

NEW ISSUE - BOOK-ENTRY-ONLY

In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, under existing law, and assuming continued compliance with various requirements of the Internal Revenue Code of 1986, as amended, interest on the Tax-Exempt Notes will not be included in the gross income of holders of the Tax-Exempt Notes for federal income tax purposes. Interest on the Taxable Notes will be included in the gross income of the holders of such Taxable Notes for federal income tax purposes. In the opinion of Bond Counsel, interest on the Notes and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. See “TAX MATTERS” herein.

THE COMMONWEALTH OF MASSACHUSETTS



\$1,500,000,000

General Obligation Revenue Anticipation Notes

\$500,000,000 2020 Series A

\$400,000,000 2020 Series B (Federally Taxable)

\$600,000,000 2020 Series C (Federally Taxable)

The Commonwealth of Massachusetts General Obligation Revenue Anticipation Notes, 2020 Series A (the “Tax-Exempt Notes”), General Obligation Revenue Anticipation Notes, 2020 Series B (Federally Taxable) (the “2020B Notes”) and the General Obligation Revenue Anticipation Notes, 2020 Series C (Federally Taxable) (the “2020C Notes” and together with the 2020B Notes, the “Taxable Notes” and together with the Tax-Exempt Notes, the “Notes”) will be issued by means of a book-entry-only system evidencing ownership and transfer of the Notes on the records of The Depository Trust Company, New York, New York (“DTC”), and its participants. Details of payment of the Notes are more fully described in this Official Statement. The Notes will bear interest from their date of delivery and interest will be payable at maturity, as more fully described herein. Interest on the Tax-Exempt Notes is calculated on the basis of actual days elapsed over a 365-day year and interest on the Taxable Notes is calculated on the basis of a 360-day year of twelve 30-day months. The Notes are not subject to redemption prior to maturity.

The Notes will constitute general obligations of The Commonwealth of Massachusetts (the “Commonwealth”), and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Notes. However, for information regarding the statutory limit on state tax revenue growth, see “SECURITY FOR THE NOTES” (herein) and the Commonwealth Information Statement (described herein) under the heading “COMMONWEALTH REVENUES – Limitations on Tax Revenues.”

The Notes are offered when, as and if issued and received by the Underwriters, and subject to the unqualified approving opinion as to legality of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Commonwealth by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord LLP, Boston, Massachusetts. Acacia Financial Group, Inc. is acting as municipal advisor to the Commonwealth in connection with the issuance of the Notes. The Notes are expected to be available for delivery at DTC in New York, New York, on or about December 16, 2020.

J.P. Morgan

Bancroft Capital

Citigroup

Loop Capital Markets

RBC Capital Markets

UBS

THE COMMONWEALTH OF MASSACHUSETTS

\$1,500,000,000 General Obligation Revenue Anticipation Notes

\$500,000,000 2020 Series A

Dated: December 16, 2020

Maturity Date: April 21, 2021

Interest Rate: 2.000% (126/365)

CUSIP Number*: 57582RM29

Yield: 0.140%

\$400,000,000 2020 Series B (Federally Taxable)

Dated: December 16, 2020

Maturity Date: May 20, 2021

Interest Rate: 0.230% (154/360)

CUSIP Number*: 57582RM37

Price: 100%

\$600,000,000 2020 Series C (Federally Taxable)

Dated: December 16, 2020

Maturity Date: June 17, 2021

Interest Rate: 0.250% (181/360)

CUSIP Number*: 57582RM45

Price: 100%

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are included solely for the convenience of owners of Notes, and the Commonwealth is not responsible for the selection or the correctness of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products.

No dealer, broker, salesperson or other person has been authorized by The Commonwealth of Massachusetts or the Underwriters of the Notes to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy nor shall there be any sale of the Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein or included by reference herein has been furnished by the Commonwealth and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters of the Notes or, as to information from other sources, the Commonwealth. The information and expressions of opinion herein or included by reference herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth, or its agencies, authorities or political subdivisions, since the date hereof, except as expressly set forth herein.

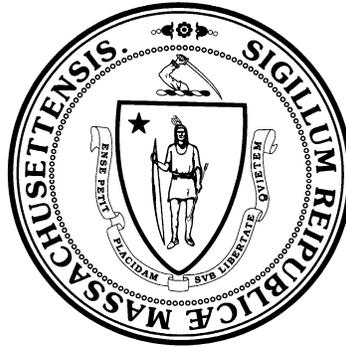
THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL ON THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Charles D. Baker **Governor**
Karyn E. Polito **Lieutenant Governor**
William F. Galvin **Secretary of the Commonwealth**
Maura T. Healey **Attorney General**
Deborah B. Goldberg **Treasurer and Receiver-General**
Suzanne M. Bump **Auditor**

LEGISLATIVE OFFICERS

Karen E. Spilka **President of the Senate**
Robert A. DeLeo **Speaker of the House**

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

\$1,500,000,000
General Obligation
Revenue Anticipation Notes
\$500,000,000 2020 Series A
\$400,000,000 2020 Series B (Federally Taxable)
\$600,000,000 2020 Series C (Federally Taxable)

INTRODUCTION

This Official Statement (including the cover page and Appendices A through D attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the “Commonwealth”) of \$500,000,000 aggregate principal amount of its General Obligation Revenue Anticipation Notes, 2020 Series A (the “Tax-Exempt Notes”), its \$400,000,000 aggregate principal amount of its General Obligation Revenue Anticipation Notes, 2020 Series B (Federally Taxable) (the “2020B Notes”) and its \$600,000,000 aggregate principal amount of its General Obligation Revenue Anticipation Notes, 2020 Series C (Federally Taxable) (the “2020C Notes” and together with the 2020B Notes, the “Taxable Notes”). The Tax-Exempt Notes and the Taxable Notes are hereinafter referred to as the “Notes.” The Notes will be general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Notes. However, for information regarding the statutory limit on state tax revenue growth, see “SECURITY FOR THE NOTES” and the Commonwealth Information Statement (described below) under the heading “COMMONWEALTH REVENUES – Limitations on Tax Revenues.”

The Notes are being issued pursuant to the provisions of Section 47 of Chapter 29 of the Massachusetts General Laws to finance current operating expenses of the Commonwealth.

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Notes. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through D. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Specific reference is made to the Commonwealth’s Information Statement dated October 28, 2020, as supplemented by the Information Statement Supplement dated December 8, 2020 (the “Information Statement”), which is attached hereto as Appendix A. The Information Statement has been filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. Subsequent filings by the Commonwealth to the EMMA system, prior to the sale of the Notes, of continuing disclosure documents identified as “other financial/operating data” are hereby deemed to be included by reference in the Information Statement. The Information Statement contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth. Exhibit A to the Information Statement contains certain economic information concerning the

Commonwealth. Exhibit B to the Information Statement contains the financial statements of the Commonwealth for the fiscal year ended June 30, 2019, prepared on a statutory basis. Exhibit C to the Information Statement contains the financial statements of the Commonwealth for the fiscal year ended June 30, 2019, prepared on a GAAP basis. Specific reference is made to said Exhibits A, B and C, which are incorporated by reference and copies of which have been filed with EMMA. The financial statements are also available at the home page of the Comptroller of the Commonwealth located at <http://www.mass.gov/comptroller> by clicking on the “Financial Reports” tab. In addition, the financial statements are also posted on the Commonwealth’s investor website at www.massbondholder.com.

Appendix B attached hereto contains the proposed forms of legal opinion of Bond Counsel with respect to the Notes. Appendix C attached hereto contains the Commonwealth’s actual (unaudited) cash flow for fiscal 2020 and the most recent forecasted cash flow for fiscal 2021. The attached cash flow for fiscal 2021 shows actual (unaudited) cash receipts and disbursements through September 2020 and estimated cash receipts and disbursements for the remainder of fiscal 2021. Appendix D attached hereto contains the proposed form of the Commonwealth’s continuing disclosure undertaking to be included in the form of the Notes to facilitate compliance by the Underwriters with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission.

The information contained in Appendix C is prepared as of October 28, 2020 by the State Treasurer and is believed to be reliable as of such date, but contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities.

COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including throughout the United States and in Massachusetts, and on March 11, 2020, was declared a pandemic by the World Health Organization. In response to the pandemic, international, federal, state and local governments, as well as private organizations, have implemented numerous measures intended to mitigate the spread and effects of COVID-19. Individuals and businesses have altered their behavior to adapt to such measures and to respond to the spread of COVID-19. The continued spread of COVID-19, the mitigation measures implemented, and these behavioral adaptations are causing, and are expected to continue to cause, severe disruption in global, national, and local economies, as well as global financial markets, and significant volatility in the U.S. stock and bond markets. See Appendix A – The Commonwealth Information Statement dated October 28, 2020, as supplemented – “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”

THE NOTES

General

The Notes will be dated December 16, 2020 and will be due and payable as to both principal and interest on the dates set forth on the inside cover page of this Official Statement. The Notes will bear interest at the rates per annum, payable at maturity, as set forth on the inside cover page of this Official Statement. Interest on the Tax-Exempt Notes will be calculated on the basis of actual days elapsed over a 365-day year and interest on the Taxable Notes will be calculated on the basis of a 360-day year of twelve 30-day months. The Commonwealth will act as its own paying agent with respect to the Notes. The Commonwealth reserves the right to appoint from time to time a paying agent or agents or registrar for the Notes.

Book-Entry-Only System. The Notes will be issued by means of a book-entry-only system, with one note certificate for each series of Notes immobilized at The Depository Trust Company, New York, New York (“DTC”). The certificates will not be available for distribution to the public and will evidence ownership of the Notes in principal amounts of \$5,000 or integral multiples thereof. Transfers of ownership will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest and principal due on the Notes will be paid in federal funds to DTC or its nominee as registered owner of the Notes. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Notes for all purposes, including notices and voting. The Commonwealth will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See “BOOK-ENTRY-ONLY SYSTEM.”

Redemption

The Notes will not be subject to redemption prior to their stated maturity date.

SECURITY FOR THE NOTES

The Notes will be general obligations of the Commonwealth to which its full faith and credit will be pledged for the payment of principal and interest when due. However, it should be noted that Chapter 62F of the Massachusetts General Laws imposes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit. This statute is subject to amendment or repeal by the Legislature. Currently, actual tax revenue growth is below the statutory limit. See the Information Statement under the heading “COMMONWEALTH REVENUES – Limitations on Tax Revenues.”

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including the Notes, and all claims with respect thereto. However, the property of the Commonwealth is not generally subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires a legislative appropriation. Enforcement of a claim for payment of principal or interest on the Notes may also be subject to the provisions of federal or state statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as the same may be constitutionally applied. The United States Bankruptcy Code is not applicable to the Commonwealth. Under Massachusetts law, the Notes have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code. The Notes are not subject to acceleration.

LITIGATION

No litigation is pending or, to the knowledge of the Attorney General, threatened against or affecting the Commonwealth seeking to restrain or enjoin the issuance, sale or delivery of the Notes or in any way contesting or affecting the validity of the Notes.

There are pending in courts within the Commonwealth various suits in which the Commonwealth is a defendant. In the opinion of the Attorney General, no litigation is pending or, to the knowledge of the Attorney General, threatened which is likely to result, either individually or in the aggregate, in final judgments against the Commonwealth that would materially affect its financial condition. For a description of certain litigation affecting the Commonwealth, see the Commonwealth Information Statement under the heading "LEGAL MATTERS."

BOOK-ENTRY-ONLY SYSTEM

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note will be issued for each series of Notes, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commonwealth as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

THE COMMONWEALTH WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR BY ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT OF OR THE PROVIDING OF NOTICE TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OR WITH RESPECT TO ANY OTHER ACTION TAKEN BY DTC AS NOTE OWNER.

The principal of and interest on the Notes will be paid to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, as registered owner of the Notes. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commonwealth, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Commonwealth, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commonwealth, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Commonwealth cannot give any assurances that Direct Participants or others will distribute payments of principal of and interest on the Notes paid to DTC or its nominee, as the registered owner, to

the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in a manner described in this document.

Beneficial Owners of the Notes will not receive or have the right to receive physical delivery of such Notes and will not be or be considered to be the registered owners thereof. So long as Cede & Co. is the registered owner of the Notes, as nominee of DTC, references herein to the holders or registered owners of the Notes shall mean Cede & Co. and shall not mean the Beneficial Owners of the Notes, except as otherwise expressly provided herein.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Commonwealth. Under such circumstances, in the event that a successor depository is not obtained, Notes will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Notes held in the Beneficial Owner's name, will become the Noteowner. Note certificates are required to be printed and delivered.

The Commonwealth may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In such event, Note certificates will be printed, delivered and registered as designated by the Beneficial Owners.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY-ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COMMONWEALTH BELIEVES TO BE RELIABLE, BUT THE COMMONWEALTH TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

RATINGS

The Notes have been assigned ratings of "F1+", "MIG 1" and "SP-1+" by Fitch Ratings, Moody's Investors Service, Inc., and S&P Global Ratings, respectively.

Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies, if, in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Notes.

TAX MATTERS

Federal Tax Matters for Tax-Exempt Notes

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Commonwealth ("Bond Counsel") is of the opinion that, under existing law, interest on the Tax-Exempt Notes will not be included in the gross income of holders of the Tax-Exempt Notes for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the date of issuance of the Tax-Exempt Notes in order to ensure that interest on the Tax-Exempt Notes is and continues to be excludable from the gross income of holders of the Tax-Exempt Notes. Failure to comply with certain of such requirements could cause interest on the Tax-Exempt Notes to be included in the gross income of holders of the Tax-Exempt Notes retroactive to the date of issuance of the Tax-Exempt Notes. In particular, and without limitation, these requirements include restrictions on the use, expenditure and investment of Tax-Exempt Note proceeds and the payment of rebate, or penalties in lieu

of rebate, to the United States, subject to certain exceptions. The Commonwealth has provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, interest on the Tax-Exempt Notes will not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals under Section 55 of the Code. Bond Counsel has not opined as to any other matters of federal tax law relating to the Tax-Exempt Notes. However, prospective purchasers should be aware that certain collateral consequences may result under federal tax law for certain holders of the Tax-Exempt Notes, including but not limited to the requirement that recipients of certain Social Security and railroad retirement benefits take into account receipts or accruals of interest on the Tax-Exempt Notes in determining gross income. The nature and extent of these other tax consequences depends on the particular tax status of the holder and the holder's other items of income or deduction. Holders should consult their own tax advisors with respect to such matters.

Interest paid on tax-exempt obligations such as the Tax-Exempt Notes is generally required to be reported by payors to the IRS and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the Note holder fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Note holder as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Tax-Exempt Notes from gross income for federal tax purposes.

For federal and Massachusetts income tax purposes, interest includes original issue discount, which with respect to a Tax-Exempt Note is equal to the excess, if any, of the stated redemption price at maturity of such Tax-Exempt Note over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all such Tax-Exempt Notes with the same maturity was sold. Original issue discount accrues based on a constant yield method over the term of a Tax-Exempt Note. Holders should consult their own tax advisers with respect to the computations of original issue discount during the period in which any such Tax-Exempt Note is held.

An amount equal to the excess, if any, of the purchase price of a Tax-Exempt Note over the principal amount payable at maturity constitutes amortizable note premium for federal and Massachusetts tax purposes. The required amortization of such premium during the term of a note will result in reduction of the holder's tax basis on such Tax-Exempt Note. Such amortization also will result in reduction of the amount of the stated interest on the Tax-Exempt Note taken into account as interest for tax purposes. Holders of Tax-Exempt Notes purchased at a premium should consult their own tax advisers with respect to the determination and treatment of such premium for federal income tax purposes and with respect to the state or local tax consequences of owning such Tax-Exempt Notes.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Tax-Exempt Notes, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax exempt status of interest on the Tax-Exempt Notes or the tax consequences of ownership of the Tax-Exempt Notes. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce or eliminate the benefit of the exclusion of the interest on the Tax-Exempt Notes from gross income for federal income tax purposes or any state tax benefit. Tax reform proposals and deficit reduction measures, including but not limited to proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt notes, including notes issued prior to the proposed effective date of the applicable legislation, and other proposals to limit federal tax expenditures, have been and are expected to be under ongoing consideration by the United States Congress. These proposed changes

could affect the market value or marketability of the Tax-Exempt Notes, and, if enacted into law, could also affect the tax treatment of all or a portion of the interest on the Tax-Exempt Notes for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

Federal Tax Matters for the Taxable Notes

The following discussion briefly summarizes the principal U.S. federal tax consequences of the acquisition, ownership, and disposition of the Taxable Notes for holders who acquire any Taxable Notes in the initial offering and hold such Taxable Notes as “capital assets.” It does not discuss all aspects of U.S. federal income taxation which may apply to a particular holder, nor does it discuss U.S. federal income tax provisions which may apply to particular categories of holders, such as partnerships, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, employee benefit plans, tax-exempt organizations, dealers in securities or foreign currencies, persons holding Taxable Notes as a position in a “hedge” or “straddle,” an integrated conversion transaction, or holders whose functional currency is not the U.S. dollar. It is based upon provisions of existing law which are subject to change at any time, possibly with retroactive effect. No rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

Except as otherwise explicitly noted below, this summary addresses only “U.S. Holders”, that is, individual citizens or residents of the United States, corporations or other business entities organized under the laws of the United States, any state, or the District of Columbia, estates with income subject to United States federal income tax, trusts subject to primary supervision by a United States court and for which United States persons control all substantial decisions, and certain other trusts that elect to be treated as United States persons. This discussion relates only to U.S. federal income taxes and not to any state, local or foreign taxes or U.S. federal taxes other than income taxes.

Interest on the Taxable Notes that is “qualified stated interest” generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder’s regular method of tax accounting). Generally, “qualified stated interest” means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate and includes the semi-annual interest payments as set forth on the inside cover hereof.

Interest on the Taxable Notes includes any accrued original issue discount. Original issue discount with respect to a Taxable Note is equal to the excess, if any, of the stated redemption price at maturity of a Taxable Note over the initial offering price thereof, excluding underwriters and other intermediaries, at which price a substantial amount of all Taxable Notes with the same maturity were sold, provided that such excess equals or exceeds a de minimis amount (generally $\frac{1}{4}\%$ of the stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity). The stated redemption price at maturity of a Taxable Note is the sum of all scheduled amounts payable on the Taxable Note (other than qualified stated interest). A U.S. Holder of a Taxable Note with original issue discount must include the discount in income as ordinary interest for federal income tax purposes as it accrues in advance of receipt of the cash payments attributable to such income, regardless of the U.S. Holder’s regular method of tax accounting. Original issue discount accrues based on a constant yield method over the term of a Taxable Note and results in a corresponding increase in the holder’s tax basis in such Taxable Note. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Taxable Note is held.

An amount equal to the excess, if any, of the purchase price of a Taxable Note over the principal amount payable at maturity generally constitutes amortizable Taxable Note premium. A holder of a Taxable Note may elect to amortize such premium during the term of such Taxable Note by claiming an offset to interest otherwise required to be included in income during any taxable year by the amortizable amount of such premium for the taxable year. Such amortization will result in a corresponding reduction of the holder's tax basis in such Taxable Note. Any election to amortize Taxable Note premium applies to all taxable debt instruments held by the holder at the beginning of the first taxable year to which the election applies and to all taxable debt instruments acquired on or after such date and may be revoked only with the consent of the IRS. Holders of Taxable Notes purchased at a premium should consult their own tax advisors with respect to the determination and treatment of amortizable Taxable Note premium.

Unless a non-recognition provision of the Code applies, upon the sale, exchange, redemption, or other disposition (including a legal defeasance) of a Taxable Note, a U.S. Holder will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts representing accrued but unpaid interest) and such holder's adjusted tax basis in such Taxable Note. Such gain or loss generally will be long-term capital gain or loss if the Taxable Note was held for more than one year. If the U.S. Holder is an individual, long-term gains will be subject to reduced rates of taxation. The deductibility of losses is subject to limitations.

A non-U.S. Holder of Taxable Notes whose income from such Taxable Notes is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. Holder. Otherwise: (i) a non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for federal income tax purposes) holding Taxable Notes on its own behalf (other than a bank which acquires the Taxable Notes in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business) generally will not be subject to federal income taxes on payments of principal, premium, interest or original issue discount on a Taxable Note, as long as the non-U.S. Holder makes an appropriate filing with a U.S. withholding agent; and (ii) a non-U.S. Holder will not be subject to federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Taxable Note unless such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States.

A Taxable Note held by an individual Non-U.S. Holder who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to the Taxable Note would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information as to interest on or proceeds from the sale or other disposition of Taxable Notes is required to be reported by payors to the IRS and to recipients. In addition, backup withholding may apply unless the holder of a Taxable Note provides to a withholding agent its taxpayer identification number and certain other information or certification of foreign or other exempt status. Any amount withheld under the backup withholding rules is allowable as a refund or credit against the holder's actual U.S. federal income tax liability.

Certain non-corporate U.S. Holders will be subject to a 3.8% tax, in addition to regular tax on income and gains, on some or all of their "net investment income," which generally will include interest on the Taxable Notes and any net gain recognized upon a disposition of a Taxable Note. U.S. Holders should consult their tax advisors regarding the applicability of this tax.

Under the Foreign Account Tax Compliance Act (“FATCA”) and related administrative guidance, U.S. withholding at a rate of 30% will generally be required on interest payments in respect of the Taxable Notes and gross proceeds, including the return of principal, from the sale or other disposition, including redemptions, of the Taxable Notes held by or through certain foreign entities, unless such entity complies with certain requirements including information reporting or is eligible for an exemption. This withholding will apply regardless of whether the payment would otherwise be exempt from U.S. nonresident withholding tax (e.g., under the portfolio interest exemption or as capital gain). A foreign entity will generally claim an exemption from FATCA withholding, if an exemption is available, by properly filling out and giving to the person making payments to it IRS Form W-8BEN-E. Taxable Noteholders should consult their tax advisors regarding the application and impact of FATCA.

State Tax Matters for the Notes

In the opinion of Bond Counsel, under existing law, interest on the Notes and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Notes. Prospective purchasers should be aware, however, that the Notes are included in the measure of Massachusetts estate and inheritance taxes, and the Notes and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Notes, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than Massachusetts.

OPINIONS OF COUNSEL

The unqualified approving opinion as to the legality of the Notes will be rendered by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., of Boston, Massachusetts, Bond Counsel to the Commonwealth. The proposed forms of the opinion of Bond Counsel relating to the Notes are attached hereto as Appendix B. Certain legal matters will also be passed upon by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. of Boston, Massachusetts, as Disclosure Counsel to the Commonwealth. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord LLP, Boston, Massachusetts.

UNDERWRITING

The Underwriters, represented by J.P. Morgan Securities, Inc., have agreed, subject to certain conditions, to purchase all of the Notes from the Commonwealth at a discount from the initial offering prices of the Notes equal to approximately 0.035203% of the aggregate principal amount of the Notes. The Underwriters may offer and sell the Notes to certain dealers and others (including dealers depositing Notes into investment trusts) at prices lower than the public offering prices (or yields higher than the offering yields) stated on the inside cover page hereof. The principal offering prices (or yields) set forth on the inside cover page hereof may be changed from time to time after the initial offering by the Underwriters.

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the Commonwealth as Underwriters) for the distribution of the Notes at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective

affiliates have provided, and may in the future provide, a variety of these services to the Commonwealth and to persons and entities with relationships with the Commonwealth, for which they received or will receive customary fees and expenses. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the Commonwealth and its affiliates in connection with such activities.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Commonwealth (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Commonwealth. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Notes to provide notices of certain events. A description of this undertaking is set forth in Appendix D attached hereto.

For information concerning the Commonwealth's compliance with its undertakings under Rule 15c2-12 and the availability of certain other financial information from the Commonwealth, see the Information Statement under the heading "Continuing Disclosure."

MUNICIPAL ADVISOR

The Commonwealth has retained Acacia Financial Group, Inc. ("Acacia") to act as municipal advisor with respect to the issuance of the Notes. Acacia is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices hereto. Acacia is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing securities.

MISCELLANEOUS

Any provisions of the constitution of the Commonwealth, of all general and special laws and of other documents set forth or referred to in this Official Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

This Official Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are

indicated by use of such words as “may,” “will,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates” and others.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

The Commonwealth has prepared the prospective financial information set forth in this Official Statement in connection with its budgeting and appropriations processes. This prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Commonwealth, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best knowledge and belief of the offices of the Commonwealth identified in this Official Statement as the sources of such information, the currently expected course of action and the currently expected future budgeted revenues and expenditures of the Commonwealth. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

Neither the Commonwealth’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth or its agencies, authorities or political subdivisions since the date of this Official Statement, except as expressly stated.

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SUPPLEMENT DATED DECEMBER 8, 2020

TO

THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT

DATED OCTOBER 28, 2020



Except as specifically provided herein, the Commonwealth Information Statement dated October 28, 2020 (the "Information Statement") has not been updated or supplemented. The Information Statement contains information only through its date, except as specifically set forth in this Supplement. The Information Statement, together with this Supplement, should be read in its entirety.

The Information Statement is supplemented as of the date hereof as set forth below:

SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS – Fiscal 2020 and Fiscal 2021 Operating Budget and FISCAL 2020 AND FISCAL 2021 – Fiscal 2021

Under the headings "SPECIAL DISCLOSURE REGARDING COVID -19 MATTERS – Fiscal 2020 and Fiscal 2021 Operating Budget" and "FISCAL 2020 AND FISCAL 2021 – Fiscal 2021," the following paragraphs are inserted at the end thereof:

On December 4, 2020, the Legislature adopted its fiscal 2021 budget which provides for a total of \$46.46 billion in state spending, which is 6.6% greater than the spending authorized by the fiscal 2020 budget, and \$693 million more than the Governor's recommended fiscal 2021 budget. Like the Governor's proposal, the Legislature's budget is supported by a \$27.592 billion tax revenue estimate. The budget assumes a withdrawal of not to exceed \$1.7 billion from the \$3.5 billion Stabilization Fund. The Legislature's fiscal 2021 budget has been sent to the Governor for his approval. Under the Massachusetts constitution, the Governor may veto the budget in whole or disapprove or reduce specific line items (line-item veto). The Legislature may override the Governor's veto or specific line-item vetoes by a two-thirds roll-call vote of both the House and Senate.

Similar to the Governor's revised fiscal 2021 proposed budget, any withdrawal from the Stabilization Fund could be reduced if tax collections or other revenues exceed the assumptions included in the Legislature's proposed budget or expenses are reduced. Amounts budgeted to be withdrawn from the Stabilization Fund are not projected to be needed for cash flow purposes. Any withdrawal is to be expected to occur after June 30, 2021 for purpose of achieving fiscal 2021 statutory balance.

COMMONWEALTH REVENUES – Fiscal 2020 and Fiscal 2021 Tax Revenues

Under the heading "COMMONWEALTH REVENUES - Fiscal 2020 and Fiscal 2021 Tax Revenues," the subsection captioned "Fiscal 2021" is deleted and replaced with the following subsection:

Fiscal 2021. The following table shows the actual tax collections for the first five months of fiscal 2021 and the change from tax collections in the same period in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections during the fiscal year that are dedicated to

the MBTA and the MSBA. Tax collections shown exclude income tax payments originally due in fiscal 2020 but which were received in fiscal 2021. Such payments have been recorded as fiscal 2020 revenues. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”

Fiscal 2021 Tax Collections (in millions)

Month	<u>Tax Collections</u>	<u>Change from Prior Year</u>	<u>Percentage Change</u>	<u>MBTA Portion</u>	<u>MSBA Portion</u>	Tax Collections: Net of MBTA and MSBA
July (1)	\$2,142.3	\$116.3	5.7%	\$101.4	\$88.1	\$1,952.7
August (1)	1,964.2	(21.7)	(1.1)	98.0	84.7	1,781.4
September	3,158.6	(43.7)	(1.4)	95.2	81.9	2,981.6
October	2,089.5	62.5	3.1	98.6	85.3	1,905.6
November (2)	2,124.2	31.2	1.5	95.3	82.0	1,946.9
Total (3)	\$11,478.8	\$144.4	1.3%	\$488.6	\$422.0	\$10,568.2

SOURCE: Executive Office for Administration and Finance.

- (1) Excluding income tax payments originally due in fiscal 2020 but received in fiscal 2021, which are estimated to be \$2.334 billion.
- (2) Preliminary and subject to change.
- (3) Totals may not add due to rounding.

The year-to-date fiscal 2021 tax revenue increase of approximately \$144.4 million through November 30, 2020 from the same period in fiscal 2020 is attributable to an increase of approximately \$249.2 million, or 4.6%, in withholding collections, a decrease of approximately \$31.4 million, or 12.5%, in income tax cash refunds, an increase of approximately \$116.0 million, or 13.1%, in corporate and business tax collections, an increase of approximately \$33.4 million, or 1.1%, in sales and use tax collections, offset by a decrease of approximately \$87.8 million, or 11.2%, in income tax estimated payments, and a net decrease of approximately \$197.6 million, or 16.4%, in all other taxes. Excluding one-time tax related settlements and judgments exceeding \$10 million each, which totaled \$14.6 million, fiscal 2021 year-to-date tax collections through November 30, 2020 were approximately \$11.464 billion, \$142.3 million more than the collections in the same period in fiscal 2020.

COMMONWEALTH REVENUES – Limitations on Tax Revenues

Under the heading “COMMONWEALTH REVENUES – Limitations on Tax Revenues,” the table that sets forth the Commonwealth’s net state tax revenues and allowable state tax revenues, as defined in Chapter 62F, is deleted and replaced with the following:

	<u>Net State Tax Revenues</u>	<u>Allowable State Tax Revenues</u>	<u>Net State Tax Revenues (under Allowable State Tax Revenues)</u>
2020	\$30,164,388,908	\$35,514,892,070	(\$5,350,503,162)
2019	30,202,588,989	33,977,241,799	(3,774,652,810)
2018	28,178,560,547	32,531,393,763	(4,352,833,216)
2017	26,044,206,400	31,095,184,910	(5,050,978,510)
2016	25,801,807,368	29,477,204,724	(3,675,397,356)

SOURCE: State Auditor’s Office.

**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT

Dated October 28, 2020

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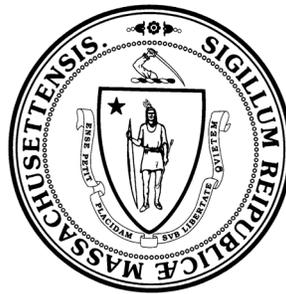
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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Charles D. Baker **Governor**
Karyn E. Polito **Lieutenant Governor**
William F. Galvin **Secretary of the Commonwealth**
Maura Healey **Attorney General**
Deborah B. Goldberg **Treasurer and Receiver-General**
Suzanne M. Bump **Auditor**

LEGISLATIVE OFFICERS

Karen E. Spilka **President of the Senate**
Robert A. DeLeo **Speaker of the House**

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THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT

October 28, 2020

This Information Statement, together with its Exhibits (included by reference as described below), is furnished by The Commonwealth of Massachusetts (the Commonwealth). It contains certain fiscal, financial and economic information concerning the Commonwealth and its ability to meet its financial obligations. This Information Statement contains information only through its date, or as otherwise provided for herein, and should be read in its entirety.

The ability of the Commonwealth to meet its obligations will be affected by future social, environmental and economic conditions, among other things, as well as by legislative policies and the financial condition of the Commonwealth. Many of these conditions are not within the control of the Commonwealth.

Exhibit A to this Information Statement is the Statement of Economic Information as of July 2, 2020. Exhibit A sets forth certain economic, demographic and statistical information concerning the Commonwealth. The information contained in Exhibit A speaks as of its date. Due to the ongoing nature of the COVID-19 pandemic, the Statement of Economic Information does not yet reflect all of the effects of the COVID-19 pandemic on the Commonwealth. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”

Exhibits B and C, respectively, are the Commonwealth’s Statutory Basis Financial Report for the year ended June 30, 2019 and the Commonwealth’s Comprehensive Annual Financial Report (reported in accordance with generally accepted accounting principles (GAAP)) for the year ended June 30, 2019.

Specific reference is made to Exhibits A, B and C, copies of which are attached hereto and have also been filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access System (EMMA). The financial statements are also available at the home page of the Comptroller of the Commonwealth located at <http://www.macomptroller.org> by clicking on “Financial Reports” on the Comptroller’s homepage.

SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS

If and when included in this Information Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward looking statements. Any such statements inherently are subject to a variety of risks and uncertainties, certain of which are beyond the control of the Commonwealth, including the impacts from the COVID-19 pandemic, as discussed below, that could cause actual results to differ materially from those that have been projected. Due to the unprecedented nature of the COVID-19 pandemic and the mitigation measures implemented, prior fiscal year, interim and year-end results may not be indicative of current or future fiscal year, interim and year-end results.

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including throughout the United States and in Massachusetts, and on March 11, 2020, was declared a pandemic by the World Health Organization. In response to the pandemic, international, federal, state and local governments, as well as private organizations, have implemented numerous measures intended to mitigate the spread and effects of COVID-19. Individuals and businesses have altered their behavior to adapt to such measures and to respond to the spread of COVID-19. The continued spread of COVID-19, the mitigation measures implemented, and these behavioral adaptations have caused, and are expected to continue to cause, severe disruption in global, national, and local economies, as well as global financial markets, and significant volatility in the U.S. stock and bond markets.

In the Commonwealth, Governor Baker’s administration has undertaken mitigation measures in response to COVID-19, including a number of social distancing measures, as described below. All of these measures have

resulted in widespread economic disruption throughout the Commonwealth. As the ongoing COVID-19 pandemic continues to evolve, Governor Baker's administration has curtailed certain of these measures while retaining flexibility to address future waves of the pandemic, as further described below.

The extent of the economic and fiscal impacts within the Commonwealth is not yet fully known, and is expected to vary greatly depending on the duration and breadth of the COVID-19 pandemic, which remain uncertain. At this time, the Commonwealth cannot predict the duration of the measures taken in response to COVID-19, whether additional measures will be needed, or the extent of the impact of such measures on the Commonwealth's economy, budget or finances. The full fiscal impact of the COVID-19 pandemic also will depend upon future events, including events outside the Commonwealth's control. The Commonwealth is continuing to monitor the extent of the outbreak within the state, as well as the Commonwealth's financial condition, and is actively reviewing and managing its responses to and options for addressing the anticipated effects of COVID-19.

The COVID-19 pandemic has and is expected to continue to adversely impact the Commonwealth's economy and financial condition in a number of ways. Many businesses have experienced, and are expected to continue experiencing, decreases in operations and revenues, which have impacted, and are expected to continue to impact, certain revenues to the Commonwealth, including personal income tax revenues, corporate business tax revenues, sales and use tax revenues, gaming revenues, lottery revenues and registry of motor vehicles revenues. Due to the temporary closure of non-essential business and the stay-at-home advisory, there was a significant reduction in traffic volume, resulting in a reduction in motor fuel excise tax receipts by the Commonwealth, which reduction is expected to continue as many people continue to work from home. The volatility in the stock market may result in lower capital gains tax revenues and may negatively affect the Commonwealth's investments and the valuations of the Commonwealth's pension plans. In addition, volatility in the capital markets and actions by the Federal Reserve Board may alter the Commonwealth's stated plans to issue notes and bonds and may affect the costs of any such borrowings.

Summary of Selected Commonwealth Measures

The following is a summary of certain federal and Commonwealth declarations, executive orders and legislation implemented in response to COVID-19 as of the date of this Information Statement, but is not intended to be an exhaustive list of all such measures taken. The Commonwealth anticipates that additional national, state and local actions may be taken in an effort to further mitigate the spread and effects of COVID-19. It is unclear whether and the extent to which these legislative, regulatory or other governmental actions will have the effect intended. Information regarding the Commonwealth's response to COVID-19 and the executive orders issued to date are available at www.mass.gov/covid19.

- On March 10, 2020, Governor Baker declared a state of emergency in the Commonwealth to provide the Administration more flexibility to respond to the evolving COVID-19 outbreak. On March 13, 2020, the President of the United States declared a national state of emergency due to the COVID-19 pandemic. On March 14, 2020, Governor Baker created a COVID-19 Response Command Center to lead and coordinate the Commonwealth's response to COVID-19.
- On March 13, 2020, Governor Baker issued an emergency order prohibiting most gatherings of over 250 people in an effort to limit the spread of COVID-19. The order generally included community, civic, public, leisure, and similar events and activities, but did not apply to normal operations at airports, bus and train stations, medical facilities, libraries, shopping centers, polling locations, grocery or retail stores, or other spaces where 250 or more persons may be in transit, or to restaurants, typical office environments, government buildings, or factories. On March 23, 2020, these limits were reduced, prohibiting gatherings of over 10 people.
- On March 18, 2020, Governor Baker issued an emergency order closing all early childhood education programs across the Commonwealth, except for certain exempt emergency child care programs for families of emergency personnel, medical staff and other first responders

- Also on March 18, 2020, Governor Baker announced administrative tax relief measures postponing the collection of regular sales tax, meals tax and room occupancy taxes that would be due in March, April and May until June 20, 2020, which has been further extended such that any payments due from March 2020 through April 2021 are due on May 20, 2021.
- Effective March 24, 2020, Governor Baker issued an emergency order closing all business and organizations other than COVID-19 essential services until April 7, 2020, which was extended to May 18, 2020.
- On March 24, 2020, the Department of Public Health issued a stay at home advisory.
- On March 27, 2020, the Commonwealth extended the state income tax filing and payment deadline from April 15, 2020 to July 15, 2020, consistent with the extension enacted by the federal government.
- On April 20, 2020, the Eviction and Mortgage Foreclosure Moratorium Act (EMFM Act) was enacted, which imposed restrictions on certain evictions and foreclosures until the sooner of 120 days after enactment and 45 days after the lifting of the Governor's COVID-19 emergency declaration. The provisions of the EMFM Act were set to expire on August 18, 2020, but were extended by executive order until October 17, 2020. On October 12, 2020, the Governor announced an Eviction Diversion Initiative, which provides a total of \$171 million, including \$112 million of new funding, intended to help provide tenants and landlords with a comprehensive set of resources once the eviction moratorium was lifted on October 17, 2020.

Reopening the Commonwealth

- On May 11, 2020, Governor Baker announced a four-phase approach to reopening, with phase 1 applying to limited industries that could resume operations with severe restrictions. The Governor indicated that decisions and timing on all phases would be influenced by public health metrics.
- On May 18, 2020, Governor Baker announced that phase 1 would apply primarily to construction, manufacturing, and houses of worship, which were eligible to open subject to certain guidelines as of such date. Additionally, the Department of Public Health's stay at home advisory was replaced with a safer at home advisory.
- On May 25, 2020 additional businesses were eligible to open subject to certain guidelines, including laboratory and office spaces at 25% capacity (in the City of Boston, office spaces were eligible to open as of June 1, 2020), certain personal care service providers, and recreational marijuana stores.
- In June 2020, phase 2 commenced in two steps, which included, with restrictions and applicable guidance, the reopening of retail establishments, child-care centers, restaurants for outdoor and indoor service, hotels and lodging facilities, warehouses and distribution centers, and certain other businesses and industries.
- In July 2020, phase 3 commenced in two steps, allowing fitness centers and gyms, movie theaters, outdoor entertainment venues, museums, aquariums and similar facilities, and casinos to reopen, subject to occupancy restrictions and other guidelines, and increasing the limitations on the number of persons permitted at indoor and outdoor gatherings.
- In August 2020, restrictions were imposed on visitors and returning residents traveling to Massachusetts, with certain exceptions, including those traveling from states determined to be of low risk of infection.
- In October 2020, lower risk Commonwealth municipalities were permitted to move into step two of phase 3, which permitted the reopening of indoor performance venues and certain recreational businesses, such as trampoline, roller rinks and laser tag, to 50% capacity, and increased the capacity for outdoor venues, gyms, museums, library and driving and flight schools to 50%. Additionally, in October 2020, the Governor relaxed certain gathering limitations to permit indoor gathering of, other than as addressed by

other orders, up to 25 people, outdoor gatherings in private residences of up to 50 people, and outdoor gatherings at public or event venues of up to 100 people.

Governor Baker's administration is continuing to monitor public health data relating to COVID-19 and has announced that it will adjust the reopening plans, as needed, to control the spread of COVID-19 within the Commonwealth. Key public health data, such as new cases and hospitalizations, is being closely monitored. Certain municipalities also have issued local orders affecting activities only within the applicable municipality, including the City of Boston, which in certain cases may be more restrictive than the Governor's orders.

Fiscal Relief Received by the Commonwealth

The U.S. Congress has enacted four economic assistance and relief packages to date. On March 18, 2020, the Families First Coronavirus Response Act (Families First Act) was enacted into law which provides paid leave, establishes free coronavirus testing, supports unemployment benefits, expands food assistance and protects health workers. The Families First Act included an emergency 6.2% increase to the Medicaid Federal Medical Assistance Percentage (FMAP), the federal matching rate for states and territories, during the public health emergency. This FMAP increase provided the Commonwealth with \$546 million in additional revenue during fiscal 2020.

On March 27, 2020, the federal Coronavirus Aid, Relief and Economic Security Act (CARES Act) was enacted which provided \$2 trillion of aid for, among other things, market stabilization efforts, expanded unemployment insurance, loans and grants to small businesses, direct payments to certain individuals, and loans to corporations, businesses and health care systems, and approximately \$150 billion for state and local governments, of which the Commonwealth received \$2.461 billion and two local government units received funding. The Commonwealth has utilized the CARES Act and other available federal funds to pay for the state's emergency expenditures relating to COVID-19, including expenditures for personal protective equipment, medical equipment, and support for hospitals in managing the care of COVID-19 patients, and to provide necessary services to vulnerable populations, such as supporting food banks and seniors who might not be able to obtain sufficient food and supplies.

On March 27, 2020, President Trump issued a major disaster declaration for the Commonwealth, superseding an earlier emergency declaration and making federal funding available to Commonwealth and eligible local entities for emergency protective measures, including direct federal assistance. The Commonwealth is currently applying for grants from the FEMA Public Assistance program to reimburse the Commonwealth for the costs of eligible emergency protective measures taken to address the COVID-19 pandemic.

Unemployment Insurance Claims and Trust Fund Solvency

As a result of the COVID-19 pandemic, the unemployment rate in Massachusetts increased significantly, to 17.7% at its peak in June 2020, compared to 2.8% in March 2020; in September 2020, the unemployment rate had declined to 9.6%. A total of 1,421,775 initial claims for regular Unemployment Insurance (UI) have been filed from March 15, 2020 through October 17, 2020. For the week ending October 17, 2020, 44,498 initial claims were filed and 244,989 continuous claims were filed. As a result of the corresponding increase in UI claims, the Commonwealth applied to the U.S. Department of Labor for repayable advances to the Commonwealth's Unemployment Trust Fund account from the federal unemployment account, in accordance with the provisions of Section 1201 of the Social Security Act, in order to assure payment of all compensation due. To date, the Commonwealth has applied for \$4.378 billion in federal advances, and received \$1.92 billion. Governor Baker's administration will continue to monitor unemployment claims and request federal advances as necessary to ensure payment of all compensation due. The federal funds have helped ensure individuals continue to receive unemployment benefits during the economic downturn caused by the COVID-19 pandemic.

In addition to the regular unemployment benefits, Commonwealth residents also received support from a newly created federal unemployment program. From April 20, 2020 to October 17, 2020, approximately 825,132 claimants have filed for federal Pandemic Unemployment Assistance (PUA), which provides payment to workers who are not traditionally eligible for unemployment benefits (e.g., self-employed individuals, independent contractors, and workers with limited work history) and who are unable to work as a direct result of the COVID-19 public health emergency for up to 39 weeks. Under current law, PUA is available through December 26, 2020.

Cash Management and Borrowing for Deferred Revenues

In order to manage cash flows through the COVID-19 pandemic, on May 11, 2020, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.75 billion from a syndicate of banks, which line of credit is available to be drawn on for cash flow purposes. The line of credit may be reduced or closed, without penalty, on or after November 11, 2020 at the discretion of the Commonwealth and expires on May 10, 2021. At the end of June 2020, the Commonwealth had drawn \$500 million on the line of credit, which was subsequently repaid. As of September 30, 2020, no amount is outstanding under the line of credit.

On April 9, 2020, the Federal Reserve System (Federal Reserve) announced the establishment of a municipal liquidity facility (MLF), pursuant to which a special purpose vehicle created by the Federal Reserve will purchase notes from states and large cities and counties to provide liquidity for cash flow needs resulting from the delay of the federal tax filing deadline and the COVID-19 pandemic. The Commonwealth is eligible for assistance under this program and may borrow up to \$7.859 billion. At this time, however, it is unlikely that the Commonwealth will seek to access the MLF under the current federal guidance and present fiscal circumstances.

The Commonwealth currently anticipates that it will have sufficient liquidity to meet cash flow needs for fiscal 2020 and fiscal 2021 through existing liquidity and credit facilities and access to the capital markets. The State Treasurer's Office and the Executive Office for Administration and Finance are closely monitoring the General Fund cash flow.

Fiscal 2020 and Fiscal 2021 Operating Budget

During March through June 2020, the Commonwealth made certain adjustments to the budget for fiscal 2020 to reflect the estimated impacts, to the extent possible at the time given the limited information then available, of the COVID-19 pandemic. Additionally, on May 12, 2020, Governor Baker filed a supplemental appropriations bill consisting of up to \$1 billion in supplemental appropriations for spending in fiscal 2020. The bill established state spending authorization for the substantial, necessary expenses incurred by the Commonwealth in its response to the COVID-19 pandemic that were likely to be reimbursable, in whole or in part, from federal sources, including the CARES Act, but which were to be paid first with state dollars. On September 30, 2020, the Governor filed a supplemental appropriations bill to close out fiscal 2020. See "COMMONWEALTH REVENUES" and "FISCAL 2020 AND FISCAL 2021 – Fiscal 2020."

The Commonwealth has not yet enacted a final fiscal 2021 budget. An interim budget of \$5.25 billion for the first month of fiscal 2021 was filed with the Legislature by the Governor on June 19, 2020. The bill provided spending authorization to maintain necessary services through approximately July 31, 2020, pending the passage of the General Appropriations Act. A second interim budget of \$16.53 billion was enacted by the Legislature on July 28, 2020, and signed by Governor Baker on August 4, 2020, extending the interim budget through approximately October 31, 2020. The current interim budget assumes funding levels for specific items in almost all cases equal to the lower of the funding levels for such items in the Commonwealth's fiscal year 2020 budget and Governor Baker's proposed budget for fiscal year 2021 filed with the Legislature in January 2020, prior to the outbreak of the COVID-19 pandemic. A third interim budget of \$5.40 billion was enacted by the Legislature and signed by the Governor on October 26, 2020, extending the interim budget through approximately November 30, 2020. See "FISCAL 2020 AND FISCAL 2021 – Fiscal 2021."

On October 14, 2020, Governor Baker filed a revised proposed budget for fiscal 2021. The Governor's proposed budget includes \$45.5 billion in state spending, an increase of \$0.9 billion from the budget proposed by the Governor in January 2020, and a 3.8% increase over preliminary estimated state spending in fiscal 2020. The Governor's proposed budget assumes tax revenues of \$27.592 billion, 11.4% less than the consensus tax revenue estimate agreed upon in January 2020 of \$31.151 billion. The revised proposed budget includes a withdrawal of up to \$1.35 billion, of the \$3.5 billion Stabilization Fund balance. See "FISCAL 2020 AND FISCAL 2021 – Fiscal 2021" and "SELECTED FINANCIAL DATA – Stabilization Fund."

THE GOVERNMENT

The government of the Commonwealth is divided into three branches: the Executive, the bicameral Legislature and the Judiciary.

Executive Branch

Governor. The Governor is the chief executive officer of the Commonwealth. Other elected members of the executive branch are the Lieutenant Governor (elected with the Governor), the Treasurer and Receiver-General (State Treasurer), the Secretary of the Commonwealth (State Secretary), the Attorney General and the State Auditor. All are elected to four-year terms. The terms of the current office holders began in January 2019.

The Executive Council, also referred to as the “Governor’s Council,” consists of eight members who are elected to two-year terms in even-numbered years. The Executive Council is responsible for the confirmation of certain gubernatorial appointments, particularly judges, and must approve all warrants prepared by the Comptroller for payment by the State Treasurer.

Also within the Executive Branch are certain independent offices, each of which performs a defined function, such as the Board of Library Commissioners, the Office of Campaign and Political Finance, the Office of the Comptroller, the Office of the Inspector General and the State Ethics Commission.

Governor’s Cabinet. The Governor’s Cabinet, which assists the Governor in administration and policy making, comprises the secretaries who head the eight Executive Offices, which are the Executive Office for Administration and Finance, the Executive Office of Health and Human Services, the Executive Office of Public Safety and Security, the Executive Office of Housing and Economic Development, the Executive Office of Labor and Workforce Development, the Executive Office of Energy and Environmental Affairs, the Executive Office of Education, and the Executive Office of Technology Services and Security. In addition, the Secretary of Transportation, who is the chief executive of the Massachusetts Department of Transportation (MassDOT) and chairs MassDOT’s board of directors, is a member of the Governor’s Cabinet. (MassDOT has a legal existence separate from the Commonwealth but houses several departments of state government.) Cabinet secretaries and executive department chiefs, including the Secretary of Transportation, serve at the pleasure of the Governor. Most other agencies are grouped under one of the eight Executive Offices for administrative purposes.

The Governor’s chief fiscal officer is the Secretary of Administration and Finance. The activities of the Executive Office for Administration and Finance fall within five broad categories: (i) administrative and fiscal supervision, including supervision of the implementation of the Commonwealth’s operating budget and capital investment plan, and monitoring of all agency expenditures during the fiscal year; (ii) enforcement of the Commonwealth’s tax laws and collection of tax revenues through the Department of Revenue; (iii) human resource management, including administration of the state personnel system, civil service system and employee benefit programs, and negotiation of collective bargaining agreements with certain of the Commonwealth’s public employee unions; (iv) capital facilities management, including coordinating and overseeing the construction, management and leasing of all state facilities; and (v) administration of general services, including procurement management services. The Secretary of Administration and Finance serves on numerous state boards and commissions.

State Treasurer. The State Treasurer has four primary statutory responsibilities: (i) oversight of the collection of all state revenues by state agencies, including tax revenues remitted by the Department of Revenue (other than small amounts of funds held by certain agencies); (ii) the management of both short-term and long-term investment of Commonwealth funds (other than the state employee and teacher pension funds), including all cash receipts; (iii) the disbursement of Commonwealth moneys and oversight of reconciliation of the state’s accounts; and (iv) the issuance of most debt obligations of the Commonwealth, including notes, commercial paper and long-term bonds.

In addition to these responsibilities, the State Treasurer chairs the Massachusetts Lottery Commission, the State Retirement Board, the Pension Reserves Investment Management Board, the Massachusetts Clean Water Trust, and the Massachusetts School Building Authority, and appoints the members of the Alcoholic Beverages Control Commission. The State Treasurer also serves as a member of numerous other state boards and commissions.

State Auditor. The State Auditor is charged with improving the efficiency of state government by auditing the administration and expenditure of public funds and reporting the findings to the public. The State Auditor reviews the activities and operations of approximately 200 state entities and potentially thousands of private contractors doing business with the Commonwealth. See “COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS.”

Attorney General. The Attorney General represents the Commonwealth in all legal proceedings in both the state and federal courts, including defending the Commonwealth in actions in which a state law or executive action is challenged. The Attorney General also brings actions to enforce environmental and consumer protection statutes, among others, and represents consumer interests in public utility rate-setting proceedings and in proceedings before the Division of Insurance and other administrative bodies. The Attorney General works in conjunction with the general counsel of the various state agencies and executive departments to coordinate and monitor all pending litigation.

State Secretary. The Secretary of the Commonwealth is responsible for collection and storage of public records and archives, securities regulation, state elections, administration of state lobbying laws, and the registration of and reporting by corporations.

State Comptroller. Accounting policies and practices, publication of official financial reports, and oversight of fiscal management functions are the responsibility of the Comptroller. The Comptroller also administers the Commonwealth’s annual state single audit and manages the state accounting system. The Comptroller serves as a member of the Massachusetts Lottery Commission, the Inspector General Council, the Records Conservation Board, and the State Retiree Benefits Trust. The Comptroller is appointed by the Governor for a term coterminous with the Governor’s and may be removed by the Governor only for cause. The annual financial reports of the Commonwealth, single audit reports, and any rules and regulations promulgated by the Comptroller must be reviewed by an advisory board. This board is chaired by the Secretary of Administration and Finance and includes the State Treasurer, the Attorney General, the State Auditor, the Court Administrator of the Trial Court, and two persons with relevant experience appointed by the Governor for three-year terms.

The Commonwealth’s annual reports include financial statements on the statutory basis of accounting (the Statutory Basis Financial Report, or SBFR) and financial statements on a GAAP basis (the Comprehensive Annual Financial Report, or CAFR). The Statutory Basis Financial Report for the year ended June 30, 2019, attached hereto as Exhibit B, was reviewed, and the Comprehensive Annual Financial Report for the year ended June 30, 2019, attached hereto as Exhibit C, was audited, by KPMG LLP, as stated in its reports appearing therein. KPMG LLP has not been engaged to perform, and has not performed, since the respective dates of its reports included herein, any procedures on the financial statements addressed in such reports, nor has it performed any procedures relating to the official statement of which this Information Statement is a part. See “COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS.”

Legislative Branch

The Legislature (formally called the General Court) is the bicameral legislative body of the Commonwealth, consisting of a Senate of 40 members and a House of Representatives of 160 members. Members of both the Senate and the House are elected to two-year terms in even-numbered years. The Legislature meets every year. The joint rules of the House and Senate require all formal business to be concluded by the end of July in even-numbered years and by the third Wednesday in November in odd-numbered years.

All enacted bills are presented to the Governor for approval or veto. The Legislature may override the Governor’s veto of any bill by a two-thirds roll-call vote of each house. The Governor also has the power to return a bill to the chamber of the Legislature in which it originated with a recommendation that certain amendments be made; such a bill is then before the Legislature and is subject to amendment or re-enactment by each branch, at

which point the Governor has no further right to return the bill a second time with a recommendation to amend but may still veto the bill. The House of Representatives must originate any bill that imposes a tax. Once a tax bill is originated by the House and forwarded to the Senate for consideration, the Senate may amend it. Any member of the House of Representatives or the Senate also may propose an amendment to the state constitution. Any such proposed amendment must receive a majority of approving votes from members of the House of Representatives and the Senate jointly assembled in a constitutional convention in two successive biennial legislative sessions before being submitted to the voters for approval.

Judicial Branch

The judicial branch of state government is composed of the Supreme Judicial Court, the Appeals Court and the Trial Court. The Supreme Judicial Court has original jurisdiction over certain cases and hears appeals from both the Appeals Court, which is an intermediate appellate court, and in some cases, directly from the Trial Court. The Supreme Judicial Court is authorized to render advisory opinions on certain questions of law to the Governor, the Legislature and the Governor's Council. Judges of the Supreme Judicial Court, the Appeals Court and the Trial Court are appointed by the Governor, with the advice and consent of the Governor's Council, to serve until the mandatory retirement age of 70 years.

Independent Authorities and Agencies

The Legislature has established a number of independent authorities and agencies within the Commonwealth, the budgets of which are not included in the Commonwealth's annual budget. The Governmental Accounting Standards Board (GASB) Statements No. 14 and No. 34, as amended by Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, articulate standards for determining significant financial or operational relationships between the primary government and its independent entities. In fiscal 2019, the Commonwealth had significant operational or financial relationships, or both, as defined by GASB Statements No. 14 and No. 34, as amended by Statement No. 61, with 41 of these authorities. A discussion of these entities and the relationship to the Commonwealth is included in footnotes 1 and 14 to the fiscal 2019 Basic Financial Statements in the CAFR, attached hereto as Exhibit C.

Municipal Government

The Commonwealth has 351 incorporated cities and towns that exercise the functions of local government, which include public safety, fire protection and public construction. Cities and towns or regional school districts established by them also provide elementary and secondary education. Cities are governed by several variations of the mayor-and-council or manager-and-council form. Most towns place executive power in a board of three or five selectmen elected to one- or three-year terms and retain legislative powers in the voters themselves, who assemble in periodic open or representative town meetings. Various local and regional districts exist for schools, water and wastewater administration, and certain other governmental functions.

Municipal revenues consist of taxes on real and personal property, distributions from the Commonwealth under a variety of programs and formulas, local receipts (including motor vehicle excise taxes, local option taxes, fines, licenses and permits, charges for utility and other services, and investment income) and appropriations from other available funds (including general and dedicated reserve funds). See "COMMONWEALTH EXPENDITURES – Local Aid."

County Government

The cities and towns of the Commonwealth are organized into 14 counties. County government has been abolished in nine counties - Berkshire, Essex, Franklin, Hampden, Hampshire, Middlesex, First Norfolk, Suffolk and Worcester. Where county government has been abolished, the functions, duties and responsibilities of the government have been transferred to the Commonwealth, including all employees, assets, valid liabilities and debts. The remaining five county governments (Barnstable, Bristol, Dukes, Nantucket, Second Norfolk and Plymouth) are responsible principally for the operation of courthouses and registries of deeds. The Registrar of Deeds of each county continues to be elected by the residents of the respective county, although in counties where the county

government has been abolished, the county budget is administered by the Commonwealth. Sheriffs continue to be elected by residents of their respective counties, although they, along with county houses of corrections, have been administratively placed under the Commonwealth's Executive Office of Public Safety.

Initiative Petitions

Under the Massachusetts constitution, legislation may be enacted in the Commonwealth pursuant to a voter initiative process. Initiative petitions which have been certified by the Attorney General as to proper form and as to which the requisite number of voter signatures has been collected are submitted to the Legislature for consideration. If the Legislature fails to enact the measure into law as submitted, the petitioner may place the initiative on the ballot for the next statewide general election by collecting additional voter signatures. If approved by a majority of the voters at the general election, the petition becomes law 30 days after the date of the election. Initiative petitions so approved by the voters do not constitute constitutional amendments and may be subsequently amended or repealed by the Legislature. Initiative petitions may not make appropriations.

Constitutional amendments also may be initiated by citizens, but they follow a longer adoption process, which includes gaining at least 25% of the votes of the House of Representatives and Senate jointly assembled in constitutional convention in two successive biennial legislative sessions before being decided by the voters.

On September 4, 2019, the Attorney General certified an initiative petition that, if approved, would require the Commonwealth to change the formula used to determine reimbursement rates for nursing homes and rest homes in the Commonwealth. The sponsors of the petition submitted sufficient signatures to the Secretary of the Commonwealth by the December 4, 2019 deadline. After the petition was submitted to the Legislature for consideration and the Legislature did not act on the petition as of May 5, 2020, the sponsors had the opportunity to place the petition on the November 2020 ballot, but failed to collect the requisite number of signatures by July 1, 2020.

In 2019, an amendment to the Massachusetts constitution was proposed to the Legislature which would increase the personal income tax. See "COMMONWEALTH REVENUES – Income Tax."

