Fiscal Year 2007 Report on Debt Management
to the
Public Finance Management Board

December 2008

State of Rhode Island
and Providence Plantations

OFFICE OF THE GENERAL TREASURER

FRANK T. CAPRIO
GENERAL TREASURER

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December 2008

Members of the Rhode Island Public Finance Management Board

Ms. Rosemary Booth Gallogly, RI State Budget Officer
The Honorable A. Ralph Mollis, Secretary of State, State of Rhode Island
Mr. Lincoln Mossop, Public Member
Mr. William Fazioli, Public Member
Mr. Emanuel Barrows, Public Member

Dear Members of the Board:

I hereby submit the fiscal year 2007 Debt Management Report for the State of Rhode Island and Providence Plantations. This report demonstrates the continued importance of closely monitoring the State's debt position relative to the State's borrowing capacity as part of Rhode Island's efforts to maintain fiscal discipline.

Rhode Island's debt burden peaked in the 1990's and for years the State was ranked in the top three nationally in terms of debt as a percentage of personal income and debt per capita. In recent years, debt management has been a top priority of the State resulting in significant improvement in several long-term debt trends. As recently as 1999, Rhode Island's debt burden was the 5th highest nationally according to Moody's Investors Service. The 2007 State Debt Medians Moody's recently published show that Rhode Island's ranking has dropped to 9th for debt per capita and 13th for debt as a percentage of personal income.

Net tax supported debt totaled $1.62 billion at the close of FY 2007, below the peak level of $1.88 billion reached in FY 1994. Current Budget Office forecasts project the State's debt level to increase to $1.82 billion by FY 2012. While Rhode Island's debt burden has significantly improved, it remains above the national average.

Efforts to increase pay-as-you-go financing of projects, reactivate the sinking fund to defease high-cost debt or to limit, to the extent possible, issuing new debt, and improve bonds proceeds management must be continued. We are also pleased to report that the integrated debt management system the Office of the General Treasurer, the Budget

Office and the Office of Accounts and Control implemented in 2005 has improved debt administration and reporting.

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

During a period when other states had experienced improved revenues and credit ratings, Rhode Island's fiscal situation was characterized as "strained" by the three major credit rating agencies. The economic downturn and the global financial crisis are expected to impact the financial flexibility of all the states for the next several fiscal years.

While all three rating agency reports affirmed the State's ratings in connection with the early fiscal year 2008 General Obligation Bond issuance, those and more recent reports are a warning and a call to action. In the past year, the State of Rhode Island has been downgraded by one rating agency and had a negative outlook assigned to its rating by another rating agency. One rating agency noted the State's use of one-time tobacco revenues to balance the 2007 and 2008 budgets evidenced "continuing financial strain at a time when most states are moving toward structurally balanced budgets." Another agency said it would "closely monitor" the State's actions as the 2009 budget proceeds and the 2010 process evolves. No longer can the State balance its annual budget with one-time revenues.

In past years, Rhode Island was favorably cited for its fiscal discipline. Notably, when Standard & Poor's Rating Agency last upgraded the State of Rhode Island from "AA-" to "AA" in November 2005, the rating report credited the State's pension reform measures as one of the positive factors in the upgrade. Other credit characteristics which supported the rating upgrade at that time included ***consistent financial performance and statutory reserves.*** The rating agency also noted that certain factors offset these strengths, including, a sizable unfunded pension liability. In order to preserve its current rating level, Rhode Island will need to demonstrate structural balance between revenues and expenditures. To that end, I have communicated with the Legislative Leadership to discuss the concerns raised by the rating agencies.

The State's credit rating agencies will continue to scrutinize budgetary decisions during this challenging time. Maintenance of the State's "AA" category ratings is more important now than ever before, as credit spreads are at their widest levels in decades. The global credit crisis of 2008 has had a major impact on the municipal bond market. The ability to access the capital markets has become increasingly challenging for issuers such as the State. The demise of the municipal bond insurance industry coupled with the credit squeeze and the notable absence of several major investment banking firms will have an impact on the State as it seeks to finance its capital needs. Navigating these elements will be a significant priority for the State to insure continued access to capital at affordable levels.

Finally, completion of this report required the cooperation of Treasury staff, the State Budget Office, and the State's financial advisor, First Southwest Company. On behalf of the PFMB, I express my appreciation for the dedicated work of all those who helped compile this year's report.

Sincerely,

Frank T. Caprio
General Treasurer

SECTION 1

2007 Findings

The 2007 Report includes the following:

- Φ Analysis of current State debt position and trends.
- Φ Status report on the implementation of debt management methods and policies.
- Φ Evaluation of projected new debt issuance in compliance with the Public Finance Management Board's ("PFMB") adopted Credit Guidelines.
- Φ 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 continue to improve, but are still relatively high, as evidenced by the following statistics provided by a Moody's Investor Service Special Comment Report, April 2008 and the FY09 Capital Budget:

- Rhode Island ranks 13th highest among all states in Net Tax Supported Debt as a percent of personal income, at 4.7% (based on Moody's calculations and 2006 personal income).
- Rhode Island ranks 9th highest among all states in Net Tax Supported Debt per capita at $1,766 (based on Moody's calculations).
- Net Tax Supported Debt increased annually by 4.8% from FY03 - FY07. Personal income growth for the same period was 3.9%.
- In FY07 the general obligation debt increased at a rate of 8.4% over FY06. From FY03 - FY07 general obligation debt increased at a rate of 4.8%, compared to a 10.6% annual increase from FY92 - FY96.

Over the last four years Net Tax-Supported Debt increased by $341.5 million, from $1.28 billion at FY03 to $1.62 billion at FY07. Current Tax-Supported Debt of $1.62 billion represents an increase of 5.4% from $1.54 billion at FY06. Rhode Island's Tax-Supported Debt peaked at FY94 at $1.88 billion.

According to the FY09 Capital Budget, the State's outstanding Net Tax Supported Debt (includes adjustment for agency payments) is projected to increase to $1.82 billion for FY12. 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 FY09 also indicates that State general obligation debt will increase at a compound annual growth rate of 3.3% from $997.8 million at FY08 to $1,172.6 million at FY12. The Economic Development Corporation will also increase at a compound annual growth rate of 4.3%. During the same period, it is estimated that capital leases will decrease by $26.9 million (-1.9% CAGR). There were declines in all other categories of tax-supported debt, including the Refunding Bond Authority, Convention Center Authority and Rhode Island Housing and Mortgage Finance Corporation.

Rhode Island's efforts to improve its debt position continue to be recognized by the municipal credit rating agencies. Recent pension reform measures that were adopted during the 2005 legislative session contributed to Standard and Poor's upgrade of the State's bond rating from AA- to AA. However, a variety of factors contributed to the Fitch Ratings subsequent downgrade of Rhode Island's rating from AA to AA- and Moody's Investors Service assignment of a Negative Ratings Outlook to the State. Protecting the gains made in debt reduction is critical and important to preserving financial flexibility.

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 original Credit Guidelines were adopted after extensive research on State debt trends and a comparative analysis of certain "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.

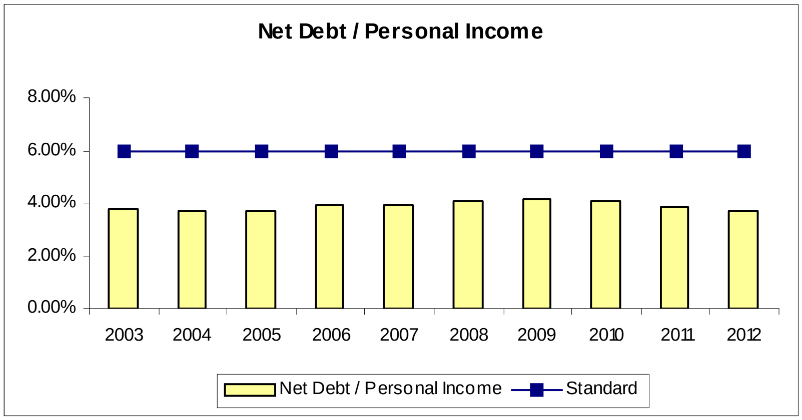
In line with its goal of trending toward more conservative levels of debt, in June 2000, the PFMB approved the revisions to the Tax Supported Debt to Personal Income target debt ratios recommended in the 1999 Report on Debt Management. Approved guidelines are as follows:

- ***Credit Guideline 1:*** Tax Supported Debt to not exceed the target range of 5% 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.

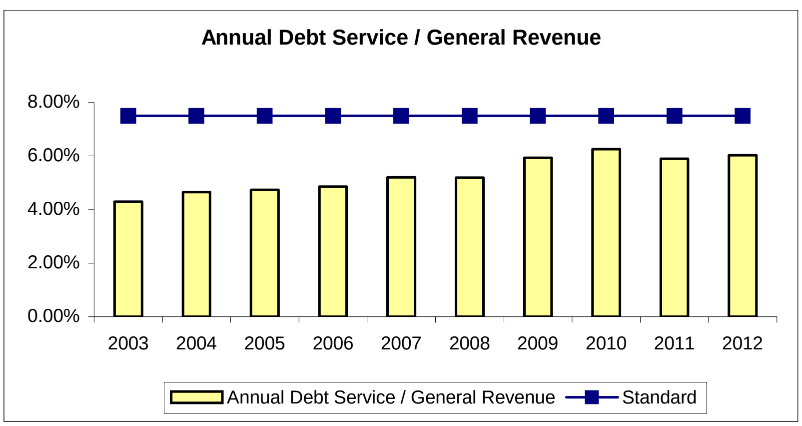
- ***Credit Guideline 2:*** The Board should monitor the total amount of Tax Supported Debt, State Supported Revenue Debt, and Agency Revenue Debt in relation to the State's personal income.

- ***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 will remain within the Credit Guidelines relating to Net Debt to Personal Income, as the ratio will decline from 4.1% at FY08 to 3.7% at FY12. From FY03 to FY07, Personal Income grew at a rate of 3.9%, while Net Tax-Supported Debt increased by 4.8%. The combination of positive Personal Income growth and moderate debt growth resulted in the Net Debt to Personal Income ratio of 3.8% at FY03 to remain stable at 4.0% for FY07.



Annual Debt Service as a percentage of revenues increased from 4.3% in FY03 to 5.2% in FY07. Projections from FY08 to FY12 indicate continued compliance with the PFMB's guidelines as FY12 debt service to revenues ratio remains below the 7.5% target at 6.0%.

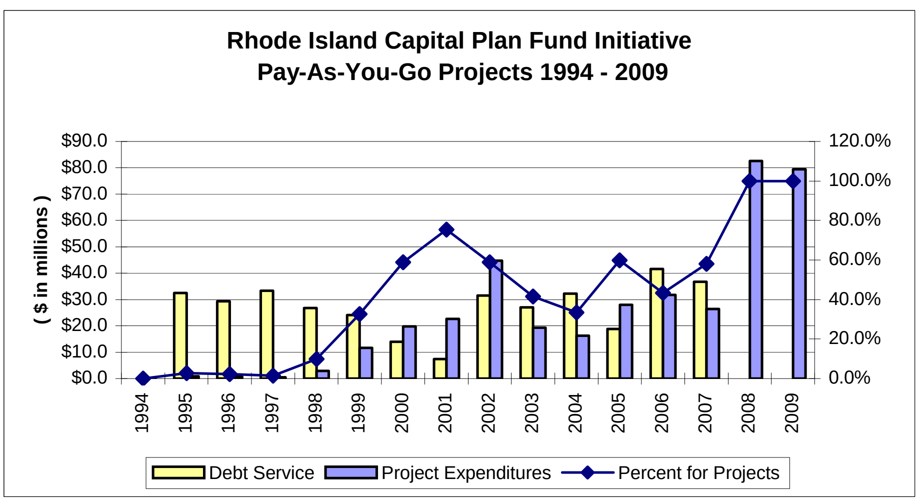


Positive Steps in Debt Administration

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 has a negative impact on the flexibility of the operating budget and limits 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 – 2001, along with improved cash management, the State was able to forego cash flow borrowing, a positive trend in the State's debt management. However, economic conditions compelled the State to borrow on a short-term basis in 2002, 2003, 2006, 2007 and 2008. Greater financial flexibility during periods of economic expansion have 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.

   Included in the governor's recommended FY09 Budget was a $79.4 million appropriation ($82.6 million in FY08 which includes funding reappropriations from FY07) for pay-as-you-go capital financing through the Rhode Island Capital Plan Fund. Funds may be used to pay for debt service or project expenditures. According to the FY09 Capital Budget, 100.0% of the Fund's resources will be used for capital asset protection projects in FY09. Given budgetary concerns, the State has not been in a position to maximize pay-as-you-go capital financing. However, it is recommended that the State once again emphasize pay-as-you-go capital spending when the economic climate improves.



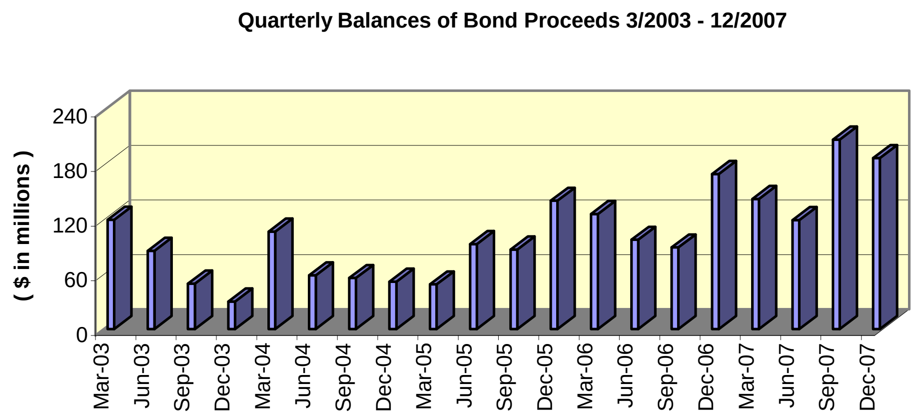
2. **Sinking Fund Commission.** During the 1998 legislative session, the Sinking Fund Commission was reconstituted and given the responsibility of overseeing a program of debt reduction that would be the result of the increased allocation of current revenues to defease or prepay debt. The goal of the Sinking Fund Commission is to reduce debt levels with an increasing appropriation of savings and other revenues to prepay additional debt. The Commission is currently inactive.

3. **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 $187.6 million in 26 accounts as of December 31, 2007. Thirteen accounts were closed from FY01 – FY06. Nine additional accounts were closed during FY07.

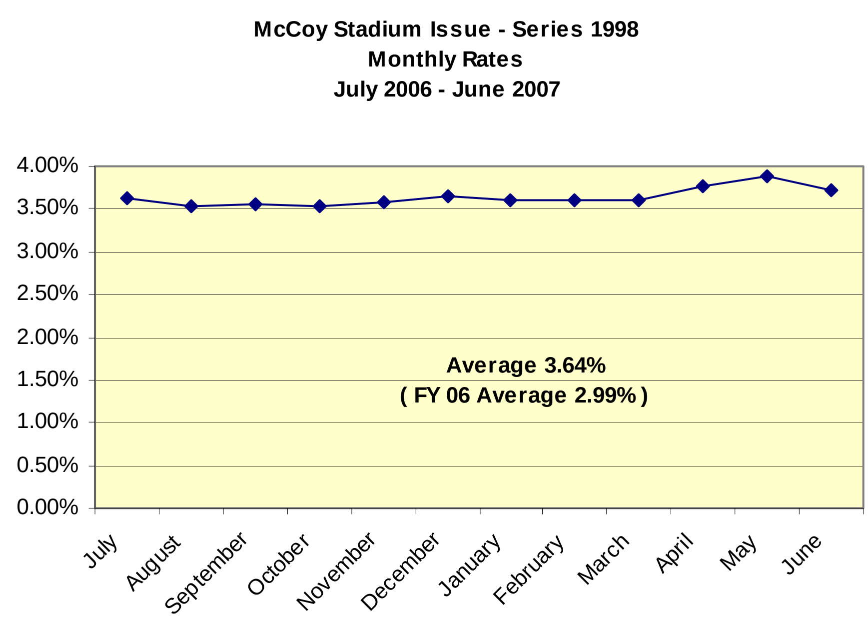
Invested Bond Proceeds By Fund
December 31, 2007

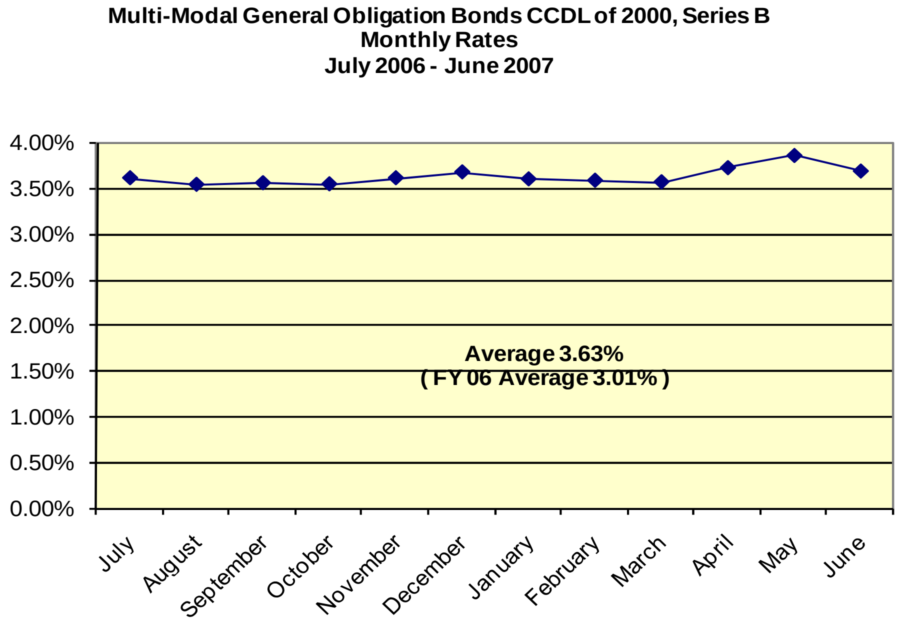
Fund	Amount
Clean Water CCDL 1998 Series B	46,148.75
Clean Water CCDL 1994 Series A	6,068.66
Capital Development Loan 1997 Series A	19,387.22
Clean Water CCDL 2002 Series B	133,081.58
Clean Water CCDL 2004 Series A	696,932.17
Clean Water CCDL 2005 Series E	881,810.11
Capital Development Loan 1997 Series A	7,062.25
Pollution Control 1994 Series A	6,345.18
CCDL 1999 Series A	328,681.56
Pollution Control 2004 Series A	11,145,400.35
Pollution Control 2005 Series C	16,809,530.20
Pollution Control 2005 Series E	4,423,114.59
Pollution Control 2006 Series C	238,111.09
G.O. Note 1991 Series B	3,797.93
Bond CCDL 1994 Series A	192,966.20
Bond CCDL 1996 Series A	619,401.83
Capital Development Loan 1997 Series A	346.86
CCDL 1998 Series B	2,102,681.08
Multi-Modal 1999 Series B	2,850.70
Bond Capital CCDL 2000 Series A	1,472,831.39
Multi-Modal 2000 Series B	2,822.34
CCDL 2006 Series B	22,683.06
CCDL 2006 Series C	40,680,794.05
Clean Water 2007 Series A	501,924.43
G.O. CCDL 2007 Series A	98,711,101.79
G.O. CCDL 2007 Series B	8,532,715.25
	$ 187,588,590.62

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.



