

CREDIT OPINION

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Idaho (State of)

Update to credit analysis

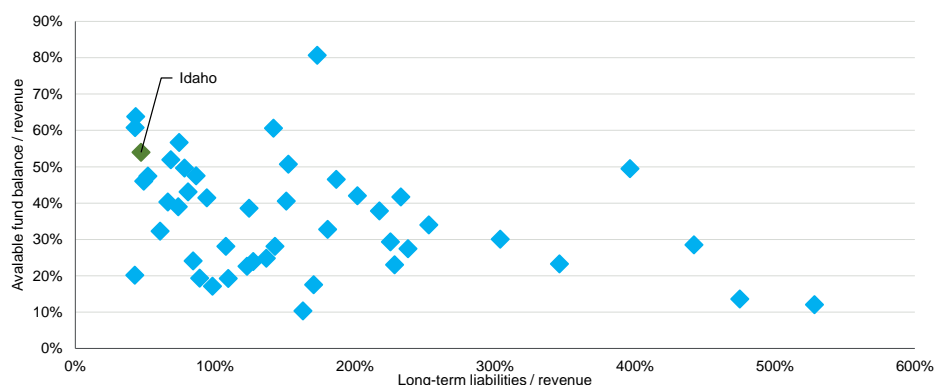
Summary

The [State of Idaho](#) (Aaa stable) maintains a very strong credit position supported by a growing economy, healthy and stable finances, and low leverage and fixed costs. Idaho continues to be one of the strongest economic performers in the US. It ranks at or near the top of all states in terms of growth in population (including of prime working age residents), employment, GDP and income. The state's economic expansion has driven significant growth in revenue over the past few years, which has supported growth in reserves and fund balance. Strong reserves, which the state is on pace to further increase in the current fiscal 2024, will help the state weather a slowdown in economic momentum or revenue growth, should they occur.

Idaho has one of the lowest long-term liabilities burdens among US states. The state will issue more debt in the coming years, particularly to finance expansion of and improvements to its transportation system, but this will not have a material impact on its credit profile given both the state's currently low debt burden and likely further growth in the economy and revenue base. Similarly, fixed costs will remain low, and these low costs will continue to be a source of long-term operating flexibility for the state.

Exhibit 1

Idaho has among the strongest fund balance ratios and lowest liabilities ratios of US states
 State available fund balance and long-term liabilities ratios as of fiscal 2022



Excludes Alaska and North Dakota, whose fund balance ratios are well beyond the vertical axis range.

Source: Audited financial statements and Moody's Investors Service

Credit strengths

- » Steady economic growth that surpasses that of the US and other highly rated states on several measures
- » Healthy financial operations, fund balance, budget reserves and liquidity
- » Very low long-term liability and fixed cost burdens

Credit challenges

- » Below average resident income and wealth

Rating outlook

The stable outlook reflects the expectation that the state's fundamental credit factors will remain strong and continue to support a Aaa issuer rating.

Factors that could lead to an upgrade

- » Not applicable to issuer rating

Factors that could lead to a downgrade

- » Deterioration of state finances, such that fund balance (on an audited, GAAP basis) falls below 15% of revenue
- » Substantial growth in leverage, such that the state's long-term liabilities burden rises above 250% of revenue

Key indicators

Exhibit 2

	2020	2021	2022	2023	State Medians (2022)
Economy					
Nominal GDP (\$billions)	88.2	98.8	110.9	118.4	288.7
Real GDP, annual growth	1.3%	6.2%	4.2%	3.5%	1.7%
RPP-adjusted per capita income as % of US	92.3%	91.7%	94.2%	94.2%	96.6%
Nonfarm employment, annual growth	-0.7%	5.6%	3.8%	3.1%	4.3%
Financial performance					
Available balance as % of own-source revenue	28.0%	32.5%	54.0%	50.9%	38.6%
Net unrestricted cash as % of own-source revenue	86.4%	85.7%	103.0%	99.1%	73.4%
Leverage					
Total long-term liabilities as % of own-source revenue	64.2%	59.9%	47.0%	39.9%	127.0%
Adjusted fixed costs as % of own-source revenue	3.0%	2.4%	2.1%	2.6%	4.7%

Source: Idaho's audited financial statements, US Bureau of Economic Analysis, US Bureau of Labor Statistics and Moody's Investors Service

