



Rating_Action: Moody's assigns Aa1 to the State of Oregon's GO bonds; outlook stable

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New York, February 27, 2023 -- Moody's Investors Service has assigned a Aa1 rating to the State of Oregon's \$995.1 million General Obligation Bonds, 2023 Series A-D issuance. The issuance is comprised of \$654.9 million 2023 Series A Article XI-Q State Projects (Tax-Exempt); \$176.1 million 2023 Series B Article XI-Q State Projects (Sustainability Taxable Bonds); \$8.6 million 2023 Series C Article XI-Q State Projects (Taxable Bonds); and \$155.6 million 2023 Series D Article XI-M, N & P Seismic Grant Programs and School District Grant Program. Moody's also maintains Aa1 ratings on Oregon's issuer rating and \$6.8 billion of outstanding general obligation bonds. The bonds are expected to price the week of March 15. The outlook is stable.

RATINGS 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 support continued budget flexibility. While the state's bonded debt medians are above average, total leverage is moderate given its below-average adjusted net pension liability and virtually non-existent other post-employment benefits (OPEB) liability. The state's strengths are balanced by its high exposure to personal income tax volatility and the constitutional 2% kicker on income taxes that prevents Oregon 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 periods of economic uncertainty.

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"
- Sustained maintenance of fully strong 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 of 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 significant increase in leverage metrics

LEGAL SECURITY

The 2023 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 2023 Series A-D bonds.

USE OF PROCEEDS

The 2023 Series A bond proceeds will finance various capital improvements to state facilities. The 2023 Series B bond proceeds will finance affordable housing programs pursuant to the state's "Local Innovation and Fast Track Housing Program" and "Permanent Supportive Housing Programs." The 2023 Series C bond proceeds will finance capital improvement projects throughout state facilities. The 2023 Series D bond proceeds will finance K-12 school district capital improvements, as well as seismic rehabilitation projects for various public education and emergency services buildings.

PROFILE

The state is the 27th largest by population and has a large, diverse economy reflected in its GDP of \$254 billion (ranks 24th among states).

METHODOLOGY

The principal methodology used in these ratings was US States and Territories Methodology published in March 2022 and available at <https://ratings.moody.com/api/rmc-documents/356901>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this 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 on <https://ratings.moody.com/rating-definitions>.

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