4. Variable Rate Debt Obligations Issued. The State has issued a total of $100.3 million of multi-modal variable rate general obligations bonds: $36.5 million in July 1998, $32.4 million in September 1999 and $31.4 million in July 2000. In addition, the State was also involved in a variable rate financing for McCoy Stadium that was issued by the Economic Development Corp in July 1998. These floating rate structures offered (1) low initial interest rates, (2) principal structuring flexibility, including prepayment without penalty, and (3) the ability to convert to a fixed rate on one month's notice. The variable rate component improves the match of State assets and liabilities and provides a lower overall cost of capital for the State. The 1998 and 1999 variable rate bonds were refunded with fixed rate bonds in February 2001 as part of a $118.9 million refunding. The remaining general obligation variable rate bonds were refinanced with fixed rate bonds in December 2008.





The General Treasurer and the State Budget Office have implemented a policy which restricts the total amount of variable rate exposure to 10% of net tax supported debt outstanding.

In the 2001 session of the RI General Assembly, the Legislature approved a bill proposed by the Treasurer's office to permit the State to enter into interest rate swap agreements with the goal of reducing borrowing costs. This effectively permits the State to convert a fixed rate obligation to a variable rate obligation or vice-versa. The fiscal impact of future transactions is not possible to quantify since any benefit derived from the use of variable rate debt and related interest rate swaps is extremely dependent upon market conditions, the extent to which the investment vehicle is utilized and the specifics of the individual transaction. The State can only enter into such transactions when there are demonstrated savings. To date the State has not utilized interest rate swaps but has provided assistance to various state agencies in analyzing financing alternatives, refinancing variable rate debt and unwinding swaps.

5. **Municipal Debt Report.** The PFMB published its initial Local Debt Study for cities and towns in 1998. This report demonstrated that the State's debt load can, in part, be attributed to governmental functions assumed at the state level that in other states are assumed at the local or county level. Examples of this include the State's convention center and correctional facilities. This argument implies that Rhode Island's local governments are relieved of a relatively heavy debt burden. Based on the municipal debt report, this is true for the majority of Rhode Island cities and towns. The report showed that, on average, Rhode Island's city and town debt ratios were approximately half of the Standard and Poor's "moderate" benchmark of cities and towns of comparable size in other states, which partially explains the State's high debt ratios. The PFMB publishes the Municipal Debt Report biannually and is expected to publish the next local debt study in December 2009.

SECTION 2

Rhode Island State Debt

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

Table 2-1
Rhode Island Debt Statement
(as of June 30, 2007, dollars in millions, principal amount)

	6/30/2005	6/30/2006	6/30/2007
Tax Supported Debt			
General Obligation Bonds	$ 800.9	$ 842.6	$ 913.5
Capital Leases	224.6	221.5	252.6
Convention Center Authority	202.9	287.2	280.0
Economic Development Corporation	128.3	139.0	147.0
R.I.H.M.F.C. Neighborhood Opportunities Housing Program	13.1	18.8	15.5
Refunding Bond Authority	74.6	60.3	42.7
Gross Tax Supported Debt	$ 1,444.4	$ 1,569.4	$ 1,651.3
Agency Payments	(55.0)	(29.7)	(28.9)
Subtotal Net Tax Supported Debt	**$ 1,389.4**	**$ 1,539.7**	**$ 1,622.4**
State Supported Revenue Debt			
EDC - Collaborative	24.5	-	-
EDC - Providence Place Mall	36.7	35.2	33.7
EDC - URI Power Plant	13.5	12.9	12.2
R.I. Housing	273.0	246.1	292.5
Industrial Recreational Building Authority - Insured Industrial Facilities Corporation	26.0	21.9	13.2
Subtotal State Supported Revenue Debt	**$ 373.7**	**$ 316.1**	**$ 351.6**
Agency Revenue Debt			
Airport Corporation	$ 269.5	$ 314.3	$ 308.0
Economic Development Corporation	46.6	65.5	67.8
EDC - Fidelity Building II	10.0	10.0	10.0
EDC - Fleet Bank	10.0	9.8	9.6
EDC - GARVEE Bonds, Federally Funded	186.0	338.4	207.8
R.I. Housing	5.0	5.0	5.0
Narragansett Bay Commission	292.7	363.8	444.7
Resource Recovery Corporation	19.6	20.4	16.2
State University and Colleges	183.7	201.7	199.3
Turnpike and Bridge Authority	31.7	29.8	27.8
Water Resources Board	9.8	9.1	8.3
Subtotal Agency Revenue Debt	**$ 1,064.6**	**$ 1,367.8**	**$ 1,304.5**
Conduit Debt			
Clean Water Finance Agency	$ 504.6	$ 535.8	$ 576.9
Health and Educational Building Corporation	1,519.3	1,659.5	1,908.0
R.I. Housing	1,083.2	1,041.9	1,234.5
Industrial Facilities Corporation	84.7	98.6	105.2
Student Loan Authority	803.4	793.9	889.6
Water Resources Board	4.7	3.9	3.0
Subtotal Conduit Debt	**$ 3,999.9**	**$ 4,133.6**	**$ 4,717.2**
Total State Related Debt	**$ 6,827.6**	**$ 7,357.2**	**$ 7,995.7**

Sources: FY 09 Capital Budget and Treasury Survey of R. I. Quasi-Public Corporations.

Explanation of Categories of Debt

Below is a definition of the 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 and Analysis 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.

There are currently 16 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
Convention Center Authority	X			
Economic Development Corporation	X	X	X	
Health and Education Building Corp.				X
Housing, Mortgage, and Finance Corp.	X	X	X	X
Industrial Facilities Corp.		X		X
Narragansett Bay Commission*	X	X	X	
Refunding Bond Authority	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
Turnpike and Bridge Authority			X	
Water Resources Board			X	X

* The State has outstanding general obligation bonds issued on behalf of these agencies.

(1) Borrows through the Economic Development Corporation.

There are four general categories of debt issued by these entities: Tax Supported Debt, State Supported Revenue Debt, Agency Revenue Debt, and Conduit Debt. The total amount of debt for these four classes of State debt outstanding as of June 30, 2007 is summarized in Table 3-2.

Table 3-2
Outstanding State Debt
as of June 30, 2007
(Dollars in millions, principal amount)

Tax Supported Debt	$1,622.4
State Supported Revenue Debt	351.6
Agency Revenue Debt	1,304.5
Conduit Debt	4,717.2
Total	**$7,995.7**

Source: FY 09 Capital Budget and Treasury Survey of R.I. Quasi-Public Corporations.
Note: Due to data collection lags, does not include local government debt, which totaled approximately $1,498.5 million at June 30, 2007, up from $1,433.9 million at June 30, 2006.

How the Debt Issuers Are Related and Evaluated

All debt issued by the State and its agencies is analyzed for institutional investors, individual investors, and providers of credit guarantees including insurance companies and commercial banks. Credit analysts include the major credit rating services (Moody's Investors Service, Standard & Poor's, and Fitch Ratings); broker-dealers and dealer banks which underwrite State bonds; and institutional investors which purchase State bonds (mutual funds, casualty insurance companies, and investment advisors). In the past, such analysis was also been performed by municipal bond insurance companies which had guaranteed many bonds issued by the State (AMBAC, FSA, MBIA, FGIC, and others). Historically, bond insurers provided insurance guarantees for issuers of relatively risk-free municipal debt ("monoline" insurers). However, during the past few years these monoline insurers began guaranteeing securities backed by sub-prime mortgages. These investments have suffered significant losses, reducing the bond insurers' capital and adversely impacting their coveted AAA credit ratings. Seven of the monoline insurers, have been downgraded. Only Berkshire Hathaway, the newest insurer, is currently rated AAA by each agency which rates it.

One of the factors these analysts use to evaluate debt issued by state agencies is the degree to which the State's general taxes and revenues may be called upon to pay or support the payment of these debts. Tax Supported Debt, for example, is paid directly by State collected taxes and revenues, while Conduit Debt is solely an obligation of a borrower that is not a State agency. Investors do not expect the State to be directly or indirectly responsible for payment of debt service for Conduit Debt.

Each class of debt is defined in Section 2 on page 9. The following discussion presents historical information about the level of such debt.

Tax Supported Debt: FY03 to FY07

Tax Supported Debt includes general obligation bonds, 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 3-3 presents the amounts and types of Tax Supported Debt for the five years ending June 30, 2007 with resulting debt ratios. For FY07, the State's Debt to Personal Income ratio of 4.0% and Debt Service to Revenue ratio of 5.2% 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, 2007 is presented in Appendix A.

Table 3-3
Tax Supported Debt: Fiscal Years 2003 - 2007
(dollars in millions, principal amount)

Fiscal Years	2003	2004	2005	2006	2007	CAGR FY 03 - 07
General Obligation Bonds	$ 722.9	$ 762.6	$ 800.9	$ 842.6	$ 913.5	4.8%
Capital Leases	100.5	92.4	224.6	221.5	252.6	20.2%
Convention Center Authority	310.0	302.3	202.9	287.2	280.0	-2.0%
Economic Development Corp.	91.1	136.3	128.3	139.0	147.0	10.0%
Narragansett Bay Commission Bonds	13.1	11.3	-	-	-	-
R.I.H.M.F.C. Neighborhood Opp. Hsing Prog.	12.6	12.6	13.1	18.8	15.5	4.2%
Refunding Bond Authority (1)	100.7	84.7	74.6	60.3	42.7	-15.8%
Gross Tax Supported Debt	$ 1,350.9	$ 1,402.2	$ 1,444.4	$ 1,569.4	$ 1,651.3	4.1%
Agency Payments	(70.0)	(67.4)	(55.0)	(29.7)	(28.9)	-16.2%
Net Tax Supported Debt	**$ 1,280.9**	**$ 1,334.8**	**$ 1,389.4**	**$ 1,539.7**	**$ 1,622.4**	**4.8%**
Annual Net Tax Supported Debt Service (2)	$ 122.0	$ 136.5	$ 147.1	$ 160.4	$ 174.8	7.5%
Debt Ratios: (3)						
Annual Debt Service / Revenues (7.5%)	4.3%	4.7%	4.7%	4.8%	5.2%	3.9%
Net Debt / Personal Income (5% - 6%)	3.8%	3.7%	3.7%	3.9%	4.0%	0.9%
Net Debt / Capita	$ 1,191.8	$ 1,237.2	$ 1,294.2	$ 1,442.2	$ 1,519.7	5.0%
Assumptions:						
Revenues (2), (4)	$ 2,846.5	$ 2,935.2	$ 3,111.4	$ 3,308.3	$ 3,361.0	3.4%
Personal Income	$ 33,747.4	$ 35,816.5	$ 37,627.3	$ 39,042.5	$ 40,921.3	3.9%
Population (5)	1,074,783	1,078,930	1,073,579	1,067,610	1,067,610	-0.1%

CAGR = Compound Annual Growth Rate
Source: FY 09 Capital Budget

(1) The Public Building Authority was merged into the Refunding Bond Authority on 7/21/97. Balances and CAGR are for merged entity FY 03 - FY 07.
(2) FY 04 - FY 08 Capital Budgets.
(3) Based on Net Tax Supported Debt which includes agency payments.
(4) Revenues include actual general revenues plus dedicated gas tax transfers.
(5) Population estimates are from the U.S. Census Bureau, December 2006.

As the result of an increase in General Obligation debt, Capital Leases, Economic Development Corporation debt and Rhode Island Housing's Neighborhood Opportunities Housing Program debt, total Net Tax Supported Debt increased by 4.8% from FY03 to FY07. These increases were partially offset by a 15.8% decrease in Refunding Bond Authority debt and a 2.0% decrease in Convention Center Authority debt. State personal income and revenues grew at an annual compound rate of 3.9% and 3.4%, respectively 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 Economic Development Corporation issues debt that will be paid from State taxes and revenues which represents 9.0% of Tax Supported Debt. This debt contains unusual credit features, which obligate the State to pay debt service under certain expected circumstances. Two such issues (Fidelity and Fleet leases) carry a moral obligation pledge, 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: FY08 to FY12

Using figures provided by the State Budget Office, an estimate of the Tax Supported Debt for the FY08 – FY12 period has been developed along with a forecast of certain debt ratios.

Table 3-4
Tax Supported Debt: Fiscal Years 2008 - 2012
(dollars in millions, principal amount)

Fiscal Years	2008	2009	2010	2011	2012	CAGR FY 08 - 12
General Obligation Bonds	$ 997.8	$ 1,059.9	$ 1,129.0	$ 1,145.5	$ 1,172.6	3.3%
Capital Leases	292.0	293.9	309.0	288.1	265.1	-1.9%

Gross Tax Supported Debt (excludes adjustments for agency payments) is projected to increase from $1,743.9 billion in FY08 to $1,840.1 billion in FY12.

Total forecast additions to tax-supported debt are projected to increase by 37.4% from FY08 – FY12. This is due entirely to Total Capital Lease issuance which is projected to increase by 24.0% on a compound annual growth rate basis.

Table 3-5
Forecast Additions to Tax Supported Debt: Fiscal Years 2008 - 2012
General Obligation Bonds and Capital Leases
(dollars in millions, principal amount)

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 $351.6 million at June 30, 2007, up from $316.1 million at June 30, 2006. 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 3-6 presents the amounts and types of State Supported Revenue Debt for the five years ending June 30, 2007.

Table 3-6
State Supported Revenue Debt: Fiscal Years 2003 - 2007
(dollars in millions, principal amount)

Fiscal Years	2003	2004	2005	2006	2007	CAGR FY 03 - 07
Blackstone Valley Commission (1)	$ 8.7	$ 7.6	$ -	$ -	$ -	$ -
Narragansett Bay Commission (1)	4.4	3.6	-	-	-	-
EDC - Collaborative	25.0	25.0	24.5	-	-	-
EDC - Providence Place Mall	39.3	38.2	36.7	35.2	33.7	-3.0%
EDC - URI Power Plant	14.7	14.1	13.5	12.9	12.2	-3.7%
R.I. Housing	209.9	260.5	273.0	246.1	292.5	6.9%
Industrial Recreational Building Authority - Insured Industrial Facilities Corporation	17.2	27.1	26.0	21.9	13.2	-5.2%
Total	**$ 319.2**	**$ 376.1**	**$ 373.7**	**$ 316.1**	**$ 351.6**	**2.0%**

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

(1) General Obligations guaranteed but supported by agency revenues.

The largest component of State Supported Revenue Debt is the moral obligation debt of Rhode Island Housing, which has increased by 82.6 million (CAGR of 6.9%) since 2003. When combined with the defeasance of the Blackstone Valley Commission and Narragansett Bay Commission debt, State Supported Revenue Debt increased by an annual compound rate of only 2.0% for the period from FY03 to FY07.

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 Economic Development Corporation is authorized to secure its revenue bonds with the State moral obligation with the approval of the Governor and as of FY00; all debt issues previously secured under the traditional moral obligation pledge had been paid off.

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 3-7. Only the Revenue Debt of these agencies is presented in Table 3-7, and any other debt is presented in the sections relating to Tax Supported Debt. Table 3-7 presents the amounts and types of Agency Revenue Debt for five fiscal years ending June 30, 2007.

Table 3-7
Agency Revenue Debt: Fiscal Years 2003 - 2007
(dollars in millions, principal amount)

Fiscal Years	**2003**	**2004**	**2005**	**2006**	**2007**	**CAGR FY 03 - 07**
Airport Corporation	$ 205.2	$ 199.9	$ 269.5	$ 314.3	$ 308.0	8.5%
Economic Development Corporation	60.4	41.2	46.6	65.5	67.8	2.3%
EDC - Fidelity Building II	10.0	10.0	10.0	10.0	10.0	0.0%
EDC - Fleet Bank	7.2	7.0	10.0	9.8	9.6	5.9%
EDC - GARVEE Bonds, Federally Funded	-	216.8	186.0	338.4	207.8	-
R.I. Housing	5.0	5.0	5.0	5.0	5.0	0.0%
Narragansett Bay Commission	136.6	186.2	292.7	363.8	444.7	26.6%
Resource Recovery Corporation	19.0	18.3	19.6	20.4	16.2	-3.1%
State University and Colleges	112.5	113.6	183.7	201.7	199.3	12.1%
Turnpike and Bridge Authority	35.6	33.6	31.7	29.8	27.8	-4.8%
Water Resources Board	18.9	10.5	9.8	9.1	8.3	-15.2%
Total	**$ 610.4**	**$ 842.1**	**$ 1,064.6**	**$ 1,367.8**	**$ 1,304.5**	**16.4%**

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

The Narragansett Bay Commission experienced the largest increase of 26.6% due to the combined sewer overflow project. The State University and Colleges had the second largest increase of 12.1% because of various construction and improvement projects. The third largest increase of 8.5% was from the Airport Corporation. Overall, Agency Revenue debt grew at a compound annual rate of 16.4% from FY03 - FY07. 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 3-8 is secured by any form of State Credit Support.

Table 3-8
Conduit Debt: Fiscal Years 2003 - 2007
(dollars in millions, principal amount)

Fiscal Years	2003	2004	2005	2006	2007	CAGR FY 03 - 07
Clean Water Finance Agency	$ 286.9	$ 411.7	$ 504.6	$ 535.8	$ 576.9	15.0%
Health and Educational Building Authority	1,192.2	1,492.5	1,519.3	1,659.5	1,908.0	9.9%
R.I. Housing	1,348.7	1,115.5	1,083.2	1,041.9	1,234.5	-1.8%
Industrial Facilities Corporation	67.4	86.0	84.7	98.6	105.2	9.3%
Student Loan Authority	883.6	806.2	803.4	793.9	889.6	0.1%
Water Resources Board	6.3	5.6	4.7	3.9	3.0	-13.8%
Total	**$ 3,785.1**	**$ 3,917.5**	**$ 3,999.9**	**$ 4,133.6**	**$ 4,717.2**	**4.5%**

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

Conduit Debt, which represents the largest category of debt, grew at a compound annual rate of 4.5% from FY03 - FY07. The agencies which experienced the most significant growth in debt were the Clean Water Finance Agency, Health and Educational Building Corporation and Industrial Facilities Corporation with compound annual growth rates of 15.0%, 9.9% and 9.3% respectively. Student Loan Authority's debt levels have also been on the rise, but at a much slower rate of 0.1%.

