

Rating Action: Moody's assigns Aa1 to Massachusetts GO Bonds Consolidated Loan of 2020 Series D and GO Refunding Bonds 2020 Series A; outlook stable

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New York, March 05, 2020 -- Moody's Investors Service has assigned a Aa1 rating to the Commonwealth of Massachusetts' \$150 million General Obligation Bonds, Consolidated Loan of 2020, Series D, and \$116 million General Obligation Refunding Bonds, 2020 Series A. The two series of bonds are expected to price the week of March 12. The outlook is stable.

RATINGS RATIONALE

The Aa1 rating reflects the commonwealth's robust economic base, driven by social factors such as a highly educated workforce and high income levels, that help it afford its elevated long-term liability burden. The commonwealth's reliance on economically sensitive revenues is balanced by its diverse economic base. Massachusetts' strong governance framework is reflected in its sound financial and budgetary management, evidenced by its continued stable financial performance.

RATING OUTLOOK

Massachusetts' stable outlook reflects our expectation that the commonwealth will continue its trend of strong financial management, taking proactive measures to navigate credit challenges that could emerge if the economy falters during the next few years.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Continued growth 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 consolidated loan bonds will be used for capital projects laid out in the Commonwealth's fiscal 2020-2024 capital investment plan. Proceeds from the refunding bonds will be used to refund outstanding general obligation bonds for expected savings.

PROFILE

The Commonwealth of Massachusetts is the 15th largest state by population, boasting an estimated 6.9 million residents in 2018. Its gross domestic product, reaching \$569 billion, ranks 10th among the states. Per capita income was 131% of the national average in 2018, the 2nd highest.

METHODOLOGY

The principal methodology used in these ratings was US States and Territories published in April 2018. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

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