State of Maryland – G.O.

Issuer: State of Maryland		
Assigned	Rating	Outlook
General Obligation Bonds	AAA	Stable

Methodology:

U.S. State General Obligation Rating Methodology

ESG Global Rating Methodology

Analytical Contacts:

Peter Scherer, Senior Director
+1 (646) 731-2325
peter.scherer@kbra.com

Linda Vanderperre, Managing Director
+1 (646) 731-2482
linda.vanderperre@kbra.com

Rating Summary: The rating is underpinned by the State of Maryland's (the State's) established track record of conservative budget management; moderate debt and continuing obligations profile; and, a resource base that while slow growing, is characterized by strong educational attainment, structurally low unemployment, and per capita personal income exceeding the national average. The rating places particular emphasis on the proven effectiveness of the State's budget management framework which is evidenced by consistent maintenance of prudent reserves through the full economic cycle over the last two decades.

The State took decisive action in addressing a challenging $3 billion budget gap heading into the fiscal year beginning July 1, 2025. The gap had arisen due to the need to phase-out the use of extraordinary reserves accumulated during the pandemic and a challenging economic outlook per the State's highest in the nation dependence on federal employment amid the current federal administration's focus on cost cutting and reductions in force. The gap was addressed through a combination of revenue enhancements ($1.2 billion), spending reductions ($1.3 billion), and use of reserves and reversions ($0.5 billion). Solutions were primarily recurring in nature and are projected to hold the aggregate state reserve fund and general fund balance steady YoY.

Federal employment cuts in the State have been significant, with headcount reduced 15.3% between January and November of 2025. The unemployment rate nevertheless remains 0.4% below the national average on a seasonally adjusted basis and the absolute level of federal employment remains in line with the level recorded in 2010. While it remains to be seen how deep federal reductions may ultimately cut, KBRA believes this headwind is manageable over the near-term. Furthermore, the State's proximity to the seat of the federal government in Washington, DC, in KBRA's view, will continue to confer economic stability and high value-added employment to the State over the longer-term.

Maryland's General Obligation (G.O.) Bonds are secured by the State's full faith and credit and by the pledge of its unlimited taxing power, including a specifically dedicated State ad valorem property tax levied on all taxable real property. Under the Maryland Constitution and the enabling acts authorizing each series of G.O. Bonds, the State must levy an annual property tax sufficient to pay principal and interest on the G.O. Bonds, and such tax may not be repealed or used for any other purpose until the associated debt is fully retired. However, taxes so levied need not be collected to the extent that funds sufficient for debt service requirements have been appropriated from other sources. Approximately 78.9% of GO Bond debt service is to be paid from State property tax per the FY 2026 budget.

The State benefits from a well-defined framework for fiscal discipline that incorporates conservative revenue forecasting, continuous monitoring of fiscal conditions, and flexible mechanisms for mid-year budget adjustments. Revenue projections are updated three times each year while monthly revenue and expenditure reports are continuously monitored. Mid-year budget adjustments may be implemented by the Governor to maintain budget balance. The State's reserve policies are clearly structured, requiring annual appropriations to the Revenue Stabilization Account (RSA) when balances fall below 7.5% of estimated general fund revenues. Long-term budget planning performed by the Department of Legislative Services and affordability committees further supports sustainable budgeting practices.

Maryland's debt and continuing obligations profile is characterized by a moderately elevated tax-supported debt burden and satisfactory pension funding progress. Tax-supported debt ranks among the highest 30% of states measured on a per capita basis and as a percentage of gross state product. All G.O. Bonds are fixed-rate and amortize rapidly with 86% of principal scheduled to be retired within 10 years. Defined benefit pensions for teachers and general state employees are provided from the Maryland State Retirement and Pension System (MSPRS) which has a history of full actuarial contributions and satisfactory funding progress with a ratio of plan fiduciary net position to total pension liabilities at 73.8% as of FYE 2024. The net pension liability is affordable but ranks among the highest 20% of States measured on a per capita basis and as a percentage of gross state product. Fixed costs including debt service, pension contributions, and OPEB pay-go are affordable at 9.4% of governmental expenditures as of FY 2024.

Maryland, like other States, accumulated unusually large reserves in the years following the pandemic. Combined ending general fund and reserve fund balances peaked at 34.8% of appropriations at FYE 2022 and have been drawn down to an estimated 8.9% of appropriations as of FYE 2025. The State made significant progress in restoring structural budget balance in the FY 2026 budget, addressing a $3.0 billion baseline gap. Tax changes, including increasing the top marginal tax rate to 6.5% from 5.75%, implementing a 2.0% surcharge on net capital gains for high-income earners, expanding the 3% sales tax base to online services, and implementing new limits to corporate income tax deductions and credits provided $1.2 billion in new recurring revenues. Adjustments to baseline expenditure growth totaling $1.3 billion, namely through the postponement of certain previously planned education spending increases, resolved much of the remaining gap, with the residual $0.5 billion gap managed through a combination of transfers and reversions. Management projects that the enacted FY 2026 budget will result in reserves held level at approximately 8.9% of appropriations through FY 2026.

