

Fitch Rates Massachusetts' \$800MM GO RANs 'F1+'

Written by Australian Business

NEW YORK--([BUSINESS WIRE](#))--Fitch Ratings assigns an 'F1+' rating to the following Commonwealth of Massachusetts general obligation (GO) revenue anticipation notes (RANs):

--\$200 million 2013 series A RANs due April 24, 2014;

--\$300 million 2013 series B RANs due May 29, 2014;

--\$300 million 2013 series C RANs due June 26, 2014.

The notes are scheduled to sell through competitive bid on Sept. 18, 2013.

SECURITY

The notes are general obligations of the Commonwealth to which its full faith and credit is pledged.

KEY RATING DRIVERS

--GO PLEDGE OF THE COMMONWEALTH: The notes are a general obligation of the Commonwealth (Fitch long-term rating of 'AA+' with a Stable Outlook).

--STRONG COVERAGE BY PROJECTED CASHFLOWS: Projected receipts provide strong coverage of note repayment and the balance in the stabilization fund provides substantial additional cushion.

--GENERAL COMMONWEALTH CREDIT FACTORS: Massachusetts benefits from a strong and wealthy economy and prudent financial management. A comparatively high liability burden is partially explained by the above-average role played by the Commonwealth in relation to local levels of government when compared to most other states.

RATING SENSITIVITIES

The rating is sensitive to the continued strength of cashflow coverage and the Commonwealth's general credit quality.

CREDIT PROFILE

The Commonwealth is a regular annual issuer of RANs, with the size of the \$800 million fiscal 2014 RANs sale lower than the \$1.2 billion issued annually in recent years. Starting with fiscal 2014, the Commonwealth is making local aid payments on a roughly equal monthly basis. This contrasts to the large quarterly local aid payments that had been the norm.

Coverage for the 2013 series RANs is very strong at about 11x for the series A maturity in April, 6.5x for the series B maturity in May, and 9x for the series C maturity in June. The current official cashflow forecast projects a fiscal 2014 non-segregated operating cash ending balance of \$2.4 billion, up slightly from the \$2.3 billion beginning balance.

The Commonwealth's stabilization fund is a segregated fund and not included in the coverage numbers above. However, Fitch notes that the stabilization fund can be drawn on with appropriation fairly expeditiously as needed and, as such, provides substantial additional cushion. Strong revenue results in fiscal 2011 allowed for an increase in the stabilization fund balance to \$1.4 billion, up from \$670 million at the end of fiscal 2010. Recovery continued in fiscal 2012, and the stabilization fund balance grew further to \$1.65 billion. In fiscal 2013, scheduled draws were expected to lower reserve funding to \$1.3

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billion at year-end. However, the fund ended the year with a higher \$1.6 billion balance. This is scheduled to drop to a still solid \$1.4 billion at the end of the current fiscal 2014.

The notes being sold are the only RANs planned for fiscal 2014. The next cashflow forecast is scheduled for late November 2013.

Massachusetts' financial position has stabilized in recent years following a period of steep revenue decline in the recession. Fitch believes that the Commonwealth retains significant flexibility to address budget underperformance and has repeatedly demonstrated its commitment to do so. For more information on the Commonwealth's general credit, see Fitch's release 'Fitch Rates Massachusetts' \$600MM GO Bonds 'AA+'; Outlook Stable' dated July 29, 2013, and available at www.fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:

--'Tax-Supported Rating Criteria' (Aug. 14, 2012);

--'U.S. State Government Tax-Supported Rating Criteria' (Aug. 14, 2012);

--'Rating U.S. Municipal Short-Term Debt' (Nov. 27, 2012).

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Tax-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015

U.S. State Government Tax-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686033

Rating U.S. Municipal Short-Term Debt

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=695329

Additional Disclosure

Solicitation Status

http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=802183

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