

# MOODY'S

## RATINGS

### **Rating Action: Moody's assigns Aa1 to the State of Oregon's GO bonds; outlook stable**

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05 Apr 2024

New York, April 05, 2024 -- Moody's Ratings ("Moody's") has assigned an Aa1 rating to the State of Oregon's approximately \$576.3 million State of Oregon General Obligation Bonds 2024 Series A-D issuance. The issuance is composed of \$205.2 million General Obligation Bonds 2024 Series A (XI-Q, Tax-Exempt), \$299.2 million General Obligation Bonds 2024 Series B (XI-Q, Taxable-Sustainability), \$0.8 million General Obligation Bonds 2024 Series C (XI-Q, Taxable) and \$71.1 million General Obligation Bonds 2024 Series D (XI-M and XI-N, Tax-Exempt). Moody's also maintains the Aa1 ratings on Oregon's issuer rating and \$7.5 billion of outstanding general obligation bonds. The bonds are expected to price the week of April 23. The outlook is stable.

#### RATINGS RATIONALE

The Aa1 rating on the bonds is based on the state's strong liquidity and fund balances combined with sophisticated revenue forecasting and sound budget management, which supports 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 sound budget management and strong liquidity that will continue to support satisfactory finances.

#### 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

- Growth and maintenance of strong reserve levels that are above-average and sufficient to offset revenue volatility during economic downturns
- 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

#### LEGAL SECURITY

The 2024 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 state's ad valorem taxing power is not pledged to repay the 2024 Series bonds.

#### USE OF PROCEEDS

The 2024 Series bond proceeds will finance statewide projects relating to public safety and emergency preparedness, education facilities and affordable housing.

#### PROFILE

The State of Oregon has a population of 4.3 million and is located on the northwest coast of the US, bordered by Washington (Aaa stable), California (Aa2 negative) and Idaho (Aaa stable) 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 2022 GDP of \$297 billion (ranks 25th 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.moodys.com/rmc-documents/356901>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

#### REGULATORY DISCLOSURES

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