
RATING RATIONALE

The Aa1 general obligation ratings are based on the state's strong liquidity and fund balances combined with sophisticated revenue forecasting and sound budget management, that will support continued budget flexibility through the economic recovery. While the state's bonded debt medians are above average, total long-term liabilities are moderate given its below-average adjusted net pension liability and minimal other post employment benefits (OPEB). These strengths are partially balanced by the state's high exposure to personal income tax volatility and the constitutional 2% kicker on income taxes that prevents the state from fully capturing the revenue boost during periods of economic strength.

RATING OUTLOOK

Oregon's stable outlook reflects the sound budget management and strong liquidity that will support satisfactory financial flexibility during the economic recovery.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Maintenance of structural budget balance, including making sufficient pension contributions to help the pension liability "tread water"
- Growth and maintenance of strong General Fund reserve levels that are above-average and sufficient to offset revenue volatility during economic downturns
- A rapid return to above-average job growth post-recession

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Deterioration in the state's financial performance and reductions in reserve levels that exceed peer trends
- A sustained, multi-year use of non-recurring solutions to balance the budget
- A larger-than-expected increase in the adjusted net pension liability (ANPL) that leads to significantly above-average long-term liabilities

LEGAL SECURITY

The 2022 Series A-D bonds are general obligations of the State of Oregon, backed by the full faith and credit and taxing power of the state. The Oregon constitution authorizes the issuance of general obligation bonds for a variety of purposes under articles XI-A through XI-Q. The state's ad valorem taxing power is not pledged to repay the 2022 Series A-D bonds.

USE OF PROCEEDS

The 2022 Series A bond proceeds will finance various capital improvements to state facilities. The 2022 Series B bond proceeds will finance affordable housing programs pursuant to the state's "Local Innovation and Fast Track Housing Program". The 2022 Series C bond proceeds will finance seismic rehabilitation projects at K-12
schools and emergency services buildings in the state. The 2022 Series D bond proceeds will refund outstanding general obligation bonds for savings, with no extension of maturity.

PROFILE

The state is the 27th largest by population and has a large, diverse economy reflected in its GDP of $244 billion (ranks 25th among states).

METHODOLOGY


REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288235.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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