2025

State Debt Policy Advisory Commission Report

January 16, 2025

State Debt Policy Advisory Commission Members

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Oregon State Treasurer, *Ex-Officio Member*

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STATE DEBT POLICY ADVISORY COMMISSION

January 16, 2025

Governor Tina Kotek and Members of the 2025 Oregon Legislature:

As State Treasurer and as Chair of the State Debt Policy Advisory Commission (SDPAC), I am pleased to submit the Commission's 2025 Report. The SDPAC's role is to advise you on appropriate levels of indebtedness and prudent uses of that debt by providing context and recommendations through this annual report.

Revenue projections by the state economist heavily influence our suggestions regarding the appropriate levels of debt. Their December forecast was a major revision from the prior forecast with large increases in personal and corporate income tax. Modeling revisions now stand to deliver an increased personal income tax kicker credit for taxpayers on their 2025 tax returns.

The other primary factor influencing our debt recommendations is our assessment of interest rates. We continue to employ cautious models around interest rates to align to the Federal Reserve's continued response to high inflation and price stability. Despite the Federal Reserve kicking off its rate-cutting cycle in 2024, we believe continued caution is warranted.

As a reminder our debt capacity analysis targets General Fund debt service at 5% of General Fund revenue. For the 2026-2033 forecast period our models show $2.22 billion of General Fund-Supported debt capacity and $564 million of Lottery Revenue dept capacity per biennia, using our averaging approach.

As you evaluate the levels of debt to be issued, I encourage you to remain mindful that bond rating agencies assess the state's overall debt, including transportation obligations and contingent liabilities, when determining creditworthiness. Additionally, I recommend factoring in recent bonding priorities and the ability of state and local governments to execute those projects as you weigh competing capital construction demands.

Bonds should align with the useful life of the underlying asset and should not be used for short-term operational expenses. Bonding serves as an effective tool for funding capital construction projects that are big and expensive in scale that are meant to last a long time and provide the opportunity to assist Oregonians.

Finally, I encourage you to consider setting aside some bonding capacity to ensure the State remains flexible and capable of responding to unforeseen challenges. Debt is a powerful tool, and it is crucial for the State to be prepared to address emerging needs.

Our team at Treasury is ready to assist you as you weigh these important decisions and considerations.

Sincerely,

Elizabeth Steiner, MD
State Treasurer
Chair, State Debt Policy Advisory Commission

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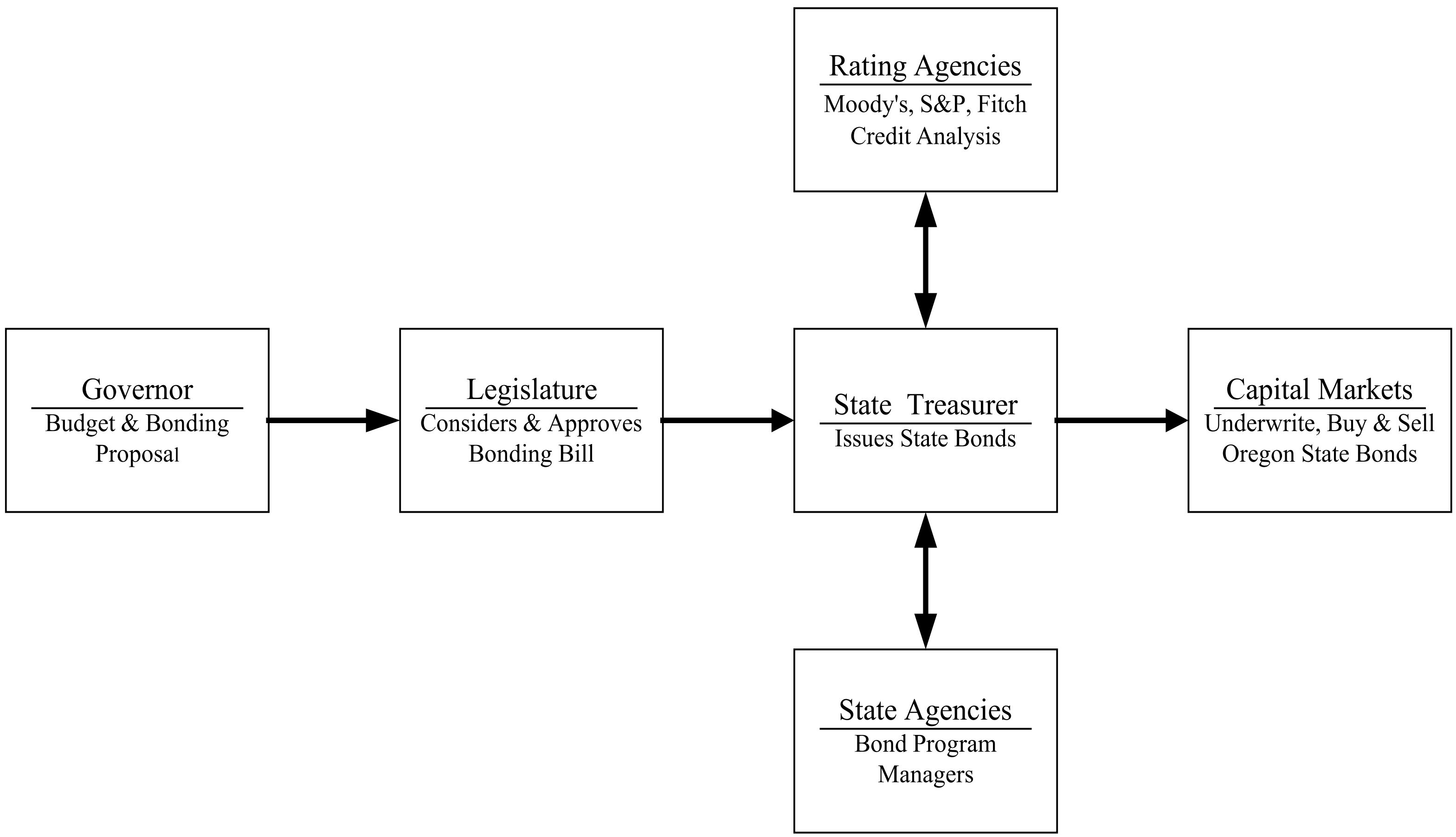
Oregon Bonding Process



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Executive Summary

EXECUTIVE SUMMARY

Oregon Revised Statutes 286A.250 to 286A.255 establishes the State Debt Policy Advisory Commission. In accordance with these statutes, the five-member Commission is chaired by the State Treasurer and consists of a public member appointed by the Governor, an appointee from the Senate, an appointee from the House of Representatives, and the Director of the Department of Administrative Services. The Commission is charged with advising the Governor and the Legislative Assembly regarding policies and actions that will enhance and preserve the State's credit rating and maintain the future availability of low-cost capital financing. In carrying out this function, the Commission is required to prepare an annual report to the Governor and the Legislative Assembly as to the available debt capacity of the State of Oregon.

This 2025 Commission Report is intended to provide a comprehensive overview of the State's current debt position, taking into consideration the State's outstanding debt as of fiscal year ending June 30, 2024; the most recent long-term revenue projections contained in OEA's December 2024 Forecast and the impact of bonding authorizations adopted in HB 5005 by the 2023 Legislature and HB 5201 of the Short Session, (2023-25 Biennium Bond Bills).With that information, this report will provide guidance on General Fund and Lottery Revenue bond debt capacity for the future biennia in the 2026-2033 forecast period.

This report evaluates debt capacity and debt burden for State bonding programs in four major categories: General Fund-Supported Debt, Lottery Revenue Bond Debt, Net Tax-Supported Debt, and Non-Tax Supported Debt.

The Commission's findings are briefly outlined below and discussed in detail in the report itself.

Current Factors Affecting the Market for Bonds

In the aftermath of the pandemic, record Federal fiscal stimulus, disruptions in supply chains, and energy price shocks combined to drive inflation to levels unseen since the mid-1980's. In response, The Federal Reserve Board ("FRB") articulated and aggressively pursued its "tight" monetary policy of interest rate hikes to the extent necessary to reduce inflation to the pre-pandemic level. After March 2022, the FRB increased rates multiple times in its Federal Open Market Committee (FOMC) meetings, sending the Federal Funds ("Fed Funds") target rate from 0.25% to the peak levels of 5.50% and helped bring the high inflation level closer, but not quite to its target levels. With continued, geopolitical risks and market volatility, investors are demanding high rates and credit spreads to take on the additional risks of owning long term bonds.

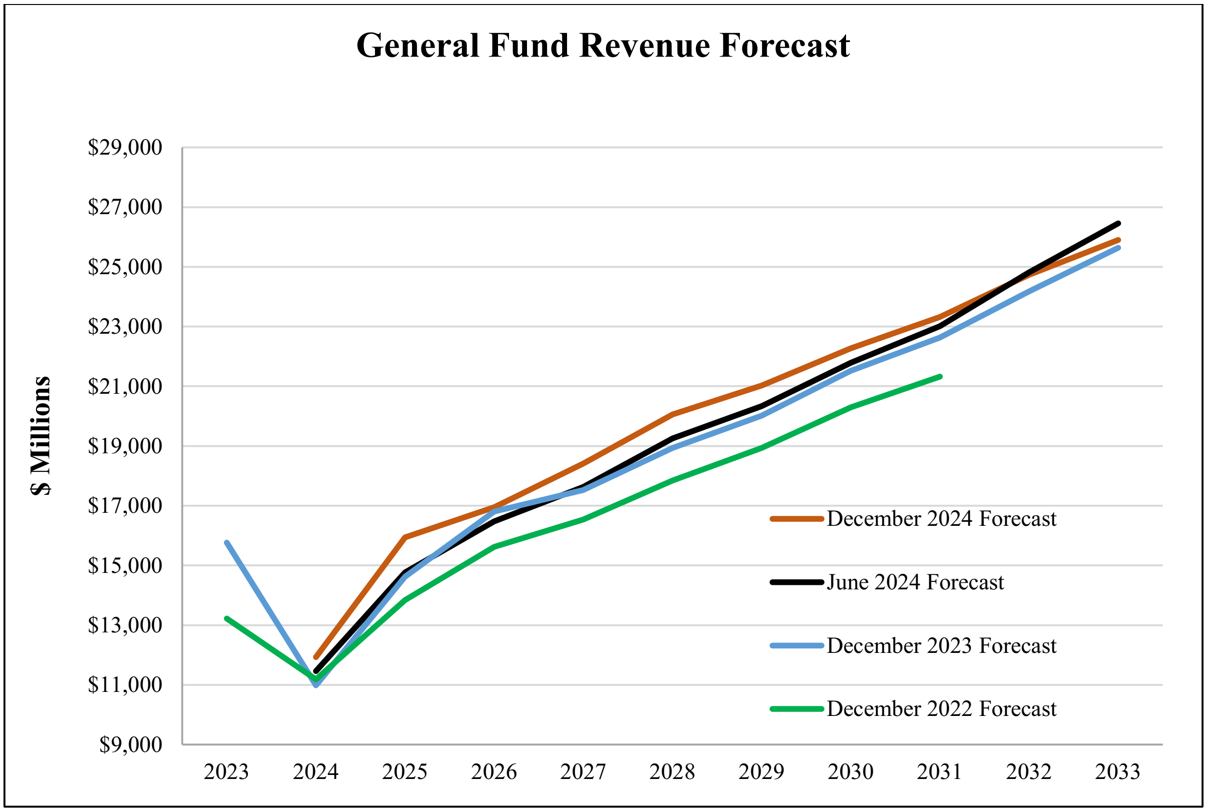
The Fed has recently started to loosen monetary policy, with a starting move of a 50bps cut in its September FOMC meeting, followed by 25 bps easings in November and December to the current target range of 4.25% to 4.50%. Two more cuts are penciled in for 2025 in the latest FOMC dot plots.

Key Elements of OEA December 2024 Forecast

OEA's December 2024 Forecast continues to expect moderate growth with some reacceleration of output. Net job creation is still in positive territory but lacks breadth as of now. The election results will have significant consequences for the State's and national economic outlook, but the OEA is waiting for some policy granularity to reflect their implications in their forecasts. Tariffs would impact the key industries in Oregon, including timber, agriculture, tech/semiconductors and apparel.

Current revenue projection for 2023-25 Biennium revenues is approximately $950 million higher compared to the September 2024 forecast primarily due to both personal and corporate income taxes coming in somewhat higher than expected.

Recent positive revisions to the General Fund forecast precipitated a review of the methodologies and assumptions underlying prior forecasts to rectify the frequent low predictions relative to actual collections. The forecast incorporates the new methodology resulting in significant increases in expected Personal and Corporate Income Tax revenues. The total increase since the 2023 Close of Session forecast for the current biennium is $2.84 billion. Higher revenues in current biennium also increases the expected kicker to almost $1.8 billion which will be credited to taxpayers on their 2025 tax return.



The December lottery forecast has been raised by $37 million for the current biennium from the September outlook. Video lottery forecasts are lowered slightly (by $16 million for current biennium), traditional lottery sales (helped by the new $30 Scratch-It ticket) are higher and sports betting left unchanged. After growing rapidly after the pandemic reopening, video lottery sales have stabilized but with current growth rates somewhat below earlier expectations. The recent $5.6 billion personal income tax kicker paid out to Oregonians did not result in a significant boost in video lottery sales.

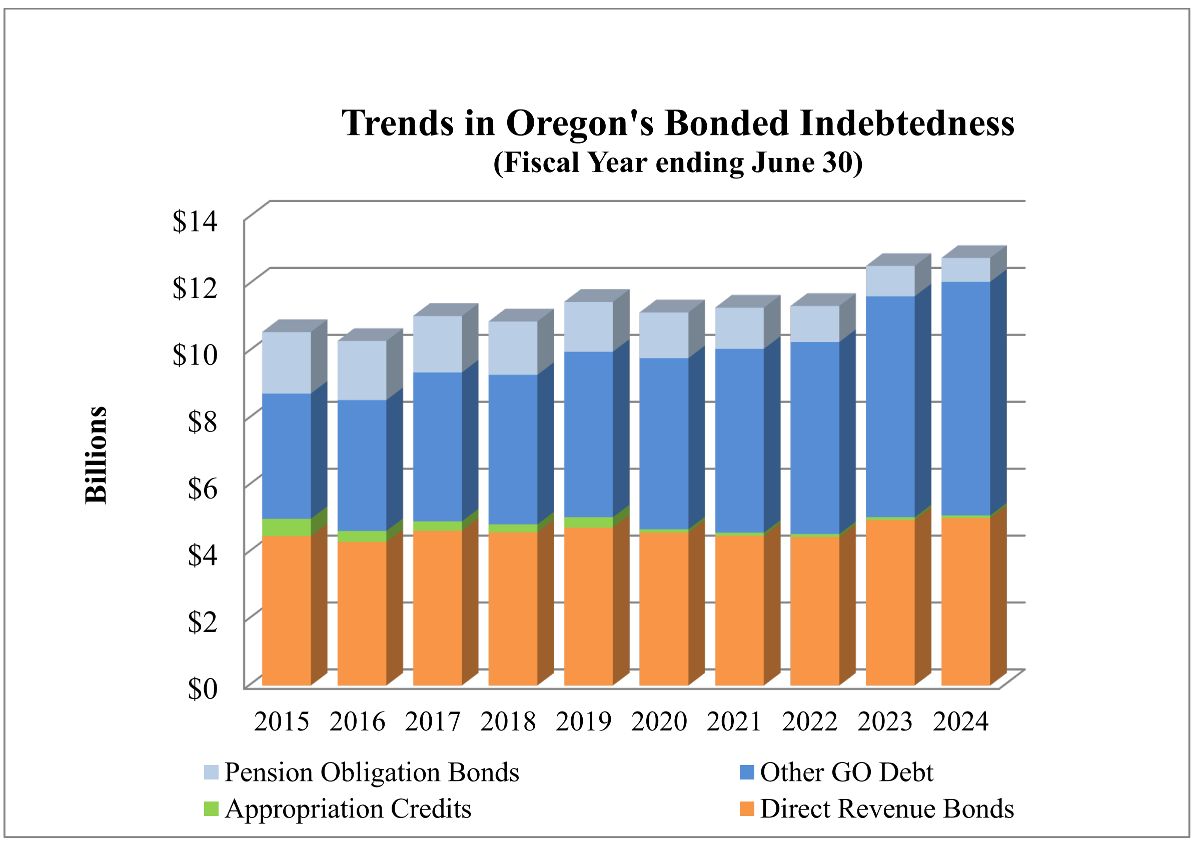
Overall State Debt Levels

Oregon's combined long-term general obligation, appropriation and revenue bond debt outstanding was $12.78 billion as of June 30, 2024. This represents an increase of $0.24 billion compared to the approximate $12.54 billion recorded at the end of the 2023 fiscal year. In the past, given the State's long-term commitment to managing its debt capacity in a prudent manner, new debt issuances had historically been timed for issuance at roughly the same pace that outstanding debt was scheduled to retire.

The strong growth in General Fund Revenues driven by growth in personal income tax and the consequent larger debt capacity has been accompanied by higher levels of debt issuance. This has raised the State debt above historical levels as of FY 2024.

Along with the increase in overall State debt levels the mix of debt outstanding has also shifted, with the reduction in outstanding appropriation debt replaced with general obligation (GO) bonds. Article XI-Q GO now represents the largest component of GO debt with $3.72 billion outstanding as of June 30, 2024, which represents 48.4% of the $7.69 billion of the State's total general obligation indebtedness. Article XI-Q bonds are issued to finance state-owned or operated real or personal property including improvements to educational institutions, state facilities for judicial, police, military purposes and more recently to provide needed gap funding for affordable and permanent and supportive housing through the Local Innovation and Fast Track (LIFT) Housing Program. The next largest component is the Higher Education XI-F obligations, which has outstanding principal of $965 million or 12.5% of all GO indebtedness.

The following chart displays the 10-year trend in overall State indebtedness.



General Fund-Supported Debt

Total outstanding State General Fund-Supported debt, inclusive of GO debt ($5.45 billion) and COPs ($82 million), was $5.53 billion as of June 30, 2024, and is expected to increase to $6.58 billion by June 30, 2025, assuming the retirement of approximately $387 million in existing debt in FY 2025 and the issuance of the remaining $1.44 billion of new General Fund-Supported Debt in the 2023-25 biennium, as authorized in the 2023-2025 Biennium Bond Bills.

Based on the December 2024 Forecast and the planned timing of authorized bond sales, debt service as a percentage of General Fund revenue will approximate 4.6% by the end of FY 2025, well within the Commission's General Fund-Supported Debt capacity target of 5.0%.

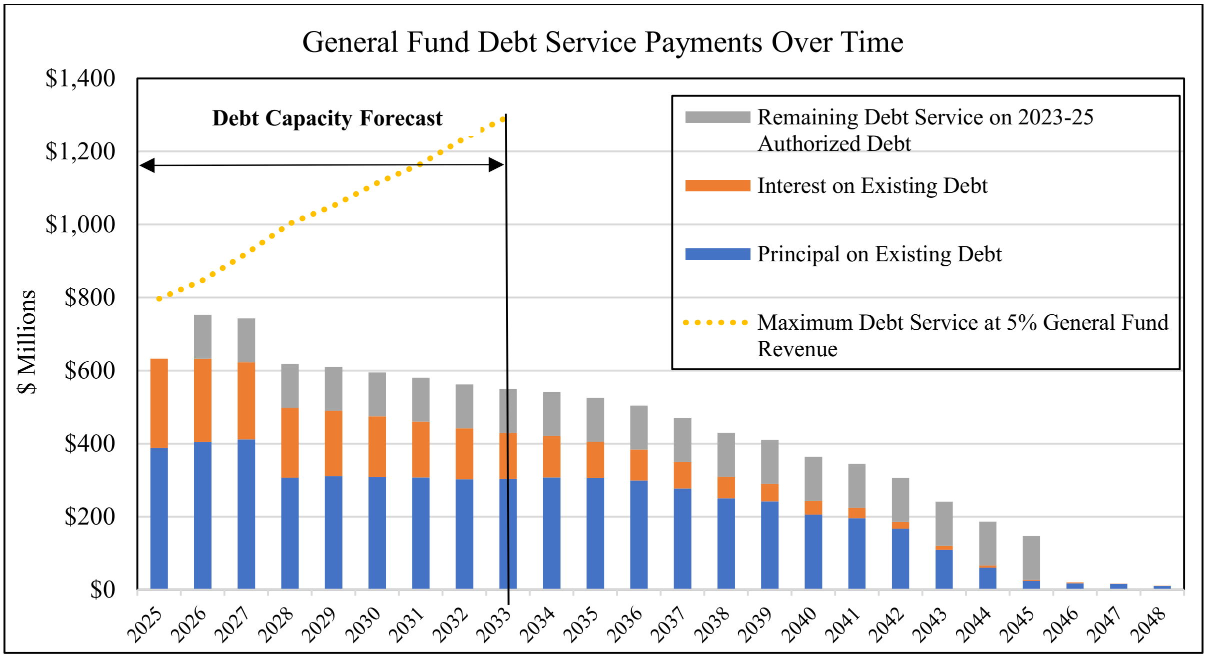
Using our target debt ratio of 5.0% over the forecast period (FY 2026- FY 2033), the Commission estimates the State has approximately $8.90 billion of General Fund-Supported Debt capacity over the next four biennia (FY 2026 – FY 2033). This is in addition to the $2.17 billion in 2023-25 Biennium General Fund-Supported debt that is authorized to be issued in the current biennium.

The Commission has historically recommended that the State spread its future General Fund debt capacity over the forecast period, which would result in an average of $1.11 billion each year or $2.22 billion for each biennium during the forecast period commencing with the 2025-27 Biennium. This "averaging" approach has served the State well over the years, as it helps to mitigate the impact of fluctuations in the State's revenues, long-term interest rates, and other factors that can alter the State's long-term debt capacity. The averaging approach also allows for more consistent long-term capital planning and budgeting. The following table illustrates the General Fund debt capacity over the next four biennia.

Projected General Fund-Supported Debt Capacity
Using December 2024 Forecast
($ Millions)

Fiscal Year Ending June 30	Projected General Fund Revenue	Maximum Annual Amount of Debt Issuance within 5% Target Capacity	GF Debt Service as a % of General Fund Revenues*	SDPAC's Recommended Maximum Annual Amount of Debt Issuance	GF Debt Service as a % of General Fund Revenues*
2025	$ 15,938	--	--	--	4.6%
2026	16,945	$ 1,122	5.0%	$ 1,112	5.0%
2027	18,413	999	5.0%	1,112	5.0%
2028	20,057	2,467	5.0%	1,112	4.5%
2029	21,022	674	5.0%	1,112	4.7%
2030	22,271	934	5.0%	1,112	4.8%
2031	23,316	791	5.0%	1,112	4.9%
2032	24,727	1,064	5.0%	1,112	4.9%
2033	25,899	849	5.0%	1,112	5.0%
Total		**$ 8,898**		**$ 8,898**	
* Assumes the issuance of $2.17 billion in General Fund-Supported bonds authorized by the 2023-25 Biennium Bond Bills					

The following graph illustrates the State's outstanding General Fund-Supported debt profile, which has higher debt service in the earlier years and declining debt service over time. This debt service profile provides the State with the capacity to issue additional debt in the future while remaining under our target General Fund debt ratio level. The dotted line on the chart illustrates the growth in debt service if the State were to issue the maximum General Fund debt capacity over the forecast period. The graph also shows a considerable decline in debt service after FY 2027, when the final principal payment on the State's outstanding 2003 pension obligation bonds (POBs) will be made.



Lottery Revenue Bond Debt

Since reopening of facilities commencing in February 2021, Lottery Revenue has rebounded significantly. Based on the March 2021 Forecast, the 2021 Legislature adopted the Commission's debt capacity recommendation of $515 million, of which $492 million of Lottery Revenue Bonds was authorized in the 2021 Legislative Session and the remaining $23 million in the 2022 Legislative Session for a total of $515 million authorized for the 2021-23 Biennium. In Spring 2022, the State issued $217.7 million of Lottery Revenue Bonds and $222 million was issued in Spring 2023. For the 2023-25 Biennium, $501.1 million was authorized by the 2023 Legislative Session, with an additional $27.2 million in the 2024 Session for a total of $528.33 million

Total Lottery Revenue Bonds outstanding was $1.31 billion as of June 30, 2024. After issuance of the remaining authorized amount of $307 million over the biennium and principal paydown of $116 million, Lottery Revenue Bonds outstanding as of the end of FY 2025 is expected to be $1.50 billion.

The December 2024 Forecast projects that Lottery Revenue will trend higher over the forecast period. Using the December 2024 Forecast, the Commission projects that Lottery Revenue is sufficient to provide approximately $2.26 billion in Lottery Revenue bond capacity over the next four biennia, or $564 million for each biennium over the forecast period, as illustrated in the following table.

Projected Lottery Revenue Bond Program Debt Capacity
Using December 2024 Forecast[1,2]
($ Millions)

Fiscal Year Ending June 30	Projected Lottery Revenue[3]	Maximum Annual Debt Capacity Under Debt Service Coverage Requirement[4]	Debt Ratio Coverage (Times)[4]	Debt Service as a % of Lottery Revenue	SDPAC's Recommended Maximum Annual Debt Issuance (Averaging Approach)	Debt Ratio Coverage (Times)	Debt Service as a % of Lottery Revenue
2025	$ 931	--	5.3	19%	--	4.6	22%
2026	954	$ 452	4.0	25%	$ 282	4.3	24%
2027	983	169	4.0	25%	282	4.1	25%
2028	1,038	378	4.0	25%	282	4.2	24%
2029	1,064	236	4.0	25%	282	4.1	24%
2030	1,105	291	4.0	25%	282	4.1	24%
2031	1,145	226	4.0	25%	282	4.1	25%
2032	1,189	367	4.0	25%	282	4.2	24%
2033	1,229	139	4.0	25%	282	4.0	25%
Total		**$ 2,256**			**$ 2,256**		

[1]Assumes issuance of $528 million of the 2023-2025 Biennial Bonding Authorization
[2]Numbers may not sum due to rounding.
[3]Includes OEA December 2024 Forecast Lottery Revenue plus guaranteed earnings on LRB Reserves through FY 2027
[4]The covenants in the Lottery Revenue Bond Indenture require a minimum Debt Service Coverage ratio of Unobligated Net Lottery Proceeds to Lottery Revenue Bond debt service of 4.0.

Other Lottery Revenue Considerations

The Commission cautions that Lottery Revenue is a scarce resource and has demonstrated high volatility, particularly with respect to video gaming. In addition to funding Lottery Revenue Bond debt service, Net Lottery Revenue funds are critical to educational and economic development programs throughout the State, including funding of the Education Stability Fund. Further, ORS 461 Section 44 through 45, enacted in 2019 allocate proceeds from Sports Betting to reduce the State's portion of PERS unfunded actuarial liability (UAL) and stabilize the State's PERS employer contribution levels. Lottery Revenue is pledged and applied a priori to repayment of Lottery Revenue Bond debt service annually and is not available for other purposes until after outstanding Lottery Revenue Bond debt service requirement is satisfied. Further, no superior liens can be placed ahead of Lottery Revenue Bond debt service until outstanding bonds are repaid in full.

Therefore, the Commission recommends that the Legislature and Governor continue to direct the use of Lottery bond proceeds to the most critical State projects so that sufficient Lottery Revenue continues to be available to fund the on-going operations of State programs that rely on Lottery funding. The Education Stability Fund is one of two Reserves maintained by the State and which is available to stabilize funding of critical educational programs, as demonstrated during the pandemic.

Corporate Activity Tax (CAT)

During the 2019 Regular Session, the Oregon Legislative Assembly passed HB 3427-A (known as the Student Success Act), which became effective in January 2020. The Act (ORS 317A) levies a Corporate Activity Tax based on commercial activity conducted by businesses. Monies raised under this Act will be used to fund various educational enhancement initiatives statewide. The estimated collections for the 2024 tax year are coming in below expectations which has resulted in a modest decline in the forecast throughout the forecast horizon. The December 2024 Forecast projects CAT Net Funds Available for Transfer to grow from $2.77 billion in the current, 2023-2025 Biennium to $4.16 billion in the 2031-33 Biennium.

In addition to funding educational enhancement initiatives, the CAT has the benefit of diversifying the State's revenues and reducing our reliance on personal income tax to provide critical services to Oregonians. It further provides funding that is not subject to the personal income tax kicker. The diversification benefit and potential to reduce volatility in State budget is viewed positively by the credit rating agencies and enhances fiscal and social sustainability efforts.

Net Tax-Supported Debt

Net Tax-Supported Debt (NTSD) includes General Fund-Supported debt, Pension Obligation Bonds, Certificates of Participation (COPS) and other appropriations debt, Lottery Revenue Bonds and State Highway User Tax Revenue Bonds, as determined by the rating agencies in their evaluation of the State's overall long-term debt burden.

Moody's utilizes Net Tax Supported Debt as a measure of the State's overall debt liability. Moody's, in its October 7, 2024, report – "*Revenue growth and lower ANPLs boost capacity to manage long-term debt"* –stated that Net Tax Supported Debt is the second largest long-term liability for states, with unfunded pension and Other Postemployment Benefits (OPEB) liability ranking the highest.

As a geographically large state with an extensive highway network and a growing population, Oregon has issued General Obligation, Highway User Tax Revenue, and Lottery Revenue to address improvements, seismic upgrades, deferred maintenance, and critical infrastructure needs throughout the State. In addition, the State issued $2.1 billion in pension obligation bonds in 2003 to address its unfunded PERS liability.

At the end of the 2021-23 Biennium, Oregon's outstanding NTSD was $10.05 billion. By the end of the current 2023-25 Biennium, the State's NTSD is projected to increase to $11.82 billion. Oregon's NTSD, when measured on a per capita basis is $2,339 for FY 2023 and $2,724 for FY 2025. When measured as a percent of Oregon personal income, the State's NTSD was 3.60% for FY 2023 and is projected to be 3.71% for FY 2025.

In its October 7, 2024, report – *Revenue growth and lower ANPLs boost capacity to manage long-term debt*, Moody's Investor Services reported Oregon FY 2023 (lags by a year) per capita NTSD of $3,093 relative to the median NTSD for all states of $1,189, and the State's NTSD as a percent of personal income in FY 2023 at 4.6% relative to the 2.0% median for all states. The numbers reported by Moody's vary significantly from what is reported in the Commission Report due in part to the difference in methodology used and sources of data. Despite the difference in the methodology used by the State and that used by Moody's, Oregon's debt levels on a per capita basis and as a percent of overall statewide personal income are forecasted to be higher by the end of the current biennium.

The following table presents the State's 2021-23 Biennium and projected 2023-25 Biennium ending NTSD.

State Net Tax-Supported Debt
(Per Capita and as a Percentage of Statewide Personal Income)

Fiscal Year Ending June 30th				
	2021-23 Biennium		2023-25 Biennium	
	FY 2022 (Actual)	FY 2023 (Actual)	FY 2024 (Actual)	FY 2025 (Projected)
Net Tax-Supported Debt ($bn)	$8.99	$10.05	$10.18	$11.82
Population*	4,294,500	4,296,800	4,313,900	4,337,900
Personal Income * ($bn)	$267.7	$279.1	$302.4	$318.3
NTSD Per Capita	$2,094	$2,339	$2,361	$2,724
NTSD as a % of Personal Income	3.36%	3.60%	3.37%	3.71%
Pension Obligation Bonds Excluded				
NTSD Per Capita	$1,843	$2,128	$2,195	$2,609
NTSD as a % of Personal Income	2.96%	3.28%	3.13%	3.56%
*Source: Oregon Office of Economic Analysis, December 2024 Economic and Revenue Forecast				

The bond rating agencies typically calculate total NTSD both with and without pension obligation bonds. Consequently, states that issue POBs are not overly penalized when compared to other states with a relatively low debt burden but have sizable unfunded pension liabilities. When pension obligation bonds are excluded from this NTSD calculation, our projected FY 2025 debt burden drops to $2,609 per capita and 3.56% of personal income.

Implications of Recent PERS Funding Policy Changes

In October 2021, the PERS Board approved revisions to its assumed rate of return assumptions and rate-setting methodologies. Specifically, PERS reduced the assumed investment rate of return ("Assumed Rate") by 0.30 percent from 7.20% to 6.90% and modified the rate collaring methodology to focus only on the unfunded actuarial liability and the pension plan funded status.

The Assumed Rate is used to compute the present value of future benefits to PERS beneficiaries and is commonly referred to as the discount rate. The reduction in the Assumed Rate (discount rate) has the effect of increasing the State's unfunded actuarial liability.

During its December 2022 rate setting meeting, the PERS Board applied the changes in the assumed investment rate of return to the December 2021 valuation assets to derive employer contribution rates for the 2023-2025 Biennium, which became effective as of July 1, 2023. Although the reduction in the assumed rate of return had the effect of increasing the accrued unfunded liability, record investment earnings in 2021 increased plan assets and served as an offset.

Pension funding and overall funding status is subject to a variety of risk factors including investment performance, employer contributions and changes in actuarial experience. Effective management of the State's pension liability and reduction in the unfunded liability enhances the State's long-term budgetary flexibility. The rating agencies, in their review of the State's credit considers pension liability management in their ratings assessments.

Oregon School Bond Guaranty Program Considerations

Since its inception in 1999, the Oregon School Bond Guaranty (OSBG) program has grown significantly in size. This program allows the State to guarantee the debt of local school districts and community colleges. The guaranty provided by the State allows these entities to issue debt with the State's credit ratings and achieve lower interest cost on their debt and savings relative to borrowing using their respective credit ratings.

As of June 30, 2024, the program guaranteed $9.6 billion with over $14.6 billion resultant debt service of general obligation bonds issued by Oregon school districts and community colleges. For FY 2025, this guaranty applies to local school district and community college annual debt service payment of $966 million, which is equivalent to approximately 6.4% of total FY 2025 State General Fund revenues and 18.1% of projected FY 2025 State school aid for schools and community colleges.

The OSBG program guaranty is a contingent liability of the State. Should a District fail to make bond debt service payment when due, the guaranty provides that the Treasurer will direct payment of debt service for the defaulting entity. While many Oregon local governments have high credit ratings and there has been no historical default in this program, there are risks to the State and the local entity in the event of a default. Statute authorizes the Treasurer to pay the debt service for the defaulting jurisdiction and provide a wide array of means for the State to recover funds, including intercepting State Aid that would otherwise be available to the school district or community college. As of FY 2024 there are three school districts that have debt service guaranteed by the State that significantly exceeds their State Aid, which is used as a target metric without a full review of current financial conditions.

Although Statute provides remedies to cure a default by a school district or community college, the Commission encourages the Legislature to review this program and the timeliness of existing policies to remediate any potential default.

Pension Obligation Bonds Issued by Public Bodies

SB 1049, enacted in 2019 and codified as ORS 238.697 requires the Treasurer to provide the Commission with an annual report on bonds issued under ORS 238.694. The Treasurer's report will describe pension obligation bond (POB) issuances of public bodies occurring on or after June 11, 2019. Such report will include the public body issuer, actual interest rate over the term of the bonds, the projected rate of return on bond proceeds as determined by the assessment report required for such issuance and the actual rate of return on bond proceeds for the previous fiscal year and the cumulative rate of return.

Since implementation of amendments to OAR 170-061-0000 which became effective on July 12, 2021, 35 public bodies have sold $1.88 billion of POBs. When added to existing POBs issued prior to SB 1049, POBs outstanding for local public bodies totaled $3.5 billion. To enhance the creditworthiness of POBs and interest cost to the borrower, public bodies utilize the Fund Diversion agreement which directs the State to divert State Aid for the school district or public body to the Trustee to repay POB debt service.

Although the Fund Diversion is not a "guaranty" of the State, it draws from the same resources (State Aid) to pay debt service defaulted OSBG Bonds, if any, and the POBs issued pursuant to the Fund Diversion Agreement.

Pension Bonds have inherent risks including 1) investment earnings, 2) contribution, 3) increases in liability due to actuarial experience. In the event that earnings on proceeds of a pension bond falls below the cost of issuance of the POBs, an issuer of POB is worse off financially, than if they had not borrowed at all. Notwithstanding these risks, pension bonds are long term strategies to fund unfunded liability and their ultimate success can only be determined over the life of the bond issue.

Funding of Deferred Maintenance for State Facilities

Oregon Department of Administrative Services (DAS), pursuant to ORS 276.227, is charged with establishing a statewide planning process that evaluates the needs of the State's facilities and provides comparative information on the condition of such facilities. The State of Oregon has current and future capital needs related to maintaining of aging, State-owned facilities, the mean age of which is 40 years. The State-owned facility portfolio, excluding public university facilities, is approximately 23 million gross square feet (MGSF) located in over 5,100 buildings and grounds. with a replacement valued at approximately $11.3 billion. Delaying the funding of ongoing maintenance, repairs, and timely system replacements to the point that major renovations are required to maintain safe and adequate usage will cost significantly more than if these facilities were maintained in a state of good repair.

Based on facility assessments conducted on approximately 75% of the State's agency-owned major buildings and campuses, the capital renewal and deferred maintenance needs for assessed buildings are estimated to cost over $1.8 billion within the next 10 years. To the extent agency operating budgets are not sufficient to address ordinary maintenance and repairs of State facilities, this unmet need will continue to put pressure on the State's limited debt capacity to catch up on deferred maintenance and capital renewal through extensive and expensive renovation projects. The 2023 State Legislature approved 2023-25 Biennium funding of deferred maintenance and capital improvements at approximately 5% of the estimated current replacement value of State buildings as of fiscal year 2022.

The State's ongoing requirements for office space are being continuously re-evaluated due to shifting telecommuting habits since the COVID pandemic. New policies have been enacted with a goal of reducing the office footprint by 30% by 2027. To achieve this goal, changing how we think about and plan for a hybrid workplace is necessary and presents opportunities to right-size the state's real estate portfolios, focus on collaboration and shared resources, and reduce the state's carbon footprint by using less space.

A long-term strategic capital plan published by the Higher Education Coordinating Commission recommends establishing a funding scheme for the deferred maintenance needs of public universities. The report notes that national higher education facility management "best practice" calls for investing at least 2.5% per year of the current replacement value in capital renewal of existing assets, which would translate into approximately $250 million per year.

Private Activity Bond Allocations

Each year, the Federal government allocates a limited amount of "private activity" tax-exempt financing authority to each state for distribution to qualified economic and community development projects. Historically, the State has allocated its private activity bond (PAB) Volume Cap primarily to affordable housing construction and rehabilitation, first time homebuyer mortgage programs, and a select number of solid-waste, port, and energy production projects around the state.