Profile

Idaho is the 38th-largest US state by population, with an estimated population of just under two million residents. It had an estimated gross domestic product of about \$120 billion as of the third quarter of 2023. Over the past several years, Idaho has been among the fastest growing states in the US, both in terms of population and GDP. Among all US states, and even among Aaa-rated states, Idaho has one of the strongest financial positions (as measured by fund balance and liquidity ratios) and one of the lowest long-term liabilities burdens.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Exhibit 3

Comparison to other Aaa-rated states on several metrics

State available fund balance and long-term liabilities ratios as of fiscal 2022

Aaa-rated states	Economic Growth Metric	Available fund balance / revenue	Long-term liabilities / revenue
Idaho	2.5%	54.0%	47.0%
Utah	2.3%	47.4%	51.7%
Washington	1.8%	40.5%	150.7%
Florida	1.6%	56.7%	74.2%
Tennessee	0.8%	60.7%	42.6%
Texas	0.7%	42.1%	201.5%
Georgia	0.2%	39.0%	73.6%
Virginia	0.1%	43.1%	80.5%
South Carolina	0.0%	41.7%	232.7%
Aaa-rated state median	0.0%	41.9%	79.2%
North Carolina	0.0%	51.9%	68.3%
Indiana	-0.1%	49.6%	78.0%
Missouri	-0.6%	60.6%	141.6%
Delaware	-0.6%	37.9%	217.2%
Minnesota	-0.8%	40.3%	66.2%
South Dakota	-0.9%	20.2%	42.5%
Ohio	-1.0%	41.5%	93.9%
Iowa	-1.0%	19.4%	88.9%
Maryland	-1.5%	34.0%	252.7%

The economic growth metric is the difference between a state's five-year CAGR in real GDP and the US five-year CAGR in real GDP.

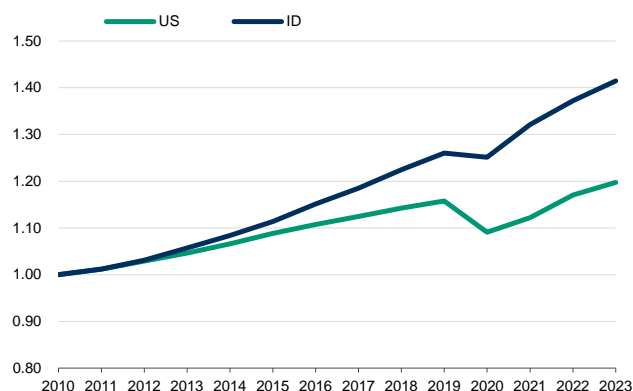
Source: Audited financial statements, US Bureau of Economic Analysis and Moody's Investors Service

Economy

Idaho's economy will continue to grow in the coming years, and its expansion will be driven by a rising population and expanding job market. The state's current growth has been driven, in particular, by strong performances in the technology and healthcare sectors. To accommodate these growing sectors, the state has benefited from an influx of new residents attracted to the state's quality of life and job opportunities. The state is one of the most rapidly growing states within the US (see Exhibits 4-7). Idaho's population rose 23% since 2010, the highest rate of growth of all states. From 2010-2022, the state's real GDP increased 44% (3rd among states) and total personal income grew 119% (2nd among states).

Exhibit 4

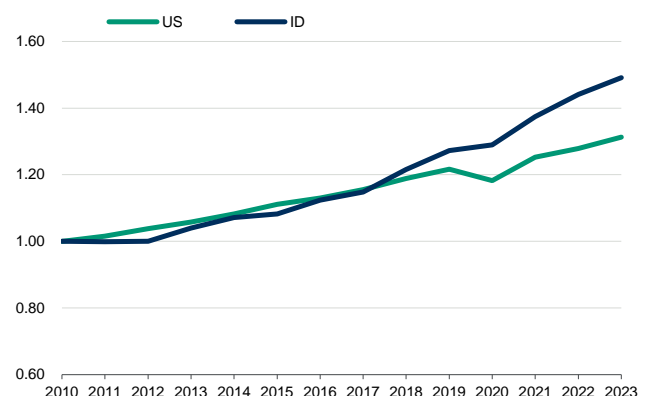
Annual nonfarm employment relative to 2010



