

Replay Information

Please note that a replay of the investor broadcast associated with the following slides is available. The replay can be accessed by following the link below and will remain available until August 9, 2019.

<https://roadshow.munios.com/roadshow-viewer.aspx?e=8FXDD>

The full slide deck for this call is found in the pages below. These slides as well as those of prior investor calls may also be accessed by visiting the Investor and Rating Agency Presentation Archive on the Commonwealth's investor website at:

www.massbondholder.com



The Commonwealth of Massachusetts Bond Financing Programs

August 9, 2018
Commonwealth Credit Review

Disclaimer

This presentation has been prepared by the Commonwealth of Massachusetts to provide summary information relative to the general obligation credit of the Commonwealth. The presentation is incomplete. The presentation is not part of the Commonwealth's Information Statement (Information Statement) and is qualified in all respects by reference to the most recently updated Information Statement that has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system.

Investment decisions relating to Commonwealth general obligation bonds and notes should be based only upon the most recently updated Information Statement and the Official Statement of the Commonwealth relating to such bonds or notes. The provision of access to this presentation does not constitute an offer to sell or the solicitation of an offer to buy any bonds or notes that may be described or mentioned in the presentation. Commonwealth bonds and notes are sold only by means of an Official Statement and through registered broker-dealers.

The information set forth herein includes information obtained from non-Commonwealth sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Commonwealth. All information and expressions of opinion herein are subject to change without notice. The Commonwealth undertakes no obligation to provide any additional information or to update any of the information or the conclusions contained herein or to correct any inaccuracies that may become apparent.

This presentation contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates" and others.



