



OREGON
STATE
TREASURY

Our Way Is Forward

Debt Capacity Presentation



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Debt Management Director

INTRODUCTION

Purposes Of The Report

- Developed By The State Debt Policy Advisory Commission (SDPAC)
- Reviews Outstanding Indebtedness Of The State And Reports Annual Debt Capacity Forecast Required By ORS 286A.255
- Framework For Measuring, Monitoring And Managing The State's Debt Position
- Provides Information To Assist Governor And Legislature In Formulating Long-term Capital Spending Plans





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STATE OF OREGON'S CURRENT DEBT POSITION



Eastern Oregon University – Inlow Hall Renovations
Funded By GO Bonds Issued In 2023



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OREGON CURRENT DEBT POSITION



GENERAL FUND-SUPPORTED DEBT CAPACITY



LOTTERY DEBT REVENUE CAPACITY

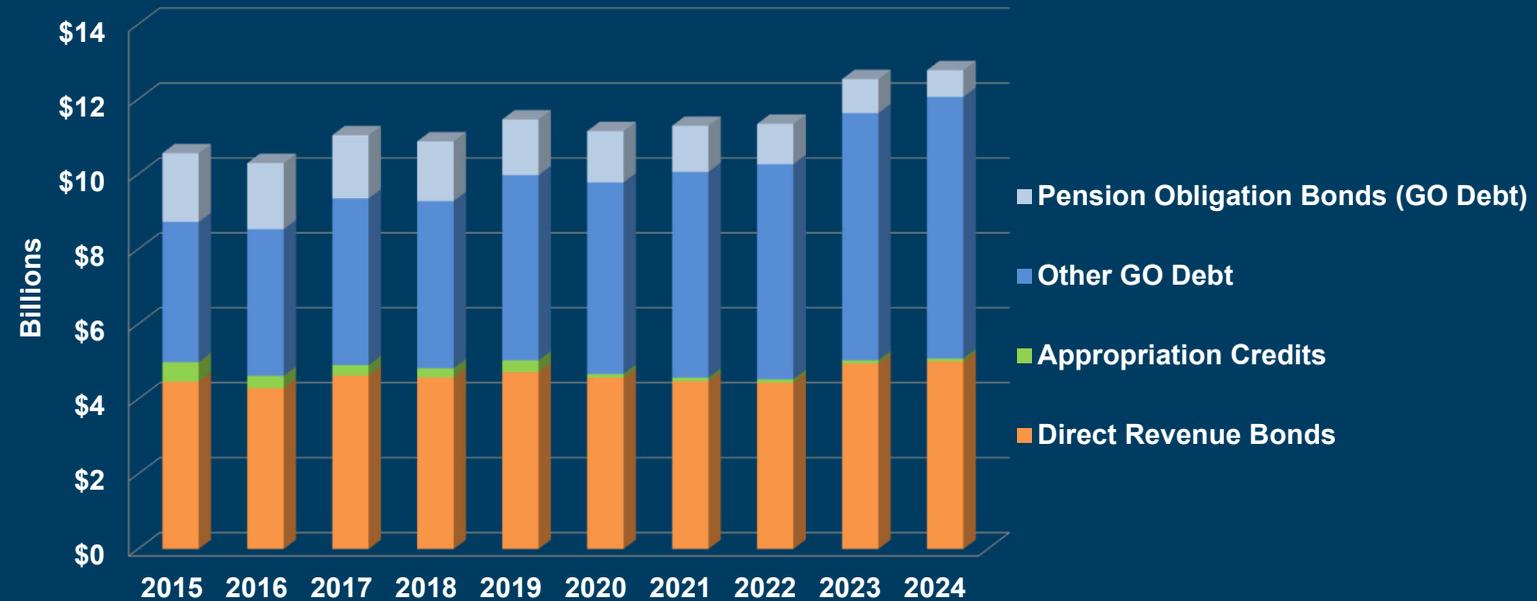


CONCLUSION

AGGREGATE STATE DEBT LEVELS

Trends in Oregon's Bonded Indebtedness

(Fiscal Year Ending June 30)



As Of June 30, 2024, The State Of Oregon Had \$12.78 Billion Outstanding Long-term Debt Consisting Of :

- All General Obligation Bonds (*General Fund-supported And Self-Supporting*)
- Appropriation Debt Including Certificates Of Participation (*COPs*)
- Direct Revenue Bonds Include Oregon Department of Transportation's (ODOT) Highway User Tax Revenue Program Bonds, OHCSA Single Family And Multifamily Program Revenue Bonds, Lottery Revenue Bonds, And Infrastructure Finance Authority (*Bond Bank*)