In recognition of the need to accelerate the construction of affordable housing around the State, the 2019 Legislature doubled its previous annual PAB Volume Cap allocations to the Oregon Housing and Community Services Department (OHCSD) in the 2019-21 Biennium Bond Bill and has maintained that level in the 2021-23 Biennium Bond Bill, which in turn reduced the annual amounts allocated to the PAB Committee (PABC). The 2023-25 Biennium Bond Bill reaffirmed the Legislature's focus on Housing by further increasing the amount allocated to OHCSD. Growing demand for and statewide initiatives to expand the availability of affordable housing exceeds the availability PAB volume cap for the foreseeable future. Consequently, obtaining future PAB allocations for local economic development and affordable housing projects through the PABC has increasingly become a competitive process, requiring careful thought and deliberation as to the highest, most efficient, and best use of this limited financial resource.

For the calendar year 2025, the PABC will have $104.4 million (includes adjustment amount from Census) of CY 2025 PAB Volume Cap for allocation, which represents an increase of $26.3 million over its CY 2024 PAB Volume Cap allocation authority of $78.1 million. This increase is due principally to the Internal Revenue Service's volume cap multiplier increase from $125 per person in 2024 to $130 per person in 2025.

Timing of State Bond Sales

In addition to determining the specific projects that will be authorized for bonding in the biennial Bond Bill, the Legislature in recent years has also directed the specific timing of State bond sales by delaying the appropriation of debt service on State funded projects until the following biennium. As a result, the majority of State General Obligation and Lottery Revenue Bonds have been sold during the last few months of the biennium in which they were initially authorized. While this strategy may have been necessary from an overall State budget management perspective in the years following the Great Recession, it has not always resulted in the State being able to achieve optimal interest rates at the time of the sale of these bonds. The clustering of large dollar Oregon bond issues over a short timeframe floods the capital markets to the point where supply exceeds demand, which could result in the State offering bonds at higher interest rates than would otherwise be required to ensure final placement with investors.

The Commission recommends that the Legislature consider providing for a larger percentage of approved capital projects to be financed in the first year of the biennium. This approach would spread out the sale of State bonds and allow for a better balance of supply and demand for our bonds across the entire biennium. Further, as a frequent issuer, the State and its agencies should seek to issue annually to benefit from interest cost averaging of its debt portfolio, which is conservative and minimizes the impact of any economic cycle on the State's balance sheet and income statement.

Conclusion

While the Commission projects increased debt capacity in the next several biennia, we note that this long-term debt capacity remains modest and a scarce resource to meet investment requirements of the wide range of potential new State and local capital projects, affordable housing, K-12 education, seismic and other building improvements, resiliency measures, information technology upgrades (including extending broadband connectivity throughout the State and protection against cyberattacks), and State transportation and other infrastructure needs. The Commission continues to recommend that the Legislature and Governor limit their bonding authorizations to only the highest priority essential State capital projects to maintain the State's strong credit ratings and overall healthy financial position.

The State and nation are experiencing the lingering effects of geopolitical tensions, higher interest rates and high inflation at all levels including general consumer goods, construction, and transportation. There is a high degree of uncertainty centered around imminent changes in federal fiscal policy including tariffs and regulations which pose additional economic and financial risks across the country. The effects of which could have an impact on the Oregon's economy, revenue and future bonding capacity.

In contemplating debt as a tool, the Commission recommends consideration of the potential volatility in State's revenues and financial resources and advocates positioning the State to weather the impacts of unplanned catastrophic or financially disruptive events.

Building, maintaining, and improving reserves has the potential to enhance the State's liquidity position and improve budgetary stability and the State's ability to provide key services to its citizens on a consistent basis.

I. BONDING IN OREGON

Historically, Oregon has operated under a biennial debt review and authorization process. Under that model, each individual bonding program receives specific legislative authorization and is managed by a state government agency. The Treasurer of the State of Oregon, as issuer of all State of Oregon bonds, is charged with the responsibility to centrally oversee all long-term debt programs. The State uses four primary types of long-term debt finance obligations: general obligation bonds (GOs), direct revenue bonds, appropriation credits, and conduit revenue bonds. General obligation bond authorized limits are normally expressed as a percentage of statewide value of taxable property. Revenue bonds and appropriation credits are usually limited by the Legislature to a specific dollar amount.

A brief explanation of the bond authorization and issuance process and the debt obligation types and associated State of Oregon bonding programs are provided below.

A. Authorization and Issuance Process

State Treasurer

The State Treasurer has been given responsibility and authority with respect to the sale and management of State bonds. The State Treasurer has assigned day-to-day responsibility for the coordinated issuance of all State obligations to the Debt Management Division of the Oregon State Treasury. The Division reviews the structure and security features of each bond and appropriation credit and recommends issuance to the State Treasurer. In addition, the Division coordinates the timing of the various agency bond sales, administers the issuance of bonds, secures credit ratings, prepares transcripts and other documents, provides for the delivery of bonds, assists with the signing and closing of bond issues, and coordinates the State's primary and secondary market disclosure responsibilities as required by regulations promulgated by the Security and Exchange Commission (SEC) and in accordance with the Municipal Securities Rule Making Board (MSRB) and other applicable Federal and Securities Industry regulatory bodies. In addition, Division staff provides advice to State agencies regarding market developments and makes debt policy and legislation recommendations to the State Treasurer.

Biennial Legislative Limitations

In addition to constitutional and statutory authorities and limitations, Oregon has historically followed a legislative practice of biennially approving bond volume limits. Prior to each biennium, the Governor's budget, in conjunction with advice from the State Treasurer, details program amounts recommended for bonding authority during the upcoming biennium. The budget recommendation considers requests by agencies for capital projects, as well as grant and loan program needs. The Legislature then conducts a program-by-program review process and approves what it determines to be an appropriate level of issuance. Although this process has been successful, increasing demand for financing State capital needs necessitates a more comprehensive and longer-range approach to capital financing. The purpose of this report is to provide the Governor and the Legislature additional advice when considering and approving biennial bond volume limits, as well as to make recommendations the Commission believes would enhance the State's bond ratings and maintain access to low-cost capital financing.

B. State of Oregon Bonding Authorizations

General Obligation Bonds

General Obligation (GO) debt is secured by the full faith and credit of the participating issuer, for our purposes, the State of Oregon. Typically, GO debt necessitates constituency approval. In the State's case, each GO bond program was created by a constitutional amendment passed by State voters. Therefore, the People of the State have unconditionally pledged to pay debt service (i.e., principal and interest) payments, over the life of each GO bond issue. This means that barring the existence of other adequate repayment sources, all unrestricted public revenues must be used as needed to support debt service payments. This may include the levy of a statewide property tax if necessary and allowed by law.

Article XI, Section 7 of the Constitution provides the State with the general authority to issue GO debt. Currently, there are 18 constitutionally authorized GO bond programs[1]. While each of these programs has the potential for drawing on the State's General Fund or other taxing authority, many of the programs are fully self-supporting and are repaid from program revenues, gifts, grants, or other revenue streams.

The constitutionally authorized State of Oregon GO bond programs are listed below.[2]

- General Purpose Bonds – Article XI, Section 7
- State Highway Bonds – Article XI, Section 7
- Veterans Welfare Bonds – Article XI-A
- State Power Development Bonds – Article XI-D
- State Forest Rehabilitation Bonds – Article XI-E
- Higher Education Building Bonds – Article XI-F (1)
- Higher Education Facilities and Community College Bonds – Article XI-G[3]
- Pollution Control Bonds – Article XI-H
- Water Resources Bonds – Article XI-I (1)
- Elderly and Disabled Housing Bonds – Article XI-I (2)
- Alternate Energy Bonds – Article XI-J
- Oregon School Bond Guaranty Program – Article XI-K
- Oregon Opportunity Bonds – Article XI-L
- Seismic Rehabilitation of Public Education Buildings – Article XI-M
- Seismic Rehabilitation of Emergency Services Buildings – Article XI-N
- Pension Obligation Bonds – Article XI-O
- Public School Facilities Bonds – Article XI-P
- State General Purpose Bonds – Article XI-Q

[1]General Purpose bonds and State Highway bonds are both provided constitutional bonding authority by Article XI, Section 7. Likewise, Article XI-G provides constitutional bonding authority for both Higher Education bonds and Community College bonds.

[2]There is currently no outstanding general obligation debt related to State Power Development, State Forest Rehabilitation, Water Resources, Oregon Opportunity Bonds and Oregon School Bond Guaranty Program.

[3]Higher Education Facilities GO bonds were historically issued by the Board of Higher Education, whereas Community College GO bonds were issued by the Board of Education. Higher Education and Community College bond issuance are combined and charged against the total debt authorized by the State Constitution Article XI-G.

Direct Revenue Bonds

Unlike GO bonds, direct revenue program debt is not secured by the State's unlimited pledge to fund debt service with unrestricted public revenues or, where permitted, a statewide ad valorem property tax. Rather, funds to pay debt service are provided by a specific dedicated revenue stream, and normally program revenues are directly associated with the funded project(s). Further, revenue programs typically do not require a vote of Oregonians but must be authorized by the Legislative Assembly. The State Legislature holds the right to refer program approval to Oregon voters.

Oregon Revised Statutes provide for a variety of revenue bond programs. These programs are each considered fully self-supporting and have no GO backing from the State. However, if program revenues were to become insufficient to support debt service payments, this does not preclude the State from providing a funding stream. Statutorily authorized direct revenue bond programs that are currently active are listed below.

- State Highway User Tax Bonds – ORS 367.620
- Oregon Transportation Infrastructure Fund Bonds – ORS 367.630[1]
- Lottery Revenue Bonds – ORS 286A.560 to 286A.585
- Oregon Bond Bank Revenue Bonds – ORS Chapter 285B.320 to 285B.371
- Single-Family and Multifamily Revenue Bonds – ORS 456.661

Conduit Revenue Bonds

Conduit revenue bonds are securities that are issued by a governmental unit to finance a project for a third party. Debt service payments are the obligation of the third-party borrower and do not constitute a GO debt of the State or the issuing governmental agency. Affordable Housing, Economic and industrial development revenue bonds are a common type of conduit revenue security.

The State has four authorized and active conduit or "pass-through" revenue bond programs:

- Oregon Facilities Authority (OFA) – ORS Chapter 289.200 to 289.240
- Industrial Development Revenue Bonds – ORS Chapter 285B.320 to 285B.371
- Housing Development Revenue Bonds – ORS 456.692
- Beginning & Expanding Farmer Loan Revenue Bonds – ORS Chapter 285A.420 to 285A.435

Under these programs, the State is considered the issuer, but has no obligation to pay debt service. Payments are made by the entities on whose behalf the bonds were issued.

[1]Various legislative bills have authorized the sale of Transportation Infrastructure Bonds; however, no bonds have been issued to date by this program.

Appropriation Credits

Similar to revenue program debt, appropriation credits are not secured by the State's unlimited pledge to fund debt service with unrestricted public revenues or, where permitted, a statewide ad valorem property tax. The State has historically used two types of appropriation credits:

- Appropriation Bonds – SB 856 – 2003 Legislature
- Certificates of Participation (COPs) – ORS 283.085

These credits are special limited obligations of the State payable solely from funds appropriated or otherwise made available by the State Legislative Assembly. The obligation of the State to provide appropriated moneys and to pay bond debt service is subject to future appropriation by the Legislature for the fiscal period in which payments are due. As with State direct revenue bond programs, appropriation credits do not require a vote of the people but must be authorized by the Legislative Assembly. In 2010, voters approved Constitutional amendment Article XI-Q, which authorizes the State to issue GO Bonds for various State-owned or operated office buildings, facilities, and other capital projects. Rather than issuing higher cost appropriation debt, the State elected to refund prior COPs with XI-Q bonds for savings. With the exception of the Certificate of Participation issued in 2019, which has outstanding principal of $81.6 million, all previously issued COPs have been redeemed and replaced with Article XI-Q bonds.

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EXHIBIT I.1
State of Oregon
Outstanding Long-Term Financial Obligations
Constitutional Debt Limit and Statutory Provisions
As of June 30, 2024

Program	Legal Provision	Constitutional Debt Limit %	Constitutional Debt Limit $	Debt (Principal) Outstanding	Constitutional Authorization Remaining
General Obligation Bonds			$	$	$
General Purpose (4)	ARTICLE XI SEC 7		50,000		50,000
Transportation: State Highway	ARTICLE XI SEC 7	1.0000%	10,232,523,571	25,125,000	10,207,398,571
Veterans' Welfare (5)	ARTICLE XI-A	8.0000%	81,860,188,571	414,880,000	81,445,308,571
State Power Development	ARTICLE XI-D	1.5000%	15,348,785,357		15,348,785,357
Forest Rehabilitation	ARTICLE XI-E	0.1875%	1,918,598,170		1,918,598,170
Higher Education XI-F (5)	ARTICLE XI-F (1)	0.7500%	7,674,392,679	964,685,000	6,709,707,679
Community College	ARTICLE XI-G			229,045,000	
Higher Education XI-G (5)	ARTICLE XI-G	0.7500%	7,674,392,679	676,030,000	6,769,317,679
Pollution Control (6)	ARTICLE XI-H	1.0000%	10,232,523,571	20,910,000	10,211,613,571
Housing: Elderly & Disabled	ARTICLE XI-I (2) & ORS 456.519	0.5000%	5,116,261,786	19,030,000	5,097,231,786
Alternate Energy Projects (6)	ARTICLE XI-J	0.5000%	5,116,261,786	72,860,000	5,043,401,786
Oregon School Bond Guarantee	ARTICLE XI-K	0.5000%	5,116,261,786		5,116,261,786
Oregon Opportunity Bonds (OHSU)(7)	ARTICLE XI-L	0.5000%	5,116,261,786		5,116,261,786
Seismic Rehab – Public Education Buildings	ARTICLE XI-M	0.2000%	2,046,504,714	399,625,000	1,646,879,714
Seismic Rehab – Emergency Service Buildings	ARTICLE XI-N	0.2000%	2,046,504,714	117,520,000	1,928,984,714
Pension Obligations (6)	ARTICLE XI-O	1.0000%	10,232,523,571	712,870,000	9,519,653,571
School District Capital Costs	ARTICLE XI-P	0.5000%	5,116,261,786	315,430,000	4,800,831,786
State Real or Personal Property	ARTICLE XI-Q	1.0000%	10,232,523,571	3,723,300,000	6,509,223,571
				$ 7,691,310,000	
Direct Revenue Bonds					
Economic Development Bond Bank	ORS 285B			48,450,000	
Lottery Bond Program(s)	ORS 286A.560-585			1,311,650,000	
Transportation Infrastructure Bank	ORS 367.030				
Transportation: Highway User Tax	ORS 367.620			2,539,415,000	
Housing: Single & Multi-Family Programs	ORS 456.645 and ORS 456.661			1,103,735,000	
				$ 5,003,250,000	
Appropriation Credits					
Certificates of Participation	ORS 283 & 286A			81,590,000	
Oregon Appropriation Bonds	SB 856–2003 Legislature				
				$ 81,590,000	

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{1} Percentages listed are of Real Market Value (RMV) of all taxable real property in the state.

{2} Based on the January 1, 2023, Real Market Value (RMV) of $1,023,252,357,141. Authorization does not include inactive programs.

{3} Excludes refunded and defeased Bonds and Notes issued for less than 13 months.

{4} The State of Oregon may not incur indebtedness exceeding $50,000 without a constitutional amendment approved by the voters.

{5} Outstanding Department of Veterans' Affairs and State Board of Higher Education general obligation debt reflect the proceeds amount of original issue discounted and deferred interest bonds.

{6} The amount of General Fund debt service support will vary over time depending on the amortization and budgeted allocation of debt service on each bond, Department of Environmental Quality (DEQ) Pollution Control (Article XI-H) debt is reported as 53% General Fund-Supported and 47% self-supporting. ORS 468.195 limits the amount of DEQ debt outstanding at anyone time to $260 million. Alternate Energy 56% General Fund-Supported, are paid from non-General Fund Sources. COP (ORS 283 & 286A) obligations are reported at 100% General Fund-Supported. State Real Personal Property (Article XI-Q) debt is reported as 91% General Fund-Supported and 9% self-supporting.

{7} Oregon Opportunity Bonds (OHSU) were authorized to finance capital costs of Oregon Health and Science University and have been paid down. Authorized debt may not exceed ½ of 1 percent RMV of all taxable real property in the State.

C. General Fund-Supported and Net Tax-Supported Debt

The municipal credit rating industry uses different measurements and indicators to evaluate a government's debt burden. Two of those measurements include *"General Fund- Supported debt"* and *"Net Tax-Supported debt."*

A significant proportion of the State's overall long-term debt obligations are fully self-supporting with the source of bond debt service payments coming from resources other than General Fund appropriations or other tax revenue. Bonding programs that do not require State appropriated General Fund support or other direct State tax revenue support would not be included in either General Fund or Net Tax-Supported debt measurements. However, in keeping with rating agency practice, some programs in which debt service payments are made with dedicated funds or special-tax revenue sources may still be viewed as General Fund or Net Tax-Supported Debt depending on the interpretation of the funding source(s). Examples of bond programs that do not require State tax revenues or General Fund appropriations to pay debt service include the Veterans' Welfare GO bond housing program, the Single and Multifamily Housing revenue bond program and all conduit revenue bonds.

General Fund-Supported Debt is classified as long-term obligations whose debt service is paid primarily from General Fund appropriations made by the State Legislature. Examples include Higher Education Facility and Community College (Article XI-G) GO bonds, State Property Bonds (Article XI-Q) GO bonds, and Certificates of Participation (COPs).

Net Tax-Supported Debt is defined as all debt serviced by tax revenues of the State. This definition includes all General Fund-Supported debt and other long-term obligations supported by specific State taxes. Highway User Tax Revenue bonds are an example of long-term debt that is Net Tax-Supported, even though it does not pledge any General Fund appropriations towards repayment of the bonds. These bonds do not constitute a GO debt of the State but are instead payable solely from revenues received from highway user taxes. Furthermore, in accordance with the Oregon Constitution, highway user tax revenues must be used exclusively for public highways, roads, streets and rest areas of the State and the retirement of bonds for which such revenues have been pledged.

The four major national rating agencies, Fitch, Kroll, Moody's, and Standard & Poor's, differ somewhat in their assumptions and definitions of General Fund and Net Tax-Supported debt with respect to the State of Oregon. For purposes of this report, the Commission has chosen to follow the Moody's model in determining both General Fund and Net Tax-Supported debt. This decision was based primarily on Moody's historical gathering and publishing of key debt ratios for the fifty states, and the recognition of their annual state debt report as an accepted industry model.

As part of the development of this report, staff of the Office of the State Treasurer and the Department of Administrative Services periodically reviews all outstanding debt of the State with the goal of providing a more precise estimate of the amount of State debt that is actually supported by general fund revenues. Based on this review, this Commission Report reflects the percentage of debt that is designated as General Fund-Supported in relation to the GO bonds issued by the State to fund pollution control needs, and Article XI-Q GO bonds. The report also incorporates a portion of the self-supporting GO debt issued by the Department of Environmental Quality and the Oregon Department of Energy to the extent that General Fund dollars are appropriated biennially for the following two years of debt service on these programs.

Based on these adjustments, this report includes the debt of the following bond programs in its assumptions of General Fund-Supported Debt:

- State Highway Bonds (Article XI, Section 7)
- Higher Education Facility & Community College Bonds (Article XI-G)
- Pollution Control Bonds (Article XI-H) (53% of total program debt)
- Alternate Energy Bonds (Article XI-J) (56% of total program debt)
- Oregon Opportunity Bonds (Article XI-L)
- State Pension Obligation Bonds (Article XI-O) (38% of total program debt)
- Seismic Rehabilitation Bonds for Public Education Buildings (Article XI-M)
- Seismic Rehabilitation Bonds for Emergency Services Buildings (Article XI-N)
- Public Safety Buildings (Article XI-N)
- Public School Facility Bonds (Article XI-P)
- State General Purpose Bonds (Article XI-Q) (91% of total program debt)
- Certificate of Participation Obligations (ORS 283.085 to 283.092) (100% of total program debt)

Net Tax-Supported debt includes the above-listed General Fund-Supported programs in addition to Dedicated Fund Supported GO Bonds, Appropriation bonds (if any) and applicable Direct Revenue Bonds, as detailed below:

- Dedicated Fund Supported GO Bonds:
  - State Pension Obligation Bonds
  - State General Purpose Bonds,
- Additional Appropriation or Certificates of Participation, if any
- Lottery Revenue Bonds (ORS 286A.560-585)
- Highway User Tax Revenue Bonds (ORS 367.620)

The State's definition of Net Tax Supported Debt differs from the methodology used by Moody's. Moody's definition and resulting computation includes the unamortized premium or discount of bonds issued, all Article XI-F Bonds and adds other long term leases and contracts of the State. Moody's definition excludes all debt that is represented in the Annual Comprehensive Financial Reports (ACFR) which derives revenues other business activities such as the housing mortgage and veterans revenue bond programs.

Exhibit I.2 below provides a comparison of principal amount General Fund-Supported bonded debt, Net Tax-Supported bonded debt, and total outstanding gross debt as of June 30, 2024, as computed by the State.

SDPAC EXHIBIT I.2
State of Oregon
Comparison of Long-Term Debt Outstanding
As of June 30, 2024

Type & Purpose	Legal Provision	General Fund-Supported Debt	Net Tax-Supported Debt	Total Gross Debt Outstanding
General Obligation				
General Fund Supported				
General Purpose	ARTICLE XI SEC 7	$	$	$
State Highway	ARTICLE XI SEC 7	25,125,000	25,125,000	25,125,000
Community College Bonds	ARTICLE XI-G	229,045,000	229,045,000	229,045,000
Higher Education Institutions & Activities	ARTICLE XI-G	676,030,000	676,030,000	676,030,000
Pollution Control Bonds	ARTICLE XI-H	11,082,300	11,082,300	11,082,300
Alternate Energy Bonds	ARTICLE XI-J	40,801,600	40,801,600	40,801,600
Seismic Rehab - Public Education Bldgs.	ARTICLE XI-M	399,625,000	399,625,000	399,625,000
Seismic Rehab - Emergency Service Bldgs.	ARTICLE XI-N	117,520,000	117,520,000	117,520,000
State Real or Personal Property	ARTICLE XI-Q	3,350,970,000	3,350,970,000	3,350,970,000
DAS Pension Obligation Bonds (1)	ARTICLE XI-O	285,148,000	285,148,000	285,148,000
School District Capital Costs	ARTICLE XI-P	315,430,000	315,430,000	315,430,000
Total General Fund Supported		**$ 5,450,776,900**	**$ 5,450,776,900**	**$ 5,450,776,900**
Dedicated Fund Supported				
Veterans' Welfare Bonds	ARTICLE XI-A	-	-	414,880,000
Higher Education Building Projects	ARTICLE XI-F (1)	-	-	964,685,000
Pollution Control Bonds	ARTICLE XI-H	-	-	9,827,700
Elderly & Disabled Housing Bonds	ARTICLE XI-I (2) & ORS 456.519	-	-	19,030,000
Alternate Energy Project Bonds	ARTICLE XI-J	-	-	32,058,400
State Real or Personal Property	ARTICLE XI-Q	-	372,330,000	372,330,000
DAS Pension Obligation Bonds [(1)]	ARTICLE XI-O	-	427,722,000	427,722,000
Total Dedicated Fund Supported			$ 800,052,000	$ 2,240,533,100
Total General Obligation		**$ 5,450,776,900**	**$ 6,250,828,900**	**$ 7,691,310,000**
Revenue Bonds				
Direct Revenue Bonds				
Lottery Revenue Bond Program(s)	ORS 286A.560 – 585	-	1,311,650,000	1,311,650,000
Highway User Tax Revenue Bonds	ORS 367.620	-	2,539,415,000	2,539,415,000
Single-Family & Multi-Family Housing	ORS 456.645 & ORS 456.661	-	-	1,103,735,000
Economic Development - Bond Bank	ORS 285B	-		48,450,000
Total Direct Revenue Bonds		-	**$ 3,851,065,000**	**$ 5,003,250,000**
Conduit or Pass Through Revenue Bonds		-	-	
Economic & Industrial Development	ORS 285	-	-	273,111,389
Beginning & Expanding Farmer Loans	ORS 285A 420-435	-	-	
Oregon Facilities Authority	ORS 289	-	-	1,852,267,343
Multi-Family Housing Programs	ORS 456.645 & 456.692	-	-	1,336,171,477
Total Conduit or Pass Through Revenue Bonds		-	-	**$ 3,461,550,209**
Total Revenue Bonds		-	**$ 3,851,065,000**	**$ 8,464,800,209**
Appropriation Credits				
Certificates of Participation (COPs)	ORS 283 & 286A	81,590,000	81,590,000	81,590,000
Oregon Appropriation Bonds	SB 856 – 2003 Legislature			
Total Appropriation Credits		**81,590,000**	**81,590,000**	**81,590,000**
Gross Debt				**$ 16,237,700,209**
Total Debt - Less Conduit Revenue Bonds		**$ 5,532,366,900**	**$ 10,183,483,900**	**$ 12,776,150,000**

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(1) To conform to rating agency methodologies Pension Obligation Bonds are considered Net Tax-Supported Debt.

D. Pension Obligation Bonds

On September 16, 2003, Oregonians approved the issuance of State general obligation bonds to finance part of the State's Unfunded Actuarial Liability (UAL) to the Oregon Public Employees Retirement System (OPERS). The UAL is the difference between the liability of PERS to retirees and the actuarially determined value of the assets available to pay the liability. Calculated at the then prevailing actuarial assumed rate of 8.0%, the State's portion of the pension liability was estimated to be over $2 billion.

In October 2003, the State issued $2 billion in taxable Pension Obligation Bonds (POBs). The POBs were sold at an average interest rate of 5.8%, which was 2.2% below the actuarially assumed rate of 8% then in use by OPERS. As a result, the State anticipated receiving significant budgetary savings from the reduced cost of funding its UAL. The issuance of the POBs increased the state's outstanding Net Tax-Supported debt and its debt ratios substantially.

The ultimate savings that will be achieved through the issuance of POBs depends on the overall future asset returns on the POB bond proceeds deposited in a side account at OPERS. While the costs of the POBs were known and fixed at the time of issuance, investment returns over the term of the bonds cannot be known in advance. Based on assumptions regarding the long-term rate of return of the PERS system made at the time of issuance in 2003, it was estimated that the POBs would provide nominal General Fund savings of approximately $900 million over the life of the bonds. The actual amount of savings will not be known, however, until the POB bonds are fully retired in FY 2027.

E. Private Activity Bond Allocations

Under Federal tax law, tax-exempt bonding is generally limited to the financing of capital projects, which are deemed to benefit the general public rather than private parties, allowing for a limited (de minimis) amount of tax-exempt financing for "private activity" projects. Section 146 of the IRS Tax Code defines which projects qualify as "private activity" and authorizes by formula each state's annual private activity tax-exempt bonding volume cap. PAB that is unallocated and unused for a given year are returned to the PABC as "carryforward" for allocation at the subsequent January meeting. This PAB volume cap carryforward must be used within three years for the allocated purpose, or it is permanently lost to the State, as it cannot be reallocated to any other purpose once the carryforward election is made.

Historically, the vast majority of PAB carryforward was allocated to the Oregon Housing and Community Services Department (OHCSD), who applied the allocations either to the First Time Homebuyer Mortgage Revenue Bond Program or the Multifamily Affordable Housing Program. In CY 2024, the PABC allocated $287.16 million of 2023 Carryforward to OHCSD. All of the 2023 Carryforward allocated has been fully utilized for affordable housing programs statewide.

Oregon's CY 2024 PAB Volume Cap allocation authority was $529.17 million, of which the 2023 Legislature allocated $451 million to state agencies ($450 million to the OHCSD for affordable housing; $1 million to the Oregon Business Development Department (OBDD)), with the adjusted balance of $78.17 million allocated to the PABC.

As of December 15, 2024, the Committee's CY 2024 allocations totaled $32 million which was awarded to one (1) waste disposal project from OBDD. The PABC ended CY 2024 with unutilized PAB of $46.17 million, which was returned to the Committee as 2024 Carryforward. OHCSD used $362.2 million of its $450 million CY 2024 Allocation and its remaining $87.8 million was returned to the PABC as 2024 Carryforward. OBDD did not use any of its $1 million of 2024 allocation for the Farmer Loan Program. As a result, OBDD's full allocation was returned to the

PABC as 2024 Carryforward. In the aggregate, the PABC has $134.97 million in 2024 Carryforward available to allocate at its meeting in January 2025.

In 2018 Metro area voters approved almost $700 million in local general obligation bonds to provide "gap" funding for affordable housing. Additionally, since 2017, the Oregon State Legislative Assembly has approved, through various Bond Bills, significant bonding authority under the Local Innovation and Fast Track (LIFT) program to provide "gap" funding for affordable and permanent supportive housing. As a result, there has been significant competition for PAB Committee allocations due to use of tax-exempt bonds to provide the 50% match for the Federal 4% Low Income Housing Tax Credit (LIHTC) which provides the majority of equity in each transaction.

The State's CY 2025 PAB Volume Cap allocation authority based on US Census data as of July 1, 2024, and published on December 19, 2024, and IRS per capita limit is approximately $555.4 million. The 2023 Legislature allocated $509.5 in each of CY 2024 and CY 2025 as follows: Oregon Housing ($450 million) and Oregon Business Development IDB and Farmer Loan Program ($1 million) and PABC ($58.5 million). Based on the 2025 IRS PAB per capita, the PABC's CY 2025 allocation will increase by $45.9 million which provides the PAB Committee with $104.4 million of CY 2025 PAB Volume Cap for allocation.

The limited PAB Committee volume cap authority makes allocation decisions between competing economic development and local affordable housing projects a more challenging process, requiring careful thought and deliberation as to the highest and best uses of this valuable, yet limited financial resource.

II. CURRENT DEBT PICTURE IN OREGON

A. Overall Outstanding State Debt

Prior to the late 1990s, the majority of State debt outstanding was linked to the bonds issued by the Department of Veterans' Affairs (ODVA) for veterans' mortgages. Since that time, the State's debt financing, through the issuance of General Obligation Bonds, has been increasingly employed as the main vehicle to fund certain State programmatic needs as well as the backlog of infrastructure and capital needs linked to the deferred maintenance of state and higher educational facilities. Additionally, State debt is an important source of funding for improvements and maintenance of the state highways and bridges, as well as construction and renovation of state facilities, economic development efforts, and higher education projects.

General Obligation Bond Program Debt Developments. The largest growth area in terms of State GO bonded indebtedness is related to the establishment of the Article XI-Q GO bond program. In November 2010, Oregon voters authorized the sale of XI-Q general obligation bonds for state buildings, facilities, and other capital projects as an alternative to the costlier financing of these projects through Certificates of Participation (COPs). It was anticipated at the time of passage of this new bond program that the State would over time refinance most of its outstanding COPs with these higher-rated, lower cost GO bonds.

In addition to refunding $637 million in COPs with the new XI-Q GO bonds for savings, Article XI-Q GO Bonds have been used to finance most new state property projects since FY 2011. Additionally, since enactment of the LIFT program by the 2015 Legislative Assembly, Article XI-Q bonds have been used to fund over $1,075 billion of LIFT (and PSH) Bonds to support the funding for affordable and permanent supportive projects statewide.

General Obligation Pension and Appropriation Deficit Bonds. In 2003, the Legislature authorized several major new bonding programs, including $2.1 billion in pension obligation bonds to fund the PERS' liability and $432 million in appropriation deficit bonds. As of 2013, all of the deficit bonds have been fully retired. General Obligation Pension Obligation Bonds outstanding as of June 30, 2024, was $713 million. The State's 2003 GO Pension Obligation Bonds are scheduled to fully retire in FY 2027.

Oregon Department of Transportation Major Transportation Improvement Programs. In 2003, the Legislature authorized $1.9 billion in new Oregon Department of Transportation (ODOT) highway user tax bonds to address statewide bridge and highway modernization needs. In 2009 and again in 2017, the Legislature authorized the issuances of an additional $840 million and $480 million respectively in ODOT bonds to address highway congestion and safety issues.

In 2017, the Legislature passed House Bill 2017, known as "Keep Oregon Moving," (KOM) to address three identified priorities: 1) to protect, preserve and maintain the State's transportation system; 2) to address the effects of congestion, particularly in the Portland metro region; and 3) to increase investment in public transportation in both urban and rural areas. KOM authorized the issuance of $480 million in Highway User Tax Revenue Bonds to finance transportation projects across the State and allocated $30 million annually to fund ODOT's Regional Mobility Program, which seeks to make improvement to the Interstate 5 Rose Quarter Project and address congestion mitigation and safety in that urban corridor.

The 2021 Legislature enacted HB 3055 Bill which 1) increased ODOT's short-term borrowing limit to $600 million from $100 million that may be repaid from any available funds of ODOT; 2) expands the use of the $30 million, previously allocated to the Interstate 5 Rose Quarter Project to other projects including I-205 Improvements, Interstate 5 Boone Bridge and Seismic Improvement Project and implementation of toll projects under ORS 383.150. The 2023-25 Biennium Bond Bill authorized a total of $360 million in net proceeds of ODOT HUTR Bonds to finance transportation projects across the state.

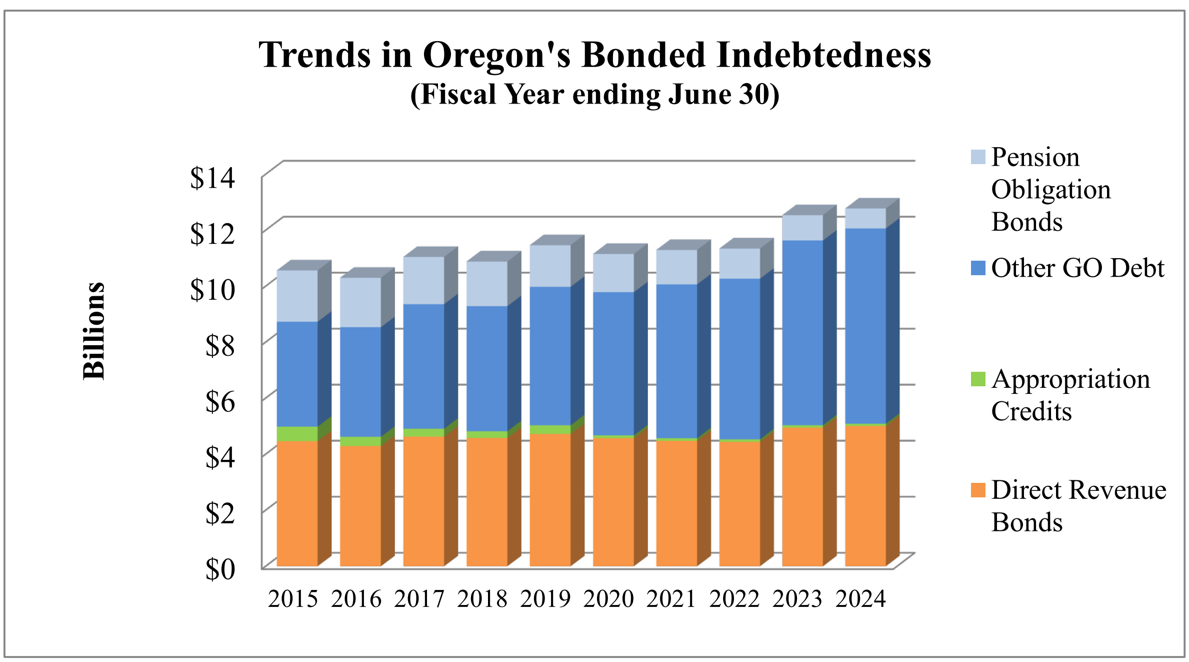
Outstanding State Debt Trends. Oregon's combined long-term general obligation, appropriation and revenue bond debt outstanding was $12.78 billion as of June 30, 2024. This represents an increase of $0.24 billion compared to the $12.54 billion recorded at the end of the 2023 fiscal year. While overall State debt levels have only shown a modest increase over the last 10 years, the mix of debt outstanding has shifted, with the reduction in outstanding appropriation debt replaced with GO bonds.

In particular, Article XI-Q GO debt outstanding as of June 30, 2024, is $3.72 billion and represents 48.4% of the $7.69 billion State's total general obligation indebtedness. Article XI-Q bonds are issued to finance state-owned or operated real or personal property including improvements to educational institutions, state facilities for judicial, police, military and more recently to provide needed gap funding for affordable and permanent and supportive housing through the LIFT Housing Program.

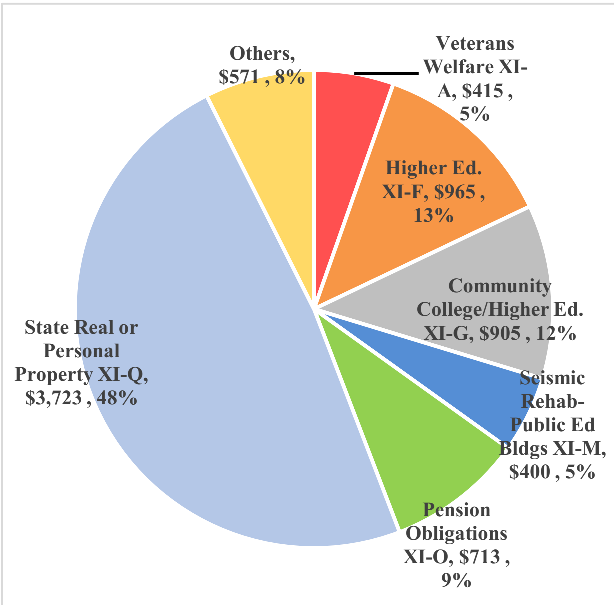
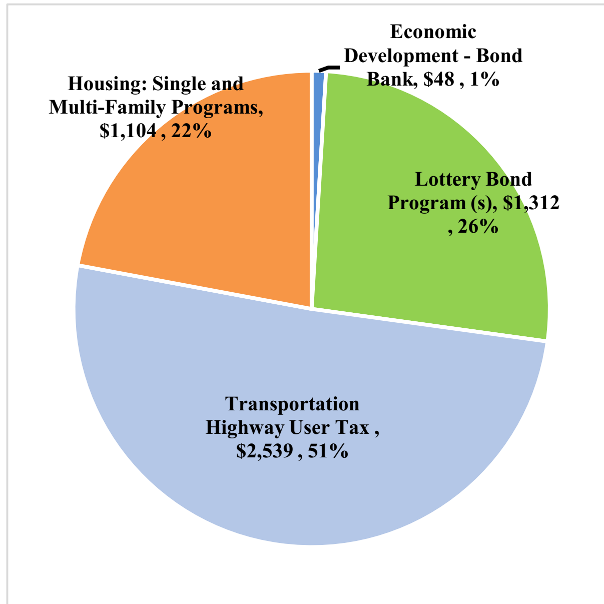
The next largest component are the Higher Education Building Projects Article XI-F(1) bonds, which have an outstanding principal of $964 million or 12.5% of all GO indebtedness.

