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FOR IMMEDIATE RELEASE

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Maryland Retains Triple AAA Bond Rating, To Sell $475 Million of General Obligation Bonds

ANNAPOLIS (July 12, 2013) – 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 competitive sale of General Obligation Bonds on Wednesday, July 24, 2013 at the Board of Public Works meeting.

Maryland is one of only nine 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.

Treasurer Kopp said, “While Maryland has historically received AAA ratings from the three major bond rating agencies, today’s recognition of Maryland’s fiscal strength and prudent management is welcome news. In light of international economic uncertainties and the evolving impacts of sequestration on the national 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 lower interest rates achieved because of these ratings,” Treasurer Kopp said.

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 its rainy day fund (RDF), which remained funded at or near 5% of general fund revenues through the downturn."

Moody's, in explaining its Aaa rating and negative credit outlook said: "The highest quality rating reflects Maryland's strong financial management policies and stable economy with high personal income levels. 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: "Moody's negative outlook on Maryland's Aaa rating is due to its indirect linkages to the weakened credit profile of the U.S. 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, and/or high levels of short-term and puttable debt. After calculating these quantitative metrics, Moody's determined that Maryland had above-average exposure to federal employment and spending."

In assigning its 'AAA' long-term rating and stable outlook, Standard & Poor's said: "The rating reflects what we view as the state's: Broad and diverse economy, which has experienced steady growth. Potential federal fiscal consolidation could negatively affect near-term growth prospects, however; High wealth and income levels; Long history of proactive financial and budget management, including implementation of frequent and timely budget adjustments to align revenues and expenditures; Well-developed financial and debt management policies including long term financial planning, which should be helpful in addressing future budget challenges; and Moderate debt burden, which we expect to continue due to a clearly defined debt affordability process, which limits annual issuance coupled with a constitutional 15-year debt maturity schedule."

Standard and Poor's further states: "The stable outlook on Maryland reflects our view of the state's proactive budget management in recent years and the steady economic recovery underway, which has stabilized revenues and allowed for continued funding of reserves."

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."

Each rating agency assessed the fiscal effects in Maryland from federal deficit reduction measures. S&P noted "While federal fiscal consolidation remains a risk to the state's budget and long term financial plan, we believe that the state is monitoring developments and has options to mitigate this risk based on its well developed budget policies and financial reserves." In assessing rating sensitivities, Fitch indicated "Sound fiscal management practices and the consistent maintenance of fiscal flexibility, including in the form of budgetary reserves, provide the state with significant ability to respond to near-term economic or fiscal conditions, including from federal budget reductions, in a manner consistent with the 'AAA' rating."

Pension reforms enacted during the 2011 Legislative Session, the teacher pension sharing enacted during the 2012 Legislative Session, and the phase-out of the corridor funding method that was enacted during the 2013 Legislative Session are noted by each of the three rating agencies. Fitch Ratings noted "Although pension funded ratios are weak, the state has undertaken multiple reforms to return to full funding over time." Moody's indicated "The financial condition of Maryland's retirement system represents a credit challenge for the state" but goes on to recognize that "[t]he state has taken a number of

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measures to reduce its pension burden." While noting "[b]ased on the reforms including those enacted in 2013, the state's actuary projects that the system will be 80% funded by 2025, and it will achieve full funding by 2038", S&P indicated "[t]he state's below-average pension funded ratios continue to represent downside risk to the rating."

The bond sale will include two competitive bids which are expected to be sold to institutions. The sale will include $435 million of tax-exempt bonds and $40 million of taxable bonds. This offering will not include the direct retail sale of bonds given the reduced public interest for this type of investment in recent bond sales. Based upon current market conditions, there are no refunding opportunities that meet the savings and efficiency thresholds imposed by the Treasurer.

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.

The Maryland Board of Public Works, composed of Governor Martin O'Malley, Comptroller Peter Franchot and Treasurer Kopp, will preside over the competitive bond sale on Wednesday, July 24, 2013 in the Assembly Room in the Goldstein Treasury Building in Annapolis.

The Maryland State Treasurer's Office expects to conduct another bond sale in February or March 2014.

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