

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aa1 to Massachusetts's GO Bonds 2021 Series C and Refunding Series A

09 Sep 2021

New York, September 09, 2021 -- Moody's Investors Service has assigned Aa1 ratings to the Commonwealth of Massachusetts's \$500 million General Obligation Bonds, Consolidated Loan of 2021, Series C and \$250 million General Obligation Refunding Bonds, 2021 Series A. As of fiscal 2020, Massachusetts had \$43 billion of net tax supported debt outstanding. 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's 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 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 C 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 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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