



SENATE FISCAL OFFICE
REPORT

QUASI-PUBLIC AGENCIES

FINANCIAL OVERVIEW

JANUARY 28, 2011

Senate Committee on Finance

Daniel Da Ponte

Chairperson

Walter S. Felag, Jr.

1st Vice Chairperson

Juan M. Pichardo

2nd Vice Chairperson

Louis P. DiPalma

Secretary

David E. Bates

Frank A. Ciccone III

James E. Doyle II

Maryellen Goodwin

Edward J. O'Neill

V. Susan Sosnowski

Andrew Caruolo

Committee Clerk

Rui P. Alves

Legal Counsel

Table of Contents

Summary	1
Capital Center Commission	3
Rhode Island Convention Center Authority	5
Rhode Island Economic Development Corporation	7
Rhode Island Industrial Facilities Corporation	9
Rhode Island Industrial-Recreational Building Authority	11
Rhode Island Small Business Loan Fund Corporation	13
Quonset Development Corporation	15
Rhode Island Airport Corporation	17
Rhode Island Health and Educational Building Corporation	19
Rhode Island Housing and Mortgage Finance Corporation	21
Rhode Island Higher Education Assistance Authority	23
Rhode Island Student Loan Authority	25
Narragansett Bay Commission	27
Rhode Island Clean Water Finance Agency	29
Rhode Island Water Resources Board Corporate	31
Rhode Island Resource Recovery Corporation	33
Rhode Island Public Rail Corporation	35
Rhode Island Public Transit Authority	37
Rhode Island Turnpike and Bridge Authority	41
Rhode Island Refunding Bond Authority	43
Tobacco Settlement Financing Corporation	45

Summary

In general, a quasi-public agency is established under the Rhode Island General Laws, but has certain budgetary, governing, and policy-making independence from Executive and Legislative governance. The General Laws do not provide a clear definition of what constitutes a quasi-public agency nor of the general powers or limitations of the powers of these entities. Currently, Rhode Island has 21 quasi-public agencies with diverse structures, powers and responsibilities. Some of these corporations have the power to issue bonds, to exercise eminent domain, or to create subsidiaries. Some of these entities have the power to promulgate their own regulations, while others are bound by State purchasing statutes. This report provides a quick reference on the general purpose and structure of each of these entities.

	FY2007 Actual	FY2011 Budgeted	FY2011 Change from FY2007 Actual	FY2011 FTE Levels
Economic and Community Development				
Capital Center Commission	\$133,032	\$24,000	(109,032)	-82.0%
Convention Center Authority	55,845,456	46,941,636	(8,903,820)	-15.9%
Rhode Island Economic Development Corporation (operates the Small Business Loan Fund and RI Economic Policy Council)	7,450,487	6,188,389	(1,262,098)	-16.9%
Rhode Island Industrial Facilities Corporation	31,637	110,000	78,363	247.7%
Rhode Island Industrial Recreation Building Authority	93,901	204,000	110,099	117.3%
Small Business Loan Fund Corporation	1,024,165	890,000	(134,165)	-13.1%
Quonset Development Corporation	7,559,066	8,310,750	751,684	9.9%
Rhode Island Airport Corporation	47,205,683	49,952,200	2,746,517	5.8%
Rhode Island Health & Educational Building Corporation	1,837,823	2,538,000	700,177	38.1%
Rhode Island Housing & Mortgage Finance Corporation	90,511,356	98,920,099	8,408,743	9.3%
Subtotal	\$211,692,606	\$214,079,074	\$2,386,468	1.1%
Education				
Rhode Island Higher Education Assistance Authority	\$23,939,108	\$25,789,109	\$1,850,001	7.7%
Rhode Island Student Loan Authority	66,599,124	30,756,520	(35,842,604)	-53.8%
Subtotal	\$90,538,232	\$56,545,629	(33,992,603)	-37.5%
Natural Resources				
Narragansett Bay Commission	\$61,213,595	\$81,340,323	\$20,126,728	32.9%
Rhode Island Clean Water Finance Agency	28,149,957	33,213,380	5,063,423	18.0%
Rhode Island Water Resources Board Corporate	2,997,805	362,100	(2,635,705)	-87.9%
Rhode Island Resource Recovery Corporation	85,333,016	41,326,450	(44,006,566)	-51.6%
Subtotal	\$177,694,373	\$156,242,253	(21,452,120)	-12.1%
Transportation				
Rhode Island Public Rail Corporation ¹	\$ -	\$ -	\$ -	-
Rhode Island Public Transit Authority	86,504,462	100,325,671	13,821,209	16.0%
Rhode Island Turnpike and Bridge Authority	4,536,897	11,856,304	7,319,407	161.3%
Subtotal	\$91,041,359	\$112,181,975	\$21,140,616	23.2%
Other				
Rhode Island Refunding Bond Authority	\$31,717	\$ -	(31,717)	-100.0%
Tobacco Settlement Financing Corporation	243,422,412	37,933,075	(205,489,337)	-84.4%
Subtotal	\$243,454,129	\$37,933,075	(205,521,054)	-84.4%
TOTAL (21 Agencies)	\$814,420,699	\$576,982,006	(237,438,693)	-29.2%

¹ While staffing for the RIPRC is provided by the Department of Transportation, there is neither a separate budget nor a line item expenditure within the Department's budget.

Capital Center Commission

Expenditures	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Unaudited	FY2011 Budgeted
Personnel	\$99,325	\$101,529	\$126,379	\$ -	\$ -
Operating	33,707	29,520	43,124	18,028	24,000
Total	\$133,032	\$131,049	\$169,503	\$18,028	\$24,000
Revenue					
State Grants	\$50,573	\$38,555	\$20,528	\$18,028	\$18,028
City Grants	50,000	35,000	15,750	23,625	-
Development Fees	2,500		9,335	-	-
Management Fees	850	40,520	200	450	-
Miscellaneous Income	-	112	25	1,238	-
Total	\$103,923	\$114,187	\$45,838	\$43,341	\$18,028
Net Gain/(Loss)¹	(29,109.00)	(16,862.00)	(123,665.00)	25,313.00	(5,972.00)
FTE Levels	1.0	1.0	1.0	-	-

Source: Capital Center Commission

¹ The Commission used reserves to cover shortfalls in FY2007, FY2008 and FY2009.

PURPOSE

The Capital Center Commission was created in 1981 through P.L. 1981, section 2, chapter 332, as a special development district governed by RIGL 45-24.4, and in 1982 through city ordinance. The Commission is charged to adopt, implement, and administer a plan of development for the Capital Center Special Development District, comprised of 77 acres in Providence bounded by I-95, Smith Street, Gaspee Street, Canal Street, Steeple Street, Exchange Terrace and West Exchange Street. The Commission's responsibilities include review of height, setbacks, parking, landscaping, lighting, signage, building materials, and the relationship of buildings to each other.

STRUCTURE

The Commission consists of 15 members. While the Chairman is appointed jointly by the Governor, the Mayor of Providence, and the Chairman of the Providence Foundation, they each appoint four additional members. The Chairperson of the City Council Finance Committee and the Urban Redevelopment, Renewal and Planning Committee each serve *ex-officio*. The Commissioners are not compensated for their service.

Effective in March 2009, the Providence Planning Department assumed responsibility for the day-to-day operations of the Commission; consequently, beginning in FY2010, the Commission does not employ any full-time staff or pay for the rental of office space.

BACKGROUND

The Commission enforces design and development regulations that control private development within this designated zone. The development team for a proposed project meets with the Design Review Committee of the Commission in a series of public design workshops to review and revise, where necessary, details such as size, height, materials, roofscape, signage, landscaping, etc. The Design Review Committee is comprised of 7 members: 4 members from the Capital Center Commission and 3 community advisory members chosen by the Commission, with the Chair serving ex-officio.

As part of their review, the Commission informs applicants that they need to submit a copy of their application to the Historic Preservation & Heritage Commission for review and comment: these comments are considered by the Capital Center Commission. At the conclusion of these workshops, the development team submits a detailed application package for the project. The Capital Center Commission does not own land, name developers or negotiate tax treaties.

Public hearings are held by both the Design Review Committee and the full Capital Center Commission where proponents and opponents are permitted to speak. If the project is approved, a Certificate of Approval is issued for the project. A building permit for a project within the district cannot be issued without a Certificate of Approval from the Commission. Any changes to the approved project must be presented to the Design Review Committee and the Commission for approval.

The Capital Center Special Development District contains a portion of the State House grounds along Gaspee Street including the lower parking lot and the power plant. Consequently, any changes or renovations to this area would have to be approved by the Capital Center Commission.

Rhode Island Convention Center Authority

Expenditures	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Revised
Convention Center Authority	\$2,540,790	\$2,805,658	\$3,298,552	\$2,879,324	\$3,193,006
Convention Center Management	12,584,969	12,754,970	12,343,623	11,825,933	11,406,522
Dunkin Donuts Center	5,634,097	5,303,439	6,466,315	6,331,502	7,188,939
Veteran's Memorial Auditorium	-	-	-	527,814	660,298
DDC Renovation Project Fund	14,938,575	35,134,482	6,152,826	1,912,761	902,534
Debt Service	20,147,025	16,355,066	13,433,412	15,476,433	16,224,883
Dunkin Donuts Center Debt Service	-	6,906,436	6,906,654	6,906,665	6,905,454
Renewal and Replacement - D.D Center	-	-	-	1,380,000	460,000
Total	\$55,845,456	\$79,260,051	\$48,601,382	\$47,240,432	\$46,941,636
Revenue					
Opening Cash Balances	\$1,379,449	\$827,493	\$965,135	\$593,386	\$3,497,603
Operations - Convention Center	14,931,997	14,706,210	13,597,409	14,585,321	14,066,576
Operations - Dunkin Donuts Center	3,498,463	4,196,633	6,046,180	6,426,932	7,208,689
Operations - VMA	-	-	297,995	528,416	667,293
Reimbursement for Capital Projects	-	2,975,864	66,895	767,771	-
Investment Income and Swap Savings	(58,227)	3,571	(1,349,293)	153	200
Westin Hotel Room Tax	269,495	299,729	288,089	261,542	300,000
Net Bank Transfers/Misc.	64,771	772,330	1,265,929	419,536	350,000
State Appropriation - Debt Service	20,147,025	23,261,502	20,340,066	22,383,098	23,130,337
State Appropriation - Operating	-	-	1,049,864	-	-
Dunkin Donuts Center Renovation ¹	-	8,400,000	4,100,000	-	-
Total	\$40,232,974	\$55,443,332	\$46,668,269	\$45,966,155	\$49,220,698
Net Gain/(Loss)²	\$40,232,974	\$55,443,332	\$46,668,269	\$44,586,155	\$48,760,698
Outstanding Debt					
Revenue Bonds ³	\$276,838,974	\$268,325,103	\$263,704,278	\$257,293,904	\$265,953,904
FTE Levels	6.0	6.0	5.6	5.6	5.6

Source: The information is based on cash flow data provided by the Authority and has not been approved by the Authority's Board of Directors.

¹ Funding provided by the State from the Tobacco Securitization Funding Allocation.

² The Authority used reserves to cover shortfalls in FY2007, FY2008, FY2009 and FY2010.

³ Figures include the bond premium.

PURPOSE

The Rhode Island Convention Center Authority was created in 1987 through RIGL 42-99 to construct, manage and operate a convention center to address the shortage of suitable facilities for conventions, trade shows, banquets and other events. Over time, the management responsibilities of the Authority have expanded to include the Dunkin Donuts Center and the Veteran's Memorial Auditorium (VMA).

STRUCTURE

The powers of the Authority are vested in a Board of Commissioners. The Board consists of eleven members, with eight appointed by the Governor and three appointed by the Mayor of Providence. The chairperson is elected from among the members of the Board. The members are appointed for four-year

6 | QUASI-PUBLIC AGENCIES

terms and subject to the advice and consent of the Senate. The commissioners are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, the Authority experienced an average annual decrease in expenditures of 3.4%, while revenues increased an average of 4.1%. The decrease in expenditures is due primarily to declines in debt service payments. The increase in revenues is driven primarily by increases in facility receipts.

From FY2007 through FY2011, the outstanding debt held by the Authority has experienced an average annual decrease of 1.4%. The State does have a legal obligation for this debt which is comprised of revenue bonds for facility renovations. Pursuant to the lease agreements between the Authority and the State, the State is responsible for the gross debt service costs as well as any operating deficits of the Authority.

BACKGROUND

The Rhode Island Convention Center Authority operates the Rhode Island Convention & Entertainment Complex, which includes the Rhode Island Convention Center (RICC), two parking garages, Dunkin' Donuts Center-Providence (DDC), and Veteran's Memorial Auditorium (VMA). The Authority works with several marketing partners to book its facilities, including SMG, which manages the DDC and the RICC, as well as Professional Facilities Management (PFM), which manages the VMA, and the Providence Warwick Convention & Visitors Bureau. In addition, the Authority has a contract with Sportsservice to provide all the food and beverages at the DDC.

Analyst's Note: In July 2008, the Authority assumed management responsibility for the VMA. Currently, the State is conducting negotiations with the RICCA to transfer ownership of the VMA to the Authority.

