

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 be available until August 17, 2017.

<http://munios.com/live/CommonwealthMAAug2016>

The full slide deck for this call is 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 17, 2016
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



GOVERNOR CHARLES D. BAKER



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	\$64,488	\$51,672
2014-15 Annual Percent Change in CPI-U	0.6%	0.1%
May-15 to May-16 Annual Percent Change in CPI-U	1.5%	1.0%
2014 Poverty Rate	11.6%	15.5%
2015 Average Weekly Earnings, Manufacturing Production	\$893	\$832
Annual Percent Change (2014-2015)	1.7%	1.1%
<u>Employment</u>		
June-15 to June-16 Percent Change in Nonfarm Employment	1.4%	1.7%
2015 Average Annual Unemployment Rate	5.0%	5.3%
Mar-16 Unemployment Rate	3.8%	4.5%
<u>Education</u>		
2014 Expenditure Per Pupil K-12, Public	\$15,105	\$11,022
2014 Percent of Adults with at least a Bachelor's Degree	41.2%	30.1%
<u>Economic Base and Performance</u>		
2014-15 Percent Change in Gross Domestic Product	2.0%	2.4%
2014-15 Percent Change in International Exports	-7.8%	-7.4%
2014-15 Percent Change in Authorized Housing Permits	20.3%	13.0%

Source: UMASS Donahue Institute



Economic Update – Unemployment

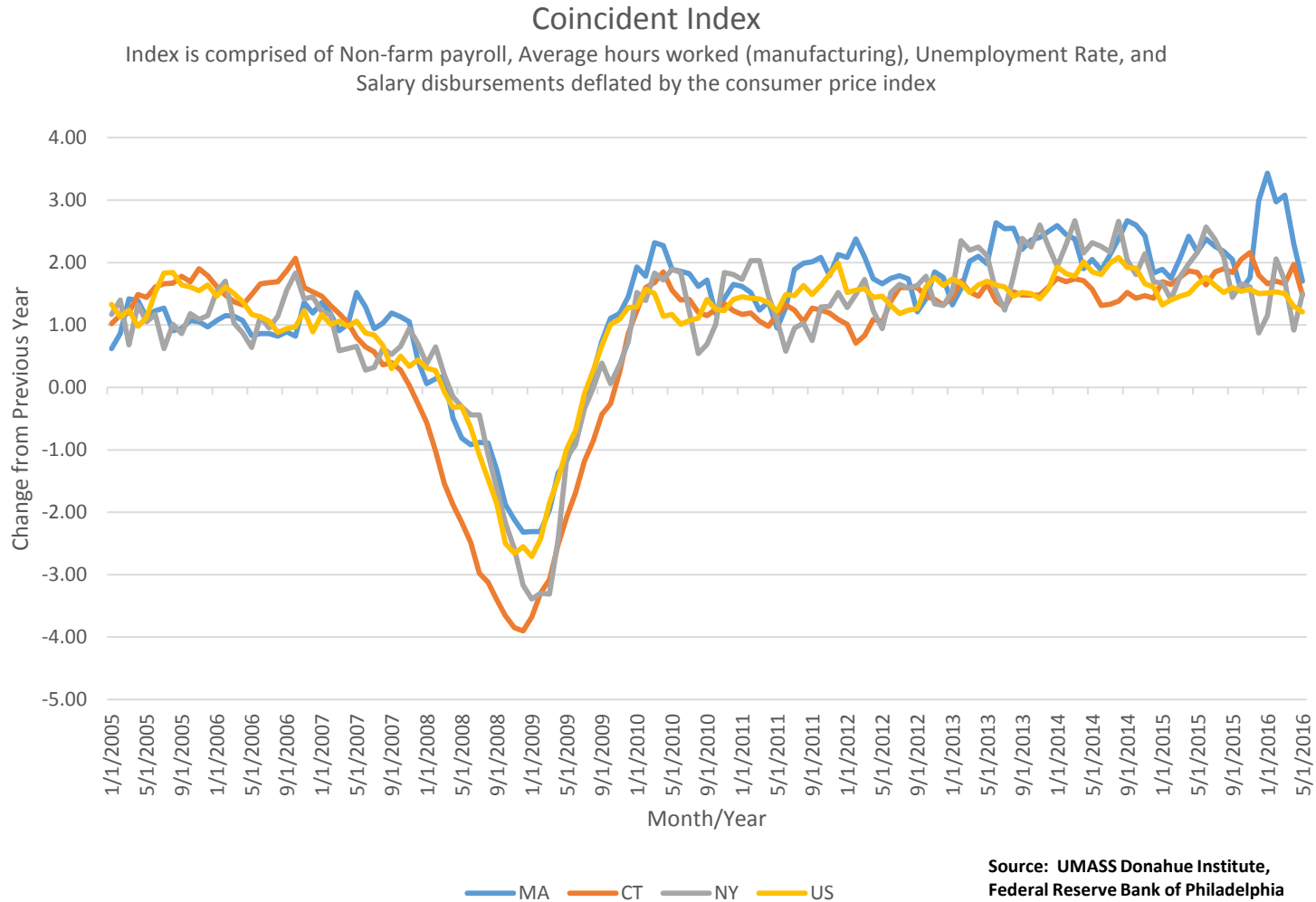
Average Annual Unemployment Rate
Massachusetts, New England and United States



