State Debt Policy Advisory Commission
Summary of 2026 Annual Report

OREGON STATE TREASURY

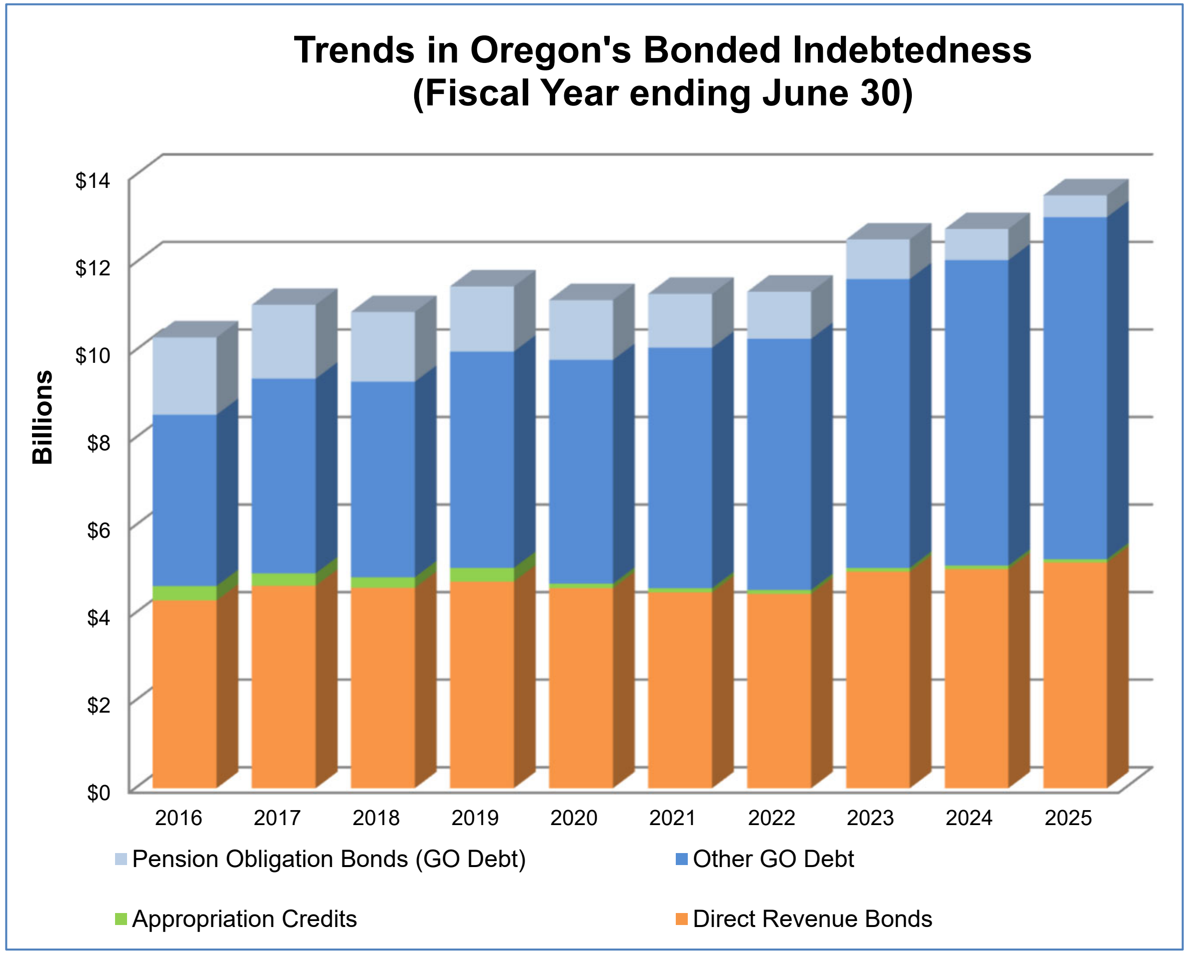
January 29, 2026

Contents

Oregon Outstanding Debt Position

Aggregate State Debt Levels

- As of June 30, 2025, the State had $13.6 billion in long-term debt consisting of :
- $8.3 billion General Obligation Bonds
  - $6.3 billion General Fund-Supported
  - $2.0 billion supported by net-tax or dedicated funds
- $5.2 billion in Direct Revenue Bonds
  - $2.4 billion of Oregon DOT bonds
  - $1.5 billion of Lottery revenue bonds
  - $1.2 billion of OHCSD single family and multi family revenue bonds and
  - $45 million of OBDD Bond Bank bonds
- $77 million Appropriation debt including Certificates of Participation (COPs)

