PUBLIC FINANCE MANAGEMENT BOARD

FY 2023 Annual Documentation

The Office of Rhode Island General Treasurer James A. Diossa

September 2024

FY 2023 PFMB Annual Documentation

In 2016, the Rhode Island General Assembly enacted a series of reforms to strengthen Rhode Island's debt management practices, including improved research and reporting, stronger oversight, and policies aimed at providing taxpayer savings through more efficient bond issuance. The Public Finance Management Board (PFMB), a volunteer Board of public finance experts formed to advise state and municipal issuers of public debt, has worked with the Office of the General Treasurer James A. Diossa to effectuate these goals.

Included among the reforms is a requirement that the PFMB publish a comprehensive study of Debt Affordability no less than every two years. The most recent study was released on December 14, 2023 and can be accessed here, the next study will be released December 2025. These Debt Affordability Studies contain detailed information about the amount of public borrowing at the state, quasi-public and municipal levels, comparisons to peers and rating agency guidance, and a range of information on best practices for public debt management. The PFMB will continue its traditional function of allocating tax-exempt volume capacity to quasi-public agencies.

Chapter 42-10.1-8 of Rhode Island General Law also requires the PFMB to provide certain data to the General Assembly on an annual basis, including information on state debt outstanding, PFMB revenue and expense data, PFMB meeting minutes, and ratings reports from state debt issuances. Pursuant to RIGL 42-10.1-8, this information for FY 2023 is included herein.

The PFMB and the Office of the General Treasurer staff are available to answer any questions about this material and stand ready and willing to assist all stakeholders interested in learning more about public liabilities at the state and local level.

Information on FY 2023 State Debt Outstanding

State of Rhode Island
Office of the General Treasurer
Debt Service System Inventory by Maturity Date

Amount Original Issue	Description	Issue	Year	Maturity Date	Principal Paid in FY 2023	Interest Paid in FY 2023	Principal Outstanding 6/30/2023	Interest Outstanding 6/30/2023
114,275,000.00	G.O CCDL of 2018, Series A (Tax-Exempt)	A	2018	4/1/2038	2,410,000.00	4,131,693.76	103,105,000.00	37,470,712.62
123,600,000.00	G.O CCDL of 2019, Series A (Tax-Exempt)	A	2019	5/1/2039	3,185,000.00	4,645,050.00	111,760,000.00	42,836,050.00
68,150,000.00	CCDL of 2019, Refunding Series E	E	2019	1/15/2030	6,480,000.00	3,000,950.00	54,835,000.00	11,498,500.00
135,500,000.00	G.O. CCDL of 2019, Series C	C	2019	1/15/2040	3,845,000.00	5,122,850.00	124,740,000.00	47,784,350.00
17,500,000.00	CCDL of 2019, Series D	D	2019	1/15/2030	1,630,000.00	378,680.00	12,835,000.00	1,216,635.00
120,400,000.00	G.O CCDL of 2021, Series A (Tax-Exempt)	A	2021	5/1/4041	3,495,000.00	3,783,200.00	116,905,000.00	32,687,950.00
145,035,000.00	G.O. CCDL of 2011, Series A	A	2011	8/1/2030	-	-	-	-
122,950,000.00	G.O. CCDL of 2012, Refunding Series A	Refunding Series A	2012	8/1/2027	19,545,000.00	758,715.63	-	-
81,400,000.00	G.O. CCDL of 2012, Series B	B	2012	10/15/2032	3,840,000.00	1,228,737.50	5,705,000.00	1,576,006.25
40,650,000.00	G.O. CCDL of 2013, Series A (Tax-Exempt)	A	2013	10/15/2023	-	1,323,737.50	1,915,000.00	47,875.00
78,700,000.00	G.O. CCDL of 2014, Refunding Series A	Refunding Series A	2014	11/1/2025	1,230,000.00	952,475.00	19,350,000.00	1,466,500.00
162,115,000.00	G.O. CCDL of 2014, Refunding Series D (Tax-Exempt)	Refunding Series D	2014	8/1/2027	19,340,000.00	5,464,000.00	99,610,000.00	11,596,750.00
33,625,000.00	G.O. CCDL of 2014, Series B (Tax-Exempt)	B	2014	11/1/2034	-	1,231,500.00	3,060,000.00	155,000.00
12,500,000.00	G.O. CDL of 2014, Series C (Federally Taxable)	C	2014	11/1/2034	555,000.00	323,925.21	8,375,000.00	2,148,259.78
175,155,000.00	G.O. CCDL of 2015, Refunding Series A	Refunding Series A	2015	8/1/2027	6,790,000.00	4,144,150.00	86,340,000.00	8,141,800.00
53,800,000.00	G.O. CCDL of 2016, Refunding Series C (Tax-Exempt)	Refunding Series C	2016	8/1/2022	5,255,000.00	131,375.00	-	-
58,835,000.00	G.O. CCDL of 2016, Series A (Tax-Exempt)	A	2016	5/1/2036	3,030,000.00	1,919,350.00	52,245,000.00	12,092,800.00
66,920,000.00	G.O. CCDL of 2017, Refunding Series B (Tax-Exempt)	Refunding Series B	2017	8/1/2031	-	3,346,000.00	66,920,000.00	19,921,000.00
91,000,000.00	G.O. CCDL of 2017, Series A (Tax-Exempt)	A	2017	5/1/2037	3,610,000.00	3,142,500.00	71,685,000.00	22,821,500.00
35,100,000.00	G.O. CCDL of 2018, Series B (Federally Taxable)	B	2018	4/1/2028	3,400,000.00	844,435.00	19,270,000.00	1,946,440.00
25,000,000.00	G.O. CCDL of 2019, Series B (Federally Taxable)	B	2019	5/1/2029	2,385,000.00	547,800.00	15,875,000.00	1,707,600.00
10,955,000.00	G.O. CCDL of 2021, Refunding Series C (Tax-Exempt)	Refunding Series C	2021	8/1/2030	6,155,000.00	370,775.00	4,800,000.00	755,250.00
76,705,000.00	G.O. CCDL of 2021, Refunding Series D (Federally Taxable)	Refunding Series D	2021	10/15/2034	920,000.00	1,208,562.50	75,785,000.00	7,060,187.75
90,500,000.00	G.O. CCDL of 2021, Refunding Series E (Tax-Exempt)	E	2021	8/1/2041	665,000.00	3,507,869.44	89,835,000.00	29,674,175.00
44,500,000.00	G.O. CCDL of 2021, Refunding Series F (Federally Taxable)	F	2021	8/1/2038	3,365,000.00	1,152,774.47	41,135,000.00	4,517,868.75
15,500,000.00	G.O. CCDL of 2021, Series B (Federally Taxable)	B	2021	5/1/2031	1,665,000.00	190,915.00	13,835,000.00	996,587.50
12,500,000.00	G.O. CDL of 2013, Series B (Federally Taxable)	B	2013	10/15/2023	-	379,436.70	580,000.00	10,805.20
43,240,000.00	G.O 2022 Forward Refunding Series 1 (Tax-Exempt)	1	2022	10/15/2032	-	1,433,678.75	43,240,000.00	9,807,225.00
162,450,000.00	G.O CCDL of 2022, Series A (Tax-Exempt)	A	2022	8/1/2042	-	1,957,901.56	162,450,000.00	107,553,272.07
60,300,000.00	G.O CCDL of 2022, Series B (Federally Taxable)	B	2022	8/1/2032	-	743,769.88	60,300,000.00	15,971,806.75
20,100,000.00	LPC, Eleanor Slater Hospital Project, 2018 Series B	B	2018	11/1/2033	1,075,000.00	796,425.00	16,110,000.00	4,463,125.00
31,980,000.00	LPC, Energy Conservation Project - 2011 Series A	A	2011	4/1/2026	525,000.00	107,425.00	1,990,000.00	181,075.00
17,520,000.00	LPC, Energy Conservation Project - 2013 Series C	C	2013	4/1/2023	2,125,000.00	106,250.00	-	-
5,005,000.00	LPC, Energy Conservation Project - 2017 Refunding Series C	Refunding Series C	2017	5/1/2023	705,000.00	35,250.00	-	-
9,170,000.00	LPC, Information Technology Project - 2013 Series D	D	2013	4/1/2023	1,085,000.00	32,550.00	-	-
30,380,000.00	LPC, Information Technology Project - 2014 Series C	C	2014	11/1/2024	3,400,000.00	451,750.00	7,335,000.00	371,375.00

State of Rhode Island
Office of the General Treasurer
Debt Service System Inventory by Maturity Date

Amount Original Issue	Description	Issue	Year	Maturity Date	Principal Paid in FY 2023	Interest Paid in FY 2023	Principal Outstanding 6/30/2023	Interest Outstanding 6/30/2023
36,310,000.00	LPC, Kent County Courthouse Project - 2013 Refunding Series A	Refunding Series A	2013	10/1/2023	4,500,000.00	332,125.00	4,500,000.00	112,500.00
9,050,000.00	LPC, Nursing Education Center Project - 2017 Series A	A	2017	6/1/2027	915,000.00	253,000.00	4,145,000.00	531,000.00
11,650,000.00	LPC, Pastore Center Energy Conservation Project - 2014 Series	A	2014	11/1/2024	1,305,000.00	144,175.00	2,775,000.00	126,525.00
7,465,000.00	LPC, R. I. College Energy Conservation Project - 2014 Series	B	2014	11/1/2029	520,000.00	179,575.00	4,915,000.00	611,487.50
19,635,000.00	LPC, School for the Deaf Project - 2017 Refunding Series	Refunding Series D	2017	4/1/2029	1,760,000.00	717,500.00	12,590,000.00	2,292,500.00
15,290,000.00	LPC, Traffic Tribunal Project - 2013 Refunding Series E	Refunding Series E	2013	10/1/2024	1,490,000.00	180,475.00	3,200,000.00	153,925.00
36,575,000.00	LPC, Training School Project - 2013 Refunding Series B	Refunding Series B	2013	10/1/2024	3,720,000.00	493,500.00	8,010,000.00	405,500.00
6,910,000.00	LPC, U.R.I. Energy Conservation Project - 2017 Series B	B	2017	6/1/2032	450,000.00	270,000.00	5,230,000.00	1,265,000.00
10,195,000.00	LPC, U.R.I. Energy Conservation Project, 2018 Series A	A	2018	11/1/2033	570,000.00	423,400.00	8,565,000.00	2,372,175.00
					126,940,000.00	**61,890,207.90**	**1,545,855,000.00**	**446,349,094.17**

Total Principal and Interest Paid in FY 2023	**188,830,207.90**	Total Outstanding Debt as of 6/30/23	**1,992,204,094.17**

State of Rhode Island - Office of the General Treasurer
Schedule of Tax Supported Debt
As of 6/30/23

