Fiscal Year 2008 Report on Debt Management
To the
Public Finance Management Board

October 2009

State of Rhode Island
And Providence Plantations

OFFICE OF THE GENERAL TREASURER

FRANK T. CAPRIO
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State of Rhode Island and Providence Plantations
General Treasurer
State House - 102
Providence, Rhode Island 02903

Frank T. Caprio
General Treasurer

November 4, 2009

Members of the Rhode Island Public Finance Management Board

Ms. Rosemary Booth Gallogly, R.I. State Budget Officer
The Honorable A. Ralph Mollis, Secretary of State, State of Rhode Island
Mr. W. Lincoln Mossop, Jr. Public Member
Mr. William Fazioli, Public Member
Mr. Robert A. Mancini, Public Member
Mr. Edward F. Yazbak, Public Member
Mr. Emanuel Barrows, Public Member
Mr. Thomas M. Bruce, III Public Member

Dear Members of the Board:

I hereby submit the fiscal year 2008 Debt Management Report for the State of Rhode Island and Providence Plantations. This report once again demonstrates the continued importance of closely monitoring the State's debt position relative to the State's borrowing capacity as part of Rhode Island's efforts to maintain fiscal discipline.

Rhode Island's debt burden peaked in the 1990's and for years the State was ranked in the top three nationally in terms of debt as a percentage of personal income and debt per capita. In recent years, debt management has been a top priority of the State resulting in significant improvement in several long-term debt trends. As recently as 1999, Rhode Island's debt burden was the 5th highest nationally according to Moody's Investors Service. The 2008 State Debt Medians Moody's recently published show that Rhode Island's ranking has dropped to 9th for debt per capita and 12th for debt as a percentage of personal income.

It should be noted that while Rhode Island's debt burden has improved, it remains above the national average. Net tax supported debt totaled \$1.65 billion at the close of FY 2008, below the peak level of \$1.88 billion reached in FY 1994. Current Budget Office forecasts project the State's debt level to increase to \$1.91 billion by FY 2013.
Efforts to increase pay-as-you-go financing of projects, reactivate the sinking fund to defease high-cost debt or to limit, to the extent possible, issuing new debt, and improve

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bonds proceeds management must be continued. We are also pleased to report that the integrated debt management system the Office of the General Treasurer, the Budget Office and the Office of Accounts and Control implemented in 2005 has improved debt administration and reporting.

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

Rhode Island's fiscal situation was characterized as "strained" by the three major credit rating agencies even prior to the national recession. The economic downturn and the global financial crisis are expected to impact the financial flexibility of all the states for the next several fiscal years.

While all three rating agency reports affirmed the State's ratings in connection with the fiscal year 2009 General Obligation Bond issuance, those and more recent reports are a warning and a call to action. In 2008, the State of Rhode Island was downgraded by one rating agency and has had a negative outlook assigned to its rating all three rating agencies. One rating agency noted the State's use of one-time tobacco revenues to balance the 2007 and 2008 budgets evidenced "continuing financial strain at a time when most states are moving toward structurally balanced budgets."

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

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

According to State Budget Office projections, it appears that the ratio of debt service to revenues will exceed the PFMB's guideline of 7.5% in FY11. Projections indicate that the FY11 through FY13 debt service to revenues ratio will reach 7.6%, 7.8% and 7.9% respectively. The economic climate of the past two fiscal years has resulted in anemic revenue growth. Since the State must continue to issue debt to fund its capital needs, the increased debt service is a growing percentage of a smaller revenue base. At this time, we do not recommend revision of the guideline, but careful monitoring as noted above.

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

Sincerely,

Frank T. Caprio

Frank T. Caprio
General Treasurer

SECTION 1
2008 Findings

The 2008 Report includes the following:

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

The principal findings of this report are summarized below.

Rhode Island's Debt Burden Remains Moderately High

Rhode Island's debt levels continue to improve, but are still relatively high, as evidenced by the following statistics provided by a Moody's Investor Service Special Comment Report, April 2008 and the FY10 Capital Budget:

- Rhode Island ranks 12th highest among all states in Net Tax Supported Debt as a percent of personal income, at 4.5% (based on Moody's calculations and 2007 personal income).
- Rhode Island ranks 9th highest among all states in Net Tax Supported Debt per capita at $1,812 (based on Moody's calculations).
- Net Tax Supported Debt increased annually by 5.5% from FY04 - FY08. Personal income growth for the same period was 4.5%.
- In FY08 the general obligation debt increased at a rate of 9.2% over FY07. From FY04 - FY08 general obligation debt increased at a rate of 6.9%.

Over the last four years, Net Tax-Supported Debt increased by $316.5 million, from $1.33 billion at FY04 to $1.65 billion at FY08. Current Tax-Supported Debt of $1.65 billion represents an increase of 1.8% from $1.62 billion at FY07. Rhode Island's Tax-Supported Debt peaked at FY94 at $1.88 billion.

According to the FY10 Capital Budget, the State's outstanding Net Tax Supported Debt (includes adjustment for agency payments) is projected to increase to $1.91 billion for FY13. This projection assumes the issuance of no new Tax Supported Debt during this period other than as projected in the Capital Budget.

The Capital Budget for FY10 also indicates that State general obligation debt will increase at a compound annual growth rate of 2.0% from $1,036.2 million at FY09 to $1,121.5 million at FY13. The Economic Development Corporation debt will decrease at a compound annual growth rate of -1.5%. During the same period, it is estimated that capital leases will remain flat (0.0% CAGR). There were declines in all other categories of tax-supported debt, including the Refunding Bond Authority and Convention Center Authority.

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

PFMB's Credit Guidelines and Debt Ratio Targets

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

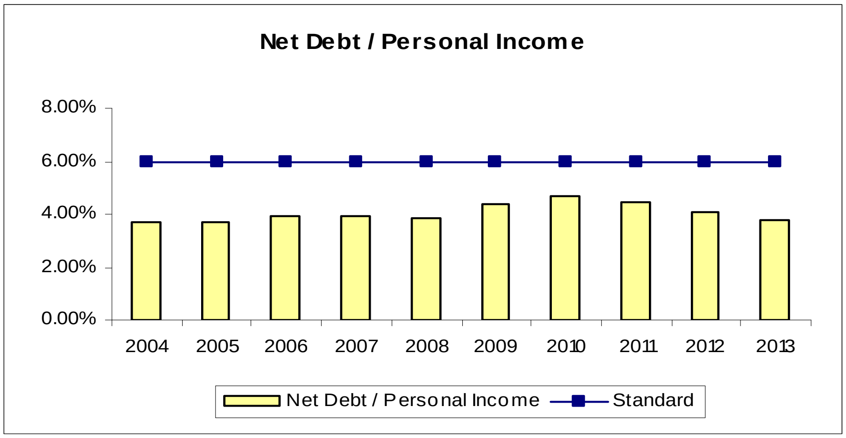
The PFMB approved the following revisions to the Tax Supported Debt to Personal Income target debt ratios recommended in the 1999 Report on Debt Management. Approved guidelines are as follows:

- ***Credit Guideline 1:*** Tax Supported Debt to not exceed the target range of 5.0% to 6.0% of personal income, and annual debt service for Tax Supported Debt to not exceed 7.5% of General Revenues. It is anticipated that fluctuation of this ratio over the long-term will be affected by both variations in personal income levels and debt issuance. The target ranges will continue to be reviewed on an annual basis with consideration given to trends in the State's debt level and upcoming infrastructure projects.

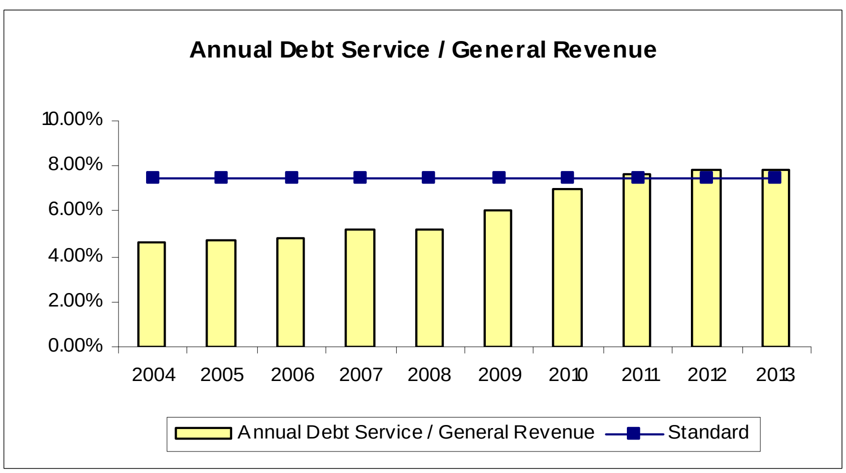
- ***Credit Guideline 2:*** The Board should monitor the total amount of Tax Supported Debt, State Supported Revenue Debt, and Agency Revenue Debt in relation to the State's personal income.

- ***Credit Guideline 3:*** The Credit Guidelines may be exceeded temporarily under certain extraordinary conditions. If a Credit Guideline is exceeded due to economic or financial circumstances, the Board should request that the Governor and the Legislature recommend a plan to return debt levels to the Guidelines within five years.

The debt projections in this report will remain within the Credit Guidelines relating to Net Debt to Personal Income, as the ratio will decline from 4.4% at FY09 to 3.8% at FY13. From FY04 to FY08, Personal Income grew at a rate of 4.5%, while Net Tax-Supported Debt increased by 5.5%. The combination of lower Personal Income growth and moderate debt growth resulted in the Net Debt to Personal Income ratio of 3.7% at FY04 increasing to 3.9% for FY08.



Annual Debt Service as a percentage of revenues increased from 4.7% in FY04 to 5.2% in FY08. Projections from FY09 to FY13 indicate a break with the PFMB's guidelines as the FY11 through FY13 debt service to revenues ratio exceeds the 7.5% target at 7.6%, 7.8% and 7.9% respectively.

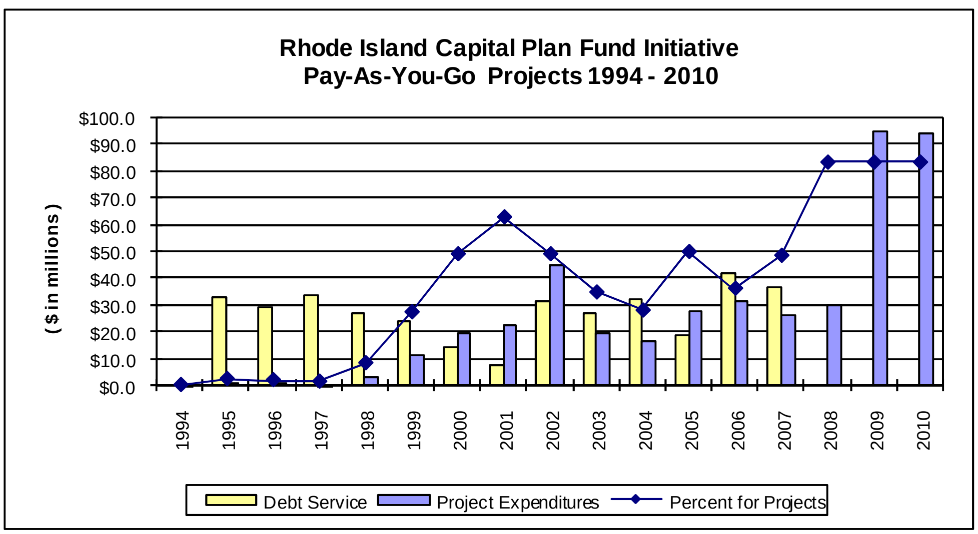


Positive Steps in Debt Administration

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

1. **Pay-As-You-Go Capital Financing.** During a period of sustained economic expansion from 1998 – 2001, along with improved cash management, the State was able to forego cash flow borrowing, a positive trend in the State's debt management. However, economic conditions compelled the State to borrow on a short-term basis in 2002, 2003 and 2006 thru 2009. Greater financial flexibility during periods of economic expansion have enabled the State to increase the proportion of pay-as-you-go capital spending, which includes using both gas tax funds and funds dedicated to the Rhode Island Capital Fund.