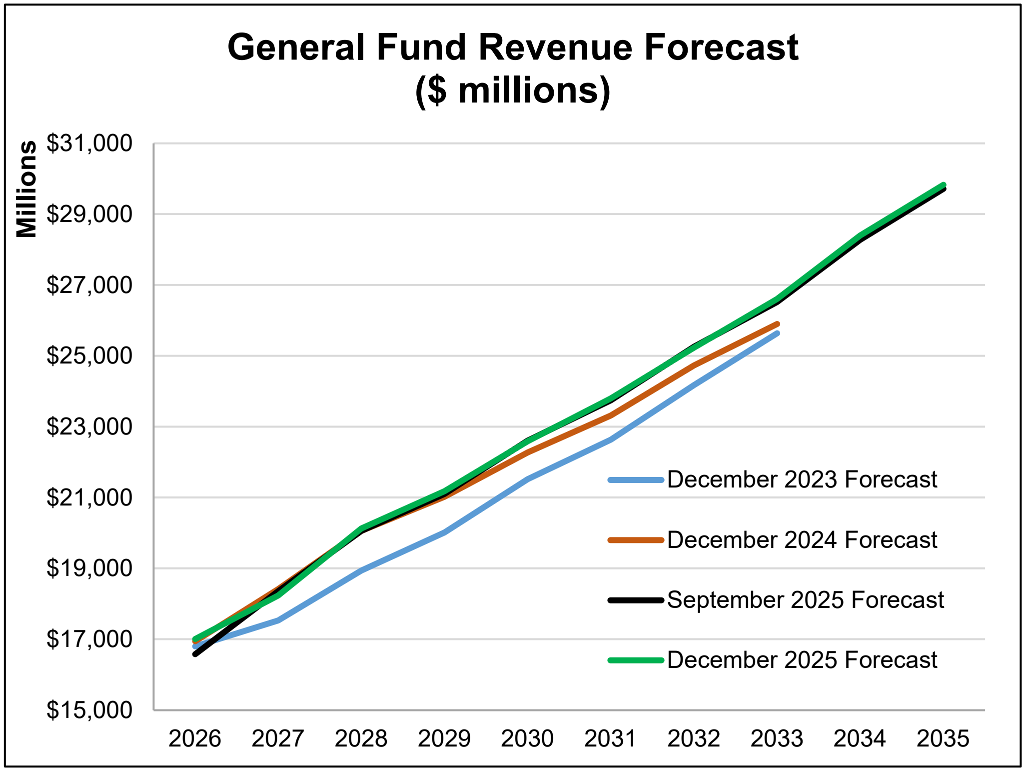


General Fund–Supported Debt Capacity

General Fund Revenue Forecast Trends

- The December 2025 Forecast shows strong growth in General Fund revenues over the forecast period, with a $310 million increase compared to the prior September 2025 forecast
  - The forecasted $27.9 billion of General Fund Revenue for the 2025-27 Biennium is $2.1 billion above the 2024 December Forecast (prior SDPAC Report)
    - This forecast employs the new methodology resulting in significant increases in expected Personal and Corporate Income Tax revenues

- Key factors contributing to the General Fund revenue forecast include factors affecting the 2025-27 Biennium:
  - National economy and Oregon experiencing only a moderate slow down; successfully avoiding a downturn
  - Stronger Corporate Income Tax and Personal Income Tax receipts
  - Federal tax relief at the Business and household levels
  - OEA expects faster economic growth and a rebound in job creation in 2026
  - Consumer inflation is running a full percentage point over the FOMC target of 2%, limiting how much the Fed can ease



General Fund Debt Capacity Model Inputs and Assumptions

- Accounts for all $6.4 billion in General Fund-Supported debt outstanding as of June 30, 2025
- Assumes 2025-27 Biennium issuance of all $2.3 billion of General Fund-Supported debt authorized by the 2025 Legislative session and ($513 million assumed to be authorized) the 2026 Legislative session
  - $36.3 million Article XI-G GO Bonds to provide 50% matching grants for community college building projects
  - $106.8 million Article XI-G GO Bonds for Higher Education Facilities
  - $100.9 million Article XI-M GO Bonds to fund seismic upgrade grants to public schools
  - $50.6 million Article XI-N GO Bonds to fund seismic upgrade grants to public safety facilities
  - $50.5 million Article XI-P GO Bonds for matching grants for K-12 school capital improvements
  - $251.8 million Article XI, Section 7 GO Bonds to fund I-5 Bridge Replacement project
  - $1.2 billion (only General-Fund-Supported issuance, excludes $212 million of self-supporting issuance) Article XI-Q GO Bonds to fund state buildings, affordable housing projects, and local courthouse project matches
- Uses OEA's December 2025 Forecast of General Fund Revenue Projections for the four future biennia over the forecast period (FY 2027 – FY 2035)
- Structures new debt with level annual debt service over **20 years** using a **5.50%** interest rate, to reflect market uncertainty regarding inflation, unemployment, and future interest rates
- Assumes a target of **5.0%** of General Fund revenues will be used to pay General Fund debt service

