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<http://roadshow.munios.com/rs/gnula>

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www.massbondholder.com



The Commonwealth of Massachusetts Bond Financing Programs

Consolidated Loan of 2014, Series D General Obligation (“Multi-Modal”) Bonds Subseries D-1

June 2016

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.

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Remarketing Financing Summary

Issue*	\$200,000,000 General Obligation Bonds Consolidated Loan of 2014, Series D (Multi-Modal Bonds) Subseries D-1
Maturity Date:	August 1, 2043
Mode as of July 1, 2016	Term Mode
First Interest Payment Date	January 1, 2017
Mandatory Tender Date	July 1, 2020
Price	100%
Ratings (Moody's/Fitch/S&P)**	Aa1 (Stable) / AA+ (Stable) / TBD
Use of Proceeds	This transaction is a Remarketing of the existing 2014, Series D-1 Floating Rate Notes in the SIFMA Mode
Optional Redemption*	The D-1 Bonds are not subject to optional redemption prior to July 1, 2020.
Tax Status	MA State Tax-Exempt Federally Tax-Exempt
Timing*	Wednesday, June 29, 2016
Closing*	Friday, July 1, 2016
Remarketing Supplement	http://www.munios.com
Additional Information	http://massbondholder.com

* Preliminary, subject to change

** S&P rating due for release prior to sale



General Obligation Variable Rate Debt (as of April 30, 2016)

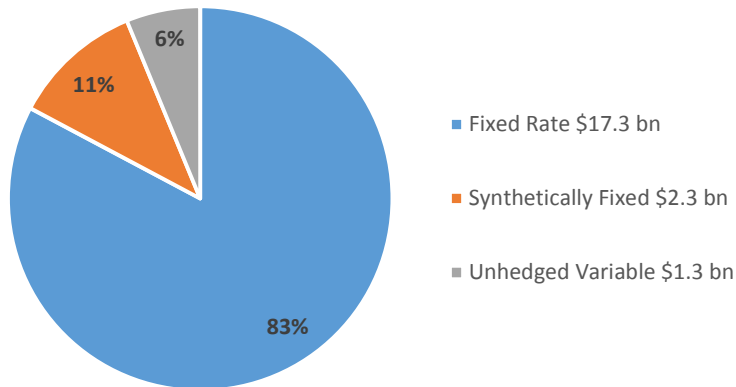
Overview:

- Issued Pursuant to Chapter 29 of the Massachusetts General Laws
- Secured by the full faith and credit of the Commonwealth
- Issued for a purposes such as transportation, affordable housing, education, information technology & public safety
- Sold as consolidated loans with allocation of bond proceeds to capital spending done in arrears

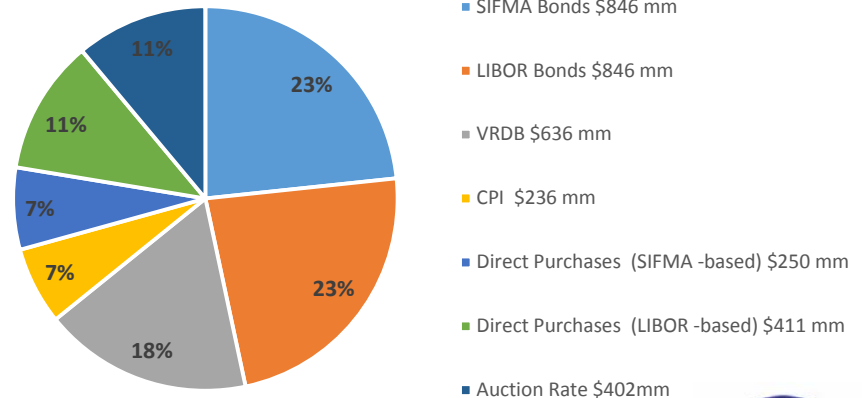
Profile:

- \$17.3 billion or 83% of outstanding bonds are fixed rate and \$3.6 billion or 17% are variable rate.
- \$ 2.3 billion or 11% of outstanding bonds are synthetically fixed through interest rate swap agreements
- \$ 1.3 billion or 6% of outstanding bonds are unhedged variable rate bonds
- Variable rate debt consists of LIBOR Index bonds, SIFMA Index bonds, auction rate securities, variable rate demand bonds, Consumer Price Index bonds and direct purchases

General Obligation Debt: \$20.9 bn



General Obligation Variable Rate Debt: \$3.6 bn



Note: Data does not include \$300 mm in LIBOR-based Direct Purchases settled in May.



