

OFFICIAL STATEMENT DATED JUNE 9, 2015

NEW ISSUE—BOOK ENTRY ONLY

*This Official Statement has been prepared by the State of Idaho (the “State”) to provide information on the State of Idaho Tax Anticipation Notes, Series 2015 (the “Notes”). Selected information is provided on this cover for the convenience of the reader. A prospective investor should read this Official Statement in its entirety in order to make an informed decision regarding the Notes. Unless otherwise indicated, capitalized terms used on this cover have the meanings given in this Official Statement.*



**\$500,000,000**  
**STATE OF IDAHO**  
**TAX ANTICIPATION NOTES, SERIES 2015**

**Coupon: 2.00%, Yield: 0.29%, CUSIP: 451434BV5**

**Dated: Date of Initial Delivery (July 1, 2015)**

**Due: June 30, 2016**

<b>RATINGS</b>	Moody’s MIG 1, Standard & Poor’s SP-1+, Fitch F1+.
<b>PURPOSE</b>	The Notes are being issued to fund the State’s anticipated cash flow shortfalls during the fiscal year commencing on July 1, 2015, and ending June 30, 2016 (“Fiscal Year 2016”), and to pay the costs of issuing the Notes.
<b>AUTHORITY</b>	The Notes are being issued pursuant to Article VII, Section 11, and Article VIII, Section 1, of the Constitution of the State of Idaho, and Chapter 32, Title 63, of the Idaho Code, and pursuant to a Resolution of the Board of Examiners of the State of Idaho adopted on March 17, 2015, and a Plan of Financing approved by the State Treasurer.
<b>SECURITY</b>	The Notes are payable from and secured by an irrevocable pledge of so much of the General Tax Revenues to be received during the fourth quarter of Fiscal Year 2016 as may be necessary to pay the principal of and interest on the Notes, the State Treasurer’s covenant to transfer, if necessary, any Borrowable Cash Resources to the Note Payment Account established for the payment of the Notes in an amount required to fully pay the principal of and interest on the Notes at maturity, and the solemn pledge of the faith and credit of the State for the payment in full of the principal of and interest on the Notes.
<b>REGISTRATION</b>	The Notes initially will be issued in registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry form in denominations of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will be dated the date of delivery, and will not be subject to redemption prior to maturity. Principal and interest will be payable when due to DTC or its nominee by The Bank of New York Mellon Trust Company, N.A., Seattle, Washington, as Escrow/Paying Agent. Interest on the Notes is payable at maturity.
<b>TAX MATTERS</b>	In the opinion of Moore Smith Buxton & Turcke, Chartered, Bond Counsel, under currently existing laws, regulations, decisions and interpretations and assuming, among other things, compliance with certain covenants, interest on the Notes is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. The Notes are not private activity bonds. Bond Counsel is also of the opinion that, under the laws of the State of Idaho, as enacted and construed as of the date hereof, interest on the Notes is excluded from gross income for purposes of income taxation by the State of Idaho, to the extent that such interest is excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See “Legal and Tax Information—Tax Matters” herein.

PiperJaffray

**STATE OFFICIALS**

**The Honorable Ron G. Crane**  
**STATE TREASURER**

The Honorable C. L. "Butch" Otter	Governor
The Honorable Brad Little	Lieutenant Governor
The Honorable Lawrence Denney	Secretary of State
The Honorable Brandon Woolf	State Controller
The Honorable Lawrence Wasden	Attorney General
The Honorable Sherri Ybarra	Superintendent of Public Instruction

**FINANCIAL ADVISOR**

C<sup>2</sup> Financial, LLC

**BOND COUNSEL**

Moore Smith Buxton & Turcke, Chartered

**UNDERWRITER**

Piper Jaffray & Co.

**ESCROW/PAYING AGENT**

The Bank of New York Mellon Trust Company, N.A.  
Seattle, Washington

No dealer, broker, sales representative, or other person has been authorized by the State of Idaho (the “State”) to give any information or to make any representations with respect to the Notes not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained by the State from State records and from other sources that the State believes to be reliable, but the State does not guarantee the accuracy or completeness of such information. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof.

The State makes no representation regarding the accuracy or completeness of the information provided in Appendix D—DTC and the Book-Entry Only System, which has been furnished by DTC.

This Official Statement is not to be construed as a contract or agreement between the State and purchasers or owners of any of the Notes.

Certain statements contained in this Official Statement, including the appendices, reflect not historical facts but forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe,” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANYTIME.

### **CUSIP Number**

The CUSIP<sup>(1)</sup> number is included on the front cover of this Official Statement for convenience of the holders and potential holders of the Notes. No assurance can be given that the CUSIP number for the Notes will remain the same after the date of issuance and delivery of the Notes.

### **Websites**

The websites provided herein are not part of this Official Statement, and investors should not rely on information which is presented in the State’s websites in determining whether to purchase Notes. Inactive textual reference to the State’s websites are not hyperlinks and do not incorporate the State’s websites by reference.

(1) CUSIP is a trademark of the American Bankers Association. The CUSIP number is provided by Standard and Poor’s, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This number is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service.

(This page intentionally left blank)

**TABLE OF CONTENTS**

	<b>Page</b>
INTRODUCTION .....	1
THE NOTES.....	1
Description of the Notes .....	1
Authorization .....	1
Use of Proceeds .....	2
SECURITY AND SOURCES OF PAYMENT .....	3
General Fund Cash Flow.....	4
Assumptions Underlying the Monthly Allocation of Fiscal Year 2016 General Fund Disbursements .....	8
Interest Expense on Tax Anticipation Notes .....	8
Borrowable Cash Resources .....	8
Internal Borrowing.....	12
Tax Anticipation Notes .....	12
Series 2014 Notes .....	12
Authorized Investments .....	13
STATE FINANCES .....	13
Annual Balanced Budget Requirement .....	13
Statewide Accounting Policies and Practices.....	14
Financial Reporting and Budgeting.....	14
Revenue Projection Process .....	14
Executive Revenue Forecasts.....	14
Unobligated Cash Balances.....	15
STATE RESERVE FUNDS .....	15
Budget Stabilization Fund.....	15
Economic Recovery Reserve Fund .....	16
Public Education Stabilization Fund .....	16
Higher Education Stabilization Fund .....	16
RECENT DEVELOPMENTS .....	16
Teacher Career Ladder Legislation .....	16
Transportation .....	16
Medicaid Expansion.....	17
State Workers Pay.....	17
Grocery Tax Credit .....	17
RECENT FINANCIAL INFORMATION REGARDING THE STATE.....	17
Fiscal Year 2016 .....	18
Fiscal Year 2015 .....	19
Fiscal Year 2014 .....	20
Additional Information .....	20
GENERAL TAX REVENUES.....	23
Individual Income Tax (Title 63, Chapter 30, Idaho Code) .....	23
Sales Tax (Title 63, Chapter 36, Idaho Code).....	23
Corporate Income Tax (Title 63, Chapter 30, Idaho Code).....	24
Other Taxes.....	25
RETIREMENT SYSTEMS .....	26
Public Employee Retirement System of Idaho.....	26
Other Post-Employment Benefits.....	32
DEBT MANAGEMENT AND ENHANCEMENT PROGRAMS .....	33
Idaho Credit Rating Enhancement Committee.....	33
Idaho School Bond Guaranty Act .....	33
Idaho Bond Bank Authority .....	34
State Bond Levy Equalization Support Program for School Facilities.....	35
OUTSTANDING OBLIGATIONS OF THE STATE AND ITS INDEPENDENT AGENCIES.....	35
Idaho Housing and Finance Association and Transportation Project Financing .....	35
Idaho Health Facilities Authority .....	36
Idaho State Building Authority .....	36
OTHER STATE FINANCIAL INFORMATION.....	37
Idaho Millennium Fund .....	37
Idaho State Lottery.....	37
Idaho State Insurance Fund.....	37
Idaho Petroleum Clean Water Trust Fund.....	38
LITIGATION .....	38

**TABLE OF CONTENTS (CONTINUED)**

	<b>Page</b>
LEGAL AND TAX INFORMATION.....	38
Tax Matters.....	38
Continuing Disclosure Undertaking.....	39
Approval of Legality.....	40
OTHER NOTE INFORMATION.....	40
Ratings.....	40
Underwriting.....	40
Miscellaneous.....	40
Appendix A.....	Selected Data on the State of Idaho
Appendix B.....	Plan of Financing
Appendix C.....	Form of Legal Opinion of Bond Counsel
Appendix D.....	DTC and the Book-Entry Only System

## OFFICIAL STATEMENT

**\$500,000,000**

**STATE OF IDAHO**

**TAX ANTICIPATION NOTES, SERIES 2015**

### INTRODUCTION

This Official Statement of the State of Idaho (the “State”) presents certain information in connection with the issuance by the State of \$500,000,000 aggregate principal amount of Tax Anticipation Notes, Series 2015 (the “Notes”). None of the references to or summaries of the laws of the State or of any documents referred to in this Official Statement purport to be complete, and all such references are qualified in their entirety by reference to the complete provisions thereof.

The Notes are being issued to fund the State’s anticipated cash flow shortfalls during the fiscal year commencing on July 1, 2015, and ending June 30, 2016 (“Fiscal Year 2016”). The proceeds of the sale of the Notes will be deposited in the General Fund of the State (the “General Fund”) and will be used to alleviate temporary cash flow shortfalls and to finance the State’s daily operations in anticipation of certain tax revenues (the “General Tax Revenues”) of the State to be collected during the fourth quarter of Fiscal Year 2016 (see “General Tax Revenues”). General Tax Revenues consist primarily of individual income tax, corporate income tax and sales tax. The Notes are payable from and secured by: (i) an irrevocable pledge of so much of the General Tax Revenues to be received during the fourth quarter of Fiscal Year 2016 as may be necessary to pay the principal of and interest on the Notes; (ii) the State Treasurer’s covenant to transfer, if necessary, from cash balances in other borrowable funds in the State Treasury (the “Borrowable Cash Resources”) to the Note Payment Account established for the payment of the Notes, an amount required to fully pay the principal of and interest on the Notes at maturity; and (iii) the solemn pledge of the faith and credit of the State for the payment in full of the principal of and interest on the Notes.

### THE NOTES

#### Description of the Notes

The Notes will be dated the date of delivery, and will mature June 30, 2016. The Notes will bear interest at 2.00% per *annum*, payable at maturity, calculated on the basis of a 30-day month, 360-day year. The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Notes. The ownership of not more than two fully registered global Notes for the entire aggregate principal amount of the Notes will be registered in the name of Cede & Co. as nominee of DTC. See Appendix D—DTC and the Book-Entry Only System. The Notes are not subject to redemption prior to maturity. Principal of and interest on the Notes will be payable at maturity by The Bank of New York Mellon Trust Company, N.A., Seattle, Washington, Escrow/Paying Agent (the “Escrow/Paying Agent”), to DTC or its nominee in lawful money of the United States for distribution to the Participants, Indirect Participants and Beneficial Owners.

#### Authorization

The Notes are being issued pursuant to Article VII, Section 11, and Article VIII, Section 1, of the Constitution of the State of Idaho (the “Constitution”), and Chapter 32, Title 63, of the Idaho Code (the “Act”), and pursuant to a Resolution of the Board of Examiners of the State of Idaho adopted on March 17, 2015 (the “Resolution”), and a Plan of Financing approved by the State Treasurer. See Appendix B—Plan of Financing.

The Act allows the State Treasurer, with approval of the State Board of Examiners (the “Board”), a constitutionally established board comprised of the Governor, the Secretary of State and the Attorney General, with the State Controller as *ex officio* Secretary, to borrow monies in anticipation of General Tax Revenues in a principal sum not to exceed 75% of the income or revenue from such taxes that the State reasonably anticipates to be collected during the fiscal year. In the Resolution, the Board approved such borrowings during Fiscal Year 2016 in an amount not to exceed \$2,268,375,000. At the time the Board adopted the Resolution, General Tax Revenues anticipated to be collected during Fiscal Year 2016 were expected to be not less than \$3,024,500,000, thereby imposing a limit of \$2,268,375,000 on such borrowings for Fiscal Year 2016.

Pursuant to the Act, all tax anticipation notes (“TANs”) issued by the State must mature no later than the end of the then current fiscal year. The State does not currently plan to issue additional TANs during Fiscal Year 2016, but reserves the right to do so (see “Security and Sources of Payment for the Notes—Tax Anticipation Notes”).

The Plan of Financing (see Appendix B) adopted by the State Treasurer calls for the issuance of \$500,000,000 Tax Anticipation Notes, Series 2015, in anticipation of the income and revenues from taxes to be received during the fourth quarter of Fiscal Year 2016 (April, May and June 2016). These monies may include specific, *ad valorem*, excise, income, franchise or license revenues. The State anticipates receiving a total of \$1,027,037,000 in the fourth quarter of Fiscal Year 2016. The \$500,000,000 in Notes to be issued is equal to 48.68% of anticipated Fiscal Year 2016 fourth quarter revenues and is within the 75% issuance test set forth in the Act. Set forth in Table 2 is a description of the specific revenue and amounts that the State estimates will be received in the fourth quarter of Fiscal Year 2016. The revenues anticipated for Fiscal Year 2016 are shown on a monthly basis in Table 4 and on a quarterly basis in Table 5. See “General Tax Revenues.”

**Use of Proceeds**

Timing differences between revenue collections and disbursements have caused the State to engage in inter-fund borrowing to fund General Fund expenditures (see “Security and Sources of Payment for the Notes—Internal Borrowing”). The State Treasurer has determined to issue the Notes to meet the anticipated cash flow requirements for Fiscal Year 2016 resulting from the imbalance in timing between receipts and expenditures.

The State’s major General Fund revenue sources include individual income tax, corporate income tax and sales tax. Together, these three categories comprise 94.95% of total General Fund revenues. General Fund revenues are received in relatively uneven amounts throughout the fiscal year because of various factors regarding the timing of individual income tax collections and refunds, large sales tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax. As a result, the State anticipates that it will receive 44.71% of General Fund revenues/receipts in the first six months of Fiscal Year 2016. However, disbursements during the same period account for 64.99% of total expenditures.

The single largest item of expenditure in the State’s budget is for public school aid, which totals \$1,475,784,000 or 46.66% of total spending in Fiscal Year 2016. School aid payments are disbursed in five payments, three of which occur in the first five months of the fiscal year for a total of \$1,071,982,950, or 72.64% of total school aid payments. Senate Bill 1323, enacted in 2014 by the Idaho State Legislature (the “Legislature”), amended Section 33-1009, Idaho Code, to change the distribution schedule of formula funds for public schools. This legislation changed the percentage paid for each disbursement made to the public school districts by the State Board of Education. The July payment is for annual appropriated special distributions. The August payment was increased to 50% from 30%; the October payment was eliminated; the November payment remained at 20%; the February payment was increased to 20% from 10%; and the May payment remained at 10%. Payments made directly to the school districts in Fiscal Year 2016 are currently scheduled as follows:

**TABLE 1  
PAYMENTS TO SCHOOL DISTRICTS**

<b>Month</b>	<b>Amount</b>
July 2015	\$ 129,780,500
August 2015	673,001,750
November 2015	269,200,700
February 2016	269,200,700
May 2016	134,600,350
<b>Total</b>	<b>\$ 1,475,784,000</b>

Health and Welfare expenditures, the second largest single expenditure item, total \$649,481,000, or 20.53% of the budget. The third largest expenditure item is aid to higher education, for a total of \$344,105,000, which is 10.88% of the total Fiscal Year 2016 budget (see Table 19—General Fund Summary of the Fiscal Year 2016 Budget).

Proceeds received by the State from the sale of the Notes will be deposited in the General Fund and used to meet expenses required to be paid from the General Fund during Fiscal Year 2016.

The State has covenanted to comply with the provisions of the Internal Revenue Code of 1986 (the “IRC”) which are necessary for interest paid on the Notes to be excluded from gross income for purposes of federal income taxation. The State has projected that the cumulative cash flow deficit to be financed by the Notes will exceed 90% of the proceeds of the Notes within six months of the date of the Notes. In the event that the gross proceeds of the Notes are not expended (within the meaning of Section 148(f)(4)(B) of the IRC) within six months of the date of issuance of the Notes, the State will cause to be rebated to the United States an amount equal to the excess earnings on all non-purpose investments, if any, over the amount which would have been earned if such non-purpose investments were invested at a rate equal to the yield on the Notes, plus any income attributable to such excess.

## SECURITY AND SOURCES OF PAYMENT

Each Note, when duly issued and paid for, will constitute a valid and binding obligation of the State. The Notes are payable from and secured by: (i) an irrevocable pledge of so much of the General Tax Revenues to be received during the fourth quarter of Fiscal Year 2016 as may be necessary to pay the principal of and interest on the Notes; (ii) the State Treasurer’s covenant to transfer, if necessary, any Borrowable Cash Resources to the Note Payment Account established for the payment of the Notes, in an amount required to fully pay the principal of and interest on the Notes at maturity; and (iii) the solemn pledge of the faith and credit of the State for the payment in full of the principal of and interest on the Notes.

There is established in the “Tax Anticipation Note Redemption Fund” created by Section 63-3203, Idaho Code, a special fund and account known as the “Tax Anticipation Notes, Series 2015, Note Payment Account” (the “Note Payment Account”). The Note Payment Account will be held and invested at the direction of the State Treasurer by the Escrow/Paying Agent, pursuant to the provisions of an escrow agreement. Monies in the Note Payment Account will be invested in direct obligations of the Federal Government and in certain fully collateralized investments permitted under Section 67-1210, Idaho Code. The State Treasurer has covenanted to invest all monies in the Note Payment Account in securities that mature no later than June 30, 2016. The State Treasurer also has covenanted not to invest monies in the Note Payment Account in debt obligations of the State, its political subdivisions, or taxing districts or authorities.

In accordance with the Act, the Notes are payable from pledged fourth quarter General Tax Revenues and, to the extent necessary, from Borrowable Cash Resources of the State. All income and revenues from the taxes collected during the fourth quarter of Fiscal Year 2016 (April, May and June 2016) will be deposited into the Note Payment Account as received until the monies therein together with investment earnings earned or to be earned thereon shall be sufficient to pay principal of and interest on the Notes at maturity (see Table 4—State of Idaho Projected General Fund Cash Flow for the Fiscal Year Ending June 30, 2016, and “General Tax Revenues”). The State Treasurer may, but is not required to by the Plan of Financing, deposit any income and revenues from taxes received prior to the fourth quarter of Fiscal Year 2016 into the Note Payment Account, and any monies so deposited into the Note Payment Account are irrevocably appropriated and set aside solely for payment of principal of and interest on the Notes. The State has projected the receipt of revenues as shown in Table 2 to pay principal of and interest on the Notes.

**TABLE 2**  
**ESTIMATED FOURTH QUARTER REVENUES BY SOURCE**  
**FOR FISCAL YEAR JUNE 30, 2016**  
**(000s omitted)**

	April	May	June	Total
Individual Income Tax	\$ 341,209	\$ 89,319	\$ 116,164	\$ 546,692
Corporate Income Tax	38,012	9,058	42,033	89,103
Sales Tax	104,427	101,892	110,076	316,395
Product Taxes	3,558	3,536	3,718	10,812
Miscellaneous Revenues	1,857	1,834	60,344	64,035
Non-Revenue Receipts	-	-	-	-
<b>Total Tax Revenues</b>	<b>\$ 489,063</b>	<b>\$ 205,639</b>	<b>\$ 332,335</b>	<b>\$ 1,027,037</b>

*Source: Division of Financial Management*

The State Treasurer has covenanted that, in the event there are not on deposit in the Note Payment Account on or before June 30, 2016, tax revenues, together with investment earnings thereon, fully sufficient to pay the principal of and interest on the Notes at maturity, the State Treasurer will borrow from Borrowable Cash Resources, subject to the requirement that

such amounts be repaid when General Fund monies are available, or take any or all other legally available actions to cause to be deposited in the Note Payment Account amounts sufficient to pay the principal of and interest on the Notes at maturity. See “Borrowable Cash Resources.” Fiscal Year 2016 fourth quarter revenues of \$1,027 million provide 2.05x coverage for the Notes. Borrowable Cash Resources of \$3,496 million provide 6.99x in additional coverage for the Notes.

### **General Fund Cash Flow**

Table 3 presents the actual to-date and projected cash flow of the General Fund for Fiscal Year 2015, and Tables 4 and 5 present the projected cash flow for Fiscal Year 2016, by major categories of receipts and disbursements. The Fiscal Year 2016 cash flow table evidences that all proceeds of the Notes are expected to have been expended within six months of their receipt. The cash flows in Tables 4 and 5 should be read in conjunction with other information concerning the Fiscal Year 2016 budget. Certain assumptions regarding the Fiscal Year 2016 cash flow statements are set forth below and on the page following Table 5 (see “Assumptions Underlying the Monthly Allocation of Fiscal Year 2016 General Fund Disbursements”).

*Fiscal Year 2016 Cash Flow Deficit.* Fiscal Year 2016 General Fund cash flow (before borrowing) is estimated to have a negative balance at the end of the months of July through May. The August month-end cash deficit is estimated to be \$737,328,000 and the November month-end cash deficit is estimated to be \$712,007,000 (see Table 4—Projected General Fund Cash Flow). A primary factor in the heavy percentage of first half expenditures is the required dates for General Fund transfers to the public schools. Senate Bill 1323 enacted by the 2014 Legislature amended Section 33-1009, Idaho Code, to provide for a change in the distribution of funds to public schools, which resulted in a reduction in the November mid-month and month-end cash deficit.

Most months’ mid-month cash deficit is estimated to be greater than the end-of-the-month deficit balance. This situation occurs because only approximately 20% of the month’s revenues are received during the first two weeks while, on average, 80% of the month’s expenditures occur during the same period. The majority of taxes are received during the second half of the month because of statutorily established dates for tax payments. The mid-month Fiscal Year 2016 deficit projected for August is \$847,900,000 occurring on August 15, 2015, and for November is \$828,337,000, occurring on November 15, 2015.

The State is choosing to take a conservative external borrowing approach during Fiscal Year 2016 and intends to use internal borrowing resources to cover any month-end deficits not covered by the external borrowing amount.

