FitchRatings

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Fitch Rates Oregon's $1.4 Billion GOs 'AA+'; Outlook Positive

Fitch Ratings - San Francisco - 02 Apr 2025: Fitch Ratings has assigned 'AA+' ratings to the following state of Oregon general obligation (GO) bonds:

--$452.21 million GO bonds 2025 Series A (Article XI-Q) (Tax-Exempt);

--$301.17 million GO bonds 2025 Series B (Article XI-Q) (Federally Taxable);

--$152.16 million GO bonds 2025 Series C (Articles XI-M, XI-N and XI-P) (Tax-Exempt);

--$8.92 million GO bonds 2025 Series D (Article XI-H) (Tax-Exempt).

The bonds are expected to sell via negotiated sale the week of April 14, 2025.

In addition, Fitch has affirmed Oregon's Issuer Default Rating (IDR) at 'AA+', outstanding GO bonds at 'AA+', the Oregon School Bond Guaranty Program at 'AA+', and state appropriation-based bonds at 'AA'.

The Rating Outlook is Positive.

Oregon's 'AA+' IDR and GO bond ratings reflect the state's strong revenue and spending control, low liabilities, and prompt actions to maintain financial flexibility during challenging revenue periods. The state's operating performance is sustained by a diverse economy with strong long-term growth prospects.

Strong financial management is critical to the rating, given that the state's revenue structure is largely dependent on personal income tax, increasingly from middle- and upper-income earners. The state is exposed to voter initiatives that can have negative fiscal impacts, and constitutional "kicker" provisions that limit revenue growth captured by the state.

The Positive Outlook reflects Fitch's view that Oregon appears on track to achieve and sustain material increases in gap-closing capacity, as the state maintains increased reserves in its Education Stability Fund (ESF) and Rainy Day Fund (RDF).

SECURITY

--The GO bonds are direct general obligations of the state of Oregon, with the full faith and credit of the state pledged to bond repayment.

--The state guaranty under the Oregon School Bond Guaranty Program is a full faith and credit obligation of the state, on par with its GO bonds.

--The state-appropriation-backed bonds are payable from moneys appropriated by the state to debt repayment.

KEY RATING DRIVERS

Revenue Framework - 'aaa'

Fitch expects Oregon's revenues, which are heavily dependent on personal income tax (PIT) revenues, given the lack of a sales tax, to continue to reflect the strength of its economy and exhibit growth consistent with long-term expectations for national GDP growth. The state has an unlimited legal ability to raise operating revenues as needed.

Expenditure Framework - 'aaa'

The state maintains ample expenditure flexibility with a low burden of carrying costs for long-term liabilities and the broad expense-cutting ability typical of most U.S. states. As with most states, Medicaid remains a key expense driver but one that Fitch expects to remain manageable.

Long-Term Liability Burden - 'aaa'

Combined debt and pension liabilities represent a low burden on resources, even considering planned future debt issuances. Other post-employment benefit (OPEB) obligations are modest.

Operating Performance - 'aa'

The state's strong management of its financial operations leaves it well positioned to deal with economic downturns, although resilience remains constrained by voter-approved fiscal restraints and revenue volatility. The state has very strong gap-closing capacity, with its strong control over revenues and spending buttressed by increased dedicated reserves.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/ Downgrade

--Revenue volatility or other fiscal issues that trigger draws on dedicated reserves to below pre-pandemic levels without a plausible plan to quickly restore them to at least 20% of average annual revenues (10% of biennial revenues).

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Sustained improvements in gap-closing capacity, including maintaining combined rainy day fund and education stabilization fund reserves near-to-over 20% of average annual revenues (10% of biennial revenues).

--Structural changes to the state's voter initiative process that reduce constraints on the state's operating flexibility.

PROFILE

The state has made steady economic gains in recent years due to a more diversified economy and a growing population, with strength in the technology and manufacturing sectors. Oregon remains vulnerable to economic volatility and disruptions to international trade during recessions.

Additional Security Details

Qualifying debt covered by the Oregon School Bond Guaranty Program is secured by the state's full faith and credit obligation, on par with that of its own GO bonds. Program mechanics allow sufficient time for state funds to be made available by the treasurer to pay debt service by the debt service payment date. As a result, bonds qualifying for the program receive a rating on par with the state's GO bonds.

The state's appropriation-backed bonds are payable from monies appropriated by the state to debt repayment. The state's Department of Administrative Services (as the borrower) covenants to include a request for sufficient debt service monies in the governor's budget request for each biennium. The one-notch rating distinction from the state's IDR reflects the slightly greater repayment optionality associated with debt paid from appropriations.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Oregon, State of (OR) [General Government]	LT IDR	AA+	Affirmed		AA+
• Oregon School Bond Guaranty Program (OR) /State School Bond Program Rating/ 1 LT	LT	AA+	Affirmed		AA+

ENTITY/DEBT	RATING			RECOVERY	PRIOR
• Oregon, State of (OR) /General Obligation - Unlimited Tax/ 1 LT	LT	AA+	Affirmed		AA+
• Oregon, State of (OR) /Lease Obligations - Dept of Adm Svcs/ 1 LT	LT	AA	Affirmed		AA

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

U.S. Public Finance State Governments and Territories Rating Criteria (pub.04 Feb 2025) (including rating assumption sensitivity)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.1.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Oregon, State of (OR)	EU Endorsed, UK Endorsed

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