

# **The Commonwealth of Massachusetts Bond Financing Programs**



**October 6<sup>th</sup>, 2023  
Commonwealth Credit Review**

## Replay Information

---

**Please note that a replay of the investor broadcast associated with the following slides is available. The replay can be accessed by following the link below and will remain available until October 6, 2024.**

**<https://munios.com/live/CommonwealthOct23>**

**The full slide deck for this call is found in the pages below. These slides as well as those of prior investor calls may also be accessed by visiting the Investor and Rating Agency Presentation Archive on the Commonwealth's investor website at: [www.massbondholder.com](http://www.massbondholder.com)**

**For audio, participants are asked to dial in using the following information:**

**Dial-in: +1-800-343-4136**

**Passcode: COMWEALTH**



# Disclaimer

---

This presentation has been prepared by The Commonwealth of Massachusetts to provide summary information relative to the general obligation credit of The Commonwealth. The presentation is incomplete. The presentation is not part of the Commonwealth's Information Statement (Information Statement) and is qualified in all respects by reference to the most recently updated Information Statement that has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system.

Investment decisions relating to Commonwealth general obligation bonds and notes should be based only upon the most recently updated Information Statement and the Official Statement of the Commonwealth relating to such bonds or notes. The provision of access to this presentation does not constitute an offer to sell or the solicitation of an offer to buy any bonds or notes that may be described or mentioned in the presentation. Commonwealth bonds and notes are sold only by means of an Official Statement and through registered broker-dealers.

The information set forth herein includes information obtained from non-Commonwealth sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Commonwealth. All information and expressions of opinion herein are subject to change without notice. The Commonwealth undertakes no obligation to provide any additional information or to update any of the information or the conclusions contained herein or to correct any inaccuracies that may become apparent.

This presentation contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates" and other similar words.