General Fund-Supported Debt Capacity

- Using the December 2025 Forecast, General Fund debt capacity is projected to be $9.0 billion over the forecast period (FY 2027 – FY 2035)
- Averaging this capacity over the forecast period results in $2.25 billion issuance for each Biennium, or $1.13 billion annually (FY 2027-29, 2029-31, 2031-33, 2033-35)
  - With the averaging approach, our target debt service ratio of 5% is not breached throughout the forecast period

Projected General Fund-Supported Debt Capacity (December 2025 Forecast) ($ Millions)

Fiscal Year Ending June 30	Projected General Fund Revenue	Maximum Annual Amount of Debt Issuance within 5% Target Capacity	GF Debt Service as a % of General Fund Revenues*	SDPAC's Recommended Maximum Annual Amount of Debt Issuance	GF Debt Service as a % of General Fund Revenues*
2026	$ 17,006	$ ---	4.3%	$ ---	4.3%
2027	18,236	513	4.6%	513	4.6%
2028	20,126	2,039	5.0%	1,125	4.8%
2029	21,178	728	5.0%	1,125	4.8%
2030	22,587	1,039	5.0%	1,125	4.9%
2031	23,796	897	5.0%	1,125	4.9%
2032	25,230	1,088	5.0%	1,125	4.9%
2033	26,603	979	5.0%	1,125	5.0%
2034	28,394	1,178	5.0%	1,125	5.0%
2035	29,830	1,052	5.0%	1,125	5.0%
Total		**$ 9,512***		**$ 9,512***	

Assumes a total issuance of $2.32 billion (including $513 million assumed for 2026) in General Fund-Supported bonds
*Rounded

Factors That Could Impact General Fund Debt Capacity

- Projected debt capacity will vary with changes in interest rate assumptions or revenue projections

General Fund Debt Capacity
Sensitivity Analysis
(December 2025 Forecast)

