Maryland State Treasurer's Office
Nancy K. Kopp, Treasurer

NEWS RELEASE

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ANNAPOLIS (October 21, 2009) -- Maryland State Treasurer Nancy K. Kopp announced that the Maryland Board of Public Works (BPW), comprising Governor Martin O'Malley, Comptroller Peter Franchot and Treasurer Kopp, completed today the successful sale of $200 million of General Obligation bonds.

The sale, which included $141,800,000 in tax-exempt bonds and $58,200,000 in Build America Bonds, sold at interest rates of 2.846 percent and 3.057 percent, respectively. The winning bidder for the $141,800,000 in tax-exempt bonds was J.P. Morgan Securities, Inc., while the winning bidder for the Build America bonds was Barclays Capital, Inc.

The overall True Interest Cost (TIC) for both bond sales was 2.93 percent, the lowest in at least 20 years and even lower than the previous low of 3.08 percent in the August 2009 bond sale. "Today's overall low rate illustrates not only the intrinsic value of our Triple AAA rating but also that investors see Maryland as an exceptional, safe and prudent investment," Treasurer Kopp said.

The BABS, which were authorized by the American Recovery and Reinvestment Act, are taxable bonds for which the U.S. Treasury will pay 35 percent of the interest to the State. They offer financial advantages to issuers in the longer maturities, explaining why the State is issuing them only in the 2022, 2023 and 2024 maturities. The State received a savings of about $2.2 million.

This bond sale was to include the sale of $603,370,000 in refunding bonds. Due to market conditions, this sale was postponed. The BPW authorized the Treasurer either to sell refunding bonds at a date to be determined by the Treasurer or sell bonds in a negotiated sale at a date selected by the Treasurer.

"As was true during our bond sales in March and August, we did very well in a difficult economic climate. We attracted extremely favorable interest rates for our sale of tax-exempt and Build America Bonds. We can and should attribute this success to our Triple AAA rating, which in turn is attributable to the willingness of Maryland's government leaders to make tough, prudent budgetary decisions in tough times," Treasurer Kopp said.

"We plan to find the right time to sell refunding bonds. We will need to move quickly to take advantage of opportunities in this volatile market," Treasurer Kopp said.

On October 14, 2009, all three major bond rating agencies—Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings—reaffirmed the State's Triple AAA bond rating. Maryland is one of only seven states to currently hold the AAA rating, the highest possible rating, from all three bond rating agencies. The agencies' reports recognized both the State's challenging budget problems and its history of strong financial management.

Fitch, in assigning its AAA rating and stable outlook, said, "The state's 'AAA' rating reflects its sound financial operations, a wealthy, diversified economy, and solid management of debt. The state's economy is suffering through a deep recession, with widespread job losses and a severe housing market decline affecting state revenue collections. The state has taken prompt and repeated action to preserve operating balance, including tax increases, repeated spending cuts, and use of federal stimulus balances; the rainy day fund balance remains funded at its statutory target of 5% of revenues."

Fitch Ratings further said, "Despite revenue weakness late in fiscal year (FY) 2009, the year closed in balance through use of unreserved fund balance. Revenue weakness in FY 2010 is prompting further balancing actions to return the enacted FY 2010 budget to balance… the state's financial operations are conservative, and the state continues to demonstrate a commitment to maintaining budgetary balance."

In assigning its 'AAA' long-term rating and stable outlook, Standard & Poor's said," The stable outlook reflects Standard & Poor's view of Maryland's economic strength and historically strong financial and debt management policies. We believe that the state has proactively responded to recent structural budget imbalance. Standard and Poor's would expect continued focus on achieving structural budget balance. Maryland has made

a steady commitment to funding reserves, which we believe enhances its flexibility in the current economic environment."

Moody's, in explaining its Aaa rating and stable credit outlook, said, "The outlook for Maryland's general obligation debt is stable. The state faces significant budget pressure that will test the state's financial management abilities. Past budget forecasts have shown sizable out-year deficits which the state was able to manage. The stable outlook reflects Moody's expectation that the state will again manage its budget gap, as it has in the past, and maintain its practice of conservative budgeting."

Moody's also said, "Maryland has a good history of managing its finances through periods of fiscal stress. Moody's expects that, like other Aaa-rated, states, and in keeping with Maryland historically conservative financial management and aggressive approach to dealing with budget shortfalls, the state will soon stabilize its finances."

All three rating agencies point to the State's strong, resilient economy. Standard & Poor's referred to Maryland's "diverse, broad-based economy, which has historically outperformed the national economy." Fitch Ratings said, "The state is wealthy, and its diverse economy benefits from proximity to the nation's capital." Moody's said, "Maryland's economy has diversified in recent years, but continues to be proportionally more affected by the activities of the federal government than any other state…the ongoing Base Realignment and Closure Commission (BRAC) reorganization is expected to result in a significant increase in new jobs," though "the timing and degree of the impact is uncertain."

The Maryland State Treasurer's Office expects to conduct another bond sale either in late February 2010 or early March 2010.

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