Source: US Bureau of Labor Statistics

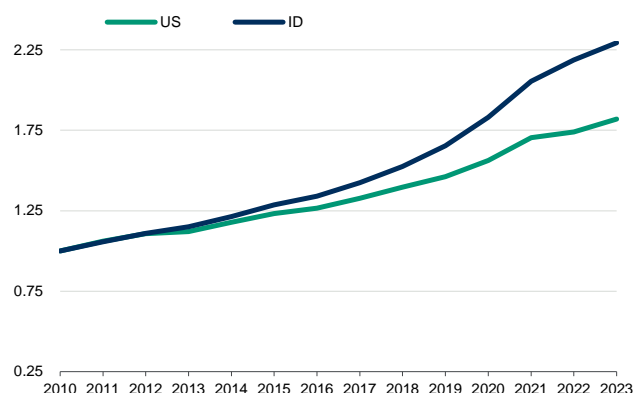
Exhibit 5

Annual real GDP relative to 2010



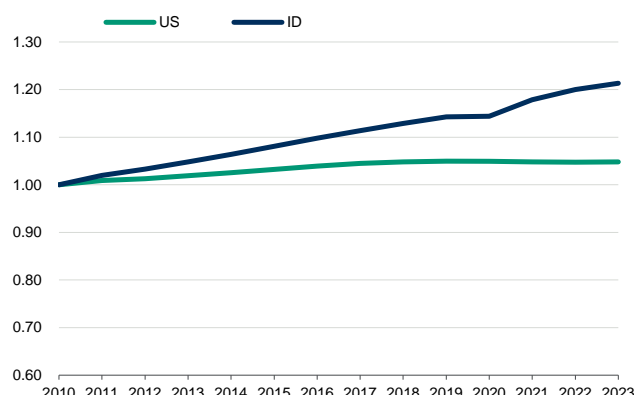
Source: US Bureau of Economic Analysis

Exhibit 6

Annual personal income relative to 2010

Source: US Bureau of Economic Analysis

Exhibit 7

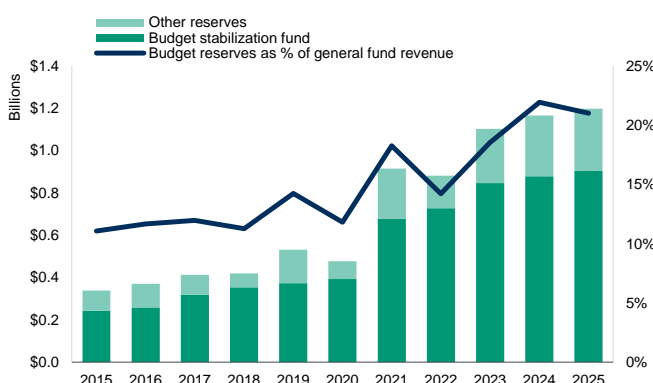
Annual working age population relative to 2010

Source: US Census Bureau

Financial performance

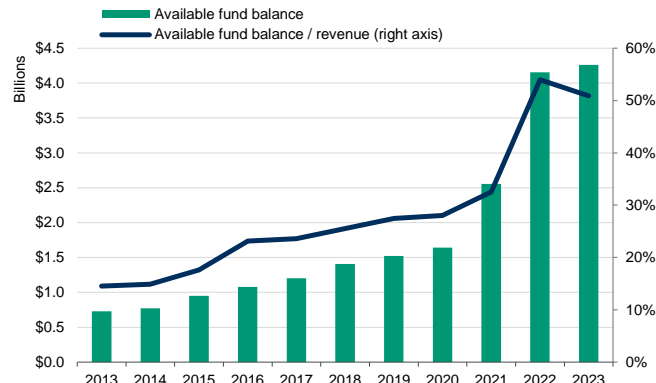
Idaho's finances will remain healthy. Exhibits 8 and 9 below show that, on both a budgetary basis and GAAP basis, reserves and fund balance are solid and continuously improving. This growth is due to very strong revenue performance, which itself is linked to the state's very dynamic economy. Over fiscal years 2018 through 2023, sales taxes and personal income taxes, the state's two largest sources of revenue, grew at compound annual rates of 11% and 9%, respectively.

