

The Commonwealth of Massachusetts Bond Financing Programs

April 25, 2019

Commonwealth Credit Review

Replay Information

Please note that a replay of the investor broadcast associated with the following slides is available. The replay can be accessed by following the link below and will remain available until April 25, 2019.

<http://munios.com/live/CommonwealthMassApril2019>

The full slide deck for this call is found in the pages below. These slides as well as those of prior investor calls may also be accessed by visiting the Investor and Rating Agency Presentation Archive on the Commonwealth's investor website at:

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TREASURER

DEBORAH B. GOLDBERG



GOVERNOR CHARLES D. BAKER



Economic Overview

Sue Perez

Deputy Treasurer



Economic Update – Statistical Overview

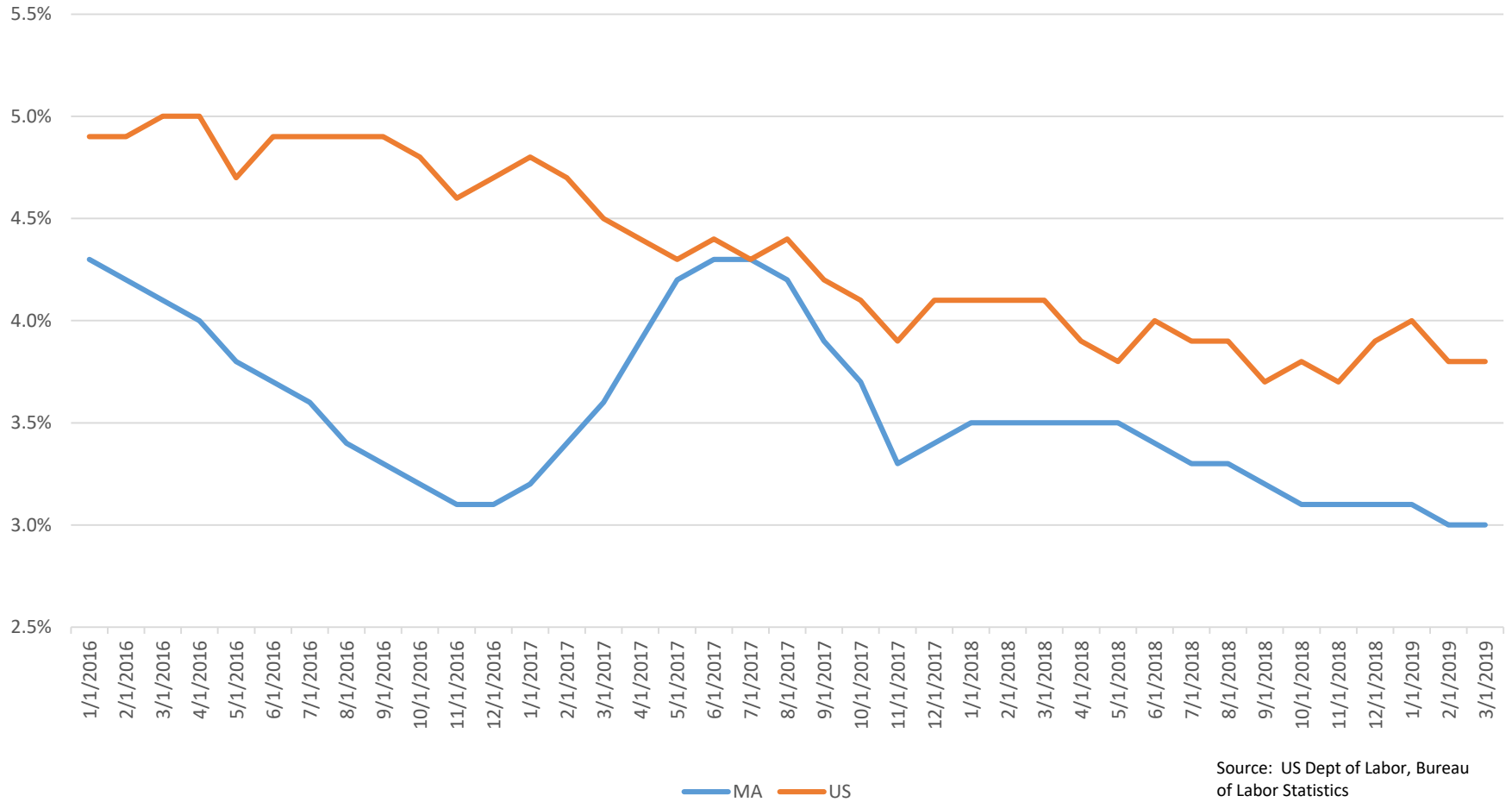
	<u>Massachusetts</u>	<u>United States</u>
<u>Population</u>		
Estimated Percent Change, July 1, 2010 – July 1, 2017	4.5%	5.3%
<u>Personal Income, Consumer Prices</u>		
Per Capita Personal Income, 2017	\$67,630	\$51,640
Annual Percent Change in CPI-U, 2017	2.5%	2.1%
Annual Percent Change in CPI-U (NSA), November 2017- November 2018	3.2%	2.2%
<u>Employment</u>		
Percent Change in Nonfarm Employment, October 2017 – October 2018	1.8%	1.7%
2018 Average Annual Unemployment Rate	3.1%	3.9%
March 2019 Unemployment Rate	3.0%	3.8%
<u>Education</u>		
2016 Expenditure Per Pupil K-12, Public	\$15,925	\$12,012
2016 Percent of Adults with at least a Bachelor's Degree	43.4%	32.0%
<u>Economic Base and Performance</u>		
Percent Change in Quarterly Gross Domestic Product, 2018 Q3-2018 Q4	2.1%	2.2%
Percent Change in International Exports, 2016-2017	4.2%	4.3%
Percent Change in Monthly Coincident Indices, January 2019 – February 2019	0.6%	0.3%

