Fiscal Year 2014 Report on Debt Management and Notice of Debt Issuances to the Public Finance Management Board

September 2015

State of Rhode Island
And Providence Plantations

OFFICE OF THE GENERAL TREASURER

SETH MAGAZINER
GENERAL TREASURER

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September 2015

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The Honorable Nellie Gorbea, Secretary of State, State of Rhode Island
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Mr. Edward F. Yazbak, Public Member
Mr. Shawn J. Brown, Public Member
Mr. Thomas M. Bruce, III, Public Member
Ms. Patricia Anderson, Public Member
Mr. B. Joe Reddish III, Public Member

Dear Members of the Board:

This letter accompanies the Fiscal Year 2014 Debt Management Report for the State of Rhode Island and Providence Plantations (the "State" or "Rhode Island"). This report is submitted in accordance with the Rhode Island General Laws, Title 42, Chapter 10.1, which established the Public Finance Management Board (the "PFMB" or the "Board") and set forth its duties, which include reporting on the debt position of the State.

This year's report demonstrates the importance of the State's debt management efforts to maintain and improve the State's credit ratings and access to the capital markets. When credit rating agencies and investors have a positive view of the State, debt service is less costly for the State. Higher-rated and lower-cost debt helps make it possible for the State to access the bond markets to finance critical infrastructure projects and improvements such as schools and roads. Investor confidence was evident in the two successful bond sales in Fiscal Year 2014: the $78,700,000 Consolidated Capital Development Loan of 2014, Refunding Series A in May 2014; and the $40,650,000 Consolidated Capital Development Loan of 2013, Series A (Tax Exempt) and $12,500,000 Capital Development Loan of 2013, Series B (Federally Taxable) in October 2013. The 2014 Refunding Series saved the State over $6.7 million in debt service costs.

Net tax supported debt totaled $1.82 billion at the close of FY 2014 and current Budget Office forecasts project the State's debt level will decrease to $1.59 billion by FY 2019.

A major responsibility of the Treasurer's Office and the PFMB is to monitor State debt ratios and to preserve Rhode Island's credit ratings and enhance the State's presence in the financial markets. Maintenance of prudent debt ratios and securing positive ratings from the credit rating agencies will enable Rhode Island to obtain financing at the lowest possible interest rates. To maintain its credit ratings at an appropriate level, the State must continue to make fiscal responsibility a top priority.

Through strong State leadership willing to address tough issues, the State has strengthened its credit profile. Notable examples include tackling pension reform as well as paying the debt service associated with the 38 Studios moral obligation bonds, establishing the Office of Management and Budget (OMB), reducing the State's reliance on one-time budget measures and improving the structural balance of the

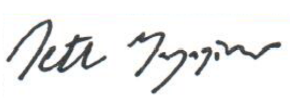
State Budget. All of these affirmative steps have positioned Rhode Island for stronger financial performance.

Rhode Island's fiscal situation had been characterized as "strained" by the three major credit rating agencies for several years. The credit rating agencies have heightened their scrutiny of budget decisions since the global economic recession triggered in 2008, with persistent structural budget gaps, tight liquidity and a weak economy being cited by the rating agencies as issues for the State. Progress is being made in addressing these issues.

Investor Relations has also become increasingly important for the State, as investors conduct their own credit analyses and seek the opportunity to ask questions of State policy makers. The Office of the General Treasurer has hosted credit rating agency visits, investor and broker/advisor meetings, launched and then upgraded the State's investor relations portal and has continued to improve reporting of and transparency into the State's finances. The State has also continued to make a concerted effort to improve its primary and continuing disclosure obligations.

According to State Budget Office projections and economic assumptions, the ratio of debt service to revenues will remain within the PFMB's guideline of 7.5% through Fiscal Year 2019. While the State's economic climate in recent years has been below the national average, revenues now appear to be improving. At this time, we do not recommend revision of the guideline, but suggest continued monitoring of the guideline as discussed in the report.

Sincerely,



Seth Magaziner
General Treasurer

SECTION 1
2014 Findings

The Report for Fiscal Year 2014 includes the following:

- Analysis of current State debt position and trends.
- Status report on the implementation of debt management methods and policies.
- Evaluation of projected new debt issuance in compliance with the Public Finance Management Board's ("PFMB") adopted Credit Guidelines.
- Information about outstanding debt issued by State-related agencies and summary information on local government debt position and trends.

The principal findings of this report are summarized below.

Rhode Island's Debt Burden Remains Moderately High

Rhode Island's debt levels are still relatively high, as evidenced by the following statistics provided by a Moody's Investor Service State Debt Medians Report, June 2015 and the FY16 Capital Budget:

- Rhode Island ranks 12th highest among all states in Net Tax-Supported Debt as a percent of personal income, at 4.2% (based on Moody's calculations and 2013 personal income).
- Rhode Island ranks 10th highest among all states in Net Tax-Supported Debt per capita at $1,985 (based on Moody's calculations).
- Net Tax-Supported Debt decreased annually by 0.9% from FY10–FY14. Personal income growth for the same period was 3.7%.
- In FY14 the general obligation debt decreased by of 1.4% over FY13. From FY10–FY14 general obligation debt decreased at a rate of 0.3%.

Over the last four years, Net Tax-Supported Debt decreased by $68.3 million, from $1.88 billion at FY10 to $1.82 billion at FY14. Current Tax-Supported Debt of $1.82 billion represents a decrease of 3.9% from $1.89 billion at FY13.

According to the FY16 Capital Budget, the State's outstanding Net Tax-Supported Debt (includes adjustment for agency payments) is projected to decrease to $1.59 billion for FY19. This projection assumes the issuance of no new Tax Supported Debt during this period other than as projected in the Capital Budget.

The Capital Budget for FY16 also indicates that State general obligation debt will increase at a compound annual growth rate of 0.9% from $1,022.9 million at FY15 to $1,058.5 million at FY19. The debt of the Commerce Corporation (formerly known as the Economic Development Corporation "EDC") will decrease at a compound annual growth rate of 8.5%. During the same period, it is estimated that capital leases will decrease at a compound annual growth rate of 12.9% and Convention Center Authority debt will decrease by 5.7%.

Rhode Island's efforts to improve its debt position continue to be recognized by the municipal credit rating agencies. Pension reform measures that were adopted during the 2005 and 2009 legislative sessions contributed to Standard and Poor's upgrade of the State's bond rating from AA- to AA. Protecting the gains made in debt reduction is critical and important to preserving financial flexibility.

In 2010, two of the municipal rating agencies recalibrated municipal ratings. Fitch completed its process in April 2010 and Moody's recalibrated the states in May 2010. Standard & Poor's had been using one rating scale for approximately four years. These actions were in response to market demand for enhanced comparability between municipal ratings and non-municipal ratings. As a result of recalibration, the General Obligation ratings of the states are higher on the "global" or "corporate" scale than their place on the municipal ratings scale. However, these actions were not viewed as improvements in credit quality or rating upgrades, but as an alignment of municipal ratings with corporate or global equivalents.

In its 2014 Outlook for U.S. States, Moody's Investors Service expressed a stable outlook for state credit ratings and noted that the main drivers of their stable outlook in the near term are;

- Key macro indicators continue to reflect economic recovery, albeit at subdued rates;
- Revenue growth continued in fiscal 2014 with many states recording better-than-expected revenues despite a slow start; and
- Reserves are increasing.

Moody's cites areas of caution as well, including:

- Revenue and spending risks remain in fiscal 2015 budgets;
- Federal budget and debt limit debate adds uncertainty to state budgets;
- Pensions continue to put outsized pressure on some states' budgets; and
- Employment remains weak and economic recovery has been uneven regionally.

The General Assembly passed the Rhode Island Retirement Security Act (RIRSA) on November 17, 2011 and the Governor signed it on November 18, 2011. The changes to the various State administered retirement plans not only reduced the unfunded liability of each as well as the actuarially required contribution, but served to improve the State's overall debt and liability profile.

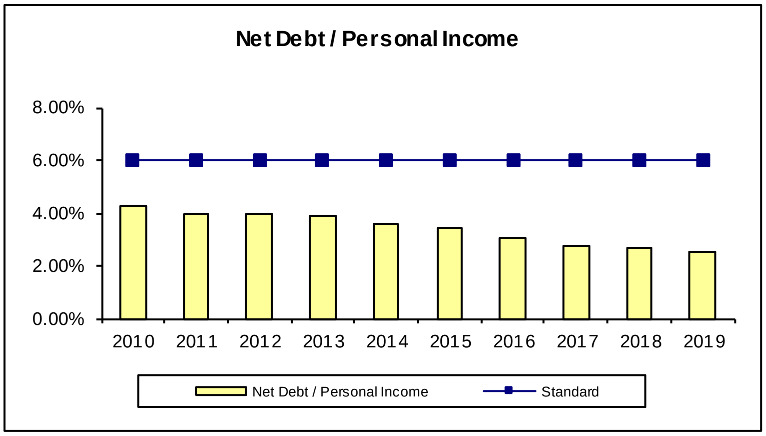
While the State's rating agencies noted RIRSA as a credit positive, they continued to monitor closely the legal actions filed in state court challenging the pension reforms. Achieving the Pension Settlement effective in 2015 removed a major uncertainty from the State's Credit Profile and has been noted as a credit positive by the rating agencies.

PFMB's Credit Guidelines and Debt Ratio Targets In recognition of Rhode Island's high debt burden, the PFMB adopted Credit Guidelines recommended in the 1997 report for use in evaluating certain elements of the State's debt. The initial Credit Guidelines were adopted after extensive research on State debt trends and a comparative analysis of peer states with demographic, geographic, and financial characteristics similar to Rhode Island. The Credit Guidelines were intended to be restrictive enough to be relevant in managing debt levels, but flexible enough to allow for the funding of critical infrastructure needs. However, in light of the State's already high debt burden at the time of adoption, the Credit Guidelines did not necessarily represent an ideal level of State debt.

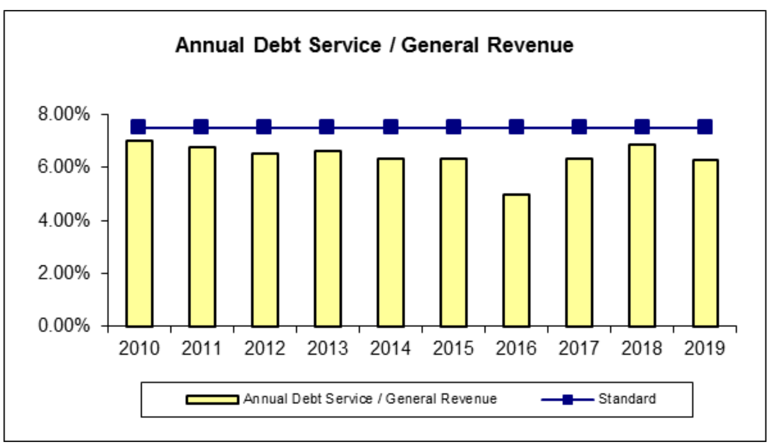
The PFMB approved the following revisions to the Tax-Supported Debt to Personal Income target debt ratios recommended in the 1999 Report on Debt Management. Approved guidelines are as follows:

- ***Credit Guideline 1:*** Tax-Supported Debt to not exceed the target range of 5.0% to 6.0% of personal income, and annual debt service for Tax-Supported Debt to not exceed 7.5% of General Revenues. It is anticipated that fluctuation of this ratio over the long-term will be affected by both variations in personal income levels and debt issuance. The target ranges will continue to be reviewed on an annual basis with consideration given to trends in the State's debt level and upcoming infrastructure projects.
- ***Credit Guideline 2:*** The Board should monitor the total amount of Tax-Supported Debt, State Supported Revenue Debt, and Agency Revenue Debt in relation to the State's personal income.
- ***Credit Guideline 3:*** The Credit Guidelines may be exceeded temporarily under certain extraordinary conditions. If a Credit Guideline is exceeded due to economic or financial circumstances, the Board should request that the Governor and the Legislature recommend a plan to return debt levels to the Guidelines within five years.

The debt projections in this report remain within the Credit Guidelines relating to Net Debt to Personal Income, as the ratio will decline from 3.4% at FY15 to 2.5% at FY19. From FY10 to FY14, Personal Income grew at a rate of 3.7%, while Net Tax-Supported Debt decreased by 0.9%. The combination of higher Personal Income growth and lower debt growth resulted in the Net Debt to Personal Income ratio of 4.3% at FY10 decreasing to 3.6% for FY14.



Annual Debt Service as a percentage of revenues decreased from 7.0% in FY10 to 6.3% in FY14. Projections from FY15 to FY19 indicate that the PFMB guideline of 7.5% for debt service to revenue ratio will not be exceeded during this period.

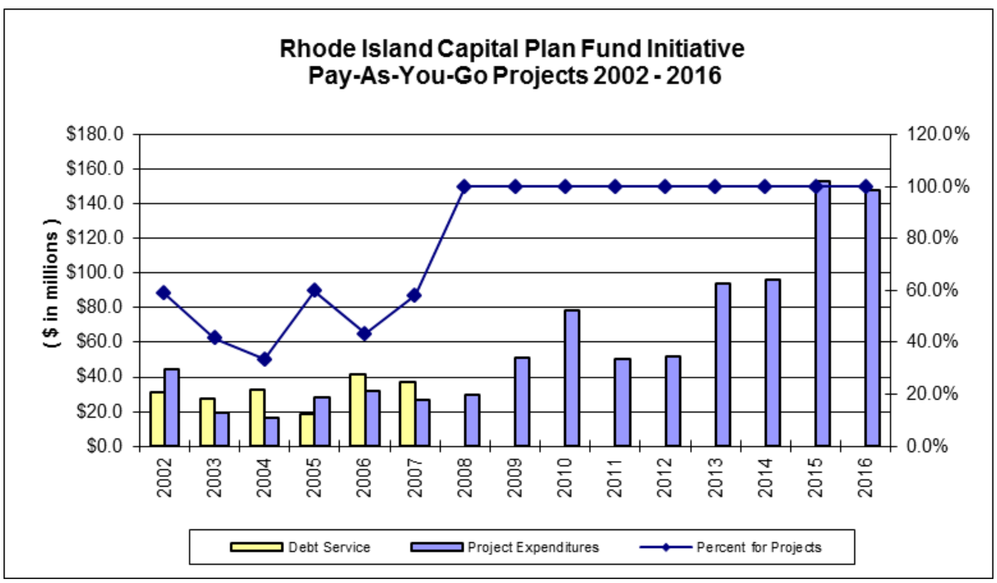


Positive Steps in Debt Administration

Over the years, Rhode Island has made improvements to its debt planning and administration, beginning with the implementation of a formal capital budgeting process and the adoption of the Public Corporation Debt Management Act in 1994 (§RIGL 35-18). The State's debt load can have a negative impact on the flexibility of the operating budget and limit the State's ability to meet unanticipated capital financing and economic development needs. Listed below are several initiatives related to debt administration undertaken by the State in recent years.

