MARYLAND STATE TREASURER
Nancy K. Kopp

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CONTACT:

Susanne Brogan
(410) 260-7418
(443) 924-9540

Maryland Retains Triple AAA Bond Rating,
To Sell Up To $525 Million of General Obligation Bonds

ANNAPOLIS (February 26, 2018) – 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, March 7, 2018.

Maryland is one of 11 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 Service has assigned the bonds a rating of Aaa since 1973, and Fitch Ratings has rated the bonds AAA since 1993.

Treasurer Kopp said, "We are pleased and proud that Maryland continues to be recognized as a strong AAA State. The retention of an AAA rating from all three major bond rating firms is an affirmation of our State's longstanding commitment to prudent and proactive financial management and continuing overall fiscal strength. 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 taxpayers of Maryland will continue to save millions of 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' Issuer Default Rating (IDR) 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. Although liabilities are elevated for a state, they are moderate relative to resources and carefully managed."

Moody's, in explaining its Aaa rating and stable outlook said "The state has strong budgetary and financial management practices and a history of proactive initiatives in response to economic cycles." While Moody's acknowledged "[a] relatively high debt and pension burden leads to high fixed costs compared to peers and will continue to test the state's commitment to reducing its long term liabilities while providing the level of services expected by its residents[,]" they also noted "[t]he state's proactive fiscal management enables it to make midcourse corrections and weather economic cycles. It has often taken difficult actions to strengthen the foundation for long term fiscal sustainability."

In assigning its AAA long-term rating and stable outlook, S&P Global Ratings said: "The 'AAA' GO rating reflects what we view as Maryland's: Broad and diverse economy, which continues to post slow growth due to federal budget uncertainty and sequestration; Strong wealth and income levels relative to those of the nation; Long history of proactive financial and budget management, including implementation of frequent and timely budget adjustments to align revenues and expenditures and long-term financial planning that should continue to be helpful in addressing future budget challenges; and Well-developed debt management practices with a moderate debt burden for most measures and rapid amortization, although long-term pension and other postemployment benefits (OPEB) liabilities are relatively high, in our opinion."

S&P Global Ratings further stated: "The stable outlook reflects Maryland's continued focus on structural budget alignment and maintenance of minimum state reserves at levels we consider good, despite continued slow economic growth. 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. In addition to listing "Proactive financial management" as a credit strength, Moody's observed "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, consisting of the Governor, the Comptroller and the Treasurer, 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 financial management practices, noting that such a designation "indicates that practices are strong, well embedded and likely sustainable" and recognized that "[a]lthough Maryland's economic growth is slow, we believe the state continues to demonstrate strong revenue and budget monitoring practices with a track record of making proactive expenditure adjustments midyear when required."

In assessing Maryland's operating performance, Fitch concluded: "Financial resilience is exceptionally 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 efforts undertaken to improve funding levels. 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, "[p]ensions are a comparative credit weakness in Maryland, although the state has taken repeated action since 2011 to revise benefits and contributions practices" and "to improve pension sustainability and accelerate funded ratio improvement over time." S&P indicated "[w]e consider the state's overall three-year average pension funded ratio relatively low at 68%, which incorporates the system's 69% funded position in fiscal 2017" but noted they "expect to monitor the state's future adherence to its revised pension funding policy to budget for actuarially based pension contributions and demonstrate strong funding discipline and commitment to funding the long-term liability."

The bond sale will include two competitive bids which are expected to be sold to institutions. The sale will include $475 million of tax-exempt bonds and $50 million of taxable 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 taxable bonds will support important environmental and housing programs in Maryland.

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, March 7, 2018 in the Assembly Room in the Goldstein Treasury Building in Annapolis.

The Maryland State Treasurer's Office expects to conduct another bond sale in July or August 2018.

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* The other 10 states with AAA ratings from all three rating agencies are Delaware, Georgia, Iowa, Missouri, North Carolina, South Dakota, Tennessee, Texas, Utah, and Virginia.