Fiscal Year 2013 Report on Debt Management
To the
Public Finance Management Board

September 2014

State of Rhode Island
And Providence Plantations

OFFICE OF THE GENERAL TREASURER

GINA M. RAIMONDO
GENERAL TREASURER

Table of Contents

Section **Page**

1. 2013 Findings ____ 1
2. Rhode Island State Debt ____ 7
3. Classification of State Debt ____ 9
4. Debt Policies and Practices ____ 18
5. Recommended Priorities and Issues for 2014 and 2015 ____ 24

Exhibits

A. Schedule of Tax-Supported Debt

B. Summary of Debt Issuances

C. Credit Rating Reports

September 2014

Members of the Rhode Island Public Finance Management Board

Mr. Steven Hartford, Director of Administration, State of Rhode Island
The Honorable A. Ralph Mollis, Secretary of State, State of Rhode Island
Mr. W. Lincoln Mossop, Jr., Public Member
Mr. Robert A. Mancini, Public Member
Mr. Edward F. Yazbak, Public Member
Mr. Steven Filippi, Public Member
Mr. Thomas M. Bruce, III, Public Member

Dear Members of the Board:

This letter accompanies the fiscal year 2013 Debt Management Report for the State of Rhode Island and Providence Plantations (the "State" or "Rhode Island"). This report is submitted in accordance with the Rhode Island General Laws, Title 42, Chapter 10 which established the Public Finance Management Board (the "PFMB" or the "Board") and set forth its duties, which include reporting on the debt position of the State.

This year's report demonstrates the importance of the State's debt management efforts to maintain and improve the State's credit ratings and access to the capital markets. When investors have a positive view of the State, the State's borrowing process is more efficient and economical. Lower cost debt helps make it possible for the State to access the bond markets to finance critical infrastructure projects and improvements such as schools and roads. Investor confidence was evident in the two successful sales in fiscal year 2013: a $81.4 million General Obligation sale on October 24, 2012 and a $114.865 million new money and refunding Certificates of Participation ("COPs") sale on May 2, 2013. The refinancing of COPs saved the State over $6.2 million in debt service costs.

The priority that Rhode Island policy makers have placed on debt management has resulted in significant improvement in several long-term debt trends. In 2003, Rhode Island's debt burden was the 7th highest nationally according to Moody's Investors Service. The 2014 Moody's State Debt Medians show that Rhode Island's ranking has dropped to 10th for debt per capita and 13th for debt as a percentage of personal income.

Net tax supported debt totaled $1.89 billion at the close of FY 2013 and current Budget Office forecasts project the State's debt level will increase slightly to $1.90 billion by FY 2018.

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 ratings 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. To maintain its credit ratings at an appropriate level, the State must continue to make fiscal responsibility a top priority.

The State has taken steps to strengthen its credit profile, including pension reform, establishing the Office of Management and Budget (OMB), reducing the State's reliance on one-time budget measures and improving the structural balance of the State Budget, all of which have positioned Rhode Island for stronger financial performance in the future.

Rhode Island's fiscal situation was characterized as "strained" by the three major credit rating agencies prior to and during the national recession. The State's credit rating agencies have highly scrutinized budgetary decisions since this challenging time. Persistent structural budget gaps due to anemic revenue growth and spending pressures, tight liquidity, and a weak economy have been cited by the rating agencies as issues for the State. The State has made a concerted effort to improve its primary and continuing disclosure. Investor Relations has become increasingly important for the State as investors conduct their own credit analysis and seek the opportunity to ask questions about the State's debt profile. The Office of the General Treasurer has hosted investor and broker/advisor meetings in Providence and Boston and launched the State's first investor relations portal during 2012.

According to State Budget Office projections, depending upon certain variables, the ratio of debt service to revenues will exceed the PFMB's guideline of 7.5% during FY17 by 0.1% at 7.6%, but returns below the 7.5% guideline during FY18. The economic climate of the past several 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 represents a growing percentage of the revenue base. At this time, we do not recommend revision of the guideline, but continued monitoring as discussed in the report.

Sincerely,

Gina Raimondo

Gina M. Raimondo
General Treasurer

SECTION 1
2013 Findings

The Report for Fiscal Year 2013 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 are still relatively high, as evidenced by the following statistics provided by a Moody's Investor Service State Debt Medians Report, May 2014 and the FY15 Capital Budget:

- Rhode Island ranks 13th highest among all states in Net Tax-Supported Debt as a percent of personal income, at 4.5% (based on Moody's calculations and 2012 personal income).
- Rhode Island ranks 10th highest among all states in Net Tax-Supported Debt per capita at $2,064 (based on Moody's calculations).
- Net Tax-Supported Debt increased annually by 0.6% from FY09–FY13. Personal income growth for the same period was 2.9%.
- In FY13 the general obligation debt increased at a rate of 0.8% over FY12. From FY09–FY13 general obligation debt increased at a rate of 1.9%.

Over the last four years, Net Tax-Supported Debt increased by $43.7 million, from $1.85 billion at FY09 to $1.89 billion at FY13. Current Tax-Supported Debt of $1.89 billion represents an increase of 0.9% from $1.87 billion at FY12.

According to the FY15 Capital Budget, the State's outstanding Net Tax-Supported Debt (includes adjustment for agency payments) is projected to increase to $1.90 billion for FY18. 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 FY15 also indicates that State general obligation debt will increase at a compound annual growth rate of 1.9% from $1,140.4 million at FY14 to $1,228.6 million at FY18. The Economic Development Corporation debt will decrease at a compound annual growth rate of -5.0%. During the same period, it is estimated that capital leases will decrease at a compound annual growth rate of -4.7% and Convention Center Authority will decrease by -5.3%.

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

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

In their 2014 Outlook for US States, dated December 5, 2013, Moody's Investors Service expressed a stable outlook for state credit ratings and noted that the main drivers of their stable outlook in the near term are;

Key macro indicators continue to reflect economic recovery, albeit at subdued rates;

Revenue growth continued in fiscal 2013 with many states recording better-than-expected revenues despite a slow start; and

Reserves are increasing.

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

Revenue and spending risks remain in fiscal 2014 budgets;

Federal budget and debt limit debate adds uncertainty to state budgets;

Pensions continue to put outsized pressure on some states' budgets; and

Employment remains weak and economic recovery has been uneven regionally.

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

The State's rating agencies have noted RIRSA as a credit positive and continue to monitor its implementation. The rating agencies have also noted legal actions that have been filed in state courts in opposition to Rhode Island's pension reforms and litigation is continuing.

PFMB's Credit Guidelines and Debt Ratio Targets

In recognition of Rhode Island's high debt burden, the PFMB adopted Credit Guidelines recommended in the 1997 report for use in evaluating certain elements of the State's debt. The initial Credit Guidelines were adopted after extensive research on State debt trends and a comparative analysis of 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.

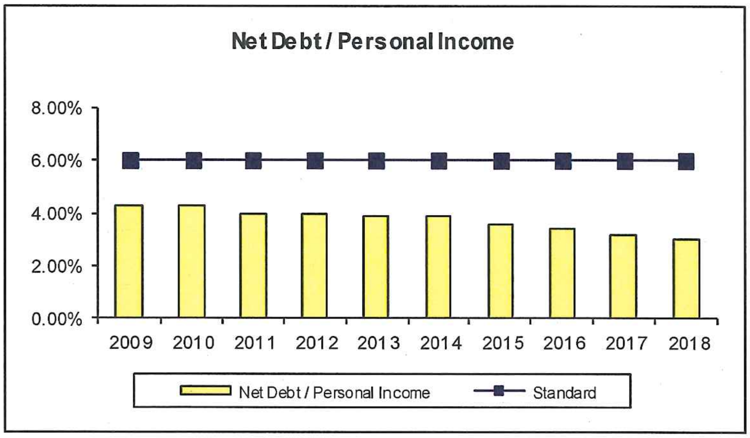
The PFMB approved the following revisions to the Tax-Supported Debt to Personal Income target debt ratios recommended in the 1999 Report on Debt Management. Approved guidelines are as follows:

- ***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.

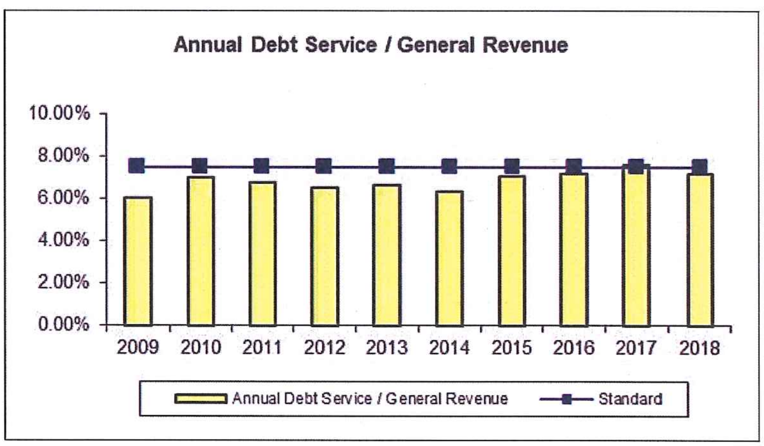
- ***Credit Guideline 2:*** The Board should monitor the total amount of Tax-Supported Debt, State Supported Revenue Debt, and Agency Revenue Debt in relation to the State's personal income.

- ***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 remain within the Credit Guidelines relating to Net Debt to Personal Income, as the ratio will decline from 3.9% at FY14 to 3.0% at FY18. From FY09 to FY13, Personal Income grew at a rate of 2.9%, while Net Tax-Supported Debt increased by 0.6%. The combination of higher Personal Income growth and lower debt growth resulted in the Net Debt to Personal Income ratio of 4.2% at FY09 decreasing to 3.9% for FY13.



Annual Debt Service as a percentage of revenues increased from 6.0% in FY09 to 6.6% in FY13. Projections from FY14 to FY18 indicate that the PFMB guideline of 7.5% for debt service to revenue ratio will be exceeded by 0.1% to 7.6% during FY17.

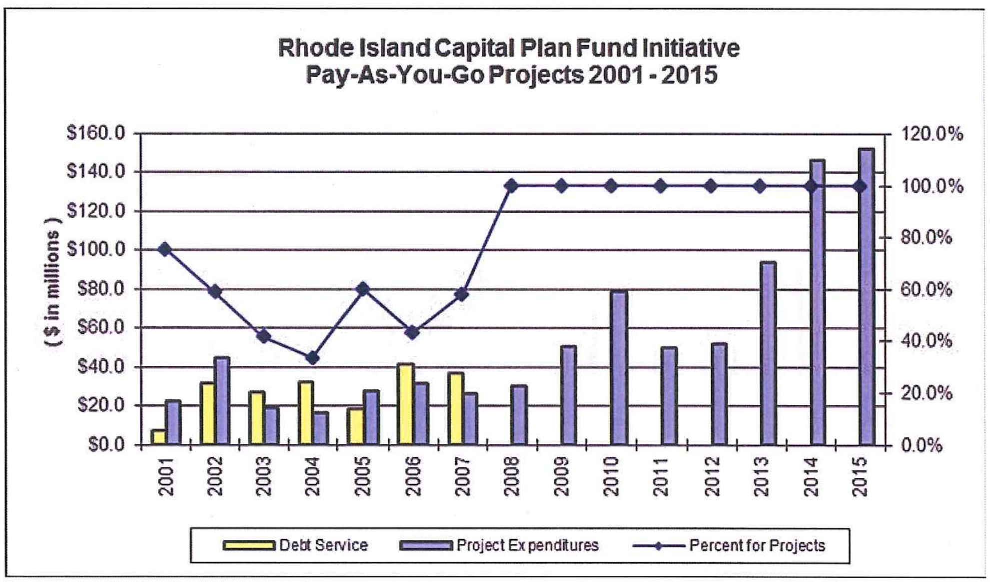


Positive Steps in Debt Administration

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

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

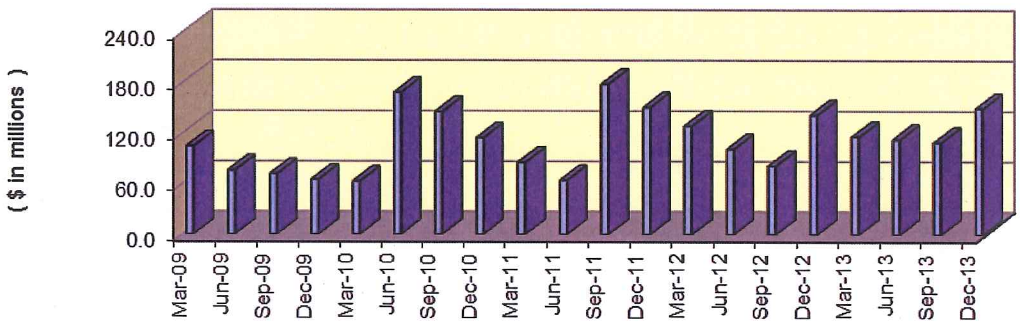
   Included in the governor's recommended FY15 Budget was a $152.3 million appropriation ($169.8 million in FY14 which includes funding appropriations from FY13) for pay-as-you-go capital financing through the Rhode Island Capital Plan Fund. According to the FY15 Capital Budget, 100.0% of the Fund's resources will be used for capital asset protection projects in FY15.