Source: UMASS Donohue Institute



Economic Update – Unemployment

Monthly Unemployment Rate

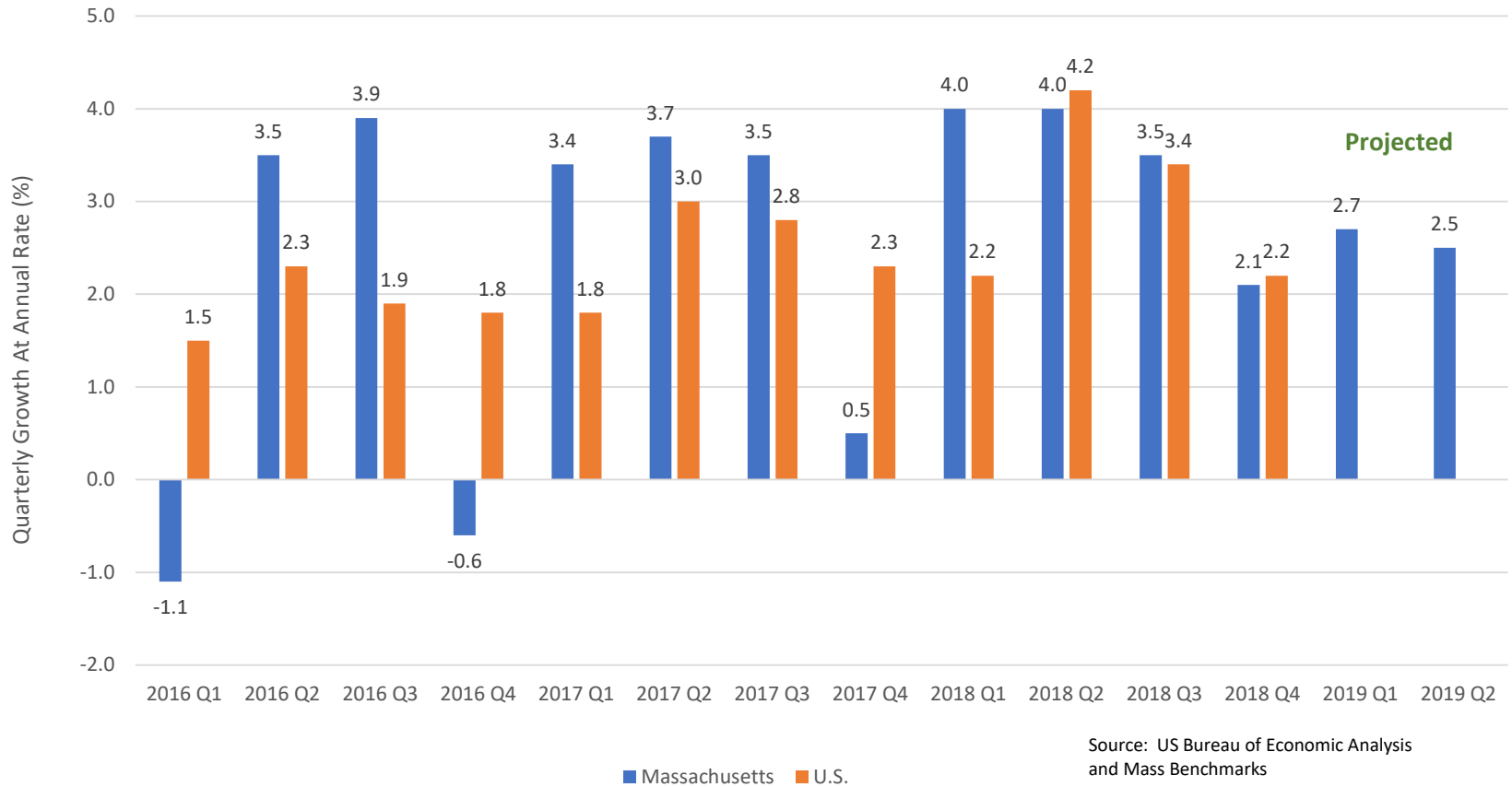


