

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aa1 to Massachusetts' 2025 GO bonds; outlook stable

10 Apr 2025

New York, April 10, 2025 -- Moody's Ratings (Moody's) has assigned a Aa1 rating to the Commonwealth of Massachusetts' planned issuance of \$600 million General Obligation Bonds Consolidated Loan of 2025, Series A, and \$470 million General Obligation Refunding Bonds, 2025 Series A. We maintain an Aa1 issuer rating and a rating of Aa1 on the state's approximately \$28.5 billion of outstanding general obligation bonds. The outlook is stable.

RATING RATIONALE

The state's Aa1 issuer rating is supported by a robust economic base, with a highly educated workforce and strong personal income that helps meet the demands of a comparatively heavy long-term liability burden. The commonwealth also faces rapid spending growth, particularly for pension contributions, which will exert fiscal pressure in coming years, and may be exacerbated by cuts to federal support for Medicaid, the federal-state cost sharing health insurance plan for low-income and disabled people. The Commonwealth Stabilization Fund balance reached a record \$8.5 billion in fiscal 2024, which should help offset revenue losses resulting from economic downturns or other factors. Massachusetts' governance framework is strong, including sound financial and budgetary management practices that serve it well during recessions. The state's GO bonds, supported by a pledge of the state's full faith and credit, are rated at the same level as the issuer rating.

RATING OUTLOOK

The stable outlook is supported by strong financial management and the state's record reserve levels, which will accommodate moderating revenue growth even if spending pressures intensify and will help address challenges that emerge in an unexpected economic downturn.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Leverage that moderates in relation to sector median, reducing the gap by

approximately one-third

- Fiscal sustainability measures that signal long-term capacity to maintain a Stabilization Fund balance equal to at least 15% of revenue

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Protracted structural budget imbalance reflected in repeated draws on financial reserves or other non-recurring measures
- Leverage that grows to more than 300% of revenue, combined with underperforming revenue and economic growth trends

LEGAL SECURITY

The commonwealth's obligation to make the payments is irrevocable and supported by a full faith and credit pledge. The commonwealth expects to pay debt service amounts directly to the trustee, from general, legally available revenues.

USE OF PROCEEDS

The Consolidated Loan of 2025, Series A bonds will finance or reimburse the state government for capital expenditures in its capital investment plan. The refunding series (General Obligation Refunding Bonds, 2025 Series A) will replace debt issued in 2015.

PROFILE

The Commonwealth of Massachusetts is the 16th-largest state by population, with an estimated 7.14 million residents as of 2024, according to the US Census Bureau. Its gross domestic product, at \$780.7 billion in 2024, ranks 12th among the states, according to the US Bureau of Economic Analysis.

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.

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