Capital Construction Subcommittee
The Ways and Means Committee

State Debt Policy Advisory Commission
2021 Findings Report
(Updated With March 2021 OEA Forecast)

OREGON STATE TREASURY

April 2, 2021

Introduction

***Purposes** of the Report*

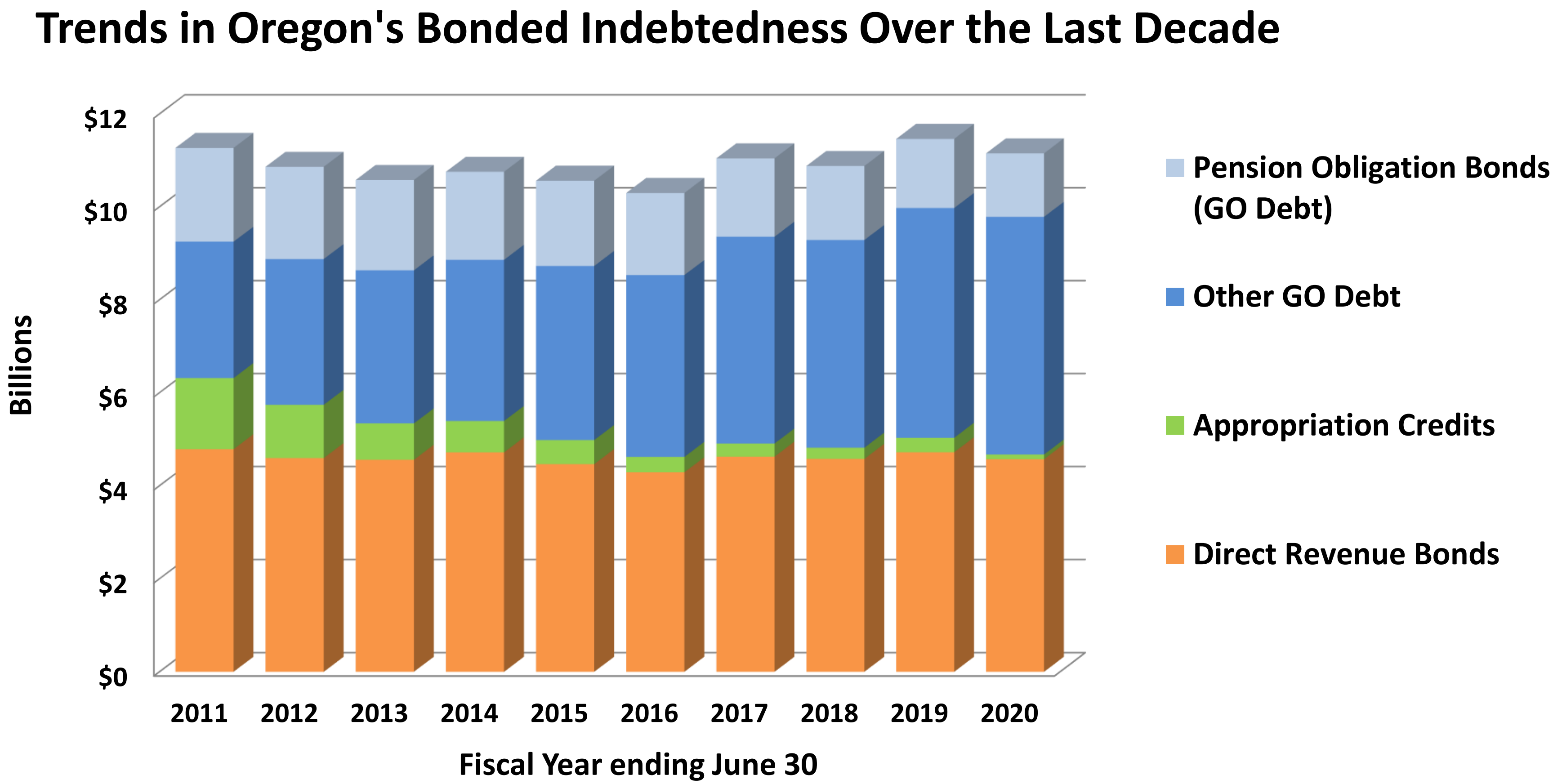
- Annual Debt Capacity Forecast Update Required by ORS 286A.255
- Framework for Measuring, Monitoring and Managing the State's Debt Position
- Impact of COVID-19 and Wildfires to the State's Debt Capacity and Strategies to Enhance the State's Resilience
- Provide Information to Assist Governor and Legislature in Formulating Long-term Capital Spending Plans
- Highlight Emerging Debt Policy Issues of Concern

Debt Capacity Concepts

Four Types of Long-Term Debt

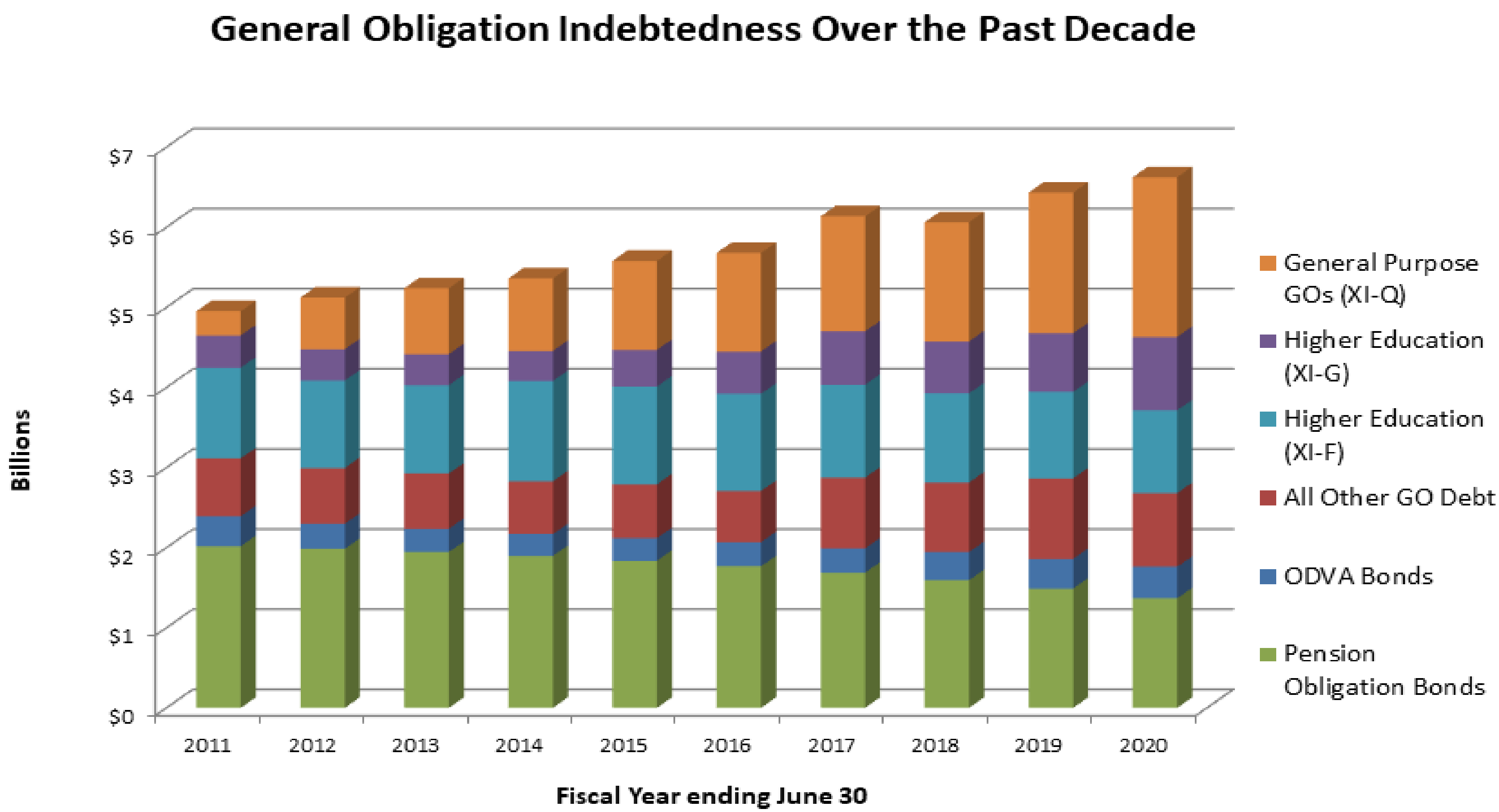
1. General Obligation Bonds	• Requires voter approved constitutional amendment for new categories of use • Pledges the full faith and credit of the State • Includes both General Fund-supported and non General Fund-supported bond programs
2. Direct Revenue Bonds	• Generally created by the Legislature through statute • Not secured by the State's pledge to pay • Fully self-supporting through program revenues • May include the State back-up support such as moral obligation or an intercept of state aid to specific entity
3. Appropriation Credits	• Requires continuing appropriation by the Legislature to fund debt service payments • Generally payable by State agencies from General Fund sources • Not secured by the full faith and credit of the State • Historically, Certificates of Participation (COPs) were used to finance real or personal property owned by the State • Limited use since passage of XI-Q GO bond authorization in 2010
4. Conduit Revenue Bonds	• State is the issuer but has no obligation to pay debt service – no General Fund or other State support • Debt service paid by the entities on whose behalf the bonds are issued

State Debt Levels Have Remained Stable Over the Past Decade



- As of June 30, 2020, the State had $11.2 billion of outstanding long-term indebtedness
- With the creation of the Article XI-Q General Obligation bond program, the State has shifted away from the use of lower-rated, higher cost appropriation credit financing
- Direct Revenue Bonds include Oregon DOT's Highway User Tax revenue program bonds, Single Family Program Revenue Bonds, Lottery Revenue Bonds, and Infrastructure Finance Authority (Bond Bank)

