

## Commonwealth of Massachusetts – Transportation Fund

Issuer: Commonwealth of Massachusetts		
Assigned	Rating	Outlook
Commonwealth Transportation Fund Revenue Bonds (Rail Enhancement Program) 2025 Series A	AAA	Stable
Commonwealth Transportation Fund Revenue Refunding Bonds 2025 Series A	AAA	Stable
Affirmed	Rating	Outlook
Commonwealth Transportation Fund Revenue Bonds	AAA	Stable

### Methodology:

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

[ESG Global Rating Methodology](#)

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**Rating Summary:** The long-term rating on the Commonwealth 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 insulate pledged revenues from the Commonwealth of Massachusetts' (the "Commonwealth's") operations. The breadth of the taxing base and the Commonwealth's strong underlying socioeconomic metrics further support the rating. Credit risks are minimal.

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 of the currently offered new money bonds will be used to fund costs of certain transportation projects of the Commonwealth, while proceeds of the refunding bonds will be used to refund certain outstanding CTF bonds. The bonds will rank on parity with approximately \$4.05 billion of outstanding CTF Revenue Bonds as of June 30, 2025.

The Commonwealth enacted comprehensive transportation reform legislation in 2009 which was partly designed to segregate certain revenues towards capital investment in

critical transportation infrastructure projects. The legislation also enabled the Commonwealth to pledge these revenues to payment of CTF Revenue Bonds. The segregated revenues, which consist primarily of a broad base of motor fuels taxes, driver's license fees, and vehicle registration fees, have a long history of observable efficient and effective collection, characterized by diversity in timing that smooths seasonality. Further, the Commonwealth has demonstrated willingness and ability to adjust pledged revenues as needed to finance expanded capital needs, and also to make adjustments to offset other factors that influence the underlying base of vehicle- and fuel-related transactions.

CTF Revenue Bonds enjoy numerous legal protections that KBRA believes insulate the pledged revenues from budget operations of the Commonwealth. Among these protections are: Constitutional restrictions on the use of the revenues; covenants not to impair the rights or remedies of the Trustee; laws that prohibit the use of the pledged revenues for any purpose prior to payment of debt service; and restrictions on additional debt or changes to the pledged revenues unless maximum annual debt service coverage exceeds 4.0x.

FY 2025 pledged revenues totaled approximately \$1.34 billion, down 0.8% YoY. Registry fees declined 0.6% YoY in FY 2025 following an unusually large 6.2% YoY increase in the preceding year caused by a change in law allowing Massachusetts residents to obtain a driver's license regardless of immigration status. In KBRA's view, the decline in FY 2025 reflects normalization following the aforementioned one-time increase caused by the change in law. The FY 2025 decline was moderated by a one-time increase in license duplicates transactions in response to Real ID requirements taking effect as of May 7, 2025. Motor fuels tax receipts declined 0.9% YoY, likely reflecting a modest decline in gasoline prices coupled with the evolving fuel consumption patterns with the adoption of electric, hybrid, and increasingly efficient conventional vehicles. Nevertheless, FY 2025 pledged revenues provided robust coverage of annual debt service of 5.30x and pro forma maximum annual debt service (\$290.4 million in FY 2035) of 4.61x. KBRA continues to believe the Commonwealth has considerable debt capacity to finance its planned capital program.

CTF Revenue Bonds are issued pursuant to various programs and authorizations. In January 2021, a new transportation bond law authorized approximately \$16.3 billion of capital spending for the Commonwealth's transportation infrastructure needs. Major components of this authorization are \$5.1 billion for the Massachusetts Bay Transportation Authority (MBTA), \$5.5 billion for highway, rail and transit, and \$4.4 billion for federally aided highway projects. In August 2022 MassTRAC was signed into law, which authorizes a total of approximately \$11.4 billion of additional transportation expenditures that are partially funded by the federal Bipartisan Infrastructure Law. Furthermore, Chapter

17 of the Acts of 2025 authorized \$1.19 billion in bonding capacity for municipal roads, bridges, and other non-federally aided transportation infrastructure. CTF Revenue Bonds are expected to finance a portion of these plans, subject to the debt issuance restrictions of the 4.0x additional bonds test. The laws stipulate that both CTF Revenue Bonds and general obligation bonds may be used for these programs, depending on the capital plan.

The Stable Outlook reflects KBRA's expectation that pledged revenues will remain resilient and are unlikely to decline significantly enough to impair coverage of debt service, even under very adverse economic conditions. Further, KBRA believes the Commonwealth has no meaningful incentive to divert or dilute the pledged revenues in ways that would be detrimental to bondholders.

### Key Credit Considerations

The rating actions reflect the following key credit considerations:

#### Credit Positives

- Very broad and resilient nature of CTF pledged revenues which, to date, have generated more than 4.0x coverage of maximum annual debt service.
- Extensive legal protections that collectively and effectively insulate pledged revenues from Commonwealth budget operations.
- The Commonwealth's diverse, wealthy, and growing economy.

#### Credit Challenges

- The motor fuels portion of pledged revenues (~53.3% of FY 2025 pledged revenues) is economically sensitive and vulnerable to declines during recessionary periods.
- Longer term, structural shifts in fuel consumption patterns driven by the continued phase-in of electric, hybrid, and increasingly efficiency conventional vehicles may pressure the motor fuels portion of pledged revenues.

### Rating Sensitivities

▪ Not applicable at AAA rating level	+
▪ An unlikely scenario where there was a substantial and sustained decline in pledged revenues.	-

## Pledged Revenue Details

### Motor Fuels Tax

Chapter 64A Receipts: 24 cents/gallon Gasoline Tax levied statewide.

