

# RatingsDirect®

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## Summary:

# State of Ohio; Appropriations

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## Summary:

# State of Ohio; Appropriations

### Credit Profile

US\$40.0 mil lse bnds (Cultural And Sports Facility Building Fund Proj) ser 2016A due 10/01/2026

<i>Long Term Rating</i>	AA/Stable	New
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#### **Ohio State Treasurer, Ohio**

State of Ohio, Ohio

Ohio State Treasurer (Ohio) adult correctional

<i>Long Term Rating</i>	AA/Stable	Affirmed
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## Rationale

S&P Global Ratings assigned its 'AA' rating to the State of Ohio's \$40 million capital facilities lease appropriation bonds, series 2016A (Cultural and Sports Facilities Building Fund Projects). At the same time, S&P Global Ratings affirmed its 'AA' rating on the state's appropriation-backed debt outstanding. The outlook on all ratings is stable.

The rating reflects our view of:

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

State lease-rental payments, subject to separate biennial appropriation, secure the capital facilities lease appropriation bonds for the Cultural and Sports Facilities Fund projects. We understand that bond proceeds will be used to finance new capital facilities projects. The bonds are authorized under the state constitution, which allows for special obligation bonds for the purpose of paying the costs for capital facilities for housing branches and agencies of state government. The bonds are all special obligations of Ohio issued by the state treasurer and payable from pledged receipts, which are the lease rental payments made to the Ohio Public Facilities Commission (OPFC) by Ohio Facilities Construction Commission (OFCC) the under the supplemental lease agreements.

The OPFC, the lessor, is a state agency and has assigned the lease payments to the trustee. The OFCC agrees to include all lease payments due under the master lease in its budget request each biennium, which are part of the budget submitted by the director of the State Office of Budget and Management and the governor to the state general assembly.

Once the general assembly makes the appropriations, the obligation to make lease payments is absolute and unconditional. There are no abatement provisions under the lease agreements. There are also no debt service reserve funds established for the lease appropriation bonds; the timing of lease-rental and debt service payments, coupled with

the state's history in managing appropriations for debt service, mitigates any concern over late budget adoption. Ohio has a strong record of approving budgets on time, in our view. The general assembly passed, and the governor signed, a continuing appropriation measure that included funds for debt service-lease payments and related appropriations for the full biennium when there was late budget adoption. All payments for appropriation obligations of the state have been expressly excluded from budget reduction measures historically.

(For additional information, see the summary analysis on the state's GO bonds published May 16, 2016, on RatingsDirect.)

## Outlook

The stable outlook mirrors our general credit outlook on Ohio. The outlook reflects our view of the state's improved structural budget alignment and steady economic growth, which has increased revenue and allowed for contributions to the budget stabilization fund. Ohio, we believe, has proactively responded to budget imbalance over time, and this is also factored into the current outlook. We also note the statutory debt limits in place and the meaningful reform efforts focused on postretirement liabilities, which should limit fixed-cost pressure. The pace of economic recovery and continuation of structural budget alignment will be important to future credit direction. Were financial, budget, and economic trends to improve significantly, this could result in positive credit implications. Although unlikely based on current trends and policy decisions, deterioration in structural budget alignment and a sharp decline in the reserve position could pressure the rating.

Ratings Detail (As Of August 9, 2016)		
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 APPROP		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio APPROP		
<i>Long Term Rating</i>	AA/Stable	Affirmed
State of Ohio cap facs lse-approp bnds (Mental Health Facilities Improvement Fund Projs) ser 2016A due 06/01/2026		
<i>Long Term Rating</i>	AA/Stable	Affirmed
State of Ohio cap facs lse-approp rfdg bnds (Mental Health Facilities Improvement Fund Projs) ser 2016B due 08/01/2023		
<i>Long Term Rating</i>	AA/Stable	Affirmed
State of Ohio cap facs lse-approp rfdg bnds (Parks And Recreation Improvement Fund Projs) ser 2016B due 08/01/2025		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<b>Ohio mental hlth cap facs bnds ser II-2006A</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
<b>Ohio parks &amp; recre cap facs ser II-2007A</b>		

## Ratings Detail (As Of August 9, 2016) (cont.)

<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
<b>Ohio pub fac comm parks &amp; recre</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
<b>Ohio Bldg Auth, Ohio</b>		
State of 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
Ohio Bldg Auth (Ohio) juvenile correctional		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<b>Ohio Bldg Auth (Ohio) st facs</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
<b>Ohio Bldg Auth (Ohio) (Admin Bldg Fd Projs) st facs</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
<b>Ohio Bldg Auth (Ohio) (Adult Correctional Bldg Fd Projs) st facs</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
<b>Ohio Bldg Auth (Ohio) (Hwy Safety Bldg Fd Projs) st facs</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
<b>Ohio Bldg Auth (Ohio) (Juvenile Correctional Bldg Fd Projs) st facs</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
<b>Ohio Dept of Admin Svc, Ohio</b>		
State of Ohio, Ohio		
Ohio Dept of Adim Svc (Ohio) (Ohio Administration Knowledge Sys Proj)		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio Dept of Admin Svc (Ohio) APPROP		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio Dept of Admin Svc (Ohio) APPROP		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Ohio Dept of Admin Svc (Ohio) APPROP		
<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

## Ratings Detail (As Of August 9, 2016) (cont.)

**Ohio Pub Facs Comm, Ohio**

State of Ohio, Ohio

Ohio Pub Fac Com (Ohio) hgr ed cap facs

<i>Long Term Rating</i>	AA/Stable	Affirmed
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**Ohio State Treasurer, Ohio**

State of Ohio, Ohio

Ohio State Treasurer (Ohio)

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio)

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) admin bldg

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) cap facs lse - appropriation bnds (Ohio) (Admin Bldg Fd Proj) ser 2016A due 10/01/2028

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) cap facs lse - appropriation bnds (Ohio) (Adult Correctional Bldg Fd Proj) ser 2016A due 10/01/2028

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) cultural &amp; sports

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) juvenile correctional bldg

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) mental hlth fac

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) park &amp; recre

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) APPROP

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) APPROP

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) APPROP

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) APPROP

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) APPROP

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) APPROP

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) APPROP

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) APPROP

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) APPROP

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Ohio State Treasurer (Ohio) APPROP

Ratings Detail (As Of August 9, 2016) (cont.)		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) APPROP		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) APPROP		
Long Term Rating	AA/Stable	Affirmed
Ohio State Treasurer (Ohio) (Cultural & Sports Facilities Building Fund Projects)		
Long Term Rating	AA/Stable	Affirmed

Many issues are enhanced by bond insurance.

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