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<http://munios.com/live/CommonwealthMassApril2018>

The full slide deck for this call is found in the pages below. These slides as well as those of prior investor calls may also be accessed by visiting the Investor and Rating Agency Presentation Archive on the Commonwealth's investor website at:

www.massbondholder.com



The Commonwealth of Massachusetts Bond Financing Programs

April 6, 2018

Commonwealth Credit Review

Disclaimer

This presentation has been prepared by the Commonwealth of Massachusetts to provide summary information relative to the general obligation credit of the Commonwealth. The presentation is incomplete. The presentation is not part of the Commonwealth's Information Statement (Information Statement) and is qualified in all respects by reference to the most recently updated Information Statement that has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system.

Investment decisions relating to Commonwealth general obligation bonds and notes should be based only upon the most recently updated Information Statement and the Official Statement of the Commonwealth relating to such bonds or notes. The provision of access to this presentation does not constitute an offer to sell or the solicitation of an offer to buy any bonds or notes that may be described or mentioned in the presentation. Commonwealth bonds and notes are sold only by means of an Official Statement and through registered broker-dealers.

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This presentation contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates" and others.



TREASURER

DEBORAH B. GOLDBERG



GOVERNOR CHARLES D. BAKER



Economic Update – Statistical Overview

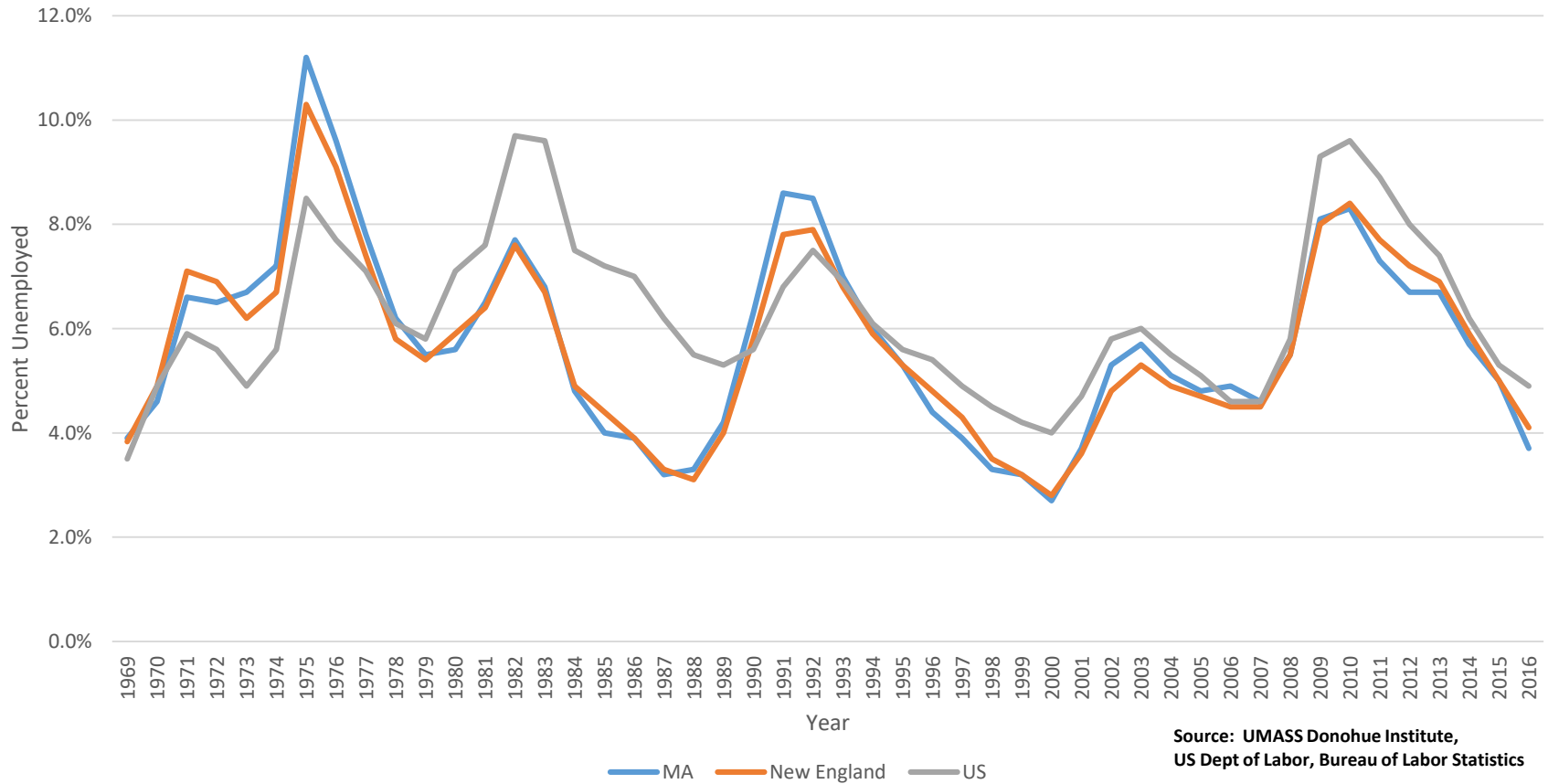
	<u>Massachusetts</u>	<u>United States</u>
<u>Population</u>		
July-17 Estimated 6-year percent change	4.5%	5.3%
<u>Personal Income, Consumer Prices, Poverty</u>		
2016 Per Capita Personal Income	\$65,603	\$50,295
2016 Average Annual Pay, All Industries	\$68,869	\$54,763
2016-17 Annual Percent Change in CPI-U	2.5%	2.1%
Nov-16 to Nov-17 Annual Percent Change in CPI-U	2.9%	2.2%
2016 Poverty Rate	10.4%	14.0%
2016 Average Weekly Earnings, Manufacturing Production	\$966	\$874
Annual Percent Change (2015-2016)	4.5%	1.6%
<u>Employment</u>		
Jan-16 to Jan-17 Percent Change in Nonfarm Employment	1.7%	1.9%
2016 Average Annual Unemployment Rate	3.7%	4.9%
Nov-17 Unemployment Rate	3.3%	3.9%
<u>Education</u>		
2016 Expenditure Per Pupil K-12, Public	\$16,125	\$11,781
2016 Percent of Adults with at least a Bachelor's Degree	42.7%	31.3%
<u>Economic Base and Performance</u>		
2015-16 Percent Change in Gross Domestic Product	1.5%	1.5%
2015-16 Percent Change in International Exports	1.1%	-4.7%
2015-16 Percent Change in Authorized Housing Permits	-6.5%	2.0%

