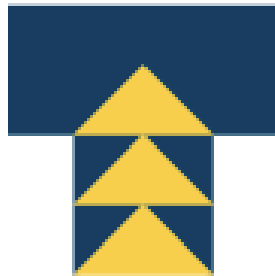# State Debt Policy Advisory Commission
Summary of 2022 Annual Report

OREGON STATE TREASURY

January 10, 2022

Contents

- Review of Oregon Outstanding Debt

- General Fund-Supported Debt Capacity

- Lottery Revenue Debt Capacity

- Net Tax-Supported Debt

- Framework for Monitoring and Managing the State's Debt

- Emerging Areas of Concern

- Conclusion

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Review of Oregon Outstanding Debt

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Oregon Debt Issuance Categories

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 <u>and</u> 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

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Oregon Debt Capacity Considerations

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

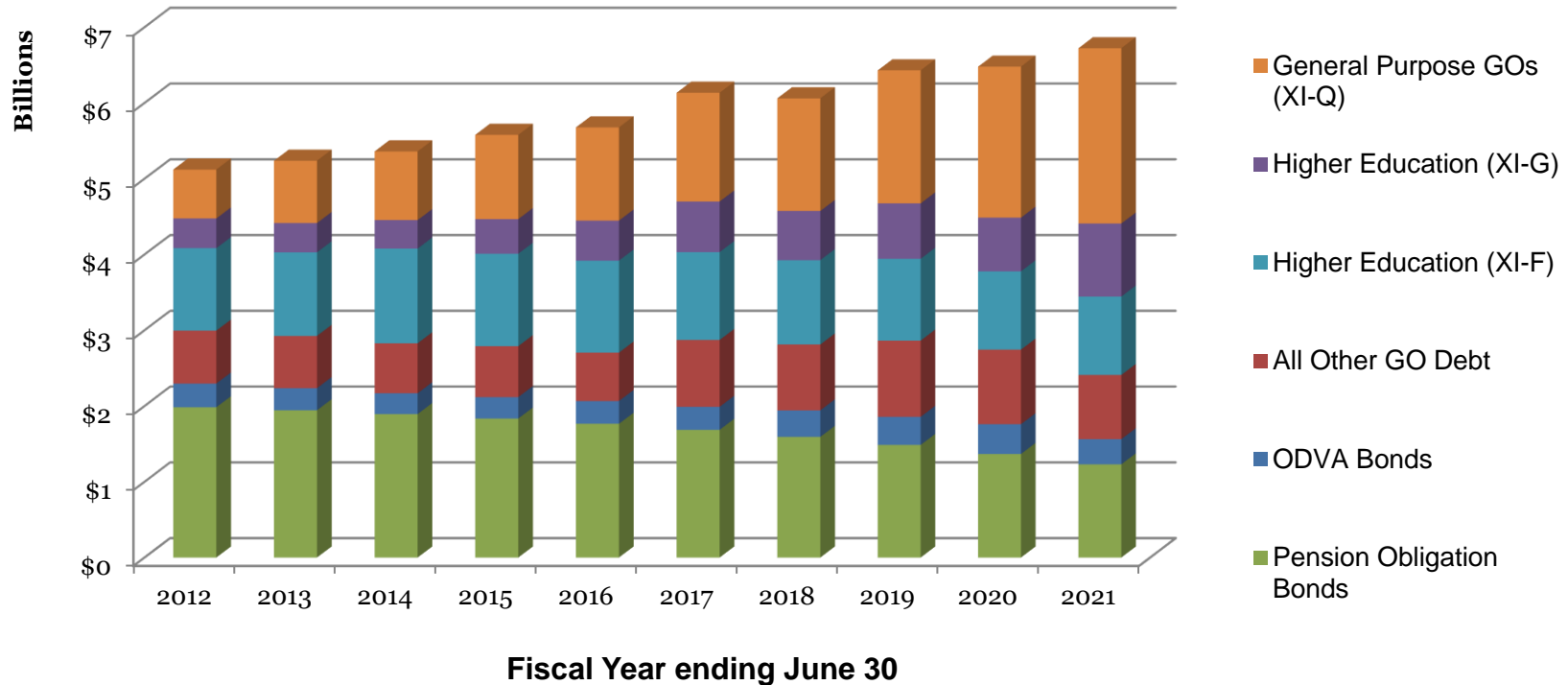OREGON
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Aggregate State Debt Levels

Trends in Oregon's Bonded Indebtedness Over the Past Decade
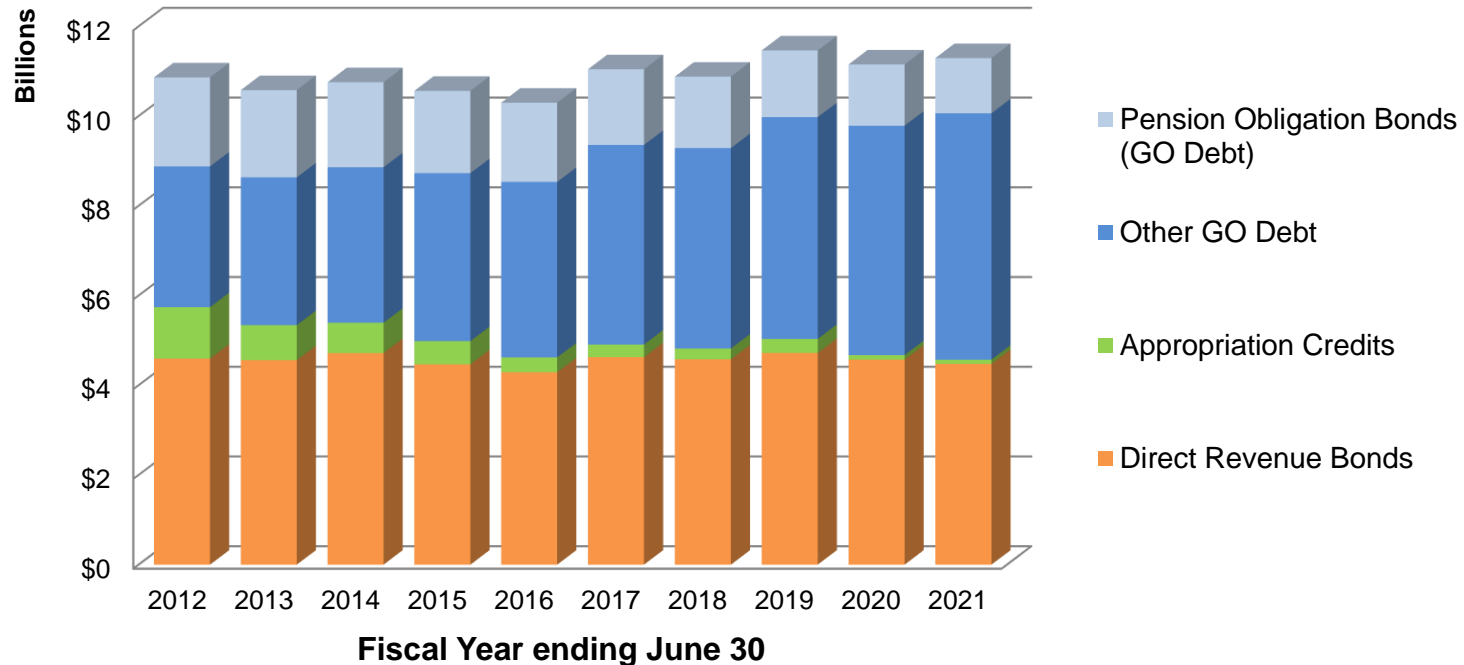
- As of June 30, 2021, the State had $11.29 billion of outstanding long-term debt consisting of:

  - All General obligation bonds (general fund supported and self-supporting)

  - Appropriation debt including Certificates of Participation (COPs)

  - Direct Revenue Bonds include ODOT's Highway User Tax revenue program bonds, OHCSD Single Family and Multifamily Program Revenue Bonds, Lottery Revenue Bonds, and Infrastructure Finance Authority (Bond Bank)