Exhibit II.1 shows a 10-year history of the State's total outstanding debt by major category from fiscal years ending 2015 to 2024. This exhibit shows that overall state debt has grown since 2022 after remaining relatively constant over the past decade, as new general obligation and revenue state bonds were issued at roughly the same pace as outstanding general obligation and revenue state debt was retired until recently. The components of overall state debt have changed during this ten-year time frame, however, with general obligation debt replacing appropriation credit debt as the source of financing for most state capital projects.

Exhibit II.1



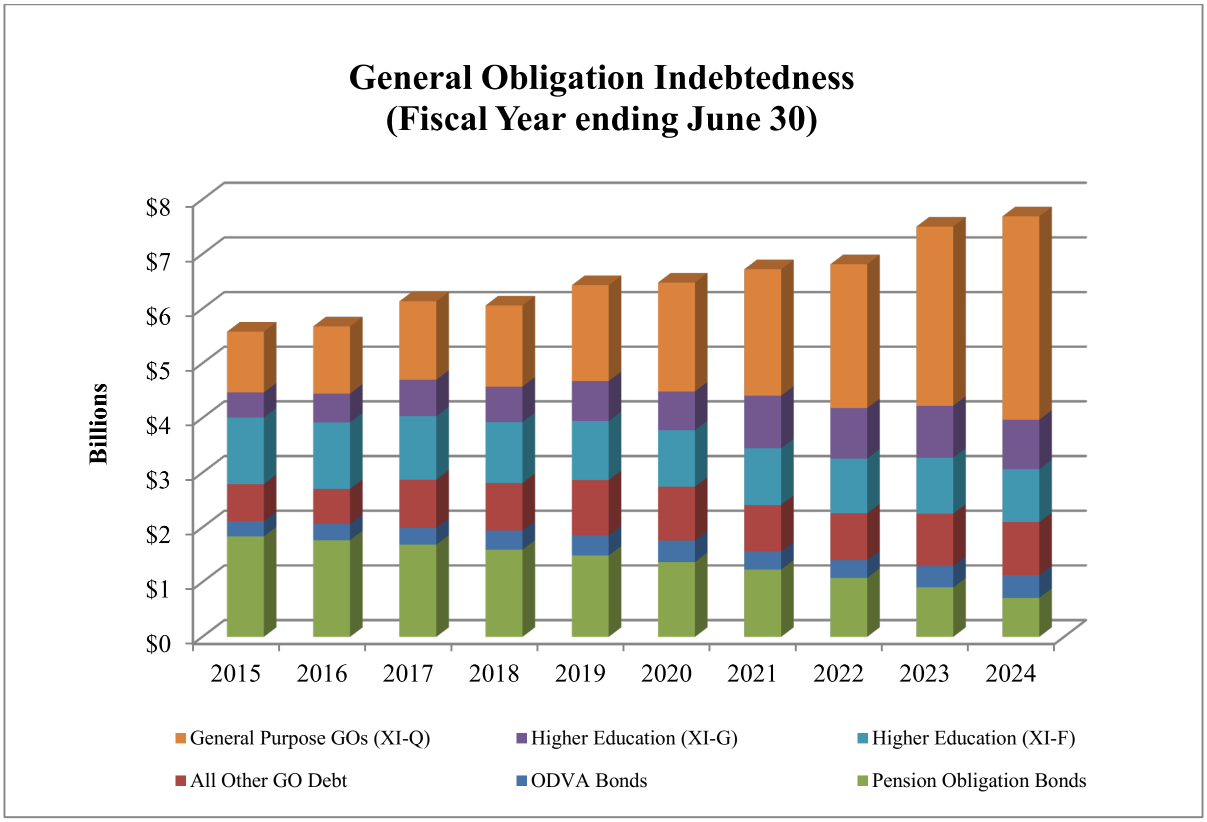
Current Composition of General Obligation and Direct Revenue Bonds. The following charts highlight the composition of general obligation and appropriation debt and direct revenue bonds for FY 2024.

Outstanding General Obligation Debt By Constitutional Authority as of June 30, 2024 ($ Million)	**Outstanding Direct Revenue Debt By Program as of June 30, 2024 ($ Million)**
	

Composition of General Obligation Bonds. *Exhibit II.2* provides more detail on the underlying components of this growth in State general obligation indebtedness. Overall outstanding State general obligation indebtedness totaled $7.69 billion at the end of FY 2024, representing an increase of approximately $2.3 billion over the levels reported 10 years ago. Due to the use of Article XI-Q bonds as the primary funding source for state owned and operated projects, as of June 30, 2024, there was $3.72 billion in XI-Q GO bonds outstanding, and $81.6 million in COPs remaining.

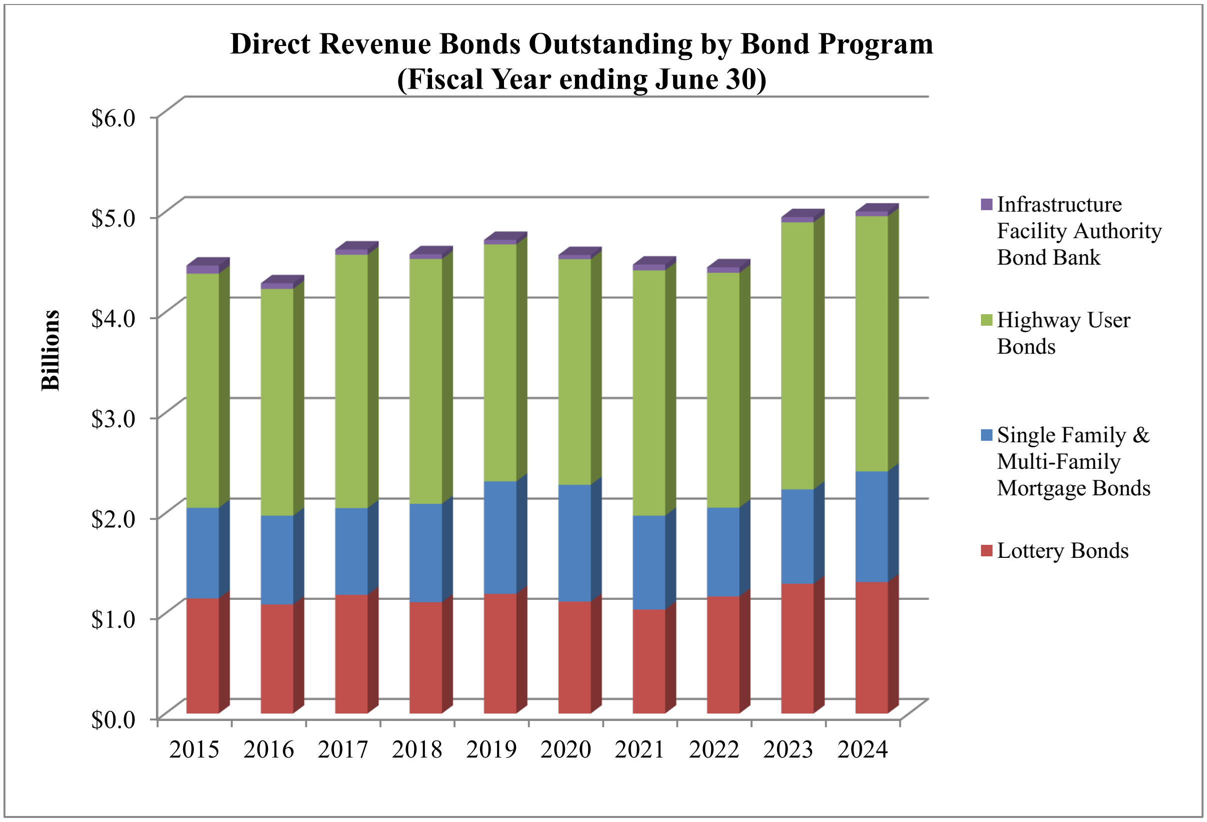
There has also been a modest increase over the decade in the issuance of Higher Education GO bonds (both Article XI-G and XI-F (1) bonds) which fund public university capital projects; on a combined basis, higher education indebtedness has grown from $1.75 in FY 2015 to $1.87 billion in FY 2024.

Exhibit II.2



Components of Direct Revenue Bonds. As seen in *Exhibit II.3*, both the overall and individual components of State direct revenue bonds outstanding have increased mildly over the past 10 years, as existing revenue debt has been extinguished at a slower rate as new revenue debt has been issued. Over this time frame, outstanding revenue bonds for lottery-backed bonds remained somewhat constant, reflecting the balanced state approach of issuing new lottery bonds in amounts roughly equal to the amount of lottery debt that is retired each year.

Exhibit II.3



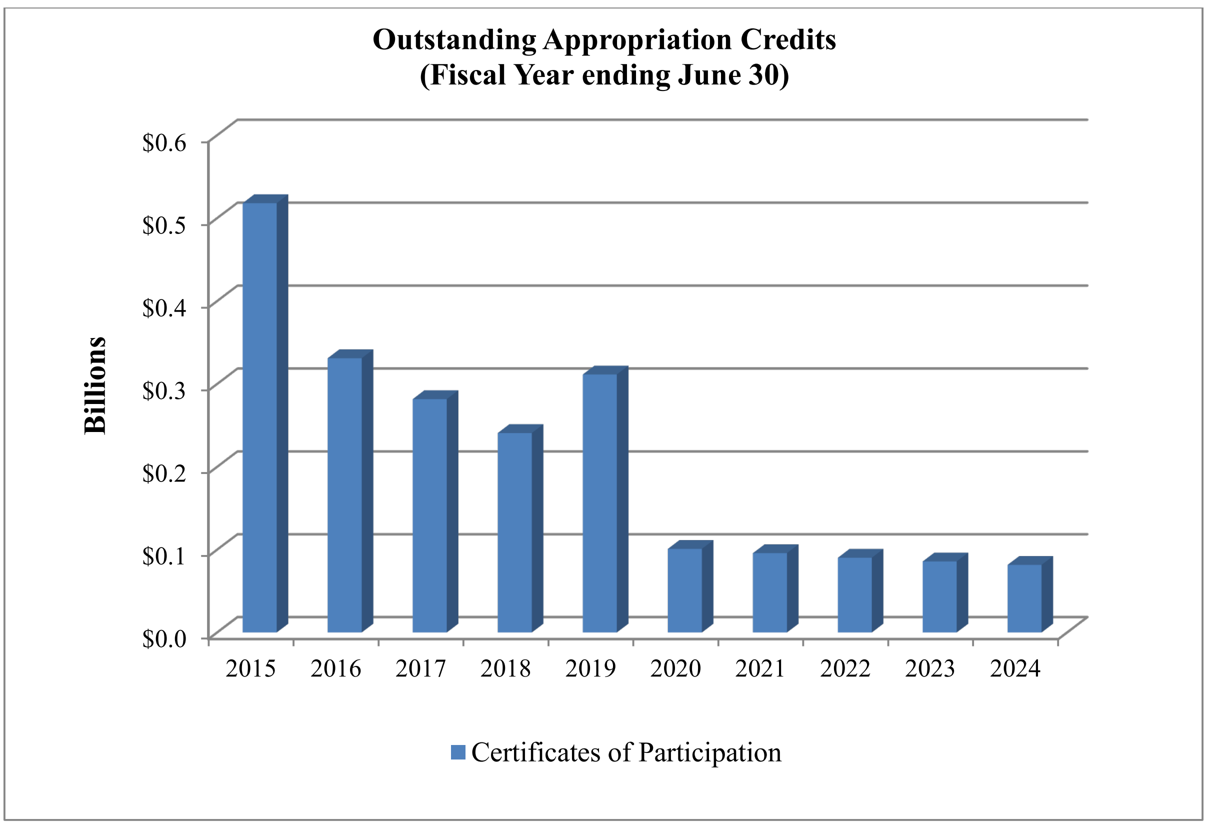
Certificates of Participation (COPs) and Appropriation Bonds. Appropriation obligations include both COPs and Appropriation bonds. The amount of appropriation obligations that can be issued is determined by the legislature each biennium. The State's original use of COPs was related to the passage of Ballot Measure 11 in 1994. Measure 11 created mandatory minimum penalties for specified crimes and required that juveniles charged with certain violent crimes be tried and sentenced as adults. At the time, there was not a constitutional provision that allowed for the issuance of GO bonds to fund general purpose state facilities. Therefore, COPs were used to fund the construction of adult and juvenile prisons and correctional facilities mandated by Measure 11. COPs were later used to fund the replacement of the aging Oregon State Hospital in Salem.

The first and only authorized issue of State of Oregon Appropriation Bonds occurred in April 2003 in the amount of $431.6 million. The bonds were authorized by Senate Bill 856 (2003) and enacted by the 2003 Legislature Assembly for the purpose of financing a portion of the State's budget deficit which occurred towards the end of the 2001-03 biennium. These bonds were structured with a ten-year term and were paid off in full in September 2013.

In 2010, the Oregon electorate approved the issuance of lower cost Article XI-Q general obligation bonds for State real or personal property projects. Since that time, $637 million of COPs have been refunded as Article XI-Q GO bonds. Future issuance of COPs will be used primarily in instances where the projects do not meet Article XI-Q GO bonds eligibility. One such case and the only remaining COP is the March 2019 financing of $100 million in new COPs to fund the partial decoupling of the Elliott State Forest from the Common School Fund.

Exhibit II.4 illustrates appropriation credit issuance history through fiscal year ending June 30, 2024.

Exhibit II.4



B. Future Capital Needs of the State of Oregon

The State of Oregon has current and future capital needs related to maintaining aging, state-owned facilities (the mean age is 40 years). The State-owned facility portfolio, excluding public university facilities, is approximately 23 million gross square feet (MGSF) located in over 5,100 buildings and grounds with a replacement value of approximately $11.3 billion. Delaying ongoing maintenance, repairs, and timely system replacements to the point that major renovations are required to maintain safe and adequate usage will cost significantly more. To the extent agency operating budgets are not sufficient to address ordinary maintenance and repairs of state facilities, this unmet need will continue to put pressure on the state's limited debt capacity to address deferred maintenance through extensive and expensive renovation projects.

ORS 276.227 requires the Department of Administrative Services (DAS) to establish a statewide planning process to evaluate the needs of the State's facilities, provide information on the condition of such facilities, establish guidelines for acquiring and maintaining facilities and provide financing and budgeting strategies to allocate resources to facilities' needs. In addition, state agencies are charged with implementing long-range maintenance and management plans to ensure that facilities are maintained in good repair and the useful lives of facilities are maximized. To assist agencies and the Legislature in prioritizing investment to steward the state's real estate assets, DAS implemented an initiative to collect detailed conditions information, including seismic and natural hazard risk assessments, on state-owned facilities. Using a statewide, programmatic approach, facility condition assessment (FCA) services were offered in the 2013-15 and 2015-17 biennia to agencies in an effort to ensure a consistent assessment methodology and uniform measure of facilities condition. During the 2017-19 biennium, several agencies self-funded facility condition assessments.

Facility Condition Assessment. By the end of FY 2019, a total of 17 state agencies, comprising approximately 75% of agency-owned facility and grounds gross square footage, completed facility conditions assessments of major buildings and campuses. At the time of these facility assessments, the capital renewal and deferred maintenance needs for 10 years for assessed buildings was estimated to cost over $1.2 billion. This is estimated to have grown to $1.8 billion over the next 10 years as of the date of this report.

The FCA process also revealed there is a great deal of variation in the condition of state buildings and facilities by agency, as shown below in *Exhibit II.5*, with Public Safety Standards, Agriculture and PERS buildings ranked in good condition based on the Facility Condition Index (FCI) methodology shown below, with the balance of state agencies' buildings and infrastructure ranked in fair to poor condition. The FCI rating is based on a calculation of the cost of deferred maintenance and capital renewal needed for a given building compared to its current replacement value.

The table below lists how each building's FCI is calculated:

FCI (%) = Facility Need (Capital Renewal and Deferred Maintenance Cost) / Current Replacement Value 0% to 5% - Good condition 5% to 10%- Fair condition 10% to 60% Poor condition Greater than 60% Very poor condition

The FCA analysis conducted by DAS also suggests that if additional resources are not dedicated over the course of the coming decade to the on-going funding of capital renewal and deferred maintenance, most state agency buildings and infrastructure will decline to the poor condition FCI level by FY 2030.

Exhibit II.5

ASSESSED AGENCY CURRENT/10-YEAR FCI

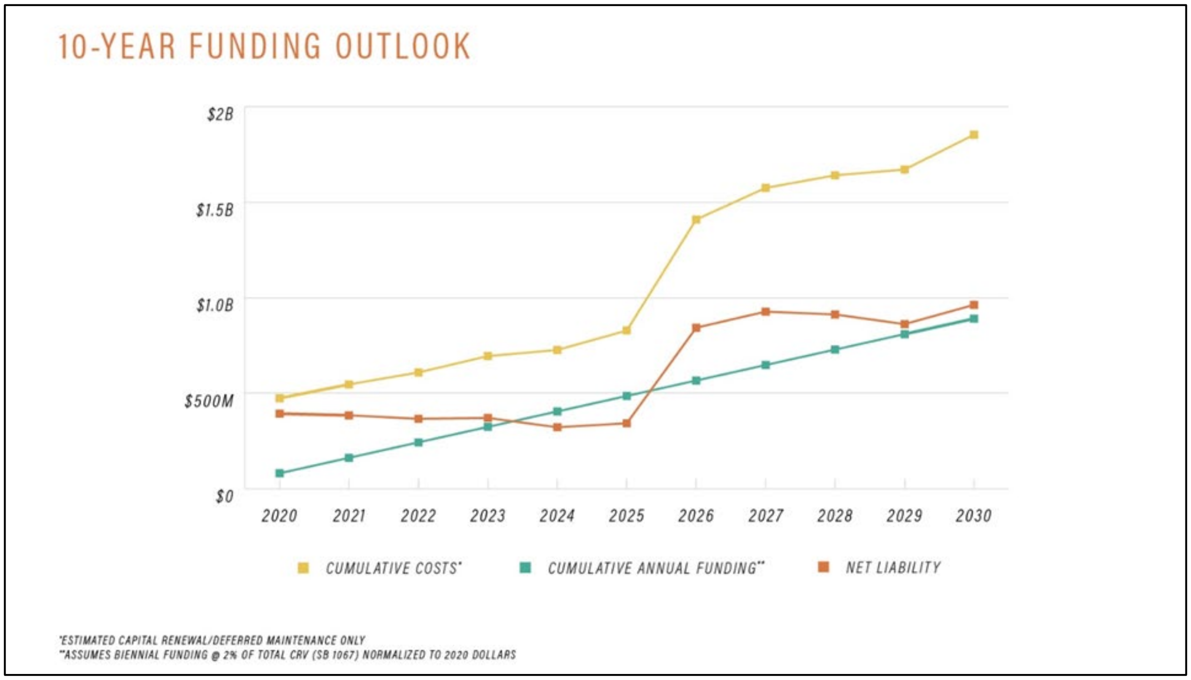
ASSESSED AGENCY	CURRENT FCI	CURRENT CONDITIONS	10-YEAR FCI (UNFUNDED	10-YEAR CONDITION
ADMINISTRATIVE SERVICES (DAS)	9.2%	FAIR	22.7%	POOR
PUBLIC SAFETY STANDARDS (DPSST)	0.6%	GOOD	20.8%	POOR
STATE LANDS (DSL)	19.3%	POOR	22.5%	POOR
AGRICULTURE (ODA)	0.1%	GOOD	0.1%	GOOD
AVIATION	14.2%	POOR	14.6%	POOR
CORRECTIONS (DOC)	10.9%	POOR	19.5%	POOR
EDUCATION (ODE)	30.4%	POOR	34.3%	POOR
FISH AND WILDLIFE (ODFW)	31.0%	POOR	40.4%	POOR
FORESTRY (ODF)	10.8%	POOR	28.1%	POOR
TRANSPORTATION (ODOT)	20.1%	POOR	20.1%	POOR
VETERANS AFFAIRS (ODVA)	6.0%	FAIR	10.0%	FAIR/ POOR
EMPLOYMENT (OED)	39.9%	POOR	50.2%	POOR
LIQUOR AND CANNABIS COMMISSION (OLCC)	11.8%	POOR	27.8%	POOR
MILITARY (OMD)	16.8%	POOR	24.4%	POOR
PARKS & RECREATION (OPRD)	NA	NA	NA	NA
STATE HOSPITAL (OSH)	NA	NA	NA	NA
STATE POLICE (OSP)	18.6%	POOR	23.6%	POOR
YOUTH AUTHORITY (OYA)	14.0%	POOR	24.8%	POOR
PERS	0.3%	GOOD	0.3%	GOOD

Source: Department of Administrative Services

Given the results of the FCA analysis and the long-term savings that can be achieved by the State through the annual funding of on-going maintenance and repair of existing State facilities, the 2017 Legislature is credited for the passage of SB 1067, which will help the State take a more proactive approach to addressing the then projected $1.2 billion in deferred maintenance and capital renewal funding estimated to be needed for the ensuing. SB 1067 requires that future Governors' Budgets include funding of deferred maintenance and capital improvements on existing state-owned buildings and infrastructure, with minimum funding set at 2% of their current replacement value. As used in this context, the bill's definition of "state-owned buildings and infrastructure" excludes buildings and infrastructure owned or used by public universities and community colleges or the state's transportation infrastructure, such as its roads and bridges.

The 2023 State Legislature approved funding deferred maintenance and capital improvements at approximately 5% of the estimated current replacement value of state-owned buildings and infrastructure, for the 2023-25 Biennium. Based on the 2% per biennium formula and the current replacement value, at the time of budget approval, of $8 billion for state-owned buildings and infrastructure, DAS projected a minimum funding level of $160 million per biennium was needed. It is believed an investment at this level would effectively equalize with annual needs for deferred maintenance and capital renewal by FY2029, as shown in *Exhibit II.6*

Exhibit II.6



Source: Department of Administrative Services

Seismic and flood risk analyses have been completed for over 115 select DAS, Oregon Youth Authority, and Oregon Liquor Control Commission buildings. For the remaining 14 assessed agencies, the FEMA Rapid Visual Screening portion of facility risk assessments are complete. The benefit-cost analysis recommended rehabilitation or replacement approach, and other mitigation prioritization, would require additional technical expertise to complete, and could occur as funding is provided by the Legislature. Additional funding of FCA analyses over time would allow the State to proactively monitor State buildings and infrastructure.

In addition to upgrading state buildings, the State Legislature established grant programs funded with State bonds to incentivize Oregon local governments to address a myriad of their deferred maintenance and unmet capital needs (e.g., seismic retrofit of public school and public safety buildings, the creation of more affordable housing, county courthouse renovation and/or replacement, the development of new agricultural water infrastructure, and K-12 school capital improvements). While highly important to the State's long-term economic viability, growth in these bond-funded grant programs has and will continue to put pressure on the State's limited debt capacity.

Below is a list of some of the most pressing capital needs that have been identified as of the date of this report that were either funded in the 2023-25 Biennium and/or will likely require funding in the future. This list includes projects that were authorized to be funded with lottery bonds during the 2023-25 Biennium; however, it should be noted the issuance of lottery bonds is dependent upon meeting the additional bonds tests of four times coverage of actual and projected revenues to debt service as required by the Master Indenture that governs lottery revenue bonds.

Public Safety

Both the Oregon Youth Authority (OYA) and the Department of Corrections (DOC) have significant backlogs of deferred maintenance on their facilities, for which a combined $100 million of Article XI-Q bonds was authorized in the 2023-25 Biennium. OYA maintains a10-year strategic facilities plan that addresses the age and condition of OYA's facilities; environmental issues; needed seismic upgrades; and handicap access to the appropriate types of space for OYA programs related to treatment, recreation, housing, visitation, education, and vocational training. The plan identified facility maintenance and renovation needs estimated at over $50 million in 2018. OYA's 2014 Facilities Condition Assessment (FCA) report identified immediate as well as long term facility needs over a 10-year horizon. These findings along with a programmatic transformation in how youth are housed, inform OYA's future facility disposition and consolidation strategy.

At over 5.5 MGSF, DOC has the largest facility portfolio of all state agencies. Many of these critical facilities are very old and in poor condition, despite a regular program of maintenance within the context of limited resources. DOC's deferred maintenance and capital renewal needs assessed at $150 million in 2018, and without action are projected to reach nearly $300 million by 2028. DOC will need significant on-going funding to address accumulated deferred maintenance and capital renewal needs, as well as strategic seismic retrofits to many of its facilities.

The Oregon Military Department (OMD) identified over $100 million in deferred maintenance and capital renewal needs in 2018, including new construction and maintenance/renovation projects at armories, readiness centers and other OMD facilities located throughout the state. The 2023 Legislature authorized issuance of $8.5 million of XI-Q bonds to match with federal funds to construct and upgrade multiple OMD facilities.

In addition, $56 million of XI-Q bonds were approved for the Oregon State Police to replace the forensic lab, medical examiner's office, and patrol office in Springfield as well as renovate and expand the command center in Central Point.

Education

Oregon's public universities have significant projected capital needs that include deferred maintenance of classrooms, dormitories, and other educational facilities. All seven public universities are governed by independent boards that are autonomous from State government and have legislative authority to issue revenue bonds to fund their capital needs. However, given the State's financial resources and superior credit rating, it is likely that a significant portion of the future capital improvements at public universities will continue to be funded through the issuance of State General Obligation (GO) bonds to fund a combination of grants and loans from the Higher Education Coordinating Commission (HECC) to the universities. To the extent that grants, rather than loans, are provided by the State, the capital needs of universities will continue to use a significant portion of available General Fund debt capacity.

In 2019, HECC developed a 10-year strategic capital plan for Oregon's public universities that took into account both long-term demographic trends and the state's educational attainment goals for its citizens. The plan provides strategic guidance for maintaining and upgrading the public university capital asset portfolio through FY 2029 and will be helpful to HECC and the Legislature in future decision-making regarding the prioritization of bonding and capital budget recommendations. The most significant recommendation of this report is to prioritize the improvement and renewal of existing higher education capital assets, as demographic trends suggest limited future enrollment growth at all except a few public universities in Oregon. The report notes that national facility management "best practice" calls for investing at least 2.5% of the current replacement value per year in capital renewal of existing assets, which would translate into approximately $250 million per year for the public university capital asset portfolio.

For the 2023-25 Biennium, approximately $329 million of General Fund-Supported GO bonds (both XI-G bonds and XI-Q bonds) were authorized in the 2023 and 2024 legislative session to fund grants for public university capital projects. In addition, the 2023 Legislature authorized approximately $75 million in General Fund-Supported Article XI-G bonds for community college construction projects.

The issuance of $101 million of general obligation bonds under Article XI-P was authorized for the 2023-25 Biennium to provide matching funds to finance the capital costs of school districts. Capital costs include costs associated with acquisition, construction, improvement, maintenance or furnishing school facilities. The grant program is administered by the Department of Education in accordance with established grant eligibility and award requirements. Given the condition of many school district facilities and the anticipated demand for matching grant monies, this program will likely need a significant portion of the state's General Fund debt capacity in future biennia.

Also authorized during the 2023 legislative session, was nearly $17 million in Lottery bonds for federal matching grants for the purposes of providing high-speed broadband access to K-12 educational facilities in the State. This grant program is administered by the Department of Education in accordance with established grant eligibility and award requirements.

Economic and Community Development

The Oregon Business Development Department (OBDD) administers the Seismic Rehabilitation grant program for seismic upgrade of public schools and public emergency services facilities within the state. The 2023-25 Biennium Bond Bill authorized the issuance of $101 million in Article XI-M Seismic Rehabilitation GO bonds for public school seismic projects and $51 million of Article XI-N Seismic Rehabilitation GO bonds for emergency services facilities. It should be noted that based on preliminary findings of the Oregon Department of Geology and Mineral Industries, there is a pressing need for the seismic retrofit of a significant number of Oregon's public schools and public safety facilities around the State, with an estimated cost of several billion dollars.

OBDD also administers the Special Public Works Fund (SPWF). For the 2023-25 Biennium, the Legislature authorized $33 million in Lottery Revenue Bonds to recapitalize the SPWF to provide grants or low interest loans to local governments for qualifying infrastructure projects and an additional $11 million in Lottery Revenue Bonds specifically for levee improvement projects. In addition, the 2023 Legislature authorized $55 million in Lottery bonds to provide grants to help increase childcare facility capacity.

Given the shortage of affordable housing in Oregon, the 2023 Legislature authorized the issuance of $604 million of Article XI-Q bonds and $56 million of Lottery Bonds for low-income housing projects through Oregon Housing and Community Services. This represents a significant increase over amounts authorized in prior biennia.

Natural Resources

Water is essential for economic growth, environmental health, and the welfare of all Oregonians. Traditionally, the State of Oregon has left the development of water supply infrastructure to local entities and the federal government. In recognition of declining federal support and a rapidly increasing need for water infrastructure to meet Oregon's current and future instream and out of stream water needs, SB 839 (2013) established the foundation for a state grant and loan program for integrated water resources development in Oregon. This program was initially capitalized with the issuance of Lottery bonds during the 2013-15 biennium. The 2023 Legislature authorized nearly $11 million in Lottery bonds for water supply development projects during the 2023-25 Biennium. In addition, the 2023 Legislature authorized $55 million in Lottery bonds to provide grants for irrigation modernization projects that are also leveraging Federal funding.

The buildings and infrastructure of natural resource agencies are specialized, widely dispersed and aging. Both the Oregon Department of Fish and Wildlife (ODFW) and Oregon Department of Forestry (ODF) have completed the FCAs of all their major facilities and facilities in the proximity of those facilities. ODF's six regions have deferred maintenance of $21 million and $46 million in capital renewal needs by 2028. ODFW's buildings' deferred maintenance and capital renewal needs are $16 million (2018) and $30 million (2028) respectively; however, adding in their civil infrastructure (fish ladders, tanks, etc.) is expected to double these costs. The 2023 Legislature approved $3 million of XI-Q bonds for capital improvements to ODFW facilities and $8 million of XI-Q bonds for ODF facilities as well as $15 million of Lottery bonds for improvements to the Fish and Wildlife Passage Infrastructure.

Judicial

The Oregon Judicial Department administers a grant program funded through the issuance of Article XI-Q GO bonds to finance costs related to acquiring, constructing, remodeling, repairing, or furnishing county courthouses that are owned or operated by the State of Oregon. For the 2023-25 Biennium, approximately $85 million in XI-Q bonds were authorized in the 2023 and 2024 legislative sessions to fund four courthouse projects. There is likely to be continued demand for state debt capacity for courthouse projects, particularly for replacement projects in which construction may span multiple biennia.

Transportation

The 2023 Legislature authorized $252 million in General Fund-supported GO bonds under Article XI, Section 7, to fund a portion of the Interstate 5 Bridge Replacement Project. This project will be administered by the Oregon Department of Transportation and is anticipated to take multiple biennia to complete. Replacement of the Interstate 5 Bridge is estimated to cost $6.3 billion and is a joint project with the State of Washington. The State of Oregon and the State of Washington have both committed to funding $1 billion which will help leverage and maximize federal funding for the remaining costs.

Other Capital Needs

In addition to the projects already mentioned above, $209 million of Lottery bonds were authorized in the 2023 and 2024 legislative sessions to provide proceeds to fund regional and community projects across Oregon. In recent biennia, the Legislative Assembly authorized the issuance of Lottery Revenue bonds to fund a wide range of Oregon regional and community economic development needs, including dredging and other port improvements, trade centers, planning for aquifer recharge and new irrigation systems, forest land acquisition, transit system expansions, parking garages, levee improvements, matching funds for federal disaster assistance, and public television infrastructure. Often, these types of projects are not financially feasible without the Legislature's allocation of Lottery bond proceeds for these purposes; thus, continued demand for these community needs can be expected in future biennia. In addition, $217 million of XI-Q bonds were authorized for capital improvements to the State Capitol building.

Also, approximately $56 million of Lottery bonds were authorized by the 2023 Legislature to provide grants to increase community acute psychiatric facility capacity through the Oregon Health Authority. Other bonding needs include the funding of large-scale IT system development and upgrades. These systems include the Department of Revenue Electronic Valuation Information System, Higher Education Coordinating Commission Financial Aid Management Information System Replacement and the Oregon Youth Authority Juvenile Justice Information System. These projects were at least partially funded in 2023-25 through a total of $27 million in Article XI-Q

GO bonds; if implementation is not completed by the end of the biennium, these projects will likely require continued state debt financing during the 2025-27 Biennium.

C. Department of Transportation Highway User Tax Revenue Bond Program

The Oregon Department of Transportation (ODOT) is authorized to issue Highway User Tax Revenue (HUTR) bonds pursuant to ORS 367.609 through ORS 367.665 for the purpose of building and maintaining permanent public roads. Subject to Article IX Section 3a of the Oregon Constitution, ODOT may use bond proceeds issued herein to finance eligible expenditures through ODOT's "Pledged Revenues," which consist primarily of motor fuels taxes, DMV fees, and weight-mile taxes and may include other fees and taxes.

In 2003, the Legislature authorized $1.9 billion in new ODOT HUTR bonds to address statewide bridge and highway modernization needs under the Oregon Transportation Investment Act (OTIA). In 2009 an additional $840 million of HUTR to fund projects under the Jobs and Transportation Act (JTA). All bond authorized for OTIA and the JTA have been issued.

In 2017, the Legislature passed House Bill 2017, known as "Keep Oregon Moving," (KOM) to address three identified priorities: 1) to protect, preserve and maintain the State's transportation system; 2) to address the effects of congestion, particularly in the Portland metro region; and 3) to increase investment in public transportation in both urban and rural areas. When all the new revenue sources are fully phased in, KOM is expected to result in investment of more than $600 million a year across all modes of the State's transportation system, representing the State's largest transportation investment in Oregon's history.

In addition, HB 3055, enacted by the 2021 Legislature, expanded the short-term borrowing limit to $600 million from $100 million that may be repaid from any available funds of ODOT. It also expanded the use of the $30 million previously allocated to the Interstate 5 Rose Quarter Project to other projects including I-205 Improvements, Interstate 5 Boone Bridge and Seismic Improvement Project, and implementation of toll projects under ORS 383.150, known as ODOT's Urban Mobility Strategy.

KOM authorized the issuance of $480 million in Highway User Tax Revenue Bonds to finance transportation projects across the State and allocated $30 million annually to fund ODOT's Urban Mobility Strategy, which seeks to make improvement to the Interstate 5 Rose Quarter Project and address congestion mitigation and safety in that urban corridor. The $30 million allocation may be used to pay debt service, effectively raising bond authority under HB 2017 to $950-$1,000 million. State has so far issued the full $480 in KOM bonds, and leveraged the first $16 million/year allocation for ODOT's Urban Mobility Strategy with the final half to be issued in FY 2025 as the KOM projects are well-underway.

In November 2022, ODOT launched its inaugural Commercial Paper Program with an authorized issuance of $500 million under its short-term debt issuance authority pursuant to ORS 367.105. This program provides short-term financing and liquidity to assist ODOT in advancing major projects. Short-term program debt is not included in Net Tax-Supported Debt.

The 2023-25 Biennium Bond Bill authorized a total of $360 million in net proceeds of ODOT HUTR Bonds to finance transportation projects across the State.

D. Corporate Activity Tax (CAT)

During the 2019 Regular Session, the Oregon Legislative Assembly passed HB 3427-A (known as the Student Success Act), which became effective in January 2020. The Act (ORS 317A) levies a Corporate Activity Tax based on commercial activity conducted by businesses. Monies raised under this Act are allocated to the State School Fund, Student Investment Account, Statewide Education Initiative Account and the Early Learning Account. At least half is allocated to grants to school districts for programs aimed at improving graduation rates, reading levels and attendance. Approximately 20 percent is designated to fund early childhood learning programs and the remaining 30 percent is earmarked to fund career-technical education programs and free meals at school for low-income students, among other educational enhancement initiatives.

The December 2024 Forecast projects CAT Net Funds Available for Transfer to grow from $2.77 billion in the current, 2023-2025 Biennium to $4.16 billion in the 2031-33 Biennium.

In addition to funding educational enhancement initiatives, the CAT has the benefit of diversifying the State's revenues and reducing our reliance on personal income tax to provide critical services to Oregonians. It further provides funding that is not subject to the personal income tax "kicker". The diversification benefit and potential to reduce volatility in State budget is viewed positively by the credit rating agencies and enhances fiscal and social sustainability efforts.

E. Funding of Wildfires: Remediation and Prevention

The State manages the costs of firefighting through various resources, which vary depending on the severity of the fire and the responsible parties based on the location of the fire. Some fires, including both the 2020 Labor Day Fires and the Bootleg Fire, are declared a federal emergency, which permitted the use of FEMA funds to combat the fire and provide additional funds for future wildfire hazard mitigation. The total net cost of the 2021 fire season for emergency firefighting, after taking into consideration anticipated reimbursements, did not present a significant cost to the General Fund, particularly since the majority of the Bootleg Fire was on federal land. However, the cumulative net cost of the 2021 wildfires reached the threshold for using resources provided through the State's fire insurance policy.

As part of the State's response to the 2020 Labor Day Fires, multiple pieces of legislation were enacted to allocate approximately $484 million from the General Fund, proceeds of Lottery Revenue Bonds, and ARPA funds to aid wildfire recovery and prevention efforts, provide support to communities impacted by the 2020 Labor Day Fires, and protect against future fires. These legislative actions include funds for various recovery and rebuilding efforts related to water infrastructure, housing support, fire and public safety infrastructure, hazardous waste, and debris removal, and more.

In addition, in 2021 the Legislative Assembly approved a special purpose appropriation of $150 million to the Emergency Board for allocation for the State's natural disaster prevention, preparedness, response, and recovery activities. To access any of this special purpose appropriation, State agencies were required to formally request use of these General Fund resources from the Emergency Board. Also, legislation was enacted to provide approximately $220 million for implementing a comprehensive statewide strategy to promote wildfire risk reduction, response, and recovery.

In 2024, across Oregon, there were 1,956 wildfires that burned a record breaking 1.9 million acres, (e.g. 1 million acres were burned in 2020). Extreme infernos hit Gilliam, Grant, Jefferson, Umatilla, Wasco and Wheeler counties the hardest. On October 24, Oregon lawmakers sent a letter to President Biden asking him to approve Governor Kotek's major disaster declaration request. If approved, the declaration would unlock FEMA grants for state, tribal and local governments.

F. Other Potential Impacts on State Debt Capacity

To date, the use of bond proceeds has not been authorized by the legislature to assist in the structured settlement of large lawsuits against the State of Oregon. However, there are examples of other jurisdictions around the country issuing "judgment obligation" bonds for this purpose. Since the Oregon Constitution restricts general obligation bond issuance to a limited range of voter-approved purposes, the use of bonding for large lawsuit settlements would be restricted to appropriation-based debt.