Economic Update – Statistical Overview

	<u>Massachusetts</u>	<u>United States</u>
<u>Population</u>		
July-15 Estimated 5-year percent change	3.5%	3.9%
<u>Personal Income, Consumer Prices, Poverty</u>		
2015 Per Capita Personal Income	\$61,032	\$47,669
2014 Average Annual Pay, All Industries	\$64,103	\$51,364
2014-15 Annual Percent Change in CPI-U	0.6%	0.1%
Jan-15 to Jan-16 Annual Percent Change in CPI-U	1.0%	1.4%
2014 Poverty Rate	11.6%	15.5%
2015 Average Weekly Earnings, Manufacturing Production	\$893	\$832
Annual Percent Change (2014-2015)	1.8%	1.3%
<u>Employment</u>		
Feb-15 to Feb-16 Percent Change in Nonfarm Employment	1.9%	1.9%
2015 Average Annual Unemployment Rate	5.0%	5.3%
Mar-16 Unemployment Rate	4.4%	5.0%
<u>Education</u>		
2013 Expenditure Per Pupil K-12, Public	\$14,515	\$10,700
2014 Percent of Adults with at least a Bachelor's Degree	41.2%	30.1%
<u>Economic Base and Performance</u>		
2013-14 Percent Change in Gross Domestic Product	2.1%	2.4%
2014-15 Percent Change in International Exports	-7.9%	-7.3%
2014-15 Percent Change in Authorized Housing Permits	17.8%	12.6%