Exhibit 8

Budgetary-basis reserves, by fiscal year ending June 30

2024 figures projected by state; 2025 figures included in executive budget proposal
Source: State of Idaho and Moody's Investors Service

Exhibit 9

GAAP-basis fund balance, by fiscal year ending June 30

Source: Idaho's audited financial statements and Moody's Investors Service

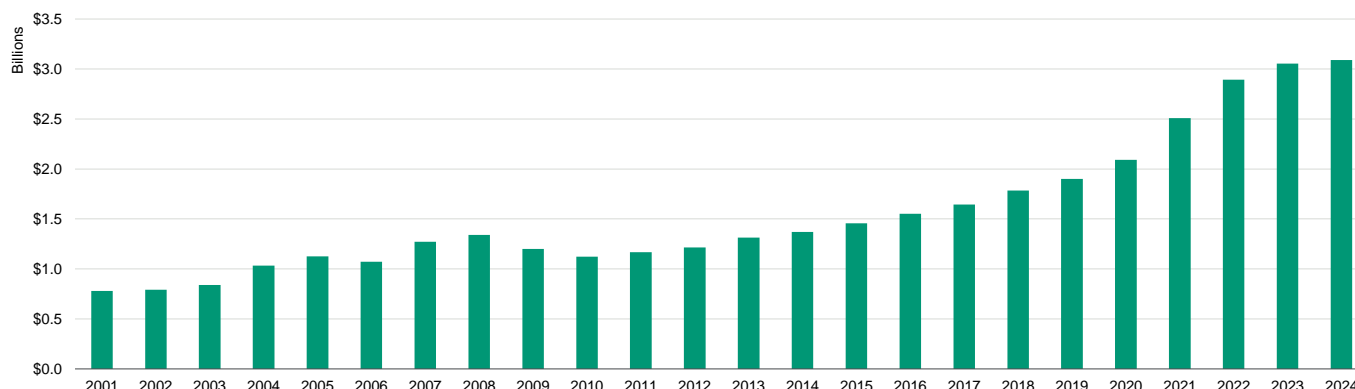
The state's current fiscal 2024 forecast assumes general fund revenue will be down 10% compared to last year. However, this decline is almost entirely driven by a 2023 law that adds new claims on gross sales taxes prior to their distribution to the general fund. The new priority claims are in place to support school facility construction, additional general school aid, and career development. Excluding the new priority claims, general fund revenue is on pace to be down less than 2% compared to fiscal 2023. This decline is due to a fall in corporate income taxes, with a portion of that fall offset by growth in personal income taxes.

Sales taxes pledged to debt

Idaho pledges its sales tax revenue to three bond-related purposes: the Idaho School Bond Sales Tax Guaranty Program, bonds issued by the Idaho Bond Bank Authority (IBBA), and Transportation Expansion and Congestion Mitigation (TECM) fund bonds issued by the Idaho Housing & Finance Association (IHFA).

Exhibit 10

Trend in Idaho sales taxes, by fiscal year ending June 30
2024 collections projected by state



Source: State of Idaho

State statute establishes multiple claims on state sales taxes before the payment of IHFA TECM fund bonds, qualified school bonds, and IBBA bonds. The largest of the claims prior to the payment of TECM fund bonds are the state's local revenue sharing account and tax relief funds. Altogether, claims on sales taxes senior to the TECM fund bonds were \$526 million in fiscal 2023 and estimated to be \$543 million in fiscal 2024, about 17% of gross sales taxes in each year.¹

The qualified school bonds and IBBA bonds are subject to a few additional prior claims, including new distributions for the school facility fund and homeowners' property tax relief. The additional claims are estimated at \$200 million in fiscal 2024, or another 7% of projected gross sales taxes.

Exhibit 11 details the recent trend in gross sales taxes and sales taxes net of priority claims. As the exhibit shows, sales taxes net of priority claims continue to provide very strong coverage of debt service on both the TECM fund bonds and IBBA bonds. The coverage ratios in the exhibit do not consider payment of bonds under the state sales tax guaranty program. The state has never been called upon to step up with its guaranty and, even if it did so, the same statute that establishes the guaranty also enables the state to intercept school aid as reimbursement.

Exhibit 11

Key indicators of Idaho's sales tax obligations

	2018	2019	2020	2021	2022	2023	2024
Outstanding guaranteed school bonds	\$1,377.3	\$1,408.9	\$1,304.3	\$1,210.4	\$1,146.7	\$1,031.0	\$1,000.0
Outstanding IBBA bonds	\$316.7	\$292.0	\$266.0	\$242.0	\$211.9	\$196.7	\$189.7
Outstanding TECM fund bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$184.6	\$534.3	\$865.8
Total state sales taxes	\$1,784.7	\$1,901.7	\$2,092.2	\$2,508.9	\$2,891.9	\$3,054.4	\$3,090.1
Annual growth in sales taxes	5.8%	6.6%	10.0%	19.9%	15.3%	5.6%	1.2%
State sales taxes net of priority claims*	\$1,516.1	\$1,616.2	\$1,742.1	\$2,061.2	\$2,349.2	\$2,495.1	\$2,337.5
IBBA bond debt service	\$33.1	\$34.4	\$29.7	\$28.4	\$26.3	\$23.6	\$20.4
TECM fund bond debt service	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.8	\$26.9
TECM fund debt service coverage**	n/a	n/a	n/a	n/a	n/a	321.2x	87.0x
IBBA debt service coverage**	45.7x	47.0x	58.6x	72.6x	89.4x	105.7x	114.5x
Combined IBBA & TECM fund debt service coverage**	45.7x	47.0x	58.6x	72.6x	89.4x	79.5x	49.4x
Combined MADS coverage**	45.7x	47.0x	58.6x	72.6x	89.4x	24.1x	23.3x

