

## **FITCH RATES OHIO'S \$165MM TREASURER OF STATE BONDS 'AA'; OUTLOOK STABLE**

Fitch Ratings-New York-18 December 2014: Fitch Ratings has assigned an 'AA' rating to the following state of Ohio (Treasurer of State) capital facilities lease-appropriation bonds:

- \$85.6 million series 2015A (Transportation Building Fund Projects) (tax-exempt);
- \$61.975 million series 2015A (Administrative Building Fund Projects) (tax-exempt);
- \$18.025 million series 2015B (Administrative Building Fund Projects) (federally taxable).

The bonds are expected to be sold via negotiation on or about Jan. 13, 2015.

The Rating Outlook is Stable.

### **SECURITY**

The bonds are special obligations of the state, payable from payments under lease agreements between the Ohio Public Facilities Commission (OPFC) and the departments of administrative services (DAS) and of transportation (DOT). The lease agreements are subject to biennial appropriation from the state's general revenue fund (GRF) in the case of the administrative building bonds and the highway operating fund in the case of the transportation building bonds.

### **KEY RATING DRIVERS**

**APPROPRIATION MECHANISM:** The rating on the bonds backed by Ohio's lease appropriation, one notch below the state's GO rating, reflects the state's general credit standing, sound lease structure, and constitutional authorization for these types of bonds.

**BROAD ECONOMY WITH LARGE MANUFACTURING SECTOR:** The state's economy is broad and diverse, although manufacturing remains a disproportionately large sector. The state's economy is expanding but at a slower pace than immediately following the recession. The unemployment rate is under the national average.

**MODERATE LIABILITY BURDEN:** The state's debt burden is moderate and rapidly amortized. Debt is typically conservatively managed and primarily consists of GOs. On a combined basis, outstanding debt and pension obligations are a manageable and well below-average burden on the state.

**DEMONSTRATED ABILITY TO MANAGE BUDGET CHALLENGES:** The state generally has a careful approach to financial operations and has consistently managed to achieve budgetary balance, inclusive of surplus operating results in fiscal 2013, which provided for full funding of the state's budget stabilization fund (BSF).

**STRUCTURAL BALANCE CHALLENGE:** The budget enacted for the 2014-2015 biennium applies fiscal 2013 surplus revenues to pay for a large personal income tax rate cut while incorporating sizable growth in appropriations, creating some risk that structural balance may be difficult to achieve in future biennia.

### **RATING SENSITIVITY**

The rating is sensitive to changes in the state's 'AA+' GO rating to which it is linked.

## CREDIT PROFILE

The bonds currently offered are secured by rental payments that are appropriated biennially under separate lease agreements between the OPFC and various state departments, as noted above, pursuant to separate trust agreements. The debt is authorized by the state's constitution and secured by the state's pledge of legislative appropriation, with the lease renewable biennially until the bonds are repaid.

The treasurer of state is required to submit an estimate of the debt service requirements to each department as well as the director of budget and management prior to the start of each fiscal year. Debt service must be included in the budget of the departments. The trustee does not have the ability to take possession of or operate the leased projects. The current offering will refund outstanding bonds for debt service savings.

## LINK TO GO RATING

The state's 'AA+' GO rating is based on its careful financial management, ongoing record of maintaining fiscal balance, and a moderate, rapidly amortizing debt burden. Debt is supported by an economy that is slowly adding jobs lost in the recession.

For further information on Ohio's GO rating, please see Fitch's press release from Dec. 17, 2014, 'Fitch Rates Ohio's \$175MM GO Bonds 'AA+'; Outlook Stable', available at '[www.fitchratings.com](http://www.fitchratings.com)'.

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Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

## Applicable Criteria and Related Research:

- 'Tax-Supported Rating Criteria' (Aug. 14, 2012);
- 'U.S. State Government Tax-Supported Rating Criteria' (Aug. 14, 2012).

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Tax-Supported Rating Criteria  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=686015](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015)  
U.S. State Government Tax-Supported Rating Criteria

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