2. **Bond Proceeds Management.** The State continues to monitor the issue of unexpended balances of general obligation bond proceeds. Past reports have noted this as an issue of concern. Unexpended proceeds were $150.1 million as of December 31, 2013 up from $142.0 million as of December 31, 2012.

   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.

Quarterly Balances of Bond Proceeds 3/2009 - 12/2013



3. **Municipal Debt Report.** The PFMB is also required to report on R.I. local government debt which is a summary of debt issued by cities and towns and other authorities to comply with Section 42-10.1-4. This report will be issued on or before September 30, 2014.

4. **Cash Management.** The State has issued tax anticipation notes ("TANs") in all but 6 of the past 23 years. No TANs were issued in FY 2013 and no authority to issue TANs was sought in FY 2014. This improvement reflects the build-up of the budget stabilization fund and other reserves as well as improved cash management. Treasury's proactive cash management practices have resulted in a better alignment of cash inflows with spending.

SECTION 2

Rhode Island State Debt

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

Table 2-1 Rhode Island Debt Statement (as of June 30, 2013, dollars in millions, principal amount)	6/30/2011	6/30/2012	6/30/2013
Tax-Supported Debt			
General Obligation Bonds	$ 1,049.4	$ 1,110.6	$ 1,119.4
Capital Leases	224.0	233.8	233.0
Convention Center Authority	259.6	250.5	237.0
Economic Development Corporation	323.0	300.5	321.9
R.I.H.M.F.C. Neighborhood Opportunities Housing Program	3.5	-	-
Gross Tax-Supported Debt	$ 1,859.5	$ 1,895.4	$ 1,911.3
Agency Payments	(24.1)	(22.8)	(21.4)
Net Tax-Supported Debt	**$ 1,835.4**	**$ 1,872.6**	**$ 1,889.9**
State Supported Revenue Debt			
EDC - Providence Place Mall	26.7	24.7	22.6
R.I. Housing	235.2	227.1	164.2
Industrial Recreational Building Authority - Insured			
Industrial Facilities Corporation	20.8	19.5	16.1
State Supported Revenue Debt	**$ 282.7**	**$ 271.3**	**$ 202.9**
Agency Revenue Debt			
Airport Corporation	$ 309.7	$ 300.8	$ 323.1
*Economic Development Corporation (Commerce Corp.)	97.5	100.2	71.2
*EDC - GARVEE Bonds, Federally Funded (Commerce Corp.)	372.3	342.7	311.6
R.I. Housing	5.0	5.0	5.0
Narragansett Bay Commission	422.4	488.5	562.9
Resource Recovery Corporation	13.1	12.2	40.0
State University and Colleges	276.2	268.7	311.5
Turnpike and Bridge Authority	69.2	66.8	64.3
Water Resources Board	4.1	2.3	2.3
Agency Revenue Debt	**$ 1,569.5**	**$ 1,587.2**	**$ 1,691.9**
Conduit Debt			
Clean Water Finance Agency	$ 671.2	$ 706.9	$ 746.9
Health and Educational Building Corporation	2,574.5	2,736.5	2,784.5
R.I. Housing	1,416.5	1,370.7	1,397.0
Industrial Facilities Corporation	80.8	65.5	63.6
Student Loan Authority	1,026.6	863.0	762.8
Conduit Debt	**$ 5,769.6**	**$ 5,742.6**	**$ 5,754.8**

Sources: FY 15 Capital Budget and Treasury Survey of R.I. Quasi-Public Corporations subject to their revisions.

* All references in this report to the Economic Development Corporation (EDC) are references to the Commerce Corporation, fka Economic Development Corporation.

Explanation of Categories of Debt

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

Tax-Supported Debt

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

State Supported Revenue Debt

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

Agency Revenue Debt

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

Conduit Debt

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

SECTION 3
Classification of State Debt

The Debt Issuers

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

As previously noted, economic expansion resulting in more robust revenue growth could reduce pressure on the State's debt ratios and enhance structural fiscal balance, two important credit factors. The Office of the General Treasurer worked with the General Assembly in the 2013 Legislative Session to design a revolving fund for local roads to assist Rhode Island's cities and towns with much needed infrastructure improvements and to foster economic activity. This program will be administered by RI Clean Water Finance Agency and supported by RIDOT.

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

Table 3-1
State Debt Issuing Agencies

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

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

(1) Borrows through the Economic Development Corporation.

Tax-Supported Debt: FY09 to FY13

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

Table 3-2 presents the amounts and types of Tax-Supported Debt for the five years ending June 30, 2013 with resulting debt ratios. For FY13, the State's Debt to Personal Income ratio of 3.9% and Debt Service to Revenue ratio of 6.6% 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, 2013 is presented in Appendix A.

Table 3-2
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	$ 1,118.0	$ 1,049.4	$ 1,110.6	$ 1,119.4	1.9%
Capital Leases	267.1	254.7	224.0	233.8	233.0	-3.4%
Convention Center Authority	263.8	268.3	259.6	250.5	237.0	-2.6%
Economic Development Corp.	286.5	259.9	323.0	300.5	321.9	3.0%
R.I.H.M.F.C. Neighborhood Opp. Hsing Prog.	13.2	8.4	3.5	-	-	-
Refunding Bond Authority (1)	6.0	-	-	-	-	-
Gross Tax-Supported Debt	$ 1,872.8	$ 1,909.3	$ 1,859.5	$ 1,895.4	$ 1,911.3	0.5%
Agency Payments	(26.6)	(25.4)	(24.1)	(22.8)	(21.4)	-5.3%
Net Tax-Supported Debt	**$ 1,846.2**	**$ 1,883.9**	**$ 1,835.4**	**$ 1,872.6**	**$ 1,889.9**	**0.6%**
Annual Net Tax-Supported Debt Service (2)	$ 196.7	$ 218.2	$ 212.8	$ 217.7	$ 230.3	4.0%
Debt Ratios: (3)						
Annual Debt Service / Revenues (7.5%)	6.0%	7.0%	6.7%	6.5%	6.6%	2.4%
Net Debt / Personal Income (5% - 6%)	4.2%	4.3%	4.1%	4.0%	3.9%	-2.2%
Net Debt / Capita	$ 1,757.0	$ 1,789.8	$ 1,743.2	$ 1,781.2	$ 1,799.4	0.6%
Assumptions:						
Revenues (2), (4)	$ 3,270.8	$ 3,112.4	$ 3,159.3	$ 3,338.7	$ 3,484.7	1.6%
Personal Income	$43,635.3	$43,854.8	$45,291.8	$46,744.8	$ 48,853.8	2.9%
Population (5)	1,050,788	1,052,567	1,052,886	1,051,302	1,050,292	0.0%

CAGR = Compound Annual Growth Rate
Source: FY 15 Capital Budget

(1) As of February 1, 2010, all bonds of the Authority were paid in full.
(2) FY 10 - FY 14 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 for 2013 are from the U.S. Census Bureau, November 21, 2013.

As the result of increases in General Obligation debt and Economic Development Corporation debt, total Net Tax-Supported Debt increased by a CAGR of 0.6% from FY09 to FY13. These increases were partially offset by a -3.4% CAGR decrease in Capital Leases and a -2.6% decrease in Convention Center Authority debt. State personal income grew at an annual compound rate of 2.9% while revenues increased by 1.6% 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 (the "EDC") issues debt that will be paid from State taxes and revenues which represents 17.0% of Net Tax-Supported Debt. This debt contains unusual credit features, which obligate the State to pay debt service under certain expected circumstances. Two such previously contracted issues (Fidelity and Fleet leases) carry a moral obligation and springing appropriation pledge triggered by the firms' hiring levels, which requires the State to appropriate funds in the event that certain job hiring targets are met. In the event performance targets are not met, the State is not obligated to pay under the agreements. The purpose of this type of performance-based credit structure is to foster economic development, and to justify such appropriations by the generation of incremental income tax receipts. For this reason, issuance must be carefully monitored and measured for budget purposes.

Projected Tax-Supported Debt: FY14 to FY18

Using figures provided by the State Budget Office, an estimate of the Tax-Supported Debt for the FY14 - FY18 period has been developed along with a forecast of certain debt ratios.

Table 3-3
Tax-Supported Debt: Fiscal Years 2014 - 2018
(dollars in millions, principal amount)

Fiscal Years	2014	2015	2016	2017	2018	CAGR FY14 - 18
General Obligation Bonds	$ 1,140.4	$ 1,165.8	$ 1,179.9	$ 1,191.8	$ 1,228.6	1.9%
Capital Leases	238.7	249.8	244.1	223.6	196.5	-4.7%
Convention Center Authority	226.9	216.1	204.9	193.5	182.6	-5.3%
Economic Development Corp.	364.3	322.3	353.0	299.6	297.1	-5.0%
Gross Tax-Supported Debt	$ 1,970.3	$ 1,954.0	$ 1,981.9	$ 1,908.5	$ 1,904.8	-0.8%
Agency Payments	(12.0)	(10.8)	(9.4)	(8.0)	(6.6)	-13.9%
Net Tax-Supported Debt	**$ 1,958.3**	**$ 1,943.2**	**$ 1,972.5**	**$ 1,900.5**	**$ 1,898.2**	**-0.8%**
Annual Net Tax-Supported Debt Service (1)	$ 225.1	$ 256.4	$ 262.5	$ 284.5	$ 271.8	4.8%
Debt Ratios: (2)						
Annual Debt Service / Revenues (7.5%)	6.3%	7.1%	7.1%	7.6%	7.1%	3.1%
Net Debt / Personal Income (5% - 6%)	3.9%	3.6%	3.4%	3.1%	3.0%	-6.0%
Net Debt / Capita	$ 1,864.5	$ 1,850.2	$ 1,878.0	$ 1,809.5	$ 1,807.3	-0.8%
Assumptions:						
Revenues	$ 3,560.8	$ 3,629.8	$ 3,673.3	$ 3,730.0	$ 3,803.8	1.7%
Personal Income	$ 50,662.5	$ 53,858.0	$ 57,306.1	$ 60,383.0	$ 62,783.1	5.5%
Population (3)	1,050,292	1,050,292	1,050,292	1,050,292	1,050,292	0.0%

CAGR = Compound Annual Growth Rate
Source: FY 15 Capital Budget

(1) Projected Net Tax-Supported Debt Service. FY 15 Capital Budget, page B-14.
(2) Based on Net Tax-Supported Debt which includes agency payments.
(3) Population estimates for 2013 are from the U.S. Census Bureau, November 21, 2013.

Gross Tax-Supported Debt (excludes adjustments for agency payments) is projected to decrease from $1,970.3 million in FY14 to $1,904.8 million in FY18.

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 $202.9 million at June 30, 2013, down from $271.3 million at June 30, 2012. While this type of debt is intended to be paid from dedicated revenues generated from financed projects, the State has provided credit support to additionally secure this debt. Because of the implied financial commitment of State support in the event of any unanticipated revenue shortfall, the level of this debt is an important consideration for the credit ratings of the State's Tax-Supported Debt. Table 3-4 presents the amounts and types of State Supported Revenue Debt for the five years ending June 30, 2013.

Table 3-4
State Supported Revenue Debt: Fiscal Years 2009 - 2013
(dollars in millions, principal amount)

Fiscal Years	2009	2010	2011	2012	2013	CAGR FY 09 - 13
EDC - Providence Place Mall	30.4	28.6	26.7	24.7	22.6	-7.1%
R.I. Housing	285.3	267.3	235.2	227.1	164.2	-12.9%
Industrial Recreational Building Authority - Insured Industrial Facilities Corporation	14.1	18.1	20.8	19.5	16.1	3.4%
Total	**$ 329.8**	**$ 314.0**	**$ 282.7**	**$ 271.3**	**$ 202.9**	**-11.4%**

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

The largest component of State Supported Revenue Debt is the moral obligation debt of Rhode Island Housing, which has decreased by 121.1 million (CAGR of -12.9%) since 2009. State Supported Revenue Debt decreased by an annual compound rate of -11.4% for the period from FY09 to FY13.

