

Replay Information

Please note that a replay of the investor broadcast associated with the following slides is available. The replay can be accessed by following the link below and will remain available until May 31, 2018.

<http://munios.com/live/CommonwealthMay2017>

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



Q&A Transcript

Q. Is there any early information on May tax revenues?

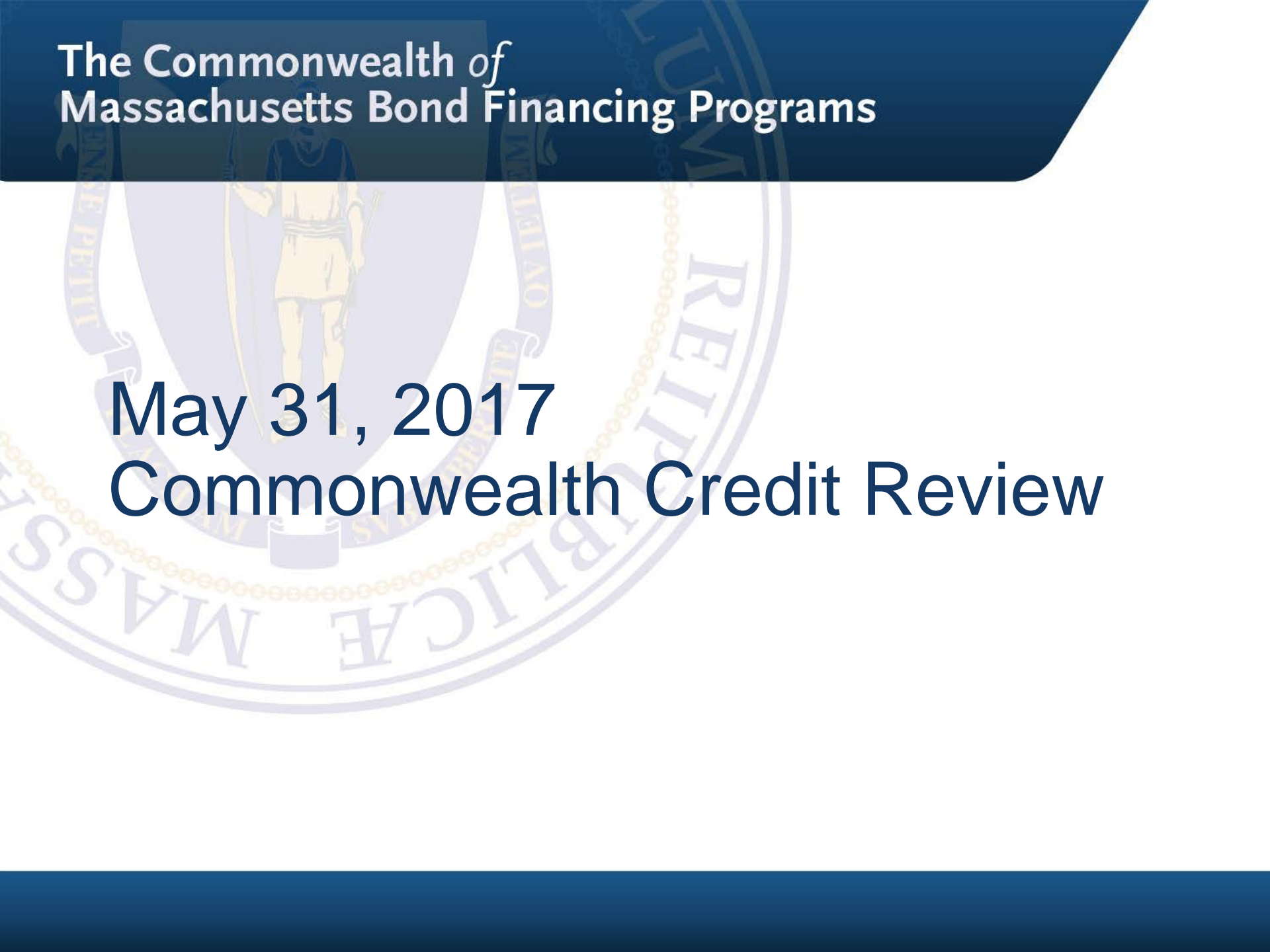
A. Because there is still time left for filing of taxes attributable to May, we do not yet have the final information for the month. We expect that there will be a press release with preliminary tax revenue information early next week.



