

RatingsDirect®

Massachusetts; Appropriations; General Obligation; General Obligation Equivalent Security; Joint Criteria

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Credit Profile

US\$350.0 mil GO bnds cons loan ser 2015 A due 05/01/2044

<i>Long Term Rating</i>	AA+/Stable	New
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US\$200.0 mil GO bnds cons loan ser 2015 B due 05/01/2018

<i>Long Term Rating</i>	AA+/Stable	New
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Massachusetts GO

<i>Long Term Rating</i>	AA+/Stable	Affirmed
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Rationale

Standard & Poor's Ratings Services has assigned its 'AA+' rating and stable outlook to Massachusetts' \$550 million general obligation (GO) bonds consolidated loan of 2015, which consist of \$350 million series A and \$200 million federally taxable series B.

At the same time, Standard & Poor's has affirmed its 'AA+' rating on approximately \$20.3 billion of parity GO debt outstanding. The outlook is stable.

Factors supporting the 'AA+' rating include what we view as Massachusetts':

- Strong budget performance, with timely monitoring of revenues and expenditures and swift action when needed to make adjustments, with a focus on structural solutions to budget balance;
- Strong financial, debt, and budget management policies, including annualized formal debt affordability statements, and multiyear capital investment and financial planning;
- Healthy budget stabilization fund (BSF) balance, despite recent small drawdowns. We believe the BSF helps manage budget volatility as it captures "excess" capital gains tax above a trigger level;
- High wealth and income levels; and
- Deep and diverse economy, which continues to experience steady economic recovery.

Standard & Poor's believes the commonwealth's high debt burden and significant unfunded pension and other postemployment benefit (OPEB) liabilities are offsetting considerations to the current rating. Although we view Massachusetts' total postretirement liabilities as relatively high, we believe the commonwealth has been actively managing these liabilities with a focus on cost control and reform in recent years.

The series 2015 A and B GO bonds are being issued to finance various capital projects.

Massachusetts' economy has experienced steady recovery, outpacing national and regional trends by most measures. The commonwealth's average annual unemployment rate in 2014 was 5.8% compared with 6.2% for the nation. The preliminary state unemployment rate as of February 2015 has fallen to 4.9%, compared with 5.5% for the nation, the

result of continued strong growth in private-sector employment. Employment growth has been strong relative to other states and the commonwealth regained its pre-recession employment peak in 2013 according to the Bureau of Labor Statistics. IHS Global Insight Inc. forecasts continued state employment growth in 2015 and 2016, although slower than that of the nation at 1.4% and 1.2%, respectively, compared with its forecast of 2.1% in 2015 and 1.4% in 2016 for the U.S. In our view, Massachusetts' economic fundamentals and key anchors, which are centered on higher education, technology, and health care, should contribute to continued expansion. Income growth has also been strong relative to that of other states, with preliminary 2014 per capita personal income ranked second in the U.S. behind Connecticut, at 128% of the U.S. average.

We view Massachusetts' budget as generally structurally balanced with good reserves, although several midyear budget adjustments were needed in fiscal 2015, primarily prompted by higher-than-budgeted Medicaid expenses and some revenue shortfalls. The governor's executive budget proposal for fiscal 2016 is largely structurally balanced in our opinion, increasing spending by 3.0%, compared with the 4.8% consensus tax revenue growth forecast.

The commonwealth ended fiscal 2014 on a budgetary basis with an estimated operating funds' balance of \$1.45 billion, including \$1.25 billion in the BSF, or what we see as a still good 3.9% of operating funds expenditures (primarily the general fund and transportation fund), on a combined basis, or 6.0% of tax revenues. In fiscal 2014, the state drew down its BSF by \$308 million. The state originally enacted a largely balanced fiscal 2015 budget, with only a slight \$30 million drawdown in its BSF; however, it now projects the BSF will be draw down by \$120 million in fiscal 2015. Total general fund and BSF reserves are projected to be \$1.20 billion at fiscal year-end 2015, or 3% of total operating funds expenditures on a budgetary basis.