Maryland's resource base is broad and diverse, characterized per capita income at 108% of the nation and a structurally low level of unemployment. The State has long benefitted from proximity to Washington, DC, which supports a significant level of direct federal jobs and indirect federal contractor employment. These strengths are balanced to some extent by economic growth that has trailed the U.S. since 2010 and the expectation that federal budget cuts and workforce reductions that are the prerogative of the current federal administration will drag on the State's economy over the near term. Nevertheless, KBRA views the outsized role of the federal government in Maryland's economy as supportive of high value economic activity and stability through economic cycles over the longer term.

The Stable Outlook reflects KBRA's expectation that Maryland will maintain disciplined fiscal management, prudent reserves, and structural budget balance despite near-term economic headwinds.

Key Credit Considerations

The rating was assigned because of the following key credit considerations:

Credit Positives

- Inherent strength and breadth of the State GO payment pledge
- Established history of conservative budget management and maintenance of prudent reserves through economic cycles.
- Governor has broad executive authority to reduce spending to maintain budget balance.

Credit Challenges

- Economic growth lags that of the Nation.
- Highest reliance on federal employment among the 50 states amid the current federal administration's focus on shrinking federal employment will be a headwind to economically sensitive tax receipts over the near to medium term.
- Federal policy changes to Medicaid cost-sharing and SNAP administration costs will increase program costs for the State. The full extent of these additional costs is not yet known.

Rating Sensitivities

▪ Not applicable at AAA rating level.	+
▪ Deeper than anticipated impact of federal employment and contract cuts resulting in sharp and continuing decline in economic indicators and State revenue performance. ▪ Significant deterioration in reserves and liquidity to levels no longer consistent with the rating level.	-

Rating Highlights	
Personal Income Per Capita (2024)	$79,259
as a % of U.S.	108%
Real GDP CAGR 2014 to 2024	
Maryland	1.56%
United States	2.47%
Unemployment Rate, Nov 2025 (SA)	
Maryland	4.2%
United States	4.6%
General Fund + State Reserve Fund Balance as a % of Appropriations	
FYE 2024	14.5%
FYE 2025 (Estimated)	8.9%
FYE 2026 (Budget)	8.9%
Fixed Costs as a % of Expenditures, FY 2024	9.4%
Net Pension Liability as a % of Personal Income	
Maryland	4.2%
Average of U.S. States	2.6%
Pension Fiduciary Net Position as a % of Pension Liability, FY 2024	73.8%

Rating Determinants (RD)	
1. Management Structure, Budgeting Practices and Policies	AAA
2. Debt and Additional Continuing Obligations	AA
3. Financial Performance and Liquidity Position	AAA
4. State Resource Base	AA

In KBRA's analysis, greater emphasis was placed on Rating Determinants 1 and 3 given the exceptionally strong track record of State leadership and financial performance.

RD 1: Management Structure, Budgeting Practices and Policies

KBRA views Maryland's management structure and policies as providing a strong framework for managing the State's budget and financial operations. Effectiveness in this area is demonstrated by the State's long history of fiscal stability, well funded counter-cyclical reserves, and timely action to address budget gaps.

Flexibility to Raise Revenues

Revenue raising flexibility is strong. The General Assembly may raise any existing tax or create new ones by a simple majority vote. There is no constitutional supermajority requirement for tax increases.

Revenue Forecasting Process

The Bureau of Revenue Estimates produces revenue forecasts that are reviewed by the Revenue Monitoring and Consensus Group, a multi-agency committee, to reach consensus before submitting the forecasts to the Board of Revenue Estimates. Formal revenue estimates covering the current and subsequent one to two fiscal years, which include year-end projections, are produced in September, December, and March each fiscal year.

Fiscal Monitoring

Maryland maintains continuous oversight of budget execution through the Department of Budget and Management, Comptroller's Office, and Treasurer's Office. Monthly financial reports track revenues and expenditures against estimates, and mid-year briefings by the BRE update policymakers on fiscal conditions.

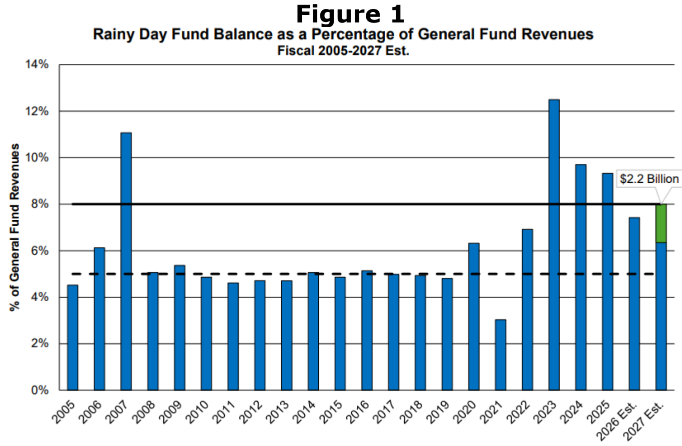
Mid-Year Budget Adjustment

The Governor is authorized to reduce appropriations during the fiscal year to prevent a deficit, with limits on cuts to entitlement and formula-driven programs. Supplemental budgets may be submitted to the General Assembly for approval if new revenues or federal funds become available. The Board of Public Works can approve budget amendments reallocating funds within agencies. These mechanisms provide the executive branch with flexibility to address changing fiscal conditions without legislative delays.