The Commonwealth of Massachusetts Bond Financing Programs

May 31, 2017

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



Economic Update – Statistical Overview

	<u>Massachusetts</u>	<u>United States</u>
<u>Population</u>		
July-16 Estimated 6-year percent change	3.8%	4.5%
<u>Personal Income, Consumer Prices, Poverty</u>		
2016 Per Capita Personal Income	\$65,137	\$49,571
2015 Average Annual Pay, All Industries	\$66,692	\$52,942
2015-16 Annual Percent Change in CPI-U	1.5%	1.3%
Jan-16 to Jan-17 Annual Percent Change in CPI-U	3.0%	2.5%
2015 Poverty Rate	11.5%	14.7%
2016 Average Weekly Earnings, Manufacturing Production	\$946	\$856
Annual Percent Change (2015-2016)	4.5%	1.6%
<u>Employment</u>		
Jan-16 to Jan-17 Percent Change in Nonfarm Employment	1.7%	1.5%
2016 Average Annual Unemployment Rate	3.7%	4.9%
Apr-17 Unemployment Rate	3.9%	4.4%
<u>Education</u>		
2014 Expenditure Per Pupil K-12, Public	\$15,105	\$11,022
2015 Percent of Adults with at least a Bachelor's Degree	41.5%	30.6%
<u>Economic Base and Performance</u>		
2014-15 Percent Change in Gross Domestic Product	3.8%	2.5%
2014-15 Percent Change in International Exports	0.8%	4.5%
2014-15 Percent Change in Authorized Housing Permits	20.3%	13.0%