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 3-9 presents the amounts of Local Government Debt for the five years ending June 30, 2007. 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.

Table 3-9
Local Government Debt: Fiscal Years 2003 - 2007
(in millions)

Fiscal Years	**2003**	**2004**	**2005**	**2006**	**2007**	**CAGR FY 03 - 07**
Local Government Debt	$ 1,365.4	$ 1,393.5	$ 1,380.3	$ 1,433.9	$ 1,498.5	**1.9%**

CARG = Compound Annual Growth Rate
Source: Office of the General Treasurer and the Audited Financial Statements of the 39 Cities and Towns.

Local government debt includes the general obligation bonds, revenue bonds, and capital leases of Rhode Island's 39 local governments. During the five years shown in Table 3-9 this debt grew at an average annual rate of 1.9 %. Local Debt Studies, issued in 1998, 2001, 2003 and 2005, indicated that debt levels for Rhode Island cities and towns were relatively low when compared to national indices. Given the inconsistencies among state and local revenue structures, overlapping debt and unavailability of timely data, this report does not draw a comparison of Rhode Island's combined State and local debt with that of other States. The Local Debt Study will be updated in the forth quarter of 2009. In light of the availability of published information on cities and towns, the Local Debt Study will continue to be produced on a biennial basis.

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 states and local governments. Without debt capacity the State may not be able to pay for restoration of aging infrastructure and make new capital investment. Public capital investment attracts private capital to be invested, which creates employment and a high quality of life for the citizens 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 Limits and 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 limits 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. 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 2007 and 2008. 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 "Aa3/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 again met with all three rating agencies, their focus was on the State's budget situation. While all three rating agencies affirmed the State's ratings in connection with the 2007 and early 2008 General Obligation Bond issuance, the reports are a warning and a call to action. One rating agency noted the State's use of one-time tobacco revenues to balance the 2007 and 2008 budgets which evidenced "continuing financial strain at a time when most states are moving toward structurally balanced budgets." Another agency said it would "closely monitor" the State's actions as the 2008 budget proceeds and the 2009 process evolves. It is clear that the rating agencies will scrutinize the budget process carefully. There is no doubt that the projected budget deficit and actions taken to address the projected deficit will be an important rating consideration. 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 the projected budget deficit, a weaker economy and declining revenues combined with budgetary pressure for human services, infrastructure needs and the ability to maintain adequate reserves. The State's response to these challenges will be closely monitored by the rating agencies. No longer can the State balance its annual budget with one-time revenues. Table 4-1 presents the credit ratings for all states with general obligation bonds.

While Rhode Island's debt levels are moderately high, they have steadily improved since FY95. Debt projections for FY08 through FY12, as presented in Table 3-4, indicate that Debt to Personal Income will decrease from 4.1% to 3.7% during this period. These projections also show Debt Per Capita increasing by only 1.2% from $1,607.4 to $1,702.2 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 4.0% in FY07 compares favorably to Moody's 2007 Peer Group average of 4.7%, this ratio is high relative to Moody's 2007 median (includes all states) of 2.6%. Likewise, the State's FY07 Debt per Capita of $1,519.7 compares unfavorably to the current Moody's median at $889, but favorably to the 2007 Peer Group Average of $2,009. Debt levels tend to be relatively higher in Rhode Island's Peer Group states in light of their aging infrastructure and practice of financing projects at the state level rather than at the municipal 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	Aa2	AA	AA
Alaska	Aa2	AA+	AA
Arizona	Aa3	AA	NR
Arkansas	Aa2	AA	NR
California	A1	A+	A+
Colorado	NR	AA	NR
Connecticut	Aa3	AA	AA
Delaware	Aaa	AAA	AAA
Florida	Aa1	AAA	AA+
Georgia	Aaa	AAA	AAA
Hawaii	Aa2	AA	AA
Idaho	Aa2	AA	NR
Illinois	Aa3	AA	AA
Indiana	Aa1	AA+	NR
Iowa	Aa1	AA+	AA+
Kansas	Aa1	AA+	NR
Kentucky	Aa2	AA-	NR
Louisiana	A2	A	A
Maine	Aa3	AA	AA
Maryland	Aaa	AAA	AAA
Massachusetts	Aa2	AA	AA
Michigan	Aa3	AA-	AA-
Minnesota	Aa1	AAA	AAA
Mississippi	Aa3	AA	AA
Missouri	Aaa	AAA	AAA
Montana	Aa2	AA	AA
Nebraska	NR	AA+	NR
Nevada	Aa1	AA+	AA+
New Hampshire	Aa2	AA	AA
New Jersey	Aa3	AA	AA-
New Mexico	Aa1	AA+	AA
New York	Aa3	AA	AA-
North Carolina	Aaa	AAA	AAA
North Dakota	Aa2	AA	NR
Ohio	Aa1	AA+	AA+
Oklahoma	Aa3	AA	AA
Oregon	Aa2	AA	AA
Pennsylvania	Aa2	AA	AA
Rhode Island	**Aa3**	**AA**	**AA**
South Carolina	Aaa	AA+	AAA
South Dakota	NR	AA	NR
Tennessee	Aa1	AA+	AA+
Texas	Aa1	AA	AA+
Utah	Aaa	AAA	AAA
Vermont	Aaa	AA+	AA+
Virginia	Aaa	AAA	AAA
Washington	Aa1	AA+	AA
West Virginia	Aa3	AA-	AA-
Wisconsin	Aa3	AA-	AA-
Wyoming	NR	AA	NR

Rhode Island rating compared to other states:

	Moody's	S & P	Fitch
Above Rhode Island	32	21	16
Same as Rhode Island	11	22	15
Below Rhode Island	2	6	7
NR	4	0	11

Source: First Southwest Company.
Moody's ratings as of May 7,2008
Standard & Poor's ratings as of May 6, 2008
Fitch ratings as of June 10, 2008

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
1997	8.7%	3rd	2.1%	5.6%	6.4%	9.4%	8.1%	2.6%	2.5%	4.7%
1998	6.6%	4th	1.9%	5.2%	5.9%	8.7%	7.8%	1.9%	2.4%	4.2%
1999	6.5%	5th	2.0%	5.1%	5.7%	8.7%	7.8%	1.9%	2.3%	4.2%
2000	6.2%	5th	2.2%	4.9%	5.2%	8.1%	8.0%	2.1%	2.0%	3.8%
2001	5.3%	7th	2.1%	4.8%	5.5%	8.0%	8.5%	2.0%	1.5%	3.3%
2002	5.2%	7th	2.3%	4.7%	5.3%	8.0%	8.5%	1.9%	1.5%	3.0%
2003	5.0%	7th	2.2%	4.7%	5.0%	8.2%	8.5%	1.8%	1.4%	3.0%
2004	4.4%	12th	2.4%	4.7%	5.6%	8.4%	8.5%	1.8%	1.5%	2.5%
2005	4.1%	16th	2.5%	4.8%	5.3%	8.0%	9.8%	2.0%	1.4%	2.2%
2006	4.6%	13th	2.4%	4.7%	5.5%	7.8%	9.4%	1.9%	1.3%	2.1%
2007	4.7%	13th	2.6%	4.6%	5.2%	7.3%	9.8%	1.9%	1.3%	2.0%

Source: Moody's Investors Service
April 2008 Special Comment

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

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 every year from 1997 - 2005 and its ranking dropped from the 3rd highest in the country to the 16th highest. The 2005 ratio of 4.1% improved due to Tobacco Securitization and was below the peer group average of 4.8%, but it still remains well above Moody's median of 2.5%. However, in 2007 the ratio increased to 4.7% giving Rhode Island a ranking of 13th highest. This 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
1997	$ 1,889	4th	$ 431	$ 1,472	$ 1,715	$ 2,813	$ 2,117	$ 523	$ 681	$ 984
1998	$ 1,618	6th	$ 446	$ 1,480	$ 1,619	$ 2,962	$ 2,329	$ 391	$ 633	$ 946
1999	$ 1,670	5th	$ 505	$ 1,523	$ 1,581	$ 3,131	$ 2,436	$ 418	$ 620	$ 953
2000	$ 1,661	6th	$ 540	$ 1,531	$ 1,544	$ 3,052	$ 2,612	$ 488	$ 567	$ 925
2001	$ 1,497	7th	$ 541	$ 1,565	$ 1,616	$ 3,037	$ 2,957	$ 487	$ 463	$ 828
2002	$ 1,552	7th	$ 573	$ 1,660	$ 1,650	$ 3,240	$ 3,267	$ 485	$ 503	$ 813
2003	$ 1,508	7th	$ 606	$ 1,692	$ 1,599	$ 3,440	$ 3,298	$ 471	$ 485	$ 861
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

Source: Moody's Investors Service
April 2008 Special Comment

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

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 (Maine, New Hampshire and Vermont), have levels of debt per capita below 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 2001, 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

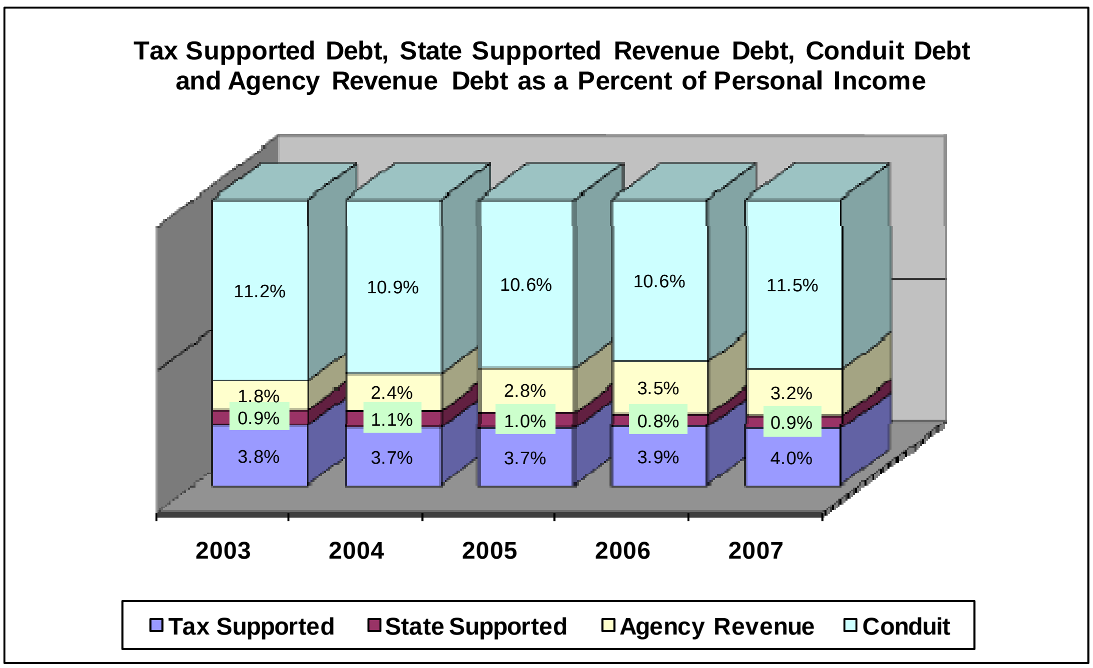
Year	RI
2003	4.3%
2004	4.7%
2005	4.7%
2006	4.9%
2007	5.2%

Source: FY 04 - FY 08 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. 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.

As shown in the chart below, 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 increased from 17.8% of Personal Income in FY03 to 19.5% in FY07. This increase came as Personal Income grew at the compound annual growth rate of 3.9%.



Section 5

Recommended Priorities and Issues for 2008 and 2009

Based on the findings of this and the preceding Debt Management Reports, the following debt management priorities are recommended for 2008 and 2009:

1. Continued Emphasis on Rating Agency Communication and Debt Management

Rhode Island's improved debt position is the product of stringent policies and fiscal discipline adopted after the State's debt peaked in the early '90s. The 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. Continued vigilance is required. Rhode Island's current debt ratings are based on the expectation that the State will continue this debt management course.

The credit guidelines and more conservative debt ratio targets approved by the PFMB in June 2000 provide the structure necessary to achieve further debt reduction while not overly constricting state debt. It is also appropriate, 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.

Municipal Market participants are also concerned with Pension Funding levels of States and the impact of the implementation of GASB Statement 45 related to Other Post Employment Benefits (OPEB). Rhode Island's efforts to reform the pension system and recent improved investment performance are a positive development. However, more progress needs to be made in this area to manage future liabilities.

Maintenance of the State's AA category ratings is more important now than ever before, as credit spreads are at their widest levels in decades. The outlook for the State's credit rating remains stable by Standard & Poor's and Fitch Ratings. However, Fitch Ratings recently downgraded the State and Moody's Investors Service has assigned a negative outlook to the State's rating. Among the reasons given for the changes in the level and outlook of the State's rating include the severity of the economic slowdown and decline in revenues for FY09 and FY10. Challenges to the State's ratings are presented by the projected budget deficit, a weaker economy and declining revenues, budgetary pressure for human services, infrastructure needs, and the ability to maintain adequate reserves. The State's responses to these challenges will be closely monitored by the rating agencies. During periods such as these, regular communication with the rating analysts is critical and the State will continue to meet with the rating agencies on a regular basis, not only in connection with the issuance of debt.

2. More Pay-as-You-Go Funding

In November 2006, the voters approved a constitutional amendment which restricts the use of the Rhode Island Capital Plan Fund to capital projects. Previous language allowed for the fund's resources to be used for debt service. The multi-year plan of dedicating increased resources towards pay-as-you-go capital projects was modified in past fiscal years to address operating budget deficits and resulted in numerous planned capital projects being deferred. Given the magnitude of the FY 2007 and FY 2008 deficits, the Governor recommended that some of these projects be deferred and/or funded from resources to be made available from the proceeds of the Securitization of Tobacco Master Settlement revenues.

The Governor's proposed Capital Improvement Plan for FY 2009 – FY 2013 reflects the eleventh year in a comprehensive, yet affordable asset protection program that will result in the dedication of over $310.7 million of current revenues towards preserving Rhode Island's buildings, roads, bridges, and other assets over the next five years. Adoption of a responsible asset protection program will help reduce Rhode Island's debt burden in the future when allocated funds are available to fund not only asset protection projects, but also new construction. The ultimate success of the PFMB's pay-as-you-go initiative going forward will be dependent upon the balance between the State's long-term and realistic capital funding sources with a prudent, responsible and long-term comprehensive expenditure plan.

3. Continued Diligence in Reporting

The PFMB's reporting responsibilities also should continue to include the review of local government debt every two years based on the expected timing of available information. The PFMB should also report on special projects as warranted. One such project that has been implemented is an integrated debt management system.

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. Most recently, in October 2008, the Office of the General Treasurer hosted a seminar for Municipal and State officials. 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 Healthcheck" to provide uniform data on the fiscal practices, policies, and status of all municipalities. RIPEC's Municipal Fiscal Healthcheck was published in April, 2003. 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. In past years, topics included the State Retirement System, Cash Management and Other Post Employment Benefits. Future topics will include Performance Measures and Benchmarks.

5. Explore Alternative Funding Mechanisms for Major Infrastructure Projects

The State's Capital Budget and Transportation Improvement Plan ("TIP") projects 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. Dedication of additional portions of the gasoline tax to Transportation – when resources permit more of that revenue source to be redirected from the General Fund – will 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 innovative funding mechanisms for major infrastructure projects. Treasury staff did review the Garvee and Motor Fuel Tax bond issue structures as part of the November 2003 and March 2006 transactions and expects to do the same for the planned 2009 issues.

Several states are exploring 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 and user fees and costs to constituents. Recent trends in the credit markets have also increased the cost differential between conventional financing and private financing. All such factors must be considered prior to moving forward with such an initiative.

6. Disclosure Practices and Investor Relations

The Municipal Markets place increasing importance on Issuer Disclosure Information, not only when bonds are issued, but on a continuing basis. It is recommended that the State continue the Investor Relations program initiated by the Treasurer this past year to enhance the participation of Rhode Island "retail" investors in the purchase of State issued debt. 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 and Financial Advisor. Recent developments in the monoline insurance industry have made analysis of the issuer's underlying credit more important to the investment decision. Therefore, improved Disclosure and Investor Relations can enhance an issuer's place in the market.

7. Responding to the Rapidly Changing Municipal Bond Market

The global credit crisis of 2008 has had a major impact on the municipal bond market. The ability to access the capital markets has become increasingly challenging for issuers such as the State. The demise of the municipal bond insurance industry coupled with the credit squeeze and the notable absence of several major investment banking firms will have an impact on the State as it seeks to finance its capital needs. Navigating these elements will be a significant priority for the State to insure continued access to capital at affordable levels.