---

# TREASURER

Deborah B. Goldberg



---

# GOVERNOR

Maura Healey

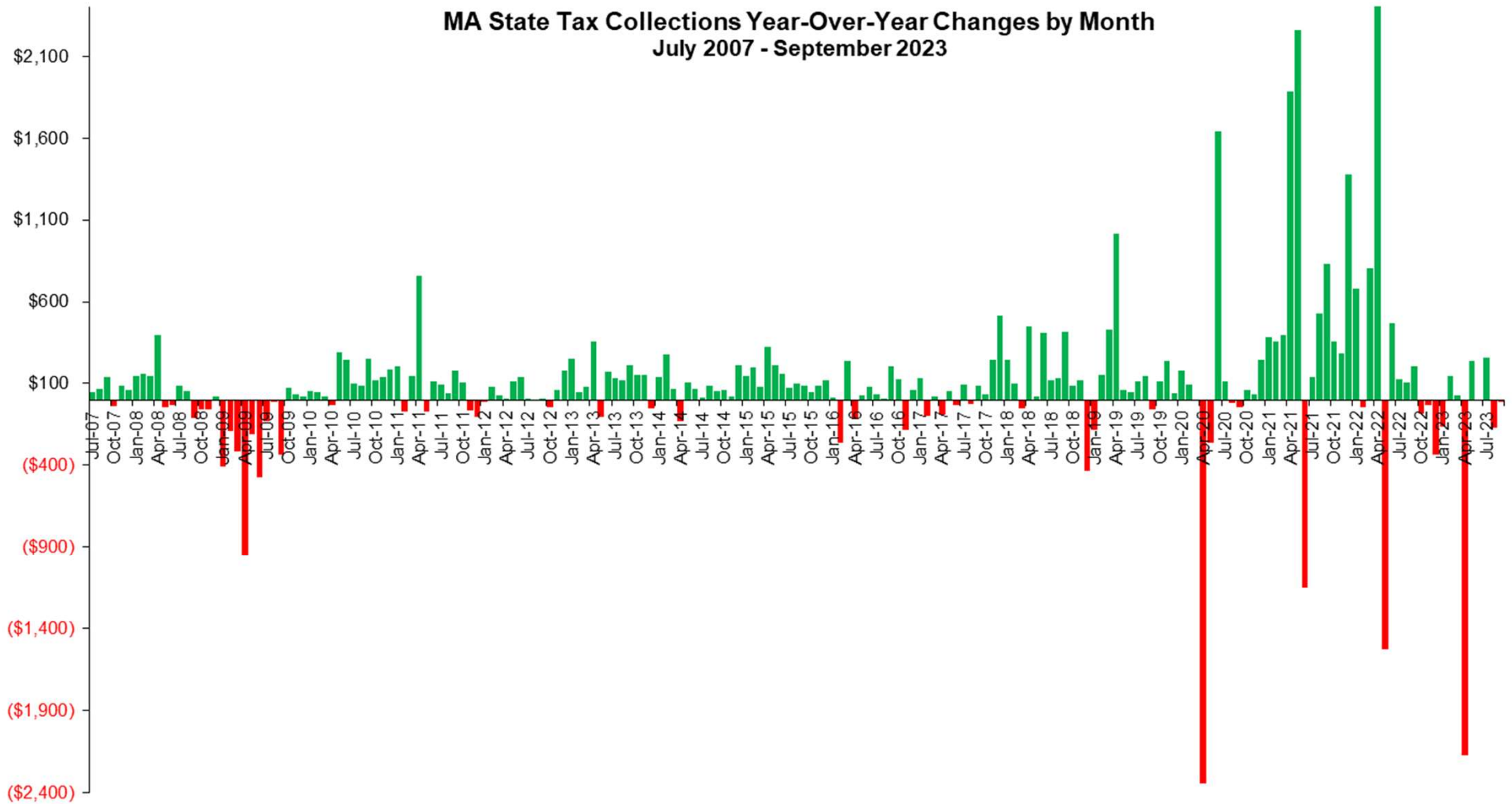
---

# DEPARTMENT OF REVENUE

Dr. Kazim P. Özyurt

*Chief Economist, Director  
Office of Tax Policy & Analysis*

# Monthly Year-Over-Year Changes in Collections



# Recap of FY23 Revenue Performance

## June 2023 Tax Collections Summary (in \$ millions)

Preliminary as of August 11, 2023

	Month of June					FY23 YTD as of June				
	06/23 Actual Collections	06/23 v. 06/22 \$ Fav/(Unfav)	06/23 v. 06/22 % Fav/(Unfav)	06/23 Actual vs Benchmark \$ Fav/(Unfav)	06/23 Actual vs Benchmark % Fav/(Unfav)	06/23 YTD Actual Collections	06/23 YTD v. 06/22 YTD \$ Fav/(Unfav)	06/23 YTD v. 06/22 YTD % Fav/(Unfav)	06/23 YTD Actual vs Benchmark \$ Fav/(Unfav)	06/23 YTD Actual vs Benchmark % Fav/(Unfav)
<b>Income</b>										
Income Withholding	1,377	140	+11.3%	54	+4.1%	16,654	739	+4.6%	26	+0.2%
Income Est. Payments	699	(108)	-13.3%	244	+53.5%	3,759	(829)	-18.1%	345	+10.1%
Income Returns/Bills	109	(6)	-5.6%	15	+15.7%	3,924	(1,800)	-31.4%	(1,447)	-26.9%
Income Refunds Net (outflow)	(78)	27	+25.6%	38	+32.9%	(2,558)	(667)	-35.3%	3	+0.1%
Subtotal Non-withheld Income	731	(87)	-10.7%	297	+68.3%	5,125	(3,297)	-39.1%	(1,099)	-17.7%
<b>Subtotal Income</b>	<b>2,108</b>	<b>53</b>	<b>+2.6%</b>	<b>350</b>	<b>+19.9%</b>	<b>21,779</b>	<b>(2,557)</b>	<b>-10.5%</b>	<b>(1,073)</b>	<b>-4.7%</b>
<b>Sales &amp; Use</b>										
Sales - Regular	592	36	+6.5%	31	+5.6%	6,708	391	+6.2%	52	+0.8%
Sales - Meals	137	5	+3.8%	5	+3.9%	1,495	160	+12.0%	46	+3.2%
Sales - Motor Vehicles	130	7	+5.3%	14	+11.7%	1,198	85	+7.6%	34	+3.0%
<b>Subtotal Sales &amp; Use</b>	<b>859</b>	<b>48</b>	<b>+5.9%</b>	<b>50</b>	<b>+6.2%</b>	<b>9,401</b>	<b>635</b>	<b>+7.2%</b>	<b>133</b>	<b>+1.4%</b>
<b>Corporate &amp; Business - Total</b>	<b>895</b>	<b>(111)</b>	<b>-11.0%</b>	<b>(33)</b>	<b>-3.5%</b>	<b>5,062</b>	<b>(7)</b>	<b>-0.1%</b>	<b>216</b>	<b>+4.5%</b>
<b>All Other</b>	<b>276</b>	<b>5</b>	<b>+1.7%</b>	<b>26</b>	<b>+10.6%</b>	<b>2,922</b>	<b>(12)</b>	<b>-0.4%</b>	<b>120</b>	<b>+4.3%</b>
<b>Total Tax Collections</b>	<b>4,137</b>	<b>(6)</b>	<b>-0.1%</b>	<b>394</b>	<b>+10.5%</b>	<b>39,164</b>	<b>(1,941)</b>	<b>-4.7%</b>	<b>(605)</b>	<b>-1.5%</b>