Source: UMASS Donahue Institute



Economic Update – Unemployment

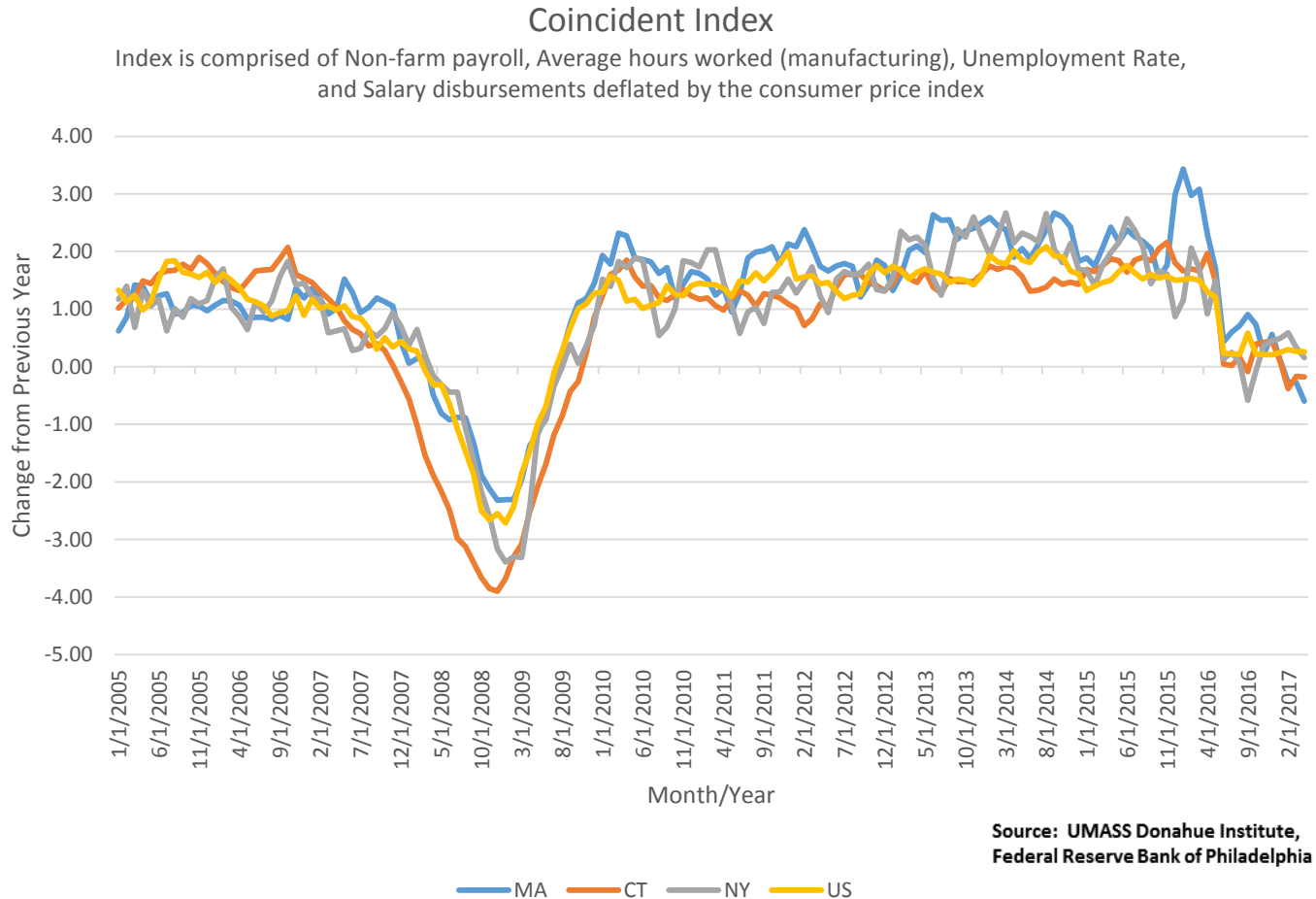
Average Annual Unemployment Rate
Massachusetts, New England and United States