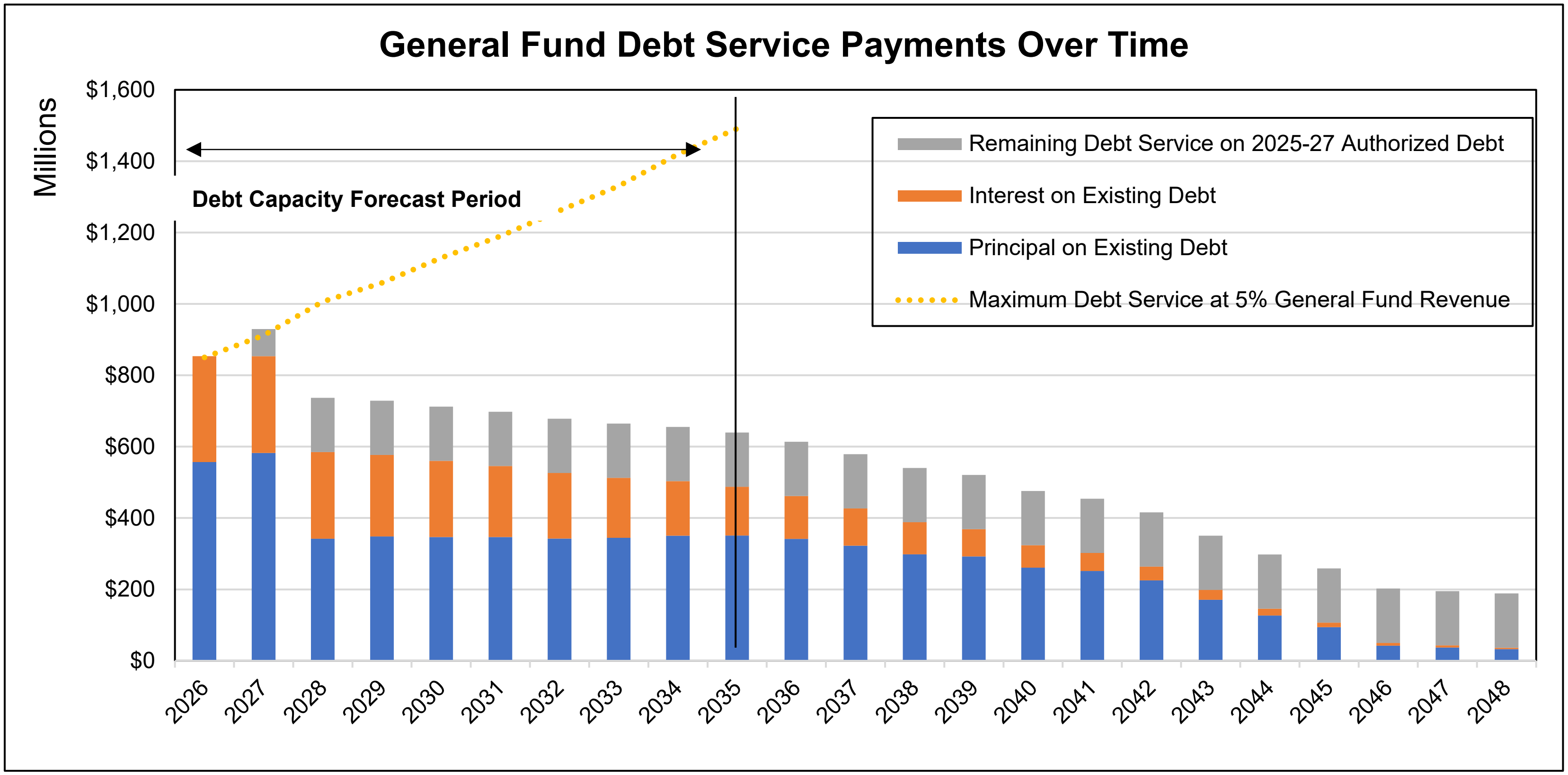
$ Millions	FY 2027 – 2035	Change from Base Case (FY 2027 - 2035)	Average Per Biennium
Base Case for Next Four Biennia	**$ 8,999***	**---**	**$2,250***
Change in General Fund Revenue Forecast			
10% decline	7,217	(1,782)	1,804
10% increase	10,781	1,782	2,695
Change in Interest Rate Forecast			
1.0% higher	8,077	(922)	2,019
1.0% lower	10,046	1,047	2,511

* Excluding 2025-27 Issuance

OREGON STATE TREASURY

General Fund Debt Service

- The State maintains a conservative General Fund debt service profile
  - Currently, the State manages debt balances with a General Fund supported debt service target of 5%. Over the past several years, General Fund revenue has increased year over year providing increased debt capacity in each year
  - Over 50% of current outstanding debt principal amount will amortize over the forecast period. This along with the paydown of POBs by 2027, frees up debt capacity in the later Biennia of this decade



- The Commission has historically recommended that the Legislature consider spreading issuance over the Biennium to permit the State to benefit from interest cost averaging rather than concentrating the issuance at the end of the Biennium

Lottery Revenue Debt Capacity

Lottery Debt Capacity Model Inputs and Assumptions

- $1.5 billion of Lottery Revenue Bonds were outstanding as of June 30, 2025, and have been used to fund programs including

  - Light Rail Projects and “Connect Oregon” Grants
  - Drinking Water
  - Community Loans and Grants
  - Economic & Rural Development
  - State Parks, State Fair & Oregon Gardens
  - Schools & Education
  - Supportive Housing
  - Regional Port and Airport Improvements