In FY2005, the Authority was authorized to issue revenue bonds to acquire and renovate the Dunkin Donuts Center. The DDC underwent major renovations and re-opened in September of 2008 with new seating, luxury suites, a new sound system and video scoreboard, a redesigned concourse/lobby and a bridge connection to the Convention Center. Rental payments from the lease of the DDC to the State are applied to the payments of the bond.

Beginning in FY1994, the Authority made contributions to a renewal and replacement fund to be used for maintenance of the facilities. Since FY2007, the Authority has requested State allocations to this fund, but the requests have not been granted. When the Authority entered into a swap agreement for this bond, the language pertaining to the renewal and replacement fund was inadvertently removed from the agreement; however, the funding requirement was stipulated in the original bond issuance. For FY2012, the Authority requested \$5.1 million for this fund which is projected to be depleted in FY2013 unless an appropriation is made.

Rhode Island Economic Development Corporation

Expenditures	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Budget	FY2011 Budget
Personnel	\$4,400,000	\$4,062,958	\$3,410,759	\$3,407,055	\$3,757,937
Operating	3,050,487	2,928,603	2,861,008	2,401,642	2,430,452
Total	\$7,450,487	\$6,991,561	\$6,271,767	\$5,808,697	\$6,188,389
Revenue					
Opening Balance Revenues	\$ -	\$98,746	\$356,748	\$219,059	\$358,720
State Appropriation through DOA	6,030,487	5,994,050	5,098,487	4,566,052	4,648,487
State - Grants - HRIC	16,667	-	-	-	-
State- Grants - Department of Education	125,000	125,000	125,000	-	-
Federal Grants	212,422	131,939	153,171	183,925	175,000
Operations (Interdepartmental transfers)					
RI Industrial Facilities Corp.	150,000	-	-	-	-
Other Income	125,839	289,755	125,662	541,021	147,217
Finance Program Allocation ¹	288,818	469,645	481,758	507,360	531,594
ODC Allocation	600,000	267,500	150,000	150,000	-
Total	\$7,549,233	\$7,376,635	\$6,490,826	\$6,167,417	\$5,861,018
Net Gain/(Loss)	\$98,746	\$385,074	\$219,059	\$358,720	(\$327,371)
Pass Thru Items					
State - Legislative/EDC Grants	\$1,753,787	\$1,460,634	\$730,320	\$852,320	\$852,320
State - Airport Impact Aid	1,000,000	1,000,754	1,000,754	1,010,496	1,025,000
State - Science and Technology Council ²	100,000	185,392	154,976	-	-
State - STAC Research Alliance (EPScore)	1,500,000	1,458,762	1,446,569	1,369,871	1,500,000
State - Business Innovation Factory ²	100,000	100,000	100,000	-	-
State - Community Development Grant	98,295	4,950	30,543	56,500	-
State - Ocean State Winds	264,833	84,607	7,278	-	-
State - Slater Centers of Excellence	3,000,000	2,919,000	3,000,000	2,000,000	2,000,000
State - Welcome Center	600,000	503,326	455,759	416,898	400,000
State - Public Investment Payment	3,560,000	3,560,000	3,560,000	3,560,000	TBD
Federal - Pass-thru Grants	27,975	999,938	971,791	1,798,489	TBD
State - Debt Service	951,788	5,765,003	6,629,629	6,243,544	1,379,837
Other - Non-Operating (SAMP)					1,920,533
Total	\$12,956,678	\$18,042,366	\$18,087,619	\$17,308,118	\$9,077,690
Outstanding Debt					
Revenue Bonds	\$859,415,229	\$868,351,948	\$1,169,076,268	\$1,147,472,153	TBD
FTE Levels (EDC only, not Welcome Center or QDC)	48.0	45.0	43.0	45.0	48.0

Source: Rhode Island Economic Development Corporation

¹Includes funding from the Small Business Loan Fund, the Renewable Energy Fund, the Industrial-Recreational Building Authority and Industrial Facilities Corp for staff support.

²Funding for STAC and BIF are incorporated into the state appropriation under revenues and in personnel and operating under expenditures.

PURPOSE

The Rhode Island Economic Development Corporation (EDC) was created in 1974 through RIGL 42-64, as the Rhode Island Port Authority and Economic Development Corporation, to promote a vigorous and growing economy by creating jobs, helping companies expand and develop their workforce, and identifying opportunities to bring new companies into the State.

STRUCTURE

The powers of the EDC are vested in a Board of Directors consisting of thirteen members. The membership of the Board includes the Governor and twelve public members appointed by the Governor. Each appointee is subject to the advice and consent of the Senate and must be a resident of the State of Rhode Island. One of the public members, serving as small business ombudsperson, must be an owner or principal of a small business doing business and located in Rhode Island. Another public member must represent organized labor and a third public member must represent higher education. Board members are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, the EDC experienced an average annual decrease in expenditures of 3.6% and in revenues of 4.9%.

From FY2008 through FY2010, the EDC has experienced an average annual decrease in outstanding debt of 7.5%. The State has either a legal or moral obligation for 25.3% of the outstanding debt in FY2010. The remaining 74.7% is industrial development revenue bonds which do not constitute a debt or liability of the State.

BACKGROUND

The EDC is the official economic development organization for the State of Rhode Island. The Corporation serves as a government and community resource to help streamline business expansion in, and relocation to, Rhode Island. The agency assists companies with commercial real estate, business financing, workforce training and other relevant issues.

The EDC provides administrative support and office space to the Rhode Island Facilities Corporation, the Rhode Island Industrial Recreational Building Authority, and the Small Business Loan Fund. The Quonset Development Corporation and the Airport Corporation are subsidiaries of the EDC and must get approval from the EDC to borrow money, sue or be sued, or exercise eminent domain. These subsidiaries are included in the consolidated annual financial statements of the EDC.

Recent areas of focus for the EDC include:

- Regulatory Reform and streamlining the permitting process: legislation establishing the Office of Regulatory Reform was signed on June 29, 2010.
- Enhancing access to capital and credit: establishing the Job Creation Guaranty Program through authorization from the General Assembly to issue up to \$125.0 million in debt guarantees to grow Rhode Island companies and generate employment; working with the General Assembly to increase the Rhode Island Industrial Recreational Building Authority loan guarantee ceiling from \$20.0 million to \$60.0 million.
- Advancing the Green Economy: the EDC, through the Renewable Energy Fund, has supported 39 clean energy projects with almost \$7.0 million in funding since 2008; and,
- Developing our workforce: promoting workforce development thru the CCRI 21st Century Workforce Commission recommendations. The General Assembly invested \$240,000 for CCRI to strengthen its workforce development initiative and redefine CCRI as a “workforce development center.”

Rhode Island Industrial Facilities Corporation

Expenditures	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Budgeted
Administration	\$ -	\$61,801	\$85,421	\$83,056	\$83,000
Insurance	15,750	16,535	16,866	11,768	15,000
Legal and Audit	15,887	29,579	11,936	33,248	12,000
Other	-	654	29	13	-
Transfer to(from) RIEDC	-	-	125,000	(125,000)	-
Recovery Zone Program Costs	-	-	-	13,891	-
Total	\$31,637	\$108,569	\$239,252	\$16,976	\$110,000
Revenue					
Bond Fees	\$113,595	\$110,907	\$72,928	\$61,615	\$65,000
Other	4,551	5,152	3,500	4,250	5,000
Interest	28,003	19,012	4,867	63	2,000
Recovery of Bad Debt	18	4,000	-	-	-
Total	\$146,167	\$139,071	\$81,295	\$65,928	\$72,000
Net Gain/(Loss)¹	\$114,530	\$30,502	(\$157,957)	\$48,952	(\$38,000)
Outstanding Debt					
Other	\$105,193,203	\$86,095,236	\$89,323,373	\$95,355,863	TBD
FTE Levels ²	-	-	-	-	-

Source: The Rhode Island Industrial Facilities Corporation

¹ The Corporation is able to use reserves to cover losses in a given fiscal year.

² Since the Economic Development Corporation acts as the administrative agent for the Industrial Facilities Corporation, there are no FTEs specific to the Corporation.

PURPOSE

The Rhode Island Industrial Facilities Corporation (IFC) was created in 1956 through RIGL 45-37.1 to induce, encourage and facilitate industrial development by acquiring, constructing, financing or leasing industrial projects.

STRUCTURE

The powers of IFC are vested in a Board of Directors, the size of which is not enumerated in statute. The original five members of the Board were elected at the first meeting by the incorporators of IFC. Successors are appointed by the Governor to serve five-year terms. The Director of the Economic Development Corporation (EDC) serves as Executive Director and Chief Executive Officer, *ex officio*. Board members are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, the IFC experienced an average annual increase in expenditures of 28.3%, while revenues decreased an average of 13.2%.

The primary factors contributing to the volatility of expenditures is the absence of administrative costs in FY2007 and the transfer of funds between the IFC and the EDC. While the EDC was providing

10 | QUASI-PUBLIC AGENCIES

administrative services to the IFC in FY2007, no personnel costs were charged to the IFC until FY2008. The addition of the costs results in a significant increase in expenditures.

In FY2009, the IFC transferred \$125,000 in funds to the Economic Development Corporation (EDC) for a grant application to the federal Economic Development Administration where the IFC was helping to provide matching funds. Since the grant application was not successful, the funds were returned to IFC in FY2010.

In February 2010, the Governor transferred the responsibility of administering the Federal American Recovery and Reinvestment Act of 2009 (ARRA) recovery zone to the IFC. In response, the IFC had to write rules and regulations, hold public hearings and implement the program. As a result, there were additional costs incurred by the agency.

The average annual decrease in revenues is due to fluctuations in bond fee collections and interest earnings.

IFC experienced an average annual decrease of 2.4% in outstanding debt over the four years for which data is available.

BACKGROUND

The IFC acts as an issuer of tax-exempt and taxable revenue bonds, which are sold to public and private investors on behalf of Rhode Island firms seeking financing. The IFC acts as a conduit for a company to obtain financing from sources other than the corporation. The bonds and notes are secured by the property financed and are payable solely from payments received on the underlying mortgage loans and lease agreements. Upon repayment of the bond and notes, ownership of the acquired facilities transfers to the private-sector entity served by the issuance. IFC is not obligated for repayment; consequently, there is no financial exposure in connection with the bonds or notes.

The IFC issues tax-exempt revenue bonds for companies exploring manufacturing ventures. There is a \$20.0 million limit per project. The bond can cover up to 100% of the cost of the project, including land, new machinery and equipment, building costs, and certain eligible “soft” costs. Interest is tax exempt and determined by the market.

For businesses exploring commercial enterprises, including tourist-travel facilities, the IFC offers taxable bonds. The limit per project is usually established by the bond purchaser or credit enhancer. The bond can cover up to 100% of the cost of the project, including land, machinery and equipment, building costs, and related “soft” costs.

Firms using bond financing programs offered through IFC which are given “Project Status” by the EDC are exempt from Rhode Island sales tax on construction materials and equipment, furniture, fixtures, machinery, computers and equipment for the facility that are not already exempt from sales tax under other provisions of the state law, such as pollution control equipment. To be considered for project status, a project must result in wages exceeding the median annual wage by 5%, currently \$36,691, for full-time jobs (minimum of 30 hours per week) and gain approval by the EDC.

Rhode Island Industrial-Recreational Building Authority

Expenditures	FY2007 Audited	FY2008 Audited	FY2009 Audited	FY2010 Audited	FY2011 Budgeted
Administration	\$ -	\$61,801	\$85,421	\$83,056	\$145,000
Building Maintenance/Repairs	-	-	-	25,674	-
Insurance	27,616	28,995	20,725	11,023	11,000
Legal	51,999	41,631	33,627	28,064	36,000
Other	14,286	24,478	14,286	15,406	12,000
Total	\$93,901	\$156,905	\$154,059	\$163,223	\$204,000
Revenue					
Premiums ¹	\$300,771	\$181,576	\$95,853	\$91,894	\$170,000
Interest	72,214	76,481	40,692	12,524	5,000
Rent ²	75,000	70,420	75,000	75,000	56,250
Recovery of Bad Debt ³	349,970	29,240	613,320	10,250	-
Total	\$797,955	\$357,717	\$824,865	\$189,668	\$231,250
Net Gain/(Loss)	\$704,054	\$200,812	\$670,806	\$26,445	\$27,250
Issued Authorizations					
Other	\$13,154,957	\$10,946,868	\$13,841,455	\$18,143,189	TBD

FTE Levels⁴ - - - - -

Source: Rhode Island Industrial-Recreational Building Authority

¹ \$5.0 million issued June 2010; \$12.0 million in additional mortgage insurance is expected to be issued by the end of FY2011.

² The Authority acquired a building through foreclosure, which is under lease through March 31, 2010. The building is expected to be sold by March 31, 2011.

³ When an entity defaults on a loan, the Authority must honor the insurance agreement and then attempt to collect on the bad debt.

Actual collections vary significantly from year-to-year.

⁴ Since the Economic Development Corporation acts as the administrative agent for the Industrial-Recreation Building Authority, there are no FTEs specific to the Authority.

PURPOSE

The Rhode Island Industrial-Recreational Building Authority (RIIRBA) was created in 1958 through RIGL 42-34 to encourage the issuance of mortgage loans to promote industrial and/or recreational expansion in the State, by stimulating a larger flow of private investments from private lending sources.