**TABLE 3**  
**STATE OF IDAHO**  
**GENERAL FUND CASH FLOW**  
**FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

(000 Omitted)	Actual											Projected	Total
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
<b>BEGINNING CASH BALANCE BEFORE BORROWING</b>	\$ 58,339	\$ (38,345)	\$ (607,305)	\$ (506,690)	\$ (409,223)	\$ (583,318)	\$ (462,196)	\$ (335,545)	\$ (530,169)	\$ (423,609)	\$ (30,638)	\$ (42,464)	\$ 58,339
<b>REVENUES AND RECEIPTS</b>													
Revenues													
Individual Income Tax	\$ 83,505	\$ 88,319	\$ 91,846	\$ 100,851	\$ 94,914	\$ 112,473	\$ 150,840	\$ 93,585	\$ 109,491	\$ 328,654	\$ 93,968	\$ 64,709	\$ 1,413,155
Corporate Income Tax	7,800	3,644	30,910	7,101	3,700	27,866	10,618	3,612	18,268	39,076	8,610	28,307	189,512
Sales Tax	105,742	106,506	106,385	105,778	96,783	94,941	117,493	85,218	89,262	103,563	96,258	96,033	1,203,962
Product Taxes	9,081	3,372	3,434	3,435	3,252	3,342	3,209	2,902	3,369	3,318	3,271	2,975	44,960
Miscellaneous Revenues	16,903	1,496	9,630	1,363	1,227	8,302	1,594	6,328	6,312	2,925	2,259	43,503	101,842
<b>Total Revenues</b>	\$ 223,031	\$ 203,337	\$ 242,205	\$ 218,528	\$ 199,876	\$ 246,924	\$ 283,754	\$ 191,645	\$ 226,702	\$ 477,536	\$ 204,366	\$ 235,527	\$ 2,953,431
Non-Revenue Transfers to GF	-	-	9,142	-	-	-	-	-	-	-	-	-	9,142
Non-Revenue Receipts	1,854	1,360	837	586	969	1,420	1,137	626	1,470	1,723	1,254	-	13,236
TAN - Interest (offset Int Exp)	-	-	-	-	-	-	-	-	-	-	-	9,474	9,474
<b>TOTAL REVENUES AND RECEIPTS</b>	\$ 224,885	\$ 204,697	\$ 252,184	\$ 219,114	\$ 200,845	\$ 248,344	\$ 284,891	\$ 192,271	\$ 228,172	\$ 479,259	\$ 205,620	\$ 245,001	\$ 2,985,283
<b>EXPENDITURES AND DISBURSEMENTS</b>													
Expenditures													
Personnel Costs	\$ 41,699	\$ 57,632	\$ 41,421	\$ 50,618	\$ 51,066	\$ 51,225	\$ 69,250	\$ 46,108	\$ 36,672	\$ 22,354	\$ 24,296	\$ 22,137	\$ 514,478
Operating Costs	24,577	21,703	18,883	10,057	6,503	8,184	13,488	4,202	12,584	8,549	11,685	41,136	181,551
Capital Outlay	4,693	2,060	1,754	1,946	1,861	936	2,276	2,552	1,422	1,643	1,470	7,074	29,687
Trustee and Benefit Payments	44,434	7,865	8,463	7,953	11,118	6,006	10,662	10,880	8,441	7,480	8,501	0	131,803
Operating Transfers - Public Schools	111,167	626,683	-	-	253,173	-	-	253,173	-	-	126,587	3,815	1,374,598
Operating Transfers - All Others	93,347	56,337	80,322	50,250	50,249	59,461	61,333	69,392	61,220	44,672	43,653	64,384	734,620
<b>Total Expenditures</b>	\$ 319,917	\$ 772,280	\$ 150,843	\$ 120,824	\$ 373,970	\$ 125,812	\$ 157,009	\$ 386,307	\$ 120,339	\$ 84,698	\$ 216,192	\$ 138,546	\$ 2,966,737
Non-Operating disbursements	\$ 1,652	\$ 1,377	\$ 726	\$ 823	\$ 970	\$ 1,410	\$ 1,231	\$ 588	\$ 1,273	\$ 1,590	\$ 1,254	\$ -	\$ 12,894
TAN - Interest Expense	-	-	-	-	-	-	-	-	-	-	-	9,474	9,474
<b>TOTAL EXPENDITURES AND DISBURSEMENTS</b>	\$ 321,569	\$ 773,657	\$ 151,569	\$ 121,647	\$ 374,940	\$ 127,222	\$ 158,240	\$ 386,895	\$ 121,612	\$ 86,288	\$ 217,446	\$ 148,020	\$ 2,989,105
<b>ENDING CASH BALANCE BEFORE BORROWING</b>	\$ (38,345)	\$ (607,305)	\$ (506,690)	\$ (409,223)	\$ (583,318)	\$ (462,196)	\$ (335,545)	\$ (530,169)	\$ (423,609)	\$ (30,638)	\$ (42,464)	\$ 54,517	\$ 54,517
Beginning After-Borrowing Cash Balance	\$ 58,339	\$ 436,655	\$ (132,305)	\$ (31,690)	\$ 65,777	\$ (108,318)	\$ 12,804	\$ 89,472	\$ (105,152)	\$ (48,592)	\$ 59,888	\$ (42,464)	\$ 58,339
Borrowing													
Receipt	475,000	-	-	-	-	-	-	-	-	-	-	-	475,000
(Repayment)	-	-	-	-	-	-	(49,983)	-	(50,000)	(284,491)	(90,526)	-	(475,000)
<b>Total Net Borrowing</b>	475,000	-	-	-	-	-	(49,983)	-	(50,000)	(284,491)	(90,526)	-	-
<b>NET RECEIPTS OVER (UNDER) DISBURSEMENT</b>	(96,684)	(568,960)	100,615	97,467	(174,095)	121,122	126,651	(194,624)	106,560	392,971	(11,826)	96,981	(3,822)
<b>ENDING AFTER-BORROWING CASH BALANCE<sup>(1)</sup></b>	\$ 436,655	\$ (132,305)	\$ (31,690)	\$ 65,777	\$ (108,318)	\$ 12,804	\$ 89,472	\$ (105,152)	\$ (48,592)	\$ 59,888	\$ (42,464)	\$ 54,517	\$ 54,517

Note: Mid-month deficit for Fiscal Year 2015 at November 13, 2014, was \$(815,604,000).

(1) Borrowable Cash Resources and internal notes were used to cover negative balance.

(2) The 2014 Note Payment Account held by the Escrow/Paying Agent was fully funded with a final deposit on April 23, 2015. A purchase made in the 2014 Note Payment Account on April 16, 2015, did not fully post to the State's accounting system until May 6, 2015.

Source: Division of Financial Management

**TABLE 4**  
**STATE OF IDAHO**  
**PROJECTED GENERAL FUND CASH FLOW**  
**FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

(000 Omitted)	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
<b>BEGINNING CASH BALANCE BEFORE BORROWING <sup>(1)</sup></b>	<b>\$ 54,517</b>	<b>\$ (81,451)</b>	<b>\$ (737,328)</b>	<b>\$ (624,629)</b>	<b>\$ (511,351)</b>	<b>\$ (712,007)</b>	<b>\$ (606,979)</b>	<b>\$ (443,666)</b>	<b>\$ (649,249)</b>	<b>\$ (544,211)</b>	<b>\$ (153,063)</b>	<b>\$ (189,636)</b>	<b>\$ 54,517</b>
<b>REVENUES AND RECEIPTS</b>													
Revenues													
Individual Income Tax	\$ 90,821	\$ 92,339	\$ 94,512	\$ 106,766	\$ 93,102	\$ 120,568	\$ 152,499	\$ 87,505	\$ 103,641	\$ 341,209	\$ 89,319	\$ 116,164	\$ 1,488,445
Corporate Income Tax	7,188	2,701	32,009	10,080	3,718	29,771	10,691	4,562	15,579	38,012	9,058	42,033	205,402
Sales Tax	113,647	109,402	110,920	114,007	101,791	100,353	124,481	84,579	90,006	104,427	101,892	110,076	1,265,581
Product Taxes	9,330	4,968	3,772	3,559	3,607	3,558	3,515	3,413	3,432	3,558	3,536	3,718	49,966
Miscellaneous Revenues	7,426	1,328	10,476	1,443	1,204	9,080	1,442	4,479	6,403	1,857	1,834	60,344	107,316
<b>Total Revenues</b>	<b>228,412</b>	<b>210,738</b>	<b>251,689</b>	<b>235,855</b>	<b>203,422</b>	<b>263,330</b>	<b>292,628</b>	<b>184,538</b>	<b>219,061</b>	<b>489,063</b>	<b>205,639</b>	<b>332,335</b>	<b>3,116,710</b>
Transfers to General Fund	780	-	-	-	-	-	-	-	-	-	-	-	780
Non-Revenue Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES AND RECEIPTS</b>	<b>\$ 229,192</b>	<b>\$ 210,738</b>	<b>\$ 251,689</b>	<b>\$ 235,855</b>	<b>\$ 203,422</b>	<b>\$ 263,330</b>	<b>\$ 292,628</b>	<b>\$ 184,538</b>	<b>\$ 219,061</b>	<b>\$ 489,063</b>	<b>\$ 205,639</b>	<b>\$ 332,335</b>	<b>\$ 3,117,490</b>
<b>EXPENDITURES AND DISBURSEMENTS</b>													
Expenditures													
Personnel Costs	\$ 70,518	\$ 47,107	\$ 54,830	\$ 54,626	\$ 54,708	\$ 76,327	\$ 55,193	\$ 46,909	\$ 38,662	\$ 30,276	\$ 28,146	\$ 28,432	\$ 585,734
Operating Costs	19,596	18,259	16,466	9,391	11,706	8,510	10,010	8,494	10,793	9,554	11,591	28,660	163,030
Capital Outlay	6,074	2,477	2,310	2,097	2,699	2,574	98	871	1,203	1,022	1,921	3,032	26,378
Trustee and Benefit Payments	18,529	45,610	7,443	5,211	5,104	8,473	6,578	3,986	5,289	5,811	5,296	7,198	124,528
Operating Transfers - Public Schools	129,781	673,002	-	-	269,201	-	-	269,201	-	-	134,599	-	1,475,784
Operating Transfers - All Others	120,662	80,160	57,941	51,252	60,660	62,418	57,436	60,660	58,076	51,252	60,659	66,415	787,591
<b>Total Expenditures</b>	<b>\$ 365,160</b>	<b>\$ 866,615</b>	<b>\$ 138,990</b>	<b>\$ 122,577</b>	<b>\$ 404,078</b>	<b>\$ 158,302</b>	<b>\$ 129,315</b>	<b>\$ 390,121</b>	<b>\$ 114,023</b>	<b>\$ 97,915</b>	<b>\$ 242,212</b>	<b>\$ 133,737</b>	<b>\$ 3,163,045</b>
Non-Operating Disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES AND DISBURSEMENTS</b>	<b>\$ 365,160</b>	<b>\$ 866,615</b>	<b>\$ 138,990</b>	<b>\$ 122,577</b>	<b>\$ 404,078</b>	<b>\$ 158,302</b>	<b>\$ 129,315</b>	<b>\$ 390,121</b>	<b>\$ 114,023</b>	<b>\$ 97,915</b>	<b>\$ 242,212</b>	<b>\$ 133,737</b>	<b>\$ 3,163,045</b>
<b>ENDING CASH BALANCE BEFORE BORROWING</b>	<b>\$ (81,451)</b>	<b>\$ (737,328)</b>	<b>\$ (624,629)</b>	<b>\$ (511,351)</b>	<b>\$ (712,007)</b>	<b>\$ (606,979)</b>	<b>\$ (443,666)</b>	<b>\$ (649,249)</b>	<b>\$ (544,211)</b>	<b>\$ (153,063)</b>	<b>\$ (189,636)</b>	<b>\$ 8,962</b>	<b>\$ 8,962</b>
Beginning After-Borrowing Cash Balance	54,517	418,549	(237,328)	(124,629)	(11,351)	(212,007)	(106,979)	56,334	(149,249)	(44,211)	346,937	310,364	54,517
Borrowing													
Internal Notes	-	-	-	-	-	-	-	-	-	-	-	-	-
External Notes:													
Receipts	500,000	-	-	-	-	-	-	-	-	-	-	-	500,000
(Repayment)	-	-	-	-	-	-	-	-	-	-	-	(500,000)	(500,000)
<b>Total Net Borrowing</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ (500,000)</b>	<b>\$ -</b>									
<b>NET RECEIPTS OVER (UNDER) DISBURSEMENT</b>	<b>(135,968)</b>	<b>(655,877)</b>	<b>112,699</b>	<b>113,278</b>	<b>(200,656)</b>	<b>105,028</b>	<b>163,313</b>	<b>(205,583)</b>	<b>105,038</b>	<b>391,148</b>	<b>(36,573)</b>	<b>198,598</b>	<b>(45,555)</b>
<b>ENDING AFTER-BORROWING CASH BALANCE <sup>(2)</sup></b>	<b>\$ 418,549</b>	<b>\$ (237,328)</b>	<b>\$ (124,629)</b>	<b>\$ (11,351)</b>	<b>\$ (212,007)</b>	<b>\$ (106,979)</b>	<b>\$ 56,334</b>	<b>\$ (149,249)</b>	<b>\$ (44,211)</b>	<b>\$ 346,937</b>	<b>\$ 310,364</b>	<b>\$ 8,962</b>	<b>\$ 8,962</b>

Note: Cash flow deficit for Fiscal Year 2016 on August 15, 2015, is projected to be \$(847,900,000).

Cash flow deficit for Fiscal Year 2016 on November 15, 2015, is projected to be \$(828,337,000).

(1) Beginning cash balance includes an encumbrance reserve of \$12 million.

(2) Borrowable Cash Resources will be used to cover negative balances.

Source: Division of Financial Management

**TABLE 5**  
**STATE OF IDAHO**  
**CASH FLOW SUMMARY BY QUARTER**  
**FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

(000 omitted)	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
<b>BEGINNING CASH BALANCE</b>	\$ 54,517	\$ (124,629)	\$ (106,979)	\$ (44,211)	\$ 54,517
<b>REVENUES AND RECEIPTS</b>					
Revenues					
Individual Income Tax	\$ 277,672	\$ 320,436	\$ 343,645	\$ 546,692	\$ 1,488,445
Corporate Income Tax	41,898	43,569	30,832	89,103	205,402
Sales Tax	333,969	316,151	299,066	316,395	1,265,581
Product Taxes	18,070	10,724	10,360	10,812	49,966
Miscellaneous Revenues	19,230	11,727	12,324	64,035	107,316
<b>Total Revenues</b>	<b>\$ 690,839</b>	<b>\$ 702,607</b>	<b>\$ 696,227</b>	<b>\$ 1,027,037</b>	<b>\$ 3,116,710</b>
Non-revenue Receipts	780	-	-	-	780
<b>TOTAL REVENUES AND RECEIPTS</b>	<b>\$ 691,619</b>	<b>\$ 702,607</b>	<b>\$ 696,227</b>	<b>\$ 1,027,037</b>	<b>\$ 3,117,490</b>
<b>EXPENDITURES AND DISBURSEMENTS</b>					
Expenditures					
Personnel Costs	\$ 172,455	\$ 185,661	\$ 140,764	\$ 86,854	\$ 585,734
Operating Expense	54,321	29,607	29,297	49,805	163,030
Capital Outlay	10,861	7,370	2,172	5,975	26,378
Trustee and Benefit Payments	71,582	18,788	15,853	18,305	124,528
Operating Transfers-Public Schools	802,783	269,201	269,201	134,599	1,475,784
Operating Transfers-All Other	258,763	174,330	176,172	178,326	787,591
<b>Total Appropriated Expenditures</b>	<b>\$ 1,370,765</b>	<b>\$ 684,957</b>	<b>\$ 633,459</b>	<b>\$ 473,864</b>	<b>\$ 3,163,045</b>
Non-Operating Disbursements	-	-	-	-	-
Net Interest Revenues/Expenditures on TAN	-	-	-	-	-
<b>TOTAL EXPENDITURES AND DISBURSEMENTS</b>	<b>\$ 1,370,765</b>	<b>\$ 684,957</b>	<b>\$ 633,459</b>	<b>\$ 473,864</b>	<b>\$ 3,163,045</b>
<b>TAX ANTICIPATION NOTES:</b>					
Receipt	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Repayment	-	-	-	(500,000)	(500,000)
<b>ENDING CASH BALANCE <sup>(1)</sup></b>	<b>\$ (124,629)</b>	<b>\$ (106,979)</b>	<b>\$ (44,211)</b>	<b>\$ 8,962</b>	<b>\$ 8,962</b>

(1) Borrowable Cash Resources will be used to cover negative balances.

Source: Division of Financial Management

### **Assumptions Underlying the Monthly Allocation of Fiscal Year 2016 General Fund Disbursements**

The Fiscal Year 2016 General Fund disbursements shown in Table 4 are classified as Personnel Costs, Operating Costs, Capital Outlay, Trustee and Benefit Payments, Operating Transfers—Public Schools and Operating Transfers—All Other. The total amount allocated to each classification was determined by consolidating all the Fiscal Year 2016 appropriations. Once the total classifications were determined, the monthly allocations were made in the following manner:

- (i) *Personnel Costs:* The total personnel cost appropriation was based on a per-pay-period cost with the cost assigned to the number of paydays in each month.
- (ii) *Operating Costs, Capital Outlay, Trustee and Benefit Payments.* These costs were allocated on the basis of the average of the five previous fiscal years' monthly expenditure pattern.
- (iii) *Operating Transfers—Public Schools.* Public School aid payments were allocated to the months in which the payments are to be made per Idaho Code (see "The Notes—Use of Proceeds").
- (iv) *Operating Transfers—All Other.* The agencies receiving authority to transfer funds from the General Fund were consulted as to timing of transfers.

### **Interest Expense on Tax Anticipation Notes**

Since the decision to issue or not to issue TANs is made subsequent to the legislative session, legislative revenue estimates do not include interest earnings on unexpended TAN proceeds, nor do expenditure estimates include the related interest expense. Net interest expense on the 2014 Notes is \$534,111. Net interest expense on the 2015 Notes is \$1,752,056. However, since the Fiscal Year 2016 legislative revenue estimate did not include a provision for interest earnings on the Notes, TAN interest revenues and expenses have been netted to zero on Tables 3, 4, and 5.

THE ESTIMATES OF AMOUNTS AND TIMING FOR RECEIPTS AND DISBURSEMENTS FOR THE FISCAL YEAR 2016 CASH FLOW STATEMENT ARE BASED ON CERTAIN ASSUMPTIONS AND SHOULD NOT BE CONSTRUED AS STATEMENTS OF FACT. THE ASSUMPTIONS ARE BASED ON PRESENT CIRCUMSTANCES AND CURRENTLY AVAILABLE INFORMATION AND ARE BELIEVED TO BE REASONABLE. THE ASSUMPTIONS MAY BE AFFECTED BY NUMEROUS FACTORS AND THERE CAN BE NO ASSURANCE THAT SUCH ESTIMATES WILL BE ACHIEVED.

### **Borrowable Cash Resources**

Pursuant to Section 67-1212, Idaho Code, as amended, the State Treasurer is authorized to engage in short-term internal borrowings from cash balances in other funds in the State Treasury as identified in Table 8 to meet cash flow shortfalls in the General Fund. Such amounts must be repaid when General Fund monies are available, subject to the pledge of General Fund revenues to pay the State's tax anticipation notes. Cash balances in the various funds maintained in the State Treasury that comprise the Borrowable Cash Resources are estimated to be \$3,496 million at June 30, 2016.

Section 67-1212 authorizes the State Treasurer to pay State warrants out of any available moneys and to allow the fund against which the warrants were drawn to remain negative for up to 30 days. If moneys are not sufficient in the fund after 30 days, the State Treasurer is required to make inter-fund transfers, subject to the following requirements: (i) all transfers must be identified by the available funds from which moneys are borrowed, the fund to which the moneys are transferred, the amount of the transfer, the anticipated interest rate consistent with the available funds' current rate of return, if applicable, the anticipated repayment date, and the reason for the transfer; (ii) interest, if applicable, must be paid on any transfer where required by law; and (iii) the State Treasurer is required to maintain an annual report of all such inter-fund transfers. Alternatively, the State Treasurer may issue TANs.

In the opinion of both bond counsel to the State and the Idaho Attorney General, the State Treasurer is fully authorized to borrow from the Borrowable Cash Resources of the State, if necessary, to pay the Notes when due, and such internal borrowings can, if necessary, be carried over into the next fiscal year of the State.

Historical and projected balances available at fiscal year-end in other funds controlled by the State Treasurer that comprise the Borrowable Cash Resources at fiscal year end and monthly are shown in the Tables 6, 7, and 8.

**TABLE 6**  
**BORROWABLE CASH RESOURCES**

<b>Fiscal Year</b>	<b>Year-End Balance</b>
2011	\$2.758 billion
2012	2.986 billion
2013	3.268 billion
2014	3.269 billion
2015 <sup>(1)</sup>	3.429 billion
2016 <sup>(2)</sup>	3.496 billion

(1) June estimated.

(2) Estimated. See Table 8.

*Source: Division of Financial Management*

**TABLE 7  
STATE OF IDAHO  
BORROWABLE CASH RESOURCES  
FISCAL YEARS 2011-2016**

(000 omitted)	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>June</b>
<b>ACTUAL</b>												
Fiscal Year 2011	\$ 2,405,400	\$ 2,556,386	\$ 2,803,678	\$ 2,533,489	\$ 2,698,822	\$ 2,712,606	\$ 2,804,725	\$ 2,875,629	\$ 2,689,035	\$ 2,587,870	\$ 2,672,399	\$ 2,758,931
Fiscal Year 2012	2,447,208	2,884,115	2,865,531	2,708,094	2,795,550	3,081,802	2,987,871	3,004,978	2,871,844	2,734,411	2,736,791	2,986,511
Fiscal Year 2013	2,804,340	3,017,131	3,232,173	3,146,601	3,197,072	3,291,465	3,383,904	3,396,174	3,244,283	3,132,461	2,890,311	3,268,639
Fiscal Year 2014	3,088,833	3,281,966	3,518,298	3,310,253	3,389,061	3,638,226	3,433,247	3,451,724	3,492,407	3,362,007	3,178,720	3,515,761
Fiscal Year 2015 <sup>(1)</sup>	3,350,797	3,710,998	3,531,117	3,374,115	3,467,401	3,806,252	3,686,558	3,884,248	3,176,046	3,609,638	3,699,980	3,429,156
<b>ESTIMATE</b>												
Fiscal Year 2016	\$ 3,090,295	\$ 3,293,222	\$ 3,518,578	\$ 3,368,496	\$ 3,433,162	\$ 3,601,371	\$ 3,545,063	\$ 3,560,399	\$ 3,501,225	\$ 3,209,068	\$ 3,167,083	\$ 3,496,028

(1) June estimated.