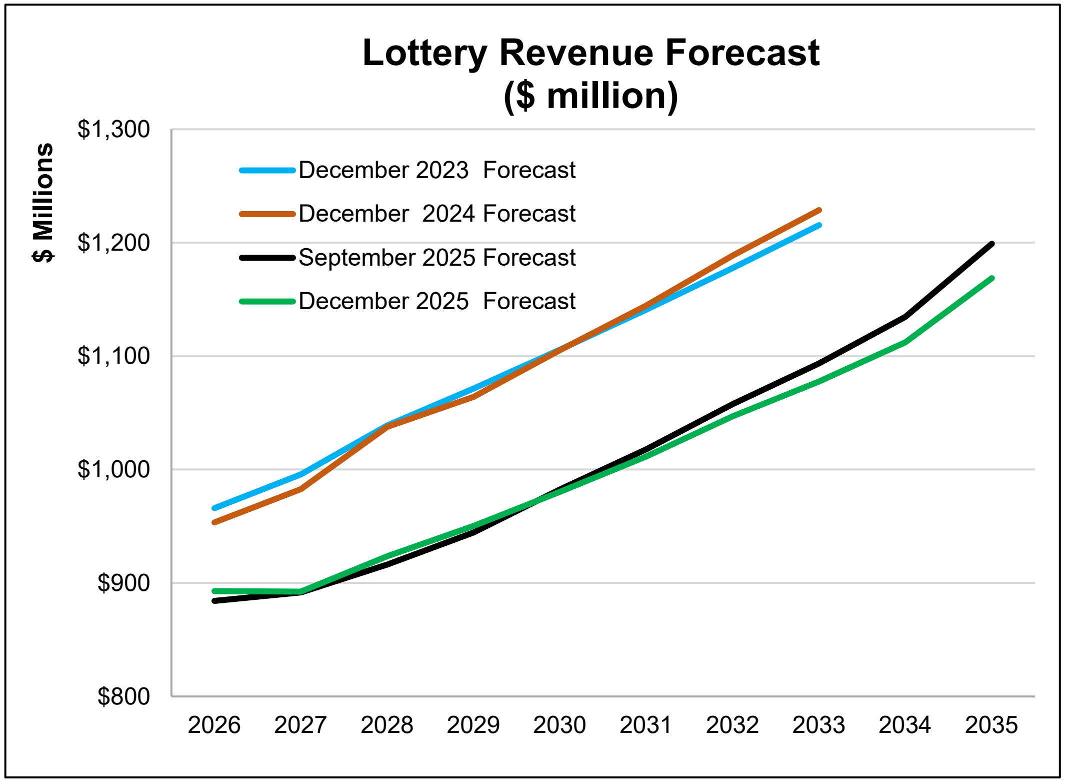
Key Debt Capacity Assumptions

- Uses OEA’s December 2025 Forecast of Lottery Revenue over the forecast period (FY 2027 – FY 2035)
- Assumes issuance of the all $581 million 2025-27 Biennium authorized and ($86 million assumed to be authorized) new money bonds
- Bond Structuring Assumptions Include:
  - Structures new debt with annual level debt service over **20-year** term using a **5.50%** interest rate, to reflect market uncertainty regarding inflation, unemployment and future interest rates
  - The Lottery Revenue Bond Indenture requires that unobligated net lottery proceeds available for transfer must provide a minimum of **4** times coverage of maximum annual debt service or debt service may not exceed **25%** of unobligated net lottery proceed

Lottery Revenues Forecast Trends

- The December 2025 Forecast projects Lottery Revenue significantly below that of December 2024 projections. Estimates for the 2025-27 Biennium have been revised lower by $930 million over 4 biennia (2027-35)
- Weakness in Video lottery (which is the primary driver of revenues) has been the major reason for the significant decrease in revenues over the forecast period
- Lottery Revenues available for transfer are expected to grow from $1.8 billion in the 2025-27 Biennium to $2.3 billion in the 2033-35 Biennium

- Key Factors contributing to Lottery Revenue include:
  - Performance of the Oregon economy and consumer preferences for entertainment
  - Reduction in sales outlook for video lottery (the biggest piece) that is tracking lower over the past years
  - Competition for household entertainment dollars, increased competition within the gaming industry and evolution of consumer tastes



Lottery Revenue Debt Capacity

- The December 2025 Forecast provides for a large drop in Lottery Revenues over the period FY 2027 through FY 2035, resulting in lower debt capacity of $1.6 billion (in addition to 2025-27 issuances)
- Based on the December 2025 Forecast and using an averaging approach, the State's Lottery Revenue debt issuance capacity is $397 million in each Biennium or $198 million annually over the forecast period

Projected Lottery Revenue Bond Capacity
Over the Next Four Biennia
($ Millions)

Fiscal Year (ending June 30th)	Maximum Amount of New Debt Issuable Within Debt Service Coverage Requirements	Lottery Revenue to Debt Service Ratio	Debt Service as a % of Lottery Revenues	SDPAC Recommended Maximum Average Annual Debt Issuance	Lottery Debt Service Coverage Ratio	Debt Service as a % of Lottery Revenues
2026	$ -	4.0	25%	$ -	4.6	22%
2027	86	4.0	25%	86	4.0	25%
2028	100	4.0	25%	198	3.9	26%
2029	232	4.0	25%	198	3.9	26%
2030	141	4.0	25%	198	3.8	26%
2031	202	4.0	25%	198	3.8	26%
2032	340	4.0	25%	198	4.0	25%
2033	111	4.0	25%	198	3.9	26%
2034	254	4.0	25%	198	4.0	25%
2035	207	4.0	25%	198	4.0	25%
Total	**$ 1,674***			**$ 1,674***		