   Included in the governor's recommended FY10 Budget was a $94.2 million appropriation ($94.7 million in FY09 which includes funding reappropriations from FY08) for pay-as-you-go capital financing through the Rhode Island Capital Plan Fund. Funds may be used to pay for debt service or project expenditures. According to the FY10 Capital Budget, 100.0% of the Fund's resources will be used for capital asset protection projects in FY10. Given budgetary concerns, the State has not been in a position to maximize pay-as-you-go capital financing. However, it is recommended that the State once again emphasize pay-as-you-go capital spending when the economic climate improves.



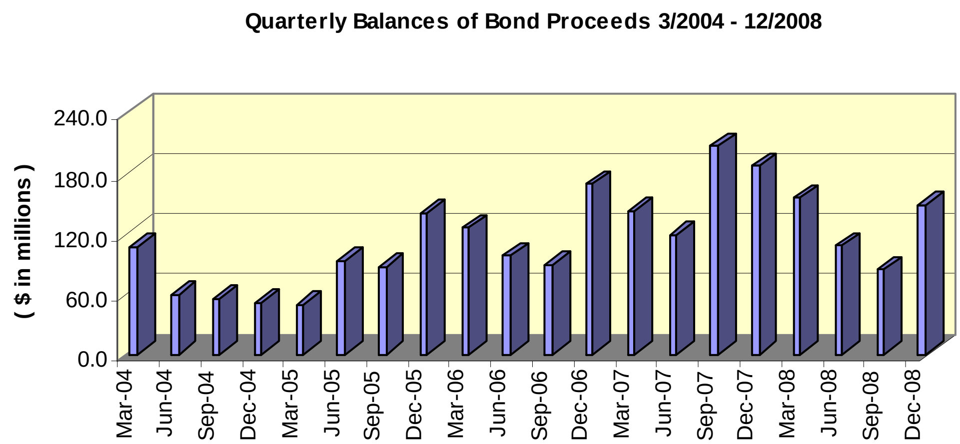
2. **Sinking Fund Commission.** During the 1998 legislative session, the Sinking Fund Commission was reconstituted and given the responsibility of overseeing a program of debt reduction that would be the result of the increased allocation of current revenues to defease or prepay debt. The goal of the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

3. **Bond Proceeds Management.** The State continues to monitor the issue of unexpended balances of general obligation bond proceeds. Past reports have noted this as an issue of concern. Unexpended proceeds were $148.3 million in 30 accounts as of December 31, 2008.

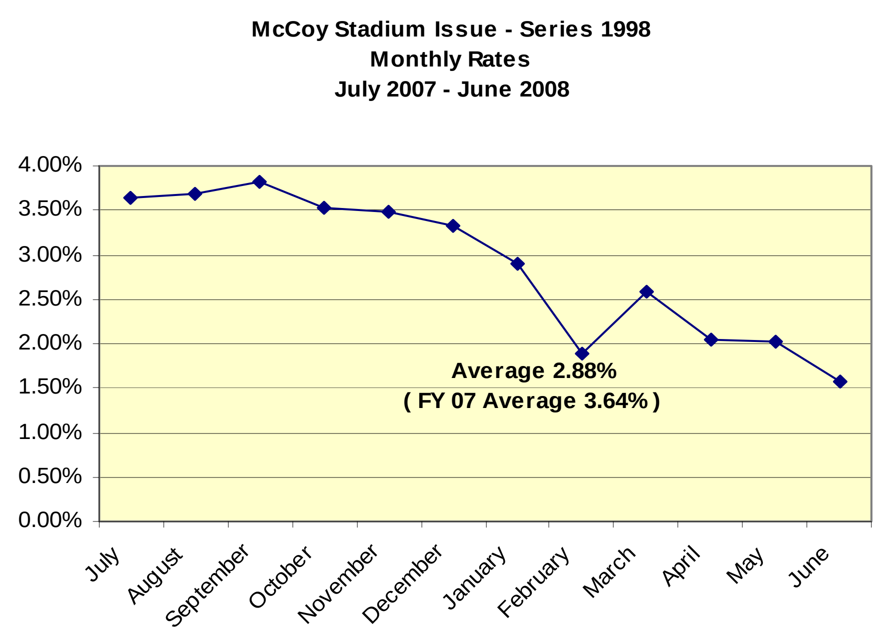
Invested Bond Proceeds By Fund
December 31, 2008

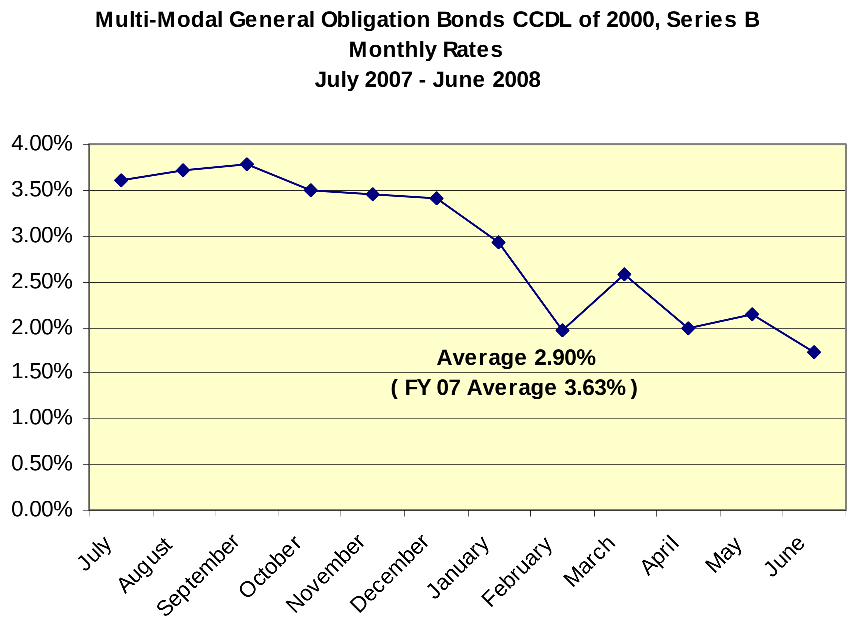
Fund	Amount
Clean Water CCDL 1998 Series B	45,820.99
Clean Water CCDL 1994 Series A	6,062.64
Capital Development Loan 1997 Series A	19,367.99
Clean Water CCDL 2002 Series B	51,595.32
Clean Water CCDL 2004 Series A	656,126.81
Clean Water CCDL 2005 Series E	236,518.41
Capital Development Loan 1997 Series A	7,055.25
Pollution Control 1994 Series A	6,338.88
CCDL 1999 Series A	310,037.49
Pollution Control CCDL 2006 Series C	233,119.77
Clean Water 2007 Series A	501,200.42
Pollution Control 2008 Series B	700,000.00
Bond Capital Fund	3,263,142.24
G.O. Note 1991 Series B	3,801.33
Bond CCDL 1994 Series A	174,620.51
Bond CCDL 1996 Series A	616,576.63
Capital Development Loan 1997 Series A	345.97
CCDL 1998 Series B	1,754,118.54
Multi-Modal 1999 Series B	2,853.25
Bond Capital CCDL 2000 Series A	953,726.51
Multi-Modal 2000 Series B	2,824.87
CCDL 2004 Series A	8,059,709.97
CCDL 2005 Series C	16,058,990.95
CCDL 2005 Series E	2,431,803.16
CCDL 2006 Series B	22,703.35
CCDL 2006 Series C	7,143,925.42
Non-Taxable G.O. Bond 2007 Series A	16,340,762.88
Taxable G.O. Bond 2007 Series B	4,035,251.25
Non-Taxable G.O. Bond 2008 Series B	76,175,000.00
Taxable G.O. Bond 2008 Series C	8,500,000.00
	$ 148,313,400.80

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



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





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

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

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

SECTION 2

Rhode Island State Debt

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

Table 2-1
Rhode Island Debt Statement
(as of June 30, 2008, dollars in millions, principal amount)

	6/30/2006	6/30/2007	6/30/2008
Tax Supported Debt			
General Obligation Bonds	$ 842.6	$ 913.5	$ 997.1
Capital Leases	221.5	252.6	226.0
Convention Center Authority	287.2	280.0	271.0
Economic Development Corporation	139.0	147.0	142.6
R.I.H.M.F.C. Neighborhood Opportunities Housing Program	18.8	15.5	18.2
Refunding Bond Authority	60.3	42.7	24.2
Gross Tax Supported Debt	$ 1,569.4	$ 1,651.3	$ 1,679.1
Agency Payments	(29.7)	(28.9)	(27.8)
Net Tax Supported Debt	**$ 1,539.7**	**$ 1,622.4**	**$ 1,651.3**
State Supported Revenue Debt			
EDC - Providence Place Mall	35.2	33.7	32.1
R.I. Housing	246.1	292.5	321.8
Industrial Recreational Building Authority - Insured Industrial Facilities Corporation	21.9	13.2	10.9
State Supported Revenue Debt	**$ 303.2**	**$ 339.4**	**$ 364.8**
Agency Revenue Debt			
Airport Corporation	$ 314.3	$ 308.0	$ 286.0
Economic Development Corporation	65.5	67.8	77.2
EDC - GARVEE Bonds, Federally Funded	338.4	207.8	285.5
R.I. Housing	5.0	5.0	5.0
Narragansett Bay Commission	363.8	444.7	463.2
Resource Recovery Corporation	20.4	16.2	14.5
State University and Colleges	201.7	199.3	195.1
Turnpike and Bridge Authority	29.8	27.8	25.7
Water Resources Board	9.1	8.3	7.5
Agency Revenue Debt	**$ 1,348.0**	**$ 1,284.9**	**$ 1,359.7**
Conduit Debt			
Clean Water Finance Agency	$ 535.8	$ 576.9	$ 631.3
Health and Educational Building Corporation	1,659.5	1,908.0	2,225.4
R.I. Housing	1,041.9	1,234.5	1,289.6
Industrial Facilities Corporation	98.6	105.2	86.1
Student Loan Authority	793.9	889.6	946.8
Water Resources Board	3.9	3.0	2.0
Conduit Debt	**$ 4,133.6**	**$ 4,717.2**	**$ 5,181.2**

Sources: FY 10 Capital Budget and Treasury Survey of R.I. Quasi-Public Corporations.

Explanation of Categories of Debt

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

Tax Supported Debt

Tax Supported Debt is payable from or secured by general taxes and revenues of the State or by specific State collected taxes that are pledged to pay a particular debt. Because of the claim this debt has on the State's credit, this is the most relevant debt figure to State taxpayers.

