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Maryland Retains Triple AAA Bond Rating,
To Sell $1 Billion of General Obligation Bonds

ANNAPOLIS (May 26, 2016) – Maryland State Treasurer Nancy K. Kopp announced today that all three major national bond rating agencies have re-affirmed the State's strong AAA bond rating, all with stable outlooks, in preparation for the upcoming competitive sale of State General Obligation Bonds on Wednesday, June 8, 2016. This sale will be the first and only bond sale of 2016.

Maryland is one of nine states* to hold the coveted AAA rating, the highest possible rating, from all three major bond rating agencies. S&P Global Ratings (formerly 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, "Today's announcement of Maryland's retention of its AAA rating from the three major bond rating firms is an affirmation of our State's continuing overall fiscal strength and longstanding commitment to prudent and proactive financial management. We are pleased the rating agencies recognize the contribution of our diverse economy, well-educated workforce, and above-average wealth and income levels to the overall quality of an investment in Maryland."

"The citizens of Maryland will continue to save millions of taxpayer dollars as they benefit from lower interest rates prompted by these AAA ratings. This achievement allows us to continue to invest in our communities, notably our schools, libraries, institutions of higher education, healthcare facilities and cultural projects important to the residents of our State," Treasurer Kopp added.

Fitch, in assigning its AAA rating and stable outlook, said: "Maryland's 'AAA' rating reflects its broad, diverse and wealthy economy, extensive budget controls and sound financial operations, and strong management of debt."

Fitch Ratings further noted: "Fiscal management is very strong, with consensus-oriented long-term planning and multiple sources of flexibility including a consistently solid budgetary reserve and a demonstrated ability to adjust spending to address changing circumstances."

Moody's, in explaining its Aaa rating and stable outlook said "The highest quality rating reflects Maryland's strong financial management policies, strong liquidity levels, stable economy and high personal income levels." While Moody's acknowledged "…the state's economic exposure to constrained federal spending, and above average debt and pension burdens stemming from the state's practice of issuing debt and absorbing certain pension costs on behalf of local governments," they also noted "[c]onsistent with its history of proactive financial management, the state has proactively addressed its structural budget gap and pension funding challenges even under historically slow economic growth conditions."

In assigning its AAA long-term rating and stable outlook, S&P Global Ratings said: "The rating reflects what we view as the state's: Broad and diverse economy, which has recovered momentum in 2015 after slower growth in 2013 and 2014 due to sequestration and federal budget uncertainty; Continued strong wealth and income levels; Growth in projected state reserves and a 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 that should continue to be helpful in addressing future budget challenges; and Still-moderate debt burden across all measures, despite increasing issuance. We expect the debt burden will remain moderate for most measures, although some growth in debt levels is likely, based on planned issuance and anticipated public-private partnership (P3) obligations."

S&P Global Ratings further stated: "The stable outlook reflects recent improved economic growth and structural budget alignment with projected growth in state reserve levels. The state's continued practice of making proactive midyear adjustments to align the budget in case of slower-than-anticipated revenue growth will remain an important credit factor over the two-year outlook horizon, given Maryland's above-average economic dependence on federal government employment and spending."

All three rating agencies praised Maryland's history of strong, sound financial management. Moody's recognized "Maryland's financial practices and flexibility are very strong. For example, the state has a binding consensus revenue forecast, multiyear financial planning, and its Board of Public Works is able to respond swiftly to mid-year budget challenges. The state also has no tax and spending limitations or supermajority requirements limiting its flexibility." S&P Global Ratings assigned a rating of "strong" to Maryland's management practices, noting that such a designation "indicates that practices are strong, well embedded and likely sustainable" and that "…Maryland has made continuing efforts to institute sound financial management practices." In assessing Maryland's operating performance, Fitch concluded: "Financial resilience is very strong, with a well-funded budgetary reserve and a willingness to trim spending commitments and increase revenues in response to changing circumstances. Multi-year forecasting and planning are disciplined, … Consensus-oriented practices ensure steady management of budgetary conditions and liabilities."

Each of the rating agencies commented on the State's long-term pension liabilities as well as reforms enacted over the last five years. While noting that "[t]he financial condition of Maryland's retirement system represents the state's most significant credit challenge," Moody's recognized the State's many efforts to manage its pension burden as "[d]emonstrating its proactive management approach." Fitch Ratings noted, "Pensions are a comparative credit weakness in Maryland, although the state has taken repeated action since 2011 … to strengthen funding" and "to improve pension sustainability and accelerate funded ratio improvement over time." S&P Global Ratings indicated "Although we believe the state's pension-funded ratios are still below average," "pension reform initiatives in recent years contributed to some improvement in funded ratios" and "the state's future adherence to actuarially based contributions could demonstrate necessary discipline in funding the long-term liability and gradually improved funded ratios."

The bond sale will include one competitive bid that is expected to be sold to institutions. The sale will include $1.036 billion of tax-exempt 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.

The Maryland Board of Public Works, composed of Governor Lawrence J. Hogan, Jr., Comptroller Peter Franchot and Treasurer Nancy K. Kopp, will preside over the competitive bond sale on Wednesday, June 8, 2016 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 2017.

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* The other eight states with AAA ratings from all three rating agencies are Delaware, Georgia, Iowa, Missouri, North Carolina, Texas, Utah, and Virginia.