If a plaintiff obtained a significantly large enough judgment resulting in long-term liability against the State this long-term liability would likely be considered by rating agencies and others as part of the State's general fund "indebtedness" and factored into its debt capacity. The $1.065 billion judgment in the lawsuit brought by several Oregon counties and special districts regarding unrealized forest revenues, which has since been reversed by the Oregon Court of Appeals, was an example of a large judgment that implicated those considerations. The Legislature and Governor should remain mindful of these types of judgments and the long-term budget implications that judgments of this nature can have on the State's General Fund-Supported debt capacity.

G. Timing of State Bond Sales

In addition to determining the specific projects that will be authorized for bonding in the biennial Bond Bill, the Legislature in recent years has also directed the specific timing of State bond sales by delaying the appropriation of debt service on state funded projects until the following biennium. As a result, most of the State's General Obligation and Lottery Revenue Bonds have been sold during the last few months of the biennium in which they were initially authorized. While this strategy may have been necessary from an overall state budget management perspective in the years following the Great Recession, it has not always resulted in the State being able to achieve optimal interest rates at the time of the sale of these bonds. The clustering of many large dollar Oregon bond issues in too short a time frame floods the capital markets to the point where supply exceeds demand, which in turn requires the State to offer bonds at higher interest rates than would otherwise be required to assure their final placement with investors.

The 2023 and 2024 Legislatures authorized the issuance of approximately $2.17 billion of General Fund-Supported Debt for the 2023-25 Biennium. Similarly, $528 million of Lottery Revenue Bonds has been authorized.

The Commission encourages the Legislature to continue to move away from the delayed debt service budget strategy and allow a larger percentage of approved capital projects to be financed in the first year of the biennium. This approach would spread out the sale of State bonds in a more even fashion and allow for a better balance of supply and demand for our bonds across the entire biennium. Additionally, from a long-term financial management perspective, this approach contributes to interest cost averaging of the State's debt portfolio.

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General Fund-
Supported Debt

III. GENERAL FUND-SUPPORTED DEBT CAPACITY

A. Debt Burden

The key indicators commonly used by the rating agencies and municipal analysts to evaluate a state's debt burden include debt per capita, debt to personal income and debt service to revenues. We measure Oregon's debt burden and capacity based on the percentage of debt service (i.e. principal and interest) to revenues. In this section, we compare debt service for General Fund-Supported debt as a percent of General Fund revenues, or;

$$\frac{\textbf{Debt Service for General Fund-Supported Debt}}{\textbf{General Fund Revenues}}$$

States recognized as having sound debt management practices typically use a range between 5% and 10% of revenues in determining their capacity measurements, with 5% as a frequent commitment. Many states now conduct debt affordability studies to provide policymakers with a clear understanding of their states' debt levels through, among other things, careful projections, smart benchmarking comparisons, multiple descriptive metrics, and analysis. The states that produce affordability studies also vary in how they structure their debt. Some have highly centralized debt structures, while others delegate a higher share of total borrowing to independent agencies and authorities. In addition to traditional General Fund-Supported Debt, states must consider other obligations that utilize the same source of funding and debt. The rating agencies, look at Net Tax-Supported Debt, which incorporate general fund, highway, appropriation, and various categories of debt in comparing states. Below, we further describe Net Tax-Supported Debt and the medians used by the rating agencies to evaluate the credit quality of state-level issuers.

For purposes of determining Oregon's capacity standard, the Commission establishes range under which the State can evaluate its general fund debt capacity. This range exists between a low of 0.0% and a high of 10%.

In the following illustration, a ratio within the "green" area signifies that the State is within a prudent capacity range to pay debt service, and thus, has capacity to issue additional General Fund-Supported debt obligations. A ratio within the "yellow" area signifies that the State's capacity is entering a cautionary zone where debt exceeds prudent capacity targets and may result in negative implications to the State's long-term credit rating and cost of funds. At this level, it would be wise for the State to reevaluate bonding priorities. Finally, were the State to reach a ratio within the "red" zone, consequences would be expected to include increased interest costs, negative credit rating impacts, and reduced access to capital markets.

Target debt capacity range can be visualized as follows:

General Fund-Supported Debt Payments as a Percentage of General Fund Revenues

0% to 5% "Green"	**Over 5% to 7% "Yellow"**	**Over 7% to 10% "Red"**
Prudent Capacity Range	Exceeds Prudent Capacity Target	Capacity Limits Reached

B. Inputs & Assumptions for General Fund Debt Capacity Model

As required by ORS 286A.555, the Commission's model projects debt capacity over the same number of years as the quarterly Office of Economic Analysis' (OEA) Economic and Revenue forecast, which provides a General Fund forecast for the next 10 years. The model looks at General Fund-Supported debt programs, with specific program funding within the capacity range determined by the Governor and Legislature.

This 2025 Commission Report provides an assessment of debt capacity from FY 2025 through FY 2033 based on the OEA's December 2024 Forecast and the bonding authorizations contained in the 2023-25 Biennium Bond Bill.

The model calculates General Fund-Supported debt capacity using a target ratio of General Fund-Supported debt service to General Fund revenues. The Commission utilizes 5% as the model's capacity target because it is the dividing point between a "green/available" capacity level and a "yellow/cautionary" target level. It is acknowledged that this 5% target is not a strict capacity limitation, but rather reflects an approach into the "yellow/cautionary" capacity range. The movements from one target level to the next signals the need for a reevaluation of existing debt authorization and future bonding priorities.

The model first solves for "overall capacity" to pay debt service on General Fund-Supported debt issuance. As noted earlier, the following programs are considered General Fund-Supported debt obligations for purposes of this report:

- State Highway Bonds (Article XI-Section 7)
- Higher Education Facility & Community College Bonds (Article XI-G)
- Pollution Control Bonds (Article XI-H) (53% of program debt service)
- Alternate Energy Bonds (Article XI-J) (56% of program debt service)
- Oregon Opportunity Bonds (Article XI-L) (for OHSU projects)
- Seismic Rehab – Public Education Buildings Bonds (Article XI-M)
- Seismic Rehab – Emergency Service Buildings Bonds (Article XI-N)
- Public School Facility Bonds (Article XI-P)
- State General Purpose Bonds (Article XI-Q) (91% of program debt service)
- State Pension Obligation Bonds (38% of program debt service)
- Certificate of Participation obligations (ORS 283.085 to 283.092) (100% of program debt service)

As shown in *Table III.1*, the model solves for overall debt capacity for fiscal years 2026 through 2033 using the most recent General Fund forecast from OEA and 5% of General Fund revenues as the maximum debt service capacity limit. Based on this capacity limit, the model illustrates that dollars available to pay debt service ranges from $847 million in FY 2026 to $1,295 million in FY 2033.

Table III.1

General Fund Forecast of Revenues and Dollars Available for Debt Service ($ Millions)		
Fiscal Year ending June 30th	Net General Fund Revenues [(1)]	Dollars Available to Pay Debt Service at 5% Target (Capacity)
2026	$ 16,945	$847
2027	18,413	921
2028	20,057	1,003
2029	21,022	1,051
2030	22,271	1,114
2031	23,316	1,166
2032	24,727	1,236
2033	25,899	1,295

[(1)] General Fund revenues are shown as projected by the Oregon Office of Economic Analysis in the most recent Oregon Economic and Revenue Forecast, table General Fund Revenue Forecast by Fiscal Year

After determining the dollars available for debt service, the portion already committed to annual debt service on outstanding General Fund debt, as well as amounts used to pay debt service on authorized General Fund-Supported bonds expected to be issued over the remainder of the biennium is calculated. For purposes of this report, we assume that all $2.167 billion in General Fund-Supported debt authorized by the 2023-2025 Biennium Bond Bill will be fully issued by June 30, 2025.

The new General Fund-Supported debt includes the following, update based on the 2023-2025 Biennium Bond Bill:

- $75 million in XI-G GO bonds for 50% matching grants for community college building projects;
- $84.7 million XI-G Higher Education Facility Bonds;
- $10.3 million XI-H GO bonds for pollution control;
- $100.9 million in XI-M GO bonds for seismic upgrade grants to public schools;
- $50.6 million in XI-N GO bonds for seismic upgrade grants to public safety facilities;
- $100.9 million in XI-P GO bonds for matching grants for K-12 school capital improvements;
- $251.8 million XI(7) GO Bonds for Interstate 5 Bridge Replacement project; and
- $1.39 billion (GFSD only) in XI-Q GO bonds for various state agency capital projects, matching grants for county courthouse projects and gap funding for affordable multifamily housing projects.

Projected annual debt service payments on the planned new General Fund-Supported debt are based on the following assumptions:

- Level annual debt service payments;
- A conservative interest rate of 5.50%, is used for this 2025 annual SDPAC report. This rate is the same that was used in the prior 2024 SDPAC report. The revised rate of 5.50% is 152 basis points higher than the 10-year rate of the *Bond Buyer 20-Bond Index which was 3.98%* as of December 5, 2024[1]; and
- Twenty-year final maturity length for all General Fund-Supported debt obligations.

The model forecasts the remaining dollars available to pay debt service on future issuance, and therefore bonding capacity, by introducing known annual debt service payments for outstanding debt and the projected debt service payments for planned issuance. This is shown in *Table III.2*. A detailed outline of debt service requirements for each General Fund-Supported debt program is provided in *Appendix A* to this report.

Table III.2

Remaining General Fund Dollars Available for Future Debt Issuance ($ Millions)				
Fiscal Year Ending (June 30)	Available Dollars to Pay Annual Debt Service (at 5% Target)	(Less) Annual Payments for Debt Service on Existing General Fund-Supported Debt Outstanding(1)	(Less) Projected Annual Payments for Debt Service on New General Fund-Supported Debt	Remaining Dollars Available to Pay Debt Service on Future Debt
2026	847	(633)	(121)	94
2027	921	(622)	(121)	177
2028	1,003	(498)	(121)	384
2029	1,051	(490)	(121)	440
2030	1,114	(474)	(121)	518
2031	1,166	(461)	(121)	585
2032	1,236	(442)	(121)	674
2033	1,295	(430)	(121)	745
(1) This represents the total annual (fiscal year) debt service requirement on all General Fund Paid debt issued through FY24. See Appendix A for detail.				

The overall dollars available to pay debt service as determined in *Table III.1* is illustrated in *Table III.2* column 1 above. Columns 2 and 3 are the principal and interest payments for outstanding General Fund-Supported debt and for new authorized issuances respectively. The remaining dollars available to pay debt service (column 4) is determined by subtracting the outstanding and planned issuance debt service (columns 2 and 3) from the overall calculated dollars available (column 1).

As outlined above, remaining dollars to pay for debt service on future State bonds varies over the forecast period as projected General Fund revenues change and as debt service requirements are amortized on existing State debt obligations. *Table III.3* displays the remaining dollars available to pay debt service on future debt issuance. The overall calculation of remaining General Fund dollars is based on the previously presented assumptions and with reductions each year to reflect the addition of new General Fund debt service.

[1] The *20-Bond Index* consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa3 rating and Standard & Poor's AA-minus rating.

Table III.3

Future General Fund Debt Capacity
Using Debt Service to General Fund 5% Target
($ Millions)

Fiscal Year (ending June 30th)	"Remaining" General Fund Dollars to Pay Debt	Maximum Amount of Additional Debt that May be Issued	(Less) Debt Service on Amount of Additional Debt that May be Issued	Net Dollars Remaining to Pay Debt Service	Debt Service as % of General Fund Revenues
2026	94	1,122	(94)	-	5.0%
2027	177	999	(84)	-	5.0%
2028	384	2,467	(206)	-	5.0%
2029	440	674	(56)	-	5.0%
2030	518	934	(78)	-	5.0%
2031	585	791	(66)	-	5.0%
2032	674	1,064	(89)	-	5.0%
2033	745	849	(71)	-	5.0%
Future General Fund Paid Debt (Capacity)		**$ 8,898**			

Table III.3 accounts for all outstanding and planned issuance of General Fund-Supported debt, as authorized by the Legislature for the 2023-2025 Biennium, as well as the maximum amount of additional General Fund-Supported-debt that could be issued each year of the forecast period while staying within the Commission's target debt capacity target of 5% debt service to General Fund revenues.

Based on the analysis above, the Commission concludes that the General Fund-Supported debt issuance amounts illustrated in *Table III.3* would allow the State to issue a maximum of $8.90 billion in additional General Fund-Supported debt from FY 2026 through FY 2033

C. Capacity Considerations

The Commission emphasizes that while the State has the capacity to issue General Fund-Supported debt in the amounts outlined in *Table III.3*, issuance of State bonds at this level has significant budgetary impacts that can extend for long periods of time into the future. An increase in monies used to finance General Fund-Supported debt service could result in a reduction of funding for other State-supported programs, particularly in periods of economic downturns.

In addition, the Commission also cautions that while the current model shows that the State has substantial debt capacity over the forecast period, this capacity can sharply decline if there is a substantial drop in future General Fund revenue levels or if interest rates rise more than predicted in the model.

To address the large backlog of capital needs throughout the state, the Commission recommends that the Governor and Legislature continue the policy of spreading debt capacity evenly over future biennia.

Table III.4, below, illustrates the averaging of the State's debt capacity over the forecast period. Using this approach, the State has $2.22 billion of general fund debt capacity in each biennium during the forecast period. This averaging approach results in Debt Service as a percent of General Fund revenues deviating from the 5% target in some years but ultimately returning to the 5% target by the end of the forecast period. This averaging approach provides a long-term planning tool for the funding for the State's highest priority capital projects over time, regardless of economic and revenue fluctuations that may occur over the forecast period.

Table III.4

Fiscal Year ending June 30th	Maximum Amount of Debt Issuance within 5% Target Capacity ($ millions)	GF Debt Service as a % of General Fund Revenues	SDPAC's Recommended Maximum Annual Amount of Debt Issuance ($ millions)	GF Debt Service as a % of General Fund Revenues
2026	1,122	5.0%	1,112	5.0%
2027	999	5.0%	1,112	5.0%
2028	2,467	5.0%	1,112	4.5%
2029	674	5.0%	1,112	4.7%
2030	934	5.0%	1,112	4.8%
2031	791	5.0%	1,112	4.9%
2032	1,064	5.0%	1,112	4.9%
2033	849	5.0%	1,112	5.0%
Total	**$ 8,898**		**$ 8,898**	

Table III.5 and *Table III.6* illustrate the potential impact of changing interest rates and revenues on the forecast of the State's General Fund debt capacity. Based on planned debt issuances of $2.22 billion over the 2023-2025 Biennium and estimates of General Fund revenues for the balance of the forecast period, remaining general fund capacity is $8.90 billion. Our interest rate sensitivity analysis indicates that a 1% increase in the assumed long-term interest rate would decrease capacity by $806 million (*Table III.5*) while a 1% decline results in increased capacity of $915 million.

Table III.5

Forecast of General Fund Debt Capacity With Changing Interest Rates FY 2026 - FY 2033 ($ Millions)			
	Projected Debt Capacity at 5.5% Interest Rate	6.5% Interest Rate (1.0% Increase)	4.5% Interest Rate (1.0% Decrease)
Total	$ 8,898	$ 8,091	$ 9,813
Difference from Base Case		($ 806)	$ 915

Table III.6, below, evaluates the sensitivity of general fund debt capacity to changes in general fund revenues. As shown below, a 10% decline in revenue over the forecast period would decrease debt capacity by approximately $1.55 billion and a 10% increase in general fund revenue will increase general fund debt capacity by approximately $1.55 billion. (*Table III.6*).

Table III.6

Forecast of General Fund Debt Capacity With Changing General Fund Revenue Forecasts FY 2026 - FY 2033 ($ Millions)			
	Projected Debt Capacity with Long-term General Fund Revenue Forecast	10% Increase in Long-term GF Revenue Forecast	10% Decrease in Long-term GF Revenue Forecast
Total	$ 8,898	$ 10,446	$ 7,350
Difference from Base Case		$ 1,548	($ 1,548)

The economic environment continues to normalize, albeit at a higher rate of inflation. The Federal Reserve Board has commenced the process of reducing interest rates as the risks around its dual mandate of price stability and maximum employment come into better balance. Though inflation is running above the Fed's 2% objective, it has retreated over the last few quarters.

The December forecast significantly revises higher General Fund revenues as the underlying methodological underpinnings and assumptions have been revised favorably. The total increase since the 2023 Close of Session forecast is $2.79 billion with the personal kicker also being revised to $1.8 billion.

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Lottery-Backed Debt
Capacity

IV. LOTTERY REVENUE DEBT CAPACITY

Due to the importance of State Lottery Revenue for funding various State programs and activities, the Commission believes it is important to point out that the State's continued ability to issue Lottery Revenue bonds is predicated on the prudent management and sound fiscal position of the State Lottery program itself. Accordingly, for purposes of determining capacity, the Commission has chosen to view the Lottery Revenue bond program as distinct from both Net Tax-Supported and General Fund-Supported debt programs.

A. Unobligated Net Lottery Proceeds

Article XV, Section 4 of the Oregon Constitution requires the Legislative Assembly to appropriate Unobligated Net Lottery Proceeds or revenues to first repay Lottery bonds, before appropriating the proceeds for any other purpose.

In each fiscal year, and prior to the use of Unobligated Net Lottery Proceeds for any other purpose or expenditures, the State will apply Unobligated Net Lottery proceeds as follows:

For the period July 1 to September 30 of each fiscal year, at least one-half of the debt service due during said fiscal year or total of all bond principal, interest, redemption payment and premium amount that is required to be paid by December 31 of the fiscal year; and

- For the period October 1 through June 30 of the same fiscal year, an amount that is at least the remaining balance of debt service due on outstanding Lottery Revenue Bonds prior to the end of the fiscal year.
- The Unobligated Net Lottery Proceeds consist of all revenues derived from the operation of the State Lottery except for revenues used for the payment of prizes and expenses of the State Lottery.

Once debt service on Lottery Revenue Bonds is paid according to the Lottery Revenue Bond Indenture provisions, the remaining Lottery Revenue is distributed to the Education Stability Fund, the Parks and Natural Resources Fund, the Veterans Services Fund, and the Outdoor School Education Fund, as required by the Constitution. Excess Lottery Revenue is then allocated and applied to certain economic development and educational purposes. The Education Stability Fund and the Parks and Natural Resources Fund are allocated 18 percent and 15 percent respectively of unobligated net proceeds; the Veteran Services Fund receives 1.5 percent, and the Outdoor Education Fund receives the lesser of 4 percent or $22 million per year. In addition, an amount of not less than 1% of net Lottery proceeds is allocated to the Problem Gambling Treatment Fund, which is separate and distinct from the General Fund. Article XV, Section 4 of the Oregon Constitution, and applicable Oregon law allocate any remaining amounts to various economic development and public education projects as authorized.

In 2019, SB 1049, an act relating to the public employee retirement system was enacted. Among other provisions of the Act, SB 1049 Section 42-44 directs the Oregon State Lottery Commission to separately record and account for the costs and net proceeds of Sports Betting Games and certify such revenue transfer to Oregon Department of Administrative Services and DAS shall make annual transfer of the amount equal to the net proceeds of sports betting games to the Employer Incentive Fund under PERS. Although these revenues are earmarked for PERS, such transfer under SB 1049 does not affect the amount of Unobligated Net Lottery Revenue for debt service coverage purposes.

The forecast summary of net Lottery Revenue is presented in *Table IV.1*. Total available Lottery resources are net of Lottery prizes and administration. Also shown are the projected debt service for outstanding Lottery bonds and the projected debt service coverage ratio as of June 30, 2024; assuming that no additional Lottery bonds are issued either this biennium or in the future.

Table IV.1

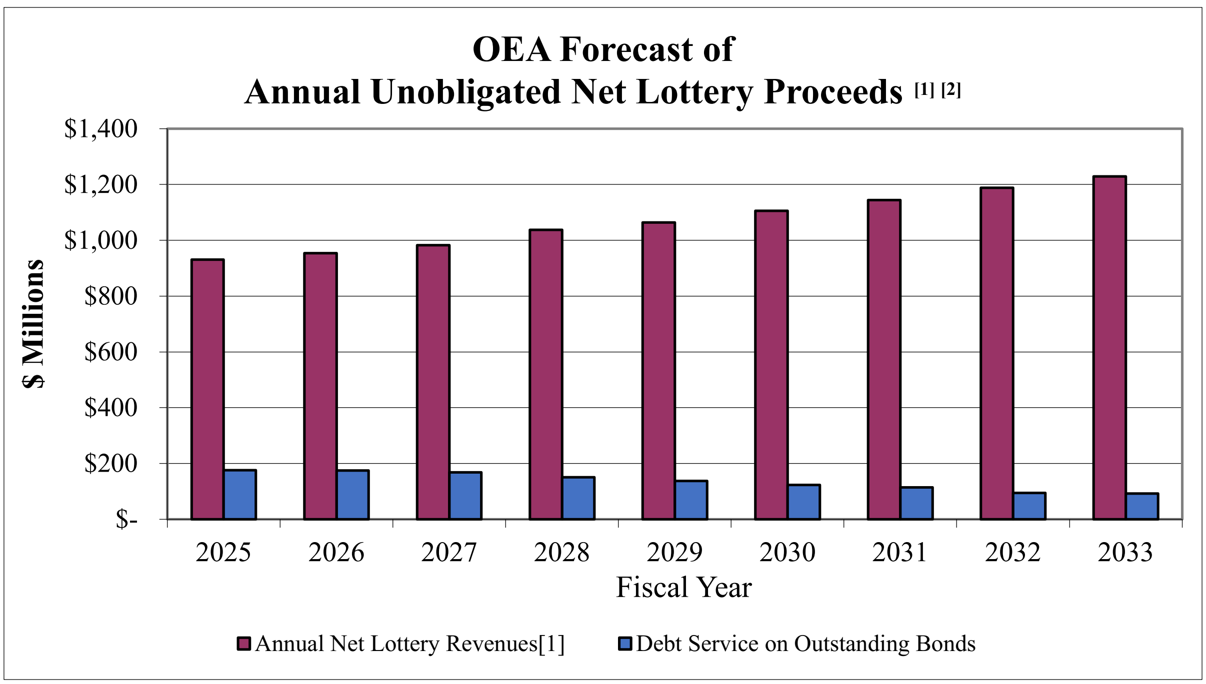
Forecast of Lottery Revenue and
Debt Service Coverage Ratios
($ Millions)

Fiscal Year	Annual Net Lottery Revenue[1,2]	Debt Service on Outstanding Bonds	Projected Debt Service Coverage
2026	954	175	5.5
2027	983	168	5.8
2028	1,038	150	6.9
2029	1,064	137	7.8
2030	1,105	123	9.0
2031	1,145	114	10.0
2032	1,189	94	12.6
2033	1,229	93	13.3

[1] Oregon Office of Economic Analysis, Oregon Economic and Revenue Forecast, December 2024

Exhibit IV.1 below graphically displays the debt service on outstanding Lottery Revenue bonds relative to total Lottery Revenue, the difference of which is proceeds available to the State for other purposes.

Exhibit IV.1



[1] Oregon Office of Economic Analysis, Oregon Economic and Revenue Forecast, December 2024.
[2] Includes Lottery bonds issued through June 30, 2024.

B. Lottery Revenue Debt Capacity and Coverage Ratios

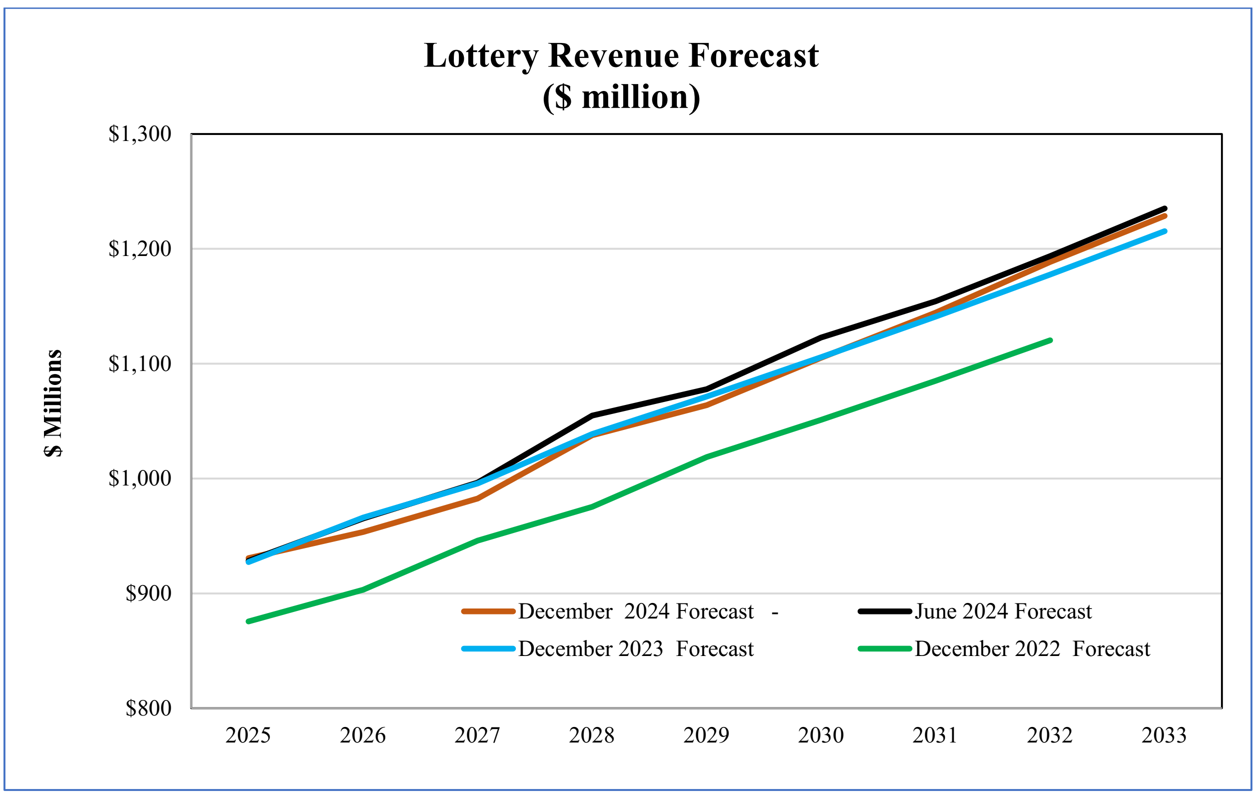
The most appropriate means of determining future debt capacity for this program is its current legal debt service coverage requirements. The extent to which available revenue pledged to repay this debt service exceeds the debt service requirement on existing and planned issuance is referred to as the debt service coverage ratio.

The State's Lottery Revenue Bond Indenture requires that combined existing and proposed lottery debt service may not be more than 25 percent of net unobligated Lottery Revenue, which means that the debt service coverage ratio should not fall below a four times coverage. The four-times coverage ratio is viewed by rating agencies as a conservative yet realistic level and is incorporated in the State's Lottery Revenue bond indenture as a general bond covenant. This means that for the State to issue new Lottery-backed bonds, unobligated net Lottery Revenue must be at least four times the maximum annual debt service on all outstanding Lottery bonds, with the debt service on new proposed Lottery bonds treated as part of the debt service ratio calculation.

Lottery Revenue has demonstrated significant volatility and as shown the COVID-19 pandemic has the propensity to experience large declines if gaming facilities are not accessible, as video gaming accounts for a substantial portion of Lottery Revenue. In October 2019, sports betting was introduced by the Oregon State Lottery and is now included in the long-term revenue forecast but represents less than 2 percent of net proceeds.

As *Exhibit IV.2*. shows, Lottery revenue forecasts have been relatively stable over the past 2 years and trending higher than the December 2022 forecast.

Exhibit IV.2



Source: Oregon Office of Economic Analysis, December Economic and Revenue Forecast Reports, 2021 - 2024.

Based on the December 2024 Forecast projections of Annual Unobligated Net Lottery Proceeds used for the targeted four-times (4.0) coverage ratio, as displayed in *Table IV.2*, and the estimated available dollars for annual debt service ranges from $954 million in FY 2026 to $1,229 million in FY 2033 which is up from recent forecasts.

The following calculation is used to determine maximum annual lottery debt service:

Unobligated Net Lottery Revenue ÷ Required Coverage Ratio = Maximum Annual Debt Service

For FY 2025, the maximum annual debt service supportable by forecasted FY 2025 Lottery Revenue in the December 2024 Forecast is as follows:

$931 million ÷ 4 Times Coverage = **$233 million**

To arrive at the capacity for new Lottery Revenue bonds, total debt service on outstanding lottery bonds and the debt service of the proposed new lottery revenue bonds must fall within the allowable maximum annual debt service.

The capacity forecast for Lottery Revenue bonds, illustrated in *Table IV.2*, accounts for:

- All outstanding Lottery Revenue bonds as of June 30, 2024; and
- Takes into account FY 2024 issuance of $219 million of the $528 million Lottery Revenue bonds authorized for the 2023-25 Biennium and assumes the remaining authorized amount is issued in FY 2025; and
- Estimates future capacity to issue additional Lottery Revenue bonds from FY 2026 through FY 2033, using the December 2024 Forecast.

Projected net unobligated Lottery Revenue available to pay Lottery Revenue bond debt service are displayed in *Table IV.2* column 1. The Lottery Revenue bond debt service, as presented in *Table IV.2* column 2, accounts for existing debt service, as of June 30, 2024.

Table IV.2 column 4 shows projected debt service for FY 2026 through FY 2033 resulting from the issuance of additional Lottery Revenue bonds at the required coverage of four-times unobligated net Lottery Revenue. Based on the assumptions provided above, there is a projected maximum of $2.26 billion in Lottery Revenue bond capacity for the forecast period FY 2026 through FY 2033.

The table below uses the December 2024 Forecast and assumes the issuance of $528 million of Lottery Revenue Bonds in 2023-25 Biennium. In addition, our model uses a 5.50% interest rate to compute future debt capacity and level debt service over twenty years. Based on these assumptions, forecasted Lottery Revenue will support the future issuance of $2.26 billion over the forecast period.

Table IV.2

Lottery Debt Capacity Determination ($ Millions)								
Fiscal Year	Estimated Lottery Revenues Available to Pay Debt Service	Debt Service Bonds Outstanding As of June 30, 2024	Debt Service on Planned Issuance of debt	Maximum Amount of New Debt That May Be Issued	Projected Debt Service on Additional Issuance	Total Debt Service (Existing, Planned, and Future)	Debt Service Ratio	Debt Service as a % of Lottery Revenues
2026	954	(175)	(26)	452	(38)	(238)	4.0	25%
2027	983	(168)	(26)	169	(14)	(246)	4.0	25%
2028	1,038	(150)	(26)	378	(32)	(259)	4.0	25%
2029	1,064	(137)	(26)	236	(20)	(266)	4.0	25%
2030	1,105	(123)	(26)	291	(24)	(276)	4.0	25%
2031	1,145	(114)	(26)	226	(19)	(286)	4.0	25%
2032	1,188	(94)	(26)	366	(31)	(297)	4.0	25%
2033	1,229	(92)	(26)	139	(12)	(307)	4.0	25%
Max Lottery New Debt Capacity				**2,256**				

C. Other Lottery Revenue Capacity Considerations

As is the case with General Fund-Supported debt capacity, the Commission recommends that projected Lottery Revenue debt be evenly spread out over time, to ensure that the State does not overcommit this scarce resource. *Table IV.3* displays the Commission's recommended approach to allocating Lottery debt capacity over time, an approach that has historically protected the high credit ratings on the State's Lottery Revenue bonds in times when Lottery Revenue have dropped sharply.

Table IV.3

Recommended Allocation of Additional Lottery Revenue Debt Capacity ($ Millions)			
Fiscal Year (ending June 30th)	Maximum Annual Amount of Additional Debt Recommended (Average)	Debt Service Coverage Ratio on Current, Planned & Recommended Average Issuance	Debt Service as % of Net Lottery Revenue
2026	$ 282	4.3	24%
2027	282	4.1	25%
2028	282	4.2	24%
2029	282	4.1	24%
2030	282	4.1	24%
2031	282	4.1	25%
2032	282	4.2	24%
2033	282	4.0	25%
New Max Debt Capacity	**$ 2,256**		

On occasion, the State has been required to issue a portion of its Lottery Revenue bonds on a taxable basis; generally, taxable Lottery Revenue bonds have funded economic development activities that do not fit into the Federal government's tax rules regarding "qualified" private activity. Bonds issued on a taxable basis result in a higher overall interest rate than the tax-exempt rates assumed in the capacity calculation above. In addition, proposed changes in the Federal tax code that may reduce or eliminate tax-exemption could also further reduce long-term Lottery bond capacity, as these changes would increase the interest cost paid by the State to investors on future State bond issues.

Table IV.4 illustrates the impact of changes to long-term interest rate assumptions in the Lottery debt capacity model. Based on current estimates of annual unobligated net Lottery Revenue and the assumed long-term interest rate of 5.5%, the capacity of Lottery Revenue to support additional bond issuance is calculated to be $2,256 million over the balance of the forecast period. A 1% increase in the projected long-term interest rate on these bonds to 6.50 % would reduce the maximum available capacity over this period by approximately $200 million; conversely, a reduction in the interest rate assumption by 1% to 4.50% would add roughly $227 million in capacity over the forecast period.

Table IV.4

Forecast of Lottery Revenue Debt Capacity*
From FY 2026 to FY 2033
at Various Assumed Interest Rates
($ Millions)

	5.5 % Interest Rate	4.5 % Interest Rate (1% Decline)	6.5 % Interest Rate (1% Increase)
Total	$ 2,256	$ 2,483	$ 2,056
Difference from Base Case		$ 227	($ 200)

As the recent past has demonstrated, downward revisions in projected long-term Lottery Revenue have had a substantial impact on projections of future Lottery bond capacity. As shown in *Table IV.5*, a 10% reduction in unobligated net Lottery Revenue over the forecast period would reduce the available debt capacity by $367 million over the next four biennia. Conversely, as *Table IV.5* illustrates, a 10% increase in projected Lottery Revenue would add $367 million to the long- term debt capacity over the forecast period.

Table IV.5

Forecast of Lottery Revenue Debt Capacity*
From FY 2026 to Y 2033
With Changing Lottery Revenue
($ Millions)

	Current Lottery Capacity Projection (From *Table IV.2*)	10% Decrease in Unobligated Net Lottery Revenue	10% Increase in Unobligated Net Lottery Revenue
Total	$ 2,256	$ 1,889	$ 2,623
Difference from Base Case		$ (367)	$ 367

Net Tax-Supported Debt

V. NET TAX-SUPPORTED DEBT

Net Tax-Supported debt (NTSD) is defined as all debt serviced by tax revenues of the State. Based on the approach taken by rating agencies, this definition encompasses General Fund-Supported debt, as well as all Pension Obligation Bonds and Certificates of Participation that are characterized as self-supporting in Section III.B of this report, all Lottery Revenue bonds and all State Highway revenue bonds. *Exhibit I.2* in the section titled “Bonding in Oregon,” provides a comparison of the State’s total outstanding gross debt, General Fund-Supported debt, and Net Tax-Supported debt as of June 30, 2024. The State’s Net Tax-Supported debt, as of June 30, 2024, was $10.18 billion.

Lottery Revenue bonds are included in the calculation of Net Tax-Supported debt even though they are special obligations of the State with debt service for the bonds coming from non-tax resources, that is, discretionary lottery purchases. However, because Lottery Revenue bonds are also secured by a “moral obligation” pledge of the State and a statutory commitment to request appropriated funds for any deficiencies in reserves or inability to pay debt service, these bonds are considered tax-supported and included in rating agency calculations of Net Tax-Supported Debt.

Given the importance of Lottery Revenue bonds to the State’s overall capital planning process, Lottery Revenue bond capacity is discussed separately in the previous section of this report.

The definition of Net Tax-Supported debt omits a variety of other self-supporting debt obligations issued by the State that were designed to be self-supporting in all but the most extreme circumstances. General obligation bonds sold on behalf of the Oregon Veterans’ Home Loan Program, the Pollution Control Loan Program, and the Oregon Housing and Community Services Department’s Elderly and Disabled Mortgage Loan Program are examples of this category of self-supporting GO debt. These GO bond programs are expected to fully repay all GO bonds issued on their behalf from the loan revenue streams they receive over time from borrowers, while maintaining adequate loan reserves to cover any temporary shortfalls in loan repayments.

This same type of self-supporting financial structure is built into the Single and Multifamily Housing mortgage revenue bond loan programs and the Infrastructure Finance Authority’s Bond Bank loan program, as well as all conduit revenue bonds sold by the State. While certain revenue and self-supporting GO bond debt programs are included on the State’s gross debt balance sheet, these bond programs have a long history of paying their obligations with non-tax revenue resources and are therefore not included in the calculation of NTSD. While a large economic or natural disaster (e.g., a major seismic event) might temporarily impact loan repayments on some of these self-supporting loan programs (which is the reason that strong loan reserves are needed), it remains reasonable to exclude these programs from the NTSD calculation until such time that a State loan program actually requires the use of the State’s tax resources to repay bonds issued on its behalf.

Table V.1 lists the 2023-2025 Biennium Net Tax-Supported debt authorizations approved by the 2023 and 2024 Legislatures. GO bonds issued for General Purposes (Article XI-Q); Higher Education facilities and Community College matching grants (Article XI-G); Public School Construction matching grants (Article XI-P); and Seismic Upgrade grants to schools (Article XI-M), along with Lottery Revenue and Highway User Tax Revenue Bonds make up the majority of new Net Tax-Supported Debt planned for issuance this biennium.

Table V.1

Net Tax-Supported Debt Authorizations
2023-25 Biennium Bond Bill

Type & Purpose	Authorized to be Issued in 2023-25
General Obligation Bonds	
Department of Transportation (Article XI (7))	$ 251,825,000
Community College Bonds (Article XI-G)	74,955,000
Higher Education Facility Bonds (Article XI-G)	84,660,000
DEQ – Pollution Control Bonds (Article XI-H)	10,333,333
Seismic Upgrade Bonds for Public Schools (Article XI-M)	100,885,000
Seismic Upgrade Bonds for Public Safety Facilities (Article XI-N)	50,570,000
School Construction Bonds (Article XI-P)	100,885,000
DAS General Purpose GO (Article XI-Q)	1,393,562,272
Total General Obligation Bonds	$ 2,067,675,605
Direct Revenue Bonds / Dedicated Sources	
Lottery Revenue Bonds	528,330,000
Highway User Tax Revenue Bonds	660,000,000
DAS General Purpose GO (Article XI-Q)	125,652,638
Appropriation Credits	
DAS Financing Agreements (ORS 283 & 286A.035)	100,000,000
Total Net Tax-Supported Debt Authorizations	$ 3,481,658,243

Two measures commonly used by rating agencies and municipal analysts to gauge a state's overall debt burden include:

- Net Tax-Supported Debt Per Capita, and
- Net Tax-Supported Debt as a Percentage of Personal Income.