Reserve Policy

Statute requires appropriations to the Revenue Stabilization Account (RSA or Rainy Day Fund) in years when the account balance is less than 7.5% of estimated general fund revenues. When the balance is between 3% and 7.5%, an appropriation of $50 million or whatever lesser amount would bring the balance to 7.5% of estimated general fund revenues is required. If the account balance is less than 3%, the required appropriation is $100 million. RSA transfers that do not result in a balance below 5% of estimated general fund revenues must be authorized by an act of the General Assembly or a specific provision of the enacted state budget bill. Transfers resulting in a balance below 5% must be authorized by an act of the General Assembly, provided that such authorization may not be part of a budget bill or budget amendment. The State has a long history of consistent maintenance of a prudent Rainy Day Fund balance.

Figure 1



Source: Department of Legislative Services Spending Affordability Report dated November 12, 2025

Multi-Year Financial Planning

Maryland employs formal multi-year financial planning tools to project revenues, expenditures, and fund balances beyond the current fiscal year. The Department of Legislative Services prepares a five-year general fund forecast with each budget cycle, identifying structural surpluses or gaps. The Capital Debt Affordability Committee and Spending Affordability Committee also provide annual analyses of long-term debt capacity, operating cost growth, and economic trends. These forecasts inform policy decisions and support sustainable budgeting consistent with the State's balanced budget requirement.

RD 2: Debt and Additional Continuing Obligations

The State's debt and continuing obligations profile is characterized by a moderately elevated debt burden relative to other states, satisfactory pension funding progress, and manageable fixed costs.

Tax-Supported Debt

Tax-supported debt as of June 25, 2025 totals $13.1 billion including $10.1 billion in general obligation bonds and $2.8 billion in consolidated transportation bonds in addition to several more minor borrowing programs.

Figure 2

Direct Tax-Supported Debt
Principal Outstanding
FYE June 30 (dollars in millions)

	2020	2021	2022	2023	2024	6/25/2025
General Obligation Bonds	$9,772	$9,913	$ 10,589	$ 10,001	$ 10,195	$ 10,094
Consolidated Transportation Bonds	3,627	2,672	3,643	3,297	3,005	2,752
Maryland Stadium Authority Bonds and Leases	127	116	101	142	129	119
Capital Leases	196	178	160	147	139	40
Bay Restoration Revenue Bonds	232	210	186	162	140	118
Direct Tax-Supported Debt	13,954	13,089	14,679	13,749	13,608	13,123

Source: State of Maryland

Maryland's tax-supported debt burden is moderately elevated relative to most other states based on ratios comparing debt to population, personal income, and gross state product.

Figure 3

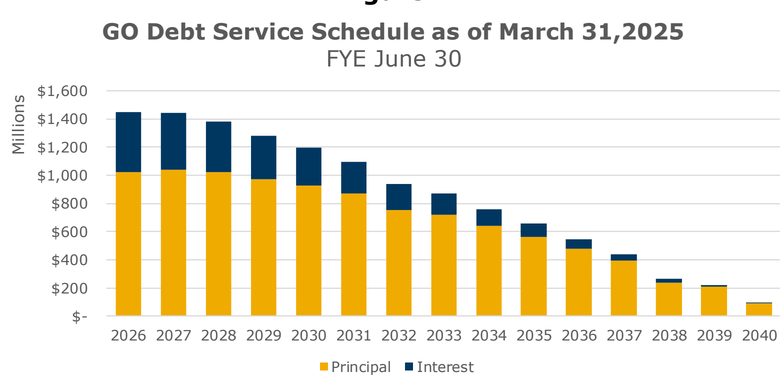
Debt Ratios
(in dollars)

	Maryland	Average of U.S.	Maryland Rank Among the 50 States
Tax-Supported Debt:			
Per Capita	$2,095	$1,710	Highest 30%
as a % of Personal Income	2.7%	2.3%	Highest 40%
as a % of GSP	2.4%	2.0%	Highest 30%
Aggregate State and Local Debt:			
Per Capita	$9,872	$9,470	Highest 30%
as a % of Personal Income	13.8%	14.3%	Highest 40%
as a % of GSP	12.5%	12.1%	Highest 40%

Source: U.S. Census Bureau, U.S. Bureau of Economic Activity, Credit Scope, and Annual Disclosures.

The State's debt structure is conservative. General obligation debt matures within 15 years with a 86% of principal scheduled to mature within the next 10 years. All general obligation debt is fixed rate. Total debt service paid from governmental funds comprised a very manageable 4.1% of expenditures in FY 2024.