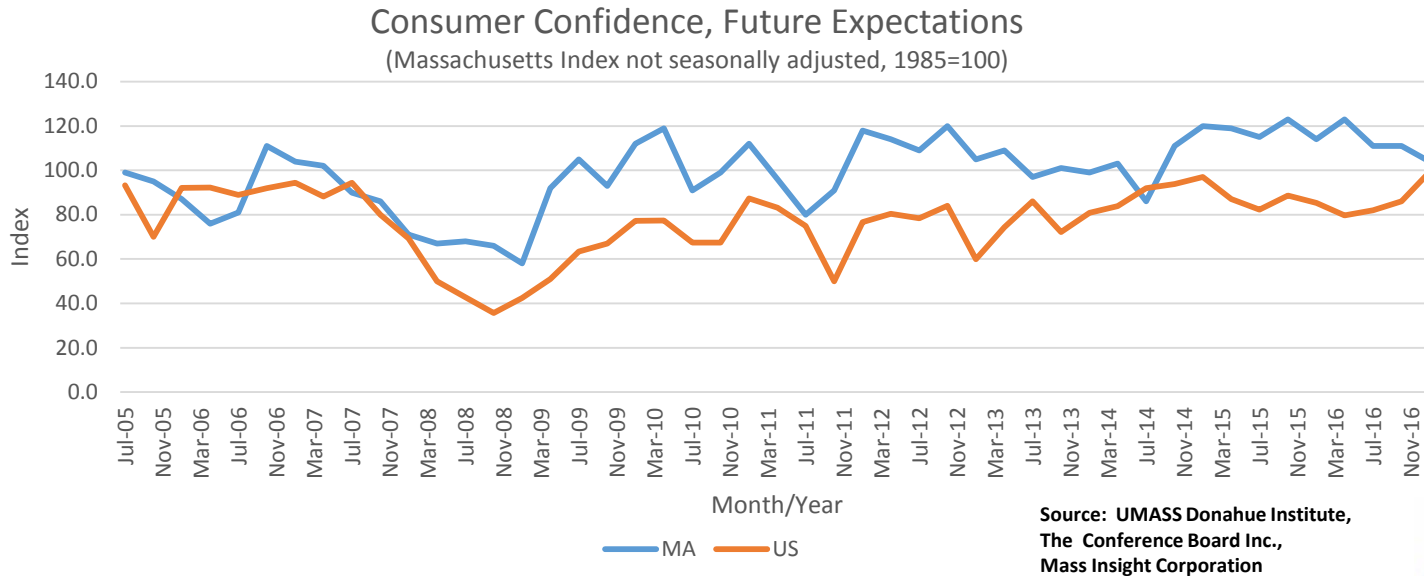
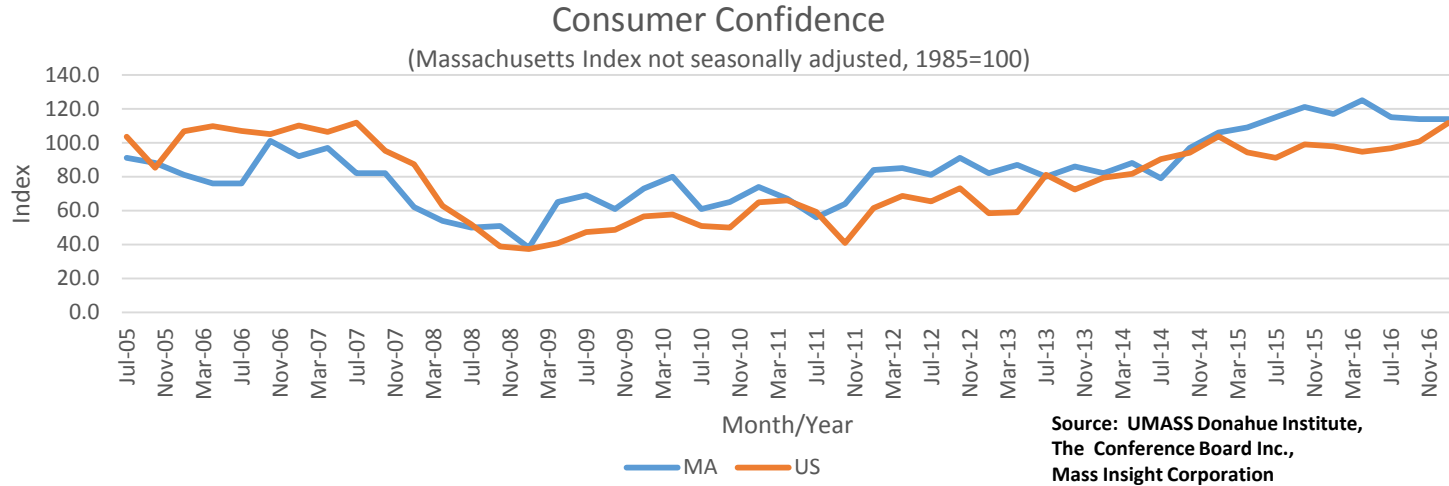
Source: UMASS Donohue Institute,
US Dept of Labor, Bureau of Labor Statistics