General Obligation Debt

General Obligation Indebtedness Over the Past Decade

- As of June 30, 2021, the State had $6.72 billion in outstanding GO Bonds
    - $4.3 billion are General Fund-Supported debt
    - $2.4 billion are 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 finances other State facilities

State Appropriation Debt

Outstanding Appropriation Credits
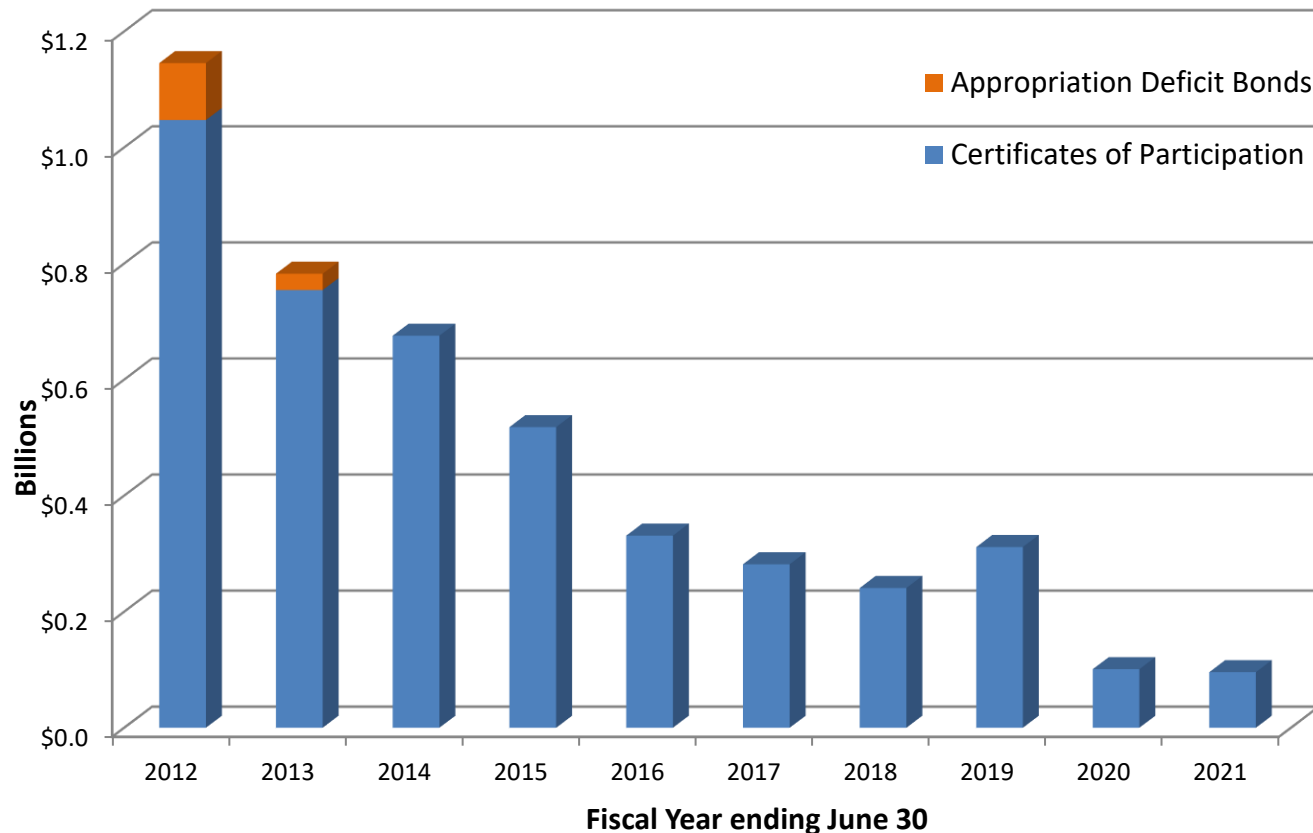

- As of June 30, 2021, $95.7 million of Certificates of Participation are outstanding
- Since 2011, the State has refunded or amortized $1.1 billion of higher cost Certificates of Participation appropriation debt with lower cost Article XI-Q General Purpose GO bonds
- Appropriation bonds issued to finance the State's deficit in FY 2004 were fully amortized in 2013

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Direct Revenue Bonds

Direct Revenue Bonds Outstanding by Bond Program
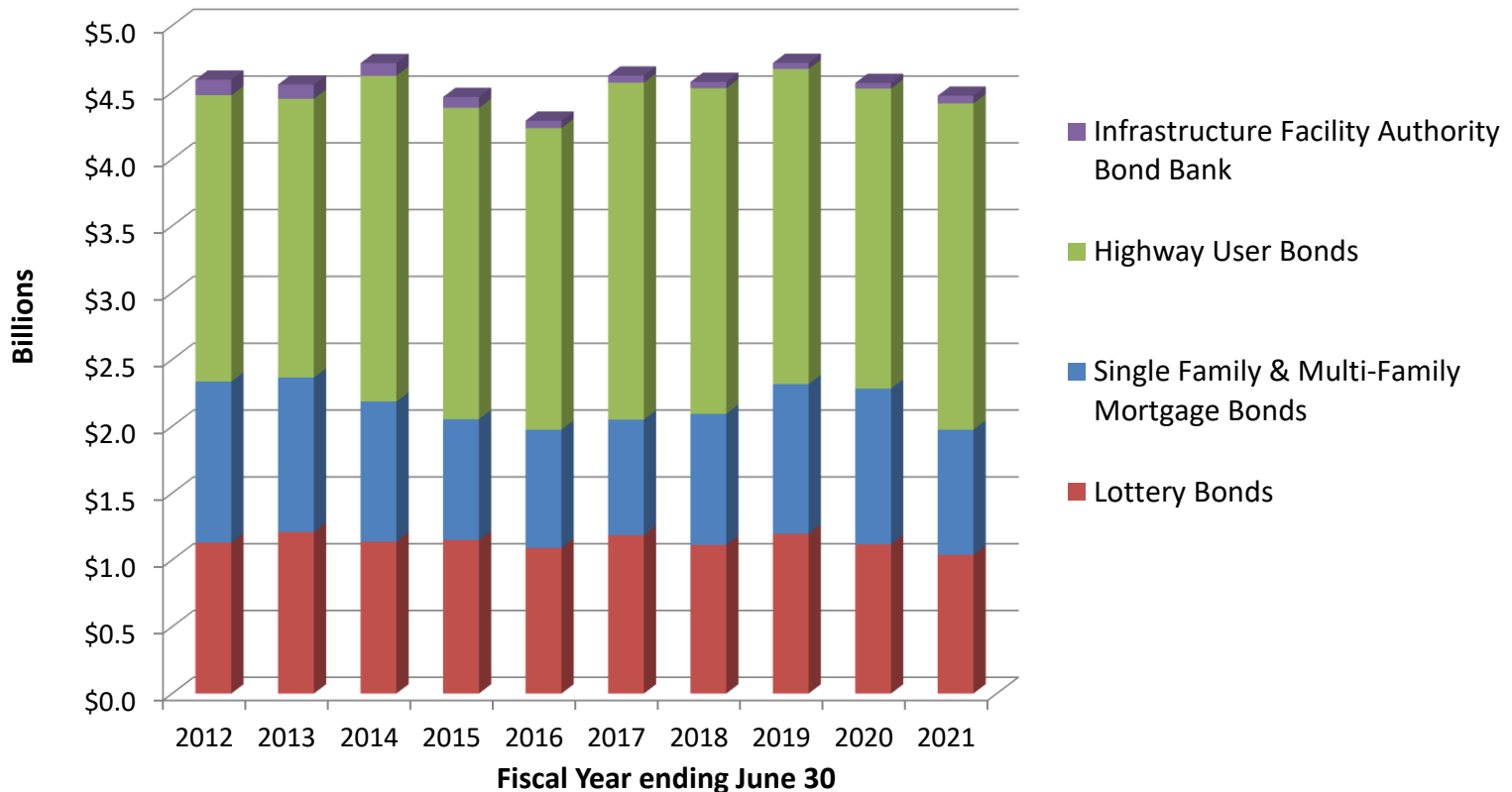
- As of June 30, 2021, the State had $4.5 billion in Direct Revenue Bonds
  - $2.44 billion of Oregon DOT (ODOT) bonds, supported by revenue constitutionally dedicated to road and highway uses
  - $1.0 billion of Lottery Revenue Bonds supported by Net Unobligated Net Lottery Proceeds
  - $937.5 million of OHCSD Single Family and Multifamily Housing Program Revenue bonds
  - $57.3 million of Oregon Business Development Department (Business Oregon) Bond Bank 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