STRUCTURE

RIIRBA consists of five members, appointed by the Governor for a period of five years. Appointments made to RIIRBA since April 20, 2006 have been subject to the advice and consent of the Senate. The Director of the Economic Development Corporation (EDC) serves as Executive Director and Chief Executive Officer, *ex officio*. Board members are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, RIIRBA experienced an average annual increase in expenditures of 16.8%. This increase is due primarily to administrative costs. Since the EDC provided administrative services to RIIRBA in FY2007, no personnel costs were charged to RIIRBA until FY2008. Furthermore, in FY2011 the budgeted administrative costs have increased based on increased activity.

From FY2007 through FY2011, RIIRBA experienced an average annual decrease in revenues of 21.9%. The primary factor contributing to the volatility of revenues is the recovery of bad debt. When an entity defaults on a loan, RIIRBA must honor the insurance agreement and then attempt to collect on the bad

debt. Actual collections can vary significantly from year to year. For example, bad debt recovery decreased from \$613,320 in FY2009 to \$10,250 in FY2010 due to a settlement received in FY2009.

Revenue from premiums also contributes to the annual variation in revenues. Premiums are received from private-sector entities based upon a percentage of their insured obligation. In FY2007, IRBA had two borrowers payoff their loans early and in FY2008 there was one early payoff. In each case the borrower had to pay a prepayment penalty which pushed up collections in those fiscal years. Revenue from premiums is expected to increase in FY2011 due to the estimated increase in mortgage activity.

Rental income was received by RIIRBA due to the acquisition of a foreclosed property that was leased on a month-to-month basis to an unrelated party. RIIRBA rented the property for over fifteen years under a lease that was due to expire on March 31, 2010. Subsequently, the Board of Directors approved the sale of the property to the current tenant for \$680,000 and intends to close by April 2011. In FY2010, RIIRBA replaced the HVAC system and part of the roof at the rental property for a total cost of \$25,674.

Total outstanding debt increased annually by an average of 8.4% over the four years where data was available. This figure represents the total amount of mortgages insured by RIIRBA and is backed by the full faith and credit of the State.

BACKGROUND

RIIRBA insures mortgages for manufacturing, processing, office, wholesale, retail, and travel-tourism facilities. RIIRBA must maintain a first security position in all insured projects, meaning RIIRBA must be the first debtor in line for payment. Pursuant to General Law, the aggregate amount of the unpaid principal balances of all obligations on the outstanding mortgages insured by RIIRBA may not exceed \$80.0 million at any one time. However, in 2008, the General Assembly lowered the authorization to pay off losses of the Authority to \$20.0 million. Subsequently, effective FY2010, the General Assembly raised the authorization to \$60.0 million. While the statute allows a higher limit on obligations, RIIRBA can only insure liabilities up to the amount authorized by the General Assembly (\$60.0 million).

The maximum amount of debt a business can insure for a project through this program, including the principal obligation, initial service charges and appraisal, inspection and other fees approved by RIIRBA, is \$5.0 million. The loan covers up to 90.0% of real estate, 80.0% of machinery and equipment, and 75.0% of tourist-travel recreation projects. Funds can be used for new building acquisitions, additions and rehabilitation of existing buildings and for new or used machinery and equipment. This program offers borrowers debt insurance on tax-free bonds, taxable bonds and conventional mortgages.

Rhode Island Small Business Loan Fund Corporation

Expenditures	FY2007 Audited	FY2008 Audited	FY2009 Audited	FY2010 Audited	FY2011 Estimated
Personnel Services	\$224,377	\$348,735	\$303,866	\$316,241	\$325,000
Grants	302,491	511,705	486,656	309,166	TBD
Provision for loan losses and uncollectables	432,391	923,502	967,514	507,634	500,000
Legal	30,929	38,945	39,098	52,934	45,000
Other	33,977	17,062	19,768	20,168	20,000
Total	\$1,024,165	\$1,839,949	\$1,816,902	\$1,206,143	\$890,000
Revenues by Source					
Grants	\$289,490	\$352,685	\$363,355	\$172,471	TBD
Interest on Loans	580,118	544,709	672,715	716,541	675,000
Investment and Other Revenue	153,777	133,133	14,073	638	-
Transfer from EDC	-	-	375,000	-	-
Agencies	-	-	125,000	(125,000)	-
Other Income	-	-	-	72,701	-
Total	\$1,023,385	\$1,030,527	\$1,550,143	\$837,351	\$675,000
Net Gain/(Loss)¹	(\$780)	(\$809,422)	(\$266,759)	(\$368,792)	(\$215,000)
FTE Levels ²	-	-	-	-	-

Source: Rhode Island Economic Development Corporation

¹ The Corporation is able to use reserves to cover losses in a given fiscal year.

² Since the Economic Development Corporation acts as the administrative agent for the Small Business Loan Fund, there are no FTEs specific to the Corporation.

PURPOSE

The Rhode Island Small Business Loan Fund Corporation (SBLFC) was created in 1986 by the Economic Development Corporation (EDC) as subsidiary pursuant RIGL 42-64 to assist small businesses growth in the Rhode Island. Funding was originally provided through a grant to the EDC by the Economic Development Administration of the U.S. Department of Commerce.

STRUCTURE

The SBLFC consists of five members, appointed by the EDC for a period of five years. The Director of the EDC serves as Executive Director and Chief Executive Officer, ex officio. Board members are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, SBLFC experienced an average annual decrease in expenditures of 2.8%, while revenues decreased an average of 8.0%. The decline in revenues is due to decreased Federal grants, interest and other investment income, as well as a one-time transfer of funds from the EDC.

BACKGROUND

The SBLFC provides financing, typically as a subordinate lender with area financial institutions, to assist small businesses that are unable to secure financing or the full amount of proceeds necessary from a conventional lender. Financing is provided through the Small Business Loan Fund, a direct, revolving loan fund managed by the Corporation. Special funding programs under the SBLFC include the Urban Enterprise Equity Fund and the Brownfields Cleanup Revolving Fund. Since inception, through FY2010, the SBLFC has originated a total of 552 loans with a principal value of \$44.4 million.

Quonset Development Corporation

	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011
Estimated Opening Balance	\$ -	(\$2,713)	\$4,347	(\$50)	\$369
Expenditures					
Personnel	\$3,150,676	\$3,230,077	\$2,986,100	\$3,143,276	\$3,770,235
Operating	2,708,390	2,938,762	2,874,635	2,471,762	3,090,515
EDC Allocation	600,000	267,500	150,000	150,000	150,000
Capital Expenditures	1,100,000	1,000,000	1,473,000	2,450,000	1,300,000
Total	\$7,559,066	\$7,436,339	\$7,483,735	\$8,215,038	\$8,310,750
Revenue					
Rental Income	\$4,824,260	\$4,102,801	\$4,758,618	\$5,659,922	\$5,191,256
Pier Income	580,175	499,121	694,019	680,885	700,000
Utility Sales	1,946,541	2,031,429	1,857,474	1,758,687	1,900,000
Other Income	205,377	810,048	169,227	115,963	523,688
Total	\$7,556,353	\$7,443,399	\$7,479,338	\$8,215,457	\$8,314,944
Net Gain/(Loss)	(\$2,713)	\$4,347	(\$50)	\$369	\$4,563
FTE Levels	41.0	41.0	41.0	41.0	44.0

Source: Quonset Development Corporation

PURPOSE

The Quonset Development Corporation (QDC) was created in 2004 through RIGL 42-64.10, as a real estate development and management company, to provide, promote and encourage the preservation, expansion and sound development of new and existing industry, business, and commerce to support diverse employment opportunities in the State of Rhode Island. The QDC is a subsidiary of the Economic Development Corporation (EDC).

STRUCTURE

The powers of the QDC are vested in an eleven-member board of directors. The Executive Director of the EDC serves on the board as chairperson and may only vote in the event of a tie. Six members of the board are appointed by the Governor with the advice and consent of the Senate. Two members are appointed by the town council of North Kingstown, one member is appointed by the town council of Jamestown, and one member is appointed by the town council of East Greenwich. Members are appointed for staggered three-year terms. Board members are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, QDC experienced an average annual increase in expenditures of 1.9%, while revenues increased an average of 1.9%. The QDC derives most of its income from rental fees and utility sales.

The QDC does not hold any outstanding debt. All of the general obligation bonds, used for the Quonset Point/Davisville Industrial Park Improvements project, are issued by the State through the Department of Administration (DOA). The debt service on the bonds is paid through DOA. The debt service for this

project was \$3.3 million in FY2009, \$5.2 million in the FY2010 Revised Budget, and \$5.0 million in the FY2011 Enacted Budget.

Analyst's Note: The QDC views the Freight Rail Improvement Project (FRIP) as a Department of Transportation initiative rather than an initiative of the QDC or the Quonset Business Park. This project focuses on the 22-mile segment of the Amtrak freight line originating in Central Falls and terminating at the Quonset Point/Davisville Industrial Park. The debt service for this project, paid through DOA, totaled \$3.5 million in FY2009, \$3.0 million in the FY2010 Revised Budget, and \$4.0 million in the FY2011 Enacted Budget.

BACKGROUND

The QDC manages the Quonset Business Park, a statewide asset, in accordance with the QDC Master Land Use and Development Plan and in the best interests of the citizens of Rhode Island to attract and retain successful businesses that provide diverse employment opportunities. The QDC also manages the LADD Water System at the former Ladd School site in Exeter. When the QDC was formed, the State was no longer looking to create an office park at the LADD site; consequently, the RIEDC no longer had a need for its aquifer. On the other hand, the QDC was developing a business park with a water & sewage treatment system, so the aquifer was made available to Quonset Business Park.

The QDC does not have the power to issue bonds or notes, or to exercise eminent domain. Since the QDC is a subsidiary of the Economic Development Corporation, these powers are conferred upon the EDC who may act on behalf of the QDC.

Rhode Island Airport Corporation

	FY2007	FY2008	FY2009	FY2010	FY2011
Expenditures ^{1,2}	Audited	Audited	Audited	Audited	Budgeted
Employee Wage and Benefits	\$18,704,237	\$19,895,570	\$19,643,331	\$19,073,412	\$17,426,100
Supplies, Materials and Services	5,804,411	6,904,356	7,048,236	5,576,636	6,377,900
Other Operating Expenses	6,971,919	7,348,000	7,413,882	6,296,951	6,448,200
Depreciation and Amortization	15,725,116	16,636,179	18,137,836	19,192,984	19,700,000
Total	\$47,205,683	\$50,784,105	\$52,243,285	\$50,139,983	\$49,952,200
Revenue¹					
Airlines	\$19,423,825	\$21,841,859	\$21,724,249	\$21,210,815	\$21,623,633
General Aviation & Cargo	394,128	658,534	662,963	627,263	576,367
Concession	2,454,239	3,030,848	2,998,492	3,424,162	3,385,800
Fuel Flowage Fees	982,605	1,116,263	965,636	1,000,457	952,700
Non-Airline Rent	834,489	1,070,517	1,317,577	1,066,813	1,026,700
Off Airport Courtesy Fees	829,340	701,633	646,631	630,082	622,700
Other Revenues	2,690,751	2,834,399	2,048,966	2,072,484	673,600
General Aviation Airports	1,608,381	1,560,897	1,749,823	1,968,001	2,010,374
Rental Cars	6,539,947	6,891,582	6,340,312	5,868,274	5,377,800
Tiedowns, Hangar & Miscellaneous	1,006,571	1,088,589	1,135,484	1,147,372	1,310,300
Rental Revenues - Airport Support	619,419	635,573	662,082	686,456	662,100
Vehicle Parking	11,350,871	14,022,348	13,584,610	11,952,964	11,832,626
Total	\$48,734,566	\$55,453,042	\$53,836,825	\$51,655,143	\$50,054,700
Outstanding Debt¹					
Revenue Bonds (incl. Special Facility Bond)	\$308,331,101	\$334,809,670	\$327,821,383	\$319,812,995	\$311,125,000
TIFIA Loan	83,232	83,232	83,232	5,108,685	42,000,000
General Obligation bonds	13,194,932	11,678,354	10,110,200	8,260,000	6,790,000
Other	3,390,405	2,777,293	2,162,171	1,451,810	821,135
Total	\$324,999,670	\$349,348,549	\$340,176,986	\$334,633,490	\$360,736,135
Other Information¹					
Capital Improvements ³	\$89,180,607	\$42,200,756	\$78,227,803	\$89,144,452	\$106,939,807
Debt Service ³	19,036,381	21,457,558	22,250,952	25,510,106	24,977,916
PFC Revenue	10,039,836	10,146,124	911,640	8,293,604	8,078,000
CFC Revenue/InterLink Revenues	4,860,633	6,211,325	5,193,912	4,757,751	6,505,000
FTE Levels ⁴	183.0	185.0	177.0	177.0	154.0

Source: Rhode Island Airport Corporation

¹ Information is obtained from RIAC's audited financial statements and FY2011 operating budget.

² Operating expenses do not include the InterLink Facility.