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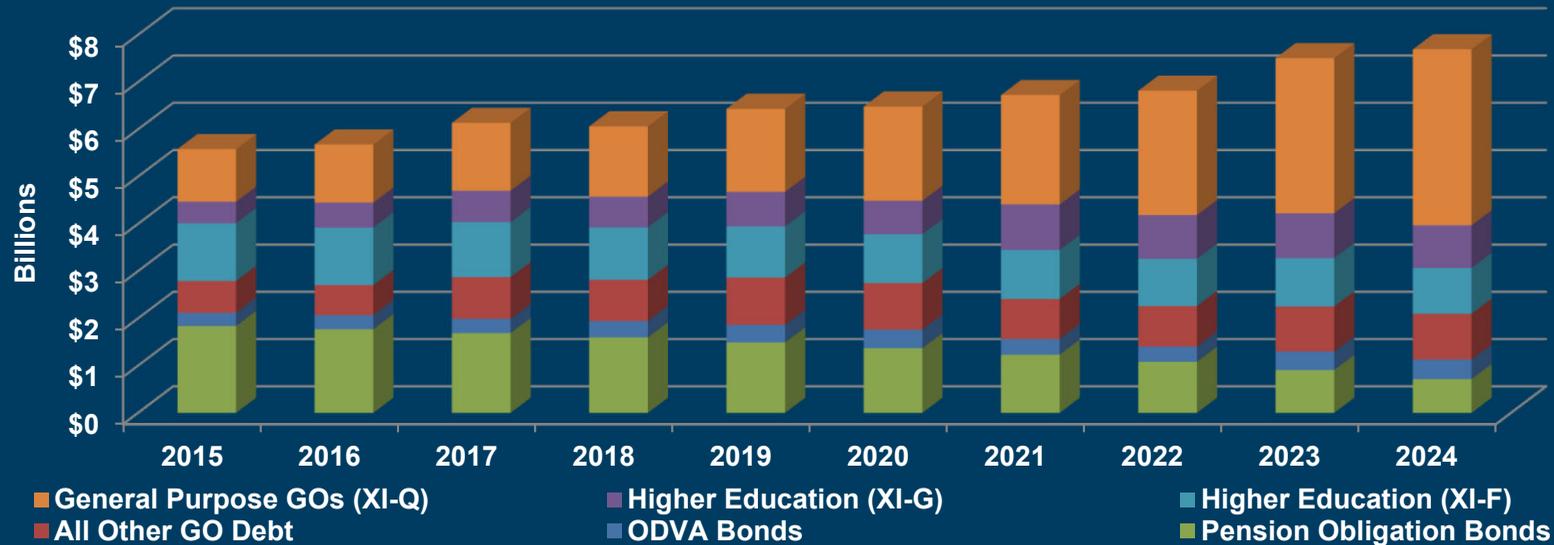


CONCLUSION

GENERAL OBLIGATION DEBT

General Obligation Indebtedness

(Fiscal Year ending June 30)



- As Of June 30, 2024, The State Had \$7.7 Billion Outstanding GO Bonds
 - \$5.45 Billion Are General Fund-supported Debt (Excluding Certificates Of Participation)
 - \$2.25 Billion Are Supported By Net-Tax Or 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 Comprise 48% Of All GO Indebtedness And Continues To Grow With Increased Focus On Improvements Of State Owned Or Operated Property, LIFT Program Funding Bonds, And The Increased Utilization Relative To Appropriation Debt



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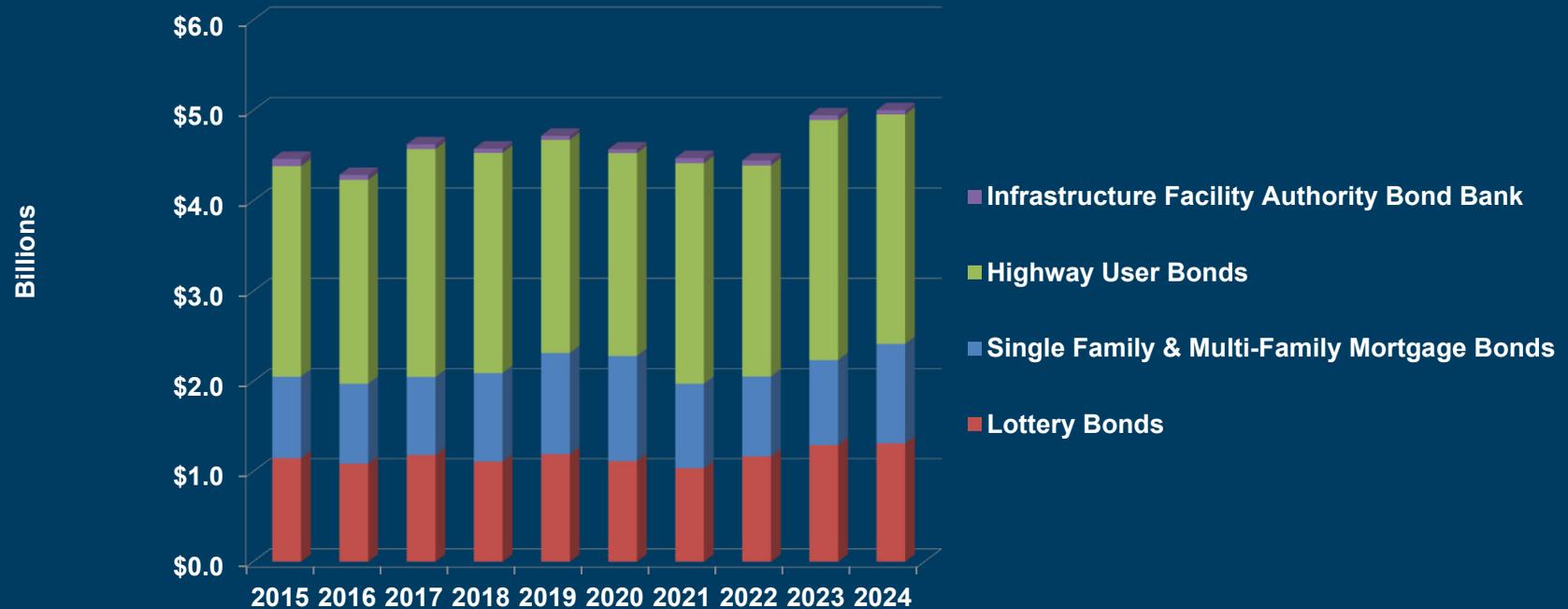