Source: US Dept of Labor, Bureau of Labor Statistics

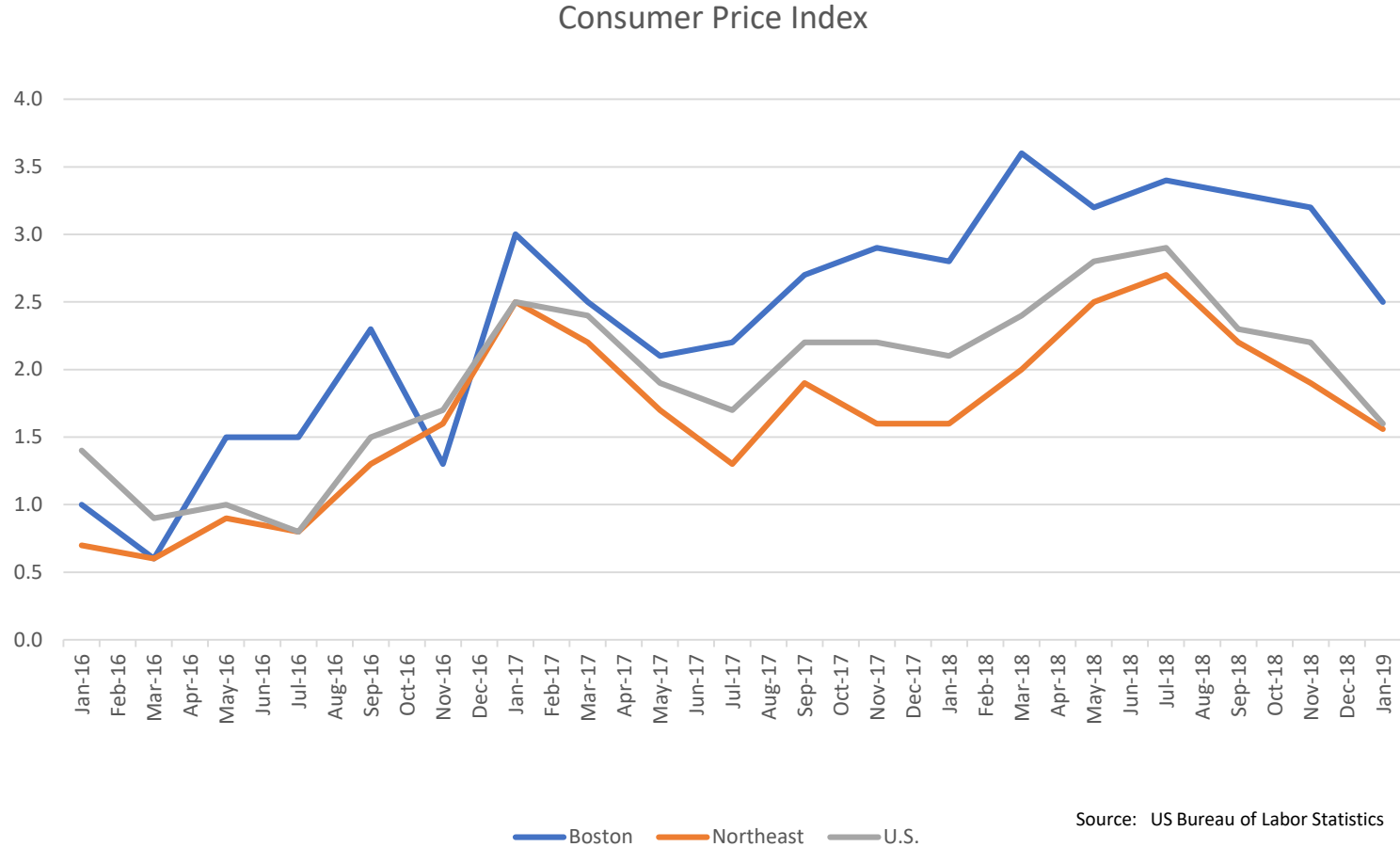


Economic Data: Growth in Real Product