- As of June 30, 2021, Treasury systems reported $3.1 billion in Conduit or Pass-Through Revenue bonds outstanding for the above listed programs

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General Fund–Supported Debt Capacity

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) (54% 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) (94% of total)

- State Pension Obligation Bonds (36% of total)

Appropriation Credits

- Certificates of Participation (100% of total)

- Appropriation Bonds

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General Fund Debt Capacity Model Inputs and Assumptions

▪ Accounts for all $4.33 billion in General Fund-Supported debt outstanding as of June 30, 2021

▪ Assumes 2021-23 Biennium issuance of all $1.67 billion of General Fund-Supported debt authorized by the 2021 Legislature

  • $77.2 million Article XI-G GO Bonds to provide 50% matching grants for community college building projects

  • $42.8 million Article XI-G GO Bonds for higher education facilities

  • $10.3 million Article XI-H GO Bonds for the Department of Environmental Quality

  • $111.3 million Article XI-M GO Bonds to fund seismic upgrade grants to public schools

  • $50.8 million Article XI-N GO Bonds to fund seismic upgrade grants to public safety facilities

  • $126.1 million Article XI-P Bonds for matching grants for K-12 school capital improvements

  • $1,254.7 million Article XI-Q GO Bonds to fund state buildings, affordable housing projects, and local courthouse project matches, parks and wildlife, Oregon Military armory

▪ Uses OEA's December 2021 Forecast of General Fund revenue projections for the current biennium and four future biennia over the forecast period (FY 2024 – FY 2031)

▪ Structures new debt with annual level debt 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 December 2021 Forecast shows a robust forecast of General Fund revenues, exceeding the pre-pandemic projections in the December 2019 Forecast and the March 2021 Forecast, which was used as the basis for debt capacity recommendations for the 2021-23 Biennium

- General Fund revenue is projected to be $24.03 billion for the 2021-23 Biennium, $1.8 billion above the March 2021 Forecast and $1.5 billion above the 2021 COS Forecast

- Key drivers of General Fund revenue performance include:
  - Strong growth in personal income and corporate excise taxes
  - Significant Federal funding under the CARES ACT and ARPA
  - Economic Impact Payments and Recovery Rebates
  - Localized impact of COVID-19 recession on lower income individuals

Comparison of General Fund Revenue Forecasts

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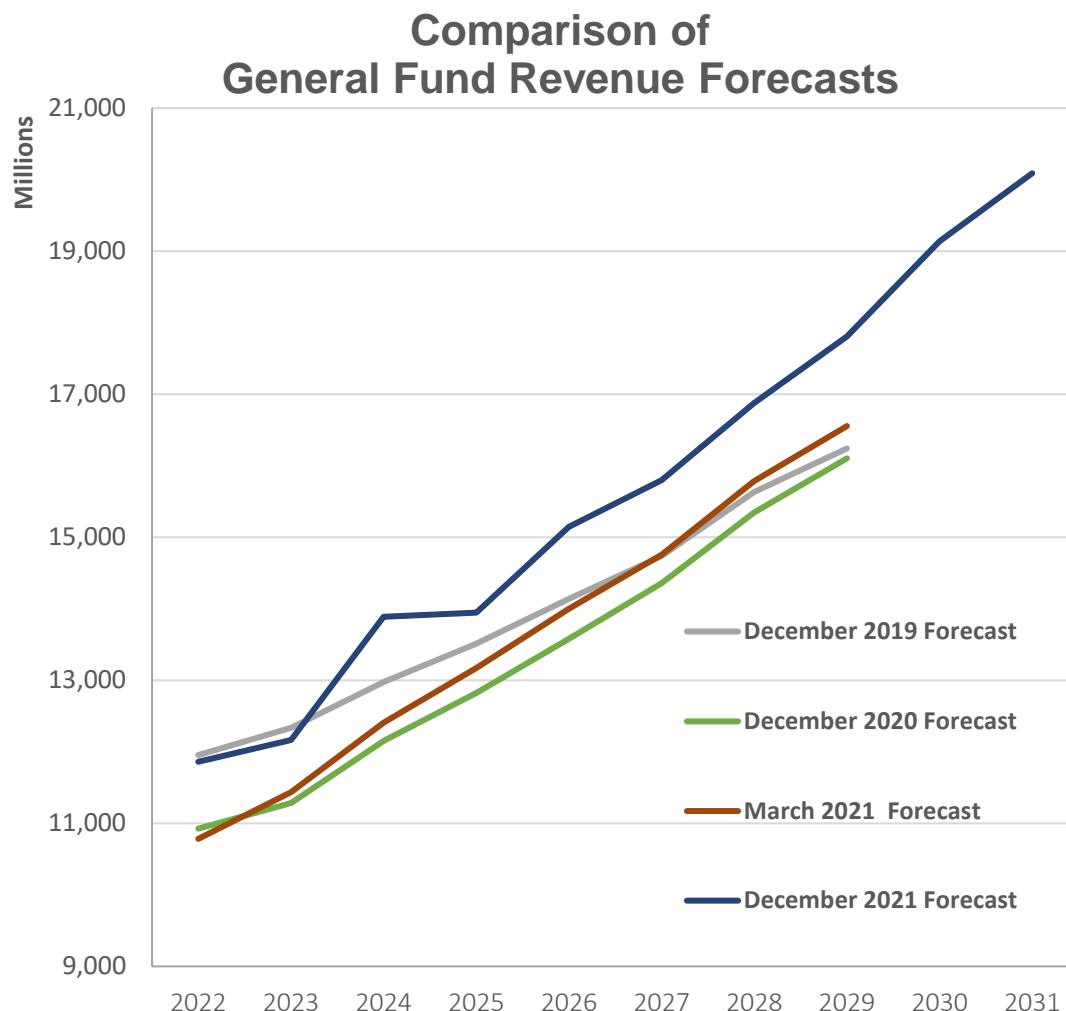
General Fund Debt Capacity – December 2021 Forecast

- In addition to supporting the $1.67 billion in General Fund-Supported debt authorized by the 2021 Legislature for the 2021-23 Biennium, the December 2021 Forecast provides for $7.65 billion in additional issuance over the forecast period

- Using the averaging approach, the average issuance capacity is $949.1 million per year or $1.90 billion for each biennium in the forecast period, commencing with the 2023-25 Biennium

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

Fiscal Year ending June 30th	Maximum 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
2023	54.1	4.5%	54.1	4.5%
2024	1,243.7	5.0%	949.1	4.8%
2025	327.3	5.0%	949.1	5.2%
2026	805.2	5.0%	949.1	5.2%
2027	560.9	5.0%	949.1	5.4%
2028	2,176.1	5.0%	949.1	4.8%
2029	714.4	5.0%	949.1	4.9%
2030	997.4	5.0%	949.1	4.9%
2031	768.1	5.0%	949.1	5.0%
Total	$ 7,647.1		$ 7,647.1	

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Change in General Fund Debt Capacity

- The December 2021 Forecast supports higher issuance level in each biennium, when compared to the March 2021 Forecast

  - Future biennium issuance of $1.90 billion is markedly higher than the $1.6 billion 2021-23 Biennium issuance authorized by the 2021 Legislature

Change in General Fund Revenue Debt Capacity
December 2021 Forecast vs March 2021 Forecast
($ million)

Based on March 2021 Forecast				Based on December 2021 Forecast			
Authorized Issuance 2019-21 Biennium	Capacity for Issuance 2019-21 Biennium	FY 2022 through FY 2029	*Average Per Future Biennium	Authorized Issuance 2021-23 Biennium	Additional Capacity 2021-23 Biennium*	Future Capacity FY 2023 - FY 2031*	Average Per Future Biennium
$1,139	$0	$ 6,474	$ 1,619	$1,673	$54.1	$ 7,647	$ 1,898

*GF debt capacity available for the 2021-23 Biennium included the SDPAC recommended $1.62 billion plus $108 million of unused capacity from the prior biennium for a total of $1.73 billion, of which $1.67 billion was authorized by the 2021 Legislature

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 2021 Forecast)**

| $ Million	FY 2023 – 2031*	Change from Base Case (FY 2023 – 2031)	Average Per Biennium
Base Case for Next Four Biennia	**$ 7,647**	**---**	**$1,898**
Change in General Fund Revenue Forecast			
10% decline	6,192	(1,455)	1,534
10% increase	8,805	1,158	2,188
Change in Interest Rate Forecast			
1.0% higher	6,753	(894)	1,675
1.0% lower	8,348	700	2,073

* Includes $54 million capacity available in the 2021-23 biennium

Lottery Revenue
Debt Capacity

Lottery Revenue Funded Projects and Programs

- $1.0 billion in bonds outstanding as of June 30, 2021

- 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

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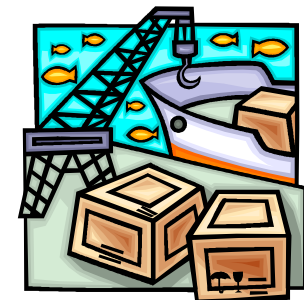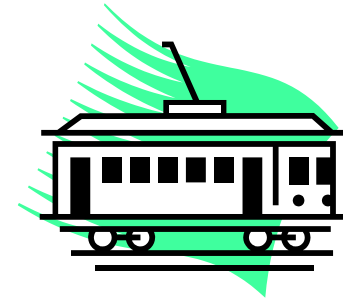
Lottery Debt Capacity Model Inputs and Assumptions

- Accounts for all $1.0 billion of Lottery Revenue Bonds issued and outstanding as of June 30, 2021

- Uses OEA's December 2021 Forecast of Lottery Revenue over the forecast period (FY 2022 – FY 2031)

- Assumes 2021-23 Biennium issuance of all $492 million of debt authorized by the 2021 Legislature

- Bond Structuring Assumptions Include:

  - Structures new debt with level annual debt service over 20-year term using a 4.50% interest rate

  - Lottery Revenue must provide a minimum of 4 times coverage of maximum annual debt service or debt service may not exceed 25% of net lottery revenues

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Lottery Revenue Forecast Trends

- The December 2021 Forecast shows a sharp rise in FY 2022 Lottery Revenue and a short-term correction followed by robust long-term growth through FY 2031

- Lottery Revenue available for transfer are expected to grow from $1.72 billion in the 2021-23 Biennium to $2.20 billion in the 2029-31 Biennium

- Key factors contributing to the rebound in Lottery Revenue include:

  - Access to open gaming facilities, as video lottery accounts for almost 90% of 2021-23 Biennium Lottery Revenue

  - Pent-up demand and limited entertainment options

  - High personal income growth and demographic preferences for recreational activities

  - Competition in the gaming industry

  - Potential impact of generational preferences relating to gaming activities

Lottery Revenue Forecasts
($ million)

- December 2019 Forecast
- December 2020 Forecast
- March 2021 Forecast
- December 2021 Forecast

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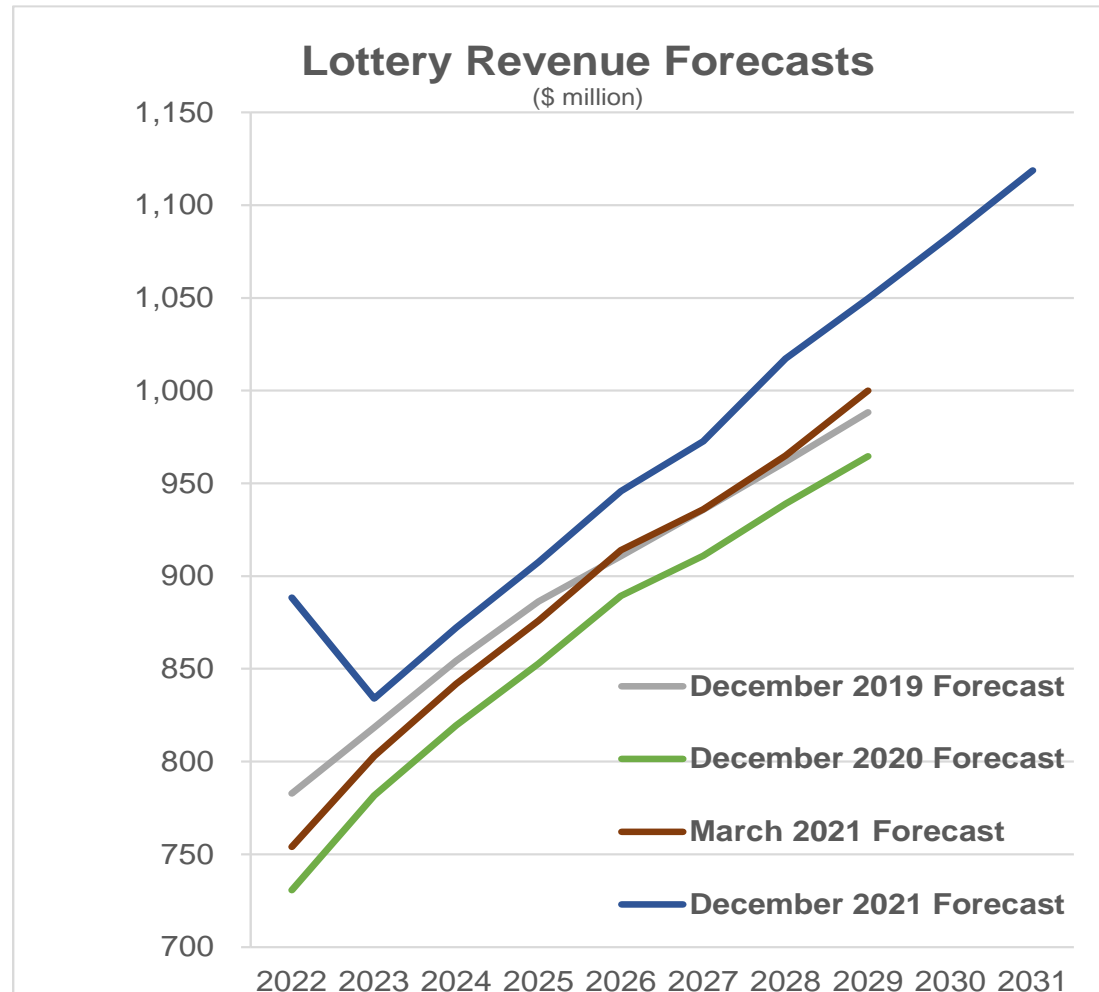
Lottery Revenue Debt Capacity

- The December 2021 Forecast provides for a strong rebound in Lottery Revenues over the period FY 2024 through FY 2031, resulting in debt capacity of **$2.26 billion**

- Based on the December 2021 Forecast and using an averaging approach, the State's Lottery Revenue debt issuance capacity is **$560** million in each biennium over the forecast period

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

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
2023	23.2	4.0	25%	23.2	5.5	18%
2024	632.4	4.0	25%	280.0	4.6	22%
2025	115.4	4.0	25%	280.0	4.3	23%
2026	124.3	4.0	25%	280.0	4.0	25%
2027	176.4	4.0	25%	280.0	3.9	26%
2028	383.4	4.0	25%	280.0	4.0	25%
2029	276.2	4.0	25%	280.0	4.0	25%
2030	293.0	4.0	25%	280.0	4.0	25%
2031	238.7	4.0	25%	280.0	4.0	25%
Total	$ 2,262.9			$ 2,262.9		

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Change in Lottery Revenue Debt Capacity

- The December 2021 Forecast supports higher issuance level in each biennium, when compared to the March 2021 Forecast

  - Future biennium issuance of $560 million is markedly higher than the $515 million 2021-23 Biennium issuance authorized by the 2021 Legislature

