

The Commonwealth of Massachusetts Bond Financing Programs



**September 17, 2021
Commonwealth Credit Review**

Replay Information

Please note that a replay of the investor broadcast associated with the following slides is available. The replay can be accessed by following the link below and will remain available until September 14, 2022.

<http://munios.com/live/MACommonwealthSept2021>

The full slide deck for this call is found in the pages below. These slides as well as those of prior investor calls may also be accessed by visiting the Investor and Rating Agency Presentation Archive on the Commonwealth's investor website at:

www.massbondholder.com

For audio, participants are asked to dial in using the following information:

Dial-in: +1 877-330-3677

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TREASURER

DEBORAH B. GOLDBERG



GOVERNOR CHARLES D. BAKER

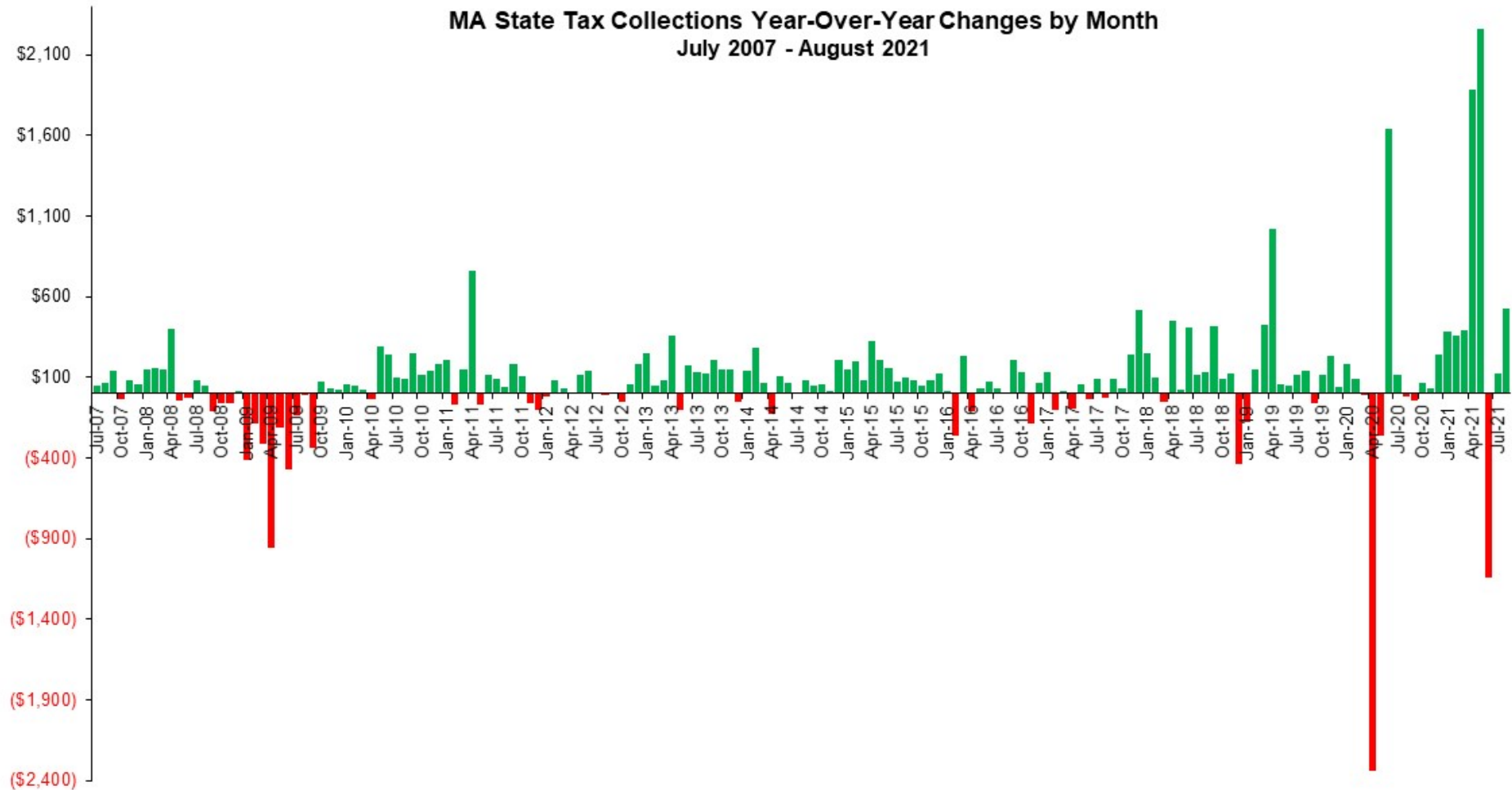


Department of Revenue

Dr. Kazim P. Özyurt

*Chief Economist,
Director, Office of Tax Policy & Analysis*

Monthly year-over-year changes in collections:



Recap of FY21 Revenue Performance

June 2021 Tax Collections Summary (in \$ millions)

Preliminary as of August 3, 2021

	Month of June					FY21 YTD as of June				
	06/21 Actual Collections	06/21 v. 06/20 \$ Fav/(Unfav)	06/21 v. 06/20 % Fav/(Unfav)	06/21 Actual vs Benchmark \$ Fav/(Unfav)	06/21 Actual vs Benchmark % Fav/(Unfav)	06/21 YTD Actual Collections	06/21 YTD v. 06/20 YTD \$ Fav/(Unfav)	06/21 YTD v. 06/20 YTD % Fav/(Unfav)	06/21 YTD Actual vs Benchmark \$ Fav/(Unfav)	06/21 YTD Actual vs Benchmark % Fav/(Unfav)
Income										
Income Withholding	1,199	105	+9.6%	93	+8.4%	14,719	983	7.2%	688	4.9%
Income Est. Payments	622	25	+4.2%	288	+86.3%	2,942	592	25.2%	729	33.0%
Income Returns/Bills	91	(2,136)	-95.9%	46	+99.7%	3,659	609	19.9%	1,347	58.3%
Income Refunds Net (outflow)	(84)	206	+70.9%	(41)	-94.6%	(1,727)	49	2.7%	149	7.9%
Subtotal Non-withheld Income	629	(1,905)	-75.2%	293	+87.1%	4,874	1,249	34.5%	2,225	84.0%
Subtotal Income	1,828	(1,800)	-49.6%	386	+26.7%	19,593	2,232	12.9%	2,913	17.5%
Sales & Use										
Sales - Regular	543	124	+29.6%	118	+27.9%	5,832	927	18.9%	341	6.2%
Sales - Meals	113	50	+80.5%	61	+116.4%	948	(130)	-12.0%	120	14.6%
Sales - Motor Vehicles	129	27	+26.5%	54	+73.3%	1,054	226	27.3%	198	23.2%
Subtotal Sales & Use	785	201	+34.5%	234	+42.4%	7,834	1,023	15.0%	660	9.2%
Corporate & Business - Total	794	344	+76.7%	353	+80.0%	4,116	1,192	40.8%	892	27.7%
All Other	280	114	+69.0%	138	+96.5%	2,594	80	3.2%	582	28.9%
Total Tax Collections	3,687	(1,139)	-23.6%	1,110	+43.1%	34,137	4,528	15.3%	5,047	17.3%



Recap of FY21 Revenue Performance

- Preliminary total \$34.14 billion (excluding “tax-related” settlements of \$32.9 million)
 - up \$4.53 billion, or 15.3% over FY20,
 - \$5.05 billion above benchmark.
- Reflects
 - the impact of the ongoing economic recovery,
 - federal fiscal and monetary policies, and
 - the financial markets’ performance
- Major tax categories performed well:
 - *Withholding, Non-withheld income tax, corporate tax, estate tax, and sales tax*
 - Withholding, \$688M above benchmark
 - Non-withheld income tax, \$2.23B above benchmark
 - Corporate tax, \$892M over benchmark
 - Sales tax, \$660M over benchmark
 - All other, \$582M over benchmark
 - Capital gains tax total: \$2.53B, \$1.22B above the FY21 threshold of \$1.31B;
 - Excess amount transferred to Commonwealth Stabilization Fund, State Retiree Benefits trust Fund, and Commonwealth Pension Liability Fund.



