S&P Global
Ratings

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Summary:
Idaho; Note

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Credit Profile		
US$300.0 mil tax antic nts ser 2021 due 06/30/2022		
Short Term Rating	SP-1+	New

Rating Action

S&P Global Ratings assigned its 'SP-1+' short-term rating to Idaho's series 2021, $300 million tax anticipation notes (TANs).

A faith and credit pledge of general tax revenue the state receives in the fourth quarter of fiscal 2022 secures the notes. In addition, Idaho has covenanted to take any or all legally available actions, including transfers from other available funds, if necessary, to pay principal and interest. The TANs mature on June 30, 2022, the final business day of the state's fiscal year.

Credit overview

Idaho generally issues TANs annually to alleviate cash-flow imbalances at the beginning of the fiscal year. While the state did not issue a TAN for fiscal 2021, this year's TAN is 45% smaller than its series 2019 TAN (for fiscal 2020), in part due to a stronger forecasted beginning cash balance for fiscal year 2022. In the three fiscal years preceding fiscal 2020, Idaho fully funded its note payment amount by the end of the first month of the final quarter. In fiscal 2020, due to a change in the timing of the individual income tax filing deadline, the note repayment account was fully funded at the end of the fourth quarter of the fiscal year. The new series 2021 TAN represents approximately 7% of Idaho's projected fiscal 2022 general fund cash receipts (excluding TAN proceeds).

The 'SP-1+' rating reflects our opinion of the state's:

- Very strong approximately 31x projected cash coverage of TAN principal at maturity by combined available general fund and other borrowable cash resources;
- Strong long-term creditworthiness (issuer credit rating [ICR]: 'AA+/Stable'); and
- Historically conservative cash-flow projections which have restated in positive variances with actual collections exceeding projections;

Environmental, social, and governance factors

In our view, environmental, social, and governance (ESG) factors reflect that of the state of Idaho.

Credit Opinion

In our opinion, the state's projected TAN cash coverage at maturity by general fund cash alone is adequate, but becomes very strong when including other borrowable resources. Idaho forecasts its general fund will end with an approximate $626.73 million cash balance at fiscal year-end June 30, 2022, the final maturity date. We calculate that this would produce a very strong, pro forma of approximately 3.09x cash coverage of TAN principal by available general fund cash balances alone at maturity.

In addition, the state has other and much larger borrowable resources it can access across fiscal years, if necessary, to pay note debt service. Idaho projects it will have approximately $8.4 billion in borrowable resources at fiscal year-end 2022. Combining the state's projected fiscal year-end 2022 general fund balance and its projection of other borrowable resources, we calculate projected cash coverage at slightly more than 31x at TAN maturity, which we view as very strong. Its other borrowable resources have been above at least $2.5 billion every fiscal year-end since 2008; at every month-end, they have ranged from approximately $3.79 billion-$7.9 billion in each of the past six fiscal years.

Using only the state's projection of $1.44 billion of fiscal 2022 fourth-quarter general fund revenues pledged on a first-dollar basis (not cash balances), we calculate pledged revenue covers note principal slightly over 4.8x.

For reference, at the time Idaho issued its series 2019 TAN (for fiscal 2020), we calculated it would have produced a 1.4x cash balance coverage by general fund cash alone, and much stronger cash balance coverage when including the then-projected other borrowable resources greater than 10x. Even accounting for the general effects of the pandemic actual coverage with just non-obligated cash, coverage was 1.35x and slightly over 15x including borrowable resources. The state's previous series TAN coverage has historically reflected very strong better-than-projected actual cash coverage of greater than 8x, including all borrowable resources.

With a month left in fiscal 2021, state general fund revenues have exceeded their forecasted levels by 17.3%, or approximately $670.5 million. Of note, Idaho's individual income taxes are 24.5% over forecasted levels for the fiscal year. Relative to fiscal 2020, fiscal year-to-date collections are up 39% due in part to stronger-than-anticipated individual income and corporate income tax receipts as well as sales taxes, which are up 61.4%, 66%, and 17.8% respectively.

Idaho projects fiscal 2022 general fund cash revenue and receipts of $4.28 billion and expenditures and disbursements of $4.35 billion (excluding note borrowing). The state forecasts its budget stabilization fund (BSF) will be $637.4 million, or approximately 14.67% of fiscal 2022 budgetary basis appropriations.

Fiscal 2020 (latest completed fiscal year)

On a budgetary basis, the BSF ended the fiscal year with a $393.3 million balance, or slightly over 10% of ongoing appropriations. Including its public education stabilization ($72.4 million) and higher education stabilization ($11.45 million) funds, the state's reserves totaled slightly more than 12% of ongoing appropriations. Relative to 2019, general fund collections were up 8% in fiscal 2020 and 1.8% above forecasted levels. The state's two largest revenue streams--individual income and sales taxes--grew at 14.7% and 6.5%, respectively, compared to fiscal year 2019. Officials attribute the strong growth to continued broad economic growth across the state despite pandemic-induced recessionary headwinds.

On a generally accepted accounting principles (GAAP) basis, Idaho's assigned and unassigned available general fund balance at fiscal year-end June 30, 2020, was approximately $1.02 billion, or what we view as a strong 24% of general fund expenditures and transfers out, and up from $150.67 million from the year before.

For further information on the state's general credit characteristics, please see our summary analysis on Idaho, published Nov. 12, 2020, on RatingsDirect.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020