Source: UMASS Donahue Institute



Economic Update – Unemployment

Average Annual Unemployment Rate
Massachusetts, New England, and United States



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

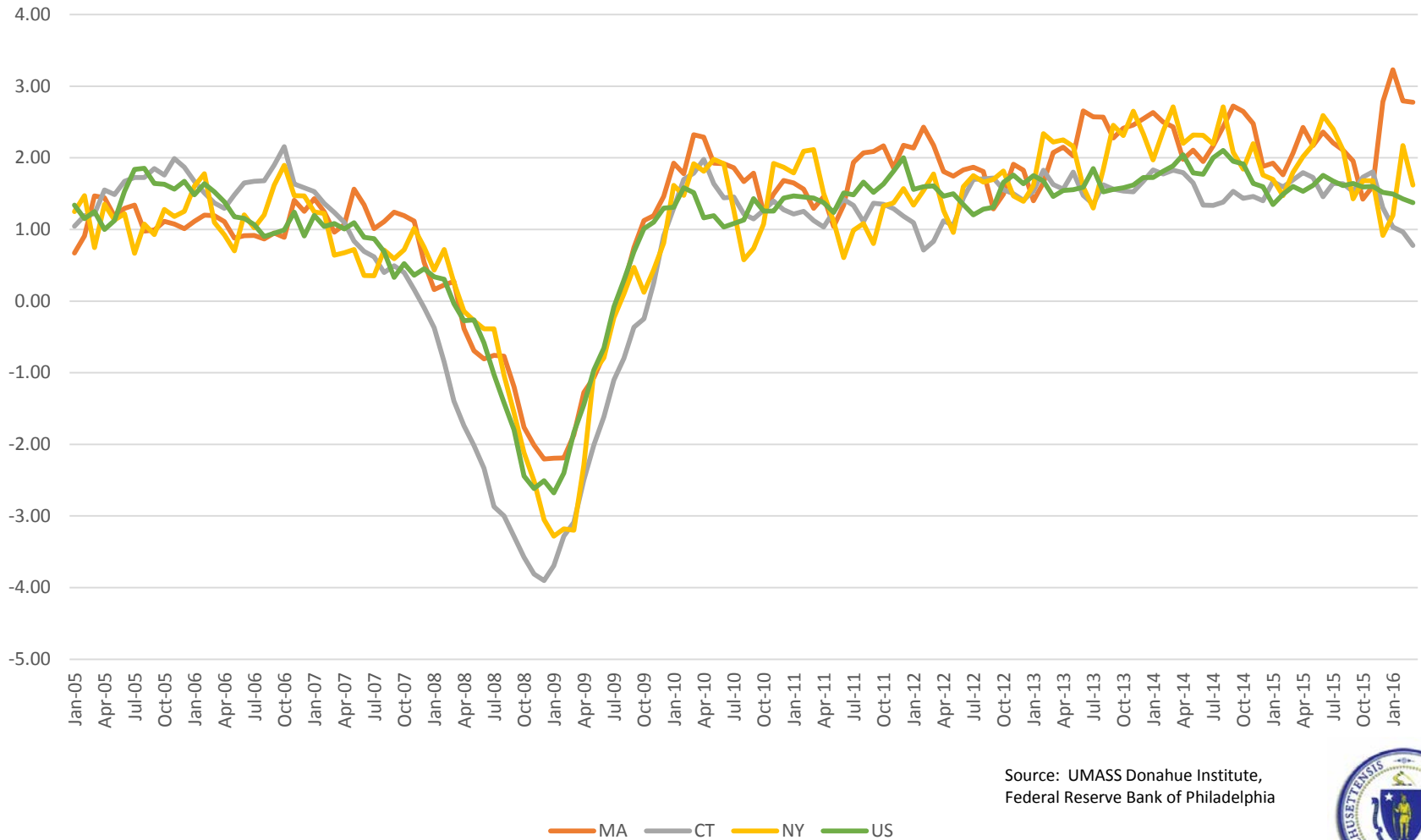
— MA — New England — US



Economic Update – Coincident Index

Coincident Index

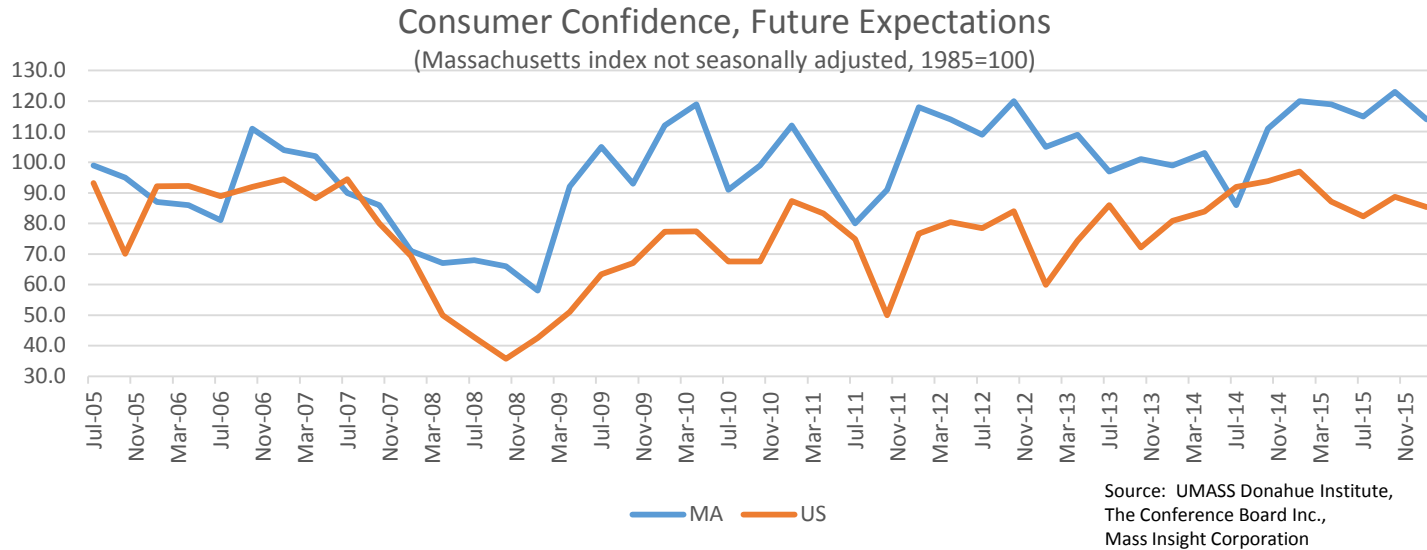
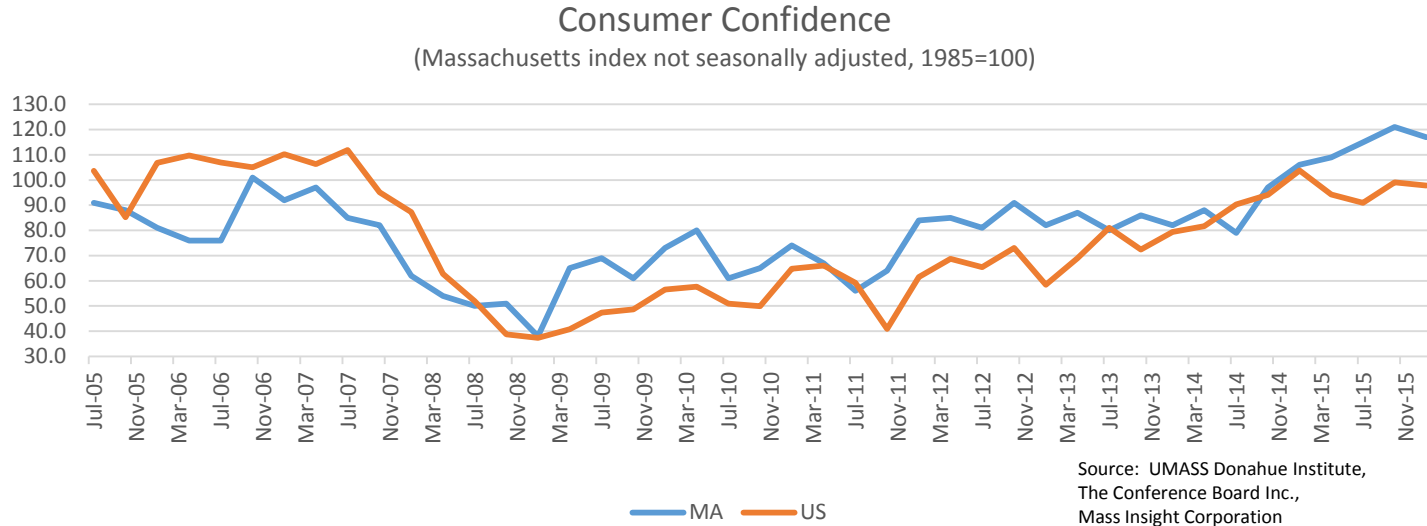
Index is comprised of Non-farm payroll, Average hours worked (manufacturing), Unemployment Rate, and Salary disbursements deflated by consumer price index



Source: UMASS Donahue Institute, Federal Reserve Bank of Philadelphia



Economic Update – Consumer Confidence



Fiscal Year 2016 Budget and Mid-Year Corrections

Budget

- The fiscal 2016 budget was signed by the Governor on July 17, 2015 and provided for spending of approximately \$38.2 billion, or 3.4% greater than fiscal 2015 estimated spending levels.
- The Governor vetoed \$162 million in line item and outside section spending.
- The fiscal 2016 budget created net operating savings of over \$100 million annually by reducing state workforce through a voluntary retirement incentive program.
- On July 28, 2015, the Legislature passed overrides to the Governor's vetoes in the amount of \$97.9 million.

Revenues

- The fiscal 2016 consensus tax revenue estimate of \$25.479 billion (\$21.396 billion available to the budget after required transfers), on which the budget was based, projected fiscal 2016 tax revenue growth of approximately 4.8% over fiscal 2015.
- On October 15, 2015, the Administration reduced the non-tax revenue estimate by \$145 million.
- On January 14, 2016, the Administration revised the tax revenue estimate upwards by \$140 million, from \$25.611 billion (inclusive of post consensus tax changes) to a revised estimate of \$25.751 billion.