Description	Maturity Date	Principal Paid in FY 2023	Interest Paid in FY 2023	Principal Outstanding 6/30/2023	Interest Outstanding 6/30/2023
General Obligation Bonds					
G.O. CCDL of 2016, Refunding Series C (Tax-Exempt)	8/1/2022	5,255,000.00	131,375.00	-	-
G.O. CCDL of 2014, Refunding Series A	11/1/2025	1,230,000.00	952,475.00	19,350,000.00	1,466,500.00
G.O. CCDL of 2012, Refunding Series A	8/1/2027	19,545,000.00	758,715.63	-	-
G.O. CCDL of 2015, Refunding Series A	8/1/2027	6,790,000.00	4,144,150.00	86,340,000.00	8,141,800.00
G.O. CCDL of 2014, Refunding Series D (Tax-Exempt)	8/1/2027	19,340,000.00	5,464,000.00	99,610,000.00	11,596,750.00
G.O. CCDL of 2018, Series B (Federally Taxable)	4/1/2028	3,400,000.00	844,435.00	19,270,000.00	1,946,440.00
G.O. CCDL of 2019, Series B (Federally Taxable)	5/1/2029	2,385,000.00	547,800.00	15,875,000.00	1,707,600.00
CCDL of 2019, Refunding Series E	1/15/2030	6,480,000.00	3,000,950.00	54,835,000.00	11,498,500.00
CCDL of 2019, Series D	1/15/2030	1,630,000.00	378,680.00	12,835,000.00	1,216,635.00
G.O. CCDL of 2011, Series A	8/1/2030			-	-
G.O. CCDL of 2021, Refunding Series C (Tax-Exempt)	8/1/2030	6,155,000.00	370,775.00	4,800,000.00	755,250.00
G.O. CCDL of 2021, Series B (Federally Taxable)	5/1/2031	1,665,000.00	190,915.00	13,835,000.00	996,587.50
G.O. CCDL of 2017, Refunding Series B (Tax-Exempt)	8/1/2031	-	3,346,000.00	66,920,000.00	19,921,000.00
G.O. CCDL of 2012, Series B	10/15/2032	3,840,000.00	1,228,737.50	5,705,000.00	1,576,006.25
G.O. CCDL of 2013, Series A (Tax-Exempt)	10/15/2023	-	1,323,737.50	1,915,000.00	47,875.00
G.O. CDL of 2013, Series B (Federally Taxable)	**10/15/2023**	**-**	379,436.70	580,000.00	10,805.20
G.O. CCDL of 2021, Refunding Series D (Federally Taxable)	10/15/2034	920,000.00	1,208,562.50	75,785,000.00	7,060,187.75
G.O. CCDL of 2014, Series B (Tax-Exempt)	**11/1/2024**	**-**	1,231,500.00	3,060,000.00	155,000.00
G.O. CDL of 2014, Series C (Federally Taxable)	11/1/2034	555,000.00	323,925.21	8,375,000.00	2,148,259.78
G.O. CCDL of 2016, Series A (Tax-Exempt)	5/1/2036	3,030,000.00	1,919,350.00	52,245,000.00	12,092,800.00
G.O. CCDL of 2017, Series A (Tax-Exempt)	5/1/2037	3,610,000.00	3,142,500.00	71,685,000.00	22,821,500.00
G.O CCDL of 2018, Series A (Tax-Exempt)	4/1/2038	2,410,000.00	4,131,693.76	103,105,000.00	37,470,712.62
G.O. CCDL of 2021, Refunding Series F (Federally Taxable)	8/1/2038	3,365,000.00	1,152,774.47	41,135,000.00	4,517,868.75
G.O CCDL of 2019, Series A (Tax-Exempt)	5/1/2039	3,185,000.00	4,645,050.00	111,760,000.00	42,836,050.00
G.O. CCDL of 2019, Series C	1/15/2040	3,845,000.00	5,122,850.00	124,740,000.00	47,784,350.00
G.O CCDL of 2021, Series A (Tax-Exempt)	5/1/4041	3,495,000.00	3,783,200.00	116,905,000.00	32,687,950.00
G.O. CCDL of 2021, Refunding Series E (Tax-Exempt)	8/1/2041	665,000.00	3,507,869.44	89,835,000.00	29,674,175.00
G.O CCDL of 2022, Series A (Tax-Exempt)	8/1/2042	-	1,957,901.56	162,450,000.00	107,553,272.07
G.O CCDL of 2022, Series B (Federally Taxable)	8/1/2032	-	743,769.88	60,300,000.00	15,971,806.75
G.O 2022 Forward Refunding Series 1 (Tax-Exempt)	10/15/2032	-	1,433,678.75	43,240,000.00	9,807,225.00
Total General Obligation Bonds		**102,795,000.00**	**57,366,807.90**	**1,466,490,000.00**	**433,462,906.67**

State of Rhode Island - Office of the General Treasurer
Schedule of Tax Supported Debt
As of 6/30/23

Description	Maturity Date	Principal Paid in FY 2023	Interest Paid in FY 2023	Principal Outstanding 6/30/2023	Interest Outstanding 6/30/2023
Capital Leases					
LPC, Energy Conservation Project - 2013 Series C	4/1/2023	2,125,000.00	106,250.00	-	-
LPC, Information Technology Project - 2013 Series D	4/1/2023	1,085,000.00	32,550.00	-	-
LPC, Energy Conservation Project - 2017 Refunding Series C	5/1/2023	705,000.00	35,250.00	-	-
LPC, Kent County Courthouse Project - 2013 Refunding Series A	10/1/2023	4,500,000.00	332,125.00	4,500,000.00	112,500.00
LPC, Training School Project - 2013 Refunding Series B	10/1/2024	3,720,000.00	493,500.00	8,010,000.00	405,500.00
LPC, Traffic Tribunal Project - 2013 Refunding Series E	10/1/2024	1,490,000.00	180,475.00	3,200,000.00	153,925.00
LPC, Pastore Center Energy Conservation Project - 2014 Series	11/1/2024	1,305,000.00	144,175.00	2,775,000.00	126,525.00
LPC, Information Technology Project - 2014 Series C	11/1/2024	3,400,000.00	451,750.00	7,335,000.00	371,375.00
LPC, Energy Conservation Project - 2011 Series A	4/1/2026	525,000.00	107,425.00	1,990,000.00	181,075.00
LPC, Nursing Education Center Project - 2017 Series A	6/1/2027	915,000.00	253,000.00	4,145,000.00	531,000.00
LPC, School for the Deaf Project - 2017 Refunding Series	4/1/2029	1,760,000.00	717,500.00	12,590,000.00	2,292,500.00
LPC, R. I. College Energy Conservation Project - 2014 Series	11/1/2029	520,000.00	179,575.00	4,915,000.00	611,487.50
LPC, U.R.I. Energy Conservation Project - 2017 Series B	6/1/2032	450,000.00	270,000.00	5,230,000.00	1,265,000.00
LPC, U.R.I. Energy Conservation Project, 2018 Series A	11/1/2033	570,000.00	423,400.00	8,565,000.00	2,372,175.00
LPC, Eleanor Slater Hospital Project, 2018 Series B	11/1/2033	1,075,000.00	796,425.00	16,110,000.00	4,463,125.00
Total Capital Leases		**24,145,000.00**	**4,523,400.00**	**79,365,000.00**	**12,886,187.50**
R.I. Commerce Corporation					
Fidelity Building II	5/1/2027	680,655.00	163,871.00	3,262,702.00	553,514.00
I-195 Land (variable rate)*	4/1/2023	1,935,000.00	1,097,632.00	-	-
Historic Structure Tax Credit	5/15/2027	17,285,000.00	2,121,422.00	54,370,000.00	4,621,373.00
Fleet Bank	5/1/2027	660,000.00	281,760.00	3,205,000.00	572,241.00
Transportation Motor Fuel	6/15/2027	4,390,000.00	973,250.00	15,075,000.00	1,659,250.00
Total R.I. Commerce Corporation		**24,950,655.00**	**4,637,935.00**	**75,912,702.00**	**7,406,378.00**
Convention Center Authority	5/15/2035	18,860,000.00	5,825,612.00	121,565,000.00	30,049,784.00
Garrahy Garage	5/15/2042	1,390,000.00	1,638,057.00	39,160,000.00	18,327,415.00
Grand Total		**172,140,655.00**	**73,991,811.90**	**1,782,492,702.00**	**502,132,671.17**

* $29,030,000 RICC I-195 Bonds were defeased on November 30, 2023.

PFMB Revenue and Expense Data

Public Finance Management Board

		FY 2021		FY 2022		FY 2023
Revenues	$	445,812	$	338,117	$	317,491
Expenditures						
Personnel	$	250,586	$	261,033	$	261,093
Annual Retainer for Financial Advisor	$	15,000	$	45,000	$	30,000
Debt Study Expense			$	166,184		
Debt Portal Expense						
Legal	$	3,180	$	3,060	$	600
All other Operating	$	8,270	$	10,258	$	5,654
Total Expenditures	$	277,036	$	485,535	$	297,347

The Public Finance Management Board
Summary of Debt Issuance by Quasi- Agency and The State of Rhode Island
Fiscal Year 2023

Agency	Bond Issuance	Date of Issuance	Maturity Date	Original Issue Amount	PFMB Fee Due	Total Fee Received	Date Received
State of Rhode Island	Consolidated Capital Development Loan 2022 Refunding Bonds	7/18/2022	10/15/2032	$43,240,000.00	$10,810.00	$10,810.00	7/18/2022
Rhode Island Health and Educational Building Corporation	Brown University Issue, Series 2022A	7/27/2022	9/1/2033	$87,220,000.00	$21,805.00	$21,805.00	7/28/2022
Narraganset Bay Commission	Wastewater System Revenue Bonds, Series 2022	7/25/2022	9/1/2045	$55,499,240.00	$13,874.81	$13,874.81	8/11/2022
Rhode Island Health and Educational Building Corporation	Blackstone Valley Prep, Series 2022 Note	10/26/2022	10/1/2052	$12,760,000.00	$3,190.00	$3,190.00	10/27/2022
State of Rhode Island	General Obligation Bonds Consolidated Capital Development Loan of 2022	10/18/2022	8/1/2040	$222,750,000	$55,687.50	$55,687.50	11/01/2022
Rhode Island Health and Educational Building Corporation	The Paul Cuffee School Issue	11/15/2022	11/1/2042	$3,100,000.00	$775.00	$775.00	11/30/2022
Rhode Island Infrastructure Bank	City of Providence, Water System Revenue Bonds 2023A	6/13/2023	9/1/2042	$5,500,000.00	$1,375.00	$1,375.00	5/23/2023

The Public Finance Management Board
Summary of Debt Issuance by Quasi- Agency and The State of Rhode Island
Fiscal Year 2023

Agency	Bond Issuance	Date of Issuance	Maturity Date	Original Issue Amount	PFMB Fee Due	Total Fee Received	Date Received
Rhode Island Infrastructure Bank	Town of Bristol Clean Water Loan 2022	12/22/2022	9/1/2042	$1,266,000.00	$316.50	$316.50	12/27/2022
Rhode Island Infrastructure Bank	Town of Smithfield Drinking Water Revenue Bonds 2022	12/22/2022	9/1/2042	$3,000,000.00	$750.00	$750.00	12/27/2022
Rhode Island Infrastructure Bank	Town of Smithfield Limited Obligation Efficient Buildings Bonds	12/22/2022	9/1/2034	$6,618,000.00	$1,654.50	$1,654.50	12/27/2022
Rhode Island Infrastructure Bank	City of Newport Wastewater System Revenue Bonds, Series 2022 A	12/19/2022	9/1/2042	$12,500,000.00	$3,125.00	$3,125.00	1/18/2023
Rhode Island Infrastructure Bank	City of Newport Water System Revenue Bonds Series 2022 A	12/19/2022	8/1/2041	$3,305,000.00	$826.25	$826.25	1/18/2023
Rhode Island Infrastructure Bank	City of Pawtucket General Obligation Road Bonds Series 2023 A	2/21/2023	9/1/2042	$2,500,000.00	$625.00	$625.00	2/28/2023
Rhode Island Health and Education Building Corporation	Providence College Issue Series 2023	4/26/2023	11/1/2043	$112,435,000	$28,108.75	$28,108.75	5/16/2023