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COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS

Operating Fund Structure

The Commonwealth's operating fund structure satisfies the requirements of state finance law and is in accordance with GAAP, as defined by GASB. The General Fund and other funds that are appropriated in the annual state budget receive most of the non-bond and non-federal grant revenues of the Commonwealth. These funds are referred to in this Information Statement as the "budgeted operating funds" of the Commonwealth. Budgeted operating funds are created and repealed from time to time through the enactment of legislation, and existing funds may become inactive when no appropriations are made from them. Budgeted operating funds do not include the capital projects funds of the Commonwealth, into which the proceeds of Commonwealth bonds are deposited. See "Capital Investment Process and Controls" below.

Two of the budgeted operating funds account for most of the Commonwealth's appropriated spending: the General Fund and the Commonwealth Transportation Fund (formerly the Highway Fund), from which approximately 98.5% of the budgeted operating fund outflows in fiscal 2019 were made. The remaining approximately 1.5% of budgeted operating fund outflows occurred in other operating funds: the Commonwealth Stabilization Fund, the Intragovernmental Service Fund, the Inland Fisheries and Game Fund, the Marine Recreational Fisheries Development Fund, the Underground Storage Tank Petroleum Product Cleanup Fund, the Public Safety Training Fund, the Local Capital Projects Fund, the Gaming Local Aid Fund, the Education Fund, the Local Aid Stabilization Fund, the Gaming Economic Development Fund, the Community College Fund and the Marijuana Regulation Fund. A number of budgeted funds were authorized by law but had no activity in fiscal 2019.

At the end of a fiscal year, undesignated balances in the budgeted operating funds, unless excluded by law, are used to calculate the consolidated net surplus. Under state finance law, balances in the Stabilization Fund, the Tax Reduction Fund, the Inland Fisheries and Game Fund, the Marine Recreational Fisheries Fund, the Public Safety Training Fund and the Local Aid Stabilization Fund are excluded from the consolidated net surplus calculation. According to state finance law, deficits in any funds included in the consolidated net surplus calculation are eliminated by transfers from other consolidated net surplus funds that have surplus balances, and any undesignated or unreserved balances remaining in the consolidated net surplus funds are transferred to the Commonwealth Stabilization Fund.

Overview of Operating Budget Process

Generally, funds for the Commonwealth's programs and services must be appropriated by the Legislature. The process of preparing a budget begins with the executive branch early in the fiscal year preceding the fiscal year for which the budget will take effect. The legislative budgetary process begins in late January (or, in the case of a newly elected Governor, not later than early March) with the Governor's budget submission to the Legislature for the fiscal year commencing in the ensuing July. The Massachusetts constitution requires that the Governor recommend to the Legislature a budget which contains a statement of all proposed expenditures of the Commonwealth for the upcoming fiscal year, including those already authorized by law, and of all taxes, revenues, loans and other means by which such expenditures are to be defrayed. State finance law requires the Legislature and the Governor to approve a balanced budget for each fiscal year, and the Governor may approve no supplemental appropriation bills that would result in an unbalanced budget. However, this is a statutory requirement that may be superseded by an appropriation act.

The House Committee on Ways and Means considers the Governor's budget recommendations and, with revisions, proposes a budget to the full House of Representatives. Once approved by the House, the budget is considered by the Senate Committee on Ways and Means, which in turn proposes a budget, with revisions, to be considered by the full Senate. In recent years, the legislative budget review process has included joint hearings by the Ways and Means Committees of the Senate and the House. After Senate action, a legislative conference committee develops a joint budget recommendation for consideration by both houses of the Legislature, which upon adoption is sent to the Governor. Under the Massachusetts constitution, the Governor may veto the budget in whole or disapprove or reduce specific line items (line-item veto). The Legislature may override the Governor's veto or specific line-item vetoes by a two-thirds roll-call vote of both the House and Senate. The annual budget legislation, as finally enacted, is known as the General Appropriations Act.

In years in which the General Appropriations Act is not approved by the Legislature and the Governor before the beginning of the applicable fiscal year, the Legislature and the Governor generally approve a temporary budget under which funds for the Commonwealth's programs and services are appropriated based upon the level of appropriations from the prior fiscal year budget, adjusted for any known changes in the level of spending during the first month or months of the current fiscal year. See "SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS" regarding the budgeting process for fiscal 2021 in light of the outbreak of the COVID-19 pandemic.

State finance law requires the Commonwealth to monitor revenues and expenditures during a fiscal year. For example, the Comptroller publishes a quarterly report of planned and actual revenues. See "COMMONWEALTH REVENUES – Tax Revenue Forecasting." Department heads are required to notify the Secretary of Administration and Finance and the House and Senate Committees on Ways and Means of any anticipated decrease in estimated revenues for their departments from the federal government or other sources or if it appears that any appropriation will be insufficient to meet all expenditures required in the fiscal year by any law, rule, regulation or order not subject to administrative control. The Secretary of Administration and Finance must notify the Governor and the House and Senate Committees on Ways and Means whenever the Secretary determines that revenues will be insufficient to meet authorized expenditures. The Secretary of Administration and Finance is then required to compute projected deficiencies and, under Section 9C of Chapter 29 of the General Laws, the Governor is required to reduce allotments, to the extent lawfully permitted to do so, or submit proposals to the Legislature to raise additional revenues or to make appropriations from the Stabilization Fund to cover such deficiencies. The Supreme Judicial Court has ruled that, under current law, the Governor's authority to reduce allotments of appropriated funds extends only to appropriations of funds to state agencies under the Governor's control.

Cash and Budgetary Controls

The Commonwealth has in place controls designed to ensure that (i) sufficient cash is available to meet the Commonwealth's obligations, (ii) state expenditures are consistent with periodic allotments of annual appropriations, and (iii) moneys are expended consistently with statutory and public purposes. Two independently elected Executive Branch officials, the State Treasurer and the State Auditor, conduct the cash management and audit functions, respectively. Regarding periodic allotments, at the beginning of each fiscal year the Executive Office for Administration and Finance schedules the rate at which agencies will have access to funds included in their appropriation through a published periodic allotment calendar. Under state finance law, monthly appropriation allotments are ordinarily one-twelfth of the annual amount, but the Executive Office for Administration and Finance may provide for greater or lesser monthly allotments in appropriate cases. This calendar is reviewed regularly, and depending on the fiscal climate, the Executive Office for Administration and Finance may choose to adjust the allotment schedule in order to tighten spending controls. In some cases agencies may request an ad hoc allotment in order to gain access to funds faster than the existing periodic allotment schedule would allow (*e.g.*, exceptional cases where unique payment concerns must be considered); such requests are carefully reviewed by the Executive Office for Administration and Finance before they are approved. The Comptroller conducts the expenditure control function.

Capital Investment Process and Controls

Capital expenditures are primarily financed with debt proceeds and federal reimbursements. Authorization for capital spending requires approval by the Legislature, and the issuance of debt must be approved by a two-thirds roll-call vote of each house of the Legislature. The state constitution requires the Governor to recommend the terms of the authorized debt. The State Treasurer issues authorized debt at the request of the Governor, and the Governor, through the Secretary of Administration and Finance, controls the amount of capital expenditures through the allotment of funds pursuant to such authorizations. The Executive Office for Administration and Finance establishes a capital investment plan on or before July 1 each year pursuant to state law. The capital investment plan is an administrative guideline and is subject to amendment from time to time. See "COMMONWEALTH CAPITAL INVESTMENT PLAN."

The Comptroller has established various funds to account for financial activity related to the acquisition or construction of capital assets. In addition, accounting procedures and financial controls have been instituted to limit agency capital spending to the levels approved by the Governor. Capital spending is tracked against the capital

investment plan on both a cash and encumbrance accounting basis on the state's accounting system, and federal reimbursements are budgeted and monitored against anticipated receipts.

Cash Management Practices of State Treasurer

The State Treasurer is responsible for ensuring that all Commonwealth financial obligations are met on a timely basis. The Massachusetts constitution requires that all payments by the Commonwealth (other than debt service) be made pursuant to a warrant approved by the Governor's Council. The Comptroller prepares certificates which, with the advice and consent of the Governor's Council and approval of the Governor, become the warrant to the State Treasurer. Once the warrant is approved, the State Treasurer's office disburses the money. Debt service is specifically exempted by the state constitution from the warrant requirement, but requires an appropriation to be paid.

The Cash Management Division of the State Treasurer's office utilizes approximately 900 operating accounts to track cash collections and disbursements for the Commonwealth. The Division relies primarily upon electronic receipt and disbursement systems.

The State Treasurer, in conjunction with the Executive Office for Administration and Finance, is required to submit quarterly cash flow projections for the then current fiscal year to the House and Senate Committees on Ways and Means on or before the last day of August, November, February and May. The projections must include estimated sources and uses of cash, together with the assumptions from which such estimates were derived and identification of any cash flow gaps. See "FISCAL 2020 AND FISCAL 2021 – Cash Flow." The State Treasurer's office, in conjunction with the Executive Office for Administration and Finance, is also required to develop quarterly and annual cash management plans to address any gap identified by the cash flow projections and variance reports. The State Treasurer's office oversees the issuance of short-term debt to meet cash flow needs, including the issuance of commercial paper and revenue anticipation notes. See "LONG-TERM LIABILITIES – General Obligation Debt."

Cash that is not needed for immediate funding is invested in the Massachusetts Municipal Depository Trust. The State Treasurer serves as trustee of the Trust and has sole authority pertaining to rules, regulations and operations of the Trust. The Trust has two investment options: a short-term liquidity vehicle or "cash portfolio" structured similarly to a money market fund and a short-term bond fund. For additional detail on the Massachusetts Municipal Depository Trust, see "FISCAL 2020 AND FISCAL 2021 – Cash Flow."

Fiscal Control, Accounting and Reporting Practices of the Comptroller

The Comptroller is responsible for oversight of fiscal management functions, establishment of accounting policies and practices, and publication of official financial reports. The Comptroller maintains the Massachusetts Management Accounting and Reporting System (MMARS), the centralized state accounting system that is used by all state agencies and departments for processing of all financial transactions. The University of Massachusetts, the state universities and the community colleges process only some transactions on MMARS, and the independent state authorities do not use the system. MMARS provides a ledger-based system of revenue and expenditure accounts enabling the Comptroller to control obligations and expenditures effectively and to ensure that appropriations are not exceeded during the course of the fiscal year. The Commonwealth's statewide accounting system also has various modules for receivables, payables, capital assets and other processes management.

Expenditure Controls. The Comptroller requires that the amount of all obligations under purchase orders, contracts and other commitments for the expenditures of moneys be recorded as encumbrances. Once encumbered, these amounts are not available to support additional spending commitments. As a result of these encumbrances, spending agencies can use MMARS to determine at any given time the amount of their appropriations available for future commitments.

The Comptroller is responsible for compiling expenditure requests into the certificates for approval by the Governor's Council. The Council approves an estimated warrant giving the Treasurer authority to issue payments up to the amount on the warrant, as long as those payments are otherwise determined by the Comptroller to comply with state finance law. In preparing these certificates, which become the warrant, the Comptroller's office has

systems in place to ensure that the necessary moneys for payment have been both appropriated by the Legislature and allotted by the Governor in each account and sub-account. By law, certain obligations may be placed upon the warrant even if the supporting appropriation or allotment is insufficient. These obligations include Medicaid payments, which are mandated by federal law.

Although state finance law generally does not create priorities among types of payments to be made by the Commonwealth in the event of a cash shortfall, the Comptroller has developed procedures, in consultation with the State Treasurer and the Executive Office for Administration and Finance, for prioritizing payments based upon state finance law and sound fiscal management practices.

Internal Controls. The Comptroller establishes internal control policies and procedures in accordance with state finance law. Agencies are required to adhere to such policies and procedures. All unaccounted-for variances, losses, shortages or thefts of funds or property must be reported to the State Auditor, who is authorized to investigate and recommend corrective action.

Statutory Basis of Accounting. In accordance with state law, the Commonwealth adopts its budget and maintains financial information on a statutory basis of accounting. Under the statutory basis, tax and departmental revenues are accounted for on a modified cash basis by reconciling revenue to actual cash receipts confirmed by the State Treasurer. Certain limited revenue accruals are also recognized, including receivables from federal reimbursements with respect to paid expenditures. Expenditures are measured on a modified cash basis, including actual cash disbursements and encumbrances for goods or services received prior to the end of a fiscal year.

For certain programs, such as Medicaid, expenditures are recognized under the statutory basis of accounting only to the extent of disbursements supported by current-year appropriations. Some prior year services billed after the start of a fiscal year have been paid from the new fiscal year's appropriation, in an amount determined by the specific timing of billings and the amount of prior year funds that remained after June 30 to pay the prior year's accrued billings, though this practice may vary from year to year.

GAAP Basis of Accounting. The Comptroller also prepares Commonwealth financial statements on a GAAP basis. In addition to the primary government, certain independent authorities and agencies of the Commonwealth are included as component units within the Commonwealth's reporting entity.

GAAP employs an economic resources management focus and a current financial resources management focus as two bases for accounting and reporting. Under the economic resources management focus (also called the "government-wide perspective") revenues and expenses (different from expenditures) are presented similarly to private-sector entities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Capital assets, including infrastructure assets net of depreciation, and the long-term portion of all liabilities are reported on the statement of net position.

Under the current financial resources management focus of GAAP (also called the "fund perspective" or "modified accrual" basis), the primary emphasis is to demonstrate inter-period equity. Revenues are reported in the period in which they become both measurable and available. Revenues are considered available when they are expected to be collected within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenues susceptible to accrual include income, sales and use, corporation and other taxes, federal revenues (including both grants and reimbursements) and reimbursements for the use of materials and services. Tax accruals, which include the estimated amounts due to the Commonwealth on previous filings, over- and under-withholdings, estimated payments on income earned and tax refunds and abatements payable, are all recorded as adjustments to statutory basis tax revenues.

Major expenditure accruals are recorded for the cost of Medicaid claims that have been incurred but not paid, claims and judgments and workers' compensation claims incurred but not reported and contract assistance and

amounts due to municipalities and state authorities. See Exhibit C – Comprehensive Annual Financial Report for the year ended June 30, 2019; Page 3 and Notes to the Basic Financial Statements.

Audit Practices of State Auditor

The State Auditor is mandated under state law to conduct an audit at least once every three years of the accounts of all departments, offices, commissions, institutions and activities of the Commonwealth. This audit encompasses hundreds of state entities, including the court system and independent authorities. The State Auditor also has the authority to audit federally aided programs and vendors and their subcontractors under contract with the Commonwealth as well as to conduct special audit projects. Further, the State Auditor upon a ratified majority vote by the board of selectmen or school committee, may, in the Auditor’s discretion, audit the accounts, programs, activities and other public functions of a town, district, regional school district, city or county. The State Auditor conducts both compliance and performance audits in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Within the State Auditor’s office is the Division of Local Mandates, which evaluates proposed and actual legislation to determine the financial impact on the Commonwealth’s cities and towns. In accordance with state law, the Commonwealth is required to reimburse cities and towns for any costs incurred through mandated programs established after the passage of Proposition 2½, the statewide tax limitation enacted by the voters in 1980, unless expressly exempted from those provisions, and the State Auditor’s financial analysis is used to establish the amount of reimbursement due to the Commonwealth’s cities and towns. See “COMMONWEALTH EXPENDITURES – Local Aid; *Property Tax Limits.*”

Also within the State Auditor’s office is the Bureau of Special Investigations, which is charged with the responsibility of investigating fraud within public assistance programs.

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COMMONWEALTH REVENUES

This section contains a description of the major categories of Commonwealth revenues. See “COMMONWEALTH EXPENDITURES” for a description of the major categories of Commonwealth expenditures. All amounts and percentages for fiscal 2020 are preliminary and unaudited and for fiscal 2021 are projected.

In order to fund its programs and services, the Commonwealth collects a variety of taxes and receives revenues from other non-tax sources, including the federal government and various fees, fines, court revenues, assessments, reimbursements, interest earnings and transfers from its non-budgeted funds, which are deposited in the General Fund, the Commonwealth Transportation Fund (formerly the Highway Fund) and other budgeted operating funds. Revenues deposited in such funds are referred to as budgeted operating revenues in this Information Statement. In fiscal 2020, on a statutory basis, approximately 57.5% of the Commonwealth’s budgeted operating revenues and other financing sources were derived from state taxes. In addition, the federal government provided approximately 27.6% of such revenues, with the remaining 15.0% provided from departmental revenues and transfers from non-budgeted funds.

The Commonwealth’s executive and legislative branches establish the Commonwealth’s budget using the statutory basis of accounting, which differs from a GAAP basis. See “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures” and “– GAAP Basis.”

State Taxes

The major components of state taxes are the income tax, which accounted for approximately 57.6% of total budgeted tax revenues in fiscal 2020, the sales and use tax, which accounted for approximately 22.7% of total budgeted tax revenues in fiscal 2020, and the corporations and other business and excise taxes (including taxes on insurance companies and financial institutions), which accounted for approximately 10.0% of total budgeted tax revenues in fiscal 2020. Other tax and excise sources accounted for the remaining 9.7% of total budgeted tax revenues in fiscal 2020.

The Governor annually files a “tax expenditure budget” that provides a list, description and revenue estimates of various tax credits, deductions and exemptions that represent departures from the basic provisions of the state tax code. See “Tax Credits and Other Incentives” below.

On December 22, 2017, President Trump signed into law Public Law 115-97, making major changes to the federal Internal Revenue Code, most of which were effective in the 2018 tax year, including extensive changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs. Because the Commonwealth’s tax system interacts with the federal system, the changes to the federal Internal Revenue Code have flow-through effects on the Commonwealth’s tax system and revenues. Legislation adjusting the Commonwealth’s income tax laws and corporation tax laws in response to the new forms of income that are recognized and new federal tax expenditures that are created under Public Law 115-97 was enacted on October 23, 2018 and March 29, 2019.

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Income Tax. The Commonwealth assesses personal income taxes at flat rates, according to classes of income, after specified deductions and exemptions. As of January 1, 2020, the current state personal income tax rate applied to most classes of taxable income is 5.0%. The state personal income tax rate on most classes of taxable income was gradually reduced from 5.3% effective January 1, 2002 to 5.0% effective January 1, 2020 in increments of 0.05% as set forth in the following table as result of statutory “baseline” state tax revenue growth triggers (*i.e.*, revenue growth after factoring out the impact of tax law and administrative processing changes), as required by law. Once reduced to 5.0%, current law does not provide for any further decreases or increases without further legislative action.

State Personal Income Tax Rate

Effective Date (January 1)	Tax Rate
2002	5.30%
2012	5.25
2014	5.20
2015	5.15
2016	5.10
2019	5.05
2020	5.00

Current law requires that in the tax year following that in which the personal income tax rate is reduced to 5.0%, the state charitable deduction, which was in effect for tax year 2001 but subsequently suspended, will be restored. With the personal income tax rate being reduced to 5.0% effective on January 1, 2020, under current law the state charitable deduction is to be reinstated effective January 1, 2021. The Governor has proposed a one-year delay in the reinstatement of this deduction in his proposed budget for fiscal 2021, as revised in October 2020. See “FISCAL 2020 AND FISCAL 2021 – Fiscal 2021.”

The Department of Revenue estimates that the revenue loss impact of the rate reduction from 5.05% to 5.0% was approximately \$84 million for fiscal 2020 and will be approximately \$157 million for fiscal 2021. If reinstated, the estimated revenue loss impact of the state charitable deduction is approximately \$64 million for fiscal 2021 and \$300 million on a full fiscal year basis.

The following table shows the Department of Revenue’s estimated impacts on income tax revenue of the state income tax rate reductions described above in fiscal years 2013 through 2021, inclusive.

Revenue Loss Impact of Income Tax Rate Reductions (millions)

Decrease from:	Fiscal <u>2013</u>	Fiscal <u>2014</u>	Fiscal <u>2015</u>	Fiscal <u>2016</u>	Fiscal <u>2017</u>	Fiscal <u>2018</u>	Fiscal <u>2019</u>	Fiscal <u>2020 (1)</u>	Fiscal <u>2021 (1)</u>
5.3% to 5.25%	\$114	\$119	\$124	\$130	\$136	\$142	\$148	\$147	\$138
5.25% to 5.20%	-	65	133	138	145	151	158	157	147
5.20% to 5.15%	-	-	70	145	152	158	165	164	154
5.15% to 5.10%	-	-	-	74	152	159	166	164	154
5.10% to 5.05%	-	-	-	-	-	-	84	166	156
5.05% to 5.0%	-	-	-	-	-	-	-	84	157

Source: Department of Revenue.

(1) Income tax revenue impacts in fiscal 2020 are preliminary and unaudited and in fiscal 2021 are projected.

In 2019, an amendment to the Massachusetts constitution was proposed in the Legislature which would increase the personal income tax rate by 4.0% on income above \$1 million, effective fiscal 2023, to be adjusted annually to reflect cost of living adjustments. In order for a proposed legislative amendment to the Massachusetts constitution to become effective, it must be approved by a majority of the members of a constitutional convention in each of two successive conventions and then approved by a majority of the voters at the general election. The

amendment (H. 86) was approved by a majority of the members during the 2019-2020 constitutional convention and will also need to be approved by a majority of the members in the 2021-2022 constitutional convention in order to be included on the November 2022 ballot for voter approval.

Capital Gains Component of the Income Tax. The tax rate on gains from the sale of capital assets held for one year or less and from the sale of collectibles is 12%. The tax rate on gains from the sale of capital assets owned more than one year is currently 5.00% (effective January 1, 2020), and is equal to the state personal income tax rate. Current state finance law provides for tax revenues collected from capital gains income during a fiscal year that exceed a specified threshold to be transferred as follows: 90% of such amount to the Commonwealth's Stabilization Fund, 5% of such amount to the State Retiree Benefits Trust Fund and 5% of such amount to the Commonwealth's Pension Liability Fund. The specified threshold is certified annually by the Department of Revenue each December for the ensuing fiscal year as part of the consensus revenue process. However, the requirement to transfer capital gains tax collections may be modified or superseded by individual appropriation acts. For a discussion of the specified threshold and the capital gains taxes deposited to the Stabilization Fund, see "SELECTED FINANCIAL DATA – Stabilization Fund."

Sales and Use Tax. The sales tax rate imposed on retail sales of certain tangible property (including retail sales of meals) transacted in the Commonwealth and a corresponding use tax rate on the storage, use or other consumption of like tangible properties brought into the Commonwealth is 6.25%. Food, clothing, prescribed medicine, materials and produce used in food production, machinery, materials, tools and fuel used in certain industries and property subject to other excises (except for cigarettes and recreational marijuana) are exempt from sales taxation. The sales and use tax is also applied to sales of electricity, gas and steam for certain nonresidential use and to nonresidential and a portion of residential use of telecommunications services.

Certain sales tax receipts are required to be credited to the Convention Center Fund. The Convention Center Fund is not included in the calculation of revenues for budgeted operating funds. See "LONG-TERM LIABILITIES – Special Obligation Debt; *Convention Center Fund.*"

A portion of the Commonwealth's receipts from the sales tax (other than the tax on meals) is dedicated through non-budgeted special revenue funds to the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). The amount dedicated to the MSBA is the amount raised by a 1% sales tax (not including meals). The amount dedicated to the MBTA is the greater of (i) the amount raised by a 1% sales tax (not including meals), plus \$160 million and (ii) an annually adjusted floor. The floor grows each year by the allowable base revenue growth (the lesser of sales tax growth or inflation, but not greater than 3% and not less than 0%), and was certified as \$1.06 billion for fiscal 2020 and \$1.08 billion for fiscal 2021.

The Commonwealth's receipts from the sales tax on account of motor vehicle sales (net of amounts required to be credited to the Convention Center Fund or dedicated to the MBTA or MSBA) are dedicated to the Commonwealth Transportation Fund.

Legislation approved by the Governor in June 2018 established an annual two-day sales and meals tax holiday in August of each year, commencing August 2019. The fiscal 2020 budget repealed the meals tax holiday.

In June 2018, the Supreme Court of the United States issued a ruling in *South Dakota v. Wayfair* that effectively removes earlier constraints on states seeking to require out-of-state sellers to collect and remit sales tax. However, because the Commonwealth had previously established collect-and-remit agreements covering the majority of sales by out-of-state sellers to Massachusetts residents, and has proactively asserted the obligation to collect sales taxes from out-of-state sellers with economic scale in Massachusetts, the incremental impact of *South Dakota v. Wayfair* on Commonwealth tax revenues has been limited. The revenue projections for budgeting purposes, as described under the heading "Tax Revenue Forecasting" below, include both existing and incremental collections on internet sales as a component of overall sales tax revenue.

Provisions included in the fiscal 2020 budget required online marketplace facilitators to collect and remit Massachusetts sales and use tax on behalf of vendors who sell their goods on the marketplace, provided the marketplace's sales within the Commonwealth exceed the threshold of \$100,000. These provisions also subject

remote sellers to the registration, collection and remittance requirements of the sales and use tax if the remote seller's sales within the Commonwealth exceed the threshold of \$100,000.

Business Corporations Tax. Business corporations doing business in the Commonwealth, other than banks and other financial institutions, insurance companies, railroads and safe deposit companies, are subject to an excise that has a property measure and an income measure. The value of Massachusetts tangible property (not taxed locally) or net worth allocated to the Commonwealth is taxed at \$2.60 per \$1,000 of value. The net income assigned to Massachusetts, which is based on net income for federal taxes, is taxed at 8.0%. The minimum tax is \$456.

In general, corporations apportion their income to Massachusetts based on the proportion of payroll, property and sales within the Commonwealth, with sales being double-weighted. This general rule does not apply to manufacturing companies or to mutual fund service corporations. The net income of such entities is apportioned only by the percentage of their Massachusetts sales.

Financial Institutions Tax. Financial institutions (which include commercial and savings banks) are subject to an excise tax. The net income assigned to Massachusetts is taxed at 9.0%. In general, financial institutions apportion their income to Massachusetts based on the proportion of receipts, payroll and property within the Commonwealth.

Insurance Taxes. Life insurance companies are subject to a 2% tax on gross premiums. Property and casualty insurance companies are subject to a 2.28% tax on gross premiums. Domestic property and casualty insurance companies also pay a 1% tax on gross investment income.

Other Taxes. Other tax revenues are derived by the Commonwealth from excise taxes on motor fuels, cigarettes and other tobacco products, alcoholic beverages, deeds, and hotel/motel room occupancy, as well as taxes on estates, among other tax sources. Commencing July 1, 2018, current law imposes an excise tax, in addition to the regular sales tax, on retail sales of recreational marijuana and marijuana products, providing for the maximum combined state and local tax rate on recreational marijuana of 20%.

On December 28, 2018, the Governor approved legislation imposing state and local excise taxes on the short-term rentals of property for more than 14 days in a calendar year. The legislation became effective July 1, 2019 and applies to rental contracts entered into on or after January 1, 2019.

On November 27, 2019, the Governor approved legislation imposing an excise of 75% on the wholesale price of all electronic nicotine delivery systems and restricting the sale of all flavored tobacco products and flavored tobaccos product enhancers, including flavored vaping products, to licensed smoking bars for on-site consumption. The legislation also restricts the sale of vaping products with nicotine content greater than 35 grams per milliliter to retail tobacco stores and licensed smoking bars. The restriction on the sale of flavored vaping products became effective immediately. Other provisions of the legislation, including the prohibition on flavored tobacco products and flavored tobacco product enhancers, took effect on June 1, 2020. The Department of Revenue estimates the net revenue loss impact of this legislation was approximately \$1.0 million in fiscal 2020 and projects the net revenue loss impact will be approximately \$85.4 million in fiscal 2021.

Tax Credits and Other Incentives. Massachusetts law provides for a variety of tax credits that may be applied against corporate excise or personal income taxes due, as applicable under relevant law. These credits are designed as benefits for specified economic activities as a means to encourage such business in the state. Certain of these credits, to the extent not used to reduce a current tax liability, may be carried forward, transferred or refunded, as specified in the applicable statute. In addition, certain statutory provisions may also provide an exemption from sales and use taxes for qualifying expenditures, or other specified tax benefits.

The Governor annually publishes a “tax expenditure budget” that provides a list, description and revenue estimate of various tax credits, deductions and exemptions that represent departures from the basic provisions of the state tax code. A summary of the tax expenditure budget published on January 22, 2020 appears below.

Fiscal 2021 Tax Expenditure Budget Summary (in millions)

<u>Tax Type</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>
Personal Income Tax	\$7,273.4	\$8,155.6	\$8,894.9	\$9,322.1	\$9,749.1
Corporate and Other Business Excise	2,002.2	2,017.4	2,083.7	2,144.4	2,196.3
Sales and Use Tax	<u>4,719.6</u>	<u>4,994.2</u>	<u>5,177.1</u>	<u>5,307.6</u>	<u>5,456.4</u>
Total	\$13,995.2	\$15,167.2	\$16,155.7	\$16,774.1	\$17,401.8

SOURCE: Department of Revenue.

Under legislation approved June 15, 2018, in support of the life sciences industry, up to \$30 million per year in tax incentives is available to certified life sciences companies over a 10-year period, commencing January 1, 2019 and ending on December 31, 2028, for an aggregate amount of \$300 million. The Department of Revenue estimates that this program, which previously had an annual cap of \$25 million, resulted in revenue reductions of \$11.2 million in fiscal 2016, \$14.1 million in fiscal 2017, \$16.5 million in fiscal 2018, \$17.0 million in fiscal 2019 and \$20.0 million in fiscal 2020. The Massachusetts Life Sciences Center board has approved \$19.5 million in tax incentives that are expected to be utilized in fiscal 2021.

Tax Revenue Forecasting

Under state law, on or before October 15 of each year, the Secretary of Administration and Finance is required to submit to the Governor and to the House and Senate Committees on Ways and Means estimates of revenues available to meet appropriations and other needs in the current fiscal year and the following fiscal year.

On or before January 15 of each year (January 31 in the first year of a new Governor), the Secretary is required to develop jointly with the House and Senate Committees on Ways and Means a consensus tax revenue forecast for the following fiscal year. State finance law requires that the consensus tax revenue forecasts be net of the amounts necessary to fully fund the pension system according to the applicable funding schedule, and to fulfill statutory commitments to the MBTA and the MSBA. These amounts are to be transferred without further appropriation from the General Fund. See “Sales and Use Tax” above and “PENSION AND OPEB FUNDING.”

An additional component of the consensus revenue process is the requirement that the consensus tax revenue forecast joint resolution include a benchmark for the estimated growth rate of Massachusetts potential gross state product (PGSP). Health care cost control legislation requires that the Secretary and the House and Senate Committees on Ways and Means include a PGSP growth benchmark for the ensuing calendar year. PGSP is a measure of the “full employment” output of the Commonwealth’s economy. The PGSP growth benchmark is used by the Massachusetts Health Policy Commission to establish the Commonwealth’s health care cost growth benchmark. See “COMMONWEALTH EXPENDITURES – Medicaid and the Health Connector; *Health Care Cost Containment.*”

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The following table compares actual budgeted tax revenues to consensus tax revenue forecasts for fiscal 2016 to 2020 and provides the projected consensus forecast for fiscal 2021. Figures for fiscal 2020 are preliminary and unaudited and for fiscal 2021 are projected. The figures include sales tax receipts dedicated to the MBTA and the MSBA and amounts transferred to the state pension system. Commencing with fiscal 2015, tax-related settlements or judgments exceeding \$10 million are counted separately from the consensus revenue estimate in the General Appropriations Act.

Tax Revenue Forecasting (in millions)						
	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Preliminary Fiscal 2020 (1)	Projected Fiscal 2021 (1)
Consensus forecast (2)	\$25,479	\$26,860	\$27,072	\$27,594	\$29,299 (5)	\$31,151 (8)
GAA assumption of tax-related settlements and judgments exceeding \$10 million	100	125	125	25	50	
Total taxes per enacted budget (3)	<u>\$25,711</u>	<u>\$26,356</u>	<u>\$26,629</u>	<u>\$28,417</u> (4)	<u>\$30,149</u> (6)	
October revision (2)	-	26,056	-	-	-	27,592 (8)
January revision (2)	25,751	-	26,661	28,592 (4)	30,289 (7)	
Actual budgeted operating tax revenues (3)	<u>\$25,425</u>	<u>\$25,662</u>	<u>\$27,787</u>	<u>\$29,740</u>	<u>29,620</u>	
Actual budgeted revenues as a percentage of consensus forecast	99.8%	95.5%	102.6%	107.8%	101.1%	
Actual budgeted revenues as a percentage of total taxes per enacted budget	98.9%	97.4%	104.3%	104.7%	98.2%	

SOURCE: Executive Office for Administration and Finance; actual budgeted operating tax revenues, Office of the Comptroller.

- (1) The amounts for fiscal 2020 are preliminary and unaudited and for fiscal 2021 are projected.
- (2) Excluding tax-related settlements exceeding \$10 million each.
- (3) Including tax-related settlements exceeding \$10 million each.
- (4) Including an estimated \$63 million from marijuana sales and excise taxes.
- (5) Does not include any revenue from marijuana sales or excise taxes.
- (6) Including \$593.5 million of upward adjustments assumed in the final fiscal 2020 budget due to actual fiscal 2019 results, plus \$206.7 million of additional adjustments, including an estimated \$132.5 million from marijuana sales and excise taxes, \$41.7 million of sales and use marketplace taxes, \$27.5 million of taxes on short-term property rentals and \$5.0 million due to a reduction in life sciences tax incentives.
- (7) Including an estimated \$132.5 million from marijuana sales and excise taxes.
- (8) Revised from \$31.151 billion to \$27.592 billion on October 14, 2020. See "SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS."

On December 31, 2018, a fiscal 2020 consensus tax revenue estimate of \$29.299 billion was agreed upon by the Secretary and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2020 consensus tax revenue estimate represented revenue growth of 2.7% from the revised fiscal 2019 estimate of \$28.529 billion. The fiscal 2020 consensus tax revenue estimate did not include any revenue from marijuana sales or excise taxes. The consensus tax revenue estimate for fiscal 2020 assumed that another income tax trigger would go into effect on January 1, 2020, lowering the state personal income tax rate on most classes of taxable income to 5.00% from 5.05%. On July 31, 2019, the Governor approved the fiscal 2020 budget, which assumed tax revenues of \$30.099 billion, excluding tax-related settlements exceeding \$10 million each. The tax revenue estimate of \$30.099 billion reflected in the fiscal 2020 budget adjusted the original consensus tax revenue estimate upward to reflect actual fiscal 2019 results and additional taxes, including \$132.5 million of marijuana sales and excise taxes.

On January 13, 2020, the Secretary of Administration and Finance certified a revised fiscal 2020 tax revenue estimate of \$30.289 billion, including an estimated \$132.5 million from marijuana sales and excise taxes.

Also on January 13, 2020, a fiscal 2021 consensus tax revenue estimate of \$31.151 billion was agreed upon by the Secretary and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2021 consensus tax revenue estimate represented revenue growth of 2.8% from the revised fiscal 2020 estimate of \$30.289 billion. On October 14, 2020, the Secretary of Administration and Finance revised the fiscal 2021 revenue estimate downward to \$27.592 billion, or 11.4% lower than the original consensus revenue estimate. The revised \$27.592 billion figure for fiscal 2021 includes transfers of \$3.115 billion for pension funding, \$1.102 billion in dedicated sales tax receipts for the MBTA, \$942 million in dedicated sales tax receipts for the MSBA, and \$25 million for the Workforce Training Fund. The total amount of off-budget transfers is \$5.252 billion.

The Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means also agreed in January 2020 upon a PGSP estimate of 3.6% for calendar year 2020, which is identical to the PGSP figure that was adopted for calendar years 2016 through 2019. The PGSP growth benchmark is to be used by the Health Policy Commission to establish the Commonwealth’s health care cost growth benchmark for calendar year 2020. See “COMMONWEALTH EXPENDITURES – Medicaid and the Health Connector; *Health Care Cost Containment.*”

Fiscal 2020 and Fiscal 2021 Tax Revenues

Fiscal 2020. The fiscal 2020 budget was based on estimated tax collections of \$30.099 billion, including revenues dedicated to the MBTA, the MSBA and the Workforce Training Fund. The estimate included revenues from marijuana sales and excise taxes, estimated to be \$132.5 million, and excluded tax-related settlements and judgments exceeding \$10 million, which were assumed to be \$50 million. The estimate was revised upward by \$190 million from \$30.099 billion to \$30.289 billion on January 13, 2020.

The following table shows the tax collections for fiscal 2020, including income tax payments originally due in fiscal 2020 but which were received in fiscal 2021, and the change from tax collections in the same period in the prior year, both in dollars and as a percentage. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.” The table also notes the amount of tax collections during the fiscal year that are dedicated to the MBTA and the MSBA.

Fiscal 2020 Tax Collections (in millions) (1)

<u>Month</u>	<u>Tax Collections</u>	<u>Change from Prior Year</u>	<u>Percentage Change</u>	<u>MBTA Portion</u>	<u>MSBA Portion</u>	<u>Tax Collections: Net of MBTA and MSBA</u>
July	\$2,026.0	\$112.2	5.9%	\$91.3	\$77.9	\$1,856.8
August	1,985.9	143.7	7.8	91.8	78.4	1,815.7
September	3,202.4	(60.2)	(1.8)	88.4	75.1	3,038.8
October	2,027.0	113.5	5.9	92.0	78.7	1,856.3
November	2,093.0	236.5	12.7	91.6	78.2	1,923.2
December	2,612.0	40.6	1.6	91.6	78.3	2,442.1
January	2,966.7	179.2	6.4	104.7	91.3	2,770.7
February	1,515.0	95.0	6.7	85.6	72.3	1,357.1
March	2,659.7	(7.8)	(0.3)	86.0	72.7	2,501.0
April	1,980.8	(2,341.8)	(54.2)	80.8	67.4	1,832.6
May	1,737.8	(261.9)	(13.1)	76.9	63.6	1,597.3
June (1)	4,813.8	1,629.4	51.2	96.7	83.3	4,633.8
Total (1)	\$29,620.1	(\$121.4)	(0.4%)	\$1,077.3	\$917.3	\$27,625.5

SOURCE: Executive Office for Administration and Finance.

(1) Preliminary and unaudited.

(2) Totals may not add due to rounding.

The fiscal 2020 tax revenue decrease of approximately \$121.4 million from fiscal 2019 is attributable to a decrease of approximately \$117.6 million, or 4.8%, in income tax estimated payments, a decrease of approximately \$46.9 million, or 1.5%, in income tax payments with bills and returns, an increase of approximately \$124.7 million, or 7.5%, in income tax cash refunds, a decrease of approximately \$399.2 million, or 11.9%, in corporate and business tax collections, offset by an increase of approximately \$527.8 million, or 4.0%, in withholding collections, an increase of approximately \$12.0 million, or 0.2%, in sales and use tax collections, and a net increase of approximately \$27.3 million, or 1.1%, in all other taxes. Excluding one-time tax related settlements and judgments exceeding \$10 million each, which totaled \$23.8 million, fiscal 2020 tax collections were approximately \$29.596 billion, \$693 million below the fiscal 2020 tax revenue estimate of \$30.289 billion. The fiscal 2020 decline and shortfall in tax revenues are attributable to multiple factors, including adjustments to tax payment deadlines across several tax types and the overall impact that the COVID-19 pandemic has had on economic activity. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”

Fiscal 2021. The following table shows the actual tax collections for the first three months of fiscal 2021 and the change from tax collections in the same period in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections during the fiscal year that are dedicated to the MBTA and the MSBA. Tax collections shown exclude income tax payments originally due in fiscal 2020 but which were received in fiscal

2021. Such payments have been recorded as fiscal 2020 revenues. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”

Fiscal 2021 Tax Collections (in millions)

Month	Tax Collections	Change from Prior Year	Percentage Change	MBTA Portion	MSBA Portion	Tax Collections: Net of MBTA and MSBA
July (1) (2)	\$2,156.8	\$130.8	6.5%	\$101.4	\$88.1	\$1,967.3
August (1) (2)	1,970.0	(16.0)	(0.8)	98.0	84.7	1,787.2
September (2)	3,158.2	(44.1)	(1.4)	95.2	81.9	2,981.2
Total (3)	\$7,285.0	\$70.7	1.0%	\$294.7	\$254.7	\$6,735.7

SOURCE: Executive Office for Administration and Finance.

- (1) Excluding income tax payments originally due in fiscal 2020 but received in fiscal 2021, which are estimated to be \$2.321 billion.
- (2) Preliminary and subject to change.
- (3) Totals may not add due to rounding.

The year-to-date fiscal 2021 tax revenue increase of approximately \$70.7 million through September 30, 2020 from the same period in fiscal 2020 is attributable to an increase of approximately \$142.3 million, or 4.5%, in withholding collections, a decrease of approximately \$20.6 million, or 32.6%, in income tax cash refunds, an increase of approximately \$103.8 million, or 13.6%, in corporate and business tax collections, an increase of approximately \$29.3 million, or 1.6%, in sales and use tax collections, offset by a decrease of approximately \$93.8 million, or 13.6%, in income tax estimated payments, a decrease of approximately \$12.7 million, or 9.8%, in income tax payments with bills and returns, and a net decrease of approximately \$118.7 million, or 16.7%, in all other taxes. Excluding one-time tax related settlements and judgments exceeding \$10 million each, which totaled \$14.6 million, fiscal 2021 year-to-date tax collections through September 30, 2020 were approximately \$7.27 billion, \$69 million more than the collections in the same period in fiscal 2020.

Federal and Other Non-Tax Revenues

Federal revenues are collected through reimbursements for the federal share of entitlement programs such as Medicaid and through block grants for programs such as Transitional Assistance to Needy Families (TANF). The amount of federal reimbursements to be received is determined by state expenditures for these programs. The Commonwealth receives reimbursement for approximately 50% of its spending for Medicaid programs. Block grant funding for TANF is received quarterly and is contingent upon a maintenance-of-effort spending level determined annually by the federal government. Budgeted fund federal reimbursements were \$11.772 billion in fiscal 2019, are estimated to have been \$13.226 billion in fiscal 2020, and are projected to be \$13.859 billion in fiscal 2021. See “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures.”

Departmental and other non-tax revenues are derived from a large number of sources, including but not limited to fees and assessments for services, licenses, and reimbursements. For fiscal 2019, budgeted fund departmental and other non-tax revenues were \$5.250 billion. The largest budgeted departmental revenues, assessments and miscellaneous revenues in fiscal 2019 included \$1.432 billion in drug rebates, recoveries and other fees, \$843 million in reimbursements from cities, towns and non-state entities for retiree benefits, \$617 million for Registry of Motor Vehicles fees, fines and assessments, and \$251 million from filing, registration and other fees paid to the Secretary of State’s office. Budgeted fund departmental and other non-tax revenues are estimated to have been \$4.440 billion in fiscal 2020 and are projected to be \$4.898 billion in fiscal 2021. See “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures.”

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Lottery Revenues. For the budgeted operating funds, inter-fund transfers include transfers of net operating revenues from the State Lottery and Gaming Fund and the Arts Lottery Fund and reimbursements for the budgeted costs of the State Lottery Commission, which accounted for transfers from the Lottery of \$1.092 billion, \$1.136 billion, \$1.097 billion, \$1.206 billion and \$1.090 billion in fiscal 2016 through 2020, respectively.

The following tables show Lottery revenues and profits for fiscal 2020 and the first two months of fiscal 2021.

Fiscal 2020 Monthly Lottery Revenues and Profits (in thousands) (1)

<u>Month</u>	<u>Revenues</u>	<u>Prizes</u>	<u>Subtotal Operating Expenses</u>	<u>Operating Revenues</u>	<u>Administrative Expenses</u>	<u>Net Profit before Distributions</u>
July	\$379,508	\$275,033	\$21,897	\$82,578	\$2,470	\$80,108
August	498,491	370,346	28,656	99,490	7,798	91,692
September	402,454	303,498	23,187	75,768	7,370	68,398
October	415,277	299,268	23,771	92,238	7,047	85,191
November	528,653	385,153	30,159	113,341	5,171	108,170
December	442,620	319,131	25,504	97,985	8,240	89,746
January	543,653	412,275	31,375	100,003	5,572	94,431
February	417,968	302,898	23,923	91,147	7,815	83,333
March	390,882	271,654	22,262	96,966	7,023	89,943
April	301,668	204,657	16,961	80,050	7,951	72,099
May	481,124	331,557	27,323	122,244	8,853	113,391
June	<u>454,871</u>	<u>341,819</u>	<u>25,750</u>	<u>87,303</u>	<u>28,733</u>	<u>58,569</u>
Total	\$5,257,170	\$3,817,288	\$300,767	\$1,139,114	\$104,042	\$1,035,072
YTD prize accrual	457	48,677	-	(48,220)	-	(48,220)
Adjusted Totals	\$5,257,627	\$3,865,966	\$300,767	\$1,090,894	\$104,042	\$986,851

SOURCE: State Lottery Commission; Monthly values from the State Lottery Commission Statement of Operations.

(1) Unaudited.

Fiscal 2021 Monthly Lottery Revenues and Profits (in thousands) (1)

<u>Month</u>	<u>Revenues</u>	<u>Prizes</u>	<u>Subtotal Operating Expenses</u>	<u>Operating Revenues</u>	<u>Administrative Expenses</u>	<u>Net Profit before Distributions</u>
July	\$381,937	\$296,738	\$22,007	\$63,192	\$2,080	\$61,111
August	<u>\$524,844</u>	<u>\$386,555</u>	<u>\$30,131</u>	<u>\$108,158</u>	<u>\$7,171</u>	<u>\$100,987</u>
Total	\$906,781	\$683,293	\$52,138	\$171,350	\$9,251	\$162,098
YTD prize accrual (1)	-	(41,242)	-	41,242	-	41,242
Adjusted Totals (1)	\$906,781	\$642,051	\$52,138	\$212,592	\$9,251	\$203,341

SOURCE: State Lottery Commission; Monthly values from the State Lottery Commission Statement of Operations.

(1) Preliminary and unaudited.

The lottery net profits for fiscal 2020 represent a \$117.4 million decrease from fiscal 2019 in large part due to the impact of the COVID-19 pandemic. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”

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A five-year history of Lottery revenues and profits is shown in the following table, as well as preliminary amounts for fiscal 2020 and projected amounts for fiscal 2021.

Lottery Revenues and Profits
(in thousands)

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Net Operating Revenues</u>	<u>Net Profits</u>
2021 (1)	\$5,096,169	\$1,052,043	\$ 940,241
2020 (1)	5,257,627	1,090,894	986,851
2019	5,508,564	1,206,850	1,104,220
2018	5,291,951	1,097,398	997,057
2017	5,097,765	1,136,203	1,039,697
2016	5,233,931	1,092,130	989,411

SOURCE: State Lottery Commission

(1) Fiscal 2020 figures are preliminary and unaudited and fiscal 2021 figures are projected. Minor adjustments to Lottery revenues are reported several times a year based upon trends.

Tobacco Settlement. In November, 1998, the Commonwealth joined with other states in a master settlement agreement that resolved the Commonwealth’s and other states’ litigation against the cigarette industry. Under the agreement, cigarette companies have agreed to make both annual payments (in perpetuity) and five initial payments (for calendar 1999 to 2003, inclusive) to the settling states. Each payment amount is subject to applicable adjustments, reductions and offsets, including upward adjustments for inflation and downward adjustments for decreased domestic cigarette sales volume.

The Commonwealth’s allocable share of the base amounts payable under the master settlement agreement is approximately 4.04%, which equals more than \$8.962 billion through fiscal 2024, subject to adjustments, reductions and offsets. However, since fiscal 2006 certain amounts have been withheld from each year’s payments by tobacco manufacturers who claim that because of certain developments they are entitled to reduce such payments under the master settlement agreement. Those withheld amounts ranged from \$21 million to \$35 million to the Commonwealth in the period from 2006 through 2012, inclusive. A smaller amount has been withheld for 2013 through 2016, inclusive. The Commonwealth believes it is due the full amount and is pursuing its claim to unreduced payments. See “LEGAL MATTERS – Other Revenues.” The Commonwealth was also awarded \$414.3 million from a separate Strategic Contribution Fund established under the master settlement agreement to reward certain states’ particular contributions to the national tobacco litigation effort. This additional amount, also subject to a number of adjustments, reductions and offsets, was payable in equal annual installments during the years 2008 through 2017, inclusive. Massachusetts received its final Strategic Contribution Fund payment in April 2017.

From fiscal 2003 through fiscal 2012, all payments received by the Commonwealth pursuant to the master settlement agreement were deposited in the General Fund. Since fiscal 2012, state law has stipulated that a portion of annual tobacco settlement revenues be deposited into the State Retiree Benefits Trust Fund. See “PENSION AND OPEB FUNDING – Other Post-Employment Benefit Obligations (OPEB).”

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The following table sets forth the tobacco settlement amounts received by the Commonwealth to date.

Payments Received Pursuant to the Tobacco Master Settlement Agreement (in millions) (1)

<u>Fiscal Year</u>	<u>Initial Payments</u>	<u>Annual Payments</u>	<u>Total Payments</u>
2000	\$186.6 (2)	\$139.6	\$326.2(2)
2001	78.2	164.2	242.4
2002	82.8	221.7	304.5
2003	86.4	213.6	300.0
2004	-	253.6	253.6
2005	-	257.4	257.4
2006	-	236.3	236.3
2007	-	247.3	247.3
2008	-	288.5	288.5
2009	-	315.2	315.2
2010	-	263.7	263.7
2011	-	248.7	248.7
2012	-	253.6	253.6
2013	-	253.5	253.5
2014	-	282.1	282.1
2015	-	245.8	245.8
2016	-	257.6	257.6
2017	-	254.5	254.5
2018	-	243.3	243.3
2019	-	236.6	236.6
2020	-	<u>229.7</u>	<u>229.7</u>
Total	<u>\$434.0</u>	<u>\$5,106.5</u>	<u>\$5,540.5</u>

SOURCE: Office of the Comptroller.

- (1) Amounts are approximate. Totals may not add due to rounding.
- (2) Payments received for both 1999 and 2000.

Settlements and Judgments. State finance law provides that any one-time settlement or judgment exceeding \$10 million is to be deposited in the Stabilization Fund to the extent that the total of all such one-time settlements and judgments in a fiscal year exceeds the average of such totals for the five preceding fiscal years. The amount of such one-time settlements and judgments totaled approximately \$155.3 million in fiscal 2016, \$111.6 million in fiscal 2017, \$36.6 million in fiscal 2018, \$48.8 million in fiscal 2019, and \$42.0 million in fiscal 2020. The threshold applicable in fiscal 2021 is \$78.9 million (average of fiscal 2016 through fiscal 2020).

On July 7, 2020, the Commissioner of Revenue and the Attorney General certified that the Commonwealth had received \$42.0 million in one-time settlement and judgment payments exceeding \$10 million each (\$23.8 million of which were tax-related and \$18.2 million of which were not tax-related) during fiscal 2020.

On September 14, 2020, the Commissioner of Revenue and the Attorney General certified that the Commonwealth did not receive any one-time settlement and judgment payments exceeding \$10 million each during the first two months of fiscal 2021. The next joint certification will be issued in November 2020.

Gaming. On November 22, 2011, the Governor approved legislation that authorized the licensing of up to three regional resort casinos (one per region) and one slot facility (up to 1,250 slots) in the Commonwealth. The legislation established an appointed, independent state Gaming Commission to oversee the implementation of the law and the regulation of the resultant gaming facilities. The legislation also provided that licensing fees collected by the Gaming Commission are to be applied to a variety of one-time state and local purposes, and gaming tax revenues received by the Commonwealth are to be applied to various funds as set forth in the legislation. The legislation stipulates that initial licensing fees, which are set by the Gaming Commission, must be at least \$85 million per casino (Category 1 license) and \$25 million for the slot facility (Category 2 license).

The Gaming Commission has awarded Category 1 gaming licenses in two of the three regions and one Category 2 slots facility license. The facility in Springfield (Region B) opened on August 24, 2018 and the facility in Everett (Region A) opened on June 23, 2019. The Category 2 slot facility opened in Plainville on June 24, 2015.

The Commonwealth collected gaming tax revenues from the Category 2 slot facility of \$63.4 million in fiscal 2017, \$68.0 million in fiscal 2018 and \$67.5 million in fiscal 2019 and from Category 2 Race Horse Assessments of \$14.2 million in fiscal 2017, \$15.2 million in fiscal 2018 and \$15.2 million in fiscal 2019. The Commonwealth began collecting gaming tax revenues from the Category 1 facilities in August 2018, collecting an aggregate of \$62.3 million in fiscal 2019. The following tables show gaming collections revenues for fiscal 2020 and the first three months of fiscal 2021. On or about March 15, 2020, as result of measures implemented to mitigate the impact of the COVID-19 pandemic, operations at both Category 1 facilities and the Category 2 facility were temporarily suspended. In accordance with the Governor’s phased re-opening plan, the Commission authorized the reopening of the gaming establishments in accordance with established safety measures as of July 6, 2020. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS” and “SELECTED FINANCIAL DATA.”

Fiscal 2020 Monthly Gaming Revenues (in thousands) (1)

Month	Category 1	Category 1	Category 2	Category 2	Category 2	Statewide	Statewide
	Gross Gaming	Total	Slot Gross	Total	Race	Gross	Budgetary
	Revenue (2)	Collected	Gaming	Collected	Horse	Gaming	Taxes & Race
		State	Revenue (2)	State	Assessments (5)	Revenue (6)	Horse
		Taxes (3)		Taxes (4)			Assessments (6)
July	\$68,973	\$17,243	\$12,535	\$5,014	\$1,128	\$81,508	\$23,385
August	73,452	18,362	12,080	4,832	1,087	85,532	24,281
September	69,211	17,302	11,543	4,617	1,038	80,754	22,957
October	67,005	16,751	11,246	4,498	1,012	78,251	22,261
November	67,244	16,811	10,978	4,391	988	78,222	22,190
December	72,966	18,241	10,206	4,082	918	83,172	23,241
January	69,171	17,292	11,083	4,433	997	80,254	22,722
February	74,374	18,593	11,700	4,680	1,053	86,074	24,326
March (6)	29,853	7,463	4,756	1,902	428	34,609	9,793
April (6)	-	-	-	-	-	-	-
May (6)	-	-	-	-	-	-	-
June (6)	-	-	-	-	-	-	-
Total (7)	\$592,249	\$148,058	\$96,127	\$38,449	\$8,649	\$688,376	\$195,156

Fiscal 2021 Monthly Gaming Revenues (in thousands) (1)

Month	Category 1	Category 1	Category 2	Category 2	Category 2	Statewide	Statewide
	Gross Gaming	Total	Slot Gross	Total	Race	Gross	Budgetary
	Revenue (2)	Collected	Gaming	Collected	Horse	Gaming	Taxes & Race
		State	Revenue (2)	State	Assessments (5)	Revenue (6)	Horse
		Taxes (3)		Taxes (4)			Assessments (6)
July (6)	\$37,680	\$ 9,419	\$ 7,740	\$3,096	\$ 696	\$45,420	\$13,211
August	60,852	15,212	10,168	4,067	915	71,020	20,194
September	60,592	15,047	9,948	3,979	895	70,540	19,921
Total(7)	\$159,124	\$39,678	\$27,856	\$11,142	\$2,506	\$186,980	\$53,326

Source: Massachusetts Gaming Commission, Revenue Reports through September 2020.

- (1) Preliminary and unaudited.
- (2) “Gross gaming revenue” is the total of all sums actually received from gaming operations, less the total of all sums paid out as winnings.
- (3) Each Category 1 licensee pays a tax of 25% of gross gaming revenues.
- (4) The Category 2 licensee pays a tax of 40% of gross gaming revenues.
- (5) The Category 2 licensee pays an assessment of 9% of gross gaming revenue.
- (6) Operations at both Category 1 facilities and the Category 2 facility were temporarily suspended, effective on or about March 15, 2020, as a result of the COVID-19 pandemic. The Commission authorized the reopening of the gaming establishments in accordance with established safety measures as of July 6, 2020. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”
- (7) Totals may not sum due to rounding.

On April 28, 2016, the Gaming Commission voted to deny an application for a Category 1 license in Region C. On June 6, 2018, the unsuccessful applicant in Region C sent a letter to the Gaming Commission requesting that the Gaming Commission reconsider its unsuccessful application. The Gaming Commission

acknowledged the applicant's letter at its July 26, 2018 meeting and subsequently requested public comments on the issues raised therein. The comment period concluded on November 30, 2018. The Gaming Commission has since reviewed additional matters related to Region C and is considering next steps.

In March 2016, the Mashpee Wampanoag tribe announced that it would commence construction of a tribal resort casino in the third region (Region C), based upon the assumed power of the U. S. Secretary of the Interior to take land into trust for the tribe. On July 28, 2016, in the case of *Littlefield v. the U. S. Department of the Interior*, the U. S. District Court held that the Secretary of the Interior lacked the authority to take land into trust for the Mashpee Wampanoag tribe and remanded the matter back to the Secretary of the Interior for further proceedings consistent with the opinion as well as the declaratory judgment entered. The Mashpee Wampanoag filed a motion to intervene, which was granted. In December 2016, the Mashpee Wampanoag filed a notice of appeal to the U. S. Court of Appeals for the First Circuit. On September 7, 2018, the Department of the Interior issued a revised land-in-trust decision concluding that the Mashpee Wampanoag did not meet the statutory requirements to have land taken into trust. The Mashpee Wampanoag filed an appeal of the September 2018 decision in the U.S. District Court for the District of Columbia. On February 27, 2020, the U.S. Court of Appeals for the First Circuit issued a decision affirming the District Court decision that the Secretary lacked the authority to take land into trust for the benefit of the Tribe. On March 27, 2020, the Secretary issued a directive to the Director of the Bureau of Indian Affairs to rescind the decision accepting land into trust on behalf of the Tribe, to revoke the reservation proclamation, and to issue a clarification that such actions annul the previous determination that such lands are eligible for gaming under the Indian Gaming Regulatory Act. On June 5, 2020, the U.S. District Court for the District of Columbia issued a decision finding the Secretary of the Interior's September 2018 decision to be arbitrary, capricious and an abuse of discretion and remanded the matter to the Secretary to determine whether certain standards governing the determination of tribal and land status were properly applied. Separately, in January 2019, Representative Keating introduced a bill in the U.S. House of Representatives (H.R. 312) titled the "Mashpee Wampanoag Tribe Reservation Reaffirmation Act." The bill would reaffirm the Tribe's trust land, ratify and confirm the Secretary's actions in taking the land into trust, preclude filing of further matters, and dismiss pending federal litigation concerning this matter. The bill passed in the U.S. House on May 15, 2019 (275-146). The bill was received in the U.S. Senate and placed on the Legislative Calendar on May 20, 2019. No further activity has been reported. The Gaming Commission will continue to monitor this matter.