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

Agency Revenue Debt

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

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

The State has issued general obligation bonds to finance facilities of several of the agencies shown in Table 3-5. Only the Revenue Debt of these agencies is presented in Table 3-5, and any other debt is presented in the sections relating to Tax-Supported Debt. Table 3-5 presents the amounts and types of Agency Revenue Debt for five fiscal years ending June 30, 2013.

Table 3-5
Agency Revenue Debt: Fiscal Years 2009 - 2013
(dollars in millions, principal amount)

Fiscal Years	2009	2010	2011	2012	2013	CAGR FY 09 - 13
Airport Corporation	$ 327.7	$ 319.7	$ 309.7	$ 300.8	$ 323.1	-0.4%
Economic Development Corporation	94.4	94.0	97.5	100.2	71.2	-6.8%
EDC - GARVEE Bonds, Federally Funded	427.4	400.5	372.3	342.7	311.6	-7.6%
R.I. Housing	5.0	5.0	5.0	5.0	5.0	0.0%
Narragansett Bay Commission	444.0	410.1	422.4	488.5	562.9	6.1%
Resource Recovery Corporation	14.8	14.0	13.1	12.2	40.0	28.2%
State University and Colleges	222.6	283.1	276.2	268.7	311.5	8.8%
Turnpike and Bridge Authority	23.6	70.7	69.2	66.8	64.3	28.5%
Water Resources Board	5.8	4.9	4.1	2.3	2.3	-20.6%
Total	**$ 1,565.3**	**$ 1,602.0**	**$ 1,569.5**	**$ 1,587.2**	**$ 1,691.9**	**2.0%**

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

The Turnpike and Bridge Authority experienced the largest increase of 28.5% followed by the Resource Recovery Corporation at 28.2%. Next was the State University and Colleges which increased by 8.8% and the Narragansett Bay Commission which increased by 6.1%. Overall, Agency Revenue debt grew at a compound annual rate of 2.0% from FY09 - FY13. Because payment of this category of debt is supported by fees, charges, or other revenues, an increase in this type of debt may be considered as one indicator of economic growth. However, either a stable or growing economy is needed to support such debt.

Conduit Debt

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

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

Table 3-6
Conduit Debt: Fiscal Years 2009 - 2013
(dollars in millions, principal amount)

Fiscal Years	2009	2010	2011	2012	2013	CAGR FY 09 - 13
Clean Water Finance Agency	$ 602.6	$ 652.7	$ 671.2	$ 706.9	$ 746.9	5.5%
Health and Educational Building Corporation	2,377.6	1,793.7	2,574.5	2,736.5	2,784.5	4.0%
R.I. Housing	1,293.7	1,445.1	1,416.5	1,370.7	1,397.0	1.9%
Industrial Facilities Corporation	89.3	95.3	80.8	65.5	63.6	-8.1%
Student Loan Authority	1,046.3	1,331.4	1,026.6	863.0	762.8	-7.6%
Water Resources Board	1.0	-	-	-		-
Total	**$ 5,410.5**	**$ 5,318.2**	**$ 5,769.6**	**$ 5,742.6**	**$ 5,754.8**	**1.6%**

CAGR = 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 1.6% from FY09-FY13. The agencies which experienced the most significant growth in debt were the Clean Water Finance Agency and the Health and Educational Building Corporation with compound annual growth rates of 5.5% and 4.0% respectively. R.I. Housing debt levels have also been on the rise, but at a slower rate.

Local Government Debt

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

Table 3-7 presents the amounts of Local Government Debt for the five years ending June 30, 2012. 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 3-7
Local Government Debt: Fiscal Years 2008 - 2012
(in millions)

Fiscal Years	2008	2009	2010	2011	2012	CAGR FY 08 - 12
Local Government Debt	$ 1,713.7	$ 1,692.0	$ 1,767.6	$ 1,821.3	$ 1,761.3	0.7%

CAGR = 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 general obligation bonds and notes, revenue bonds, and capital leases of Rhode Island's 39 local governments. During the five years shown in Table 3-7 this debt grew at a compound annual growth rate of 0.7%.

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 Targets

Setting debt targets is a policy exercise involving balancing the cost of debt against the need for debt financed capital improvements. Many states set limits on debt that is paid from state general taxes and revenues. Maintaining a high credit rating or improving an average rating is a key objective in limiting debt in most states. The PFMB has set debt targets based on personal income levels and debt service as a percentage of General Revenues. However, municipal/public credit ratings are based on not only debt levels, but also financial, economic and management characteristics of the jurisdiction. There are no fixed formulas for the optimal combination of these factors. 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 2012 and 2013. The agencies were provided with an update of the State's budget, economic development initiatives and current debt profile. The ratings were based on the State's economic performance, effective management of the State's financial operations, and success in reducing the State's debt burden, economic development efforts and recent Pension Reform.

Rhode Island's general obligation bonds are currently rated "Aa2/AA/AA" by Moody's Investors Service, Standard & Poor's and Fitch, respectively. It is important to note that the State maintained its ratings level during the period 2001-2004, when many states were downgraded or placed on credit watch. However, in November 2007 when the State again met with all three rating agencies, their focus was on the State's budget situation. While all three rating agencies rate Rhode Island in the "Double A" category, recent rating reports have included warning signs. It is clear that the rating agencies will continue to scrutinize the budget process carefully, including: projected budget out-year deficits and actions taken to address the projected deficits. Other budgetary decisions such as funding moral obligation debt service, pension liabilities, and OPEB liabilities are also key rating drivers for the State. The State's financial and budgeting practices and track record in reducing the debt burden and taking appropriate action in response to budget pressures have been recognized as credit strengths in the past. Challenges to the State's ratings are presented by structural budget deficits due to slow revenue growth and spending requirements, slow economic growth, significant infrastructure needs, and narrow liquidity. The State's response to these challenges will be closely monitored by the rating agencies. Table 4-1 presents the credit ratings for all states with general obligation debt outstanding.

Debt projections for FY14 through FY18, as presented in Table 3-3, indicate that Net Debt to Personal Income will decrease from 3.9% to 3.0% during this period. These projections also show Debt Per Capita decreasing by -0.8% from $1,864.5 to $1,807.3 over the same period.

Because the rating agencies also evaluate economic and demographic factors in their rating analyses, the State's economic and demographic growth relative to other states will be a key factor in future comparisons. Finally, while the State's Debt to Personal Income of 4.5% in FY13 compares favorably to Moody's 2013 peer group average of 5.0%, this ratio is high relative to Moody's 2013 median (includes all states) of 2.6%. Likewise, the State's FY13 Debt per Capita of $2,064 compares unfavorably to the current Moody's median at $1,054, but favorably to the 2013 Peer Group Average of $2,606. 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	Aa1	AA	AA+
Alaska	Aaa	AAA	AAA
Arizona	Aa3	AA-	NR
Arkansas	Aa1	AA	NR
California	A1	A	A-
Colorado	Aa1	AA	NR
Connecticut	Aa3	AA	AA
Delaware	Aaa	AAA	AAA
Florida	Aa1	AAA	AAA
Georgia	Aaa	AAA	AAA
Hawaii	Aa2	AA	AA
Idaho	Aa1	AA+	AA
Illinois	A3	A-	A-
Indiana	Aaa	AAA	AA+
Iowa	Aaa	AAA	AAA
Kansas	Aa1	AA+	NR
Kentucky	Aa2	AA-	A+
Louisiana	Aa2	AA	AA
Maine	Aa2	AA	AA
Maryland	Aaa	AAA	AAA
Massachusetts	Aa1	AA+	AA+
Michigan	Aa2	AA-	AA
Minnesota	Aa1	AA+	AA+
Mississippi	Aa2	AA	AA+
Missouri	Aaa	AAA	AAA
Montana	Aa1	AA	AA+
Nebraska	Aa2	AAA	NR
Nevada	Aa2	AA	AA+
New Hampshire	Aa1	AA	AA+
New Jersey	Aa3	AA-	AA-
New Mexico	Aaa	AA+	NR
New York	Aa2	AA	AA
North Carolina	Aaa	AAA	AAA
North Dakota	Aa1	AA+	NR
Ohio	Aa1	AA+	AA+
Oklahoma	Aa2	AA+	AA+
Oregon	Aa1	AA+	AA+
Pennsylvania	Aa1	AA	AA+
Rhode Island	**Aa2**	**AA**	**AA**
South Carolina	Aaa	AA+	AAA
South Dakota	Aa2	AA+	AA
Tennessee	Aaa	AA+	AAA
Texas	Aaa	AA+	AAA
Utah	Aaa	AAA	AAA
Vermont	Aaa	AA+	AAA
Virginia	Aaa	AAA	AAA
Washington	Aa1	AA+	AA+
West Virginia	Aa1	AA	AA+
Wisconsin	Aa2	AA	AA
Wyoming	NR	AAA	NR
Rhode Island rating compared to other states:			
Above Rhode Island	31	28	28
Same as Rhode Island	12	15	9
Below Rhode Island	5	6	4
NR	1	0	8

Source: First Southwest Company - State Ratings as of 7/2/13.

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
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	4.3%	16th	2.4%	4.7%	5.5%	8.5%	8.5%	2.2%	1.3%	2.3%
2006	4.1%	13th	2.5%	4.8%	5.3%	8.0%	9.8%	2.0%	1.4%	2.2%
2007	4.6%	13th	2.4%	4.7%	5.5%	7.8%	9.4%	1.9%	1.3%	2.1%
2008	4.7%	12th	2.6%	4.6%	5.2%	7.3%	9.8%	1.9%	1.3%	2.0%
2009	4.5%	11th	2.5%	4.6%	5.4%	8.2%	8.9%	2.2%	1.3%	1.8%
2010	5.2%	13th	2.5%	5.0%	6.2%	8.7%	9.2%	2.2%	1.6%	1.8%
2011	4.7%	14th	2.8%	5.2%	6.8%	9.1%	9.4%	2.3%	1.8%	2.0%
2012	4.7%	13th	2.8%	5.1%	6.2%	9.1%	9.3%	2.1%	1.9%	1.9%
2013	4.5%	13th	2.6%	5.0%	5.7%	9.2%	9.0%	2.4%	1.8%	2.0%

Source: Moody's Investors Service
May 22, 2014 - State Debt Medians Report

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

The Tax-Supported Debt to personal income ratio measures the State's debt paid from general taxes and revenues in comparison to personal income, which is considered to be a good measure of the State's aggregate wealth. Rhode Island's Net Tax-Supported Debt to Personal Income ratio had decreased every year from 2003 - 2006 and its ranking dropped from the 7th highest in the country to the 13th highest. The 2005 ratio of 4.3% improved due to the debt defeasance program funded from the State's Tobacco Securitization and was below the peer group average of 4.7%, but it still remains well above Moody's Median of 2.4%. However, in 2013 the ratio increased to 4.5% giving Rhode Island a ranking of 13th highest. This indicates that Rhode Island's Tax-Supported Debt is a greater burden on the State's economy than is typical of most states. Personal income represents the wealth of the State which is taxed to support Tax-Supported Debt or could be taxed to support State Credit Supported Revenue Debt.

