



RIPEC

Comments on Your Government

A SPECIAL PUBLICATION OF THE RHODE ISLAND PUBLIC EXPENDITURE COUNCIL

Analysis of Rhode Island's Debt Position and the 2004 Bond Referenda

Introduction

With voters being asked to consider twelve bond questions that would authorize \$392.0 million in new general obligation debt, this issue of RIPEC Comments summarizes the proposed referenda and key facts concerning public debt in the Ocean State. This Comments compares Rhode Island's debt level and bond ratings to those in other states as well as national mean and median levels. It also summarizes the State's FY 2005 – FY 2009 Capital Budget, comments on measures of affordability and discusses the twelve bond questions that will be put before the voters on November 2, 2004.

RIPEC has traditionally not taken positions on bond referenda questions. However, RIPEC encourages taxpayers to consider the following questions when deciding whether to authorize new debt in November:

- Which projects will result in investments that will strengthen the State's economy and help grow and retain jobs?
- Do some of the proposed projects represent higher priorities than others given finite resources?

- Do the benefits outweigh the costs of the project when interest costs are taken into account?
- What is the "opportunity cost" of these projects if they are not approved?
- What impact will new capital projects have on the cost of operating state government?

Rhode Island has made significant progress in managing its debt over the past 15 years as a result of conservative debt management practices. For example, the State paid-off the DEPCO debt twenty-two years ahead of schedule - eliminating a considerable portion of the State's debt burden. The State allocated \$295.6 million of the net tobacco proceeds to defease existing, non-callable general obligation debt – thereby freeing up approximately \$343.5 million in net debt service payments through FY 2012.

In addition, the State has created and maintained a pay-as-you-go asset protection program to preserve the State's public infrastructure investment without incurring additional debt. While a portion of the Rhode Island Capital Plan Fund is still used to support some of the State's debt service obligations, progress has been made to

use the balance of the Fund for capital projects. The State has also shifted most of the State's gasoline tax to the Department of Transportation and RIPTA to support road, bridge and public transit programs and services.

To monitor the State's progress, the Rhode Island Public Finance Management Board (PFMB) adopted guidelines for managing certain elements of the State's debt. The PFMB recommended that annual debt as a percentage of personal income should be no greater than a range of 5.0 to 6.0 percent. In addition, annual debt service for tax-supported debt should not exceed 7.5 percent of general revenues.

According to State Budget documents, in FY 2005, net tax-supported debt as a percent of personal income is projected to be 4.11 percent and to decline to 3.76 percent by FY 2009. In addition, debt service as a percentage of general revenues is projected to be 4.91 percent in FY 2005 and to remain around 5.0 percent through the end of the decade.

However, as described in greater detail below, the Legislature made a number of changes to the Governor's proposed Capital Plan, shifting some projects from third party and other financing arrangements to general obligation funding and adding nearly \$50.0 million in projects that were not included in the Governor's Plan. This will increase the State's overall debt and the debt service requirements over the life of those bonds should they be approved this November. Regardless, anticipated debt levels demonstrate that the State is projected to remain within the PFMB's guidelines over the next five years.

However, data comparing Rhode Island to other states show that while Rhode Island's tax-supported debt is estimated to be within the guidelines adopted by the PFMB, the Ocean State's debt per capita ranks 9th highest in the Nation and debt in relation to personal income ranks 12th highest in the country.

Rhode Island's Capital Budget

Overview – The FY 2005-2009 Capital Budget includes \$3.4 billion in capital expenditures over the five year period. This level of capital investment reflects expenditures from all sources of funds, including general obligation bond proceeds, higher education resources, Federal funds and third party funding. The financing plan includes \$1.8 billion in debt issuances (assuming all referenda are approved), which includes the bond referenda proposed this November as well as those scheduled for November 2006.

The State's capital plan includes \$660.5 million (\$544.4 million in Grant Anticipation Revenue Vehicle bonds (GARVEE) financing and \$116.1 million in Motor Vehicle Tax Revenue bonds) to support five major transportation projects. Congress permits states to borrow funds that are repaid and backed by future allocation from the Federal Highway Administration construction funds.

State Debt - Bond rating agencies consider a number of issues when analyzing the State's overall debt position, including the State's total net tax supported debt. Net tax supported debt refers to all debt in the State that requires an appropriation.

