

**Rating Update: Oregon School Bond Guaranty Program**

**MOODY'S UPGRADES THE OREGON SCHOOL BOND GUARANTY PROGRAM TO Aa2 (WITH A STABLE OUTLOOK) FROM Aa3 IN CONJUNCTION WITH THE STATE OF OREGON UPGRADE**

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**APPROXIMATELY \$2.37 BILLION IN GUARANTEED DEBT AFFECTED**

Primary & Secondary Education  
OR

**Opinion**

NEW YORK, Aug 10, 2007 -- Moody's Investors Service has upgraded the Oregon School Bond Guaranty Program (OSBGP) rating to Aa2 with a stable outlook from Aa3 in conjunction with the upgrade to the State of Oregon's general obligation bond rating to Aa2 with a stable outlook from Aa3. Under the OSBGP, the state's full faith, credit and unlimited taxing power is pledged to guarantee qualified school districts' bond debt service when due. Moody's assigns the OSBGP rating to school district bonds that are guaranteed under the state program and assigns underlying ratings to individual bond issues at the request of the issuing district. The Aa2 program rating and stable outlook reflects the strength of the State of Oregon (GO rated Aa2 with stable outlook), strong state oversight of local school districts, and the program mechanics. For more information on the State of Oregon's general credit profile, please refer to Moody's Global Credit Research Rating Update report published on August 10, 2007.

**STATE GUARANTY OF DISTRICT DEBT AUTHORIZED BY CONSTITUTION AND APPROVED BY VOTERS**

The Guaranty program has been very successful, growing dramatically since its inception. Authorized by the Oregon School Bond Guaranty Act, the program was adopted by the Legislature in 1997 and approved as a constitution amendment by the voters on November 3, 1998. This law established the program, implemented a school district monitoring and control system, and authorized the state's full faith, credit, and unlimited taxing power pledge to guarantee the timely payment of qualified school district general obligation bonds. As of August 6, 2007, 105 school districts and community colleges have participated in the Program, issuing 178 bond issues for a total guaranteed debt outstanding of approximately \$2.37 billion.

**PROGRAM MECHANICS ASSURE TIMELY AND SUFFICIENT DEBT SERVICE PAYMENT**

To qualify a bond issue in this program, a school district must request and receive a Certificate of Qualification from the State Treasurer, which is valid for one year during which time the qualified school district or community college can issue the approved debt. Once the debt is sold, the bonds are guaranteed for the life of the issue. For bonds guaranteed under the program, the school district must transfer funds to its paying agent at least 15 days prior to a semiannual debt service payment, and must notify the State Treasurer immediately if unable to do so. If sufficient funds are not transferred, the paying agent must notify the State Treasurer of the shortfall in debt service at least 10 days before the debt service payment date. Upon such notice, on or before the scheduled payment date, the State Treasurer shall transfer sufficient funds to the paying agent from the state's general funds to meet the school district's current debt service payment. To reimburse itself, the state will intercept any payments of state aid due to the school district, plus interest and penalty. And, to the extent interceptable funds are not sufficient to reimburse the state within a reasonable timeframe as determined by the state treasurer, the state is empowered to pursue any available legal action and issue general obligation bonds to reimburse the state treasury.

**UNDERLYING CREDIT QUALITY OF DISTRICTS REMAINS FAVORABLE**

School districts are not subject to credit review for purposes of participation in the guarantee program. However, the State Department of Education is responsible for monitoring the financial condition of each school district to ensure their fiscal solvency. The State Department of Education and the State Treasurer meet annually to review all districts which have debt guaranteed by the state. This evaluation and oversight system is established to judge each school district's ability to meet current debt service payments under the program by identifying potential financial problems early, while they are still manageable.

Moody's believes that the participating districts in the OSBGP are characterized by upper-medium credit quality. Currently, 57.8% of the total guaranteed bonds outstanding were issued by school districts and

community colleges for which Moody's maintains an underlying credit rating. Based upon the amount of debt outstanding, the weighted average G.O. credit rating of these districts is A1. In conjunction with this update on the Program, we have reviewed approximately 97.8% of the debt outstanding (101 districts), based upon available credit information of the participating districts. In our view, the general obligation pledge of these 101 districts are of investment grade quality that is Baa3 or higher.

## KEY STATISTICS

Total number of participants in OSBGP: 105

Total principal amount of outstanding guaranteed debt: \$2.37 billion

Total number of outstanding bond issues: 178

## Analysts

Jolene K. Yee  
Analyst  
Public Finance Group  
Moody's Investors Service

Amy Tanaka  
Backup Analyst  
Public Finance Group  
Moody's Investors Service

Matthew Jones  
Senior Credit Officer  
Public Finance Group  
Moody's Investors Service

## Contacts

Journalists: (212) 553-0376  
Research Clients: (212) 553-1653

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