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Credit rating agencies reaffirm Oregon's strong and stable credit rating, which saves taxpayers millions

But warn that overturning balanced budget could "put pressure on credit quality"

SALEM – National credit scoring firms Moody's, Fitch Inc. and Standard and Poor's have reaffirmed Oregon's strong and stable credit rating, which has allowed the state to continue to finance job-creating public works projects statewide, and at attractive long-term interest rates.

In three separate reports released during the past week, the firms reiterated the state's Aa2/AA/AA ratings and said Oregon remains a safe credit risk at a time when many states are being warned about potential downgrades.

The firms said Oregon is benefitting from wise fiscal management including maintaining reserves as a contingency in the event of a deeper economic downturn, and adoption of a budget-reduction strategy in the 2009-11 biennium that relies on significant program cuts of more than \$2 billion, as well as new revenue. The approved balanced budget ensures that government programs are financed with stable and recurring sources of funds.

"Our strong rating is saving taxpayers millions in bond-related costs, and is a testament to Oregon's budgetary restraint and reasoned decision-making," said State Treasurer Ben Westlund, who chairs the State Debt Policy Advisory Commission. "In addition, Oregon's credit is stable because of the success of investment officers at the Oregon State Treasury, who are beating their peers and keeping the state pension system among the best-funded in the country."

The report by Moody's, dated Oct. 28, notes that the pension system, while reporting losses of 27 percent in 2008, remains "well-funded" compared to most other state systems.

The state has issued more than \$1.2 billion in bonds so far in 2009, and those are helping to finance job-creating work statewide such as highway and bridge projects and construction of the new state hospital in Salem.

The three ratings reports were obtained in connection with a new \$50 million bond sale that will finance energy conservation, renewable energy, and pollution control projects around the state.

According to the Fitch Inc. report, dated Oct. 27, Oregon's "rating reflects an economy that has diversified, moderate debt levels, and management's efforts to retain a portion of reserve levels built in recent years despite a challenging revenue environment."

The Moody's report notes that Oregon has room to improve: The state has an AA rating and not the top AAA in part because of the heavy reliance on volatile income taxes and the "2% kicker" law, which prevents the state from saving dollars in strong economic times as a hedge against downturns.

Bond raters also included a cautionary note in the recent analyses about the January election. If state revenue falls dramatically, such as if voters overturn the balanced budget, the stable credit rating might be in jeopardy.

From the Standard and Poor's report on Oct. 30: "A repeal of the recent income tax increases or a major additional decline in employment levels could create significant budgetary challenges that, absent offsetting budget revisions, could put pressure on credit quality."

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