

RATING ACTION COMMENTARY

Fitch Rates Howard County, MD's \$151 MM GOs 'AAA'; Outlook Stable

Fri 06 Feb, 2026 - 2:22 PM ET

Fitch Ratings - New York - 06 Feb 2026: Fitch Ratings has assigned a 'AAA' rating to following general obligation (GO) bonds issued by Howard County, MD:

--\$72,175,000 consolidated public improvement project bonds, 2026 series A (tax exempt);

--\$19,895,000 metropolitan district project bonds, 2026 series B (tax-exempt);

--\$41,135,000 consolidated public improvement project refunding bonds, 2026 series C (tax-exempt);

--\$17,490,000 consolidated public improvement project bonds, 2026 series D (taxable).

The bonds are scheduled for a competitive sale on Feb. 18. The proceeds of the 2026 series A and 2026 series D bonds will be used to repay a portion of the county's outstanding GO bond anticipation notes (BANs), series 2025A (tax-exempt), and to fund the costs of public improvement projects. The series 2026 series B bond proceeds will be used to repay a portion of the county's BANs, series 2025A (tax-exempt) and to fund the costs of water and sewer projects. The series 2026 C bond proceeds will be used to refund the county's consolidated public improvement project and refunding bonds, 2016 series A (taxable).

In addition, Fitch has affirmed the following county ratings:

--Issuer Default Rating (IDR) at 'AAA';

--Outstanding GO bonds at 'AAA';

--Outstanding certificates of participation at 'AA+'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
Howard County (MD) [General Government]	LT IDR	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
Howard County (MD) /General Obligation - Unlimited Tax/1 LT	LT	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
Howard County (MD) /Lease Obligations - Standard/1 LT	LT	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable



Howard County, MD's 'AAA' IDR and GO ratings reflects the county's 'aaa' financial resilience, bolstered by 'high midrange' budgetary flexibility and Fitch's expectations that unrestricted general fund reserves (the sum of committed, assigned, and unassigned reserves) will be maintained equal to at least 10% of total spending. Unrestricted general fund reserves were equal to \$385 million or 24% of total spending and transfers out at fiscal year-end 2025 and the county has maintained these reserves in excess of 10% over the past decade.

The ratings incorporate the county's 'strongest' demographic and economic level metrics, partly offset by a 'midrange' population trend. Robust unemployment, educational attainment and median household income reflect the strength and stability of the federal government and education and healthcare sector. The county's long-term liability burden is 'midrange' relative to Fitch's rated local government portfolio, due to its moderate liabilities and fixed carrying costs compared to both resident income and total governmental resources.

The 'AA+' rating on the outstanding COPs is one notch below the IDR, reflecting debt backed by payments subject to annual appropriation.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--An approximate 74% increase in long-term liabilities due to additional debt and/or increases in pension liabilities and fixed carrying costs, assuming current levels of personal income and governmental resources;

--Failure to sustain available reserves above 10% of spending, resulting in a financial resilience assessment below 'aaa';

--A material weakening in demographic and economic metrics, including the unemployment rate, population trend, median household income and educational attainment.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- Not applicable because the 'AAA' rating is at the highest rating level.

SECURITY

The bonds are general obligations of the county, the payment and performance of which the full faith and credit and unlimited taxing power of the county are pledged.

The COPS are backed by purchase installment payments made by the county that are subject to annual appropriation.

FITCH'S LOCAL GOVERNMENT RATING MODEL

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the Issuer Default Rating except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

RATINGS HEADROOM & POSITIONING

Howard County Model Implied Rating: 'AAA' (Numerical Value: 10.73)

-- Metric Profile: 'AAA' (Numerical Value: 10.73)

-- Net Additional Analytical Factor Notching: 0.0

Howard County's Model Implied Rating is 'AAA'. The associated numerical value of 10.73 is at the upper end of the range for a 'AAA' rating.

KEY RATING DRIVERS

FINANCIAL PROFILE

Financial Resilience - 'aaa'

Howard County's financial resilience is driven by the combination of its 'High' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'High Midrange' budgetary flexibility assessment.