The Public Finance Management Board
Summary of Debt Issuance by Quasi- Agency and The State of Rhode Island
Fiscal Year 2023

Agency	Bond Issuance	Date of Issuance	Maturity Date	Original Issue Amount	PFMB Fee Due	Total Fee Received	Date Received
Rhode Island Housing and Mortgage Finance Corporation	Homeownership Opportunity Bonds, Series 79-A, Series 79-T1,2	2/23/2023	10/1/2053	$135,330,000	$33,832.50	$33,832.50	6/30/2023
Rhode Island Housing and Mortgage Finance Corporation	Homeownership Opportunity Bonds, Series 78-A, Series 78-T	10/21/2022	10/1/2052	$128,410,000	$32,102.50	$32,102.50	6/30/2023
Rhode Island Health and Education Building Corporation	The Learning Community Charter School Issue, Series 2023	5/19/2023	2/1/2038	$2,774,000.00	$693.50	$693.50	6/20/2023
Rhode Island Infrastructure Bank	City of Providence Clean Water Bonds	5/4/2023	9/1/2024	$1,000,000.00	$250.00	$250.00	6/6/2023
Rhode Island Infrastructure Bank	State Revolving Fund Series 2023A	6/13/2023	10/1/2053	$77,260,000	$19,315.00	$19,315.00	6/21/2023
Rhode Island Health and Education Building Corporation	University of Rhode Island Issue Series 2023	5/31/2023	9/15/2043	$15,440,000	$3,860.00	$3,860.00	6/21/2023
Rhode Island Student Loan Authority	Education Loan Revenue Bonds Series 2023	6/13/2023	12/1/2042	$85,790,000	$21,447.50	$21,447.50	6/21/2023
				Total Amount of Issuances	**PFMB Fee Due**	**PFMB Collected**	
				$1,017,697,240.00	**$254,424.31**	**$254,424.31**	

The Public Finance Management Board
Summary of Debt Issuance by Cities and Towns
Fiscal Year 2023

City or Town	Bond Issuance	Original Issue Amount	PFMB Fee Percentage	PFMB Fee Due	Total Fee Received	Date Received
Town of Scituate	General Obligation Bonds Series 2022 A	$2,250,000.00	0.00025	$562.50	$562.50	7/29/2022
City of Cranston	General Obligation Bonds, 2022 BANS	$57,030,000.00	0.00025	$14,257.50	$14,257.50	9/21/2022
Town of Cumberland	General Obligation School BANS Series 2022	$48,000,00.00	0.00025	$12,000.00	$12,000.00	8/23/2022
Town of East Greenwich	General Obligation Bonds Series 2022 A, B	$2,695,000.00	0.00025	$673.75	$673.75	11/10/2022
City of East Providence	General Obligation Tax Anticipation Notes, 2023 Series 1	$22,000,000.00	0.00025	$5,500.00	$5,500.00	3/9/2023
Town of New Shoreham	$8,000,000 General Obligation Bond Anticipation Notes	$8,000,000.00	0.00025	$2,000.00	$2,000.00	3/9/2023
Town of Bristol	General Obligation Clean Water Bonds	$7,810,000.00	0.00025	$1,952.50	$1,952.50	6/30/2023

The Public Finance Management Board
Summary of Debt Issuance by Cities and Towns
Fiscal Year 2023

City or Town	Bond Issuance	Original Issue Amount	PFMB Fee Percentage	PFMB Fee Due	Total Fee Received	Date Received
City of East Providence	Special Obligation Tax Increment Bonds Series 2022	$19,480,000.00	0.00025	$4,870.00	$4,870.00	6/30/2023
		Total Amount of Issuances		**PFMB Fee Due**	**PFMB Collected**	
		$167,265,000.00		**$41,816.25**	**$41,816.25**	

PFMB FY 2023 Meeting Minutes

Public Finance Management Board

Regular Meeting Minutes
December 8, 2022
9:00 a.m.
Webinar ID: 826 6465 9657

A meeting of the members of the Public Finance Management Board ("PFMB") was held on Thursday, Dec 8, 2022, at 9:00 a.m. in the Executive Conference Room of the DOA Building at 1 Capitol Hill, Providence, Rhode Island, pursuant to duly posted public notice of the meeting and notice duly provided to all members. Meanwhile, the meeting was podcast to the public via ZOOM.

I. Call to Order

The meeting was called to order at 9:04 a.m.

II. Roll Call of Members

The following members were present: Mr. Shawn Brown, Mr. Doug Jacobs, Ms. Maribeth Williamson, Mr. Robert Mancini, Mr. James Thorsen and Treasurer Magaziner. Mr. Joe Reddish was absent. Also in attendance: Treasurer-elect James Diossa; Charles Kelly and Noel Simpson, Rhode Island Student Loan Authority; Ms. Kara Lachapelle, and Bernadette MacArthur, Rhode Island Housing; Joshua Butera, Pannone Lopes Devereux & O'Gara LLC.; Mr. Seth Klaiman, Chief of Staff; Mr. Eric Baggesen, Chief Investment Officer; Mr. Frank Quinn, Director of Debt Management; and other members of the Treasurer's staff.

III. Approval of Minutes

On a motion by Ms. Williamson and seconded by Mr. Brown, it was unanimously:
VOTED: To approve the draft minutes of meeting held December 16, 2021.

IV. Request for Volume Cap Approval: Rhode Island Student Loan Authority

Mr. Kelley requested a $100 million dollar carryforward allocation and delivered comments on behalf of RISLA. Mr. Thorsen, Treasurer Magaziner, Ms. Williamson and Mr. Jacobs asked questions. Mr. Kelley responded to each question in turn.

On a motion by Mr. Jacobs and seconded by Mr. Mancini, it was unanimously:
VOTED: To allocate a portion of residual volume cap and allow carryforward of the same amount in the amount of $100,000,000 to Rhode Island Student Loan Authority.

Request for Volume Cap Approval: Rhode Island Housing

Ms. Lachapelle reviewed the performance of the Rhode Island real estate market during 2022. She highlighted how volume cap allocations allow RI Housing to continue its mission by supporting the housing and construction industries within Rhode Island. Mr. Jacobs asked a question. Ms. Lachapelle answered.

On a motion by Ms. Williamson and seconded by Mr. Mancini, it was unanimously
VOTED: To allocate a portion of residual volume cap and allow carryforward of the same amount in the amount of $235,115,000 to Rhode Island Housing.

V. Treasurer Addresses Board

Treasurer Magaziner thanked the board and staff for their work during his term in office.

VI. Executive Director & Staff Update

Mr. Quinn provided a brief review of the State General Obligation bond issue sold in October 2022 and noted the increase in interest rates over the sale last year. He also introduced the new Chief Investment Officer Mr. Baggesen.

VII. Provisional 2023 Meeting Schedule

Ms. Williamson inquired about the 2023 provisional meeting schedule. It was decided that pursuant to the Open Meetings law the schedule would be determined in early 2023 after the Treasurer-elect assumes office.

VIII. Adjourn

On a motion by Mr. Thorsen, it was unanimously:
VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 9:23 a.m.

Respectfully submitted,

Seth Magaziner,
General Treasurer

PFMB FY 2023 Ratings Reports

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State of Rhode Island

Ratings

Long-Term Issuer Default Rating	AA

New Issues

$162,450,000 General Obligation Bonds, Consolidated Capital Development Loan of 2022, Series A (Tax-Exempt)	AA
$60,300,000 General Obligation Bonds, Consolidated Capital Development Loan of 2022, Series B (Federally Taxable)	AA

Outstanding Debt

Rhode Island General Obligation Bonds	AA
Rhode Island Convention Center Authority Revenue Bonds	AA–
Rhode Island Lease Participation Certificates	AA–
Rhode Island Commerce Corporation (Historic Structures Tax Credit Financing Program) Revenue Bonds	AA–

Rating Outlook

Stable

Applicable Criteria

U.S. Public Finance Tax-Supported Rating Criteria (May 2021)

Related Research

Fitch Rates Rhode Island's $222MM GOs 'AA'; Outlook Stable (October 2022)

U.S. States — Labor Market Quarterly Tracker — 2Q22 (Employment Recovery Resilient Despite Recession Concerns and Inflation) (August 2022)

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New Issue Summary

Sale Date: On or about Tuesday, Oct. 18, 2022, via competitive sale

Series: $162,450,000 General Obligation Bonds, Consolidated Capital Development Loan of 2022, Series A (Tax-Exempt); and $60,300,000 General Obligation Bonds, Consolidated Capital Development Loan of 2022, Series B (Federally Taxable)

Purpose: New money proceeds will be used for various capital projects in Rhode Island (the state), including educational facilities, affordable housing, environmental projects and various initiatives approved in a spring 2021 voter referendum.

Security: The state's GO bonds are supported by a pledge of its full faith and credit.

Rhode Island's 'AA' Long-Term Issuer Default Rating (IDR) and GO rating are based on conservative and prudent fiscal management, and a moderate long-term liability position, offset by below-average long-term economic growth for a U.S. state. The rating also incorporates the state's institutionalized budget management practices featuring substantial spending control.

The 'AA–' rating for appropriation-backed debt, which is one notch below the state's 'AA' IDR, is based on the additional optionality for debt service paid from annual legislative appropriations.

Economic Resource Base: Rhode Island's economy, weighted toward education and health services, has grown slower than national trends over time with a somewhat weaker demographic profile than most states with below-average population growth. Fitch Ratings anticipates modest economic expansion as the state continues to emerge from coronavirus pandemic-driven uncertainty.

Key Rating Drivers

Revenue Framework: 'a': Fitch anticipates Rhode Island's revenues will grow modestly on a nominal basis over the long term given the agency's expectations for economic growth. The state has complete legal control over its revenues.

Expenditure Framework: 'aa': The state maintains ample expenditure flexibility with low carrying costs and the broad expense-cutting ability common to most U.S. states. Medicaid remains a key expense driver and a focus of expenditure control efforts. Moderate growth prospects for revenues temper Fitch's assessment of the natural pace of spending relative to expected revenue growth.

Long-Term Liability Burden: 'aa': Rhode Island's long-term liabilities are moderate but well above the median for U.S. states. Pension obligations exceed outstanding debt, driven in part by past funding practices and the state carrying a sizable share of teacher liabilities. Pensions have stabilized following statutory benefit and assumption changes a decade ago that were validated in court, while other post-employment benefits (OPEB) liabilities are declining given actuarial assumptions.

Operating Performance: 'aaa': Rhode Island has high gap-closing ability, wide-ranging budgetary management capabilities and a strong commitment to maintaining a prudent reserve through normal economic circumstances. Measures implemented over the past decade positioned the state to effectively deal with the pandemic's fiscal implications while maintaining a high level of financial flexibility.

Rating Sensitivities

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Stronger revenue growth prospects, including through material and sustained improvement in the state's long-term economic trajectory.


FACT Tools

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- Sustained reduction in combined debt and net pension liabilities (NPLs) to levels below 10% of state personal income.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Sharp deterioration in economic trends, with revenue growth prospects that challenge the state's revenue outlook and its ability to maintain structural balance and reduce the currently high level of financial flexibility.