The state has made or is in process of implementing several rounds of midyear budget adjustments in fiscal 2015. The midyear budget shortfalls are the result of both revenue shortfalls and higher-than-budgeted expenditures, particularly in Medicaid. In November 2014, outgoing governor Deval Patrick identified a projected \$329 million fiscal 2015 deficiency; \$225 million of this was met with midyear adjustments enacted before he left office. In January, the incoming administration of Governor Charlie Baker estimated an additional midfiscal 2015 shortfall of \$768 million due to new spending exposures, after taking into account the midyear budget adjustments already made. The new gap was particularly attributable to \$230 million of additional Medicaid exposure and \$155 million for employee group health insurance, in addition to unexpected snow removal costs. In particular, the state identified what it believes was poor record keeping when enrolling Medicaid participants, which led to expansion beyond budgeted levels. The state is implementing adjustments that it believes will fully close the midyear deficiency. Solutions included redetermination of existing Medicaid participants' eligibility (\$168 million), diversion of an extra of excess capital gains taxes to the general fund (\$331 million instead of an originally budgeted \$131 million diversion) instead of being deposited into the BSF, reversions of appropriated money (\$108 million), and other measures. The combined \$225 million and \$787 million of separate midyear adjustments total about 3% of originally budgeted fiscal 2015 operating funds' expenditures.

Through March 2015, the state reports tax revenues have come in \$132 million above revised revenue projections for fiscal 2015, which assumes 4.2% baseline revenue growth over 2014. Projections for 2015 include an income tax rate reduction triggered under state law Jan. 1, 2015, as the result of baseline revenue growth over 2.5%, for a loss of about

\$70 million in fiscal 2015. The state projects income tax will grow 5.7% in fiscal 2015, and regular sales tax 6.1%. Another income tax rate trigger reduction to 5.10% from 5.15% could go into effect on Jan. 1, 2016, if inflation adjusted baseline revenue growth exceeds the 2.5% trigger level.

The governor's proposed fiscal 2016 budget uses a consensus revenue forecast of 4.8% revenue growth and projects 3.0% spending growth. The proposed budget projects only a slight \$7 million increase for the ending BSF balance, after diversion of excess capital gains tax to the general fund that would have otherwise flowed to the BSF. The proposed budget assumes current statutory law will trigger another income tax rate reduction in calendar 2016, as well as savings from an early retirement incentive program, and slightly increases continued deposits to an OPEB trust fund. The proposed executive budget anticipates 5.6% growth in MassHealth spending (which is over a third of the operating budget), while level funding most other expenditures and appropriating small increases to aid for local government, education, and local road funding.

On a generally accepted accounting principles basis, Massachusetts ended fiscal 2014 (the most recent audited year) with an available assigned and unassigned general fund balance of \$1.59 billion, plus a BSF balance of \$1.25 billion, for a combined balance that we view as a strong 9% of general fund expenditures, down slightly from 11% the year before.

We calculate total GO debt outstanding at fiscal year-end June 30, 2014, at \$20.1 billion, and total tax-supported debt at about \$34.5 billion, including debt issued by state authorities and supported by the statewide sales tax and authority debt supported by state contract assistance payments. The state reports approximately \$20.3 billion of GO debt was outstanding at Feb. 28, 2015. By most measures, we believe Massachusetts' debt burden remains high compared with that of other states. Debt per capita was high, in our view, at \$5,121 at fiscal year-end 2014 and 8.7% of personal income. Planned debt issuance remains within the parameters of the commonwealth's debt affordability policy and bond cap. A capital and debt affordability committee includes seven voting members and eight nonvoting members from the legislature and is charged with formally reviewing the capital investment plan and providing an estimate of debt authorization for the year. Massachusetts' capital plan, released June 30, 2014, calls for \$2.125 billion of GO borrowing in fiscal 2015 (not including \$237.6 million of GO self-financed project bonds), out of a total borrowing of \$3.39 billion. The five-year plan covering fiscal years 2015-2019 anticipates issuance of \$11.125 billion of GO bonds that are subject to the state bond cap. We view current debt service of about 8% of general governmental revenues as moderately high.

Other long-term liabilities are also large, in our opinion. We believe unfunded pension liabilities of \$28.8 billion as of fiscal year-end 2014, or \$4,276 per capita, were high, although the state continues to fully fund its actuarial annual required contribution (ARC). In our opinion, the state's unfunded OPEB is also moderately high at \$15.2 billion as of Jan. 1, 2014, net of \$511.2 million of actuarial assets in an OPEB trust fund. The state intends to make future payments to the OPEB trust fund with 5% of excess capital gains taxes distributed to the BSF (\$2 million in fiscal 2014), and a portion of tobacco settlement monies that increase 10% increments each year. In fiscal 2015, 30% of tobacco settlement monies, or approximately \$74 million, is expected to be contributed to the OPEB trust fund, and \$85 million next year. The mid-2015 budget gap-closing measures implemented or proposed by both of the previous and current governor do not include any reduction in budgeted OPEB pre-funding from tobacco settlement money.