Various municipalities have filed suit contesting certain aspects of the Gaming Commission's issuance of the Region A Category 1 license. Certain of these claims have been dismissed, either voluntarily or by order of the Massachusetts Superior Court. The Gaming Commission currently is defending the remaining intervenor claim filed by Mohegan Sun. That claim was argued before the Massachusetts Supreme Judicial Court in November 2016. On March 10, 2017, the Supreme Judicial Court issued a decision affirming Mohegan Sun's intervenor claim and remanding the case to the Superior Court for further proceedings. Briefing on Mohegan Sun's intervenor claim was completed in January 2018. Since the completion of the briefing on Mohegan Sun's intervenor claim, Mohegan Sun has filed a motion to amend its complaint. The Gaming Commission opposed this motion and, on July 16, 2018, the Superior Court allowed Mohegan Sun's motion in part and denied it in part, thus granting Mohegan Sun the right to add additional information to its existing complaint. The parties do not have a schedule for further motions, briefing or arguments in the amended Mohegan Sun intervenor claim.

On November 14, 2016, the Gaming Commission was sued for tortious interference with respect to the plaintiff's agreement to sell property to the licensee for the Region A Category 1 facility; the plaintiff is requesting damages as determined at trial. On May 14, 2018, the Superior Court granted the Gaming Commission's motion to dismiss on two of three claims then remaining. The Gaming Commission is proceeding with its defense of the remaining claim. On July 5, 2018, the Gaming Commission filed a third-party complaint against the Region A Category 1 licensee for unjust enrichment and indemnification relating to the remaining claim against the Gaming Commission. The Region A licensee filed a motion to dismiss the complaint. On January 2, 2020, the court issued a decision effectively denying the motion to dismiss. As a result, the Region A licensee remains a party to the case.

Limitations on Tax Revenues

Chapter 62F of the General Laws establishes a state tax revenue growth limit for each fiscal year equal to the average positive rate of growth in total wages and salaries in the Commonwealth, as reported by the federal government, during the three calendar years immediately preceding the end of such fiscal year. The growth limit is used to calculate “allowable state tax revenue” for each fiscal year. Chapter 62F also requires that allowable state tax revenues be reduced by the aggregate amount received by local governmental units from any newly authorized or increased local option taxes or excises. Any excess in state tax revenue collections for a given fiscal year over the prescribed limit, as determined by the State Auditor, is to be applied as a credit against the then-current personal income tax liability of all taxpayers in the Commonwealth in proportion to the personal income tax liability of all taxpayers in the Commonwealth for the immediately preceding tax year. The law does not exclude principal and interest payments on Commonwealth debt obligations from the scope of its tax limit. However, the preamble contained in Chapter 62F provides that “although not specifically required by anything contained in this chapter, it is assumed that from allowable state tax revenues as defined herein the Commonwealth will give priority attention to the funding of state financial assistance to local governmental units, obligations under the state governmental pension systems and payment of principal and interest on debt and other obligations of the Commonwealth.”

The following table sets forth the Commonwealth’s net state tax revenues and allowable state tax revenues, as defined in Chapter 62F, for fiscal 2016 through fiscal 2020.

	<u>Net State Tax Revenues</u>	<u>Allowable State Tax Revenues</u>	<u>Net State Tax Revenues (under) Allowable State Tax Revenues</u>
2020	\$30,151,368,748	\$35,514,892,070	(\$5,363,523,322)
2019	30,202,588,989	33,977,241,799	(3,774,652,810)
2018	28,178,560,547	32,531,393,763	(4,352,833,216)
2017	26,044,206,400	31,095,184,910	(5,050,978,510)
2016	25,801,807,368	29,477,204,724	(3,675,397,356)

SOURCES: State Auditor’s Office.

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COMMONWEALTH EXPENDITURES

This section contains a description of the major categories of Commonwealth expenditures. All amounts and percentages for fiscal 2020 are preliminary and unaudited and for fiscal 2021 are projected.

Local Aid

Commonwealth Financial Support for Local Governments. The Commonwealth makes substantial payments to its cities, towns and regional school districts (local aid) to mitigate the impact of local property tax limits on local programs and services. See “Property Tax Limits” below. Local aid payments to cities, towns and regional school districts take the form of both direct and indirect assistance. Direct local aid consists of general revenue sharing funds and specific program funds sent directly to local governments and regional school districts. The Governor’s proposed budget for fiscal 2021, as revised in October 2020, provides \$6.691 billion of state-funded direct and indirect local aid to municipalities.

A large portion of general revenue sharing funds is earmarked for public education and is distributed through a formula designed to ensure that each district reaches at least a minimum level of “foundation” spending per public education pupil. The Governor’s proposed budget for fiscal 2021, as revised in October 2020, includes state funding for so-called “Chapter 70” public education aid of \$5.284 billion.

The other major component of direct local aid is unrestricted general governmental aid, which provides unrestricted funds for municipal use. The Governor’s proposed budget for fiscal 2021, as revised in October 2020, provides for \$1.129 billion in unrestricted general government aid, maintaining fiscal 2020 levels.

Property Tax Limits. In November, 1980, voters in the Commonwealth approved a statewide tax limitation initiative petition, commonly known as Proposition 2½, to constrain levels of property taxation and to limit the charges and fees imposed on cities and towns by certain governmental entities, including county governments. Proposition 2½ is not a provision of the state constitution and accordingly is subject to amendment or repeal by the Legislature. Proposition 2½, as amended to date, limits the property taxes that may be levied by any city or town in any fiscal year to the lesser of (i) 2.5% of the full and fair cash valuation of the real estate and personal property therein or (ii) 2.5% over the previous year’s levy limit plus any growth in the tax base from certain new construction and parcel subdivisions. The law contains certain voter override provisions and, in addition, permits debt service on specific bonds and notes and expenditures for identified capital projects to be excluded from the limits by a majority vote at a general or special municipal election. Between fiscal 1981 and fiscal 2020, the aggregate property tax levy across all cities and towns grew from \$3.347 billion to \$18.133 billion, a compound annual growth rate of 4.43%.

Medicaid and the Health Connector

Many of the Commonwealth’s healthcare programs and expenditures are governed by the federal Affordable Care Act (ACA), to which strong opposition has been expressed by President Trump, the Secretary of the U. S. Department of Health and Human Services, and certain members of Congress, and which has been and continues to be the subject of certain legal challenges. In December 2017, Congress eliminated the financial penalty under the ACA’s individual shared responsibility provision, otherwise known as the individual mandate. In December 2019, Congress enacted legislation that both deferred the commencement and accelerated the full implementation of reductions in federal reimbursement for hospitals that treat a disproportionate number of Medicaid recipients. To date, such actions have not had or are not expected to have a material adverse impact on the Commonwealth and its health care programs; however, additional measures are being considered which, if enacted into law, could have a material adverse impact on the Commonwealth. While it is not possible to predict with any certainty whether or when any other provisions of the ACA may be, in whole or in part, modified, repealed, or withdrawn, any such actions could have a material adverse effect on the Commonwealth’s healthcare programs and expenditures. Accordingly, the following discussion should be read with the understanding that significant additional changes could occur in the near future and beyond with respect to many of the programs discussed.

MassHealth. The Commonwealth’s Medicaid program, called MassHealth, provides health care to 1.9 million low-income children and families, low-income adults, disabled individuals and low-income elders. The

program, administered by the Office of Medicaid within the Executive Office of Health and Human Services, receives federal reimbursement on most of its expenditures. On February 9, 2018, the Children’s Health Insurance Program (CHIP) was reauthorized through federal fiscal 2027. For Massachusetts, the CHIP matching rate of 88% for federal fiscal 2019, was reduced to 76.5% for federal fiscal 2020, and is expected to be further reduced to 65% for federal fiscal 2021 and beyond. Under the ACA, beginning January 1, 2014, MassHealth began receiving enhanced federal reimbursement for spending on the new adult group (generally, childless adults with incomes under 133% of the federal poverty limit). The federal reimbursement rate for this group was 93% in calendar year 2019, decreasing to 90% for calendar 2020 and beyond. In response to the COVID-19 pandemic, the Families First Act established a 6.2% increase to the matching rate effective January 1, 2020 through the end of the quarter in which the declaration of the national public health emergency (including any extensions thereof) ends. This increase does not apply to expenditures for the ACA expansion population. The increase is contingent on several factors, including, but not limited to, a maintenance of effort requirement on eligibility standards and elimination of member cost-sharing for all COVID-19 related testing and treatment.

The Governor’s proposed budget for fiscal 2021, as revised in October 2020, includes \$18.9 billion in funding for non-administrative spending for the MassHealth program. The \$18.9 billion includes \$18.3 billion in programmatic spending, including costs related to the settlement of a claim against the Commonwealth. See “LEGAL MATTERS – Programs and Services; *Hutchinson et al. v. Patrick et al.*” The \$18.9 billion also includes approximately \$598 million to support supplemental payments to providers. Fiscal 2020 estimated programmatic spending was \$17.0 billion.

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During the COVID-19 pandemic, MassHealth has implemented many flexibilities for members and providers. MassHealth has submitted four Section 1135 waiver requests; certain items from the first submission, including enrollment of out of state providers, temporary waiver or modification of pre-approval requirements, provision of certain services in alternative settings and extension of deadlines for state fair hearing requests, were approved in late March 2020. In May and June 2020, two additional items from the third 1135 waiver request were approved: allowing Massachusetts to provide Home and Community-Based Services (HCBS) in alternative settings including hotels, shelters and residential schools; and to modify the deadline for conducting annual Targeted Case Management monitoring visit and follow-up. The remaining items are pending approval from the Centers for Medicare and Medicaid Services (CMS). MassHealth submitted a Section 1115 waiver request related to cost sharing waivers, reporting modifications and extensions, and various expenditure authorizations; this request is still pending approval from CMS. MassHealth also submitted two Appendix K requests to grant the Commonwealth certain flexibilities for the operation of HCBS waivers; the first request was approved on April 29, 2020 and the second request was approved on June 17, 2020. In addition, MassHealth has submitted several State Plan Amendment requests. To date, CMS has approved flexibilities for hospital presumptive eligibility for certain members, the elimination of copays on acute inpatient hospital stays for all members, payment for home delivery of prescribed drugs, and temporary rate increases for certain behavioral health services and temporary rate increases and supplemental payments for certain long-term care services and support providers. Additional amendments for other temporary rate increases are still pending. MassHealth anticipates submitting additional State Plan Amendments for additional temporary rate increases. MassHealth has also submitted 14 new requests to CMS for authority to permit MassHealth to direct its managed care entities to increase rates for certain services in response to COVID-19, with additional submissions expected. These requests are still pending.

Budgeted Operating Funds Medicaid Expenditures and Enrollment (in millions)

	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018 (1)</u>	<u>Fiscal 2019</u>	<u>Preliminary Fiscal 2020 (4)</u>	<u>Projected Fiscal 2021 (4)</u>
Medicaid program expenses	\$14,851.0	\$15,251.7	\$15,744.5	\$16,520.5	\$17,022.6	\$18,260.9
Medicaid administrative expenses	\$93.0	\$97.3	\$98.3	\$103.4	\$105.6	\$113.5
Total expenditures (2)	\$14,944.0	\$15,349.0	\$15,842.8	\$16,623.9	\$17,173.2	\$18,374.4
Annual percentage growth in total expenditures	8.5%	2.7%	3.2%	4.9%	3.3%	7.0%
Enrollment (in average member months) (3)	1,861,298	1,892,365	1,856,134	1,800,996	1,810,916	2,067,656
Annual percentage growth in enrollment	(2.4%)	1.7%	(1.9%)	(3.0%)	0.6%	14.2%

SOURCE: Fiscal 2016-2019 (excluding Medicaid administrative expense and enrollment), Office of the Comptroller; fiscal 2016-2019 (Medicaid administrative expense and enrollment only); fiscal 2020 and 2021, Executive Office of Health and Human Services.

- (1) Account restructuring in fiscal 2018 budget shifted spending for the Choices program (\$214 million in fiscal 2017) from MassHealth to Elder Affairs.
- (2) Total expenditures exclude supplemental payments to providers.
- (3) Enrollment in prior fiscal years changes due to the effects of redeterminations, retroactive eligibility, application verification, and eligibility appeals.
- (4) Amounts for fiscal 2020 are preliminary and unaudited and for fiscal 2021 are projected.

Commonwealth Health Insurance Connector Authority. State health care reform legislation enacted in 2006 created the Commonwealth Health Insurance Connector Authority (Health Connector). The Health Connector is governed by a board, of which the Secretary of Health and Human Services is the chairperson and the Secretary of Administration and Finance is also a member, each *ex officio*. Most of the funding to support the Health Connector and its programs is paid from the Commonwealth Care Trust Fund (CCTF), which is supported by dedicated revenue sources. The Health Connector is also responsible for policy development relative to the Affordability Schedule and Minimum Credible Coverage rules and public education and outreach, including the ACA-required Navigator program.

The Health Connector administers the Commonwealth's Health Insurance Marketplace under the ACA. As the Commonwealth's Marketplace, the Health Connector offers qualified health plans to individuals and small businesses. Individuals with incomes under 400% of the federal poverty level (FPL) are eligible for federal tax credits, and certain small businesses shopping through the Marketplace can access federal small business health care tax credits for up to two years. Individuals with incomes between 133% and 300% FPL, as well as certain Aliens with Special Status (AWSS) with incomes between 0% and 300% FPL, have access to additional state and federal subsidies through a program called ConnectorCare. The state provides additional state subsidies via ConnectorCare to ensure that the premiums and point-of-service cost sharing for certain low-income members, after factoring in federal subsidies, are similar to what was available through the Commonwealth Care program.

Total Health Connector gross spending in fiscal 2019 from the CCTF was \$339.4 million, an increase of \$32.1 million from fiscal 2018 gross spending of \$307.3 million. Fiscal 2019 spending for the Health Connector, net of federal revenue, was \$206.6 million, an increase of \$14.3 million compared to \$192.3 million in fiscal 2018.

The fiscal 2020 budget for the Health Connector reflects \$360.9 million in gross spending from the CCTF. Net of federal revenue, fiscal 2020 expenditures are estimated to be \$222.3 million, an increase of \$15.7 million compared to fiscal 2019. The fiscal 2020 budget for the Health Connector is expected to be fully funded from dedicated revenues in the CCTF.

The fiscal 2021 budget submitted by the Health Connector reflects \$409.2 million in gross spending from the CCTF. Net of federal revenue, fiscal 2021 expenditures are estimated to be \$250.7 million, an increase of \$28.4 million compared to fiscal 2020. The state budget has not yet been passed and these budget amounts are subject to change.

Federal 1115 MassHealth Demonstration Waiver. Section 1115 of the Social Security Act gives the U. S. Secretary of Health and Human Services authority to waive provisions of major health and welfare programs, including certain Medicaid requirements, and to allow a state to use federal Medicaid funds in ways that are not otherwise allowed under federal rules. The Commonwealth's 1115 waiver was renewed on November 4, 2016. The renewal consisted of an amendment to the current 1115 waiver, which was effective through June 30, 2017, as well as a five-year waiver extension. This waiver extension is authorized from July 1, 2017 through June 30, 2022. The waiver extension is a \$52.4 billion agreement that supports a restructuring of the MassHealth program and is expected to bring in significant federal investment to support health care delivery system reforms. The agreement also extends eligibility and benefit provisions authorized under the waiver, such as coverage for diversionary behavioral health benefits and for individuals with HIV. The waiver extension includes more than \$29 billion in revenue to the Commonwealth through federal financial participation. Additionally, the waiver extension expands services for substance use disorder treatment.

The 1115 waiver extension also preserves and maintains the stability of the Safety Net Care Pool (SNCP) for the full five years of the waiver period with an \$8 billion authorization. This authorization includes a \$1.8 billion investment of new Delivery System Reform Incentive Program (DSRIP) funding that will support MassHealth's payment reform objectives. The SNCP renews authority for the Health Safety Net program, which makes payments to hospitals and community health centers for providing certain health care services to their low-income patients who are not eligible for health insurance or cannot afford it. Under the new SNCP, supplemental payments for safety net hospitals have been restructured and linked to delivery system reform participation. The number of hospitals eligible for these payments increased from seven in the previous waiver to 14 in the waiver extension. In addition, the SNCP expands authority for federal match to include cost-sharing affordability subsidies and enrollment gap coverage for Health Connector enrollees up to 300% FPL. Lastly, the SNCP establishes non-state public hospital payments and incentive programs for Cambridge Health Alliance, tied to delivery system reform performance.

Additional Section 1115 waivers were requested in response to the COVID-19 pandemic. For additional details see "*MassHealth*" above.

Health Care Cost Containment. The Center for Health Information and Analysis (CHIA) is an independent state agency, funded through an industry assessment, to monitor the Massachusetts health care system through data collection and research and to release reliable information and meaningful analysis to a wide variety of audiences.

The Health Policy Commission (HPC) is an independent agency within, but not subject to the control of, the Executive Office for Administration and Finance. The HPC's mission is to advance a more transparent, accountable, and innovative health care system through independent policy leadership and investment programs, to achieve better health and better care at a lower cost across the Commonwealth. Beginning in fiscal 2017, the HPC is funded through an annual assessment on the health care industry, similar to CHIA's assessment.

Each year, the HPC, in collaboration with CHIA, releases a report on the Commonwealth's performance under the benchmark. The 2019 Cost Trends Report provides that total health care expenditures per capita in the Commonwealth grew from 2017 to 2018 by 3.1%, compared to 2.8% growth from 2016 to 2017.

As required by statute, the health care cost growth benchmark was equal to PGSP, or 3.6%, for calendar 2013 to 2017. By statute, the health care cost growth benchmark for calendar 2018 through 2022 is equal to the growth rate of PGSP minus 0.5%, and for calendar 2023 and thereafter, will be equal to the growth rate of PGSP. However, the HPC and the Legislature have some ability to change those growth targets.

Other Health and Human Services

Other Health and Human Services - Budgeted Operating Funds (in millions)

<u>Expenditure Category</u>	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Preliminary Fiscal 2020 (5)</u>	<u>Projected Fiscal 2021 (5)</u>
Office of Health Services						
Department of Mental Health	\$712.5	\$739.2	\$749.1	\$831.7	\$899.9	\$904.2
Department of Public Health	<u>525.2</u>	<u>553.8</u>	<u>586.4</u>	<u>589.5</u>	<u>680.2</u>	<u>700.4</u>
Sub Total	\$1,237.7	\$1,293.0	\$1,335.5	\$1,421.2	\$1,580.1	\$1,604.6
Office of Children, Youth, and Family Services						
Department of Children and Families	\$920.0	\$958.9	\$974.2	\$1,006.8	\$1,038.7	\$1,062.4
Department of Transitional Assistance	630.2	608.1	593.7	614.9	702.1	711.3
Department of Youth Services	169.2	171.7	169.1	168.9	163.4	174.0
Office for Refugees and Immigrants	<u>1.1</u>	<u>1.3</u>	<u>1.1</u>	<u>1.4</u>	<u>0.9</u>	<u>1.0</u>
Sub Total	\$1,720.5	\$1,740.0	\$1,738.1	\$1,792.0	\$1,905.2	\$1,948.7
Office of Disabilities and Community Services						
Department of Developmental Services	\$1,735.4	\$1,813.5	\$1,858.3	\$1,939.5	\$2,081.7	\$2,112.5
Other (1)	<u>79.5</u>	<u>86.0</u>	<u>82.0</u>	<u>97.3</u>	<u>91.4</u>	<u>98.0</u>
Sub Total	\$1,814.9	\$1,899.5	\$1,940.4	\$2,036.8	\$2,173.1	\$2,210.5
Executive Office of Elder Affairs (2)	\$312.0	\$308.2	\$527.4	\$546.6	\$567.5	\$576.4
Executive Office of Health and Human Services (3)	283.5	295.2	323.7	344.6	317.5	508.5
Department of Veterans' Services (4)	<u>64.4</u>	<u>65.5</u>	<u>65.3</u>	<u>69.1</u>	<u>73.7</u>	<u>76.7</u>
Sub Total	\$659.9	668.9	\$916.4	\$960.3	\$958.8	\$1,161.7
Budgeted Expenditures and Other Uses	\$5,433.0	\$5,601.4	\$5,930.5	\$6,210.3	\$6,617.1	\$6,925.5

SOURCES: Fiscal 2016-2019 Office of the Comptroller; fiscal 2020 and 2021, Executive Office for Administration and Finance.

- (1) Includes Massachusetts Rehabilitation Commission, Massachusetts Commission for the Blind, Massachusetts Commission for the Deaf and Hard of Hearing, and, prior to fiscal 2016, the Chelsea Soldiers' Home, and the Holyoke Soldiers' Home.
- (2) Account restructuring in fiscal 2018 budget shifted spending for the Choices program from MassHealth to Elder Affairs.
- (3) Includes Medicaid program administration.
- (4) Fiscal 2016 and later years include the Chelsea Soldiers' Home and the Holyoke Soldiers' Home. Beginning in fiscal 2014, Veterans' Services spending does not include veterans' annuities spending, which is captured under local aid spending.
- (5) Amounts for fiscal 2020 are preliminary and unaudited and for fiscal 2021 are projected.

Office of Health Services. The Office of Health Services encompasses programs and services from the Department of Public Health and the Department of Mental Health. Its goal is to promote healthy people, families, communities and environments through coordinated care. The departments work in unison to determine that individuals and families can live and work in their communities self-sufficiently and safely. The following are a few examples of programs and services provided by this office: substance abuse programs, immunization services, early

intervention programs, environmental health services, youth violence programs, supportive housing and residential services for the mentally ill of all ages, and emergency and acute hospital services.

Office of Children, Youth and Family Services. The Office of Children, Youth and Family Services works to provide services to children and their families through a variety of programs and services. The programs and services are offered through the Department of Children and Families, the Department of Youth Services, the Department of Transitional Assistance and the Office of Refugees and Immigrants. The collaborative goal of this office is to work to ensure that individuals, children and families are provided with public assistance needed as well as access to programs that will allow for them to be safe and self-sufficient.

The Department of Children and Families (DCF) is charged with protecting children from abuse and neglect, and in partnership with families and communities, ensuring that children are able to grow and thrive in a safe and nurturing environment. DCF serves approximately 46,000 children at any given time, primarily children through age 18, and youth ages 18-22 who are transitioning from DCF custody to independent living. DCF is currently undergoing an agency improvement initiative to implement new programmatic policies, review agency management structure, and strengthen workforce capacity.

Through the Department of Transitional Assistance (DTA), the Commonwealth funds three major programs of public assistance for eligible state residents: Transitional Aid to Families with Dependent Children (TAFDC); Emergency Aid to the Elderly, Disabled and Children; and the State Supplemental Program (SSP) for individuals enrolled in the federal Supplemental Security Income program. In addition, DTA is responsible for administering the entirely federally funded Supplemental Nutrition Assistance Program, as well as other smaller programs that assist DTA clients with completing their education, gaining career skills and finding employment.

Disabilities and Community Services. Programs and services provided by the Massachusetts Rehabilitation Commission, the Massachusetts Commission for the Deaf and Hard of Hearing, the Massachusetts Commission for the Blind and the Department of Developmental Services assist some of the most disadvantaged residents of the Commonwealth. These agencies provide assistance to this population and create public awareness in the citizens of the Commonwealth, as well as promote inter-agency collaboration which attend to the needs of the community, disabled and multi-disabled population. This holistic approach is designed to ensure that those of all ages with disabilities are able to lead functionally equivalent lives despite limitations that they may face.

Executive Office of Elder Affairs. The Executive Office of Elder Affairs provides a variety of services and programs to eligible seniors and their families. The office administers supportive and congregate housing programs, regulates assisted living residences, and provides home care and caregiver support services and nutrition programs. Eligibility for services is based largely on age, income, and disability status. The Executive Office of Elder Affairs also administers a state-supported prescription drug program for seniors.

Department of Veterans' Services. The Department of Veterans' Services provides a variety of services, programs and benefits to eligible veterans and their families. The Department of Veterans' Services provides outreach services to help eligible veterans enroll in a variety of programs, administers supportive housing and homeless services, and provides approximately 26,000 veterans, veterans' spouses and parents with annuity and benefit payments. The Department also oversees the Chelsea Soldiers' Home and the Holyoke Soldiers' Home, state-owned facilities providing long-term health care and domiciliary services to veterans.

Education

Executive Office of Education. The Executive Office of Education includes the Department of Early Education and Care, the Department of Elementary and Secondary Education (previously the Department of Education), and the Department of Higher Education (previously the Board of Higher Education). The Secretary of Education serves on the board of each department as well as the board of the University of Massachusetts. The office is committed to advancing actions and initiatives that will improve achievement for all students, close persistent achievement gaps, and creating a 21st century public education system that prepares students for higher education, work and life in a world economy and global society.

Department of Early Education and Care. The Department of Early Education and Care (EEC) is the agency responsible for all early education and care services and funding in the Commonwealth, including licensing and oversight of and technical assistance to programs for infants, toddlers, preschoolers, and school age children during out-of-school time; group homes; foster care and adoption placement agencies; and residential schools for children with special needs. EEC also oversees community-based family engagement networks that provide literacy and other developmental activities for children and parents in libraries and adult education centers. EEC licenses approximately 9,000 child care programs, residential facilities, and foster care/adoption placement agencies that have the capacity to serve an estimated 230,000 children. EEC supports an average of 55,000 children from low-income or at-risk families to attend family or group child care programs, including referrals from the Commonwealth's Department of Children and Families and Department of Transitional Assistance.

Department of Elementary and Secondary Education. The Department of Elementary and Secondary Education (DESE) serves the student population from kindergarten through 12th grade by providing support for students, educators, schools and districts and by providing state leadership for elementary, secondary, vocational-technical, and adult basic education. There are 403 operating school districts in the Commonwealth, serving approximately 950,000 students. DESE is governed by the Board of Elementary and Secondary Education, which includes 11 members. The Board of Elementary and Secondary Education nominates, and the Secretary of Education appoints, a Commissioner of Elementary and Secondary Education, who is responsible for carrying out the policies established by the Board.

Department of Higher Education. The Commonwealth's system of higher education includes the five-campus University of Massachusetts, nine state universities and 15 community colleges. The higher education system is coordinated by the Department of Higher Education, which is governed by the Board of Higher Education. Each institution of higher education is governed by a separate board of trustees; the University of Massachusetts has one board that governs its five campuses. The Board of Higher Education appoints, subject to the approval of the Secretary of Education, a Commissioner of Higher Education, who is responsible for carrying out the policies established by the board at the Department of Higher Education.

The operating revenues of each institution consist primarily of state appropriations and of student fees that are set by the board of trustees of each institution. Tuition levels are set by the Board of Higher Education for the state universities and community colleges, while the University of Massachusetts board of trustees has the authority to set and retain tuition for its campuses. The Massachusetts College of Art and Design and the Massachusetts Maritime Academy also have authority to retain tuition from all students. The other institutions have authority to retain tuition received from out-of-state students and tuitions from self-supporting programs, such as colleges of continuing education and evening schools. Otherwise, each institution is required to remit tuition revenue to the State Treasurer.

The board of trustees of each institution submits annually audited financial statements to the Comptroller and the Board of Higher Education. The Department of Higher Education prepares annual operating budget requests on behalf of all institutions, which are submitted to the Executive Office of Education and subsequently to the Executive Office for Administration and Finance and to the House and Senate Committees on Ways and Means. The Legislature appropriates funds for the higher education system in the Commonwealth's annual operating budget in various line items for each institution.

Public Safety

Eleven state agencies fall under the umbrella of the Executive Office of Public Safety and Security. The largest is the Department of Correction, which operates 16 correctional facilities and centers across the Commonwealth. Other public safety agencies include the State Police, the Parole Board, the Department of Fire Services, the Military Division, the Office of the Chief Medical Examiner, and five other public safety related agencies.

Energy and Environmental Affairs

The Executive Office of Energy and Environmental Affairs is responsible for policy development, environmental law enforcement services, and oversight of agencies and programs. Six state agencies and numerous boards fall under the umbrella of the Executive Office of Energy and Environmental Affairs. The largest is the Department of Conservation and Recreation, which operates public parkland, recreational facilities, watersheds and forests across the Commonwealth. Other environmental agencies include the Department of Agricultural Resources, responsible for the state's agricultural and food safety programs, the Department of Environmental Protection, responsible for clean air, water, recycling and environmental remediation programs, and the Department of Fish and Game, responsible for the management and protection of endangered species, fisheries and habitat. Additional agencies include the Department of Public Utilities, responsible for oversight of electric, gas, water and transportation utilities, and the Department of Energy Resources, responsible for energy planning, management and oversight.

Debt Service

Debt service expenditures relate to general obligation bonds and notes, special obligation bonds and federal grant anticipation notes issued by the Commonwealth. See "LONG-TERM LIABILITIES."

Employee Benefits

Group Insurance. The Group Insurance Commission (GIC) provides health insurance benefits to more than 425,000 people, including state and participating municipalities' employees, retirees, their spouses and dependents, and certain retired municipal teachers, their spouses and dependents. State employee contributions are currently based on date of hire; employees hired on or before June 30, 2003 contribute 20% of total premium costs, and employees hired after June 30, 2003 contribute 25% of premium costs. Similarly, state retirees contribute either 10%, 15% or 20%, depending on their retirement date. The GIC also provides health insurance benefits for the employees and retirees of participating municipalities; the municipalities reimburse the state for their enrollees' premium costs. The contribution ratio(s) for municipal enrollees is set through a collective bargaining process within each community. As of July 1, 2020, the GIC provides health insurance to employees and retirees of 54 municipal entities: 11 cities, 27 towns, and 16 other governmental entities, including regional school districts, union and non-union educational collaboratives, charter schools, and regional planning councils.

In fiscal 2021, appropriations for the GIC, as contained in the Governor's proposed fiscal 2021 budget, as revised in October 2020, total \$1.810 billion, approximately \$596 million of which is offset by municipal revenue and \$218 million of which is offset by non-state agency revenue to reimburse the state for providing health insurance benefits to the participating governmental units, including municipalities. In addition, the Governor's proposed fiscal 2021 budget authorizes transfers of up to \$500 million to the State Retiree Benefits Trust Fund for the purpose of making expenditures for current state retirees and their dependents.

There are no significant changes to benefits in fiscal 2021. The aggregate fiscal 2021 premium rates for GIC state and municipal members increased 5.5% over the aggregate premium rates in effect in fiscal 2020.

Pensions. The Commonwealth is responsible for the payment of pension benefits for Commonwealth employees and for teachers of the cities, towns and regional school districts throughout the state. See "PENSION AND OPEB FUNDING."

Other Post-Employment Benefit Obligations (OPEB). The Commonwealth is required under state law to provide certain health care and life insurance benefits for retired employees of the Commonwealth and certain other governmental agencies. See "PENSION AND OPEB FUNDING – Other Post-Employment Benefit Obligations (OPEB)."

The fiscal 2020 budget is consistent with the requirements of Government Accounting Standards Board (GASB) Statements No. 45 and No. 75, that spending for current retirees be accounted for separately, and that deposits towards the Commonwealth's non-pension retiree liability be made into an irrevocable trust.

Other Program Expenditures

The remaining expenditures on other programs and services for state government include constitutional officers, the judiciary and district attorneys, sheriffs, the Executive Office for Administration and Finance, the Executive Office for Housing and Economic Development, the Executive Office of Labor and Workforce Development, the Executive Office of Technology Services and Security, and various other programs.

SELECTED FINANCIAL DATA

The table below in this section presents combined revenues and expenditures in the budgeted operating funds. The measurement of revenues for the budgeted operating funds is on a statutory basis and differs from governmental revenues on a GAAP basis. See “Statutory Basis Distribution of Budgetary Revenues and Expenditures” and “GAAP Basis” below.

Statutory Basis Distribution of Budgetary Revenues and Expenditures

The revenues and expenditures of the budgeted operating funds presented in the following table are derived from the Commonwealth’s Statutory Basis Financial Reports (SBFR) for fiscal 2016 through 2019. Preliminary results for fiscal 2020 and projections for fiscal 2021 have been prepared by the Executive Office for Administration and Finance.

The following table sets forth the Commonwealth’s budgeted operating funds revenues and expenditures for fiscal 2016 through fiscal 2019, preliminary and unaudited results for fiscal 2020, and projections for fiscal 2021. Projected revenue and expense items for fiscal 2021 are based on the Governor’s proposed budget for fiscal 2021, as revised in October 2020. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS,” “COMMONWEALTH REVENUES – Tax Revenue Forecasting,” and “FISCAL 2020 AND FISCAL 2021 – Fiscal 2021.”

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Budgeted Operating Funds – Statutory Basis (in millions) (1)

	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Preliminary Fiscal 2020</u>	<u>Projected Fiscal 2021</u>
<u>Beginning Fund Balances</u>						
Reserved or Designated	\$226.0	\$126.0	\$117.4	\$371.5	\$521.3	\$735.2
Stabilization Fund	1,252.4	1,291.5	1,300.7	2,001.3	3,424.4	3,501.2
Undesignated	92.3	64.5	29.7	13.9	13.5	17.4
Total	<u>\$1,570.7</u>	<u>1,482.0</u>	<u>\$1,447.8</u>	<u>\$2,386.7</u>	<u>\$3,959.2</u>	<u>\$4,253.8</u>
<u>Revenues and Other Sources</u>						
Alcoholic Beverages	83.4	85.4	85.8	87.1	88.4	89.7
Banks	23.5	(0.1)	17.4	19.5	9.3	16.9
Cigarettes	505.6	490.3	471.2	439.8	416.3	309.7
Corporations	2,312.0	2,196.7	2,392.2	2,927.2	2,523.4	2,501.2
Deeds	281.9	297.2	284.5	318.3	314.2	263.2
Income	14,393.7	14,683.7	16,239.6	17,109.3	17,347.8	15,932.0
Inheritance and Estate	399.4	336.6	473.0	601.3	699.6	507.2
Insurance	429.6	421.9	430.9	470.6	495.9	486.4
Marijuana Excise	-	-	-	13.9	51.7	54.5
Motor Fuel	766.6	769.4	769.1	775.5	707.9	602.2
Public Utilities (2)	(1.6)	(0.1)	(0.7)	-	(0.3)	-
Room Occupancy	162.2	156.7	158.7	168.8	146.6	119.8
Sales:						
Regular	4,156.9	4,226.1	4,433.2	4,688.3	4,905.1	5,315.8
Meals	1,063.8	1,132.5	1,154.4	1,216.0	1,077.3	878.4
Motor Vehicles	<u>833.9</u>	<u>852.5</u>	<u>866.3</u>	<u>894.0</u>	<u>828.0</u>	<u>819.1</u>
Sub-Total–Sales	6,054.6	6,211.1	6,453.9	6,798.3	6,810.4	7,013.3
Miscellaneous	13.6	12.9	11.5	10.5	9.1	35.4
Settlements and Judgments (3)	-	-	-	-	-	50
Total Tax Revenues	<u>\$25,424.5</u>	<u>\$25,661.7</u>	<u>\$27,787.2</u>	<u>\$29,740.1</u>	<u>\$29,620.3</u>	<u>\$27,981.3</u>
MBTA Transfer	(986.2)	(992.2)	(1,007.9)	(1,053.2)	(1,077.3)	(1,141.6)
MSBA Transfer	(798.5)	(816.8)	(847.9)	(893.2)	(917.3)	(981.6)
Workforce Training Fund Transfer (4)	(22.8)	(24.4)	(24.7)	(25.1)	(25.7)	(25.0)
Total Budgeted Operating Tax Revenues	<u>\$23,616.9</u>	<u>\$23,828.3</u>	<u>\$25,906.7</u>	<u>\$27,768.6</u>	<u>\$27,599.9</u>	<u>\$25,833.2</u> (10)
Federal Reimbursements Departmental and Other Revenues	10,642.7	10,857.8	11,376.9	11,771.9	13,226.2	13,859.3
Inter-fund Transfers from Non-budgeted Funds and other sources (5)	<u>1,848.7</u>	<u>2,099.1</u>	<u>1,793.4</u>	<u>2,010.3</u>	<u>2,039.3</u>	<u>2,094.8</u>
Budgeted Revenues and Other Sources	<u>\$40,365.5</u>	<u>\$41,167.3</u>	<u>\$43,819.2</u>	<u>\$46,382.5</u>	<u>\$47,305.7</u>	<u>\$46,685.2</u>
Inter-fund Transfers	472.9	617.4	1,217.0	1,993.3	700.0	822.7
Total Budgeted Revenues and Other Sources	<u>\$40,838.4</u>	<u>\$41,784.7</u>	<u>\$45,036.2</u>	<u>\$48,375.8</u>	<u>\$48,005.7</u>	<u>\$47,507.9</u>
<u>Expenditures and Uses</u>						
Direct Local Aid	5,567.7	5,703.0	5,885.5	6,074.7	6,382.3	6,488.1
Medicaid	14,851.0	15,251.7	15,744.5	16,520.5	17,022.6	18,260.9
Other Health and Human Services	5,433.0	5,601.4	5,930.0	6,210.3	6,617.1	6,925.5
Group Insurance	1,629.7	1,662.5	1,634.0	1,644.2	1,661.9	1,826.6
Department of Elementary and Secondary Education	539.3	523.2	552.3	604.9	687.3	649.8
Higher Education	1,194.3	1,168.3	1,173.4	1,283.7	1,313.5	1,303.8
Department of Early Education and Care	547.6	540.0	564.3	607.5	709.4	771.1
Public Safety	1,065.6	1,059.6	1,102.0	1,168.1	1,658.4	1,323.5
Energy and Environmental Affairs	221.4	222.1	229.6	255.1	284.0	300.2
Debt Service (6)	2,174.3	2,284.7	2,323.4	2,327.1	2,443.3	2,452.4
Post -Employment Benefits (7)	2,503.4	2,659.7	2,891.5	3,110.2	3,314.5	3,615.2
Other Program Expenditures	<u>3,240.7</u>	<u>3,235.0</u>	<u>3,316.0</u>	<u>3,562.5</u>	<u>3,597.5</u>	<u>3,373.2</u>
Total - Programs and Services before transfers to Non-budgeted funds	<u>\$38,968.0</u>	<u>\$39,911.2</u>	<u>\$41,346.5</u>	<u>\$43,368.9</u>	<u>\$45,691.9</u>	<u>\$47,290.2</u>

	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Preliminary Fiscal 2020</u>	<u>Projected Fiscal 2021</u>
<u>Inter-fund Transfers to Non-budgeted Funds</u>						
Commonwealth Care Trust Fund	-	-	-	45.8	-	92.1
Medical Assistance Trust Fund	665.6	403.4	579.9	363.1	505.8	505.3
Massachusetts Transportation Trust Fund	566.8	484.7	634.7	643.2	576.4	601.3
Other	<u>253.8</u>	<u>402.3</u>	<u>319.2</u>	<u>389.0</u>	<u>237.0</u>	<u>127.9</u>
Total Inter-Fund Transfers to Non-Budgeted Funds	<u>\$1,486.2</u>	<u>\$1,290.4</u>	<u>\$1,533.8</u>	<u>\$1,441.1</u>	<u>\$1,319.2</u>	<u>\$1,326.5</u>
Budgeted Expenditures and Other Uses						
Inter-fund Transfers	472.9	617.4	1,217.0	1,993.3	700.0	822.7
Total Budgeted Expenditures and Other Uses	<u>\$40,927.1</u>	<u>\$41,819.0</u>	<u>\$44,097.3</u>	<u>\$46,803.3</u>	<u>\$47,711.0</u>	<u>\$49,439.4</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses						
	<u>(\$88.7)</u>	<u>(\$34.3)</u>	<u>\$938.9</u>	<u>\$1,572.5</u>	<u>\$294.6</u>	<u>(\$1,931.5)</u>
<u>Ending Fund Balances</u>						
Reserved or Designated (8)	126.0	117.4	371.5	521.3	735.2 (9)	92.2
Stabilization Fund	1,291.5	1,300.7	2,001.3	3,424.4	3,501.2	2,207.3
Undesignated	<u>64.5</u>	<u>29.7</u>	<u>13.9</u>	<u>13.5</u>	<u>17.4</u>	<u>22.9</u>
Total	<u>\$1,482.0</u>	<u>\$1,447.8</u>	<u>\$2,386.7</u>	<u>\$3,959.2</u>	<u>\$4,253.8</u>	<u>\$2,322.3</u>

SOURCES: Fiscal 2016-2019 and fiscal 2020 (Tax Revenues), Office of the Comptroller; fiscal 2020 (other than Tax Revenues) and fiscal 2021, Executive Office for Administration and Finance. Fiscal 2020 is preliminary and unaudited and fiscal 2021 is projected.

- (1) Totals may not add due to rounding.
- (2) Prior to January 1, 2014, public utility corporations were subject to an excise tax of 6.5% on net income. Legislation enacted in 2013 repealed the separate excise tax for utility corporations, which are now subject to the corporate excise imposed on business corporations.
- (3) For fiscal 2016 through 2020, tax and non-tax revenue from judgments and settlements in excess of \$10 million is included in specific tax and non-tax revenue categories. See "COMMONWEALTH REVENUES – Federal and Other Non-Tax Revenues; *Settlements and Judgments*."
- (4) The Workforce Training Fund is not subject to annual appropriation, and employer contributions are deposited directly in the Workforce Training Fund after their collection.
- (5) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, abandoned property proceeds and other inter-fund transfers.
- (6) Fiscal 2016 budgeted Debt Service excluded \$113 million in payments made from a non-budgeted fund that was made from budgeted funds in other years.
- (7) Post-Employment Benefits include all budgeted pension transfers and transfers to the State Retiree Benefits Trust Fund (SRBTF). See "PENSION AND OPEB FUNDING – Other Post-Employment Benefit Obligations (OPEB)."
- (8) Consists largely of appropriations authorized to be expended in the following year.
- (9) Includes appropriations authorized in fiscal 2020 that are expected to be funded by federal funds in fiscal 2021.
- (10) Includes tax initiatives proposed and other tax revenue projected in the revised proposed fiscal 2021 budget.

Stabilization Fund

The Stabilization Fund is established by state finance law as a reserve of surplus revenues to be used for the purposes of covering revenue shortfalls, covering state or local losses of federal funds or for any event which threatens the health, safety or welfare of the people or the fiscal stability of the Commonwealth or any of its political subdivisions. The fund is referred to as the state's "rainy day fund," serving as a source of financial support for the state budget in times of slow revenue growth or revenue declines and as the primary source of protection against having to make drastic cuts in state services in periods of economic downturns.

Required Deposits and Allowable Stabilization Fund Balance. From fiscal 2005 through fiscal 2013, state finance law provided that (i) 0.5% of current year net tax revenues be deposited into the Stabilization Fund at fiscal year-end, (ii) 0.5% of current-year net tax revenues be made available for the next fiscal year and (iii) any remaining amount of the year-end statutorily defined surplus be transferred to the Stabilization Fund. Since fiscal 2014, state finance law has required that the entire year-end statutorily defined surplus be transferred to the Stabilization Fund. Since fiscal 2011, state finance law has required that tax revenue from capital gains exceeding \$1 billion in a fiscal

year (adjusted annually, beginning in fiscal 2014, to reflect the average annual rate of growth in U. S. gross domestic product over the preceding five years) be deposited as follows: 90% of such amount into the Stabilization Fund, 5% of such amount to the State Retiree Benefits Trust Fund and, beginning in fiscal 2013, 5% of such amount to the Commonwealth's Pension Liability Fund. However, all of these requirements may be modified or superseded by individual appropriation acts. In fiscal 2016, the Commonwealth temporarily suspended the requirement to transfer capital gains tax collections above the threshold to the Stabilization Fund, with all capital gains tax collections remaining in the General Fund. The supplemental appropriations bill filed by the Governor to close out fiscal 2020 includes a similar suspension of the requirement to transfer capital gains taxes above the threshold to the Stabilization Fund and retains them in the General Fund.

Each quarter, the Department of Revenue certifies the amount of tax revenues estimated to have been collected during the preceding quarter from capital gains income and, once the threshold has been exceeded, the excess is transferred to the Commonwealth Stabilization Fund. The final certification of capital gains tax revenues is done in November following the end of the fiscal year, but no adjustment is made to the Stabilization Fund transfers if the final amount of capital gains taxes certified differs from the amount certified in the preceding July.

State finance law requires the Comptroller to transfer 75% of the growth in unclaimed property net revenue relative to the prior year to the Stabilization Fund.

Gaming legislation enacted in 2011 also requires 10% of gaming tax revenues from Category 1 licensees to be transferred from the Gaming Revenue Fund to the Stabilization Fund, provided that such amount may be reduced by half to fund certain deficiencies in funds distributed to cities and towns. See "COMMONWEALTH REVENUES – Gaming."

The allowable Stabilization Fund balance at fiscal year-end is 15% of total budgeted revenues for that year. If the Stabilization Fund balance exceeds the allowable limit, the excess amounts are to be transferred to the Tax Reduction Fund.

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The following table shows the sources and uses of the Stabilization Fund during fiscal 2016 through fiscal 2020.

Stabilization Fund Sources and Uses (in thousands)

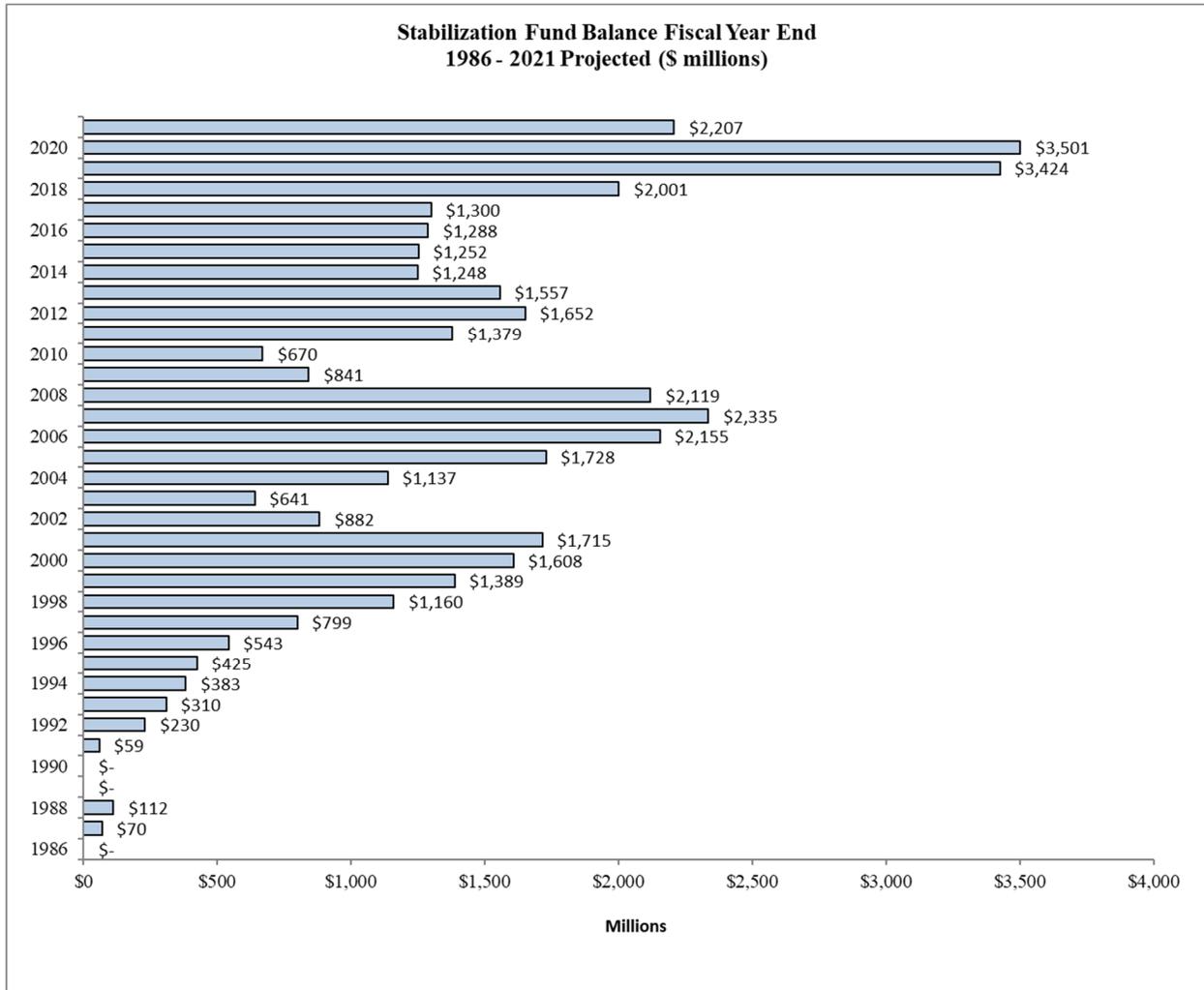
	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Preliminary Fiscal 2020 (1)
Beginning Fund Balances	\$1,252,429	\$1,291,514	\$1,300,678	\$2,001,299	\$3,424,376
Revenues and Other Sources					
Deposit of the remaining consolidated net surplus	-	-	209,287	592,722	-
Deposits from growth in abandoned property receipts (2)	27,100	-	13,450	3,673	-
Deposits from gaming tax revenues	-	-	-	9,781 (3)	14,914
Capital gains tax transfers in excess of threshold (4)	-	-	513,908	848,399	-
Deposits due to judgments and settlements in excess of \$10 million	-	-	-	-	-
Lottery transfer taxes	744	377	272	429	362
Investment income	11,241	8,787	15,094	52,913	61,530
Excess permissible tax revenue	-	-	-	-	-
Total Revenues and Other Sources	<u>39,085</u>	<u>9,164</u>	<u>752,011</u>	<u>1,507,917</u>	<u>76,806</u>
Total Expenditures and Other Uses	-	-	<u>51,390 (5)</u>	<u>84,840 (5)</u>	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>39,085</u>	<u>9,164</u>	<u>700,621</u>	<u>1,423,077</u>	-
Ending Fund Balances	<u>\$1,291,514</u>	<u>\$1,300,678</u>	<u>\$2,001,299</u>	<u>\$3,424,376</u>	<u>\$3,501,182</u>
Allowable Stabilization Fund Balance	<u>\$6,047,764</u>	<u>\$6,175,099</u>	<u>\$6,572,883</u>	<u>\$6,957,381</u>	(6)

SOURCE: Fiscal 2016-2019, Office of the Comptroller. Fiscal 2020 (preliminary and unaudited): inflows and outflows, Office of the Comptroller; ending balance, Executive Office for Administration and Finance

- (1) Preliminary and unaudited.
- (2) Represents transfer equal to 75% of the growth in abandoned property receipts from the prior fiscal year.
- (3) Represents transfers of gaming tax revenue (\$6,231) and gaming fines (\$3,550).
- (4) Threshold adjusted annually for U.S. gross domestic product growth. Legislative enactments in 2015 retained all fiscal 2016 capital gains tax revenues in the General Fund. The fiscal 2017 specified threshold was \$1.278 billion; however, capital gains tax collections for fiscal 2017 did not exceed this amount. The fiscal 2018 and fiscal 2019 specified thresholds were \$1.169 billion and \$1.212 billion, respectively. The fiscal 2020 specified threshold was \$1.260 billion; however, the Governor filed a supplemental appropriation bill relating to fiscal 2020 which proposed retaining fiscal 2020 capital gains tax revenues above the threshold in the General Fund. The Department of Revenue has certified that the capital gains tax collections threshold for fiscal 2021 is approximately \$1.312 billion.
- (5) Represents transfers of 5% capital gains tax revenue to the State Pension Fund and OPEB Trust Fund per statute.
- (6) Amount will be determined upon issuance of the Statutory Basis Financial Report for fiscal 2020.

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The following chart shows the Stabilization Fund balance from fiscal 1986 through fiscal 2019 (actual), fiscal 2020 (preliminary and unaudited) and fiscal 2021 (projected). See “FISCAL 2020 AND FISCAL 2021 – Fiscal 2021.”



SOURCE: Fiscal 1986-fiscal 2019, Office of the Comptroller; fiscal 2020 (preliminary and unaudited) and fiscal 2021 (projected), Executive Office for Administration and Finance.

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GAAP Basis

The Commonwealth's GAAP financial statements for the year ended June 30, 2019, attached as Exhibit C, are prepared in accordance with reporting standards first established by GASB Statements 34 and 35, as amended. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Fiscal Control, Accounting and Reporting Practices of the Comptroller." The GAAP financial statements are presented on both a "fund perspective" (or short-term accrual) basis and a "government-wide perspective" basis, which includes debt, capital assets and accrual activity on a comprehensive statement of net position, similar to a balance sheet. All capital assets, including road and bridge infrastructure and all long-term liabilities, including outstanding debt and commitments of long-term assistance to municipalities and authorities, are part of the government-wide statements. The Commonwealth's statement of revenues, expenditures and changes in fund balances are presented as a statement of activities, similar to an income statement.

The table below presents the transition from the Commonwealth's statutory basis budgetary fund balance to the "fund perspective" balance, as depicted in the fund financial statements, and then to the Commonwealth's "government-wide" financial position. Differences between statutory and the "fund perspective" GAAP basis can be summarized in five major adjustments. Those adjustments are for Medicaid (as well as the somewhat related liability for uncompensated care), taxes, projected amounts due to the Commonwealth in the next fiscal year under the master tobacco settlement agreement, claims and judgments, and amounts due to authorities. As evidenced in the trend line of fund balance (deficit) over time, however, these adjustments connect the GAAP basis measurement when viewed using a fund perspective under GAAP and the statutory basis measurement. While the difference in fund balances may vary in a given fiscal year, both balances generally trend in the same direction. To convert to a full accrual basis, further major adjustments are made for the net book value of the Commonwealth's capital assets, inclusive of infrastructure, the realizable value of long-term deferred revenues (largely from tax payment plans) and the amount of the Commonwealth's outstanding long-term debt, the Commonwealth's unfunded pension and OPEB liabilities, and other liabilities.

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Governmental Funds-Statutory to GAAP-Fund Perspective and to Governmental Net Position

(in millions)

Governmental Funds-Statutory Basis, June 30, 2019	
Budgeted Fund Balance	\$3,959.2
Non-budgeted special revenue fund balance	2,457.5
Capital Projects Fund Balance	<u>(216.4)</u>
Governmental Fund Balance-Statutory Basis, June 30, 2019	\$6,200.3
Plus: Expendable Trust and similar fund statutory balances that are considered governmental funds for GAAP reporting purposes	651.7
Less: Massachusetts Department of Transportation Funds	<u>(1,438.3)</u>
Adjusted Statutory Governmental Fund Balance	\$5,413.7
Short term accruals, net of allowances and deferrals for increases/(decreases):	
Taxes, net of refunds and abatements	2,176.6
Tobacco settlement agreement receivable	133.1
Medicaid	(71.5)
Assessments and other receivables	231.8
Amounts due to authorities and municipalities, net	(428.6)
Claims, judgments and other risks	(13.2)
Amounts due to healthcare providers and insurers	(37.3)
Workers' compensation and group insurance	(192.1)
Other accruals, net	<u>292.8</u>
Net increase to governmental funds balances	\$2,091.6
Massachusetts School Building Authority fund balance	<u>1,606.0</u>
Total changes to governmental funds	\$3,697.6
Governmental fund balance (fund perspective)	9,111.3
Plus: Capital assets including infrastructure, net of accumulated depreciation	4,807.5
Deferred revenue, net of other eliminations	334.5
Long-term receivables	28.0
Long term accruals:	
Net pension liability	(38,065.0)
Net deferred (inflows)/outflows related to pensions	5,684.7
Net OPEB liability	(12,989.1)
Net deferred (inflows)/outflows of resources related to OPEB	(3,516.0)
Environmental remediation liability	(517.4)
Massachusetts School Building Authority debt and school construction payables	(6,975.1)
Long term debt, unamortized premiums and deferred losses on debt refundings	(30,625.6)
Compensated absences	(616.3)
Capital leases	(19.8)
Accrued interest on bonds	(444.0)
Other long-term liabilities	<u>(278.1)</u>
Total governmental net position/(deficit) (government-wide perspective)	<u>(\$74,080.4)</u>

SOURCE: Office of the Comptroller

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The deficit of \$74.080 billion in governmental activities net position can be largely attributed to three factors. First, the Commonwealth's net (or unfunded) pension liability, which, starting in fiscal 2015, has been placed on the Commonwealth's books in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement required, among other things, the Commonwealth to include the long-term net pension liability on the Government-wide Statement of Net Position. As of June 30, 2019, the Commonwealth reported a net pension liability of approximately \$38.065 billion. Second, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Commonwealth is required to include its net other postemployment (OPEB) liability on the Government-wide Statement of Net Position. As of June 30, 2019, the Commonwealth reported a net OPEB liability of approximately \$12.989 billion. Third, also contributing to the deficit was the Commonwealth's policy decision to finance the construction of assets owned by other governmental entities, particularly Commonwealth roads and bridges, which as a result of transportation reform completed during fiscal 2010 shifted these assets from the books of the Commonwealth to MassDOT, a component unit of the Commonwealth. At the end of fiscal 2019, MassDOT held \$25.417 billion in road, bridge and other transportation-related assets (excluding assets of the MBTA), net of related depreciation, the vast majority of which were formerly held by the Commonwealth. Those assets were financed by the Commonwealth, and the debt remains a long-term obligation of the Commonwealth. In addition, the Commonwealth has a net liability of \$6.975 billion in debt and grant obligations for the former school building assistance program that financed construction of schools for the Commonwealth's cities and towns.

Change in Statement of Net Position

	(in thousands)		
	Governmental Activities	Business Type Activities	Government Wide
Total net position/(deficit):			
Fiscal 2018	<u>(\$74,154,488)</u>	<u>\$5,049,952</u>	<u>(\$69,104,536)</u>
Fiscal 2019	<u>(74,080,352)</u>	<u>5,649,478</u>	<u>(68,430,874)</u>
Change in net position/(deficit)	<u>\$74,136</u>	<u>\$599,526</u>	<u>\$673,662</u>

SOURCE: Office of the Comptroller

As of June 30, 2019, approximately \$1.997 billion in restricted net position was set aside for unemployment benefits and approximately \$975 million was restricted for debt retirement.

Revenues – GAAP Basis. The measurement of revenues for the budgeted operating funds on a statutory basis differs from governmental revenues on a GAAP basis in that certain revenues that are not included on a statutory basis are included on a GAAP basis, including revenue accruals for Medicaid and taxes. In addition, internal transfers are eliminated under GAAP on a government-wide perspective. The following table shows the distribution of major sources of revenue in fiscal 2019.

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Comparison of Fiscal 2019 Governmental Revenues (in millions)

	<u>Governmental Funds</u>	<u>GAAP Basis – Governmental</u>	<u>Government-wide</u>
	<u>Statutory Basis</u>	<u>Fund Perspective</u>	<u>Perspective</u>
Taxes	\$30,200	\$30,618	\$30,610
Federal Revenue	15,399	16,328	16,320
Departmental and Miscellaneous Revenue	<u>22,375</u>	<u>22,830</u>	<u>12,926</u>
Total	<u>\$67,973</u>	<u>\$69,776</u>	<u>\$59,856</u>

SOURCE: Office of the Comptroller

The following table provides financial results on a GAAP fund perspective basis for all governmental funds of the Commonwealth for fiscal 2015 through fiscal 2019.

