

The Commonwealth of Massachusetts Bond Financing Programs



October 14th, 2022
Commonwealth Credit Review

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 October 14, 2023.

<http://munios.com/live/MACommonwealthOct2022>

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

For audio, participants are asked to dial in using the following information:

Dial-in: +1-800-343-5172

Passcode: MASSCR#



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TREASURER DEBORAH B. GOLDBERG



GOVERNOR CHARLES D. BAKER



Department of Revenue

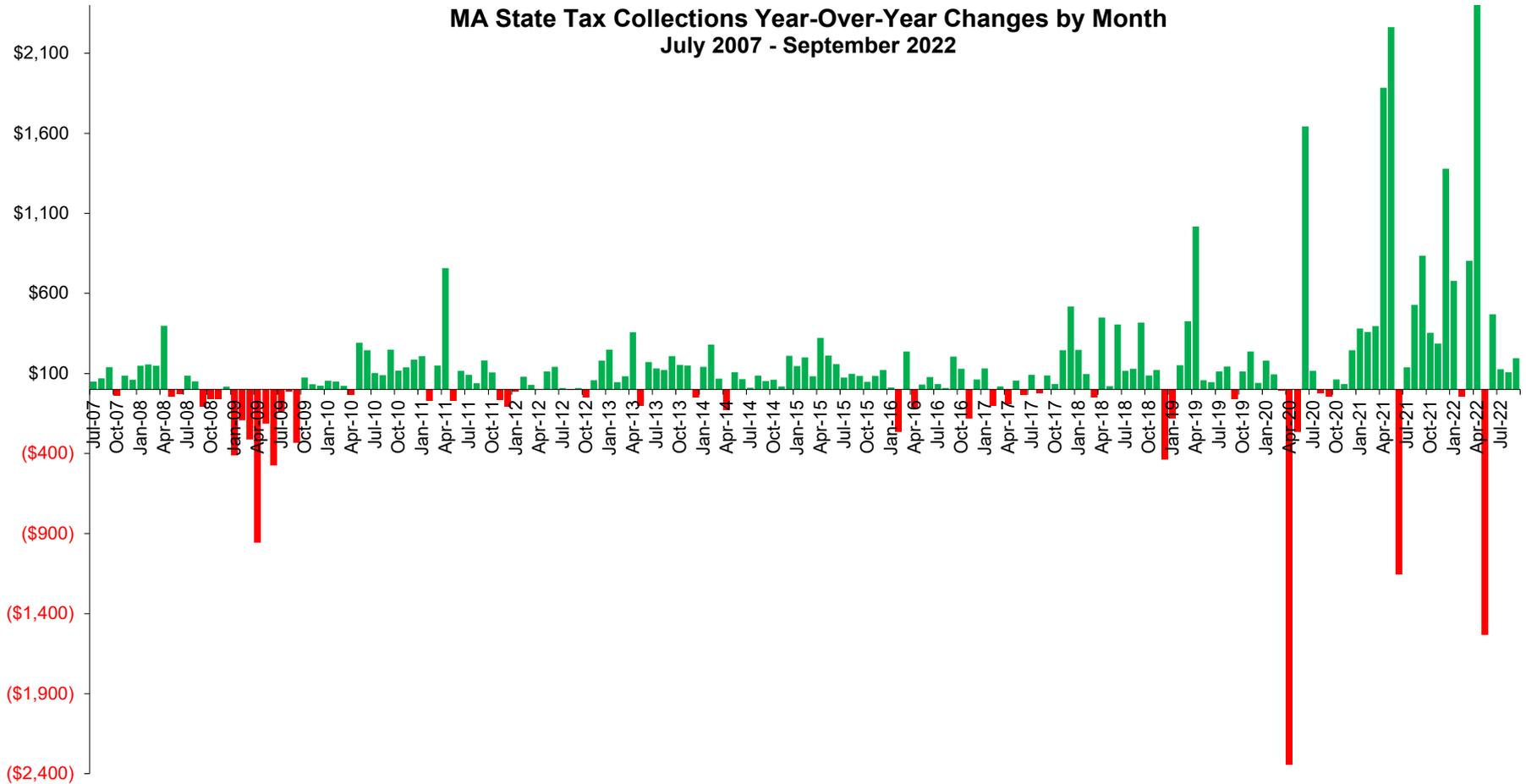
Dr. Kazim P. Özyurt

*Chief Economist,
Director, Office of Tax Analysis*

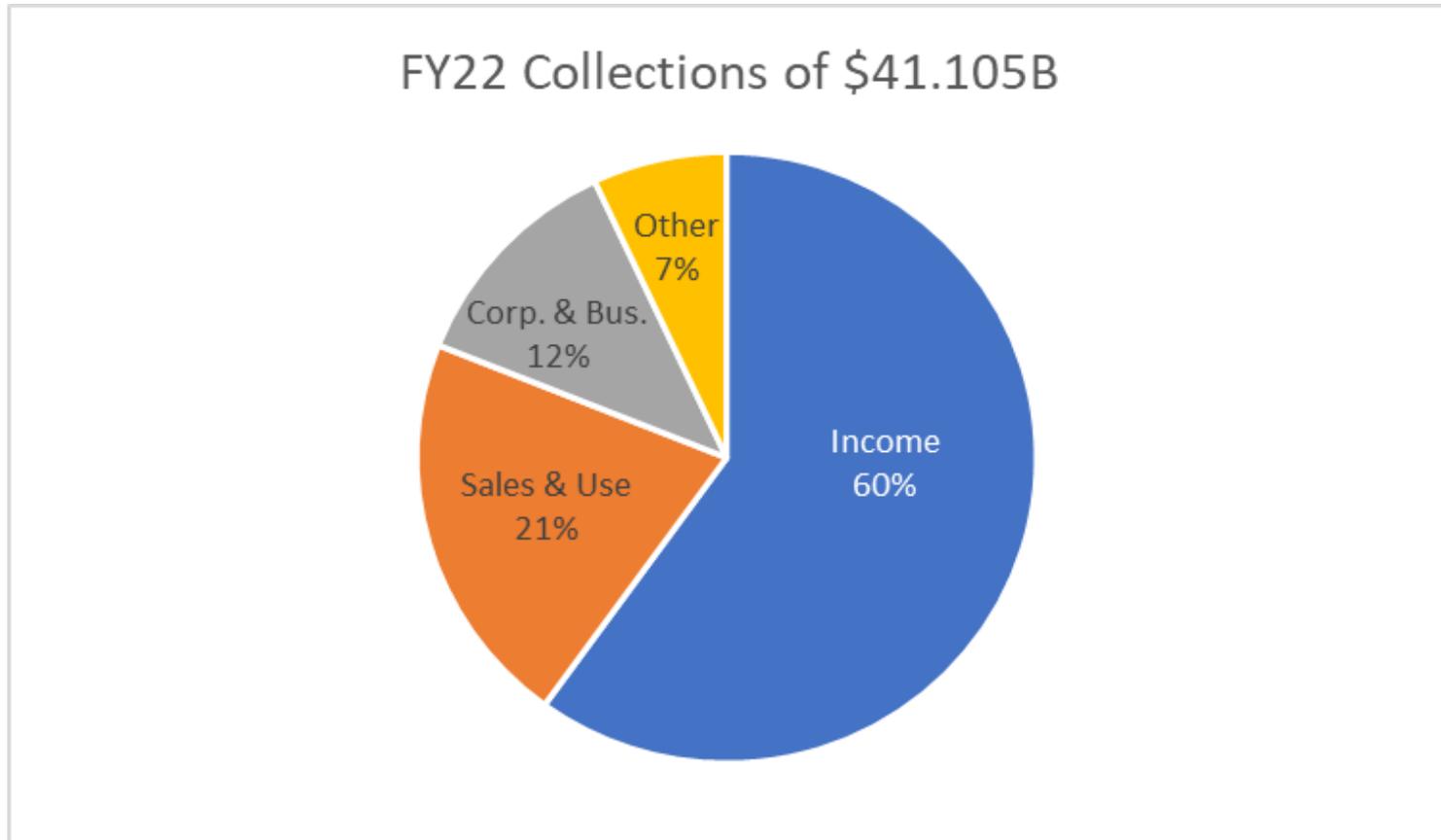


Monthly year-over-year changes in collections

MA State Tax Collections Year-Over-Year Changes by Month
July 2007 - September 2022



