July 31, 2017

The Honorable C.L. “Butch” Otter
The Office of Governor
700 West Jefferson
Boise, ID 83702

Dear Governor Otter:

Attached please find the Fiscal Year 2017 Credit Rating Enhancement Committee’s (“CREC”) report for your review.

I would be glad to address any questions that you, a member of the Legislature, or any other official may have concerning this report or the work of the Credit Rating Enhancement Committee.

The purpose of this report is to provide you with an overview of the outstanding State Guaranteed and State Authority/Association Debt Obligations, as well as any known regulatory findings, as of July 1, 2017. After our planned meeting in November, we will provide an update on any material findings or recommendations with regard to debt management policy.

Sincerely,

Ron G. Crane
State Treasurer and Committee Chair
State of Idaho Debt Obligations
The outstanding State Guaranteed and State Authority/Association Debt Obligations as of July 1, 2017, are listed below:

**State Guaranteed Debt:**
- State of Idaho: $0
- Idaho Bond Bank Authority: $325,120,000
- School Bond Guarantee: $1,251,627,418

**State Authority/Association Debt:**
- Idaho State Building Authority: $128,647,882
- GARVEE Bonds (Idaho Housing and Finance Association): $564,165,000

Total Variable Rate Debt:
- Idaho State Building Authority*: $33,545,000

Debt with Derivative Product:
- Idaho State Building Authority Notional Amount: $28,755,000

*Included in Idaho State Building Authority total

**Program Capacities:**
The Idaho Bond Bank Authority and Idaho School Bond Guarantee Capacity as of July 1, 2017:
- Combined MADS (Max Annual Debt Service) = $159.1 million
- 2016 Audited State Sales Tax Revenue of $1.581 billion divided by 5 = $316.2 million
- The programs have used 50.3% ($159.1 million/ $316.2 million) of the available capacity.

**State of Idaho Tax Anticipation Notes**
On July 3, 2017, the State of Idaho issued a $485,770,000 Tax Anticipation Note (TAN). The TAN has a yield of 0.91% with a coupon of 4.00% and matures on June 29, 2018. The State issues a TAN for cash flow management annually; in accordance with the State’s balanced budget requirement, the TAN cannot be outstanding over fiscal year end.
State of Idaho Ratings

Ratings on the 2017 TAN are:

- Moody’s: MIG-1
- Standard & Poors: SP-1+
- Fitch: F1+

Underlying ratings for the State of Idaho are:

- Moody’s: Aa1 Stable
- Standard & Poors: AA+ Stable
- Fitch: AA+ Stable

Additional Commentary

The committee will meet in November to review Tax Anticipation Note issuance, the State of Idaho Debt Management Policy, as well as the outcome of the following MCDC Initiative.

MCDC Initiative Background and Update:

On March 10, 2014, the Division of Enforcement (the “Division”) of the Securities and Exchange Commission (the “Commission” or “SEC”) released its “Municipalities Continuing Disclosure Cooperation Initiative” (the “Initiative”). The Division stated that, pursuant to the Initiative, the Commission will recommend favorable terms to issuers and obligated persons involved in the offer or sale of municipal securities (collectively “issuers”) as well as underwriters of such offerings if they self-report to the Division possible violations involving materially inaccurate statements relating to prior compliance with the continuing disclosure obligations specified in Rule 15c2-12 under the Securities Exchange Act of 1934. More information can be found at: https://www.sec.gov/divisions/enforce/municipalities-continuing-disclosure-cooperation-initiative.shtml.

The Idaho Bond Bank Authority (“IBBA”) and the Idaho Housing and Finance Association (“IHFA”) participated in the Initiative.

The IBBA received a response from Commission on March 3, 2017, that they have concluded their review and based on the information provided to them they do not intend to recommend an enforcement action against the IBBA. The IBBA has policies and procedures in place to ensure continuing disclosure requirements are being met.

In connection with IHFA’s participation in the Initiative, and in anticipation of the institution of cease-and-desist proceedings by the Commission, IHFA submitted to the Commission an Offer of Settlement (the “Offer”) which the Commission determined to accept. In accordance with the Offer, IHFA (without admitting or denying any findings contained therein, except as to the Commission’s jurisdiction over it and the subject matter of such proceedings) consented to the entry of a cease-and-desist order (the “Order”) by the Commission finding, among other things, that, (i) in certain official statements for municipal securities, IHFA affirmatively misstated that it had materially complied with a prior agreement to provide continuing disclosure and also failed to disclose that it had not been in material compliance with a prior agreement to provide continuing disclosure and (ii) as a result of such conduct, IHFA violated Section 17(a)(2) of the Securities Act. In accordance with the Order, IHFA has undertaken to, among other things, establish appropriate written policies and procedures and periodic training regarding continuing disclosure obligations to effect compliance with the federal securities laws, and comply with its existing continuing disclosure undertakings, including updating past delinquent filings, as necessary.