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FOR IMMEDIATE RELEASE

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**Maryland Retains Triple AAA Bond Rating,
To Sell \$728 million of General Obligation
Bonds**

ANNAPOLIS (July 19, 2012) – Maryland State Treasurer Nancy K. Kopp announced today that all three bond rating agencies have affirmed the State's strong AAA bond rating in preparation for the upcoming retail sale of General Obligation Bonds and the competitive institutional sale on Wednesday, August 1, 2012 at the Board of Public Works meeting.

This offering will include the direct retail sale of approximately \$75 million of bonds with first priority to Maryland citizens, similar to successful transactions in 2009, 2010, 2011, and in March of 2012. “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 July 27th and likely will end on July 30th. For more information, potential buyers should check www.buymarylandbonds.com.

The bond sale will conclude with four competitive bids for the remaining bonds, which are expected to be sold to institutions. The sale will include approximately \$430 million of tax-exempt bonds, \$20 million of taxable bonds, approximately \$15 million of qualified zone academy bonds, and approximately \$188 million of tax-exempt refunding bonds.

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

Treasurer Kopp said, "Today's recognition of Maryland's fiscal strength and prudent management is welcome news. While Maryland has historically received AAA ratings from the three major bond rating agencies, given the national uncertainties surrounding both the federal deficit and the economic recovery, we are pleased the rating analysts recognize Maryland's strong, stable and prudent financial management."

"Retention of the Triple AAA ratings 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, August 1, 2012 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: "Debt oversight is strong and centralized, and the debt burden is moderate. The state has policies to maintain debt affordability, and the constitution requires GO [General Obligation] and transportation bonds to amortize within 15 years."

Fitch Ratings further said: "Financial operations are conservative, with the state consistently demonstrating a strong commitment to budgetary balance through the downturn, including through repeated spending cuts, fund balance transfers and revenue increases. The state has also maintained flexibility in the form of the RDF [Rainy Day Fund], which has remained funded at or near 5% of general fund revenues in recent years."

Moody's, in explaining its Aaa rating and negative credit outlook said: "The highest quality rating reflects Maryland's strong financial management policies, stable economy with high personal income levels, and ability to maintain positive available reserves despite sustained pressure on its budget. The rating also acknowledges the state's above average debt burden and large unfunded pension liabilities relative to the size of its economy."

In specifically explaining its continuation of the negative credit outlook due to actions of the federal government, Moody's said: "The outlook on Maryland's Aaa rating is negative due to its indirect linkages to the weakened credit profile of the US government. ...Moody's has determined that issuers with indirect linkages, such as Maryland, have some combination of economies that are highly dependent on federal employment and spending, a significant healthcare presence in their economies, have direct healthcare operations, or high levels of short-term and puttable debt."

In assigning its 'AAA' long-term rating and stable outlook, Standard & Poor's said: "The rating reflects what we view as the state's: Diverse, broad-based economy, which has historically outperformed the national economy; Strong wealth and income levels, coupled with unemployment that remains below the national average through economic cycles; Long history of prudent fiscal management, including making difficult decisions to restore structural budget balance; and Moderate debt burden; enhancing this are a clearly defined debt-affordability model limiting annual issuance and the maintenance of ratios within reasonable limits, including a constitutional 15-year debt maturity schedule."

Standard and Poor's further states: "The stable outlook reflects what we view as Maryland's economic strength and historically strong financial and debt management policies. We believe the state has proactively responded to recent structural budget imbalance and we would expect it to continue to focus on achieving balance. Maryland has made a steady commitment to funding reserves, which we believe enhances its flexibility in the current economic environment."

Pension reforms enacted during the 2011 Legislative Session and teacher pension sharing enacted during the 2012 Legislative Session are noted by each of the three rating agencies. Fitch Ratings, in commenting on pension funding reforms, noted "Pension funding levels have deteriorated, although the state has undertaken extensive pension and other post-employment benefit (OPEB) reforms." Moody's indicated "The funded levels

of Maryland's retirement system represent a credit challenge for the state." While noting "The enacted reforms and improved investment results in fiscal 2011 are expected to raise the state funded ratio to 80% by 2021", Standard & Poor's indicated "The state's below-average pension funded ratios continue to represent downside risk to the rating."

All three rating agencies point to the State's history of strong, sound financial management as a strength for Maryland. In assessing Maryland's management practices, Standard & Poor's assigned a rating of "strong" to this factor, noting: "Based on a review of several key financial practices, Maryland has made continuing efforts to institutionalize sound financial management practices. In reviewing its practices and policies, it was very apparent to us that the state's use of a five-year financial plan, which is updated annually with the adopted budget, provides the basis for future fiscal decisions and recognizes future fiscal year gaps. Monthly monitoring and reporting of key revenues allows the state to make midyear financial adjustments, if necessary, to maintain balance. Maryland has consistently maintained its statutory rainy-day fund at or above its legal minimum of 5% of revenues."

The Maryland State Treasurer's Office expects to conduct another bond sale in March 2013.

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