Table 4-3										
Comparison to Peer States										
Net Tax-Supported Debt per Capita										
Year	RI	RI National Rank	Moody's Median	Peer State Ave	DE	CT	MA	ME	NH	VT
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
2009	$2,127	9th	$ 936	$ 2,348	$2,489	$4,859	$4,606	$ 760	$ 665	$ 709
2010	$2,191	10th	$ 1,066	$ 2,508	$2,676	$5,236	$4,711	$ 865	$ 812	$ 747
2011	$1,997	12th	$ 1,117	$ 2,500	$2,674	$5,096	$4,814	$ 845	$ 776	$ 792
2012	$2,085	10th	$ 1,074	$ 2,529	$2,536	$5,185	$4,968	$ 814	$ 862	$ 811
2013	$2,064	10th	$ 1,054	$ 2,606	$2,485	$5,457	$4,999	$ 951	$ 864	$ 878
Source:	Moody's Investors Service									
	May 22, 2014 - State Debt Medians Report									

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

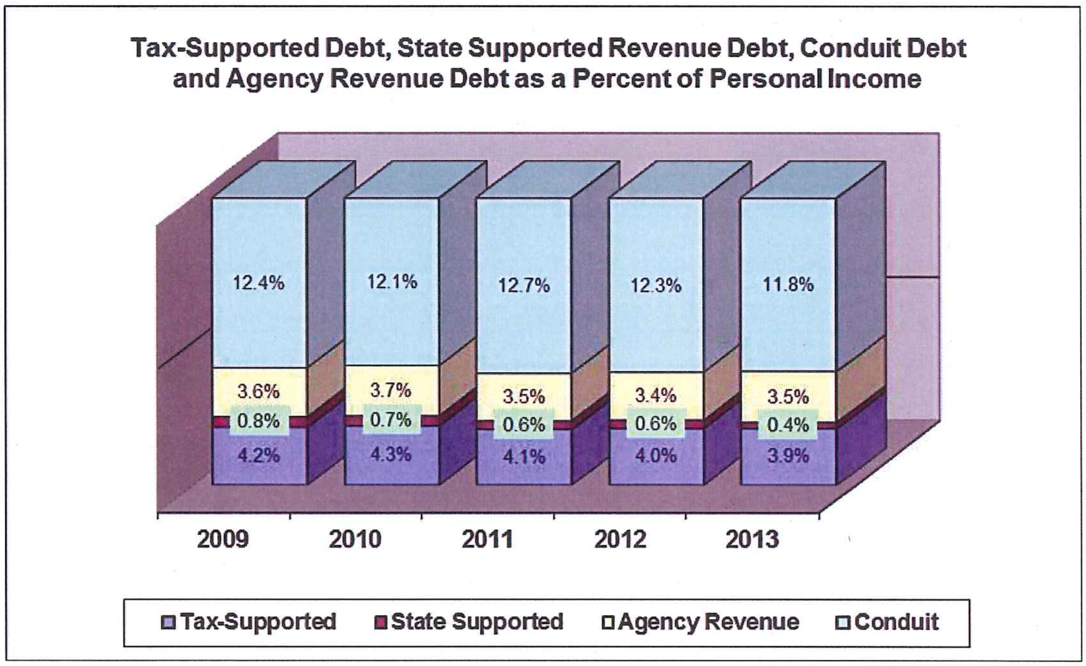
The ratio of Tax-Supported Debt to population fails to consider the economic wealth that supports the debt or the portion of the State's budget used to pay debt service. This ratio shows that three of the six peer states (Delaware, Connecticut and Massachusetts), have levels of debt per capita above the national median. This may be due to the combined factors of age of infrastructure, low population, and the dependency on the state to shoulder greater financing responsibilities. Since 2003, 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
2009	6.0%
2010	7.0%
2011	6.7%
2012	6.5%
2013	6.6%
Source: FY 10 - FY 14 Capital Budgets.	

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

As Tables 4-2 and 4-3 show, Rhode Island has moderately high levels of Tax-Supported Debt according to these ratio measures. It should be noted, however, that tax supported debt as a per cent of personal income has declined somewhat from 2011 as shown in the chart below. High debt levels can lead to lower credit ratings, which result in higher borrowing costs, and a diminished financial capacity to respond to needed infrastructure improvements to support economic development.

The chart below shows the total amount of Rhode Island's Tax-Supported Debt, State Supported Revenue Debt, Agency Revenue Debt and Conduit Debt and its relationship to State personal income has decreased from 21.0% of Personal Income in FY09 to 19.5% in FY13. This increase came as Personal Income grew at the compound annual growth rate of 2.9%.



Section 5

Recommended Priorities and Issues for 2014 and 2015

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

1. Institutionalize and continue to improve Disclosure Practices

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

2. Enhanced Investor Relations Program

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

3. Continued Emphasis on Rating Agency Communication and Debt Management

Rhode Island's improved debt position relative to the 50 states over the past decade is the product of policies and fiscal discipline adopted after the State's debt burden peaked in the early '90s. Rhode Island's relative position nationally improved from 7th highest ratio of debt to personal income in 2003 to 13th highest in 2013. The State's debt management policies included greater scrutiny of debt issues, the development of debt level benchmarks and refinement of the capital budgeting process. Rhode Island has lived up to its commitment to reduce its debt burden and is now realizing the benefits of this consistent discipline. Recent changes in rating agency criteria have incorporated Pension and OPEB liabilities in the analysis of overall debt burden. Rhode Island's efforts related to retiree health care and pension reform have been a positive development. The credit guidelines and more conservative debt ratio targets approved by the PFMB in June 2000 provided the structure necessary to evaluate debt trends for the past 13 years. It is also appropriate, however, to review those guidelines in the context of new rating agency criteria and economic conditions and going forward, to look broadly at the debt approval process of the State and quasi-public agencies for opportunities to improve the review process and to strengthen controls.

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

4. Sponsor Educational Programs for Municipalities

The PFMB can provide a much-needed service in offering continuing education on topical issues to municipal officers. Initiatives in this area have continued in the past several years. The Office of the General Treasurer hosted meetings and seminars for municipalities on disclosure practices, pension reform, and investments. In February 2013, the Office of the General Treasurer participated in a Rhode Island League of Cities and Towns Panel on Investor Relations and Rating Agency Communication. In January 2011, the Office of the General Treasurer participated in a panel discussion for municipal officials at the Rhode Island League of Cities and Towns annual trade show on OPEB liabilities and funding. In February 2010, the Office participated in a RI League panel discussion for municipal officials on ARRA related financing opportunities. 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 Health Check" to provide uniform data on the fiscal practices, policies, and status of all municipalities. The Office of the General Treasurer also supports the efforts of the Rhode Island Government Finance Officers Association ("RIGFOA") and has been involved in reviewing legislation to improve local borrowing practices, making presentations at RIGFOA meetings and the development of programs for RIGFOA members. Topics included the State Retirement System, Cash Management, Other Post-Employment Benefits (OPEB), Performance Measures and Benchmarks, Disclosure Practices, and Pension Reform.

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

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

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

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

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

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

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

8. Monitor Moral Obligation Debt More Closely

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

EXHIBIT A

Schedule of Tax Supported Debt

State of Rhode Island - Office of the General Treasurer
Schedule of Tax Supported Debt
As of 6/30/13

Description of Issue	Maturity Date	Principal Paid in FY 13	Interest Paid in FY 13	Principal Outstanding 6/30/2013	Interest Outstanding 6/30/2013
General Obligation Bonds					
G.O. CCDL of 2002, Series B	11/1/2012	2,070,000.00	51,750.00	0.00	0.00
G.O. CCDL of 2002, Refunding Series C	11/1/2013	6,765,000.00	551,118.75	7,115,000.00	186,768.75
G.O. CCDL of 2008, Refunding Series A	7/15/2014	5,000,000.00	666,500.00	10,830,000.00	548,500.00
G.O. CCDL of 2005, Refunding Series B	8/1/2014	1,190,000.00	129,356.26	2,520,000.00	107,390.63
G.O. CCDL of 2004, Refunding Series B	8/1/2015	20,985,000.00	1,586,625.00	21,240,000.00	1,326,000.00
G.O. CCDL of 2011, Refunding Series B	8/1/2015	4,770,000.00	928,450.00	19,010,000.00	1,278,375.00
G.O. CCDL of 2004, Series A	2/1/2016	2,265,000.00	349,125.00	5,085,000.00	368,450.00
G.O. CCDL of 2005, Series C	2/15/2016	2,520,000.00	631,000.00	10,100,000.00	1,109,750.00
G.O. CDL of 2007, Series B (Federally Taxable)	8/1/2017	810,000.00	282,092.50	4,885,000.00	693,983.75
G.O. CDL of 2008, Series C (Federally Taxable)	2/1/2018	1,000,000.00	375,490.00	5,225,000.00	1,020,863.00
G.O. CCDL of 2008, Refunding Series D	2/1/2018	1,450,000.00	435,375.00	8,240,000.00	1,178,125.00
G.O. CCDL of 2005, Refunding Series D	7/15/2018	6,700,000.00	1,821,662.50	34,360,000.00	4,500,512.50
G.O. CCDL of 2005, Refunding Series A	8/1/2018	65,000.00	2,539,887.51	51,225,000.00	9,332,506.93
G.O. CDL of 2010, Series D (Federally Taxable)	4/1/2020	2,285,000.00	707,517.60	16,920,000.00	2,799,468.24
G.O. CCDL of 2010, Refunding Series A	10/1/2020	14,160,000.00	3,027,475.00	63,150,000.00	11,370,087.50
G.O. CCDL of 2006, Refunding Series A	8/1/2022	160,000.00	3,244,312.50	68,280,000.00	16,924,206.27
G.O. CCDL of 2005, Series E	11/1/2025	2,070,000.00	2,097,501.26	43,845,000.00	14,663,014.49
G.O. CCDL of 2006, Series C	11/15/2025	4,095,000.00	3,705,566.25	76,265,000.00	25,902,038.75
G.O. CDL of 2006, Series B	8/1/2026	835,000.00	724,728.76	16,145,000.00	5,654,701.94
G.O. CCDL of 2007, Series A	8/1/2027	2,785,000.00	4,920,840.00	101,435,000.00	41,530,833.75
G.O. CCDL of 2012, Refunding Series A	8/1/2027	0.00	4,444,356.60	122,950,000.00	42,869,903.27
G.O. CCDL of 2008, Series B	2/1/2028	1,720,000.00	3,916,275.00	75,095,000.00	35,354,725.00
G.O. CCDL of 2010, Series B (Tax Exempt)	4/1/2030	1,385,000.00	1,760,350.00	36,545,000.00	17,503,550.00
G.O. CDL of 2010, Series C	4/1/2030	0.00	4,479,957.00	80,000,000.00	58,296,776.62
G.O. CCDL of 2011, Series A	8/1/2031	2,955,000.00	7,237,262.50	142,080,000.00	82,855,706.25
G.O. CCDL of 2012, Series B	10/15/2032	0.00	1,561,984.06	81,400,000.00	39,259,393.75
Total General Obligation Bonds		**88,040,000.00**	**52,176,559.05**	**1,103,945,000.00**	**416,635,631.39**

Description of Issue	Maturity Date	Principal Paid in FY 13	Interest Paid in FY 13	Principal Outstanding 6/30/2013	Interest Outstanding 6/30/2013
Capital Leases					
C.O.P. in L.P.A. (State Vehicles Projects), 2002 Series A	12/15/2012	270,000.00	5,670.00	0.00	0.00
LPC, State Vehicles Project - 2006 Series A	4/15/2013	490,000.00	19,404.00	0.00	0.00
LPC, Kent County Courthouse Project - 2004 Series A	5/2/2013	2,700,000.00	1,920,280.00	0.00	0.00
LPC, Training School Project - 2005 Series A	5/2/2013	2,260,000.00	1,952,350.00	0.00	0.00
LPC, Traffic Tribunal Project - 2005 Series B	5/2/2013	965,000.00	711,936.26	0.00	0.00
LPC, State Vehicles Project - 2007 Series C	5/1/2014	405,000.00	32,400.00	405,000.00	16,200.00
LPC, Attorney General's Building - 2007 Refunding Series G	10/1/2015	315,000.00	35,080.00	830,000.00	39,502.50
LPC, Information Technology Project - 2009 Series A	4/1/2016	1,740,000.00	261,775.00	5,580,000.00	433,325.00
LPC, Howard Center Improvements - 2007 Refunding Series E	10/1/2016	1,660,000.00	352,625.00	6,455,000.00	545,687.50
LPC, Shepard's Building - 2007 Refunding Series F	10/1/2016	2,295,000.00	595,625.00	10,765,000.00	1,117,625.00
LPC, Information Technology Project - 2007 Series A	5/1/2017	2,745,000.00	522,087.50	6,730,000.00	844,975.00
LPC, Central Power Plant - 2007 Refunding Series D	10/1/2020	1,550,000.00	703,587.50	15,185,000.00	2,838,818.75
LPC, Energy Conservation Project - 2009 Series B	4/1/2021	805,000.00	435,662.50	9,310,000.00	2,127,725.00
LPC, Energy Conservation Project - 2013 Series C	4/1/2023	0.00	0.00	17,520,000.00	4,771,828.61
LPC, Information Technology Project - 2013 Series D	4/1/2023	0.00	0.00	9,170,000.00	1,987,635.56
LPC, Energy Conservation Project - 2007 Series B	5/1/2023	800,000.00	436,881.26	9,205,000.00	2,174,875.08
LPC, Kent County Courthouse Project - 2013 Refunding Series A	10/1/2023	0.00	0.00	36,310,000.00	10,976,702.08
LPC, Training School Project - 2013 Refunding Series B	10/1/2024	0.00	0.00	36,575,000.00	11,723,328.19
LPC, Traffic Tribunal Project - 2013 Refunding Series E	10/1/2024	0.00	0.00	15,290,000.00	4,083,277.50
LPC, Energy Conservation Project - 2011 Series A	4/1/2026	2,745,000.00	1,015,350.00	27,325,000.00	5,221,450.00
LPC, School for the Deaf Project - 2009 Series C	4/1/2029	1,090,000.00	1,389,250.00	26,320,000.00	13,385,337.52
Total Capital Leases		**22,835,000.00**	**10,389,964.02**	**232,975,000.00**	**62,288,293.29**
R.I. Economic Development Corporation					
Division of Motor Vehicle System	4/1/2017	1,500,000.00	344,470.00	6,675,000.00	717,804.00
Historic Structures Tax Credit Fund	5/15/2018	15,415,000.00	5,849,040.00	90,575,000.00	16,562,261.00
URI Power Plant	11/1/2020	875,000.00	416,205.00	7,485,000.00	1,568,580.00
Job Creation Guaranty	11/1/2020	0.00	5,309,413.00	75,000,000.00	24,328,306.00
Fidelity Building I	5/1/2021	1,222,384.00	1,266,142.00	14,363,600.00	5,579,895.00
Fidelity Building II	5/1/2027	334,238.00	619,816.00	8,308,827.00	5,047,921.00
Fleet Bank	5/1/2027	315,000.00	630,298.00	8,045,000.00	5,170,966.00
Transportation Motor Fuel	6/15/2027	3,840,000.00	3,304,303.00	66,510,000.00	25,803,464.00
Total R.I. Economic Development Corporation		**23,501,622.00**	**17,739,687.00**	**276,962,427.00**	**84,779,197.00**
Convention Center Authority	5/15/2035	**9,570,000.00**	**13,565,199.00**	**236,960,000.00**	**135,575,914.00**
Grand Total		**143,946,622.00**	**93,871,409.07**	**1,850,842,427.00**	**699,279,035.68**