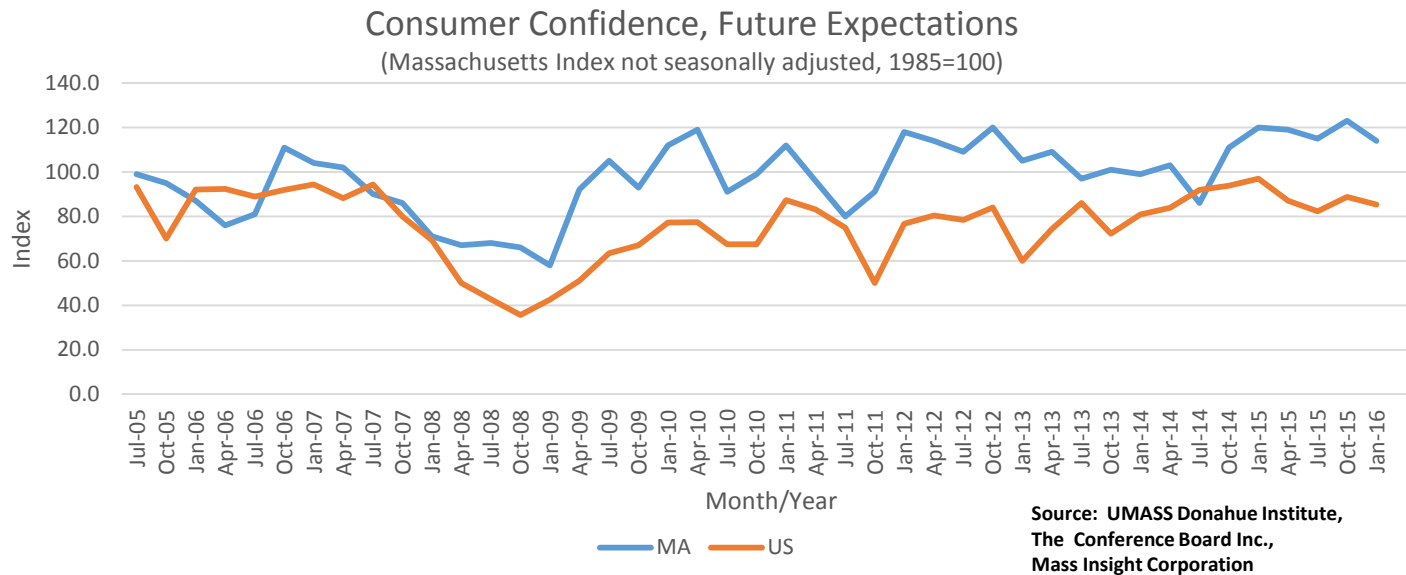
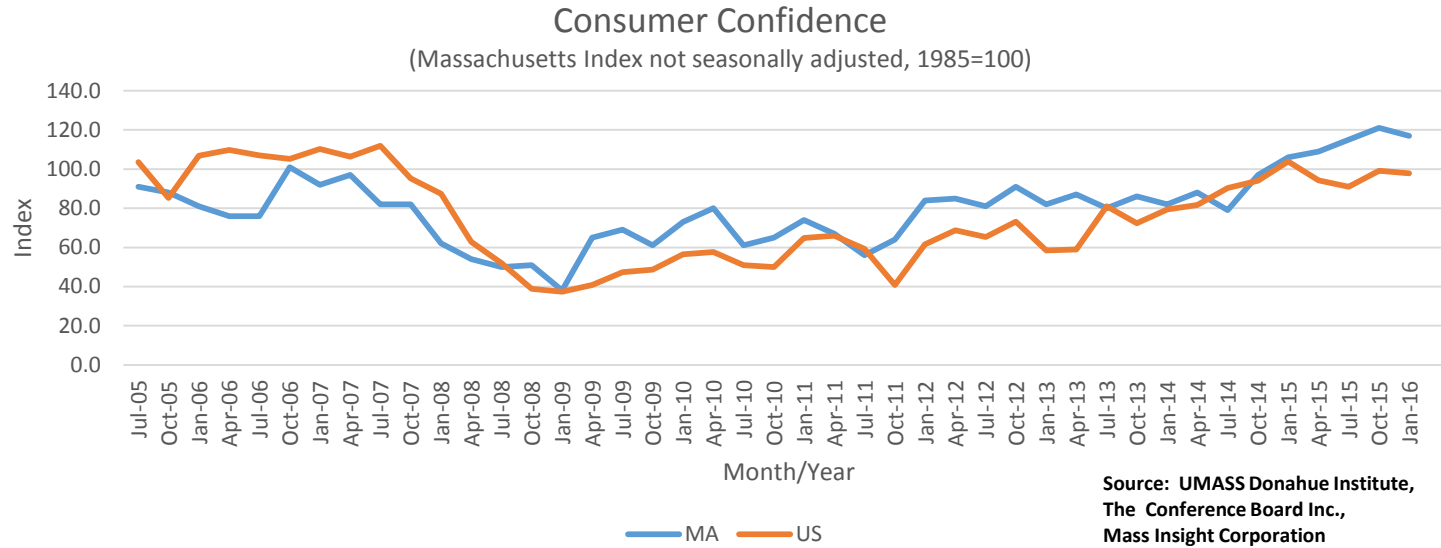
Source: UMASS Donohue Institute,
US Dept of Labor, Bureau of Labor Statistics



