MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns Aa1 to the State of Oregon's 2025 Series A, B, C and D General Obligation bonds and affirms outstanding ratings; outlook stable

02 Apr 2025

New York, April 02, 2025 -- Moody's Ratings (Moody's) has affirmed the State of Oregon's Aa1 issuer rating and assigned Aa1 ratings to the state's approximately $914.5 million Series 2025 general obligation bonds comprised of $452.2 million General Obligation Bonds 2025 Series A (Article XI-Q State Projects and Refunding) (Tax-exempt), $301.2 million General Obligation Bonds 2025 Series B (Article XI-Q State Projects) (Federally Taxable) (Sustainability Bonds), $152.2 million General Obligation Bonds 2025 Series C (Articles XI-M, XI-N and XI-P State Grant Programs) (Tax-exempt) and $8.9 million General Obligation Bonds 2025 Series D (Article XI-H Pollution Control Projects) (Tax-exempt). The bonds are expected to price the week of April 14.

We have also affirmed the Aa1 ratings on Oregon's $7.9 billion of outstanding general obligation (GO) bonds, the Aa1 rating on the Oregon School Bond Guaranty Program, the Aa2 rating on the state's certificates of participation (COPs), the Aa2 rating on the Oregon Pension Obligation State Intercept Act, the VMIG 1 rating on outstanding general obligation variable rate bonds, the Aa2 rating on the state's Lottery Revenue Bonds, the Aa1 rating on the senior lien Highway User Tax Revenue bonds and the Aa2 rating on the subordinate lien Highway User Tax Revenue bonds. The outlook on the state's issuer and underlying long term ratings, Oregon School Bond Guaranty Program, and Oregon Pension Obligation State Intercept Act is stable.

The affirmation of the outstanding ratings reflects our expectation that the state's strong liquidity and fund balances will remain intact over the next 12-18 months, supported by sound budget management practices and robust revenue forecasting.

Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBM_PBM909093369 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

The Aa1 issuer rating is based on reflects the state's strong liquidity and fund balances combined with sophisticated revenue forecasting and sound budget management, which support continued budget flexibility. While Oregon's bonded debt is above the sector median, total leverage is moderate, in part due to its 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 it experiences during periods of economic strength.

The Aa1 rating on the GO bonds is the same as the state's Aa1 issuer rating given the pledge of the state's full faith and credit and taxing power to pay the bonds.

The Aa1 rating on the Oregon School Bond Guaranty Program (OSBGP) is the same as the state's Aa1 issuer rating given the state guaranty of district debt authorized by state constitution and approved by voters.

The Aa2 rating on the COPs is one notch below the state's issuer rating, reflecting the need for biennial legislative appropriation of the lease payments and the more essential nature of the various projects financed. There are limited to no bondholder remedies in the event of non-appropriation; however, the state has a very strong incentive to appropriate, given the importance of maintaining continued market access for subject-to-appropriation lease debt.

The Aa2 programmatic rating on the Oregon Pension Obligation State Intercept Act (OPOSIA) is notched off of the State of Oregon's issuer rating and based on the programs' strong position in the state's hierarchy of debt and spending priorities, and strong program mechanics, including the timely payment of aid to the debt service trustee.

The Aa1 rating on the senior lien Highway User Tax Revenue Bonds and the Aa2 rating on the subordinate lien Highway User Tax Revenue Bonds reflect the strong economic base and the breadth of constitutionally-dedicated pledged revenues, as well as solid debt service coverage, a strong additional bonds test, and a history of sound transportation program management. Balancing these strengths are large transportation funding needs that create an ongoing need for new borrowing, and the risk of rising ODOT operating expenses and/or revenue sharing with local governments, which are paid prior to debt service.

The Aa2 rating on the Lottery Revenue Bonds incorporates the economic strength of the state, robust legal protections, ample debt service coverage, and very strong management of the lottery system. These strengths are somewhat offset by the weak, discretionary nature of lottery revenues that can lead to significant volatility. Legal protections are above average for the peer group, including a constitutional requirement that lottery revenues pay debt service first, a four times additional bonds test, and a well-funded debt service reserve fund that is backed by the state's statutory moral obligation commitment to replenish it. The state's issuer rating is also a factor due to the presence of the state's moral obligation.

The highest short-term rating of VMIG1 on the general obligation variable rate bonds is derived from (i) the credit quality of JPMorgan Chase Bank, N.A. or U.S. Bank National Association as providers of liquidity support for the Bonds in the form of Standby Bond Purchase Agreements (SBPA), (ii)the long-term rating of the Bonds and (iii) Moody's assessment of the likelihood of an early termination or suspension of the SBPA without a mandatory tender. Events that would cause termination or suspension of the liquidity facility without a mandatory purchase of the Bonds are directly related to the credit quality of the State. Accordingly, the likelihood of any such event occurring is reflected in the long-term rating, Aa1, assigned to the Bonds. Moody's current short-term Counterparty Risk (CR) Assessment of both banks mentioned above is P-1 (cr).

