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FY22 State House Notes Program Summary

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Established in 1911, the Massachusetts State House Notes Program is a convenient, no-cost note certification procedure for the issuance of short-term debt and long-term serial and refunding notes by a governmental entity. Administered by the Public Finance Section of the Bureau of Accounts, the program provides an alternative to the certification of Notes procedure by commercial banks.

What are State House Notes?

State House Notes are borrowing instruments for local governmental entities for the short-term.

They are known by different names and acronyms:

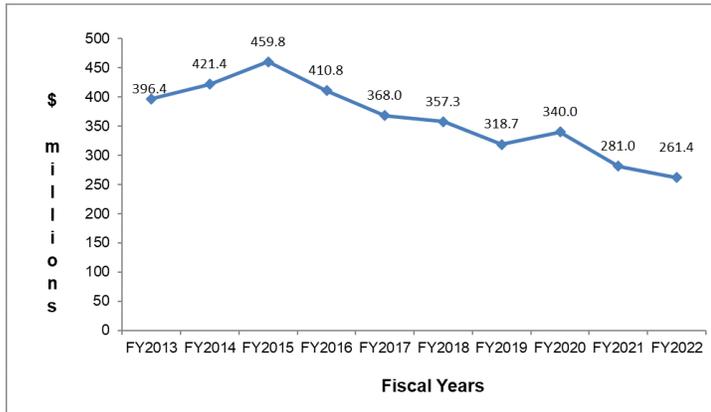
- Revenue Anticipation Note (RAN)
- Renewal of Revenue Anticipation Note (RRAN)
- Bond Anticipation Note (BAN)
- Renewal of Bond Anticipation Note (RBAN)
- State Aid Anticipation Note (SAAN)
- Renewal of State Aid Anticipation Note (RSAAN)
- Federal Aid Anticipation Note (FAAN)
- Renewal of Federal Aid Anticipation Note (RFAAN)
- Refunding Note
- Serial Note

They all, however, must receive certain local approvals and submit required supporting documentation to the Bureau of Accounts for certification. Lenders await this certification before forwarding funds to the borrower.

On September 7th, 2021, the Bureau of Accounts' (BOA) Public Finance section moved to a paperless process where approval of State House Notes is done via an upload into Gateway and once approved, the original executed note is immediately forwarded to the winning bank by the responsible city, town, district, or county official.

State House Notes by the Numbers: FY2013 to FY2022

The following graph displays the dollar amount of State House Notes approved from FY2013 to FY2022.



The above graph shows that the dollar value of State House Notes certified in FY2013 was \$396.4 million and \$261.4 million in FY2022. FY2022's dollar amount is \$135 million (34% less) than FY2013's and \$19.6 million (7%) less than FY2021.

The below table displays the number of State House Notes approved each year from FY2013 to FY2022.

FY2013	FY2014	FY2015	FY2016	FY2017
500	474	476	477	428
FY2018	FY2019	FY2020	FY2021	FY2022
392	359	363	334	283

The above table shows that the greatest number of Notes approved from FY2013 to FY2022 was in FY2013 and the least approved was in FY2022.

The general decline in the number of State House Notes approved and their dollar value over the last several fiscal years may be explained in terms of the complexity of today's capital market. As a result, a growing trend has moved toward the purchase of notes with full disclosure. Full disclosure includes a full legal opinion, an official statement, a short-term rating by a rating agency (e.g. Moody's, S&P, Fitch), recent audited financial statements and a municipal financial advisor. With full disclosure, notes have a much wider bidding pool than just local banks.

In addition, the decline in the number of notes approved during the last two fiscal years may have been due to the impact of the pandemic, ARPA funds for capital improvement, supply chain failures, delays in beginning major projects, and other factors.