CONCLUSION

DIRECT REVENUE BONDS

Direct Revenue Bonds Outstanding by Bond Program

(Fiscal Year ending June 30)



As Of June 30, 2024, The State Had \$5.0 Billion In Direct Revenue Bonds:

- \$2.54 Billion Of ODOT Bonds, Supported By Revenue Constitutionally Dedicated To Road And Highway Uses
- \$1.3 Billion Of Lottery Revenue Bonds Supported By Net Unobligated Net Lottery Proceeds
- \$1.1 Billion Of OHCSA Single Family And Multifamily Housing Program Revenue Bonds
- \$48 Million Of Oregon Business Development Department (Business Oregon) Bond Bank Bonds



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OREGON'S BOND PROGRAMS HAVE STRONG CREDIT RATINGS

The Rating Agencies Have Cited Oregon's High Credit Quality Is Supported By Factors Including:

- The State's Stable Budgetary Position And Structural Budget Balance, Demonstrated Fiscal Resilience
- Strong Liquidity Position That Supports 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

Oregon Bond Ratings by Credit Agency

Credit	Standard & Poor's	Moody's	Fitch	Kroll
General Obligation	AA+	Aa1	AA+	--
Appropriation/COPs	AA	Aa2	AA	--
Lottery Revenue	AAA	Aa2	NR	AAA*
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	--	--

*Kroll Ratings added April 18, 2023

** ODOT Grant Anticipation Revenue Bonds (GARVEEs) are rated AA by S&P



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Wildcat Community Center – La Grande, OR
Funded By GO Bonds Issued In 2023



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GENERAL FUND DEBT CAPACITY MODEL INPUTS AND ASSUMPTIONS

- Accounts For All \$5.45 Billion In General Fund-supported Debt Outstanding As Of June 30, 2024
- Assumes 2023-25 Biennium Issuance Of All \$2.167 Billion Of General Fund-supported Debt Authorized By The 2023 And 2024 Legislative Sessions
 - \$75 Million Article XI-G GO Bonds To Provide 50% Matching Grants For Community College Building Projects
 - \$84.7 Million Article XI-G GO Bonds For Higher Education Facilities
 - \$100.9 Million Article XI-M GO Bonds To Fund Seismic Upgrade Grants To Public Schools
 - \$50.6 Million Article XI-N GO Bonds To Fund Seismic Upgrade Grants To Public Safety Facilities
 - \$100.9 Million Article XI-P Bonds For Matching Grants For K-12 School Capital Improvements
 - \$1.39 Billion Article XI-Q GO Bonds To Fund State Buildings, Affordable Housing Projects, And Local Courthouse Project Matches
- Uses OEA's December 2024 Forecast Of General Fund Revenue Projections For The Four Future Biennia Over The Forecast Period (FY 2025 – FY 2033)
- Structures New Debt With Level Annual Debt Service Over 20 Years Using A 5.50% Interest Rate, To Reflect Federal Reserve Board Expectation For Maintenance Of High Rates To Reduce Inflation
- Assumes A Target Of 5.0% Of General Fund Revenues Will Be Used To Pay General Fund Debt Service

GENERAL FUND REVENUE FORECAST TRENDS

The December 2024 Forecast Shows Strong Growth In General Fund Revenues Over The Forecast Period, With A Further \$950 Million Increase Compared To The Prior September Forecast.