Table 1
Rhode Island's Net Tax Supported Debt
(thousands)

	2002	2003	2004
Direct Debt			
Various Purpose Bonds Outstanding	\$654,879	\$694,933	\$737,772
Variable Rate General Obligations	28,165	27,965	24,865
Subtotal	<u>\$683,044</u>	<u>\$722,898</u>	<u>\$762,637</u>
Guaranteed Debt			
Narragansett Bay District Commission Bonds	\$15,019	\$13,119	\$11,266
Subtotal	<u>\$15,019</u>	<u>\$13,119</u>	<u>\$11,266</u>
Other Debt Subject to Annual Appropriation			
RI Refunding Bond Authority - Direct	650	-	-
RI Refunding Bond Authority - Narragansett Bay Commission	15	-	-
Convention Center Authority Outstanding	319,435	310,005	302,320
Economic Development - Transportation (motor fuel)	-	-	47,395
Master Equipment Lease (2)	7,995	8,865	5,180
Public Buildings Authority Lease Rental Bonds	132,440	100,705	84,730
Certificates of Participation - Intake Center	19,500	17,440	15,285
Certificates of Participation - Attorney General	2,795	2,795	2,795
Certificates of Participation - Pastore Steam Plant	23,440	23,440	23,440
Certificates of Participation - DLT Howard Complex	21,335	20,365	19,345
Certificates of Participation - Shepards Building	28,820	27,655	26,410
Rhode Island Housing/Travelers Aid	12,550	12,550	14,800
Economic Development - URI Power Plant	15,304	14,729	14,134
Economic Development - Dow Chemicals Corp	25,000	25,000	25,000
Economic Development - Fidelity Building	23,615	23,071	22,487
Economic Development - McCoy Stadium	8,780	7,945	7,080
Economic Development - Fleet Bank Lease	10,500	10,350	10,190
Economic Development - Fleet Bank Lease II	-	10,000	10,000
Subtotal	<u>\$652,174</u>	<u>\$614,915</u>	<u>\$630,591</u>
Gross Debt	<u>\$1,350,237</u>	<u>\$1,350,932</u>	<u>\$1,404,494</u>
Less: Adjustments for Agency Payments	<u>(62,593)</u>	<u>(70,000)</u>	<u>(67,441)</u>
Net Tax Supported Debt	<u>\$1,287,644</u>	<u>\$1,280,932</u>	<u>\$1,337,053</u>

Notes:

(1) Statement excludes contract for Providence Place Mall.

Source: Rhode Island State Budget Office - Capital Budget

As of June 30, 2004 Rhode Island had a net tax supported debt of \$1,337.1 million, representing a 4.3 percent increase from June 30, 2003 (\$1,280.9 million). Net tax supported debt currently includes the following:

Direct debt: Direct debt is debt supported by the State's general fund for which the State has pledged its full faith and credit. It consists of general obligation bonds and notes issued in anticipation thereof. This type of debt requires approval by the voters. As of June 30, 2004 Rhode Island had \$762.6 million in outstanding direct debt.

Guaranteed debt: Guaranteed debt consists of certain bonds and notes issued by or on behalf of agencies and commissions created by the General Assembly, such as the Narragansett Bay Commission and the Rhode Island Turnpike and Bridge Authority. As of June 30, 2004 Rhode Island had \$11.3 million in outstanding guaranteed debt.

Other Long-term debt: Other long-term debt includes State obligations related to revenue bonds from State agencies or commissions, third party financing arrangements and other contracts entered into by the State. Examples include capital leases with the Rhode Island

Refunding Bond Authority (formally the Rhode Island Public Buildings Authority), master equipment lease agreements with financial institutions, revenue bonds issued by the Economic Development Corporation and certificates of participation.

As of June 30, 2004 Rhode Island had \$630.6 million in this type of outstanding long-term debt. Of this amount, nearly half (\$302.3 million) was debt related to the Rhode Island Convention Center. Recently, another component of other long-term debt has been DEPCO debt obligations. The State has repaid all DEPCO debt obligations as of August 2000. It should be noted that this is a significant reduction in the State's debt levels - at one point, the State had approximately \$510.0 million in DEPCO debt.