FY22 Year-to-Date (Through August) Tax Collections Update

August 2021 Tax Collections Summary (in \$ millions)

Preliminary as of September 3, 2021

	Month of August					FY22 YTD as of August				
	08/21 Actual Collections	08/21 v. 08/20 \$ Fav/(Unfav)	08/21 v. 08/20 % Fav/(Unfav)	08/21 Actual vs Benchmark \$ Fav/(Unfav)	08/21 Actual vs Benchmark % Fav/(Unfav)	08/21 YTD Actual Collections	08/21 YTD v. 08/20 YTD \$ Fav/(Unfav)	08/21 YTD v. 08/20 YTD % Fav/(Unfav)	08/21 YTD Actual vs Benchmark \$ Fav/(Unfav)	08/21 YTD Actual vs Benchmark % Fav/(Unfav)
Income										
Income Withholding	1,348	229	+20.5%	(2)	-0.2%	2,444	194	8.6%	(2)	-0.1%
Income Est. Payments	45	45	NA	4	+9.5%	87.3	86.8	16193.7%	4	4.7%
Income Returns/Bills	65	36	+128.1%	3	+5.1%	111	67	154.8%	3	2.9%
Income Refunds Net (outflow)	(28)	(24)	-668.5%	(3)	-11.3%	(48)	(37)	-329.1%	(3)	-6.2%
Subtotal Non-withheld Income	82	57	+232.0%	4	+5.4%	150	117	357.8%	4	2.9%
Subtotal Income	1,430	286	+25.0%	2	+0.1%	2,593	311	13.6%	2	0.1%
Sales & Use										
Sales - Regular	498	52	+11.6%	(4)	-0.8%	1,041	121	13.2%	(4)	-0.4%
Sales - Meals	122	43	+55.3%	7	+5.7%	229	86	60.0%	7	3.0%
Sales - Motor Vehicles	94	11	+13.5%	(4)	-3.8%	173	13	7.8%	(4)	-2.1%
Subtotal Sales & Use	714	106	+17.5%	(1)	-0.2%	1,442	220	17.9%	(1)	-0.1%
Corporate & Business - Total	76	44	+134.9%	2	+2.8%	228	(8)	-3.5%	2	0.9%
All Other	273	92	+51.1%	7	+2.6%	481	116	31.8%	7	1.4%
Total Tax Collections	2,493	529	+26.9%	10	+0.4%	4,745	639	15.6%	10	0.2%

Note:

1) The figures above exclude Tax-Related Settlements & Judgments exceeding \$10 million each. The total for these was \$0.0 million in August 2021 and \$13.6 million in FY22 YTD.



FY22 Year-to-Date (Through August) Tax Collections Update

- July and August are relatively small tax collections months
 - Year-to-Date total: \$4.745 billion
 - +\$639 million, or 15.6% from the same period in fiscal 2021
 - \$10 million above August Year-to Date benchmark
 - Positive performance in
 - income tax,
 - corporate & business tax collections
 - *“All Other” taxes, incl. motor fuels, cigarettes, alcohol and deeds. partially offset by*
 - slightly lower than expected
 - sales tax



FY22 Year-to-Date (Through August) Tax Collections Update

More specifically:

- Withholding: \$2.444B, +\$194M, +8.6% actual, and \$2M or 0.1% below benchmark
- Non-withholding: \$150M, +\$117M or 357.8% actual, and \$4M or +2.9% above benchmark
- Sales & use tax collections: \$1.442B, +\$220M, +17.9% actual, \$1M or 0.1% below benchmark
- Corporate and business tax collections: \$228M, -\$8M, -3.5% actual, \$2M or 0.9% over benchmark
- All Other taxes: \$481M, +\$116M, +31.8% actual, +\$7M or +1.4% above benchmark



Executive Office for Administration & Finance (A&F)

Michael Heffernan
Secretary

Catharine Hornby
Undersecretary

Mark Attia
Assistant Secretary

Bran Shim
Assistant Secretary for Budget

Kaitlyn Connors
Assistant Secretary



Fiscal Year 2021: Operating Budget Recap

Budget Update

- The Commonwealth continues to carry out a historic response to the COVID-19 pandemic and remains focused on protecting public health and supporting economic recovery. Fiscal discipline continues to be a top budget priority as the Commonwealth invests in key objectives including public health, food security, economic development, health care and human services, and support for local cities and towns.
- The usual budget approval process and schedule for the fiscal 2021 operating budget was disrupted by the COVID-19 pandemic.
 - The House of Representatives generally approves its version of the budget in April, and the Senate generally approves its version in May.
 - The differences between the two versions are then reconciled by a legislative conference committee during the month of June, so that a final version can be enacted by the Legislature and sent to the Governor for his approval prior to the start of the new fiscal year on July 1.
- After a series of interim budgets, Governor Baker approved the fiscal 2021 operating budget on December 11, 2020.