Governmental Fund Operations – GAAP Basis – Fund Perspective (in millions)

	<u>Fiscal 2015</u>	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>
Beginning fund balances	\$4,619.4	\$5,305.2	\$5,273.3	\$5,596.9	\$6,838.4
Revenues and Financing Sources	60,658.6	67,749.6	68,437.1	68,990.3	69,775.9
Expenditures and Financing Uses	59,972.8	67,781.5	68,113.5	67,749.0	67,503.0
Excess/(deficit)	<u>685.8</u>	<u>(31.9)</u>	<u>323.6</u>	<u>1,241.3</u>	<u>2,272.9</u>
Ending fund balances—GAAP fund perspective	<u>\$5,305.2</u>	<u>\$5,273.3</u>	<u>\$5,596.9</u>	<u>\$6,838.2</u>	<u>\$9,111.3</u>

SOURCE: Office of the Comptroller.

Financial Reports. The Commonwealth issues annual financial reports, including a report on the statutory basis of accounting (which is reviewed, but not audited) and GAAP basis audited financial statements. These financial statements are issued as two separate reports, the Statutory Basis Financial Report (SBFR) and the Comprehensive Annual Financial Report (CAFR). The SBFR is usually published by the Comptroller on or before October 31 and the CAFR is usually published by the Comptroller by the second Wednesday in January. Due to delays as a result of the COVID-19 pandemic, the Comptroller anticipates that the SBFR for fiscal 2020 may be delayed until November 2020.

The SBFR for the year ended June 30, 2019 and the CAFR for the year ended June 30, 2019 are attached hereto as Exhibits B and C, respectively. Copies of these financial reports are also available at the address provided under “CONTINUING DISCLOSURE.” The SBFR for fiscal 1997 through fiscal 2019 and the CAFR for fiscal 1995 through fiscal 2019 are also available on the web site of the Comptroller of the Commonwealth at <https://www.macomptroller.org/financial-reports>.

For each year beginning in fiscal 1990, the Commonwealth CAFRs, from which certain information contained in this Information Statement has been derived, have been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. Fiscal 2018 marked the 29th consecutive year that the Commonwealth has received this award. The fiscal 2019 CAFR has been submitted to the GFOA for review.

The Comptroller retains an independent certified public accounting firm to audit the Commonwealth's financial statements and issue certain other reports required by the Uniform Guidance. As part of the Uniform Guidance, the independent auditors render a report on all programs involving federal funding for compliance with federal and state laws and regulations and assess the adequacy of internal control systems. For fiscal 1990 through 2019 the independent auditors' opinions on the CAFR were unqualified or unmodified, indicating that the Commonwealth's financial statements presented fairly, in all material respects, the financial position of the Commonwealth, in accordance with generally accepted accounting principles.

Discussion of Financial Condition

As the annual operating budget of the Commonwealth is adopted in accordance with the statutory basis of accounting, public and governmental discourse on the financial affairs of the Commonwealth has traditionally followed the statutory basis. Consequently, the financial information set forth in this document follows the statutory basis, except where otherwise noted. Since fiscal 1990, the Commonwealth has prepared separate financial reports on the statutory basis (reviewed) and on a GAAP basis (audited). See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Fiscal Control, Accounting and Reporting Practices of the Comptroller; *Financial Reports*." Without limiting the generality of the references to the SBFR for the year ended June 30, 2019 and the CAFR for the year ended June 30, 2019, attention is called in particular to the portion of the CAFR under the heading "Management's Discussion and Analysis."

Auditors' Report on Fiscal 2019 CAFR

The basic financial statements included in the CAFR of the Commonwealth for the year ended June 30, 2019 were audited by KPMG LLP (KPMG). The KPMG audit report dated February 10, 2020 on the general purpose financial statements included in the CAFR for the year ended June 30, 2019 contained an unmodified opinion. A copy of the audit report of KPMG dated February 10, 2020 has been filed with EMMA and is included within Exhibit C to this Information Statement. KPMG has not been engaged to perform, and has not performed, since the respective dates of its reports included herein, any procedures on the financial statements addressed in such reports, nor has said independent auditor performed any procedures relating to any official statement of which this Information Statement may be a part.

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FISCAL 2020 AND FISCAL 2021

Fiscal 2020

On December 31, 2018, a fiscal 2020 consensus tax revenue estimate of \$29.299 billion was agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means.

The fiscal 2020 consensus tax revenue estimate reflected a forecast of 2.7% in tax revenue growth over projected fiscal 2019 tax revenues (as revised). The consensus tax revenue estimate for fiscal 2020 assumed that the state personal income tax rate would decrease from 5.05% to 5.00% on January 1, 2020, in accordance with the statutory mechanism. After accounting for statutorily required transfers for pensions, the MBTA, the MSBA and the Workforce Training Fund, the Secretary and Committee chairs agreed that \$24.219 billion would be the maximum amount of tax revenue available for the fiscal 2020 budget.

On January 23, 2019, the Governor filed his fiscal 2020 budget recommendation, providing for a total of \$42.7 billion in state spending, excluding \$481.3 million in projected transfers to the Medical Assistance Trust Fund. The budget as filed represented an increase of 1.5% over then projected fiscal 2019 spending and anticipated a deposit of \$297 million to the Stabilization Fund in fiscal 2020.

The House and Senate did not complete the reconciliation of their separate budget proposals prior to the end of June 2019 and, accordingly, an interim budget of \$5.0 billion for the first month of fiscal 2020 was approved by the Governor on June 28, 2019. The interim budget was superseded by the fiscal 2020 budget when it was approved by the Governor on July 31, 2019.

The fiscal 2020 budget, as approved by the Governor on July 31, 2019, provides for approximately \$43.3 billion, excluding transfers to the Medical Assistance Trust Fund, the pension liabilities trust fund, and other interfund transfers. The fiscal 2020 budget was based on estimated tax collections of \$30.099 billion, including revenues dedicated to the MBTA, the MSBA and the Workforce Training Fund. The estimate included revenues from marijuana sales and excise taxes, estimated to be \$132.5 million, and excluded tax-related settlements and judgments exceeding \$10 million, which were assumed to be \$50 million. See "COMMONWEALTH REVENUES – Tax Revenue Forecasting." The fiscal 2020 budget was approximately 3.3% greater than fiscal 2019 estimated spending levels at the time of the Governor's approval. The fiscal 2020 budget projected a net increase of \$476 million to the Stabilization Fund.

On December 13, 2019, the Governor approved a supplemental appropriations bill for fiscal 2019, which authorized \$542 million in direct appropriations, with a net state cost of \$346 million.

On January 3, 2020, the Governor filed a bill consisting of \$74.2 million in supplemental appropriations for fiscal 2020, with a net state cost of \$68.1 million. Major spending items included \$18 million for the MBTA, \$16.3 million to fund a ratified collective bargaining agreement, \$12.3 million for Safety Net Provider Hospitals, \$10 million for a fund for school improvement, and \$17.6 million for other smaller costs.

On January 13, 2020, the Secretary of Administration and Finance revised the tax revenue projection for fiscal 2020 of \$30.099 billion upward by \$190 million to \$30.289 billion. See "COMMONWEALTH REVENUES – Tax Revenue Forecasting."

On January 31, 2020, the Governor filed a bill consisting of \$52.6 million in supplemental appropriations for fiscal 2020, with a net state cost of \$52.2 million. Major spending items included \$17.4 million in spending for representation of indigent defendants, \$10.4 million for information technology costs in the Health and Human Services Secretariat, and \$9.6 million for Transitional Assistance to Families with Dependent Children.

On March 4, 2020, the Governor approved a supplemental appropriations bill for fiscal 2020, including \$123.3 million in supplemental appropriations, at a net state cost of \$116.3 million.

On March 10, 2020, Governor Baker declared a state of emergency in the Commonwealth to provide the Administration more flexibility to facilitate and expedite the use of Commonwealth resources and deployment of federal and interstate resources to protect persons from the impacts of the evolving COVID-19 pandemic. On March 27, 2020, the Commonwealth extended the state income tax filing and payment deadline from April 15, 2020 to July 15, 2020, consistent with the extension enacted by the federal government. The effect of the extended state income tax filing deadline was expected to defer budgeted tax revenues to fiscal 2021. Special legislation was approved on May 15, 2020 authorizing borrowing to manage deferred revenue in fiscal 2020, and requiring the State Comptroller to record as fiscal 2020 revenue any income tax payments that were originally due in fiscal 2020 but which were received through August 31, 2020. At the request of the Comptroller and the Executive Office for Administration and Finance, the Legislature added to the legislation language requiring the Comptroller to record as fiscal 2020 refunds any income tax refunds that were delayed due to the income tax filing deadline extension but issued by the Department of Revenue by August 31, 2020.

On July 24, 2020, Governor Baker approved a supplemental appropriations bill entitled “An Act Making Appropriations for the Fiscal Year 2020 to Authorize Certain COVID-19 Spending in Anticipation of Federal Reimbursement” authorizing up to \$1.1 billion in supplemental appropriations for spending in fiscal 2020, with a zero dollar net cost to the Commonwealth. The bill established state spending authorization for the substantial, necessary expenses incurred by the Commonwealth in its response to the COVID-19 pandemic that are likely to be reimbursable, in whole or in part, from federal sources, but which will be first paid with state dollars. The bill ensured that adequate state spending has been authorized to allow the Commonwealth to continue to protect the public unimpeded until the federal reimbursement can be realized. The bill also allows reimbursements for costs incurred in fiscal 2020 to be credited as revenue in fiscal 2020. Such reimbursable expenses include the purchase of personal protective equipment, rate adjustments for providers of congregate care and other essential human services, incentive pay for state employees responding to COVID-19 at certain facilities in operation 24 hours a day, costs of temporary field hospitals and shelters, National Guard pay, emergency child care for essential workers, and increased costs of local housing authorities and of the family and individual shelter system. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”

The Executive Office for Administration and Finance was able to make certain adjustments to the operating budget during fiscal 2020 to allow the Commonwealth’s budget for fiscal 2020 to achieve statutory balance. Some budgeting flexibility for fiscal 2020 was provided by a number of factors, including (i) the ability to reallocate spending within the budget due to savings in certain categories, (ii) new sources of revenue, such as the federal funding in response to the COVID-19 pandemic, and (iii) legislation allowing certain tax receipts collected in fiscal 2021, due to the extension of the income tax filing deadline from April 15, 2020 to July 15, 2020, to be recognized as fiscal 2020 revenue. As a result, the Commonwealth’s budget for fiscal 2020 achieved statutory balance, without the need to draw upon the Stabilization Fund, even though tax revenue collections for fiscal 2020 were \$693 million, or 2.3%, less than budgeted. See the “Fiscal 2020” column of the table entitled “Budgeted Operating Funds – Statutory Basis” in “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures” and “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”

On September 30, 2020, the Governor filed a supplemental appropriations bill to close out fiscal 2020, the major component of which was supplemental funding for MassHealth, whose caseload has increased, although primarily in populations with the highest federal reimbursement rates. The supplemental appropriations bill includes a suspension of the requirement to transfer capital gains taxes above the established threshold to the Stabilization Fund and retains them in the General Fund. See “COMMONWEALTH EXPENDITURES – Medicaid and the Health Connector; *MassHealth*” and “SELECTED FINANCIAL DATA – Stabilization Fund.”

Fiscal 2021

On January 13, 2020, a fiscal 2021 consensus tax revenue estimate of \$31.151 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 2.8% tax revenue growth over the revised projected fiscal 2020 tax revenue figure of \$30.289 billion. The original consensus revenue estimate for fiscal 2021 incorporated the statutory reduction of the Part B individual income tax rate to 5.0% effective January 1, 2020, and the reinstatement of the charitable deduction effective January 1, 2021.

On January 15, 2020, the Secretary of Administration and Finance filed the triennial funding schedule for the Commonwealth's employee retirement obligations with the House and Senate Committees on Ways and Means, which provides for a fiscal 2021 transfer amount of \$3.115 billion, an increase of \$274 million or 9.63% over the fiscal 2020 transfer amount. See "PENSION AND OPEB FUNDING – Funding Schedule."

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 \$25.621 billion would be the maximum amount of tax revenue available for the fiscal 2021 budget. See "COMMONWEALTH REVENUES – Tax Revenue Forecasting."

On January 22, 2020, the Governor filed his original fiscal 2021 budget recommendation, providing for a total of \$44.6 billion in state spending, excluding \$430.7 million in projected transfers to the Medical Assistance Trust Fund. The budget as filed represented an increase of 2.3% over projected fiscal 2020 spending and anticipated a deposit of \$310 million to the Stabilization Fund in fiscal 2021. See "SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS."

The Governor's budget recommendation was filed with the Legislature for consideration in accordance with the Commonwealth's annual budgeting process. However, while the House of Representatives generally approves its version of the budget in April, and the Senate generally approves its version in May, the onset of the COVID-19 pandemic altered this process. Since the Legislature did not pass a fiscal 2021 budget prior to July 1, 2020, an interim budget of \$5.25 billion for the first month of fiscal 2021 was filed with the Legislature by the Governor on June 19, 2020. The bill provided spending authorization to maintain necessary services through approximately July 31, 2020, pending the passage of the General Appropriations Act. A second interim budget of \$16.53 billion was enacted by the Legislature on July 28, 2020, and signed by Governor Baker on August 4, 2020, extending the interim budget through approximately October 31, 2020. The current interim budget assumes funding levels for specific items in almost all cases equal to the lower of the funding levels for such items in the Commonwealth's fiscal year 2020 budget and Governor Baker's proposed budget for fiscal year 2021 filed with the state legislature in January 2020, prior to the outbreak of the COVID-19 pandemic. See "SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS."

On October 14, 2020, Governor Baker filed a revised proposed budget for fiscal 2021. The Governor's revised fiscal 2021 proposed budget includes \$45.5 billion in state spending, an increase of \$0.9 billion from the budget proposed by the Governor in January 2020, and a 3.8% increase over preliminary estimated state spending in fiscal 2020. The Governor's proposed budget assumes tax revenues of \$27.592 billion, 11.4% less than the consensus tax revenue estimate agreed upon in January 2020. The revised proposed budget includes a withdrawal of up to \$1.35 billion, of the approximately \$3.5 billion Stabilization Fund balance, which could be reduced if tax collections or new federal revenue exceed the revised assumptions included in the revised proposed budget. Budgeting flexibility for fiscal 2021 was provided by a number of factors, including (i) one-time resources that include enhanced Medicaid Federal Medical Assistance Percentage (FMAP) offsets from the federal Families First Act and the use of the Stabilization Fund and (ii) re-forecasted expenses and spending reductions, including lower debt service. As a result, the revised proposed budget for fiscal 2021 is expected to achieve statutory balance.

A third interim budget for fiscal 2021 of \$5.4 billion was enacted by the Legislature and signed by the Governor on October 26, 2020. The third interim budget is intended to meet necessary obligations before the enactment of the General Appropriations Act for fiscal 2021 and will cease to be operative on the effective date of the General Appropriations Act.

For a summary of certain federal and Commonwealth declarations, executive orders and legislation implemented in response to COVID-19 as of the date of this Information Statement, see "SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS."

Cash Flow

The State Treasurer is responsible for cash management and ensuring that all Commonwealth financial obligations are met on a timely basis. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Cash Management Practices of State Treasurer." The Commonwealth does not engage in inter-fund borrowing but

pools its non-segregated (primarily non-Stabilization Fund) cash. Cash flow management incorporates the periodic use of short-term borrowing to meet cash flow needs for both capital and operating expenditures. All revenue anticipation notes, including those issued as commercial paper, must be repaid by the end of the fiscal year.

The state currently has liquidity support for a \$200 million commercial paper program for general obligation notes. The Commonwealth has utilized the commercial paper program for additional liquidity, as necessary, since 2002. The Commonwealth has also entered into a Note Purchase Agreement which permits the issuance of up to \$200 million of either revenue anticipation notes or bond anticipation notes. As of September 30, 2020, there was not commercial paper or notes outstanding.

In addition, on May 11, 2020, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.75 billion from a syndicate of banks, which line of credit is available to be drawn on for cash flow purposes. The line of credit may be reduced or closed, without penalty, on or after November 11, 2020 at the discretion of the Commonwealth and expires on May 10, 2021. At the end of June 2020, the Commonwealth had drawn \$500 million on the line of credit, which was subsequently repaid. As of September 30, 2020, there are no draws outstanding.

For cash flow needs for fiscal 2020, the State Treasurer issued \$1.4 billion in revenue anticipation notes (RANs) in October 2019 and fully repaid such RANs by June 2020. For cash flow needs for fiscal 2021, the State Treasurer anticipates issuing revenue anticipation notes in December 2020 as set forth in cash flow tables below.

The Governor's proposed budget for fiscal 2021, as revised in October 2020, includes a withdrawal of up to \$1.35 billion of the approximately \$3.5 billion Stabilization Fund balance, which could be reduced if tax collections or new federal revenue exceed the revised assumptions included in the revised proposed budget. Amounts budgeted to be withdrawn from the Stabilization Fund are not projected to be needed for cash flow purposes. Any withdrawal is expected to occur after June 30, 2021 for the purpose of achieving fiscal 2021 statutory balance. See "FISCAL 2020 AND FISCAL 2021 – Fiscal 2021" and "SELECTED FINANCIAL DATA – Stabilization Fund."

Commonwealth cash deposits are held in insured or collateralized bank accounts and with the Massachusetts Municipal Depository Trust (MMDT), the Commonwealth's investment pool for governmental entities. MMDT consists of two portfolios, professionally managed by Federated Investors Inc., the Cash Portfolio and the Short-Term Bond Fund. Cash Portfolio investments are carried at amortized cost, which approximates fair value. Short-Term Bond Fund investments are carried at fair value. General operating cash is invested in the Cash Portfolio, and moneys in the Stabilization Fund, which are not used by the Commonwealth for liquidity, are invested in both the Cash Portfolio and the Short-Term Bond Fund.

The Cash Portfolio invests in a diversified portfolio of high-quality U. S. dollar-denominated money market instruments (eligible under GASB Statement No. 79) of domestic and foreign issuers, United States government securities and repurchase agreements. As of September 30, 2020, the Cash Portfolio holdings were made up of Asset Backed Commercial Paper (28.3%), Certificates of Deposit (25.4%), U.S. Government Agency Repurchase Agreement (16.7%), Non-Negotiable Time Deposit (11.0%), Financial Company Commercial Paper (8.1%), US Treasury Debt (5.3%), Non-Financial Company Commercial Paper (2.6%), Tender Option Bond (1.4%), Variable Rate Demand Note (0.6%), Other Asset Backed Securities (0.5%) and Other Municipal Securities (0.1%). As of September 30, 2020, the Cash Portfolio's monthly weighted average life was 69 days, and the monthly weighted average maturity was 57 days. The three objectives for the Cash Portfolio are safety, liquidity and yield. The Cash Portfolio maintains a stable net asset value of one dollar and is marked to market daily.

The Short-Term Bond Fund invests in a diversified portfolio of investment grade debt securities. As of September 30, 2020, the Short Term Bond Fund holdings were made up of U. S. Treasury Securities (51.8%), Credit (33.0%), Asset Backed Securities (7.5%), Mortgage Backed Securities (5.9%), Commercial Mortgage Backed Securities (1.3%), and Cash and Other (0.5%). The Short-Term Bond Fund seeks to obtain the highest possible level of current income consistent with preservation of capital and liquidity. The portfolio is required to maintain an average credit rating of A-. The duration of the portfolio is managed to within +/- one-half year duration of the benchmark. The benchmark for the Short-Term Bond Fund is the Barclays Capital 1-to-5-year Government/Credit Index, which includes all medium and larger issues of United States government, investment-grade corporate and investment-grade international dollar-denominated bonds.

In June 2020, the Governor announced the five-year capital investment plan for fiscal 2021 through fiscal 2025. The plan projects \$4.798 billion of spending in fiscal 2021 on capital projects, including \$2.458 billion of administrative bond cap spending, \$1.070 billion of spending from other sources including special obligation bonds, anticipated savings or revenues generated by the projects, and other non-Commonwealth sources such as contributions from municipalities, and \$1.270 billion of spending supported by federal reimbursements and grants. See “COMMONWEALTH CAPITAL INVESTMENT PLAN.”

The following table provides General Fund ending cash balances by month for fiscal 2017 through fiscal 2021 and the tables on the following pages provide cash flow detail for fiscal 2020 and fiscal 2021. The balances for fiscal 2020 are preliminary and unaudited and for fiscal 2021 are projected.

Month-End General Fund Cash Balances (in millions)

	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020 (1)</u>	<u>Fiscal 2021 (2)</u>
July	\$1,885.9	\$1,307.3	\$2,269.5	\$3,613.7	\$4,797.0
August	2,414.1	2,304.1	3,143.8	2,794.4	4,088.8
September	2,670.8	2,328.6	4,125.0	3,706.0	4,424.4
October	2,437.6	2,147.2	3,645.3	4,558.2	3,460.1
November	2,146.4	1,841.5	2,592.1	3,929.0	2,092.6
December	1,766.5	1,897.8	2,816.3	3,884.1	2,687.5
January	1,835.7	2,582.3	3,276.0	3,360.8	2,458.6
February	1,432.7	2,165.8	2,593.5	2,958.0	1,554.7
March	1,332.0	1,775.8	2,913.6	3,537.9	1,163.6
April	2,074.6	2,897.4	4,603.0	4,809.9	2,406.7
May	1,647.1	2,666.2	4,239.6	3,573.5	1,654.7
June	2,058.0	3,607.9	4,497.4	3,358.5	2,009.8

SOURCE: Office of the Treasurer and Receiver-General.

(1) Fiscal 2020 ending balances are preliminary and unaudited.

(2) Fiscal 2021 ending balances are projected.

The fiscal 2020 and fiscal 2021 cash flow statements released on October 28, 2020 are summarized in the tables below. Quarterly cash flow statements, as submitted by the State Treasurer to the House and Senate Committees on Ways and Means, are posted on the Cash Management page of the State Treasurer’s website at <https://www.mass.gov/lists/quarterly-cash-flow-letters>. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”

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Overview of Fiscal 2020 Non-Segregated Operating Cash Flow (in millions) (1)

	<u>Jul-19</u>	<u>Aug-19</u>	<u>Sep-19</u>	<u>Oct-19</u>	<u>Nov-19</u>	<u>Dec-19</u>	<u>Jan-20</u>	<u>Feb-20</u>	<u>Mar-20</u>	<u>Apr-20</u>	<u>May-20</u>	<u>Jun-20</u>	Total FY 2020
Opening Non-Segregated Operating Cash Balance	\$4,497.4	\$3,613.7	\$2,794.4	\$3,706.0	\$4,558.2	\$3,929.0	\$3,884.1	\$3,360.8	\$2,958.0	\$3,537.9	\$4,809.9	\$3,573.5	\$4,497.4
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	0.0	(212.0)	0.0	0.0	0.0	0.0	(592.7)	0.0	0.0	0.0	0.0	0.0	(804.7)
Total Budgetary Revenue/Inflows	3,219.2	3,144.8	4,600.3	3,489.5	3,326.0	4,220.8	3,834.8	3,520.6	4,595.3	3,655.2	3,448.4	4,357.6	45,412.6
Total Budgetary Expenditures/Outflows	3,772.9	3,847.3	3,187.2	3,692.4	3,755.4	3,427.5	3,662.5	3,724.3	4,284.8	3,783.1	3,958.7	3,913.5	45,009.6
Net Budgetary Funds	(\$553.7)	(\$702.5)	\$1,413.2	(\$202.9)	(\$429.4)	\$793.3	\$172.3	(\$203.7)	\$310.5	(\$128.0)	(\$510.3)	\$444.1	\$403.1
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	1,009.9	1,338.3	1,013.2	902.1	1,133.8	809.6	839.1	1,097.0	1,033.1	2,861.9	1,125.4	824.2	13,987.7
Total Non Budgetary Expenditures/Outflows	1,265.6	1,469.3	1,592.2	1,173.6	1,357.3	1,592.3	1,276.4	1,252.6	1,305.0	1,086.8	1,324.1	1,454.0	16,149.3
Net Non Budgetary Funds	(255.7)	(131.0)	(579.0)	(271.5)	(223.5)	(782.8)	(437.2)	(155.6)	(271.9)	1,775.1	(198.8)	(629.8)	(2,161.7)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	8.2	131.1	14.9	37.9	14.7	14.5	(97.4)	22.4	11.5	10.0	14.5	7.4	189.9
Net Operating Activities	(\$801.1)	(\$702.4)	\$849.2	(\$436.4)	(\$638.1)	\$25.0	(\$362.3)	(\$336.9)	\$50.1	\$1,657.2	(\$694.5)	(\$178.3)	(\$1,568.7)
Federal Grants:													
Total Federal Grants Revenue/Inflows	177.4	159.0	171.0	222.4	186.4	163.6	264.7	179.8	181.9	307.4	178.0	221.2	2,412.8
Total Federal Grants Expenditures/Outflows	215.2	195.3	153.3	225.1	210.1	180.3	246.9	195.2	210.3	194.3	198.8	231.2	2,456.1
Net Federal Grants	(\$37.8)	(\$36.3)	\$17.7	(\$2.6)	(\$23.7)	(\$16.7)	\$17.8	(\$15.4)	(\$28.4)	\$113.0	(\$20.8)	(\$10.0)	(\$43.3)
Capital Funds:													
Total Capital Revenue/Inflows	304.8	294.7	287.6	191.1	328.0	173.8	41.9	154.5	744.8	244.9	228.1	211.2	3,205.5
Total Capital Expenditures/Outflows	349.6	375.2	242.8	299.9	295.3	227.1	220.7	205.0	186.6	233.4	238.0	327.7	3,201.3
Net Capital Funds	(\$44.8)	(\$80.5)	\$44.8	(\$108.8)	\$32.6	(\$53.3)	(\$178.7)	(\$50.5)	\$558.2	\$11.5	(\$9.9)	(\$116.4)	\$4.3
Financing Activities:													
Cash Flow Financing Activities Inflows:													
<i>Commercial Paper/Line of Credit</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	500.0	500.0
<i>Revenue Anticipation Notes (RANS)</i>	0.0	0.0	0.0	1,400.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,400.0
Total Cash Flow Financing Activities Inflows	\$0.0	\$0.0	\$0.0	\$1,400.0	\$0.0	\$500.0	\$1,900.0						
Cash Flow Financing Activities Outflows:													
<i>Commercial Paper/Line of Credit – (Principal + Interest)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>RANS – (Principal + Interest)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	509.7	511.2	410.2	1,431.1
Total Cash Flow Financing Activities Outflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	509.7	511.2	410.2	1,431.1
Net Financing Activities	\$0.0	\$0.0	\$0.0	\$1,400.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$509.7)	(\$511.2)	\$89.8	\$468.9
Ending Non-Segregated Operating Cash Balance	\$3,613.7	\$2,794.4	\$3,706.0	\$4,558.2	\$3,929.0	\$3,884.1	\$3,360.8	\$2,958.0	\$3,537.9	\$4,809.9	\$3,573.5	\$3,358.5	\$3,358.5

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

Overview of Fiscal 2021 Non-Segregated Operating Cash Flow (in millions) (1)

	<u>Jul-20</u> (2)	<u>Aug-20</u> (2)	<u>Sep-20</u> (2)	<u>Oct-20</u> (3)	<u>Nov-20</u> (3)	<u>Dec-20</u> (3)	<u>Jan-21</u> (3)	<u>Feb-21</u> (3)	<u>Mar-21</u> (3)	<u>Apr-21</u> (3)	<u>May-21</u> (3)	<u>Jun-21</u> (3)	Total FY 2021 (3)
Opening Non-Segregated Operating Cash Balance	\$3,358.5	\$4,797.0	\$4,088.8	\$4,424.4	\$3,460.1	\$2,092.6	\$2,687.5	\$2,458.6	\$1,554.7	\$1,163.6	\$2,406.7	\$1,654.7	\$3,358.5
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Budgetary Revenue/Inflows	5,707.1	3,947.4	4,343.7	3,477.8	3,281.3	4,168.8	4,185.7	3,580.3	4,255.9	5,963.3	3,903.2	5,135.6	51,950.0
Total Budgetary Expenditures/Outflows	4,228.5	3,680.9	3,355.9	4,057.2	3,813.8	3,833.9	3,871.5	4,101.3	4,153.6	4,188.4	3,782.9	3,656.4	46,724.4
Net Budgetary Funds	\$1,478.6	\$266.5	\$987.8	(\$579.5)	(\$532.5)	\$334.9	\$314.2	(\$521.0)	\$102.3	\$1,774.9	\$120.2	\$1,479.2	\$5,225.6
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	1,391.1	916.9	480.8	1,137.3	1,151.1	972.0	996.3	895.3	888.9	942.5	925.3	1,056.9	11,754.3
Total Non Budgetary Expenditures/Outflows	1,422.4	1,346.2	1,061.4	1,317.3	1,519.8	1,625.4	1,358.6	1,235.7	1,357.0	1,162.8	1,306.6	1,591.6	16,305.0
Net Non Budgetary Funds	(31.3)	(429.4)	(580.6)	(180.1)	(368.6)	(653.5)	(362.3)	(340.4)	(468.1)	(220.4)	(381.3)	(534.7)	(4,550.7)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	2.5	3.4	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	27.0
Net Operating Activities	\$1,449.7	(\$159.4)	\$410.2	(\$757.5)	(\$899.1)	(\$316.6)	(\$46.2)	(\$859.4)	(\$363.8)	\$1,556.5	(\$259.1)	\$946.5	\$701.9
Federal Grants:													
Total Federal Grants Revenue/Inflows	240.6	180.3	190.1	142.7	153.1	172.7	198.1	205.5	220.8	187.0	216.3	268.4	2,375.6
Total Federal Grants Expenditures/Outflows	211.2	203.2	183.2	309.2	563.8	341.1	290.9	278.9	291.8	208.6	211.7	225.8	3,319.6
Net Federal Grants	\$29.4	(\$22.9)	\$6.9	(\$166.5)	(\$410.7)	(\$168.4)	(\$92.8)	(\$73.4)	(\$71.0)	(\$21.6)	\$4.6	\$42.6	(\$944.0)
Capital Funds:													
Total Capital Revenue/Inflows	298.0	345.2	195.6	195.4	209.3	258.8	209.9	257.4	583.2	365.2	287.1	357.0	3,562.1
Total Capital Expenditures/Outflows	338.7	371.0	277.2	235.7	266.9	378.9	299.7	228.5	539.4	255.5	382.6	588.5	4,162.7
Net Capital Funds	(\$40.7)	(\$25.8)	(\$81.6)	(\$40.3)	(\$57.6)	(\$120.1)	(\$89.8)	\$28.9	\$43.7	\$109.7	(\$95.5)	(\$231.5)	(\$600.6)
Financing Activities:													
Cash Flow Financing Activities Inflows:													
<i>Commercial Paper/Line of Credit</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Revenue Anticipation Notes (RANS)</i>	0.0	0.0	0.0	0.0	0.0	1,200.0	0.0	0.0	0.0	0.0	0.0	0.0	1,200.0
Total Cash Flow Financing Activities Inflows	0.0	0.0	0.0	0.0	0.0	1,200.0	0.0	0.0	0.0	0.0	0.0	0.0	1,200.0
Cash Flow Financing Activities Outflows:													
<i>Commercial Paper/Line of Credit – (Principal + Interest)</i>	0.0	500.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	500.0
<i>RANS – (Principal + Interest)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	401.5	402.0	402.5	1,206.0
Total Cash Flow Financing Activities Outflows	0.0	500.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	401.5	402.0	402.5	1,706.0
Net Financing Activities	\$0.0	(\$500.0)	\$0.0	\$0.0	\$0.0	\$1,200.0	\$0.0	\$0.0	\$0.0	(\$401.5)	(\$402.0)	(\$402.5)	(\$506.0)
Ending Non-Segregated Operating Cash Balance	\$4,797.0	\$4,088.8	\$4,424.4	\$3,460.1	\$2,092.6	\$2,687.5	\$2,458.6	\$1,554.7	\$1,163.6	\$2,406.7	\$1,654.7	\$2,009.8	\$2,009.8

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Includes income tax payments originally due in fiscal 2020 but received in fiscal 2021, which are estimated to be \$2.321 billion. See “FISCAL 2020 AND FISCAL 2021 – Fiscal 2020.”

(3) Figures are projected.

STATE WORKFORCE

The following table sets forth information regarding the Commonwealth's full-time equivalent (FTE) workforce as of the end of the last five fiscal years.

State Workforce (1)

	<u>June 2016</u>	<u>June 2017</u>	<u>June 2018</u>	<u>June 2019</u>	<u>June 2020 (4)</u>
Executive Office	75	74	77	84	83
Executive Departments					
Administration and Finance	2,593	2,274	2,214	2,191	2,172
Energy and Environmental Affairs	1,773	1,736	1,725	1,784	1,825
Health and Human Services	19,560	19,849	20,162	20,362	20,363
Housing and Economic Development	673	640	748	752	762
Labor and Workforce Development	236	231	234	237	354
Executive Office of Education	569	507	523	561	580
Public Safety and Security	8,373	7,994	8,042	8,064	8,238
Technology Services and Security	-	333	354	395	402
Federal Grant, Trust and Capital Funded (2)	<u>8,847</u>	<u>8,139</u>	<u>8,133</u>	<u>8,070</u>	<u>7,984</u>
Subtotal under Governor's Authority	<u>42,699</u>	<u>41,777</u>	<u>42,212</u>	<u>42,500</u>	<u>42,763</u>
Judiciary	7,263	7,208	7,229	7,164	7,217
Higher Education	25,212	25,283	24,887	25,229	25,318
Other (3)	<u>11,040</u>	<u>11,092</u>	<u>11,048</u>	<u>11,227</u>	<u>11,285</u>
Total	<u>86,213</u>	<u>85,360</u>	<u>85,376</u>	<u>86,120</u>	<u>86,583</u>

SOURCE: Office of the Comptroller.

- (1) This table has been revised from prior presentations to conform to the presentation in the Statutory Basis Financial Reports.
- (2) The Massachusetts Department of Transportation is included in Federal Grant, Trust, and Capital Funded.
- (3) Other includes members of the Legislature and their staff, constitutional officers, other independently elected officials and other independent state agencies.
- (4) Unaudited.

Unions and Labor Negotiations

Under Massachusetts law, all employees of the Commonwealth, with the exception of managerial and confidential employees and employees of the Legislature, have the right to bargain collectively with the Commonwealth through certified employee organizations recognized as exclusive bargaining representatives for appropriate bargaining units. The Human Resources Division of the Executive Office for Administration and Finance conducts the collective bargaining negotiations with all employees of the Commonwealth (except those noted below). Such negotiations may cover wages, hours and other terms and conditions of employment, but may not include the levels of pension and group insurance benefits. All labor agreements negotiated by the Human Resources Division are subject to approval by the Secretary of Administration and Finance and, once approved, are forwarded to the Legislature for funding approval. Labor contracts are often funded by supplemental appropriations or advance-funded through reserve accounts.

MassDOT, the Trial Court, the Lottery Commission, the Alcohol Beverage Control Commission, state sheriffs, the Registries of Deeds under the control of the Secretary of the Commonwealth, state universities and community colleges through the Board of Higher Education, the Personal Care Attendant Workforce Council and the Department of Early Education and Care (EEC) (for bargaining with family child care providers) negotiate directly with their respective employee representatives, but wage increases and other economic provisions contained in such agreements are subject to the review of the Governor and to funding approval by the Legislature. Also, if the Governor does not recommend the requested appropriation to fund contractual increases, he may refer the contracts back to the parties for further negotiation.

The University of Massachusetts submits 22 of its collective bargaining agreements for approval under the process described above, but also uses some of its retained revenue to fund other collective bargaining agreements.

Approximately 35,801 executive branch full-time-equivalent state employees are organized in 13 bargaining units, the employees of the Commonwealth's colleges and universities are organized in 47 bargaining units, and the employees of the judicial branch, MassDOT, the Lottery Commission, the Registries of Deeds, the state sheriffs, Personal Care Attendants at MassHealth, and family child care providers at the Department of Early Education and Care are organized in 67 bargaining units. Public employees of the Commonwealth do not have a legal right to strike or otherwise withhold services.

The following is a description of certain terms of the most recent agreements with the collective bargaining units within the responsibility of the Human Resources Division.

1. The contract with the National Association of Government Employees (NAGE), representing Units 1, 3 and 6, ran from July 1, 2017 through June 30, 2020, and provided salary increases of 1% (2% if fiscal 2018 revenues exceeded \$27.072 billion) in 2017, 2% in 2018, and 2% in 2019, effective July 1 of each year. The total estimated incremental cost of the contract was \$65.7 million. This contract has expired and negotiations are ongoing.

2. The contract with the American Federation of State, County and Municipal Employees, representing Unit 2, ran from July 1, 2017 through June 30, 2020, and provided a salary increase of 1% in July 2017 (2% if fiscal 2018 revenues exceeded \$27.072 billion). The agreement also provided semi-annual increases of 1% in January and July of calendar 2019 and 2020, respectively (equal to an annualized increase of 2% in calendar 2019 and 2020). The total estimated incremental cost of the contract was \$36.8 million. This contract has expired and negotiations are ongoing.

3. The contract with the Massachusetts Correction Officers Federated Union, representing Unit 4, runs from July 1, 2018 through June 30, 2021 and provides salary increases of 1% (2% if fiscal 2018 revenues exceed \$27.072 billion) in 2018, 2% in 2019, and 2% in 2020, effective July 1 of each year. The total estimated incremental cost of the contract is \$33.8 million.

4. The contract with the New England Police Benevolent Association (NEPBA), representing Unit 4A, ran from July 1, 2017 through June 30, 2020, and provided for salary increases of 1% (2% if fiscal 2018 revenues exceeded \$27.072 billion) in 2017, 2% in 2018, and 2% in 2019, effective July 1 of each year. The total estimated incremental cost of the contract was \$0.9 million. This contract has expired and negotiations are ongoing.

5. The contract with the Coalition of Public Safety, representing Unit 5, runs from July 1, 2018 through June 30, 2021, and provides salary increases of 1% (2% if fiscal 2018 revenues exceed \$27.072 billion) in 2018, 2% in 2019, and 2% in 2020, effective July 1 of each year. The total estimated incremental cost of the contract is \$1.7 million.

6. The contract with the State Police Association of Massachusetts (SPAM), representing Unit 5A, runs from January 1, 2018 through December 31, 2020, and provides for salary increases of 2% in 2018, 2% in 2019 and 1.95% in 2020, effective the first full pay period in January of each year. The total estimated incremental cost of the contract is \$26.3 million.

7. The contract with the Massachusetts Nurses Association, representing Unit 7, runs from January 1, 2018 through December 31, 2020, and provides salary increases of 1% (2% if fiscal 2018 revenues exceed \$27.072 billion) in 2018, 2% in 2019, and 1.925% in 2020, effective January 1 of each year. The total estimated incremental cost of the contract is \$20.3 million.

8. The contract with the Service Employees International Union, representing Units 8 and 10, ran from January 1, 2017 through December 31, 2019, and provided a salary increases of 1% in January 2017 (2% if fiscal 2018 revenues exceeded \$27.072 billion) and 2% in January 2018 and 2019. The total estimated incremental cost of the contract was \$74.1 million. This contract has expired and negotiations are ongoing.

9. The contract with the Massachusetts Organization of State Engineers and Scientists (MOSES), representing Unit 9, ran from July 1, 2017 through June 30, 2020, and provided salary increases of 1% (2% if fiscal 2018 revenues exceeded \$27.072 billion) in 2017, 2% in 2018, and 2% in 2019, effective July 1 of each year. The

total estimated incremental cost of the contract was \$9.9 million. This contract has expired and negotiations are ongoing.

10. The contract with the International Association of Fire Fighters, representing Unit 11, runs from January 1, 2018 through December 31, 2020, and provides annual increases of 1% (2% if fiscal 2018 revenues exceed \$27.072 billion) in 2018, 2% in 2019, and 2% in 2020, effective January 1 of each year. The total estimated incremental cost of the contract is \$0.3 million.

The following table sets forth information regarding the 13 bargaining units that are within the responsibility of the Human Resources Division.

Human Resources Division Bargaining Units (1)

Contract Unit	Bargaining Union	Type of Employee	FTEs	Contract Expiration Dates
1, 3, 6	National Association of Government Employees	Clerical, Skilled Trades, Administrative Professionals	9,726	6/30/20 (2)
2	Alliance/American Federation of State, County & Municipal Employees and Service Employees International Union	Institutional services	7,861	6/30/20 (2)
4	Massachusetts Correction Officers Federated Union	Corrections	3,462	6/30/21
4A	New England Police Benevolent Association	Corrections	77	6/30/20 (2)
5	Coalition of Public Safety	Law enforcement	209	6/30/21
5A	State Police Association of Massachusetts	State Police	2,326	12/31/20
7	Massachusetts Nurses Association	Health professionals	1,604	12/31/20
8, 10	Alliance/Service Employees International Union	Social workers, Secondary Education	8,581	12/31/19 (2)
9	Massachusetts Organization of State Engineers and Scientists	Engineers/scientists	1,890	6/30/20 (2)
11	International Association of Fire Fighters	Fire fighters	64	12/31/20
Total			35,801	

SOURCE: Executive Office for Administration and Finance.

- (1) Numbers represent full-time equivalent filled positions (FTEs) in the standard workforce as of July 4, 2020 whose positions are established in accounts funded by all sources (the annual operating budget, capital projects funds, direct federal grants and expendable trusts and other non-appropriated funds).
- (2) This contract has expired and negotiations are ongoing.

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PENSION AND OPEB FUNDING

Retirement Systems

Almost all non-federal public employees in the Commonwealth participate in defined-benefit pension plans administered pursuant to state law by 104 public retirement systems. The Commonwealth is responsible for the payment of pension benefits for Commonwealth employees (members of the state employees' retirement system) and for teachers of the cities, towns and regional school districts throughout the state (including members of the Massachusetts teachers' retirement system and teachers in the Boston public schools, who are members of the Boston Retirement System but whose pensions are also the responsibility of the Commonwealth). The Commonwealth is also responsible for cost-of-living adjustments (COLAs) granted by local systems from 1981 to 1996.

The members of the retirement system do not participate in the Social Security System. Employees of certain independent authorities and agencies, such as the Massachusetts Water Resources Authority, and of counties, cities and towns (other than teachers) are covered by 102 separate retirement systems and the Commonwealth is not responsible for making contributions towards the funding of these retirement systems. Pension benefits for state employees are administered by the State Retirement Board, and pension benefits for teachers are administered by the Massachusetts Teachers' Retirement Board. Investment of the assets of the state employees' and Massachusetts teachers' retirement systems is managed by the Pension Reserves Investment Management (PRIM) Board. In the case of all other retirement systems, the retirement board for the respective system administers pension benefits and manages investment of assets. Retirement board members are required to complete 18 hours of training and to file annual statements of financial interest with the Public Employee Retirement Administration Commission (PERAC). Many such retirement boards invest their assets with the PRIM Board, and the PRIM Board may take over the assets of local retirement systems that are less than 65% funded and have failed to come within 2% of the PRIM Board's performance over the previous 10-year period. With very few exceptions, the members of these state and local retirement systems do not participate in the Social Security System.

The Massachusetts State Employees' Retirement System (MSERS) and the Massachusetts Teachers' Retirement System (MTRS) are the two largest plans of the public contributory retirement systems operated in the Commonwealth. Membership in MSERS and MTRS as of January 1, 2019, the date of the most recent combined valuation, is as follows:

Retirement Systems Membership

	<u>MSERS</u>	<u>MTRS</u>
Retirees and beneficiaries currently receiving benefits	64,758	67,110
Terminated employees entitled to benefits but not yet receiving them	<u>4,119</u>	<u>N/A</u>
Subtotal	68,877	67,110
Current Members	<u>87,969</u>	<u>94,103</u>
Total	156,846	161,213

SOURCE: Public Employee Retirement Administration Commission

The MSERS is a cost sharing, multiple-employer defined-benefit public employee retirement system. The MTRS is a defined-benefit public employee retirement system managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a non-employer contributor and is responsible for all contributions and future benefits of the MTRS. Members become vested after 10 years of creditable service. For members who joined the system prior to April 2, 2012 superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for those employees who were system members before April 2, 2012 occurs at age 65; for certain

hazardous duty and public safety positions, normal retirement is at age 55. Most members who joined the system after April 1, 2012 cannot retire prior to age 60.

The Commonwealth's retirement systems' funding policies have been statutorily established. The Legislature has the authority to amend these policies. The annuity portion of the MSERS and the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets. The policies provide for uniform benefit and contribution requirements for all contributory public employee retirement systems. These requirements generally provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service and group creditable service, and group classification.

Boston teachers are not included in the membership data shown above for the MTRS. Legislation approved in May 2010 changed the methodology for the Commonwealth's funding of pension benefits paid to Boston teachers. Prior to this change, the Commonwealth reimbursed the City of Boston for pension benefits paid to Boston teachers as certified by the Boston Retirement System (BRS). Those costs were funded one fiscal year in arrears. The cost of pension benefits of the other participants of the BRS is the responsibility of the City of Boston. The BRS is a cost-sharing multiple-employer pension system that is not administered by the Commonwealth and is not part of the reporting entity of the Commonwealth for accounting purposes. The 2010 legislation clarified that the Commonwealth is responsible for all employer contributions and future benefit requirements for Boston teachers that are members of the BRS. The Commonwealth's actuarially determined contribution (or ADC, defined as a target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice) to the BRS for fiscal 2021 has been determined to be \$163.0 million.

Subject to legislative approval, annual increases in cost-of-living allowances are provided in an amount equal to the lesser of 3% or the previous year's percentage increase in the United States consumer price index on the first \$13,000 of benefits for members of the MSERS and MTRS. The Legislature approved the 3% increase in cost-of-living allowances for fiscal 2020, and the Governor's proposed budget for fiscal 2021, as revised in October 2020, includes a 3% increase in cost-of-living allowances for fiscal 2021. The Commonwealth pension funding schedule (discussed below) assumes that annual increases of 3% will be approved for its retirees.

The MSERS and the MTRS, in conjunction with the Commonwealth, have evaluated whether certain of the statutes or practices governing the systems may have been in conflict with the exclusive benefit rule of Section 401(a)(2) of the Internal Revenue Code or other federal tax law requirements relating to operation of tax-exempt pension plans. The activities reviewed include (i) the statutorily directed funding of the budget for PERAC solely from the investment income accounts of MSERS and MTRS, (ii) the statutorily directed contributions made from the MSERS account in the PRIT Fund to a separate optional retirement plan available to certain employees of the Commonwealth's higher education system, (iii) the statutorily mandated reimbursements paid by the MSERS to local retirement systems for local cost-of-living allowances for certain participants of those systems, (iv) the deposit of reimbursement revenues received from local retirement systems to the Commonwealth's General Fund rather than to the MTRS and MSERS accounts in the PRIT Fund, and (v) the deposit of federal grant fringe payments to the General Fund rather than to the MTRS and MSERS accounts in the PRIT Fund. The Commonwealth, PERAC, MSERS and the MTRS each engaged outside tax counsel to review these activities. On March 28, 2017, the Governor approved legislation to address prospectively certain aspects of the issues described above. Additional corrective legislation was approved as part of the Commonwealth's General Appropriations Act for fiscal 2018, approved on July 17, 2017. The Executive Office for Administration and Finance submitted to the Internal Revenue Service for its consideration a request for a closing agreement in which the Commonwealth describes the activities listed above, explains the corrective actions already taken by legislation, and requests an affirmation that these activities do not adversely affect the tax qualification of the MSERS and MTRS in light of the corrections already made. The Internal Revenue Service issued an initial request for additional information on April 28, 2020 and a further request for additional information on June 23, 2020. The Commonwealth, the MSERS and MTRS submitted responses to such requests on June 3, 2020 and July 31, 2020, respectively. After further discussions with the IRS,

on August 20, 2020, the Commonwealth submitted to the IRS a proposal in connection with the withdrawal of its request for a closing agreement. A response from the IRS is currently pending.

Employee Contributions

The MSERS and MTRS are partially funded by employee contributions of regular compensation. The following tables indicate current employee contribution rates (figures are approximate):

Employee Contribution Rates			
<u>MTRS (1)</u>			
<u>Hire Date</u>	<u>% of Compensation (1)</u>	<u>Active Members</u>	<u>% of Total Active</u>
Pre-1975	5%	70	0.1%
1975-1983	7	351	0.4
1984-June 30, 1996	8	5,446	5.8
July 1, 1996-Present	9	15,149	16.1
July 1, 2001-Present	11	73,087	77.6
Totals		94,103	100.0%

SOURCE: Public Employee Retirement Administration Commission. Membership data from Teachers' Retirement System January 1, 2019 Actuarial Valuation.

- (1) Employees hired after January 1, 1979 (except those contributing 11%) contribute an additional 2% of any regular compensation in excess of \$30,000 annually. Legislation enacted in fiscal 2000 established an alternative superannuation retirement benefit program for teachers hired on or after July 1, 2001 (and others who opt in) with an 11% contribution requirement for a minimum of five years. The contribution rate for most employees hired after April 1, 2012 will be reduced to 8% after 30 years of creditable service.

MSERS (1)			
<u>Hire Date</u>	<u>% of Compensation (1)</u>	<u>Active Members</u>	<u>% of Total Active</u>
Pre-1975	5%	318	0.4%
1975-1983	7	2,504	2.8
1984-June 30, 1996	8	14,484	16.5
July 1, 1996-Present	9	69,833	79.4
State Police 1996-Present	12	830	0.9
Totals		87,969	100.0%

SOURCE: Public Employee Retirement Administration Commission. Membership data from State Retirement Board January 1, 2019 Actuarial Valuation.

- (1) Employees hired after January 1, 1979 contribute an additional 2% of any regular compensation in excess of \$30,000 annually. The contribution rate for most employees hired after April 1, 2012 will be reduced to 6% after 30 years of creditable service.

Funding Schedule

The retirement systems were originally established as “pay-as-you-go” systems, meaning that amounts were appropriated each year to pay current benefits, and no provision was made to fund currently the future liabilities already incurred. In fiscal 1988, the Commonwealth began to address the unfunded liabilities of the two state systems by making appropriations to pension reserves. Under current law such unfunded liability is required to be amortized to zero by June 30, 2040. The law also requires that the Secretary of Administration and Finance file a proposed funding schedule with the legislature every three years identifying the appropriations or transfers required to amortize the unfunded liability to zero, to meet the normal cost of all future benefits for which the Commonwealth is obligated and to meet any other component of the Commonwealth’s pension liability. Previously designated amounts can be adjusted based on a new funding schedule so long as the adjustments represent an increase in the scheduled amounts for those years. The law requires the funding schedule submitted by the Secretary to be based on actuarial valuation reports and requires the Secretary to provide the actuarial, economic and demographic assumptions upon which the reports are based. The funding schedule is filed with the House Committee on Ways and Means and is deemed approved if no action is taken by the committee within 45 days.

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The most recent funding schedule for payments into the Commonwealth's Pension Liability Fund was filed by the Secretary of Administration and Finance on January 15, 2020. The assumptions underlying the funding schedule include valuation of assets and liabilities as of January 1, 2019, an annual rate of return on assets of 7.25%, and appropriation increases of 9.63% per year through fiscal 2035 with a final amortization payment in fiscal 2036 (four years before the statutory requirement). The funding schedule also fully amortizes by fiscal 2027 the liabilities attributable to the employee retirement incentive program approved by the Governor on May 4, 2015.

Current Funding Schedule for Pension Obligations (in thousands)

<u>Fiscal Year</u>	<u>Payments</u>	<u>Fiscal Year</u>	<u>Payments</u>
2020	\$ 2,841,525	2029	\$ 6,500,043
2021	3,115,164	2030	7,125,997
2022	3,415,154	2031	7,812,230
2023	3,744,033	2032	8,564,548
2024	4,104,584	2033	9,389,314
2025	4,499,855	2034	10,293,505
2026	4,933,191	2035	11,284,770
2027	5,408,258	2036	12,364,051
2028	5,929,073	2037	1,554,984

SOURCE: Executive Office for Administration and Finance

Actuarial Valuations

Pursuant to Chapter 32 of the Massachusetts General Laws, an actuarial valuation of each retirement system is required to be conducted biennially. The most recent valuation report for the Commonwealth's total pension obligation, which is dated October 17, 2019, is available at: <https://www.mass.gov/doc/commonwealth-valuation-report-2019-0/download>. In this report, the unfunded actuarial accrued liability for the Commonwealth's total pension obligation as of January 1, 2019, based on the plan provisions in effect at the time and on member data and asset information as of December 31, 2018, was approximately \$43.989 billion, including approximately \$15.459 billion for MSERS, \$26.010 billion for MTRS, \$2.391 billion for Boston teachers that are members of the BRS, and \$130.0 million for cost-of-living increases reimbursable to local systems. This valuation estimates the total actuarial accrued liability as of January 1, 2019 to be approximately \$100.651 billion (comprising \$42.595 billion for MSERS, \$53.864 billion for MTRS, \$4.061 billion for Boston teachers and \$130.0 million for cost-of-living increases reimbursable to local systems). Total assets were valued on an actuarial basis at approximately \$56.661 billion based on a five-year average valuation method (comprising \$27.137 billion for MSERS, \$27.854 billion for MTRS and \$1.670 billion for Boston teachers), which equaled 102.8% of the December 31, 2018 total asset market value.

Differences each year between the actual experience of the plan and the experience projected by the actuarial assumptions are reflected by adjustments to the unfunded actuarial accrued liability. An experience difference which increases the unfunded actuarial accrued liability is an actuarial loss and one which decreases the unfunded actuarial accrued liability is an actuarial gain. During 2018 there was an overall actuarial loss of \$280 million. There was a non-investment related gain on actuarial liability of approximately \$165 million. There was a loss of approximately \$445 million on the actuarial value of assets.

The January 1, 2019 valuation report used a 7.25% investment return assumption, reduced from the 7.35% assumption used in the January 1, 2018 valuation. The investment return assumption had previously decreased several times, from 8.25% as of January 1, 2012 to 7.35% as of January 1, 2018. The change in the investment return assumption from 7.35% to 7.25% increased the total actuarial accrued liability by approximately \$1.0 billion.

For the January 1, 2015 valuation, a fully generational mortality assumption was adopted that reflected expected future mortality improvements (increasing life expectancy). This assumption was adopted based on a review of retiree mortality in 2012, 2013 and 2014. PERAC performed an updated analysis of retiree mortality in 2015 and 2016 and, based on this review, the generational mortality assumption was adjusted in the January 1, 2017 valuation. PERAC maintained this assumption in the January 1, 2018 valuation for most retired members. There was a small adjustment to the mortality assumption for disability retirees of MSERS that increased the actuarial liability

by \$9.0 million. PERAC used the same mortality assumption in the January 1, 2019 valuation that was used in the January 1, 2018 valuation.

PERAC issued detailed experience analyses in 2014 for MSERS and MTRS. These experience studies encompassed the years 2006-2011 and reviewed salary increases and rates of retirement, disability, turnover and mortality. As detailed above, PERAC performed an analysis of mortality for retirees of MSERS and MTRS in 2015 and 2017.

While the General Laws require a biennial actuarial valuation, PERAC has historically produced annual valuations. However due to COVID-19, PERAC will not be performing an actuarial valuation as of January 1, 2020. The next actuarial valuation will be performed as of January 1, 2021. In preparation for the January 1, 2020 actuarial valuation, but prior to PERAC's decision not to perform such valuation, it recommended a reduction in the investment return assumption from 7.25% to 7.15%. The reduction would have increased the total actuarial accrued liability by approximately \$1.0 billion. Also in preparation for the January 1, 2020 valuation, PERAC performed an analysis of mortality for retirees of MSERS and MTRS. PERAC completed the analysis for MTRS and would have recommended the adoption of the Pub-2010 Teachers mortality table (headcount weighted). This change would have increased the total actuarial liability by approximately \$320 million. PERAC did not complete the analysis for MSERS prior to the COVID-19 pandemic so it would not have changed the mortality assumption for MSERS. As part of the January 1, 2021 valuation, PERAC will further review the investment return and mortality assumptions.

The Actuarial Cost Method which is used to determine pension liabilities in the Commonwealth's valuations is known as the Entry Age Normal Cost Method. Under this method, the Normal Cost for each active member on the valuation date is determined as the level percent of salary, which, if paid annually from the date the employee first became a retirement system member, would fully fund by retirement, death, disability or termination, the projected benefits which the member is expected to receive. The actuarial accrued liability for each member is determined as the present value as of the valuation date of all projected benefits which the member is expected to receive, minus the present value of future annual Normal Cost payments expected to be made to the fund. Since only active members have a Normal Cost, the actuarial accrued liability for inactive members, retirees and survivors is simply equal to the present value of all projected benefits. The unfunded actuarial accrued liability is the actuarial accrued liability less current assets.

The Normal Cost for a member will remain a level percent of salary for each year of membership, except for changes in provisions of the plan or the actuarial assumptions employed in projection of benefits and present value determinations. The Normal Cost for the entire system will also be changed by the addition of new members or the retirement, death, disability, or termination of members. The actuarial accrued liability for a member will increase each year to reflect the additional accrual of Normal Cost. It will also change if the plan provisions or actuarial assumptions change.

The actuarial value of assets is determined in accordance with the deferred recognition method, under which 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring two years prior are recognized, etc., so that 100% of gains and losses occurring five years ago are recognized. This has the effect of smoothing the short-term volatility of market values over a five-year period. The actuarial value of assets is adjusted, if necessary, in order to remain between 90% and 110% of market value. (In valuations prior to 1998, plan assets were determined at market value.) The actuarial value of assets as of January 1, 2019 was 102.8% of the market value. This figure was 94.6% as of January 1, 2018.

The following table shows, with respect to the Commonwealth's aggregate pension obligations, a 10-year comparison of the actuarial value of assets to the market values, the ratio of the actuarial value to market value, and the funded ratio based on actuarial value compared to the funded ratio based on the market value of assets:

Ten Year Comparison of Actuarial and Market Values of Pension Assets (in millions)

<u>Valuation Date (Jan. 1)</u>	<u>Actuarial Value of Assets (1)</u>	<u>Market Value of Assets</u>	<u>% of Actuarial Value to Market Value</u>	<u>Funded Ratio (Actuarial Value)</u>	<u>Funded Ratio (Market Value)</u>
2019	\$56,661	\$55,100	102.8%	56.3%	54.7%
2018	54,918	58,038	94.6	57.0	60.3
2017	51,952	51,107	101.7	56.7	55.8
2016	49,535	48,943	101.2	56.7	56.0
2015	48,106	50,290	95.7	59.0	61.7
2014	45,894	48,351	94.9	61.2	64.5
2013	43,517	43,760	99.4	60.6	60.9
2012	43,942	39,947	110.0	65.1	59.1
2011	45,631	41,482	110.0	71.1	64.6
2010	41,589	37,809	110.0	67.5	61.4

SOURCE: Public Employee Retirement Administration Commission.