³ Information provided for Capital Improvements and Debt Service for year 2007-2010 are from RIAC's Statements of Cash Flows in

⁴ FTE information is based on June payroll for fiscal years 2007 to 2010 and October payroll for FY2011.

PURPOSE

The Rhode Island Airport Corporation (RIAC) was created in 1992 by the Economic Development Corporation (EDC) as a semiautonomous subsidiary corporation through RIGL 42-64-7.1, to operate and maintain the State's airport system.

STRUCTURE

The powers of the RIAC are vested in a seven-member board of directors. Six members of the board are appointed by the Governor. One member is appointed by the Mayor of the City of Warwick. Members are appointed for staggered four-year terms. Board members are not compensated for their service.

Analyst's Note: 2010-S-2213 would have required the advice and consent of the Senate for the board members appointed by the Governor. This bill passed the Senate and the House but was vetoed by the Governor.

FINANCIAL

From FY2007 through FY2011, RIAC experienced an average annual increase in expenditures of 1.1%, while revenues increased an average of 0.5%. RIAC was created as a self-sustaining entity and does not receive any General Revenues from the State; instead, RIAC derives its income from airport operations.

From 2007 through 2011, RIAC's outstanding debt has experienced an average annual increase of 2.1%. RIAC can not issue bonds or notes, or borrow money without the approval of the EDC. The State is not liable for the payment of the principal, premium or interest on any bonds or notes of the Agency, and none of the bonds or notes of the Agency constitute an indebtedness of the State.

BACKGROUND

RIAC is responsible for the design, construction, operation and maintenance of all the State-owned airports, and the supervision of all civil airports, landing areas, navigation facilities, air schools and flying clubs. In addition to T.F. Green Airport, RIAC is responsible for five General Aviation airports throughout the State: Block Island, Newport, North Central (Smithfield), Quonset and Westerly.

RIAC does not own the airports but leases them from the State for a term ending June 30, 2038 at a rental rate of \$1.00 per year. The agreement covers all the personal property and other assets of the State located at or relating to the airports. In exchange for RIAC taking responsibility for the airports, the State and the Rhode Island Department of Transportation have assigned to RIAC all their rights to revenues of the airports, the proceeds of State General Obligation bonds related to the airports, Federal Aviation Administration grant agreements, and Federal Highway Administration grant, insurance proceeds, all contracts including concessions and airline agreements and all licenses and permits. Pursuant to this lease, RIAC has agreed to reimburse the State for certain airport-related General Obligation debt service. These bonds mature annually through 2023. The outstanding balance was \$8.3 million, as of June 30, 2010.

RIAC does not have the power to issue bonds or notes, or to exercise eminent domain. Since RIAC is a subsidiary of the EDC, these powers are conferred upon the EDC who may act on behalf of RIAC. Pursuant to the lease agreement for the airports, RIAC has certain contractual rights to require the State to exercise eminent domain for the benefit of RIAC.

RIAC receives funds from the Federal Aviation Administration (FAA) to improve the airport system and operations based on a matching fund basis. The creation of RIAC was intended to allow more flexibility in providing the matching funds for airport-related projects by using revenue bonds backed by concessions, including parking, car rental, landing fees paid by airlines, and a passenger facility charge the Federal Government sanctioned in order to help local airports finance capital improvements. The table to the right shows the matching ratio for each program.

Program	Funding Ratio FAA/RIAC
Land Acquisitions	80/20
T.F. Green Projects	75/25
General Aviation Airports	95/5

Rhode Island Health and Educational Building Corporation

Expenditures	FY2007 Audited	FY2008 Audited	FY2009 Audited	FY2010 Audited	FY2011 Budgeted
Personnel	\$384,905	\$379,590	\$493,686	\$487,290	\$523,000
Operating	383,629	345,244	308,132	314,156	325,000
Financing Expenses	799,936	760,944	555,517	654,421	600,000
Grants	269,353	390,000	-	-	90,000
Transfer to the State	-	-	1,100,000	1,500,000	1,000,000
Total	\$1,837,823	\$1,875,778	\$2,457,335	\$2,955,867	\$2,538,000
Revenue					
Administrative Fees	\$1,922,632	\$1,979,254	\$2,058,475	\$2,158,374	\$2,300,000
Interest Income	404,892	369,160	205,701	127,000	175,000
Total	\$2,327,524	\$2,348,414	\$2,264,176	\$2,285,374	\$2,475,000
Net Gain/(Loss)	\$489,701	\$472,636	(\$193,159)	(\$670,493)	(\$63,000)
Outstanding Debt					
Revenue Bonds	\$2,100,000,000	\$2,400,000,000	\$2,600,000,000	\$2,740,000,000	TBD
FTE Levels	3.0	5.0	5.0	5.0	5.0

Source: Rhode Island Health and Educational Building Authority

RIHEBC is able to cover shortfalls in a given fiscal year from reserves.

PURPOSE

The Rhode Island Health and Educational Building Corporation (RIHEBC) was created in 1966 through RIGL 45-38.1-4 to provide non-profit educational and healthcare providers with access to low-cost, affordable financing for capital projects through the use of tax exempt financing or direct loans. In 2003, its legislative authority was expanded to finance public school projects for cities and towns.

STRUCTURE

The powers of RIHEBC are vested in a five-member board of directors elected at the first meeting of the incorporators. Commencing in 1968, successor members are appointed by the Governor for five-year terms. RIGL 45-38.1-4(f) provides that board members are entitled to receive compensation at a rate of \$50 per meeting up to \$1,500 annually; however, pursuant to Article 6 of the FY2008 Budget as Enacted, the board members are not compensated for their service.

Analyst's Note: Article 6 of House Bill 97-H-6496Aa legislates the intent of the General Assembly to suspend the compensation paid to members of all boards and commissions authorized to receive compensation under the General Laws of Rhode Island; however, since RIHEBC was not included on the list enumerated in the bill, the enabling statute of the corporation was never amended to reflect the change.

FINANCIAL

RIHEBC is supported from fees generated by its operation and without any State appropriated funds. From FY2007 through FY2011, RIHEBC experienced an average annual increase in expenditures of 6.7%, while revenues increased an average of 1.2%. The primary factors contributing to the increase in

expenditures are personnel costs, due to increased staff, and the transfers to the State in FY2009, FY2010 and FY2011.

Outstanding debt increased annually by an average of 6.9%, from FY2007 through FY2010. In FY2010, RIHEBC had outstanding revenue bonds totaling \$2.7 billion. The State is not liable for the payment of the principal, premium or interest on any bonds or notes of RIHEBC, and none of the bonds or notes of RIHEBC constitute an indebtedness of the State.

BACKGROUND

RIHEBC has three programs designed to aid eligible institutions in the educational and health care fields in Rhode Island gain access to capital: Bonds, Leases, and Financial Assistance.

Tax-exempt bond financing is RIHEBC's largest component of assistance. In the past, financing has ranged from \$1.2 million for a nursing home to \$214.0 million for a hospital network. In response to Rhode Island's growing and changing needs, both the dollar amounts and the scope of projects underwritten by bonds have increased.

Tax-exempt leasing is generally used for mid-sized projects and for new technology and equipment where innovative short or long-term financing alternatives are required. Projects financed through this program range from \$500,000 to \$5.0 million with a five-to-ten-year term of financing. Through a competitive bid process, national and local firms and banks are solicited to provide financing for the project.

The Financial Assistance program offers the broadest parameters to meet the widest scope of project and equipment needs. The major part of the program is a Direct Loan Program that provides low cost financing for projects under \$800,000. RIHEBC provides advice and hands-on assistance with financing opportunities to qualified health and educational providers. Provided that funding is available, RIHEBC also offers grants to eligible organizations for expenses, such as website development, computers or educational programs that may not qualify under the other programs but are still integral to the function of the organization. The maximum grant under this program is \$10,000, and applications are reviewed and approved by the Board.

Rhode Island Housing and Mortgage Finance Corporation

Expenditures	FY2007 Actual	FY2008 Actual	FY2009 Audited	FY2010 Actual	FY2011 Budgeted
Interest Expense	\$63,299,116	\$73,619,861	\$72,044,451	\$66,864,960	\$64,834,073
Arbitrage Rebate	519,690	892,454	811,768	1,271,806	162,630
Amortization of bond costs	1,157,539	905,681	751,904	1,083,530	1,000,000
Personnel Services	11,744,831	12,810,800	12,586,356	12,515,022	14,954,627
Other Administrative Services	4,666,470	4,596,736	5,136,482	4,705,951	5,123,419
Depreciation	1,786,450	1,851,337	1,899,118	1,859,375	1,465,350
Loan Related Losses	197,120	3,204,948	3,469,602	5,471,062	2,000,000
Housing Initiatives and Programs	3,182,278	4,811,467	5,496,311	6,278,705	6,280,000
State Rental Subsidy Program	3,957,862	3,550,315	3,125,389	3,056,563	3,100,000
Transfer to the State	-	26,020,247	-	-	-
Total	\$90,511,356	\$132,263,846	\$105,321,381	\$103,106,974	\$98,920,099
Revenue					
Interest on Loans	\$68,557,829	\$85,398,709	\$91,422,434	\$87,649,623	\$86,831,086
Income Realized on Investments	24,015,374	18,825,337	9,624,849	7,639,791	6,010,462
Unrealized Market Gain/(Loss)	629,225	1,575,712	1,929,275	5,227,503	-
Servicing Related Fees	2,216,673	1,954,661	1,215,491	894,036	545,000
Other Fees and Misc. Income	6,762,879	6,431,135	4,760,370	11,320,695	7,715,416
Total	\$102,181,980	\$114,185,554	\$108,952,419	\$112,731,648	\$101,101,964
Net Gain/(Loss)	\$11,670,624	(\$18,078,292)	\$3,631,038	\$9,624,674	\$2,181,865
Outstanding Debt					
New Bonds and Notes Issued	\$576,170,689	\$408,568,354	\$372,046,725	\$493,679,172	\$250,000,000
Bonds and Notes Redeemed	337,170,798	324,218,459	404,498,085	360,229,258	300,000,000
Outstanding Bonds and Notes	1,532,020,427	1,616,370,321	1,583,918,961	1,717,368,875	1,667,368,875
Total	\$2,445,361,914	\$2,349,157,134	\$2,360,463,771	\$2,571,277,305	\$2,217,368,875
FTE Levels					
Unreimbursed	154.5	166.5	167.5	169.0	169.0
Reimbursed ¹	22.0	21.0	24.0	32.0	69.0
Total	176.5	187.5	191.5	201.0	238.0

Source: Rhode Island Housing and Mortgage Finance Corporation

¹Reimbursed FTE positions are funded by other organizations or grants, similar to the Limited Service Employee (LSE) in Higher Education.

PURPOSE

The Rhode Island Housing and Mortgage Finance Corporation (RI Housing) was created in 1973 through RIGL 42-55-4 to encourage the investment of private capital and to provide assistance in the construction, rehabilitation, operation, retention, and maintenance of residential housing and associated facilities through the use of public financing.

STRUCTURE

All of the powers of RI Housing are vested in seven-member Board of Commissioners. The Board consists of the Director of Administration, the General Treasurer and the Director of Business Regulation, or their designees, and four Board members appointed by the Governor subject to the advice and consent of the Senate. Board members are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, RI Housing experienced an average annual increase in expenditures of 1.8%, while revenues decreased an average of 0.3%. The primary factor contributing to the increased expenditures is the growth in housing initiatives and programs.

From FY2007 through FY2011, outstanding debt decreased annually by an average of 1.9%. The State is not liable for the payment of the principal, premium, or interest on any bonds or notes of RI Housing, and none of the bonds or notes constitute an indebtedness of the State. However, some of the bonds are secured by a capital reserve fund established by RI Housing. Under provisions in the enabling statute, if the balance in the reserve fund falls below the required level, RI Housing is authorized to request an appropriation from the General Assembly to cover the shortfall. The General Assembly is not obligated to make the appropriation.

BACKGROUND

RI Housing works to ensure that all people who live and work in Rhode Island can afford a safe, healthy home that meets their needs by offering a wide array of products and services for residents. RI Housing provides low-interest loans, grants, education, advocacy and consumer counseling to help Rhode Islanders rent, buy and retain their homes and to ensure that these homes are safe and healthy.

RI Housing has helped over 60,000 Rhode Islanders purchase their first home; helped create or restore safe, healthy homes for thousands others; and helped finance the development of 15,000 housing units for Rhode Islanders to rent. Every year, through loans and other financial assistance, RI Housing helps 40,000 Rhode Island families.

RI Housing has the authority to issue negotiable notes and bonds to achieve its corporate purpose, and has a separate credit rating for itself and its bonds apart from the State.

RI Housing also provides services for the Federal Department of Housing and Urban Development (HUD) as a contract administrator and technical assistance in the housing area to other governmental entities.