Economic Update – Coincident Index



Economic Update – Consumer Confidence



Department of Revenue

Kazim P. Özyurt

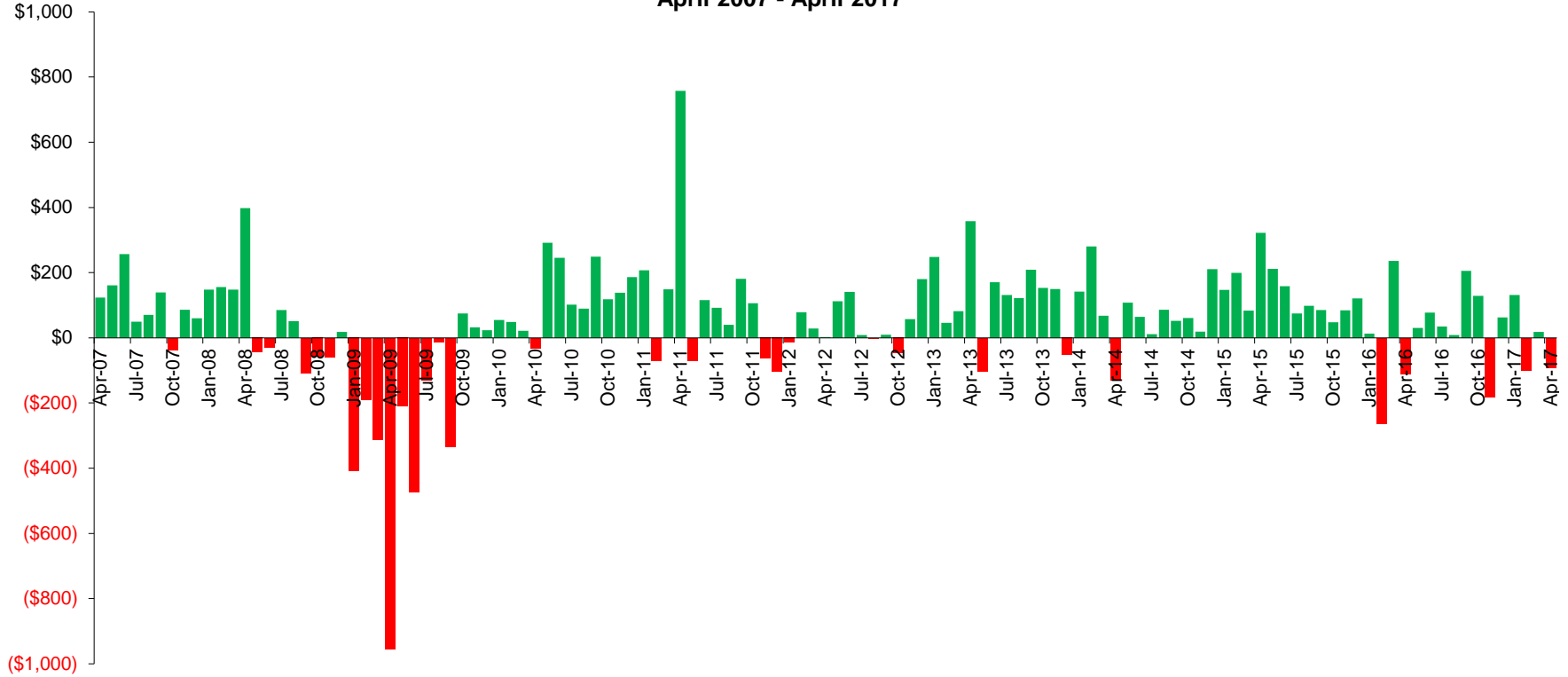
Chief Economist

Director, Office of Tax Policy & Analysis



Monthly year-over-year changes in collections:

MA State Tax Collections Year-Over-Year Changes by Month
April 2007 - April 2017



FY17 Year-to-Date (April) Tax Collections Update

April 2017 Tax Collection Summary (in \$ millions)

