

Research Update:

Massachusetts Commonwealth Transportation Fund Revenue Bonds And Revenue Refunding Bonds Assigned 'AAA' Rating

September 26, 2025

Overview

- S&P Global Ratings assigned its 'AAA' rating to the Commonwealth of [Massachusetts](#)' 2025 series A (rail enhancement program) commonwealth transportation fund (CTF) revenue bonds, and 2025 series A CTF revenue refunding bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the commonwealth's \$4.1 billion in outstanding parity bonds.
- The outlook is stable.

Rationale

Security

The CTF bonds are secured by pledged revenues that include motor fuel and gasoline taxes and motor vehicle registration fees levied across the commonwealth.

Bond proceeds for the 2025A CTF revenue bonds are being used to fund authorized transportation projects of the commonwealth and proceeds from the 2025A revenue refunding bonds will be used to refund certain prior CTF bonds.

Credit highlights

We rate the bonds based on our "[Priority-Lien Tax Revenue Debt](#)," Oct. 22, 2018, criteria, which accounts for the strength and stability of the pledged revenues as well as the general credit quality of the obligor where taxes are distributed and/or collected--in this case, the commonwealth. We consider the linkage between the priority-lien pledge and the commonwealth to be close; therefore, the rating on the CTF bonds is constrained by the GO rating.

Debt service coverage has remained very strong for the pledged CTF revenue, albeit moderately lower than historical levels. In fiscal 2025, pledged CTF revenue decreased 0.7% to \$1.34 billion

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but maintained very strong maximum annual debt service (MADS) coverage of about 4.6x. Overall, we expect ongoing strong coverage in pledged CTF revenue.

Key credit considerations include our view of:

- Very strong and diverse economy of 7.03 million people generating pledged revenue;
- Low revenue volatility, with historically stable pledged revenue before the pandemic;
- Very strong debt service coverage (DSC) and liquidity, with more than 4x coverage of pro forma MADS following the series 2025 bonds, based on fiscal 2025 pledged revenue;
- Very strong bond covenants, including a very strong CTF additional bonds test (ABT) requiring 4x coverage of MADS by historical pledged revenues and a covenant not to allow changes in the rate of motor fuels tax or registry fees unless pledged revenue equals at least 4x MADS. In our view, strong DSC mitigates the lack of a debt service reserve; and
- Our establishment of a one-notch upward limitation on the ratings from that of the GO rating on Massachusetts.

Environmental, social, and governance

We consider Massachusetts' chronic physical risks moderately negative in our analysis of the pledged revenue because of the commonwealth's coastal exposure to rising sea levels, with about two-thirds of its population in the Boston MSA and substantial property value in the combined Boston and Cape Cod areas potentially exposing the commonwealth to significant economic disruption following a high-impact event. However, the commonwealth has been addressing its environmental risks since 2004 through its clean energy climate plan, which is regularly updated to meet the needs of the commonwealth and has helped maintain a stable management and policy framework to respond to developing risks. We view social and governance risks as neutral in our credit rating analysis. For more information about our rating on the state, please see "[Massachusetts Series 2025E/F GO Bond Consolidated Loans Assigned 'AA+' Rating](#)," July 31, 2025.

Rating above the sovereign

The CTF bonds are eligible to be rated above the sovereign because we believe the commonwealth can maintain better credit characteristics than the U.S. in a stress scenario.

Under our criteria "[Ratings Above The Sovereign: Corporate And Government Ratings--Methodology And Assumptions](#)," Nov. 19, 2013, U.S. states are considered to have moderate sensitivity to country risk. Commonwealth-derived revenue is the sole source of security on the bonds, and the institutional framework in the U.S. is predictable, with significant state autonomy and flexibility.

Outlook

The stable outlook reflects that of the commonwealth and our view that Massachusetts' underlying economy and current goal to maintain coverage of pledged revenues near current levels support the rating.

Downside scenario

We could lower the rating if we lowered our GO rating on Massachusetts. Although unlikely, should there be very significant deterioration in CTF bond DSC, we could also lower our rating on

the CTF bonds. While the commonwealth's capital program for rail, bridges, and roads could require substantial new capital funding, we feel that the very strong current DSC and very strong ABT should provide strong protection against future debt dilution.

