

COMMISSIONER TOBIAS READ, CHAIR
Oregon State Treasurer

COMMISSIONER TIMOTHY A DUY
PUBLIC MEMBER

COMMISSIONER NANCY NATHANSON
Representative, Oregon House of Representatives

COMMISSIONER BETSY JOHNSON
Senator, Oregon Senate

COMMISSIONER KATY COBA
Director, Department of Administrative Services



STATE DEBT POLICY
ADVISORY COMMISSION
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**STATE DEBT POLICY
ADVISORY COMMISSION**

PUBLIC MEETING NOTICE

**WILL MEET ON
WEDNESDAY, JUNE 17, 2020
10:00 A.M. – 11:00 A.M.**

VIA TEAMS MEETING

DIAL-IN: +1 971-279-6217 United States, Portland (Toll)

CONFERENCE ID: 457 658 430#

- I.** Call to Order
- II.** Review and Approve update of 2020 SDPAC Legislative Update based on June Economic/Revenue Forecast
- III.** Other Business
- IV.** Adjourn

State Debt Policy Advisory Commission

Update to the 2020 State Debt Capacity Report

**Based on the May 20, 2020
Economic and Revenue Forecast**



**Office of the State Treasurer
Debt Management Division**

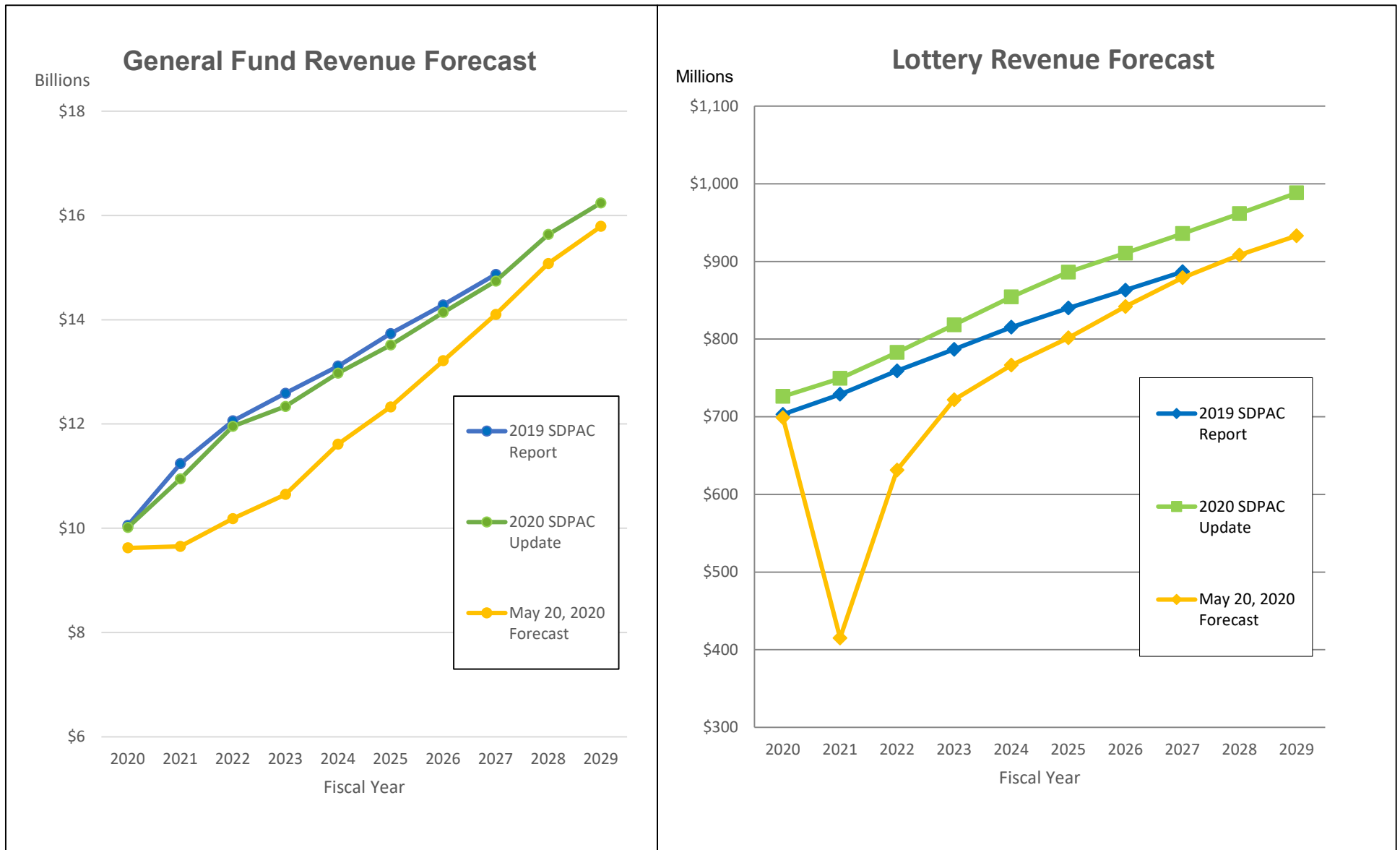
June 17, 2020

State Debt Policy Advisory Commission Annual Report Process

- The Commission is composed of five members, is chaired by the State Treasurer, and is staffed by the Debt Management Division of the State Treasurer's office
- Current Commission members include:
 - State Treasurer Tobias Read
 - Senator Betsy Johnson
 - Representative Nancy Nathanson
 - DAS Director Katy Coba
 - Professor Tim Duy, University of Oregon
- The Commission publishes an annual report that reviews the State's current general fund and lottery-backed debt position and recommends the maximum amount of new debt that can be authorized based on the long-term revenue projections of the Office of Economic Analysis and the Commission's long-established debt capacity target limits
- The most recent report of the Commission was published on January 28, 2020 based on OEA's December 2019 economic and revenue forecast