Based on the analytic factors we evaluate for states, on a scale of '1.0' (strongest) to '4.0' (weakest), we have assigned a

composite score of '1.8' to Massachusetts.

Outlook

The stable outlook reflects our expectation that Massachusetts will continue to manage its budget proactively so as to preserve near structural budget balance and preserve the size of its large BSF. We believe the BSF provides significant flexibility to manage future fiscal challenges over our two-year outlook horizon. Despite small declines in the BSF in 2014 and 2015, we believe the BSF balance will remain sizable and the governor's budget proposal for fiscal 2016 does not include any further draw down (though certain capital gains tax receipts that would otherwise flow into the BSF would be diverted to the general fund). The current administration has indicated a desire to add to the BSF in subsequent years if the economic expansion continues. However, if there were a sharp decline in reserves, or debt and liabilities were to increase sharply, this could pressure the rating. The large level of long-term liabilities, which we do not see as changing significantly in the near future, currently constrains upside rating potential.

Governmental Framework

State finance law requires that the governor submit a balanced budget and the House and Senate each produce a balanced budget. The final general appropriation act must also be balanced. If a revenue shortfall is identified, the governor is required by section 9C of Chapter 29 to reduce agency appropriations or recommend a transfer from the BSF.

Massachusetts has autonomy to raise taxes and has adjusted its tax structure over time. Medicaid accounts for about one-third of total spending while direct local aid for about 14% of spending. Funding levels for major program areas have been adjusted as needed. Massachusetts voters have approved revenue growth limitations, but these have not negatively affected operations or limited flexibility in our view. More significant measures to reduce or eliminate major tax sources have been on the ballot but not approved. We note that the state legislature could amend various measures before they take effect. The commonwealth is authorized to issue GO debt, special obligation debt, and federal grant anticipation notes. There is a statutory limit on debt outstanding and a statutory limitation on debt service appropriations set at 10%. These limitations have not impaired flexibility to manage capital and infrastructure requirements. There is no statutory priority for funding debt but we understand that the comptroller and other state officials have developed procedures to prioritize payments and debt service is given the highest priority among various payment obligations.

On a scale from '1.0' (strongest) to '4.0' (weakest), Standard & Poor's assigned a score of '1.5' to the commonwealth's governmental framework.

Financial Management

Financial Management Assessment: 'Strong'

Standard & Poor's maintains a "strong" financial management assessment (FMA) score for Massachusetts. In our

framework, an FMA of strong indicates that practices are strong, well embedded, and likely sustainable. Many of the commonwealth's management practices related to debt and financial management are embedded in statute.

Highlights include the following:

Massachusetts uses internal resources and outside economic forecasting firms to develop a consensus revenue forecast. It has regularly performed monthly revenue estimates and quarterly budget reviews. Legislation approved in 2008 requires that revenue reports be submitted semimonthly to the legislature.

Five-year financial forecasting has been implemented. We understand that it will be updated annually and integrated into the budget process.

A five-year capital improvement plan (CIP; administrative intent, not binding) is in place that coordinates every facet of debt issuance. Included in the CIP is a detailed debt affordability analysis that is also updated each year.

There are statutory limits on debt issuance. For direct debt, there is a limit allowing the issue of up to 105% of the previous year's limit. There is also a limit on annual debt service of 10% of the then-current year's budget appropriation. In addition to the aforementioned statutory requirement, the governor's office adheres to an administrative bond cap (debt service capped at 8% of budgeted revenues), which sets the annual limit on debt issuance. The treasurer's office maintains debt management and swap policies that we view as comprehensive. The asset liability management policy was introduced this fiscal year as noted above.

Massachusetts has a statutorily established BSF that prescribes a mechanism for funding, as well as funding levels. Statute requires the deposit of 100% of consolidated net surplus in any given year into BSF. The statute also provides that the BSF's maximum amount cannot exceed 15% of the current year's revenues. The commonwealth must use any excess above that for tax reduction. A change was made in 2010 to direct capital gain revenues in excess of \$1 billion to the fund. Legislation approved in 2012 indexes the capital gains amount to growth in U.S. gross domestic product. The statute also directs 5% of the excess to the state retiree benefits trust fund and the pension liability fund. We believe this measure has the benefit of enhancing the fund while decreasing budget reliance on this cyclical revenue source. Nevertheless, the state diverted to the general fund in fiscal years 2014 and 2015 excess capital gains tax that would otherwise have gone to the BSF. Certain judgments and settlements must also be deposited to the fund.

