NEW ISSUES/BOOK ENTRY-ONLY

Ratings: *Moody's: "Aa2"*
Standard & Poor's: "AA"
Fitch: "AA"
See "RATINGS" herein

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the State of Rhode Island and Providence Plantations (the "State") described herein, interest on the State of Rhode Island General Obligation Bonds $114,275,000 Consolidated Capital Development Loan of 2018, Series A (Tax-Exempt) (the "Series A Bonds") is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Interest on the State of Rhode Island General Obligation Bonds $35,100,000 Consolidated Capital Development Loan of 2018, Series B (Federally Taxable) (the "Series B Bonds" and together with the Series A Bonds, the "Bonds") is not excluded from gross income for Federal income tax purposes under the Code. Bond Counsel is further of the opinion that, under existing law, interest on the Bonds is exempt from taxation by the State or any political subdivision or other instrumentality of the State, although the Bonds and any income therefrom, including gain from sale or exchange thereof, may be included in the measure of State estate taxes and State corporate and business taxes. See "TAX MATTERS" and APPENDIX B - "Proposed Forms of Legal Opinion" herein.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

General Obligation Bonds
$114,275,000 Consolidated Capital Development Loan of 2018, Series A (Tax-Exempt)
$35,100,000 Consolidated Capital Development Loan of 2018, Series B (Federally Taxable)

Dated: Date of Delivery **Due:** As shown on the inside cover page

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of the Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof and no physical delivery of the Bonds will be made to purchasers. So long as Cede & Co. is the registered owner of the Bonds, principal and semi-annual interest are payable to DTC by U.S. Bank National Association, as Paying Agent. Interest on the Bonds will be payable on October 1, 2018 and semi-annually thereafter on April 1 and October 1 of each year. The Bonds constitute general obligations of the State for the payment of which the full faith and credit of the State will be pledged. **The Series A Bonds are subject to optional redemption prior to maturity as described herein.**

The Bonds are being offered for delivery when, as and if issued by the State, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approving opinion of Nixon Peabody LLP, Providence, Rhode Island, Bond Counsel. Certain legal matters will be passed upon for the State by Locke Lord LLP, Providence, Rhode Island, as Disclosure Counsel. Public Resources Advisory Group, New York, New York, is serving as financial advisor for the State in this transaction. It is expected that the Bonds will be available for delivery in definitive form through the facilities of DTC in New York, New York on or about April 18, 2018.

The Bonds were awarded pursuant to electronic, competitive bidding held via PARITY® on April 3, 2018, as described herein under "COMPETITIVE SALE OF THE BONDS" and pursuant to the respective Official Notices of Sale dated March 26, 2018, attached hereto as Appendix C and Appendix D.

April 3, 2018

Maturity Schedule
Maturities, Amounts, Interest Rates, Yields and CUSIPs*

$114,275,000 Consolidated Capital Development Loan of 2018, Series A (Tax-Exempt)

Maturity Date (April 1)	Amount	Rate	Yield	CUSIP*	Maturity Date (April 1)	Amount	Rate	Yield	CUSIP*
2019	$ 2,190,000	5.000%	1.600%	76222R VW9	2029	$ 7,475,000	5.000%	2.630%^	76222R WG3
2020	2,085,000	5.000	1.700	76222R VX7	2030	7,850,000	3.500	3.000^	76222R WH1
2021	2,185,000	5.000	1.850	76222R VY5	2031	8,125,000	3.500	3.120^	76222R WJ7
2022	2,300,000	5.000	2.000	76222R VZ2	2032	8,405,000	4.000	3.000^	76222R WK4
2023	2,410,000	5.000	2.140	76222R WA6	2033	8,745,000	3.000	3.212	76222R WL2
2024	2,530,000	5.000	2.220	76222R WB4	2034	9,005,000	4.000	3.150^	76222R WM0
2025	2,655,000	5.000	2.330	76222R WC2	2035	9,365,000	3.125	3.319	76222R WN8
2026	2,790,000	5.000	2.420	76222R WD0	2036	9,660,000	4.000	3.250^	76222R WP3
2027	2,935,000	5.000	2.500	76222R WE8	2037	10,045,000	4.000	3.280^	76222R WQ1
2028	3,075,000	5.000	2.560	76222R WF5	2038	10,445,000	3.250	3.459	76222R WR9

^Yield calculated to the first optional redemption date of April 1, 2028.

$35,100,000 Consolidated Capital Development Loan of 2018, Series B (Federally Taxable)

Maturity Date (April 1)	Amount	Rate	Yield	CUSIP*
2019	$ 2,980,000	5.000%	2.200%	76222R WS7
2020	3,065,000	2.750	2.450	76222R WT5
2021	3,150,000	2.750	2.550	76222R WU2
2022	3,235,000	5.000	2.750	76222R WV0
2023	3,400,000	5.000	2.850	76222R WW8
2024	3,570,000	5.000	2.950	76222R WX6
2025	3,750,000	3.050	3.050	76222R WY4
2026	3,860,000	3.125	3.125	76222R WZ1
2027	3,980,000	3.200	3.200	76222R XA5
2028	4,110,000	3.250	3.250	76222R XB3

*CUSIP® is a registered trademark of the American Bankers Association (the "ABA"). CUSIP-based identifiers are assigned by CUSIP Global Services. CUSIP Global Services is managed on behalf of the ABA by Standard & Poor's Financial Services LLC. The CUSIP Numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the holders of the Bonds. Neither the Financial Advisor nor the State is responsible for the selection or use of the CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as to the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesperson or other person has been authorized by the State in connection with the offering contained herein, to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the State. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the State, and other sources that are deemed to be reliable but is not guaranteed as to accuracy or completeness by any of the foregoing. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act. The Bonds will not be listed on any stock or other securities exchange. Any registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the states in which the Bonds may be registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy of this Official Statement or, except for the State, approved the Bonds for sale. Any representation to the contrary may be a criminal offense.

The information relating to The Depository Trust Company ("DTC") and the book-entry only system contained in this Official Statement have been furnished by DTC (see "DESCRIPTION OF THE BONDS - Book-Entry-Only System" herein). No representation is made by the State as to the adequacy or accuracy of such information. The State has not made any independent investigation of DTC or the book-entry only system.

Public Resources Advisory Group, the financial advisor to the State (the "Financial Advisor"), has provided the following sentence for inclusion in this Official Statement: The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the State, but the Financial Advisor does not guarantee the accuracy or completeness of such information. The inclusion of said sentence does not imply any such guarantee by any other party.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The State does not plan to issue any updates or revisions to those forward-looking statements if or when the expectations, events, conditions or circumstances on which such statements are based occur.

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APPENDIX C – Official Notice of Sale dated March 26, 2018 for the Series A Bonds.
APPENDIX D – Official Notice of Sale dated March 26, 2018 for the Series B Bonds

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

CONSTITUTIONAL OFFICERS

Governor.....Gina M. Raimondo
Lieutenant Governor.....Daniel J. McKee
General Treasurer.....Seth Magaziner
Attorney General.....Peter F. Kilmartin
Secretary of State.....Nellie M. Gorbea

APPOINTED OFFICIALS

Director of Administration.....Michael DiBiase
Director of Office of Management and Budget.....Jonathan Womer
Budget Officer.....Thomas A. Mullaney
State Controller.....Peter Keenan
Auditor General.....Dennis E. Hoyle

BOND COUNSEL

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DISCLOSURE COUNSEL

Locke Lord LLP Providence, Rhode Island

FINANCIAL ADVISOR

Public Resources Advisory Group, New York, New York

OFFICIAL STATEMENT

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
General Obligation Bonds
$114,275,000 Consolidated Capital Development Loan of 2018, Series A (Tax-Exempt)
$35,100,000 Consolidated Capital Development Loan of 2018, Series B (Federally Taxable)

INTRODUCTION

The purpose of this Official Statement, including the front and inside cover pages and appendices hereto, is to set forth certain information concerning the State of Rhode Island and Providence Plantations (the "State" or "Rhode Island") and its $114,275,000 General Obligation Bonds Consolidated Capital Development Loan of 2018, Series A (Tax-Exempt) (the "Series A Bonds") and $35,100,000 General Obligation Bonds Consolidated Capital Development Loan of 2018, Series B (Federally Taxable) (the "Series B Bonds" and together with the Series A Bonds, the "Bonds"), dated their date of delivery. The proceeds of the Bonds will be used to finance certain authorized capital projects of the State. See "DESCRIPTION OF THE BONDS - Plan of Finance."

The Bonds were sold through a competitive, electronic bidding process on April 3, 2018 in accordance with the terms of the respective Official Notices of Sale attached hereto as Appendix C and Appendix D. See "COMPETITIVE SALE OF THE BONDS".

SECURITY FOR THE BONDS

The Bonds when duly issued will constitute valid general obligations of the State and the full faith and credit of the State will be pledged for the payment of the principal of and interest on each of the Bonds as the same shall become due.

Each Bond when issued and paid for will constitute a contract between the State and the owner thereof. The General Laws of Rhode Island provide that the General Treasurer may pay debt service on State debt without the need for an annual appropriation (as would be required for other payments from the State treasury). Moreover, each act under which the Bonds are issued expressly provides an appropriation from the treasury of a sum sufficient to pay the annual principal and interest due on the Bonds to the extent the same is not otherwise provided.

Enforcement of a claim for payment of principal of or interest on the Bonds may be subject to the provisions of federal or State statutes, if any, heretofore or hereafter enacted extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied and to the exercise of judicial discretion in accordance with equitable principles.

SOURCES AND USES OF FUNDS

The following table sets forth estimated sources and uses of funds for the Series A Bonds.

Sources	
Par Amount of Series A Bonds	$114,275,000.00
Net Original Issue Premium	7,546,236.80
Total Sources	$121,821,236.80
Uses	
Deposit to Bond Capital Fund[1]	$114,275,000.00
Deposit to Rhode Island Capital Plan Fund	1,376,873.74
Deposit to Rhode Island Municipal Road and Bridge Fund	5,585,172.58
Underwriters' Discount	584,190.48
Total Uses	$121,821,236.80

The following table sets forth estimated sources and uses of funds for the Series B Bonds.

Sources	
Par Amount of Series B Bonds	$35,100,000.00
Net Original Issue Premium	1,116,323.10
Total Sources	$36,216,323.10
Uses	
Deposit to Bond Capital Fund[1]	$35,100,000.00
Deposit to Rhode Island Capital Plan Fund	5,506.16
Deposit to Rhode Island Municipal Road and Bridge Fund	960,824.95
Underwriters' Discount	149,991.99
Total Uses	$36,216,323.10

[1] Includes legal, printing, financial advisor and other costs

DESCRIPTION OF THE STATE

See APPENDIX A "Information Statement of the State of Rhode Island and Providence Plantations", dated April 3, 2018 for a description of the State, its budgetary process and financial profile. A pension settlement was reached effective July 1, 2015 with respect to substantially all of the litigation challenging the legality of the Rhode Island Retirement Security Act and other State pension reform legislation for which the State would have financial responsibility. For further details regarding the litigation settled, the pension settlement and the litigation which has not been settled, see section entitled "Pension Reform and Related Litigation" on pages A-88

through A-90 in APPENDIX A "Information Statement of the State of Rhode Island and Providence Plantations" dated April 3, 2018.

DESCRIPTION OF THE BONDS

General

Pursuant to Section 35-8-21 of the General Laws of the State, the Series A Bonds will constitute the Consolidated Capital Development Loan of 2018, Series A (Tax-Exempt). The Series B Bonds will constitute the Consolidated Capital Development Loan of 2018, Series B (Federally Taxable).

The Bonds will be dated their date of delivery and will bear interest at the rates set forth on the inside cover page hereof. Interest on the Bonds will be payable on October 1, 2018 and semi-annually thereafter on April 1 and October 1 of each year. So long as The Depository Trust Company ("DTC"), or its nominee Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to Beneficial Owners (as defined herein) will be the responsibility of the DTC Participants and Indirect Participants, as more fully described herein. Interest is computed on the basis of a 360-day year consisting of twelve 30-day months. Principal of the Bonds will be payable as set forth on the inside cover page hereof.

Redemption

Optional Redemption of the Series A Bonds. The Series A Bonds maturing on and before April 1, 2028 are not subject to optional redemption prior to their stated dates of maturity. The Series A Bonds maturing on and after April 1, 2029 are subject to optional redemption prior to their stated dates of maturity on and after April 1, 2028 at the option of the State, as a whole or in part at any time (by lot by DTC), in any order of maturity designated by the State, at the redemption price of 100% of the principal amount of Series A Bonds to be redeemed, together with interest accrued and unpaid to the redemption date.

Optional Redemption of the Series B Bonds. The Series B Bonds are not subject to optional redemption prior to their stated dates of maturity.

Notice of Redemption. Notice of redemption of the Series A Bonds and the numbers and other designations of Series A Bonds to be redeemed, shall be given not more than 60 days nor less than 30 days prior to the date set for redemption by mailing a copy of such notice to the Bondholders. Notice having been given as specified above, the Series A Bonds so called for redemption shall be due and payable on the redemption date and interest from and after such date shall cease to accrue thereon. If any Series A Bonds is to be redeemed in part, upon such redemption the State will issue, at its expense, for the unredeemed balance of such Series A Bond, a new Series A Bond, interest rate and maturity in any of the authorized denominations.

The State, so long as a book-entry system with DTC is used for determining beneficial ownership of the Bonds, shall send any notice of redemption to DTC, or its nominee, as registered owner of the Series A Bonds (see "Book-Entry-Only System" below). Transfer of such notice to DTC's Participants is the responsibility of DTC. Transfer of such notice to Beneficial Owners by Participants is the responsibility of the Participants and other nominees of Beneficial Owners of

the Series A Bonds. Any failure of DTC to mail such notice to any Participant will not affect the validity of the redemption of the Series A Bonds. The State can make no assurances that DTC, the Participants or other nominees of the Beneficial Owners of the Series A Bonds will distribute such redemption notices to the Beneficial Owners of the Series A Bonds, or that they will do so on a timely basis, or that DTC will act as described in this Official Statement.

Book-Entry-Only System

The information under this heading has been furnished by DTC, New York, New York. The State does not make any representations as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations

providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State or the Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit the Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the State or Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment

of redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, certificated Bonds are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificated Bonds will be printed and delivered to DTC.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE STATE BELIEVES TO BE RELIABLE, BUT THE STATE TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

THE STATE AND THE PAYING AGENT WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BOND OWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Neither the State nor the Paying Agent shall have any responsibility or obligation with respect to: (i) the accuracy of the records of DTC or any Participant with respect to any beneficial ownership interest of the Bonds; (ii) the delivery to any Participant, Beneficial Owner of the Bonds or other person, other than DTC, of any notice with respect to the Bonds; (iii) the payment to any Participant, Beneficial Owner of the Bonds or other person, other than DTC of any amount with respect to the principal of, premium, if any, or interest on, the Bonds; (iv) any consent given by DTC as registered owner; or (v) the selection by DTC or any Participant of any Beneficial Owners to receive payment if the Series A Bonds are redeemed in part.

Record Date

The record date for the Bonds will be the close of business of the fifteenth day prior to the date on which an interest payment is due, or if such day is not a business day of the Paying Agent, the next preceding day which is a regular business day of the Paying Agent.

Components by Authorization and Purpose for the Bonds

The Series A Bonds are comprised of three (3) separate loans. The designation of the loans is specified by the various public laws of the State authorizing the issuance of the Series A Bonds, but each loan is a general obligation of the State without distinction among them as to payment or security. See "SECURITY FOR THE BONDS" herein. Proceeds of the Series A Bonds will be applied to the following individual loans, which in the aggregate reflect the issue amount of the Series A Bonds:

Amount	Loan
$22,600,000	State Capital Development Loan of 2012, Series G
63,575,000	State Capital Development Loan of 2014, Series C
28,100,000	State Capital Development Loan of 2016, Series B

The Series B Bonds are comprised of three (3) separate loans. The designation of the loans is specified by the various public laws of the State authorizing the issuance of the Series B Bonds, but each loan is a general obligation of the State without distinction among them as to payment or security. See "SECURITY FOR THE BONDS" herein. Proceeds of the Series B Bonds will be applied to the following individual loans, which in the aggregate reflect the issue amount of the Series B Bonds:

Amount	Loan
$200,000	State Capital Development Loan of 2012, Series H (Federally Taxable)
9,000,000	State Capital Development Loan of 2014, Series D (Federally Taxable)
25,900,000	State Capital Development Loan of 2016, Series C (Federally Taxable)

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Plan of Finance

The Series A Bonds will be issued in the amounts, for the capital purposes and pursuant to the statutory authorities approved by the electorate of the State on the dates indicated in the following table:

Amount	Purpose	Statute	Referendum
$ 500,000	Local Land Acquisition Grants	Chapter 241 of the P.L. of 2012	November 6, 2012
1,000,000	Narragansett Bay and Watershed Restoration	Chapter 241 of the P.L. of 2012	November 6, 2012
1,800,000	Clean Water Finance Agency (now known as Rhode Island Infrastructure Bank)	Chapter 241 of the P.L. of 2012	November 6, 2012
1,500,000	Local Recreation Grants	Chapter 241 of the P.L. of 2012	November 6, 2012
17,800,000	Higher Education Facilities	Chapter 241 of the P.L. of 2012	November 6, 2012
4,500,000	Cultural Arts & the Economy Grant Program	Chapter 145 of the P.L. of 2014	November 4, 2014
1,475,000	State Preservation Grants Program	Chapter 145 of the P.L. of 2014	November 4, 2014
1,000,000	Flood Prevention	Chapter 145 of the P.L. of 2014	November 4, 2014
1,000,000	Farmland Acquisition	Chapter 145 of the P.L. of 2014	November 4, 2014
1,000,000	Local Recreation Grants	Chapter 145 of the P.L. of 2014	November 4, 2014
2,600,000	Roger Williams Park Zoo	Chapter 145 of the P.L. of 2014	November 4, 2014
52,000,000	Higher Education Facilities	Chapter 145 of the P.L. of 2014	November 4, 2014
9,500,000	Port of Davisville Infrastructure at Quonset Point	Chapter 142 of the P.L. of 2016	November 8, 2016
1,600,000	Urban Revitalization and Blight Remediation	Chapter 142 of the P.L. of 2016	November 8, 2016
1,000,000	Brownfield Remediation and Economic Development	Chapter 142 of the P.L. of 2016	November 8, 2016
2,000,000	State Bikeway Development Program	Chapter 142 of the P.L. of 2016	November 8, 2016
1,000,000	Historic State Park Development Program	Chapter 142 of the P.L. of 2016	November 8, 2016
1,000,000	State Land Acquisition Program	Chapter 142 of the P.L. of 2016	November 8, 2016
1,000,000	Local Land Acquisition Matching Grant Program	Chapter 142 of the P.L. of 2016	November 8, 2016
1,000,000	Stormwater Pollution Prevention Program	Chapter 142 of the P.L. of 2016	November 8, 2016
10,000,000	University of Rhode Island College of Engineering	Chapter 142 of the P.L. of 2016	November 8, 2016
$114,275,000			

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The Series B Bonds will be issued in the amounts, for the capital purposes and pursuant to the statutory authorities approved by the electorate of the State on the dates indicated in the following table:

Amount	Purpose	Statute	Referendum
$ 200,000	Higher Education Facilities	Chapter 241 of the P.L. of 2012	November 6, 2012
8,000,000	Higher Education Facilities	Chapter 145 of the P.L. of 2014	November 4, 2014
1,000,000	Mass Transit Hub Infrastructure	Chapter 145 of the P.L. of 2014	November 4, 2014
10,000,000	Port of Providence Infrastructure	Chapter 142 of the P.L. of 2016	November 8, 2016
2,500,000	University of Rhode Island Affiliated Innovation Campus Program	Chapter 142 of the P.L. of 2016	November 8, 2016
3,400,000	Urban Revitalization and Blight Remediation	Chapter 142 of the P.L. of 2016	November 8, 2016
10,000,000	Affordable Housing Development	Chapter 142 of the P.L. of 2016	November 8, 2016
$35,100,000			

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Authorized But Unissued Direct General Obligation Debt

The following table sets forth the amounts, purposes and statutory authorization of authorized but unissued general obligation direct debt of the State after the issuance of the Series A Bonds and the Series B Bonds which authorizations have been approved by referenda of the electors.

Purpose	Statutory Authorization	Authorized but Unissued Debt Prior to Issuance of the Bonds	Bonds Described Herein	Remaining Authorization after Issuance of the Bonds
Higher Educational Facilities	Ch. 241-P.L. of 2012	$18,000,000	$18,000,000	$ 0
Clean Water Finance Agency (now known as Rhode Island Infrastructure Bank)	Ch. 241-P.L. of 2012	2,700,000	1,800,000	900,000
Narragansett Bay & Watershed Restoration	Ch. 241-P.L. of 2012	2,000,000	1,000,000	1,000,000
Local Land Acquisition Grants	Ch. 241-P.L. of 2012	500,000	500,000	0
Local Recreation Grants	Ch. 241-P.L. of 2012	1,500,000	1,500,000	0
Higher Education Facilities	Ch. 145-P.L. of 2014	97,500,000	60,000,000	37,500,000
Cultural Arts & the Economy Grant Program	Ch. 145-P.L. of 2014	4,500,000	4,500,000	0
State Preservation Grants	Ch. 145-P.L. of 2014	3,475,000	1,475,000	2,000,000
Mass Transit Hub Infrastructure	Ch. 145-P.L. of 2014	33,500,000	1,000,000	32,500,000
Flood Prevention	Ch. 145-P.L. of 2014	2,000,000	1,000,000	1,000,000
Farmland Acquisition	Ch. 145-P.L. of 2014	3,000,000	1,000,000	2,000,000
Local Recreation Grants	Ch. 145-P.L. of 2014	4,000,000	1,000,000	3,000,000
Roger Williams Park Zoo	Ch. 145-P.L. of 2014	11,400,000	2,600,000	8,800,000
Roger Williams Park	Ch. 145-P.L. of 2014	1,000,000	0	1,000,000
Clean Water Finance Agency	Ch. 145-P.L. of 2014	10,000,000	0	10,000,000
University of Rhode Island College of Engineering	Ch. 142-P.L. of 2016	25,500,000	10,000,000	15,500,000
University of Rhode Island Affiliated Innovation Campus	Ch. 142-P.L. of 2016	20,000,000	2,500,000	17,500,000
Port of Davisville Infrastructure at Quonset Point	Ch. 142-P.L. of 2016	50,000,000	9,500,000	40,500,000
Port of Providence Infrastructure	Ch. 142-P.L. of 2016	20,000,000	10,000,000	10,000,000
Historic State Park Development	Ch. 142-P.L. of 2016	4,000,000	1,000,000	3,000,000
State Land Acquisition Program	Ch. 142-P.L. of 2016	4,000,000	1,000,000	3,000,000
State Bikeway Development Program	Ch. 142-P.L. of 2016	10,000,000	2,000,000	8,000,000
Brownfield Remediation and Economic Development	Ch. 142-P.L. of 2016	5,000,000	1,000,000	4,000,000
Stormwater Pollution Prevention	Ch. 142-P.L. of 2016	3,000,000	1,000,000	2,000,000
Local Recreation Development Matching Grants	Ch. 142-P.L. of 2016	5,000,000	0	5,000,000
Local Land Acquisition Matching Grants	Ch. 142-P.L. of 2016	4,000,000	1,000,000	3,000,000
Affordable Housing Development	Ch. 142-P.L. of 2016	40,000,000	10,000,000	30,000,000
Urban Revitalization and Blight Remediation	Ch. 142-P.L. of 2016	10,000,000	5,000,000	5,000,000
		$395,575,000	$149,375,000	$246,200,000

RATINGS

The Bonds have been assigned ratings by Moody's Investors Service, Inc. ("Moody's"), S & P Global Ratings, a division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings ("Fitch") (collectively, the "Rating Agencies"). The ratings assigned by Moody's, S&P and Fitch are "Aa2", "AA" and "AA", respectively.

Such ratings reflect only the respective views of such organizations, and an explanation of the significance of each such rating may be obtained from the rating agency furnishing the same. There is no assurance that the ratings given the Bonds by the Rating Agencies will be maintained for any given period of time or that they may not be revised downward or withdrawn entirely. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

The legality of the Bonds will be approved by Nixon Peabody LLP, Providence, Rhode Island, Bond Counsel. A copy of the opinions of Bond Counsel in substantially the forms to be delivered at closing are included herein as APPENDIX B. The State will be advised on certain legal matters by Locke Lord LLP, Providence, Rhode Island, as Disclosure Counsel.

TAX MATTERS—SERIES A BONDS

Federal Income Taxes

Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series A Bonds. Pursuant to the Tax Certificate, the State has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the State has made certain representations and certifications in the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the State described above, interest on the Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel, is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. However, it is noted that solely for taxable years beginning before January 1, 2018, interest on the Series A Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations under the Code.

State Taxes

Bond Counsel is of the opinion that, under existing law, interest on the Series A Bonds is exempt from taxation by the State or any political subdivision or other instrumentality of the State, although the Series A Bonds and any income therefrom, including gain from sale or exchange thereof, may be included in the measure of State estate taxes and State corporate and business taxes. Bond Counsel expresses no opinion as to other State or local tax consequences arising with respect to the Series A Bonds or as to the taxability of the Series A Bonds or the income therefrom under the laws of any state other than the State.

Original Issue Discount

The excess of the principal amount of a maturity of the Series A Bonds over the price at which a substantial amount of such maturity of the Series A Bonds was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a "Discount Series A Bond" and collectively the "Discount Series A Bonds") constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Series A Bond and the basis of each Discount Series A Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Series A Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Series A Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Series A Bonds.

Original Issue Premium

Series A Bonds sold at prices in excess of their principal amounts are "Premium Series A Bonds." An initial purchaser with an initial adjusted basis in a Premium Series A Bond in excess of its principal amount will have amortizable Series A Bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable Series A Bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Series A Bond based on the purchaser's yield to maturity (or, in the case of Premium Series A Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Series A Bond, an initial purchaser who acquires such obligation with an amortizable Series A Bond premium is required to decrease such purchaser's adjusted basis in such Premium Series A Bond annually by the amount of amortizable Series A Bond premium for the taxable year. The amortization of Series A Bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Series A Bonds. Owners of the Premium Series A Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Series A Bonds.

Ancillary Tax Matters

Ownership of the Series A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series A Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as Appendix B. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series A Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series A Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series A Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series A Bonds may occur. Prospective purchasers of the Series A Bonds should consult their own tax advisors regarding the impact of any change in law on the Series A Bonds.

Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series A Bonds may affect the tax status of interest on the Series A Bonds. Series A Bond Counsel express no opinion as to any federal, state or local tax law consequences with respect to the Series A Bonds, or the interest thereon, if any action is taken with respect to the Series A Bonds or the proceeds thereof upon the advice or approval of other counsel.

TAX MATTERS—SERIES B BONDS

Federal Income Tax

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series B Bonds. The summary is based upon the provisions of the Code, the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Series B Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series B Bonds as a hedge against currency risks or as a position in a "straddle," "hedge," "constructive sale transaction" or "conversion transaction" for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers that acquire Series B Bonds at their initial issue price except where otherwise specifically noted. Potential purchasers of the Series B Bonds should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Series B Bonds.

The State has not sought and will not seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

U.S. Holders

As used herein, the term "U.S. Holder" means a beneficial owner of Series B Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Series B Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Series B Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Series B Bonds.

Taxation of Interest Generally

Interest on the Series B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code and so will be fully subject to federal income taxation. Purchasers will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series B Bonds. In general, interest paid on the Series B Bonds and recovery of any accrued market discount will be treated as ordinary income to a bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the U.S. Holder's adjusted tax basis in the Series B Bonds and capital gain to the extent of any excess received over such basis.

Recognition of Income Generally

Section 451 of the Code was amended by the Tax Cuts and Jobs Act, Pub. L. No. 115-97, enacted December 22, 2017, to provide that purchasers using an accrual method of accounting for U.S. federal income tax purposes generally will be required to include certain amounts in income, including market discount, no later than the time such amounts are reflected on certain financial statements of such purchaser. The application of this rule thus may require the accrual of income earlier than would have been the case prior to the amendment of Section 451. Prospective purchasers of the Series B Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Series B Bonds under the Code.

Original Issue Discount

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series B Bonds issued with original issue discount ("Discount Series B Bonds"). A Series B Bond will be treated as having been issued with an original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Series B Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Series B Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of an installment obligation, its weighted average maturity).

A Series B Bond's "stated redemption price at maturity" is the total of all payments provided by the Series B Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate or certain floating rates.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Series B Bond is the sum of the "daily portions" of original issue discount with respect to such Discount Series B Bond for each day during the taxable year in which such holder held such Bond. The daily portion of original issue discount on any Discount Series B Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Series B Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Series B Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Series B Bond at the beginning of any accrual period is the sum of the issue price of the Discount Series B Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Series B Bond that were not qualified stated interest payments. Under these rules, holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include in gross income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on a Discount Series B Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. However, holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under "Recognition of Income Generally" above. Prospective purchasers of the Series B Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Series B Bonds under the Code.

Market Discount

A holder who purchases a Series B Bond at a price which includes market discount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) in excess of a prescribed de minimis amount will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such holder will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series B Bond as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such holder on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

A holder of a Series B Bond who acquires such Series B Bond at a market discount also may be required to defer, until the maturity date of such Series B Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series B Bond in excess of the aggregate amount of interest includable in such holder's gross income for the taxable year with respect to such Series B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series B Bond for the days during the taxable year on which the holder held the Series B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondholder elects to include such market discount in income currently as described above.

Holders with market discount that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under "Recognition of Income Generally" above. Prospective purchasers of the Series B Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Series B Bonds under the Code.

Bond Premium

A holder of a Series B Bond who purchases such Series B Bond at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all taxable bonds held by the holder on the first day of the taxable year to which the election applies and to all taxable bonds thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles based on the holder's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of Series B Bonds who acquire such Series B Bonds at a premium should consult with their own tax advisors with respect to federal, state and local tax consequences of owning such Series B Bonds.

Surtax on Unearned Income

Section 1411 of the Code generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this provision in their particular circumstances.

Sale or Redemption of Bonds

A bondholder's adjusted tax basis for a Series B Bond is the price such holder pays for the Series B Bond plus the amount of market discount previously included in income and reduced on

account of any payments received on such Series B Bond other than "qualified stated interest" and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series B Bond, measured by the difference between the amount realized and the bondholder's tax basis as so adjusted, will generally give rise to capital gain or loss if the Series B Bond is held as a capital asset (except in the case of Series B Bonds acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of a Series B Bond are materially modified, in certain circumstances, a new debt obligation would be deemed "reissued", or created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. In addition, the defeasance of a Series B Bond under the defeasance provisions of the Indenture could result in a deemed sale or exchange of such Series B Bond.

EACH POTENTIAL HOLDER OF SERIES B BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (1) THE TREATMENT OF GAIN OR LOSS ON SALE, REDEMPTION OR DEFEASANCE OF THE SERIES B BONDS, AND (2) THE CIRCUMSTANCES IN WHICH SERIES B BONDS WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

Non-U.S. Holders

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Series B Bonds by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a "Non-U.S. Holder").

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act ("FATCA"), payments of principal by the State or any of its agents (acting in its capacity as agent) to any Non-U.S. Holder will not be subject to federal withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, federal withholding tax will apply unless the Non-U.S. Holder (1) does not own (actually or constructively) 10 percent or more of the voting equity interests of the State, (2) is not a controlled foreign corporation for United States tax purposes that is related to the State (directly or indirectly) through stock ownership, and (3) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (1) the Non-U.S. Holder must certify on the applicable IRS Form W-8 (series) (or successor form) to the State, its agents or paying agents or a broker under penalties of perjury that it is not a U.S. person and must provide its name and address, or (2) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business and that also holds the Series B Bonds must certify to the State or its agent under penalties of perjury that such statement on the applicable IRS Form W-8 (series) (or successor form) has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from federal withholding tax depending on the terms of an existing Federal Income Tax Treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of

countries. In addition, the terms of each treaty differ in their treatment of interest payments. Non-U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of the receipt of interest payments. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the State or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Series B Bond held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Series B Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Generally, any capital gain realized on the sale, exchange, retirement or other disposition of a Series B Bond by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (1) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (2) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

For newly issued or reissued obligations, such as the Series B Bonds, FATCA imposes U.S. withholding tax on interest payments and, for dispositions after December 31, 2018 (see IRS Notice 2015-66), gross proceeds of the sale of the Series B Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include non-U.S. investment funds) and certain other non-U.S. entities if certain disclosure and due diligence requirements related to U.S. accounts or ownership are not satisfied, unless an exemption applies. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify these requirements. In any event, bondholders or beneficial owners of the Series B Bonds shall have no recourse against the State, nor will the State be obligated to pay any additional amounts to "gross up" payments to such persons, as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Series B Bonds.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of federal withholding and other taxes upon income realized in respect of the Series B Bonds.

Information Reporting and Backup Withholding

For each calendar year in which the Series B Bonds are outstanding, the State, its agents or paying agents or a broker is required to provide the IRS with certain information, including a holder's name, address and taxpayer identification number (either the holder's Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts and annuities.

If a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under-reports its tax liability, the State, its agents or paying agents or a broker may be required to make "backup" withholding of tax on each payment of interest or principal on the Series B Bonds. This backup withholding is not an additional tax and may be credited against the U.S. Holder's federal income tax liability, provided that the U.S. Holder furnishes the required information to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments of interest made by the State, its agents (in their capacity as such) or paying agents or a broker to a Non-U.S. Holder if such holder has provided the required certification that it is not a U.S. person (as set forth in the second paragraph under "Non-U.S. Holders" above), or has otherwise established an exemption (provided that neither the State nor its agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied).

Payments of the proceeds from the sale of a Series B Bond to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) may apply to those payments if the broker is one of the following: (i) a U.S. person; (ii) a controlled foreign corporation for U.S. tax purposes; (iii) a foreign person 50-percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or (iv) a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Series B Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

The preceding federal income tax discussion is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Series B Bonds, including the tax consequences under federal, state, local, foreign and other tax laws and the possible effects of changes in those tax laws.

State Taxes

Bond Counsel is of the opinion that, under existing law, interest on the Series B Bonds is exempt from taxation by the State or any political subdivision or other instrumentality of the State, although the Series B Bonds and any income therefrom, including gain from sale or exchange thereof, may be included in the measure of State estate taxes and State corporate and business taxes. Bond Counsel expresses no opinion as to other State or local tax consequences arising with respect to the Series B Bonds or as to the taxability of the Series B Bonds or the income therefrom under the laws of any state other than the State.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the inclusion in gross income of interest on the Series B Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series B Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or otherwise. It is not possible to predict whether any such legislative or administrative actions or court decisions will occur or have an adverse impact on the federal or state income tax treatment of holders of the Series B Bonds. Prospective purchasers of the Series B Bonds should consult their own tax advisors regarding the impact of any change in law or proposed change in law on the Series B Bonds.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES B BONDS.

CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein ("Qualified Retirement Plans"), and on Individual Retirement Accounts ("IRAs") described in Section 408(b) of the Code (collectively, "Tax-Favored Plans"). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements. Additionally, such governmental and non-electing church plans are not subject to the requirements of Section 4975 of the Code. Accordingly, assets of such plans may be invested in the Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of applicable federal and state law.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance

with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "Benefit Plans") and persons who have certain specified relationships to the Benefit Plans ("Parties In Interest" or "Disqualified Persons"), unless a statutory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; (3) an employer or employee organization any of whose employees or members are covered by the plan; and (4) the owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Without an exemption an IRA owner may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the State were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the "Plan Assets Regulation"), the assets of the State would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 of the Code only if the Benefit Plan acquires an "equity interest" in the State and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. This determination is based upon the traditional debt features of the Bonds, including the reasonable expectation of purchasers of Bonds that the Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features. The debt treatment of the Bonds for ERISA purposes could change subsequent to issuance of the Bonds. In the event of a withdrawal or downgrade to below investment grade of the rating of the Bonds or a characterization of the Bonds as other than indebtedness under applicable local law, the subsequent purchase of the Bonds or any interest therein by a Benefit Plan Investor is prohibited.

However, without regard to whether the Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the State, the Underwriter or the Paying Agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Bond. Included among these exemptions are: Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions

effected by certain "in-house asset managers"; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by "insurance company general accounts"; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving "adequate consideration" with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate's) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

By acquiring a Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a plan, its fiduciary) is deemed to represent and warrant that either (i) it is not acquiring the Bond (or interest therein) with the assets of a Benefit Plan Investor, governmental plan or church plan; or (ii) the acquisition and holding of the Bonds (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. Benefit Plan Investors may not purchase the Bonds at any time that the ratings on the Bonds are below investment grade or the Bonds have been characterized as other than indebtedness for applicable local law purposes. A purchaser or transferee who acquires Bonds with assets of a Benefit Plan Investor represents that such purchaser or transferee has considered the fiduciary requirements of ERISA or other similar laws and has consulted with counsel with regard to the purchase or transfer.

In addition, each purchaser and each transferee (and if the purchaser or transferee is a Benefit Plan Investor, its fiduciary) of a Bond that is a Benefit Plan Investor is deemed to represent and warrant that: (a) the decision to acquire the Bonds was made by the plan fiduciary; (b) the plan fiduciary is independent of the State, the Underwriter or the Paying Agent; (c) the plan fiduciary meets the requirements of 29 C.F.R. § 2510.3 21(c)(1) and specifically is either a bank as defined in Section 202 of the Investment Advisers Act of 1940 or similar institution that is regulated and supervised and subject to periodic examination by a U.S. state or U.S. federal agency; an insurance carrier which is qualified under the laws of more than one U.S. state to perform the services of managing, acquiring or disposing of assets of a Benefit Plan Investor; an investment adviser registered under the Investment Advisers Act of 1940 or, if not registered as an investment adviser under the Investment Advisers Act by reason of paragraph(1) of Section 203A of the Investment Advisers Act, is registered as an investment adviser under the laws of the U.S. state in which it maintains its principal office and place of business; a broker dealer registered under the Exchange Act; or holds, or has under its management or control, total assets of at least $50 million (provided that this clause shall not be satisfied if the plan fiduciary is an individual directing his or her own individual plan account or is a relative of such individual); (d) the plan fiduciary is capable of evaluating investment risks independently, both in general and with regard to particular transactions, and investment strategies, including the purchase or transfer of the Bonds; (e) the plan fiduciary is a "fiduciary" with respect to the plan within the meaning of Section (21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the acquisition, transfer or holding of the Bonds; (f) none of the State, the Underwriter or the Paying Agent has exercised any authority to cause the Benefit Plan Investor to

invest in the Bonds or to negotiate the terms of the Benefit Plan Investor's investment in the Bonds; and (g) the plan fiduciary has been informed: (1) that none of the State, the Underwriter or the Paying Agent are undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with the plan's acquisition or transfer of the Bonds and (2) of the existence and nature of the State, the Underwriter or the Paying Agent financial interests in the plan's acquisition or transfer of the Bonds.

Any ERISA Plan fiduciary considering whether to purchase the Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of any similar state or federal law.

LITIGATION

No litigation is pending or, to the knowledge of the Attorney General, threatened against or affecting the State seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds.

There are pending in courts within the State various suits in which the State is a defendant. In the opinion of State officials, no litigation is pending or, to their knowledge, threatened which is likely to result, either individually or, in the aggregate, in final judgments against the State that would affect materially its financial position.

FINANCIAL ADVISOR

The State has retained Public Resources Advisory Group (the "Financial Advisor") to serve as its financial advisor in connection with the issuance of the Bonds. The Financial Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds, and receipt by the State of payment therefor. The State may engage the Financial Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of Bond proceeds.

CONTINUING DISCLOSURE

Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule") provides that underwriters shall not purchase or sell municipal securities unless the issuer of the municipal securities undertakes to provide continuing disclosure with respect to those securities, subject to certain exemptions. The State, through the State Budget Office, will undertake in a written agreement ("Continuing Disclosure Certificate") for the benefit of the owners of the Bonds to provide in electronic format to the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board ("MSRB"), as the sole repository for the central filing of electronic disclosure pursuant to the Rule, the following information.

The State shall provide (a) not later than the end of each calendar year, commencing with December 31, 2018, financial information and operating data relating to the State for the preceding fiscal year, of the type presented in APPENDIX A of the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures relating to operating budgets, (ii) capital expenditures, (iii) fund balances, (iv) tax information, (v) outstanding direct and indirect indebtedness, (vi) pension obligations, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the State for the most recently ended fiscal year, to the extent any such statements have been commissioned, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by Rhode Island law. The State reserves the right to modify from time to time the specific types of information provided under subparagraph (a) above or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the State; provided that any such modification will be done in a manner consistent with the Rule. The State shall provide, in a timely manner, to the MSRB, notice of a failure to satisfy the requirements of this paragraph.

The State shall provide or cause to be provided, within ten (10) business days after the occurrence thereof, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults, if material;

(c) Unscheduled draws on debt service reserves reflecting financial difficulties;

(d) Unscheduled draws on credit enhancements reflecting financial difficulties;

(e) Substitution of credit or liquidity providers, or their failure to perform;

(f) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(g) Modifications to the rights of beneficial owners of the Bonds, if material;

(h) Bond calls, if material;

(i) Tender offers;

(j) Defeasances;

(k) The release, substitution, or sale of property securing repayment of the Bonds, if material;

(l) Rating changes;

(m) Bankruptcy, insolvency, receivership or similar event of the State*;

(n) The consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(o) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(It should be noted, however, as of the date of this Official Statement, events of the types listed in clauses (b), (c), (d), (e) and (k) are not applicable to the Bonds.)

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* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State. It should be noted that the United States Bankruptcy Code is not applicable to states.

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The State from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the State, such other event may be material with respect to the Bonds, but the State does not undertake to commit to provide any such notice of the occurrence of any event except those listed above.

The provisions of the Continuing Disclosure Certificate may be amended by the State without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the State for the benefit of the beneficial owners of Bonds, (d) to modify the content, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of any applicable state legislation responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the State (such as special counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers such as the State to provide all or any portion of the information the State has agreed to provide pursuant to the Continuing Disclosure Certificate with respect to securities such as the Bonds, the obligation of the State to provide such information also shall cease immediately.

The purpose of the State's undertaking in the Continuing Disclosure Certificate is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the State's obligations under the Continuing Disclosure Certificate, not to create new contractual or other rights for the original purchasers of the Bonds, any registered owner or beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the State to comply with any provision of the Continuing Disclosure Certificate shall be an action for the specific performance of the State's obligations under the Continuing Disclosure Certificate and not for money damages in any amount. Any failure by the State to comply with any provision of such undertaking shall not constitute an event of default with respect to the Bonds.

Except as described below, the State has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule for the past five years.

The State inadvertently failed to file a notice of rating change (upwards) occurring on March 18, 2014 relating to a national bond insurer that has provided bond insurance on certain bonds and lease participation certificates for which the State has a continuing disclosure obligation under the Rule. Such notice was filed on April 4, 2014.

The State also has had some instances of non-compliance in the previous five years with respect to certain bonds issued by the Rhode Island Commerce Corporation (formerly known as the "Rhode Island Economic Development Corporation"). The State inadvertently failed to file a notice of rating change (downwards) occurring on September 23, 2013 related to the $53,030,000 Rhode Island Economic Development Corporation Rhode Island Motor Fuel Tax Revenue Bonds (Rhode Island Department of Transportation), Series 2003A (the "Series 2003A MFT Bonds"), $42,815,000 Rhode Island Motor Fuel Tax Revenue Bonds (Rhode Island Department of Transportation), Series 2006A (the "Series 2006A MFT Bonds"), and $12,410,000 Rhode Island Motor Fuel Tax Revenue Bonds (Rhode Island Department of Transportation), Series 2009A (the "Series 2009A MFT Bonds"). Such notice was filed on October 3, 2014. The State also failed to file a notice of rating change (downwards) occurring on June 16, 2014 related to the $184,620,000 Rhode Island Economic Development Corporation Grant Anticipation Bonds (Rhode Island Department of Transportation), Series 2006 A (the "Series 2006A GARVEE Bonds") and $169,395,000 Grant Anticipation Bonds (Rhode Island Department of Transportation), Series 2009A (the "Series 2009A GARVEE Bonds"). Such notice was filed on May 3, 2016.

Additionally, the State failed to file its Annual Information Report due on February 1, 2016 relating to the Series 2006A GARVEE Bonds, the Series 2009A GARVEE Bonds, the Series 2003A MFT Bonds, the Series 2006A MFT Bonds and the Series 2009A MFT Bonds. Notices of such failures were filed on February 2, 2016 and the Annual Information Reports were filed on February 3, 2016 and February 5, 2016, respectively. The State also failed to file its Audited Financial Statements promptly when they became publicly available, and the State failed to file its Annual Information Report due on February 1, 2017, both relating to the $230,280,000 Rhode Island Commerce Corporation Series Grant Anticipation Refunding Bonds (Rhode Island Department of Transportation), Series 2016A (the “Series 2016A GARVEE Bonds”) and the $245,925,000 Grant Anticipation Bonds (Rhode Island Department of Transportation), Series 2016B (the “Series 2016B GARVEE Bonds”). Notices of such failures, as well as the Audited Financial Statements and Annual Information Report, were filed on February 28, 2017.

In addition, the State may be deemed to have failed to file in a timely manner a notice regarding an unintentional principal payment delinquency relating to the State's Lease Participation Certificates (School of the Deaf Project - 2009 Series C). The State discovered on July 2, 2015 and notified the trustee for the certificates that a mandatory sinking fund payment was due on April 1, 2015 from a review of the certificate documents after having been previously advised by the trustee for the certificates that no payment was due on April 1, 2015. Notice of the unintentional delinquent payment was filed by the State on July 6, 2015, four days after the delinquent payment was discovered by the State but three months after the unintentional delinquency actually occurred under the certificate documents. The payment had been appropriated by the State in the FY 2015 budget but not made because of the incorrect information from the trustee for the certificates that no payment was due on April 1, 2015. The payment was made by the State to the trustee on July 13, 2015. The redemption occurred on August 3, 2015.

The State has instituted policies and procedures designed to ensure compliance with its obligations to provide notices of reportable events, including notice of rating changes, under the Rule. The State plans to regularly review the effectiveness of its policies and procedures and take prompt action to remedy any deficiencies of which it becomes aware.

In order to assist the State in carrying out its obligations under its continuing disclosure undertakings, the State has entered into an agreement with Digital Assurance Certification, LLC ("DAC") pursuant to which DAC serves as dissemination agent for the State with respect to the continuing disclosure filings required to satisfy such obligations.

The State Budget Officer, or such official's designee from time to time, shall be the contact person on behalf of the State from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is Thomas A. Mullaney, State Budget Officer, State Administration Building, One Capitol Hill, Providence, Rhode Island 02908, Telephone (401) 222-6300.

COMPETITIVE SALE OF THE BONDS

After a competitive, electronic bidding held via PARITY® on April 3, 2018, the Series A Bonds were awarded to Morgan Stanley & Co. LLC (the "Series A Underwriter"). Information provided by the Series A Underwriter regarding the interest rates and reoffering yields of the Series A Bonds are set forth on the inside cover of this Official Statement. The Series A Bonds are being purchased from the State by the Series A Underwriter at an aggregate purchase price of $121,237,046.32, reflecting the principal amount of $114,275,000, plus net original issue premium of $7,546,236.80, less underwriter's discount of $584,190.48.

The Series A Underwriter, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, the Series A Underwriter may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, the Series A Underwriter may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series A Bonds.

After a competitive, electronic bidding held via PARITY® on April 3, 2018, the Series B Bonds were awarded to BOK Financial Securities, Inc. (the "Series B Underwriter"). Information provided by the Series B Underwriter regarding the interest rates and reoffering yields of the Series B Bonds are set forth on the inside cover of this Official Statement. The Series B Bonds are being purchased from the State by the Series B Underwriter at an aggregate purchase price of $36,066,331.11, reflecting the principal amount of $35,100,000, plus net original issue premium of $1,116,323.10, less underwriter's discount of $149,991.99.

ADDITIONAL INFORMATION

Information with respect to the State and a detailed description of the State's financial condition are set forth in the State's Information Statement dated March 26, 2018 and the Basic Financial Statements of the State, as of and for the year ended June 30, 2017, which have been prepared and furnished by the State, in the case of the State's Information Statement, and incorporated by reference, in the case of the Basic Financial Statements, and which are included in APPENDIX A.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any such statements will be realized. The information, estimates and

assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the State or its agencies or authorities since the date of this Official Statement, except as expressly stated. This Official Statement is not to be construed as a contract or agreement between the State and the purchasers of the Bonds from time to time.

The Official Statement is submitted only in connection with the sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

STATE OF RHODE ISLAND AND
PROVIDENCE PLANTATIONS

By: /s/ Seth Magaziner
General Treasurer

By: /s/ Michael DiBiase
Director of Administration

Dated: April 3, 2018

APPENDIX A

INFORMATION STATEMENT FOR THE STATE DATED APRIL 3, 2018 (INCLUDING THE AUDITED FINANCIAL STATEMENTS OF THE STATE FOR THE FISCAL YEAR ENDED JUNE 30, 2017 INCORPORATED BY REFERENCE)

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APPENDIX A

INFORMATION STATEMENT OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Dated: April 3, 2018

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GOVERNMENT ORGANIZATION

Legislative Branch

The legislative power of the government is vested in the General Assembly, which consists of a 38-member Senate and a 75-member House of Representatives. They are constituted based on population and the representative districts shall be as nearly equal in population and as compact in territory as possible. All members of the General Assembly are elected biennially from senatorial and representative districts and are not subject to term limits. The General Assembly meets annually beginning on the first Tuesday in January. The concurrence of the two houses of the General Assembly is necessary for the enactment of laws.

Executive Branch

The chief executive power of the State of Rhode Island (the "State") is vested in the Governor and, by succession, the Lieutenant Governor. Each is elected for four (4) year terms. The Governor is primarily responsible for the faithful execution of laws enacted by the General Assembly and for the administration of State government through the Executive Department. Under the State Constitution, the Governor is granted the power to veto any act adopted by the General Assembly, provided, however, that any such veto can be overridden by a 3/5 vote of the members present and voting of each of the houses of the General Assembly. The Governor does not have any power of line-item veto.

The State Constitution also provides for the election of three additional general State Officers: the Attorney General, the Secretary of State and the General Treasurer. The Attorney General represents the State with regard to the investigation, prosecution, and trial of all felony matters, misdemeanor cases, and appellate matters within its jurisdiction. The Secretary of State administers activities related to elections, legislative records, archives and the distribution and exchange of official State documents. The General Treasurer is responsible for overseeing the investment of State funds, managing the State Retirement System, the Crime Victim Compensation Program and the Unclaimed Property Program, and the payment of employees and vendors that provide goods and/or services to the State. All general State Officers are limited to serving two four-year terms in office.

Judicial Branch

The judicial power of the State is vested in the Supreme Court and such lower courts as are established by the General Assembly. The Supreme Court, appointed by the Governor and confirmed by the Senate and the House of Representatives, has final revisory and appellate jurisdiction upon all questions of law and equity. The General Assembly has also established a Superior Court, a Family Court, a District Court, a Workers' Compensation Court, a State Traffic Tribunal, and certain municipal courts in various cities and towns in the State.

Independent Authorities, Agencies and Public Corporations

The General Assembly from time to time has authorized the creation of certain independent authorities, agencies, commissions, public or quasi-public corporations, and fire districts and other special districts to carry out specific governmental functions, herein generally referred to as "public corporations." In certain cases, bonds and other debt obligations issued by these entities are supported by State general fund appropriations, State guarantees or a moral obligation of the State to seek appropriations for debt service. In other cases, such entities, although empowered to issue bonds, may not pledge the financial support of the State and, therefore, these bonds are not general, legal or moral obligations.

The accompanying financial statements include all funds of the State and its component units. GASB defines component units as legally separate organizations for which the elected officials of the primary government (such as the State) are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the State are such that exclusion from the State's financial statements would cause the statements to be misleading.

GASB has set forth criteria to be considered in determining financial accountability. The primary government (the State) is financially accountable if it appoints a voting majority of the entity's governing body and (1) it is able to impose its will on that entity or (2) there is a potential for the entity to provide specific financial benefits to, or to impose specific financial burdens on, the State.

Also, the State is financially accountable if an entity is fiscally dependent on the State and there is the potential for the entity to provide specific financial benefits to, or to impose specific financial burdens on, the State, regardless of the State's appointment power over the governing body. Listed below are public corporations of the State, each of which has a distinct legal existence from the State and does not constitute a department of State government, that carry out specific governmental functions. A discussion of these public corporations and the relationship of each to the State is included in footnote 1 to the fiscal 2017 Basic Financial Statements which are incorporated by reference herein and are included in the State's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017 (the "2017 CAFR"). See "FINANCIAL STATEMENTS" herein. The debt obligations of certain public corporations listed below constitute State Tax-Supported Debt (defined below) or Contingent Obligations (defined below) of the State for purpose of credit rating agency analysis and are therefore described in further detail under the heading "STATE INDEBTEDNESS" herein. The public corporations are listed in alphabetical order:

I-195 Redevelopment District Commission. The I-195 Redevelopment Act of 2011 created the I-195 Redevelopment District Commission (the "I-195 Commission") as a subsidiary of the Rhode Island Commerce Corporation ("Commerce RI") and authorized the I-195 Commission to purchase I-195 surplus land from the Department of Transportation. The seven member I-195 Commission is authorized to plan, implement, administer and oversee the redevelopment of the I-195 surplus properties. See "STATE INDEBTEDNESS – State Tax-Supported Debt."

Narragansett Bay Commission. The Narragansett Bay Commission ("NBC") was created in 1980 pursuant to Chapter 25 of Title 46 of the General Laws. NBC is authorized to acquire, operate and upgrade the metropolitan Providence wastewater collection and treatment facilities including through the issuance of revenue bonds and notes. Obligations of NBC are payable solely from the revenues or assets of NBC.

Rhode Island Commerce Corporation. Commerce RI is a public corporation and political subdivision of the State and is the official economic development organization for the State. Commerce RI is governed by Chapter 64, Title 42 of the General Laws. The board is composed of thirteen (13) members, with the Governor serving as Chair. Commerce RI oversees the development and implementation of many State-level economic development initiatives. Certain activities are carried out through subsidiary corporations, including the Quonset Development Corporation which operates the Quonset Point/Davisville Industrial Park and the Rhode Island Airport Corporation which operates the State's airports. See "STATE INDEBTEDNESS – State Tax-Supported Debt" and "– Contingent Obligations – *State Moral Obligation Debt.*"

Rhode Island Convention Center Authority. The Rhode Island Convention Center Authority ("RICCA") was created in 1987, under Chapter 99, Title 42 of the General Laws for the purpose of acquiring, constructing, managing and operating a convention center and related facilities. See "STATE INDEBTEDNESS – State Tax-Supported Debt."

Rhode Island Health and Educational Building Corporation. The Rhode Island Health and Educational Building Corporation ("RIHEBC") was created under Chapter 38.1, Title 45 of the General Laws to assist public and private colleges, universities, schools and educational institutions in the State with the financing of educational facilities, to assist public and private hospitals and healthcare facilities in the State with the financing of health care facilities. The FY 2016 Appropriations Act created the School Building Authority under the Department of Elementary and Secondary Education, but RIHEBC is responsible for the financial management of the Authority and the processing of loans or grants to municipalities for school construction projects.

Rhode Island Higher Education Assistance Authority. The former Rhode Island Higher Education Assistance Authority ("RIHEAA") was created in 1977 under Chapter 57, Title 16 of the General Laws for the purpose of guaranteeing eligible loans to students and parents of students attending eligible institutions and of administering other programs of post-secondary student financial assistance assigned by law to RIHEAA (e.g. Rhode Island State Scholarship/Grant Program and College Bound*fund*®, Rhode Island's IRS Section 529 college savings program). Guarantees made by RIHEAA are payable solely from the revenues and assets of RIHEAA. The FY 2016 enacted budget eliminated RIHEAA and merged its functions into the Office of the Postsecondary Commissioner as the Division of Higher Education Assistance, with some functions transferred to the General Treasurer's Office.

Rhode Island Housing and Mortgage Finance Corporation. The Rhode Island Housing and Mortgage Finance Corporation ("RI Housing") is a public corporation and instrumentality of the State created in 1973 under Chapter 55, Title 42 of the General Laws to assist in the construction and financing of low and moderate income housing and health care facilities in the State. See "STATE INDEBTEDNESS – Contingent Obligations - *State Moral Obligation Debt*."

Rhode Island Industrial Facilities Corporation. The Rhode Island Industrial Facilities Corporation ("RIIFC") was established under Chapter 37.1, Title 45 of the General Laws to finance the following types of projects: (a) manufacturing, warehousing, or other industrial or commercial purposes pollution abatement or control; (b) railroad rolling stock and vehicles for the transportation of freight; (c) marine craft and machinery, equipment and gear used in the fishing industry; (d) machinery and equipment of any marine craft for research or other uses which are an integral part of a land-based industrial concern; (e) existing building, machinery and equipment for projects which qualify for a loan guarantee through RII-RBA (discussed below); and (f) "recreational project" under the loan guarantee program of RII-RBA.

Rhode Island Industrial-Recreational Building Authority. The Rhode Island Industrial-Recreational Building Authority ("RII-RBA") was created in 1958, pursuant to legislation under Chapter 34, Title 42 of the General Laws and subsequent voter referendum to merge the Recreational Building Authority and the Industrial Building Authority. The RII-RBA is a body authorized to insure eligible mortgages for facilities used for manufacturing, processing, recreation, research, warehousing, retail, and wholesale or office operations. See "STATE INDEBTEDNESS – Contingent Obligations - *State Guaranteed Debt*."

Rhode Island Infrastructure Bank. Pursuant to Chapter 12.2 of Title 46 of the Rhode Island General Laws, the Rhode Island Infrastructure Bank ("RIIB") to assist local government units and other eligible borrowers in financing water pollution control facility capital improvements, drinking water capital improvements, municipal road and bridge projects, energy efficiency and renewable energy projects, brownfield remediation projects, and other projects for which the RIIB is authorized to provide financial assistance.

Rhode Island Public Rail Corporation. The Public Rail Corporation (the "Public Rail Corporation") was established in 1982 pursuant to Chapter 64.2 of Title 42 of the Rhode Island General

Laws for the purpose of enhancing and preserving the viability of commuter transit and railroad freight operations in the State. See "STATE INDEBTEDNESS – Contingent Obligations" herein.

Rhode Island Public Transit Authority. The Rhode Island Public Transit Authority ("RIPTA") was created under Chapter 18, Title 39 of the General Laws in 1964 in response to the continuing financial difficulties being experienced by private bus transportation companies in the State resulting in the disruption of service. RIPTA has expanded its operations statewide and at fiscal year ended June 30, 2017 operated a fleet of approximately 249 buses and 99 vans carrying approximately 18.2 million passengers annually.

Rhode Island Resource Recovery Corporation. The Rhode Island Resource Recovery Corporation ("RIRRC"), was established in 1974 under Chapter 19, Title 23 of the General Laws for the purpose of assisting municipalities in solving their waste disposal problems and for developing a more suitable alternative approach to the overall solid waste disposal problem through implementation of a resource recovery program.

Rhode Island Student Loan Authority. The Rhode Island Student Loan Authority ("RISLA") was created in 1981 under Chapter 62, Title 16 of the General Laws, for the purpose of increasing the supply of loans made to students and their families to finance the cost of obtaining a post-secondary education.

Rhode Island Turnpike and Bridge Authority. Created in 1954 pursuant to Chapter 12, Title 24 of the General Laws, the Rhode Island Turnpike and Bridge Authority ("RITBA") was established to construct certain bridges and transportation facilities in the State. RITBA finances the renovation, repair, and improvement of certain bridges and other facilities for which it is responsible pursuant to State law. See "STATE INDEBTEDNESS – State Tax-Supported Debt."

Tobacco Settlement Financing Corporation. The Tobacco Settlement Financing Corporation ("TSFC") was created in 2002 to finance the acquisition from the State of the State's rights in the moneys due under (i) the Master Settlement Agreement, dated November 23, 1998, among the attorneys general of 46 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Territory of the Northern Marianas and Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation and Lorillard Tobacco Company (the "MSA") and (ii) the Consent Decree and Final Judgment of the Rhode Island Superior Court for Providence County dated December 17, 1998, as amended or modified, in the class action styled State of Rhode Island v. American Tobacco, Inc., et al., including the rights of the State to receive the moneys due to it thereunder (the "Tobacco Receipts"). TSFC Bonds are secured solely by and are payable solely from the Tobacco Receipts sold to TSFC and other monies of TSFC.

Local Government

There are thirty-nine (39) cities and towns in Rhode Island that exercise the functions of local general government. Although there are five (5) counties in Rhode Island, there is no county governmental structure in the State. Local executive power is generally placed in a mayor, or administrator/manager form of government, and legislative power is vested in either a city or town council. The State Constitution provides municipalities with the right of self-government in all local matters through the adoption of a "home rule" charter, but the power of municipalities to levy, assess and collect taxes, or borrow money, is specifically authorized by the General Assembly. Except for matters that are reserved exclusively to the General Assembly, such as taxation and elections, the State Constitution restricts the power of the General Assembly on actions relating to the property, affairs and government of any municipality that has adopted a "home rule" charter, to general laws that are applicable to all municipalities and do not affect the form of government. For example, Section 44-35-10 of the General Laws requires every city and town to adopt a

balanced budget for each fiscal year. Except when exercising its reserved powers, the General Assembly can adopt special legislation that affects the property, affairs or government of a particular home rule charter municipality, only if such legislative action is approved by a majority of the voters of the affected municipality. Local governments rely principally upon real property and tangible personal property taxes, automobile excise taxes, and State aid for provision of revenue.

BUDGET AND FINANCIAL MANAGEMENT CONTROLS

State Fund Structure – Accounting Basis

The accounting system of the State, and that of most of the public authorities and corporations described herein, is organized and operated on a fund basis. Financial operations are recorded on a fiscal year basis (commencing July 1 and ending June 30). Individual funds have been established as separate fiscal and accounting entities to account for financial resources and related liabilities and equities. Financial statements of the State for each fiscal year are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB").

