

Rating Action: Moody's assigns MIG 1 to Massachusetts 2018 GO revenue anticipation notes

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New York, August 14, 2018 -- Moody's Investors Service has assigned MIG 1 ratings to the Commonwealth of Massachusetts' \$500 million General Obligation Revenue Anticipation Notes, 2018 Series A, \$500 million General Obligation Revenue Anticipation Notes, 2018 Series B, and \$500 million General Obligation Revenue Anticipation Notes, 2018 Series C. The Series A notes mature April 25, 2019, the Series B notes mature May 23, 2019, and the Series C notes mature June 20, 2019. The notes are scheduled to price on August 23.

RATINGS RATIONALE

The MIG 1 ratings reflect the credit quality of the Commonwealth of Massachusetts (Aa1 stable) and its full faith and credit general obligation pledge to pay note 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.

RATING OUTLOOK

Not applicable.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Material weakening in the state's cash-flow margins beyond current estimate
- Substantial weakening in state'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, but the three staggered maturities act as functional set asides.

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 2017. Its gross domestic product, reaching \$527.5 billion, ranks 11th among the states. Per capita income was 130.8% of the national average in 2017, 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

Kenneth Kurtz
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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