Rhode Island	$36,663
Connecticut	$39,680
New Hampshire	$37,818

Source: Experian and BestColleges. The study can be found at https://www.experian.com/blogs/ask-experian/state-of-student-loan-debt/

The table shows how student loan debt in Rhode Island compares to the national average and the rest of the New England states. At the national level, Washington D.C., had the highest average student loan debt of $56,000 and North Dakota had the lowest with an average of $30,400. Rhode Island's average student loan debt of $36,663 was slightly below the U.S. average student loan debt of $37,797. In New England, Rhode Island had the second lowest average student loan debt and Connecticut had the highest average student loan debt of $39,680.

Besides having student loan debt to pay for, applicants for the Wavemaker Fellowship program must complete a two-year, four-year, or graduate degree from an accredited institution. To give some education background, the following chart provides comparison data on Rhode Islanders' levels of formal educational attainment compared with the rest of New England, and the nation in 2024:



Source: American Community Survey (ACS), Calendar Year 2024, U.S. Census Bureau

Formal educational attainment is generally defined in terms of the highest formal educational credential earned by an individual – for example, less than a high school diploma, high school diploma, some college, associate's degree, bachelor's degree, and graduate degree. Compared with other New England states, Rhode Island has a greater portion of the population that holds a high school diploma or less and lower proportion holding an associate's degree or higher. When compared with national averages, Rhode Island has a slightly lower proportion of individuals with less than a high school diploma and a greater proportion of individuals possessing bachelor's degree and a graduate degree.

The Wavemaker Fellowship program is designed to target specific work areas. When evaluating the program applications, the Wavemaker Fellowship Committee at CommerceRI prioritizes applicants in specific roles in (1) science, technology, engineering, and mathematics (STEM), (2) design, (3) healthcare, and (4) K-12 education.

According to the U.S. Bureau of Labor Statistics (BLS), STEM jobs are defined to consist of 100 occupations, including computer and mathematical, architecture and engineering, and life and physical science occupations, as well as managerial and postsecondary teaching occupations related to these functional areas and sales occupations requiring scientific or technical knowledge at the postsecondary level. Using the list of STEM-related occupations available at www.bls.gov/oes/stem_list.xlsx, ORA compiled employment and wage data for these targeted occupations in Rhode Island. Healthcare sector consists of the following two sectors: healthcare practitioners and technical and healthcare support. Note that data for K-12 teachers was not included in this analysis, as no fellowship awardees in the dataset ORA received for this report were identified as teachers.

Rhode Island Employment and Wages by Occupations
(May 2024)

SOC Code	Occupation	Count	Total Employees	Average Entry Wage	Average Experienced Wage
All Rhode Island occupations					
00-0000	Total occupations	596	493,800	$14.94	$39.86
Rhode Island STEM-related occupations					
11-0000	Management occupations	3	1,490	$46.62	$96.41
15-0000	Computer and mathematical occupations	3	440	$33.84	$64.10
17-0000	Architecture and engineering occupations	24	8,070	$30.14	$54.76
19-0000	Life, physical, and social science occupations	11	1,630	$28.92	$50.19
25-0000	Education, training, and library occupations*	6	820	$27.69	$60.77
41-0000	Sales and related occupations	3	1,510	$26.36	$61.29
Rhode Island healthcare-related occupations					
29-0000	Healthcare practitioners and technical occupations	58	33,040	$33.26	$47.07
31-0000	Healthcare support occupations	15	24,630	$18.67	$24.59
	Total / Weighted Average	**123**	**71,630**	**$30.34**	**$48.86**

Source: U.S. Bureau of Labor Statistics, May 2024
Note: * Only annual salaries were reported for these occupations. For simplicity, annual salaries were divided by 52 weeks then by 40 hours to calculate an hourly rate.

The entry and experienced wage rates presented in the table above are defined as the 10th and 75th percentiles of the wage distribution, respectively. The percentiles are determined by arranging all reported wage rates for each occupation in order from highest to lowest. The rate at which 10 percent of the reported wage rates falls below is the 10th percentile. Similarly, the rate at which 75 percent of the reported wage rates falls below is the 75th percentile.

In Rhode Island, BLS reported a total of 596 occupations comprising 493,800 employees, with an average entry wage of $14.94 (an annual full time equivalent [FTE] salary of $31,075) and an average experienced wage of $39.86 (an annual FTE salary of $82,909). Out of the 493,800 total employees, 71,630 workers had STEM and healthcare jobs as of May 2024, representing 14.5% of the total state employment.

Architecture and engineering occupations were the largest group of the STEM sector, constituting 48.0% of STEM employment with 24 different sub-occupations. Healthcare practitioners and technical occupations were the largest group of the healthcare sector, constituting 79.4% of healthcare employment with 58 different sub-occupations. The highest entry and experienced wages were observed in management occupations, whereas the lowest entry wage was in healthcare support occupations and the lowest average experienced wage was also in healthcare support occupations. For all STEM-related and healthcare occupations, the weighted average annual entry FTE salary is $57,965, and the weighted average annual experienced FTE salary is

$87,081. The 2024 Rhode Island wage data confirms that STEM-related and healthcare occupations are well-paying and thus the Wavemaker Fellowship is targeting high-paying jobs relative to the average Rhode Island job.

Part III: Report Data Description

The analysis of the Wavemaker Fellowship program required an examination of micro-level taxpayer data. To gain access to the relevant data while respecting confidentiality concerns, ORA entered into Memoranda of Understanding (MOU) with the Rhode Island Department of Revenue, Division of Taxation (Taxation), and the Rhode Island Commerce Corporation (CommerceRI). These MOUs sought to preserve the confidentiality of individually identifiable taxpayers consistent with the statutory mandates regarding secrecy and confidentiality of taxpayer information. In this context, ORA relied on data provided by the Taxation and CommerceRI for tax years 2022, 2023, and 2024, to the extent such information were provided, as required by R.I. Gen. Laws § 44-48.2-5(b). The data provided to ORA consisted of the following:

- Wavemaker Fellowship program applications (employer endorsement forms) provided by CommerceRI for tax years 2022 through 2024[6];
- Tax credit awarded and certified amounts provided by CommerceRI for tax years 2022 through 2024;
- Tax credit amounts used by credit recipients in each tax year subject to the current analysis provided by Taxation;
- Withholding tax payment records on file provided by Taxation in each tax year subject to the current analysis;
- Cost of tax credit administration.

ORA made no attempt to verify the accuracy of the data provided and made minimal corrections to the data in order to be able to execute specific calculations for the report. The data included in this report are unaudited and reported as compiled.

1. Number of Taxpayers Granted Tax Benefit

According to data from Taxation, the Wavemaker Fellowship program provided tax benefits averaging $515,530 annually to an average of 154 recipient claims per year over tax years 2022 through 2024. On an average annual basis, $464,594 was issued as tax refunds and $50,936 was applied directly against personal income tax liability. Across the three-year period, total program benefits amounted to $1.5 million across 462 annual claims (recipient-years). The following table provides a detailed breakdown of annual recipient claims and corresponding credit and refund amounts by tax year and residency status:

[6] CommerceRI stated that there were no Wavemaker Fellowship awardees in tax year 2024. This was due to statutory changes to the program that required subsequent amendments to program regulations. CommerceRI plans to award two cohorts of fellows in 2026 to compensate for this.

Stay Invested in RI Wavemaker Fellowship
Credit and Refund Amounts: Recipients by Residency
(Tax Years 2022-2024)

Residency	TY 2022	TY 2023	TY 2024	Average	Total
RI Residents					
Count of taxpayers	134	131	134	*133*	**399**
Credit amount	$21,674	$33,390	$78,820	*$44,628*	**$133,884**
Refund amount	$400,022	$429,865	$381,081	*$403,656*	**$1,210,968**
Total amount	$421,696	$463,255	$459,901	*$448,284*	**$1,344,852**
Non-RI Residents					
Count of taxpayers	22	16	25	*21*	**63**
Credit amount	$3,828	$5,899	$9,197	*$6,308*	**$18,924**
Refund amount	$76,502	$36,602	$69,711	*$60,938*	**$182,815**
Total amount	$80,330	$42,501	$78,908	*$67,246*	**$201,739**
Total					
Count of taxpayers	**156**	**147**	**159**	***154***	**462**
Credit amount	**$25,502**	**$39,289**	**$88,017**	***$50,936***	**$152,808**
Refund amount	**$476,524**	**$466,467**	**$450,792**	***$464,594***	**$1,393,783**
Total amount	**$502,026**	**$505,756**	**$538,809**	***$515,530***	**$1,546,591**

Source: Taxation

2. Direct Taxes Paid by Recipients

Taxation provided ORA with data on personal income tax (PIT) paid by the Wavemaker Fellowship recipients for tax years 2022 through 2024. The following table describes the breakdown of this information by taxpayer's residency status.