EXHIBIT A

Schedule of Tax Supported Debt

State of Rhode Island - Office of the General Treasurer
Schedule of Tax Supported Debt
As of 6/30/07

Description of Issue	Year Issued	Maturity Date	Principal Paid in FY 07	(Actual) Interest Paid in FY 07	Principal Outstanding 6/30/2007	(Projected) Interest Outstanding 6/30/2007
General Obligation Bonds						
G.O. CCDL of 1995, Series A	1995	8/1/2006	1,805,000.00	46,930.00	0.00	0.00
G.O. CCDL of 2002, Refunding Series A	2002	12/1/2006	1,615,000.00	32,300.00	0.00	0.00
G.O. Tax Anticipation Notes - Fiscal Year 2007	2007	6/29/2007	120,000,000.00	2,663,333.33	0.00	0.00
G.O. CCDL of 1995, Series B	1995	8/1/2007	850,000.00	72,450.00	900,000.00	24,750.00
G.O. CCDL of 1996, Series A	1996	8/1/2007	0.00	161,650.00	3,050,000.00	80,825.00
G.O. CCDL of 1996, Refunding Series	1996	8/1/2007	9,492,705.00	895,984.25	5,742,134.00	152,166.55
G.O. CCDL of 1997, Series A	1997	8/1/2008	0.00	197,715.00	4,035,000.00	296,572.50
G.O. CCDL of 1993 Refunding Series (CAB's)	1993	6/15/2009	185,647.10	4,724,352.90	118,316.15	3,926,683.85
G.O. CCDL of 1997, Refunding Series	1997	8/1/2009	3,894,300.00	379,557.50	5,644,000.00	705,500.00
G.O. CCDL of 1998, Series A	1998	9/1/2009	0.00	276,062.50	2,315,000.00	289,375.00
Multi - Modal G.O. Bonds CCDL of 2000, Series B	2000	8/1/2010	3,300,000.00	602,251.24	16,365,000.00	809,600.00
G.O. CCDL of 1999, Series A	1999	9/1/2010	0.00	141,250.00	2,825,000.00	494,375.00
G.O. CCDL of 2000, Series A	2000	7/15/2011	0.00	380,750.00	2,890,000.00	650,250.00
G.O. CCDL of 2002, Refunding Series C	2002	11/1/2013	5,070,000.00	2,571,750.00	47,005,000.00	8,467,500.00
G.O. CCDL of 2001, Refunding Series B	2001	6/1/2014	0.00	526,000.00	10,200,000.00	3,010,000.00
G.O. CCDL of 1998, Refunding Series A	1998	7/15/2014	7,140,000.00	3,487,218.78	65,590,000.00	11,478,934.55
G.O. CCDL of 2005, Refunding Series B	2005	8/1/2014	80,000.00	313,868.76	8,120,000.00	1,495,096.94
G.O. CCDL of 2001, Refunding Series A	2001	8/1/2015	55,000.00	2,530,252.50	49,175,000.00	14,029,008.75
G.O. CCDL of 2004, Refunding Series B	2004	8/1/2015	3,900,000.00	2,893,461.26	60,875,000.00	15,770,064.40
G.O. CCDL of 2002, Series B	2002	11/1/2015	3,275,000.00	3,432,050.00	32,125,000.00	7,598,806.25
G.O. CCDL of 2005, Refunding Series D	2005	7/15/2018	0.00	2,628,750.00	55,465,000.00	18,373,150.00
G.O. CCDL of 2005, Refunding Series A	2005	8/1/2018	50,000.00	2,550,908.76	51,575,000.00	24,601,705.74
G.O. CCDL of 2001, Series C	2001	9/1/2020	0.00	4,266,700.00	53,805,000.00	27,624,750.00
G.O. CCDL of 2006, Refunding Series A	2006	8/1/2022	75,000.00	1,196,965.10	74,760,000.00	36,819,081.27
G.O. CCDL of 2004, Series A	2004	2/1/2023	3,115,000.00	3,124,650.00	70,345,000.00	29,882,500.00
G.O. CCDL of 2005, Series C	2005	2/15/2024	2,990,000.00	3,900,375.00	81,250,000.00	39,747,587.50
G.O. CCDL of 2005, Series E	2005	11/1/2025	2,860,000.00	4,296,671.26	90,525,000.00	45,774,672.05
G.O. CCDL of 2006, Series C	2006	11/15/2025	0.00	2,652,269.38	98,105,000.00	50,529,886.25
G.O. CDL of 2006, Series B	2006	8/1/2026	0.00	303,888.16	20,680,000.00	10,468,574.50
Total General Obligation Bonds			**169,752,652.10**	**51,250,365.68**	**913,484,450.15**	**353,101,416.10**

Description of Issue	Year Issued	Maturity Date	Principal Paid in FY 07	Interest Paid in FY 07	Principal Outstanding 6/30/2007	Interest Outstanding 6/30/2007
Capital Leases						
LPC, Correctional Facilities - 1997 Refunding (Intake Center)	1997	10/1/2009	2,495,000.00	496,518.76	8,160,000.00	643,659.38
LPC, State Vehicles Project - 2005 Series C	2005	4/1/2012	1,255,000.00	207,725.00	4,435,000.00	429,812.50
C.O.P. in L.P.A. (State Vehicles Projects), 2002 Series A	2002	12/15/2012	270,000.00	63,787.50	1,620,000.00	190,957.50
LPC, State Vehicles Project - 2006 Series A	2006	4/15/2013	1,365,000.00	188,760.00	4,635,000.00	497,376.00
LPC, State Vehicles Project - 2007 Series C	2007	5/1/2014	0.00	0.00	9,100,000.00	1,026,849.65
Certificates of Participation, Series 1995 - Attorney General	1995	10/1/2015	220,000.00	142,295.00	2,575,000.00	670,480.00
LPC, Howard Center Improvements - 1997 Series	1997	10/1/2016	1,180,000.00	880,183.76	15,970,000.00	4,652,959.42
LPC, Information Technology Project - 2007 Series A	2007	5/1/2017	0.00	0.00	23,490,000.00	5,922,879.69
LPC, Shepard's Building - 1997 Refunding Series A	1997	6/1/2017	1,520,000.00	1,201,047.50	22,135,000.00	6,696,150.00
LPC, Central Power Plant Project - 2000 Series C	2000	10/1/2020	1,080,000.00	1,173,860.00	22,360,000.00	9,217,666.28
LPC, Energy Conservation Project - 2007 Series B	2007	5/1/2023	0.00	0.00	12,735,000.00	5,110,266.19
LPC, Kent County Courthouse Project - 2004 Series A	2004	10/1/2023	2,280,000.00	2,336,552.50	54,405,000.00	24,109,488.75
LPC, Training School Project - 2005 Series A	2005	10/1/2024	1,780,000.00	2,437,025.00	50,205,000.00	25,644,000.00
LPC, Traffic Tribunal Project - 2005 Series B	2005	10/1/2024	800,000.00	876,992.50	20,765,000.00	9,414,246.35
Total Capital Leases			**14,245,000.00**	**10,004,747.52**	**252,590,000.00**	**94,226,791.71**
Refunding Bond Authority						
Refunding Bond Authority State Public Projects, 2003 Series A	2003	10/1/2008	10,635,000.00	1,540,875.00	25,500,000.00	1,055,500.00
Refunding Bond Authority State Public Projects, 1998 Series A	1998	2/1/2010	6,975,000.00	1,243,931.26	17,210,000.00	2,045,718.76
Total Refunding Bond Authority			**17,610,000.00**	**2,784,806.26**	**42,710,000.00**	**3,101,218.76**
R.I. Economic Development Corporation						
Fidelity Building (C-31)	1996	5/1/2021	751,787.00	1,736,739.00	20,402,462.00	14,472,189.00
Fleet Bank (C-33)	1997	5/1/2027	200,000.00	744,258.00	9,630,000.00	9,263,435.00
McCoy Stadium Issue, Series 1998 (C-20)	1998	12/1/2010	970,000.00	190,078.76	4,275,000.00	218,813.00
Collaborative Smithfield Corp (C-19)	1999	7/1/2019	1,045,550.00	1,788,308.00	22,526,527.00	12,896,694.00
URI Power Plant (C-18)	1999	11/1/2019	675,000.00	620,138.00	12,194,000.00	4,616,365.00
Fidelity Building II (C-32)	2002	5/1/2021	0.00	724,000.00	10,000,000.00	9,081,071.00
Transportation Motor Fuel (C-14)	2003	6/15/2023	2,350,000.00	1,395,799.00	34,755,000.00	12,156,829.00
Total R.I. Economic Development Corporation			**5,992,337.00**	**7,199,320.76**	**113,782,989.00**	**62,705,396.00**
Convention Center Authority (C-8)	2001	5/15/2027	**7,250,000.00**	**9,110,577.00**	**187,435,000.00**	**88,404,742.00**
Grand Total			**214,849,989.10**	**80,349,817.22**	**1,510,002,439.15**	**601,539,564.57**

EXHIBIT B

Public Finance Management Board Statute

TITLE 42
STATE AFFAIRS AND GOVERNMENT

CHAPTER 42-10.1
PUBLIC FINANCE MANAGEMENT BOARD

§ 42-10.1-1. Creation - Members. [Effective until January 7, 2003.] (a) There is hereby created a public finance management board to consist of nine (9) members, one of whom shall be the general treasurer or his or her designee, one of whom shall represent the department of administration and shall be appointed by the governor, two (2) of whom shall represent cities and towns and shall be appointed by the general treasurer from a list of five (5) candidates submitted by the league of cities and towns, one of whom shall be a member of the general public who is experienced in the issuance and sale of bonds by public agencies and shall be appointed by the governor, two (2) of whom shall be members of the house of representatives and shall be appointed by the speaker, one from the minority party, and two (2) of whom shall be members of the senate and shall be appointed by the majority leader of the senate, one from the minority party.

(b) All appointed members shall serve at the pleasure of the appointing authority. A vacancy shall be filled in like manner as the original appointment.

§ 42-10.1-2. Purpose. It shall be the purpose and responsibility of the board:

(a) To advise and assist all state departments, authorities, agencies, boards, commissions, and public and quasi-public corporations having authority to issue revenue or general obligation bonds or notes with respect to issuance of and financial planning related to all those bonds and notes;

(b) Upon request, to advise and/or assist any city or town and any municipal or regional agency, authority, board, commission, or public or quasi-public corporation having authority to issue revenue or general obligation bonds or notes with respect to the issuance and financial planning related to those bonds and notes;

(c) To collect, maintain, and provide information on state, municipal and public or quasi-public corporation debt authorization, sold and outstanding, and serve as a statistical center for all state and municipal debt issues;

(d) To maintain contact with state municipal and public or quasi-public corporation bond issuers, underwriters, credit rating agencies, investors, and others to improve the market for state and local government debt issues;

(e) To undertake or commission studies on methods to reduce the costs and improve credit ratings of state and local debt issues;

(f) To recommend changes in state laws and local practices to improve the sale and servicing of state and local debts.

§ 42-10.1-3. Allocation of statewide financing limitation. The board is hereby authorized to allocate tax exempt bond issuance capacity among all issuers in the state of Rhode Island, pursuant to 26 U.S.C. § 103, 26 U.S.C. § 145, and any similar federal legislation heretofore or hereinafter enacted. The allocations of tax exempt bond issuance capacity shall be pursuant to rules and regulations to be promulgated by the board in accordance with the Administrative Procedures Act, chapter 35 of this title.

§ 42-10.1-4. Notice of debt issue to board. (a) Each state, municipal and regional department, authority, agency, board, commission, and public and quasi-public corporation having authority to issue revenue or general obligation bonds or notes shall, no later than thirty (30) days prior to the sale of any such debt issue at public or private sale, give written notice of the proposed sale to the board.

(b) The notice shall include one proposed sale date, the name of the issuer, the nature of the debt issue, and the estimated principal amount thereof, and such further information as may be required by rule of the board and shall be delivered in accordance with procedures to be established by rule of the board.

(c) Failure of delivery of the above notice or of the time or efficiency thereof shall not affect the validity of the issuance of any debt, bond or note.

§ 42-10.1-5. Fees authorized - Fund established. In connection with the discharge of its duties under this chapter, the board is authorized to charge and impose fees for its services upon the lead underwriter or purchaser of any affected debt issue, bond, or note in an amount equal to one-fortieth of one percent (1/40%) of the issued principal amount of the issue. Amounts received under this section shall be deposited as general revenue.

§ 42-10.1-6. Officers - Meetings. (a) The general treasurer or his or her designee shall serve as chairperson and shall preside at meetings of the board.
(b) The board members shall annually elect, by majority vote, one of the members as vice chairman and one of the members as secretary.
(c) The board shall meet on the call of the chairperson, or at the request of a majority of the members, or at the request of the governor. Three (3) members of the board shall constitute a quorum for the transaction of business, only one of whom may be a legislative member.
(d) The board shall adopt rules and regulations for the conduct of its business pursuant to the provisions of chapter 35 of this title.

§ 42-10.1-7. Compensation - Staff - Advice from other agencies - Office space. (a) The membership of the board shall receive no compensation for their services. The general treasurer shall provide the clerical and administrative support required to develop and evaluate the comprehensive state plan.
(b) All departments and agencies of the state shall furnish such advice and information, documentary and otherwise, to the board and its agents as is deemed necessary or desirable by the board to facilitate the purposes of this resolution.
(c) The director of administration is hereby authorized and directed to provide suitable quarters for the board.

§ 42-10.1-8. Comprehensive review. a) The board shall comprehensively review the financing of capital improvements by all state, municipal, and regional departments, authorities, agencies, boards, commissions, and public and quasi-public corporations and study the comparative debt of all state and local governmental units for capital improvements and the use of bond financing as a source of the indebtedness. The review shall include an analysis of all outstanding general obligation and revenue bonds. Annually, on the thirtieth (30th) day of September, the board shall submit to the general assembly a report of its findings and recommendations, if any, for revising the laws governing such financing devices.
(b) Neither the board nor its individual members shall have any liability as a result of the performance of the responsibilities or the exercise of the powers described herein. They shall not be deemed to have expressed an opinion regarding or deemed to have approved any aspect of any bonds or notes, including but not limited to, the proper authorization of any bonds or notes, the availability of funds for the repayment of any bonds or notes, the tax exempt status of any bonds or notes, or compliance by the issuer of any bonds or notes with any federal or state tax or securities law.
(c) In the event that any liability shall accrue to the board or its members because of the performance of the responsibilities or exercise of the powers described herein, the issuer who issued the bonds or notes which cause the liability shall fully indemnify the board and the members.

TITLE 35
PUBLIC FINANCE

CHAPTER 35-8
BONDED INDEBTEDNESS OF STATE

§ 35-8-1. Certificates of indebtedness issued for coupon bonds surrendered - Transfer.
(a) Whenever the holder of any coupon bond of this state shall surrender the bond, with the unpaid coupons belonging thereto, to the general treasurer, and shall request that he or she issue a certificate of that surrender, the general treasurer shall make an entry of the surrender in a book, to be by him or her kept for that purpose, and he or she shall issue a certificate thereof to the person surrendering the bond, countersigned by the secretary of state, who shall affix thereto the seal of the state, which certificate shall be duly recorded, and shall entitle the person receiving the certificate to receive the amount mentioned in the surrendered bond, and the interest thereon, at the times and places in the surrendered bond set forth.
(b) The certificate shall not be transferable except by order of the holder thereof, or of his or her personal representative, made thereon, with notice to the general treasurer of the assignment. Upon the receipt of notice of the assignment, the general treasurer shall enter a memorandum thereof upon the record of the certificate. Whenever a certificate of indebtedness issued in accordance with these provisions is transferred, the general treasurer shall, on application of the person to whom the certificate is so transferred, cancel the certificate, and thereupon issue to the person a new certificate, countersigned and sealed, for the amount of principal then due on the certificate so cancelled.

§ 35-8-2. Destruction of bonds and certificates unsold or repurchased by state - Certificate.
(a) All bonds, coupons, and certificates of indebtedness which have or shall become the property of the state, except those held by the sinking fund commission, and all bonds, coupons, and certificates of indebtedness which have been issued by the state but which have not been sold during a period of five (5) years after the issuance of the bonds, coupons, and certificates of indebtedness, shall, within a reasonable time after the five-year period, be destroyed by the general treasurer by burning the bonds and certificates, in the presence of the secretary of state, the director of administration, and the attorney general, who shall make, sign, and deliver to the general treasurer a certificate containing the number, date of issue, and denomination of each bond, and of each coupon and certificate of indebtedness so destroyed, and of the time when destroyed, which certificate shall be, by the general treasurer, with his or her next report, transmitted to the general assembly.
(b) At his or her discretion, the general treasurer may authorize the banks acting as fiscal agents of the state for these bonds and certificates of indebtedness to destroy the bonds, coupons, and certificates of indebtedness paid by them and submit to the general treasurer a notarized certificate of destruction in place of the paid bonds, coupons, and certificate of indebtedness, listing in numerical order the bond issue, bond and/or coupon number, date of issue, and denominations of each bond and of each coupon and certificate of indebtedness so destroyed and the time when destroyed. The destruction certificate, to be provided by the general treasurer, shall be submitted by the fiscal agents in regular intervals each month, together with a certification of the balance of the funds remaining in each bond account for the indebtedness matured and not presented for payment. The general treasurer and the state shall not be held liable for any bond, coupon, or certificate of indebtedness certified as reported destroyed by any bank acting as fiscal agents of the state.

§ 35-8-3. Sinking fund commission - Composition - Elective members - Quorum. [Effective until January 7, 2003.]
There shall be a sinking fund commission which shall perform the duties formerly performed by the board of commissioners of sinking funds as prescribed by this chapter, which board of commissioners is hereby abolished. The sinking fund commission shall consist of the governor or his or her designee, the general treasurer or his or her designee, the director of administration or his or her designee, the chairperson of the finance committee of the Senate or his or her designee, the chairperson of the finance committee of the House of Representatives or his or her designee, and one person to be appointed by the speaker of the house of representatives, one person to be appointed by the house minority leader, one person to be appointed by the senate majority leader, and one person to be appointed by the senate minority leader. A majority of all the members of the commission is necessary to constitute a quorum.

§ 35-8-4. Succession of sinking fund commission to previous board. The sinking fund commission shall perform the duties prescribed by this chapter. Wherever in any general law, public law, or resolution of the general assembly, or in any document, record, instrument, or proceeding authorized by law or resolution, unless the context or subject matter otherwise requires, the words 'board of commissioners of sinking funds' or any reference to that board of commissioners appears, the words or reference shall be construed to mean the 'sinking fund commission' created by this chapter, and wherever the words 'state budget director and comptroller' appear, they shall be construed to mean 'director of administration'.

§ 35-8-5. Officers of sinking fund commission. The governor shall be the chairperson, the general treasurer shall be the vice-chairperson, and the director of administration shall be the secretary of the sinking fund commission, and the general treasurer shall keep the accounts of the commission. In the event of the governor's absence, the general treasurer shall be the chairperson. A designee of any member shall not serve as chairperson.

§ 35-8-6. Control and management of sinking funds - Investment. The sinking fund commission shall have the control and management of all sinking funds established for the redemption of any bonds or certificates of indebtedness issued by the state, except for investments which are made by the state investment commission under the provisions of chapter 10 of this title. Any and all bonds or certificates of indebtedness of the state purchased as an investment for the sinking fund for the redemption of bonds of the same issue shall be held in the sinking fund subject to the order of the commission or until the bonds shall by their terms become due and payable. For the purposes of this section, refunding escrows established by the state in connection with the refinancing of any bonds, notes or certificates of indebtedness including, without limitation, refunding escrows established in connection with the refinancing of any certificates of participation issued by or at the direction of the state, shall not constitute sinking funds established for the redemption of any bonds or certificates of indebtedness issued by the state.

§ 35-8-6.1. Exclusion from sinking fund commission authority. Notwithstanding any general law or special law to the contrary, the sinking fund commission shall have no authority to take or cause to be taken any action or actions that would adversely affect the exclusion from income taxation of interest on any bonds, notes or certificates of indebtedness, including without limitation the interest portion of any certificates of participation issued by or at the direction of the state.

§ 35-8-6.2. Sinking funds to replace bond issuance. (a) Prior to the issuance of previously authorized general obligation debt contained in the capital improvement plan, the sinking fund commission may cause a savings analysis to be performed to determine if the estimated savings resulting from the defeasance of the general obligation debt recommended for defeasance by the sinking fund is more or less than the savings which would be achieved if the previously authorized general obligation debt were not issued. In the event that the sinking fund commission makes a finding that the savings would be greater from not issuing the previously authorized general obligation debt, then the sinking fund commission may use sinking funds to replace, in whole or in part, the same debt authorization.
(b) Upon the sinking fund commission's determination to use sinking funds to replace, in whole or in part, authorized but unissued general obligation debt authorization, the amount designated by the sinking fund commission is hereby appropriated for that purpose.

§ 35-8-7. [Obsolete.]

§ 35-8-8. Safekeeping of securities and records of sinking fund commission. The sinking fund commission shall make provision for the safekeeping of its securities, and it may hire and pay for a place of security. The records and books of account of the commission shall be deposited in the vault in the office of the general treasurer.