Fiscal Year 2021 Operating Budget

- The fiscal 2021 operating budget, as approved by the Governor, provided approximately **\$45.9 billion** in state spending, after accounting for **\$156 million** in net-line item vetoes by the Governor and excluding transfers to the Medical Assistance Trust Fund, the pension liabilities fund, and other interfund transfers.
- The fiscal 2021 budget, as of the time of the Governor's approval, was approximately **\$2.0 billion**, or **4.5%**, greater than fiscal 2020 estimated spending levels, and assumed a withdrawal of up to \$1.7 billion from the \$3.5 billion Stabilization Fund.
- Subsequently, the Legislature passed overrides to the Governor's vetoes with an aggregate net budgetary impact of **\$156 million**.



Fiscal Year 2021: Operating Budget Recap (cont.)

Fiscal Year 2021 Operating Budget

- On July 29, 2021, the Governor approved **\$261.6 million** in supplemental appropriations with a net state cost of **\$64.5 million**. Major spending items included **\$191 million** of authorized spending of federal funds included in the December 2020 federal Consolidated Appropriations Act and the American Rescue Plan Act of 2021.
- On August 18, 2021, the Governor filed a supplemental appropriations bill including **\$568 million** in appropriations, of which **\$405 million** is for a collective bargaining reserve to fund retroactive and fiscal year 2022 costs of collective bargaining agreements that are either in place or anticipated to be enacted in fiscal 2022.
- The bill also proposes to transfer **\$1.0 billion** to the Unemployment Insurance Trust Fund to provide unemployment insurance relief for employers.
- The Governor's proposed bill is supported by a fiscal 2021 tax surplus of **\$5.0 billion**, of which **\$1.1 billion** was transferred to the Stabilization Fund and other long-term liability funds. No withdrawals from the Stabilization Fund are planned and the current balance of the Fund has grown to **\$4.6 billion**. The bill is pending action by the Legislature.



Fiscal Year 2022: Consensus Revenue Estimates

Consensus Revenue Estimates for Fiscal Year 2022

- On January 15, 2021, a fiscal 2022 consensus tax revenue estimate of **\$30.120 billion** was agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means.
- This estimate reflected a projection of **3.5%** tax revenue growth over the revised projected fiscal 2021 tax revenue figure of **\$29.090 billion**.
- The consensus revenue estimate for fiscal 2022 incorporated the reinstitution of the charitable deduction effective January 1, 2022.
- After accounting for statutorily required transfers for pensions, and to the MBTA, the MSBA and the Workforce Training Fund, the Secretary and Committee chairs agreed that **\$24.327 billion** would be the maximum amount of tax revenue available for the fiscal 2022 budget.



Fiscal Year 2022: Operating Budget

Fiscal Year 2022 Operating Budget

- The fiscal 2022 budget, as approved by the Governor on July 16, 2021, includes approximately **\$47.6 billion** in authorized spending, excluding transfers to the Medical Assistance Trust Fund, a **\$250 million** supplemental transfer to the Pension Liability Fund, a one-time **\$350 million** transfer to a new Student Opportunity Act Investment Fund, and other interfund transfers.
- The fiscal 2022 budget reflects approximately **3.6%** growth in authorized spending over fiscal 2021.
- The fiscal 2022 budget as approved by the Governor incorporates an increased **\$34.350 billion** tax revenue forecast before various tax initiatives, which represents an increase of **\$4.230 billion** over the fiscal 2022 consensus tax revenue estimate of **\$30.120 billion** announced in January 2021, due to better than-expected actual tax collections in recent months.
- The fiscal 2022 budget as enacted is in structural balance, with no planned Stabilization Fund withdrawal.
- The Governor vetoed **\$7.9 million** in gross spending, which was subsequently overridden by the Legislature. The Governor also vetoed an outside section that would have delayed the implementation of the charitable tax deduction and returned with amendment another tax initiative. These actions and related proposals are pending action by the Legislature. The estimated value of tax initiatives enacted as of the date of this Information Statement is **\$50.4 million**, bringing budgeted total tax revenues to **\$34.401 billion**.



Office of the State Treasurer

Debt / Capital Presentation

Sue Perez

Deputy Treasurer



Financing Update

- Since the last investor call in April, the Commonwealth sold \$600 million in new money GO bonds via a competitive sale in May
- Additionally, in June, \$689 million of Commonwealth Transportation bonds were sold in three series. The bonds were sold on a negotiated basis with \$187 million in a “new money” sustainability bond series, \$213 million in a “new money” series and \$289 million in a current refunding series.