Stay Invested in RI Wavemaker Fellowship
Personal Income Tax: Recipients by Residency
(Tax Years 2022-2024)

Residency	TY 2022	TY 2023	TY 2024	Average	Total
RI Residents					
Count of taxpayers	131	129	131	*130*	**391**
Taxes paid[1]	$342,126	$401,481	$369,349	*$370,985*	**$1,112,956**
Average taxes paid	$2,612	$3,112	$2,819		
Non-RI Residents					
Count of taxpayers	22	14	25	*20*	**61**
Taxes paid [2]	$41,418	$16,832	$50,583	*$36,278*	**$108,833**
Average taxes paid	$1,883	$1,202	$2,023		
Total					
Count of taxpayers	**153**	**143**	**156**	***151***	**452**
Taxes paid[3]	**$383,544**	**$418,313**	**$419,932**	***$407,263***	**$1,221,789**
Average taxes paid	**$2,507**	**$2,925**	**$2,692**		

Source: Taxation

Note:

The count of taxpayers in this table is slightly different than the one in the table above because apportioned taxes paid were calculated for taxpayers for whom necessary tax information and/or tax returns were available

[1] Taxes Paid for RI Residents are calculated as "Total RI Tax and Checkoff Contributions" minus "Property Tax Relief" minus "RI earned income credit" minus "RI Resident lead paint credit"

[2] Taxes Paid for RI Non-Residents are calculated as "Total RI Tax and Checkoff Contributions" minus "RI earned income credit"

[3] Taxes Paid is a sum of RI Residents and RI Non-Residents; all taxes paid amounts were apportioned using the ratio of "Wavemaker" wages divided by Federal AGI on the return

Using the information on credit/refund amounts and number of recipients above, ORA calculated the average total credit/refund amount per recipient:

Stay Invested in RI Wavemaker Fellowship
Average Total Credit/Refund Amount per Recipient
(Tax Years 2022-2024)

Residency	TY 2022	TY 2023	TY 2024	Average	Total
RI Residents					
Count of taxpayers	134	131	134	*133*	**399**
Total amount	$421,696	$463,255	$459,901	*$448,284*	**$1,344,852**
Average total amount	$3,147	$3,536	$3,432		
Non-RI Residents					
Count of taxpayers	22	16	25	*21*	**63**
Total amount	$80,330	$42,501	$78,908	*$67,246*	**$201,739**
Average total amount	$3,651	$2,656	$3,156		
Total					
Count of taxpayers	**156**	**147**	**159**	***154***	**462**
Total amount	**$502,026**	**$505,756**	**$538,809**	***$515,530***	**$1,546,591**
Average total amount	**$3,218**	**$3,441**	**$3,389**		

Source: Taxation

A comparison of the two tables above shows that the average total credit/refund amount received exceeds the average taxes paid by Rhode Island resident and non-resident tax filers in each year of 2022 through 2024. The difference between the average is significantly higher for non-resident tax filers than for resident tax filers. For example, in TY 2022, the average Rhode Island resident recipient of a Wavemaker Fellowship received 20.5% (i.e., ($3,147- $2,612) / $2,612) more in tax benefits than they paid in taxes while the average non-resident recipient of a Wavemaker Fellowship received 93.9% (i.e., ($3,651 - $1,883) / $1,883) more in tax benefits than they paid in taxes.

3. Cost of Administration

ORA surveyed Taxation and CommerceRI to ascertain the cost for the administration of the Wavemaker Fellowship program. The table below provides information on the cost incurred to administer this tax incentive by both entities for tax years 2022 through 2024.

Stay Invested in RI Wavemaker Fellowship
Cost of Administration
(Tax Years 2022-2024)

Cost-Incurring Entity	TY 2022	TY 2023	TY 2024	Average	Total
Taxation	$4,940	$4,230	$4,324	*$4,498*	**$13,494**
CommerceRI	$198,953	$252,927	$296,576	*$249,485*	**$748,456**
Total	**$203,893**	**$257,157**	**$300,900**	***$253,983***	**$761,950**

Source: CommerceRI and Taxation

4. Measuring the Extent to Which Benefits Remained in the State

R.I. Gen. Laws § 44-48.2-5(a)(8) requires that an economic development tax incentive evaluation report on the extent to which benefits associated with the tax incentive remained in the state, if such information is available. In consideration of this requirement, ORA has presented tables on taxes paid by recipients by resident *vs.* non-resident status as one available proxy for direct tax benefit retention throughout this report.

5. Additional Data Analysis

- *Wavemaker Fellowship Awardees Characteristics*

While the overall evaluation of the Wavemaker Fellowship focuses on final tax credit recipients, the data presented in this section reflects program awardees. An *awardee* is an applicant who has been formally approved for the tax incentive by CommerceRI, whereas a *recipient* (or credit user) is a fellow who has completed the required annual service and actually claimed the tax benefit on a tax return. Because awardee data captures everyone accepted into the program before post-award dropouts or reporting delays occur, analyzing this broader pool provides a more comprehensive look at the overall demographics, diversity, and reach of the fellowship's cohort.

ORA divided the data provided by the CommerceRI into groupings based on awardee characteristics to draw comparisons and demonstrate the diversity of the fellows. Some of these characteristics were not indicated in the CommerceRI data and therefore, were marked as "Not Listed" in some of the tables below. No data is presented for 2024 awardees; CommerceRI stated that due to the expansion of occupations eligible for the program (mainly teachers), there were no awardees in TY 2024 as it required an amendment to the program rules.

According to R.I. Gen. Laws § 42-64.26-5(e), 70% of the awards should be reserved for applicants who are Rhode Island residents or those who attended an institution of higher education located in Rhode Island when they incurred the education loan expenses. This requirement was easily achieved in 2022 and 2023. The following table provides the breakdown of awardees by residency status:

Stay Invested in RI Wavemaker Fellowship
Descriptive Statistics: Awardees by Residency
(Tax Years 2022 & 2023)

Residency	2022	2023	Total
RI Resident	84.5%	90.4%	**88.6%**
Non-Resident	15.5%	9.6%	**11.4%**
Total	**100.0%**	**100.0%**	**100.0%**

Source: CommerceRI
Notes: CommerceRI stated that there were no Wavemaker Fellowship awardees in tax year 2024

CommerceRI provided ORA with the calculated incentive amounts for the 2022 and 2023 cohorts. This information is displayed in the table below:

Stay Invested in RI Wavemaker Fellowship
Descriptive Statistics: Award Amounts Breakdown by Residency
(Tax Years 2022 & 2023)

Residency	2022	2023	Total
RI Resident	85.0%	90.0%	**88.7%**
Non-Resident	15.0%	10.0%	**11.3%**
Total	**100.0%**	**100.0%**	**100.0%**

Source: CommerceRI
Notes: CommerceRI stated that there were no Wavemaker Fellowship awardees in tax year 2024

The overwhelming majority of awardees attended a higher education institution in the Northeast, accounting for 88.9% of average total awardees in 2022 and 2023. Further, 52.5% of awardees attended an institution located in Rhode Island and 15.4% attended an institution in Massachusetts across 2022 and 2023. The following table provides the breakdown of awardees by the location of their institution:

Stay Invested in RI Wavemaker Fellowship
Descriptive Statistics: Awardees by Institution Region
(Tax Years 2022 & 2023)

Region	2022	2023	Total
Midwest	1.7%	3.8%	**3.2%**
Northeast	92.2%	87.4%	**88.9%**
South	5.2%	5.7%	**5.6%**
West	0.9%	1.5%	**1.3%**
Not Listed	0.0%	1.5%	**1.1%**
Total	**100.0%**	**100.0%**	**100.0%**

Source: CommerceRI
Notes: CommerceRI stated that there were no Wavemaker Fellowship awardees in tax year 2024

Of the 377 total awardees of the Wavemaker Fellowship in 2022 and 2023, 53.6% of all awardees hold a bachelor's degree and 45.1% of awardees hold a master's degree or above. In comparison, 22.4% of all Rhode Island residents 25 years and over hold a bachelor's degree, and 15.4% have a graduate or professional degree, according to the U.S. Census Bureau, 2024 American Community Survey (ACS). The table below presents the breakdown of awardees by their qualifying degree:

Stay Invested in RI Wavemaker Fellowship
Descriptive Statistics: Awardees by Qualifying Degree
(Tax Years 2022 & 2023)

Degree	Number of Awardees	Share of Awardees
Associate's	5	1.3%
Bachelor’s	202	53.6%
Master's	43	11.4%
Doctoral	127	33.7%
Total	**377**	**100.0%**

Source: CommerceRI
Notes: CommerceRI stated that there were no Wavemaker Fellowship awardees in tax year 2024

Under R.I. Gen. Laws § 42-64.26-3(8)(ii) and for tax year 2022 and 2023, applicants to this program should work in one or more of the following covered fields: life, natural or environmental sciences; computer, information or software technology; advanced mathematics or finance; engineering; industrial design or other commercially related design field; or medicine or medical device technology; or healthcare. The following table provides the breakdown of awardees by work field:

Stay Invested in RI Wavemaker Fellowship
Descriptive Statistics: Awardees by Work Field Range
(Tax Years 2022 & 2023)

Work Field	2022	2023	Total
Advanced mathematics or finance	12.9%	5.7%	**8.0%**
Computer, information, or software technology	15.5%	11.5%	**12.7%**
Engineering	30.2%	15.7%	**20.2%**
Healthcare	12.9%	52.5%	**40.3%**
Industrial design or other commercially related design field	8.6%	6.1%	**6.9%**
Life, natural, or environmental sciences	7.8%	6.5%	**6.9%**
Medicine or medical device technology	12.1%	1.9%	**5.0%**
Total	**100.0%**	**100.0%**	**100.0%**

Source: CommerceRI
Notes: CommerceRI stated that there were no Wavemaker Fellowship awardees in tax year 2024

In 2022, the General Assembly amended the program to allow healthcare applicants to apply for the fellowship. This explains the increased percentage of awardees who worked in healthcare in 2023 compared to 2022.