Source: UMASS Donahue Institute



Economic Update – Unemployment

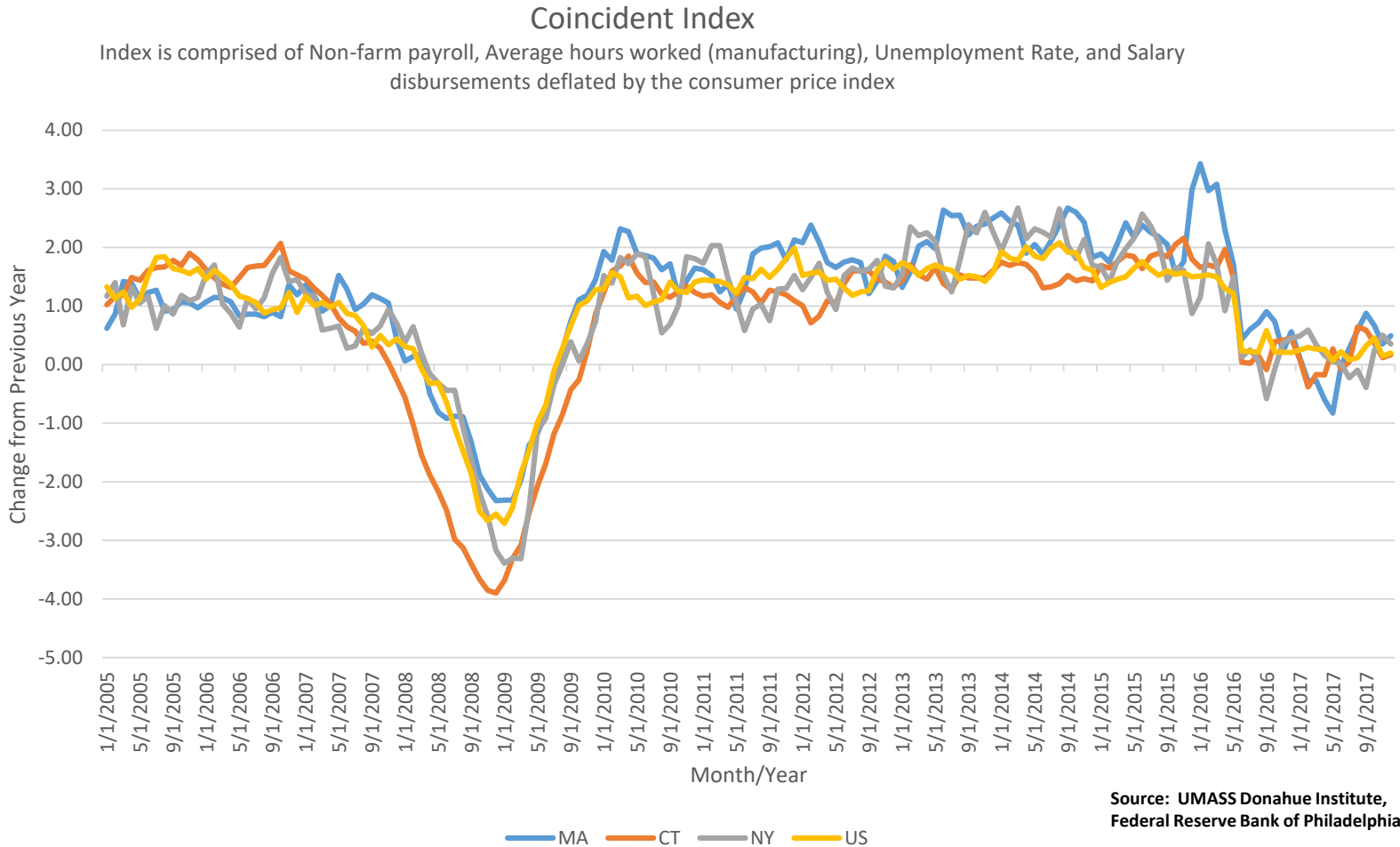
Average Annual Unemployment Rate
Massachusetts, New England and United States