Prior to FY 2003, Oregon's debt burden was well below the 50-state medians as calculated by Moody's Investors Service. For the past 20 years, however, Oregon's debt burden per capita has exceeded national averages. The significant increase in Oregon's debt since FY 2003 commenced with the issuance of $2.1 billion in pension obligation bonds and continued with the growth in Lottery and Highway User Tax revenue bond issuances to fund high priority economic development and transportation projects around the State. Deferred maintenance and improvements to State facilities as well as funding for the LIFT program for affordable and permanent supportive housing account for the significant growth in Article XI-Q GO Bonds.

In its October 7, 2024, Report: Revenue growth and lower ANPLs boost capacity to manage long-term debt (which uses 2023 data), Moody's determined the average NTSD per capita for the 50 states was $1,807 and the median was $1,189[1]. The average NTSD as a percentage of income was reported at 2.6% and the median at 2.0%.

By comparison, Moody's Investor Services reported Oregon FY 2023 per capita NTSD of $3,093 (Moody's number) relative to the median NTSD for all states of $1,189, and the State's NTSD as a percent of personal income in FY 2022 at 4.6% (Moody's number) relative to the 2.0% median for all states. Oregon's NTSD ranked 14th highest nationally in terms of Net Tax-Supported Debt

[1]Moody's October 7, 2024, Report: *Revenue growth and lower ANPLs boost capacity to manage long-term debt.*

outstanding in 2023, but 8th highest in terms of Net Tax-Supported Debt per capita at $3,093 and 7th in Net Tax-Supported debt as a percentage of personal income at 4.6%.

The numbers reported by Moody's vary significantly from what is reported in the Commission Report due in part to the differences in methodology used and sources of data. Moody's uses the principal outstanding plus unamortized premium on bonds issued, contracts and other long-term liabilities as reported in the State ACFR, whereas the Commission numbers are based on principal outstanding and does not account for unamortized premium on bonds, State contracted leases or other long term contracts of the State.

Although information reported by the rating agencies differ from those presented by the State, both sets of data show increasing State debt levels on a per capita basis and as a percent of overall statewide personal income.

As *Table V.2* illustrates, at the end of the 2021-23 Biennium, Oregon's outstanding NTSD was $10.05 billion. By the end of the current 2023-25 Biennium, the State's NTSD is projected to increase to $11.82 billion. This increase reflects i) the amortization of $1.56 billion of applicable debt, ii) the issuance of an aggregate $528 million of Lottery Revenue Bonds, $2.17 billion in new General Obligation (excluding Non XI-Q dedicated funds) Bonds and COPs, and the projected issuance of the $660 million of Highway User Tax authorized by the 2023-25 Biennium Bond Bill.

Oregon's NTSD, when measured on a per capita basis was $2,361 for FY 2024 and is expected to increase to $2,724 at the end of FY 2025, when the 2023-25 Biennium closes. When measured as a percent of Oregon personal income, the State's NTSD was 3.37% for FY 2024 and is projected to be 3.71% for FY 2025.

Table V.2

State Net Tax-Supported Debt
(Per Capita and as a Percentage of Statewide Personal Income)

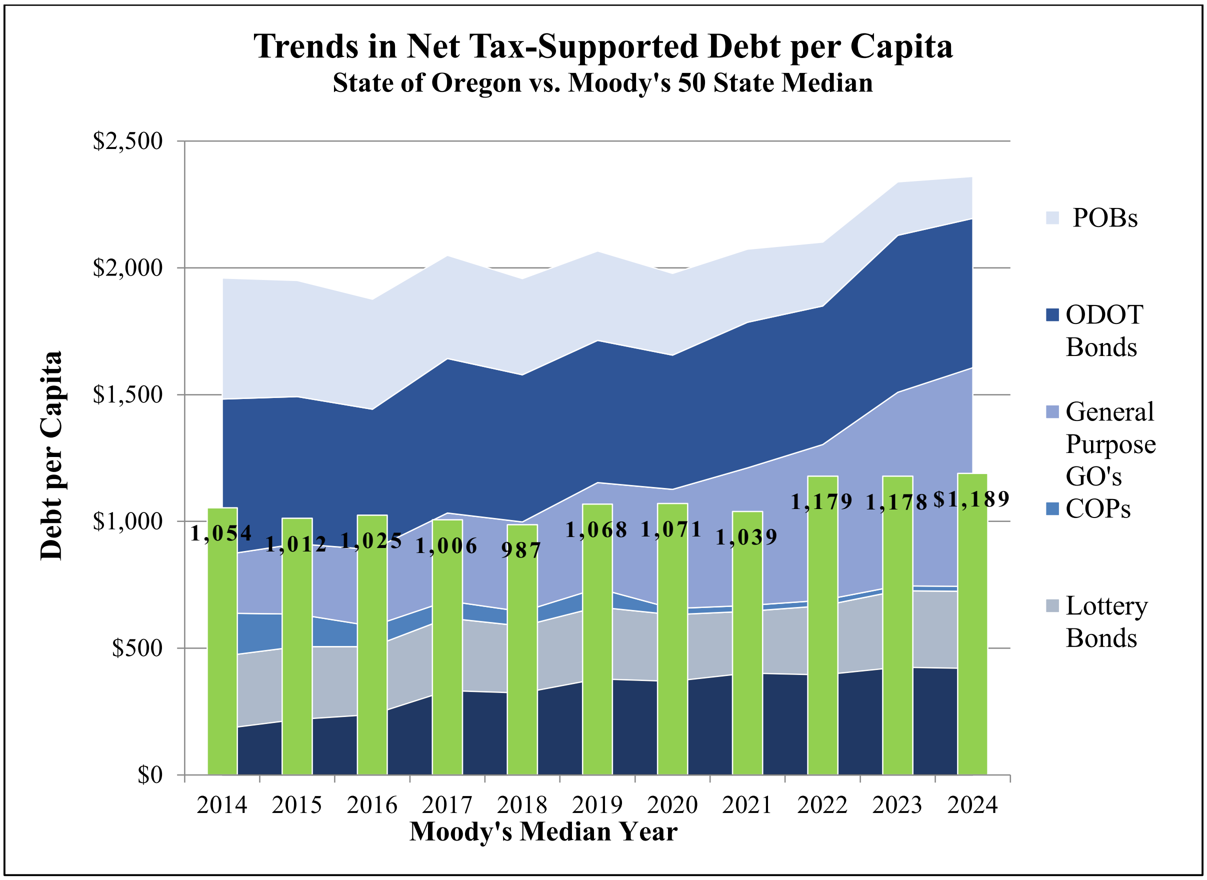
Fiscal Year Ending June 30th				
	2021-23 Biennium		**2023-25 Biennium**	
	FY 2022 (Actual)	**FY 2023 (Actual)**	**FY 2024 (Actual)**	**FY 2025 (Projected)**
Net Tax-Supported Debt ($bn)	$8.99	$10.05	$10.18	$11.82
Population*	4,294,500	4,296,800	4,313,900	4,337,900
Personal Income * ($bn)	$267.7	$279.3	$302.4	$318.3
NTSD Per Capita	$2,094	$2,339	$2,361	$2,724
NTSD as a % of Personal Income	3.36%	3.60%	3.37%	3.71%
Pension Obligation Bonds Excluded				
NTSD Per Capita	$1,843	$2,128	$2,195	$2,609
NTSD as a % of Personal Income	2.96%	3.28%	3.13%	3.56%
*Source: Oregon Office of Economic Analysis, December 2024 Economic and Revenue Forecast				

Rating agencies typically calculate total Net Tax-Supported Debt both with and without pension obligation bonds. In this way, they do not penalize states that issue POBs in comparison to other states that may not have issued POBs yet may still have sizable unfunded pension liabilities. For Oregon, if pension obligation bonds are excluded from the NTSD calculation shown in *Table V.2*, the actual debt burden is $2,195 per capita and 3.13% of personal income for FY 2024. For FY 2025, this number increases to $2,609 per capita or 3.56% of personal income.

Debt Ratio Comparisons

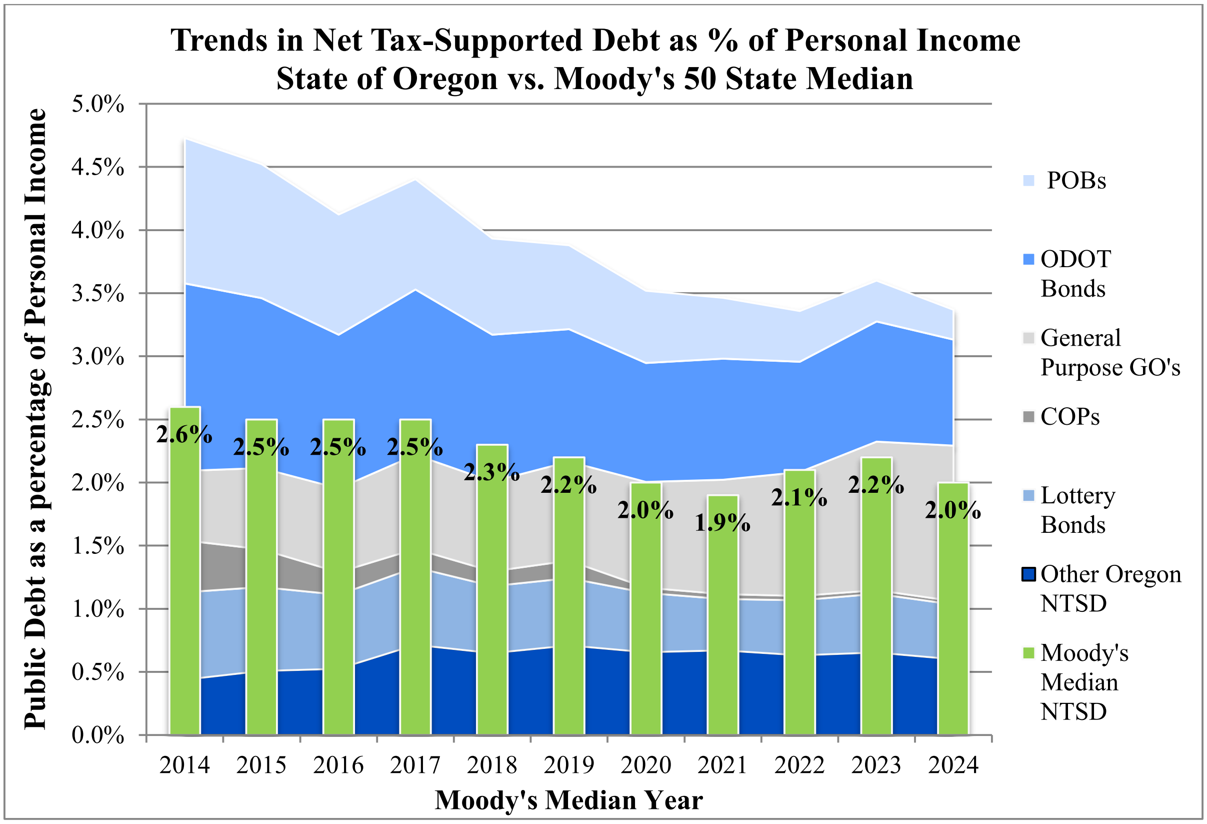
At the time of this report, Oregon's general obligation debt was rated Aa1 by Moody's, and AA+ by both Standard & Poor's and Fitch Investors Service. *Exhibits V.1a* & *V.1b* compare Oregon's NTSD ratios over the past decade with the Moody's median ratios of all 50 states. Prior to FY 2003, Oregon's debt ratios compared favorably to the national averages, with Oregon generally having lower ratios than states with higher credit ratings. Since that time, the State has issued a substantial amount of new debt to address unfunded pension liabilities, economic development, highway modernization, and public safety needs. As *Exhibit V.1a* below shows, Oregon's current per capita debt burden has remained above Moody' national medians due to the aforementioned inclusion of both POBs, Lottery Revenue bonds and Highway User Tax bonds for various Oregon Department of Transportation (ODOT) projects. *Exhibit V.1b* below shows that while Oregon's NTSD as a percentage of personal income was well above the 50-state median in FY 2013 at 5.2%, this ratio has declined to FY 2024 levels of 4.6% (Moody's) as personal income levels have increased across the State.

Exhibit V.1a



Source: Moody's Median Reports, 2014-2024.

Exhibit V.1b



Source: Moody's Median Reports, 2014-2024
Moody's *2024 State Debt Medians* reflect NTSD as of the end of fiscal year 2023 (1-yr lag)

Overall State Long-term Liabilities

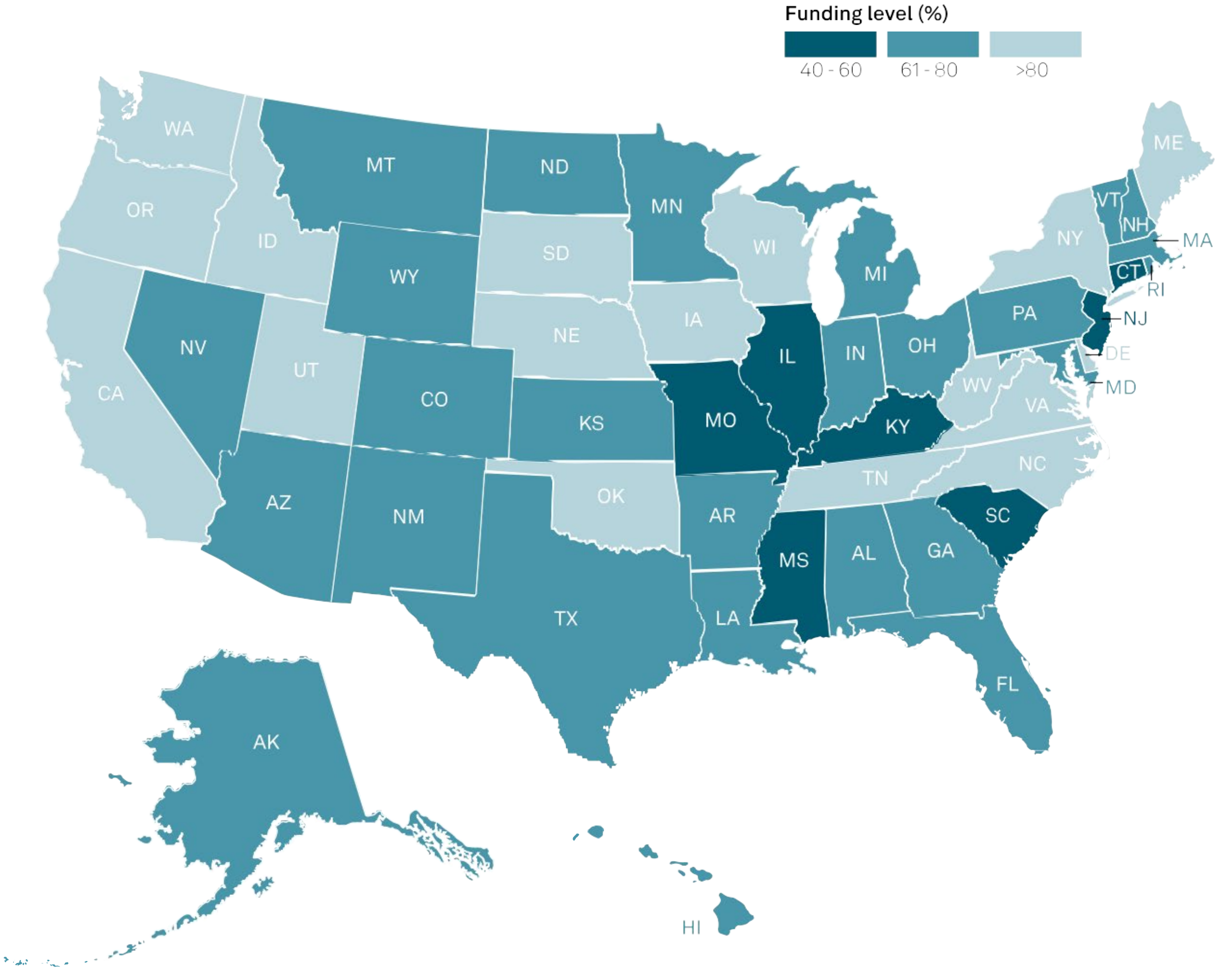
Given the growing awareness of unfunded long-term pension liability, the rating agencies have taken a more comprehensive approach to the tracking of overall state long-term liabilities; their reports include both the public indebtedness and the net unfunded pension liability of each state as reported in their ACFRs as part of their overall 50 state debt ratio analysis. *Exhibit V.2* displays a graph using data from Standard & Poor's (S&P) most recent pension report, entitled S&P October 23, 2024, report: "*U.S. States' Fiscal 2023 Liabilities: Stable Debt, With Pension And OPEB Funding Trending Favorably*". This report shows the net pension and OPEB liability as well as the funded ratio for the pension systems and OPEB of all fifty states, as reported in their ACFRs for FY 2023.

As reported by S&P at 82% funded in FY 2023, Oregon's pension funded status ranked 15th highest among states and above the 75% median funded ratio for all states. When combined with the unfunded OPEB liability, Oregon's aggregate pension and OPEB liability on a per capita basis, as reported by S&P ranks 19th among all 50 states in terms of per capita liability. The following chart illustrates the S&P data and Oregon's relative position assuming the FY 2023 data presented by S&P.

Exhibit V.2 illustrates S&P's categorization of Oregon as one of the 21 states with pension funded ratios greater than 80% using fiscal year 2023 data.

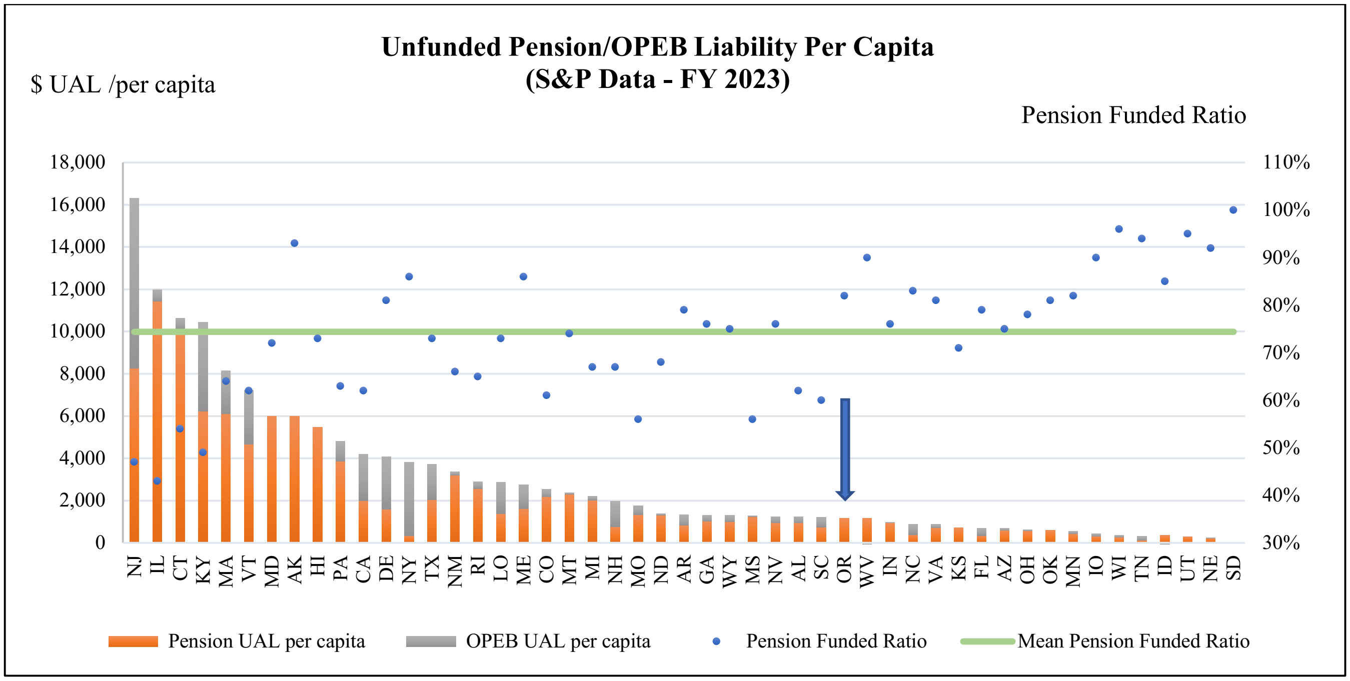
Exhibit V.2

Aggregate U.S. state pension funded ratios 2023



For most plans, data aligns with the state's 2023 fiscal year. For some plans, data aligns with the state's 2022 fiscal year depending on data availability. Plans with calendar year-end reporting periods are incorporated within the state's respective fiscal year (e.g., reports ending Dec. 31, 2022, are counted within the state's 2023 fiscal year). Source: S&P Global Ratings.

The following chart illustrates comparative unfunded pension and OPEB obligations for each of the 50 states as reported by Standard & Poor's (S&P) in its S&P October 23, 2024, report: *U.S. States' Fiscal 2023 Liabilities: Stable Debt, With Pension And OPEB Funding Trending Favorably"*. As shown below, Oregon has a low per capita unfunded pension and OPEB obligations when compared to many states. Further, it demonstrates that Oregon's pension funded status is above the mean funding level for all states and that Oregon's pension funding burden is low in comparison to other states.



S&P October 23, 2024, report: *U.S. States' Fiscal 2023 Liabilities: Stable Debt, With Pension And OPEB Funding Trending Favorably*

The aforementioned S&P report also compares the combined public debt and unfunded pension and OPEB liabilities per capita for each state as compared to its gross state product, which provides great insight as to the portion of each state's financial resources are required to manage their overall state long-term liabilities.

NTSD Incorporating Unfunded Pension and OPEB Liability. In recent years, the national rating agencies have placed more emphasis on states' overall balance sheet liability, which includes NTSD, as described above, as well as unfunded actuarial pension and OPEB liability. The State currently has surplus OPEB assets exceeding its actuarial liability. Therefore, the data for FY 2024, which reflects calendar year 2023 State Agency Valuation, includes only the State's unfunded actuarial liability for the pension system.

The following table adds the State's accrued unfunded pension and OPEB liability to Net Tax-Supported debt over the last several years. Weaker pension investment performance in 2022, reflected in FY 2023, increased the unfunded actuarial liability and resultant balance sheet liability when compared to prior years.

Oregon Balance Sheet Liability (Per Capita and as a Percentage of Statewide Personal Income) (NTSD and Unfunded Liability)			
	FY 2022	FY 2023	FY 2024[3]
Net Tax Supported Debt ($Bn)	$8.99	$10.05	$10.18
State Net Pension & OPEB Liability ($Bn)[1]	5.62	7.44	8.14
Total Balance Liability ($Bn)	$14.61	$17.49	$18.32
Population	4,294,500	4,296,800	4,313,900
Balance Sheet Liability Per Capita	$3,402	$4,070	$4,247
Personal Income ($Bn)	$267.70	$279.10	$302.40
Balance Sheet Liability - % of Personal Income	5.46%	6.27%	6.06%
Gross State Product (GSP) ($Bn)[2]	$294.32	$318.90	$329.40
Balance Sheet Liability - % of GSP	4.96%	5.48%	5.48%

[1]Pension data represents the calendar year preceding the close of Fiscal Year and only includes the unfunded accrued actuarial liability – all surplus balances are excluded.
[2]Bureau of Economic Analysis data as of Q2 2024 published December 2024
[3]FY 2024 unfunded pension and PERS liability are derived from the calendar year 2023 Valuation Report.

Impact of Recent PERS Development

In October 2021, the PERS Board adopted revisions to its assumed rate of return assumptions and rate-setting methodologies. Specifically, PERS reduced the assumed investment rate of return (Assumed Rate) by 0.30 percent from 7.20% to 6.90% and modified the rate collaring methodology to focus only on the unfunded actuarial liability and the pension plan funded status. Reduction in the assumed rate had the effect of increasing the unfunded liability. The Assumed Rate is used to compute the present value of future benefits to PERS beneficiaries and is commonly referred to as the discount rate. The reduction in the Assumed Rate (discount rate) has the effect of increasing the State's unfunded actuarial liability.

At the December 2022 meeting, the Oregon Investment Commission (OIC) elected to reduce risk by increasing allocation to fixed income from 20% to 25% and reduce exposure to public equity from 30% to 27.5%. This change was done to reflect the higher interest rate environment, which is allowing us to take less risk to achieve the assumed rate.

Based on adjustments in its December 2022 meeting the PERF investment portfolio mix is comprised of 27.5% Public Equity, 20% Private Equity, 25% Fixed Income, 12.5% Real Estate, and 7.5% Real Assets and 7.5% Diversifying Strategies. These current percentages provide guidance on asset allocation and may vary with changes in valuation or at the discretion of the OIC in consideration of the OPERF investment policy.

The Oregon Public Employees Retirement Fund (OPERF) investments returns rebounded in 2023. For the calendar year ended December 31, 2023, OPERF investments returned almost 6%. Further, OPERF investment returns averaged 7.61% over the prior 10 years to that date. OPERF's returns have permitted the PERS to systematically reduce its actuarial assumed interest rate from 8% in 2010 to 6.90% in 2021, without a material deterioration in the funded status. The rating agencies generally view reductions in assumed interest rates as favorable.

In the December 2020 PERS Valuation Report, released in December 2021, PERS included the full impact of the increase in the unfunded liability attributable to the lower assumed rate and other factors. PERS' valuation report for the State Agencies shows an increase in the State's portion of the unfunded liability of $1.3 billion from $5.86 billion in the 2019 Actuarial Valuation Report to $7.17 billion in its December 2020 Actuarial Valuation report, released in December 2021. This number incorporates the State's portion of the increased unfunded liability as a result of the reduction in PERS' actuarial assumed rate.

During its December 2022 rate setting meeting, the PERS Board applied the changes in the assumed investment rate of return to the December 2021 Valuation Report assets to derive employer contribution rates for the 2023-2025 Biennium, which became effective as of July 1, 2023. Although the reduction in the assumed rate of return had the effect of increasing the accrued unfunded liability, record investment earnings in 2021 increased plan assets and served as an offset. Systemwide, PERS reported a funded status as of December 31, 2023, of 77%, with side accounts included in the asset base, versus 79% in 2022. Despite more favorable market conditions in 2023, the comparable funded status with side accounts included in the asset base dropped to 77%. Please note that these numbers are reported with a 1-year lag.

The rating agencies are increasingly evaluating state pension and OPEB liabilities in their ratings decisions given the potential budgetary impacts of large unfunded liabilities and large debt burden.

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VI. NON-TAX-SUPPORTED DEBT

For several of the State's largest bonding programs, the majority of their bonds do not fall under the definition of either General Fund-Supported debt or Net Tax-Supported as used in this report. These programs include:

- Veterans' Welfare General Obligation GO Bonds (Article XI-A);
- Higher Education Building Project GO Bonds (Article XI-F(1));
- OHCSD Elderly & Disabled Housing Project GO Bonds (Article XI-1(2));
- OHCSD Single-Family & Insured Multi-Family Revenue Bonds (ORS 456.661);
- Pollution Control GO Bonds (Article XI-H) (53% of Total);
- Alternate Energy Project GO Bonds (Article XI-J) (56% of Total):
- Oregon School Bond Guaranty Program (Article XI-K);
- Oregon Infrastructure Authority Bond Bank Revenue Bonds; and
- Conduit or "Pass Through" Revenue Bond Programs.

These programs were designed and intended to be fully, (or partially) self-supporting from enterprise revenues or loan repayments and under normal circumstances are not expected to require a draw on General Fund or special tax revenues. Therefore, it is less meaningful to discuss their capacity in the same terms with which we discuss Net Tax-Supported or General Fund-Supported Debt programs. However, it is understandable that these programs cannot issue debt unconditionally without consequence because, with the exception of conduit revenue bonds, they represent an exposure to the financial resources and reputation of the State. Capacity for these programs is more appropriately determined by sound management and lending practices, as well as careful consideration of the economic circumstances unique to each program. The Commission proposes that capacity for these programs is more appropriately based on ongoing review of constitutional and statutory limitations, program needs, sound program management practices, and biennial review and approval of debt program issuance rather than a specific dollar limit capacity.

Table VI.1

Debt Issuance Considerations for Non Tax-Supported Bond Programs	
NON-TAX-SUPPORTED DEBT PROGRAM	**BASED ON:**
Veterans' Welfare General Obligation Bonds *Article XI-A*	• Demand for loan program services; • Annual cash flow projections; • Legal limitations (8% of State TCV); • Governor's budgetary review; • Biennial Legislative Authorization; and • Central debt management review.
Higher Education Building Projects General Obligation Bonds *Article XI-F(1)*	• Need for capital building projects; • Revenue producing capacity of desired projects; • Projects are self-supporting without requiring any General Fund revenues to cover debt service; • Legal limitations (0.75% of State TCV); • Governor's budgetary review; • Biennial Legislative Authorization; and • Central debt management review.
Pollution Control Projects General Obligation Bonds *Article XI-H*	• Demand for loan and grant program services; • Wastewater loans to communities are self-supporting without requiring any General Fund revenues to cover debt service; • Bonds used to fund grants for clean-up of orphan sites require General Fund debt service support • Legal limitations (1% of State TCV)
Alternate Energy Project General Obligation Bonds *Article XI-J*	• Local community/region energy needs; • Applicant screening; • Technical review; • Legal limitations (0.5% of State TCV); • Governor's budgetary review; • Biennial Legislative Authorization; and • Central debt management review.
Oregon School Bond Guaranty Program General Obligation Bonds *Article XI-K*	• May be triggered if state has to pay district debt service; • State-Aid may be intercepted for debt service payments; • May levy a district-specific or statewide property tax to repay bonds; • State's full faith in credit; and • Legal Limitation (0.5% of State TCV).
Infrastructure Finance Authority Bond Bank Program Revenue Bonds *ORS Chapter 285B*	• Municipality water and wastewater system needs; • Municipality infrastructure needs; • Legal limitations (0.5% of State TCV); • Governor's budgetary review; • Biennial Legislative Authorization; and • Central debt management review.

Elderly & Disabled Housing Project General Obligation Bonds *Article XI-I(2)* and **Single-Family & Multi-Family Revenue Bonds** *ORS 456.661*	• Demand for mortgage program services; • Continued strict applicant screening and eligibility requirements; • Annual cash flow review; • Legal limitations: ▪ Elderly & Disabled (0.5% of State TCV) ▪ Single & Multifamily ($2.5 billion) • Governor's budgetary review; • Biennial Legislative Authorization; and • Central debt management review.
Conduit Revenue Bond Programs *Oregon Facilities Authority* *Industrial Development Revenue Bonds* *Housing Development Revenue Bonds* *Beginning & Expanding Farmer Loan Revenue Bonds*	• Conduit borrower's ability to pay debt service on intended projects; • Evaluation of market impact of conduit issues on other State issues; • Biennial Legislative Authorization; and • Central debt management review.

A. Veterans' Welfare Bond Program

As noted earlier, the Oregon Department of Veterans' Affairs (ODVA) is authorized to issue bonds to finance mortgage loans to eligible veterans. Although bonds outstanding under this program are fully self-supporting (repaid) from mortgage loan repayments, this was not always the perception by the bond market. In the late 1970s and early 1980s, the ODVA faced considerable difficulties due to the effects of the nationwide recession, aggressive lending practices, and improperly structured bond issues. Revenues from their mortgage portfolio were projected to be insufficient to cover operating expenses, bonded debt service resulting from mortgage prepayments and the increased losses from higher foreclosure rates. During this time, management practices allowed an extraordinary volume of bond issuance, resulting in over $6 billion outstanding in the ODVA program in 1985. These management practices were, in part, responsible for an eventual State ratings downgrade, leading to increased capital financing costs for the State for many of its bond programs.

Over the last 30 years, the State and ODVA made excellent progress and has transformed the Veterans' loan program into a sound, well-structured, self-supporting GO bond program. ODVA did not issue debt between 1987 and 1995 and did not make mortgage loans between 1987 and 1991. The restructured program began lending mortgage monies again in 1992. Current financial strategies of the Department include exercising bond call options for high cost debt where opportunity exists; close monitoring of administrative expenses; working to achieve the maximum spread between bond borrowing costs and mortgage lending rates permitted under Federal tax law; and structuring new bonds similar to proven single-family mortgage revenue bond programs nationwide.

Requirements for participation in the ODVA Mortgage Loan Program are much more stringent than the early years of the program. Individual applicants and properties must generally meet Federal National Mortgage Association underwriting standards, which include, but are not limited to, adequate income, verification of stable employment, acceptable credit history, and sufficient funds to pay the down-payment and closing costs. A private mortgage insurer must also insure loans that exceed 80% of the value of the underlying security.

ODVA makes annual cash flow forecasts to assess future ability to meet debt service and related operating expenses. Future bond issuance will be based primarily on demand for program loans when ODVA loan rates can be provided below the prevailing commercial market rate.

B. Higher Education Building Project Bond Program

Historically, the former Oregon University System (OUS) administered bonds issued for Oregon's seven public four-year universities and the Oregon Health and Science University (OHSU). The Board of Higher Education had the authority to issue GO bonds for higher education projects based on two constitutional provisions, Article XI-F (1) and Article XI-G. The OUS and the Board of Higher Education were abolished on July 1, 2015.

Under Oregon law, each of the seven universities are "public universities" as defined by ORS 352.002 and are legally separate from the State of Oregon. Article XI-F (1) and XI-G bonds issued for the benefit of public universities are administered by the Department of Administrative Services and governed by ORS 286A.830 through 286A.863. The Higher Education Coordinating Commission (HECC) is responsible for coordinating capital project funding requests from public universities and for budgeting and accounting related to outstanding bonds. Although HECC also accounts for debt pertaining to OHSU, the HECC has no administrative or policy oversight over OHSU since OHSU is an independent public corporation.

Under this statutory framework, the proceeds from Article XI-G bonds authorized by the Legislature for public university projects are provided as grants to the applicable university. The debt service on Article XI-G bonds is paid by General Fund appropriation; therefore, debt issued under Article XI-G is considered tax-supported debt for purposes of this report and is accounted for in the General Fund debt capacity model and Net Tax-Supported debt ratio calculations.

In contrast, the proceeds from Article XI-F (1) bonds authorized by the Legislature for public university projects are provided as loans to the applicable university. The loans are required to be repaid by the universities from their own revenue sources, which may include tuition, student building fees, gifts, grants, endowment earnings or other similar sources. Payments from universities on outstanding XI-F (1) bonds are used by the State to pay debt service on the bonds. Thus, Article XI-F (1) bonds are not considered tax-supported debt.

Although each public university has the authority to issue its own revenue bonds, these bonds are not accounted for as debt by the State because this debt would be a legal obligation of the applicable university. To the extent the public universities want to avail themselves of future Article XI-F (1) GO bonds, State law requires that the Office of the State Treasurer (OST) review and approve any future standalone university revenue bonds to assure that the pledged revenues of the university are sufficient to cover debt service on both existing State GO bonds as well as any new university revenue bonds. To the extent that a university board does not wish to seek the review and approval of the OST prior to the sale of their revenue bonds, they are precluded from seeking new Article XI-F (1) GO bond financed projects. To date, OST has reviewed and approved multiple series of revenue bonds issued under this authority by the University of Oregon and Oregon State University.

When new loans are provided to universities with XI-F (1) bond proceeds, each university represents to the State that it conservatively estimates that it has and will have sufficient revenues to pay the loan repayments in full when due and to operate the project financed with the proceeds of the loan. However, since XI-F (1) bonds are general obligations of the State, it would be necessary for the State to seek a General Fund appropriation if the universities were ever unable to make required payments to the State. To ensure that the General Fund is never actually required to repay XI-F (1) bonds, the OST has the responsibility of working with each university to identify revenues available at each university to pay debt service on existing and future XI-F (1) bonds. Each campus' future ability to repay additional loans from the State provided through the issuance of XI-F (1) bonds will be dependent upon its governing board's adoption of sound financial management policies and practices and the revenue-producing ability of the projects financed.

C. Housing & Community Services Department Bond Programs

The Oregon Housing and Community Services Department (OHCSD) is authorized to issue GO bonds for the Elderly and Disabled Housing program, direct revenue bonds for Single-Family and Multifamily housing mortgage programs, and pass-through revenue bonds for its Multifamily Conduit revenue program. None of these programs fall under the definition of Net Tax-Supported debt used in this report. Thus, program capacity is discussed separately from assumptions made in the General Fund capacity model.

Like other self-supporting bonding programs, capacity for OHCSD programs is based primarily on the fiscal soundness of these programs and prudent financial management. The Director and the nine members of the Oregon Housing Stability Council are appointed by the Governor. The Oregon Housing Stability Council, in collaboration with the Department and community partners, assist with the development of the Department's strategic plan and set policies and priorities to increase the supply of affordable housing throughout the State and to enhance the funding for and focus the provision of community services.

Applicants proposing to borrow monies under any of OHCSD's housing loan programs must first meet the eligibility requirements of that particular program. Applicants then follow an application review and approval process prior to receiving any loan monies associated with the program.

As noted earlier, bonds issued by OHCSD are fully self-supporting. Debt service is paid solely from revenues received from mortgage loan repayments, investment earning, and other assets held under each specific Trust Indenture. To assure that these assets are sufficient to fund necessary debt service requirements, OHCSD is required to submit materials outlining projected revenues annually to OST. These projections must outline the ability to repay principal and interest over the life of outstanding bonds, as well as other expenses of OHCSD. If projected revenues show an inability to provide for these requirements, OHCSD would be precluded from issuing additional bonds or applying any revenues to the financing of additional mortgage loans.

Similar to other programs outlined here, OHCSD's capacity to issue bonds is based on sound management, prudent lending practices, maintenance of strong operating reserves for program continuance, and awareness of evolving economic and social factors affecting individual borrowers' ability to repay mortgage loans. OHCSD, more than other state agencies, has used sophisticated public finance tools like variable rate bonds backed with liquidity facilities and floating-to-fixed interest rate swaps to offer more competitive mortgage rates to its customers while reducing its bond portfolio's interest rate risk.

D. Alternate Energy Program Bonds

The Oregon Department of Energy (ODOE) is authorized to issue GO bonds for Alternative Energy Projects in accordance with the provisions of Article XI-J to finance secured loans for the development of small-scale local energy projects (SELP) throughout Oregon. ODOE may have bonds outstanding equal to one-half of one percent of the true cash value of the property of the State. SELP was originally designed to be fully self-supporting, requiring determination and identification of repayment sources prior to making loans from bond proceeds. Constitutional and statutory provisions mandate that loan repayments are made from secured loan sources before any General Funds are advanced to SELP for repayment of Article XI-J debt.

Debt service on Alternate Energy Program GO bonds is paid from revenues received from loan repayments. Prior to each bond sale, ODOE is required to submit materials outlining projected revenues and expenses to the OST. The projections provided must show the program's future capability of meeting all planned and outstanding bond payments through program resources. ODOE's capacity to issue these bonds must be based on sound program and departmental management, prudent lending practices, maintenance of appropriate loan loss reserves, and awareness of underlying borrowers' ability to repay loans.