Assumes a total issuance of $581 million (including $86 million assumed for 2026) in Lottery bonds
* Rounded

OREGON STATE TREASURY

Factors That Could Affect Lottery Revenue Debt Capacity

- Projected debt capacity will vary with changes in interest rate assumptions or revenue projections

Lottery Bond Capacity
Sensitivity Analysis
(December 2025 Forecast)

($ Millions)	FY 2027 – 2035	Change from Base Case (FY 2027 – 2035)	Average Per Biennium
Base Case for Next Four Biennia	**$ 1,587**	**$ ---**	**$ 397**
Change in Lottery Revenue forecast			
10% decline	1,238	(349)	310
10% increase	1,937	349	484
Change in interest rate forecast			
1.0% higher	1,412	(176)	353
1.0% lower	1,787	200	447

* Excluding 2025-27 Issuance

Additional Program Updates

State Net Tax-Supported Debt Per Capita

- At the start of the 2025-27 biennium, Oregon's Net Tax-Supported Debt was $10.9 billion and is projected to increase to $13.7 billion by the end of FY 2027
- Net Tax Supported debt as a percent of personal income is expected to grow from 3.45% at the end of the 2023-25 Biennium to an expected 3.85% by the end of the current Biennium
- Oregon's Net Tax-Supported Debt (NTSD) per capita as of FY 2025 is $2,533 which is above the median of $1,214 for all states
- Historically, the State's strong population growth over the last decade permitted the State to support increasing debt at affordable levels, however recent trends shows slowing population growth

State of Oregon
Net Tax-Supported Debt Ratios (Change from End of Last Biennium)

Fiscal Year Ending June 30th				
	FY 2024 (Actual)	FY 2025 (Actual)	FY 2026 (Projected)	FY 2027 (Projected)
Net Tax-Supported Debt ($bn)	$10.18	$10.90	$12.28	$13.67
Population*	4,300,100	4,300,400	4,315,200	4,337,900
Personal Income * ($bn)	$302.4	$315.6	$333.2	$355.4
NTSD Per Capita	$2,361	$2,533	$2,845	$3,152
NTSD as a % of Personal Income	3.37%	3.45%	3.68%	3.85%
Pension Obligation Bonds Excluded				
NTSD Per Capita	$2,195	$2,417	$2,784	$3,152
NTSD as a % of Personal Income	3.13%	3.29%	3.61%	3.85%
Moody's Median NTSD**	$1,189	$1,214	NA	NA

*Source: Population and Personal Income projections are based on OEA December 2025 Forecast
**NTSD of prior year