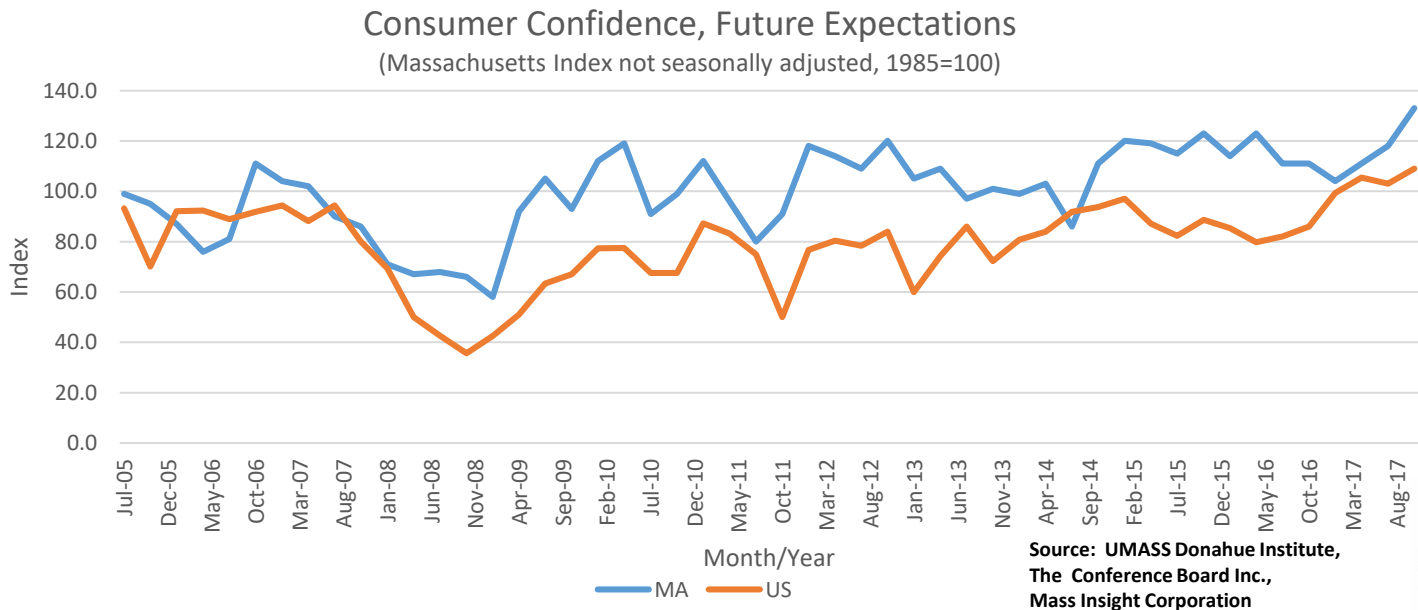
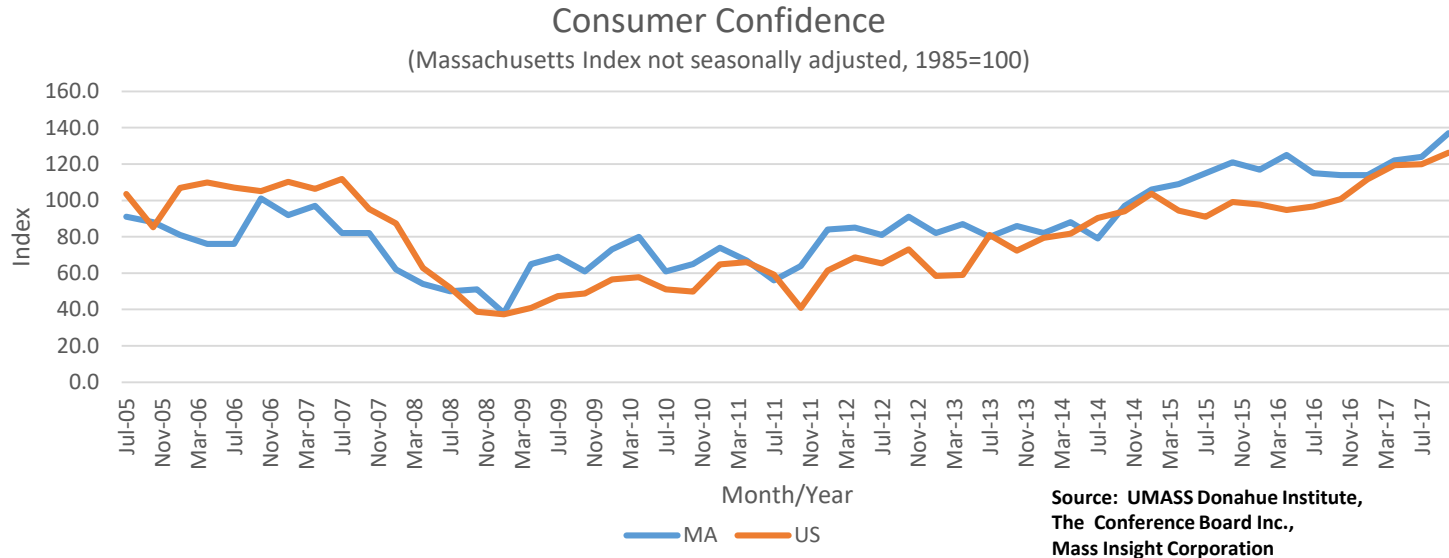
Source: UMASS Donohue Institute,
US Dept of Labor, Bureau of Labor Statistics