Credit Opinion

Economic fundamentals: Very strong

We view Massachusetts' economic fundamentals as very strong. We believe its economy, anchored by a Boston metropolitan area that includes many higher education institutions and associated technology companies, represents an important credit strength, with a substantial proportion of highly skilled workers with strong income levels. Per capita effective buying income, at 128% of the nation, has increased slightly faster than that of the nation and is the second-highest in the nation spurred by growth in the high-paying professional, scientific, and technical services sector that suffered less in the recent recession than lower-paying, service sector jobs. S&P Global Market Intelligence forecasts it will experience continued 0.5% employment growth, similar to that of the nation, in 2025.

We believe the economic outlook for pledged revenue mirrors the economic strength of the commonwealth. However, potential headwinds from the adoption of alternative transportation options such as electric vehicles and increased dependence on mass transit could dampen long term demand trends for pledged revenues. Given these longer-term trends, we expect the commonwealth to manage these headwinds while maintaining strong coverage for the bonds.

The U.S. Census Bureau population estimate for Massachusetts in 2025 is slightly over 7 million. S&P Global Ratings' baseline forecast continues to project a growth slowdown nationwide, albeit at a softer rate than prior expectations. Employment and national output will continue to cool for the balance of the year and into 2025. We now forecast U.S. GDP growth of 1.9% in 2025 and 1.8% in 2026--both up slightly from our previous forecasts, but still below the recent trend. This reflects better-than-expected economic activity so far in the third quarter, the new budget legislation, and the diminishing effects of the uncertainty surrounding U.S. trade policy. The expected effects of sharply higher tariffs on inflation and consumer spending, smaller increases in immigration (or even a decline in immigration), and cost-savings initiatives by the federal government could create a negative feedback loop that weighs on overall demand, as well as supply. For more information, see "[Economic Outlook U.S. Q4 2025: Below-Trend Growth Persists Amid A Swirl Of Policy Shifts](#), Sept. 23, 2025.

Revenue volatility: Low

Our macro volatility assessment begins with an assessment of the historical volatility of the economic activity being taxed, and includes an analysis of societal, demographic, political, and other factors that could affect these activities. Based on the variance of national economic activity that we believe most closely represents the taxing base during multiple economic cycles, it is used to inform our opinion on expectations of future volatility.

We view the pledged revenue as having low volatility based on historical trends despite recent declines. The major revenues supporting the bonds include a portion of motor fuels tax revenue, which accounted for 53% of total pledged funds (chapter 64A, chapter 64E, and chapter 64F receipts) in fiscal 2025, not including federal Build America bond (BAB) interest subsidies. The fuel tax rate was increased to 24 cents from 21 cents in 2013, with 6.86 cents of that amount pledged to the prior-lien special obligation gas tax bonds, which have now matured, on a first-lien

basis. The gas tax rate remains below the average gas tax rates charged in the Northeast region. Massachusetts collects gas taxes monthly from gasoline distributors.

The other key revenue supporting the program is motor vehicle registry fees (47% of total revenue in fiscal 2025, excluding BAB subsidies), which are collected daily by the Registry of Motor Vehicles and swept daily by the state treasury and credited to various fee accounts. Passenger vehicle registration fees rose to \$60 from \$50 in fiscal 2015. Registry fees were also adjusted in fiscal 2009, which offset flat-to-declining revenue performance in previous years.

Pledged revenue has grown an average of 0.5% annually in the last three years. We believe the commonwealth has a history of increasing both pledged gas tax and registration fees when necessary to meet its transportation capital program.

Coverage and liquidity: Very strong

Fiscal 2025 pledged revenue of \$1.34 billion covers pro forma MADS of \$290.1 million in 2035 after this issue, by what we consider a very strong 4.6x.