Economic Update – Coincident Index



Economic Update – Consumer Confidence



Department of Revenue

Kazim P. Özyurt

Chief Economist

Director, Office of Tax Policy & Analysis



Recap of FY16 Revenue Performance:

- Excluding “tax-related” settlements of \$155.3M, preliminary (unaudited) FY16 tax revenues totaled \$25.267 billion..... increase \$550 million, or 2.2% over FY15.....\$484 million below the revised benchmark
- The most of the revenue shortfall occurred in the second half of the fiscal year 2016
 - primarily in the income category
 - reflecting the effects of volatility in financial markets →
 - lower than anticipated investment-related income
 - higher than anticipated refunds,
 - lower than anticipated payments with returns and estimated payments
 - shortfall in income tax and sales/use tax was only partly offset by surplus in corporate & business tax, and all other taxes



Recap of FY16 Revenue Performance:

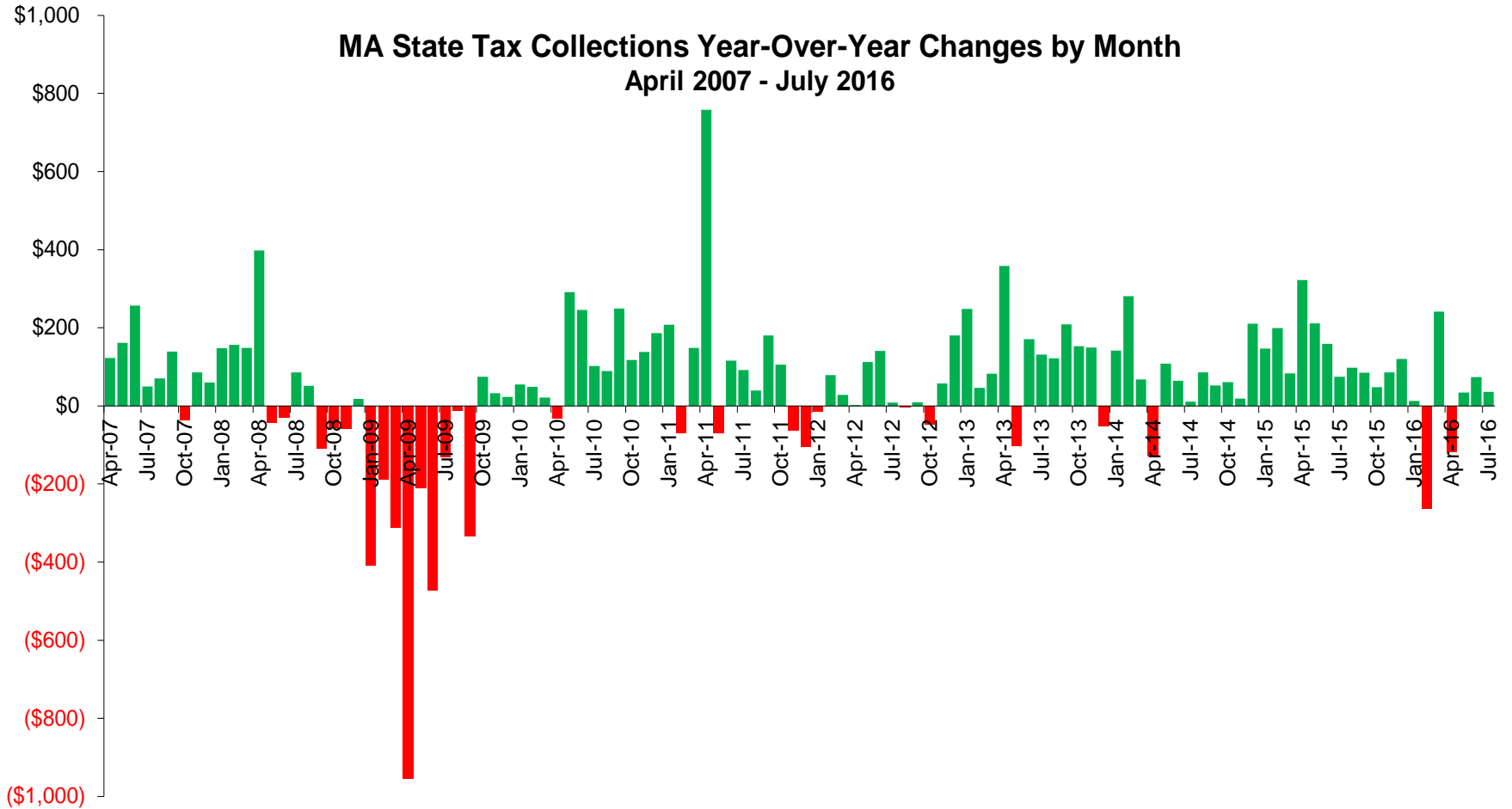
	-----Month of June-----					-----FY16 Year-to-Date-----					FY16 Full Year Benchmark
