

# RatingsDirect®

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**Summary:**

**Massachusetts; Appropriations; CP;  
General Obligation; General  
Obligation Equivalent Security; Sales  
Tax**

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## Summary:

# Massachusetts; Appropriations; CP; General Obligation; General Obligation Equivalent Security; Sales Tax

### Credit Profile

US\$600.0 mil GO bnds cons loan of 2025 ser A due 04/01/2055

<i>Long Term Rating</i>	AA+/Stable	New
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US\$470.0 mil GO rfdg bnds 2025 ser A due 07/01/2045

<i>Long Term Rating</i>	AA+/Stable	New
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### Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term rating to the Commonwealth of Massachusetts' approximately \$600 million of 2025A general obligation (GO) bonds consolidated loans and about \$470 million of 2025A GO refunding bonds.
- At the same time, we affirmed our 'AA+' long-term rating on Massachusetts' outstanding GO bonds as well as on various other bonds secured by annual appropriations from the commonwealth based on the application of our "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect.
- We also affirmed our 'A+' long-term rating on the Boston Housing Authority's series 2003 housing project bonds (West Broadway Homes IV project), supported by a commonwealth annually appropriated state-operating subsidy, subject to the terms of a trust agreement.
- Finally, we affirmed our 'AA+' long-term ratings on the Massachusetts Bay Transportation Authority's (MBTA) sales tax bonds outstanding, along with our 'AA+/A-1+' dual rating on the MBTA's variable-rate demand purchase debt, our 'A-1+' short-term rating on the authority's commercial paper (CP) program, and our 'AA+' rating on a U.S. Department of Transportation third-lien Railroad Rehabilitation & Improvement Financing (RRIF) loan agreement for the MBTA's commuter rail safety and resiliency program.
- The outlook, where applicable, is stable.

### Security

Massachusetts' full faith and credit are pledged to the GO bonds.

The proceeds for the 2025A bonds will finance or reimburse the costs of various capital expenditures included in the commonwealth's capital investment plan. The 2025A refunding bonds will refund certain bonds previously issued by the commonwealth.

### Credit overview

Our rating on Massachusetts reflects its strong economic metrics, with very high per capita income levels compared to the nation, partly the result of the strong presence of high-technology companies in the Boston metropolitan statistical

area (MSA). The rating further reflects some historical cyclicity in financial results due to volatile revenue sources, although recent strong growth in tax collections and federal aid have led to large operating surpluses and reserves. It also reflects the commonwealth's high debt, pension, and other postemployment benefit (OPEB) liabilities, with a history of funding less than full annual actuarial recommendations to its pension and OPEB funds.

We believe that Massachusetts' economy, with a substantial high-technology sector presence in the Boston MSA, has been a bright spot, with a substantial proportion of highly skilled workers with strong income levels supporting the commonwealth's revenue growth and strong finances. Strong tax growth is expected to boost the commonwealth's budget stabilization fund (BSF) balance, which statutorily receives both excess general fund revenue as well as capital gains tax above an annual benchmark, along with certain other lesser revenue sources. Strong revenue growth, combined with extra federal aid and strong budgetary management practices, helped the commonwealth end its last three fiscal years in an extremely strong financial position, with the highest level of reserves in its history. The BSF was \$8.5 billion, or 14.7% of operating revenue and other sources as of fiscal year-end June 30, 2024. Fiscal 2025 is projected to end with balances we still consider strong, with a BSF balance of \$8.2 billion, or a strong 13.6% of budgeted operating revenue and other sources.

Preliminary fiscal 2024 results show that expenditure and uses exceed revenue by about \$334 million, or 0.5% of expenditures before adjusting for nonrecurring appropriations and were funded using prior-year surplus revenue and federal appropriations that were previously set aside. The commonwealth does not anticipate any tax rebates paid for fiscal 2024, as revenue is not expected to exceed the allowable limit as defined by Chapter 62F Massachusetts General Laws based on the fiscal 2024 revenue results.

The commonwealth faces headwinds as very strong revenue performance in previous fiscal years transitions to more subdued revenue estimates across states. Potential national recessionary pressures, when combined with the commonwealth's long-term liabilities that remain among the highest in the nation, and with a history of underfunding of its pensions, could lead to budgetary pressures as revenue growth softens and tests the commonwealth's commitment to strong BSF levels in the long term. S&P Global Market Intelligence forecasts that real gross state product (GSP) will experience slower growth than the nation overall through 2028, at 6.3%, compared with the nation's real GDP growth of 7.2%.

