

RatingsDirect®

Summary:

Ohio State Treasurer Ohio; Appropriations

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Ohio State Treasurer Ohio; Appropriations

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US\$85.6 mil cap facs lse-approp bnds (transp bldg fd projs)(tax-exempt) (Ohio) ser 2015A due 04/01/2030

<i>Long Term Rating</i>	AA/Stable	New
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US\$61.975 mil cap facs lse-approp bnds admin bldg fd projs, tax-exempt (Ohio) ser 2015A due 04/01/2035

<i>Long Term Rating</i>	AA/Stable	New
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US\$18.025 mil cap facs lse-approp bnds, (admin bldg fd projs),taxable (Ohio) ser 2015B due 04/01/2025

<i>Long Term Rating</i>	AA/Stable	New
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Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to the Ohio State Treasurer's \$85.6 million series 2015A capital facilities lease-appropriation bonds (Transportation Building Fund Projects); \$61.975 million series 2015A capital facilities lease-appropriation bonds (Administrative Building Fund Projects); and \$18.025 million series 2015B capital facilities lease-appropriation bonds (Administrative Building Fund Projects). At the same time, Standard & Poor's affirmed its 'AA' rating on the state's appropriation bonds outstanding. The outlook is stable.

The rating reflects our view of:

- The general creditworthiness of Ohio (AA+/Stable general obligation rating) as lessee;
- The state's demonstrated commitment, within both the administrative and legislative branches, to repaying its appropriation-backed obligations;
- The strong contractual provisions of the master lease structure securing the lease appropriation bonds, including an absolute and unconditional payment provision on biennial appropriation; and
- The importance of appropriation debt to Ohio's overall capital bonding structure.

State lease-rental payments, subject to biennial appropriation, secure the lease appropriation bonds. We understand that proceeds of the bonds will be used to finance the construction of capital facilities at the Department of Administrative Services and the Department of Transportation.

Each bond series will be secured by a master lease agreement and a supplemental lease. The Ohio Public Facilities Commission, the lessor, is a state agency and has assigned the lease payments to the trustee. The lessees and the state treasurer agree to include all lease payments due under the master leases in their budget requests each biennium, which are part of the budgets submitted by the director of the Office of Budget and Management and the governor to the state general assembly.

Ohio's economy continues to expand, and while the expansion has been slow compared with prior post-recession phases, the state's unemployment rate has significantly improved during 2014. The state's 2013 unemployment rate

was 7.4%, equal to the U.S. rate, and improved to 5.3% in October, better than the U.S. level. Ohio's unemployment rate has improved from the recession peak of 10.2% in 2009.

Steady economic improvement has translated into expanding revenues and improved financial performance. Fiscal years 2013 and 2014 both ended with significant budget surpluses and full funding of the budget stabilization fund (BSF) at 5%, which is a significant amount relative to that of state peers, in our view.

Ohio's enacted budget for fiscal 2014-2015 includes significant changes to the state's tax structure with an overall emphasis on tax reduction. There are also significant changes to Medicaid and education programs, the key budget drivers in our view. The BSF will be funded at the 5% target, which we view positively from a credit standpoint and allows the state flexibility to address future budget volatility. This is especially significant for Ohio, which has to maintain budget balance throughout the year. The 2014-2015 budget was amended in June 2014 based on proposals in the governor's mid-biennium review. The amendments included about \$39 million of spending increases in social services, K-12 education, and higher education; and a \$388 million net reduction in general revenue fund revenues through acceleration of and increases to personal income tax cuts in the budget. Through November, general revenue sources were \$36.2 million, or 0.3% below the year-to-date estimates, and expenditures were \$433.1 million, or 2.8% below estimates. Officials attribute nearly all of these variances to lower-than-projected expenditures for Medicaid, which also resulted in lower federal reimbursements. Federal grant receipts were \$223.3 million, or 5.1% below estimates, with the next-largest variance being in corporate franchise taxes, which were \$27.3 million below estimates. Total tax receipts were above estimates by \$182.8 million, or 2.2%. Medicaid expenditures were \$403.3 million, or 5.7% below the estimate.

Standard & Poor's considers Ohio's debt ratios to be moderate. With limited exceptions, the state constitution caps debt service at 5% of revenues; Ohio has remained below this cap, and based on projected debt issuance, we expect that future debt service will remain within the constitutional cap.

Ohio's postretirement liability profile has improved following various modifications focused on reducing liabilities. These reforms, in combination with improved investment performance, should contribute to improved funded ratios. In contrast to many states, the state has actively managed its other postemployment benefits liabilities and there has been significant asset accumulation to offset these liabilities, which we believe will limit future cost pressure.