Economic Update – Coincident Index



Economic Update – Consumer Confidence



Department of Revenue

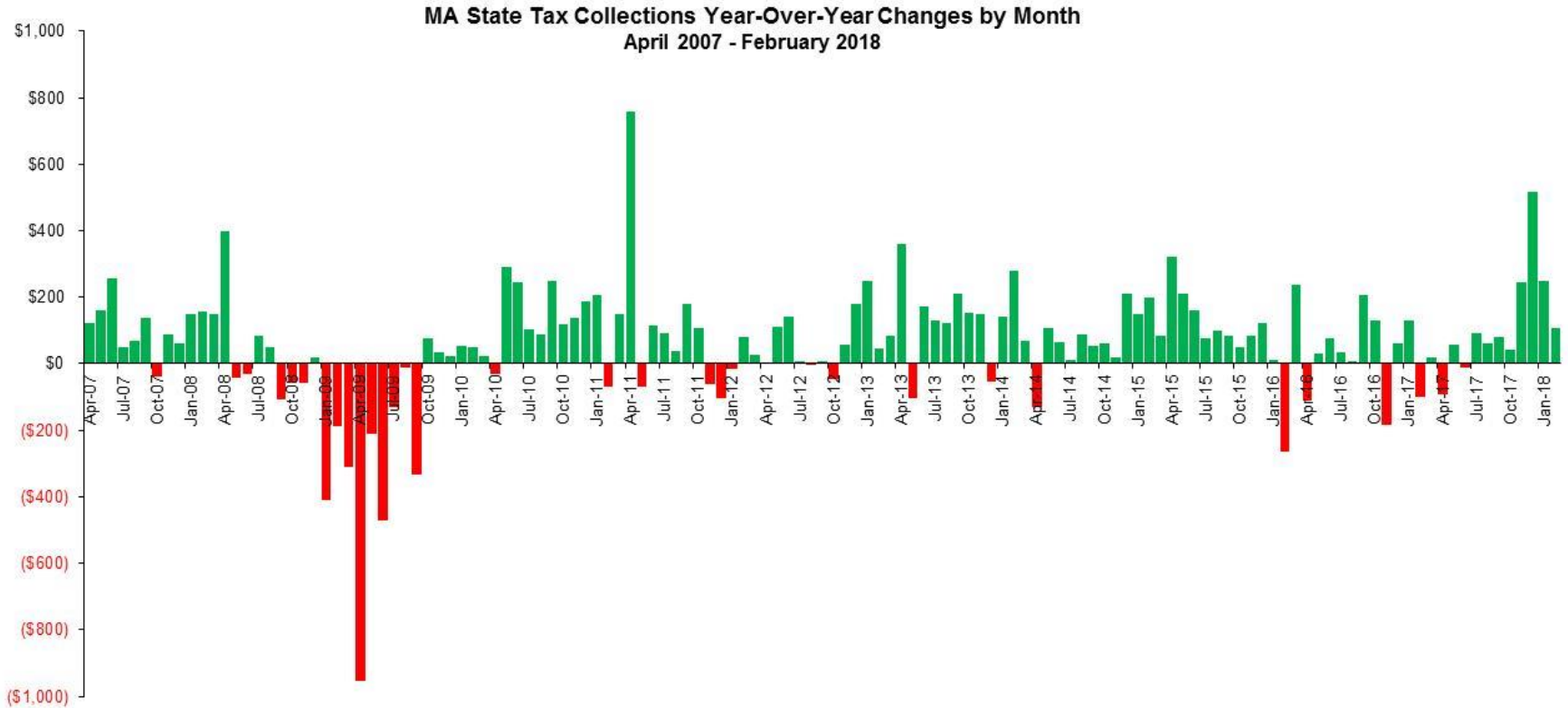
Dr. Kazim P. Özyurt

Chief Economist,

Director, Office of Tax Policy & Analysis



Monthly year-over-year changes in collections:



FY18 Year-to-Date (Through February) Tax Collections Update

February 2018 Tax Collection Summary (in \$ millions)

Preliminary as of March 05, 2018

	Month of February						FY18 YTD as of February					
	02/2018 Actual Collections	02/2018 v. 02/2017 \$ Fav/(Unfav)	02/2018 v. 02/2017 % Fav/(Unfav)	02/2018 Actual vs Benchmark \$ Fav/(Unfav)	02/2018 Actual vs Benchmark % Fav/(Unfav)	02/2018 v. 02/2017 Baseline % Change	02/2018 YTD Actual Collections	02/2018 YTD v. 02/2017 YTD \$ Fav/(Unfav)	02/2018 YTD v. 02/2017 YTD % Fav/(Unfav)	02/2018 YTD Actual vs Benchmark \$ Fav/(Unfav)	02/2018 YTD Actual vs Benchmark % Fav/(Unfav)	02/2018 YTD v. 02/2017 YTD Baseline % Change
Income												
Income Withholding	1,017	78	+8.3%	(38)	-3.6%	+1.9%	8,360	434	+5.5%	(15)	-0.2%	+5.4%
Income Est. Payments	10	(5)	-35.5%	(6)	-37.1%	-35.8%	2,280	656	+40.4%	630	+38.2%	+40.4%
