

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings assigns Aa1 to Massachusetts' general obligation bonds; outlook stable**

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26 Aug 2024

New York, August 26, 2024 -- Moody's Ratings (Moody's) has assigned Aa1 ratings to the Commonwealth of Massachusetts' planned general obligation bonds in four series: \$130 million General Obligation Bonds, Consolidated Loan of 2024, Series C; \$220 million General Obligation Bonds, Consolidated Loan of 2024, Series D; \$400 million General Obligation Bonds, Consolidated Loan of 2024, Series E, and \$100 million General Obligation Bonds, Consolidated Loan of 2024, Series F (Federally Taxable). We maintain Aa1 ratings on the commonwealth's approximately \$27 billion of outstanding general obligation bonds. The outlook is stable.

#### RATINGS RATIONALE

The commonwealth's Aa1 issuer rating is supported by a robust economic base, with social factors such as a highly educated workforce and high income levels, that help the state meet the demands of an elevated long-term liability burden. Reliance on economically sensitive revenue is balanced by healthy reserves and the ability to access alternate sources of liquidity. Massachusetts' strong governance framework includes sound financial and budgetary management practices, which serve the commonwealth well through economic downturns. The Aa1 rating assigned to Massachusetts general obligation debt, supported by a full faith and credit pledge, is the same as the issuer rating.

#### RATING OUTLOOK

Massachusetts' stable outlook reflects expectations the commonwealth will continue its strong financial management, taking proactive measures to respond to challenges that will emerge if the economy falters in 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 peer states

## 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 to the payment of principal and interest when due. However, state law limits annual tax revenue growth and does not exempt debt service payments from this limitation.

## USE OF PROCEEDS

The bonds will finance or reimburse the commonwealth for capital expenditures included in the Executive Office for Administration and Finance's current capital investment plan and, together with other funds, will pay costs of issuance of the debt.

## PROFILE

The Commonwealth of Massachusetts is the 16th-largest state by population, with an estimated 7 million residents as of the 2023 census. Its gross domestic product, at \$691.5 billion in 2023, ranks 11th among the states. Adjusted per-capita income was 118% 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 published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425428>. 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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