

**FITCH RATES \$1.2B MASSACHUSETTS GO RANS 'F1+'**

Fitch Ratings-New York-12 September 2014: Fitch Ratings assigns an 'F1+' rating to the following Commonwealth of Massachusetts general obligation (GO) revenue anticipation notes (RANs):

- \$400 million 2014 series A RANs due April 23, 2015;
- \$400 million 2014 series B RANs due May 28, 2015;
- \$400 million 2014 series C RANs due June 25, 2015.

The notes are scheduled to sell through competitive bid on Sept. 24, 2014.

**SECURITY**

The notes are general obligations of the Commonwealth to which its full faith and credit is pledged.

**KEY RATING DRIVERS**

**GO PLEDGE OF THE COMMONWEALTH:** The notes are a general obligation of the Commonwealth (Fitch long-term rating of 'AA+' with a Stable Outlook).

**STRONG COVERAGE BY PROJECTED CASHFLOWS:** Projected receipts provide strong coverage of note repayment and the balance in the Commonwealth stabilization fund provides substantial additional cushion.

**GENERAL COMMONWEALTH CREDIT FACTORS:** Massachusetts benefits from a strong and wealthy economy and prudent financial management. A comparatively high liability burden is partially explained by the above-average role played by the Commonwealth in relation to local levels of government when compared to most other states.

**RATING SENSITIVITIES**

The rating is sensitive to the continued strength of cashflow coverage and the Commonwealth's general credit quality.

**CREDIT PROFILE**

Massachusetts is a regular annual issuer of RANs. The \$1.2 billion fiscal 2015 RANs size compares to \$800 million issued in fiscal 2014, when the Commonwealth also issued \$400 million in commercial paper for short-term cashflow purposes. The notes being sold are the only RANs expected in fiscal 2015, and no commercial paper is planned for the year.

Coverage for the 2014 series RANs is strong at about 6x for the series A maturity in April, 5x for the series B maturity in May, and 7x for the series C maturity in June. The current official cashflow forecast projects a fiscal 2015 non-segregated operating cash ending balance of \$2.2 billion, up from the \$1.3 billion beginning balance.

The Commonwealth's stabilization fund is a segregated fund and not included in the coverage numbers above. However, Fitch notes that the stabilization fund can be drawn on with appropriation fairly expeditiously as needed and, as such, provides substantial additional cushion. The stabilization fund balance, \$1.25 billion at June 30, 2014, is projected to drop slightly to \$1.22 billion at the end of the current fiscal year.

Massachusetts' financial position has stabilized in recent years following a period of steep revenue decline in the recession. Fitch believes that the Commonwealth retains significant flexibility to address budget underperformance and has repeatedly demonstrated its commitment to do so. For more information on the Commonwealth's general credit, see Fitch's release 'Fitch Rates Massachusetts' \$680MM GO Bonds 'AA+'; Outlook Stable' dated Sept. 12, 2014 and available at [www.fitchratings.com](http://www.fitchratings.com).

Contact:

Primary Analyst  
Laura Porter  
Managing Director  
+1-212-908-0575  
Fitch Ratings, Inc.  
33 Whitehall Street  
New York, NY 10004

Secondary Analyst  
Douglas Offerman  
Senior Director  
+1-212-908-0889

Committee Chairperson  
Marcy Block  
Senior Director  
+1-212-908-0239

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: [elizabeth.fogerty@fitchratings.com](mailto:elizabeth.fogerty@fitchratings.com).

Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

Applicable Criteria and Related Research:

- 'Tax-Supported Rating Criteria' (Aug. 14, 2012);
- 'U.S. State Government Tax-Supported Rating Criteria' (Aug. 14, 2012);
- 'Rating U.S. Public Finance Short-Term Debt' (Dec. 9, 2013).

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Tax-Supported Rating Criteria  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=686015](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015)  
U.S. State Government Tax-Supported Rating Criteria  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=686033](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686033)  
Rating U.S. Public Finance Short-Term Debt  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=724680](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=724680)

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