



Fitch Affirms Oregon's School Bond Guaranty Program at 'AA+'; Outlook Stable

Ratings
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Fitch Ratings-New York-20 August 2010: Fitch Ratings takes the following action as part of its continuous surveillance effort:

--Oregon School Bond Guaranty Program affirmed at 'AA+'.

The Rating Outlook is Stable.

RATING RATIONALE:

The rating, on par with that of Oregon's general obligation (GO) bond rating, reflects the pledge of the State's full faith and credit and taxing power to guarantee full and timely payment on qualified school bonds.

KEY RATING DRIVERS:

- A change in Oregon's GO bond rating, upon which this rating is based.
- Significant changes in statutory provisions or administrative rules governing the program.

SECURITY:

State guarantee - the full faith, credit, and taxing power of the state is pledged to guarantee full and timely payment of principal and interest on the debt of participating school districts.

CREDIT SUMMARY:

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 \$3.2 billion across 208 series of bonds are outstanding under the program; associated interest due on these bonds totals approximately \$1.8 billion. 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.

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'

Related Research:

'Tax-Supported Rating Criteria', dated Aug. 16 2010

'U.S. State Government Tax-Supported Rating Criteria', dated Dec. 28, 2009

'State Credit Enhancement Program Criteria', Dec. 16, 2009

For information on Build America Bonds, visit 'www.fitchratings.com/BABs'.

Related Research:

Tax-Supported Rating Criteria

U.S. State Government Tax-Supported Rating Criteria

State Credit Enhancement Program Criteria

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