State Supported Revenue Debt

State Supported Revenue Debt is payable from specified revenues pledged for debt service which are not general taxes and revenues of the State. However, the State provides additional credit support to repay this debt if the pledged revenues are insufficient to meet scheduled debt service requirements. Because of the contingent nature of the State Credit Support, this figure is somewhat less important than Tax Supported Debt. This type of debt includes "moral obligation" debt.

Agency Revenue Debt

Agency Revenue Debt is similar to State Supported Revenue Debt; except that no State credit support is legally pledged for repayment and the assets financed are State owned enterprises that are intended to be supported by internally generated fees and revenues. While this type of debt is not supported by State taxes, the agencies and public corporations responsible for this debt may also have financed some assets with State general obligation debt, thereby indirectly linking such debt to the State.

Conduit Debt

Conduit Debt is issued by a state agency or public corporation on behalf of borrowers which include businesses, health care institutions, private higher education institutions, local governments, and qualified individuals (loans for higher education and housing purposes). No State credit support is provided.

SECTION 3

Classification and Analysis of State Debt

The Debt Issuers

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

There are currently 16 different State debt issuers that have been authorized to sell various types of obligations. Table 3-1 presents a list of each issuer and the type of debt each has issued.

Table 3-1
State Debt Issuing Agencies

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

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

(1) Borrows through the Economic Development Corporation.

How the Debt Issuers Are Related and Evaluated

All debt issued by the State and its agencies is analyzed for institutional investors, individual investors, and providers of credit guarantees including insurance companies and commercial banks. Credit analysts include the major credit rating services (Moody's Investors Service, Standard & Poor's, and Fitch Ratings); broker-dealers and dealer banks which underwrite State bonds; and institutional investors which purchase State bonds (mutual funds, casualty insurance companies, and investment advisors). In the past, such analysis has also been performed by municipal bond insurance companies which had guaranteed many bonds issued by the State (AMBAC, FSA, MBIA, FGIC, and others). Historically, bond insurers provided insurance guarantees for issuers of relatively risk-free municipal debt ("monoline" insurers). However, during the past few years these monoline insurers began guaranteeing securities backed by sub-prime mortgages. These investments have suffered significant losses, reducing the bond insurers' capital and adversely impacting their coveted AAA credit ratings. As of September 2009, none of the municipal bond insurers was currently rated AAA by each agency which rates it and only two insurance companies had ratings in the AA category, one of which is only selectively involved in municipal issues. Therefore, underlying credit characteristics and underling ratings are critical to market access

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

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

Tax Supported Debt: FY04 to FY08

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

Table 3-2 presents the amounts and types of Tax Supported Debt for the five years ending June 30, 2008 with resulting debt ratios. For FY08, the State's Debt to Personal Income ratio of 3.9% and Debt Service to Revenue ratio of 5.2% were in compliance with the Credit Guideline maximums of 6.0% and 7.5%, respectively. A detailed statement of Outstanding Tax Supported Debt (actual) as of June 30, 2008 is presented in Appendix A.

Table 3-2
Tax Supported Debt: Fiscal Years 2004 - 2008
(dollars in millions, principal amount)

Fiscal Years	2004	2005	2006	2007	2008	CAGR FY 04 - 08
General Obligation Bonds	$ 762.6	$ 800.9	$ 842.6	$ 913.5	$ 997.1	6.9%
Capital Leases	92.4	224.6	221.5	252.6	226.0	25.1%
Convention Center Authority	302.3	202.9	287.2	280.0	271.0	-2.7%
Economic Development Corp.	136.3	128.3	139.0	147.0	142.6	1.1%
Narragansett Bay Commission Bonds	11.3	-	-	-	-	-
R.I.H.M.F.C. Neighborhood Opp. Hsing Prog.	12.6	13.1	18.8	15.5	18.2	9.6%
Refunding Bond Authority (1)	84.7	74.6	60.3	42.7	24.2	-26.9%
Gross Tax Supported Debt	$ 1,402.2	$ 1,444.4	$ 1,569.4	$ 1,651.3	$ 1,679.1	4.6%
Agency Payments	(67.4)	(55.0)	(29.7)	(28.9)	(27.8)	-19.9%
Net Tax Supported Debt	**$ 1,334.8**	**$ 1,389.4**	**$ 1,539.7**	**$ 1,622.4**	**$ 1,651.3**	**5.5%**
Annual Net Tax Supported Debt Service (2)	$ 136.5	$ 147.1	$ 160.4	$ 174.8	$ 185.8	8.0%
Debt Ratios: (3)						
Annual Debt Service / Revenues (7.5%)	4.7%	4.7%	4.8%	5.2%	5.2%	2.8%
Net Debt / Personal Income (5% - 6%)	3.7%	3.7%	4.0%	3.9%	3.9%	0.9%
Net Debt / Capita	$ 1,246.2	$ 1,305.3	$ 1,453.9	$ 1,540.5	$ 1,571.5	6.0%
Assumptions:						
Revenues (2), (4)	$ 2,935.2	$ 3,111.4	$ 3,308.3	$ 3,361.0	$ 3,580.9	5.1%
Personal Income	$ 35,816.5	$ 37,627.3	$ 38,839.9	$ 41,170.3	$ 42,708.7	4.5%
Population (5)	1,071,095	1,064,439	1,058,991	1,053,136	1,050,788	-0.5%

CAGR = Compound Annual Growth Rate
Source: FY 10 Capital Budget

(1) The Public Building Authority was merged into the Refunding Bond Authority on 7/21/97. Balances and CAGR are for merged entity FY 04 - FY 08.
(2) FY 05 - FY 09 Capital Budgets.
(3) Based on Net Tax Supported Debt which includes agency payments.
(4) Revenues include actual general revenues plus dedicated gas tax transfers.
(5) Population estimates are from the U.S. Census Bureau, December 2007.

As the result of an increase in General Obligation debt, Capital Leases, Economic Development Corporation debt and Rhode Island Housing's Neighborhood Opportunities Housing Program debt, total Net Tax Supported Debt increased by a CAGR of 5.5% from FY04 to FY08. These increases were partially offset by a 26.9% CAGR decrease in Refunding Bond Authority debt and a 2.7% CAGR decrease in Convention Center Authority debt. State personal income and revenues grew at an annual compound rate of 4.5% and 5.1%, respectively over the same period.

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

The Economic Development Corporation issues debt that will be paid from State taxes and revenues which represents 8.6% of Tax Supported Debt. This debt contains unusual credit features, which obligate the State to pay debt service under certain expected circumstances. Two such issues (Fidelity and Fleet leases) carry a moral obligation pledge, which requires the State to appropriate funds in the event that certain job hiring targets are met. In the event performance targets are not met, the State is not obligated to pay under the agreements. The purpose of this type of performance-based credit structure is to foster economic development, and to justify such appropriations by the generation of incremental income tax receipts. For this reason, issuance must be carefully monitored and measured for budget purposes.

Projected Tax Supported Debt: FY09 to FY13

Using figures provided by the State Budget Office, an estimate of the Tax Supported Debt for the FY09 – FY13 period has been developed along with a forecast of certain debt ratios.

Table 3-3
Tax Supported Debt: Fiscal Years 2009 - 2013
(dollars in millions, principal amount)

Fiscal Years	2009	2010	2011	2012	2013	CAGR FY 09 - 13
General Obligation Bonds	$ 1,036.2	$ 1,068.1	$ 1,100.3	$ 1,116.7	$ 1,121.5	2.0%
Capital Leases	412.6	582.5	528.6	471.7	412.5	0.0%
Convention Center Authority	263.8	256.3	247.6	238.5	228.9	-3.5%
Economic Development Corp.	183.5	202.7	192.3	182.6	172.5	-1.5%
R.I.H.M.F.C. Neighborhood Opp. Hsing Prog.	13.2	8.4	3.5	-	-	-
Refunding Bond Authority	6.0	-	-	-	-	-
Gross Tax Supported Debt	$ 1,915.3	$ 2,118.0	$ 2,072.3	$ 2,009.5	$ 1,935.4	0.3%
Agency Payments	(26.60)	(25.40)	(24.10)	(22.80)	(21.40)	-5.3%
Net Tax Supported Debt	**$ 1,888.7**	**$ 2,092.6**	**$ 2,048.2**	**$ 1,986.7**	**$ 1,914.0**	**0.3%**
Annual Net Tax Supported Debt Service (1)	$ 196.7	$ 228.3	$ 254.6	$ 269.0	$ 277.3	9.0%
Debt Ratios: (2)						
Annual Debt Service / Revenues (7.5%)	6.0%	7.0%	7.6%	7.8%	7.9%	6.9%
Net Debt / Personal Income (5% - 6%)	4.4%	4.7%	4.4%	4.1%	3.8%	-3.6%
Net Debt / Capita	$ 1,797.4	$ 1,991.5	$ 1,949.2	$ 1,890.7	$ 1,821.5	0.3%
Assumptions:						
Revenues	$ 3,270.8	$ 3,280.7	$ 3,345.4	$ 3,428.6	$ 3,529.8	1.9%
Personal Income	$ 43,278.8	$ 44,394.3	$ 46,380.4	$ 48,602.5	$ 50,835.1	4.1%
Population (3)	1,050,788	1,050,788	1,050,788	1,050,788	1,050,788	0.0%

CAGR = Compound Annual Growth Rate
Source: FY 10 Capital Budget

(1) Projected Net Tax Supported Debt Service.
(2) Based on Net Tax Supported Debt which includes agency payments.
(3) Population estimates are from the U.S. Census Bureau, December 2007.

Gross Tax Supported Debt (excludes adjustments for agency payments) is projected to increase from $1,915.3 billion in FY09 to $1,935.4 billion in FY13.

Table 3-4 shows additional proposed increases in Debt Service Payments for Tax Supported Debt from FY09 to FY13. Historic Structures Tax Credit Fund accounts for the majority of the increase in Total Capital Leases.

Table 3-4
Projected Increase in Debt Service for Tax Supported Debt: Fiscal Years 2009 - 2013
General Obligation Bonds and Capital Leases
(dollars in millions, principal amount)

Fiscal Years	**2009**	**2010**	**2011**	**2012**	**2013**
General Obligation Bonds	$ -	$ -	$ 3.1	$ 6.3	$ 9.6
D.M.V. Technology - C.O.P.'s	-	1.6	1.7	1.7	1.9
E.D.C. - Transportation Motor Fuel Bonds	0.5	0.5	0.3	0.3	0.3
Innovative Technology - C.O.P.'s	-	1.7	1.7	1.8	1.9
School for the Deaf	-	0.9	0.9	1.0	1.0
Energy Conservation Equipment Leases - P & Z	-	0.6	1.7	1.8	1.9
Historic Structures Tax Credit Fund	-	12.0	33.8	36.1	38.6
U.R.I. Energy Conservation	-	0.9	1.0	1.0	1.1
Total Capital Leases	$ 0.5	$ 18.2	$ 41.1	$ 43.7	$ 46.7
Total	**$ 0.5**	**$ 18.2**	**$ 44.2**	**$ 50.0**	**$ 56.3**

(1) Does not include debt service decline resulting from maturing issues.
Sources: FY 10 Capital Budget.

State Supported Revenue Debt

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

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

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

State Supported Revenue Debt represents a substantial contingent obligation of the State of $364.8 million at June 30, 2008, up from $339.4 million at June 30, 2007. While this type of debt is intended to be paid from dedicated revenues generated from financed projects, the State has provided credit support to additionally secure this debt. Because of the implied financial commitment of State support in the event of any unanticipated revenue shortfall, the level of this debt is an important consideration for the credit ratings of the State's Tax Supported Debt. Table 3-5 presents the amounts and types of State Supported Revenue Debt for the five years ending June 30, 2008.