Note: The figures above exclude Tax-Related Settlements & Judgments exceeding \$10 million each. The total for these was \$0.00 million in June 2023 and \$43.04 million in FY23 year-to-date.





# Recap of FY23 Revenue Performance

---

- **Preliminary total \$39.164 billion<sup>(\*)</sup>**
  - Down \$1.941 billion, or 4.7% over FY22,
  - \$605 million below benchmark.
- **We had:**
  - a decrease in capital gains tax collections relative to FY22's unprecedented collections,
  - an increase in pass-through entity (PTE) members applying credits to reduce their tax payments, (partially offset by)
  - increases in withholding and sales and use tax, which were driven by strong labor market conditions and strength in retail sales.
- **Major tax categories:**
  - Non-withheld income tax, \$1.099B below benchmark.
  - Withholding, \$26M above benchmark.
  - Corporate tax, \$216M above benchmark.
  - Sales tax, \$133M above benchmark.
  - All other, \$120M above benchmark.
- **Capital gains**
  - Total: \$2.237B<sup>(\*\*)</sup>, \$834M above the FY23 threshold of \$1.404B.
    - Excess amount was transferred to Commonwealth Stabilization Fund, State Retiree Benefits trust Fund, and Commonwealth Pension Liability Fund.

---

(\*) Excluding "tax-related" settlements of \$43.04 million

(\*\*) This total does not include an estimated \$104 million in capital gains tax revenue collected from the 4% income surtax.



# FY24 Year-to-Date (Through September) Tax Collections

## September 2023 Tax Collections Summary (in \$ millions)

Preliminary as of October 4, 2023

	Month of September					FY24 YTD as of September				
	09/23 Actual Collections	09/23 v. 09/22 \$ Fav/(Unfav)	09/23 v. 09/22 % Fav/(Unfav)	09/23 Actual vs Benchmark \$ Fav/(Unfav)	09/23 Actual vs Benchmark % Fav/(Unfav)	09/23 YTD Actual Collections	09/23 YTD v. 09/22 YTD \$ Fav/(Unfav)	09/23 YTD v. 09/22 YTD % Fav/(Unfav)	09/23 YTD Actual vs Benchmark \$ Fav/(Unfav)	09/23 YTD Actual vs Benchmark % Fav/(Unfav)
<b>Income</b>										
Income Withholding	1,420	145	+11.4%	67	+4.9%	4,079	264	+6.9%	60	+1.5%
Income Est. Payments	819	(53)	-6.0%	(75)	-8.4%	907	(73)	-7.5%	(71)	-7.3%
Income Returns/Bills	136	(53)	-28.1%	(48)	-26.0%	286	(43)	-13.1%	(44)	-13.4%
Income Refunds Net (outflow)	(94)	30	+24.2%	(5)	-5.1%	(175)	22	+11.2%	(8)	-5.0%
Subtotal Non-withheld Income	861	(76)	-8.1%	(127)	-12.9%	1,018	(95)	-8.5%	(124)	-10.8%
<b>Subtotal Income</b>	<b>2,281</b>	<b>69</b>	<b>+3.1%</b>	<b>(60)</b>	<b>-2.6%</b>	<b>5,097</b>	<b>169</b>	<b>+3.4%</b>	<b>(64)</b>	<b>-1.2%</b>
<b>Sales &amp; Use</b>										
Sales - Regular	481	(36)	-7.0%	(33)	-6.4%	1,603	(44)	-2.7%	(42)	-2.5%
Sales - Meals	126	(5)	-4.1%	(4)	-2.8%	407	9	+2.4%	(1)	-0.1%
Sales - Motor Vehicles	103	(2)	-2.2%	(4)	-4.1%	296	7	+2.5%	(3)	-1.1%
<b>Subtotal Sales &amp; Use</b>	<b>710</b>	<b>(44)</b>	<b>-5.8%</b>	<b>(41)</b>	<b>-5.4%</b>	<b>2,307</b>	<b>(28)</b>	<b>-1.2%</b>	<b>(45)</b>	<b>-1.9%</b>
<b>Corporate &amp; Business - Total</b>	<b>957</b>	<b>(26)</b>	<b>-2.7%</b>	<b>(37)</b>	<b>-3.7%</b>	<b>1,157</b>	<b>(15)</b>	<b>-1.3%</b>	<b>(26)</b>	<b>-2.2%</b>
<b>All Other</b>	<b>239</b>	<b>(11)</b>	<b>-4.4%</b>	<b>(13)</b>	<b>-5.0%</b>	<b>723</b>	<b>(48)</b>	<b>-6.2%</b>	<b>(36)</b>	<b>-4.7%</b>
<b>Total Tax Collections</b>	<b>4,187</b>	<b>(12)</b>	<b>-0.3%</b>	<b>(150)</b>	<b>-3.5%</b>	<b>9,284</b>	<b>78</b>	<b>+0.9%</b>	<b>(170)</b>	<b>-1.8%</b>

