

RATING ACTION COMMENTARY

Fitch Rates Massachusetts' \$750Million GO Bonds 'AA+'; Outlook Stable

Thu 31 Jul, 2025 - 4:45 PM ET

Fitch Ratings - New York - 31 Jul 2025: Fitch Ratings has assigned 'AA+' ratings to the following Commonwealth of Massachusetts general obligation (GO) bonds:

--\$300 million GO bonds consolidated loan of 2025 series E;

--\$450 million GO bonds consolidated loan of 2025 series F.

The bonds are expected to be offered by competitive bid on Aug. 5, 2025. Proceeds will be used to finance or reimburse the commonwealth for various prior or planned capital expenditures.

Fitch has also affirmed the commonwealth's Long-Term Issuer Default Rating (IDR) at 'AA+' and the ratings on GO and other bonds linked to the commonwealth's IDR as detailed at the end of this release.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ↕

RATING ↕

PRIOR ↕

Massachusetts Turnpike Authority Metropolitan Highway System (MA) /Metro Highway System Revenues - Subordinated Obligations/2 LT	LT	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable
Massachusetts, Commonwealth of (MA) /Commonwealth Guaranteed Revenues/1 LT	LT	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable
Massachusetts, Commonwealth of (MA) /General Obligation - Unlimited Tax - MDFA/1 LT	LT	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable
Massachusetts, Commonwealth of (MA) /General Obligation - Unlimited Tax/1 LT	LT	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)

The Commonwealth of Massachusetts' 'AA+' Long-Term IDR reflects its considerable economic resources, effective management of economic and revenue cyclicity and strong budget controls. The commonwealth's long-term liability burden for debt and Fitch-adjusted net pension liabilities (NPLs) remain well above the U.S. state median, but still

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. However, 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 diverse underlying economy, which includes a significant knowledge-based industry component.

Expenditure Framework - 'aaa'

Like most states, Massachusetts' natural pace of spending growth is likely to slightly 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.

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

Massachusetts 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. Strong healthcare, technology, and education sectors have supported GDP growth in line with the nation's and positions the commonwealth for solid future gains. Massachusetts is the second-wealthiest state in the nation in terms of per capita personal income.

ADDITIONAL SECURITY DETAILS

Fitch has affirmed the ratings on the commonwealth's GO and GO-linked bonds as follows:

- GO bonds at 'AA+';
- Massachusetts Development Finance Agency (MDFA) special obligation bonds (commonwealth contract assistance) at 'AA+';

--MassDOT metropolitan highway system (MHS) revenue bonds (subordinate), commonwealth contract assistance secured, at 'AA+'.

For the commonwealth contract assistance bonds issued by the MDFA and commonwealth-guaranteed bonds issued by the MBTA and University of Massachusetts Building Authority, the commonwealth's obligation under the contract to make payments equal to debt service is a GO of the commonwealth, to which its full faith and credit are pledged.

For the MassDOT MHS subordinate revenue bonds, the commonwealth's annual fixed, dedicated payments are a full faith and credit obligation of the commonwealth and are expected to cover all subordinated debt service, linking the rating to the commonwealth's 'AA+' rating, rather than to MHS toll revenues, which are also pledged to the bonds on a subordinated basis.

A large share of outstanding debt is variable rate and, thus, exposed to the risks associated with interest rate volatility, but Fitch expects that MassDOT will work with the commonwealth to ensure annual payments are sufficient to cover debt service if interest rate risks increase.

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

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

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+1 212 908 0661

karen.krop@fitchratings.com

Fitch Ratings, Inc.

Hearst Tower 300 W. 57th Street New York, NY 10019

Douglas Offerman

Senior Director

Secondary Rating Analyst

+1 212 908 0889

douglas.offerman@fitchratings.com

Michael D'Arcy

Director

Committee Chairperson

+1 212 908 0662

michael.darcy@fitchratings.com

MEDIA CONTACTS

Cristina Bermudez

New York

+1 212 612 7892

cristina.bermudez@thefitchgroup.com

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[U.S. Public Finance State Governments and Territories Rating Criteria \(pub. 04 Feb 2025\)](#)

[\(including rating assumption sensitivity\)](#)

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

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