Preliminary as of May 3, 2017

	Month of April						FY17 YTD as of April					
	04/2017 Actual Collections	04/2017 v. 04/2016 \$ Fav/(Unfav)	04/2017 v. 04/2016 % Fav/(Unfav)	04/2017 Actual vs Benchmark \$ Fav/(Unfav)	04/2017 Actual vs Benchmark % Fav/(Unfav)	04/2017 v. 04/2016 Baseline % Change	04/2017 YTD Actual Collections	04/2017 YTD v. 04/2016 YTD \$ Fav/(Unfav)	04/2017 YTD v. 04/2016 YTD % Fav/(Unfav)	04/2017 YTD Actual vs Benchmark \$ Fav/(Unfav)	04/2017 YTD Actual vs Benchmark % Fav/(Unfav)	04/2017 YTD v. 04/2016 YTD Baseline % Change
Income												
Income Withholding	962	35	+3.8%	31	+3.3%	+7.7%	10,021	396	+4.1%	(4)	-0.0%	+5.1%
Income Est. Payments	232	(21)	-8.2%	(45)	-16.2%	-8.0%	1,878	(127)	-6.4%	(72)	-3.7%	-5.5%
Income Returns/Bills	1,191	(170)	-12.5%	(279)	-19.0%	-12.2%	1,591	(207)	-11.5%	(325)	-17.0%	-11.3%
Income Refunds Net (outflow)	(315)	29	+8.5%	18	+5.5%	+9.0%	(1,381)	26	+1.8%	67	+4.6%	+6.5%
Subtotal Income	2,070	(126)	-5.7%	(275)	-11.7%	-3.8%	12,108	87	+0.7%	(335)	-2.7%	+2.2%
Sales & Use												
Sales - Regular	342	(10)	-2.8%	(13)	-3.8%	-1.6%	3,528	75	+2.2%	(4)	-0.1%	+1.5%
Sales - Meals	85	1	+1.6%	(1)	-1.6%	+3.0%	913	35	+4.0%	(2)	-0.3%	+4.1%
Sales - Motor Vehicles	66	(2)	-2.8%	1	+1.0%	+3.9%	666	(18)	-2.6%	(33)	-4.7%	+0.4%
Subtotal Sales & Use	493	(10)	-2.1%	(14)	-2.8%	-0.1%	5,107	92	+1.8%	(39)	-0.8%	+1.8%
Corporate & Business - Total	120	52	+77.8%	49	+69.6%	+78.6%	1,966	70	+3.7%	(34)	-1.7%	+4.2%
All Other	180	0	+0.3%	(1)	-0.5%	+1.0%	1,811	(24)	-1.3%	(54)	-2.9%	-0.8%
Total Tax Collections	2,863	(83)	-2.8%	(241)	-7.8%	-1.0%	20,993	225	+1.1%	(462)	-2.2%	+2.0%

Note 1: Tax-Related Settlements & Judgments exceeding \$10 million each totaled \$24.0 million during FY17 year to date through the end of April 2017. These payments are NOT included in the April and YTD collections figures above. April and YTD benchmarks DO NOT assume such large settlements and judgments exceeding \$10 million each.



FY17 Year-to-Date (April) Tax Collections Update

- Year-to-Date (through April) – slow growth – below benchmark
- Excluding tax related settlements and judgments exceeding \$10 million each:
 - Year-to-Date total: \$20.993 billion
 - +\$225 million, or +1.1%, from the same period in fiscal 2016
 - \$462 million below Year-to-Date benchmark
 - *Less than expected income tax cash refunds*
 - *More than offset by:*
 - *Lower than expected income tax cash estimated payments, income returns/bills payments, sales/use tax, corporate & business tax, and all other taxes (mainly estate tax)*



FY17 Year-to-Date (Through April) Tax Collections Update

- **Withholding:** \$10.021B, +\$396M, +4.1% actual, +5.1% baseline, \$4M below benchmark.
- **Income tax cash estimated payments:** \$1.878B, -\$127M, -6.4% actual, -5.5% baseline, \$72M below benchmark.
- **Income tax payments with bills and returns:** \$1.591B, -\$207M, -11.5% actual, -11.3% baseline, \$325M below benchmark.
- **Net Income tax refunds:** \$1.381B, -\$26M, -1.8% actual, -6.5% baseline, \$67M below benchmark.
- **Sales & use tax collections:** \$5.107B, +\$92M, 1.8% actual, +1.8% baseline, \$39M below benchmark.
- **Corporate and business tax collections:** \$1.966B, +\$70M, +3.7% actual, +4.2% baseline, \$34M below benchmark.
- **“All Other” tax categories (including estate tax):** \$1.811B, -\$24M, -1.3% actual, -0.8% baseline, \$54M below benchmark.