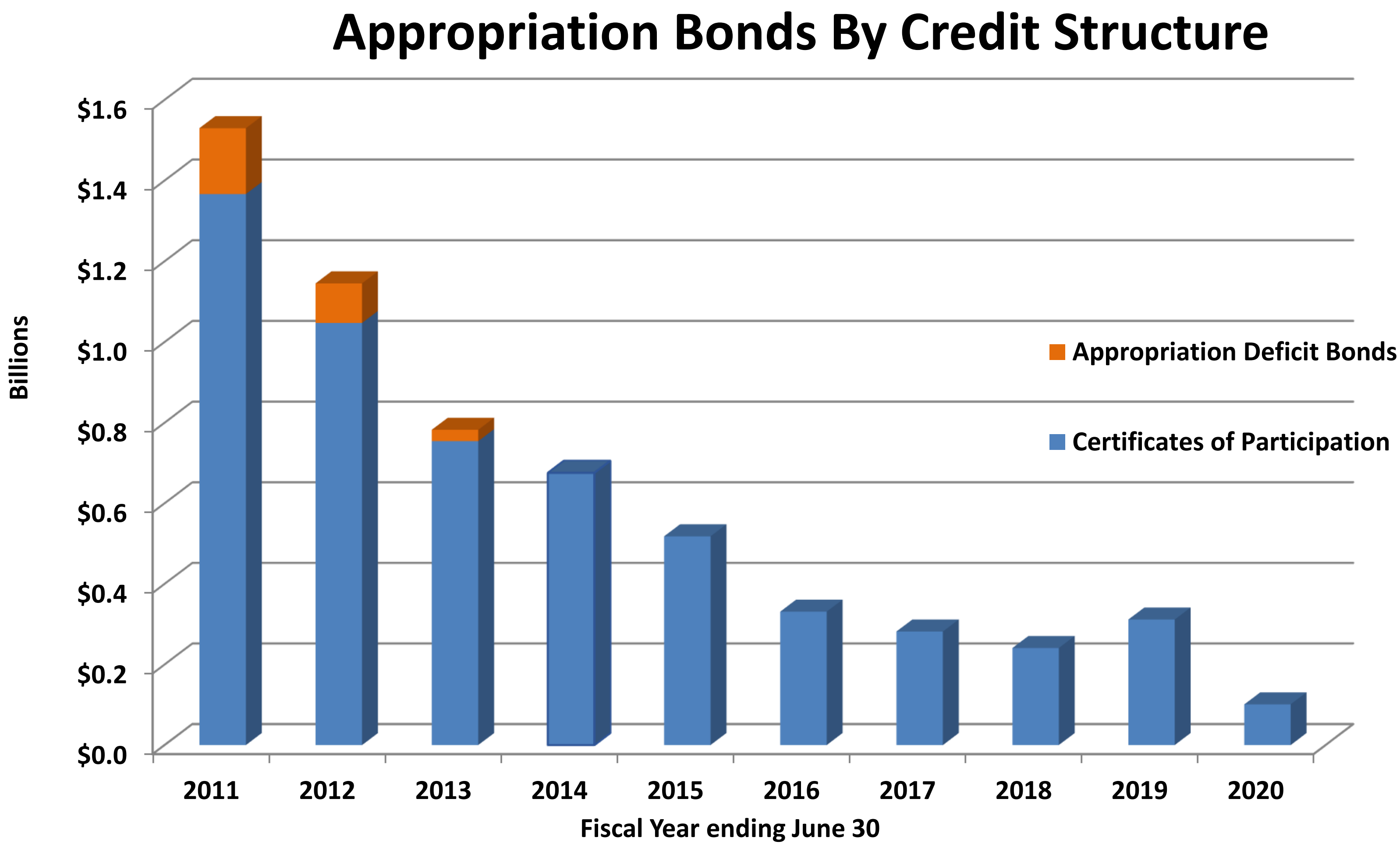
General Obligation Debt is a Growing Portion of Oregon's Debt



- As of June 30, 2020, the State had $6.47 billion in outstanding GO Bonds
  - $3.9 billion are general fund supported debt
  - $2.6 billion supported by dedicated funds, such as Oregon Vets (XI-A), Article XI-F Higher Education, certain State property (XI-Q) and a portion of the pension obligation bonds (XI-O)
- Article XI-Q bonds retired higher cost Certificates of Participation and financed other state facilities

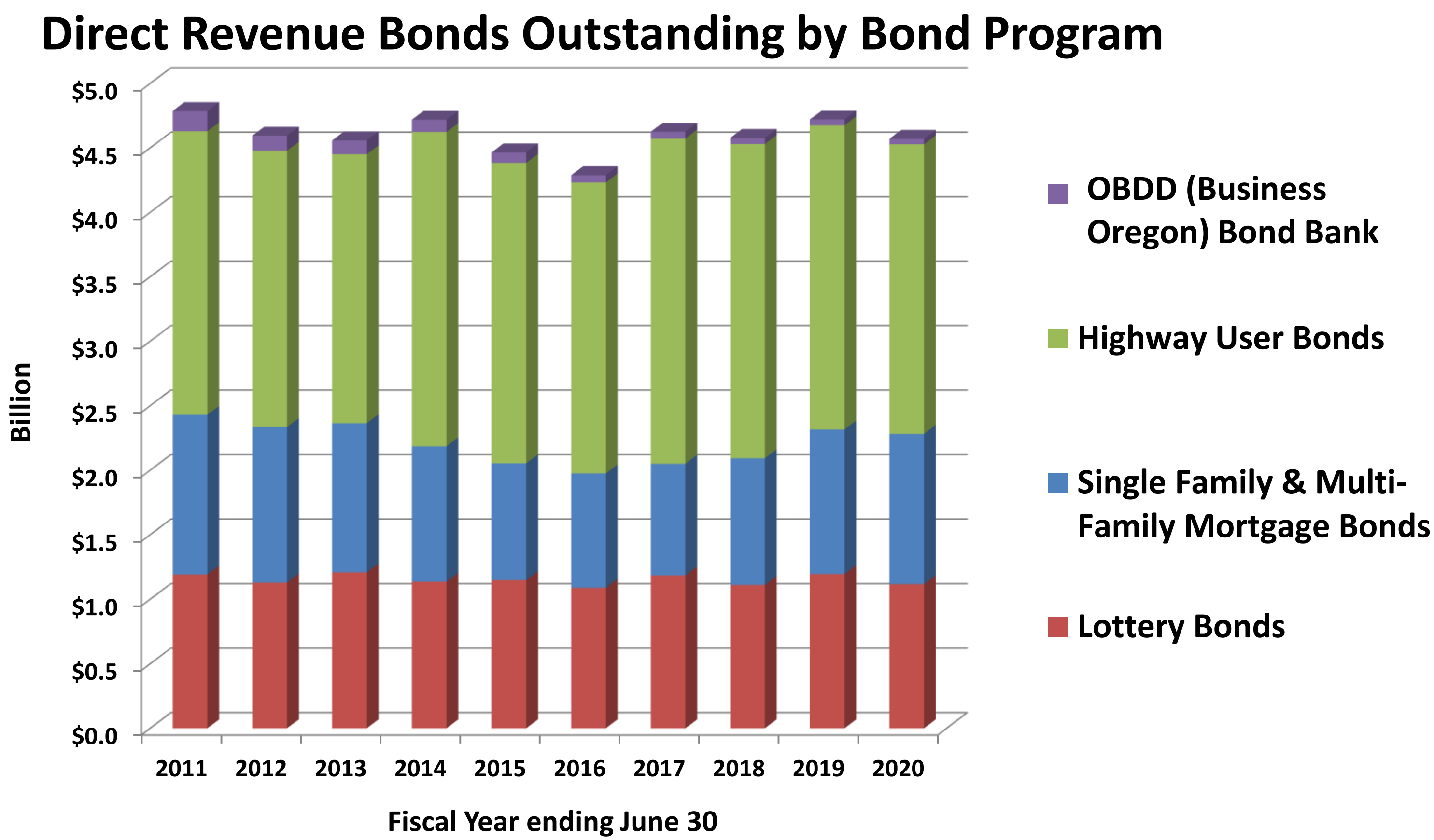
OREGON STATE TREASURY

Composition of the State's Appropriation Debt



- As of June 30, 2020, $101 million of Certificates of Participation are outstanding
- Since 2011, the State has refunded or amortized $1.1 billion of higher cost Certificates of Participation appropriation debt with lower cost Article XI-Q General Purpose GO bonds
- Appropriation bonds issued to finance the State's deficit in FY 2004 were fully amortized in 2013

Composition of Direct Revenue Bonds



- As of June 30, 2020, the State had $4.6 billion in direct revenue bonds
  - $2.25 billion of Oregon DOT (ODOT) bonds, supported by revenue constitutionally dedicated to road and highway uses
  - $1.1 billion of Lottery Revenue Bonds supported by Unobligated Net Lottery Proceeds
  - $1.24 billion of Single and multifamily housing revenue bonds outstanding
  - $42.2 million of Oregon Business Development Department (Business Oregon) Bond Bank bonds

Oregon's Bond Programs Have Strong Credit Ratings

- The rating agencies have cited that Oregon's high credit quality is supported by factors including
  - The State's stable budgetary position and structural budget balance, after one-year into the COVID-19 pandemic
  - Strong liquidity position that support budgetary flexibility and growing reserves (Rainy Day Fund) with statutory replenishment
  - Proactive management, sound financial controls, willingness to correct structural imbalances and institutionalized quarterly reviews of financial performance
- In March, S&P, Moody's and Fitch affirmed the State's GO Bond ratings with a stable outlook
- Additionally, S&P and Moody's affirmed the Lottery Revenue Bond ratings with stable outlook

