

Rating Action: Moody's assigns MIG 1 to Massachusetts 2019 GO revenue anticipation notes

11 Oct 2019

New York, October 11, 2019 -- Moody's Investors Service has assigned MIG 1 ratings to the Commonwealth of Massachusetts' \$500 million General Obligation Revenue Anticipation Notes, 2019 Series A, \$500 million General Obligation Revenue Anticipation Notes, 2019 Series B, and \$400 million General Obligation Revenue Anticipation Notes, 2019 Series C. The Series A notes mature April 23, 2020, the Series B notes mature May 21, 2020, and the Series C notes mature June 18, 2020. The notes are scheduled to price on October 22.

RATINGS RATIONALE

The MIG 1 rating reflects the credit quality of the Commonwealth of Massachusetts (Aa1 stable) and its full faith and credit general obligation pledge to pay principal and interest when due. The rating also reflects expected healthy cash margins at each of the staggered note maturity dates and substantial alternative liquidity that could be provided by the commonwealth's budget stabilization fund, subject to legislation appropriation, if necessary.

The Commonwealth's Aa1 GO rating, an input into the MIG 1 short-term rating, reflects its robust economic base, driven by social factors such as a highly educated workforce and high income levels, that support an elevated long-term liability burden. The commonwealth's reliance on economically sensitive revenues is balanced by its diverse economic base. Strong governance practices are reflected in continued stable financial performance.

RATING OUTLOOK

Rating outlooks are not applicable to short-term ratings.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Material weakening in the Commonwealth's cash-flow margins beyond current estimate
- Substantial weakening in Commonwealth's long-term credit quality

LEGAL SECURITY

The notes are general obligations of the commonwealth to which its full faith and credit will be pledged for the payment of principal and interest when due. The full faith and credit pledge requires the commonwealth to use any legally available revenue source to pay debt service. Annual revenue growth is limited by state statute to the annual growth in salaries and wages. Funds are not segregated prior to maturity.

USE OF PROCEEDS

Proceeds of the notes will be used to bridge seasonal imbalances between revenue inflows and expenditure outflows.

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 \$543 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 Short-Term Cash Flow Notes published in April 2013. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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Genevieve Nolan
Lead Analyst
State Ratings
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Emily Raimés
Additional Contact
State Ratings
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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