Note: The figures above exclude Tax-Related Settlements & Judgments exceeding \$10 million each. The total for these was \$0.00 million in September 2023 and \$0.00 million in FY24 year-to-date.



## **FY24 Year-to-Date (Through September) Tax Collections**

---

- **Negative performances versus benchmark in:**
  - non-withholding income tax,
  - sales tax, corporate & business tax, and
  - “All Other” taxes (partially offset by)
- **Positive performances in withholding income tax.**
- **Year-to-date total \$9.284 billion:**
  - \$78 million, or 0.9% more than the same period in fiscal 2023, but
  - \$170 million, or 1.8% below year-to date benchmark.



# FY24 Year-to-Date (Through September) Tax Collections

---

## More specifically:

- Withholding: \$4.079B, +\$264M, +6.9% actual, and \$60M or 1.5% above benchmark
- Non-withholding: \$1.018B, -\$95M or -8.5% actual, and \$124M or 10.8% below benchmark
- Sales & use tax collections: \$2.307B, -\$28M or -1.2% actual, and \$45M or 1.9% below benchmark
- Corporate and business tax collections: \$1.157B, -\$15M or -1.3% actual, and \$26M or 2.2% below benchmark
- All Other taxes: \$723M, -\$48M or -6.2% actual, and \$36M or 4.7% below benchmark.



---

# EXECUTIVE OFFICE FOR ADMINISTRATION & FINANCE (A&F)

Matthew Gorzkowicz

*Secretary*

Kaitlyn Connors

*Assistant Secretary for Capital*

John Caljouw

*Finance Director*



# Fiscal Year 2023 Review

---

## Operating Budget

- The fiscal 2023 budget, as approved by then-Governor Baker on July 28, 2022, included approximately **\$52.7 billion** in authorized spending, excluding transfers to the Medical Assistance Trust Fund. It also supported a number of major one-time transfers to support key priorities including MBTA safety, early education initiatives, the Student Opportunity Act Investment Fund, and the pension and OPEB systems.
- Governor Healey approved two mid-year supplemental budget appropriations that provided additional funding to address critical needs and make one-time investments that supported Administration priorities.
  - On March 29, 2023, the Governor approved a supplemental budget for fiscal 2023, authorizing **\$389 million** in supplemental appropriations, at a net state cost of **\$261 million**. Major spending items included:
    - **\$92 million** to address urgent needs across the state's family emergency shelter system;
    - **\$132 million** to create an offramp from the federal Supplemental Nutrition Assistance (SNAP) Emergency Allotments and reimburse certain victims of SNAP benefit theft;
    - **\$68 million** for grants to support and stabilize early education and care; and
    - **\$65 million** to extend a universal school meals pilot program.
  - On July 31, 2023 the Governor approved another supplemental budget for fiscal 2023, authorizing **\$200 million** in supplemental appropriations, at a net state cost of **\$200 million**. Major spending items included:
    - **\$180 million** to support fiscally strained hospitals; and
    - **\$20 million** to support emergency relief for victims associated with recent flooding.



# Fiscal Year 2023 Review (Continued)

---

## Operating Budget (cont.)

- On September 13, 2023, the Governor filed a supplemental budget to close out Fiscal Year 2023 in balance, pay for new collective bargaining agreements, and continue to provide safe shelter and support services for thousands of families experiencing homelessness.
- The supplemental budget allocates approximately **\$2.2 billion gross** or **\$833.3 million net** to cover fiscal 2023 spending and continue with a MassHealth payment strategy that has enabled Massachusetts to spread the impact of the loss of enhanced COVID-19 reimbursements across fiscal years. It also includes funding to support fiscal 2024 emergency assistance spending. In total, **\$2.1 billion gross / \$798.8 million net** will be dedicated to MassHealth.