	06/16 Collections	06/16 v. 06/15 \$ Change	06/16 v. 06/15 Actual % Change	06/16 v. 06/15 Baseline % Change	06/16 \$ Above/(Below) Benchmark Based on FY16 Estimate of \$25.751 Billion	06/16 FY16 YTD Collections	06/16 FY16 YTD \$ Change	06/16 FY16 YTD Actual % Change	06/16 FY16 YTD Baseline % Change	FY16 YTD \$ Above/(Below) Benchmark Based on FY16 Estimate of \$25.751 Billion	
Income - Total	1,340	(25)	-1.8%	-4.5%	(104)	14,390	15	0.1%	1.1%	(478)	14,868
Income Withholding	887	30	3.5%	-0.5%	(48)	11,424	360	3.3%	4.3%	(60)	11,484
Income Est. Payments (Cash)	483	(41)	-7.9%	-6.0%	(31)	2,511	(42)	-1.7%	-0.6%	(127)	2,638
Income Returns/Bills	62	(1)	-1.9%	-21.0%	(13)	2,042	(141)	-6.5%	-6.7%	(173)	2,215
Income Refunds (Cash)	92	13	16.1%	16.1%	12	1,585	164	11.5%	11.5%	120	1,465
Sales & Use - Total	525	(7)	-1.3%	-1.6%	(44)	6,049	275	4.8%	4.7%	(113)	6,162
Sales - Regular	350	(8)	-2.3%	-3.2%	(32)	4,151	165	4.1%	4.0%	(75)	4,226
Sales - Meals	96	2	2.2%	1.3%	(6)	1,064	65	6.5%	6.9%	(6)	1,070
Sales - Motor Vehicles	79	(1)	-1.1%	2.3%	(6)	834	45	5.7%	5.7%	(33)	867
Corporate & Business - Total	523	(1)	-0.3%	-0.2%	(24)	2,532	112	4.6%	5.1%	48	2,484
All Other	244	10	4.5%	3.4%	(0)	2,296	148	6.9%	6.3%	59	2,237
Total Tax Collections	2,634	(23)	-0.9%	-2.4%	(173)	25,267	550	2.2%	2.8%	(484)	25,751