Currently, some of ODOE's Alternate Energy Bonds are considered as General Fund-Supported Debt, as XI-J GO bonds were sold to fund loans for energy projects on various OUS campuses that are being repaid through annual General Fund appropriations to the State's independent universities.

In preparation for an ODOE bond sale in 2012, the State Treasurer's staff reviewed SELP's cash flow model to determine if their projected loan repayments were sufficient to meet all future debt service requirements of their GO bond portfolio. This evaluation revealed that SELP's loan loss reserves were seriously depleted, due to the default of an $18 million loan on an ethanol facility, and a growing number of large, delinquent loans to private parties that were 91 days or more past due. Since that time, several other large loans linked to renewable energy projects have also gone into default and have been written off as non-collectible, further deteriorating SELP's balance sheet and reserve balances, which have reduced the program's ability to make new loans without additional financial support from State general fund resources.

SELP has not issued new loans since 2015. In addition, the State Treasury refunded and restructured a portion of the outstanding ODOE bond portfolio in 2017 and in 2020, lowering SELP's debt service payments substantially. Even with these efforts, General Fund cash infusions have been required to supplement SELP loan repayments. $3.5 million in General Fund was provided in the 2021-23 Biennium for the SELP program to meet its scheduled debt service obligations, an additional $1.5 million in General Fund is provided in the department's budget for the 2023-25 biennium. The need for additional General Fund infusions are not anticipated after the 2023-25 biennium, although the amount, timing, and size of future cash infusions may change if more SELP loans become delinquent or are written off as uncollectible.

E. Department of Environmental Quality Pollution Control Bonds

The Department of Environmental Quality manages two separate programs under this bond category: loans to local Oregon communities to address their wastewater infrastructure needs and grants for the clean-up of environmentally contaminated sites where neither existing nor previous owners can fund this work (i.e., "orphan sites").

GO bonds issued for these purposes are authorized under Article XI-H of the State Constitution, for purposes of financing pollution abatement and control facilities, as well as pollution control and disposal activities of State and local government agencies. This authorization, granted under Article XI-H, requires that most facilities funded by the program, with the exception of pollution control and disposal activities and hazardous substance facilities, must "conservatively appear" to be at least 70% self-supporting and self-liquidating from revenues, gifts, federal grants, user charges, assessments and other fees.[1] Historically, the portion of the debt service of these bonds associated with orphan hazardous disposal site clean-up has been repaid by General Fund appropriation, with the balance of debt service repaid by DEQ fees and repayment on loans.

[1] In accordance with Article XI-H Section 2, the facilities supported by the Pollution Control Bonds must be 70% self-supporting and self-liquidating. However, the bonds that provide the funds to support the facilities are currently non-self-supporting, requiring debt service payments to be provided by General Fund appropriations.

F. Oregon Business Development Department Oregon Bond Bank Program

The Oregon Business Development Department (OBDD) administers the Oregon Bond Bank, a pooled loan program providing municipal bond financing to eligible municipal borrowers. The Oregon Bond Bank was created by the consolidation of the Water Program, which authorizes loans to municipalities to finance safe drinking water projects and wastewater system improvement projects, and the Special Public Works Fund program, which provides loans to municipalities for construction, improvement and repair of water, wastewater, and other local infrastructure. Periodically, the Legislative Assembly authorizes the sale of Lottery Revenue Bonds to replenish the funds available to OBDD to make new loans for local and regional water, wastewater, and other infrastructure projects. Additionally, the Oregon Bond Bank may issue stand-alone revenue bonds secured by these loans, to free up OBDD funds that can then be loaned again to municipalities for additional local infrastructure projects.

In 2011, the Legislative Assembly authorized further consolidation of various OBDD loans, grants, and bonding programs for local governments through the creation of the Oregon Infrastructure Finance Authority (IFA). The IFA was established as an administrative unit within OBDD, with a nine-member advisory board that provides policy guidance on the infrastructure loan, grant, and bonding activities of the agency.

Infrastructure loans made through IFA are typically full faith and credit obligations of the borrowing municipality, payable from the borrower's utility enterprise as well as the municipality's General Fund. OBDD may request the State to withhold any amounts otherwise due to the municipality from the State of Oregon, and to pay such amounts to OBDD, in the event that a municipality defaults on its loan payments.

IFA Oregon Bond Bank Revenue bond capacity is based on OBDD's sound financial management, prudent lending practices, awareness of underlying borrowers' ability to repay loans and any funds provided by the Legislative Assembly as part of their historical practice of providing program capital.

G. Conduit Revenue Bond Programs

The State of Oregon has three actively operating conduit revenue bond programs. These programs operate under the auspices of the Oregon Facilities Authority, the Oregon Business Development Department and the Oregon Housing and Community Services Department.

Conduit revenue programs are viewed uniquely when discussing capacity concepts. These programs, although issued by the OST, constitute no draw or contingent liability on any State of Oregon revenues. Debt service on these bonds is paid solely from revenues generated by the projects being financed or from other sources available to the conduit borrower. In no case is the credit of the State loaned, pledged or used for payment of any of the bonds. Further, the State is not responsible for expenses or costs incurred in connection with the issuance of the bonds. Therefore, capacity judgments should be reflected more in terms of market impact, beneficial interests of the State, and prudent evaluation of participating conduit borrowers' ability to repay debt obligations.

H. Oregon School Bond Guaranty Program

The Oregon Legislature passed the School Bond Guaranty Act in 1997, with subsequent approval by voters via a constitutional amendment the following year that allows the State to guarantee voter-approved GO bonds of qualifying Oregon education districts. Participation in the program is voluntary and is open to public school districts, education service districts, and community colleges.

The Oregon School Bond Guaranty (OSBG) program is administered by OST, which establishes administrative rules prescribing application procedures and qualification guidelines. Upon determination of a district's eligibility, OST issues a certificate of qualification valid for one year from the date of issuance that may be applied to all GO bonds issued by the district during that period. Prior to bond closing and contingent on complying with OSBG requirements, the district receives a confirmation letter for the specific bond sale.

Constitutional, Statutory, and Administrative Framework For OSBG

The Constitutional and statutory framework for the OSBG program provides several strong credit enhancement features that have resulted in the program receiving the same credit rating as the State receives on its GO bonds. These features include:

- A pledge of the State's full faith and credit to guarantee payment of a qualified district/community college's bond debt service when due;
- Authorization of OST to make debt service payments from the Oregon Common School Fund, the Oregon Short-term Fund, or other State funds assures immediate liquidity for all guaranteed school district and community college debt service payments;
- Constitutional provision authorizing OST to issue property tax-backed State GO bonds to fund the State's guaranty, if necessary; and
- Authorization of OST to assure repayment of any draws on state funds to make school district GO debt service payments, including:
    - use of the state school funds intercept mechanism; or
    - legal compulsion of a district or community college to levy sufficient property taxes to repay any loan made; or
    - State GO bond sold, on its behalf.

A participating district, for which the State has made a guaranteed payment is obligated to repay the State, with interest, and in certain instances, may be subject to an additional penalty. The range of State school funds that can be intercepted for repayment include any payments from the State's General Fund, the State School Fund, income from the Common School Fund, or any other operating funds provided by the State to the school district.

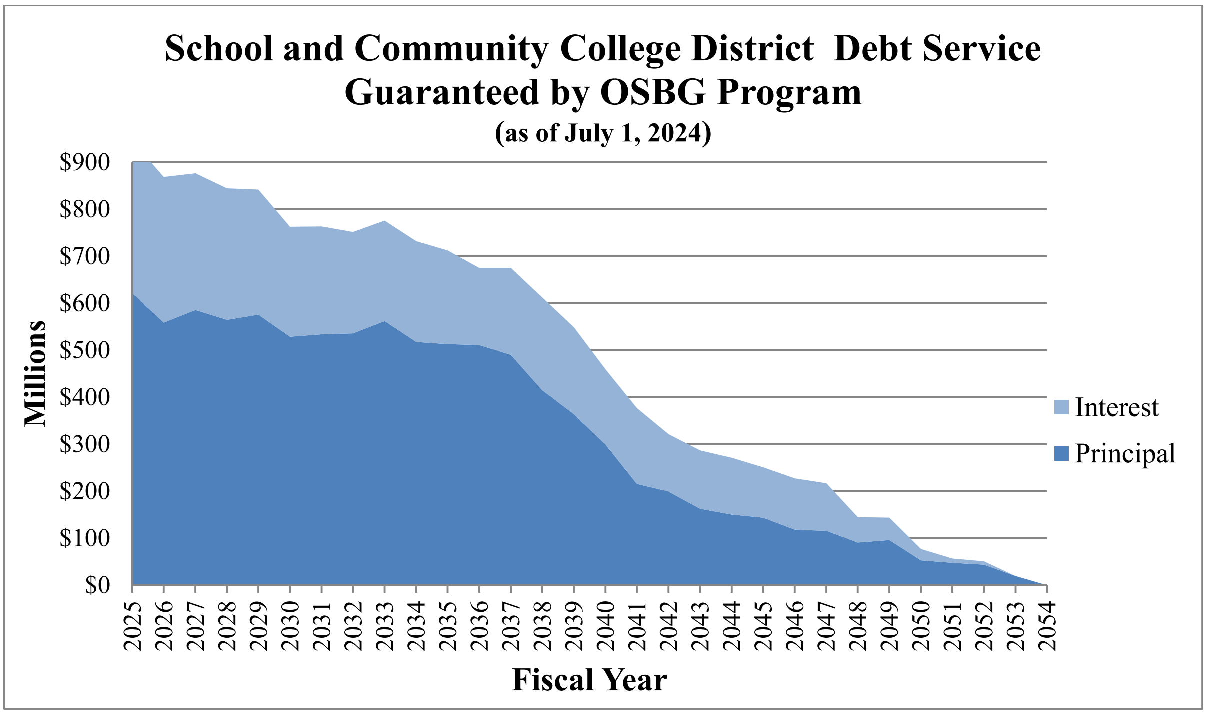
In addition, the administrative aspects of the OSBG program have been designed to reduce the likelihood of payment default by participating educational districts. The district's business administrator is required to transfer to its paying agent funds sufficient to cover each debt service payment at least 15 days before the scheduled payment date on OSBG guaranteed bonds. If it is unable to do so, the district must notify both the paying agent and OST at that time. The paying agent must notify OST if sufficient funds are not transferred at least 10 days before the scheduled payment date.

OSBG Program Statistics

Since its inception in 1999, the OSBG program has grown significantly in size and scope; as of June 30, 2024, the program has guarantees on $9.6 billion of outstanding GO bonds ($14.6 billion in principal and interest guaranteed debt service) issued by Oregon school districts and community colleges. While it is impossible to know precisely how much the State guaranty has saved Oregon taxpayers in interest costs on school bonds, a conservative estimate of an average reduction of .25% (25 basis points) in borrowing costs suggests debt service savings of roughly $24.24 million per year, or $484.85 million over a 20-year period.

Exhibit VI.1 projects State-guaranteed principal and interest over the remaining life of these school bonds. As of June 30, 2024, this guaranty applies to local school district and community college annual debt service payments of $965.8 million for FY 2025, which is equivalent to approximately 6.4% of total expected FY 2024 State General Fund revenues and 18.1% of projected FY 2025 State school aid for schools and community colleges.

Exhibit VI.1



To date, no participating Oregon school district or community college has requested that the State of Oregon make a debt service payment on its behalf under the OSBG program. OSBG guarantees general obligation debt of local governments, which have had a long track record of positive financial management and in many instances, strong credit ratings. In addition, OST Debt Management Division conducts a rigorous review of each OSBG application and ensures the appropriate documentation and that the disclosure is up to date.

Although, the OSBG is a contingent liability of the State, the rating agencies, and Moody's in-particular, have revised their methodology to increase monitoring of such liability. Currently, the rating agencies do not consider this debt as part of the State's overall General Fund or Net Tax-Supported Debt.

While the OSBG program has successfully reduced the borrowing costs of participating jurisdictions throughout the State, OST continues to monitor the program due to the strong and increasing utilization of the guaranty by increasing numbers of local school districts and community colleges. Based on this review, OST has tightened the OSBG program rules to ensure the state guarantee of school debt is managed wisely.

Table A-9 in *Appendix A* illustrates each Oregon school district and community college district's respective state guaranteed debt service as a percentage of overall state aid for the fiscal year ending June 30, 2024, State aid is defined for purposes of the following exhibits to include annual appropriations made to school and community college districts through both the State School Fund and the Common School Fund.

As the *Table A-9* demonstrates, there are four (4) school districts with annual debt service on OSBG GOs and POBs that exceed the amount of annual State school aid received in FY 2024. For additional details on the state aid and the amount of debt service guaranteed for specific districts in FY 2024, please see *Appendix A* and *Table A-9* of this report.

I. Local Government Pension Bond Use of Fund Diversion Agreement

In 2001, the Legislative Assembly authorized the State Department of Education to enter into Fund Diversion Agreements as a means of improving the creditworthiness of Pension Obligation Bonds (POBs) issued by Oregon school districts and community colleges. POBs were initially issued from 2002 to 2007 by many local Oregon jurisdictions with this Fund Diversion provision to prepay their accrued unfunded pension liabilities in the Oregon's Public Employees Retirement System. Under these Fund Diversion Agreements, the State Board of Education agrees to make POB debt service payments to the POB bond trustee out of the annual state aid grants made to participating districts.

As of fiscal year-end 2021, local governments had $2.26 billion of outstanding POBs. After OARs were amended to reflect the provisions of SB1049, (ORS 238.697), local governments issued $1.88 billion of POBs during FY 2022. As of June 30, 2024, the outstanding amount of local government POBs totaled $3.5 billion. Local government issuers of POBs include pooled entities such as the Oregon School Board Association, Oregon Education District, the School Districts and Community Colleges. While most of these POBs were sold as non-callable taxable bonds, some were structured with call features on certain maturities, which allows for future refundings. All of the POB issued in FY 2022 utilized the Fund Diversion Agreement, which enhanced the rating of these POBs and lowered their interest costs paid by local governments.

Exhibit VI.2 shows the growth in the amount of POB debt service of school districts and community colleges. These POBs utilize the Fund Diversion agreement which diverts state school aid each year to pay district POB debt service. The Commission estimate that the State will divert $491.1 million in state school aid for this purpose in FY 2025, or 9.19% of combined annual state aid for school districts and community colleges.

Exhibit VI.2

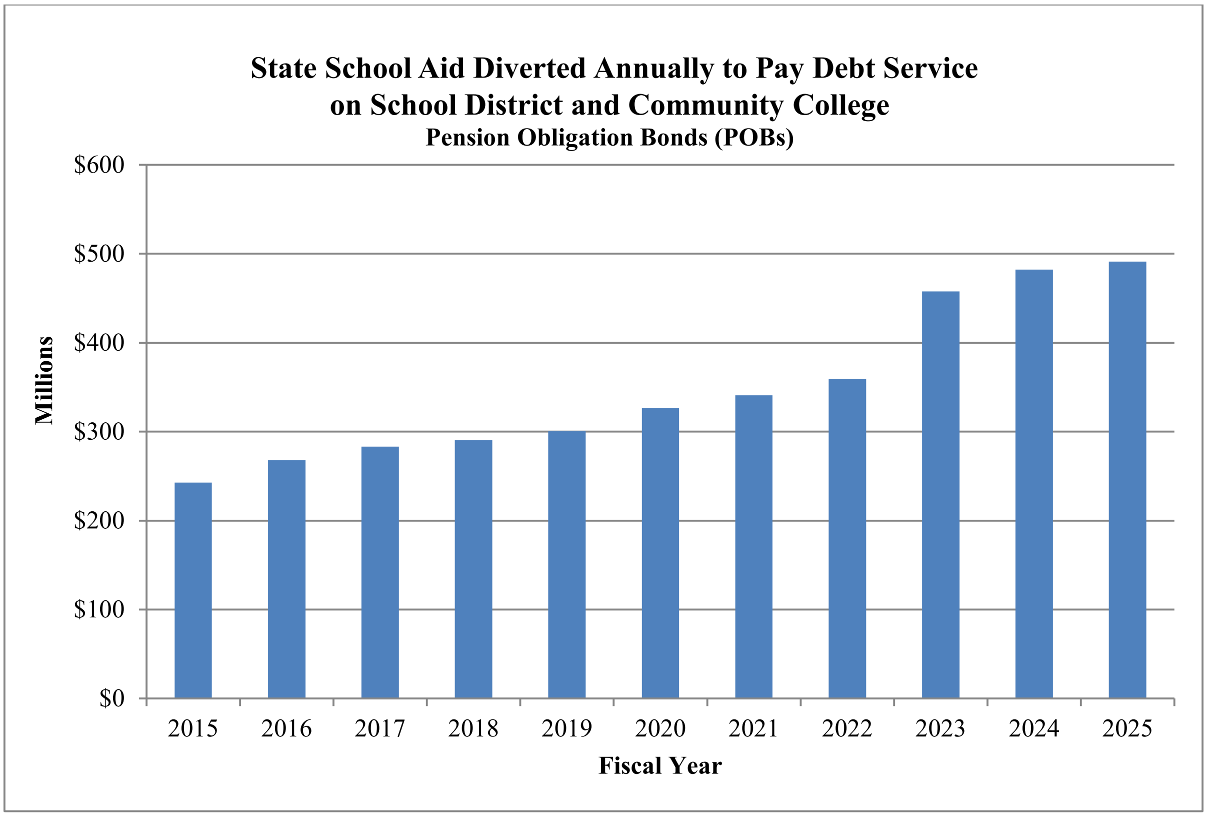
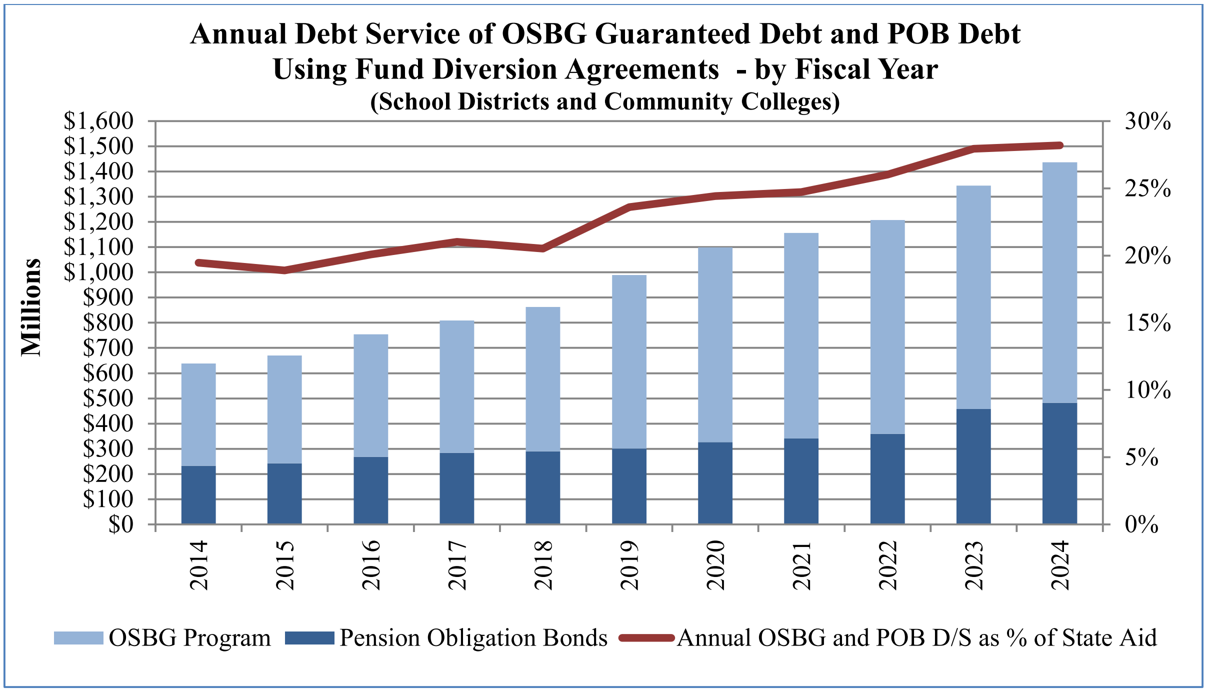


Exhibit VI.3 displays the steady growth in the State's combined annual guaranteed debt service for both the OSBG and the POB fund diversion programs. As the next chart shows, these state aid intercept bonding programs are relying on a significant percentage of state aid to schools. The Commission projects that the combined FY 2024 debt service on outstanding bonds guaranteed by the State under the OSBG program and POBs utilizing the Fund Diversion Agreement represents 27.3% of State school aid, an all-time high for combined programs.

Exhibit VI.3



J. POBs Issued Pursuant to SB 1049 (ORS 238.697)

To address concerns over the growing levels of POBs issued by Oregon school districts and local jurisdictions, the 2019 Legislative Assembly enacted SB 1049 (codified as ORS 238.697). The statute establishes certain prerequisites for the issuance of POBs by public bodies and additional post issuance reporting requirements for all POBs issued after June 11, 2019, to assist the State Treasurer in meeting its POB reporting requirements to the State Debt Policy Advisory Commission.

ORS 238.697 requires jurisdictions to generate and file a statistically based analysis of the expected earnings on POB proceeds over the life of the POB issue compared to the borrowing cost on these bonds. Once issued, each jurisdiction will provide Oregon Treasury staff with the actual borrowing cost, and annually, the actual earnings on POB proceeds. Treasury staff will track the estimated and actual earnings on these bond proceeds and compare them to the actual borrowing cost of the bonds, with the resulting information incorporated into the annual State Debt Policy Advisory Commission report, provided to the Legislative Assembly annually. Between passage of ORS 238.697 in June 2019 and June 30, 2021, there were no new issuances of POBs by any Oregon jurisdiction.

Since implementation of Oregon Administrative Rules (OAR), approved in May of 2021 by the Municipal Debt Advisory Commission (MDAC), 35 public bodies have issued POBs totaling $1.88 billion from July 2021 to June 2024. The POBs use the Fund Diversion Agreement that improves the creditworthiness of the bonds.

Exhibit VI.4, below, illustrates the local public body issuers of POBs since enactment of SB 1049 and the data that has been collected from the public bodies.

Exhibit VI.4

PUBLIC BODY	DATE OF ISSUE	AMOUNT ISSUED	POB BOND TIC (a)	EXPECTED EARNINGS ON POB PROCEEDS (%) (b)	ACTUAL/ CUMULATIVE EARNINGS (%) (c)[1]
Multnomah Cty SD 1J (Portland)	7/15/2021	$399,390,000	2.18%	7.2%	2.46/24.14
Baker Cty SD 5J (Baker)	8/19/2021	$19,600,000	1.62%	7.1%	2.46/24.14
Lane Cty SD 52 (Bethel)	8/19/2021	$68,905,000	2.45%	7.1%	2.46/24.14
Polk Cty SD 2 (Dallas)	8/19/2021	$39,575,000	2.45%	7.1%	2.46/24.14
Umatilla Cty SD 5R (Echo)	8/19/2021	$3,340,000	2.52%	7.1%	2.46/24.14
Marion Cty SD 1 (Gervais)	8/19/2021	$3,985,000	2.51%	7.1%	2.46/24.14
InterMountain ESD	8/19/2021	$13,875,000	2.47%	7.1%	2.46/24.14
Jefferson ESD	8/19/2021	$2,380,000	2.54%	7.1%	2.46/24.14
Jefferson Cty SD 509J (Madras)	8/19/2021	$31,905,000	2.46%	7.1%	2.46/24.14
Lake Cty SD 7 (Lakeview)	8/19/2021	$10,750,000	2.48%	7.1%	2.46/24.14
Umatilla Cty USD 7 (Milton-Freewater)	8/19/2021	$8,210,000	2.48%	7.1%	2.46/24.14
Morrow Cty SD 1	8/19/2021	$18,300,000	2.46%	7.1%	2.46/24.14
Marion Cty SD 15 (North Marion)	8/19/2021	$15,390,000	2.47%	7.1%	2.46/24.14
Marion Cty SD 29J (North Santiam)	8/19/2021	$14,755,000	2.47%	7.1%	2.46/24.14
Lane Cty SD 76 (Oakridge)	8/19/2021	$6,985,000	2.49%	7.1%	2.46/24.14
Deschutes Cty SD 2J (Redmond)	8/19/2021	$71,800,000	2.45%	7.1%	2.46/24.14
Douglas Cty SD 4 (Roseburg)	8/19/2021	$32,535,000	2.46%	7.1%	2.46/24.14
Marion Cty SD 4J (Silver Falls)	8/19/2021	$35,425,000	2.46%	7.1%	2.46/24.14
Lane Cty SD 19 (Springfield)	8/19/2021	$106,955,000	2.45%	7.1%	2.46/24.14
Tillamook Cty SD 9 (Tillamook)	8/19/2021	$13,195,000	2.47%	7.1%	2.46/24.14
Umatilla Cty SD 6 (Umatilla)	8/19/2021	$10,705,000	2.48%	7.1%	2.46/24.14
Union Cty SD 1 (La Grande)	8/19/2021	$19,435,000	2.46%	7.1%	2.46/24.14
Clackamas Cty SD 3J (W.Linn-Wilsonville)	8/19/2021	$112,440,000	2.45%	7.1%	2.46/24.14
Umpqua Community College	8/31/2021	$17,805,000	2.50%	7.1%	2.46/24.14
Mt Hood Community College	8/31/2021	$58,895,000	2.48%	7.1%	2.46/24.14
Clackamas Community College	8/31/2021	$49,740,000	2.49%	7.1%	2.46/24.14
Rogue Community College	8/31/2021	$31,545,000	2.49%	7.1%	2.46/24.14
Chemeketa Community College	8/31/2021	$55,965,000	2.48%	7.1%	2.46/24.14
Clackamas Cty SD 62 (Oregon City)	9/29/2021	$74,500,000	2.44%	7.1%	2.46/24.14
Lane Cty SD 45J3 (South Lane)	6/22/2022	$26,691,611	4.50%	6.9%	6.34/4.38*
Multnomah Cty SD 3 (Parkrose)	6/22/2022	$27,156,599	4.50%	6.9%	6.34/4.38
Multnomah ESD	6/22/2022	$60,233,416	4.45%	6.9%	2.46/24.14
Umatilla Cty SD 8 (Hermiston)	6/22/2022	$61,733,955	4.45%	6.9%	6.34/4.38*
Lane County	6/28/2022	$286,638,289	4.30%	6.9%	6.34/4.38*
Lane Community College	6/30/2022	$69,000,000	4.20%	6.9%	6.34/4.38*
Total		**$1,880,028,870**			

[1]Data collected from public bodies that have issued POBs subject to ORS 238.697

(a) The actual interest owed over the term of the bonds
(b) The projected rate of return on the bond proceeds, as determined under Subsection (1) of the Section
(c) The actual rate of return on the bond proceeds in the previous fiscal year and the cumulative rate of return on the bond proceeds

The following GIS maps highlight geographic dispersion and use of the OSBG program guaranty and Fund Diversion Agreements for POBs.

Exhibit VI.5

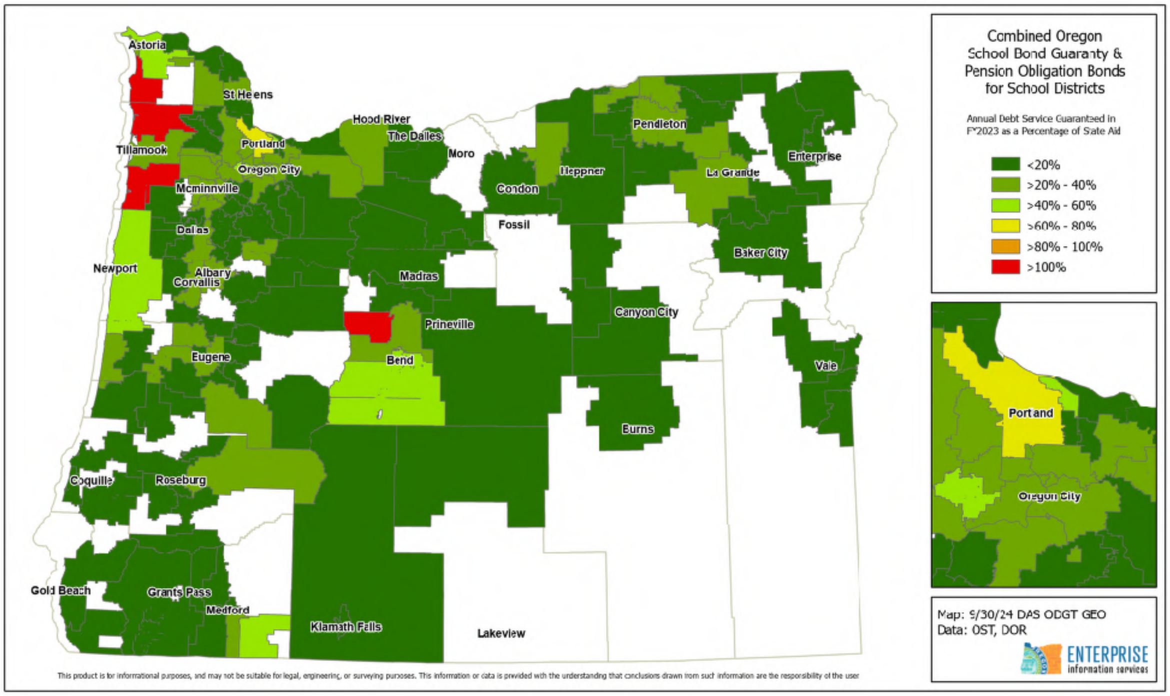
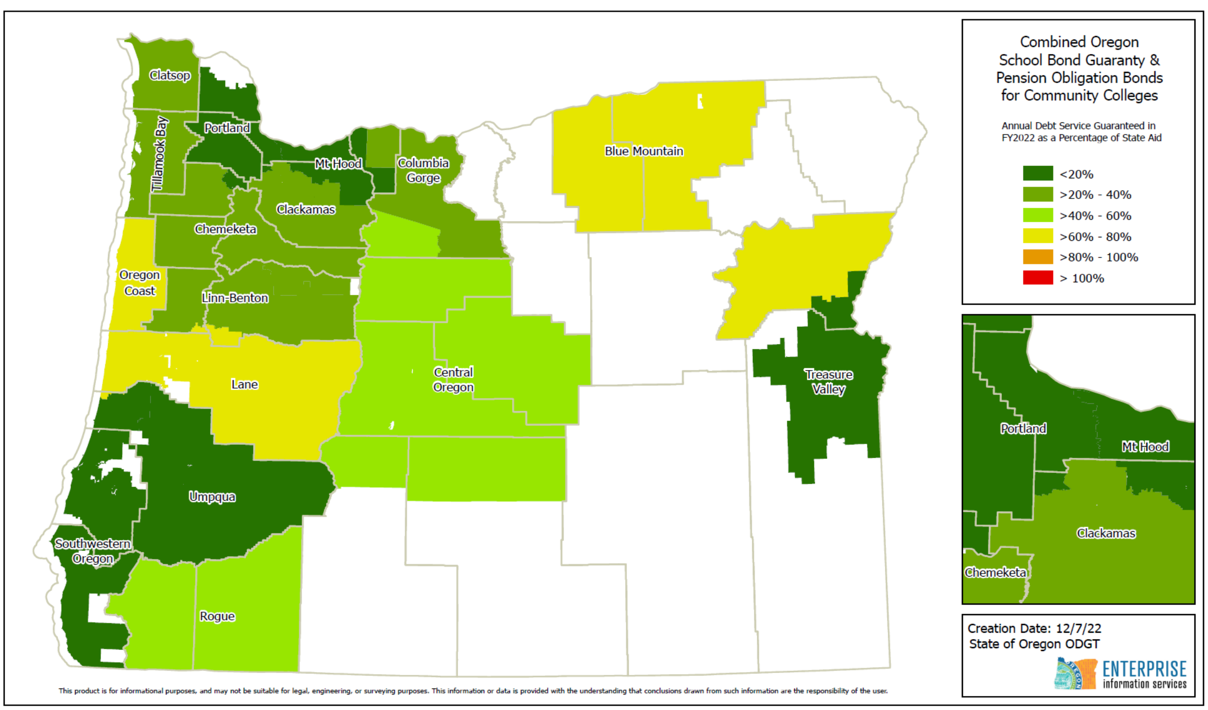


Exhibit VI.6



APPENDIX A:
Supporting Tables and Graphs

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Table A-1

State of Oregon Bonding and Appropriation Credit Programs

Classification of Debt for Capacity and Debt Burden Determinations

Active State of Oregon Bonding Programs

- **General Obligation**
- **Direct Revenue**
- **Appropriation Credit**
- **Appropriation Credits**
- **Conduits**

General Fund-Supported Debt Programs

General Obligation Bond Programs:

- State Highway Bonds - Article XI Sec 7
- Higher Education Facility – Article XI-G
- Community College Bonds – Article XI-G
- Pollution Control Bonds – Article XI-H (53%)
- Alternate Energy Bonds – Article XI-J (56%)
- Oregon Opportunity Bonds – Article XI-L
- Seismic Rehab – Public Education Bldgs. (Article XI-M)
- Seismic Rehab – Emergency Services Bldgs. (Article XI-N)
- School District Capital Costs – Article XI-P
- State General Purpose Bonds Article XI-Q (91%)
- Pension Obligation Bonds – Article XI-O (38%)

Direct Revenue Bond Programs:

Appropriation Credits

- Appropriation Bonds – SB 856 – 2003 Legislature
- Certificates of Participation – ORS 283.085 to 283.092 (100%)

Non Tax-Supported Debt Programs

General Obligation Bond Programs:

- Veterans' Welfare – Article XI-A
- Elderly & Disabled Housing Bonds – Article XI-I(2)
- Higher Education Building Bonds – Article XI-F(1)
- Pollution Control Bonds – Article-H (47%)
- Alternate Energy Bonds – Article XI-J (44%)
- State General Purpose Bonds – Article XI-Q (9%)
- Pension Obligation Bonds – Article XI-O (62%)

Direct Revenue Bond Programs:

- Single & Multi-Family Housing Bonds – ORS 456.661
- Oregon Infrastructure Authority Bond Bank – ORS 285B.482

Conduit Revenue Bond Programs:

- Economic & Industrial Development Bonds – ORS 285.310 to 285.397
- Oregon Facilities Authority – ORS Ch. 289
- Housing Development Revenue Bonds – ORS 456.692

Net Tax-Supported Debt

All General Fund-Supported Debt Programs

Plus

Direct Revenue Bond Programs:

- Lottery Revenue Programs – ORS 286A.563 to 286A.585
- Highway User Tax Bonds – ORS 367.620

Table A-2

Net Tax-Supported Debt Authorizations for 2023-2025 Biennium

Net Tax-Supported Debt Programs	2023-2025 Biennium Authorization	FY 2024 Actual Issuance	FY 2025 Planned Issuance	Remaining Authorization
Community College Bonds (Article XI-G)	$ 74,955,000		$ 74,955,000	$ 0
Dept. of Higher Education Facility Bonds (Article XI-G)	84,660,000		84,660,000	0
DEQ – Pollution Control Bonds (Article XI-H)	10,333,333		10,333,333	0
Seismic Rehab – Public Education Buildings (Article XI-M)	100,885,000	49,015,000	51,870,000	0
Seismic Rehab – Emergency Services Buildings (Article XI-N)	50,570,000	22,280,000	28,290,000	0
Dept. of Education – School Construction Bonds (Article XI-P)	100,885,000		100,885,000	0
State General Purpose Bonds (Article XI-Q)	1,519,214,910	653,330,000	865,884,910	0
Lottery Revenue Bonds ORS 286.563-585	528,330,000	221,415,000	306,915,000	0
Highway User Tax Bonds ORS 376.620	660,000,000		660,000,000	0
Dept. of Transportation –State Highway Bonds (Article XI (Sect7))	251,825,000		251,825,000	0
Financing Agreements ORS 286A.035	100,000,000		100,000,000	0
Total Net Tax-Supported Debt Authorizations	**$ 3,481,658,243**	**$ 946,040,000**	**$ 2,535,618,243**	**$ 0**

[1]

Table A-3

General Fund-Supported Debt Service by year[1]

(as of June 30, 2024)

Fiscal Year (ending June 30th)	DAS COP (ORS 283 & 286A) (100%)	ODOT State Hwy XI Sec 7 (100%)	Dept. of Ed. CCWD (XI-G) (100%)	DAS Dept. of Hi-Ed. Facility (XI-G) (100%)	DEQ Pollution Control (XI-H) (53% GF Paid)	DOE Alternate Energy (XI-J) (56% GF Paid)	Orphan Sites (XI-H) (56% GF Paid)	DAS Seismic Public Ed. Bldgs.(XI-M) (100%)	DAS Seismic - Emergency Services Bldgs.(XI-N) (100%)	DAS Pension Obligation (XI-O) (38% GF Paid)	DAS School Cap. Cost (XI-P) (100%)	DAS General Purpose (XI-Q) (91% GF Paid)	Total General Fund-Supported Debt Service
2025	$ 7,297,181	$ 2,046,800	$ 20,415,992	$ 64,171,206	$ 1,244,845	$ 7,019,307	$ 213,725	$ 37,671,810	$ 10,756,502	$ 102,226,920	$ 29,244,900	$ 350,809,499	$ 633,118,686
2026	7,297,669	2,049,125	20,422,562	63,533,556	1,245,349	7,038,383	213,962	37,665,039	10,765,793	106,571,620	29,244,000	346,540,702	632,587,760
2027	7,294,818	2,045,375	20,358,439	63,444,963	973,557	6,421,930	213,989	37,681,315	10,769,287	111,099,769	29,249,625	332,877,832	622,430,899
2028	7,296,095	2,049,375	20,354,441	61,845,831	975,914	6,281,131	213,804	37,682,464	10,770,602		29,253,625	321,533,415	498,256,698
2029	7,297,764	2,046,000	19,824,383	58,466,404	812,504	6,002,527	216,006	37,690,538	10,775,549	-	29,264,250	317,730,801	490,126,725
2030	7,298,212	2,050,125	19,438,897	56,301,218	817,175	4,805,915	215,294	37,693,058	10,756,898	-	29,269,250	305,782,463	474,428,506
2031	7,297,685	2,046,625	19,428,180	54,607,786	813,094	3,984,676	214,372	37,702,499	10,764,972	-	29,277,000	294,326,723	460,463,612
2032	7,295,468	2,045,500	19,418,879	53,082,416	816,160	2,656,579	215,835	37,706,028	10,767,943	-	29,290,000	278,733,557	442,028,365
2033	7,293,485	2,046,500	19,419,039	49,714,637	815,669	1,129,107	214,385	37,710,132	10,775,133	-	29,281,125	271,210,017	429,609,230
2034	7,293,930	2,049,375	19,419,711	49,745,166	388,838	786,527	215,322	37,728,056	10,770,885	-	29,293,625	263,212,591	420,904,024
2035	7,293,551	2,049,000	16,108,641	47,316,323	389,127		215,941	37,720,943	10,773,792	-	29,309,125	254,037,048	405,213,492
2036	7,293,807	2,050,250	16,110,904	47,210,822	391,451	-	213,648	36,329,868	9,483,619	-	29,310,250	235,903,062	384,297,681
2037	7,294,011	2,048,000	13,953,461	43,949,242	390,509	-	213,740	32,865,313	9,277,425	-	29,324,250	209,977,634	349,293,585
2038	7,293,752	2,047,125	13,951,536	43,389,384	388,990	-	213,516	23,843,188	7,311,125	-	21,021,500	190,062,419	309,522,534
2039	7,297,620	2,047,375	12,080,888	41,900,954	182,777	-	-	22,124,288	6,625,375	-	21,034,500	176,706,658	290,000,434
2040		2,048,500	12,074,685	38,867,712		-	-	17,434,638	6,030,225	-	14,193,500	152,522,088	243,171,348
2041	-	2,050,250	5,282,525	35,385,284		-	-	14,339,738	6,027,175	-	14,209,000	146,967,288	224,261,259
2042	-	2,047,500	5,262,500	31,436,406		-	-	11,579,388	5,062,475	-	6,913,000	123,617,181	185,918,450
2043	-	2,050,000	5,276,775	22,438,125		-	-	7,656,625	3,580,113	-	6,919,500	72,586,789	120,507,926
2044	-		3,640,800	11,620,425		-	-	3,967,925	1,805,038	-	-	45,306,180	66,340,368
2045	-	-	1,194,175	9,050,425		-	-			-	-	16,833,251	27,077,851
2046	-	-	1,189,675	2,928,675		-	-			-	-	15,637,725	19,756,075
2047	-	-	1,193,400	2,932,525		-	-			-	-	12,988,350	17,114,275
2048	-	-		307,125		-	-			-	-	10,007,550	10,314,675
2049				307,500									307,500
Total	**$ 109,435,049**	**$ 38,912,800**	**$ 305,820,489**	**$ 953,954,111**	**$ 10,645,958**	**$ 46,126,082**	**$ 7,328,750**	**$ 584,792,848**	**$ 173,649,926**	**$ 319,898,309**	**$ 494,956,492**	**$ 4,203,553,989**	**$ 7,757,051,958**