FY22 Revenue Breakdown by Tax Type

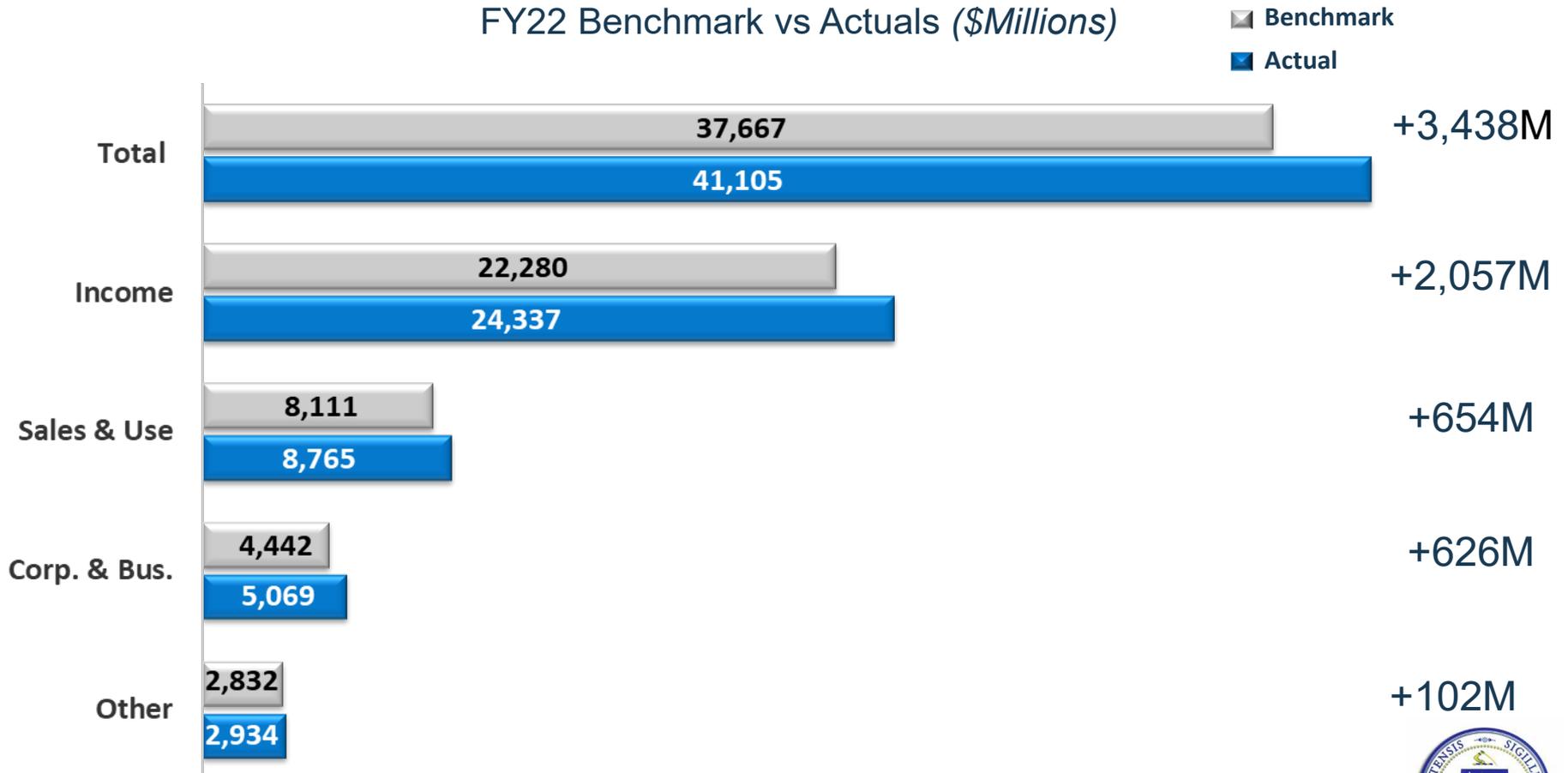


Income Tax and Sales & Use Taxes combined accounted for 81% of tax revenues.



FY22 Revenue Performance

FY22 revenue totaled \$41.105 billion: \$3.438 billion more than the benchmark and 20.5% more than FY21 collections.



DOR preliminary collections for FY22.



FY23 Revenue as of September '22

FY23 YTD Revenue as of September '22 totaled \$9.194 billion, \$443 million or 5.1% more than collections in the same period of FY22 and \$224 million, or 2.5% above FY23 YTD benchmark.

Preliminary as of October 5, 2022

	Month of September					FY23 YTD as of September				
	09/22 Actual Collections	09/22 v. 09/21 \$ Fav/(Unfav)	09/22 v. 09/21 % Fav/(Unfav)	09/22 Actual vs Benchmark \$ Fav/(Unfav)	09/22 Actual vs Benchmark % Fav/(Unfav)	09/22 YTD Actual Collections	09/22 YTD v. 09/21 YTD \$ Fav/(Unfav)	09/22 YTD v. 09/21 YTD % Fav/(Unfav)	09/22 YTD Actual vs Benchmark \$ Fav/(Unfav)	09/22 YTD Actual vs Benchmark % Fav/(Unfav)
Income										
Income Withholding	1,280	90	+7.6%	36	+2.9%	3,820	186	+5.1%	39	+1.0%
Income Est. Payments	871	65	+8.1%	107	+13.9%	980	87	+9.7%	107	+12.2%
Income Returns/Bills	166	78	+88.0%	(46)	-21.8%	306	107	+53.8%	(49)	-13.7%
Income Refunds Net (outflow)	(122)	(81)	-196.4%	35	+22.3%	(196)	(107)	-121.6%	35	+15.2%
Subtotal Non-withheld Income	915	62	+7.3%	95	+11.6%	1,091	87	+8.6%	93	+9.3%
Subtotal Income	2,195	152	+7.4%	131	+6.4%	4,911	272	+5.9%	132	+2.8%
Sales & Use										
Sales - Regular	529	50	+10.5%	55	+11.6%	1,659	136	+8.9%	54	+3.4%
Sales - Meals	131	11	+9.6%	18	+16.4%	398	46	+13.1%	19	+5.1%
Sales - Motor Vehicles	105	8	+7.8%	7	+7.6%	289	18	+6.7%	7	+2.6%
Subtotal Sales & Use	766	70	+10.0%	81	+11.8%	2,346	200	+9.3%	81	+3.6%
Corporate & Business - Total	973	(30)	-3.0%	28	+3.0%	1,162	(64)	-5.2%	29	+2.5%
All Other	254	2	+0.9%	(16)	-6.1%	776	35	+4.7%	(17)	-2.2%
Total Tax Collections	4,187	194	+4.9%	224	+5.7%	9,194	443	+5.1%	224	+2.5%