Rating History

Rating	Action	Outlook/ Watch	Date
AA	Affirmed	Stable	10/6/22
AA	Affirmed	Stable	7/18/11
AA	Revised	Negative	4/5/10
AA–	Affirmed	Negative	3/4/09
AA–	Downgraded	Stable	10/14/08
AA	Affirmed	Negative[a]	11/20/07
AA	Affirmed	Stable	4/13/06
AA	Upgraded	—	9/9/99
AA–	Assigned	—	7/2/93

[a]Rating Watch.

Current Developments

Rhode Island Budgetary Update

The state's institutionalized budget management practices, including budgets that spend only 97% of forecast revenue, substantial spending control and a rainy day account routinely maintained at 5% of tax revenues, have positioned Rhode Island to absorb economic and fiscal cyclicality at the current rating level, including the lingering effects of the pandemic.

Rhode Island's fiscal 2022 budget performance outpaced expectations. Preliminary 2022 revenue data show particularly strong tax collections. General revenue collections of $5.2 billion came in $776 million (17.5%) ahead of the prior year. With projected general expenditures in line with revenues, the state projects a modest $28.7 million general revenue surplus, on top of a fully funded 5% budget stabilization reserve ($279 million), and over $700 million in budgeted additional one-time expenditures.

Enacted 2023 Budget Reflects Prudent Fiscal Outlook

Rhode Island's fiscal 2023 $4.9 billion general revenues budget is balanced and does not include significant long-term fiscal policy changes. The budget does provide a $44 million one-time child tax break and accelerates the phaseout of a motor vehicle excise tax with $231 million in supporting appropriations to local governments. The fiscal 2023 cost of the motor vehicle excise tax phaseout is $101 million more than the prior year. The budget also includes a modest $4 million revenue decrease from increased property tax exemptions.

Given strength at the close of fiscal 2022, the spending plan maintains the fiscal 2023 budget stabilization and cash reserve account at the required 5% of general revenue, or $245.6 million. Education aid increases $107 million (7%) from fiscal 2022 and remains fully funded in accordance with the revised formula the state recently phased in.

The state's fiscal 2023 $13.6 billion topline budget number is $273 million (2%) below the fiscal 2022 forecast. The budget reflects modest projected decreases in personal and corporate taxes, as well as $536 million in one-time use of federal pandemic aid in fiscal 2023. The state anticipates an additional $464 million in pandemic aid expenditures beyond fiscal 2023.

Credit Profile

Rhode Island Economic Update

Rhode Island's labor market contracted by 21% between March and April 2020, among the most severe drops for states and well above the nation's 15% decline in nonfarm payroll employment. The state's employment recovery was swift relative to the nation, but Rhode Island has only recouped just under 90% of the positions lost in 2020 through July 2022, versus 92% nationally. The state's official unemployment rate for the month of August 2022 was 2.8%, which was well below the 3.7% national unemployment rate. Notably, Rhode Island's employment-to-population ratio of 61.9% in August 2022 matches its pre-pandemic rate. For more information, see "U.S. States — Labor Market Quarterly Tracker — 2Q22 (Employment Recovery Resilient Despite Recession Concerns and Inflation)" at www.fitchratings.com.

Revenue Framework

Rhode Island's personal income tax (PIT) and sales and use tax (SUT) together account for approximately 67% of the state's general revenue receipts. The PIT alone makes up approximately 40%. Both revenue sources are economically sensitive and respond quickly to shifts in the state's economy. Recent steps to expand the tax base have been helpful, including adding software as a service (cloud-based software) and ridesharing to the SUT base and adjusting how state and local sales and hotel taxes apply to short-term rentals through hosting

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platforms such as Airbnb. The associated revenue increases are modest, but the changes better position the state to capture growing areas of economic activity.

Economic growth prospects, the key driver of revenue growth prospects, remain modest and below Fitch's expectations for the U.S. and most states. Revenue growth over the past 10 years has been robust, primarily reflecting the rebound from the deep Great Recession trough rather than long-term demographic and economic growth. The state has also made multiple policy changes in that time span, including most recently the expansion of the SUT to cover remote sellers, which has been particularly beneficial. Total fiscal 2022 SUT collections were approximately $1.5 billion, 31% above fiscal 2019 levels.

Fitch anticipates the long-term trend for revenue growth, adjusted for policy changes, will be slow and trail national long-term inflation, consistent with the agency's expectations for economic growth in the state. Revenue modernization efforts noted above could help improve the state's growth prospects if accompanied by steady economic improvement.

Rhode Island has no legal limitations on its independent legal ability to raise revenues through base broadenings, rate increases or the assessment of new taxes or fees.

Expenditure Framework

As in most states, education and health and human services spending make up Rhode Island's largest operating expenses. Recent increases in education spending relate to implementation of a revised funding formula for K–12 education, which the state has now phased in. Medicaid is the primary driver of health and human services spending.

Absent policy actions, the pace of spending growth is likely to be above the relatively tepid pace of anticipated revenue growth in Rhode Island, requiring proactive budget management to ensure balance. Controlling Medicaid spending had been a priority in recent years with some success in implementing cost-saving measures that lessened the growth trajectory in the existing program. Fitch will continue to monitor the state's ability to sustain these changes over time.

The fiscal challenge of Medicaid is common to all U.S. states, and the nature of the program, as well as federal government rules, limit the states' options in managing the pace of spending growth. Federal action to revise Medicaid's fundamental programmatic and financial structure does not appear to be a near-term priority of the current federal administration or congressional leadership. As with all federal initiatives, Medicaid remains subject to regulatory changes that could affect various aspects of the program.

While the pandemic increased enrollment and spending demands, growth thus far has been offset by enhancements in federal matching funds for Medicaid (federal medical assistance percentage, or FMAP). Enrollment growth has been predominantly in the Affordable Care Act expansion category, for which all states receive a more generous 90% FMAP from the federal government.

Rhode Island retains substantial flexibility to cut spending as needed, with the broad expense-cutting authority common to most U.S. states. Fixed carrying costs for debt and retiree benefits are above average for a state but still represent a low budget burden. Unlike most state and local governments, Rhode Island contributes the full actuarially determined contribution toward its OPEB, which has supported rapid growth in OPEB prefunding.

In late 2021, the state released its third biennial long-term liability burden study that covers both debt and retiree liabilities. Fitch anticipates that a regularly updated study, accompanied by enforcement of prudent management guidelines, will help the state preserve expenditure flexibility and effectively manage its long-term liability burden over time. The state plans on releasing its next report in 2023.

Long-Term Liability Burden

On a combined basis, Rhode Island's debt liabilities and NPLs as of Fitch's 2021 report on states' long-term liability burdens ("2021 State Liability Report", dated November 2021) totaled 11.9% of 2020 personal income, compared with a median of 4.7% across the states. Fitch's ratio includes tobacco settlement bonds and grant anticipation revenue vehicle (GARVEE) bonds issued by the state, as the leveraged revenues would otherwise be available for state operating purposes. Fitch notes that Rhode Island, like many states, does not include tobacco settlement and GARVEE bonds as part of its legal and policy calculations for tax-supported debt.

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While well above average for a U.S. state, Fitch considers the long-term liability burden a moderate long-term pressure. Rhode Island's debt position has been stable to declining, with disciplined debt issuance tied to liability affordability management policies and a focus on cash-funding of capital projects. A constitutional requirement to limit appropriated general revenue spending to 97% of forecast revenues helps provide resources to support capital spending on a current basis.

Planned additional debt will not materially affect Fitch's assessment of the state's long-term liability burden. Fitch anticipates issuance will take place in consideration of the state's affordability guidelines as outlined in its biennial long-term liability reports. Fitch estimates the state's outstanding debt and adjusted NPLs as of fiscal 2021 were approximately $7.4 billion.

Pension Liability Dominates

Fitch's pension liability calculations include 100% of the liability for state employees in the employees' retirement system (ERS), approximately 40% of the teachers' liability in ERS (the state's GASB 68 proportionate share), 100% of the liabilities for the judicial retirement benefit trusts and the state police retirement benefits trust. The ERS liabilities encompass over 90% of the NPLs attributed to the state by Fitch. Across all pension plans attributable to the state, reported plan assets to liabilities measured 53% as of fiscal 2021, based on a 7% investment return assumption for the major plans; when adjusted by Fitch to a 6% return, this ratio falls to 48.6%.

Comprehensive pension system changes in 2011 significantly reduced the unfunded liability and lowered annual employer contributions. The changes included limiting annual benefit COLA adjustments and introducing hybrid defined benefit and defined contribution plans. Litigation settlements regarding these and earlier pension changes preserved nearly all of the originally expected savings.

Operating Performance

Rhode Island retains significant flexibility to address cyclical economic and revenue downturns and has repeatedly demonstrated its commitment to maintaining a solid financial position. Rhode Island also benefits from structural budget features, including the governor's ability to reduce allotments and delay spending (pending legislative approval) and a statutory requirement to budget less than 100% of consensus revenue projections. The current 97% expenditure limit provides an annual 3% operating cushion relative to projected revenues, in line with the level of potential revenue cyclicality in a moderate economic downturn scenario, as calculated using Fitch's Analytical Stress Test model (FAST).

The state also maintains a budget reserve and cash stabilization account, providing an additional source of flexibility. Rhode Island drew on the reserve in fiscal 2009 at the height of the Great Recession. Up until the onset of the pandemic, the state had maintained the reserve at its statutory maximum (5% of general revenue following a 2006 voter-approved constitutional amendment). Following the pandemic, the strong revenue rebound allowed the state to fully restore the reserve in fiscal 2021 to the 5% constitutional level. The rainy day account is held in the general fund and classified as unassigned fund balance in the state's audited financial statements.

Prudent Management During Expansion Positioned the State Well

Conservative budget management, even in times of economic growth, reflects Rhode Island's commitment to fiscal prudence. During the pre-pandemic economic expansion the state ended most fiscal years with expenditures below, and revenues ahead of, the final amended budget.

Rhode Island also took steps to improve its fiscal flexibility during this period. As noted above, in 2011 the state enacted structural changes to its pension systems that materially reduced the liability and annual contribution requirements. In May 2017, the state's retirement board made various additional changes to its actuarial assumptions, including lowering the assumed rate of return on pension funds within its control to 7.0% from 7.5%. This level remains notably higher than the 6% assumption to which Fitch adjusts all pension plan liabilities.

COPs Rating Overview

The 'AA–' rating on the COPs is based on the credit quality of the state, as they are backed by lease rental payments to be made by the state acting by and through its department of administration, the state's central administrative, management and fiscal agency. Such

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payments, dependent upon annual legislative appropriations, are assigned to the trustee by a grantor trust for the benefit of the certificateholders. Lease payments, solely representing debt service, are made separately for each project under subleases. The subleases are annually renewable, although renewal is automatic upon appropriation.

Rhode Island Convention Center Authority Bonds Rating Overview

The 'AA–' rating on the bonds is based on the credit quality of the state, as they are backed by lease rental payments to be made by the state pursuant to a lease and agreement. Such payments, dependent upon annual legislative appropriations, include operating expenses of the authority (excluding depreciation) as well as debt service.