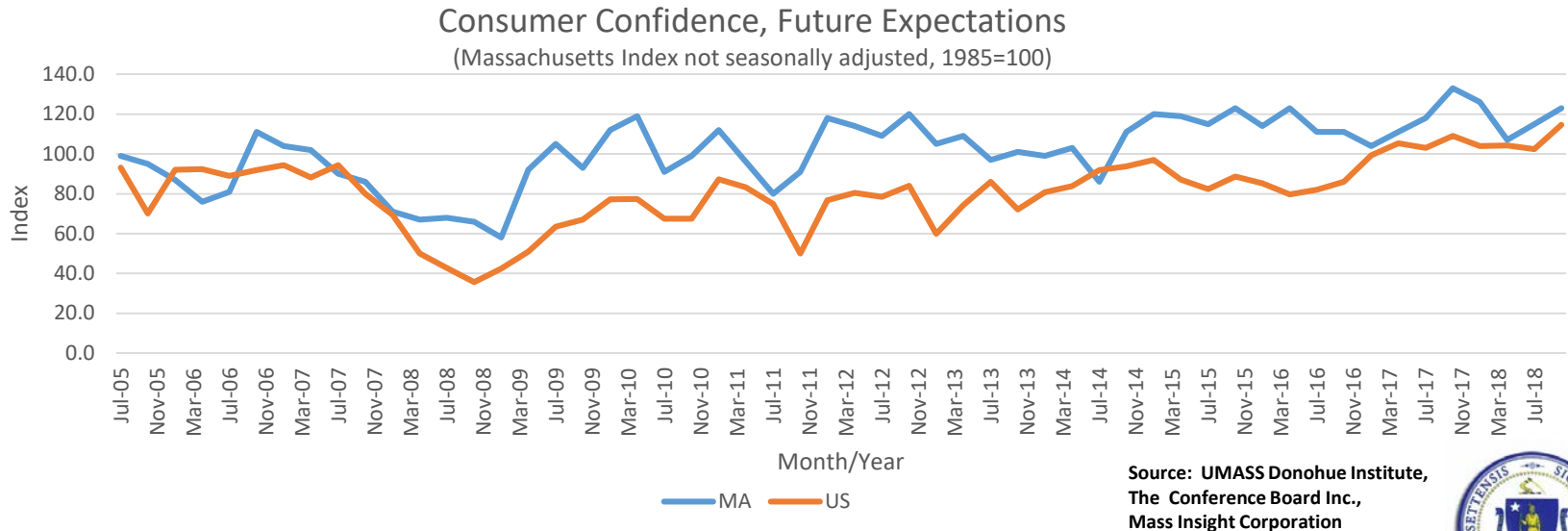
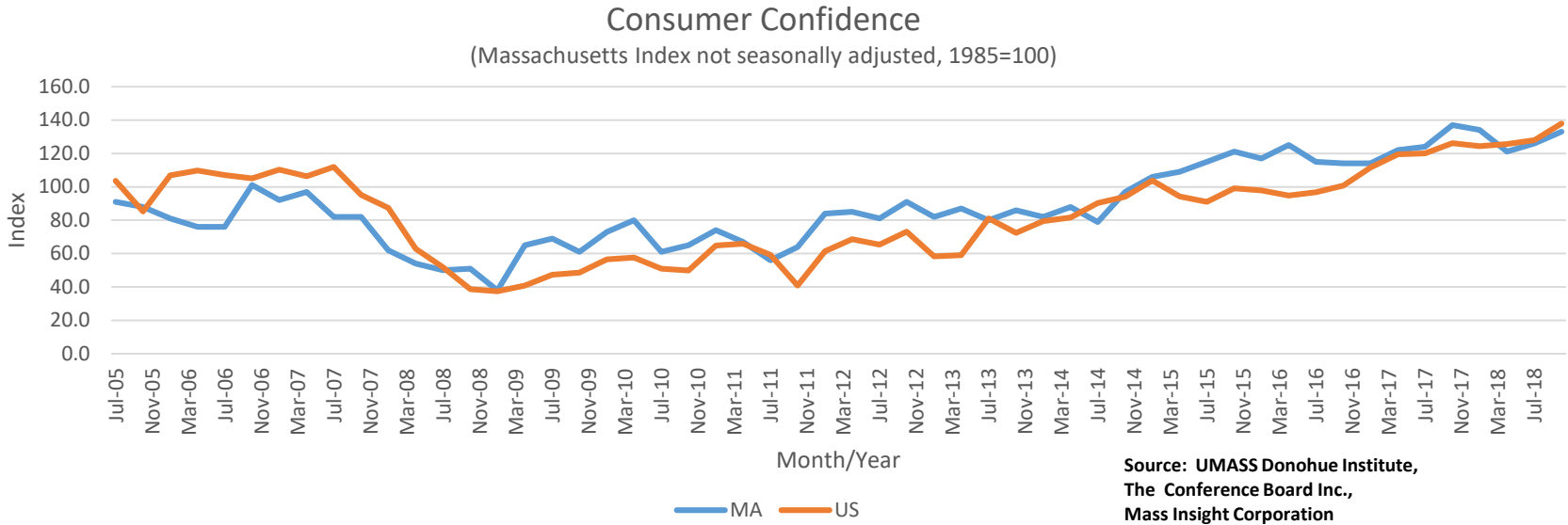
Growth in Real Product, Massachusetts vs U.S.