- 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 Forecasted \$27.9 Billion Of General Fund Revenue For The 2023-25 Biennium Is \$2.84 Billion Above The 2023 COS Forecast (End Of Prior Biennium)
- This Forecast Employs The New Methodology Resulting In Significant Increases In Expected Personal And Corporate Income Tax Revenues

Key Factors Contributing To General Fund Revenue Forecast Include:

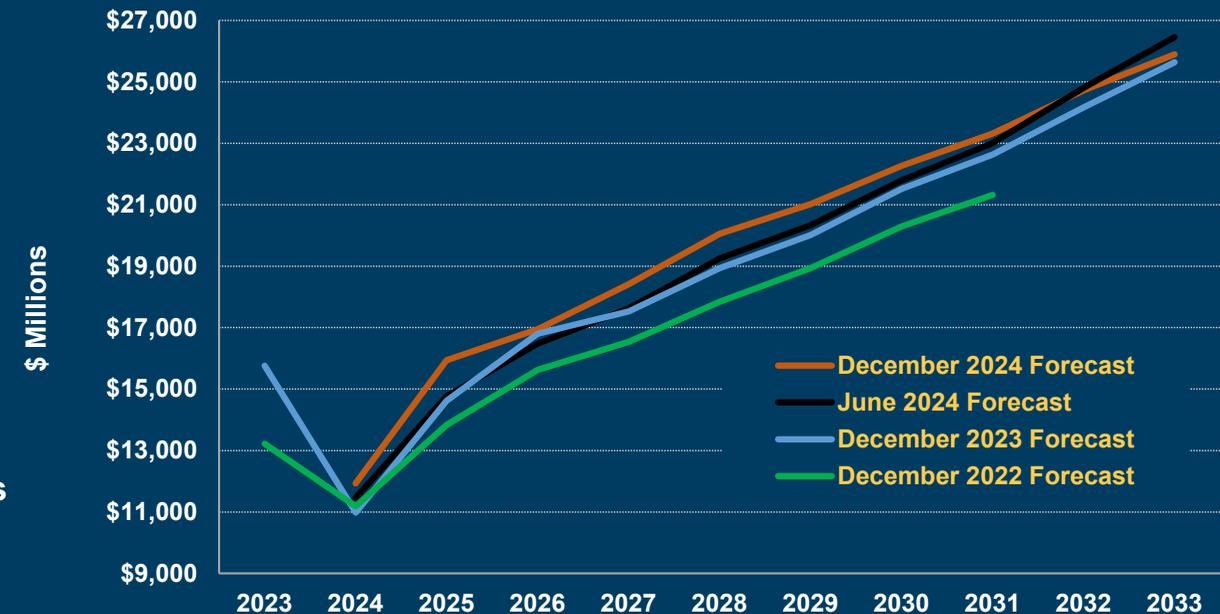
Factors Affecting 2025-27 Biennium:

- Moderate Economic Growth
- Possible Election Impact (E.G. Tariffs)
- Kicker Credit Rebate

Long-term Forecast Include:

- Inflation Boosting Nominal Incomes And Taxes
- Steady Growth In Personal Income Tax Receipts
- Corporate Excise And Income Tax Collections Higher Than Prior Expectations

General Fund Revenue Forecast





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GENERAL FUND-SUPPORTED DEBT CAPACITY

- Using The December 2024 Forecast, General Fund Debt Capacity Is Projected To Be \$8.9 Billion Over The Forecast Period (FY2026 – FY2033)
- Averaging This Capacity Over The Forecast Period Results In \$2.22 Billion Issuance For Each Biennium, Or \$1.11 Billion Annually
 - With The Averaging Approach, Our Target Debt Service Ratio Of 5% Is Not Breached Throughout The Forecast Period

Projected General Fund-Supported Debt Capacity

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*
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	\$25,889	\$849	5.0%	\$1,112	5.0%
		Total: \$8,898		Total: \$8,898	

Assumes The Issuance Of \$2.167 Billion In General Fund-supported Bonds Authorized By The 2023-25 Biennium Bond Bill



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FACTORS THAT COULD IMPACT GENERAL FUND DEBT CAPACITY

Projected Debt Capacity Will Vary With Changes In Interest Rates Assumption Or Revenue Projections

General Fund Debt Capacity - Sensitivity Analysis (December 2024 Forecast)

