

FITCH RATES OHIO TREASURER OF STATE'S \$56MM BONDS 'AA'; OUTLOOK STABLE

Fitch Ratings-New York-15 April 2016: Fitch Ratings has assigned 'AA' ratings to the following state of Ohio (Treasurer of State) capital facilities lease-appropriation bonds:

--\$22.74 million series 2016A (Adult Correctional Building Fund Projects);

--\$34.485 million series 2016A (Administrative Building Fund Projects).

The bonds are expected to be sold via negotiation April 27, 2016.

The Rating Outlook is Stable.

SECURITY

The bonds are special obligations of the state, payable from payments under separate lease agreements between the Ohio Public Facilities Commission (OPFC) and the Department of Rehabilitation and Correction (DRC) and the Department of Administrative Services (DAS). The lease agreement is subject to biennial appropriation from the state's general revenue fund (GRF).

KEY RATING DRIVERS

APPROPRIATION MECHANISM: The rating on the bonds backed by Ohio's lease appropriation at 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 manageable and a 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. The state's budget stabilization fund (BSF) is fully funded.

RATING SENSITIVITIES

STATE GO CREDIT QUALITY: 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 the DRC, and between the OPFC and the DAS as noted above. 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. The trustee does not have the ability to take possession of or operate leased projects. The current offering is a refunding for debt service savings.

LINK TO GO RATING

The state's 'AA+' GO rating, to which the current rating is linked, 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.

Through March 2016, tax revenues are meeting expectation overall, although personal income tax collections are slightly underperforming. Through the first half of the year, this had been offset by strong sales and use tax performance. These fell off fairly sharply in February, although they are still slightly exceeding the forecast for the year-to-date. Overall, the enacted budget was based on an assumption of GRF revenues, including transfers, increasing 10.8% in fiscal 2016 and 4.6% in fiscal 2017. This includes the impact of federal revenues for Medicaid expansion being shifted to the GRF as of fiscal 2016.

For further information on Ohio's GO rating, please see Fitch's press release from Feb. 12, 2015 'Fitch Rates State of Ohio GO Bonds 'AA+'; Outlook Stable', available at www.fitchratings.com.

Contact:

Primary Analyst
Karen Krop
Senior Director
+1-212-908-0661
Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004

Secondary Analyst
Marcy Block
Senior Director
+1-212-908-0239

Committee Chairperson
Douglas Offerman
Senior Director
+1-212-908-0889

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Date of Relevant Rating Committee: Feb. 11. 2016

Additional information is available at 'www.fitchratings.com'.

Fitch recently published an exposure draft of state and local government tax-supported criteria (Exposure Draft: U.S. Tax-Supported Rating Criteria, dated Sept. 10, 2015). The draft includes a number of proposed revisions to existing criteria. If applied in the proposed form, Fitch estimates the revised criteria would result in changes to fewer than 10% of existing tax-supported ratings. Fitch expects that final criteria will be approved and published the beginning of the second quarter of 2016. Once approved, the criteria will be applied immediately to any new issue and surveillance

rating review. Fitch anticipates the criteria to be applied to all ratings that fall under the criteria within a 12-month period from the final approval date.

Applicable Criteria

Exposure Draft: U.S. Tax-Supported Rating Criteria (pub. 10 Sep 2015)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=869942

Tax-Supported Rating Criteria (pub. 14 Aug 2012)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015

U.S. State Government Tax-Supported Rating Criteria (pub. 14 Aug 2012)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686033

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.