Economic Update – Consumer Price Index



Economic Update – Consumer Confidence



Department of Revenue

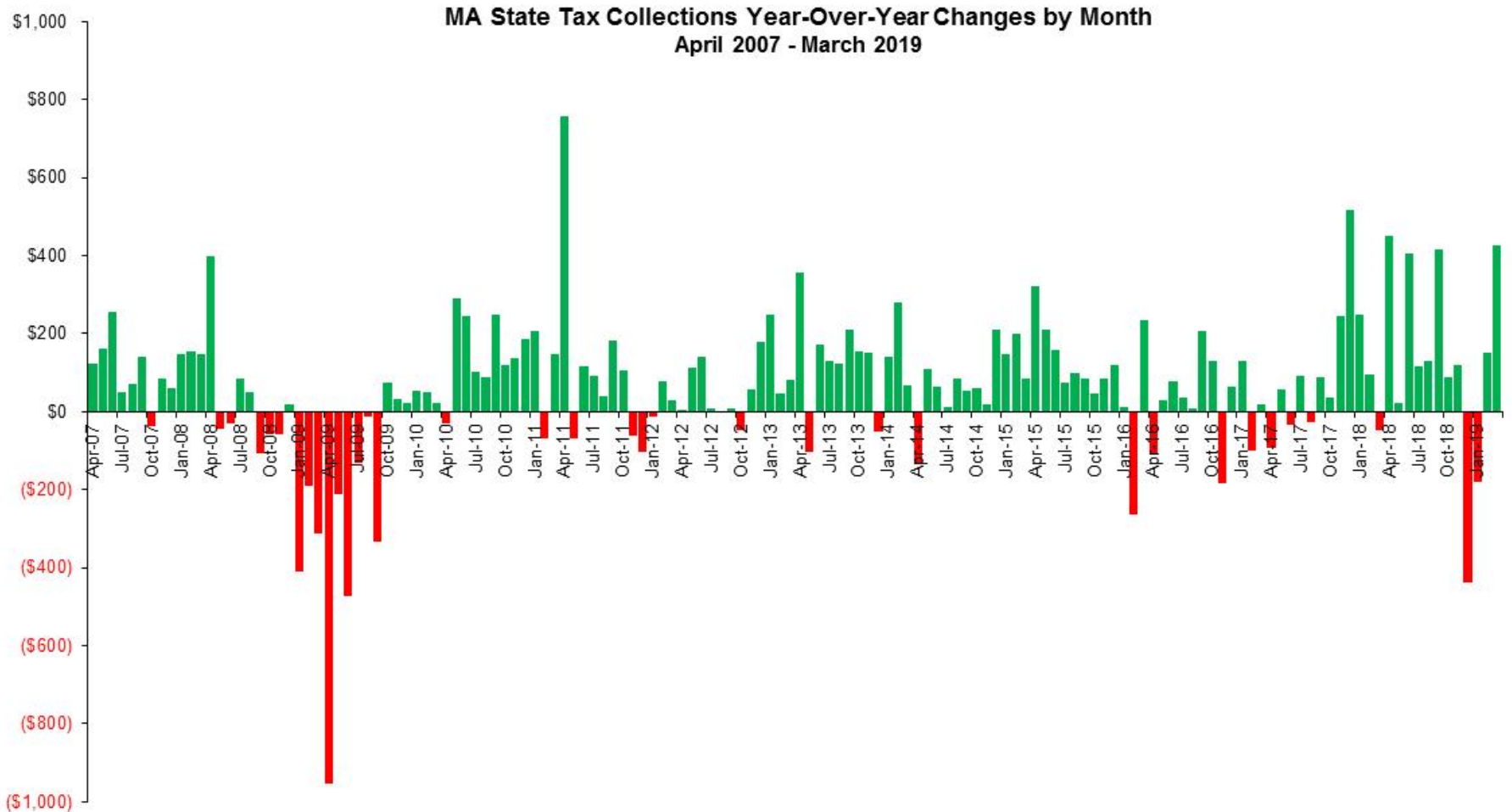
Dr. Kazim P. Özyurt

Chief Economist,

Director, Office of Tax Policy & Analysis



Monthly year-over-year changes in collections:



FY19 Year-to-Date (Through March) Tax Collections Update

March 2019 Tax Collection Summary (in \$ millions)