## Stabilization Fund

- The state's preliminary fiscal 2023 year-end budget stabilization fund balance is approximately **\$7.9 billion** – a 15% increase over the prior year's balance of **\$6.9 billion**.



# Fiscal Year 2023 Review (Continued)

---

## Capital Investment Plan

- On June 22, 2023, the Governor announced the five-year capital investment plan for fiscal years 2024 through 2028, which includes an administrative bond cap of approximately **\$2.9 billion** for fiscal 2024. This represents a **\$125 million** or **4.5%** increase over the fiscal 2023 administrative bond cap.
- The plan includes major investments designed to make the Commonwealth more affordable, competitive, and equitable, including historic levels of funding for housing development, preservation and rehabilitation. It also expands support for successful economic development programs, dedicates crucial resources to update and strengthen state infrastructure, and reflects the administration's commitment to meeting the state's climate goals, with decarbonization and climate-conscious investments woven throughout the plan.
- The plan also continues to capitalize on historic federal opportunities, like those created through the federal Bipartisan Infrastructure Law (BIL) and leverages state dollars to capture additional federal funding for infrastructure. The Administration is actively reviewing ways in which the Commonwealth can aggressively compete for and maximize federal funding as it becomes available for a variety of capital projects.





# Fiscal Year 2024 Consensus Revenue

---

## Consensus Revenue Estimates for Fiscal Year 2024

- On January 30, 2023, a fiscal 2024 consensus tax revenue estimate of **\$40.4 billion**, and an estimate of **\$1.0 billion** of revenue resulting from the new **4%** surtax on personal income above **\$1.0 million** approved through a ballot initiative in November 2022 (surtax revenue), were agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means.
- The fiscal 2024 consensus tax revenue estimate of **\$40.4 billion** represents revenue growth of **1.6%** from the revised fiscal 2023 estimate of **\$39.8 billion**.
- The estimated **\$1 billion** of additional surtax revenue is available in fiscal 2024 to support new education and transportation initiatives deriving from the requirements of the approved ballot initiative.
- After accounting for statutorily required transfers for pensions, and to the MBTA, the MSBA and the Workforce Training Fund, the Secretary and Committee chairs agreed that **\$32.9 billion** (exclusive of the expected additional surtax revenue) would be the maximum amount of tax revenue available for the fiscal 2024 budget.



# Fiscal Year 2024 Operating Budget

---

## Fiscal Year 2024 Approved Operating Budget

- The fiscal 2024 budget was approved by the Governor on August 9, 2023. It provides for approximately **\$55.9 billion** in authorized spending, including projected transfers to the Medical Assistance Trust Fund and accounts for a reduction of approximately **\$580 million** of tax revenue related to the tax relief legislation that was pending before the Legislature at the time of approval.
- The fiscal 2024 budget is approximately **5.1%** greater than fiscal 2023 estimated spending levels at the time of the Governor's approval.
- The fiscal 2024 budget as approved by the Governor incorporates an increased **\$40.8 billion** tax revenue forecast, which reflects the consensus tax revenue estimate of **\$40.4 billion** and the **\$1.0 billion** estimate of revenue from the new 4% surtax on personal income above \$1 million, reduced by a **\$580 million** set aside for a tax relief package that is still pending before the Legislature.
- The budget includes a new Education and Transportation Fund that will segregate all surtax revenue from the General Fund and ensure that it is only invested in education and transportation, as intended by the ballot initiative.



# Fiscal Year 2024 Operating Budget (Continued)

---

## Emergency Assistance

- On August 8, 2023, Governor Healey declared a state of emergency in Massachusetts due to rapidly rising numbers of families, including newly arriving immigrants and refugees, seeking emergency shelter and supportive services in Massachusetts.
- As of September 1, 2023, there were over 6,100 homeless families in the state shelter system. The fiscal 2024 budget assumed a caseload of approximately 4,700 families.
- The fiscal 2023 close-out supplemental budget, filed by the Governor on September 13, 2023, includes approximately **\$250** million in funding to support the additional homeless families now in the system.
- The Commonwealth expects to continue to monitor and update caseload figures and plans to use available funds, as well as seek additional resources, including federal relief, if any, to continue to address family homelessness and emergency shelter demand in fiscal 2024.