Tax-Related Settlements & Judgments Exceeding \$10 Million Each (NOT included in the June and YTD collections figures above. June and YTD benchmarks DO NOT assume such large settlements and judgments exceeding \$10 million each).

	128.4					155.3					
Total Tax Collections <i>(including tax-related settlements & judgments)</i>	2,762	74	2.8%	1.2%		25,423	490	2.0%	2.5%		
Corporate & Business - Total <i>(including tax-related settlements & judgments)</i>	652	96	17.2%	17.3%		2,687	127	4.9%	5.4%		
Income Returns/Bills <i>(including tax-related settlements & judgments)</i>	62	(1)	-1.9%	-21.0%		2,042	(215)	-9.5%	-9.7%		



Monthly year-over-year changes in collections:



FY17 Year-to-Date (July) Tax Collections Update

July 2016 Tax Collection Summary (in \$ millions) (Preliminary as of August 2, 2016)

	----- Month of July -----					----- FY17 Year-to-Date -----				
	07/16 Collections	07/16 v. 07/15 \$ Change	07/16 v. 07/15 Actual % Change	07/16 v. 07/15 Baseline % Change	07/16 \$ Above/(Below) Benchmark Based on FY17 Estimate of \$26.231 Billion	07/16 FY17 YTD Collections	07/16 FY17 YTD \$ Change	07/16 FY17 YTD Actual % Change	07/16 FY17 YTD Baseline % Change	FY17 YTD \$ Above/(Below) Benchmark Based on FY17 Estimate of \$26.231 Billion
Income - Total	949	34	3.7%	6.7%	20	949	34	3.7%	6.7%	20
Income Withholding	895	12	1.4%	4.5%	(2)	895	12	1.4%	4.5%	(2)
Income Est. Payments (Cash)	33	5	17.7%	18.7%	5	33	5	17.7%	18.7%	5
Income Returns/Bills	40	8	22.8%	22.8%	8	40	8	22.8%	22.8%	8
Net Income Refunds	20	(9)	-31.0%	-31.0%	(9)	20	(9)	-31.0%	-31.0%	(9)
Sales & Use - Total	544	(5)	-0.8%	1.2%	(18)	544	(5)	-0.8%	1.2%	(18)
Sales - Regular	382	5	1.3%	2.0%	(8)	382	5	1.3%	2.0%	(8)
Sales - Meals	97	2	1.6%	3.1%	(2)	97	2	1.6%	3.1%	(2)
Sales - Motor Vehicles	65	(11)	-14.4%	-5.1%	(8)	65	(11)	-14.4%	-5.1%	(8)
Corporate & Business - Total	52	4	9.3%	9.3%	4	52	4	9.3%	9.3%	4
All Other	162	2	1.2%	1.6%	1	162	2	1.2%	1.6%	1
Total Tax Collections	1,707	36	2.1%	4.5%	7	1,707	36	2.1%	4.5%	7
<i>Tax-Related Settlements & Judgments Exceeding \$10 Million Each</i> (NOT included in the July and YTD collections figures above. July and YTD benchmarks DO NOT assume such large settlements and judgments exceeding \$10 million each).										
	0.0					0.0				
Total Tax Collections (Including tax-related settlements & judgments)	1,707	36	2.1%	4.5%		1,707	36	2.1%	4.5%	
Corporate & Business - Total (Including tax-related settlements & judgments)	52	4	9.3%	9.3%		52	4	9.3%	9.3%	
Income Returns/Bills (Including tax-related settlements & judgments)	40	8	22.8%	22.8%		40	8	22.8%	22.8%	

Note: Detail may not add to total due to rounding and other technical factors.



