

Research Update:

State Of Maryland Debt Rating Outlook Revised To Negative From Stable On Structural Balance Pressures

May 21, 2026

Overview

- S&P Global Ratings revised the outlook on the state of **Maryland**'s debt outstanding to negative from stable, reflecting its view that growing budget pressures could lead to a lower rating if the state does not make timely adjustments and prioritize a sustainable plan to bring it back to structural balance.
- At the same time, S&P Global Ratings assigned its 'AAA' long-term rating to the state's general obligation (GO) bonds state and local facilities loan, \$800 million tax-exempt first series 2026 bonds.
- We also affirmed our 'AAA' long-term rating on the state 's GO debt outstanding.
- We also affirmed our 'AA+' rating on Maryland Department of Health series 2025ABC lease revenue bonds secured by lease-rental payments subject to annual appropriation by the state.
- We also affirmed our 'AA+' rating on the Maryland Department of Transportation's (MDOT) county transportation revenue bonds, supported by capital grants appropriated from MDOT's transportation trust fund.
- We also affirmed our 'AA+' rating on state obligations outstanding, supported by lease payments subject to appropriation (including some issues of the Maryland Stadium Authority [MSA]).
- We also affirmed our 'AA' long-term rating on the MSA's Built to Learn revenue bonds, which are rated two notches lower than the state's general creditworthiness to account for the appropriation risk associated with the deposit of gaming revenues from the education trust fund into the financing fund.
- Lastly, we affirmed our 'AA' long-term rating on other MSA revenue bonds outstanding related to various projects—football stadium, baseball stadium, minor league baseball projects, Hagerstown project, and Pimlico improvements project—that are rated two notches lower than the state's general creditworthiness to account for our opinion of the state's authority to appropriate lottery revenues to pay the debt service on the bonds, the obligor's involvement with the projects being funded, the intended payment source, and political or administrative risks.

Primary Contact

Joseph J Pezzimenti
New York
1-212-438-2038
joseph.pezzimenti
@spglobal.com

Secondary Contact

Ladunni M Okolo
Dallas
+ 1 (212) 438 1208
ladunni.okolo
@spglobal.com

- The outlook on all applicable ratings is negative.

Rationale

Security

The state's GO bonds are secured by a pledge of the state's full faith and credit and taxing power. The state has approximately \$9 billion of GO bonds outstanding.

Credit highlights

Although the state has a long history of proactive budget management to maintain adequate reserves, while also demonstrating a commitment to adjust revenues and spending, in recent years it has experienced negative operating results. This recent financial performance, coupled with projections of out-year structural gaps and mounting fiscal pressures, leads to our negative outlook. Rapidly increasing entitlement program costs resulted in fiscal 2025 bills being rolled into fiscal 2026. In addition, fiscal 2026 costs for the Developmental Disabilities Administration (DDA), Medicaid, and behavioral health exceeded budgeted levels. Administrative costs for Medicaid and the Supplemental Nutrition Assistance Program (SNAP) are also expected to increase beginning in fiscal 2027 to comply with H.R. 1 provisions. Out-year H.R. 1 costs are partially mitigated by anticipated enrollment decreases in Medicaid, particularly among the expansion population due to new recertification and work requirements. H.R. 1 also had negative impacts on revenue projections in the near term that were captured by the Board of Revenue Estimates (BRE) beginning with its September 2025 forecast. The state has already begun to take actions to address some of these challenges to mitigate long term revenue impacts.

The state faces sizable and growing out-year budget gaps, unless timely structural adjustments are made. It is our understanding that, ahead of the January 2027 fiscal 2028 budget introduction, the state intends to establish a consensus budget framework that will meaningfully address these gaps through structural adjustments that better align revenues with spending, which will be critical, in our view, to maintain the state rating. A joint working group of legislative and executive branch leaders will begin meeting in July to review major expenditure areas, which may include education funding, transportation funding, health spending (including Medicaid, Behavioral Health Administration (BHA), DDA, and broader system sustainability), human services, and the broader formulas, mandates, and structural cost drivers shaping long-term spending. State officials claim that over 75% of the state's projected out-year budget growth is related to cost increases that the state can control. More specifically, cost increases the state believes it can control or manage from fiscal 2027 to fiscal 2031 include \$3.4 billion for Blueprint/Aid to education, \$888 million for state personnel (including benefits), \$657 million for higher education, and \$321 million for various mandates and other operating costs. The state's willingness to make timely and necessary adjustments to return to a structural budgetary balance that we believe is sustainable will be key to rating stability.

