

Research Update:

Massachusetts Series 2026A Federal Highway Grant Anticipation Notes Rated 'AAA'; Outlook Stable

October 8, 2026

Overview

- S&P Global Ratings assigned its 'AAA' rating to the Commonwealth of [Massachusetts](#)' proposed \$100 million series 2026A federal highway grant anticipation notes (GANs) for the Next Generation Bridge Improvement Program.
- The outlook is stable.

Rationale

Security

The 2026 bonds are limited obligations of the commonwealth and are payable solely from federal-aid highway reimbursements and a backup pledge of commonwealth revenues subject to a prior lien. The primary sources of pledged commonwealth revenues are the dedicated transportation income surtax revenue amount (DTISRA), motor fuels tax revenues, and registry fees subject to the previous debt service obligations for the commonwealth transportation funds (CTF) and dedicated transportation revenue (DTR) bonds. The DTISRA is not available to pay the CTF bonds outstanding.

The bond proceeds will fund transportation projects for the commonwealth. In our view, the state has maintained a good track record of administering the program and delivering projects on time and within budget. Under the Next Generation Bridge Improvement Act, the commonwealth is authorized to issue up to \$1.25 billion of GANs. The commonwealth expects to issue approximately \$900 million of total GANs (including the 2026 bonds) through fiscal 2031.

Credit highlights

The rating reflects our expectation that Massachusetts will continue to receive federal highway reimbursements comparable with historical levels. It also reflects S&P Global Ratings-calculated pro forma maximum annual debt service (MADS) coverage of 32.5x based on estimated 2027 federal reimbursements, which we consider very strong. Federal reimbursements in fiscal 2025 equaled \$1.14 billion, providing a wide margin for the program, with 34.7x coverage of pro forma

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MADS. The Infrastructure Investment and Jobs Act (IIJA) authorized \$379.3 billion in highway infrastructure spending through 2026, which has boosted the federal reimbursements through 2026. The commonwealth is modeling coverage based on more conservative federal reimbursements for fiscal 2027 at \$800 million.

In addition, the commonwealth's DTISRA, certain state motor fuels tax revenues and motor vehicle registry fees are specifically designated as available as a backup source to pay debt service subject to previous CTF bonds and DTR bonds, which we consider an important rating factor. The DTISRA is limited to \$550 million per fiscal year, derived from a 4% surtax on personal taxable income exceeding a \$1 million threshold (adjusted annually for inflation after 2023). Commonwealth pledged revenues are projected at \$1.9 billion in fiscal 2027, affording 5.5x MADS on all pledged-revenue-supported debt without the addition of federal receipts and 7.8x when federal reimbursements are included. We expect coverage from federal receipts or pledged revenues will continue to provide very strong coverage. Motor fuels taxes provide the largest funding source for the pledged revenues. Notably, commonwealth pledged revenues are defined by statute and are not subject to appropriation after receipt.

We are monitoring grant anticipation revenue vehicle (GARVEE) issuers' experience with reimbursements and potential federal policy changes. The rating assumes that the supportive legislative framework and congressional appropriations funding transportation grant programs will continue through the enactment of multiyear authorizations or continuing temporary extensions when the IIJA expires Dec. 11, 2026. The political and economic importance of national highway and mass transit systems, the broad historical bipartisan political support for transportation spending programs at all levels of government, and Congress' history of continuing appropriations or extensions to budget authorizations after they expire are important factors that we incorporate in all of the GARVEE ratings that we maintain. For more information, see ["With A New Surface Transportation Act Looming, GARVEE Ratings Remain Stable,"](#) June 15, 2026.

In addition, the rating reflects our opinion of the following strengths:

- Very strong pro forma MADS coverage of approximately 32.5x based on projected 2027 federal highway reimbursements to the commonwealth, and very strong projected coverage of 7.8x incorporating commonwealth pledged revenues;
- A requirement that principal payments be funded with the trustee a year in advance;
- Sound bond provisions that prohibit additional GANs issuances unless the commonwealth meets 2x proforma MADS test from federal reimbursements and a combined 4x pro forma MADS test from federal reimbursements and pledged commonwealth revenues; and
- Variable but generally positive trends in obligation authority and receipts of Title 23 federal aid money, a history of maximizing federal grants, and effective management of the grant-reimbursement process.

In our opinion, credit weaknesses are comparable with those of other GARVEE bonds. These include possibly lower pledged revenue from a decrease in funds for states from the highway trust fund or in congressionally appropriated amounts, changes to the federal aid highway program, and delays in congressional reauthorization.

In addition to applying our ["U.S. Federal Future Flow Securitization"](#) (FFF) criteria (March 12, 2012), we also apply our ["U.S. Federal Transportation Grant-Secured Obligations"](#) criteria (May 29, 2009), which allows backstopped GARVEE ratings higher than the FFF criteria indicates, depending on the nature of the additional revenue stream. We expect the commonwealth's back

up pledged revenues provide enough cushion to pay debt service if Federal Title 23 highway fund receipts were disrupted or reduced; therefore, we rate the bonds two notches above the rating established under the FFF criteria.

Rating above the sovereign

We rate the bonds one notch above the U.S. rating (AA+/Stable). By applying our criteria "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)" (Nov. 19, 2013), we view the fact that Massachusetts derives its share of various tax revenues pledged to the bonds locally as a strength. This, coupled with these pro forma revenues providing 5.5x MADS coverage through maturity in 2035 alone, mitigates the bond's exposure to federal revenue volatility.

Outlook

The stable outlook reflects our expectation that Massachusetts will continue to receive its allocation of federal apportionments and that federal reimbursement revenue will continue to provide strong MADS coverage on the commonwealth's GARVEE debt over the two-year outlook period.

Downside scenario

We could lower the rating in the unlikely event that pro forma MADS coverage weakens materially as a result of significant debt issuance or substantially reduced federal reimbursements to states, or if other pledged funds significantly decrease to the extent that we no longer believe they cover the GARVEE program's debt service at levels commensurate with the current rating.

Ratings List	
New Issue Ratings	
US\$100,000,000 The Commonwealth of Massachusetts, Federal Highway Grant Anticipation Notes, 2026 Series A, dated: Date of Delivery, due: June 15, 2035	
Long Term Rating	AAA/Stable
New Rating	
Transportation	
Massachusetts, MA Grants 2nd Lien and Commonwealth Transportation Fund Revenues	AAA/Stable

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.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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