## Tax Relief

- On September 28, 2023, the Legislature approved a tax relief package, which was signed into law by the Governor on October 4, 2023.
- As approved, the total impact of the tax package for fiscal year 2024 is approximately **\$561 million**, with a **\$519 million** on budget impact.



---

# OFFICE OF THE STATE TREASURER

## Economic Overview

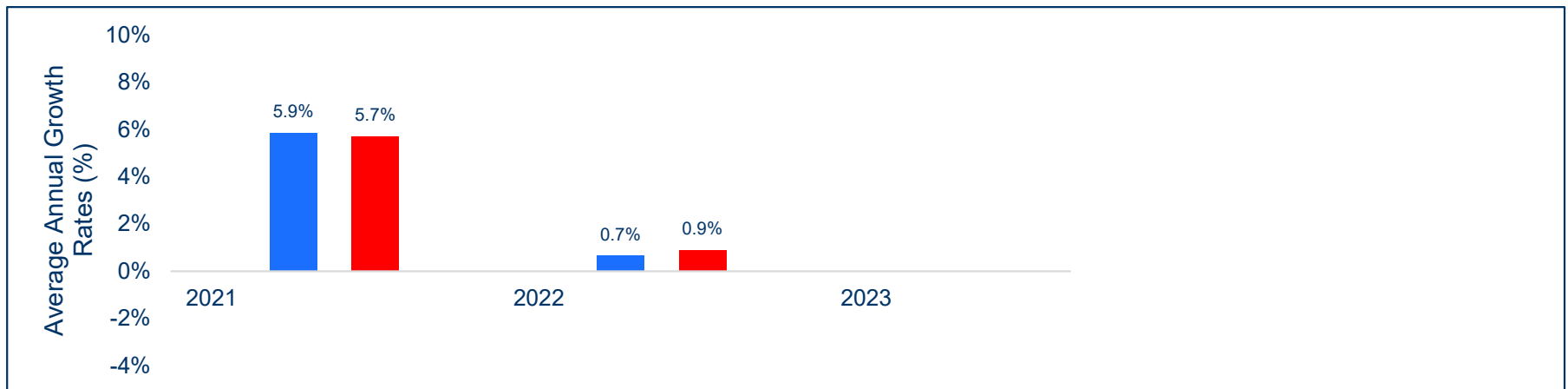
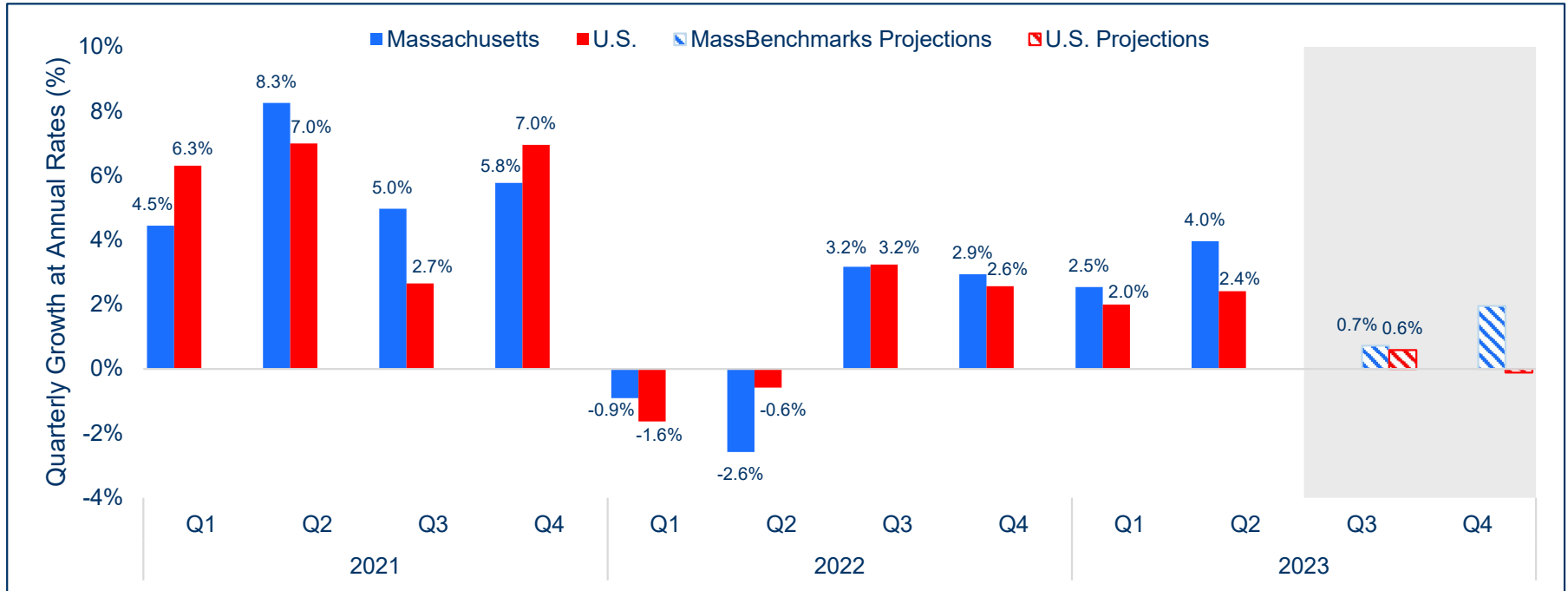
## Debt/Capital Presentation