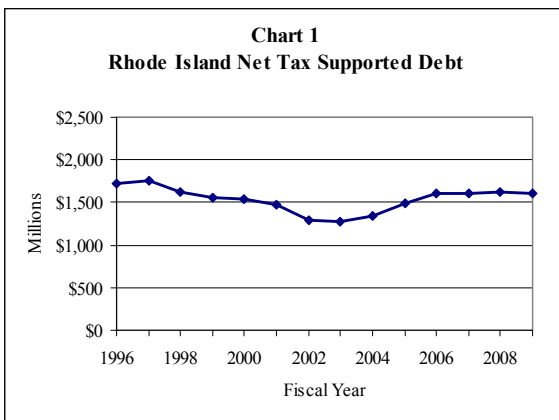


Chart 1 displays a projection of Rhode Island's net state tax supported debt from FY 1996 through FY 2009. As shown, net tax supported debt would increase from \$1,337.1 million in FY 2004 to \$1,611.2 million in FY 2009, a 20.5 percent increase. It does not account for approximately \$48.7 million in additional debt included on the November 2004 ballot that was not included in the Governor's capital

budget request. Net debt used on these projections assumes current outstanding obligations and new debt programmed in the State's Capital Budget.

How Rhode Island's Debt Level Compares

The following provides an overview of the Ocean State's debt levels as compared to other states using debt per capita and debt as a percentage of personal income. It should be noted that debt ratios only provide a general picture of where the State's relative debt position stands. Economic, administrative and structural factors often provide information regarding the overall financial condition and trends of the State, therefore illuminating issues related to debt capacities and burdens.

Debt Per Capita - Tax supported debt per capita is determined by dividing the State's tax supported debt by the estimated population. It should be noted that Moody's calculation has a time-lag in the data. For example, to determine 2004 debt per capita, 2004 tax supported debt was divided by 2003 population estimates. Over time, this measure is affected by changes in population among the states and by changes in the amount of tax supported debt in each state.

Net tax supported debt per capita in Rhode Island ranked 9th highest in the United States according to Moody's Investors Service. Among the New England States, Connecticut (ranking 1st) and Massachusetts (ranking 2nd) both ranked above Rhode Island.

As shown on Table 2, Rhode Island's 2004 net tax-supported debt per capita was \$1,385. This level of per capita debt for every man, woman and child exceeds the United States median per capita debt (\$701) by \$684. As a result, the Ocean State's per capita debt burden was 97.6 percent higher than the U.S. median. A portion of this level of debt may be explained in part by having Rhode Island fund some capital projects that might be funded locally in other states as well as the age of the State's infrastructure.

Debt Per \$1,000 of Personal Income - Another indicator of relative debt levels prepared by Moody's is net tax-supported debt as a percentage of personal income, which is one measure of the affordability of a state's debt burden. Tax supported debt as a percentage of personal income is

determined by dividing the net tax supported debt by total personal income. There is also a lag in the data used by Moody's in this calculation. For example, to determine the 2004 ratio of debt to personal income, the 2004 tax supported debt is divided by 2002 personal income.

As shown on Table 2, Rhode Island's net tax-supported debt as a percentage of personal income ranks 12th highest in 2004. In the Ocean State, the debt level equals 4.4 percent of personal income compared to the U.S. median of 2.4 percent. Among the New England states, Massachusetts (ranking 2nd) and Connecticut (ranking 3rd) ranked above the Ocean State.

Net Tax Supported Debt Per Capita							
	1990	1992	1994	1996	1998	2000	2004
U.S. Median	\$349	\$364	\$399	\$431	\$505	\$541	\$701
Connecticut	1,175	2,204	2,483	2,813	3,131	3,037	3,558
Maine	304	373	469	523	418	487	492
Massachusetts	1,435	1,816	1,947	2,117	2,436	2,957	3,333
New Hampshire	419	514	639	681	620	463	496
Rhode Island	779	1,151	1,779	1,889	1,670	1,497	1,385
Vermont	456	781	846	984	953	828	724
RI Rank within U.S.	8	6	4	4	5	7	9
Net Tax Supported Debt as a Percentage of Personal Income							
	1990	1992	1994	1996	1998	2000	2004
U.S. Median	2.2%	2.2%	2.1%	2.1%	1.9%	2.2%	2.4%
Connecticut	5.1%	8.7%	9.1%	9.7%	8.7%	8.1%	8.4%
Maine	2.0%	2.2%	2.6%	2.7%	1.9%	2.1%	1.8%
Massachusetts	6.9%	8.0%	8.2%	8.3%	7.8%	8.0%	8.5%
New Hampshire	2.2%	2.5%	2.9%	2.9%	2.4%	2.0%	1.5%
Rhode Island	4.6%	6.1%	8.9%	8.5%	6.6%	6.2%	4.4%
Vermont	3.0%	4.5%	4.5%	4.9%	4.2%	3.8%	2.5%
RI Rank within U.S.	9	10	3	3	4	5	12
Source: Moody's Investors Service - Medians - Various Years							