However, the state's historically resilient economy with a strong government presence, high wealth and income levels, and a highly educated workforce remain an anchor to the current rating. Also, its long history of proactive budget management to maintain adequate reserves, if demonstrated in future budget deliberations, could signify a continued commitment to sustainable budget balance.

Given the state's proximity to the nation's capital, the government sector accounts for the largest share of jobs (19% of total nonfarm employment) in the state. Although the strong government

presence lends stability to the state's economy, it likely limits the state's future economic growth to less than that of the nation. We continue to monitor the effects that potential federal funding shifts or federal workforce reductions could have for the state's economy and finances.

S&P Global Market Intelligence estimates the state's economic output growth slowed to 0.7% (real gross state product) in 2025, lower than the 2.1% national level (real gross domestic product), before growing 0.8% in 2026 and 1.9% in 2027. Market Intelligence projects employment in the state to increase about 0.6% from 2026-2029, less than the national growth rate of 1.3% over the same period. From a macroeconomic perspective, the shifting federal policy mix is altering the U.S. economic outlook with rising headwinds. S&P Global Ratings Economics forecasts real GDP growth of approximately 2.2% in 2026 and 2% in 2027. For now, our baseline assumes a supply-driven oil shock will be temporary, with prices reverting closer to averages by year-end. Nevertheless, our forecast leans to the downside as the duration and path to an end of the conflict in the Middle East remain highly uncertain. (For additional information, see ["Economic Outlook U.S. Q2 2026: Curb Your Enthusiasm,"](#) March 25, 2026). As with prior economic forecasts, the state expects slow growth in 2026, with uncertainty remaining over the U.S. economy, federal policy actions, and recent federal and state tax legislation.

The state's current revenue estimate (released on March 11, 2026) re-calibrates expectations for its major revenue sources, with little net change from its December 2025 revenue estimates. Current revenues for 2026 are estimated to be about \$356 million higher than the prior estimate and to increase 5.4% relative to 2025, while current revenues for 2027 are estimated to be about \$108 million lower than the prior estimate and decline by 0.3% from 2026. Although the state continues to monitor and assess the impact of the federal actions, it is unable currently to determine the total potential impact on Maryland finances. However, revenue estimates, which incorporated some downside to account for uncertainties, have not been materially revised, with actual results trending close to estimates. The Board of Public Works (BPW) has the power to approve budget cuts of up to 25% when the legislature is not in session. (For more, see ["The Tax Bill Comes Due: Near-Term Risks Are Low, Long-Term Pressures Rising For U.S. Public Finance Entities,"](#) July 7, 2025.)

The state projects ongoing revenues to substantially cover ongoing spending in the near term. For fiscal 2026, based on the current working appropriation, we calculate the state has an operating deficit of about \$782 million (2.8% of expenditures), excluding \$882 million of transfers, \$382 million of one-time revenues, and \$271 million of general fund balance. Including these amounts, the state projects closing fiscal 2026 with a \$2.14 billion revenue stabilization account (RSA, or rainy day fund) balance (a strong 7.7% of expenditures) and a \$753 million general fund balance. Estimated ongoing revenues for fiscal 2026 cover ongoing spending by 99.6% and total spending by about 97%. Final legislative action on the fiscal 2027 budget is intended to end fiscal 2027 with a general fund balance of \$201 million and an RSA balance of \$2.16 billion (7.7% of expenditures). We calculate the state has a fiscal 2027 operating deficit of about \$669 million (2.4% of expenditures), excluding \$115 million of transfers and \$753 million general fund balance. Fiscal 2027 estimated ongoing revenues cover ongoing spending by 97.8% and total spending by 97.6%.