Oregon Bond Ratings by Credit

Credit	Standard & Poor's	Moody's	Fitch
General Obligation	AA+	Aa1	AA+
Appropriation / COPs	AA	Aa2	AA
Lottery Revenue	AAA	Aa2	NR
ODOT Highway User Tax Revenue Senior Lien / Subordinate Lien	AAA /AA+	Aa1/Aa2	AA+/AA+
Single Family Program Revenue Bonds	---	Aa2	---
Oregon Business Development (Bond Bank)	AA+	Aa1*	--

* Upgraded to Aa1 from Aa2 by Moody's on January 12, 2021

Results of Recent Bond Sales

Sale Date	Type of Bond	Par Amount ($MM)	New Projects Funded ($MM)	Uses of Funds	Term of Bonds	All-in Interest Rate
Mar 30, 2021	GO Bonds (XI-Q,M,N,P) (tax-exempt)	$ 436.725	$ 553.575	Various state capital projects; public university capital improvements, various medical facility improvements and seismic resiliency projects	20-25 yrs	1.997%
Mar 30, 2021	GO Bonds (XI-Q,M,N,P) (taxable)	$ 173.430	$172.746	LIFT affordable housing and Permanent Housing grants, which included $152 million of designated ESG Bonds	15-25 yrs	2.200%
Jan 26, 2021	Business Oregon Bond Bank Revenue Bonds	$30.625	$25.352	City of Sweet Home Refunding and New Money Loans (Taxable and Tax-Exempt) to eight (8) local jurisdictions for water/sewer infrastructure projects	20-30 yrs	2.059%
Dec 1, 2021	Single Family Mortgage Revenue Bonds	$60.000	$61.928	New Single Family Mortgages	30 yrs	2.230%
Oct 29, 2020	GO Bonds (XI-Q) (tax-exempt)	$ 11.125	$ 11.000	Capitol Accessibility, Maintenance and Safety Project	10 yrs	1.502%
Sept 10, 2020	Highway User Tax Revenue Bonds	$ 186.465	$240.000	HB2017 – Keep Oregon Moving Projects	20 yrs	2.717%
	Total	**$898.370**	**$1,064.601**			

OREGON STATE TREASURY

Four Debt Capacity Categories

1. **General Fund-Supported Debt**	▪ SDPAC Recommended Target • Maintain debt service at or below 5% of General Fund Revenues
2. **Lottery-Backed Debt**	▪ Legal Bond Covenant Limit: 4x Coverage (no more than 25% of net lottery revenues) ▪ Moral obligation pledge of State
3. **Net Tax-Supported Debt**	▪ National bond rating agency perspective ▪ States compared with each other using "apples-to-apples" measurement approach
4. **Non Tax-Supported Debt**	▪ No general capacity limit or measurement ▪ State programs in this category are managed based on revenue streams available

General Fund–Supported Debt Programs

General Fund-Supported Debt Programs

General Obligation Bonds

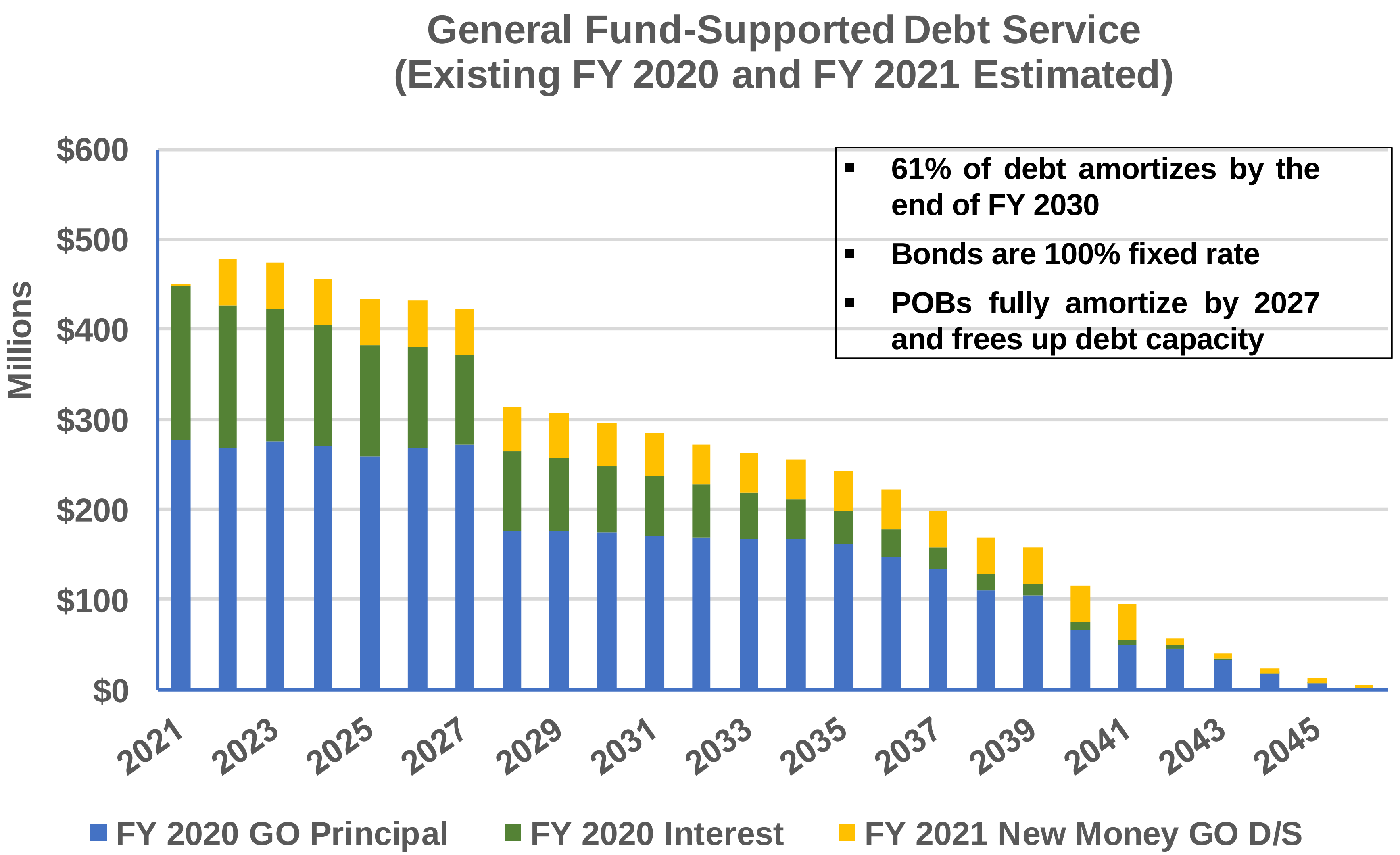
- State Highway Bonds (XI-Section 7)
- Higher Education Facility Bonds (XI-G)
- Community College Bonds (XI-G)
- Pollution Control Bonds (XI-H) (46% of total)
- Alternate Energy Bonds (XI-J) (40% of total)
- Oregon Opportunity Bonds (XI-L) (OHSU)
- Seismic Rehabilitation Public Education Buildings (XI-M)
- Seismic Rehabilitation Emergency Service Buildings (XI-N)
- School Capital Public School Facility Bonds (XI-P)
- State General Purpose (XI-Q) (92% of total)
- State Pension Obligation Bonds (34% of total)

Appropriation Credits

- Certificates of Participation (100% of total)
- Appropriation Bonds

Prior And 2019-21 Biennium General Fund Debt Service

The State maintains a conservative General Fund debt service profile



OREGON STATE TREASURY

General Fund Debt Capacity Model Inputs and Assumptions

- Accounts for all $3.9 billion in General Fund-supported debt outstanding as of June 30, 2020
- Assumes 2019-21 Biennium issuance of all $1.14 billion of General Fund-supported debt authorized by the 2019 Legislature and amended in the 2020 Second Special Session
  - $52.4 million Article XI-G GO Bonds to provide 50% matching grants for community college building projects
  - $50.6 million Article XI-G GO Bonds for Higher Education Facilities
  - $101 million Article XI-M GO Bonds to fund seismic upgrade grants to public schools
  - $20 million Article XI-N GO Bonds to fund seismic upgrade grants to public safety facilities
  - $126 million Article XI-P Bonds for matching grants for K-12 school capital improvements
  - $789 million Article XI-Q GO Bonds to fund state buildings, affordable housing projects, and local courthouse project matches
- Uses OEA's March 2021 Forecast of general fund revenue projections for the four future biennia over the forecast period (FY 2022 – FY 2029)
- Structures new debt with level debt annual service over 20 years using a **4.50%** interest rate
- Assumes a target of 5.0% of General Fund revenues will be used to pay General Fund debt service