(1) Based on five-year average smoothing methodology.

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The following tables show, for each of the MSERS and the MTRS and for Commonwealth obligations in the aggregate (including Boston teachers and cost-of-living allowances as well as MSERS and MTRS), the historical funded status for the most recent ten years, based on actuarial values and market values of assets:

Historical Pension Funding Progress for the Last Ten Fiscal Years - Actuarial Value
(in thousands, except for percentages)

	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
MSERS						
Actuarial Valuation as of Jan. 1						
2019	\$27,136,639	\$42,595,224	\$15,458,585	63.7%	\$6,354,473	243.3%
2018	26,248,250	40,456,611	14,208,361	64.9	6,155,194	230.8
2017	24,773,042	38,316,719	13,543,677	64.7	5,927,012	228.6
2016	23,465,963	36,966,278	13,500,315	63.5	5,792,288	233.1
2015	22,720,160	33,679,150	10,958,990	67.5	5,591,911	196.0
2014	21,581,133	30,679,600	9,098,467	70.3	5,344,510	170.2
2013	20,317,389	29,385,442	9,068,053	69.1	5,183,195	175.0
2012	20,507,644	27,784,731	7,277,087	73.8	4,922,388	147.8
2011	21,244,900	26,242,776	4,997,876	81.0	4,808,250	103.9
2010	19,019,062	24,862,421	5,843,359	76.5	4,711,563	124.0
MTRS						
Actuarial Valuation as of Jan. 1						
2019	\$27,854,444	\$53,864,141	\$26,009,697	51.7%	\$7,074,960	367.6%
2018	27,057,700	51,653,285	24,595,585	52.4	6,829,012	360.2
2017	25,638,136	49,193,503	23,555,367	52.1	6,583,871	357.8
2016	24,593,787	46,562,807	21,969,020	52.8	6,388,732	343.9
2015	23,946,759	44,115,769	20,169,010	54.3	6,204,274	325.1
2014	22,940,196	40,741,695	17,801,499	56.3	5,962,650	298.6
2013	21,787,470	39,135,218	17,347,748	55.7	5,783,294	300.0
2012	22,141,475	36,483,027	14,341,552	60.7	5,655,353	253.6
2011	23,117,952	34,890,991	11,773,039	66.3	5,558,311	211.8
2010	21,262,462	33,738,966	12,476,504	63.0	5,509,698	226.4
Aggregate Commonwealth Pension Obligations (1)						
Actuarial Valuation as of Jan. 1						
2019	\$56,661,376	\$100,650,744	\$43,989,368	56.3%	\$13,994,455	314.3%
2018	54,918,125	96,316,894	41,398,769	57.0	13,531,845	305.9
2017	51,952,206	91,573,998	39,621,792	56.7	13,059,709	303.4
2016	49,535,323	87,401,722	37,866,399	56.7	12,702,727	298.1
2015	48,105,862	81,535,003	33,429,141	59.0	12,302,162	271.7
2014	45,894,034	74,936,994	29,042,960	61.2	11,793,788	246.3
2013	43,517,498	71,865,832	28,348,334	60.6	11,408,407	248.5
2012	43,941,682	67,546,587	23,604,905	65.1	11,011,466	214.4
2011	45,630,507	64,219,135	18,588,628	71.1	10,811,975	171.9
2010	41,589,706	61,575,676	19,985,970	67.5	10,655,881	187.6

SOURCE: Public Employee Retirement Administration Commission.

(1) Aggregate Commonwealth pension obligations include obligations with respect to MSERS, MTRS, Boston teachers, and local cost-of-living adjustments from 1981 to 1996.

Historical Pension Funding Progress for the Last Ten Fiscal Years - Market Value
(in thousands, except for percentages)

	<u>Market Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
MSERS						
Actuarial Valuation as of Jan. 1						
2019	\$26,384,598	\$42,595,224	\$16,210,626	61.9%	\$6,354,473	255.1%
2018	27,735,916	40,456,611	12,720,695	68.6	6,155,194	206.7
2017	24,366,420	38,316,719	13,950,299	63.6	5,927,012	235.4
2016	23,176,451	36,966,278	13,789,827	62.7	5,792,288	238.1
2015	23,739,487	33,679,150	9,939,663	70.5	5,591,911	177.8
2014	22,721,053	30,679,600	7,958,547	74.1	5,344,510	148.9
2013	20,405,004	29,385,442	8,980,438	69.4	5,183,195	173.3
2012	18,643,313	27,784,731	9,141,418	67.1	4,922,388	185.7
2011	19,313,545	26,242,776	6,929,231	73.6	4,808,250	144.1
2010	17,290,056	24,862,421	7,572,365	69.5	4,711,563	160.7
MTRS						
Actuarial Valuation as of Jan. 1						
2019	\$27,090,335	\$53,864,141	\$26,773,806	50.3%	\$7,074,960	378.4%
2018	28,597,562	51,653,285	23,055,723	55.4	6,829,012	337.6
2017	25,225,451	49,193,503	23,968,052	51.3	6,583,871	364.0
2016	24,308,553	46,562,807	22,254,254	52.2	6,388,732	348.3
2015	25,046,692	44,115,769	19,069,077	56.8	6,204,274	307.4
2014	24,183,391	40,741,695	16,558,304	59.4	5,962,650	277.7
2013	21,934,211	39,135,218	17,201,007	56.0	5,783,294	297.4
2012	20,128,614	36,483,027	16,354,413	55.2	5,655,353	289.2
2011	21,016,320	34,890,991	13,874,671	60.2	5,558,311	249.6
2010	19,329,511	33,738,966	14,409,455	57.3	5,509,698	261.5
Aggregate Commonwealth Pension Obligations (1)						
Actuarial Valuation as of Jan. 1						
2019	\$55,099,732	\$100,650,744	\$45,551,012	54.7%	\$13,994,455	325.5%
2018	58,037,680	96,316,894	38,279,214	60.3	13,531,845	282.9
2017	51,107,139	91,573,998	40,466,859	55.8	13,059,709	309.9
2016	48,943,080	87,401,722	38,458,642	56.0	12,702,727	302.8
2015	50,289,777	81,535,003	31,245,226	61.7	12,302,162	254.0
2014	48,350,920	74,936,994	26,586,074	64.5	11,793,788	225.4
2013	43,760,381	71,865,832	28,105,451	60.9	11,408,407	246.4
2012	39,946,984	67,546,587	27,599,603	59.1	11,011,466	250.6
2011	41,482,279	64,219,135	22,736,856	64.6	10,811,975	210.3
2010	37,808,823	61,575,676	23,766,853	61.4	10,655,881	223.0

SOURCE: Public Employee Retirement Administration Commission.

(1) Aggregate Commonwealth pension obligations include obligations with respect to MSERS, MTRS, Boston teachers, and local cost-of-living adjustments from 1981-1996.

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Annual Required Contributions

The following table sets forth the annual required contribution (ARC) by the Commonwealth for each of the fiscal years indicated and the actual contributions made. For fiscal 2014 and prior valuations, the ARC was developed under Governmental Accounting Standards Board (GASB) Statement No. 27 for accounting purposes. The ARC is no longer applicable with the implementation of GASB 67/68, as described below, but is shown for comparison. As noted above, the Commonwealth also develops a revised funding schedule by statute at least every three years, and the Commonwealth made the full contribution required, under the then-current funding schedule, for each year displayed in the table.

Annual Required Contributions and Other Pension Contributions (in thousands, except for percentages)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Annual required contribution (ARC) (1)	\$2,600,000	\$3,060,000	\$3,292,000	\$3,500,000	\$3,800,000
Contributions made (2)	<u>\$2,001,093</u>	<u>\$2,198,093</u>	<u>\$2,394,000</u>	<u>\$2,608,000</u>	<u>\$2,841,525</u>
% of ARC funded for the fiscal year	77%	72%	73%	75%	75%

SOURCE: Public Employee Retirement Administration Commission.

- (1) The ARC is developed assuming amortization of the unfunded actuarial liability on a 4% annual increasing basis through fiscal 2040. This is the minimum allowable funding schedule for local systems under state pension law. The ARC calculation for fiscal 2016 does not include costs associated with the ERIP because such costs had not yet been identified at the time the calculation was made.
- (2) The amounts shown for contributions made in fiscal 2016 and fiscal 2017 include the costs associated with the early retirement incentive program (ERIP).

The decrease from fiscal 2016 to fiscal 2017 shown above in the percentage of the ARC funded reflects the assumptions and plan changes described in the January 1, 2016 valuation report that increased plan liabilities. Similarly, assumption changes made in the 2018 and 2019 valuations affect the percentage of the ARC funded in fiscal 2019 and fiscal 2020; if there had been no assumption changes in the 2019 valuation, the percentage of the ARC funded would have been 76%. This percentage is generally expected to increase each fiscal year until contributions exceeds the ARC, although changes to actuarial assumptions and actuarial gains or losses could affect such results.

The standards currently applicable to the accounting and financial reporting of the Commonwealth's pension obligations are GASB Statement No. 67 and GASB Statement No. 68. GASB Statement No. 67, *Financial Reporting for Pension Plans*, which was effective for the Commonwealth's fiscal 2014 CAFR, establishes new standards for defined benefit pension plan accounting and reporting. GASB 67 also requires an analysis to determine the sensitivity of the NPL to changes in the discount rate, if it were calculated one percentage point lower or higher. Such sensitivity analysis is in Note 9C to Basic Financial Statements to the fiscal 2019 CAFR. See Exhibit C – Comprehensive Annual Financial Report for the year ended June 30, 2019. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was effective for the Commonwealth's fiscal 2015 CAFR, requires changes to governments' reporting of and inclusion of pension assets and liabilities in their annual CAFRs. GASB 68 requires governments to report in their statements of net position (or balance sheet) a net pension liability, defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. GASB 68 requires recognition in the financial statements of pension expense. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met.

The tables that follow show certain pension-related information for both the MTRS and the MSERS as required by GASB 67 and GASB 68 and as shown in the Commonwealth's fiscal 2019 CAFR. The MTRS and MSERS tables subtitled "Schedule of Changes in the Net Pension Liability and Related Ratios" show the beginning

and ending liabilities and assets for the MTRS and MSERS, as well as both systems' unfunded pension liability, or net pension liability (NPL), with the NPL being the amount that the Commonwealth records on its Statement of Net Position as its unfunded pension liability. The table also shows the components of the change in the NPL between the beginning (July 1) and end (June 30) for fiscal years 2015 through 2019.

The tables subtitled "Pension Expense and Deferred Outflows/Inflows of Resources" shows pension expenses that, under GASB 68, are recognized in the fiscal 2019 CAFR. Additional information regarding the inflows and outflows that under GASB 68 are recognized either in the fiscal 2019 CAFR or are deferred and projected to be recognized in the CAFRs for future fiscal years can be found in Note 9C to Basic Financial Statements to the fiscal 2019 CAFR. See Exhibit C – Comprehensive Annual Financial Report for the year ended June 30, 2019.

The methodology required by GASB 68 to calculate the Commonwealth's NPL and other pension-related measures (as reflected in the tables below) is in several respects different from the methodology used by PERAC in calculating the Commonwealth's unfunded pension liability in its annual actuarial valuation. The most important difference between the two methodologies is that GASB 68 requires the value of pension plan assets be recorded at market value as of June 30 of each fiscal year, meaning that investment gains and losses are recognized immediately, while the actuarial value of assets used by PERAC in calculating the Commonwealth's unfunded liability is measured using a five-year smoothing methodology, meaning that investment gains and losses are amortized over five years. GASB 68 also requires governments to defer certain amounts to the extent that actual experience differs from the assumptions used to calculate pension liabilities, actual investment returns differ from projected earnings, or assumption changes result in changes in pension liabilities. Therefore, the NPL information set out in the tables below based on GASB 68 requirements is not strictly comparable to the unfunded liability and other pension-related information in PERAC's annual actuarial valuations.

Under GASB 68, in order to provide adequate time for pension plans to distribute pension-related information to pension plan participants (which include state authorities, local school collaboratives and municipal governments) for use in their annual CAFRs, governments are permitted to use the prior year's NPL and other pension-related measures in the current year's CAFR. In conformance with GASB 68, the Commonwealth determined that for the fiscal 2019 CAFR it would use the pension valuation information as of June 30, 2018. The Commonwealth will use the June 30, 2019 pension information in its fiscal 2020 CAFR.

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GASB 67 Information for the Massachusetts Teachers' Retirement System

Schedule of Changes in the Net Pension Liability and Related Ratios

Fiscal Years 2019 through 2015
(in thousands, except for percentages)

	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Total pension liability (as of July 1)	\$52,503,000	\$50,024,000	\$47,300,000	\$45,918,711	\$41,435,000
Service cost	949,262	901,234	891,760	843,800	768,032
Interest	3,762,191	3,633,027	3,505,761	3,402,525	3,166,728
Differences between expected and actual experience	50,910	92,317	47,046	(74,025)	153,000
Changes of assumptions (1), (2), (3), (4), (5)	577,000	845,000	1,176,000	-	3,080,000
Benefit payments, including refunds of member contributions	<u>(3,092,363)</u>	<u>(2,992,578)</u>	<u>(2,896,567)</u>	<u>(2,791,011)</u>	<u>(2,684,049)</u>
Net change in total pension liability	<u>2,248,000</u>	<u>2,479,000</u>	<u>2,724,000</u>	<u>1,381,289</u>	<u>4,483,711</u>
Total pension liability (as of June 30)	<u>\$54,751,000</u>	<u>\$52,503,000</u>	<u>\$50,024,000</u>	<u>\$47,300,000</u>	<u>\$45,918,711</u>
Plan fiduciary net position (as of July 1)	\$28,791,711	\$27,138,609	\$24,942,072	\$25,429,068	\$25,538,646
Contributions:					
Non-employer - Commonwealth	1,443,710	1,314,783	1,235,515	1,124,583	1,021,930
Plan members	782,431	755,688	730,212	699,422	669,941
Other additions	<u>234,532</u>	<u>231,734</u>	<u>223,746</u>	<u>202,796</u>	<u>190,925</u>
Total contributions	2,460,673	2,302,205	2,189,473	2,026,801	1,882,796
Net investment income	1,584,770	2,542,576	3,100,352	441,363	845,503
Benefit payments, including refunds of plan member contributions	<u>(3,092,363)</u>	<u>(2,992,578)</u>	<u>(2,896,567)</u>	<u>(2,791,011)</u>	<u>(2,684,049)</u>
Administrative expense	<u>(18,324)</u>	<u>(19,528)</u>	<u>(24,053)</u>	<u>(24,220)</u>	<u>(23,444)</u>
Other changes	<u>(189,487)</u>	<u>(179,573)</u>	<u>(172,668)</u>	<u>(139,929)</u>	<u>(130,384)</u>
Net change in plan fiduciary net position	<u>745,269</u>	<u>1,653,102</u>	<u>2,196,537</u>	<u>(486,996)</u>	<u>(109,578)</u>
Plan fiduciary net position (as of June 30)	<u>\$29,536,980</u>	<u>\$28,791,711</u>	<u>\$27,138,609</u>	<u>\$24,942,072</u>	<u>\$25,429,068</u>
Plan net pension liability/(asset) (as of June 30)	<u>\$25,214,020</u>	<u>\$23,711,289</u>	<u>\$22,885,391</u>	<u>\$22,357,928</u>	<u>\$20,489,643</u>
Plan fiduciary net position as a percentage of the total pension liability	53.9%	54.8%	54.3%	52.7%	55.4%
Covered employee payroll (6)	<u>\$7,074,960</u>	<u>\$6,829,012</u>	<u>\$6,583,871</u>	<u>\$6,388,732</u>	<u>\$6,204,274</u>
Net pension liability/(asset) as a percentage of covered employee payroll	356.4%	347.2%	347.6%	350.0%	330.3%

SOURCE: Office of the Comptroller

- (1) The changes in assumptions in fiscal 2015 were due to (i) a decrease in the investment rate of return (discount rate) from 8.0% to 7.75% in the January 1, 2015 actuarial valuation and (ii) improved future mortality.
- (2) The changes in assumptions in fiscal 2017 were due to improved future mortality.
- (3) Subsequent to the issuance of the fiscal 2015 CAFR, the Commonwealth further reduced its discount rate to 7.50% from 7.75%. Consequently, the Commonwealth has adjusted certain information as previously reported in the fiscal 2015 CAFR. This change resulted in an increase of approximately \$1.190 billion which affected the net pension liability as of and for the fiscal year ended June 30, 2015.

- (4) The changes in assumptions in fiscal 2018 were due to a decrease in the discount rate to 7.35% from 7.50%.
- (5) The changes in assumptions in fiscal 2019 were due to a decrease in the discount rate to 7.25% from 7.35%.
- (6) Reflects compensation in the January 1 actuarial valuation for each fiscal year.

GASB 68 Information for the Massachusetts Teachers' Retirement System

Pension Expense and Deferred Outflows/Inflows of Resources

(in thousands)

Pension Expense for Fiscal 2019 (1)

Service cost	\$901,234
Interest	3,633,027
Employee contributions	(755,688)
Projected earnings on plan investments	(1,944,400)
Recognized portion of difference between expected and actual experience	35,461
Recognized portion of difference in projected and actual earnings on investments	(276,886)
Recognized portion of plan benefit changes	-
Recognized portion of assumption changes	842,681
Transfers and reimbursements from other systems	(75,734)
Member make up, redeposit and payments from rollovers	(17,856)
Other reimbursements	(6,846)
Administrative expense	19,528
Other changes (net)	<u>48,275</u>
Pension expense	<u>\$2,402,796</u>

(1) In conformance with GASB 68, pension valuation information as of June 30, 2018 is used in the fiscal 2019 CAFR. Pension valuation information as of June 30, 2019 will be used in the fiscal 2020 CAFR.

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**GASB 67 Information for the State Employees' Retirement System
Schedule of Changes in the Net Pension Liability and Related Ratios**

Fiscal Year 2019 through 2015
(in thousands, except for percentages)

	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Total pension liability (as of July 1)	\$41,225,000	\$39,107,000	\$37,760,000	\$35,425,414	\$31,355,000
Service cost	897,600	856,200	855,440	813,975	700,012
Interest	2,965,890	2,852,239	2,813,374	2,638,929	2,411,551
Changes in benefit terms (1)	-	-	10,000	400,000	230,302
Differences between expected and actual experience	303,066	102,008	(428,232)	589,009	275,000
Changes of assumptions (2), (3), (4), (5), (6)	434,000	622,000	304,000	-	2,330,000
Benefit payments, including refunds of member contributions	<u>(2,427,556)</u>	<u>(2,314,447)</u>	<u>(2,207,582)</u>	<u>(2,107,327)</u>	<u>(1,876,451)</u>
Net change in total pension liability	<u>2,173,000</u>	<u>2,118,000</u>	<u>1,347,000</u>	<u>2,334,586</u>	<u>4,070,414</u>
Total pension liability (as of June 30)	<u>\$43,398,000</u>	<u>\$41,225,000</u>	<u>\$39,107,000</u>	<u>\$37,760,000</u>	<u>\$35,425,414</u>
Plan fiduciary net position (as of July 1)	\$27,995,021	\$26,282,232	\$23,971,156	\$24,042,585	\$23,930,895
Contributions:					
Employers – Commonwealth and MassDOT	919,545	840,990	716,266	660,818	601,931
Non-employer contributions – Commonwealth	37,359	35,184	28,455	21,830	18,040
Employers and non-employers – other	10,191	9,564	7,999	16,642	15,808
ERIP funding contribution - Commonwealth	28,724	28,724	29,093	29,093	-
Plan members	632,730	600,705	604,772	591,948	549,493
Other additions	<u>104,765</u>	<u>118,124</u>	<u>232,548</u>	<u>397,077</u>	<u>92,503</u>
Total contributions	<u>1,733,314</u>	<u>1,633,291</u>	<u>1,619,133</u>	<u>1,717,408</u>	<u>1,277,775</u>
Net investment income	1,543,398	2,460,748	2,987,632	422,938	800,886
Benefit payments, including refunds of plan member contributions	<u>(2,427,556)</u>	<u>(2,314,447)</u>	<u>(2,207,582)</u>	<u>(2,107,327)</u>	<u>(1,876,451)</u>
Administrative expense	(15,853)	(16,369)	(30,030)	(20,624)	(15,966)
Other changes	<u>(64,528)</u>	<u>(50,434)</u>	<u>(58,077)</u>	<u>(83,824)</u>	<u>(74,554)</u>
Net change in plan fiduciary net position	<u>768,775</u>	<u>1,712,789</u>	<u>2,311,076</u>	<u>(71,429)</u>	<u>111,690</u>
Plan fiduciary net position (as of June 30)	<u>\$28,763,796</u>	<u>\$27,995,021</u>	<u>\$26,282,232</u>	<u>\$23,971,156</u>	<u>\$24,042,585</u>
Plan net pension liability/(asset) (as of June 30)	<u>\$14,634,204</u>	<u>\$13,229,979</u>	<u>\$12,284,768</u>	<u>\$13,788,844</u>	<u>\$11,382,829</u>
Plan fiduciary net position as a percentage of the total pension liability	66.3%	67.9%	67.2%	63.5%	67.9%
Covered employee payroll (7)	<u>\$6,354,473</u>	<u>\$6,155,194</u>	<u>\$5,927,012</u>	<u>\$5,792,288</u>	<u>\$5,591,911</u>
Net pension liability/(asset) as a percentage of covered employee payroll	230.3%	214.9%	216.4%	238.1%	203.6%

SOURCE: Office of the Comptroller

- (1) Fiscal 2015 change in benefit terms reflects costs associated with the retirement incentive program approved in May 2015. Fiscal 2016 change in benefit terms reflect costs related to Optional Retirement Plan members transferring to the State Employees' Retirement System pursuant to Chapter 176 of the Acts of 2011. Fiscal 2017 change in benefit terms reflect retirement incentive program for certain employees of the highway division of the Massachusetts Department of Transportation.
- (2) The changes in assumptions in fiscal 2015 were due to (1) a decrease in the investment rate of return (discount rate) from 8.0% to 7.75% in the January 1, 2015 actuarial valuation and (2) improved future mortality.

- (3) Subsequent to the issuance of the fiscal 2015 CAFR, the Commonwealth further reduced its discount rate to 7.50% from 7.75%. Consequently, the Commonwealth has adjusted certain information as previously reported in the fiscal 2015 CAFR. This change resulted in an increase of approximately \$933 million which affected the net pension liability as of and for the fiscal year ended June 30, 2015.
- (4) The changes in assumptions in fiscal 2017 were due to improved future mortality.
- (5) The changes in assumptions in fiscal 2018 were due to (i) a decrease in the discount rate to 7.35% from 7.50% in the January 1, 2018 actuarial valuation and (ii) a change in the mortality assumption for disabled members.
- (6) The changes in assumptions in fiscal 2019 were due to a decrease in the discount rate to 7.25% from 7.35%.
- (7) Reflects compensation in the January 1 actuarial valuation for each fiscal year.

GASB 68 Information for the State Employees' Retirement System
Pension Expense and Deferred Outflows/Inflows of Resources
(in thousands)

Pension Expense for Fiscal 2019 (1)

Service cost	\$856,200
Interest	2,852,239
Employee contributions	(600,705)
Projected earnings on plan investments	(1,883,541)
Recognized portion of difference between expected and actual experience	99,021
Recognized portion of difference in projected and actual earnings on investments	(270,154)
Recognized portion of assumption change	615,837
Change in benefit terms	-
Transfers and reimbursements from other systems	(41,747)
Member make up, redeposit and payments from rollovers	(24,802)
COLA reimbursements	(19,500)
Other reimbursements	(32,075)
Administrative expense	16,369
Other expenses that do not reduce the total pension liability	<u>50,433</u>
Pension expense	<u>\$1,617,575</u>

- (1) In conformance with GASB 68, pension valuation information as of June 30, 2018 is used in the fiscal 2019 CAFR. Pension valuation information as of June 30, 2019 will be used in the fiscal 2020 CAFR.

Prospective Funded Status of the Pension System

The following tables project the funded status of the MSERS', the MTRS', the Boston teachers', and the Commonwealth's aggregate pension liabilities through fiscal 2024. Actuarial results reflect assumptions outlined in the January 1, 2019 actuarial valuation report, except that the fiscal 2020 assets are as of December 31, 2019. The 2019 actuarial valuation reflects a 7.25% investment return assumption. All projections are estimates and will vary based on actual investment returns and plan experience. The projections shown in the table assume that all assumptions will be realized exactly. The actuarially determined contributions reflect the funding schedule filed by the Secretary of Administration and Finance on January 15, 2020. Under the funding schedule, appropriations increase by 9.63% per year until fiscal 2035, with an increase of 9.56% in fiscal 2036. The allocations to individual retirement systems for fiscal 2020 and fiscal 2021 reflect the amounts identified in memoranda dated May 9, 2019 and May 5, 2020 respectively from the Executive Director of PERAC to the Secretary of Administration and Finance. The allocations to individual retirement systems for fiscal 2022 and beyond are estimated. Actuarial figures other than the actuarially determined contribution reflect January 1 estimates of the fiscal year shown.

The actuarial value of assets on January 1, 2019 was 102.8% of the market value of assets. The actuarial value of assets on January 1, 2020 was 94.9% of the market value of assets. The actuarial value of assets on January 1, 2021 is assumed to be 96.8% of the market value of assets. The actuarial value of assets on January 1, 2022 is assumed to be 98.5% of the market value of assets. The actuarial value of assets on January 1, 2023 is assumed to be

98.6% of the market value of assets. The actuarial value of assets on January 1, 2024 is assumed to be 100.0% of the market value of assets. The actuarial value of assets is projected using the history of PRIT Fund cash flows to estimate future cash flows.

The actuarial liability is projected from January 1, 2019 to January 1, 2020 using standard methodology. Projections beyond January 1, 2020 reflect the same percentage increase. Past projections used slightly decreasing percentage increases to reflect the impact of pension reform legislation enacted in 2011, as well as employee contribution increases as a percentage of pay.

The projected actuarially determined contribution (ADC) for MSERS, MTRS and Boston teachers for fiscal 2022 and beyond are estimated. The actual fiscal 2021 ADC for MSERS, MTRS and Boston teachers were provided in a memorandum dated May 5, 2020 from the Executive Director of PERAC to the Secretary of Administration and Finance.

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For the purpose of calculating the actuarially determined contribution as a percentage of total budgeted operating funds expenditures, the Executive Office for Administration and Finance used the 4.5% compound annual growth rate of budgeted revenues from fiscal 2010 to fiscal 2020 (preliminary and unaudited). This does not represent an official forecast of the growth in Total Budgeted Expenditures and Other Uses by the Executive Office for Administration and Finance.

Prospective Funded Status of the Pension System (in millions, except for percentages) (1)

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Liability</u>	<u>Funded Ratio(2)</u>	<u>ADC as a % of Total Budgeted Operating Funds Expenditures</u>
<u>MSERS (3)</u>						
2019	\$993	\$27,136	\$42,595	\$15,459	63.7%	2.1%
2020	1,084	28,335	44,219	15,884	64.1	2.2
2021	1,191	30,073	45,988	15,915	65.4	2.3
2022	1,304	31,895	47,828	15,933	66.7	2.4
2023	1,429	33,318	49,741	16,423	67.0	2.6
2024	1,567	35,303	51,731	16,428	68.2	2.7
<u>MTRS (3)</u>						
2019	\$1,423	\$27,854	\$53,864	\$26,010	51.7%	3.0%
2020	1,558	29,077	55,638	26,561	52.3	3.2
2021	1,717	30,797	57,474	26,677	53.6	3.3
2022	1,873	32,590	59,371	26,781	54.9	3.5
2023	2,053	33,966	61,330	27,364	55.4	3.7
2024	2,251	35,910	63,354	27,444	56.7	3.9
<u>Boston Teachers (3)</u>						
2019	\$143	\$1,670	\$4,061	\$2,391	41.1%	0.3%
2020	157	1,744	4,175	2,431	41.8	0.3
2021	163	1,849	4,300	2,451	43.0	0.3
2022	189	1,958	4,429	2,471	44.2	0.4
2023	207	2,041	4,562	2,521	44.7	0.4
2024	227	2,159	4,699	2,540	45.9	0.4
<u>Aggregate Commonwealth Pension Obligations (4)</u>						
2019	\$2,608	\$56,661	\$100,650	\$43,989	56.3%	5.6%
2020	2,842	59,156	104,151	44,995	56.8	5.8
2021	3,115	62,719	107,872	45,153	58.1	6.1
2022	3,415	66,443	111,728	45,285	59.5	6.4
2023	3,744	69,325	115,725	46,400	59.9	6.7
2024	4,105	73,372	119,868	46,496	61.2	7.0

SOURCE: Executive Office for Administration and Finance and Public Employee Retirement Administration Commission.

- (1) Actuarial results reflect figures and assumption outlined in the January 1, 2019 Commonwealth Actuarial Valuation Report, except that fiscal 2020 assets are as of December 31, 2019. The assumed investment rate of return is 7.25%.
- (2) The Funded Ratio is equal to the Actuarial Value of Assets divided by the Actuarial Accrued Liability.
- (3) Fiscal 2022 and beyond are estimates.
- (4) Aggregate Commonwealth pension obligations include obligations with respect to MSERS, MTRS, Boston teachers, and local cost-of-living adjustments.

PRIT Fund Investments

The mission of the PRIM Board is to manage the PRIT Fund so as to ensure that pension assets are well invested so that current and future benefit obligations are adequately funded in a cost-effective manner. The PRIM Board therefore seeks to maximize the total return on investment, within acceptable levels of risk and cost for an approximately 60% funded public pension fund. Under current law and projections, by the year 2040 the PRIT Fund is expected to have grown, through annual payments in accordance with a legislatively approved funding schedule and through the total investment return of the fund, to an amount sufficient to meet the then existing pension obligations of the Commonwealth.

The PRIM Board recognizes that over the long-term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The asset allocation plan adopted by the Board embodies its decisions about what proportions of the PRIT Fund are to be invested in global equity and fixed income securities, alternative investments such as real estate, private equity and portfolio completion strategies, and, where appropriate, the various sub-asset classes of each category. At reasonable intervals of not more than three to five years, the Board conducts a comprehensive review of its asset allocation plan and its underlying assumptions, including the Commonwealth's current and projected pension assets and liabilities, long-term capital markets rate of return assumptions, and the Board's risk tolerances. The comprehensive review identifies a reasonable time horizon and investment strategy for matching assets and liabilities, a fund-level total return target, and an optimal allocation among available asset classes and sub-asset classes. The Board examines the asset allocation plan annually and adjusts the plan as may be appropriate given the PRIT Fund's long-term nature and objectives. The target rate of return is 7.25%, which matches the expected long-term rate of return on assets to be assumed by PERAC as of the January 1, 2019 Actuarial Valuation Report. The PRIM Board does not determine this target rate of return, but this target rate of return is a key input into the PRIM Board's asset allocation decisions.

The actual asset allocation mix invariably deviates from the PRIT Fund's allocation targets due to market movement, cash flows, and manager performance. Material deviations from the asset allocation targets can alter the expected return and risk of the PRIT Fund. The following table sets forth the actual PRIT Fund asset allocation for each of the most recent five fiscal years, as well as the current target ranges. The actual allocation figures are as of June 30 for each of the years indicated. The target ranges are those contained in the asset allocation plan, which was most recently approved on February 26, 2020.

PRIT Fund Asset Allocation

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 (1)</u>	<u>Target Ranges</u>
Global Equity	42.2%	45.7%	41.9%	43.2%	42.0%	34.0 – 44.0%
Core Fixed Income	13.9	12.0	12.8	13.6	15.7	12.0 – 18.0
Value-Added Fixed Income	8.4	8.1	8.0	7.9	7.5	5.0 – 11.0
Private Equity	11.1	10.6	10.8	11.3	11.4	10.0 – 16.0
Real Estate	10.4	9.1	9.0	9.4	9.2	7.0 – 13.0
Timber/Natural Resources	3.3	3.7	3.4	3.9	3.7	1.0 – 7.0
Portfolio Completion Strategies	9.8	9.5	13.4	10.0	9.7	8.0 – 14.0

SOURCE: Pension Reserves Investment Management Board.

(1) Unaudited.

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The following table sets forth the actual investment rates of return for the assets in the PRIT Fund for the last 10 fiscal years:

PRIT Fund Rates of Return (Gross of Fees)

<u>Fiscal Year</u>	<u>Rate of Return</u>	<u>Fiscal Year</u>	<u>Rate of Return</u>
2020 (1)	2.38%	2015	3.86%
2019	6.12	2014	17.53
2018	9.97	2013	12.69
2017	13.20	2012	(0.08)
2016	2.29	2011	22.30
	3yr annualized		6.11%
	5yr annualized		6.71%
	10yr annualized		8.81%

SOURCE: Pension Reserves Investment Management Board.

(1) Preliminary and unaudited.

Other Post-Employment Benefit Obligations (OPEB)

In addition to providing pension benefits, the Commonwealth is statutorily required to provide certain health care and life insurance benefits (“other post-employment benefits” or “OPEB”) for retired employees of the Commonwealth, as well as retired employees of housing authorities, redevelopment authorities and certain other governmental agencies (offline agencies). Substantially all of the Commonwealth’s employees may become eligible for these benefits if they reach retirement age and eligibility while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care/benefit costs. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies. (Although, as noted above, the Commonwealth is required to pay pensions to retired municipal teachers, the Commonwealth has no OPEB obligations with respect to retired municipal teachers.)

The GIC manages the Commonwealth’s OPEB for all state and certain agency employees and retirees. The GIC has representation on the Board of Trustees of the State Retiree Benefits Trust (SRBT). The SRBT is set up to pay for former state employees’ OPEB benefits and to invest state and certain municipalities funds that have been set aside to pay for OPEB benefits and the cost to administer those funds and can only be dissolved when all such health care and other non-pension benefits, current and future, have been paid or defeased.

The Commonwealth also oversees the management and administration of the Massachusetts Turnpike Authority Retiree Benefits Trust, which is restricted for OPEB benefits of the retirees of the former Massachusetts Turnpike Authority.

Employer and employee contribution rates are set by statute. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2019, Commonwealth participants contributed 10% to 25% of premium costs, depending on the date of hire and whether the participant is active, retiree or survivor status. See “COMMONWEALTH EXPENDITURES – Employee Benefits; *Group Insurance*.” According to the most recent actuarial valuation as of June 30, 2019, the GIC had 158,078 state enrollees as of January 1, 2019. As of that date, the Commonwealth was responsible for the OPEB liability of 129,046 of those enrollees.

In June 2015, the GASB issued two new standards that change the accounting and financial reporting for the Commonwealth’s OPEB obligations, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which was effective for fiscal 2017 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was effective for fiscal 2018. Under GASB 74, OPEB plans are required to discount retiree health care liabilities, based on a blend of 30-year municipal bond rates and the expected return for assets in the trust, “blended,” or weighted, by the funding level of the OPEB trust relative to OPEB liabilities. In fiscal 2019, the rate of return for assets in the OPEB trust was assumed to be

7.25%, consistent with the rate used for the Commonwealth's pension trust, while the relevant municipal bond rate was 3.51%, resulting in a 3.69% blended discount rate, weighted towards the lower municipal bond rate due to the relatively low funding level of the OPEB trust in relation to the Commonwealth's OPEB liability. GASB 75 requires governments to report in their statements of net position (or balance sheet) a net OPEB liability, defined as the difference between the total OPEB liability (the present value of projected benefit payments to retirees for certain health care benefits based on past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to retirees or their beneficiaries. The new standard also requires recognition in the statement of activities of net OPEB expense. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to make projected benefit payments and the OPEB plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated general obligation municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. This statement is similar to the requirements of GASB 68, *Accounting and Financial Reporting for Pensions*, which was first implemented in the fiscal 2015 CAFR.

The GASB 74 actuarial valuation for fiscal year ended June 30, 2019, which was issued on January 23, 2020, is available at: <http://www.macomptroller.info/comptroller/docs/reports-audits/oepb/GASB-74-Report-June-30-2019.pdf>. According to the report, the Commonwealth's unfunded OPEB liability, assuming no pre-funding and using a discount rate of 3.69%, was approximately \$12.224 billion as of June 30, 2019.

The independent actuarial report covers only the Commonwealth's OPEB obligations for Commonwealth employees and their survivors. Municipalities and authorities of the Commonwealth, even if their health care coverage is administered by the Group Insurance Commission, perform their own valuations, as the Commonwealth acts only as an agent for the entities that participate in the GIC with respect to providing OPEB health insurance benefits and does not assume the risk or financial burden of their health care costs.

The State Retiree Benefits Trust Fund was created to consolidate the state's retiree funding efforts and better project future liabilities, and beginning in fiscal 2008, expenses for current state retirees' healthcare were paid from the fund. Also in fiscal 2008, the fund benefited from a one-time transfer of approximately \$329 million from the Health Care Security Trust. The fiscal 2012 budget included a requirement that, beginning in fiscal 2013, 10% of the annual tobacco settlement payments be transferred to the State Retiree Benefits Trust Fund, with the amount deposited to the State Retiree Benefits Trust Fund to increase by 10% increments annually thereafter until 100% of all payments would be transferred to that Fund, subject to such requirement being subsequently modified or waived by the Legislature. In fiscal 2016, 2017, 2018, 2019 and 2020 the required transfer was modified to 30%, 30%, 10%, 30%, and 10%, respectively, of annual tobacco settlement payments. Commencing with fiscal 2014, the budget also included a provision that funded a portion of the scheduled transfer to the State Retiree Benefits Trust Fund from certain unspent appropriations, to the extent that they were available, with any balance to be made up through a transfer of tobacco settlement payments. State finance law also provides for annual deposits into the State Retiree Benefits Trust Fund in the amount of 5% of any capital gains tax revenues transferred to the Stabilization Fund in excess of the statutory capital gains threshold.

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The following table shows transfers to the State Retiree Benefits Trust Fund since fiscal 2013.

State Retiree Benefits Trust Fund
(in millions)

<u>Fiscal Year</u>	<u>Unexpended Appropriations</u>	<u>Tobacco Settlement Proceeds</u>	<u>Capital Gains Tax Revenue</u>
2013	-	\$23.5	\$23.1
2014	\$56.4	15.0	2.3
2015 ⁽¹⁾	44.0	29.7	-
2016 ⁽²⁾	77.3	-	-
2017 ⁽³⁾	25.4	-	-
2018	53.1	19.8	26.0
2019	38.9	32.1	42.4

Source: Office of the Comptroller

- (1) Requirement to deposit 5% of capital gains tax revenues was suspended by Legislature for fiscal 2015.
- (2) The fiscal 2016 budget also included a provision that any shortfall in the scheduled amount be paid from a transfer of fiscal 2016 tax revenues exceeding \$100 million generated by a tax amnesty program that was also authorized in the fiscal 2016 budget, prior to transferring tobacco settlement proceeds. The requirement to deposit 5% of capital gains tax revenues was suspended by Legislature for fiscal 2016.
- (3) Capital gains tax revenues did not exceed statutory capital gains threshold in fiscal 2017, therefore no deposit was made.

The plan net position as of June 30, 2019 was approximately \$1.368 billion.

State Retiree Benefits Trust
(in thousands, except for percentages)

<u>Actuarial Valuation as of June 30 (1):</u>	<u>Plan Net Position</u>	<u>Total OPEB Liability</u>	<u>Net (Unfunded) OPEB Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Net OPEB liability as % of Covered Payroll</u>
2019 (3)	\$1,368,548	\$19,662,106	\$18,293,558	7.0%	\$6,354,473	287.9%
2018 (3)	1,187,569	19,761,333	18,573,764	6.0	6,155,914	301.7
2017	996,407	18,480,936	17,484,529	5.4	5,927,012	295.0

<u>Actuarial Valuation as of January 1 (2):</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Liability</u>	<u>Accrued Unfunded Liability (UAAL)</u>	<u>Actuarial Ratio Covered</u>	<u>Funded Payroll</u>	<u>Annual Covered Payroll as % of UAAL</u>
2017	\$817,400	\$20,263,500	\$19,446,100	4.0%	\$5,927,012	328.1%
2016	760,400	17,082,900	16,322,500	4.5	5,792,288	281.8
2015	610,000	16,502,800	15,892,800	3.7	5,591,911	284.2
2014	511,200	15,670,200	15,159,000	3.3	5,344,500	283.6
2013	406,700	15,784,100	15,377,400	2.6	5,183,195	296.7
2012	360,500	16,559,400	16,298,900	2.2	4,922,388	331.1
2011	350,500	16,568,600	16,218,100	2.1	4,808,250	337.3
2010	309,800	15,166,300	14,856,500	2.0	4,711,563	315.3
2009	273,500	15,305,100	15,031,600	1.8	4,712,655	319.0
2008	-	9,812,000	9,812,000	0.0	4,574,233	214.5

SOURCE: Office of the Comptroller

- (1) Amounts are as of June 30 and prepared in accordance with GASB Statement No. 74, effective as of fiscal 2017.
- (2) Amounts are as of January 1 and prepared in accordance with GASB Statement No. 43, which was replaced by GASB Statement No. 74.
- (3) Certain amounts were restated due to errors in calculations during subsequent audit procedures as more fully described below.

The following table shows the beginning and ending liabilities and assets for the State Retirees' Benefits Trust, as well as the unfunded OPEB liability, or net OPEB liability (NOL), with the NOL being the amount that the Commonwealth records on its Statement of Net Position as its unfunded OPEB liability, as required by GASB Statements No. 74 and No. 75, and as shown in the CAFR for each fiscal year. The table also shows the components of the change in the NOL between the beginning (July 1) and end (June 30) for fiscal years 2017 to 2019.

During the audit of the GASB 75 report as of the June 30, 2019 measurement date (which will be reported in the CAFR for fiscal 2020), the Commonwealth's independent auditors, currently KPMG, noted errors in the total OPEB liability and the net OPEB liability as calculated by a third party actuarial firm. These errors included incorrect total and net OPEB liabilities dating back to the June 30, 2018 measurement date. The information in the following GASB 74 and 75 tables have been changed to reflect the restated amounts. These restated amounts will be updated in the CAFR for fiscal 2020.

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GASB 74 Information for the State Retirees' Benefit Trust
Schedule of Changes in Net OPEB Liability and Related Ratios
Fiscal Years 2019 through 2017
(in thousands, except for percentages)

	<u>Fiscal 2019 (4)</u>	<u>Fiscal 2018 (4)</u>	<u>Fiscal 2017</u>
Total OPEB liability (as of July 1)	\$19,761,333	\$18,480,936	\$19,821,600
Service cost	806,023	792,135	950,800
Interest	796,880	691,630	591,900
Differences between expected and actual experience	715,192	218,891	(48,600)
Changes of assumptions (1), (2), (3)	(1,935,139)	21,504	(2,393,700)
Benefit payments, including refunds of member contributions	<u>(482,183)</u>	<u>(443,763)</u>	<u>(441,064)</u>
Net change in total OPEB liability	<u>(99,227)</u>	<u>1,280,397</u>	<u>(1,340,664)</u>
Total OPEB liability, June 30	<u>\$19,662,106</u>	<u>\$19,761,333</u>	<u>\$18,480,936</u>
Plan fiduciary net position, July 1	<u>\$1,187,569</u>	<u>\$996,407</u>	<u>\$866,043</u>
Contributions:			
Employer	594,916	542,896	465,449
Other additions	<u>188</u>	<u>133</u>	<u>784</u>
Total contributions	<u>595,104</u>	<u>543,029</u>	<u>466,233</u>
Net investment income	<u>68,229</u>	<u>93,308</u>	<u>105,822</u>
Benefit payments, including refunds of plan member contributions	(482,183)	(443,763)	(441,064)
Administrative expense	(171)	(150)	(127)
Other changes	-	<u>(1,262)</u>	<u>(500)</u>
Net change in plan fiduciary net position	<u>180,979</u>	<u>191,162</u>	<u>130,364</u>
Plan fiduciary net position, June 30	<u>\$1,368,648</u>	<u>\$1,187,569</u>	<u>\$996,407</u>
Plan net OPEB liability - June 30	<u>\$18,293,458</u>	<u>\$18,573,764</u>	<u>\$17,484,529</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.0%	6.0%	5.4%
Covered payroll (as of actuarial valuation date)	<u>\$6,354,473</u>	<u>\$6,155,194</u>	<u>\$5,927,012</u>
Net OPEB liability as a percentage of covered employee payroll	287.9%	301.7%	295.0%

SOURCE: Office of the Comptroller

- (1) The change in assumptions in fiscal 2017 was due to an increase in the investment rate of return (discount rate) from 2.80% to 3.63%.
- (2) The change in assumptions in fiscal 2018 was due to (i) a change in base OPEB rates for medical services and prescriptions, (ii) a decrease in the healthcare trend rate from 8.5% to 8.0%, (iii) a change in mortality for disabled members and (iv) an increase of the discount rate from 3.63% to 3.95%.
- (3) The change in assumptions in fiscal 2019 was due to (1) a change in base OPEB rates for medical services and prescriptions, (ii) a decrease in the healthcare trend rate from 8.0% to 7.5%, (iii) a change in medical plan election rates, (iv) a change in future retirees' plan participation rates and (v) a decrease in the discount rate from 3.95% to 3.69%
- (4) Certain amounts were restated due to errors in calculations during subsequent audit procedures as more fully described in the preceding paragraph.

The following tables show OPEB expenses that are recognized in the fiscal 2019 CAFR pursuant to GASB 75, as well as the inflows and outflows that under GASB 75 are recognized either in the fiscal 2019 CAFR or are deferred and projected to be recognized in the CAFRs for future fiscal years. Under GASB 75, in order to provide adequate time for OPEB plans to distribute OPEB-related information to plan participants (which include state authorities) for use in their annual CAFRs, governments are permitted to use the prior year's NOL and other OPEB-related measures in the current year CAFR. In conformance with GASB 75, OPEB valuation information as of June 30, 2018 is used in the fiscal 2019 CAFR. During the audit of the GASB 75 report as of the June 30, 2019 measurement date (which will be reported in the CAFR for fiscal 2020), the Commonwealth's independent auditors, currently KPMG, noted errors in the total OPEB liability and the net OPEB liability as calculated by a third party actuarial firm. These errors included incorrect total and net OPEB liabilities dating back to the June 30, 2018 measurement date. The information in the following GASB 74 and 75 tables have been changed to reflect the restated amounts. These restated amounts will be updated in the CAFR for fiscal 2020. OPEB valuation information as of June 30, 2019 will be used in the fiscal 2020 CAFR.

GASB 75 Information for the State Retirees' Benefit Trust
Schedule of Changes in Net OPEB Liability and Related Ratios
(in thousands)

OPEB Expense for Fiscal 2019 (1), (2)

Service cost	\$792,135
Interest on the total OPEB liability	691,630
Projected earnings on plan investments	(76,768)
Recognized portion of difference between expected and actual experience	29,408
Recognized portion of difference in projected and actual earnings on investments	(11,307)
Recognized portion of assumption change	(409,713)
Administrative expense	150
Other changes, net	<u>1,129</u>
OPEB Expense	<u>\$1,016,664</u>

SOURCE: Office of the Comptroller

- (1) In conformance with GASB 75, OPEB valuation information as of June 30, 2018 is used in the fiscal 2019 CAFR. OPEB valuation information as of June 30, 2019 will be used in the fiscal 2020 CAFR.
- (2) The OPEB expense as of June 30, 2018 has been restated due to errors in calculations in the GASB 75 valuation.

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Deferred Outflows/(Inflows) of Resources (1)
(in thousands)

	Year of <u>Deferral</u>	Deferred <u>Outflows</u>	Deferred <u>Inflows</u>	Original <u>Amount</u>	Amortization <u>Period (years)</u>	<u>Amortization</u>
Difference between expected and actual experience	2017	-	(\$ 31,823)	(\$ 48,600)	5.79	(\$ 8,397)
	2018	181,086	-	218,891	5.79	37,805
Assumption changes	2017	-	(1,566,890)	(2,393,700)	5.79	(413,427)
	2018	17,790	-	21,504	5.79	3,714
Net difference between projected and actual earnings on plan investments	2017	-	(23,997)	(39,900)	5.00	(7,999)
	2018	=	(13,232)	(16,540)	5.00	(3,308)
Total		<u>\$198,876</u>	<u>(\$1,635,942)</u>			
Net			<u>(\$1,437,066)</u>			

SOURCE: Office of the Comptroller

The deferred outflows and deferred inflows of resources related to OPEB as of the June 30, 2018 measurement date have been restated due to errors in calculations as previously described.

Projected Recognition of Deferred Outflows/(Inflows)
(in thousands)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Difference between expected and actual experience	\$29,408	\$29,408	\$29,408	\$31,172	\$29,866
Assumption changes	(409,713)	(409,713)	(409,713)	(322,894)	2,934
Net difference between projected and actual earnings on plan investments	(11,307)	(11,307)	(11,307)	(3,308)	=
Total	<u>(\$391,612)</u>	<u>(\$391,612)</u>	<u>(\$391,612)</u>	<u>(\$295,030)</u>	<u>\$32,800</u>

SOURCE: Office of the Comptroller

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COMMONWEALTH CAPITAL INVESTMENT PLAN

The Executive Office for Administration and Finance annually updates its five-year capital investment plan on a rolling basis. The five-year plan coordinates capital expenditures by state agencies and authorities that are funded primarily by Commonwealth debt and federal reimbursements. Given the ongoing COVID-19 pandemic, the capital investment plan for fiscal 2021 through fiscal 2025 focuses primarily on fiscal 2021 and immediate needs in providing resources for various Commonwealth facilities and programs.

The Executive Office for Administration and Finance also sets an annual administrative limit on the amount of bond-funded capital expenditures. The purpose of the administrative limit, known as the “bond cap,” is to keep Commonwealth debt within affordable levels. In June 2020, the Governor announced the five-year capital investment plan for fiscal 2021 with an administrative bond cap of \$2.458 billion. This represents a 1.2% increase over the fiscal 2020 administrative bond cap.

Actual capital spending is subject to variance from budget due to the nature of capital projects and the programs comprising the plan. In addition, the debt affordability analysis and the assumptions and methodology that inform the analysis are subject to periodic review and are updated annually. These and other factors are expected to affect the later years of the current five-year plan.

Fiscal 2021 Capital Budget

The following table shows the allocation of administrative bond cap spending by agency and the allocation of total capital spending from all sources of funding for fiscal 2021.

Fiscal 2021 Capital Budget (in millions)					
<u>Agency</u>	<u>Bond Cap</u>	<u>Project- Financed</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total</u>
Administration and Finance	\$ 51.1	\$ 5.0	-	\$ 31.1	\$ 87.2
Capital Asset Management	473.4	7.8	\$ 38.5	66.6	586.4
Education	19.0	-	-	16.8	35.8
Energy and Environmental Affairs	238.0	-	54.5	105.2	397.7
Housing and Community Development	237.5	-	-	-	237.5
Housing and Economic Development	218.1	-	12.0	20.0	250.1
Technology Services and Security	136.9	30.2	116.1	-	283.3
Public Safety	22.0	1.6	0.8	-	24.3
MassDOT	<u>1,062.2</u>	<u>-</u>	<u>1,047.8</u>	<u>785.7</u>	<u>2,895.7</u>
Total (1)	\$2,458.3	\$44.6	\$1,269.8	\$1,025.3	\$4,798.0

SOURCE: Executive Office for Administration as of June 17, 2020.

(1) Totals may not add due to rounding.

Climate Change Risk Mitigation

The State Hazard Mitigation and Climate Adaptation Plan resulting from Executive Order No. 569: Establishing an Integrated Climate Change Strategy for the Commonwealth (Executive Order), issued by Governor Baker on September 16, 2016, provided a basis for the Commonwealth’s efforts to prioritize climate adaptation capital projects included in the fiscal 2021 capital budget. The Executive Order directs the Executive Office of Energy and Environmental Affairs and the Executive Office of Public Safety and Security to publish a statewide climate adaptation plan that includes strategies designed to enhance climate adaptation, build resilience and mitigate climate change, and which incorporates information from vulnerability assessments undertaken by the Executive Offices and their agencies for critical assets and programs and by the cities and towns in the Commonwealth.

Pursuant to the Executive Order, the Commonwealth established the Municipal Vulnerability Preparedness (MVP) grant program in 2017 to provide support for cities and towns in Massachusetts to begin the process of planning and adapting for resiliency. Under the MVP planning program, the Commonwealth awards funding to communities to complete vulnerability assessments and develop resiliency project implementation plans. Communities that complete the MVP planning program become designated as an MVP community and are eligible for follow-up MVP Action grant funding to implement the actions identified in their resiliency plans.

In fulfillment of the Executive Order, the Commonwealth adopted the State Hazard Mitigation and Climate Adaptation Plan on September 17, 2018. The plan integrates climate change impacts and adaptation strategies with hazard mitigation planning. The plan also complies with current federal requirements for state hazard mitigation plans and maintains the Commonwealth’s eligibility for federal disaster recovery and hazard mitigation funding under the Stafford Act.

Sources of Capital Investment

The different sources of funding for the capital program, as reflected in the Fiscal 2021 Capital Budget table, include:

Administrative Bond Cap:	Commonwealth general obligation borrowing to support the regular capital program. The administrative bond cap is reviewed and subject to revision annually.
Project Financed:	General obligation bonds, the debt service for which is supported by savings or revenue related to the project; for example, energy efficiency improvements to Commonwealth facilities, the capital costs for which are expected to be reimbursed through operating savings as a result of reduced energy consumption.
Federal Funds:	Federal reimbursements for capital expenditures.
Other Funds:	<p><i>Accelerated Bridge Program (ABP)</i> – Commonwealth special obligation bonds secured by revenues credited to the Commonwealth Transportation Fund (CTF) or federal grant anticipation notes secured by federal highway reimbursements issued to fund capital improvements to structurally deficient bridges through the ABP.</p> <p><i>Rail Enhancement Program (REP)</i> – Commonwealth special obligation bonds to be secured by revenues credited to the CTF to finance certain transit infrastructure projects through the REP, previously referred to as Special Obligation Transit Bonds.</p> <p><i>Pay-As-You-Go</i> – Funding from current revenue for capital projects, including toll revenue.</p> <p><i>Third Party Contributions</i> – made by third parties to capital projects being carried out by the Commonwealth, including the I-Cubed program, contributions from campuses for higher education projects, matching funds from cities and towns, and capital projects funded by assessments.</p>

Historical Capital Investment

The Commonwealth aggregates its capital expenditures into seven major categories based primarily on the agencies responsible for spending and carrying out capital projects: information technology, infrastructure and facilities, environment, housing, public safety, transportation and other. The following table sets forth capital spending in fiscal 2016 through fiscal 2020 according to these categories.

Commonwealth Historical Capital Spending (in millions) (1)

Investment Category:	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Preliminary Fiscal 2020 (2)
Information technology	\$169	\$154	\$185	\$174	\$89
Infrastructure/facilities	526	510	417	441	399
Environment	238	202	217	210	222
Housing	185	213	242	253	197
Public safety	18	17	18	19	17
Transportation	2,081	1,895	1,889	1,869	2,029
Other	<u>215</u>	<u>269</u>	<u>280</u>	<u>294</u>	<u>11</u>
Total	<u>\$3,432</u>	<u>\$3,260</u>	<u>\$3,248</u>	<u>\$3,260</u>	<u>\$3,163</u>

SOURCE: Office of the Comptroller.

- (1) Includes all spending funded by capital appropriations, including General Obligation, Special Obligation, project financed, and federal reimbursement spending.
- (2) Preliminary and unaudited.

Debt Affordability Policy

The Executive Office for Administration and Finance established a debt affordability policy for the Commonwealth in fiscal 2009. Pursuant to the policy, the Executive Office for Administration and Finance has set an annual borrowing limit at a level designed to keep debt service on the Commonwealth's direct debt within 8% of budgeted revenues. The policy also limits future annual growth in the administrative bond cap for the regular capital program to not more than \$125 million. For a discussion on the established statutory debt limit on direct debt, see "LONG-TERM LIABILITIES – General Authority to Borrow; *Statutory Limit on Direct Debt.*"

For the purposes of the debt affordability analysis, debt service includes programs expected to be funded both within and outside of the bond cap, including principal and interest payments on all general obligation debt, special obligation bonds secured by a specified portion of the motor fuels excise tax, special obligation bonds issued to fund the Accelerated Bridge Program and the Rail Enhancement Program, general obligation contract assistance payment obligations, and budgetary contract assistant payment obligations on certain capital lease financings.

Budgeted revenue includes all Commonwealth taxes and other revenues available to pay Commonwealth operating expenses, including debt service, pensions and other budgetary obligations. It does not include off-budget revenues dedicated to the MBTA, the MSBA and the Massachusetts Convention Center Authority. This inclusive definition ensures that while some programs are expected to be funded outside of the bond cap, the related debt service costs of the programs should be fully accounted for under the debt affordability policy in setting the bond cap at appropriate limits.

Capital Debt Affordability Committee

The Capital Debt Affordability Committee was established by legislation in 2012 for the purposes of reviewing on a continuing basis the amount and condition of the Commonwealth's tax-supported debt, as well as the debt of certain state authorities. The Committee is responsible for providing an estimate of the total amount of new Commonwealth debt that can prudently be authorized for the next fiscal year, taking into account certain criteria, to the Governor and Legislature on or before December 15 of each year. The Committee develops illustrative models to evaluate certain assumptions and considerations in accordance with statutory provisions designed to inform its recommendations. The Committee's estimates are advisory and not binding on the Governor or the Legislature. The

Legislature is responsible for authorizing Commonwealth debt. The Governor determines the total amount of capital spending for each fiscal year and the amount of new Commonwealth debt that he considers advisable to finance such spending. The Committee consists of seven voting members, including the Secretary of Administration and Finance (who chairs the Committee), the State Treasurer, the Comptroller, the Secretary of Transportation, one appointee of the Governor and two appointees of the State Treasurer. The Committee also includes non-voting, legislative leaders, including the House and Senate chairs and the ranking minority members of the Committees on Bonding, Capital Expenditures and State Assets, and the Committees on Ways and Means.

On December 13, 2019, the Capital Debt Affordability Committee submitted to the Governor and the Legislature the Committee's advisory estimate of the total amount of new Commonwealth debt that prudently may be authorized for fiscal 2021. The Committee determined that \$2.53 billion of general obligation debt may prudently be issued by the Commonwealth for fiscal 2021. This amount represents an increase of 4.12%, or \$100 million, in the administrative bond cap over fiscal 2020.

The fiscal 2021 capital budget includes an administrative bond cap of \$2.46 billion, which is 2.77% less than the Committee's recommended \$2.53 billion.

