FitchRatings

FITCH AFFIRMS OHIO'S ADJUSTABLE RATE GO BONDS WITH STATE LIQUIDITY AT 'F1+'

Fitch Ratings-New York-08 November 2011: As part of its continuous surveillance effort, Fitch Ratings affirms the 'F1+' rating on the state's approximately $650.7 million adjustable rate general obligation (GO) bonds, for which the state provides liquidity upon a failed remarketing. The rating applies to the following GO bonds:

--GO infrastructure improvement adjustable rate bonds, series 2001B;
--GO infrastructure improvement adjustable rate bonds, series 2003B;
--GO infrastructure improvement adjustable rate bonds, series 2003D;
--GO infrastructure improvement adjustable rate bonds, series 2004A;
--GO common schools adjustable rate bonds, series 2003D;
--GO common schools adjustable rate bonds, series 2005 A & B;
--GO common schools adjustable rate bonds, series 2006 B & C.

SECURITY:

The bonds are general obligations of the state of Ohio.

KEY RATING DRIVERS:

--The state's Liquidity Fund has ample liquidity to meet tenders on variable rate debt that have not been remarketed. The fund is conservatively invested in U.S. agency securities, domestic commercial paper, and money market funds. Liquidity portfolio has consistently provided strong coverage of outstanding variable rate debt; twelve month average of portfolio provided over 5 times (x) coverage of debt, reflecting improving state cash balances since the recession.

--Ohio's 'AA+' GO rating is based on the state's careful financial management, ongoing record of maintaining fiscal balance, and a moderate, rapidly amortizing debt burden, tempered by an economy that is struggling to regain jobs lost in the recession despite recent signs of stabilization amidst tepid national economic growth.

CREDIT SUMMARY:

The rating reflects the strength of the state's general obligation credit, the ample liquidity provided by investments in the state treasurer's liquidity account, and the procedures in place to insure timely payment of optional tenders of bonds that have not been remarketed. The liquidity account, consisting of high quality securities with maturities of one year or less, was valued at $5.1 billion as of Oct. 31, 2011. Balances in the liquidity account have notably increased since fiscal year 2009 when the state spent its rainy day fund; month-end balance in October 2011 provided 7.8x coverage of outstanding variable rate debt. When the portfolio is discounted to reflect the immediate availability of funds, coverage declines only modestly to 7.4x, reflecting the highly liquid nature of the portfolio. The investment profile is conservative as the fund is invested in U.S. Treasury and agency securities, highly rated commercial paper, and money market funds.

The 'AA+' rating on the state's GO bonds reflects the state's careful financial management, ongoing record of maintaining fiscal balance, and a moderate, rapidly-amortizing debt burden, tempered by an economy that is struggling to regain jobs lost in the recession despite recent signs of stabilization amidst tepid national economic growth. The recession had a widespread impact on the state's economy, accelerating a longstanding slump in manufacturing and weighing on the slowly growing service sector.

Steps taken in the fiscal 2010 - 2011 biennial budget, including significant non-recurring resources,

and improving revenue in fiscal 2011 enabled the state to achieve balanced operations. However, sizable budget gaps for the biennium that began on July 1 required broad balancing actions. Estimates for fiscal 2011 show the state ended the year with an $844.5 million cash balance, equal to 3% of general fund revenue, and a $430.7 million unencumbered general fund balance (1.6% of general fund revenue), allowing for a $45 million transfer for disaster and emergency funds and a $246.9 million deposit to the budget stabilization fund.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from IHS Global Insight.

Applicable Criteria and Related Research:
--'Tax-Supported Rating Criteria' (Aug. 15, 2011);
--'U.S. State Government Tax-Supported Rating Criteria'(Aug. 15, 2011);
--'Criteria for Assigning Short-Term Ratings Based on Internal Liquidity' (June 20, 2011);

For information on Build America Bonds, visit 'www.fitchratings.com/BABs'.

Applicable Criteria and Related Research:
Tax-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648898
U.S. State Government Tax-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648897
Criteria for Assigning Short-Term Ratings Based on Internal Liquidity
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=637129

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