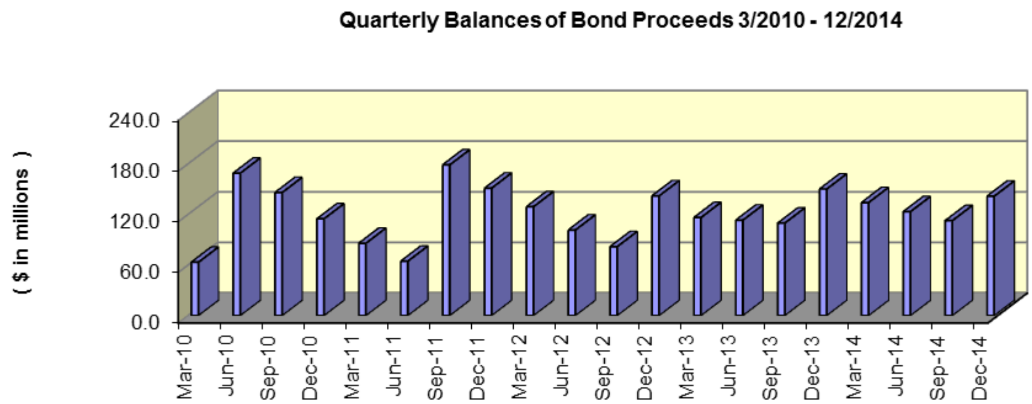
1. **Pay-As-You-Go Capital Financing.** During a period of sustained economic expansion from 1998 to 2001, along with improved cash management, the State was able to forego cash-flow borrowing, a positive trend in the State's debt management. Greater financial flexibility during periods of economic expansion enabled the State to increase the proportion of pay-as-you-go capital spending, which includes using both gas tax funds and funds dedicated to the Rhode Island Capital Fund ("RICAP"). Historically, the State has funded its required match for federal highway funds with General Obligation bonds. This reliance on debt has increased the State's debt burden and made fewer dollars available to RIDOT. In 2011, the General Assembly increased fees to reduce RIDOT's reliance on debt. The new revenues combined with RICAP funding will enable the State to fund its required match without debt in the future.

   Included in the governor's recommended FY16 Budget was a $147.5 million appropriation ($153.1 million in FY15 which includes funding appropriations from FY14) for pay-as-you-go capital financing through the Rhode Island Capital Plan Fund. According to the FY16 Capital Budget, 100.0% of the Fund's resources will be used for capital asset protection projects in FY16.



2. **Bond Proceeds Management.** The State continues to monitor the issue of unexpended balances of general obligation bond proceeds. Past reports have noted this as an issue of concern. Unexpended proceeds were $141.6 million as of December 31, 2014 down from $150.1 million as of December 31, 2013.

   As shown in the chart below, there is a cyclical peak at the end of the second or third quarter, which is indicative of the traditional timing of bond issuance.



3. **Municipal Debt Report.** The PFMB is also required to report on R.I. local government debt, which is a summary of debt issued by cities and towns and other authorities to comply with Section 42-10.1-4. This report can be found under Exhibit B, "Summary of Debt Issuances."

4. **Cash Management.** The State has issued tax anticipation notes ("TANs") in all but 6 of the past 23 years. No TANs were issued in FY14 and no authority to issue TANs was sought in FY15. This improvement reflects the build-up of the budget stabilization fund and other reserves as well as improved cash management. Treasury's proactive cash management practices have resulted in a better alignment of cash inflows with spending.

SECTION 2

Rhode Island State Debt

Table 2-1 below is a summary detail statement of outstanding State debt, followed by a brief glossary of terms describing each category of debt.

Table 2-1
Rhode Island Debt Statement
(as of June 30, 2014, dollars in millions, principal amount)

		6/30/2012	6/30/2013	6/30/2014
Tax-Supported Debt				
	General Obligation Bonds	$ 1,110.6	$ 1,119.4	$ 1,103.9
	Capital Leases	233.8	233.0	207.6
	Convention Center Authority	250.5	237.0	226.9
	*Economic Development Corporation (Commerce Corp.)	300.5	321.9	289.3
	Gross Tax-Supported Debt	$ 1,895.4	$ 1,911.3	$ 1,827.7
	Agency Payments	(22.8)	(21.4)	(12.1)
	Net Tax-Supported Debt	**$ 1,872.6**	**$ 1,889.9**	**$ 1,815.6**
State Supported Revenue Debt				
	*EDC - Providence Place Mall	24.7	22.6	20.3
	R.I. Housing	227.1	164.2	131.9
	Industrial Recreational Building Authority - Insured			
	Industrial Facilities Corporation	19.5	16.1	14.9
	State Supported Revenue Debt	**$ 271.3**	**$ 202.9**	**$ 167.1**
Agency Revenue Debt				
	Airport Corporation	$ 300.8	$ 323.1	$ 315.6
	*Economic Development Corporation (Commerce Corp.)	100.2	71.2	76.7
	*EDC - GARVEE Bonds, Federally Funded (Commerce Corp.)	342.7	311.6	279.0
	R.I. Housing	5.0	5.0	5.0
	Narragansett Bay Commission	488.5	562.9	619.6
	Resource Recovery Corporation	12.2	40.0	36.5
	State University and Colleges	268.7	311.5	247.7
	Turnpike and Bridge Authority	66.8	64.3	87.1
	Water Resources Board	2.3	2.3	0.6
	Agency Revenue Debt	**$ 1,587.2**	**$ 1,691.9**	**$ 1,667.8**
Conduit Debt				
	Clean Water Finance Agency	$ 706.9	$ 746.9	$ 774.1
	Health and Educational Building Corporation	2,736.5	2,784.5	2,913.8
	R.I. Housing	1,370.7	1,397.0	1,311.7
	Industrial Facilities Corporation	65.5	63.6	57.6
	Student Loan Authority	863.0	762.8	698.6
	Conduit Debt	**$ 5,742.6**	**$ 5,754.8**	**$ 5,755.8**

Sources: FY 16 Capital Budget and Treasury Survey of R.I. Quasi-Public Corporations subject to their revisions.
* All references in this report to the Economic Development Corporation (EDC) are references to the Commerce Corporation.

Explanation of Categories of Debt

Below is a definition of the four general categories of debt, which are used throughout this report and reflected in Table 2-1 on the previous page. These categories are listed in declining relationship to the State's general credit. To the extent possible, the categories are consistent with the methods credit analysts use in reviewing a state's debt levels. Credit analysts are the professionals who assign credit ratings and recommend and evaluate debt as investments for investors in tax exempt bonds.

Tax-Supported Debt	Tax-Supported Debt is payable from or secured by general taxes and revenues of the State or by specific State collected taxes that are pledged to pay a particular debt. Because of the claim this debt has on the State's credit, this is the most relevant debt figure to State taxpayers.
State Supported Revenue Debt	State Supported Revenue Debt is payable from specified revenues pledged for debt service which are not general taxes and revenues of the State. However, the State provides additional credit support to repay this debt if the pledged revenues are insufficient to meet scheduled debt service requirements. Because of the contingent nature of the State Credit Support, this figure is somewhat less important than Tax Supported Debt. This type of debt includes "moral obligation" debt.
Agency Revenue Debt	Agency Revenue Debt is similar to State Supported Revenue Debt; except that no State credit support is legally pledged for repayment and the assets financed are State owned enterprises that are intended to be supported by internally generated fees and revenues. While this type of debt is not supported by State taxes, the agencies and public corporations responsible for this debt may also have financed some assets with State general obligation debt, thereby indirectly linking such debt to the State.
Conduit Debt	Conduit Debt is issued by a state agency or public corporation on behalf of borrowers which include businesses, health care institutions, private higher education institutions, local governments, and qualified individuals (loans for higher education and housing purposes). No State credit support is provided.

SECTION 3
Classification of State Debt

The Debt Issuers

The electorate of the State and the General Assembly authorize certain State officers, State agencies, and municipalities to issue debt for various purposes. This report uses the terms "issuers" and "debt issuing agencies" to describe any State office, department, corporation, or agency which issues bonds, notes, or other securities. These issuers finance construction and other capital improvements to State buildings; State highways; local water, sewer, and other capital improvement projects; loans to businesses; health care organizations; loans to low and moderate income persons for single family housing and higher education; loans to developers for multifamily housing; and private and public university buildings.

As previously noted, economic expansion resulting in more robust revenue growth could reduce pressure on the State's debt ratios and enhance structural fiscal balance, two important credit factors. The Office of the General Treasurer worked with the General Assembly in 2013 to design a revolving fund for local roads to assist Rhode Island's cities and towns with much needed infrastructure improvements and to foster economic activity. This program will be administered by the RI Clean Water Finance Agency and supported by RIDOT. In 2015, the Office of the General Treasurer worked on a major legislative initiative to expand the role of the RI Clean Water Finance Agency, rebranding it as the RI Infrastructure Bank. The new RIIB is charged with implementing additional programs, including PACE, Commercial PACE and an Efficient Buildings Fund to assist municipalities and other government entities with funding energy related projects.

There are currently 15 different State debt issuers that have been authorized to sell various types of obligations. Table 3-1 presents a list of each issuer and the type of debt each has issued.

Table 3-1
State Debt Issuing Agencies

Issuer	Tax-Supported Debt	Revenue Debt (State Credit Support)	Agency Revenue Debt	Conduit Debt
Airport Corporation* (1)			X	
Clean Water Finance Agency			X	X
Convention Center Authority	X			
Economic Development Corporation	X	X	X	X
Health and Education Building Corp.				X
Housing, Mortgage, and Finance Corp.		X	X	X
Industrial Facilities Corp.		X	X	X
Narragansett Bay Commission			X	
Resource Recovery Corporation			X	
State of Rhode Island-Capital Leases	X			
State of Rhode Island-GO Bonds	X			
State Universities and Colleges			X	
Student Loan Authority			X	X
Turnpike and Bridge Authority			X	
Water Resources Board			X	

* The State has outstanding general obligation bonds issued on behalf of this agency.

(1) Borrows through the Economic Development Corporation.

Tax-Supported Debt: FY10 to FY14

Tax-Supported Debt includes general obligation bonds and bonds payable from leases which are subject to appropriation from the State's general fund. Credit ratings for this debt are largely dependent on the general fiscal condition of the State, amount of Tax-Supported Debt currently outstanding, the characteristics of the specific tax that is pledged for repayment, and the economic conditions of the State.

Table 3-2 presents the amounts and types of Tax-Supported Debt for the five years ending June 30, 2014 with resulting debt ratios. For FY14, the State's Debt to Personal Income ratio of 3.6% and Debt Service to Revenue ratio of 6.3% were in compliance with the Credit Guideline maximums of 6.0% and 7.5%, respectively. A detailed statement of Outstanding Tax-Supported Debt (actual) as of June 30, 2014 is presented in Appendix A.

Table 3-2
Tax-Supported Debt: Fiscal Years 2010 - 2014
(dollars in millions, principal amount)

Fiscal Years	2010	2011	2012	2013	2014	CAGR FY 10 - 14
General Obligation Bonds	$ 1,118.0	$ 1,049.4	$ 1,110.6	$ 1,119.4	$ 1,103.9	-0.3%
Capital Leases	254.7	224.0	233.8	233.0	207.6	-5.0%
Convention Center Authority	268.3	259.6	250.5	237.0	226.9	-4.1%
Economic Development Corp.	259.9	323.0	300.5	321.9	289.3	2.7%
R.I.H.M.F.C. Neighborhood Opp. Hsing Prog.	8.4	3.5	-	-		-
Gross Tax-Supported Debt	$ 1,909.3	$ 1,859.5	$ 1,895.4	$ 1,911.3	$ 1,827.7	-1.1%
Agency Payments	(25.4)	(24.1)	(22.8)	(21.4)	(12.1)	-16.9%
Net Tax-Supported Debt	**$ 1,883.9**	**$ 1,835.4**	**$ 1,872.6**	**$ 1,889.9**	**$ 1,815.6**	**-0.9%**
Annual Net Tax-Supported Debt Service (1)	$ 218.2	$ 212.8	$ 217.7	$ 230.3	$ 225.1	0.8%
Debt Ratios: (2)						
Annual Debt Service / Revenues (7.5%)	7.0%	6.7%	6.5%	6.6%	6.3%	-2.6%
Net Debt / Personal Income (5% - 6%)	4.3%	4.1%	4.0%	3.9%	3.6%	-4.4%
Net Debt / Capita	$ 1,789.8	$ 1,743.2	$ 1,781.2	$ 1,799.4	$ 1,720.7	-1.0%
Assumptions:						
Revenues (1), (3)	$ 3,112.4	$ 3,159.3	$ 3,338.7	$ 3,484.7	$ 3,560.8	3.4%
Personal Income	$ 43,854.8	$ 45,291.8	$ 46,744.8	$ 48,853.8	$ 50,662.5	3.7%
Population (4)	1,052,567	1,052,886	1,051,302	1,050,292	1,055,173	0.1%

CAGR = Compound Annual Growth Rate
Source: FY 16 Capital Budget

(1) FY 11 - FY 15 Capital Budgets.
(2) Based on Net Tax-Supported Debt which includes agency payments.
(3) Revenues include actual general revenues plus dedicated gas tax transfers.
(4) Population estimates for 2014 are from the U.S. Census Bureau, March 25, 2015.

As the result of decreases in General Obligation debt and Convention Center Authority debt, total Net Tax-Supported Debt decreased by a CAGR of 0.9% from FY10 to FY14. These decreases were partially offset by a 2.7% CAGR increase in Economic Development Corporation debt. State personal income grew at an annual compound rate of 3.7% while revenues increased by 3.4% over the same period.

The Governor, with approval by the General Assembly, also authorizes certain departments to finance the acquisition of equipment and the acquisition and improvement of buildings by using capital leases. Capital leases have been used to finance various projects such as the Attorney General's office, the ACI Intake Center, the office complex at Howard Center for the Department of Labor and Training and power generation facilities at the State Colleges and Universities. These capital leases are considered Tax-Supported Debt by bond credit analysts.

The Commerce Corporation, formerly the Economic Development Corporation (the "EDC") issues debt that will be paid from State taxes and revenues which represents 15.9% of Net Tax-Supported Debt. This debt contains unusual credit features, which obligate the State to pay debt service under certain expected circumstances. Two such previously contracted issues (Fidelity and Fleet leases) carry a moral obligation and springing appropriation pledge triggered by the firms' hiring levels, which requires the State to appropriate funds in the event that certain job hiring targets are met. In the event performance targets are not met, the State is not obligated to pay under the agreements. The purpose of this type of performance-based credit structure is to foster economic development, and to justify such appropriations by the generation of incremental income tax receipts. For this reason, issuance must be carefully monitored and measured for budget purposes.

Projected Tax-Supported Debt: FY15 to FY19

Using figures provided by the State Budget Office, an estimate of the Tax-Supported Debt for the FY15 - FY19 period has been developed along with a forecast of certain debt ratios.

Gross Tax-Supported Debt (excludes adjustments for agency payments) is projected to decrease from $1,803.0 million in FY15 to $1,595.7 million in FY19.

Table 3-3
Tax-Supported Debt: Fiscal Years 2015 - 2019
(dollars in millions, principal amount)

Fiscal Years	2015	2016	2017	2018	2019	CAGR FY 15 - 19
General Obligation Bonds	$ 1,022.9	$ 1,002.2	$ 1,014.2	$ 1,022.1	$ 1,058.5	0.9%
Capital Leases	235.1	209.3	182.3	159.6	135.6	-12.9%
Convention Center Authority	216.2	204.8	193.6	182.6	171.1	-5.7%
Economic Development Corp.	328.8	283.3	238.7	266.7	230.5	-8.5%
Gross Tax-Supported Debt	$ 1,803.0	$ 1,699.6	$ 1,628.8	$ 1,631.0	$ 1,595.7	-3.0%
Agency Payments	(10.8)	(9.4)	(8.0)	(6.6)	(5.1)	-17.1%
Net Tax-Supported Debt	**$ 1,792.2**	**$ 1,690.2**	**$ 1,620.8**	**$ 1,624.4**	**$ 1,590.6**	**-2.9%**
Annual Net Tax-Supported Debt Service (1)	$ 230.8	$ 185.6	$ 236.8	$ 257.9	$ 237.1	0.7%
Debt Ratios: (2)						
Annual Debt Service / Revenues (7.5%)	6.3%	5.0%	6.3%	6.9%	6.3%	-0.2%
Net Debt / Personal Income (5% - 6%)	3.4%	3.0%	2.8%	2.7%	2.5%	-7.2%
Net Debt / Capita	$ 1,698.5	$ 1,601.8	$ 1,536.1	$ 1,539.5	$ 1,507.4	-2.9%
Assumptions:						
Revenues	$ 3,649.5	$ 3,736.1	$ 3,742.0	$ 3,763.3	$ 3,772.9	0.8%
Personal Income	$52,487.5	$55,593.7	$58,557.5	$60,822.2	$62,714.0	4.6%
Population (3)	1,055,173	1,055,173	1,055,173	1,055,173	1,055,173	0.0%

CAGR = Compound Annual Growth Rate
Source: FY 16 Capital Budget

(1) Projected Net Tax-Supported Debt Service. FY 16 Capital Budget, page B-13.
(2) Based on Net Tax-Supported Debt which includes agency payments.
(3) Population estimates for 2014 are from the U.S. Census Bureau, March 25, 2015.