2024 revenue projected.

* For simplicity, this figure is net of all claims prior to the IBBA bonds, though the state's distribution to the TECM fund is prior to some of these claims.

** Debt service coverage metrics exclude debt service on guaranteed school bonds, for which the state can reimburse itself through the withholding of school aid. Starting in 2023, the coverage ratio assumes \$80 million in MADS on the TECM fund bonds. This is the maximum allowable debt service on bonds per current statute.

Source: State of Idaho and Moody's Investors Service

Liquidity

Idaho's overall liquidity remains very strong (see Exhibit 2 above). The state has, at times, been a frequent issuer of annual tax anticipation notes because of the mismatch in timing of outflows versus inflows within the general fund. That said, the state's note

borrowing in fiscal 2022 was less than \$300 million (historically, annual issuances approximated \$500 million) and the state had no need to issue notes in fiscal years 2023 or 2024.

Leverage

Idaho will continue to have one of the lowest long-term liability burdens among US states. Idaho's debt consists of a mix of lease revenue bonds paid with subject-to-appropriation rental payments, bonds secured by state sales taxes, and grant anticipation bonds (GARVEEs) paid with federal transportation funds. Idaho's fiscal 2023 net tax-supported debt was just over \$1.1 billion. The state's adjusted net pension liability (ANPL) was \$2 billion. The ANPL is our calculation of an unfunded pension liability arrived at by applying a market-based discount rate to a state's reported pension liability. The remainder of Idaho's long-term liabilities consists of miscellaneous balance sheet items such as claims and judgments, and compensated absences. The state had a net OPEB asset on both a reported- and Moody's-adjusted basis in fiscal 2023.

Risk associated with university acquisition

The potential acquisition of the University of Phoenix, the for-profit university, by an entity related to the [University of Idaho](#) (A1 rating under review for possible downgrade) presents some operating risk to the state. The university is in the process of establishing a nonprofit organization that could issue close to \$700 million in new bonds to finance the acquisition and then take on the task of managing the online university. The University of Idaho may guaranty a narrow portion of the annual debt service on the bonds. At the same time, as the sole member of the nonprofit organization, the University of Idaho could be exposed to significant operating risk even if its responsibility for debt service is strictly limited to the narrow guaranty.

Because the university is a wholly-owned business-type enterprise of the State of Idaho, the risks it assumes could become operating risks of the state. The general system of higher education in Idaho is governed by the State Board of Education (BOE)—the members of the BOE are also the members of the Board of Regents of the University of Idaho. This illustrates the close operating relationship between the state and the university. The \$700 million proposed debt issuance, should the acquisition proceed, would not be a direct obligation of the state and would in any case be modest relative to the state's revenue base and economy. However, any increased operating stress at the University of Idaho could result in greater fiscal support from the state given the close relationship between the two.

Legal security

The exhibit below details the security of Idaho's different types of debt.

Exhibit 12

Security of Idaho's obligations

Type of state obligation	Pledge
Lease revenue bonds	Subject-to-appropriation rental payments made by various state departments to the state building authority
Idaho Bond Bank Authority revenue bonds	State general fund sales taxes available in the event that program participants do not make timely payments on their loans
Transportation Expansion and Congestion Management (TECM) bonds	Continuously appropriated allocation of state sales taxes; statute establishes a lien on taxes deposited in the TECM fund and sets the total TECM allocation at the greater of 4.5% of total sales taxes or \$80 million, subject to a \$140 million cap
Grant and revenue anticipation bonds (GARVEEs)	Federal Highway Trust Fund grants
School Bond Sales Tax Guaranty Program	State guaranty to pay debt service, from sales taxes, on qualified school district bonds upon being informed by the trustee that insufficient funds are on hand to make a scheduled payment on the district's bonds.
Public Charter School Facilities Program	Statute authorizes the governor to request, and the legislature to appropriate, funds sufficient to replenish debt service reserve funds established by qualifying charter schools, when drawn on.