OREGON STATE TREASURY

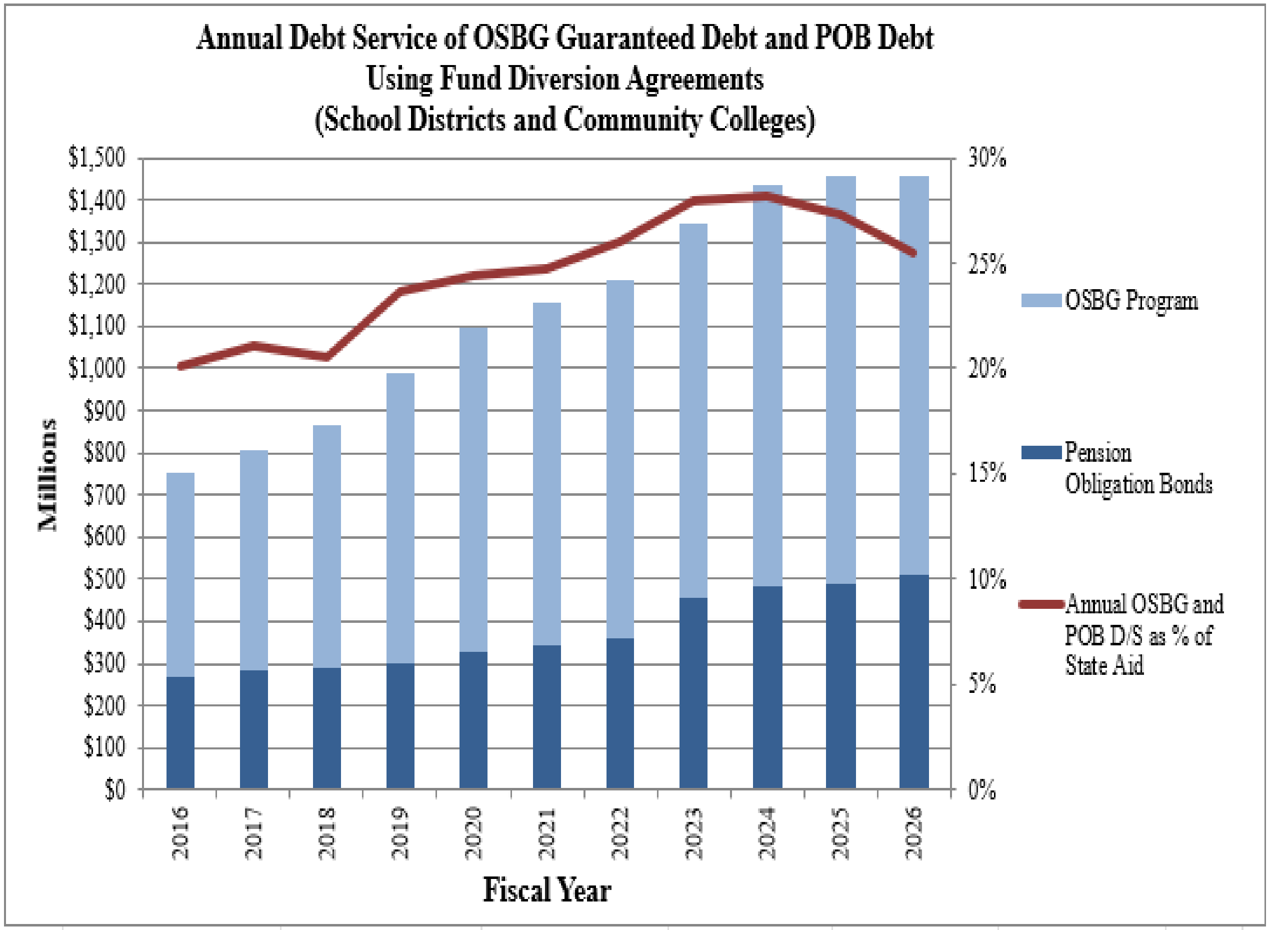
Oregon School Bond Guaranty Program and Pension Bonds

- The Oregon School Bond Guaranty (OSBG) program, created in 1998 via constitutional amendment, permits the State to credit enhance school district bonds using the State Aid intercept where State School Aid may be directed to the pay debt service on OSBG debt. As of June 30, 2024, the program has guarantees on $10.1 billion of outstanding GO bonds issued by Oregon school districts and community colleges

- District pension obligation debt uses the Fund Diversion Agreement to support POBs debt service, which enhances the credit ratings of POB issuances without the use of the Guaranty

- For FY 2026, outstanding POB debt service is expected to account for 16.5% of annual State Aid to Schools and Community Colleges. In the aggregate, guaranteed or contingent claims against school aid total 25.5%

- Four school districts currently have combined annual State guaranteed debt service (GO and POB) that exceed their annual allocation of State school aid