The shifting policy mix is altering the U.S. economic outlook, with our assumptions reflected in a likely downshift in GDP growth in 2025, based on S&P Global Economics' report "Economic Outlook U.S. Q2 2025: Losing Steam Amid Shifting Policies," published March 25, 2025, on RatingsDirect. We forecast the annual average U.S. real GDP growth rate to slow to 1.9% in 2025 and 2026 (down from 2.0% in both years in our December 2024 forecast). This is a sizable deceleration from the 3.2% and 2.8% expansion seen in 2023 and 2024, respectively. The risk of a sharper slowdown and inflationary pressures has increased amid persistent policy uncertainty and the implementation of tariffs against imports from all of U.S. trading partners, which exceeded our expectations in both size and scope. This could erode purchasing power and elevate business and private investment uncertainty, and are likely to further weaken U.S. growth. We acknowledge that risk of a downturn will rise if conditions weighing on growth and sentiment intensify, and we will monitor if this could dampen the commonwealth's economically sensitive revenue.

The governor approved a supplemental appropriation budget in February for fiscal 2025 allocating an additional \$425

million to support the emergency shelter program and associated services, including additional aid to school districts affected by increased enrollment and communities hosting unhoused families and family shelter sites. The enacted legislation also included changes to the commonwealth's right to shelter law, to ensure long term sustainability of its shelter system. Preliminary expenditure and uses exceed revenue by about \$2.2 billion, or 3.3% of expenditures before adjusting for nonrecurring appropriations. The deficits are being funded using prior-year surplus revenue and federal appropriations that were previously set aside. The enacted 2025 budget also allows \$375 million in capital gains tax revenue above the threshold to be diverted from the BSF to be used for budgeted expenditures, if necessary.

The commonwealth's January 2025 proposed executive fiscal 2026 budget provides for approximately \$59.6 billion in authorized spending, which is about 2.6% higher than revised fiscal 2025 spending, excluding spending of income surtax revenue and projected transfers to the Medical Assistance Trust Fund. The executive 2026 budget also provides for \$1.95 billion in spending from income surtax revenue, allocated to investments in transportation, including \$500 million to stabilize MBTA operations, and \$1.185 billion is allocated to investments in education (including early education), universal school meals, K-12 programs, and higher education. The budget is based on a consensus revenue estimate of \$43.6 billion, comprised of a baseline consensus revenue estimate of \$41.214 billion and a \$2.4 billion estimate of revenue from the 4% surtax on personal income above the surtax threshold, yielding a structural budget balance after adjusting for nonrecurring uses from previously appropriated funds. The commonwealth projects ending BSF balances for fiscal 2026 at about \$8.36 billion.

Despite the commonwealth's historically strong finances and economy, financial risks remain, which could be exacerbated by recent federal policy and economic uncertainty. We believe Massachusetts has an above-average dependence on cyclical capital gains tax revenue (3.2% of general fund revenues in Fiscal 2024) relative to other states, which benefits from a strong stock market but could significantly recede during a national economic contraction. However, the commonwealth's process of diverting capital gains tax above the threshold to fund its BSF and pension mitigated its reliance for funding ongoing operations. Increases in Medicaid expenditures is also a potential budgetary concern with the expiration of higher Medicaid reimbursements rates implemented by the federal government during the pandemic. Other long-term pressures for the commonwealth include its high debt levels and moderately high pension and OPEB liabilities, compared with similarly rated states, which could increase over time. At fiscal year-end 2023, the last audited fiscal year, we calculate the commonwealth had net total tax-backed debt per capita of \$5,954 and 7% of personal income, including tax-supported revenue debt.

Massachusetts has underfunded its actuarially required annual pension contribution over the years. Pension contributions are statutorily determined based on a funding schedule set every three years, and the state has made contributions in accordance with its schedule set in 2023. The latest schedule targets a fully funded retirement system by 2036 by increasing annual contributions by 9.63% per year through 2028, a steep increase that we believe defers current pension pressure to future years. Contribution increases are scheduled at a slower rate of 4% afterward through 2036. The commonwealth has contributed less than its actuarial annually recommended contribution since 2011, funding an estimated 95% (including supplemental contributions) of its annual actuarial recommendation in fiscal 2023, which could escalate pension costs and introduce additional pressures to future budgets.

For more information, see our full report on the commonwealth published Sept. 16, 2024.

Factors supporting the 'AA+' GO rating include what we view as Massachusetts':

- Deep and diverse economy and income levels among the highest in the nation, with per capita income at 128% of the nation in 2023;
- History of timely monitoring of revenue and expenditures, and swift action when needed to make adjustments;
- Well-balanced institutional framework that supports predictability, structural balance, and autonomy of raising revenue;
- Strong financial, debt, and budget management policies, including annualized formal debt affordability statements and multiyear capital investment planning;
- Steady financial performance and historically high BSF reserves, equal to about 12.8% of expenditures and position Massachusetts well to manage future fiscal pressures; and
- High debt, pension, and OPEB liabilities which could escalate future costs.