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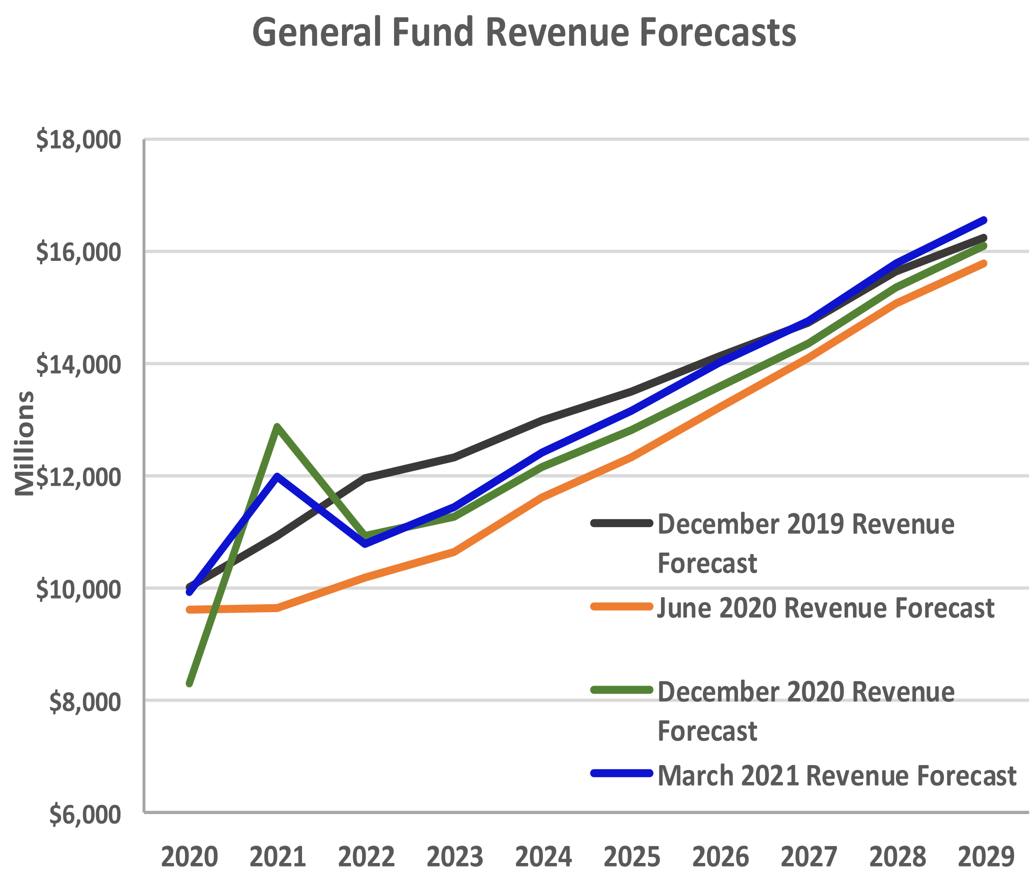
General Fund Revenue Forecast Trends

- The March 2021 Forecast shows conservative growth in the near term and a more robust long term recovery than the December 2020 Forecast
- General Fund Revenues spiked in the 1st QTR FY 2021 due in part to the impact of Federal stimulus programs and higher than expected corporate and personal income tax receipts
- The March 2021 Forecast of General Fund revenue is $21.91Bn for the 2019-21 biennium, $743 million above the December 2020 Forecast and $1.09Bn above the COS Forecast
- Key drivers of General Fund Revenue Performance include:
  - Income effect CARES ACT with enhanced unemployment benefits and small business payroll protection
  - Stable personal income tax
  - Economic Impact Payments and Recovery Rebates
  - Localized impact of COVID-19 recession on lower income individuals



Note: Does not incorporate financial impact of American Rescue Plan

General Fund-Supported Debt Capacity

- Based on the March 2021 Forecast, General Fund debt capacity is projected to be $6.47 billion, representing an increase of $219 million over the results in the December 2020 Forecast
- Using the averaging approach, the SDPAC's recommended average biennium issuance amount is $1.62 billion for each biennia in the forecast period

Projected General Fund-Supported Debt Capacity over the Next Four Biennia (March 2021 Forecast)

Fiscal Year (June 30)	Maximum Debt that can be Issued Using Target 5% D/S to Revenue ($ Million)	Debt Service as a Percentage of General Fund Revenue	Recommended Maximum Issuance Amount Using Averaging Approach ($ Million)	Debt Service as a Percentage of GF Revenue using Averaging Approach
2022	510.8	5.0%	809.3	5.2%
2023	482.3	5.0%	809.3	5.4%
2024	866.5	5.0%	809.3	5.4%
2025	783.4	5.0%	809.3	5.3%
2026	562.8	5.0%	809.3	5.5%
2027	611.5	5.0%	809.3	5.5%
2028	2,069.5	5.0%	809.3	4.9%
2029	587.5	5.0%	809.3	5.0%
Total	**$6,474.2**		**$6,474.2**	

Change in General Fund-Supported Debt Capacity

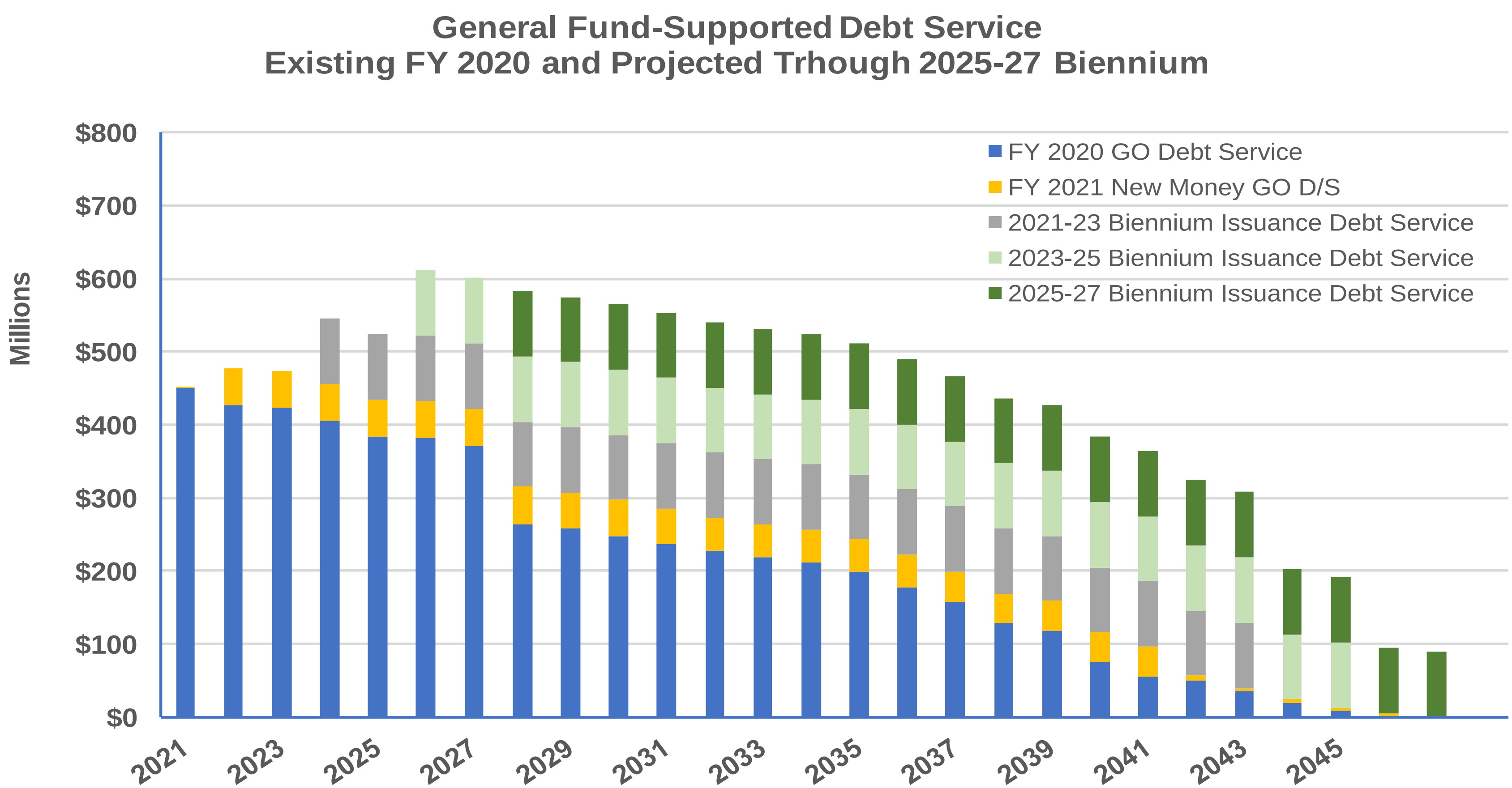
General Fund Debt Capacity
December 2020 Forecast vs March 2021 Forecast
($ million)

Based on December 2020 Forecast			Based on March 2021 Forecast		
Additional Available this Biennium	Now Through FY 2029	Average Per Future Biennium	*Additional Available this Biennium	*Now Through FY 2029	Average Per Future Biennium
NA*	$ 6,255	$ 1,564	NA*	$ 6,474	$ 1,619

*Assumes the full issuance of all $1.14 billion authorized in the 2019-2021 Biennium

General Fund Debt Service Payment Over Time

- The State's General Fund debt capacity is determined using a conservative target debt service that is 5% of General Fund revenues
- Assuming average issuance of $1.6 billion for each biennium and the historical timing of bond sales, debt service is delayed into the next biennium and has the effect of a potentially sharp rise in debt service from one biennium to the next
    - Full amortization of the POBs in 2027 absorbs the impact of this for the 2025-27 Biennium issuance



Factors That Could Impact General Fund Capacity

- Debt capacity will vary with changes in interest rates assumption or revenue projections

General Fund Debt Capacity
Sensitivity Analysis
(March 2021 Forecast)

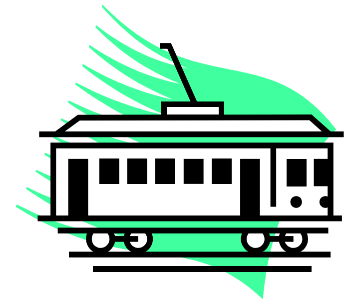
$ Million	**FYs 2022 – 2029**	**Change from Base Case (FY 2022 – 2029)**	**Average Per Biennium**
Base Case for Next Four Biennia	**$ 6,474**	**---**	**$1,619**
<u>Change in General Fund Revenue Forecast</u>			
10% decline	5,397	(1,077)	1,349
10% increase	7,550	1,077	1,887
<u>Change in Interest Rate Forecast</u>			
1.0% higher	5,871	(603)	1,468
1.0% lower	7,161	686	1,790

* These amounts do not Include the $1.14 billion in GF-supported bonds authorized and issued in the 2019-21 Biennium.