State Supported Revenue Debt

State Supported Revenue Debt is payable from specified revenues pledged for debt service which are not general taxes and revenues of the State. The State provides additional credit support to repay this debt only if the pledged revenues are insufficient to meet scheduled debt service payments.

The State provides credit support in a variety of forms. For purposes of this report, State Credit Support is broadly defined to include a contingent commitment to make annual appropriations under a lease, a contingent commitment to seek appropriations to replenish a special debt reserve, direct guarantees of debt payments, commitments to pay all or a portion of debt service under certain conditions, and commitments to provide other payments which indirectly secure or directly pay debt service.

A contingent commitment to seek appropriations to replenish a special debt reserve is known as a "Moral Obligation" and has special meaning to credit analysts. State laws that authorize Moral Obligation debt require notification by the Governor to the General Assembly when a deficiency in a special debt service reserve has occurred. The Governor then is required to request an appropriation to replenish the reserve to its required level. Credit analysts view Moral Obligation bonds as a contingent State obligation even though the legislative body is not contractually required to make the requested appropriation.

State Supported Revenue Debt represents a substantial contingent obligation of the State of $167.1 million at June 30, 2014, down from $202.9 million at June 30, 2013. While this type of debt is intended to be paid from dedicated revenues generated from financed projects, the State has provided credit support to additionally secure this debt. Because of the implied financial commitment of State support in the event of any unanticipated revenue shortfall, the level of this debt is an important consideration for the credit ratings of the State's Tax-Supported Debt. Table 3-4 presents the amounts and types of State Supported Revenue Debt for the five years ending June 30, 2014.

Table 3-4
State Supported Revenue Debt: Fiscal Years 2010 - 2014
(dollars in millions, principal amount)

Fiscal Years	2010	2011	2012	2013	2014	CAGR FY 10 - 14
EDC - Providence Place Mall	28.6	26.7	24.7	22.6	20.3	-8.2%
R.I. Housing	267.3	235.2	227.1	164.2	131.9	-16.2%
Industrial Recreational Building Authority - Insured						
Industrial Facilities Corporation	18.1	20.8	19.5	16.1	14.9	-4.7%
Total	**$ 314.0**	**$ 282.7**	**$ 271.3**	**$ 202.9**	**$ 167.1**	**-14.6%**

CAGR = Compound Annual Growth Rate
Source: Treasury Survey of R.I. Quasi-Public Corporations.

The largest component of State Supported Revenue Debt is the Moral Obligation debt of Rhode Island Housing, which has decreased by 135.4 million (CAGR of 16.2%) since 2010. State Supported Revenue Debt decreased by an annual compound rate of 14.6% for the period from FY10 to FY14.

The Rhode Island Industrial Facilities Corporation ("RIIFC") issues bonds which are secured by loans and mortgages of private borrowers, but the bonds may be additionally secured by a voter authorized commitment provided by the Industrial-Recreational Building Authority ("IRBA") which is funded by State appropriations. The portion of RIIFC's debt guaranteed by IRBA is shown in this category.

The Commerce Corporation (EDC) is authorized by the General Assembly to secure certain of its revenue bonds with the State's Moral Obligation with the approval of the Governor, similar to the Fidelity and Fleet Performance Obligations described in Tax Supported Debt. As of FY00, all debt issues previously secured by the traditional moral obligation pledge authorized in the EDC's predecessor agency's enabling legislation had been paid off. However, additional issues were authorized by the General Assembly and secured by the State's Moral Obligation, including $75 million Job Guaranty Program Revenue Bonds issued in FY11 and an additional $5.5 million issued in FY12 as part of a $150 million program. The program was rescinded in the 2012 Legislative Session.

Agency Revenue Debt

Agency Revenue Debt is similar to the previous classification, except that the State has not provided any form of credit support and no general taxes or revenues are pledged for payment of these bonds. This type of debt is isolated from the State's general credit, but because the borrowers are agencies or corporations created by the General Assembly, this debt is not as removed as Conduit Debt.

Investors would expect that the State would take no actions which would cause these bond issuers financial harm, and the State has no legal responsibility to prevent financial defaults. However, as a practical matter, the State facilities which are financed in this manner, such as the University of Rhode Island, the Claiborne Pell and Mt. Hope Bridges, and the T.F. Green Airport expansion, are important public facilities, the use of which the State would not likely surrender in the event that the pledged revenues were insufficient to pay debt service. For this reason, this type of debt is important to the State's credit standing.

The State has issued general obligation bonds to finance facilities of several of the agencies shown in Table 3-5. Only the Revenue Debt of these agencies is presented in Table 3-5, and any other debt is presented in the sections relating to Tax-Supported Debt. Table 3-5 presents the amounts and types of Agency Revenue Debt for five fiscal years ending June 30, 2014.

Table 3-5
Agency Revenue Debt: Fiscal Years 2010 - 2014
(dollars in millions, principal amount)

Fiscal Years	**2010**	**2011**	**2012**	**2013**	**2014**	**CAGR FY 10 - 14**
Airport Corporation	$ 319.7	$ 309.7	$ 300.8	$ 323.1	$ 315.6	-0.3%
Economic Development Corporation	94.0	97.5	100.2	71.2	76.7	-5.0%
EDC - GARVEE Bonds, Federally Funded	400.5	372.3	342.7	311.6	279.0	-8.6%
R.I. Housing	5.0	5.0	5.0	5.0	5.0	0.0%
Narragansett Bay Commission	410.1	422.4	488.5	562.9	619.6	10.9%
Resource Recovery Corporation	14.0	13.1	12.2	40.0	36.5	27.1%
State University and Colleges	283.1	276.2	268.7	311.5	247.7	-3.3%
Turnpike and Bridge Authority	70.7	69.2	66.8	64.3	87.1	5.4%
Water Resources Board	4.9	4.1	2.3	2.3	0.6	-40.8%
Total	**$ 1,602.0**	**$ 1,569.5**	**$ 1,587.2**	**$ 1,691.9**	**$ 1,667.8**	**1.0%**

CAGR = Compound Annual Growth Rate
Source: Treasury Survey of R.I. Quasi-Public Corporations.

The Resource Recovery Corporation experienced the largest increase of 27.1% followed by the Narragansett Bay Commission at 10.9%. Next was the Turnpike and Bridge Authority which increased by 5.4%. Overall, Agency Revenue debt grew at a compound annual rate of 1.0% from FY10 - FY14. Because payment of this category of debt is supported by fees, charges, or other revenues, an increase in this type of debt may be considered as one indicator of economic growth. However, either a stable or growing economy is needed to support such debt.

Conduit Debt

Conduit Debt is issued by a State agency on behalf of borrowers, which include businesses, health care institutions, private higher education institutions, local governments, and qualified individuals (loans for housing and higher education purposes). These borrowers are able to borrow at the favorable tax exempt interest rates under the federal tax laws by having a State agency issue bonds on their behalf.

Conduit Bonds are payable from repayment of loans by the borrowers and are independent of the State's credit. Investors would not expect any assistance by the State in the event the borrower experienced financial difficulties or if the debt were to default. None of the debt presented in Table 3-6 is secured by any form of State Credit Support.

Conduit Debt, which represents the largest category of debt, grew at a compounded annual rate of 2.0% from FY10-FY14. The agencies which experienced the most significant growth in debt were the Health and Educational Building Corporation and the Clean Water Finance Agency with compounded annual growth rates of 12.9% and 4.4% respectively.

Table 3-6
Conduit Debt: Fiscal Years 2010 - 2014
(dollars in millions, principal amount)

Fiscal Years	2010	2011	2012	2013	2014	CAGR FY 10 - 14
Clean Water Finance Agency	$ 652.7	$ 671.2	$ 706.9	$ 746.9	$ 774.1	4.4%
Health and Educational Building Corporation	1,793.7	2,574.5	2,736.5	2,784.5	2,913.8	12.9%
R.I. Housing	1,445.1	1,416.5	1,370.7	1,397.0	1,311.7	-2.4%
Industrial Facilities Corporation	95.3	80.8	65.5	63.6	57.6	-11.8%
Student Loan Authority	1,331.4	1,026.6	863.0	762.8	698.6	-14.9%
Water Resources Board	-	-	-			-
Total	**$ 5,318.2**	**$ 5,769.6**	**$ 5,742.6**	**$ 5,754.8**	**$ 5,755.8**	**2.0%**

CAGR = Compound Annual Growth Rate
Source: Treasury Survey of R.I. Quasi-Public Corporations.

Local Government Debt

Local governments issue various types of debt which may be secured by a general obligation of the local government or may be payable from a specific revenue source.

Table 3-7 presents the amounts of Local Government Debt for the five years ending June 30, 2014. This table does not include the debt of certain regional and municipal authorities including the Bristol County Water Authority, the Foster/ Glocester Regional School District, Kent County Water Authority, and the Providence Public Building Authority.

Local government debt includes General Obligation bonds and notes, Revenue bonds, and capital leases of Rhode Island's 39 local governments. During the five years shown in Table 3-7 this debt decreased at a compound annual growth rate of 1.7%.

Table 3-7
Local Government Debt: Fiscal Years 2010 - 2014
(in millions)

Fiscal Years	**2010**	**2011**	**2012**	**2013**	**2014**	**CAGR FY 10 - 14**
Local Government Debt	$ 1,767.6	$ 1,821.3	$ 1,761.3	$ 1,721.0	$ 1,650.6	**-1.7%**

CAGR = Compound Annual Growth Rate

Source: Office of the General Treasurer and the Audited Financial Statements of the 39 Cities and Towns.

SECTION 4
Debt Policies and Practices

Importance of Debt Management

The State of Rhode Island and its local governments use debt to finance capital improvements and to make loans at tax exempt interest rates to various government, nonprofit, and private borrowers for capital investments for economic development and other public purposes. The ability to fund capital investments through borrowing is important because the State and its local governments do not have sufficient cash reserves or dedicated revenue resources necessary to fund these expenditures. Of course, not all capital investments are funded or should be funded with debt. Current revenues and cash reserves also are and should remain as funding sources for capital improvements for the State and its local governments.

Maintaining an ability to borrow, often called “debt capacity,” is a critical resource for most state and local governments. Without debt capacity the State may not be able to pay for restoration of aging infrastructure and make new capital investments. Public capital investments attract private capital to be invested, which creates employment and a high quality of life for the residents of the State. Capital investment in transportation infrastructure, including highways, airports and ports, is a basic building block for the State’s economy. Other essential capital investments must be continually made for purposes such as water, wastewater, recreation, local schools and higher education. The State’s capital budget lays out future State capital needs. Because of the State’s current debt profile, prudent debt management is critical to satisfying these capital investment needs.

Debt Targets

Setting debt targets is a policy exercise involving balancing the cost of debt against the need for debt financed capital improvements. Many states set limits on debt that is paid from state general taxes and revenues. Maintaining a high credit rating or improving an average rating is a key objective in limiting debt in most states. The PFMB has set debt targets based on personal income levels and debt service as a percentage of General Revenues. However, municipal/public credit ratings are based on not only debt levels, but also financial, economic and management characteristics of the jurisdiction. There are no fixed formulas for the optimal combination of these factors and each rating agency weights the various factors differently. In reality, some factors, such as the economy or demographics, are beyond the issuer’s control. However, because debt issuance can be controlled, most borrowers focus on debt levels as a critical rating factor. The principal benefit of higher credit ratings is that investors are willing to accept lower interest rates on highly rated debt relative to lower rated debt; thereby reducing the State’s borrowing costs.

Debt Capacity

For purposes of this analysis, debt capacity is a term used to define how much debt can be issued by the State or an agency of the State, either on an absolute basis or without adverse consequences to its credit rating or the marketability of its debt. Debt capacity is customarily evaluated in view of the income, wealth, or asset base by which the debt is secured or from which it is paid. With the variety of debt types, payment sources and legal means used to secure debt, there is no single measure of debt capacity to which all debt issued by all state agencies would be subject.

Rhode Island made presentations to the State’s credit rating agencies on several occasions in 2013 and 2014. The agencies were provided with an update of the State’s budget, economic development initiatives and current debt profile. The ratings were based on the State’s economic performance, effective management of the State’s financial operations, and success in reducing the State’s debt burden, economic development efforts and recent Pension Reform.

Rhode Island's general obligation bonds are currently rated "Aa2/AA/AA" by Moody's Investors Service, Standard & Poor's and Fitch, respectively. It is important to note that the State maintained its ratings level during the period 2001-2004, when many states were downgraded or placed on credit watch. However, in November 2007 when the State met with all three rating agencies, their focus was on the State's budget situation. While all three rating agencies rate Rhode Island in the "Double A" category, recent rating reports have included warning signs. It is clear that the rating agencies will continue to scrutinize the budget process carefully, including: projected budget out-year deficits and actions taken to address the projected deficits. Other budgetary decisions such as funding Moral Obligation debt service, pension liabilities, and OPEB liabilities are also key rating drivers for the State.

The State's financial and budgeting practices and track record in reducing the debt burden and taking appropriate action in response to budget pressures have been recognized as credit strengths in the past. Challenges to the State's ratings are presented by historical structural budget deficits due to slow revenue growth and spending requirements, slow economic growth, significant infrastructure needs, and narrow liquidity. The State's response to these challenges has been and will continue to be closely monitored by the rating agencies. Table 4-1 presents the credit ratings for all states with general obligation debt outstanding.

Debt projections for FY15 through FY19, as presented in Table 3-3, indicate that Net Debt to Personal Income will decrease from 3.4% to 2.5% during this period. These projections also show Debt Per Capita decreasing by 2.9% from $1,698.5 to $1,507.4 over the same period.

Because the rating agencies also evaluate economic and demographic factors in their rating analyses, the State's economic and demographic growth relative to other states will be a key factor in future comparisons. Finally, while the State's Debt to Personal Income of 4.2% in FY14 compares favorably to Moody's 2014 peer group average of 4.9%, this ratio is high relative to Moody's 2014 median (includes all states) of 2.5%. Likewise, the State's FY14 Debt per Capita of $1,985 compares unfavorably to the current Moody's median at $1,012, but favorably to the 2014 Peer Group Average of $2,593. Debt levels tend to be relatively higher in Rhode Island's Peer Group states in light of their aging infrastructure and practice of financing many projects at the state level rather than at the municipal or county level. These comparisons indicate that even after projected debt ratio improvements, Rhode Island's debt profile will continue to remain high relative to other states. These projections support Rhode Island's continued discipline in debt management.