The basic financial statements consist of the government-wide financial statements and the fund financial statements. The government-wide financial statements provide a broad view of the State's finances. The statements provide both short-term and long-term information about the State's financial position for governmental type activities, proprietary type activities and discretely presented component units, which assists in assessing the State's financial condition at the end of the fiscal year. They are prepared using the accrual basis of accounting, which recognizes all revenues and grants when earned and expenses at the time the related liabilities are incurred. The fund financial statements focus on the State's major governmental and enterprise funds, including its blended component units. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the individual parts of the State government, and report the State's operations in more detail than the government-wide financial statements.

The State's funds are divided into three categories: governmental, proprietary and fiduciary. The funds in the governmental and proprietary fund types are further classified as "major" or "non-major" depending upon their size in relation to the other funds and importance to the financial statement users, as required by GASB No 34. (See Note 1 in the State's FY 2017 audited financial statements for further explanation of these criteria.)

Governmental Funds – Major Funds

General Fund. This is the State's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Intermodal Surface Transportation Fund. This fund accounts for the collection of the gasoline tax, federal grants, bond proceeds, Rhode Island Capital Plan Fund transfers, and certain motor vehicle registration and licensing surcharges that are used in the maintenance, upgrading, and construction of the State highway system. It also accounts for the proceeds from the Grant Anticipation Revenue Vehicle ("GARVEE") bonds, the RI Motor Fuel Tax Revenue Bonds, the I-195 Commission Bonds and related expenditures.

Proprietary Funds – Major Funds

Rhode Island Lottery. The Rhode Island Lottery, a division of the Department of Revenue ("DOR"), operates games of chance for the purpose of generating resources for the State's General Fund. See "STATE REVENUES – Rhode Island Lottery."

Employment Security Fund. This fund accounts for the State's unemployment compensation program. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons. Funds are also provided by the federal government, interest income, and loans from the Federal Unemployment Trust Fund.

Fiduciary Funds

Transactions related to assets held by the State in a trustee or agency capacity are accounted for in Fiduciary Funds. The State's Pension Funds are included in this category.

Budget Procedures

The State budget of revenues and appropriations is adopted annually by the General Assembly and is prepared for submission to the General Assembly, under the supervision of the Governor, by the State Budget Officer within the Office of Management and Budget in the Department of Administration. Preparation and submission of the budget is governed by both the State Constitution and the General Laws of the State, which provide various limitations on the powers of the General Assembly and certain guidelines designed to maintain fiscal responsibility.

According to Article IX Section 15 of the Rhode Island Constitution and Rhode Island General Laws Section 35-3-7, the Governor must present spending recommendations to the General Assembly for the next fiscal year on or before the third Thursday in January, unless extended by statute. The budget contains a complete plan of estimated revenues and proposed expenditures, with a personnel supplement detailing the number and titles of positions of each agency and estimates of personnel costs for the current and next fiscal years.

The budget as proposed by the Governor is considered by the General Assembly. Under State law, the General Assembly may increase, decrease, alter or strike out any items in the budget, provided that such action may not cause an excess of appropriations for expenditures over expected revenue receipts. No appropriation in excess of budget recommendations may be made by the General Assembly unless it shall provide the necessary additional revenue to cover such appropriations. The Governor may veto legislative appropriations bills. However, the Governor does not have line-item veto authority. The General Assembly may override any veto by a 3/5 vote of the members present and voting of each of the houses of the General Assembly. Supplemental appropriation measures for the current fiscal year shall be submitted by the Governor to the General Assembly on or before the third Thursday in January. Supplemental appropriations by the General Assembly must be supported by additional revenues and are subject to the Constitutional limitation on State expenditures discussed below.

The General Laws of the State provide that, if the General Assembly fails to pass the annual appropriation bill, the same amounts as were appropriated in the prior fiscal year shall be automatically available for expenditure, subject to monthly or quarterly allotments as determined by the State Budget Officer. Expenditures for general obligation bond indebtedness of the State shall be made as required regardless of the passage of the annual budget or the amount provided for in the prior fiscal year.

The budget as submitted by the Governor is required to contain a statement of receipts and expenditures for the current fiscal year, the budget year (next fiscal year), and two prior fiscal years. Receipt estimates for the current year and budget year are those adopted by the State Revenue Estimating Conference ("REC"), as adjusted by any change to rates recommended by the Governor and/or enacted by the General Assembly. For a discussion of the REC, See "GENERAL FUND OPERATING RESULTS AND FREE SURPLUS" herein.

In addition to the preparation of the budget, the State Budget Officer is also authorized and directed by the General Laws: (a) to exercise budgetary control over all State departments; (b) to operate an appropriation allotment system; (c) to develop long-term activity and financial programs, particularly capital improvement programs; (d) to approve or disapprove all requests for new personnel; and (e) to prepare annually a five-year financial projection of anticipated general revenue receipts and expenditures, including detail of principal revenue sources and expenditures by major program areas which shall be included in the budget submitted to the General Assembly.

The State has a Budget Reserve and Cash Stabilization Account which, under the Rhode Island Constitution, may be called upon only in an emergency involving the health, safety, or welfare of the State or in the event of an unanticipated deficit caused by a shortfall in general revenue receipts. Such reserve account is capped at 5% of General Fund revenues. The reserve account was funded by limiting annual appropriations to 97% of estimated revenues. When the Budget Reserve and Cash Stabilization Account has reached its maximum, the excess contribution flows to the Rhode Island Capital Plan Fund for capital projects. If funds are withdrawn, the Budget Reserve and Cash Stabilization Account is replenished through the funding formula provided for in the Constitution, and the general laws require that the repayment be made to the Rhode Island Capital Plan Fund in the next fiscal year.

The balance of the Budget Reserve and Cash Stabilization Account at the end of FY 2017 was $192.6 million according to final closing documents of the State Controller. The projected balance at the end of FY 2018 per the revised budget is $195.8 million.

Financial Controls

Internal financial controls utilized by the State consist principally of statutory restrictions on the expenditure of funds in excess of appropriations, the supervisory powers and functions exercised by the Department of Administration and the accounting and audit controls maintained by the State Controller and the Office of Internal Audit. Statutory restrictions include the requirement that all bills or resolutions introduced in the General Assembly which, if passed, would have an effect on State or local revenues or expenditures (unless the bill includes the appropriation of a specific dollar amount) must be accompanied by a "fiscal note", which sets forth such effect. Bills impacting State finances are forwarded to the State Budget Officer, who determines the agency, or agencies, affected by the bill and is responsible, in cooperation with such agencies, for the preparation of the fiscal note. The DOR's Division of Municipal Finance is responsible for the preparation of fiscal notes for bills affecting cities and towns.

The Department of Administration/State Budget Office is required by law to produce a quarterly report to be made public that incorporates actual expenditures, encumbrances, and revenues compared with the projected revenues and appropriations. The report also contains a projection of the fiscal year-end balance.

The State Controller is required by law to administer a comprehensive accounting system that will classify the transactions of State departments in accordance with the budget plan, to prescribe a uniform financial, accounting and cost accounting system for State departments and to approve all orders for disbursement of funds from the State treasury. In addition to his or her other duties, the Controller is

required to prepare monthly statements of receipts and quarterly statements of disbursements in comparison with estimates of revenue and allotments of appropriations.

The General Treasurer is responsible for the deposit of cash receipts, the payment of sums, as may be required from time to time and upon due authorization from the State Controller, and, as Chair of the State Investment Commission, the investment of all monies in the State fund structure, as directed by the State Investment Commission. Major emphasis is placed by the General Treasurer on cash management in order to ensure that there is adequate cash on hand to meet the obligations of the State as they arise.

The General Treasurer is responsible for the investment of certain funds and accounts of the State on a day-to-day basis. The State treasury balance is determined daily. In addition, the General Treasurer is the custodian of certain other funds and accounts and, in conjunction with the State Investment Commission, invests the amounts on deposit in such funds and accounts, including but not limited to the State Employees' and Teachers' Retirement Trust Fund and the Municipal Employees' Retirement Trust Fund. The General Treasurer submits a report to the General Assembly at the close of each fiscal year on the performance of the State's investments.

The Finance Committee of the House of Representatives is required by law to provide for a complete post-audit of the financial transactions and accounts of the State on an annual basis, which must be performed by the Auditor General, who is appointed by the Joint Committee on Legislative Services of the General Assembly. This post-audit is performed traditionally on the basis of financial statements prepared by the State Controller in accordance with the requirements of the GASB with specific attention to the violation of laws within the scope of the audit, illegal or improper expenditures or accounting procedures and recommendations for accounting and fiscal controls. The Auditor General also performs an audit of the State's compliance with federal program requirements pursuant to the federal Single Audit Act. The Auditor General also has the power, when directed by the Joint Committee, to make post-audits and performance audits of all State and local public bodies or any private entity receiving State funds.

Investment Policies

The State's investments are managed by the Office of the General Treasurer under the direction of the State Investment Commission (the "SIC"). The SIC has established short term investment policies for the State's cash which seek to maximize rates of return on purchased investments subject to credit quality, issuer diversification, and investment type, while controlling the investment risk. The key elements of State's short-term investment policies are summarized below.

Safety. All short-term investments are purchased with the intent of preserving capital. Preservation of capital is enhanced through the use of high quality investment instruments. Investments are made to minimize the volatility of principal value, liquidity risk and credit risk, and not on the basis of return alone.

Liquidity. In order to provide sufficient liquidity to cover all disbursements of the State, investments are structured in a manner that will ensure the funding of the State's expenditures and match the cash flow requirements of the account groups for which the SIC invests.

Rate of Return. The rate of return on the short-term investment portfolio will be compared to the 30-day U.S. Treasury security benchmark for purposes of quantifying relative performance over time. However, investments will not be made on the basis of return alone.

Collateralization. Since 2010, the Office of the General Treasurer has required that all deposits held by financial institutions on behalf of the State must be fully collateralized at no less than 102% of principal. The collateral requirement only applies to amounts in excess of federal deposit insurance limits,

and does not apply to investments held in the Ocean State Investment Pool ("OSIP"). OSIP is an investment pool that enables eligible governmental entities to participate with the State in providing for the investment of public funds consistent with safety and protection of such funds.

Vendor Selection Criteria. The Office of the General Treasurer maintains a listing of all authorized financial institutions and broker/dealers desiring to become qualified bidders for investment transactions and carefully selects from among the list of vendors those financial institutions in which the State invests funds. The list of qualified bidders is subject to continuing surveillance and institutions that subsequently fail to meet the minimum criteria may be removed.

STATE REVENUES

This section contains a description of the major categories of State revenues. To fund its programs and services, Rhode Island draws nearly all its revenue from a series of non-property related taxes and excises, principally the personal income tax and the sales and use tax, from federal assistance payments and grants-in aid, and from earnings and receipts from certain State-operated programs and facilities. The State additionally derives revenue from a variety of special purpose fees and charges that must be used for specific purposes as required by State law. For information regarding proposed revenue changes in the Governor's FY 2019 Recommended Budget (the "FY 2019 Budget"), see "FY 2019 RECOMMENDED REVENUES" herein.

State General Fund Revenues

Personal Income Tax

A resident's Rhode Island taxable income is the same as his or her federal taxable income, subject to specified modifications. A nonresident's Rhode Island taxable income is equal to the nonresident's Rhode Island income less deductions (including such taxpayer's share of the income and deductions of any partnership, trust, estate, electing small business corporations, or domestic international sales corporations). In addition, a non-resident's Rhode Island taxable income is subject to specified modifications that are included in computing his or her federal taxable income. Other modifications are derived from or connected with any property located or deemed to be located in Rhode Island and any income producing activity or occupation carried on in the State. Current law allows the State's Tax Administrator to modify income tax rates in accordance with federal tax law changes when the General Assembly is not in session in order to maintain the revenues upon which appropriations are made.

The State's current personal income tax system begins with federal Adjusted Gross Income (AGI), modified as provided for in current law, and then subtracts an enhanced standard deduction and a personal and dependent exemption amount to arrive at taxable income. Both the enhanced standard deduction and the personal and dependent exemption amounts are subject to phase-out for high income taxpayers. Taxable income is then subject to tax at marginal rates of 3.75%, 4.75%, and 5.99% to yield the Rhode Island tax liability before credits. Under the personal income tax system, eleven tax credits could be taken against the computed Rhode Island tax liability. The tax credits allowed are: a fully refundable earned income tax credit (15% of the federal earned income tax credit effective for the tax year 2017 and thereafter), a property tax relief credit, a lead paint abatement credit, a child and dependent care credit, credit for taxes paid to other states, a motion picture production company credit, a credit for contributions to qualified K-12 scholarship organizations, a historic structures tax credit, a State Invested in Rhode Island Wavemaker Fellowship tax credit, a Rebuild Rhode Island tax credit and a Rhode Island Qualified Jobs Incentive tax credit.

The personal income tax exemption includes an exemption for taxable Social Security benefits and an exemption of up to $15,000 of pension and annuity income for individual filers with federal adjusted gross income of $80,000 or less and for joint filers with federal adjusted gross income of $100,000 or less; provided, that the taxpayer has reached full Social Security retirement age in the tax year in which the exemption is claimed.

In the 2017 Session, the General Assembly approved the Governor's recommendation for the addition of two new Revenue Agent and two new Data Analyst positions in the DOR's Division of Taxation (the "Division of Taxation"). The addition of these positions is estimated to increase the State's aggregate revenue by $2,000,000, divided among personal income tax, business corporations tax, and sales and use tax. The estimated increase in FY 2018 personal income tax revenue is $750,000. The General Assembly also enacted the State's fifth Tax Amnesty initiative program, effective from December 1, 2017 through February 15, 2018. Under this program, tax filers will not be subject to penalties or prosecution and will pay interest as computed under Rhode Island General Law Section 44-1-7, reduced by 25%. Filers may enter a tax payment plan with the Tax Administrator. The program is estimated to increase FY 2018 personal income tax revenue by $4.3 million.

Sales and Use Tax

The State assesses a tax on all retail sales, subject to certain exemptions, on hotel and other public accommodation rentals, and on the storage, use or other consumption of tangible personal property in the State. The State sales and use tax rate is 7.0%. Major exemptions from the sales and use tax include: (i) food for human consumption off the premises of the retailer, excluding food sold by restaurants, drive-ins or other eating places; (ii) clothing and most footwear that is sold for less than $250 per item; (iii) prescription medicines and medical devices; (iv) fuel used in the heating of homes and residential premises; (v) domestic water usage; (vi) gasoline and other motor fuels otherwise specifically taxed; (vii) sales of tangible property and public utility services when the property or service becomes a component part of a manufactured product for resale, or when the property or service is consumed directly in the process of manufacturing or processing products for resale and such consumption occurs within one year from the date such property is first used in such production; (viii) tools, dies and molds, and machinery and equipment, including replacement parts thereof, used directly and exclusively in an industrial plant in the actual manufacture, conversion or processing of tangible personal property to be sold; (ix) sales of air and water pollution control equipment for installation pursuant to an order by the Director of the Department of Environmental Management; and (x) sales of boats or vessels; (xi) buses, trucks and trailers used for interstate commerce; (xii) sale of local art; (xiii) sale of electricity and natural gas and heating fuels to businesses; and (xiv) sale of wine and spirits.

In the 2006 Session, the General Assembly passed legislation to conform to the Streamlined Sales Tax Project. The Streamlined Sales Tax Project is an effort created by state governments, with input from local governments and the private sector, to simplify and modernize sales and use tax collection and administration. Effective January 1, 2007, Rhode Island became a full member of the Streamlined Sales and Use Tax Agreement ("SSUTA"). By participating in the SSUTA, Rhode Island now has over 1,000 taxpayers who are voluntarily collecting and remitting use tax for sales into Rhode Island even though they do not have a legal requirement to do so.

In the 2011 Session, the General Assembly passed legislation to reduce the sales and use tax from 7.0% to 6.5% upon the passage of any federal law that requires remote sellers to collect and remit sales and/or use taxes due on purchases made by State residents, effective the first day of the first State fiscal quarter following passage. No such legislation has passed yet at the Federal level and thus the sales and use tax remains at 7.0%.

In the 2017 Session, the General Assembly accepted the Governor's recommendation to increase the excise tax on cigarettes to $4.25 per pack from $3.75 effective August 16, 2017, which impacted the collection of sales tax on cigarettes. In addition, the General Assembly approved the Governor's proposal to require entities connected to remote sales, including catalogs, to either collect and remit sales taxes, provide disclosures to the DOR on sales for which retailers are and are not collecting taxes, or provide notices to consumers or sellers regarding their respective sales and use tax obligations. Subsequent to introduction of the Governor's FY 2018 budget, Amazon, the nation's largest e-commerce retailer, announced it would begin voluntarily collecting sales taxes due on its direct retail transactions with Rhode Islanders beginning February 1, 2017. This initiative is estimated to increase revenue in FY 2018 by $19.7 million.

Business Corporations Tax

The business corporations tax (currently 7.0% of gross revenues) is imposed on corporations deriving income from sources within the State or engaging in activities in the State for profit or gain. Rhode Island's corporate minimum tax was $500 for the period from January 1, 2004 to December 31, 2015. For tax year 2016, Rhode Island's corporate minimum tax was $450, and for tax year 2017, Rhode Island's corporate minimum tax is $400.

In 1996, the General Assembly enacted the Jobs Development Act ("JDA"). As subsequently amended, it provided for rate reductions of 0.25% (up to a maximum reduction of 6.0%) for each 50 new jobs created by eligible firms (each ten new jobs created by a small business concern) for three years past the elected base year. A qualifying job is a 30-hour per week, on average, position that pays at least 150.0% of the prevailing hourly minimum wage as determined by State law. After three years, the rate reduction is set at that of the third year for as long as the third-year employment level is maintained.

The 2014 General Assembly passed legislation that implemented combined reporting with single sales factor apportionment and market-based sourcing of income for all C-corporations. As part of this reform of the business corporation tax, the General Assembly also reduced the business corporations tax rate for C-corporations from 9.0 to 7.0%. In addition, the 2014 General Assembly eliminated the franchise tax for those franchise tax filers paying more than the $500 minimum franchise tax. These changes were effective for tax years beginning after December 31, 2014.

The 2017 General Assembly adopted legislation to change the corporate tax payment schedule to align the State's practices with federal reporting timelines and recognized best practices. The schedule requires four payments and allocates half of estimated payments to each six-month period. Changing the payment schedule will avoid a revenue loss of at least $10.0 million related to how deferred revenue is accounted for in FY 2017, which was identified by the State Controller after completion of the May consensus revenue estimate. The enacted FY 2018 Budget assumes a revenue loss of $0.2 million from this change.

Nursing Facility Provider Assessment

The State levies a tax on the gross revenues of nursing homes at a rate of 5.5%. In addition, the State levies a 1.5% tax on gross revenues from freestanding Medicaid facilities not associated with hospitals.

Taxes on Public Service Corporations

A tax ranging from 1.25% to 8.0% of gross earnings is assessed annually against certain foreign and domestic public service corporations described in Title 44, Chapter 13 of the General Laws. In the case

of corporations whose principal business is manufacturing, selling or distributing currents of electricity, the rate of tax imposed is 4.0% of gross earnings. For those corporations manufacturing, selling or distributing illuminating or heating gas, the rate of tax imposed is 3.0%. Corporations providing telecommunications services are assessed at a rate of 5.0%. However, 100.0% of the amounts paid by a corporation to another corporation for connecting fees, switching charges and carrier access charges are excluded from the gross earnings of the paying company. In contrast, the tangible personal property within the State of telegraph, cable, and telephone corporations used exclusively for corporate business is exempt from local taxation, but is subject to a State-level personal property taxation program.

Tax on Insurance Companies

Each insurance company transacting business in Rhode Island must file a final return each year on or before March 1 and pay a tax of 2.0% of the gross premiums on insurance contracts written during the previous calendar year to Rhode Island individuals or businesses. With respect to an out-of-state insurance company, however, the tax cannot be less than that which would be levied by the applicable state or foreign (i.e., non-Rhode Island) jurisdiction on a similar Rhode Island insurance company or its agent doing business to the same extent in such jurisdiction.

The following premiums are exempt from the tax: (i) premiums from marine insurance issued in Rhode Island; (ii) the premiums paid to the insurer that maintains the State's workers' compensation insurance fund, and (iii) the premiums paid to nonprofit medical service corporations, nonprofit hospital service corporations, nonprofit dental service corporations and health maintenance organizations. Insurance and surety companies are exempt from the business corporations tax and annual franchise tax.

Financial Institutions Excise Tax

For the privilege of doing business as a banking institution during any part of the year, each State bank, trust company, or loan and investment company organized in Rhode Island must annually pay an excise tax. This excise tax is measured as the higher of either: (i) 9.0% of its net income of the preceding year or (ii) $2.50 per $10,000 or a fraction thereof of its authorized capital stock as of the last day of the preceding calendar year. A national bank within the State must only pay the excise tax measured by option (i) above. The minimum tax payable is $100. Mutual savings banks and building and loan associations are subject to the tax.

Banking Institutions Interest Bearing Deposits Tax

The bank interest bearing deposits tax was eliminated for state and national banks beginning January 1, 1998 and thereafter. A tax rate on deposits held by credit unions continues to apply with a rate of 0.0695 cents for each $100 for institutions with over $150 million in deposits and a rate of 0.0625 cents for each $100 for credit unions with less than $150 million in deposits.

Estate and Transfer Tax

For decedents whose deaths occurred on or after January 1, 2015, the estate tax is an amount equal to the maximum credit allowed under federal estate tax law as it was in effect as of January 1, 2001, provided that a credit is allowed against any tax so determined in the amount of $64,400 (for deaths occurring prior to January 1, 2017) and $65,370 (for deaths occurring on or after January 1, 2017) (equivalent to the taxes owed on an estate with a taxable value of $1.5 million). For all decedents whose death occurred on or after January 1, 2002, any increase in the unified credit provided by 26 U.S.C., subsection 2010 in effect on or after January 1, 2001 shall not apply for Rhode Island estate tax purposes. The threshold estate tax exemption amount applicable to decedents whose deaths occurred on or after

January 1, 2010 and prior to January 1, 2015, as well as the estate tax credit applicable to estates of decedents whose deaths occurred on or after January 1, 2015 is indexed to the Consumer Price Index ("CPI") for all Urban Consumers as of September 30 of the prior calendar year. The time period for filing a return is nine months from the date of death.

Cigarette Tax

The State's cigarette tax is comprised of a cigarette stamp excise tax, a cigarette floor stock tax, and a tax on the wholesale price of cigars, pipe tobacco, etc. The cigarette stamp excise tax generates over 95% of the total cigarette taxes collected by the State.

The cigarette stamp excise tax rate has increased consistently over the last two decades, most recently on August 16, 2017, when the cigarette stamp excise tax rate was increased from $3.75 per pack of 20 cigarettes to $4.25 per pack.

The rate of tax on the wholesale price of cigars, pipe tobacco, and other tobacco products has also risen over the past ten years, although not as frequently as the cigarette stamp excise tax. On July 1, 2006, the tax on cigars was limited to a maximum of 50 cents per cigar and the tax on snuff was changed to $1.00 per ounce with a minimum tax of $1.20. On April 10, 2009, the other tobacco products tax was increased from 40.0% to 80.0% of the wholesale price. This increase in the wholesale price tax did not affect the maximum tax on cigars or the minimum tax on snuff.

Other Taxes

In addition to the above described taxes, the State imposes various fees, taxes and excises for the sale of liquor and other alcoholic beverages, controlled substances, the registration of motor vehicles, the operation of pari-mutuel betting, motor carrier fuel use and the conveyance of real estate.

The State also assesses a real estate conveyance tax of $2.50 for each $500 or fractional part of the sale price on sales of a controlling interest in a real estate company where a real estate company is a business that is primarily engaged in the holding, selling or leasing of real estate.

The State assesses an alcohol excise tax of $3.30 per barrel for beer and malt beverages. For high proof spirits, those spirits that contain 15% or more alcohol, the excise tax is $5.40 per gallon. For still wine, the excise tax is $1.40 per gallon. The excise tax on low proof distilled spirits and sparkling wine is $0.75 per gallon.

The State's share of the 8.0% rental vehicle surcharge is deposited in the Rhode Island Highway Maintenance Account ("RIHMA"). Motor vehicle operator license and vehicle registration fees are also deposited in the RIHMA beginning in FY 2016 with 25.0% of these fees being transferred in FY 2016, 50.0% in FY 2017, 80% in FY 2018 and 100% in FY 2019.

Departmental Receipts

Licenses and Fees. The largest category of departmental receipts is licenses and fees. This category's prominence in departmental receipts is due largely to the assessment of the hospital licensing fee beginning in FY 1995. Other significant license and fee revenues are derived from the registration of securities, motor vehicle title fees and various professional licenses. Motor vehicle title fees, emission control inspection fees, and good driving record dismissal fees were transferred from General Fund license and fees revenue to the RIHMA beginning in FY 2015.

The hospital licensing fee was first enacted in 1994 and is reinstituted each legislative session. The 2017 General Assembly reinstituted the hospital licensing fee for FY 2018 at a rate of 5.856% of hospital FY 2016 net patient revenues and retained the 37.0% discount on the rate for all Washington County hospitals. The 37.0% discount yields an effective hospital licensing fee rate for Washington County hospitals of 3.686%. The payment of the FY 2018 hospital licensing fee, estimated at $182.0 million, will occur in July 2019.

In the 2015 Session, the General Assembly eliminated the 2.0% surcharge on net patient revenues from imaging services and outpatient health care facilities. Previously, a monthly surcharge of 2.0% was imposed upon the net patient revenue received by every outpatient health care facility and every imaging services provider. In addition, the General Assembly agreed to eliminate licensing requirements for 27 professional licenses issued by the Department of Business Regulation ("DBR"), the Department of Health, the Department of Elementary and Secondary Education, and the Department of Environmental Management.

The enacted FY 2018 Budget eliminates the Department of Labor and Training's apprenticeship fee and includes the transfer of Eisenhower House revenues from departmental receipt revenues under the Rhode Island Historical Preservation and Heritage Commission to a restricted receipts account under the Department of Environmental Management.

Sales and Services. A second category of departmental receipts is sales and services, which includes rental payments at State piers, board and support payments at the Veterans' Home and revenues derived from the sale of vanity license plates.

Fines and Penalties. A third category of departmental receipts is fines and penalties, such as interest and penalties on overdue taxes.

The enacted FY 2018 Budget includes several new or increased penalties collected by the Department of Labor and Training. The Budget includes $0.1 million of revenue associated with increased penalties for practicing the electrician's trade without a license. The legislation increases the penalties from $500 to $1,500 for the first violation and from $950 to $2,000 for subsequent violations. The Budget also includes $0.3 million of revenue associated with increasing penalties for employers that violate payroll record laws. The penalty for late filing increases from $10 to $25 and the maximum penalty increases from $100 to $200 for any one report. An employer must keep an accurate daily and weekly record of hours worked for all employees. The Budget also includes $150,000 of revenue from penalties on employers that violate wage and hour laws. The legislation establishes penalties from 15% to 25% of the back wages ordered to be paid for the first violation within a three-year period and 25% to 50% of the back wages ordered to be paid for subsequent violations during the same period. Finally, the Budget assumes $100,000 of revenue associated with increased penalties for the misclassification of employees, from $500 to $1,500, for each employee misclassified.

Miscellaneous Departmental Revenues. Miscellaneous departmental revenues include revenues from investment earnings on General Fund balances, indirect cost recoveries, as well as child support payments.

In 2016, the Office of the General Treasurer changed the policy on the treatment of tax refund and other checks issued by the State that remain uncashed after a specified period of time. In the past, these checks were written off in June of the fiscal year and the amount of the checks written off were reverted to general revenues. Effective for FY 2016 and thereafter, the Office of the General Treasurer will turn uncashed tax refund and other State-issued checks over to the unclaimed property program rather than writing the checks off and reverting uncashed amounts to general revenues. The net impact of this change

in policy was to reduce miscellaneous departmental receipts revenues by the amount of the checks transferred to the unclaimed property program less the 10% indirect cost recovery charge that is assessed against the unclaimed property program.

Other Sources

The largest component of Other Sources is the transfer from the Rhode Island Lottery. A detailed history of the lottery and the related statutory changes over time can be found below under the heading "Rhode Island Lottery."

The next largest component of Other Sources is the unclaimed property transfer. The unclaimed property transfer reflects funds that have escheated to the State. They include unclaimed items, such as bank deposits, funds held by life insurance companies, deposits and refunds held by utilities, dividends, and property held by courts and public agencies. The General Treasurer deposits escheated funds into the General Fund, with deductions made for administrative costs.

The final component of Other Sources is the other miscellaneous revenues category. This category reflects, among other things, non-recurring receipts that are not recorded in other receipt categories, such as one-time receipts from the securitization of tobacco master settlement agreement payments, settlement revenues and transfers from other State entities.

In the enacted FY 2018 Budget, the General Assembly authorized several transfers of excess reserves from various quasi-public agencies. These include $5.0 million from the NBC, $6.0 million from the RIRRC, $2.6 million from the RITBA, $3.5 million from the RIIB, and $6.0 million from the RIHEBC. The General Assembly also authorized the transfer of $12.5 million from National Grid's 2018 System Reliability and Energy Efficiency Conservation Procurement program, which generates most of its revenues from a legislatively-authorized fee assessed on consumers.

Rhode Island Lottery

The State Lottery Fund was created in 1974 for the receipt and disbursement of revenues of the State Lottery from sales of lottery tickets and license fees. The monies in the fund are allotted for: (i) establishing a prize fund from which payments of the prize are disbursed to holders of winning lottery tickets, the total of which prize payments equals, as nearly as is practicable, 45% of the total revenue accruing from the sale of lottery tickets; (ii) payment of expenses incurred by the Lottery in the operation of the State lotteries; and, (iii) payment to the State's General Fund of all revenues remaining in the State Lottery fund, provided that the amount to be transferred into the General Fund must equal not less than 30% of the total revenue received and accrued from the sale of lottery tickets plus any other income earned from the lottery.

The State retains a percentage of approximately 60.7% of the payout for certain lottery and keno games, and redistributed net terminal income ("NTI") from video lottery games, in accordance with State law. At present, there are two licensed video lottery facilities operating in the State of Rhode Island: (1) Twin River Casino ("Twin River", formerly known as Lincoln Park), and (2) Newport Grand. Twin River has been operating on a 24 hour per day, seven days per week basis since November 2009. Newport Grand does not currently operate on a 24 hour per day basis. In the 2005 Session, the General Assembly passed legislation that allowed the Director of the Division of State Lottery to enter long-term contracts with the owners of Twin River and Newport Grand. The master contract for Twin River froze the retailer's share of video lottery NTI at 28.85% for existing video lottery terminals and 26.0% for additional video lottery terminals (which rates are subject to certain adjustments based on the consumer price index in the 11th through 15th years of the contract term). The master contract for Newport Grand froze the retailer's share

of video lottery NTI from existing and additional video lottery terminals at 26.0%. Under State law, table games are only permitted at Twin River, with the State retaining a percentage of the net table game revenue as defined in State law. As of July 1, 2014, the percentage of net table game revenue retained by the State was reduced from 18% to 16%, per State statute, because Twin River's NTI from video lottery games recorded a decline from FY 2013 to FY 2014.

In the fall of 2011, the Division of Lottery commissioned a study (the "Christiansen Study") by Christiansen Capital Advisors, LLC ("Christiansen") to determine the impact that the pending expansion of gaming in Massachusetts might have on Rhode Island's gaming industry and revenues. The Christiansen Study examined nine different scenarios depending on the location of the three destination resort casinos and the one slot parlor in Massachusetts. Under the likely case scenario with table games in operation only at Twin River outlined in the Christiansen Study, the DOR projected that, by FY 2020, casino gaming in Massachusetts will reduce Twin River gross gaming revenues by 37.3% from its FY 2014 level of $462.4 million and reduce Newport Grand gross gaming revenues by 53.2% from its FY 2014 level of $44.7 million. These projected declines in Twin River and Newport Grand gross gaming revenues were estimated to reduce the State's revenues from these facilities by $121.0 million in FY 2020 vis-à-vis the amount the State received from these two facilities in FY 2014. No assurance can be given, however, as to how gaming in Massachusetts, or the overall decline of the casino industry in the Northeast, will ultimately affect revenues generated at Twin River or Newport Grand from table gaming and/or video lottery terminals in the future.

On November 22, 2011, the Governor of the Commonwealth of Massachusetts (the "Commonwealth") signed into law an act that authorized the establishment of three destination resort casinos and one slot parlor in the Commonwealth. The act allows for one destination resort casino in each of three regions in the Commonwealth and a slot parlor at one location in the Commonwealth. Each destination resort casino requires a minimum capital investment of $500 million and must include a hotel. Each destination resort casino must pay to the Commonwealth a licensing fee of $85.0 million and pay taxes at a rate of 25.0% on gross gaming revenue. The slot parlor must pay a $25.0 million licensing fee to the Commonwealth, invest $125 million in the facility that hosts the slot parlor and pay taxes at a rate of 40.0% of gross gaming revenue to the Commonwealth and a rate of 9.0% of gross gaming revenue to the Massachusetts Racehorse Development Fund. Finally, each destination resort casino and the slot parlor must pay an annual licensing fee of $600 for each slot machine in operation at a facility.

The Massachusetts Gaming Commission has awarded licenses for two of the three casinos and the one slot parlor contemplated by the gambling legislation. Licenses have been awarded to MGM Resorts International on June 13, 2014 for a casino in Springfield, Massachusetts, and to Wynn Resorts on September 16, 2014 for a casino in Everett, Massachusetts, which is just outside of Boston. A license was also awarded on February 27, 2014 to Penn National Gaming for a slot parlor in Plainville, Massachusetts, approximately twenty (20) miles from Twin River.

Both MGM Resorts International and Wynn Resorts have paid the Commonwealth the licensing fee for the destination resort casino licenses, and Penn National Gaming has paid $25.0 million to the Commonwealth for its license. Penn National Gaming's slot parlor in Plainville, Massachusetts opened on June 24, 2015. Twin River's revenues were only down by approximately 1.68% for fiscal year 2017, as compared to FY 2016.

With regard to the third resort casino license, the Gaming Commission voted to give developers in New Bedford and Somerset until May 4, 2015 to complete their applications. Developers for the New Bedford site met the deadline, joining developers for a site in Brockton, Massachusetts. The developers for the Somerset site asked for a further extension of the time needed to apply for the license. In the interim, both the voters of Brockton and the voters of New Bedford approved local referendums allowing a

destination resort casino to be located in their cities. The Gaming Commission declined to award the license to Brockton.

On September 12, 2015, the Department of the Interior approved the Mashpee Wampanoag Tribe's ("Tribe") application to take certain land into trust. In November 2015, the Tribe acquired 115 acres of land in Taunton, Massachusetts; those acres were part of the 151 acres identified in the Tribe's September 12, 2015 application. On February 4, 2016, a civil lawsuit was filed by a group of Taunton residents against the Department of the Interior in the United States District Court in Boston, Massachusetts challenging the Department's decision to allow the Tribe to take the land in trust. In July, 2016 the court ruled in favor of the East Taunton residents. The Tribe appealed, and on March, 2017, the U.S. Court of Appeals for the First Circuit, granted the Tribe an extension for submitting opening arguments to late April, 2017. It is unclear what, if any, effect this lawsuit will have on the Massachusetts Gaming Commission's decision with respect to the issuance of the third resort casino license.

Newport Entertainment and Leisure, LLC, ("NEL"), a Rhode Island limited liability company, entered into an Asset Purchase Agreement (the "Newport Grand Agreement") with the owner of Newport Grand, Newport Grand LLC, a Rhode Island limited liability company ("NG LLC"), on or about December 31, 2013 for the purpose of acquiring Newport Grand.

In March of 2015, Twin River Management Group, Inc. ("TRMG"), a Delaware corporation that is the corporate parent of UTGR, Inc., the owner of Twin River, and NEL entered into an agreement under the terms of which the Newport Grand Agreement would be assigned to TRMG. Shortly thereafter, TRMG announced that it had obtained an option to purchase approximately 45 acres of land in the northern part of Tiverton, Rhode Island, approximately 400 feet from the Massachusetts border, and that after its acquisition of Newport Grand, it intended to seek permission to transfer Newport Grand to the Tiverton location. TRMG's goal is to better compete with the imminent threat of casinos in Massachusetts by offering both video lottery and table games at the Tiverton property. To transfer Newport Grand to Tiverton, there would have to be State-wide voter approval and approval by the voters in Tiverton, as well as regulatory approval by the DBR and the DOR Division of Lotteries.

On or about April 24, 2015, Premier Entertainment II, LLC, a Delaware limited liability corporation of which TRMG is the sole member ("Premier"), filed a Facility Permit Ownership Transfer Application ("Application") with the DBR seeking to transfer the facility permit for Newport Grand to Premier. The DBR approved the transfer, subject to certain conditions. On or about July 1, 2015, Premier filed an application for a lottery sales agent license with the Lottery for Newport Grand. The transfer of Newport Grand to Premier occurred on July 14, 2015. TRMG announced on July 24, 2015 that it had completed the acquisition of Newport Grand.

The 2015 General Assembly enacted several changes modifying operating requirements for Newport Grand due to its proposed acquisition and relocation by Premier. The legislation suspends the requirement that Newport Grand maintain 180.0 full-time equivalent (FTE) positions and reduces the required positions to 100.0 FTEs. The total required FTEs at the facility would revert to 180.0 positions in the event that Newport Grand is licensed to host video lottery games and table games at a facility relocated outside of the City of Newport. The General Assembly also reinstituted the enhanced share of video lottery net terminal income for the owners of Newport Grand albeit at a rate of one and nine-tenths (1.9) percentage points effective July 1, 2015 through June 30, 2017. Unlike the previous increase in Newport Grand's share of net terminal income, the funds garnered from the 1.9 percentage point enhanced share must be applied exclusively to marketing expenditures for the facility.

In November 2015, Christiansen updated the Christiansen Study (which had been previously updated in November 2014) of the impact of casino gaming in Massachusetts on Rhode Island gaming

revenues. In the 2015 update, Christiansen analyzed the reconfiguration of gaming at Twin River, where there are 272 fewer video lottery terminals in operation, 12 more traditional table games and a poker room with 16 poker tables, and the anticipated addition of a hotel, as well as the relocation of Newport Grand's video lottery terminal operations to a full casino located in Tiverton. These Rhode Island gaming scenarios were analyzed with Massachusetts resort casinos located in Springfield, Everett, Brockton or Taunton, and a slots-only facility located in Plainville. The 2015 update to the Christiansen Study projected that a slots-only facility in Plainville would have a lesser impact than originally projected, primarily due to the reconfiguration of gaming at Twin River. In addition, the 2015 update to the Christiansen Study found that the addition of a hotel at Twin River would increase gaming revenues generated from the video lottery terminals and the table games. The 2015 update to the Christiansen Study projected that the negative impact from resort casino gaming in southeastern Massachusetts will be significantly less with either a resort casino located in Brockton or a tribal casino located in Taunton versus Fall River, as was analyzed when the Christiansen Study was updated in 2014. Finally, the 2015 update to the Christiansen Study projected that the transfer of the gaming operations at Newport Grand to a full casino located in Tiverton would increase gaming revenues to the State; provided such a relocation receives approval via the passage of the State and local referenda discussed above. The 2015 update to the Christiansen Study did find, however, that, if there were both a resort casino in Brockton and a tribal casino in Taunton, then the economic viability of a smaller full casino in Tiverton would be doubtful to the point that such a casino would likely fail in the face of this level of competition.

In March 2016, the General Assembly passed, and the Governor subsequently signed into law, legislation authorizing referenda questions to appear on the November 2016 ballot with regards to transferring Newport Grand operations to the Tiverton site. The voters approved this referendum question at both the local and State-wide level and thus a new casino is expected to open in early FY 2019. Because the Tiverton Casino will operate 24 hours per day seven days a week, 1.45% of net terminal income will be paid to the Town of Tiverton. Under prior law, the Newport Grand facility was not open 24 hours per day seven days a week and therefore the City of Newport's share of net terminal income was 1.01%. Under the new law, the State's share of net table game revenue will be reduced from 16% to 15.5%. The Town of Lincoln and the Town of Tiverton will each receive 1.0% of the net table game revenue, with the balance going to the casino operator. The new law also guarantees the Town of Tiverton and the Town of Lincoln a minimum of three million dollars ($3.0 million) each year from the combination of net table game revenues and NTI. To the extent that either town does not receive that amount in any State fiscal year, then the State is required to make up the shortfall out of the State's share of NTI and net table game revenue. The guarantee continues in effect so long as both table games and video lottery games are offered at the gaming facilities. It is anticipated that the Town of Lincoln will not receive any payments from the State under this provision because sufficient revenues are anticipated at Twin River to achieve this minimum payment. The casino in Tiverton is not expected to open until Fall of 2018 and thus this provision does not apply at this time.

Historic and Motion Picture Production Tax Credits

The State's Historic Structures Tax Credit has allowed a taxpayer to receive a tax credit equal to up to 30% of the qualified rehabilitation expenditures made in the substantial "rehabilitation of a certified historic structure." To qualify, the application for certification must have been made prior to January 1, 2008. These credits were transferable, could be carried forward for ten years, and could be used to offset the personal income tax or certain business tax liabilities of a taxpayer. In the 2008 Session, the General Assembly enacted legislation that authorized Commerce RI to issue up to $356.2 million in revenue bonds to provide a fund from which the General Fund would be reimbursed for the State's historic tax credit liabilities paid out to taxpayers. Since June 2009, $225 million of bonds have been issued by Commerce RI, which are secured by payment obligations of the State subject to annual appropriation by the General Assembly. Of the remaining $131.0 million of authorized bonds, only $75 million is expected to be issued

in FY 2019. The balance was authorized for debt service reserves and cost of issuance and will not be required and therefore will be extinguished.

Under the legislation, such historic preservation projects will generally receive a State tax credit of up to 25.0% of the qualified rehabilitation expenditures incurred by a developer. The maximum credit any one historic rehabilitation project can receive is $5.0 million. The developer must pay a non-refundable fee equal to 3.0% of the estimated qualified rehabilitation expenditures the developer expects to incur for the eligible project. The proceeds from these fees are deposited into the Historic Preservation Tax Credit Trust Fund and are used to reimburse the General Fund for the redemption of historic structures tax credit certificates. Historic structures tax credit certificates can be redeemed against personal income tax, business corporations tax, financial institutions tax, public utilities gross earnings tax, and insurance companies gross premiums tax liabilities.

In addition, the 2013 General Assembly enacted legislation that allowed for the re-use of historic structures tax credits associated with historic rehabilitation projects that were abandoned by developers after being accepted into the reconstituted historic structures tax credit program in 2008. This legislation reallocated $34.5 million of historic structures tax credits that had been previously authorized to new historic rehabilitation projects.

The State's Motion Picture Production Tax Credit program allows a motion picture production company to receive a tax credit equal to twenty-five (25%) of its certified production costs for activities occurring within the State. To avail itself of the tax credit under current law: (i) the motion picture production company must be formed under State law; (ii) the primary locations for the motion picture must be within the State; and (iii) the minimum production budget for the motion picture must be $100,000. The State's Film Office must approve the motion picture and give initial and final certification. In connection with securing final certification, the motion picture production company must submit an independent accountant's certificate listing the costs associated with the tax credit. The motion picture production company "earns" the tax credit in the taxable year when production in the State is completed, and unused credit can be carried over for three years. The credit is assignable and any proceeds received by the motion picture production company for the assignment are exempt from State tax. These tax credits may be used to offset personal income tax, business corporation tax, public utilities gross earnings tax, insurance companies gross premiums tax, and financial institutions tax liabilities. Currently, the Motion Picture Production Tax Credit program is capped at $15.0 million annually.

Intermodal Surface Transportation Fund Revenues

During the 2014 Legislative Session, the financing mechanism for transportation infrastructure and bridge repairs changed dramatically when the General Assembly enacted Article 21 – Relating to Transportation of the FY 2015 Appropriations Act ("Article 21"). Article 21 created a long-term plan for financing Rhode Island's roads and bridges, along with removal of the authority to toll the Sakonnet River Bridge. Article 21 expanded the RIHMA within the Intermodal Surface Transportation Fund, such that this account will become Rhode Island's primary source for transportation financing, by making several technical changes to existing law and by implementing various funding streams to finance the transportation plan. Various motor vehicle fees, surcharges and tax revenue, which were previously accounted for in the General Fund, are now being deposited in the RIHMA for this purpose.

Article 21 removed authority of RITBA to toll the Sakonnet River Bridge as of June 30, 2014 (the toll was formally removed on June 20, 2014 by order of the Governor). RITBA will continue to control the four bridges in the East Bay (Newport Pell, Jamestown, Mount Hope, and Sakonnet) and a portion of Route 138. To make up for the loss of toll revenue on the Sakonnet River Bridge, Article 21 transferred 3.5 cents

($0.035) per gallon of the State gas tax to RITBA beginning July 1, 2014 to be used for maintenance expenses, capital expenditures and debt service on any of the Authority's projects.

Article 21 made additional changes that resulted in new revenue to the RIHMA, including: (i) authorization to increase the gas tax every other fiscal year equivalent to the increase in the Consumer Price Index (CPI), rounded to the nearest 1.0 cent increment; (ii) transfer of fees collected for the issuance of certificates of title; (iii) transfer of surcharges collected on vehicle rentals; (iv) imposition of a new $25 fee on dismissals based on good driving records; (v) increase of the fee on motor vehicle inspections from $39 to $55, $32 of which will go to the RIHMA; and (vi) transfer of most motor vehicle related fees over a three year period, with 25.0% transferred in FY 2016, 50.0% in FY 2017, 80.0% in FY 2018 and 100.0% in FY 2019. The Governor's recommended revised budget for FY 2018 reduces the transfer from 80.0% to 60.0%, but maintains the requirement for the transfer to increase to 100.0% in FY 2019.

Motor Fuel Tax

The Intermodal Surface Transportation Fund is supported by the State's 33 cents per gallon motor fuel tax. A motor fuel tax is due on the sale of all fuels used or suitable for use in operating internal combustion engines for operating or propelling motor vehicles on the public roadways of the State other than fuel used: (i) for commercial fishing and other marine purposes other than operating pleasure craft; (ii) in engines, tractors, or motor vehicles not registered for use or used on public highways by lumbermen, water well drillers, and farmers; (iii) for the operation of airplanes; (iv) by manufacturers who use diesel engine fuel for the manufacture of power and who use fuels other than gasoline and diesel engine fuel as industrial raw material; and, (v) for municipalities and sewer commissions using fuel in the operation of vehicles not registered for use on public highways. Taxes paid in prior periods are subject to refund if it is later determined that such tax was not due and payable on the motor fuel purchased.

In the 2014 Session, the General Assembly enacted legislation to index the motor fuel tax rate on a biennial basis to the Consumer Price Index for all Urban Consumers (CPI-U), as published by the United States Bureau of Labor Statistics as of September 30 of the prior calendar year, with the first indexation effective July 1, 2015. This change does not impact general revenue since effective July 1, 2009 the State's General Fund no longer receives any of the revenues generated by the State's motor fuel tax. The indexation of the motor fuel tax rate resulted in an increase in the State's motor fuel tax from $0.32 per gallon to $0.33 per gallon for FY 2016 and FY 2017. There was no increase on July 1, 2017 because of low inflation.

In addition, the State charges a fee of one cent per gallon of motor fuel delivered to an underground storage tank ("UST"). Motor fuel tax receipts fund operating and debt service expenditures of the Department of Transportation, as well as specific portions of transportation-related expenditures of RIPTA and the Department of Human Services ("DHS"). As of FY 2018, the 33 cents per gallon motor fuel tax and the one cent UST fee are allocated as follows: 17.25 cents to the Department of Transportation; two cents to an indenture trustee to support debt service on motor fuel tax bonds; 9.75 cents to RIPTA, of which 9.25 cents are from motor fuel tax and 0.5 cents are from the UST fee; 3.5 cents to RITBA for maintenance expense, capital expenditures and debt service; one cent to DHS for its Elderly and Disabled Transportation Program, and the remaining 0.5 cents from the UST fee to the Department of Environmental Management's UST Replacement Fund.

Dedication of Registration and License Fees

The State dedicates certain registration and license fees to transportation purposes, namely as a piece of the State match used towards the U.S. Department of Transportation's federal highway program. This three-year, phased increase in registration and license fees began in FY 2014. Two-year registration and driver's license fees were each increased by $30 ($10 per year for three-years), while one-year

registration fees were increased by $15 ($5 per year for three-years). All existing vehicle registration and license fees, as discussed above under "Other Sources – Intermodal Surface Transportation Fund Revenues," will be transferred to the RIHMA.

RhodeWorks Revenues

In February 2016, the General Assembly enacted legislation authorizing the Department of Transportation to construct toll gantries at various locations along the interstate highways in Rhode Island. The revenues generated from these tolls will be deposited to the Rhode Island Bridge Replacement, Reconstruction and Maintenance Fund. Tolls will be assessed electronically only on vehicles classified by the Federal Highway Administration as Class 8 – single trailer, three or four axles up to and including Class 13 – seven or more axle multi-trailer trucks. The maximum toll amount for a one-way border-to-border trip through Rhode Island will not exceed $20 and the daily maximum amount of tolls collected upon the same individual large commercial truck will not exceed $40. In addition, this legislation authorized the Department to borrow up to $300 million in GARVEE bonds through Commerce RI to finance highway improvements, the repayment of which will be derived from and secured by future distributions of federal highway trust funds due to the State. GARVEE bonds in the principal amount of $245,925,000 were issued in the fall of 2016. The State has completed its evaluation of contract proposals for the construction of 14 toll gantries, and the contracts were awarded in May 2017. The State anticipates collections to begin in March 2018 with two toll gantries, and that the remainder of the gantries in place by December 2018. It has been reported in the press that the Rhode Island Trucking Association intends to file a lawsuit against the State challenging the imposition of the new tolls once the tolling system is operational. It is not possible at this time to predict the potential outcome or the impact on revenues generated by the tolls, if such litigation is filed.

Non-General Revenue Sources

Restricted Receipts

These expenditures reflect various dedicated fees and charges, interest on certain funds and accounts maintained by the State and private contributions and grants to certain State programs. Such receipts are restricted under law to offset State expenditures for the programs under which such receipts are derived.

Federal Receipts

Federal receipts are revenues from the federal government, representing grants-in-aid and reimbursements to the State for expenditures for various health, welfare and educational programs and distribution of various restricted or categorical grants-in-aid.

Federal grants-in-aid reimbursements are normally conditioned to some degree, depending on the particular program being funded, on matching resources by the State ranging from a 50% matching expenditure to in-kind contributions. The largest categories of federal grants and reimbursements are made for medical assistance payments for the indigent (Title XIX, or Medicaid), and a block grant for Temporary Assistance to Needy Families ("TANF"). The federal participatory rate for Title XIX, known as the Federal Medical Assistance Percentage ("FMAP"), is recalculated annually. The major determinant in the FMAP rate calculation is the relative per capita income of the State.

As part of the auditing process for the fiscal year ended June 30, 2017, the Auditor General observed material non-compliance in the administration of certain federal programs, which is reported in the Auditor General's "Single Audit Report" for that fiscal year. The State's Fiscal 2017 Single Audit

Report was completed on April 2, 2018 and is available on the Office of the Auditor General's website at http://www.oag.ri.gov/reports.html. The more significant federal program findings relate to implementation of the RIBridges integrated eligibility computer system, formerly known as the Unified Health Infrastructure Project ("UHIP"), which is used to administer multiple human service programs. As a result, the Auditor General expressed an adverse opinion regarding compliance for three major federal programs in the Fiscal 2017 Single Audit Report. The State has, and will continue to, dedicate substantial resources to resolving these issues in a timely manner.

STATE EXPENDITURES

Medicaid

Medicaid is a health insurance program jointly funded by the federal government and the states to provide services to low-income children, pregnant women, parents of dependent children, the elderly, and people with disabilities. The federal government's share of expenditures for most Medicaid services is the FMAP. The remainder is referred to as the nonfederal or state share. With passage of the Patient Protection and Affordable Care Act of 2010, commonly referred to as the Affordable Care Act ("ACA") states have the option of expanding coverage to include certain low-income adults with the federal government paying all program costs for the first three years and eventually paying 90% of the total cost. Rhode Island provides Medicaid assistance consisting of medical assistance, residential care, community based services and case management activities to individuals who meet the eligibility criteria established for the various assistance programs operated by the Executive Office of Health and Human Services ("EOHHS") and the four departments under its umbrella: the Departments of Human Services; Behavioral Healthcare, Developmental Disabilities and Hospitals; Children, Youth and Families; and Health.

The FY 2018 revised budget includes $2.834 billion in funding for the Medicaid program across all five State EOHHS agencies, including $1.148 billion in general revenue funding. Overall, Medicaid represents 30.0% of the total FY 2018 revised budget and 30.1% of the general revenue budget.

The FMAP is a calculation with significant impact on state health and human services spending. The formula that determines an individual state's Medicaid rate is based on that state's three-year average per capita income relative to national per capita income and represents the portion of medical services delivered under the Medicaid program that the federal government will contribute. States with a higher per capita income level are reimbursed a smaller share of their costs. By federal law, the Medicaid rate cannot be lower than 50% or higher than 83%. The federal contribution to any state's administrative costs for Medicaid services is set at 50%. For Rhode Island, the projected rate for State FY 2018 is based on one-quarter of the federal fiscal year 2017 and three-quarters of the federal fiscal year 2018 rate, resulting in a rate of 51.34%.

The Rhode Island Consumer Choice Global Compact Waiver, or Medicaid Global Waiver, was approved by the Centers for Medicare and Medicaid Services on January 16, 2009. The Global Waiver establishes a new federal-state agreement that provides Rhode Island with the flexibility to provide services in the least restrictive, most cost-effective way to meet the needs of its citizens. The waiver is effective until December 31, 2018. Programs under the waiver include RIte Care, Rhody Health Partners, Rhody Health Options, Connect Care Choice, home and community based services to elderly residents, residential and community support programs to adults with behavioral health and developmental disabilities, and breast and cervical cancer treatments. This waiver also allows the State to leverage Medicaid for services that were previously only State funded in the Departments of Human Services, Behavioral Healthcare, Developmental Disabilities and Hospitals, and Children, Youth and Families.

On March 23, 2010, President Obama signed the ACA, which provides for national health care reform. The ACA requires most U.S. citizens and legal residents to have health insurance by January 1, 2014, or pay a tax penalty, and expands Medicaid coverage to individuals and families up to 138% of the federal poverty level. It also provides for premium credits and cost-sharing subsidies for individuals and families between 139% and 400% of poverty. The ACA requires most employers to offer medical coverage, includes small business tax credits for employers with no more than 25 employees, and provides for a temporary reinsurance program for employers providing health insurance coverage to individuals over 55 years of age, but who are not eligible for Medicare. The ACA allows young adults to remain on their parents' or guardian's health plan until age 26. Issued regulations state that young adults are eligible for this coverage regardless of any of the following factors: financial dependency, residency with parent, student status, employment or marital status. The law does not require that a plan or issuer offer dependent coverage, but that if coverage is offered, it must be extended to young adults up to age 26. Prior to this change, Rhode Island required insurance plans that cover dependent children to cover unmarried dependent children until age 19, or until age 25 if a student, and if the dependent child is mentally or physically impaired, the plan must continue their coverage after the specified age.

Between 2014 and 2016, the federal government paid 100% of the cost of covering newly-eligible individuals. The benefits were 100% federally funded until January 2017, at which time the Medicaid rate decreased to 95% in calendar year 2017, and will decrease to 94% in 2018, 93% in 2019 and 90% on January 1, 2020 for all subsequent years, requiring a 10% State match.

States are required to maintain the same income eligibility levels through December 31, 2013 for all adults, and this requirement is extended through September 30, 2019 for children currently in Medicaid. For Rhode Island, this requirement applies to RIte Care eligibility for parents who are at or below 133% of poverty and children who are at or below 250%. States cannot take actions to lower enrollment or make eligibility stricter. States can reduce provider fees, but must prove that the reduction will not make it harder for Medicaid patients to get needed care; also, states may eliminate optional benefits.

In September 2011, former Governor Lincoln Chafee issued an executive order to establish the Rhode Island Health Benefit Exchange, renamed HealthSource RI ("HealthSource RI"), the marketplace for purchasing health insurance. The 2015 General Assembly enacted legislation to establish the health benefits exchange as a division within the Department of Administration. It authorizes HealthSource RI to operate a state-based exchange to meet the minimum requirements of the federal act. It authorizes the Department to charge an assessment on insurers, which cannot be more than the revenues that would be raised through the federally facilitated marketplace upon those insurers offering products on the exchange. The assessment is estimated to generate $6.8 million in FY 2018. The budget also includes $2.6 million from general revenues to be used in conjunction with the revenues from the assessment for the operations of HealthSource RI.

HealthSource RI began accepting applications on October 1, 2013. Health plans offered through the marketplace are categorized into tiers based on the level of benefits and cost sharing requirements. Individuals in households with income below 400% of poverty, who are not Medicaid eligible, will receive federal subsidies to reduce the cost of commercial health plans purchased through the Exchange. The 2013 General Assembly created a premium assistance program to aid in the transition to coverage through the Exchange with the State paying 50% of the cost of commercial coverage, after subtracting what the parents are currently paying for RIte Care coverage and any federal tax credits or subsidies that are available.

Principal Governmental Services

Principal State governmental services are functionally divided into six major areas: General Government, Human Services, Education, Public Safety, Natural Resources, and Transportation. They are

administered and delivered by fourteen departments, the Board of Education, and several public corporations. See "GOVERNMENT ORGANIZATION – Independent Authorities, Agencies and Public Corporations." All expenditures by such State agencies, including those funded by federal and restricted use sources, are budgeted by the Governor and appropriated annually by the General Assembly. The following paragraphs describe the major functions of State government.

General Government

General Government provides general administrative services to all other State agencies and carries out State licensure and regulatory functions. General Government includes those agencies that provide general administrative services to all other State agencies and those that carry out State licensure and regulatory functions. This function includes most elected officials, administrative agencies, including, but not limited to, the Department of Administration, the DOR, the Department of Labor and Training, the Executive Office of Commerce, and the Board of Elections, and regulatory agencies including, but not limited to, the DBR and the Public Utilities Commission. The three major departments in the General Government function are the Department of Administration, the DOR, and the Department of Labor and Training.

Department of Administration

The Department of Administration is generally responsible for all central staff and auxiliary services for the State, including planning, budgeting, personnel management, purchasing, information processing, accounting, auditing, building maintenance, property management, and labor relations. The Department of Administration directs accounting and fiscal control procedures and is responsible for preparing the State's annual fiscal plan and capital development program. The Department of Administration also administers the State-wide planning program for the comprehensive development of the social, economic and physical resources of the State. The Department of Administration also includes the Office of Internal Audit, which examines the books of account of all State departments and agencies and determines whether audits should be performed in accordance with a risk based evaluation.

The Department of Administration includes the Office of Energy Resources, which is responsible for coordinating all energy-related matters, including energy security, energy efficiency, renewable energy and natural gas, and HealthSource RI.

Department of Revenue

The DOR includes the Division of Taxation, the Registry of Motor Vehicles, the Division of State Lottery, the Division of Municipal Finance and the Office of Revenue Analysis. The DOR is also responsible for administering certain programs relating to State aid. Programs within the DOR are responsible for the assessment and collection of all taxes; administration and enforcement of all laws pertaining to the operation and registration of motor vehicles; administration of a lottery system; monitoring and reporting on the financial condition of Rhode Island's cities and towns; and assisting cities and towns in financial distress.

Department of Labor and Training

The Department of Labor and Training is responsible for administering benefit payment programs, workforce development programs, workforce regulation and safety programs, and the Labor Relations Board. The Department of Labor and Training is responsible for administering the payment of benefits to qualified unemployed workers from taxes collected from Rhode Island employers under the Employee Security Act. The Department of Labor and Training is also responsible for administering payments to

workers under the Temporary Disability Insurance Act and the Worker's Compensation Act. The Temporary Disability Insurance Act provides for the payment of benefits to workers who are unemployed due to illness or non-work related injuries from taxes paid by all employees. The Worker's Compensation Act provides for the payment of benefits to workers who are unemployed due to work related injuries from insurance premiums paid by employers. The Department of Labor and Training also operates Employment Resource Centers located throughout the State, which provide job referral, job placement and counseling; and employment training and support services for adults and youths.

The Department of Labor and Training also enforces wage, child labor, parental and family medical leave laws; examines, licenses and registers professions such as electricians, pipefitters, and refrigeration technicians; and inspects all State buildings, public buildings, and city and town educational facilities for compliance with building codes. The Department also has primary responsibility for the collection of data on employment and unemployment in Rhode Island.

Human Services

Human Services includes those agencies that provide services to individuals, including medical assistance for eligible low-income populations (Medicaid, as described above) by EOHHS, care of the disabled by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals; child protective and social services provided by the Department of Children, Youth and Families ("DCYF"); health programs at the Department of Health and DHS; and financial assistance and social services provided by DHS.

These departments are collectively under the managerial umbrella of the EOHHS. The Executive Office also functions as the "single state agency" for Medicaid administration in Rhode Island, maintaining full administrative oversight of the State's Medical Assistance (Medicaid) Program, which includes the Children's Health Insurance Program ("CHIP").

Department of Human Services

DHS administers and coordinates local, state and federal programs for cash assistance and social services. The responsibilities of the department include supervision of the following programs: child support enforcement, supplemental security income, general public assistance, supplemental nutrition assistance, TANF cash assistance, child care assistance, home energy assistance, elderly transportation, and other services to the elderly. The Department also administers vocational rehabilitative services and services for the blind and visually impaired. The Department also manages the administrative and budgeting functions of the Office of Veterans Affairs.

