



Rating Action: Moody's Ratings assigns Aa1 to Massachusetts \$700 million Consolidated Loan of 2025, Series B through D GOs; outlook stable

29 May 2025

New York, May 29, 2025 -- Moody's Ratings (Moody's) has assigned a Aa1 to the Commonwealth of Massachusetts' proposed \$700 million GO bonds in three series: \$215 million General Obligation Bonds Consolidated Loan of 2025, Series B, and \$385 million General Obligation Bonds Consolidated Loan of 2025, Series C, and \$100 million General Obligation Bonds Consolidated Loan of 2025, Series D (Taxable). We maintain the commonwealth's Aa1 issuer rating and its other outstanding ratings. The outlook is stable.

RATINGS RATIONALE

The Aa1 rating is supported by Massachusetts' robust economy, with a highly educated workforce and strong personal income, that helps meet demands of a comparatively heavy long-term liability burden. 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. The commonwealth faces rapid spending growth, particularly for pension contributions, which will exert fiscal pressure in coming years. This pressure may be exacerbated by shifting federal policies such as cuts to federal spending on Medicaid, the federal-state cost sharing health insurance plan for low-income and disabled people. Massachusetts' governance framework is strong, including sound financial and budgetary management practices that serve it well during recessions.

RATING OUTLOOK

The stable outlook is based on Massachusetts' financial management strengths and its financial reserves, 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

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, ranks 12th among the states, according to 2024 US Bureau of Economic Analysis data.

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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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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