EXHIBIT B

Summary of Debt Issuances

The Public Finance Management Board
Summary of Debt Issuance by Cities & Towns
Calendar Year 2013

100%

Date	Amount	City or Town	Bond Counsel Fee	Bond Counsel	Description of Issue	Report of Final Sale Received
2/11/13	5,000,000.00	City of East Providence, R. I.	11,375.00	Edwards Wildman	G.O. Tax Anticipation Notes dated 2/12/13	2/20/13
2/25/13	39,345,000.00	City of Providence, R. I.	50,000.00	Moses Afonso Ryan	G.O. Bonds, Series 2013 A	4/22/13
2/25/13	300,000.00	Town of North Kingstown	600.00	Taft & McSally	Septic Revolving Fund Note issued to RICWFA	7/30/13
3/26/13	4,790,000.00	City of East Providence, R. I.	8,250.00	Edwards Wildman	Tax Anticipation Notes	9/19/13
3/30/13	2,500,000.00	Town of Scituate, R. I.	4,250.00	Gorham & Gorham	Tax Anticipation Notes	5/7/13
4/26/13	227,000.00	Town of Smithfield, R. I.	8,000.00	Partridge Snow & Hahn	G.O. Drinking Water Bond, 2013 Series	5/3/13
4/29/13	175,000.00	Cumberland Fire District	3,100.00	Moses Afonso Ryan	G.O. Tax Anticipation Note dated 5/7/13	5/20/13
5/3/13	5,000,000.00	Town of Johnston, R. I.	19,500.00	Pannone Lopes Devereaux	G.O. Bonds, 2013 Series A	6/18/13
5/6/13	4,400,000.00	City of Woonsocket	24,221.00	Partridge Snow & Hahn	R.I. Water System Revenue Bonds, 2013 Series A dated 5/14/13	5/16/13
5/8/13	1,000,000.00	Greenville Water District	6,000.00	Taft & McSally	State Drinking Water Revolving Fund Loan from R.I.C.W.F.A.	8/22/13
5/10/13	31,000,000.00	City of Newport, Rhode Island	38,000.00	Edwards Wildman	Water System Revenue Bonds, 2013 Series A dated 5/14/13	6/21/13
5/10/13	8,645,000.00	City of Pawtucket, R. I.	21,500.00	Edwards Wildman	Water System Revenue Bonds, 2013 Series A dated 5/14/13	6/21/13
5/10/13	25,000,000.00	City of Providence, R. I.	47,500.00	Edwards Wildman	Water System Revenue Bonds, 2013 Series A dated 5/14/13	5/14/13
5/10/13	424,817.87	Town of Exeter	4,500.00	Edwards Wildman	G.O. Refunding Bonds	5/17/13
5/14/13	1,739,000.00	Town of Portsmouth, R.I.	11,000.00	Moses Afonso Ryan	G.O. Bonds 2013 Series A & G.O. Refunding Bonds 2013 Series B	5/29/13
5/17/13	3,000,000.00	Town of Middletown	4,000.00	Edwards Wildman	G.O. Bond Anticipation Notes	5/29/13
5/20/13	10,000,000.00	City of Woonsocket	16,910.65	Partridge Snow & Hahn	Waste Water System Revenue Bonds, 2013 Series A	6/26/13
5/22/13	3,370,000.00	Town of Smithfield, R. I.	15,000.00	Partridge Snow & Hahn	Wastewater System Revenue Bonds, 2013 Series A	6/10/13
5/24/13	2,600,000.00	Town of Bristol, Rhode Island	18,750.00	Cameron & Mittleman	G.O. Bonds dated 6/6/13	6/7/13
5/24/13	505,000.00	Town of Scituate, R. I.	1,620.00	Gorham & Gorham	Tax-Exempt Lease	5/28/13
5/29/13	4,200,000.00	City of Providence, R. I.	17,500.00	Edwards Wildman	Subordinate Wastewater System Revenue Bonds	7/12/13
			-		(Water Quality Protection Charge Pledge), 2013 Series B	
5/29/13	2,400,000.00	Town of Coventry, R.I.	14,900.00	Edwards Wildman	Wastewater System Revenue Bonds, 2013 Series A	7/12/13
6/6/13	10,210,000.00	City of Cranston, Rhode Island	22,000.00	Nixon Peabody	General Obligation Bonds, 2013 Series A	7/30/13
6/27/13	2,570,000.00	Town of Jamestown, R. I.	15,000.00	Taft & McSally	G.O. Bonds, 2013 Series A	8/21/13
7/24/13	5,000,000.00	Town of Coventry, R.I.	2,200.00	Edwards Wildman	Taxable Tax Anticipation Notes	9/25/13
7/26/13	213,000.00	Abbey Lane Community Wtr Dist.	4,576.00	Moses Afonso Ryan	G.O. Bonds	9/26/13
7/26/13	4,230,000.00	Town of Charlestown, R. I.	15,000.00	Moses Afonso Ryan	G.O. Open Space Bonds, Series A and G.O. Refunding Bonds, Series B	8/27/13
7/26/13	5,870,000.00	Town of Cumberland	17,000.00	Moses Afonso Ryan	G.O. Bonds, Series A and G.O. Refunding Bonds, Series B	9/3/13
7/26/13	219,000.00	Town of New Shoreham	5,000.00	Moses Afonso Ryan	Sewer Bonds	9/26/13
7/31/13	600,000.00	East Smithfield Water District	9,000.00	Partridge Snow & Hahn	Drinking Water Revenue Bonds, 2013 (Taxable)	8/7/13
8/6/13	3,000,000.00	City of East Providence, R. I.	11,250.00	Edwards Wildman	G.O. Revenue Anticipation Notes, 2013 Series 1 & Series 2 (Taxable)	9/25/13
8/21/13	350,000.00	Town of North Kingstown	500.00	Taft & McSally	G.O. Bonds, 2013 Series A	12/5/13
8/21/13	10,000,000.00	Town of North Kingstown	29,000.00	Taft & McSally	G.O. Bond Anticipation Notes, 2013 Series 1	12/5/13
8/26/13	8,225,000.00	Town of Coventry, R.I.	59,000.00	Edwards Wildman	Wastewater System Revenue Bonds, 2013 Series B (Conduit Issue)	10/2/13
8/27/13	5,310,000.00	Town of Tiverton	35,411.93	Partridge Snow & Hahn	Special Obligation Tax Increment Bond, 2013 Refunding Series	9/16/13
9/30/13	700,000.00	Town of Hopkinton, R. I.	4,300.00	Edwards Wildman	G.O. Bond Anticipation Notes dated 10/4/13	10/8/13
10/7/13	3,195,000.00	Town of Warren	11,000.00	Moses Afonso Ryan	G.O. Bonds	11/5/13
10/11/13	545,000.00	Town of North Smithfield, R.I.	4,500.00	Moses Afonso Ryan	G.O. Bonds	12/30/13
11/12/13	2,560,000.00	Town of Bristol, Rhode Island	20,000.00	Cameron & Mittleman	G.O. Bonds dated 11/20/13	11/20/13
11/19/13	5,675,000.00	Town of Tiverton	12,000.00	Partridge Snow & Hahn	G.O. Bond Anticipation Notes 2013	12/16/13
11/20/13	833,000.00	Stone Bridge Fire District	-	Moses Afonso Ryan	G. O. Bond Anticipation Note	12/31/13
11/21/13	12,400,000.00	City of Pawtucket, R. I.	10,750.00	Edwards Wildman	G.O. Bond Anticipation Notes dated 11/21/13	11/21/13
12/13/13	9,500,000.00	Town of Cumberland	7,500.00	Moses Afonso Ryan	G.O. Tax Anticipation Notes dated 12/19/13	12/19/13
12/17/13	12,500,000.00	City of East Providence, R. I.	12,400.00	Edwards Wildman	G.O. Tax Anticipation Notes dated 12/20/13	12/20/13
	259,325,817.87		**653,864.58**			

100%

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received	Bond Counsel Fee	Firm
	R I Health & Educ Bldg Corp											
2/5/13	Higher Education Facility Revenue Refunding Bonds Bryant University Issue, Series 2013	2/18/13	6/30/2019	7,825,000.00								
			Refunding Portion	(7,705,000.00)								
			New Money Portion	120,000.00	30.00			30.00	2/22/13	4/17/13	40,000.00	Edwards Wildman
3/28/13	Health Facility Revenue Bonds, Scandinavian Home, Inc. Issue, Series 2013	3/28/13	4/1/2038	5,000,000.00	1,250.00			1,250.00	4/1/13	4/11/13	28,000.00	Edwards Wildman
4/2/13	Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 A (Town of Coventry)	4/23/13	5/15/2033	12,520,000.00	3,130.00			3,130.00	4/24/13	4/25/13	50,000.00	Partridge Snow
4/3/13	Health Facility Revenue Bond Saint Elizabeth Manor, East Bay Issue, Series 2013	5/15/13	5/15/2028	8,000,000.00	2,000.00			2,000.00	7/31/13	8/2/13	31,750.00	Adler Pollock
			Refunding Portion	(3,800,000.00)	Not for tax exempt bonds							
			New Money Portion	4,200,000.00								
4/8/13	Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 A (Town of North Kingstown Issue)	4/18/13	5/15/2033	7,655,000.00	1,913.75			1,913.75	4/18/13 WT	5/6/13	20,000.00	Hinckley Allen
5/17/13	Hospital Facilities Tax-Exempt Master Lease and Loan and Security Agreement - Rhode Island Hospital, Miriam Hospital & Emma Pendleton Bradley Hospital	6/14/13	6/1/2020	50,000,000.00	12,500.00			12,500.00	6/24/13	7/8/13	45,000.00	Partridge Snow
6/7/13	U.R.I. Educational & General Revenue Refunding Issue, Series 2013 A	6/18/13	9/15/2024	6,195,000.00	0.00					7/9/13	76,500.00	Hinckley Allen
	Educational and General Revenue Refunding Issue, Series 2013 B	6/18/13	9/15/2024	9,475,000.00	0.00					7/9/13	-	Hinckley Allen
	U.R.I. Auxiliary Enterprise Revenue Refunding Issue, Series 2013 C	6/18/13	9/15/2024	23,695,000.00	0.00					7/9/13	-	Hinckley Allen
	Auxiliary Enterprise Revenue Refunding Issue, Series 2013 D	6/18/13	9/15/2024	12,040,000.00	0.00					7/9/13	-	Hinckley Allen
				51,405,000.00								
6/12/13	Health Facility Revenue Bonds, Seven Hills Rhode Island Issue - Series 2013	6/21/13	5/31/2042	1,655,000.00	413.75			413.75	9/5/13	12/26/13	23,000.00	Hinckley Allen
									11/7/13 Received replacement check.			
6/14/13	Educational Institution Revenue Refunding Bond La Salle Academy Issue - Series 2013	7/31/13	7/31/2023	4,725,000.00								
			Refunding Portion	(4,660,000.00)								
			New Money Portion	65,000.00	16.25			16.25	9/16/13	9/20/13	33,500.00	Adler Pollock
6/14/13	Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 C (City of Newport Issue)	6/5/13	5/15/2033	28,575,000.00	7,143.75					10/9/13	34,500.00	Edwards Wildman
6/14/13	Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 D (City of Warwick Issue)	6/5/13	5/15/2033	4,295,000.00	1,073.75	8,217.50		8,217.50	6/20/13 WT	10/9/13	21,000.00	Edwards Wildman