Rhode Island Higher Education Assistance Authority

Expenditures	FY2007 Actual	FY2008 Actual	FY2009 Audited	FY2010 Audited	FY2011 Enacted
Personnel	\$7,077,056	\$6,775,015	\$6,840,433	\$8,663,516	\$8,953,748
Operating	2,319,346	2,719,701	2,736,678	2,340,581	3,739,659
Assistance, Grants and Benefits	14,541,740	16,426,238	17,667,657	12,665,087	12,594,702
Capital Purchases and Equipment	966	1,000	-	1,000	501,000
Debt Service (Fixed Charges)	-	-	-	(825)	-
Total	\$23,939,108	\$25,921,954	\$27,244,768	\$23,669,359	\$25,789,109
Revenue					
General Revenue	\$6,708,495	\$10,219,792	\$7,283,678	\$6,611,632	\$6,723,347
Federal Funds	8,846,030	8,610,378	13,123,389	10,873,936	12,044,337
Other Funds	8,384,583	7,091,784	6,837,701	6,183,791	7,021,425
Total	\$23,939,108	\$25,921,954	\$27,244,768	\$23,669,359	\$25,789,109
Net Gain/(Loss)	\$ -	\$ -	\$ -	\$ -	\$ -
FTE Levels	46.0	42.6	42.6	37.3	41.6

Source: Rhode Island Higher Education Assistance Authority

PURPOSE

The Rhode Island Higher Education Assistance Authority (RIHEAA) was created in 1977 through RIGL 16-57 to provide a system of financial assistance programs that promote opportunity for post-secondary education by providing financial assistance to qualified students.

STRUCTURE

All of the powers of RIHEAA are vested in a nine-member Board of Directors. Five members of the Board are appointed by the Governor from among members of the general public, who are qualified by training or experience in education finance or personal investment consulting. Three members are appointed by the Governor with due consideration to the recommendations made by the Chairperson of the Board of Governors for Higher Education and by the Rhode Island Independent Higher Education Association. The State General Treasurer, or a designee, serves ex-officio. All the members appointed by the Governor are subject to the advice and consent of the Senate. Board members are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, RIHEAA experienced an average annual increase in expenditures and revenues of 1.9%.

RIHEAA does not hold any outstanding debt. RIHEAA guarantees eligible loans to students and parents of students attending eligible institutions and administers other programs of post-secondary student financial assistance; however, the guarantees made by RIHEAA do not constitute a pledge of the faith and credit of the State. RIHEAA itself does not issue loans; instead, the Rhode Island Student Loan Authority issues bonds to provide direct financing to students.

BACKGROUND

RIHEEA administers three major programs:

The Scholarship and Grant Program includes the State Grant Program, the scholar recognition program, the campus-based work opportunity program (suspended in FY2003), a student intern program, and a student community service program (suspended in FY2003).

The Loan Program includes the Federal Family Education Loan Program (FFELP), and the Health Professions Contract Program.

The CollegeBound*fund* (CB*f*) Program includes the CollegeBound*fund*, the Academic Promise Scholarship Program, and the CollegeBound*fund* 5&10 Matching Grant Program.

The State Grant Program is a need-based program that uses that data submitted on the Free Application for Federal Student Aid (FAFSA) to determine eligibility. This program has historically been funded primarily with General Revenue appropriations, but since FY2006, revenues from fees relating to the establishment and administration of CB*f* accounts (Other Revenue) have helped to supplement this program.

In FY2011, the Authority expects to award an average grant of \$780 to 13,400 students: this is made possible through State and Federal contributions to the need-based grants program. While the number of student awarded grants has remained steady, the grant amount per student has declined over the years from a level of \$1,178 per student in FY2006. Those awarded grants come from a pool of more than 50,000 applications through the Free Application for Federal Student Aid (FAFSA) process, of whom more than two-thirds will qualify for some type of need-based assistance. Families and students fill out FAFSA applications between November and March each year and generally do not know which college a student will attend when the form is completed.

The CollegeBound*fund* (CB*f*) is a “qualified state tuition program” under section 529 of the IRS code. The program encourages qualified students, parents and others responsible for paying the cost of higher education to plan for college by investing contributions that will grow, tax-free, each year. Earnings are exempt from Federal tax if used for qualified expenses, and are State income tax-exempt for Rhode Island residents. As of December 31, 2009, there were 493,726 CB*f* accounts worth more than \$7.2 billion nationwide, with 22,000 of the accounts (4.5%), worth \$233.0 million, belonging to Rhode Island residents.

Rhode Island Student Loan Authority

Expenditures	FY2007 Actual	FY2008 Actual	FY2009 Audited	FY2010 Audited	FY2011 Enacted
Personnel	\$337,086	\$2,563,814	\$3,299,359	\$3,562,854	\$3,345,583
Interest & Bond Expenses	37,875,290	42,158,765	34,703,487	22,883,620	18,845,927
Arbitrage Rebate Expense	2,121,955	(5,515,856)	(7,764,290)	(2,141,304)	(2,671,255)
Loan Servicing	4,866,990	6,345,988	7,015,326	6,949,382	6,336,891
Loan Origination Expenses	2,171,777	955,058	-	-	-
Transfer to State for RIHEAA Scholarship Program	3,000,000	-	-	-	-
Provision for Risk Share	10,310,177	6,231,891	5,009,338	4,174,467	2,421,375
Dept of Education Loan Fees	4,556,440	5,221,897	5,809,946	4,198,901	1,392,322
Guarantor default fees paid for borrower	1,300,259	2,093,837	-	-	-
Repurchase Loan Origination Rights	-	826,282	1,057,046	998,362	998,362
Depreciation	9,150	73,670	67,871	60,531	37,315
Representative Paul Sherlock Scholarship Program	50,000	50,000	50,000	50,000	50,000
Total	\$66,599,124	\$61,005,346	\$49,248,083	\$40,736,813	\$30,756,520
Revenues by Source					
Bond Indentures	\$66,549,124	\$60,955,346	\$49,198,083	\$40,686,813	\$30,706,520
Dedication Revenue from Licensing	50,000	50,000	50,000	50,000	50,000
Total	\$66,599,124	\$61,005,346	\$49,248,083	\$40,736,813	\$30,756,520
Net Gain/(Loss)	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Debt					
Revenue Bonds	\$889,589,990	\$946,950,000	\$1,046,330,000	\$919,010,000	\$711,121,000
Other	-	-	-	183,566,423	363,735,717
Total	\$889,589,990	\$946,950,000	\$1,046,330,000	\$1,102,576,423	\$1,074,856,717
FTE Levels	3.0	43.2	43.9	39.9	40.4

Source: Rhode Island Student Loan Authority

PURPOSE

The Rhode Island Student Loan Authority (RISLA) was created in 1981 through RIGL 16-62 to provide a system of financial assistance programs for eligible college students. Since 1981, RISLA has provided over 200,000 loans, helping 100,000 students afford college.

STRUCTURE

All of the powers of RISLA are vested in a six-member Board of Directors. Five members of the Board are appointed by the Governor from among members of the general public, who are qualified by training or experience in education finance or personal investment consulting. The State General Treasurer, or a designee, serves ex-officio. The members appointed by the Governor are subject to the advice and consent of the Senate. Board members are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, RISLA experienced an average annual decrease in expenditures and revenues of 14.3%. One item contributing to the decline in expenditures is the Loan Origination Expenses. Between FY2004 and FY2008, RISLA had an agreement with Nelnet, a national student loan servicing

company, to originate Federal parent PLUS loans and alternative student loans on behalf of RISLA. The expenditure line represents RISLA's actual cost for that activity. That agreement was terminated on September 30, 2007. RISLA employees performed that activity thereafter, so that cost was reported through salaries and other payroll costs.

In FY2004, as part of the agreement, RISLA sold its right to hold Federal Stafford loans for students for a ten-year period through FY2014 for \$13.0 million. Between FY2004 to FY2007 RISLA transferred the entire \$13.0 million to the State to provide funding for the Rhode Island Higher Education Assistance Authority scholarship program. As part of the termination agreement mentioned above, RISLA reimbursed Nelnet \$4.1 million which allowed it to originate and hold Federal Stafford Loans for Rhode Islanders. The Repurchase Loan Origination Rights line item represents the amortization of that cost. RISLA issued over \$600 million in Federal Stafford Loans between FY2007 through FY2010 saving Rhode Island students millions of dollars in up-front loan fees.

Payments to the United States Department of Education (DOE) have also contributed to the decrease. The DOE assesses a 1.0% lender fee to lenders who originate and hold Federal Stafford and PLUS loans. The Department of Education Loan Fees line item represents the fee paid by RISLA. Pursuant to Federal mandate, all Stafford and Plus loans with a first disbursement date on or after July 1, 2010 will be disbursed by the Federal government. RISLA did disburse some loans in the quarter ended September 30, 2010 since these were second and third disbursements on loans originally disbursed prior to July 1, and has budgeted the fee for these loans; however, as the disbursement function shifts to the Federal government this expense will cease.

Outstanding debt increased annually by an average of 3.9%. RISLA guarantees eligible loans to students and parents of students attending eligible institutions and administers other programs of post-secondary student financial assistance; however, the bonds sold by RISLA do not constitute a pledge of the faith and credit of the State and are payable solely from the revenues and assets of the Authority.

BACKGROUND

Since 1998, RISLA has provided a free educational admissions and financial aid assistance for students and parents through the College Planning Center of Rhode Island (CPC). In FY2010, the CPC provided one-on-one help and seminars to 6,940 students. Through the Center, RISLA informs students and parents of the many areas of support available and provides assistance in filling out forms for scholarships, loans, tax information guidelines, and other financing options. In FY2009, RISLA also formed a coalition of 17 businesses and not for profit groups called the Latino College Access Coalition to bring college access and completion services to the fastest growing segment of Rhode Island's population.

The new Federal mandate that requires all Stafford and Plus loans to be disbursed by the Federal government (Direct Loans) has prompted RISLA to decide to service its own alternative loans. RISLA has contracted to lease a software system that will enable RISLA employees to handle the servicing requirements of these loans. The same Federal mandate that transferred the disbursement of Direct loans also provides RISLA with the opportunity to contract with the US Department of Education to service Direct loans for the US Government. Under the mandate, the Department must allocate to each eligible not for profit servicer like RISLA the servicing rights for Direct Loan accounts for 100,000 borrowers and establish a separate pricing tier at a competitive market rate. The Authority is presently evaluating the feasibility of servicing Direct Loans.

Narragansett Bay Commission

Expenditures	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Budgeted
Personnel	\$16,043,809	\$17,052,860	\$18,108,181	\$18,825,877	\$19,118,418
Operating	10,977,886	11,844,405	12,531,816	12,713,742	14,116,692
Professional Services	2,673,312	2,664,072	2,938,541	2,626,291	3,071,348
Operating Capital Outlays	1,928,744	1,746,442	1,529,433	1,700,537	2,547,778
Debt Service	24,452,842	29,947,152	29,486,227	28,990,663	32,801,374
Restricted Carry-Forward	5,137,002	6,296,167	8,445,442	9,199,682	9,684,713
Total	\$61,213,595	\$69,551,098	\$73,039,640	\$74,056,792	\$81,340,323

Revenue	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Budgeted
User Fees	\$56,094,973	\$64,462,984	\$67,958,753	\$69,224,415	\$75,700,544
Pretreatment Fees	1,163,397	1,115,529	1,126,654	1,114,004	1,115,000
Septage	357,206	372,711	382,955	380,579	380,000
Connection Permit Fees	205,589	181,290	140,822	86,009	90,000
BOD/TSS Surcharges	139,815	116,096	66,439	29,419	40,000
Investment Income	513,603	354,743	420,017	47,803	250,000
Late Charges	631,183	741,834	849,127	901,619	950,000
Transfer from Operating Capital Account	1,928,744	1,746,442	1,529,433	1,700,537	2,547,778
Other Revenues	179,085	459,469	565,440	572,407	267,001
Total	\$61,213,595	\$69,551,098	\$73,039,640	\$74,056,792	\$81,340,323

Net Gain/(Loss) \$ - \$ - \$ - \$ - \$ -

Outstanding Debt

Revenue Bonds	\$413,413,742	\$410,698,580	\$410,886,331	\$391,539,991	TBD
FTE Levels	254.0	254.0	254.0	258.0	260.0

Source: Narragansett Bay Commission

PURPOSE

The Narragansett Bay Commission (NBC) was created in 1980 through RIGL 46-25, as the Narragansett Bay Water Quality Management District Commission, for the purposes of acquiring, operating, and upgrading the metropolitan Providence wastewater collection and treatment facility. Full responsibility for the metropolitan Providence system was assumed in 1982. In 1992, the Blackstone Valley District Commission was merged into the corporation. In 1992, RIGL 46-25.2 laid the framework for merging more sewage treatment facilities into the NBC. Seven years later, the corporation was renamed as the Narragansett Bay Commission. The service area includes Providence, Johnston, North Providence, Pawtucket, Central Falls, Lincoln, Cumberland and portions of East Providence, Cranston, and Smithfield.

STRUCTURE

The powers of the NBC are vested in a nineteen-member board of commissioners. Ten members of the board are appointed by the Governor subject to the advice and consent of the Senate. Two members are appointed by the Mayor of Providence. One member each is appointed by the other municipalities in the service area, including North Providence, Johnston, Pawtucket, Cumberland, Lincoln, Central Falls and

East Providence. Members are appointed for staggered three-year terms. Board members are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, NBC experienced an average annual increase in expenditures and revenues of 5.9%. The increase in expenditures is driven primarily by the increase in Debt Service required to finance NBC's extensive Capital Improvement Program. To meet its bond covenants, the NBC's rates must generate debt service coverage of 125% of annual debt service. Use of the annual debt service coverage is restricted by the Rhode Island Public Utilities Commission (PUC), and one of the allowed uses is the payment of the annual operating capital outlays which is reflected as a transfer in the operating budget.