-- Revenue control assessment: High

-- Expenditure control assessment: Midrange

-- Budgetary flexibility assessment: High Midrange

-- Minimum fund balance for current financial resilience assessment: $\geq 10.0\%$

-- Current year fund balance to expenditure ratio: 23.7% Analyst Input (vs. 31.8% 2024 Actual)

-- Lowest fund balance to expenditure ratio for the fiscal-year period 2021-2025: 23.7% Analyst Input (vs. 17.4% actual in fiscal 2020)

Revenue Volatility - 'Strongest'

Howard County's weakest historic three-year revenue performance is neutral to the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenue dating back to 2005): 5.8% increase for the three-year period ending fiscal 2011

-- Median issuer decline: -4.3% (2024)

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

The analyst input for the five-year low available fund balance reserves was adjusted to 23.7% to reflect the inclusion of fiscal year end 2025 audited results.

DEMOGRAPHIC AND ECONOMIC STRENGTH

Population Trend - 'Midrange'

Based on the median of 10-year annual percentage change in population, Howard County's population trend is assessed as 'Midrange'.

Population trend: 1.0% Analyst Input (53rd percentile) (vs. 1.1% 2023 median of 10-year annual percentage change in population)

Unemployment, Educational Attainment and MHI Level - 'Strongest'

The overall strength of Howard County's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2024 are assessed as 'Strongest' on a composite basis, performing at the 95th percentile of Fitch's local government rating portfolio. This is due to relatively strong education attainment levels, median-issuer indexed adjusted MHI and unemployment rate.

-- Unemployment rate as a percentage of national rate: 65.0% 2024 (93rd percentile), relative to the national rate of 4.0%

-- Percent of population with a bachelor's degree or higher: 64.5% (2023) (97th percentile)

-- MHI as a percent of the portfolio median: 180.0% (2023) (96th percentile)

Economic Concentration and Population Size - 'Strongest'

Howard County's population in 2023 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 339,668 Analyst Input (above the 15th percentile) (vs. 337,341 2023 Actual)

-- Economic concentration: 43.2% (2024) (above the 15th percentile)

The population size and trend data were updated to reflect U.S. Census estimated 2024 data.

LONG-TERM LIABILITY BURDEN

Long-Term Liability Burden - 'Midrange'

Howard County's liabilities to governmental revenue remain strong while carrying costs to governmental expenditures and liabilities to personal income remain midrange. The long-term liability composite metric in 2024 is at the 59th percentile, roughly in line with Fitch's local government rating portfolio.

-- Liabilities to personal income: 6.0% Analyst Input (44th percentile) (vs. 6.1% 2024 Actual)

-- Liabilities to governmental revenue: 100.4% Analyst Input (85th percentile) (vs. 111.9% 2024 Actual)

-- Carrying costs to governmental expenditures: 14.0% Analyst Input (56th percentile) (vs. 14.5% 2024 Actual)

Net direct debt was adjusted to reflect fiscal year-end 2025 debt outstanding, less scheduled principal amortization and the addition of the current GO bond issuance. The net pension liability, total governmental revenues, actual other post-employment benefit contributions, and pension actuarially determined contributions reflect fiscal 2025 audited results. Debt service and total governmental expenditures were adjusted to include fiscal 2025 debt service and estimated debt service for the current issuance.

PROFILE

Howard County is situated within the Washington-Arlington-Alexandria MSA. It is primarily a suburban enclave with a 2024 estimated census population of 339,668, representing a 18% increase since 2010. The county has a large professional and business services sector benefiting from its proximity to federal government employment. Fort Meade, located in nearby Anne Arundel County (AAA/Stable), is a major driver of long-term regional growth, and is Maryland's largest employer. The fort is a home base for

all six military services and several federal agencies, including the National Security Agency, which is also the headquarters for the U.S. cybersecurity center.

Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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APPLICABLE CRITERIA

[U.S. Public Finance Local Government Rating Criteria \(pub. 02 Apr 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 (1)

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Howard County (MD)

EU Endorsed, UK Endorsed

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