TREASURER DEBORAH B. GOLDBERG



Economic Update – Statistical Overview

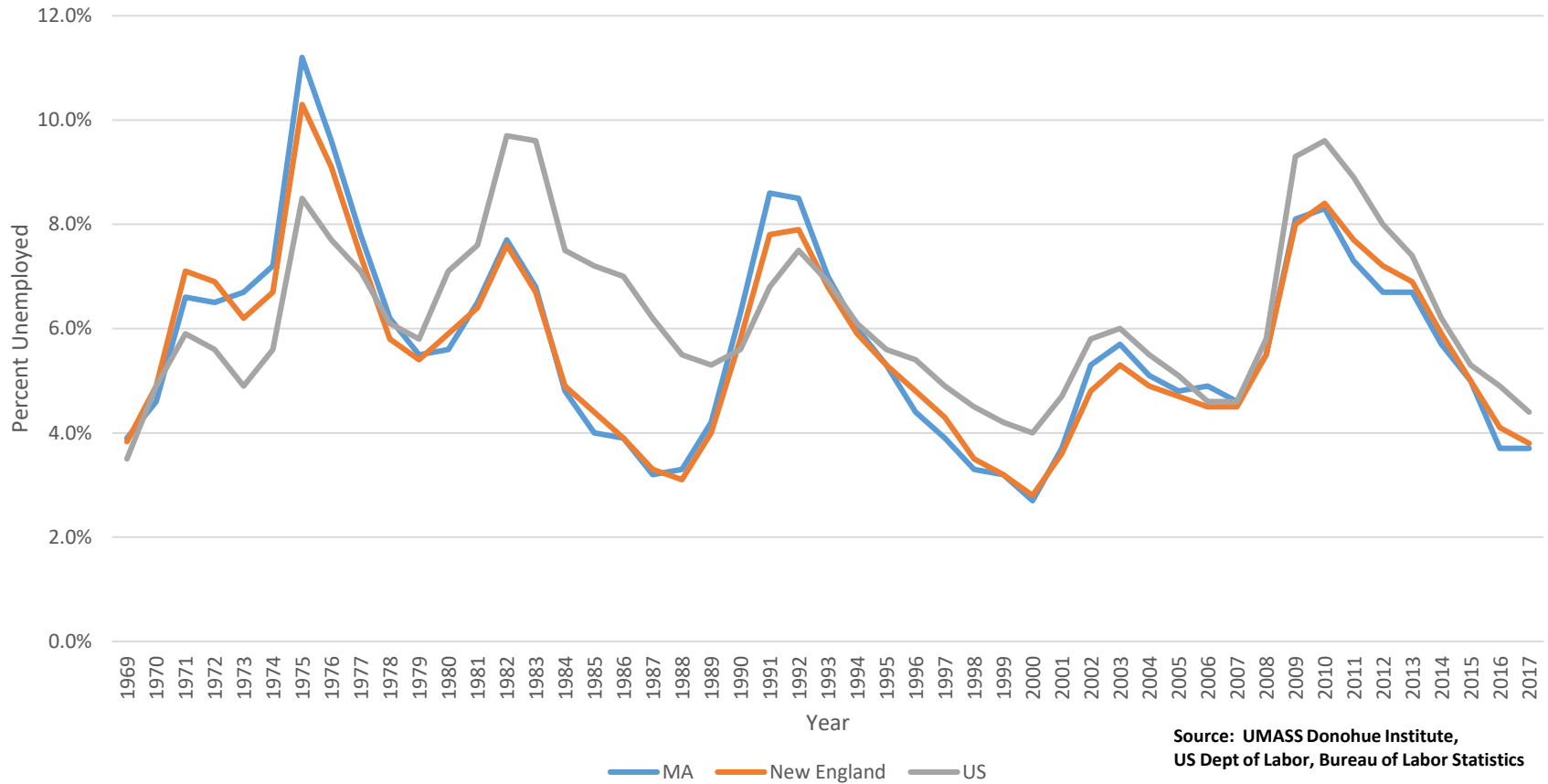
	<u>Massachusetts</u>	<u>United States</u>
<u>Population</u>		
Estimated Percent Change, July 1, 2010 – July 1, 2017	4.5%	5.3%
<u>Personal Income, Consumer Prices</u>		
Quarterly Per Capita Personal Income, 2017 Q4	\$63,344	\$48,726
Annual Percent Change in CPI-U, 2017	2.5%	2.1%
Annual Percent Change in CPI-U (NSA), January 2017 – January 2018	3.6%	2.4%
<u>Employment</u>		
Percent Change in Nonfarm Employment, March 2017 – March 2018	1.2%	1.6%
2017 Average Annual Unemployment Rate	3.7%	4.4%
Jun-18 Unemployment Rate	3.5%	4.0%
<u>Education</u>		
2016 Expenditure Per Pupil K-12, Public	\$16,125	\$11,781
2016 Percent of Adults with at least a Bachelor's Degree	42.7%	31.3%
<u>Economic Base and Performance</u>		
Percent Change in Quarterly Gross Domestic Product, 2017 Q3 – 2017 Q4	1.2%	0.9%
Percent Change in Quarterly International Exports, 2018 Q2 – 2018 Q3	-7.8%	-1.3%
Percent Change in Quarterly Coincident Indices, 2017 Q3 – 2017 Q4	0.7%	0.8%
Percent Change in Quarterly Business Confidence, 2017 Q2 – 2017 Q3	3.5%	2.0%