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LONG-TERM LIABILITIES

General Authority to Borrow

Under its constitution, the Commonwealth may borrow money (a) for defense or in anticipation of receipts from taxes or other sources, any such loan to be paid out of the revenue of the year in which the loan is made, or (b) by a two-thirds vote of the members of each house of the Legislature present and voting thereon. The constitution further provides that borrowed money shall not be expended for any other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan. In addition, the Commonwealth may give, loan or pledge its credit by a two-thirds vote of the members of each house of the Legislature present and voting thereon, but such credit may not in any manner be given or loaned to or in aid of any individual, or of any private association, or of any corporation which is privately owned or managed.

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, which includes bonds and notes issued by it and all claims with respect thereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires legislative appropriation. Enforcement of a claim for payment of principal of or interest on bonds and notes of the Commonwealth may also be subject to the provisions of federal or Commonwealth statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as the same may be constitutionally applied. The United States Bankruptcy Code is not applicable to states.

Commonwealth Debt. The State Treasurer is statutorily responsible for the borrowing needs of the Commonwealth, including short-term cash flow needs and long-term borrowing needs for the capital budget. Borrowing is accomplished through the sale of short-term notes and long-term bonds. The Commonwealth is authorized to issue three types of direct debt – general obligation debt, special obligation debt and federal grant anticipation notes. General obligation debt is secured by a pledge of the full faith and credit of the Commonwealth. See “General Obligation Debt” below. Special obligation debt may be secured either with a pledge of receipts credited to the Commonwealth Transportation Fund (formerly the Highway Fund) or with a pledge of receipts credited to the Convention Center Fund. See “Special Obligation Debt” below. Federal grant anticipation notes are secured by a pledge of federal highway construction reimbursements. See “Federal Grant Anticipation Notes” below.

Other Long-Term Liabilities. The Commonwealth is also authorized to pledge its credit in aid of and provide contractual support for certain independent authorities and political subdivisions within the Commonwealth. These Commonwealth liabilities are classified as general obligation contract assistance liabilities or contingent liabilities. In addition, the Commonwealth is authorized to pledge its credit in support of scheduled, periodic payments to be made by the Commonwealth under interest rate swaps and other hedging agreements related to bonds or notes of the Commonwealth.

General obligation contract assistance liabilities arise from statutory requirements for (i) payments by the Commonwealth to the Massachusetts Clean Water Trust, MassDOT and the Massachusetts Development Finance Agency that are used by such entities to pay a portion of the debt service on certain of their outstanding bonds and (ii) payments from the Social Innovation Financing Trust Fund on “pay for success” contracts, as described below. Such liabilities constitute a pledge of the Commonwealth’s credit for which a two-thirds vote of the Legislature is required. See “General Obligation Contract Assistance Liabilities” below.

Contingent liabilities relate to debt obligations of certain independent authorities and agencies of the Commonwealth that are expected to be paid without Commonwealth assistance, but for which the Commonwealth has some kind of liability if expected payment sources do not materialize. These liabilities consist of guaranties and similar obligations with respect to which the Commonwealth’s credit has been or may be pledged, as in the case of certain debt obligations of the MBTA (pre-2000), the Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority, regional transit authorities, and the higher education building authorities. The Commonwealth has certain statutorily contemplated payment obligations with respect to which the Commonwealth’s credit has not been pledged, as in the case of the Commonwealth’s obligation to fund debt service, solely from moneys otherwise appropriated for the affected institution, owed by certain community colleges and state universities on bonds issued

by the former Massachusetts Health and Educational Facilities Authority (now the Massachusetts Development Finance Agency) and the Massachusetts State College Building Authority. See “Contingent Liabilities” below.

Statutory Limit on Direct Debt. Since December, 1989, state finance law has included a limit on the amount of outstanding “direct” bonds of the Commonwealth. For fiscal 2012, the debt limit was \$18.944 billion under the statute in place during fiscal 2012. In August 2012, state finance law was amended, effective January 1, 2013, to specify that the debt limit be calculated for fiscal years starting in fiscal 2013 using a fiscal 2012 base value of \$17.070 billion and increasing the limit for each subsequent fiscal year to 105% of the previous fiscal year’s limit. Based on this calculation, the statutory limit on “direct” bonds during fiscal 2021 is \$26.481 billion. Prior to June 10, 2013, this limit was calculated using a statutory definition that differed from GAAP in that the principal amount of outstanding bonds included the amount of any premium and was measured net of any discount, costs of issuance and other financing costs (“net proceeds”). On June 10, 2013, state finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal outstanding, a change that brings the outstanding debt definition in conformance with GAAP.

The debt limit law provides that bonds to be refunded from the proceeds of Commonwealth refunding bonds are to be excluded from outstanding “direct” bonds upon the issuance of the refunding bonds. Pursuant to special legislation enacted over the years, certain outstanding Commonwealth debt obligations are not counted in computing the amount of bonds subject to the limit, including Commonwealth refunding/restructuring bonds issued in September and October, 1991, federal grant anticipation notes, bonds issued to pay operating notes issued by the MBTA or to reimburse the Commonwealth for advances to the MBTA, bonds payable from the Central Artery and Statewide Road and Bridge Infrastructure Fund, bonds issued to finance the MSBA and bonds issued to finance the Commonwealth’s Accelerated Bridge Program. On August 10, 2016, the Governor approved legislation that exempts from the statutory debt limit bonds that are issued to finance the Commonwealth’s rail enhancement program.

The outstanding Commonwealth debt, the amounts of such outstanding debt excluded from the statutory debt limit, the net amounts of such outstanding Commonwealth debt subject to the statutory debt limit and the statutory debt limit as of the end of each of the last five fiscal years are shown in the following table on a statutory basis.

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Calculation of the Debt Limit
(in thousands)

	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020 (4)</u>	<u>Fiscal 2021 (5)</u>
Total principal balance	\$26,445,665	\$27,360,819	\$27,739,221	\$28,098,890	\$28,317,937
Less: principal of direct debt excluded from the statutory debt limit:					
Special obligation debt (1)	(703,690)	(657,340)	(608,565)	(559,545)	(559,545)
Accelerated bridge program	(1,642,730)	(1,680,555)	(1,665,205)	(1,663,350)	(1,656,784)
Rail enhancement program (2)	(644,540)	(1,131,105)	(1,104,610)	(1,260,565)	(1,267,131)
Federal grant anticipation notes (1)	(738,010)	(748,445)	(684,745)	(662,270)	(662,270)
Assumed county debt	-	-	-	-	-
MBTA forward funding	(207)	(207)	(207)	(207)	(207)
Transportation Infrastructure Fund	(1,109,740)	(1,036,935)	(1,013,492)	(945,574)	(858,217)
School Building Assistance (SBA)	(632,348)	(598,985)	(574,902)	(496,936)	(462,454)
Outstanding direct debt, principal (3)	<u>\$20,974,400</u>	<u>\$21,507,247</u>	<u>\$22,087,495</u>	<u>\$22,510,443</u>	<u>\$22,851,328</u>
Statutory Debt Limit	<u>\$21,786,126</u>	<u>\$22,875,433</u>	<u>\$24,019,204</u>	<u>\$25,220,164</u>	<u>\$26,481,173</u>

SOURCE: Office of the Comptroller.

- (1) Includes federal grant anticipation notes issued as crossover refunding bonds. The refunding escrows funded by these bonds and related premiums are used to pay interest on the refunding bonds until the refunded bonds are callable and then to redeem the refunded bonds. Interest on the refunded bonds prior to redemption continues to be paid from pledged revenues as before.
- (2) Exempt from the statutory debt limit, effective August 10, 2016.
- (3) Includes accretion of capital appreciation bonds.
- (4) As of June 30, 2020 and unaudited.
- (5) As of September 30, 2020.

General Obligation Debt

As of September 30, 2020, the Commonwealth had \$24.2 billion in general obligation bonds outstanding, of which \$22.4 billion, or 92.8% was fixed rate debt and \$1.7 billion, or 7.2%, was variable rate debt. As of September 30, 2020, \$20.0 billion of the Commonwealth's general obligation debt was tax-exempt and \$4.1 billion, or 17.1%, was taxable.

For the purpose of reporting general obligation debt outstanding and variable rate debt outstanding, future compounded interest on the Commonwealth's variable rate College Opportunity Bonds, as discussed in greater detail below, is included as debt outstanding. Any outstanding commercial paper, bond anticipation notes, or revenue anticipation notes, as more fully described below, are not reported in general obligation debt outstanding calculations.

The Commonwealth's outstanding general obligation variable rate debt consists of several variable rate structures. These structures include floating rate notes in various interest rate modes, direct purchase agreements in various interest rate modes, multi-modal bonds currently in the Term Mode, and variable rate demand bonds. Variable rate demand bonds, which account for \$275.6 million of outstanding general obligation debt as of September 30, 2020, are supported by liquidity facilities that require the bonds to be tendered by a specified date if the facility is not replaced or the bonds are not otherwise refinanced. See "Liquidity Facilities." Of all Commonwealth variable rate debt outstanding, the interest rates on \$785.7 million, or approximately 3.3% of total outstanding general obligation debt, have been synthetically fixed by means of floating-to-fixed interest rate swap agreements. Prior to 2008, the Commonwealth had periodically entered into interest rate swap agreements for the sole purpose of hedging interest-rate risk on a portion of its outstanding variable rate bonds. See "Interest Rate Swaps."

Under state finance law, scheduled, periodic payments to be made by the Commonwealth pursuant to swap agreements in existence on August 1, 2008 or entered into after such date constitute general obligations of the Commonwealth to which its full faith and credit are pledged. The remaining variable rate debt of \$955 million or approximately 3.9% of the total outstanding general obligation debt, is unhedged and, accordingly, floats with interest rates re-set on a periodic basis.

As of September 30, 2020, the Commonwealth had outstanding approximately \$142.9 million (\$74.1 million of original principal and including a discount equal to \$68.8 million) of variable rate “U. Plan” College Opportunity Bonds, sold in conjunction with a college savings program administered by the Massachusetts Educational Financing Authority (MEFA), which bear deferred interest at a rate equal to the percentage change in the consumer price index plus 2%, together with current interest at the rate of 0.5%. This debt is held directly by MEFA and has no secondary market.

The Commonwealth is authorized to issue short-term general obligation debt as revenue anticipation notes or bond anticipation notes. Fixed-rate revenue anticipation notes (RANs) are issued by the State Treasurer annually in anticipation of revenue receipts for the same fiscal year. Revenue anticipation notes must be repaid no later than the close of the fiscal year in which they are issued. Bond anticipation notes may be issued by the State Treasurer in anticipation of the issuance of bonds, including, in some circumstances, special obligation bonds. See “Special Obligation Debt” below. As of September 30, 2020, there were no RANs outstanding. See “FISCAL 2020 AND FISCAL 2021 – Cash Flow.”

Special Obligation Debt

Commonwealth Transportation Fund. Section 20 of Chapter 29 of the General Laws, as amended, authorizes the Commonwealth to issue special obligation bonds secured by all or a portion of revenues accounted to the Commonwealth Transportation Fund (formerly the Highway Fund). Revenues which are accounted to the Commonwealth Transportation Fund are primarily derived from taxes and fees relating to the operation or use of motor vehicles in the Commonwealth, including the motor fuels excise tax and registry of motor vehicles fees. In addition, a portion of the Commonwealth’s receipts from the sales tax is dedicated to the Commonwealth Transportation Fund (see “COMMONWEALTH REVENUES – State Taxes; *Sales and Use Tax*”), as is the underground storage tank petroleum cleanup fee to the extent it exceeds \$30 million, and state finance law currently provides for a series of substantial transfers from the General Fund to the Commonwealth Transportation Fund through fiscal 2020; none of the sales tax receipts or General Fund transfers has been pledged to secure Commonwealth special obligation bonds.

Between 1992 and 2005, the Commonwealth issued special obligation bonds secured by a lien on a specified portion of the motor fuels excise tax. As of September 30, 2020, the Commonwealth had outstanding approximately \$55.3 million of such special obligation bonds secured by a pledge of 6.86¢ of the 24¢ motor fuels excise tax. In December 2010, the trust agreement securing such bonds was closed to further issuance of additional debt, with the exception of refunding bonds.

The Commonwealth is also authorized to issue approximately \$1.876 billion of special obligation bonds secured by a pledge of all or a portion of revenues accounted to the Commonwealth Transportation Fund (CTF Bonds) to fund a portion of the Accelerated Bridge Program (ABP). Additionally, in April 2014, the Commonwealth was authorized to issue up to \$6.7 billion in general obligation debt, special obligation debt, or a combination of both, for the purpose of funding capital expenditures of MassDOT, for the benefit of the MBTA and for other Rail Enhancement Program (REP) projects. As of September 30, 2020, the Commonwealth had outstanding approximately \$2.9 billion of CTF Bonds, which are secured by a pledge of registry fees and a specified portion of the motor fuels excise tax, \$1.6 billion of which have been issued in support of the ABP and \$1.3 billion of which have been issued in support of the REP.

In July 2019, the Governor submitted a new transportation bond bill to the Legislature that requested \$18 billion in additional capital authorization to improve the Commonwealth’s transportation infrastructure. The proposed bill includes additional authorizations of \$1.25 billion of additional federal highway grant anticipation notes for highway purposes and \$12.22 billion of bonds to be issued as either general obligation bonds or special obligation bonds under the Special Obligation Act for the MBTA and other rail enhancement purposes. The bill

also permits all or any portion of the federal highway grant anticipation note authorization to be issued as special obligation bonds. The bill is pending in the Legislature and is subject to change during the legislative process. It is not known at this time when a final bill will be enacted into law or what the final actual authorizations will be, if any.

Convention Center Fund. Chapter 152 of the Acts of 1997, as amended, authorized \$694.4 million of special obligation bonds to be issued for the purposes of building a new convention center in Boston (\$609.4 million), the Springfield Civic Center (\$66 million), and the Worcester Convention Center (\$19 million). The bonds are payable from moneys credited to the Convention Center Fund created by such legislation, which include certain hotel tax receipts from hotels in Boston, Cambridge, Springfield and Worcester, a surcharge on car rentals in Boston, a parking surcharge at all three facilities, a surcharge on sightseeing tours and cruises in Boston and sales tax receipts from certain hotels and other retail establishments in Boston, Cambridge and Springfield. As of September 30, 2020, the balance of the trustee-held Convention Center Revenue Fund available for debt service was \$99.4 million. The trust agreement for the Series 2004 Bonds and Series 2005 Bonds requires a capital reserve fund to be maintained at an amount equal to the lesser of 10% of outstanding principal amount of the bonds, 125% of average annual debt service or maximum annual debt service and provides that if the fund falls below its required balance, the 2.75% convention center financing fee in Boston is to be increased (though the overall hotel tax in Boston, including the fee, cannot exceed 14%). As of September 30, 2020, the balance of the Capital Reserve Fund was \$53.0 million. As of September 30, 2020, the retained earnings in the Convention Center Fund was \$321.9 million. In June 2004, the Commonwealth issued \$686.7 million of special obligation bonds secured solely by the pledge of receipts of tax revenues within the special districts surrounding the centers and other special revenues connected to such facilities, and in June 2005, the Commonwealth issued \$527.6 million of special obligation refunding bonds, which advance refunded, in part, the 2004 issue. As of September 30, 2020, there are no Series 2004 Bonds outstanding and approximately \$504.3 million of the Series 2005 Bonds is outstanding.

On July 29, 2014, the Governor approved legislation authorizing the Commonwealth to issue an additional \$1.1 billion in special obligation bonds to finance an expansion of the convention center in Boston, to finance costs of issuance and fund a debt service reserve fund. Such bonds would be secured by and payable from the Convention Center Fund, with the State Treasurer and Secretary of Administration and Finance having the authority to pledge additional state hotel/motel room occupancy excises to the new bonds. In October 2019, legislation was filed seeking authorization for a revised expansion plan for the convention center. As filed, the legislation does not authorize the issuance of additional special obligation bonds to finance a revised expansion plan for the convention center. If approved, the legislation will supersede the prior authorization signed into law in July 2014.

Federal Grant Anticipation Notes

The Commonwealth had authorized the issuance of \$1.1 billion of grant anticipation notes (GANs) secured by future federal funds to fund a portion of the ABP; such authorization is now expired and reauthorization is pending. Such notes are secured by a back-up pledge of net amounts in the Commonwealth Transportation Fund after application of such amounts in accordance with the trust agreement securing the CTF Bonds and previously issued bonds secured by motor fuels excise taxes. The Commonwealth expects to pay interest on the notes supporting the ABP from state appropriations. As of September 30, 2020, \$662.3 million of GANs was outstanding.

Build America Bonds

The Commonwealth has issued bonds in the form of Build America Bonds (BABs) and as Recovery Zone Economic Development Bonds (RZEDBs). BABs and RZEDBs were authorized under the federal American Recovery and Reinvestment Act of 2009 (ARRA). Pursuant to ARRA, the Commonwealth is entitled to receive cash subsidy payments from the federal government equal to 35% of the debt service payable on the BABs and 45% of the debt service payable on the RZEDBs, provided, in both cases, that the Commonwealth makes certain required filings in accordance with applicable federal rules. Such interest subsidy payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the Commonwealth to the federal government or its agencies. In federal fiscal year 2016, such payments were subject to a sequestration reduction of 6.8%, with the Bipartisan Budget Act of 2015, approved by the President on November 2, 2015, extending the sequestration provisions through federal fiscal year 2025. For federal fiscal years 2017, 2018, 2019 and 2020, such payments were subject to a reduction of 6.9%, 6.6%, 6.2% and 5.9%, respectively.

From October 1, 2020 through September 30, 2030, the sequestration reduction rate has been set at 5.7%, unless a law is enacted that modifies or amends the rate, at which such time the sequestration reduction rate may be subject to change. Such interest subsidy payments could become subject to a much larger sequestration reduction, and potentially be eliminated altogether, under the Statutory Pay-As-You-Go (PAYGO) Act of 2010, which is designed to limit federal deficit spending. Since the enactment of the PAYGO Act, the U. S. Congress has consistently acted to prevent its implementation, but there can be no assurance that it will continue to do so.

Beginning in fiscal 2012, federal interest subsidy payments received by the Commonwealth are required to be deposited in a Build America Bonds Subsidy Trust Fund and used, without further legislative appropriation, to pay debt service on the related BABs and RZEDBs. The Commonwealth is obligated to make payments of principal and interest on the BABs and RZEDBs whether or not it receives interest subsidy payments. As of September 30, 2020, \$2.1 billion of the Commonwealth's outstanding general obligation debt was comprised of BABs, \$419.8 million of the outstanding CTF Bonds consisted of BABs, \$156.4 million of the outstanding CTF Bonds consisted of RZEDBs and \$40.2 million of the outstanding GANs consisted of BABs.

The following table shows long-term debt of the Commonwealth issued and retired from fiscal 2016 through fiscal 2020, exclusive of unamortized bond premiums.

General and Special Obligation Long-Term Debt Issuance and Repayment Analysis (in thousands) (1)

	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020 (4)</u>
Beginning Balance as of July 1	\$23,826,301	\$25,079,591	\$26,445,665	\$27,360,819	\$27,739,221
Debt Issued	<u>2,766,419</u>	<u>2,877,265</u>	<u>2,391,763</u>	<u>1,814,564</u>	<u>1,778,439</u>
Subtotal	<u>26,592,720</u>	<u>27,956,856</u>	<u>28,837,428</u>	<u>29,175,383</u>	<u>29,517,660</u>
Debt retired or defeased, exclusive of refunded debt	(1,446,444)	(1,389,581)	(1,389,419)	(1,295,322)	(1,383,670)
Refunding debt issued, net of refunded debt (3)	<u>(66,685)</u>	<u>(121,610)</u>	<u>(87,190)</u>	<u>(140,840)</u>	<u>(35,100)</u>
Ending Balance June 30 (2)	<u>\$25,079,591</u>	<u>\$26,445,665</u>	<u>\$27,360,819</u>	<u>\$27,739,221</u>	<u>\$28,098,890</u>

SOURCE: Office of the Comptroller.

- (1) Including accretion of capital appreciation bonds.
- (2) Includes federal grant anticipation notes issued as crossover refunding bonds. The refunding escrows funded by these bonds and related premiums are used to pay interest on the refunding bonds until the refunded bonds are callable and then to redeem the refunded bonds. Interest on the refunded bonds prior to redemption continues to be paid from pledged revenues as before.
- (3) Amounts may be negative due to defeasances of debt of authorities from the issuance of Commonwealth debt as afforded under General Laws.
- (4) Preliminary and unaudited.

The following table sets forth the amounts of Commonwealth long-term general obligation debt, special obligation debt and federal grant anticipation notes outstanding, exclusive of unamortized bond premiums, as of the end of the last five fiscal years.

Outstanding Long Term Commonwealth Debt (in thousands)

	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020 (1)</u>
General Obligation Debt	\$21,668,296	\$22,716,695	\$23,143,374	\$23,676,096	\$23,953,160
Special Obligation Debt	2,754,255	2,990,960	3,469,000	3,378,380	3,483,460
Federal Grant Anticipation Notes	<u>657,040</u>	<u>738,010</u>	<u>748,445</u>	<u>684,745</u>	<u>662,270</u>
<u>TOTAL</u>	<u>\$25,079,591</u>	<u>\$26,445,665</u>	<u>\$27,360,819</u>	<u>\$27,739,221</u>	<u>\$28,098,890</u>

SOURCE: Office of the Comptroller.

(1) Preliminary and unaudited.

Debt Service Requirements

The following tables sets forth, as of September 30, 2020, the annual fiscal year debt service requirements on outstanding Commonwealth general obligation bonds, special obligation bonds and federal GANs. For variable-rate bonds with respect to which the Commonwealth is a fixed-rate payor under an associated interest rate swap agreement, the debt service schedule assumes payment of the fixed rate due under such agreement. For other variable-rate bonds, the schedule assumes a 5% interest rate.

Debt Service Requirements on Commonwealth Bonds as of September 30, 2020 through Maturity (in thousands)

Period Ending	<u>General Obligation Bonds</u>						<u>Federal Highway Grant Anticipation Notes</u>				
	Principal	Gross Interest	CABs	Build America Bond Subsidies	Net Interest	Debt Service	Principal	Gross Interest	Build America Bond Subsidies	Net Interest	Debt Service
6/30/2021	\$ 734,220	\$ 707,563	\$ -	(\$23,115)	\$684,449	\$1,418,669	\$ 54,125	\$32,648	(\$577)	\$32,071	\$ 86,196
6/30/2022	1,184,640	1,001,491	4,436	(32,698)	968,793	2,157,870	82,375	29,977	(357)	29,620	111,995
6/30/2023	1,092,353	947,382	4,532	(31,412)	915,970	2,012,856	86,470	25,880	(122)	25,758	112,228
6/30/2024	1,099,140	885,195	4,606	(31,412)	853,783	1,957,528	89,510	21,965	-	21,965	111,475
6/30/2025	1,110,202	833,800	4,948	(31,177)	802,623	1,917,773	93,985	17,490	-	17,490	111,475
6/30/2026	1,020,279	784,114	5,026	(30,776)	753,338	1,778,643	122,185	12,790	-	12,790	134,975
6/30/2027	930,025	737,468	5,288	(30,203)	707,265	1,642,579	133,620	6,681	-	6,681	140,301
6/30/2028	919,184	694,332	5,594	(28,953)	665,379	1,590,157	-	-	-	-	-
6/30/2029	998,511	652,094	5,228	(26,687)	625,407	1,629,146	-	-	-	-	-
6/30/2030	1,008,175	606,141	4,961	(22,892)	583,249	1,596,385	-	-	-	-	-
6/30/2031	1,003,903	553,564	4,759	(16,808)	536,757	1,545,419	-	-	-	-	-
6/30/2032	928,756	512,741	4,653	(14,776)	497,965	1,431,374	-	-	-	-	-
6/30/2033	735,945	475,165	3,833	(12,440)	462,725	1,202,503	-	-	-	-	-
6/30/2034	710,903	442,678	3,185	(11,068)	431,610	1,145,699	-	-	-	-	-
6/30/2035	712,693	413,568	2,648	(9,647)	403,920	1,119,262	-	-	-	-	-
6/30/2036	754,031	383,904	2,027	(8,177)	375,728	1,131,786	-	-	-	-	-
6/30/2037	786,965	351,386	1,505	(6,654)	344,732	1,133,202	-	-	-	-	-
6/30/2038	796,564	317,322	963	(5,077)	312,244	1,109,771	-	-	-	-	-
6/30/2039	848,350	284,456	449	(3,445)	281,011	1,129,810	-	-	-	-	-
6/30/2040	793,228	250,485	121	(1,609)	248,876	1,042,225	-	-	-	-	-
6/30/2041	742,200	219,480	-	-	219,480	961,680	-	-	-	-	-
6/30/2042	777,915	193,389	-	-	193,389	971,304	-	-	-	-	-
6/30/2043	915,945	160,952	-	-	160,952	1,076,897	-	-	-	-	-
6/30/2044	769,510	130,382	-	-	130,382	899,892	-	-	-	-	-
6/30/2045	634,985	103,347	-	-	103,347	738,332	-	-	-	-	-
6/30/2046	630,820	75,581	-	-	75,581	706,401	-	-	-	-	-
6/30/2047	490,835	50,062	-	-	50,062	540,897	-	-	-	-	-
6/30/2048	304,835	31,962	-	-	31,962	336,797	-	-	-	-	-
6/30/2049	313,330	19,251	-	-	19,251	332,581	-	-	-	-	-
6/30/2050	355,000	6,513	-	-	6,513	361,513	-	-	-	-	-
Totals (1)	\$24,103,442	\$12,825,769	\$68,764	(\$379,027)	\$12,446,742	\$36,618,949	\$662,270	\$147,430	(\$1,056)	\$146,375	\$808,645

SOURCE: Office of the Comptroller.

(1) Totals may not add due to rounding.

**Special Obligation Revenue Bonds
(Convention Center)**

**Special Obligation Revenue Bonds
(CTF- Accelerated Bridge Program)**

Period Ending	Principal	Interest	Debt Service	Principal	Gross Interest	Build America Bond Subsidies	Net Interest	Debt Service
6/30/2021	\$24,610	\$13,836	\$38,446	\$18,220	\$81,310	(\$12,314)	\$68,996	\$ 87,216
6/30/2022	25,970	26,380	52,350	21,760	80,728	(12,314)	68,413	90,173
6/30/2023	27,440	24,952	52,392	30,245	79,672	(12,314)	67,357	97,602
6/30/2024	28,990	23,443	52,433	39,870	78,171	(12,314)	65,857	105,727
6/30/2025	30,625	21,848	52,473	51,720	76,180	(11,937)	64,243	115,963
6/30/2026	32,360	20,164	52,524	54,340	73,556	(11,529)	62,026	116,366
6/30/2027	34,190	18,384	52,574	56,420	70,697	(11,065)	59,632	116,052
6/30/2028	36,125	16,504	52,629	51,520	67,720	(10,575)	57,144	108,664
6/30/2029	38,170	14,517	52,687	54,670	65,026	(10,058)	54,968	109,638
6/30/2030	40,330	12,418	52,748	54,600	62,393	(9,512)	52,881	107,481
6/30/2031	42,610	10,199	52,809	60,350	59,618	(8,935)	50,682	111,032
6/30/2032	45,020	7,856	52,876	63,445	56,375	(8,316)	48,059	111,504
6/30/2033	47,565	5,380	52,945	66,715	52,964	(7,661)	45,302	112,017
6/30/2034	50,250	2,764	53,014	70,000	49,548	(6,970)	42,578	112,578
6/30/2035	-	-	-	70,055	46,030	(6,239)	39,792	109,847
6/30/2036	-	-	-	73,595	42,506	(5,466)	37,039	110,634
6/30/2037	-	-	-	81,615	38,798	(4,650)	34,148	115,763
6/30/2038	-	-	-	81,180	34,729	(3,718)	31,011	112,191
6/30/2039	-	-	-	85,455	30,676	(2,546)	28,130	113,585
6/30/2040	-	-	-	89,835	26,284	(1,308)	24,975	114,810
6/30/2041	-	-	-	94,505	21,651	-	21,651	116,156
6/30/2042	-	-	-	99,385	17,661	-	17,661	117,046
6/30/2043	-	-	-	103,165	13,662	-	13,662	116,827
6/30/2044	-	-	-	114,415	8,885	-	8,885	123,300
6/30/2045	-	-	-	14,600	3,224	-	3,224	17,824
6/30/2046	-	-	-	61,670	2,554	-	2,554	64,224
Totals (1)	\$504,255	\$218,646	\$722,901	\$1,656,784	\$1,232,986	(\$169,743)	\$1,063,243	\$2,720,028

SOURCE: Office of the Comptroller.
(1) Totals may not add due to rounding.

Special Obligation Revenue Bonds
(Gas Tax)

Special Obligation Revenue Bonds
(CTF – Rail Enhancement Program)

Period Ending	Principal	Interest	Debt Service	Principal	Interest	Debt Service
6/30/2021	\$ 26,905	\$ 2,916	\$ 29,821	\$ 29,910	\$ 59,642	\$ 89,552
6/30/2022	28,385	1,436	29,821	28,760	58,165	86,925
6/30/2023	-	-	-	26,610	56,807	83,417
6/30/2024	-	-	-	19,785	55,505	75,290
6/30/2025	-	-	-	10,810	54,575	65,385
6/30/2026	-	-	-	11,295	54,046	65,341
6/30/2027	-	-	-	12,565	53,494	66,059
6/30/2028	-	-	-	21,010	52,866	73,876
6/30/2029	-	-	-	21,495	51,864	73,359
6/30/2030	-	-	-	25,205	50,790	75,995
6/30/2031	-	-	-	23,265	49,686	72,951
6/30/2032	-	-	-	24,500	48,523	73,023
6/30/2033	-	-	-	25,785	47,298	73,083
6/30/2034	-	-	-	27,120	46,008	73,128
6/30/2035	-	-	-	31,850	44,652	76,502
6/30/2036	-	-	-	33,145	43,245	76,390
6/30/2037	-	-	-	30,390	41,588	71,978
6/30/2038	-	-	-	36,300	40,068	76,368
6/30/2039	-	-	-	37,740	38,261	76,001
6/30/2040	-	-	-	39,485	36,377	75,862
6/30/2041	-	-	-	41,255	34,407	75,662
6/30/2042	-	-	-	42,330	32,443	74,773
6/30/2043	-	-	-	44,480	30,514	74,994
6/30/2044	-	-	-	45,040	28,482	78,522
6/30/2045	-	-	-	152,270	26,223	180,059
6/30/2046	-	-	-	112,165	19,603	131,768
6/30/2047	-	-	-	97,245	14,900	112,145
6/30/2048	-	-	-	101,955	10,188	112,143
6/30/2049	-	-	-	106,800	5,340	112,140
Totals (1)	\$55,290	\$4,352	\$59,642	\$1,267,131	\$1,185,561	\$2,452,692

SOURCE: Office of the Comptroller.

(1) Totals may not add due to rounding.

Interest Rate Swaps

The Commonwealth has entered into interest rate swap agreements for the sole purpose of hedging changes in the interest rates on a portion of its outstanding variable rate bonds, predicated on the assumption that the interest on such bonds, combined with the cost of the associated interest rate swaps, would produce lower aggregate interest costs than fixed-rate bonds. As of September 30, 2020, approximately \$814.1 million of the Commonwealth's outstanding variable-rate debt was synthetically fixed via floating-to-fixed interest rate swap hedge agreements. Included in this figure is \$28.4 million in synthetically fixed debt associated with special obligation issues as shown in the table below.

Under the terms of these floating-to-fixed rate hedge agreements, the counterparties to the swaps are obligated to pay the Commonwealth an amount equal or approximately equal to the variable-rate payment on the related bonds or a payment based on a market index, and the Commonwealth is obligated to pay the counterparties a stipulated fixed rate. The floating rate received by the Commonwealth from swap counterparties is used to offset the variable rate paid to bondholders. Only the net difference in interest payments is actually exchanged with the counterparty. The net payments made or received on these agreements are reported as part of interest expense in the Commonwealth's basic financial statements. In all cases, the Commonwealth remains responsible for making interest payments to the variable-rate bondholders.

The intended effect of these agreements is essentially to fix the Commonwealth's interest rate obligations with respect to its variable-rate bonds in order to hedge or mitigate the Commonwealth's exposure to changes in interest rates on these bonds. For example, during a period when interest rates rise, the Commonwealth would receive higher payments from swap counterparties that would be used to offset higher payments to bondholders of the outstanding variable rate bonds. During a period when interest rates decline, the reduction in interest payments to bondholders would offset the higher payments made to swap counterparties. In both scenarios, the net obligation of the Commonwealth is essentially fixed through the life of the swap and bonds providing the Commonwealth with long term budget certainty. All of the Commonwealth's interest rate swaps were floating-to-fixed rate agreements and, as of June 30, 2020, were deemed effective hedges, as provided for in GASB Statement No. 53.

The bonds and related swap agreements have final maturities ranging from 2020 to 2033. The total notional value of approximately \$814.1 million effectively matches the par amount of the related variable-rate bonds. Under the swap agreements, the Commonwealth pays the relevant counterparties fixed rates ranging from 3.850% to 5.059% and receives variable-rate payments equal to or approximately equal to the amount of variable rate payments the Commonwealth pays on the related variable-rate refunding bonds or a payment based on a market index.

All of the Commonwealth's counterparties are required to post collateral in certain circumstances. The Commonwealth is not required to post collateral under any of its existing swap agreements.

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The following table describes the interest rate swap agreements, all of which are floating-to-fixed rate hedges that the Commonwealth has entered into in connection with certain of its outstanding variable rate bond issues as of September 30, 2020.

Associated Bond Issue	Outstanding Notional Amount (thousands)	Bond Floating Rate	Swap Fixed Rate Paid (Range)	Swap Variable Rate Received	Effective Date	Termination Date	Fair value as of 9/30/2020	Counterparty
<i>General Obligation Bonds:</i>								
Series 2006C (refunding)	38,095	CPI	3.85%	CPI-based formula	1/1/2007	11/1/2020	(115,051)	Wells Fargo Bank
Series 2007A (refunding)	26,250	LIBOR	3.936%	67% 3-Month LIBOR + 0.46%	10/8/2008	11/1/2020	(216,834)	Wells Fargo Bank
Series 2018A Refunding	118,505	SIFMA	3.875%-3.903%	SIFMA	3/15/2005	2/1/2023	(8,786,114)	Wells Fargo Bank
Series 2007A (refunding)	348,380	LIBOR	4.083%	67% 3-Month LIBOR + 0.55%	10/8/2008	11/1/2025	(39,942,329)	Bank of NY Mellon
Series 2016B & C	<u>254,450</u>	VRDB	4.515%	67% 3-Month LIBOR	4/2/2009	6/15/2033	<u>(77,883,621)</u>	Barclays Bank PLC
Subtotal	\$ 785,680						<u>(\$126,943,949)</u>	
<i>Special Obligation Dedicated Tax Revenue Bonds</i>								
Series 2005A (Gas Tax)	<u>28,385</u>	CPI	5.059%	CPI	1/12/2005	6/1/2022	<u>(1,064,903)</u>	Merrill Lynch Capital Services
Subtotal	\$ 28,385						<u>(1,064,903)</u>	
Total	\$ 814,065						<u>(128,008,852)</u>	

SOURCE: Office of the Treasurer and Receiver General.

Liquidity Facilities

Some of the Commonwealth's outstanding variable rate debt consists of variable rate demand bonds whose interest rates re-set daily or weekly through a remarketing process. Because these bonds offer a "put" or tender feature, they are supported by standby bond purchase agreements with commercial banks which require the applicable bank to purchase any bonds that are tendered and not successfully remarketed. The following table describes the liquidity facilities that the Commonwealth had with respect to such bonds as of September 30, 2020.

<u>Variable Rate Bonds</u>	<u>Outstanding Principal Amount (in thousands)</u>	<u>Liquidity Provider</u>	<u>Termination Date</u>
2000 Series A	\$200,000	Citibank	10/12/2021
2000 Series B	75,590	TD Bank	04/19/2023

SOURCE: Office of the Treasurer and Receiver General.

The Commonwealth also has liquidity support for two series of commercial paper totaling \$200 million. Additionally, in lieu of issuing commercial paper, the Commonwealth has capacity under a note purchase agreement to issue general obligation bonds or general anticipation notes up to \$200 million. As of September 30, 2020, no commercial paper was outstanding and no bonds or notes were issued under the note purchase agreement.

<u>Series</u>	<u>Available Principal Amount (in thousands)</u>	<u>Liquidity Provider</u>	<u>Termination Date</u>
Commercial Paper - Series I (tax-exempt) and Series K (taxable)(1)	\$200,000	TD Bank	04/18/2023
Note Purchase Agreement	\$200,000	RBC Capital Markets, LLC	02/08/2024

SOURCE: Office of the Treasurer and Receiver General.

(1) One or both of Series I and Series K may be outstanding as long as the total amount outstanding does not exceed \$200 million.

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Direct Purchase Agreements

Certain of the Commonwealth's variable rate bonds have been directly purchased by commercial banking institutions. The following table lists those series of variable rate bonds subject to direct purchase agreements as of September 30, 2020.

<u>Direct Purchase Bonds</u>	<u>Outstanding Principal Amount (in thousands)</u>	<u>Mandatory Tender Date</u>
2001 Series B (Refunding) (1)	\$ 48,250	1/01/2021
2016 Series B	100,000	4/01/2021
2016 Series C	200,000	4/01/2021
2018 Series A (Refunding) (1)	120,365	2/01/2021

SOURCE: Office of the Treasurer and Receiver General.

(1) Dates provided represent hard maturities rather than mandatory tenders.

General Obligation Contract Assistance Liabilities

Massachusetts Department of Transportation, as successor to the Massachusetts Turnpike Authority. On February 19, 1999, the Commonwealth and the Massachusetts Turnpike Authority entered into a contract which provides for the Commonwealth to make annual operating assistance payments to MassDOT, as successor to the Turnpike Authority, which are capped at \$25 million annually and extend until June 30, 2050, which is the end of the 40th fiscal year following the transfer of certain facilities associated with the Commonwealth's Central Artery/Ted Williams Tunnel Project to MassDOT. On June 30, 2009, the Commonwealth and the Turnpike Authority entered into a contract for financial assistance which provides for the payment by the Commonwealth to MassDOT, as successor to the Turnpike Authority, of \$100 million per fiscal year, commencing July 1, 2009 until June 30, 2039. Payments under both contracts constitute a general obligation pledge of the Commonwealth for which the full faith and credit of the Commonwealth are pledged.

Massachusetts Clean Water Trust. The Massachusetts Clean Water Trust (the Trust) manages the Commonwealth's state revolving fund program under the federal Clean Water Act and the federal Safe Drinking Water Act. The Trust is authorized to apply for and accept federal grants and associated Commonwealth matching grants to capitalize the revolving funds and to issue debt obligations to make loans to local governmental units and others to finance eligible water pollution abatement and drinking water projects. Under state law, loans made by the Trust are required to provide for subsidies or other financial assistance to reduce the debt service expense on the loans. Currently, most new loans made by the Trust bear interest at 2%. Other loans made by the Trust may bear interest at lower rates, including a zero rate of interest, and a portion of the principal of certain loans has also been subsidized by the Trust. To provide for a portion of the subsidy on most of its loans, the Trust receives contract assistance payments from the Commonwealth. Under the Trust's enabling act, the aggregate annual contract assistance payment for the Trust's programs may not exceed \$138 million. The Commonwealth's agreement to provide contract assistance constitutes a general obligation of the Commonwealth for which its full faith and credit are pledged, and the Commonwealth's contract assistance payments are pledged as security for repayment of the Trust's debt obligations. As of September 30, 2020, the Trust had approximately \$2.2 billion of bonds outstanding. Approximately 5.36% of the Trust's aggregate debt service is covered by Commonwealth contract assistance. Prior to August 2014, the Trust was known as the Massachusetts Water Pollution Abatement Trust.

Massachusetts Development Finance Agency. Under the infrastructure investment incentive act (sections 5 to 12 of Chapter 293 of the Acts of 2006, as amended to date), known as "I-Cubed," up to \$600 million of public infrastructure improvements to support significant new private developments may be financed by bonds issued by the Massachusetts Development Finance Agency (MassDevelopment) that are secured by and payable from contract assistance from the Commonwealth. The obligation of the Commonwealth to pay contract assistance is a general obligation of the Commonwealth. Until a related new private development is completed and occupied, the developer's property is assessed by the municipality in which the development is located in amounts equal to the

debt service cost on the bonds and is applied to reimburse the Commonwealth for such cost. After each phase of the private development is completed and occupied, the municipality is required to reimburse the Commonwealth for any portion of the debt service cost on the bonds that is not covered by new state tax revenues generated from the related private development. The municipality's reimbursement obligation is secured by a general obligation pledge of the municipality, a local aid intercept and a reserve fund which must be funded in an amount equal to or greater than two years of debt service on the bonds. The obligation of the municipality ends when the Commonwealth has collected revenues sufficient to pay principal and interest payments to date, or in some cases to the next redemption date, plus all remaining principal payments due. Pursuant to this program, MassDevelopment has issued I-Cubed bonds to finance and refinance infrastructure projects associated with the Fan Pier development in Boston, the Assembly Row project in Somerville, the Chestnut Hill Square project in Newton, the Boston Landing project in Boston, the Van Ness project in Boston, the University Station project in Westwood, the North Point project in Cambridge and the Hub on Causeway project in Boston. As of September 30, 2020, total "I-Cubed" bonds were outstanding in the amount of approximately \$178.6 million.

Legislation approved by the Governor on August 8, 2008 included an authorization to finance up to \$43 million of the costs of a parkway at the former South Weymouth naval air base to support the development of the former base. Similar to the I-Cubed program financing model, the bonds issued by MassDevelopment to finance the parkway are secured by and payable from a general obligation pledge of contract assistance from the Commonwealth. As of September 30, 2020, approximately \$22.7 million of such bonds were outstanding.

Social Innovation Financing Trust Fund. Legislation approved in 2012 established a Social Innovation Financing Trust Fund for the purpose of funding contracts to improve outcomes and lower costs for contracted government services, referred to as "pay for success contracts." The legislation authorized the Secretary of Administration and Finance to enter into pay for success contracts in which a substantial portion of Commonwealth payments, from amounts appropriated by the Legislature to the Trust Fund, would be conditioned on the achievement of specified performance outcomes. The Commonwealth's obligation to make such payments is a general obligation for which the Commonwealth's full faith and credit are pledged. The first such contract was entered into in January 2014 (and amended in November 2016 and April 2020), to help young men leaving the juvenile justice system or on probation avoid re-offending. The contract obligates the Commonwealth to make up to \$28 million in success payments, in the aggregate, through fiscal 2023. The Commonwealth entered into a second such contract in December 2014, to address chronic individual homelessness through permanent stable, supportive housing. The contract obligates the Commonwealth to make up to \$6 million in success payments, in the aggregate, through fiscal 2021. The Commonwealth entered into a third such contract in June 2016, to assist individuals in Adult Basic Education (ABE) or English for Speakers of Other Languages (ESOL) programs transition to employment, higher wage jobs, and higher education. The contract obligates the Commonwealth to make up to \$15 million in success payments, in the aggregate, through fiscal 2023. The Commonwealth entered into a fourth such contract in July 2018 to support unemployed or underemployed veterans with post-traumatic stress disorder in attaining competitive and compatible employment. The contract obligates the Commonwealth to make up to \$1.5 million in success payments, in the aggregate, through fiscal 2022.

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The following table sets forth the Commonwealth’s general obligation contract assistance requirements for all of fiscal 2020 and each fiscal year thereafter pursuant to contracts with the Massachusetts Clean Water Trust, MassDOT (as successor to the Turnpike Authority), and MassDevelopment (including the I-Cubed Program and the South Weymouth naval air base contract assistance requirements) and contracts associated with the Social Innovation Financing Trust Fund.

General Obligation Contract Assistance Requirements
(in thousands)

<u>Fiscal Year</u>	<u>Massachusetts Clean Water Trust</u>	<u>Massachusetts Department of Transportation</u>	<u>Massachusetts Development Finance Agency</u>	<u>Social Innovation Financing Trust Fund (3)</u>	<u>Total</u>
2020	\$63,384	\$125,000	\$12,072	\$23,650	224,106
2021	63,384	125,000	12,838	5,335	206,557
2022	39,014	125,000	12,835	800	177,649
2023	27,070	125,000	12,832	50	164,952
2024	18,675	125,000	12,834	-	156,509
2025	14,381	125,000	12,837	-	152,218
2026	11,881	125,000	12,830	-	149,711
2027 through 2050	67,852 (1)	1,900,000 (2)	247,188	-	2,215,040
Total (4)	<u>\$305,641</u>	<u>\$2,775,000</u>	<u>\$336,266</u>	<u>\$29,835</u>	<u>\$3,446,742</u>

SOURCES: Massachusetts Clean Water Trust column – Office of the Treasurer and Receiver-General; MassDOT, MassDevelopment and Social Innovation Financing Trust Fund columns - Executive Office for Administration and Finance.

- (1) Current contract assistance payments end in fiscal 2049.
- (2) Represents \$25 million per year for fiscal years 2027 to 2050, inclusive, and \$100 million per year for fiscal years 2027 to 2039, inclusive.
- (3) Projected payment schedule. The actual amount and timing of payments will be based on the achievement of specified performance outcomes. These projected payments may differ from annual appropriated amounts due to the availability of unexpended funds remaining in the Social Innovation Financing Trust Fund from prior years.
- (4) Totals may not add due to rounding.

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Long-Term Operating Leases and Capital Leases

In addition to Commonwealth-owned buildings and facilities, the Commonwealth leases additional space from private parties. In certain circumstances, the Commonwealth has acquired certain types of capital assets under long-term capital leases; typically, these arrangements relate to computer and telecommunications equipment and to motor vehicles. Minimum future rental expenditure commitments of the Commonwealth under operating leases and long-term principal and interest obligations related to leases in effect as of June 30, 2019 are set forth in the table below.

Long-Term Leases (in thousands)

<u>Fiscal Year</u>	<u>Leases (1)</u>
2020	\$241,129
2021	148,852
2022	126,491
2023	109,802
2024	92,456
2025	70,271
2026	50,692
2027	44,440
2028	38,207
2029 through 2050	209,198
Total	<u>\$1,131,538</u>

SOURCES: Office of the Comptroller

(1) Includes operating and capital leases. Leases with the institutions of higher education that are supported by tuition and fees are not included.

Contingent Liabilities

Massachusetts Bay Transportation Authority. The MBTA issues its own bonds and notes. Prior to July 1, 2000, the Commonwealth supported MBTA bonds, notes and other obligations through guaranties of the debt service on its bonds and notes, contract assistance generally equal to 90% of the debt service on outstanding MBTA bonds and payment of the MBTA's net cost of service (current expenses, including debt service, minus current income). Beginning July 1, 2000, the Commonwealth's annual obligation to support the MBTA for operating costs and debt service is limited to a portion of the revenues raised by the Commonwealth's sales tax, but the Commonwealth remains contingently liable for the payment of MBTA bonds and notes issued prior to July 1, 2000 and for MBTA payment obligations related to leases, reimbursement obligations, interest exchange agreements and other financing obligations entered into prior to July 1, 2000. The Commonwealth's obligation to pay such prior bonds is a general obligation for which its full faith and credit have been pledged. As of September 30, 2020, the MBTA had approximately \$141.6 million of such prior bonds outstanding. Such bonds are currently scheduled to mature annually through fiscal 2030.

Massachusetts Development Finance Agency. Under legislation approved in 2010 and amended in 2011, MassDevelopment is authorized to issue bonds for the benefit of nonprofit community hospitals and nonprofit community health centers. Such bonds are to be secured by capital reserve funds funded at the time of bond issuance in an amount equal to the maximum annual debt service on the bonds. The legislation provides that MassDevelopment is to notify the Governor if any such capital reserve fund needs to be replenished, and that the Legislature is to appropriate the amount necessary to restore the fund to its required level. The legislation contains no limit on the amount of such bonds that may be issued. Any project to be financed by such bonds must be approved by the Secretary of Health and Human Services, and any loan to a community hospital or community health center (and the issuance and terms of the related bonds) must be approved by the Secretary of Administration and Finance. If any such institution defaults on a loan, any moneys in the custody of the Commonwealth that are payable to the institution may be withheld by the Commonwealth and used to pay debt service or to replenish the applicable capital reserve fund. If, following a Commonwealth transfer to replenish a capital reserve fund, the applicable institution fails to reimburse the Commonwealth within six months, the Commonwealth may withhold funds payable to the institution, and all contracts issued by the Group Insurance Commission, the Commonwealth Health Insurance Connector Authority and MassHealth to a third party for the purposes of providing health care insurance paid for by the Commonwealth are to provide that the third party is to withhold payments to the institution

and transfer the withheld amounts to the Commonwealth. No bonds have ever been issued pursuant to this legislation.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority. The Steamship Authority operates passenger and vehicle ferries to Martha's Vineyard and Nantucket. The Steamship Authority issues its own bonds and notes. Commonwealth support of the bonds and notes of the Steamship Authority includes a Commonwealth guaranty pursuant to statutory provisions requiring the Commonwealth to provide the Steamship Authority with funds sufficient to meet the principal of and interest on their bonds and notes as they mature to the extent that funds sufficient for this purpose are not otherwise available to the Steamship Authority and the Commonwealth's payment, under applicable statutory provisions, of the net cost of service of the Steamship Authority. The Steamship Authority is currently self-supporting, requiring no net cost of service or contract assistance payments. As of September 30, 2020, the Steamship Authority had approximately \$80.9 million of bonds outstanding. The Commonwealth's obligations to the Steamship Authority are general obligations for which its full faith and credit have been pledged.

Regional Transit Authorities. The Commonwealth has fifteen (15) Regional Transit Authorities (RTAs) that provide fixed route and paratransit service in communities across the state. The RTAs were established by legislation, and are funded by rider fares, advertising, assessments to the local governments served by an RTA, federal grants and state assistance. A RTA may issue revenue anticipation notes to be repaid from Federal Transit Administration operating subsidies, net cost of service payments from the Commonwealth, which are included in the Commonwealth's annual budget, and local government assessments. Commonwealth support of the revenue anticipation notes of an RTA includes a Commonwealth guaranty pursuant to statutory provisions requiring the Commonwealth to provide an RTA with funds sufficient to meet the principal of and interest on its notes as they mature to the extent that funds sufficient for this purpose are not otherwise available to such RTA and the Commonwealth's payment, under applicable statutory provisions, of the net cost of service of RTA (current expenses, including debt service, minus current income). The Commonwealth assesses each of the cities and towns within the applicable RTA service area for a portion of the net cost of service. The Commonwealth Transportation Fund has an annual required \$15 million transfer to the RTAs for operations, and in fiscal 2020, the Commonwealth's budget included a \$90.5 million transfer to the RTAs. The Commonwealth is also obligated to pay principal and interest on any revenue anticipation notes issued by an RTA which is not paid when due.

University of Massachusetts Building Authority. This authority, created to assist the University of Massachusetts, is permitted by its enabling act to have outstanding up to \$200 million in Commonwealth-guaranteed debt. The Commonwealth's guaranty of principal and interest is a general obligation of the Commonwealth for which its full faith and credit are pledged. In addition to such guaranty, certain revenues of the Building Authority, including dormitory rental income and student fees, are pledged to pay the Building Authority's bonds. As of September 30, 2020, the Building Authority had approximately \$108.9 million of Commonwealth-guaranteed debt outstanding.

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Authorized and Unissued Debt

General obligation bonds of the Commonwealth are authorized to correspond with capital appropriations. See “COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Capital Investment Process and Controls.” Over the last decade, the Commonwealth has typically had a large amount of authorized and unissued debt. However, the Commonwealth’s actual expenditures for capital projects in a given year relate more to the capital needs which the Commonwealth determines it can afford to finance in such year than to the total amount of authorized and unissued debt. The table below presents authorized and unissued debt at year end:

Authorized and Unissued Debt (in thousands)

<u>Fiscal Year</u>	<u>Authorized and Unissued Debt</u>
2016	\$26,145,997
2017	22,716,302
2018	20,860,482
2019	28,417,839
2020	26,397,710 (1)

SOURCE: Office of the Comptroller.

(1) Unaudited.

Authorized and unissued debt is measured in accordance with the statutory basis of accounting, which is different from GAAP. Only the net proceeds of bonds issued (exclusive of underwriters’ discount, costs of issuance and other financing costs) are deducted from the amount of authorized and unissued debt. Therefore, the change in authorized and unissued debt at the end of any fiscal year is not intended to correlate to the change in the principal amount of debt outstanding as measured and reported in conformity with GAAP.

The Legislature has enacted various bond authorizations to fund the Commonwealth’s capital investment plan. See “COMMONWEALTH CAPITAL INVESTMENT PLAN.” Capital spending and subsequent debt issuance is constrained by the debt affordability policy and the statutory debt limit, and will be published annually in the five-year capital investment plan.

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LEGAL MATTERS

There are pending in state and federal courts within the Commonwealth and in the Supreme Court of the United States various suits in which the Commonwealth is a party. In the opinion of the Attorney General, no litigation is pending or, to her knowledge, threatened which is likely to result, either individually or in the aggregate, in final judgments against the Commonwealth that would affect materially its financial condition.

Programs and Services

From time to time actions are brought against the Commonwealth by the recipients of governmental services, particularly recipients of human services benefits, seeking expanded levels of services and benefits and by the providers of such services challenging the Commonwealth's reimbursement rates and methodologies. To the extent that such actions result in judgments requiring the Commonwealth to provide expanded services or benefits or pay increased rates, additional operating and capital expenditures might be needed to implement such judgments.

Rosie D., et al. v. The Governor, United States District Court for the District of Massachusetts. In a memorandum of decision dated January 26, 2006, the federal District Court in Massachusetts ruled in favor of a class of Medicaid-recipient children that the Commonwealth failed to provide to children with serious emotional disturbances the home- and community-based mental health services required under the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) provisions of the Medicaid Act. In February 2007, the Court adopted the defendants' proposed remedial plan, with some modifications, and, in July 2007, entered judgment in accordance with that plan, as modified. The Court's remedial order obliges MassHealth to take the following steps, largely at the Commonwealth's expense: (1) require pediatric providers to offer standardized behavioral health pediatric screenings; (2) require behavioral health specialists to utilize a standardized behavioral health assessment tool; (3) seek federal approval for certain new or enhanced behavioral health services; (4) implement the enhanced behavioral health services; and (5) develop information technology systems as needed to support data collection to evaluate compliance. The Commonwealth did not appeal from that judgment; instead, MassHealth has implemented all required program changes.

At a hearing on September 27, 2018, the District Court entertained motions from the parties regarding: the status of the Commonwealth's compliance with the judgment; the possible termination of court monitoring and reporting provisions; the legal significance, if any, of certain voluntary "disengagement criteria"; and the modification of the judgment to include monitoring of outpatient therapy. On February 7, 2019, the Court denied in part and granted in part the defendants' motion regarding substantial compliance and to terminate court monitoring. The Court found MassHealth to be in substantial compliance with the EPSDT notification and screening requirements and terminated monitoring with respect to those requirements of the judgment. The Court denied defendants' motion to terminate monitoring as to any other aspect of the judgment, however, based on the Court's determination that the waitlists for one of the enhanced behavioral health services implemented under the judgment violated the terms of the judgment and the Medicaid Act's "reasonable promptness" requirement. The Court did not decide the merits of the defendants' asserted substantial compliance with other provisions of the judgment. On March 12, 2019, defendants filed a notice of appeal. On March 13, 2019, the Court denied the plaintiffs' pending motions regarding disengagement criteria and modification of the judgment to include outpatient therapy, without prejudice. That same day, the federal judge who had presided over this case since its inception transferred the case to Judge Richard Stearns. On June 17, 2019, the plaintiffs filed a motion asking to extend court monitoring. Defendants opposed this motion. On July 1, 2019, the Court ordered the extension of the court monitor's appointment under her present terms and conditions, unless and until the Court of Appeals orders differently. On July 31, 2019, the Commonwealth defendants filed a notice of appeal of the order extending court monitoring. On October 8, 2019, the First Circuit Court of Appeals consolidated the defendants' appeals for purposes of briefing and oral argument.

On May 4, 2020, the First Circuit Court of Appeals reversed the order entered by the District Court on February 7, 2019 and held that the District Court erred when it denied MassHealth's motion to terminate monitoring and reporting requirements in the case. The First Circuit remanded the case back to the District Court (now to be presided over by Judge Stearns) for further proceedings consistent with its opinion. The First Circuit did not direct the District Court to grant MassHealth's motion to end monitoring, but clarified that it is the plaintiffs' burden to show why further monitoring is warranted. At a July 28, 2020 status conference, the District Court encouraged the parties to attempt to agree on a path forward toward ending the litigation. The parties engaged in these discussions,

but were only able to agree to a briefing schedule for motions by the parties, either to dismiss the judgment entirely or to modify it to include additional obligations on the part of the defendants. MassHealth estimates that, unless the District Court accepts its arguments for bringing this litigation to an orderly closure, its implementation of program changes sought by plaintiffs, if not curtailed by the District Court or overturned on further appeal, would continue to increase its costs, including administrative costs, prospectively by over \$20 million annually.

Hutchinson et al v. Patrick et al, United States District Court, Massachusetts. This is a class action, commenced in 2007, brought by two organizations and five individuals with brain injuries who are residents of various nursing facilities. Plaintiffs claim that they and a class of between 2,000 and 4,000 brain-injured individuals are entitled to, among other things, placement in community settings. Plaintiffs asserted claims under the Americans with Disabilities Act, the Rehabilitation Act and the Medicaid Act; they sought declaratory and injunctive relief. After the Court certified a class in October 2007, the parties engaged in an intensive period of settlement negotiations. In May 2008, the parties entered into a settlement agreement which was subsequently amended in July 2013 (Agreement). Under the terms of the six-year Agreement, the defendants will use the Massachusetts Money Follows the Person Demonstration Project and various waiver programs to provide community residential and non-residential supports in an integrated setting to Massachusetts Medicaid-eligible persons with an acquired brain injury who are in nursing and long-term rehabilitation facilities (Class Members in Facilities). Year six of the Agreement ended on June 30, 2019. Pursuant to the terms of the Agreement, the defendants added 1,083 waiver slots for Class Members in Facilities over the Agreement's six-year term. The cost of implementing these programs was originally projected to be approximately \$386 million, phased in over six years, with approximately half of that amount expected to be reimbursed by the federal government. In fiscal 2021, the estimated annualized cost to the Commonwealth to maintain slots added under the Agreement is approximately \$155 million (gross) or \$77.5 million (net).

Although the case has been resolved, and liability is fixed, the Commonwealth's obligations under the Agreement will not be discharged prior to dismissal by the Court. Under the terms of the Agreement, upon completion of year six of the Agreement and pursuant to a motion for dismissal filed by the defendants either jointly with the plaintiffs or separately, the Court shall dismiss the action provided the defendants are in substantial compliance with all obligations of the Agreement. Currently, defendants continue to place class members determined eligible in year six of the Agreement in the community. Defendants anticipate filing a motion to dismiss with the Court upon completion of the transfer of all remaining class members to the community. Based on defendant's anticipated schedule for placement of remaining class members, the defendants anticipate filing a motion for dismissal prior to June 30, 2021.