### **Environmental, social, and governance**

We consider Massachusetts' physical risks moderately negative in our credit rating analysis because of the commonwealth's coastal exposure to rising sea levels, with about two-thirds of its population in the Boston MSA and substantial property value in the combined Boston and Cape Cod area, exposing the state to significant economic disruption following a high-impact event. However, the commonwealth has been addressing environmental risks since 2004 through its Clean Energy Climate Plan, which is regularly updated to meet the needs of the commonwealth and has historically maintained a stable management and policy framework to respond to developing risks. We view social and governance risks as neutral in our credit rating analysis.

## **Outlook**

The stable outlook reflects our view that Massachusetts' underlying economy and currently very strong reserves support its rating, despite its economically sensitive revenue and the potential for a nationwide economic slowdown.

### **Downside scenario**

We could lower our rating if we believe Massachusetts will fail to make necessary budget adjustments to maintain structural balance or maintain strong reserves if its revenue weakens. Other factors that could lead to a downgrade include significant increases in debt or other fixed costs, or a significant decline in pension-funded levels due to the commonwealth falling significantly behind required pension funding contribution levels.

### **Upside scenario**

If Massachusetts significantly reduces its pension and debt obligations while demonstrating continued commitment to strong budgetary policies and pension funding discipline, especially during periods of economic contraction, we could raise our rating.

<b>Ratings Detail (As Of April 11, 2025)</b>		
Massachusetts		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

Ratings Detail (As Of April 11, 2025) (cont.)

Massachusetts Sch Bldg Auth sales tax		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts Bay Transportation Authority cml pap sales tax BANs tax-exempt ser E dtd 04/15/2025 due 04/15/2030		
<i>Short Term Rating</i>	A-1+	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO (AGI)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed

Ratings Detail (As Of April 11, 2025) (cont.)

Massachusetts GO (AMBAC)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (BAM)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (FGIC)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (MBIA) (National)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (SYNCORA GTY)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed

**Boston Housing Authority, Massachusetts**

Massachusetts		
Boston Hsg Auth (Massachusetts) APPROP		
<i>Long Term Rating</i>	A+/Stable	Affirmed

**Massachusetts Bay Transportation Authority, Massachusetts**

Massachusetts		
Massachusetts Bay Transportation Authority (Massachusetts) sr sales tax bnds (Massachusetts)		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts Bay Transportation Authority (Massachusetts) sr sales tax bnds (Massachusetts) ser 2024B due 07/01/2054		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts Bay Transp Auth (Massachusetts) GOEQUIV		
<i>Long Term Rating</i>	AA+/A-1/Stable	Affirmed
Massachusetts Bay Transp Auth (Massachusetts) GOEQUIV		
<i>Long Term Rating</i>	AA+/A-1/Stable	Affirmed

**Massachusetts Department of Transportation, Massachusetts**

Massachusetts		
Massachusetts Dept of Transp (Massachusetts) GO		
<i>Long Term Rating</i>	AA+/A-1/Stable	Affirmed
Massachusetts Dept of Transp (Massachusetts) GO		
<i>Long Term Rating</i>	AA+/A-1/Stable	Affirmed
Massachusetts Dept of Transp (Massachusetts) GO		

**Ratings Detail (As Of April 11, 2025) (cont.)**

<i>Long Term Rating</i>	AA+/A-1/Stable	Affirmed
<b>Massachusetts Development Finance Agency, Massachusetts</b>		
Massachusetts		
Massachusetts Dev Fin Agy (Massachusetts) GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
<b>Massachusetts Bay Transportation Authority, Massachusetts</b>		
Massachusetts		
Massachusetts Bay Transportation Authority, Massachusetts		
Massachusetts Bay Transp Auth sales tax		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
<b>Massachusetts Bay Transportation Authority, Massachusetts</b>		
Massachusetts		
Massachusetts Bay Transportation Authority, Massachusetts		
Massachusetts Bay Transp Auth sales tax		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
<b>Massachusetts Bay Transportation Authority, Massachusetts</b>		
Massachusetts		
Massachusetts Bay Transportation Authority, Massachusetts		
Massachusetts Bay Transp Auth sales tax		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
<b>Massachusetts Bay Transportation Authority, Massachusetts</b>		
Massachusetts		
Massachusetts Bay Transportation Authority, Massachusetts		
Massachusetts Bay Transp Auth CP		
<i>Short Term Rating</i>	A-1+	Affirmed
<b>Massachusetts Bay Transportation Authority, Massachusetts</b>		
Massachusetts		
Massachusetts Bay Transportation Authority, Massachusetts		
Massachusetts Bay Transp Auth CP		
<i>Short Term Rating</i>	A-1+	Affirmed
<b>Massachusetts Bay Transportation Authority, Massachusetts</b>		
Massachusetts		
Massachusetts Bay Transportation Authority, Massachusetts		
Massachusetts Bay Transp Auth CP		
<i>Short Term Rating</i>	A-1+	Affirmed
<b>Massachusetts Bay Transportation Authority, Massachusetts</b>		
Massachusetts		
Massachusetts Bay Transportation Authority, Massachusetts		
Massachusetts Bay Transp Auth CP		
<i>Short Term Rating</i>	A-1+	Affirmed



