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FOR IMMEDIATE RELEASE

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Maryland Retains Triple AAA Bond Rating,
To Sell Up To $1.268 Billion of General Obligation Bonds

ANNAPOLIS (February 19, 2015) – Maryland State Treasurer Nancy K. Kopp announced today that all three major national bond rating agencies have re-affirmed the State's strong AAA bond rating, all with stable outlooks, in preparation for the upcoming competitive sale of State General Obligation Bonds on Wednesday, March 4, 2015.

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 an acknowledgement of Maryland's 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 AAA ratings affirms the strength and stability of Maryland bonds during difficult and volatile times. This achievement allows us to continue to invest in our communities' schools, libraries, and hospitals while saving taxpayers millions of dollars thanks to the lower interest rates that follow from 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 noted: "Financial operations are conservatively maintained, with the state consistently demonstrating a strong commitment to budgetary balance through the downturn and the 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 its 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." While Moody's acknowledged "…the state's economic exposure to constrained federal spending, its above average debt burden and large unfunded pension liabilities relative to the size of its economy," they also noted "[c]onsistent 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 tepid overall growth in 2013 and 2014 due to sequestration and federal budget uncertainty; Strong 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 Still-moderate debt burden across all measures, despite increasing issuance. Although some growth in debt levels is likely based on planned issuance and the potential for public-private partnership (P3) projects, we expect the debt burden will remain moderate for most measures due to a clearly defined debt affordability process that limits annual issuance, coupled with a rapid 15-year debt maturity schedule as required by the Maryland Constitution."

Standard and Poor's further stated: "The stable outlook on Maryland reflects our view of the state's proactive midyear adjustments to align the budget with slower-than-anticipated revenue growth and a proposed fiscal 2016 budget that maintains current reserve levels and limits reliance on one-time measures for budgetary balance."

All three rating agencies praised Maryland's history of strong, sound financial management. Moody's recognized "Maryland's financial practices and flexibility are very strong. For example, the state has a binding consensus revenue forecast, multi-year financial planning, and the Board of Public Works is able to respond swiftly to mid-year budget challenges. The state also has no tax and spending limitations or supermajority requirements limiting its flexibility." Standard & Poor's assigned a rating of "strong" to Maryland's management practices, noting that "…Maryland has made continuing efforts to institute 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 RSA (Revenue Stabilization Account) [at] or above its legal minimum of 5% of revenues."

Each rating agency recognized the impact of federal budget cuts on Maryland's economy. S&P noted "Although federal fiscal policy remains a challenge to the state's budget and long-term financial plan, we believe that Maryland has demonstrated strong revenue and budget monitoring practices with a track record of making expenditure adjustments midyear when required." 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 "implementation of various reforms and some improvements in funded ratios," S&P indicated "the state's below-average pension funded ratios and annual contributions that do not meet the full ARC also 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 $518 million of tax-exempt bonds and up to $750 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 Lawrence J. Hogan, Jr., Comptroller Peter Franchot and Treasurer Nancy K. Kopp, will preside over the competitive bond sale on Wednesday, March 4, 2015 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 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.