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FOR IMMEDIATE RELEASE

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Maryland Retains Triple AAA Bond Rating, To Sell Up to $1 Billion of General Obligation Bonds

ANNAPOLIS (February 26, 2013) – 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 competitive sale of General Obligation Bonds on Wednesday, March 6, 2013 at the Board of Public Works meeting.

Maryland is one of only nine 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.

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 welcomed news. In light of the national uncertainties surrounding sequestration, we are pleased the rating analysts recognize Maryland’s strong, stable and prudent financial management.”

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

Fitch, in assigning its AAA rating and stable outlook, said: “Debt oversight is strong and centralized, and the debt burden is moderate. The state has policies to maintain debt affordability, and the constitution requires GO [General Obligation] and transportation bonds to amortize within 15 years.”

Fitch Ratings further said: “Financial operations are conservative, and the state maintains a well-funded rainy day fund. The state took repeated action during the course of the recession to address projected budget gaps, including raising tax revenues, cutting spending, and using rainy day and other balances.”

Moody’s, in explaining its Aaa rating and negative credit outlook said: “The highest quality rating reflects Maryland’s strong financial management policies and stable economy with high personal income levels. The rating also acknowledges the state’s above average debt burden and large unfunded pension liabilities relative to the size of its economy.”

In specifically explaining its continuation of the negative credit outlook due to actions of the federal government, Moody’s said: “Moody’s negative outlook on Maryland’s Aaa rating is due to its indirect linkages to the weakened credit profile of the U.S. government. …Moody’s has determined that issuers with indirect linkages, such as Maryland, have some combination of economies that are highly dependent on federal employment and spending, a significant healthcare presence in their economies, have direct healthcare operations, and/or high levels of short-term and puttable debt. After calculating these quantitative metrics, Moody’s determined that Maryland had above-average exposure to federal employment and spending.”

In assigning its ‘AAA’ long-term rating and stable outlook, Standard & Poor’s said: “The rating reflects what we view as the state’s: Broad and diverse economy, which has experienced steady recovery; however, potential federal fiscal consolidation could negatively affect near-term growth prospects; High wealth and income levels; Long history of proactive financial and budget management, including implementation of frequent and timely budget adjustments to align revenues and expenditures; Well-developed financial and debt management policies including long-term financial planning, which should be helpful in addressing future budget challenges; and Moderate debt burden that we expect to continue due to a clearly defined debt affordability process, which limits annual issuance, coupled with a constitutional 15-year debt maturity schedule.”

Standard and Poor's further states: "The stable outlook on Maryland reflects our view of the state's proactive budget management in recent years and the steady economic recovery underway, which has stabilized revenues and allowed for continued funding of reserves."

All three rating agencies point to the State's history of strong, sound financial management as a strength for Maryland. In assessing Maryland's management practices, Standard & Poor's assigned a rating of "strong" to this factor, noting: "Based on a review of several key financial practices, Maryland has made continuing efforts to institutionalize sound financial management practices. In reviewing its practices and policies, it was very apparent to us that the state's use of a five-year financial plan, which is 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 allows the state to make midyear financial adjustments, if necessary, to maintain balance. Maryland has consistently maintained its statutory rainy-day fund at or above its legal minimum of 5% of revenues."

Each rating agency assessed the fiscal effects in Maryland from sequestration or changes to federal spending and tax policy. S&P noted "While federal fiscal consolidation remains a risk to Maryland's budget and long-term financial plan, we believe that the state is monitoring developments and has options to mitigate this risk based on its well-developed budget policies and financial reserves." In assessing rating sensitivities, Fitch indicated "Sound fiscal management practices and the consistent maintenance of fiscal flexibility, including in the form of budgetary reserves, provides the state with significant ability to respond to near-term economic or fiscal shocks, including from federal budget uncertainty, in a manner consistent with the 'AAA' rating."

Pension reforms enacted during the 2011 Legislative Session and teacher pension sharing enacted during the 2012 Legislative Session are noted by each of the three rating agencies. Fitch Ratings noted "Although pension funded ratios have weakened, the state has undertaken multiple reforms to reverse funded ratio declines." Moody's indicated "The funded levels of Maryland's retirement system represent a credit challenge for the state" but goes on to recognize that "[t]he state has taken a number of measures to reduce its pension burden." While noting "Based on the enacted reform and investment performance through fiscal 2012, Maryland's actuary projects that the system will be

80% funded by 2023 and will achieve full funding by 2031", S&P indicated "Maryland's below-average pension-funded ratios continue to represent downside risk to the rating."

The bond sale will include two competitive bids which are expected to be sold to institutions. The sale will include $500 million of tax-exempt bonds and up to $500 million of tax-exempt refunding bonds. This offering will not include the direct retail sale of bonds given the market's low interest rates and the commensurate lack of demand by the public for this type of investment.

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

The Maryland Board of Public Works, composed of Governor Martin O'Malley, Comptroller Peter Franchot and Treasurer Kopp, will preside over the competitive bond sale on Wednesday, March 6, 2013 in the Assembly Room in the Goldstein Treasury Building in Annapolis.

The Maryland State Treasurer's Office expects to conduct another bond sale in July or August 2013.

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