

Rating Action: Moody's assigns Aa1 to Massachusetts' GO Series 2021D; announces split in sale and par amount increase

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New York, September 24, 2021 -- Moody's Investors Service has assigned an Aa1 rating to the Commonwealth of Massachusetts' \$350 million General Obligation Bonds Consolidated Loan of 2021, Series D. The Series D bonds are a result of the General Obligation Bonds Consolidated Loan of 2021, Series C split into two series with an aggregated increased par amount, the \$385 million Consolidated Loan of 2021, Series C and the \$350 million Consolidated Loan of 2021, Series D. The total sale amount increased to \$735 million, from \$500 million. The updates do not affect the Aa1 rating assigned. 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 periods. 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's 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. Above-forecast revenue performance coupled with substantial federal aid has enabled growth in reserves that are expected to remain at least stable in fiscal 2022.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- 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 C and 2021 Series D bonds will fund various capital projects as laid out in the commonwealth's capital investment plan. The 2021 Refunding Series A bonds will refund to fixed rate the Series 2000A&B variable rate demand notes, and are anticipated to generate a modest amount of net present value savings.

PROFILE

The Commonwealth of Massachusetts is the 15th largest state by population, with an estimated 7 million residents as of the 2020 census. Its gross domestic product, at \$584 billion in 2020, ranks 12th among the states. Per capita income was 134% of the national average in 2020, the 2nd highest.

METHODOLOGY

The principal methodology used in this rating was US States and Territories published in April 2018 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1084466 . Alternatively, please see the Rating Methodologies page on www.moody.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.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody.com.

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

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1288435 .

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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