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received	Bond Counsel Fee	Firm
	R I Health & Educ Bldg Corp - Continued											
7/23/13	Educational Institution Revenue Bond The Wheeler School Variable Rate Issue - Series 2013A	9/18/13	9/18/2028	4,000,000.00	1,000.00							
	Educational Institution Revenue Bond The Wheeler School Fixed Rate Issue - Series 2013B	9/18/13	9/18/2023	4,000,000.00	1,000.00	2,000.00		2,000.00	9/18/13	9/20/13	34,500.00	Adler Pollock
8/20/13	Public Schools Revenue Bond Financing Program Revenue Bonds, Series 2013 E (Town of Portsmouth Issue)	8/28/13	4/1/2028	1,100,000.00	275.00			275.00	10/3/13	12/26/13	23,000.00	Hinckley Allen
9/10/13	Public Schools Revenue Bonds Financing Program Revenue Refunding Bonds, Series 2013 A (Providence Public Buildings Authority Issue)	10/8/13 Fee was not assessed on original issue.	5/15/2024	69,705,000.00	17,426.25			17,426.25	11/19/13	3/7/14	143,820.00	Edwards Wildman
9/24/13	Health Facility Revenue Bonds The Providence Center, Inc. - Series 2013	10/1/13	2/1/2041	2,725,000.00								
			Refunding Portion	(2,596,000.00)								
			New Money Portion	129,000.00	32.25			32.25	10/18/13	12/26/13	23,000.00	Hinckley Allen
10/11/13	Higher Education Facility Revenue Refunding Bonds Roger Williams University Issue, Ser 2013 A dtd 10/29/13	10/29/13	11/15/2028	21,675,000.00	0.00					12/20/13	65,000.00	Edwards Wildman
10/24/13	Hospital Financing Revenue Bonds Care New England Issue, Series 2013 A	11/4/13	9/1/2043	87,385,000.00								
			Refunding Portion	(48,235,000.00)								
			New Money Portion	39,150,000.00	9,787.50			9,787.50	1/15/14	1/15/14	123,460.00	Partridge Snow
10/22/13	Public Schools Revenue Bonds Financing Program Revenue Bonds, Series 2013 H (Town of Little Compton Issue)	11/21/13	5/15/2034	11,310,000.00	2,827.50			2,827.50	12/9/13	12/20/13	35,000.00	Edwards Wildman
11/19/13	Educational Institution Revenue Bond St. Andrew's School Issue - Series 2013	11/26/13	6/1/2043	16,375,000.00								
			Refunding Portion	(16,125,000.00)								
			New Money Portion	250,000.00	62.50			62.50	12/3/13	12/17/13	23,000.00	Partridge Snow
11/26/13	Higher Education Facilities Revenue Bonds (Brown University Issue - Series 2013)	12/4/13	9/1/2043	138,715,000.00								
			Refunding Portion	(23,675,000.00)								
			New Money Portion	115,040,000.00	28,760.00			28,760.00	12/5/13	12/26/13	75,000.00	Hinckley Allen
12/6/13	Public Schools Revenue Bonds Financing Program Revenue Refunding Bonds, Series 2013 I (City of Pawtucket Issue)	12/5/13 Fee was not assessed on original issue.	5/15/2021	2,115,000.00	528.75			528.75	12/31/13	12/20/13	26,000.00	Edwards Wildman
12/6/13	Public Schools Revenue Bonds Financing Program Revenue Refunding Bonds, Series 2013 J (City of Central Falls Issue)	12/5/13 Fee was not assessed on original issue.	5/15/2020	5,510,000.00	1,377.50			1,377.50	12/31/13	12/20/13	34,000.00	Edwards Wildman
12/16/13	Public Schools Revenue Bonds Financing Program Revenue Refunding Bonds, Series 2013 I (Town of North Providence Issue)	12/19/13	11/15/2023	9,635,000.00	0.00					5/19/14	30,000.00	Hinckley Allen
					92,548.50		47.9%	92,548.50				

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	Bond Counsel Fee	Firm
	R I Clean Wtr Pro Finance Agcy											
5/2/13	Safe Drinking Water Revolving Fund Revenue Bonds Series 2013 A (Pooled Loan Issue)	5/2/13	10/1/2034	35,780,000.00	8,945.00			8,945.00	5/14/13	5/23/13	65,000.00	Nixon Peabody
5/15/13	Water Pollution Control Revolving Fund Revenue Bonds, Series 2013 A (Pooled Loan Issue)	6/6/13	10/1/2034	52,070,000.00	13,017.50			13,017.50	6/6/13 WT	6/7/13	75,000.00	Nixon Peabody
6/7/13	Safe Drinking Water Refunding Revenue Bonds, Series 2013 B	6/26/13	10/1/2024	38,790,000.00	0.00					6/26/13	85,000.00	Nixon Peabody
8/22/13	Revenue Bonds, 2013 Series A Town of Coventry Issue	9/3/13	9/1/2028	8,225,000.00	2,056.25			2,056.25	12/9/13 WT	9/3/13	62,500.00	Nixon Peabody
					24,018.75		12.4%	24,018.75				
	R I Water Resources Board											
					0.00		0.0%	0.00				
	R I Hsing & Mtge Finance Corp											
2/5/13	Multi-Family Development Bonds											
	2013 Series 1-A (Non-AMT)	1/31/13	4/1/2015	8,370,000.00	2,092.50							
	2013 Series 1-B (Non-AMT)	1/31/13	10/1/2048	35,150,000.00	8,787.50							
	2013 Series 2-T (Federally Taxable)	1/31/13	10/1/2036	55,760,000.00	0.00	10,880.00		10,880.00	5/2/13	4/23/13	52,320.00	Nixon Peabody
10/28/13	General Obligation Bonds, Series 2013	11/1/13	11/1/2032	5,000,000.00	1,250.00			1,250.00	1/31/14	1/15/14	34,584.64	Nixon Peabody
12/10/13	Multi-Family Revenue Bonds Grace Church Apartments Project, Series 2013	12/19/13	1/1/2015	7,410,000.00	1,852.50			1,852.50	1/2/14	1/15/14	62,500.00	Nixon Peabody
12/10/13	Multi-Family Development Bonds											
	2013 Series 3-A (Non-AMT)	12/24/13	10/1/2016	3,450,000.00	862.50							
	2013 Series 3-B (Non-AMT)	12/24/13	10/1/2048	2,500,000.00	625.00	1,487.50		1,487.50	1/31/14			
	2013 Series 3-C (Non-AMT) - Refunding	12/24/13	10/1/2030	8,795,000.00	0.00							
	2013 Series 3-D (AMT) - Refunding	12/24/13	10/1/2028	16,760,000.00	0.00							
	2013 Series 4-T (Federally Taxable)	12/24/13	10/1/2030	8,370,000.00	0.00					3/19/14	35,000.00	Hawkins Delafield
				39,875,000.00						Issuer's Counsel	7,500.00	Nixon Peabody
12/10/13	Homeownership Opportunity Bonds Series 64-T (Federally Taxable)	11/22/13	10/1/2034	84,195,000.00	0.00					3/19/14	20,826.97	Kutak Rock
										Issuer's Counsel	8,067.97	Nixon Peabody
					15,470.00		8.0%	15,470.00				

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received	Bond Counsel Fee	Firm
	Rhode Island Student Loan Auth											
3/13/13	Student Loan Program Revenue Bonds, 2013 Senior Series A (AMT)	3/8/13	12/1/2028	67,525,000.00 (36,825,000.00) 30,700,000.00	7,675.00			7,675.00	5/3/13	3/28/13	No C.O.I. paid from bond proceeds	Orrick
					7,675.00		4.0%	7,675.00				
	Narr Bay Wtr Qlty Mgt Dist Com (PFMB fees are not assessed for this agency)											
3/11/13	Wastewater System Revenue Bonds, 2013 Series A dated 3/21/13	3/21/13	9/1/2043	71,480,000.00	0.00					4/29/13	71,000.00	Edwards Wildman
5/31/13	Wastewater System Revenue Bonds, 2013 Series B	6/6/13	9/1/2033	25,000,000.00	0.00					7/12/13	31,500.00	Edwards Wildman
10/9/13	Wastewater System Revenue Bonds, 2013 Series C	12/12/13	9/1/2043	34,970,000.00	0.00					12/30/13	49,000.00	Edwards Wildman
					0.00		0.0%	0.00				
	R I Solid Waste Management Bd (R.I. Resource Recovery Corporation)											
					0.00		0.0%	0.00				
	Providence Housing Authority											
3/8/13	R.I. Multifamily Housing Revenue Bonds Cathedral Square II Apartments Project 2013	3/14/13	3/1/2016	6,000,000.00	1,500.00			1,500.00	4/12/13	4/12/13	No C.O.I. paid from bond proceeds	Partridge Snow
					1,500.00		0.8%	1,500.00				

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received	Bond Counsel Fee	Firm
	RI Turnpike & Bridge Authority											
12/31/12	Revenue Bond Anticipation Notes	2/7/13	1/15/2015	30,000,000.00	7,500.00			7,500.00	2/28/13	2/28/13	65,000.00	Taft & McSally
					7,500.00		3.9%	7,500.00				
	Woonsocket Housing Authority											
					0.00		0.0%	0.00				
	R I Industrial Facilities Corp											
	R.I. Resource Recovery Corp.											
5/15/13	Resource Recovery System Revenue Bonds Pretreatment Facility Project, Series 2013	4/26/13	5/31/2013	40,000,000.00	10,000.00			10,000.00	6/7/13 WT	6/7/13	50,000.00	Cameron Mittleman
					10,000.00		5.2%	10,000.00				

Initial Date		Delivery Date	Maturity Date	Original Issue Amount	Fees Due	Total Due by Agency	% of Total	Total Rec.'d	Date Rec.'d	Report of Final Sale Received	Bond Counsel Fee	Firm
	The Convention Ctr Authority											
3/12/13	Refunding Revenue Bonds, 2013 Series A	4/4/13	5/15/2020	37,335,000.00	0.00					4/11/13	45,000.00	Partridge Snow
					0.00		0.0%	0.00				
	State of Rhode Island											
4/26/13	Lease Participation Certificates											
	Kent County Courthouse, 2013 Refunding Series A	5/2/13	10/1/2023	36,310,000.00	0.00							
	Training School Project, 2013 Refunding Series B	5/2/13	10/1/2024	36,575,000.00	0.00							
	Energy Conservation Project, 2013 Series C	5/2/13	4/1/2023	17,520,000.00	4,380.00							
	Information Technology Project, 2013 Series D	5/2/13	4/1/2023	9,170,000.00	2,292.50							
	Traffic Tribunal Project, 2013 Refunding Series E	5/2/13	10/1/2024	15,290,000.00	0.00	6,672.50		6,672.50	4/30/13	8/5/13	52,500.00	Hinckley Allen
				114,865,000.00								
10/29/13	General Obligation Bonds											
	CCDL of 2013, Series A (Tax-Exempt)	10/31/13	10/15/2033	40,650,000.00	10,162.50			10,162.50	1/13/14	12/26/13	48,750.00	Hinckley Allen
	CDL of 2013, Series B (Federally Taxable)	10/31/13	10/15/2033	12,500,000.00	0.00							
				53,150,000.00								
					16,835.00		8.7%	16,835.00				
	R I Economic Development Corp											
3/21/13	Economic Development Revenue Bonds											
	I-195 Redevelopment District Project - Series 2013 A	4/24/13	4/1/2032	37,440,000.00	9,360.00							
Taxable	I-195 Redevelopment District Project - Series 2013 B	4/24/13	4/1/2019	960,000.00	0.00	9,360.00		9,360.00	4/24/13	4/29/13	185,000.00	Nixon Peabody
5/30/13	Airport Revenue Bonds, 2013 Series A	6/6/13	5/1/2034	33,500,000.00	8,375.00			8,375.00	8/2/13	6/8/13	52,000.00	Cameron Mittleman
								Replacement check deposited 12/16/13				
11/27/13	Airport Revenue Refunding Bonds, 2013 Series B	11/19/13	7/1/2028	30,700,000.00	0.00							
11/27/13	Airport Revenue Refunding Bonds, 2013 Series C	11/19/13	7/1/2015	2,055,000.00	0.00					1/13/14	40,486.30	Cameron Mittleman
					17,735.00		9.2%	17,735.00				
	Totals				193,282.25		100.0%	193,282.25			2,237,565.88	

EXHIBIT C

Credit Rating Reports

STANDARD
& POOR'S
RATINGS SERVICES

RatingsDirect®

Rhode Island & Providence Plantations; Appropriations; General Obligation

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

Secondary Contact:
Richard Marino J, New York (1) 212-438-2058; richard_marino@standardandpoors.com

Table Of Contents

Rationale

Outlook

Debt And Liability Profile

Related Criteria And Research

Rhode Island & Providence Plantations; Appropriations; General Obligation

Credit Profile		
US$32.62 mil rev bnds ser 2013 A dtd 03/01/2013 due 06/30/2024		
Long Term Rating	AA-/Stable	New
US$26.1 mil rev bnds ser 2013 B due 06/30/2025		
Long Term Rating	AA-/Stable	New
US$17.77 mil rev bnds ser 2013 E due 06/30/2023		
Long Term Rating	AA-/Stable	New
US$8.885 mil rev bnds ser 2013 D due 06/30/2023		
Long Term Rating	AA-/Stable	New
US$6.02 mil rev bnds ser 2013 C due 10/01/2024		
Long Term Rating	AA-/Stable	New

Rationale

Standard & Poor's Ratings Services has assigned its 'AA-' long-term rating to Rhode Island & Providence Plantations' series 2013A-E lease participation certificates, reflecting an appropriation pledge from the state. We also affirmed our 'AA' rating on the state's GO bonds, our 'AA-' rating on its appropriation debt, and our 'A' rating on Rhode Island's moral obligation-backed bonds. The outlook on all ratings is stable.