Chanice Lee, also on behalf of similarly situated individuals v. Commissioner of the Department of Early Education and Care, et al., Suffolk Superior Court. On December 9, 2019, the Department of Early Education and Care (EEC) received notice of a putative class action lawsuit challenging the denial to plaintiff of an income-eligible child care subsidy because plaintiff owed co-payment fees to a previous child care provider. Plaintiff claims that the fee scale devised by EEC, upon which her co-payments were based, and the disqualification from receipt of the subsidy are unlawful under state and federal law governing child care subsidies. Plaintiff seeks: (i) certification as a class action; (ii) a declaration that EEC's fee scale is unlawful, in part because it was not promulgated as a regulation, as required by law; (iii) a declaration that EEC may not deny income-eligible subsidies to families based on outstanding fees; and (iv) an order requiring EEC to promulgate a new fee scale after public notice and comment.

EEC is under a federal mandate from the Child Care Development Block Grant (CCDBG) Act of 2014 to ensure that parent fee copayments for child care services are affordable. EEC was deemed compliant with CCDBG by the federal office of Administration of Children and Families (ACF) through approval of the EEC's State Plan in 2018. CCDBG sets a benchmark, but not a requirement, of affordability for parent fees at 7% of a parent's income. EEC's current parent fee chart establishes parent fees ranging from 0% to 16% of a parent's income, with the potential for a higher percentage if multiple children in a household are enrolled.

A state statute, M.G.L. c. 15D, § 2(e), mandates a sliding fee scale and periodic revision of the rate structure in accordance with M.G.L. c. 30A regulation-promulgation procedures. In connection with promulgating revisions to its Financial Assistance regulations, EEC had established a schedule for revising its parent fee chart, which included a requirement that EEC would revise its parent fee chart within six months of promulgation of the

revised Financial Assistance regulations. The regulations were promulgated by the Secretary of State on February 22, 2019, setting the six-month deadline at August 22, 2019. To date, EEC has not revised the parent fee chart and is still completing a cost analyses to determine the impact of any such revisions. A reduction in the percentage of gross income parents are required to pay in fees could shift to EEC a considerable portion of the child care costs that parents currently are required to pay. In fiscal 2019, statewide parent fees totaled approximately \$71.8 million. If parent co-pays were capped at 7% of gross income, the CCDBG benchmark, the net cost to EEC could range from \$22 to \$32 million annually, depending on policy decisions relating to factors such as sibling discounts.

EEC filed an answer to the complaint on February 3, 2020. Plaintiff's counsel served a motion for judgment on the pleadings on defendants in early August 2020, and the EEC has sought an enlargement of time until October 9, 2020, to serve its opposition thereto. At this time the Commonwealth cannot predict the timing, outcome or, should the plaintiff prevail, the budgetary impact of this litigation.

Federal Audits and Regulatory Reviews

In re: Centers for Medicare and Medicaid Services regulations (Uncompensated Care Pool/Health Safety Net Trust Fund). The federal Health Care Financing Administration (now the Centers for Medicare and Medicaid Services (CMS)) asserted in June 2000 that the portion of the Medicaid program funded by the Commonwealth's Health Safety Net Trust Fund (formerly the Uncompensated Care Pool) might violate federal regulations regarding permissible taxes on health care providers. The Commonwealth believes that the Commonwealth's assessment on acute care hospitals and surcharge payers, respectively, which fund the Uncompensated Care Pool and its successor, the Health Safety Net Trust Fund, are within the federal law pertaining to health care-related taxes, but nevertheless sought federal waivers for the assessments as instructed by CMS. In 2017, a change in state law was made to the hospital assessment making a federal waiver for the hospital assessment unnecessary. Under federal regulations, if the Commonwealth were ultimately determined to have imposed an impermissible health care-related tax, the federal government could seek retroactive repayment of federal Medicaid reimbursements. The Commonwealth collected an estimated \$6.234 billion in acute hospital assessments between 1990 and the end of Health Safety Net fiscal year 2017 and will have collected an estimated \$3.353 billion in surcharge payments between 1998 and the end of Health Safety Net fiscal year 2020.

In re: Centers for Medicare and Medicaid Services: Disallowance Number MA/2018/001/MAP (1115(a) Demonstration Claiming Authority for Primary Care Payment Reform Initiative). On November 20, 2018, CMS issued to the Commonwealth a notice of disallowance in the amount of \$70.9 million in federal financial participation (FFP) for expenditures between March 31, 2014 and December 31, 2016 related to MassHealth's Primary Care Payment Reform Initiative (PCPRI). PCPRI was a payment model that bundled services payments to discourage billing based on fee for services, rewarded providers for achieving quality goals by providing certain quality incentive payments, and rewarded providers by sharing savings and losses with them. In its disallowance letter, CMS asserts that EOHHS lacked explicit authority under its 1115 Demonstration Project to make payments that deviated from those that were described (or could be approved) under the Medicaid State Plan because PCPRI was not mentioned by name in the 1115 Demonstration Project, because there was no specific expenditure authority to support these payments, and because CMS never approved the PCPRI addendum to the Primary Care Clinician (PCC) Plan contract. EOHHS maintains that it has authority under the 1115 Demonstration Project to make enhanced primary care clinician payments consistent with the PCPRI program and that no additional authority was necessary to make the payments. MassHealth contends that it sent CMS the PCPRI addendum to the PCC Plan contract in March 2014, but that CMS failed to act on it, either by approving or denying the addendum. EOHHS responded to the disallowance letter by requesting reconsideration, which CMS denied on March 15, 2019. EOHHS submitted a Notice of Appeal to the federal Health and Human Services Departmental Appeals Board ("DAB") on May 13, 2019. Briefing is now complete, and EOHHS' request for oral argument before the DAB has been granted. Oral arguments will likely be heard in early October, 2020. Decisions by the DAB regarding Medicaid disputes between CMS and states regarding FFP are the final decision of Health and Human Services. A final negative decision is appealable to the federal district court.

Taxes

Brownfields Tax Credits Claims. A brownfields tax credit for environmental response actions was established under the provisions of General Laws chapter 62, § 6(j) and chapter 63, § 38Q. Under the statutes, a

business corporation, individual taxpayer, or non-profit organization which remediates certain contaminated properties may be eligible for a credit for costs incurred in the remediation of such property. The Department of Revenue carefully examines and sometimes declines preliminary approval of applications from various taxpayers for brownfields tax credits in amounts that often exceed \$1 million. More than five years ago, the Department denied tax credit applications by three Massachusetts institutions of higher education for work those institutions performed to remediate an environmentally contaminated site. (Because not-for-profits do not typically pay corporate excise taxes against which such a credit may be applied, legislation enacted in 2006 made it possible, for the first time, for taxpayers granted such a credit to “sell” that credit to individuals or corporations who do incur tax liability, so that the buyer can make use of the credit.) The sole issue in the case of *Northeastern University, et al. v. Commissioner of Revenue*, filed in August 2014, was whether the plaintiff nonprofit institutions of higher education could receive a brownfields tax credit for site remediation achieved prior to the taxable year commencing on or after June 24, 2006 (i.e., the effective date of the legislative amendment). The plaintiffs prevailed and the judgment in their favor became final in May 2018 when the Supreme Judicial Court denied further appellate review. These cases are now all closed, including the one brownfields tax credit case that had been docketed at the Appellate Tax Board. With respect to claims filed with the Department of Revenue but not yet docketed at the Appellate Tax Board, currently the Department estimates a total of \$135.9 million worth of potential revenue loss, with four of the individual credit amount claims exceeding \$10 million each.

Film Credits Claims. Under the provisions of General Laws chapter 63, § 38X, personal income tax and corporate excise tax credits and sales tax exemptions are available to qualifying taxpayers in the motion picture industry (commonly referred to as Film Credits). The Department of Revenue carefully examines and sometimes declines preliminary approval of applications from various taxpayers for Film Credits, against taxable income, in amounts that often exceed \$1 million. Currently the Department of Revenue estimates a total potential revenue loss of approximately \$83.6 million, with three of the individual credit amount claims exceeding \$10 million.

Corporate Tax – Alternative Apportionment. A taxpayer has filed an abatement application to request alternative apportionment for significant unexpected expenses occurring in Massachusetts in 2018. The alternative apportionment requested by the taxpayer would result in a net operating loss carryover in the approximate amount of \$942,660,135. Applying an 8% tax rate, the potential tax benefit to the taxpayer would be approximately \$75,412,811. This matter has not been docketed in the Appellate Tax Board.

Other Revenues

Commonwealth of Massachusetts v. Philip Morris Inc., RJ Reynolds Tobacco Company, Lorillard Tobacco Company, et al., Supreme Judicial Court, Middlesex Superior Court (a/k/a the Tobacco Master Settlement Agreement, Nonparticipating Manufacturer (NPM) Adjustment Disputes)

These matters arise under the Tobacco Master Settlement Agreement (MSA), entered into in 1998, that settled litigation and claims by Massachusetts and 51 other states or dependencies (collectively, the States) against the major tobacco manufacturers. Under the MSA, yearly payments made by the Original Participating Manufacturers (OPMs) and Subsequent Participating Manufacturers (collectively, the Participating Manufacturers or PMs) are subject to a number of adjustments. One such adjustment is the Non-Participating Manufacturer (NPM) Adjustment, which can be triggered if the PMs suffer a specified market share loss as compared to their market share during the base year 1997. Under the MSA, a nationally recognized economic firm selected jointly by the States and the PMs must make a determination that “the disadvantages experienced” by the PMs as a result of complying with the MSA were “a significant factor contributing to the Market Share Loss” for a given year. Even if such a determination is made, the States can still avoid the NPM Adjustment if it is determined that the States “diligently enforced” their individual NPM Escrow Statutes.

The PMs seek to reduce, by the approximate amount set forth in the chart below, the MSA payments they made to the States for sales in the respective years listed below. A determination has been made that the PMs suffered a market share loss in each of these years and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to such market share loss. The PMs notified the States of their intent to arbitrate the issue of whether each State diligently enforced its NPM Escrow Statute in each of the NPM Adjustment Years from 2005 through 2008, inclusive, following the conclusion of the 2003 NPM Adjustment Arbitration proceedings. The PMs have not yet notified the States of their intent to arbitrate the issue of

whether each State diligently enforced its NPM Escrow Statute in each of the NPM Adjustment Years from 2009 through 2018. If the Commonwealth does not prevail, future MSA payments to Massachusetts would be reduced by an amount to be determined, which amounts would be, for the applicable NPM Adjustment Year, between the Minimum Potential Commonwealth Reduction set forth below, plus interest, up to but not exceeding the full amount of the Commonwealth's MSA payment for sales in the applicable year, depending upon the outcome of similar NPM proceedings against other States.

NPM Adjustment Year	Payment Reduction Sought for all States	Minimum Potential Commonwealth Reduction
2005	\$753,000,000	\$30,000,000
2006	704,000,000	7,000,000
2007	791,000,000	8,800,000
2008	888,000,000	900,000
2009	859,000,000	1,300,000
2010	873,000,000	500,000
2011	728,000,000	500,000
2012	797,000,000	300,000
2013	823,000,000	300,000 (5)
2014	838,000,000	300,000 (5)
2015	935,000,000	300,000 (5)
2016	919,000,000 (1)	300,000 (5)
2017	913,000,000 (2)	300,000 (5)
2018	1,000,000,000 (3)	300,000 (5)
2019	1,200,000,000 (4)	300,000 (5)

- (1) Subject to revision until a final calculation in March 2021.
- (2) Subject to revision until a final calculation in March 2022.
- (3) Subject to revision until a final calculation in March 2023.
- (4) Subject to revision until a final calculation in March 2024.
- (5) Since 2013, the Commonwealth's minimum potential reduction has been set as a constant \$300,000 for reporting purposes as it is now impossible to predict, calculate, or even approximate potential reductions due to a variety of factors, including a number of settlements with varying structures in multiple states. In addition to not knowing how many States in a given NPM year may be found to be "non-diligent," it is also unclear how an arbitration panel would calculate a non-diligent State's share of the NPM Adjustment. Therefore, the \$300,000 amount is used to represent, at least conceptually, the minimal potential reduction the Commonwealth may incur if it is found to be non-diligent in a given NPM year.

Environment

In re Massachusetts Military Reservation (pre-litigation). The Commonwealth, through the Executive Office of Energy and Environmental Affairs, the Department of Environmental Protection and the Attorney General's office, were engaged in discussions with federal Natural Resource Trustees, including the United States Army and Air Force, the Department of the Interior and the National Oceanic and Atmospheric Administration, and private contractors regarding natural resource damages at the Massachusetts Military Reservation on Cape Cod. Federal Trustees and private contractors claim that the Commonwealth and others are liable for natural resource damages due to widespread contamination primarily from past military activities at the Reservation and are responsible for response actions and related clean-up activities. The assessment process for natural resource damages is set out in federal regulations and has not been completed. While no recent comprehensive estimate of natural resource damages and response actions is available, it is expected that the damages and response actions may cost at least tens of millions of dollars. In 2013, the state and federal trustees reopened preliminary discussions per a Trustee Council resolution on a potential settlement framework.

Other

Drug Testing Laboratory Disputes. In 2012 and 2013, charges were brought against two chemists, working in two separate Commonwealth drug testing laboratories in Boston and Amherst, alleging malfeasance by such chemists in the handling and testing of laboratory samples and/or the adulteration or theft of seized drugs used as evidence in criminal cases. Both chemists were subsequently convicted. Following judicial review, more than 21,000 criminal cases potentially affected by altered drug evidence from the Boston laboratory were vacated or dismissed, with only a few hundred potentially affected criminal cases remaining open for re-prosecution. Pursuant to a court order, indigent defendants in the cases that remain who wish to pursue vacatur or a new trial will be assigned counsel, at state expense. Additionally, in actions relating to the Amherst laboratory, a court found that, in addition to the chemist's malfeasance, two former prosecutors "tampered with the fair administration of justice" and perpetrated "a fraud upon the court" by deliberately concealing documents relevant to the chemist's actions, with implications for thousands of drug tests conducted by the Amherst laboratory. Notwithstanding the court's finding that, with the exception of the identified chemist's work, the Amherst laboratory was "free from any deficiency in analytical procedure, was kept in an orderly fashion, and that work flowed through the lab smoothly," the Supreme Judicial Court ordered, in relevant part, that all convictions based on evidence tested at the Amherst laboratory on or after January 1, 2009 and through January 18, 2013, must be vacated and dismissed, regardless of the chemist who signed the drug certificate, as well as all methamphetamine convictions where the drugs were tested at the Amherst laboratory during the convicted chemist's tenure (2004-2013). See *Committee for Public Counsel Services, et al. v. Attorney General of Massachusetts, et al.*, SJC-12471 (Oct. 11, 2018). In September 2019, a court-appointed Special Master filed a report, stating that more than 24,000 convictions in more than 16,000 cases had been dismissed due to misconduct in the Amherst laboratory.

Consequently, there are a number of ongoing civil actions, in both state and federal court, relating to the rights of those criminal defendants potentially affected by the malfeasance of the two chemists and the attorney misconduct described above, and more are expected. See, e.g., *Penate v. Kaczmarek et al.*, C.A. No. 3:17-cv-30119-KAR, United States District Court for the District of Massachusetts, in which the plaintiff alleges civil rights violations under 42 U.S.C. § 1983 and seeks approximately \$5.7 million in compensatory and punitive damages, interest, costs, and attorneys' fees. In *Penate*, the District Court dismissed claims against three Department of Public Health (DPH) defendants and two attorneys in January 2019, but denied motions to dismiss filed by two former DPH employees and a now-inactive attorney. The now-inactive attorney's interlocutory appeal in the First Circuit Court of Appeals was rejected on June 26, 2019. One of the DPH employees, the former supervisor of the Amherst laboratory, whose motion to dismiss was denied, also filed an interlocutory appeal in the Court of Appeals. On December 13, 2019, the Court of Appeals reversed the District Court's order denying the motion to dismiss the 42 U.S.C. § 1983 claim and vacated the District Court's denial of this DPH employee's motion to dismiss the intentional infliction of emotional distress state-law claim and remanded the matter for further proceedings consistent with its ruling, and the plaintiff has since dismissed all claims against this DPH employee. On June 4, 2020, the Magistrate Judge issued a scheduling order extending the non-expert discovery deadline to September 30, 2020, requiring expert depositions to be completed by November 30, 2020, and requiring briefing on dispositive motions to be filed by April 2, 2021. The Magistrate Judge also continued the Scheduling Conference until October 7, 2020. The potential claims of other criminal defendants against the Commonwealth and other officials are likely to range from: restitution for the fees and costs imposed on and incurred by the criminal defendants, including for uncompensated labor; erroneous conviction; negligence of the Commonwealth in supervising the laboratories and their employees; and potential civil rights violations under federal law.

In addition, plaintiffs have sought, and may in the future seek, compensatory as well as punitive damages, interest, costs, and attorneys' fees. In *Nelson v. Colorado*, 137 S. Ct. 1239 (2017), the United States Supreme Court declared that when a criminal conviction is invalidated by a reviewing court and no retrial will occur, a state is obliged to refund fees, court costs, and any restitution exacted from a defendant upon, and as a consequence of, the conviction. Based on this Supreme Court decision, a purported class action has been filed on behalf of the criminal defendants, whose convictions were vacated as the result of the potentially tainted drug tests in the two laboratories, seeking "refund of all Case-Related Payments, payment for all Uncompensated Labor, and return of all Forfeited Property." *Foster, et al. v. Commonwealth, et al.*, Docket No. 1:18-cv-10354-IT, United States District Court for the District of Massachusetts. In *Foster*, the District Court has granted several motions to stay the proceedings, most recently until December 14, 2020 to permit the parties to pursue settlement negotiations and potential resolution of plaintiffs' claims in state court. The plaintiffs have filed a state court complaint covering the majority of the claims

contained in the federal complaint, and their motion for class certification was allowed on May 13, 2020. *Foster et al. v. Commonwealth*, No. 1984CV03373 (Suffolk Super. Ct. filed Oct. 29, 2019). To date, the parties have agreed upon 10 categories of case-related payments considered refundable to the extent they were made upon, and as a consequence of, now-vacated laboratory-related convictions.

Additionally, in two state court cases, the Supreme Judicial Court (SJC), following *Nelson*, ruled that the criminal defendants have due process rights to refunds of fees, fines, and restitution paid by a defendant as a consequence of a later invalidated conviction when it is determined the case will not or cannot be retried. *See Commonwealth v. Martinez*, SJC-12479 (Oct. 30, 2018); *see also Commonwealth v. Green*, SJC-12480 (Oct. 30, 2018). The SJC declined to exercise its superintendence authority to craft a global remedy for the potential refund motions that could be brought under *Nelson v. Colorado*, deferring to the attempts by the parties in *Foster* to craft a global remedy and reach a settlement. The SJC did, however, caution that “[n]othing bars this court from exercising [its] superintendence authority before that date [the *Foster* case global settlement is reached] if deemed necessary to preserve the fair administration of justice.” In *Commonwealth v. Jermaine K. Watt*, No. SJC-12689 (Aug. 20, 2019), the defendant’s criminal conviction was vacated as a result of the Amherst chemist’s misconduct, and the defendant was seeking the return of monthly inmate account administration and maintenance fees, among other fees. The Superior Court denied the defendant’s motion for fees and he appealed. The SJC overturned the Superior Court’s decision with respect to a drug analysis fee but upheld the decision for all other fees the defendant was seeking as those fees were not being charged as a direct result of his vacated case.

Given the tens of thousands of criminal cases potentially affected by misconduct at the two laboratories (in the *Foster* case, plaintiffs claim a class of approximately 40,000 individuals whose convictions were vacated and cases dismissed with prejudice), there likely will be continuing significant, but as yet undetermined, costs to the Commonwealth in remedying the alleged malfeasance, including: vendor costs for information gathering and administration of exaction refunds; costs to investigate and defend the civil complaints alleging state liability in both state and federal courts, as described above; and the costs of settlements and judgments arising from the potential civil actions described above. Net appropriations (minus cuts and reversions) from fiscal 2013 to the present (based on the fiscal 2020 budget, as approved by the Governor on July 31, 2019) to rectify the consequences of the drug testing lab-related misconduct total approximately \$24.7 million, including a \$1.9 million appropriation for fiscal 2019 and a \$1.1 million appropriation for fiscal 2020. Based on the court decisions to date and depending on the outcomes of the additional cases filed to date and cases that may be filed in the future, the Commonwealth could be required to budget for millions of dollars’ worth of refundable exactions, settlements, and administrative expenses.

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CONTINUING DISCLOSURE

The Commonwealth prepares its Statutory Basis Financial Report and its Comprehensive Annual Financial Report with respect to each fiscal year ending June 30. The Statutory Basis Financial Report usually becomes available on or around October 31 of the following fiscal year and the Comprehensive Annual Financial Report becomes available in January of the following fiscal year. Copies of such reports and other financial reports of the Comptroller referenced in this document may be obtained by requesting the same in writing from the Office of the Comptroller, One Ashburton Place, 9th Floor, Boston, Massachusetts 02108. The financial statements are also available at the Comptroller's web site located at <http://www.macomptroller.org> by clicking on "Financial Reports" on the Comptroller's homepage.

The Department of the State Auditor audits all agencies, departments and authorities of the Commonwealth at least every three years. Copies of audit reports may be obtained from the State Auditor, State House, Room 229, Boston, Massachusetts 02133.

On behalf of the Commonwealth, the State Treasurer will provide to the MSRB, through EMMA, no later than 270 days after the end of each fiscal year of the Commonwealth, certain financial information and operating data relating to such fiscal year, as provided in Rule 15c2-12, as amended, adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, together with audited financial statements of the Commonwealth for such fiscal year. Except as noted below, the Commonwealth has not failed in the last five years to comply with its continuing disclosure undertakings with respect to any of its debt.

The Commonwealth failed to file event notices in June 2017 when the S&P Global Ratings rating on certain insured special obligation bonds payable from the Convention Center Fund was lowered from AA- to A and in December 2017 when the insurer asked that the rating on such bonds be withdrawn. The Commonwealth has filed notices of all such rating changes with respect to the bonds that are currently outstanding.

Certain annual financial information and audited financial statements of the Commonwealth were not properly linked to certain Commonwealth contract assistance bonds and certain CTF Bonds. Corrective filings have since been posted to EMMA.

In the course of substituting liquidity facilities in connection with certain Commonwealth general obligation variable rate demand bonds, supplements to the respective official statements for such bonds were posted in a timely manner to EMMA setting forth detailed information regarding the substituted liquidity facilities; however, separate event notices were not posted at the time. Event notices of the liquidity substitutions have since been posted.

In the course of reviewing its event notice filings, the Commonwealth discovered that bond call notices were not posted in a timely manner to EMMA in connection with certain advance refunding transactions. The Commonwealth has posted such notices with respect to all Commonwealth bonds that have been advance refunded, where the funds to redeem or pay the bonds remain held in escrow.

The State Treasurer also regularly files information with EMMA beyond the documents required by the Commonwealth's continuing disclosure undertakings, including updated Information Statements. In addition, information of interest to investors may be posted on the Commonwealth's investor website at www.massbondholder.com, on twitter at twitter.com/BuyMassBonds and on the Commonwealth's "Mass. Investor Disclosure" mobile app.

MISCELLANEOUS

Any provisions of the constitution of the Commonwealth, of general and special laws and of other documents set forth or referred to in this Information Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

This Information Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, changes in federal programs that could increase or transfer financial or other obligations to the Commonwealth, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as “may,” “will,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates,” “forecasts,” “projects,” “assumes” and other analogous expression.

All estimates and assumptions in this Information Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Information Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

Neither the Commonwealth’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The information, estimates and assumptions and expressions of opinion in this Information Statement are subject to change without notice. Neither the delivery of this Information Statement nor any sale made pursuant to any official statement of which this Information Statement is a part shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth or its agencies, authorities or political subdivisions since the date of this Information Statement, except as expressly stated.

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AVAILABILITY OF OTHER FINANCIAL INFORMATION

Questions regarding this Information Statement or requests for additional information concerning the Commonwealth should be directed to Susan E. Perez, Deputy Treasurer, Office of the Treasurer and Receiver-General, One Center Plaza, Suite 430, Boston, Massachusetts 02108, telephone (617) 367-3900, or to Mark Attia, Assistant Secretary, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters relating to this Information Statement should be directed to Poonam Patidar, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-3038.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Deborah B. Goldberg
Deborah B. Goldberg
Treasurer and Receiver-General

By /s/ Michael J. Heffernan
Michael J. Heffernan
Secretary of Administration and Finance

October 28, 2020

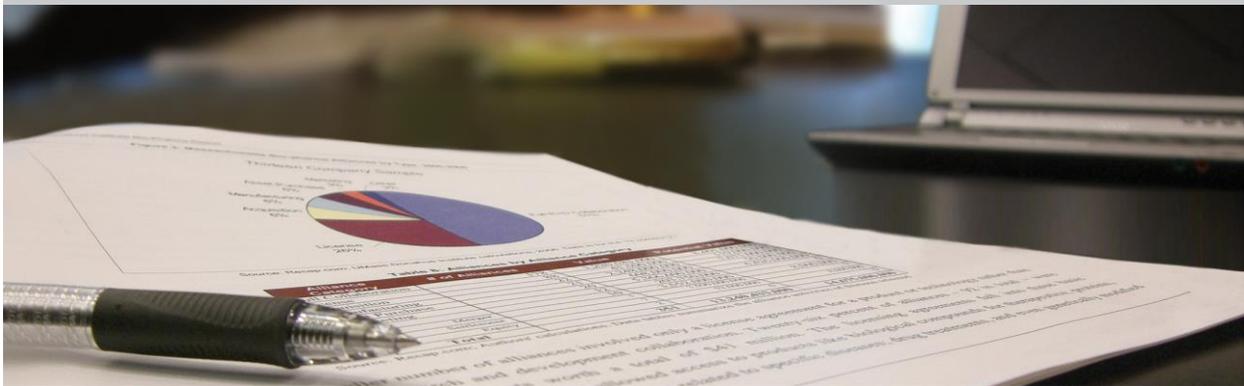
Exhibit A

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Massachusetts Economic Due Diligence

Quarterly Report for the Massachusetts State Treasurer's Office of Debt Management

Fourth Quarter, FY 2020



UMASS DONAHUE INSTITUTE
Economic & Public
Policy Research

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SourcesA-Source List

The information in this section was prepared by the Massachusetts State Data Center (MassSDC) at the University of Massachusetts Donahue Institute Economic and Public Policy Research group. It may be relevant in evaluating the economic and financial condition and prospects of the Commonwealth of Massachusetts. The State Data Center archives data about Massachusetts. The economic and demographic data, which have been obtained by the MassSDC from the sources indicated, do not necessarily present all factors that may have a bearing on the Commonwealth’s fiscal and economic affairs.

All information is presented on a calendar-year basis unless otherwise indicated. **Information in the text, tables, charts, and graphs is current as of July 2nd, 2020.** Dollars reflect 2019 inflation-adjusted dollars. The data measures in this report do not yet reflect all of the effects of the COVID-19 pandemic on the Commonwealth. More of those effects will be captured in subsequent quarters as annual data become available. Sources of information are indicated in the text or immediately following the charts and tables and also in the *Sources* section on the last page of the Exhibit A section. Although the Commonwealth considers the sources to be reliable, it makes no independent verification of the information presented herein and therefore does not warrant its accuracy.

Statistical Overview

<u>Population (p. A-2)</u>	<u>Massachusetts</u>	<u>United States</u>
Estimated Percent Change in Population, July 1, 2010 - July 1, 2019	5.0%	6.1%
 <u>Personal Income, Consumer Prices, and Poverty (p. A-8)</u>		
Per Capita Personal Income, 2018 (2019 Dollars)	\$73,052	\$55,433
Average Annual Pay, All Industries, 2018 (2019 Dollars)	\$73,922	\$58,304
Percent Change in CPI-U*, 2018-2019	1.9%	1.8%
Percent Change in CPI-U*, May 2019 - May 2020	0.6%	0.1%
Poverty Rate, 2018	10.0%	13.1%
Average Weekly Earnings, Manufacturing Production Workers: 2019	\$1,041	\$922
Percent Change from previous year	1.0%	1.2%
 <u>Employment (p. A-18)</u>		
Percent Change in Nonfarm Payroll Employment, May 2019 - May 2020 (not seasonally adjusted)	-16.1%	-11.7%
Unemployment Rate, 2019	2.9%	3.7%
Unemployment Rate, May 2020 (not seasonally adjusted)	16.3%	13.0%
 <u>Education (p. A-24)</u>		
Expenditure Per Pupil K-12 Public, 2018 (2019 Dollars)	\$17,368	\$12,840
Percent of Adults with a Bachelor’s Degree or Higher, 2018	44.5%	32.6%
 <u>Economic Base and Performance (p. A-30)</u>		
Percent Change in Gross Domestic Product, 2018-2019	2.5%	2.3%
Percent Change in International Exports, 2018-2019	-5.5%	-3.1%
Percent Change in Housing Units Authorized by Permit, 2018-2019	1.9%	4.3%

*NOTE: Percent changes in the Consumer Price Index for All Urban Consumers (CPI-U) are for the Boston-Worcester-Lawrence, MA-NH-ME-CT CMSA & the United States.

Massachusetts is a densely populated state with a well-educated population, comparatively high income levels, and a relatively diversified economy. While the total population of Massachusetts has remained fairly stable in the last 25 years, significant changes have occurred in the age distribution of the population. Dramatic growth in residents between the ages of 20 and 44 since 1980 is expected to lead to a population distributed more heavily in the 65 and over age group in the next 25 years. Just as the working-age population has increased, income levels in Massachusetts since 1980 have grown significantly more than the national average, and a variety of measures of income show that Massachusetts residents have significantly higher amounts of annual income than the national average. These higher levels of income have been accompanied by a consistently lower poverty rate. State unemployment rates have typically remained below the national average with the exception of a slight increase during the recession of the early 1990s and a 17-month stretch between 2006 and 2007. Massachusetts unemployment remained below the national average from June 2007 through February 2020. However, due largely to decreased business activity and closures during the COVID-19 pandemic, Massachusetts unemployment has dramatically increased and currently stands at 16.3 percent. The national unemployment rate currently stands at 13.0 percent. In 2019, Massachusetts was ranked second in the U.S. according to the American Human Development Index, modeled after the United Nations Human Development Index, which compares health, income and education outcomes.

The following five sections provide detailed information on population characteristics, personal income, employment, human resources, economic base and performance, and infrastructure.

POPULATION CHARACTERISTICS

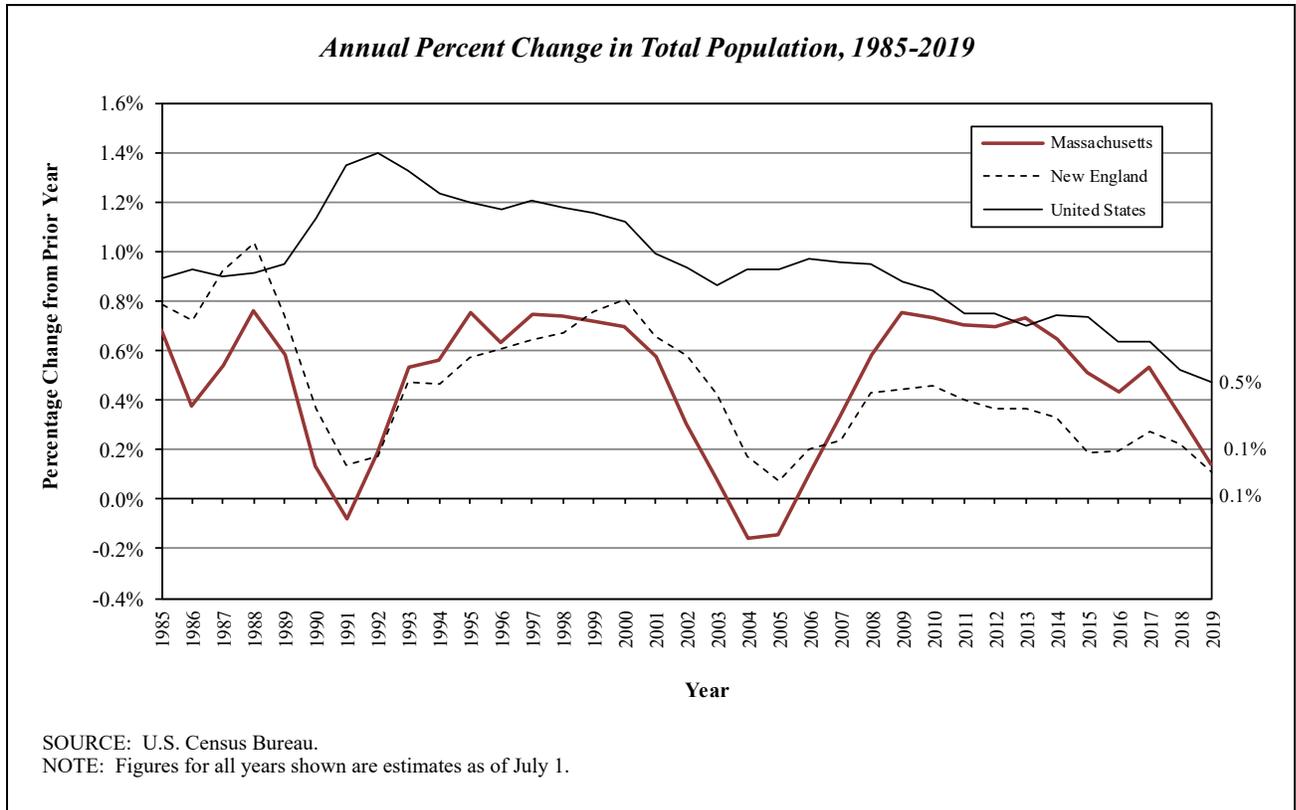
Massachusetts is a relatively slow growing but densely populated state with a comparatively large percentage of its residents living in metropolitan areas. The population density of Massachusetts was estimated as of July 1, 2019 to be 883.6 persons per square mile, as compared to 92.9 for the United States as a whole. Among the 50 states, only New Jersey and Rhode Island have a greater population density. Massachusetts also ranked just behind New Jersey and Rhode Island, as well as Delaware, in percentage of residents living in metropolitan areas. According to the current county-based definition, 99.6 percent of the state's population live in metropolitan areas.

The state's population is concentrated in its eastern portion. The city of Boston is the largest city in New England, with a July 1, 2019 population estimated at 692,600, or 10.0 percent of the total state population. Boston is the hub of the seven-county Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA), which includes the two southeastern New Hampshire counties, and had a total population as of July 1, 2019 estimated at 4,873,019, or 32.8 percent of the total New England population. The Cambridge-Newton-Framingham, MA Metropolitan Division is the largest component of that MSA, with a total population as of July 1, 2019 estimated at 2,400,733 while the Boston, MA Metropolitan division is the second largest component, with a total population estimated at 2,031,884.

The second largest MSA in the state is the Worcester, MA MSA, with a July 1, 2019 population estimated at 947,404. The city of Worcester, situated approximately 40 miles west of Boston with a July 1, 2019 estimated population of 185,428, is the second largest city, both in New England and the state. As a major medical and education center, the Worcester area is home to 18 patient care facilities and 13 colleges and universities, including the University of Massachusetts Medical School.

The third largest MSA in Massachusetts is the three-county Springfield, MA MSA, with a July 1, 2019 population estimated at 697,382. Springfield, the third largest city in the Commonwealth with a July 1, 2019 estimated population of 153,606, is located in the Connecticut River Valley in Western Massachusetts and enjoys a diverse body of corporate employers, including Baystate Health Systems and MassMutual Financial Group. In addition, Springfield is home to three independent colleges.

As the following graph and table (on the next page) indicate, the population in Massachusetts has generally grown at a rate similar to the population of New England and more slowly than the nation as a whole. From 2009 to 2019, Massachusetts' growth has more closely resembled that of the U.S. as a whole than that of New England, although growth began to increase again in 2016. According to the Census Bureau's latest revised estimates released in July 2019, the Massachusetts population has grown by only 8.4 percent since Census 2000, while the U.S. has grown 16.3 percent in that span.



The following table compares the population level and percentage change in the population of Massachusetts to the six-state New England region and to the United States.

<i>Population, 1978-2019</i> <i>(in thousands)</i>						
Year	Massachusetts		New England		United States	
	Total	Percent Change	Total	Percent Change	Total	Percent Change
1978	5,736	0.0%	12,283	0.4%	222,095	1.1%
1979	5,738	0.0%	12,322	0.3%	224,567	1.1%
1980	5,737	0.0%	12,348	0.2%	226,546	0.9%
1981	5,769	0.6%	12,436	0.7%	229,466	1.3%
1982	5,771	0.0%	12,468	0.3%	231,664	1.0%
1983	5,799	0.5%	12,544	0.6%	233,792	0.9%
1984	5,841	0.7%	12,642	0.8%	235,825	0.9%
1985	5,881	0.7%	12,741	0.8%	237,924	0.9%
1986	5,903	0.4%	12,833	0.7%	240,133	0.9%
1987	5,935	0.5%	12,951	0.9%	242,289	0.9%
1988	5,980	0.8%	13,085	1.0%	244,499	0.9%
1989	6,015	0.6%	13,182	0.7%	246,819	0.9%
1990	6,023	0.1%	13,230	0.4%	249,623	1.1%
1991	6,018	-0.1%	13,248	0.1%	252,981	1.3%
1992	6,029	0.2%	13,271	0.2%	256,514	1.4%
1993	6,061	0.5%	13,334	0.5%	259,919	1.3%
1994	6,095	0.6%	13,396	0.5%	263,126	1.2%
1995	6,141	0.8%	13,473	0.6%	266,278	1.2%
1996	6,180	0.6%	13,555	0.6%	269,394	1.2%
1997	6,226	0.7%	13,642	0.6%	272,647	1.2%
1998	6,272	0.7%	13,734	0.7%	275,854	1.2%
1999	6,317	0.7%	13,838	0.8%	279,040	1.2%
2000	6,361	0.7%	13,950	0.8%	282,162	1.1%
2001	6,398	0.6%	14,041	0.7%	284,969	1.0%
2002	6,417	0.3%	14,122	0.6%	287,625	0.9%
2003	6,423	0.1%	14,182	0.4%	290,108	0.9%
2004	6,412	-0.2%	14,207	0.2%	292,805	0.9%
2005	6,403	-0.1%	14,217	0.1%	295,517	0.9%
2006	6,410	0.1%	14,246	0.2%	298,380	1.0%
2007	6,432	0.3%	14,279	0.2%	301,231	1.0%
2008	6,469	0.6%	14,340	0.4%	304,094	1.0%
2009	6,518	0.8%	14,404	0.4%	306,772	0.9%
2010	6,566	0.7%	14,470	0.5%	309,348	0.8%
2011	6,614	0.7%	14,531	0.4%	311,663	0.7%
2012	6,663	0.7%	14,590	0.4%	313,998	0.7%
2013	6,713	0.7%	14,644	0.4%	316,205	0.7%
2014	6,763	0.6%	14,702	0.3%	318,563	0.7%
2015	6,794	0.5%	14,727	0.2%	320,897	0.7%
2016	6,824	0.4%	14,756	0.2%	322,941	0.6%
2017	6,860	0.5%	14,797	0.3%	324,986	0.6%
2018	6,883	0.3%	14,829	0.2%	326,688	0.5%
2019	6,893	0.1%	14,845	0.1%	328,240	0.5%

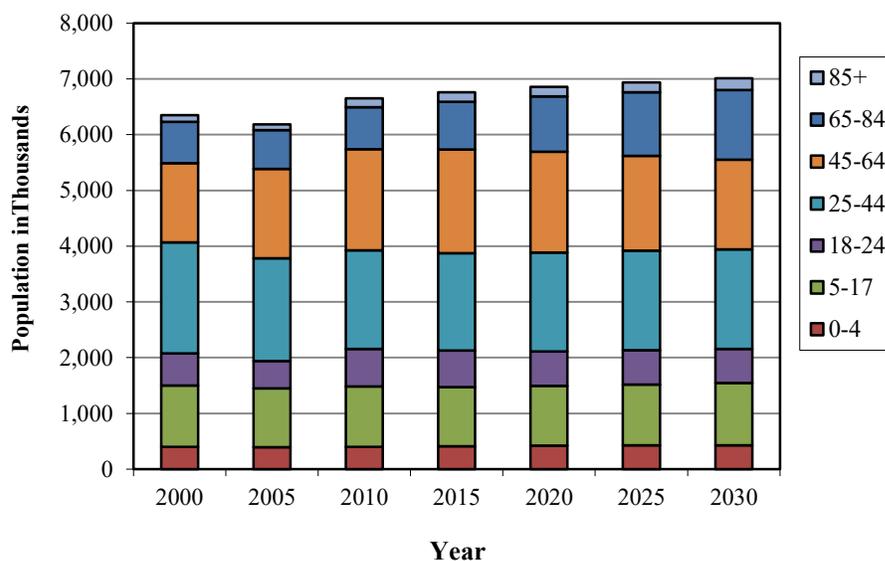
SOURCE: U.S. Department of Commerce, Census Bureau.

NOTE: The Census count in 1980 is as of April 1; estimates for all other years are as of July 1.

The next 10 years are expected to bring about a continued change in the age distribution of the Massachusetts population. As the following table and chart show, the share of the 65 and over age group and especially the 85 and over age group will continue to grow. The chart, table, and population pyramids (below, and on the following page) show the projected population by age for Massachusetts for 2000 through 2030. The Census has not updated these projections to reflect the 2010 Census.

<i>Projected Massachusetts Population by Age Group 2000-2030 (in thousands)</i>									
Year	0-4	5-17	18-24	25-44	45-64	65-84	85+	All Ages	Median Age
2000	397.3	1,102.8	579.3	1,989.8	1,419.8	743.5	116.7	6,349.1	36.5
2005	395.1	1,055.6	488.9	1,844.0	1,602.5	693.1	103.7	6,182.9	38.2
2010	400.7	1,083.1	670.2	1,769.7	1,817.1	750.6	158.0	6,649.4	38.8
2015	409.7	1,064.2	656.0	1,746.1	1,857.1	856.5	168.9	6,758.6	39.2
2020	422.3	1,070.9	617.5	1,775.8	1,809.3	987.8	172.0	6,855.5	39.5
2025	431.0	1,087.7	616.2	1,782.5	1,703.3	1,137.8	180.1	6,938.6	39.7
2030	430.6	1,115.0	610.7	1,783.9	1,608.7	1,251.2	211.9	7,012.0	40.2

*Projected Massachusetts Population by Age Group
2000-2030*

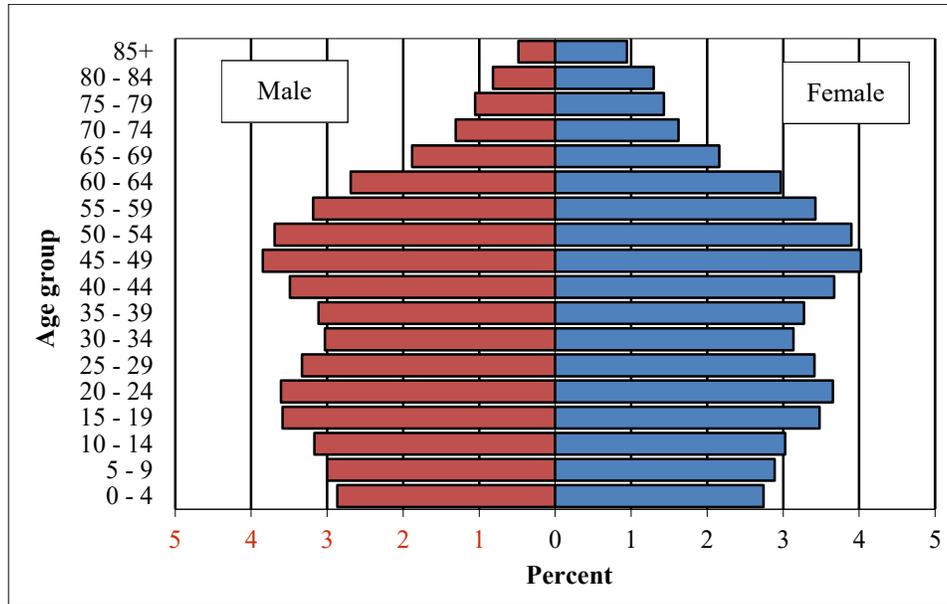


SOURCE: U.S. Census Bureau, Population Division, Interim State Population Projections, 2005.
Internet Release Date: 04/21/05.

NOTE: Actual Census 2000 counts as of April 1; Population Estimates for 2005 as of July 1; all other figures are projections as of July 1 of the indicated year.

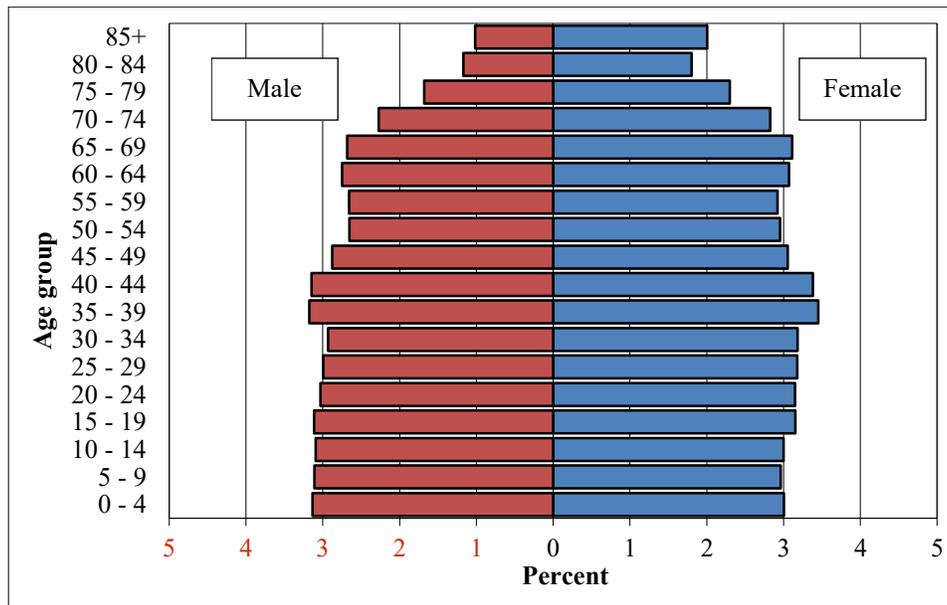
Population Pyramids of Massachusetts Percent of Total Population

2010



SOURCE: U.S. Census Bureau, 2010 Census.

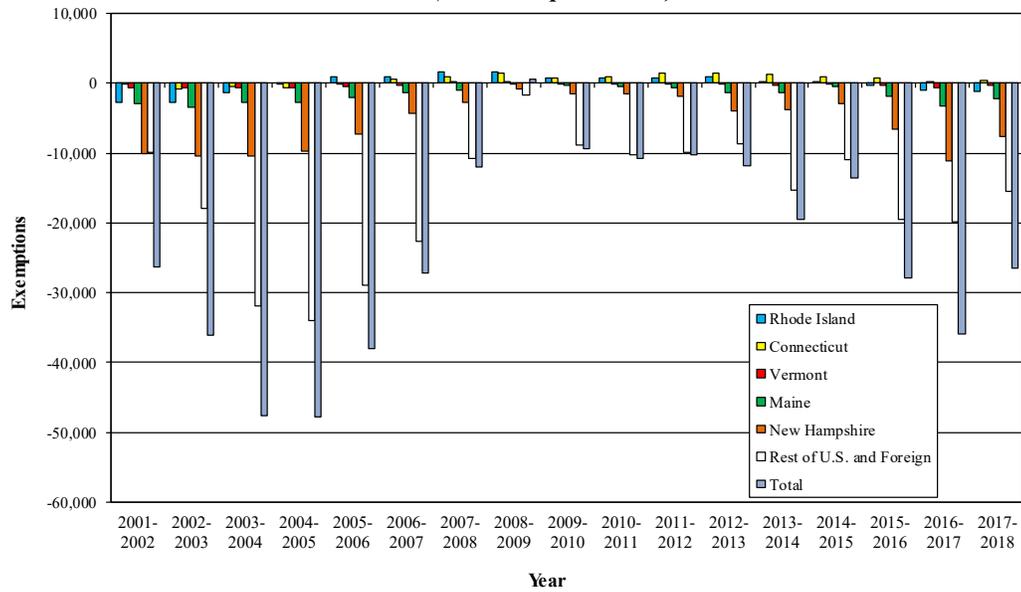
2030



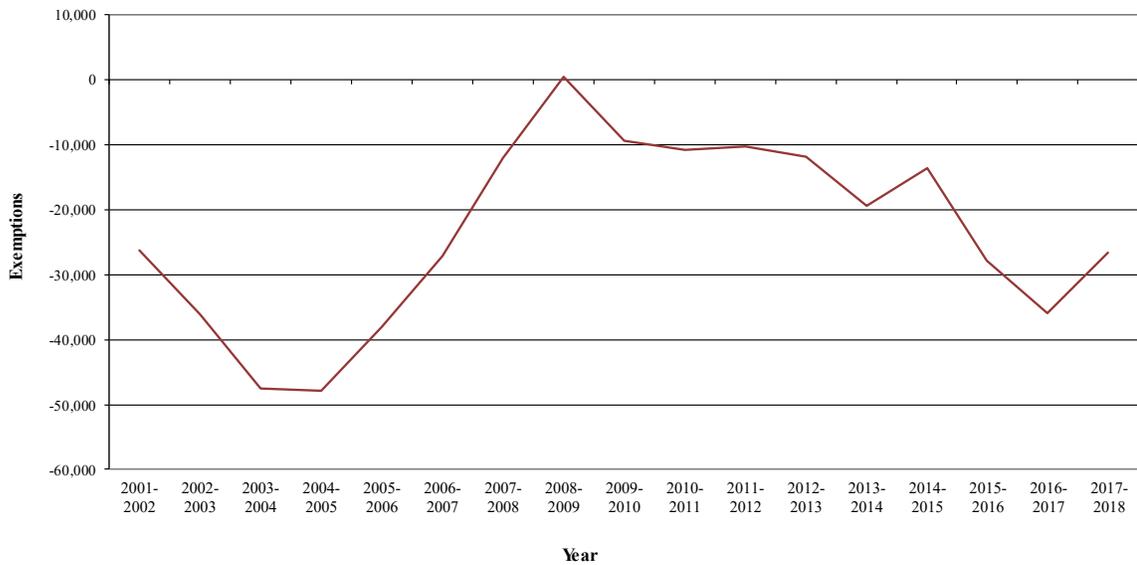
SOURCE: U.S. Census Bureau, Population Division, Interim State Population Projections, 2005.
Internet Release Date: 04/21/05.

Migration. Migration is one of several components of annual population change in Massachusetts. The movement of people from place to place is often linked to economic opportunities or downturns. These data are derived from the filing addresses and number of exemptions submitted with federal tax returns. A tax filer is considered a migrant when he/she files a tax return with an address different from the previous year's filing address. Of the New England states, New Hampshire was the largest net loss for Massachusetts and Connecticut was the largest net gain for Massachusetts from 2001 through 2018. Massachusetts also sends many more migrants to other U.S. states than it gains. Its largest net losses outside of New England are to Florida, California, North Carolina, and South Carolina while its largest net gains are from New York, New Jersey, and Illinois. The charts below illustrate the net migration for Massachusetts to and from the New England states and the rest of the country using IRS data.

**Massachusetts Net Migration to and from New England States, 2001-2018
(IRS Exemption Data)**



Massachusetts Net Migration from U.S. States, 2001-2018

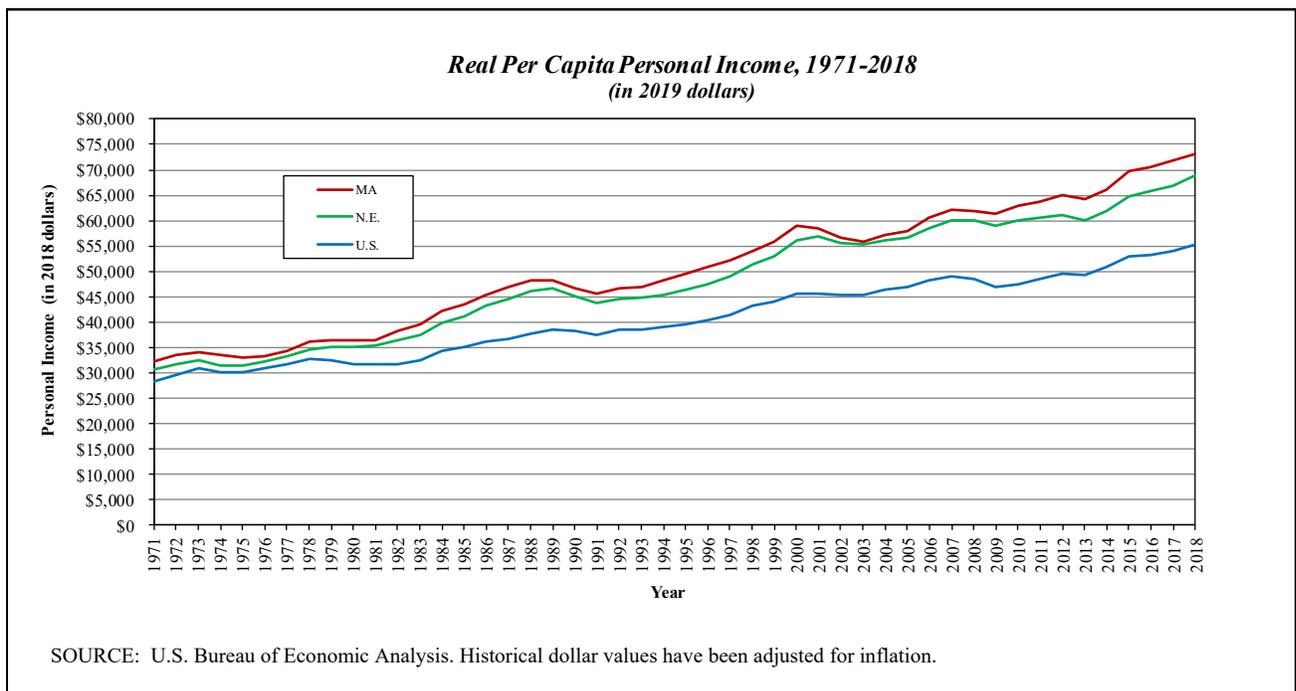


SOURCE: U.S. Internal Revenue Service, Statistics of Income.

PERSONAL INCOME, CONSUMER PRICES, AND POVERTY

Personal Income. Real per capita income levels in Massachusetts have varied over time. Between 1992 and 1997, real per capita income levels in the Commonwealth increased faster than the national average. In 2000, Massachusetts had its highest per capita income growth in 16 years, exceeding the national growth rate by 4.4 percentage points. From 2001 to 2003, real income declined in Massachusetts while staying roughly flat for the nation. However, real income levels in Massachusetts remained well above the national average. Following a significant decline in 2009, Massachusetts, New England, and the U.S. steadily increased until 2012. Overall, between 2006 and 2012, Massachusetts personal income increased considerably faster than the nation during the recession and its aftermath. In 2013, Massachusetts, New England, and the U.S. all experienced a slight decline in real income. From 2014 to 2018, real per capita income rose in the state, New England, and the nation. Massachusetts per capita personal income remains higher than the nation. At the state level in 2018, only the District of Columbia and Connecticut had higher levels of per capita personal income.

The following graph illustrates these changes in real per capita personal income in Massachusetts, New England, and the United States since 1971.



The following table compares per capita personal income in Massachusetts, New England, and the United States for the period 1971-2018.