Our 'AAA' long-term rating on Maryland's GO bonds reflects our view of the state's:

- Slow-growing economy during mature periods of expansion, offset by strong wealth and income levels compared with those of the nation, and historically stable federal employment;
- Negative operating results in recent years with projected sizable and growing out-year budget gaps, tempered by a long history of proactive financial and budget management, including implementing frequent and timely budget adjustments to align revenues and expenditures,

and long-term financial planning that has helped the state in the past address future budget challenges; and

- Well-developed debt management practices with rapid amortization of principal, although some debt ratios and long-term pension and other postemployment benefits (OPEB) liabilities remain moderately high.

Environmental, social, and governance

Environmental, social, and governance factors have no material influence on our credit rating analysis for Maryland. Located along the Atlantic Ocean and home to Chesapeake Bay, Maryland faces physical risk from rising sea levels. However, we believe the risk is addressed by the state's active management of the Chesapeake watershed and runoff, enacted fees to provide funding for state and local resilience projects, and adopted legislation with the goal of reducing greenhouse gas emissions.

Rating above the sovereign

In our view, Maryland's GO bonds are eligible to be rated above the sovereign because we believe the state can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria, "[Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions](#)" (Nov. 19, 2013), U.S. states are considered to have moderate sensitivity to country risk. The institutional framework in the U.S. is predictable, with significant state autonomy and flexibility demonstrated by serial bond amortization as well as independent treasury management.

Outlook

The negative outlook reflects the increasing likelihood that we could lower the rating over the outlook horizon.

Downside scenario

We could lower the rating over the outlook horizon if the state shows a lack of willingness to make necessary and timely enduring adjustments to return to sustainable budgetary balance, while maintaining adequate cash reserves. We could also lower the rating if the state's overall wealth and income, employment, and population levels materially trend in a persistently unfavorable direction due to significant uncertainty in the government sector.

Upside scenario

We could revise the outlook back to stable if the state makes timely adjustments that effectively address economic and budgetary risks that arise and that we believe will achieve a sustainable budgetary balance and adequate cash reserves.

Credit Opinion

Institutional Framework

In our view, a robust intuitional framework supports the state's predictability, efforts to maintain a structural balance, and transparency.

Maryland is not a voter-initiative state. No voter initiatives are permitted and the power of voters to veto referendums (to approve or reject an act of the general assembly) does not extend to the state budget bill.

The Maryland constitution requires the state to approve balanced budgets each fiscal year and for its budgets to remain balanced. To help manage the budget and maintain adequate fund balances despite revenue decreases, the governor has the statutory power, with the approval of the BPW, to reduce by not more than 25% any appropriation that he might consider unnecessary, except appropriations for the payment of interest and the retirement of state debt, the legislature, the public schools, the judiciary, and the salaries of public officers. When needed, the state has adjusted agency spending accordingly.

Maryland has considerable revenue-raising ability and can increase its income and sales tax rates and approve new revenues without voter approval. The state revises its revenues three times a year and uses a consensus revenue estimating process led by the Comptroller's Office, which includes staff from the general assembly, budget and transportation departments, and the Treasurer's Office. This frequent monitoring of revenues allows the state to determine if any adjustments are necessary on the revenues or spending side.

Voters approved a ballot measure in November 2020 that expands the legislature's budget authority to adjust the governor's budget recommendations; the measure took effect at the start of the current gubernatorial term. However, consistent with current law, the legislature does not have the ability to increase appropriations above the governor's budget proposal.

Management

We consider Maryland's management practices and policies to be strong, well embedded, and likely sustainable.

Maryland has instituted strong budget and long-term financial planning practices. Its use of a five-year financial plan, 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 allow the state to make midyear financial adjustments, if necessary, to maintain balance. Once the budget is approved, the state monitors both revenue and expenditure performance regularly and reports results in addition to an economic update. Budget adjustments have historically been implemented regularly on a timely basis. The governor has the authority to adjust the budget and has exercised this authority in the past. Deficits cannot be carried forward into the next fiscal year.