Historic Structures Tax Credit Financing Program Revenue Bonds Overview

Security for the Commerce Corporation's 2019 series A revenue bonds derives from annually appropriated payments from the state pursuant to a payment agreement entered into by the governor, treasurer, commerce corporation, director of the state department of administration, state controller and state budget officer. The payment agreement specifies that, in each fiscal year, Rhode Island Commerce Corporation will make a request to the state budget officer for appropriations of the amount necessary for bond payments. The governor covenants that such amount will be included in the executive budget proposal or in a supplemental budget proposal if the Rhode Island Legislature passes a budget without the funds appropriated.

Payments are due to the trustee five business days before the bond payment date. Principal payments are due May 1, providing ample protection against late budget adoption. There is no debt service reserve fund. The payment agreement remains in effect as long as bonds are outstanding and modification of the agreement requires bondholder consent. There is no lien or security interest on any property.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, due to either their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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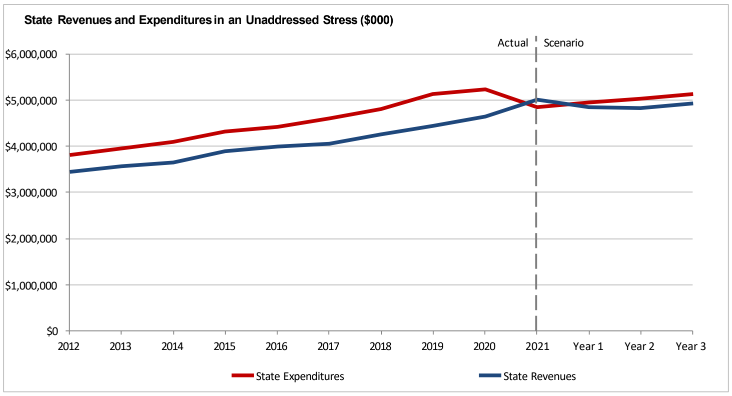
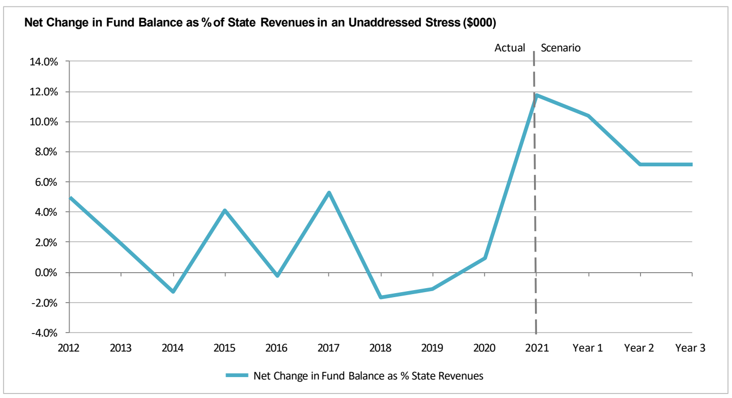
Rhode Island, State of (RI)

Scenario Analysis

Ver 36





Analyst Interpretation of Scenario Results

FAST Analysis for Rhode Island

The Fitch Analytical Stress Test (FAST) model relates historical tax revenue volatility to GDP to support the assessment of operating performance under Fitch's criteria. FAST is not a forecast, but it represents Fitch's estimate of possible revenue behavior in a downturn based on historical revenue performance. Hence, actual revenue declines will vary from FAST results. FAST does provide a relative sense of the risk exposure of a particular state compared to other states.

Rhode Island has robust financial resilience that allows it to absorb the budgetary effects of moderate economic downturns, while maintaining high levels of financial flexibility. The state's performance in the FAST model is modestly stronger than the U.S. states median reflecting Rhode Island's slightly lower historical susceptibility to national economic downturns. Specific potential areas of fiscal flexibility for the state are noted above and include the restored reserve fund, the sizable fiscal 2021 general revenue free surplus, available federal aid approved in various stimulus bills enacted over the past year and the 97% budgeting mechanism.

Scenario Parameters:			Year 1	Year 2	Year 3
GDP Assumption (% Change)			(1.0%)	0.5%	2.0%
Expenditure Assumption (% Change)			2.0%	2.0%	2.0%
Revenue Output (% Change)	*Minimum Y1 Stress:* -1%	*Case Used:* **Moderate**	(3.0%)	(0.5%)	2.0%

Revenues, Expenditures, and Net Change in Fund Balance	Actuals										Scenario Output		
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Year 1	Year 2	Year 3
Expenditures													
Total Expenditures	6,231,660	6,349,163	6,717,714	7,210,678	7,283,134	7,568,411	7,797,229	8,237,147	8,677,760	9,818,974	10,015,353	10,215,661	10,419,974
% Change in Total Expenditures	0.2%	1.9%	5.8%	7.3%	1.0%	3.9%	3.0%	5.6%	5.3%	13.2%	2.0%	2.0%	2.0%
State Expenditures	3,820,398	3,946,719	4,087,036	4,320,715	4,418,128	4,602,076	4,811,074	5,123,222	5,228,220	4,843,102	4,939,964	5,038,763	5,139,539
% Change in State Expenditures	4.0%	3.3%	3.6%	5.7%	2.3%	4.2%	4.5%	6.5%	2.0%	(7.4%)	2.0%	2.0%	2.0%
Revenues													
Total Revenues	5,859,078	5,965,671	6,282,276	6,787,820	6,860,125	7,012,513	7,240,711	7,547,006	8,096,088	9,979,091	9,930,141	10,007,578	10,206,560
% Change in Total Revenues	1.1%	1.8%	5.3%	8.0%	1.1%	2.2%	3.3%	4.2%	7.3%	23.3%	(0.5%)	0.8%	2.0%
Federal Revenues	2,411,262	2,402,444	2,630,678	2,889,963	2,865,006	2,966,335	2,986,155	3,113,925	3,449,540	4,975,872	5,075,389	5,176,897	5,280,435
% Change in Federal Revenues	(5.1%)	(0.4%)	9.5%	9.9%	(0.9%)	3.5%	0.7%	4.3%	10.8%	44.2%	2.0%	2.0%	2.0%
State Revenues	3,447,816	3,563,227	3,651,598	3,897,857	3,995,119	4,046,178	4,254,556	4,433,081	4,646,548	5,003,219	4,854,751	4,830,680	4,926,125
% Change in State Revenues	6.0%	3.3%	2.5%	6.7%	2.5%	1.3%	5.1%	4.2%	4.8%	7.7%	(3.0%)	(0.5%)	2.0%
Excess of Revenues Over Expenditures	(372,582)	(383,492)	(435,438)	(422,858)	(423,009)	(555,898)	(556,518)	(690,141)	(581,672)	160,117	(85,213)	(208,083)	(213,413)
Total Other Financing Sources	543,514	450,833	388,937	588,695	412,757	771,013	484,810	640,644	625,556	427,150	589,835	553,599	567,357
Net Change in Fund Balance	170,932	67,341	(46,501)	160,837	(10,252)	215,115	(71,708)	(49,497)	43,884	587,267	504,622	345,516	353,943
% Total Expenditures	2.7%	1.1%	(0.7%)	2.2%	(0.1%)	2.8%	(0.9%)	(0.6%)	0.5%	6.0%	5.0%	3.4%	3.4%
% State Expenditures	4.5%	1.7%	(1.1%)	3.7%	(0.2%)	4.7%	(1.5%)	(1.0%)	0.8%	12.1%	10.2%	6.9%	6.9%
% Total Revenues	2.9%	1.1%	(0.7%)	2.4%	(0.1%)	3.1%	(1.0%)	(0.7%)	0.5%	5.9%	5.1%	3.5%	3.5%
% State Revenues	5.0%	1.9%	(1.3%)	4.1%	(0.3%)	5.3%	(1.7%)	(1.1%)	0.9%	11.7%	10.4%	7.2%	7.2%

Notes: Scenario analysis represents an unaddressed stress on issuer finances. Fitch's scenario analysis assumes the GDP and expenditure growth sequence shown in the 'Scenario Parameters' section. For further details, please see Fitch's US Tax-Supported Rating Criteria.

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aa2 to Rhode Island's GO Consolidated Capital Development Loan of 2022 bonds; outlook stable

05 Oct 2022

New York, October 05, 2022 -- Moody's Investors Service has assigned a Aa2 rating to Rhode Island's $162.5 million General Obligation Bonds Consolidated Capital Development Loan of 2022, Series A (Tax-Exempt) and $60.3 million Series B (Federally Taxable). Moody's also maintains Aa2 ratings on the state's outstanding general obligation bonds and a Aa2 issuer rating on the state. The bonds are expected to price on October 18. The outlook is stable.

RATINGS RATIONALE

The Aa2 rating on Rhode Island's general obligation bonds is the same as the state's Aa2 issuer rating, given the state's pledge of its full faith, credit and taxing power and broad revenue base to pay the bonds. The Aa2 issuer rating incorporates its historically narrow but very stable financial position, which has been supported by strong fiscal management practices, including multi-year financial planning, consensus revenue forecasting and constitutional requirements for conservative budgeting and reserve set-asides. Strong management practices have helped to shore up the state's finances in the face of an economy that has long lagged the nation's and is accompanied by weak demographics and above-average combined debt, pension and OPEB liabilities. The state's economic activity and revenue growth has accelerated during the post-COVID recovery period, leaving the state with satisfactory cushion to weather moderate economic uncertainty and inflationary pressures.

RATING OUTLOOK

The stable outlook is based on our view that the state will continue to adhere to practices requiring active financial management and budget balance, resulting in quick budget actions and satisfactory budget flexibility.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Further reduction in overall liability levels

- Sustained economic performance in line with national trends

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Deterioration of state's liquidity position accompanied by worsening reserve and balance sheet position

- Return to budgeting practices that rely on significant nonrecurring resources

LEGAL SECURITY

The bonds are a general obligation of the state, backed by a pledge of its full faith and credit.

USE OF PROCEEDS

The 2022 Series A and Series B bonds will be used to finance various capital projects of the state.

PROFILE

Rhode Island has a population of 1.096 million, the 44th largest. The economy is commensurately small, with a 2021 GDP of $65.9 billion and total personal income of about $67.9 billion, ranking 43rd nationally.

METHODOLOGY

The principal methodology used in these ratings was US States and Territories Methodology published in March 2022 and available at https://ratings.moodys.com/api/rmc-documents/356901 . Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

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Rhode Island; Appropriations; General Obligation; Moral Obligation

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US$162.45 mil GO bnds cons cap dev loan (Tax-Exempt) ser 2022A due 08/01/2042		
Long Term Rating	AA/Stable	New
US$60.3 mil GO bnds cons cap dev loan (Federally Taxable) ser 2022B due 08/01/2032		
Long Term Rating	AA/Stable	New
Rhode Island GO		
Long Term Rating	AA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to the State of Rhode Island's estimated $162.45 million consolidated capital development loan of 2022, series A (tax-exempt) and estimated $60.3 million consolidated capital development loan of 2022, series B (taxable).
- At the same time, S&P Global Ratings affirmed its 'AA' rating on Rhode Island's approximately $1.3 billion in general obligation (GO) debt outstanding.
- In addition, we affirmed our 'AA-' long-term rating on the state's existing appropriation-backed debt, and our 'A' long-term rating on the Rhode Island Commerce Corp..'s (RICC) moral obligation-backed bonds outstanding, based on the application of our "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" criteria (RLOC), published Nov. 20, 2019.
- The outlook on all ratings is stable.