Source: Division of Financial Management

**TABLE 8**  
**STATE OF IDAHO**  
**ESTIMATED AVAILABLE BORROWABLE CASH RESOURCES**  
**FISCAL YEAR 2016**

(000's Omitted)	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
<b>NON-INTEREST BEARING</b>												
Lottery	\$ 2,434	\$ 5,082	\$ 10,767	\$ 14,578	\$ 17,648	\$ 27,404	\$ 26,302	\$ 29,843	\$ 34,636	\$ 38,195	\$ 43,322	\$ 46,902
Co-Op Welfare	(5,775)	8,781	1,095	9,926	621	2,298	12,919	26,284	25,689	4,378	24,246	(876)
Co-Op DEQ	3,760	2,467	2,091	2,866	4,429	5,130	4,258	4,663	3,864	4,452	4,583	1,475
Tax Commission Refunds	16,984	32,362	56,682	67,406	76,102	99,434	125,702	72,022	20,029	44,673	22,662	1,566
Circuit Breaker/Sales Tax	17,874	35,008	52,422	24,675	40,348	41,325	20,348	33,401	47,969	24,557	40,544	42,954
Department of Lands	15,308	14,975	15,048	14,858	14,702	14,965	17,248	17,185	17,441	17,195	16,685	16,213
State Regulatory Agency Accounts	45,001	43,044	42,854	42,821	44,684	44,695	48,684	49,753	52,769	52,940	55,771	55,660
All Other Non-Interest Bearing Funds	219,833	217,612	504,084	199,263	240,003	56,254	138,796	155,038	252,597	271,737	51,925	233,355
<b>TOTAL NON-INTEREST BEARING</b>	<b>\$ 315,419</b>	<b>\$ 359,331</b>	<b>\$ 685,043</b>	<b>\$ 376,393</b>	<b>\$ 438,537</b>	<b>\$ 291,505</b>	<b>\$ 394,257</b>	<b>\$ 388,189</b>	<b>\$ 454,994</b>	<b>\$ 287,351</b>	<b>\$ 259,738</b>	<b>\$ 397,249</b>
<b>INTEREST BEARING</b>												
Permanent Building	\$ 27,980	\$ 27,294	\$ 28,058	\$ 28,268	\$ 26,223	\$ 27,431	\$ 28,294	\$ 30,413	\$ 31,273	\$ 39,031	\$ 40,552	\$ 46,785
Water Pollution Control	805	1,205	1,605	1,033	1,433	943	1,085	1,485	1,886	928	1,328	1,728
Endowments	45,191	51,894	58,240	58,613	58,663	58,155	58,429	58,126	58,197	58,443	57,460	62,152
Public School Income	137,611	133,670	127,685	127,749	112,598	110,791	113,119	94,728	97,662	98,502	85,484	69,156
Unemployment Clearing	51,358	14,285	14,608	40,121	16,767	39,436	55,991	39,884	36,983	48,184	61,025	41,435
Group Insurance	47,091	41,638	44,776	45,291	44,377	50,752	47,866	46,236	42,602	40,260	37,588	44,877
State Highway Accounts	56,326	58,412	82,113	55,737	67,320	73,385	59,577	69,184	76,154	69,749	75,865	82,361
Budget Reserve	189,725	189,725	189,725	189,725	189,725	189,725	189,725	189,725	189,725	189,725	189,725	219,260
Risk Management	3,755	4,357	7,116	9,784	9,793	9,585	9,145	8,850	8,527	8,111	7,391	7,058
Idaho Millennium Fund	24,702	24,667	24,632	24,597	24,562	24,527	24,492	24,457	24,422	29,387	29,352	29,318
Land Improvement	19,196	23,981	24,704	23,332	23,380	28,885	23,972	30,281	19,706	19,408	27,813	20,604
Liquor Control	11,757	5,969	11,202	8,183	12,634	15,436	11,571	13,523	15,091	12,806	15,977	10,372
Petroleum Price	4,198	4,198	4,187	4,186	4,176	4,176	4,178	4,179	4,184	4,171	4,172	4,148
Interagency Billing Accounts	7,480	8,509	7,838	7,836	6,660	6,537	8,759	9,190	8,408	8,670	7,632	8,785
Joint Exercise of Powers	1,371,350	1,595,416	1,465,171	1,601,628	1,632,856	1,874,671	1,728,348	1,785,699	1,656,469	1,506,209	1,475,351	1,635,541
Catastrophic Health Care	35,652	32,982	32,021	28,916	27,753	24,886	23,592	21,393	17,781	13,793	11,356	1,707
All Other Interest Bearing funds	740,699	715,689	709,854	737,104	735,705	770,545	762,663	744,857	757,161	774,340	779,274	813,492
<b>TOTAL INTEREST BEARING</b>	<b>\$ 2,774,876</b>	<b>\$ 2,933,891</b>	<b>\$ 2,833,535</b>	<b>\$ 2,992,103</b>	<b>\$ 2,994,625</b>	<b>\$ 3,309,866</b>	<b>\$ 3,150,806</b>	<b>\$ 3,172,210</b>	<b>\$ 3,046,231</b>	<b>\$ 2,921,717</b>	<b>\$ 2,907,345</b>	<b>\$ 3,098,779</b>
<b>TOTAL INTERNAL CASH BORROWING RESOURCES</b>	<b>\$ 3,090,295</b>	<b>\$ 3,293,222</b>	<b>\$ 3,518,578</b>	<b>\$ 3,368,496</b>	<b>\$ 3,433,162</b>	<b>\$ 3,601,371</b>	<b>\$ 3,545,063</b>	<b>\$ 3,560,399</b>	<b>\$ 3,501,225</b>	<b>\$ 3,209,068</b>	<b>\$ 3,167,083</b>	<b>\$ 3,496,028</b>

Source: Division of Financial Management

## Internal Borrowing

If General Fund cash flow shortages exist for more than 30 days, the State Treasurer may issue internal notes or registered warrants to correct the shortfall. Internal notes or registered warrants are notes issued by the General Fund to borrow monies from other available State funds or accounts that comprise the Borrowable Cash Resources. They are subject to the requirement that such amounts be repaid when General Fund monies are available, but are subordinate to the pledge of fourth quarter General Tax Revenues pledged to the repayment of the Notes. The following table provides information on the internal borrowings that existed for more than 30 days issued by the State Treasurer since Fiscal Year 2008.

**TABLE 9  
INTERNAL BORROWINGS OVER 30 DAYS**

<b>Fiscal Year</b>	<b>Par Amount</b>	<b>Issued</b>	<b>Repaid</b>
2009	\$ 41,569,000	12/24/2008	01/21/2009
2009	184,144,000	06/11/2009	06/15/2009
2010	280,717,000	11/12/2009	01/13/2010
2010	125,000,000	03/19/2010	06/30/2010
2010	65,000,000	06/04/2010	06/30/2010
2011	67,233,755	06/17/2011	06/30/2011
2012	64,478,000	06/05/2012	06/29/2012
2013	176,709,500	12/17/2012	01/29/2013
2013	178,859,250	05/14/2013	06/28/2013
2014	188,844,450	12/17/2013	03/24/2014
2014	239,542,100	05/13/2014	06/30/2014
2015	27,003,000	09/25/2014	01/23/2015
2015	49,635,850	05/29/2015	06/30/2015 <sup>(1)</sup>

(1) Expected.

Source: Idaho State Treasurer

## Tax Anticipation Notes

In the past ten fiscal years the State Treasurer has issued TANs which were sold in the open market. The following table sets forth the TANs issued by the State Treasurer for the past ten fiscal years.

**TABLE 10  
TAX ANTICIPATION NOTES  
Fiscal Years 2006-2015**

<b>Fiscal Year</b>	<b>External Notes (\$000)</b>	<b>Note Payment Account Fully Funded</b>
2006	\$ 260,000	04/21/2006
2007	100,000	04/24/2007
2008	400,000	05/07/2008
2009	600,000	06/06/2009
2010	500,000	04/23/2010
2011	500,000	05/05/2011
2012	500,000	04/24/2012
2013	500,000	04/16/2013
2014	500,000	04/21/2014
2015	475,000	04/23/2015

Source: Idaho State Treasurer

## Series 2014 Notes

The State issued \$475 million in Tax Anticipation Notes, Series 2014 (the "2014 Notes"), on July 1, 2014, to mature on June 30, 2015. The 2014 Notes were issued in anticipation of the income and revenues and taxes to be received by the General Fund during the fourth quarter of Fiscal Year 2015. In accordance with the Act, all income and revenues from the taxes collected during the fourth quarter of Fiscal Year 2015 were deposited into the Series 2014 Note Payment Account as received until the monies therein, together with investment earnings, were sufficient to pay principal of and interest on the 2014 Notes at maturity.

Sufficient monies to redeem the 2014 Notes with full payment of interest at maturity have been deposited into the Series 2014 Note Payment Account held by the Escrow/Paying Agent and irrevocably set aside solely for the June 30, 2015, payment of the principal of and interest on the 2014 Notes. The State Treasurer began funding the Series 2014 Note Payment Account on January 28, 2015, and had deposited into the Series 2014 Note Payment Account as of April 23, 2015, a total of \$484,473,611, fully funding the Series 2014 Note Payment Account.

### **Authorized Investments**

State law, Idaho Code Section 67-1210, and the State Treasurer's Investment Policy direct the investment of State funds in direct obligations of the Federal Government, FDIC-insured certificates of deposit from banks located in the State, collateralized repurchase agreements, or other investment instruments as specified in the Code. The average maturity of the State's investment portfolio was 354 days as of March 31, 2015.

Monies in the Note Payment Account will be invested in direct obligations of the Federal Government and in certain fully collateralized investments permitted under Section 67-1210, Idaho Code. The State Treasurer has covenanted not to invest monies in the Note Payment Account in debt obligations of the State, its political subdivisions, or taxing districts or authorities. The State Treasurer has also covenanted to invest all monies in the Note Payment Account in securities that mature no later than June 30, 2016.

## **STATE FINANCES**

### **Annual Balanced Budget Requirement**

Article VII, Section 11, of the Constitution requires the State of Idaho to have a balanced budget annually and reads as follows.

*“Expenditure not to exceed appropriation.* No appropriation shall be made, nor any expenditure authorized by the legislature, whereby the expenditure of the state during any fiscal year shall exceed the total tax then provided for by law, and applicable to such appropriation or expenditure, unless the legislature making such appropriation shall provide for levying a sufficient tax, not exceeding the rates allowed in section nine of this article, to pay such appropriation of expenditure within such fiscal year. This provision shall not apply to appropriations or expenditures to suppress insurrection, defend the state, or assist in defending the United States in time of war.” In addition to the constitutional requirement for a balanced budget, Sections 67-3512 and 67-3512A, Idaho Code, provide authority to the Governor and the Board of Examiners to reduce appropriations in order to meet the constitutional balanced budget requirement.

State statutes further provide the following:

*“67-3512 Reduction of legislative appropriations.* Any legislative appropriation made for any department, office or institution of the state may be reduced in amount by the state board of examiners upon investigation and report of the administrator of the division of financial management; provided, that before such reduction is ordered the head of such department, office or institution shall be allowed a hearing before said state board of examiners and may at such hearing present such evidence as he may see fit. No reduction of legislative appropriations made to executive department agencies shall be made without hearing unless and until the head of such department, office or institution shall file his consent in writing thereto. No reduction of legislative appropriations for the elected officers in the executive department shall be made to a level which prohibits the discharge of constitutional duties. No reduction of legislative appropriations for the legislative and judicial departments shall be made without the permission in writing of the head of such department.”

*“67-3512A Temporary reduction of spending authority.* Whenever the governor as chief budget officer of the state may determine that the expenditures authorized by the Legislature for the current fiscal year shall exceed anticipated moneys available to meet those expenditures, the governor by executive order may reduce the spending authority on file in the office of the state controller for any department, office or institution of the state; provided, that no reduction of spending authority for the elected officers in the executive department shall be made to a level which prohibits the discharge of constitutional duties and provided that no reduction of spending authority for the legislative and judicial departments shall be made without the permission in writing of the head of such department. The head of any executive department, office or institution of the state may appeal the temporary reduction of spending authority to the state board of examiners, and the state board of examiners may, after hearing and consideration of evidence, restore said spending authority to its original level or to such lesser level as may be required to assist the state in maintaining a balanced budget. The governor may not temporarily reduce spending authority to a level lower than that required to insure that state expenditures do not exceed

revenues. A temporary reduction of spending authority pursuant to this section shall not result in a reduction of appropriation. The governor at any time by executive order may restore spending authority which has been temporarily reduced to its original level.”

### **Statewide Accounting Policies and Practices**

The Statewide Accounting and Reporting System is an accounting, financial reporting, and budgetary control system; it is the accounting system of record for the State and is maintained by the State Controller. The State maintains records on a budgetary (cash) basis during the fiscal year and records accrual entries for financial reporting purposes at fiscal year end.

The State Treasurer is responsible for the receiving and disbursement of all State monies, management of all bank accounts, and investments of cash not required to meet immediate needs. Some funds are invested separately, and the remaining cash balances are combined for investment purposes. All interest earned is credited to the General Fund unless otherwise required by law or policy.

### **Financial Reporting and Budgeting**

The State produces a Comprehensive Annual Financial Report (“CAFR”) in accordance with generally accepted accounting principles as defined by the Government Accounting Standards Board. The State’s CAFR can be viewed at <http://www.sco.idaho.gov>. The CAFR has received unqualified audit opinions from the State’s Legislative Service auditors and the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association every year since 1997.

The State Division of Financial Management (“DFM”) prepares the Governor’s Executive Budget, monitors legislative action involving the budget, and produces the revenue and economic forecasts. The Governor’s Executive Budget, the Budget Activity Summary, which includes legislative action taken through the 2015 session and delineates changes to the Governor’s budget, and the General Fund Revenue Book are all available at <http://www.dfm.idaho.gov>.

### **Revenue Projection Process**

The Legislature has not produced its own revenue forecast since 1993. However, the Legislature’s Joint Economic Outlook and Revenue Assessment Committee (the “EORAC”) meets at the beginning of the legislative session to review the executive revenue forecast and advise legislative leadership concerning the viability of that forecast.

The Legislature and the Governor have a constitutional responsibility to achieve a balanced budget. In January 2015, the EORAC recommended that the Governor’s Fiscal Year 2015 General Fund revenue projection of \$2,964.5 million was reasonable. Further, the EORAC concluded that the Governor’s Fiscal Year 2016 General Fund revenue projection of \$3,127.6 million was reasonable to begin the Fiscal Year 2016 budgeting process.

### **Executive Revenue Forecasts**

The executive branch forecasts General Fund revenues for use in the development of the Executive Budget and for management of current year fiscal operations. Official executive revenue forecasts are released two times each year, and monthly revenues are monitored year-round on an on-going basis. The semiannual forecast update cycle results in three separate executive revenue forecasts for each fiscal year. The first occurs in January, six months before the start of the fiscal year in question. The second is in August, at the beginning of the fiscal year in question. The third and final forecast is in January, midway through the fiscal year in question.

## Unobligated Cash Balances

The General Fund unobligated cash balance for the past ten years is listed below. These figures represent the ending cash balance less encumbrances.

**TABLE 11**  
**UNOBLIGATED CASH BALANCES**

<b>Fiscal Year</b>	<b>Unobligated Cash Balance</b>
2005	\$ 211,041,000
2006	298,659,000
2007	247,274,000
2008	223,925,000
2009	13,500
2010	37,500
2011	68,618,000
2012	99,604,600
2013	79,952,900
2014	44,432,700
2015 (est.)	42,517,000

Source: Division of Financial Management

## STATE RESERVE FUNDS

The balances in the Budget Stabilization Fund (the “BSF”), the Economic Reserve Fund, the Public Education Stabilization Fund, and the Higher Education Stabilization Fund at fiscal year-end are shown below. A full description of each fund is included in this section.

**TABLE 12**  
**STATE RESERVE FUNDS**

<b>Fiscal Year</b>	<b>Budget Stabilization Fund</b>	<b>Economic Recovery Reserve Fund</b>	<b>Public Education Stabilization Fund</b>	<b>Higher Education Stabilization Fund</b>
2011	\$ 99,672	\$ 53,743	\$ 11,153,960	\$ -
2012	23,869,018	55,890	36,967,877	367,129
2013	135,138,343	56,537	49,049,315	942,475
2014	161,514,107	56,708	72,850,736	3,227,299
2015 (est.)	189,668,407	56,889	92,638,754	3,507,558
2016 (est.)	219,203,607	20,057,069	92,806,754	3,783,159

Source: Division of Financial Management

### Budget Stabilization Fund

Section 57-814, Idaho Code, creates the BSF in the State Treasury for the purpose of meeting General Fund revenue shortfalls and to meet expenses incurred as the result of a major disaster declared by the Governor. Interest earnings from the investment of moneys in this fund by the State Treasurer will be credited to the Permanent Building Account subject to the provisions of Section 67-1210, Idaho Code.

If the State Controller certifies that the receipts to the General Fund for the fiscal year just ending have exceeded the receipts of the previous fiscal year by more than 4%, then the State Controller will transfer all General Fund collections in excess of 4% to the BSF, up to a maximum of 1% of the actual General Fund collections of the fiscal year just ending. The amount of money in the BSF may not exceed 10% of the total General Fund receipts for the fiscal year just ending. Appropriations of moneys from the BSF in any year will be limited to 50% after the fund balance has reached 10% of the total General Fund receipts for that fiscal year.

Senate Bill 312aa, passed in the 2015 legislative session, sets aside the current provisions of Section 57-814, Idaho Code, until May 31, 2017. During the two-year period, the bill states that, if the State Controller certifies that the receipts to the

General Fund for the fiscal year just ending have exceeded the receipts of the previous fiscal year by more than 4%, then the State Controller will transfer all General Fund collections in excess of 4% to the BSF, up to a maximum of 1% of the actual General Fund collections of the fiscal year just ending. The State Controller will make the transfer upon the financial close of the current fiscal year. Additionally Senate Bill 312aa removed the 10% balance cap on the fund and specifies that any excess cash balance in the General Fund at the end of the fiscal year be transferred to the BSF (50%) and the Idaho Transportation Department Strategic Initiatives Program Fund (50%).

### **Economic Recovery Reserve Fund**

Section 67-3520, Idaho Code, creates in the State Treasury the Economic Recovery Reserve Fund (the “ERRF”) for the purpose of meeting General Fund revenue shortfalls, meeting expenses incurred as the result of a major disaster declared by the Governor, or providing one-time tax relief payments to the citizens of the State. Moneys in the ERRF consist of moneys remitted pursuant to Section 63-2520, Idaho Code. Interest earnings from the investment of moneys in this fund by the State Treasurer will be retained in the ERRF. Senate Bill 1190, passed in the 2015 legislative session, directs the State Controller to transfer \$20,000,000 from the General Fund to the Economic Recovery Reserve Fund in Fiscal Year 2016, to be set aside for expenditures related to the 27th payroll in Fiscal Year 2017.

### **Public Education Stabilization Fund**

The Public Education Stabilization Fund (the “PESF”) has been created in the State Treasury as a fund detail of the Public School Income Fund. The PESF consists of moneys transferred to the fund according to the provisions of Sections 33-905 and 33-1018, Idaho Code, and any other moneys made available through legislative transfers or appropriations. Moneys in the PESF are continuously appropriated for the purposes stated in Sections 33-1018 and 33-1018B, Idaho Code, and may only be expended for the purposes stated in Sections 33-1018, 33-1018A and 33-1018B, Idaho Code. Interest earned from the investment of moneys in the PESF will be retained in the PESF. Any accumulated balances in the PESF that are in excess of 8.334% of the current fiscal year’s total appropriation of State funds for public school support will be transferred to the State Bond Levy Equalization Support Program (the “Bond Levy Program”) Fund.

Senate Bill 1186, passed in the 2015 legislative session, directs the State Controller to transfer \$21,500,000 from the Consumer Protection Fund in the Office of the Attorney General to the PESF during Fiscal Year 2015.

### **Higher Education Stabilization Fund**

The Higher Education Stabilization Fund (the “HESF”) has been created in the State Treasury. The HESF creates a strategic reserve to be utilized as a mitigation tool to minimize the impact of economic downturns on higher education in the State. Funding for the HESF is generated from two revenue sources, flowing into three accounts. The first account is established through the interest generated from the submission of tuition and fees to the State General Account. The second and third accounts are funded through the appropriation of surplus monies in times of economic abundance.

## **RECENT DEVELOPMENTS**

### **Teacher Career Ladder Legislation**

The 2015 Legislature enacted and the Governor signed into law House Bill 296, “The Teacher Career Ladder.” This legislation is a significant change in how the State allocates funds to school districts for teacher salaries. Rather than basing salary apportionment solely on years of service and education credits, the career ladder bases salary apportionment on teacher proficiency as determined by the State-wide evaluation and student growth measures as determined at the local level. The career ladder does include additional compensation for teachers who attain more education and advanced degrees. The career ladder will be phased in over the course of five years in order to reach new competitive salary apportionment levels. At full implementation, apportionment for beginning teachers will be \$37,000; for teachers with more than three years’ experience, apportionment will be between \$42,500 and \$50,000. In addition to the base apportionment, teachers will also have the opportunity to earn a leadership premium and a master teacher premium.

### **Transportation**

The 2015 Legislature enacted and the Governor signed into law House Bill 312aa. The legislation increased registration fees on cars, light trucks and motorcycles by \$21 per year, motorcycles by \$10 per year, and commercial vehicles by \$25 per year. The legislation also increased the gas tax by seven cents per gallon to a rate of thirty-two cents per gallon. It is estimated that these increases will provide roughly \$95 million per year to the Transportation Department for highway projects.