Lottery Revenue-Backed Debt

Lottery Revenue Funded Projects and Programs

- $1.1 billion in bonds outstanding as of June 30, 2020
- Programs funded to date include:
  - Light Rail Projects
  - State Parks
  - Drinking Water
  - Schools & Education
  - State Fair & Oregon Gardens
  - Community Loans & Grants
  - Economic & Rural Development
  - “Connect Oregon” Grants
  - Regional Port and Airport Improvements
  - Supportive Housing



COVID-19 Impact on Lottery Revenues – March 2021 Forecast

- Lottery revenues available for transfer in FY 2021 were adjusted downward from the December 2020 Forecast
  - 2019-21 Biennium Lottery revenues available for transfer are projected at $1.18 billion, $100.8 million below the December 2020 Forecast amount, due to the impact of temporary freeze and closures pursuant to EO-65 and EO-66 implemented in November and December of 2020
  - Unobligated Net Lottery Proceeds for FY 2021 were revised downward and resulted in debt service coverage of 3.6x, below the threshold for the issuance of new money Lottery Revenue Bonds

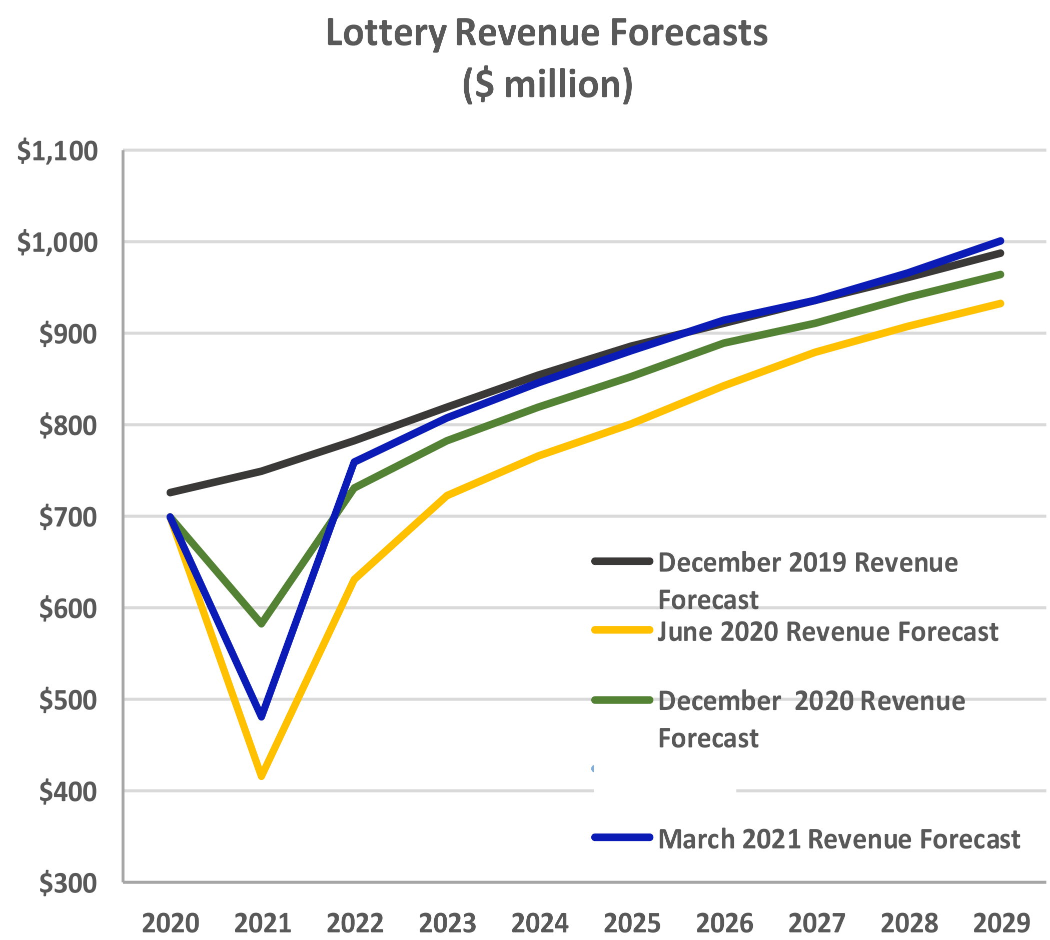
Comparison of March 2021 Forecast to December 2020 and 2019 Close of Session Forecasts $ million

March 2021 Forecast	Compared to December 2020 Forecast			Compared to 2019 Close of Session Forecast		
2019-21 Biennium Projection	December 2020 Forecast	Difference	Difference (%)	2019 COS Forecast	Difference	Difference (%)
$1,180.0	$1,280.8	($100.8)	(12.7%)	$1,459.8	($279.9)	(19.2%)

Lottery Revenues are Expected to Have a Strong Rebound

- The March 2021 Forecast projects a robust rebound in Lottery Revenues to near pre-pandemic levels commencing in FY 2022
- Lottery Revenues available for transfer are expected to grow from $1.56 billion in the 2021-23 biennium to $1.96 billion in the 2027-29 biennium

- Key Factors Contributing to the Rebound in Lottery Revenue include:
  - Oregon has experienced a less severe COVID-19 economic downturn than expected
  - Statewide roll-out of COVID-19 vaccines is a catalyst for economic growth
  - Consumer cash balances and Federal stimulus are expected to fuel demand
  - Pent up demand and limited entertainment options drive demand



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Lottery Debt Capacity Model Inputs and Assumptions

- Accounts for all $1.1 billion of Lottery Revenue Bonds issued and outstanding as of June 30, 2020
- Uses OEA's March 2021 Forecast of Lottery Revenue for FY 2021 and four future biennia over the forecast period (FY 2022 – FY 2029)
- Assumes no issuance of any of the $247 million 2019-21 Biennium authorized new money bonds
- Bond Structuring Assumptions Include:
  - Structures new debt with level debt annual service over 20 year term using a **4.50%** interest rate
  - Lottery Revenues must provide a minimum of 4 times coverage of maximum annual debt service or debt service may not exceed 25% of net lottery revenues

Lottery Revenue Debt Capacity

- The March 2021 Forecast provides for a strong rebound in Lottery Revenues over the period FY 2022 through FY 2029, resulting in debt capacity of **$2.1 billion**
- Based on the March 2021 Forecast and using an averaging approach, the State's Lottery Revenue debt issuance capacity is **$515.6** million in each biennium over the forecast period

Projected Lottery Revenue Bond Capacity
Over the Next Four Biennia
($ million)

Fiscal Year	Maximum Amount of New Debt Issuable Within Debt Service Coverage Requirements	Lottery Revenue to Debt Service Ratio	Debt Service as a % of Lottery Revenues	SDPAC Recommended Maximum Average Annual Debt Issuance	Lottery Debt Service Coverage Ratio	Debt Service as a % of Lottery Revenues
2022	$693.8	4.0	25%	$257.8	4.9	21%
2023	164.1	4.0	25%	257.8	4.6	22%
2024	126.1	4.0	25%	257.8	4.3	23%
2025	111.2	4.0	25%	257.8	4.1	24%
2026	155.0	4.0	25%	257.8	3.9	25%
2027	195.3	4.0	25%	257.8	3.9	26%
2028	332.0	4.0	25%	257.8	4.0	25%
2029	285.0	4.0	25%	257.8	4.0	25%
Total	**$2,062**			**$2,062**		

Change in Lottery Revenue Debt Capacity

Change in Lottery Debt Capacity
December 2020 Forecast vs March 2021 Forecast
($ million)

Based on December 2020 Forecast				Based on March 2021 Forecast			
Authorized Issuance 2019-21 Biennium	Capacity for Issuance 2019-21 Biennium*	Capacity for Issuance 2019-21 Biennium	Average Per Future Biennium	Authorized Issuance 2019-21 Biennium	Capacity for Issuance 2019-21 Biennium	Issuance Capacity FY 2022 Through FY 2029	Average Bond Capacity Per Future Biennium
$ 247	$159	$ 1,787	$ 407	$247	$0	$ 2,062	$515

- Subsequent to publication of the December 2020 Forecast, EO-65 and EO-66 implemented temporary freeze and designation of certain counties in Extreme Risk categories, which resulted in closure of facilities and disabling of video lottery games
- Lower Lottery Revenues reduced the debt service coverage below 4.0x, resulting in no issuance of any of the authorized $247 million for the 2019-21 Biennium
- With more bars and restaurants re-opening after release of the March 2021 Forecast, Lottery has recorded high levels of weekly sales, demonstrating the resilience of Lottery revenue

Factors That Could Affect Lottery Revenue Debt Capacity

- Debt capacity will vary with changes in interest rates assumption or revenue projections