Source: State of Idaho and Moody's Investors Service

Debt structure

All of Idaho's debt is in fixed-rate mode.

Debt-related derivatives

The state has no debt-related derivatives.

Pensions and OPEB

Idaho's ANPL arises from benefits mostly provided through the statewide Public Employee Retirement System of Idaho. The state carries a very modest liability in its Judges' Retirement Fund. The state typically contributes to its pension funds amounts that meet or exceed those funds' tread water indicators. The tread water indicator is the contribution we calculate would be necessary to forestall further growth in reported liabilities, assuming all actuarial assumptions are met. Contributing above this indicator is stronger, from a credit perspective, than contributing below it. The tread water indicator (\$114 million in fiscal 2023) is a component of the fixed costs ratio shown in Exhibit 2 above.

Idaho had a net OPEB asset on both a reported- and Moody's-adjusted basis in fiscal 2023. The state's OPEB contribution, which is also a component of the fixed costs ratio in Exhibit 2, was a modest \$825,000 in fiscal 2023.

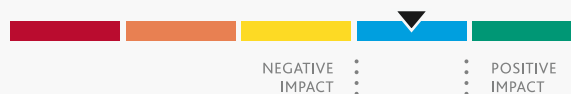
ESG considerations

Idaho (State of)'s ESG credit impact score is CIS-2

Exhibit 13

ESG credit impact score

CIS-2



ESG considerations do not have a material impact on the current rating.

Source: Moody's Investors Service

Idaho's ESG Credit Impact Score is neutral-to-low (**CIS-2**) reflecting its neutral-to-low exposure to environmental risks, neutral-to-low exposure to social risks and a positive governance profile.

Exhibit 14

ESG issuer profile scores

ENVIRONMENTAL

E-2



SOCIAL

S-2



GOVERNANCE

G-1



Source: Moody's Investors Service

Environmental

Idaho's E issuer profile score is neutral-to-low (**E-2**). Idaho is moderately exposed to severe storms and drought. According to data of Moody's ESG Solutions, significant portions of the state's population (65% to 75%) face rising risks of wildfires and/or drought/water stress. Greater frequency of these adverse events could have negative implications for agricultural productivity and impact other key state industries such as forestry, fishing and hunting.

Social

Idaho's S issuer profile score is neutral-to-low (**S-2**). Idaho benefits from steady migration and population growth, especially within the prime working age group. This is fueling steady job growth across the state. Per capita income and wealth remain lower than average among states, but have the potential to improve steadily in coming years. At the same time, a rapidly growing population could strain housing affordability.

Governance

We consider Idaho's governance to be strong, reflected in the state's positive G issuer profile score (**G-1**). The state has broad flexibility to raise taxes and the governor has moderate authority to rein in spending through hold-backs. Historically, the state has been quick to react to negative events in order to stabilize finances, both in terms of expenditure cuts and revenue increases. The treasurer's office manages state liquidity under strict investment guidelines and an annual formal review.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US States and Territories Rating Methodology includes a scorecard, which summarizes the rating factors generally most important to state and territory credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 15

Idaho (State of)

	Measure	Weight	Score
Economy			
Resident Income (PCI Adjusted for RPP / US PCI)	94.2%	15%	Aa
Economic Growth (5-year CAGR real GDP - 5-year CAGR US real GDP)	2.5%	15%	Aaa
Financial performance			
Financial performance	Aaa	20%	Aaa
Governance/Institutional Framework			
Governance/Institutional Framework	Aaa	20%	Aaa
Leverage			
Long-term liabilities ratio (adjusted long-term liabilities / own-source revenue)	39.9%	20%	Aaa
Fixed-costs ratio (adjusted fixed costs / own-source revenue)	2.6%	10%	Aaa
Notching factors			
Very limited and concentrated economy	-		
Scorecard-Indicated Outcome			Aaa
Assigned rating			Aaa

Source: Idaho's audited financial statements, US Bureau of Economic Analysis, US Bureau of Labor Statistics and Moody's Investors Service

Endnotes

- 1 State law enacted in 2023 raised the priority of the TECM fund bonds in the hierarchy of state sales tax uses. Prior to this law, distribution to the TECM fund came after the payment of qualified school bonds and IBBA bonds, as well as several other items. The law also raised the priority of the state's local revenue sharing account above all three of the bonding programs.

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