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

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

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

- Projected budget gaps for fiscal years 2015 through 2018 that reach about 11.8% of revenues in the last year and that could grow if economic conditions underperform projections; and
- Significantly underfunded pension system, even after recently adopted changes.

The series 2013 A-E certificates are secured by lease payments from the state and are subject to annual appropriation, as is the appropriation debt outstanding. The GO bonds outstanding are secured by the state's full faith and credit and the moral obligation debt is secured by the state's moral obligation to refill the bonds' debt service reserve fund if it falls below the required maximum annual debt service.

We understand that officials will use the series 2013A-C proceeds to refund about $60 million certificates of participation outstanding and the series 2013 D-E proceeds for energy projects and technology equipment purchases. The refundings are projected to result in net present value savings that will be taken primarily in fiscals 2015 and 2016 to smooth out the state's total debt service.

Rhode Island ended fiscal 2012 with a fully funded stabilization fund of $153.4 million (about 4% of general fund expenditures) and an additional unreserved general fund balance of $115.2 million. The largest general revenue sources are the personal income tax (PIT) and the sales and use tax; in fiscal 2012, the former accounted for 32% of general revenues and the latter for about 26%. Fiscal years 2011 and 2012 included full actuarial funding of other postemployment benefit (OPEB) costs.

After multiple years of lowered revenue estimates during the recent recession, the state's recent revenue estimating conferences have resulted in modestly increased projections. The November 2012 conference revised the fiscal 2013 general fund projections upward slightly from the May 2012 projections. The revised estimate of $3.33 billion is $57.7 million, or 1.8% higher than the fiscal 2012 audited actual revenues. Through January, the fiscal 2013 general revenues were $34.7 million or 2.0% above budget projections. The largest revenue source, the personal income tax, was 1.3% above budget, but sales and use taxes were a slight 0.3% below projections. The current executive projection for fiscal 2013 is for a fully funded stabilization fund of $173.0 million and an additional surplus of $79.3 million.

The state's enacted fiscal 2013 budget closed a gap most recently estimated to be $165.7 million, or about 5% of revenues, after agency current service requests. This gap projection was after the effects of pension reform legislation passed in late 2011, which was estimated to reduce expenditures by $116.8 million. The budget used the projections from the May 2012 consensus revenue estimating conference, along with the addition of $31.9 million of enacted revenue enhancements and hospital license fee revenue that is renewed annually. Total general fund revenues were $3.32 billion, a 1.9% increase from the final fiscal 2012 figure. The largest general revenues were: the personal income tax, which accounted for 33% of total general revenues and was projected to grow by 3.3% from fiscal 2012; and the sales and use tax, which accounted for 27% of general revenues and was projected to grow by 4.9%.

The fiscal 2014 governor's recommended budget closes a gap recently estimated to be $77.8 million (about 3% of revenues). The budget estimates a 2.9% general revenue increase, to $3.43 billion, after $138.3 million of changes to the consensus estimates. The largest revenue source is the personal income tax, projected to grow by 4.8% from the revised fiscal 2013 amount. The second-largest source is the sales tax, projected to grow by 2.8% from the 2013 projected amount. The governor proposes to decrease the business taxes from 9% currently to 8% in January 2014 and then 7% in January 2016, and an $8 million reduction is built into the budget.

The budget proposes $3.40 billion of general revenue expenditures, a $131.5 million or 4% increase from the 2013 estimate. The budget assumes that $79.3 million of fiscal 2013 free surplus is carried forward and spent in fiscal 2014. The budget includes increased state funding of education, per a recently adopted funding schedule. The budget projects a fully funded budget stabilization reserve of $175.3 million at the end of fiscal 2014, along with an additional ending surplus of $1.4 million. The state did not issue tax anticipation notes (TANs) for cash flow in fiscals 2013 and projects that none will be needed for fiscal 2014.

Rhode Island's long-range financial plan projects continued budget gaps. The plan includes a projection of legalized gambling in Massachusetts, which would reduce Rhode Island's gambling revenue, assuming no changes in the state's gaming options. The projected gaps are $170.5 million in fiscal 2015, or 4.8% of expenditures, increasing to $468.9

million for fiscal 2018 (11.8%), the final year of the plan. While large, these outyear projections are smaller than previous forecasts. The revenue reduction from Massachusetts gaming is projected to begin at $52 million in fiscal 2015 and rise to $140 million in fiscal 2017.

The Rhode Island General Assembly passed the Rhode Island Retirement Security Act of 2011 (RIRSA) on Nov. 17, 2011, and the governor signed it on Nov. 18, 2011. The act makes significant changes to all of the plans the Employees' Retirement System of Rhode Island (ERSRI) administers, which include: ERSRI State Employees (including correctional officers and nurses); ERSRI Teachers; Municipal Employees' Retirement System (MERS), including general employees and public safety; Judicial Retirement Benefits Trust; and State Police Retirement Benefits Trust. ERSRI's actuaries performed an actuarial analysis that indicates the act reduced the system's June 30, 2010, unfunded actuarial accrued liability (UAAL) by $3.02 billion, from $7.30 billion to $4.29 billion. The June 30, 2012 UAAL responsibilities for the state employees, teachers, judges, and state police systems was $4.52 billion, a 58.2% funded level. Rhode Island has full or partial funding responsibilities for those systems. Officials indicate the pension funding savings for the state government in fiscal 2013, including the state's share of teacher contributions, is about $240 million. However, there have been legal challenges to these enacted pension changes, which are currently being litigated.

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

Outlook

The stable outlook reflects our view that Rhode Island's government framework and financial management procedures are strong, as demonstrated by recent budget adjustments that have closed large gaps. We believe that the state's stabilization funding mechanism and ability to enact revenue and expenditure amendments with few limits should allow the state to maintain an adequate budgetary balance and liquidity position. We believe that recent large expenditure reductions, low pension funding, and a relatively weak economy make additional spending cuts or tax increases more difficult. We also believe that credit quality could come under pressure if revenue recovery is weaker than forecast and thus prevents the state from adjusting its budget, or from reductions in federal spending. Should the federal reductions undermine the state's revenue performance, and if the state can't make sufficient adjustments to its budget, however, it could pressure the rating. We will continue to monitor these effects as they materialize, with a particular focus on the state's ability to absorb these reductions while maintaining structural balance, and the state's response will be integral to our maintenance of the rating.

Government framework

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

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

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

Financial management

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

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

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

Economy

Rhode Island's unemployment rate was 10.4% for 2012, one of the highest in the nation, after peaking at 11.6%. In the past five years, the state's population has increased by 0.4% from 2000 to 2010. State incomes have historically been on par with the nation's; in 2008, the state's household and per-capita effective buying incomes were 103% and 104% of the national level, respectively.

IHS Global Insight Inc. projects a slow recovery for the state, with payrolls expanding by only 1.1% annually between 2012 and 2017, which would be only the 44th best in country. Prerecession employment is not projected to be reached until after 2020.

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

Debt And Liability Profile

Tax-supported debt

As of June 30, 2012, the state's total net tax-supported debt burden was 3.7% of personal income and about $1,600 per capita. The fiscal 2011 carrying charge for tax-supported debt was about 6% of general governmental expenditures. Rhode Island improved its debt ratios in previous years by defeasing debt with the proceeds of a $685 million tobacco securitization. As of fiscal 2011, about $800 million of tobacco bonds were outstanding. The state has issued TANs annually through 2012, but not in fiscal 2014. Rhode Island has no exposure to interest-rate swaps, and its variable-rate debt was fully retired in December 2010. Debt service can be paid in the absence of an appropriation budget, but there is no other priority for the payment of debt before other general state expenditures. The state's debt amortization is at a level we consider above average, and officials estimate that new debt issuance is not likely to significantly outpace amortization in future years.

Pensions and OPEBs

The Rhode Island General Assembly passed RIRSA on Nov. 17, 2011, and the governor signed it on Nov. 18. The act makes significant changes to all of the plans the ERSRI administers, which include: ERSRI State Employees (including correctional officers and nurses); ERSRI Teachers; MERS, including general employees and public safety; Judicial Retirement Benefits Trust; and State Police Retirement Benefits Trust.

The primary changes from RIRSA are:

- The general state and municipal employees and teachers will change from a defined-benefit plan to a hybrid plan that combines a smaller defined benefit and a supplemental defined contribution element;
- The public safety plans, except for state police, will extend the retirement age and lower the benefit multiplier;
- Cost-of-living-adjustments (COLAs) will be suspended or reduced for years in which the funded ratio for the aggregated state employees, teachers, judges, and state police plans is lower than 80% funded;
- When COLAs are allowed, they will be contingent on investment performance rather than an automatic CPI-related formula;
- The schedule to amortize the reduced UAAL will be re-amortized to 25 years from the current 19-year schedule, which will not reduce the UAAL, but will reduce the annual contributions, although increasing the total pension payments over time.

The unfunded liability for the state's OPEBs, as of June 30, 2011 (the latest valuation), was $866.3 million, a $91 million increase from the 2009 valuation. The liability is about $820 per capita. Rhode Island budgeted for the full OPEB ARC in fiscal years 2011 and 2012, and began funding its OPEB trust fund during 2011.

On a four-point scale on which '1' is the strongest, we have assigned a '2.4' to Rhode Island's debt and liability profile.

Related Criteria And Research

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

Ratings Detail (As Of March 18, 2013)		
Rhode Island & Providence Plantations GO		
Long Term Rating	AA/Stable	Affirmed
Rhode Island & Providence Plantations COPs		
Long Term Rating	AA-/Stable	Affirmed
Rhode Island & Providence Plantations COPs (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations GO (FGIC)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations GO (MBIA) (AMBAC)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations (Energy Conservation Proj)		
Long Term Rating	AA-/Stable	Affirmed

Ratings Detail (As Of March 18, 2013) (cont.)		
Rhode Island & Providence Plantations (Info Technol Proj) (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations lse part certs (Shepard's Bldg) rfdg ser 2007F		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations lse part certs 2005 ser C (Training Sch Proj)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations lse (Correctional Facs) 1997		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Rhode Island & Providence Plantations GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Copyright © 2013 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

McGRAW-HILL

MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aa3 rating to Rhode Island's $91 million of Lease Participation Certificates 2013 Series A, B, C, D and E

Global Credit Research - 19 Mar 2013

State has $2 billion in tax-supported debt outstanding; outlook is negative

RHODE ISLAND (STATE OF)
State Governments (including Puerto Rico and US Territories)
RI

Moody's Rating

ISSUE		RATING
Lease Participation Certificates 2013 Refunding Series A		Aa3
Sale Amount	$31,605,000	
Expected Sale Date	04/09/13	
Rating Description	Lease Rental: Appropriation	
Lease Participation Certificates 2013 Refunding Series B		Aa3
Sale Amount	$23,840,000	
Expected Sale Date	04/09/13	
Rating Description	Lease Rental: Appropriation	
Lease Participation Certificates 2013 Refunding Series C		Aa3
Sale Amount	$5,740,000	
Expected Sale Date	04/09/13	
Rating Description	Lease Rental: Appropriation	
Lease Participation Certificates 2013 Series D		Aa3
Sale Amount	$20,000,000	
Expected Sale Date	04/09/13	
Rating Description	Lease Rental: Appropriation	
Lease Participation Certificates 2013 Series E		Aa3
Sale Amount	$10,000,000	
Expected Sale Date	04/09/13	
Rating Description	Lease Rental: Appropriation	

Moody's Outlook

Opinion

NEW YORK, March 19, 2013 --Moody's Investors Service has assigned a Aa3 rating to the Rhode Island's Lease Participation Certificates 2013 Refunding Series A, B, and C, and 2013 Series D and E. Three of the series refund outstanding certificates: Kent County Courthouse Project - 2013 Refunding Series A; Training School Project - 2013 Refunding Series B; and Traffic Tribunal Project - 2013 Refunding Series C. New energy conservation projects for state facilities will be financed by Energy Conservation Projects - 2013 Series D, and the 2013 Series E certificates will provide funds for information technology upgrades in the state's division of taxation and various school districts. The certificates are expected to sell on April 9.