From FY2007 through FY2010, outstanding debt has decreased annually by an average of 1.3%. The State is not legally or morally obligated for any NBC debt or other obligations.

Pursuant to RIGL 46-25.9, the NBC is authorized to accept advances or loans from the State as authorized by the General Assembly for administrative or operating expenses; however, such appropriations shall be considered loans and must be returned to the General Fund. The NBC does not have any outstanding advances or loans from the State.

BACKGROUND

The NBC owns and operates the two largest wastewater treatment facilities in Rhode Island: the Field's Point Wastewater Treatment Facility in Providence and the Bucklin Point Wastewater Treatment Facility in East Providence. These two wastewater treatment facilities serve approximately one-third of the State's population in 10 Rhode Island communities. The NBC also owns, operates and maintains an extensive infrastructure of interceptors, pump stations, tide-gates and combined sewer overflow (CSO) facilities. NBC's multi-contract Phase I CSO facilities became operational in November 2008 and have very effectively improved water quality in Narragansett Bay. NBC has an extensive Capital Improvement Plan with projected expenditures of \$433.0 million over FY2012-2016 required to meet current and future regulatory requirements, especially in the area of nutrient removal and combined sewer overflow abatement.

Any changes to sewer rates must be approved by both NBC's Board of Commissioners and the Rhode Island Public Utilities Commission (PUC). NBC is funded entirely through user charges which support debt, as well as operations and maintenance costs. Capital projects are funded through low-interest loans administered by the Rhode Island Clean Water Finance Agency, revenue bonds and other sources.

NBC is regulated by the Rhode Island Department of Environmental Management and the U.S. Environmental Protection Agency to ensure compliance with the State and Federal Clean Air and Clean Water Acts. NBC has been issued Rhode Island Pollutant Discharge Elimination System (RIPDES) permits for each of its wastewater treatment plants.

Rhode Island Clean Water Finance Agency

Expenditures	FY2007 Audited	FY2008 Audited	FY2009 Audited	FY2010 Audited	FY2011 Budget
Interest and Finance Expenses	\$24,891,133	\$26,380,533	\$27,716,562	\$28,153,881	\$29,656,540
Administrative Expenses	1,135,863	1,244,973	1,715,012	1,632,225	1,357,840
Administrative Fees - DEM	245,005	249,817	210,362	303,723	399,000
Administrative Fees - DOH	115,511	135,275	119,399	127,401	139,401
DOH Set-Aside Programs	1,762,445	1,791,247	2,098,413	1,816,479	1,660,599
Total	\$28,149,957	\$29,801,845	\$31,859,748	\$32,033,709	\$33,213,380
Revenue					
Interest and Investment Income	\$25,848,415	\$27,747,429	\$25,994,837	\$27,271,986	\$24,043,627
Operating Grant Income ¹	2,122,961	2,176,339	2,428,174	2,247,603	2,199,000
Loan Service Fees ²	3,405,277	3,654,305	3,873,536	3,973,817	4,257,398
Other Revenue	145,978	162,593	209,852	233,244	198,000
Capitalization Grants ³	15,014,510	10,903,908	8,185,602	22,355,699	42,327,680
Total	\$46,537,141	\$44,644,574	\$40,692,001	\$56,082,349	\$73,025,705
Net Gain/(Loss)	\$18,387,184	\$14,842,729	\$8,832,253	\$24,048,640	\$39,812,325
Outstanding Debt					
Other	\$576,950,000	\$631,340,000	\$602,605,000	\$652,710,000	TBD
FTE Levels	6.0	6.0	6.0	6.0	6.0

Source: Rhode Island Clean Water Finance Agency

¹This is pass through income to pay administrative fees to DEM and DOH for the federal grants.

²Service Fee portion of loan service fees is on a cash basis; loan origination fees are amortized over the life of the bonds/loan as per the G.A.A.P., the accounting principles generally accepted in the United States.

³Capitalization grants come from State and Federal grants and through the issuance of tax-exempt Agency revenue bonds or direct loans.

PURPOSE

The Rhode Island Clean Water Finance Agency was created in 1989 through RIGL 46-12.2 to administer revolving loan funds to provide low-cost financing for the construction of facilities and projects for the abatement of pollution caused by wastewater. In 1993, the Agency's powers were expanded through RIGL 46-12.8 to include the administration of the Safe Drinking Water Revolving Fund.

STRUCTURE

The powers of the Agency are vested in a five-member Board of Directors. Four of the Board members are appointed by the Governor, subject to the advice and consent of the Senate. In making these appointments the Governor must give due consideration to persons skilled in law, finance, and public administration; furthermore, the Governor must give due consideration to a recommendation by the General Treasurer for one of the positions. The General Treasurer, or a designee, serves on the Board as an ex-officio member. Board members must be residents of Rhode Island and are not compensated for their service.

During the 2009 Session, the General Assembly passed legislation providing that upon repayment by the Rhode Island Water Resources Board Corporate of all of its existing debt, the corporation will be dissolved and all the existing duties and functions of the Corporation will be transferred to the Rhode Island Clean Water Financing Agency.

FINANCIAL

From FY2007 through FY2011, the Agency experienced an average annual increase in expenditures of 3.4%, while revenues increased an average of 9.4%. The Agency's operating expenses are funded entirely from loan service fees generated from managing the programs.

The primary factor contributing to the volatility of expenditures is the administrative fee paid to the Department of Environmental Management (DEM) which increased by an average of 10.2% annually. The fee is 4.0% of the Federal Clean Water Grant; consequently, the expenditure is driven by the amount of grant money received.

The increase in revenue is due primarily to the increase in Federal and State Capitalization Grants. This grant money is used the Agency to fund programs.

The Agency experienced an average annual increase of 3.1% in outstanding debt over the four years where data is available. The State is not liable for the payment of the principal, premium or interest on any bonds or notes of the Agency, and none of the bonds or notes of the Agency constitute an indebtedness of the State.

BACKGROUND

The Agency administers three revolving loan funds, capitalized through Federal grants, to provide low interest loans to municipalities, drinking water suppliers, sewer commissions and wastewater management commissions through the use of State Revolving Fund (SRF) programs. The SRF programs are designed to leverage Federal capital and increases the amount of money available to borrowers.

The Clean Water SRF

This fund provides subsidized loans for municipalities to finance wastewater infrastructure projects. Projects eligible to receive financing from the Clean Water SRF include capital improvements to water pollution control facilities, landfill closures, septic system repairs and programs dedicated to estuary protection.

Rhode Island Water Pollution Control Revolving Fund (RIWPCRF)

Established pursuant to RIGL 46-12.2-6(c), the RIWPCRF is a fund within the Agency that accepts the State capital contribution (20% State match) and transfers the appropriate match amount to the Clean Water SRF. The Agency has the authority to use the fund to make loans, issue bonds and receive interest earnings and other capital from both private and public sources (revenue bonds).

The Drinking Water SRF

The Drinking Water SRF was established in 1996 when Congress enacted the Safe Drinking Water Act Amendments to finance public drinking water projects through federal grants with a 20.0% State match. As required by the federal law, the fund targets small water suppliers serving populations less than 10,000 and disadvantaged systems where system improvements would significantly increase water rates paid by consumers.

Rhode Island Water Resources Board Corporate

Expenditures	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Revised
Supplies, Materials and Services ¹	\$22,697	\$35,497	\$26,695	\$30,742	\$26,100
Watershed Grants ²	2,382,250	-	-	-	-
Interest Expense	485,425	415,772	298,288	232,625	230,000
Depreciation and Amortization Expense	107,433	107,432	103,575	106,044	106,000
Total	\$2,997,805	\$558,701	\$428,558	\$369,411	\$362,100
Revenues by Source					
Operating revenues ³	\$1,210,539	\$1,225,713	\$1,097,214	\$986,175	\$960,000
Reappropriated Fund Balance ⁴	2,382,250				
Reimbursed Charges	5,575	3,015	2,625	2,624	2,600
Interest Income ⁵	193,358	135,345	69,822	53,792	50,000
Total	\$3,791,722	\$1,364,073	\$1,169,661	\$1,042,591	\$1,012,600
Annual Net Gain/(Loss) ⁶	\$793,917	\$805,372	\$741,103	\$673,180	\$650,500
Outstanding Debt					
Revenue Bonds ⁷	\$11,260,000	\$9,530,000	\$6,755,000	\$4,930,000	\$4,070,000
FTE Levels ⁸	-	-	-	-	-

Source: Water Resources Board Corporate Audited Financial Statements

¹Personnel services are provided by the Water Resources Board Staff. All cash expenditures are purchased financial and legal services.

²Phase III of Watershed Protection Program (allocation of funds ended in FY2008).

³Includes water collection surcharges.

⁴Project funds remaining in supplier accounts for watershed grants.

⁵Interest income and reimbursed charges as reported in the Audited Financial Statements: *Statement of Revenues and Expenses and Changes in Net Assets*

⁶The amounts do not include balances available from the Debt Service Reserve Fund (\$1,138,500) and the Coverage Reserve Fund (5% of the Maximum Annual Debt Service totaling \$89,104.38) as required per the bond indenture.

⁷Paid directly by the Providence Water Supply Board. Final payment was remitted September 2009.

⁸For FY 2009 and FY2010 bond balances are principal balances net defeased funds for the Water Quality Protection Bond.

⁸Personnel services are provided by the Rhode Island Water Resources Board.

PURPOSE

The Rhode Island Water Resources Board Corporate (Corporation) was created in 1970 through RIGL 46-15.1 to regulate the proper development, protection, conservation and use of the water resources of the State by establishing water supply facilities and leasing such facilities to cities, towns, districts and other municipal, quasi-municipal, or private corporations or companies engaged in the water supply business in Rhode Island, contracting for the use of such facilities, or selling the water derived from, carried by, or processed in such facilities. The Corporation was created with a distinct legal existence from the State in order to serve as the water facilities and infrastructure financing arm for the State Water Resources Board.

STRUCTURE

The powers of the Corporation are vested in a fifteen-member board. Eleven of the members are appointed by the Governor and subject to the advice and consent of the Senate. The remaining four members are the

Director of Environmental Management, the Director of the Rhode Island Economic Development Corporation, the Associate Director of the Division of Planning within the Department of Administration, and the Director of the Department of Health.

In appointing the public members, the Governor must provide a member from a variety of professional backgrounds. All members of the board must be residents of Rhode Island. Board members are not compensated for their service.

Analyst's Note: During the 2009 Session, the General Assembly passed Budget Article Number 5 which transferred all functions, programmatic and financial, to the Rhode Island Clean Water Financing Agency on or about 2014. The Water Resources Board considered this Budget Article and they have proposed the repeal of this Budget Article through the Governor's budget. The Board feels the Corporation has unique borrowing and operational duties and functions that are not capable of being administered through the Rhode Island Clean Water Financing Agency; therefore the Board believes the Corporation should remain intact.

FINANCIAL

From FY2007 through FY2011, the Corporation experienced an average annual decrease in expenditures of 34.5%, while revenues decreased an average of 23.2%. The decrease in expenditures and revenues is due primarily to the completion of Phase III of the Watershed Protection Program. Over this period the Corporation's outstanding debt has decreased annually by an average of 18.4%.

The Corporation's operating expenses are funded entirely from the water surcharge paid by consumers for water quality protection; and consequently, the revenues vary according to water usage.

BACKGROUND

The Rhode Island Water Resources Board (Board) and the Rhode Island Water Resources Board Corporate ensure the fair and equitable use of the State's water resources by administering a series of programs ranging from the Water Supply Systems Management Plan, Emergency Interconnection Program, acquisition and management of properties needed for future water supplies, continuous monitoring of river and groundwater resources, and other activities. The agencies have broad authority in planning, developing, and managing public water supplies. The Corporation is the financing arm of the Board and members of the Board also sit on the Corporation. The combined agencies work closely with the Rhode Island Department of Administration, the Statewide Planning Program, the Rhode Island Department of Environmental Management, the Rhode Island Department of Health, and the Rhode Island Public Utilities Commission.

The Corporation administers the Public Drinking Water Protection Program, which protects the quality and safety of public drinking water supplies. The Corporation operates two funds:

- The Providence Project Fund which involves the construction by the Corporation of certain water facilities located in the Towns of North Providence and Smithfield. The project is leased to and operated by the City of Providence Water Supply Board. The project consists of the construction of the storage and pumping facilities and modification of the distribution system for the new Fruit Hill Extra High Service System. The final payment for this project was remitted in September 2009.
- The Water Quality Protection Fund which secures revenue bonds to provide proceeds for projects designed to protect water supplies and associated watersheds, wells and wellheads.