§ 35-8-9. Records and annual report of sinking fund commission. The sinking fund commission shall keep a full record of its meetings and proceedings. The commission shall make a full report in writing to the general assembly on or before the tenth day of January in each year, showing respectively the conditions and manner of the investments of the sinking fund or sinking funds on the thirtieth day of June preceding, the estimated savings from the commission's refinancing of debt in the prior fiscal year, the estimated total debt service payments of the debt retired by the commission in the prior fiscal year, and shall in the report certify that the various investment securities in the sinking funds have been examined by the director of administration.

§ 35-8-10. Expenses of sinking fund commission members. The actual expenses of the members of the sinking fund commission, when certified by the secretary and approved by the governor, shall be paid from the state treasury.

§ 35-8-10.1. Expenses of sinking fund commission. The commission may incur reasonable expenses in the fulfillment of its duties, including but not limited to bond counsel and financial advisement. These expenses shall be paid out of the commission's annual appropriation.

§ 35-8-11. Payments into sinking funds. In fiscal year 2000, and each subsequent fiscal year, there shall be appropriated a sum at least equal to the total of the following: the sinking fund commission's estimate of savings generated for that fiscal year from the commission's prior fiscal years' refinancing of debt; the sinking fund commission's estimate of the total debt service payments, principal and interest, of the debt retired by the commission in prior fiscal year; the sinking fund commission's estimate of the total debt service payments, principal and interest, of the general obligation debt not issued in accordance with § 35-8-6.2 in prior fiscal year; and the total interest generated by the proceeds of general obligation bond, net of the arbitrage rebate for that year, as estimated by the Revenue Estimating Conference. Payments into the sinking fund shall also include those received pursuant to § 42-116-25, net of costs incurred by the department or agency assuming management of the assets of the Depositors' Economic Protection Corporation, which shall not be subject to annual appropriation. In fiscal years 2001 and 2002 there shall be appropriated a sum at least equal to the total of the following: the sinking fund commission's estimate of savings generated for that fiscal year from the commission's prior fiscal years' refinancing of debt; the sinking fund commission's estimate of the total debt service payments, principal and interest, of the debt retired by the commission in prior fiscal year; and the sinking fund commission's estimate of the total debt service payments, principal and interest, of the general obligation debt not issued in accordance with § 35-8-6.2 in prior fiscal year.

§ 35-8-12. Annual deficit payments to sinking fund commission. Annually, within five (5) days after the fifteenth of June in each fiscal year, the sinking fund commission shall certify in writing to the controller the sum necessary to offset any deficit then existing in the sinking fund and thereupon, on or before the last business day of the fiscal year, it shall be the duty of the controller to draw his or her order upon the general treasurer, directing the treasurer to transfer that sum from the general fund to the sinking fund.

§ 35-8-13. Surplus remaining after redemption of bonds. All sums of money remaining in the hands of the sinking fund commission, after the redemption of any bonds, shall, if not otherwise directed by the general assembly, be added by them to the sinking fund for the bonds yet to mature.

§ 35-8-14. General sinking fund established. The general treasurer is authorized and directed to establish a general sinking fund for the purpose of providing funds for the payment of all state bonds at maturity, including all bonds authorized and issued according to law, and to transfer all the existing sinking funds to the general sinking fund. Wherever in any general law, public law, act, or resolution of the general assembly provision is made for the establishment of a sinking fund to extinguish a state debt at its maturity, that provision shall be construed to mean an addition to the general sinking fund for the redemption of state bonds at their maturity in conformity with this section.

§ 35-8-15. Custody of securities in general sinking fund. Subject to the provisions of § 35-8-8, and to the orders of the sinking fund commission or the state investment commission, the general treasurer shall have the custody of all securities in the general sinking fund established under the provisions of this chapter.

§ 35-8-16. Board for replacement of lost, destroyed, or mutilated bonds or notes. The attorney general, the secretary of state, and the general treasurer are hereby constituted a board, hereinafter referred to in §§ 35-8-17 - 35-8-18 as 'the board', to carry out the provisions of those sections.

§ 35-8-17. Replacement or repair of damaged bonds or notes. Whenever the board is satisfied that any instrument or printed or written paper presented to it is in fact a valid bond or note of the state but it is so damaged that its condition is such as to hinder or prevent the owner or holder thereof from making good delivery of the bond or note, the board may, upon payment to it by the owner or holder thereof of such a sum as it deems necessary to cover the actual expense involved, cause the damage to be repaired or remedied by requiring the proper officers of the state to sign the bond or note in place of their damaged or destroyed signatures or those of their predecessors in office, to issue a duplicate bond or note, or to do whatever else the board may require of them to repair or remedy the damage. But no duplicate bond or note shall be so issued except upon the surrender of the original bond or note, which shall thereupon be cancelled forthwith, and the repaired or duplicate bond or note shall be treated in all respects as a valid obligation of the state. On every repaired or duplicate bond or note the general treasurer shall certify on the back thereof that the bond or note has been repaired or issued under the provisions of this section and the certification shall be conclusive proof that the bond or note has been repaired or issued in accordance with the requirements of the board and that it is a valid obligation of the state in accordance with its terms.

§ 35-8-18. Replacement of lost or destroyed bond or note - Bond to protect state. Whenever the board is satisfied that any bond or note of the state has been lost or destroyed, the board may, upon payment to it by the owner or holder thereof of such a sum as it deems necessary to cover the actual expense involved and under such regulations and with such restrictions as it may prescribe, order the general treasurer and/or such other officers of the state as the board may designate to issue a duplicate of the bond or note, payable at the same time, bearing the same rate of interest as the bond or note so lost or destroyed, and so marked as to show the number if known and date of the original bond or note. No duplicate shall be issued until the owner of the lost or destroyed bond or note shall give to the general treasurer a bond in double the amount of the lost or destroyed bond or note and of the interest which would accrue until the principal is due and payable, with two (2) sufficient sureties both residents of the state, or with a surety company authorized to do business in this state, approved by the board, conditioned to indemnify and save harmless the state from any claim or demand on account of the lost or destroyed bond or note.

§ 35-8-19. Substitution of coupon bond for registered bond or registered bond for coupon bond. Whenever the holder of any registered or coupon bond of this state which is now or shall hereafter be issued or outstanding shall desire to substitute the registered bond for a coupon bond, or the coupon bond for a registered bond, he or she shall present the coupon bond to the general treasurer with a request in writing for the substitution for the bond of one or more other bonds. The general treasurer, upon payment to him or her for the use of the state of such a sum as he or she deems necessary to cover the actual expense involved and under such regulations and restrictions as he or she may prescribe, is authorized and empowered to accept the bond so presented and to issue and deliver in substitution thereof one or more new bonds of denominations of one thousand dollars ($1,000), five thousand dollars ($5,000), ten thousand dollars ($10,000), or fifty thousand dollars ($50,000); provided, that the aggregate face value of the new bonds shall not exceed the face value of the bond so presented; provided, further, that if the new bonds bear coupons, the coupons shall cover only future interest payments. The new bonds shall in all substantial respect (except the denomination thereof) be similar to the bond so presented as to the date of maturity, interest rate, and dates of interest payments; and every new bond so issued in substitution shall be as valid for all purposes as the bond so presented for substitution, notwithstanding the fact that the number thereof or the signatures thereon or the denomination thereof may be different from the bond so presented for substitution. In every case the general treasurer shall mutilate the bond so presented for substitution and shall make a record of the date, number, and amount thereof, and of the date, number, and amount of every new bond issued in substitution. Thereafter the mutilated bond shall be kept in the files of the general treasurer or may be destroyed in the same manner as provided in § 35-8-2. Every new bond issued in substitution shall be signed by the general treasurer and by the secretary of state.

§ 35-8-20. Minibonds. Notwithstanding any provision of general or public law to the contrary, whenever the general treasurer is authorized by any general or public law to issue and sell bonds of the state, he or she may determine, with the approval of the governor, to issue and sell all or a portion of the bonds in denominations of one hundred dollars ($100), five hundred dollars ($500), one thousand dollars ($1,000), or any multiple of one thousand dollars ($1,000). Bonds issued in denominations of one hundred dollars ($100), five hundred dollars ($500), or one thousand dollars ($1,000) are hereinafter called 'minibonds'. The general treasurer may issue and sell minibonds at public or private sale at par or at a discount, maturing in such amounts and upon such dates, bearing interest at such rate or rates, payable as to both principal and interest at such time or times and in such manner, in bearer or registered form, and upon such other terms and conditions, all as the general treasurer, with the approval of the governor, shall determine to be in the best interest of the state. Each minibond may, at the determination of the general treasurer, also provide that it shall be redeemed by the state at the option of the holder or registered owner upon due presentment on any business day at least one month from its date at such price and on such terms as the general treasurer shall fix, with the approval of the governor, at the time of issue of the minibonds; provided, that if so determined and provided:

(1) Not more than ten percent (10%) of the face amount originally authorized shall be sold by the general treasurer in any one fiscal year;

(2) No minibond shall mature more than five (5) years after its date; and

(3) No one sale to a single purchaser of minibonds shall be in an aggregate face amount greater than five thousand dollars ($5,000).

§ 35-8-21. Consolidation of bond issues. Bonds or notes issued pursuant to two (2) or more bond or note authorization acts may be consolidated for the purpose of sale and issued, sold, printed, and delivered as a single bond or note issue despite the requirement of any bond or note authorization act requiring or designating a particular total for bonds or notes issued pursuant to that act. Notwithstanding any requirement of the authorization act that bonds or notes issued thereunder shall bear any particular designation, bonds or notes consolidated pursuant to this section shall be designated on their face 'Consolidated Capital Development Loan of', followed by the year of issue and the series thereof in that year, or shall bear such other designation on their face as the general treasurer shall deem appropriate. Notwithstanding the provisions of this section, the general treasurer shall separately account for the bonds or notes issued under the proceeds received from bond or note sales under the particular authorizing act.

§ 35-8-22. Rebate to federal government. Notwithstanding any contrary provision of general or special law, the state and its agencies may rebate to the United States treasury any income from investments (including gains from the disposition of investments) of proceeds of bonds or notes to the extent deemed necessary to exempt (in whole or in part) the interest paid on the bonds or notes from federal income taxation.

§ 35-8-23. [Repealed.]

§ 35-8-24. Bonds to be eligible for Rhode Island savings bond program. Unless otherwise provided therein, public laws which authorize the state to issue its general obligation bonds are 'general obligation bond acts' as that term is defined in § 35-15-2(2).

§ 35-8-25. Extinguishment of authorized but unissued debt.

(a) Any special act of the state which:

(1) Authorizes the issuance of general obligation bonds or notes of the state;

(2) Has a balance which remains unissued; and

(3) Is seven (7) years or older; shall become invalid, but only as to that portion which remains unissued. The seven (7) year period shall be measured form the date the debt authorization was approved by the vote of the people.

(b) Notwithstanding subsection (a) of this section, the general assembly by special act may extend any authorization for a period of one to five (5) years, upon a petition of the department of administration. The extension may be granted one or more times.

(c) Upon certification by the general treasurer to the governor, debt authorizations described in subsection (a) of this section and not extended under the provisions of subsection (b) of this section shall no longer be deemed or be counted toward the authorized but unissued debt of the state. No petition under subsection (b) of this section may be made with respect to any authorization the expiration of which has been so certified.

(d) Upon the disbursement of sinking funds to replace the unissued general obligation debt authorization, the replaced unissued general obligation debt authorization shall be extinguished in the amount equal to the disbursement from the sinking fund.

§ 35-8-26. Refunding bonds.

When bonds or notes have been issued as provided in this chapter, the general treasurer shall be authorized and empowered hereby, with the approval of the governor and in accordance with this chapter, to issue, from time to time, refunding bonds or notes of the state to refund any of such outstanding bonds or notes as may be specified from time to time by the governor provided that the outstanding amount of debt on account of any project shall not be increased thereby to an amount in excess of the amount approved for such project by the people.

If the people shall have approved the issuance of refunding bonds or notes, at the election at which the incurring of debt for the respective project or projects was approved or as a separate approval at another time, the proceeds of the refunding bonds or notes, exclusive of any premium or accrued interest thereon, shall upon receipt be applied to retire the bonds or notes being refunded or shall be deposited by the general treasurer with an escrow agent, which may be the paying agent for the bonds being refunded, in trust for application to payment of such bonds or notes at maturity or upon earlier call. Such escrowed amounts shall be invested for the benefit of the owners of the refunded bonds or notes and shall be invested only in direct or guaranteed obligations of the United States of America or the state of Rhode Island. Money held in escrow, together with the earnings thereon, shall be applied to any principal, interest and early redemption premiums, if any, to the owners of the refunded bonds or notes, in accordance with the instructions of the general treasurer included in the terms of the escrow. An amount of bonds or notes being refunded, which is the largest amount of such bonds or notes for which the escrowed deposit will provide sufficient funds to pay all principal, interest and early redemption premiums, if any, when due, will be considered no longer outstanding and not debts of the state for the purpose of determining the amount of debt outstanding for the respective project or projects from and after the deposit of funds into escrow.

If the people have not approved the issuance of refunding bonds or notes as aforesaid, the general treasurer may nevertheless issue refunding bonds or notes as provided herein for the purpose of paying or refunding all or any portion of an issue of bonds or notes then outstanding, including the amount of any redemption premium and costs of issuance related thereto; provided, however, that no such refunding bonds shall be payable over a period longer than the period during which the original bonds or notes so refunded must be paid pursuant to law, and provided further that the present value of the principal and interest payments due on refunding bonds issued under this section shall not exceed the present value of the principal and interest payments to be paid by the state on account of bonds or notes to be refunded.

§ 35-8-27. Variable rate obligations and interest rate exchange agreements. In connection with the issuance of duly authorized bonds or notes of the state, notwithstanding any other authority to the contrary, such bonds or notes may be issued in the form of variable rate obligations, so-called. In connection therewith, the state, acting through the general treasurer, may enter into agreements with banks, trust companies or other financial institutions within or without the state, whether in the form of letters or lines of credit, liquidity facilities, insurance or other support arrangements. Any debt issued as variable rate obligations shall bear such terms as the general treasurer shall determine, including provisions for prepayment at any time with or without premium at the option of the state, may be sold at a premium or discount, and may bear interest or not and if interest bearing, may bear interest at such rate or rates variable from time to time as determined by such index, banking loan rate or other method specified in any such agreement. Any such agreement may also include such other covenants and provisions for protecting the rights, security and remedy of the lenders as may, in the discretion of the general treasurer, be reasonable and proper and not in violation of law. The general treasurer may also enter into agreements with brokers for the placement or marketing of any such debt or notes of the state issued as variable rate obligations.

In addition, the general treasurer, with the approval of the governor, may from time to time, enter into and amend interest rate exchange agreements including, but not limited to, interest rate 'caps', 'floors', 'collars', or 'swaps' that the general treasurer determines to be necessary or desirable for the purpose of generating savings, managing an interest rate, or similar risk that arises in connection with, or subsequent to or is incidental to the issuance, carrying or securing of variable rate obligations, fixed rate bonds or fixed rate obligations. Such interest rate exchange agreements entered into by the state shall contain such provisions, including payment, term, security, default and remedy provisions, and shall be with such parties, as the general treasurer shall determine to be necessary or desirable after due consideration to the creditworthiness of those parties.

EXHIBIT C

Public Finance Management Board Rules

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC FINANCE MANAGEMENT BOARD

Rules and Regulations

1. CREATION.

The Public Finance Management Board (the "Board") is established under the provisions of Section 42-10.1-1 of the Rhode Island General Laws, as enacted by Chapter 477 of the Public Laws of 1986, effective June 25, 1986.

2. PURPOSE.

The purposes and responsibilities of the Board are:

(a) To allocate tax-exempt bond issuance capacity among all bond issuers in the State of Rhode Island.

(b) To advise and assist all state departments, authorities, agencies, boards, commissions, and public and quasi-public corporations having authority to issue revenue or general obligation bonds or notes with respect to issuance of and financial planning related to all such bonds and notes.

(c) Upon request, to advise and/or assist any city or town and any municipal or regional agency, authority, board, commission, or public or quasi-public corporation having authority to issue revenue or general obligation bonds or notes with respect to the issuance and financial planning related to such bonds and notes.

(d) To collect, maintain, and provide information on state, municipal and public or quasi-public corporation debt authorization, sold and outstanding, and serve as a statistical center for all state and municipal debt issues.

(e) To maintain contact with state, municipal and public or quasi-public corporation bond issuers, underwriters, credit rating agencies, investors, and others to improve the market for state and local government debt issues.

(f) To undertake or commission studies on methods to reduce the costs and improve credit ratings of state and local debt issues.

(g) To recommend changes in state laws and local practices to improve the sale and servicing of state and local debts.

3. MEMBERSHIP.

The Board shall consist of nine (9) members, comprised as follows:

(a) The General Treasurer, or his or her designee;

(b) One (1) representative of the Department of Administration who shall be appointed by the Governor;

(c) Two (2) representatives of cities and towns who shall be appointed by the General Treasurer from a list of five candidates submitted by the League of Cities and Towns;

(d) One (1) member of the General public who is experienced in the issuance and sale of bonds by public agencies and who shall be appointed by the Governor;

(e) Two (2) members of the House of Representatives, one of whom shall be from the minority party, who shall be appointed by the Speaker; and

(f) Two (2) members of the Senate, one of whom shall be from the minority party, who shall be appointed by the Majority Leader of the Senate.

4. OFFICERS.

(a) The General Treasurer, or his or her designee, shall serve as Chairperson and shall preside at meetings of the Board.

(b) The Board shall annually elect, by majority vote, one of its members as Vice-Chairperson and one of its members as Secretary.

(c) The Board may elect such additional officers or assistant officers as it shall, from time to time, deem appropriate.

(d) The Chairperson of the Board shall designate the chair of any committee which may be created by the Board.

5. MEETINGS.

(a) The Board shall meet on the call of the Chairperson, at the request of the Governor, at the request of a majority of the members of the Board, and/or upon a regular schedule established by the Board.

(b) The Chairperson or other person(s) requesting a meeting shall give reasonable notice thereof to all members of the Board.

(c) A record of all business transacted at each meeting shall be kept and shall be certified by the Secretary or the Chairperson.

(d) All meetings shall be conducted pursuant to the provisions of Chapter 42-46 of the Rhode Island General Laws.

6. QUORUM/MAJORITY.

(a) A majority of all non-legislative members of the Board shall constitute a quorum for the transaction of business.

(b) At any meeting, a majority vote of all members of the Board shall be required for the election of officers and the enactment, material modification or repeal of any allocation or rule.

(c) At any meeting, a majority of those members present shall be sufficient to enact any other business.

7. DEBT CEILINGS.

The Board shall, as soon as it is practicable after the effective date of these rules and thereafter in January of each calendar year, determine and announce the State tax-exempt bond issuance capacity for that calendar year as provided under the provisions of Section 103(n) of the Internal Revenue Code.

