

**Rating Action: Moody's assigns Aa1 to Massachusetts' GO Ref. Bonds 2019 Series B; outlook stable**

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20 Dec 2018

New York, December 20, 2018 -- Moody's Investors Service has assigned a Aa1 rating to Massachusetts' \$40.9 million General Obligation Refunding Bonds, 2019 Series B (Delayed Delivery). The outlook is stable.

**RATINGS RATIONALE**

Massachusetts' Aa1 rating reflects the state's continually growing economy, anchored by education, healthcare and technology sectors. The strong economy combined with close monitoring of expenditures and revenues and ample executive authority to make mid-year cuts, have resulted in balanced budgets. Strong year-over-year tax revenue growth, along with prudent planning, have afforded the commonwealth the opportunity to build up reserves. Debt and pension liabilities are among the highest in the nation, though these figures include borrowing and benefits for local governments.

**RATING OUTLOOK**

The stable outlook reflects our expectation that the commonwealth will continue its trend of strong financial management, taking proactive measures to close budget gaps as they emerge. Reliance on one-time budget solutions or decreased liquidity would be indications of deviating from these practices.

**FACTORS THAT COULD LEAD TO AN UPGRADE**

- Continued rebuilding of reserves and establishment of stronger constraints on their use
- Established trend of structural budget balance
- Moderated debt and pension burdens, especially relative to peers

**FACTORS THAT COULD LEAD TO A DOWNGRADE**

- Protracted structural budget imbalance
- Reserves or liquidity that fall below adequate levels
- Growth in leverage relative to state GDP or rising fixed costs relative to state revenue

**LEGAL SECURITY**

The bonds are general obligations of the Commonwealth of Massachusetts, which has pledged its full faith and credit for the payment of principal and interest when due. We note, however, that state law limits annual tax revenue growth and does not exempt debt service payments from this limitation.

**USE OF PROCEEDS**

Proceeds from the 2019 Series B refunding bonds, along with cash on hand, will be used to refund outstanding General Obligation Refunding Bonds (SIFMA Index Bonds) 2017 Series B for expected net present value savings. The bonds are delayed delivery, and are expected to be issued around May 3, 2019. The refunding transaction is expected to be completed on August 19, 2019 for debt that matures February 1, 2020.

**PROFILE**

The Commonwealth of Massachusetts is the 15th largest state by population, boasting an estimated 6.9 million residents in 2017. Its 2017 gross domestic product, reaching \$543.0 billion, ranks 10th among the states. Per capita income was 131.0% of the national average in 2017, the 2nd highest.

**METHODOLOGY**

The principal methodology used in this rating was US States and Territories published in April 2018. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

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