The commonwealth has detailed and frequently reviewed investment policies managed through the office of the treasurer. Quarterly cash flow projections are prepared and submitted to the legislature.

Budget management framework

Once the budget is approved, the Secretary of Administration and Finance is required to prepare quarterly updates of both revenues and expenditures and submit them to the legislature. If projected revenues are expected to be insufficient to meet appropriations, the deficiency is certified by A&F and, pursuant to statute (section 9C of Chapter 29), the governor is required to reduce allotments or submit proposals to raise additional revenues or to make appropriations from the BSF to restore balance. Budget adjustments have historically been implemented regularly and on time and deficits are not carried forward into future fiscal years.

Massachusetts is a voter initiative state. Although there have been voter initiatives that limit the overall growth in state

tax revenue and a limit on the amount of bonds outstanding and debt service appropriations, these have not substantially altered Massachusetts' ability to manage its budget or fund debt service. While more recent ballot initiatives to reduce or eliminate major tax sources of the state were not approved, the legislature can amend an initiative, and a recent initiative rolled back inflation indexing for a gas tax. The commonwealth provides a relatively high level of service in our opinion. Adjustments have been made to programs but reductions to areas such as education have been limited.

On a scale from '1.0' (strongest) to '4.0' (weakest), Standard & Poor's assigned a score of '1.0' to Massachusetts' financial management framework.

Economy

Massachusetts' labor market fared relatively well in 2014. According to IHS Global Insight, private-sector payroll gains averaged 1.6%, compared to 1.9% for the U.S. Unemployment rates have declined at a steady pace due to positive employment trends. The average annual unemployment rate for 2014 was 5.8%, which was below the 6.2% rate for the nation, while the preliminary state unemployment rate as of February 2015 had fallen to 4.9%, compared with 5.5% for the nation. The preliminary U.S. Census Bureau population estimate for the state in 2014 is 6.745 million, a 0.5% increase over 2013. Population growth has outpaced the region since 2007 but continues to lag the nation and we expect this trend to continue. The state's age dependency ratio of non-working age population to working age population was better than the nation at 55.3% in 2013, compared with 59.8% for the U.S.

Massachusetts has always had high income levels. Per capita personal income increased to \$59,182 in 2014 on a preliminary basis, or 128% of the national level -- a ratio the state has held consistently for the past six years. We expect that income will remain well ahead of other states based on the nature of the jobs being created and the pace of expansion. IHS Global Insight projects state gross product to grow 2.3% in 2015, 2.5% in 2016, 2.4% in 2017, and 2.2% in 2018, slightly below U.S. levels.

The economy has diversified over time and education and health services now make up the primary employment sectors, accounting for nearly 22% of total employment in 2013 according to the Bureau of Labor Statistics. This is followed by trade and transport (17%) and professional business services (15%). Cyclical sectors, such as manufacturing and construction, represent only 8% and 4% of employment, respectively. The increasing role of services in the economy reflects growth in research laboratories, computer software, management consulting, other business services, and health care. Higher education anchors, a high level of federal research funding, and venture capital give the commonwealth a leading edge in emerging industries, such as biotechnology, software, communications equipment, and surgical instruments. In addition, its defense-related industries continue to perform well. Massachusetts ranks eighth out of the 50 states by value of federal defense and research contract awards. This part of the economy could be affected by any federal fiscal consolidation in the future.

On a scale from '1.0' (strongest) to '4.0' (weakest), Standard & Poor's assigned a score of '1.8' to Massachusetts' economy.