The commonwealth could issue additional parity CTF debt by the end of fiscal 2030 for both the rail and accelerated bridge programs. While we believe there could be significant additional debt, following the January 2021 transportation bond bill, Chapter 383 of the Acts of 2020, which authorizes \$16.3 billion of capital authorization for the commonwealth's transportation infrastructure, expected to be issued as either GO bonds or special obligation bonds. However, the commonwealth indicates the capital authorization covers all the projected project costs before anticipated federal reimbursements, which could reduce the amount of actual bonds needed. Nevertheless, the commonwealth projects DSC will remain very strong through 2056, based on current pro forma debt service and no growth to fiscal 2025 revenue.

Despite the potential additional issuance, we view the very strong 4x ABT and the need to use surplus CTF funds for transportation operations as providing significant protection against DSC dilution from future debt issuances. However, we believe the potential remains for the CTF to become a regular contributor to the Massachusetts Bay Transportation Authority's very significant capital plans as the authority continues to work on extending and improving its green, orange, and red mass transit lines as well as extending the South Coast Rail line.

The commonwealth's 2025 budget included a provision that dedicates \$250 million annually from income tax surtax revenue to the CTF and its 2026 budget increased this amount to \$550 million annually. The funds currently do not constitute pledged revenue unless the commonwealth pledges these amounts under any new trust agreement. However, this revenue provides additional funding for its capital plans and in our view, could limit the reliance on leveraging the CTF pledged revenue for future projects.

The fuel tax and registration fees pledged to the bonds are deposited in a revenue account of the CTF, where it is subject to annual appropriation by the state before transfer to the bond debt service account. We believe appropriation risk is mitigated by trust agreement covenants that prevent the large amount of surplus pledged revenue available from being used for other purposes until debt service is paid first. Since the first issuance of special obligation bonds in 1992, the legislature has never failed to make the required appropriations.

Linkage to commonwealth general creditworthiness

Because the commonwealth collects the pledged revenues, we view the rating on the CTF revenue bonds as linked to Massachusetts' creditworthiness. Although the commonwealth constitution restricts transportation-related revenue to transportation-related purposes, these

can be purposes other than specifically the repayment of debt. In our establishment of a one-notch upward limitation on the transportation revenue bond rating compared with the state GO rating, we included our view that the state provides critical public services into our analysis. While we consider that statutory and bond covenant restrictions on the use of CTF revenues as providing some uplift, in our view, the collection and distribution of pledged revenues by the commonwealth exposes the revenues to operating risk if there should be a distress situation. For this reason, under our priority-lien criteria, we consider the linkage between the priority-lien pledge and the commonwealth close.

Massachusetts--key credit metrics

	Metric
Economic data	
Economy	Very Strong
EBI level per capita % of U.S.	128
Population (obligor)	7,022,862
Broad and diverse MSA	Statewide
Population (MSA)	
Financial data	
Revenue volatility	Low
Coverage and liquidity	Very Strong
Baseline coverage assessment	ABT
MADS coverage (x)	4.61
MADS year	2035
Annual debt service coverage (x)	5.30
3-year pledged revenue change (%)	2.96
Bond provisions	
ABT (x)	4.00
ABT type	MADS
ABT period	Historical
DSRF type	None
Obligor relationship	
Obligor linkage	Close
PL rating limit (number of notches above OC)	1

Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. MSA--Metropolitan statistical area. MADS--Maximum annual debt service. ABT--Additional bonds test. DSRF--Debt service reserve fund. PL--Priority lien. OC--Obligor creditworthiness. N/A--Not available. 3-pronged test--MADS, 10% of principal, or 125% of average annual debt service.

Ratings List

New Issue Ratings

US\$131,770,000 The Commonwealth of Massachusetts, Commonwealth Transportation Fund Revenue Refunding Bonds, 2025 Series A, dated: Date of Delivery, due: June 01, 2040

Long Term Rating	AAA/Stable
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US\$325,000,000 The Commonwealth of Massachusetts, Commonwealth Transportation Fund Revenue Bonds, (Rail Enhancement Program), 2025 Series A, dated: Date of Delivery, due: June 01, 2050

Long Term Rating	AAA/Stable
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Ratings Affirmed

Ratings List

States

Massachusetts, MA Gas Tax 2nd Lien, 64A Gas Tax 1st Lien	AAA/Stable
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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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