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*Assistant Secretary for Capital
Finance*

Heath Fahle

Finance Director

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Director of Debt Management



Fiscal Year 2017: 10-Month Update

Revenue

- Preliminary tax revenues (including large tax-related settlements) for the first ten months of fiscal 2017, ending April 30, 2017, totaled \$21.017 billion, an increase of approximately \$221.8 million, or 1.1%, over the same period in fiscal 2016.
- Year-to date fiscal 2017 tax collections through April, 2017 were approximately \$462 million below the year-to-date benchmark associated with the fiscal 2017 tax revenue estimate of \$26.056 billion.

Outlook

- Massachusetts, like other similarly situated states, has experienced below-forecast income tax revenues during the spring 2017 income tax filing season.
- The Secretary of Administration and Finance currently expects tax collections for fiscal 2017 to be \$375 million to \$575 million below the level projected in the revised tax revenue projection of October 14, 2016.
- The Executive Office for Administration and Finance (A&F) will continue to monitor revenues and spending for fiscal 2017 as part of its active management of the Commonwealth's budget.



Fiscal Year 2017: Budgetary Actions

Review of Actions

- Over the course of fiscal 2017, the Administration has taken several actions to revise tax revenue projections and achieve budgetary balance:
 - On October 17, 2016, the Secretary of A&F announced the Voluntary Separation Incentive Program to reduce payroll spending.
 - On October 27, 2016, the Secretary of A&F reported to the House and Senate Committees on Ways and Means that additional budget solutions had been identified, including transferring unneeded trust balances and other budget gap closing measures, anticipated increases in non-tax revenue, lower than anticipated statutory transfers to the MBTA and the MSBA due to lower sales tax revenues, and payroll savings.
 - On December 6, 2016, the Governor reduced spending allotments by \$95 million pursuant to his Section 9C authority.
 - The spending and revenue reviews will continue as fiscal 2017 draws to a close, including coordination between A&F and the various executive and non-executive departments.



Fiscal Year 2018: Budget Status

Summary

- On January 25, 2017, the Governor filed his fiscal 2018 budget recommendation, providing for a total of **\$40.508 billion** in state spending, excluding certain transfers, which represents an increase of 4.3% over projected fiscal 2017 spending.
- The Governor's budget proposal reduces the structural deficit by reducing the budgeted use of one-time revenues to under \$100 million.
- On April 25, 2017, the House of Representatives approved its version of the fiscal 2018 budget, which provides for a total of **\$40.4 billion** in state spending.
- On May 16, 2017, the Senate Ways and Means Committee released its version of the fiscal 2018 budget, which provided for a total of **\$40.3 billion** in state spending as proposed.
- The House and Senate budgets will be reconciled by a legislative conference committee during the month of June.
- A&F and the DOR will be evaluating fiscal 2018 tax revenue estimates in light of the below-benchmark revenue performance in fiscal 2017, and anticipate that tax revenue projections for fiscal 2018 will be reduced by an amount yet to be determined.



Fiscal Year 2018: Pension Schedule

Summary

- On January 12, 2017, the Secretary filed the triennial funding schedule for the Commonwealth's employee retirement obligations, which provides for a fiscal 2018 transfer amount of \$2.394 billion, an increase of \$196 million, or 8.9%, over the fiscal 2017 contribution.
- The pension funding schedule is projected to fully amortize the Commonwealth's accumulated unfunded actuarial liabilities by fiscal 2036.
- The funding schedule also fully amortizes by fiscal 2027 the liabilities attributable to the employee retirement incentive program (ERIP) approved by the Governor on May 4, 2015.