Table 3-5
State Supported Revenue Debt: Fiscal Years 2004 - 2008
(dollars in millions, principal amount)

Fiscal Years	2004	2005	2006	2007	2008	CAGR FY 04 - 08
Blackstone Valley Commission (1)	$ 7.6	$ -	$ -	$ -	$ -	$ -
Narragansett Bay Commission (1)	3.6	-	-	-	-	-
EDC - Collaborative	25.0	24.5	-	-	-	-
EDC - Providence Place Mall	38.2	36.7	35.2	33.7	32.1	-4.3%
R.I. Housing	260.5	273.0	246.1	292.5	321.8	5.4%
Industrial Recreational Building Authority - Insured Industrial Facilities Corporation	27.1	26.0	21.9	13.2	10.9	-20.4%
Total	**$ 362.0**	**$ 360.2**	**$ 303.2**	**$ 339.4**	**$ 364.8**	**0.2%**

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

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

The largest component of State Supported Revenue Debt is the moral obligation debt of Rhode Island Housing, which has increased by 61.3 million (CAGR of 5.4%) since 2004. When combined with the defeasance of the Blackstone Valley Commission and Narragansett Bay Commission debt, State Supported Revenue Debt increased by an annual compound rate of only 0.2% for the period from FY04 to FY08.

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

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

Agency Revenue Debt

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

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

The State has issued general obligation bonds to finance facilities of several of the agencies shown in Table 3-6. Only the Revenue Debt of these agencies is presented in Table 3-6, and any other debt is presented in the sections relating to Tax Supported Debt. Table 3-6 presents the amounts and types of Agency Revenue Debt for five fiscal years ending June 30, 2008.

Table 3-6
Agency Revenue Debt: Fiscal Years 2004 - 2008
(dollars in millions, principal amount)

Fiscal Years	2004	2005	2006	2007	2008	CAGR FY 04 - 08
Airport Corporation	$ 199.9	$ 269.5	$ 314.3	$ 308.0	$ 286.0	9.4%
Economic Development Corporation	41.2	46.6	65.5	67.8	77.2	17.0%
EDC - GARVEE Bonds, Federally Funded	216.8	186.0	338.4	207.8	285.5	7.1%
R.I. Housing	5.0	5.0	5.0	5.0	5.0	0.0%
Narragansett Bay Commission	186.2	292.7	363.8	444.7	463.2	25.6%
Resource Recovery Corporation	18.3	19.6	20.4	16.2	14.5	-5.7%
State University and Colleges	113.6	183.7	201.7	199.3	195.1	14.5%
Turnpike and Bridge Authority	33.6	31.7	29.8	27.8	25.7	-6.5%
Water Resources Board	10.5	9.8	9.1	8.3	7.5	-8.1%
Total	**$ 825.1**	**$ 1,044.6**	**$ 1,348.0**	**$ 1,284.9**	**$ 1,359.7**	**13.3%**

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

The Narragansett Bay Commission experienced the largest increase of 25.6% due to the combined sewer overflow project. The second largest increase of 17.0% was from the Economic Development Corporation. The State University and Colleges had the third largest increase of 14.5% because of various construction and improvement projects. Overall, Agency Revenue debt grew at a compound annual rate of 13.3% from FY04 - FY08. Because payment of this category of debt is supported by fees, charges, or other revenues, an increase in this type of debt may be considered as one indicator of economic growth. However, either a stable or growing economy is needed to support such debt.

Conduit Debt

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

Conduit Bonds are payable from repayment of loans by the borrowers and are independent of the State's credit. Investors would not expect any assistance by the State in the event the borrower experienced financial difficulties or if the debt were to default. None of the debt presented in Table 3-7 is secured by any form of State Credit Support.

Table 3-7
Conduit Debt: Fiscal Years 2004 - 2008
(dollars in millions, principal amount)

Fiscal Years	**2004**	**2005**	**2006**	**2007**	**2008**	**CAGR FY 04 - 08**
Clean Water Finance Agency	$ 411.7	$ 504.6	$ 535.8	$ 576.9	$ 631.3	11.3%
Health and Educational Building Authority	1,492.5	1,519.3	1,659.5	1,908.0	2,225.4	10.5%
R.I. Housing	1,115.5	1,083.2	1,041.9	1,234.5	1,289.6	3.7%
Industrial Facilities Corporation	86.0	84.7	98.6	105.2	86.1	0.0%
Student Loan Authority	806.2	803.4	793.9	889.6	946.8	4.1%
Water Resources Board	5.6	4.7	3.9	3.0	2.0	-22.7%
Total	**$ 3,917.5**	**$ 3,999.9**	**$ 4,133.6**	**$ 4,717.2**	**$ 5,181.2**	**7.2%**

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

Conduit Debt, which represents the largest category of debt, grew at a compound annual rate of 7.2% from FY04 - FY08. The agencies which experienced the most significant growth in debt were the Clean Water Finance Agency, Health and Educational Building Corporation and Student Loan Authority with compound annual growth rates of 11.3%, 10.5% and 4.1% respectively. R.I. Housing's debt levels have also been on the rise, but at a slower rate of 3.7%.

Local Government Debt

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

Table 3-8 presents the amounts of Local Government Debt for the five years ending June 30, 2008. This table does not include the debt of certain regional and municipal authorities including the Bristol County Water Authority, the Foster Glocester Regional School District, Kent County Water Authority, and the Providence Public Building Authority.

Table 3-8
Local Government Debt: Fiscal Years 2004 - 2008
(in millions)

Fiscal Years	**2004**	**2005**	**2006**	**2007**	**2008**	**CAGR FY 04 - 08**
Local Government Debt	$ 1,393.5	$ 1,380.3	$ 1,433.9	$ 1,498.5	$ 1,713.7	**5.3%**

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

Local government debt includes the general obligation bonds, revenue bonds, and capital leases of Rhode Island's 39 local governments. During the five years shown in Table 3-8 this debt grew at an average annual rate of 5.3%. Local Debt Studies, issued in 1998, 2001, 2003 and 2005, indicated that debt levels for Rhode Island cities and towns were relatively low when compared to national indices. Given the inconsistencies among state and local revenue structures, overlapping debt and unavailability of timely data, this report does not draw a comparison of Rhode Island's combined State and local debt with that of other States. The Local Debt Study will be updated in the fourth quarter of calendar year 2009. In light of the availability of published information on cities and towns, the Local Debt Study will continue to be produced on a biennial basis.

SECTION 4
Debt Policies and Practices

Importance of Debt Management

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

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

Debt Limits and Targets

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

Debt Capacity

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

Rhode Island made presentations to the State's credit rating agencies on several occasions in 2007 and 2008. The agencies were provided with an update of the State's budget, economic development initiatives and current debt profile. The ratings were based on the State's economic performance, effective management of the State's financial operations, and success in reducing the State's debt burden, economic development efforts and recent pension reform. Rhode Island's general obligation bonds are currently rated "Aa3/AA/AA-" by Moody's Investors Service, Standard & Poor's and Fitch, respectively. It is important to note that the State maintained its ratings level during the period 2001-2004, when many states were downgraded or placed on credit watch. However, in November 2007 when the State again met with all three rating agencies, their focus was on the State's budget situation. While all three rating agencies affirmed the State's ratings in connection with the 2007, 2008 and 2009 bond issuances, the reports are a warning. One rating agency noted the State's use of one-time tobacco revenues to balance the 2007 and 2008 budgets which evidenced "continuing financial strain at a time when most states are moving toward structurally balanced budgets." It is clear that the rating agencies will continue to scrutinize the budget process carefully. There is no doubt that the projected budget deficit and actions taken to continue to address the projected deficit will be an important rating consideration. The State's financial and budgeting practices and track record in reducing the debt burden and taking appropriate action in response to budget pressures have been recognized as credit strengths in the past. Challenges to the State's ratings are presented by the projected budget deficit, a weaker economy and declining revenues combined with budgetary pressure for human services, infrastructure needs and the ability to maintain adequate reserves. The State's response to these challenges will be closely monitored by the rating agencies. No longer can the State balance its annual budget with one-time revenues. Table 4-1 presents the credit ratings for all states with general obligation debt outstanding.

While Rhode Island's debt levels are moderately high, they have steadily improved since FY95. Debt projections for FY09 through FY13, as presented in Table 3-3, indicate that Debt to Personal Income will decrease from 4.4% to 3.8% during this period. These projections also show Debt Per Capita increasing by only 0.3% from $1,797.4 to $1,821.5 over the same period.

Because the rating agencies also evaluate economic and demographic factors in their rating analyses, the State's economic and demographic growth relative to other states will be a key factor in future comparisons. Finally, while the State's Debt to Personal Income of 3.9% in FY08 compares favorably to Moody's 2008 Peer Group average of 4.6%, this ratio is high relative to Moody's 2008 median (includes all states) of 2.5%. Likewise, the State's FY08 Debt per Capita of $1,571.5 compares unfavorably to the current Moody's median at $865, but favorably to the 2008 Peer Group Average of $2,150. Debt levels tend to be relatively higher in Rhode Island's Peer Group states in light of their aging infrastructure and practice of financing projects at the state level rather than at the municipal or county level. These comparisons indicate that even after projected debt ratio improvements, Rhode Island's debt profile will continue to remain high relative to other states. These projections support Rhode Island's continued discipline in debt management.

Table 4-1
Long Term Credit Ratings
General Obligation Bonds

	Moody's	S & P	Fitch
Alabama	Aa2	AA	AA
Alaska	Aa2	AA+	AA
Arizona	Aa3	AA	NR
Arkansas	Aa2	AA	NR
California	A2	A	A
Colorado	Aa3	AA	NR
Connecticut	Aa3	AA	AA
Delaware	Aaa	AAA	AAA
Florida	Aa1	AAA	AA+
Georgia	Aaa	AAA	AAA
Hawaii	Aa2	AA	AA
Idaho	Aa2	AA	NR
Illinois	A1	AA-	AA-
Indiana	Aa1	AAA	NR
Iowa	Aa1	AAA	NR
Kansas	Aa1	AA+	NR
Kentucky	Aa2	AA-	NR
Louisiana	A1	A+	A+
Maine	Aa3	AA	AA
Maryland	Aaa	AAA	AAA
Massachusetts	Aa2	AA	AA
Michigan	Aa3	AA-	AA-
Minnesota	Aa1	AAA	AAA
Mississippi	Aa3	AA	AA
Missouri	Aaa	AAA	AAA
Montana	Aa2	AA	NR
Nebraska	Aa3	AA+	NR
Nevada	Aa1	AA+	AA+
New Hampshire	Aa2	AA	AA
New Jersey	Aa3	AA	AA-
New Mexico	Aa1	AA+	NR
New York	Aa3	AA	AA-
North Carolina	Aaa	AAA	AAA
North Dakota	Aa2	AA+	NR
Ohio	Aa1	AA+	AA+
Oklahoma	A1	AA+	AA
Oregon	Aa2	AA	AA
Pennsylvania	Aa2	AA	AA
Rhode Island	**Aa3**	**AA**	**AA-**
South Carolina	Aaa	AA+	AAA
South Dakota	A1	AA	NR
Tennessee	Aa1	AA+	AA+
Texas	Aa1	AA	AA+
Utah	Aaa	AAA	AAA
Vermont	Aaa	AA+	AA+
Virginia	Aaa	AAA	AAA
Washington	Aa1	AA+	AA
West Virginia	Aa3	AA-	AA-
Wisconsin	Aa3	AA	AA-
Wyoming	NR	AA+	NR
Rhode Island rating compared to other states:			
Above Rhode Island	32	24	27
Same as Rhode Island	11	19	6
Below Rhode Island	5	6	2
NR	1	0	14

Source: First Southwest Company - State Ratings as of 4/7/09.