Maryland has consistently maintained its statutory rainy day fund balance at or above its legal minimum of 5% of general fund revenues, excluding fiscal 2021, when the RSA balance dropped to 3% of general fund revenues as a result of using RSA funds for pandemic-related relief efforts enacted before the state received federal relief funding. Under current law, the governor is required to include an appropriation of \$100 million if the RSA balance is less than 3.0% of estimated general fund revenues, and of \$50 million or an amount necessary to bring the RSA balance to above 7.5% of estimated general fund revenues if the RSA balance is at least 3.0% of estimated general fund revenues but less than 7.5% of estimated general fund revenues. The governor is authorized to expend funds from the RSA if the resultant balance is no lower than 5% of estimated general fund revenues. Withdrawals that result in an RSA balance lower than 5% of estimated general fund revenues must be authorized by an act of the general assembly. Maryland law defines estimated general fund revenues as those stated in the annual report of the BRE submitted to the governor.

To mitigate revenue volatility in the general fund budget, the state legislature passed a mechanism that designates a portion of non-withholding income tax revenue above certain thresholds for nonrecurring purposes or to build reserves. The state also has a formal debt management policy based on defined measurements, including debt as a percentage of personal income and debt service as a percentage of revenues, along with a statutory debt amortization schedule. Maryland also produces a five-year capital improvement plan (CIP) that outlines expected capital requirements and identifies funding sources. The treasurer provides monthly investment inventory reports on its website and is required to report general fund investments to the general assembly in January of each year.

The fiscal 2026 budget established a process for the state's fiscal response should it be determined that federal revenues will be reduced by at least \$1.0 billion below the appropriated amount. To date, that process has not been utilized.

Economy

Overall, the state benefits from relatively high wealth and income indicators, a highly educated workforce, and a relatively diversified economic base, with the strong presence of government providing generally good stability and resiliency historically and attracting economic development. Maryland is home to many federal agencies, attracting numerous contractors; consequently, the state is one of the most dependent upon the federal government, with the fourth-highest concentration of federal jobs, and is potentially vulnerable to long-term declines in the sector's employment if it does not experience enough job growth in other industries. From December 2024 to February 2026, the state experienced federal employment losses totaling 29,300. The U.S. Bureau of Labor Statistics reported an unemployment rate of 4.3% for February 2026, up from 3.4% in December 2024 for the state, both still lower than the average national unemployment rates of 4.4% (February 2026) and 4.1% (December 2024).

In 2025, personal income was a strong \$81,949 per capita, or about 107% of the national level, while gross state product (GSP) was about \$69,616 per capita, or about 101% of the national level. Maryland residents also have above-average education attainment. According to census data, Maryland had nearly 6.27 million residents in 2025, making it the 19th-largest state by population.

Maryland's economic growth has been modest since the pandemic. The state's change in real GSP in 2023-2025 was 1.9%, 3.0%, and 0.7%, respectively, while the change in U.S. real gross domestic product (GDP) was 2.9% (higher), 2.8% (lower), and 2.1% (higher), respectively. Factors contributing to the state's slower pace of economic expansion are slow total job growth (1.7% in 2023, 2.2% in 2024, and -0.8% in 2025 versus the U.S. rate of 2.2%, 1.2%, and 0.5%, respectively) along with the following:

- The state not yet recovering the total number of jobs lost during 2020;
- A relatively tight labor market with a 4.2% unemployment rate in December 2025, below the nation's 4.4% unemployment rate; and
- The state's heavy reliance on federal employment, both directly and through government contractors and federal research grants at Johns Hopkins University, the National Institutes of Health, and other medical systems.

Although the strong government presence lends stability to the state's economy, it likely limits the state's future economic growth to less than that of the nation. About 19% of the state's jobs are in the government sector, with another 17% in professional and business services, and those are the two areas most likely to be affected by reductions in both the federal workforce and

federal funding. Over the past two decades, the state has somewhat overcome persistent employment weakness in the government sector with strong hiring in its services industries, with the state's private-services sectors providing a counterweight to federal budget cuts and volatility. The government, however, remains the largest employer in Maryland. Home to many defense and nondefense agencies and contractors, Maryland receives among the highest (along with Virginia and Washington, D.C.) amount of federal dollars as a percentage of GSP. The government sector's payrolls tend to grow slowly at the best of times, and given the recent federal job cuts, we expect the long-term trend to be stronger growth in services jobs. S&P Global Market Intelligence expects professional and business services will likely overtake government as the largest employer by share of jobs in the next decade or two.