Income Returns/Bills	38	13	+50.8%	5	+14.0%	+20.4%	391	60	+18.3%	78	+24.9%	+24.7%
Income Refunds Net (outflow)	(469)	(18)	-3.9%	(36)	-8.3%	-8.5%	(803)	(70)	-9.5%	(60)	-8.1%	-8.7%
Subtotal Non-withheld Income	(421)	(10)	-2.4%	(37)	-9.6%	+9.3%	1,868	646	+52.9%	648	+53.1%	+55.2%
Subtotal Income	595	68	+12.9%	(75)	-11.1%	-3.9%	10,228	1,080	+11.8%	633	+6.6%	+12.1%
Sales & Use												
Sales - Regular	336	20	+6.2%	12	+3.7%	+5.6%	2,988	98	+3.4%	33	+1.1%	+3.0%
Sales - Meals	78	1	+1.8%	(2)	-2.6%	+1.8%	782	32	+4.3%	(2)	-0.3%	+4.2%
Sales - Motor Vehicles	59	8	+15.7%	8	+16.6%	+15.7%	538	17	+3.3%	18	+3.6%	+2.8%
Subtotal Sales & Use	473	29	+6.5%	18	+4.0%	+6.1%	4,309	147	+3.5%	49	+1.2%	+3.2%
Corporate & Business - Total	1	(27)	-94.9%	(46)	-97.0%	-87.3%	1,101	35	+3.3%	3	+0.2%	+2.6%
All Other	198	26	+14.9%	24	+13.8%	+14.5%	1,522	47	+3.2%	40	+2.7%	+2.9%
Total Tax Collections	1,268	96	+8.2%	(78)	-5.8%	+0.6%	17,160	1,309	+8.3%	725	+4.4%	+8.3%

Notes: (1) The figures above exclude Tax-Related Settlements & Judgments exceeding \$10 million each. These totaled \$11.0 million in February 2018 and \$11.0 million during FY18 YTD.