SUMMARY RATING RATIONALE

The Aa3 rating is notched off the state's Aa2 general obligation rating. The state's rating incorporates Rhode Island's institutionalized governance practices; maintenance of modest but positive general fund balances; narrow but improving liquidity; an economy that has long lagged the nation's; and a history of reliance on non-recurring resources to achieve budgetary balance. The rating distinction between the state's general obligation bonds and the lease participation certificates reflects the appropriation risk on the lease revenue bonds. The outlook on the bonds is negative, in line with the negative outlook on the state's general obligation bonds.

Credit strengths:

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

*History of funding budget reserve fund at constitutional cap

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

Credit challenges:

*Consecutive budget gaps for fiscal years 2007 through 2013, and forecast for fiscal 2014, due to revenue underperformance and continuing spending pressures

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

*History of slim liquidity

*Long-term economic underperformance with meager long-term employment growth rates and very high unemployment rates.

*Pending litigation challenging constitutionality of pension reforms

DETAILED CREDIT DISCUSSION

SATISFACTORY SECURITY FROM LEASE PAYMENTS

The current offering is secured by lease rental payments from the state, pursuant to lease and sublease agreements. The state's obligation to pay rentals under the leases is absolute and unconditional, but subject to annual legislative appropriation. Non-appropriation is not an event of default, although it would lead to lease termination. As is the case with other appropriation-backed debt of the state, no reserve account has been established for the bonds. Bondholders are not at significant risk in the event of delayed budget adoption, since the first debt service payment in each fiscal year is due October 1, well after the July 1 start date of the fiscal year. By statute, the leases all have a term of 10 years, but each lease is automatically renewed for another 10 years unless the General Assembly fails to appropriate. The new money certificates also mature in 10 years, while the refunding certificates mature in 11 years.

RHODE ISLAND ECONOMY CONTINUES TO LAG NATION

Rhode Island's small and narrow economy has generally underperformed the nation as well as its New England neighbors for decades, as its manufacturing base eroded and the state has struggled to generate substitute sources for economic growth. The continued sluggish macroeconomic environment is not providing enough momentum to lift state employment into recovery mode.

In calendar 2012, Rhode Island's payroll employment count dropped 0.5% compared to growth nationwide of 1.7%. The state's unemployment rate peaked at 11.9% (seasonally adjusted) in early 2010 and has fallen to 9.9 percent in December 2012. While a considerable improvement, Rhode Island has the highest unemployment rate of the 50 states. Nationwide, the unemployment rate stood at 7.8% in December.

The state's total personal income growth has also lagged the US over the long term, with annual growth of 3.4% in the decade ending in 2011 compared to 3.8% personal income growth in the US during the same period. However, on a per capita basis, personal income in Rhode Island has grown more rapidly and exceeds the US ($43,875 vs

$41,560 in 2011). The state's rising per capita personal income reflects its aging population, among other factors. In any case, personal income growth gained momentum in 2010 and 2011, helping to support revenue collections. The November Revenue Estimating Conference adopted a personal income forecast of 2.6% for fiscal 2013 and 5.1% for fiscal 2014.

The adopted economic forecast projects an improving economy, with nonfarm employment growth gaining momentum and reaching a 3.2% pace by fiscal 2016, personal income growth of 7% by 2015, and a gradually declining unemployment rate.

HEAVY RELIANCE ON NON-RECURRING SURPLUS IN PROPOSED BUDGET PLAN FOR 2014

Governor Chafee's proposed fiscal 2014 budget would increase spending from general revenues by about 4%, to $3,399 billion, and includes initiatives to fund education, channel aid to distressed local governments and reduce corporate tax rates. The pace of spending growth has moderated since the 5.2% rate in fiscal 2012, reflecting spending control and the disappearance of federal stimulus funds.

The proposed budget addresses a projected $128 million gap, relying heavily on a projected fiscal 2013 year-end surplus, which would net the state $77 million in resources for the coming year. Higher revenue projections from the November Revenue Estimating Conference also contribute to closing the fiscal 2014 gap, as do a number of recurring measures that include less funding for certain programs, savings from slower human service caseload growth, and reimbursement rate reductions. Reliance on this year's projected surplus for gap-closing leaves the state vulnerable to adverse developments during fiscal 2013 and reduces the reserves available to it during fiscal 2014, which is projected to end with a free surplus of just $1.4 million.

The Governor's budget proposal includes an initiative to phase in reductions to the corporate income tax rate to 7% from 9%. The resulting revenue losses would be partly offset by reductions in certain tax credits for economic development. By fiscal 2017, the changes are expected to result in a net annual tax revenue loss of about $25 million.

LOTTERY REVENUES THREATENED BY GAMING IN NEIGHBORING MASSACHUSETTS

After projected growth of about 2.5% in fiscal 2013, the state expects a boost from lottery revenues in fiscal 2014 due to the opening of game tables at the Twin River casino. However, in the longer run the state is expecting that expanded gambling in Massachusetts will reduce its lottery revenues $308 million over five years, which will be compounded by the loss of revenues due to the corporate tax rate reduction. This expectation underlies out year deficit projections of $170.5 million in fiscal 2015, growing to nearly $470 million in fiscal 2018.

MANDATORY FUNDING OF BUDGET RESERVE IMPROVES FUND BALANCES AND LIQUIDITY

Rhode Island's constitution requires the state to appropriate less than projected revenues to fund a budget reserve account (BRF). This requirement was strengthened by a 2006 constitutional change increasing the BRF cap to 5% from 3% of revenues. and lowering the state's appropriation cap to 97% from 98% of revenues. If the BRF is fully funded, excess revenues flow into a capital account (RICAP). The constitutional change also restricted the use of this fund to capital purposes.

Despite its fiscal distress, Rhode Island maintained positive available fund balances throughout the recent recession. Fund balances reached a low of 0.6% of revenues in 2009 but rose to 5.1% by the end of fiscal 2012.

In a positive development for the state, the budget office does not anticipate issuing cash flow notes in fiscal 2013, nor is the governor requesting authority to issue notes in 2014. This contrasts with the state's history of regular borrowing for cash flow purposes: prior to 2013, the state issued tax anticipation notes in all but 6 of the past 23 years. Given that historically the need to issue cash notes was only relieved in years of robust economic growth (the late 1990s and the peak of the housing bubble), the recent improvement in a lackluster economy reflects the rebuilding of reserves and better management. The Office of the General Treasurer has implemented more proactive cash management practices to better align cash inflows with spending patterns.

STATE TO TAKE STEPS TO ADDRESS REVERSAL IN DEBT BURDEN TREND

Rhode Island's debt burden has dropped considerably over the past 10 years, although the state's debt ratios remain above average. Total tax-supported debt in fiscal 2012 was $2.1 billion, a decline from the fiscal 2011 level of $2.3 billion. Fiscal 2012's decline in debt outstanding occurred after five consecutive years of increase. In Moody's 2012 debt medians report, Rhode Island's net tax-supported debt was 4.7% of total state personal income, ranking it 14th in the nation, down one notch from 2011 and three notches from 2010. While still notably higher than Moody's 2012 50-state median of 2.8%, 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 ranked 12th in 2012 at $1,997, two notches lower than 2011. The 2012 median debt per capita for states was $1,117. The long-run improvement in debt ratios reflects deliberate debt reduction policies, increased pay-as-you-go capital funding, as well as gains in personal income.

The more recent increase in the state's debt ratios stems primarily from debt issued to fund highway capital projects. Rhode Island has financed nearly all of its highway-related capital program with debt. In the 2011 legislative session, the General Assembly increased fees to reduce the highway program's debt-dependency. The state is planning to use the new revenues and accumulating RICAP assets to fund its highway program on a pay-as-you-go basis going forward.

STATUS OF STATE PENSION REFORM STILL AWAITS LEGAL DISPOSITION

In November 2011, the General Assembly passed legislation to overhaul the state's pension system. Rhode Island's reported pension funded ratio (the ratio of the actuarial value of assets to actuarial accrued liabilities) had been among the lowest of the states, measuring 61% in fiscal 2009. The state's low funded ratio persisted despite the state annually contributing the full amount of its actuarial required contribution. After changing certain actuarial assumptions and methods in the spring of 2011, the funded ratio plummeted to 48%. (For a more detailed discussion of the changes to Rhode Island's actuarial assumptions, please refer to our May 31, 2011 issuer report).

The reform created a hybrid defined benefit and defined contribution system, suspended automatic cost of living increases, and made other changes to eligibility rules. The reform reduced the state's fiscal 2013 general fund pension contribution from a projected $305 million to $177 million. The state reports that the changes increased the system's 2010 funded ratio from 48% to 59%.

Five legal actions have been filed in the state courts in opposition to Rhode Island's pension reforms, and litigation is continuing. A lower court decision held that pension benefits constitute a contractual agreement between the state and its employees. The matter may be resolved through mediation, a decision which may be rendered by the court by the end of March. Some other states' pension reform packages have been successfully challenged on the basis of constitutional protections of contractual agreements, although this principle has not prevailed in every case. If the reforms are ultimately overturned by the courts, the state will be put under considerable fiscal strain to meet higher contribution requirements.

MINIMAL OPEB LIABILITY HELPS MITIGATE HIGH DEBT AND PENSION BURDEN

Rhode Island's unfunded liability for other post employment benefit costs (OPEB) is estimated at approximately $917 million as of June 30, 2011, comprised primarily of $775 million for state employees and $80 million for state police. The state began funding OPEB on an actuarial basis in fiscal year 2011. The FY 2012 OPEB ARC payment for the state and other participating employers was a manageable $57 million, about 2% of revenues.

Outlook

The negative outlook reflects the state's narrow liquidity margins, below-average economic performance, and persistent budget gaps. While the pension reforms enacted in the fall of 2011 remove some budgetary pressure, the legal status of those reforms remains unsettled. A court decision against the state could result in significant costs.

What would make the rating move - UP

*Maintenance of stronger reserve levels

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

*Restoration and maintenance of structural budget balance

*Resolution of pension-related litigation in the state's favor

What could change the rating - DOWN

*Mounting combined debt and pension liability burdens with no plan to address them

*Deterioration of state's reserve and balance sheet position

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

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

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

*Resolution of pension litigation in employees' favor

RATING METHODOLOGY

The principal methodology used in this rating was The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations published in December 2011. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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

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

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

Marcia Van Wagner
Lead Analyst
Public Finance Group
Moody's Investors Service

Edward Hampton
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

MOODY'S
INVESTORS SERVICE

© 2013 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY

PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for retail clients to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

FitchRatings

Tagging Info

Fitch Rates Rhode Island Lease Appropriation Ctfs 'AA-'; Outlook Stable

Ratings Endorsement Policy
15 Mar 2013 5:15 PM (EDT)

Fitch Ratings-New York-15 March 2013: Fitch Ratings has assigned an 'AA-' rating to the following state of Rhode Island and Providence Plantations lease participation certificates:

--$31.6 million (Kent County Courthouse Project - 2013 refunding series A);
--$23.8 million (Training School Project - 2013 refunding series B);
--$5.7 million (Traffic Tribunal Project - 2013 refunding series C);
--$20 million (Energy Conservation Project - 2013 series D);
--$10 million (Information Technology Project - 2013 series E);

The bonds are expected to price through negotiation on April 9, 2013.

The Rating Outlook is Stable.

For more information on the state and its appropriation-backed debt, please see the Fitch release titled 'Fitch Rates Rhode Island Convention Center Authority's $38.2MM Rfdg Rev Bonds 'AA-'; Outlook Stable' dated March 15, 2013 and available at 'www.fitchratings.com'.

Contact:

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

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

Committee Chairperson
Karen Krop
Senior Director
+1-212-908-0661

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

Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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

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

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

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE '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. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2013 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries.