

FITCH AFFIRMS OREGON'S SCHOOL BOND GUARANTY PROGRAM AT 'AA+'; OUTLOOK STABLE

Fitch Ratings-New York-02 August 2012: Fitch Ratings has affirmed the outstanding 'AA+' rating on the Oregon School Bond Guaranty Program. The Rating Outlook is Stable.

SECURITY

State guarantee - full faith and credit obligation of the state on par with the state's general obligation (GO) bonds.

KEY RATING DRIVERS

FULL FAITH AND CREDIT PLEDGE: The state's guaranty pledge on qualifying school debt is a full faith and credit obligation, on par with that of its own GO bonds. As a result, bonds qualifying for the program receive an 'AA+' rating, equivalent to the state's GO bonds.

SOUND PROGRAM MECHANICS: Program mechanics allow sufficient time for state funds to be made available to pay debt service by the debt service payment date.

ABILITY TO ISSUE STATE GO BONDS: If insufficient funds are on hand, the state may issue GO bonds to meet its obligations under the guaranty.

CREDIT PROFILE

The 'AA+' program rating reflects the State of Oregon's (GO bonds rated 'AA+' by Fitch) pledge of its full faith and credit and taxing power to secure qualified bonds of its school districts. The Oregon School Bond Guaranty Act (ORS 328.321 to 328.356) became effective in 1998 following the approval of a constitutional amendment permitting the guaranty of school district GO bonds by the state. At present, approximately \$4.7 billion across 283 series of bonds are outstanding under the program. Oregon's constitution limits the state's guaranty capacity to 0.5% of the true cash value of all taxable property in the state.

A set of administrative rules govern procedures whereby school districts' bonds will be qualified for the guaranty. School districts must transfer funds to paying agents 15 days prior to the payment date, and if a school district is unable to do so, the state treasurer must be notified. If sufficient funds are not received 10 days prior to a debt service payment date, the paying agent must notify the state treasurer, who must transfer sufficient funds to cover the district's guaranteed obligation on or before a scheduled payment date. If sufficient moneys are not available for that purpose, the state treasurer may either obtain a loan from any state fund to make the required payment, borrow money, issue state bonds, or borrow moneys from the General Fund or any other legally available fund available for this purpose.

A request for qualification prompts a review of the applying district's financial condition, and must be submitted no less than three weeks before a bond sale. School districts drawing upon the guaranty remain liable for repaying the state, and the state may intercept future payments to the district for such purpose. Additionally, the State Treasurer may charge interest or impose fines, or take other legal action as necessary on school districts requiring use of the program.

This rating can be assigned to GO bonds of any Oregon school district that has been issued a certificate of qualification by the state treasurer.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:

- 'Tax-Supported Rating Criteria', dated Aug. 15, 2011;
- 'State Credit Enhancement Program Criteria', June 19, 2012;
- 'U.S. State Government Tax-Supported Rating Criteria', dated Aug. 15, 2011.

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648898

U.S. State Government Tax-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648897

Rating Guidelines for State Credit Enhancement Programs

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=681239

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