Sue Perez  
*Deputy Treasurer*



# Economic Update - GDP

## Growth in Real Product, Massachusetts and the US, 2023 Q2



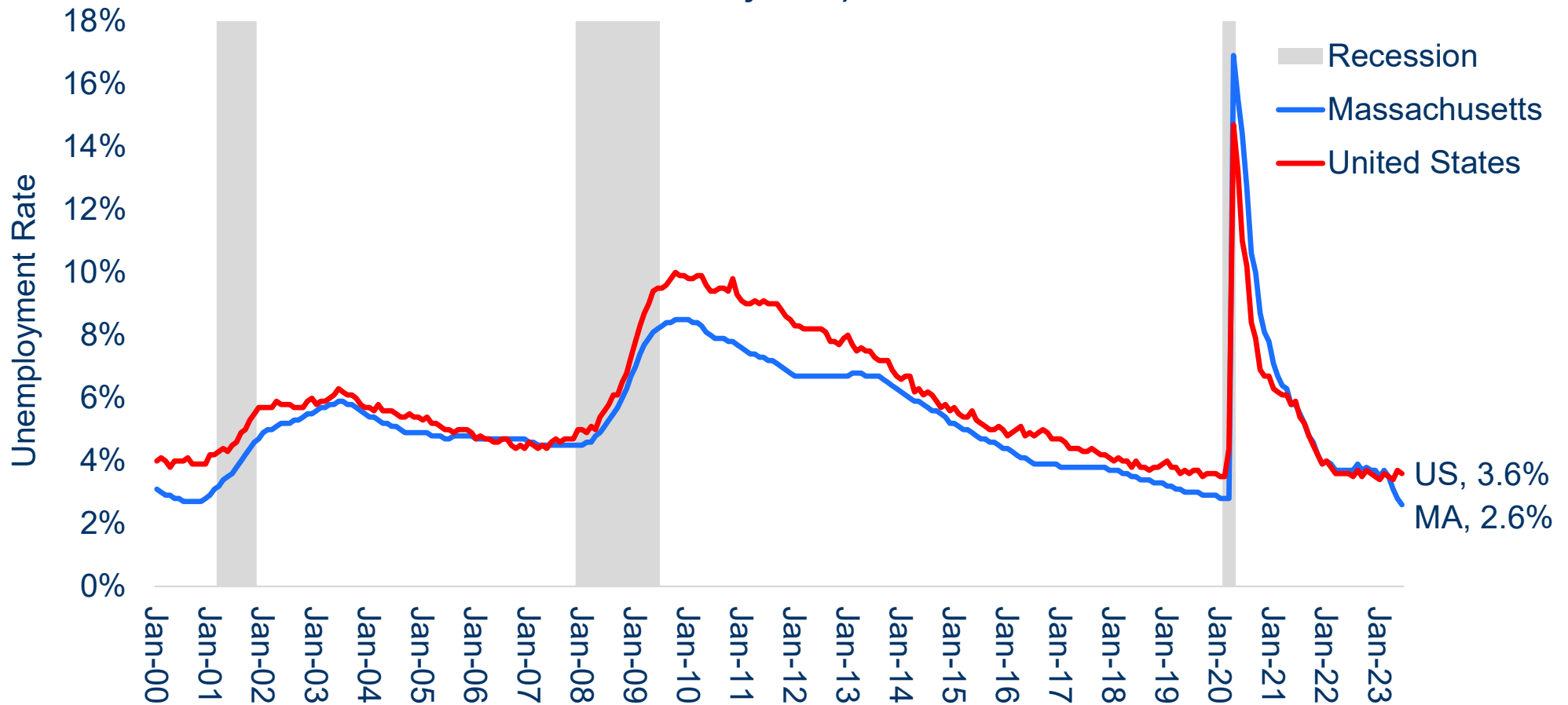
**Source:** U.S. Bureau of Economic Analysis, MassBenchmarks calculations by Dr. Alan Clayton-Matthews. U.S. projections from Wall Street Journal.

