

Rating Action: Moody's assigns Aa1 to Massachusetts' GO Bonds Consolidated Loan of 2022 Series A and B; outlook stable

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New York, January 19, 2022 -- Moody's Investors Service has assigned Aa1 ratings to the Commonwealth of Massachusetts' \$300 million General Obligation Bonds, Consolidated Loan of 2022, Series A and \$350 million General Obligation Bonds, Consolidated Loan of 2022, Series B. The outlook is stable.

RATINGS RATIONALE

The Aa1 rating reflects the commonwealth's robust economic base, driven by social factors such as a highly educated workforce and high income levels, that support an 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 served the commonwealth well through the economic downturn resulting from the pandemic.

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, including the significant revenue recovery coming out of the pandemic, as well as ongoing labor market recovery.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Sustained 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 2022 Series A and B bonds will be used to finance or reimburse the Commonwealth for a variety of capital expenditures which are included within the capital investment plan maintained by the Executive Office for Administration and Finance. 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, with an estimated 7 million residents as of the 2021 census. Its gross domestic product, at \$582 billion in 2020, ranks 12th among the

states. Per capita income was 132% of the national average in 2020, the 3rd 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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