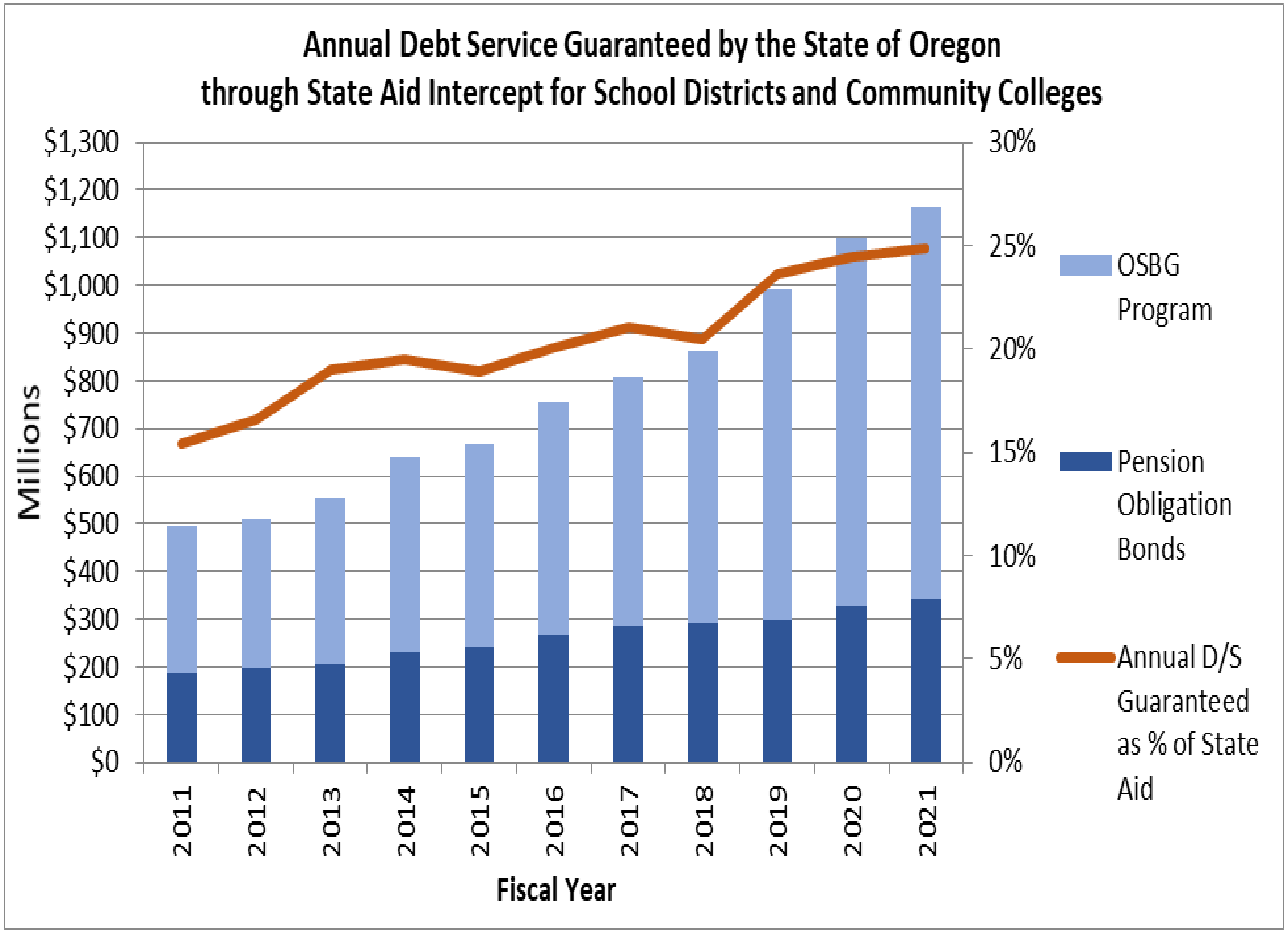
Lottery Bond Capacity
Sensitivity Analysis
(March 2021 Forecast)

($ Million)	FYs 2022 – 2029	Change from Base Case (FY 2022 – 2029)	Average Per Biennium
Base Case for Next Four Biennia	**$ 2,062**	**---**	**$515**
Change in Lottery Revenue forecast			
10% decline	1,737	(335)	434
10% increase	2,387	325	596
Change in interest rate forecast			
1.0% higher	1,894	(168)	473
1.0% lower	2,253	191	563

Emerging Areas of Concern

Oregon School Bond Guaranty Program Bonds

- The Oregon School Bond Guaranty (OSBG) program was created in 1998 via constitutional amendment as a way to enhance the credit rating and lower the borrowing cost on school district general obligation bonds
- The State supports the school districts with the State Aid intercept where State School Aid may be directed to the pay debt service on OSBG debt
- The OSBG program has been widely used since the 2008 Recession and has grown significantly
- District pension obligation debt service now represents 7.28% of annual State school aid and OSBG program bonds is 17.6% for a total of 24.87% guaranteed by State Aid
- Four school districts currently have combined annual State guaranteed debt service (GO and POB) that exceed their annual allocation of State school aid



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Guarantees on School District and Community College POBs

- In the 2019 Regular Legislative Session, SB 1049 was enacted and codified in ORS 238.697, establishing new requirements for issuers of POBs issued after June 11, 2019 including:
  - Issuer must "obtain a statistically based assessment from an independent economic or financial firm"
  - Issuer must disclose if the services of an independent SEC-registered advisor is retained
  - Requires the issuer to provide the State Debt Policy Advisory Commission with an "annual report on bonds issued under ORS 238.694" which shall contain a) actual interest rate over the term of the bonds, b) projected rate of return on the bond proceeds, and c) actual rate of return on bond proceeds in prior fiscal year
- Treasury will present guidelines to the MDAC Committee on April 5, 2021 to address ongoing compliance requirements for any new issuances of POBs by school districts or local entities
- ORS 238.698 authorizes the Department of Education to enter into fund diversion agreements to improve the creditworthiness of Pension Obligation Bonds (POBs) issued by Oregon school districts and community colleges to pay principal and interest on POBs
  - The diversion agreement permits the State Board of Education, through a State Aid Intercept agreement, to direct annual state aid funds, available to participating school districts and community colleges, to make POB debt service payments directly to the POB bond trustee
  - Like the OSBG program, the State guarantee of debt service repayment greatly enhances the credit ratings and lowers the borrowing cost on these bonds

Multifamily Conduit Revenue Bond Issuance

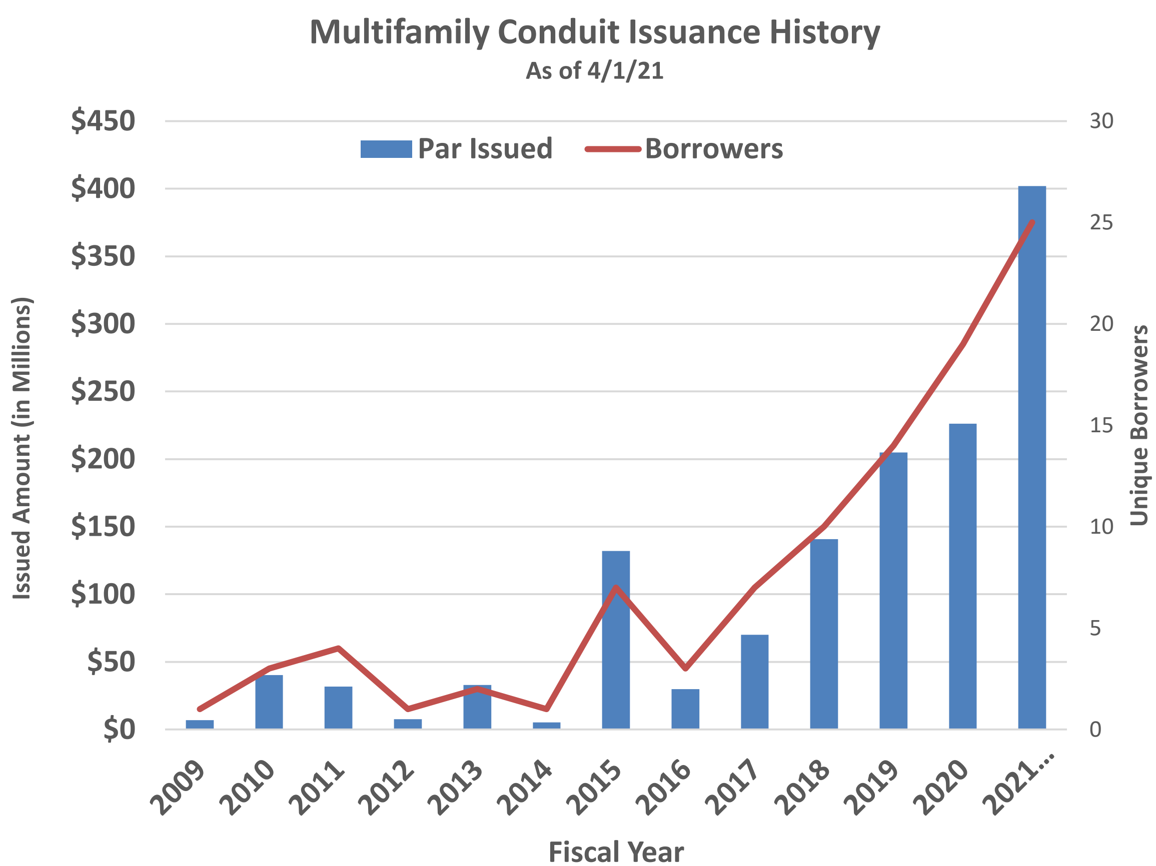
- Issuance of multifamily conduit revenue bonds has increased sharply since 2018, largely due to the issuance of General Obligation bonds for Local and Innovative Fastrack Program ("LIFT") affordable housing and Permanent Supportive Housing ("PSH") program awards which have been combined with various established housing tax credits including 4% Low Income Housing Tax Credit (LIHTC)