Budgetary Performance

The state has established a formal BSF under statutory law that receives excess capital gains taxes over a threshold amount, indexed for inflation. A threshold of \$1 billion was in effect for fiscal years 2011, 2012 and 2013. For fiscal years after fiscal 2013, the threshold is subject to annual adjustment to reflect the average annual rate of growth in U. S. gross domestic product over the preceding five years. Under statutory law, tax revenues collected from capital gains income during a fiscal year that exceed the threshold are required to be transferred to the BSF, with 5% of the amount so deposited then transferred to the State Retiree Benefits Trust Fund and an additional 5% transferred to the commonwealth's pension liability fund. However, in fiscal years 2014 and 2015 capital gains taxes that would have flowed otherwise to the BSF were diverted to meet general fund budget gaps. The governor's budget proposal for fiscal 2016 again proposes diverting most expected capital gains tax again for budget relief, although excess capital gains tax that come in above amount of budgeted diversions could potentially increase the BSF. On Dec. 24, 2014, the Department of Revenue determined the fiscal 2016 capital gains collections threshold to be approximately \$1.087 billion.

The BSF reached a peak of \$2.335 billion at fiscal year-end 2007, before being drawn down to \$670 million at fiscal year-end 2010 during the Great Recession. The state subsequently began using excess capital gains tax to build up the fund again to \$1.652 billion at fiscal year-end 2012. The BSF stood at \$1.248 billion at fiscal year-end 2014. The state projects it to fall to \$1.128 billion at fiscal year-end 2015, or 3% of combined operating funds' expenditures and other uses (including the transportation fund), and rise slightly to \$1.135 billion in 2016.

We view state liquidity as strong, with the help of annual cash flow note borrowing. The state does not engage in inter-fund borrowing. Massachusetts currently projects to end fiscal 2015 with a general fund cash balance of \$2.11 billion, and estimates its month end cash low point in fiscal 2015 will be February, with a \$505 million general fund cash balance. In fiscal 2015, the state issued \$1.2 billion in revenue anticipation notes, maturing in April, May, and June 2015. Cash flow notes must be repaid by the end of the fiscal year. Fiscal 2014 ended with a nonsegregated general fund cash position of \$1.34 billion.

We view the state's revenue sources as diverse. Income tax was 57% of operating funds tax revenues in fiscal 2014 on a budgetary basis, and sales tax was 24%.

We believe the state's revenue forecasting is good. Massachusetts prepares quarterly revenue updates and uses a consensus revenue forecast for budgeting purposes. We believe that state budgeting has historically been done with an eye toward long-term structural balance. However, we believe that Massachusetts is a high service state, with expenditures that may be difficult at times to reduce. In particular, health and human services spending accounts for 53% of the fiscal 2016 executive budget proposal.

The governor's fiscal 2016 budget proposal aims to restore near structural balance with a reduction in spending growth to 3%, bringing total operating funds expenditures to \$38.062 billion. The state's consensus revenue forecast state tax revenue assumption is \$25.479 billion (excluding federal revenue), which represents 4.8% growth, plus an extra \$100 million in revenue from a tax amnesty program, \$435.8 million from a one-year delay in implementing a tax deduction,

and \$5.2 million from a cap on tax incentives for the life sciences industry. There are no major tax or fee increases proposed, although it would divert \$300 million to the general fund that otherwise would go to the BSF. Although we believe the BSF, projected to end fiscal 2015 at \$1.13 billion, remains large, continued drawdowns of the BSF during periods of economic expansion, if they occurred, could be a concern, in our opinion. The governor's fiscal 2016 budget proposal would increase the BSF slightly by \$7 million, although it could increase further to the extent capital gains tax came in over budget. The administration has indicated support for increasing the size of the BSF in subsequent years, if state economic expansion continues.

On a scale from '1.0' (strongest) to '4.0' (weakest), Standard & Poor's assigned a score of '1.5' to Massachusetts' budgetary performance.

Debt And Liabilities

We calculate total GO bond proceeds outstanding at fiscal year-end June 30, 2014, at \$20.1 billion, and total tax-supported debt at \$33.1 billion, including debt issued by state authorities and supported by the statewide sales tax, as well as debt of state agencies supported by annual state contract assistance payments. By most measures, Massachusetts' debt burden remains high compared with that of other states. The variable-rate portfolio is 18% of total GO debt, and is actively managed by the commonwealth under formal debt policies. About 68% of the variable-rate debt outstanding, or \$2.5 billion, has been synthetically fixed through interest rate swaps. The state has begun a new multi-year asset/liability management program that could increase its exposure to unhedged variable-rate debt. However, there are no major plans in the near future to significantly expand its unhedged portfolio. In the past several years, the overall portfolio of variable-rate debt has diversified, and put risk has been significantly reduced in our opinion. Tax backed debt per capita is high, in our view, at what we calculate as \$5,206 at fiscal year-end 2014 and 9.1% of personal income. We also calculate combined tax backed debt service to operating expenditures as high as 8%.

