IDAHO CREDIT RATING ENHANCEMENT COMMITTEE POLICY
Dated April 22, 2019

IDAHO CREDIT RATING ENHANCEMENT COMMITTEE
The purpose of the Idaho Credit Rating Enhancement Committee (“CREC”) is to advise the Governor and the Legislature regarding policies and actions that enhance and preserve the State’s credit rating and maintain the future availability of low-cost capital financing. The CREC consists of the State Treasurer (Chairperson), the administrator of the Division of Financial Management, one State Senator, one member of the House of Representatives, and representatives of the following; Idaho Bond Bank Authority, Idaho Housing and Finance Association, Idaho State Building Authority, Department of Education as representative of the Idaho School Bond Guarantee Fund, and one member at large.

The CREC also strives to provide policymakers with information to enable informed decisions regarding financing proposals and debt issuance.

LEGAL AUTHORITY
Sections 67-1224 and 67-1225, Idaho Code created the Idaho Credit Rating Enhancement Committee in the Office of the State Treasurer.

PURPOSE OF POLICY
This policy is intended to identify, consolidate and annually report on all debt and capital lease financing activity that is paid or guaranteed by the State of Idaho (the “State”) or an agency or department of the State. In order to provide policymakers with advice and information from the CREC, this policy requires that the CREC report its findings and recommendations, if any, to the Governor and the Speaker of the House of Representatives and the President Pro Tempore of the Senate by December 1st of each year.

Following is a summary of the types of debt and capital lease financings that are payable or guaranteed by the State and are included in the CREC annual report:

Tax Anticipation Notes

Legal Authority
Article VII, Section 11, and Article VIII, Section 1, of the State Constitution, and Title 63, Chapter 32, of the Idaho Code.

Purpose
Tax Anticipation Notes (“TANs”) are issued annually to fund cash flow shortfalls during the fiscal year. The proceeds of the TANs are used to alleviate temporary cash flow shortfalls and to finance the State’s daily operations in anticipation of tax revenues. The TANs are payable from and secured by an irrevocable pledge of the State’s fourth quarter general tax revenues.
Authorization, Approval and Limitations
The State’s TANs are authorized annually by a Resolution of the State Board of Examiners approving the request of the State Treasurer to issue a not-to-exceed amount of TANs for the upcoming Fiscal Year. The State Board of Examiners meeting typically occurs in March after the revenue forecast for the upcoming Fiscal Year has been published. The not-to-exceed amount of the TANs is established at 75% of the anticipated General Fund tax revenues that are forecast for the upcoming Fiscal Year. The TANs are further authorized by a Plan of Finance adopted in June when the final amount and interest rate for the TANs are known.

State General Obligation Debt
Legal Authority
Article VIII, Section 1 of the Constitution of the State of Idaho provides that no general obligation debt can be issued unless approved by a simple majority of the state-wide electorate at a general election and that such approval shall include the revenue source authorized for repayment.

Purpose
Limit the incurrence of general obligation debt by the State to obligations approved by a majority of voters and where the revenue source for repayment has been approved by the voters and authorized by state law. Obligations by independent public bodies corporate and politic without tax levy authority and obligations repaid within the current fiscal year are not included under this limitation. Voted state obligations have not been used for many years.

Authorization, Approval and Limitations
As stated above under “Legal Authority.”

Idaho State Building Authority
Legal Authority
Article VIII, Section 1 of the Constitution of the State of Idaho and Title 67, Chapter 64, of the Idaho Code.

Purpose
The Idaho State Building Authority (the “ISBA”) is an independent public body corporate and politic. The ISBA was created for the purpose of financing, constructing and operating facilities to meet the needs of State government. Bonds issued by the ISBA are secured by the rental payments received by the ISBA from the State. The authority does not have the power to levy and collect taxes.

Authorization, Approval & Limitations
The process for financing facilities through ISBA starts with the Idaho Legislature which must first, by concurrent resolution, authorize a state body or community college district to enter into agreements with ISBA to provide a specific facility. Such agreements include the lease of the facility by ISBA and the obligation of the state body or community college district to budget and request appropriation for annual lease payments to support the ISBA financing. The agreements are subject to approval by ISBA’s independent board of commissioners. There is no statutory or constitutional limit on the amount of debt that can be issued by the ISBA.
GARVEE Bonds issued by the Idaho Housing and Finance Association

Legal Authority

Purpose
The Idaho Housing and Finance Association (the “IHFA”) is empowered to finance transportation facilities which has resulted in the issuance by the IHFA of GARVEE bonds if and when they are authorized by the Idaho Legislature. GARVEE bonds are secured by the future federal highway funds received by the Idaho Transportation Department. The IHFA has no taxing power.

Authorization, Approval and Limitations
The authorization process for GARVEE financings start with the Idaho Legislature which approves GARVEE financing for transportation projects at the request of the Idaho Transportation Department.

Idaho School Bond Guaranty

Legal Authority
Article VIII, Section 2 of the Constitution of the State of Idaho and Title 33, Chapter 53 of the Idaho Code.

Purpose
The Idaho School Bond Guaranty (the “ISBG”) was established to provide a default avoidance program for voter-approved general obligation bonds issued by Idaho public school districts that will result in lower interest costs for Idaho school districts when they issue bonds. The ISBG provides a pledge of the State sales tax receipts to guarantee timely payment of the principal of and interest on the bonds guaranteed by the ISBG. The ISBG program provides that, if a school district does not make timely payment of debt service on guaranteed bonds, the State Treasurer is required to intercept any moneys due to that school district from the Public School Endowment Fund or from any other source of operating moneys provided by the State (the “Interceptable Funds”) sufficient to meet the debt service payment on the guaranteed bonds. If the Interceptable Funds are not sufficient to meet the debt service payment, the State Treasurer is required to transfer funds from the State sales tax account or issue a general obligation note to provide funds to meet the debt service payment on guaranteed bonds. Any general obligation note that is issued is repaid by the intercept of future Interceptable Funds due to the school district or from the State sales tax account.