Source: UMASS Donohue Institute



Economic Update – Unemployment

Average Annual Unemployment Rate
Massachusetts, New England and United States



Source: UMASS Donohue Institute,
US Dept of Labor, Bureau of Labor Statistics



Economic Update – Housing Permits Authorized

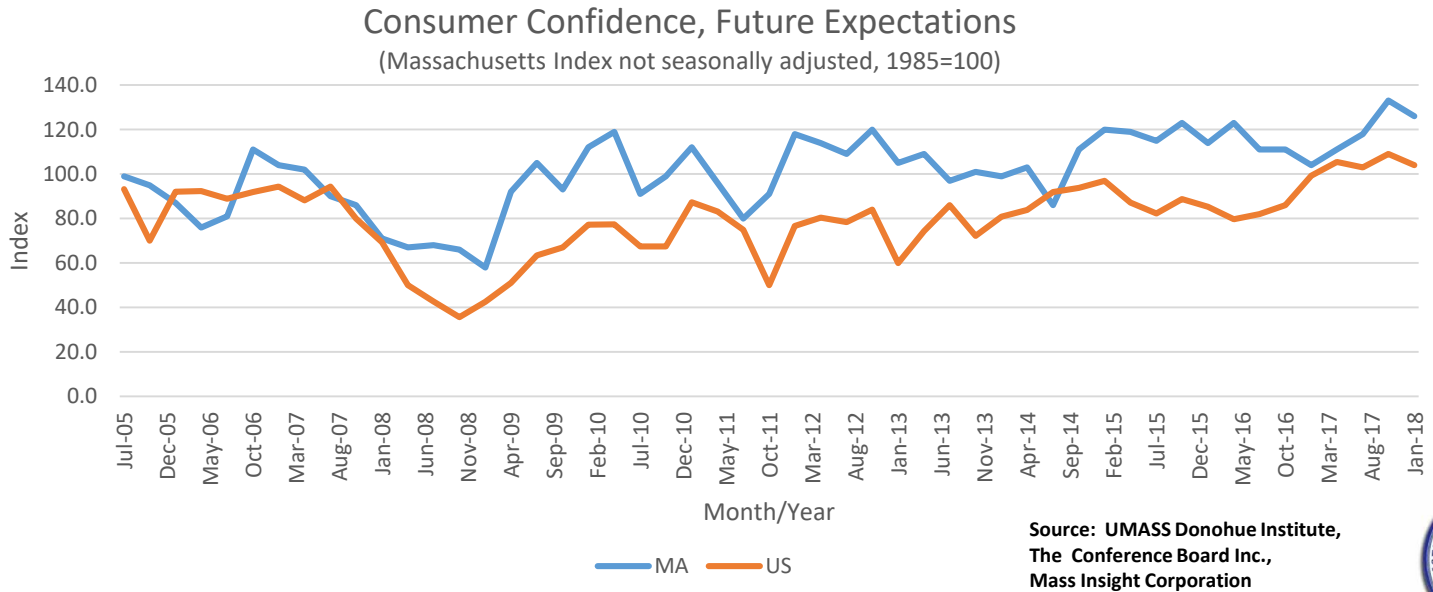
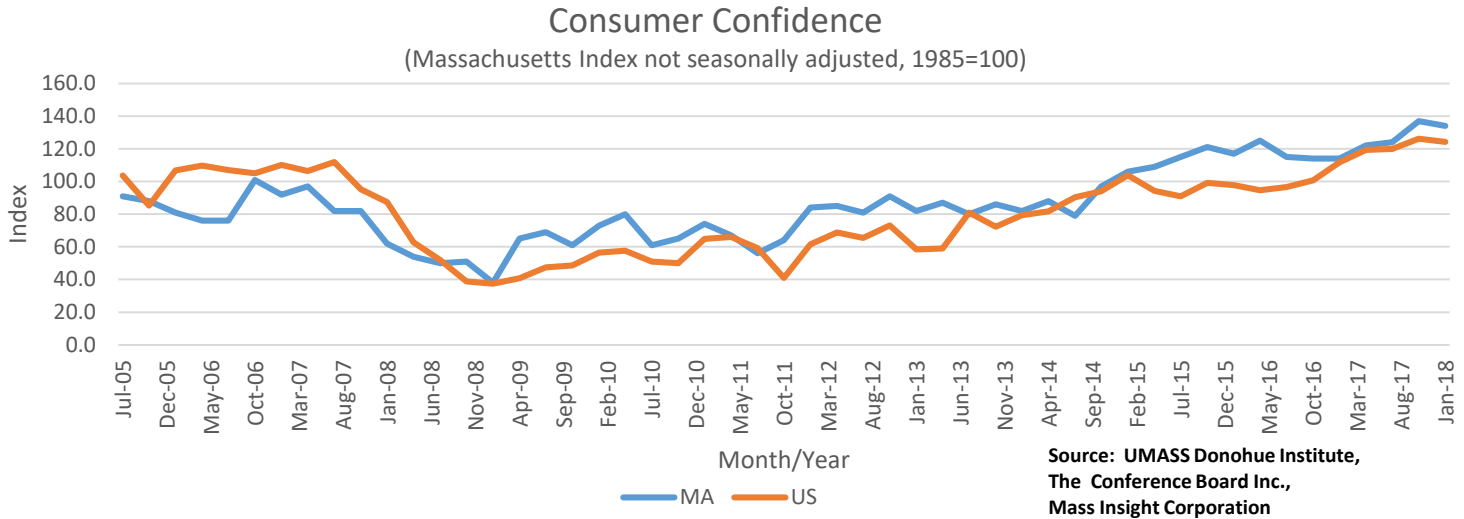
Housing Permits Authorized (Percent Change from Previous Year)