The type of work, or work-field, does not always match the industry of the employer. The industry classification of employers shows more diversity than work field, with no industry capturing a majority across both years (although healthcare employers account for a majority of employers in

2023). The following table provides the breakdown of awardees by their employer using the North American Industry Classification System (NAICS):

Stay Invested in RI Wavemaker Fellowship
Descriptive Statistics: Awardees by Employer Industry
(Tax Years 2022 & 2023)

NAICS Industry	2022	2023	Total
Advanced business services	7.8%	3.8%	**5.0%**
Arts, education, hospitality, and tourism	1.7%	3.8%	**3.2%**
Biomedical innovation	14.7%	5.7%	**8.5%**
Defense, shipbuilding, and maritime	23.3%	8.4%	**13.0%**
Design, food, and custom manufacturing	12.9%	10.3%	**11.1%**
Healthcare	13.8%	52.1%	**40.3%**
Industrial design or other commercially related design field	0.0%	0.4%	**0.3%**
IT, cyber, and data analytics	7.8%	5.7%	**6.4%**
Offshore wind	0.9%	1.5%	**1.3%**
Others	5.2%	3.1%	**3.7%**
Transportation, distribution, and logistics	4.3%	5.0%	**4.8%**
Not listed	7.8%	0.0%	**2.4%**
Total	**100.0%**	**100.0%**	**100.0%**

Source: CommerceRI

Notes: CommerceRI stated that there were no Wavemaker Fellowship awardees in tax year 2024

According to the U.S. Census Bureau, Rhode Island's median household income stood at $81,370 in 2022 and rose to $87,468 in 2023. Across both tax years, 67.9% of all awardees earned individual incomes between $50,000 and $99,999, with 56.2% earning $75,000 or higher. The table below presents the breakdown of awardees by different salary ranges:

Stay Invested in RI Wavemaker Fellowship
Descriptive Statistics: Awardees by Salary Range
(Tax Year 2022 & 2023)

Income Range	2022	2023	Total
$0-$34,999	0.0%	1.9%	**1.3%**
$35,000-$49,999	5.2%	7.7%	**6.9%**
$50,000-$74,999	23.3%	39.5%	**34.5%**
$75,000-$99,999	50.0%	26.1%	**33.4%**
$100,000+	21.6%	23.4%	**22.8%**
Not listed	0.0%	1.5%	**1.1%**
Total	**100.0%**	**100.0%**	**100.0%**

Source: CommerceRI

Notes: CommerceRI stated that there were no Wavemaker Fellowship awardees in tax year 2024

- *Wavemaker Fellowship Taxpayer Recipient Characteristics*

In contrast to the broader awardee pool evaluated in the previous section, the data presented in this section focuses exclusively on Wavemaker Fellowship recipients. A *recipient* (or credit user) is a fellow who not only received an award from CommerceRI but also satisfied all post-award compliance requirements, including completing the mandatory annual service period, maintaining eligible employment in Rhode Island, and remaining in good standing on their student loans, to claim the tax credit officially.[7]

By examining actual credit users rather than the initially approved cohort, this section provides an evaluation of the program's *actual* fiscal impact, net tax credit utilization, and long-term workforce retention outcomes. This section focuses on those who have received the tax incentive in tax years 2022 through 2024. It should be noted that Wavemaker Fellowship recipients can use the tax credit against their personal income liability or request a refund of the credit amount or choose to combine both options. ORA divided the data provided by Taxation into groupings based on recipient characteristics to draw comparisons and demonstrate the diversity of the fellowship recipients:

[7] Once you are selected as a fellow, you will begin a service period of 12 months. At the end of that 12-month period, you will receive a request from the Wavemaker team to complete and return documents that provide evidence of your continued eligibility (e.g., remaining employed in Rhode Island in a STEM, design, healthcare, or education field and remaining in good standing on your student loans). The Wavemaker team will review those documents and certify your continued eligibility. Once completed, you will receive a certification letter and a RI Division of Taxation form to fill out detailing the process to redeem the award. Source: question 13 from https://wavemaker.commerceri.com/_resources/common/userfiles/file/Wavemaker%20FAQ-2025.pdf

Stay Invested in RI Wavemaker Fellowship
Descriptive Statistics: Recipients by Degree
(Tax Years 2022-2024)

Degree Level	TY 2022	TY 2023	TY 2024	Average
Associate's	1%	0%	0%	*0%*
Bachelor's	57%	56%	55%	*56%*
Master's	37%	35%	34%	*35%*
Doctoral	4%	8%	10%	*7%*
Not Specified ^	2%	0%	1%	*1%*
Total *	**100%**	**100%**	**100%**	***100%***

Source: Taxation

Note:

* Percentages are rounded and totals may not add to 100%

^ Information was not provided by the applicant on the endorsement forms

Most awardees of the Wavemaker Fellowship who received a tax credit or a refund, had either a bachelor’s or master’s degree in all years 2022 through 2024. On average, 35% had a master’s degree and 56% had a bachelor’s degree.

Stay Invested in RI Wavemaker Fellowship
Descriptive Statistics: Recipients by Work-Field
(Tax Years 2022-2024)

Work Field	TY 2022	TY 2023	TY 2024	Average
Advanced mathematics or finance	18%	14%	11%	*14%*
Computer, information or software technology	21%	18%	16%	*18%*
Engineering	25%	29%	35%	*30%*
Healthcare	0%	0%	13%	*4%*
Industrial design or other commercially related design field	8%	4%	6%	*6%*
Life, natural or environmental sciences	10%	8%	7%	*8%*
Medicine or medical device technology	17%	27%	13%	*19%*
Other	1%	0%	0%	*0%*
Total *	**100%**	**100%**	**100%**	***100%***

Source: Taxation

Note:

* Percentages are rounded and totals may not add to 100%

On an average tax year 2022 through 2024, more than two thirds of the fellows that received either a tax credit or a refund worked in advanced mathematics or finance; computer, information, or software technology; or engineering. This is in line with what is defined under R.I. Gen. Laws § 42-64.26-3(8)(ii), which states that applicants to this program should work in one or more of the following covered fields: life, natural or environmental sciences; computer, information or software technology; advanced mathematics or finance; engineering; industrial design or other commercially related design field; or medicine or medical device technology. In contrast, participation from fields such as industrial or commercially related design remained low, with fewer than ten recipients receiving a credit, refund, or both, suggesting either a smaller eligible workforce or lower program engagement within that sector.

The increase in healthcare recipients from 0% to 13% in TY 2024 reflects the introduction of the healthcare cohort due to legislative expansion of the fellowship to include healthcare professionals. As discussed in the previous section, the share of awardees in the healthcare field increased in 2023, and this began to show up in actual usage of the tax incentive in TY 2024.

Stay Invested in RI Wavemaker Fellowship

Descriptive Statistics: Recipients by Employer Industry

(Tax Years 2022-2024)

Employer Industry	TY 2022	TY 2023	TY 2024	Average
Advanced business services	21%	9%	8%	*13%*
Arts, education, hospitality & tourism	7%	5%	3%	*5%*
Biomedical innovation	12%	21%	13%	*15%*
Defense, shipbuilding, maritime	12%	16%	23%	*17%*
Design, food, custom manufacturing	21%	14%	10%	*15%*
Healthcare	0%	5%	19%	*8%*
IT, cyber, data analytics	3%	4%	5%	*4%*
Life, natural or environmental sciences	1%	1%	0%	*1%*
Offshore wind	0%	1%	3%	*1%*
Transportation, distribution & logistics	4%	3%	4%	*4%*
Other	0%	1%	3%	*1%*
Not Specified ^	20%	19%	10%	*16%*
Total *	**100%**	**100%**	**100%**	***100%***

Source: Taxation

Note:

* Percentages are rounded and totals may not add to 100%

^ Information was not provided by the applicant on the endorsement forms

The industry of employers shows a somewhat different breakdown than the work-field, with design, food, custom manufacturing; advanced business services; defense, shipbuilding and maritime industries; and biomedical innovation accounting for the highest portion of Wavemaker recipients in an average year.

Stay Invested in RI Wavemaker Fellowship
Descriptive Statistics: Recipients by Salary Range
(Tax Years 2022-2024)

Salary Range	TY 2022	TY 2023	TY 2024	Average
$0-$34,999	1%	0%	1%	*1%*
$35,000-$49,999	3%	4%	4%	*4%*
$50,000-$74,999	35%	39%	34%	*36%*
$75,000-$99,999	38%	34%	36%	*36%*
$100,000+	23%	20%	23%	*22%*
Not Specified ^	1%	3%	1%	*2%*
Total *	**100%**	**100%**	**100%**	***100%***

Source: Taxation

Notes:

* Percentages are rounded and totals may not add to 100%

^ Information was not provided by the applicant on the endorsement forms

Benchmarking individual recipient salaries against Northeast's median personal income ($41,890 in 2022, $45,530 in 2023, and $49,080 in 2024) demonstrates that Wavemaker tax credit users are consistently solid earners relative to the state economy. On average across the three-year period, 72% of recipients earned individual income in the $50,000 to $99,999 range, while 58% earned $75,000 or higher.

Stay Invested in RI Wavemaker Fellowship
Descriptive Statistics: Recipient Wages
(Tax Years 2022-2024)

Metric	TY 2022	TY 2023	TY 2024
Number of recipients *	149	138	146
Sum of wages	$12,015,046	$12,418,520	$13,495,511
Median Income - Wavemaker Recipients	$78,856	$86,481	$88,816
Median Personal Income – New England	$41,890	$45,530	$49,080

Source: Taxation and US Census (FRED)

Note: * recipients with wages determined to be outliers per ORA requested inter-quartile range analysis are not reflected in this chart

The median wage earned by Wavemaker recipients was $78,856 in 2022, which is 188.2% of the U.S. Census Bureau (via FRED) median earnings for full-time, year-round workers in the Northeast in tax year 2022 ($41,890). This percentage was 189.9% in tax year 2023 ($45,530) and 181.0% in tax year 2024 ($49,080 benchmark).

Part IV: Evaluation of the Economic Impact of the Tax Credit

This section of the report addresses two major objectives defined in R.I. Gen. Laws § 44-48.2-5: first, to provide a projection of the potential impact of the Wavemaker Fellowship on state revenues from projected future use and carryforward; and second, to produce a breakeven cost-benefit analysis that can determine the net impact on state revenues resulting from the tax incentive.

1. Assessment and Five-Year Projection of Revenue

Current law includes a sunset of the Wavemaker Fellowship program, stating that no new credits can be authorized after December 31, 2027. However, it is anticipated that credit/refund usage activity will continue beyond this date as unused credit/refund amounts can be carried forward for an additional four years to be applied against future tax liabilities.