(2) The February and year-to-date benchmarks reflect the revised full Fiscal Year 2018 benchmark of \$26.661 billion.



FY18 Year-to-Date (Through February) Tax Collections Update

- Eight months into the fiscal year
 - Strong revenue growth
 - Well above revised benchmark
 - Strength may be due to payment acceleration in response to federal tax reform
- Totaled \$17.2B
 - Ahead of last year by \$1.3B, or +8.3% (growth could normalize in the coming months), and
 - Ahead of Year-to-Date (YTD) benchmark by \$725M or 4.4%
 - *Better than expected performances in almost all major tax categories:*
 - *89% (or \$648M) of the YTD surplus in non-withheld income tax.*
 - *One-time revenue events (\$70M+) helped withholding and corporate & business tax performance*



FY18 Year-to-Date (Through February) Tax Collections Update

More specifically:

- *Withholding*: \$8.4B, +\$434M, +5.5% actual, +5.4% baseline, and \$15M or 0.2% below revised benchmark
- *Non-withholding* is \$648M or 53.1% above FYTD benchmark (current filing season performance is critical)
- *Sales & use tax* collections: \$4.3B, +\$147M, +3.5% actual, +3.2% baseline, \$49M or 1.2% over benchmark
- *Corporate and business* tax collections: \$1.1B, +\$35M, +3.3% actual, +2.6% baseline; \$3M or 0.2% over benchmark
- *All Other* taxes: \$1.5B, +\$47M, +3.2% actual, +2.9% baseline; 40M or 2.7% over benchmark, mostly due to volatile estate tax category



Executive Office for Administration & Finance

Michael Heffernan

Secretary

Jennifer Sullivan

*Assistant Secretary for
Capital Finance*

Catharine Hornby

*Assistant Secretary and Budget
Director*

Heath Fahle

Finance Director



Fiscal Year 2018: Review

- Preliminary tax revenues (including large tax-related settlements) for the first eight months of fiscal 2018, ended February 28, 2018, totaled \$17.171 billion, an increase of approximately \$1.3 billion, or 8.2%, over the same period in fiscal 2017.
- On January 12, 2018, the Secretary of Administration and Finance revised the Fiscal Year 2018 state tax revenue estimate upward by \$157 million, from \$26.5 billion to \$26.6 billion, to reflect strong year-to-date performance in the category of income tax withholding.
- Current estimates indicate that the variance between revenues and spending in fiscal 2018 is less than 0.5%.
- The Executive Office for Administration and Finance will continue to monitor revenues and spending and implement measures as necessary to ensure that the Commonwealth's budget for fiscal 2018 will achieve statutory balance.



Fiscal Year 2019: Consensus Revenue

- On January 12, 2018, a fiscal 2019 consensus tax revenue estimate of \$27.5 billion was agreed upon by the Secretary of Administration and the chairs of the House and Senate Committees on Ways and Means.
- The fiscal 2019 consensus tax revenue estimate represents revenue growth of 3.5% from the revised fiscal 2018 estimate of \$26.6 billion certified by the Secretary also on January 12, 2018.



Fiscal Year 2019: Budget Proposal & Process

- On January 24, 2018, the Governor filed his fiscal 2019 budget recommendation, providing for a total of \$40.9 billion in state spending, excluding \$452 million in projected transfers to the Medical Assistance Trust Fund, which represented an increase of 2.6% over projected fiscal 2018 spending.
- The budget proposal anticipates a deposit of \$96 million to the Commonwealth Stabilization Fund in fiscal 2019, which, assuming that \$66 million is deposited in the Stabilization Fund in 2018, would produce a fund balance of \$1.4 billion at the end of fiscal 2019.
- The House of Representatives generally approves its version of the budget in late April, and the Senate generally approves its version in late May. The differences between the two versions are then reconciled by a legislative conference committee during the month of June, so that a final version can be enacted by the Legislature and sent to the Governor for his approval prior to the start of the new fiscal year on July 1.