Table 4-1 Long Term Credit Ratings General Obligation Bonds			
	Moody's	**S & P**	**Fitch**
Alabama	Aa1	AA	AA+
Alaska	Aaa	AAA	AAA
Arizona	Aa3	AA-	NR
Arkansas	Aa1	AA	NR
California	Aa3	A	A
Colorado	Aa1	AA	NR
Connecticut	Aa3	AA	AA
Delaware	Aaa	AAA	AAA
Florida	Aa1	AAA	AAA
Georgia	Aaa	AAA	AAA
Hawaii	Aa2	AA	AA
Idaho	Aa1	AA+	AA
Illinois	A3	A-	A-
Indiana	Aaa	AAA	AA+
Iowa	Aaa	AAA	AAA
Kansas	Aa2	AA+	NR
Kentucky	Aa2	AA-	A+
Louisiana	Aa2	AA	AA
Maine	Aa2	AA	AA
Maryland	Aaa	AAA	AAA
Massachusetts	Aa1	AA+	AA+
Michigan	Aa2	AA-	AA
Minnesota	Aa1	AA+	AA+
Mississippi	Aa2	AA	AA+
Missouri	Aaa	AAA	AAA
Montana	Aa1	AA	AA+
Nebraska	Aa2	AAA	NR
Nevada	Aa2	AA	AA+
New Hampshire	Aa1	AA	AA+
New Jersey	A1	A+	A+
New Mexico	Aaa	AA+	NR
New York	Aa1	AA	AA
North Carolina	Aaa	AAA	AAA
North Dakota	Aa1	AAA	NR
Ohio	Aa1	AA+	AA+
Oklahoma	Aa2	AA+	AA+
Oregon	Aa1	AA+	AA+
Pennsylvania	Aa2	AA	AA
Rhode Island	**Aa2**	**AA**	**AA**
South Carolina	Aaa	AA+	AAA
South Dakota	Aa2	AA+	AA
Tennessee	Aaa	AA+	AAA
Texas	Aaa	AAA	AAA
Utah	Aaa	AAA	AAA
Vermont	Aaa	AA+	AAA
Virginia	Aaa	AAA	AAA
Washington	Aa1	AA+	AA+
West Virginia	Aa1	AA	AA+
Wisconsin	Aa2	AA	AA
Wyoming	NR	AAA	NR
Rhode Island rating compared to other states:			
Above Rhode Island	30	28	27
Same as Rhode Island	13	15	10
Below Rhode Island	5	6	4
NR	1	0	8
Source: First Southwest Company - State Ratings as of 6/25/14.			

Tax-Supported Debt

Tables 4-2, 4-3, and 4-4 present the history for the key debt ratios for Rhode Island and the median level for all states as determined periodically by Moody's Investors Service. The peer states of Delaware, Connecticut, Massachusetts, Maine, New Hampshire, and Vermont were selected due to geographical proximity (the New England states), population (Delaware, Vermont, New Hampshire, Maine), age of infrastructure (all), and concentration of services at the state level (Delaware).

Table 4-2
Comparison to Peer States
Net Tax-Supported Debt to Personal Income

Year	RI	RI National Rank	Moody's Median	Peer State Ave	DE	CT	MA	ME	NH	VT
2004	4.4%	12th	2.4%	4.7%	5.6%	8.4%	8.5%	1.8%	1.5%	2.5%
2005	4.3%	16th	2.4%	4.7%	5.5%	8.5%	8.5%	2.2%	1.3%	2.3%
2006	4.1%	13th	2.5%	4.8%	5.3%	8.0%	9.8%	2.0%	1.4%	2.2%
2007	4.6%	13th	2.4%	4.7%	5.5%	7.8%	9.4%	1.9%	1.3%	2.1%
2008	4.7%	12th	2.6%	4.6%	5.2%	7.3%	9.8%	1.9%	1.3%	2.0%
2009	4.5%	11th	2.5%	4.6%	5.4%	8.2%	8.9%	2.2%	1.3%	1.8%
2010	5.2%	13th	2.5%	5.0%	6.2%	8.7%	9.2%	2.2%	1.6%	1.8%
2011	4.7%	14th	2.8%	5.2%	6.8%	9.1%	9.4%	2.3%	1.8%	2.0%
2012	4.7%	13th	2.8%	5.1%	6.2%	9.1%	9.3%	2.1%	1.9%	1.9%
2013	4.5%	13th	2.6%	5.0%	5.7%	9.2%	9.0%	2.4%	1.8%	2.0%
2014	4.2%	12th	2.5%	4.9%	5.5%	9.0%	8.7%	2.3%	1.7%	2.1%

Source: Moody's Investors Service
June 24, 2015 - State Debt Medians Report

Note: Due to variations in calculation methods used by Moody's, Rhode Island's debt ratios in this table are different than the same ratios which are presented in Table 3-2.

The Tax-Supported Debt to personal income ratio measures the State's debt paid from general taxes and revenues in comparison to personal income, which is considered to be a good measure of the State's aggregate wealth. Rhode Island's Net Tax-Supported Debt to Personal Income ratio had decreased over the period from 2010 - 2014 and its ranking dropped from the 13th highest in the country to the 12th highest. The 2005 ratio of 4.3% improved due to the debt defeasance program funded from the State's Tobacco Securitization and was below the peer group average of 4.7%, but it remained well above Moody's Median of 2.4%. However, in 2014 the ratio decreased to 4.2% giving Rhode Island a ranking of 12th highest. This ratio indicates that Rhode Island's Tax-Supported Debt is a greater burden on the State's economy than is typical of most states. Personal income represents the wealth of the State which is taxed to support Tax-Supported Debt or could be taxed to support State Credit Supported Revenue Debt.

Table 4-3										
Comparison to Peer States										
Net Tax-Supported Debt per Capita										
Year	RI	RI National Rank	Moody's Median	Peer State Ave	DE	CT	MA	ME	NH	VT
2004	$1,385	9th	$ 701	$ 1,734	$1,800	$3,558	$3,333	$ 492	$ 496	$ 724
2005	$1,402	11th	$ 754	$ 1,904	$1,845	$3,624	$4,128	$ 606	$ 514	$ 707
2006	$1,687	9th	$ 787	$ 1,944	$1,998	$3,713	$4,153	$ 603	$ 492	$ 706
2007	$1,766	9th	$ 889	$ 2,009	$2,002	$3,698	$4,529	$ 618	$ 499	$ 707
2008	$1,812	9th	$ 865	$ 2,150	$2,128	$4,490	$4,323	$ 743	$ 525	$ 692
2009	$2,127	9th	$ 936	$ 2,348	$2,489	$4,859	$4,606	$ 760	$ 665	$ 709
2010	$2,191	10th	$ 1,066	$ 2,508	$2,676	$5,236	$4,711	$ 865	$ 812	$ 747
2011	$1,997	12th	$ 1,117	$ 2,500	$2,674	$5,096	$4,814	$ 845	$ 776	$ 792
2012	$2,085	10th	$ 1,074	$ 2,529	$2,536	$5,185	$4,968	$ 814	$ 862	$ 811
2013	$2,064	10th	$ 1,054	$ 2,606	$2,485	$5,457	$4,999	$ 951	$ 864	$ 878
2014	$1,985	10th	$ 1,012	$ 2,593	$2,438	$5,491	$4,887	$ 942	$ 848	$ 954
Source:	Moody's Investors Service									
	June 24, 2015 - State Debt Medians Report									

Note: Due to variations in calculation methods used by Moody's, Rhode Island's debt ratios in this table are different than the same ratios which are presented in Table 3-2.

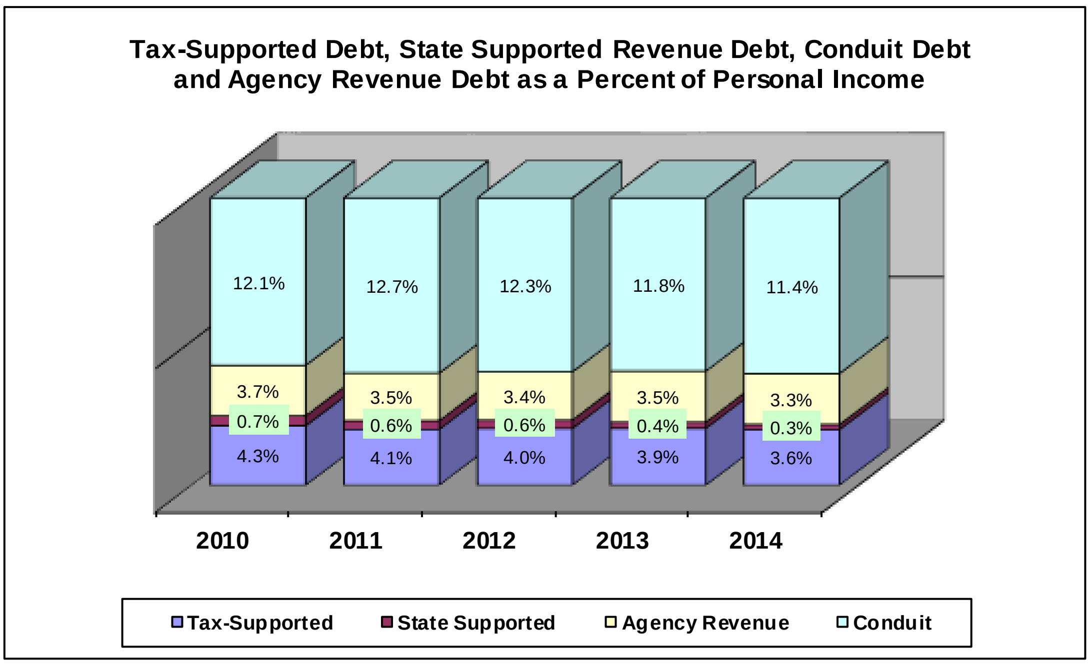
The ratio of Tax-Supported Debt to population fails to consider the economic wealth that supports the debt or the portion of the State's budget used to pay debt service. This ratio shows that three of the six peer states (Delaware, Connecticut and Massachusetts), have levels of debt per capita above the national median. This may be due to the combined factors of age of infrastructure, low population, and the dependency on the state to shoulder greater financing responsibilities. Since 2004, Rhode Island's Net Tax-Supported Debt per Capita has consistently been below that of the peer state average.

Table 4-4	
Net Tax-Supported Debt Service as a Percent of General Revenues	
Year	RI
2010	7.0%
2011	6.7%
2012	6.5%
2013	6.6%
2014	6.3%
Source: FY 11 - FY 15 Capital Budgets.	

Tax-Supported Debt Service to General Revenues is used for internal trend analysis, but no longer for peer group comparison analysis since the rating agencies no longer publish this data.

As Tables 4-2 and 4-3 show, Rhode Island has moderately high levels of Tax-Supported Debt according to these ratio measures. It should be noted, however, that tax supported debt as a per cent of personal income has declined somewhat from 2010 as shown in the chart below. High debt levels can lead to lower credit ratings, which result in higher borrowing costs, and a diminished financial capacity to respond to needed infrastructure improvements to support economic development.

The chart below shows the total amount of Rhode Island's Tax-Supported Debt, State Supported Revenue Debt, Agency Revenue Debt and Conduit Debt and its relationship to State personal income has decreased from 20.8% of Personal Income in FY10 to 18.6% in FY14. This decrease came as Personal Income grew at the compound annual growth rate of 3.7%.



Section 5

Recommended Priorities and Issues for 2014 and 2015

Based on the findings of this and the preceding Debt Management Reports, the following debt management priorities are recommended for 2014 and 2015.

1. Institutionalize and continue to improve Disclosure Practices

Improved disclosure has long been one of the top priorities of the Office of the General Treasurer. During FY 2011, the State retained Special Disclosure Counsel and reconstituted its Disclosure Working Group. Regular training for staff was in place by the end of FY 2011. Training was expanded to include state agencies during FY 2012 and offered to municipalities in FY 2013. The Municipal Markets place increasing importance on Issuer Disclosure Information, not only when bonds are issued, but on a continuing basis. The State will consider the white papers developed by the National Federation of Municipal Analyst and the National Association of Bond Lawyers in improving Disclosure Practices. In addition to offering training, the State will continue to offer to extend Disclosure expertise to municipalities and other issuers in Rhode Island. In connection with the Disclosure initiative, the sections on retirement and pensions in the State's Information Statement have been revised. It is recommended that a similar update and revision of other sections be initiated to update the State's Disclosure.

2. Enhanced Investor Relations Program

The PFMB recommends that the State continue to improve its Investor Relations program to enhance the participation of Rhode Island "retail" investors in the purchase of State issued debt and to respond to the information needs of institutional investors. This effort will also serve to provide appropriate information to the marketplace on an ongoing basis. This initiative requires the assistance of the State's Bond Counsel, Disclosure Counsel, Special Disclosure Counsel and Financial Advisor. Market developments, including the exit of many bond insurers from the industry, over the past few years have made analysis of the issuer's underlying credit more important to investment decisions. Therefore, improved Disclosure and Investor Relations can have an even more important impact on an issuer's interaction with market participants. The Treasurer's office upgraded its website and added an investor relations portal, which have continued to be expanded and improved this year. In addition, investor road shows, both in person and web-based have been undertaken, as well as direct outreach to major institutional investors.

3. Continued Emphasis on Rating Agency Communication and Debt Management

The State's debt management policies included greater scrutiny of debt issues, the development of debt level benchmarks and refinement of the capital budgeting process. Rhode Island has lived up to its commitment to reduce its debt burden and is now realizing the benefits of this consistent discipline. Recent changes in rating agency criteria have incorporated Pension and OPEB liabilities in the analysis of overall debt burden. Rhode Island's efforts related to retiree health care and pension reform have been a positive development. The credit guidelines and more conservative debt ratio targets approved by the PFMB in June 2000 provided the structure necessary to evaluate debt trends for the past 13 years. It is also appropriate, however, to review those guidelines in the context of new rating agency criteria and economic conditions and going forward, to look broadly at the debt approval process of the State and quasi-public agencies for opportunities to improve the review process and to strengthen controls.

Maintenance of the State's AA category ratings has become more important as credit spreads widened in recent years and limited credit enhancement alternatives are available. According to the most recent rating reports, challenges to the State's ratings include: underperforming revenues and continued spending pressure, narrow liquidity, continuing structural budget gaps requiring non-recurring resources, and weak economic indices. The settlement of the legal challenges to the State's pension reform and the annual appropriation to support the State's moral obligation debt have been high profile issues with broad implications to the State's credit ratings. These issues have been successfully addressed as a result of strong State leadership. The State hosted the Rating Agencies for presentations and site visits in 2015. Ongoing, regular communication with the rating analysts is critical and the State will continue to meet with the rating agencies on a regular basis and not solely in connection with the issuance of debt.

4. Sponsor Educational Programs for Municipalities

The PFMB can provide a much-needed service in offering continuing education on topical issues to municipal officers. Initiatives in this area have continued in the past several years. The Office of the General Treasurer hosted meetings and seminars for municipalities on disclosure practices, pension reform, and investments. In the past, staff from the Office of General Treasurer worked with municipal finance officers and the Rhode Island Public Expenditure Council ("RIPEC") to develop a "Municipal Fiscal Health Check" to provide uniform data on the fiscal practices, policies, and status of all municipalities. The Office of the General Treasurer also supports the efforts of the Rhode Island Government Finance Officers Association ("RIGFOA") and has been involved in reviewing legislation to improve local borrowing practices, making presentations at RIGFOA meetings and the development of programs for RIGFOA members. Topics included the State Retirement System, Cash Management, Other Post-Employment Benefits (OPEB), Performance Measures and Benchmarks, Disclosure Practices, and Pension Reform.