In addition, HB 312aa requires the State Controller to transfer any excess cash balances from the General Fund to the Budget Stabilization Fund (50%) and the Idaho Transportation Department Strategic Initiatives Program Fund (50%) upon the financial close of the current fiscal year. This provision sunsets on May 31, 2017. See “State Reserve Funds—Budget Stabilization Fund.”

**Medicaid Expansion**

The State is still in the process of evaluating additional information, including private pay models, in order to make a policy recommendation on this subject.

**State Workers Pay**

Funding was provided for a Change in Employee Compensation that included a 3% ongoing increase for State employees based on merit. Funding was also provided to cover the increase in the employer premium cost for the employee health insurance benefit plan, and to adjust the minimum rates on the State employee salary schedule from 68% to 70% of policy.

**Grocery Tax Credit**

House Bill 588 was passed in 2008 increasing the income tax credit State residents receive as an offset for the sales tax they pay on groceries. The legislation incrementally increases the Grocery Tax Credit since 2008 until the full value of \$100 is reached. The fiscal impact of House Bill 588 is as follows:

**TABLE 13  
FISCAL IMPACT OF HOUSE BILL 588**

<b>Tax Year</b>	<b>Fiscal Year</b>	<b>Reduction</b>
2008	2009	\$50.1 million
2009	2010	65.3 million
2010	2011	76.3 million
2011	2012	89.7 million
2012	2013	103.5 million
2013	2014	118.6 million
2014	2015	130.4 million
2015	2016	142.4 million
2016	2017	144.6 million
2017	2018	146.8 million

*Source: Division of Financial Management*

**RECENT FINANCIAL INFORMATION REGARDING THE STATE**

In the following sections, all references to the original Fiscal Year 2016 and revised Fiscal Year 2015 executive revenue forecasts are based on forecasts that were produced in December 2014, published in the Fiscal Year 2016 Executive Budget, and presented to the EORAC in January 2015. The EORAC adopted General Fund revenue forecasts of \$2,965 million for Fiscal Year 2015 and \$3,128 million for Fiscal Year 2016. The following discussion of Fiscal Year 2016 and Fiscal Year 2015 revenue detail is based solely on the published executive revenue forecasts.

## Fiscal Year 2016

*General.* The total amount of General Funds forecasted to be available in Fiscal Year 2016 is \$3,172,007,440, with an expected ending cash balance of \$8,962,740, as shown below:

**TABLE 14**  
**GENERAL FUND BALANCE, FISCAL YEAR 2016**

Beginning Balance	\$ 54,517,047
Original Projected Revenues	3,127,643,893
Net Revenue Adjustments <sup>(1)</sup>	<u>(10,153,500)</u>
Total Available General Funds	\$ 3,172,007,440
Original Appropriations	\$ (3,071,860,500)
Transfers to other funds	(79,184,200)
Prior year encumbrances	(12,000,000)
Miscellaneous Adjustments	<u>-</u>
Expected General Fund Ending Balance	\$ 8,962,740

(1) Resulting from law changes enacted during the 2015 legislative session.

The following discussion of specific revenue categories is based on the Fiscal Year 2016 Executive Budget published and presented to the Legislature in January 2015.

*Individual Income Tax.* The individual income tax is the largest component of General Fund revenue, at \$1,488.58 million in Fiscal Year 2016. It is expected to grow by 5.3%, or \$75.4 million, from Fiscal Year 2015, reflecting the continuing economic recovery in the State. Several laws enacted during the 2015 legislative session impact the Fiscal Year 2016 individual income tax forecast and are not reflected in the original executive forecast. Combined, these actions decrease the Fiscal Year 2016 individual income tax forecast by \$139,000 to \$1,488.44 million.

*Corporate Income Tax.* The corporate income tax is forecast to grow by 6.2% in Fiscal Year 2016, an increase of \$12.35 million to a total of \$212.48 million. House Bill 77 (tax conformity), enacted during the 2015 legislative session, impacts corporate income tax and reduces revenue by \$7 million. This action decreases the Fiscal Year 2016 corporate income tax forecast to \$205.4 million.

*Sales Tax.* The sales tax is forecast to grow by 5.5% in Fiscal Year 2016, an increase of \$65.66 million to a total of \$1,269.99 million. Several laws enacted during the 2015 legislative session impact sales tax revenue in Fiscal Year 2016. Combined, these actions decrease the Fiscal Year 2016 sales tax forecast by \$4.4 million to \$1,265.58 million.

*Product Taxes.* General Fund revenues from product taxes are forecasted to grow by 8.4% in Fiscal Year 2016, an increase of \$3.76 million. Senate Bill 1187 adjusts the cigarette taxes needed for bond levy equalization. This action increases the Fiscal Year 2016 product taxes forecast to \$49.96 million.

*Miscellaneous Revenues.* Miscellaneous revenues are projected to increase by 5.9% in Fiscal Year 2016, an increase of \$6.03 million to a total of \$107.8 million. Two bills enacted in the 2015 legislative session will reduce the miscellaneous revenue forecast by \$552,000 to \$107.31 million.

**Fiscal Year 2015**

*General.* The total amount of General Funds forecasted to be available in Fiscal Year 2015 is \$3,042,367,603, with an expected ending cash balance of \$54,517,047, as shown below:

**TABLE 15  
GENERAL FUND BALANCE, FISCAL YEAR 2015**

Beginning Balance <sup>(1)</sup>	\$ 58,339,153
Original Projected Revenues	2,964,497,250
Miscellaneous Adjustments	(1,924,800)
Non-Revenue Receipts and Notes Interest	21,456,000
Total Available General Funds	<u>\$ 3,042,367,603</u>
Original Appropriations	\$ (2,936,096,600)
Prior year encumbrances	(13,906,456)
Supplemental Appropriations	20,179,700
Deficiency Warrants	(17,981,900)
Transfers to other funds	(30,931,300)
Estimated Year end encumbrances	12,000,000
Non-operating disbursements and Notes Interest	(21,114,000)
Expected General Fund Ending Balance	<u>\$ 54,517,047</u>

(1) Consists of \$44.433 million unrestricted plus \$13.906 million encumbrance reserve.

The current Fiscal Year 2015 General Fund revenue forecast of \$2,964.49 million is \$149.07 million (5.3%) higher than the actual revenues received in Fiscal Year 2014.

**TABLE 16  
GENERAL FUND REVENUE**

<b>General Fund Revenue Category</b>	<b>FY 2015 Forecast</b>	<b>Increase (Decrease) over FY 2014</b>	<b>% Increase (Decrease) over FY 2014</b>
Individual Income Tax	\$ 1,413,229,468	\$ 83,964,906	6.3%
Corporate Income Tax	200,132,199	11,840,774	6.3%
Sales Tax	1,204,333,520	58,601,735	5.1%
Product Taxes	44,959,860	1,144,947	2.6%
Miscellaneous Revenues	101,842,203	(6,484,420)	-6.0%
Total	\$ 2,964,497,250	\$ 149,067,942	5.3%

**Fiscal Year 2014**

*General.* General Funds available in Fiscal Year 2014 were \$2,915,796,185, with an ending cash balance of \$58,339,153, as shown below:

**TABLE 17  
GENERAL FUND BALANCE, FISCAL YEAR 2014**

Beginning Balance	\$ 91,104,143
Actual Revenues	2,815,429,308
Transfers from other funds	6,430,773
Miscellaneous Adjustments	2,831,961
Total Available General Funds	\$ 2,915,796,185
Original Appropriations	\$ (2,781,023,800)
Prior year encumbrances	(10,651,811)
Reversions	6,155,755
Supplemental Appropriations	(8,440,600)
Transfers to other funds	(78,250,764)
Miscellaneous Adjustments	847,732
Encumbrance Reserve	13,906,456
General Fund Ending Balance	\$ 58,339,153

Actual General Fund revenue increased 2.4% in Fiscal Year 2014. This was \$7.2 million, or 0.3%, above the revised executive forecast for Fiscal Year 2014. The following table provides a summary of the major categories of General Fund revenue for Fiscal Year 2014 with a comparison to the Fiscal Year 2014 executive forecast and to actual revenues received in Fiscal Year 2013.

**TABLE 18  
GENERAL FUND REVENUE**

General Fund Revenue Category	FY 2014 Actual	Increase (Decrease) over FY 2014	% Increase (Decrease) over FY 2014 Forecast	Increase (Decrease) over FY 2013	% Increase (Decrease) over FY 2013
Individual Income Tax	\$ 1,329,264,562	\$ 9,467,462	0.7%	\$ 44,880,633	3.5%
Corporate Income Tax	188,291,425	(5,539,375)	-2.9%	(10,367,625)	-5.2%
Sales Tax	1,145,731,785	(2,337,815)	-0.2%	35,903,254	3.2%
Product Taxes	43,814,913	(161,487)	-0.4%	(6,036,546)	-12.1%
Miscellaneous Revenues	108,326,623	5,780,723	5.6%	765,681	0.7%
Total	\$ 2,815,429,308	\$ 7,209,508	0.3%	\$ 65,145,397	2.4%

**Additional Information**

The tables on the following two pages provide historical information on the State’s revenues and expenditures, as well as the Fiscal Year 2016 General Fund budget.

**TABLE 19**  
**STATE OF IDAHO**  
**GENERAL FUND**  
**SUMMARY OF THE FISCAL YEAR 2016 BUDGET**  
**(CASH BASIS)**

(000s omitted)	<b>BUDGET</b>	<b>PERCENT</b>
<b>UNOBLIGATED CASH BALANCE JUNE 1</b>	<b>\$ 42,517</b>	
Add Beginning Encumbrances	12,000	
Beginning Cash Balance	<u>\$ 54,517</u>	
<b>REVENUES</b>		
Individual Income Tax	\$ 1,488,445	47.77%
Corporate Income Tax	205,402	6.59%
Sales Tax	1,265,581	40.61%
Cigarette Tax	7,900	0.25%
Tobacco Tax	10,109	0.32%
Beer and Wine Tax	6,353	0.20%
Kilowatt Tax	1,900	0.06%
Mine License Tax	600	0.02%
Liquor Surcharge	25,605	0.82%
Estate Tax	-	0.00%
Insurance Premium Tax	62,924	2.02%
Total Taxes	<u>\$ 3,074,819</u>	98.66%
State Treasurer	353	0.01%
Court Fines	4,921	0.16%
Miscellaneous	<u>36,617</u>	1.17%
<b>TOTAL REVENUES</b>	<b>\$ 3,116,710</b>	<b>100.00%</b>
Transfers & Non- Revenue Receipts	<u>780</u>	
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>\$ 3,117,490</b>	
<b>EXPENDITURES</b>		
Public Schools	\$ 1,475,784	46.66%
Higher Education	344,105	10.88%
Health and Welfare	649,481	20.53%
All Others	<u>693,675</u>	21.93%
<b>TOTAL APPROPRIATED EXPENDITURES</b>	<b>\$ 3,163,045</b>	<b>100.00%</b>
Nonoperating Disbursements	\$ -	
Net Interest Revenues/Expenses on TAN	<u>-</u>	
Ending Cash Balance	\$ 8,962	
Less Encumbrances/Reappropriations	<u>-</u>	
<b>UNOBLIGATED CASH BALANCE JUNE 30</b>	<b>\$ 8,962</b>	

Note: Totals may not foot due to rounding.

Source: Division of Financial Management

**TABLE 20**  
**STATE OF IDAHO**  
**STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES**  
**FISCAL YEARS 2011-2015**  
**(Cash Basis)**

(000s omitted)	2015 <sup>(1)</sup>	% of Total	2014	% of Total	2013	% of Total	2012	% of Total	2011	% of Total
<b>UNOBLIGATED CASH BALANCE JULY 1</b>	\$ 44,432		\$ 79,953		\$ 99,606		\$ 68,618		\$ 38	
Add Beginning Encumbrances/Reappropriations	13,907		11,151		8,923		9,694		11,400	
Beginning Cash Balance	\$ 58,339		\$ 91,104		\$ 108,529		\$ 78,312		\$ 11,438	
<b>REVENUES</b>										
Individual Income Tax	\$ 1,413,155	47.85%	\$ 1,329,265	46.89%	\$ 1,284,384	45.70%	\$ 1,226,438	47.39%	\$ 1,152,651	47.15%
Corporate Income Tax	189,512	6.42%	188,291	6.64%	198,659	7.07%	166,983	6.45%	168,950	6.91%
Sales Tax	1,203,962	40.76%	1,145,732	40.42%	1,109,829	39.49%	1,027,344	39.70%	972,380	39.78%
Cigarette Tax	3,338	0.11%	3,696	0.13%	13,077	0.47%	11,610	0.45%	14,400	0.59%
Tobacco Tax	9,961	0.34%	9,884	0.35%	10,013	0.36%	8,930	0.35%	8,480	0.35%
Beer and Wine Tax	6,181	0.21%	6,026	0.21%	5,837	0.21%	5,390	0.21%	5,180	0.21%
Kilowatt Tax	1,800	0.06%	1,840	0.06%	1,920	0.07%	2,980	0.12%	2,430	0.10%
Mine License Tax	500	0.02%	519	0.02%	531	0.02%	2,030	0.08%	1,540	0.06%
Liquor Surcharge	25,480	0.86%	24,210	0.85%	20,925	0.74%	17,250	0.67%	14,760	0.60%
Insurance Premium Tax	56,735	1.92%	59,356	2.09%	55,622	1.98%	56,580	2.19%	54,120	2.21%
Total Taxes	\$ 2,910,624	98.55%	\$ 2,768,819	97.66%	\$ 2,700,797	96.11%	\$ 2,525,535	97.61%	\$ 2,394,891	97.96%
State Treasurer	\$ (337)	-0.01%	\$ (366)	-0.01%	\$ 356	0.01%	\$ (600)	-0.02%	\$ (43)	0.00%
Court Fines	4,919	0.17%	4,356	0.15%	4,592	0.16%	4,850	0.19%	5,120	0.21%
Estate Tax	-	0.00%	304	0.01%	63	0.00%	(20)	0.00%	52	0.00%
Miscellaneous	38,225	1.29%	61,551	2.17%	104,526	3.72%	58,003	2.23%	44,459	1.82%
<b>TOTAL REVENUES</b>	<b>\$ 2,953,431</b>	<b>100.00%</b>	<b>\$ 2,834,664</b>	<b>99.98%</b>	<b>\$ 2,810,334</b>	<b>100.00%</b>	<b>\$ 2,587,768</b>	<b>100.01%</b>	<b>\$ 2,444,479</b>	<b>100.00%</b>
<b>EXPENDITURES</b>										
Public Schools	\$ 1,374,598	46.33%	\$ 1,307,507	45.58%	\$ 1,374,598	48.60%	\$ 1,223,582	47.13%	\$ 1,274,214	51.84%
Higher Education	331,358	11.17%	309,988	10.81%	288,018	10.18%	264,052	10.17%	289,242	11.77%
Health and Welfare	620,119	20.90%	606,216	21.13%	606,100	21.43%	530,088	20.42%	436,085	17.74%
All Others	640,662	21.59%	644,981	22.48%	559,880	19.79%	578,319	22.28%	458,585	18.66%
<b>TOTAL APPROPRIATED EXPENDITURES</b>	<b>\$ 2,966,737</b>	<b>99.99%</b>	<b>\$ 2,868,692</b>	<b>100.00%</b>	<b>\$ 2,828,596</b>	<b>100.00%</b>	<b>\$ 2,596,041</b>	<b>100.00%</b>	<b>\$ 2,458,126</b>	<b>100.00%</b>
Nonoperating Rec./Disb. (Net)	\$ 18,958		\$ 11,235		\$ 10,726		\$ 48,434		\$ 90,493	
Interest Expense on TAN	(9,474)		(9,972)		(9,889)		(9,944)		(9,972)	
Ending Cash Balance	\$ 54,517		\$ 58,339		\$ 91,104		\$ 108,529		\$ 78,312	
Less Encumbrances/Reappropriations	(12,000)		(13,907)		(11,151)		(8,923)		(9,694)	
<b>UNOBLIGATED CASH BALANCE JUNE 30</b>	<b>\$ 42,517</b>		<b>\$ 44,432</b>		<b>\$ 79,953</b>		<b>\$ 99,606</b>		<b>\$ 68,618</b>	

(1) 2015 based on actual figures through May and projections for June.

Source: Division of Financial Management

## GENERAL TAX REVENUES

The following General Tax Revenues are the sources for the repayment of principal of and interest on the Notes.

### Individual Income Tax (Title 63, Chapter 30, Idaho Code)

Collections from the individual income tax are based on a graduated scale of tax rates from 1.6% up to 7.4% effective January 1, 2012 (7.8% prior to that date), that are applied to brackets of Idaho taxable income. Although the State conforms to most of the federal income tax provisions for determining taxable income, a number of differences exist. The State's definition of taxable income excludes 100% of social security income, 60% of certain capital gains, and 100% of interest earned on U.S. government securities.

Since the enactment of the State's income tax in 1931, all net tax liability, interest, and penalties have been distributed to the General Fund. Beginning in Fiscal Year 2001, withholding collections on State lottery winnings are distributed to public schools and counties. An amount equal to 20% of the individual income taxes collected by the State Tax Commission is required by statute to be deposited in the State Refund Account. Any balance exceeding \$1,500,000 in the State Refund Account on June 30 each fiscal year is transferred to the General Fund. A filing tax of \$10 per tax return is assessed, with proceeds distributed to the Permanent Building Fund.

**TABLE 21**  
**STATE OF IDAHO**  
**INDIVIDUAL INCOME TAX**  
**INDIVIDUAL INCOME TAX NET COLLECTIONS**

Fiscal Year	General Fund	Permanent Building Fund	Total
2005	\$ 1,035,542,464	\$ 5,160,470	\$ 1,040,702,934
2006	1,216,486,694	5,408,550	1,221,895,244
2007	1,400,159,016	5,716,240	1,405,875,256
2008	1,429,738,794	6,389,550	1,436,128,344
2009	1,167,889,064	6,378,960	1,174,268,024
2010	1,061,875,201	6,064,810	1,067,940,011
2011	1,152,651,023	5,887,570	1,158,538,593
2012	1,206,406,502	5,793,320	1,212,199,822
2013	1,284,383,928	6,452,110	1,290,836,038
2014	1,329,264,562	6,297,350	1,335,561,912

Source: State Tax Commission

### Sales Tax (Title 63, Chapter 36, Idaho Code)

Sales tax collections are based on a flat percent applied to the sales price or value of all tangible personal property subject to sales and use taxation. Exemptions to the sales and use tax are provided by statute and include, but are not limited to:

- (i) tangible personal property used or consumed directly in the production of manufactured goods, minerals or agricultural products (production exemption),
- (ii) gas, water and electricity sold to consumers,
- (iii) equipment and supplies used in agricultural irrigation,
- (iv) the value of traded-in merchandise,
- (v) prescription drugs and durable medical equipment,
- (vi) pollution control equipment required by a state or federal agency,
- (vii) equipment used in clean rooms by semi-conductor manufacturing business,
- (viii) tangible personal property primarily devoted to broadcasting,
- (ix) tangible personal property primarily used in research and development activities,
- (x) application software that is only accessible over the internet or through wireless media,

- (xi) aircraft primarily used to transport passengers or freight for hire as well as commercial aircraft parts maintenance and service,
- (xii) tangible personal property primarily used for logging, and
- (xiii) prescription eyeglasses and prescription contacts.

Sales tax rates since inception of the tax have been as follows:

**TABLE 22  
SALES TAX RATES**

<u>Date</u>	<u>Sales Tax Rate</u>
July 1, 1965 - February 28, 1983	3.0%
March 1, 1983 - May 31, 1983	4.0%
June 1, 1983 - June 30, 1984	4.5%
July 1, 1984 - March 31, 1986	4.0%
April 1, 1986 - April 30, 2003	5.0%
May 1, 2003 - June 30, 2005	6.0%
July 1, 2005 - September 30, 2006	5.0%
October 1, 2006	6.0%

The net sales tax revenue is distributed as follows:

- (i) 11.50% of net collections to revenue sharing (cities and counties);
- (ii) \$5,000,000 per year to the Permanent Building Fund;
- (iii) \$4,800,000 per year to the Water Pollution Control Fund;
- (iv) Such amount as the Tax Commission certifies is needed to fund the Circuit Breaker Program (\$15,728,000 in Fiscal Year 2014);
- (v) \$8,487,103 in Ag Property Relief to counties and schools;
- (vi) Since Fiscal Year 2008, amounts necessary to pay refunds to a developer of a retail commercial complex, up to \$35 million per project (\$5,436,000 in Fiscal Year 2014);
- (vii) Beginning in Fiscal Year 2014, \$18.9 million per year to counties and other local governments to offset the impact of the Personal Property Tax Exemptions;
- (viii) \$4.2 million distribution in Fiscal Year 2012 to counties to defray costs associated with elections; and
- (ix) Remaining net collections to the General Fund.

**TABLE 23  
STATE OF IDAHO  
TAXABLE SALES AND USE TAXABLE SALES  
(000s omitted)**

<u>Calendar Year</u>	<u>Amount</u>	<u>Calendar Year</u>	<u>Amount</u>
2005	\$ 20,174,827	2010	\$ 18,126,298
2006	21,569,588	2011	20,949,446
2007	22,755,610	2012	20,739,865
2008	21,522,856	2013	22,315,731
2009	19,508,659	2014	25,692,927

Source: State Tax Commission

**Corporate Income Tax (Title 63, Chapter 30, Idaho Code)**

Collections from the corporate income tax are based on a flat rate of 7.4%, effective January 1, 2012 (7.6% prior to that date), applied to taxable income. State law adopts the provisions of the IRC with the exceptions of the investment tax credit and bonus depreciation provided for in IRC Section 168(k).

An amount equal to 20% of the corporate income taxes collected by the State Tax Commission is deposited in the State Refund Account. Any balance exceeding \$1,500,000 in the State Refund Account at the end of the year is transferred to the General Fund. An additional filing tax of \$10 per tax return is assessed, with proceeds distributed to the Permanent Building Fund. All other revenues from the corporate income tax accrue to the General Fund.