***RI Bridges/Unified Health Infrastructure* Project**. The RI Bridges system, formerly known as the Unified Health Infrastructure Project ("UHIP"), is the new Rhode Island integrated eligibility system for various health and human services programs, such as Medicaid, the Supplemental Nutrition Assistance Program ("SNAP") and Healthsource RI. Upon its implementation in September 2016, the system experienced many functional problems that have resulted in clients not receiving the services to which they are entitled and others remaining on the eligibility roles longer than they should. Increased caseload costs have been experienced by the State because of these system issues and have been accounted for in updated projections from the Caseload Estimating Conference. See "GENERAL FUND OPERATING RESULTS AND FREE SURPLUS — November 2017 Caseload Estimating Conference" herein. System development has largely been funded with federal grants and because of the implementation issues there has been increased oversight from the federal grantor agencies and requests for corrective action plans.

The State has negotiated with the system developer, Deloitte, to recoup some of the system costs expended to date, to receive additional services at no charge to fix and improve the system and to cover any fines that may be levied against the State by the federal government. In April 2017, Deloitte agreed to credit the State $27 million to cover costs of the implementation and in October 2017, the Governor announced an agreement with Deloitte to provide a credit of nearly $60 million to cover ongoing costs of the implementation and for Deloitte to cover any fines that may be levied on the State by the Food and Nutrition Services (FNS) related to the SNAP program.

Under the current planning document submitted to the federal government, it is expected that RI Bridges will be fully compliant with all program requirements by June 2018. See "LITIGATION" regarding the status of the January 2017 court settlement related to the implementation of the project.

Department of Children, Youth, and Families

The DCYF is responsible for providing comprehensive, integrated services to children in the State in need of assistance. The Department is responsible for providing services to children who are without families or whose families need help in meeting the children's basic needs. Major functions of the Department include investigating child abuse, delivering services directly to children and their families in their own homes or foster homes, developing and providing alternative community-based living situations and administering juvenile corrections facilities and programs.

Department of Behavioral Healthcare, Developmental Disabilities and Hospitals

The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals ("BHDDH") provides services that include hospitalization, housing, vocational programs, inpatient and outpatient treatment, counseling, rehabilitation, transportation, and hospital level care and treatment. BHDDH provides these services either directly through the Eleanor Slater Hospital system, which operates at two sites, the Cranston Unit and the Zambarano Unit, and the Rhode Island Community Living and Supports System ("RICLAS"), or through contracts with private, non-profit hospitals, and agencies. BHDDH organizes, sets standards for, monitors and funds programs primarily according to the nature of a client's disability. BHDDH's behavioral health services help people who have psychiatric disorders and severe mental illness, such as manic depression or schizophrenia. BHDDH's developmental disabilities services assist people with disabilities like cerebral palsy, epilepsy, autism, behavioral problems and other physical and mental conditions. BHDDH hospitals provide long-term care for people who need medical treatment and nursing care for problems associated with chronic illness. BHDDH also provides substance abuse prevention and treatment services, in addition to gambling addiction services.

Department of Health

The Department of Health is responsible for the health of the citizens of Rhode Island and as such makes investigations into the causes of disease, the prevalence of epidemics and endemics among the people, the sources of mortality, the effect of location, employment and other conditions, ascertain the causes and the best means for the prevention and control of diseases or conditions detrimental to the public health. The Department of Health also operates the State laboratory and the Medical Examiner's Office.

Education

Education includes elementary and secondary education and higher education, as well as arts funding, historical preservation and heritage support and atomic energy commission research activities.

The seventeen member Rhode Island Board of Education (the "Board of Education") is responsible for pre-school through postsecondary education in the State. Within the Board of Education are two councils, the Council on Elementary and Secondary Education and the Council on Postsecondary Education. Each of the councils focuses on regulatory and governance issues that pertain to their respective area.

Council on Elementary and Secondary Education

The Council for Elementary and Secondary Education is responsible for the formulation and implementation of State-wide goals and objectives for elementary, secondary and special populations education and for the allocation and coordination of various educational functions among the educational agencies of the State and local school districts. The Council also establishes education aid reimbursement payments to local school districts, operates the Rhode Island School for the Deaf, the Metropolitan Career and Technical School (the "Met School") and William M. Davies, Jr. Career and Technical High School ("Davies"), and supervises the State's vocational-technical schools. The Council also operates the Central Falls School District. The Council appoints a Commissioner of Elementary and Secondary Education to serve as its chief executive officer.

Council on Postsecondary Education

The Council on Postsecondary Education is responsible for the formulation and implementation of broad goals and objectives for public higher education in Rhode Island, including a comprehensive capital development program. In addition, the Council holds title to all public higher education institutions of the State, which include the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island (collectively, the "State Colleges"). Although there is institutional autonomy, the Council is responsible for general supervision of public higher education, including adoption and submittal of the State higher education budget, property acquisition and management and approval of organizational and curriculum structures. The Commissioner of Postsecondary Education is appointed by the Council to serve as chief executive officer of the Council. RIHEBC issues revenue bonds from time to time on the Council's behalf to finance various capital improvements for the State Colleges, which revenue bonds are supported by certain revenues derived by the State Colleges and/or certain appropriations made by the State to the State Colleges. See "STATE INDEBTEDNESS – Agency Revenue Debt."

Public Safety

Public Safety includes those agencies responsible for the safety and security of the citizens of Rhode Island. Agencies included in this area of State government are the Department of Public Safety, the Department of Corrections, the Judicial Department, and the Attorney General's office.

Department of Public Safety

The Department of Public Safety is comprised of the following agencies: State Police, E-911 Emergency Telephone System, State Fire Marshal, Municipal Police Training Academy, Sheriffs, Capitol Police, and the Public Safety Grant Administration Office. The Director of the Department of Public Safety also serves as the Superintendent of the Rhode Island State Police.

Department of Corrections

The Department of Corrections is responsible for the confinement of sentenced and pre-trial adult offenders, the provision of various programs to encourage and assist offenders in modifying their behavior,

and the provision of custody and program services for offenders sentenced or otherwise placed in community supervision.

The Department of Corrections is made up of two main programmatic areas, Institutional Corrections and Community Corrections. Institutional Corrections includes seven separate facilities and associated support services. Within Community Corrections are Probation and Parole, the Home Confinement Unit, a Risk Assessment Unit and the Furlough Program. Also included within the Department of Corrections budget, but with independent decision-making authority, is the State Parole Board.

The Department of Corrections also operates the Central Distribution Center, which purchases and warehouses food and other supplies for redistribution to State agencies, and operates the Correctional Industries Program which employs inmates to manufacture various products or provide services to State and local agencies and non-profit organizations.

Natural Resources

Natural Resources includes those agencies responsible for protecting the natural and physical resources of the State and regulating the use of those resources. Agencies included in this area of State government are the Department of Environmental Management and the Coastal Resources Management Council.

Department of Environmental Management

The Department of Environmental Management ("DEM") has primary responsibility for environmental programs and bureaus of the State. DEM is charged with the preservation and management of Rhode Island's forests, parks, beaches, farms, fisheries and wildlife and with monitoring, controlling and abating air, land and water pollution. In addition, DEM plans, licenses and enforces laws regulating refuse and hazardous waste disposal, pesticides, individual sewage disposal systems, and non-coastal freshwater wetlands. DEM also works with the Coastal Resources Management Council to protect the State's coastline and with the Water Resources Board and Department of Health to protect watersheds and ensure sufficient drinking water supplies. DEM is responsible for operating all State parks, beaches, and recreation facilities including bathing areas, public campsites, historical sites and more than 40,000 acres of public land. DEM also operates commercial fishing ports in Galilee and Newport that house most of the State's commercial fishing fleet. DEM administers grant and loan programs for municipal and non-profit organizations, and anti-pollution, open space, and recreational development and farmland acquisition programs.

Transportation

Transportation comprises the road construction, road maintenance, mass transit, and planning activities of the Department of Transportation. The Department administers the Intermodal Surface Transportation Fund and within the Fund, the RIHMA, to fund transportation expenditures from dedicated user-related revenue sources. This highway fund concept has the advantage of relating the funding of transportation projects to those who utilize the services provided by those projects, by means of financing mechanisms paid directly by those end-users. This concept is also intended to provide a stable revenue stream to enable transportation projects to be financed on a pay-as-you-go basis.

Department of Transportation

The Department of Transportation is responsible for the integration of all modes of transportation into a single transportation system. The Department of Transportation is organized to carry out its

responsibilities for the construction and maintenance of all State roads, bridges, transportation facilities (other than those operated and maintained by RITBA), and the administration of State and federal highway construction assistance programs.

Financial Assistance and Oversight of Local Governments

Local Tax Relief

The local property tax levy on motor vehicles and trailers was to be phased out over seven years subject to annual review and appropriation by the General Assembly by providing increasing exemptions against the assessed value of all motor vehicles. Local communities were to be reimbursed by the State for the value of the exempted amounts. The program was modified in subsequent legislative sessions. Beginning in FY 2011, the General Assembly appropriated $10.0 million annually for this program. Funding remained at this level through FY 2017.

In the 2017 Session, the General Assembly enacted changes to the Motor Vehicle Excise Tax Reimbursement Program that will end the ability of municipalities to tax motor vehicles over time, ultimately allowing no tax in FY 2024. Municipalities will be reimbursed by the State for the lost tax revenues. The minimum exemption and discount to the retail value will grow over the next five years until the tax is no longer levied. The FY 2018 revised budget includes $34.5 million for this program, based on the most recent tax roll data provided by municipalities.

State Aid to Local Communities

Education Aid

The largest category of State aid to cities and towns is assistance programs for school operations and school construction. In addition, the State makes contributions to the Employee Retirement System of Rhode Island on behalf of local districts and charter schools, which partially relieves them of the cost of funding retirement benefits for teachers.

In June 2010, the General Assembly enacted a funding formula to guide education aid payments beginning July 1, 2011 (FY 2012). The formula distributes education aid spending among school districts, State-operated schools, and charter schools. For school districts that receive more money under the new formula, the increase was phased in over seven years (through FY 2018). For school districts that receive less money under the new formula, the decrease is being phased in over ten years (through FY 2021). The funding formula aid program disburses funding to communities based on many factors, including wealth of the community, the average daily number of students in the community's schools, and the number of children in the community's schools who are eligible for free or reduced-price meals.

For FY 2018, not including aid to State-operated schools, the State appropriated $896.5 million in education aid to local school districts and charter schools through the funding formula ($926.0 million with the inclusion of formula aid to the State-operated Davies, the Met School, and the Rhode Island School for the Deaf). Included in this amount are Stabilization Funds to restore the State aid reduced due to the ten-year transition of the funding formula for the Davies, the Met School, and the Central Falls School District (currently, the State pays 100% of the local contribution for Central Falls).

In addition to redistributing current aid levels, the formula establishes eight categories of funding outside of the core formula amount. These categories are subject to appropriations and may be ratably reduced if demand exceeds the available funding, however they are integral parts of the funding formula. Under these categories, the State will pay for the costs of setting up and running career and technical

education programs, the costs of pre-kindergarten programs, transportation for out-of-district non-public students and students in regionalized school districts, the amount of the cost of any special education student that is above five times the core education aid amount (meaning the cost for a non-special education student who is eligible for the free and reduced lunch program), density aid support for Local Education Authorities ("LEAs" or districts) that send more than 5.0% of their total enrollment to schools of choice, and support for English learners for new and innovative programs. Prior permanent bonuses for regionalized school districts were replaced with temporary bonuses that phase out over two years. The State appropriated $25.5 million for these categories in FY 2018.

There are also a handful of aid categories still being funded that pre-date the funding formula. In the FY 2018 Budget, State general aid support of $5.6 million is provided for internet access, administering the school breakfast program, textbooks for non-public schools, aid to the State's recovery high school, and for a payment based on the number of group home beds in each community.

In addition to funding of school operations costs, State school construction aid is provided at levels ranging from 30% to 95% of the construction cost of new facilities and renovations. Under current law, the minimum reimbursement percentage is 35% for FY 2013 and thereafter. The level for each individual community is based upon the relationship between student enrollment and community wealth, and takes into consideration the relative weight of school debt in the particular city or town to its total debt. The definition of reimbursable expenditures includes capital expenditures and debt service made through a capital lease or lease revenue bonds or from a municipality's capital reserve account. The State appropriated $80.0 million for this category in the FY 2018 enacted budget. See "STATE INDEBTEDNESS – Agency Revenue Debt" herein.

The final major category of State aid is State funding of teachers' retirement costs. Both the employer and the employee contribute to the costs of the defined benefit plan that covers teachers throughout the State. Effective July 1, 2012, there is a defined contribution plan, which features both employer and employee contributions. For teachers, by Rhode Island law, the employer share is split between the State and the local school district or charter school, with the State paying 40% of the employer share and the local district or charter school paying 60%. These payments are made directly to the Employees Retirement System of Rhode Island. The only public-school teachers who do not participate in this system are those at State-operated schools that are staffed by State employees and those at schools that are exempt from participating: namely Mayoral Academy charter schools and the Metropolitan Career and Technical School. The revised FY 2018 budget includes $102.0 million in State share contribution based on projected FY 2018 expenditures. See "STATE FUNDING OF RETIREMENT SYSTEMS" herein.

Other local aid programs include the motor vehicle excise tax reimbursement (as discussed above), payment-in-lieu of taxes ("PILOT") program and distressed communities aid program.

Payment in Lieu of Taxes

The PILOT program authorizes the General Assembly to appropriate and distribute to communities amounts not to exceed 27% of the property taxes that would have been collected on tax exempt properties. Eligible properties included in this program are private, non-profit institutions of higher education, non-profit hospitals, State owned and operated hospitals, veterans' residential facilities, and correctional facilities occupied by more than one hundred residents. The FY 2018 revised budget includes $45.2 million for this program. Funding by community has been adjusted to reflect changes in tax rates and values, as well as any changes to the exempted tax rolls. Article 2 of the FY 2015 enacted budget also made changes to the distribution of appropriations under the program to allow for the issuance of the payment on July 31st or following receipt of a municipality's assessment data for the following year's fiscal payment, whichever is later. This change went into effect as of July 1, 2015.

Distressed Communities Relief Fund

The State makes payments to communities identified as distressed based upon criteria established by Rhode Island General Laws Section 45-13-12. On the basis of this criteria, the following municipalities received distressed communities funds in FY 2018: Central Falls, Cranston, Johnston, North Providence, Pawtucket, Providence, West Warwick and Woonsocket. Since Johnston is newly qualifying for the program in FY 2018, it will be paid 50% of the current law required payment for the first year it qualifies for the aid. When any community falls out of the Distressed Communities Relief Fund, it shall receive a one-time payment of 50% of the prior year requirement exclusive of any reduction for first year qualification. Appropriations of $12.4 million for the Distressed Communities Relief Fund are included in the FY 2018 revised budget.

Library Aid

State library aid provides financial support for local public library services and for the construction and capital improvement of any free public library. A portion of library aid is disbursed directly to local libraries, including private libraries, with the remainder disbursed to the individual cities and towns. Appropriations of $9.4 million are included in the FY 2018 revised budget. The FY 2018 revised budget also includes an appropriation of approximately $2.2 million to provide reimbursement to cities and towns for debt service in the construction of libraries.

Other Aid

Rhode Island also distributes to communities the proceeds of a State-wide tax imposed on the tangible personal property of telephone, telegraph, cable, express and telecommunications companies. For the FY 2018 revised budget, an amount of $13.2 million is estimated to be distributed. Funds collected from this tax are distributed to cities and towns within the State based on the ratio of the city or town population relative to the population of the entire State.

Also, the State distributes a 1.0% meals and beverage tax per the proportion of that tax collected in each community. For FY 2018, the meals and beverage tax is estimated at $27.8 million. Similarly, the State distributes a 1.0% local hotel tax, as well as a 25.0% local share of the State 5.0% hotel tax which, when combined, provide municipalities a 2.25% gross receipts tax on the rental of lodging accommodations at hotels, inns and certain bed and breakfast establishments within a municipality. In FY 2018, an amount of $10.0 million from these hotel taxes is estimated to be distributed.

The State also provides funds through the Airport Impact Aid program to cities and towns that host airports, and expects to distribute a total of $1.0 million in FY 2018.

COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

The tables on the following pages set forth comparative summaries for State General Fund revenues and expenditures for the fiscal years 2016 through 2019. General Fund data on revenues and expenditures for FY 2016 and FY 2017 are derived from the State's Comprehensive Annual Financial Reports prepared by the State Controller and post audited by the Auditor General. FY 2018 expenditures reflect those contained in the Governor's recommended FY 2018 Revised Budget submitted to the General Assembly on January 18, 2018. The FY 2018 revised revenues are those adopted by the Conferees at the November 2017 REC and any statutory changes proposed by the Governor as part of the FY 2018 Revised Budget. The FY 2019 expenditures are those contained in the Governor's recommended FY 2019 Budget submitted to the General Assembly on January 18, 2018. The FY 2019 revenues are those adopted by the Conferees

at the November 2017 REC and any statutory changes proposed by the Governor as part of the FY 2019 Budget.

In addition, comparative expenditure information is provided for all sources of funds under the State's accounting structure, including general revenues, federal funds, restricted receipts and other funds. This provides a complete picture of the overall State budget as appropriated annually by the General Assembly. Revenue information is not provided for non-general revenue sources because these sources are self-funded and in most cases, revenues should approximately equal the budgeted or expended amounts.

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General Revenues as Recommended

	FY 2016 Audited	FY 2017 Audited	FY 2018 Revised	FY 2019 Recommended
Personal Income Tax	$ 1,217,429,575	$ 1,243,807,056	$ 1,299,300,000	$ 1,364,992,630
General Business Taxes				
Business Corporations	134,908,997	119,289,609	151,200,000	162,092,100
Public Utilities Gross Earnings	103,062,420	90,404,661	94,500,000	97,000,000
Financial Institutions	21,095,888	22,188,601	21,700,000	20,300,000
Insurance Companies	130,344,054	121,094,221	127,000,000	128,664,110
Bank Deposits	2,555,974	2,971,562	2,700,000	2,700,000
Health Care Provider Assessment	43,236,332	43,485,799	44,600,000	45,203,201
Sales and Use Taxes				
Sales and Use	971,927,289	998,193,789	1,053,000,000	1,101,512,483
Motor Vehicle	39,691,836	26,023,771	20,600,000	3,133,600
Motor Fuel	(208,068)	101,153	-	-
Cigarettes	142,782,086	140,263,281	143,100,000	145,667,352
Alcohol	19,630,268	19,740,536	20,300,000	20,700,000
Controlled Substances	(54,365)	2,778	-	-
Other Taxes				
Estate and Transfer	70,028,952	85,428,550	39,400,000	29,500,000
Racing and Athletics	1,059,487	1,163,304	1,100,000	1,100,000
Realty Transfer	10,430,664	12,589,268	13,500,000	14,300,000
Total Taxes	**$ 2,907,921,389**	**$ 2,926,747,939**	**$ 3,032,000,000**	**$ 3,136,865,475**
Departmental Receipts	$ 367,641,395	$ 370,065,817	$ 387,000,000	$ 397,694,795
Taxes and Departmentals	**$ 3,275,562,784**	**$ 3,296,813,756**	**$ 3,419,000,000**	**$ 3,534,560,271**
Other Sources				
Other Miscellaneous	4,102,234	12,122,198	55,000,339	13,297,738
Lottery	369,760,879	362,696,628	367,812,793	391,200,000
Unclaimed Property	14,166,740	12,725,037	10,600,000	9,300,000
Other Sources	**$ 388,029,853**	**$ 387,543,863**	**$ 433,413,132**	**$ 413,797,738**
Total General Revenues	**$ 3,663,592,637**	**$ 3,684,357,619**	**$ 3,852,413,132**	**$ 3,948,358,008**

The audited revenues displayed above reflect gross receipts, including reimbursement of tax credits issued through the Historical Structures Tax credit program. The state's consolidated financial report reflects the reimbursement as a transfer from other funds, rather than within each tax source.

Expenditures from All Funds

	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2018 Revised	FY 2019 Recommend
General Government					
Administration	$349,623,351	$349,536,908	$359,226,084	$317,583,688	$298,032,474
Business Regulation	13,204,877	14,129,016	15,606,183	16,214,659	24,530,291
Executive Office Of Commerce	73,415,799	73,419,290	58,598,372	58,003,215	62,814,751
Labor and Training	425,337,568	421,847,081	429,907,376	448,471,413	454,104,250
Revenue	458,777,131	471,375,964	525,371,718	524,687,839	582,477,370
Legislature	37,669,916	38,325,853	42,252,464	47,064,142	44,635,033
Lieutenant Governor	1,026,362	1,059,509	1,084,217	1,047,496	1,039,971
Secretary of State	7,518,125	9,942,148	9,350,797	9,525,372	10,301,762
General Treasurer	49,277,318	42,002,140	42,764,450	43,340,030	42,674,171
Board of Elections	1,714,512	1,969,669	1,548,735	1,689,751	5,315,517
Rhode Island Ethics Commission	1,546,331	1,604,233	1,665,873	1,733,293	1,770,560
Governor's Office	4,755,102	5,008,393	5,397,554	5,540,199	5,545,728
Commission for Human Rights	1,521,437	1,557,320	1,690,102	1,737,997	1,808,026
Public Utilities Commission	7,277,989	8,014,894	9,136,343	9,974,412	10,661,405
Subtotal - General Government	**$1,432,665,818**	**$1,439,792,417**	**$1,503,600,268**	**$1,486,613,506**	**$1,545,711,309**
Health and Human Services					
Executive Office of Health & Human Services	$2,360,301,137	$2,433,340,843	$2,541,841,896	$2,594,918,120	$2,477,269,162
Children, Youth, and Families	214,952,935	222,662,113	209,049,728	214,081,089	209,402,279
Health	128,882,069	154,376,396	169,645,421	170,044,686	173,291,532
Human Services	615,305,082	626,727,849	614,682,222	629,570,505	633,824,402
Behavioral Healthcare, Developmental Disabilities and Hospitals	378,574,879	398,887,449	397,090,236	427,179,214	400,743,927
Governor's Commission on Disabilities	429,998	669,120	842,190	867,672	877,295
Commission On Deaf and Hard of Hearing	455,950	493,573	627,910	565,882	591,467
Office of the Child Advocate	654,839	612,107	926,120	1,045,819	1,071,346
Office of the Mental Health Advocate	545,220	540,899	549,563	628,771	639,764
Subtotal - Human Services	**$3,700,102,109**	**$3,838,310,347**	**$3,935,255,286**	**$4,038,901,758**	**$3,897,711,174**
Education					
Elementary and Secondary	$1,289,122,616	$1,338,608,386	$1,402,573,543	$1,412,064,822	$1,433,886,695
Higher Education	26,782,911	31,326,056	42,450,013	41,553,165	41,852,901
University of Rhode Island	734,050,704	744,396,499	777,295,493	781,933,116	791,807,244
Rhode Island College	171,070,501	169,783,765	199,083,600	200,794,614	198,722,892
Community College of Rhode Island	150,328,430	144,329,915	161,269,902	164,798,419	163,893,586
RI Council on the Arts	2,995,774	2,905,499	3,072,310	3,126,037	3,113,746
RI Atomic Energy Commission	1,576,882	1,242,298	1,304,373	1,379,671	1,471,110
Historical Preservation and Heritage Comm.	2,972,449	2,666,742	2,490,767	2,612,478	2,586,290
Subtotal - Education	**$2,378,900,267**	**$2,435,259,161**	**$2,589,540,001**	**$2,608,262,322**	**$2,637,334,464**

Expenditures from All Funds

	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2018 Revised	FY 2019 Recommend
Public Safety					
Attorney General	$29,455,187	$31,812,737	$44,129,197	$57,089,092	$40,796,506
Corrections	212,530,243	218,099,098	235,700,265	248,607,210	246,423,505
Judicial	113,538,713	116,364,697	122,006,254	121,163,608	120,895,770
Military Staff	15,372,280	16,305,158	38,177,942	38,396,333	27,660,424
Emergency Management	18,635,754	15,729,042	18,454,652	19,182,981	20,390,187
Public Safety	114,278,534	135,574,868	120,977,086	121,216,956	123,084,682
Office Of Public Defender	11,380,521	11,572,721	12,140,826	11,926,561	12,401,872
Subtotal - Public Safety	**$515,191,232**	**$545,458,321**	**$591,586,222**	**$617,582,741**	**$591,652,946**
Natural Resources					
Environmental Management	$78,795,453	$78,673,037	$103,951,092	$108,549,149	$103,471,012
Coastal Resources Management Council	4,423,433	5,968,407	4,836,869	7,254,344	6,256,164
Subtotal - Natural Resources	**$83,218,886**	**$84,641,443**	**$108,787,961**	**$115,803,493**	**$109,727,176**
Transportation					
Transportation	$395,129,559	$415,815,151	$514,065,072	$595,043,313	$592,433,211
Subtotal - Transportation	**$395,129,559**	**$415,815,151**	**$514,065,072**	**$595,043,313**	**$592,433,211**
Total	**$8,505,207,871**	**$8,759,276,840**	**$9,242,834,810**	**$9,462,207,133**	**$9,374,570,280**

Expenditures from General Revenues

	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2018 Recommend	FY 2019 Recommend
General Government					
Administration	$212,928,494	$217,802,032	$216,198,914	$185,759,136	$183,043,234
Business Regulation	8,174,920	9,864,377	10,452,638	10,958,638	17,166,351
Executive Office Of Commerce	60,458,832	54,708,755	33,057,819	29,808,525	37,314,974
Labor and Training	8,382,043	7,010,095	8,094,063	8,975,670	9,690,749
Revenue	109,737,194	110,837,271	143,622,132	147,980,937	177,275,361
Legislature	36,219,919	36,925,853	40,522,507	45,419,385	42,914,338
Lieutenant Governor	1,026,362	1,059,509	1,084,217	1,047,496	1,039,971
Secretary of State	6,690,089	9,478,005	8,911,319	8,958,301	9,861,104
General Treasurer	2,271,575	2,653,651	2,698,692	2,876,681	2,967,632
Board of Elections	1,714,512	1,969,669	1,548,735	1,689,751	5,315,517
Rhode Island Ethics Commission	1,546,331	1,604,233	1,665,873	1,733,293	1,770,560
Governor's Office	4,755,102	5,008,393	5,397,554	5,540,199	5,545,728
Commission for Human Rights	1,242,374	1,247,603	1,258,074	1,292,590	1,310,456
Public Utilities Commission	-	-	-	-	-
Subtotal - General Government	**$455,147,747**	**$460,169,445**	**$474,512,537**	**$452,040,602**	**$495,215,975**
Health and Human Services					
Executive Office of Health & Human Services	$911,535,815	$944,892,151	$964,299,956	$978,479,417	$935,907,193
Children, Youth, and Families	154,742,352	159,769,535	145,855,862	152,586,787	148,637,206
Health	25,468,221	25,499,235	24,893,123	26,419,356	28,009,223
Human Services	96,094,578	90,573,454	91,113,618	100,592,486	103,702,154
Behavioral Healthcare, Developmental Disabilities and Hospitals	176,268,226	182,335,174	176,448,622	191,626,281	179,401,491
Governor's Commission on Disabilities	380,615	418,544	454,938	478,907	492,557
Commission On Deaf and Hard of Hearing	406,634	421,448	498,710	436,682	511,467
Office of the Child Advocate	643,280	470,981	781,499	787,881	923,704
Office of the Mental Health Advocate	545,220	540,899	549,563	628,771	639,764
Subtotal - Human Services	**$1,366,084,941**	**$1,404,921,420**	**$1,404,895,891**	**$1,452,036,568**	**$1,398,224,759**
Education					
Elementary and Secondary	$1,064,893,020	$1,113,255,421	$1,161,071,396	$1,161,389,084	$1,179,752,845
Higher Education	5,699,915	6,125,462	14,578,459	14,081,712	16,776,572
University of Rhode Island	80,718,017	92,152,307	101,229,728	100,966,413	102,803,013
Rhode Island College	46,195,897	49,505,721	53,055,851	54,016,868	55,609,858
Community College of Rhode Island	48,260,235	50,579,484	52,018,555	51,704,001	52,839,740
RI Council on the Arts	1,844,116	1,906,356	1,945,056	1,963,360	1,989,693
RI Atomic Energy Commission	908,285	956,464	982,157	1,021,021	1,053,231
Historical Preservation and Heritage Comm.	1,362,860	1,131,750	1,121,134	1,123,154	1,187,291
Subtotal - Education	**$1,249,882,345**	**$1,315,612,964**	**$1,386,002,336**	**$1,386,265,613**	**$1,412,012,243**

Expenditures from General Revenues

	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2018 Recommend	FY 2019 Recommend
Public Safety					
Attorney General	$24,053,485	$25,379,778	$26,194,751	$26,146,061	$27,152,722
Corrections	208,284,360	212,327,677	218,300,828	229,927,179	233,022,846
Judicial	95,181,220	97,047,499	98,964,477	98,820,554	100,183,074
Military Staff	2,219,237	2,571,436	2,634,057	3,909,160	3,674,200
Emergency Management	1,762,456	1,847,848	1,734,470	1,917,262	2,108,891
Public Safety	93,409,462	100,470,169	100,279,086	100,907,421	101,563,958
Office Of Public Defender	11,306,039	11,511,842	12,043,006	11,825,576	12,300,887
Subtotal - Public Safety	**$436,216,259**	**$451,156,249**	**$460,150,675**	**$473,453,213**	**$480,006,578**
Natural Resources					
Environmental Management	$38,163,765	$38,207,990	$39,304,184	$40,435,079	$41,222,720
Coastal Resources Management Council	2,410,069	2,392,189	2,487,578	2,490,523	2,597,897
Subtotal - Natural Resources	**$40,573,834**	**$40,600,178**	**$41,791,762**	**$42,925,602**	**$43,820,617**
Transportation					
Transportation	-	-	-	-	-
Subtotal - Transportation	-	-	-	-	-
Total	**3,547,905,126**	**3,672,460,257**	**3,767,353,201**	**3,806,721,598**	**3,829,280,172**

Expenditures from Federal Funds

	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2018 Recommend	FY 2019 Recommend
General Government					
Administration	$31,351,946	$16,553,489	$13,162,089	$8,357,531	$3,821,330
Business Regulation	3,073,024	1,645,328	892,213	1,049,269	892,631
Executive Office Of Commerce	10,016,268	13,606,251	17,890,642	18,871,385	14,445,458
Labor and Training	39,141,911	43,869,516	36,930,858	51,355,725	40,908,051
Revenue	2,740,506	3,087,713	1,567,500	1,487,293	2,109,465
Legislature	-	-	-	-	-
Lieutenant Governor	0	0	0	0	0
Secretary of State	0	0	0	22,859	0
General Treasurer	741,266	1,087,203	1,090,337	1,034,011	1,074,874
Board of Elections	-	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	0	0	0	0	0
Commission for Human Rights	279,063	309,718	432,028	445,407	497,570
Public Utilities Commission	107,180	118,808	129,225	165,593	168,378
Subtotal - General Government	**$87,451,164**	**$80,278,024**	**$72,094,892**	**$82,789,073**	**$63,917,757**
Health and Human Services					
Executive Office of Health & Human Services	$1,433,337,164	$1,473,416,724	$1,558,325,403	$1,590,628,323	$1,520,865,981
Children, Youth, and Families	57,416,767	60,315,375	59,015,159	57,710,193	56,190,651
Health	69,157,857	92,729,506	105,373,312	100,313,716	101,309,823
Human Services	511,615,020	529,124,400	515,584,197	521,799,119	516,362,218
Behavioral Healthcare, Developmental Disabilities and Hospitals	189,591,271	204,677,098	204,267,459	223,190,524	212,970,014
Governor's Commission on Disabilities	29,456	211,435	343,542	335,167	335,167
Commission On Deaf and Hard of Hearing	-	-	-	-	-
Office of the Child Advocate	11,559	141,126	144,621	257,938	147,642
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	**$2,261,159,094**	**$2,360,615,664**	**$2,443,053,693**	**$2,494,234,980**	**$2,408,181,496**

Expenditures from Federal Funds

	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2018 Recommend	FY 2019 Recommend
Education					
Elementary and Secondary	$191,287,906	$193,781,068	$203,500,000	$209,321,162	$214,475,474
Higher Education	15,278,876	14,333,834	13,933,669	14,147,405	9,784,007
RI Council on the Arts	700,799	710,269	781,454	751,796	719,053
RI Atomic Energy Commission	336,542	11,973	0	36,888	0
Historical Preservation and Heritage Comm.	1,283,096	1,427,273	860,963	976,203	851,540
Subtotal - Education	**$208,887,219**	**$210,264,418**	**$219,076,086**	**$225,233,454**	**$225,830,074**
Public Safety					
Attorney General	$2,034,144	$5,581,143	$16,988,288	$30,000,563	$12,710,334
Corrections	1,266,847	1,564,506	1,581,884	2,017,797	1,591,303
Judicial	3,595,600	3,382,830	3,411,144	3,155,538	2,787,644
Military Staff	12,090,517	13,177,843	27,746,960	26,300,221	18,480,072
Emergency Management	16,741,641	12,200,391	14,775,673	15,132,473	16,335,897
Public Safety	7,133,596	28,088,331	14,879,669	13,397,105	15,613,903
Office Of Public Defender	74,482	60,879	97,820	100,985	100,985
Subtotal - Public Safety	**$42,936,827**	**$64,055,924**	**$79,481,438**	**$90,104,682**	**$67,620,138**
Natural Resources					
Environmental Management	$21,109,597	$19,397,456	$33,399,312	$34,487,171	$31,763,160
Coastal Resources Management Council	1,818,741	3,112,357	1,649,291	4,213,821	2,733,267
Subtotal - Natural Resources	**$22,928,338**	**$22,509,813**	**$35,048,603**	**$38,700,992**	**$34,496,427**
Transportation					
Transportation	$254,067,959	$239,668,419	$285,390,062	$290,957,841	$292,015,160
Subtotal - Transportation	**$254,067,959**	**$239,668,419**	**$285,390,062**	**$290,957,841**	**$292,015,160**
Total	**$2,877,430,601**	**$2,977,392,261**	**$3,134,144,774**	**$3,222,021,022**	**$3,092,061,052**

Expenditures from Other Funds

	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2018 Recommend	FY 2019 Recommend
General Government					
Administration	$75,372,626	$88,722,789	$96,639,175	$94,152,430	$85,270,831
Business Regulation	0	0	0	0	66,497
Executive Office Of Commerce	259,557	711,606	2,900,000	3,073,394	6,300,000
Labor and Training	346,245,303	348,971,009	360,558,541	357,525,722	363,520,368
Revenue	342,707,847	351,421,987	376,220,071	371,319,444	401,028,357
Legislature	-	-	-	-	-
Lieutenant Governor	-	-	-	-	-
Secretary of State	430,168	42,454	0	107,546	0
General Treasurer	8,533,903	665,201	550,242	643,350	654,684
Board of Elections	-	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	-	-	-	-	-
Commission for Human Rights	-	-	-	-	-
Public Utilities Commission	-	-	-	-	-
Subtotal - General Government	**$773,549,404**	**$790,535,046**	**$836,868,029**	**$826,821,886**	**$856,840,737**
Health and Human Services					
Executive Office of Health & Human Services	-	-	-	-	-
Children, Youth, and Families	566,274	83,397	1,050,000	1,200,000	1,900,000
Health	-	-	-	-	-
Human Services	4,936,162	4,582,066	4,593,478	4,763,478	4,763,478
Behavioral Healthcare, Developmental Disabilities and Hospitals	5,217,765	6,506,129	7,865,000	7,183,453	3,300,000
Governor's Commission on Disabilities	-	-	-	-	-
Commission On Deaf and Hard of Hearing	-	-	-	-	-
Office of the Child Advocate	-	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	**$10,720,201**	**$11,171,592**	**$13,508,478**	**$13,146,931**	**$9,963,478**
Education					
Elementary and Secondary	$4,203,349	$3,651,982	$7,582,000	$8,340,815	$3,903,000
Higher Education	5,804,120	10,215,657	12,447,544	11,340,855	13,099,732
University of Rhode Island	653,332,687	652,244,192	676,065,765	680,966,703	690,004,231
Rhode Island College	124,874,604	120,278,044	146,027,749	146,777,746	144,113,034
Community College of Rhode Island	101,431,408	93,163,811	108,567,698	112,410,769	111,359,622
RI Council on the Arts	450,859	269,756	345,800	400,000	400,000
RI Atomic Energy Commission	332,055	273,861	322,216	321,762	318,879
Historical Preservation and Heritage Comm.	200,291	79,732	80,970	80,970	81,589
Subtotal - Education	**$890,629,373**	**$880,177,034**	**$951,439,742**	**$960,639,620**	**$963,280,087**

Expenditures from Other Funds

	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2018 Recommend	FY 2019 Recommend
Public Safety					
Attorney General	$182,470	$157,258	$150,000	$150,000	$150,000
Corrections	2,712,801	4,151,840	15,758,185	16,597,823	11,750,000
Judicial	5,007,480	3,606,705	7,100,000	7,258,347	5,839,066
Military Staff	1,009,674	499,002	7,696,925	8,086,952	5,406,152
Emergency Management	0	1,494,415	1,494,414	1,684,164	1,494,414
Public Safety	6,025,890	6,718,995	5,402,407	6,003,957	5,101,194
Office Of Public Defender	-	-	-	-	-
Subtotal - Public Safety	**$14,938,315**	**$16,628,214**	**$37,601,931**	**$39,781,243**	**$29,740,826**
Natural Resources					
Environmental Management	$6,147,827	$7,701,016	$13,873,513	$15,972,681	$12,904,841
Coastal Resources Management Council	0	321,755	450,000	300,000	675,000
Subtotal - Natural Resources	**$6,147,827**	**$8,022,771**	**$14,323,513**	**$16,272,681**	**$13,579,841**
Transportation					
Transportation	$138,170,980	$174,868,337	$225,506,882	$300,999,394	$297,383,645
Subtotal - Transportation	**$138,170,980**	**$174,868,337**	**$225,506,882**	**$300,999,394**	**$297,383,645**
Total	**$1,834,156,100**	**$1,881,402,993**	**$2,079,248,575**	**$2,157,661,755**	**$2,170,788,614**

Expenditures from Restricted Receipts

	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2018 Recommend	FY 2019 Recommend
General Government					
Administration	$29,970,285	$26,458,599	$33,225,906	$29,314,591	$25,897,079
Business Regulation	1,956,933	2,619,311	4,261,332	4,206,752	6,404,812
Executive Office Of Commerce	2,681,142	4,391,678	4,749,911	6,249,911	4,754,319
Labor and Training	31,568,311	21,996,461	24,323,914	30,614,296	39,985,082
Revenue	3,591,584	6,028,994	3,962,015	3,900,165	2,064,187
Legislature	1,449,997	1,400,000	1,729,957	1,644,757	1,720,695
Lieutenant Governor	0	0	0	0	0
Secretary of State	397,868	421,688	439,478	436,666	440,658
General Treasurer	37,730,574	37,596,085	38,425,179	38,785,988	37,976,981
Board of Elections	-	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	0	0	0	0	0
Commission for Human Rights	-	-	-	-	-
Public Utilities Commission	7,170,809	7,896,086	9,007,118	9,808,819	10,493,027
Subtotal - General Government	**$116,517,503**	**$108,808,902**	**$120,124,810**	**$124,961,945**	**$129,736,840**
Health and Human Services					
Executive Office of Health & Human Services	$15,428,158	$15,031,968	$19,216,537	$25,810,380	$20,495,988
Children, Youth, and Families	2,227,542	2,493,806	3,128,707	2,584,109	2,674,422
Health	34,255,991	36,147,654	39,378,986	43,311,614	43,972,486
Human Services	2,659,361	2,447,930	3,390,929	2,415,422	8,996,552
Behavioral Healthcare, Developmental Disabilities and Hospitals	7,497,635	5,369,048	8,509,155	5,178,956	5,072,422
Governor's Commission on Disabilities	19,927	39,140	43,710	53,598	49,571
Commission On Deaf and Hard of Hearing	49,316	72,125	129,200	129,200	80,000
Office of the Child Advocate	-	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	**$62,137,930**	**$61,601,672**	**$73,797,224**	**$79,483,279**	**$81,341,441**
Education					
Elementary and Secondary	$28,738,364	$27,919,915	$30,420,147	$33,013,761	$35,755,376
Higher Education	0	651,103	1,490,341	1,983,193	2,192,590
University of Rhode Island	0	0	0	0	0
Rhode Island College	-	-	-	-	-
Community College of Rhode Island	636,787	586,620	683,649	683,649	694,224
RI Council on the Arts	0	19,119	0	10,881	5,000
RI Atomic Energy Commission	0	0	0	0	99,000
Historical Preservation and Heritage Comm.	126,202	27,987	427,700	432,151	465,870
Subtotal - Education	**$29,501,353**	**$29,204,744**	**$33,021,837**	**$36,123,635**	**$39,212,060**

Expenditures from Restricted Receipts

	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2018 Recommend	FY 2019 Recommend
Public Safety					
Attorney General	$3,185,088	$694,558	$796,158	$792,468	$783,450
Corrections	266,239	55,075	59,368	64,411	59,356
Judicial	9,754,423	12,327,663	12,530,633	11,929,169	12,085,986
Military Staff	52,864	56,876	100,000	100,000	100,000
Emergency Management	131,675	186,389	450,095	449,082	450,985
Public Safety	7,709,586	297,373	415,924	908,473	805,627
Office Of Public Defender	-	-	-	-	-
Subtotal - Public Safety	**$21,099,875**	**$13,617,934**	**$14,352,178**	**$14,243,603**	**$14,285,404**
Natural Resources					
Environmental Management	$13,374,290	$13,366,576	$17,374,083	$17,654,218	$17,580,291
Coastal Resources Management Council	194,623	142,106	250,000	250,000	250,000
Subtotal - Natural Resources	**$13,568,913**	**$13,508,682**	**$17,624,083**	**$17,904,218**	**$17,830,291**
Transportation					
Transportation	$2,890,620	$1,278,394	$3,168,128	$3,086,078	$3,034,406
Subtotal - Transportation	**$2,890,620**	**$1,278,394**	**$3,168,128**	**$3,086,078**	**$3,034,406**
Total	**$245,716,194**	**$228,020,329**	**$262,088,260**	**$275,802,758**	**$285,440,442**

GENERAL FUND OPERATING RESULTS AND FREE SURPLUS

State law provides that all unexpended or unencumbered balances of general revenue appropriations, whether regular or special, shall lapse to General Fund surplus at the end of each fiscal year, provided, however, that such balances may be reappropriated by the Governor in the ensuing fiscal year for the same purpose for which the monies were originally appropriated by the General Assembly. By law, unexpended balances of the Judicial and the Legislative branches are reappropriated at their request. Free surplus is the amount available at the end of any fiscal year for future appropriation by the General Assembly.

The Governor is required to submit a balanced budget. The General Assembly is also required to enact a balanced budget.

The Budget Office is required to prepare quarterly reports which project the year-end balance assuming current trends continue under current laws, and the typical cyclical expenditure patterns prevail over the course of the year. These consolidated reports are released within forty-five days of the end of each of the first three quarters of the fiscal year.

The Budget Officer is also a principal in the REC, which is held each November and May to estimate revenues and caseloads for the current fiscal year and the budget year. The REC was created in 1990 to provide the Governor and the General Assembly with estimates of general revenues. The principals of the REC are the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor, with the chair rotating among the three. The principals hear testimony from the State's outside economic consultant, IHS Markit, on economic forecasts for the United States and the State. The REC is required by statute to meet at least twice a year (specifically, November and May) but can be called at any other time by any member. The principals must reach consensus on revenues. In 1991, the Medical Assistance and Public Assistance Caseload Estimating Conference, similar to the REC, was established to adopt welfare and medical assistance caseload estimates. Reports on the outcome of these conferences can be found under the Budget Office section of the Office of Management and Budget website (www.omb.ri.gov).

Also, the Budget Office is required to publish five-year forecasts of expenditures and revenues for submission to the General Assembly as part of the annual budget process, and these forecasts over the years, based upon the information then available, have generally projected that out year expenditures will exceed revenues, at times by a substantial amount. The Budget Office's most recent projections for FY 2020 through FY 2023, which are based on the FY 2019 recommended budget and revenue forecasts from November 2017, forecasted deficits of $87.1 million in FY 2020, $123.9 million in FY 2021, $173.6 million in FY 2022, and $227.0 million in FY 2023. These estimates consider the potential impact of implementation of gaming in Massachusetts and the potential loss of revenue to Rhode Island's two gaming facilities. In the event of a budgetary imbalance, the available free surplus will be reduced and/or additional resources (i.e. taxes, fines, fees, etc.) will be required and/or expenditure controls will be put into effect.

FY 2017 Final Audited Closing

After completion of the FY 2017 audit, the State Controller's Office issued its final audited closing report for FY 2017 on January 5, 2018. The report showed a general revenue surplus of $61.7 million. General revenue receipts were $8.5 million more than estimated and spending was $14.0 million less than budgeted. The Budget Reserve and Cash Stabilization account was fully funded at $192.6 million.

As reflected in the FY 2019 General Revenue Budget Surplus table, a surplus of $49.7 million was projected for FY 2017, so the final surplus of $61.7 million was $12.0 million better than expected.

FY 2018 Enacted Budget

The FY 2018 budget as enacted by the General Assembly and signed into law by the Governor provides for general revenue expenditures of $3.768 billion, an increase of $81.2 million over the FY 2017 revised budget of $3.686 billion. The initial projected budget gap for FY 2018 was $184.5 million and was adjusted downward to $66.2 million after the November 2016 REC and the preliminary FY 2016 closing. Updated revenue estimates from the May 2017 REC, however, resulted in lower revenues of $60.1 million in FY 2017 and $39.5 million in FY 2018, as compared to the November 2016 conference estimates. On an all funds basis, the FY 2018 enacted budget is $9.243 billion, an increase of $42.0 million from the FY 2017 final revised budget.

FY 2018 Revised Budget

The FY 2018 Revised Budget as recommended by the Governor and submitted to the General Assembly on January 18, 2018 provides for $3.807 billion, an increase of $39.1 million from the enacted budget. Increased spending on Medicaid caseloads, as determined by the November 2017 Caseload Estimating Conference, accounted for $29.4 million of additional spending. Reappropriations, the largest of which were attributable to the Legislature (totaling $7.1 million) and to the EOHHS (totaling $1.6 million), accounted for $10.4 million of additional spending, while other expenditures were reduced by $691,236.

The Governor also recommended net additional revenues in FY 2018, as compared to enacted revenues, of $17.7 million. The November 2017 REC revenue estimates were $10.3 million less than the enacted FY 2018 revenue estimates, a decrease of 0.3 percent. As shown in the *Changes to FY 2018 Enacted Revenue Estimates* table, the Governor's revised FY 2018 Budget recommends an increase of $28.0 million in revenues over the amount estimated by the November 2017 REC.

The recommended changes to the FY 2018 estimates of the November 2017 REC are attributable to six items. The first item is a reduction of the transfer to the RIHMA of motor vehicle license and registration fees from the enacted amount of 80 percent to 60 percent. This increases general revenue by $10.3 million in FY 2018. The second item impacts other miscellaneous revenue and consists of the transfer of excess reserves totaling $17.5 million from five quasi-public agencies: RI Housing, $5.0 million; RIIB, $5.0 million; RISLA, $3.0 million; RIRRC, $3.0 million; and RITBA, $1.5 million. The third item is the transfer of surplus fee revenues from two divisions of the DBR: a transfer of $800,000 from the Division of Commercial Licensing & Gaming & Athletics and a transfer of $750,000 from the Division of Insurance Regulation. The fourth item is a transfer of residual revenue from the former Rhode Island Water Resources Board of $1.1 million. The fifth item is a reclassification of the Office of Management and Budget's fraud initiative from revenue to an expenditure credit, resulting in a decrease in general revenue of $5.0 million. The sixth item increases other miscellaneous revenue and the lottery transfer, respectively, due to a $2.0 million transfer from Twin River to Rhode Island Lottery and a $612,783 reduction in operating expenses by Rhode Island Lottery.

The tables on the following pages set forth changes to the FY 2018 enacted and adopted revenue estimates and FY 2019 adopted revenue estimates.

Changes to FY 2018 Enacted Revenue Estimates

	FY 2018 Enacted	November REC Consensus Changes	Changes to Adopted Estimates	Total
Personal Income Tax	$ 1,302,188,586	$ (2,888,586)	$ -	$ 1,299,300,000
General Business Taxes				
Business Corporations	$ 159,124,534	$ (7,924,534)	$ -	$ 151,200,000
Public Utilities Gross	97,832,745	(3,332,745)	-	94,500,000
Financial Institutions	20,135,012	1,564,988	-	21,700,000
Insurance Companies	134,640,582	(7,640,582)	-	127,000,000
Bank Deposits	2,500,000	200,000	-	2,700,000
Health Care Provider	44,148,588	451,412	-	44,600,000
Sales and Use Taxes				
Sales and Use	$ 1,059,446,654	$ (6,446,654)	$ -	$ 1,053,000,000
Motor Vehicle	10,307,800	(7,800)	10,300,000	20,600,000
Motor Fuel	-	-	-	-
Cigarettes	143,120,881	(20,881)	-	143,100,000
Alcohol	20,800,000	(500,000)	-	20,300,000
Other Taxes				
Estate and Transfer	$ 23,174,677	$ 16,225,323	$ -	$ 39,400,000
Racing and Athletics	1,100,000	-	-	1,100,000
Realty Transfer	12,600,000	900,000	-	13,500,000
Total Taxes	**$ 3,031,120,059**	**$ (9,420,059)**	**$ 10,300,000**	**$ 3,032,000,000**
Departmental Receipts	393,224,426	(6,224,426)	$ -	387,000,000
Total Taxes and Departmentals	**$ 3,424,344,485**	**$ (15,644,485)**	**$ 10,300,000**	**$ 3,419,000,000**
Other Sources				
Other Miscellaneous	$ 36,978,021	$ 921,979	$ 17,100,339	$ 55,000,339
Lottery	362,500,000	4,700,000	612,793	367,812,793
Unclaimed Property	10,900,000	(300,000)	-	10,600,000
Other Sources	**$ 410,378,021**	**$ 5,321,979**	**$ 17,713,132**	**$ 433,413,132**
Total General Revenues	**$ 3,834,722,506**	**$ (10,322,506)**	**$ 28,013,132**	**$ 3,852,413,132**

Changes to FY 2019 Adopted Revenue Estimates

	Revenue Estimating Conference Estimates	Changes to Adopted Estimates	Total
Personal Income Tax	$ 1,360,600,000	$ 4,392,630	$ 1,364,992,630
General Business Taxes			
Business Corporations	$ 160,500,000	$ 1,592,100	$ 162,092,100
Public Utilities Gross	97,000,000	-	97,000,000
Financial Institutions	20,300,000	-	20,300,000
Insurance Companies	131,600,000	(2,935,890)	128,664,110
Bank Deposits	2,700,000	-	2,700,000
Health Care Provider	45,500,000	(296,799)	45,203,201
Sales and Use Taxes			
Sales and Use	$ 1,081,100,000	$ 20,412,483	$ 1,101,512,483
Motor Vehicle	-	3,133,600	3,133,600
Cigarettes	139,500,000	6,167,352	145,667,352
Alcohol	20,700,000	-	20,700,000
Other Taxes			
Estate and Transfer	$ 29,500,000	$ -	$ 29,500,000
Racing and Athletics	1,100,000	-	1,100,000
Realty Transfer	14,300,000	-	14,300,000
Total Taxes	**$ 3,104,400,000**	**$ 32,465,475**	**$ 3,136,865,475**
Departmental Receipts	$ 203,000,000	$ 194,694,795	$ 397,694,795
Total Taxes and Departmentals	**$ 3,307,400,000**	**$ 227,160,271**	**$ 3,534,560,271**
Other Sources			
Other Miscellaneous	$ 1,300,000	$ 11,997,738	$ 13,297,738
Lottery	363,600,000	27,600,000	391,200,000
Unclaimed Property	9,300,000	-	9,300,000
Other Sources	**$ 374,200,000**	**$ 39,597,738**	**$ 413,797,738**
Total General Revenues	**$ 3,681,600,000**	**$ 266,758,008**	**$ 3,948,358,008**

November 2017 Estimating Conferences

November 2017 Caseload Estimating Conference

The Caseload Estimating Conference was held on November 7, 2017 and resulted in updated estimates for cash and medical assistance as compared to the FY 2018 enacted budget and Budget Office's forecasts for FY 2019. The Conferees estimated that in FY 2018 total expenditures (all funds) would increase by $27.3 million to $2.506 billion, however, general revenue costs are expected to increase by $29.3 million to $997.2 million in part due to differing levels of federal reimbursement. The increased costs are primarily in the managed care and acute care services programs with an all funds increase of $20.8 million. General Revenue expenses are inflated because of the lack of federal action on CHIP reauthorization. Under the ACA, the federal share of costs for the CHIP program were enhanced by 23 percentage points above the standard enhanced matching rate. Without reauthorization of this program, however, the federal match reverts to a state's regular FMAP rate. For Rhode Island, this is a difference of 37 percentage points. The Conferees are required to make estimates based on current law, and as a result, the $29.3 million increase in FY 2018 general revenue costs includes $7.0 million due to the delay in CHIP reauthorization. CHIP has since been reauthorized by Congress in January 2018.

The Conferees adopted the first official cash and medical assistance estimates for FY 2019 at a total cost of $2.580 billion, of which $1.041 billion is funded with general revenues. Compared to preliminary estimates developed by the State Budget Office, the adopted conference estimates are $20.6 million higher in general revenue costs. A significant portion of this increase is due to the CHIP reauthorization issue described above. With CHIP reauthorized, adopted estimates for general revenue expenses would decrease by $28.5 million. However, also factored into the conference estimates is the current law assumption that funding for the Disproportionate Share Hospitals ("DSH") program, which provides hospitals which serve a significantly disproportionate number of low-income patients with federal payments to cover the cost of providing such care, will be reduced. Such a reduction is expected to result in approximately $33.0 million in lower payments to hospitals, of which $16.2 million is matched by general revenues. Reductions in the DSH program were enacted in the ACA, but have been delayed annually for several years. Current information from the Centers for Medicare and Medicaid Services ("CMS") is that under current law, lower funding will be available in FY 2019. If Congress were to act to delay the funding reduction again, State general revenue expenses would increase by $16.2 million compared to the conference adopted estimates.

November 2017 REC

The REC was held on November 10, 2017 and resulted in updated revenue estimates for FY 2018 and the first official estimates for FY 2019. The Conferees estimated that general revenue receipts would decline in FY 2018 compared to the enacted budget by $10.3 million. General business taxes are projected to be $16.7 million lower than enacted, sales taxes $6.4 million lower and personal income taxes $2.9 million lower. These declines are offset by increases in lottery receipts of $4.7 million and inheritance and gift taxes of $16.2 million.

The first official revenue estimates for FY 2019 resulted in projected revenues of $3.682 billion, which does not include the $182.0 million from the hospital licensing fee that requires annual renewal by the General Assembly. Compared to the State Budget Office's preliminary revenue estimates for FY 2019, the adopted estimates are $55.5 million higher. Personal income taxes are projected to rebound in FY 2019 by $39.5 million compared to prior State Budget Office estimates, with general business taxes projected to increase by $23.9 million. This is offset by expected reductions in cigarette taxes of $9.4 million and in lottery receipts of $4.9 million.

Aggregate Results of November 2017 Caseload Estimating and RECs

Overall, the net impact of the caseload and revenue changes in FY 2018 resulted in a projected deficit of $25.4 million. This was reduced by $7.0 million when CHIP was reauthorized by Congress in January 2018. For FY 2019, the State Budget Office's initial revenue and spending estimates projected a deficit of $237.5 million. This declined to $204.1 million based on the outcomes of the caseload and RECs and declined further to $175.8 million after CHIP was reauthorized.

FY 2019 Recommended Revenues

Total General Revenue

The FY 2019 Budget estimates general revenues of $3.948 billion, an increase of 2.5 percent from the revised FY 2018 amount. Recommended FY 2019 general revenues comprise $3.682 billion, as estimated at the November 2017 REC, plus an additional $266.8 million, as shown in the *Changes to FY 2019 Adopted Revenue Estimates* table.

Personal Income Tax

The personal income tax is the largest source of general revenues with $1.365 billion in the FY 2019 Budget; $4.4 million more than the FY 2019 estimate of the November 2017 REC and reflecting anticipated growth of $65.7 million or 5.1 percent from the revised FY 2018 Budget. The FY 2019 Budget proposes the Division of Taxation hire additional revenue officers, revenue agents, taxpayer service specialists, audit leads, data analysts and information technology support staff to improve the productivity of discovery, collections and audit functions. The additional positions are estimated to have a total revenue impact of $13.5 million to be distributed among personal income tax, business corporation tax, sales and use tax and interest on overdue taxes (categorized under departmental receipt fines and penalties), with an estimated increase of $4.4 million in personal income tax revenues as compared to FY 2018. Impacts on other revenue streams are described in relevant sections below.

General Business Taxes

General business taxes are 11.5 percent of total general revenue collections with $162.1 million in the FY 2019 Budget; $1.6 million more than the FY 2019 estimate of the November 2017 REC and reflecting anticipated growth of $10.9 million or 7.2 percent from the revised FY 2018 Budget. This increase is attributable to Division of Taxation hiring to improve the productivity of the discovery, collections, and audit functions, as noted above. An impact of $1.1 million in additional business corporation tax revenues is expected, the result of enhanced compliance with current tax policy. The FY 2019 Budget repeals the Jobs Training Tax Credit effective tax years beginning on or after January 1, 2018, which is expected to increase business corporation tax revenues by $450,000.

Insurance company gross premiums tax revenues are projected to reach $128.7 million, a decrease of $2.9 million from the FY 2019 estimate of the November 2017 REC. This decrease results from the following EOHHS initiatives, each of which will decrease insurance company gross premiums tax revenues by the corresponding amounts: (1) dual eligible and long term services and supports ("LTSS") redesign ($307,736); (2) state-only funded contracts and services elimination ($53,890); (3) inpatient upper payment limit funding elimination ($281,284); (4) hospital rate freeze ($309,050); (5) LTSS eligibility integrity modernization ($222,700); (6) managed care organization ("MCO") administrative rate reduction ($111,266); (7) MCO medical rate reduction ($880,222); (8) MCO profit margin rate reduction ($409,468); (9) non-emergency medical transportation reform ($190,377); (10) reallocation of funding for Perry-Sullivan home care wage increase ($124,000); and (11) revenue maximization ($45,896).

The projected health care provider assessment is $45.2 million, a decrease of $296,799 from the FY 2019 estimate of the November 2017 REC. This results from limiting the nursing home rate increase (effective October 1, 2018) to 1 percent, as compared to the 2.7 percent increase assumed at the November 2017 REC.

The FY 2019 Budget anticipates revenues for the public utilities gross earnings tax, the financial institutions tax and the bank deposits tax remain at the same levels as estimated at the November 2017 REC.

Sales and Use Taxes

Sales and use taxes revenues are expected to yield $1.102 billion in the FY 2019 Budget, $20.4 million more than the FY 2019 estimate of the November 2017 REC. This increase is attributable to the following initiatives, each of which will increase revenues by the corresponding amounts: (1) Division of Taxation hiring to improve the productivity of the discovery, collections, and audit functions, as noted above; (2) modernizing sales tax to include Software as a Service ("SaaS") ($4.8 million); (3) including security services, such as armored car services, within the sales tax ($9.7 million); and (4) the following changes to the medical marijuana program: (a) licensing twelve new retail-only compassion centers ($1.1 million), (b) classifying acute pain as an eligible condition ($180,565) and (c) allowing Connecticut and Massachusetts cardholders to purchase at Rhode Island compassion centers ($248,157).

The proposed cigarettes excise tax increase of $0.25 per pack, discussed below, is expected to reduce sales and use taxes revenues by $22,458.

Excise Taxes (Other than Sales and Use Taxes)

The FY 2019 Budget includes excise taxes (other than sales and use taxes) of $169.5 million, $9.3 million more than the FY 2019 estimate of the November 2017 REC, attained through increasing motor vehicle license and registration fees ($3.1 million) and cigarettes excise taxes ($6.2 million).

An increase in motor vehicle license and registration fee revenues totaling $3.1 million is anticipated from continuing to retain as general revenues (as opposed to transferring them to the RIHMA) the fees generated as Rhode Islanders exchange their existing drivers' licenses for REAL-ID compliant licenses; and consolidating the REAL-ID $25 duplicate license fee with the update fee, and also retaining those fees (totaling $1.0 million) as general revenues.

The FY 2019 Budget includes cigarettes excise taxes of $145.7 million, $6.2 million more than the $139.5 million estimate of the November 2017 REC. Increased cigarettes excise tax revenues is anticipated from the following recommendations, each of which will increase revenues by the corresponding amounts: (1) raising the excise tax on cigarettes to $4.50 per pack from $4.25, effective August 1, 2018, generating $3.9 million (including $730,241 from the cigarette floor stock which is triggered when there is an increase in the cigarettes excise tax rate); (2) imposing the other tobacco products tax on electronic nicotine delivery systems, also called e-cigarettes or vaping ($720,174); (3) raising the other tobacco products tax per cigar cap from $0.50 to $0.80 ($551,306); and (4) requiring all dealers of other tobacco products to purchase such products only from dealers licensed by the State ($1.0 million).

Revenues for the alcohol excise tax remain at the same level as the FY 2019 estimate of the November 2017 REC.

Other Taxes

Revenues for the estate and transfer tax, racing and athletics tax and realty transfer tax remain at the same levels as the FY 2019 estimate of the November 2017 REC.

Departmental Receipts

The FY 2019 Budget includes $397.7 million in departmental receipts revenues, $194.7 million more than the FY 2019 estimate of the November 2017 REC and reflecting anticipated growth of $10.7 million or 2.8 percent from the revised FY 2018 Budget. This growth is attributable to increased revenues in the budget categories of licenses and fees, fines and penalties, sales and services, and miscellaneous.

