

High Profile Ratings Update

Moody's U.S. Public Finance

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Moody's Downgrades Ohio School District Credit Enhancement Program to Aa3 From Aa2

Outlook Stable; Downgrade Affects \$892 Million Of Enhancement Program Debt

Moody's Investors Service has downgraded its programmatic rating of the Ohio School District Credit Enhancement (OSDCE) program to Aa3 with a stable outlook from Aa2 with a negative outlook. The OSDCE programmatic rating is based on Moody's assessment of the overall mechanics of the program, as defined in the statute as of July 16, 2008, and is rated one notch below the state's general obligation rating (Aa2, stable outlook). For additional information regarding Moody's recent action on the State of Ohio's rating and the stable outlook, please refer to Moody's Credit Update report, dated June 15, 2009. The downgrade to Aa3 is based on Moody's assessment of program level criteria related to program mechanics, state commitment, and program history as set forth in detail in Moody's "Rating Methodology for State Aid Intercept Programs and Financings." Assessment of specific intercept financings will be performed individually, based on additional criteria.

The OSDCE program demonstrates strong state commitment and program history; it is established in the Ohio Revised Code and implemented in accordance with Ohio Administrative Code. Available funds for the intercept include the remaining aid appropriated for the district for the remainder of the state's fiscal year and aid in future years may continue to be intercepted, if necessary, until the debt service shortfall is fully paid. State oversight of the program includes review by the State Office of Budget and Management and Department of Education. The legislation and approval applications specify that the agreement is irrevocable once entered into, as long as there is debt service outstanding. While the program has never been utilized, the state has demonstrated its commitment to school capital financings; and the oversight criteria ensures that there will be adequate education aid to repay bondholders, if necessary. The State of Ohio has historically passed budgets on time or has made provisions for continuation budgets. Further, the state has historically maintained minimum education aid guarantees in each of its biennial budgets, which prevents a district from receiving an amount of basic education aid that is lower than the prior year, regardless of enrollment declines or formula changes. Based on these provisions, Moody's believes the OSDCE program exhibits strong state commitment.



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The timing mechanisms of the program are also strong, requiring a third party fiscal agent to notify the state to intercept state education aid if debt service is not received within 10 days prior to the date debt service is due. Once the Department of Education confirms that the district will be unable to meet debt service payments within three days prior to the debt service payment date, it must deposit the intercepted aid by 2 PM on the day before debt service is due. As the OSDCE program demonstrates the above characteristics, Moody's analysis concludes that program mechanics are strong and is expected to continue to be rated one notch lower than the State of Ohio's general obligation rating.

While Moody's has downgraded the programmatic rating to Aa3/Stable, rating actions on specific credits will depend on the evaluation of each according to the additional rating factors for individual intercept financing. These include the sufficiency of interceptable revenues, as determined by specific coverage tests and the timing of the state's fiscal year as it relates to scheduled debt service payment dates, and transaction structure, which will consider the role of the independent fiduciary and reserve fund. Given the statutory coverage requirements for the OSDCE program, individual credits are expected to rate satisfactory to strong on both these criteria. Moody's analysts will perform a surveillance review of each of the 47 enhanced ratings based on the additional rating factors and update ratings accordingly.

The principal methodology used in rating the Ohio School District Credit Enhancement Program was *Rating Methodology for State Aid Intercept Programs and Financings* which can be found at www.moody.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory.

The last rating action was on February 9, 2008 when the program was upgraded to Aa2 with a negative outlook.