**TABLE 24**  
**STATE OF IDAHO**  
**CORPORATE NET INCOME TAX**

Fiscal Year	General Fund Receipts	Permanent Building Fund	Total
2004	\$ 103,014,975	\$ 367,770	\$ 103,382,745
2005	139,561,498	337,050	139,898,548
2006	194,125,114	340,816	194,465,930
2007	190,222,155	497,056	190,719,211
2008	189,283,508	471,092	189,754,600
2009	141,025,367	503,570	141,528,937
2010	97,021,048	490,255	97,511,303
2011	168,949,756	455,347	169,405,103
2012	187,014,165	453,269	187,467,434
2013	198,659,049	542,984	199,202,033
2014	188,291,425	479,133	188,770,558

Source: State Tax Commission

**Other Taxes**

*Cigarette Tax (Title 63, Chapter 25, Idaho Code).* Cigarette tax collections are based on a tax of 57 cents per pack of 20 cigarettes. The Public School Income Fund and Department of Juvenile Corrections each receive \$ 3,315,000. The Permanent Building Fund receives \$5,000,000. The Central Tumor Registry Fund receives \$120,000. The Cancer Control Fund receives \$300,000. The General Fund receives an amount needed to fund the Bond Levy Equalization Program. All remaining revenues flow to the Permanent Building Fund to be used to repair, remodel, and restore the Capitol and related facilities. After these projects are adequately funded, all remaining revenues will be distributed as follows. The first \$4,700,000 is deposited in the Grant Anticipation Revenue Vehicle (“GARVEE”) Debt Service Fund. The next \$5,000,000 is dedicated to the Secondary Aquifer Planning, Management, and Implementation Fund. All remaining revenue is deposited into the State Highway Account. After Fiscal Year 2019, the cigarette tax is distributed as follows: The Public Schools Income Fund and Department of Juvenile Corrections each receive \$3,315,000. The remaining amount per pack after refunds is distributed as follows: the Permanent Building Fund receives 17.3%, the Central Tumor Registry Fund receives 0.4% (to a maximum of the legislative appropriation), the Cancer Control Fund receives 1%, and the General Fund receives an amount needed to fund the Bond Levy Equalization Program. All remaining revenues are directed to the Economic Recovery Reserve Fund.

*Tobacco Tax (Section 63-2552, Idaho Code).* Tobacco tax collections are collected on the sale, use, consumption, handling or distribution of all tobacco products (except cigarettes) in the State at the rate of 40% of the wholesale sales price. Of that total, 35% goes to the General Fund; half of the remaining 5% is distributed to the Department of Juvenile Corrections, and the other half is distributed to the Public School Income Fund, with \$250,000 appropriated to the Idaho State Police.

*Beer Tax (Section 23-1008, Idaho Code).* Of the total tax of \$4.65 per 31-gallon barrel or equivalent that is levied on beer, \$0.93 goes to the Substance Abuse Treatment Fund, \$1.53 to the Permanent Building Fund and the remainder (\$2.19) to the General Fund. Beer containing more than 4% alcohol by weight is considered to be wine for tax purposes.

*Wine Tax (Section 23-1319, Idaho Code).* Wine sold in the State is taxed at a rate of \$0.45 per gallon of wine. Of that total, 12% goes to the Substance Abuse Treatment Fund, 5% goes to the Idaho Grape Growers and Wine Producers Commission Fund, and the remainder goes to the General Fund.

*Kilowatt Hour Tax (Title 63, Chapter 27, Idaho Code).* Revenue is derived from a one-half mill (\$0.0005) per kilowatt hour tax on hydro-generated electricity generated in the State. Power used by industrial consumers and for irrigation is exempt from this tax. All collections accrue to the General Fund.

*Mine License Tax (Title 47, Chapter 12, Idaho Code).* Revenue is derived from a 1% “profit” tax on State mining operations. For mining operations without a cyanidation facility, 66% is distributed to the General Fund. For mining operations with a cyanidation facility, 33% goes to the General Fund and 33% goes to the Cyanidation Facility Closure Fund. The balance of 34% for both types of mining operations goes to the Abandoned Mine Reclamation Fund.

*Liquor Fund (Sections 23-217 and 23-404, Idaho Code).* The State is a control state. Revenue is derived from liquor and related items sold by the Idaho State Liquor Division. State law provides for the distribution of profits from the Liquor Fund as follows:

- (i) The 2% surcharge on the sale of all liquor and related items goes to the Drug Court and Family Court Services Fund.
- (ii) 50% of profits is distributed as follows:
  - (a) Annual fixed distributions totaling \$5,650,000 to the Substance Abuse Treatment Fund, Community Colleges, Public Schools, Cooperative Welfare Fund, Court Services, and Court Supervision Fund.
  - (b) Remaining balance to the General Fund. (During Fiscal Year 2014, the General Fund’s share of profits totaled \$24,250,000.)
- (iii) 50% of profits is distributed as follows:
  - (a) 40% to counties in proportion to sales in each county.
  - (b) 60% to cities as follows: 90% to those incorporated cities with liquor stores in proportion to sales, and 10% to those incorporated cities without liquor stores in proportion to population.

*Insurance Premium Tax (Title 41, Chapter 4 and Section 59-1357, Idaho Code).* The Insurance Premium Tax was modified in 2004 to gradually reduce the premium tax rates of gross premiums written in the State over a six-year period. Premium tax rates were 1.5% in 2010 and will remain 1.5% thereafter. The rate on title insurance is 1.5%.

Prepayments based on the preceding calendar year's business at the current year's tax rate are due on or before June 15 (60%), September 15 (20%), and December 15 (15%), with any balance of tax due for the preceding calendar year due on or before March 1.

An amount up to 20% of premium tax received may be appropriated into the Insurance Refund Account for overpayment of any taxes, fines, and penalties or other erroneous receipts. Any unencumbered balance remaining in the refund account on June 30 of each year in excess of \$40,000 will be transferred back into the General Fund.

Approximately 95% of the estimated fire insurance premium tax is distributed from quarterly tax prepayments. One hundred percent of the estimated final fire insurance premium tax is distributed to the Fireman’s Retirement Fund on June 30 of each year.

A portion of the premium tax, not to exceed \$200,000 in one fiscal year, is distributed to the Insurance Insolvency Administrative Fund to cover administrative costs incurred by the department in placing insurance companies into receivership or supervision. One hundred thousand dollars will be maintained in this fund on June 30 of each year.

If the premium tax collected exceeds \$45 million, then 25% of such excess is transferred to the Idaho High Risk Individual Reinsurance Pool. Twenty-five percent of any excess above \$55 million is paid to the Idaho Health Insurance Access Card Fund. These provisions are scheduled to sunset on October 1, 2015, and the revenues will revert to the General Fund.

## **RETIREMENT SYSTEMS**

### **Public Employee Retirement System of Idaho**

*Overview.* The Public Employee Retirement System of Idaho (“PERSI”) is the retirement system for State public employees. Participation in PERSI is mandatory for eligible State and school district employees and is available to other

public employers (e.g., political subdivisions) and their employees on a contractual basis. As of June 30, 2014, PERSI had 66,223 active members, 28,273 inactive members (of whom 11,504 are entitled to vested benefits), and 40,776 retired members or annuitants. PERSI collects contributions from employees and employers to fund retirement, disability, death, and separation benefits, as provided by Idaho Code.

PERSI is the administrator of six fiduciary funds, including two defined benefit retirement plans, the Public Employee Retirement Fund Base Plan (“PERSI Base Plan”) and the Firefighters’ Retirement Fund (“FRF”); two defined contribution plans, the Public Employee Retirement Fund Choice Plans 401(k) and 414(k) (“PERSI Choice Plans”); and two Sick Leave Insurance Reserve Trust Funds, one for State employers and one for school district employers. School district employees are allowed to apply one half of the eligible balance in their unused sick leave account at retirement to pay insurance premiums until the account is depleted. State employees are limited to one half of the number of available hours and further limited based on years of service.

PERSI is governed by a board (the “Retirement Board”) consisting of five members, each appointed by the Governor to fulfill a five-year term. PERSI staff oversees the investment of trust corpus and new contributions with professional investment managers and funding agents. The Retirement Board maintains fiduciary responsibility for investment policy, asset allocation and the selection of individual investment managers. The Retirement Board manages PERSI; its tasks include selecting the funding agents, establishing funding policy, and setting contribution rates.

PERSI prepares an Annual Financial Report. Information about this report may be obtained directly from PERSI, or on line at [www.persi.idaho.gov/investments/annual\\_financial\\_report.cfm](http://www.persi.idaho.gov/investments/annual_financial_report.cfm), which website address is not incorporated herein by reference. PERSI is a discretely presented component unit of the State, and its financial report is included in the State’s CAFR.

*Defined Benefit Retirement Plans.* The PERSI Base Plan and FRF are both cost-sharing, multiple-employer, defined benefit retirement plans that provide benefits based on members’ years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Title 59, Chapter 13, Idaho Code, governs the PERSI Base Plan; Title 72, Chapter 14, Idaho Code, governs FRF.

Members become fully vested in their retirement benefits with five years of credited service (five months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police and firefighters) of the average monthly salary for the highest consecutive 42 months.

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivision employers contribute to PERSI. The number of participating employer units in the PERSI Base Plan as of June 30, 2013, and June 30, 2014, is shown below:

**TABLE 25  
PARTICIPATING EMPLOYER UNITS**

	<b>2013</b>	<b>2014</b>
Cities	149	150
School Districts	160	163
Highway and Water Districts	129	130
State Subdivisions	95	95
Counties	42	42
Other	180	183
<b>Total</b>	<b>755</b>	<b>763</b>

*Source: Public Employee Retirement System of Idaho, 2014 Comprehensive Annual Financial Report*

**TABLE 26**  
**PRINCIPAL PARTICIPATING EMPLOYERS, -2014**

<b>Participating Employers</b>	<b>Covered Employees</b>	<b>Rank</b>	<b>% of Total</b>
State of Idaho	17,198	1	26%
West Ada School District <sup>(1)</sup>	3,432	2	5%
Boise Independent School District	2,987	3	5%
Ada County	1,614	4	2%
City of Boise	1,259	5	2%
Nampa School District	1,256	6	2%
Pocatello School District	1,162	7	2%
Bonneville School District	1,002	8	2%
Coeur d'Alene School District	979	9	1%
Idaho Falls School District	897	10	1%
All Other	34,437		52%
<b>Total</b>	<b>66,223</b>		<b>100%</b>

(1) Formerly Meridian School District.

*Source: Public Employee Retirement System of Idaho, 2014 Comprehensive Annual Financial Report*

The number of Base Plan benefit recipients and members in PERSI as of June 30, 2013, and June 30, 2014, is shown below:

**TABLE 27**  
**BENEFIT RECIPIENTS AND MEMBERS**

	<b>2013</b>	<b>2014</b>
Active Participants	65,535	66,223
Terminated and Vested Members	11,084	11,504
Retirees and Beneficiaries	38,974	40,776

*Source: Public Employee Retirement System of Idaho, 2014 Comprehensive Annual Financial Report*

FRF has 22 participating employer units, all consisting of fire departments also participating in PERSI. As of June 30, 2014, there were two active members and 547 retired members or beneficiaries collecting benefits from FRF. FRF covers a group of firefighters who were hired before October 1, 1980, and who receive benefits in addition to those provided under the PERSI Base Plan.

The benefit payments for the PERSI Base Plan and FRF are calculated using a benefit formula adopted by the Legislature. The PERSI Base Plan is required to provide a 1% minimum cost of living increase per year, provided the Consumer Price Index increases 1% or more in that year. The Retirement Board has the authority to provide higher PERSI Base Plan cost of living adjustment ("COLA") increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Legislature. The COLA increase for FRF is based on the increase in the Statewide average firefighter's wage.

PERSI Base Plan and FRF benefits are funded by contributions from members and employers and earnings from investments. Additional FRF funding is obtained from receipts from a State fire insurance premium tax. Member and employer contributions are paid as a percentage of applicable member compensation. PERSI Base Plan and FRF member contribution rates are determined by the Retirement Board within limitations as defined by State law. The Retirement Board may make periodic changes to employer and employee contribution rates. It may increase rates if current rates are actuarially determined to be inadequate to accumulate sufficient assets to pay benefits when due, or it may decrease rates if assets are actuarially determined to be in excess of the amount required to accumulate assets to pay benefits when due. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of PERSI. Costs of administering the fund are financed through the contributions and investment earnings of PERSI.

*Defined Contribution Retirement Plans.* The PERSI Choice Plans are defined contribution retirement plans, governed by Title 59, Chapter 13, Idaho Code, and made up of a qualified 401(k) plan and a 414(k) plan. The assets of the two plans within the PERSI Choice Plans are commingled for investment and recordkeeping purposes.

The 401(k) portion of the PERSI Choice Plans was established in 2001 and is open to all active PERSI members. This allows employees to make tax-deferred contributions of up to 100% of their gross salary, less deductions and subject to the Internal Revenue Service annual contribution limit, and provides for voluntary employer matching contributions at rates determined by the employers.

The 414(k) portion of the PERSI Choice Plans was established for gain sharing allocations from the PERSI Base Plan. The gain sharing amount (if any) is based on funding levels in the PERSI Base Plan and is subject to approval by the Retirement Board.

All 755 PERSI employer units are eligible to have participating employees in the PERSI Choice Plans. As of June 30, 2014, there were 42,021 participants with balances in the PERSI Choice Plans.

*Contributions.* PERSI’s funding policy for the PERSI Base Plan and FRF is determined by the Retirement Board within limitations defined by State law. Funding policy provides for periodic employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the Individual Entry Age Actuarial Cost Method for the PERSI Base Plan. Under the Individual Entry Age Actuarial Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. Unfunded actuarial accrued liability for FRF is the difference between the actuarial present value of the FRF benefits not provided by the base plan and the FRF assets. FRF amortizes any such unfunded liability based on level dollar amounts funded by employer contributions determined as a percentage of the earnings of all firefighters. The maximum amortization period for the PERSI Base Plan permitted under Section 59-1322, Idaho Code, is 25 years. The maximum amortization period for FRF permitted under Section 59-1394, Idaho Code, is 50 years. The payroll for employees covered by PERSI Base Plan and FRF was approximately \$2,705,995,000 and \$375,000, respectively, for the year ended June 30, 2014.

From 1994 to 2013, the total contribution rate has been between 15.82% and 18.75%. Historical changes in contribution rates since 1994 are shown in the following table.

**TABLE 28  
HISTORICAL CONTRIBUTION RATES**

Year of Change	Total Rate (%)	Weighted Total		Fire/Police		General/Teachers	
		Member Rate (%)	Employer Rate (%)	Member Rate (%)	Employer Rate (%)	Member Rate (%)	Employer Rate (%)
1994	18.75	7.12	11.63	8.53	11.85	6.97	11.61
1998	17.78	6.75	11.03	8.10	11.25	6.60	11.01
2000	15.78	5.98	9.80	7.21	10.01	5.86	9.77
2003	15.82	6.01	9.81	7.21	10.11	5.86	9.77
2004	16.84	6.41	10.43	7.65	10.73	6.23	10.39
2008	16.88	6.44	10.44	7.65	10.73	6.23	10.39
2009	16.89	6.45	10.44	7.69	10.73	6.23	10.39
2013	18.39	7.03	11.36	8.36	11.66	6.79	11.32

*Source: Public Employee Retirement System of Idaho, 2014 Comprehensive Annual Financial Report*

Contribution rates increases were scheduled for July 1, 2015 (1.5%) and July 1, 2016 (2.28%), but each has been canceled. The July 1, 2014, valuation found that PERSI’s current rates are sufficient to pay the normal cost rate of 14.34%. As of July 1, 2014, there was an unfunded actuarial liability of \$1,052.3 million. The rates, including the cancelled rate increases, in effect at July 1, 2014, were sufficient to amortize the UAAL in 11.6 years.

*Actuarial Valuation and Funding.* Annual actuarial valuations for PERSI are provided by an independent actuarial firm, which has provided the actuarial valuations for PERSI since PERSI’s inception. Every four years, a second actuarial firm is hired to review the work of the primary actuary. The July 1, 2014, actuarial valuation reported a UAAL of

\$1,052.3 million for the PERSI Base Plan, resulting in a funded ratio of 92.9% and an amortization period of 11.6 years, based on contribution rates established as of the valuation date, and includes the impact of the discretionary COLA.

*Summary of Actuarial Assumptions and Methods Effective July 1, 2012.* Actuarial assumptions and methods were adopted by the Retirement Board based upon recommendations from PERSI's independent actuary. The actuarial assumptions are based on studies of PERSI's actual experience, and include the following:

Rate of Assumed Investment Return:	7.50% compounded annually, including 0.50% for expenses.
Asset Valuation Adjustment (adopted July 1, 1994):	All assets are valued at market as of the valuation date. PERSI makes no smoothing adjustment.
Growth in Membership:	3.75% average annual expansion in the payroll of covered members.
Post-Retirement Benefit Increases:	Nondiscretionary 1.00% per year

*Funded Status:* Based on the July 1, 2014, actuarial valuation, the UAAL was decreased by \$1,146.6 million due to an asset gain recognized as of July 1, 2014. Specifically, PERSI's assets earned a gross return before expenses of 17.20%, which is 9.70% above the actuarial assumption of 7.50%. All other actuarial experience gains and losses further decreased the actuarial accrued liability by \$122.6 million. Thus, the total experience gain for the year was \$1,269.2 million.

Also, the unfunded actuarial accrued liability was decreased by \$1.3 million due to the one-year delay in the scheduled rate increases. The UAAL increased by \$76.2 million because of the update to the mortality assumptions. Also, the UAAL increased by \$23.6 million because actual contributions plus assumed investment returns were less than the normal cost and the interest on the unfunded actuarial accrued liability. The impact of the March 2015 discretionary COLA, including the Restoration of Purchasing Power pieces, was an increase in the UAAL of \$159.2 million. Finally, the cancellation of future rate increases decreased the UAAL by \$10.3 million.

All of these items resulted in a total actuarial gain of \$1,021.8 million and a change in funding status from an 85.3% funding ratio on July 1, 2013, to 92.9% on June 30, 2014. The funding ratio is the ratio of the actuarial value of the assets over the value of the actuarial accrued liability.

The following table displays the funded status on an actuarial value basis for the PERSI Base Plan:

**TABLE 29**  
**FUNDED STATUS ON ACTUARIAL VALUE BASIS**  
**(dollars in millions)**

Actuarial Valuation Date (July 1)	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) <sup>(1)</sup>	Present Value of Future ORP Contributions	Unfunded Actuarial Accrued Liabilities (UAAL) <sup>(2)</sup>	Funded Ratio <sup>(3)</sup>	Covered Payroll <sup>(4)</sup>	UAAL as a Percentage of Covered Payroll
2005	\$ 8,208.8	\$ 8,778.7	\$ 61.3	\$ 508.6	94.2%	\$ 2,208.7	23.0%
2006	9,177.1	9,699.0	60.2	461.7	95.2%	2,343.5	19.7%
2007	10,945.8	10,431.9	59.5	(573.4)	105.5%	2,421.0	(23.7%)
2008	10,402.0	11,211.8	60.9	748.9	93.3%	2,578.9	29.0%
2009	8,646.0	11,732.2	59.6	3,026.6	74.1%	2,683.5	112.8%
2010	9,579.8	12,187.9	52.3	2,555.8	78.9%	2,684.4	95.2%
2011	11,360.1	12,641.2	48.5	1,232.6	90.2%	2,627.9	46.9%
2012	11,306.2	13,396.7	47.0	2,043.5	84.7%	2,619.6	78.0%
2013	12,053.5	14,172.9	45.3	2,074.1	85.3%	2,697.6	76.9%
2014	13,833.1	14,928.1	42.7	1,052.3	92.9%	2,702.9	38.9%

- (1) Actuarial present value of benefits less the actuarial present value of future normal costs based on the entry age actuarial cost method.
- (2) Actuarial accrued liabilities less actuarial value of assets and present value of future Optional Retirement Program ("ORP") contributions. Amounts reported in this table do not include the value of any discretionary COLA or gain sharing allocations granted after the valuation date. If negative, the amount is referred to as a funding reserve.
- (3) Ratio of actuarial value of assets to the actuarial accrued liabilities less the present value of future ORP contributions.
- (4) Includes compensation paid to all active employees on which contributions are calculated.

Source: Milliman GFOA Report to PERSI effective July 1, 2014

Actuarial gains and losses of the PERSI Base Plan for the last three years are shown in the following table.

**TABLE 30**  
**ANALYSIS OF ACTUARIAL GAINS OR LOSSES**  
**(dollars in millions)**

	<b>Gain (Loss) for Period</b>		
	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>
Investment Income	\$ (669.0)	\$ 179.8	\$ 1,146.6
Pay Increases	171.3	49.4	155.9
Membership Growth	(8.1)	(15.2)	(16.9)
Return to Employment	(10.5)	(9.9)	(10.7)
Death After Retirement	(9.2)	(6.9)	10.2
Cost of Living Adjustment	NA	NA	NA
Other <sup>(1)</sup>	7.1	(14.0)	(15.9)
<b>Total Gain (Loss) During the Period from Actuarial Experience</b>	<b>\$ (518.4)</b>	<b>\$ 183.2</b>	<b>\$ 1,269.2</b>
Contribution Income	(31.5)	(70.3)	(23.6)
Non-Recurring Items Causing Gain (Loss)			
Changes in Actuarial Assumptions <sup>(2)</sup>	(255.0)	-	(76.2)
Changes in Actuarial Methods <sup>(3)</sup>	-	(143.5)	-
Changes in Plan Provisions <sup>(4)</sup>	-	-	(159.2)
Delay of Future Contribution Rate Increases	(6.0)	-	11.6
<b>Composite Gain (Loss) During the Period</b>	<b>\$ (810.9)</b>	<b>\$ (30.6)</b>	<b>\$ 1,021.8</b>

(1) Reflects losses on active and inactive member experience.

(2) For 2011-2012, reflects changes made to demographic and economic assumptions.

(3) For 2012-2013, reflects changes made to entry cost method.

(4) For 2013-2014, reflects the 0.70% discretionary and 2.30% retroactive COLA, effective March 1, 2015.

*Source: Public Employee Retirement System of Idaho, 2014 Comprehensive Annual Financial Report*

The following table provides a history of employer contributions as a percentage of payroll compared to the computed annual required contribution (“ARC”).