[1] Oregon Opportunity (OHSU) bonds have matured and fully paid out in FY 2024

Table A-4

General Fund-Supported Debt*
Debt Service by Year
(as of June 30, 2024)

Fiscal Year	Principal	Interest	Debt Service
2024-2025	$ 387,865,450	$ 245,253,236	$ 633,118,686.43
2025-2026	404,069,650	228,518,110	632,587,759.89
2026-2027	412,032,350	210,398,549	622,430,898.51
2027-2028	306,626,450	191,630,248	498,256,697.58
2028-2029	311,115,850	179,010,875	490,126,725.18
2029-2030	308,394,150	166,034,356	474,428,506.50
2030-2031	307,413,300	153,050,312	460,463,611.55
2031-2032	302,156,350	139,872,015	442,028,365.32
2032-2033	303,059,100	126,550,130	429,609,230.37
2033-2034	307,943,650	112,960,374	420,904,023.99
2034-2035	306,170,550	99,042,942	405,213,492.23
2035-2036	299,142,250	85,155,431	384,297,680.62
2036-2037	277,638,950	71,654,635	349,293,584.84
2037-2038	250,156,650	59,365,884	309,522,534.43
2038-2039	241,804,700	48,195,734	290,000,434.18
2039-2040	205,714,000	37,457,348	243,171,347.83
2040-2041	196,125,000	28,136,259	224,261,258.92
2041-2042	167,002,500	18,915,950	185,918,450.13
2042-2043	109,591,000	10,916,926	120,507,926.25
2043-2044	60,547,500	5,792,868	66,340,367.50
2044-2045	24,024,500	3,053,351	27,077,851.25
2045-2046	17,726,000	2,030,075	19,756,075.00
2046-2047	15,931,000	1,183,275	17,114,275.00
2047-2048	9,816,000	498,675	10,314,675.00
2048-2049	300,000	7,500	307,500.00
Total:	**$ 5,532,366,900**	**$ 2,224,685,058**	**$ 7,757,051,958**

Note: May not sum due to rounding.
Comprises $5,450,776,900 GO (GFSD) and $81,590,000 COPs (GFSD)

Table A-5
Net Tax-Supported Debt
Annual Debt Service Requirements
(as of June 30, 2024)

Fiscal Year (Ending June 30th)	Certificates of Participation	Community College Bonds (XI-G)	Higher Education Facility Bonds (XI-G)	State Highway G.O. Bonds (XI Sec 7)	Pension Obligation Bonds (XI-O)	School District Capitol Costs (XI-P)	DOE Alternate Energy Bonds (GF Supported)
2025	$ 7,297,181	$ 20,415,992	$ 64,171,206	$ 2,046,800	$ 255,567,300	$ 29,244,900	$ 7,019,307
2026	7,297,669	20,422,562	63,533,556	2,049,125	266,429,051	29,244,000	7,038,383
2027	7,294,818	20,358,439	63,444,963	2,045,375	277,749,421	29,249,625	6,421,930
2028	7,296,095	20,354,441	61,845,831	2,049,375		29,253,625	6,281,131
2029	7,297,764	19,824,383	58,466,404	2,046,000		29,264,250	6,002,527
2030	7,298,212	19,438,897	56,301,218	2,050,125		29,269,250	4,805,915
2031	7,297,685	19,428,180	54,607,786	2,046,625		29,277,000	3,984,676
2032	7,295,468	19,418,879	53,082,416	2,045,500		29,290,000	2,656,579
2033	7,293,485	19,419,039	49,714,637	2,046,500		29,281,125	1,129,107
2034	7,293,930	19,419,711	49,745,166	2,049,375		29,293,625	786,527
2035	7,293,551	16,108,641	47,316,323	2,049,000		29,309,125	-
2036	7,293,807	16,110,904	47,210,822	2,050,250		29,310,250	-
2037	7,294,011	13,953,461	43,949,242	2,048,000		29,324,250	-
2038	7,293,752	13,951,536	43,389,384	2,047,125		21,021,500	-
2039	7,297,620	12,080,888	41,900,954	2,047,375		21,034,500	-
2040		12,074,685	38,867,712	2,048,500		14,193,500	-
2041		5,282,525	35,385,284	2,050,250		14,209,000	-
2042		5,262,500	31,436,406	2,047,500		6,913,000	-
2043		5,276,775	22,438,125	2,050,000		6,919,500	-
2044		3,640,800	11,620,425				-
2045		1,194,175	9,050,425				-
2046		1,189,675	2,928,675				-
2047		1,193,400	2,932,525				-
2048			307,125				-
2049			307,500				-
	$ 109,435,049	**$ 305,820,489**	**$ 953,954,111**	**$ 38,912,800**	**$ 789,745,772**	**$ 494,956,492**	**$ 46,126,082**

Note: May not sum due to rounding.

Table A-5 (Continued)
Net Tax-Supported Debt
Annual Debt Service Requirements
(as of June 30, 2024)

Fiscal Year (Ending June 30th)	DEQ Pollution Control Bonds (GF Supported)	Highway User Tax Revenue Bonds	State General Purpose GO's	Seismic Rehab - Public Ed Buildings (XI-M)	Seismic Rehab - Emergency Services Buildings (XI-N)	Lottery Revenue Bonds	Total Net Tax-Supported Debt
2025	$ 1,244,845	$ 195,343,625	$ 389,788,332	$ 37,671,810	$ 10,756,502	$ 175,479,276	$ 1,196,260,801
2026	1,245,349	195,282,090	385,045,224	37,665,039	10,765,793	174,920,160	1,201,151,962
2027	973,557	195,717,996	369,864,258	37,681,315	10,769,287	168,062,958	1,189,847,931
2028	975,914	198,443,785	357,259,350	37,682,464	10,770,602	150,146,690	882,573,108
2029	812,504	196,413,542	353,034,223	37,690,538	10,775,549	136,993,917	858,837,607
2030	817,175	197,557,000	339,758,292	37,693,058	10,756,898	122,987,522	828,948,858
2031	813,094	201,459,356	327,029,692	37,702,499	10,764,972	113,891,560	808,517,497
2032	816,160	202,824,521	309,703,953	37,706,028	10,767,943	94,228,349	770,051,630
2033	815,669	206,716,561	301,344,464	37,710,132	10,775,133	92,663,531	759,123,768
2034	388,838	209,990,288	292,458,434	37,728,056	10,770,885	80,042,037	740,182,193
2035	389,127	221,171,442	282,263,387	37,720,943	10,773,792	76,824,493	731,435,766
2036	391,451	148,008,897	262,114,514	36,329,868	9,483,619	67,497,824	626,015,853
2037	390,509	148,013,713	233,308,482	32,865,313	9,277,425	67,496,973	588,135,119
2038	388,990	148,011,881	211,180,465	23,843,188	7,311,125	54,664,250	533,316,712
2039	182,777	148,009,808	196,340,731	22,124,288	6,625,375	54,653,750	512,298,065
2040		148,016,100	169,468,987	17,434,638	6,030,225	42,531,500	450,665,847
2041		148,013,150	163,296,986	14,339,738	6,027,175	42,517,750	431,121,858
2042		93,289,850	137,352,424	11,579,388	5,062,475	42,526,750	335,470,292
2043		93,241,050	80,651,988	7,656,625	3,580,113	27,968,000	249,782,175
2044		7,956,994	50,340,200	3,967,925		10,610,250	89,941,631
2045		7,953,238	18,703,613				36,901,450
2046		7,956,238	17,375,250				29,449,838
2047		7,954,944	14,431,500				26,512,369
2048		7,953,438	11,119,500				19,380,063
2049							307,500
	$ 10,645,958	**$ 3,335,299,505**	**$ 5,273,234,247**	**$ 584,792,848**	**$ 173,649,926**	**$ 1,796,707,541**	**$ 13,896,229,892**

Note: May not sum due to rounding.

Table A-6

Net Tax-Supported Debt
Debt Service by Year
(as of June 30, 2024)

Fiscal Year	Principal	Interest	Total
2024-2025	$ 778,356,950	$ 417,903,851	$ 1,196,260,801
2025-2026	816,738,650	384,413,312	1,201,151,962
2026-2027	842,337,850	347,510,081	1,189,847,931
2027-2028	572,817,450	309,755,658	882,573,108
2028-2029	570,365,350	288,472,257	858,837,607
2029-2030	561,474,150	267,474,708	828,948,858
2030-2031	561,101,800	247,415,697	808,517,497
2031-2032	542,620,850	227,430,780	770,051,630
2032-2033	551,040,600	208,083,168	759,123,768
2033-2034	551,389,650	188,792,543	740,182,193
2034-2035	561,457,050	169,978,716	731,435,766
2035-2036	476,653,250	149,362,603	626,015,853
2036-2037	460,754,450	127,380,669	588,135,119
2037-2038	426,970,650	106,346,062	533,316,712
2038-2039	425,420,200	86,877,865	512,298,065
2039-2040	383,250,000	67,415,847	450,665,847
2040-2041	381,780,000	49,341,858	431,121,858
2041-2042	303,195,000	32,275,292	335,470,292
2042-2043	232,235,000	17,547,175	249,782,175
2043-2044	81,495,000	8,446,631	89,941,631
2044-2045	32,245,000	4,656,450	36,901,450
2045-2046	26,250,000	3,199,838	29,449,838
2046-2047	24,610,000	1,902,369	26,512,369
2047-2048	18,625,000	755,063	19,380,063
2048-2049	300,000	7,500	307,500
Total:	**$ 10,183,483,900**	**$ 3,712,745,992**	**$ 13,896,229,892**

Note: May not sum due to rounding

Table A-7[1]

Annual Debt Service Requirements for Lottery Bonds Outstanding

(as of June 30, 2024)

Fiscal Year (ending June 30th)	$71,075,000 2013 Series C Advance Refunding-Refunding Various Series (2001B, 2002B, 2003B, 2004A, 2005B, 2005C)	$77,805,000 2015 Series A DAS, Business Oregon, Dept. of Transportation, Water Resources	$117,995,000 2015 Series C Advance Refunding - Refunding Various Series (2007C, 2008A, 2011A)	$164,230,000 2015 Series D Advance Refunding - Refunding Various Series (2009A)	$22,710,000 2015 Series E Advance Refunding - Refunding Various Series (2010D	$17,195,000 2015 Series F Advance Refunding - Refunding Various Series (2010A)	$93,000,000 2017 Series A Various Projects Tax-Exempt	$73,740,00 2017 Series B Various Projects -- Taxable	$63,675,000 2017 Series C Advance Refunding - Refunding Various Series(2010A, 2011A, 2012A)	$100,395,000 2019 Series A New Funding Various Projects Tax-Exempt	$56,235,000 2019 Series B New Funding Various Projects Taxable
2025	$ 2,124,885	$ 9,337,250	$ 21,025,250	$ 6,090,000	$ 3,196,750	$ 2,968,250	$ 4,650,000	$ 8,213,805	$ 4,072,500	$ 5,019,750	$ 7,114,494
2026		9,334,250	23,860,750	34,350,000	3,196,500	2,972,000	4,650,000	8,213,158	4,237,250	5,019,750	7,113,310
2027		9,337,750	15,974,250	34,347,000	3,195,000	2,974,750	4,650,000	8,216,382	4,065,750	5,019,750	7,111,292
2028		9,336,750	3,937,500	34,348,500	3,197,000	2,971,250	6,220,000	6,645,822	11,544,250	5,019,750	7,110,330
2029		9,335,750		34,350,750	3,192,000	2,971,500	12,861,500		3,690,500	11,734,750	396,769
2030		9,334,000					12,862,000		26,817,250	12,134,000	
2031		9,335,750					12,861,750		17,599,000	12,131,500	
2032		9,335,000					12,864,750		1,785,000	12,130,500	
2033		9,336,000					12,864,750			12,130,000	
2034		9,332,750					12,865,750			12,134,000	
2035		9,334,500					12,861,500			12,131,250	
2036							12,866,000			12,131,000	
2037							12,862,500			12,132,000	
2038										12,133,000	
2039										12,132,750	
2040											
2041											
2042											
2043											
Total	**$ 2,124,885**	**$102,689,750**	**$64,797,750**	**$143,486,250**	**$15,977,250**	**$14,857,750**	**$135,940,500**	**$31,289,168**	**$73,811,500**	**$153,133,750**	**$28,846,196**

Note: May not sum due to rounding.

Includes annual fiscal year debt service requirements on all Lottery debt issued through June 30, 2024.

Table A-7[1] (Continued)

Annual Debt Service Requirements for Lottery Bonds Outstanding
(as of June 30, 2024)

Fiscal Year (ending June 30th)	$14,190,000 2021 Series A Revenue Refunding Various Tax-Exempt (2011A, 2012B, 2013A)	$109,915,000 2021 Series B Revenue Refunding Various Taxable (2011A, 2012B, 2013A)	$94,040,000 2022 Series A New Funding Various Projects Tax-Exempt	$123,650,000 2022 Series B Various Projects Taxable	2023 Series A Various Projects Tax-Exempt	2023 Series B Various Projects Taxable	2024 Series A Various Projects Taxable	2024 Series B Various Projects Taxable	2024 Series C Various Projects Taxable	2024 Series D Various Projects Taxable	Total Outstanding Debt Service Requirements
2025	$ 1,956,250	$ 6,691,246	$ 4,702,000	$ 13,063,073	$ 10,746,250	$ 8,068,497	$11,918,896	$6,513,005	$11,371,667	$26,365,458	$175,479,276
2026	2,520,250	4,600,497	4,702,000	13,065,330	7,213,000	10,086,900	11,731,250	7,519,714	10,534,250		174,920,160
2027	2,107,750	8,778,179	4,702,000	13,064,294	7,213,000	10,085,416	9,169,250	7,519,645	10,531,500		168,062,958
2028	1,681,000	2,832,403	4,702,000	13,060,497	7,213,000	10,084,932	12,722,250	7,519,456			150,146,690
2029	326,500	5,609,342	4,702,000	13,064,356	7,213,000	10,087,755	9,940,000	7,517,445			136,993,917
2030	3,686,500	12,469,686	4,702,000	13,060,411	7,213,000	10,085,616	3,109,750	7,513,309			122,987,522
2031	3,328,500	12,124,913	4,702,000	13,063,729	7,213,000	10,089,606	3,924,750	7,517,062			113,891,560
2032		12,466,101	4,702,000	13,060,777	7,213,000	10,085,717	3,069,000	7,516,504			94,228,349
2033		12,613,154	4,702,000	13,064,261	17,368,000		3,069,000	7,516,366			92,663,531
2034			4,702,000	13,060,347	17,365,250		3,069,000	7,510,940			80,042,037
2035			14,552,000		17,367,250		3,069,000	7,508,993			76,824,493
2036			14,549,500		17,367,500		3,069,000	7,514,824			67,497,824
2037			14,552,500		17,364,750		3,069,000	7,516,223			67,496,973
2038			14,549,500		17,367,750		10,614,000				54,664,250
2039			14,549,500		17,369,750		10,601,750				54,653,750
2040			14,551,000		17,369,250		10,611,250				42,531,500
2041			14,547,500		17,364,750		10,605,500				42,517,750
2042			14,547,750		17,369,750		10,609,250				42,526,750
2043					17,367,000		10,601,000				27,968,000
2044							10,610,250				10,610,250
Total	**$15,606,750**	**$78,455,520**	**$163,419,250**	**$130,629,075**	**$252,278,250**	**$78,674,441**	**$155,183,146**	**$96,703,486**	**$32,437,417**	**$26,365,458**	**$1,796,707,541**

Includes annual fiscal year debt service requirements on all Lottery debt issued through June 30, 2024.

Table A-8

Lottery Revenue Debt
Total Principal and Interest Debt Service by Year
(as of June 30, 2024)

Fiscal Year	Principal	Interest	Total
2025	$ 116,135,000	$ 59,344,276	$ 175,479,276
2026	119,650,000	55,270,160	174,920,160
2027	118,105,000	49,957,958	168,062,958
2028	105,295,000	44,851,690	150,146,690
2029	96,865,000	40,128,917	136,993,917
2030	87,330,000	35,657,522	122,987,522
2031	82,045,000	31,846,560	113,891,560
2032	65,960,000	28,268,349	94,228,349
2033	67,165,000	25,498,531	92,663,531
2034	57,445,000	22,597,037	80,042,037
2035	56,985,000	19,839,493	76,824,493
2036	50,520,000	16,977,824	67,497,824
2037	53,065,000	14,431,973	67,496,973
2038	42,910,000	11,754,250	54,664,250
2039	45,045,000	9,608,750	54,653,750
2040	35,175,000	7,356,500	42,531,500
2041	36,920,000	5,597,750	42,517,750
2042	38,775,000	3,751,750	42,526,750
2043	26,155,000	1,813,000	27,968,000
2044	10,105,000	505,250	10,610,250
Total:	**$1,311,650,000**	**$485,057,541**	**$1,796,707,540.73**

Table A-9

Oregon School Bond Guaranty and Local Government Pension Bonds vs. State Aid, FY24-25
***Net State Aid does not include State Managed Timber Revenues or Property Taxes**
Highlighted orange rows indicate % of Total Debt Service / *Net State Aid > 80%
Highlighted yellow rows indicate % of Total Debt Service / *Net State Aid > 100%

District Type	District	FYE24 Pension Annual P&I DS	FYE24 OSBG Annual P&I DS	FYE24 Annual DS P&I Total	FYE24 State Aid	FYE24 % OSBG / *Net State Aid	FYE24 % Total DS / *Net State Aid
School	Clatsop cty SD 10 (Seaside)	995,561.00	5,312,198.84	6,307,759.84	211,469.90	471%	2983%
School	Tillamook cty SD 56 (Neah-Kah-Nie)	-	1,445,915.00	1,445,915.00	97,601.49	0%	1481%
School	Tillamook Cty SD 101 (Nestucca Valley)	264,351.60	2,216,750.00	2,481,101.60	291,340.70	91%	852%
School	Deschutes cty SD 6 (Sisters)	1,045,143.80	3,093,300.00	4,138,443.80	3,700,094.00	28%	112%
Community College	Blue Mountain Community College	1,084,569.80	2,061,306.26	3,145,876.06	3,684,367.58	29%	85%
School	Multnomah cty SD 1J (Portland)	60,042,002.20	146,973,300.00	207,015,302.20	264,466,897.29	23%	78%
Community College	Oregon Coast Community College	232,488.90	2,101,425.00	2,333,913.90	3,213,678.62	7%	73%
Community College	Lane Community College	6,234,250.00	12,823,104.00	19,057,354.00	27,700,839.91	23%	69%
School	Jackson cty SD 5 (Ashland)	-	7,564,400.00	7,564,400.00	13,745,524.54	0%	55%
School	Lincoln Cty Unified SD	5,834,753.00	6,880,000.00	12,714,753.00	24,440,032.80	24%	52%
Community College	Clackamas Community College	3,137,170.16	6,308,851.23	9,446,021.39	19,196,806.39	16%	49%
School	Multnomah cty SD 3 (Parkrose)	3,323,591.52	3,862,903.60	7,186,495.12	14,838,364.33	22%	48%
Community College	Clatsop Community College	765,341.40	965,110.00	1,730,451.40	3,765,769.91	20%	46%
School	Washington cty SD 88J (Sherwood)	1,489,319.46	15,545,225.00	17,034,544.46	37,104,337.14	4%	46%
School	Deschutes Cty SD 1 (Bend-Lapine)	8,584,218.80	38,403,596.50	46,987,815.30	104,209,185.20	8%	45%
Community College	Central Oregon Community College	1,411,542.00	3,016,800.00	4,428,342.00	9,904,920.46	14%	45%
School	Clatsop cty SD 1 (Astoria)	2,129,212.40	3,929,300.00	6,058,512.40	13,645,285.47	16%	44%
Community College	Chemeketa Community College	4,324,531.10	11,529,284.39	15,853,815.49	36,362,868.59	12%	44%
School	Clackamas cty SD 12 (North Clackamas)	13,669,028.40	38,381,732.10	52,050,760.50	130,524,463.60	10%	40%
School	Clackamas cty SD 115 (Gladstone)	2,035,970.50	4,317,250.00	6,353,220.50	15,931,820.69	13%	40%
School	Benton cty SD 509J (Corvallis)	2,886,275.00	14,743,637.50	17,629,912.50	44,834,146.96	6%	39%

Table A-9

Oregon School Bond Guaranty and Local Government Pension Bonds vs. State Aid, FY24-25
***Net State Aid does not include State Managed Timber Revenues or Property Taxes**
Highlighted orange rows indicate % of Total Debt Service / *Net State Aid > 80%
Highlighted yellow rows indicate % of Total Debt Service / *Net State Aid > 100%

District Type	District	FYE24 Pension Annual P&I DS	FYE24 OSBG Annual P&I DS	FYE24 Annual DS P&I Total	FYE24 State Aid	FYE24 % OSBG / *Net State Aid	FYE24 % Total DS / *Net State Aid
School	Lane cty SD 4J (Eugene)	5,708,697.60	39,735,920.83	45,444,618.43	115,646,632.22	5%	39%
Community College	Rogue Community College	2,050,395.16	1,653,400.00	3,703,795.16	9,746,060.50	21%	38%
School	Washington cty SD 23J (Tigard-Tualatin)	4,233,557.20	23,346,163.50	27,579,720.70	77,936,021.89	5%	35%
School	Tillamook cty SD 9 (Tillamook)	2,041,538.20	1,389,250.00	3,430,788.20	9,989,784.73	20%	34%
School	Morrow Cty SD 2 (Ione)	-	777,450.00	777,450.00	2,268,788.54	0%	34%
School	Clackamas cty SD 86 (Canby)	4,318,534.20	7,602,018.50	11,920,552.70	34,915,018.33	12%	34%
School	Deschutes cty SD 2J (Redmond)	3,458,229.20	14,555,874.46	18,014,103.66	53,409,270.12	6%	34%
School	Washington cty SD 1J (Hillsboro)	10,816,708.70	40,294,969.00	51,111,677.70	152,101,029.77	7%	34%
School	Clackamas cty SD 7J (Lake Oswego)	4,804,296.80	8,358,778.33	13,163,075.13	39,212,444.39	12%	34%
School	Lane cty SD 28J (Fern Ridge)	778,057.00	3,281,863.40	4,059,920.40	12,495,671.75	6%	32%
Community College	Columbia Gorge Community College (Treaty-Oak AED)	199,347.11	1,703,550.00	1,902,897.11	5,875,528.00	3%	32%
School	Columbia cty SD 502 (St Helens)	3,016,423.20	4,474,250.00	7,490,673.20	23,218,464.52	13%	32%
School	Yamhill cty SD 29J (Newberg)	4,257,565.80	6,155,000.00	10,412,565.80	32,917,785.37	13%	32%
School	Washington cty SD 48J (Beaverton)	18,138,948.10	79,651,937.12	97,790,885.22	317,055,395.66	6%	31%
Community College	Portland Community College	11,526,159.00	24,714,901.40	36,241,060.40	119,393,246.60	10%	30%
School	Clatsop cty SD 30 (Warrenton-Hammond)	343,996.36	1,989,600.00	2,333,596.36	7,814,218.11	4%	30%
School	Umatilla Cty SD 16R (Pendleton)	3,079,337.40	5,433,709.76	8,513,047.16	29,701,641.12	10%	29%
School	Yamhill cty SD 4J (Amity)	802,215.40	1,426,106.11	2,228,321.51	7,788,375.98	10%	29%
School	Union cty SD 1 (La Grande)	1,135,681.00	4,329,382.84	5,465,063.84	19,167,004.12	6%	29%

Table A-9

Oregon School Bond Guaranty and Local Government Pension Bonds vs. State Aid, FY24-25
***Net State Aid does not include State Managed Timber Revenues or Property Taxes**
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Highlighted yellow rows indicate % of Total Debt Service / *Net State Aid > 100%

District Type	District	FYE24 Pension Annual P&I DS	FYE24 OSBG Annual P&I DS	FYE24 Annual DS P&I Total	FYE24 State Aid	FYE24 % OSBG / *Net State Aid	FYE24 % Total DS / *Net State Aid
School	Jackson cty SD 4 (Phoenix-Talent)	1,675,156.40	3,526,450.00	5,201,606.40	18,472,616.22	9%	28%
School	Clackamas Cty SD 3J (W.Linn-Wilsonville)	4,747,248.00	13,523,801.10	18,271,049.10	65,899,339.67	7%	28%
Community College	Tillamook Bay Community College	173,720.56	782,324.74	956,045.30	3,455,540.02	5%	28%
School	Yamhill cty SD 8 (Dayton)	886,692.50	1,484,600.00	2,371,292.50	8,618,585.46	10%	28%
School	Umatilla cty SD 8 (Hermiston)	6,488,120.22	8,554,156.60	15,042,276.82	56,949,104.49	11%	26%
School	Multnomah cty SD 10J (Gresham-Barlow)	7,319,908.00	21,071,725.00	28,391,633.00	108,004,681.83	7%	26%
School	Washington cty SD 511J (Gaston)	499,553.20	572,650.00	1,072,203.20	4,098,363.23	12%	26%
Community College	Linn-Benton Community College	3,123,097.50	3,256,000.00	6,379,097.50	24,397,119.02	13%	26%
School	Multnomah cty SD 51J (Riverdale)	519,452.40	423,537.42	942,989.82	3,666,433.12	14%	26%
School	Linn Cty SD 8J (Greater Albany)	4,903,155.20	14,811,950.00	19,715,105.20	79,813,876.11	6%	25%
School	Yamhill Cty SD 1 (Yamhill-Carlton)	1,146,372.00	965,750.00	2,112,122.00	8,591,102.35	13%	25%
School	Douglas cty SD 12 (Glide)	369,181.00	953,400.00	1,322,581.00	5,454,172.41	7%	24%
School	Yamhill cty SD 40 (McMinnville)	3,447,873.40	11,373,638.00	14,821,511.40	61,781,301.60	6%	24%
School	Polk cty SD 13J (Central)	2,453,548.00	5,257,942.00	7,711,490.00	32,479,888.97	8%	24%
School	Columbia cty SD 47J (Vernonia)	-	1,070,205.16	1,070,205.16	4,782,273.20	0%	22%
School	Clackamas cty SD 62 (Oregon City)	4,916,195.60	8,043,925.00	12,960,120.60	58,714,126.30	8%	22%
School	Hood River Cty SD (Hood River)	2,906,818.60	4,823,400.00	7,730,218.60	35,258,855.49	8%	22%
School	Lane cty SD 45J3 (South Lane)	2,832,592.52	3,120,537.50	5,953,130.02	27,393,422.12	10%	22%
School	Lane cty SD 97J (Siuslaw)	1,126,201.60	417,581.26	1,543,782.86	7,185,022.93	16%	21%

Table A-9

Oregon School Bond Guaranty and Local Government Pension Bonds vs. State Aid, FY24-25
***Net State Aid does not include State Managed Timber Revenues or Property Taxes**
Highlighted orange rows indicate % of Total Debt Service / *Net State Aid > 80%
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District Type	District	FYE24 Pension Annual P&I DS	FYE24 OSBG Annual P&I DS	FYE24 Annual DS P&I Total	FYE24 State Aid	FYE24 % OSBG / *Net State Aid	FYE24 % Total DS / *Net State Aid
School	Lane cty SD 69 (Junction City)	1,054,979.00	1,974,250.00	3,029,229.00	14,234,319.48	7%	21%
School	Marion cty SD 29J (North Santiam)	1,903,099.80	1,723,587.50	3,626,687.30	17,502,560.22	11%	21%
School	Umatilla cty SD 1 (Helix)	-	472,950.00	472,950.00	2,288,709.29	0%	21%
School	Clackamas Cty SD 46 (Oregon Trail)	-	7,126,000.00	7,126,000.00	34,590,735.29	0%	21%
School	Marion Cty SD 24J (Salem Keizer)	23,614,911.80	60,202,640.05	83,817,551.85	410,181,092.06	6%	20%
School	Lane cty SD 40 (Creswell)	452,225.04	1,614,852.50	2,067,077.54	10,362,407.43	4%	20%
School	Marion cty SD 14J (Jefferson)	835,430.40	757,087.50	1,592,517.90	7,998,981.71	10%	20%
School	Umatilla cty SD 61 (Stanfield)	430,688.00	797,400.00	1,228,088.00	6,187,615.17	7%	20%
School	Multnomah cty SD 7 (Reynolds)	9,800,489.20	10,507,326.58	20,307,815.78	103,157,460.26	10%	20%
School	Douglas cty SD 116 (Winston-Dillard)	1,508,066.00	1,041,400.00	2,549,466.00	12,989,705.00	12%	20%
School	Marion cty SD 15 (North Marion)	1,446,174.00	2,091,350.00	3,537,524.00	18,279,170.24	8%	19%
School	Columbia cty SD 1J (Scappoose)	-	2,959,650.00	2,959,650.00	15,720,381.64	0%	19%
School	Washington cty SD 13 (Banks)	361,106.00	1,365,000.00	1,726,106.00	9,281,684.09	4%	19%
School	Lane cty SD 52 (Bethel)	-	8,003,702.30	8,003,702.30	43,901,523.15	0%	18%
School	Jefferson Cty SD 509J (Madras)	1,481,721.00	4,322,606.89	5,804,327.89	32,025,740.29	5%	18%
School	Crook Cty School District	2,842,797.60	1,942,220.36	4,785,017.96	26,403,053.41	11%	18%
School	Marion cty SD 45 (St Paul)	-	591,400.00	591,400.00	3,303,890.77	0%	18%
School	Curry cty SD 1 (Central Curry)	-	417,150.00	417,150.00	2,353,017.05	0%	18%
Community College	Southwestern Oregon Community College	1,472,137.00	-	1,472,137.00	8,387,455.89	18%	18%
School	Marion cty SD 4J (Silver Falls)	1,952,809.00	4,316,435.00	6,269,244.00	35,936,149.39	5%	17%

Table A-9

Oregon School Bond Guaranty and Local Government Pension Bonds vs. State Aid, FY24-25
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District Type	District	FYE24 Pension Annual P&I DS	FYE24 OSBG Annual P&I DS	FYE24 Annual DS P&I Total	FYE24 State Aid	FYE24 % OSBG / *Net State Aid	FYE24 % Total DS / *Net State Aid
Community College	Mt Hood Community College	6,093,690.50	-	6,093,690.50	35,126,639.56	17%	17%
School	Coos cty SD 9 (Coos Bay)	1,352,765.00	3,536,687.50	4,889,452.50	28,349,303.80	5%	17%
School	Umatilla cty SD 2 (Pilot Rock)	272,339.86	439,933.50	712,273.36	4,166,320.80	7%	17%
School	Lane cty SD 1 (Pleasant Hill)	-	1,483,056.26	1,483,056.26	8,789,651.97	0%	17%
School	Lane cty SD 19 (Springfield)	6,143,603.00	8,577,374.60	14,720,977.60	87,674,914.87	7%	17%
School	Linn cty SD 55 (Sweet Home)	2,086,141.00	1,752,400.00	3,838,541.00	23,096,720.45	9%	17%
School	Harney Cty SD 3 (Burns)	1,244,976.40	-	1,244,976.40	7,492,032.07	17%	17%
School	Douglas cty SD 105 (Reedsport)	346,975.00	664,977.20	1,011,952.20	6,413,319.78	5%	16%
School	Washington cty SD 15 (Forest Grove)	2,975,982.40	5,803,050.00	8,779,032.40	57,699,282.94	5%	15%
School	Umatilla Cty SD 5R (Echo)	205,717.40	380,925.00	586,642.40	3,865,540.65	5%	15%
School	Klamath Cty SD 1 (Klamath Falls)	-	4,112,471.10	4,112,471.10	27,748,007.52	0%	15%
School	Umatilla Cty USD 7 (Milton-Freewater)	1,591,436.40	844,800.00	2,436,236.40	16,767,585.94	9%	15%
School	Benton cty SD 1J (Monroe)	202,633.00	401,575.00	604,208.00	4,236,206.71	5%	14%
School	Jackson cty SD 549C (Medford)	4,573,916.00	12,782,575.00	17,356,491.00	123,528,853.68	4%	14%
School	Marion cty SD 5 (Cascade)	1,857,334.00	1,707,650.00	3,564,984.00	25,541,754.02	7%	14%
School	Columbia cty SD 6J (Clatskanie)	-	695,800.00	695,800.00	5,159,976.60	0%	13%
School	Clatsop cty SD 4 (Knappa)	-	687,766.67	687,766.67	5,112,592.12	0%	13%
School	Wasco cty SD 29 (Dufur)	-	484,950.00	484,950.00	3,695,746.08	0%	13%
School	Clackamas cty SD 108 (Estacada)	1,333,133.06	2,520,000.00	3,853,133.06	29,581,199.14	5%	13%
School	Gilliam cty SD 25J (Condon)	-	258,400.00	258,400.00	2,061,069.05	0%	13%
School	Curry Cty SD 17 (Brookings-Harbor)	1,231,541.00	-	1,231,541.00	9,982,261.09	12%	12%

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District Type	District	FYE24 Pension Annual P&I DS	FYE24 OSBG Annual P&I DS	FYE24 Annual DS P&I Total	FYE24 State Aid	FYE24 % OSBG / *Net State Aid	FYE24 % Total DS / *Net State Aid
School	Marion cty SD 103 (Woodburn)	-	7,753,246.46	7,753,246.46	63,377,341.27	0%	12%
School	Marion cty SD 91 (Mt Angel)	-	933,012.50	933,012.50	7,828,789.67	0%	12%
School	Benton cty SD 17J (Philomath)	675,074.00	1,094,400.00	1,769,474.00	14,968,083.03	5%	12%
School	Columbia cty SD 13 (Rainier)	721,796.86	-	721,796.86	6,123,451.18	12%	12%
School	Clackamas cty SD 35 (Molalla River)	2,521,531.40	-	2,521,531.40	21,804,610.53	12%	12%
School	Jefferson cty SD 4 (Culver)	-	835,200.00	835,200.00	7,243,812.20	0%	12%
School	Linn cty SD 9 (Lebanon Community)	-	4,040,002.66	4,040,002.66	35,544,334.36	0%	11%
School	Wallowa cty SD 12 (Wallowa)	-	309,325.00	309,325.00	2,755,704.80	0%	11%
School	Union cty SD 11 (Imbler)	-	463,000.00	463,000.00	4,162,147.83	0%	11%
School	Douglas cty SD 19 (South Umpqua)	1,579,529.60	-	1,579,529.60	14,255,851.82	11%	11%
School	Polk cty SD 2 (Dallas)	-	3,278,908.33	3,278,908.33	29,853,941.71	0%	11%
School	Douglas cty SD 130 (Sutherlin)	1,292,573.00	-	1,292,573.00	12,795,242.67	10%	10%
School	Linn cty SD 7J (Harrisburg)	-	773,400.00	773,400.00	7,723,321.93	0%	10%
School	Union cty SD 5 (Union)	200,968.00	215,650.00	416,618.00	4,162,902.99	5%	10%
School	Wasco Cty SD 1 (South)	-	254,450.00	254,450.00	2,748,661.00	0%	9%
Community College	Umpqua Community College	1,270,585.00	-	1,270,585.00	14,215,103.93	9%	9%
School	Marion cty SD 1 (Gervais)	1,167,035.50	-	1,167,035.50	13,269,208.33	9%	9%
School	Multnomah cty SD 40 (David Douglas)	3,789,702.34	4,949,225.00	8,738,927.34	99,570,324.19	4%	9%
School	Lane cty SD 32 (Mapleton)	-	195,925.00	195,925.00	2,276,551.40	0%	9%
School	Umatilla Cty SD 29J (Athena-Weston)	-	490,562.50	490,562.50	5,988,879.77	0%	8%