8. ALLOCATION.

(a) For the calendar year 1986, the Board shall have, prior to or coincident with the enactment of these rules, enacted a 1986 Allocation Resolution, establishing the general allocation of tax-exempt bond issuance capacity.

(b) For each subsequent calendar year, the Board shall enact, after notice and opportunity for hearing thereon, an Allocation Resolution establishing a general allocation of tax-exempt bond issuance capacity among bond issuers in the State of Rhode Island.

(c) Any allocation enacted by the Board may contain such conditions, as the Board may deem appropriate.

(d) Any general allocation may provide for a reserve allocation to the Board of amounts within the State tax-exempt debt issuance capacity not otherwise allocated to bond issuers.

(e) The Board may subsequently, after hearing and at its discretion, allocate part or all of such reserve amounts upon application(s) of bond issuer(s).

(f) Any allocation made by the Board shall be irrevocable upon issuance of bonds pursuant thereto at least to the extent of the principal amount of such bonds so issued.

(g) Except as provided in (f), above, upon request by any bond issuer, or upon its own initiative, the Board may at any time, after hearing, modify, amend or repeal any allocation.

9. REPORTING REQUIREMENTS.

(a) Each state, municipal and regional department, authority, agency, board, commission, and public or quasi-public corporation having authority to issue revenue or general obligation bonds or notes shall, no later than thirty (30) days prior to the sale of any such debt issue at public or private sale, give written notice of the proposed sale to the Board. Said notice shall be made on a form approved by the Board and shall contain all of the information requested on said form.

(b) Each such issuer shall, within thirty (30) days after such sale, submit to the Board a report of sale on a form approved by the Board and the report shall contain all of the information requested on said form.

10. FEES.

(i) The lead underwriter or purchaser of any debt issue of all state departments, authorities, agencies, boards, commissions and public or quasi-public commissions, shall pay to the Public Finance Management Board an amount equal to one-fortieth of one percent (1/40%) of the issued principal amount of the issue.

(ii) The lead underwriter or purchaser of any debt issue of any city or town and any municipal or regional agency, authority, board, commission or public or quasi-public corporation, which has requested the advice and/or assistance of the Board with respect to such issue, shall pay to the Public Financial Management Board an amount equal to one-fortieth of one percent (1/40%) of the issued principal amount of the issue.

(b) Amounts received under this Section shall be deposited in the Public Finance Management Board Fund (the "Fund") in the State Treasury.

(c) The General Treasurer is authorized to draw upon the Fund, in accordance with applicable rules and procedures, to pay for the expenses incurred by the Board and by the General Treasurer's Office in carrying out the purposes of Chapter 42-10.1 of the Rhode Island General Laws.

11. SUPPORT SERVICES.

The Board may employ such staff, contract for such services and incur such expenses, as it may deem necessary and appropriate to carry out the purposes of Chapter 42-10.1 of the Rhode Island General Laws.

12. OPEN RECORDS.

All records of the Board shall be subject to public access pursuant to the provisions of Chapter 38-2 of the Rhode Island General Laws.

13. AMENDMENTS.

(a) Any interested person may petition the Board requesting the enactment, amendment or repeal of any rule.

(b) Whether the petition requests the enactment of a rule, the proposed rule must be set out in full. The petition must also include all the reasons for the proposed rule together with briefs of any applicable law. Where no petition requests the amendment or repeal of a rule presently in effect, the rule or portion of the rule in question must be set out as well as a suggested amended form, if any. The petition must include all reasons for the requested amendment or repeal of the rule.

(c) All petitions shall be considered by the Board and the Board may, at its discretion, order a hearing for the further consideration and discussion of the requested enactment, amendment or repeal of any rule.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC FINANCE MANAGEMENT BOARD

Amendment to Rules and Regulations

I hereby move that Rule 10 of the Rules and Regulations of the Public Finance Management Board be amended as follows:

10. FEES.

(a)(i) The lead underwriter or purchaser of any debt issue of all state departments, authorities, agencies, boards, commissions and public or quasi-public commissions, shall pay to the Public Finance Management Board an amount equal to one-fortieth of one percent (1/40%) of the issued principal amount of the issue.

(ii) The lead underwriter or purchaser of any debt issue of any city or town and any municipal or regional agency, authority, board, commission or public or quasi-public corporation, which has requested the advice and/or assistance of the Board with respect to such issue, shall pay to the Public Finance Management Board an amount equal to one-fortieth of one percent (1/40%) of the issued principal amount of the issue.

(b) Amounts received under this Section shall be deposited in the Public Finance Management Board Fund (the "Fund") in the State Treasury.

(c) The General Treasurer is authorized to draw upon the Fund, in accordance with applicable rules and procedures, to pay for the expenses incurred by the Board and by the General Treasurer's Office in carrying out the purposes of Chapter 42-10.1 of the Rhode Island General Laws.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC FINANCE MANAGEMENT BOARD

Amendment to Rules and Regulations

1. That Section 10 of the Rules and Regulations of the Public Finance Management Board is hereby amended in its entirety as follows:

"SECTION 1. 10. FEES.

(i) The lead underwriter or purchaser of any tax exempt debt issue of the state, all state departments, authorities, agencies, boards, commissions and public or quasi-public commissions, shall pay to the Public Finance Management Board an amount equal to one-fortieth of one percent (1/40%) of the issued principal amount of the issue; *provided, however*, that any tax exempt debt issue that would be classified as a refinancing of a note by the issuance of additional note(s) or bonds, or current or advance refunding of bonds shall receive a credit against the above assessment in an amount equal to the fee assessed to, and paid in connection with, the issuance of the initial underlying debt obligation that is being refinanced or refunded up to, but not exceeding, the fee assessed.

(ii) The lead underwriter or purchaser of any taxable or tax exempt debt issue of the state, any city or town and any state, municipal or regional agency, authority, board, commission or public or quasi-public corporation, which has requested the advice and/or assistance of the Board with respect to such issue, shall pay to the Public Financial Management Board an amount equal to one-fortieth of one percent (1/40%) of the issued principal amount of the issue.

(b) Amounts received under this Section shall be deposited in the Public Finance Management Board Fund (the "Fund") in the State Treasury.

(c) The General Treasurer is authorized to draw upon the Fund, in accordance with applicable rules and procedures, to pay for the expenses incurred by the Board and by the General Treasurer's Office in carrying out the purposes of Chapter 42-10.1 of the Rhode Island General Laws."

2. That this Amendment shall take effect upon passage.

Adopted: 6/19/03

EXHIBIT D

Recent Credit Rating Reports

New Issue: Rhode Island (State of)

MOODY'S ASSIGNS Aa3 RATING AND NEGATIVE OUTLOOK TO STATE OF RHODE ISLAND $107.4M G.O. CONSOLIDATED DEVELOPMENT LOAN OF 2008, SERIES B, SERIES C (FEDERALLY TAXABLE), AND REFUNDING SERIES D

Aa3 RATING AND NEGATIVE OUTLOOK APPLY TO APPROXIMATELY $997M OUTSTANDING G.O. DEBT

State
RI

Moody's Rating

ISSUE		RATING
General Obligation Bonds Capital Development Loan of 2008 Series B		Aa3
Sale Amount	$88,675,000	
Expected Sale Date	12/02/08	
Rating Description	General Obligation	
General Obligation Bonds Consolidated Development Loan of 2008 (Federally Taxable)		Aa3
Sale Amount	$8,500,000	
Expected Sale Date	12/02/08	
Rating Description	General Obligation	
General Obligation Bonds Consolidated Capital Development Loan of 2008 Refunding Series D		Aa3
Sale Amount	$12,035,000	
Expected Sale Date	12/02/08	
Rating Description	General Obligation	

Opinion

NEW YORK, Dec 1, 2008 -- Moody's Investors Service has assigned a rating of Aa3 to the State of Rhode Island's $86.875 million General Obligation Bonds Consolidated Development Loan of 2008 Series B, $8.5 million 2008 Series C (Federally Taxable), and $12.035 million 2008 Refunding Series D. The Aa3 rating incorporates the state's modest reserve levels that provide some financial cushion; above average but improving debt ratios; and a history of satisfactory fiscal management including the use of one-time solutions to weather the 2001-2002 recession as many states did. Since fiscal 2007, however, the state has faced continuing revenue under-performance and spending challenges. As a result, Rhode Island has had to address increasingly larger budget gaps at a time when many other states were revising revenue estimates upward and rebuilding reserves as they recovered from the earlier recession. In the past several years, Rhode Island has balanced its budgets with one-time solutions and increased its short term borrowings for cash flow purposes. This raises concerns regarding the state's likelihood of achieving structural budget balance in the near term, especially given the newly identified budget gap of approximately $357 million (11.5% of general revenues) for fiscal year 2009 and an even larger shortfall projected for fiscal year 2010. As a result, the outlook on the state's credit is negative. Future credit reviews will consider the state's resolution of its latest budget shortfall with a focus on solutions that balance recurring revenues with ongoing expenditures as well as on the state's liquidity position.

The state plans to sell the bonds the week of December 1. Proceeds of the bonds will be used as follows: Series B for various statewide projects, Series C for affordable housing projects, and the refunding Series D to refund the state's general obligation 2000 Series B variable rate debt to fixed rate.

Credit strengths are:

*Satisfactory fiscal management following revenue weakening during 2001-2002 recession.

*Budget reserve fund maintained at statutory cap during recession, providing some financial flexibility.

*Improving debt ratios reflecting debt reduction policies.

Credit challenges are:

*Consecutive budget gaps for fiscal years 2007, 2008, and 2009 emerge due to revenue underperformance and continuing spending pressures.

*Past reliance on one-time budget solutions contribute to recurring budget shortfalls.

*Available reserves remain well below pre-recession peak levels.

*Increased cash flow borrowing and slim cash margins underscore state's reduced liquidity.

*Acceleration of job losses and very high unemployment rates undermine Rhode Island's overall economic growth prospects.

RECENT REVENUE FORECAST IDENTIFIES SIZEABLE BUDGET GAP FOR CURRENT FISCAL YEAR

The latest projections from the state's November Revenue Estimating Conference (REC) show a budget shortfall of $357 million in the current year, about 11.5% of general revenues. The estimated gap for fiscal year 2010 is $351 million (excluding $111 million in hospital licensing fees that must be renewed annually). The shortfall for fiscal year 2009 emerged after the state resolved a gap of $383 million (about 11% of general revenues) going into the fiscal year 2009 budget deliberations. The adopted budget relied heavily on reining in spending, which the state has been struggling with for several years. In addition, revenue projections at the time were optimistic in light of recent performance and the state's weak housing environment. The November 2008 REC projects revenue underperformance of approximately $234 million for fiscal year 2009 and about $128 million in higher spending despite the state's efforts to reduce its operating costs. Revenue estimates that were revised downward include: personal income taxes ($113 million), business taxes ($42 million), sales taxes ($31 million), and lottery revenues ($16 million). Increased expenditures include: $38 million in repayment to the BRF (used to close the fiscal 2008 year-end shortfall); $37 million for caseload growth in the Department of Human Services; $19 million due to a change in Medicaid billing methodology for the Department of Children, Youth, and Family; and $13 million from delays in implementing certain Medicaid reforms.

In the past few years, Rhode Island has faced continuing revenue under-performance and spending challenges resulting in increasingly larger budget gaps. The state employed one-time solutions to resolve its budget gaps in the 2001-2002 recession, using tobacco bond proceeds to balance its budgets in fiscal years 2002 and 2003. In fiscal year 2007, the state relied on $43 million in residual tobacco bond proceeds, effectively another deficit borrowing, and still needed to draw $17 million from the state's budget reserve fund (BRF) to close the year. A larger portion ($124 million) of the 2007 tobacco securitization proceeds were incorporated in the enacted fiscal year 2008 budget and the state again relied on a draw on its BRF to resolve a $38 million deficit at the end of the fiscal year. In addition, Rhode Island returned to cash flow borrowings of increasingly larger amounts for fiscal years 2007, 2008, and 2009 reflecting the state's reduced available liquidity.

Recurring budget gaps and the state's history of relying on one-time budget solutions raise concern regarding the state's cash margins, which are already slim, and the likelihood of achieving structural budget balance in the near term.

RHODE ISLAND FACES $461 MILLION GAP FOR FISCAL YEAR 2010

As of the November 2008 REC, Rhode Island's fiscal year 2010 projected budget shortfall is $461 million (assuming $111 million in hospital licensing fees approved annually). At approximately 19% of General Fund revenues, the gap is sizeable especially given the magnitude of the budget deficit that must now be closed for the current fiscal year. Projections for the next fiscal year reflect modest growth of only 0.6% in total taxes off a now lower base for fiscal year 2009. The forecast assumes job losses through 2009 and essentially flat growth through 2010 although the recovery could be more prolonged. Rhode Island's unemployment rate spiked to 9.3% in October 2008, the highest in the country at nearly two percentage points above the national average of 6.5% the same month.

The governor's proposed budget for fiscal year 2010 will be released in mid-January 2009. The state is also deliberating solutions for its fiscal 2009 shortfall. In the absence of a swift economic recovery, which appears highly unlikely, and/or the identification of additional recurring revenues, significant actions on the spending side will be required to reduce expenditures year over year. Rhode Island has struggled in recent years to contain its rising Medicaid, corrections, and employee costs, although recent workforce reductions have been achieved, and the right-sizing of its budget may take longer.

FISCAL YEAR 2007 OPERATING GAP FILLED WITH BOND PROCEEDS; RESERVES DECLINED, REVERSING IMPROVING TREND

Rhode Island used about $43 million of proceeds from the securitization of residual tobacco settlement revenues to balance the fiscal year 2007 budget. It also drew down its budget reserve account by almost $17 million, resulting in a slim reserve position of just 2.4% of General Fund revenues, below the state's goal of 3%. The state's unreserved, undesignated balance was essentially depleted, after falling steadily from its pre-recession peak of $131 million, leaving the state with reduced budgetary flexibility and strained liquidity for subsequent years. After a gap of two years, Rhode Island returned to cash flow borrowing in fiscal year 2007 with a note issuance of $120 million.

Rhode Island's budget reserve account remained fully funded prior to and through the 2001-2002 recession. This account is funded by limiting annual appropriations to 98% of estimated revenues. Once fully funded, additional revenues are deposited into the state's capital project fund for pay-go financing. In order to maintain the capacity to transfer money to the capital project fund, it is in the state's interest to keep the budget reserve account fully funded. This goal decreases, but does not eliminate, the likelihood that the state would draw on the BRF to resolve potential budget gaps, as it did in fiscal year 2007.

STATE DEBT BURDEN SIGNIFICANTLY REDUCED BUT REMAINS ABOVE AVERAGE; TIGHT LIQUIDTY UNDERSCORED BY RETURN TO CASH FLOW BORROWING

Rhode Island's debt burden has dropped considerably over the past ten years although the state's ratios rose last year. Total tax-supported debt for the 2009 median calculation was $1.87 billion, up only slightly from $1.8 billion the prior year. Net tax-supported debt was 4.7% of total state personal income, ranking it 13th in the nation, the same as 2007. While still notably higher than Moody's 2008 50-state median of 2.6%, Rhode Island's debt burden remains well below the near 9% level the state experienced in the early 1990s. Rhode Island's debt per capita is also above average at $1,766 (ranking it 9th), again the same as last year. The 2008 median debt per capita for states is $889. These improved debt ratios reflect deliberate debt reduction policies, increased pay-as-you-go capital funding, as well as gains in personal income. The state also applied $295 million of its 2002 tobacco bond proceeds to the defeasance of outstanding general obligation bonds and certificates of participation for debt service savings. Rhode Island will have no variable rate debt outstanding following the issuance of the 2008 Refunding Series D bonds which will be used to take out the Series 2000 General Obligation Bonds that are currently supported by a liquidity facility with Helaba.

Reduced reserve levels are also putting strain on the state's liquidity position. After two years without the need for cash flow borrowing, the state issued $120 million tax anticipation notes (TANs) in fiscal year 2007. Cash flow borrowings have grown substantially in the past two years with $220 million issued in fiscal year 2008 and $350 million in fiscal year 2009 due to further tightening of cash flow margins evident in reduced ending cash balances. The BRF is already incorporated in the state's cash flow statements and thus not available as an additional borrowable resource. The state's alternative liquidity was reduced relative to pre-recession years due to the use of tobacco securitization proceeds in prior years. Rhode Island sold $90 million in TANs in fiscal 2002, $150 million in fiscal 2003, and $200 million in fiscal year 2004. The state ended fiscal year 2001 with combined available reserves of 8.2%. Reserves dropped to only 2.4% of general revenues at the end of fiscal year 2007 before the draw on the BRF was repaid. The BRF was 1.9% of general revenues at the end of fiscal year 2008 (unaudited) reflecting the use of $38 million in reserves to close the year end budget gap. The unreserved, undesignated general fund balance has essentially been zero for the past two fiscal years, and is likely to remain unfunded in the near term given the size of the state's current budget gap.

PENSION FUNDING STATUS REMAINS RELATIVELY LOW

Rhode Island's principal pension plans declined in actuarial funding position following weak financial market returns in 2001 and 2002 captured by five-year smoothed market asset valuation methods. Recently enacted pension reforms should improve the state's pension funding position over time, although these do not apply to all employees. As a result, the state may need to increase its annual pension contributions, an additional expense that would compound the state's spending pressures at a time of rising health care costs. The state employees' pension program had a funding ratio of 57%, based on the June 2007 actuarial valuation. This represents a steady, multi-year decline from a funding level of about 84% as of June 1999. The funding ratio for the teachers' pension program is slightly lower at 55%, also down substantially from June 1999 when the plan had a funding ratio of 82%. Together these plans make up about 86% of the state's pension programs. On a positive note, the annual required contribution is fully funded.

Rhode Island's unfunded liability for other post employment benefit costs (OPEB) is estimated at approximately $644 million as of June 30, 2005. The amount includes $580 million for state employees, $51 million for state police, and about $9 million for the state's share of teachers OPEB costs. The enacted budget for fiscal year 2008 included about $27 million in pay-go funding, $12.7 million less than the annual required contribution.

ECONOMY WEAKENS WITH ACCELERATING JOB LOSSES AND SIGNIFICANT HOUSING WEAKENESS

Rhode Island's year-over-year monthly total non farm job losses averaged 2.5% through September 2008, significantly worse that the national pace of negative 0.1% over the same period. The state's manufacturing sector continues a decline that began more than a decade ago. Through 2006, service sector job gains, particularly in professional and business services, helped Rhode Island maintain positive momentum in total non-farm job growth including through the last recession in 2001-2002. However over the past year almost all sectors have lost jobs with the exception of education and health services which showed modest gains, Foreclosure rates in Rhode Island have been among the highest in the country and will likely limit the state's overall economic growth in the near term. As noted above, Rhode Island's unemployment rate of 9.3% in October is the highest in the nation which had an average rate of 6.5% the same month.