Executive Office for Administration & Finance (A&F)

Michael Heffernan
Secretary

Catharine Hornby
Undersecretary

Kaitlyn Connors
Assistant Secretary for Capital

Bran Shim
Assistant Secretary for Budget



Financial Update

Overview

- Fiscal responsibility has been a cornerstone of the Baker-Polito Administration, and we are proud of the work that has been done over the last seven years to bring the budget into structural balance and build up reserves.
- A key budget objective has been working with the legislature to develop spending plans that sustain critical supports for the Commonwealth's communities, families, and workers, without losing sight of the need to keep spending in line with revenue growth.
- As a result, the Commonwealth was able to leverage existing resources – including significant federal aid – to deliver critical services and tackle unprecedented challenges over the past 2 years, and still emerge from the pandemic on strong financial footing.
- The strength of the Commonwealth's financial position, will help the state manage economic volatility and ensure the continuity of vital government services in the long-term.

Fiscal Year 2022 Review

- At the end of fiscal year 2022, the state's budget stabilization fund balance stood at **\$6.9 billion** – a nearly 50% increase over the year's prior balance of **\$4.6 billion**.
- The budget, as approved by the Governor on July 16, 2021, included approximately **\$47.6 billion** in authorized spending, excluding transfers to the Medical Assistance Trust Fund, a **\$250 million** supplemental transfer to the Pension Liability Fund, a one-time **\$350 million** transfer to a new Student Opportunity Act Investment Fund, and other interfund transfers.
- It also incorporated an increased **\$34.350 billion** tax revenue forecast before various tax initiatives, which represents an increase of **\$4.230 billion** over the fiscal 2022 consensus tax revenue estimate of **\$30.120 billion** announced in January 2021, due to better than-expected actual tax collections in recent months.



Financial Update (cont)

Chapter 62F

- Stronger than anticipated state tax revenues led to a major surplus for Fiscal Year 2022.
- As a result, on September 15, 2022 the State Auditor certified that Fiscal Year 2022 state tax revenues exceeded allowable revenues per Chapter 62F by \$2.941 billion.
- In accordance with the statute, the **\$2.941 billion** will be returned to eligible taxpayers by the Department of Revenue in proportion to personal income tax liability in Massachusetts incurred by taxpayers in the immediately preceding taxable year
- In total, **\$41.812 billion** was collected in FY22, representing overall revenue growth of more than 20% above Fiscal Year 2021.
- After accounting for the Chapter 62F refunds and the **\$840 million** final FY22 supplemental budget, a surplus of **\$1.5 billion** remains available.



Fiscal Year 2023 Budget

FY23 Consensus Revenue Estimates

- On January 14, 2022, a fiscal 2023 consensus tax revenue estimate of **\$36.915 billion** was agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means.
- In addition to conferring with each other, the Secretary and Chairs held a public hearing on December 21, 2021 to receive testimony from the Department of Revenue, the State Treasurer's Office, and independent, local economists from area foundations and universities on tax revenue.
- The fiscal 2023 consensus estimate reflects a projection of **2.7%** tax revenue growth over the revised projected fiscal 2022 tax revenue figure of **\$35.948 billion**.
- After accounting for statutorily required transfers for pensions, and to the MBTA, the MSBA and the Workforce Training Fund, the Secretary and Committee chairs agreed that **\$29.783 billion** would be the maximum amount of tax revenue available for the fiscal 2023 budget.



Fiscal Year 2023 Budget (cont.)