Table A-9

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District Type	District	FYE24 Pension Annual P&I DS	FYE24 OSBG Annual P&I DS	FYE24 Annual DS P&I Total	FYE24 State Aid	FYE24 % OSBG / *Net State Aid	FYE24 % Total DS / *Net State Aid
School	Lane cty SD 66 (Crow-Applegate-Lorane)	-	263,300.00	263,300.00	3,225,159.98	0%	8%
School	Douglas Cty SD 4 (Roseburg)	4,089,544.30	-	4,089,544.30	50,264,068.19	8%	8%
School	Coos cty SD 54 (Bandon)	-	398,616.60	398,616.60	4,934,097.36	0%	8%
School	Jackson cty SD 6 (Central Point)	-	3,453,950.00	3,453,950.00	43,626,934.81	0%	8%
School	Malheur cty SD 8C (Ontario)	1,127,252.00	1,033,040.00	2,160,292.00	27,764,939.77	4%	8%
School	Josephine Cty SD (Three Rivers)	2,995,256.00	-	2,995,256.00	38,783,109.18	8%	8%
School	Grant cty SD 3 (John Day)	430,527.00	-	430,527.00	5,693,394.63	8%	8%
School	Wallowa cty SD 21 (Enterprise)	-	347,149.63	347,149.63	4,651,098.40	0%	7%
School	Wasco Cty SD 21 (The Dalles) Bonds	1,837,229.80	-	1,837,229.80	25,202,464.69	7%	7%
School	Polk cty SD 57 (Falls City)	211,850.80	-	211,850.80	2,954,415.91	7%	7%
Community College	Treasure Valley Community College	624,831.32	-	624,831.32	8,972,794.33	7%	7%
School	Lake cty SD 14 (North Lake)	-	250,000.00	250,000.00	3,595,667.14	0%	7%
School	Multnomah cty SD 28J (Centennial)	-	3,651,600.00	3,651,600.00	56,006,257.51	0%	7%
School	Yamhill cty SD 30J (Willamina)	284,761.40	270,600.00	555,361.40	8,555,939.73	3%	6%
School	Jackson cty SD 35 (Rogue River)	-	639,388.10	639,388.10	10,268,809.76	0%	6%
School	Linn cty SD 129J (Santiam Canyon)	493,200.00	1,023,450.00	1,516,650.00	27,748,981.90	2%	5%
School	Douglas cty SD 34 (Elkton)	-	186,800.00	186,800.00	3,651,234.90	0%	5%
School	Lane cty SD 76 (Oakridge)	-	284,400.00	284,400.00	5,559,358.08	0%	5%
School	Grant cty SD 8 (Monument)	76,657.50	-	76,657.50	1,501,916.83	5%	5%
School	Malheur Cty SD 84 (Vale) (UHD 3)	-	539,112.50	539,112.50	10,733,505.45	0%	5%

Table A-9

Oregon School Bond Guaranty and Local Government Pension Bonds vs. State Aid, FY24-25
***Net State Aid does not include State Managed Timber Revenues or Property Taxes**
Highlighted orange rows indicate % of Total Debt Service / *Net State Aid > 80%
Highlighted yellow rows indicate % of Total Debt Service / *Net State Aid > 100%

District Type	District	FYE24 Pension Annual P&I DS	FYE24 OSBG Annual P&I DS	FYE24 Annual DS P&I Total	FYE24 State Aid	FYE24 % OSBG / *Net State Aid	FYE24 % Total DS / *Net State Aid
School	Morrow Cty SD 1	882,704.00	-	882,704.00	18,819,283.55	5%	5%
School	Union cty SD 8J (North Powder)	-	196,900.00	196,900.00	4,219,718.87	0%	5%
School	Klamath Cty SD	-	3,523,997.50	3,523,997.50	75,646,645.39	0%	5%
School	Polk cty SD 21 (Perrydale)	-	164,250.00	164,250.00	4,130,738.13	0%	4%
School	Grant cty SD 16J (Dayville)	-	52,445.70	52,445.70	1,328,137.56	0%	4%
School	Malheur cty SD 61 (Adrian)	-	169,726.50	169,726.50	4,364,165.33	0%	4%
School	Baker cty SD 5J (Baker)	966,533.00	785,385.00	1,751,918.00	46,666,947.56	2%	4%
School	Lane Cty SD 79 (Marcola)	-	362,400.00	362,400.00	9,858,911.66	0%	4%
School	Multnomah cty SD 39 (Corbett)	-	380,294.40	380,294.40	10,590,367.66	0%	4%
School	Douglas cty SD 77 (Glendale)	-	103,400.00	103,400.00	2,910,113.79	0%	4%
School	Umatilla Cty SD 6 (Umatilla)	465,224.00	-	465,224.00	13,835,654.52	3%	3%
School	Clackamas cty SD 53 (Colton)	-	181,181.50	181,181.50	6,247,988.45	0%	3%
School	Coos cty SD 41 (Myrtle Point)	-	153,399.75	153,399.75	5,336,506.68	0%	3%
School	Malheur cty SD 26 (Nyssa)	-	435,400.00	435,400.00	16,266,190.94	0%	3%
School	Douglas cty SD 22 (North Douglas)	-	71,200.00	71,200.00	4,392,082.48	0%	2%
School	Benton cty SD 7J (Alsea)	-	87,700.00	87,700.00	7,045,007.22	0%	1%
Community College	Rogue Community College (Jackson Cty Bond)	-	2,189,950.00	2,189,950.00	347,907,467.70	0%	1%
School	Grant cty SD 4 (Prairie City)	72,908.50	-	72,908.50	16,773,317.66	0%	0%
School	Baker cty SD 16J (Huntington)	-	-	-	1,350,431.15	0%	0%
School	Baker cty SD 30J (Burnt River)	-	-	-	1,173,596.94	0%	0%

Table A-9

Oregon School Bond Guaranty and Local Government Pension Bonds vs. State Aid, FY24-25
***Net State Aid does not include State Managed Timber Revenues or Property Taxes**
Highlighted orange rows indicate % of Total Debt Service / *Net State Aid > 80%
Highlighted yellow rows indicate % of Total Debt Service / *Net State Aid > 100%

District Type	District	FYE24 Pension Annual P&I DS	FYE24 OSBG Annual P&I DS	FYE24 Annual DS P&I Total	FYE24 State Aid	FYE24 % OSBG / *Net State Aid	FYE24 % Total DS / *Net State Aid
School	Baker cty SD 61 (Pine Eagle)	-	-	-	2,565,582.18	0%	0%
School	Clatsop cty SD 8 (Jewell)	-	-	-	18,454.06	0%	0%
School	Coos cty SD 8 (Coquille)	-	-	-	13,298,325.25	0%	0%
School	Coos cty SD 13 (North Bend)	-	-	-	34,415,465.93	0%	0%
School	Coos cty SD 31 (Powers)	-	-	-	2,199,703.36	0%	0%
School	Curry cty SD 2CJ (Port Orford-Langlois)	-	-	-	2,009,151.79	0%	0%
School	Douglas cty SD 1 (Oakland)	-	-	-	6,621,618.97	0%	0%
School	Douglas cty SD 15 (Douglas County)	-	-	-	3,566,603.41	0%	0%
School	Douglas cty SD 21J (Camas Valley)	-	-	-	3,482,506.93	0%	0%
School	Douglas cty SD 32 (Yoncalla)	-	-	-	3,439,797.84	0%	0%
School	Douglas cty SD 70 (Riddle)	-	-	-	3,736,538.67	0%	0%
School	Gilliam cty SD 3 (Arlington)	-	-	-	1,015,669.98	0%	0%
School	Grant cty SD 17 (Long Creek)	-	-	-	1,083,053.42	0%	0%
School	Harney cty SD 4 (Harney County)	-	-	-	11,294,364.50	0%	0%
School	Harney cty SD 5 (Pine Creek)	-	-	-	281,441.43	0%	0%
School	Harney cty SD 7 (Diamond)	-	-	-	319,987.61	0%	0%
School	Harney cty SD 10 (Suntex)	-	-	-	267,941.88	0%	0%
School	Harney cty SD 13 (Drewsey)	-	-	-	348,107.77	0%	0%
School	Harney cty SD 16 (Frenchglen)	-	-	-	353,589.91	0%	0%
School	Harney cty SD 28 (Double O)	-	-	-	267,872.96	0%	0%
School	Harney cty SD 33 (South Harney)	-	-	-	381,119.73	0%	0%

Table A-9

Oregon School Bond Guaranty and Local Government Pension Bonds vs. State Aid, FY24-25
***Net State Aid does not include State Managed Timber Revenues or Property Taxes**
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Highlighted yellow rows indicate % of Total Debt Service / *Net State Aid > 100%

District Type	District	FYE24 Pension Annual P&I DS	FYE24 OSBG Annual P&I DS	FYE24 Annual DS P&I Total	FYE24 State Aid	FYE24 % OSBG / *Net State Aid	FYE24 % Total DS / *Net State Aid
School	Harney cty SD 1J (Harney County Union High)	-	-	-	10,866,425.64	0%	0%
School	Jackson cty SD 9 (Eagle Point)	-	-	-	39,020,180.55	0%	0%
School	Jackson cty SD 59 (Prospect)	-	-	-	3,336,526.49	0%	0%
School	Jackson cty SD 91 (Butte Falls)	-	-	-	3,038,997.59	0%	0%
School	Jackson cty SD 94 (Pinehurst)	-	-	-	366,255.02	0%	0%
School	Jefferson cty SD 8 (Ashwood)	-	-	-	371,159.26	0%	0%
School	Jefferson cty SD 41 (Black Butte)	-	-	-	197,307.96	0%	0%
School	Josephine cty SD 7 (Grants Pass)	-	-	-	52,825,428.43	0%	0%
School	Lake cty SD 7 (Lake County)	-	-	-	8,457,652.05	0%	0%
School	Lake cty SD 11 (Paisley)	-	-	-	3,182,770.39	0%	0%
School	Lake cty SD 18 (Plush)	-	-	-	395,162.97	0%	0%
School	Lake cty SD 21 (Adel)	-	-	-	331,644.53	0%	0%
School	Lane cty SD 68 (McKenzie)	-	-	-	1,516,997.75	0%	0%
School	Lane cty SD 71 (Lowell)	-	-	-	11,953,976.70	0%	0%
School	Lane cty SD 90 (Blachly)	-	-	-	4,863,553.72	0%	0%
School	Linn cty SD 95 (Scio)	-	-	-	18,641,040.22	0%	0%
School	Linn cty SD 552 (Central Linn)	-	-	-	3,654,138.70	0%	0%
School	Malheur cty SD 3 (Jordan Valley)	-	-	-	1,778,008.69	0%	0%
School	Malheur cty SD 12 (Juntura)	-	-	-	221,067.96	0%	0%
School	Malheur cty SD 29 (Annex)	-	-	-	2,165,572.26	0%	0%

Table A-9

Oregon School Bond Guaranty and Local Government Pension Bonds vs. State Aid, FY24-25
***Net State Aid does not include State Managed Timber Revenues or Property Taxes**
Highlighted orange rows indicate % of Total Debt Service / *Net State Aid > 80%
Highlighted yellow rows indicate % of Total Debt Service / *Net State Aid > 100%

District Type	District	FYE24 Pension Annual P&I DS	FYE24 OSBG Annual P&I DS	FYE24 Annual DS P&I Total	FYE24 State Aid	FYE24 % OSBG / *Net State Aid	FYE24 % Total DS / *Net State Aid
School	Malheur cty SD 51 (Malheur County)	-	-	-	15,536.95	0%	0%
School	Malheur cty SD 66 (Harper)	-	-	-	3,977,568.58	0%	0%
School	Malheur cty SD 81 (Arock)	-	-	-	440,267.38	0%	0%
School	Sherman cty SD (Sherman County)	-	-	-	2,990,470.64	0%	0%
School	Umatilla cty SD 80R (Ukiah)	-	-	-	1,009,287.93	0%	0%
School	Union cty SD 15 (Cove)	-	-	-	4,293,437.54	0%	0%
School	Union cty SD 23 (Elgin)	-	-	-	5,143,743.90	0%	0%
School	Wallowa cty SD 6 (Joseph)	-	-	-	3,572,035.46	0%	0%
School	Wallowa cty SD 54 (Troy)	-	-	-	271,758.16	0%	0%
School	Wheeler cty SD 1 (Spray)	-	-	-	1,517,184.00	0%	0%
School	Wheeler cty SD 21J (Fossil)	-	-	-	18,748,884.08	0%	0%
School	Wheeler cty SD 55 (Mitchell)	-	-	-	12,407,644.91	0%	0%
School	Yamhill cty SD 48J (Sheridan)	-	-	-	9,911,518.47	0%	0%
School	ODE JDEP District	-	-	-	1,440,018.38	0%	0%
School	ODE YCEP District	-	-	-	4,949,185.47	0%	0%
Community College	Klamath Community College	-	-	-	14,508,728.37	0%	0%

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Appendix B

APPENDIX B:
Constitutional & Statutory Framework

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A. GENERAL OBLIGATION BONDS

General Purpose Bonds – Article XI, Section 7. The Oregon Constitution Article XI, Section 7 prohibits the State from incurring indebtedness exceeding $50,000 without a constitutional amendment approved by voters. This single limitation applies to both General Purpose and short-term general obligation debt. Exceptions are provided such as in the case of war or invasion and also to build and maintain permanent roads. This section does not apply to real property leases up to 20 years entered into by the State for a public purpose. There are currently no General Purpose bonds currently outstanding for this purpose.

State Highway Bonds – Article XI, Section 7. Article XI, Section 7 of the Oregon Constitution approves the issuance of bonds up to one percent of the true cash value of property in the State for the purpose of building and maintaining permanent roads within the State. Although these bonds have the State's General Obligation (GO) backing as security, the debt service funding source is provided by specifically earmarked vehicle registration fees and gasoline and weight-mile tax revenues. As of June 30, 2024, there was $25 million in outstanding GO bonds issued under this provision of the state constitution.

Veterans' Welfare Bonds – Article XI-A. This program, authorized by Article XI-A of Oregon's Constitution, allows the State to borrow up to eight percent of the true cash value (TCV) of all taxable property in the state to fund the Oregon War Veterans' Fund. The fund is used to finance farm and home loans for eligible veterans. Although bonds issued under this program are direct general obligations of the State, for which a property tax may be levied, the program is fully self-supporting from loan repayments. Principal amount outstanding was $415 million as of June 30, 2024.

State Power Development Bonds – Article XI-D. Article XI-D of the Oregon Constitution provides authority to issue long-term GO debt, up to one and one-half percent of true cash value of all taxable property in the state, to provide for the development of hydroelectric power plants and transmission and distribution lines. This amendment to the Oregon Constitution was adopted in 1932 and has never been used.

State Forest Rehabilitation Bonds – Article XI-E. Article XI-E of the Oregon Constitution authorized the establishment of the Forest Rehabilitation bond program. The Article permits the state's credit to be loaned and indebtedness incurred in an amount not to exceed three-sixteenths of one percent of the state's true cash value to provide for the reforestation of land that the State currently owns or may acquire for the purpose of reforestation. Funds generated by the reforestation must be used to repay any outstanding debt issued under this provision. Property taxes are authorized to assist in the repayment of the debt if necessary. In addition to constitutional provisions, statutes place a limit of $750,000 of debt per year that can be incurred for this program. This program was put in place in response to the 1933 "Tillamook Burn" which ravaged 240,000 acres of forest-land in Tillamook County. The program has not been used since 1971 and there are no outstanding bonds under this authorization.

Higher Education Building Bonds – Article XI-F (1). The Oregon Constitution allows the State to issue GO bonds for publicly-owned higher education facilities under two separate Articles, XI-F (1) and XI-G. Article XI-F(1) authorizes the State Board to borrow up to three-quarters of one percent of state true cash value to finance higher education building and land acquisition projects. Projects financed through this program must be fully self-supporting and self-liquidating from non-General Fund revenues, including tuition, gifts, grants, leases, and/or student building fees.

Principal amount outstanding was $965 million as of June 30, 2024. SB 270 (2013) authorized the establishment of independent universities with governing boards for the universities that were formerly part of the Oregon University System (OUS); these independent governing boards now have the ability to sell their own university revenue bonds that rely upon the same types of revenue streams for debt repayment that are also used for repayment of XI-F (1) bonds.

SB 270 required that in order for the newly independent universities to have continued access to the State's XI-F (1) bonding programs, any issuance of university revenue bonds must first be reviewed and approved by the Office of the State Treasurer (OST). Several revenue bonds have been reviewed and approved by OST to date for the University of Oregon and Oregon State University. These revenue bonds were eagerly accepted by the investing public, as both schools have strong, investment grade credit ratings. It is anticipated that the State will continue to issue XI-F (1) bonds for legislatively authorized projects for the balance of independent public universities with substantially lower or no credit ratings, given the significant interest cost savings afforded these universities by the State's higher credit ratings.

Higher Education Facilities and Community College Bonds – Article XI-G.[11] In addition to Article XI-F(1) provisions, Article XI-G, adopted in 1964, allows a debt limit of up to three-fourths of one percent TCV to finance public higher education institution and community college facilities that are not revenue producing. Unlike Article XI-F (1), however, Article XI-G requires that any indebtedness incurred under Article XI-G not exceed the dollar amount appropriated from the State's General Fund for the same or similar purpose as the indebtedness to be incurred. As a result, this type of bond is not issued, unless there is also a legislatively authorized and matching appropriation equal to at least 50 percent of the overall cost of the project.

Historically, Article XI-G bonds for higher education were used to finance instructional and public service facilities of the OUS and community colleges. General Fund appropriations are made annually to pay debt service on these bonds. Despite the change in university governance structure established by SB 270, the State anticipates it will continue to issue XI-G bonds for legislatively authorized projects at the seven independent universities and at the Oregon Health and Sciences University (OHSU). As of June 30, 2024, the principal amount outstanding for Community College XI-G bonds was $229 million and $676 million for Higher Education Facilities XI-G bonds.

ORS 341.009 directs that the state should maintain a policy of substantial state participation in community college building costs. In the 1960s and 1970s, State GO bonds were issued to help support the costs of the expanding network of Oregon community colleges. The demand for a highly skilled workforce in Oregon has continued to grow, as has the need to support the retraining of existing workers for today's increasingly technical job market. Since 2007, the Legislature has included authorization of XI-G bonding in varying amounts for select community college instructional facilities.

Pollution Control Bonds – Article XI-H. Funds of up to one percent of the State's true cash value may be borrowed for purposes of financing pollution abatement and control facilities, as well as pollution control and disposal activities of State and local government agencies. This authorization, granted under Article XI-H, requires that most facilities funded by the program, with the exception of pollution control and disposal activities and hazardous substance facilities, must "conservatively appear" to be at least seventy percent self-supporting and self-liquidating from revenues, gifts, federal grants, user charges, assessments and other fees.[12] Property taxing authority is provided as an additional source of revenue to support these bonds, but this authority has never been used. Historically, the portion of the debt service of these bonds associated with orphan hazardous disposal site clean-up has been repaid by General Fund appropriation, with the balance of debt service repaid by DEQ fees and repayment on loans. (Please see the "General Fund-Supported Debt" chapter of this report for more information on General Fund versus Other Fund split.) The amount of General Fund support may vary over time. Principal amount outstanding was $21 million as of June 30, 2024.

Water Resources Bonds – Article XI-I (1). Up to one-half of one percent of the true cash value of property within the State may be borrowed to provide funds for loans to construct water development projects. Project purposes include irrigation and drainage, community water supply, fish protection and watershed restoration. Authorized by Article XI-I (1), at least fifty percent of these funds are reserved for irrigation and drainage projects. The program is intended to be self-supporting from revenues received pursuant to financing agreements with project borrowers. There were no bonds outstanding under this program as of June 30, 2024.

Elderly and Disabled Housing Bonds – Article XI-I (2). Funds may be borrowed to finance multifamily housing for elderly and disabled persons under Article XI-I (2). This program, under which one-half of one percent of state property true cash value may be borrowed, is fully self-supporting from project mortgage loan revenues. Principal amount outstanding was $19 million as of June 30, 2024.

Alternate Energy Bonds – Article XI-J. The Department of Energy is authorized by Article XI-J to incur debt up to one-half of one percent of the true cash value of all taxable property of the state to finance development of small-scale local energy projects (SELP). Projects are funded only if they can demonstrate there will be sufficient revenues to repay the loan. Although the program has the State's GO backing, it was designed and has historically been fully self-supporting from loan repayment revenues. Over the past several years, the Department wrote-off several large loans to private parties that were deemed non-collectible, which greatly depleted SELP's loan reserves. The State has made cash infusions of $2.5 million in FY 2022 and $1 million in FY 2023, totaling $3.5 million versus the Department's original request for $5 million.

Approximately $70 million in Article XI-J bonds has been issued for energy upgrades and efficiency projects throughout the OUS system; a significant amount of which will be repaid through General Fund annual appropriations. Overall, the General Fund is now paying 40% of the overall debt service for the SELP program. There were $73 million in outstanding Article XI-J bonds as of June 30. 2024.

Oregon School Bond Guaranty Program – Article XI-K. Article XI-K of Oregon's constitution authorizes the State Treasurer to pledge the full faith and credit of the State to guaranty the GO bonds of Oregon common or union high school districts, education service districts or community college districts. The State Treasurer may also issue State GO bonds to meet the State's obligations under the Oregon School Bond Guaranty Program. The amount of State GO bonds that can be issued to back the guaranties is limited to one half of one percent of TCV of all taxable property in the state. As of the date of this report, the State had not issued any debt permitted under the provisions of Article XI-K.

Oregon Opportunity Bonds – Article XI-L. Authorizes bonds to finance capital costs of the Oregon Health and Sciences University (OHSU) in an aggregate principal amount that produces net proceeds for the University in an amount that does not exceed $200 million. Section 1 of the Article authorizes debt not to exceed one-half of one percent of the real market value of all property in the State. However, the State is not permitted to levy ad valorem (property) taxes to pay the bonds. The legislation authorizing the program contemplates that the bonds may be paid from tobacco settlement revenues, but those revenues are not directly pledged to pay the bonds. All the bonds have matured and there is no outstanding amount as of June 30, 2024.

Seismic Rehabilitation of Public Education Buildings – Article XI-M. Authorizes bonds to be issued to provide funds for the planning and implementation of seismic rehabilitation of public education buildings. Outstanding authorized debt may not exceed one-fifth of one percent real market value of all property in the State. Ad valorem property taxes may not be pledged to repay these bonds. Principal amount outstanding was $400 million as of June 30, 2024.

Seismic Rehabilitation of Emergency Services Buildings – Article XI-N. Authorizes bonds to be issued to provide funds for the planning and implementation of seismic rehabilitation of emergency services buildings. Outstanding authorized debt may not exceed one-fifth of one percent real market value of all property in the State. Ad valorem property taxes may not be pledged to repay these bonds. Principal amount outstanding was $118 million as of June 30, 2024.

Pension Obligation Bonds – Article XI-O. Pension Obligation Bonds (POBs) were issued under the authority of Article XI-O of the Oregon Constitution and House Bill 3659 in October 2003 in the principal amount of $2,083,960,000. These bonds are general obligations of the State to which the full faith and credit and taxing power of the State (other than the State's power to levy ad valorem property taxes) are pledged. Proceeds of the POBs were used to pay a substantial portion of the State's unfunded actuarial liability (UAL) of PERS. The UAL is the State's portion of the difference between PERS' actuarial liability and fair market value of assets in the Public Employees Retirement Fund (PERF) available to pay such liability on November 1, 2003.

The amount of outstanding indebtedness authorized by Article XI-O is limited to one percent of the real market value of all property in the state. Debt service on the bonds is allocated among both General Fund and non-General Fund State agencies based on the payroll of such agencies. The State expects that the allocated costs to each agency will be less than if the State did not issue the bonds. Approximately 60 percent of the bond debt service is paid by non-General Fund resources leaving 40 percent of the debt service to be paid with General Fund resources. The final payment on these bonds will occur in FY 2027. Principal amount outstanding on the POBs was $713 million as of June 30, 2024.

School Construction Bonds – Article XI-P. In May 2010, the Oregon electorate adopted a constitutional amendment allowing for the issuance of State GO bonds as a match to local public school district funds for school capital projects (Article XI-P bonds). This constitutional amendment authorizes the State to incur indebtedness in an amount not to exceed one-half of one percent of the real market value of the real property in the state, but does not authorize a levy on property taxes to pay for these bonds

The 2015 Legislature authorized the bond program's initial sale of bonds for this program, as well as adopting SB 447, which authorized the establishment of the Office of School Facilities within the Oregon Department of Education. The Office of School Facilities was created to administer the new bond program and the Oregon State Capital Improvement Program (OSCIM Program) with the goal of increasing local school district investment in their capital construction and school facilities. The OSCIM Program provides "matching" grants intended to incentivize local voters to vote for school construction general obligation bonds by matching state dollars with local funds.

The OSCIM Program awards funds through two means, a priority list and first in time list. The priority list ranks all districts based on a formula using their assessed value and poverty rate. Districts with lower assessed values and higher poverty rates are higher on the priority list and receive commitments first. The first in time list wards districts commitments based on the time they turn in their applications. All districts that submit during a specified time period are considered to have turned in their applications at the same time and a lottery is used to award funds until XI-P bond funds are depleted. The size of the award is based on a formula with most districts in the state receiving a maximum award of $4 million although larger districts can receive a maximum of up to $8 million. As of June 30, 2024, there was $315 million in bonds outstanding through this program.

State General Purpose Bonds – Article XI-Q. Authorizes the State to incur indebtedness in an amount not to exceed one percent of the real market value of the real property in the state to provide funds to acquire, construct, remodel, repair, equip or furnish real or personal property that is or will be owned and/or operated by the State of Oregon. Passed by the voters in November 2010, and enacted into statute in the following year by the 2011 Legislative Assembly, the Article XI-Q bonding program replaced the Certificate of Participation bonding program as a means of financing most state-owned property due to its superior credit ratings and lower cost of funds. As of June 30, 2024, the principal outstanding for Article XI-Q bonds totaled $3.72 billion.

B. DIRECT REVENUE BONDS

Single-Family and Multifamily Revenue Bonds – ORS 456.645. Oregon Revised Statute 456.645 to 456.725 authorizes the Housing and Community Services Department to issue revenue bonds for the purpose of financing single-family mortgage loans and multifamily housing projects. The statute limits outstanding debt to $2.50 billion. These bonds are fully self-supported with payment for the bonds coming from project rental revenues, as well as mortgage payments and fees. Principal amount outstanding was $1.1 billion as of June 30, 2024.

State Highway User Tax Bonds – ORS 367.605. The Oregon Constitution Article IX, Section 3a and Oregon Revised Statutes 367.605 to 367.665 authorize the Department of Transportation to issue highway user tax revenue bonds to provide proceeds for building and maintaining permanent public roads. Highway user tax bonds differ from other State revenue bond programs in that they are secured by constitutionally dedicated tax proceeds from fuel sales and other taxes or fees charged for vehicle use and licensing. However, they are typical of revenue bond programs in that they are not secured by the State's GO pledge.

The 1999 Legislative Assembly under ORS 367.620 authorized the issuance of debt up to $138.4 million in highway user tax bonds. Under this authorization, the Department issued bonds in the amount of $58,355,000 in August 2000. The remainder of this authorization was repealed in 2001 Oregon Laws Chapter 669.

The 2001 Legislative Assembly revised ORS 367.620(2) to approve issuance of $400 million of new highway user tax bonds. House Bill 4010, passed during the First Special Session of the 2002 Legislature, again revised ORS 367.620 increasing the issuance of new highway user tax revenue bonds sufficient to produce net proceeds of not more than $500 million. The authority granted was further restricted to an aggregate principal amount that the department reasonably believes can be paid with $71.2 million in biennial debt service.[13] As of December 31, 2008 the department had issued all $500 million in net proceeds under this authorization; there is no remaining bonding authority under these provisions.

The 2003 Legislative Assembly approved HB 2041 amending ORS 367.620(3) to provide additional authority for $1.9 billion net proceeds in highway user tax revenue bonds for bridges and highway modernization purposes. It was envisioned at that time that bonds supporting this program authorization would be issued over a number of years; in 2010, the final series of highway user tax revenue bonds for this program was issued.

In 2009, the Legislative Assembly enacted the Jobs and Transportation Act (JTA) which authorized the Department to issue up to $840 million in net proceeds through the issuance of additional highway user tax revenue bonds for specific congestion management projects. The final series of revenue bonds associated with this authorization was sold in FY 2017.

The total principal amount outstanding for highway user tax revenue bonds was $2.54 billion as of June 30, 2024.

Oregon Transportation Infrastructure Fund Bonds – ORS 367.015. ORS 367.015 to 367.030 authorize the Department of Transportation to issue revenue bonds for the Oregon Transportation Infrastructure Fund. The fund is to provide infrastructure loans and assistance for transportation projects. The total principal amount of revenue bonds that may be issued and outstanding at any one time under this authorization cannot exceed $200 million. Currently, no Transportation Infrastructure Fund bonds authorized by these provisions have been issued or are outstanding.

City and County Roads and Recreation Facilities Bonds – ORS 367.700. ORS 367.700 to 367.750 authorizes State Department of Transportation bonded indebtedness in the aggregate principal amount of $50 million. This provision was enacted into law in 1975 for the purpose of providing funds to cities and counties to defray the costs of city and county street construction and the acquisition, development, maintenance and care of public park and recreation facilities. No State bonds have ever been issued under the provisions of this legislation.

Oregon Bond Bank Revenue Bonds – ORS Chapter 285B.467. The Oregon Economic and Community Development Department (OECDD) have been granted statutory authority to issue bonds under two revenue bond programs. Pursuant to ORS 285B.410 through 285B.479, bonds, may be issued to fund the Special Public Works Fund (SPWF) to assist municipalities in financing the infrastructure necessary for economic development. In addition, the Department, pursuant to ORS 285B.572 through 285B.587, may issue bonds to finance loans to municipalities for safe drinking water projects and wastewater system improvement projects. Bond proceeds under this program are used to fund the Water/Wastewater Financing Program to deliver funds to eligible municipalities. The bonds are payable from loan repayments made by municipalities. Under each of these programs, the Department is authorized to request the State to withhold any amounts otherwise due to the municipality from the State to pay such amounts that may be owed.

In 1997, the Oregon State Legislature enacted ORS 285B.482 to authorize the consolidation of proceeds of revenue bonds issued for the SPWF Program and the Water/Wastewater Program. Future bonds for these programs are issued under the consolidated Oregon Infrastructure Authority Bond Bank Revenue Program. Additionally, all prior bonds issued under these programs are considered parity bonds. Future bonds supporting the SPWF and the Water/Wastewater programs will be issued as single series under the Oregon Infrastructure Authority Bond Bank Revenue Bond program. Principal amount outstanding is $48.5 million as of June 30, 2024.

Lottery Revenue Bond Program(s) – ORS 286A.560 to 286A.585. The Oregon State Lottery was created by an amendment to the Oregon Constitution in 1984. That amendment revised Article XV, Section 4 of the Oregon Constitution to require the establishment and operation of the Oregon State Lottery. Article XV, Section 4 requires that all proceeds from the Lottery, including interest earnings but excluding expenses and payment of prizes, be used for creating jobs, furthering economic development, financing public education in Oregon or restoring and protecting Oregon's parks, beaches, watersheds and critical fish and wildlife habitats. The Article also requires the Legislative Assembly to appropriate Lottery net proceeds in amounts sufficient to pay lottery bonds before appropriating the Lottery's net proceeds for any other purpose.

The first statutory authority, ORS 391.140, permitted the issuance of up to $115 million in bonds for financing the costs of development, acquisition and construction of the Westside corridor light-rail project. Subsequently, the Legislative Assembly has authorized additional Lottery-backed bond programs at each of its regular sessions. In 1999, the Legislature passed Senate Bill 200 to combine previously enacted legislation authorizing lottery bonds into a single Act. The Act, incorporated as ORS 286A.560 to 286A.585, creates a single consistent legislative authorization and uniform administrative procedures for all lottery bonds issued by the State of Oregon. As of June 30, 2024, Lottery Bond principal amount outstanding was $1.31 billion.

Forest Development Revenue Bonds – ORS 530.140. The State Forestry Department is authorized by the provisions of ORS 530.140 to 530.147 to sell revenue bonds of the State of Oregon, to be known as Oregon Forest Development Revenue Bonds. No bonds have been issued or are outstanding under this authorization.

Oregon Student Assistance Revenue Bonds – ORS 348.655. Bond authorization and eligibility requirements are defined by ORS 348.655 to 348.695. It authorizes the issuance of up to $30 million annually in revenue bonds to fund loans to support the "alternative student loan" program. Eligible student, as defined by ORS 348.618, means a student enrolled in an eligible post-secondary educational institution located in Oregon or a student who is an Oregon resident and who is enrolled in an eligible post-secondary educational institution located outside of Oregon. To date, no debt has been authorized or issued under this authorization.

Oregon Innovation Revenue Bonds – ORS 284.746. Bond authorization and project eligibility requirements are defined by ORS 284.740 to 284.749. These bonds are intended to fund loans and grants related to innovation-based economic development projects, as determined by the Oregon Innovation Council. To date, no debt has been authorized or issued under this authorization.

C. CONDUIT REVENUE BONDS

The State has authorized four conduit or "pass-through" revenue bond programs. Under these programs, the State is considered the issuer, but has no obligation to fund debt service payments other than out of payments from the entities on whose behalf the bonds are issued.

Oregon Facilities Authority (OFA) – ORS Chapter 289. The Oregon Facilities Authority, formerly named the Health, Housing, Educational, and Cultural Facilities Authority, was created in 1989 and operates pursuant to Oregon Revised Statues Chapter 289. OFA is a public corporation empowered to issue conduit revenue bonds and assist with the assembling and financing of lands for health care, housing, educational and cultural uses and for the construction and financing of facilities for such uses. Effective January 1, 2007, OFA's mandate was expanded to include the financing for all non-profit institutions, organizations or entities within the State that are exempt from taxation under section 501(c)(3) of the Internal Revenue Code, as defined in ORS 314.011. The Authority reviews proposed projects and makes recommendations to the State Treasurer whether to finance the project through the issuance of limited obligation bonds.

Although the State Treasurer issues OFA bonds, they are repaid solely from revenues generated by the projects being financed or from other sources available to the borrower. The State has no financial obligation for these bonds and bondholders have no recourse against the properties, funds or assets of the Issuer, the State or the Authority for payment of bond debt service. Bondholder's only recourse for payment of the bonds is against the actual borrower.

In 2007, OFA initiated the Small Nonprofit Accelerated Program (SNAP Bond Program), which is a streamlined low-cost private placement program for smaller non-profits that is simple to use and generally has smaller transaction costs. Principal amount outstanding for OFA in total was $1.85 billion as of June 30, 2024.

Industrial Development Revenue Bonds – ORS Chapter 285B. The Oregon Business Development Commission is empowered, pursuant to ORS 285B.320 to 285B.371, to issue Industrial Development Revenue Bonds through the Oregon Business Development Department, with the approval of the State Treasurer. They are issued as limited obligation bonds payable only from project revenues or other sources available to the borrower. Industrial or economic development revenue bonds do not constitute an indebtedness of the Issuer, the Commission or the State. Proceeds of these bonds are loaned to private businesses to finance various expansions, relocations, retentions, and other projects that will stimulate economic development and provide jobs in the State. Prior to approval of issuance, the State subjects individual projects to a cost effectiveness test to ensure that the public benefits of a project outweigh the related public costs. Principal amount outstanding was $273 million as of June 30, 2024.

Housing Development Revenue Bonds – ORS 456.692. The Oregon Housing and Community Services Department is authorized pursuant to ORS 456.692 to issue conduit revenue bonds through the State Treasurer for Housing Development. The multifamily housing program provides financing for developments in which a certain number of the housing units are for persons and families of lower income. Each bond issue finances multi-family housing projects that are separately secured by revenues and assets specifically pledged by the borrower. Similar to the other State conduit revenue bond programs, as noted above, there is no bondholder recourse to the State for payment should the project not be able to meet its debt service requirements. Principal amount outstanding was $1.34 billion as of June 30, 2024.

Beginning and Expanding Farmer Revenue Bonds – ORS 285.430. The Oregon Business Development Department is authorized pursuant to ORS 285.430 to issue conduit revenue bonds to fund Beginning and Expanding Farmer loans for approved agricultural projects. Bond issues finance loans that are secured by revenues and assets specifically pledged by the borrower. Similar to the other State conduit revenue bond programs, as noted above, there is no bondholder recourse to the State for payment should the borrower not be able to meet its debt service obligations. As of June 30, 2024, two small loans have been issued through this program and there is no outstanding balance.

D. APPROPRIATION CREDITS

Appropriation Bonds – SB 856 – 2003 Legislature. Senate Bill 856, the Appropriation Bond Act, was passed by the 2003 Legislative Assembly. The Act authorized the issuance of bonds to assist the State of Oregon in balancing its budget for the 2001-2003 Biennium. Appropriation bonds in the par amount of $431,560,000 were issued in April 2003. These bonds are special obligations of the State payable solely from appropriated moneys and do not represent a general, unlimited-tax obligation of the State. In the Appropriation Bond Act, the Legislative Assembly acknowledged its current intention to apply the moneys available to the State from tobacco settlement revenues to pay the debt service for the appropriation bonds. As of June 30, 2024 there were no outstanding bonds under this authorization.

Certificates of Participation – ORS Chapter 283.085. Oregon Revised Statutes 283.085 to 283.092 permit the State to enter into financing agreements, including lease purchase agreements, installment sale agreements and loan agreements to finance essential real or personal property and issue certificates of participation evidencing these financing agreements.

Certificates of Participation (COPs) are considered tax-exempt government securities and special obligations of the State payable solely from available funds. They are no general obligations secured by the full faith and credit of the State. Rather, the Oregon Legislature must appropriate COP repayment amounts each biennium for which repayments are scheduled. If the Legislature were to deny a budget request to make the COP payments for a future biennium, the COP Trustee would exercise available legal remedies against the State. These remedies could include the denial of the use of the building(s) or the equipment financed by the COPs for which payment had been denied. While the state's General Fund has been traditionally viewed as the source of repayment for all COP debt, a recent review indicates that a portion of this debt service payment is actually paid by other revenues. (Please see "General Fund-Supported Debt Capacity" chapter of this report for additional information.)

Passage of Ballot Measure 11 by Oregon voters in 1994 is directly related to the significant increase in COP debt from about $191 million in FY 1995 to about $1.1 billion in FY 2008. Measure 11 created mandatory minimum penalties for specified crimes and required that juveniles charged with certain violent crimes be tried and sentenced as adults. The practical effect of Measure 11 is the considerable requirement for increased construction of adult and juvenile prisons and correctional facilities.

Beginning with the construction of the Snake River Correction Facility in Ontario in the early 1990s, the Oregon Department of Corrections has used COPs to finance the major expansion of the prison system. The proceeds from COPs are also used for the construction of local jail capacity related to the SB 1145[14] population, purchase of property, design costs, site costs, major improvements or upgrades of existing facilities, and the staff costs associated with the construction and improvement of facilities.

Since the passage of Article XI-Q GO bonds for state owned and/or operated facilities by voters in 2011, the State has dramatically reduced the use of this financing mechanism, as GO bonds provide a higher rating and lower cost of funds compared to COPs. In addition, the State has refinanced a significant portion of existing COP debt with Article XI-Q bonds. In March 2019, the State issued $100 million in COPs to fund the partial decoupling of the Elliott State Forest from the Common School Fund – given the unusual nature of this financing, COPs rather than XI-Q GO bonds were used to provide funds to offset the financial impacts that environmental restrictions that have imposed on the revenue-generating ability of this forest. Principal amount outstanding for remaining COP debt was $82 million as of June 30, 2024.