



Rating Action: Moody's assigns Aa1 to Massachusetts' GO Bonds Consolidated Loan of 2023 Series B, C, D, and E and GO Refunding Bonds, 2023 Series C; outlook stable

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New York, October 04, 2023 -- Moody's Investors Service has assigned Aa1 ratings to the Commonwealth of Massachusetts' \$275 million General Obligation Bonds, Consolidated Loan of 2023, Series B; \$200 million General Obligation Bonds, Consolidated Loan of 2023, Series C; \$550 million General Obligation Bonds, Consolidated Loan of 2023, Series D; \$260 million General Obligation Bonds, Consolidated Loan of 2023, Series E (Federally Taxable); and \$200 million General Obligation Refunding Bonds 2023 Series C. The par amounts allocated to each series are preliminary and may change at bond pricing. We also maintain Aa1 ratings on \$31 billion of outstanding Massachusetts general obligation, and general-obligation related debt. The outlook is stable.

RATINGS RATIONALE

The commonwealth's Aa1 general obligation bond rating is the same as its issuer rating. The Aa1 rating reflects the commonwealth's robust economic base, bolstered 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 serves the commonwealth well through the economic downturns.

RATING OUTLOOK

Massachusetts' stable outlook reflects our expectation that the commonwealth will continue its trend of strong financial management, taking proactive measures to navigate challenges that could emerge if the economy falters over the near term.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Sustained growth of reserves and establishment of stronger constraints on their use
- Moderated debt and pension burdens 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 own-source revenue or rising fixed costs

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 General Obligation Bonds, Consolidated Loan of 2023 Series B, C, D, & E 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 General Obligation Refunding Bonds 2023 Series C will refund certain outstanding maturities for economic savings.

PROFILE

The Commonwealth of Massachusetts is the 16th-largest state by population, with an estimated 7 million residents as of the 2022 census. Its gross domestic product, at \$688.4 billion in 2022, ranks 12th among the states. Per capita income was 130% of the national average in 2022, the second highest in the country.

METHODOLOGY

The principal methodology used in these ratings was US States and Territories Methodology published in March 2022 and available at <https://ratings.moodys.com/rmc-documents/356901>. Alternatively, please see the Rating Methodologies page on <https://ratings.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 on <https://ratings.moodys.com/rating-definitions>.

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