Mid-Year Budget Balancing Measures

- Also on January 14, 2016, the Governor reduced fiscal 2016 spending by \$49 million and identified additional revenue solutions (non-tax) worth \$56 million.



Fiscal Year 2016 Outlook

- Massachusetts, like other similarly situated states, has experienced volatility in withholding and a softer than anticipated spring filing season.
- Current projections indicate total tax revenue will likely be \$320 million to \$370 million below revised benchmarks for fiscal 2016.
- Tax revenues through the end of May were \$311 million below the revised benchmarks on a year-to-date basis.
- We believe the principal reasons for this were lower than anticipated investment-related income on business and individuals, which drove higher than expected refunds and lower than expected payments with returns and estimated payments, and relatively weak end of calendar year 2015 bonus season.
- We have identified solutions to address the revenue shortfall by reducing spending and other measures, including the following:
 - Monitoring of and restrictions on spending, payroll caps, transfers to the General Fund of un-needed trust funds, acceleration of departmental and federal revenue collections.
- The Executive Office for Administration and Finance does not currently project a draw on Stabilization Fund reserves will be necessary to balance the fiscal 2016 budget.
- Should additional shortfalls be identified, the Secretary for Administration and Finance will pursue additional measures to reduce spending and eliminate the budget gap in order to end the fiscal year in balance.



Fiscal Year 2017 Budget Process

- The consensus tax revenue estimate for fiscal 2017 was adopted in January, 2016 in the amount of \$26.86 billion, which represented 4.3% growth over the revised fiscal 2016 consensus tax revenue estimate.
- The Governor's budget recommendation, House and Senate budgets were all developed based on the January fiscal 2017 consensus revenue forecast.
- The Governor filed his fiscal 2017 budget recommendation on January 27, 2016, providing for a total of \$39.559 billion in state spending, a 3.5% increase over the fiscal 2016 budget.
- The House approved its budget on April 27, 2016, providing for \$39.540 billion in spending.
- The Senate approved its budget on May 26, 2016, providing for \$39.558 billion in spending.
- In light of the Commonwealth's tax collections and refund experience in the second half of fiscal 2016, the Secretary for Administration and Finance now projects fiscal 2017 tax revenues to be between \$450 million and \$750 million below the level projected in the consensus forecast.
- The range was developed after consulting with the Department of Revenue and with independent economists.
- A conference committee will be meeting to resolve differences between the House and Senate budgets and to produce the general appropriation act.
- As the budget process moves forward, we intend to work collaboratively with the Legislature to make adjustments in spending in line with expected revenues.



Upcoming Transactions*

Plan of Finance *

Month	Par Amount	Structure	Issuance Type	Credit	Sale Type
June/July 2016	\$250 M	Green Taxable	New Money	GO	Negotiated
June/July 2016	\$450 M	Fixed-Rate Tax Exempt	Refunding	GO	Negotiated
June /July 2016	\$200 M	2014 D1 Multi Modal	Remarketing	GO	Negotiated
August 2016	\$200 M	Fixed-Rate Tax Exempt GANS (ABP)	New Money	GANS	Negotiated
August 2016	\$250 - \$400 M	Fixed-Rate Tax Exempt Rail Enhancement Program	New Money	CTF	Negotiated
August/Sept 2016	\$200 M	SIFMA Bonds (2013 Refunding A 2014 Refunding E)	Refunding (Roll)	GO	Competitive
August/Sept 2016	\$500 - \$600 M	Fixed-Rate Tax Exempt	New Money	GO	Competitive
September 2016	\$1.0 - \$1.2 B	Revenue Anticipation Notes	New Money	GO	Competitive

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Issuance Timeline*

- The Commonwealth expects to price its 2014 Series D-1 Bonds on June 29, 2016
- Current Information Statement and Remarketing Supplement available at www.massbondholder.com

June/July						
Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2

Remarketing	June 29
Closing Date	July 1

* Preliminary, subject to change

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