Source: UMASS Donohue Institute,
U.S. Census Bureau



Economic Update – Consumer Confidence



Department of Revenue

Dr. Kazim P. Özyurt

Chief Economist,

Director, Office of Tax Policy & Analysis



Recap of FY18 Revenue Performance

- Excluding “tax-related” settlements of \$11M, preliminary (unaudited) FY18 tax revenues totaled about \$27.8 billion, an increase \$2.2 billion, or 8.6% over FY17, \$1.1 billion above benchmark
- Better than expected revenue performance was mostly due to,
 - Greater than expected income tax payments, corporate tax and estate tax
 - Non-withheld income (+\$688m), and withholding collections (+\$79m) well above benchmark; surge in December-January income estimated payments contributed most of the surplus in Non-withheld income tax
 - Corporate tax was \$298m over benchmark, mostly from estimated payments in June 2018.
 - Estate tax was \$138m over benchmark.

partially offset by,

- Shortfall in sales and use tax collections (*benchmark assumed accelerated sales tax transfer from July to June, but the statute was just recently repealed so no transfer was required*).
- DOR certified capital gains tax total of \$1.683B, \$514M above the FY18 threshold of \$1.169B; excess to stabilization fund.



Recap of FY18 Revenue Performance

	Month of June						FY18 YTD as of June					
	06/2018 Actual Collections	06/2018 v. 06/2017 \$ Fav/(Unfav)	06/2018 v. 06/2017 % Fav/(Unfav)	06/2018 Actual vs Benchmark \$ Fav/(Unfav)	06/2018 Actual vs Benchmark % Fav/(Unfav)	06/2018 v. 06/2017 Baseline % Change	06/2018 YTD Actual Collections	06/2018 YTD v. 06/2017 YTD \$ Fav/(Unfav)	06/2018 YTD v. 06/2017 YTD % Fav/(Unfav)	06/2018 YTD Actual vs Benchmark \$ Fav/(Unfav)	06/2018 YTD Actual vs Benchmark % Fav/(Unfav)	06/2018 YTD v. 06/2017 YTD Baseline % Change
Income												
Income Withholding	1,095	99	+9.9%	45	+4.3%	+10.4%	12,732	763	+6.4%	79	+0.6%	+6.4%
Income Est. Payments	541	70	+14.9%	54	+11.0%	+13.6%	3,141	765	+32.2%	711	+29.3%	+31.7%
Income Returns/Bills	56	(15)	-20.9%	(5)	-7.6%	-23.9%	2,146	205	+10.5%	179	+9.1%	+10.3%
Income Refunds Net (outflow)	(100)	15	+13.3%	(10)	-10.8%	+13.2%	(1,779)	(176)	-11.0%	(203)	-12.9%	-11.6%
Subtotal Non-withheld Income	496	71	+16.6%	39	+8.6%	+14.6%	3,508	794	+29.2%	688	+24.4%	+28.3%
Subtotal Income	1,591	170	+11.9%	85	+5.6%	+11.7%	16,240	1,556	+10.6%	767	+5.0%	+10.4%
Sales & Use												
Sales - Regular	395	25	+6.6%	(79)	-16.7% (*)	+6.1%	4,433	181	+4.3%	(13)	-0.3% (*)	+3.7%
Sales - Meals	104	4	+4.5%	(24)	-18.9% (*)	+5.0%	1,154	48	+4.3%	(27)	-2.3% (*)	+4.3%
Sales - Motor Vehicles	103	(1)	-0.9%	4	+4.1%	+1.6%	866	14	+1.6%	22	+2.6%	+1.6%
Subtotal Sales & Use	601	28	+4.9%	(100)	-14.2% (*)	+5.1%	6,454	243	+3.9%	(19)	-0.3% (*)	+3.6%
Corporate & Business - Total	692	208	+43.1%	237	+52.2%	+49.2%	2,772	275	+11.0%	298	+12.0%	+13.3%
All Other	274	54	+24.7%	35	+14.4% (*)	+24.3%	2,330	118	+5.3%	89	+4.0% (*)	+5.0%
Total Tax Collections	3,159	461	+17.1%	257	+8.9% (*)	+18.0%	27,796	2,192	+8.6%	1,135	+4.3% (*)	+8.6%