**Note:** Average annual growth is calculated by averaging the four quarters of annual growth rates for the calendar year.



# Economic Update - Unemployment

Unemployment Rates in Massachusetts and the United States as of June 2023 (Seasonally Adjusted)



Source: Massachusetts Executive Office of Labor and Workforce Development, Local Area Unemployment (LAU) Statistics; UMDI analysis



# Financing Update

Since the last investor call in October, the Commonwealth sold two negotiated General Obligation series totaling \$1.2 billion, and two negotiated Commonwealth Transportation Fund series totaling \$500 million.

## Financings since last Investor Call

Series	Par Amount	Sale Date	Award/Senior Manager	Maturity Range	Average Life (yrs)	All-in-TIC
GO Series A	\$970MM	6/28/2023	JP Morgan	2025-2053	18.933	4.10%
GO Refunding Series B	\$271MM	6/28/2023	JP Morgan	2033-2044	15.526	3.77%
CTF Series A	\$300MM	9/19/2023	BofA Securities	2052-2053	29.307	4.69%
CTF Series B	\$200MM	9/19/2023	BofA Securities	2047-2051	25.759	4.64%



## Upcoming Financings\*

Timing	Par Amount	Type	Credit	Method of Sale
October 2023	\$1.50BN	New Money /Refunding	GO (Taxable & Tax Exempt)	Competitive
1st Quarter 2024	\$850MM	New Money	GO (Tax Exempt)	Negotiated
2nd Quarter 2024	\$850MM	New Money	GO (Tax Exempt)	TBD
3rd Quarter 2024	\$350MM	New Money	CTF (Tax Exempt)	Negotiated

\* Preliminary, subject to change



# Upcoming Financing Overview

---

- The Commonwealth intends to sell approximately \$1.5 Billion\* in tax-exempt and taxable General Obligation new money and refunding bonds in October\*
- These bonds will be sold competitively in three series of tax-exempt new money, one series of taxable new money and one series of tax-exempt refunding bonds
- Follow our website <https://massbondholder.com> for updates on the upcoming deal

*\* Preliminary, subject to change*





# 11<sup>th</sup> Annual Investor Conference – November 2<sup>nd</sup>



## Boston Convention and Exhibition Center

**Registration Begins:** 7:45 am

**Meeting Run-time:** 8:00 am – 1:30 pm

**Ticket Information:** Coming Soon

- **General Admissions Tickets: \$100\***  
(\*not including Eventbrite service fees)
- **Investors/Prospective Investors Tickets: FREE**  
(Tickets for investors, potential investors, issuers, and analysts)

Follow [www.massbondholder.com](http://www.massbondholder.com) for updates on the conference

## THIS YEAR'S CONFERENCE WILL FEATURE:

- Governor **Maura Healey**
- State Treasurer **Deborah B. Goldberg**
- Professor of Public Policy and Senior Advisor to the Chancellor at UMASS Dartmouth, **Dr. Michael Goodman**
- Managing Director of Global Government Affairs at Citigroup, **Candida "Candi" Wolff**
- Executive Office of Housing and Livable Communities
- Federal Funds and Infrastructure Office

**This will be the first Investor Conference for the new Governor Healey administration! Please join us to meet members of this new administration as well as reconnect with statewide issuers and colleagues.**



# Additional Resources

---

## Contact Information

### **SUE PEREZ**

*Deputy Treasurer*

617-367-3900 x816

[sperez@tre.state.ma.us](mailto:sperez@tre.state.ma.us)

### **KATHY BRAMLAGE**

*Senior Debt Analyst*

617-367-3900 x494

[kbramlage@tre.state.ma.us](mailto:kbramlage@tre.state.ma.us)

---

## Additional Resources

Information Statement as of September 11, 2023

<https://emma.msrb.org/P11695417-P11303822-P11734773.pdf>

Massachusetts Investor Website

<https://massbondholder.com>

Department of Revenue

<https://www.mass.gov/service-details/dor-press-releases-and-reports>



---

# QUESTIONS