The state's most recent long-term capital improvement program from June 2014 is scheduled to be updated again this year. We anticipate that the updated debt issuance plan will remain within the parameters of the commonwealth's debt affordability policy and bond cap. The current plan projects debt service to remain below the state's calculation of 8% of budgeted revenues through fiscal 2019. A state debt and capital affordability committee conducts an annual debt affordability study. The committee includes seven voting members and eight nonvoting members from the legislature and is charged with formally reviewing the CIP and providing an estimate of debt authorization for the year. The current CIP for fiscal years 2015 through 2019 totals \$17.1 billion, with transportation (50%), community investment (10%), and higher education (9%) being the primary areas of investment. A total of \$11 billion of debt is planned to support the program, which should translate into a stable debt profile in our view. Bond authorization of \$1 billion of special obligation bonds was approved in 2014 to fund expansion of a convention center. Hotel/motel occupancy taxes are expected to support the bonds. This debt is not included in the affordability analysis because the revenues that support debt are not general fund tax sources. We include special tax bonds supported by statewide tax sources in the ratios we use to assess total tax-supported debt. Plans are pending to issue this debt in the near future.

The most recent actuarial valuation of the combined pension indicates weaker funded ratios through Jan. 1, 2014. The aggregate funded ratio rose slightly to 61.4% from 60.6% in 2013, but remains far below the 78.6%-funded ratio

recorded in 2008. The unfunded actuarial liability was \$28.8 billion in 2014, not including \$200 million of unfunded local pension cost-of-living obligations, or what we calculate as a high 7.6% of state personal income. Massachusetts attributes the relatively low funded ratio to recognition of prior-year investment losses and certain adjustments to actuarial assumptions, including mortality rates and lowering the investment return assumption to 8.00% from 8.25%. The funded ratio remains below the average funded ratio for other U.S. states. The state may use above-average investment returns in 2014 to lower again the assumed rate of return actuarial assumption. The state actuary estimates that the unfunded pension liability could increase about \$1.8 billion for the state employee retirement system if the rate of return assumption was lowered to 7.75%, while new lower mortality assumptions could increase pension liabilities by about \$1.4 billion. No decision has been made on changes in actuarial assumptions, and the exact effect on funded ratios remains unclear, although it is possible the funded ratio could drop several percentage points in the next actuarial valuation. The state has continued to fully fund its actuarial annual required pension contribution.

Massachusetts also has a \$15.2 billion unfunded actuarial accrued OPEB liability, which we consider sizable, but we note the decline from \$16.3 billion recorded in 2012 as various reform measures were phased in and OPEB trust fund deposits have been made. The commonwealth has dedicated tobacco settlement revenues toward its OPEB trust fund to provide a permanent funding source, which we consider a credit positive, although trust fund deposits were made from other sources recently. The portion of tobacco settlement monies dedicated to the OPEB trust fund are scheduled to increase in 10% increments each year, until it reaches 100%. In fiscal 2015, 30% of tobacco settlement monies, or approximately \$74 million is expected to be contributed to the OPEB trust fund, and \$85 million next year. The trust had actuarial assets of \$511 million as of Jan. 1, 2014. In fiscal 2014, the state funded 49% of its actuarial annually required OPEB contribution.

On a scale from '1.0' (strongest) to '4.0' (weakest), Standard & Poor's assigned a score of '3.2' to Massachusetts' debt and liability profile.

Related Criteria And Research

Related Criteria

- USPF Criteria: State Ratings Methodology, Jan. 3, 2011
- USPF Criteria: Financial Management Assessment, June 27, 2006

Related Research

- U.S. State And Local Government Credit Conditions Forecast, April 2, 2015

Ratings Detail (As Of April 16, 2015)		
Massachusetts cons loan 2014 (Massdirect Nts) ser 10-15 due 12/01/2024		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts cons loan 2015 (Massdirect Nts) ser 1-10 due 07/01/2025		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts direct purchase GO rfdg bnds (VRDB) ser 2001B due 01/01/2021		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

Ratings Detail (As Of April 16, 2015) (cont.)