Authorization, Approval and Limitations
School district bonds that can be guaranteed under the ISBG must be general obligation bonds that are voter-approved by a 2/3rds super-majority of the school district’s electorate and thus empowers the school district to levy an unlimited property tax levy for the repayment of the bonds. School districts then submit an application for the ISBG to the State Treasurer’s Office (“STO”). The application is reviewed by STO staff and then sent to the State Department of Education (“SDE”) for review and approval. Once the SDE approves the application, the STO will issue a guaranty certificate that is valid for three months from its date. If the school district does not issue its bonds within the three month window, it must re-apply for the ISBG. The ISBG guaranty cannot be rescinded, cancelled or modified once the guaranteed bonds are issued. The ISBG has adopted the following debt limit: the combined maximum annual debt service (“MADS”) of bonds issued by the IBBA (defined below) and the ISBG shall be no greater than 20% of the prior fiscal year audited state sales tax revenue.
Idaho Bond Bank Authority

Legal Authority

Purpose
The Idaho Bond Bank Authority (the “IBBA”) is an independent public body corporate and politic and has been declared to be an instrumentality of the State within the State Treasurer’s Office, but with a legal existence independent of and separate from the State.

The IBBA is authorized, among other powers, to issue bonds payable from or secured by municipal bonds of one or more municipalities (including cities, counties, school districts, and other political subdivisions), to purchase municipal bonds, to pledge sales tax revenues of the State as a source of payment or security for bonds issued by the Authority, and to establish debt service reserve funds for its bonds. The IBBA was developed to lower interest costs for local government units throughout the State.

The IBBA is essentially a pooled borrowing program that provides credit enhancement through the pledge of the State sales tax account to guaranty the timely payment of principal and interest on IBBA bonds. The primary source of repayment for IBBA bonds are the payments from the individual municipalities that are participating in the pooled borrowing. The IBBA program provides an intercept mechanism whereby the State Treasurer may make payments on the bonds of participating municipalities and, if reimbursement is not timely made by the municipality, intercept the receipt of any payment of property taxes, sales tax moneys to be distributed to the defaulting municipality, or any other source of operating moneys provided by the State to the defaulting municipality. In addition, if moneys expected to be intercepted pursuant to the intercept mechanism are expected to be insufficient to reimburse the State for its payments on the bonds, the State Treasurer will cause moneys to be transferred from the State sales tax account and deposited into the Authority’s fund (so long as such transfer does not “impede or otherwise affect the payment of sales tax moneys pledged for the payment on other outstanding State bonds”). Any pledge of sales tax revenues made by the Authority is a binding lien on the sales tax revenues so pledged.

Authorization, Approval and Limitations
Local government bond issuers submit applications for participation in an IBBA financing. IBBA staff and advisors review applications for program eligibility and qualification under the IBBA’s adopted Loan Management Policy before submitting the applications for review and approval by the IBBA Board of Directors. Local government bonds that are eligible for IBBA financing are voter-approved general obligation bonds, enterprise system revenue bonds and lease-purchase financings meeting specific credit criteria. The IBBA has adopted the following debt limit: The combined MADS (maximum annual debt service) of bonds issued by the IBBA and the ISBG shall be no greater than 20% of the prior fiscal year audited state sales tax revenue.
CREC Annual Report Requirements

Relevant information will be gathered from all Issuing Entities at the end of each fiscal year and reviewed by the CREC for inclusion in the annual report. The CREC annual report may contain the following, which will be approved by the committee before submission to the Governor and legislative leadership on December 1st:

- A summary of the outstanding debt of each Issuing Entity that includes the total number of individual bond or lease obligations outstanding for the Issuing Entity
- The total principal amount of bond or lease obligations outstanding for the Issuing Entity*
- The final maturity of the longest bond or lease obligation of the Issuing Entity
- Indication of the par amount of any privately placed debt*
- Indication of the notional par amount of any derivative product*
- The highest current rating(s) of the Issuing Entity’s debt or lease obligations*
- Statement regarding any prior year default in bond or lease obligations*
- Recommendations for improving, coordination and enhancement of debt management for the State of Idaho
- Any additional information or commentary the committee feels relevant to its stated purpose

*Required in CREC annual report per this policy

NOTE: The Treasurer’s Office uses eBank as a data entry and report delivery system, which includes a “Debt Management” application to track all debt that is guaranteed by the State of Idaho and assist the CREC in its ongoing analysis. It can be accessed via www.sto.idaho.gov under Debt Management and the CREC. Please email DebtManagement@sto.idaho.gov with questions on data entry or reporting.

CREC Policy Review and Approval

This policy will be reviewed by the committee annually and amended as needed within the framework of Idaho Code establishing and governing the CREC.

CREC Meeting Policy

While not required by Idaho Code, the CREC intends to meet in person (or via conference call) at least once annually in advance of the CREC annual report due date to review content and once annually in advance of any planned Tax Anticipation Note (“TAN”) issuance to discuss current and projected financial data and provide feedback on rationale for issuance. These meetings would tentatively take place in early November and mid-April, respectively. In addition to a meeting to review the annual report content and the TAN issuance, the CREC shall meet at times and places specified by the call of the chairperson or by a majority of the members of the committee. The office of the Treasurer shall provide the committee with office space and clerical and other administrative support.

Approved by: ___________________________  Date: __April 22, 2019_______

Last Date of Review by Committee: __April 22, 2019_______