# 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

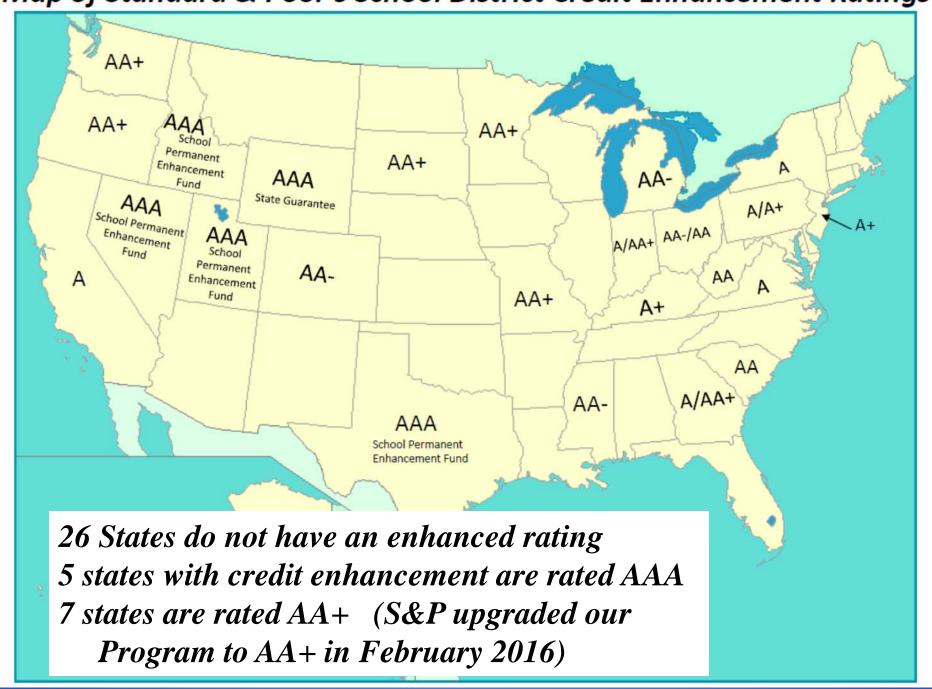
Bond Rating			
Moodys (1,2,3)	S&P (+,-)	<u>Grade</u>	<u>Risk</u>
Aaa	AAA	Investment	Lowest
Aa	AA	Investment	Low
A	A	Investment	Low
Baa	BBB	Investment	Medium
Ba	BB	Junk	High
Caa/Ca/C	CCC/CC/C	Junk	Highest
С	D	Junk	In Default

# 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



### 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

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Interest cost at A+ = \$1,495,780 (NIC = 2.66%)
Interest cost at AA+ = \$1,406,845 (NIC = 2.52%)
Savings \$88,935
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Interest Costs of a \$20,000,000 tax-exempt 20 year loan

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Interest cost at A+ = $6,857,400 (NIC = 3.02%)
Interest cost at AA+ = $6,466,977 (NIC = 2.86%)
Savings $390,423
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### Average General Obligation Tax Exempt Bank Qualified Rates As of March 3, 2016