To construct a projected schedule of this tax incentive, ORA assumed that Wavemaker Fellowship program usage will follow historical usage patterns. Over tax years 2022 through 2024, 9.7% of this tax incentive was used as a tax credit and applied against recipients' tax liability and 90.3% was used as a tax refund. ORA then used the actual amounts provided by Taxation for the tax years 2022 through 2024 to construct projections for the Wavemaker Fellowship for tax year 2025 through 2029.

In addition, given that teachers became newly eligible for the program for the projected years, ORA added the appropriated amounts by CommerceRI to the projected Wavemaker amounts for tax years 2025 through 2029. ORA used the percentages calculated above to breakdown the teacher fellowship between tax credit and tax refund. ORA assumed that actual tax incentive usage by the teacher cohort would begin in the year after the initial appropriation, and the appropriated amount for that cohort would be spread over four years.

The following table provides the distribution of the anticipated amount of the tax incentive to be used in each tax year.

Stay Invested in RI Wavemaker Fellowship

Revenue Forgone Projections

Tax Year	Credit Amount	Refund Amount	Total Amount
2020	$52,633	$1,406,808	$1,459,441
2021	$42,803	$733,709	$776,512
2022	$25,502	$476,524	$502,026
2023	$39,289	$466,467	$505,756
2024	$88,017	$450,792	$538,809
2025*	$107,473	$631,336	$738,809
2026*	$116,627	$716,282	$832,909
2027*	$125,750	$800,948	$926,699
2028*	$129,364	$834,484	$963,848
2029*	$123,914	$783,905	$907,819

Source: ORA calculations based on data provided by Taxation and CommerceRI

Note: * Projected years

2. "Breakeven" Cost-Benefit Analysis

- Introduction to "Breakeven" Cost-Benefit Analysis Methodology

Pursuant to R.I. Gen. Laws § 44-48.2-5(6), ORA conducted a "breakeven" cost-benefit analysis to measure the fiscal impacts on the state economy resulting from the Wavemaker Fellowship program under a variety of assumptions. To provide additional insight, ORA also produced breakeven analyses with respect to employment and Rhode Island gross domestic product (GDP).

To execute these cost-benefit analyses, ORA utilized Regional Economic Models, Incorporated's (REMI) 70-sector model of the Rhode Island economy via the REMI Tax-PI software platform to produce estimates of the total economic effects of the tax credits issued in tax years 2022 through 2024.[8] The dynamic capabilities of the REMI Tax-PI model allow one to estimate the impacts of exogenous shocks to the state's economy, including changes to public policy, shifts in consumer behavior and demand, and developments in industry. The REMI Tax-PI operationalizes these insights by augmenting REMI's base economic and demographic model, PI+, with a module that allows the user to enter a state's customized budget, to run fiscal and economic forecasts. Specifically, for each budget item, one can choose an "Indicator," which is the economic or demographic driver of that budget item (e.g., personal income for personal income tax revenue, or age 5-18 population for K-12 education spending), and a "Policy Variable," which is the economic or demographic change associated with a change to the structure of that budget item (e.g., a change in consumer prices for a change in the sales tax).

The analysis is based on self-reported individual-level data provided by CommerceRI, Taxation, and publicly available historical data on the regional and national economies. Direct benefits are input into the REMI model as policy variables simulating changes in industry sales, exogenous final demand, employment, and compensation or wages. ORA assigned these benefits to a profile of sectors among the 70 sectors available in the REMI Tax-PI model in proportion with the Wavemaker tax incentive amount of $569,877.

The "breakeven" approach developed for this report allows a reader to assume that the Wavemaker program leveraged some degree of economic activity required by program recipients to take this benefit. This assumption means that a varying portion of the economic activity required of these recipients would not have occurred in the absence of the tax incentive. Under this assumption, recipients made certain decisions based on the availability of an incentive over a period and removal of that tax benefit each year would undo all such decisions.

- Modeling Costs

ORA assumed that the tax incentive is funded by an equivalent reduction in state government spending – that is, when the state government forgoes revenue by allowing a Wavemaker Fellowship tax credit/refund, there are fewer funds available for other spending priorities. ORA modeled these adjustments based on a comprehensive historical analysis of Rhode Island general fund expenditures for fiscal years 2022 through 2024. ORA compiled all state general fund expenditures and assumed that the level of these expenditures could be adjusted to maintain a

[8] Detailed documentation on the REMI Tax-PI v3.3.0 model employed in this analysis is available at: http://www.remi.com/resources/documentation.

balanced general fund budget. The breakdown of general fund expenditures by category is shown in the following table:

Rhode Island General Fund Expenditures by NAICS
(FY 2024)

Industry Description	NAICS Code	Percent of Total
Ambulatory Healthcare Services	621	44.4%
Educational Services	61	39.0%
Social Assistance	624	3.2%
Professional, Scientific, and Technical Services	54	3.0%
Repair and Maintenance	811	2.3%
Administrative and Support Services	561	2.2%
Management of companies and enterprises	55	1.8%
Wholesale Trade	42	1.6%
Remaining Industries		2.5%
	Total:	**100.0%**

Source: ORA analysis of Rhode Island general fund expenditure data.

- Modeling Benefits

To model the benefits of the Wavemaker Fellowship program, ORA examined the intended purpose and goals defined in the program's governing statute. When doing so, the objective of this program appeared to be twofold: on one hand, the availability of this tax benefit would offset the cost of higher education to make it more affordable. For example, the Wavemaker Fellowship amount ranges between $1,000 and $6,000 a year and takes the form of a tax credit that could be applied against a taxpayer's liability, or a tax refund that could be cashed out. Therefore, the program recipients would have lower student loan debts in comparison to their peers. On the other hand, the availability of this tax benefit would attract more and higher-paying jobs to the state in the science, technology, engineering, and math (STEM) and healthcare fields.

To address the program's objectives, ORA modeled Wavemaker tax incentive amount and jobs count as a commensurate increase in industry employment and a decrease in personal income taxes. In the REMI model, an "Industry Employment (Exogenous Production)" policy variable affects the industries that provide the goods or services demanded. This policy variable assumes that employment is related to exogeneous sources of demand, thus, the employment loss/gain will not be offset by local firms. In the case of the Wavemaker Fellowship program, this policy variable assumes that the program recipients represent new net jobs to Rhode Island economy. With respect to "Personal Taxes," this policy variable models changes in total personal income taxes of taxpayers and assumes that lowering personal taxes raises disposable income, which in turn results in higher consumption spending and higher government revenues.

To apply the changes in industry employment discussed above, ORA selected the "Professional, Scientific and Technical Services" sector (NAICS 54) and "Health Care and Social Assistance" sector (NAICS 62) in the REMI Tax-PI model. These sectors represent a broad category inclusive of all the STEM and healthcare fields defined in R.I. Gen. Laws § 42-64.26-3(8)(ii). It is possible that this sector may include some fields that are not related to those defined in the law, however, it is found to be the most suitable option for capturing the fields in the REMI analysis.[9]

Finally, it is difficult to infer what percentage of the Wavemaker Fellowship program resulted in bringing new net jobs to the state and what percentage resulted in lowering personal income taxes for the program recipients. For this reason, ORA ran different simulation scenarios varying the percentages of these benefits.

- The "Breakeven" Approach

A fundamental challenge in evaluating economic development incentives is determining the extent to which an incentive stimulated or attracted new economic activity rather than subsidized economic activity that would have been largely present even in the absence of the incentive. In the case of the Wavemaker Fellowship program, it is difficult to determine how much the program affects an individual's decision to work in Rhode Island. In fact, it is not unreasonable to think that this tax incentive is large enough to impact such a decision, given the maximum credit/refund allowed over a four-year period. However, it is also possible that an individual had already decided to work in Rhode Island and therefore this tax incentive may have simply rewarded or subsidized behavior that likely would have occurred anyway. Real world conditions often make it difficult or impossible for an evaluator to assess where on this continuum the impact of any given tax incentive falls.

In this context, ORA conducted a breakeven analysis. This analysis allows for the evaluation of an incentive program's performance under a wide range of assumptions regarding the level of economic activity that would have taken place if the program had not been available. Furthermore, the breakeven analysis specifies the proportion of economic activity associated with the incentive program recipients that one must assume to have been attributable to the incentive program in order for the total benefits to equal its total costs, where benefits and costs are measured as the impact on state general revenues (i.e., the condition that must be satisfied for the incentive program to "pay for itself").

