September 2026 General Obligation Bond Sale

Overview

On September 2, 2026, the State sold $600 million in tax-exempt general obligation (GO) bonds for capital projects in two bidding groups. The true interest cost (TIC) for the bonds is 3.82%. The TIC for the most recent tax-exempt bond sale in June 2026 was 3.31%.

- Group 1 sold $322 million in par value, tax-exempt bonds that mature in 3 to 10 years. Six underwriters bid for the bonds sold in this group, with BofA Securities submitting the winning bid with a TIC of 3.31%.

- Group 2 sold $278 million in par value, tax-exempt bonds that mature in 11 to 15 years. Seven underwriters bid for the bonds sold in this group, with BofA Securities submitting the winning bid with a TIC of 4.16%.

Fiscal Impact

The fiscal 2027 operating budget assumed debt service costs and the capital budget authorized premiums from the sale for capital projects. The capital budget bill authorizes the State Treasurer to determine how much of the bond sale premiums are deposited into the Annuity Bond Fund, which supports GO bond debt service, and how much can be used for capital projects. The results of the sale are that:

- ***Fiscal 2027 Debt Service Costs Are $1.2 Million Less Than Estimated:*** The budget assumed that $600 million would be sold at a 5.00% coupon rate, resulting in a $15 million interest-only debt service payment for one-half year of interest. Since the first debt service payment period is less than six months after the delivery date, fiscal 2027 debt service costs will total only $13.8 million. Annual debt service costs for the out-years with principal payments are $62.8 million, as projected.

- ***Net Bond Sale Premiums Are $55.6 Million:*** The fiscal 2027 budget assumes $80 million in premiums from two sales. A second fiscal 2027 sale for $600 million is expected around March 2027.

Bond Ratings

Prior to the sale, State officials briefed FitchRatings, S&P Global (S&P), and Kroll Bond Rating Agency, LLC (KBRA) on economic, financial, fiscal, and governance issues affecting Maryland State government. The GO bonds were most recently rated three months ago, before the

June sale. At the time, the State advised the rating agencies that the State was planning another sale in September 2026. For this sale, rating agencies received updated data. This did not include fiscal 2026 closeout data, which is not yet available. The comments in the ratings reports are consistent with those from earlier this year, with FitchRatings and KBRA rating Maryland AAA stable and S&P rating Maryland AAA negative.

Regarding S&P's negative outlook, the rating agency noted that the State faces sizable and growing out-year budget gaps unless timely structural adjustments are made. S&P also cited slower economic growth in Maryland than the U.S. average since the COVID-19 pandemic and projects that lower growth will persist through calendar 2029. S&P articulated the factors that could result in a rating downgrade, which are:

- a lack of willingness by the State to make ongoing structural adjustments to return to a sustainable budget; or

- persistently unfavorable income, wealth, employment, and population growth, compared to the U.S. overall, due to uncertainty in the federal government sector.