



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

NEWS RELEASE

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**Maryland Retains AAA Bond Rating,
To Sell Nearly \$100 Million
In Bonds First to Maryland Investors**

ANNAPOLIS (February 23, 2011) – Maryland State Treasurer Nancy K. Kopp announced today that all three bond rating agencies have affirmed the State's strong Triple AAA bond rating in preparation for the upcoming sale of up to \$485 million of General Obligation bonds on Wednesday, March 9, 2011 at the Board of Public Works meeting.

This offering will include the direct retail sale of approximately \$100 million of bonds with first priority to Maryland citizens, similar to successful transactions in 2009 and 2010. "Marylanders get first preference in buying highly desirable, conservative quality bonds while investing in their State—a win-win situation," Treasurer Kopp said.

The retail bond sale begins Friday, March 4 and likely will end on Monday, March 7. For more information, potential buyers should check www.buymarylandbonds.com.

The bond sale will conclude with two competitive bids for the remaining bonds, which are expected to be sold to institutions. The sale will include approximately \$378.48 million tax-exempt bonds and \$6.52 million in taxable Qualified Energy Conservation Bonds

As has always been the case with the issuance of Maryland's General Obligation Bonds, the State uses the proceeds only to finance necessary capital projects, such as schools, community colleges, university projects and hospitals.

Treasurer Kopp said. "While Maryland has historically received Triple AAA ratings from the three major bond rating agencies, today's recognition of Maryland's fiscal strength and prudent management is an extraordinary accomplishment in what remains a very difficult economic climate. Simply, the rating analysts believe that Maryland's government leaders consistently make tough budgetary and fiscal decisions in challenging times. "

"Retention of the Triple A rating allows us to continue to save millions of taxpayer dollars resulting from the low interest rates achieved because of these ratings," Treasurer Kopp said.

The Maryland Board of Public Works, comprising Governor Martin O'Malley, Comptroller Peter Franchot and Treasurer Kopp, will preside over the competitive bond sale on Wednesday, March 9, 2011 in the Assembly Room in the Goldstein Treasury Building in Annapolis.

Maryland is one of only eight states to hold the coveted AAA rating, the highest possible rating, from all three bond rating agencies. Standard and Poor's has rated the bonds AAA since 1961. Moody's Investors has assigned the bonds a rating of Aaa since 1973, and Fitch Ratings has rated the bonds AAA since 1993.

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 returning to growth after a recession during which widespread job losses and a deep housing market downturn affected state revenue collections."

Fitch Ratings further said, "The state's financial operations are conservative, and the state maintains a rainy day fund to manage revenue cyclicity... the state has policies to maintain debt affordability, and the constitution requires GO and transportation bonds to amortize within 15 years. Pension funding levels have deteriorated, although pension benefit reform is under consideration."

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, including the need to address the declines in retirement system funded levels. The stable outlook reflects Moody's expectation that the state, consistent with its history of strong financial

management, will appropriately address its structural budget gap and pension funding concerns.”

Moody’s also said, “The highest quality rating reflects Maryland’s strong financial management policies, stable economy with high personal income levels, and ability to maintain positive available reserves despite sustained pressure on its budget. The rating also acknowledges the state’s above average debt burden and low retirement system funding levels. The outlook is stable.”

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

“In the past three fiscal years, the state’s unfunded pension liability has grown significantly, in our view, due to a combination of investment losses and the lack of fully funding the annual required contribution (ARC). If not addressed, we believe this would likely result in the continued weakening of the state pension system, which at one point (before the recession) was considered adequately funded,” according to the S&P report.

Referring to pension reforms recommended by Governor Martin O’Malley, Standard & Poor’s said, “If enacted, the proposed reforms, along with other changes, are expected to raise the state-funded ratio to 80% by 2023, three years faster than currently projected. The actuary also projects the system will reach full funding in fiscal year 2030.”

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...strong wealth levels, coupled with unemployment that remains below the national average through economic cycles.” Fitch Ratings said, “The state has a diverse economy, benefiting from its proximity to the nation’s capitol.”

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 or early August 2011.

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