Capital Investment Plan

- The Executive Office for Administration and Finance annually updates its five-year capital investment plan on a rolling basis. The five-year plan coordinates capital expenditures by state agencies and authorities that are funded primarily by Commonwealth debt and federal reimbursements.
- Capital spending and subsequent debt issuance is constrained by the debt affordability policy and the statutory debt limit, and will be published annually in the five-year capital investment plan.
- The Capital Debt Affordability Committee is charged with reviewing on a continuing basis the amount and condition of the Commonwealth's tax-supported debt, as well as the debt of certain state authorities.
- On December 11, 2017, the committee determined that up to \$2.34 billion of capital debt issuance within the bond cap could be prudently authorized for fiscal 2019.



Office of the State Treasurer

Debt / Capital Presentation

Sue Perez

Deputy Treasurer



Financing Update

- The State Treasurer's Office (TRE) continues to issue debt periodically to fund the state's capital budget, following the guidelines of the Executive Office for Administration & Finance's (A&F) Debt Affordability Analysis.
- Since the December call, the Commonwealth has sold competitively \$600.0 million of GO new money.

Series	Par Amount	Sale Date	Award	Maturity Range	Avg Life	All-In-TIC
GO 2018 A	\$400MM	1/9/2018	Bank of America Merrill Lynch	2033-2048	22.5	3.71%
GO 2018 B	\$200MM	1/9/2018	TD Bank	2020-2032	9.4	2.51%



Plan of Finance *

Month	Par Amount	Structure	Type	Credit	Method of Sale
Apr-18	\$500 M	Fixed Rate Tax Exempt	New Money	GO	Competitive
May-18	\$200 M	Fixed Rate Tax Exempt	Refunding	GO	Negotiated
Jun-18	\$250 M	Fixed Rate Tax Exempt CTF (REP & ABP)	New Money	CTF**	Negotiated

*Preliminary and subject to change

**Commonwealth Transportation Fund



Issuance Timeline*

- The Commonwealth expects to sell competitively
 - 2018 Series C & D on April 24th
- Our current Information Statement is available at www.massbondholder.com. The Preliminary Official Statements will be also available on the website as they are released.
- To receive email notifications of our investor events please send us an email at: massbondholder@tre.state.ma.us or follow us on Twitter **@BuyMassBonds**

Questions, please contact:

Office of State Treasurer Division of Debt Management

Sue Perez
Deputy Treasurer
sperez@tre.state.ma.us
(617) 367-3900 ext. 816

Deborah McLean
Senior Debt Analyst/Investor Relations
dmclean@tre.state.ma.us
(617) 367-3900 ext. 493

* Preliminary, subject to change



QUESTIONS



Questions/Answers April 2018 Commonwealth Investor Call

- 1. Q:** If the November 2018 Ballot Measure related to the 4% income surcharge on income over \$1 million passes, does the Legislature have the ability to modify the rate and if so, how does that process work?

A: Because the ballot measure in question is a Constitutional amendment, the Legislature could amend it only by following the process for Constitutional amendments outlined in Article 48 of the articles of amendment to the Massachusetts Constitution, which requires various favorable votes at joint sessions of the Legislature called Constitutional Conventions, followed by a statewide referendum.

However, the Legislature may be able to modify the impact of the surcharge, within the bounds of the Constitution, if the ballot question passes. Although the surcharge could not be modified statutorily, other aspects of the statewide income tax could be modified, subject to the restriction that tax rates must be levied at a uniform rate upon incomes derived from the same class of property. These sorts of actions would have the effect of changing taxpayers' effective tax rates, and of modifying the total amount of tax collections expected to be generated by the surcharge.