South Dakota State Aid Pledge Program
A credit enhancement designed to benefit South Dakota Schools

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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

<table>
<thead>
<tr>
<th>Bond Rating</th>
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</thead>
<tbody>
<tr>
<td><strong>Moodys (1,2,3)</strong></td>
<td><strong>S&amp;P (+,-)</strong></td>
<td><strong>Grade</strong></td>
<td><strong>Risk</strong></td>
</tr>
<tr>
<td>Aaa</td>
<td>AAA</td>
<td>Investment</td>
<td>Lowest</td>
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<tr>
<td>Aa</td>
<td>AA</td>
<td>Investment</td>
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<tr>
<td>A</td>
<td>A</td>
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<tr>
<td>Baa</td>
<td>BBB</td>
<td>Investment</td>
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<tr>
<td>Ba</td>
<td>BB</td>
<td>Junk</td>
<td>High</td>
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<tr>
<td>Caa/Ca/C</td>
<td>CCC/CC/C</td>
<td>Junk</td>
<td>Highest</td>
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<tr>
<td>C</td>
<td>D</td>
<td>Junk</td>
<td>In Default</td>
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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
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)
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+ = $1,406,845 (NIC = 2.52%)
  Savings = $88,935

  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+ = $6,466,977 (NIC = 2.86%)
  Savings = $390,423
Average General Obligation Tax Exempt Bank Qualified Rates
As of March 3, 2016

- Nonrated average = 0.35% above A rating
  Cumulative total above AA+ = 0.75%

- A rating average = 0.22% above A+ rating
  Cumulative total above AA+ = 0.40%

- A+ rating average = 0.18% above AA+ rating

- AA+ rating average = 0.08% above AAA rating