5. Explore Alternative Funding Mechanisms for Major Transportation and Infrastructure Projects

The State's Capital Budget and Transportation Improvement Plan ("TIP") have included significant increases in capital spending for major infrastructure projects such as the relocation of Route I-195. Revenues from the gasoline tax provide support for Transportation projects and the State General Fund. That revenue source has not kept pace with DOT's budget and with debt service on General Obligation Bonds sold to provide the State match for Federal Highway funds. One response to this was that the General Assembly indexed the gas tax to inflation in 2014. Dedication of additional revenues to Transportation will reduce the State's reliance on debt to provide State match and foster the stated PFMB and State goals of reducing or moderating Rhode Island's reliance on tax-supported debt for such projects. The PFMB should also monitor the work of Treasury staff and the State Administration to explore and possibly expand innovative funding mechanisms for major infrastructure projects, such as the Revolving Fund for Roads and Bridges. The State's efforts to wean the DOT from borrowing for State match for Federal Highway funds through the allocation of certain fees and RICAP funds to that purpose is a credit positive as is the State's new revolving fund for local roads. In the 2014 legislative session, 3.5 cents of the gas tax were allocated to the Rhode Island Turnpike and Bridge Authority and the previously authorized toll on the Sakonnet River Bridge was repealed.

Several states explored public private partnerships or privatization of certain government assets to finance and/or manage certain projects such as roads and bridges. While private management can be a benefit with appropriate oversight, leveraging government assets often results in the loss of control over the project as well as user fees and costs to constituents. Recent trends in the credit markets increased the cost differential between conventional financing and private financing. All such factors must be considered prior to moving forward with such an initiative.

In 2015, the General Assembly created the School Building Authority Revolving Fund and the Efficient Buildings fund which will primarily assist municipalities with certain capital projects.

6. Responding to Changes in the Municipal Bond Market and Regulatory Environment

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 includes many provisions that will have an impact on the municipal market including banking provisions and regulation and registration of municipal finance advisors. The Municipal Securities Rulemaking Board has new powers relating to issuers and advisors and the State will continue to monitor these developments closely. The SEC has promulgated many new rules that have an impact on how various market participants interact with issuers such as the State. Navigating these elements will continue to be a significant priority for the State to insure continued access to capital at affordable levels.

7. Monitor subsidies relating to American Recovery and Reinvestment Act of 2009 programs

The American Recovery and Reinvestment Act (ARRA) of 2009 included several municipal bond provisions that benefited the State and its agencies and municipalities. The Office of the General Treasurer was involved in evaluating the applicability of Build America Bonds, Recovery Zone Bonds and Qualified School Construction Bonds. In 2010, the State acted quickly to take advantage of the provisions for Recovery Zone Bonds or “Super BABs” which provided a 45% subsidy off a taxable interest rate. It will be important to monitor the procedures for applying the federal subsidy for each interest payment, especially during periods when federal sequestration is triggered, which has happened on several occasions.

8. Monitor Moral Obligation Debt More Closely

In 2011, the EDC Job Guaranty Revenue Bonds funded a loan to a private start-up video gaming company, 38 Studios. Less than two years after the loan was made, that company filed for bankruptcy. It is the recommendation of the PFMB that the Commerce Corporation or any other issuer of Moral Obligation Bonds require quarterly financial reports from the borrowers and report annually to the General Assembly on the status of the borrower payments. The General Assembly has since rescinded the Job Guaranty Program; however, the monitoring described above should apply to any issue secured by a State Moral Obligation. Many investors and rating agencies view moral obligation debt as an equivalent to state issued debt. While the FY 2015 budget, enacted by the General Assembly appropriated the necessary funding to fulfill the next loan payment, the rating agencies have signaled that failure to appropriate the minimum required payments could have a substantial negative impact to the State’s issuances. Some analysts have suggested the potential negative impact could extend to the municipalities and the quasi agencies of Rhode Island.

EXHIBIT A

Schedule of Tax-Supported Debt

State of Rhode Island - Office of the General Treasurer
Schedule of Tax Supported Debt
As of 6/30/14

Description of Issue	Maturity Date	Principal Paid in FY 14	Interest Paid in FY 14	Principal Outstanding 6/30/2014	Interest Outstanding 6/30/2014
General Obligation Bonds					
G.O. CCDL of 2002, Refunding Series C	11/1/2013	7,115,000.00	186,768.75	0.00	0.00
G.O. CCDL of 2004, Series A	2/1/2014	2,380,000.00	236,775.00	0.00	0.00
G.O. CCDL of 2008, Refunding Series A	7/15/2014	5,275,000.00	409,625.00	5,555,000.00	138,875.00
G.O. CCDL of 2005, Refunding Series B	8/1/2014	1,235,000.00	80,084.38	1,285,000.00	27,306.25
G.O. CCDL of 2005, Series C	2/15/2015	2,655,000.00	505,000.00	2,795,000.00	139,750.00
G.O. CCDL of 2004, Refunding Series B	8/1/2015	8,695,000.00	844,625.00	12,545,000.00	481,375.00
G.O. CCDL of 2011, Refunding Series B	8/1/2015	6,975,000.00	741,250.00	12,035,000.00	537,125.00
G.O. CCDL of 2005, Series E	11/1/2015	2,170,000.00	1,991,501.26	6,650,000.00	384,500.00
G.O. CDL of 2007, Series B (Federally Taxable)	8/1/2017	865,000.00	239,352.50	4,020,000.00	454,631.25
G.O. CCDL of 2008, Refunding Series D	2/1/2018	1,520,000.00	362,875.00	6,720,000.00	815,250.00
G.O. CDL of 2008, Series C (Federally Taxable)	2/1/2018	1,000,000.00	323,790.00	4,225,000.00	697,073.00
G.O. CCDL of 2005, Refunding Series D	7/15/2018	5,920,000.00	1,526,025.00	28,440,000.00	2,974,487.50
G.O. CCDL of 2005, Refunding Series A	8/1/2018	65,000.00	2,537,466.26	51,160,000.00	6,795,040.67
G.O. CDL of 2010, Series D (Federally Taxable)	4/1/2020	2,330,000.00	660,697.96	14,590,000.00	2,138,770.28
G.O. CCDL of 2010, Refunding Series A	10/1/2020	8,115,000.00	2,572,037.50	55,035,000.00	8,798,050.00
G.O. CCDL of 2006, Refunding Series A	8/1/2022	170,000.00	3,237,712.50	68,110,000.00	13,686,493.77
G.O. CCDL of 2014, Refunding Series A	11/1/2025	0.00	0.00	78,700,000.00	21,811,505.84
G.O. CCDL of 2006, Series C	11/15/2025	4,305,000.00	2,984,508.75	49,410,000.00	16,944,475.00
G.O. CDL of 2006, Series B	8/1/2026	865,000.00	690,728.76	8,700,000.00	3,215,131.25
G.O. CCDL of 2007, Series A	8/1/2027	2,915,000.00	4,792,590.00	85,810,000.00	33,686,675.00
G.O. CCDL of 2012, Refunding Series A	8/1/2027	0.00	5,970,031.26	122,950,000.00	36,899,872.01
G.O. CCDL of 2008, Series B	2/1/2028	3,380,000.00	3,830,275.00	71,715,000.00	31,524,450.00
G.O. CCDL of 2010, Series B (Tax Exempt)	4/1/2030	1,440,000.00	1,704,950.00	35,105,000.00	15,798,600.00
G.O. CDL of 2010, Series C	4/1/2030	0.00	4,479,957.00	80,000,000.00	53,816,819.62
G.O. CCDL of 2011, Series A	8/1/2031	4,665,000.00	7,171,062.50	137,415,000.00	75,684,643.75
G.O. CCDL of 2012, Series B	10/15/2032	2,770,000.00	3,260,687.50	78,630,000.00	35,998,706.25
G.O. CCDL of 2013, Series A (Tax-Exempt)	10/15/2033	0.00	863,333.85	40,650,000.00	22,183,606.27
G.O. CDL of 2013, Series B (Federally Taxable)	10/15/2033	0.00	213,980.96	12,500,000.00	6,212,435.68
Total General Obligation Bonds		**76,825,000.00**	**52,417,691.69**	**1,074,750,000.00**	**391,845,648.39**

Description of Issue	Maturity Date	Principal Paid in FY 14	Interest Paid in FY 14	Principal Outstanding 6/30/2014	Interest Outstanding 6/30/2014
Capital Leases					
LPC, State Vehicles Project - 2007 Series C	5/1/2014	405,000.00	16,200.00	0.00	0.00
LPC, Attorney General's Building - 2007 Refunding Series G	10/1/2015	325,000.00	24,037.50	505,000.00	15,465.00
LPC, Information Technology Project - 2009 Series A	4/1/2016	1,795,000.00	209,575.00	3,785,000.00	223,750.00
LPC, Howard Center Improvements - 2007 Refunding Series E	10/1/2016	1,750,000.00	267,375.00	4,705,000.00	278,312.50
LPC, Shepard's Building - 2007 Refunding Series F	10/1/2016	2,445,000.00	477,125.00	8,320,000.00	640,500.00
LPC, Information Technology Project - 2007 Series A	5/1/2017	1,970,000.00	364,250.00	4,760,000.00	480,725.00
LPC, Central Power Plant - 2007 Refunding Series D	10/1/2020	1,605,000.00	649,150.00	13,580,000.00	2,189,668.75
LPC, Energy Conservation Project - 2009 Series B	4/1/2021	870,000.00	411,512.50	8,440,000.00	1,716,212.50
LPC, Energy Conservation Project - 2013 Series C	4/1/2023	1,530,000.00	700,678.61	15,990,000.00	4,071,150.00
LPC, Information Technology Project - 2013 Series D	4/1/2023	825,000.00	289,885.56	8,345,000.00	1,697,750.00
LPC, Energy Conservation Project - 2007 Series B	5/1/2023	850,000.00	404,881.26	8,355,000.00	1,769,993.82
LPC, Kent County Courthouse Project - 2013 Refunding Series A	10/1/2023	3,130,000.00	1,485,527.08	33,180,000.00	9,491,175.00
LPC, Traffic Tribunal Project - 2013 Refunding Series E	10/1/2024	1,175,000.00	497,377.50	14,115,000.00	3,585,900.00
LPC, Training School Project - 2013 Refunding Series B	10/1/2024	2,750,000.00	1,458,803.19	33,825,000.00	10,264,525.00
LPC, Energy Conservation Project - 2011 Series A	4/1/2026	2,820,000.00	960,450.00	24,505,000.00	4,261,000.00
LPC, School for the Deaf Project - 2009 Series C	4/1/2029	1,135,000.00	1,345,650.00	25,185,000.00	12,039,687.52
Total Capital Leases		**25,380,000.00**	**9,562,478.20**	**207,595,000.00**	**52,725,815.09**
R.I. Economic Development Corporation					
Division of Motor Vehicle System	4/1/2016	1,565,000.00	281,264.00	5,110,000.00	312,235.00
Historic Structures Tax Credit Fund	5/15/2018	16,175,000.00	5,152,282.00	74,400,000.00	11,409,979.00
Job Creation Guaranty Program	11/1/2020	7,440,000.00	5,086,213.00	67,560,000.00	19,242,094.00
URI Power Plant	11/1/2020	920,000.00	373,330.00	6,565,000.00	1,195,250.00
Fidelity Building I	5/1/2021	1,325,691.00	1,162,835.00	13,037,909.00	4,417,060.00
Fidelity Building II	5/1/2027	358,874.00	595,179.00	7,949,953.00	4,452,742.00
Fleet Bank	5/1/2027	335,000.00	605,946.00	7,710,000.00	4,565,020.00
Transportation Motor Fuel	6/15/2027	3,985,000.00	3,161,615.00	62,525,000.00	22,641,849.00
Total R.I. Economic Development Corporation		**32,104,565.00**	**16,418,664.00**	**244,857,862.00**	**68,236,229.00**
Convention Center Authority	5/15/2035	**10,060,000.00**	**12,969,696.00**	**226,900,000.00**	**122,606,218.00**
Grand Total		**144,369,565.00**	**91,368,529.89**	**1,754,102,862.00**	**635,413,910.48**

EXHIBIT B

Summary of Debt Issuances

The Public Finance Management Board
Summary of Debt Issuance by Cities & Towns
Calendar Year 2014