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

Based on March 2021 Forecast				Based on December 2021 Forecast			
Authorized Issuance 2019-21 Biennium	Capacity for Issuance 2019-21 Biennium*	FY 2022 through FY 2029	*Average Per Future Biennium	Authorized Issuance 2021-23 Biennium	Additional Capacity 2021-23 Biennium	Future Capacity FY 2023 through FY 2031	*Average Per Future Biennium
$247	$0	$ 2,063	$ 515	$492	$23	$ 2,263	$ 560

* Due to severe reduction in Lottery Revenues that was insufficient to provide debt service coverage of 4.0x, there was no issuance of any of the authorized $247 million in Lottery Bonds for the 2019-21 Biennium

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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
(December 2021 Forecast)

($ Million)	FY 2023 – 2031*	Change from Base Case (FY 2023 – 2031)	Average Per Biennium
Base Case for Next Four Biennia	**$ 2,263**	---	**$560**
Change in Lottery Revenue forecast			
10% decline	1,900	(364)	469
10% increase	2,627	364	651
Change in interest rate forecast			
1.0% higher	2,062	(201)	510
1.0% lower	2,541	278	629

* Includes $23 million capacity available in the 2021-23 biennium

Net Tax-Supported Debt

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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

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State Net Tax-Supported Debt Per Capita

- As of June 30, 2021, Oregon's Net Tax-Supported Debt was $8.83 billion and is projected to increase to $10.82 billion by the end of FY 2023

- Net Tax Supported debt as a percent of personal income is expected to grow from 3.46% in FY 2021 to 4.00% in FY 2023 and population growth is expected to remain relatively stable over the biennium

- Historically, the State's strong population growth over the last decade permitted the State to support increasing debt at affordable levels

State of Oregon
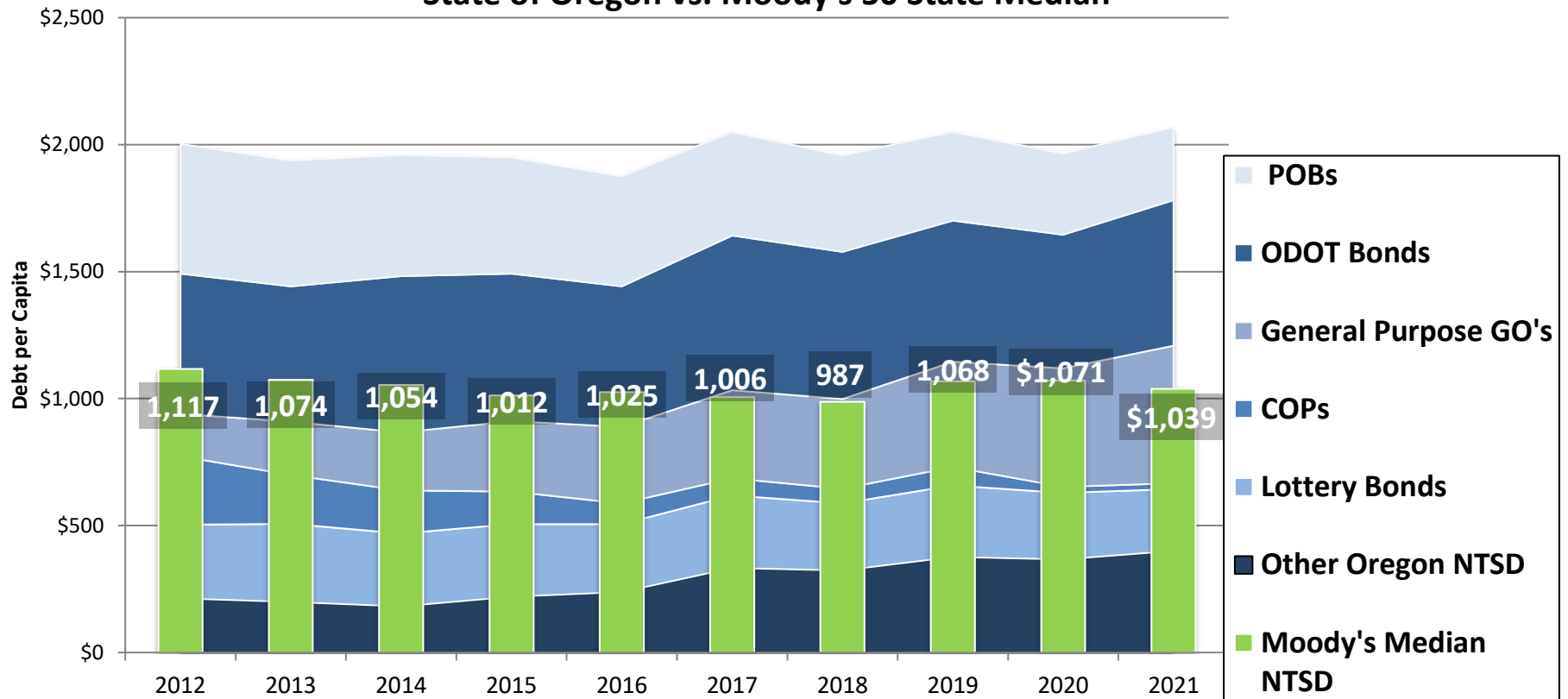### Net Tax-Supported Debt Ratios (Change from End of Last Biennium)

Fiscal Year Ending June 30th				
	FY 2020 (Actual)	FY 2021 (Actual)	FY 2022 (Projected)	FY 2023 (Projected)
Net Tax-Supported Debt ($bn)	$8.39	$8.83	$9.87	$10.82
Population*	4,268,055	4,266,560	4,296,800	4,331,100
Personal Income * ($bn)	$238.30	$254.90	$256.60	$270.90
NTSD Per Capita	$1,966	$2,069	$2,296	$2,499
NTSD as a % of Personal Income	3.52%	3.46%	3.84%	4.00%
Pension Obligation Bonds Excluded				
NTSD Per Capita	$1,645	$1,781	$2,046	$2,290
NTSD as a % of Personal Income	2.95%	2.98%	3.43%	3.66%

Source: Population and Personal Income projections are based on OEA Economic and Demographic Forecasts, December 2021 Forecast

Trends in Net Tax-Supported Debt

- Oregon's Net Tax-Supported Debt per capita as of FY 2021 is $2,069 which is above the median of $1,039 for all states

- Oregon's Net Tax-Supported Debt to personal income of 3.46% in FY 2021 is above the median of 1.9% for all states

Trends in Net Tax-Supported Debt per Capita
**State of Oregon vs. Moody's 50 State Median**

Legend: POBs, ODOT Bonds, General Purpose GO's, COPs, Lottery Bonds, Other Oregon NTSD, Moody's Median NTSD

Moody's Median NTSD values: 1,117 (2012), 1,074 (2013), 1,054 (2014), 1,012 (2015), 1,025 (2016), 1,006 (2017), 987 (2018), 1,068 (2019), $1,071 (2020), $1,039 (2021)

Moody's Median Year

Sources: Moody's State Debt Medians Reports, 2012-2021.

OREGON STATE TREASURY

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

- Oregon as one of the 21 states with pension funded ratios of 60 to 80% using FY 2020 data