Figure 4



Source: State of Maryland

Pensions

The State provides defined benefit pensions for qualifying teachers, state employees, the state police, judges, and other law enforcement officers through the state portion of the Maryland State Retirement and Pension System (MSRPS). It additionally provides defined benefit pension benefits to qualifying employees of the Maryland Transit Administration through the MTA Plan (MTA Plan).

The State has a history of contributions at the full actuarially determined contribution level for MSPRS, though funding progress is only moderately strong as of FYE 2024 with a ratio of plan fiduciary net position to total pension liability at 73.8%. MTA Plan contributions in contrast have not consistently been provided at the full actuarially determined level, resulting in a weak funded ratio of 41.2%. In aggregate, the State's GASB 68 net pension liability (NPL) at $20.5 billion at FYE 2024 is somewhat elevated compared to other states based on ratios comparing this liability per capita and as a percent of personal income and gross state product.

Figure 5

Net Pension Liabilty (NPL) Ratios	Maryland	Average of U.S. States	Maryland Rank Among the 50
Per Capita	$3,274	$1,877	Highest 20%
as a % of Personal Income	4.2%	2.6%	Highest 20%
as a % of GSP	3.8%	2.3%	Highest 20%

Source: U.S. Census Bureau, U.S. Bureau of Economic Activity, Credit Scope, and Annual Disclosures

The State contributed $1.89 billion toward the two plans in FY 2024 or an amount equal to 3.8% of governmental expenditures.

Other Post-Employment Benefits

The State provides post-retirement medical benefits (OPEB) to qualifying pension plan participants. The MSRPS OPEB Plan is funded on close to a pay-go basis with fiduciary plan assets equivalent to 4.3% of liabilities as of FYE 2024. The MTA OPEB Plan in contrast is funded entirely on a paygo basis. As of FY 2024 the State's GASB 75 net OPEB liability (NOL) was $12.1 billion which is also somewhat elevated compared most to other states.

Figure 6

Net OPEB Obligation Ratios	Maryland	Average of U.S. States	Maryland Rank Among the 50
Per Capita	$1,814	$949	Highest 20%
as a % of Personal Income	2.3%	1.3%	Highest 20%
as a % of GSP	2.1%	1.1%	Highest 20%

Source: U.S. Census Bureau, U.S. Bureau of Economic Activity, Credit Scope, and Annual Disclosures

The State contributed $711 million toward the two OPEB plans in FY 2024 or an amount equal to 1.4% of government expenditures.

Fixed Costs

The State's total fixed cost burden inclusive of tax-supported debt service, pension contributions, and pay-go OPEB is manageable at 9.4% of governmental expenditures in FY 2024.

RD 3: Financial Performance and Liquidity Position

Maryland, like other States, accumulated an unusually high level of reserves in the years following the pandemic as pandemic-related federal assistance proved more than sufficient to cover extraordinary costs and replace lost revenue, and broad federal stimulus produced strong growth in economically sensitive tax receipts. Combined ending general fund and reserve fund balances peaked at 34.8% of appropriations at FYE 2022 and have been drawn down to an estimated 8.9% of appropriations as of FYE 2025. Management projects that the enacted FY 2026 budget will result in reserves held level at 8.9% of appropriations by FYE 2026. The State faces near-term challenges to economically sensitive revenue performance given recent federal budget cuts and its distinction as being more reliant on federal employment than any other states. However, the State has a strong track record of conservative budget management, restrained revenue forecasts, and excellent reserves and liquidity management which KBRA anticipates will continue to position the State well to weather near-term challenges.

Pandemic-Related Federal Assistance

The State was awarded $2.34 billion from the Coronavirus Aid Relief and Economic Stabilization Act (CARES) which it used to support unbudgeted pandemic-related expenses incurred in the 2020 calendar year. The State was additionally awarded $3.72 billion in American Rescue Plan Act (ARP) funds in May 2021 which it accounted for outside of its operating funds. The State awarded all such amounts by calendar year end 2024 and as of June 30, 2025 has spent

95% of such funds. Top uses of ARP funds include replenishment of the State's unemployment insurance trust fund (23.7%), revenue/budget relief (also 23.7%), public sector assistance (8.8%) and K-12 academic services (5.7%), among other uses.

FY 2026 Budget

The enacted FY 2026 budget was balanced after solving for a substantial $3.0 billion budget gap following three years of sizable drawdown of the extraordinary balance accumulated during the pandemic. A combination of already moderating revenue growth following the stimulus-fueled pandemic-era surge, residual inflationary cost pressures, and waning pandemic-related federal assistance were a common thread across the State sector in this budget cycle. Maryland faced two additional notable challenges. First was the need to address the progression of a ten-year plan to increase annual education spending by nearly $4.0 billion by FY 2032 (the Blueprint for Maryland's Future). The budget ultimately deferred certain initiatives targeted for this year to achieve savings. Second were expectations for an unfavorable employment and economic growth outlook over the near-term given the State's significant reliance on direct and indirect federal employment (the highest in the Nation) amid the current federal administration's efforts to cut costs and reduce federal employment.

