

10 APR 2025

# Fitch Rates Massachusetts' \$1.1 Billion GO Bonds 'AA+'; Outlook Stable

Fitch Ratings - New York - 10 Apr 2025: Fitch Ratings has assigned 'AA+' ratings to the following Commonwealth of Massachusetts general obligation (GO) bonds:

--\$600 million GO bonds consolidated loan of 2025 series A;

--\$470 million GO refunding bonds, 2025 series A.

The bonds are expected to be offered by negotiation the week of April 21, 2025. Proceeds will be used to finance or reimburse the commonwealth for various capital expenditures and refund outstanding bonds for debt service savings.

The Rating Outlook is Stable.

The Commonwealth of Massachusetts' 'AA+' Long-Term Issuer Default Rating (IDR) reflects its considerable economic resources, adroit management of economic and revenue cyclicity, and strong budget controls. The commonwealth carries a long-term liability burden for debt and Fitch-adjusted net pension liabilities (NPLs) that is well above the U.S. state median, albeit a still-moderate burden on resources.

## SECURITY

The GO bonds are general obligations of the commonwealth to which its full faith and credit are pledged. A statutory state tax revenue growth limit does not exclude principal and interest on debt obligations from the ramifications of the limit, but Fitch views any impairment of debt service due to the tax revenue growth limit as highly unlikely.

## KEY RATING DRIVERS

### Revenue Framework - 'aaa'

Tax revenues are diverse but dominated by individual income taxes, which are sensitive to economic conditions, particularly the components related to capital gains. Baseline growth prospects for tax revenues are strong and expected to match national GDP, driven by the commonwealth's underlying diverse economy, which includes a significant knowledge-based industry component.

### Expenditure Framework - 'aaa'

Consistent with most states, the natural pace of spending growth is likely to marginally exceed expected revenue growth over time, requiring ongoing cost control. The commonwealth has ample ability to reduce spending through the economic cycle.

### Long-Term Liability Burden - 'aa'

Long-term liability levels in Massachusetts, while comparatively high for a U.S. state, are a moderate burden on resources. The commonwealth's above average liability position is partly the result of state funding of both capital needs and pensions that are more commonly funded at the local level in other states, primarily for K-12 education.

### **Operating Performance - 'aaa'**

The commonwealth has superior gap-closing capacity supported by conservative budgeting, ongoing fiscal monitoring and a requirement to cut spending in response to emerging revenue gaps. Gap-closing capacity is also supported by a funding mechanism that redirects a portion of economically sensitive capital gains tax receipts into the stabilization fund, which functions as the commonwealth's rainy-day fund.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

--A slowing of economic growth that signals the commonwealth's revenue growth prospects will trail national economic growth, closer to the long-term rate of inflation.

--Rapid growth in spending demands, particularly for fixed costs such as pension liabilities, that weakens Massachusetts' expenditure flexibility and historically strong operating performance.

--An increase in long-term liabilities resulting in a liability burden that consistently exceeds 20% of personal income.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

- Continued efforts to maintain structural balance during periods of economic growth, particularly in light of elevated carrying costs given ongoing pension funding demands and capital plans, and/or preservation of reserves at or near current levels could lead to improvement in Fitch's assessment of budget management.

--A sustained reduction in the long-term liability burden closer to or below 10% of personal income, accompanied by a reduction in carrying costs.

## **PROFILE**

The commonwealth has a broad and wealthy economy. Education levels are high and, although population growth is below the U.S. average, it is strong for the Northeast region. The strength of the healthcare, technology and education sectors has supported GDP growth comparable with the nation's over time and leaves the commonwealth well positioned for solid future gains. Measured by per capita personal income, Massachusetts is the second wealthiest state in the nation.

### **Date of Relevant Committee**

04-Dec-2024

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **ESG Considerations**

Fitch does not provide ESG relevance scores for Massachusetts, Commonwealth of (MA) [General Government].

In cases where Fitch does not provide ESG relevance scores in connection with the credit rating of a transaction, programme, instrument or issuer, Fitch will disclose any ESG factor that is a key rating driver in the key rating drivers section of the relevant rating action commentary. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products>

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## Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Massachusetts, Commonwealth of (MA) [General Government]			
<ul style="list-style-type: none"><li>Massachusetts, Commonwealth of (MA) /General Obligation</li></ul>	LT AA+ 	Affirmed	AA+ 
-			

ENTITY/DEBT	RATING	RECOVERY	PRIOR
	Unlimited		
	Tax/1 LT		

## RATINGS KEY OUTLOOK WATCH

<b>POSITIVE</b>		
<b>NEGATIVE</b>		
<b>EVOLVING</b>		
<b>STABLE</b>		

## Applicable Criteria

[U.S. Public Finance State Governments and Territories Rating Criteria — Effective from April 2, 2024 to February 4, 2025 \(pub.02 Apr 2024\) \(including rating assumption sensitivity\)](#)

## Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.1.0 [\(1\)](#)

## Additional Disclosures

[Solicitation Status](#)

## Endorsement Status

Massachusetts, Commonwealth Of (MA) EU Endorsed, UK Endorsed

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