- In October 2021, PERS reduced the assumed rate of return from 7.20% to 6.90%


ggregate U.S. State Funded Ratios For 2020 – Pension
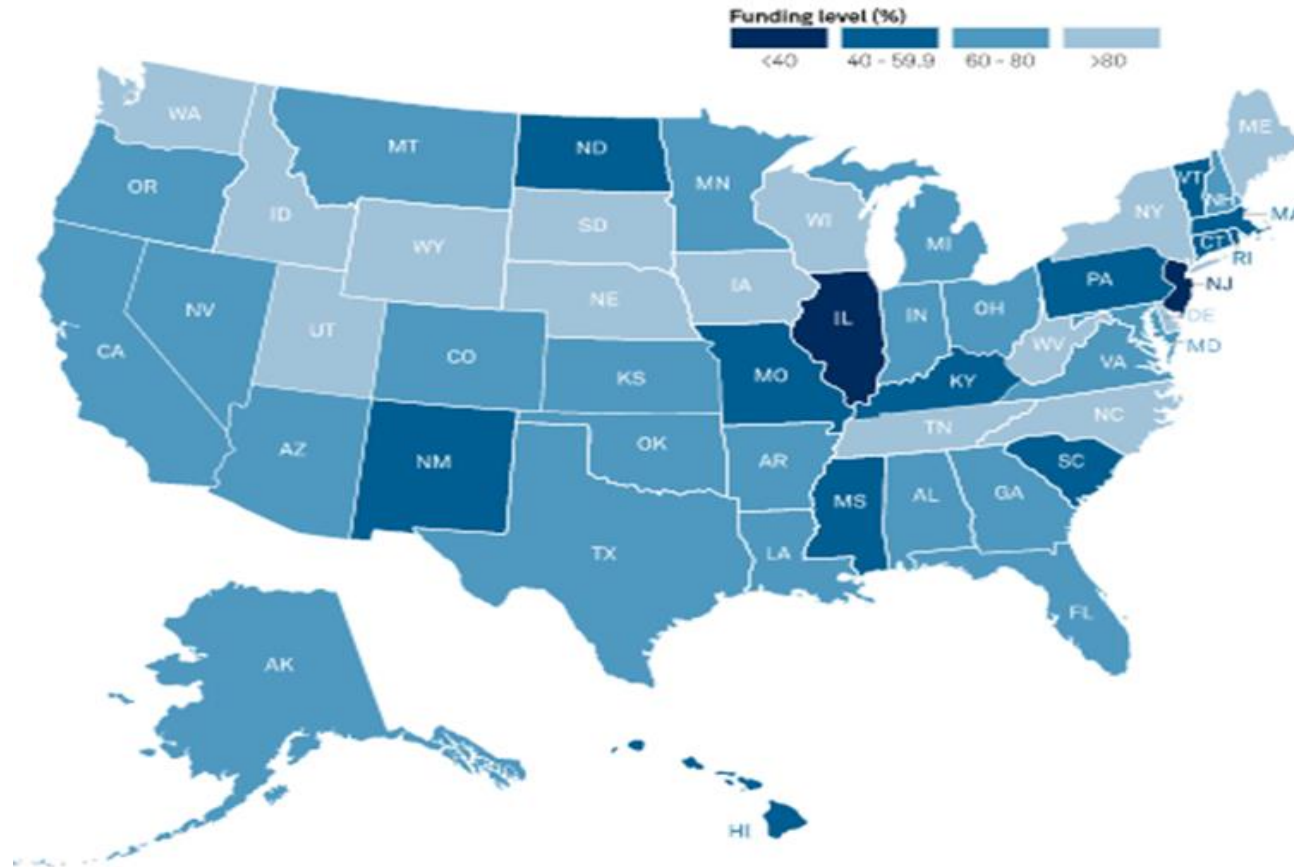
Source: Standard & Poor's US States Weigh Risk Reduction in Managing Pension and OPEB Liabilities, Sep 2021. Net pension liability used for each state is based on the amount reported in their Comprehensive Annual Financial Reports as of June 30, 2020.

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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 16th in lowest Pension and OPEB liability per capita, among all states

- Additionally, Oregon's FY 2020 pension funded status of 75.8% is above the median for all states (69.0%) for the same period

Unfunded Pension/OPEB Liability Per Capita
(S&P Data - FY 2020)

$ UAL/per capita

Pension Funded Ratio

Legend: Pension UAL | OPEB UAL | Pension Funded Ratio | Mean Pension Funded Ratio
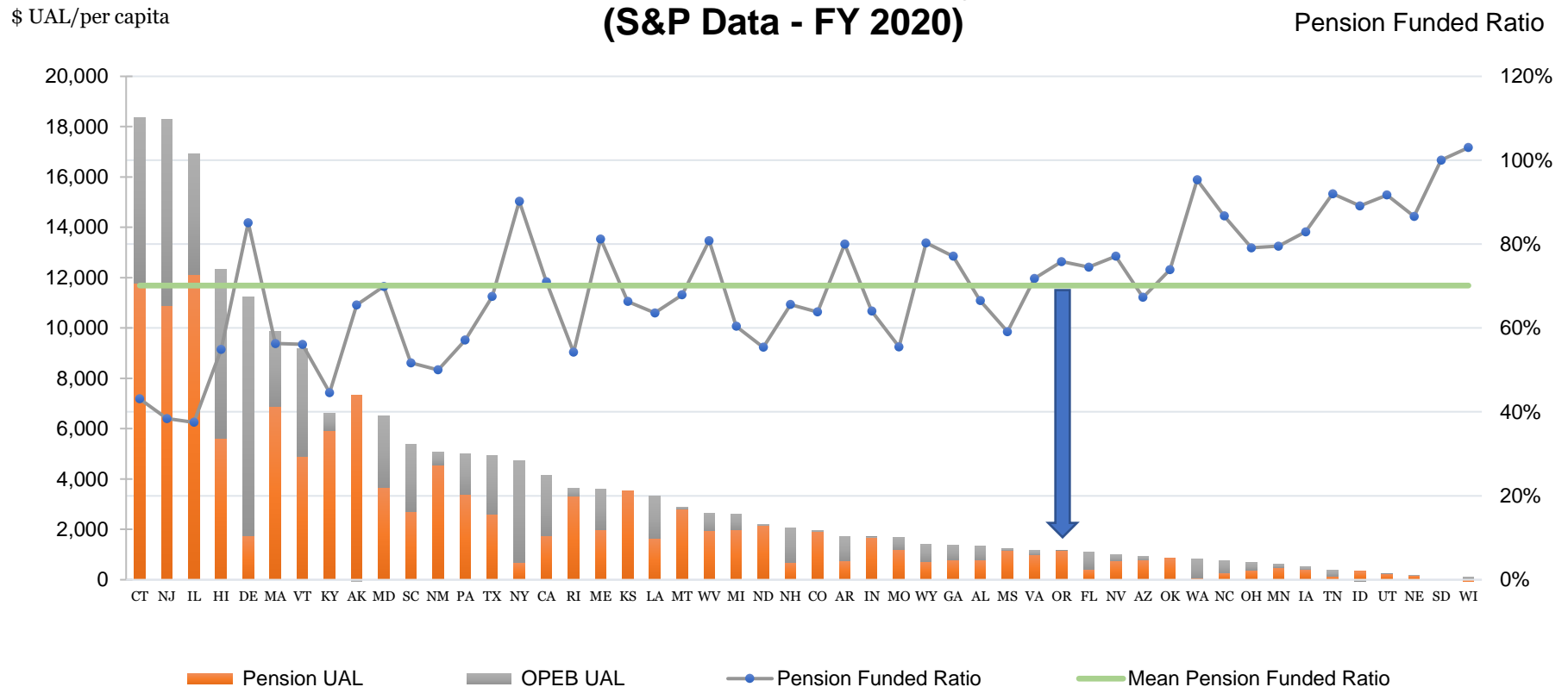
Source: S&P September 20, 2021 report: U.S. States Weigh Risk Reduction In Managing Pension And OPEB Liabilities

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Framework for Monitoring and Managing the State's Debt

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General Fund Debt Service (Prior and 2021-23 Biennium)

