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Fitch New Issue Report: State of Oregon

Revenues Constitutionally Dedicated for Transportation: Highway user taxes are constitutionally dedicated for transportation purposes, but not debt service, while pledged revenues and apportionments thereof are subject to legislative changes and voter initiatives, thereby capping the rating at the state's 'AA+' IDR. The state has a solid track record of raising transportation-related fees and taxes in support of its capital program. Historically Stable Revenue Stream: The bonds are secured by taxes and fees levied on the use and ownership of motor vehicles and motor carriers, as well as fuel taxes. Net pledged revenues have shown stability over time, and Fitch Ratings expects solid growth in aggregated pledged revenues that exceeds long-term inflation. Sound Coverage Cushion: Debt service coverage is high and well above the ABT levels. Issuance of additional senior and subordinate lien bonds requires 3.0x and 2.0x coverage of MADS, respectively. Issuance of additional second subordinate lien bonds requires 1.75x coverage of MADS. The bond structure can withstand a moderate decline or one equal to the largest historical decline and still maintain sum sufficient coverage on all liens leveraged to their respective ABTs, warranting the 'aaa' resilience assessments on the senior, subordinate, and second subordinate lien bonds.

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