Rhode Island's 1990 net tax-supported debt as a percent of personal income was 4.6 percent. As a result of DEPCO and the Rhode Island Convention Center project, that ratio jumped to 8.9 percent in FY 1994. The decline in debt burden since 1997 was due in part to growth in personal income, the policy to repay DEPCO debt early, and the defeasance of debt through the use of tobacco securitization proceeds.

State Bond Ratings –Bond ratings provide a picture of how each state's debt capacity and debt management practices impact the relative costs and risk associated with their bonds. There are several rating agencies, such as Moody's Investors Service, Standard and Poor's and Fitch Investors Service. Each evaluates the economy, state debt capacity and management practices to determine the level of risk involved in purchasing bonds.

Reflecting the improvements in debt management and a growing economy, two bond rating agencies upgraded Rhode Island's bond ratings. Moody's Investors Service increased the Ocean State's ranking in September 1999 from A1 to Aa3 and Fitch Investors Service raised the rating from AA- to AA.

As Table 3 shows, 45 of the 50 states currently have a bond rating from Moody's Investors Service. Five states do not have general obligation debt bond ratings. These states typically use pay-as-you-go financing or other methods of funding capital projects. The States are sorted from the highest bond rating of Aaa to Baa1. Rhode Island is among 13 states that have a rating of Aa3. Only three states – Louisiana, New York and California - have lower ratings than Aa3.

Table 3
General Obligation Bond Ratings

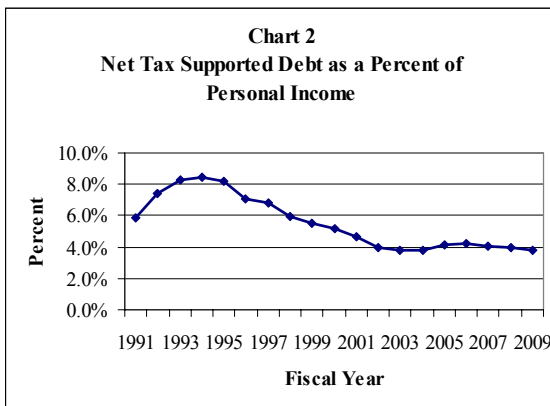
State	Rating	State	Rating
Delaware	Aaa	Alabama	Aa3
Georgia	Aaa	Connecticut	Aa3
Maryland	Aaa	Hawaii	Aa3
Missouri	Aaa	Idaho	Aa3
South Carolina	Aaa	Illinois	Aa3
Utah	Aaa	Mississippi	Aa3
Virginia	Aaa	Montana	Aa3
		North Dakota	Aa3
Indiana	Aa1	Oklahoma	Aa3
Iowa	Aa1	Oregon	Aa3
Kansas	Aa1	Rhode Island	Aa3
Michigan	Aa1	West Virginia	Aa3
Minnesota	Aa1	Wisconsin	Aa3
New Mexico	Aa1		
North Carolina	Aa1	Louisiana	A1
Ohio	Aa1		
Texas	Aa1	New York	A2
Vermont	Aa1		
Washington	Aa1	California	Baa1
Alaska	Aa2	Arizona	NA
Arkansas	Aa2	Colorado	NA
Florida	Aa2	Nebraska	NA
Kentucky	Aa2	South Dakota	NA
Maine	Aa2	Wyoming	NA
Massachusetts	Aa2		
Nevada	Aa2		
New Hampshire	Aa2		
New Jersey	Aa2		
Pennsylvania	Aa2		
Tennessee	Aa2		

Ratings in Order of Highest to Lowest = Aaa, Aa1,Aa,Aa2,Aa3, A1,A2 (NA=No GO Debt)

Source: Moodys Investors Service - 2004 State Debt Medians

Debt as a Percent of Personal Income – The Public Finance Management Board set a guideline that net tax supported debt levels should not exceed 5.0 to 6.0 percent of personal income. Tax supported debt as a percentage of personal income is projected to decline over the next five fiscal years. Revised figures suggest that debt as a percentage of personal income will decrease from 4.11 percent in FY 2005 to 3.76 percent by FY 2009 (see Chart 2). This is largely due to the defeasance of general obligation bonds through the use of tobacco-securitized bond proceeds and projected growth in personal income as forecast by the State Budget Office.