The State maintains a conservative General Fund debt service profile
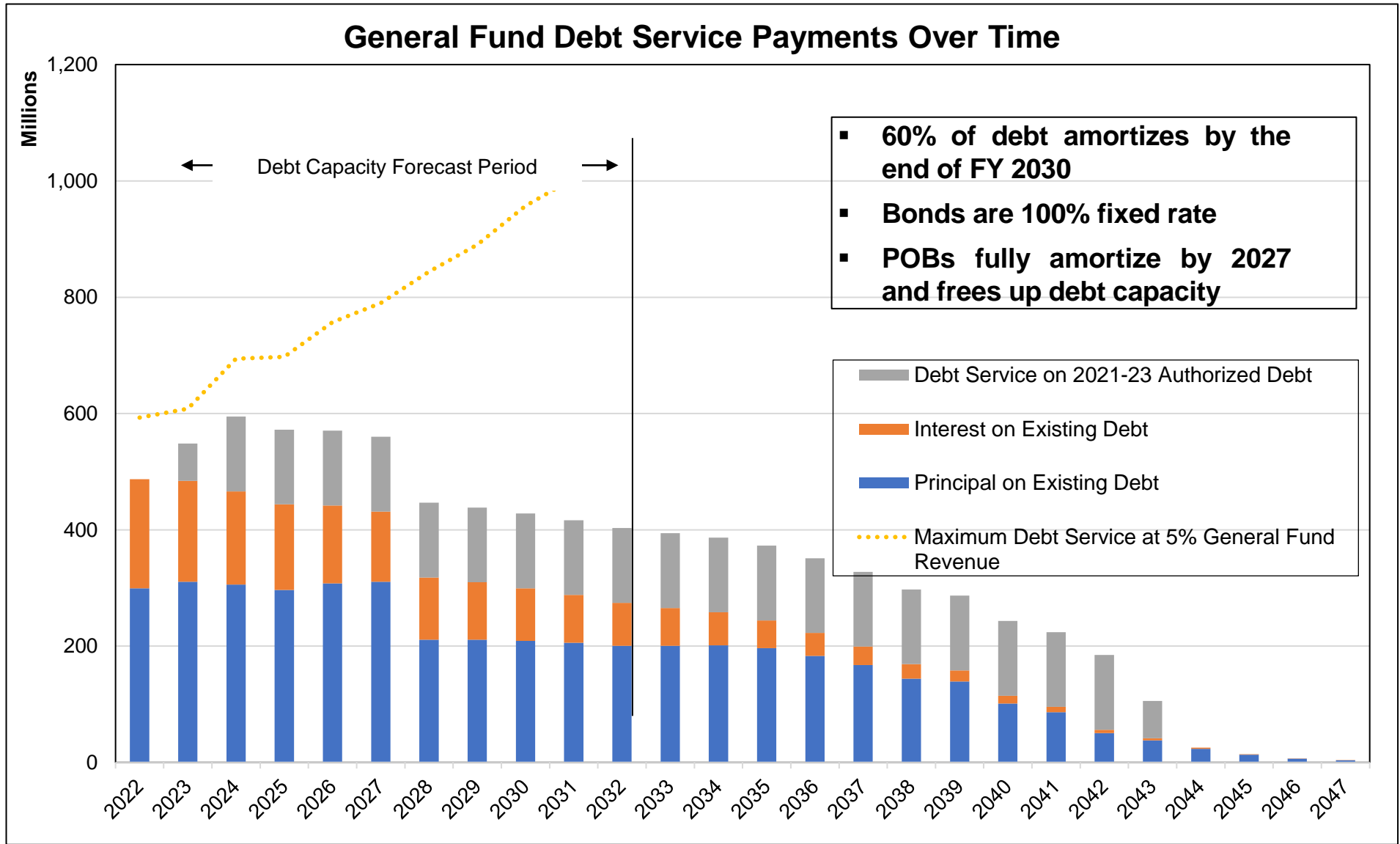
Oregon's Bond Programs Credit Ratings

- The rating agencies have cited that Oregon's high credit quality is supported by factors including

  - Stable budgetary position and structural budget balance

  - Growing reserves that enhance State's liquidity position and support budgetary flexibility

  - Statutory replenishment of reserves (Rainy Day Fund and Education Stability Fund)

  - Proactive management, sound financial controls, and quarterly forecast of financial performance

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

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Results of Recent Bond Sales

- High credit ratings permit the State to sell bonds at favorable interest rates

  - For FY 2021, the State issued new money bonds with an average life of eleven years at an all-in interest cost of approximately 2.10%

  - Favorable market conditions supported the State's offerings in a historically low interest rate environment

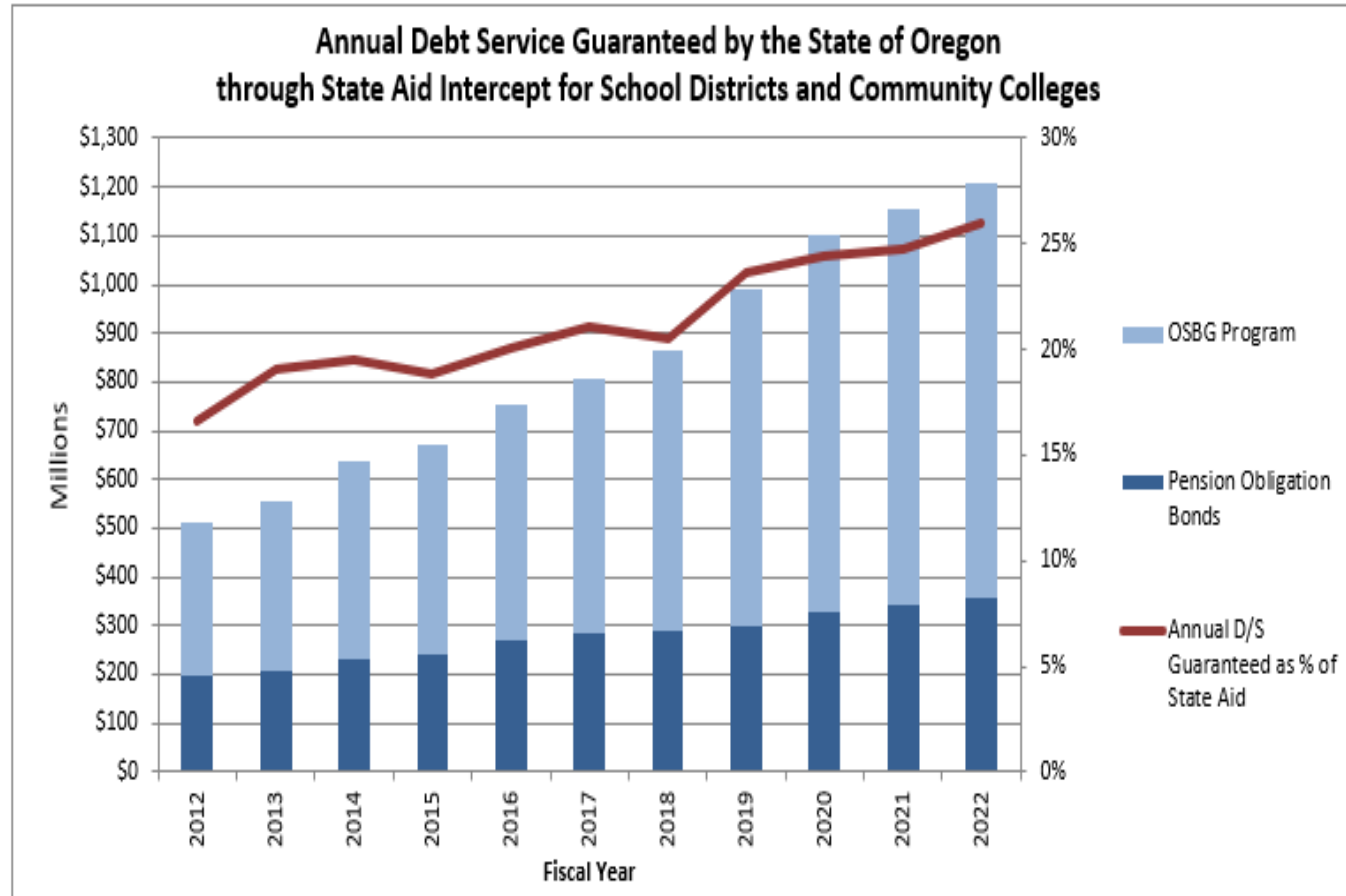| Sale Date	Type of Bond	Par Amount ($MM)	New Projects Funded ($MM)	Uses of Funds	Term of Bonds	All-in Interest Rate
Nov 18, 2021	GO Bonds Veterans Welfare (O)	$38.7	$40.0	Oregon Veterans Loan Program	20-30 yrs	2.047%*
Oct 28, 2021	GO Bonds XI-Q (K,L,M)	129.3	145.0	Various state capital projects; public university capital improvements, various medical facility improvements and seismic resiliency projects	10-20 yrs	2.186%
Aug 31, 2021	Single-Family Mortgage Revenue Bonds	99.0	102.2	New Single-Family Mortgages	30 yrs	1.790%*
Total		$267.0	$287.2			

* - Excludes cost of issuance and underwriter's fees, which were paid by the agency directly

