

**Rating Action: Moody's assigns Aa1 to Massachusetts' GO Bonds Consolidated Loan of 2021 Series A and B**

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New York, April 26, 2021 -- Moody's Investors Service has assigned Aa1 ratings to the Commonwealth of Massachusetts' \$200 million General Obligation Bonds, Consolidated Loan of 2021, Series A and \$400 million General Obligation Bonds, Consolidated Loan of 2021, Series B. 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's credit is bolstered by 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.

**RATING OUTLOOK**

Massachusetts' stable outlook reflects our expectation that the commonwealth will continue its trend of strong financial management as it continues to navigate through the economic impacts of the coronavirus pandemic. Significant reserve drawdown authorization is not expected to be needed given that revenue collections have outperformed projections year to date, and considering the substantial federal aid coming to the commonwealth.

**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 2021 Series A and B bonds will fund capital projects as laid out in the commonwealth's most recent capital investment plan. The plan, which is an administrative guideline and is subject to amendment at any time, sets forth capital spending allocations for various purposes and establishes annual capital spending limits for the Commonwealth.

**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](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1084466) . Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://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](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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