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Despite COVID-19 Pandemic, All Three Major Rating Agencies Reaffirm Maryland's AAA Bond Rating

Moody's, S&P Global, and Fitch Ratings Also Maintain Stable Outlook but Note Significant Challenges Ahead

ANNAPOLIS (July 14, 2020) – Maryland State Treasurer Nancy K. Kopp announced today that in spite of the fiscal headwinds caused by the COVID-19 pandemic, the three major bond rating agencies have reaffirmed the State's AAA bond rating, all with stable outlooks, in advance of the upcoming competitive sale of up to $1.1 billion of General Obligation Bonds on Wednesday, July 22, 2020.

Maryland is one of thirteen states* to hold the coveted AAA rating, the highest possible rating, from all three major bond rating agencies. S&P Global Ratings 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 that even with the many challenges Maryland faces as a result of COVID-19, the rating agencies recognize that the State's steady commitment to prudent, proactive fiscal management and the reserves it has built up over the last decade have put it in a strong position to weather the crisis. Furthermore, Maryland's dynamic economy, highly educated workforce, and above average wealth and income levels will help to accelerate our eventual recovery."

“However, the rating reports also make clear that it is critical that the Federal Government step up and provide immediate, substantial aid to state and local governments nationwide so that we can avoid the worst-case budget scenarios. Without this aid, it will be even more difficult to avoid cuts to the critical services that the State owes Marylanders, such as education, healthcare, and infrastructure projects. In the long run, such painful cuts would only serve to prolong the economic downturn and make our state and country weaker,” the Treasurer added.

“As we wait to hear whether federal aid is coming, we at the state level must do everything we can to protect workers’ lives and livelihoods, keep our small businesses afloat, and maintain the safety net for vulnerable Marylanders,” she concluded.

Moody’s Investors Service, in providing its rationale for its Aaa rating, noted that “while the [pandemic] presents serious challenges, we do not see any material immediate credit risks for the state of Maryland.” It continued by saying that “the State has strong budgetary and financial management practices and a history of proactive initiatives in response to economic cycles, which will serve it well as it grapples with the coronavirus crisis.”

Fitch Ratings, in assigning its AAA rating and stable outlook, said that Maryland’s rating reflects its strong reserves and its history of acting “to address revenue shortfalls through a mix of executive, Board of Public Works, and statutory” measures to successfully navigate past recessions, including the Great Recession. It also notes the key role in balancing the budget that the Maryland General Assembly will play later this fiscal year.

In assigning its AAA long-term rating and stable outlook, S&P Global Ratings stated, “in our opinion, the State has demonstrated proactive action to date to alleviate fiscal pressures as revenues decline during the onset of the sudden-stop recession,” citing the State’s early estimate of potential revenue impacts and wait-and-see approach to including federal aid in its balancing plan. However, S&P notes that “the COVID-19 pandemic… if sustained, could weaken the State’s economy, liquidity, and budgetary performance.”

The bond sale will include $540.0 million of tax-exempt bonds and up to $463.1 million in refunding bonds. The tax-exempt bonds will be sold in two bidding groups to enhance competition: Bidding Group 1 - $290.1 million of tax-exempt bonds; and Bidding Group 2 - $249.9 million of tax-exempt bonds. The refunding bonds include up to $155.0 million of tax-exempt current refunding bonds and up to $375.0 million of taxable advance refunding bonds. The Maryland State Treasurer's Office anticipates that the refunding bonds will generate over $50.0 million in debt service savings, structured to be achieved primarily in the current fiscal year to help the State close the budget gap caused by the virus. All these bonds are expected to be sold to institutions.

As is always the case with Maryland's General Obligation Bonds, the State will use the proceeds to finance important capital projects and improvements, such as public schools, community colleges, university projects and hospitals.

The Maryland Board of Public Works, composed of Governor Lawrence J. Hogan, Jr., Treasurer Nancy K. Kopp, and Comptroller Peter Franchot, will preside over the competitive bond sale at the meeting on Wednesday, July 22, 2020. The meeting will likely be held virtually.

The Maryland State Treasurer's Office expects to conduct another bond sale in February or March 2021.

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