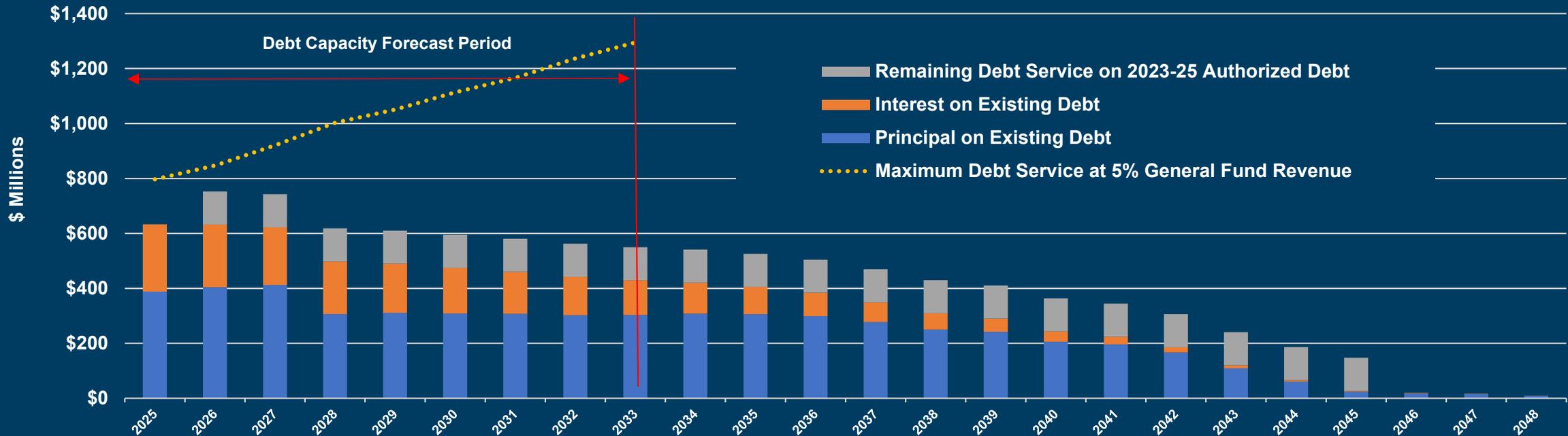
	<i>\$ Millions</i>	FY 2026 – 2033	Change From Base Case (FY 2026 – 2033)	Average Per Biennium
Base Case for Next Four Biennia		\$ 8,898	---	\$2,225
CHANGE IN GENERAL FUND REVENUE FORECAST				
10% Decline		\$7,351	(\$1,548)	\$1,838
10% Increase		\$10,446	\$1,548	\$2,611
CHANGE IN INTEREST RATE FORECAST				
1.0% Higher		\$8,092	(\$806)	\$2,023
1.0% Lower		\$9,813	\$915	\$2,453

General Fund Debt Service

The State maintains a conservative General Fund debt service profile

- Currently, The State Manages Debt Balances With A Target General Fund Supported Debt Service Target Of 5%. Over The Past Several Years, General Fund Revenue Has Increased Year Over Year Providing Increased Debt Capacity In Each Year.
- Over 50% Of Current Outstanding Debt Principal Amount Will Amortize Over The Forecast Period. This With The Paydown Of POBs By 2027 Frees Up Debt Capacity In The Later Biennia Of This Decade.

General Fund Debt Service Payments Over Time



The Commission Has Historically Recommended That The Legislature Considers Spreading Issuance Over The Biennium To Permit The State To Benefit From Interest Cost Averaging Rather Than Concentrating The Issuance At The End Of The Biennium



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LOTTERY REVENUE DEBT CAPACITY



Western Oregon University – Student Success Center
Funded By GO Bonds Issued In 2023



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LOTTERY DEBT CAPACITY MODEL INPUTS AND ASSUMPTIONS

- **\$1.31 Billion Of Lottery Revenue Bonds Were Outstanding As Of June 30, 2024, And Have Been Used To Fund Programs, Including:**
 - ❑ Light Rail Projects And “Connect Oregon” Grants
 - ❑ Drinking Water
 - ❑ Community Loans And Grants
 - ❑ Economic & Rural Development
 - ❑ State Parks, State Fair & Oregon Gardens
 - ❑ Schools & Education
 - ❑ Supportive Housing
 - ❑ Regional Port And Airport Improvements

Key Debt Capacity Assumptions

- Uses OEA’s December 2024 Forecast Of Lottery Revenue Over The Forecast Period (FY 2026 – FY 2033)
- Assumes Issuance Of The All \$528 Million 2023-25 Biennium Authorized New Money Bonds
- Bond Structuring Assumptions Include:
 - Structures New Debt With Level Debt Annual Service Over 20-year Term Using A 5.50% Interest Rate, To Reflect Federal Reserve Board Continued Maintenance Of High Rates To Curb Inflation
 - The Lottery Revenue Bond Indenture Requires That Unobligated Net Lottery Proceeds Available For Transfer Must Provide A Minimum Of 4 Times Coverage Of Maximum Annual Debt Service Or Debt Service May Not Exceed 25% Of Unobligated Net Lottery Proceed