Licenses and Fees. Licenses and fees revenues growth is expected from the following recommendations, each of which will increase revenues by the corresponding amounts: (1) reinstituting the hospital licensing fee on the hospital FY 2016 base year at a rate of 5.856 percent ($182 million); (2) increasing the annual mutual fund retailers' registration fee from $1,000 to $1,500 ($4.6 million) and the insurance claims adjuster license fee from $150 to $250 ($3 million); and (3) the following changes to the medical marijuana program (totaling $873,524): (a) licensing twelve new retail-only compassion centers ($628,541), (b) classifying acute pain as an eligible condition ($103,180) and (c) allowing Connecticut and Massachusetts cardholders to purchase at Rhode Island compassion centers ($141,804).

The following recommendations will negatively impact departmental receipts in FY 2019, each of which will decrease revenues by the corresponding amounts: (1) elimination of the annual $160 retail frozen dessert processor license fee ($80,000); (2) elimination of the $50 per chair/station fee for hair design shop licenses ($60,000); (3) reduction of the wholesale food processor license fee from $500 to $300 ($104,200); and (4) increase of the certified food safety license duration from three years to five years ($60,000).

The FY 2019 Budget also includes a placeholder for the current law regarding the registration reinstatement fee for inspection sticker suspensions (presently on hold pending decision by the General Assembly on the amount of the fee), which is, under current law, expected to increase departmental receipts revenue by $2.6 million in FY 2019.

Fines and Penalties. Increased revenues are expected from raising child care violation fines (generating $5,500), and Division of Taxation hiring to improve the productivity of the discovery, collections, and audit functions, as noted above (generating $3.6 million).

Sales and Services. Delaying the motor vehicle license plate reissuance from January 2019 to January 2020 is expected to decrease revenues by $1.8 million.

Miscellaneous. Adding bank examiner positions at DBR is expected to increase revenues by $284,310.

Other Sources

The FY 2019 Budget recommends the other sources component of general revenues total $413.8 million, a decrease of $19.6 million or 4.5 percent from the revised FY 2018 Budget, and $39.6 million above the $374.2 million FY 2019 estimate of the November 2017 REC. Other sources of general revenue comprises the lottery transfer, other miscellaneous revenues and the unclaimed property transfer.

A transfer from the Departments of Business Regulation and Health for excess funds in the departments' restricted receipts accounts for medical marijuana regulation is anticipated to generate $2.6

million. This excess, which is net of new expenditures, is driven by new fees resulting from the changes to the medical marijuana program described above. The new fees include licensing and application fees from the issuance of twelve new retail-only compassion center licenses (generating $1.3 million); fees from new medical marijuana manufacturing and research and development licenses (generating $1.2 million); and fees from new patient cardholders who now qualify for a temporary patient card because of an acute pain diagnosis (generating $125,917).

The establishment of a centralized collections unit in DOR is expected to increase other miscellaneous revenues by $1.3 million.

The FY 2019 Budget proposes excess reserves transfers of $3 million from RIRRC and $5 million reserves from RI Housing.

Lottery revenues are anticipated in the amount of $391.2 million, $27.6 million more than the $363.6 million FY 2019 estimate of the November 2017 REC. This increase is attributable to the legalization of sports betting in the State (generating $23.5 million) and Rhode Island Lottery gaming innovation pilot initiatives, such as stadium gaming (generating $4.1 million). The legalization of sports betting in the State and corresponding increase in revenues is contingent upon the outcome of a case before the U.S. Supreme Court, *Christie v. National Collegiate Athletic Association*. In *Christie*, the State of New Jersey is challenging the constitutionality of a federal law (the Professional and Amateur Sports Protection Act of 1992) prohibiting most states (including the State) from legalizing sports betting, on the grounds that it violates state sovereignty under the Tenth Amendment. Oral arguments were held on December 4, 2017 and a decision is currently pending.

FY 2019 recommended revenues for the unclaimed property transfer remain at the same level as adopted at the November 2017 REC.

FY 2019 Recommended Expenditures

The FY 2019 Budget includes expenditures and new initiatives as described below.

21st Century Education & Training

Investment in Rhode Island's School Buildings. The Governor has proposed $1.0 billion in school construction activity over the next five years through investments made by the State, cities and towns. To fund the first phase of this program, the Governor intends to propose a question on the November 2018 ballot asking voters for authorization to issue $250 million of general obligation bonds for public school construction and repair over the next five years. The Governor's proposal continues the traditional housing aid school construction program, introduces incentives targeted toward high priority projects and several national best practices to require smarter investments and cost controls.

PK-12 Education. Rhode Island has committed substantial resources for public education by adopting a funding formula that reimburses school districts according to their needs. The FY 2019 Budget fully funds this funding formula. In addition, several initiatives are proposed to improve PK-12 education and double the number of third graders reading at grade level by 2025.

The FY 2019 Budget includes $7.4 million for the early childhood categorical fund, $1.1 million greater than the FY 2018 enacted amount. The additional funding will increase access to high quality pre-kindergarten programs. Over four years, the State has tripled the number of pre-kindergarten seats, enabling more than 1,000 children to enroll in early learning programs. This additional funding is necessary to fulfill the State's commitment to provide a non-federal match for the pre-kindergarten expansion grant and

leverage $5.6 million in federal funds. Through this increase, the State will have fulfilled its match obligations in return for a total of $19 million in federal funding over the four-year grant program.

An expenditure of $1.5 million is included to increase the subsidy for high-quality infant and toddler child care settings. Also proposed is $100,000 to invest in high quality early learning curricula and provide support to educators to ensure coherency among curriculum practices in the early grades. This recommendation was featured in the multi-year Unified Approach Statewide Education Plan, commissioned by the General Assembly in 2016.

The FY 2019 Budget continues the Computer Science for Rhode Island ("CS4RI") initiative, investing $260,000 in support of further expanding computer science education across the State.

Higher Education. The FY 2019 Budget includes $3.0 million in additional funding for Rhode Island's higher education institutions to incentivize high-wage, high-demand degree attainment, overall degree attainment and other institutional-specific goals. In 2016, the RI General Assembly passed and the Governor signed the Performance Incentive Funding Act, designed to support the public higher education system with additional funds and promote alignment between the State's priorities for higher education and institutional policy and practice.

Funding of $500,000 is included to support the increased number of high school students taking college classes through the State's universal dual and concurrent enrollment programming. More students are expected to take advantage of the State's existing programs, which allow them to accelerate toward a post-secondary degree by earning college credits while they are still in high school.

Capital funding of $4.0 million for FY 2019 and FY 2020 is budgeted to replicate the successful Westerly Higher Education Center by adding a second center focused on residents and employers in northern Rhode Island. The Center, which opened in 2017, connects the State's public institutions for higher education with business, industry and community partners to provide high-quality educational programs to meet projected workforce growth in the region.

A $200,000 pilot program is proposed to allow eligible low-income parents to receive child care assistance while they are enrolled full-time in a qualified Rhode Island public institution of postsecondary education or in workforce training programs that lead to employment. Rhode Island is currently one of three states in the country that do not allow eligible low-income parents who are college students to receive child care assistance.

To meet projected enrollment needs, the FY 2019 Budget includes adding $3.6 million to the Rhode Island Promise Scholarship fund to support the second year at the Community College of Rhode Island ("CCRI"). Rhode Island guarantees free tuition and fees for two years at CCRI for all Rhode Island high school graduates who enroll full-time the fall after high school graduation. Because of the Promise Scholarship, CCRI saw a greater than 40% increase in the number of first-time, full-time students enrolling at CCRI this past Fall.

Attracting & Retaining Jobs

Small- and Medium-sized Businesses. Small- and medium-sized businesses employ more than 200,000 people in the State, almost half of the workforce. The FY 2019 Budget includes the following initiatives to encourage economic growth in this sector, each of which will require the corresponding expenditures: (1) SupplyRI, a new program to incentivize large in-state purchasers of goods and services (*e.g.,* universities, hospitals and other large employers) to shift spending to in-state suppliers by connecting large buyers with small local suppliers and providing courses, mentoring, and technical expertise to help

small businesses develop capacity to do business with large buyers ($475,000); (2) a pilot expansion of the Manufacturing Tax Credit, which makes the credit usable or refundable so that more credits can be available to new and small businesses ($300,000); (3) continuing grant-making for collaboration among companies and research institutions through the State's Innovation Initiative, with an added focus on company-based manufacturing research and development ($1.0 million); (4) funding for the Manufacturing Site Readiness program to help develop an inventory of vetted, pad-ready sites in the State capable of supporting large-scale manufacturing facilities ($200,000); (5) funding for the small business loan fund with the goal of doubling the number of small business loans awarded over the next 12 months ($500,000); and (6) a fourth year of funding for the Main Street RI Streetscape initiative, which provides loans, matching grants and other forms of financing to improve local business districts by enhancing sidewalks, signage of public space and lighting ($500,000).

Eradicating Barriers to Business. Rhode Island residents and business leaders have repeatedly expressed their frustration with inefficient and disparate permitting systems, duplicative and confusing fee structures, and outdated business application and licensing requirements. The Modern Economy Omnibus package includes amendments to existing legislation that simplify the process of doing business in Rhode Island and promote the modernization of the State's economy through: elimination of unnecessary and duplicative licenses; removal of small fees for filing complaints or business applications; consolidation or elimination of fees for secondary business activities; amendment of documentation requirements to enable the digital submission of application materials; elimination of unnecessary notarization and oath requirements for business owners and professionals; and alignment of various certification and permit renewal periods.

Building, Design and Fire Professionals. The FY 2019 Budget proposes the State Fire Marshal and the Construction Permitting, Approvals and Licensing program in the Department of Administration be consolidated with the Boards for Design Professionals, each within DBR. All professions related to building and construction design, inspection, and enforcement of the building and fire codes will be housed within and responsible to DBR. This new division will provide a single point of contact for building and construction professionals seeking authorization from the State, and will encompass the staffing and operations of the Building Code Commission, Contractors' Registration and Licensing Board, Fire Code Safety Board of Appeal and Review, State Fire Marshal and Boards for Design Professionals.

Other Commerce Incentive Programs. Funding is included for the First Wave Closing Fund ($1.0 million expenditure) and the I-195 Fund ($1.0 million expenditure) to ensure transactions critical to the State's economy move forward by offering funding for working capital, equipment, furnishings, fixtures, construction, land acquisition, rehabilitation and other costs needed to start a business. Funding of $200,000 for Commerce RI's municipal technical assistance program will help pilot cities and towns improve their permitting and zoning procedures, making them more efficient for businesses and other applicants. An expenditure of $500,000 for the Air Service Development Fund will support more direct flights into T.F. Green Airport.

Helping Rhode Islanders in Need

The FY 2019 Budget includes programs to address urgent challenges among the State's most vulnerable populations, including initiatives to reduce fatal drug overdoses, respond directly to mental health needs for those in crisis, and to support the health and well-being of seniors and children.

Tackling the Opioid & Behavioral Health Crisis. The FY 2019 Budget includes $650,000 in funding for the creation of a statewide resource, entitled Behavioral Health Link, designed to ensure people with urgent mental health care needs are connected instantly and efficiently to needed care. The resource includes plans for a non-residential facility that would maintain up-to-date data on the State's treatment

resources, divert people with mental health needs away from the justice system and include a statewide mobile outreach program that would allow mental health workers to ride with law enforcement and respond to crises. Also proposed is $400,000 in funding for a supported employment program for those in recovery, pairing job training through a pre-apprenticeship model with substance use disorder counseling.

Graduate Medical Education. $1.5 million is proposed to increase the number of practitioners of underrepresented medical specialties, particularly mental health treatment, among the State's teaching hospitals.

Providing a Safety Net for Foster Children in Transition. The Voluntary Extension of Care program, which is federally funded, allows eligible youths aged 18 to 21 continued access to DCYF services.

Removing Barriers to Foster Care. The FY 2019 Budget proposes removing financial burdens to becoming a foster parent by increasing the rates paid to foster families by over $1.0 million.

Doubling Senior Supports. The FY 2019 Budget doubles the State's investment in Senior Support Services from $400,000 to $800,000. Senior Support Services, a program within the Department of Elderly Affairs, provides funding primarily to senior centers and other local organizations across the State. This funding allows community organizations to provide meals, social activities, educational opportunities and health services to the State's senior population.

Supporting Veterans Most in Need. $140,000 in funding will replace the loss of federal funding for the Veterans Treatment Court, which aims to rehabilitate participants, on a case-by-case basis, by providing the tools and skills necessary to address veterans' unique challenges reintegrating successfully into society and maintaining a productive and law-abiding lifestyle.

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FY 2019 General Revenue Budget Surplus

	FY 2016 Audited	FY 2017 Audited	FY 2018 Enacted	FY 2018 Revised	FY 2019 Recommend
Surplus					
Opening Surplus	$168,038,072	$167,818,206	$49,716,066	$61,660,230	$268,461
Adjustment to Opening Surplus	-	-	-	-	-
Reappropriated Surplus	6,890,273	7,848,853	-	10,338,899	-
Subtotal	**$174,928,345**	**$175,667,059**	**$49,716,066**	**$71,999,129**	**$268,461**
General Taxes	$2,907,921,389	$2,926,747,939	3,031,120,059	3,031,120,059	3,104,400,000
Revenue Est. Conference Changes	-			(9,420,059)	
Changes to the Adopted Estimates	-			10,300,000	32,465,475
Subtotal	**$2,907,921,389**	**2,926,747,939**	**3,031,120,059**	**3,032,000,000**	**3,136,865,475**
Departmental Revenues	$367,641,395	370,065,817	393,224,426	393,224,426	203,000,000
Revenue Est. Conference Changes	-		-	(6,224,426)	
Changes to the Adopted Estimates			-		194,694,795
Subtotal	**$367,641,395**	**$370,065,817**	**$393,224,426**	**$387,000,000**	**$397,694,795**
Other Sources					
Other Miscellaneous	4,102,234	12,122,198	36,978,021	36,978,021	1,300,000
Revenue Est. Conference Changes	-		-	921,979	-
Changes to the Adopted Estimates	-		-	17,100,339	11,997,738
Lottery	369,760,879	362,696,628	362,500,000	362,500,000	363,600,000
Revenue Est. Conference Changes	-		-	4,700,000	
Changes to the Adopted Estimates				612,793	27,600,000
Unclaimed Property	14,166,740	12,725,037	10,900,000	10,900,000	9,300,000
Revenue Est. Conference Changes	-		-	(300,000)	
Subtotal	**$388,029,853**	**387,543,863**	**410,378,021**	**433,413,132**	**413,797,738**
Total Revenues	**$3,663,592,637**	**$3,684,357,619**	**$3,834,722,506**	**$3,852,413,132**	**$3,948,358,008**
Transfer to Budget Reserve and Cash Stabilization Account	**(114,948,921)**	**(115,565,275)**	**(116,533,157)**	**(117,422,201)**	**(118,458,794)**
Total Available	**$3,723,572,060**	**3,744,459,404**	**3,767,905,414**	**3,806,990,060**	**3,830,167,675**
Actual/Enacted Expenditures	$3,547,905,001	$3,672,460,275	$3,767,715,656	$3,767,715,656	$3,829,280,172
Reappropriations				10,338,899	
Caseload Conference Changes				29,358,280	
Other Changes in Expenditures				(691,236)	
Total Expenditures	**$3,547,905,001**	**$3,672,460,275**	**$3,767,715,656**	**$3,806,721,599**	**$3,829,280,172**
Total Ending Balances	**$175,667,059**	**$71,999,129**	**$189,758**	**$268,461**	**$887,503**
Reappropriations	(7,848,853)	(10,338,899)	-		
Free Surplus	**$167,818,206**	**$61,660,230**	**$189,758**	**$268,461**	**$887,503**
Budget Reserve and Cash Stabilization Account	**$191,581,536**	**$192,608,792**	**$194,221,929**	**$195,813,589**	**197,431,323**

Cash Flow

The State's cash flow has remained positive for the past five years and has allowed the State to avoid having to issue tax anticipation notes since FY 2012. Projections for cash flow continue to remain positive and the State does not anticipate having to issue Tax Anticipation Notes during FY 2018. Revenues have continued to steadily increase over the past five years. The following tables provide cash flow detail for FY 2016 and FY 2017. The data in both years is based on actual cash flow activity in the general fund as recorded by Treasury's cash management unit and may not tie out to the State's audited financial statements due to rounding, timing, or accounting treatment.

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CASH FLOW FY 2016

	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016	TOTAL 2016
Beginning Balance	**524,041,162**	**444,729,148**	**412,437,718**	**391,086,919**	**326,054,462**	**344,338,413**	**285,880,345**	**307,728,866**	**262,336,049**	**234,898,683**	**261,847,336**	**300,814,100**	**524,041,162**
Add: Deposits/Adjustments													
Motor Vehicles ACH & CHK	12,270,695	11,331,691	12,477,063	11,773,720	10,185,524	10,339,233	10,198,192	10,170,276	19,562,141	15,024,429	15,996,284	16,569,865	**155,899,113**
Eleanor Slater / MHRH	175	9,574	0	1,865	0	3,759	0	6,606	0	0	0	0	**21,979**
Dept Bus Reg ACH & CHK	1,331,718	610,345	490,101	461,170	444,511	421,356	816,341	614,081	1,338,514	964,869	1,527,822	2,139,576	**11,160,405**
Secretary of State CHK	214,562	201,273	289,993	296,341	305,233	286,524	329,713	350,970	414,699	282,335	266,920	262,859	**3,501,422**
Dept Env Mgt ACH & CHK	862,794	853,051	601,008	1,279,048	651,808	1,441,058	872,098	1,163,775	627,154	965,571	1,103,577	944,272	**11,365,213**
Dept of Health ACH & CHK	0	0	0	0	0	0	0	0	0	1,390,000	7,237,677	3,132,884	**11,760,561**
Miscellaneous Receipts	50,589,906	12,730,823	37,170,755	32,911,768	19,796,193	36,284,464	17,359,288	57,539,263	33,624,660	11,352,261	13,806,939	35,536,188	**358,702,507**
Federal Grants	376,287,010	184,552,698	199,479,285	190,492,936	154,062,915	263,289,438	214,021,074	215,934,052	274,689,223	206,952,272	164,850,982	181,078,921	**2,625,690,806**
Interest	100,797	122,030	136,881	125,059	123,375	109,294	112,228	122,632	115,935	121,470	123,164	0	**1,312,865**
Add: Receipts/Wires Current Day													
Advance Repayment	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Lottery Wires In	0	29,700,000	31,194,618	28,970,832	31,862,175	28,507,040	30,881,280	33,468,020	29,759,224	31,812,869	32,738,527	61,001,463	**369,896,048**
Payroll Receipts	12,871,614	7,488,030	7,877,320	7,701,771	7,873,347	10,992,888	9,649,969	8,298,247	8,124,881	7,370,701	7,422,401	7,354,640	**103,025,809**
Transfers in from DOT/ISTEA	7,106	8,229	5,217	6,858,384	6,149	5,822	6,861,270	8,105	8,489	6,866,690	0	25,467,091	**46,102,553**
Transfers in University/Colleges	43,876,210	28,994,258	30,818,533	31,060,203	30,704,527	46,660,838	30,240,706	15,276,012	30,574,800	31,619,633	30,523,256	30,092,380	**380,441,357**
Transfers in from Bond Capital	14,018	13,695	0	14,098	15,382	15,757	2,120,670	15,424,126	23,866	26,600	0	24,840,450	**42,508,662**
TANS Proceeds	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Historic Tax Credit	6,273,155	1,594,326	236,275	2,727,188	186,934	0	0	800,533	0	0	0	0	**11,818,411**
Taxation ACH & CHK Receipts	366,593,973	222,934,285	273,917,264	211,975,633	211,080,016	254,921,901	267,755,777	175,706,189	368,734,232	363,134,558	269,190,019	415,989,141	**3,401,932,988**
Miscellaneous Receipts	7,382,774	7,494,858	3,113,396	8,367,537	12,688,014	7,677,531	4,287,333	8,987,391	18,074,748	27,815,750	26,885,314	23,644,190	**156,418,836**
Total Receipts	878,676,509	508,639,167	597,807,708	535,017,553	479,986,102	660,956,903	595,505,939	543,870,278	785,672,565	705,700,009	571,672,881	828,053,923	**7,691,559,538**
Less: Disbursements													
Temp Assist. for Needy Families (TANF)	2,199,163	2,430,588	2,184,138	2,143,598	2,170,473	2,116,822	2,090,709	2,008,969	1,921,335	1,896,129	1,941,281	1,853,392	**24,956,597**
Pension	11,000,646	1,949,739	3,188,331	7,305,912	9,903,594	2,077,616	10,063,402	9,018,468	8,970,982	7,990,872	7,456,025	2,768,758	**81,694,343**
SSI Payments	1,409,866	1,508,201	1,542,463	1,526,459	1,493,398	1,486,529	106,000	2,910,977	1,537,712	1,511,782	1,540,993	0	**16,574,380**
Medicaid Payments	330,871,162	201,721,467	197,113,701	207,108,485	144,762,813	278,343,906	225,567,801	153,514,814	262,527,424	214,332,742	114,744,663	145,946,898	**2,476,555,875**
Transfers to Other Funds	9,806,771	0	34,217,169	500,000	9,408,473	38,547,136	8,500,000	0	0	0	0	0	**100,979,549**
Transfers out to University/Colleges	31,744,188	21,162,792	21,162,796	8,229,974	8,229,974	19,432,819	8,918,633	6,805,686	6,805,684	10,973,300	11,473,300	9,794,838	**164,733,984**
Personal / Corp. Income tax	4,971,768	4,488,383	4,692,794	2,919,173	1,769,932	3,490,743	2,864,652	55,438,893	60,904,279	57,820,517	27,911,796	22,331,821	**249,604,751**
Debt Service	8,800,227	19,834,700	14,551,962	23,738,220	6,828,214	1,171,156	255,258	163,398	13,351,044	37,718,295	17,173,634	8,498,493	**152,084,600**
TANS & TDI Repayment	0	0	0	0	0	0	0	0	0	0	0	0	**0**
DHS - Child Care Assistance Program	4,840,964	5,251,846	5,112,843	4,877,397	4,988,589	4,988,218	5,644,145	5,081,051	7,531,870	5,009,363	5,129,394	5,108,170	**63,563,850**
Payroll/ FICA/ Misc	97,817,533	80,048,812	71,108,560	70,996,805	71,242,499	112,072,614	72,999,671	82,126,763	51,327,500	51,805,618	73,616,317	74,868,692	**910,031,383**
Payroll/ Workers Comp	4,892,641	3,068,121	11,939,100	3,120,663	3,128,237	4,985,557	3,125,934	3,138,660	3,147,651	3,156,012	3,000,937	2,824,523	**49,528,034**
Payroll/ Health Insurance	30,898,391	20,773,965	11,988,625	20,925,587	20,941,504	31,186,581	20,690,259	20,544,222	20,313,868	20,605,294	24,675,941	25,852,796	**269,397,034**
Payroll/ Retirement Contribution	26,395,753	17,687,910	17,639,145	17,883,200	18,121,273	27,679,793	18,102,132	18,179,852	20,078,940	20,103,905	20,132,001	20,023,432	**242,027,336**
Transfers out to DOT/ISTEA	12,429,806	12,921,085	13,288,016	12,566,503	12,847,643	4,924,258	9,688,396	22,064,201	20,065,226	16,510,369	13,785,675	22,511,601	**173,602,778**
Misc Split / CSH / Interfund	146,174,475	17,186,777	33,798,408	31,243,163	12,174,526	18,763,881	15,608,175	23,912,747	44,006,188	4,739,644	29,434,923	15,060,035	**392,102,942**
Disb. Check/ACH Pmts (ex. St/School Aid)	233,735,169	130,896,211	175,630,457	184,964,870	133,691,009	168,147,342	169,432,251	184,354,397	290,620,228	224,577,514	180,689,239	179,654,068	**2,256,392,756**
Total Disbursements	957,988,523	540,930,597	619,158,508	600,050,009	461,702,152	719,414,971	573,657,418	589,263,095	813,109,930	678,751,356	532,706,117	537,097,515	**7,623,830,192**
Overall Cash Position	**444,729,148**	**412,437,718**	**391,086,919**	**326,054,462**	**344,338,413**	**285,880,345**	**307,728,866**	**262,336,049**	**234,898,683**	**261,847,336**	**300,814,100**	**591,770,507**	**591,770,507**

Source: Office of the Treasurer

CASH FLOW FY 2017

	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017	TOTAL 2017
Beginning Balance	**591,770,508**	**417,964,558**	**444,226,924**	**375,395,734**	**334,179,218**	**312,010,533**	**192,145,594**	**254,753,598**	**142,612,433**	**117,847,887**	**225,574,924**	**138,232,409**	**591,770,508**
Add: Deposits/Adjustments													
Corrections ACH	98,578	96,649	86,119	66,122	819,162	152,869	97,279	76,013	161,055	104,437	119,165	138,860	**2,016,308**
Motor Vehicles ACH & CHK	16,483,746	16,833,480	18,083,717	16,208,350	15,152,202	13,779,182	15,736,824	16,232,374	25,285,389	18,187,896	20,647,729	21,793,297	**214,424,183**
Dept of Education ACH	15,249,495	34,836,947	3,733,268	6,937,667	8,230,833	18,371,986	27,863,872	30,246,409	18,074,883	23,097,299	22,812,148	12,732,183	**222,186,990**
Dept Bus Reg ACH & CHK	1,330,289	1,889,731	1,580,006	1,505,415	2,889,551	2,226,516	1,926,326	1,831,906	2,070,633	2,573,825	3,382,274	3,643,428	**26,849,901**
Secretary of State CHK	236,368	266,892	310,053	428,858	331,685	301,742	352,355	369,236	453,110	309,817	317,290	373,786	**4,051,191**
Dept Env Mgt ACH & CHK	1,562,704	1,036,388	3,718,214	1,794,901	2,395,641	3,672,210	4,868,806	3,147,074	3,011,351	3,324,187	1,601,491	4,371,864	**34,504,833**
Dept of Health ACH & CHK	557,593	7,881,695	592,275	4,724,207	3,715,518	1,098,550	5,370,679	12,784,028	1,257,458	552,644	12,175,619	1,378,703	**52,088,969**
EOHHS ACH & CHK	25,529,594	19,063,428	48,076,761	38,862,419	30,672,310	56,562,601	35,676,911	32,716,209	67,678,505	84,818,592	30,833,152	54,640,619	**525,131,101**
RI Housing ACH	591,912	287,984	573,022	153,898	-	361,670	533,730	94,058	261,141	623,135	909,356	80,984	**4,470,891**
Courts ACH & CHK	7,932,094	23,578,000	-	5,821,774	2,734,200	1,364,200	77,507	4,750,000	15,177,200	2,619,298	1,755,000	3,883,000	**69,692,273**
Miscellaneous ACH Creds	8,699,150	7,208,841	10,376,279	8,333,607	6,462,275	17,003,331	9,529,953	14,410,211	15,451,461	11,679,456	7,675,173	9,762,440	**126,592,177**
Misc Other Check & CC Deposits	21,115,054	8,690,930	18,946,083	4,713,313	5,159,935	10,384,262	6,751,891	5,428,841	12,246,320	4,898,266	7,829,497	5,986,500	**112,150,891**
Medicaid ACH Receipts	225,435,024	107,106,555	179,573,594	131,508,202	107,428,216	186,337,974	104,551,962	134,913,822	189,593,790	139,772,171	97,492,488	131,302,462	**1,735,016,262**
Lottery Wires In	-	32,759,524	29,488,164	29,963,743	29,082,326	29,121,448	28,628,316	28,461,375	29,646,854	33,421,678	32,039,147	60,394,654	**363,007,230**
Payroll Receipts	13,071,241	9,660,610	7,837,539	8,731,176	7,902,585	11,948,670	8,769,585	8,742,703	8,470,941	8,045,856	8,358,697	12,534,792	**114,074,395**
Transfers in from DOT/ISTEA	20,635	22,079	11,571,986	25,439	32,810	29,174	11,512,293	33,297	11,511,040	33,286	48,349	11,739,438	**46,579,824**
Transfers in from University	45,073,116	30,613,298	32,402,630	34,938,692	32,090,230	48,446,564	31,919,292	32,445,001	32,344,404	32,346,872	32,345,684	45,195,782	**430,161,565**
Transfers in from Bond Capital	14,018	-	1,150,839	-	38,204	427,861	133,792	38,235	33,523	40,309	23,035,489	53,256,329	**78,168,600**
Taxation ACH & CHK Receipts	263,890,216	242,948,618	276,980,240	226,139,417	217,791,489	248,733,761	283,504,145	210,113,929	346,525,783	380,269,338	236,300,382	429,407,262	**3,362,604,578**
Miscellaneous Receipts	137,112,312	1,925,192	3,203,290	20,176,072	7,258,514	2,105,985	2,586,795	2,537,707	3,505,759	17,974,180	6,715,081	5,199,052	**210,299,938**
Misc Splits / CSH / Interfund	20,719,327	7,633,471	10,610,139	4,211,083	4,672,098	12,019,872	9,446,276	3,044,911	26,753,989	4,055,324	14,471,946	21,776,045	**139,414,482**
Interest	166,636	202,011	206,528	197,647	204,609	154,797	129,843	154,688	118,502	95,369	132,420	131,209	**1,894,258**
Total Receipts	804,889,103	554,542,320	659,100,749	545,442,001	485,064,393	664,605,224	589,968,432	542,572,027	809,633,091	768,843,233	560,997,577	889,722,688	**7,875,380,838**
Less: Disbursements													
Temp Assist. for Needy Families (TANF)	1,865,017	2,052,384	1,799,323	1,944,100	2,005,579	2,105,930	2,132,043	2,006,264	2,057,143	2,271,304	2,179,747	2,023,848	**24,442,682**
Pension St Teachers Share	-	11,412,502	12,415,568	-	8,082,471	8,725,322	16,924,945	10,120,534	8,282,283	8,639,085	8,236,935	9,789,301	**102,628,947**
Pension Supplemental	1,947,478	518,863	547,199	518,699	518,699	518,618	449,952	525,670	-	-	-	-	**5,545,180**
SSI Payments	3,078,999	1,526,352	1,419,743	1,707,195	1,561,869	1,455,393	1,447,858	1,545,871	1,523,958	174,000	1,788,629	3,379,393	**20,609,261**
Medicaid Payments	270,677,803	125,521,100	257,732,987	193,594,983	151,631,725	269,242,429	147,292,361	238,068,280	285,461,490	222,601,345	148,404,669	170,994,698	**2,481,223,869**
RICAP Funding Payments	-	-	36,267,424	-	-	36,267,424	-	-	-	-	36,278,306	-	**108,813,154**
Bond Cap Advanced from GF	12,000,000	500,000	13,000,000	5,500,000	8,000,000	8,000,000	8,014,018	3,000,000	7,000,000	1,500,000	15,500,000	3,000,000	**85,014,018**
Transfers out to University	33,290,997	22,918,998	22,193,999	15,330,000	14,330,000	16,994,996	7,997,860	8,497,860	8,497,860	7,304,974	7,317,601	11,157,758	**175,832,903**
Personal / Corp. Income Tax Payments	15,218,854	11,264,456	3,967,490	4,740,250	8,397,811	9,017,693	5,784,958	62,986,377	95,801,913	66,300,853	34,488,339	14,468,963	**332,437,957**
Debt Service Payments	27,845,671	44,558,087	25,060,583	20,580,039	11,529,915	69,180	200	17,522,124	46,419,433	5,481,772	45,427,659	-	**244,494,663**
DHS - Child Care Assistance Program	5,138,760	8,612,751	6,138,449	4,773,093	4,861,084	5,144,434	6,285,489	6,497,293	7,532,374	5,531,741	5,641,211	5,554,225	**71,710,903**
Healthcare Finance HCFA	9,291,224	4,716,251	9,319,775	4,624,909	4,528,633	13,657,333	9,688,150	10,235,817	10,225,355	10,208,219	10,317,133	10,338,292	**107,151,090**
Payroll Direct Deposit & Checks	69,249,451	45,699,693.25	45,891,900	46,582,413	46,648,785	75,778,807	47,096,224	46,140,605	50,043,626	46,067,214	46,351,075	73,399,793	**638,949,586**
Fed FICA Payroll	20,740,318	30,522,417.88	20,414,598	20,640,660	20,527,044	23,320,418	31,130,857	21,556,653	23,731,301	20,764,210	20,922,435	21,781,451	**276,052,363**
Payroll Miscellaneous & RICU	10,019,329	6,530,927.62	6,743,712	6,681,002	6,358,056	9,571,914	6,754,865	6,777,499	6,773,870	6,794,553	6,846,557	10,167,481	**90,019,766**
Payroll/ Workers Comp	4,633,960	3,218,517.69	3,254,371	3,151,413	3,016,057	4,530,128	3,015,742	3,038,026	3,036,465	3,041,210	3,054,601	4,599,715	**41,590,203**
Payroll/ Health Insurance	31,663,317	21,777,036.25	21,851,715	21,778,410	21,670,040	32,855,355	22,260,894	22,171,540	22,434,429	22,258,569	21,960,711	23,653,208	**286,335,224**
Payroll/ Retirement Contribution	27,649,670	18,660,680.62	18,841,015	18,912,703	19,021,644	30,568,018	19,162,648	19,203,467	20,885,637	19,357,358	19,344,640	28,886,851	**260,494,332**
Transfers out to DOT/ISTEA	13,145,167	13,398,835	24,203,727	17,493,202	12,396,463	21,263,269	14,910,832	12,059,838	35,571,777	12,199,552	28,969,124	23,000,204	**228,611,990**
Misc Dbts (ex. Cash Adv, fees, adj, DOA Dep)	1,451,893	1,223,264	153,826	1,215,221	1,501,722	1,278,352	1,455,790	2,381,594	1,775,566	1,877,045	1,814,447	40,993,861	**57,122,580**
Disb. Check/ACH Pmts (ex. St/School Aid)	258,982,328	149,481,787	159,225,913	190,569,729	157,917,891	194,772,463	168,321,154	155,213,706	183,441,561	195,925,648	160,369,405	159,586,866	**2,133,808,452**
Misc Split / CSH / Interfund	19,915,316	1,597,824	8,316,893	2,260,115	189,039	15,636,651	2,963,591	1,665,291	8,972,750	96,682	18,824,976	8,343,784	**88,782,912**
General Fund Direct Pmts	140,889,503	2,567,226	29,171,732	4,060,382	2,538,552	3,696,036	4,269,995	3,498,884	4,928,845	2,720,860	4,301,892	3,400,368	**206,044,274**
Total Disbursements	978,695,052	528,279,954	727,931,939	586,658,518	507,233,078	784,470,163	527,360,428	654,713,193	834,397,637	661,116,195	648,340,092	628,520,059	**8,067,716,307**
Overall Cash Position	**417,964,558**	**444,226,924**	**375,395,734**	**334,179,218**	**312,010,533**	**192,145,594**	**254,753,598**	**142,612,433**	**117,847,887**	**225,574,924**	**138,232,409**	**399,435,038**	**399,435,038**

Source: Office of the Treasurer

STATE INDEBTEDNESS

Authorization and Debt Limits

Under the State Constitution, the General Assembly has no power to incur state debts in excess of $50,000 without the consent of the people, except in the case of war, insurrection or invasion, or to pledge the faith of the State to the payment of obligations of others without such consent. By judicial interpretation, this limitation has been judged to include all debt of the State for which its full faith and credit are pledged, including general obligation bonds and notes and bonds and obligations guaranteed by the State. However, non-binding agreements of the State to appropriate monies in support of obligations of a public corporation, such as the Capital Reserve Funds (defined below) of Commerce RI and RI Housing, or to appropriate monies to pay rental obligations under state long-term leases, such as the State's lease agreements with RICCA, are not subject to this limitation.

Public Finance Management Board and Debt Affordability Study

Public Finance Management Board

The Public Finance Management Board (the "PFMB") was created during the 1986 Session of the General Assembly to provide advice and assistance to issuers of tax-exempt debt in the State. The PFMB is charged with the responsibility of collecting, maintaining and providing information and advice on state, municipal and regional authorities, agency boards, commissions, public or quasi-public corporations, and fire districts and other special districts having authority to issue revenue or general obligation bonds or notes or various types of conduit debt or enter into financing leases. The Chair of PFMB is the General Treasurer of the State, and personnel within the Treasurer's Office provide staffing. As part of the FY 2017 Appropriations Act, the General Treasurer requested and the General Assembly approved certain changes to the statutes governing PFMB to require additional reporting on debt from public issuers in the State and to authorize funding to support the creation of a new Office of Debt Management within the General Treasurer's Office.

Beginning January 1, 2017, PFMB is required to annually report the total amount of public state, regional, municipal, public and quasi-public corporation, and fire district and other special district debt authorized, sold and unsold. PFMB is also required to undertake a Debt Affordability Study ("DAS"), which must include recommended limits for debt capacity at least every two years for each public issuer.

To support these new PFMB functions, the PFMB has amended its rules and regulations and instituted a policy to expand the assessment of its statutory fee of $1/40^{th}$ of 1% of the principal amount of each debt issuance to the lead underwriter or purchaser of any taxable or tax-exempt debt issue in the State in the amount of $1 million or more. This fee will now also be assessed on refunding issuances. The PFMB has implemented a policy to exclude fees on leases. Taken together, these recent legislative changes empower the PFMB to improve public debt management and oversight in Rhode Island.

The PFMB is also authorized to allocate private activity tax exempt, taxable and/or federal tax credit bond issuance capacity under Section 146 of the Internal Revenue Code of 1986 among all issuers in the State of Rhode Island.

All issuers of debt are required to submit a notice of proposed sale and a notice of final sale to the PFMB. However, failure to do so does not affect the validity of the issuance of any obligation.

Debt Affordability Study-Debt Ratios

The PFMB's most significant undertaking in 2017 was the publication of the first DAS conducted in Rhode Island in nearly two decades. This study is the first of its kind in the nation to set recommended debt limits that incorporate both debt and pension liabilities together, and the first to include the indebtedness of nearly all public debt issuers in a state, including special districts and quasi-public corporations. The study sets guidelines to protect Rhode Islanders from incurring debt that is out of proportion with the ability of the impacted population to repay.

The PFMB considered several factors in developing the study's affordability targets: for each issuer, the PFMB considered relevant peer comparisons, ratings agency guidance, and legal requirements set forth in statutes and bond indentures. These affordability limits are purely advisory, and represent what the PFMB views as prudent levels of indebtedness given the available information.

The PFMB found the debt burden of the State to be manageable, but above many national peers and recommended a slight reduction to the State's prior debt affordability targets. Most municipal borrowers are found to be borrowing within acceptable limits, but the study notes that some municipal borrowers carry debt and pension liabilities in excess of their affordability targets. There are also some quasi-public corporations in Rhode Island that are at, or above, their recommended targets.

The PFMB has adopted and from time to time revised Credit Guidelines (the "Credit Guidelines") for use in evaluating certain elements of the State's debt burden. The current guidelines as contained in the DAS are as follows: State Tax-Supported Debt to personal income not to exceed 4%, and annual debt service to general revenue not to exceed 7.5% within the next five years and 7.0% thereafter. The PFMB will consider revising the Credit Guidelines concurrently with each biennial DAS. In connection with the development of the FY 2018 Capital Budget, the State estimated net State Tax-Supported Debt to be 3.13% of personal income, and annual debt service to be 5.19% of general revenues in FY 2017. It is anticipated that fluctuations of this ratio over the long-term will be affected by both variations in personal income levels, general revenues and debt issuance. PFMB monitors the total amount of State Tax-Supported Debt, Contingent Obligations (defined below) and Agency Revenue Debt (defined below) in relation to the State's personal income and general revenues. The Credit Guidelines may be exceeded temporarily under certain extraordinary conditions. The Credit Guidelines provide that if a guideline is exceeded due to economic or financial circumstances, PFMB should request that the Governor and the General Assembly recommend a plan to return debt levels to the Credit Guidelines within five years.

The PFMB also recognizes that it may be appropriate to temporarily exceed affordability targets for quasi-public corporations and municipal entities if increased capital spending is needed to manage emergency situations or revenues are temporarily impaired by economic downturns. However, issuers of public debt should endeavor to return to their target ratios in normal economic circumstances.

Debt Affordability Study-Combined Debt and Pension Ratios

States have begun to review their debt affordability criteria while also considering whether to include additional metrics to account for unfunded pension liabilities and OPEB liabilities. Prior to the DAS, no state had added a metric accounting for pension or OPEB liabilities in their debt affordability analysis. However, since rating agencies have incorporated pension ratios in the updated rating methodology for states, other states will likely eventually incorporate a metric accounting for pension liabilities.

The funding of the pension annual required contribution ("ARC") is a gauge of the effort states are making to fund their pension plans. A state that has paid the ARC in full has met its obligation to cover the

pension benefits accrued that year and to pay down a portion of any liabilities that were not pre-funded in previous years. Assuming projections of actuarial experience hold true, a payment less than the full ARC means the unfunded liability will grow and require greater contributions in future years. The unfunded accrued actuarial liability ("UAAL") is the appropriate pension liability measure since it is the basis for determining a portion of the ARC. The PFMB recommends the following ratios for its combined debt and pension obligations for the State:

- The PFMB recommends that Debt Service + Pension ARC to General Revenues not exceed 16%.

- The PFMB recommends that Debt + Pension Liability (UAAL) to Personal Income not exceed 8%, beginning in 2021.

- The PFMB recommends the State continue to fund 100% of its Pension ARC and OPEB ARC.

State Direct Debt

State direct debt includes tax anticipation notes ("TANs") and general obligation bonds. The full faith and credit of the State are pledged to the payment of principal and interest on this debt. If future state revenues are insufficient to make the required principal and interest payments to bondholders and noteholders, the State is legally required by its contract with bondholders and noteholders to raise taxes in order to meet these obligations.

Tax Anticipation Notes

The State is authorized to borrow in any fiscal year without consent of the people an amount in anticipation of state tax receipts not in excess of 20% of the tax receipts for the prior fiscal year, and may borrow an additional amount in anticipation of all other non-tax receipts not in excess of 10% of such receipts in the prior fiscal year, provided the aggregate of all such borrowings must not exceed 30% of the actual tax receipts during the prior fiscal year. Any such borrowing must be repaid during the fiscal year in which such borrowing took place. No money can be borrowed in anticipation of such receipts in any fiscal year until all money so borrowed in all previous fiscal years shall have been repaid. The maximum amount of borrowing is further constrained by statute such that the aggregate borrowing cannot be in excess of the amount stipulated by the General Assembly by general law. The full faith and credit and taxing power of the State are pledged to the payment of TANs and interest thereon. The State last issued TANs in FY 2012 and no issuance of TANs is currently planned for FY 2018.

General Obligation Bonds and Bond Anticipation Notes ("BANs")

The State Constitution provides that the General Assembly has no power to incur state debts in excess of $50,000 without the consent of the people, except in the case of war, insurrection or invasion, or to pledge the faith of the State to the payment of obligations of others without such consent. By judicial interpretation, the limitation stated above includes all debt of the State for which its full faith and credit are pledged, including general obligation bonds and notes, bonds and notes guaranteed by the State, and debts or loans insured by RII-RBA. Although non-binding agreements of the State to appropriate monies are not subject to this limitation, such agreements must be authorized by law. $395.6 million in authorized general obligation bonds have been authorized but remain unissued at June 30, 2017. The State has not issued BANs in recent years and does not plan to issue BANs in FY 2018.

State Direct Debt Service Requirements

Outstanding Debt Service Payments
General Obligation Bonds

Fiscal Year	Principal	Interest	Total Debt Service
2018	$ 80,765,000	$ 48,460,477	$ 129,225,477
2019	82,250,000	45,782,745	128,032,745
2020	88,980,000	41,802,527	130,782,527
2021	85,745,000	37,822,544	123,567,544
2022	84,955,000	33,795,926	118,750,926
2023	81,490,000	29,736,158	111,226,158
2024	81,975,000	25,835,633	107,810,633
2025	77,355,000	22,026,988	99,381,988
2026	80,920,000	18,215,873	99,135,873
2027	69,400,000	14,542,477	83,942,477
2028	55,685,000	11,483,684	67,168,684
2029	41,120,000	9,102,405	50,222,405
2030	42,905,000	7,054,600	49,959,600
2031	32,145,000	5,006,381	37,151,381
2032	33,570,000	3,585,062	37,155,062
2033	22,885,000	2,426,361	25,311,361
2034	17,595,000	1,677,416	19,272,416
2035	14,110,000	1,115,878	15,225,878
2036	11,045,000	653,350	11,698,350
2037	6,490,000	259,600	6,749,600
	$1,091,385,000	**$360,386,085**	**$1,451,771,085**

Authorized but Unissued State Direct Debt

Purpose	Statutory Authorization	Authorized but Unissued Debt as of November 1, 2017
Direct Debt:		
Higher Education	Ch. 241-P.L. of 2012	$18,000,000
Environmental Management	Ch. 241-P.L. of 2012	4,000,000
Clean Water Finance Agency	Ch. 241-P.L. of 2012	2,700,000
Higher Education	Ch. 145-P.L. of 2014	97,500,000
Creative and Cultural Economy	Ch. 145-P.L. of 2014	7,975,000
Clean Water, Open Space, and Healthy Communities	Ch. 145-P.L. of 2014	31,400,000
Mass Transit Hub Infrastructure	Ch. 145-P.L. of 2014	33,500,000
Quonset Point/Davisville/Port Infrastructure	Ch. 142-P.L. of 2016	70,000,000
Affordable Housing/Blight Remediation	Ch. 142-P.L. of 2016	50,000,000
Higher Education	Ch. 241-P.L. of 2016	45,500,000
Green Economy	Ch. 142-P.L. of 2016	35,000,000
Total Authorized but Unissued Direct Debt		**$395,575,000**

Source: State Budget Office

State Tax-Supported Debt

State tax-supported debt (the "State Tax-Supported Debt") is debt for which the ultimate source of payment is, or may include, appropriations from the State's General Fund. The State Tax-Supported Debt does not have the full faith and credit of the State pledged to it, but it may have the full faith and credit of another public issuer.

State Tax-Supported Debt is not considered "legal" debt under the State Constitution because the State's payments on the debt obligations, even if they are the subject of a contractual commitment, are subject to annual legislative appropriation. As a result, voter approval of such debt is not required.

State Tax-Supported Debt includes: (i) lease-purchase financing obligations (structured as certificates of participation ("COPs")), (ii) certain bonds issued by Commerce RI and RITBA, the primary payment sources for which are State appropriations and (iii) lease revenue bonds issued by RICCA.

Financing Obligations Authorized under Rhode Island Public Corporation Debt Management Act

Historically, State Tax-Supported Debt has been authorized by special legislation. Pursuant to the Rhode Island Public Corporation Debt Management Act, Chapter 35-18 of the Rhode Island General Laws, subject to certain limited exceptions, no elected or appointed State official may enter into any financing lease or into any guarantee with any person, and no bonds may be issued or other obligation incurred by any public corporation (other than RISLA, RI Housing and RIIFC, RIIB, NBC, with certain exceptions, RIHEBC) to finance, in whole or in part, the construction, acquisition, or improvement of any essential public facility, without the prior approval of the General Assembly. The General Assembly approves such obligations through the passage of a Joint Resolution by the Senate and the House of Representatives. An "essential public facility" includes roads, bridges, airports, prisons, reservoirs, waste and wastewater treatment facilities, educational facilities, and any other facilities used by any State agency, department, board, or commission to provide services to the public (but excluding personal property).

As of April 1, 2018, pursuant to the Rhode Island Public Corporation Debt Management Act, the General Assembly has authorized the issuance of the following financing obligations subject to annual appropriation of funds. The State may issue the financing obligations over the next several years:

Purpose	Total Remaining Authorization
Energy Conservation Certificates of Participation	$ 11,600,000
Providence River Dredging	10,500,000
Commerce RI– Historic Structures Tax Credit Fund	131,200,000
Total Authorized But Unissued Financing Obligations Subject to Annual Appropriation	$153,300,000

State Tax-Supported Debt issued by Public Corporations

The following public corporations issue State Tax-Supported Debt:

I-195 Commission. The I-195 Commission is authorized by State law to purchase I-195 surplus land from the Department of Transportation and to plan, implement, administer and oversee the redevelopment of the I-195 surplus properties. Also included in this legislation was authorization for Commerce RI to issue bonds or other obligations not to exceed $42,000,000 to finance the acquisition by

the I-195 Commission of the surplus land from the State Department of Transportation. In 2013, Commerce RI issued bonds for that purpose in the aggregate principal amount of $38,400,000, all of which was outstanding as of June 30, 2017. These funds were paid to the Department of Transportation and were used to complete the relocation project, including road reconstruction and other infrastructure improvements to the surplus land. The Commerce RI Bonds are payable from State-appropriated funds and pledged receipts derived from the sale, lease, transfer, or disposition of the surplus property acquired by the I-195 Commission. The revenue from this financing, in combination with residual funds from the motor fuel and/or GARVEE bond proceeds, is expected to be sufficient to fund completion of the I-195 relocation project by the Department of Transportation. To the extent these resources are not sufficient to complete the project; other state and federal transportation funds would be made available which would impact the progress of other contemplated projects.

Commerce RI. Commerce RI is the official economic development organization for the State and its activities are largely supported by State appropriations. Commerce RI is authorized to assist in the financing of projects through the issuance of economic development revenue bonds, which do not constitute a debt or liability of the State, but some of which are subject to annual appropriations of funds, including the I-195 Commission's payments on bonds issued by Commerce RI for the I-195 relocation project described above.

In November 2003, the State entered into a payment agreement with Commerce RI relating to the issuance of $53,030,000 of Motor Fuel Tax Revenue Bonds, to provide funds for the State match for certain major transportation projects funded by GARVEE bonds. The Motor Fuel Tax Revenue Bonds are secured by two cents of the motor fuel tax dedicated to the Department of Transportation, subject to annual appropriation. In March 2006, a second series of Motor Fuel Tax Revenue Bonds totaling $42,815,000 was sold, and on April 2, 2009 a third series was sold totaling $12,410,000. As of June 30, 2017, $49,765,000 was outstanding. In November 2017, Commerce RI issued $35,020,000 in Motor Fuel Tax Revenue Refunding Bonds for the advance refunding of the 2003, 2006 and 2009 Motor Fuel Tax Revenue Bonds, resulting in present value savings of $5.7 million to the Department of Transportation.

GARVEE bonds issued through Commerce RI, which are secured by federal funds made available to the Department of Transportation, are not considered part of the State's net tax supported debt, but rather, are considered special obligation debt, payable solely from federal grants.

In June 2009 and June 2015, Commerce RI issued revenue bonds in the amount of $150,000,000 and $75,000,000, respectively, to provide funds to reimburse the State for Historic Structures Tax Credits presented from time to time by taxpayers. These revenue bonds are supported by a payment agreement with the State subject to annual appropriation. As of June 30, 2017, there was $80,225,000 of such revenue bonds outstanding.

In December 1999, Commerce RI entered into a limited recourse guaranty, not to exceed $3,000,000, in connection with the refinancing by the Employees' Retirement System of Rhode Island ("ERSRI") of a four-story office building in Providence formerly known as the American Express Building. Commerce RI's delivery of the limited recourse guaranty and its cap of $3,000,000 was potentially to be utilized to supplement a gap between previously issued debt secured by mortgages on the property and certain appraisals of the property's value at that time. After a series of payment defaults to the ERSRI, and various creditor actions, in December 2004 Gateway Eight Limited Partnership filed for bankruptcy protection. Thereafter, legal proceedings resulted in the sale of the American Express Building and various creditor rights actions resulted in a net balance deficiency to the ERSRI of an amount less than $2,000,000. After the sale of the property and the calculation of the deficiency, the ERSRI invoked the terms of Commerce RI's limited recourse guaranty, which, in addition to limiting payment to $3,000,000, limits the obligations of Commerce RI to funds received by the General Assembly for this purpose and further limits

Commerce RI's obligations to request the Governor to submit an appropriation request to the General Assembly for any payment obligation of Commerce RI pursuant to the limited recourse guaranty. Commerce RI has annually submitted the appropriations requests to the Governor in accordance with the terms of the limited recourse guaranty annually as requested by the ERSRI. The Governor has not elected to request the General Assembly to fund the limited recourse guaranty to ERSRI. Unlike certain other bonds or indebtedness of Commerce RI, pursuant to the enabling act of Commerce RI, there is no Capital Reserve Fund to be replenished with respect to the limited recourse guaranty to ERSRI. Hence, there is no legal requirement that the Governor submit the appropriations request to the General Assembly to fund Commerce RI's limited recourse guaranty to ERSRI. A total of $1,749,148 would be required if this obligation were funded.

Rhode Island Convention Center Authority. Obligations issued by RICCA do not constitute a debt or liability or obligation of the State, but are secured solely from the pledged revenues or assets of RICCA. Pursuant to Lease and Agreements between RICCA, as lessor and the State, as lessee, RICCA leases to the State the convention center facilities and the Dunkin' Donuts Center located in Providence. The State is obligated to make lease payments in an amount sufficient to pay the operating expenditures of RICCA and the corresponding debt service on RICCA's obligations including, but not limited to, RICCA's bonds. The lease payments are subject to annual appropriation by the General Assembly. The aggregate outstanding principal amount of RICCA's bonds is $192.4 million as of June 30, 2017. In November 2017, RICCA issued $68,720,000 in Refunding Revenue Bonds for the advance refunding of its outstanding Refunding Revenue Bonds, 2009 Series A, and on March 22, 2018 RICCA issued $45,000,000 in Garrahy Parking Garage Lease Revenue Bonds, 2018 Series A (Federally Taxable), to finance the construction of a public parking garage and commercial or retail space.

Rhode Island Turnpike and Bridge Authority. RITBA issues revenue bonds secured by toll and other revenues for the purpose of financing the renovation, repair, and improvement of the Claiborne Pell Bridge, the Mount Hope Bridge, the Sakonnet River Bridge, the Jamestown Verrazzano Bridge and the portion of Route 138 connecting highway from Route 1A to the Claiborne Pell (Newport) Bridge and other facilities for which it is responsible.

RITBA also has issued revenue bonds secured by motor fuel tax revenues which are subject to annual appropriation by the State in the annual budget. The General Assembly voted to allocate $0.035 per gallon of the State's thirty-three cents ($0.33) per gallon motor fuel tax to RITBA beginning July 1, 2014 for maintenance expenses, operations, capital expenditures and debt service. These funds are subject to appropriation by the State in the annual budget. It is currently estimated that revenue from the motor fuel tax to be paid to RITBA will be approximately $15.5 million in FY 2018, and $7,845,017 was received by RITBA for the period July 1, 2016 through June 30, 2017.

Revenues from toll receipts, the motor fuel tax and other revenues of RITBA are estimated to be sufficient to cover debt service on all the RITBA outstanding debt. As of June 30, 2017, RITBA had $168,940,000 in revenue bonds outstanding $53,155,000 secured by toll revenues and $115,785,000 secured by State appropriations of motor fuel taxes. The remaining amount of authorized but unissued bonds of RITBA under all authorizations of the General Assembly is $15,500,000.

Contingent Obligations

The following is a description of the State's contingent obligations (the "Contingent Obligations").

State-Guaranteed Debt

Guaranteed debt includes bonds and notes issued by, or on behalf of public corporations charged with enterprise undertakings, for the payment of which debt the full faith and credit of the State are pledged in the event that the revenues of such entities may at any time be insufficient. As of June 30, 2017, only RII-RBA was authorized to pledge the State's full faith and credit in this manner and the State had no general obligation bonds outstanding to fund such a guaranty.

Rhode Island Industrial-Recreational Building Authority. The State has agreed to appropriate or borrow and pay to RII-RBA amounts required to service eligible mortgage loans for industrial and/or recreational projects insured under the Industrial Recreational Building Mortgage Insurance Fund that are in default and for which funds in the Industrial-Recreational Building Mortgage Insurance Fund are insufficient. Voter approval enabled RII-RBA to pledge the State's full faith and credit up to $80,000,000 for the following purposes: to insure eligible mortgages for new construction, acquisition, and rehabilitation or expansion of facilities used for manufacturing, processing, recreation, research, warehousing, retail, and wholesale or office operations. RII-RBA can also provide mortgage insurance for new or used machinery, equipment, furniture, fixtures or pollution control equipment required in these facilities. Mortgages insured by RII-RBA are limited to certain specified percentages of total project cost. RII-RBA is authorized to collect premiums for its insurance and to exercise rights of foreclosure and sale as to any project in default. In the 2010 Session, the General Assembly modified the authorization of the State's full faith and credit obligation to $60,000,000.

As of June 30, 2017, RII-RBA had outstanding mortgage agreements and other commitments for $12,984,073 mainly in connection with revenue bonds issued by the RIIFC. In accordance with State law, all premiums received by RII-RBA and all amounts realized upon foreclosure or other proceeds of defaulted mortgages are payable into the Industrial Recreational Building Mortgage Insurance Fund. All expenses of RII-RBA and all losses on insured mortgages are chargeable to this Fund. As of June 30, 2017, the Fund had a cash and cash equivalents balance of $1,257,866. The State has agreed to appropriate or borrow and pay to RII-RBA any amounts required to service insured loans that are in default should the Fund be insufficient. No such appropriation was proposed or required in either the final FY 2017 budget or the enacted FY 2018 budget.

State Moral Obligation Debt

State moral obligations are Contingent Obligations of the State supporting bonds issued by State public corporations secured, in part, by a reserve fund to which is attached a discretionary replenishment provision (herein referred to as "Capital Reserve Fund"). The replenishment provision carries a moral obligation of the State. The discretionary replenishment provision typically reads substantially as follows:

> In order further to assure the continued operation and solvency of the corporation for the carrying out of its corporate purposes, the executive director shall annually, on or before December first, make and deliver to the governor a certificate stating the sum, if any, required to restore each capital reserve fund to the minimum capital reserve fund requirement for the fund. During each January Session of the General Assembly, the governor shall submit to the General Assembly printed copies of a budget including the total of the sums, if any, as part of the governor's budget required to restore each capital reserve fund to the minimum capital

reserve fund requirement for the fund. All sums appropriated by the General Assembly for this purpose, and paid to the corporation, if any, shall be deposited by the corporation in the applicable capital reserve fund.

A Capital Reserve Fund is generally equal in size to the maximum amount of debt service required in any year. The State's discretionary replenishment provision means that if the Capital Reserve Fund falls below its required level, the General Assembly may, but is not legally required to, appropriate funds sufficient to restore the Capital Reserve Fund to its required level. The most likely reason that such a Capital Reserve Fund would fall short of the required level is if revenues were insufficient to meet a Capital Debt Service payment and the reserve fund had to be used to make the payment.

The authority to issue moral obligation bonds with such a Capital Reserve Fund mechanism is contained in the enabling legislation of Commerce RI, RI Housing and RISLA. Such authority is not granted to the other State corporations without specific legislative approval. As of the date of this Information Statement, only RI Housing and Commerce RI have issued bonds secured by a Capital Reserve Fund.

The following public corporations issue State moral obligation debt which are considered Contingent Obligations of the State:

Rhode Island Housing and Mortgage Finance Corporation. RI Housing is authorized to assist in the construction and financing of low and moderate income housing and health care facilities in the State. In addition to its general powers, RI Housing is authorized to issue revenue bonds, to originate and make mortgage loans to low and moderate income persons and families, to purchase mortgage loans from and make loans to private mortgage lenders in the State in order to increase the amount of mortgage money generally available, to make mortgage loans to contractors and developers of low and moderate single-family and multi-family housing developments and to acquire and operate, both solely and in conjunction with others, housing projects. The total outstanding indebtedness, including unamortized bond premium/discount, of RI Housing at June 30, 2016 was $1,336,538,157, consisting of $1,231,863,651 of long-term bonds and notes and $104,674,506 of short-term or convertible-option bonds and notes. Included in the total outstanding is $30,328,376 in bonds, which are secured in part by capital reserve funds which have aggregated to $6,882,722 on June 30, 2017. The General Assembly may, but is not obligated to, provide appropriations for any deficiency in the Capital Reserve Funds referenced above. RI Housing has never been required to request any such appropriations. Such Capital Reserve Funds relate solely to select multi-family issues of RI Housing.

Commerce RI. Certain of the bonds of Commerce RI may be secured, in addition to a pledge of borrower revenues, by a Capital Reserve Fund established by Commerce RI for the applicable bond issue. As of June 30, 2017, Commerce RI's bonds secured by a Capital Reserve Fund were outstanding in the principal amount of $21,584,259 (excluding bonds issued for the benefit of 38 Studios LLC ("38 Studios"), as further discussed below).

Commerce RI has also issued bonds secured by a Capital Reserve Fund and a performance-based agreement, whereby job rent credits are applied against a borrower's lease payments if certain targeted new job goals are met for the financed project. If the job goals are met, Commerce RI will make annual requests to the General Assembly for appropriation which will be used to pay the debt service on the bond issue. As of June 30, 2017, the outstanding principal balance of bonds issued by Commerce RI with performance based agreements is $15.1 million. Job rent credits are expected to result in an annual State appropriation obligation of $3.4 million.

An additional $5,000,000 in Capital Reserve Fund-backed State moral obligation loans were issued by Commerce RI under the Job Creation Guaranty Program ("JCGP") for two companies, Corporate Marketplace and eNow. The loan to eNow is no longer outstanding and $2,250,000 of the Corporate Marketplace loan remains outstanding as of June 30, 2017. In the 2013 Session, the General Assembly repealed the JCGP enabling statute.

On August 27, 2014, Bridge Bank sent a notice of nonpayment to Commerce RI in accordance with Commerce RI's guaranty (the "Guaranty") of a term loan advanced by Bridge Bank to a borrower under the JCGP. In accordance with its obligation under the Guaranty, Commerce RI's made payment of the amounts sought by Bridge Bank (the "Advance") and subsequently made demand upon the borrower to pay Commerce RI's for such Advance. As of September 30, 2014, the amounts paid from JCGP reserves held by Commerce RI's totaled $75,336, representing the August payment on the Advance. On November 24, 2014, the remaining $1,000,000 in the Capital Reserve Fund was used to pay principal. The current outstanding balance as of June 30, 2017 is $2,250,000.