FY17 Year-to-Date (July) Tax Collections Update

- Year-to-Date (July) – moderate growth
- Excluding tax related settlements and judgments exceeding \$10 million each:
 - July total: \$1.707 billion
 - +\$36 million, or 2.1%, from the same period in fiscal 2016
 - \$7 million above July benchmark
 - lower than expected
 - withholding tax collections, and
 - sales tax collections (particularly motor vehicle, and regular sales)
- offset by*
 - above benchmark performances in
 - corporate & business tax collections, income tax cash estimated payments, income tax returns/bills payments, and
 - Lower than expected income tax cash refunds



FY17 Year-to-Date (July) Tax Collections Update

- **Withholding:** \$895M, +\$12M, +1.4% actual, +4.5% baseline, \$2M below benchmark.
- **Income tax cash estimated payments:** \$33M, +\$5M, +17.7% actual, +18.7% baseline, \$5M above benchmark.
- **Income tax payments with bills and returns:** \$40M, +\$8M, +22.8% actual & baseline, \$8M above benchmark.
- **Net Income tax cash refunds:** \$20M, -\$9M, -31% actual & baseline, \$9M below benchmark.
- **Sales & use tax collections:** \$544M, -\$5M, -0.8% actual, +1.2% baseline, \$18M below benchmark.
- **Corporate and business tax collections:** \$52M, +\$4M, +9.3% actual, +9.3% baseline, \$4M above benchmark.
- **“All Other” tax categories (including estate tax):** \$162M, +\$2M, +1.2% actual, +1.6% baseline, \$1M above benchmark.



Executive Office for Administration & Finance

Jennifer Sullivan

*Assistant Secretary for Capital
Finance*

Catharine Hornby

*Assistant Secretary and
Budget Director*

Mark Attia

Director of Debt Management

Heath Fahle

Finance Director



Fiscal Year 2017

Revenue

- In January 2016, the Administration and Legislature agreed upon a consensus tax revenue estimate for fiscal 2017 of \$26.860 billion.
- However, based on weaker than expected revenue performance in the second half of fiscal 2016, and after consulting with the Secretary of Administration and Finance, the Department of Revenue and independent economists, the Legislature reduced its tax revenue estimate at the time of the enactment of the budget.
- The fiscal 2017 budget was based on a tax revenue estimate of approximately \$26.231 billion.
- This estimate assumes that the statutory triggers that would automatically reduce the personal income tax rate on most classes of taxable income 5.05% on January 1, 2017 will not occur.
- The Secretary of Administration and Finance will review estimates of revenues available to meet appropriations by October 15, in accordance with state finance law.



Fiscal Year 2017

Budget

- The fiscal 2017 budget was enacted by the Legislature on June 30, 2016 and approved by Governor Baker on July 8, 2016, with \$264 million in line item vetoes.
- The fiscal 2017 budget authorized spending of approximately \$38.92 billion (after vetoes), which was approximately \$489 million, or 1.3%, greater than fiscal 2016 estimated spending levels at the time of its approval.
- The Governor also filed a supplemental budget for fiscal 2017, which proposed additional appropriations for identified deficiencies totaling \$177 million, net of offsetting revenues.
- The Legislature passed overrides to the Governor's vetoes in the aggregate amount of \$219 million, net of offsetting revenues and increased caseload exposures.
- The Executive Office for Administration and Finance will continue to monitor revenues and spending and will actively manage the Commonwealth's budget in fiscal 2017 to ensure that the commonwealth's budget will achieve statutory balance.
- The Secretary for Administration and Finance has implemented a hiring freeze and has other budget balancing measures available including maintaining payroll caps, reducing allotments and other spending controls.