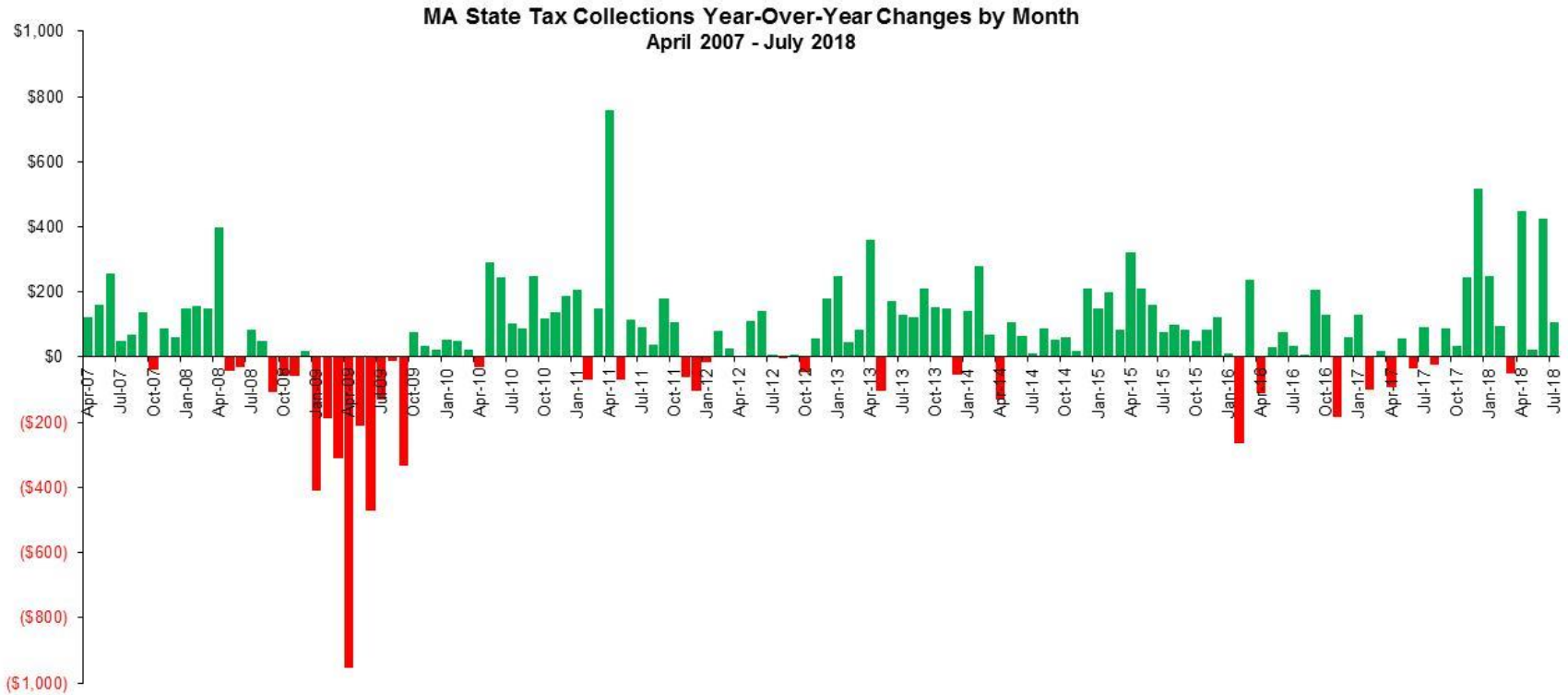
Notes: (1) The figures above exclude Tax-Related Settlements & Judgments exceeding \$10 million each. These totaled \$0.0 million in June 2018 and \$11.0 million during FY 18 YTD.

