

Rating Action: Moody's assigns Aa1 to Massachusetts' GO Bonds Consolidated Loan of 2020 Series E, GO Refunding Bonds 2020 Series D and GO Refunding Bonds 2020 Series E (Federally Taxable); outlook stable

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New York, November 06, 2020 -- Moody's Investors Service has assigned Aa1 ratings to the Commonwealth of Massachusetts' \$500 million General Obligation Bonds, Consolidated Loan of 2020, Series E, \$500 million General Obligation Refunding Bonds, 2020 Series D and \$300 million General Obligation Refunding Bonds, 2020 Series E (Federally Taxable). The outlook is stable.

RATINGS RATIONALE

The Aa1 rating reflects the commonwealth's robust economic base in good times and its strong management practices to help navigate challenging times. The commonwealth retains strong social factors, such as a highly educated workforce and high income levels, that draw employers and help the commonwealth afford its elevated long-term liability burden. Reliance on economically sensitive revenues is balanced by healthy reserves and the ability to access alternate sources of liquidity. Massachusetts' strong governance framework is reflected in its sound financial and budgetary management practices, which will remain key credit factors as the state navigates future uncertainty.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for Massachusetts. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the commonwealth changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

Massachusetts' stable outlook reflects our expectation that the commonwealth will continue its trend of strong financial management, taking proactive measures to navigate credit challenges emerging during the ongoing global pandemic.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Continued growth of reserves and establishment of stronger constraints on their use
- Established trend of structural budget balance
- Moderated debt and pension burdens, especially relative to peers

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Protracted structural budget imbalance
- Reserves or liquidity that fall below adequate levels
- Growth in leverage relative to state GDP or rising fixed costs relative to state revenue

LEGAL SECURITY

The bonds are general obligations of the Commonwealth of Massachusetts, which has pledged its full faith and credit for the payment of principal and interest when due. We note, however, that state law limits annual tax revenue growth and does not exempt debt service payments from this limitation.

USE OF PROCEEDS

The 2020 Series E bonds will fund capital projects as laid out in the commonwealth's most recent capital investment plan. The 2020 Series D bonds will currently refund outstanding Series 2012B and 2012C bonds,

along with 2018 Variable Rate Refunding Series A, for expected net present value savings, the majority of which will be taken through fiscal 2031. The 2020 Series E refunding bonds will advance refund 2001B refunding bonds, GO Consolidated Loan of 2011 Series D, Consolidated Loan of 2013 Series D and Consolidated Loan of 2014 Series A for expected net present value savings.

PROFILE

The Commonwealth of Massachusetts is the 15th largest state by population, boasting an estimated 6.9 million residents in 2019. Its gross domestic product, reaching \$596 billion, ranks 11th among the states. Per capita income was 132% of the national average in 2019, the 2nd highest.

METHODOLOGY

The principal methodology used in these ratings was US States and Territories published in April 2018 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1084466 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569 .

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