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Appendix

SCHOOL DISTRICT	OSDCE Rated Debt (000s)
ADENA LOCAL SCHOOL DISTRICT	880
ALEXANDER LOCAL SCHOOL DISTRICT	5,565
ALLIANCE CITY SCHOOL DISTRICT	7,768
AMANDA CLEARCREEK LOCAL SCHOOL DISTRICT	2,155
ARCANUM-BUTLER LOCAL SCHOOL DISTRICT	12,905
ARLINGTON LOCAL SCHOOL DISTRICT	450
BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT	2,595
BELLAIRE LOCAL SCHOOL DISTRICT	1,085
BETTSVILLE LOCAL SCHOOL DISTRICT	465
BROOKFIELD LOCAL SCHOOL DISTRICT	14,450
BRUNSWICK CITY SCHOOL DISTRICT	6,535
CLAY LOCAL SCHOOL DISTRICT	5,265
CLEARVIEW LOCAL SCHOOL DISTRICT	4,780
CLEVELAND MUNICIPAL SCHOOL DISTRICT	152,915
CLYDE GREEN-SPRINGS EXEMPT VILLAGE SCHOOL DISTRICT	21,300
CRESTVIEW LOCAL SCHOOL DISTRICT (RICHLAND COUNTY)	3,680
EAST CLEVELAND CITY SCHOOL DISTRICT	5,645
ELMWOOD LOCAL SCHOOL DISTRICT	2,850
FRANKLIN LOCAL SCHOOL DISTRICT	4,805
FREDERICKTOWN LOCAL SCHOOL DISTRICT (KNOX COUNTY)	6,780
FREMONT CITY SCHOOL DISTRICT	9,135
FRONTIER LOCAL SCHOOL DISTRICT	1,680
GOSHEN LOCAL SCHOOL DISTRICT	4,380
HARDIN-HOUSTON LOCAL SCHOOL DISTRICT	9,205
HIGHLAND LOCAL SCHOOL DISTRICT (MORROW & DELAWARE COUNTIES)	15,000
HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT	340
INDIAN CREEK LOCAL SCHOOL DISTRICT	11,600
LAKOTA LOCAL SCHOOL DISTRICT (SANDUSKY COUNTY)	9,825
LIBERTY-UNION-THURSTON LOCAL SCHOOL DISTRICT (FAIRFIELD COUNTY)	6,000
LORAIN CITY SCHOOL DISTRICT	22,039
LOWELLVILLE LOCAL SCHOOL DISTRICT	1,735
MAPLETON LOCAL SCHOOL DISTRICT	3,175
MAYSVILLE LOCAL SCHOOL DISTRICT	3,295
MEIGS LOCAL SCHOOL DISTRICT	4,970
MIAMI EAST LOCAL SCHOOL DISTRICT	6,580
MIAMI TRACE LOCAL SCHOOL DISTRICT	11,925
MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT	565
NEW LEBANON LOCAL SCHOOL DISTRICT	3,460
NEW RIEGEL LOCAL SCHOOL DISTRICT	750
NEWTON LOCAL SCHOOL DISTRICT	7,375

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SCHOOL DISTRICT	OSDCE Rated Debt (000s)
NORTH COLLEGE HILL CITY SCHOOL DISTRICT	9,315
NORTH RIDGEVILLE CITY SCHOOL DISTRICT	2,086
NORTHMOR LOCAL SCHOOL DISTRICT	14,500
NORTHWESTERN LOCAL SCHOOL DISTRICT (WAYNE COUNTY)	3,010
PETTISVILLE SCHOOL LOCAL SCHOOL DISTRICT	4,830
PIKE-DELTA-YORK LOCAL SCHOOL DISTRICT	9,906
PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT	1,295
PORTSMOUTH CITY SCHOOL DISTRICT	13,900
RAVENNA CITY SCHOOL DISTRICT	15,440
REYNOLDSBURG CITY SCHOOL DISTRICT	56,000
RIDGEWOOD LOCAL SCHOOL DISTRICT	3,025
RIVER VALLEY LOCAL SCHOOL DISTRICT (MARION & MORROW COUNTIES)	15,340
SEBRING LOCAL SCHOOL DISTRICT	1,290
SOUTH CENTRAL LOCAL SCHOOL DISTRICT	1,000
SPRINGFIELD CITY SCHOOL DISTRICT	22,539
ST. MARYS CITY SCHOOL DISTRICT	25,425
STRYKER LOCAL SCHOOL DISTRICT	5,725
SWANTON LOCAL SCHOOL DISTRICT	7,650
TOLEDO CITY SCHOOL DISTRICT	178,390
TRIMBLE LOCAL SCHOOL DISTRICT	695
TRI-VILLAGE LOCAL SCHOOL DISTRICT	4,410
WAPAKONETA CITY SCHOOL DISTRICT	24,600
WASHINGTON-NILE LOCAL SCHOOL DISTRICT (SCIOTO COUNTY)	750
WAVERLY CITY SCHOOL DISTRICT (PIKE & ROSS)	6,605
WELLSVILLE LOCAL SCHOOL DISTRICT	990
WHITEHALL CITY SCHOOL DISTRICT	1,550
YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT	3,660
YOUNGSTOWN CITY SCHOOL DISTRICT	31,010
ZANESVILLE CITY SCHOOL DISTRICT	31,695

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Moody's Related Research

Rating Methodologies:

- Request for Comments on: Rating Methodology for State Aid Intercept Programs and Financings, August 2007 (104498)
- Addendum to Request for Comments on: Rating Methodology for State Aid Intercept Programs and Financings, January 2008 (107014)

New Issue:

- Ohio (State of), June 15, 2009

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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