It should be noted that this projection is calculated differently than Moody's analysis noted earlier in the report. There is no lag in the data used. For example, FY 2004 debt as a percent of personal income is based on debt as of June 30, 2004 and estimated personal income in calendar year 2004.



Debt Service and General Revenue - Based on the Capital Budget, debt service as a percentage of general revenues is projected to increase from 4.7 percent in FY 2004 to 5.0 percent by FY 2009. Net debt service obligations are projected to increase from \$151.8 million in FY 2005 to \$184.1 million in FY 2009 – a 21.3 percent increase during this period. This does not include the additional \$108.8 million in general obligation debt and its related debt service the General Assembly added to present to the voters November 2004.

GARVEE Financing - In FY 2004, the State began a \$660.5 million transportation initiative to finance five major infrastructure projects. The \$660.5 million in spending will be supported with \$544.4 million in Grant Anticipation Revenue Vehicle Bonds (GARVEE) and \$116.1 million in Motor Vehicle Tax Revenue bonds (funded through a portion of the State's gasoline tax revenue).

Table 4
Transportation Infrastructure Initiative

Fiscal Year	GARVEE Funding	Motor Fuel	Total Funding
2004	\$53.9	\$9.9	\$63.7
2005	92.7	19.8	112.5
2006	92.1	21.6	113.7
2007	93.5	21.3	114.8
2008	85.5	17.9	103.4
2009	59.2	13.3	72.5
2010 - +	67.5	12.4	79.9
Total	\$544.4	\$116.1	\$660.5

Note: Figures do not represent total cost of the 5 projects - They will require additional Federal Highway Improvement Funding.

Source: FY 2005 - FY 2009 Capital Budget - Schedule 4

GARVEE financing is a tool provided by Congress where states are permitted to borrow funds that are repaid and backed by the future annual allocation from the Federal Highway Administration construction funds.

The State has already issued \$270.0 million in bonds using GARVEE and Motor Fuel Tax Revenue Bonds, which are secured with future Federal Highway Funds and two cents of the State's gasoline tax. The State plans to issue these bonds in three installments, for a total of \$660.5 million. This does not include the additional funding that will come from Federal Highway Improvement Funding to support the balance of the costs for these projects

The five projects include the relocation of I-195 (\$325.0 million), the replacement of the Sakonnet Bridge (\$117.8 million), repairs to the Washington Bridge (80.0 million), the construction of Route 403 (Quonset Access Road at \$100.0 million) and the completion of the Freight Rail Improvement Project (\$37.7 million).

November 2004 General Obligation Bond Proposals

Voters will be asked to approve up to \$392.0 million in new general obligation bond authority on November 2, 2004. As Table 6 shows, the proposed \$392.0 million in new general obligation authority will be the largest total bond referenda placed before the voters in the State's history (next largest was in November 1996 - \$254.1 million) The voters approved \$132.5 in November 2002 and approximately \$193.5 million in November 2000. The General Assembly included \$108.8 million in projects to be placed before the voters that were proposed by the Governor to be financed through non-voter approved financing mechanisms. In addition, the General Assembly included \$48.7 million in new projects on the November 2004 ballot that were not included in the Governor's original capital plan.

According to the 2004 Voter Information Handbook published by the Secretary of State's Office, principal and interest payments for all proposed projects are estimated to total \$629.1 million over the 20-year payback period. The estimates are based on a 5.0 percent interest rate on the bonds, and assume that the State issues all the bonds at once (which it never does – the debt is issued as the projects progress). This figure includes the total amount to be borrowed if all bond proposals are approved (\$392.0 million) and the interest on the amount borrowed (\$237.1 million).

Again, it should be noted that RIPEC has traditionally not taken positions on specific bond questions. Therefore, the following highlights each bond referendum placed on the ballot and provides examples of questions taxpayers might consider when voting.