100%

Date	Amount	City or Town	Bond Counsel Fee	Bond Counsel	Description of Issue	Report of Final Sale Received
1/17/14	234,000.00	Town of Coventry, R.I.	4,000.00	Edwards Wildman	G.O. Bond Anticipation Notes dated 1/28/14	2/17/14
1/31/14	9,515,000.00	Town of Middletown	18,500.00	Edwards Wildman	G.O. Bonds, Series 2014A (Tax-Exempt)	11/20/14
1/31/14	605,000.00	Town of Middletown	-	Edwards Wildman	G.O. Bonds, Series 2014B (Federally Taxable)	11/20/14
2/5/14	2,165,000.00	Town of North Providence	12,500.00	Moses Afonso Ryan	G.O. Refunding Bonds	2/27/14
2/12/14	5,000,000.00	City of Providence, R. I.	10,000.00	Edwards Wildman	G.O. Revenue Anticipation Notes	6/4/14
2/20/14	20,000,000.00	City of Woonsocket	10,000.00	Partridge Snow & Hahn	Waste Water System Revenue Bonds, 2014 Series A dated 3/6/14	3/11/14
2/24/14	7,000,000.00	City of Warwick, Rhode Island	24,000.00	Edwards Wildman	Waste Water System Revenue Bonds, 2014 Series A dated 3/6/14	9/5/14
2/26/14	18,000,000.00	City of Cranston, Rhode Island	26,500.00	Edwards Wildman	Waste Water System Revenue Bonds, 2014 Series A (Taxable) dated 3/6/14	9/5/14
2/26/14	12,500,000.00	City of East Providence, R. I.	11,900.00	Edwards Wildman	G.O. Tax Anticipation Notes dated 2/28/14	9/3/14
3/7/14	6,000,000.00	Town of North Kingstown	35,500.00	Taft & McSally	G.O. Bonds (RICWFA)	5/9/14
3/8/14	4,000,000.00	Town of North Kingstown	6,000.00	Taft & McSally	G.O. Bonds	5/9/14
4/18/14	2,500,000.00	Town of Scituate, R. I.	4,500.00	Gorham & Gorham	Tax Anticipation Notes	8/14/14
4/25/14	4,000,000.00	Town of Johnston, R. I.	12,500.00	Pannone Lopes Devereaux	G.O. Bonds, 2014 Series A	8/15/14
4/30/14	2,000,000.00	Town of Bristol, Rhode Island	20,000.00	Cameron & Mittleman	G.O. Bonds dated 5/1/14	5/1/14
4/30/14	15,890,000.00	Town of Westerly, R. I.	25,000.00	Moses Afonso Ryan	G.O. Bonds, 2014 Series A	6/5/14
5/13/14	4,100,000.00	Town of Narragansett	15,000.00	Taft & McSally	G.O. Bonds	2/3/15
5/27/14	17,480,000.00	City of Providence, R. I.	40,000.00	Moses Afonso Ryan	G.O. Refunding Bonds Series 2014A (Tax-Exempt)	7/11/14
5/27/14	6,285,000.00		-	Moses Afonso Ryan	G.O. Refunding Bonds Series 2014B (Federally Taxable)	7/11/14
5/27/14	2,000,000.00	Town of Charlestown, R. I.	12,000.00	Moses Afonso Ryan	G.O. Bonds	7/28/14
5/27/14	7,630,000.00	Town of Cumberland	19,000.00	Moses Afonso Ryan	G.O. Refunding Bonds, Series 2014 A	8/26/14
5/28/14	125,000.00	Cumberland Fire District	2,100.00	Moses Afonso Ryan	G.O. Bond Anticipation Note	6/4/14
5/28/14	1,300,000.00	North Tiverton Fire District	4,000.00	Moses Afonso Ryan	G.O. Bond Anticipation Note	9/30/14
5/29/14	250,000.00	Greenville Water District	3,000.00	Taft & McSally	Line of Credit Loan	1/21/15
5/30/14	860,000.00	Town of Coventry, R.I.	4,200.00	Edwards Wildman	G.O. Bond Anticipation Notes dated 6/4/14	9/5/14
6/27/14	592,000.00	Harris Fire and Lighting Dist.	4,500.00	Moses Afonso Ryan	G.O. Bond Anticipation Notes	7/11/14
6/27/14	300,000.00	Town of North Kingstown	1,000.00	Taft & McSally	Septic Revolving Fund Note issued to RICWFA	7/9/14
7/8/14	350,000.00	Town of East Greenwich, R. I.	6,500.00	Edwards Wildman	G.O. Bonds	9/5/14
7/8/14	5,600,000.00	Town of Barrington, R. I.	14,000.00	Edwards Wildman	G.O. Bonds	11/12/14
7/9/14	406,000.00	Prudence Island Water District	3,500.00	Moses Afonso Ryan	G.O. Bond Anticipation Notes	7/28/14
7/9/14	625,000.00	Town of Westerly, R. I.	5,000.00	Moses Afonso Ryan	G.O. Municipal Road and Bridge Bonds	9/9/14
7/9/14	255,000.00	Town of New Shoreham	4,500.00	Moses Afonso Ryan	G.O. Municipal Road and Bridge Bonds	7/28/14
7/15/14	1,215,000.00	City of East Providence, R. I.	5,000.00	Edwards Wildman	G.O. Road Bonds	9/5/14
7/15/14	1,600,000.00	City of Warwick, Rhode Island	5,000.00	Edwards Wildman	G.O. Road Bonds (Taxable)	9/5/14
7/18/14	2,410,000.00	Town of Richmond, R. I.	14,000.00	Partridge Snow & Hahn	G.O. Bonds	8/7/14
7/21/14	5,500,000.00	Town of West Warwick, R. I.	21,500.00	Edwards Wildman	Waste Water System Revenue Bonds, 2014 Series A dated 7/24/14	11/12/14
7/28/14	2,300,000.00	City of East Providence, R. I.	11,250.00	Edwards Wildman	G.O. Revenue Anticipation Notes, 2014 Series 1	7/30/14
7/28/14	700,000.00	City of East Providence, R. I.	-	Edwards Wildman	G.O. Revenue Anticipation Notes, 2014 Series 2 (Taxable) dated 7/29/14	7/30/14
7/28/14	702,000.00	Harris Fire and Lighting Dist.	9,000.00	Moses Afonso Ryan	G.O. Bonds (Refunding)	9/29/14
7/28/14	406,000.00	Prudence Island Water District	4,500.00	Moses Afonso Ryan	G.O. Bonds (Refunding)	9/29/14
7/29/14	125,000.00	Cumberland Fire District	2,125.00	Moses Afonso Ryan	G.O. Tax Anticipation Note	8/5/14
8/8/14	500,000.00	Town of Cumberland	6,000.00	Moses Afonso Ryan	G.O. Municipal Road and Bridge Bonds	9/9/14
8/15/14	1,643,232.00	Bristol County Water Authority	20,500.00	Cameron & Mittleman	General Revenue Bond, 2014 Series A dated 8/20/14	8/25/14
8/20/14	3,500,000.00	City of Pawtucket, R. I.	6,200.00	Edwards Wildman	G.O. Road Bonds (Taxable)	9/5/14
8/25/14	1,500,000.00	City of Newport, Rhode Island	4,900.00	Edwards Wildman	G.O. Road Bonds (Taxable)	9/5/14
8/26/14	13,292,830.00	City of East Providence, R. I.	21,000.00	Edwards Wildman	G.O. Refunding Bonds, 2014 Series A dated 8/29/14	9/5/14
9/2/14	680,000.00	Town of Burrillville	4,400.00	Edwards Wildman	G.O. Road Bonds (Taxable)	9/5/14
9/3/14	340,000.00	Town of Coventry, R.I.	4,400.00	Edwards Wildman	G.O. Road Bonds (Taxable)	9/8/14
9/4/14	8,355,000.00	Bristol County Water Authority	21,707.00	Cameron & Mittleman	General Revenue Bond, 2014 Series B	9/25/14
10/14/14	1,505,000.00	Town of Portsmouth, R.I.	17,000.00	Moses Afonso Ryan	G.O. Bonds, Series 2014 A (Tax-Exempt)	11/24/14
10/14/14	400,000.00	Town of Portsmouth, R.I.	-	Moses Afonso Ryan	G.O. Bond Anticipation Notes (Federally Taxable)	11/24/14
11/17/14	6,785,000.00	Town of Tiverton	17,500.00	Partridge Snow & Hahn	G.O. Bonds, 2014 Series A	12/4/14

11/19/14	13,685,000.00	City of Pawtucket, R. I.	35,000.00	Locke Lord	G.O. Bonds, 2014 Series A and Refunding Series B	2/4/15
11/21/14	1,033,000.00	Stone Bridge Fire District	3,500.00	Moses Afonso Ryan	G.O. Bond Anticipation Note	12/8/14
12/5/14	8,500,000.00	Town of Cumberland	7,500.00	Moses Afonso Ryan	G.O. Tax Anticipation Note	1/23/15
12/8/14	8,000,000.00	City of Providence, R. I.	29,000.00	Edwards Wildman	Water System Revenue Bonds, 2014 Series A dated 12/18/14	1/16/15
12/11/14	1,299,000.00	Town of Richmond, R. I.	16,500.00	Partridge Snow & Hahn	G.O. Bonds, Series A, B & C	1/13/15
12/12/14	18,725,000.00	City of East Providence, R. I.	25,000.00	Edwards Wildman	Water System Revenue Bonds, 2014 Series A dated 12/18/14	1/16/15
12/18/14	25,000,000.00	City of East Providence, R. I.	19,000.00	Edwards Wildman	G.O. Tax Anticipation Notes	12/19/14
	287,268,062.00		**690,682.00**			

The Public Finance Management Board
Summary of Debt Issuance by Agency and the State of R. I.
Calendar Year 2014

100%

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received	Bond Counsel Fee	Firm
	R I Health & Educ Bldg Corp											
4/11/14	Hospital Financing Revenue Bonds	4/151/4	9/1/2043	42,810,000.00								
	Care New England Issue, Series 2014 A		Refunding Portion	(27,910,000.00)								
			New Money Portion	14,900,000.00	3,725.00			3,725.00	4/23/14	5/2/14	50,000.00	Partridge Snow
5/23/14	Educational Institution Revenue Bond	6/30/14	7/1/2024	2,100,000.00	525.00		WT	525.00	7/22/14	7/3/14	4,374.00	Adler Pollock
	(Portsmouth Abbey School Issue - Series 2014)											
5/23/14	Higher Education Facilities Revenue Bonds	6/4/14	6/1/2044	47,095,000.00	11,773.75			11,773.75	1/22/15	9/16/14	54,000.00	Hinckley Allen
	(Bryant University Issue - Series 2014)											
6/2/14	Public School Revenue Bonds Financing Program	7/10/14	5/15/2034	9,780,000.00	2,445.00			2,445.00	7/10/14	7/11/14	24,000.00	Adler Pollock
	Revenue Bonds, Series 2014A (Town of West Warwick)											
6/27/14	Public School Revenue Bonds Financing Program	8/6/14	5/15/2034	3,370,000.00	842.50			842.50	8/6/14	8/8/14	22,500.00	Adler Pollock
	Revenue Bonds, Series 2014A (Town of Warwick Issue)											
7/16/14	Educational Institution Revenue Bond											
	(St. George's School Fixed Rate Issue, Series 2014 A)	8/29/14	9/1/2029	20,000,000.00								
	(St. George's School Variable Rate Issue, Series 2014 B)	8/29/14	9/1/2029	15,000,000.00								
	(St. George's School Fixed Rate Issue, Series 2014 C)			10,000,000.00			WT	2,842.92	8/28/14			
				45,000,000.00			WT	1,421.14	8/28/14			
			Refunding Portion	(19,416,929.00)			WT	2,131.71	8/28/14			
			New Money Portion	25,583,071.00	6,395.77					9/4/14	38,500.00	Adler Pollock
9/22/14	Educational Institution Revenue Refunding Bond	10/8/14	10/1/2026	11,130,000.00								
	(Times 2 Academy Issue - Series 2014)		Refunding Portion	(10,780,000.00)								
			New Money Portion	350,000.00	87.50			87.50	10/15/14	10/16/14	35,000.00	Partridge Snow
9/30/14	Public School Revenue Bonds Financing Program	10/28/14	5/15/2034	8,000,000.00	2,000.00			2,000.00	11/19/14	2/13/2015	27,000.00	Edwards Wildman
	Revenue Bonds, Series 2014C (City of Pawtucket)											
10/10/14	Educational Institution Revenue Refunding Bond	10/30/14	11/1/2039	4,101,000.00								
	(Pennfield School Issue - Series 2014 A - Tax Exempt)		Refunding Portion	(4,050,000.00)								
			New Money Portion	51,000.00	12.75			12.75	11/5/14	11/10/14	31,892.00	Partridge Snow
10/10/14	Educational Institution Revenue Bond	10/30/14	11/1/2029	389,000.00	0.00					11/10/14	6,108.00	Partridge Snow
	(Pennfield School Issue - Series 2014 B - Taxable)											
10/14/14	Hospital Financing Revenue Refunding Bond	11/3/14	11/1/2029	20,390,000.00								
	(Newport Hospital Issue - Series 2014)		Refunding Portion	(20,275,000.00)								
			New Money Portion	115,000.00	28.75			28.75	41,955.00	11/12/14	45,000.00	Partridge Snow
10/15/14	Educational Institution Revenue Refunding Bonds	10/24/14	10/15/2035	15,667,000.00	0.00					1/12/15	51,500.00	Hinckley Allen
	(Roger Williams University Issue - Series 2014)											
					27,836.02		31.1%	27,836.02				

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received	Bond Counsel Fee	Firm
	R I Clean Wtr Pro Finance Agcy											
2/3/14	Water Pollution Control Revolving Fund Revenue Bonds, Series 2014 A (Pooled Loan Issue)	2/20/14	10/1/2034	55,925,000.00	13,981.25			13,981.25	3/6/14	3/5/14	47,000.00	Nixon Peabody
11/26/14	Safe Drinking Water Revolving Fund Revenue Bonds, Series 2014 A (Pooled Loan Issue)	12/4/14	10/1/2036	13,090,000.00	3,272.50			3,272.50	12/18/14	1/14/15	40,000.00	Nixon Peabody
					17,253.75		19.3%	17,253.75				
	R I Refunding Bond Authority											
7/30/14	Revenue Refunding Bonds (Taxable) (Depco Project, Series 2014)	8/14	8/1/2017	23,460,317.46	0.00					8/21/14	60,750.00	Partridge Snow
					0.00		0.0%	0.00				
	R I Hsing & Mtge Finance Corp											
9/30/14	Homeownership Opportunity Bonds, Series 65-T (Federally Taxable)	10/1/14	10/1/2039	86,505,000.00	0.00					1/21/15	7,712.20 23,261.48	Nixon Peabody Kutak Rock
12/11/14	Multi-Family Development Bonds											
	2014 Series 1 (Non-AMT)	12/16/14	10/1/2016	12,000,000.00	3,000.00							
	2014 Series 2-T (Federally Taxable)	12/16/14	10/1/2027	18,930,000.00	0.00							
	2014 Series 3-A (Non-AMT)	12/16/14	10/1/2018	2,100,000.00	525.00							
	2014 Series 3-B (Non-AMT)	12/16/14	10/1/2049	15,700,000.00	3,925.00	7,450.00		7,450.00	2/12/15	4/22/15	39,365.00	Nixon Peabody
				48,730,000.00								
					7,450.00		8.3%	7,450.00				

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received	Bond Counsel Fee	Firm
	Rhode Island Student Loan Auth											
3/24/14	Student Loan Program Revenue Bonds 2014 Senior Series A	4/9/14	12/1/2029	34,750,000.00	8,687.50			8,687.50	4/10/14	4/14/2014	No C.O.I. paid from bond proceeds	Cameron & Mittleman
5/30/14	FFELP Loan Backed Bonds, Series 2014-1 (Taxable)	6/24/14	10/2/2028	93,100,000.00	0.00					6/24/14	52,500.00	Nixon Peabody
					8,687.50		9.7%	8,687.50				
	Narr Bay Wtr Qlty Mgt Dist Com (PFMB fees are not assessed for this agency)											
2/25/14	Wastewater System Revenue Bonds, 2014 Series A	3/6/14	10/1/2034	45,000,000.00	0.00					3/18/14	52,000.00	Edwards Wildman
9/30/14	Wastewater System Revenue Refunding Bonds, 2014 Series B	10/16/14	9/1/2035	39,820,000.00	0.00					11/11/14	57,000.00	Edwards Wildman
					0.00		0.0%	0.00				
	R I Solid Waste Management Bd (R.I. Resource Recovery Corporation)											
					0.00		0.0%	0.00				
	Providence Housing Authority											
					0.00		0.0%	0.00				

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received	Bond Counsel Fee	Firm
	RI Turnpike & Bridge Authority											
10/31/14	Motor Fuel Tax Revenue Bond Anticipation Notes, Series 2014A	11/14/14	2/1/2016	30,000,000.00	7,500.00							
	Series 2014B Refunding	11/14/14	2/1/2016	30,000,000.00	0.00	7,500.00		7,500.00	11/20/14	11/14/14	40,000.00	Robinson + Cole
					7,500.00		8.4%	7,500.00				
	Woonsocket Housing Authority											
					0.00		0.0%	0.00				
	R I Industrial Facilities Corp											
7/9/14	Economic Development Revenue Bonds (Industrial-Recreational Building Authority Program - Ashaway Pines, LLC Project) - (Taxable)	8/1/14	8/1/2035	2,200,000.00	0.00					1/16/15	20,716.31	Moses Afonso Ryan
	R.I. Resource Recovery Corp.											
					0.00		0.0%	0.00				

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received	Bond Counsel Fee	Firm
	The Convention Ctr Authority											
					0.00		0.0%	0.00				
	State of Rhode Island											
4/14/14	G.O. CCDL of 2014, Refunding Series A	5/7/14	11/1/2025	78,700,000.00	0.00					5/19/14	50,000.00	Partridge Snow
10/22/14	Lease Participation Certificates											
	Pastore Center Energy Conservation Proj. 2014 Ser. A	10/30/14	11/1/2024	11,650,000.00	2,912.50							
	R.I. College Energy Conservation Project 2014 Series B	10/30/14	11/1/2029	7,465,000.00	1,866.25							
	Information Technology Project 2014 Series C	10/30/14	11/1/2024	30,380,000.00	7,595.00	12,373.75	WT	12,373.75	11/6/14	11/17/14	72,500.00	Partridge Snow
				49,495,000.00								
10/29/14	General Obligation Bonds											
	CCDL of 2014, Series B (Tax-Exempt)	11/5/14	11/1/2034	33,625,000.00	8,406.25							
	CDL of 2014, Series C (Federally Taxable)	11/5/14	11/1/2026	12,500,000.00	0.00							
	CCDL of 2014, Refunding Series D (Tax-Exempt)	11/5/14	8/1/2027	162,115,000.00	0.00	8,406.25	WT	8,406.25	11/5/14	4/22/15	60,000.00	Hinckley Allen
				208,240,000.00								
					20,780.00		23.2%	20,780.00				
	R I Economic Development Corp											
					0.00		0.0%	0.00				
	Totals				**89,507.27**		**100.0%**	**89,507.27**			**1,012,678.99**	

EXHIBIT C

Credit Rating Reports

RatingsDirect®

Rhode Island & Providence Plantations; Appropriations; General Obligation; Moral Obligation

Primary Credit Analyst:
Henry W Henderson, Boston (1) 617-530-8314; henry.henderson@standardandpoors.com

Secondary Contact:
John A Sugden, New York (1) 212-438-1678; john.sugden@standardandpoors.com

Table Of Contents

Rhode Island & Providence Plantations; Appropriations; General Obligation; Moral Obligation

Credit Profile		
US$79.45 mil GO rfdg bnds ser 2014 due 11/01/2034		
Long Term Rating	AA/Stable	New

Rationale

Standard & Poor's Ratings Services has assigned its 'AA' long-term rating to Rhode Island & Providence Plantations' general obligation (GO) refunding bonds series 2014. Standard & Poor's also affirmed its 'AA' rating on the state's GO bonds, its 'AA-' rating on Rhode Island's appropriation debt, and its 'A' rating on Rhode Island's moral obligation-backed bonds. The outlook is stable.