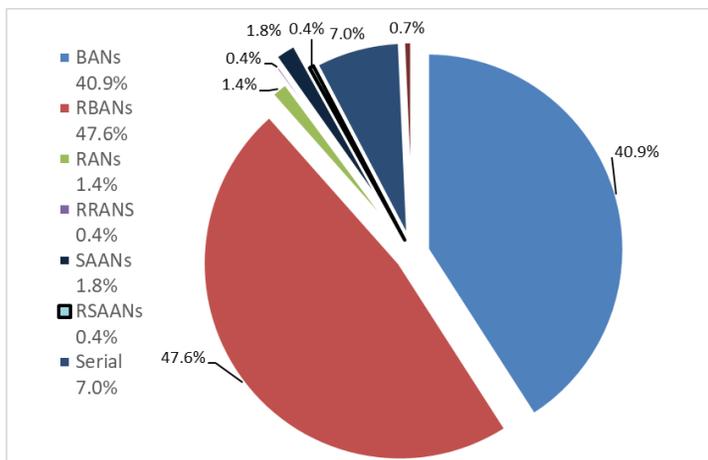
The following table shows the number of State House Notes approved in FY2020 to FY2022 by type.

Type of Notes	Refunding				
	BANs	RBANs	Notes	RANs	RRANs
# of Notes - FY2022	117	136	2	4	1
# of Notes - FY2021	108	174	3	7	0
# of Notes - FY2020	157	151	5	8	0

Type of Notes	Serial				Serial Notes
	FAANs	RFAANs	SAANs	RSAANs	
# of Notes - FY2022	0	0	5	1	17
# of Notes - FY2021	1	0	11	3	27
# of Notes - FY2020	1	0	12	3	26

The above table shows that for the 283 Notes approved for FY2022, the greatest number of Notes approved by type was for Renewal Bond Anticipation Notes followed by Bond Anticipation Notes and then for Serial Notes. In the last two periods shown, approval of RBANs led BANs.

The below chart displays the percentage of FY2022 State House Notes approved for each note type.



The above chart shows that by percentage, approval of BANs and RBANs amounted to 88.5% of notes approved by the program, up from 85.5% in FY2021.

The below table displays the number of State House Notes approved in FY2020 to FY2022 by purpose.

	FY2020	FY2021	FY2022		FY2020	FY2021	FY2022
Airport	2	5	1	Land Acq	14	16	14
Bridge	1	1	2	Landfill	2	1	0
Building	6	5	7	Library	5	5	3
Building Repair	19	19	13	Medical Payments	0	0	0
Cable (Broadband)	21	21	19	Municipal Purpose Loan	120	110	89
Capital Projects	2	1	3	Public Way	6	10	8
Computer Hardware	1	0	0	Recreation	4	4	2
Conservation Land	0	0	0	Revenue	8	7	4
Court Judgment	0	0	0	School	6	3	6
Dam Repair	1	2	2	School Building	9	4	9
Deficit	2	1	1	School Feasibility	4	4	6
Dept'l Equip	43	40	31	School Remodeling	17	14	12
Emergency	2	0	0	Sewer	11	9	7
Energy Conservation	0	0	0	Sewer Treatment Plant	4	2	0
Eng & Arch	5	4	1	Solid Waste Transfer	1	1	0
Environmental	7	6	5	Street	17	12	9
Harbor	0	1	1	Urban Renewal	1	1	1
Highway	2	2	1	Water	20	23	26

The above table shows that for the 283 Notes approved for FY2022, the largest number of Notes approved was for Municipal Purpose Loans (MPLs), followed by Departmental Equipment and then Water. MPLs are loans in which there are two or more separate authorizations for separate purposes. If school purposes were shown altogether, their number would have exceeded Departmental Equipment.

Additional FY2022 Statistics

For the 283 Notes approved in FY2022, five were for cities, 128 for towns, 26 for special purpose districts, 20 for regional school districts and two for counties. Several of these entities had multiple Notes certified. Other statistics showed:

- Highest dollar amount (\$4,883,326), lowest (\$15,000) and median (\$600,000)
- Highest interest rate for a Serial Note (3.5%), lowest (0.65%)
- Highest interest rate for a non-Serial Note (2.62%), lowest (0.32%), and median (0.65%)
- Longest number of days to maturity for non-serial (365 days), shortest (29 days), and median (364 days)
- Longest term for Serial Note (7 years), shortest term (2 year)
- The three top purchasers of Notes were UniBank for Savings tied with Newburyport Five-Cents Savings Bank, and Greenfield Cooperative Bank
- Monthly notes processed showed the highest amount in June (56), lowest total in February (12)

To familiarize yourself with the State House Notes approval process and to learn more about State House Notes, please visit the Bureau of Accounts' Public Finance Section's website.