Preliminary as of March 31, 2019

	Month of March						FY19 YTD as of March					
	3/2019 Actual Collections	3/2019 v. 3/2018 \$ Fav/(Unfav)	3/2019 v. 3/2018 % Fav/(Unfav)	3/2019 Actual vs Benchmark \$ Fav/(Unfav)	3/2019 Actual vs Benchmark % Fav/(Unfav)	3/2019 v. 3/2018 Baseline % Change	3/2019 YTD Actual Collections	3/2019 YTD v. 3/2018 YTD \$ Fav/(Unfav)	3/2019 YTD v. 3/2018 YTD % Fav/(Unfav)	3/2019 YTD Actual vs Benchmark \$ Fav/(Unfav)	3/2019 YTD Actual vs Benchmark % Fav/(Unfav)	3/2019 YTD v. 3/2018 YTD Baseline % Change
Income												
Income Withholding	1,286	46	+3.7%	2	+0.1%	+4.8%	10,031	430	+4.5%	61	+0.6%	+5.0%
Income Est. Payments	24	4	+18.7%	5	+27.6%	+21.0%	1,606	(695)	-30.2%	(685)	-29.9%	-30.2%
Income Returns/Bills	126	31	+32.4%	31	+33.0%	+33.2%	544	52	+10.6%	29	+5.7%	+9.3%
Income Refunds Net (outflow)	(350)	43	+11.0%	47	+11.9%	+12.1%	(1,147)	61	+5.0%	61	+5.0%	+4.5%
Subtotal Non-withheld Income	(200)	78	+28.1%	84	+29.6%	-30.1%	1,002	(582)	-36.7%	(596)	-37.3%	-37.6%
Subtotal Income	1,086	124	+12.9%	86	+8.6%	+14.8%	11,034	(152)	-1.4%	(535)	-4.6%	-1.1%
Sales & Use												
Sales - Regular	333	11	+3.3%	(2)	-0.6%	+3.0%	3,488	173	+5.2%	26	+0.7%	+4.4%
Sales - Meals	85	4	+4.5%	0	+0.4%	+5.0%	907	44	+5.1%	5	+0.5%	+5.1%
Sales - Motor Vehicles	70	(2)	-2.6%	(2)	-2.2%	-0.9%	633	22	+3.6%	13	+2.1%	+3.5%
Subtotal Sales & Use	487	12	+2.6%	(3)	-0.6%	+2.8%	5,028	239	+5.0%	44	+0.9%	+4.4%
Corporate & Business - Total	927	279	+43.1%	226	+32.2%	+40.1%	2,259	513	+29.4%	402	+21.6%	+26.8%
All Other	167	11	+7.1%	8	+4.9%	+1.5%	1,866	195	+11.7%	108	+6.1%	+9.7%
Total Tax Collections	2,668	427	+19.0%	316	+13.4%	+18.7%	20,187	796	+4.1%	19	+0.1%	+3.7%

Notes: (1) The figures above exclude Tax-Related Settlements & Judgments exceeding \$10 million each. The certified total for these was \$0.0 million in March 2019, and \$48.8 million year-to-date through March 2019.

(2) The March and year-to-date benchmarks reflect the full Fiscal Year 2019 revised benchmark of \$28.592 billion.



FY19 Year-to-Date (Through March) Tax Collections Update

- Nine months into the fiscal year
 - Moderate revenue growth
 - Essentially even with year-to-date benchmark
- Collections totaled \$20.2B (Excluding \$48.8M large certified settlement payments)
 - Ahead of last year by \$796M, or +4.1%
