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Rating Action: Moody's assigns Aa2 to Maine's Series 2019A&B GO Bonds; outlook stable

29 May 2019

New York, May 29, 2019 -- Moody's Investors Service has assigned Aa2 ratings to the State of Maine's \$35.8 million General Obligation Bonds, 2019 Series A (Federally Taxable) and \$125.3 million General Obligation Bonds, 2019 Series B. The outlook is stable.

RATINGS RATIONALE

The Aa2 rating reflects a stable economy that will be challenged by weak demographic trends, an improving financial position, and an elevated combined debt and pension burden that is mitigated by rapid amortization of debt and pension liabilities.

RATING OUTLOOK

Maine's stable outlook is based on an improving financial position resulting from healthy revenue performance and adherence to governance best practices.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Sustained population and employment growth coupled with a decline in debt and pension liabilities
- Maintenance of strong reserve levels that would provide satisfactory cushion in the event of an economic downturn and mitigate challenges of weak demographic trends and above-average liabilities

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Return to severe structural imbalance
- Declines in population and employment that negatively impact wage and personal income growth

LEGAL SECURITY

The state pledges its full faith and credit to its general obligation bonds. The state constitution prioritizes debt service ahead of all other uses of general fund revenues.

USE OF PROCEEDS

Proceeds from the 2019 Series A and B GO bonds will be used to finance highway and bridge projects as well as other various state capital projects.

PROFILE

The State of Maine is the 42nd largest state by population (1.3 million people in 2018) and the 43rd largest state by GDP (\$64.4 billion in 2018 current dollars). The state's per capita personal income is below average at 89.8% of the US level.

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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