

Rating Action: Moody's assigns Aa3 to Massachusetts School Building Authority, MA's sub lien refunding bonds 2019 Ser. B; outlook stable

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New York, October 30, 2019 -- Moody's Investors Service has assigned a Aa3 rating to the Massachusetts School Building Authority, MA's \$721 million Subordinated Dedicated Sales Tax Refunding Bonds, 2019 Series B (Federally Taxable). The outlook is stable.

RATINGS RATIONALE

The Aa3 rating reflects the subordinated pledge of a statewide one cent sales tax allocation. It also reflects Massachusetts' (Aa1 stable) continued annual sales tax revenue growth, as well as satisfactory debt service coverage. Future issuances are expected, and the bonds benefit from legal protections at the state level to not reduce the sales tax rate or divert the revenue stream.

RATING OUTLOOK

The stable outlook reflects our expectation that the pledged revenue stream will continue to provide satisfactory coverage across both liens given the state's ongoing economic growth, despite planned additional leverage.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Upgrade of the commonwealth's general obligation rating
- Increase in MADS coverage, including expected future issuances
- Changes in legal covenants that strengthen bondholder protections

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Downgrade of commonwealth's general obligation rating
- Economic or statutory changes to the commonwealth's sales tax base that negatively affect pledged revenues
- Significant issuance of short-term debt that is not included in leverage or debt service coverage calculations

LEGAL SECURITY

The MSBA bonds are secured by a gross pledge of one cent of dedicated statewide sales taxes. The dedicated sales tax allocation includes the general sales tax, excluding food but including motor vehicles. The tax does not apply to vendors in the vicinity of the Boston (Aaa stable) convention center and the Springfield (A2 stable) civic and convention center.

USE OF PROCEEDS

Proceeds from the current issuance will be used to refund all but two of the outstanding 2011B maturities for expected net present value savings.

PROFILE

The MSBA was created by the Massachusetts Legislature in July 2004 to replace the commonwealth's former school building assistance program. The purpose of the program is to sustainably finance grants to cities, towns, and regional school districts for K-12 public school construction and renovation projects.

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 \$567 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 this rating was US Public Finance Special Tax Methodology published in July 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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