Rhode Island Resource Recovery Corporation

Expenditures	FY2007 Actual	FY2008 Actual	FY2009 Audited	FY2010 Audited	FY2011 Enacted
Personnel	\$13,755,938	\$14,152,023	\$12,466,008	\$11,603,613	\$11,614,789
Contractual Services	11,711,161	11,519,347	9,945,221	9,217,409	8,581,015
Utilities	1,258,367	1,247,562	1,722,848	3,526,869	1,614,903
Repairs and Maintenance	5,316,018	4,329,489	3,981,364	3,219,118	3,358,964
Other Supplies and Expenses	3,428,324	4,112,370	2,933,233	2,512,318	2,330,579
Grants to Municipalities for Recycling	1,573,714	3,011,851	1,040,072	1,241,230	120,250
Bad Debts	(87,012)	249,477	576,931	414,493	120,000
Provision for landfill closure and post closure care and Superfund clean-up costs	15,848,474	9,303,511	(355,952)	648,601	2,526,318
Depreciation, depletion and amortization	13,813,585	13,775,652	10,408,402	11,023,519	10,382,146
Transfers to State of Rhode Island	3,300,000	5,000,000	7,500,000	-	-
Loss on disposal of land held for sale	14,465,257	422,940	(26,431)	-	-
Interest expense	949,190	854,142	778,890	722,791	677,486
Total	\$85,333,016	\$67,978,364	\$50,970,586	\$44,129,961	\$41,326,450
Revenue					
Charges for services, principally tipping fees ¹	\$58,277,651	\$50,942,523	\$33,006,023	\$35,382,321	\$33,404,680
Recycling	8,261,156	12,713,691	8,526,776	9,840,047	8,954,427
Other operating revenues	3,243,863	3,336,651	3,993,359	3,560,211	2,995,201
Interest and investment revenue	7,570,289	1,382,805	1,627,519	1,734,656	951,292
Gain on settlement, net	-	-	-	3,467,417	-
Other income, net	-	-	-	9,729	-
Total	\$77,352,959	\$68,375,670	\$47,153,677	\$53,994,381	\$46,305,600
Net Gain/(Loss)	(\$7,980,057)	\$397,306	(\$3,816,909)	\$9,864,420	\$4,979,150
Outstanding Debt					
Revenue Bonds	\$15,368,471	\$14,564,265	\$13,730,060	\$13,990,000	\$13,095,000
FTE Levels	129.0	121.0	100.0	100.0	100.0

Source: Rhode Island Resource Recovery Corporation

¹The tipping fee for municipalities is authorized annually by General Assembly and is currently \$32.00 per ton for solid waste.

PURPOSE

The Rhode Island Resource Recovery Corporation (RIRRC) was created in 1974 through RIGL 23-19-6 for the purpose of preparing and implementing a plan for an integrated statewide system of solid waste management facilities to define the State's disposal needs.

STRUCTURE

The powers of RIRRC are vested in an eight-member Board of Commissioners, consisting of the Director of Administration, or a designee, serving as a nonvoting ex-officio member, and seven public members. At least two of members must be residents of Johnston. The public members are appointed by the Governor, subject to advice and consent of the Senate, for staggered three-year terms. In making appointments, the Governor must give due consideration to recommendations from the Mayor of Johnston and the League of Cities and Towns. The Governor must also consider persons experienced in the field of recycling and give due consideration to recommendations from representatives of the commercial waste haulers and environmental advocacy organizations. Board members are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, RIRRC experienced an average annual decrease in expenditures of 13.5%, while revenues decreased an average of 9.8%. One major factor contributing to the decrease in expenditures is the absence of a transfer to the State for FY2010 and FY2011. From FY1995 through FY2009, when RIRRC was experiencing higher revenues, RIRRC transferred a total of \$66.7 million to the State's General Fund. Other factors contributing to the decrease in expenditures are a decline in grants to municipalities due to fluctuations in recycling commodity pricing and the 2007 reduction (\$14.7 million) of land held for sale from its cost basis to net realizable value.

RIRRC derives most of its income from tipping fees which experienced an average annual decrease of 10.5% over this period. This decrease is due to a decline in commercial waste volume coupled with a decrease in the commercial tipping fee.

Outstanding debt has decreased by an average of 3.2% over this period. RIRRC has the power to issue negotiable notes and bonds subject to approval from the General Assembly. The outstanding debt is collateralized by all revenues of RIRRC, certain restricted funds created pursuant to the bonds issuance, and any revenues and property specifically conveyed, pledged, assigned or transferred by RIRRC as additional security for the bonds.

BACKGROUND

The Rhode Island Resource Recovery Corporation operates a statewide system of solid waste management which includes waste prevention programs, recycling programs, the disposal of household hazardous waste, and the Central Landfill in Johnston. The goal of the solid waste management system is twofold: 1) minimize the amount of waste generated and deposited in the landfill, and 2) maximize the amount of waste recycled and reused. Also located at the Johnston site is the Materials Recycling Facility, the construction and demolition waste processing facility, the Eco-Depot household hazardous waste collection center, the landfill gas power generation plants and the Corporation's administrative offices. RIRRC provides five distinct onsite processing and disposal services:

- Sanitary Landfilling: accepts only Rhode Island generated, non-hazardous waste and provides disposal services to about 97% of the State's residents.
- Commercial Composting: processes nearly 45,000 tons of yard debris into compost, annually.
- Recyclables Sorting and Processing: processes roughly 330 tons of residential and commercial recyclables through the Materials Recycling Facility (MRF), daily.
- Small Vehicle Waste Sorting Area: offers easy access to recycling and disposal for individuals and small businesses of materials such as cardboard, computers, scrap metal, and used cooking oil.
- Construction and Demolition Debris Grinding: grinds waste, such as bricks, clean wood, drywall, shingles, furniture and rubber into mulch.

Rhode Island Public Rail Corporation

While staffing for the Rhode Island Public Rail Corporation is provided by the Department of Transportation, there is neither a separate budget nor line item expenditure within the Department's budget.

PURPOSE

The Rhode Island Public Rail Corporation (RIPRC) was created in 1982 through RIGL 42-64.2, as the Rhode Island East Bay Commuter Transit Corporation, for the purpose of enhancing and preserving the viability of commuter rail transit in the East Bay area of the State. In 1991, the name was changed to the Rhode Island Public Rail Corporation and its focus was expanded to include commuter rail transit and railroad freight operations in the entire State.

STRUCTURE

All of the powers of RIPRC are vested in three-member Board of Directors, consisting of the Director of the Department of Administration, the Director of the Department of Transportation, and the Chairperson of the Rhode Island Public Transit Authority, or the designee of each.

FINANCIAL

While staffing is provided by the Department of Transportation, there is neither a separate budget nor a line item expenditure for RIPRC within the Department's budget.

BACKGROUND

In 1991, RIPRC was given the power to acquire six specific property and railroad operating rights from the Providence and Worcester Railroad:

- the Washington secondary branch;
- the Warwick industrial track;
- the Wrentham industrial track;
- the Pontiac Secondary branch;
- the Moshassuck Valley industrial track; and
- the East Providence secondary track.

In 2008, the powers of RIPRC were expanded to include the indemnification of the National Railroad Passenger Corporation ("Amtrak") to allow the Rhode Island Department of Transportation (RIDOT) to contract with the Massachusetts Bay Transportation Authority (MBTA) to expand commuter rail service to T.F. Green Airport in Warwick and Wickford Junction in North Kingstown. The next year, through Section 8 of Article 17 of the FY2010 Budget as Enacted (2009-H-5983Aaa), RIPRC was authorized to secure and maintain insurance and an Evergreen Line of Credit to indemnify Amtrak for claims arising from commuter rail expansion south of Providence. RIDOT funded the \$7.5 million for indemnification through the line of credit (as required by Federal regulations) and the funds were deposited into an interest bearing account in the name of RIPRC.

STRUCTURE

All of the powers of RIPTA are vested in an eight-member board. Seven of the members are appointed by the Governor, for a three-year term, subject to the advice and consent of the Senate. One member is the Director of the Department of Transportation, or a designee, who serves as an ex officio member. In making the appointments of the public members, the Governor must give due consideration to recommendations from the National Federation of the Blind of Rhode Island, the Gray Panthers of Rhode Island, the Sierra Club of Rhode Island, the Rhode Island AFL-CIO, the RIPTA Transportation Advisory Committee, the Rhode Island business community and the Rhode Island League of Cities and Towns. All members must be residents of the State. Board members are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, RIPTA experienced an average annual increase in expenditures and revenues of 3.0%. The primary factor contributing to the increase in expenditures is special services, which include legal services, professional services such as insurance brokers and consultants, and other contracted services. This \$920,000 increase included legal costs through binding arbitration with the RIPTA's largest union, the Amalgamated Transit workers' Union (ATU), consultant expenses for design and implementation of the new radio system, and expenses incurred in the search for a Chief Executive Officer.

RIPTA has the authority to issue bonds and notes secured solely by its revenues; however, RIPTA currently has no bonds or notes outstanding. Instead of issuing revenue bonds, RIPTA has funded capital projects with General Obligation bonds, and other revenues, through the Department of Administration.

The most significant fiscal challenges facing RIPTA revolve around the need for a stable revenue stream to fund both fixed-route and paratransit services, the elimination of subsidized fares for certain ridership groups, the need to invest in new technologies to enhance revenue and develop accurate information regarding ridership, and demand for increased service where additional revenue would not meet additional cost.

In the FY2009 Supplemental Budget as Enacted, the General Assembly shifted one half penny of the gas tax from the Underground Storage Tank (UST) fund, resulting in additional revenue of \$2.2 million for RIPTA in the last six months of FY2009 and all of FY2010, increasing the total allocation to 7.75 cents per gallon. Despite the increase, RIPTA faced a deficit of \$9.2 million in FY2010. In preparation for potential service cuts, RIPTA carried out a series of public hearings; however, through the FY2010 Enacted Budget, the General Assembly provided \$8.8 million to eliminate RIPTA's structural deficit and a two cent per gallon gas tax increase dedicated to RIPTA for transit operations. This increase brought RIPTA's total gas tax allocation to 9.75 cents per gallon.

BACKGROUND

RIPTA was created in response to the continuing financial difficulties of the private bus companies in the State which resulted in a disruption of services. With the assistance of the State and proceeds from a Federal loan, RIPTA acquired the assets of the former United Transit Company. RIPTA is authorized to acquire any bus passenger systems or routes in the State which have filed a petition with the Public Utilities Commission to discontinue service and which RIPTA deems necessary to the public interest. RIPTA is currently responsible for a fleet consisting of 241 buses, 135 paratransit vans, 17 Flex vans, and a 15-vehicle fleet of trolleys. The trolleys in the fleet are being converted to diesel as they age, with 10 trolleys converted from compressed natural gas (CNG) since Spring 2008, and 10 new clean diesel trolleys due for delivery in the fall of 2010 to replace the remainder of the CNG trolley fleet.

Rhode Island Turnpike and Bridge Authority

Operations and Maintenance	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Budget	FY2011 Budget
Personnel	\$2,216,000	\$2,192,310	\$2,769,784	\$2,806,494	\$2,923,110
Insurance	1,224,885	1,006,903	969,959	979,770	929,425
Professional	219,408	182,325	310,747	264,000	410,750
Operating	709,805	704,749	807,458	651,850	980,800
Capital Expenditures	20,000	20,000	20,000	45,000	45,000
Host Community	25,000	-	52,000	27,500	27,000
Contingency reserve	81,800	90,000	100,000	100,000	120,000
Transfer to O&M Reserve Fund	-	-	48,000	72,500	93,000
Electronic Toll Collection (ETC) Fund	-	-	747,429	842,268	93,000
Transfer to Renewal and Replacement Reserve Fund	-	-	-	4,433,723	6,214,219
Miscellaneous	40,000	40,000	17,512	40,000	20,000
Total	\$4,536,897	\$4,236,288	\$5,842,889	\$10,263,105	\$11,856,304
Revenue					
Tolls	\$12,095,422	\$12,040,023	\$12,546,502	\$13,500,555	\$18,900,000
Interest	153	106	15	125	-
Miscellaneous	28,220	6,340	5,230	12,000	12,000
Total	\$12,123,795	\$12,046,470	\$12,551,747	\$13,512,680	\$18,912,000
Net Gain/(Loss)	\$7,586,898	\$7,810,182	\$6,708,858	\$3,249,575	\$7,055,696
Debt Service					
Interest Revenue	\$279,739	\$266,234	\$256,000	\$216,252	\$-
Provided through operations for 2003A bond interest	(1,052,700)	(974,018)	(914,065)	(866,073)	(990,309)
Provided through operations for 2003A bond principal	(2,010,000)	(2,075,833)	(2,142,500)	(2,232,500)	(2,328,333)
Provided through operations for 2010A bond interest	-	-	-	-	(2,680,299)
Total Net Revenue (Expenditures)	(2,782,961)	(2,783,618)	(2,800,565)	(2,882,321)	(5,998,941)
Outstanding Debt					
Revenue Bonds	\$27,838,000	\$25,055,039	\$22,271,422	\$19,470,857	\$66,588,536
FTE Levels	27.5	27.5	28.5	29.5	29.5

Source: Rhode Island Turnpike and Bridge Authority

PURPOSE

The Rhode Island Turnpike and Bridge Authority (RITBA) was created in 1954 through RIGL 24-12 to construct, acquire, maintain and operate bridge projects as defined by law and to purchase and maintain the Jamestown-Newport ferry franchise.