Table 5
Total Estimated Bond Referenda Costs

Project	Principal	Interest	Total
Open Space, Recreation and Watershed Protection	\$70,000,000	\$42,339,621	\$112,339,621
Transportation - Highways	66,520,000	40,234,737	106,754,737
Higher Education Residence Halls	50,000,000	30,242,586	80,242,586
URI Biotechnology Center	50,000,000	30,242,586	80,242,586
Quonset Point-Davisville	48,000,000	29,032,884	77,032,884
Rehabilitation of State Owned Facilities	46,500,000	28,125,607	74,625,607
Regional Career and Technical Schools	15,000,000	9,072,775	24,072,775
Pell Library - Undersea Exploration Center	14,000,000	8,467,925	22,467,925
Cranston Street Armory	12,300,000	7,439,675	19,739,675
Emergency Water Interconnect	10,000,000	6,048,515	16,048,515
Athletic Performance Center - URI	6,700,000	4,052,508	10,752,508
Historic Preservation and Heritage	3,000,000	1,814,555	4,814,555
Total Cost	\$392,020,000	\$237,113,974	\$629,133,974

Principal and Interest include cost of issuance.

Interest is based on a rate of 5.0 percent over 20 Years (May vary when issued)

Source: 2004 Voter Information Handbook, Secretary of State, and revisions by the State Budget Office.

Transportation - The State has proposed \$66.5 million in State general obligation bonds for investing in various road and bridge improvements throughout the State, repair and or replacement of transportation maintenance facilities and bus purchases for RIPTA.

Of this amount, \$60.0 million would represent the State match for Federal Highway Improvement funds. The average match rate for the Highway Improvement Program is 80.0 percent Federal funds and 20.0 percent State funds. The Department of Transportation would use an additional \$5.0 million to repair and replace several transportation maintenance facilities to be completed by June 2007. This will include the construction of two new maintenance facilities in Johnston and Portsmouth.

The \$1.5 million balance would be used to match Federal funds to replace buses. This is part of a multi-year program to replace 135 buses.

- How will the State finance scheduled projects if funds are not approved and made available to match Federal dollars?
- What impact has the GARVEE financing initiative had on the completion dates of the five projects funded using these resources?
- Will the State achieve the anticipated cost savings by advancing the schedules of these GARVEE-financed projects?

Regional Career and Technical Schools

– The State has proposed \$15.0 million in State general obligation bonds for funds to renovate and rehabilitate the State’s regional career and technical schools. The Department of Elementary and Secondary Education expects the renovations to be completed by June 2010.

- What is the State’s strategy for integrating vocational education into the State’s overall workforce development plan?
- What will be the process for evaluating and prioritizing the various asset protection needs at these facilities?
- How will the State (or local school districts) meet the asset protection requirements for these facilities if these funds are not approved, or if there is additional work needed beyond the \$15.0 million?

Higher Education Residence Halls

– The State has proposed \$50.0 million in State general obligation bonds, of which \$20.0 million would be used to construct, renovate and rehabilitate residence halls at the University of Rhode Island and \$30.0 million to construct a new residence hall for Rhode Island College.

The University residence hall initiative was included as part of a \$65.1 million multiyear residence hall modernization effort in the Governor’s FY 2005 – FY 2009 capital plan. There have been a number of changes as to how to finance the \$65.1 million renovation effort. The original plan was to finance the project

with \$20.0 million in general obligation bonds (already approved by the voters in 2000), \$22.1 million through revenue bonds financed with room rentals and the \$20.0 million balance through the use of the State's Capital Plan Fund. The Governor proposed to shift the \$20.0 million in Capital Plan Funds over to the University's revenue bonds, thereby freeing up the Capital Plan Fund to balance the State's operating budget. However, the General Assembly is proposing to shift the \$20.0 million to general obligation bonds. The University renovations are projected to be completed by 2008.

The Governor's Capital Budget included a proposal for \$7.5 million in revenue bonds to construct a new residence hall at Rhode Island College. The original proposal was to construct an additional 180 bed capacity among the five existing residence halls. However, a feasibility study has determined that a larger facility is needed to meet the College's needs. It is proposed that Rhode Island College would collect a student housing fee to offset the projected debt service costs associated with the new residence hall, which would be completed by January 2007.

- Are general obligation bonds the most appropriate financing mechanism for university and college residence hall renovation and development?
- Will room rent projections at the College be sufficient to provide the necessary resources to finance the debt service obligations of the \$30.0 million general obligation bond?