COVID19 Pandemic has Substantially Impacted State's Long-term Revenue Projections



General Fund Debt Capacity



Inputs & Assumptions

- Model accounts for all General Fund-supported debt issued and outstanding at June 30, 2019
- Assumes that all **\$946 million** in GF-backed debt authorized by the 2019 Legislature is issued by the end of the 2019-21 biennium
- Uses the May 20, 2020 General Fund revenue forecast
- Level debt service payments over 20 year term
- 4.50% long-term interest rate
- Target of 5% of General Fund revenues to support debt service



Revised Forecast of Additional General Fund-Supported Debt Capacity

Fiscal Year Ending June 30 th	Maximum Amount that can be issued within Target Capacity (\$ Millions)	Total Debt Service as a % of General Fund Revenues
2020	-	4.7%
2021	\$ 200	5.0%
2022	-	5.0%
2023	305	5.0%
2024	870	5.0%
2025	761	5.0%
2026	595	5.0%
2027	712	5.0%
2028	2,018	5.0%
2029	551	5.0%
Total	\$ 6,012	



**Changes in General Fund Debt Capacity Since
Release of the January 2020 SDPAC Report
(in millions)**

Based on Dec 2019 Forecast			Based on May 20, 2020 Forecast		
Additional Available this Biennium	Now Through FY 2029	Average Per Future Biennium	Additional Available this Biennium	Now Through FY 2029	Average Per Future Biennium
\$ 315	\$ 6,304	\$ 1,497	\$ 200	\$ 6,012	\$ 1,453

Note: These totals do not include the \$946 million in GF supported debt authorized by the 2019 Legislature.



General Fund-Supported Debt

- While long-term general fund debt capacity has dropped by \$292 million over the coming decade, the State can still finance all \$946 million in authorized projects this biennium and up to \$200 million in additional projects while staying within the SDPAC 5% capacity target
- Based on the new GF revenue forecast, the recommended 5% capacity target would, however, substantially limit general fund-supported debt capacity in the 2021-23 biennium
 - GF capacity is projected at between \$305 M to \$505 M, depending on how much additional debt is authorized this biennium
- Alternatively, the Commission may want to consider recommending that the State follow the biennial “averaging approach” next biennium in order to take advantage of the significant jump in debt capacity once the State’s pension obligation bonds are retired in FY 2027
 - This approach would result in \$1.45 billion in GF debt capacity next biennium, but the ratio of debt service to general fund revenues would exceed the traditional 5% target, but remain below 6% of GF revenues



Lottery Debt Capacity



Inputs & Assumptions

- Model accounts for all Lottery-backed debt issued and outstanding at June 30, 2019
- Uses the May 20, 2020 lottery revenue forecast
- Assumes level debt service payments over 20-year term
- 4.50% long-term rate
- 4x debt service coverage or max 25% of net lottery revenues



Revised Forecast of Additional Lottery Bond Capacity

Fiscal Year Ending June 30 th	Maximum Amount that can be issued within Target Capacity (\$ Millions)	Debt Service Coverage Ratio (Times)	Debt Service as a % of Lottery Revenues
2020	-	5.3	19%
2021	-	3.1	32%
2022	293	4.0	25%
2023	299	4.0	25%
2024	145	4.0	25%
2025	114	4.0	25%
2026	164	4.0	25%
2027	244	4.0	25%
2028	334	4.0	25%
2029	251	4.0	25%
Total	\$ 1,844		



General Fund-Supported Debt

Changes in Lottery Debt Capacity Since Release of the January 2020 SDPAC Report (in millions)

Based on Dec 2019 Forecast				Based on May 20, 2020 Forecast			
Planned for Issuance this Biennium	Additional Available this Biennium	Now Through FY 2029	Average Per Future Biennium	Planned for Issuance this Biennium	Additional Available this Biennium	Now Through FY 2029	Average Per Future Biennium
\$ 303	\$ 30	\$ 2,024	\$ 423	\$ 0	\$ 0	\$ 1,844	\$ 461



Lottery-Backed Debt

- Due to the huge drop in net Lottery revenue projected for the coming fiscal year, the State **will not** be able to issue the planned sale of \$302.5 million in Lottery revenue bonds in the spring of 2021
 - The current bond indenture includes an additional bond test that requires that lottery revenues in the proceeding 12 months are at least **4.0 times** the annual debt service on existing bonds
 - Based on the May 20, 2020 revenue forecast, FY 2021 lottery revenues will only be **3.1 times** existing Lottery debt service
- Assuming that net Lottery revenues begin to improve in FY 2022 at the pace projected in the recent revenue forecast, it may be possible to sell Lottery revenue bonds in the spring of FY 2022 for at least a portion of the projects originally slated to be financed in the spring of FY 2021, with the balance sold in FY 2023
- Treasury staff will continue to monitor the quarterly updates of the Lottery forecast over the next six months and provide feedback to the Legislature on the status of the Lottery bond situation