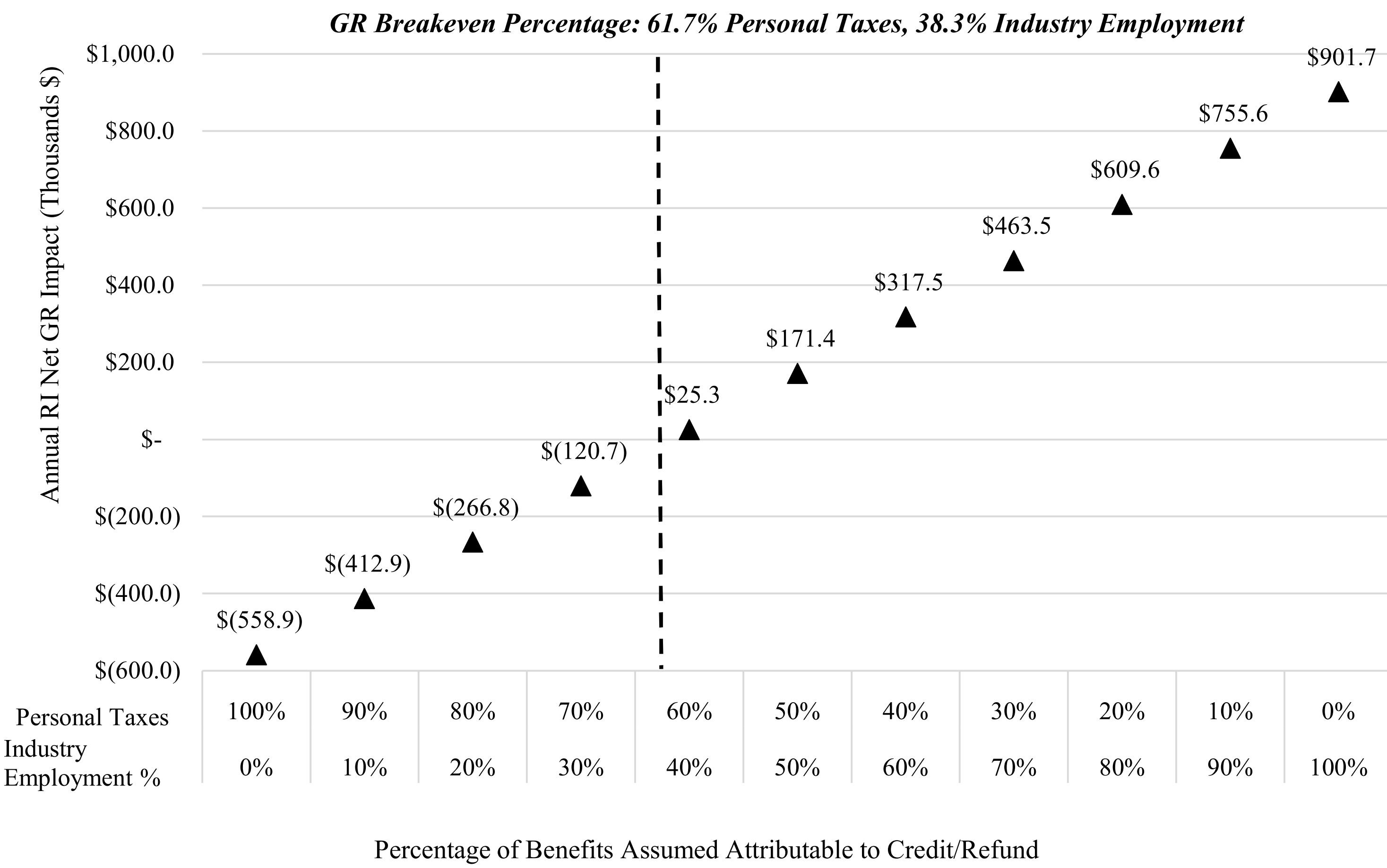
[9] A detailed breakdown of the NAICS 54 and NAICS 62 sector is provided in Appendix B.

The breakeven percentage should be interpreted as follows: if the reader believes the assumption to be plausible, that at least the amount of economic activity implied by the breakeven percentage can be attributed to the availability of the tax incentive, then one can infer that the incentive has a net positive impact on state general revenues. In the opposite case, if the reader believes that the amount of economic activity attributable to the tax incentive was less than the level implied by the breakeven percentage, then one can infer that the incentive had a net negative impact on state general revenues. Holding other factors equal, a lower breakeven percentage is more desirable than a higher breakeven percentage if the goal of an incentive program is to cost the state as little revenue as possible. A tax incentive program fails to breakeven when the breakeven percentage is greater than 100 percent. This implies that even if 100 percent of the economic activity associated with the incentive recipient was assumed to have taken place strictly because of the incentive's availability, a net negative impact on state general revenues would have resulted.

The following chart provides results of the breakeven analysis with respect to Rhode Island general revenues.

The chart suggests that the program breaks even with respect to state net general revenues if 38.3% of the Wavemaker Fellowship recipients were assumed to work in Rhode Island only because of this tax incentive and 61.7% of them were already embedded in the state economy but benefited from the decrease in personal income taxes.

Stay Invested in RI Wavemaker Fellowship:
Rhode Island Net General Revenue Breakeven Analysis
(Annual RI Net GR Impact, Tax Years 2022-2024)



Notes: Label accompanying each ▲ marker refers to net RI general revenue impact resulting from a cost-benefit analysis assuming the labeled percentage of the Wavemaker Fellowship benefits. Net general revenue impact is equal to the revenue impact resulting from the direct, indirect, and induced effects in addition to the cost of paying back the direct cost of the tax credit.

Source: ORA calculations utilizing REMI Tax-PI

Note that, as the assumed percentage of industry employment benefits increases and the assumed percentage of personal taxes benefits decreases, the net revenue impact becomes higher. However, when these two benefits switch directions, the net revenue impact decreases. This suggests that increasing employment in the "Professional, Scientific, and Technical Services" and "Health Care and Social Assistance" industries has more impact on the state economy than lowering personal income taxes.

The following table provides more detailed information regarding the state general revenue impact breakdown:

Stay Invested in RI Wavemaker Fellowship
Detailed RI General Net Revenue Impacts
(Tax Years 2022-2024)

Item Description	Total		
Assumed % of "Industry Employment"	100%	50%	0%
Assumed % of "Personal Taxes"	0%	50%	100%
Forgone Revenue Due to Credit	**($569,877)**	**($569,877)**	**($569,877)**
Total General Revenue Generated by Credit	**$1,471,573**	**$741,273**	**$10,960**
General Revenue Generated by Credit by Component			
Personal Income Tax	566,597	281,933	(2,733)
General Business Taxes	274,202	138,467	2,730
Sales and Use Taxes	500,407	255,896	11,384
Other Taxes	16,330	8,130	(70)
Total Departmental Receipts	60,517	30,168	(187)
Other Sources	53,521	26,680	(165)
Net Change in General Revenue, After Paying for Credit	**$901,697**	**$171,396**	**($558,916)**
New Revenues Generated for Every Dollar of Credit	**$2.58**	**$1.30**	**$0.02**

Source: ORA calculations based on historical Rhode Island revenue amounts and REMI Tax-PI simulations.

The table shows the detailed revenue impacts under three different scenarios. The "most favorable" scenario is when 100% of the Wavemaker Fellowship recipients took a job in Rhode Island only because of this tax incentive. This scenario generated a total of $901,697 of net general revenues, which incorporates the average credit amount of $569,877. Expressed another way, under this scenario, for every dollar spent on the Wavemaker program, the state generates $2.58 of revenues. This payback ratio shows that new revenues generated from the Wavemaker-incentivized activity exceed the total costs of the Wavemaker program and add a new net positive revenue amount to the state under the assumption that all Wavemaker recipients would not work in Rhode Island if not for the availability of the tax incentive.

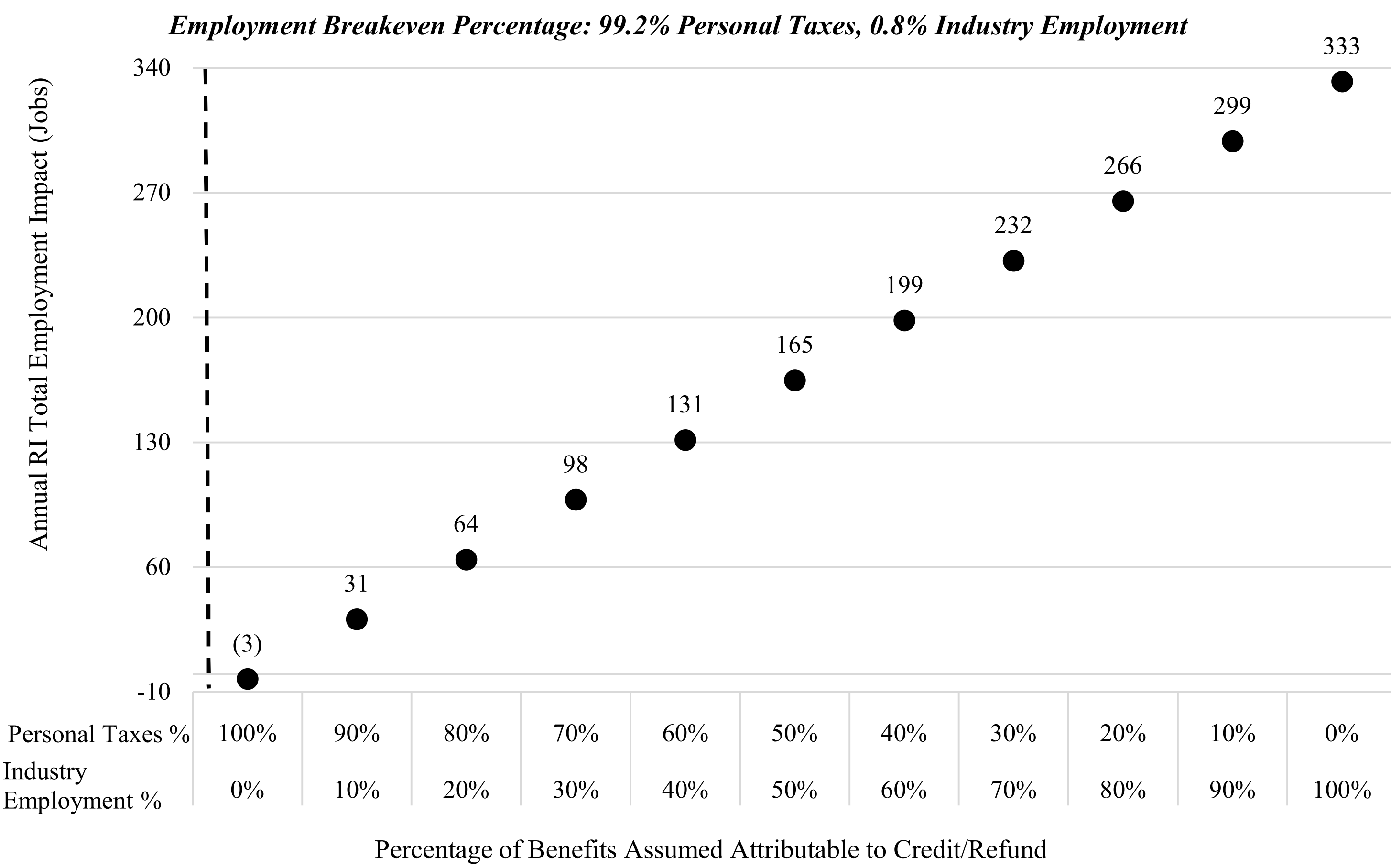
The table also shows the detailed revenue impacts under the "least favorable" scenario where the tax incentive resulted in lowering personal income taxes for all program recipients but did not generate any new employment to the state. Under this scenario, Rhode Island gives up $569,877 in revenues on the Wavemaker Fellowship program and receives $10,960 of new revenues in return, equal to an annual net loss of $558,916 in net general revenues. In this case, for every dollar spent on the Wavemaker program, the state generates only two cents of revenue in return.