Security

The GO bonds are backed by the state's full faith and credit, which are irrevocably pledged to make principal and interest payments on the bonds. The affirmation of the appropriation-backed obligations and moral obligation-backed bonds reflect appropriation risk from application of our RLOC criteria.

Rhode Island will use proceeds from the 2022 series A and B capital development loan to fund capital projects for education, environmental needs, economic development, and to pay costs of issuance.

Credit overview

The rating reflects our expectation that Rhode Island will continue to demonstrate strong financial management and budget oversight and implement structural budget adjustments, when necessary, in response to potential economic and financial uncertainty over the outlook horizon. At the same time, we view the state's quick rebuilding of reserves in the past two fiscal years and its commitment to preserving balances in its budget reserve and cash stabilization account above its 5% statutory requirement, which we view as good, as underpinning its financial stability. Rhode Island's fiscal 2023 enacted budget estimates indicate a 5.9% decline in general fund revenues (compared with estimated fiscal year-end 2022 results) to $4.9 billion, to account for potential anomalous revenue collections realized in the previous years and slower near-term economic growth conditions. However, over the first two months of the fiscal year, the state's general revenue continues to trend favorably, performing approximately 6% above the enacted fiscal 2023 budget, providing the state with an additional revenue cushion to weather the effects of inflationary pressures and tightening monetary policy that could constrain near-term national and state economic growth prospects.

Fiscal year-end 2022 unaudited preliminary results show general revenues of $5.21 billion, or approximately 15% and $656 million above the $4.55 billion in the original enacted 2022 budget, largely due to strong performance across its primary revenue sources. Based on these results coupled with tight expenditure management, Rhode Island estimates that it will end fiscal 2022 with an operating surplus, adding $52.1 million to its budget reserve and cash stabilization account reserve. Its unaudited fiscal year-end balance is $279.1 million (unaudited), which we consider good, at 5.4% of estimated general revenues.

We have historically viewed the state's pension and other postemployment benefit (OPEB) liabilities funding levels as low and its pension funding discipline as adequate; however, the state has instituted reforms to reduce its unfunded post-retirement liabilities. The Employee Retirement System of Rhode Island (ERSRI) reported robust investment returns totaling approximately 27.7% in fiscal 2021, resulting in an improved overall pension funded ratio at market value of assets of 65.9% (measured as of June 30, 2021) from 54.2% in the previous fiscal year, albeit still relatively weak. At the same time, Rhode Island's share of the net pension liability across all plans is moderate, in our view, at 3.9% of personal income in 2021. Due to softening investment conditions, the state estimates investment returns of negative 1.4% (through June 30, 2022), which outperformed broader market declines. Notwithstanding this, we expect investment returns could erode further due to significant market volatility and declines in recent months, which could temper the state's investment performance and pension funded ratio in fiscal 2023 (see "Pension Brief: 2022’s Down Markets Reverse 2021’s Unprecedented Gains For U.S. Public Pension Plans," June 9, 2022).

The rating reflects our view of factors affecting Rhode Island's general creditworthiness, specifically the state's:

- Strong budget framework and good financial management, including a statutory balanced budget requirement, continuing appropriation provisions that allow the state to fund operations and appropriate for debt service in the event of late budget adoption, and use of long-term financial planning that assists in identifying current and out-year structural deficits to inform the annual budget process;
- Historically steady budgetary performance, with the state outperforming enacted annual budgets despite transitory weakness in fiscal 2020 due to the COVID-19 pandemic, supported by revenue growth during a long economic expansion and the state instituting expenditure adjustments to balance current-year budgets and reduce large out-year budget gaps; and
- Stable reserve and liquidity position, and Rhode Island's statutory commitment to funding budget reserves in alignment with its 5% statutory requirement, demonstrated by a budget reserve and cash stabilization account exceeding 5% in fiscal years 2022 (unaudited) and 2021 when the state replenished its budget reserve and cash stabilization account following a draw and transfer to the general fund in fiscal 2020.

Credit factors that somewhat mitigate the preceding credit strengths include our opinion of the state's:

- Adequate economic profile, with gross state product (GSP) and labor market growth conditions that have consistently lagged the U.S. growth rate and exhibited slow post-recession recovery, as well as stagnating population growth trends that persistently lag those of the nation, although wealth and income indicators remain more closely aligned with the U.S. average; and

- Moderate debt burden and low pension funding levels despite improvement in fiscal 2021 due to strong investment returns, with pension funding discipline that we view as only adequate historically, coupled with market returns that have fallen short of our minimum funding progress metric and could continue to lead to unanticipated cost increases under more subdued market return conditions.

Environmental, social, and governance

ESG credit indicators: E-2, S-2, G-2

Environmental, social, and governance (ESG) factors have an overall neutral influence on our credit rating analysis for Rhode Island. The vast 400-mile coastline adjacent to Narragansett Bay and the northern Atlantic Ocean exposes the state to acute physical risks (such as hurricanes), and chronic physical risks (sea level rise) that could affect its economic profile. However, key mitigants include proactive and strategic resiliency action planning in state agencies, capital investments to harden critical infrastructure, and initiatives to reduce greenhouse gas emissions. Furthermore, we view social risks as somewhat elevated, albeit they have a neutral influence on our credit rating analysis, with demographic pressures stemming from slowing population growth, net out-migration, and an aging workforce that might alter service demands and limit future economic growth prospects.

Outlook

The stable outlook reflects our view of Rhode Island's active budget management, underscored by its multiyear financial and caseload forecasting and robust policy framework to anticipate current and out-year structural gaps, which remains integral to navigating the current economic cycle and potential near-term economic headwinds due to inflationary pressures and tightening monetary policy that could constrain economic prospects.

Downside scenario

We could take a negative rating action if Rhode Island's economy significantly underperforms forecast expectations, resulting in a sustained weakening of its core economic metrics compared with the U.S. average, and if, at the same time, the state's budgetary performance worsens to the point that active budget management proves insufficient to close projected out-year structural deficits, resulting in deterioration of reserve and liquidity. In addition, should asset underperformance weaken the state's pension funding level and material increases occur to the unfunded pension and OPEB liabilities, causing annual contributions to rise to a point that we believe will compound budgetary pressures, we could lower the rating.

Upside scenario

If Rhode Island's core economic metrics improve to levels well above the U.S. average, and growth in the state's economic and demographic conditions improves in a way that we believe is sustainable and better insulated from potential cyclical economic pressures, we could consider a positive rating action. This would likely occur in conjunction with Rhode Island demonstrating disciplined management of pension and OPEB liabilities that results in sustained improvement to funding levels, and preserving structural budget stability--including maintenance of stable reserve balances and liquidity--while managing potential tail-end revenue cliffs and out-year structural gaps that form as extraordinary federal stimulus and transfer payments decline.

Credit Opinion

We have assigned a total score of '1.9' to Rhode Island under our state ratings methodology, in which '1.00' is the strongest score and '4.00' the weakest. This score corresponds to an 'AA' rating.

Government Framework

Rhode Island's fiscal year begins on July 1. Rhode Island has a requirement that the governor and legislature prepare and enact balanced budgets, although this has sometimes included the use of nonrecurring free surplus and fund balance to close identified budgetary gaps. If a new budget is not enacted by June 30 of the previous fiscal year, the state can enter a new fiscal year under a continuing appropriation provision, which gives it the ability to spend up to 1/12th of its previous year's budget each month until the enactment of a new fiscal budget. Debt service on GO bonds is not subject to these limitations and is appropriated in full.

In our view, the state has significant revenue-raising flexibility to increase tax rates to broaden the base of its major tax revenues and adjust discretionary expenditures, although there are some limitations on its ability to reduce health care and education spending. It can raise income and sales tax rates and broaden the base with a simple majority vote of the legislature, and revenue measures do not require voter approval. One area of discretionary expenditure flexibility is Rhode Island's flexibility to adjust and reduce local government and school aid and the state has demonstrated its ability to maintain a balanced financial position by cutting these expenditures. The state can also adjust disbursements to a later time within the fiscal year, which provides it with time to address potential revenue shortfalls and preserve cash flow stability.

Under the Rhode Island Constitution, the legislature has no power to incur GO indebtedness above $50,000 without voter approval, except under extraordinary circumstances. Beyond the referendum process to issue GO debt, there is limited use of the voter initiative process in the state. Each act under which the bonds are issued provides an appropriation from the treasury of a sum sufficient amount to pay annual debt service. Debt service can be paid by the General Treasurer in the absence of an appropriation budget, but there is no other priority for the payment of debt before other general state expenditures.

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

Financial Management

Financial Management Assessment (FMA): Strong

S&P Global Ratings considers Rhode Island's financial management practices strong under its FMA methodology, indicating practices are strong, well embedded, and likely sustainable.

The state conducts a revenue estimating conference (REC) multiple times a year (typically November and May), using forward-looking revenue and economic forecasts as the basis for setting its annual budget. Once it has adopted the budget, it monitors its revenues closely. Monthly monitoring and reporting of key revenues allow Rhode Island to make midyear financial adjustments if necessary to maintain balance. Furthermore, the state's use of a five-year financial plan, which it updates annually with the adopted budget, provides the basis for future fiscal decisions and identifies out-year gaps resulting from expenditure growth or prior-year policy changes. Rhode Island produces a five-year capital plan that outlines expected capital requirements statewide and identifies funding sources. Its investment management practices are conservative and actively adhered to. Although it does not have a formal debt management policy, Rhode Island, through the Public Finance Management Board, provides assistance and monitors debt issuance to ensure that state tax-supported debt levels stay within recommended guidelines, including debt as a percentage of personal income (4%) and debt service as a percentage of general revenue (7%). The board releases a new debt affordability study biennially. The state also funds its budget reserve and cash stabilization account at 5% pursuant to a 2006 voter-approved constitutional amendment.

Budget management

We consider the state's budget management good, featuring the consensus revenue and caseload forecasting committee that meets at least twice a year and can be convened at the request of any member. The REC consists of the chief fiscal staff of the offices of the executive branch and the two houses of the legislature. Rhode Island's structural budget performance remained solid in fiscal years 2021 and 2022 following significant revenue growth and budget outperformance, although there was a material deficit and draw on reserves in fiscal 2020 due to the effects of the pandemic; however, the state subsequently replenished its rainy day budget reserve and cash stabilization account above 5% in fiscal 2021. Nonetheless, the state's estimates of out-year structural deficits in its fiscal 2023 budget proposal total $215.3 million in fiscal 2024, $205.9 million in fiscal 2025, $191.7 million in fiscal 2026, and $181.6 million in fiscal 2027. We consider service levels somewhat flexible, and the state has made cuts in its local aid structure in recent years to balance the budget.

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

Budgetary Performance

In our view, Rhode Island's budgetary performance is supported by the state's budget reserve and cash stabilization account, which the state may use in an emergency involving the health, safety, or welfare of the state or in the event of an unanticipated deficit caused by a shortfall in general revenue receipts. Prior to 2009, the budget reserve and cash stabilization account was set at 3% of general fund revenue, although subsequent constitutional changes increased the level of the reserve account to 5% of general fund revenue. Furthermore, the constitutional changes limited annual appropriations to not exceed 97% of estimated revenues, which, in our view, provides Rhode Island some budgetary flexibility to address potential shortfalls in revenue. When the account reaches its 5% level, excess amounts flow to the Rhode Island Capital plan fund to fund pay-as-you-go capital projects, while any draws on the account require the state to replenish the amount drawn to the budget reserve and cash stabilization account in the subsequent year.