Capital Investment Plan: Fiscal Years 2018-2022

Overview

- In May, 2017, the Governor announced the five-year capital investment plan for fiscal 2018 through fiscal 2022.
- The Governor increased the administrative bond cap by \$70 million, from \$2.190 billion in fiscal 2017 to \$2.260 billion.
- This increase represents a 3.2% increase over fiscal 2017 and is in line with the recommendations of the Debt Affordability Committee.
- The increase allows for targeted investments in the state's infrastructure while keeping growth in debt service and outstanding principal within long-term revenue growth projections.
- The fiscal 2018 debt affordability analysis was based on assumed growth of budgeted revenues at a rate of 4% annually. The compound annual growth rate in budgeted revenues from fiscal 2008 through then-projected fiscal 2018 was approximately 4.4%.



Capital Investment Plan: Fiscal Years 2018-2022

Priorities

- The fiscal 2018-2022 capital plan directs \$11.3 billion of General Obligation bond cap, and over \$20 billion from all sources, over five years to maintain the Commonwealth's assets, invest judiciously in modernization to continue providing effective services to Commonwealth residents, and make targeted investments to support future growth.
- The five-year capital plan focuses on maintenance and modernization of the Commonwealth's extensive portfolio of existing assets, many of which have significant State of Good Repair backlogs. Approximately 76% of spending was directed to repair and preservation, and 24% targeted toward growth opportunities.
- The five-year capital plan makes targeted investments to support economic growth and expand access to affordable housing through support for the MassWORKS grant program, Workforce Skills grants, investment in affordable housing development and preservation, and funding the state share of the Green Line Extension project among other investments in the basic infrastructure that supports the Commonwealth's ecosystem for growth and fosters the long-term health of the state's economy.



Office of the State Treasurer

Debt / Capital Presentation

Sue Perez

Deputy Treasurer

Drew Smith

*Deputy Assistant Treasurer
for Debt Management*



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 March call, the Commonwealth has issued \$400 million 2017 Series A GO Bonds as well as \$100 million 2017 Series B GO (Green) Bonds and \$267.6 million 2017 Series C GO Refunding Bonds.

Series	Par Amount	Sale Date	Award	Maturity Range	Avg Life	All-In-TIC
GO 2017 A	\$400MM	4/6/2017	Citigroup	2032-2047	23.6	3.99%
GO 2017 B	\$100MM	4/6/2017	Citigroup	2023-2047	21.0	3.81%
GO 2017 C	\$267.6MM	4/6/2017	Citigroup	2017-2027	8.2	2.22%



Upcoming Transactions*

Plan of Finance *

Month	Par Amount	Structure	Type	Credit	Method of Sale
Jun-17	\$500MM (Refunding TBD)	Fixed Rate Tax Exempt	New Money/Refunding	GO	Competitive
Jul-17	\$200MM	Multi Modal Tax Exempt (2014 Series D-2)	Remarketing	GO	Negotiated
Oct-17	\$350MM	Fixed Rate Tax Exempt CTF (REP & ABP)	New Money	CTF	Negotiated

*Preliminary and subject to change



Issuance Timeline*

- The Commonwealth expects to sell its 2017 Series C & D and Refunding Series D GO Bonds on June 21, 2017.
- Our current Information Statement is available at www.massbondholder.com. The Preliminary Official Statement is expected to be available the week of June 12.

June						
Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

GO Competitive Sale	June 21, 2017
GO Closing Date	June 28, 2017

Questions, please contact:

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*Preliminary and subject to change



Debt/Capital

- Today's call represents the second investor call of 2017
- The Commonwealth will continue to hold investor calls approximately one week after each disclosure update throughout 2017
- For more information on the Commonwealth's financing programs, please contact either Sue Perez or Drew Smith

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QUESTIONS