The State nevertheless made significant progress in restoring structural budget balance in the FY 2026 budget. Tax changes provide $1.2 billion of new recurring revenues through increasing the top marginal tax rate to 6.5% from 5.75%, implementing a 2.0% surcharge on net capital gains for high-income earners, expanding the 3% sales tax base to online services, and implementing new limits to corporate income tax deductions and credits, among other changes. Adjustments to baseline expenditure growth totaling $1.3 billion, primarily through the postponement of certain previously planned education spending increases, resolved much of the remaining gap, with the residual $0.5 billion gap handled through a combination of non-recurring transfers and revisions. Management projects that the enacted FY 2026 budget will result in reserves held level at approximately 8.9% of appropriations by FYE 2026. The State's economically sensitive revenues may be constrained over the near term given the aforementioned federal employment cuts and Maryland's distinction of being more reliant on federal employment than any other state. However, Maryland has a strong track record of conservative budget management, restrained revenue forecasts, and prudent reserve and liquidity management which KBRA anticipates will continue to position to State well to weather near-term challenges.

The enacted budget assumes general fund revenue growth of 2.7% YoY to $27.1 billion and a reduction in appropriations of 1.5% YoY to $26.9 billion. Aggregate reserves including the ending general fund balance and state reserves are expected to remain essentially flat YoY at a solid 8.9% of appropriations.

Figure 7

State of Maryland
Budgetary Basis Financial Summary
FYE June 30 (dollars in millions)

	Actual					Estimated	Budget
	2020	2021	2022	2023	2024	2025	2026
General Fund							
Revenues							
Incomes Taxes	11,751	13,167	15,248	15,286	15,520	16,213	17,165
Sales and Use Taxes	4,635	4,988	5,967	6,005	5,897	5,979	6,676
Lottery	549	632	635	655	655	523	518
Franchises, Excises, Licenses and Fees	1,700	1,686	2,208	2,527	2,641	2,475	2,265
Transfer - Stabilization Fund	-	-	-	1,186	479	346	219
Transfers - Other Funds	155	474	-	-	324	801	183
Reimbursement - Tax Credits	28	26	-	-	51	68	87
Adjustments / Extraordinary Items	-	359	(14)	(800)	150	-	-
Additional Revenues and Transfers	-	-	(870)	42	-	-	-
Total	18,817	21,331	23,174	24,901	25,717	26,405	27,113
Appropriations							
Public Education	8,816	9,066	9,176	10,281	10,954	11,186	11,256
Health	5,148	5,157	5,815	6,590	7,492	8,740	8,749
Public Safety, State Police, Juvenile Services	1,881	1,794	1,669	2,100	2,303	2,512	2,576
Human Services	598	707	721	828	843	1,001	1,017
Debt Service	287	131	260	430	425	397	155
PAYGO Capital	47		453	2,044	1,145	90	62
State Reserve Funds	406	114	883	2,843	1,211	3	27
Transportation	-	-	9	-	-	197	1
Administrative and Other	1,747	1,701	2,048	2,856	3,025	3,284	3,163
Prior Year Adjustments / Reversions	(564)	(868)	(119)	(157)	(156)	(75)	(75)
Other Adjustments	723	993	-	-	-	-	-
Total	19,088	18,795	20,915	27,815	27,242	27,334	26,930
Change in Fund Balance	(271)	2,536	2,260	(2,914)	(1,525)	(929)	183
Beginning Balance	974	704	3,239	5,499	2,584	1,060	132
Ending Balance	703	3,239	5,499	2,584	1,060	132	315
State Reserve Fund							
Revenue Stabilization Account	1,772	631	1,662	2,958	2,411	2,185	2,050
Other Accounts	55	16	120	512	472	116	35
Total State Reserve Fund	1,827	647	1,782	3,469	2,883	2,301	2,085
as a % of General Fund Appropriations	*9.6%*	*3.4%*	*8.5%*	*12.5%*	*10.6%*	*8.4%*	*7.7%*
Aggregate Reseves							
Ending General Fund Balance	703	3,239	5,499	2,584	1,060	132	315
State Reserve Fund	1,827	647	1,782	3,469	2,883	2,301	2,085
Aggregate Reserves	2,530	3,886	7,281	6,053	3,943	2,433	2,400
as a % of General Fund Appropriations	*13.3%*	*20.7%*	*34.8%*	*21.8%*	*14.5%*	*8.9%*	*8.9%*

Source: Official Statements

Looming Federal Cost Pressures

The FY 2026 budget was enacted prior to the enactment of the omnibus-style federal tax and spending law known as the One Big Beautiful Bill Act (OBBBA). Among its many provisions, OBBBA will, over several years, tighten eligibility for social welfare programs including Medicaid and the Supplemental Nutrition Assistance Program (SNAP), impose new penalties for improper benefit payments from these state-administered programs, and reduce federal cost-sharing for Medicaid Expansion and health insurance exchange subsidy programs. While these changes will pressure the State budget, the most significant changes will not be phased in for several years. In KBRA's opinion, this timeline and the State's solid reserve position should provide lawmakers an adequate buffer to address these challenges.