For 2026-2029, S&P Global Market Intelligence projects the state's GSP will increase by about 6.9%, slower than the national growth rate of 8.2%, and that the state's total employment will increase 0.6%, while national total employment will increase 1.3%. Maryland's decelerating economic growth is partially due to a concentration in federal employment, which limits significant exposure to traditional recessions but also dampens economic growth while the rest of the nation recovers. This deceleration, however, could become a decline if potential cuts to government and related jobs are steep and employers are unwilling to refill positions quickly if they view the hiring environment as uncertain.

Scientific and technological research plays an important role in Maryland's economy, with the state home to several internationally recognized federal research agencies, including the National Institutes of Health, NASA's Goddard Space Flight Center, and the National Oceanic and Atmospheric Administration. Two major research universities--Johns Hopkins and the University of Maryland--are also located in the state. Because of these agencies and universities, an increasing number of biotechnology, telecommunications, and computer science firms are expanding in the state. Maryland has been among the top 10 states in the nation in terms of concentration of high-tech employment and among the top three in biotech.

Canada has the biggest share of Maryland's exports, followed by France, the Netherlands, and mainland China. The largest export sector is transportation equipment, followed by chemicals and oil and gas, according to S&P Global Market Intelligence.

Financial Performance

The state, in our view, achieves strong budgetary performance by consistently adopting a balanced approach in addressing previous structural imbalances through a combination of revenue enhancements, spending reductions, shifting costs to local governments, and using reserves to achieve a balanced budget, which the Maryland constitution requires the governor to submit and the legislature to enact. In recent years, though ongoing revenues have substantially covered ongoing spending, the state has experienced negative operating results that could persist, unless the state makes necessary enduring adjustments to return to budgetary balance. Persistent negative operating results, in our opinion, is a credit risk at the current rating level.

Fiscal 2025 audited results

As of fiscal year ended June 30, 2025, Maryland had an unassigned fund balance in the general fund of negative \$904.8 million, which is indicative of the tightening fiscal conditions of the state, and a total general fund balance of about \$8.7 billion (on a generally accepted accounting principles basis). The state reserve fund is classified as committed fund balance and totaled about \$2.3 billion. General fund revenues decreased by \$802 million (1.6%) to \$48.7 billion from fiscal 2024 due to a \$2.3 billion combined decrease in revenues from state income tax, interest

and other investment income, federal revenue, and other revenues, offset by a \$1.5 billion combined increase in other various taxes and fees. General fund expenditures rose by \$3.2 billion (6.5%) from the previous year, due mostly to expenditures for health and mental hygiene, which increased by \$2.4 billion (12.1%).

On a budgetary basis, actual fiscal 2025 income taxes totaled about \$16.4 billion, which is \$217 million, or only 1.3%, higher than the final budget, while actual sales and use taxes totaled about \$6 billion, which is \$72 million, or 1.2%, higher than the final budget.

Reserves and liquidity

We expect the state will maintain strong reserves and liquidity. State law requires appropriations to the RSA, depending on fund balance levels and unappropriated general fund surpluses, until it exceeds 7.5% of general fund revenues, with executive authority to spend to a minimum 5.0% of revenue. Since fiscal 2008, the RSA has been maintained at the 5% minimum level, except for fiscal 2021 when the account balance dropped to 3% of general fund revenues from using RSA funds for pandemic-related relief efforts enacted before the state received federal relief funding. Withdrawals that result in an RSA balance below 5% of estimated general fund revenues must be authorized by legislation separate from the state's annual budget bill.

The state ended fiscal 2025 with a \$271 million general fund balance and an RSA balance of \$2.2 billion (a strong 8.4% of general fund revenues) on a budgetary basis. The current working appropriation for fiscal 2026 shows an estimated structural surplus of about \$156 million, an estimated ending general fund balance of \$753 million, and an estimated ending RSA balance of \$2.1 billion (7.9% of general fund revenues). Following the general assembly's actions, fiscal 2027 is projected to close with a \$595 million structural deficit, a general fund balance of \$201 million, and an RSA balance of \$2.2 billion (8% of general fund revenues).