**TABLE 31**  
**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AS PERCENTAGE OF PAYROLL**

<b>Fiscal Year</b>	<b>Actual PERSI</b>	<b>ARC<sup>(2)</sup></b>	<b>Percentage of</b>
<b>Ending June 30</b>	<b>Employer Contribution<sup>(1)</sup></b>	<b>ARC<sup>(2)</sup></b>	<b>ARC Contributed</b>
2006	10.43%	9.885%	105%
2007	10.44%	9.448%	110%
2008	10.44%	9.588%	109%
2009	10.44%	8.483%	123%
2010	10.44%	9.523%	109%
2011	10.44%	12.243%	85%
2012	10.44%	12.375%	84%
2013	10.44%	10.813%	97%
2014	11.36%	11.880% <sup>(3)</sup>	96%

- (1) The actual PERSI employer contributions are expressed as a percentage of payroll. Employer contributions are made as a percentage of actual payroll in accordance with statute and the Retirement Board’s funding policy. Thus, the actual employer contributions set by both statute and the Retirement Board’s funding policy may differ from the computed ARC employer contribution rate for GASB disclosure purposes. Dollar amount shown exclude additional receipts due to merger of retirement systems.
- (2) For PERSI employers, ARC is equal to the normal cost rate plus a 25-year amortization of any UAAL or minus a 25-year amortization of any UAAL. The ARC determined as of the valuation date is assumed applicable for employers commencing October 1 of the calendar year following the valuation date. For ORP employers, the ARC is equal to 1.49% of salaries of university members in the ORP until 2025 and 3.83% of salaries of junior college members in the ORP until 2011.
- (3) The ARC for the PERSI fiscal year ending June 30, 2014, is based on 11.88% of covered payroll as computed in the 2012 valuation. For valuations prior to 2012, the ARC determined as of the valuation date was applicable for employer fiscal years commencing October 1 of the calendar year following the valuation date.

*Source: Public Employee Retirement System of Idaho, 2014 Comprehensive Annual Financial Report*

### **Other Post-Employment Benefits**

The Governmental Accounting Standards Board (“GASB”) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (“OPEB”), establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities/assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The requirements of this statement became effective in Fiscal Year 2008. The State retained a private actuarial firm, Milliman, Inc., to calculate the State’s liability for its postemployment benefits. The initial report, dated August 20, 2007, estimated the State’s OPEB liability to be \$514.9 million at June 30, 2010. The legislation passed during the 2009 Legislative Session described below has reduced this liability.

Legislation passed during the 2009 Legislative Session made changes to State law regarding eligibility and management of health insurance for active employees and retirees of State service (the “2009 OPEB Legislation”). Beginning on July 1, 2009, each eligible retiree will receive \$155 each month or \$1,860 per year toward his/her premiums for health insurance. Any retiree who was eligible (whether or not he/she was on the State plan) may remain so until he/she becomes eligible for Medicare. Beginning on January 1, 2010, retired personnel health care coverage will not be available to Medicare-eligible retirees or their Medicare-eligible dependents. A non-Medicare-eligible spouse will be eligible for coverage on a State-sponsored health insurance plan until becoming eligible for Medicare.

In the future, an employee will be eligible for health care coverage when he/she retires if he/she:

- (i) was an active employee on or before June 30, 2009;
- (ii) is eligible for a retirement benefit from the Public Employees Retirement System of Idaho (“PERSI”) with at least 20,800 hours of credited State service; and
- (iii) retires directly from State service.

Persons with previous State employment who retire from another employer will no longer be able to obtain coverage under the State-sponsored plan. Any employees or elected officials rehired, reelected, or reappointed on or after July 1, 2009, will be eligible for retiree coverage if they had at least ten years of previously credited State service before June 30, 2009, accumulate an additional three years of credited State service, and are otherwise eligible.

The latest Milliman, Inc., actuarial valuation, as of July 1, 2014, was released March 31, 2015. The following table presents the results of the July 1, 2014, biennial actuarial valuation compared to the July 1, 2012, actuarial valuation.

**TABLE 32**  
**2012 OPEB VALUATION RESULTS**  
**(\$000)**

	<b>July 1, 2014</b>	<b>July 1, 2012</b>
Actuarial Accrued Liability (“AAL”)	\$89,280	\$75,699
Annual Required Contribution	10,712	9,423

*Source: Milliman, Other Postemployment Benefits Actuarial Valuation Report, July 1, 2014*

The AAL increased due to a combination of several factors, some of which were offsetting. These included the mortality and salary scale assumptions changes from the PERSI 2014 Investigation of Experience, changes due to the passage of time since the July 1, 2012, valuation, a reduction in discount rate, and health assumption changes, including claim costs, retiree premiums, and medical trends, measured as of July 1, 2014. The State’s ARC increased due to the factors mentioned above.

## DEBT MANAGEMENT AND ENHANCEMENT PROGRAMS

### Idaho Credit Rating Enhancement Committee

In 2005, the Legislature created the Idaho Credit Rating Enhancement Committee in the office of the State Treasurer (Sections 67-1224 and 67-1225, Idaho Code). The purpose of this committee 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. On April 26, 2010, the committee adopted the “State of Idaho Debt Management Policy,” the purpose of which is to provide policymakers with information that will enable informed decisions regarding financing proposals and debt issuance. This central policy serves to protect and enhance the State’s bond ratings and maintain the future availability of low-cost capital financing. A copy of the policy can be found on the State Treasurer’s web site at <http://sto.idaho.gov/>. The State Treasurer website is not incorporated into this Official Statement by such reference and is not a part hereof.

### Idaho School Bond Guaranty Act

The Idaho School Bond Guaranty Act (the “Guaranty Act”), Title 33, Chapter 53, Idaho Code, and the Credit Enhancement Program for School Districts (the “Credit Enhancement Program”), Idaho Code section 57-728, were enacted for the purpose of establishing a default avoidance program for voter-approved general obligation bonds issued by State public school districts. Created in 1999 by the Legislature, the Guaranty Act and the Credit Enhancement Program have been revised by subsequent legislation to clarify guaranty limits and procedures. Amending legislation, passed in 2009, clarified technical aspects of the Guaranty Act and the Credit Enhancement Program and created a two-tiered system of credit enhancement.

The Guaranty Act provides a pledge of the State sales tax to guarantee timely payment of the principal of and interest on the guaranteed bonds. Under the Guaranty Act, if a school district does not make timely payment of debt service on guaranteed bonds, the State Treasurer is required to gather sufficient funds to make the debt service payment on the guaranteed bonds from one or more of the following sources:

- (i) intercepting all or a portion of any payments from any source of operating moneys provided by the State to the school district that would otherwise be paid to the school district by the State (the “Interceptable Funds”);
- (ii) requesting the State Controller to transfer to the Public School Guaranty Fund moneys from the State General Fund representing sales tax receipts of the State in an amount not to exceed the scheduled debt service payment;
- (iii) issuing notes; or

(iv) negotiating a voluntary loan from funds administered by the Endowment Fund Investment Board.

Any of the actions under (ii), (iii) and (iv) above are required to be repaid by the school district and such repayment obligation is subject to the intercept of future Interceptable Funds due to the school district.

**The distribution of State sales tax moneys pursuant to the pledge of the Guaranty Act can occur only after all required payments to the Note Payment Account have been made as required by Section 63-3203, Idaho Code.**

If a school district is approved to participate in the Guaranty Act, it may also request approval from the Endowment Fund Investment Board to participate in the Credit Enhancement Program, which provides back-up liquidity provisions to the Guaranty Act. The Credit Enhancement Program makes \$200 million available from the Public School Endowment Fund to purchase any general obligation notes issued by the State Treasurer pursuant to the Guaranty Act. The amount of debt guaranteed by the Credit Enhancement Program may not be greater than four times the amount made available by the Public School Endowment Fund, which limits the guaranty of the Credit Enhancement Program to \$800 million of outstanding principal of bonds. On and after July 1, 2007, participation in the Credit Enhancement Program is limited to \$20 million in the aggregate per school district. However, bond guarantees exceeding the \$20 million limit prior to July 1, 2007, remain in effect.

The Guaranty Act provides that the State Treasurer may issue a certificate of eligibility which will be printed on the bonds and which is good for the life of the bonds.

As of April 14, 2015, \$920,705,188 is outstanding in principal under the Guaranty Act. Of that, \$470,220,125 is outstanding in principal under the Credit Enhancement Program.

The Idaho School Bond Guaranty Program's policies for managing the Guaranty Act include a debt capacity that mirrors that of the Idaho Bond Bank Authority (the "Authority"): the combined maximum annual debt service issued by the Authority and guaranteed under the Guaranty Act can be no greater than 20% of the State sales tax moneys collected by the State during the most recent fiscal year for which audited financial statements are available.

The State does not anticipate that the Guaranty Act or the Credit Enhancement Program will have any significant fiscal impact upon the State, its operations, or its ability to pay the principal of and interest on the Notes as the same become due.

#### **Idaho Bond Bank Authority**

The 2001 Legislature established a State bond bank authority pursuant to constitutional amendment (the "Bond Bank Act"). The Bond Bank Act, which took effect on July 1, 2001, created an independent public body corporate and politic to be known as the Idaho Bond Bank Authority. The Authority is 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 Authority consists of five members: the State Treasurer or his or her designee, one member of the State Senate appointed by the president *pro tempore* of the Senate, one member of the State House of Representatives appointed by the Speaker of the House, and two members appointed by the Governor. The Authority is authorized, among other powers, to issue bonds payable from or secured by municipal bonds or notes 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 Bond Bank Act provides an intercept mechanism whereby the State Treasurer may make payments on the bonds of participating municipalities and, if reimbursement is not timely made, 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. Such State intercept operates by force of law and not by consent of the 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.

**The distribution of State sales tax moneys pursuant to the pledge of the Bond Bank Act can occur only after all required payments to the Note Payment Account have been made as required by Section 63-3203, Idaho Code.**

Bonds issued by the Authority and bonds guaranteed under the Guaranty Act are both secured by the State sales tax. In 2012, the Authority implemented a debt capacity policy with respect to the utilization by both programs of the sales tax pledge. The Authority’s debt capacity policy states that the combined maximum annual debt service issued by the Authority and guaranteed under the Guaranty Act can be no greater than 20% of the State sales tax moneys collected by the State during the most recent fiscal year for which audited financial statements are available.

The Authority has issued \$487,715,000 of Idaho Bond Bank Authority Revenue bonds, of which \$400,120,000 remains outstanding as of April 14, 2015. The State does not anticipate that the Bond Bank Act will have any significant fiscal impact on the State, its property, or its ability to pay the principal of and interest on the Notes as the same become due.

**State Bond Levy Equalization Support Program for School Facilities**

The Legislature created a Bond Levy Equalization Support Program (the “Bond Levy Program”) for public schools. The State Department of Education is directed to establish a “value index” for each school district, based on such school district’s market value per support unit, for equalization purposes, and the average annual seasonally-adjusted unemployment rate and the per-capita income for the county in which a plurality of the school district’s market value for assessment purposes of taxable property is located. Under the Bond Levy Program, school districts with a value index below one are eligible to receive additional State financial assistance for the amount of annual bond interest and redemption payments made on bonds passed on or after September 15, 2002; provided, that any school district with a value index less than 1.5 will receive no less than 10% of the interest cost portion of its average annual bond interest and redemption payment for bonds passed on or after September 15, 2002.

The Legislature has appropriated the following amounts to the Bond Levy Program, which payments are disbursed to qualifying school districts annually on September 1:

**TABLE 33  
BOND LEVY PROGRAM APPROPRIATIONS**

<b>Fiscal Year</b>	<b>Amount</b>
2008	\$ 11,200,000
2009	16,500,000
2010	17,900,000
2011	17,900,000
2012	17,400,000
2013	17,400,000
2014	17,400,000
2015	19,600,000
2016	19,400,000

The State does not anticipate that the Bond Levy Program will have any significant financial impact upon the State, its operations, or its ability to pay the debt service on the Notes as the same become due.

**OUTSTANDING OBLIGATIONS OF THE STATE AND ITS INDEPENDENT AGENCIES**

The State has no outstanding general obligation bond debt.

**Idaho Housing and Finance Association and Transportation Project Financing**

The Idaho Housing and Finance Association (“IHFA”) (formerly the Idaho Housing Agency) was created in 1972 to issue notes and bonds in furtherance of its purpose of providing safe and sanitary housing for persons and families of low income residing in the State, and to coordinate and encourage cooperation among private enterprise and State and local governments to sponsor, build and rehabilitate residential housing for such persons and families.

The IHFA is governed by seven commissioners, appointed for alternating four-year terms by the Governor of the State, one of whom is selected chairman by the Governor. The vice chairman and secretary-treasurer are elected annually by the entire Board of Commissioners. The State Treasurer serves as an advisory Board member.

The IHFA has no taxing power and neither the State nor any political subdivision thereof is liable for its bonds or other indebtedness. The IHFA's mortgage loans are either guaranteed by Federal agencies, insured by private mortgage guarantee policies or collateralized by the IHFA's net assets.

As of December 31, 2014, 54.15% of the total bond debt had been used to purchase single-family mortgages, 0.58% had provided for the construction and permanent financing of multifamily developments, 41.95% represented GARVEE bonds issued for transportation projects undertaken by the Idaho Department of Transportation (see "Transportation Project Financing" below), and 3.32% represented Unemployment Insurance bonds issued on behalf of the Idaho Department of Labor (see "Unemployment Insurance Financing" below).

As of December 31, 2014, the IHFA's outstanding bond indebtedness was \$1,509.2 million. Fund balances, including reserves, were \$221.0 million.

*Transportation Project Financing.* The 2005 Legislature enacted legislation that authorized the issuance of GARVEE debt instruments (bonds or notes) to enable the State to finance State transportation infrastructure projects and to pay debt service and other bond-related expenses with future federal aid highway apportionments. The legislation states that the bonding authority "should be used in a manner that does not obligate future legislatures or governors for additional bonding and be used to finance projects which are of the highest critical need based on safety, traffic volume or projected demand."

As of March 31, 2015, the IHFA had issued \$806.8 million in GARVEE bonds, of which \$633.2 millions remain outstanding.

The GARVEE bond legislation does not authorize or pledge State General Fund revenues to make payments on bonds or notes. In the opinion of Bond Counsel, the legislation will have no impact on the State's General Fund revenues or its ability to make payments on the Notes.

*Unemployment Insurance Financing.* The 2011 Legislature enacted legislation that authorized the IHFA to issue bonds to repay advances from the federal Unemployment Insurance Trust fund and to increase the unemployment insurance trust fund size multiplier to ensure a more solvent trust fund. The IHFA issued \$187,570,000 of Unemployment Compensation Revenue Bonds on August 31, 2011. As of March 31, 2015, \$50,075,000 remains outstanding.

### **Idaho Health Facilities Authority**

Organized in 1972, the Idaho Health Facilities Authority ("the Health Authority") is comprised of seven members appointed by the Governor to staggered five-year terms. The Executive Director is hired by and serves at the pleasure of the Health Authority members.

The Health Authority has the power, among others, to issue tax-exempt revenue bonds or notes and re-lend the funds to governmental and not-for profit health facilities in the State to (i) finance and refinance outstanding indebtedness for health facilities, and (ii) provide additional facilities for the development and maintenance of public health, health care, hospitals, and related facilities.

These debt instruments do not directly, indirectly, or contingently obligate the State of any political subdivision thereof to levy and form of taxation or to make any appropriations for the payment thereof and any such levy or appropriation is prohibited.

As of December 31, 2014, the total outstanding indebtedness of the Idaho Health Facilities Authority was \$1,280,535,446.

### **Idaho State Building Authority**

The Idaho State Building Authority (the "Building Authority"), established in 1974, is a body corporate and politic of the State, created as a public instrumentality by the Idaho State Building Authority Act, being Title 67, Chapter 64 of the Idaho Code, as amended, for the purpose of assisting in the acquisition, construction, operation, and financing of State governmental facilities and the facilities of community college districts. The Building Authority is authorized to issue its bonds or notes to finance governmental facilities pursuant to agreements entered into with departments, boards, commissions, or agencies of the State ("State Bodies" or "State Body") or with community college districts, subject to prior approval of the Legislature by concurrent resolution. To that end, the Building Authority issues bonds secured by annual rent equal to debt service on such bonds for the applicable fiscal year, plus certain administrative costs of the Building Authority and any required deposits to reserve or operating funds or accounts for such fiscal year, payable by the

State, acting by and through one or more State Bodies or with community college districts under the terms of lease agreements relating to the project or projects being financed or refinanced, as applicable, by such bonds. All lease agreements are subject to annual renewal by State Bodies or community college districts and the annual rents payable thereunder are subject to annual appropriation. Annual rent for each lease agreement is due and payable in full within 30 days after commencement of each annual lease term.

The Building Authority is governed by seven commissioners appointed by the Governor to serve staggered five-year terms. The commissioners of the Building Authority, in turn, appoint an executive director.

Bonds, notes, or other obligations of the Building Authority do not constitute an indebtedness or obligation of the State or of any department, board, commission, agency, political subdivision, body corporate and politic, or instrumentality of or municipality or county within the State, nor do they constitute the giving or loaning of credit of the State or any department, board, commission, agency, political subdivision, body corporate and politic, or instrumentality of or municipality or county within the State. The Building Authority has no taxing power.

In Fiscal Year 2015, the total amount of rent paid under the facilities leases by the State to the Building Authority was \$26,827,694. As of December 31, 2014, total outstanding bond and note principal was \$147,946,336.

## **OTHER STATE FINANCIAL INFORMATION**

### **Idaho Millennium Fund**

The Idaho Millennium Fund is an endowment fund established in 2000 to receive, invest, and disburse funds that the State is receiving as a result of the master settlement agreement reached with tobacco companies.

The Idaho Millennium Permanent Endowment Fund was established in 2006 to receive 80% of all future tobacco settlement payments to the State. The remaining 20% of future tobacco settlement payments are directed into the Idaho Millennium Fund. Annual distributions from both of these funds will be made to the Idaho Millennium Income Fund. The Legislature will have the authority to spend funds in both the Idaho Millennium Fund and the Idaho Millennium Income Fund.

Legislation introduced in 2007 directed the State Treasurer to transfer \$10 million of the Idaho Millennium Fund balance to the Idaho Millennium Permanent Endowment Fund and placed a cap of \$100 million on the Idaho Millennium Fund. Any excess over \$100 million will be transferred to the Idaho Millennium Permanent Endowment Fund. The balance in the Millennium Permanent Endowment Fund on April 14, 2015, was \$227,571,539. The balance in the Idaho Millennium Fund on April 14, 2015, was \$19,692,777.

### **Idaho State Lottery**

The Idaho State Lottery was established in 1989. Total sales for Fiscal Year 2014 were \$208,892,600. Net proceeds for that year totaled \$47.59 million and were divided between the Permanent Building Fund, for use in carrying out State public works projects, the Public School Building Fund, for distribution to the State's public school districts, and the Bond Levy Fund.

Idaho Code stipulates that the State Treasurer will invest Lottery receipts and the interest generated on the Lottery Account balance will be transferred to the General Fund. Interest earnings for Fiscal Year 2014 were approximately \$94,199.

### **Idaho State Insurance Fund**

The Idaho State Insurance Fund (the "Insurance Fund") was created in 1917 by the Legislature to insure employers against liability under the Workers' Compensation Act. The Insurance Fund is an independent body corporate and politic and is administered without liability on the part of the State. The money in the Insurance Fund does not belong to the State and is not in the State Treasury; it is deposited with the State Treasurer as custodian and is held by the State Treasurer as such for the contributing employers and the beneficiaries of the compensation law and for the payment of the costs of the operation of the Insurance Fund. All public employers are required by law to obtain their workers' compensation insurance through the Insurance Fund or to self-insure. Private employers may, at their discretion, also procure workers' compensation insurance from the Insurance Fund.

As of December 31, 2014, the Insurance Fund had a surplus (fund balance) of \$191.1 million. The Insurance Fund has no bonded debt. The Insurance Fund's manager, who is hired by a board of directors, administers the Insurance Fund. The board is appointed by the Governor.

#### **Idaho Petroleum Clean Water Trust Fund**

The Idaho Petroleum Clean Water Trust Fund (the "Trust Fund") is a not-for-profit State entity created in 1990 by the Legislature to indemnify tank owners and operators from petroleum storage tank releases. The Trust Fund's board of trustees, appointed by the Governor, was created in 2003 to direct the policies and operations of the Trust Fund. The Insurance Fund, at the pleasure of the board of trustees, will act as the administrator for the Trust Fund. Statutorily, neither the Insurance Fund nor the State has any liability for the Trust Fund's obligations.

As of December 31, 2014, the Trust Fund had fund balances of \$31.2 million. The unencumbered fund balance was \$29.8 million. The Trust Fund has no bonded debt.

### **LITIGATION**

There is no litigation pending or, to the best of the State's knowledge, threatened against the State or its officers questioning the authority of the State to issue the Notes or which seeks to restrain or enjoin the issuance or delivery of the Notes or the collection of the General Tax Revenues pledged for the repayment of the Notes. At the time of the delivery of the Notes, the State Attorney General will provide an opinion that no such litigation is pending or, to the knowledge, information, and belief of the State Attorney General, threatened against the State or its officers.

### **LEGAL AND TAX INFORMATION**

#### **Tax Matters**

In the opinion of Moore Smith Buxton & Turcke, Chartered, Bond Counsel, based upon the analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is excluded from gross income for purposes of State of Idaho personal income taxes. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Notes. The State has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure that interest on the Notes will not be included in gross income for federal income tax purposes. Failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes from the date of original execution and delivery of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any matters coming to Bond Counsel's attention after the date of execution and delivery of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is excluded from gross income for purposes of State of Idaho personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a beneficial owner's federal, state, or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code, or court decisions could cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status on such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code, or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should

consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, or litigation, and regarding the impact of future legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the State, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof, or the enforcement thereof by the IRS. The State has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the State or the beneficial owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the State and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Notes is difficult, obtaining an independent review of IRS positions with which the State legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of Notes presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the State or the beneficial owners to incur significant expense.

