


SECTOR COMMENT

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Local government – Ohio

State's creation of Cyber Reserve will help mitigate risks from cyberattacks

On October 25, [Ohio](#) (Aa1 stable) Governor Mike DeWine signed legislation creating a civilian cybersecurity reserve force, named the Ohio Cyber Reserve, to protect local governments, critical infrastructure and businesses from the impact of cyberattacks. Establishment of the Reserve, which will operate as part of the Ohio National Guard, is credit positive for local governments because it will expand and deepen the technical assistance available to them, bolstering their responses to attacks and limiting the impact on their operations and finances. The legislation also underscores the significant role states can play in helping governments respond to rising cybercrime.

Under the law, a local government hit by a cyberattack can ask the governor to deploy the Cyber Reserve as well as other statewide resources. The governor can also request resources from the US Defense Department dedicated to combatting cybercrime. The 50 initial Reserve members will be volunteers with computer and information technology backgrounds, and will receive additional training in cybercrime response. When called into active duty, they will be paid at a rate similar to other military personnel with comparable training.

The legislation, which appropriates funding totaling \$100,000 in fiscal 2020 and \$550,000 in fiscal 2021 for operating the Reserve, represents strong management and governance by the state in the face of the increasing threat to local governments from cybercrime. In Ohio, the cities of [Akron](#) (Aa3 stable) and Riverside, [Fayette County](#) (A2), and the [Cleveland International Airport](#) (A2 stable) have all been victims of recent attacks. Given their relatively limited resources, many local governments do not have the technical sophistication and expertise needed to respond adequately to an attack. While some local governments carry cyber insurance that can limit the financial impact of an attack, including potential ransomware costs, deploying state resources offers deeper and broader cyber expertise and resources.

In addition to organizing and maintaining a Cyber Reserve, the new law requires the Ohio Secretary of State to appoint a chief information security officer to advise the Secretary on information security. The law also requires the Ohio Board of Elections to audit the official election results for primary and general elections and makes the Secretary of State a member of the Ohio Homeland Security Advisory Council.

Several states are enhancing governance through controls and oversight to mitigate risk from cyberattacks. Over the last two years, for example, the [State of Washington](#) (Aaa stable) Auditor's Office (SAO) has offered three-pronged cybersecurity audits for local governments. These state-led cybersecurity audits are credit positive for Washington local governments

because they help identify potential vulnerabilities, giving the municipalities an opportunity to mitigate threats before they materialize.

[Nevada](#) (Aa1 stable) and [Montana](#) (Aa1 stable) recently passed legislation establishing rules and frameworks for access to student data and disclosure of data breaches by third-party providers of K-12 school services. The laws demonstrate good governance of this issue and are credit positive for the state's school districts because many lack the resources and expertise to develop and enforce their own requirements.

Cyber risk for local and regional governments is medium-low

Although a rising challenge, our [overall assessment of cyber risk for government entities](#) is medium-low, driven by generally higher vulnerability scores that are mitigated by lower impact scores. Local governments nationally have increasing exposure to cybersecurity threats as they, along with businesses, nonprofits and government agencies at the state and federal levels, continue to aggregate data and move more services online. In recent years, local governments have been subject to several different kinds of cyberattacks, including ransomware, denial of service and breaches aimed at collecting sensitive and personal information.

The rate of digitization in these local and regional governments is generally lower than in higher-risk sectors. Where data is necessary for business processes, medium-low risk sectors are generally able to function with manual workarounds and sometimes benefit from some regulatory protections.

Regional & Local Governments

 OVERALL Medium-Low	 VULNERABILITY: Medium	\$3,008.4 billion Rated debt
 IMPACT: Low		

Source: Moody's Investors Service

Moody's related publications

[Ransomware attacks highlight importance of IT investment and response planning](#), October 2019

[Local government – Washington: Washington State cybersecurity audits help mitigate risk from growing threat](#), August 2018

[Cross-Sector - Global: Credit implications of cyber risk will hinge on business disruptions, reputational effects](#), February 2019

[Matanuska-Susitna \(Borough of\) AK: Quick, coordinated response, access to emergency funds and insurance limit cyberattack losses](#), March 2019

[Norsk Hydro ASA, Severe cyberattack forces operations into partial manual mode, a credit negative](#), March 2019

[Baltimore \(City of\) MD Second ransomware attack in 15 months disrupts Baltimore's operations](#), May 2019

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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