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# Rich fundamentals, high debt define Massachusetts munis

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*Premier institutions and local deals create diversified MA opportunities.*

**Massachusetts is a top-tier municipal bond issuer, backed by strong socioeconomic fundamentals and a disciplined approach to budget management. Yet its high debt burden warrants careful attention. Navigating this market successfully requires deep research capabilities across higher education, health care and local government credits.**

## By the numbers

- $30.8 billion: General obligation bonds outstanding
- 8th: State bond issuance ranking
- 2nd: Per capita income rank among all states
- AA+: Credit ratings from three major rating agencies

## Massachusetts is a significant municipal market player

Massachusetts provides meaningful supply to the municipal bond market. State and local issuance totaled $17.5 billion in 2025 — up 20% from 2024 — ranking eighth nationally, according to The Bond Buyer.

The commonwealth issues most of its debt under a general obligation (GO) pledge, with $30.8 billion outstanding as of April 2026. Massachusetts also issues special obligation debt, including bonds secured by Commonwealth Transportation Fund revenues. Other tax-supported debt includes sales tax-backed bonds for the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). Dedicated sales taxes have historically provided strong debt service coverage — most recently exceeding 2.5 times for both MBTA and MSBA.

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Massachusetts GO debt is rated Aa1 by Moody's, AA+ by S&P and AA+ by Fitch.

## A wealthy, diverse economy anchors the tax base

Massachusetts, with an estimated population of 7.2 million, is the most populous state in New England. Approximately 70% of residents live in the greater Boston metropolitan area. The commonwealth's $644 billion economy is driven by health care, education, financial services and technology. Its many colleges and universities provide employment stability and a pipeline of skilled workers — 48% of residents over 25 hold a bachelor's degree, the highest share of any state.

Socioeconomic indicators are strong. Per capita income ranks second nationally at 128% of the U.S. average, and the poverty rate of 10.0% compares favorably to the national rate of 12.5%. The unemployment rate stood at 4.7% as of April 2026, slightly above the national average of 4.3%.

## Sound fiscal policies support a strong credit profile

Massachusetts law requires a balanced budget each fiscal year. The comptroller publishes quarterly revenue forecasts, and if revenues fall short, the governor has 15 days to address any gap. The commonwealth has a track record of balancing budget pressure through a mix of spending cuts, tax increases and draws on its Stabilization Fund.

Despite pandemic disruptions, Massachusetts ran General Fund surpluses in each fiscal year from 2020 through 2024. In FY25, the General Fund posted a $3.3 billion surplus before transfers -- equal to 5.3% of revenues -- with actual revenues exceeding budget and expenses coming in below. The total General Fund balance stands at a healthy 20.7% of revenues.

The Stabilization Fund — commonly known as the rainy day fund — has grown steadily since FY2019. Though the fund declined by $413 million in FY25, it remains robust at $8.1 billion, equal to 13.1% of General Fund revenues.

In 2022, voters approved a 4% surtax on incomes over $1 million to fund education and transportation. The commonwealth collected approximately $3 billion from the surtax in FY25.

The FY26 budget totals $61.0 billion — 5.6% above FY25 — and includes $2.4 billion in surtax revenues. Health and human services accounts for 53% of spending, followed by education at 21%. Year-to-date FY26 tax collections through May are up 4.2% over FY25 and 4.7% above the state's monthly benchmark. Governor Healey's proposed FY27 budget, released in January, is 3.5% above the signed FY26 budget and continues funding for free community college, childcare grants and allocates $150 million for school transportation.

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## Elevated liabilities present a financial headwind

Massachusetts carries one of the heaviest debt burdens in the nation, which may limit financial flexibility over time. Despite its relatively small size, the commonwealth ranked third in total tax-supported debt outstanding in 2024, according to Moody's. On a per capita basis it ranks second at $7,188, compared to the Moody's median of $1,214.

Debt as a percentage of personal income stands at 7.7% (median: 1.8%) and as a percentage of state GDP at 6.6% (median: 1.7%). This elevated burden is partly explained by the commonwealth's practice of issuing debt that other states typically finance locally, such as school construction. Even so, debt service remains manageable at 4.2% of total Governmental Funds expenditures in FY25.

Pension liabilities add further pressure. The combined funded ratio of the commonwealth's pension plans stood at 67.4% in 2025, with an unfunded liability of $40.5 billion — exceeding total GO debt outstanding. Pension reforms adopted in 2011 raised the retirement age and extended the funding schedule to 2040. The proposed FY27 budget includes $5.1 billion for pension funding, a positive step toward addressing this gap.

## Boston's credit profile remains solid

Boston maintains a AAA rating from both Moody's and S&P, supported by a healthy, diverse economy and strong finances. Per capita income stands at 138% of the U.S. average. The poverty rate of 16.6% is above the national average of 12.5%, though this is partly driven by a large student population — and the city's many higher education institutions are a core economic strength.

Like many cities, Boston relies heavily on property taxes, which represent 65% to 70% of General Fund revenues.

Notably, commercial real estate accounts for roughly a third of total city revenue, making Boston more sensitive than peer cities to swings in commercial valuations. Total commercial assessed value fell 3% in 2025, though total assessed value still grew 3%, supported by the residential sector.

Financial reserves are strong. The Unassigned General Fund balance stood at $1.2 billion at the end of FY25 — a robust 24.9% of General Fund revenues. Direct debt is low at 0.8% of assessed value, and the city has made steady progress on its pension system, now approximately 74% funded.

## The Massachusetts market offers investment opportunities

According to the S&P Massachusetts Municipal Bond Index, state GO bonds represent 32% of the in-state investment universe, while statewide dedicated tax bonds comprise 10%. Essential service revenue sectors — transportation and water/sewer — account for another 10%, though these are heavily concentrated in large state-run authorities such as Massachusetts Port Authority and Massachusetts Water Resources Authority.

Building a well-diversified Massachusetts portfolio requires the ability to research and source opportunities across higher education, health care and local governments. The commonwealth's town government structure generates frequent competitive deals of less than $50 million that may offer additional yield due to their size. The presence of premier education and health care institutions adds further potential for diversification and yield enhancement.

## For more information, please visit nuveen.com.

### Endnotes

#### Sources

Bond Buyer; U.S. Census Bureau; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; Massachusetts ACFR FY25; Massachusetts Information Statement, May 2026; FY26 and FY27 proposed Massachusetts budgets; Moody's, S&P, Fitch; Boston ACFR FY25 and official statement from May 2026; Various news articles.

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