

KBRA Assigns AAA Rating to Various Massachusetts Commonwealth Transportation Fund Revenue Bonds; Affirms Rating on Outstanding Bonds; Outlook is Stable

New York (August 31, 2023)

KBRA assigns a long-term rating of AAA with a Stable Outlook to the following Commonwealth of Massachusetts bonds:

- Commonwealth Transportation Fund Revenue Bonds (Rail Enhancement Program), 2023 Series A (Sustainability Bonds)
- Commonwealth Transportation Fund Revenue Bonds (Rail Enhancement Program), 2023 Series B

KBRA additionally affirms the long-term rating of AAA with a Stable Outlook for the Commonwealth's outstanding Commonwealth Transportation Fund Revenue Bonds.

The long-term rating on the Commonwealth of Massachusetts' (the "Commonwealth's") Transportation Fund Revenue Bonds ("CTF Revenue Bonds") reflects the broad and resilient nature of the pledged revenues, ample projected coverage of maximum annual debt service requirements, and the extensive legal protections that are collectively and effectively designed to insulate pledged revenues from Commonwealth budget operations. The rating is further supported by the breadth of the taxing base (state-wide), strong underlying socioeconomic metrics, and the relative affordability of pledged taxes when compared to other New England states.

CTF Revenue Bonds are special limited obligations of the Commonwealth, payable solely from the Pledged Funds, which primarily consist of six (6) Motor Fuels Tax revenues and various License and Registration Fees collected throughout the Commonwealth. Proceeds from the sale of the 2023 Series B CTF Bonds will be used to fund costs of certain transportation projects of the Commonwealth, on parity with approximately \$3.44 billion of outstanding parity CTF Bonds as of June 30, 2023.

Key Credit Considerations

The rating actions reflect the following key credit considerations:

Credit Positives

- Very broad and resilient nature of the pledged revenues generate more than 4x coverage of maximum annual debt service requirements for all CTF bonds issued to date.
- Extensive legal protections that are collectively and effectively designed to insulate pledged revenues from Commonwealth budget operations.
- The Commonwealth's diverse, wealthy, and growing economy.

Credit Challenges

- The motor fuels portion of pledged revenues (~53.8% of FY23 pledged revenues) is economically sensitive and likely to decrease in a recession, as it has during the pandemic-induced downturn.

Rating Sensitivities

For Upgrade

- Not applicable at AAA rating level



For Downgrade

- An unlikely scenario where there was a substantial and sustained decline in pledged revenues.

To access rating and relevant documents, click [here](#).

Methodologies

[Public Finance: U.S. Special Tax Revenue Bond Rating Methodology](#)

[ESG Global Rating Methodology](#)

Analytical Contacts

Michael Taylor, Senior Director (Lead Analyst)

+1 646-731-3357

michael.taylor@kbra.com

Peter Scherer, Director

+1 646-731-2325

peter.scherer@kbra.com

Douglas Kilcommons, Managing Director

(Rating Committee Chair)

+1 646-731-3341

douglas.kilcommons@kbra.com

Business Development Contacts

William Baneky, Managing Director

+1 646-731-2409

william.baneky@kbra.com

James Kissane, Senior Director

+1 646-731-2380

james.kissane@kbra.com

Disclosures

A description of all substantially material sources that were used to prepare the credit rating and information on the methodology(ies) (inclusive of any material models and sensitivity analyses of the relevant key rating assumptions, as applicable) used in determining the credit rating is available in the Information Disclosure Form(s) located [here](#).

Information on the meaning of each rating category can be located [here](#).

Further disclosures relating to this rating action are available in the Information Disclosure Form(s) referenced above. Additional information regarding KBRA policies, methodologies, rating scales and disclosures are available at www.kbra.com.

About KBRA

Kroll Bond Rating Agency, LLC (KBRA) is a full-service credit rating agency registered with the U.S. Securities and Exchange Commission as an NRSRO. Kroll Bond Rating Agency Europe Limited is registered as a CRA with the European Securities and Markets Authority. Kroll Bond Rating Agency UK Limited is registered as a CRA with the UK Financial Conduct Authority. In addition, KBRA is designated as a designated rating organization by the Ontario Securities Commission for issuers of asset-backed securities to file a short form prospectus or shelf prospectus. KBRA is also recognized by the National Association of Insurance Commissioners as a Credit Rating Provider.