### **Continuing Disclosure Undertaking**

The State has covenanted in the Plan of Financing that it will provide, to the MSRB via EMMA, notice of the occurrence of any of the following events with respect to the Notes in a timely manner not in excess of ten business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financing difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (vii) modifications to rights of Noteholders, if material;
- (viii) Note calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Notes, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
- (xiv) appointment of a successor or additional trustee or the change in the name of a trustee, if material.

If the State fails to comply with the foregoing disclosure undertakings, it will, within a reasonable time not in excess of ten business days following its ascertainment of such failure, provide notice to the MSRB via EMMA of any material failure of disclosure. The State has never failed to comply with a prior written continuing disclosure undertaking made pursuant to SEC Rule 15c2-12.

The continuing disclosure undertakings described above have been made for the benefit of the Noteholders. Noteholders may enforce specific performance of the undertakings by any available judicial proceeding. However, the failure of the

State to perform the undertakings hereunder does not constitute an event of default with respect to the Notes, nor does such failure entitle any Noteholder to monetary damages.

### **Approval of Legality**

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving opinion of Moore Smith Buxton & Turcke, Chartered, Bond Counsel. Bond Counsel has reviewed the portions of this Official Statement set forth under “The Notes” entitled “Description of the Notes” and “Authorization,” and under “Security and Sources of Payment” (except for statistical and financial data), and has prepared the section entitled “Tax Matters” and the form of approving opinion of Bond Counsel set forth in Appendix C to this Official Statement. Certain legal matters will be passed upon for the State by the Attorney General for the State.

## **OTHER NOTE INFORMATION**

### **Ratings**

Moody’s Investors Service, Standard and Poor’s Corporation, and Fitch have assigned the Notes the ratings of MIG 1, SP-1+, and F1+, respectively. An explanation of the significance of each such rating may be obtained from the respective rating agency. The State has furnished certain information and materials with respect to the State and the Notes to the rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of the credit ratings may have an adverse effect on the market price of the Notes.

### **Underwriting**

The Notes are being purchased by Piper Jaffray & Co. (the “Underwriter”). The purchase contract provides that the Underwriter will purchase all of the Notes, if any are purchased, at a price of \$508,220,166.44. The Notes will be reoffered at a price of \$508,500,000.00. After the initial public offering, the public offering prices may be varied from time to time.

The Underwriter has entered into an agreement (the “Agreement”) with Pershing LLC (“Pershing”), a subsidiary of The Bank of New York Mellon Corporation, for the distribution of certain municipal securities offerings allocated to the Underwriter at the original offering prices. Under the Agreement, if applicable to the Notes, the Underwriter will share with Pershing a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

The Underwriter has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Notes from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Notes that CS&Co. sells.

### **Miscellaneous**

All summaries herein of the provisions of the Constitution of the State of Idaho, acts of the Legislature, other documents and instruments, and the Notes are made subject to all the detailed provisions and judicial interpretations thereof to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

This Official Statement has been duly approved, executed and delivered by the State.

/s/ Ron G. Crane  
Ron G. Crane, State Treasurer

Dated: June 9, 2015

## APPENDIX A SELECTED DATA ON THE STATE OF IDAHO

### **Idaho State Government**

State Government in Idaho originates from the State Constitution adopted at the constitutional convention of August 6, 1889, and ratified by the people in November of the same year. The United States Congress approved the Constitution and admitted the State to the Union on July 3, 1890.

### **The Executive Department**

The Idaho Executive Department consists of seven constitutionally empowered elected officials: Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction.

The Governor is vested with the “supreme executive power.” The Governor appoints department heads and members of boards and commissions. On extraordinary occasions, the Governor can convene special sessions of the Legislature. The Governor gives final approval, by signing, of bills passed by the Legislature, and has the power to veto bills but must list the objections. The Legislature can override a veto by a two-thirds vote of each chamber.

The Lieutenant Governor presides over the State Senate and, when the Governor is absent from the State, serves as Acting Governor. In case of vacancy for any reason in the Governor’s office, the Lieutenant Governor succeeds to that office.

The Secretary of State is primarily a ministerial official. The Secretary of State is the custodian of records, including those of corporations, and of the Great Seal of the State of Idaho. The Secretary of State is the State’s Chief Election Officer and has administrative duties as a member of the Board of Examiners, the State Land Board, and State Board of Canvassers.

The State Controller, as Chief Accounting Officer, is responsible for the accounting records, and is the State’s cash disbursement officer. The State Controller is also responsible for maintaining the Statewide system of internal control procedures. The State Controller is the State Administrator of Social Security, a member of the State Land Board, *ex officio* Secretary of the Board of Examiners, and a member of the State Board of Canvassers.

The State Treasurer, as Chief Financial Officer, receives all State revenues and fees, and is cash manager and investor for all State revenues. The State Treasurer pays all State bills by redeeming State warrants, and is custodian of the Worker’s Compensation Fund and the Public School Endowment Fund. The State Treasurer also is a member of the State Board of Canvassers, and serves as advisor to the Idaho Housing and Finance Association.

The Attorney General is the Chief State Legal Officer and represents State officers and agencies in legal matters. The Attorney General must provide legal opinions in writing when requested by government officials. The Attorney General is required to supervise all county prosecuting attorneys and to assist them in law enforcement if they so request. The Attorney General is in charge of consumer protection laws and has jurisdiction to enforce State antitrust laws. The Attorney General is a member of the Board of Examiners and the State Land Board.

The State Superintendent of Public Instruction is an *ex-officio* and voting member of the State Board of Education, the executive officer of the State Department of Education and advisor to school districts on all aspects of education. The State Superintendent also is a member of the State Land Board and serves as *ex officio* member of the State Library Board.

### **Description of Area**

Located in the northwestern portion of the United States, the State is bordered by Washington, Oregon, Nevada, Utah, Wyoming, Montana and Canada. The State’s land area consists of 82,751 square miles of varied terrain.

The State has substantial water resources which have dominated its history and development. There are 26,000 miles of rivers and streams and more than 2,000 natural lakes. Three of the State’s rivers—the Clearwater, the Kootenai and the Salmon—are more than half as large as the Colorado River. The Snake River Plain Aquifer is one of the largest fractured basalt aquifers in the world. Equally important to quantity is the quality of the State’s waters, which remains outstanding. The drop in elevation of rivers like the Snake allows valuable hydropower production, affording the State some of the lowest electricity rates in the nation.

The State enjoys a broad base of economic wealth ranging from extensive mining and timber resources to notably productive agricultural lands, which benefit from a highly developed series of man-made reservoirs and irrigation systems. More than four million acres are irrigated in the Snake River Basin, placing the State fourth in the nation for irrigated acreage.

The State traditionally has been an agricultural state. Livestock, beef, dairy cattle, and sheep are important to the economy, while the major crops of the State's farmers include potatoes, wheat, barley, sugar beets, peas, lentils, seed crops and fruit. Major manufacturing industries include food processing, forest products, phosphate processing, and electronics. Mining has played an important role in the development of the State, with phosphate rock, silver, lead, zinc and molybdenum among the resources mined.

### **Idaho Economic Overview and Outlook**

The Idaho Economic Forecast ("IEF"), a quarterly publication prepared by the Division of Financial Management ("DFM"), provides historical and forecast values for the State's economy. The historical and forecast data are presented at both quarterly and annual frequencies. The IEF is published in January, April, July, and October of each year. Concepts covered in the IEF include population, housing, personal income, and nonfarm employment. The most recent IEF was published in April 2015. It estimates State nonfarm employment grew 2.8% in 2014 and forecasts a 2.4% increase in 2015 and a 2.4% increase in 2016. The next IEF is scheduled to be released in July 2015.

The General Fund Revenue Book ("GFRB") is an annual publication prepared by the DFM that provides input into the Governor's proposed budget. It consists of General Fund projections by source, the economic forecast upon which the revenue forecasts are based, and a section devoted to the State's tax structure. The most recent GFRB was published in January 2015. The General Fund revenue forecast projects a 5.3% increase in General Fund revenues for Fiscal Year 2015. Fiscal Year 2016 General Fund revenues are projected to increase by 5.5% from the Fiscal Year 2014 projection.

Both the IEF and the GFRB are available on the internet at: [http://dfm.idaho.gov/Publications/Econ\\_Publications.html](http://dfm.idaho.gov/Publications/Econ_Publications.html). This website is not incorporated into this Official Statement by such reference and is not a part hereof.

The tables on the following pages provide historical economic and demographic data for the State.

**TABLE 34**  
**IDAHO ECONOMIC INDICATORS**

	<b>Actual</b>		<b>Projected</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Idaho Economic Indicators</b>					
Personal Income (\$ millions)	\$ 58,272	\$ 61,347	\$ 63,204	\$ 65,777	\$ 69,084
Percent Change	3.9%	5.3%	3.0%	4.1%	5.0%
Total Nonfarm Employment	638,075	655,877	671,454	687,384	702,787
Percent Change	2.5%	2.8%	2.4%	2.4%	2.2%
Goods-Producing Employment	97,318	100,228	103,597	106,706	108,861
Percent Change	5.4%	3.0%	3.4%	3.0%	2.0%
Nongoods-Producing Employment	540,757	555,649	567,856	580,678	593,925
Percent Change	2.0%	2.8%	2.2%	2.3%	2.3%
Population (thousands)	1,612	1,636	1,660	1,685	1,710
Percent Change	1.1%	1.5%	1.5%	1.5%	1.5%
Housing Starts-Single Unit	7,739	7,377	8,095	9,340	10,718
Housing Starts-Multiple Unit	1,333	2,455	1,792	1,736	1,557
<b>Selected US Production Indices (2007=100.0)</b>					
Lumber and Wood Products	78.1	81.2	84.0	88.6	91.0
Computer and Electronic Products	144.4	150.9	159.0	173.2	187.4
Semiconductors and Other Computers	279.7	302.8	319.8	360.3	403.6
Food	104.5	106.5	108.8	111.7	114.8
Paper	85.0	82.9	83.5	84.7	86.0
Agricultural Chemicals	99.2	98.0	97.0	105.2	120.1
Metal Ore Mining	98.6	99.3	91.7	93.7	95.7
<b>Selected US Producer Prices (1982=1.000)</b>					
All Items	2.034	2.054	1.931	1.977	2.039
Lumber and Wood Products	2.149	2.242	2.261	2.316	2.359
Machinery and Equipment	1.351	1.362	1.365	1.375	1.398
Farm	1.952	1.974	1.748	1.733	1.744
Pulp, Paper and Allied Products	2.487	2.506	2.492	2.531	2.611
Chemicals	2.792	2.814	2.813	2.903	2.987

Source: IHS Global Insight and Idaho Division of Financial Management

**TABLE 35**  
**STATE OF IDAHO**  
**POPULATION TRENDS**

<b>Year</b>	<b>Population</b>
2000 <sup>(1)</sup>	1,293,953
2010 <sup>(1)</sup>	1,567,582
2011	1,583,930
2012	1,595,590
2013	1,612,136
2014	1,636,203

(1) Census data.

Source: U.S. Census Bureau

**TABLE 36**  
**STATE OF IDAHO**  
**LABOR FORCE AND NONFARM PAYROLL JOBS ANNUAL<sup>(1)</sup>**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Civilian Labor Force</b>	777,238	771,154	769,429	764,890	761,056
Unemployment	37,404	47,033	55,378	63,245	68,230
Percent of Labor Force Unemployed	4.8	6.1	7.2	8.3	9.0
Total Employment	739,834	724,121	714,051	701,645	692,826
<b>Nonfarm Payroll Jobs-NAICS<sup>(2)</sup></b>	655,100	637,900	622,300	610,800	603,600
Goods Producing	99,800	97,200	92,400	89,000	87,900
Natural Resources and Mining	3,800	4,000	4,000	3,900	3,500
Construction	36,000	33,600	31,400	30,400	31,300
Manufacturing	60,000	59,600	57,000	54,800	53,200
Durable Goods	34,900	34,400	33,000	31,400	29,900
Non-Durable Goods	25,200	25,300	24,000	23,400	23,300
Service Providing	555,300	540,800	529,900	521,800	515,700
Trade, Transportation and Utilities	132,000	128,900	126,500	123,100	121,500
Trade	109,500	107,300	104,900	101,900	100,800
Transportation, Warehousing and Utilities	22,500	21,600	21,600	21,200	20,700
Information	9,300	9,300	9,400	9,500	9,600
Financial Activities	33,000	31,200	30,300	29,900	29,200
Professional and Business Services	32,800	31,500	31,900	32,000	31,400
Management of Companies and Entrepreneurs	5,500	5,300	5,400	5,600	5,800
Administrative, Support, Waste Management	41,100	40,700	38,200	37,600	36,900
Educational and Health Services	94,000	91,000	88,400	86,500	83,800
Leisure and Hospitality	66,200	63,500	61,200	59,300	58,000
Other Services	22,700	22,000	21,500	21,200	21,100
Total Government	118,700	117,400	117,300	117,200	118,600
Federal Government	12,300	12,400	12,600	12,700	13,700
State and Local Government	106,400	105,000	104,600	104,500	104,900
State Government	29,000	28,900	28,700	28,600	28,500
Local Government	77,400	76,100	75,900	75,900	76,400

(1) Benchmarked data.

(2) Estimates include all full- or part-time wage and salary workers who worked or received pay in the industry group's pay period ending the 12th of the month.

Source: Idaho Department of Labor

**TABLE 37**  
**STATE OF IDAHO**  
**NONFARM PAYROLL JOBS—BY PLACE OF WORK<sup>(1)</sup>**

	Feb 2015	Jan 2015 <sup>(1)</sup>	Feb 2014	Percent Change	
				From Last Month	From Last Year
<b>Nonfarm Payroll Jobs-NAICS<sup>(2)</sup></b>	656,300	649,700	638,300	1.0%	2.8%
Goods Producing	98,300	98,100	94,600	0.2%	3.9%
Natural Resources	3,400	3,500	3,700	-2.9%	-8.1%
Construction	35,100	34,900	31,400	0.6%	11.8%
Manufacturing	59,800	59,700	59,500	0.2%	0.5%
Durable Goods	35,300	35,200	34,500	0.3%	2.3%
Nondurable Goods	24,500	24,500	25,000	0.0%	-2.0%
Service Providing	558,000	551,600	543,700	1.2%	2.6%
Trade, Transportation, And Utilities	131,800	130,100	127,800	1.3%	3.1%
Trade	109,400	107,500	105,800	1.8%	3.4%
Transportation, Warehousing, And Utilities	22,400	22,600	22,000	-0.9%	1.8%
Information	9,200	9,300	9,200	-1.1%	0.0%
Financial Activities	33,200	33,300	32,200	-0.3%	3.1%
Professional and Business Services	34,000	34,000	32,300	0.0%	5.3%
Management of Companies and Enterprises	5,500	5,500	5,500	0.0%	0.0%
Administrative, Support, Waste Management	38,000	39,100	39,800	-2.8%	-4.5%
Education and Health Services	96,100	95,600	93,800	0.5%	2.5%
Leisure and Hospitality	65,500	64,000	61,800	2.3%	6.0%
Other Services	22,700	22,800	21,900	-0.4%	3.7%
Total Government	122,000	117,800	119,400	3.6%	2.2%
Federal Government	11,400	11,400	11,300	0.0%	0.9%
State and Local Government	110,600	106,400	108,100	3.9%	2.3%
State Government	30,100	27,700	29,800	8.7%	1.0%
Local Government	80,500	78,700	78,300	2.3%	2.8%

(1) Benchmarked data.

(2) Estimates include all full- or part-time wage and salary workers who worked or received pay in the industry group's pay period ending the 12th of the month.

Source: Idaho Department of Labor

**TABLE 38**  
**STATE OF IDAHO**  
**AGRICULTURAL EMPLOYMENT ESTIMATES**

	Feb 2015	Jan 2015	Feb 2014	Percent Change	
				From Last Month	From Last Year
Total Agricultural Employment	42,681	42,031	42,549	1.5%	0.3%
Operators and Unpaid Family	13,354	13,345	13,159	0.1%	1.5%
Hired Workers	29,327	28,686	29,390	2.2%	-0.2%

Source: Idaho Department of Labor

**TABLE 39**  
**STATE OF IDAHO**  
**LARGEST EMPLOYERS**

<b>Employer</b>	<b>Number of Employees</b>	<b>Industry</b>
St. Luke's Health Systems	11,700 - 11,799	Health Care
Wal-Mart	6,800 - 6,899	Retail Trade
Micron Technology	5,700 - 5,799	Manufacturing
Brigham Young University - Idaho	4,600 - 4,699	Education, Private
University of Idaho	4,600 - 4,699	Education, State
Boise State University	4,600 - 4,699	Education, State
West Ada Joint School District No. 2	4,300 - 4,399	Education, Local
Independent School District Boise City No. 1	3,800 - 3,899	Education, Local
Idaho State University	3,400 - 3,499	Education, State
Battelle Energy Alliance	3,400 - 3,499	Professional and Technical Services
St. Alphonsus Regional Medical Center	3,400 - 3,499	Health Care
J.R. Simplot Company	3,200 - 3,299	Manufacturing
Albertson's, Inc.	3,000 - 3,099	Retail Trade
Idaho Department of Health & Welfare	2,800 - 2,899	State, Administration
U.S. Forest Service	2,400 - 2,499	Federal Government

*Source: Idaho Department of Labor*

**TABLE 40**  
**STATE OF IDAHO**  
**COMPARISON OF IDAHO AND NATIONAL AVERAGE ANNUAL WAGE**

<b>Calendar Year</b>	<b>Idaho Average Annual Wage</b>	<b>National Average Annual Wage</b>
2005	32,469	42,476
2006	34,327	44,407
2007	35,246	46,363
2008	35,563	47,621
2009	35,838	47,646
2010	36,598	48,955
2011	37,062	50,311
2012	37,410	51,692
2013	38,119	52,235
2014	38,944	53,557
2015	39,960	55,012

*Source: IHS Economics and Idaho Division of Financial Management*

## APPENDIX B

### PLAN OF FINANCING

STATE OF IDAHO  
TAX ANTICIPATION NOTES, SERIES 2015  
PRINCIPAL AMOUNT \$500,000,000

RON G. CRANE, the duly elected, qualified, and acting Treasurer of the State of Idaho, hereby certifies as follows:

#### ARTICLE I

#### DEFINITIONS AND PURPOSE

##### Section 1.1: DEFINITIONS

As used in this document, the following terms shall have the following definitions:

Act means Title 63, Chapter 32, Idaho Code, pursuant to which the Notes are authorized, issued, and sold.

Authenticating and Paying Agent means a national bank doing business in New York, New York, appointed by the State Treasurer pursuant to Section 3.5 of this Plan in the event that Certificated Notes are issued.

Beneficial Owner(s) means the owners or Holders of Notes whose ownership is recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries in the Book-Entry-Only System of the Depository.

Board of Examiners means the State Board of Examiners created pursuant to Article IV, Section 18, Idaho Constitution, and Chapter 20, Title 67, Idaho Code.

Book-Entry-Only System means the system of recordation of ownership of the Notes on the books of the Depository pursuant to Article III of this Plan.

Certificated Note(s) means a Note or Notes evidenced by a printed certificate or certificates in the event that the Book-Entry-Only System is discontinued.

Code means the Internal Revenue Code of 1986, as amended.

Depository means The Depository Trust Company, New York, New York, its successor corporation, or such other depository as may subsequently be designated by the Treasurer.

EMMA means the Electronic Municipal Market Access System of the MSRB as provided for by the Securities and Exchange Commission and located at [www.emma.msrb.org](http://www.emma.msrb.org).

Escrow Agent means The Bank of New York Mellon Trust Company, N.A., Seattle, Washington, as escrow agent for the Note Payment Account designated pursuant to Section 2.6 of this Plan, and as paying agent for the Notes, so long as the Notes are issued in book-entry-only form, designated pursuant to Section 3.1 of this Plan.

Escrow Agreement means the escrow agreement between the State Treasurer and the Escrow Agent substantially in the form of Exhibit "E" which is annexed hereto and by reference made a part of this Plan.

Fiscal Year means the 2015-2016 fiscal year of the State, commencing on July 1, 2015, and ending on June 30, 2016.

General Fund means the general fund of the State.

General Tax Revenues means income and revenue from taxes, whether specific, ad valorem, excise, income, franchise, or license.

Global Note(s) means the typewritten Note or Notes in the aggregate principal amount of the Notes, dated as of the date of delivery of the Notes, and registered in the name of the Nominee.

Governor means the Governor of the State of Idaho.

Holder or Holders means (i) so long as the Book-Entry-Only System is in effect, the Beneficial Owners, or (ii) in the event that the Book-Entry-Only System is discontinued, the holders of Certificated Notes.

Letter of Representations means the Blanket Issuer Letter of Representations between the State Treasurer and the Depository, relating to the Book-Entry-Only System, substantially as set forth in Exhibit "D" which is annexed hereto and by reference made a part of this Plan.

MSRB means the Municipal Securities Rule Making Board.

Nominee means Cede & Co. as nominee for the Depository, or such nominee as the Depository may substitute therefor.

Note Payment Account means the "Tax Anticipation Notes, Series 2015, Note Payment Account" within the Tax Anticipation Note Redemption Fund of the State created by Section 63-3203, Idaho Code, established pursuant to Section 2.6 of this Plan.

Notes means the State of Idaho Tax Anticipation Notes, Series 2015, issued in the principal amount of \$500,000,000.

Official Statement means the disclosure statement relating to the Notes, approved by the State Treasurer and reviewed by the Underwriter, and includes the Preliminary Official Statement.

Participant or Participants means banks and broker-dealer participants and correspondents, including indirect participants that are related to entries on the Book-Entry-Only System of the Depository.

Plan means this Plan of Financing, dated as of June 9, 2015, authorizing the issuance, sale, and delivery of the Notes.

Preliminary Official Statement means the preliminary disclosure statement relating to the Notes, approved by the State Treasurer and reviewed by the Underwriter.

Purchase Contract means the Note Purchase Contract, dated as of June 9, 2015, between the State and the Underwriter, providing for the sale of the Notes, substantially in the form of Exhibit "A" which is annexed hereto and by reference made a part of this Plan.

Secretary of State means the Secretary of State of the State of Idaho.

State means the State of Idaho.

State Controller means the State Controller of the State of Idaho.

State Treasurer means the State Treasurer of the State of Idaho.

Underwriter means Piper Jaffray & Co.