Tax Supported Debt

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

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

Year	RI	RI National Rank	Moody's Median	Peer State Ave	DE	CT	MA	ME	NH	VT
1998	6.6%	4th	1.9%	5.2%	5.9%	8.7%	7.8%	1.9%	2.4%	4.2%
1999	6.5%	5th	2.0%	5.1%	5.7%	8.7%	7.8%	1.9%	2.3%	4.2%
2000	6.2%	5th	2.2%	4.9%	5.2%	8.1%	8.0%	2.1%	2.0%	3.8%
2001	5.3%	7th	2.1%	4.8%	5.5%	8.0%	8.5%	2.0%	1.5%	3.3%
2002	5.2%	7th	2.3%	4.7%	5.3%	8.0%	8.5%	1.9%	1.5%	3.0%
2003	5.0%	7th	2.2%	4.7%	5.0%	8.2%	8.5%	1.8%	1.4%	3.0%
2004	4.4%	12th	2.4%	4.7%	5.6%	8.4%	8.5%	1.8%	1.5%	2.5%
2005	4.1%	16th	2.5%	4.8%	5.3%	8.0%	9.8%	2.0%	1.4%	2.2%
2006	4.6%	13th	2.4%	4.7%	5.5%	7.8%	9.4%	1.9%	1.3%	2.1%
2007	4.7%	13th	2.6%	4.6%	5.2%	7.3%	9.8%	1.9%	1.3%	2.0%
2008	4.5%	12th	2.5%	4.6%	5.4%	8.2%	8.9%	2.2%	1.3%	1.8%

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

The Tax Supported Debt to personal income ratio measures the State's debt paid from general taxes and revenues in comparison to personal income, which is considered to be a good measure of the State's aggregate wealth. Rhode Island's Net Tax Supported Debt to Personal Income ratio had decreased every year from 1998 - 2005 and its ranking dropped from the 4th highest in the country to the 16th highest. The 2005 ratio of 4.1% improved due to Tobacco Securitization and was below the peer group average of 4.8%, but it still remains well above Moody's median of 2.5%. However, in 2008 the ratio increased to 4.5% giving Rhode Island a ranking of 12th highest. This indicates that Rhode Island's Tax Supported Debt is a greater burden on the State's economy than is typical of most states. Personal income represents the wealth of the State which is taxed to support Tax Supported Debt or could be taxed to support State Credit Supported Revenue Debt.

Table 4-3
Comparison to Peer States
Net Tax Supported Debt per Capita

Year	RI	RI National Rank	Moody's Median	Peer State Ave	DE	CT	MA	ME	NH	VT
1998	$ 1,618	6th	$ 446	$ 1,480	$ 1,619	$ 2,962	$ 2,329	$ 391	$ 633	$ 946
1999	$ 1,670	5th	$ 505	$ 1,523	$ 1,581	$ 3,131	$ 2,436	$ 418	$ 620	$ 953
2000	$ 1,661	6th	$ 540	$ 1,531	$ 1,544	$ 3,052	$ 2,612	$ 488	$ 567	$ 925
2001	$ 1,497	7th	$ 541	$ 1,565	$ 1,616	$ 3,037	$ 2,957	$ 487	$ 463	$ 828
2002	$ 1,552	7th	$ 573	$ 1,660	$ 1,650	$ 3,240	$ 3,267	$ 485	$ 503	$ 813
2003	$ 1,508	7th	$ 606	$ 1,692	$ 1,599	$ 3,440	$ 3,298	$ 471	$ 485	$ 861
2004	$ 1,385	9th	$ 701	$ 1,734	$ 1,800	$ 3,558	$ 3,333	$ 492	$ 496	$ 724
2005	$ 1,402	11th	$ 754	$ 1,904	$ 1,845	$ 3,624	$ 4,128	$ 606	$ 514	$ 707
2006	$ 1,687	9th	$ 787	$ 1,944	$ 1,998	$ 3,713	$ 4,153	$ 603	$ 492	$ 706
2007	$ 1,766	9th	$ 889	$ 2,009	$ 2,002	$ 3,698	$ 4,529	$ 618	$ 499	$ 707
2008	$ 1,812	9th	$ 865	$ 2,150	$ 2,128	$ 4,490	$ 4,323	$ 743	$ 525	$ 692

Source: Moody's Investors Service
July 2009 Special Comment

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

The ratio of Tax Supported Debt to population fails to consider the economic wealth that supports the debt or the portion of the State's budget used to pay debt service. This ratio shows that three of the six peer states (Delaware, Connecticut and Massachusetts), have levels of debt per capita above the national median. This may be due to the combined factors of age of infrastructure, low population, and the dependency on the state to shoulder greater financing responsibilities. Since 2001, Rhode Island's Net Tax Supported Debt per Capita has consistently been below that of the peer state average.

Table 4-4
Net Tax Supported Debt Service as a Percent of General Revenues

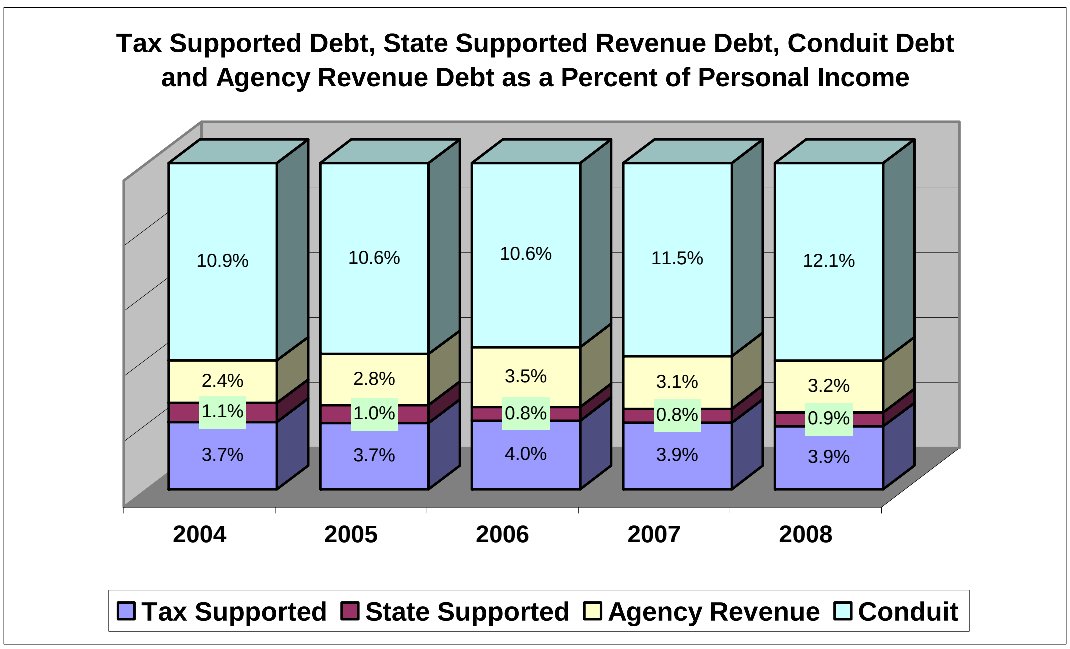
Year	RI
2004	4.7%
2005	4.7%
2006	4.9%
2007	5.2%
2008	5.2%

Source: FY 05 - FY 09 Capital Budgets.

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

As Tables 4-2 and 4-3 show, Rhode Island has moderately high levels of Tax Supported Debt according to these ratio measures. High debt levels can lead to lower credit ratings, which result in higher borrowing costs, and a diminished financial capacity to respond to needed infrastructure improvements to support economic development.

As shown in the chart below, the total amount of Rhode Island's Tax Supported Debt, State Supported Revenue Debt, Agency Revenue Debt, and Conduit Debt and its relationship to State personal income has increased from 18.1% of Personal Income in FY04 to 20.0% in FY08. This increase came as Personal Income grew at the compound annual growth rate of 4.5%.



Section 5

Recommended Priorities and Issues for 2009 and 2010

Based on the findings of this and the preceding Debt Management Reports, the following debt management priorities are recommended for 2009 and 2010:

1. Continued Emphasis on Rating Agency Communication and Debt Management

Rhode Island's improved debt position is the product of stringent policies and fiscal discipline adopted after the State's debt burden peaked in the early '90s. The policies included greater scrutiny of debt issues, the development of debt level benchmarks and refinement of the capital budgeting process. Rhode Island has lived up to its commitment to reduce its debt burden and is now realizing the benefits of this consistent discipline. Continued vigilance is required. Rhode Island's current debt ratings are based on the expectation that the State will continue this debt management course.

The credit guidelines and more conservative debt ratio targets approved by the PFMB in June 2000 provide the structure necessary to achieve further debt reduction while not overly constricting state debt. It is also appropriate, going forward, to look broadly at the debt approval process of the State and quasi-public agencies for opportunities to improve the review process and to strengthen controls.

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

Maintenance of the State's AA category ratings is more important now than ever before, as credit spreads are at their widest levels in decades and credit enhancement is constrained. Currently, all three rating agencies, Fitch Ratings (which downgraded the State in 2008), Moody's Investors Service and Standard & Poor's, have a negative outlook on the State's rating. Among the reasons given for the changes in the level and outlook of the State's rating include the severity of the economic downturn, rising unemployment, and declining revenues for FY09 and FY10. Challenges to the State's ratings include a weak economy and declining revenues, budgetary pressure for human services, infrastructure needs, and the ability to maintain adequate reserves. The State's responses to these challenges will be closely monitored by the rating agencies. During periods such as these, regular communication with the rating analysts is critical and the State will continue to meet with the rating agencies on a regular basis and not solely in connection with the issuance of debt.

2. More Pay-as-You-Go Funding

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

The Governor's proposed Capital Improvement Plan for FY 2010 – FY 2014 reflects the twelfth year in a comprehensive, yet affordable, asset protection program that will result in the dedication of over $310.7 million of current revenues towards preserving Rhode Island's buildings, roads, bridges, and other assets over the next five years. Adoption of a responsible asset protection program will help reduce Rhode Island's debt burden in the future when allocated funds are available to fund not only asset protection projects, but also new construction. The ultimate success of the PFMB's pay-as-you-go initiative going forward will be dependent upon the balance between the State's long-term and realistic capital funding sources with a prudent, responsible and long-term comprehensive expenditure plan.

3. Continued Diligence in Reporting

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

4. Sponsor Educational Programs for Municipalities

The PFMB can provide a much-needed service in offering continuing education on topical issues to municipal officers. Initiatives in this area have continued. Most recently, in October 2008, the Office of the General Treasurer hosted a seminar for Municipal and State officials. In the past, staff from the Office of General Treasurer worked with municipal finance officers and the Rhode Island Public Expenditure Council ("RIPEC") to develop a "Municipal Fiscal Healthcheck" to provide uniform data on the fiscal practices, policies, and status of all municipalities. RIPEC's Municipal Fiscal Healthcheck was published in April, 2003. The Office of the General Treasurer also supports the efforts of the Rhode Island Government Finance Officers Association ("RIGFOA") and has been involved in reviewing legislation to improve local borrowing practices, making presentations at RIGFOA meetings and the development of programs for RIGFOA members. In past years, topics included the State Retirement System, Cash Management and Other Post Employment Benefits. Future topics will include Performance Measures and Benchmarks.

