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FOR IMMEDIATE RELEASE

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Maryland Retains Triple AAA Bond Rating, To Sell $900 Million of General Obligation Bonds

ANNAPOLIS (July 7, 2014) – Maryland State Treasurer Nancy K. Kopp announced today that all three bond rating agencies have re-affirmed the State's strong AAA bond rating in preparation for the upcoming retail sale of General Obligation Bonds and the competitive institutional sale of State Bonds on Wednesday, July 23, 2014.

Maryland is one of ten states* to hold the coveted AAA rating, the highest possible rating, from all three major 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, "Today's news of Maryland receiving AAA ratings from the three major bond rating agencies is affirmation of Maryland's strong, stable and prudent financial management and overall fiscal strength. We are pleased the rating analysts recognize the contribution of Maryland's diverse economy, our well-educated workforce, and above-average wealth and income levels to the overall quality of an investment in Maryland."

"Retention of the Triple AAA ratings allows us to continue to save millions of taxpayer dollars resulting from the lower 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 conservatively maintained, with the state consistently demonstrating a strong commitment to budgetary balance through the downturn and slow recovery that has followed. The state has maintained flexibility in the form of its rainy day fund (RDF), which remained funded at or near 5% of general fund revenues through the downturn, as well as it practice of responding quickly to changing budgetary circumstances through repeated spending cuts, fund balance transfers and revenue increases.”

Moody’s, in explaining its Aaa rating and stable 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.”

Moody’s also noted that “Consistent with its history of strong financial management, the state has been appropriately addressing its structural budget gap and pension funding concerns even under pressure from federal budget reductions.”

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 recent tepid recovery due to sequestration and federal fiscal policy uncertainty; we expect growth to accelerate due to resolution of certain federal budget and fiscal issues; 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 that should be helpful in addressing future budget challenges; and Moderate debt burden, which we expect to continue due to a clearly defined debt affordability process that limits annual issuance, coupled with a constitutional 15-year debt maturity schedule.”

Standard and Poor’s further stated: “The stable outlook on Maryland reflects our view of the state’s proactive budget management in recent years and the economic recovery underway, although recent revenue growth has been hampered by events at the federal level."

All three rating agencies praised Maryland's history of strong, sound financial management. Standard & Poor's assigned a rating of "strong" to Maryland's management practices, noting that "…Maryland has made continuing efforts to institutionalize sound financial management practices. …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 RSF (Revenue Stabilization Fund) at or above its legal minimum of 5% of revenues."

Each rating agency recognized Maryland's ability to manage despite serious federal budget cuts. S&P noted "While federal fiscal policy remains a challenge to the state's budget and long-term financial plan, we believe that Maryland continues to actively monitor developments and has options to mitigate this risk based on its well-developed budget policies and financial reserves." Fitch indicated "Sound fiscal management practices and the consistent maintenance of fiscal flexibility, (including budgetary reserves) provide the state with significant ability to respond to near-term economic or fiscal conditions, such as federal budget reductions, in a manner consistent with the 'AAA' rating."

Each of the rating agencies recognized significant pension funding challenges as well as reforms enacted over the past three years. Moody's indicated "[l]ow retirement system funded levels" represent a credit challenge for the state and "[f]ailure to adhere to plans to address low pension funded ratios" could make the rating go down. Fitch Ratings noted "Despite pensions being a comparative credit weakness, the state has taken multiple steps to reduce their burden and improve sustainability over time." While acknowledging that "[b]ased on the reforms…, the state's actuary projects that the system will be 80% funded by 2024 and full funding will be achieved by 2039", S&P indicated "[t]he state's below-average pension funded ratios continue to represent downside risk to the rating."

This offering will include the direct retail sale of approximately $100 million of bonds with first priority to Maryland citizens. This is the first retail offering since August of 2012. "Marylanders get first preference in buying highly desirable, conservative quality bonds while investing in their State – a win-win situation," Treasurer Kopp said.

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The retail bond sale begins July 18th and will end on July 21st. 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 $400 million of tax-exempt bonds and approximately $400 million of tax-exempt refunding bonds.

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, July 23, 2014 in the Assembly Room in the Goldstein Treasury Building in Annapolis.

The Maryland State Treasurer's Office expects to conduct another bond sale in February or March 2015.

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* The other nine states with AAA ratings from all three rating agencies are Alaska, Delaware, Georgia, Iowa, Missouri, North Carolina, Texas, Utah, and Virginia.