- The fiscal 2023 budget, as approved by the Governor on July 28, 2022, includes approximately **\$52.7 billion** in authorized spending, excluding transfers to the Medical Assistance Trust Fund.
- It also incorporates an **increased \$39.576 billion** tax revenue forecast before various tax initiatives, which represents an increase of **\$2.660 billion** over the fiscal 2023 consensus tax revenue estimate of **\$36.915 billion** announced in January 2022, due to better than-expected actual tax collections in recent months.
- This reflects approximately **9.3%** growth in authorized spending over fiscal 2022.
- The revenue upgrade incorporated into the budget supports a number of substantial one-time transfers and reserves in FY23, including:
 - \$266 million reserve to support MBTA safety and workforce initiatives
 - \$175 million transfer to a new trust fund dedicated to supporting high-quality early education & care
 - \$150 million transfer to the Student Opportunity Act Investment Fund
 - \$100 million supplemental transfer to the Commonwealth's Pension Liability Fund
 - \$100 million transfer to the State Retiree Benefits Trust Fund
- The fiscal 2023 budget as enacted sets aside **\$315 million** for future tax reductions, and is in structural balance, with no planned Stabilization Fund withdrawal.
- As enacted, the budget anticipates a deposit into the Stabilization Fund of **nearly \$1.5 billion**, which would increase the balance of the fund from an already historic high of **\$6.9 billion** to **\$8.4 billion**. This would represent a **\$7.3 billion** increase in the balance of the Stabilization Fund since the Baker-Polito Administration came into office in 2015.