OREGON STATE TREASURY

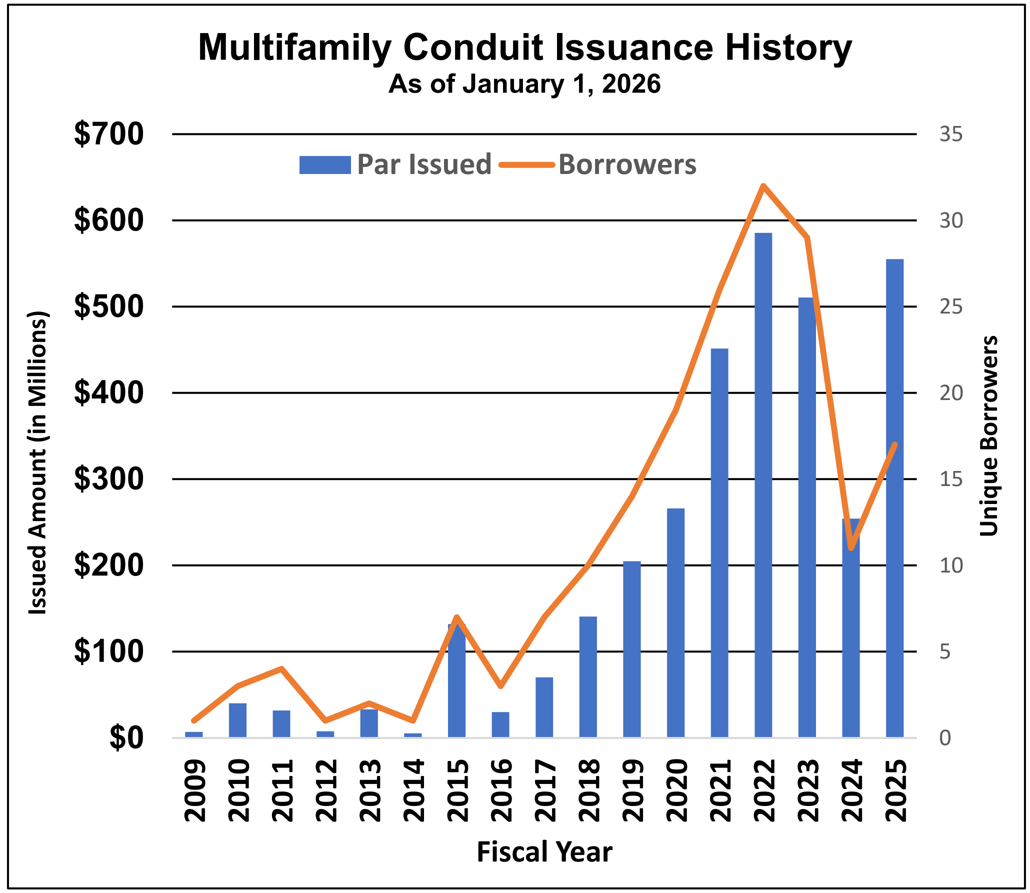
PAB Volume Cap Allocations

- The federal government allocates a limited amount of "private activity" tax-exempt financing authority annually to each state for distribution to various qualified economic and community development projects
- The 2025 Legislature authorized in CY 2026 and CY2027 PAB Volume Cap of $550 million as follows:
  - $450 million Legislative allocation to OHCSD
  - $59 million to the PAB Committee for statewide projects
  - $41 million Legislative allocation to Oregon Business Development Department (OBDD)
- Based on December 2024 population statistics and IRS volume cap per capita allocations, Oregon's 2025 CY PAB Volume Cap is approximately $555 million, which increases the PAB Committee CY 2024 allocation authority by $46 million
- Unused CY 2025 allocations became available in December 2025 and will become available to the Private Activity Bond Committee to allocate in its January 2026 meeting

Multifamily Conduit Revenue Bond Issuance

- Issuance of multifamily conduit revenue bonds has increased sharply since 2018, largely due to the issuance of General Obligation bonds for Local and Innovative Fastrack Program ("LIFT") affordable housing and Permanent Supportive Housing ("PSH") program awards which have been combined with various established housing tax credits including 4% Low Income Housing Tax Credit (LIHTC)

- Multifamily revenue bonds are issued on behalf of public and private entities for the development and rehabilitation of low-income multifamily housing
- During FY2026, 14 conduit bond issuances totaling $357 million closed so far. One more issuances for approximately $75 million is projected to close by the end of FY2026
- The strong demand for affordable housing statewide has intensified competition for the limited availability of private activity bond volume cap



Conclusion

Conclusion

- The December 2025 Forecast shows continued robust growth in 2025-27 Biennium General Fund revenues while Lottery Revenues are showing continued weakness
- The State's General Fund revenues are forecasted to provide for $9.0 billion of new General Fund debt capacity for the upcoming four biennia, with an average debt capacity of $2.25 billion per Biennium
- Lottery Revenue continues to be heavily dependent on video gaming, which is reliant on access to bars, restaurants and gaming facilities and showing signs of weakness vs expectations
    - Projected Lottery Revenue provides $1.6 billion of new Lottery Revenue debt capacity for the upcoming four Biennia, with an average debt capacity of $397 million in each Biennium over the forecast period
- The State has strong credit ratings due to its adherence to prudent debt management practices, fiscal discipline, strong management and high liquidity position
    - The State's long-term General Obligation Bond ratings were recently affirmed by S&P, Moody's and Fitch in October 2025 at AA+/Aa1/AA+, respectively
    - The State's long-term Lottery Revenue Bond ratings were also affirmed by S&P, Moody's and Kroll in March 2025 at AAA/Aa2/AAA, respectively.
    - Evaluation and management of key revenue and budgetary risk factors as well as buffering reserves are important components of ongoing debt management

Questions?