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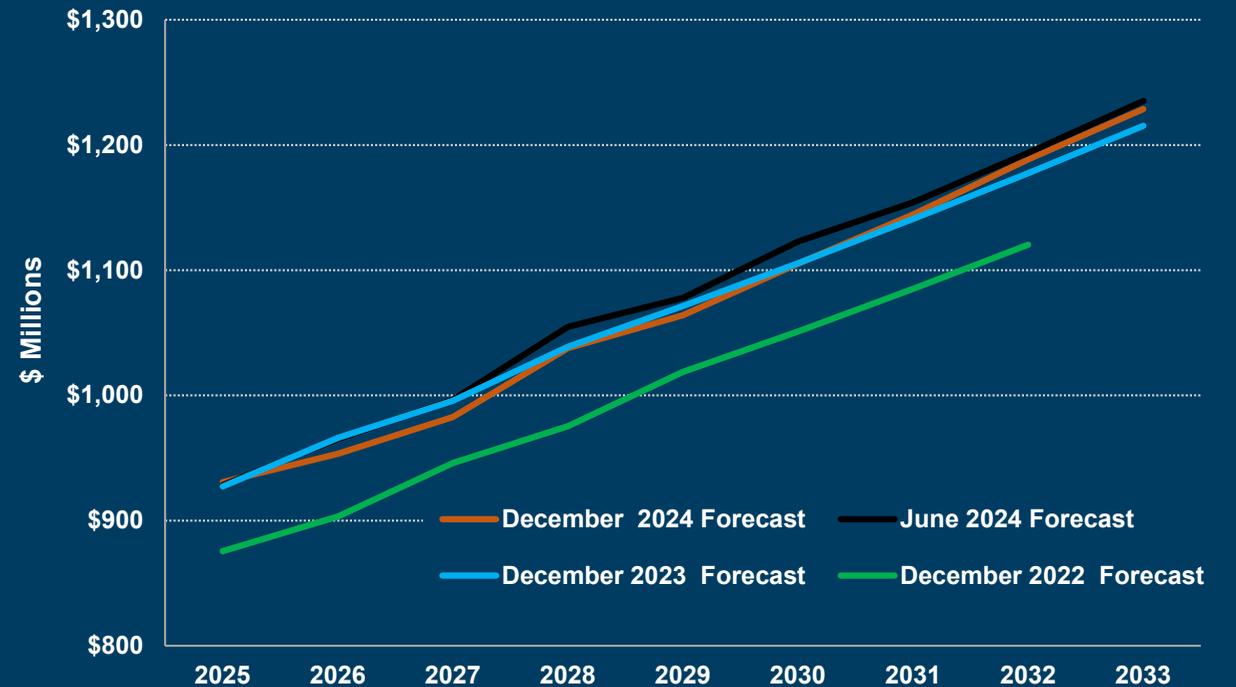
LOTTERY REVENUES FORECAST TRENDS

- The December 2024 Forecast Projects Continued Rebound In Lottery Revenue. Estimates For The 2023-25 Biennium Have Been Revised Slightly Lower To \$1.85 Billion
- Lottery Revenue For The 2025-27 Biennium Is Forecasted To Be Higher Than The 2023-25 Biennium As The Economy, Consumer Discretionary Incomes Continue Steady Growth
- Lottery Revenues Available For Transfer Are Expected To Grow From \$1.94 Billion In The 2025-27 Biennium To \$2.42 Billion In The 2031-33 Biennium

Key Factors Contributing To The Continued Growth In Lottery Revenue Include:

- Performance Of The Oregon Economy And Consumer Preferences For Entertainment
- Reduction In Sales Outlook For Video Lottery That Is Tracking Lower Over The Past Year
- Competition For Household Entertainment Dollars, Increased Competition Within The Gaming Industry And Evolution Of Consumer Tastes

Lottery Revenue Forecast





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LOTTERY DEBT REVENUE CAPACITY



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LOTTERY REVENUE DEBT CAPACITY

- The December 2024 Forecast Provides For A Strong Rebound In Lottery Revenues Over The Period FY 2026 Through FY 2033, Resulting In Debt Capacity Of \$2.256 Billion
- Based On The December 2024 Forecast And Using An Averaging Approach, The State's Lottery Revenue Debt Issuance Capacity Is \$564 Million In Each Biennium Or \$282 Million Annually Over The Forecast Period

Projected Lottery Revenue Bond Capacity Over The Next Four Biennia (\$ Millions)

Fiscal Year (Ending June 30th)	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
2026	\$451	4.0	25%	282	4.3	24%
2027	\$169	4.0	25%	282	4.1	25%
2028	\$378	4.0	25%	282	4.2	24%
2029	\$236	4.0	25%	282	4.1	24%
2030	\$291	4.0	25%	282	4.1	24%
2031	\$226	4.0	25%	282	4.1	25%
2032	\$366	4.0	25%	282	4.2	24%
2033	\$139	4.0	25%	282	4.0	25%
Total: \$2,256				Total: \$2,256		