**Ratings Detail (As Of April 11, 2025) (cont.)**

Massachusetts Bay Transportation Authority, Massachusetts  
 Massachusetts Bay Transp Auth (Massachusetts) sales tax  
*Long Term Rating* AA+/Stable Affirmed

**Massachusetts Bay Transportation Authority, Massachusetts**

Massachusetts  
 Massachusetts Bay Transportation Authority, Massachusetts  
 Massachusetts Bay Transp Auth (Massachusetts) sales tax  
*Long Term Rating* AA+/Stable Affirmed

**Massachusetts Bay Transportation Authority, Massachusetts**

Massachusetts  
 Massachusetts Bay Transportation Authority, Massachusetts  
 Massachusetts Bay Transp Auth (Massachusetts) sales tax  
*Long Term Rating* AA+/Stable Affirmed

**Massachusetts Bay Transportation Authority, Massachusetts**

Massachusetts  
 Massachusetts Bay Transportation Authority, Massachusetts  
 Massachusetts Bay Transp Auth (Massachusetts) sales tax  
*Long Term Rating* AA+/Stable Affirmed

**Massachusetts Bay Transportation Authority, Massachusetts**

Massachusetts  
 Massachusetts Bay Transportation Authority, Massachusetts  
 Massachusetts Bay Transp Auth (Massachusetts) sales tax  
*Long Term Rating* AA+/Stable Affirmed

**Massachusetts Bay Transportation Authority, Massachusetts**

Massachusetts  
 Massachusetts Bay Transportation Authority, Massachusetts  
 Massachusetts Bay Transp Auth (Massachusetts) sales tax  
*Long Term Rating* AA+/A-1/Stable Affirmed

**Massachusetts Bay Transportation Authority, Massachusetts**

Massachusetts  
 Massachusetts Bay Transportation Authority, Massachusetts  
 Massachusetts Bay Transp Auth (Massachusetts) sales tax  
*Long Term Rating* AA+/Stable Affirmed

**Massachusetts Bay Transportation Authority, Massachusetts**

Massachusetts  
 Massachusetts Bay Transportation Authority, Massachusetts  
 Massachusetts Bay Transp Auth (Massachusetts) sales tax  
*Long Term Rating* AA+/Stable Affirmed

**Massachusetts Bay Transportation Authority, Massachusetts**

Massachusetts  
 Massachusetts Bay Transportation Authority, Massachusetts

**Ratings Detail (As Of April 11, 2025) (cont.)**

Massachusetts Bay Transp Auth (Massachusetts) sales tax (AGI) (MBIA)  
*Unenhanced Rating* AA+(SPUR)/Stable Affirmed

**Massachusetts Bay Transportation Authority, Massachusetts**

Massachusetts

Massachusetts Bay Transportation Authority, Massachusetts

Massachusetts Bay Transp Auth (Massachusetts) sales tax (MBIA) (National)

*Unenhanced Rating* AA+(SPUR)/Stable Affirmed

**Massachusetts Department of Transportation, Massachusetts**

Massachusetts

Metropolitan Highway System, Massachusetts

Massachusetts Dept of Transp (Massachusetts) GO

*Long Term Rating* AA+/Stable Affirmed

**Massachusetts Department of Transportation, Massachusetts**

Massachusetts

Metropolitan Highway System, Massachusetts

Massachusetts Dept of Transp (Metropolitan Hwy Sys) GO

*Long Term Rating* AA+/Stable Affirmed

**Massachusetts Department of Transportation, Massachusetts**

Massachusetts

Metropolitan Highway System, Massachusetts

Massachusetts Dept of Transp (Metropolitan Hwy Sys) GO

*Long Term Rating* AA+/Stable Affirmed

Many issues are enhanced by bond insurance.

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