December 2025 Revenue Estimates

December general fund revenue estimates are substantially in line with the prior September estimate with slight upward revisions. FY 2026 receipts are projected to exceed prior year actuals by 4.1% based on growth in income as well as sales taxes. FY 2027 revenue growth is projected to slow to 1.4% YoY based on positive but slowing income and sales tax receipts.

Figure 8

State of Maryland
General Fund Revenue Estimates
FYE June 30 (dollars in millions)

	FY 2025 Actual	Δ YoY	FY 2026 Estimated	Δ YoY	FY 2027 Estimated
Income Taxes	$16,442	4.1%	$17,115	1.9%	$17,447
Sales and Use Tax	6,049	8.5%	6,563	4.7%	6,870
Other	3,225	-4.3%	3,085	-8.6%	2,820
Total	25,716	4.1%	26,763	1.4%	27,137

Source: Board of Revenue Estimates Report dated December 12, 2025

RD 4: State Resource Base

Maryland's resource base is broad and diverse, characterized per capita income at 108% of the nation and a historically structurally low level of unemployment. The State has long benefitted from proximity to the seat of the United States government in Washington, DC, which supports a significant level of direct federal jobs and indirect federal contractor employment. These strengths are balanced to some extent by economic growth that has trailed the U.S. since 2010 and the expectation that federal budget cuts and workforce reductions that are the prerogative of the current federal administration will drag on the State's economy over the near term. KBRA nevertheless views the outsized role of the federal government in Maryland's economy as supportive of high value economic activity and stability through economic cycles over the longer term.

Approximately 46% of Maryland's population resides within the Baltimore-Columbia-Towson metropolitan statistical area (Baltimore MSA) while another 42% reside in the Washington Arlington-Alexandria metropolitan statistical area (Washington MSA), which respectively rank as the 7th and 22nd most populous urbanized areas in the country.

Exposure to Federal Cuts

Maryland's employment base is more exposed to changes in federal spending than any other state. Direct federal employment at 5.7% of the total is the highest among the states and approximately 3x the national average. Gross state product (GSP) corresponding to the sector at 10.4%, was also the highest among the states and nearly 5x the national average. Professional and business services employment, which includes many federal contractors, is 1.2x the national average and made up an above average 17.2% of GSP in 2024. Federal cuts affecting these sectors will likely have knock-on effects that ripple throughout the state's broader economy. While it remains to be seen just how deep federal cuts will go, they will likely drag more heavily on Maryland's economy than other states.

Francis Scott Key Bridge Collapse

Maryland's economy was negatively impacted by the collapse of the Francis Scott Key Bridge in March 2024 after it was struck by a large container ship. The collapse blocked traffic to almost all of the Port of Baltimore, one of the busiest U.S. ports and an important component of the State's economy, for 11 weeks resulting in significant disruption to employment and economic activity. The port fully reopened approximately 11 weeks later and the port regained much of its economic throughput by year-end 2024. In contrast, the impact of the collapse on road traffic is ongoing. The bridge had historically accommodated 11.5 million vehicle crossings annually with that traffic now rerouted to tunnels, which cannot accommodate trucks carrying hazardous materials, and less direct land routes. The bridge, which is owned by the State, had historically generated around $57 million in annual toll receipts which are now being foregone. It is unclear whether insurance policies will ultimately cover the foregone toll revenues, though Maryland has sued the ship owner and other parties seeking compensation for economic losses including lost toll receipts. Positively, federal legislation passed in December 2024 known as the Baltimore BRIDGE Relief Act commits the federal government to cover the entire cost of rebuilding the bridge which is expected to cost $4.3 billion to $5.2 billion and be completed no earlier than late 2030.

Population

With a population of 6.3 million in 2024 Maryland is the 18th largest state by population. The State's population increased by a healthy 8.1% between 2010 and 2024, faster than the Mideast region (4.6%) but slower than the U.S. overall (9.9%).

Figure 9

Population	Maryland	Δ (%)	Mideast Region	Δ (%)	United States	Δ (%)
1980	4,227,643		42,272,235		227,224,719	
1990	4,799,770	13.5%	43,761,704	3.5%	249,622,814	9.9%
2000	5,311,034	10.7%	46,386,027	6.0%	282,162,411	13.0%
2010	5,791,715	9.1%	48,241,659	4.0%	309,378,433	9.6%
2020	6,177,935	6.7%	50,208,969	4.1%	331,526,933	7.2%
2024	6,263,220	1.4%	50,464,237	0.5%	340,110,988	2.6%
Δ 2010 to 2024	8.1%		4.6%		9.9%	
CAGR 2010 to 2024	0.56%		0.32%		0.68%	

Sources: U.S. Census

Real Gross State Product (GSP)

Maryland's real (inflation adjusted) GSP increased 22.8% between 2010 and 2025, which was slightly slower than the Mideast region (24.7%) but much slower than the nation overall (39.1%).