In addition to these two extreme cases, the table provides a mid-point scenario. In this case, 50% of the Wavemaker Fellowship recipients were assumed to work in Rhode Island only because of this tax incentive and 50% of them were already embedded in the state economy but benefited from the decrease in personal income taxes. Under this scenario, the net revenue generated is a gain of $171,396. The calculated payback ratio in this case is $1.30 for every dollar spent on the program. ORA examined additional possible scenarios varying the percentages of benefits assumed attributable to the tax incentive. Results of these analyses are provided in appendix C.

The breakeven framework can also be extended to employment and Rhode Island GDP. In these contexts, the breakeven percentage can be interpreted as the percentage of economic activity associated with Wavemaker recipients assumed to be attributable to the availability of the tax incentive. This is the necessary percentage for the increase in total employment and GDP resulting from new economic activity to outweigh the employment or GDP losses resulting in the reduction in government spending necessary to fund the credit.

The following chart shows the results of a breakeven analysis with respect to total employment.

Stay Invested in RI Wavemaker Fellowship:
Rhode Island Total Employment Breakeven Analysis
(Annual RI Jobs Impact, Tax Years 2022-2024)



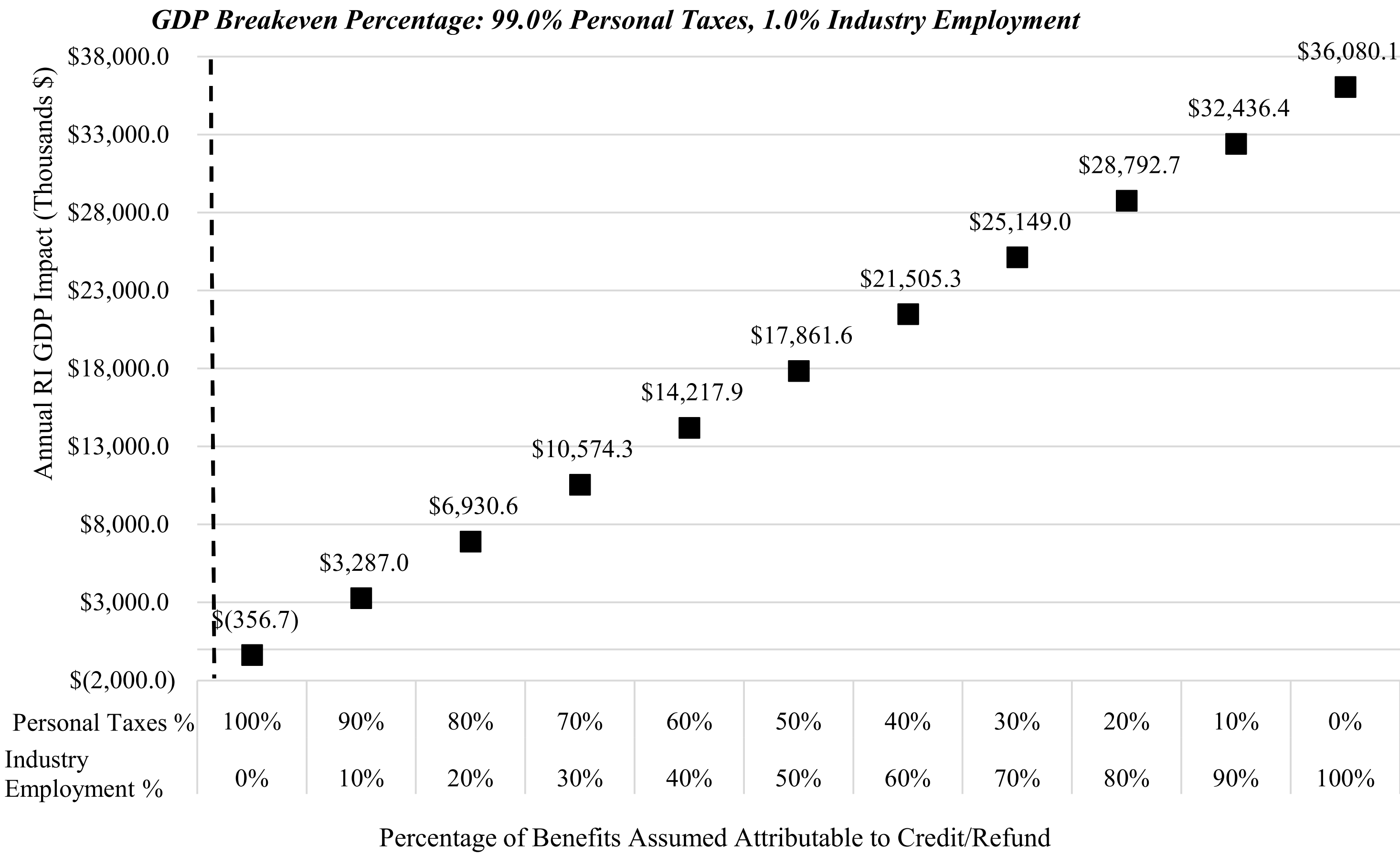
Notes: Label accompanying each ● marker refers to net job impact resulting from a cost-benefit analysis assuming the labeled percentage of Wavemaker Fellowship benefits. Total employment impact includes the direct, indirect, and induced employment effects in private-nonfarm industry and government.

Source: ORA calculations utilizing REMI Tax-PI

The total employment breakeven percentages imply that the Wavemaker Fellowship has a net positive impact on Rhode Island employment if at least 0.8% of the program was associated with an industry employment increase and 99.2% of the program was associated with a decrease in personal taxes. Detailed employment breakdown is provided in appendix C.

The following chart shows the results of a breakeven analysis with respect to Rhode Island gross domestic product (RI GDP).

Stay Invested in RI Wavemaker Fellowship:
Rhode Island Gross Domestic Product Breakeven Analysis
(Annual RI GDP Impact, Tax Years 2022-2024)



Notes: Label accompanying each ■ marker refers to net RI GDP impact resulting from a cost-benefit analysis assuming the labeled percentage of Wavemaker Fellowship benefits. RI GDP impact includes the direct, indirect, and induced GDP effects in all industries.

Source: ORA calculations utilizing REMI Tax-PI

The RI GDP breakeven percentages imply that the Wavemaker Fellowship program has a net positive impact on RI GDP if at least 1.0% of the program is associated with an industry employment increase and 99.0% of the program is associated with a decrease in personal taxes.

The results of additional breakeven scenarios in which the input parameters are varied to provide the reader with additional possible breakeven analysis outcomes are provided in Appendix C.

Part V: Discussion and Recommendations

1. ORA Recommendations

Finding #1: The majority of Wavemaker Fellowship recipients have well-paying jobs when compared to the state's median household income.

Related Recommendations:

- The statutory goals of the program aim to increase the net compensation of individuals to make jobs located in Rhode Island more competitive on an after-tax basis with higher paying jobs located elsewhere in the region.
- The program, by design, benefits those people who work in Rhode Island in specific high-wage occupations and who have student loan debt, for a maximum of four years. Modifying the program by adjusting the amount of the Wavemaker Fellowship grant based on an applicant's income could allow the program to be expanded to more applicants in the STEM and healthcare fields or to other occupations thereby raising the after-tax income of more workers.

Discussion Supporting Finding #1:

The statutory goals and objectives of the program do not provide any explicit income limit on program recipients making this tax incentive open to all income ranges. However, ORA examined income information of the Wavemaker Fellowship recipients provided by Taxation. As indicated in the "Additional Data Analysis" section, this data revealed that most recipients earned an income at or above the Rhode Island household median earnings for full time, year-round workers with earnings as reported by the U.S. Census Bureau ACS 5-year estimates for the year subject to this analysis. This is not surprising since R.I. Gen. Laws § 42-64.26-3(8)(ii) explicitly states that the program applicant must be a full-time employee working in one of the STEM or healthcare fields, which are usually high-paying jobs. While this may satisfy the objective to "bring more and higher-paying jobs to this state by increasing the skill level of this state's workforce," it may not help relieve student loan debts for individuals in other less well remunerated occupations. Policymakers need to reconsider the program's parameters and probably prioritize low-income earners when deciding on the program's eligibility.

Given the Wavemaker program now includes teachers as eligible awardees, this analysis may change in the next evaluation. For example, the average annual salary of a Rhode Island elementary school teacher according to 2024 BLS data was $78,720. This is compared to the median income of a Wavemaker recipient in 2024 of $88,816.

Finding #2: It is unknown how much new net employment is attributable to the Wavemaker Fellowship program.

Related Recommendations:

- Producing a more rigorous analysis than what is contained in this report would require incorporating some elements of "but for" due diligence into the application process.

Discussion Supporting Finding #2:

It is difficult to determine with certainty the portion of Wavemaker Fellowship program recipients who made the decision to work in Rhode Island because of the availability of this tax incentive. Thus, when evaluating this program's benefits, ORA provided a variety of scenarios displaying possible economic and fiscal outcomes using different employment assumptions.