5. Explore Alternative Funding Mechanisms for Major Infrastructure Projects

The State's Capital Budget and Transportation Improvement Plan ("TIP") projects significant increases in capital spending for major infrastructure projects such as the relocation of Route I-195. Revenues from the gasoline tax provide support for Transportation projects and the State General Fund. Dedication of additional portions of the gasoline tax to Transportation – when resources permit more of that revenue source to be redirected from the General Fund – will foster the stated PFMB and State goals of reducing or moderating Rhode Island's reliance on tax-supported debt for such projects. The PFMB should also monitor the work of Treasury staff and the State Administration to explore innovative funding mechanisms for major infrastructure projects. Treasury staff did review the Garvee and Motor Fuel Tax bond issue structures as part of the November 2003, March 2006 and April 2009 issues.

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

6. Disclosure Practices and Investor Relations

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

7. Responding to the Rapidly Changing Municipal Bond Market

The global credit crisis of 2008 has had a major impact on the municipal bond market. The ability to access the capital markets has become increasingly challenging for issuers such as the State. The demise of the municipal bond insurance industry coupled with the credit squeeze and the notable absence of several major investment banking firms will have an impact on the State as it seeks to finance its capital needs. The State successfully sold its Tax Anticipation Notes for FY 2009 and 2010 and Certificates of Participation for new projects during the past year. Navigating these elements will continue to be a significant priority for the State to insure continued access to capital at affordable levels.

8. American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act (ARRA) of 2009 included many municipal bond provisions that can benefit the State and its agencies and municipalities. The Office of the General Treasurer has been involved in evaluating the applicability of Build America Bonds, Recovery Zone Bonds and Qualified School Construction Bonds. The Build America Bonds in particular have had a profound impact on the municipal market, affording tax exempt issuers access to a new universe of investors in taxable debt.

EXHIBIT A

Schedule of Tax Supported Debt

State of Rhode Island - Office of the General Treasurer
Schedule of Tax Supported Debt
As of 6/30/09

Description of Issue	Year Issued	Maturity Date	Principal Paid in FY 09	(Actual) Interest Paid in FY 09	Principal Outstanding 6/30/2009	(Projected) Interest Outstanding 6/30/2009
General Obligation Bonds						
G.O. CCDL of 1998, Refunding Series A	1998	7/15/2008	10,965,000.00	267,037.50	0.00	0.00
G.O. CCDL of 1997, Series A	1997	8/1/2008	4,035,000.00	98,857.50	0.00	0.00
Multi - Modal G.O. Bonds CCDL of 2000, Series B	2000	1/2/2009	1,600,000.00	171,149.64	0.00	0.00
G.O. CCDL of 1993 Refunding Series (CAB's)	1993	6/15/2009	9,440.00	390,560.00	0.00	0.00
G.O. Tax Anticipation Notes - Fiscal Year 2009	2009	6/30/2009	350,000,000.00	8,166,666.67	0.00	0.00
G.O. CCDL of 1997, Refunding Series	1997	8/1/2009	0.00	282,200.00	5,644,000.00	141,100.00
G.O. CCDL of 1998, Series A	1998	9/1/2009	0.00	115,750.00	2,315,000.00	57,875.00
G.O. CCDL of 1999, Series A	1999	9/1/2010	0.00	141,250.00	2,825,000.00	211,875.00
G.O. CCDL of 2000, Series A	2000	7/15/2011	0.00	144,500.00	2,890,000.00	361,250.00
G.O. CCDL of 2002, Refunding Series C	2002	11/1/2013	5,585,000.00	1,843,143.75	32,315,000.00	4,406,981.25
G.O. CCDL of 2001, Refunding Series B	2001	6/1/2014	0.00	526,000.00	10,200,000.00	1,958,000.00
G.O. CCDL of 2008, Refunding Series A	2008	7/15/2014	0.00	1,645,159.17	46,570,000.00	5,434,850.00
G.O. CCDL of 2005, Refunding Series B	2005	8/1/2014	1,025,000.00	293,412.51	7,015,000.00	890,315.67
G.O. CCDL of 2001, Refunding Series A	2001	8/1/2015	60,000.00	2,525,752.50	49,060,000.00	8,975,203.75
G.O. CCDL of 2004, Refunding Series B	2004	8/1/2015	5,405,000.00	2,699,198.76	53,340,000.00	10,235,266.88
G.O. CCDL of 2002, Series B	2002	11/1/2015	3,545,000.00	1,375,862.50	25,175,000.00	4,673,331.25
G.O. CDL of 2007, Series B (Federally Taxable)	2007	8/1/2017	640,000.00	426,592.50	7,860,000.00	2,049,728.75
G.O. CDL of 2008, Series C (Federally Taxable)	2008	2/1/2018	0.00	0.00	8,500,000.00	2,842,057.65
G.O. CCDL of 2008, Refunding Series D	2008	2/1/2018	0.00	0.00	12,445,000.00	3,217,562.71
G.O. CCDL of 2005, Refunding Series D	2005	7/15/2018	0.00	2,628,750.00	55,465,000.00	13,115,650.00
G.O. CCDL of 2005, Refunding Series A	2005	8/1/2018	55,000.00	2,547,683.76	51,465,000.00	19,504,688.22
G.O. CCDL of 2001, Series C	2001	9/1/2020	0.00	2,804,250.00	53,805,000.00	22,016,250.00
G.O. CCDL of 2006, Refunding Series A	2006	8/1/2022	5,815,000.00	3,381,612.50	68,885,000.00	29,938,356.27
G.O. CCDL of 2004, Series A	2004	2/1/2023	3,285,000.00	2,981,275.00	63,850,000.00	23,847,725.00
G.O. CCDL of 2005, Series C	2005	2/15/2024	3,300,000.00	3,708,625.00	74,810,000.00	32,228,287.50
G.O. CCDL of 2005, Series E	2005	11/1/2025	3,095,000.00	4,027,896.26	84,460,000.00	37,567,254.53
G.O. CCDL of 2006, Series C	2006	11/15/2025	3,375,000.00	4,338,816.25	91,525,000.00	41,712,428.75
G.O. CDL of 2006, Series B	2006	8/1/2026	710,000.00	848,028.76	19,290,000.00	8,744,716.98
G.O. CCDL of 2007, Series A	2007	8/1/2027	3,650,000.00	5,786,277.50	119,605,000.00	62,840,868.75
G.O. CCDL of 2008, Series B	2008	2/1/2028	0.00	0.00	86,875,000.00	52,452,575.76
Total General Obligation Bonds			**406,154,440.00**	**54,166,308.03**	**1,036,189,000.00**	**389,424,199.67**

Description of Issue	Year Issued	Maturity Date	Principal Paid in FY 09	Interest Paid in FY 09	Principal Outstanding 6/30/2009	Interest Outstanding 6/30/2009
Capital Leases						
LPC, Correctional Facilities - 1997 Refunding (Intake Center)	1997	10/1/2009	2,760,000.00	216,412.50	2,775,000.00	72,843.75
LPC, State Vehicles Project - 2005 Series C	2005	4/1/2012	795,000.00	107,325.00	2,385,000.00	164,962.50
C.O.P. in L.P.A. (State Vehicles Projects), 2002 Series A	2002	12/15/2012	270,000.00	47,250.00	1,080,000.00	87,750.00
LPC, State Vehicles Project - 2006 Series A	2006	4/15/2013	1,440,000.00	129,096.00	1,820,000.00	184,734.00
LPC, State Vehicles Project - 2007 Series C	2007	5/1/2014	2,490,000.00	314,000.00	4,115,000.00	351,700.00
LPC, Attorney General's Building - 2007 Refunding Series G	2007	10/1/2015	200,000.00	95,812.00	2,030,000.00	240,355.00
LPC, Information Technology Project - 2009 Series A	2009	4/1/2016	0.00	0.00	12,380,000.00	1,647,737.50
LPC, Howard Center Improvements - 2007 Refunding Series E	2007	10/1/2016	745,000.00	825,505.50	12,630,000.00	2,426,812.50
LPC, Shepard's Building - 2007 Refunding Series F	2007	10/1/2016	1,825,000.00	955,392.50	19,155,000.00	4,125,640.00
LPC, Information Technology Project - 2007 Series A	2007	5/1/2017	2,880,000.00	1,098,337.50	18,120,000.00	3,799,075.00
LPC, Central Power Plant - 2007 Refunding Series D	2007	10/1/2020	1,125,000.00	911,820.00	21,035,000.00	6,001,918.75
LPC, Energy Conservation Project - 2009 Series B	2009	4/1/2021	0.00	0.00	11,805,000.00	3,849,008.75
LPC, Energy Conservation Project - 2007 Series B	2007	5/1/2023	620,000.00	547,831.26	12,115,000.00	4,098,300.12
LPC, Kent County Courthouse Project - 2004 Series A	2004	10/1/2023	2,385,000.00	2,232,680.00	49,690,000.00	19,588,686.25
LPC, Training School Project - 2005 Series A	2005	10/1/2024	1,900,000.00	2,312,925.00	46,470,000.00	20,950,500.00
LPC, Traffic Tribunal Project - 2005 Series B	2005	10/1/2024	850,000.00	827,492.50	19,090,000.00	7,734,136.35
LPC, School for the Deaf Project - 2009 Series C	2009	4/1/2029	0.00	0.00	30,425,000.00	18,774,932.52
Total Capital Leases			**20,285,000.00**	**10,621,879.76**	**267,120,000.00**	**94,099,092.99**
Refunding Bond Authority						
Refunding Bond Authority State Public Projects, 2003 Series A	2003	10/1/2008	8,360,000.00	209,000.00	0.00	0.00
Refunding Bond Authority State Public Projects, 1998 Series A	1998	2/1/2010	9,835,000.00	833,437.50	6,040,000.00	317,100.00
Total Refunding Bond Authority			**18,195,000.00**	**1,042,437.50**	**6,040,000.00**	**317,100.00**
R.I. Economic Development Corporation						
McCoy Stadium Issue, Series 1998 (C-21)	1998	12/1/2010	1,045,000.00	43,690.85	2,220,000.00	100,800.00
URI Power Plant (C-17)	1999	11/1/2019	735,000.00	560,650.00	10,759,000.00	3,464,265.00
Fidelity Building I (C-33)	1996	5/1/2021	883,848.00	1,604,678.00	18,707,829.00	11,189,770.00
Transportation Motor Fuel (C-13)	2003	6/15/2026	3,845,000.00	3,134,676.00	68,715,000.00	30,143,243.00
Fleet Bank (C-35)	1997	5/1/2027	235,000.00	712,107.00	9,180,000.00	7,822,481.00
Fidelity Building II (C-34)	2002	5/1/2027	251,484.00	702,571.00	9,514,298.00	7,658,664.00
Total R.I. Economic Development Corporation			**6,995,332.00**	**6,758,372.85**	**119,096,127.00**	**60,379,223.00**
Convention Center Authority (C-7)	2001	5/15/2035	**9,285,000.00**	**13,853,467.00**	**261,675,000.00**	**161,151,992.00**
Grand Total			**460,914,772.00**	**86,442,465.14**	**1,690,120,127.00**	**705,371,607.66**

EXHIBIT B

Recent Credit Rating Reports

Moody's Investors Service

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

Global Credit Research - 01 Dec 2008

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

State
RI

Moody's Rating

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

Opinion

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

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

Credit strengths are:

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

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

*Improving debt ratios reflecting debt reduction policies.