Debt And Liabilities

We consider the state's tax-supported debt burden moderate-to-moderately high, with a moderate 10.3% current cost of debt and liabilities, a moderate \$2,162 net direct debt per capita, and a high \$3,890 net pension liability (NPL) per capita, based on 2025 data. Net direct debt includes GO bonds, capital lease and appropriation-supported debt, and bay restoration bonds, as well as MDOT consolidated transportation bonds and county transportation revenue bonds. We view favorably the state's rapid amortization in assessing its current costs of debt and liabilities. Approximately 84% of the state's tax-supported principal will be retired in the next 10 years. All its GO bonds will be retired in the next 15 years, as required by the Maryland constitution. The pension discount rate of 6.8%, which is above our guideline of 6.0% for a sustainable discount rate, could increase the state's future long-term liabilities. See the key credit metrics table below for more information.

Despite the state's moderate-to-moderately high debt-and-liability burden, it does present several strengths, including a moderate debt service carrying charge, rapid amortization, and strong debt affordability management. Its debt affordability study defines certain affordability ratios (including maximum tax-supported debt as a percentage of personal income and debt service as a percentage of revenues), along with a statutory debt amortization schedule. However, if debt issuance outpaces economic growth, it could pressure our view of the state's debt profile.

Maryland's five-year (fiscal years 2027-2031) CIP, adjusted for fiscal year 2027 legislative actions, totals about \$9.7 billion in discretionary funds. Anticipated funding sources include about \$8.8

billion of GO bond sale revenue and \$837 million of general fund pay-as-you-go amounts. GO bond proceeds will fund \$3.9 billion of state-owned facilities, \$2.3 billion of school improvement costs, and \$2.6 billion for other capital needs, including transportation. General fund pay-as-you-go amounts will be allocated to \$837 million of other capital needs, including transportation.

The fiscal 2027 capital budget passed by the general assembly, excluding the consolidated transportation program, totals \$2.86 billion. The capital budget is funded from a variety of sources, including \$1.85 billion from new GO debt authorization, which is consistent with amounts recommended by the spending affordability committee.

There are several ongoing court cases challenging the constitutionality of the tax on the gross revenues of specified digital advertising. The state has collected \$449.8 million since it began collecting the tax at the beginning of fiscal 2022 through March of fiscal 2026. This revenue is being deposited into the Blueprint Fund, but it is not included in the state revenue forecast and the state budget does not include it in its projections. If the courts rule against the state, it might drive general fund solutions.

Between Oct. 1, 2023 to April 30, 2026, the state has been named as a defendant in lawsuits involving plaintiffs alleging abuse while in the custody of juvenile detention facilities. Maryland is uncertain how many plaintiffs may ultimately sue the state. Although it is too early for the state to estimate the financial effect of cases brought against it, state officials believe the impact will be material. Funding sources to finance amounts owed is still under consideration.

A new design-build contractor was selected (in October 2021) and approved by the BPW (in January 2022), with the cost of the new design-build contract at \$2.3 billion for the Purple Line P3 project after the state reached a \$250 million settlement with the previous design-build contractor. Construction activities are financed through a federal New Starts grant, state contributions, \$643.5 million of private activity bonds, a \$1.8 billion Transportation Infrastructure Finance and Innovation Act loan, and private equity. As described in "[How Standard & Poor's Treats Public-Private Partnerships In U.S. State And Local Government Debt Analysis](#)," Sept. 17, 2015, on financial close of the project (April 2022), we incorporated the net present value of the milestone payments into the state's net tax-supported debt ratios through the period before Maryland starts making availability payments for the P3 project. Construction activities for the new 16-mile 21-station light rail system are underway and completion is expected in late 2027. The project is 90% complete.