Office of the State Treasurer

Economic Overview

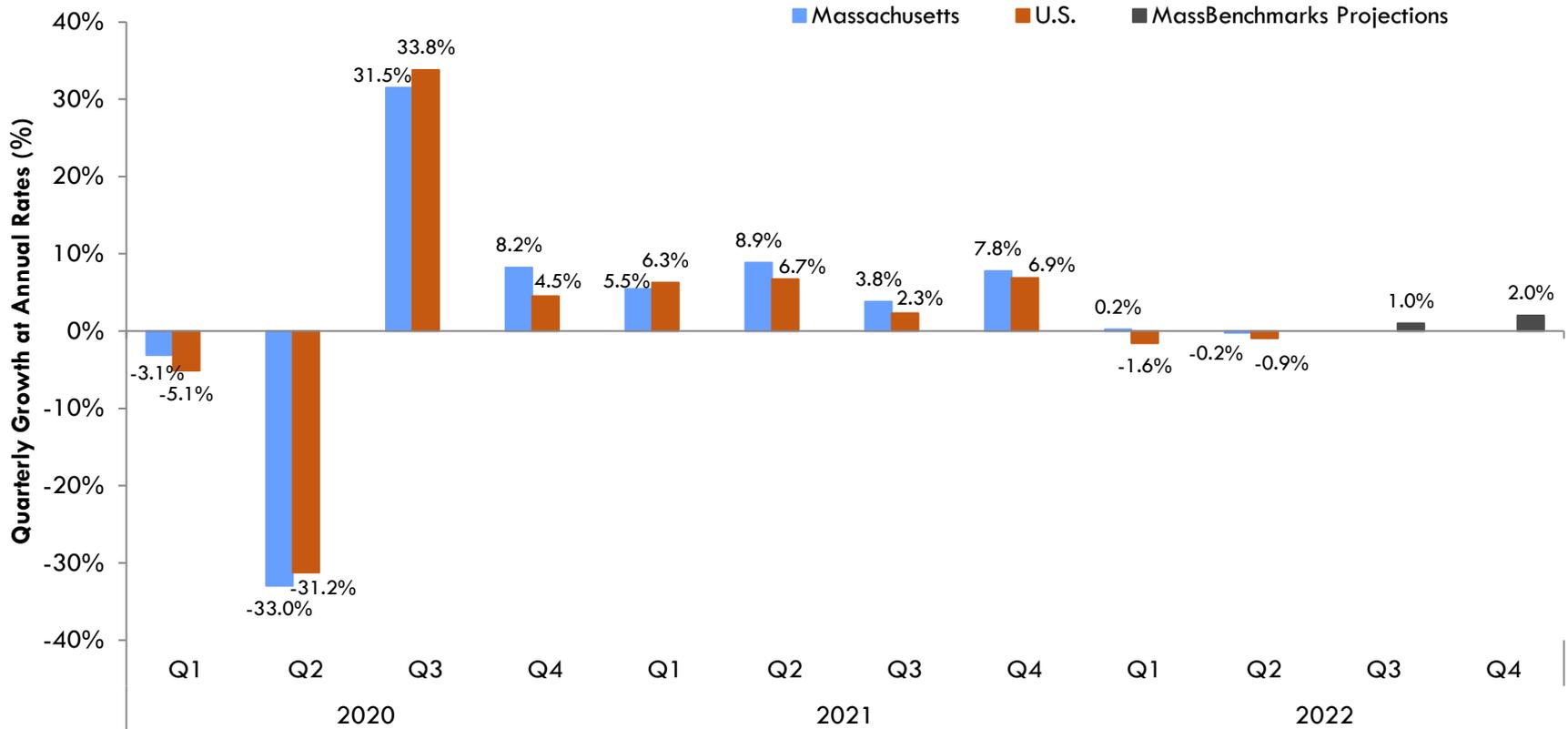
Debt / Capital Presentation

Sue Perez

Deputy Treasurer



Growth in Real Product, Massachusetts and the United States, 2022 Q2

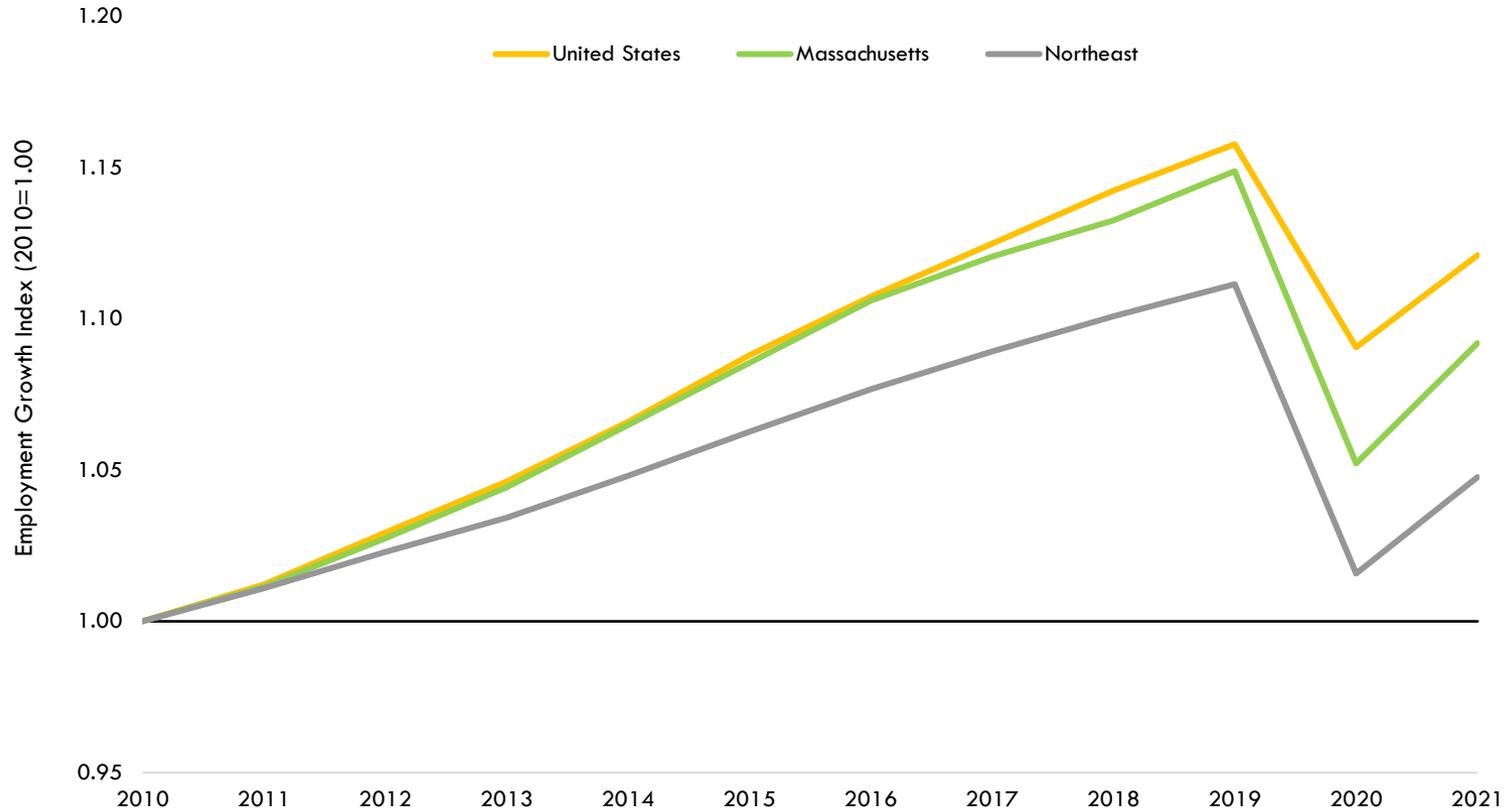


Source: U.S. Bureau of Economic Analysis, MassBenchmarks Calculations by Dr. Alan Clayton-Matthews