To help overcome this challenge, ORA recommends incorporating some level of "but for" due diligence into the application process. For example, applicants of the Wavemaker Fellowship should be required to commit to working in Rhode Island for a specific time to receive this tax benefit. This approach would demonstrate that the program recipients are not provided with tax benefits for engaging in an activity that they would have done absent the incentive. Policymakers should not consider the "but for" as a hurdle to this program. Instead, the "but for" is a diligent effort to limit subsidies given to individuals that would have taken a job in Rhode Island without any government support as much as possible.

Finding #3: The current Wavemaker Fellowship application form requests information on "wages withholding" without explicitly specifying *Rhode Island* state wage withholding.

Related Recommendations:

- Update the application form and guidance to explicitly request Rhode Island state tax wage withholding to simplify statutory compliance verification.

Discussion Supporting Finding #3:

ORA identified a key ambiguity regarding the wage withholding data requested on the Wavemaker Fellowship application form. While the form requests information on applicant "wages withholding," it does not explicitly specify that this withholding must pertain to Rhode Island state income taxes. The regulations that govern the program (870-RICR-30-00-1) state that an applicant must be a "full-time employee" and further defines a "full-time employee" as someone "whose wages are subject to State withholding."

This report notes that on average in the tax years analyzed, of the 154 individuals receiving the incentive, 21 were non-residents. These non-residents must work for a Rhode Island-based employer and be subject to Rhode Island withholding to qualify for the incentive. Specifying that applicants must be subject to Rhode Island withholding on the initial application would increase program compliance.

Finding #4: The Wavemaker Fellowship application form provides a breakdown of the applicants work fields by economic industries; however, this breakdown does not follow the North American Industry Classification System. While this industry breakdown may be suitable for statutory compliance, it is not specific enough for facilitating the economic analysis of the program.

Related Recommendations:

- The program recipients work fields should be designated based on the North American Industry Classification System to help evaluators conduct a detailed economic analysis.

Discussion Supporting Finding #4:

ORA received all the Wavemaker Fellowship application forms for calendar years 2022 through 2024 from CommerceRI. These forms capture a considerable amount of information regarding each program applicant and their employers, which is suitable to demonstrate compliance with Wavemaker Fellowship eligibility criteria. One point of interest for the current analysis is the work fields of the tax incentive recipients. ORA examined this data and attempted to match each credit recipient to the corresponding industry code according to the North American Industry Classification System (NAICS) when modeling the benefits of this program in the REMI Tax-PI model.

However, the industry description on the application forms was not clear enough for this type of breakdown as it did not indicate specific NAICS-based sectors or codes. Therefore, ORA was unable to allocate the number of program recipients across different industries in the REMI model. Instead, given that the Wavemaker Fellowship program is targeting the STEM and healthcare fields, ORA selected the "Professional, Scientific and Technical Services" and "Healthcare and Social Assistance" sectors (NAICS 54 and 62 respectively) to represent a broad category inclusive of all these fields. ORA cautions that the results of the breakeven analysis presented in this report are particularly dependent on this assumption. A list of subsectors contained in this sector is provided in the appendix for further details.

Finding #5: The cost of administration represents a relatively high share of the tax benefit delivered to taxpayers.

Related Recommendations:

- ORA recommends altering the Wavemaker Fellowship program statute to reduce the relatively high cost of administration and allocate more funds to program participants.

Discussion Supporting Finding #5:

A best practice of tax incentive design is to minimize its cost of administration. The average TY 2022-2024 annual revenue forgone because of the Wavemaker Fellowship program was $515,530. The annual cost of administration reported by Taxation and CommerceRI over this same time was $253,983. Therefore, the cost to administer the program represents 31% of the total program cost to the state (49.3% when compared directly to credits delivered). This is a significant increase from 14% in the TY 2019-2021 report; while administrative overhead remained relatively fixed, the average annual usage dropped significantly by 50%.

This decline in utilization rates during the evaluation period may have been influenced by statutory certification caps and temporary shifts in borrower behavior during the federal pandemic-era student loan repayment pauses. It should also be noted that these administration costs also include additional support and services (beyond the initial certification of fellowship applicants) provided to fellowship recipients.

The significant amount of administrative cost of the Wavemaker Fellowship program is largely driven by the demanding nature of program intake, compliance tracking, and applicant review across a high volume of candidates. To improve program efficiency and ensure state funds are prioritized for direct fellow support, policymakers and program administrators should continue to focus on streamlining the application and annual certification processes. Notably, CommerceRI took a key step toward administrative streamlining by transitioning the application process to a fully online management portal. Continuing to leverage digital workflow automation and automated annual reporting systems will help reduce manual administrative burdens and overhead costs.

2. ORA Conclusion and Overall Recommendation

R.I. Gen. Laws § 44-48.2-5(a) (11) require the Office of Revenue Analysis to make a recommendation "as to whether the tax incentive should be continued, modified, or terminated." ORA recommends that the Stay Invested in RI Wavemaker Fellowship be retained at this time but that adjustments be made in accordance with the recommendations described in the previous section. In addition, ORA warns that the net positive impact of the Wavemaker Fellowship program is heavily dependent on the industry sector selected to run the analysis in the REMI model in which the qualifying jobs are located. Expansion of the program to industry sectors in the model with lower paying jobs will likely diminish the program's revenue impacts.

It is important to recognize, however, that the Wavemaker Fellowship program as it is currently constituted conflicts with the good tax policy principals of horizontal and vertical equity in the treatment of program participants. The conflict with the principle of vertical equity resides in the fact that the Wavemaker Fellowship program effectively reduces the student loan burden of those individuals who can most afford to pay their student loan debts given their employment in high paying jobs. For example, a Wavemaker Fellow who earns $150,000 per year is eligible to receive the same maximum statutory tax benefit as one who earns $50,000 per year even though the higher earning fellow has a greater financial capability to make student loan payments.

As discussed in Finding #1, one possible reform would be to phase out the amount of the Wavemaker Fellowship awards at incomes above a certain level. For illustrative purposes, a reduction in the Wavemaker Fellowship amount of say, $50 for every $1,000 above $100,000 in earnings would reduce the Wavemaker Fellowship for the $150,000 earner to $1,500 (assuming the student loan debt was incurred for a bachelor's degree) freeing up resources that could be used to fund other Wavemaker fellows.

The conflict with the principle of horizontal equity results from the fact that, as devised, funding for the program is limited. The number of awards depends not only on the number of eligible applications but also on funding availability. Thus, the Wavemaker Fellowship program treats similarly situated taxpayers, those with the same income, potentially the same title, and same student loan debt burden who may work at the same company, differently based on whether they are a Wavemaker Fellowship recipient or not. For example, two senior software engineers that each earn $80,000 a year and each of whom have $25,000 in student loan debt, might have very different tax burdens. The Wavemaker fellow in this example will have a tax burden up to $4,000 less (assuming the student loan debt was incurred for a bachelor's degree) than the other person who is not a Wavemaker fellow due to lack of funding.

One possible solution to this inequity would be to make the Wavemaker Fellowship a by right benefit and not one that an eligible person must apply and be approved for. However, this would result in a high budgetary cost to the State as it would require a significant expansion of the Wavemaker Fellowship fund. More analysis is needed on the potential costs and benefits of this change to the program.

APPENDIX

Appendix A: 2023 Wavemaker Fellowship Application, Employer Endorsement Form

Wavemaker

2023 Wavemaker Fellowship Program Application
Employer Endorsement Form

Applicants: Please have this form completed by your immediate supervisor to certify your current employment status at your company, performing work in a qualifying job field. Your employer should return the form to you, to be submitted with your application materials.

Employers: Please complete this form in its entirety to certify that you support your employee's eligibility for, and application to, the Wavemaker Fellowship Program. Questions? Visit www.wavemaker.commerceri.com to review eligibility, or email wavemaker@commerceri.com with questions.

Wavemaker Fellowship Applicant Information:

1. Applicant Legal Name: ______________________________

2. Applicant Job Title: ______________________________

3. *If applicable; have you held a healthcare job that did not require a degree in the past (this applies to Healthcare fellows ONLY) explain: ______________________________

4. Are you bilingual? List Languages: ______________________________

5. Is this position considered a senior-level position at your company? No☐ Yes ☐

6. Does this position require specific skills/competencies that make it a 'difficult to fill' position at your company? ☐Yes ☐No

7. Is the applicant a full-time employee? ☐Yes ☐No

For the purposes of this program, full-time is defined as being employed by a business for a minimum of at least 35 hours/week or rendering any other standard of service generally accepted by custom or practice as full-time employment, with wages subject to withholding.

8. Does this employee currently work remotely, either in full or in part? ☐Yes ☐No

If yes, is this employee's role specifically a Rhode Island-based position? (In other words, but for the ability for the employee to work remotely with the help of technology, would this person otherwise be reporting to an RI-based office or worksite?) ☐Yes ☐No

9. Is the applicant the owner or sole proprietor of this company?: ☐Yes ☐No

For Sole Proprietors please attach with this form your Municipal Registration form.