(2) The June and year-to-date benchmarks reflect the revised full Fiscal Year 2018 benchmark of \$26.661 billion.

* Per Sections 94 and 95 of the fiscal year 2018 budget, the fiscal year 2018 benchmark figures above include an anticipated \$125 million in revenues from sales tax acceleration. The actual collection figures above reflect only the Sales & Use and Room Tax revenue received during June.



Monthly year-over-year changes in collections:



FY19 Year-to-Date (July) Tax Collections Update

July 2018 Tax Collection Summary (in \$ millions)

Preliminary as of August 3, 2018

	Month of July						FY19 YTD as of July					
	07/2018 Actual Collections	07/2018 v. 07/2017 \$ Fav/(Unfav)	07/2018 v. 07/2017 % Fav/(Unfav)	07/2018 Actual vs Benchmark \$ Fav/(Unfav)	07/2018 Actual vs Benchmark % Fav/(Unfav)	07/2018 v. 07/2017 Baseline % Change	07/2018 YTD Actual Collections	07/2018 YTD v. 07/2017 YTD \$ Fav/(Unfav)	07/2018 YTD v. 07/2017 YTD % Fav/(Unfav)	07/2018 YTD Actual vs Benchmark \$ Fav/(Unfav)	07/2018 YTD Actual vs Benchmark % Fav/(Unfav)	07/2018 YTD v. 07/2017 YTD Baseline % Change
Income												
Income Withholding	1,000.1	4	+0.4%	(3)	-0.3%	+4.3%	1,000.1	4	+0.4%	(3)	-0.3%	+4.3%
Income Est. Payments	33	9	+36.2%	1	+3.8%	+20.0%	33	9	+36.2%	1	+3.8%	+20.0%
Income Returns/Bills	44	17	+60.3%	(0.4)	-0.9%	+6.0%	44	17	+60.3%	(0.4)	-0.9%	+6.0%
Income Refunds Net (outflow)	(22)	18	+44.1%	(1)	-3.3%	-3.8%	(22)	18	+44.1%	(1)	-3.3%	-3.8%
Subtotal Non-withheld Income	56	43	+344.4%	0	+0.2%	+40.6%	56	43	+344.4%	0	+0.2%	+40.6%
Subtotal Income	1,056	48	+4.7%	(3)	-0.3%	+4.8%	1,056	48	+4.7%	(3)	-0.3%	+4.8%
Sales & Use												
Sales - Regular	405	16	+4.2%	(2)	-0.4%	+3.2%	405	16	+4.2%	(2)	-0.4%	+3.2%
Sales - Meals	110	7	+6.8%	2	+1.7%	+6.3%	110	7	+6.8%	2	+1.7%	+6.3%
Sales - Motor Vehicles	52	2	+4.8%	(2)	-2.9%	-1.8%	52	2	+4.8%	(2)	-2.9%	-1.8%
Subtotal Sales & Use	567	26	+4.7%	(1)	-0.2%	+3.4%	567	26	+4.7%	(1)	-0.2%	+3.4%
Corporate & Business - Total	87	13	+17.6%	6	+7.4%	+13.5%	87	13	+17.6%	6	+7.4%	+13.5%
All Other	189	16	+9.2%	5	+2.6%	-0.6%	189	16	+9.2%	5	+2.6%	-0.6%
Total Tax Collections	1,899	102	+5.7%	7	+0.4%	+4.2%	1,899	102	+5.7%	7	+0.4%	+4.2%

Notes: (1) Any Tax-Related Settlement or Judgment of \$10M or more is not reflected in the figures above. Currently, DOR is aware of one settlement in this range that is expected to be paid during fiscal year 2019.

