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

NEWS RELEASE

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ANNAPOLIS (February 24, 2010) – Maryland State Treasurer Nancy K. Kopp announced that the Maryland Board of Public Works (BPW), comprising Governor Martin O'Malley, Comptroller Peter Franchot and Treasurer Kopp, completed today the successful competitive sale of $595,315,000 of General Obligation bonds.

The sale, which included $195,315,000 in tax-exempt refunding bonds and $400 million in taxable Build America Bonds, sold at true interest rates of 2.965 percent and 2.849 percent, respectively. The winning bidder for the tax-exempt refunding bonds was Jefferies & Company, Inc., while the winning bidder for the Build America Bonds was Citigroup Global Markets, Inc.

The sale of the refunding bonds resulted in $8.6 million in present value savings.

"Today's overall low rate underscores the intrinsic value of our Triple AAA rating and shows again that investors see Maryland as an exceptionally safe and prudent investment," Treasurer Kopp said.

The BABS, which were authorized by the American Recovery and Reinvestment Act, are taxable bonds for which the U.S. Treasury will pay 35 percent of the interest to the State. They offer financial advantages to issuers in the longer maturities, explaining why the State is issuing them only in the 2019-2025 maturities. The State received a savings of $11.2

million from the sale of the Build America Bonds, compared to a sale of traditional tax-exempt bonds.

"As has been true during our bond sales the past 12 months, we did very well in a very difficult economic climate. We attracted extremely favorable interest rates for our sale of tax-exempt and Build America Bonds. We can and should attribute this success to our Triple AAA rating, which in turn is attributable to the willingness of Maryland's government leaders to make tough, prudent budgetary decisions in tough times," Treasurer Kopp said.

On February 18, 2009, all three major bond rating agencies—Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings—reaffirmed the State's Triple AAA bond rating. Maryland is one of only seven states to currently hold the AAA rating, the highest possible rating, from all three bond rating agencies. The agencies' reports recognized both the State's challenging budget problems and its history of strong financial management.

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 suffering through a deep recession, with widespread job losses and a severe housing market decline affecting state revenue collections. The state has taken prompt and repeated action to preserve operating balance, including tax increases, repeated spending cuts and use of federal stimulus balances; nonetheless the rainy day fund balance remains funded at its statutory target of 5% of revenues."

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

In assigning its 'AAA' long-term rating and stable outlook, Standard & Poor's said," The stable outlook reflects Standard & Poor's view of Maryland's economic strength and historically strong financial and debt management policies. We believe that the state has proactively responded to recent structural budget 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."

Standard & Poor's said, "Despite sustaining significant revenue deterioration against budget in fiscal 2010, Maryland has taken steps to maintain adequate reserve levels in the general fund.'

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 that will test the state's financial management abilities. Past budget forecasts have shown sizable out-year deficits which the state was able to manage. The stable outlook reflects Moody's expectation that the state will again manage its budget gap, as it has in the past, and maintain its practice of conservative budgeting."

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."

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." Fitch Ratings said, "The state has a diverse, wealthy economy, driven by its proximity to the nation's capitol and the importance of Baltimore. "

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 July 2010 or early August 2010.

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