

RatingsDirect®

Summary:

Idaho; Note

Primary Credit Analyst:

Oscar Padilla, Farmers Branch + 1 (214) 871 1405; oscar.padilla@spglobal.com

Secondary Contact:

Sussan S Corson, New York + 1 (212) 438 2014; sussan.corson@spglobal.com

Table Of Contents

Rating Action

Credit Opinion

Related Research

Summary:

Idaho; Note

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

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

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

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

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

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

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

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.