Cranston Street Amory - The State has proposed \$12.3 million in State general obligation bonds to restore the Cranston Street Amory to be used for an archives and records center. The project would also include creating usable office space. The work would include the restoration of the exterior and one tower of the facility as well as the basement.

The Governor originally proposed funding this project through the use of \$12.3 million in Certificates of Participation notes and \$1.5 million from the Rhode Island Capital Plan Fund. However, the General Assembly has recommended that the project be funded through general obligation bonds and would be completed by the close of 2006. It should be noted that the issuance of this debt will also require the Governor to submit a detailed expenditure plan to the General Assembly for approval through a joint resolution.

- Can the asset protection activities for the Amory be funded through pay-as-you-go financing, such as using the State's Rhode Island Capital Plan Fund?
- How will the State meet the Amory's capital maintenance needs once the work is completed?
- How will the Amory's renovation be completed should the bond referenda fail?

Emergency Water Interconnect - The State has proposed \$10.0 million in State general obligation bonds to provide \$5.0 million in matching grants to local water suppliers to develop interconnections between and among water systems and \$5.0 million to complete the Shad Factory Pipeline to preserve Rhode Island water rights to two Massachusetts reservoirs. The Governor originally proposed a total \$10.0 million for the Statewide Emergency Water Interconnection Program, whereas the General Assembly has recommended that half of these resources be directed to the Shad Factory Pipeline.

As of August 2004, approximately \$3.4 million in interconnection projects have been completed throughout the State, with \$700,000 in additional connection work currently underway. The Water Resources Board projects that there is nearly \$1.0 million awaiting construction and another \$1.8 million in interconnect-related work that is under active study. The Board also estimates there is another \$10.6 million in potential interconnection construction work that is eligible under the program but has yet to secure financing. The \$5.0 million in spending for the Emergency Interconnection Program and the \$5.0 million completion of the Shad Factory Pipeline would be completed by 2008.

- Given there is at least \$13.3 million in eligible interconnection construction costs projected, how will the \$5.0 million in funding be prioritized?
- What alternatives are available for the State to meet the interconnectivity needs of its water system?

Open Space, Recreation, Bay and Watershed Protection - The State has proposed \$70.0 million in general obligation bonds for Narragansett Bay, open space and recreational development as well as land acquisition for groundwater protection. Approximately \$19.0 million of the \$70.0 million would be used to conduct anti-pollution projects and Bay-related restoration activities to improve environmental conditions in the Bay. This will include non-point source pollution abatement, loans to upgrade wastewater treatment facilities, as well as other abatement activities and watershed ecosystem restoration.

The State would use \$25.0 million of the bonds for open space through the purchase of titles, development rights and easements to land as well as grants to local land trusts and municipalities. An additional \$18.0 million will be used to develop recreation facilities throughout the State, of which \$3.0 million would be allocated for Fort Adams, \$4.0 million for Roger Williams Park and Zoo and \$6.0 million for matching grants to municipalities. The \$8.0 million balance would be used to acquire land for groundwater protection of public drinking supplies through the purchase of wellheads in the South County area of the State.

- What is the expected impact of the pollution abatement programs in terms of the overall health of the Bay?
- How will State general obligation bonds be used to leverage other sources of revenue, to include private and Federal resources?

- How will the State prioritize local open space and recreation initiatives throughout the State?
- What resources does the State currently have to acquire and preserve open space, and what is the long-term goal in term of total open space to be preserved?
- What role has the private and non-profit sector played in acquiring and preserving the State's open space inventory?

Pell Library – Undersea Exploration Center – The State has proposed \$14.0 million in State general obligation bonds to construct an addition to the Pell Marine Science Library at the University of Rhode Island's Graduate School of Oceanography. This will include facilities to assist in deep sea research activities. The Governor originally proposed funding the project through the Rhode Island Capital Plan Fund to add 25,000 square feet to the 14,000 square foot facility. However the General Assembly has recommended that the project seek voter approval. If approved, the project would be completed by 2009.

- How will the investment in this initiative impact the State's economy?
- Are there alternative funding sources for the Exploration Center?

Athletic Performance Center – Meade Stadium – The State has proposed \$6.7 million in State general obligation bonds to construct an Athletic Performance Center at the University of Rhode Island and to renovate existing athletic facilities at the University, to include Meade Stadium and the second floor of the Keaney Gym. Renovations to the stadium would include the replacement and or repair of stands, a new entrance and a new scoreboard. The new Athletic Center would be completed by 2007 and the renovations to the other facilities would be completed by 2006.