Pensions

Maryland maintains its commitment to adequately funding its pension liabilities, although we view its unfunded pension and OPEB liabilities as a significant credit pressure. When determining the state's liabilities, we view in aggregate its proportionate share of liabilities in its six defined-benefit pension systems and its retiree health care plan, a part of the Maryland State Retirement and Pension System. We include pension and retiree health care plans of the Maryland Transit Administration as part of the state's retiree benefit liabilities.

Although we consider funding levels relatively low (which we calculate to be 74% as of June 30, 2025, on an aggregate basis across all pension plans), Maryland maintains its commitment to adequately fund its pension liabilities annually. Since fiscal 2018, the state has funded its pension systems based on an actuarially determined contribution (ADC). From fiscal 2012 to fiscal 2025, the state made additional payments in excess of the actuarially determined employer-required contributions. Such additional payments varied each fiscal year, ranging from \$35.3 million to \$195 million, and were made in accordance with mandatory provisions enacted by the general

assembly. In 2026, the general assembly eliminated the mandatory additional payment provisions from statute.

Plans representing a significant portion of the state's unfunded pension liability as of June 30, 2025, include:

- Teachers' Retirement and Pension Systems: 76.7% funded, with the state's applicable NPL of about \$13.4 billion; and
- Employees' Retirement and Pension Systems: 70.4% funded, with the state's applicable NPL of about \$10.3 billion.

The recent annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, has varied significantly, at 9.8% in fiscal 2025, 6.9% in fiscal 2024, 3.1% in fiscal 2023, negative 3% in fiscal 2022, and 26.7% in fiscal 2021. The average rate of return over this period is 8.7%.

Contributions failed to meet our minimum funding progress metric for the two largest plans in fiscal 2025 but did meet static funding. As a result, we expect funded ratios will be stable, but not materially improve.

OPEB liabilities

Maryland offers retiree health care benefits through the state employee and retiree health and welfare benefits program, which includes subsidies of approximately 50%-85% of retiree premiums to cover medical, dental, prescription, and hospitalization costs, depending on the type of insurance plan. The plan assesses a charge to retirees for postemployment healthcare benefits, which is based on healthcare insurance charges for active employees.

As of June 30, 2025, the state's applicable net OPEB liability was \$10.1 billion, or \$1,611 per capita. Although Maryland also established an irrevocable trust, it has not regularly appropriated funds to prefund it. The state employee and retiree health and welfare benefits program trust, with approximately \$582.7 million in net assets as of fiscal 2025, was only 5.9% funded at the end of the fiscal year.

Francis Scott Key (FSK) Bridge

The Maryland Transportation Authority (MDTA) is partnering with state, local, and federal agencies to reconstruct the FSK Bridge. The state had a \$350 million property insurance policy covering the bridge. Following the bridge collapse in March 2024, \$350 million of insurance proceeds were received later in 2024 and are currently being applied towards bridge reconstruction. In December 2024, Congress passed the American Relief Act (ARA), which provides 100% federal funding for reconstruction of the FSK Bridge. The state continues to pursue the container ship owner and manager for all damages, including the cost to reconstruct the FSK Bridge, which recoveries will be used to reduce the federal government's funding obligation as required under the ARA. The state reached a final settlement with the owners and operators of the container ship with the state receiving \$2.25 billion. In accordance with federal law, those funds will be used to fund the Key Bridge Rebuild. The state received \$60 million in quick release emergency response funds for the project. To date, \$54.7 million in federal reimbursements have been billed and received for the project. In accordance with the agreement with USDOT on project funding, the majority of the quick release emergency response funds were used first, followed by the insurance proceeds and remaining federal funds. The MDTA is currently spending the insurance proceeds before turning back to the use of federal funds for

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remaining federally eligible projects costs. The \$5 billion project has an estimated 2030 completion date.