In our view, the state's liquidity needs have been predictable over the past decade, although the cash flow needs have required tax anticipation note issuance during periods of economic and revenue declines. The notes have been issued and repaid within the same fiscal year. Due to the deferral of the federal tax deadline to July 15, 2020 from April 15, 2020, the state activated the Disaster Emergency Funding Board in March 2020 to authorize two privately placed lines of credit (not rated) to secure up to an additional $300 million external liquidity. It temporarily borrowed $35 million and repaid the draws on the lines of credit. In the first quarter of 2021, Rhode Island terminated the two lines of credit; it has no lines of credit currently outstanding. The additional liquidity provided by the $1.25 billion federal CARES Act allotment reduced the state's borrowing needs in fiscal years 2020-2022.

We view Rhode Island's revenue base as broad and diverse overall, albeit with some exposure to cyclicality during economic downturns. Net of federal grants and other intergovernmental receipts, individual income tax receipts comprise Rhode Island's largest general revenue fund source, totaling 36.5% of fiscal 2021 collections. Sales and use taxes are the second-largest source, accounting for 34.4% of general revenue receipts for fiscal 2021. General business taxes (11.3%), other departmental revenue (9.1%), and annual transfers from the state's lottery fund (6.8%) comprise the next largest shares of general revenue.

Fiscal 2021 audited results (generally accepted accounting principles basis audit)

On a GAAP basis, Rhode Island reported a general fund surplus of $306.5 million, net of transfers and proceeds from bond financings, for fiscal year ended June 30, 2021. In addition, it restored its budget reserve and cash stabilization reserve to $227.9 million at fiscal year-end (June 30, 2021), or 5.1% of general revenues, which we view as strong. In fiscal 2020, the state transferred $120 million from the budget reserve and stabilization account to the general fund, drawing down the balance to $90.7 million, or 2.23% of general revenues as it contended with significant economic and revenue declines and related expenditures pressures attributable to the pandemic. The state appropriated for the restoration of reserves in fiscal 2021, demonstrating its commitment to rebuilding targeted reserves at or above 5%, even during historically weak economic cycles or periods of fiscal uncertainty.

Rhode Island operated under a supplemental month-to-month budget for the first five months of fiscal 2021, delaying action in anticipation of additional federal aid, and then enacted the budget in January 2021. Despite this delay, it continued to fund operations at the previous year's level and fully appropriate for debt service. At fiscal year-end 2021, Rhode Island reported net general revenues increased $373 million, or 9.2% above fiscal 2020 and 5.1% above the enacted budget. This is due largely to strong performance in personal income taxes (4.9% above budget), certain general business taxes (75.2% above budget), and sales and use tax (3.8% above budget). Furthermore, general revenues also outperformed relative to budget due to $212.7 million in Federal Emergency Management Agency (FEMA)-eligible expenses, which the state received reimbursement for in fiscal 2022.

Fiscal 2022 budget (current-year projections)

Fiscal year-end 2022 unaudited preliminary results show general revenues of $5.21 billion, or approximately 15% and $656 million above the $4.55 billion in the original enacted 2022 budget, largely due to strong performance across primary general revenue sources. Based on strong revenue performance and tight expenditure management, the state estimates that it ended fiscal 2022 with an operating surplus, and a reserve balance in its budget reserve and cash stabilization reserve of $279.1 million (unaudited), which we consider good, at 5.4% of estimated general revenues. This reflects an increase from the budget reserve and cash stabilization reserve of $227.9 million or 5.1% of general revenues at the end of fiscal 2021.

Fiscal 2022 general revenue fund expenditures totaled $5.24 billion, or $256.3 million less than budget, primarily due to the allocation of surplus funds for nonrecurring expenses and $244 million in FEMA-eligible expenses, which the state expects will be reimbursed in fiscal 2023 upon FEMA approval. These significant nonrecurring expenses include supplemental contributions to: Rhode Island Capital Plan Fund ($563 million); Information Technology Investment Fund ($75 million); state pension system (ERSRI) to offset deferrals made in 1991 and 1992 still amortized in the pension fund valuation ($61.8 million); and state match associated with the Clean/Drinking Water Fund, which has historically been financed with GO bonds ($21.9 million). Preliminary year-end unaudited results materially outperformed the fiscal 2022 enacted budget, supported by the state's conservative budgeting assumptions and expense management practices, with actual results historically exceeding budgeted figures.

Fiscal 2023 enacted budget

On June 27, 2022, the governor signed the fiscal 2023 budget into law, including a general revenue fund budget spending plan totaling $4.9 billion, a decrease of 3.3% from the previous year's enacted budget, mainly spurred by lower forecast personal income taxes. The state budgeted for a decrease of $450.6 million, or 8.2%, in net general revenue fund expenses compared with the fiscal 2022 final enacted budget. The enacted budget reflects modest tax relief measures, which include a one-time tax rebate to families with children ($43.8 million) and circuit-breaker property tax relief enhancement ($3.8 million). It also includes a multiyear appropriations plan for the remainder of the $1.13 billion state fiscal recovery fund and $112.3 million of the capital projects fund awarded under the American Rescue Plan Act (ARPA). This money will be allocated to address pandemic-related costs over a six-year period (fiscal years 2022–2027) with approximately $535.9 million appropriated in fiscal 2023. In addition to the $119 million previously appropriated, the enacted 2023 budget allocates ARPA funding across 47 projects in the following categories: housing ($250 million), public health ($188.2 million), aid to small business and affected industry ($161 million), economic and workforce development ($130 million), climate ($120 million), children/families/education ($115.4 million), and behavioral health ($46.1 million). However, the fiscal 2023 budget does not appropriate reserves to balance operations, and it projects a year-end fiscal 2023 balance in the budget reserve and cash stabilization account totaling $245.6 million, or 5% of general revenues, demonstrating the state's commitment to maintaining targeted reserves at or above 5%, even during weak economic cycles or periods of fiscal uncertainty.

In our view, despite economic headwinds due to inflationary pressures and tightening monetary policy, Rhode Island is in a solid position to respond based on its out-year financial forecasting beyond fiscal 2023 as it assesses future economic and revenue estimates to mitigate any potential downside risks to core services. The state's most recent financial forecast from the fiscal 2023 budget proposal estimates structural operating deficits totaling $215.3 million in fiscal 2024, $205.9 million in fiscal 2025, $191.7 million in fiscal 2026, and $181.6 million in fiscal 2027. Rhode Island's projected deficits have moderated more in line with pre-pandemic figures, in our opinion, as the economy has recovered. Furthermore, the state has demonstrated an ability to address these deficits in the budget process annually. Therefore, its ability to manage its budget proactively and make timely adjustments to service levels to protect against structural imbalance, particularly given potential softening economic conditions, will remain important to long-term credit quality.

In September 2022, a federal judge issued an adverse opinion requiring the state to halt truck tolling related to its RhodeWorks program. In fiscal 2022, truck tolling for RhodeWorks results in $39.8 million in revenue from 10.3 million transactions. We view the elimination as relatively de minimis relative to Rhode Island's overall $4.9 billion fiscal 2023 budget , particularly given year-to-date actual general revenues are trending favorably, approximately 6% above the enacted fiscal 2023 budget.

On a scale of '1' (strongest) to '4' (weakest), we have assigned a '1.7' score to Rhode Island's budgetary performance.

Economy

With approximately 1.1 million residents in 2021, Rhode Island is the 44th-most-populous state in the nation and the smallest state by land area. Its largest city is Providence, the state capital and the primary center of economic activity.

Economic metrics improved as Rhode Island's economy fully reopened, boosting employment and jobs across sectors. Unemployment recovered to 3.3% as of August 2022, according to S&P Global Market Intelligence, compared with peak unemployment of 17.4% in April 2020. As of August 2022, the state estimates that it had regained about 92% of the estimated 108,100 jobs lost at the peak of the pandemic, largely from leisure and hospitality and other service-based sectors. S&P Global Market Intelligence projects annual GSP growth for Rhode Island could be slower than that of the nation's GDP from 2022 to 2025, and it estimates Rhode Island's GSP recovered about 5.5% in 2021, slightly slower than the 5.7% recovery in real GDP for the nation. Despite the favorable recovery thus far, we see possible dampening of economic fundamentals as weaker macroeconomic conditions take hold, with our report "Economic Outlook U.S. Q4 2022: Teeter Totter," published Sept. 26, 2022, pointing to a shallow recession in the first half of 2023. S&P Global Economics now expects GDP growth will decelerate to just 0.2% in 2023, given continued higher prices and borrowing costs as cumulative rate hikes take hold. The U.S. unemployment rate will climb to 4.8% by the end of 2023, peaking to 5.7% by early 2025. While we see the unemployment rate decelerating from its peak, it won't reach its current rate through 2026. Although shallow, the technical recession (a broad-based, sharp reduction in economic activity as defined by the National Bureau of Economic Research) that we now expect for the U.S. economy reflects continued supply disruptions and a larger spike in prices that has led to the Fed front-running interest rate action into early 2023. While inflationary price pressures, equity and real estate market declines, and a potential rise in unemployment could affect growth for Rhode Island in the near term, the state's current assumptions in its revenue forecast reasonably incorporate potential downside risks, in our view.

In our opinion, the state's economy is diverse and generally in line with the U.S., but it exhibits some employment concentration in education and health services, which account for 21.3% of total employment in 2021 compared with the national rate of 16.1% for this sector. However, this sector concentration, in our view, has provided a degree of stability to the state's economic base. In addition, Rhode Island's trade, transportation, and utilities (15.6%) and professional and business (14.3%) sectors also provide substantial employment in the state. Top private-sector employers include: Lifespan Health, CVS Health, Care New England Health System, Citizens Financial Group, General Dynamics (Electric Boat), Brown University, Naval Undersea Warfare Center, and Fidelity Investments.

S&P Global Ratings considers managing demographic trends a long-term factor affecting the economic conditions of state governments (including Rhode Island). Rhode Island's population peaked at 1.075 million in 2004 and since then has stagnated, increasing a modest 2.0% to 1.096 million in 2021. On a 10-year basis, the state population's compound annual growth rate is just 0.03% compared with 0.63% for the nation. S&P Global Market Intelligence projects that Rhode Island's population and labor force will remain a drag on growth potential, with population growth and labor force growth averaging 0.2% and 1.1%, respectively, though 2025.

Rhode Island's age-dependency ratio was 58.9% in 2020 or 4.9% lower than that of the U.S. However, over the next decade, S&P Global Market Intelligence projects that the state's population will likely shift and lean more heavily toward the over 65-year-old cohort. Adding to this issue is S&P Global Market Intelligence's expectation that Rhode Island's prime working-age adult population will contract slightly on average over the next 10 years. We expect that during this time, labor market growth will continue slowly, and be among the slowest in the nation, while the median population age will gradually increase from 40.6 years in 2021. We will continue to monitor how aging demographics in the state influence Rhode Island's economic growth trajectory and its potential effect on service demands as the over 65-year-old cohort increases.