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Emerging Areas of Concern

Oregon School Bond Guaranty Program Bonds

- The Oregon School Bond Guaranty (OSBG) program, created in 1998 via constitutional amendment, permits the State to credit enhance school district bonds using the State Aid intercept where State School Aid may be directed to the pay debt service on OSBG debt

- District pension obligation debt uses the Fund Diversion Agreement to support POBs debt service, which enhances the credit ratings of POB issuances without the use of the Guaranty

- Currently, POB debt service accounts for 7.34% of annual State school aid and OSBG program bonds is 18.28% for a total of 25.62% 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

Annual Debt Service Guaranteed by the State of Oregon through State Aid Intercept for School Districts and Community Colleges

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State Guarantee of Local Government 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

- In May 2021, the MDAC approved OAR amendments, which became effective on July 12, 2021

  - The OAR Amendments provides guidance to municipalities on the issuance of POBs and establishes a fee structure for public bodies that issue POBs

  - Since implementation of the OARs, and subsequent to the June 30, 2021, twenty-nine public bodies (school districts and community colleges) have sold POBs totaling $1.35 billion

- 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 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

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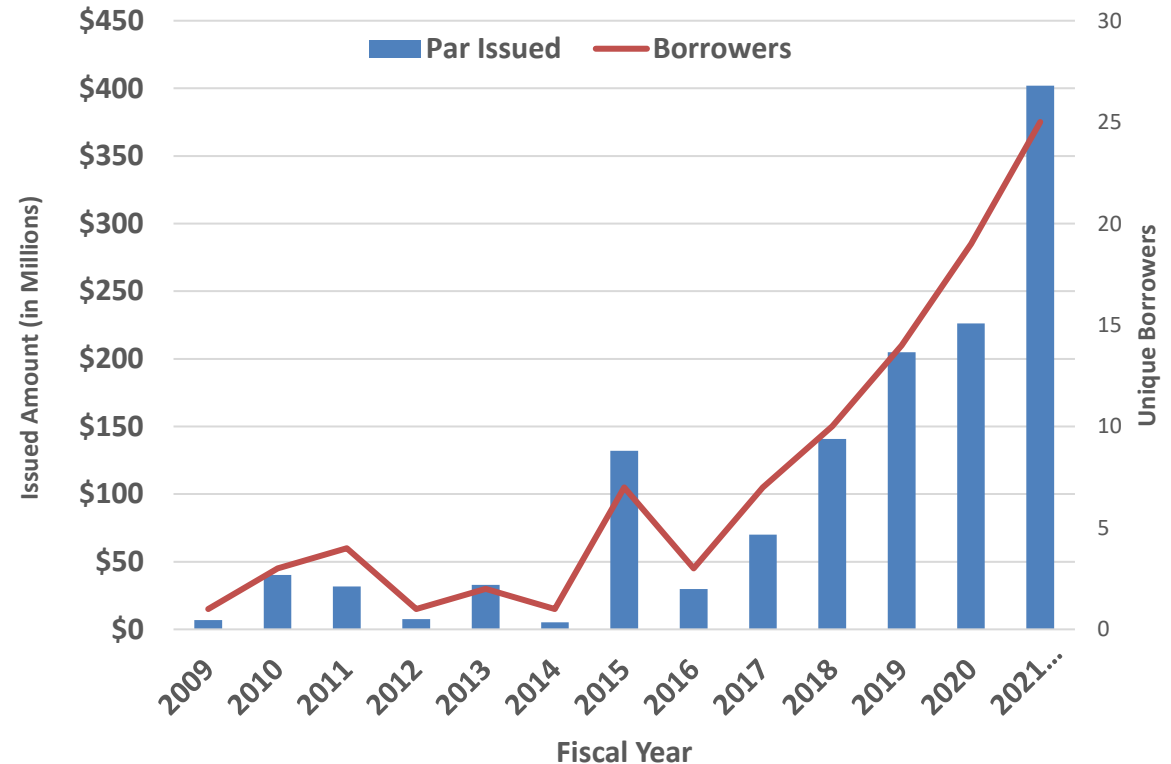TREASURY

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 2021 Legislature authorized CY 2022 PAB Volume Cap of $442.86 million as follows:
  - $250 million Legislative allocation to OHCSD
  - $151.9 million to the PAB Committee for statewide projects
  - $40 million Legislative allocation to Oregon Business Development Department (OBDD)
  - $1.0 Million Legislative allocation to the Beginning & Expanding Farmer Loan program through OBDD

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- Based on December 2021 population statistics and IRS volume cap per capita allocations, Oregon's 2022 CY PAB Volume Cap is approximately $467.1 million, which increases the PAB Committee CY 2022 allocation authority by $24.21 million to $176.07 million

- Unused CY 2021 allocations of $364.17 million (2021 Carryforward) became available to the Private Activity Bond Committee to allocate in its January 2022 meeting

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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

- During FY21, 25 conduit bond issuances totaling $433.6M closed. In FY 22, 12 deals totaling $231.0M have closed; 31 more issuances for approximately $525.0M are projected to close by the end of FY 2022

- $428.8M in Article XI-Q General Obligation bonds have been issued in support of the LIFT and PSH programs through October 2021

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

Multifamily Conduit Issuance History
As of December 17, 2021

Legend: Par Issued, Borrowers

Y-axis (left): Issued Amount (in Millions) — $0 to $450
Y-axis (right): Unique Borrowers — 0 to 30
X-axis: Fiscal Year — 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021...

Issuer Disclosure of ESG Risks and Mitigants

- State and Local Government disclosure will increasingly focus on ESG risk factors and long-range plans to address them

  - **Vulnerability Assessment**

    - Climate Change – Wildfires / Droughts

    - Health Pandemics

    - Social, Economic, Health, and Education disparity

    - Workforce Development and Training

    - Affordable Housing / Homelessness

    - Internet Connectivity and Cyber Attacks

    - Drinking Water / Pollution

    - Aging Infrastructure / Deferred Maintenance

  - **Preparedness and Plans to Enhance Sustainability**

  - **Progress Updates**
    - Key Performance Indicators
    - Periodic reporting of progress relative to benchmarks
    - To date, the State has issued six series of sustainability bonds that support affordable and permanent supportive housing

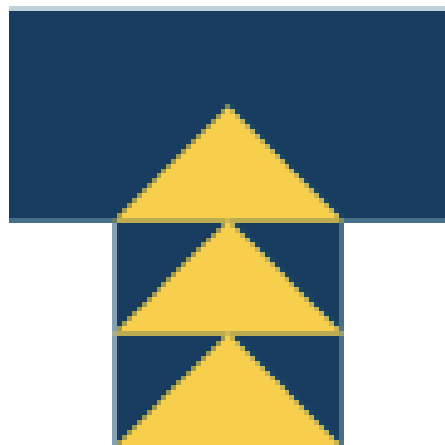**OREGON STATE TREASURY**

Conclusion

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Conclusion

- The State's General Fund revenue performed better than expected during the pandemic and is expected to surpass pre-pandemic levels throughout the OEA December 2021 forecast period

  - Forecasted General Fund revenue provides for $7.647 billion of new General Fund debt capacity for the upcoming four biennia, with an average debt capacity of $1.90 billion in each biennium over the forecast period and includes $54 million available in the current biennium

- Lottery Revenue has demonstrated a robust recovery and are forecasted to exceed pre-pandemic levels throughout the forecast period

  - Lottery Revenue is heavily dependent on video gaming, which is reliant on access to bars, restaurants and gaming facilities

  - The SDPAC considers this a risk factor that could change depending on the evolution of the COVID-19 and its variant strains

- Projected Lottery Revenue provides $2.3 billion of new Lottery Revenue debt capacity for the upcoming four biennia, with an average debt capacity of $560 million in each biennium over the forecast period and includes $23 million available in the current biennium

- 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 October 2021 at AA+/Aa1/AA+, respectively

  - The State's long-term Lottery Revenue Bond ratings were also affirmed by S&P and Moody's in April 2021 at AAA/Aa2, respectively

  - Evaluation and management of key revenue and budgetary risk factors as well as buffering reserves are important components of ongoing debt management

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Questions?

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