Moral Obligation of the State Regarding 38 Studios

In November 2010, Commerce RI issued $75.0 million of taxable revenue bonds under the JCGP. The bond proceeds were loaned to 38 Studios LLC to fund an overall agreement that included relocation of the company's corporate headquarters to Rhode Island, establishment and operation of a video gaming studio in Providence and completion of at least one particular video game. Proceeds also were used to fund a Capital Reserve Fund and capitalized interest fund. Amounts in the Capital Reserve Fund were to be used in the event that 38 Studios failed to make any required loan payments. In accordance with the enabling legislation and the agreement between Commerce RI, the bond trustee and 38 Studios, should amounts in the Capital Reserve Fund fall below minimum requirements, Commerce RI is required to present the Governor with a certificate stating the amounts required to restore any shortfall and the Governor is required to include such amounts in his or her budget request for appropriation to the General Assembly. 38 Studios filed for Chapter 7 bankruptcy protection on June 7, 2012 and Commerce RI and the bond trustee have obtained court approval to take custody of the assets pledged by 38 Studios to secure the payment of the bonds. At the time of the bankruptcy, the total debt service on the bonds, after considering existing reserves with the bond trustee, was $89.2 million. The outstanding bonds are comprised of a term bond maturing in 2020 with sinking fund installments and maximum annual debt service of approximately $12.75 million. The General Assembly may, but is not required, to appropriate such amounts as required in future fiscal years. As of June 30, 2017, there were $42,455,000 of such revenue bonds outstanding under the JCGP for the 38 Studios project.

During the fiscal year ended June 30, 2016, the State transferred $12.5 million to Commerce RI to satisfy debt service obligations related to 38 Studios. For fiscal year 2017, the enacted budget included $2.5 million to cover debt service obligations related to 38 Studios, but these funds were withdrawn in the revised budget approved by the General Assembly because of additional litigation settlement funds received during the fiscal year. The enacted FY 2018 Budget also does not include appropriations for Commerce RI 38 Studios debt service due to available resources from the settlements described below.

In November 2012, Commerce RI sued various individuals and entities involved with the loan to 38 Studios including principals of 38 Studios, former employees of Commerce RI and various advisors to Commerce RI alleging fraud, negligence, breach of fiduciary duty and other charges. Commerce RI has reached settlements with all the defendants in this litigation. After application of all settlements described above, the State's remaining obligation for debt service on the Commerce RI 38 Studios debt will be approximately $15.2 million (inclusive of interest).

Rhode Island Public Rail Corporation. The FY 2010 Enacted Budget included a Public Corporation Debt Management Act Joint Resolution that allows the Public Rail Corporation to fully indemnify AMTRAK's operations of the South County Commuter Rail, by securing, with the funding support of the Department of Transportation, either a line or evergreen letter of credit in the amount of $7.5 million in favor of AMTRAK. The letter of credit for $7.5 million has been issued. The letter of credit does not finance project costs, but rather, provides a source of payment for any indemnity which may become due and payable to AMTRAK under any South County Rail Service Agreements with the Public Rail Corporation.

Agency Revenue Debt

Agency revenue debt ("Agency Revenue Debt") is secured by revenues generated from the use of bond proceeds or the assets of the public corporation issuing the bonds. Certain State public corporations are authorized by their enabling legislation to issue bonds, notes and other forms of indebtedness to finance projects in support of their corporate purposes. The debt which is secured solely by the revenues generated by the public corporations or their conduit borrowers (for example, municipalities, public and private educational and healthcare institutions and private companies) is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees, or moral obligation pledges of a Capital Reserve Fund. Agency Revenue Debt is not treated as State Tax-Supported Debt or a Contingent Obligation of the State notwithstanding the fact that the State may have legal obligations to make payments to be applied to a public corporation's debt service obligations. Agency Revenue Debt includes debt issued by NBC, RIHEBC, RIIB, RISLA, and TSFFC and certain debt issued by RITBA. See "GOVERNMENT ORGANIZATION – Independent Authorities, Agencies and Public Corporations" above.

Agency Revenue Debt includes bonds issued on behalf of the State Colleges which are secured by enterprise revenues (such as housing and dining revenues) or secured by Educational and General Revenues (such as tuition and fees) derived from the State Colleges. State Colleges Auxiliary Revenue Debt and State Colleges Educational and General Revenue Debt are not general obligations of the State or the State Colleges and do not require voter approval. Although Educational and General Revenue debt may legally be paid from State appropriations, such debt is considered self-supporting.

Certain information regarding Agency Revenue Debt of public corporations which constitute component units of the State government for financial reporting purposes is available in footnote 1 to the 2017 Basic Financial Statements which are incorporated by reference herein, and are included in the 2017 CAFR. See "FINANCIAL STATEMENTS" herein.

Employment Security Fund Activity

The Rhode Island Employment Security Fund is composed primarily of monies collected from a tax imposed on Rhode Island employers. These funds are used for the purpose of paying Unemployment Insurance benefits to eligible claimants. All funds are deposited in the State's account in the federal Unemployment Trust Fund which is administered by the United States Treasury.

An employer's contribution rate is determined by (a) the level of reserves in the Rhode Island Employment Security Fund and (b) the individual employer's history of unemployment. The level of reserves determines the tax rate schedule in effect for all covered employers in the State for a specific calendar year, while a particular employer's experience with unemployment determines the tax rate within that schedule at which that employer is assessed.

Between calendar years 2009-2015, the State withdrew a total of $926.1 million from the Federal Unemployment Account ("FUA") for cash flow purposes. The balance in the Rhode Island Employment Security Fund was $355.2 million as of August 31, 2017. The Rhode Island Department of Labor and Training completely repaid amounts withdrawn from FUA, and ES Fund reserves have steadily increased since. No additional withdrawals have been needed since May 2015. The State's outstanding withdrawals peaked at $291.8 million during April 2012.

A history of the Rhode Island Employment Security Fund's financial status since 2006 is presented in the following table. The first column of the chart presents the ending fund balance for each calendar year between 2006 and 2016 and through August 31st for 2017. This figure is comprised primarily of a combination of employer contributions and federal transfers to the State (receipts) minus employee benefits and State repayments of amounts withdrawn from FUA (disbursements).

Transfers from
Federal Unemployment Account
(in millions)

Year Ended Dec. 31	Fund Balance	Amount Withdrawn	Amount Repaid
2006	$197.9	-	-
2007	168.4	-	-
2008	79.2	-	-
2009	-127.5	$ 127.5	-
2010	-194.3	98.0	-
2011	-228.3	169.9	$ 167.1
2012	-199.5	219.2	247.8
2013[1]	-109.3	157.5	247.6
2014[1]	16.3	133.4	242.6
2015[1]	136.8	20.6	20.6
2016[1] (thru Aug 31, 2017)	355.2	-	-

Current projections show a continued build-up in trust fund reserves over the next few years if the economy continues to improve. These estimates are based on the Department of Labor and Training's projections of employment and unemployment levels assuming a continued gradual recovery from the recession and therefore are uncertain and subject to change.

[1]Unaudited as of August 31, 2017 including outstanding withdrawals.

Debt Statement

The following table shows the State's Direct Debt, Tax-Supported Debt, and Contingent Obligations for the fiscal years 2014 through 2017 (audited):

Rhode Island Debt Statement

(as of June 30, 2017, in millions, principal amount)

	6/30/2014	6/30/2015	6/30/2016	6/30/2017
State Direct Debt				
General Obligation Bonds	$ 1,074.8	$ 1,022.9	$1,051.8	$ 1,091.4
State Tax-Supported Debt				
Obligations Subject to Annual Appropriation				
Lease Certificates of Participation	207.6	235.1	209.3	195.6
Commerce RI, Motor Fuel Tax Revenue Bonds	62.5	58.3	54.0	49.8
Commerce RI, URI Power Plant Bonds	6.6	5.6	4.6	3.5
Commerce RI, JCGP Bonds[(1)]	68.0	61.9	43.6	8.4
Commerce RI, Historic Structures Tax Credits Bonds	74.4	132.4	107.0	80.2
Commerce RI, I-195 Commission Payment Agreement	38.4	38.4	38.4	38.4
RICCA Lease Revenue Bonds	226.9	215.2	203.9	192.4
RITBA Motor Fuel Tax Revenue Bonds	61.7	59.0	174.0	168.9
Performance-Based Agreements				
Commerce RI, FMR RI, Inc. Bonds (Fidelity Investments)	21.0	19.2	17.2	15.1
Commerce RI, Providence Place Mall Revenue Notes	22.6	20.3	17.9	15.4
Total Direct and Tax-Supported Debt	$1,864.4	$1,868.4	$1,921.7	$1,859.2
Contingent Obligations				
Moral Obligation Bonds				
RI Housing	$132.0	$87.3	$65.7	$30.3
State-Guaranteed Debt				
RII-RBA	14.9	11.3	9.3	13.0
Performance-Based Agreement				
Commerce RI, Fleet Bank Bonds	7.7	7.3	7.0	6.5
Secured Indemnity				
Public Rail Corporation Letter of Credit	7.5	7.5	7.5	7.5
Total Contingent Obligations	$162.1	$113.4	$89.5	$57.3

[(1)] Amounts payable from 38 Studios Litigation Settlements were $3.2 million in FY2014, $0 in FY2015, $9.9 million in FY2016 and $36.3 in FY2017. See "STATE INDEBTEDNESS—State Moral Obligation Debt—Moral Obligation of the State Regarding 38 Studios."

The State is preparing to issue $154,375,000 (preliminary par amount) of its General Obligation Bonds, Consolidated Capital Development Loan of 2018, Series A (Tax-Exempt) on or about April 18, 2018.

STATE FUNDING OF RETIREMENT SYSTEMS

Employees' Retirement System of Rhode Island (ERSRI)

The State, through the Employees' Retirement System of Rhode Island ("ERSRI"), administers and contributes to three defined benefit pension plans - the Employees' Retirement System (the "ERS") and the Judicial Retirement Benefits Trust (the "JRBT"), the State Police Retirement Benefits Trust (the "SPRBT" and collectively with the ERS and the JRBT, the "Plans"). The ERS, the largest of the Plans, covers eligible State employees as well as teachers and certain other employees of local school districts. The JRBT and the SPRBT are significantly smaller retirement plans than the ERS. As more particularly described below under the heading "Employees' Retirement System (ERS)," the State, through ERSRI, also administers and contributes to a mandatory defined contribution plan for certain members of the ERS. ERSRI is administered by the State of Rhode Island Retirement Board (the "Retirement Board"), which was authorized, created and established in the Office of the General Treasurer as an independent retirement board to hold and administer, in trust, the funds of ERSRI.

The State, through ERSRI, also administers but does not contribute to: (i) the Municipal Employees' Retirement System ("MERS"), a combination defined benefit/defined contribution plan for municipal employees and (ii) the Teacher's Survivor Benefits Plan ("TSB"), which provides survivors' benefits for teachers who do not participate in Social Security. ERSRI also administers the Rhode Island Judicial Retirement Fund Trust ("RIJRFT"), which provides retirement benefits for judges appointed on or prior to December 31, 1989 and their beneficiaries. See "State Pension Plans and Membership - Rhode Island Judicial Retirement Fund Trust (RIJRFT)" herein. In addition, a separate defined contribution retirement plan is provided through the Teachers' Insurance and Annuity Association for members of the faculty of the State's public colleges and university (Rhode Island College, Community College of Rhode Island and University of Rhode Island) (collectively, the "State Colleges") and certain administrative employees in education and higher education. The State contributes 9.5% of the participating employee's salary per year to this plan.

Currently, in the aggregate, the Plans have significant unfunded liability due to a number of factors. As a result, the State does not believe that the existing assets of the Plans, the expected earnings on those assets, and contributions from members of the Plans will be sufficient to fund expected retirement benefits, and the State will need to make significant contributions to the Plans in the future to ensure that the Plans will have a sufficient amount of assets to fund expected retirement benefits. The magnitude of the unfunded pension liability, together with significant costs related to post-employment healthcare benefits, pose a significant financial challenge to the State.

Contributions

Contribution requirements for the Plans are established by statute. Pursuant to Section 36-10-2 and Section 16-16-22 of the Rhode Island General Laws ("RIGL"), the State is required by statute to make contributions to the Plans by annually appropriating an amount equal to a percentage of the total compensation paid to the active membership. An actuarial consultant employed by ERSRI (the "Actuary") performs an actuarial valuation of the Plans (the "Actuarial Valuation") for the purpose of computing the percentage. The percentage is referred to herein as the ARC. The ARC is certified by the Retirement Board on or before December 15th of every year. State statutes provide that the State contributes 100% of the ARC to the ERS for State employees, the JRBT and the SPRBT, and 40% of the ARC to the ERS for

teachers. Pursuant to the Retirement Board's current policy, the ARC becomes effective two years after the valuation date. Employee members contribute a fixed percentage of their annual salary and, with the exception of the RIJRFT, the State (and, in respect to ERS, the LEAs (hereinafter defined)) contributes the additional amounts, based on the ARC, which are necessary, when combined with the projected investment earnings on Plan assets, to pay benefits. Contribution requirements are subject to amendment by the General Assembly.

The State must remit to the General Treasurer the employer's share of the contribution on a payroll frequency basis. In respect to the ERS Plan for teacher's (see *State Pension Plans and Membership* for plan membership), the State must remit to the General Treasurer the employer's share of the contribution on a monthly basis, payable by the fifteenth (15th) day of the following month.

Benefits

The Plans fund retirement benefits from their assets, investment earnings on their assets, employer and non-employer contributions by the State and contributions from employee members. The level of retirement benefits varies among the different Plans and is calculated based on a member's years of service, compensation and age of retirement. Each Plan's retirement benefits are determined by statute and are not subject to negotiation between the State and other public employers and the employee members of the Plans.

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Historical and Prospective Financial Information of Pension Plans

The following table sets forth the State's aggregate annual contributions to the Plans for fiscal years ended June 30, 2002 through June 30, 2017, which are equal to the State's required ARC payments for these fiscal years.

Aggregate Historical State Contributions to the Plans
For the Fiscal Year Ending June 30, 2002 through June 30, 2017
(in thousands)

Fiscal Year Ended June 30	Annual Contribution/ARC Payment
2002	$62,564,982
2003	$83,383,940
2004	$100,738,867
2005	$114,922,739
2006	$145,791,796
2007	$188,831,994
2008	$214,016,025
2009	$199,897,775
2010	$192,090,694
2011	$196,846,906
2012	$233,834,239
2013[(1)(2)]	$207,318,550
2014[(1)(2)]	$227,778,057
2015[(2)]	$240,845,722
2016	$247,532,058
2017	$272,635,460

Source: For fiscal years 2014-2017, the Annual Contribution/ARC Payment was calculated by ERSRI. Each amount represents the following sum from the Audited Financial Statements of ERSRI for the respective fiscal year: (1) the employer contribution listed under Required Supplementary Information, Schedules of Employer and Other Nonemployer Entity Contributions and (2) the State's contribution for teachers under Statements of Changes in Fiduciary Net Position. For Fiscal Year 2013, see Audited Financial Statements of ERSRI for the Fiscal Year ended June 30, 2013 (Required Supplementary Information, Schedules of Contributions From the Employers and Other Contributing Entity, page 56). For fiscal years 2007-2012, see Audited Financial Statements of ERSRI for the Fiscal Year ending June 30, 2012 (Required Supplementary Information, Schedules of Contributions From the Employers and Other Contributing Entity, page 56). For fiscal years 2002-2006, see Audited Financial Statements of ERSRI for the fiscal year ending June 30, 2006 (Required Supplementary Information, Schedules of Contributions from the Employers and Other Contributing Entity, page 35).

(1) In accordance with RIGL Section 36-10-2(e)(1) and (2), a supplemental appropriation of $2,312,058 was contributed to the retirement system for fiscal year 2013. For each fiscal year in which the actuarially determined State contribution rate for State employees and teachers is lower than that for the prior fiscal year, Section 36-10-2(e)(1) and (2) require, in addition to the contributions provided for by the funding policy, the Governor to include an appropriation to that system equivalent to twenty percent (20%) of the rate reduction to be applied to the actuarial accrued liability. The General Laws also previously required that for any fiscal year in which the State's actual general revenues exceed estimated amounts, the difference shall be paid to the ERS Plan upon release of the State's audited financial statements. The amount paid to the Retirement System in fiscal years 2013 and 2014 included such a payment. This provision of the general laws was repealed by the 2015 General Assembly.

(2) Beginning in fiscal year 2013, the RIRSA provides for additional contributions to the retirement system based on 5.5% of the value of contracts where the services performed by the contractor were previously performed by State employees. In that respect, the following supplemental contributions were paid to the retirement system: of $434,677 for fiscal year 2013, $414,958 for fiscal year 2014, $414,450 for fiscal year 2015, $408,209 for fiscal year 2016 and $445,280 for fiscal year 2017.

The following table sets forth a projection of actuarially required contributions from the State and other participating employers, contributions from members of the Plans, and other related information. The following information constitutes forward-looking information and does not represent a prediction of actual results. It is based on current statutes and includes numerous assumptions and methodologies and actual results will likely differ. Investors should read carefully all of the footnotes to the following table and the related cross-references to understand the assumptions and methodologies upon which the following information is based.

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Aggregate Projected Financial Information of Plans

For the Fiscal Year Ending June 30, 2018 through June 30, 2047

(in millions)

Fiscal Year Ending (June 30)	Beginning Market Value of Assets[1]	Member Contributions[2]	State Contributions[3]	Other Employer Contributions[4]	Investment Earnings[5]	Benefit Payments[6]	Ending Market Value of Assets
2018	$6,320	$93	$283	$137	$431	$843	$6,421
2019	$6,421	$93	$299	$143	$439	$852	$6,542
2020	$6,542	$93	$318	$154	$448	$860	$6,695
2021	$6,695	$94	$337	$163	$459	$869	$6,879
2022	$6,879	$94	$358	$173	$473	$886	$7,091
2023	$7,091	$95	$380	$183	$488	$896	$7,341
2024	$7,341	$95	$402	$193	$507	$903	$7,636
2025	$7,636	$96	$412	$197	$527	$910	$7,957
2026	$7,957	$96	$422	$201	$550	$927	$8,300
2027	$8,300	$97	$432	$206	$574	$935	$8,674
2028	$8,674	$99	$443	$210	$600	$951	$9,075
2029	$9,075	$100	$454	$215	$628	$966	$9,506
2030	$9,506	$102	$466	$219	$659	$980	$9,972
2031	$9,972	$104	$478	$224	$692	$993	$10,476
2032	$10,476	$106	$490	$229	$727	$1,006	$11,023
2033	$11,023	$109	$503	$234	$766	$1,017	$11,618
2034	$11,618	$111	$516	$240	$808	$1,028	$12,265
2035	$12,265	$114	$530	$245	$853	$1,038	$12,969
2036	$12,969	$117	$167	$251	$890	$1,048	$13,347
2037	$13,347	$120	$157	$257	$916	$1,056	$13,741
2038	$13,741	$123	$168	$266	$944	$1,064	$14,179
2039	$14,179	$127	$163	$270	$975	$1,072	$14,642
2040	$14,642	$130	$84	$36	$996	$1,078	$14,811
2041	$14,811	$134	$80	$34	$1,008	$1,082	$14,984
2042	$14,984	$137	$76	$31	$1,020	$1,086	$15,162
2043	$15,162	$141	$72	$29	$1,032	$1,088	$15,349
2044	$15,349	$145	$74	$30	$1,046	$1,090	$15,554
2045	$15,554	$149	$76	$31	$1,060	$1,091	$15,779
2046	$15,779	$153	$78	$31	$1,076	$1,091	$16,025
2047	$16,025	$157	$80	$32	$1,093	$1,092	$16,296

Source: The figures in this table were calculated for ERSRI by the Actuary using assumptions adopted by the Board as of June 30, 2017. The figures in this table assume that the Plans and the State follow the actuarial methods adopted by the Board as of June 30, 2017.

(1) Beginning market value of assets represents the projected market value of Plan assets at the beginning of each Fiscal Year.

(2) Represents contributions from members of the Plans. The employee contribution rates to the Plans are as follows: (i) ERS: (1) 3.75% of salary per year for both State employees (other than correctional officers) and teachers (except for State employees (other than correctional officers) and teachers with twenty (20) or more years of total service as of June 30, 2012, in which case the contribution rate is 11%) and (2) 8.75% of salary per year for State correctional officers; (ii) JRBT: 12% of salary per year (except for Supreme Court judges, in which case the contribution rate is 8.75%); (iii) RIJRFT: 12% of salary per year; and (iv) SPRBT: 8.75% of salary per year.

(3) Represents projected contributions by the State. The State is assumed to make contributions equal to 100% of the ARC to the ERS for State employees, the JRBT and the SPRBT, and 40% of the ARC to the ERS for teachers. Actual contributions are subject to appropriation by the General Assembly.

(4) Represents projected contributions by the LEA. The LEA is assumed to make contributions equal to 100% of the ARC to the ERS for Teachers

(5) The projection of investment earnings is based on the assumed rate of return of assets of the Plans, which is currently 7.0%. See "Actuarial Valuation of the Plans - *Actuarial Assumptions and Methods*" herein.

(6) Benefit payments represent projected retirement benefit payments by the Plans to retired members over the forecasted period. The amounts of projected retirement benefits are based on numerous assumptions and methodologies made by the Actuary. These assumptions and methodologies include, among others, key assumptions such as demographic assumptions relating to ages of retirement and life expectancy of members and economic assumptions such as inflation. In addition, these projections use methodologies to calculate projected retirement benefits. However, as opposed to how the Actuary prepares the Actuarial Valuations, the projected benefit payments also include an estimate of the amount of retirement benefits that active members are likely to earn in the future. In addition, the projected benefit payments assume that the State does not change the level of benefit payments during the forecasted period.

State Pension Plans and Membership

Employees' Retirement System (ERS)

The ERS, the largest of the Plans, is a multiple-employer, cost-sharing, public employee retirement plan covering eligible State employees as well as teachers and certain other employees of local school districts. Membership in ERS is mandatory for all covered State employees and teachers, with five years of employment required before retirement benefits become vested. The State makes 100% of the ARC to ERS for State employees. The State makes 40% of the ARC to ERS for teachers. The applicable city, town or local education agency (the "LEA"), makes the remaining 60% of the ARC; provided, however, that the LEAs are responsible for 100% of the ARC in respect to the TSB. The State's and the LEA's contributions are invested together and one investment rate of return is calculated. Pursuant to Rhode Island General Laws Section 36-10-1 and Section 16-16-22, separate contribution rates are determined for State employees and for teachers.

Effective July 1, 2012, ERSRI also administers a mandatory defined contribution plan for members of the ERS Plan with less than 20 years of service as of June 30, 2012. The plan was established under Section 36-10.3-2 of the Rhode Island General Laws. Effective July 1, 2015, active members with 20 or more years of service as of June 30, 2012 remained participants of, but no longer contribute to, the defined contribution plan. Eligible teachers participating in social security and State employees contribute 5.00%, and eligible teachers not participating in social security contribute 7.00%, of their salary per year to the defined contribution plan. For eligible teachers participating in social security and State employees, the State contributes 1.00%-1.50% of the member's salary, and for eligible teachers not participating in social security, the State contributes 3.00%-3.50% of the member's salary per year, based on years of service. The Actuary does **not** provide an Actuarial Valuation relative to the State's contribution to the defined contribution plan.

Judicial Retirement Benefits Trust (JRBT)

The JRBT, a single-employer plan, provides retirement allowances to judges appointed after December 31, 1989. The Retirement Board's management of the JRBT is limited to the collection of employee and employer contributions; benefit eligibility is managed by an administrative section of the judiciary.

Rhode Island Judicial Retirement Fund Trust (RIJRFT)

The pensions for 57 active and retired judges appointed on or prior to December 31, 1989 and their beneficiaries are funded by the State on a pay-as-you-go basis, with a cost to the State of $5,877,901 as of June 30, 2017. Effective July 1, 2012, the RIJRFT was established to receive contributions from the active judges in the pay-as-you-go system. There are five active judges participating in the RIJRFT. The State

has not made employer contributions to the RIJRFT to date and the pensions are currently funded on a pay-as-you-go basis. However, the State has always fully funded the pay-as-you-go system through annual appropriations and the enacted FY 2017 Budget and recommended FY 2018 Budget continue to provide for this appropriation.

State Police Retirement Benefits Trust (SPRBT)

The SPRBT, a single-employer plan, provides retirement allowances, disability and death benefit coverage to State police officers hired after July 1, 1987. The Retirement Board's oversight of the SPRBT includes collection of employee and employer contributions and computation of benefits.

State of Rhode Island State Police Retirement Fund Trust (SPRFT)

The State funds pension benefits for 269 retired non-contributing State police officers and their beneficiaries hired on or prior to July 1, 1987 who were on a pay-as-you-go basis, with an annual benefit cost to the State of $17,391,853 as of June 30, 2017. Effective July 1, 2015, a trust fund was established to support the pensions of the State police officers in the pay-as-you-go system. Since its establishment, the State has made an initial deposit of $31.4 million, consisting of $15 million from a settlement reached with Google, Inc. and $16.4 million in general revenues, into the trust fund. Future annual payments will be made with the State's general revenues until the trust fund is fully funded in approximately 18 years.

Other Background Information

The State also administers but does not contribute to MERS. As with the Plans, ERSRI acts as the investment and administrative agent for MERS. The assets for MERS are held in trust and commingled with the assets of the Plans for investment purposes. As part of RIRSA (hereinafter defined), changes were made to MERS similar to the changes made to the Plans. Like ERS, effective July 1, 2012, MERS converted from a defined benefit plan to the current combination defined benefit/defined contribution plan; provided, however, that public safety employees covered by MERS remain in a defined benefit plan.

The State also administers post-employment health care plans covering State employees, legislators, judges, State police officers and certain public-school teachers. See "Other Post-Employment Benefits" below.

Plan Membership

The following table shows the current membership and member contributions for each of the Plans as provided by the June 30, 2017 Actuarial Valuation report:

	Retirees and Beneficiaries	Active	Inactive	Total by Plan	Member Contributions (as a Percentage of Salary)
ERS State Employees	11,078	11,152	3,384	25,614	3.75%*
ERS Teachers	11,211	13,310	3,501	28,022	3.75*
SPRBT	71	232	47	350	8.75
JRBT	20	55	0	75	12.00**
Total By Type	22,380	24,749	6,932	54,061	

Source: ERSRI, SPRBT and JRBT Actuarial Valuation Reports as of June 30, 2017 (Executive Summary).
* 11% for State employee members (other than correctional officers) and teachers with 20 or more years of service as of June 30, 2012.
** 8.75% for Supreme Court judges.

From June 30, 2011 to June 30, 2017, the total number of active members of all of the State-administered plans decreased by 125 or 0.5% (to a total of 24,749, as noted above), and the total number of retired members increased by 745 or 3.4% (to a total of 22,380, as noted above).

For State employees, there are currently nearly as many retirees and beneficiaries as there are active members participating in ERS. The decrease in active membership has been the result of reductions in the size of the overall workforce and demographic trends. Although there are currently more active members than retirees and beneficiaries in ERS with respect to teachers, based on current trends, it is likely that retirees and beneficiaries will outnumber active members in the near future if the active population continues to decline. These developments significantly increase the burden upon contributions needed from current employees, who are receiving lower salary increases than projected and unpaid furlough days, and from the State and the LEAs, where the total pension-related contributions for State employees and teachers was approximately 24% of salary in fiscal year 2017.

Investment Policy

As of June 30, 2017, the market value of assets in the Plans was $8,041,060,035. ERSRI acts as a common investment and administrative agent for the Plans. Assets for the Plans are held in trust and are commingled with other programs and plans for investment purposes. The funds contributed by the State, LEAs and employees are invested in a diversified mix of equity, fixed income and real asset investments.

The State Investment Commission (the "Commission") oversees all investments made by the State, including those made for the ERSRI. RIGL Section 35-10-11 requires that all investments be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital.

The Commission establishes the long-term asset allocation policy for the Plans, selects investments and monitors investment performance of the Plans' assets. An asset/liability study is conducted periodically as requested by the Commission to identify an optimally diversified investment allocation that seeks to maximize return within an acceptable level of risk.

Policy targets and actual allocations will vary due to market movements and efforts to minimize trading costs, diversify assets, and implement investment decisions prudently. The implementation of the new asset allocation is currently underway, and the new targets are expected to be met gradually over the next 3-5 years. The Commission reports are available at http://investments.treasury.ri.gov/. None of the reports of the Commission are incorporated by reference herein.

Actuarial Valuation of the Plans

Actuaries and the Actuarial Valuation

Each fiscal year, the Actuary prepares the Actuarial Valuation for each Plan. The primary purpose of an Actuarial Valuation is to provide an amount that the State should contribute to the Plans, which is referred to as the ARC. The ARC consists of two components. First, for each fiscal year, the Actuary calculates an amount that will be necessary to pay the actuarial estimate of retirement benefits earned in that fiscal year (which is referred to as the "Normal Cost"). Second, in each Actuarial Valuation, the Actuary calculates the funding status of each of the Plans (as known as a "Funded Ratio"), develops a schedule for restoring the funding status of the Plans to 100%, and then includes that fiscal year's portion of that schedule into the ARC.

To calculate the funding progress of a Plan, the Actuary calculates a Funded Ratio of each Plan. To calculate the Funded Ratio, the Actuary develops a schedule of expected retirement benefit payments of each Plan and then discounts those expected benefit payments to a present valuation, which is referred to as an "Actuarial Accrued Liability" or "AAL." The rate at which the Actuary discounts those expected payments is equal to the expected rate of return on the assets of the Plan. In addition, the Actuary calculates the "Actuarial Value of Assets," which is the market value of the assets subject to some adjustments. The most significant such adjustment is referred to as "smoothing," which is a method employed by the Actuaries to phase-in unexpected gains and losses over a five-year period. The Actuary computes the UAAL by subtracting the Actuarially Accrued Liability from the Actuarially Value of Assets. For example, for the Fiscal Year ended June 30, 2017, the aggregate Actuarially Accrued Liability of the Plans was $11,822,311,238, the aggregate Actuarial Value of Assets was $6,463,983,219, and the Unfunded Actuarially Accrued Liability of the Plans was $ 5,358,328,020. The Funded Ratio is the Actuarial Value of Assets divided by the Actuarially Accrued Liability, which, as of June 30, 2017, was an aggregate of 54.7% for the Plans.

Actuarial Assumptions and Methods

Actuarial Accrued Liability. To prepare the Actuarial Valuation, the Actuary uses several assumptions and methodologies. In order to develop a schedule of expected retirement benefits in calculating the Actuarial Accrued Liability, the Actuary makes a variety of demographic and other data (such as employee age, salary and service credits) and actuarial assumptions (such as salary increases, interest rates, turnover, mortality and disability). Every three or four years, and most recently in 2016, the Actuary performs an experience review to validate the actuarial assumptions used by the Plans as compared to the actual experience of the Plans. When the Actuary prepares an experience review, it can reveal that assumptions that the Actuary has previously used are not consistent with the current demographic or economic experience of the Plans. If this occurs, then the Retirement Board may approve changes in those assumptions, which can lead to large increases in the Actuarial Accrued Liability (and thus the Unfunded Actuarial Accrued Liability) because it can lead to a new schedule of expected retirement benefits that reflects an increase in expected retirement benefits.

In connection with the actuarial valuations as of June 30, 2017, the Retirement Board approved several changes in the assumptions that are used in calculating the UAAL and Funded Ratio of the Pension Plans. These include a decrease in the general inflation assumption, the general wage growth assumption, salary and payroll increase assumptions, among other matters. One of the most significant adopted changes is a reduction of the investment rate of return from 7.50% to 7.00%. In connection with the reduction of the investment rate, the Retirement Board elected to phase in the actuarial effect of that reduction into the State's contributions over a five-year period. In addition, as required by statute the Retirement Board used a 20-year amortization period to amortize the amount of the increase in the UAAL attributable to this reduction.

The actuarial valuations as of June 30, 2017 were prepared on the basis of these modified assumptions. However, the impact on contribution rates would be uniformly reflected in the contribution rates over the five-year period beginning with the Fiscal Year 2020 contribution rates. The change in the normal cost will be fully reflected in the Fiscal Year 2020 contribution rates. The impact from the increase in UAAL will be spread over the five years in such a way to create approximately the same increase in contribution rate each of the five years. Each layer will be amortized of a schedule of 20 years for the first layer and each successive layer one less year.

In addition, in calculating the Actuarial Accrued Liability, the Actuary uses methodologies such as a method that determines the value of retirement benefits employees earn of their periods of employment. In addition, the Actuarial Accrued Liability is calculated on a "closed system" basis that does not include

any retirement benefits that have not been earned either by active members or future members. In calculating the Actuarial Accrued Liability, the Actuary uses the assumed investment rate of return of the Plan assets as the discount rate to calculate the present value of future retirement benefit payments. Accordingly, the higher that rate, the lower that present value of future retirement benefit payments will be. For the actuarial valuations as of June 30, 2017, the Retirement Board adopted 7.0% as the investment rate of return for the Plans other than RIJRFT. For RIJRFT, the municipal bond index rate, based on the Fidelity Index's "20-Year Municipal GO AA Index" (3.56% at June 30, 2017) is used.

Due to the volatility of the United States' and international financial markets, the actual rate of return earned by the Plans on their assets may be higher or lower than the assumed rate. For example, as noted in the Actuarial Valuation of ERSRI as of June 30, 2017, the average annual investment rate of return based on the market value of assets over the last ten years (July 1, 2007-June 30, 2017) was 4.20%. Changes in the Plans' assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio. As a result of the State's adoption of the five-year asset smoothing method, however, only a portion of these increases or decreases will be recognized in the current year, with the remaining gain or loss spread over the remaining four years.

Actuarial Value of Assets. In calculating the Actuarial Value of Assets, the State uses an asset smoothing method which is based on the market value of the assets with a five-year phase-in of actual investment return in excess of (or less than) expected investment income.

Historical Plan Funding Status

The following table sets forth the historical statutory funding status of the Plans from the Fiscal Year ended June 30, 2008 through the Fiscal Year ended June 30, 2017. These tables were calculated using data and assumptions adopted by the Board in May, 2017:

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Schedules of Funding Progress (ERSRI)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b-a)	Actuarial Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)	Market Value of Assets (d)	Funded Ratio at Market (d / b)
STATE EMPLOYEES								
6/30/2008(1)	$ 2,700,368,568	$ 4,331,504,516	$ 1,631,135,948	62.3%	$ 587,500,000	277.6%	$2,575,270,868	59.5%
6/30/2009	2,646,081,020	4,482,244,291	1,836,163,271	59.0	605,872,460	303.1	1,954,618,465	43.6
6/30/2010(2)	2,532,090,798	4,651,175,973	2,119,085,175	54.4	632,503,225	335.0	2,083,616,670	44.8
6/30/2010	2,532,090,798	5,232,541,325	2,700,450,527	48.4	630,246,973	428.5	2,083,616,670	39.8
6/30/2010(3)	2,532,090,798	4,234,409,675	1,702,318,877	59.8	630,246,973	270.1	2,083,616,670	49.1
6/30/2011	2,443,690,798	4,255,362,463	1,811,671,665	57.4	633,146,197	286.1	2,337,532,264	54.9
6/30/2012	2,421,191,542	4,297,261,311	1,876,069,769	56.3	669,477,539	280.2	2,257,498,009	52.5
6/30/2013	2,411,057,214	4,289,814,909	1,878,757,695	56.2	667,334,976	281.5	2,346,851,689	54.7
6/30/2013(5)	2,411,057,214	4,266,053,163	1,854,995,949	56.5	664,118,904	279.3	2,346,851,689	55.0
6/30/2014	2,449,125,421	4,266,354,839	1,817,229,418	57.4	675,204,750	269.1	2,520,281,249	59.1
6/30/2014 (6)	2,449,125,421	4,369,081,872	1,919,956,450	56.1	675,204,750	284.4	2,520,281,249	57.7
6/30/2015	2,476,485,327	4,371,789,900	1,895,304,573	56.6	691,555,582	274.1	2,428,989,395	55.6
6/30/2016	2,468,446,998	4,404,298,648	1,935,851,650	56.0	693,242,177	279.2	2,288,446,139	51.9
6/30/2017	2,485,576,642	4,698,278,808	2,212,702,166	52.9	704,036,300	314.3	2,426,085,798	51.6
TEACHERS								
6/30/2008(1)	$ 4,044,954,378	$ 6,632,016,708	$ 2,587,062,330	61.0%	$ 985,898,174	262.4%	$3,857,373,705	58.2%
6/30/2009	4,008,931,337	6,900,963,108	2,892,031,771	58.1	987,463,633	292.9	2,962,026,384	42.9
6/30/2010(2)	3,873,118,262	7,150,987,128	3,277,868,866	54.2	992,874,301	330.1	3,196,511,775	44.7
6/30/2010(3)	3,873,118,262	8,006,313,862	4,133,195,600	48.4	989,236,951	417.8	3,196,511,775	39.9
6/30/2010(4)	3,873,118,262	6,266,400,444	2,393,282,182	61.8	989,236,951	241.9	3,196,511,775	51.0
6/30/2011	3,776,407,834	6,325,941,951	2,549,534,117	59.7	1,002,656,294	254.3	3,626,646,745	57.3
6/30/2012	3,746,299,871	6,373,081,344	2,626,781,473	58.8	971,904,991	270.3	3,499,847,941	54.9
6/30/2013	3,697,787,537	6,363,735,720	2,665,948,183	58.1	970,541,509	274.7	3,601,811,359	56.6
6/30/2013(5)	3,697,787,537	6,265,311,945	2,567,524,408	59.0	963,525,547	266.5	3,601,811,359	57.5
6/30/2014	3,742,152,714	6,276,589,639	2,534,436,925	59.6	982,565,406	257.9	3,875,901,034	61.8
6/30/2014 (6)	3,742,152,714	6,424,596,267	2,682,443,552	58.2	982,565,406	273.0	3,875,901,034	60.3
6/30/2015	3,783,601,053	6,438,732,100	2,655,131,047	58.8	995,994,669	266.6	3,730,047,183	57.9
6/30/2016	3,772,348,051	6,466,478,470	2,694,130,419	58.3	1,009,979,725	266.8	3,510,586,538	54.3
6/30/2017	3,778,302,063	6,894,243,228	3,115,941,165	54.8	1,035,710,229	300.9	3,696,400,551	53.6

Source: For fiscal years 2008-2010, see ERSRI Actuarial Valuation Report as of June 30, 2010 (Section C - Table 3, page 15). For fiscal years 2011-2017, see ERSRI Actuarial Valuation Report as of June 30, 2017 (Section C, Table 4, page 17). The Market Value of Assets figure is a line item in the Executive Summary of each Actuarial Valuation as of June 30th of the fiscal year then ending. Figures in the final column are calculated by dividing the Market Value of Assets by the Actuarial Accrued Liability.

(1) Reflects adoption of the Rhode Island Public Laws, Chapter 23, Article 16 (Bill Number H7397 Aaa) (2010).
(2) Actuarial value at June 30, 2010 before changes to actuarial assumptions, which are described in "Actuarial Assumptions – Changes to Actuarial Assumptions and the Effect on UAAL and Normal Cost Actuarial Assumptions" below.
(3) Restated June 30, 2010 actuarial value after change to actuarial assumptions but before the Rhode Island Retirement Security Act of 2011.
(4) Restated June 30, 2010 actuarial value after reflecting the Rhode Island Retirement Security Act of 2011.
(5) June 30, 2013 actuarial value after changes of actuarial assumptions.
(6) Restated after reflecting Article 21 of the FY2015 budget.

Schedules of Funding Progress (SPRBT and JRBT)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b-a)	Actuarial Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / c)	Market Value of Assets (d)	Funded Ratio at Market (d / b)
SPRBT (STATE POLICE)								
6/30/2006	$ 36,314,689	$ 42,216,142	$ 5,901,453	86.0%	$ 13,474,588	43.8%	$ 38,131,989	90.3%
6/30/2007(1)	45,996,910	60,427,947	14,431,037	76.1	15,836,354	91.1	50,445,259	83.5
6/30/2008	54,927,390	69,029,513	14,102,123	79.6	16,698,764	84.5	51,883,909	75.2
6/30/2009	60,232,045	75,480,005	15,247,960	79.8	17,096,202	89.2	45,747,494	60.6
6/30/2010(3)	65,760,284	83,099,931	17,339,647	79.1	19,715,070	88.0	56,464,727	67.9
6/30/2010	65,760,284	94,300,302	28,540,018	69.7	19,715,070	144.8	56,464,727	59.9
6/30/2010(4)	65,760,284	73,048,680	7,288,396	90.0	19,715,070	37.0	56,464,727	77.3
6/30/2011	73,151,768	74,185,705	1,033,937	98.6	19,711,694	5.2	72,479,031	97.7
6/30/2012	84,293,968	94,031,687	9,737,719	89.6	23,669,619	41.1	80,472,894	85.6
6/30/2013	92,916,758	102,259,438	9,342,680	90.9	19,904,363	46.9	92,034,792	90.0
6/30/2014	104,781,384	109,621,747	4,840,363	95.6	20,814,621	23.3	109,678,379	100.
6/30/2014 (6)	104,781,384	108,363,537	3,582,153	96.7	20,814,621	17.2	109,678,379	101.2
6/30/2015	115,585,013	117,056,727	1,471,714	98.7	19,940,052	7.4	114,810,838	98.1
6/30/2016	123,788,498	135,505,152	11,716,654	91.4	22,555,315	51.9	116,316,582	85.8
6/30/2017	131,320,263	156,060,856	24,740,593	84.1	22,612,234	109.4	129,788,664	83.2
JRBT (JUDGES)								
6/30/2006	$ 23,873,009	$ 27,504,102	$ 3,631,093	86.8%	$ 6,313,069	57.5%	$ 25,055,824	91.1%
6/30/2007(1)	29,630,637	35,355,326	5,724,689	83.8	6,451,666	88.7	32,548,957	92.1
6/30/2008(2)	34,670,394	38,115,602	3,445,208	91.0	6,601,889	52.2	32,783,006	86.0
6/30/2009	36,839,221	41,738,040	4,898,819	88.3	6,843,454	71.6	27,729,085	66.4
6/30/2010(3)	38,074,287	44,605,741	6,531,454	85.4	7,461,120	87.5	32,267,469	72.3
6/30/2010	38,074,287	48,941,360	10,867,073	77.8	7,461,120	145.6	32,267,469	65.9
6/30/2010(4)	38,074,287	46,641,701	8,567,414	81.6	7,461,120	114.8	32,267,469	69.2
6/30/2011	40,105,919	46,594,407	6,488,488	86.1	8,474,716	76.6	39,404,943	84.6
6/30/2012	43,428,646	52,085,154	8,656,508	83.4	8,822,823	98.1	41,202,998	79.1
6/30/2013	47,640,773	55,101,254	7,460,481	86.5	8,975,536	83.1	46,989,257	85.3
6/30/2013(5)	47,640,773	54,429,531	6,788,758	87.5	8,975,536	75.6	46,989,257	86.3
6/30/2014	53,830,516	57,251,698	3,421,182	94.0	9,309,572	36.8	56,172,243	98.1
6/30/2014 (6)	53,830,516	57,504,663	3,674,147	93.6	9,309,572	39.5	56,172,243	97.7
6/30/2015	60,004,470	61,963,672	1,959,202	96.8	9,285,354	21.1	59,460,876	96.0
6/30/2016	64,401,616	65,287,527	885,911	98.6	9,034,080	9.8	60,418,485	92.5
6/30/2017	68,784,251	73,728,347	4,944,096	93.3	9,569,304	51.7	67,895,115	92.1

Source: For fiscal years 2006-2009, see Audited Financial Statements of ERSRI for the Fiscal Year ended June 30, 2010 (Required Supplementary Information, Schedules of Funding Progress, page 49). For fiscal year 2010, see SPRBT Actuarial Valuation Report as of June 30, 2010 (Schedule of Funding Progress (as required by GASB 25), page 11) and JRBT Actuarial Valuation Report as of June 30, 2010 (Schedule of Funding Progress (as required by GASB 25), page 11). For fiscal year 2011, see SPRBT Actuarial Valuation Report as of June 30, 2011 (Schedule of Funding Progress (as required by GASB 25), page 11) and JRBT Actuarial Valuation Report as of June 30, 2011 (Schedule of Funding Progress (as required by GASB 25), page 11). For fiscal year 2012, see SPRBT Actuarial Valuation Report as of June 30, 2012 (Schedule of Funding Progress (as required by GASB 25), page 11) and JRBT Actuarial Valuation Report as of June 30, 2012 (Schedule of Funding Progress (as required by GASB 25), page 11). For Fiscal years 2013-2017, see JRBT Actuarial Valuation Report as of June 30, 2017 (Schedule of Funding Progress, page 10) and SPRBT Actuarial Valuation Report as of June 30, 2017 (Schedule of Funding Progress, page 10).

The Market Value of Assets figure is a line item in the Executive Summary of each Actuarial Valuation as of June 30th of the fiscal year then ending. Figures in the final column are calculated by dividing the Market Value of Assets by the Actuarial Accrued Liability.

(1) Restated June 30, 2007 actuarial value after 2008 amendment to the RIGL.
(2) Reflects adoption of the Rhode Island Public Laws, Chapter 23, Article 16 (Bill Number H 7397 Aaa) (2010).
(3) Actuarial value at June 30, 2010 before changes to actuarial assumptions, which are described in "Actuarial Assumptions - Changes to Actuarial Assumptions and the Effect on UAAL and Normal Cost Actuarial Assumptions" below.
(4) Restated after reflecting the Rhode Island Retirement Security Act of 2011.
(5) Restated to reflect recommended salary scale assumption.
(6) Restated after reflecting Article 21 of the FY2015 budget.

Pursuant to RIGL Section 36-10-2 and Section 16-16-22, the State makes its ARC based upon the Actuarial Valuation. The method for determining the ARC is set forth in Section 36-10-2 of the RIGL. Although the State has made its ARC payments to the Plans for each of the past nineteen years, the Plans remain severely underfunded (as evidenced by the Plans' UAAL). Several factors have contributed to the Plans' UAAL. Over the course of many years, key decisions were made by the General Assembly and Retirement Board that resulted in lower contributions to ERSRI. There were also certain improvements made to the Plans' benefits without providing sufficient funding to pay for such improvements. Certain demographic actuarial assumptions, such as retiree longevity, and other actuarial assumptions, including an assumed investment rate of return, have also played significant roles in contributing to the Plans' UAAL. The principal factors contributing to the growth of the UAAL are (i) investment experience, (ii) interest owed on the UAAL, (iii) liability experience, (iv) changes to actuarial assumptions, and (v) legislative changes prior to 1991.

In June 2012, the Governmental Accounting Standard Board (GASB) implemented changes to the accounting and financial reporting standards for state and local government pension plans. The accounting versus funding measures have been separated. The accounting standards will require the net pension liability be calculated differently than the calculation to determine the unfunded actuarial accrued liability under the funding method. The accounting method will be subjected to more volatility since the assets are valued at fair market value, where typically the market value of assets is smoothed over a period of years under the funding method. The calculation of the net pension liability is explained in more detail in the "GASB Pension Accounting and Financial Reporting Standards" section.

Prospective Plan Funding Status

The following table sets forth the prospective statutory funding status of the Plans for the Fiscal Year ended June 30, 2017 through the Fiscal Year ended June 30, 2042. The following information constitutes forward-looking information and does not represent a prediction of actual results. The following information represents a projection of the future funded status of the Plans, based on the assumptions and methodologies used by the Actuary in preparing the Actuarial Valuations for the Plans, and the assumption that the State will continue to make its ARC payments in each Fiscal Year. Accordingly, the following information is based on numerous assumptions and methodologies and actual results will likely differ. Investors should read carefully all of the footnotes to the following table and the related cross-references to understand the assumptions and methodologies upon which the following information is based.

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Aggregate Prospective Funding Status of the Pension Plans

(in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Actuarial Funded Ratio (a / b)	Annual Required Contribution (ARC)	Market Value of Assets (d)	Funded Ratio at Market Value (d / b)
STATE EMPLOYEES							
6/30/2017	$2,485.6	$4,698.3	$2,212.7	52.9%	$175.1	$2,426.1	51.6%
6/30/2018	2,509.4	4,753.7	2,244.3	52.8	186.7	2,469.7	52.0
6/30/2019	2,542.1	4,807.8	2,265.8	52.9	197.1	2,522.2	52.5
6/30/2020	2,584.1	4,861.7	2,277.6	53.2	209.5	2,584.1	53.2
6/30/2021	2,657.6	4,913.3	2,255.7	54.1	222.8	2,657.6	54.1
6/30/2022	2,741.6	4,959.9	2,218.3	55.3	237.0	2,741.6	55.3
6/30/2023	2,841.2	5,004.6	2,163.4	56.8	250.8	2,841.2	56.8
6/30/2024	2,957.9	5,048.1	2,090.2	58.6	257.3	2,957.9	58.6
6/30/2025	3,085.1	5,090.2	2,005.1	60.6	264.0	3,085.1	60.6
6/30/2026	3,221.0	5,128.1	1,907.1	62.8	271.0	3,221.0	62.8
6/30/2027	3,369.0	5,164.2	1,795.2	65.2	278.3	3,369.0	65.2
6/30/2028	3,528.5	5,196.5	1,668.0	67.9	285.9	3,528.5	67.9
6/30/2029	3,701.0	5,225.3	1,524.3	70.8	293.8	3,701.0	70.8
6/30/2030	3,888.8	5,251.6	1,362.8	74.0	301.9	3,888.8	74.0
6/30/2031	4,093.8	5,275.6	1,181.9	77.6	310.3	4,093.8	77.6
6/30/2032	4,318.5	5,298.6	980.0	81.5	319.1	4,318.5	81.5
6/30/2033	4,566.3	5,321.8	755.5	85.8	328.1	4,566.3	85.8
6/30/2034	4,839.7	5,346.2	506.5	90.5	337.5	4,839.7	90.5
6/30/2035	5,141.5	5,372.5	231.0	95.7	102.6	5,141.5	95.7
6/30/2036	5,221.7	5,401.5	179.8	96.7	96.2	5,221.7	96.7
6/30/2037	5,301.7	5,434.1	132.5	97.6	103.3	5,301.7	97.6
6/30/2038	5,395.9	5,471.2	75.3	98.6	99.9	5,395.9	98.6
6/30/2039	5,495.1	5,513.5	18.5	99.7	51.1	5,495.1	99.7
6/30/2040	5,553.4	5,562.4	9.0	99.8	48.1	5,553.4	99.8
6/30/2041	5,616.0	5,619.0	3.0	99.9	45.8	5,616.0	99.9
6/30/2042	5,684.0	5,684.0	0.0	100.0	43.7	5,684.0	100.0
TEACHERS							
6/30/2017	$3,778.3	$6,894.2	$3,115.9	54.8%	$239.6	$3,696.4	53.6%
6/30/2018	3,795.9	6,961.2	3,165.3	54.5	249.6	3,741.3	53.7
6/30/2019	3,825.9	7,032.8	3,206.9	54.4	267.9	3,798.6	54.0
6/30/2020	3,877.1	7,108.9	3,231.9	54.5	283.6	3,877.1	54.5
6/30/2021	3,974.8	7,187.2	3,212.4	55.3	300.4	3,974.8	55.3
6/30/2022	4,088.7	7,262.4	3,173.7	56.3	318.3	4,088.7	56.3
6/30/2023	4,226.6	7,340.0	3,113.4	57.6	335.3	4,226.6	57.6
6/30/2024	4,390.1	7,420.9	3,030.8	59.2	342.2	4,390.1	59.2
6/30/2025	4,569.9	7,504.9	2,935.0	60.9	349.4	4,569.9	60.9
6/30/2026	4,761.7	7,586.4	2,824.7	62.8	356.8	4,761.7	62.8
6/30/2027	4,971.7	7,670.6	2,698.9	64.8	364.5	4,971.7	64.8
6/30/2028	5,196.6	7,752.7	2,556.1	67.0	372.4	5,196.6	67.0

6/30/2029	5,438.4	7,833.4	2,395.0	69.4	380.6	5,438.4	69.4
6/30/2030	5,698.7	7,912.9	2,214.2	72.0	389.0	5,698.7	72.0
6/30/2031	5,979.4	7,991.4	2,012.0	74.8	397.7	5,979.4	74.8
6/30/2032	6,282.0	8,068.8	1,786.8	77.9	406.7	6,282.0	77.9
6/30/2033	6,608.2	8,144.8	1,536.6	81.1	416.0	6,608.2	81.1
6/30/2034	6,959.7	8,219.2	1,259.5	84.7	425.6	6,959.7	84.7
6/30/2035	7,339.0	8,292.4	953.4	88.5	304.9	7,339.0	88.5
6/30/2036	7,614.1	8,365.0	751.0	91.0	305.4	7,614.1	91.0
6/30/2037	7,903.3	8,437.5	534.3	93.7	318.7	7,903.3	93.7
6/30/2038	8,221.6	8,510.7	289.1	96.6	321.9	8,221.6	96.6
6/30/2039	8,561.2	8,585.2	24.0	99.7	60.0	8,561.2	99.7
6/30/2040	8,649.8	8,661.7	11.9	99.9	55.9	8,649.8	99.9
6/30/2041	8,737.9	8,741.8	3.9	100.0	52.2	8,737.9	100.0
6/30/2042	8,826.3	8,826.3	0.0	100.0	49.0	8,826.3	100.0
STATE POLICE							
6/30/2017	$131.3	$156.1	$24.7	84.1%	$2.8	$129.8	83.2%
6/30/2018	138.4	165.7	27.4	83.5	3.4	137.4	82.9
6/30/2019	146.0	175.5	29.5	83.2	4.5	145.5	82.9
6/30/2020	154.4	185.3	30.9	83.3	4.9	154.4	83.3
6/30/2021	163.7	195.1	31.4	83.9	5.3	163.7	83.9
6/30/2022	173.3	204.9	31.6	84.6	5.7	173.3	84.6
6/30/2023	183.1	214.5	31.3	85.4	6.2	183.1	85.4
6/30/2024	193.3	224.0	30.7	86.3	6.3	193.3	86.3
6/30/2025	203.9	233.8	29.9	87.2	6.4	203.9	87.2
6/30/2026	215.0	244.0	29.0	88.1	6.6	215.0	88.1
6/30/2027	226.7	254.6	27.9	89.0	6.8	226.7	89.0
6/30/2028	238.9	265.6	26.6	89.9	6.9	238.9	89.9
6/30/2029	251.5	276.7	25.2	90.9	7.1	251.5	90.9
6/30/2030	264.6	288.2	23.6	91.8	7.3	264.6	91.8
6/30/2031	278.5	300.2	21.7	92.8	7.5	278.5	92.8
6/30/2032	293.3	313.0	19.6	93.7	7.7	293.3	93.7
6/30/2033	309.2	326.5	17.3	94.7	7.9	309.2	94.7
6/30/2034	326.4	341.1	14.7	95.7	8.2	326.4	95.7
6/30/2035	344.4	356.2	11.8	96.7	7.2	344.4	96.7
6/30/2036	361.7	371.5	9.8	97.4	8.3	361.7	97.4
6/30/2037	380.5	387.2	6.7	98.3	8.7	380.5	98.3
6/30/2038	400.1	403.2	3.1	99.2	7.4	400.1	99.2
6/30/2039	418.5	419.2	0.7	99.8	5.4	418.5	99.8
6/30/2040	434.8	435.1	0.3	99.9	5.4	434.8	99.9
6/30/2041	451.0	451.1	0.1	100.0	5.4	451.0	100.0
6/30/2042	466.8	466.8	0.0	100.0	5.5	466.8	100.0
JUDGES							
6/30/2017	$68.8	$73.7	$4.9	93.3%	$2.1	$67.9	92.1%
6/30/2018	72.9	78.5	5.7	92.9	2.1	72.3	92.1
6/30/2019	76.1	82.6	6.5	92.1	2.3	75.8	91.8
6/30/2020	79.4	86.7	7.3	91.6	2.3	79.4	91.6
6/30/2021	83.2	90.8	7.6	91.6	2.5	83.2	91.6
6/30/2022	87.0	94.8	7.8	91.8	2.8	87.0	91.8
6/30/2023	90.5	98.3	7.8	92.1	3.0	90.5	92.1

6/30/2024	94.4	102.0	7.6	92.5	3.1	94.4	92.5
6/30/2025	98.3	105.7	7.4	93.0	3.2	98.3	93.0
6/30/2026	102.3	109.4	7.1	93.5	3.3	102.3	93.5
6/30/2027	106.5	113.4	6.8	93.9	3.3	106.5	93.9
6/30/2028	110.9	117.4	6.5	94.5	3.4	110.9	94.5
6/30/2029	115.4	121.5	6.1	95.0	3.5	115.4	95.0
6/30/2030	119.7	125.4	5.7	95.5	3.5	119.7	95.5
6/30/2031	124.2	129.3	5.2	96.1	3.6	124.2	96.1
6/30/2032	128.9	133.5	4.6	96.6	3.7	128.9	96.6
6/30/2033	133.9	137.8	4.0	97.2	3.9	133.9	97.2
6/30/2034	139.0	142.2	3.2	97.7	3.9	139.0	97.7
6/30/2035	144.5	146.9	2.5	98.4	3.2	144.5	98.4
6/30/2036	149.5	151.9	2.4	98.4	3.7	149.5	98.4
6/30/2037	155.2	157.2	2.0	98.7	4.0	155.2	98.7
6/30/2038	161.2	162.4	1.2	99.3	4.2	161.2	99.3
6/30/2039	167.4	167.7	0.3	99.8	3.5	167.4	99.8
6/30/2040	173.1	173.3	0.2	99.9	3.6	173.1	99.9
6/30/2041	179.1	179.1	0.0	100.0	3.6	179.1	100.0
6/30/2042	185.3	185.3	0.0	100.0	3.7	185.3	100.0

Source: The figures in this table were calculated for ERSRI by the Actuary using assumptions adopted by the Board as of June 30, 2017.

The ERS is projected to be 100% funded as of June 30, 2042. These figures assume the accuracy of all actuarial calculations and that the State and the LEAs continues to contribute 100% of the ARC to the State Employees and the Teachers, respectively. These methods include the UAAL amortization schedule, that determines both over which period the UAAL will be amortized and that the UAAL amortization schedule will be amortized on a level percentage of payroll. Rhode Island General Laws §36-10-2.1 established an amortization schedule with respect to the UAAL as of June 30, 2010 of 25 years (18 years as of June 30, 2017). If the Legislature changes this schedule, then the figures presented in this table would likely materially change. The significant change in the projected figures from Fiscal Year ending June 30, 2034 to Fiscal Year ending June 30, 2035 reflects the assumption that this amortization schedule remains the same and the UAAL of the Plans as of June 30, 2010 has been fully amortized in Fiscal Year ending June 30, 2035.

Audit Reports and Actuarial Reports

The Auditor General's annual audit report for ERSRI for the fiscal year ended June 30, 2017 and the annual Actuarial Valuation reports for each Plan as of June 30, 2017, are available at ERSRI's website, www.ersri.org. None of the information posted on the ERSRI website is incorporated by reference herein.

Pension Reform and Related Litigation

Legislative Pension Reform

In order to increase the stability and security of the Plans, the State's General Assembly enacted legislation in 2005, 2009, 2010 and 2011 to modify the Plans' pension benefit structure and reduce benefits, the most recent of which was the Rhode Island Retirement Security Act of 2011 ("RIRSA"). RIRSA and the State's other legislative pension reforms have contributed to a reduction in the ARC and UAAL. These reductions, however, are already fully reflected in the June 30, 2013 valuation and therefore are not expected to materially reduce either the ARC or the UAAL going forward.

Legal Challenges to Pension Reform

The 2009, 2010 and 2011 legislative pension reforms have resulted in numerous lawsuits against the State brought by current and retired employees, as well as their unions. These lawsuits, some of which are still pending, are described below. The State is vigorously defending any liability in all pending pension reform litigation.

In May of 2010, a number of unions representing State employees and teachers filed a lawsuit in the State's superior court (the "Superior Court") challenging the pension reform legislation enacted by the General Assembly in 2009 and 2010. In June of 2012, certain unions, active employees, retired State employees and associations of retired State and municipal employees who maintained they were current beneficiaries of ERSRI filed five separate lawsuits in Superior Court challenging the RIRSA. In April of 2014, a seventh lawsuit was filed in Superior Court by certain individual retired State workers and teachers. In September of 2014, the Cranston Firefighters, IAFF Local 1363, AFL-CIO and the International Brotherhood of Police Officers, Local 201 (Cranston Police), which had been parties to the 2012 lawsuit challenging RIRSA, withdrew from the original lawsuit and each filed separate lawsuits in Superior Court challenging RIRSA, resulting in nine lawsuits overall. These nine lawsuits were ultimately consolidated.

In March of 2015, the Superior Court entered an order appointing a Special Master, tasking him with certain duties, including "addressing all discovery issues, motions, and assisting the parties in narrowing and/or resolving disputed issues by agreement, subject to further approval by the Court." In April of 2015, the Special Master presented an interim report to the Superior Court stating that a settlement has been reached in five of the nine consolidated pension cases. The Special Master reported that the proposed settlement would impact 58,901 employees. A class action was filed for settlement purposes and in June of 2015, the Superior Court issued its decision approving the proposed settlement. The General Assembly passed legislation to carry out the settlement, which was enacted into law on June 30, 2015 ("New RIRSA"), and the Superior Court entered final judgments in July of 2015. The employees that are members of the unions that brought the non-settled consolidated cases will receive the same benefits afforded to the settling parties.