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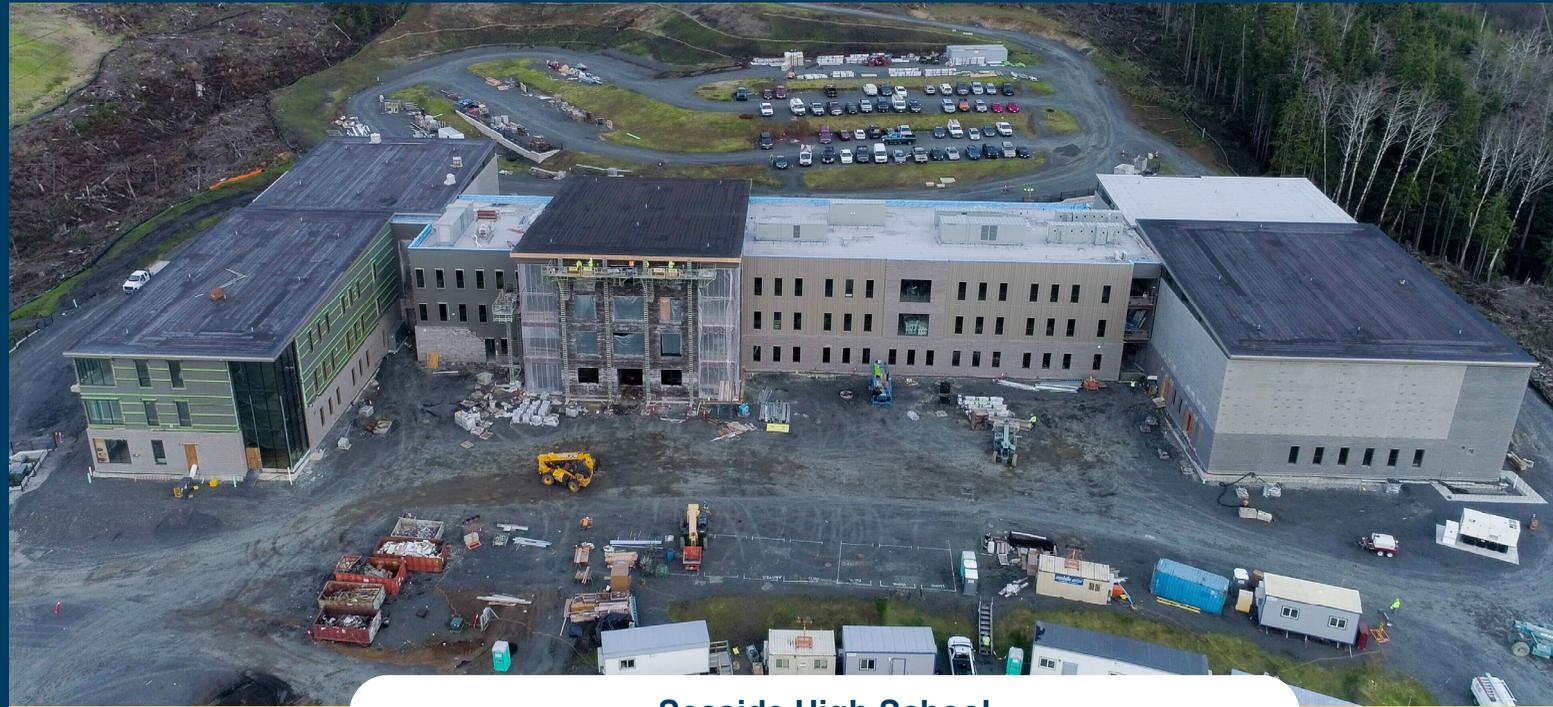
CONCLUSION