Outlook

Rhode Island's credit outlook is negative reflecting Moody's concerns that the state faces significant hurdles to achieve structural budget balance in the near term given current revenue under-performance, repeated reliance on one-time actions to close recent budget gaps, and persistent spending challenges. Budget uncertainties and reduced reserves also increase the likelihood that Rhode Island's liquidity position will remain narrow. The state's ability to restore structural budget balance and improve its liquidity will be important to future credit analyses.

What would make the rating move - UP

*Maintenance of stronger reserve levels.

*Sustained job growth.

*Restoration and maintenance of structural budget balance.

What could change the rating - DOWN

*Failure to achieve structural budget balance.

*Deterioration of state's reserve and balance sheet position.

*Narrowed liquidity leading to reduced cash flow margins and continuing reliance on cash flow borrowing.

*Further economic deterioration leading to revenue weakening.

*Continued reliance on one-time budget solutions.

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Credit Profile		
US$86.875 mil GO cons cap dev loan of 2008 due 02/01/2023		
Long Term Rating	AA/Stable	New
US$12.035 mil GO cons cap dev loan of 2008 rfdg ser D due 02/01/2018		
Long Term Rating	AA/Stable	New
US$8.5 mil cap dev loan of 2008 federally taxable ser C due 02/01/2018		
Long Term Rating	AA/Stable	New
Rhode Island & Providence Plantations GO		
Long Term Rating	AA/Stable	Affirmed
Short Term Rating	NR	Withdrawn

Rationale

Standard & Poor's Ratings Services assigned its 'AA' standard long-term rating, and stable outlook, to Rhode Island & Providence Plantation's series 2008B, 2008C, and 2008D general obligation (GO) bonds and affirmed its 'AA' standard long-term rating and underlying rating (SPUR), with a stable outlook, on the state's existing GO debt and its 'AA-' SPUR, with a stable outlook, on the state's appropriation debt.

In our opinion,, the ratings reflect Rhode Island's:

- Average wealth indicators with median household effective buying income at 101% of the national level;
- Recently improved, though above-average, debt burden; and
- Historically adequate financial position — State officials, however, intend to draw down the stabilization fund for fiscal 2008 due to a budget deficit.

In our opinion, offsetting factors include the state's:

- Large projected budget gaps for fiscals 2009 and 2010 and potential continued budget pressure;

- General fund deficits in fiscals 2007 and 2008 (unaudited), requiring transfers out of the stabilization fund and causing fund balances to end the year below statutory requirements; and
- Sizable unfunded pension liability despite some relief following fiscal 2006 pension reform measures.

The state's GO pledge secures the bonds.

Rhode Island's November estimating conference now projects the fiscal 2009 budget has a $358 million gap, equal to 12% of revenues, which is significantly larger than state officials' recent projections. The conference based its budget revisions on current revenue and expenditure trends, along with a projection of continued economic weakness into fiscal 2010. The conference projected a peak unemployment of 9.1% in fiscal 2010. The conference also updated the projection for fiscal 2010, which now shows a $461 million gap, equal to 15% of revenues.

While state officials have demonstrated a willingness to make significant budget adjustments in previous years, the state is now facing significant fiscal pressure that will require substantial further actions to bring the fiscals 2009 and 2010 budgets into structural balance. In our opinion, a continued economic slowdown beyond projections will further pressure revenues and could hamper the state's progress toward restoring structural budget balance.

The fiscal 2009 gap consists of a projected $234 million revenue shortfall and $124 million of excess expenditures. The administration is identifying solutions to the gap; and it has identified such areas as revenue policies, local aid, cutting programs, and asset sales. The state was able to make significant expenditure reductions in fiscal 2008 and the fiscal 2009 enacted budget, but it did not enact significant revenue increases. The preliminary fiscal 2009 budget projected a $384 million gap, but officials balanced the enacted budget primarily with significant expenditure reductions.

The largest revenue declines from the enacted budget to the revised budget were in the personal income tax (reduced by $113 million, or 10%) and the business corporation tax (reduced by $53 million, or 33%). The largest expenditure increases were $50 million of increased Medicaid spending stemming from a Medicaid waiver not being approved, along with the $38 million to reimburse the stabilization fund for the transfer made into the general fund in fiscal 2008.

Rhode Island's economy weakened in 2007; and the weakening continued through the first half of 2008 with state unemployment reaching 8.8% in September 2008, the nation's highest rate. July 2008 employment figures declined by 2.6% from 2007 figures; and the year-over-year change in personal income was a negative 1% in the first quarter of 2008, the nation's worst income growth according to IHS Global Insight. While much of the economic weakness is due to the residential housing slowdown, demonstrated by a 5.6% year-over-year decline in construction sector employment as of July 2008, the weakness is much broader with manufacturing employment down by 6.1% and financial services employment down by 4.3%.

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

As of June 30, 2007, Rhode Island's tax-supported debt ratios were $1,520 per capita, or 3.9% of market value. Management attributes much of the improvement in debt ratios to the state's use of proceeds from a $685 million tobacco securitization to defease debt.

Outlook

While the outlook remains stable, the state faces significant near-term fiscal pressure that will require substantial adjustments to bring the fiscals 2009 and 2010 budgets into structural balance. In our opinion, a continued economic slowdown beyond projections will further pressure revenues; and it could hamper the state's progress toward restoring structural budget balance. The state's failure to address its structural imbalance successfully would lead to negative credit implications given the revenue shortfall's growing size.

Finances: Deficit Results In Recent Fiscal Years

While Rhode Island is statutorily required to end the year with balanced results, it ended fiscals 2007 and 2008 (unaudited) with deficits. The fiscal 2007 deficit was due to two year-end accounting adjustments that created a $19.4 million deficit and the need for a transfer from the stabilization fund. The budget reserve was $78.7 million at fiscal year-end 2007, or 1.6% of expenditures; and the total general fund balance was $144.0 million, or 2.9%. Officials built the stabilization fund reimbursement into the fiscal 2008 budget.

Rhode Island faced a large $151 million deficit midway through fiscal 2008 due primarily to a decrease in projected revenues, and state officials made significant revenue and expenditure adjustments to attempt to produce a balanced amended budget. The administration, however, now estimates a $33.6 million deficit for fiscal 2008; and officials expect Gov. Donald Carcieri to request a transfer from the stabilization fund to cover this deficit. Officials primarily attribute the deficit to expenditures ending the year $27 million over the amended budget. Human service expenditures, which were $18.6 million over budget, were the expenditure deficit's largest component due to the department being unable to meet across-the-board expenditure reductions. In addition, the corrections department ended the year with $3.2 million of expenditures over budget due to a retroactive contract arbitration settlement finalized above the reserved amount.

Ratings Detail (As Of 24-Nov-2008)		
Rhode Island & Providence Plantations GO (Cons Cap Dev Loan of 2006) (wrap of insured) (MBIA & FSA) (SEC MKT)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Rhode Island Convention Ctr Auth fixed rate rev		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island Convention Ctr Auth rev		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations lse certs of part (Howard Ctr Imps) ser 1997 dtd 01/15/1997 due 10/01/1999-2010 2016		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations lse part certs (Attorney General's Bldg) rfdg ser 2007G		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations lse part certs (Energy Conservation Proj) ser 2007B		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations lse part certs (Howard Center Imp) rfdg ser 2007E		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Ratings Detail (As Of 24-Nov-2008) (cont.'d)		
Rhode Island & Providence Plantations lse part certs (Information Technology Proj) ser 2007A		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
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 (State Vehicles Proj) ser 2007C		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations lse part certs 2005 ser B (Traffic Tribunal Proj)		
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 part certs 2005 se A (Training Sch Proj)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations lse part cert (Central Pwr Plant Proj-2000) ser C		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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Fitch Rates Rhode Island's $107MM GOs 'AA-'; Outlook Stable Ratings

24 Nov 2008 5:00 PM (EST)

Fitch Ratings-New York-24 November 2008: Fitch Ratings assigns an 'AA-' rating to the State of Rhode Island and Providence Plantations' $107,410,000 general obligation (GO) bonds, consisting of $86,875,000 consolidated capital development loan of 2008, series B; $8,500,000 capital development loan of 2008, series C (federally taxable); and $12,035,000 consolidated capital development loan of 2008, refunding series D. The bonds are scheduled to sell as early as Nov. 24 through negotiation. Fitch also affirms the 'AA-' rating on the state's outstanding GO bonds. The Rating Outlook is Stable.

Rhode Island's GO rating was downgraded to 'AA-' from 'AA' in October 2008, reflecting economic and revenue deterioration that has strained state finances. Revenue and expenditure estimates were revised in November 2008, resulting in a projected current-year gap of about 11% of expenditures. The governor will submit a proposal by Jan. 15, 2009 to resolve the shortfall; options being evaluated are widespread, including both spending and revenue measures. The Stable Rating Outlook considers the state's record of taking action to achieve balance; however, Fitch will closely monitor economic and revenue trends and the state's response to its challenges.

Rhode Island's recent economic performance has been amongst the weakest of the states and the trend is negative. The state has one of the most stressed real estate markets in the country, fueled by subprime delinquencies, and has lost jobs every month since August 2007. October 2008 employment was 2.9% below October 2007, compared to the nation's loss of 0.9%, with declines in almost every sector. Unemployment in October 2008 stood at 9.3%, 143% of the U.S. rate. The pace of personal income growth also has been below that of the nation; 2007 personal income per capita equals 103% of the U.S.

The budget for fiscal 2009 addressed a large projected deficit and included substantial personnel and Medicaid program savings. In November 2008, the state released its regularly scheduled revised budget estimates. The revenue forecast was about $234 million below the prior May 2008 forecasts, while expenditure estimates were revised upward by about $128 million, including $38 million to replenish an expected reserve fund draw to cover the fiscal 2008 deficit. The revisions eliminate from the forecast savings from a possible federal Medicaid waiver; significant personnel savings have been achieved.

The November revisions result in a projected gap of $357 million for fiscal 2009, about 11% of expenditures. This gap is especially challenging given the state's constrained budgeting in recent years; fiscal 2009 spending is already below fiscal 2008 levels. The fiscal 2010 shortfall to be addressed is estimated at $461 million.

The state's two largest revenue sources, personal income taxes and sales taxes, continue to be weak, and the forecast of business corporation tax revenues also was sharply reduced in November. Personal income tax revenue is forecast to drop 5.8% in fiscal 2009 and sales and use taxes are projected down 1.7% for the year, following a decline of 3.2% in fiscal 2008. Overall, tax revenue is forecast down 4.6% in fiscal 2009 (6.7%, adjusting for the impact of tax policy changes). Tax revenue is then projected to grow 0.6% in fiscal 2010 (1.4% base growth). The November forecast reflects the state's expectation that nonfarm employment will be down in both calendars 2008 and 2009 with slow recovery thereafter.

Rhode Island's financial stress reflects underlying weakness in key revenue sources as well as numerous tax credit and tax cut programs undertaken in recent years. The state plans to issue about $350 million in appropriation-backed bonds in March 2009 to fund its estimated remaining obligations under the popular historic structures tax credit program. This was part of the solution to close the fiscal 2009 budget gap, as the program is estimated to reduce tax revenue by about $59 million in fiscal 2009 and continue to reduce revenue for up to the next 10 years.

Rhode Island operates with a 98% constitutional appropriation limit and 3% reserve fund cap. These protections will be strengthened in the coming years as the state moves to a 97% appropriation limit and 5% reserve fund cap by July 1, 2012, pursuant to a constitutional amendment approved by voters in November 2006. The reserve has generally been fully funded, although audit findings subsequent to the end of fiscal 2007 resulted in an unexpected draw of $19 million and the fiscal 2008 year-end deficit is expected to result in a draw; replenishment of that draw is included in the fiscal 2009 gap estimate.

Rhode Island's debt ratios are above average but still in the moderate range. Net tax-supported debt of about $2.1 billion equals 5% of personal income. Pension funding levels are low.

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Fitch issued an exposure draft on July 31, 2008 proposing a recalibration of tax-supported and water/sewer revenue bond ratings which, if adopted, may result in an upward revision of this rating (see Fitch research 'Exposure Draft: Reassessment of the Municipal Ratings Framework'.) At this time, Fitch is deferring its final determination on municipal recalibration. Fitch will continue to monitor market and credit conditions, and plans to revisit the recalibration in the first quarter of 2009.

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EXHIBIT E

Schedule of Debt Issuances

State of Rhode Island
Public Finance Management Board
Summary of Proposed Debt Issuance by Cities & Towns
Sold During the Period 1/1/07 - 12/31/2007

100% Date	Amount	City or Town	Type	Description of Issue	Report of Final Sale Received
12/28/06	700,000.00	Pascoag Fire District	G.O.	G.O. Bonds dated 2/1/07	4/5/07
1/11/07	100,000.00	Lonsdale Fire District	BAN's	G.O. Bond Anticipation Notes dated 1/24/07	3/8/07
1/11/07	240,000.00	Lonsdale Fire District	BAN's	G.O. Bond Anticipation Notes	3/8/07
1/12/07	6,200,000.00	Town of Jamestown, R. I.	G.O.	G.O. Bonds to be issued by R.I.C.W.F.A.	10/1/07
1/12/07	5,500,000.00	Town of Coventry, R.I.	TAN's	Tax Anticipation Notes dated 1/18/07	2/2/07
1/16/07	577,261.00	Town of Portsmouth, R.I.	G.O.	G.O. Bonds	2/1/07
1/17/07	3,500,000.00	Town of North Providence	G.O.	G.O. Bonds, 2007 Ser. A and G.O. Taxable Bonds, 2007 Ser. B	2/23/07
1/17/07	1,600,000.00	Portsmouth Water & Fire Dist.	G.O.	G.O. Drinking Water Bonds dated 3/7/07	3/8/07
1/25/07	3,600,000.00	Town of Cumberland	TAN's	G.O. Tax Anticipation Notes, Series 1	2/13/07
1/25/07	680,000.00	Town of Cumberland	Revenue	G.O. Revenue Anticipation Notes, Series 2	2/13/07
2/9/07	7,125,000.00	Town of Bristol, Rhode Island	G.O.	G.O. Bonds dated 2/15/07	2/26/07
2/9/07	2,000,000.00	Town of Bristol, Rhode Island	BAN's	G.O. Bond Anticipation Notes dated 2/20/07	2/26/07
2/14/07	3,300,000.00	Town of Jamestown, R. I.	G.O.	G.O. Bonds	5/10, 9/10/07
2/19/07	1,800,000.00	Lincoln Water Commission	G.O.	G.O. Clean Water Bonds dated 3/7/07	3/8/07
2/27/07	3,000,000.00	City of Newport, Rhode Island	Revenue	R. I. Water System Revenue Bonds, 2007 Series A dated 3/7/07	6/18/07
3/1/07	300,000.00	Town of North Kingstown	G.O.	Non-restoring Line of Credit for septic loans (Taxable)	9/26/07
3/12/07	1,497,000.00	Town of Johnston, R. I.	BAN's	G.O. Bond Anticipation Notes dated 3/15/07	3/15/07
3/29/07	3,000,000.00	Town of Middletown	BAN's	G.O. Bond Anticipation Notes dated 4/1/07	7/19/07
3/29/07	6,500,000.00	Town of Middletown	G.O.	G.O. Bonds dated 4/1/07	7/19/07
4/2/07	7,900,000.00	City of Central Falls, R. I.	BAN's	G.O. Bond Anticipation Notes dated 4/24/07	4/24/07
4/2/07	5,000,000.00	Town of Tiverton	BAN's	G.O. Bond Anticipation Notes dated 4/26/07	4/26/07
4/2/07	30,000,000.00	Town of Cumberland	BAN's	G.O. Bond Anticipation Notes dated 5/2/07	5/2/07
4/5/07	349,000.00	Town of New Shoreham	G.O.	G.O. Bonds dated 5/30/07	7/20/07
4/26/07	734,750.00	Town of Scituate, R. I.	G.O.	G.O. Bond	4/26/07
4/26/07	2,000,000.00	Town of Scituate, R. I.	TAN's	Tax Anticipation Notes	4/26/07
4/30/07	729,000.00	Harris Fire and Lighting Dist.	G.O.	G.O. Bonds dated 6/12/07	7/3/07
4/30/07	289,000.00	Harris Fire and Lighting Dist.	G.O.	G.O. Bonds dated 6/12/07	7/3/07
5/3/07	650,000.00	Harris Fire and Lighting Dist.	G.O.	G.O. Bonds dated 6/15/07	8/21/07
5/3/07	26,000,000.00	Foster-Glocester Reg Sch Dist	Revenue	G.O. Revenue Bonds, Series 2007 A (Pooled Issue)	8/14/07
5/3/07	750,000.00	Town of Glocester	Revenue	G.O. Revenue Bonds, Series 2007 A (Pooled Issue)	8/14/07
5/3/07	550,000.00	Town of Little Compton, R. I.	Revenue	G.O. Revenue Bonds, Series 2007 A (Pooled Issue)	8/14/07
5/3/07	2,250,000.00	Town of Portsmouth, R.I.	Revenue	G.O. Revenue Bonds, Series 2007 A (Pooled Issue)	8/14/07
5/3/07	9,000,000.00	Bristol/Warren Reg. Sch. Dist.	BAN's	G.O. Bond Anticipation Notes dated 5/16/07	5/18/07
5/10/07	16,000,000.00	Foster-Glocester Reg Sch Dist	BAN's	G.O. Bond Anticipation Notes dated 5/22/07	7/17/07
5/14/07	8,900,000.00	Bristol/Warren Reg. Sch. Dist.	G.O.	G.O. Bonds dated 5/16/07	6/1/07
5/14/07	442,000.00	Town of New Shoreham	G.O.	G.O. Bonds dated 6/20/07	7/20/07
5/15/07	1,690,000.00	Town of Warren	G.O.	G.O. Bonds	8/21/07
5/18/07	1,000,000.00	City of East Providence, R. I.	Revenue	G.O. Revenue Anticipation Notes, Series 1, dated 5/24/07	7/20/07
5/18/07	2,000,000.00	City of East Providence, R. I.	BAN's	G.O. Bond Anticipation Notes, Series 2, dated 5/24/07	7/20/07
6/4/07	2,277,000.00	Town of Johnston, R. I.	BAN's	G.O. Bond Anticipation Notes dated 6/12/07	6/13/07
6/14/07	3,000,000.00	Town of Lincoln, Rhode Island	G.O.	G.O. Bonds dated 6/19/07	7/20/07
6/20/07	2,200,000.00	Town of South Kingstown, R. I.	G.O.	Public Improvement Bonds dated 6/15/07	11/19/07
6/21/07	4,845,000.00	Town of Barrington, R. I.	G.O.	G.O. Bonds dated 6/15/07	1/16/08
6/21/07	2,100,000.00	Town of North Smithfield, R.I.	G.O.	G.O. Bonds dated 7/1/07	7/12/07
6/21/07	28,000,000.00	Town of North Smithfield, R.I.	BAN's	G.O. Bond Anticipation Notes dated 7/12/07	7/12/07
6/23/07	5,500,000.00	Town of Coventry, R.I.	G.O.	G.O. Notes dated 7/27/07	6/30/07
7/2/07	4,000,000.00	Town of North Kingstown	G.O.	G.O. Bonds dated 7/15/07	7/25/07
7/2/07	400,000.00	Charlestown Fire District	G.O.	G.O. Note	1/16/08
7/2/07	292,809.00	Town of Johnston, R. I.	Lease	Tax-Exempt Lease dated 6/21/07	7/13/07
7/6/07	11,300,000.00	Town of Tiverton	BAN's	G.O. Bond Anticipation Notes dated 7/20/07	7/20/07
7/6/07	5,000,000.00	Town of West Warwick, R. I.	G.O.	G.O. Bonds dated 7/31/07	8/3/07
7/6/07	7,100,000.00	City of Pawtucket, R. I.	BAN's	G.O. Bond Anticipation Notes dated 7/26/07	7/26/07
7/11/07	303,000.00	Bradford Fire District	G.O.	G.O. Bonds dated 8/8/07	8/21/07
7/30/07	735,000.00	Town of Barrington, R. I.	Revenue	Public School Revenue Bonds, Series 2007 B	8/16/07
7/30/07	1,300,000.00	City of Central Falls, R. I.	Revenue	Public School Revenue Bonds, Series 2007 B	8/16/07
7/30/07	7,000,000.00	Town of North Kingstown	Revenue	Public School Revenue Bonds, Series 2007 B	8/16/07
7/30/07	10,580,000.00	Town of Tiverton	Revenue	Public School Revenue Bonds, Series 2007 B	8/16/07
8/6/07	1,400,000.00	Town of Richmond, R. I.	G.O.	G.O. Bonds	8/29/07
8/8/07	300,000.00	Town of North Kingstown	-	Community Septic Loan Program through R.I.C.W. & R.I. Housing	9/26/07
8/9/07	9,800,000.00	Town of Narragansett	BAN's	G.O. Bond Anticipation Notes	10/10/07
9/5/07	9,600,000.00	Town of East Greenwich, R. I.	G.O.	G.O. Bonds dated 8/23/07	8/7/08
9/5/07	2,500,000.00	Town of North Providence	TAN's	G.O. Tax Anticipation Notes dated 9/21/07	11/19/07
9/6/07	8,000,000.00	Town of Westerly, R. I.	G.O.	G.O. Bonds dated 9/15/07	11/19/07
9/6/07	2,277,000.00	Town of Johnston, R. I.	G.O.	G.O. Bonds dated 9/13/07	9/25/07
9/6/07	1,430,000.00	Town of Johnston, R. I.	BAN's	G.O. Bond Anticipation Notes dated 9/13/07	9/25/07