Rhode Island's wealth and income indicators are in alignment with or slightly below with the U.S. average, although slower statewide growth relative to U.S. levels could create or widen gaps over time. State per capita personal income increased by 5.6% to $61,942 in 2021, and per capita personal income was 98% of the national average in 2021, down from 99% in 2020. In addition, state real GSP per capita was $60,185, or approximately 87% of the U.S. level. Growth in personal income and GSP per capita was below the U.S. average in most of the past 10 years. We believe personal income increases could be partly attributable to enhanced federal transfer payments and stimulus funds to individuals during the pandemic, and not an expectation that personal income or state real GSP trends will be sustained. S&P Global Market Intelligence forecasts that the state's real GSP will increase by an average of 1.1% over the next four years, compared with 1.5% for the nation over the same period.

On a scale of '1' (strongest) to '4' (weakest), we have assigned a '2.5' score to Rhode Island's economy.

Debt And Liability Profile

Tax-supported debt

While Rhode Island's Constitution does not limit the amount of GO debt to be issued, obligations may be authorized only with voter approval at a general or special election. In March 2021, the electorate authorized $400 million in additional GO debt, with the largest share of additional debt to be used for improvements to higher educational facilities; beach, clean water, transportation, and green economic initiatives; housing and community opportunities; and industrial facilities infrastructure. Following the issuance of the series 2022A and series 2022B bonds, the state will have approximately $218.25 million in remaining authorized but unissued debt that may be issued in the near term for various projects as part of its overall capital planning structure, but we do not expect future issuances will modify our view of the state's debt profile. The 2023 enacted budget appropriates $578 million in surplus general revenue to the capital plan fund, reducing the amount needed from debt financing, which we view favorably.

As of June 30, 2021, Rhode Island has approximately $2.12 billion in tax-supported debt outstanding, of which approximately $1.31 billion is GO debt, and approximately $572.5 million are capital and departmental lease obligations subject to the state's annual appropriation. The state also has approximately $228.4 million of revenue bonds issued and supported by revenues collected by underlying authorities. Tax-supported debt ratios--including appropriation debt--at the end of fiscal 2021 are moderate, in our view, at about $1,936 per capita, an estimated 3.1% of state personal income, and 3.2% of real GSP. Debt amortization is rapid, in our opinion, with approximately 70% of tax-supported debt principal due to be repaid in 10 years. Tax-supported debt service as a percentage of operating expenditures was 6.3% as of June 30, 2021, which we view as moderately high, up from 5.7% in fiscal 2020.

The state has three private placement agreements. The first related to the purchase of the I-195 surplus land. The direct purchase includes provisions that would trigger an event of default if the rating falls below 'A-'. The second is the series 2015A RI Commerce Corporation Historic Structures Tax Credit Financing Program bonds. The third is the consolidated capital development loan of 2022, refunding series 1, which was privately placed with Morgan Stanley with terms and provisions on parity with the state's GO bonds. Given the rating on the state and the limited amount of debt outstanding under the loan agreements ($30.2 million for I-195, $18.3 million for the 2015A bonds, and $43.24 million for the 2022 loan), we do not factor this as a contingent liability.

Pensions and OPEB obligations

When determining the state's liabilities, we view in aggregate the state's proportionate share of liabilities in the three defined-benefit pension plans administered through ERSRI for which it reports a liability: the Employees' Retirement System (ERS), the Judicial Retirement Benefits Trust (JRBT), and the State Police Retirement Benefits Trust (SPRBT). The state contributes to the Rhode Island Judicial Retirement Fund Trust on a pay-as-you-go basis, which covers seven judges appointed prior to Jan. 1, 1990. Under state law, ERSRI is required to contribute 40% of the cost of providing retirement benefits for teachers covered by ERS. The state's OPEB system is administered by the OPEB Board and includes postretirement health benefits across six plans for state employees (including certain employees of the Narragansett Bay Commission, Rhode Island Airport Corporation, and Commerce RI), certified public school teachers, judges, state police officers, retired and former members of the Rhode Island General Assembly, and certain employees of the state colleges.

- We view the state's pension funding levels as weak at 65.9% as of June 30, 2021, although we view its pension funding discipline as adequate, given the state's use of actuarially based assumptions, and contributions have met the actuarially determined contribution (ADC) for all pension plans over the past decade. However, we calculate that plan contributions fall short of our minimum funding progress metric.
- While we still view OPEB liabilities as moderate, the state has made progress on funding its OPEB obligations, partially due to flexibility to implement assumption changes and to prefund its OPEB trust.

Pension liabilities

In our opinion, Rhode Island is in an adequate position to manage its pension liabilities. In the past 19 fiscal years it has committed to paying its full ADC across all its plans. As of June 30, 2021, its overall average pension-funded ratio across all plans was 65.9%, which we view as weak. The three-year average pension funded ratio also improved marginally to 58.2% in 2021 from 53.7% in 2018. The total unfunded liability of all plans is about $2,407 per capita, or 3.9% of state personal income, which we consider moderate.

In fiscal 2022 (unaudited), the state provided full funding of the ERSRI ADC, and a supplemental $61.8 million contribution to offset previous deferrals. The state contributes directly to the ERS plan for state employees, SPRBT, and Judicial Retirement Benefits Trust; and a 40% share of the liability for teachers. Investment returns in fiscal 2021 were robust at about 27.7%, resulting in an improved-but-weak overall pension funded ratio of 65.9%, per our calculations, for the ERS plans as of June 30, 2021, up from 54.2% in fiscal 2020. We consider Rhode Island's share of the net pension liability across funds as moderate at 3.9% of personal income in fiscal 2021. The state estimates investment returns of negative 1.4% for fiscal 2022 through June 30, outperforming compared with broader market declines. Nonetheless, we expect investment returns have likely eroded due to significant market volatility and declines in recent months, which could temper the state's investment performance and pension funded ratio in fiscal 2023 (see "Pension Brief: 2022’s Down Markets Reverse 2021’s Unprecedented Gains For U.S. Public Pension Plans," June 8, 2022).

Active plans representing a significant portion of the state's pension liability as of June 30, 2021 (measured on a GASB 67 basis), include:

- Employees' Retirement System (state employees): 63.2% funded, with the state's applicable total pension liability of $4.84 billion, and a reported fiduciary net position of $3.06 billion, which results in a net pension liability of $1.78 billion.
- Employees' Retirement System (teachers): 66.5% funded, with the state's applicable total pension liability $7.03 billion, and a reported fiduciary net position of $4.67 billion, which results in a net pension liability of $2.35 billion.
- SPRBT: 98.4% funded, with the state's applicable total pension liability $199.56 million, and a reported fiduciary net position of $196.30 million, which results in a net pension liability of $3.25 million.
- JRBT: 107.7% funded, with the state's applicable total pension liability $94.11 million, and a reported fiduciary net position of $101.37 million, which results in a net pension asset of $7.26 million.

The state's funding policy for ERS is actuarially based on an entry age normal cost method and is set as a level percentage of payroll, and the actuarial valuation informs ERSRI when determining contribution rate and assumptions annually. The system does not project an asset depletion date under GASB 67, which we believe is reasonable. The plans have a closed amortization period, with 18 years remaining for ERS state employees and 20 for ERS teachers. Despite the ERSRI plans' weak funding levels, we believe the system made incremental assumption changes to reflect more realistic conditions relative to the sector. An experience study, which is completed at least every four years, incorporates trends that inform its actuarial assumptions.

Overall, management factors and actuarial inputs do not significantly encumber or improve our view of the state's overall pension funding discipline. The Rhode Island General Assembly passed the Rhode Island Retirement Security Act of 2011 (RIRSA) in 2011. In our opinion, pension reforms and resulting settlement are significant for the state's overall credit profile, as the act made significant changes to substantially all the plans ERSRI administers. The legislation underwent legal challenges but these were subsequently settled. The pension settlement, effective July 1, 2015 through the enactment of the new RIRSA, allows the 55,500 affected employees to receive increases in their benefits, while at the same time, preserving approximately 90% of the savings anticipated from the pension reforms. A pending case initiated by the Rhode Island State Troopers Association and Rhode Island Troopers Association has not been settled. While that lawsuit also only challenges the constitutionality of RIRSA (prior to the amendments), the benefits at issue are ones paid from and pertaining to SPRBT rather than ones paid from any of the other plans. In March 2020, a class action case challenging RIRSA was filed against the state and ERSRI, but the case is pending with no timeline for resolution.

We view the current assumed rate of return of 7.0% as in line with the national median, but believe it may result in a modest degree of contribution volatility over time, given current performance, as we generally view a lower discount rate as more sustainable for mitigating sharp declines in market conditions. The system's five-year investment returns are above assumed rates of return at 11.64%, following a robust return of 27.7% in fiscal 2021. The state uses a more common five-year closed asset smoothing method, which smooths asset gains and losses over a five-year period.

The plan's ratio of active members to beneficiaries equals 1.0 for state employees and 1.2 for teachers, which is slightly below the median national ratio of 1.2 and we believe is a potential weakness because of the plan's weak pension funded ratios.

For additional information on states' funding progress for pension liabilities, see "Market Swings Could Signal Contribution Volatility For U.S. State Pensions And OPEBs," Aug. 3, 2022.

OPEB liabilities

In our view, Rhode Island's OPEB liabilities present moderate risk to the state, although we believe the OPEB Board's overall proactive management and adoption of actuarial assumptions, as well as Rhode Island's commitment to full funding of the annual OPEB contribution across the six OPEB plans, are likely to limit growth in these liabilities in the near term. We anticipate the state's net OPEB liability (NOL) will decline gradually over the next several years primarily due to funding of the full annual required contribution and pre-funding of the OPEB liabilities through the OPEB trust since 2011, absent further meaningful changes to actuarial assumptions.

On a combined basis, Rhode Island's NOL was $292.8 million across all OPEB plans for fiscal 2021, which translates into a NOL per capita of $267.

A single discount rate based on the expected rate of return on OPEB investments of 5.00 (measured as of June 30, 2019) was used to measure the total OPEB liability across all plans. While this discount rate fluctuates with market conditions, we do not view this volatility's effect on year-over-year reported liabilities as indicative of fundamental plan change, all else being equal. For June 30, 2021, OPEB contributions were approximately $51 million to the OPEB plans, which we generally view as marginal relative to size of Rhode Island's general fund budget.

We have assigned a score of '2.6' to Rhode Island's debt and liability profile, on a scale where '1.0' is the strongest score and '4.0' the weakest.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of October 6, 2022)		
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed

Ratings Detail (As Of October 6, 2022) (cont.)		
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island GO		
Long Term Rating	AA/Stable	Affirmed
Rhode Island GO		
Long Term Rating	AA/Stable	Affirmed
Rhode Island GO (MBIA) (National)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Rhode Island Commerce Corp, Rhode Island		
Rhode Island		
Rhode Island Commerce Corp (Rhode Island) APPROP		
Long Term Rating	AA-/Stable	Affirmed

Ratings Detail (As Of October 6, 2022) (cont.)		
Rhode Island Commerce Corp (Rhode Island) APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island Commerce Corp (Rhode Island) MORALOB		
Long Term Rating	A/Stable	Affirmed
Rhode Island Commerce Corp (Rhode Island) MORALOB		
Long Term Rating	A/Stable	Affirmed
Rhode Island Convention Ctr Auth, Rhode Island		
Rhode Island		
Rhode Island Convention Ctr Auth (Rhode Island) APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island Convention Ctr Auth (Rhode Island) APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island Convention Ctr Auth (Rhode Island) APPROP		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island Convention Ctr Auth (Rhode Island) APPROP (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island Convention Ctr Auth (Rhode Island) APPROP (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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