Figure 10

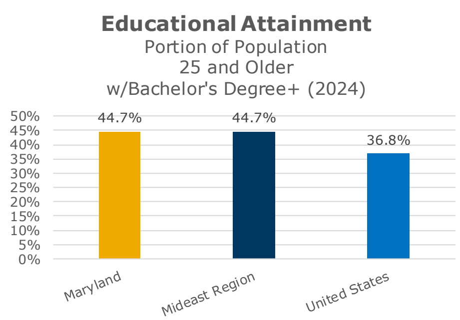
Real GSP (dollars in millions) (chained 2017 dollars)	Maryland	Δ (%)	Mideast Region	Δ (%)	United States	Δ (%)
2000	269,301		2,713,232		14,096,033	
2010	352,623	30.9%	3,194,703	17.7%	16,789,750	19.1%
2020	389,179	10.4%	3,603,890	12.8%	20,284,500	20.8%
2024	433,106	11.3%	3,983,256	10.5%	23,358,435	15.2%
Δ 2010 to 2024	22.8%		24.7%		39.1%	
CAGR 2010 to 2024	1.48%		1.59%		2.39%	

Sources: U.S. Census

Educational Attainment, Poverty, and Per Capita Personal Income

Educational attainment in Maryland significantly exceeds the national average while the poverty rate is three percentage points lower than the nation overall. Per capita income at $79,259 in 2024 is 108% of the nation is notably strong, but down from a level of 122% as recently as 2010.

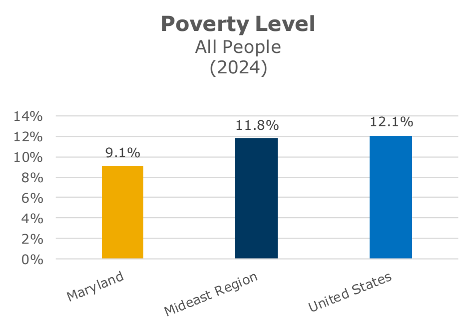
Figure 11



	2010	2024	Δ 2010 to 2024
Maryland	36.1%	44.7%	8.6%
Mideast Region	34.8%	44.7%	9.9%
United States	28.2%	36.8%	8.6%

Source: U.S. Census

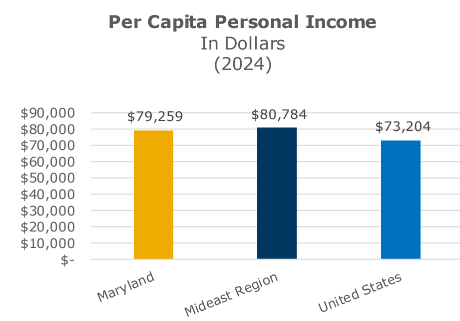
Figure 12



	2010	2024	Δ 2010 to 2024
Maryland	9.9%	9.1%	-0.8%
Mideast Region	13.3%	11.8%	-1.5%
United States	15.3%	12.1%	-3.2%

Source: U.S. Census

Figure 13



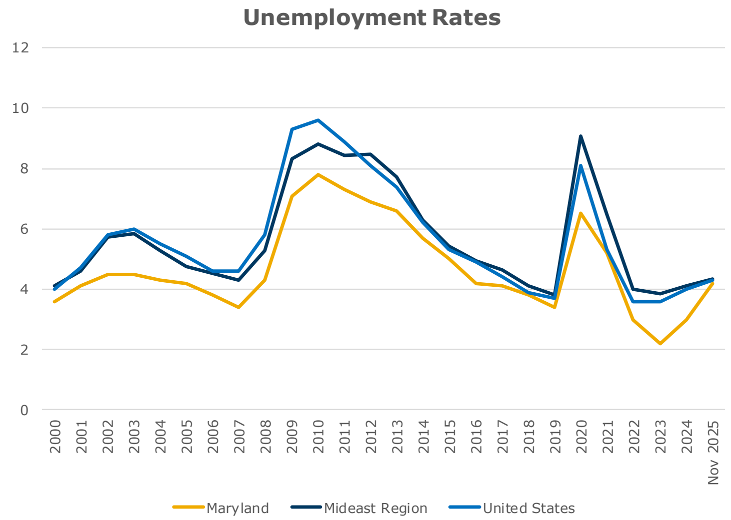
	2010	2024	Δ 2010 to 2024
Maryland	$ 49,616	$ 79,259	59.7%
Mideast Region	$47,473	$80,784	70.2%
United States	$ 40,557	$ 73,204	80.5%

Source: U.S. Bureau of Economic Analysis

Employment and Unemployment

Unemployment in the State has generally been lower than that of the U.S. and Mideast region reflecting the stability historically conferred by direct and indirect federal employment. Employment as of November 2025 remained 2.8% below the 2019 pre-pandemic level compared to Mideast region growth of 0.2% and national growth of 3.9%. Unemployment may rise over the next several years should the current federal administration succeed in implementing further proposed budget cuts and federal employment reductions.