In July of 2015, the State moved to dismiss three of the remaining six cases – *Cranston Firefighters, IAFF Local 1363, AFL-CIO v. Chafee*; *International Brotherhood of Police Officers, Local 301, AFL-CIO v. Chafee* and *City of Cranston Police Officers, International Brotherhood of Police Officers, Local 301, AFL, CIO v. Chafee* – for lack of justiciability on the grounds that because RIRSA was amended by New RIRSA, the plaintiffs' claims were moot. The Superior Court granted the motion and dismissed the three cases without prejudice.

Nine appeals from two of the July 2015 judgments were filed with the State's Supreme Court (the "Supreme Court"). The appeals do not affect the implementation of New RIRSA. Three of the nine appeals have been dismissed by the Supreme Court. The six remaining appeals are pending before the Supreme Court and are scheduled for argument on April 12, 2018.

In March of 2016, Cranston Firefighters, IAFF Local 1363, AFL-CIO and International Brotherhood of Police Officers, Local 301, AFL-CIO jointly filed a new lawsuit in the United States District Court for the District of Rhode Island captioned *Cranston Firefighters, IAFF Local 1363, AFL-CIO, et al. v. Raimondo, et al.* In that case, the Cranston police and firefighters' unions claimed that RIRSA and New RIRSA violate the Contracts Clause, Takings Clause and Due Process Clause of the United States Constitution. They also sought a declaration concerning the effect of the class action settlement on Cranston police and firefighter retirees. In March of 2017, the District Court granted the State's motion to dismiss all counts in the plaintiffs' complaint. The plaintiffs subsequently filed an appeal with the United States Court of Appeals for the First Circuit, which issued its decision on January 22, 2018 affirming the District

Court's decision to grant the State's motion to dismiss. The appeal period has expired. Notably, the employees represented by the plaintiff unions are municipal employees for which the State would not have funding responsibility.

In addition to the foregoing cases, in September 2014, another case challenging RIRSA was commenced by the Rhode Island State Troopers Association and Rhode Island State Troopers Association *ex rel.* Kevin M. Grace and Ernest E. Adams in Superior Court. The State has answered the complaint in that action, which remains pending. There is no trial date set. The State intends to vigorously defend this lawsuit.

GASB Pension Accounting and Financial Reporting Standards

On June 25, 2012, the Governmental Accounting Standards Board ("GASB") voted to approve two new standards that modify the accounting and financial reporting of the State's pension obligations: GASB 67, *Financial Reporting for Pension Plans* ("GASB 67"), which was effective for the State's fiscal year 2014 financial statements, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68" and collectively with GASB 67, the "GASB Statements"), which was effective for the State's fiscal year 2015 financial statements. GASB 67 established new standards for defined benefit pension plan accounting and reporting. GASB 68 required changes to governments' reporting of and inclusion of pension assets and liabilities in their annual financial statements. The GASB Statements are intended to improve comparability between public pension plans by standardizing the way certain financial data relating to these plans are disclosed.

The State's financial reporting on its pension system reflects the changes addressed in the GASB Statements, which include, among other changes, (i) the separation of accounting and financial reporting requirements from funding approaches, (ii) a requirement to report "net pension liability" (defined as total pension liability minus a pension plan's net assets) on the State's balance sheet, (iii) the immediate recognition of differences between expected and actual changes in economic and demographic factors, and (iv) the deferred recognition over a five-year, closed period of differences between actual and projected earnings on plan investments.

As opposed to the calculation of the UAAL, which the Plans calculate using the actuarial assumptions and methods adopted by the Board, the Actuary calculates the net pension liability of the Plans in accordance with GASB requirements, which set forth required assumptions and methods. In the case of the Plans, most of the assumptions that GASB requires the Plans to use are the same or similar to the assumptions and methods that the Board has adopted for use in the calculation of the UAAL; but there are some differences. The most significant distinction is that GASB requires the calculation of the net pension liability at June 30 on the basis of the market value of investments at that date. For funding purposes, the Actuarial Valuation uses the actuarial value of assets, which reflects a five-year smoothed asset valuation.

GASB 67

The net pension liability of the Plans under GASB No. 67 as of June 30, 2017 is calculated based on the actuarial valuations of the Plans as of June 30, 2016 and adjusted to reflect what the Actuary assumed would occur with respect to the experience of the Plans as of June 30, 2017.

The components of the net pension liability of the Plans are shown in the following chart:

GASB Statement No. 67 Disclosure
Net Pension Liability and Plan Fiduciary Net Position[1]
as of June 30, 2017
(in thousands)

Pension Plan	Total Pension Liability *(TPL)*[2]	Plan Fiduciary Net Position	Plan Net Pension Liability[3]	Plan Fiduciary Net Position as a % of TPL
ERS – State Employees	$4,680,841	$2,426,086	$2,254,755	51.8%
ERS – Teachers[4]	6,843,692	3,696,400	3,147,292	54.0
SPRBT	154,274	129,789	24,485	84.1
JRBT	75,628	67,895	7,733	89.8
RIJRFT[5]	20,442	647	19,795	3.2
SPRFT	175,957	16,013	159,944	9.1

Source: GASB 67 as disclosed in the ERSRI financial statements for fiscal year ended June 30, 2017. Total pension liability is calculated based on the actuarial valuations of the Plans as of June 30, 2016 and adjusted to reflect what the Actuary assumed would occur with respect to the experience of the Plans as of June 30, 2017. The actuarial assumptions used in the calculation of the total pension liability at the June 30, 2017 measurement date were consistent with the 2017 Actuarial Experience Investigation Study for the six-year period ended June 30, 2016 and approved by the ERSRI Board on May 15, 2017.

(1) Based on market value of assets.

(2) The State used a discount rate of 7.0% to measure the total pension liability of the Plans at June 30, 2017, except for RIJRFT. This discount rate was based on the expected rate of return on Plan investments of 7.0%. The projection of cash flows used to determine the 7.0% discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of current Plan members, except for the members of RIJRFT. Therefore, the long-term expected rate of return on pension plan investments of 7.0% was applied to all periods of projected benefit payments to determine the total pension liability of the Plans.

(3) The net pension liability is measured as the total pension liability, less the amount of the Plan's fiduciary net position.

(4) By statute, the State funds 40% of the ARC for teachers under ERS. This constitutes a special funding situation as described in GASB 68. Consequently, the State has recognized its proportionate share of the net pension liability and other related pension amounts for this special funding situation.

(5) For RIJRFT, the State has not opted to make the ARC and therefore, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Consequently, for the RIJRFT, the municipal bond index rate, based on fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" (3.56% at June 30, 2017) was applied to all periods of projected benefit payments to determine the total pension liability.

Beginning July 1, 2016, a trust was created, State of Rhode Island State Police Retirement Fund Trust (SPRFT), under the Employees Retirement System of Rhode Island (ERSRI) for retirees classified as "State Police" under Rhode Island General Law §42-28-22.1 to allow for advance funding of the benefits that are currently paid for on a pay-as-you-go basis. The establishment of the SPRFT includes an actuarially appropriate contribution amount based on a seventeen (17) year funding period, plus an initial supplemental contribution from the State to start the SPRFT of $15 million. In FY 2017 and beyond, the State will make

a series of 17 annual level dollar contributions to the trust and all benefit payments for this group will be paid out of this trust. With the State initial contribution of $15 million and $16.4 million for the next 17 years, given an annual rate of return on the contributions of 7.00%, and life expectancy is consistent with the most recent actuarial valuation for the SPRFT, the liability for the pay-as-you-go retirement benefits for the State Police Officers hired before July 1, 1987 will be advance funded.

The following table (in thousands) shows the sensitivity of the net pension liability (asset) to changes in the discount rate, using a rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

GASB Statement No. 67 Disclosure
Plan's Sensitivity of the FY 2017 Net Pension Liability To
Changes in the Discount Rate
(in thousands)

	1.00% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1.00% Increase (8.00%)**
ERS – State Employees	$ 2,807,740	$ 2,254,755	$ 1,842,865
ERS – Teachers	3,955,394	3,147,292	2,545,384
SPRBT	42,018	24,485	11,431
JRBT	16,357	7,733	1,310
SPRFT	181,289	159,944	144,039

	1.00% Decrease (2.56%)	**Municipal Bond Index Discount Rate (3.56%)**	**1.00% Increase (4.56%)**
RIJRFT	$ 22,075	$ 19,795	$ 18,099

GASB 68

GASB 68 requires each participating employer to recognize and record as a liability on its financial statements their proportionate share of the collective net pension liability determined under GASB 67. For the Fiscal Year ending June 30, 2017, each participating employer must recognize its share of the total net pension liability of approximately $5,141,649 (expressed in thousands). As shown below, the State's share of the collective net pension liability as of June 30, 2017 has been determined to be $3,135,916 (expressed in thousands). This amount was recorded as a liability on the 2017 CAFR.

The GASB 68 disclosures as of June 30, 2017 are based on the Plan net pension liability as of June 30, 2016. Accordingly, the GASB No. 68 disclosures (other than RIJRFT) are based on the actuarial valuations of the Plans as of June 30, 2015 and adjusted to reflect what the Actuary assumed would occur with respect to the experience of the Plans as of June 30, 2016. The following chart summarizes the allocation of the net pension liability determined under GASB Statement No. 68 and disclosed in the 2017 CAFR:

GASB Statement No. 68 Disclosure
Allocation of Net Pension Liability (NPL) per GASB Statement No. 68
(in thousands)

Pension Plan	State	LEAs	State Colleges	Lottery[1]	Public Corps[2]	Plan Net Pension Liability
ERS – State Employees	$1,887,352	$-	$196,260	$16,260	$22,390	$2,122,262
ERS – Teachers[3]	1,212,754	1,770,823	-	-	-	2,983,577
SPRBT	9,240	-	-	-	-	9,240
JRBT	6,533	-	-	-	-	6,533
RIJRFT	20,037	-	-	-	-	20,037
Total	$3,135,916	$1,770,823	$196,260	$16,260	$22,390	$5,141,649

Source: GASB 68: 2017 CAFR for fiscal year ending June 30, 2017. Net pension liability was determined based on the actuarial valuations of the Plans as of June 30, 2015 and adjusted to reflect what the Actuary assumed would occur with respect to the experience of the Plans as of June 30, 2016.

(1) The State allocates a portion of its net pension liability to the State's Lottery Fund.

(2) Certain employees of the Rhode Island Higher Education Assistance Authority, the Narragansett Bay Commission, Commerce RI and the Rhode Island Airport Corporation participate in ERS as though they were State employees.

(3) The ERS plan for teachers represents a special funding situation because the State is legally responsible for making contributions directly to this plan for the purpose of providing pension benefits to non-State employees. Pursuant to GASB Statement No. 68, this special funding situation requires the State to recognize its proportionate share of the collective net pension liability for this plan.

Under GASB 68 requirements, the State has also developed a valuation for its pay-as-you-go pension plans for certain State police officers and judges. The net pension liability at the June 30, 2016 measurement date was $289.1 million for State police officers and $51.3 million for judges, as disclosed in the 2017 CAFR. See "STATE FUNDING OF RETIREMENT SYSTEMS - State Pension Plans and Membership - Judicial Retirement Benefits Trust (JRBT)" and "- State Police Retirement Benefits Trust (SPRBT)" herein.

A copy of the GASB 67 and 68 actuarial report as of June 30, 2017 is posted on the ERSRI website: http://www.ersri.org/actuarial-valuations/gasb-68-fund-information. None of the information posted on the ERSRI website is incorporated by reference herein.

Other Post-Employment Benefits

In addition to providing pension benefits, the State, through the Rhode Island State Employees' and Electing Teachers OPEB System (the "OPEB System"), is required by law to provide certain health care benefits ("other post-employment benefits" or "OPEB") for retired State employees. RIGL Chapter 36-12.1 (the "OPEB Statute") governs the provisions of the OPEB System. The OPEB System is administered by the Rhode Island OPEB Board (the "OPEB Board"), an independent board established under the OPEB Statute for the purpose of holding in trust and administering the funds of the OPEB System. The OPEB System administers benefits plans for: (i) State employees (including certain employees of the Narragansett Bay Commission, Rhode Island Airport Corporation and Commerce RI), (ii) certified public school teachers electing to participate in the OPEB System; (iii) judges; (iv) State police officers; (v) retired and former members of the General Assembly; and (vi) certain employees of the State Colleges (primarily faculty) (collectively, the "OPEB Plans"). The contribution requirements of retirees, the State and other participating employers are set by statute. Active employees (other than employees of the State Colleges) do not make contributions to the OPEB Plans. The retirees' contribution to the cost of the OPEB Plans varies based on their years of service.

The State Investment Commission oversees all investments made by the State, including those made for the OPEB System. The OPEB Statute requires that all investments shall be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital. The assets of each of the OPEB Plans are pooled for investment purposes only. Consistent with a target asset allocation model adopted by the State Investment Commission, the OPEB System maintains a diversified portfolio by sector, credit rating and issuer using the prudent person standard.

Pursuant to the OPEB Statute, a trust was established in fiscal year 2011 to accumulate assets and pay benefits and other costs associated with the OPEB Plans. The State's annual OPEB cost is calculated based on the ARC in respect to the Pension Plans, as determined by the Actuary in accordance with GASB Statement 45, *"Other Post-Employment Benefits"* ("GASB 45"). The State is required by the OPEB Statute to fully fund the ARC through annual appropriations. Prior to fiscal year 2011, the State funded the OPEB Plans on a pay-as-you-go basis, with annual contributions designed to fund only current year claims, premiums and administrative costs. All employer contributions to the trust for fiscal year 2011 and thereafter have been made and will be made on an actuarially determined basis in accordance with the OPEB Statute.

Pursuant to GASB 45 and State law, the State has obtained an Actuarial Valuation of the OPEB Plans for the fiscal year ending June 30, 2017. GASB 45 requires that OPEB obligations be recalculated at two-year intervals and the next valuation will be for the fiscal year ending June 30, 2019. The purpose of the Actuarial Valuation is to measure the State's funding progress, to determine the ARC, and to determine the actuarial information in accordance with GASB 45. As of the June 30, 2017 Actuarial Valuation, there were 13,433 active members covered by the OPEB trust and 7,976 retirees receiving healthcare benefits under the OPEB System. The actuarial report as of June 30, 2015 is available at the General Treasurer's website: http://treasury.ri.gov/investor-relations/pension-and-opeb/. The actuarial report as of June 30, 2017 is available at the State Controller's website: http://controller.admin.ri.gov/Other%20Post%20Employment%20Benefits/index.php. None of the information posted on the websites of the General Treasurer or State Controller is incorporated by reference herein.

The ARC is based on OPEB Plan provisions in effect as of the valuation date, the actuarial assumptions adopted by the OPEB Board, and the methodology set forth in the OPEB Statute. The OPEB Board's current policy is that the ARC determined by a given Actuarial Valuation becomes effective two years after the valuation date. Thus, the ARC determined by the June 30, 2017 Actuarial Valuation will be applicable for fiscal years 2020 and 2021.

In computing the ARC, the Actuary determined the AAL of the OPEB Plans to be $844,503,143 and the UAAL to be approximately $628,806,816 as of June 30, 2017. This reflects a change from $785,911,274 for the AAL and $647,537,352 for the UAAL as of the June 30, 2015 valuation. This is primarily the result of assumption changes adopted by the Board to the rates of mortality, salary increases, dates of retirement, employee turnover and disability. The healthcare trend assumption was also reset to 9.0% for the first year, trending down to 3.5% over 14 years. The existing assumed rate of return of 5.0% for the OPEB Trust Fund remains unchanged.

The actuary calculated the ARC based on an amortization of the UAAL over 30 years for judges and General Assembly members, 0 years for teachers and 19 years for State employees, State police officers and certain employees of the State University and Colleges. The OPEB Plans for the judges and General Assembly members are currently over 100% funded. The State and other participating employers contributed approximately $56.7 million to the OPEB Plans in FY 2017. The ARC determined by the June 30, 2015 valuation was used to determine the amount of the FY 2018 contribution. For FY 2019, based on

the June 30, 2015 valuation, the State and other participating employers will be required to contribute approximately $60.7 million to the OPEB Plans.

The following tables set forth the prospective statutory funding status of the OPEB Plans for the Fiscal Year ended June 30, 2017 through the Fiscal Year ended June 30, 2040. The following information constitutes forward-looking information and does not represent a prediction of actual results. The following information represents a projection of the future funded status of the Plans, based on the assumptions and methodologies used by the Actuary in preparing the Actuarial Valuations for the Plans, and the assumption that the State will continue to make its ARC payments in each Fiscal Year. Accordingly, the following information is based on numerous assumptions and methodologies and actual results will likely differ. Investors should read carefully all of the other information contained herein regarding the OPEB Plans to understand the assumptions and methodologies upon which the following information is based.

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AGGREGATE PROSPECTIVE FUNDING STATUS OF THE OPEB PLANS
(in millions)

Rhode Island State Employees' and Electing Teachers OPEB
Projections based on the June 30, 2017 actuarial valuation

Group: **State Employees**

Actuarial Valuation Date	Actuarial Value of Assets (in Millions $) (a)	Actuarial Accrued Liability (AAL) (in Millions $) (b)	Unfunded AAL (UAAL) (in Millions $) (b-a)	Actuarial Funded Ratio (a / b)	Actuarially Determined Contribution (ADC)* (in Millions $)	Market Value of Assets (in Millions $) (d)	Funded Ratio at Market Value (d / b)
6/30/2017	$ 143.70	$ 669.20	$ 525.50	21.47%		$ 149.76	22.38%
6/30/2018	166.38	688.52	522.14	24.16%	$ 44.17	170.34	24.74%
6/30/2019	189.96	707.94	517.98	26.83%	45.50	191.92	27.11%
6/30/2020	219.81	727.49	507.68	30.21%	51.98	219.81	30.21%
6/30/2021	249.11	747.01	497.90	33.35%	53.54	249.11	33.35%
6/30/2022	280.32	766.90	486.58	36.55%	55.14	280.32	36.55%
6/30/2023	313.75	787.35	473.60	39.85%	56.80	313.75	39.85%
6/30/2024	349.01	807.86	458.85	43.20%	58.50	349.01	43.20%
6/30/2025	386.09	828.31	442.21	46.61%	60.26	386.09	46.61%
6/30/2026	425.30	848.86	423.56	50.10%	62.06	425.30	50.10%
6/30/2027	466.49	869.24	402.75	53.67%	63.93	466.49	53.67%
6/30/2028	510.07	889.71	379.64	57.33%	65.84	510.07	57.33%
6/30/2029	556.65	910.72	354.07	61.12%	67.82	556.65	61.12%
6/30/2030	606.92	932.81	325.89	65.06%	69.85	606.92	65.06%
6/30/2031	661.55	956.48	294.93	69.17%	71.95	661.55	69.17%
6/30/2032	720.92	981.91	260.99	73.42%	74.11	720.92	73.42%
6/30/2033	785.36	1,009.27	223.91	77.81%	76.33	785.36	77.81%
6/30/2034	855.27	1,038.73	183.46	82.34%	78.62	855.27	82.34%
6/30/2035	930.90	1,070.34	139.44	86.97%	80.98	930.90	86.97%
6/30/2036	1,012.11	1,103.74	91.63	91.70%	83.41	1,012.11	91.70%
6/30/2037	1,099.34	1,139.12	39.78	96.51%	85.91	1,099.34	96.51%
6/30/2038	1,176.60	1,176.60	-	100.00%	72.53	1,176.60	100.00%
6/30/2039	1,216.04	1,216.04	-	100.00%	32.74	1,216.04	100.00%
6/30/2040	1,257.51	1,257.51	-	100.00%	33.72	1,257.51	100.00%

** For the year ending on the actuarial valuation date.*

Group: State Police

Actuarial Valuation Date	Actuarial Value of Assets (in Millions $) (a)	Actuarial Accrued Liability (AAL) (in Millions $) (b)	Unfunded AAL (UAAL) (in Millions $) (b-a)	Actuarial Funded Ratio (a / b)	Actuarially Determined Contribution (ADC)* (in Millions $)	Market Value of Assets (in Millions $) (d)	Funded Ratio at Market Value (d / b)
6/30/2017	$ 36.02	$ 82.42	$ 46.40	43.70%		$ 37.54	45.54%
6/30/2018	42.10	86.38	44.28	48.74%	$ 7.67	43.09	49.89%
6/30/2019	48.28	90.27	41.99	53.48%	7.90	48.77	54.03%
6/30/2020	53.20	93.95	40.75	56.63%	6.91	53.20	56.63%
6/30/2021	57.49	97.38	39.88	59.04%	7.12	57.49	59.04%
6/30/2022	61.65	100.53	38.88	61.32%	7.33	61.65	61.32%
6/30/2023	65.63	103.37	37.74	63.49%	7.55	65.63	63.49%
6/30/2024	69.66	106.11	36.46	65.64%	7.78	69.66	65.64%
6/30/2025	73.62	108.63	35.01	67.77%	8.01	73.62	67.77%
6/30/2026	77.54	110.92	33.39	69.90%	8.25	77.54	69.90%
6/30/2027	81.53	113.12	31.59	72.08%	8.50	81.53	72.08%
6/30/2028	86.06	115.65	29.59	74.41%	8.76	86.06	74.41%
6/30/2029	91.08	118.46	27.39	76.88%	9.02	91.08	76.88%
6/30/2030	96.60	121.57	24.96	79.46%	9.29	96.60	79.46%
6/30/2031	102.95	125.25	22.31	82.19%	9.57	102.95	82.19%
6/30/2032	110.59	129.99	19.40	85.08%	9.85	110.59	85.08%
6/30/2033	119.34	135.56	16.22	88.03%	10.15	119.34	88.03%
6/30/2034	128.92	141.69	12.77	90.99%	10.46	128.92	90.99%
6/30/2035	139.37	148.38	9.01	93.93%	10.77	139.37	93.93%
6/30/2036	151.16	156.09	4.93	96.84%	11.09	151.16	96.84%
6/30/2037	163.66	164.17	0.51	99.69%	11.42	163.66	99.69%
6/30/2038	172.67	172.67	-	100.00%	7.61	172.67	100.00%
6/30/2039	181.37	181.37	-	100.00%	7.29	181.37	100.00%
6/30/2040	189.87	189.87	-	100.00%	7.51	189.87	100.00%

** For the year ending on the actuarial valuation date.*

Group: Board of Education

Actuarial Valuation Date	Actuarial Value of Assets (in Millions $) (a)	Actuarial Accrued Liability (AAL) (in Millions $) (b)	Unfunded AAL (UAAL) (in Millions $) (b-a)	Actuarial Funded Ratio (a / b)	Actuarially Determined Contribution (ADC)* (in Millions $)	Market Value of Assets (in Millions $) (d)	Funded Ratio at Market Value (d / b)
6/30/2017	$ 23.74	$ 77.20	$ 53.46	30.76%		$ 24.74	32.05%
6/30/2018	30.17	82.23	52.05	36.69%	$ 5.61	30.83	37.49%
6/30/2019	36.73	87.23	50.50	42.11%	5.78	37.05	42.48%
6/30/2020	43.06	92.23	49.17	46.69%	5.57	43.06	46.69%
6/30/2021	49.23	97.24	48.01	50.62%	5.74	49.23	50.62%
6/30/2022	55.57	102.26	46.69	54.34%	5.91	55.57	54.34%
6/30/2023	62.11	107.29	45.18	57.89%	6.09	62.11	57.89%
6/30/2024	68.85	112.34	43.49	61.29%	6.27	68.85	61.29%
6/30/2025	75.87	117.46	41.59	64.59%	6.46	75.87	64.59%
6/30/2026	83.18	122.66	39.47	67.82%	6.65	83.18	67.82%
6/30/2027	90.82	127.95	37.13	70.98%	6.85	90.82	70.98%
6/30/2028	98.84	133.37	34.53	74.11%	7.06	98.84	74.11%
6/30/2029	107.26	138.94	31.67	77.20%	7.27	107.26	77.20%
6/30/2030	116.18	144.72	28.54	80.28%	7.49	116.18	80.28%
6/30/2031	125.62	150.72	25.10	83.35%	7.71	125.62	83.35%
6/30/2032	135.62	156.96	21.35	86.40%	7.94	135.62	86.40%
6/30/2033	146.24	163.50	17.25	89.45%	8.18	146.24	89.45%
6/30/2034	157.54	170.35	12.80	92.48%	8.43	157.54	92.48%
6/30/2035	169.56	177.53	7.97	95.51%	8.68	169.56	95.51%
6/30/2036	182.33	185.06	2.73	98.52%	8.94	182.33	98.52%
6/30/2037	191.54	192.96	1.42	99.26%	4.96	191.54	99.26%
6/30/2038	201.27	201.27	-	100.00%	5.10	201.27	100.00%
6/30/2039	210.02	210.02	-	100.00%	3.76	210.02	100.00%
6/30/2040	219.22	219.22	-	100.00%	3.87	219.22	100.00%

** For the year ending on the actuarial valuation date.*

Group: Teachers

Actuarial Valuation Date	Actuarial Value of Assets (in Millions $) (a)	Actuarial Accrued Liability (AAL) (in Millions $) (b)	Unfunded AAL (UAAL) (in Millions $) (b-a)	Actuarial Funded Ratio (a / b)	Actuarially Determined Contribution (ADC)* (in Millions $)	Market Value of Assets (in Millions $) (d)	Funded Ratio at Market Value (d / b)
6/30/2017	$ 9.38	$ 12.83	$ 3.45	73.11%		$ 9.78	76.19%
6/30/2018	11.22	12.31	1.09	91.16%	$ 2.32	11.48	93.26%
6/30/2019	13.19	11.81	(1.38)	111.69%	2.32	13.32	112.77%
6/30/2020	12.97	11.39	(1.58)	113.91%	-	12.97	113.91%
6/30/2021	12.68	11.02	(1.66)	115.10%	-	12.68	115.10%
6/30/2022	12.37	10.63	(1.75)	116.43%	-	12.37	116.43%
6/30/2023	12.04	10.20	(1.83)	117.97%	-	12.04	117.97%
6/30/2024	11.68	9.75	(1.93)	119.74%	-	11.68	119.74%
6/30/2025	11.31	9.29	(2.02)	121.76%	-	11.31	121.76%
6/30/2026	10.92	8.79	(2.12)	124.14%	-	10.92	124.14%
6/30/2027	10.52	8.29	(2.23)	126.89%	-	10.52	126.89%
6/30/2028	10.11	7.77	(2.34)	130.10%	-	10.11	130.10%
6/30/2029	9.72	7.26	(2.46)	133.82%	-	9.72	133.82%
6/30/2030	9.33	6.75	(2.58)	138.21%	-	9.33	138.21%
6/30/2031	8.95	6.24	(2.71)	143.43%	-	8.95	143.43%
6/30/2032	8.57	5.73	(2.84)	149.65%	-	8.57	149.65%
6/30/2033	8.22	5.23	(2.99)	157.12%	-	8.22	157.12%
6/30/2034	7.88	4.74	(3.14)	166.16%	-	7.88	166.16%
6/30/2035	7.56	4.27	(3.29)	177.15%	-	7.56	177.15%
6/30/2036	7.27	3.81	(3.46)	190.64%	-	7.27	190.64%
6/30/2037	7.01	3.38	(3.63)	207.30%	-	7.01	207.30%
6/30/2038	6.79	2.98	(3.81)	228.04%	-	6.79	228.04%
6/30/2039	6.60	2.60	(4.00)	254.09%	-	6.60	254.09%
6/30/2040	6.45	2.25	(4.20)	287.08%	-	6.45	287.08%

** For the year ending on the actuarial valuation date.*

Group: Judges

Actuarial Valuation Date	Actuarial Value of Assets (in Millions $) (a)	Actuarial Accrued Liability (AAL) (in Millions $) (b)	Unfunded AAL (UAAL) (in Millions $) (b-a)	Actuarial Funded Ratio (a / b)	Actuarially Determined Contribution (ADC)* (in Millions $)	Market Value of Assets (in Millions $) (d)	Funded Ratio at Market Value (d / b)
6/30/2017	$ 3.55	$ 1.32	$ (2.23)	268.57%		$ 3.70	279.88%
6/30/2018	3.58	1.19	(2.38)	299.94%	$ -	3.67	308.17%
6/30/2019	3.61	1.07	(2.54)	337.95%	-	3.66	342.48%
6/30/2020	3.67	0.96	(2.70)	380.28%	-	3.67	380.28%
6/30/2021	3.69	0.87	(2.82)	422.66%	-	3.69	422.66%
6/30/2022	3.73	0.78	(2.94)	475.00%	-	3.73	475.00%
6/30/2023	3.78	0.71	(3.07)	534.32%	-	3.78	534.32%
6/30/2024	3.85	0.64	(3.21)	601.39%	-	3.85	601.39%
6/30/2025	3.95	0.61	(3.35)	653.03%	-	3.95	653.03%
6/30/2026	4.07	0.57	(3.49)	709.03%	-	4.07	709.03%
6/30/2027	4.19	0.54	(3.65)	774.88%	-	4.19	774.88%
6/30/2028	4.32	0.51	(3.81)	840.32%	-	4.32	840.32%
6/30/2029	4.48	0.50	(3.98)	897.79%	-	4.48	897.79%
6/30/2030	4.64	0.49	(4.15)	956.28%	-	4.64	956.28%
6/30/2031	4.81	0.47	(4.34)	1027.92%	-	4.81	1027.92%
6/30/2032	4.97	0.44	(4.53)	1120.03%	-	4.97	1120.03%
6/30/2033	5.17	0.44	(4.73)	1181.87%	-	5.17	1181.87%
6/30/2034	5.40	0.45	(4.94)	1190.15%	-	5.40	1190.15%
6/30/2035	5.64	0.48	(5.16)	1182.84%	-	5.64	1182.84%
6/30/2036	5.90	0.51	(5.40)	1160.60%	-	5.90	1160.60%
6/30/2037	6.18	0.54	(5.64)	1137.27%	-	6.18	1137.27%
6/30/2038	6.47	0.58	(5.89)	1111.25%	-	6.47	1111.25%
6/30/2039	6.78	0.63	(6.16)	1083.78%	-	6.78	1083.78%
6/30/2040	7.10	0.67	(6.43)	1058.51%	-	7.10	1058.51%

** For the year ending on the actuarial valuation date.*

Group: Legislators

Actuarial Valuation Date	Actuarial Value of Assets (in Millions $) (a)	Actuarial Accrued Liability (AAL) (in Millions $) (b)	Unfunded AAL (UAAL) (in Millions $) (b-a)	Actuarial Funded Ratio (a / b)	Actuarially Determined Contribution (ADC)* (in Millions $)	Market Value of Assets (in Millions $) (d)	Funded Ratio at Market Value (d / b)
6/30/2017	$ 2.79	$ 1.53	$ (1.26)	182.73%		$ 2.90	190.43%
6/30/2018	2.90	1.57	(1.33)	184.79%	$ 0.01	2.98	189.69%
6/30/2019	3.00	1.60	(1.40)	187.16%	0.01	3.04	189.53%
6/30/2020	3.08	1.63	(1.45)	188.84%	-	3.08	188.84%
6/30/2021	3.10	1.64	(1.46)	189.38%	-	3.10	189.38%
6/30/2022	3.10	1.63	(1.47)	190.55%	-	3.10	190.55%
6/30/2023	3.11	1.63	(1.48)	190.99%	-	3.11	190.99%
6/30/2024	3.12	1.62	(1.49)	191.79%	-	3.12	191.79%
6/30/2025	3.10	1.60	(1.50)	193.67%	-	3.10	193.67%
6/30/2026	3.06	1.55	(1.50)	196.67%	-	3.06	196.67%
6/30/2027	3.00	1.49	(1.51)	200.99%	-	3.00	200.99%
6/30/2028	2.94	1.43	(1.51)	205.26%	-	2.94	205.26%
6/30/2029	2.88	1.38	(1.51)	209.36%	-	2.88	209.36%
6/30/2030	2.83	1.33	(1.50)	213.07%	-	2.83	213.07%
6/30/2031	2.79	1.30	(1.50)	215.54%	-	2.79	215.54%
6/30/2032	2.75	1.26	(1.49)	217.79%	-	2.75	217.79%
6/30/2033	2.77	1.29	(1.48)	214.54%	-	2.77	214.54%
6/30/2034	2.81	1.35	(1.46)	208.64%	-	2.81	208.64%
6/30/2035	2.86	1.41	(1.44)	202.08%	-	2.86	202.08%
6/30/2036	2.93	1.50	(1.42)	194.47%	-	2.93	194.47%
6/30/2037	3.03	1.63	(1.40)	185.55%	-	3.03	185.55%
6/30/2038	3.15	1.78	(1.37)	176.66%	-	3.15	176.66%
6/30/2039	3.27	1.94	(1.33)	168.71%	-	3.27	168.71%
6/30/2040	3.40	2.11	(1.29)	161.23%	-	3.40	161.23%

** For the year ending on the actuarial valuation date.*

Source: The figures in the tables directly above were calculated for the OPEB System by its actuary. The projections were based upon the same census data, financial information, actuarial assumptions and plan provisions used in the regular actuarial valuation as of June 30, 2015, which was prepared by the actuary in accordance with GASB 43 and 45. Additional information regarding the census data, financial information, actuarial assumptions, plan provisions, and other important disclosures may also be found in the June 30, 2015 actuarial valuation report which can be reviewed at http://treasury.ri.gov/investor-relations/pension-and-opeb/. These figures assume the accuracy of all actuarial calculations and that the State and the other participating employers continue to contribute 100% of the ARC to the respective plans. The OPEB Board has adopted assumption changes reflected in the June 30, 2017 actuarial report referenced herein. Those assumption changes were not reflected in this table.

Actuarial Valuations of the OPEB Plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plans and the ARC are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. These future revisions in actuarial assumptions could have a material effect on the UAAL or ARC in the future. In the event of material changes in the UAAL with respect to retiree healthcare, there is no assurance that the State will be able to fund its ARC in the future. In the event that the State is not able to fund such contributions, the State may be required to raise additional revenue, to reduce State services, to modify benefits, to implement a combination of the foregoing or take other necessary measures.

The actuarial methods and assumptions used in the latest valuation of the OPEB Plans as of June 30, 2017 are as follows:

Summary of Actuarial Methods and Assumptions as of June 30, 2017 valuation						
	Plan					
	State Employees	**Teachers**	**Judicial**	**State Police**	**Legislators**	**Board of Education**
Plan Type	Cost sharing multiple employer	Single Employer	Single Employer	Single Employer	Single Employer	Cost sharing multiple employer
Actuarial Cost Method	Individual Entry Age					
Amortization Method	Level Percent of Payroll	Level Dollar	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Equivalent Single Remaining Amortization Period	19 years closed	Determined by statutory contribution	30 years open	19 years closed	30 years open	19 years closed
Asset Valuation Method	Four-year smoothed market					
Actuarial Assumptions						
Investment Rate of Return	5.00%					
Projected Salary Increases	3.25% to 6.00%	NA	3.00%	4.00% to 14.00%	3.25% to 6.00%	3.25% to 6.00%
Valuation Health Care Cost Trend Rate	9% in 2018, grading to 3.5% in 2031 and later					
Excise Tax Under the Patient Protection and Affordable Care Act	11.00%					

Note: The actuarial assumptions do not include a separate general inflation rate assumption.

In June of 2015, GASB approved new Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establish new accounting and financial reporting requirements for governments whose employees are provided with OPEB. The State implemented GASB Statement No. 74 in FY 2017 and will implement GASB Statement No. 75 in FY 2018. GASB Statement No. 75 will require the State to restate the opening net position as of July 1, 2017 to recognize its share of the net OPEB liability relating to the OPEB Plans. The amount of the restatement has not yet been determined.

For further information about retiree health care benefits, see "Note 15. Other Post-Employment Benefits" in the 2017 CAFR.

Other Benefits

In addition to benefits provided to State employees by the State Retirement System described above, most State employees since 1956 have also been covered under the provisions of the Federal Old-Age and Survivor's Insurance Program (Title II of the Federal Social Security Act). Benefit rates, State contributions and member contributions are governed by federal law. The State is also subject to the unemployment compensation provisions of the federal employment security law. Contributions by the State under these programs are made by annual appropriation of actual benefit costs incurred rather than a percentage of payroll.

EMPLOYEE RELATIONS

It is the public policy of the State to encourage the practice and procedure of collective bargaining, and to protect employees in the exercise of full freedom of association, self-organization, and designation of representatives of their own choosing for the purposes of collective bargaining, or other mutual aid and protection, free from the interference, restraint, or coercion of their employers. See Rhode Island General Laws Section 28-7-2. State employees, with limited exceptions, have the right to organize, to designate representatives for the purpose of collective bargaining and to negotiate with the Governor or his/her designee on matters pertaining to wages, hours and other conditions of employment, except those benefits provided under the State Employees' Retirement System. See Rhode Island General Laws Section 36-11-1. State employees generally have all rights to bargain as do private employees under the State Labor Relations Act, except that State employees cannot lawfully strike. See Rhode Island General Laws Section 36-11-6.

The State's workforce consists of approximately 14,886 paid employees as of September 30, 2017. This corresponds to 14,021 full-time equivalent ("FTE") positions. This number is less than the 15,160 authorized FTE positions in the FY 2018 Enacted Budget by approximately 1,139 positions. Of this amount, the State employs 3,596 non-union employees (24% of the total workforce) and 11,290 union employees (76% of the total workforce). There are fifteen unions, the largest being American Federation of State, County and Municipal Employees (AFSCME), Council 94. Council 94 represents approximately 3,813 employees (26% of total union workforce). Other significant unions include the Rhode Island Brotherhood of Correctional Officers ("RIBCO") (1,049 employees –7% of the total union workforce); the Rhode Island Alliance of Social Service Employees, Local 580 (798 employees –5% of the total union workforce); and the Laborers International Union North America (850 employees –6% of the total union workforce).

The current collective bargaining agreements between the State and the various employee unions ("CBAs") were effective for a four-year period July 1, 2013 through June 30, 2017. The CBAs provided for three salary increases: 2% effective April 6, 2014, 2% effective October 5, 2014 and an additional 2% effective October 4, 2015. These general salary increases were also extended to non-union employees. Additionally, the CBAs provided for negotiated health insurance benefits modifications to include single/family ($250/$500) medical expense deductibles, as well as increases in medical and prescription co-payments. The CBAs also decreased the amount of the payment to employees who waive the health insurance benefit.

In May 2016, RIBCO (rank and file only), exercised its statutory right to pursue interest in arbitration, which resulted in an interest arbitration decision for the period of July 1, 2012 through June 30, 2017. The decision awarded salary increases of 2% effective July 1, 2012, 2% effective July 1, 2013, 2% effective July 1, 2014, 2% effective July 1, 2015 and 2.25% effective January 1, 2017. The RIBCO (rank and file) CBA expired June 30, 2017 and it is anticipated that RIBCO may elect to proceed to statutory interest arbitration for a successor contract.

The Rhode Island Troopers Association ("RITA") contract expired on April 30, 2016. An eighteen (18) month contract extension was signed for the period May 1, 2016 through October 31, 2017. The existing contract had provided for a bonus of 3.5% paid to troopers each year the Department of Public Safety received a "status" accreditation from the Commission on Accreditation for Law Enforcement Agencies ("CALEA"). The "status" bonus was ended and in its place the troopers received a 3.5% salary increase. In addition, the differential paid to a senior trooper at the seventy-two (72) month level was increased from two thousand dollars ($2,000) to three thousand five hundred dollars ($3,500) and the differential paid to detectives was increased from four thousand dollars ($4,000) to five thousand five hundred dollars ($5,500). An additional salary increase of 1.25% for troopers and detectives became effective July 1, 2017. The RITA CBA expired October 31, 2017 and it is anticipated that the RITA may elect to proceed to statutory interest arbitration for a successor contract.

In February 2017, pursuant to a wage reopener and more specifically to aid with the recruitment and retention of physicians and psychiatrists needed at the Eleanor Slater Hospital System, which is operated through the State's Department of Behavioral Healthcare, Developmental Disabilities and Hospitals ("BHDDH"), the State negotiated and entered into an agreement with the State Employed Physicians Association (limited to doctors employed by the BHDDH) for increases in doctor salaries. The agreement also provides for increases in the on-call pay to BHDDH-employed doctors. The pay raises are in the process of being effectuated through a public hearing process, which was concluded in December 2017. Both the salary increases and on-call increases are subject to retroactivity to December 2016 per the agreement.

Almost all the CBAs between the State and the various employee unions expired on June 30, 2017. The Unions have submitted timely requests to negotiate a successor agreement and the parties are currently engaged in negotiations. By their terms, each CBA "shall remain in full force and be effective during the period of negotiations and until a notice of termination of this agreement to the other party." The State has an affirmative obligation to bargain in good faith with the unions until an impasse and cannot unilaterally change the terms of existing CBAs during negotiation. In the event of an impasse, the State law mandates that the State and the unions enter into mediation (Rhode Island General Laws Section 36-11-7.1), conciliation (Rhode Island General Laws Sections 36-11-7 and 36-11-8), and ultimately interest arbitration (Rhode Island General Laws Section 36-11-9) if the parties are unable to ultimately negotiate the terms of a successor agreement. Interest arbitration is binding on the State and the unions on all issues, other than an issue which involves wages, and as to that issue, the decision is only advisory in nature. There are three exceptions to this rule. The RITA (under Rhode Island General Laws Section 28-9.5-1 et seq.), RIBCO (under Rhode Island General Laws Section 28-9.7-1 et seq.), and E-911 employees (under Rhode Island General Laws Section 28-9.6-1 et seq.) have specific statutory authority to proceed to interest arbitration on all matters, including the settlement of wage or hour disputes.

LITIGATION

The State is a named party in various suits presently pending in Rhode Island state and federal courts. In the opinion of the Attorney General, that to his knowledge, no litigation is pending or threatened which is likely to result, either individually or in the aggregate, in final judgments against the State that would materially affect its financial condition. However, the following matters should be noted. The State is vigorously defending any liability in all pending litigation.

Pension Litigation

For a discussion of litigation in respect to the State's pension reform, see the section titled: "Pension Reform and Related Litigation" under "STATE FUNDING OF RETIREMENT SYSTEMS" above.

Other Litigation

The Retiree chapter of Council 94, AFSCME, filed a complaint in Rhode Island Superior Court alleging breach of contract in connection with, and challenging the constitutionality of, a change to retiree health benefits. The case is in the early stages, but could result in a significant shift in State resources. Damages are expected to be in the millions.

The Narragansett Indian Tribe (the "Tribe") filed a complaint challenging the constitutionality of a statute authorizing table games at Twin River Casino. The tribe also disputes whether the State "operates" either Twin River or Newport Grand within the meaning of the statute. The Rhode Island Supreme Court has since determined that the statute is constitutional and remanded the case to the Superior Court to determine whether the State "operates" the facilities. If the Tribe were to prevail, there could be a significant impact to the State's gaming revenue. In addition, the continuing cost of defending this litigation is estimated to be in the millions.

On March 31, 2017, the Tribe filed an action for declaratory judgment, breach of contract and injunctive relief against RIDOT and the Rhode Island State Historic Preservation Commission in United States District Court for the District of Rhode Island seeking to enjoin further construction on the I-95 Viaduct Bridge Replacement project. The Tribe is seeking the conveyance of certain lands to mitigate for the loss of historical tribal land discovered under the I-95 Viaduct project. The Tribe, however, will not accept RIDOT's proffered deeds to the land because the deeds contain a limited waiver of the Tribe's sovereign immunity. It is the State's position that the limited waiver is necessary in order for the deeds to remain enforceable. The properties at issue are worth millions of dollars and the State could lose upwards of $80 million dollars associated with the I-95 Viaduct Bridge Replacement project. The District Court granted the State and federal defendants' motions to dismiss. The Tribe has appealed the decision to the First Circuit. The parties have been engaging in informal mediation to attempt to resolve the underlying dispute.

Children's Rights of New York ("Children's Rights") sued the DCYF alleging constitutional and statutory violations in its foster care programs. Children's Rights sought substantial changes to these programs, prolonged supervision by a private, outside monitor and attorney's fees. Judgment was entered in favor of the State in the United States District Court for the District of Rhode Island on April 30, 2014. Children's Rights appealed to the United States Court of Appeals for the First Circuit, and the First Circuit reversed the District Court's decision. The First Circuit remanded the case to the District Court for additional discovery and further litigation. On January 8, 2018, the parties filed a Joint Motion for Preliminary Approval of Settlement Agreement, Setting Hearing, and Directing Class Notice. The District Court granted preliminary approval on January 11, 2018, and set a fairness hearing for May 9, 2018. Plaintiffs' Counsel will be filing a motion for approval of attorneys' fees of several million dollars which will require District Court approval.

A family sued DCYF for "wrongful adoption," alleging that DCYF failed to disclose the adopted child's severe disabilities. The child also brought separate claims against DCYF in connection with a sexual assault that allegedly occurred while she was in DCYF's care. The Superior Court issued a decision denying the State's motion to dismiss based on the statute of limitations. The State is considering filing a petition for certiorari with the Rhode Island Supreme Court on this issue. The family is seeking over $2.0 million

in damages, and there may be exposure for pre-trial interest exceeding that amount. This case is not likely to be resolved in the near future.

In 2010, Irie Transitional Program ("IRIE"), a program that provides residential services to teenagers in DCYF care, filed suit in Superior Court against DCYF alleging that it was not paid for services provided to children of the teenagers in its program. IRIE initially filed suit under a theory of unjust enrichment, but later amended its complaint to allege breach of contract, conspiracy, and tortuous interference with business. The Superior Court granted the State's motion to dismiss the amended complaint, but an appeal is pending. IRIE seeks $2,908,560 in damages, plus interest and costs.

A wrongful death action arising out of a drowning at Pulaski Park in Glocester has been brought against the Department of Environmental Management. Discovery is near completion and this case is expected to be tried sometime in 2018. Plaintiff is seeking $5,000,000 in damages. If a judgment is entered against the State, the pretrial interest to date is 144%.

Lionel Monsanto has filed a civil suit against the General Treasurer, certain Rhode Island State Police officers and the Superintendent of the State Police for violations of his First, Fourth, Fifth, Sixth and Fourteenth Amendment rights, arising out of an alleged assault by a Rhode Island State Police officer while in State custody. The plaintiff seeks millions of dollars in damages and attorney's fees and costs.

On May 2, 2011, Cashman Equipment filed suit against Cardi Corporation and RIDOT in Superior Court in connection with work performed in the course of building the Sakonnet River Bride. Cashman has set forth a number of allegations against Cardi including breach of contract, unjust enrichment, and negligence due to the fact that Cardi allegedly supplied a defective design for the cofferdams and defective materials. Cashman has contended that Cardi's actions required Cashman to perform additional work on the bridge for which it was entitled to compensation. In relation to the State, Cashman has specified $1,537,943.52 as pass through claims. Cardi has filed a first amended third party complaint against the State for those amounts plus any damages related to Type F concrete. The parties have participated in three Court ordered mediations. On June 9, 2017 Cashman filed for Bankruptcy.

The Quidnessett Memorial Cemetery (the "Cemetery") filed a lawsuit against RIDOT alleging inverse condemnation, continuous trespass, and violations of substantive and procedural due process stemming from an easement that the Cemetery granted to RIDOT in 1984 for the construction of a "seepage pit" on Cemetery property for overflow of highway runoff. The Cemetery alleges at least $2.5 million in damages for the value of the easement, which does not include damages related to loss of use. The Cemetery also demands the State resolve the flooding on Cemetery property, which may require major highway reconstruction with a cost in the millions. The matter is in the discovery phase.

In Rollingwood Acres Inc., Smithfield Peat Co. v. RIDOT, et al., Plaintiff alleges counts against RIDOT of trespassing and conversion, based on occurrences when RIDOT allegedly went onto Plaintiff's land and altered a certain pipe. Plaintiff alleges counts against RIDEM of extortion under R.I. Gen. Laws §9-1-2 and violations of the equal protection clause of the United States Constitution. Other counts were originally alleged but have been disposed of in favor of the State. While the State maintains that most of the damages sought are not of the type recoverable, Plaintiff will seek a minimum of half a million dollars.

The Chariho Regional School Committee ("Chariho") filed a Verified Complaint for Declaratory Judgment and Injunctive Relief against the State in Superior Court regarding the rights and obligations under an Agreement Concerning the Transfer of Ownership of the Chariho Career and Technical Center (the "Agreement"). In Count I, Chariho seeks a declaration, among other things, that the Agreement is enforceable between RIDE and Chariho and that RIDE breached the Agreement by approving career and technical programs at Westerly and Narragansett high schools, respectively. In Count II of the Complaint,

Chariho seeks a preliminary and permanent injunction restraining RIDE from: (i) approving the continued operation of any career and technical programs in Narragansett, New Shoreham, South Kingstown and Westerly for so long as Chariho operates a career and technical center and (ii) any new career and technical education programs in Narragansett, New Shoreham, South Kingstown and Westerly for so long as Chariho operates a career and technical center. In addition, Chariho seeks an award of attorney's fees and costs. The State has moved to dismiss the Complaint for lack of jurisdiction and failure to join indispensable parties, as well as failure to state a claim upon which relief may be granted. A hearing on the motion to dismiss is scheduled for November 21, 2016. In addition, the Narragansett School Committee and the Westerly School Committee have filed motions to intervene in the litigation, respectively. A hearing on the motions to intervene was heard for October 17, 2016. A motion to dismiss was granted in favor of the defendants on March 20, 2017. An appeal may follow, and the State will continue to vigorously defend appeals. The motion to dismiss was granted on March 20, 2017. On May 26, 2017, a notice of appeal was received.

RIDE filed an administrative appeal in Superior Court of the Rhode Island State Labor Relation Board's order and direction of election for its Legal Counsel/Hearing Officers. RIDE believes that the Legal Counsel/Hearing Officers are confidential and managerial employees exempt from collective bargaining. A hearing date is pending. The estimated amount of potential damages is unknown at this time.

Complainant Gaines filed a discrimination claim with the Human Rights Commission against the State. Ms. Gaines was formerly employed as Director of Educator Quality and Certification at the Rhode Island Department of Elementary and Secondary Education from September 2005 until May 2011. She has alleged that she was wrongfully terminated due to her disability, and that RIDE refused to make a reasonable accommodation to her disability by appointing her to a suitable vacant position which was then available. The case is in the early discovery stage, but plaintiff's attorney has not taken any action to move the case forward in several years. The State believes it has a valid defense. Potential damages are estimated at $500,000.

A wrongful death action arising out of a motor vehicle accident on Rhode Island Route 146 was brought against the State in Superior Court. The allegations in the complaint relate to the draining of water from the highway and lack of a barrier across the median. Potential liability is estimated to be at least $250,000 under the State wrongful death statute and if interest is awarded, interest would be 12% of the judgment per annum from May 2006.

Parents filed suit on behalf of their minor daughter alleging that the State and three park rangers failed to protect and warn the minor Plaintiff from potential harm. Discovery is ongoing. Potential damages are $750,000 and possible interest on any award.

Plaintiffs filed a lawsuit against the Director of the DHS because of the delay in SNAP benefit applicants receiving their benefits. The case was mediated in January of 2017 in the United States District Court for the District of Rhode Island and the parties reached and entered into a settlement agreement. Plaintiffs have since expressed concerns regarding compliance with the settlement agreement and requested relief from the Court. On November 2, 2017, the Court appointed a special master to oversee the settlement. See "STATE EXPENDITURES—*Human Services*—Department of Human Services—*RI Bridges/Unified Health Infrastructure Project ("UHIP").*"

A wrongful death action arising from the death of an inmate while incarcerated was brought against the Adult Correctional Institutions ("ACI"), its agents and employees. Discovery is ongoing. Damages are unknown at this time.

A wrongful death action arising from a pedestrian being struck by a motor vehicle accident in the City of Providence was brought against the State and other parties. Discovery is ongoing. Damages could exceed $350,000.

The plaintiff, a former DCYF employee, sued certain DCYF employees alleging claims of defamation, libel, slander, false light, intentional infliction of emotional distress and tortious interference with beneficial relations. Discovery is ongoing. Damages could be approximately $500,000. If interest is awarded, interest would be 12% of the judgment per annum from July 2009.

The plaintiff, a former program worker with juveniles, brought suit against DCYF and certain DCYF employees alleging discrimination based on gender and retaliation under the Whistleblowers' Act. Discovery is ongoing. Damages are estimated to be a minimum of $821,000. If interest is awarded, the amount would be 12% of the judgment per annum from April 2007. The amount of the potential award may be offset by a workers' compensation setoff.

Plaintiff National Grid brought an unjust enrichment case against the Town of Johnston and the Department of Transportation claiming that the Town has not paid its bills for electricity services on certain State roads in the Town. The Town claims that the electricity services were provided on state-owned roads in the Town and therefore the State, not the Town, is liable. The State filed a cross-claim against the Town. Both the State and the Town filed summary judgment motions against National Grid. In September 2017, the judge granted the State's summary judgment motion and denied the Town's summary judgment motion. The plaintiff may appeal. Potential damages are estimated to be in excess of $1,600,000. An award of interest is also likely.

Plaintiffs sued the Department of Health seeking damages and declaratory relief stemming from an inspection and summary order closing their practice for approximately one week. The Plaintiffs seek lost profits, other damages, as well as attorney fees. The lawsuit was filed in June 2014 and has been stayed by agreement pending resolution of related matters. Potential damages are estimated to be approximately $400,000 including attorney's fees.

A wrongful death action arising from allegations of medical care of a veteran has been brought against DHS and the Veterans Hospital. Discovery is ongoing. Potential damages are estimated to be in excess of $250,000. An award of interest would apply to any judgment at 12% per annum since August 2006.

A personal injury case was filed alleging that a youth in temporary custody of DCYF visited a trampoline park where the youth sustained injuries, including permanent paralysis. The complaint includes three counts brought against the DCYF, a DCYF social worker, the group home where the youth was staying, two of the employees of the group home and John Does alleging negligence, negligent supervision and loss of parental companionship. The Department of the Attorney General represents the State, DCYF and the DCYF employee. Discovery has not commenced. Because the complaint has just been filed, the extent of the alleged injuries and alleged permanent paralysis are unknown at this time, but may be extensive, and damages could be in the several million dollar range.

FINANCIAL STATEMENTS

The financial statements and notes of the State for fiscal year ended June 30, 2017, and the report thereon by the Auditor General, are included in the State's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017 ("2017 CAFR"), which has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Marketing Access System in connection with the State's continuing disclosure obligations with respect to its general obligation bonds, certificates of participation and certain other obligations. The financial statements and notes of the State for the fiscal year ended June 30, 2017, and the report thereon by the Auditor General, as reflected in the 2017 CAFR are incorporated herein by reference. The 2017 CAFR is posted on the Rhode Island State Controller's website and can be accessed at www.controller.admin.ri.gov under "Financial Reports" or by going directly to: http://controller.admin.ri.gov/documents/Financial%20Reports//119_Comprehensive%20Annual%20Financial%20Report_06-30-2017.pdf.

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EXHIBIT A

Economic Information

The information contained herein was developed from reports provided by federal and state agencies, which is believed to be reliable and may be relevant in evaluating the economic and financial condition and prospects of the State of Rhode Island. The demographic information and statistical data, which have been obtained from the sources indicated, do not necessarily present all factors that may have a bearing on the State's fiscal and economic affairs. All information is presented on a calendar-year basis unless otherwise indicated. Sources of information are indicated in the text or immediately following the charts and tables. Although the State considers the sources to be reliable, the State has made no independent verification of the information presented herein and does not warrant its accuracy.

Overview

Population Characteristics. Rhode Island experienced a population decrease of 1.1 percent between 2003 and 2017. The U.S. Census Bureau estimated that Rhode Island's population increased by 0.2 percent in 2017 to 1,059,639, compared to 1,057,566 in 2016. For the same 15-year period, the population of New England is estimated to have increased by 4.4 percent, and the United States population is estimated to have increased by 12.3 percent. From 2016 to 2017, New England and the U.S. population are estimated to have increased 0.4 percent and 0.7 percent, respectively.

Personal Income and Poverty. Rhode Island per capita real personal income surpassed U.S. per capita real personal income in 2001 and has remained above U.S. per capita real personal income since that time. Rhode Island per capita real personal income in 2015 was $42,093 versus U.S. per capita real personal income of $40,386. In addition, Rhode Island has maintained a poverty rate below the national average. Over the 2002 – 2016 period Rhode Island's average poverty rate was 12.1 percent versus the U.S. average poverty rate of 13.5 percent.

Employment. According to the U.S. Department of Labor's Bureau of Labor Statistics, total Rhode Island nonfarm employment has grown each year since 2011; non-farm employment expanded by 0.5 percent in 2011, 1.1 percent in 2012, 1.3 percent in 2013, 1.5 percent in 2014; 1.4 percent in 2015, 1.0 percent in 2016, and most recently 1.3 percent in 2017. The average annual growth rate for Rhode Island nonfarm employment for the 2003 to 2017 period was 0.2 percent.

Economic Base and Performance. Rhode Island has a diversified economic base that includes traditional manufacturing, high technology, and service industries. A substantial portion of products produced by these and other sectors is exported. Like most other historically industrial states, Rhode Island has seen a shift in employment from labor-intensive manufacturing industries to technology and service-based industries, particularly education and health services and leisure, hospitality and other services.

Human Resources. Skilled human capital is the foundation of economic strength in Rhode Island. It provides the basis for a technologically dynamic and industrially diverse regional economy. The Rhode Island economy benefits from a vigorous post-secondary education sector, which conferred over 18,600 degrees during the 2014-15 academic year. The Rhode Island population is well-educated with 32.5 percent of its residents over the age of 25 having received a Bachelor's degree or a graduate or professional degree in 2016 according to the U.S. Department of Commerce's Census Bureau (American Community Survey 5-Year Estimates). In addition, per pupil spending on public elementary and secondary education in Rhode Island has been significantly higher than the national average since the 2000-2001 school year. For 2014-15 Rhode Island spent 40.3 percent more per pupil than the national average.

Population Characteristics

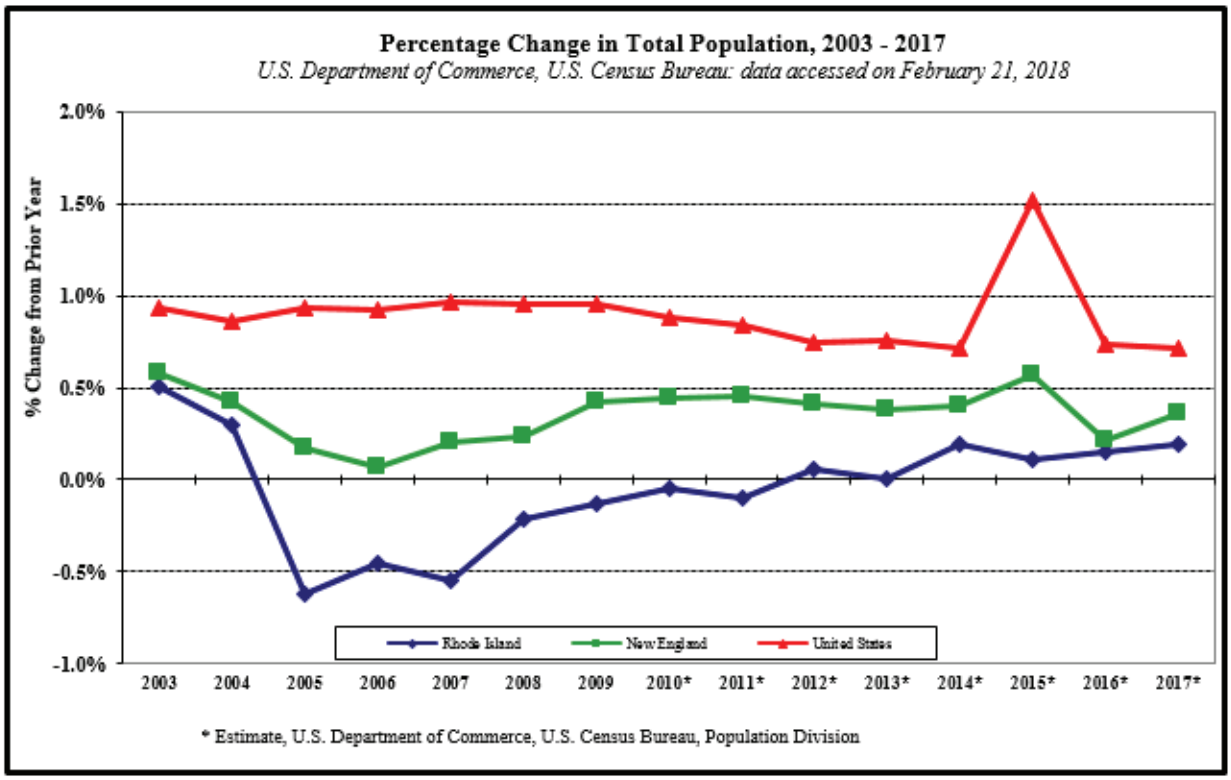
Between 2003 and 2017 Rhode Island's population decreased by 1.1 percent, compared to a 4.4 percent increase for the New England region, and a 12.28 percent increase for the United States. Though New England population growth has lagged that of United States overall, Rhode Island has generally experienced average annual growth rates even lower than New England benchmarks. As the following chart indicates, 2004 was the last year in which the growth rate of Rhode Island's population was greater than that of the New England region. Since then, Rhode Island has experienced annual growth ranging between -0.6 and 0.2 percent, averaging -0.1 percent between 2004 and 2017. During the same period, annual population growth ranged between 0.1 and 0.5 percent in New England and 0.7 and 1.0 percent nationwide, with average growth rates equal to 0.3 and 0.8 percent, respectively. While Rhode Island experienced negative or no growth between 2005 and 2011, the trend reversed itself in recent years as the state population has undergone modest expansion, averaging 0.1 percent annual growth in 2012 through 2017.

