



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

NEWS RELEASE

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**Maryland Retains AAA Bond Rating,
To Sell \$200 Million in Bonds
First to Maryland Investors**

ANNAPOLIS (July 14, 2010) – Maryland State Treasurer Nancy K. Kopp announced today that all three bond rating agencies have affirmed the State's strong Triple AAA bond rating in preparation for the upcoming sale of approximately \$489.8 million of General Obligation bonds on Wednesday, July 28, 2010 at the Board of Public Works meeting.

This offering will include the direct retail sale of up to \$200 million of bonds with first priority to Maryland citizens, similar to successful transactions made twice in 2009. "Marylanders get first preference in buying highly desirable, conservative quality bonds while investing in their State—a win-win situation," Treasurer Kopp said.

The retail bond sale begins Friday, July 23 and likely will end on Monday, July 26. For more information, potential buyers should check www.buymarylandbonds.com.

The bond sale will conclude with three competitive bids for the remaining bonds, which are expected to be sold to institutions. The sale will include approximately \$165 million in tax exempt bonds; up to \$75 million in taxable Build America Bonds (BABS) and approximately \$49.8 million in taxable Qualified School Construction Bonds (QSCBs) and taxable

Qualified Zone Academy bonds (QZABs) for the public school construction program.

The State will receive a direct subsidy from the federal government to reduce the cost of taxable borrowings below a comparable tax-exempt bond. Due to market conditions, the projected bond-sale amounts may change at the actual sale on July 28.

As has always been the case with the issuance of Maryland's General Obligation Bonds, the State uses the proceeds only to finance necessary capital projects, such as schools, community colleges, university projects and hospitals.

Treasurer Kopp said. "While Maryland has historically received Triple AAA ratings from the three major bond rating agencies, today's recognition of Maryland's fiscal strength and prudent management is an extraordinary accomplishment in what remains a very difficult economic climate. Simply, the rating analysts believe that Maryland's government leaders consistently make tough budgetary and fiscal decisions in challenging times. "

"Retention of the Triple A rating allows us to continue to save millions of taxpayer dollars resulting from the low interest rates achieved because of these ratings," Treasurer Kopp said.

The Maryland Board of Public Works, comprising Governor Martin O'Malley, Comptroller Peter Franchot and Treasurer Kopp, will preside over the competitive bond sale on Wednesday, July 28, 2010 in the Assembly Room in the Goldstein Treasury Building in Annapolis.

Maryland is one of only eight states to hold the coveted AAA rating, the highest possible rating, from all three bond rating agencies. Standard and Poor's has rated the bonds AAA since 1961. Moody's Investors has assigned the bonds a rating of Aaa since 1973, and Fitch Ratings has rated the bonds AAA since 1993.

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 stabilizing after a severe recession during which widespread job losses and a deep housing market downturn affected state revenue collections. After severe revenue declines that required the state to take repeated balancing actions, revenues have begun to stabilize; the state now expects fiscal 2010 revenues through June to be slightly below fiscal 2009 revenues, but slightly above forecast levels."

Fitch Ratings further said, “The state’s financial operations are conservative, and the state continues to demonstrate a commitment to maintaining budgetary balance.”

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 and pressure from declines in retirement system funded levels that will test the state’s financial management abilities. The stable outlook reflects Moody’s expectation that the state, with its history of strong financial management, will appropriately address its structural budget gap and pension funding concerns.”

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.”

In assigning its ‘AAA’ long-term rating and stable outlook, Standard & Poor’s said, “The stable outlook reflects our view of Maryland’s economic strength and historically strong financial and debt management policies. We believe that the state has proactively responded to the recent budget structural imbalance and we would expect continued focus on achieving structural budget balance. Maryland has made steady commitment to funding reserves, which we believe enhances its flexibility in the current economic environment.”

“In Standard & Poor’s opinion, Maryland has consistently had well-defined financial management policies and a commitment to reserves despite budget challenges,” according to the S&P report.

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...strong wealth levels, coupled with unemployment that remains below the national average through economic cycles.” Fitch Ratings said, “The state is wealthy, and its diverse economy benefits from proximity to the nation’s capitol.”

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 2011 or early March 2011.