- Multifamily revenue bonds are issued on behalf of public and private entities for the development and rehabilitation of low income multifamily housing

- To date, 12 conduit bond issuances totaling $245.1M have closed in FY 2021 and 13 additional issuances totaling $156.9M are expected to close by the end of FY 2021

- Over $368.5M in Article XI-Q General Obligation bonds have been issued in support of the LIFT and PSH programs

- The strong demand for affordable housing statewide will compete for the limited availability of private activity bond volume cap



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Conclusion

Conclusion

- Forecasted General Fund revenue provides $6.47 billion of new General Fund debt capacity for the upcoming four biennia, with an average debt capacity of $1.62 billion in each biennium over the forecast period
- Lottery revenues are expected to have a robust recovery and are forecasted to exceed pre-pandemic levels in the latter part of the forecast period
- Projected Lottery revenue provides $2.1 billion of new Lottery revenue debt capacity for the upcoming four biennia, with an average debt capacity of $515 million in each biennium over the forecast period
  - Lottery revenues have demonstrated significant volatility and is heavily impacted by closures of bars, restaurants and gathering facilities
  - After release of the December 2020 Forecast, Lottery revenue declined significantly, resulting in Lottery Revenue Bond coverage of 3.6x, below the level for new money issuance in FY 2021
- The State has strong credit ratings due to its adherence to prudent debt management practices, fiscal discipline and strong management
  - The State's long-term general Obligation Bond ratings were recently affirmed by S&P, Moody's and Fitch
  - The State's long-term Lottery Revenue Bond ratings were also recently affirmed by S&P and Moody's
  - The State's General Fund revenues, buoyed by stimulus funds, are expected to remain stable over the next biennium and are projected to rebound to pre-pandemic levels over the forecast period
  - Lottery Revenues are forecasted to have a robust recovery in expectation of successful roll-out of COVID 19 vaccination and no major pandemic related disruptions
- The Commission recommends continued prudence in the management and use of debt to make capital investment in infrastructure, housing and economic development, higher education and other projects that will benefit Oregonians over the long term
- To improve the State's resilience, investments are required to shore up the State's facilities, invest in wildfire preparedness and prevention and restoration of communities

Questions?

Appendices

A. Net Tax-Supported Debt

Net Tax-Supported Debt

Net Tax-Supported Debt Programs Include:

All

General Fund-Supported Debt Programs

Plus

- Dedicated funds portion of Pension Obligation Bonds
- Dedicated funds portion of XI-Q bonds
- Certificates of Participation
- Lottery Revenue Bonds
- Highway User Tax Revenue Bonds

State Net Tax-Supported Debt Per Capita

- As of June 30, 2020, Oregon's Net Tax-Supported Debt was $8.39 billion and is projected to increase to $9.30 billion at the end of FY 2021
- Oregon's Net Tax-Supported Debt to personal income is above the median of 2.6% for all states
- Adjusting out the Pension Obligation Bonds issued in 2003 reduces Oregon's Net Tax-Supported Debt to 3.44% of personal income

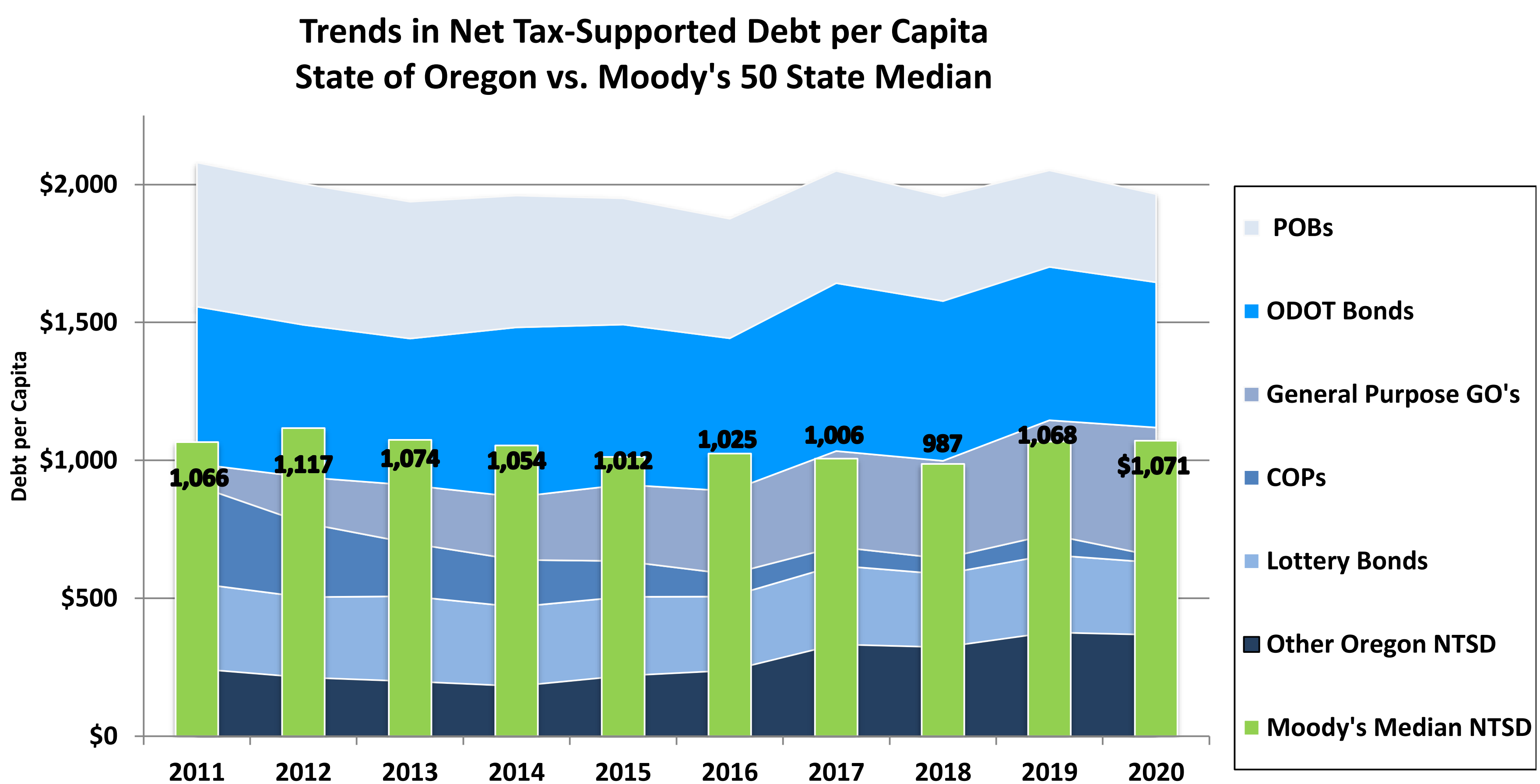
State of Oregon
Net Tax-Supported Debt Ratios

	Fiscal Year Ending June 30th		
	FY 2019 (Actual)	**FY 2020** (Actual)	**FY 2021** (Projected)
Net Tax-Supported Debt ($ Billion)	**$ 8.70**	**$ 8.39**	**$ 9.30**
NTSD Per Capita	$ 2,055	$ 1,966	$ 2,168
NTSD as % of Personal Income	3.88%	3.52%	3.97%
Excluding Pension Obligation Bonds			
NTSD Per Capita	$1,703	$1,645	$1,881
NTSD as a % of Personal Income	3.22%	2.95%	3.44%

Source: Population and Personal Income projections are based on OEA Economic and Demographic Forecasts, December 2020 Forecast

Trends in Net Tax-Supported Debt

- Oregon's Net Tax-Supported Debt per capita as of FY 2020 is $1,966 which is above the median of $1,071 for all states
- Strong population growth over the last decade permits the State to support increasing debt at affordable levels