Figure 14



	State of Maryland	Mideast Region	United States
November 2025	4.2	4.6	4.6
GFC Annualized Peak	9.7	8.6	9.6
Point Δ from GFC Annualized Peak	-5.5	-4.0	-5.0

Source: U.S. Bureau of Labor Statistics. Seasonally Adjusted

Figure 15

Total Employment
(Seasonally Adjusted) (in thousands)

	Maryland	Δ(%)	Mideast Region	Δ(%)	United States	Δ(%)
2000	2,704		22,098		136,891	
2001	2,724	0.7%	22,103	0.0%	136,933	0.0%
2002	2,743	0.7%	22,129	0.1%	136,485	-0.3%
2003	2,753	0.4%	22,043	-0.4%	137,736	0.9%
2004	2,766	0.5%	22,312	1.2%	139,252	1.1%
2005	2,820	1.9%	22,680	1.6%	141,730	1.8%
2006	2,886	2.4%	22,971	1.3%	144,427	1.9%
2007	2,909	0.8%	23,076	0.5%	146,047	1.1%
2008	2,925	0.6%	23,183	0.5%	145,362	-0.5%
2009	2,854	-2.4%	22,495	-3.0%	139,877	-3.8%
2010	2,848	-0.2%	22,338	-0.7%	139,064	-0.6%
2011	2,875	0.9%	22,438	0.4%	139,869	0.6%
2012	2,915	1.4%	22,673	1.0%	142,469	1.9%
2013	2,940	0.9%	22,885	0.9%	143,929	1.0%
2014	2,966	0.9%	23,128	1.1%	146,305	1.7%
2015	3,008	1.4%	23,490	1.6%	148,834	1.7%
2016	3,055	1.6%	23,717	1.0%	151,436	1.7%
2017	3,117	2.0%	23,895	0.8%	153,337	1.3%
2018	3,148	1.0%	24,059	0.7%	155,761	1.6%
2019	3,222	2.4%	24,369	1.3%	157,538	1.1%
2020	3,026	-6.1%	22,595	-7.3%	147,795	-6.2%
2021	2,999	-0.9%	23,075	2.1%	152,581	3.2%
2022	3,077	2.6%	23,910	3.6%	158,291	3.7%
2023	3,129	1.7%	24,359	1.9%	161,037	1.7%
2024	3,149	0.7%	24,457	0.4%	161,346	0.2%
Nov 2025	3,131	-0.6%	24,414	-0.2%	163,741	1.5%
Δ 2019 Avg to Nov 2025	-2.8%		0.2%		3.9%	

Source: U.S. Bureau of Labor Statistics. Seasonally adjusted.

Bankruptcy Assessment

Under Chapter 9 of the U.S. Bankruptcy Code, State governments are not permitted to petition courts for protection from creditors, including holders of their general obligation debt.

ESG Management

KBRA typically analyzes Environmental, Social, and Governance (ESG) factors through the lens of how issuers plan for and manage relevant ESG risks and opportunities. More information on KBRA's approach to ESG risk management in public finance ratings can be found here. Over the medium-term, public finance issuers will likely need to prioritize ESG risk management and disclosure with the likelihood of expansions in ESG-related regulation and rising investor focus on ESG issues.

KBRA analyzes many sector- and issuer-specific ESG issues but our analysis is often anchored around three core topics: climate change, with particular focus on greenhouse gas emissions; stakeholder preferences; and cybersecurity. Under environmental, as the effects of climate change evolve and become more severe, issuers are increasingly facing an emerging array of challenges and potential opportunities that can influence financial assets, operations, and capital planning. Under social, the effects of stakeholder preferences on ESG issues can impact the demand for an issuer's product and services, the strength of its global reputation and branding, its relationship with employees, consumers, regulators, and lawmakers, and, importantly, its cost of and access to capital. Under governance, as issuers continue to become more reliant on technology, cybersecurity planning and information management are necessary for most issuers, regardless of size and industry.

Environmental Factors

Maryland faces coastal and climate exposure but is investing substantially in mitigation and resilience. Major FY 2026 initiatives include large-scale clean-energy deployment, watershed and Bay restoration programs, and expanded flood and stormwater upgrades.

Social Factors

The State's social profile is reinforced by record K-12 and higher-education funding, major childcare affordability expansions, anti-poverty initiatives, strengthened behavioral health services, and substantial support for affordable housing and neighborhood revitalization. Evidence-based youth justice and violence-prevention programs further enhance community stability and long-term human-capital strength.

Governance Factors

The State maintains a cybersecurity office within the Department of Information and Technology and uses National Institute of Standards and Technology (NIST) Cybersecurity Framework in assessing cybersecurity controls and exposure. The State in 2022 enacted several laws advancing cybersecurity that: created a more precise chain of resources and response processes; created a Cybersecurity Coordination Council; developed standards for governmental entities for cybersecurity preparedness and systems; and, set standards and practices around public infrastructure to better guard systems against cyber threats and attacks. The FY 2024, FY 2025, and FY 2026 budgets furthermore each included continuing focused investment in cybersecurity priorities.