- Are there alternative funding sources for the Athletic Performance Center?
- What would be the impact on the University and its students if this initiative were rejected by the voters?

Historic Preservation and Heritage – The State has proposed \$3.0 million in State general obligation bonds for historic preservation activities throughout the State. Grants would be made to public and nonprofit projects that preserve and renovate historic sites and buildings used as cultural art centers or museums.

The State Preservation Grant program is a competitive program administered by the Rhode Island Historic Preservation and Heritage Commission that requires participants to submit applications and raise matching funds. The Commission will award grant funds to publicly-owned and nonprofit-owned historic properties only. Eligible historic properties include museums, theaters, performing arts centers, galleries, and

music halls - as well as community facilities like historic town and city halls, libraries, etc.

In 2002, Rhode Island voters approved a \$3.0 million bond issue to establish the State Preservation Grant program. Approximately \$1.5 million was awarded to projects in 2003, and the balance is expected to be awarded to projects this fall.

According to the Commission, there was \$4.2 million in requested funding in the initial round of the State Preservation Grant Program. Twenty six projects received funding, and the total estimated value of related construction for the projects was \$18.7 million.

In 2004, there were 49 projects requesting a total of \$4.2 million in Program funding. It is projected that the value of these projects will represent over \$50.2 million in construction spending. The Commission will announce 2004 awards in December of this year.

- Given the size of the proposed bond issue, is a direct appropriation or pay-as-you-go financing more appropriate?

Rehabilitation of State Owned Facilities – - The State has proposed \$46.5 million in State general obligation bonds for building and modifying existing state facilities to reduce the State's reliance on leased space to house state agencies and departments. Nearly all of the resources from this bond will be used to renovate eight State-owned buildings at the Pastore Complex in Cranston by the close of 2007.

These expenditures were originally proposed to be financed through Certificates of Participation notes. However, the General Assembly has proposed that voter approval is necessary. Again, the issuance of this debt will also require the Governor to submit a detailed expenditure plan to the General Assembly for approval through a joint resolution.

- What impact will there be to Rhode Island cities and towns if state agencies and departments are moved from existing locations to the Pastore Complex?
- What is the projected fiscal impact on different agencies if the facilities are renovated and occupied?
- How will relocating state agencies and departments impact public access to their services?

University of Rhode Island Center for Biotechnology and Life Sciences - The State has proposed \$50.0 million in State general obligation bonds for the construction of a new Center for Biotechnology and Life Sciences at the University of Rhode Island. The project, designed to be a teaching and research facility, will include classrooms, laboratories, state-of-the-art instrumentation, incubator space for emerging technology commercialization opportunities and a 400-seat auditorium.

This effort would renovate nearly 60,000 square feet of existing space at the Biological Science Center and construct an expansion of nearly 90,000 square feet. The State's Capital Plan Fund

includes \$500,000 in FY 2005 for design work on the new facility. The facility is projected to be completed by June 2007 if approved by the voters.

- What impact might this proposal have on the State's economic competitiveness?
- If the project is not approved by the voters, what impact would this have on the emerging biomedical industry in Rhode Island?

Quonset Point/Davisville Infrastructure

- The proposed \$48.0 million bond referendum for continued demolition activities at Davisville, road, rail and various utility improvements and other site preparation activities is part of a program of infrastructure improvements at the Quonset Point/Davisville Industrial Park. Approximately \$21.9 million of the bonds would be used to construct and repair internal roadways, upgrade the internal rail system and conduct a range of utility improvements and extensions.

Approximately \$13.8 million of the funds would be allocated to raze deteriorating buildings to make land available for development at the industrial park (manufacturing, warehousing and distribution purposes). A portion of the funds (\$6.0 million) would be used to repair the south bulkhead at Davisville pier for marine safety. The \$6.3 million balance of the funding would be used to conduct other site improvements, including the construction of a new fire station.

- What impact will the infrastructure investments have on the State's economic competitiveness?
- Will this allocation to Quonset Point be sufficient to meet the needed capital investment to ensure the Park is marketable and competitive?
- What role will the State and occupants at the Industrial Park play in maintaining the facilities in the future?