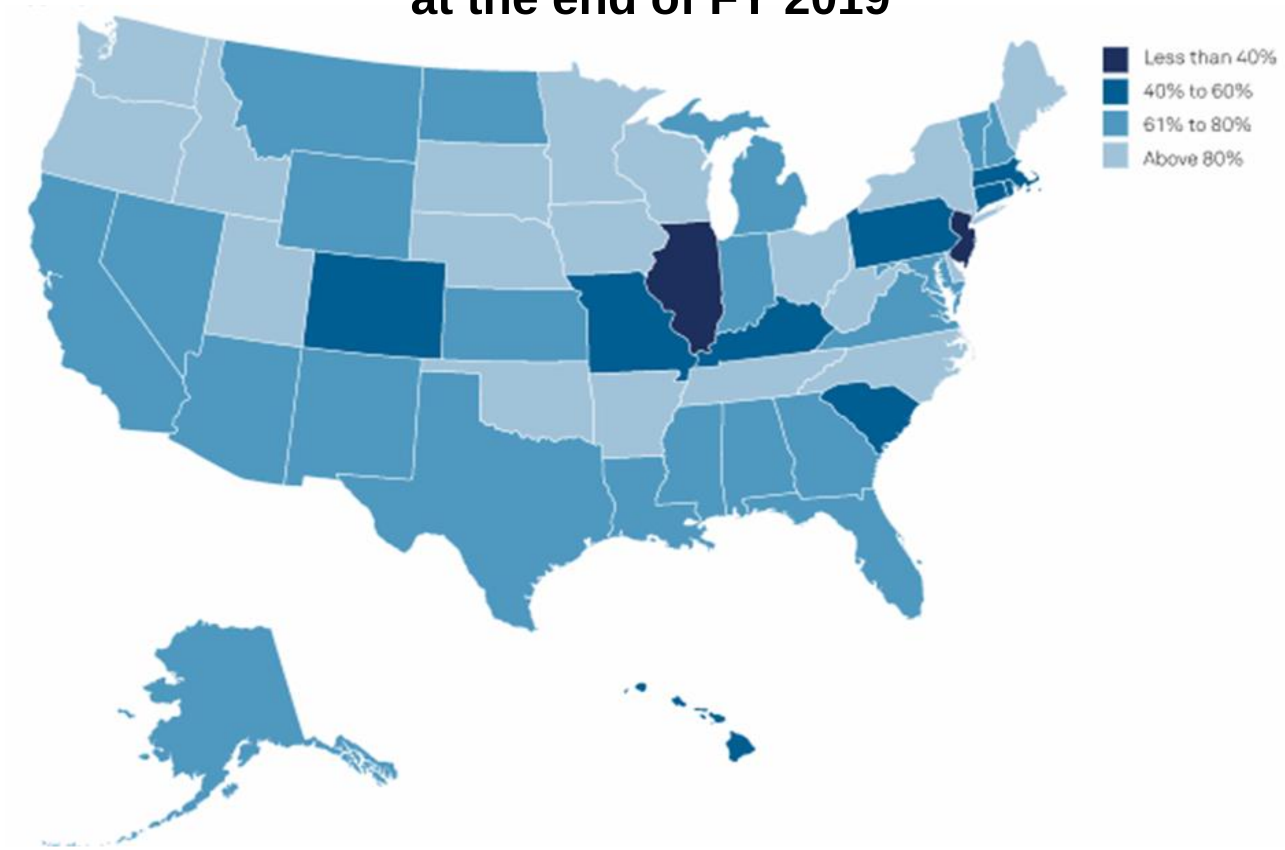


Sources: Moody's State Debt Medians Reports, 2010-2019.

Pension and OPEB Funding Level By State

- Oregon ranks among the top states in terms of pension funding status, a measure of pension assets relative to pension liability
- Additionally, Oregon's FY 2019 pension funded status of 80.20% is above the median for all states (70.90%) for the same period

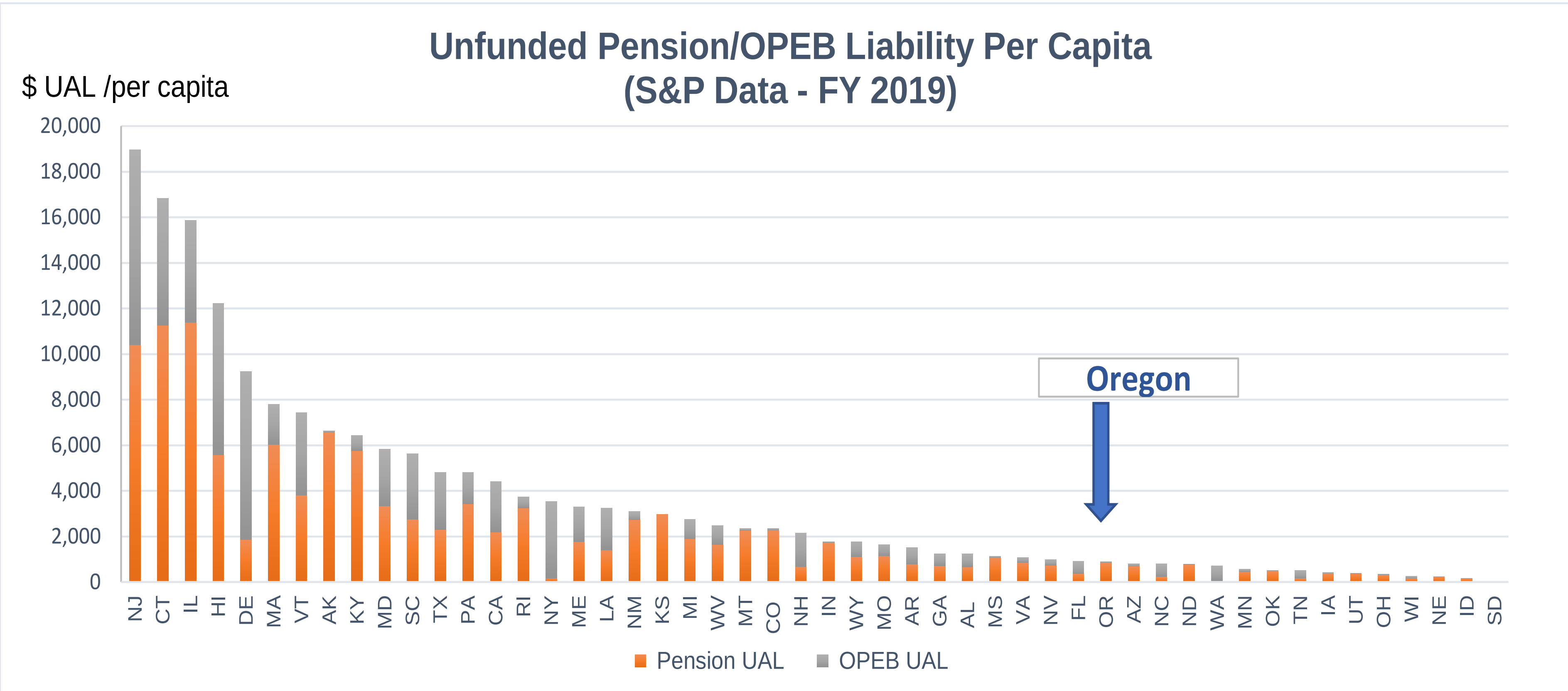
State Pension Funding Levels at the end of FY 2019



Source: Standard & Poor's Sudden-Stop Recession Pressures U.S. States' Funding for Pension And Other Retirement Liabilities, Aug 3, 20120. Net pension liability used for each state is based on the amount reported in their Comprehensive Annual Financial Reports as of June 30, 2019.

Oregon's Per Capita Pension and OPEB Liabilities Ranking

- Oregon's per capita unfunded pension and OPEB liability is among the lowest level when compared to other states
  - Oregon ranks 15th in lowest Pension and OPEB liability per capita
- Additionally, Oregon's FY 2019 pension funded status of 80.20% is above the median for all states (70.90%) for the same period



Source: S&P Aug 3, 2020: Sudden-Stop Recession Pressures U.S. States' Funding For Pension and Other Retirement Liabilities.

B. Non Tax-Supported Debt

Composition of Non-Tax Supported Debt Programs

Non Tax-Supported Debt Programs

General Obligation Programs (Self Supporting)

- Veterans' Welfare Bonds
- Elderly & Disabled Housing Bonds
- Higher Education Facility (XI-F) Bonds
- Alternate Energy Bonds (60% of debt service)
- Pollution Control Bonds (54% of debt service)
- Oregon School Bond Guaranty Program

Direct Revenue Bond Programs

- Single & Multifamily Housing Bonds
- Economic Development Bond Bank

Conduit Revenue Programs

- Economic Development Revenue Bonds
- Oregon Facilities Authority Bonds
- Multi-Family Housing Revenue Bonds

Conduit Revenue Bond Programs

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. 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.

C. Private Activity Bond Volume Cap Allocations

Emerging Issues of Concern: PAB Volume Cap Allocations

- The federal government allocates a limited amount of “private activity” tax-exempt financing authority annually to each state for distribution to various qualified economic and community development projects
- The State’s CY 2020 PAB Volume Cap allocation of $442.80 million was allocated as follows:
  - $250 million Legislative allocation to OHCSD
  - $150.4 million to the PAB Committee for statewide projects
  - $40 million Legislative allocation to Oregon Business Development Department (OBDD)
  - $2.5 Million Legislative allocation to the Beginning & Expanding Farmer Loan program through OBDD
- Of the 442.80 million CY 2020 PAB authority, Oregon utilized $56.8 million
  - $15 M – Red Rock Biofuels Clean Energy Project
  - $6.6 M – Central Oregon Regional Housing Authority multi-family housing project
  - $4.6 M – Portland Housing Bureau – Mortgage Credit Certificate Program
  - $5.6 M – Oregon Housing & Community Services – single family housing projects
  - $25.0 M – Legislative allocation to OBDD – Red Rock Biofuels Clean Energy Project
- An additional $270.5 million of prior years’ PAB allocations (i.e. 2017 – 2019 PAB carryforward) was entirely used by OHCSD to finance single family, first time homebuyer and tax-exempt multi-family affordable housing projects around the State
- Unused CY 2020 allocations of $386 million (2020 carryforward) became available to the Private Activity Bond Committee to allocate in its January 2021 meeting

Demand For PAB Volume Cap Allocations Continues to Grow

- In calendar year 2021, Oregon's PAB Volume Cap increased to $466.6 million of which $250 million are expected to be allocated to OHCSD by the Legislature
- The PAB Committee's 2021 Volume Cap allotment of $174.1 million will be available for award in amounts up to $43.5 million to eligible projects at each quarterly scheduled meeting
  - In January 2021 Home Forward was awarded $43.2 million for its 85 Stories Group 7 affordable housing project
  - The total 2020 carryforward of $386 million was awarded to OHCSD by the PAB Committee at its January 13, 2021 meeting
- Oregon voters recently approved a Constitutional amendment allowing for voter-approved local government general obligation bonds for affordable housing
  - In November 2018, Metro voters simultaneously approved a $652.8 million GO bond issue for this purpose
  - The proceeds of the City of Portland's $120 million GO bond for affordable housing can now also be used to leverage private equity investments through 4% federal tax credits
- In order for local borrowers to utilize federal 4% tax credits which provide equity funds for affordable housing projects, they must issue tax-exempt bonds as a 50% match, which means a variety of projects will be seeking allocations of PAB in the future