9/7/07	585,000.00	City of Newport, Rhode Island	BAN's	R.I. Water System Revenue BAN's dated 9/12/07	9/12/07
9/27/07	6,740,000.00	City of Cranston, Rhode Island	BAN's	G.O. Bond Anticipation Notes dated 10/4/07	2/6/08
9/27/07	8,700,000.00	City of Central Falls, R. I.	G.O.	G.O. Bonds dated 10/1/07	10/18/07
10/16/07	11,860,000.00	Foster-Glocester Reg Sch Dist	Lease	Tax Exempt Lease Obligations	8/27/08
10/16/07	1,600,000.00	City of East Providence, R. I.	Lease	Tax Exempt Lease Obligations	8/27/08
10/24/07	11,000,000.00	City of Woonsocket	BAN's	G.O. Bond Anticipation Notes dated 11/13/07	11/14/07
10/25/07	5,500,000.00	Town of Cumberland	TAN's	G.O. Tax Anticipation Notes, Series 1 dated 10/30/07	11/2/07
10/29/07	600,000.00	Town of Narragansett	G.O.	G.O. Note - Loan agreement w R.I. Clean Water Financing Agency	1/2/08
11/15/07	1,503,284.00	Town of Middletown	G.O.	G.O. Clean Water Bonds dated 12/12/07	1/16/08
11/16/07	1,100,000.00	City of Woonsocket	Revenue	Wastewater System Revenue Bonds, 2007 Series A	12/21/07
11/16/07	75,000,000.00	Providence Public Bldgs Auth	Revenue	Providence PPA Revenue Bond Financing Program, 2007 C	8/22/08
11/16/07	1,675,000.00	Town of West Warwick, R. I.	Revenue	Wastewater System Revenue Bonds, 2007 Series A	12/21/07
11/19/07	1,600,000.00	Town of Jamestown, R. I.	BAN's	G.O. Bond Anticipation Notes dated 11/29/07	4/10/08
11/21/07	3,000,000.00	City of Cranston, Rhode Island	G.O.	G.O. Clean Water Bonds dated 12/12/07	1/16/08
11/21/07	6,942,000.00	City of Warwick, Rhode Island	Revenue	Wastewater System Revenue Bonds, 2007 Series A dated 12/12/07	1/16/08
11/27/07	850,000.00	Town of Smithfield, R. I.	Revenue	Wastewater System Revenue Bonds, 2007 Series A dated 12/12/07	12/26/07
12/3/07	3,245,000.00	Town of Bristol, Rhode Island	G.O.	G.O. Bonds dated 12/12/07	12/18/07
12/4/07	3,156,170.00	Town of Barrington, R. I.	G.O.	G.O. Clean Water Bonds dated 12/12/07	1/16/08
12/4/07	5,000,000.00	Town of Coventry, R.I.	Revenue	Wastewater System Revenue Bonds, 2007 Series dated 12/12/07	1/16/08
12/18/07	1,000,000.00	Town of Hopkinton, R. I.	BAN's	G.O. Bond Anticipation Notes dated 12/19/07	1/11/08
12/28/07	25,000,000.00	City of East Providence, R. I.	TAN's	G.O. Tax Anticipation Notes dated 1/4/08 - Sold 12/18/07	1/3/08
	474,349,274.00				

State of Rhode Island
Public Finance Management Board
Summary of Fees by Agency - Calendar Year 2007
Sold During the Period 1/1/07 - 12/31/07

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
	R I Health & Educ Bldg Corp									
2/27/07	Higher Education Facility Revenue Bonds New England Institute of Technology Issue, Series 2007	3/20/07	3/1/2036	13,680,000.00	3,420.00			3,420.00 replacement	3/23/07 1/16/08	3/27/07
5/3/07	Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2007 A (Pooled Issue)	5/16/07	5/15/2027	38,450,000.00	9,612.50			9,612.50	5/25/07	8/14/07
6/14/07	Health Facilities Revenue Bonds NRI Community Services, Inc. Issue, Series 2007	6/19/07	6/1/2037	3,200,000.00	800.00			800.00	1/9/08	1/9/08
6/14/07	Higher Education Facility Revenue Bonds Bryant University Issue, Series 2007	6/21/07	6/1/2035	20,000,000.00	5,000.00			5,000.00	7/23/07	7/30/07
6/6/07	Higher Education Facility Revenue Bonds Brown University Issue, Series 2007	6/27/07	9/1/2037	90,010,000.00	22,502.50					
	Refunding Portion for Commercial Paper			(14,755,000.00)	(3,688.75)					
	Refunding Portion for Refunded Bonds			(33,785,000.00)	(8,446.25)	10,367.50		10,367.50	6/27/07	8/14/07
7/11/07	Hospital Facilities Tax-Exempt Master Lease and Loan and Security Agreement Care New England Health System and Women & Infants Hospital of Rhode Island (Schedule No. 1)	7/15/07	7/15/2014	1,500,000.00	375.00			375.00	1/30/08	1/18/08
7/30/07	Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2007 B (Pooled Issue)	8/15/07	5/15/2027	19,615,000.00	4,903.75			4,903.75	8/16/07	8/16/07
9/7/07	Educational Institution Revenue Bonds CVS - Highlander Charter School Issue, Series 2007	9/20/07	9/1/2037	7,000,000.00	1,750.00			1,750.00	10/2/07	2/14/08
10/16/07	Public Schools Revenue Bond Financing Program Lease Revenue Bonds, Series 2007 C (Pooled Issue)	10/24/07	5/15/2021	13,460,000.00	3,365.00			3,365.00	12/7/07	12/7/07
	Providence Public Schools Revenue Bond Financing Program (Providence Public Buildings Authority Issue)									
10/26/07	Revenue Bonds, Series 2007 A	11/7/07	5/15/2028	75,000,000.00	18,750.00					11/16/07
10/26/07	Refunding Revenue Bonds, Series 2007 B	11/7/07	5/15/2021	16,470,000.00	4,117.50					11/16/07
	Refunding Portion for Refunding Revenue Bonds, Series 2007 B			(15,135,000.00)	(3,783.75)	19,083.75		19,083.75	11/16/07	
	Hospital Financing Revenue Bonds South County Hospital Healthcare System Issue									
10/29/07	Hospital Financing Revenue Refunding Bonds, Series 2003 B	11/15/07	9/15/2033	7,060,000.00	0.00	Remarketing of existing bonds				5/20/08
10/29/07	Hospital Financing Revenue Refunding Bonds, Series 2003 C	11/15/07	9/15/2033	6,025,000.00	0.00	Remarketing of existing bonds				5/20/08
				13,085,000.00						

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
	R I Health & Educ Bldg Corp - Continued									
11/16/07	Providence Public Schools Revenue Bond Financing Program (Providence Public Buildings Authority Issue) Revenue Bonds, Series 2007 C	12/20/07	5/15/2028	75,000,000.00	18,750.00			18,750.00	12/20/07	8/22/08
11/29/07	Educational Institution Line of Credit Notes (St. George's School Issue - Series 2007)	11/29/07	12/1/2010	4,000,000.00 not to exceed	1,000.00			1,000.00	12/3/07	12/3/07
12/17/07	Public Schools Revenue Bond Financing Program Lease Revenue Bonds, Series 2007 D (City of Pawtucket Issue)	12/15/07	11/15/2027	4,760,000.00	1,190.00			1,190.00	12/31/07	8/22/08
12/19/07	Health Facilities Revenue Bonds Frassati Residence (The Villa at Saint Antoine) Issue - 2007 Series A	12/18/07	11/1/2029	9,080,000.00						
			Refunding Portion	(8,775,000.00)						
				305,000.00	76.25			76.26		2/4/08
					0.01	Variance				
2/19/08	Educational Institution Revenue Bonds (The Learning Community Charter School Issue - Series 2007	2/26/08	2/1/2038	4,000,000.00	1,000.00			1,000.00	2/28/08	3/3/08
					80,693.76		22.7%	80,693.76		
	R I Clean Wtr Pro Finance Agcy									
3/7/07	Safe Drinking Water Revolving Fund Revenue Bonds Series 2007 A (Pooled Loan Issue)	3/7/07	10/1/2019	5,135,000.00	1,283.75			1,283.75	10/16/07	3/7/07
10/18/07	Water Pollution Control Revolving Fund Revenue Bonds, Series 2007 A (Pooled Loan Issue)	12/12/07	10/1/2028	39,740,000.00	9,935.00			9,935.00	1/9/08	12/12/07
					11,218.75		3.1%	11,218.75		
	R I Water Resources Board									
					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
	R I Hsing & Mtge Finance Corp									
1/25/07	Homeownership Opportunity Bonds, Series 55-A (Non-AMT)	3/1/07	10/1/2034	10,625,000.00	2,656.25					4/23/07
1/25/07	Homeownership Opportunity Bonds, Series 55-B (AMT)	3/1/07	10/1/2047	69,375,000.00	17,343.75					4/23/07
				80,000,000.00						
	Refunding Portion for 55-A previously paid on Series 46-B			(8,230,000.00)	(2,057.50)					
	Refunding Portion for 55-B previously paid on Series 46-C			(14,915,000.00)	(3,728.75)	14,213.75		14,213.75	3/23/07	
	Housing Bonds									
4/11/07	Series A-1 (AMT) Rental Housing Program	5/10/07	10/1/2048	35,775,000.00	8,943.75					7/10/07
4/11/07	Series A-2T (Taxable) Rental Housing Program	5/10/07	10/1/2048	7,265,000.00	0.00					7/10/07
				43,040,000.00						
5/31/07	Homeownership Opportunity Bonds, Series 56-A (AMT)	6/21/07	10/1/2047	65,000,000.00	16,250.00					10/17/07
5/31/07	Homeownership Opportunity Bonds, Series 56-B1-T (Taxable)	6/21/07	10/1/2047	11,000,000.00	0.00					10/17/07
5/31/07	Homeownership Opportunity Bonds, Series 56-B2-T (Taxable)	6/21/07	10/1/2014	4,000,000.00	0.00					10/17/07
				80,000,000.00						
	Refunding Portion for 56-A previously paid on Series 47-C			(26,130,000.00)	(6,532.50)	18,661.25		18,661.25	8/3/07	
8/28/07	Homeownership Opportunity Bonds, Series 57-A (Non-AMT)	9/13/07	10/1/2034	13,410,000.00	3,352.50					10/17/07
8/28/07	Homeownership Opportunity Bonds, Series 57-B (AMT)	9/13/07	10/1/2047	56,590,000.00	14,147.50					10/17/07
				70,000,000.00						
	Refunding Portion for 57 Bonds previously paid on Series 48-C/D			(26,055,000.00)	(6,513.75)	10,986.25		10,986.25	10/15/07	
10/26/07	Homeownership Opportunity Bonds, Series 58-A (AMT)	11/15/07	10/1/2047	62,620,000.00	15,655.00			15,655.00	12/28/07	1/18/07
10/26/07	Homeownership Opportunity Bonds, Series 58-T (Federally Taxable)	11/15/07	10/1/2017	10,000,000.00						1/18/07
				72,620,000.00						
12/11/07	2007 Series B-1A (AMT) (Fixed Rate Bonds) Housing Bonds	12/20/07	10/1/2049	26,290,000.00	6,572.50					1/17/08
12/11/07	2007 Series B-1B (AMT) (V/R Demand Bds) Rental Housing Program	12/20/07	10/1/2038	19,270,000.00	4,817.50	11,390.00		11,390.00	12/28/07	1/17/08
				45,560,000.00						
					70,906.25		19.9%	70,906.25		

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
	Rhode Island Student Loan Auth									
4/13/07	Student Loan Program Revenue Bonds (Taxable)									
	2002 Series 1 Bonds (AMT) Fixed Rate Bonds	4/19/07	12/1/2036	30,900,000.00	0.00	Remarketing of existing bonds				1/16/08
	2003 Series 1 Bonds (AMT) Fixed Rate Bonds	4/19/07	12/1/2037	16,150,000.00	0.00	Remarketing of existing bonds				1/16/08
				47,050,000.00						
					0.00		0.0%	0.00		
	Tobacco Settlement Finan. Corp									
6/26/07	Tobacco Settlement Asset-Backed Bonds, Series 2007 (Tax-Exempt)	6/21/07	6/1/2052	197,005,742.20	49,251.44			49,251.44	6/27/07	6/27/07
					49,251.44		13.8%	49,251.44		
	Narr Bay Wtr Qlty Mgt Dist Com (PFMB fees are not assessed for this agency)									
1/9/07	Wastewater System Revenue Bonds, 2007 Series A	1/17/07	2/1/2037	42,500,000.00	0.00					2/8/07
11/16/07	Wastewater System Revenue Bonds, 2007 Series B	12/12/07	9/1/2028	25,000,000.00	0.00					12/21/07
					0.00		0.0%	0.00		
	R I Solid Waste Management Bd **(R.I. Resource Recovery Corporation)**									
					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
	Providence Housing Authority									
9/4/07	GNMA Collateralized Mortgage Revenue Bonds New Canonchet Cliffs Project - Series 2007 A	8/15/07	7/1/2049	6,000,000.00	1,500.00			1,500.00	9/4/07	9/4/07
					1,500.00		0.4%	1,500.00		
	RI Turnpike & Bridge Authority									
					0.00		0.0%	0.00		
	Woonsocket Housing Authority									
					0.00		0.0%	0.00		
	R I Industrial Facilities Corp									
11/5/07	Economic Development Revenue Bond (Taxable) Island Hotel Group, LLC Project - 2006 Series, dated 10/30/06	11/13/07	11/13/2012 extendable to 2017	8,500,000.00	0.00					2/14/08
					0.00		0.0%	0.00		
	The Convention Ctr 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
	State of Rhode Island (RBA is considered to be a State of R.I. Issue)										
	G.O. Tax Anticipation Notes - Fiscal Year 2007	12/21/06	6/29/2007	120,000,000.00	30,000.00			30,000.00	12/21/06	Wire Transfer	1/30/07
6/6/07	Lease Participation Certificates (Information Technology Project - 2007 Series A)	6/26/07	5/1/2017	23,490,000.00	5,872.50						8/10/07
6/6/07	Lease Participation Certificates (Energy Conservation Project - 2007 Series B)	6/26/07	5/1/2023	12,735,000.00	3,183.75						8/10/07
6/6/07	Lease Participation Certificates (State Vehicles Project - 2007 Series C)	6/26/07	5/1/2014	9,100,000.00	2,275.00	11,331.25		11,331.25	6/27/07		8/10/07
				45,325,000.00							
8/10/07	G.O. Bonds CCDL of 2007, Series A	8/29/07	8/1/2027	123,255,000.00	30,813.75						10/22/07
	G.O. Bonds CCDL of 2007, Series B (Federally Taxable)	8/29/07	8/1/2017	8,500,000.00	0	30,813.75		30,813.75	8/29/07		10/22/07
				131,755,000.00							
11/21/07	Lease Participation Certificates (Central Power Plant - 2007 Refunding Series D)	12/13/07	10/1/2020	22,160,000.00	5,540.00						1/3/08
11/21/07	Lease Participation Certificates (Howard Center Improvements - 2007 Refunding Series E)	12/13/07	10/1/2016	13,375,000.00	3,343.75						1/3/08
11/21/07	Lease Participation Certificates (Shepard's Building - 2007 Refunding Series F)	12/13/07	10/1/2016	21,420,000.00	5,355.00						1/3/08
11/21/07	Lease Participation Certificates (Attorney General's Building - 2007 Refunding Series G)	12/13/07	10/1/2015	2,230,000.00	557.50	14,796.25		14,796.25	12/13/07		1/3/08
				59,185,000.00							
11/21/07	General Obligation Tax Anticipation Notes - Fiscal Year 2008	12/6/07	6/30/2008	220,000,000.00	55,000.00			55,000.00	12/13/07		1/3/08
					141,941.25		39.9%	141,941.25			
	R I Economic Development Corp										
2/21/07	Economic Development Revenue Bonds The Company of the Redwood Library and Athenaeum Project Series 2007	5/10/07	5/1/2017	2,600,000.00	650.00			650.00	5/9/07		5/10/07
					650.00		0.2%	650.00			
	Totals				356,161.45		100.0%	356,161.45			
								0.00			