RATING OUTLOOK

Oregon's stable outlook reflects sound budget management and strong liquidity that will support satisfactory financial flexibility over the near term.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Maintenance of structural budget balance, including making sufficient pension contributions to avoid growth of the pension liability, while retaining sustained fund balance of at least 30%

- Greater financial management flexibility through the loosening of fiscal governance constraints, such as the constitutional requirement to return revenue in excess of budget to taxpayers and a requirement for a supermajority approval vote to enact any tax increases

- Sustained trend of strong economic growth and diversification, for example, a rapid return to above average job growth that exceeds national trends

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, multiyear use of non-recurring solutions to balance the budget

- A significant increase in leverage metrics, including a long-term liabilities ratio above 200% and a fixed costs ratio greater than 15%

LEGAL SECURITY

The 2025 Series A, B, C and D bonds are general obligations of the State of Oregon, backed by its full faith and credit and taxing power. The state's ad valorem taxing power is not pledged to repay the Series A, B or C bonds, though it is pledged to the repayment of the Series D bonds.

Oregon School Bond Guaranty Program: The state's full faith, credit and unlimited taxing power is pledged to guarantee qualified school districts' bond debt service when due.

COPs: The COPs are special limited obligations of the state, to be repaid pursuant to a loan agreement between the state, acting through the department of administrative services (DAS), and the certificate trustee. Payments are subject to biennial legislative appropriation, but are otherwise absolute and unconditional. No assets secure the certificates, and in the event of non-appropriation, the trustee has very limited recourse.

The Oregon Pension Obligation State Intercept Act provides credit enhancement to participating schools through the diversion of state aid revenues to a trustee to ensure timely debt service payments and thereby prevent debt service obligations from competing with other local expenditure priorities. Oregon's program is a direct pay intercept, therefore annual debt service will automatically be funded largely by monthly installments paid by the state's Department of Education in amounts proportional to state aid payments made to school districts.

Highway User Tax Revenue Bonds: The bonds are secured by constitutionally dedicated fuel tax revenues, motor carrier revenues and DMV revenues, net of certain ODOT administrative expenses and revenue sharing with counties and local governments. The state has covenanted with bondholders to assess and collect pledged revenue in amounts sufficient to meet debt service requirements on these bonds.

Lottery Revenue Bonds: The bonds are secured by a first lien on the unobligated net proceeds of the state lottery which are defined as all revenues from the operation of the state lottery except for revenues used for prizes and lottery expenses. The state has a constitutional provision giving debt service a strong first claim on net revenues and stipulating that no net proceeds will be appropriated by the Legislative Assembly unless an amount sufficient to pay the lottery bonds has been appropriated.

Short-term Variable Rate Bonds Enhanced Rating: The bonds are supported by SBPAs cover the full principal amount of the applicable series of Bonds outstanding plus 34 days of interest at 12%, the maximum rate applicable to the Bonds. The SBPAs are available to pay the purchase price to the extent remarketing proceeds received are insufficient and provides sufficient coverage for the Bonds while in the daily, weekly and monthly rate modes.

USE OF PROCEEDS

The 2025 Series A, B, C and D bond proceeds will be used to finance capital improvement projects at various state facilities, including seismic rehabilitation projects and to finance pollution control projects.

PROFILE

The State of Oregon has a population of 4.3 million (2024) and is located on the northwest coast of the US with 1,410 miles of shoreline, according to NOAA. The state is 27th largest by population and has a large, diverse economy reflected in its 2023 GDP (current US dollars) of $260 billion (ranks 24th among states).

METHODOLOGY

The principal methodology used in the issuer, general obligation, COP, highway user tax revenue bonds, lottery revenue bonds, and Oregon School Bond Guaranty Program ratings was US States and Territories published in July 2024 and available at https://ratings.moodys.com/rmc-documents/425428. The principal methodology used in the short-term ratings was US Municipal Short-term Debt published in October 2024 and available at https://ratings.moodys.com/rmc-documents/430699. The principal methodology used in the Oregon Pension Obligation State Intercept Act rating was US State Aid Intercept Programs and Financings published in February 2024 and available at https://ratings.moodys.com/rmc-documents/415020 Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are all solicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBM_PBM909093369 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Rating Solicitation

- Issuer Participation

- Participation: Access to Management

- Participation: Access to Internal Documents

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.moodys.com/rating-definitions .

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on https://ratings.moodys.com for additional regulatory disclosures for each credit rating.

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