Maryland--Credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.17
Economy	1.5
Financial performance	2
Reserves and liquidity	2
Management	1.35
Debt and liabilities	4.00

Maryland--Key credit metrics

	2027e	2026e	2025a	2024a	2023a
Economy					
State population (000s)	N.A.	N.A.	6,247	6,210	6,185
Real GSP per capita (\$)	N.A.	N.A.	N.A.	69,328	67,726
Real GSP per capita % of U.S.	N.A.	N.A.	102	101	102
State PCPI (\$)	N.A.	N.A.	N.A.	79,462	75,566
State PCPI % of U.S.	N.A.	N.A.	109	108	107
State unemployment rate (%)	N.A.	N.A.	4.0	3.2	2.2
Financial performance - S&P Global Ratings adjusted					
Operating fund revenues (mil. \$)	27,177	27,156	26,006	26,336	26,796
Operating fund expenditures (mil. \$)	27,847	27,938	27,283	27,213	25,410
Operating result (mil. \$)*	(670)	(782)	(1,277)	(877)	1,386
Operating result % of revenues	-2.5	-2.9	-4.9	-3.3	5.2
Reserves and liquidity - S&P Global Ratings adjusted					
Available reserves (mil. \$)	2,156	2,141	2,189	2,411	2,958
Available reserves % of operating revenues	7.9	7.9	8.4	9.2	11.0
Debt and liabilities					
Net direct debt cost % of revenues	N.A.	N.A.	4.0	3.6	3.8
Pension and OPEB cost % of revenues	N.A.	N.A.	6.3	5.8	6.0
Total current cost % of total government revenues	N.A.	N.A.	10.3	9.4	9.8
Net direct debt (mil. \$)	N.A.	N.A.	13,605	14,087	14,295
Net direct debt per capita (\$)	N.A.	N.A.	2,171	2,255	2,302
Direct debt 10-year amortization (%)	N.A.	N.A.	84	78	81
Combined net pension liabilities (mil. \$)	N.A.	N.A.	24,473	25,138	22,168
Net pension liabilities per capita (\$)	N.A.	N.A.	3,906	4,024	3,570
Combined pension plan funded ratio (%)	N.A.	N.A.	73.7	71.7	73.3

a=actual. e=estimated/projected. Economy data are reported on a calendar year basis, while financial data are reported on a June 30 FYE basis. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--other postemployment benefits. N.A.--Not Available. *Negative operating results for fiscals 2024-2027 do not include transfers from the rainy day fund and draws from the general fund balance. Financial data sourced from Maryland's Annual Comprehensive Financial Reports; Maryland

Maryland--Key credit metrics

2027e 2026e 2025a 2024a 2023a

State Retirement and Pension System; The 90 Day Report - A Review of the 2026 Legislative Session; and March 11, 2026 revenue estimates. Economic data provided by S&P Global Market Intelligence.

Ratings List

New Issue Ratings

US\$800,000,000 State of Maryland, General Obligation Bonds, State and Local Facilities Loan of 2026, First Series, Tax-exempt Bonds, (Competitive), dated: Date of Delivery, due: June 1, 2041

Long Term Rating AAA/Negative

Outlook Action

	To	From
States		
Maryland Dept of Transp, MD m State Shared Transportation Trust Fund Capital Grant Appropriation Contract	AA+/Negative	AA+/Stable
Maryland MD Maryland Stadium Authority Tax Secured Lease Appropriation	AA+/Negative	AA+/Stable
Maryland MD Maryland Stadium Authority Tax Secured Lease Appropriation 2023A	AA/Negative	AA/Stable
Maryland Stadium Authority MD, Non-Lease Appropriation	AA/Negative	AA/Stable
Maryland, MD Appropriation Contract	AA+/Negative	AA+/Stable
Maryland, MD General Obligation	AAA/Negative	AAA/Stable
Maryland, MD Lease Appropriation Maryland Department of Health	AA+/Negative	AA+/Stable
Maryland, MD Lease Appropriation Maryland Stadium Authority	AA/Negative	AA/Stable
Maryland, MD Maryland Stadium Authority Appropriation Service Contract	AA/Negative	AA/Stable
Maryland, MD Maryland Stadium Authority Tax Secured Lease Appropriation	AA/Negative	AA/Stable
Maryland, MD Maryland Stadium Authority Tax Secured Lease Appropriation Minor League Baseball Project 2023B	AA/Negative	AA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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State Of Maryland Debt Rating Outlook Revised To Negative From Stable On Structural Balance Pressures

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