Massachusetts GO bnds cons loan ser 2014 F due 11/01/2031		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO bnds cons loan (Green Bnds) ser 2014 E due 09/01/2032		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO rfdg bnds var rate dem bnds ser B dtd 02/20/2001 rmktd dtd 02/03/2012 due 01/01/2021		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO rfdg bnds (SIFMA Index Bnds) ser 2014D due 02/01/2016		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO VRDBs - C		
<i>Long Term Rating</i>	AA+/A-1+/Stable	Affirmed
Massachusetts GO VRDBs 1997B		
<i>Long Term Rating</i>	AA+/A-1+/Stable	Affirmed
Massachusetts GO VRDBs 2000A		
<i>Long Term Rating</i>	AA+/A-1/Stable	Affirmed
Massachusetts GO VRDBs 2000B		
<i>Long Term Rating</i>	AA+/A-1+/Stable	Affirmed
Massachusetts GO VRDBs 2006A		
<i>Long Term Rating</i>	AA+/A-1+/Stable	Affirmed
Massachusetts GO bonds, cons loan (Massdirect Notes) ser 2014 1-10 due 08/01/2024		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts GO (wrap of insured) (ASSURED GTY & AMBAC) (SEC MKT)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (wrap of insured) (FGIC & AGM) (SEC MKT)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (wrap of insured) (FGIC & BHAC) (SEC MKT)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (AGM) (SEC MKT)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (FGIC)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO (MBIA) (Assured Gty)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts GO		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Boston Hsg Auth, Massachusetts		
Massachusetts		
Boston Hsg Auth (Massachusetts) hsg proj bnds (West Broadway Homes Iv) ser 2003 due 12/01/2035		
<i>Long Term Rating</i>	A+/Stable	Affirmed
Massachusetts Bay Transp Auth, Massachusetts		
Massachusetts		

Ratings Detail (As Of April 16, 2015) (cont.)		
Massachusetts Bay Transp Auth (Massachusetts) transp VRDO ser 2000A-2		
<i>Long Term Rating</i>	AA+/A-1/Stable	Affirmed
Massachusetts Bay Transp Auth (Massachusetts) var rate gen transp sys bnds 2000A-1 & A-2 ser dtd 03/09/2000 RMKTD dtd 09/30/2011 due 03/01/2030		
<i>Long Term Rating</i>	AA+/A-1/Watch Neg	Affirmed
Massachusetts Bay Transp Auth (Massachusetts) GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts Bay Transp Auth (Massachusetts) GO (AGM)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts Bay Transp Auth transp sys bnds (Massachusetts)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts Bay Transp Auth (Massachusetts)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts Dept of Transp, Massachusetts		
Massachusetts		
Massachusetts Dept of Transp metro hwy sys bnds (Subordinated) ser 2010 A-4/A due 05/16/2033		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts Dept of Transp (Massachusetts) metro hwy sys rev bnds (subord) VRDO ser 2010A-3		
<i>Long Term Rating</i>	AAA/A-1	Affirmed
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Massachusetts Dept of Transp (Massachusetts) metro hwy sys rev bnds (subord) VRDO ser 2010A-6		
<i>Long Term Rating</i>	AA+/A-1/Stable	Affirmed
<i>Unenhanced Rating</i>	NR(SPUR)	
Massachusetts Dept of Transp (Massachusetts) GO VRDO 2010A-1		
<i>Long Term Rating</i>	AA+/A-1+/Stable	Affirmed
Massachusetts Dept of Transp (Massachusetts) GO VRDO 2010A-2 A-7		
<i>Long Term Rating</i>	AA+/A-1/Stable	Affirmed
Massachusetts Dept of Transp (Massachusetts) GO VRDO 2010B		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Massachusetts Dept of Transp (Massachusetts) VRDBs 2010A-7		
<i>Long Term Rating</i>	AA+/A-1+/Stable	Affirmed
Massachusetts Development Finance Agency, Massachusetts		
Massachusetts		
Massachusetts Dev Fin Agy (Massachusetts) GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Univ of Massachusetts Bldg Auth, Massachusetts		
Massachusetts		
University of Massachusetts Bldg Auth (Massachusetts) rfdg rev bnds (Massachusetts) sr ser 2011-2		
<i>Long Term Rating</i>	AA+/A-1+/Stable	Affirmed
University of Massachusetts Bldg Auth (Massachusetts) GO		
<i>Long Term Rating</i>	AA+/A-1/Watch Neg	Affirmed
University of Massachusetts Bldg Auth (Massachusetts) GO (MBIA) (National)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed

Ratings Detail (As Of April 16, 2015) (cont.)

Many issues are enhanced by bond insurance.

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