



Retirement News Highlights

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Maryland retains Triple A rating as \$800M bond sale approaches

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The nation's three major bond agencies — S&P Global Ratings, Moody's Investors Service and Fitch Ratings — reaffirmed Maryland's coveted AAA bond rating in advance of an upcoming sale of up to \$800 million in general obligation bonds.

Maryland State Treasurer Nancy Kopp said Tuesday that the proceeds from the competitive sale of the bonds will be used to finance capital projects for public schools, community colleges, universities and hospitals. The Board of Public Works, which includes Kopp, Gov. Larry Hogan and Comptroller Peter Franchot, will preside over the bond sale on March 4 in Annapolis.

Maryland is one of 13 states to hold the AAA rating, the highest possible rating, from all three agencies. The agencies also said the bonds had stable outlooks.

Getting the top rating saves Maryland money because it enables the state to pay a lower interest rate on its bonds and still attract investors. Maryland would have to pay investors a higher rate of interest on its bonds if it had a lower credit rating to compensate them for the additional perceived risk.

"The rating agencies recognize that Maryland's dynamic economy, highly educated workforce, and above-average wealth and income levels make it an outstanding investment," Kopp said in a news release.

The bond sale will include \$495 million in tax-exempt bonds, \$50 million in taxable bonds and up to \$255 million in refunding bonds.

Kopp said the tax-exempt bonds will be sold in two bidding groups of \$245 million and \$249.9 million to enhance competition. Additionally, the Maryland Treasurer's Office anticipates that the refunding bonds will generate over \$20 million in net savings. All of the bonds are expected to be sold to institutions.

Fitch said the AAA rating and stable outlook reflected the state's "broad, diverse and wealthy economy."

"The state's proactive fiscal management enables it to make midcourse corrections and weather economic cycles," Moody's said in explaining its top rating for Maryland.

But the agency, however, did point out that Maryland's growth in fixed costs for pensions, debt service and retiree health benefits will continue to be a challenge in the state.

S&P also pointed out that the state is overly reliant on federal government spending and employment. However, the agency praised Maryland for managing its budget and reserves.

"The state's continued practice of making proactive mid-year adjustments to align the budget in case of slower-than-anticipated revenue growth will remain an important credit factor over the two-year outlook horizon, given Maryland's above-average economic dependence on federal government employment and spending," the agency wrote in its report.

The other 12 states with AAA ratings from all three rating agencies are Delaware, Georgia, Florida, Indiana, Iowa, Missouri, North Carolina, South Dakota, Tennessee, Texas, Utah, and Virginia.

Maryland's triple AAA rating has spanned decades. S&P Global Ratings has rated the bonds AAA since 1961, Moody's Investors Service has assigned the bonds a rating of AAA since 1973, and Fitch Ratings has rated the bonds AAA since 1993.

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



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