Population, 2003 - 2017
(in thousands)

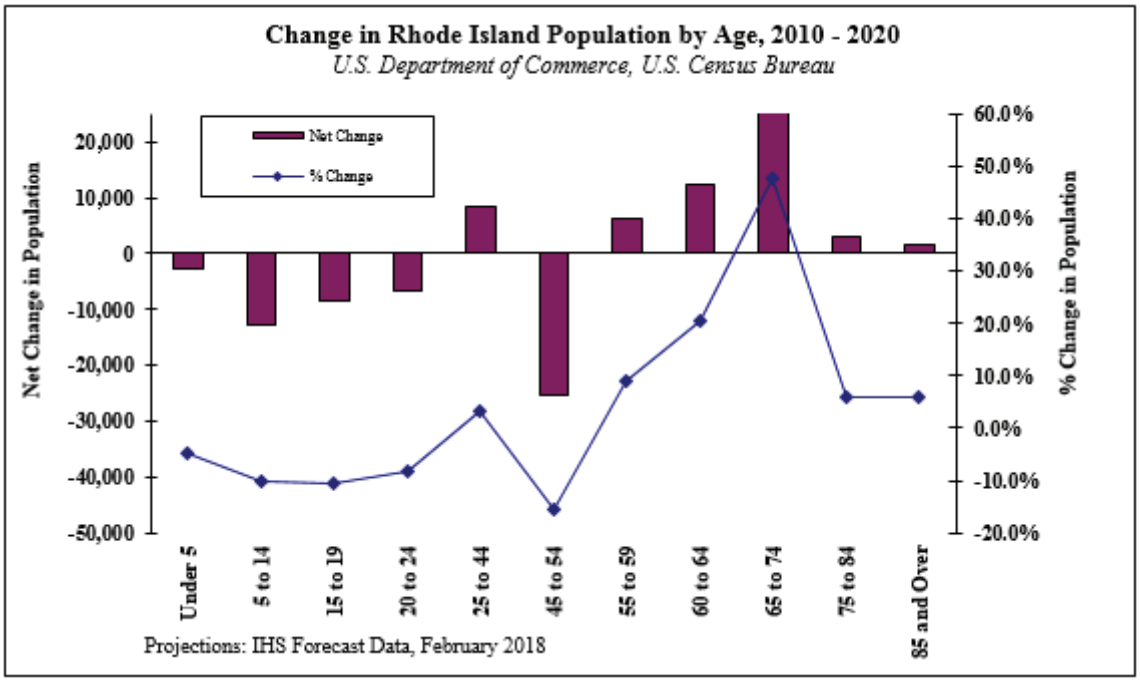
	Rhode Island		New England		United States	
Year	**Total**	**% Change**	**Total**	**% Change**	**Total**	**% Change**
2003	1,071	0.5	14,182	0.4	290,108	0.9
2004	1,075	0.3	14,207	0.2	292,805	0.9
2005	1,068	-0.6	14,217	0.1	295,517	0.9
2006	1,063	-0.5	14,246	0.2	298,380	1.0
2007	1,057	-0.5	14,279	0.2	301,231	1.0
2008	1,055	-0.2	14,340	0.4	304,094	1.0
2009	1,054	-0.1	14,404	0.4	306,772	0.9
2010	1,053	0.0	14,468	0.5	309,338	0.8
2011	1,052	-0.1	14,529	0.4	311,644	0.7
2012	1,053	0.1	14,585	0.4	313,993	0.8
2013	1,053	0.0	14,643	0.4	316,235	0.7
2014	1,055	0.2	14,696	0.4	318,623	0.8
2015	1,056	0.1	14,726	0.2	321,040	0.8
2016	1,058	0.2	14,758	0.2	323,406	0.7
2017	1,060	0.2	14,810	0.4	325,719	0.7

Monthly Population Estimates for the United States: April 1, 2010 to December 1, 2018
Source: U.S. Census Bureau, Population Division
Release Date: December 2017
Data accessed on February 21, 2018.

The chart below displays the growth rate changes shown in the table above. Note that Rhode Island population growth has remained below regional growth rates since 2004.

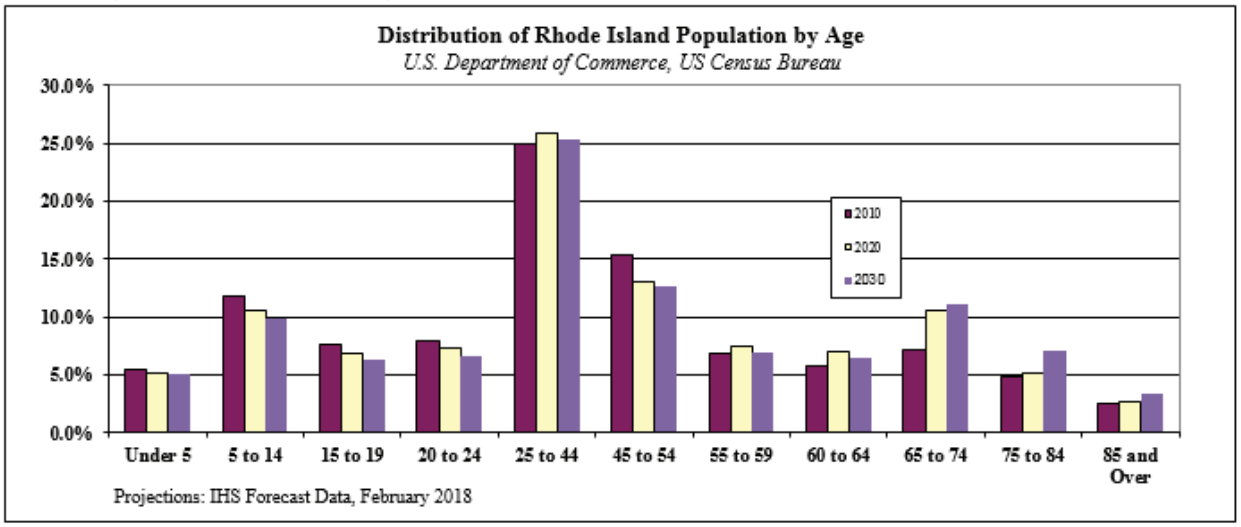


The following chart shows the projected net change in Rhode Island's population between 2010 and 2020 by age group. Note that, like the rest of the country, Rhode Island has seen a sharp change in the age distribution of its population in accordance with the chronological advancement of the "baby boom" generation. The upswing in Rhode Islanders in the "55 to 74" age group reflects this fact.



Between 2010 and 2020 Rhode Island is expected to see substantial changes to the State's age distribution. As the "baby boom" generation continues to age, the state will see a sizeable increase in its older population (i.e., 55 to 74), a decrease in the youth and young adult populations (i.e., 5 to 19) and increases in the early adult and adult cohorts (i.e., 20 to 44). In addition, Rhode Island is projected to see a sizeable loss in the middle-aged population (i.e., 45 to 54).

The chart below shows the projected population for Rhode Island in 2030. In 2030, IHS projects the population to be distributed more heavily in the "65 to 85" age group while the percentage of people in the "5 to 64" age ranges are anticipated to decline from 2020 levels. The median age for Rhode Islanders in 2010 was 39.4 years. In 2020, the median age for Rhode Islanders is projected to decrease to 39.2 years but increase to 40.7 years by 2030 based on the U.S. Census Bureau's projections from the 2010 Census.



Personal Income, Consumer Prices and Poverty

Personal Income. The table below shows nominal and real per capita personal income for Rhode Island, New England, and the United States. Rhode Island's per capita nominal personal income has exceeded that of the United States since 2001. In 2015, Rhode Island per capita nominal personal income was $46,105 relative to $44,235 for the United States. Note that Rhode Island per capita nominal personal income has trailed that of the New England region from 2001 through 2015 by an average of $6,186.

The average annual percentage change in real personal income growth for the 2001 to 2015 period in Rhode Island was 1.0 percent, which is slightly more than the 0.4 percent average growth for New England and greater than the 0.6 percent average growth for the United States during this period. Rhode Island per capita real income growth reached 3.1 percent in 2006 before declining to 2.0 percent in 2007 and negative 0.5 percent in 2008. In 2009, Rhode Island saw negative per capita real income growth but not as severe as the United States. The growth rebounded in 2010 to 1.8 percent, before declining again in 2011 to negative 1.4 percent. A slight uptick in 2012 to 0.9 percent was followed by two years of negative growth. However, in 2015, the growth rate reached 3.7 percent, comparable to increased growth rates in the New England region and nation.

Per Capita Personal Income, 2001 - 2015

	Nominal Income* (in current dollars)				Real Income (in 2009 dollars)			Percentage Change in Real Income		
Year	R.I.	N.E.	U.S.	PCE Deflator^	R.I.	N.E.	U.S.	R.I.	N.E.	U.S.
2001	31,652	$38,870	$31,527	84.7%	$37,354	$45,872	$37,207	2.3%	1.9%	0.8%
2002	32,729	38,964	31,795	85.9	38,113	45,374	37,026	2.0	-1.1	-0.5
2003	34,267	39,832	32,667	87.6	39,130	45,484	37,304	2.7	0.2	0.8
2004	35,863	41,809	34,288	89.7	39,979	46,608	38,224	2.2	2.5	2.5
2005	37,028	43,611	35,876	92.3	40,134	47,269	38,885	0.4	1.4	1.7
2006	39,213	46,815	38,117	94.7	41,395	49,420	40,237	3.1	4.5	3.5
2007	41,001	49,137	39,775	97.1	42,225	50,603	40,962	2.0	2.4	1.8
2008	42,036	47,805	41,017	100.1	42,009	47,774	40,991	-0.5	-5.6	0.1
2009	41,070	47,282	39,346	100.0	41,070	47,282	39,346	-2.2	-1.0	-4.0
2010	42,513	48,162	39,623	101.7	41,822	47,379	38,979	1.8	0.2	-0.9
2011	42,934	48,919	40,772	104.1	41,224	46,970	39,147	-1.4	-0.9	0.4
2012	44,126	49,647	41,729	106.1	41,581	46,783	39,322	0.9	-0.4	0.4
2013	43,701	48,870	41,373	107.5	40,640	45,447	38,475	-2.3	-2.9	-2.2
2014	44,292	49,740	42,586	109.2	40,579	45,570	39,016	-0.2	0.3	1.4
2015	46,105	51,860	44,235	109.5	42,093	47,347	40,386	3.7	3.9	3.5

*U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Department of Commerce, U.S. Census Bureau
Per Capita Personal Income is calculated by taking Personal Income/Total Population
^ U.S. Department of Commerce Bureau of Economic Analysis, Table 2.3.4 Price Indexes for Personal Consumption Expenditure by Major Type of Product [Index number, 2009=100]

Average Annual Pay. Average annual pay has grown steadily in Rhode Island over the past fifteen years. Average annual pay is computed by dividing total annual payrolls of employees covered by unemployment insurance programs by the average monthly number of these employees. Although average annual pay has increased consistently for the last fifteen years, the ratio of pay levels in Rhode Island to the United States was on a downward trend from 2003 to 2007 before rising unevenly on an annual basis through 2015, with a slight decrease from 2010 and 2011. For 2002, average annual pay in Rhode Island climbed to 94.7 percent

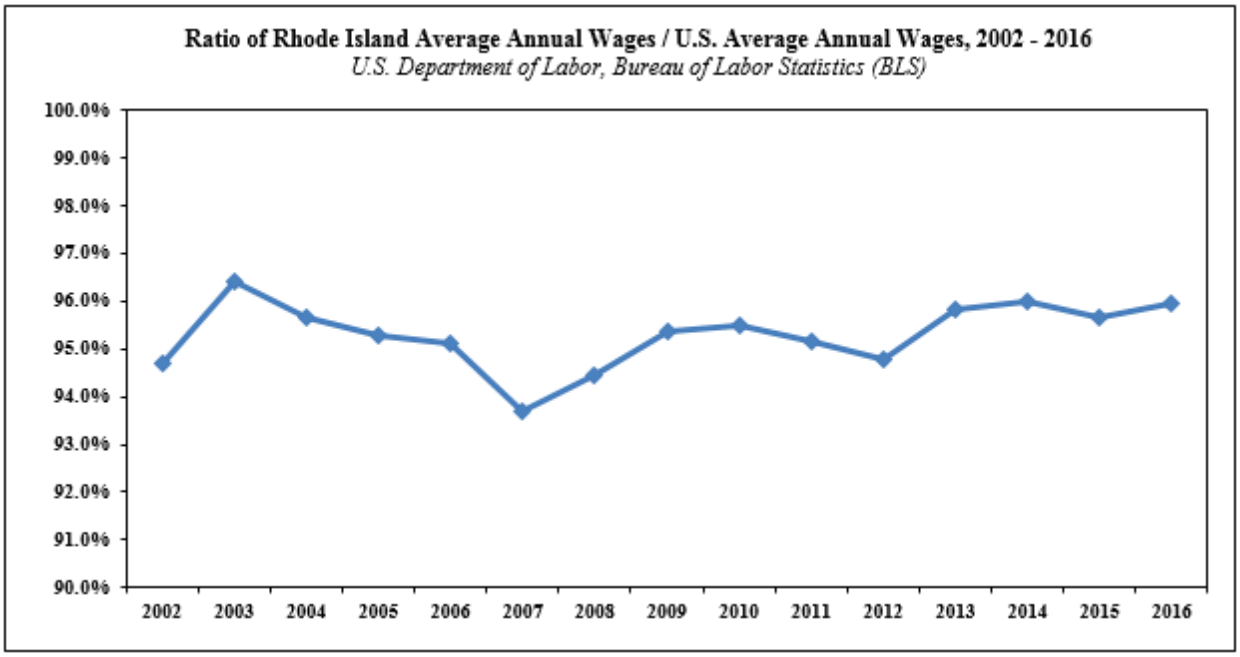
of U.S. average annual pay. This was followed by a further increase to 96.4 percent in 2003 at $36,415 for Rhode Island versus $37,765 for the United States. From 2004 - 2007 average annual pay in Rhode Island again fell as a percentage of average annual pay in the U.S.; however, from 2008-2010 Rhode Island saw greater increases in average annual pay than the United States. In 2011 and 2012, Rhode Island's average annual pay again slightly decreased as a percentage of average annual pay in the U.S. In 2012, growth in Rhode Island average annual pay decreased by 0.2 percentage points from 2011 consistent with the growth in U.S. average annual pay, which also decreased by 0.2 percentage points. In 2013, Rhode Island's average annual pay growth remained relatively flat at 2.2 percent when compared to 2012 growth in average annual pay. In 2014, Rhode Island's average annual pay growth increased to 3.3 percent, higher than the U.S. average annual pay growth of 3.1 percent. In addition, the ratio of Rhode Island's average annual pay to the United States' average annual pay increased to 96.0 percent, the highest reported, since the peak in 2003 of 96.4 percent, in the 2000-20015 period. In 2015, the ratio of Rhode Island's average annual pay to United States' average annual pay decreased to 95.7 percent. As of 2016, Rhode Island's average annual pay increased to $51,453, or 96 percent of the U.S. average. The relationship between Rhode Island and U.S. average annual pay is shown in the table below.

Average Annual Pay, 2002 - 2016
(in current dollars)

	Annual Pay		Ratio	Percentage Change	
Year	**R.I.**	**U.S.**	**R.I. / U.S.**	**R.I.**	**U.S.**
2002	$34,810	$36,764	94.7%	3.6	1.5
2003	36,415	37,765	96.4	4.6	2.7
2004	37,651	39,354	95.7	3.4	4.2
2005	38,751	40,677	95.3	2.9	3.4
2006	40,454	42,535	95.1	4.4	4.6
2007	41,646	44,458	93.7	2.9	4.5
2008	43,029	45,563	94.4	3.3	2.5
2009	43,439	45,559	95.3	1.0	0.0
2010	44,645	46,751	95.5	2.8	2.6
2011	45,705	48,043	95.1	2.4	2.8
2012	46,716	49,289	94.8	2.2	2.6
2013	47,732	49,808	95.8	2.2	1.1
2014	49,297	51,364	96.0	3.3	3.1
2015	50,651	52,942	95.7	2.7	3.1
2016	51,453	53,621	96.0	1.6	1.3

U.S. Department of Labor, Bureau of Labor Statistics

The chart below plots the ratio of Rhode Island average annual wages to U.S. average annual wages over the 2002 – 2016 period.



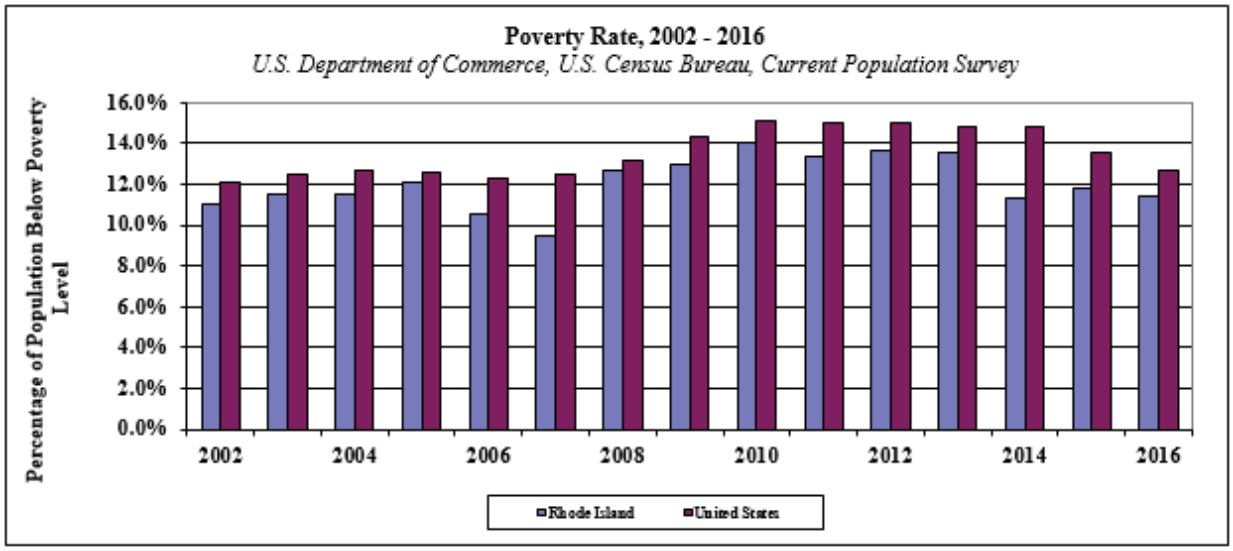
Consumer Prices. The following table presents consumer price index trends for the Northeast region and the United States for the period between 2003 and 2017. The data for each year are the Consumer Price Index for all urban consumers (CPI-U) within the designated area and the percentage change in the CPI-U from the previous year. From 2003 to 2017, the consumer price index in the Northeast generally exceeded that for the United States. During this period, the percent change in consumer price inflation in the Northeast region has been less than for the United States in each of the following years 2007, and 2011 – 2017. In 2003 - 2006, the consumer price inflation rate in the Northeast region exceeded that of the United States by an average of 0.5 percentage points. In recent years, national consumer price inflation has exceeded that of the Northeast region by an average of 0.2 percentage points in the years 2011 through 2017. In 2009 – 2013, the rate averaged 0.1 percentage points above the United States. In 2017, the rate was 0.3 percentage points below the United States.

Consumer Price Index for All Urban Consumers (CPI-U), 2003 - 2017					
	CPI-U		Ratio	Pct. Change	
Year	Northeast	U.S.	Northeast/U.S.	Northeast	U.S.
2003	193.5	184.0	105.2	2.8	2.3
2004	200.2	188.9	106.0	3.5	2.7
2005	207.5	195.3	106.3	3.6	3.4
2006	215.0	201.6	106.7	3.6	3.2
2007	220.5	207.3	106.4	2.6	2.9
2008	229.3	215.3	106.5	4.0	3.8
2009	229.3	214.5	106.9	0.0	-0.4
2010	233.9	218.1	107.3	2.0	1.6
2011	241.0	224.9	107.1	3.0	3.2
2012	245.7	229.6	107.0	2.0	2.1
2013	249.0	233.0	106.9	1.4	1.5
2014	252.5	236.7	106.6	1.4	1.6
2015	252.2	237.0	106.4	-0.1	0.1
2016	254.9	240.0	106.2	1.1	1.3
2017	259.5	245.1	105.9	1.8	2.1
U.S. Department of Labor, Bureau of Labor Statistics					

Poverty. From 2002 – 2016 Rhode Island's poverty rate has been below the poverty rate for the United States. The poverty rate is measured as the percent of a region's population that lives below the federal poverty level (FPL), as determined by the U.S. Census Bureau's Current Population Survey. Between 2002 and 2016, the percentage of the Rhode Island population below the federal poverty line has varied from a low of 9.5 percent in 2007 to a high of 14.0 percent in 2010. During the same period, the national poverty rate varied from a low of 12.1 percent in 2002 to a high of 15.1 percent in 2010. Interestingly, in the 2002, 2003, 2005, 2008, 2010, and 2012 periods, although Rhode Island's poverty rate had remained below that of the United States, the percentage change in Rhode Island's poverty rate exceeded the percentage change in that of the U.S. These official poverty statistics are not adjusted for regional differences in the cost of living. The table below portrays the lower poverty rates in Rhode Island compared with the national average from 2002 through 2016.

Poverty Rate, 2002 - 2016					
			Ratio	Percentage Change	
Year	R.I.	U.S.	R.I./U.S.	R.I.	U.S.
2002	11.0%	12.1%	90.9	14.6%	3.4%
2003	11.5	12.5	92.0	4.5	3.3
2004	11.5	12.7	90.6	0.0	1.6
2005	12.1	12.6	96.0	5.2	-0.8
2006	10.5	12.3	85.4	-13.2	-2.4
2007	9.5	12.5	76.0	-9.5	1.6
2008	12.7	13.2	96.2	33.7	5.6
2009	13.0	14.3	90.9	2.4	8.3
2010	14.0	15.1	92.7	7.7	5.6
2011	13.4	15.0	89.3	-4.3	-0.7
2012	13.6	15.0	90.7	1.5	0.0
2013	13.5	14.8	91.2	-0.7	-1.3
2014	11.3	14.8	76.4	-16.3	0.0
2015	11.8	13.5	87.4	4.4	-8.8
2016	11.4	12.7	89.8	-3.4	-5.9
U.S. Department of Commerce, U.S. Census Bureau, Current Population Survey					

The bar chart below plots the data from the above table and shows the Rhode Island poverty level and that of the United States from 2002-2016. While the chart shows increasing poverty levels for Rhode Island and nationwide following the onset of the great recession in 2007 through 2011 (the "Great Recession"), there has been a general downward trend in poverty rates since 2011. It is notable that the decline in poverty since the peaks of the Great Recession has been stronger in Rhode Island than nationwide, as the chart indicates that the gap between the Rhode Island and national poverty rates reached a peak magnitude of 3.5 percentage points in 2014.



Employment

The table below shows Rhode Island Nonfarm Employment for the 2003 to 2017 period. The table reflects the new North American Industrial Classification System (NAICS) composition of employment.

Rhode Island Nonfarm Employment by Industry, 2003 - 2017
Not Seasonally Adjusted

Year	Construction, Natural Resources & Mining		Manufacturing		Trade, Transportation & Utilities		Information, Financial Activities, & Business Services		Educational & Health Services		Leisure, Hospitality & Other Services		Government		Nonfarm Employment *	
	Number Employed	Percent Change	Number Employed	Percent Change	Number Employed	Percent Change	Number Employed	Percent Change	Number Employed	Percent Change	Number Employed	Percent Change	Number Employed	Percent Change	Number Employed	Percent Change
2003	20,942	6.7	58,658	-5.8	80,767	0.4	94,658	1.8	90,975	3.4	72,042	3.0	66,208	0.2	**484,250**	**1.0**
2004	21,200	1.2	56,983	-2.9	80,225	-0.7	98,433	4.0	92,933	2.2	73,208	1.6	65,533	-1.0	**488,517**	**0.9**
2005	22,058	4.0	54,908	-3.6	80,100	-0.2	100,200	1.8	95,317	2.6	73,517	0.4	64,925	-0.9	**491,025**	**0.5**
2006	23,092	4.7	52,692	-4.0	79,750	-0.4	102,467	2.3	96,700	1.5	73,225	-0.4	64,942	0.0	**492,867**	**0.4**
2007	22,417	-2.9	50,733	-3.7	79,750	0.0	101,442	-1.0	98,450	1.8	74,600	1.9	64,433	-0.8	**491,825**	**-0.2**
2008	20,675	-7.8	47,942	-5.5	77,383	-3.0	98,617	-2.8	99,117	0.7	73,767	-1.1	63,475	-1.5	**480,975**	**-2.2**
2009	17,383	-15.9	41,767	-12.9	73,267	-5.3	93,883	-4.8	99,950	0.8	71,125	-3.6	62,067	-2.2	**459,442**	**-4.5**
2010	16,117	-7.3	40,350	-3.4	72,700	-0.8	94,100	0.2	101,400	1.5	71,583	0.6	61,725	-0.6	**457,975**	**-0.3**
2011	15,875	-1.5	40,117	-0.6	73,883	1.6	95,217	1.2	102,267	0.9	72,542	1.3	60,558	-1.9	**460,458**	**0.5**
2012	16,200	2.0	39,617	-1.2	74,633	1.0	97,233	2.1	103,267	1.0	74,333	2.5	60,125	-0.7	**465,408**	**1.1**
2013	16,300	0.6	40,000	1.0	74,100	-0.7	99,967	2.8	104,642	1.3	76,175	2.5	60,208	0.1	**471,392**	**1.3**
2014	16,700	2.5	40,900	2.3	75,100	1.3	102,150	2.2	105,400	0.7	78,058	2.5	60,358	0.2	**478,667**	**1.5**
2015	17,200	3.0	41,100	0.5	76,400	1.7	105,400	3.2	105,700	0.3	79,283	1.6	60,200	-0.3	**485,283**	**1.4**
2016	18,400	7.0	40,400	-1.7	76,400	0.0	107,100	1.6	106,400	0.7	80,900	2.0	60,500	0.5	**490,100**	**1.0**
2017	20,500	11.4	41,100	1.7	77,200	1.0	106,900	-0.2	107,200	0.8	82,900	2.5	60,600	0.2	**496,400**	**1.3**

Data reflects twelve month average of not seasonally adjusted data.
U.S. Department of Labor, Bureau of Labor Statistics; State and Area Employment, Hours, and Earnings
* Totals may not tie due to rounding.

Between 2003 and 2017, total nonfarm employment in Rhode Island increased by 2.5 percent. During this time the sectors that experienced overall increases were Information, Financial Activities and Business Services, Educational and Health Services, and Leisure, Hospitality and Other Services which increased by 12.9 percent, 17.8 percent and 15.1 percent respectively. In 2003, Rhode Island nonfarm employment grew by a rate of 1.0 percent and then began increasing at decreasing rates of 0.9 percent, 0.5 percent and 0.4 percent for 2004, 2005, and 2006 respectively. The first negative growth in nonfarm

employment came in 2007 and continued through 2010 with decreases of 0.2 percent, 2.2 percent, 4.5 percent and 0.3 percent. In 2011 Rhode Island nonfarm employment growth was 0.5 percent, the first growth in nonfarm employment since 2006. In 2012 and 2013, Rhode Island nonfarm employment grew by 1.1 percent and 1.3 percent, respectively. Job growth in 2014 reached its highest level during the time period at 1.5 percent before tapering off to 1.0 percent in 2016, but rebounding to 1.3 percent in 2017. Six consecutive years of job growth in excess of 1.0 percent indicate that Rhode Island recovered jobs lost in the Great Recession and added new jobs. Total non-farm employment of 496,400 in 2017 is an increase of 3,533 above the 2006 level.

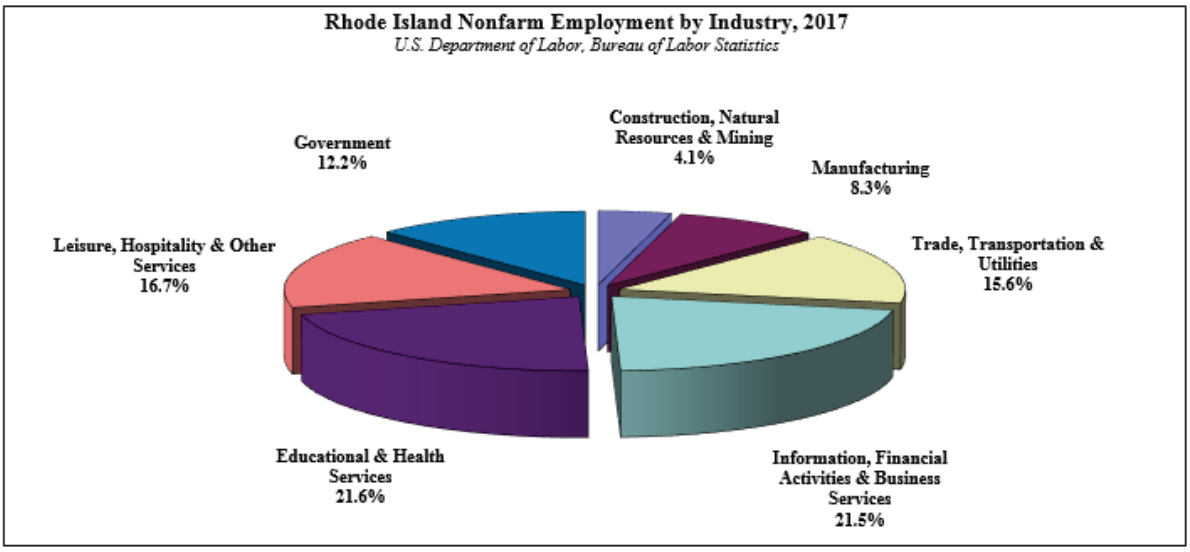
Non-farm Employment by Industry. The following table summarizes the changes in Rhode Island nonfarm employment by sector from 2007 to 2017. Total nonfarm employment increased by 0.9 percent during this period, and the composition of total employment changed markedly. Employment declined on average by 8.3 percent in manufacturing, construction, natural resources and mining, trade, transportation and utilities and government during this time. Meanwhile, average employment growth for all other sectors increased 8.2 percent. The sector which saw the largest gain during this period was leisure, hospitality and other services, which grew by 11.1 percent. Clearly, the Rhode Island economy underwent a significant restructuring during the 2007 to 2017 period, transforming further from a manufacturing and construction based economy to a service based economy.

Rhode Island Nonfarm Employment by Industry, 2007 & 2017

Employment Sector	2007	% of Total	2017	% of Total	% Change 2007-2017
Construction, Natural Resources & Mining	22,417	4.6%	20,500	4.1	-8.6%
Manufacturing	50,733	10.3	41,100	8.3	-19.0
Trade, Transportation & Utilities	79,750	16.2	77,200	15.6	-3.2
Information, Financial Activities & Business Services	101,442	20.6	106,900	21.5	5.4
Educational & Health Services	98,450	20.0	107,200	21.6	8.9
Leisure, Hospitality & Other Services	74,600	15.2	82,900	16.7	11.1
Government	64,433	13.1	60,600	12.2	-5.9
Total Employment *	491,825	100.0%	496,400	100.0%	0.9%

Data reflects twelve month average of not seasonally adjusted data
U.S. Department of Labor, Bureau of Labor Statistics; State and Area Employment, Hours, and Earnings
* Totals may not tie due to rounding.

The pie chart illustrates the composition of Rhode Island employment after the further restructuring of the State's economy. The information, financial activities and business services sector, with 21.5 percent of the nonfarm work force in 2017, is the largest employment sector in the Rhode Island economy, followed closely by educational and health services, 21.6 percent; leisure, hospitality and other services, 16.7 percent; trade, transportation and utilities, 15.6 percent; government, 12.2 percent; manufacturing, 8.3 percent; and construction, natural resources and mining, 4.1 percent.



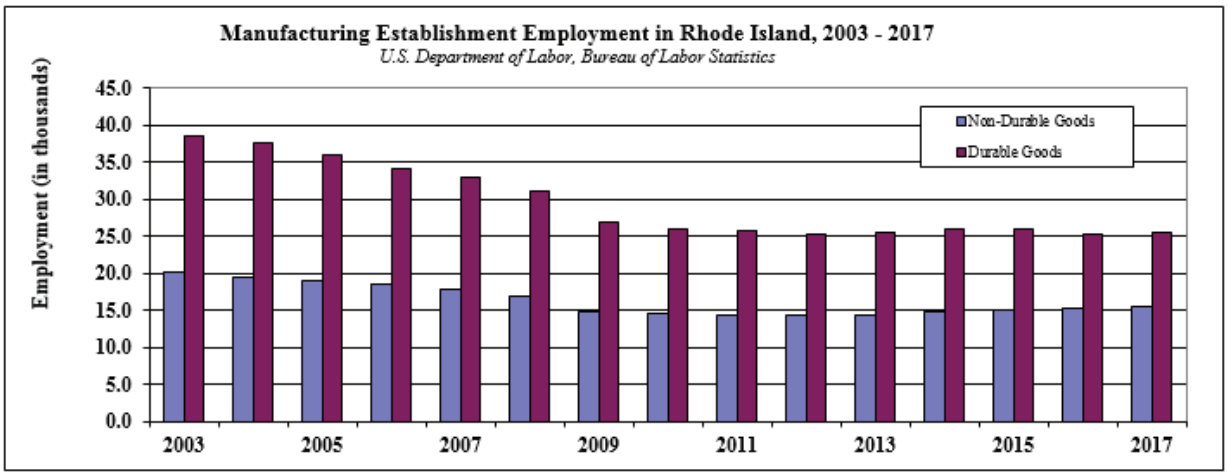
Manufacturing Employment. Like many industrial states, Rhode Island has seen a steady diminution of its manufacturing jobs base over the last decade. There was, however, a notable expansion of employment by Rhode Island manufacturing establishments in the 2013 through 2015 period followed by a substantive contraction in 2016 and a slight rebound in 2017. Total employment in the manufacturing sector declined between 2003 and 2016, falling by 31.2 percent, with steady declines of -5.8 percent in 2003, -2.9 percent in 2004, -3.6 percent in 2005, -4.0 percent in 2006, -3.7 percent in 2007 and -5.5 percent in 2008. Consistent with the overall contraction in the national economy, the rate of decline in Rhode Island manufacturing employment increased to -12.9 percent in 2009 before decelerating to -3.4 percent in 2010. Manufacturing for non-durable goods and durable goods declined in 2011 and 2012. Non-durable goods saw negative growth of 0.4 percent and 0.6 percent for 2011 and 2012 respectively while durable goods saw negative growth of 0.7 percent and 1.6 percent for 2011 and 2012, respectively. In 2012, total manufacturing employment decreased by 1.2 percent. In 2013, however, total manufacturing employment increased by 1.0 percent, marking the first year of growth in the 2002 through 2016-time period. In 2014, growth in manufacturing employment accelerated to 2.1 percent followed by growth of 0.7 percent in 2015. Both manufacturing employment for non-durable goods and durable goods increased by 0.8 percent and 1.1 percent respectively in 2013 and 2.8 percent and 1.8 percent in 2014. In 2015, non-durable goods manufacturing employment has grown by 1.9 percent whereas durable goods manufacturing employment remained constant. In 2016, manufacturing employment for non-durable goods slightly increased by 0.2 percent but this increase was more than offset by a decline in durable goods manufacturing employment of 3.1 percent. The combined result was a negative growth rate of 1.9 percent in total manufacturing employment in 2016. In 2017, manufacturing employment had a growth rate of 1.8 percent as both non-durable and durable goods manufacturing employment grew.

Manufacturing Establishment Employment in Rhode Island, 2003 - 2017
(In Thousands)*

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Non-Durable Goods	20.2	19.5	19.0	18.6	17.9	16.8	14.9	14.5	14.4	14.4	14.5	14.9	15.1	15.2	15.5
Percentage Change	-5.1%	-3.4%	-2.8%	-1.8%	-3.9%	-6.0%	-11.5%	-2.6%	-0.4%	-0.6%	0.8%	2.8%	1.9%	0.2%	2.2%
Durable Goods	38.5	37.5	36.0	34.1	32.8	31.1	26.9	25.9	25.7	25.3	25.6	26.0	26.0	25.2	25.6
Percentage Change	-6.2%	-2.6%	-4.1%	-5.2%	-3.6%	-5.2%	-13.6%	-3.8%	-0.7%	-1.6%	1.1%	1.8%	0.0%	-3.1%	1.6%
Total Manufacturing Employment **	58.7	57.0	54.9	52.7	50.7	47.9	41.8	40.4	40.1	39.6	40.0	40.9	41.1	40.4	41.1
Percentage Change	-5.8%	-2.9%	-3.6%	-4.0%	-3.7%	-5.5%	-12.9%	-3.4%	-0.6%	-1.2%	1.0%	2.1%	0.7%	-1.9%	1.8%

U.S. Department of Labor, Bureau of Labor Statistics; State and Area Employment, Hours, and Earnings
*Not Seasonally Adjusted Data
** Totals may not tie due to rounding.

Despite a long-term decline in non-durable goods and durable goods employment, the manufacturing sector continues to be a significant component in Gross State Product, as evidenced by its production in terms of dollars. (See "Economic Base and Performance" below.) The bar chart below indicates that employment levels at manufacturing establishments consistently fell between 2003 and 2012, grew from 2013 to 2015, experienced a slight downturn in 2016, and then rebounded in 2017.



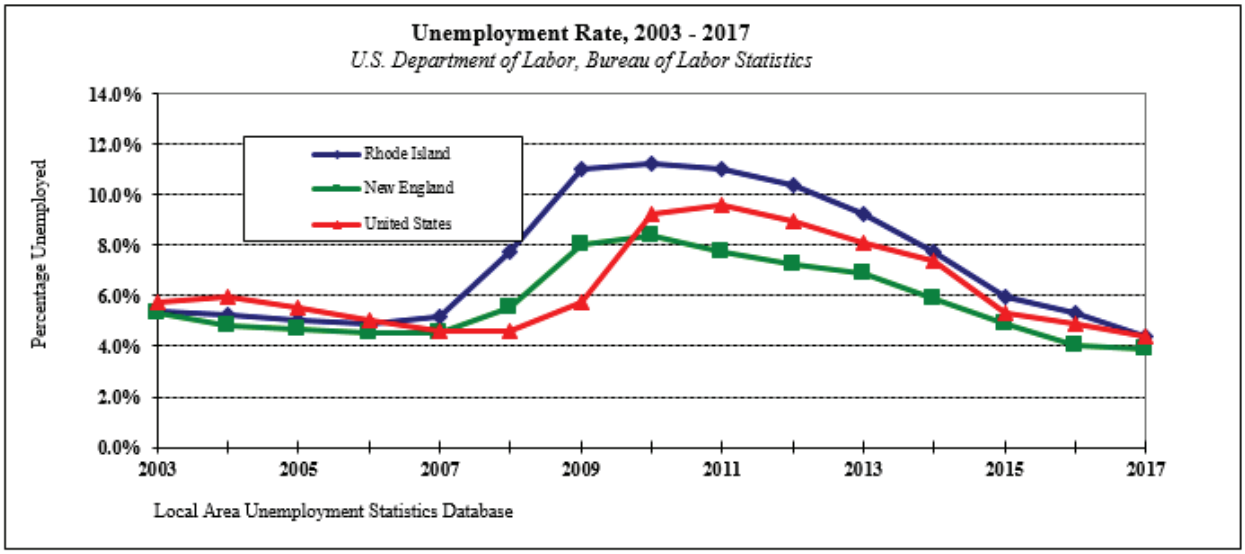
Unemployment. Rhode Island's unemployment rate from 2003 to 2004 was lower than that of the United States. From 2006 to 2017, Rhode Island's unemployment rate rose above the United States by an average of 1.4 percentage points. The following table compares the annual civilian labor force, the number unemployed, and the unemployment rate averages of Rhode Island, New England, and the United States between 2003 and 2017. In 2017, the State's unemployment rate was 4.4 percent, comparable to the national average, but above the New England rate of 3.9 percent.

Annual Average Civilian Labor Force and Unemployment, 2003 - 2017
(in thousands)

	Civilian Labor Force			Unemployed			Unemployment Rate			R.I. Rate as a %
Year	R.I.	N.E.	U.S.	R.I.	N.E.	U.S.	R.I.	N.E.	U.S.	of U.S.
2003	564	7,504	137,736	30	401	8,774	5.4%	5.4	6.0	0.9
2004	555	7,478	139,252	29	363	8,149	5.2%	4.9	5.5	0.9
2005	566	7,521	141,730	29	352	7,591	5.1%	4.7	5.1	1.0
2006	573	7,605	144,427	28	345	7,001	4.9%	4.5	4.6	1.1
2007	573	7,648	146,047	30	344	7,078	5.2%	4.5	4.6	1.1
2008	570	7,704	145,363	44	426	8,924	7.8%	5.5	5.8	1.3
2009	567	7,729	139,878	62	620	14,265	11.0%	8.0	9.3	1.2
2010	567	7,751	139,064	63	649	14,825	11.2%	8.4	9.6	1.2
2011	560	7,738	139,869	62	597	13,747	11.0%	7.7	9.0	1.2
2012	558	7,730	142,469	58	559	12,506	10.4%	7.2	8.1	1.3
2013	557	7,738	143,929	52	533	11,460	9.3%	6.9	7.4	1.3
2014	555	7,778	146,305	43	457	9,616	7.7%	5.9	6.2	1.3
2015	554	7,795	148,833	33	383	8,296	6.0%	4.9	5.3	1.1
2016	552	7,817	151,436	29	317	7,751	5.3%	4.1	4.9	1.1
2017	555	7,928	153,337	24	308	6,982	4.4%	3.9	4.4	1.0

U.S. Department of Labor, Bureau of Labor Statistics; Current Population Survey Database
U.S. Department of Labor, Bureau of Labor Statistics; Local Area Unemployment Statistics Database,
Data reflects twelve month average of nonseasonally adjusted data.

The chart below graphs the unemployment rates for Rhode Island, New England, and the United States over the 2003 to 2017 period. This graph portrays Rhode Island's status compared to New England, which has been consistent since the onset of the recession.



Unemployment Compensation Trust Fund. The unemployment insurance system is a federal-state cooperative program established by the Social Security Act and the Federal Unemployment Tax Act to provide benefits for eligible individuals when they are unemployed through no fault of their own. Benefits are paid from the Rhode Island Unemployment Compensation Trust Fund and financed through employer contributions.

Economic Base and Performance

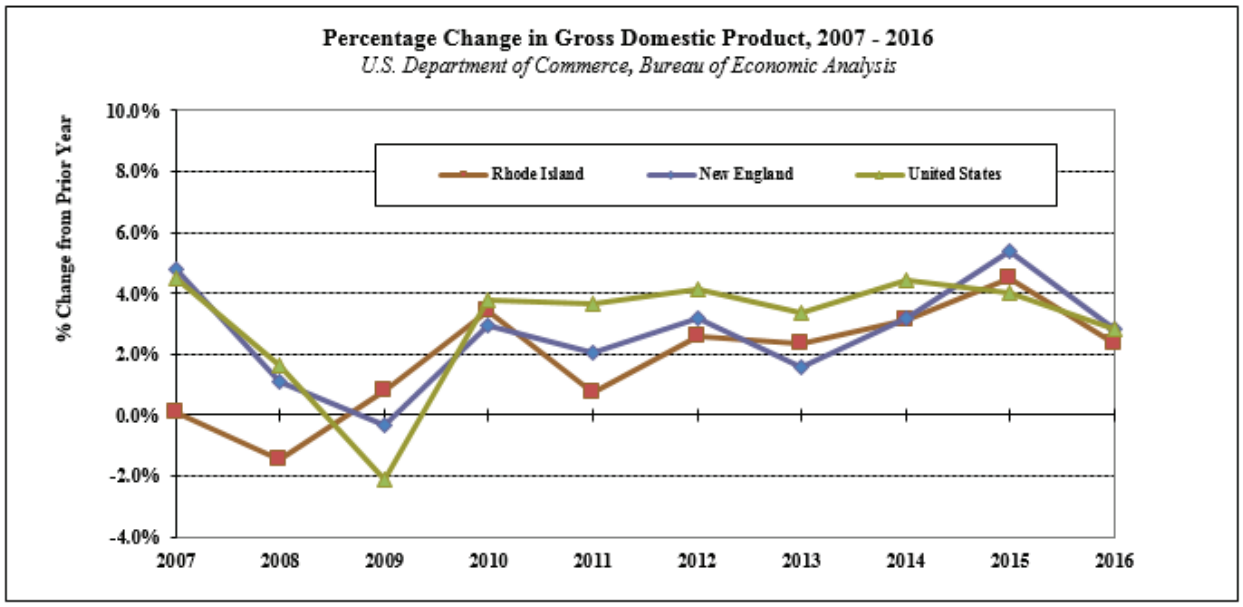
From 2007 to 2016, growth in Rhode Island Gross Domestic Product (GDP) was less than growth in United States GDP except for 2009 and 2015. Rhode Island GDP grew at a modest rate of 0.8 percent in 2009, which was greater than the negative 0.3 percent GDP growth in New England and the negative 2.1 percent GDP growth in the United States. In 2015, compared to United States and New England GDP growth rates, Rhode Island GDP had a growth rate that was higher than the former but lower than the latter. In 2016, Rhode Island had a 2.4 percent growth rate, which was below the New England and U.S. growth rates of 2.8 percent.

Gross Domestic Product, 2007 - 2016
(millions of current dollars)

	Rhode Island		New England		United States	
Year	**GDP**	**Change**	**GDP**	**Change**	**GDP**	**Change**
2007	$48,044	0.1%	$799,219	4.8%	14,391,149	4.5%
2008	47,343	-1.5	807,857	1.1	14,626,598	1.6
2009	47,709	0.8	805,107	-0.3	14,320,114	-2.1
2010	49,351	3.4	828,780	2.9	14,859,772	3.8
2011	49,716	0.7	845,612	2.0	15,406,002	3.7
2012	50,997	2.6	872,280	3.2	16,041,243	4.1
2013	52,187	2.3	885,848	1.6	16,576,738	3.3
2014	53,803	3.1	913,977	3.2	17,312,381	4.4
2015	56,204	4.5	963,385	5.4	18,007,085	4.0
2016	57,529	2.4	990,817	2.8	18,511,499	2.8

U.S. Department of Commerce. Bureau of Economic Analysis; Gross Domestic Product by State - All Industry Total
Data reflect revised statistics for 2014-2016, updated November, 2017

The graph below plots the percentage change in GDP for Rhode Island, New England and the United States from 2007 to 2016. As indicated by the graph, Rhode Island GDP growth was substantially lower than that of New England and the United States during the onset of the recession until 2009 when Rhode Island's GDP growth was greater than both the U.S. and New England. In 2010, Rhode Island GDP growth trailed the United States but was higher than New England. Rhode Island's GDP growth trailed that of New England and the United States in 2011, and 2012. In 2013 and 2014, Rhode Island's GDP grew at a faster pace than New England but behind that of the nation. In 2015, Rhode Island's GDP increased by 4.5 percent which was lower than the 5.4 percent growth rate of New England GDP but higher than the 4.0 percent growth rate of the US. In 2016, Rhode Island's GDP increased by 2.4 percent, while New England and the national GDP increased by 2.8 percent.



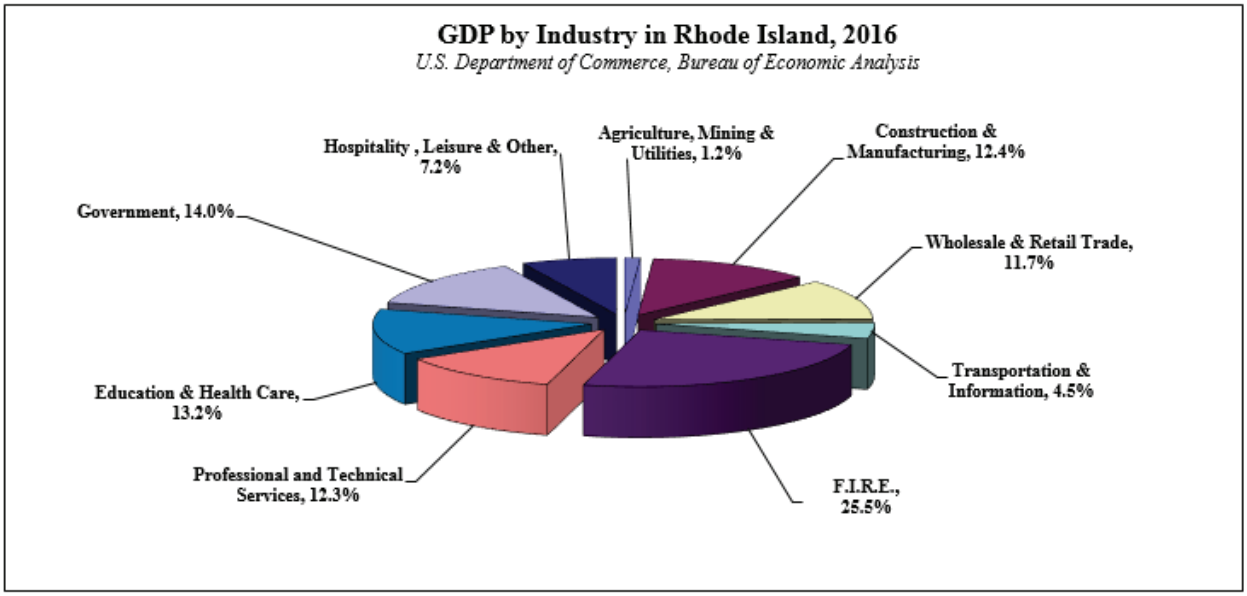
Economic Base and Performance -- Sector Detail. The economy of Rhode Island is well diversified. The table below shows the contribution to Rhode Island Gross Domestic Product (GDP) of several industrial and non-industrial sectors. As is apparent, Rhode Island experienced growth in most sectors from 2007 to 2016. The utilities, construction, and the information sectors are the only industries to experience GDP decline over this time frame. The largest growth occurred in the management, education, and wholesale trade sectors.

Gross Domestic Product by Industry in Rhode Island, 2007 - 2016
(millions of current dollars)

Industrial Sector	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture, forestry, fishing and hunting	$107	$103	$102	$112	$109	$106	$103	$102	$114	(D)
Mining	32	37	41	27	20	29	22	47	53	(D)
Utilities	656	694	727	759	728	535	578	602	627	649
Construction	2,555	2,298	2,125	2,013	1,953	2,058	2,023	2,069	2,176	2,324
Manufacturing	4,230	4,224	3,706	4,013	3,877	3,899	4,307	4,329	4,700	4,641
Wholesale Trade	2,407	2,405	2,360	2,564	2,666	2,863	3,023	3,170	3,338	3,329
Retail Trade	2,920	2,829	2,747	2,866	2,890	2,959	3,022	3,054	3,195	3,257
Transportation and warehousing, excluding postal serv	720	756	732	765	810	848	846	851	898	917
Information	1,813	1,954	1,872	1,864	1,793	1,663	1,615	1,619	1,660	1,615
Finance and insurance	4,154	3,025	4,090	3,924	3,919	4,411	4,387	5,178	5,534	5,642
Real estate, rental and leasing	7,380	7,185	7,695	7,912	8,024	8,165	8,193	8,091	8,249	8,697
Professional, scientific, and technical services	2,544	2,759	2,612	2,666	2,697	2,746	2,829	2,908	3,059	3,067
Management of companies and enterprises	1,350	1,403	1,251	1,421	1,464	1,656	1,827	1,988	2,101	2,185
Administrative and waste management services	1,241	1,266	1,230	1,337	1,346	1,411	1,524	1,577	1,633	1,682
Educational services	1,232	1,307	1,405	1,455	1,513	1,507	1,550	1,626	1,689	1,733
Health care and social assistance	4,510	4,748	4,923	5,149	5,128	5,218	5,352	5,439	5,617	5,695
Government	7,219	7,334	7,163	7,409	7,622	7,602	7,537	7,618	7,777	7,896
Hospitality , Leisure & Other	2,973	3,016	2,928	3,097	3,159	3,322	3,449	3,535	3,783	4,034
Total GDP*	**$48,044**	**$47,343**	**$47,709**	**$49,351**	**$49,716**	**$50,997**	**$52,187**	**$53,803**	**$56,204**	**$57,529**

U.S. Department of Commerce, Bureau of Economic Analysis; Gross Domestic Product by State
* Differences are attributed to rounding for 2007, 2010, 2011, 2012, 2014 and Non-disclosure in 2016.

The pie chart below shows the share of total Rhode Island Gross Domestic Product in 2016 attributable to each of the industry sectors noted above.



Finance, Insurance and Real Estate (FIRE). This is the largest sector of Rhode Island's economy in terms of number of dollars. FIRE contributed 25.5 percent of GDP in 2016. In 2016, FIRE accounted for $14.34 billion of the $56.53 billion total gross domestic product. For the period 2007 – 2016, this sector expanded by a respectable 24.3 percent.

Construction and Manufacturing. In 2016, construction and manufacturing was the fourth largest sector of Rhode Island's economy at $7.0 billion, or 12.4 percent of the total Gross Domestic Product. This sector increased by 2.7 percent from the 2007 level and in its percent contribution to GDP.

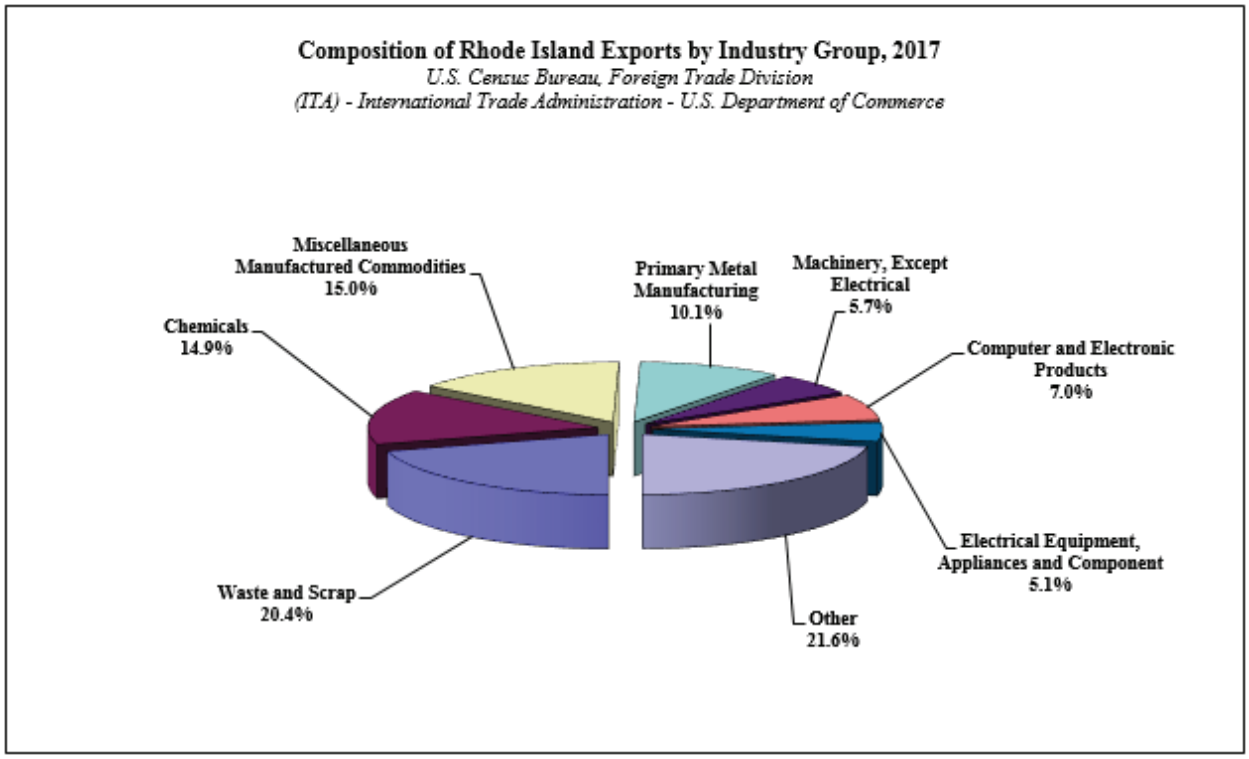
Government. At 14.0 percent of GDP in 2016, the government sector has grown at an average annual growth rate of 1.0 percent since 2007. Yet, due to the gains in other sectors, particularly FIRE, government contributes 1.3 percentage points less as a percentage of GDP in 2016 than it did in 2007. In 2007, the government sector accounted for 15.0 percent of GDP. This sector grew 1.6 percent in 2008, -2.3 percent in 2009, 3.4 percent in 2010, 2.9 percent in 2011, -0.3 percent in 2012, and -1.1 percent in 2013. This sector saw growth of 1.1 percent in 2014, 2.1 percent in 2015, and 1.5 percent in 2016. In 2016, the government sector contributed $7.90 billion of total gross state product compared to $7.78 billion in 2015.

Services. Services consists of professional and technical services, management services, administrative and waste services, educational, health care and social assistance, as well as other non-government services. Since 2007, services have remained an important sector accounting for 25.0 percent of Rhode Island's GDP in 2016. From 2007 to 2016, services have grown by 32.0 percent, indicating the continuing shift from Rhode Island's traditional role as a manufacturing based economy to that of a service based economy.

International Trade and the Rhode Island Economy

Rhode Island products are exported throughout the United States and the world. The total value of all international shipments from Rhode Island in 2013 was $2.16 billion. This represented 4.2 percent of Rhode Island Gross Domestic Product of $52.2 billion. In 2014, Rhode Island's exports increased to $2.39 billion, an increase of 10.4 percent when compared to 2013 levels. For 2015, Rhode Island's exports valued $2.13 billion or 3.8 percent of Rhode Island Gross Domestic Product. The year-over-year decrease in Rhode Island exports was 10.7 percent in 2015. In 2016, Rhode Island's exports increased to $2.28 billion,

which represents a 6.8 percent increase compared to 2015. In 2017, Rhode Island total exports further increased to $2.39 billion, which is equivalent to a 5.0 percent year-over-year increase.



In 2017, the most important exports, as shown in the chart above, were waste and scrap, 20.4 percent; chemicals, 14.9 percent; miscellaneous manufactured commodities, 15.0 percent; primary metal manufacturing, 10.1 percent; computers and electronic products, 7.0 percent; machinery, except electrical, 5.7 percent; electrical equipment appliances and components, 5.1 percent; and all other exports, 21.6 percent.

The table below provides greater detail of Rhode Island exports by industry (in thousands of dollars) for 2013 to 2017.

Rhode Island Exports by Industry, 2013 - 2017
(in thousands of dollars)

	2013	2014	2015	2016	2017
Total All Industries *	**$2,164,108**	**$2,388,479**	**$2,132,709**	**$2,277,831**	**$2,392,942**
Waste and Scrap	566,321	593,618	469,448	453,610	489,316
Chemicals	252,053	377,484	333,367	333,701	356,960
Miscellaneous Manufactured Commodities	178,339	209,008	233,442	295,386	360,088
Primary Metal Manufacturing	247,050	236,703	172,795	258,415	241,130
Machinery, Except Electrical	174,085	150,564	159,042	143,390	137,400
Computer and Electronic Products	144,798	148,510	144,855	162,575	168,048
Electrical Equipment, Appliances and Component	156,526	157,302	135,983	133,120	122,302
Plastics and Rubber Products	90,075	94,334	99,084	86,277	87,923
Transportation Equipment	55,980	93,348	85,277	96,235	128,724
Fabricated Metal Products, NESOI	51,790	54,520	60,628	76,788	79,553
Textiles and Fabrics	50,835	55,199	53,534	82,059	53,834
Used or Second-Hand Merchandise	76,232	80,761	48,576	14,277	18,420
Fish - Fresh, Chilled or Frozen & Other Marine Products	31,835	38,131	35,104	46,531	33,923
Nonmetallic Mineral Products	18,189	21,661	24,239	24,219	23,638
Food Manufacturers	16,110	15,931	16,931	14,507	23,003
Paper	14,090	15,844	14,184	12,735	17,387
Furniture and Fixtures	6,220	7,454	11,253	10,718	8,771
Textile Mill Products	10,147	12,715	10,847	8,183	12,568
Printed Matter and Related Products, Nesoi	8,869	10,017	8,345	6,019	7,550
Special Classification Provisions, Nesoi	5,568	4,649	4,948	9,265	11,153
Petroleum and Coal Products	2,566	3,630	4,412	3,290	3,050
Leather and Allied Products	1,588	2,029	2,423	2,851	2,069
Apparel Manufacturing Products	3,151	3,035	1,752	1,309	1,275
Minerals and Ores	749	967	757	615	1,397
Wood Products	477	735	608	569	1,196
Other Animals	90	126	568	631	62
Forestry Products, Nesoi	155	81	157	218	544
Agricultural Products	132	97	125	278	1,529
Goods Ret. to Canada (Exp.); Goods Ret & Reimps (Imp.)	47	25	13	34	116
Beverages and Tobacco Products	38	3	12	20	15
Oil and Gas	0	0	0	4	0
Newspapers, Books & Other Published Matter, Nesoi	0	0	0	0	0

(ITA) - International Trade Administration - U.S. Department of Commerce
U.S. Census Bureau, Foreign Trade Division
* Totals may not tie due to rounding.

Housing

The following table shows the number of housing permits authorized on an annual basis in Rhode Island, New England, and the United States. In 2003, there was a decline of 9.2 percent. Authorized housing permits in Rhode Island continued to decrease until 2010, when there was an increase of 10.1 percent. In 2011, the number of housing permits authorized in Rhode Island decreased by 22.6 percent, compared to a decrease of 16.4 percent for New England and an increase of 3.2 percent for the United States. In 2012,

the number of housing permits authorized increased by 13.9 percent in Rhode Island, compared to an increase of 33.7 percent for New England and an increase of 32.9 percent for the United States. The number of total housing permits authorized in 2013 increased for Rhode Island, New England and the United States by 21.2 percent, 20.3 percent and 19.4 percent, respectively. In 2014, authorized housing permits increased by 2.2 percent in Rhode Island, 0.8 percent in New England, and 6.2 percent in the United States. In 2015, authorized housing permits fell by 1.0 percent in Rhode Island, while increasing in both New England and the U.S. In 2016, the number of housing permits in Rhode Island countered regional and national trends once again with an increase in number of permits authorized of 8.6 percent, while permits authorized in New England fell by 10.8 and in the United States grew by 2.0 percent. New England data is not available for the entirety of 2017; however, from January 1st to June 1st, 2017, 15,000 new permits were issued, an increase 10.1 percent above the same period in 2016, which had 13,618 permits issued.