 - Ahead of Year-to-Date benchmark by \$19M, or 0.1%
 - Better than expected performances in:
 - *Corporate & business taxes*
 - *“All other” taxes (particularly estate tax)*
 - *Withholding*
 - *Regular and Motor Vehicle sales tax**offset by less than expected performance in*
 - *Non-withheld income tax:*

*-significant drop in December-January
income estimated payments.*

- *One-time revenue events helped corporate & business and estate tax performance.*



FY19 Year-to-Date (Through March) Tax Collections Update

More specifically:

- Withholding: \$10.031B, +\$430M, +4.5% actual, +5.0% baseline, and \$61M or +0.6% above benchmark
- Non-withholding: \$1.002B, -\$582M, -36.7% actual, -37.6% baseline, and \$596M or 37.3% below benchmark (Mostly due to weak performance during Dec/Jan period)
- Sales & use tax collections: \$5.028B, +\$239M, +5.0% actual, +4.4% baseline, and \$44M or 0.9% over benchmark
- Corporate and business tax collections: \$2.259B, +\$513M, +29.4% actual, +26.8% baseline; \$402M or 21.6% over benchmark
- All Other taxes: \$1.866B, +\$195M, +11.7% actual, +9.7% baseline; 108M or 6.1% over benchmark, mostly due to volatile estate tax category



Executive Office for Administration & Finance

Michael Heffernan

Secretary

Jennifer Sullivan

Undersecretary

Catharine Hornby

*Assistant Secretary and Budget
Director*

Mark Attia

Director of Special Finance



Fiscal Year 2019

Budget

- The fiscal 2019 budget, as approved by the Governor on July 26, 2018, totaled approximately \$41.232 billion, after accounting for \$37.6 million in net line-item vetoes, and excluding transfers to the Medical Assistance Trust Fund, the pension liabilities trust fund, and other interfund transfers
- The fiscal 2019 budget was approximately \$1.26 billion, or 3.2%, greater than fiscal 2018 estimated spending levels as of the time of the Governor's approval
- The fiscal 2019 budget also projected a net deposit of \$368 million to the Stabilization Fund
- Current estimates indicate that the variance between revenues and spending in fiscal 2019 is less than 1%
- The Executive Office for Administration and Finance will continue to monitor revenues and spending and implement measures as necessary to ensure that the Commonwealth's budget for fiscal 2019 will achieve statutory balance