STRUCTURE

All of the powers of RITBA are vested in a five-member board of directors consisting of the Director of Transportation, as an ex officio member, and four members appointed by the Governor for a four-year term. Pursuant to RIGL 24-12-4(a), the appointed members are entitled to \$40.00 for each day, or portion thereof, in which they are engaged in the performance of their duties; however, pursuant to Article 6 of the FY2008 Budget as Enacted, the board members are not compensated for their service.

Analyst's Note: Article 6 of House Bill 97-H-6496Aam legislates the intent of the General Assembly to suspend the compensation paid to members of all boards and commissions authorized to receive compensation under the General Laws of Rhode Island; however, since RITBA was not included on the list enumerated in the bill, the enabling statute of the corporation was never amended to reflect the change.

FINANCIAL

RITBA is a component unit of the State supported through fees (tolls) generated by its operation, and without any State appropriated funds. From FY2007 through FY2011, RITBA experienced an average annual increase in expenditures of 21.2% and in revenues of 9.3%. The primary factor contributing to the increase in expenditures is the transfer of revenues to three reserve funds: Operations and Maintenance (O&M); Electronic Toll Collection Fund (ETC); and Renewal and Replacement (R&R). The amount transferred to the O&M and ETC funds is formula-based and dependent on revenues: both are required by bond covenants (O&M) or contract (ETC) and were established as separate accounts at the recommendation of outside auditors. The amount transferred to the R&R fund is the surplus when all other costs have been paid: funds in the R&R account are used to fund the ten-year capital repair and replacement plan. Bond funds issued for capital projects supplement the R&R funds.

From FY2007 through FY2011, RITBA has experienced an average annual increase in outstanding debt of 16.6%. This is due to the issuance of \$50.0 million in revenue bonds in FY2010 to finance the renovation, repair and improvement of the Pell Bridge, the Mount Hope Bridge and other facilities. These bonds are secured by tolls and other revenues. In the FY2011 Budget as Enacted, the General Assembly authorized RITBA to issue up to \$68.1 million in additional revenue bonds, to be secured by toll and other revenues, to finance the renovation, repair and improvement of the bridges.

BACKGROUND

RITBA was originally created for the construction of the Claiborne Pell Bridge (formerly the Newport Bridge) which was opened for traffic on June 28, 1969. Today, RITBA is responsible for the operation and maintenance of the Mount Hope Bridge between Bristol and Portsmouth, and the Claiborne Pell Bridge between Newport and Jamestown. A trust agreement between the RITBA and bondholders requires RITBA to maintain and operate the bridges in an efficient and economical manner. The Authority is required to maintain the bridges in good repair and sound operational condition, and to make all necessary repairs, renewals, and replacements. Each bridge is subject to an annual inspection, and a more thorough and complete “in-depth” inspection is performed on each structure every two years.

No Federal, State, or local tax dollars are received by the Authority for debt service or expenses incurred in the operation and maintenance of the bridges and associated buildings and grounds. Rather, all obligations are satisfied with funds received from toll revenue and investment income. RITBA voted to discontinue the tolls on the Mt. Hope Bridge on May 1, 1998; consequently, tolls on the Claiborne Pell Bridge are the primary source of income for RITBA.

In February 2009, RITBA converted to an electronic toll collection system (E-ZPass) and no longer accepts tokens. RITBA entered into a three-year renewable contract with Affiliated Computer Services of Newark, New Jersey to process E-ZPass transactions, open and close accounts, maintain the account information database, distribute transponders, resolve disputes and receive and post prepaid revenue. The rate for a Rhode Island resident with a transponder is \$0.83. The commuter rate for out-of-State residents with a Rhode Island transponder is \$0.91, if they make 31 trips in a 30-day period. The cash rate is \$2.00 per axle. Since the discount program for transponders ended in June 2009, each transponder now costs \$20.95, the actual cost to RITBA. The discount price was \$10 for the first transponder, \$15 for the second and \$20.95 thereafter, with a limit of four.

Rhode Island Refunding Bond Authority

Expenditures	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Enacted
Personnel	\$24,193	\$27,743	\$21,098	\$18,549	\$ -
Operating	7,524	8,049	3,596	6,377	-
Total	\$31,717	\$35,792	\$24,694	\$24,926	\$ -
Revenue					
General Revenues	\$31,717	\$35,792	\$24,694	\$23,519	\$ -
Total	\$31,717	\$35,792	\$24,694	\$23,519	\$ -
Net Gain/(Loss)	\$ -	\$ -	\$ -	\$ (1,407)	\$ -
Debt Service					
Interest	\$2,784,806	\$1,741,681	\$1,042,438	\$317,100	\$ -
Principle	17,610,000	18,475,000	18,195,000	6,040,000	-
Total	\$20,394,806	\$20,216,681	\$19,237,438	\$6,357,100	\$ -
Outstanding Debt					
General Obligation Bonds	\$60,320,000	\$42,710,000	\$24,235,000	\$6,040,000	\$ -

FTE Levels¹ - - - - -

Source: Office of the General Treasurer

¹The budget of the Refunding Bond Authority is reflected within the operating budget of the Office of General Treasurer which provides personnel; consequently, the FTE's are included in the office-wide budget.

PURPOSE

The Rhode Island Refunding Bond Authority (RIRBA) was created in 1987 through RIGL 35-8.1 to provide a means of refunding the 1984 and 1985 General Obligation bond series with bonds bearing a lower rate of interest.

STRUCTURE

All of the powers of RIRBA are vested in a seven-member Board of Directors consisting of the General Treasurer, or a designee, serving as chairperson; the Director of Administration, or a designee; a representative of the Budget Office; and four public members. All of the public members are appointed by the Governor for four-year terms subject to the advice and consent of the Senate and must be qualified by training and experience in the fields of finance or banking. Two public members are appointed by the Governor and two public members are appointed by the General Treasurer. All members of the Board must be residents of the State of Rhode Island. Board members are not compensated for their service.

FINANCIAL

As of February 1, 2010, all the bonds issued by RIRBA have been paid in full; consequently, the administrative costs associated with the program have been eliminated in FY2011.

BACKGROUND

RIRBA was originally created to refinance two series of General Obligation bond series at a lower interest rate and staffing was provided by the Office of the General Treasurer. Since the bonds issued by RIRBA have been paid in full, the program has been eliminated in FY2011.

Analyst's Note: While there are no administrative costs for RIRBA in FY2011, the legal entity must be eliminated through legislative action.

Tobacco Settlement Financing Corporation

Expenditures	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Budgeted
Purchase of MSA Agreement Rights	\$195,000,000	\$ -	\$ -	\$ -	\$ -
General and Administrative	53,500	33,220	99,041	69,000	150,000
Cost of Issuance	862,553	150,000	-	-	-
Debt Service: Principal	6,220,000	16,620,000	21,100,000	14,710,000	TBD
Debt Service: Interest	41,286,359	40,918,135	39,931,675	38,613,342	37,783,075
Total	\$243,422,412	\$57,721,355	\$61,130,716	\$53,392,342	\$37,933,075
Revenue					
Tobacco Settlement Agreement	\$44,024,516	\$53,246,221	\$58,038,800	\$48,620,449	\$52,612,259
Investment Income	3,566,309	4,123,399	3,994,888	3,409,658	TBD
Total	\$47,590,825	\$57,369,620	\$62,033,688	\$52,030,107	\$52,612,259
Net Gain/(Loss)	(\$195,831,587)	(\$351,735)	\$902,972	(\$1,362,235)	\$14,679,184
Outstanding Debt					
Tobacco Settlement Asset-Backed Bonds	\$832,438,018	\$828,364,816	\$821,353,836	\$821,470,923	TBD

FTE Levels¹ - - - - -

Source: Tobacco Settlement Financing Corporation Financial Statements

* The Department of Administration provides staffing services to the Corporation; consequently, there are no FTE positions. The Corporation uses reserves to cover shortfalls in any given fiscal year.

PURPOSE

The Tobacco Settlement Financing Corporation was created in 1990 pursuant to RIGL 42-133-4 to finance the acquisition of the State's right, title and interest in the moneys due under the Tobacco Master Settlement Agreement, dated November 23, 1998.

STRUCTURE

All of the powers of the Corporation are vested in the five-member board. The Governor appoints two members from the State Investment Commission with due consideration given to the recommendation of the Chair of the Investment Commission. The Governor appoints three members from the general public subject to the advice and consent of the Senate. Each member serves a two-year term and must be a resident of Rhode Island. Board members are not compensated for their service.

FINANCIAL

From FY2007 through FY2011, the Corporation experienced an annual average decrease in expenditures of 31.1%. The primary factor contributing to this decrease is the purchase of the Master Agreement Settlement rights from the State in FY2007. Over this same period, the Corporation experienced an average annual increase in revenues of 2.0%. This increase is driven primarily by variances in the Tobacco Settlement Agreement revenues.

From FY2007 through FY2010, the Corporation experienced an annual average decrease in outstanding debt of 0.3%. The principal and interest on the bonds issued by the Corporation are payable solely out of the assets of the Corporation pledged for this purpose. These bonds are neither an indebtedness nor a legal or "moral" obligation of the State. However, in the event of non-payment of amounts due and payable under the Agreement to the Corporation, the State has pledged to pursue legal remedies against the

participating tobacco companies. Since this legal action is considered to be a State obligation and not an obligation of the Corporation, the legal costs for the remedies are paid out of the budget of the Attorney General's Office.

BACKGROUND

In 1997, the Attorney General of Rhode Island, along with the attorney's general of 45 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 filed a class action suit against Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation and Lorillard Tobacco Company for medical costs caused by cigarette smoking. In 1998, the case was settled through a Master Settlement Agreement (MSA).

The MSA was designed to provide restitution to the states while ending future claims by the signing parties against the tobacco industry by providing for perpetual annual payments to the states. The payments to individual states are based on specific shares to the national payment amounts and are subject to inflation and volume adjustments. Pursuant to the inflation adjustment, the amounts increase annually by the greatest of either 3.0% or the change in the December Consumer Price Index for All Urban Consumers. The volume adjustment is based on state-wide sales of cigarettes: reduced sales results in less money to the states, while increased sales result in more money.

In his FY2003 Budget proposal, Governor Almond recommended legislation to securitize a portion of Rhode Island's share of the MSA. "Securitization" of these funds is a process whereby the State sells the right to collect the future payments to a third party who sells bonds to raise sufficient funds to purchase the State's revenue stream. In effect, the State is able to obtain funds up front that can be used in the current year in exchange for revenue that would have been received in the future. The primary rationale for securitization is risk avoidance. The State avoids the potential loss by selling the rights to the revenue stream to a third party bond issuer, the Corporation, leaving the State with no legal or moral obligation to pay bond-holders in the event of reduced future revenue. Another argument for securitization is cash flow to fill budget gaps without a major tax increases or drastic budget cuts.

The General Assembly agreed with the proposal and, in June 2002, the Corporation sold bonds. The amount available to the State, net of discounts and underwriters fees, was \$544.2 million for the FY2002 through FY2004 budgets. The State used \$295.3 million to defease existing State debt and \$248.9 million as State General Revenue working capital for FY2002 and subsequent budget deficits. Of the remaining bond revenue, \$54.5 million was paid to the Corporation as the equivalent of the FY2003 tobacco master settlement payment to cover interest payments on the bonds, \$51.3 million to a reserve fund to satisfy bondholder requirements, and the balance of \$2.3 million for issuance and operating expenses.

In the FY2008 Budget, Governor Carcieri proposed to sell the residual remaining after the first round of tobacco settlement bonds are fully redeemed. These funds were used as follows: \$42.5 million to the General Fund prior to June 30, 2007; \$22.2 million to the Rhode Island Capital Plan fund; \$6.4 million to the Fleet Replacement Restricted Receipt Account; and \$124.0 million to General Revenues in FY2008.

Senate Fiscal Office

Peter M. Marino

Senate Fiscal Advisor

Legislature

Claire Birkmaier

Office Manager

Laurie J. Brayton

Legislative Fiscal Analyst II

Atomic Energy Commission
Clean Water Finance
Coastal Resources Management Council
Elementary and Secondary Education
Environmental Management
Water Resources Board

Robert C. Bromley

Senior Legislative Fiscal Analyst

Administration
Board of Elections
Commission on Women
Economic Development Corporation
Ethics Commission
General Treasurer
Human Rights Commission
Labor and Training

Kelly M. Carpenter

Legislative Fiscal Analyst II

Arts Council
Business Regulation
Historic Preservation and Heritage Commission
Narragansett Bay Commission
Public Utilities Commission
Public Telecommunications
Resource Recovery Corporation

Matthew R. Harvey

Legislative Fiscal Analyst II

Children, Youth, and Families
Elderly Affairs
Health
Human Services
Office of Health and Human Services

Meredith E. Pickering

Legislative Fiscal Analyst II

Behavioral Health, Developmental Disabilities,
and Hospitals
Child Advocate
Commission on Deaf and Hard of Hearing
Commission on Disabilities
Higher Education
Higher Education Assistance Authority
Mental Health Advocate
Public Transit Authority
Transportation

Stephen H. Whitney

Deputy Senate Fiscal Advisor

Attorney General
Corrections
Governor
Judiciary
Lieutenant Governor
Military Staff
Public Defender
Public Safety
Revenue
Secretary of State