Credit challenges are:

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

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

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

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

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

RECENT REVENUE FORECAST IDENTIFIES SIZEABLE BUDGET GAP FOR CURRENT FISCAL YEAR

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

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

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

RHODE ISLAND FACES $461 MILLION GAP FOR FISCAL YEAR 2010

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

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

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

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

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

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

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

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

PENSION FUNDING STATUS REMAINS RELATIVELY LOW

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

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

ECONOMY WEAKENS WITH ACCELERATING JOB LOSSES AND SIGNIFICANT HOUSING WEAKENESS

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

Outlook

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

What would make the rating move - UP

*Maintenance of stronger reserve levels.

*Sustained job growth.

*Restoration and maintenance of structural budget balance.

What could change the rating - DOWN

*Failure to achieve structural budget balance.

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

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

*Further economic deterioration leading to revenue weakening.

*Continued reliance on one-time budget solutions.

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Director and Shareholder Affiliation Policy."

STANDARD & POOR'S

RATINGSDIRECT®

March 9, 2009

Rhode Island & Providence Plantation's Outlook Revised To Negative On Continued Significant Pressures On State Finances

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BOSTON (Standard & Poor's) March 9, 2009--Standard & Poor's Ratings Services has revised its outlook on Rhode Island & Providence Plantation's outstanding general obligation (GO) and appropriation debt to negative from stable, reflecting continued significant pressures on state finances, despite substantial on-going actions to balance the budget and the availability of federal stimulus funding.

At the same time, Standard & Poor's also assigned its 'AA-' standard long-term rating, with a negative outlook, to the Rhode Island Convention Center Authority's revenue bonds. Standard & Poor's also affirmed its 'AA-' rating on the Rhode Island & Providence Plantation's outstanding appropriation debt and its 'AA' standard long-term rating and underlying rating (SPUR) on the state's existing GO debt, with the outlook revised to negative.

In our opinion, the ratings reflect Rhode Island's good income levels; recently improved, though above-average, debt burden; and historically adequate financial position.

In our opinion, offsetting factors include the state's large projected budget gaps for fiscals 2009 and 2010, general fund deficits in fiscals 2007 and 2008 (unaudited), and sizable unfunded pension liability.

The Convention Center Authority bonds and other lease bonds are secured by appropriation payments from the state, and the state's GO bonds are secured

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by the state's full faith and credit.

"We believe additional economic deterioration beyond the state's current projections could further reduce economically-sensitive revenues and make the achievement of structural budget balance more challenging," said Standard & Poor's credit analyst Henry Henderson. "The way that budget gap solutions are constructed for the fiscal 2009 and 2010 budgets will be an important component of our view of the state's creditworthiness."

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Find a Rating.

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

Ratings

24 Nov 2008 5:00 PM (EST)

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

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

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

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

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

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

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

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

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

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

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

EXHIBIT C

Schedule of Debt Issuances

State of Rhode Island
Public Finance Management Board
Summary of Proposed Debt Issuance by Cities & Towns
Sold During the Period 1/1/08 - 12/31/2008

100% Date	Amount	City or Town	Type	Description of Issue	Report of Final Sale Received
1/3/08	684,836.00	Town of Portsmouth, R.I.	G.O.	G.O. Bonds	3/26/08
1/24/08	5,500,000.00	Town of Coventry, R.I.	TAN's	Tax Anticipation Notes	2/5/08
2/8/08	9,935,000.00	Town of Bristol, Rhode Island	BAN's	G.O. Bond Anticipation Notes dated 2/19/08	3/5/08
3/11/08	1,000,000.00	City of Central Falls, R. I.	G.O.	G.O. State Aid Anticipation Notes dated 3/18/08	4/29/08
3/17/08	6,000,000.00	Town of Middletown	G.O.	G.O. Bonds dated 4/1/08	6/11/08
4/2/08	19,255,000.00	City of Warwick, Rhode Island	G.O.	G.O. Refunding Bonds dated 4/30/08	9/4/08
4/14/08	2,000,000.00	Town of Scituate, R. I.	TAN's	Tax Anticipation Notes dated 4/17/08	4/23/08
4/18/08	300,000.00	Town of North Kingstown	Loan	Septic Revolving Fund Loan (third installment)	5/19/08
4/25/08	4,000,000.00	City of Warwick, Rhode Island	Revenue	Wastewater System Revenue Bonds, 2008 Series A, dtd 4/30/08	11/5/08
4/30/08	190,000.00	Harris Fire and Lighting Dist.	BAN's	G.O. Bond Anticipation Notes dated 6/1/08	1/12/09
5/1/08	9,115,000.00	Providence Housing Authority	Revenue	R.I. Capital Funds Housing Revenue Bonds, Series 2008	5/28/08
5/13/08	4,900,000.00	Town of Jamestown, R. I.	G.O.	G.O. Bonds dated 6/15/08	6/23/08
5/14/08	3,885,000.00	Town of Warren	G.O.	G.O. Bonds, 2008 Series	7/10/08
5/19/08	13,075,000.00	City of Cranston, Rhode Island	G.O.	G.O. Bonds	7/25/08
5/22/08	400,000.00	Town of South Kingstown, R. I.	Revenue	Water System Revenue Bonds, 2008 Series	7/10/08
5/23/08	600,000.00	City of East Providence, R. I.	RAN's	G.O. Revenue Anticipation Notes, Series 1	6/12/08
5/23/08	2,000,000.00	City of East Providence, R. I.	BAN's	G.O. Bond Anticipation Notes, Series 2	6/12/08
5/29/08	5,900,000.00	City of Newport, Rhode Island	Revenue	Water System Revenue Bond, 2008 Series A	11/5/08
5/29/08	35,000,000.00	City of Providence, R. I.	Revenue	Water System Revenue Bond, 2008 Series A	11/6/08
6/2/08	5,500,000.00	Bristol County Water Authority	Revenue	General Revenue Bonds, 2008 Series A dated 6/5/08	6/18/08
6/12/08	20,120,000.00	Town of Tiverton	BAN's	G.O. Bond Anticipation Notes, Series 1 & Series 2	6/27/08
6/12/08	55,000,000.00	City of Woonsocket	BAN's	G.O. Bond Anticipation Notes	8/26/08
6/17/08	21,500,000.00	Town of Narragansett	BAN's	G.O. Bond Anticipation Notes dated 7/15/08	7/17/08
6/17/08	5,000,000.00	Town of Lincoln, Rhode Island	G.O.	G.O. Bonds dated 7/1/08	9/4/08
6/20/08	430,000.00	Town of Scituate, R. I.	G.O.	G.O. Bonds dated	7/1/08
6/24/08	4,000,000.00	City of Central Falls, R. I.	TAN's	G.O. Tax Anticipation Notes	8/12/08
6/26/08	350,000.00	Town of Portsmouth, R.I.	Interim	Interim Bonds	11/18/08
6/27/08	400,000.00	Town of Portsmouth, R.I.	G.O.	G.O. Bonds	9/10/08
6/30/08	2,635,000.00	Town of Smithfield, R. I.	BAN's	G.O. Bond Anticipation Notes dated 8/11/08	8/12/08
7/10/08	11,200,000.00	City of Pawtucket, R. I.	BAN's	G.O. Bond Anticipation Notes dated 7/24/08	8/27/08
7/28/08	5,500,000.00	Town of Coventry, R.I.	TAN's	G.O. Tax Anticipation Notes	12/12/08
8/6/08	4,000,000.00	Town of Cumberland	RAN's	G.O. Revenue Anticipation Notes, Series 2	8/6/08
8/6/08	5,500,000.00	Town of Cumberland	TAN's	G.O. Tax Anticipation Notes, Series 1	8/6/08
8/8/08	5,900,000.00	City of Newport, Rhode Island	Revenue	Water System Revenue Bond, 2008 Series B	Postponed
8/26/08	500,000.00	Town of Hopkinton, R. I.	TAN's	G.O. Tax Anticipation Notes	9/25/08
8/28/08	2,300,000.00	Town of North Providence	TAN's	G.O. Tax Anticipation Notes	9/25/08
9/4/08	1,430,000.00	Town of Johnston, R. I.	BAN's	G.O. Bond Anticipation Notes dated 9/10/08	9/25/08
10/15/08	350,000.00	Town of New Shoreham	BAN's	G.O. Bond Anticipation Notes dated 7/18/08	10/15/08
10/15/08	200,000.00	East Smithfield Water District	Revenue	Drinking Water System Revenue Bonds, Series 2008 (Taxable)	10/27/08
10/16/08	2,599,999.95	Town of Portsmouth, R.I.	G.O.	G.O. Clean Renewable Energy Bonds dated 10/30/08	11/5/08
10/29/08	6,000,000.00	Town of East Greenwich, R. I.	G.O.	G.O. Bonds	11/7/08
10/30/08	165,000.00	Glendale Water Association	BAN's	G.O. Bond Anticipation Notes	Cancelled
10/30/08	165,000.00	Glendale Water Association	G.O.	G.O. Bonds dated 1/29/09	2/23/09
11/5/08	435,000.00	Prudence Island Water District	G.O.	G.O. Clean Water Bonds	11/14/08
11/21/08	15,940,000.00	Town of Cumberland	G.O.	G.O. Refunding Bonds, 2008 Series A	11/21/08
11/21/08	1,130,000.00	Town of Cumberland	G.O.	G.O. Taxable Judgment Bonds, 2008 Series B	11/21/08
11/25/08	1,700,000.00	Town of North Smithfield, R.I.	G.O.	G.O. Bonds dated 12/15/08	1/20/09
12/4/08	1,737,000.00	City of Newport, Rhode Island	BAN's	Water System Revenue BAN's, Series 1 & Series 2	12/9/08
12/8/08	9,790,000.00	Town of North Kingstown	G.O.	G.O. Bonds	3/3/09
12/15/08	1,000,000.00	Town of Hopkinton, R. I.	BAN's	G.O. Bond Anticipation Notes	12/22/08
12/16/08	25,000,000.00	City of East Providence, R. I.	TAN's	G.O. Tax Anticipation Notes	1/13/09
	341,216,835.95				

State of Rhode Island
Public Finance Management Board
Summary of Fees by Agency - Calendar Year 2008
Sold During the Period 1/1/08 - 12/31/08