Fiscal Year 2020: Consensus Revenue Estimates for FY2020

Consensus Revenue Estimates for FY2020

- On December 31, 2018, a fiscal 2020 consensus tax revenue estimate of \$29.299 billion was agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means
- The fiscal 2020 consensus tax revenue estimate reflects a forecast of 2.7% in tax revenue growth over projected fiscal 2019 tax revenues (as revised)
- The consensus revenue estimate for fiscal 2020 assumes that the state personal income tax rate will decrease from 5.05% to 5.00% on January 1, 2020, in accordance with the statutory mechanism
- After accounting for statutorily required transfers for pensions, the MBTA, the MSBA and the Workforce Training Fund, the Secretary and Committee chairs agreed that \$24.219 billion would be the maximum amount of tax revenue available for the fiscal 2020 budget



Fiscal Year 2020: Governor's Budget Recommendation

Governor's Budget Recommendation on January 23, 2019

- On January 23, 2019, the Governor filed his fiscal 2020 budget recommendation, providing for a total of \$42.7 billion in state spending
- Excluding \$481.3 million in projected transfers to the Medical Assistance Trust Fund, the budget as filed represented an increase of 1.5% over projected fiscal 2019 spending and anticipated a deposit of \$297 million to the Stabilization Fund in fiscal 2020
- The Governor's budget recommendation has been filed with the Legislature for consideration in accordance with the Commonwealth's annual budgeting process
- The House of Representatives generally approves its version of the budget in late April, and the Senate generally approves its version in late May
- The differences between the two versions are then reconciled by a legislative conference committee during the month of June, so that a final version can be enacted by the Legislature and sent to the Governor for his approval prior to the start of the new fiscal year on July 1



Office of the State Treasurer

Debt / Capital Presentation

Sue Perez

Deputy Treasurer



Financing Update

- The State Treasurer’s Office (TRE) continues to issue debt periodically to fund the state’s capital budget, following the guidelines of the Executive Office for Administration & Finance’s (A&F) Debt Affordability Analysis.
- Since the August call, the Commonwealth sold \$600.0 million of GO new money and \$396.3 million of GO refunding bonds.

Series	Par Amount	Sale Date	Award/Bookrunner	Maturity Range	Avg Life	All-In-TIC
GO 2019 A, B & AR	\$918.32 MM	1/8/2019	BAML	2020-2049	5.5	2.09%
GO 2019 BR	\$77.945 MM	1/24/2019	BAML	2021-2038	9.4	3.63%



Upcoming Transactions

Plan of Finance *

Month	Par Amount	Structure	Type	Credit	Method of Sale
May 2019	\$700 M	Fixed-Rate Tax Exempt	New Money	GO	Competitive
August 2019	\$1.0 - \$1.5 B	Revenue Anticipation Notes	New Money	GO	Competitive
September 2019	\$600 M	Fixed-Rate Tax Exempt	New Money	GO	Negotiated
Oct/Nov 2019	\$225 M	Fixed-Rate Tax Exempt Rail Enhancement Program	New Money	CTF	Negotiated

*Preliminary and subject to change



Issuance Timeline*

- The Commonwealth expects to sell on a competitive basis
 - 2019 Series C, D & E on May 7th
- Our current Information Statement is available at www.massbondholder.com. The Preliminary Official Statements will be also available on the website as they are released (Expected release date of April 29th).
- To receive email notifications of our investor events please send us an email at: massbondholder@tre.state.ma.us or follow us on Twitter **@BuyMassBonds**

GO New Money	May 7, 2019
GO Closing Date	May 15, 2019

* Preliminary, subject to change



Questions, please contact:

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QUESTIONS