#### Section 1.2: PURPOSE

The Notes are being issued pursuant to the Act for the purpose of providing funds for the payment of current expenses in anticipation of the receipt of General Tax Revenues for the Fiscal Year. This document shall constitute the Plan of Financing (the "Plan") of the State Treasurer required pursuant to Section 63-3202(2), Idaho Code, and the order of the State Treasurer required by Section 63-3202(3), Idaho Code, in connection with the issuance, sale, and delivery of the Notes.

## ARTICLE II

### THE NOTES

Section 2.1: The Notes are to be issued, sold, and delivered in accordance with the Act and the Purchase Contract. The maximum principal amount of Notes which may be outstanding at any one time under this Plan is \$500,000,000. In accordance with the March 17, 2015, approval of the Board of Examiners for the issuance of not to exceed \$2,268,375,000 Tax Anticipation Notes, the State Treasurer reserves the right to file one or more additional Plans of Financing under the authority of the Act during the Fiscal Year.

Section 2.2: The Notes shall be issued in accordance with the Book-Entry-Only System described hereinafter in the form of not more than two typewritten Notes (the "Global Notes") in the aggregate principal amount of \$500,000,000, shall be dated as of their date of delivery, shall mature on June 30, 2016, shall bear interest from their date at a fixed rate of 2.00% per annum until paid, calculated on the basis of a thirty-day month and a 360-day year, such interest being payable at maturity, and shall be substantially in the form of the Global Note which is annexed hereto as Exhibit "B" and by reference made a part hereof. The Notes shall not be subject to redemption prior to their stated maturity.

Section 2.3: The Notes shall be issued in anticipation of the General Tax Revenues to be received by the State during the fourth quarter of the Fiscal Year, and the Notes shall be secured by an irrevocable pledge of the income and revenues from the taxes so anticipated. Each Note so issued shall recite that it is a valid and binding obligation of the State, and that the faith and credit of the State is solemnly pledged for the payment of the principal thereof and interest thereon in accordance with its terms and the Constitution and laws of the State.

Section 2.4: The Notes shall be registered prior to their issuance in the office of the State Controller. A legend to that effect shall appear on the Global Notes and, in the event that the Book-Entry-Only System is discontinued, on each Certificated Note.

Section 2.5: The Notes shall be payable in accordance with the provisions of the Book-Entry-Only System as set forth in Article III of this Plan. In the event that the Book-Entry-Only System is discontinued and Certificated Notes are issued, the Notes shall be payable, principal and interest, on their maturity date, at the office of the State Treasurer, at Boise, Idaho, or, at the option of the Holders of the Certificated Notes, at the principal corporate trust office of the Authenticating and Paying Agent, New York, New York, which is hereby designated, pursuant to Section 67-1221, Idaho Code, as alternative fiscal agent for the State and alternative place of payment of principal of and interest on the Certificated Notes.

Section 2.6: There is hereby established within the Tax Anticipation Note Redemption Fund of the State, created by Section 63-3203, Idaho Code, the Tax Anticipation Notes, Series 2015, Note Payment Account (the "Note Payment Account") for the payment of the principal of and interest on the Notes. The Bank of New York Mellon Trust Company, N.A., Seattle, Washington, is hereby appointed as escrow agent (the "Escrow Agent") in accordance with the Escrow Agreement which is hereby approved and authorized and is annexed hereto as Exhibit "E" and by reference made a part of this Plan. The Note Payment Account shall be held and invested at the direction of the State Treasurer by the Escrow Agent pursuant to the provisions of the Escrow Agreement.

Section 2.7: The Notes are hereby sold to the Underwriter in accordance with the Purchase Contract, at a purchase price of \$500,000,000, plus a premium of \$8,500,000, less an underwriter's discount of \$279,833.56, plus accrued interest, if any.

Section 2.8: As provided in Section 63-3202(b), Idaho Code, immediately upon the issuance and sale of the Notes the State Treasurer shall cause the proceeds of the sale of the Notes to be credited to the General Fund.

## ARTICLE III

### THE BOOK-ENTRY-ONLY SYSTEM

Section 3.1: The Notes shall initially be issued in the form of fully registered Notes in book-entry-only form (the "Book-Entry-Only System"), with no Notes being made available to Beneficial Owners thereof, as provided in the Letter of Representations between the State Treasurer and the Depository. So long as the Notes are issued in book-entry-only form, the State shall recognize the Depository or its Nominee as the owner of the Notes for all purposes. Beneficial

ownership interests in the Notes will be available through Participants in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. By purchasing a beneficial interest therein, a Beneficial Owner shall be deemed to have waived the right to receive a Certificated Note, except as provided hereinafter. Ownership of the Notes shall be recorded through entries on the books of banks and broker-dealer participants and correspondents (the "Participants") that are related to entries on the Book-Entry-Only System of the Depository. The Notes shall be initially issued in the form of not more than two typewritten Notes (the "Global Notes"). The Global Notes shall be executed by the Governor, countersigned by the State Treasurer, and attested by Secretary of State, any of which signatures may be either manual or facsimile. The Global Notes shall be registered in the name of the Nominee and, upon payment therefor in accordance with the terms and conditions of the Purchase Contract, including accrued interest, if any, to delivery, shall be lodged with the Depository until maturity of the Notes. The Escrow Agent shall be the paying agent for the Notes. The Escrow Agent shall remit payment for the principal of and interest on the Notes at maturity, in lawful money of the United States, directly to the Depository, so long as Depository or its Nominee is the registered owner of the Notes, for distribution to the Beneficial Owners of the Notes by recorded entry on the books of the Depository.

Section 3.2: With respect to Notes registered in the name of the Nominee, the State shall have no responsibility to any Participant, or to any Beneficial Owner on behalf of which such Participant acts as agent, with respect to:

- (i) the sending of transaction statements, or maintenance, supervision, or review of records of the Depository;
- (ii) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Notes;
- (iii) the delivery to any Participant, the Beneficial Owners, or any other person of any notice with respect to the Notes;
- (iv) the payment to any Participant, Beneficial Owner, or any other person other than the Depository or its Nominee of any amount with respect to principal of or interest on the Notes;
- (v) any consent given or other action taken by the Depository or its Nominee as owner of the Notes.

Section 3.3: The State shall cause to be paid, by the Escrow Agent, as set forth in the Escrow Agreement, on or before the date of maturity of the Notes, all of the principal of and interest on the Notes to the Nominee, and such payment shall be valid and effective fully to satisfy and discharge the State's obligation to any Participant, Beneficial Owner, or other person with respect to payment thereof to the extent of the sum or sums so paid. Transfer of principal and interest payments on the Notes shall be the responsibility of the Depository and its Participants, and the State shall have no liability therefor.

Section 3.4: Upon delivery by the Depository to the State of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in this Plan shall be deemed to refer to such new nominee.

Section 3.5:

(A) In the event that either the State or the Depository shall determine to discontinue the services as set forth in the Letter of Representations, and the State elects not to designate another qualified securities depository to replace the Depository, then the State will discontinue the use of the Book-Entry-Only System and will cause to be issued Certificated Notes to the Beneficial Owners as Holders of the Notes. The Certificated Notes shall be issued in bearer form in the aggregate principal amount of \$500,000,000, shall be dated as of the date of delivery of the Global Notes, shall mature on June 30, 2016, shall bear interest (which shall include interest accrued during the time the Notes were in book-entry-only form) from their date at the same rate as the Global Note, payable at maturity, and shall be substantially in the form of the Note annexed hereto as Exhibit "C."

(B) Certificated Notes shall be executed by the facsimile signature of the Governor, countersigned by the facsimile signature of the State Treasurer, and attested by the facsimile signature of the Secretary of State. The State Treasurer will designate an Authenticating and Paying Agent for the Certificated Notes. Only such Certificated Notes as shall bear thereon a certificate of authentication in the form set forth on Exhibit "C," manually executed by an authorized officer of the Authenticating and Paying Agent, shall be valid for any purpose. Such certificate of authentication shall be

conclusive evidence that the Certificated Notes so authenticated have been duly executed, authenticated, and delivered hereunder and shall be entitled to the benefits of this Plan. The Authenticating and Paying Agent shall be responsible for its representations contained in the certificate of authentication on the Certificated Notes. The Certificated Notes shall be payable in the manner set forth in Section 2.5 hereinabove.

(C) In the event that Certificated Notes are issued, the State shall cause the Beneficial Owners to be notified of the discontinuance of the Book-Entry-Only System, issuance of Certificated Notes, and the appointment of the Authenticating and Paying Agent, and, within fifteen (15) days of the maturity date of the Notes, cause notice of the payment date and place to be published once in a financial journal published in New York, New York.

## ARTICLE IV

### COVENANTS

Section 4.1: All income and revenues from the taxes specified in Section 2.3 hereof, collected during the fourth quarter of the Fiscal Year (save and except only those revenues required, pursuant to Section 63-3067, Idaho Code, to be deposited into the "State Refund Account" and, pursuant to Section 63-3638, Idaho Code, to be deposited into the "Sales Tax Refund Tax Account"), shall be deposited into the Note Payment Account as received until such time as the moneys and investment earnings accumulated therein shall be fully sufficient to pay the principal of the Notes, and the interest thereon, at maturity. All moneys in the Note Payment Account shall be invested only in the following investments permitted by Section 67-1210, Idaho Code: (i) direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America or any agency thereof, or (ii) fully collateralized time certificates of deposit or fully collateralized repurchase agreements. No moneys in the Note Payment Account shall be invested in obligations permitted under paragraphs (c), (e), (g), (h), or (k) of Section 67-1210, Idaho Code. All moneys in the Note Payment Account shall be invested so as to mature on or before June 30, 2016. Nothing herein shall be deemed as prohibiting the State Treasurer from depositing any income and revenues from taxes received prior to the fourth quarter of the Fiscal Year or other available revenues into the Note Payment Account. In accordance with the Act, the funds so accumulated in the Note Payment Account are pledged, appropriated, and set aside solely for such purpose. Any moneys remaining in the Note Payment Account after payment in full of all principal of and interest on the Notes at maturity shall be transferred to the General Account of the State.

Section 4.2: In the event that there are not on deposit in the Note Payment Account, on or before June 30, 2016, tax revenues fully sufficient, together with investment earnings earned or to be earned prior to the date of maturity of the Notes, to pay the principal of and interest on the Notes at maturity, then the State Treasurer shall, on or before June 30, 2016, (1) transfer to the Note Payment Account any moneys available, as authorized by Section 67-1212(2)(a), Idaho Code, in an amount sufficient, together with revenues and investment earnings on deposit in the Note Payment Account, to pay the principal of and interest on the Notes at maturity; or (2) take any or all other legally available actions to cause to be deposited in the Note Payment Account amounts sufficient, together with all other available revenues and investment earnings, to pay the principal of and interest on the Notes at maturity.

Section 4.3: None of the proceeds of the Notes will be (i) loaned to private persons within the meaning of Section 141(c) of the Code, or (ii) used for any private business use within the meaning of Section 141(b) of the Code. For purposes of the preceding sentence, "private persons" means any person or entity (including the federal government) other than a state or local government unit, and "private business use" means use directly or indirectly in a trade or business carried on by any such private person. Accordingly, the Notes will not be "private activity bonds" within the meaning of Section 141 of the Code. The State will take no action which would cause the Notes to become an item of tax preference for alternative minimum tax purposes.

Section 4.4: The State will comply with the provisions of the Code which are necessary for interest paid on the Notes to be exempt from federal income taxation (except for certain minimum taxes on corporations) and will make no use of the proceeds of the Notes that would result in the interest on the Notes being includable in gross income within the meaning of Section 103(a) of the Code, and in particular will take no action which would cause the Notes to become arbitrage bonds within the meaning of Section 148 of the Code. Prior to the issuance of the Notes, the State Treasurer will execute a Tax Certificate with respect to the Notes, and the State will comply with the provisions thereof.

Section 4.5: The State will calculate its actual cumulative cash flow deficit (within the meaning of Code Section 148(f)(4)(B)(iii)(II)) prior to the maturity of the Notes, and will keep accurate records of all investments of the proceeds of the Notes, including earnings on the proceeds of the Notes, and the expenditure thereof. If by a date which is not later

than six months after the date on which the Notes are issued, the actual cumulative cash flow deficit has not equaled or exceeded ninety percent (90%) of the proceeds of the Notes, then (i) the State shall account for the investment of the Gross Proceeds (as described in Section 148(f)(6)(B) of the Code and Section 1.148-1(b) of the Treasury Regulations) of the Notes and make the required arbitrage rebate payments to the federal government from the proceeds of the Notes or from any other legally available source (provided, however, that this obligation shall not be construed as constituting a debt or liability of the State within the meaning of any constitutional or statutory limitation upon the incurrence of the indebtedness by the State) at the times, upon the terms and conditions, and in the manner specified in Section 148(f) of the Code and the Treasury Regulations promulgated in connection therewith, and (ii) the State shall keep and retain or cause to be kept and retained, until the date six years after the retirement of the last Note, adequate records with respect to the Notes and the investment and expenditure of proceeds thereof to comply with the aforementioned arbitrage rebate requirements, including without limitation a complete list of all investments and reinvestments of Gross Proceeds of the Notes including (a) purchase price of such investments, (b) purchase date, (c) type of security or investment, (d) accrued interest paid on the investment (if any), (e) interest rate (if applicable), (f) dated date (if applicable), (g) principal amount, (h) date of maturity, (i) interest payment dates (if applicable), (j) date of liquidation, (k) amounts received upon liquidation of such investments, and (l) the market value of such security or investment on the date it became Gross Proceeds of the Notes and on the date of the retirement of the last Note if then held by the State.

In addition, the State will not enter into any transaction or cause any transaction to be entered into which reduces the amount which may be required to be paid to the federal government pursuant to the arbitrage rebate requirements specified above, because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield on the Notes not been relevant to either party.

The State represents that it is legally authorized to pay rebates to the United States as required by Section 148(f) of the Code, and that its expected cumulative cash flow deficit exceeds ninety percent of the proceeds of the Notes.

Section 4.6: The State will comply with the applicable requirements of Rule 15c2-12(b)(5)(i)(C) of the U.S. Securities and Exchange Commission with respect to the disclosure of certain material events with respect to the Notes, and hereby covenants and agrees with and for the benefit of the Holders of the Notes to provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, to the MSRB via EMMA, notice of any of the following events with respect to the Notes, (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financing difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes; (7) modifications to rights of Noteholders, if material; (8) Note calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the obligated person; (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. If the State fails to comply with the foregoing disclosure undertakings, it will, within a reasonable time not in excess of ten (10) business days following its ascertainment of such failure, provide notice to the MSRB via EMMA of any material failure of disclosure. Holders of the Notes may enforce specific performance of the foregoing undertakings by any available judicial proceeding; provided, however, that the failure of the State to perform such undertakings shall not constitute an event of default with respect to the Notes, nor shall any such failure render the State liable for monetary damages to any Holder or transferee of the Notes.

## ARTICLE V

### MISCELLANEOUS

Section 5.1: In connection with the public offering of the Notes by the Underwriter, the use of a Preliminary Official Statement and a final Official Statement is hereby authorized. Pursuant to Securities and Exchange Commission Rule 15c2-12, the State deems the Preliminary Official Statement as final as of its date except for the omission of information dependent upon the pricing of the Notes, such as offering price, interest rate, selling compensation, delivery date, or other terms dependent upon the foregoing matters. The State hereby agrees to deliver or cause to be delivered, within seven (7) business days after any final agreement to purchase the Notes copies of a final Official Statement in

sufficient quantity to comply with paragraph (b)(4) of Securities and Exchange Commission Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board.

Section 5.2: Any notices shall be given as follows: If to the State, to: State Treasurer, 700 W. Jefferson, Room 126, Boise, Idaho 83720; if to the Underwriter, to: Piper Jaffray & Co., 101 S. Capitol Blvd., Ste. 603, Boise, ID 83702; if to the Depository, to: The Depository Trust Company, 55 Water Street, New York, New York 10041; and if to the Escrow Agent and/or Paying Agent, to The Bank of New York Mellon Trust Company, N.A., 601 Union Street, Suite 520, Seattle, Washington, 98101.

Section 5.3: IN WITNESS WHEREOF, I have hereunto subscribed my official signature as of the 9<sup>th</sup> day of June, 2015.

\_\_\_\_\_  
Ron G. Crane  
State Treasurer

FILED in the Office of the Governor of the State of Idaho this 10<sup>th</sup> day of June, 2015.

By \_\_\_\_\_  
Office of the Governor

(This page intentionally left blank)

**APPENDIX C  
FORM OF LEGAL OPINION OF BOND COUNSEL**

**MOORE SMITH BUXTON & TURCKE, CHARTERED**

ATTORNEYS AND COUNSELORS AT LAW  
950 W. BANNOCK STREET, SUITE 520; BOISE, ID 83702  
TELEPHONE: (208) 331-1800 FAX: (208) 331-1202 WWW.MSBTLAW.COM

STEPHANIE J. BONNEY≈  
SUSAN E. BUXTON\*  
PAUL J. FITZER  
JILL S. HOLINKA  
CHERESE D. MCLAIN  
ANTHONY M. PANTERA, IV  
FRANCES R. STERN  
PAUL A. TURCKE◊

JOHN J. MCFADDEN, *Of Counsel*  
MICHAEL C. MOORE,‡ *Of Counsel*  
BRUCE M. SMITH, *Of Counsel*

\* Also admitted in Oregon  
◊ Also admitted in South Dakota  
≈ Also admitted in Utah  
‡ Also admitted in Washington

July 1, 2015

The Hon. Ron G. Crane  
State Treasurer  
P.O. Box 83720  
Boise, Idaho 83720-0091

Piper Jaffray & Co.  
101 S. Capitol Blvd., Ste. 603  
Boise, ID 83702

Re: State of Idaho Tax Anticipation Notes, Series 2015,  
in the Principal Amount of \$500,000,000

Dear Mr. Crane, Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the State of Idaho (the "State") of its Tax Anticipation Notes, Series 2015 (the "Notes"), which are dated July 1, 2015, mature on June 30, 2016, bear interest at the rate of two percent (2.00%) per annum, and are issued in the aggregate principal amount of \$500,000,000.

The Notes have been sold to Piper Jaffray & Co. pursuant to a Note Purchase Contract dated as of June 9, 2015. We refer you to the Plan of Financing executed on June 9, 2015, (the "Plan of Financing") pursuant to which the Notes are issued, for a description of the purpose for which the Notes are issued, the security for the Notes, the manner in which the principal of and interest on the Notes are payable, and all other details of the Notes and to the Escrow Agreement dated as of July 1, 2015 (the "Escrow Agreement").

We have relied upon the certified proceedings and other certifications of public officials regarding questions of fact material to our opinion and have not undertaken to verify the same by independent investigation. We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the Official Statement.

We have examined the Constitution and laws of the State of Idaho, including Title 63, Chapter 32, Idaho Code, and such other laws, proceedings (prepared, in part, by us) relating to the issuance and sale of the Notes, and other documents as we have deemed necessary to render this opinion. This opinion is dated as of the date of issuance and delivery of the Notes.

Based upon our examination, we are of the opinion, under existing law and as of the date hereof:

1. The State has full power and authority under the Constitution and statutes of the State to borrow money for the purposes set forth in the Plan of Financing, to issue and sell the Notes, and to enter into and perform its obligations under the Plan of Financing, the Escrow Agreement and the Note Purchase Contract.
2. The Notes have been legally authorized, issued, and sold under and pursuant to the Constitution and laws of the State of Idaho and constitute valid and legally binding obligations of the State, payable from the "Tax Anticipation Notes, Series 2015, Note Payment Account" established by the Plan of Financing within the Tax Anticipation Note Redemption Fund of the State. The faith and credit of the State is pledged for the payment of the principal of and interest on the Notes.
3. The Plan of Financing, the Escrow Agreement and the Note Purchase Contract have been duly and validly authorized, executed, and delivered by the State, and, assuming the due and proper authorization, acceptance, and execution by the other parties thereto to the extent applicable, will constitute valid and legally binding obligations of the State, enforceable in accordance with their respective terms.
4. Except as discussed below, the interest on the Notes is excludable from the gross income of the owners for federal income tax purposes. We are further of the opinion that the interest will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the State with, certain representations and covenants regarding the use and investment of the proceeds of the Notes. Under the Code, the State is required to comply with certain requirements subsequent to the issuance of the Notes to maintain the exclusion of interest from gross income for federal income tax purposes, including requirements relating to the application and investment of the proceeds of the Notes and use of facilities financed with such proceeds. The State has covenanted to comply with these requirements, and the opinion expressed in this paragraph 4 hereof assumes such compliance. However, we have not undertaken and do not undertake to monitor compliance by the State with such requirements; and if the State should fail to comply with such requirements, the interest on the Notes could become includable in gross income for federal and State of Idaho income tax purposes retroactive to the date of issuance of the Notes.
5. Interest on the Notes is excluded from gross income for purposes of income taxation by the State of Idaho, to the same extent that such interest is excluded from gross income for purposes of federal income taxation.
6. The statements and information contained in the Preliminary Official Statement as of its date and the Official Statement, as of its date and as of the date of such opinion, relating to the Notes, the security and sources of payment for the Notes and the tax status of the Notes fairly and accurately summarize the provisions of the documents or matters of law indicated therein, as of such dates, and the statements describing the Authorization and the Plan of Financing contained in the Official Statement, as of its date and as of the date of such opinion, fairly and accurately summarize the provisions of such documents purported to be summarized as of such dates; and
7. The Notes are exempt from registration pursuant to the Securities Act and the Constitution of the State of Idaho and any related resolutions are exempt from qualification as an indenture pursuant to the Trust Indenture Act

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences arising with respect to the Notes. Owners of the Notes should be aware that the ownership of tax-exempt obligations may result in collateral tax consequences.

The opinions set forth above are qualified only to the extent that certain rights and remedies of the holders of the Notes may be limited or rendered ineffective by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws or judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally.

Our opinion is limited to matters of Idaho law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

Respectfully submitted,

MOORE SMITH BUXTON & TURCKE, CHARTERED

Stephanie J. Bonney

(This page intentionally left blank)

**APPENDIX D**  
**DTC AND THE BOOK-ENTRY-ONLY SYSTEM**

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC is rated AA+ by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

(This page intentionally left blank)