Housing Permits Authorized, 2003 - 2016
(not seasonally adjusted)

	Rhode Island		New England		United States	
Year	Total Permits	Percent Change	Total Permits*	Percent Change	Total Permits	Percent Change
2003	1,990	-9.2	48,845	3.5	1,889,400	8.1
2004	1,939	-2.6	56,310	15.3	2,069,900	9.6
2005	1,805	-6.9	57,076	1.4	2,155,200	4.1
2006	1,598	-11.5	47,623	-16.6	1,838,900	-14.7
2007	1,440	-9.9	35,902	-24.6	1,398,200	-24.0
2008	884	-38.6	24,350	-32.2	905,400	-35.2
2009	690	-21.9	17,173	-29.5	583,000	-35.6
2010	760	10.1	20,231	17.8	604,800	3.7
2011	588	-22.6	16,906	-16.4	624,100	3.2
2012	670	13.9	22,611	33.7	829,700	32.9
2013	812	21.2	27,192	20.3	990,900	19.4
2014	830	2.2	27,397	0.8	1,052,100	6.2
2015	822	-1.0	32,717	19.4	1,182,500	12.4
2016	893	8.6	29,177	-10.8	1,206,600	2.0

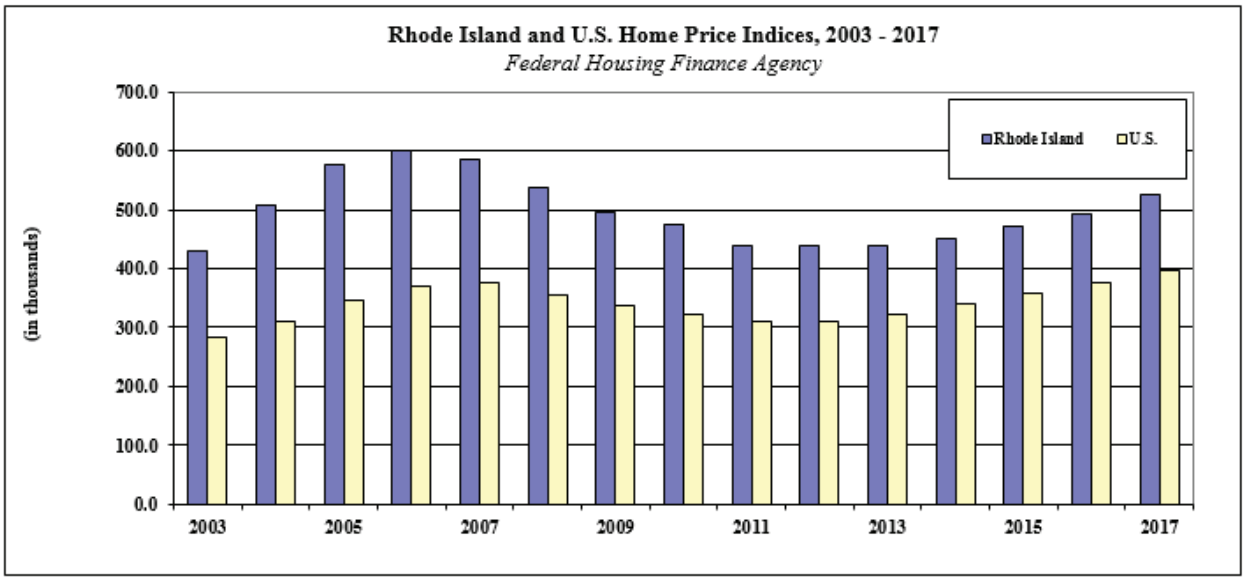
Federal Reserve Bank of St. Louis

The home price index for Rhode Island and the United States (not seasonally adjusted) appears in the table below. The Rhode Island home price index increased relative to the U.S. average from 2003 through 2005, hitting a peak of 166.7 percent in 2005. Since then, the Rhode Island home price index has stayed above the U.S. home price index but has declined in nominal percent terms. In 2017, the ratio of the Rhode Island home price index to the U.S. home price index stood at 131.8 percent.

Home Price Index Rhode Island and the U.S, 2003 - 2017* (not seasonally adjusted, in thousands)			
Year	**R.I.**	**U.S.**	**R.I. Home Prices as a Percentage of the U.S.**
2003	$428.7	$284.8	150.5
2004	508.6	311.5	163.3
2005	577.9	346.8	166.7
2006	601.4	371.6	161.8
2007	585.3	375.7	155.8
2008	538.1	356.6	150.9
2009	495.1	336.8	147.0
2010	473.4	323.0	146.6
2011	439.2	310.6	141.4
2012	440.3	309.9	142.1
2013	439.2	322.1	136.4
2014	450.6	338.9	132.9
2015	471.2	357.0	132.0
2016	493.8	377.2	130.9
2017	524.5	398.0	131.8

Source: Federal Housing Finance Agency
*FY 2017 does not include quarter 4 data which were unaavilable at the time of collection

The chart below depicts the home price index data contained in the table above. The strength of the Rhode Island home price index when compared to the United State home price index is evident from the bars in the chart.



Military Contracts

According to usaspending.gov, the United States transparency portal on federal government spending, military contracts awarded to companies located in the State of Rhode Island in 2003 totaled $490 million. In the 2004 through 2006 period, Department of Defense (DOD) contracts awarded to Rhode Island companies ranged from $411 million to $458 million. In 2007, defense contract awards to Rhode Island

firms eclipsed $500 million for the first time at $594 million and have remained above $600 million each year thereafter until 2015. In 2011, DOD awarded contracts to Rhode Island businesses of $800 million, the first time that milestone was attained. In 2012 and 2013, the value of defense contracts received by Rhode Island companies fell back below $700 million, but rebounded to $826 million in 2014, the highest nominal amount ever. A decline to $592 million followed in 2015, with a slight rebound to $640 million in 2016, with another decline to $455 million in 2017. The last time contract amounts were in the $400 million range was in 2006.

Rhode Island's DOD contract awards as a percentage of total U.S. contract awards declined from 2003 to 2006 when it bottomed out at 0.15 percent from 0.23 percent. Since 2006, Rhode Island's share of total DOD contract awards has risen incrementally, with the exception of 2012, reaching a near peak of 0.29 percent in 2014 and falling to 0.21 percent in 2016. Since 2003, Rhode Island's share of New England DOD contract awards has increased from 2.8 percent to 3.15 percent of such awards in 2014. The 2014 share percentage is the first time Rhode Island has eclipsed 3.0 percent of total New England DOD contracts awarded since prior to 2003. In 2015 and 2016, the percentage of Rhode Island awards as a share of New England fell to 2.38 percent and 2.34 percent, respectively. Awards fell further to 1.68 percent in 2017. The relationship of the defense industry to the Rhode Island economy is reflected in the following table, which shows the value of DOD contract awards between 2003 and 2017.

Department of Defense Contract Awards, 2003 - 2017
(in millions)
Department of Defense, Contracts Awarded by State and for U.S.

Federal Fiscal Year	R.I.	N.E.	U.S.	R.I. Percentage of New England	R.I. Percentage of U.S.
2003	$490	$17,575	$212,859	2.79	0.23
2004	449	19,057	231,083	2.35	0.19
2005	411	20,872	270,868	1.97	0.15
2006	458	20,147	300,589	2.27	0.15
2007	594	23,315	333,663	2.55	0.18
2008	709	27,236	397,664	2.60	0.18
2009	670	29,526	373,466	2.27	0.18
2010	775	27,657	368,382	2.80	0.21
2011	800	32,088	374,412	2.49	0.21
2012	618	28,317	363,624	2.18	0.17
2013	679	25,137	309,134	2.70	0.22
2014	826	26,212	284,326	3.15	0.29
2015	592	24,887	273,621	2.38	0.22
2016	640	27,327	298,057	2.34	0.21
2017	455	27,086	320,441	1.68	0.14

Souce: www.usaspending.gov

Human Resources

Public Elementary and Secondary Education. The availability of a skilled and well-educated population is an important resource for Rhode Island. Rhode Island's financial commitment to education compares favorably with the United States, as the following chart demonstrates. Although spending on education is not necessarily an indication of results, it is important to note that Rhode Island spends more per pupil than the national average on elementary and secondary education. In fact, per pupil spending in Rhode Island has been significantly higher than the national average since 2000. The ratio of Rhode Island spending to the national average has varied from 128.0 percent in the 2000-2001 school year to a high of 145.2 percent

in 2011-12. For the 2012-13 academic year Rhode Island spent 40.6 percent more per pupil on public elementary and secondary education than the United States. Rhode Island spent $16,187 per pupil in comparison to a per pupil national average of $11,509. During the 2013-14 academic year Rhode Island spent 41.2 percent more on public elementary and secondary education than the United States average. Rhode Island spent $16,702 per pupil in comparison to a per pupil national average of $11,831. In the 2014 -2015 academic year, the most recent year for which data are available, Rhode Island spent $17,151 per pupil, $4,927 more than the per pupil national average of $12,224, and 1.2% more than the State spent in the 2013-2014 academic year.

The following table shows expenditures per pupil for Rhode Island and the United States since the 2000-2001 academic year.

Current Expenditure per Pupil in Public Elementary and Secondary Schools
Academic Years 2000-2001 to 2013-2014
(Based on Average Daily Attendance)

Academic Year	Rhode Island	United States	Ratio (R.I./U.S.)
2000-01	$10,116	$7,904	128.0
2001-02	10,552	8,259	127.8
2002-03	11,377	8,610	132.1
2003-04	12,279	8,900	138.0
2004-05	12,685	9,316	136.2
2005-06	13,917	9,778	142.3
2006-07	14,674	10,336	142.0
2007-08	15,843	10,982	144.3
2008-09	16,211	11,239	144.2
2009-10	16,243	11,427	142.1
2010-11	16,346	11,433	143.0
2011-12	16,498	11,362	145.2
2012-13	16,187	11,509	140.6
2013-14	16,702	11,819	141.3
2014-15	17,151	12,224	140.3

U.S. Department of Education, National Center for Education Statistics; Unadjusted Dollars

For the academic year 2014-2015, Rhode Island per pupil expenditures were the ninth highest in the nation and fourth highest in New England, trailing Vermont, Connecticut, and Massachusetts. The following table shows each of the fifty states and the District of Columbia ranked in terms of average expenditure per pupil.

National Ranking of Expenditure per Pupil in Public Elementary and Secondary Schools
Academic Year 2014-2015
(Based on Average Daily Attendance)

Ranking	State	Expenditure	Ranking	State	Expenditure
	United States	**$12,224**			
1	New York	$22,771	27	Louisiana	$11,697
2	Alaska	22,161	28	Washington	11,648
3	District of Columbia	21,362	29	Oregon	11,356
4	Vermont	19,793	30	Kansas	11,106
5	Connecticut	19,731	31	Missouri	11,079
6	New Jersey	19,296	32	California	10,924
7	Wyoming	17,445	33	Arkansas	10,756
8	Massachusetts	17,311	34	South Carolina	10,670
9	**Rhode Isand**	**17,151**	35	Kentucky	10,659
10	Maine	15,839	36	Colorado	10,349
11	Illinois	15,473	37	Indiana	10,202
12	Pennsylvania	15,405	38	New Mexico	9,891
13	Maryland	15,403	39	Georgia	9,809
14	New Hampshire	15,380	40	Texas	9,789
15	Delaware	14,556	41	Alabama	9,690
16	Hawaii	13,849	42	South Dakota	9,637
17	North Dakota	13,552	43	Tennessee	9,549
18	Nebraska	12,825	44	Florida	9,295
19	Minnesota	12,707	45	North Carolina	9,245
20	West Virginia	12,414	46	Mississippi	9,129
21	Ohio	12,285	47	Nevada	8,939
22	Wisconsin	12,227	48	Oklahoma	8,633
23	Michigan	12,048	49	Arizona	8,426
24	Montana	11,999	50	Idaho	7,409
25	Virginia	11,810	51	Utah	7,375
26	Iowa	11,698			

U.S. Department of Education, National Center for Education Statistics; Unadjusted Dollars

Public and Private Post-Secondary Education. Growth in educational attainment for Rhode Island is important for productivity gains along with ensuring the trend towards a more educated labor force. During the time period between the 2000-2001 and 2014-2015 academic years, Rhode Island experienced growth in the number of college degrees conferred in each year except 2000-2001 and 2009-2010. The latter two years correspond to years when the U.S. economy was in recession, which likely impacted out-of-state enrollment at Rhode Island's colleges and universities. Over this 15-year period, the average rate of growth in degrees conferred by Rhode Island institutions of higher education has been 1.8 percent. This compares to an average rate of growth in degrees conferred by U.S. colleges and universities of 3.3 percent for the same period, a difference of 1.5 percentage points. As the table below shows, Rhode Island's growth rate in degrees conferred lagged that of the United States for 11 of the 15 academic years for which data are available. During the most recent five academic years for which data are available, Rhode Island lagged the U.S. in number of degrees conferred, except for the 2012-2013 and 2013-2014 academic years. In the 2012-2013 academic year, Rhode Island institutions of higher education conferred 1.9 percent more degrees than in the 2011-2012 academic year, a rate of growth that exceeded the rate of growth for the United States by 1.0 percentage point. In the 2013-2014 academic year, Rhode Island growth rate of degrees conferred was 2.2 percent which was higher than the 0.8 percent U.S. growth rate. Most recent data for the 2014-2015

academic year shows slight growth of 0.1 percent, compared to the previous academic year, but this is 1.0 percent less than the U.S. average. Rhode Island degrees increased by 25, with declines in Associate, Master, and Doctoral degrees, offset by a 2.4 percent increase in the number of Bachelor degrees conferred. The table below summarizes degrees conferred from the 2000-2001 to 2014-2015 academic years.

Earned Degrees Conferred
(by level of degree)
2000 -2001 to 2014-2015

Academic	Rhode Island						United States					
Year	Associates	Bachelors	Masters	Doctoral	Total	% Change	Associates	Bachelors	Masters	Doctoral	Total	% Change
2000-01	3,582	8,283	1,928	500	**14,293**	**-0.3**	578,865	1,244,171	468,476	124,611	**2,416,123**	**1.3**
2001-02	3,557	8,845	2,079	491	**14,972**	**4.8**	595,133	1,291,900	482,118	124,858	**2,494,009**	**3.2**
2002-03	3,516	9,108	2,056	496	**15,176**	**1.4**	632,912	1,348,503	512,645	126,834	**2,620,894**	**5.1**
2003-04	3,540	9,251	2,171	570	**15,532**	**2.3**	665,301	1,399,542	558,940	131,419	**2,755,202**	**5.1**
2004-05	3,573	9,472	2,223	561	**15,829**	**1.9**	696,660	1,439,264	574,618	139,920	**2,850,462**	**3.5**
2005-06	3,831	9,686	2,146	655	**16,318**	**3.1**	713,066	1,485,242	594,065	143,722	**2,936,095**	**3.0**
2006-07	3,822	9,982	2,230	632	**16,666**	**2.1**	728,114	1,524,092	604,607	150,680	**3,007,493**	**2.4**
2007-08	3,692	10,265	2,240	685	**16,882**	**1.3**	750,164	1,563,069	625,023	155,021	**3,093,277**	**2.9**
2008-09*	4,029	10,291	2,375	703	**17,398**	**3.1**	787,325	1,601,368	656,784	159,720	**3,205,197**	**3.6**
2009-10	3,590	10,647	2,396	746	**17,379**	**-0.1**	849,452	1,650,014	693,025	158,558	**3,351,049**	**4.6**
2010-11	3,461	10,863	2,545	709	**17,578**	**1.1**	943,506	1,716,053	730,922	163,827	**3,554,308**	**6.1**
2011-12	3,537	11,013	2,566	745	**17,861**	**1.6**	1,021,718	1,792,163	755,967	170,217	**3,740,065**	**5.2**
2012-13	3,727	11,079	2,654	742	**18,202**	**1.9**	1,007,427	1,840,381	751,718	175,026	**3,774,552**	**0.9**
2013-14	3,780	11,455	2,618	753	**18,606**	**2.2**	1,003,364	1,869,814	754,475	177,580	**3,805,233**	**0.8**
2014-15	3,606	11,730	2,571	724	**18,631**	**0.1**	1,013,971	1,894,934	758,708	178,547	**3,846,160**	**1.1**

U.S. Department of Education, National Center for Education Statistics
*For years reported between 2000 and 2009. Doctoral degrees incorporate professional degrees that were reported seperately prior to 2009.

In contrast to degrees conferred, Rhode Island has seen a contraction in total Fall enrollment at its public and private colleges and universities. According to the U.S. Department of Education's National Center for Education Statistics, in Fall 2015 the total Fall enrollment of part-time and full-time students in Rhode Island institutions of higher education was 82,292, a decrease of 1.4 percent from Fall 2014. This marks the fifth consecutive year of no—or negative growth—in Fall enrollment at Rhode Island institutions of higher education. This pattern, however, mirrors the trend for the United States and likely reflects national factors impacting enrollment in higher education, such as the expansion of on-line degree offerings, the increasing cost of higher education and/or demographic trends. Prior to Fall 2011, total Fall enrollment at Rhode Island colleges and universities had increased every year since 2000. Relative to the United States, Rhode Island's growth rate has lagged the United States total Fall enrollment growth rate except for 2003, 2005, and 2012 to 2014. Despite the lack of growth in degrees conferred, Rhode Island's degree-holding population is increasing. From 2012 to 2016, Rhode Island's population age 25 or higher holding at least a Bachelor's degree increased 1.7 percent to 32.5 percent of the total population. Comparing 2016 to 2015, Rhode Island saw a 0.6 percent increase in the amount of degree holders, in line with the New England and U.S. year over year change. Rhode Island's total Fall enrollment compared to the United States total Fall enrollment in institutions of higher education is depicted in the table below, as well as the percentage of population age 25 or holder holding a Bachelor's degree or higher.

Total Fall Enrollment 2000-2015				
Academic	Rhode Island		United States	
Year	Total Enrollment	% Change	Total Enrollment	% Change
2000	75,450	0.8%	15,312,289	3.5%
2001	77,235	2.4	15,927,987	4.0
2002	77,417	0.2	16,611,711	4.3
2003	79,085	2.2	16,900,471	1.7
2004	80,377	1.6	17,272,044	2.2
2005	81,382	1.3	17,487,475	1.2
2006	81,734	0.4	17,758,870	1.6
2007	82,900	1.4	18,248,128	2.8
2008	83,893	1.2	19,102,814	4.7
2009	84,673	0.9	20,313,594	6.3
2010	85,110	0.5	21,019,438	3.5
2011	84,647	-0.5	21,010,590	0.0
2012	83,952	-0.8	20,642,819	-1.8
2013	83,460	-0.6	20,375,789	-1.3
2014	83,499	0.0	20,207,369	-0.8
2015	82,292	-1.4	19,977,270	-1.1
U.S. Department of Education, National Center for Education Statistics				

College Attainment: Percentage with Bachelor's Degree or Higher Population 25 Years and Older, 2012-2016					
	2012	2013	2014	2015	2016
United States	28.50%	28.80%	29.30%	29.70%	30.30%
New England	35.90	36.30	36.80	37.30	37.90
Rhode Island	30.80	31.40	31.40	31.90	32.50
Source: American Community Survey Annual 5-Year Estimates, U.S. Census Bureau					

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APPENDIX B

PROPOSED FORMS OF LEGAL OPINION

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Date of Delivery

State of Rhode Island and Providence Plantations
State House
82 Smith Street
Providence, Rhode Island 02903

Re: $114,275,000 Consolidated Capital Development Loan of 2018, Series A (Tax-Exempt) (the "2018 Series A Bonds")

Ladies & Gentlemen:

We have acted as bond counsel to the State of Rhode Island and Providence Plantations (the "State) in connection with its issuance of the 2018 Series A Bonds, representing various loans authorized by various acts of the General Assembly of the State and consolidated for issuance pursuant to Section 35-8-21 of the Rhode Island General Laws, as amended. In that capacity, we have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of such records of the State, certificates of officials of the State and other documents and instruments, and have made such other investigation of facts and examination of Rhode Island and federal law, as we have deemed necessary or proper for the purpose of rendering this opinion. Capitalized terms used herein shall, unless otherwise specified, have the meanings set forth in the Certificate of Determination of the General Treasurer including Approval of the Governor and Acknowledgment of Approval by the Secretary of State adopted April 18, 2018 (the "Certificate of Determination").

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are further of the opinion that, under existing law:

1. The 2018 Series A Bonds are valid and binding general obligations of the State and the full faith and credit of the State is pledged for the payment of the principal of and interest on the 2018 Series A Bonds as the same shall come due.

2. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2018 Series A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2018 Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2018 Series A Bonds. Pursuant to the Tax Certificate of the State (the "Tax Certificate"), the State has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2018 Series A Bonds from gross income for federal

income tax purposes pursuant to Section 103 of the Code. In addition, the State has made certain representations and certifications in the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the 2018 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. However, it is noted that solely for taxable years beginning before January 1, 2018, interest on the 2018 Series A Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations under the Code.

3. Interest on the 2018 Series A Bonds is exempt from taxation by the State or any political subdivision or other instrumentality of the State, although the 2018 Series A Bonds and any income therefrom, including gain from sale or exchange thereof, may be included in the measure of State estate taxes and State corporate and business taxes. Bond Counsel expresses no opinion as to other State or local tax consequences arising with respect to the 2018 Series A Bonds or as to the taxability of the 2018 Series A Bonds or the income therefrom under the laws of any state other than the State.

Except as stated in paragraphs 2 and 3, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the 2018 Series A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2018 Series A Bonds, or the interest thereon, if any action is taken with respect to the 2018 Series A Bonds or the proceeds thereof upon the advice or approval of other counsel.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the 2018 Series A Bonds and the enforceability of the 2018 Series A Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

Date of Delivery

State of Rhode Island and Providence Plantations
State House
82 Smith Street
Providence, Rhode Island 02903

Re: $35,100,000 Consolidated Capital Development Loan of 2018, Series B (Federally Taxable) (the "2018 Series B Bonds")

Ladies & Gentlemen:

We have acted as bond counsel to the State of Rhode Island and Providence Plantations (the "State) in connection with its issuance of the 2018 Series B Bonds, representing various loans authorized by various acts of the General Assembly of the State and consolidated for issuance pursuant to Section 35-8-21 of the Rhode Island General Laws, as amended. In that capacity, we have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of such records of the State, certificates of officials of the State and other documents and instruments, and have made such other investigation of facts and examination of Rhode Island and federal law, as we have deemed necessary or proper for the purpose of rendering this opinion. Capitalized terms used herein shall, unless otherwise specified, have the meanings set forth in the Certificate of Determination of the General Treasurer including Approval of the Governor and Acknowledgment of Approval by the Secretary of State adopted April 18, 2018 (the "Certificate of Determination").

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are further of the opinion that, under existing law:

1. The 2018 Series B Bonds are valid and binding general obligations of the State and the full faith and credit of the State is pledged for the payment of the principal of and interest on the 2018 Series B Bonds as the same shall come due.

2. Interest on the 2018 Series B Bonds is included in gross income for Federal income tax purposes. We express no opinion regarding any other Federal tax consequences arising with respect to the 2018 Series B Bonds.

3. Interest on the 2018 Series B Bonds is exempt from taxation by the State or any political subdivision or other instrumentality of the State, although the 2018 Series B Bonds and any income therefrom, including gain from sale or exchange thereof, may be included in the measure of State estate taxes and State corporate and business taxes. Bond Counsel expresses no opinion as to other State or local tax consequences

arising with respect to the 2018 Series B Bonds or as to the taxability of the 2018 Series B Bonds or the income therefrom under the laws of any state other than the State.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the 2018 Series B Bonds and the enforceability of the 2018 Series B Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

APPENDIX C

OFFICIAL NOTICE OF SALE DATED MARCH 26, 2018 FOR THE SERIES A BONDS

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OFFICIAL NOTICE OF SALE

$114,275,000*
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
General Obligation Bonds
Consolidated Capital Development Loan of 2018, Series A

Electronic Bids, exclusively through the system of PARITY® Competitive Bidding System ("*PARITY*®"), will be received by the State of Rhode Island and Providence Plantations (the "State"), for the purchase of all, and not less than all, of the $114,275,000* General Obligation Bonds Consolidated Capital Development Loan of 2018, Series A (the "Bonds") until 10:30 a.m., Eastern Time, on April 3, 2018 (unless postponed or changed as described herein).

THE BONDS

Authorization and Security

The Bonds when duly issued will constitute valid general obligations of the State and the full faith and credit of the State will be pledged for the payment of the principal of and interest on each of the Bonds as the same shall become due.

Book-Entry Only

The Bonds will be dated the date of delivery. Interest on the Bonds will be calculated on a 30/360 day basis and will be payable semiannually on April 1 and October 1, commencing October 1, 2018. The Bonds will be issued only as fully registered bonds in book-entry form payable to a nominee of The Depository Trust Company, New York, New York ("DTC"), as securities depository for the Bonds. Reference is made to the Preliminary Official Statement, as defined herein, for the applicable provisions relating to the transfer of beneficial ownership, manner of redemption, the responsibilities of DTC participants and the right of the State to discontinue the book-entry only system.

Maturity Schedule

Principal of the Bonds will be paid (subject to the right of prior redemption) through serial maturities and/or term maturities with annual sinking fund redemptions on the following dates and in the following amounts.

April 1	Principal Amount*	April 1	Principal Amount*
2019	$ 2,175,000	2029	$ 7,410,000
2020	2,070,000	2030	7,780,000
2021	2,170,000	2031	8,165,000
2022	2,280,000	2032	8,410,000
2023	2,395,000	2033	8,750,000
2024	2,515,000	2034	9,100,000
2025	2,635,000	2035	9,415,000
2026	2,770,000	2036	9,745,000
2027	2,905,000	2037	10,090,000
2028	3,055,000	2038	10,440,000

* *Preliminary, subject to change.*

Term Bonds

The successful bidder may provide in the bid form for all of the Bonds to be issued as serial bonds or may designate consecutive annual principal amounts of the Bonds, to be combined into one or more term bonds. Each such term bond shall be subject to mandatory sinking fund redemption commencing on April 1 of the first year which has been combined to form such term bond and continuing on April 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth in the amortization schedule, as adjusted in accordance with the provisions described below under the caption "Changes to Revised Principal Amounts." The Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot or otherwise according to DTC procedures from among the Bonds of the same maturity, as described in the Preliminary Official Statement.

Optional Redemption

The Bonds maturing on and before April 1, 2028 are not subject to optional redemption prior to their stated dates of maturity. The Bonds maturing on and after April 1, 2029 are subject to optional redemption prior to their stated dates of maturity on and after April 1, 2028 at the option of the State, as a whole or in part at any time (by lot or DTC), in any order of maturity designated by the State, at the redemption price of 100% of the principal amount of the Bonds to be redeemed, together with interest accrued and unpaid to the redemption date.

CHANGES TO THE NOTICE OF SALE, BID DATE, PRINCIPAL AMOUNTS

Changes to the Notice of Sale and Bid Date

The State reserves the right to change, from time to time, the date and/or time established for the receipt of bids and will undertake to notify registered prospective bidders via notification published on Thomson Municipal Market Monitor ("TM3") (www.tm3.com) and communicated to *PARITY*®.

A change of the bid date and/or time will be announced via TM3 not later than 9:30 a.m., Eastern Time, on any announced date for receipt of bids, and an alternative sale date and time will be announced via TM3 and communicated to *PARITY*® at least 20 hours prior to such alternative date and time for receipt of bids.

On any such alternative date and time for receipt of bids, the State will accept electronic bids for the purchase of the Bonds, such bids to conform in all respects to the provisions of this Official Notice of Sale, except for the changes in the date and time for receipt of bids and any other changes announced via TM3 and communicated to *PARITY*® at the time that the new date and time for receipt of bids are announced.

The State may change any other information in connection with the offer and sale of the Bonds by notice given in the same manner as that set forth for a change in the date and/or time for the receipt of bids, and any such supplemental information shall be deemed a part of this Official Notice of Sale.

Changes to Preliminary Principal Amounts

The preliminary aggregate principal amount of the Bonds and the preliminary annual principal amounts as set forth in this Official Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary Annual Principal Amounts," respectively, and collectively, the "Preliminary Amounts") may be revised before the date established for submission of electronic bids. **ANY SUCH**

REVISIONS (THE "REVISED AGGREGATE PRINCIPAL AMOUNT" AND THE "REVISED ANNUAL PRINCIPAL AMOUNTS," RESPECTIVELY, AND COLLECTIVELY, THE "REVISED AMOUNTS") WILL BE PUBLISHED AS AN AMENDMENT TO THE OFFICIAL NOTICE OF SALE AND DISTRIBUTED ON TM3 AND COMMUNICATED TO *PARITY*® NO LATER THAN 9:30 A.M., EASTERN TIME, ON ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS.

Changes to Revised Principal Amounts

After selecting the winning bid, the State may adjust the Revised Aggregate Principal Amount and the Revised Annual Principal Amount of each maturity of the Bonds. In determining the final aggregate principal amount of the Bonds and each final annual principal amount (the "Final Aggregate Principal Amount" and the "Final Annual Principal Amounts," respectively, and collectively, the "Final Amounts"), the State will not increase or reduce the aggregate principal amount of the Bonds by more than 15% of such amount. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.** The dollar amount bid by the successful bidder will be adjusted to reflect changes in the aggregate principal amounts of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and the original issue discount/premium, if any, but will not change the selling compensation per $1,000 of par amount of the Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the Initial Reoffering Prices. The interest rate specified by the successful bidder for each maturity at the Initial Reoffering Prices will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder within 24 hours after the receipt of the Initial Reoffering Prices from the successful bidder.

ELECTRONIC BIDDING AND BIDDING PROCEDURES

Registration to Bid

All prospective bidders must be contracted customers of *PARITY*®. To become a customer, contact *PARITY*® at (212) 849-5021. By submitting a bid for the Bonds, a prospective bidder represents and warrants to the State that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds.

Notice is hereby given that electronic proposals will be received via *PARITY*®, in the manner described below, until 10:30 a.m., Eastern Time, on April 3, 2018. Bids may be submitted electronically via *PARITY*® pursuant to this Official Notice of Sale until 10:30 a.m., Eastern Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in *PARITY*® conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about *PARITY*®, potential bidders may contact *PARITY*® at (212) 849-5021.

Disclaimer

Each prospective bidder shall be solely responsible to register to bid via *PARITY*®. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access *PARITY*® for purposes of submitting its bid in a timely manner and in compliance with the requirements of this

Official Notice of Sale. Neither the State nor *PARITY*® shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the State nor *PARITY*® shall be responsible for a bidder's failure to register to bid or for proper operation of *PARITY*®, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*®. The State is using *PARITY*® as a communication mechanism, and not as the State's agent, to conduct the electronic bidding for the Bonds. The State has no liability for any errors in, or any other failures of, the electronic bidding system, and each bidder agrees to hold the State harmless against any claims related to or arising from such bidder's use of or involvement in the bidding process. The State is not bound by any advice and determination of *PARITY*® to the effect that any particular bid complies with the terms of this Official Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via *PARITY*® are the sole responsibility of the bidders, and the State is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Bonds, it should telephone *PARITY*® at (212) 849-5021 and notify the Office of the General Treasurer by facsimile transmission at (401) 222-6140.

Bidding Procedures

Bids must be submitted electronically for the purchase of the Bonds (all or none) by means of the State AON Bid Form (the "Bid Form") via *PARITY*® by 10:30 a.m., Eastern Time, on April 3, 2018, unless postponed or changed as described herein (see "Changes to the Notice of Sale and Bid Date" and "Changes to Preliminary Principal Amounts"). Prior to that time, a prospective bidder may input and save proposed terms of its bid in *PARITY*®. Once the final bid has been saved in *PARITY*®, the bidder may select the final bid button in *PARITY*® to submit the bid to *PARITY*®. Once the bids are communicated electronically via *PARITY*® to the State, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on *PARITY*® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the State, as described under "Award of the Bonds" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

No bids will be accepted in written form, by facsimile transmission or in any other medium or on any system other than by means of the Bid Form via *PARITY*®. No bid will be received after the time for receiving such bids specified above.

Bid Specifications

Each bidder is required to transmit electronically by means of the Bid Form via *PARITY*® an unconditional bid specifying the rate or rates of interest and the price at which the bidder will purchase the Bonds. Each proposal for the Bonds must specify the amount bid for such Bonds not less than 100% of the par value of the aggregate principal amount of the Bonds based on the Revised Amounts as described above. Bidders are invited to name the rate or rates of interest that the Bonds are to bear, in multiples of 1/8 or 1/20 of one percent. Each bidder must specify in its bid a single rate for each maturity of the Bonds. Any number of rates may be named, provided that (a) the difference between the highest interest rate and the lowest interest rate shall not exceed 300 basis points and (b) no interest rate for any maturity may exceed 5.00%. No bid for other than all of the Bonds will be considered. All bids must be unconditional.

Expenses

The State will not pay any expenses of the successful bidder in connection with the purchase of the Bonds. Pursuant to Rhode Island law, the successful bidder shall be required to pay the fees of the Rhode Island Public Finance Management Board in the amount equal to one fortieth (1/40) of one (1%) percent (or 0.025%) of the Final Aggregate Principal Amount, as defined below, of the Bonds, which fees are required to be paid to the Rhode Island Public Finance Management Board on the Closing Date (as defined below).

Good Faith Deposit

A good faith deposit in the amount of $1,142,750* (the "Deposit") is required in connection with the sale and bid for the Bonds. The Deposit is to be provided for by a Federal funds wire transfer to be submitted to the State by the successful bidder not later than 4:00 p.m. (Eastern Time) on the date of sale (the "Wire Transfer Deadline") as set forth below under "Wire Transfers". The Deposit of the successful bidder will be collected and the proceeds thereof retained by the State to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of the respective bid, the proceeds thereof will be retained as and for full liquidated damages.

Wire Transfers. The State will distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Wire Transfer Deadline. If the Deposit is not received by the Wire Transfer Deadline, the award of the sale of the Bonds to the successful bidder may be cancelled by the State in its discretion without any financial liability of the State to the successful bidder or any limitation whatsoever on the State's right to sell the Bonds to a different purchaser upon such terms and conditions as the State shall deem appropriate.

Award of the Bonds

Notification to the apparent successful bidder will be made by the State as soon as possible after the receipt of bids, that such bidder's bid appears to be the lowest and best bid received that conforms to the requirement of this Official Notice of Sale, subject to verification. Upon such notice, such successful bidder shall advise the State of the Initial Reoffering Prices (as hereinafter defined) of the various maturities of the Bonds as described below. Such Initial Reoffering Prices, among other things, will be used by the State to calculate the Final Amounts, as defined below (see "Changes to Revised Principal Amounts").

ALL BIDS SHALL REMAIN FIRM UNTIL 5:00 P.M., EASTERN TIME, ON THE DATE OF THE RECEIPT OF BIDS. An award of the Bonds, if made, will be made by or on behalf of the State by such time. Unless all bids are rejected, the Bonds will be awarded to the bidder whose bid results in the lowest true interest cost to the State for the Bonds combined, based on the Revised Amounts, as defined above (see "Changes to Preliminary Principal Amounts"). The true interest cost (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semi-annually, which, when applied against each semi-annual debt service payment (interest, or principal and interest, as due, including any mandatory sinking fund payment) for the Bonds, will equate the sum of such discounted semi-annual payments to the total purchase price. In case of a tie, the General Treasurer on behalf of the State may select the successful bidder. The General Treasurer on behalf of the State reserves the right to waive irregularities in any bid or the bidding process and to reject any or all bids.

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* *Preliminary, subject to change.*

MISCELLANEOUS; CLOSING

Undertakings of the Successful Bidder

The successful bidder shall make a bona fide public offering of all of the Bonds to the general public and shall, within 30 minutes after being notified that such bidder's bid appears to be the apparent winning bid, subject to verification, advise the State in writing (via facsimile transmission or electronic transmission) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission, electronic submission or overnight delivery received by the State within 24 hours after notification of the award, furnish the following information to the State to complete the Preliminary Official Statement in final form (the "Final Official Statement"):

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds are sold at the Initial Reoffering Prices).

B. The identity of the underwriters if the successful bidder is part of a group or syndicate.

C. Any other material information that the State determines is necessary to complete the Final Official Statement.

After the award of the Bonds, the State will prepare copies of the Final Official Statement and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the State will not include in the Final Official Statement a "NRO" ("not reoffered") designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the State in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

The State expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board ("MSRB"). The successful bidder will be required to acknowledge receipt of such Final Official Statement, to certify that it has made delivery of the Final Official Statement to the MSRB and such repositories, to acknowledge that the State expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Issue Price Certificate

The successful bidder shall assist the State in establishing the issue price of the Bonds and shall execute and deliver to the State on or prior to the Closing Date (as defined below) an "issue price" or similar certificate setting forth the reasonably expected initial offering prices to the public or the actual sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the applicable form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the State and Bond Counsel. All actions to be taken by the State under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the State by Public Resources Advisory Group, Inc. (the "Financial Advisor") and any notice or report to be provided to the State may be provided to the Financial Advisor.

The State intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds ("competitive sale requirements") because:

(1) the State has disseminated this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the State may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the State anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest interest cost, as set forth in this Official Notice of Sale.

In the event that the competitive sale requirements are not satisfied, the State shall so advise the successful bidder. In such case, the State shall treat the first price at which 10% of a maturity of the Bonds is sold to the public (the "10% test") as the issue price of that maturity, applied on a maturity-by-maturity basis. The successful bidder shall advise the State of which maturities, if any, of the Bonds satisfy the 10% test as of the date and time of the award of the Bonds.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm bid for the purchase of the Bonds. By submitting a bid for the Bonds, a bidder represents and warrants to the State that the bidder has an established industry reputation for underwriting new issuances of municipal bonds. Once the bids are communicated electronically via *PARITY*® to the State, each bid will constitute an irrevocable offer to purchase the Bonds on the terms herein and therein provided.

The State will <u>not</u> require bidders to comply with the "hold-the-offering-price rule" set forth in Treasury Regulation Section 1.148-1(f)(2)(ii).

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the State the prices at which the unsold Bonds of each maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for each maturity or until all Bonds of that maturity have been sold.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (in each case, to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. For purposes of this Official Notice of Sale, the following terms shall have the meaning set forth below:

(1) "public" means any person other than an underwriter or a related party,

(2) "underwriter" means (a) any person that agrees pursuant to a written contract with the State (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (b) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (a) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (a) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (b) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (c) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date that the Bonds are awarded by the State to the successful bidder.

Bond Insurance

The State has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the successful bidder, and any increased costs of issuance for delivery of the Bonds resulting by reason of such insurance or commitment shall be assumed by such bidder. Bids shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued, or any rating downgrade or other material event occurring relating to the issuer of any such policy or commitment, shall not in any way relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Bonds.

If the successful bidder obtains a municipal bond insurance policy or other form of credit enhancement, at the same time it provides the Initial Reoffering Prices it shall advise the General Treasurer of the cost of such credit enhancement. At or before the closing of the Bonds, the successful bidder shall provide to the General Treasurer a certificate certifying that (i) the present value of the fees paid for such credit enhancement are less than the present value of the interest reasonably expected to be saved as a result of obtaining such credit enhancement, using the yield on the Bonds (determined with regard to the payments for such credit enhancement) as the discount factor for this purpose, and (ii) such fees were obtained in arm's length negotiations and do not exceed a reasonable charge for the transfer of credit risk. In addition, the successful bidder will cooperate with the General Treasurer to obtain any necessary certifications from the credit enhancement provider. Failure of the Bonds to be so insured or of any such policy to be issued shall not in any manner relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Bonds.

Delivery of the Bonds

The Bonds are expected to be delivered on or about April 18, 2018 (the "Closing Date") in New York City through the facilities of DTC against payment of the purchase price therefor (less the amount of the good faith deposit) in Federal Reserve Bank Funds.

There will also be furnished the usual closing papers including (1) a certificate of the Attorney General of the State of Rhode Island stating that no litigation is pending, or to his knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Bonds, in any way contesting or affecting any authority for or validity of the Bonds or in any way contesting the power of the Governor or the General Treasurer to sell the Bonds and (2) certificates of the General Treasurer and the Director of Administration that, except for the initial offering prices or yields of the Bonds on the inside cover page of the Final Official Statement and any other information concerning the reoffering of the Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading "DESCRIPTION OF THE BONDS-Book-Entry-Only System", "TAX MATTERS" and in Appendix B as to which no representations or warranties are to be made, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Bonds, and the Final Official Statement, both as of the date of sale and the date of delivery of the Bonds, did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the Preliminary Official Statement, the Final Official Statement or the statements and information therein contained, in light of the circumstances under which they were made, not misleading.

Legal Opinion

The approving opinion of Nixon Peabody LLP, Providence, Rhode Island, Bond Counsel, in substantially the form set forth in the Preliminary Official Statement, will be furnished without cost to the successful bidder. The Preliminary Official Statement contains a discussion of the matters covered by the opinion.

CUSIP Numbers

CUSIP numbers will be applied for by the successful bidder with respect to the Bonds. The State will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Bonds.

Official Statement

The Preliminary Official Statement dated as of the date hereof (the "Preliminary Official Statement") and the information contained therein have been deemed final by the State as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but is subject to change without notice and to completion or amendment in the Final Official Statement.

The State, at its expense, will make available to the successful bidder a reasonable number of Final Official Statements, for delivery to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the

Bonds, within seven (7) business days of the award of the Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement.

The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the MSRB, including its obligation to provide information to the State in a timely basis for the Final Official Statement.

Continuing Disclosure

In order to assist bidders in complying with Rule 15c2-12, the State will undertake, pursuant to a Continuing Disclosure Agreement, to provide certain annual financial information and operating data and notices of the occurrence of certain events. A description of the undertakings is set forth in the Preliminary Official Statement and also will be set forth in the Final Official Statement.

Additional Information

For further information relating to the Bonds, reference is made to the Preliminary Official Statement prepared for and authorized by the State. The Preliminary Official Statement may be obtained via the Internet at www.MuniOS.com. Copies are available upon request from the undersigned at the Office of the General Treasurer, 102 State House, Providence, RI 02908 (telephone (401) 222-4780; facsimile (401) 222-6140) or from the financial advisor, Public Resources Advisory Group, 39 Broadway, Suite 1210, New York, NY 10006 (telephone (212) 566-7800; facsimile (212) 566-7816).

Dated: March 26, 2018

State of Rhode Island and Providence Plantations
By: Seth Magaziner, General Treasurer
By: Michael DiBiase, Director of Administration

Exhibit A To Official Notice of Sale

Form of Issue Price Certificates

$_____
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
GENERAL OBLIGATION BONDS
CONSOLIDATED CAPITAL DEVELOPMENT LOAN OF 2018, SERIES A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ (the "Initial Purchaser"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

[Alternate 1 - Competitive Safe Harbor Met]

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Initial Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Initial Purchaser in formulating its bid to purchase the, Bonds. Attached as Schedule B is a true and correct copies of the (i) bid provided by the Initial Purchaser to purchase the Bonds, and (ii) the pricing wire or equivalent communication for the Bonds.

(b) The Initial Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Initial Purchaser constituted a firm offer to purchase the Bonds.

(d) The Initial Purchaser has an established industry reputation for underwriting new issuances of municipal bonds.

2. Defined Terms.

(a) *"Issuer"* means the State of Rhode Island and Providence Plantations.

(b) "*Maturity"* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "*Public"* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(d) "*Sale Date"* means the date that the Bonds are awarded by the Issuer to the successful bidder. The Sale Date of the Bonds is [DATE].

(e) "*Underwriter"* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Initial Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Nixon Peabody LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[INITIAL PURCHASER]

By: _____
Name: _____

Dated: [ISSUE DATE]

[Alternate 2 - Competitive Sale Requirements Not Met – General Rule to Apply]

The undersigned, on behalf of _____ (the "Initial Purchaser") [and other Underwriters, as defined below], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. Sale of the Bonds. As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A. Each maturity of the Bonds of which at least 10% of such maturity has not yet been sold to the public (the "Unsold Bonds") is also identified in Schedule A. Attached as Schedule B is a true and correct copies of the (i) bid provided by the Initial Purchaser to purchase the Bonds, and (ii) the pricing wire or equivalent communication for the Bonds. The Initial Purchaser has and will comply with the requirements set forth under the heading "Issue Price Certificate" in the Notice of Sale for the Bonds, including reporting on the sale prices of the Unsold Bonds after the date hereof as provided therein.

2. Defined Terms.

(a) *"Issuer"* means the State of Rhode Island and Providence Plantations.

(b) *"Maturity"* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) *"Public"* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(d) *"Sale Date"* means the date that the Bonds are awarded by the Issuer to the successful bidder. The Sale Date of the Bonds is [DATE].

(e) *"Underwriter"* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Initial Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Nixon Peabody LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[INITIAL PURCHASER]

By: _____
Name: _____

Dated: [ISSUE DATE]

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APPENDIX D

OFFICIAL NOTICE OF SALE DATED MARCH 26, 2018 FOR THE SERIES B BONDS

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OFFICIAL NOTICE OF SALE

$35,100,000*
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
General Obligation Bonds
Consolidated Capital Development Loan of 2018, Series B (Federally Taxable)

Electronic Bids, exclusively through the system of PARITY® Competitive Bidding System ("*PARITY*®"), will be received by the State of Rhode Island and Providence Plantations (the "State"), for the purchase of all, and not less than all, of the $35,100,000* General Obligation Bonds Consolidated Capital Development Loan of 2018, Series B (Federally Taxable) (the "Bonds") until 11:15 a.m., Eastern Time, on April 3, 2018 (unless postponed or changed as described herein).

THE BONDS

Authorization and Security

The Bonds when duly issued will constitute valid general obligations of the State and the full faith and credit of the State will be pledged for the payment of the principal of and interest on each of the Bonds as the same shall become due.

Book-Entry Only

The Bonds will be dated the date of delivery. Interest on the Bonds will be calculated on a 30/360 day basis and will be payable semiannually on April 1 and October 1, commencing October 1, 2018. The Bonds will be issued only as fully registered bonds in book-entry form payable to a nominee of The Depository Trust Company, New York, New York ("DTC"), as securities depository for the Bonds. Reference is made to the Preliminary Official Statement, as defined herein, for the applicable provisions relating to the transfer of beneficial ownership, manner of redemption, the responsibilities of DTC participants and the right of the State to discontinue the book-entry only system.

Maturity Schedule

Principal of the Bonds will be paid (subject to the right of prior redemption) through serial maturities and/or term maturities with annual sinking fund redemptions on the following dates and in the following amounts.

April 1	Principal Amount*	April 1	Principal Amount*
2019	$3,130,000	2024	$3,520,000
2020	3,140,000	2025	3,645,000
2021	3,220,000	2026	3,770,000
2022	3,310,000	2027	3,905,000
2023	3,410,000	2028	4,050,000

Term Bonds

The successful bidder may provide in the bid form for all of the Bonds to be issued as serial bonds or may designate consecutive annual principal amounts of the Bonds to be combined into one or more term bonds. Each such term bond shall be subject to mandatory sinking fund redemption commencing

* *Preliminary, subject to change.*

on April 1 of the first year which has been combined to form such term bond and continuing on April 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth in the amortization schedule, as adjusted in accordance with the provisions described below under the caption "Changes to Revised Principal Amounts." The Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot or otherwise according to DTC procedures from among the Bonds of the same maturity, as described in the Preliminary Official Statement.

Optional Redemption

The Bonds are not subject to optional redemption prior to their maturity.

CHANGES TO THE NOTICE OF SALE, BID DATE, PRINCIPAL AMOUNTS

Changes to the Notice of Sale and Bid Date

The State reserves the right to change, from time to time, the date and/or time established for the receipt of bids and will undertake to notify registered prospective bidders via notification published on Thomson Municipal Market Monitor ("TM3") (www.tm3.com) and communicated to *PARITY*®.

A change of the bid date and/or time will be announced via TM3 not later than 9:30 a.m., Eastern Time, on any announced date for receipt of bids, and an alternative sale date and time will be announced via TM3 and communicated to *PARITY*® at least 20 hours prior to such alternative date and time for receipt of bids.

On any such alternative date and time for receipt of bids, the State will accept electronic bids for the purchase of the Bonds, such bids to conform in all respects to the provisions of this Official Notice of Sale, except for the changes in the date and time for receipt of bids and any other changes announced via TM3 and communicated to *PARITY*® at the time that the new date and time for receipt of bids are announced.

The State may change any other information in connection with the offer and sale of the Bonds by notice given in the same manner as that set forth for a change in the date and/or time for the receipt of bids, and any such supplemental information shall be deemed a part of this Official Notice of Sale.

Changes to Preliminary Principal Amounts

The preliminary aggregate principal amount of the Bonds and the preliminary annual principal amounts as set forth in this Official Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary Annual Principal Amounts," respectively, and collectively, the "Preliminary Amounts") may be revised before the date established for submission of electronic bids. **ANY SUCH REVISIONS (THE "REVISED AGGREGATE PRINCIPAL AMOUNT" AND THE "REVISED ANNUAL PRINCIPAL AMOUNTS," RESPECTIVELY, AND COLLECTIVELY, THE "REVISED AMOUNTS") WILL BE PUBLISHED AS AN AMENDMENT TO THE OFFICIAL NOTICE OF SALE AND DISTRIBUTED ON TM3 AND COMMUNICATED TO *PARITY*® NO LATER THAN 9:30 A.M., EASTERN TIME, ON ANY ANNOUNCED DATE FOR RECEIPT OF BIDS.** In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS.

Changes to Revised Principal Amounts

After selecting the winning bid, the State may adjust the Revised Aggregate Principal Amount and the Revised Annual Principal Amount of each maturity of the Bonds. In determining the final aggregate principal amount of the Bonds and each final annual principal amount (the "Final Aggregate Principal Amount" and the "Final Annual Principal Amounts," respectively, and collectively, the "Final Amounts"), the State will not increase or reduce the aggregate principal amount of the Bonds by more than 15% of such amount. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.** The dollar amount bid by the successful bidder will be adjusted to reflect changes in the aggregate principal amounts of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and the original issue discount/premium, if any, but will not change the selling compensation per $1,000 of par amount of the Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the Initial Reoffering Prices. The interest rate specified by the successful bidder for each maturity at the Initial Reoffering Prices will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder within 24 hours after the receipt of the Initial Reoffering Prices from the successful bidder.

ELECTRONIC BIDDING AND BIDDING PROCEDURES

Registration to Bid

All prospective bidders must be contracted customers of *PARITY*®. To become a customer, contact *PARITY*® at (212) 849-5021. By submitting a bid for the Bonds, a prospective bidder represents and warrants to the State that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds.

Notice is hereby given that electronic proposals will be received via *PARITY*®, in the manner described below, until 11:15 a.m., Eastern Time, on April 3, 2018. Bids may be submitted electronically via *PARITY*® pursuant to this Official Notice of Sale until 11:15 a.m., Eastern Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in *PARITY*® conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about *PARITY*®, potential bidders may contact *PARITY*® at (212) 849-5021.

Disclaimer

Each prospective bidder shall be solely responsible to register to bid via *PARITY*®. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access *PARITY*® for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the State nor *PARITY*® shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the State nor *PARITY*® shall be responsible for a bidder's failure to register to bid or for proper operation of *PARITY*®, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*®. The State is using *PARITY*® as a communication mechanism, and not as the State's agent, to conduct the electronic bidding for the Bonds. The State has no liability for any errors in, or any other failures of, the electronic bidding system, and each bidder agrees to hold the State harmless against any claims related to or arising from such bidder's use of or involvement in

the bidding process. The State is not bound by any advice and determination of *PARITY*® to the effect that any particular bid complies with the terms of this Official Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via *PARITY*® are the sole responsibility of the bidders, and the State is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Bonds, it should telephone *PARITY*® at (212) 849-5021 and notify the Office of the General Treasurer by facsimile transmission at (401) 222-6140.

Bidding Procedures

Bids must be submitted electronically for the purchase of the Bonds (all or none) by means of the State AON Bid Form (the "Bid Form") via *PARITY*® by 11:15 a.m., Eastern Time, on April 3, 2018, unless postponed or changed as described herein (see "Changes to the Notice of Sale and Bid Date " and "Changes to Preliminary Principal Amounts"). Prior to that time, a prospective bidder may input and save proposed terms of its bid in *PARITY*®. Once the final bid has been saved in *PARITY*®, the bidder may select the final bid button in *PARITY*® to submit the bid to *PARITY*®. Once the bids are communicated electronically via *PARITY*® to the State, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on *PARITY*® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the State, as described under "Award of the Bonds" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

No bids will be accepted in written form, by facsimile transmission or in any other medium or on any system other than by means of the Bid Form via *PARITY*®. No bid will be received after the time for receiving such bids specified above.

Bid Specifications

Each bidder is required to transmit electronically by means of the Bid Form via *PARITY*® an unconditional bid specifying the rate or rates of interest and the price at which the bidder will purchase the Bonds. Each proposal for the Bonds must specify the amount bid for such Bonds not less than 100.3% of the par value of the aggregate principal amount of the Bonds based on the Revised Amounts as described above. Bidders are invited to name the rate or rates of interest that the Bonds are to bear, in multiples of 1/1000 of one percent. Each bidder must specify in its bid a single rate for each maturity of the Bonds. Any number of rates may be named, provided that no interest rate for any maturity may exceed 5.00%. No bid for other than all of the Bonds will be considered. All bids must be unconditional.

Expenses

The State will not pay any expenses of the successful bidder in connection with the purchase of the Bonds. Pursuant to Rhode Island law, the successful bidder shall be required to pay the fees of the Rhode Island Public Finance Management Board in the amount equal to one fortieth (1/40) of one (1%) percent (or 0.025%) of the Final Aggregate Principal Amount, as defined below, of the Bonds, which fees are required to be paid to the Rhode Island Public Finance Management Board on the Closing Date (as defined below).

Good Faith Deposit

A good faith deposit in the amount of $351,000* (the "Deposit") is required in connection with the sale and bid for the Bonds. The Deposit is to be provided for by a Federal funds wire transfer to be submitted to the State by the successful bidder not later than 4:00 p.m. (Eastern Time) on the date of sale (the "Wire Transfer Deadline") as set forth below under "Wire Transfers". The Deposit of the successful bidder will be collected and the proceeds thereof retained by the State to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of the respective bid, the proceeds thereof will be retained as and for full liquidated damages.

Wire Transfers. The State will distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Wire Transfer Deadline. If the Deposit is not received by the Wire Transfer Deadline, the award of the sale of the Bonds to the successful bidder may be cancelled by the State in its discretion without any financial liability of the State to the successful bidder or any limitation whatsoever on the State's right to sell the Bonds to a different purchaser upon such terms and conditions as the State shall deem appropriate.

Award of the Bonds

Notification to the apparent successful bidder will be made by the State as soon as possible after the receipt of bids, that such bidder's bid appears to be the lowest and best bid received that conforms to the requirement of this Official Notice of Sale, subject to verification. Upon such notice, such successful bidder shall advise the State of the Initial Reoffering Prices (as hereinafter defined) of the various maturities of the Bonds as described below. Such Initial Reoffering Prices, among other things, will be used by the State to calculate the Final Amounts, as defined below (see "Changes to Revised Principal Amounts").

ALL BIDS SHALL REMAIN FIRM UNTIL 5:00 P.M., EASTERN TIME, ON THE DATE OF THE RECEIPT OF BIDS. An award of the Bonds, if made, will be made by or on behalf of the State by such time. Unless all bids are rejected, the Bonds will be awarded to the bidder whose bid results in the lowest true interest cost to the State for the Bonds combined, based on the Revised Amounts, as defined above (see "Changes to Preliminary Principal Amounts"). The true interest cost (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semi-annually, which, when applied against each semi-annual debt service payment (interest, or principal and interest, as due, including any mandatory sinking fund payment) for the Bonds, will equate the sum of such discounted semi-annual payments to the total purchase price. In case of a tie, the General Treasurer on behalf of the State may select the successful bidder. The General Treasurer on behalf of the State reserves the right to waive irregularities in any bid or the bidding process and to reject any or all bids.

MISCELLANEOUS; CLOSING

Undertakings of the Successful Bidder

The successful bidder shall make a bona fide public offering of all of the Bonds to the general public and shall, within 30 minutes after being notified that such bidder's bid appears to be the apparent winning bid, subject to verification, advise the State in writing (via facsimile transmission or electronic transmission) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission, electronic submission or overnight

* *Preliminary, subject to change.*

delivery received by the State within 24 hours after notification of the award, furnish the following information to the State to complete the Preliminary Official Statement in final form (the "Final Official Statement"):

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds are sold at the Initial Reoffering Prices).
B. The identity of the underwriters if the successful bidder is part of a group or syndicate.
C. Any other material information that the State determines is necessary to complete the Final Official Statement.

After the award of the Bonds, the State will prepare copies of the Final Official Statement and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the State will not include in the Final Official Statement a "NRO" ("not reoffered") designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the State in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

The State expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board ("MSRB"). The successful bidder will be required to acknowledge receipt of such Final Official Statement, to certify that it has made delivery of the Final Official Statement to the MSRB and such repositories, to acknowledge that the State expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Bond Insurance

The State has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the successful bidder, and any increased costs of issuance for delivery of the Bonds resulting by reason of such insurance or commitment shall be assumed by such bidder. Bids shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued, or any rating downgrade or other material event occurring relating to the issuer of any such policy or commitment, shall not in any way relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Bonds.

If the successful bidder obtains a municipal bond insurance policy or other form of credit enhancement, at the same time it provides the Initial Reoffering Prices it shall advise the General Treasurer of the cost of such credit enhancement. At or before the closing of the Bonds, the successful bidder shall provide to the General Treasurer a certificate certifying that (i) the present value of the fees paid for such credit enhancement are less than the present value of the interest reasonably expected to be saved as a result of obtaining such credit enhancement, using the yield on the Bonds (determined with regard to the payments for such credit enhancement) as the discount factor for this purpose, and (ii) such fees were obtained in arm's length negotiations and do not exceed a reasonable charge for the transfer of credit risk. In addition, the successful bidder will cooperate with the General Treasurer to obtain any necessary certifications from the credit enhancement provider. Failure of the Bonds to be so insured or of any such policy to be issued shall not in any manner relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Bonds.

Delivery of the Bonds

The Bonds are expected to be delivered on or about April 18, 2018 (the "Closing Date") in New York City through the facilities of DTC against payment of the purchase price therefor (less the amount of the good faith deposit) in Federal Reserve Bank Funds.

There will also be furnished the usual closing papers including (1) a certificate of the Attorney General of the State of Rhode Island stating that no litigation is pending, or to his knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Bonds, in any way contesting or affecting any authority for or validity of the Bonds or in any way contesting the power of the Governor or the General Treasurer to sell the Bonds and (2) certificates of the General Treasurer and the Director of Administration that, except for the initial offering prices or yields of the Bonds on the inside cover page of the Final Official Statement and any other information concerning the reoffering of the Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading "DESCRIPTION OF THE BONDS-Book-Entry-Only System", "TAX MATTERS" and in Appendix B as to which no representations or warranties are to be made, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Bonds, and the Final Official Statement, both as of the date of sale and the date of delivery of the Bonds, did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the Preliminary Official Statement, the Final Official Statement or the statements and information therein contained, in light of the circumstances under which they were made, not misleading.

Legal Opinion

The approving opinion of Nixon Peabody LLP, Providence, Rhode Island, Bond Counsel, in substantially the form set forth in the Preliminary Official Statement, will be furnished without cost to the successful bidder. The Preliminary Official Statement contains a discussion of the matters covered by the opinion.

Federal Tax Status of the Bonds

Interest on the Bonds is not excludable from gross income of the owners hereof for Federal income tax purposes.

CUSIP Numbers

CUSIP numbers will be applied for by the successful bidder with respect to the Bonds. The State will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Bonds.

Official Statement

The Preliminary Official Statement dated as of the date hereof (the "Preliminary Official Statement") and the information contained therein have been deemed final by the State as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but is subject to change without notice and to completion or amendment in the Final Official Statement.

The State, at its expense, will make available to the successful bidder a reasonable number of Final Official Statements, for delivery to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the Bonds, within seven (7) business days of the award of the Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement.

The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the MSRB, including its obligation to provide information to the State in a timely basis for the Final Official Statement.

Continuing Disclosure

In order to assist bidders in complying with Rule 15c2-12, the State will undertake, pursuant to a Continuing Disclosure Agreement, to provide certain annual financial information and operating data and notices of the occurrence of certain events. A description of the undertakings is set forth in the Preliminary Official Statement and also will be set forth in the Final Official Statement.

Additional Information

For further information relating to the Bonds, reference is made to the Preliminary Official Statement prepared for and authorized by the State. The Preliminary Official Statement may be obtained via the Internet at www.MuniOS.com. Copies are available upon request from the undersigned at the Office of the General Treasurer, 102 State House, Providence, RI 02908 (telephone (401) 222-4780; facsimile (401) 222-6140) or from the financial advisor, Public Resources Advisory Group, 39 Broadway, Suite 1210, New York, NY 10006 (telephone (212) 566-7800; facsimile (212) 566-7816).

Dated: March 26, 2018

State of Rhode Island and Providence Plantations
By: Seth Magaziner, General Treasurer
By: Michael DiBiase, Director of Administration

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS • GENERAL OBLIGATION BONDS CONSOLIDATED CAPITAL DEVELOPMENT LOAN OF 2018, SERIES A (TAX-EXEMPT) AND SERIES B (FEDERALLY TAXABLE)

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