Based on the analytic factors we evaluate for states, on a scale of '1.0' (strongest) to '4.0' (weakest), we have assigned Ohio a composite score of '1.8'.

For more information, see the full analysis on Ohio, published Sept. 22, 2014, on RatingsDirect.

Outlook

The stable outlook on Ohio reflects our view of the state's improved structural budget alignment and steady economic recovery underway, which has stabilized revenues and allowed for contributions to the BSF. The state, we believe, has proactively responded to budget imbalance over time, and this is also factored into the current outlook. The pace of economic recovery and continuation of structural budget alignment will be important credit factors over the two-year

outlook time horizon. We also note the statutory debt limits in place and meaningful reform efforts focused on postretirement liabilities, which should limit fixed cost pressure in the future.

Related Criteria And Research

Related Criteria

- USPF Criteria: State Ratings Methodology, Jan. 3, 2011
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

Ratings Detail (As Of December 19, 2014)		
Ohio cap facs lse-approp bnds (adult correctiaonl bldg fd projs) ser 2014A due 04/01/2034		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio cap facs lse-approp rfdg bnds (pub safety bldg fd proj) ser 2014A due 04/01/2019		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio cultural & sports		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio mental hlth cap facs		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio pub fac comm parks & recre		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio cultural & sports cap facs bnds ser 2005A		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Ohio mental hlth cap facs bnds ser II-2005A		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Ohio mental hlth cap facs bnds ser II-2006A		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Ohio parks & recre cap facs ser II-2007A		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Ohio pub fac comm parks & recre		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Ohio Bldg Auth, Ohio		
Ohio		
Ohio Bldg Auth (Ohio) admin bldg		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio Bldg Auth (Ohio) adult correctional		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio Bldg Auth (Ohio) arts fac		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio Bldg Auth (Ohio) highway safety		
<i>Long Term Rating</i>	AA/Stable	Affirmed

Ratings Detail (As Of December 19, 2014) (cont.)		
Ohio Bldg Auth (Ohio) juvenile correctional		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio Bldg Auth (Ohio) st facs		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Ohio Bldg Auth (Ohio) (Admin Bldg Fd Projs) st facs		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Ohio Bldg Auth (Ohio) (Adult Correctional Bldg Fd Projs) st facs		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Ohio Bldg Auth (Ohio) (Hwy Safety Bldg Fd Projs) st facs		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Ohio Bldg Auth (Ohio) (Juvenile Correctional Bldg Fd Projs) st facs		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Ohio Dept of Admin Svc, Ohio		
Ohio		
Ohio Dept of Adim Svc rfdg certs of partic (Ohio) (Ohio Administration Knowledge Sys Proj)		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio Dept of Admin Svc (Ohio) certs of part (Ohio) (Enterprise Data Center Solutions Proj) ser 2014 due 09/01/2024		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio Dept of Admin Svc (Ohio) certs of part (Ohio) (Multi-agy Radio Communications Sys Proj) ser 2014 due 09/01/2027		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio Dept of Adm Svces (Ohio) admin knowledge		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio Dept of Adm Svces (Ohio) multi-agy radio communication		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio Dept of Adm Svces (Ohio) state taxation accounting & rev sys		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio certs of part (Dept Of Admin Services) ser 2005A		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Ohio certs of part (Ohio Dept of Adm Svces - Ohio Admin Knowledge Sys Proj) ser 2006A		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Ohio Pub Facs Comm, Ohio		
Ohio		
Ohio Pub Fac Com (Ohio) hgr ed cap facs		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio State Treasurer, Ohio		
Ohio		
Ohio State Treasurer (Ohio) admin bldg		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) adult correctional		

Ratings Detail (As Of December 19, 2014) (cont.)		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) cap facs lease approp fed taxable (Ohio) (Juvenile Correctional Bldg Fd Proj) ser 2014A due 10/01/2018		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) cap facs lease approp rfdg bnds tax-exempt (Ohio) (Admin Bldg Fd Proj) ser 2014A due 10/01/2022		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) cap facs lse approp bnds (Mental Hlth Facs Imp Fd Proj) ser 2014A due 02/01/2024		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) cap facs lse approp rfdg bnds fed taxable Ohio Cultural & Sports Facs Bldg Fd Proj ser 2014A due 10/01/2019		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) cap facs lse approp rfdg bnds tax exempt (Ohio) (Adult Correctional Bldg Fd Proj) ser 2014B due 10/01/2022		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) certs of part (Ohio) (Treasury Mgmt Sys Proj) ser 2014 due 09/01/2024		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) cultural & sports		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) juvenile correctional bldg		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) mental hlth fac		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) park & recre		
Long Term Rating	AA/Stable	Affirmed

Many issues are enhanced by bond insurance.

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