100% **Initial Date**		**Delivery Date**	**Maturity Date**	**Original Issue Amount**	**Fees Due**	**Total Due by Agency**	**% of Total**	**Total Rec.'d**	**Date Rec.'d**	**Report of Final Sale Received**
	R I Health & Educ Bldg Corp									
1/22/08	Hospital Financing Revenue Bonds									
	Care New England Issue, Series 2008 A and	2/1/08	9/1/2032	46,730,000.00						
	Series 2008 B	2/1/08	9/1/2037	38,210,000.00						
				84,940,000.00						
		Refunding Portion		(53,530,000.00)						
		New money portion subject to fee.		31,410,000.00	7,852.50			7,852.50	2/20/08	3/10/08
1/23/08	Health Facilities Revenue Bonds	2/7/08	2/1/2038	12,600,000.00	3,150.00			3,150.00	3/14/08	3/26/08
	Home & Hospice Care of Rhode Island - Series 2008									
3/18/08	Higher Education Facility Revenue Refunding Bonds									
	Rhode Island School of Design Issue - Series 2008									
	Series 2008A	3/27/08	8/15/2034	61,930,000.00						
		Refunding Portion		(61,450,000.00)						
		New money portion subject to fee.		480,000.00	120.00			120.00	4/7/08	4/10/08
	Series 2008B	3/27/08	8/15/2036	31,850,000.00						
		Refunding Portion		(31,550,000.00)						
		New money portion subject to fee.		300,000.00	75.00			75.00	4/7/08	4/10/08
4/17/08	Higher Education Facility Revenue Refunding Bonds	4/24/08	6/1/2035	50,420,000.00						
	Bryant University Issue - Series 2008	Refunding Portion		(50,000,000.00)						
		New money portion subject to fee.		420,000.00	105.00			105.00	6/16/08	5/15/08
4/21/08	Higher Education Facility Revenue Refunding Bonds	4/30/08	11/1/2036	18,200,000.00	0.00					5/16/08
	Providence College Issue - Series 2008									
5/7/08	Public Schools Revenue Bond Financing Program Revenue Bonds	5/8/08	5/15/2029	91,920,000.00	22,980.00			22,980.00	8/25/08	6/26/08
	Series 2008 A (Pooled Issue)									
	Bristol Warren Regional School District			12,200,000.00						
		Refunding Portion		(9,000,000.00)						
	Town of Cumberland, Rhode Island - Refunding			30,000,000.00						
	Foster - Glocester Regional School District			19,720,000.00						
		Refunding Portion		(16,000,000.00)						
	Town of North Smithfield, Rhode Island			30,000,000.00						
		Refunding Portion		(28,000,000.00)						
6/23/08	Higher Education Facility Revenue Refunding Bonds	7/3/08	11/15/2024	22,935,000.00	0.00					8/22/08
	Roger Williams University Issue - Series 2008 A									

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received
	R I Health & Educ Bldg Corp - Continued									
7/9/08	Higher Education Facility Revenue Refunding Bonds New England Institute of Technology Issue - Series 2008	7/30/08	3/1/2034	16,120,000.00						
			Refunding Portion	(15,825,000.00)						
	New money portion subject to fee.			295,000.00	73.75			73.75	8/5/08	8/13/08
7/17/08	Public Schools Revenue Bond Financing Program Revenue Bonds Series 2008 B (Pooled Issue)	8/7/08	5/15/2029	24,675,000.00	6,168.75			6,169.00	8/5/08	8/25/08
	City of Cranston, Rhode Island Town of Portsmouth, Rhode Island Town of Tiverton, Rhode Island Exeter - West Greenwich Regional School District				0.25	Variance				
8/21/08	Higher Education Facility Revenue Bonds Roger Williams University Issue - Series 2008 B	8/28/08	11/15/2038	38,000,000.00	9,500.00			9,500.00	12/4/08	8/28/08
11/14/08	Higher Education Facility Revenue Bonds U.R.I. Auxiliary Enterprise Revenue Refunding Issue, Series 2008 A	11/20/08	9/15/2034	34,105,000.00						
			Refunding Portion	(33,000,000.00)						
	New money portion subject to fee.			1,105,000.00	276.25			276.25		12/11/08
11/14/08	Higher Education Facility Revenue Bonds U.R.I. Auxiliary Enterprise Revenue Issue, Series 2008 B (Fed. Taxable)	11/20/08	9/15/2024	3,830,000.00	0.00					12/11/08
					50,301.50		21.5%	50,301.50		
	R I Clean Wtr Pro Finance Agcy									
3/20/08	Safe Drinking Water Revolving Fund Revenue Bonds Series 2008 A (Pooled Issue)	6/5/08	10/1/2029	36,350,000.00	9,087.50			9,087.50	8/15/2008	6/5/08
4/18/08	Revenue Bonds, 2008 Series A City of Warwick Issue	4/30/08	3/1/2028	4,000,000.00	1,000.00			1,000.00	6/20/2008	6/20/08
10/3/08	Revenue Bonds, 2008 Series A City of Newport Issue	11/1/08	10/15/2028	6,650,000.00	Issue will not close. See letter dated 7/7/09.					
					10,087.50		4.3%	10,087.50		
	R I Water Resources Board									
					0.00		0.0%	0.00		

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received
	R I Hsing & Mtge Finance Corp									
3/5/08	Homeownership Opportunity Bonds, Series 59-A (Non-AMT)	3/20/08	10/1/2034	23,285,000.00	5,821.25					5/19/08
3/5/08	Homeownership Opportunity Bonds, Series 59-B (AMT)	3/20/08	4/1/2028	24,325,000.00	6,081.25					5/19/08
3/5/08	Homeownership Opportunity Bonds, Series 59-C (AMT) (Variable Rate)	3/20/08	4/1/2047	25,000,000.00	6,250.00					5/19/08
				72,610,000.00						
	Refunding Portion for Series 59 Bonds previously paid on Series 49-C and 50-C Notes			(43,595,000.00)	(10,898.75)	7,253.75		7,253.75	4/25/08	
				29,015,000.00						
8/4/08	Homeownership Opportunity Bonds, Series 60-A1 (Non-AMT)	8/26/08	10/1/2034	16,220,000.00	4,055.00					10/7/08
8/4/08	Homeownership Opportunity Bonds, Series 60-A2 (Non-AMT)	8/26/08	10/1/2038	27,265,000.00	6,816.25					10/7/08
8/4/08	Homeownership Opportunity Bonds, Series 60-B (AMT)	8/26/08	10/1/2028	21,235,000.00	5,308.75					10/7/08
-----	Homeownership Opportunity Bonds, Series 60-C (AMT)	8/26/08	2/5/2009	10,280,000.00	2,570.00					10/7/08
				75,000,000.00						
	Refunding Portion for Series 60 Bonds previously paid on Series 51-C and 51-D Bonds and Notes			(30,885,000.00)	(7,721.25)	11,028.75		11,028.75	10/9/08	
				44,115,000.00						
10/17/08	General Obligation Refunding Bonds, Series 2008	10/31/08	11/1/2013	5,000,000.00	0.00					1/27/09
					18,282.50		7.8%	18,282.50		

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received
	Rhode Island Student Loan Auth									
5/6/08	Student Loan Program Revenue Bonds									
	2008 Senior Series A Bonds (AMT)	5/8/08	6/1/2028	60,000,000.00	15,000.00					6/6/08
	2008 Subordinate Series I Bonds (AMT)	5/8/08	12/1/2028	4,000,000.00	1,000.00	16,000.00		16,000.00	6/6/08	6/6/08
				64,000,000.00						
8/12/08	Student Loan Program Revenue Bonds									
	2008 Series B-1 (AMT) - Refunding	8/14/08	6/1/2026	20,000,000.00	0.00					9/3/08
	2008 Series B-2 (AMT) - Refunding	8/14/08	6/1/2026	20,000,000.00	0.00					9/3/08
	2008 Series B-3 (AMT) - Refunding	8/14/08	6/1/2026	25,000,000.00	0.00					9/3/08
	2008 Series B-4 (AMT)	8/14/08	6/1/2048	20,000,000.00	5,000.00					9/3/08
	2008 Series B-5 (Taxable)	8/14/08	6/1/2048	15,000,000.00	0.00	5,000.00		5,000.00	9/3/08	9/3/08
				100,000,000.00						
9/19/08	Student Loan Program Revenue Bonds									
	2008 Series C-1 (AMT) - Refunding	9/25/08	7/1/2019	30,000,000.00	0.00					12/18/08
	2008 Series C-2 (AMT)	9/25/08	7/1/2048	55,000,000.00	13,750.00					12/18/08
	2008 Series C-3 (Taxable)	9/25/08	7/1/2048	15,000,000.00	0.00	13,750.00		13,750.00		12/18/08
				100,000,000.00						
					34,750.00		14.8%	34,750.00		
	Narr Bay Wtr Qlty Mgt Dist Com									
	(PFMB fees are not assessed for this agency)									
7/14/08	Narragansett Bay Commission Wastewater System Revenue Refunding Bonds, 2008 Series A	7/17/08	9/1/2034	66,360,000.00	0.00					8/27/08
					0.00		0.0%	0.00		
	R I Solid Waste Management Bd									
	(R.I. Resource Recovery Corporation)									
					0.00		0.0%	0.00		

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received
	Providence Housing Authority									
	RI Turnpike & Bridge Authority									
					0.00		0.0%	0.00		
	Woonsocket Housing Authority									
					0.00		0.0%	0.00		
	R I Industrial Facilities Corp									
8/28/08	Taxable Economic Development Revenue Bond The New England Expedition - Providence I, LLP Project - 2008 Series	3/25/08	7/1/2028	675,000.00	0.00					8/28/08
9/2/08	Industrial Development Revenue Bonds Industrial - Recreational Building Authority Program Neurotech Pharmaceuticals, Inc. Project - 2008 Series	9/19/08	9/19/2018	4,000,000.00	1,000.00			1,000.00	9/22/08	9/22/08
					1,000.00		0.4%	1,000.00		
	The Convention Ctr Authority									
					0.00		0.0%	0.00		

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d		Report of Final Sale Received
	State of Rhode Island (RBA is considered to be a State of R.I. Issue)										
3/5/08	G.O. Bonds CCDL of 2008, Refunding Series A	4/16/08	7/15/2014	46,570,000.00	0.00						5/1/08
10/21/08	G.O. Tax Anticipation Notes Fiscal Year 2009	10/31/08	6/30/2009	350,000,000.00	87,500.00			87,500.00	10/31/08	Wire Transfer	11/10/08
11/24/08	G.O. CCDL of 2008, Series B	12/18/08	2/1/2028	86,875,000.00	21,718.75						1/19/09
11/24/08	G.O. CDL of 2008, Series C (Federally Taxable)	12/18/08	2/1/2018	8,500,000.00	0.00						1/19/09
11/24/08	G.O. CCDL of 2008, Refunding Series D	12/18/08	2/1/2018	12,445,000.00	0.00	21,718.75		21,718.75	12/18/08	Wire Transfer	1/19/09
				107,820,000.00							
					109,218.75		46.6%	109,218.75			
	R I Economic Development Corp										
3/5/08	Variable Rate Demand Revenue Bonds (Rhode Island Philharmonic Orchestra Issue - Series 2008)	3/19/08	3/1/2038	7,000,000.00	1,750.00			1,750.00	7/9/08		7/9/08
4/2/08	Economic Development Revenue Bonds (Providence Art Club Issue - Series 2008)	4/30/08	4/30/2028	3,000,000.00	750.00			750.00	6/17/08		6/17/08
6/10/08	Airport Revenue Bonds, 2008 Series A	6/12/08	7/1/2038	17,645,000.00	4,411.25						10/31/08
6/10/08	Airport Revenue Bonds, 2008 Series B	6/12/08	7/1/2038	15,490,000.00	3,872.50						10/31/08
6/10/08	Airport Revenue Refunding Bonds, 2008 Series C	6/12/08	7/1/2020	18,030,000.00	4,507.50						10/31/08
				51,165,000.00							
			Refunding Portion	(18,322,281.36)	(4,580.57)	8,210.68		8,210.68			
			New money portion subject to fee.	32,842,718.64							
					10,710.68		4.6%	10,710.68			
	Totals				234,350.93		100.0%	234,350.93			
								0.00			
	R I Refunding Bond Authority (Considered to be a State of Rhode Island Issue)										