Series	Par Amount	Sale Date	Senior Manager	Maturity Range	Average Life (yrs)	All-in-TIC
GO 2021A	\$200 MM	5/4/2021	Morgan Stanley	2035-2042	17.3	2.01%
GO 2021B	\$400 MM	5/4/2021	Jefferies	2047-2051	28.2	2.48%
CTF 2021A Sustainability	\$187 MM	6/10/2021	BofA Securities	2050-2051	29.5	2.92%
CTF 2021B	\$213 MM	6/10/2021	BofA Securities	2023-2046	15.7	2.78%
CTF 2021 Refunding A	\$289 MM	6/10/2021	BofA Securities	2022-2043	17.6	2.51%



Upcoming Transactions*

The table below details the projected upcoming bond transactions for the Commonwealth for fiscal year 2022, including a transaction we are pricing next week.

Timing	Par Amount	Structure	Type	Credit	Method of Sale
9/21/2021	\$735 MM	Fixed-Rate Tax-Exempt	New Money	GO	Competitive
9/21/2021	\$226 MM	Fixed-Rate Tax-Exempt	Refunding	GO	Competitive
December 2021	\$550 MM	Fixed-Rate Tax-Exempt	New Money/Refunding	GO	Competitive
March/April 2022	\$650 MM	Fixed-Rate Tax-Exempt	New Money/Refunding	GO	
May 2022	\$700 MM	Fixed-Rate Tax-Exempt	New Money/Refunding	GO	
June 2022	\$400 MM	Fixed-Rate Tax-Exempt	New Money/Refunding	CTF	Negotiated

* Preliminary and subject to change.



Next Week's Financing Overview and Additional Information

Issue*	General Obligation Bonds Consolidated Loan of 2021
	Series C \$385,000,000*
	Series D \$350,000,000*
	Refunding Series A \$226,215,000*
Tax Status	Tax-Exempt
Use of Net Proceeds	New Money/Refunding
Amortization*	Series C 2028 - 2047
	Series D 2048 - 2051
	Refunding Series A 2022-2030
Ratings (Moody's/S&P/Fitch)	Aa1 (Stable) / AA (Stable) / AA+ (Stable)
Timing*	Sale Date Tuesday September 21, 2021
Closing*	October 5, 2021
Preliminary Official Statement	https://emma.msrb.org/P11526549-P11180495-P11597093.pdf
Additional Information	www.massbondholder.com

* Preliminary, subject to change



Preliminary Amortization

General Obligation Bonds Consolidated Loan of 2021 Series C \$385,000,000*

Maturity (09/01)*	Par Amount*
2028	25,000,000
2029	25,000,000
2030	25,000,000
2031	75,000,000
2032	10,000,000
2033	10,000,000
2034	10,000,000
2035	10,000,000
2036	10,000,000
2037	10,000,000
2038	10,000,000
2039	10,000,000
2040	10,000,000
2041	15,000,000
2042	20,000,000
2043	20,000,000
2044	20,000,000
2045	20,000,000
2046	25,000,000
2047	25,000,000

General Obligation Bonds Consolidated Loan of 2021 Series D \$350,000,000*

Maturity (09/01)*	Par Amount*
2048	75,000,000
2049	75,000,000
2050	100,000,000
2051	100,000,000

General Obligation Refunding Bonds Series A \$226,215,000*

Maturity (09/01)*	Par Amount*
2022	7,900,000
2023	19,825,000
2024	24,280,000
2025	25,530,000
2026	26,840,000
2027	28,215,000
2028	29,660,000
2029	31,180,000
2031	32,785,000

* Preliminary, subject to change



Preliminary Financing Schedule and Additional Resources

Financing Schedule*

September/October 2021						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2
3	4	5	6	7	8	9



Tuesday, September 14: Post POS

Friday, September 17 at 11:00AM: Investor Call

Tuesday, September 21: Competitive Tax-Exempt Pricing

Tuesday, October 5: Closing of the Bonds

Contact Information

Sue Perez
Deputy Treasurer
617-367-3900 x816
sperez@tre.state.ma.us

Kathy Bramlage
Senior Debt Analyst
617-367-3900 x494
kbramlage@tre.state.ma.us

Additional Resources

- Information Statement as of August 27, 2021
 - <https://emma.msrb.org/P11524032-P11178744-P11595167.pdf>
- Massachusetts Investor Website
 - <https://massbondholder.com>
- Department of Revenue
 - <https://www.mass.gov/service-details/dor-press-releases-and-reports>

* Preliminary, subject to change



For Up-to-Date Information on COVID-19 as it relates to the Commonwealth please visit:

www.mass.gov/covid19

QUESTIONS