(2) The July and year-to-date benchmarks reflect the full Fiscal Year 2019 benchmark of \$28.392 billion.



FY19 Year-to-Date (July) Tax Collections Update

- Year-to-Date (July) – moderate growth
 - July total: \$1.899 billion
 - +\$102 million, or 5.7% from the same period in fiscal 2018
 - \$7 million above July benchmark
 - Slightly lower than expected
 - withholding tax collections, and
 - sales tax collections (particularly motor vehicle, and regular sales)
- offset by*
 - above benchmark performance in
 - corporate & business tax collections, and
 - estate tax



FY19 Year-to-Date (July) Tax Collections Update

More specifically:

- *Withholding*: \$1B, +\$4M, +0.4% actual, +4.3% baseline, and \$3M or 0.3% below benchmark
- *Non-withholding* is \$56.0M, +\$43M or 344.4% actual, +40.6% baseline, and at the benchmark
- *Sales & use tax* collections: \$567M, +\$26M, +4.7% actual, +3.4% baseline, \$1M or 0.2% below benchmark
- *Corporate and business tax* collections: \$87M, +\$13M, +17.6% actual, +13.5% baseline; \$6M or 7.4% over benchmark
- *All Other taxes*: \$189M, +\$16M, +9.2% actual, -0.6% baseline; 5M or 2.6% over benchmark, mostly due to volatile estate tax



Executive Office for Administration & Finance

Michael Heffernan

Secretary

Jennifer Sullivan

*Assistant Secretary for
Capital Finance*

Catharine Hornby

*Assistant Secretary and Budget
Director*

Heath Fahle

Finance Director



Fiscal Year 2019 Budget

- On July 26, 2018, the Governor approved the fiscal 2019 budget, which assumed tax revenues of \$28.392 billion (excluding tax-related settlements and judgments), based on the consensus estimate of \$27.594 billion, adjusted upwards by \$798.3 million, including an increase of \$131 million for the incremental impact of various tax law changes
- The fiscal 2019 budget, as approved by the Governor on July 26, 2018, totals approximately \$41.232 billion, after accounting for \$37.6 million in net line-item vetoes, and excluding transfers to the Medical Assistance Trust Fund, the pension liabilities trust fund, and other interfund transfers
- Subsequently, the Legislature passed overrides to the Governor's vetoes with an aggregate net budgetary impact of \$37.6 million
- The fiscal 2019 budget is approximately \$1.26 billion, or 3.2%, greater than fiscal 2018 estimated spending levels at the time of the Governor's approval
- This budget is a continuation of our efforts to plan and spend taxpayer resources more efficiently and maximize our investments



Fiscal Year 2019 Budget

- The \$41.232 billion plan reinforces the Baker-Polito Administration's commitment to structurally balancing the state budget, while investing \$4.91 billion towards K-12 education, providing over \$200 million to combat the opioid and heroin epidemic, increasing funding to build stronger communities and supporting the state's workforce from job growth to public transit
- The budget reflects the Administration's commitment to reducing the reliance on onetime sources of revenue, down from nearly \$1.2 billion in Fiscal Year 2015 to \$95 million in FY19, a decrease of 92%
- The Commonwealth's investment in Chapter 70 education aid to local schools will reach an all-time high of \$4.91 billion, an increase of \$160.6 million over FY18 and \$507 million since the Administration took office
- The FY19 plan continues the Administration's support of local communities with a \$37.2 million increase in unrestricted local aid, to \$1.1 billion, an increase of \$153.2 million since taking office



The Commonwealth Stabilization Fund

- On July 24, 2018, the Department of Revenue certified that tax revenues estimated to have been collected from capital gains income during all of fiscal 2018 were \$1.683 billion
- The Executive Office for Administration and Finance currently estimates a net deposit to the Commonwealth Stabilization Fund of \$492.6 million in fiscal 2018. This deposit includes \$462.5 million in excess capital gains tax net transfers, and \$30 million from other sources
- The FY19 budget anticipates a sizeable deposit in the Stabilization Fund, resulting in a net increase of \$368 million for this fiscal year and a total balance of \$2.16 billion by the end of FY19, which is nearly double the balance since the Baker-Polito Administration took office in 2015 and the highest amount in more than a decade
- The projected fiscal 2019 ending fund balance for the Stabilization Fund is \$2.161B



