

**Rating Action: Moody's assigns Aaa to Maryland's 2022 First Series GO bonds; outlook stable**

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31 May 2022

New York, May 31, 2022 -- Moody's Investors Service has assigned Aaa ratings to the State of Maryland's approximately \$1.05 billion General Obligation Bonds State and Local Facilities Loan of 2022, First Series, consisting of \$900 million First Series A Tax-Exempt Bonds (Competitive) and \$150 million First Series B Taxable Bonds (Competitive). The outlook is stable. The state expects to sell the competitive First Series A and B bonds on June 8.

**RATINGS RATIONALE**

The highest-quality rating reflects Maryland's strong financial management policies, ample liquidity levels, stable economy and high personal income levels, all of which mitigate the state's economic exposure to potential constrained federal spending in the future, as well as its above-average debt and retiree liability burdens stemming from the state's practice of issuing debt and absorbing certain pension costs on behalf of local governments, respectively.

**RATING OUTLOOK**

The outlook for Maryland's general obligation debt is stable. The state's proactive fiscal management enables it to make midcourse corrections and weather economic cycles. It has also taken often difficult actions to strengthen the foundations for long-term fiscal sustainability. Even so, growth in fixed costs for pensions, debt service and retiree health benefits will continue to be a challenge.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

- Not applicable

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS**

- Economic and financial deterioration that results in deficits, fund transfers and reserve draws without a plan for near-term replenishment and structural balance

- Failure to adhere to policies to redress large unfunded pension liabilities

**LEGAL SECURITY**

The bonds are full faith and credit obligations of the State of Maryland.

**USE OF PROCEEDS**

The proceeds of the First Series A bonds will be used for various capital projects of the state, including capital expenditures for state facilities and capital grants to other governmental and related entities. The proceeds of the First Series B bonds will be used for environmental and housing purposes, among others.

**PROFILE**

Maryland is located on the East Coast of the United States and has 3,190 miles of shoreline, according to the National Oceanic and Atmospheric Administration. Its population of 6.2 million people places it 19th among the 50 states. Its state gross domestic product is 15th largest. The state has above average wealth, with per capita personal income equal to 109% of the US level in 2021.

**METHODOLOGY**

The principal methodology used in these ratings was US States and Territories Methodology published in March 2022 and available at <https://ratings.moody.com/api/rmc-documents/356901>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions>.

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