The GO rating reflects our opinion of Rhode Island's:

- Good incomes, with median household effective buying income at 103% of the national level;
- Good geographic location near the economies of eastern Massachusetts and eastern Connecticut; and
- Strong financial management and fully funded general fund reserves in recent fiscal years.

Partially offsetting the above strengths, in our view, are Rhode Island's:

- Projected budget gaps for fiscal years 2016 through 2019 that reach about 12.1% of revenues in the last year and that could grow if economic conditions underperform projections; and
- Significantly underfunded pension system, even after recently adopted changes, coupled with legal challenges to those changes.

The series 2014 GO bonds and GO bonds outstanding are secured by the state's full faith and credit. Rhode Island also has debt secured by payments subject to annual appropriation and other debt secured by the state's moral obligation to refill the bonds' debt service reserve fund if it falls below the required maximum annual debt service.

We understand that officials will use the series 2014 bond proceeds to refund GO bonds outstanding for a net present value savings of approximately $3.3 million, or 4.0% of refunded bonds.

Rhode Island ended fiscal 2013 with a fully funded stabilization fund of $172.0 million (about 4% of general fund expenditures) and an additional unreserved general fund balance of $104.1 million. The state made full actuarial funding of its other postemployment benefit (OPEB) costs in fiscal years 2011 through 2013, and full funding is included in the fiscal 2014 enacted budget and 2015 executive budget.

The fiscal 2014 enacted budget closed a gap that was originally estimated to be $125 million (about 6% of revenues), primarily through the usage of $93.4 million of fiscal 2013 surplus. The recommended revised budget projects a 1.3% general revenue increase, to $3.43 billion, due to changes from the November revenue estimating conference. The largest revenue source is the personal income tax, projected to grow by 3.2% from the audited fiscal 2013 amount. The second-largest source is the sales tax, projected to grow by 2.9 % from the 2013 amount. Revenues in the governor's recommended revised fiscal 2014 budget are projected to be $44.3 million higher than in the enacted budget, and expenditures are projected to be $8.0 million lower. In total, the recommended revised 2014 budget projects a $68.9 million ending free surplus and an additional rainy-day balance of $176.5 million. This would represent a decline from the free surplus level of $104.1 million for 2013, plus the rainy-day balance of $172.0 million. Through March, total general revenues for fiscal 2014 are 0.1% below forecast levels. Personal income tax and sales and use tax collections were slightly ahead of projections by a combined $6.5 million, though these were offset by lottery revenues that were $9.5 million below projections, and a decline in corporate income taxes. Personal income tax collections in March were significantly lower than projections, $13.6 million or 26% below, but officials believe this was due to timing, with about $16 million of additional refunds processed during the month compared to the projections. The state did not issue tax anticipation notes (TANs) for cash flow in fiscal 2014 and projects that none will be needed for fiscal 2015.

The recommended fiscal 2015 budget closes a gap of $149.2 million, or 4.2% of expenditures, and projects a $63.6 million, or 3.7% increase in revenues to $3.49 billion, along with the use of an opening balance of $68.9 million. The state's consensus economic forecast projects personal income growth to be 6.3% for fiscal 2016, slightly below the forecast's growth for the U.S. as a whole. Personal income growth is projected to increase slightly to 6.4% for fiscal 2016 before the rate of growth declines for the projection's out years. Expenditures are projected to increase by $104.3 million, or 3.1%, to $3.46 billion, and the rainy-day fund is projected to be fully funded at $178.2 million. The state's Medicaid expenditures are projected to increase by $45.8 million for fiscal 2015 despite numerous cost-savings measures envisioned in the recommended budget. Rhode Island increased its estimate for the number of woodwork effect enrollees to 23,000, but officials have not yet determined the impact of this increase on general fund Medicaid expenses. The recommended 2015 budget includes full funding for debt payments related to the moral obligation bonds issued for 38 Studios, although the necessary appropriation is ultimately the responsibility of the legislature. The recommended budget for fiscal 2015 increases K-12 education funding by $38 million through full funding of the fourth year of the state's school aid formula. The state reached a labor settlement with all but two of its unions, which contains retroactive pay only back to April 6, 2014.

Rhode Island's long-range financial plan projects significant budget gaps for future years; the plan includes a projection of legalized gambling in Massachusetts that would reduce the state's gambling revenue, and assumes no changes in its gaming options. The fiscal 2016 projected gap is $151.1 million (4.4% of fiscal 2015 projected expenditures), increasing to $419.3 million for fiscal 2019 (12.1%), the final year of the plan. Although large, these out-year projections are similar to the gaps presented a year ago. The financial plan projects revenue reduction from Massachusetts gaming to begin at $47 million in fiscal 2016 and rise to $139.4 million in fiscal 2019.

The Rhode Island Retirement Security Act of 2011 (RIRSA) was signed on Nov. 18, 2011, and the act makes significant changes to all of the plans the Employees' Retirement System of Rhode Island (ERSRI) administers. ERSRI's actuaries performed an actuarial analysis that indicates the act reduced the system's June 30, 2010, unfunded actuarial accrued liability (UAAL) by $3.02 billion, from $7.30 billion to $4.29 billion. However, there have been litigation challenges to the enacted pension changes from 2011 and earlier years, and while court-ordered mediation appeared to have resulted in a settlement that retained 95% of the pension reform savings, one of the unions rejected the settlement and the legal challenges will now be settled in court. The trial is scheduled to begin Sept. 15, 2014.

During the fiscal 2014 budget approval process, a limited number of legislators proposed that the state default on moral obligation bonds issued for 38 Studios, LLC. This legislation did not garner sufficient support to advance out of committee, and the governor and the leaders of the House and Senate supported the payment of these bonds, as evidenced by the inclusion of the payments in the governor's recommended budgets for fiscal years 2014 and 2015. However, we expect that debate on the payments will reoccur during the fiscal 2015 budget legislative budget approval process. The $75 million principal outstanding for the 38 Studios moral obligation debt and the $12.8 million maximum annual debt service due under the bonds do not represent a large portion of the state's overall debt structure or annual budget, and Standard & Poor's does not expect this level of additional debt service to cause fiscal strain on Rhode Island. While we believe that default on this moral obligation debt remains unlikely, we will continue to monitor this issue and any further debate about moral obligation debt service in future budgets. The state has commissioned a study on the impact of defaulting on the bonds, and some in the legislative leadership have indicated they have not yet decided on whether to support the bonds. Consistent with our criteria, if we believe that Rhode Island or any other issuer waivers in its commitment to supporting its debt, we could take negative rating action, potentially lowering GO, appropriation, and moral obligation debt by multiple notches. Furthermore, the possibility of potentially negative credit rating actions could extend beyond the current legislative session. If we come to view the state's willingness to back the obligation as questionable, we anticipate that downward pressure on the state rating could persist into future years to the extent the issue requires ongoing state support.

Based on the analytic factors we evaluate for states, on a scale on which '1' is the strongest, we have assigned Rhode Island a composite score of '1.9'.

Outlook

The stable outlook reflects our view that Rhode Island's government framework and financial management procedures are strong, as demonstrated by recent budget adjustments that have closed large gaps. We believe that the state's stabilization funding mechanism and ability to enact revenue and expenditure amendments with few limits should allow the state to maintain an adequate budgetary balance and liquidity position. However, in our view, low pension funding levels and a relatively weak economy will make the additional budget changes necessary to address the large out-year gaps more difficult.

An additional risk factor for the rating is the reemergence of proposals to not fund the 38 Studios moral obligation in fiscal 2015 or future budgets. While a majority of legislators supported the payment last year, some legislators have expressed continued opposition to making these payments, and others have indicated that they are waiting on the results of the study commissioned by the state on the implications of defaulting before taking a position on whether Rhode Island should make the payment. In our view, there still remains support for paying debt service on 38 Studios bonds at the executive branch and within key positions of the legislature. We will continue to monitor developments at the state level, especially as they relate to the study and the legislature's response to its findings. If we come to believe that the level of opposition rises to a level that would result in a lack of appropriation for the debt, we could lower the rating on the GO and appropriation debt as well as the moral obligation debt.

Government Framework

In our view, the state has significant flexibility to increase the rate and base of its major revenues and also to decrease its expenditures. Rhode Island can raise its income and sales tax rates and base with a simple majority vote of the legislature and without voter approval. In our view, the state also has flexibility to decrease its major expenditures to local governments, and in recent years it made significant midyear decreases in its funding provided to local governments, demonstrating a willingness to reduce this funding to maintain its own financial position. Officials also have the ability to delay disbursements to later in a fiscal year, which provides some cash flow flexibility.

The state has a requirement that the governor and legislature prepare and enact balanced budgets. There is no voter initiative process in the state. Debt service can be paid without an appropriation budget, but does not have a first claim on revenues.

On a scale of '1' (strongest) to '4' (weakest), we have assigned a '1.2' to Rhode Island's government framework.

Financial Management

Standard & Poor's considers Rhode Island's financial management practices "strong" under its Financial Management Assessment methodology, indicating practices are strong, well embedded, and likely sustainable.

We consider the state's budget management good, featuring a consensus revenue and caseload forecasting committee that meets at least twice a year, and can be convened at the request of any member. The forecasting committee consists of the chief fiscal staff of the offices of the executive branch and the two houses of the legislature. However, Rhode Island's structural budget performance has been below average in recent years, in our opinion. We consider the state's service levels somewhat flexible, and the state has made cuts in its local aid in recent years to balance the budget.

On a scale of '1' (strongest) to '4' (weakest), we have assigned a '1.5' to Rhode Island's financial management.

Economy

In our opinion, Rhode Island's economy is somewhat weak compared with that of many other U.S. states. The Rhode Island unemployment rate averaged 9.5% for 2013, one of the highest in the nation, after peaking at 11.7% in 2010. The state's February 2014 unemployment rate was 9.0%, significantly higher than the nation's 6.7% rate. Rhode Island's population growth has been slower than the U.S. as a whole, with average annual growth of less than 0.1% from 2000 to 2010, which was 49th in the nation, compared with 0.9% for the U.S. State incomes have historically been on par with the nation's; in 2013, the state's per capita personal income was 106% of the national level.

The state has experienced payroll growth recently, but employment levels have only recovered jobs lost during the recession, at a slower pace than the U.S. as a whole. IHS Global Insight, Inc. projects that Rhode Island will not reach its pre-recession employment peak until 2020, again much slower than the national picture, and that the state's unemployment rate will remain above 8% until late into 2015. The firm projects that professional and business services will be a strong sector for the state, with 2.5% average annual growth through 2018, but that much of that growth will be in lower paid roles in the sector, such as administrative support. Rhode Island's manufacturing sector was hit hard in the recession, and IHS Global Insight projects modest growth until 2017, when a contraction is projected to begin. The average annual gross state product and personal income growth are projected to be 2.6% and 2.3%, respectively.

On a scale of '1' (strongest) to '4' (weakest), we have assigned a '2.3' to Rhode Island's economy.

Debt And Liability Profile

Tax-supported debt

As of June 30, 2013, the state's total net tax-supported debt burden was 3.8% of personal income and about $1,800 per capita, both of which we consider moderate. The fiscal 2013 carrying charge for tax-supported debt was about 7.6% of general governmental expenditures, which we consider moderately high. We do not expect that the state's debt burden will increase significantly in future years, based on its identified debt plans. Rhode Island improved its debt ratios in previous years by defeasing debt with the proceeds of a $685 million tobacco securitization. As of fiscal 2013, about $800 million of tobacco bonds were outstanding. The state issued TANs annually through 2012, but none since then. Rhode Island has no exposure to interest-rate swaps, and its variable-rate debt was fully retired in December 2010. Debt service can be paid in the absence of an appropriation budget, but there is no other priority for the payment of debt before other general state expenditures. The state's debt amortization is at a level we consider above average, and officials estimate that new debt issuance is not likely to significantly outpace amortization in future years.

Pensions and OPEBs

The Rhode Island General Assembly passed RIRSA on Nov. 17, 2011, and the governor signed it on Nov. 18. The act makes significant changes to substantially all of the plans the ERSRI administers, which include: ERSRI State Employees (including correctional officers and nurses); ERSRI Teachers; MERS, including general employees and public safety; Judicial Retirement Benefits Trust; and State Police Retirement Benefits Trust. However, there have been litigation challenges to the enacted pension changes from 2011 and earlier years, and those challenges will be settled in a trial that begins in September 2014.

The primary changes from RIRSA are:

- The general state and municipal employees and teachers changed from a defined-benefit plan to a hybrid plan that combines a smaller defined benefit and a supplemental defined contribution element;
- The public safety plans lowered the benefit multiplier and, except for state police, extended the retirement age;
- Cost-of-living-adjustments (COLAs) were suspended or reduced for years in which the funded ratio for the aggregated state employees, teachers, judges, and state police plans is lower than 80% funded;
- When COLAs are allowed, they will be contingent on investment performance rather than an automatic CPI-related formula;
- The schedule to amortize the reduced UAAL was re-amortized to 25 years from a 19-year schedule, which did not reduce the UAAL, but did reduce the annual contributions, though increasing the total pension payments over time. Officials indicate the pension funding saving for the state government in fiscal 2013, including the state's share of teacher contributions, was about $240 million.

The June 30, 2013 UAAL responsibilities for the state employees, teachers, judges, and state police systems were $4.56 billion, a 57.3% funded level. Rhode Island has full or partial funding responsibilities for those systems. The state has historically made 100% of the ARC for its pension except for a closed plan that has seven members in it, which is funded on a pay-as-you-go basis.

The unfunded liability for the state's OPEBs, as of June 30, 2011 (the latest valuation), was $866.3 million, a $91 million increase from the 2009 valuation. The liability is about $820 per capita. Rhode Island's fiscal years 2011 through 2014 enacted budgets included full OPEB annual required contributions, and the state began funding its OPEB trust fund during 2011.

On a four-point scale on which '1' is the strongest, we have assigned a '2.5' to Rhode Island's debt and liability profile.