Economic Update – Employment Growth

Employment Growth Index in Massachusetts, the Northeast and the United States

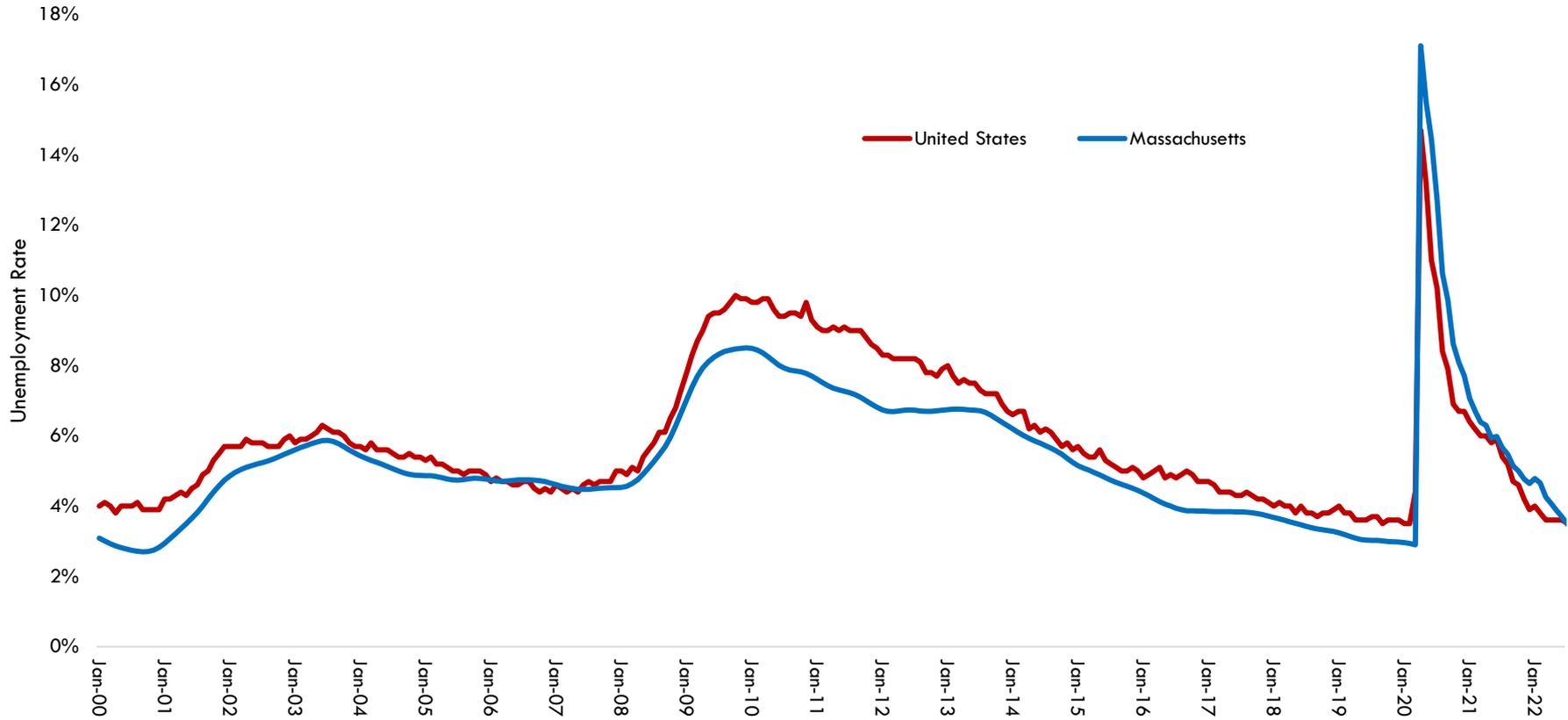


Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW); UMDI analysis



Economic Update – Unemployment

Unemployment Rates in Massachusetts and the United States as of July 2022 (Seasonally Adjusted)



Source: Massachusetts Executive Office of Labor and Workforce Development, Local Area Unemployment (LAU) Statistics; UMDI analysis



Socioeconomic Indicators for Massachusetts

- The latest edition of our Socioeconomic Indicators Report was published in August. The edition includes four sections: **Economy**, **Workforce**, **Environment** and **Residents**. Each section paints a picture on Massachusetts providing a story along with economic data on a multitude of topics.
- The edition also includes a **special topic** on **transportation** in the Commonwealth, which focuses on the relation of transportation/mobility and Massachusetts' economy
- You can find it on our website under our Financial Reports Section in the Quarterly State Economic Information tab ([August 2022 Socioeconomic Indicators](#)) or as an attachment on our Information Statement

Socioeconomic Indicators for Massachusetts

August 2022



New Highlights from this Edition

- Annual Hours of Delay per Auto Commuters
- Freeway Daily Vehicle Miles Traveled
- Monthly Transit Ridership
- Logan International Airport Passenger Volume
- Share of Total Massachusetts Population by Race and Ethnicity
- Housing-Cost-Burdened Households by Housing Tenure in Massachusetts and the US
- Housing Tenure in Massachusetts by Race and Ethnicity



Financing Update

Since the last investor call in January, the Commonwealth sold two General Obligation series totaling \$650 million and two negotiated series of Commonwealth Transportation bonds totaling \$350 million. In addition, we sold two series bonds for the Unemployment Insurance Trust Fund for a total par amount of \$2.7 billion in August.