Fiscal Year 2016

- Tax revenues through the end of fiscal 2016 were approximately \$484 million below revised benchmarks, based on preliminary (unaudited) results, or 2.2% over fiscal 2015 tax revenues. The revenue shortfall developed in the second half of the fiscal year.
- Below benchmark revenue performance was primarily in the income category, which is believed to reflect the effects of a volatile stock market, driving lower than anticipated investment-related income, higher than expected refunds and lower than expected payments with returns and estimated payments.
- The Secretary for Administration and Finance identified solutions to address the revenue shortfall by reducing spending and other measures, including imposing payroll caps, transfers of trust funds, and acceleration of departmental and federal revenue collections.
- A final year-end supplemental appropriations bill with respect to fiscal 2016 is currently pending before the Legislature.
 - The bill consists of appropriations for identified deficiencies totaling \$170 million, of which all but \$6 million are offset by higher-than-budgeted federal reimbursements.
 - The bill also contains inter-fund and inter-agency transfer provisions to enable the Commonwealth to close fiscal 2016 in balance.
- 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.
- Fiscal 2016 results are not yet final and are subject to change.



Office of the State Treasurer

Debt / Capital Presentation

Sue Perez

*Assistant Treasurer
for Debt Management*

Drew Smith

*Deputy Assistant Treasurer
for Debt Management*



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 June call, the Commonwealth has issued \$550 million 2016 Series D and Series E tax-exempt GO Bonds as well as \$728.4 million 2016 Refunding Series B tax-exempt GO Bonds, \$250 million Series F taxable Green GO Bonds and remarketed \$200 million 2014 Series D1 Multi Modal Bonds.
- **2016 Series D and E - \$550,000,000 tax-exempt GO Bonds**
 - Bonds issued to fund the Commonwealth's capital investment plan
 - Both series sold on a competitive basis on June 9, 2016 with award to JPMorgan
 - Series D \$55 million maturing 2022 – 2026, Avg Life of 8.0 yrs, All-In-TIC of 1.48%
 - Series E \$495 million maturing 2033 – 2046, Avg Life of 25.8 yrs, All-In-TIC of 3.28%



Financing Update

- **2016 Refunding Series B - \$728,415,000 tax-exempt GO Bonds**
 - Bonds issued to advance refund certain existing debt for savings
 - Sold on a negotiated basis on June 29, 2016 with Bank of America acting as senior manager
 - Refunding Series B maturities ranging from 2017 – 2038, Avg Life of 11.8 yrs, All-In-TIC of 2.28%, resulting in \$103 million in PV savings (13.0% of refunded par)
- **2016 Series F - \$250,000,000 taxable Green GO Bonds**
 - Bonds issued to fund certain capital expenditures of the Commonwealth, designated as Green
 - Sold on a negotiated basis on June 28, 2016 with Bank of America acting as senior manager
 - Series F \$250 million maturing in 2046, Avg Life of 25.8 yrs, All-In-TIC of 3.3%, 100bps over 30-yr Treasury
 - Taxable and index-eligible



Financing Update

- **2014 Series D-1 - \$200,000,000 tax-exempt GO Multi-Modal Bonds**
 - Bonds originally issued to fund the Commonwealth's capital investment plan
 - Converted from SIFMA Index Mode to Term Mode
 - Negotiated remarketing on June 29, 2016 with Barclays acting as senior manager
 - Fixed coupon set at 1.05%
 - Bonds have a mandatory tender of July 1, 2020, final maturity of August 1, 2043, Avg Life of 25.0 years, All-In-TIC of 1.06%