Related Criteria And Research

Related Criteria

- USPF Criteria: State Ratings Methodology, Jan. 3, 2011
- USPF Criteria: Moral Obligation Bonds, June 27, 2006
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

Ratings Detail (As Of April 17, 2014)		
Rhode Island & Providence Plantations GO		
Long Term Rating	AA/Stable	Affirmed
Rhode Island & Providence Plantations rev bnds		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island & Providence Plantations rev bnds		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island & Providence Plantations rev bnds		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island & Providence Plantations rev bnds		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island & Providence Plantations rev bnds		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island & Providence Plantations COPs (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations GO (FGIC)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations GO (MBIA) (AMBAC)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations (Energy Conservation Proj)		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island & Providence Plantations (Info Technol Proj) (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Ratings Detail (As Of April 17, 2014) (cont.)		
Rhode Island & Providence Plantations lse part certs (Shepard's Bldg) rfdg ser 2007F		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations lse part certs 2005 ser C (Training Sch Proj)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations lse (Correctional Facs) 1997		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Rhode Island Convention Ctr Auth, Rhode Island		
Rhode Island & Providence Plantations, Rhode Island		
Rhode Island Convention Ctr Auth (Rhode Island & Providence Plantations)		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island Convention Ctr Auth (Rhode Island & Providence Plantations) rev rfdg bnds		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island Convention Ctr Auth (Rhode Island & Providence Plantations) (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island Econ Dev Corp, Rhode Island		
Rhode Island & Providence Plantations, Rhode Island		
Rhode Island Econ Dev Corp (Rhode Island & Providence Plantations)		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island Econ Dev Corp (Rhode Island & Providence Plantations) var rate loan (Rhode Island & Providence Plantations) (I-195) due 03/25/2023		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island Econ Dev Corp (Rhode Island & Providence Plantations) (38 Studios, Llc Proj) (AGM)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Rhode Island Econ Dev Corp (Rhode Island & Providence Plantation) taxable econ dev rev (FMR Rhode Island Inc. Proj)		
Long Term Rating	A/Stable	Affirmed

Many issues are enhanced by bond insurance.

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aa2 to Rhode Island's $79M General Obligation Consolidated Bonds; outlook is negative

Global Credit Research - 09 Apr 2014

State has $2.2B in net tax-supported debt outstanding

New York, April 09, 2014 --

Moody's Rating

Issue: General Obligation Bonds Consolidated Capital Development Loan of 2014, Refunding Series A; Rating: Aa2; Sale Amount: $79,450,000; Expected Sale Date: 4/21/2014; Rating Description: General Obligation

Opinion

Moody's Investors Service, ("Moody's") has assigned a Aa2 rating to Rhode Island's $79.45 million General Obligation Consolidated Bonds, Capital Development Loan of 2014, Refunding Series A. The bonds will refund certain outstanding bonds of the state. The negotiated deal is expected to price the week of April 21.

SUMMARY RATING RATIONALE

The state's Aa2 rating incorporates Rhode Island's institutionalized governance practices; maintenance of modest but positive general fund balances; narrow but improving liquidity; an economy that has long lagged the nation's; and a history of reliance on non-recurring resources to achieve budgetary balance. The outlook is negative.

Credit strengths:

*Institutionalized governance practices such as semi-annual consensus revenue estimating conferences and out year budget planning

*History of funding budget reserve fund at constitutional cap

* Wide legal powers--similar to other state governments--to raise revenue and adjust spending in order to maintain fiscal solvency.

*Positive trends in liquidity management, eliminating need for short term borrowing in recent years

Credit challenges:

*Consecutive budget gaps for fiscal years 2007 through 2014 due to revenue underperformance and continuing spending pressures

*Continued reliance on non-recurring resources to balance budget

*History of slim liquidity

*Long-term economic underperformance with below-average employment growth rates and very high unemployment rates.

*Unresolved challenge to pension reforms

*Pending increase in competition for gaming revenue with neighboring Massachusetts

OUTLOOK

The negative outlook reflects the unsettled status of the state's pension reforms, whose reversal could result in pressure on the state's budget. The negative outlook also reflects the state's below-average economic performance and persistent budget gaps.

WHAT COULD MAKE THE RATING GO UP?

*Maintenance of stronger reserve levels

*Sustained economic improvement at least in line with national average based on various metrics including job growth

*Restoration and maintenance of structural budget balance

WHAT COULD MAKE THE RATING GO DOWN?

*Reversal of the state's progress in reducing its debt burden

*Deterioration of state's reserve and balance sheet position

* Persistent economic weakness indicated by lack of employment recovery when the rest of the nation rebounds

*Increased liquidity pressure reflected in narrower cash margins, increased cash flow borrowing, or a shift toward tactics such as delayed vendor or other payments to gain short-term liquidity relief

*Continued significant reliance on one-time budget solutions, particularly deficit financing

*Resolution of pension litigation that results in material increase in liabilities and funding obligations

The principal methodology used in this rating was US States Rating Methodology published in April 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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Marcia J Van Wagner
Vice President - Senior Analyst
Public Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Nicholas E Samuels
VP - Senior Credit Officer
Public Finance Group
JOURNALISTS: 212-553-0376

SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

FitchRatings

Tagging Info

Fitch Rates Rhode Island's $79.45MM GO Rfdg Bonds 'AA'; Outlook Stable

Ratings Endorsement Policy
09 Apr 2014 4:40 PM (EDT)

Fitch Ratings-New York-09 April 2014: Fitch Ratings assigns an 'AA' rating to the State of Rhode Island and Providence Plantations' $79.45 million of general obligation (GO), consolidated capital development loan of 2014, refunding series A.

The bonds are expected to sell via negotiation the week of April 21, 2014.

In addition, Fitch affirms the following ratings:

--$1.157 billion in outstanding state GO bonds at 'AA';
--$556.6 million in outstanding state appropriation-backed debt at 'AA-'.

The Rating Outlook is Stable.

SECURITY

The bonds are general obligations of the State of Rhode Island and Providence Plantations, secured by a pledge of the state's full faith and credit. Appropriation-backed debt of the state is secured by payments from the state subject to annual legislative appropriation.

KEY RATING DRIVERS

STRONG FISCAL MANAGEMENT: The state's financial operations are conservatively managed and the state acts proactively to close budget gaps. Management oversight is strong and the constitutionally mandated limit on budget appropriations to 97% of estimated revenue and required 5% budget reserve contribute to fiscal stability.

FINANCIAL PERFORMANCE STABILIZING: Following a period of persistent weakening during the recession, the state's revenue performance shows signs of recovery. Revised fiscal 2014 general revenue fund tax revenues indicate a fourth consecutive year of growth and are slightly ahead of the enacted budget. The governor's proposed fiscal 2015 budget projects further growth, though at a modest rate.

MODERATED LIABILITY POSITION: The state's debt position has moderated due to more disciplined debt issuance policies and cash funding of capital projects. While the state's combined burden of debt and unfunded pension liabilities is well above average, the state's 2011 comprehensive reform of its pension systems significantly improved funded ratios while lowering annual required contributions.

WEAK ECONOMIC INDICES: The state's economic performance was among the worst of the states in the downturn and the pace of recovery has lagged national trends. Going forward, Fitch anticipates continued below average economic growth.

APPROPRIATION SECURITY: Bond payments for appropriation-backed debt rely on annual legislative appropriations, resulting in a rating one notch below the state's GO rating.

RATING SENSITIVITIES

FUNDAMENTAL CHARACTERISTICS: The rating is sensitive to changes in the state's fundamental credit characteristics, particularly its fiscal discipline.

PENSION REFORM LEGAL CHALLENGE: Litigation around recent pension reforms is ongoing, and a resolution that substantively reduces the enacted savings for the state could trigger rating concern. The state and labor unions recently re-entered settlement talks after one employee group rejected a proposed settlement agreement.

MORAL OBLIGATION COMMITMENT: The enacted fiscal 2014 budget included an appropriation for state moral obligation debt previously issued for a now-bankrupt video game company. The governor's proposed fiscal 2015 budget includes the next payment on the debt, which is significantly higher than the fiscal 2014 payment which the legislature approved despite some political opposition. Failure to meet that commitment going forward would exert negative rating pressure.

CREDIT PROFILE

The state's 'AA' GO bond rating is based on conservative fiscal management, improved financial performance and a manageable debt position, offset by below-average economic growth. A deep recession and fragile recovery severely strained the state's financial position. Despite this, Rhode Island saw growth in economically sensitive revenue sources in fiscal 2011, 2012, and 2013, allowing the state to add to its rainy day fund in those years and maintain the required level. The revised fiscal 2014 budget and proposed fiscal 2015 budget forecast continued growth and maintenance of the rainy day fund at the statutory 5% of revenues. While Fitch anticipates modest revenue growth going forward, Rhode Island's budget outlook assumes manageable structural gaps in the out-years that will require continued fiscal discipline.

SLUGGISH ECONOMIC PERFORMANCE
Current economic indicators point to an economy that will be very slow to recapture employment lost in the recession. Rhode Island's peak-to-trough nonfarm employment loss of 11.5% notably exceeds the national loss of 8.4% (both not seasonally adjusted). Employment stabilized in 2011 and began to pick up modestly in 2012 with growth of 0.5% and 1.1%, respectively. The trend continued in 2013 with annual growth of 1.2%. Despite the positive momentum, the state's growth lags the national rates of 1.2%, 1.7% and 1.7% over the last three years. In February 2014, Rhode Island's year-over-year (YOY) payrolls growth rate of 1.6% actually slightly exceeded the national rate of 1.5%, but the three-month moving average of 1.1% still trails the national average of 1.7%. The state has only recovered 92.8% of its pre-recession peak employment levels, while through February, the nation recovered 97.7%. Similarly, Rhode Island's February 2014 unemployment rate of 9% improved notably from 9.5% the prior year, but remains well above the national rate of 6.7%.

The state's consensus economic forecast (last updated in November 2013) forecasts modest employment growth of just 0.9% for fiscal 2014, with the recovery picking up pace in fiscal 2015 (1.9% employment growth). Fitch anticipates the state's growth will remain below national levels over at least the medium term.

IMPROVED FINANCIAL POSITION
Despite the weak economic performance, general revenues increased for the third consecutive year in fiscal 2013, signaling a modest fiscal recovery and allowing Rhode Island to maintain its budget reserve at the full 5% requirement of general revenues ($173.7 million at June 30, 2013). Fiscal 2013 ended with a general revenue fund free surplus of $104.1 million (inclusive of all transfers and adjustments). Revenue from the personal income tax (PIT, 32.7% of general revenues) increased 2.4% YOY, while sales tax revenue (26.4% of general revenues) increased 3.3%. Overall, general revenue fund (GRF) revenue of $3.3 billion was up 1.6% YOY, essentially in line with the final forecast.

The governor's revised fiscal 2014 budget (presented in January 2014) forecasts GRF revenue growth at a slightly accelerated YOY pace of 3%, with PIT revenues up 3.2% and sales tax up 2.9%. For fiscal 2015, the governor's proposed budget includes a more modest GRF revenues YOY growth rate of 2%. Continued PIT and sales tax growth is assumed at 3.4% and 3.7%, respectively. The budget addresses a $149.3 million current services gap primarily through expenditure proposals with no broad-based tax increases. Rhode Island's multi-year budget outlook poses challenges with increasing general revenue fund deficits of $151 million and $257 million projected in fiscal 2016 and 2017. Notably, these projected deficits are down from last year's estimates. In addition to lackluster economic growth, a key driver of the shortfalls is a reduction in lottery and gaming-related revenues due to the anticipated opening of gaming facilities in adjacent southeastern Massachusetts. The constitutional funding formula that calculates contributions to the budget reserve account (now capped at 5% of general revenues) limits annual appropriations to 97% of estimated revenues, providing an important fiscal cushion. With the rainy day fund at its statutory cap, excess revenues flow to a capital projects fund thereby reducing debt issuance.

ABOVE AVERAGE BUT STABILIZED LIABILITIES
Fitch views Rhode Island's long-term liability levels as a key credit risk, but 2011 pension reforms mitigated the ongoing pressure. The state's debt ratios are on moderate, with net tax-supported debt (as of June 30, 2013) of $2.2 billion equal to 4.5% of 2013 personal income. This is down from 5.3% of personal income at the end of fiscal 2009. The state continues to moderate debt levels through increased cash funding of capital projects.

On a combined basis, the burden of the state's net tax-supported debt and Fitch-adjusted unfunded pension obligations equals 11.3% of personal income, well above the median for U.S. states rated by Fitch. The calculations include 100% of the liability for state employees in the employees' retirement system (ERS), approximately 40% of teachers' liability in ERS (the state share), and 100% of the liability for the judicial retirement benefit trust and the state police retirement benefits trust. The ERS liabilities encompass over 97% of the unfunded liabilities.

Prior to significant recent reforms, the state's liability position was characterized by notably low funding levels (48.4% for ERS as of June 30, 2010). The state undertook two rounds of pension reform in 2011; in the first round, the state made a variety of adjustments, including reducing the return assumption to 7.5% from 8.25%, reducing the rate of inflation, and increasing the life expectancy of retirees, which raised the state's unfunded actuarial accrued liability (UAAL). In late 2011, a second round of reform (Rhode Island Retirement and Security Act, or RIRSA) included establishing a hybrid defined benefit-defined contribution system and making future cost-of-living adjustments (COLAs) contingent on investment performance and the funded level of the plan.

RIRSA improved the funded ratios and lowered the plan's forecast contributions considerably. The state-reported UAAL for state employees in ERS based on the June 30, 2010 valuation dropped to $1.7 billion from $2.7 billion; for teachers, the state-reported ERS UAAL fell to $2.4 billion from $4.1 billion. For fiscal 2013, based on the noted pension reforms, the state reported system-wide funded ratios for the state employees' and teachers' portion of ERS of 54.7% and 56.6%, respectively which Fitch views as relatively weak. On a consolidated basis, the total state-reported ERS funded ratio was 57.3%. The Fitch-adjusted system-wide funded ratio for ERS is 54.4% for 2013. Under current actuarial assumptions, the state's actuary projects ERS to reach full funding in 2035.

Fitch's rating on the state incorporates the benefits of RIRSA and other recently enacted pension reforms, therefore, legal challenges to the reforms pose a downside credit risk. There are several lawsuits currently outstanding challenging the pension reforms in 2011, as well as reforms promulgated in 2009 and 2010. The judicial system did not stay the implementation of the reforms so if the cases result in unfavorable outcomes for the state, Fitch believes there could be considerable financial loss if retroactive payments to employees and retirees were to be required. Additionally, Rhode Island's liability position would likely weaken and additional budgetary allocations would be required to maintain pension funding levels.

REJECTION OF POSSIBLE SETTLEMENT NOT A CREDIT DRIVER
The recent failure of a proposed settlement agreement to end the pension reform lawsuits does not trigger rating action by Fitch. The agreement won approval from five of the six employee groups voting on it last week, but municipal police officers rejected the agreement, thereby automatically nullifying it. The presiding judge in the case ordered all sides back into further settlement talks with a trial date set for Sept. 15 if the talks fail. Had it been approved, Fitch viewed the settlement agreement as a favorable means for the state to resolve a significant point of uncertainty while retaining the bulk of savings to the state from RIRSA. The agreement's failure maintains the status quo.

Contact:
Primary Analyst
Eric Kim
Director
+1-212-908-0241
Fitch Ratings, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Marcy Block
Senior Director
+1-212-908-0239

Committee Chairperson
Laura Porter
Managing Director
+1-212-908-0575

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from IHS Global Insight.

Applicable Criteria and Related Research:
--'U.S. State Government Tax-Supported Rating Criteria' (Aug. 14, 2012).

Applicable Criteria and Related Research:
U.S. State Government Tax-Supported Rating Criteria

Additional Disclosure
Solicitation Status