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Moody's Ratings assigns Aa1 to Massachusetts' GO Bonds Consolidated Loan of 2024 Series B and GO Refunding Bonds, 2024 Series C; outlook stable

Rating Action

21 May 2024

Moody's Ratings

New York, May 21, 2024 -- Moody's Ratings (Moody's) has assigned Aa1 ratings to the Commonwealth of Massachusetts' \$650 million General Obligation Bonds Consolidated Loan of 2024, Series B, and \$55.7 million General Obligation Refunding Bonds, 2024 Series C. The par amounts allocated to each series are preliminary and may change at bond pricing. Moody's Ratings also maintains Aa1 ratings on \$31 billion of outstanding Massachusetts general obligation, and general obligation related debt. The outlook is stable.

RATINGS RATIONALE

The commonwealth's Aa1 issuer rating reflects a robust economic base, bolstered by social factors such as a highly educated workforce and high income levels, that help the state meet the demands of an elevated long-term liability burden. Reliance on economically sensitive revenue is balanced by healthy reserves and the ability to access alternate sources of liquidity. Massachusetts' strong governance framework includes sound financial and budgetary management practices, which serve the commonwealth well through economic downturns. The Aa1 rating assigned to Massachusetts general obligation debt, supported by a full faith and credit pledge, is the same as the issuer rating.

RATING OUTLOOK

Massachusetts' stable outlook reflects expectations the commonwealth will continue its strong financial management, taking proactive measures to respond to challenges that will emerge if the economy falters in the near term.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Sustained growth of reserves and establishment of stronger constraints on their use

- Moderated debt and pension burdens relative to peers

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Protracted structural budget imbalance
- Reserves or liquidity that fall below adequate levels
- Growth in leverage relative to own-source revenue or rising fixed costs

LEGAL SECURITY

The bonds are general obligations of the Commonwealth of Massachusetts, which has pledged its full faith and credit for the payment of principal and interest when due. We note, however, that state law limits annual tax revenue growth and does not exempt debt service payments from this limitation.

USE OF PROCEEDS

The General Obligation Bonds Consolidated Loan of 2024, Series B will finance or reimburse the commonwealth for a variety of capital expenditures which are included within the capital investment plan maintained by the Executive Office for Administration and Finance and, together with other funds of the commonwealth, to pay costs of issuance of the Bonds. The General Obligation Refunding Bonds, 2024 Series C will refund certain outstanding maturities for economic savings.

PROFILE

The Commonwealth of Massachusetts is the 16th-largest state by population, with an estimated 7 million residents as of the 2023 census. Its gross domestic product, at \$691.5 billion in 2023, ranks 11th among the states. Adjusted per capita income was 118% of the national average in 2022, the second highest in the country.

METHODOLOGY

The principal methodology used in these ratings was US States and Territories Methodology published in March 2022 and available at <https://ratings.moodys.com/rmc-documents/356901>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the issuer/deal page for the respective issuer on <https://ratings.moodys.com>. Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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