

South Dakota State Aid Pledge Program

A credit enhancement designed to benefit South Dakota Schools



Don Templeton-South Dakota Health and Educational Facilities Authority
Toby Morris-Dougherty and Company



Capital Outlay Summary

- Used to acquire real property, land, buildings, and equipment
SDCL 13-16-6
- Twenty year maximum term
SDCL 13-16-6.2
- Principal on Capital Outlay Certificates may not exceed 3% of the taxable valuation
SDCL 13-16-6



Rating Agencies and Categories

Bond Rating			
<u>Moody's (1,2,3)</u>	<u>S&P (+,-)</u>	<u>Grade</u>	<u>Risk</u>
Aaa	AAA	Investment	Lowest
Aa	AA	Investment	Low
A	A	Investment	Low
Baa	BBB	Investment	Medium
Ba	BB	Junk	High
Caa/Ca/C	CCC/CC/C	Junk	Highest
C	D	Junk	In Default

Ratings History

State of South Dakota

Standard & Poor's State of South Dakota upgrades

- Upgraded to AA from AA- in 2006
- Upgraded to AA+ from AA in 2011
- Upgraded to AAA from AA+ in May of 2015



Map of Standard & Poor's School District Credit Enhancement Ratings



*26 States do not have an enhanced rating
5 states with credit enhancement are rated AAA
7 states are rated AA+ (S&P upgraded our
Program to AA+ in February 2016)*

Background of the New Program

- In 2015 Senate Bill 191 expanded the ability to intercept State Aid Payments
- Standard & Poor's upgraded the State rating to AAA in May of 2015
- In February 2016 Standard & Poor's assigned an AA+ rating to the South Dakota Credit Enhancement Program designed for school districts



Benefits of the New Program

- AA+ Standard & Poor's rating for any School District that qualifies
- Reduced interest costs:

Example of:

Interest Costs of a \$5,000,000 tax-exempt 20 year loan

Interest cost at A+ =	\$1,495,780 (NIC = 2.66%)
Interest cost at AA+ =	<u>\$1,406,845</u> (NIC = 2.52%)
Savings	<u>\$ 88,935</u>

Interest Costs of a \$20,000,000 tax-exempt 20 year loan

Interest cost at A+ =	\$6,857,400 (NIC = 3.02%)
Interest cost at AA+ =	<u>\$6,466,977</u> (NIC = 2.86%)
Savings	<u>\$ 390,423</u>

Average General Obligation Tax Exempt Bank Qualified Rates As of March 3, 2016