Upcoming Transactions*

Plan of Finance *

Month	Par Amount	Structure	Type	Credit	Method of Sale
Aug-16	\$1.5 B	Revenue Anticipation Notes	New Money	GO	Competitive
Aug-16	\$800 M	Fixed-Rate Tax Exempt	New Money/Refunding	GO	Competitive
Sep-16	\$150 M	Fixed-Rate Tax Exempt GANS (ABP)	New Money	GANS	Negotiated
Sep-16	\$250 - \$400 M	Fixed-Rate Tax Exempt CTF (REP & ABP)	New Money/Refunding	CTF	Negotiated
Nov-16	\$600 M	Fixed-Rate Tax Exempt	New Money	GO	Competitive
Nov-16	\$225 M	SIFMA Bonds	New Money	GO	Competitive
Mar-17	\$500 M	Fixed-Rate Tax Exempt	New Money	GO	Competitive
May-17	\$250 M	Fixed-Rate Tax Exempt REP & ABP Programs	New Money	CTF	Negotiated
Jun-17	\$525 M	Fixed-Rate Tax Exempt	New Money	GO	Competitive

*Preliminary and subject to change



Upcoming Deals

- **2016 Series A, B & C Revenue Anticipation Notes**
 - This transaction will be sold on a competitive basis on August 24, 2016
 - Notes scheduled for delivery on August 30, 2016
 - All coupons will be set at 2%
 - Series A \$500,000,000 to mature on April 24, 2017, (237/365)
 - Series B \$500,000,000 to mature on May 22, 2017, (265/365)
 - Series C \$500,000,000 to mature on June 26, 2017, (300/365)
 - Rated F1+ and MIG 1 by Fitch & Moody's, S&P rating due prior to sale



Upcoming Deals

- **2016 Series G and Refunding Series C**

- These transactions will be sold on a competitive basis on August 25, 2016
- Bonds scheduled for delivery on September 1, 2016
- Series G \$550,000,000, maturing 2031-2046, with an average life of 24.0 years and a 10-year par call
- Refunding Series C \$284,545,000, maturing 2017-2026, with an average life of 6.9 years and bonds will be non-callable
- Rated AA+ and Aa1 by Fitch & Moody's, S&P rating due prior to sale

Maturity Schedules

Series G

Maturity Date	Par Amount	Maturity Date	Par Amount
9/1/2031	\$25,000,000	9/1/2039	\$25,000,000
9/1/2032	\$25,000,000	9/1/2040	\$25,000,000
9/1/2033	\$25,000,000	9/1/2041	\$25,000,000
9/1/2034	\$25,000,000	9/1/2042	\$55,000,000
9/1/2035	\$25,000,000	9/1/2043	\$55,000,000
9/1/2036	\$25,000,000	9/1/2044	\$55,000,000
9/1/2037	\$25,000,000	9/1/2045	\$55,000,000
9/1/2038	\$25,000,000	9/1/2046	\$55,000,000

Refunding Series C

Maturity Date	Par Amount
4/1/2020	\$34,755,000
10/1/2021	\$41,075,000
4/1/2022	\$41,075,000
4/1/2023	\$42,180,000
10/1/2024	\$36,960,000
10/1/2025	\$44,250,000
4/1/2026	\$44,250,000



Issuance Timeline*

- The Commonwealth expects to sell its 2016 Series A, B, & C RANS on August 24 and its 2016 Series G and Refunding Series C on August 25
- Current Information Statement and Preliminary Official Statement available at www.massbondholder.com

August						
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	31	1		

RANS Competitive Sale	24-Aug
RANS Closing Date	30-Aug
GO Competitive Sale	25-Aug
GO Closing Date	1-Sep

* Preliminary, subject to change

Questions, please contact:	
Office of State Treasurer Division of Debt Management	
Sue Perez Assistant Treasurer sperez@tre.state.ma.us (617) 367-3900 ext. 816	Drew Smith Deputy Assistant Treasurer dsmith@tre.state.ma.us (617) 367-3900 ext. 493



Debt/Capital

- Today's call represents the third investor call of 2016
- The Commonwealth will continue to hold investor calls approximately one week after each disclosure update throughout 2016
- For more information on the Commonwealth's financing programs, please contact either Sue Perez or Drew Smith

Sue Perez

Assistant Treasurer for Debt
Management

(617) 367-3900 ext. 816

sperez@tre.state.ma.us

Drew Smith

Deputy Asst. Treasurer for Debt
Management

(617) 367-3900 ext. 493

dsmith@tre.state.ma.us

To receive e-mail notifications of our investor events please send us
an email at: ***massbondholder@tre.state.ma.us***
or follow us on Twitter **@BuyMassBonds**



QUESTIONS

