

Rating Action: Moody's assigns Aaa to Maryland's 2019 Second Series GO bonds; outlook stable

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New York, July 29, 2019 -- Moody's Investors Service has assigned a Aaa rating to the state of Maryland's \$500 million General Obligation Bonds, State and Local Facilities Loan of 2019, Second Series A Tax Exempt Bonds (Competitive), and to \$50 million General Obligation Bonds, State and Local Facilities Loan of 2019, Second Series B Taxable Bonds (Competitive). The outlook is stable. The state expects to sell the bonds in a competitive sale on or about August 14.

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 offset the state's economic exposure to constrained federal spending, as well as the above-average debt and pension burdens stemming from the state's practice of issuing debt and absorbing certain pension costs on behalf of local governments.

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 foundation 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 A DOWNGRADE

- 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
- Downgrade of the US government

LEGAL SECURITY

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

USE OF PROCEEDS

Proceeds of the Series A bonds will be used for a variety of purposes of the state, including acquisition and construction of state facilities, capital grants to other governmental entities such as public schools, and grants and loans to governmental and nongovernmental entities for health, cultural, and other projects. Proceeds of the Series B bonds will be used for a variety of purposes of the state, including loan programs for environmental and housing purposes.

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 million 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 117% of the US level in 2018.

METHODOLOGY

The principal methodology used in these ratings was US States and Territories published in April 2018. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

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