Financings since last Investor Call

Series	Par Amount	Sale Date	Award/Senior Manager	Maturity Range	Average Life (yrs)	All-in-TIC
GO Series A	\$300 MM	2/1/2022	Citigroup	2028-2038	11.4	2.07%
GO Series B	\$350 MM	2/1/2022	Wells Fargo	2039-2048	21.4	2.93%
CTF Series A (Sustainability)	\$250 MM	6/22/2022	Wells Fargo	2022-2050	26.6	4.48%
CTF Series B	\$100 MM	6/22/2022	Wells Fargo	2022-2052	29.4	4.47%
Unemployment Insurance Trust Fund Series A (Sustainability)	\$1,996 MM	8/16/2022	Jefferies	2023-2031	3.6	3.87%
Unemployment Insurance Trust Fund Series B (Super Sinker)	\$684 MM	8/16/2022	Jefferies	2023-2031	8.9	4.17%



Upcoming Financings

Timing	Par Amount	Type	Credit	Method of Sale
Week of Oct 17, 2022	\$1,200 MM	New Money/ Refunding	GO	Negotiated
December 2022	\$900 MM	New Money/ Refunding	GO	Negotiated
1st Quarter 2023	\$750 MM	New Money	GO	TBD
2nd Quarter 2023	\$900 MM	New Money	GO	TBD
2nd Quarter 2023	\$350 MM	New Money	CTF	TBD



Next Week's Financing Overview and Additional Information



\$1,104,770,000* General Obligation Bonds Consolidated Loan of 2022, Series C & Refunding Series A	
Tax Status	Tax-Exempt
Use of Net Proceeds	New Money and Refunding
Amortization*	Series C & Refunding Series A
Ratings (Moody's/S&P/Fitch)	Aa1 (Stable) / AA (Positive)** / AA+ (Stable)
Timing*	Sale Date: Wednesday October 19, 2022
Closing*	October 27, 2022
Preliminary Official Statement	https://emma.msrb.org/P21619189-P21247452-P21672005.pdf
Additional Information	www.massbondholder.com

General Obligation Bonds Consolidated Loan of 2022, Series C \$1,000,000,000*

Maturity (10/01)*	Par Amount*
2032	25,000,000
2033	25,000,000
2034	25,000,000
2035	25,000,000
2036	25,000,000
2037	25,000,000
2038	25,000,000
2039	25,000,000
2040	25,000,000
2041	25,000,000
2042	25,000,000
2047	325,000,000
2052	400,000,000

General Obligation Bonds, Refunding 2022 Series A \$104,770,000*

Maturity (10/01)*	Par Amount*
2029	34,255,000
2030	36,235,000
2031	34,280,000

* Preliminary, subject to change

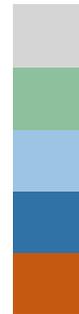
** S&P revised its outlook to positive from stable on October 7, 2022



Preliminary Financing Schedule and Additional Resources

Financing Schedule*

October/November 2022						
S	M	T	W	T	F	S
						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	2	3	4	5



Tuesday October 11: Post POS

Friday, October 14 at 11:00AM: Investor Call

Tuesday, October 18: Retail Order Period

Wednesday, October 19: Institutional Order Period

Thursday, October 27: Bond Closing

Contact Information

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Additional Resources

- Information Statement as of September 21, 2022
 - <https://emma.msrb.org/P21613893-P21243633-P21667847.pdf>
- Preliminary Official Statement
 - <https://emma.msrb.org/P21619189-P21247452-P21672005.pdf>
- Massachusetts Investor Website
 - <https://massbondholder.com>
- Department of Revenue
 - <https://www.mass.gov/service-details/dor-press-releases-and-reports>

* Preliminary, subject to change



10th Annual Investor Conference

The Commonwealth of Massachusetts Presents

— THE 10TH ANNUAL MASSACHUSETTS INVESTOR CONFERENCE —

OCTOBER 20, 2022

Boston Convention & Exhibition Center



- The Commonwealth of Massachusetts is excited to announce that next week our 10th Annual Investor Conference will be held on October 20, 2022 at the Boston Convention and Exhibition Center in Boston, MA. Meeting run-time is 8:00 AM - 1:00 PM
- We are fortunate to have a Senior Economist and Policy Advisor from the **Federal Reserve Bank of Boston** join us again this year. **Dr. Christopher Foote**, whose research and policy interests include housing and the macroeconomics of the labor market, will be our luncheon keynote speaker. This year's conference will also feature presentations on the Massachusetts economy and panels discussing topics pertinent to the Commonwealth of Massachusetts credit and the credits of our statewide issuers.
- **Ticket Information:**
 - **FREE** for investors, potential investors, issuers, and analysts. Please sign up on our website: <https://massbondholder.com/investor-conference-registration>
 - **\$100.00*** for public finance, legal, and financial advisors. Please register on our Eventbrite page: <https://www.eventbrite.com/e/10th-annual-massachusetts-investor-conference-tickets-415583390107>

QUESTIONS