FACTORS THAT COULD AFFECT LOTTERY REVENUE DEBT CAPACITY

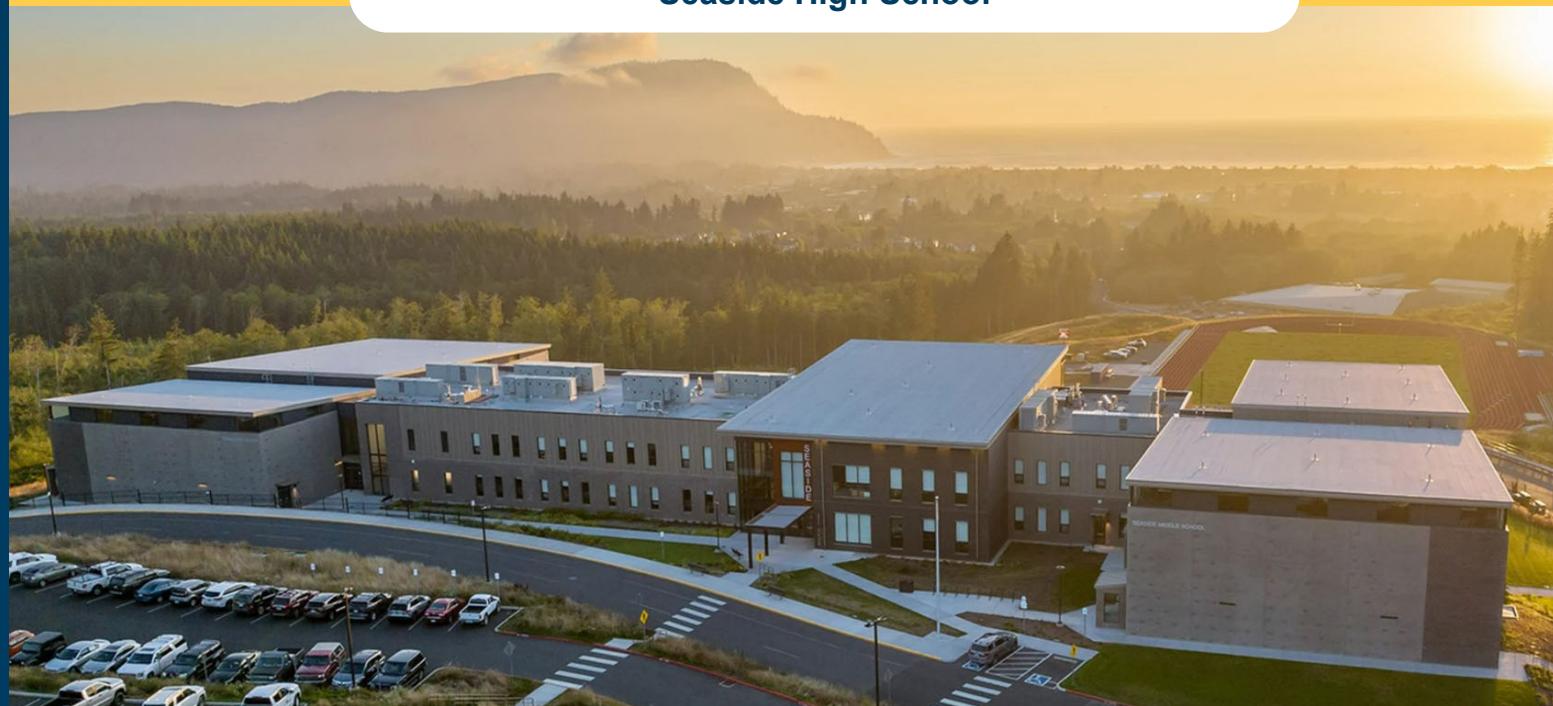
Lottery Bond Capacity - Sensitivity Analysis (December 2024 Forecast)

	<i>\$ Millions</i>	FY 2026 – 2033	Change From Base Case (FY 2026 – 2033)	Average Per Biennium
Base Case for Next Four Biennia		\$2,256	---	\$564
CHANGE IN LOTTERY REVENUE FORECAST				
10% Decline		\$1,889	(\$367)	\$472
10% Increase		\$2,623	\$367	\$656
CHANGE IN INTEREST RATE FORECAST				
1.0% Higher		\$2,056	(\$200)	\$514
1.0% Lower		\$2,483	\$227	\$621

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Seaside High School





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- **The December 2024 Forecast Shows Continued Robust Growth In 2023-25 Biennium General Fund Revenues While Lottery Revenues Are Showing Limited Upside**
- **Due To Strong Personal Income Tax Performance, The Personal Kicker Expected In FY2025 Is Expected To Be Approximately \$1.79 Billion**
- **The State's General Fund Revenues Are Forecasted To Provide For \$8.9 Billion Of New General Fund Debt Capacity For The Upcoming Four Biennia, With An Average Debt Capacity Of \$2.22 Billion Per Biennium**
- **Projected Lottery Revenue Provides \$2.25 Billion Of New Lottery Revenue Debt Capacity For The Upcoming Four Biennia, With An Average Debt Capacity Of \$564 Million In Each Biennium Over The Forecast Period**
- **The State Has Strong Credit Ratings Due To Its Adherence To Prudent Debt Management Practices, Fiscal Discipline, Strong Management And High Liquidity Position**
 - **The State's Long-term General Obligation Bond Ratings Were Recently Affirmed By S&P, Moody's And Fitch In April 2024 At AA+/Aa1/AA+, Respectively**
 - **The State's Long-term Lottery Revenue Bond Ratings Were Also Affirmed By S&P, Moody's And Kroll In March 2024 At AAA/Aa2/AAA, Respectively**
 - **Management Of Key Revenue And Budgetary Risk Factors As Well As Maintaining Strong Reserves Are Important Components Of Ongoing Debt Management**

QUESTIONS?



**State Capitol Renovations And Retrofitting
Funded By GO Bonds Issued In 2023**

