

## FITCH RATES MASSACHUSETTS' \$1.2B GO RANS 'F1+'

Fitch Ratings-New York-09 November 2011: Fitch Ratings assigns an 'F1+' rating to the following Commonwealth of Massachusetts general obligation (GO) revenue anticipation notes (RANs):

- \$600 million 2011 series A RANs due April 26, 2012;
- \$600 million 2011 series B RANs due May 31, 2012.

The notes are scheduled to sell through competitive bid on Nov. 15, 2011.

### KEY RATING DRIVERS

- The notes are a general obligation of the Commonwealth. Projected receipts provide strong coverage of note repayment and the balance in the stabilization fund provides substantial additional cushion.
- Massachusetts has a fundamentally strong and wealthy economy.
- The Commonwealth has benefited from conservative budgeting and sound financial practices over time.
- Debt levels are high for a U.S. state government.
- Fitch rates general obligation bonds of the Commonwealth 'AA+' with a Stable Outlook.

### SECURITY

The notes are general obligations of the Commonwealth to which its full faith and credit is pledged.

### CREDIT PROFILE

The Commonwealth, which makes large quarterly local aid payments, is a regular annual issuer of RANs. The size of the \$1.2 billion fiscal 2012 RANs sale matches those of the prior two fiscal years; however, the Commonwealth's overall financial position is significantly improved after steep revenue declines in the recession. Actual revenues for fiscal 2011 came in well above upwardly revised estimates, and the balance in the stabilization fund grew from \$670 million to \$1.38 billion at fiscal 2011 year-end.

The stabilization fund, which peaked at \$2.3 billion at the end of fiscal 2007, is a segregated fund. The increased deposit to the stabilization fund as compared to assumptions in the most recent official cash forecast from August 2011 increased the amount of RAN issuance needed to stay above the Commonwealth's \$500 million targeted minimum non-segregated operating cash balance. Fitch notes that the stabilization fund can be drawn on with appropriation fairly expeditiously as needed and, as such, provides substantial additional cushion.

The \$1.2 billion in RANs being issued represent a moderate 2.4% of projected fiscal 2012 cash receipts, adjusting the August 2011 cashflow forecast for the actual September 2011 ending balance, increased stabilization fund deposits, and the increased RAN issuance amount. Coverage is strong at 3.2 times (x) for the series A maturity in April and 2.2x for the series B maturity in May. The current official cashflow forecast projects a fiscal 2012 non-segregated operating cash ending balance of \$1.5 billion, which falls to \$1.1 billion with the adjustments.

The enacted budget for fiscal 2012 assumed modest baseline tax revenue growth over fiscal 2011, and the forecast was raised from \$20.6 billion to \$21 billion last month due to revenue overperformance in the first few months of the year. A large budget gap that reflected the phase-out of federal stimulus funds was resolved through spending control, particularly in the area of health care. The budget authorizes a draw of \$200 million from the stabilization fund, although the Commonwealth currently assumes it will use less than this amount and projects a fiscal 2012

year-end of balance of \$1.27 billion in the fund.

The notes being sold are the only RANs planned for fiscal 2012. The next cashflow forecast is scheduled for late December 2011.

For more information on the Commonwealth's general credit, see Fitch Research 'Fitch Rates Massachusetts' \$475MM GO Bonds 'AA+'; Outlook Stable' dated Sept. 20, 2011.

Contact:

Primary Analyst  
Laura Porter  
Managing Director  
+1-212-908-0575  
Fitch, Inc.  
One State Street Plaza  
New York, NY 10004

Secondary Analyst  
Douglas Offerman  
Senior Director  
+1-212-908-0889

Committee Chairperson  
Karen Krop  
Senior Director  
+1-212-908-0661

Media Relations: Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com.

Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:

- 'Tax-Supported Rating Criteria', dated Aug. 15, 2011;
- 'U.S. State Government Tax-Supported Rating Criteria', dated Aug. 15, 2011.
- 'Rating Municipal Short-Term Debt', dated Dec. 23, 2010.

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=648898](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648898)  
U.S. State Government Tax-Supported Rating Criteria  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=648897](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648897)  
Rating U.S. Municipal Short-Term Debt  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=592885](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=592885)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION

OF THIS SITE.