Office of the State Treasurer

Debt / Capital Presentation

Sue Perez

Deputy Treasurer



Financing Update

- The State Treasurer’s Office (TRE) continues to issue debt periodically to fund the state’s capital budget, following the guidelines of the Executive Office for Administration & Finance’s (A&F) Debt Affordability Analysis.
- Since the April call, the Commonwealth has sold competitively \$525.0 million of GO new money and through negotiated sales \$346.4 million of GO refunding and \$225 million of Commonwealth Transportation Fund new money.

Series	Par Amount	Sale Date	Award/Bookrunner	Maturity Range	Avg Life	All-In-TIC
GO 2018 C	\$250MM	4/24/2018	Morgan Stanley	2029-2034	13.5	3.92%
GO 2018 D	\$275MM	4/24/2018	Citibank	2035-2048	23.0	3.80%
GO 2018 B Ref	\$346MM	5/9/2018	Goldman	2019-2030	7.4	2.56%
CTF 2018 A	\$225MM	6/20/2018	BofA Merrill Lynch	2020-2048	23.0	3.82%



Upcoming Transactions

Plan of Finance *

Month	Par Amount	Structure	Type	Credit	Method of Sale	Bookrunner
Week of Aug 20	\$1,500 M	Fixed Rate TaxExempt RANS	New Money	GO	Competitive	
August 28 ROP August 29 Pricing	\$500 M	Fixed-Rate Tax Exempt	New Money	GO	Negotiated	Morgan Stanley
August 28 ROP August 29 Pricing	\$265 M	Fixed Rate TaxExempt	Refunding	GO	Negotiated	Morgan Stanley
August 24 & 27 ROP August 28 Pricing	\$160 M	Fixed-Rate Tax Exempt (MA Clean Water Trust)	New Money	Revenue/ Green	Negotiated	Citigroup

*Preliminary and subject to change



Issuance Timeline*

- The Commonwealth expects to sell competitively
 - \$1.5 billion 2018 Series A, B & C RANS the week of August 20th
- The Commonwealth expects to price negotiated
 - 2018 Series E & C (refunding) on August 28th (ROP) and August 29th
- Our current Information Statement is available at www.massbondholder.com. The Preliminary Official Statements will be also available on the website as they are released (Expected release date of August 20th).
- To receive email notifications of our investor events please send us an email at: massbondholder@tre.state.ma.us or follow us on Twitter **@BuyMassBonds**

MASS RANS	Week of August 20th
RANS Closing Date	Week of August 27

MCWT Green Revenue	August 28, 2018
MCWT Closing Date	September 12, 2018

GO Refunding and New Money	August 29, 2018
GO Closing Date	September 5, 2018

* Preliminary, subject to change



Questions, please contact:

Office of State Treasurer Division of Debt Management

Sue Perez
Deputy Treasurer
sperez@tre.state.ma.us
(617) 367-3900 ext. 816

Deborah McLean
Senior Debt Analyst/Investor Relations
dmclean@tre.state.ma.us
(617) 367-3900 ext. 493



Questions/Answers August 9, 2018 Commonwealth Investor Call

1. Q: Is there a comprehensive calendar of expected bond issuances not only for the GO bonds and the Clean Water Trust but for other related entities like the School Building Authority and other types of obligations such as the sales tax bonds?

A: We post upcoming bond deals on our massbondholder.com website. We encourage other Commonwealth agencies to provide that information to us and we will reach out to them for an update and we will be proactive in encouraging them to provide us the information going forward.

1. Q: With the tax law changes and the elimination of advance refundings issued with tax exempt bonds, what is the state's philosophy, if there is one, or thoughts about issuing taxable debt for advanced refundings?

A: We keep all options on the table. Right now, we do not have any taxable refunding issuances pending but we continue to evaluate what we have as potential refunding candidates and that is an option should it provide savings for us.