Chapter 64E and Chapter 64F Receipts: 24 cents/gallon tax on special fuels and tax of 19.1% of average price/gallon of liquefied gas sold or used in the Commonwealth (Special Fuels Tax); 24 cents/gallon tax on each gallon of gasoline and special fuels acquired outside and used within the Commonwealth (Motor Carrier Tax).

### Registry Fees

Chapter 90 Registry Fees: Motor vehicle registration fees, motor vehicle license fees, and miscellaneous fees relating to the operation and use of motor vehicles.

Key Ratios					
FYE June 30 (dollars thousands)					
	2021	2022	2023	2024	2025
<b>Pledged Revenues and Coverage</b>					
Gas Tax (Ch 64A)	\$ 565,194	\$ 618,856	\$ 600,923	\$ 613,679	\$ 608,624
Sp. Fuels Tax (Ch 64E) / Motor Carrier Tax (Ch 64F)	96,298	102,299	99,158	97,775	96,283
Registry Fees (Ch 90)	622,770	598,987	601,343	638,541	634,994
Total	1,284,262	1,320,142	1,301,424	1,349,995	1,339,901
Annual Debt Service	189,083	198,504	227,807	245,193	252,860
<b>Coverage</b>	<b>6.8x</b>	<b>6.7x</b>	<b>5.7x</b>	<b>5.5x</b>	<b>5.3x</b>
Pro Forma MADS (FY 2035)					290,409
<b>FY 2025 Pledged Revenue Coverage of Projected MADS</b>					<b>4.6x</b>
<b>Commonwealth Economic Data</b>					
Population (2024)					7,136,171
10-Yr Growth					4.6%
Per Capita Income (2024)					\$93,927
as a % of US					130%
Real Gross State Product (2024)					\$634 billion
10-Year Growth					27.7%

**Rating Determinants (RD)**

1. Legal Framework	AAA
2. Nature of Special Tax Revenues	AAA
3. Economic Base and Demographics	AAA
4. Revenue Analysis	AA+
5. Coverage and Bond Structure	AAA

A review of each Rating Determinant, the Bankruptcy Risk Assessment, and ESG Management can be found in prior KBRA reports, the most [recent](#) of which is dated September 17, 2024.

**RD 4: Revenue Analysis Update****Trend in Pledged Revenues**

FYE June 30 (dollars thousands)

Fiscal Year Ended	Pledged Motor Fuel Tax Receipts				Pledged Registry Fee Receipts		Total Pledged Revenues	
	Gas Tax Chapter 64A	Sp. Fuels and Motor Carrier Tax Chapters 64E and 64F	Total (a)	Δ YOY	Chapter 90 (b)	Δ YOY	(a+b)	Δ YOY
2000	\$572,209	\$ 79,041	\$651,250	2.5%	\$ 300,040	0.8%	\$ 951,290	2.0%
2001	576,974	81,547	658,521	1.1%	322,808	7.6%	981,329	3.2%
2002	585,519	79,904	665,423	1.0%	338,440	4.8%	1,003,863	2.3%
2003	593,691	81,255	674,946	1.4%	397,683	17.5%	1,072,629	6.9%
2004	600,255	82,659	682,914	1.2%	386,284	-2.9%	1,069,198	-0.3%
2005	599,736	84,382	684,118	0.2%	413,481	7.0%	1,097,599	2.7%
2006	589,591	80,785	670,376	-2.0%	375,670	-9.1%	1,046,046	-4.7%
2007	594,892	79,545	674,437	0.6%	388,496	3.4%	1,062,933	1.6%
2008	595,380	75,560	670,940	-0.5%	396,904	2.2%	1,067,844	0.5%
2009	578,691	73,462	652,153	-2.8%	403,780	1.7%	1,055,933	-1.1%
2010	576,676	76,369	653,045	0.1%	485,789	20.3%	1,138,834	7.9%
2011	580,031	79,152	659,183	0.9%	496,034	2.1%	1,155,217	1.4%
2012	581,148	79,028	660,176	0.2%	508,608	2.5%	1,168,784	1.2%
2013	570,477	79,302	649,779	-1.6%	522,199	2.7%	1,171,978	0.3%
2014	640,702	89,938	730,640	12.4%	533,194	2.1%	1,263,834	7.8%
2015	656,445	97,947	754,392	3.3%	581,686	9.1%	1,336,078	5.7%
2016	666,539	98,309	764,848	1.4%	580,426	-0.2%	1,345,274	0.7%
2017	670,093	97,762	767,855	0.4%	598,691	3.1%	1,366,546	1.6%
2018	667,866	99,654	767,520	0.0%	612,779	2.4%	1,380,299	1.0%
2019	672,866	100,923	773,790	0.8%	616,830	0.7%	1,390,620	0.7%
2020	609,818	96,477	706,295	-8.7%	561,867	-8.9%	1,268,162	-8.8%
2021	565,194	96,298	661,492	-6.3%	622,770	10.8%	1,284,262	1.3%
2022	618,856	102,299	721,155	9.0%	598,987	-3.8%	1,320,142	2.8%
2023	600,923	99,158	700,081	-2.9%	601,343	0.4%	1,301,424	-1.4%
2024	613,679	97,775	711,454	1.6%	638,541	6.2%	1,349,995	3.7%
2025	608,624	96,283	704,907	-0.9%	634,994	-0.6%	1,339,901	-0.8%

Source: Historic figures from CTF Official Statements and Continuing Disclosure Statements.

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