If Your business is not a Sole Proprietorship your company MUST be registered with the RI Secretary of State's Office prior to the beginning of your first service period!! Additional information regarding business ownership may be required per RI Division of Taxation.*

10. Has this applicant received any workplace awards or recognition (ex: performance awards, merit-based awards, employee of the month, etc.)?: ☐Yes ☐No

*If yes, pleaseTaxation. ***______________________________

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Wavemaker

11. Please indicate which field(s) applies to the work that the applicant does daily for your organization:

- ☐ Life, natural or environmental sciences
- ☐ Computer, information, or software technology
- ☐ Advanced mathematics or finance
- ☐ Engineering
- ☐ Medicine/Healthcare or medical device technology
- ☐ Industrial design or other commercially relevant design field

12. Please give a short description of the applicant's regular duties & responsibilities:

____

____

____

13. What is the applicant's **Annual Compensated Salary**?:

____

Employer Information:

14. Organization Legal Name: ______________________________

15. Organization Address: ______________________________

16. RI Tax ID #: ______________________________

17. NAICS ID#: ______________________________

18. If applicable; are you a Medicaid provider **(this applies to Healthcare fellows ONLY):** ____________

19. If applicable; please provide HPSA ID# **(this applies to Healthcare fellows ONLY):** ______________

20. Which industry or sector is your company a part of?:

- ☐ Biomedical Innovation
- ☐ IT, Cyber, Data Analytics
- ☐ Defense, Shipbuilding, Maritime
- ☐ Advanced Business Services
- ☐ Design, Food, Custom Manufacturing
- ☐ Transportation, Distribution & Logistics
- ☐ Arts, Education, Hospitality & Tourism
- ☐ Offshore Wind
- ☐ Healthcare
- ☐ Other: ________________________

21. Please describe your company's primary work/function: ______________________________

____

____

22. Name of individual completing this form: ______________________________

23. Are you the owner or sole proprietor of this business?: ______________________________

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24. Title of individual completing this form: ___

25. Email address of individual completing this form: ___

26. Phone number of individual completing form: ___

27. How long have you been supervising this Fellow?: ___

Optional Employer Information:

28. How many employees are there in your company?: ___

29. If your company has multiple locations, how many employees in your RI location (s)?:___

30. Is your company's workforce primarily comprised of Rhode Island residents? ☐ Yes ☐ No

31. Does your company recruit primarily from Rhode Island institutions of higher education? ☐ Yes ☐ No

If yes, which institutions? ___

Certification:

I (Applicant Supervisor) hereby certify that the answers to all questions in this form are true to the best of my knowledge and belief.

Signature: ___ Date: ___

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Last updated April 11, 2023

Appendix B: NAICS 54 and NAICS 62

54	*Professional, Scientific, and Technical Services*
5411	**Legal Services**
541110	Offices of Lawyers
541120	Offices of Notaries
541191	Title Abstract and Settlement Offices
541199	All Other Legal Services
5412	**Accounting, Tax Preparation, Bookkeeping, and Payroll Services**
541211	Offices of Certified Public Accountants
541213	Tax Preparation Services
541214	Payroll Services
541219	Other Accounting Services
5413	**Architectural, Engineering, and Related Services**
541310	Architectural Services
541320	Landscape Architectural Services
541330	Engineering Services
541340	Drafting Services
541350	Building Inspection Services
541360	Geophysical Surveying and Mapping Services
541370	Surveying and Mapping (except Geophysical) Services
541380	Testing Laboratories
5414	**Specialized Design Services**
541410	Interior Design Services
541420	Industrial Design Services
541430	Graphic Design Services
541490	Other Specialized Design Services
5415	**Computer Systems Design and Related Services**
541511	Custom Computer Programming Services
541512	Computer Systems Design Services
541513	Computer Facilities Management Services
541519	Other Computer Related Services
5416	**Management, Scientific, and Technical Consulting Services**
541611	Administrative Management and General Management Consulting Services
541612	Human Resources Consulting Services
541613	Marketing Consulting Services
541614	Process, Physical Distribution, and Logistics Consulting Services
541618	Other Management Consulting Services
541620	Environmental Consulting Services
541690	Other Scientific and Technical Consulting Services

54	*Professional, Scientific, and Technical Services*
5417	**Scientific Research and Development Services**
541713	Research and Development in Nanotechnology
541714	Research and Development in Biotechnology (except Nanobiotechnology)
541715	Research and Development in the Physical, Engineering, and Life Sciences (except Nanotechnology and Biotechnology)
541720	Research and Development in the Social Sciences and Humanities
5418	**Advertising, Public Relations, and Related Services**
541810	Advertising Agencies
541820	Public Relations Agencies
541830	Media Buying Agencies
541840	Media Representatives
541850	Outdoor Advertising
541860	Direct Mail Advertising
541870	Advertising Material Distribution Services
541890	Other Services Related to Advertising
5419	**Other Professional, Scientific, and Technical Services**
541910	Marketing Research and Public Opinion Polling
541921	Photography Studios, Portrait
541922	Commercial Photography
541930	Translation and Interpretation Services
541940	Veterinary Services
541990	All Other Professional, Scientific, and Technical Services

62	*Health Care and Social Assistance*
6211	**Offices of Physicians**
621111	Offices of Physicians (except Mental Health Specialists)
621112	Offices of Physicians, Mental Health Specialists
6212	**Offices of Dentists**
621210	Offices of Dentists
6213	**Offices of Other Health Practitioners**
621310	Offices of Chiropractors
621320	Offices of Optometrists
621330	Offices of Mental Health Practitioners (except Physicians)
621340	Offices of Physical, Occupational and Speech Therapists, and Audiologists
621391	Offices of Podiatrists
621399	Offices of All Other Miscellaneous Health Practitioners

62	*Health Care and Social Assistance*
6214	**Outpatient Care Centers**
621410	Family Planning Centers
621420	Outpatient Mental Health and Substance Abuse Centers
621491	HMO Medical Centers
621492	Kidney Dialysis Centers
621493	Freestanding Ambulatory Surgical and Emergency Centers
621498	All Other Outpatient Care Centers
6215	**Medical and Diagnostic Laboratories**
621511	Medical Laboratories
621512	Diagnostic Imaging Centers
6216	**Home Health Care Services**
621610	Home Health Care Services
6219	**Other Ambulatory Health Care Services**
621910	Ambulance Services
621991	Blood and Organ Banks
621999	All Other Miscellaneous Ambulatory Health Care Services
6221	**General Medical and Surgical Hospitals**
622110	General Medical and Surgical Hospitals
6222	**Psychiatric and Substance Abuse Hospitals**
622210	Psychiatric and Substance Abuse Hospitals
6223	**Specialty (except Psychiatric and Substance Abuse) Hospitals**
622310	Specialty (except Psychiatric and Substance Abuse) Hospitals
6231	**Nursing Care Facilities (Skilled Nursing Facilities)**
623110	Nursing Care Facilities (Skilled Nursing Facilities)
6232	**Residential Intellectual and Developmental Disability, Mental Health, and Substance Abuse Facilities**
623210	Residential Intellectual and Developmental Disability Facilities
623220	Residential Mental Health and Substance Abuse Facilities
6233	**Continuing Care Retirement Communities and Assisted Living Facilities for the Elderly**
623311	Continuing Care Retirement Communities
623312	Assisted Living Facilities for the Elderly
6239	**Other Residential Care Facilities**
623990	Other Residential Care Facilities
6241	**Individual and Family Services**
624110	Child and Youth Services
624120	Services for the Elderly and Persons with Disabilities
624190	Other Individual and Family Services

62	***Health Care and Social Assistance***
6242	**Community Food and Housing, and Emergency and Other Relief Services**
624210	Community Food Services
624221	Temporary Shelters
624229	Other Community Housing Services
624230	Emergency and Other Relief Services
6243	**Vocational Rehabilitation Services**
624310	Vocational Rehabilitation Services
6244	**Child Day Care Services**
624410	Child Day Care Services

Appendix C: Additional Breakeven Scenarios

The following table presents a sensitivity analysis of the Wavemaker Fellowship program. ORA ran different economic scenarios across which the input parameters are being varied accordingly to provide the reader with additional possible breakeven analysis outcomes.

Stay Invested in RI Wavemaker Fellowship

Detailed RI General Net Revenue Impacts

(Tax Years 2022-2024)

Policy Variable	Percentage Assumed										
Industry Employment	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Personal Taxes	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
Item Description	**Economic & Revenue Impacts**										
Total Employment	**-3**	**31**	**64**	**98**	**131**	**165**	**199**	**232**	**266**	**299**	**333**
Private Non-Farm Employment	1	34	66	99	131	163	196	228	261	293	325
Direct	0	17	33	50	67	84	100	117	134	151	167
Indirect	0	6	12	18	24	30	36	43	49	55	61
Induced	2	11	21	30	40	49	59	68	78	87	97
Total GDP ($000)	**($356.7)**	**$3,287.0**	**$6,930.6**	**$10,574.3**	**$14,217.9**	**$17,861.6**	**$21,505.3**	**$25,149.0**	**$28,792.7**	**$32,436.4**	**$36,080.1**
Generated Revenues by Component ($000)											
Personal Income Tax	($2.7)	$54.2	$111.1	$168.1	$225.0	$281.9	$338.9	$395.8	$452.7	$509.7	$566.6
General Business Taxes	$2.7	$29.9	$57.0	$84.2	$111.3	$138.5	$165.6	$192.8	$219.9	$247.1	$274.2
Sales and Use Taxes	$11.4	$60.3	$109.2	$158.1	$207.0	$255.9	$304.8	$353.7	$402.6	$451.5	$500.4
Other Taxes	($0.1)	$1.6	$3.2	$4.9	$6.5	$8.1	$9.8	$11.4	$13.0	$14.7	$16.3
Total Departmental Receipts	($0.2)	$5.9	$12.0	$18.0	$24.1	$30.2	$36.2	$42.3	$48.4	$54.4	$60.5
Other Sources	($0.2)	$5.2	$10.6	$15.9	$21.3	$26.7	$32.0	$37.4	$42.8	$48.2	$53.5
Cost of Incentive ($000)	**($569.9)**	**($569.9)**	**($569.9)**	**($569.9)**	**($569.9)**	**($569.9)**	**($569.9)**	**($569.9)**	**($569.9)**	**($569.9)**	**($569.9)**
Total Net Revenues ($000) *	**($558.9)**	**($412.9)**	**($266.8)**	**($120.7)**	**$25.3**	**$171.4**	**$317.5**	**$463.5**	**$609.6**	**$755.6**	**$901.7**

Source: ORA calculations based on historical Rhode Island revenue amounts and REMI Tax-PI simulations

Note: *The total net revenues represent the difference between the sum of generated revenues and the cost of the tax incentive