<i>Per Capita Personal Income, 1971-2018</i>									
Year	Nominal Income (in nominal dollars)			Real Income (in 2019 dollars)			Percent Change in Real Income		
	MA	N.E.	U.S.	MA	N.E.	U.S.	MA	N.E.	U.S.
1971	\$4,834	\$4,788	\$4,471	\$32,198	\$30,638	\$28,223	-3.1%	1.8%	3.9%
1972	\$5,203	\$5,149	\$4,857	\$33,466	\$31,669	\$29,706	3.9%	3.4%	5.3%
1973	\$5,632	\$5,591	\$5,363	\$34,191	\$32,391	\$30,880	2.2%	2.3%	4.0%
1974	\$6,090	\$6,058	\$5,836	\$33,433	\$31,566	\$30,264	-2.2%	-2.5%	-2.0%
1975	\$6,560	\$6,514	\$6,324	\$33,045	\$31,448	\$30,052	-1.2%	-0.4%	-0.7%
1976	\$7,078	\$7,066	\$6,875	\$33,158	\$32,263	\$30,890	0.3%	2.6%	2.8%
1977	\$7,712	\$7,707	\$7,516	\$34,353	\$33,326	\$31,708	3.6%	3.3%	2.6%
1978	\$8,522	\$8,531	\$8,356	\$36,075	\$34,716	\$32,765	5.0%	4.2%	3.3%
1979	\$9,481	\$9,508	\$9,232	\$36,406	\$35,184	\$32,510	0.9%	1.3%	-0.8%
1980	\$10,684	\$10,727	\$10,180	\$36,357	\$35,155	\$31,585	-0.1%	-0.1%	-2.8%
1981	\$11,873	\$11,936	\$11,300	\$36,354	\$35,335	\$31,781	0.0%	0.5%	0.6%
1982	\$13,013	\$12,972	\$11,999	\$38,301	\$36,478	\$31,789	5.4%	3.2%	0.0%
1983	\$14,044	\$13,925	\$12,698	\$39,554	\$37,588	\$32,594	3.3%	3.0%	2.5%
1984	\$15,739	\$15,492	\$13,906	\$42,254	\$39,937	\$34,217	6.8%	6.2%	5.0%
1985	\$16,893	\$16,603	\$14,755	\$43,403	\$41,261	\$35,058	2.7%	3.3%	2.5%
1986	\$18,152	\$17,795	\$15,490	\$45,474	\$43,149	\$36,133	4.8%	4.6%	3.1%
1987	\$19,552	\$19,157	\$16,289	\$46,932	\$44,489	\$36,658	3.2%	3.1%	1.5%
1988	\$21,358	\$20,880	\$17,455	\$48,336	\$46,181	\$37,722	3.0%	3.8%	2.9%
1989	\$22,477	\$22,234	\$18,676	\$48,118	\$46,576	\$38,505	-0.5%	0.9%	2.1%
1990	\$23,118	\$22,808	\$19,621	\$46,782	\$45,079	\$38,380	-2.8%	-3.2%	-0.3%
1991	\$23,486	\$23,125	\$20,030	\$45,528	\$43,717	\$37,598	-2.7%	-3.0%	-2.0%
1992	\$24,628	\$24,405	\$21,090	\$46,585	\$44,633	\$38,431	2.3%	2.1%	2.2%
1993	\$25,471	\$25,182	\$21,733	\$46,824	\$44,807	\$38,451	0.5%	0.4%	0.1%
1994	\$26,607	\$26,144	\$22,575	\$48,281	\$45,409	\$38,944	3.1%	1.3%	1.3%
1995	\$27,964	\$27,462	\$23,607	\$49,560	\$46,499	\$39,602	2.6%	2.4%	1.7%
1996	\$29,545	\$28,822	\$24,771	\$50,855	\$47,460	\$40,363	2.6%	2.1%	1.9%
1997	\$31,180	\$30,459	\$25,993	\$52,199	\$48,958	\$41,404	2.6%	3.2%	2.6%
1998	\$32,914	\$32,426	\$27,557	\$53,882	\$51,384	\$43,222	3.2%	5.0%	4.4%
1999	\$34,889	\$34,162	\$28,675	\$55,720	\$53,043	\$44,003	3.4%	3.2%	1.8%
2000	\$38,555	\$37,362	\$30,657	\$59,026	\$56,104	\$45,515	5.9%	5.8%	3.4%
2001	\$39,872	\$38,901	\$31,589	\$58,524	\$56,831	\$45,601	-0.9%	1.3%	0.2%
2002	\$39,645	\$38,916	\$31,832	\$56,710	\$55,705	\$45,237	-3.1%	-2.0%	-0.8%
2003	\$40,479	\$39,693	\$32,681	\$55,801	\$55,261	\$45,408	-1.6%	-0.8%	0.4%
2004	\$42,647	\$41,747	\$34,251	\$57,219	\$56,175	\$46,355	2.5%	1.7%	2.1%
2005	\$44,609	\$43,534	\$35,849	\$57,943	\$56,519	\$46,928	1.3%	0.6%	1.2%
2006	\$47,974	\$46,636	\$38,114	\$60,442	\$58,434	\$48,334	4.3%	3.4%	3.0%
2007	\$50,238	\$49,086	\$39,844	\$62,095	\$59,967	\$49,128	2.7%	2.6%	1.6%
2008	\$51,916	\$51,026	\$40,904	\$61,999	\$59,946	\$48,571	-0.2%	0.0%	-1.1%
2009	\$50,942	\$50,133	\$39,284	\$61,250	\$58,887	\$46,814	-1.2%	-1.8%	-3.6%
2010	\$53,061	\$52,094	\$40,546	\$62,812	\$60,007	\$47,538	2.6%	1.9%	1.5%
2011	\$55,305	\$54,111	\$42,735	\$63,741	\$60,487	\$48,571	1.5%	0.8%	2.2%
2012	\$57,332	\$55,763	\$44,599	\$65,050	\$61,141	\$49,662	2.1%	1.1%	2.2%
2013	\$57,372	\$55,438	\$44,851	\$64,212	\$59,969	\$49,221	-1.3%	-1.9%	-0.9%
2014	\$59,954	\$57,886	\$47,058	\$66,039	\$61,768	\$50,819	2.8%	3.0%	3.2%
2015	\$63,583	\$60,566	\$48,978	\$69,618	\$64,699	\$52,830	5.4%	4.7%	4.0%
2016	\$65,473	\$62,139	\$49,870	\$70,647	\$65,685	\$53,122	1.5%	1.5%	0.6%
2017	\$68,233	\$64,526	\$51,885	\$71,823	\$66,976	\$54,115	1.7%	2.0%	1.9%
2018	\$71,683	\$67,893	\$54,446	\$73,052	\$68,982	\$55,433	1.7%	3.0%	2.4%

SOURCE: U.S. Bureau of Economic Analysis.

NOTE: Using midyear population estimates from the Census Bureau and three CPI-U series from the U.S. Bureau of Labor Statistics for price inflation.

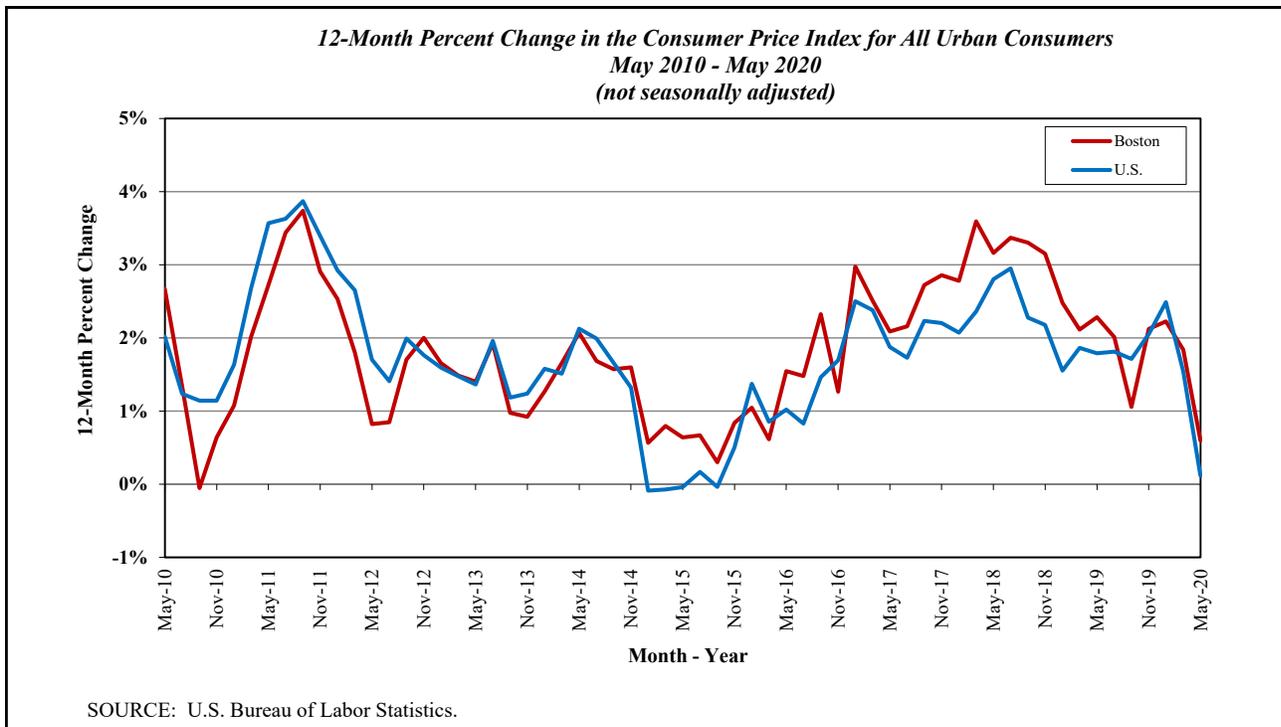
Average Annual Pay. Massachusetts saw steady growth in average annual pay for most of the past fifteen years, adjusted for inflation. It lost ground in 2009, but resumed growth in 2010, and dropped slightly again in 2016. Payroll data are reported to the Quarterly Census of Employment and Wages (QCEW) by all employers covered under the Unemployment Insurance programs, and summary data are released. Average annual pay is computed by dividing the total annual payroll of employees covered by Unemployment Insurance programs by the average monthly number of employees from the data in the QCEW. Since 2005, average annual wages in the state have grown at an annual rate of 0.9 percent, compared to 0.7 percent for the nation. The level of average annual pay in Massachusetts in 2018 was almost 27 percent higher than the national average: \$73,922 compared to \$58,304.

Annual Wage and Salary Disbursements. Wage and salary disbursements by place of work is a component of personal income and measures monetary disbursements to employees. This includes compensation of corporate officers, commissions, tips, bonuses, and receipts in-kind. Although the data are recorded on a place-of-work basis, they are then adjusted to a place-of-residence basis so that the personal income of the recipients whose place of residence differs from their place of work will be correctly assigned to their state of residence. The table below details Wage and Salary Disbursements since 1990. Between 1998 and 2000, the Massachusetts share of New England and overall U.S. totals increased. In subsequent years, the Massachusetts share of New England and the U.S. decreased slightly until 2006. Since then, Massachusetts' share of New England has risen steadily while its share of the U.S. has stayed roughly the same. In 2019, the shares were 54.4 and 3.0 percent respectively.

<i>Annual Wage and Salary Disbursements, 1990-2019</i> (in billions of 2019 dollars)					
Year	U.S.	N.E.	MA	MA as a pct. of N.E.	MA as a pct. of U.S.
1990	\$ 5,340	\$333	\$161	48.4%	3.0%
1991	\$ 5,260	\$317	\$153	48.3%	2.9%
1992	\$ 5,403	\$322	\$155	48.3%	2.9%
1993	\$ 5,431	\$322	\$156	48.5%	2.9%
1994	\$ 5,565	\$327	\$159	48.8%	2.9%
1995	\$ 5,727	\$336	\$165	49.0%	2.9%
1996	\$ 5,886	\$346	\$170	49.3%	2.9%
1997	\$ 6,168	\$364	\$179	49.3%	2.9%
1998	\$ 6,552	\$386	\$191	49.5%	2.9%
1999	\$ 6,839	\$406	\$204	50.2%	3.0%
2000	\$ 7,162	\$433	\$222	51.2%	3.1%
2001	\$ 7,146	\$432	\$219	50.7%	3.1%
2002	\$ 7,095	\$422	\$211	50.1%	3.0%
2003	\$ 7,133	\$421	\$209	49.6%	2.9%
2004	\$ 7,331	\$433	\$215	49.6%	2.9%
2005	\$ 7,446	\$433	\$214	49.4%	2.9%
2006	\$ 7,674	\$442	\$219	49.5%	2.9%
2007	\$ 7,882	\$456	\$227	49.9%	2.9%
2008	\$ 7,755	\$449	\$225	50.2%	2.9%
2009	\$ 7,438	\$431	\$217	50.3%	2.9%
2010	\$ 7,461	\$434	\$220	50.6%	2.9%
2011	\$ 7,519	\$437	\$222	50.8%	3.0%
2012	\$ 7,704	\$443	\$227	51.2%	2.9%
2013	\$ 7,797	\$448	\$230	51.4%	3.0%
2014	\$ 8,065	\$462	\$240	51.9%	3.0%
2015	\$ 8,467	\$484	\$254	52.5%	3.0%
2016	\$ 8,604	\$490	\$258	52.8%	3.0%
2017	\$ 8,819	\$498	\$266	53.4%	3.0%
2018	\$ 9,040	\$506	\$273	54.0%	3.0%
2019	\$ 9,287	\$518	\$282	54.4%	3.0%

SOURCE: U.S. Bureau of Economic Analysis.

Consumer Prices. Higher income levels in Massachusetts relative to the rest of the United States are offset to some extent by the higher cost of living in Massachusetts. The following graph presents consumer price trends for the Boston metropolitan area and the United States for the period between May 2010 and May 2020. The latest available data for May 2020 show that the CPI-U for the Boston area increased at a rate of 0.6 percent over May 2019. The U.S. index increased at a rate of 0.1 percent over the same period.



In 2009, the Boston metropolitan area and U.S. experienced their first monthly year-over-year declines in the CPI-U since 1954 and 1955, respectively. The 2019 U.S. CPI-U increased 17.2 percent since 2010 while Boston's CPI-U increased 18.4 percent during that period. Between 2015 and 2019, Boston's Consumer Price Index increased by 9.5 percent while in the United States as a whole, CPI-U increased by 7.9 percent. The table on the following page shows the annual average of the Consumer Price Index for All Urban Consumers (CPI-U) and the percentage change in that average from the previous year from 1970 through the present.

**Consumer Price Index for All Urban Consumers (CPI-U)
1970-2019**

(not seasonally adjusted; 1982-1984 base period average=100)

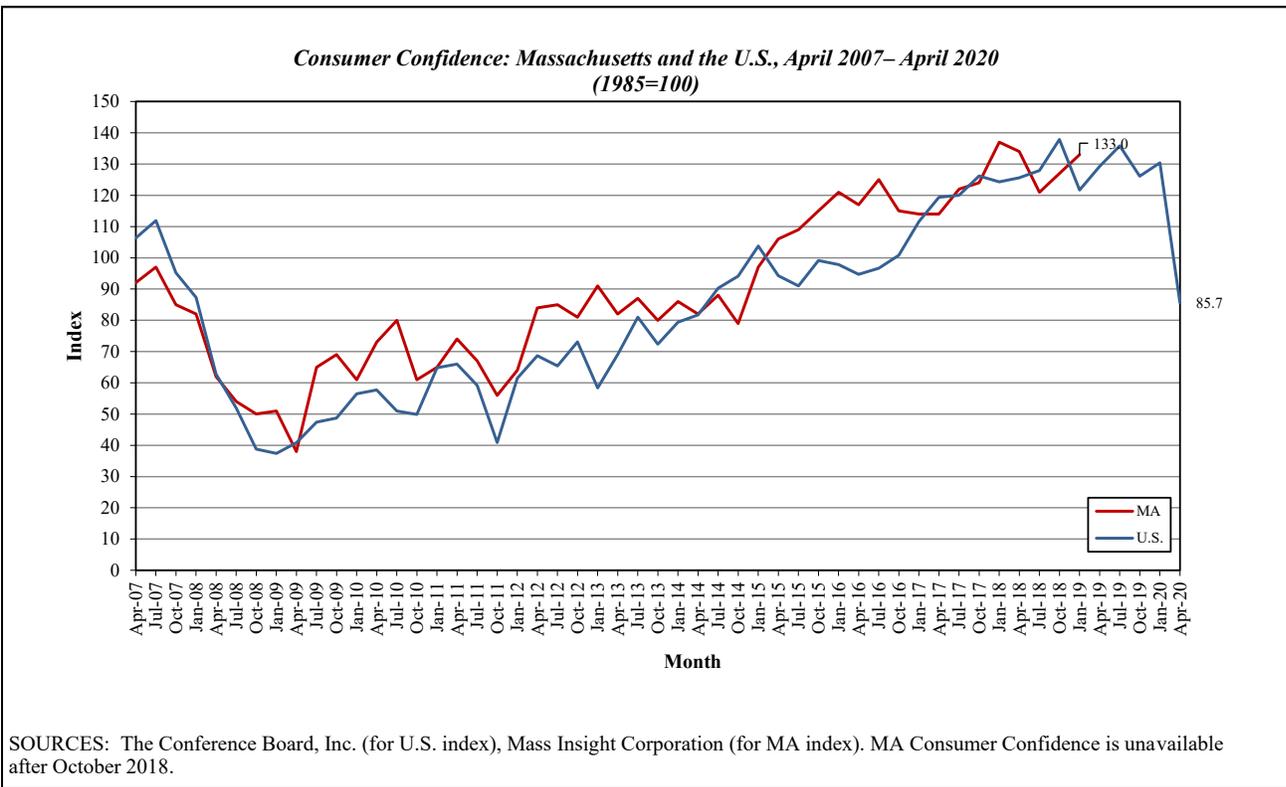
Year	Boston Metro Area		United States	
	CPI-U	Pct. Change	CPI-U	Pct. Change
1970	40.2		38.8	
1971	42.2	5.0%	40.5	4.4%
1972	43.7	3.6%	41.8	3.2%
1973	46.3	5.9%	44.4	6.2%
1974	51.2	10.6%	49.3	11.0%
1975	55.8	9.0%	53.8	9.1%
1976	60.0	7.5%	56.9	5.8%
1977	63.1	5.2%	60.6	6.5%
1978	66.4	5.2%	65.2	7.6%
1979	73.2	10.2%	72.6	11.3%
1980	82.6	12.8%	82.4	13.5%
1981	91.8	11.1%	90.9	10.3%
1982	95.5	4.0%	96.5	6.2%
1983	99.8	4.5%	99.6	3.2%
1984	104.7	4.9%	103.9	4.3%
1985	109.4	4.5%	107.6	3.6%
1986	112.2	2.6%	109.6	1.9%
1987	117.1	4.4%	113.6	3.6%
1988	124.2	6.1%	118.3	4.1%
1989	131.3	5.7%	124.0	4.8%
1990	138.9	5.8%	130.7	5.4%
1991	145.0	4.4%	136.2	4.2%
1992	148.6	2.5%	140.3	3.0%
1993	152.9	2.9%	144.5	3.0%
1994	154.9	1.3%	148.2	2.6%
1995	158.6	2.4%	152.4	2.8%
1996	163.3	3.0%	156.9	3.0%
1997	167.9	2.8%	160.5	2.3%
1998	171.7	2.3%	163.0	1.6%
1999	176.0	2.5%	166.6	2.2%
2000	183.6	4.3%	172.2	3.4%
2001	191.5	4.3%	177.1	2.8%
2002	196.5	2.6%	179.9	1.6%
2003	203.9	3.8%	184.0	2.3%
2004	209.5	2.7%	188.9	2.7%
2005	216.4	3.3%	195.3	3.4%
2006	223.1	3.1%	201.6	3.2%
2007	227.4	1.9%	207.3	2.8%
2008	235.4	3.5%	215.3	3.8%
2009	233.8	-0.7%	214.5	-0.4%
2010	237.4	1.6%	218.1	1.6%
2011	243.9	2.7%	224.9	3.2%
2012	247.7	1.6%	229.6	2.1%
2013	251.1	1.4%	233.0	1.5%
2014	255.2	1.6%	236.7	1.6%
2015	256.7	0.6%	237.0	0.1%
2016	260.5	1.5%	240.0	1.3%
2017	267.0	2.5%	245.1	2.1%
2018	275.8	3.3%	251.1	2.4%
2019	281.1	1.9%	255.7	1.8%

SOURCE: U.S. Bureau of Labor Statistics.

Consumer Confidence, Present Situation, and Future Expectations. These three measures offer multiple insights into consumer attitudes. The U.S. measures are compiled from a national monthly survey of 5,000 households and are published by The Conference Board, Inc. The survey for Massachusetts is conducted in a similar manner and the results are published by MassInsight, based on quarterly polling of 450 adult residents of Massachusetts. The "Present Situation" index measures consumers' appraisal of business and employment conditions at the time of the survey. The "Future Expectations" index focuses on consumers' expectations for six months hence regarding business and employment conditions, as well as expected family income. The overall "Consumer Confidence" index is a weighted average of the two sub-indices. Although the U.S. measures are compiled by a different source than the Massachusetts measures, according to the Federal Reserve Bank of Boston, the numbers are generally comparable. A score of 100 is considered neutral.

According to the Conference Board, consumer confidence nationally reached a six-year high of 137.9 in October 2018. The all-time quarterly low reading was 37.4 in January 2009. The Massachusetts index has generally been higher than the U.S. index since sharing lows in January 2009, except for brief periods as they tracked closely together in 2011 and experienced slight dips in July of 2013 and 2014 as well as in April 2018.

In the fourth quarter of FY 2018, Consumer Confidence for Massachusetts rose to 133.0, up from 127.0 in the most recent quarter for which consumer confidence was produced for the state. Due to the COVID-19 pandemic, the U.S. has fallen below its pre-recessionary (2007) levels and stood at 85.7 in the 2nd quarter of FY 2020. The following graph and table detail the recent record of these measures. **It should be noted that data collection on Consumer Confidence for the state has been suspended, and data from it are not currently being updated.**

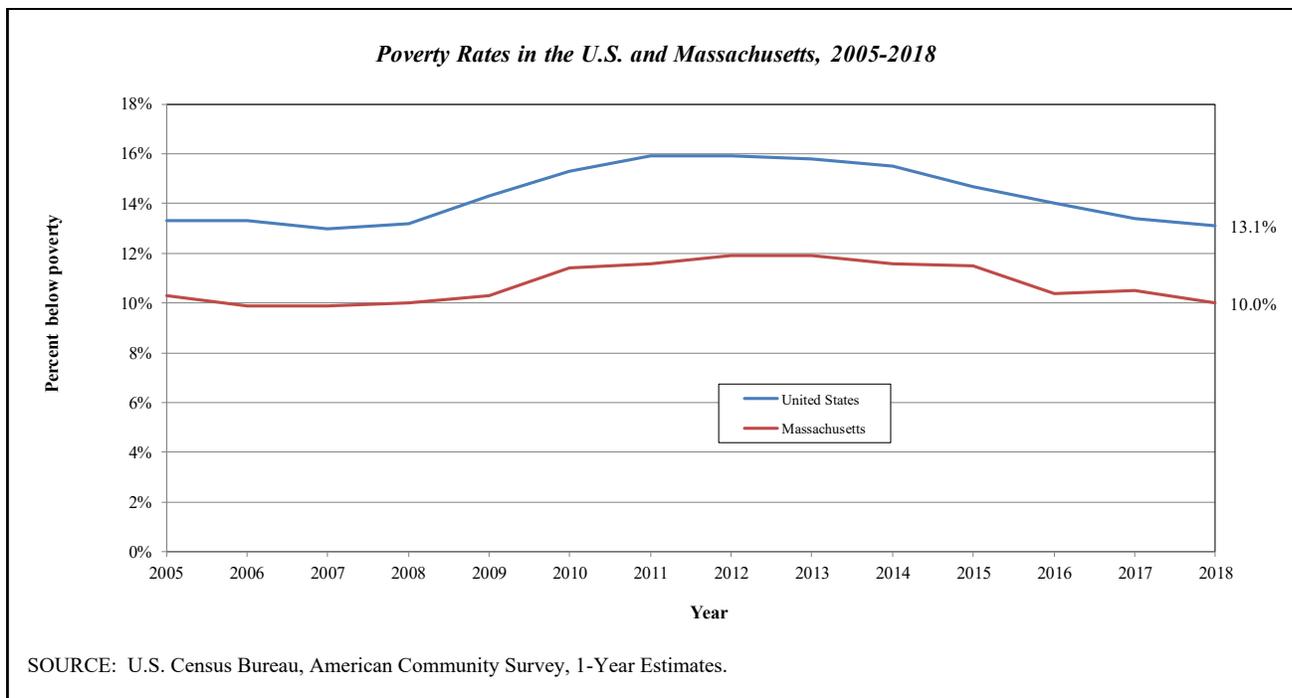


***Consumer Confidence, Present Situation, and Future Expectations for Massachusetts and the U.S.
(1985=100)***

	Consumer Confidence		Present Situation		Future Expectations	
	MA	U.S.	MA	U.S.	MA	U.S.
Apr-07	97.0	106.3	89.0	133.5	102.0	88.2
Jul-07	85.0	111.9	80.0	138.3	90.0	94.4
Oct-07	82.0	95.2	76.0	118.0	86.0	80.0
Jan-08	62.0	87.3	49.0	114.3	71.0	69.3
Apr-08	54.0	62.8	35.0	81.9	67.0	50.0
Jul-08	50.0	51.9	24.0	65.8	68.0	42.7
Oct-08	51.0	38.8	27.0	43.5	66.0	35.7
Jan-09	38.0	37.4	9.0	29.7	58.0	42.5
Apr-09	65.0	40.8	24.0	25.5	92.0	51.0
Jul-09	69.0	47.4	16.0	23.3	105.0	63.4
Oct-09	61.0	48.7	14.0	21.1	93.0	67.0
Jan-10	73.0	56.5	14.0	25.2	112.0	77.3
Apr-10	80.0	57.7	22.0	28.2	119.0	77.4
Jul-10	61.0	51.0	16.0	26.4	91.0	67.5
Oct-10	65.0	49.9	15.0	23.5	99.0	67.5
Jan-11	74.0	64.8	17.0	31.1	112.0	87.3
Apr-11	67.0	66.0	24.0	40.2	96.0	83.2
Jul-11	56.0	59.2	20.0	35.7	80.0	74.9
Oct-11	64.0	40.9	24.0	27.1	91.0	50.0
Jan-12	84.0	61.5	34.0	38.8	118.0	76.7
Apr-12	85.0	68.7	41.0	51.2	114.0	80.4
Jul-12	81.0	65.4	40.0	45.9	109.0	78.4
Oct-12	91.0	73.1	48.0	56.7	120.0	84.0
Jan-13	82.0	58.4	48.0	56.2	105.0	59.9
Apr-13	87.0	69.0	54.0	61.0	109.0	74.3
Jul-13	80.0	81.0	56.0	73.6	97.0	86.0
Oct-13	86.0	72.4	64.0	72.6	101.0	72.2
Jan-14	82.0	79.4	55.0	77.3	99.0	80.8
Apr-14	88.0	81.7	66.0	78.5	103.0	83.9
Jul-14	79.0	90.3	69.0	87.9	86.0	91.9
Oct-14	97.0	94.1	76.0	94.4	111.0	93.8
Jan-15	106.0	103.8	84.0	113.9	120.0	97.0
Apr-15	109.0	94.3	94.0	105.1	119.0	87.1
Jul-15	115.0	91.0	115.0	104.0	115.0	82.3
Oct-15	121.0	99.1	118.0	114.6	123.0	88.7
Jan-16	117.0	97.8	122.0	116.6	114.0	85.3
Apr-16	125.0	94.7	129.0	117.1	123.0	79.7
Jul-16	115.0	96.7	120.0	118.8	111.0	82.0
Oct-16	114.0	100.8	120.0	123.1	111.0	86.0
Jan-17	114.0	111.6	128.0	130.0	104.0	99.3
Apr-17	122.0	119.4	139.0	140.3	111.0	105.4
Jul-17	124.0	120.0	133.0	145.4	118.0	103.0
Oct-17	137.0	126.2	143.0	152.0	133.0	109.0
Jan-18	134.0	124.3	147.0	154.7	126.0	104.0
Apr-18	121.0	125.6	141.0	157.5	107.0	104.3
Jul-18	N/A	127.9	N/A	166.1	N/A	102.4
Oct-18	133.0	137.9	147.0	172.8	123.0	114.6
Jan-19	N/A	121.7	N/A	169.6	N/A	87.3
Apr-19	N/A	129.2	N/A	168.3	N/A	103.0
Jul-19	N/A	135.8	N/A	170.9	N/A	112.2
Oct-19	N/A	126.1	N/A	173.5	N/A	94.5
Jan-20	N/A	130.4	N/A	173.9	N/A	101.4
Apr-20	N/A	85.7	N/A	73.0	N/A	94.3

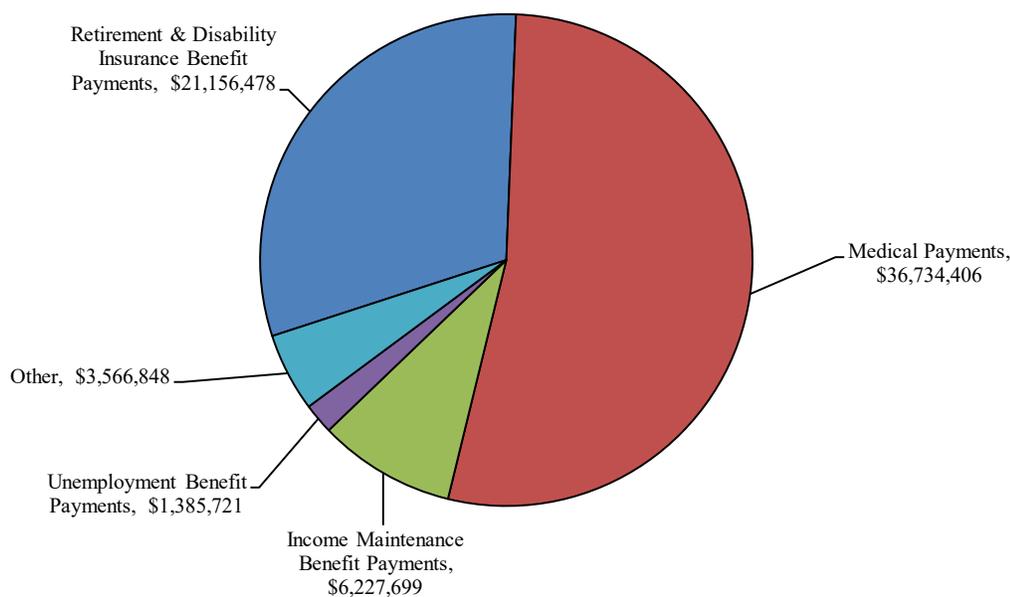
SOURCES: The Conference Board, Inc. (for U.S. measure, seasonally adjusted); Mass Insight Corporation (for MA measures, not seasonally adjusted). MA Consumer Confidence is unavailable after October 2018.

Poverty. Since 2005, the Massachusetts poverty rate, which was 10.0 percent in 2018, has been three to five percentage points lower than the national average, which was 13.1 percent in 2018. Massachusetts ranked 45th out of the 50 states and the District of Columbia in 2018, for percent of persons whose ratio of income to the poverty level was below 100 percent in the past 12 months. Poverty status is not determined for all people. Institutionalized people, people in military quarters, people in college dormitories, and unrelated individuals under 15 years old are excluded.



Transfer Payments. Transfer payment income is payment to individuals from all levels of government and from businesses for which no current services are performed, including payments to nonprofit institutions serving individuals. These payments accounted for 14.0 percent of total personal income in Massachusetts in 2018, decreasing from 14.3 percent in 2017. The chart below does not include transfer payments from businesses or payments to nonprofit organizations. Total transfer payments to individuals in Massachusetts from governments and businesses totaled \$70.7 billion for 2018, adjusted for inflation. Fifty two percent of government transfer payments to individuals were medical payments, up from 51.4 percent in 2017.

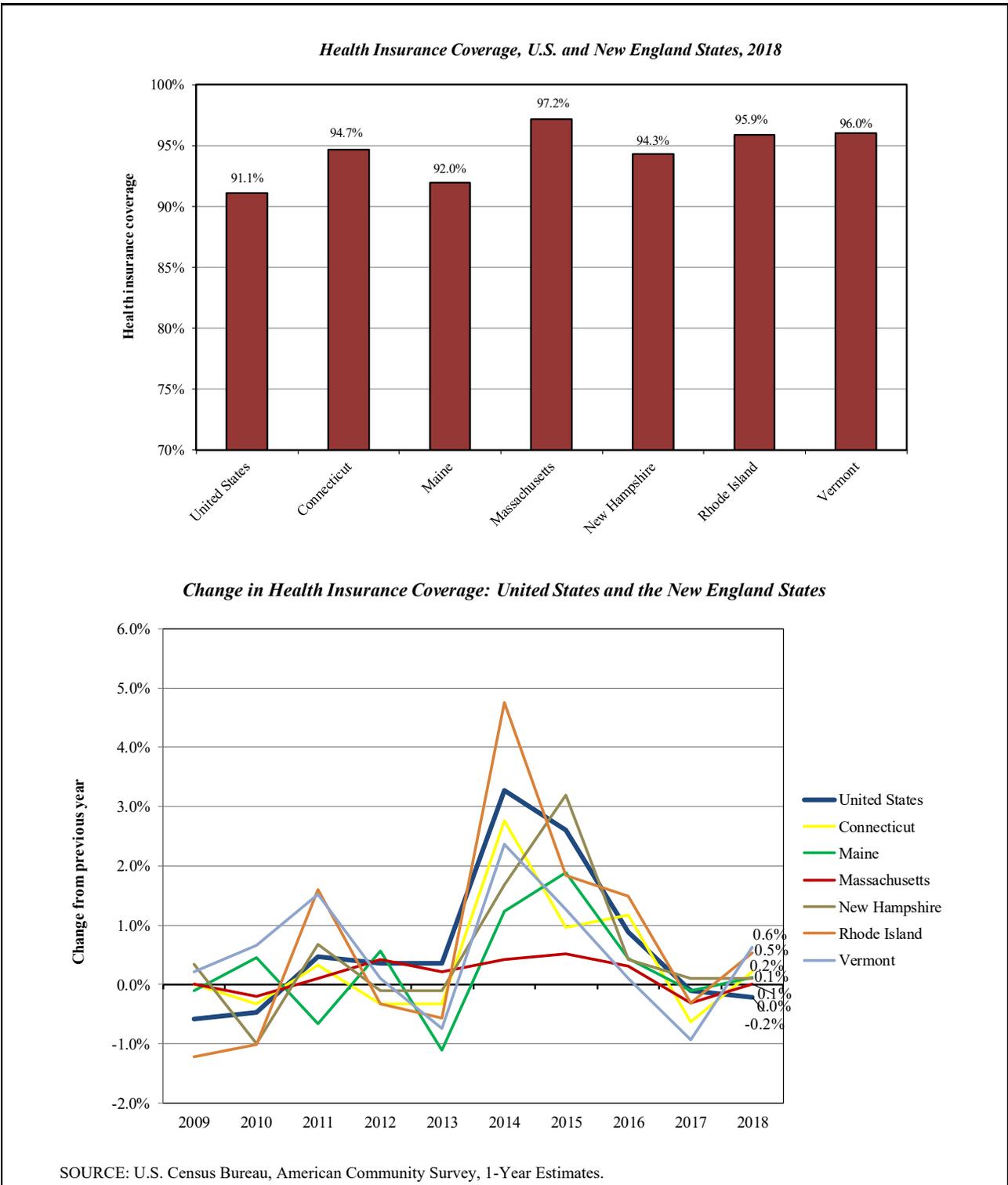
Transfer Payments from Governments to Individuals in Massachusetts in 2018
(From Annual State Personal Income Estimates)
(in thousands of 2019 dollars)



SOURCE: U.S. Bureau of Economic Analysis, Annual State Personal Income Estimates.

NOTE: The category "other" includes veterans' benefit payments, federal education and training assistance payments, and a small residual of miscellaneous other payments to individuals.

Health Insurance Coverage. Massachusetts leads the nation in the percent of individuals with health insurance coverage. Massachusetts passed legislation in 2006 mandating universal coverage in the Commonwealth. In 2018, 97.2 percent of the civilian non-institutionalized population was covered in the state by either private or public insurance, compared with 91.1 percent nationwide. Massachusetts also leads the other New England states in coverage, with Vermont as the next closest at 96.0 percent. All of the New England states have higher rates of coverage than the nation. These data do not indicate the comprehensiveness of coverage, however.

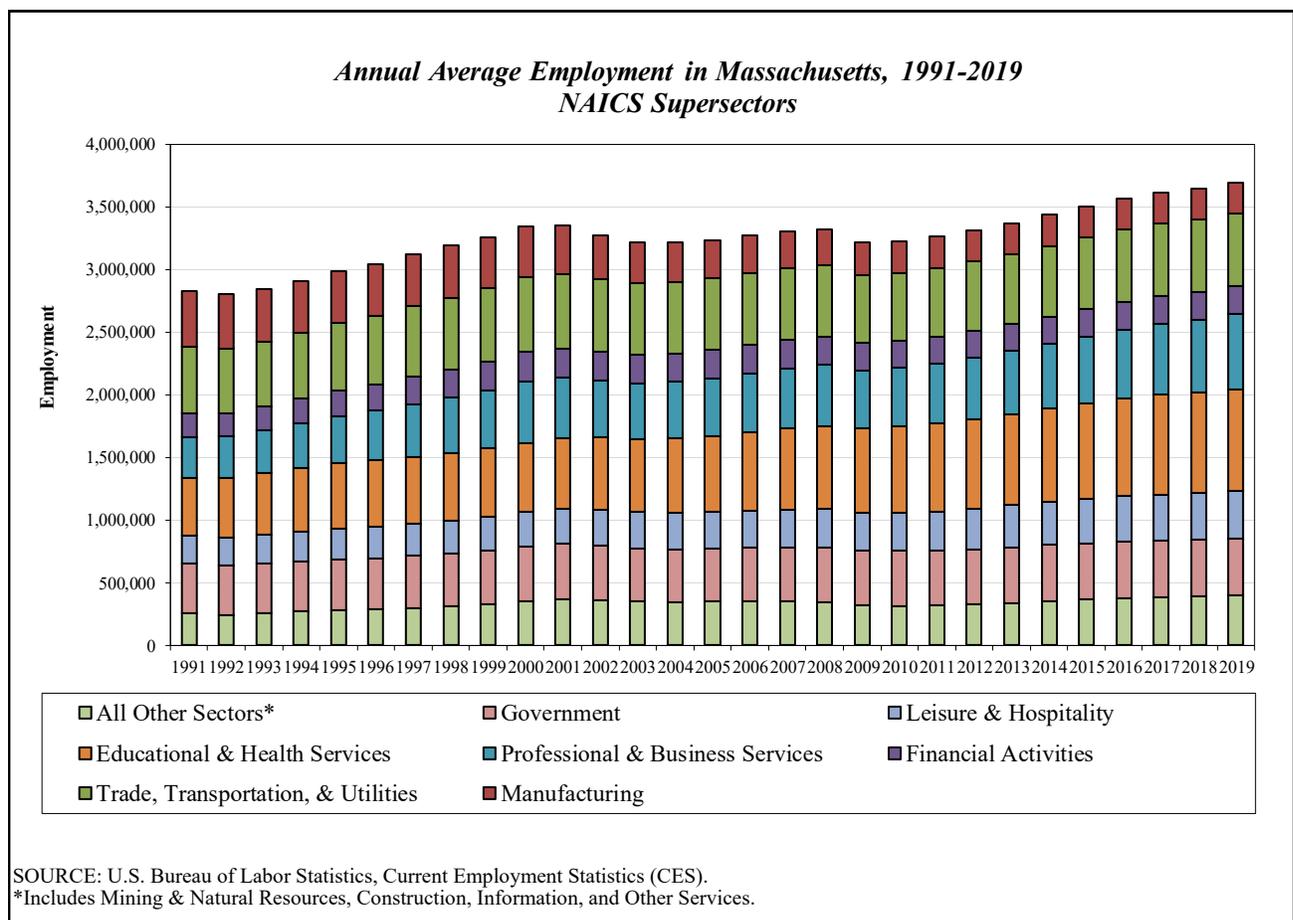


EMPLOYMENT

Employment by Industry. The chart on this page shows the annual level of non-agricultural payroll employment in Massachusetts based on the North American Industry Classification System (NAICS) for the seven largest NAICS supersectors starting with 1990, the earliest year for which NAICS data are available. The chart on the following page compares the supersector shares for 2019 with the corresponding shares for 1999. Like many industrial states, Massachusetts has seen a steady decline of its manufacturing jobs over the last two decades, not only as a share of total employment, but also in absolute numbers of jobs. Several NAICS service sectors, Education and Health Services, Professional and Business Services, and Leisure and Hospitality have grown to take the place of manufacturing in driving the Massachusetts economy and now account for almost half of total payroll employment, while Financial Activities, Government, Information, and Trade, Transportation & Utilities have remained relatively level or declined in share.

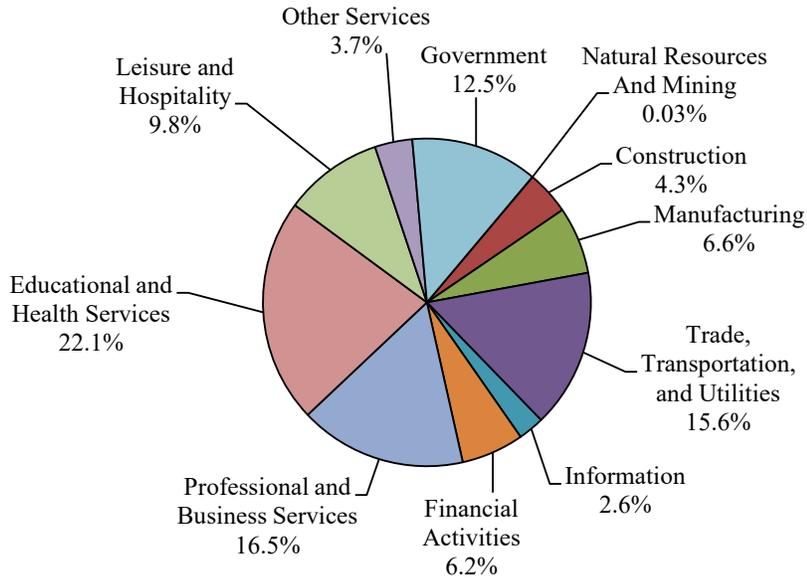
After substantial declines in 2009, total non-agricultural employment in Massachusetts eventually increased 0.4 percent and continued to grow steadily. In 2019, nonfarm employment increased by 1.0 percent compared to 2018. With an annual average at almost 3.7 million nonfarm employees, 2019 had the highest numbers to date.

After years of moderate but steady declines or near-zero growth in the late nineties and early 2000s, manufacturing employment in the state experienced steep annual declines in 2002 (10.3 percent) and 2003 (7.0 percent) before returning to a more moderate decline in 2004 (3.5 percent). After a steep drop of 9.6 percent in 2009, the decline returned to a less dramatic 2.4 percent in 2010. May 2020 saw manufacturing employment decrease by 7.8 percent since May 2019, as total employment shrunk by 16.1 percent. The annual manufacturing employment total in 2019 was slightly lower than in 2018 (242.9 thousand compared to 244.1).

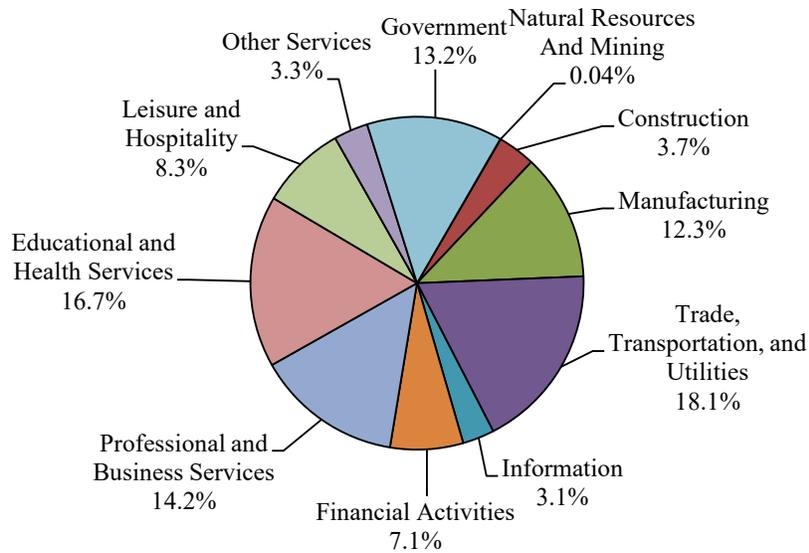


Massachusetts Nonfarm Payroll Employment (NAICS Industry Basis)

NAICS Supersectors: 2019 Share



NAICS Supersectors: 1999 Share



SOURCE: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES).

Largest Employers in Massachusetts. The following inset lists the 19 largest private employers in Massachusetts based upon employment covered by the Unemployment Insurance system for FY 2018. The 2019 list is nearly identical to the 2018 list, except that Tufts University is no longer among the top 19 and Northeastern is now in the listing. The list does not include employers whose headquarters are located outside of Massachusetts, and it may not include some employers who do business in the state under multiple legal names or register each facility as a separate employer.

<i>Largest Private Employers Headquartered in Massachusetts in FY 2019 (listed alphabetically)</i>	
Bay State Medical Center, Inc	Northeastern University
Beth Israel Deaconess Medical Center	Partners Healthcare Systems
Boston Medical Center Corporation	Raytheon Company
Boston University	The Stop & Shop Supermarkets, Co.
Brigham & Women's Hospital, Inc.	Shaw's Supermarkets, Inc
DeMoulas Supermarkets, Inc	State Street Bank and Trust Company
EMC Corporation	The Children's Hospital Corporation
General Hospital Corporation	The TJX Companies, Inc
Harvard University	UMASS Memorial Medical Center, Inc
Massachusetts Institute of Technology	

Source: Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance - March 2019 survey. In addition, CVS Pharmacy, Inc, Home Depot U.S.A.; Inc., Target Corp, United Parcel Services, Inc., Wal-Mart Associates, Inc. and Whole Foods Market Group, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. Verizon New England is a subsidiary of Verizon Communications, headquartered in New York. The information is based on employers registered for unemployment insurance. The list may not include those employers who do business in Massachusetts under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.

Massachusetts Companies in the Fortune 500 List. Massachusetts is home to the headquarters of 33 Fortune 500 companies. The top 12 companies are shown in the table below. When comparing the 2020 Fortune 500 list to the 2019 list, nine Massachusetts companies gained and three lost rank. Thermo Fisher Scientific, located in Waltham, climbed 12 places on the list, while Burlington-based Keurig Dr Pepper fell 161 places. General Electric relocated its headquarters from Fairfield, CT to Boston in May 2017 and leads the top Fortune 500 companies in the state with \$95.2 billion in revenues.

<i>Massachusetts Companies in the Fortune 500</i>				
Rank	Rank	Company (location)	Industry	2019 revenues (billions of 2019 \$'s)
2020	2019			
33	21	General Electric (Boston)	Industrial Machinery	\$95.2
39	32	Raytheon Technologies (Waltham)	Aerospace and Defense	\$77.0
77	75	Liberty Mutual Ins. Group (Boston)	Insurance: Property & Casualty	\$43.2
80	85	TJX (Framingham)	Specialty Retailers: Apparel	\$41.7
89	84	Mass. Mutual Life Ins. (Springfield)	Insurance: Life, Health (Mutual)	\$37.3
108	114	Raytheon (Waltham)	Aerospace and Defense	\$29.2
119	124	Thermo Fisher Scientific (Waltham)	Scientific, Photo & Control Equip-	\$25.5
223	235	Biogen (Weston)	Pharmaceuticals	\$14.4
243	245	BJ's Wholesale Club (Westborough)	General Merchandisers	\$13.2
244	247	State Street Corp. (Boston)	Commercial Banks	\$13.1
246	238	Global Partners (Waltham)	Wholesalers: Diversified	\$13.1
288	167	Keurig Dr Pepper (Burlington)	Beverages	\$11.1

SOURCE: *Forbes*, June 2020 issue.

Unemployment Insurance Trust Fund. The unemployment insurance system is a federal-state cooperative program established by the Social Security Act and the Federal Unemployment Tax Act to provide for the payment of benefits to eligible individuals when they become unemployed through no fault of their own. Benefits are paid from the Commonwealth's Unemployment Insurance Trust Fund, financed through employer contributions. The assets and liabilities of the Commonwealth Unemployment Insurance Trust Fund are not assets and liabilities of the Commonwealth.

As of April 30, 2020, the preliminary Massachusetts Unemployment Trust Fund had a balance of \$1.398 billion. This balance is the sum of the private contributory account balance of \$1.257 billion and the government contributory portion of \$141 million. This compares to the April 30, 2019 balance of \$1.759 billion with a private contributory portion of \$1.627 billion. The May 2020 Unemployment Insurance Trust Fund report indicated that the private contributory account balance was estimated to be -\$5.266 billion by the end of 2024, according to the Moody's-based outlook.

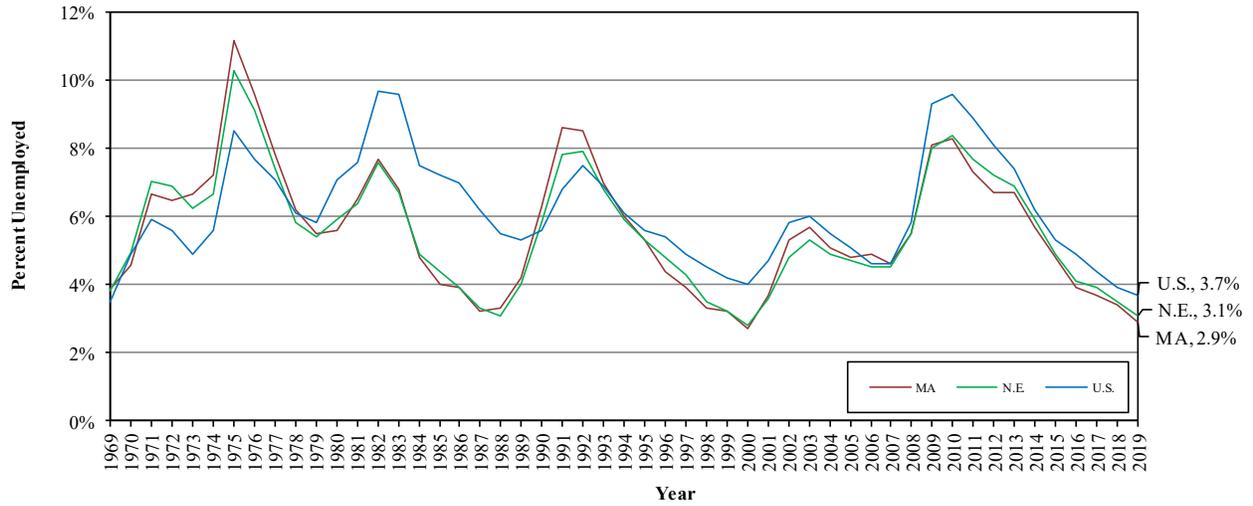
Unemployment. The unemployment rate in Massachusetts was consistently below or equal to the (not seasonally adjusted) national average from mid-1995 through September 2005, with similar patterns of gradual improvement after the mid-2003 peak. The Massachusetts rate continued to be greater than or equal to the U.S. rate for 19 months between January 2006 and June 2007, and had not exceeded the U.S. rate until April 2020. Prior to the pandemic, the peak unemployment rate in Massachusetts rate was 9.6 percent in January 2010, the same month that the U.S. rate peaked at 10.6 percent. In May 2020, the Massachusetts unemployment rate was 16.3 percent compared to 13.0 percent for the U.S.

Annual Average Civilian Labor Force and Unemployment, 1969-2019
(in thousands)

Year	Civilian Labor Force			Unemployed			Unemployment Rate			MA Rate as Pct. of U.S.
	MA	N.E.	U.S.	MA	N.E.	U.S.	MA	N.E.	U.S.	
1969	2,581	5,201	80,734	100	198	2,832	3.9%	3.8%	3.5%	111.2%
1970	2,465	5,128	82,771	113	253	4,093	4.6%	4.9%	4.9%	93.7%
1971	2,459	5,157	84,382	163	364	5,016	6.6%	7.1%	5.9%	112.7%
1972	2,487	5,260	87,034	161	363	4,882	6.5%	6.9%	5.6%	115.6%
1973	2,557	5,387	89,429	171	336	4,365	6.7%	6.2%	4.9%	136.1%
1974	2,637	5,514	91,949	190	368	5,156	7.2%	6.7%	5.6%	128.5%
1975	2,725	5,633	93,775	305	578	7,929	11.2%	10.3%	8.5%	131.5%
1976	2,722	5,706	96,158	262	518	7,406	9.6%	9.1%	7.7%	124.7%
1977	2,763	5,821	99,009	215	433	6,991	7.8%	7.4%	7.1%	109.9%
1978	2,814	5,936	102,251	175	344	6,202	6.2%	5.8%	6.1%	101.6%
1979	2,853	6,071	104,962	157	328	6,137	5.5%	5.4%	5.8%	94.8%
1980	2,868	6,148	106,940	162	363	7,637	5.6%	5.9%	7.1%	78.9%
1981	2,942	6,259	108,670	190	403	8,273	6.5%	6.4%	7.6%	85.5%
1982	2,987	6,341	110,204	231	482	10,678	7.7%	7.6%	9.7%	79.4%
1983	2,997	6,392	111,550	202	428	10,717	6.8%	6.7%	9.6%	70.8%
1984	3,037	6,525	113,544	145	319	8,539	4.8%	4.9%	7.5%	64.0%
1985	3,051	6,633	115,461	121	289	8,312	4.0%	4.4%	7.2%	55.6%
1986	3,066	6,726	117,834	119	264	8,237	3.9%	3.9%	7.0%	55.7%
1987	3,094	6,825	119,865	100	227	7,425	3.2%	3.3%	6.2%	51.6%
1988	3,141	6,909	121,669	103	216	6,701	3.3%	3.1%	5.5%	60.0%
1989	3,176	7,007	123,869	132	277	6,528	4.2%	4.0%	5.3%	79.2%
1990	3,206	7,109	125,840	202	412	7,047	6.3%	5.8%	5.6%	112.5%
1991	3,195	7,117	126,346	275	554	8,628	8.6%	7.8%	6.8%	126.5%
1992	3,181	7,102	128,105	269	564	9,613	8.5%	7.9%	7.5%	113.3%
1993	3,174	7,051	129,200	222	481	8,940	7.0%	6.8%	6.9%	101.4%
1994	3,201	7,033	131,056	193	415	7,996	6.0%	5.9%	6.1%	98.4%
1995	3,215	7,049	132,304	170	374	7,404	5.3%	5.3%	5.6%	94.6%
1996	3,241	7,118	133,943	144	340	7,236	4.4%	4.8%	5.4%	81.5%
1997	3,306	7,220	136,297	130	312	6,739	3.9%	4.3%	4.9%	79.6%
1998	3,341	7,264	137,673	110	254	6,210	3.3%	3.5%	4.5%	73.3%
1999	3,354	7,327	139,368	107	234	5,880	3.2%	3.2%	4.2%	76.2%
2000	3,330	7,335	142,583	90	205	5,692	2.7%	2.8%	4.0%	67.5%
2001	3,381	7,394	143,734	126	267	6,801	3.7%	3.6%	4.7%	78.7%
2002	3,431	7,476	144,863	181	360	8,378	5.3%	4.8%	5.8%	91.4%
2003	3,422	7,504	146,510	195	401	8,774	5.7%	5.3%	6.0%	95.0%
2004	3,396	7,478	147,401	175	363	8,149	5.1%	4.9%	5.5%	92.7%
2005	3,384	7,521	149,320	164	352	7,591	4.8%	4.7%	5.1%	94.1%
2006	3,413	7,605	151,428	167	345	7,001	4.9%	4.5%	4.6%	106.5%
2007	3,426	7,648	153,124	158	344	7,078	4.6%	4.5%	4.6%	100.0%
2008	3,452	7,704	154,287	191	426	8,924	5.5%	5.5%	5.8%	94.8%
2009	3,470	7,729	154,142	281	620	14,265	8.1%	8.0%	9.3%	87.1%
2010	3,480	7,751	153,889	289	649	14,825	8.3%	8.4%	9.6%	86.5%
2011	3,469	7,738	153,617	252	597	13,747	7.3%	7.7%	8.9%	82.0%
2012	3,485	7,730	154,975	233	559	12,506	6.7%	7.2%	8.1%	82.7%
2013	3,513	7,730	155,389	236	533	11,460	6.7%	6.9%	7.4%	90.5%
2014	3,568	7,799	155,922	205	457	9,617	5.7%	5.9%	6.2%	91.9%
2015	3,589	7,806	157,130	172	381	8,296	4.8%	4.9%	5.3%	90.6%
2016	3,618	7,850	159,187	140	325	7,751	3.9%	4.1%	4.9%	79.6%
2017	3,690	7,938	160,320	138	306	6,982	3.7%	3.9%	4.4%	84.1%
2018	3,785	8,044	162,075	127	279	6,314	3.4%	3.5%	3.9%	87.2%
2019	3,817	8,095	163,539	111	251	6,001	2.9%	3.1%	3.7%	78.4%

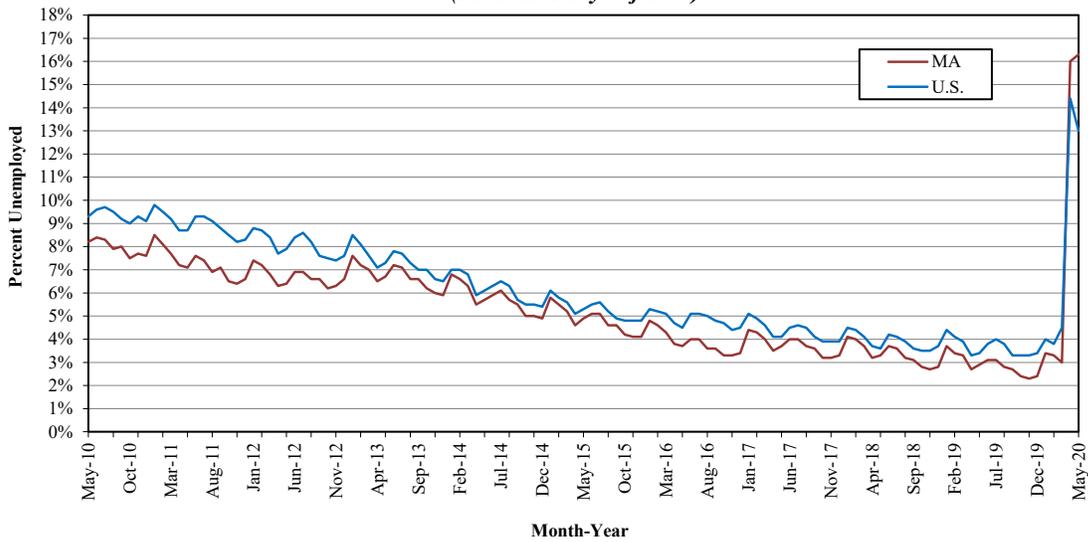
SOURCES: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS) and Current Population Survey (CPS).

**Annual Average Unemployment Rate, 1969-2019
Massachusetts, New England, and the United States**



SOURCE: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS).

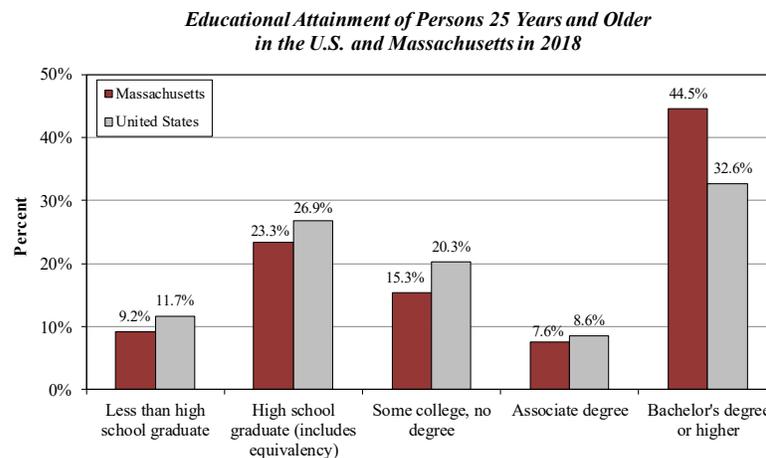
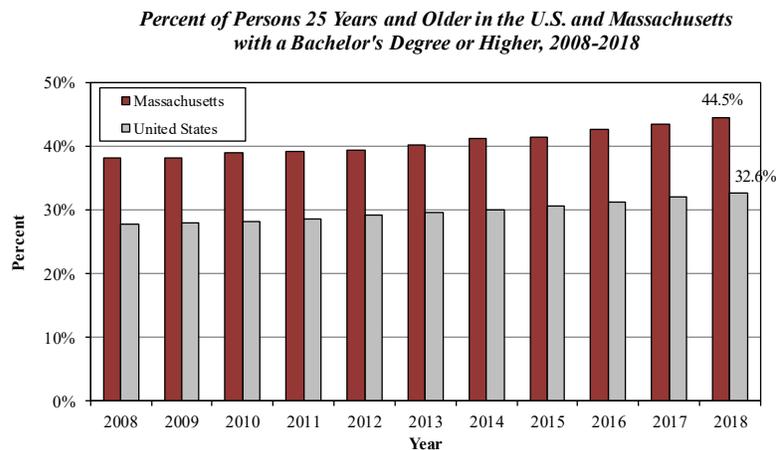
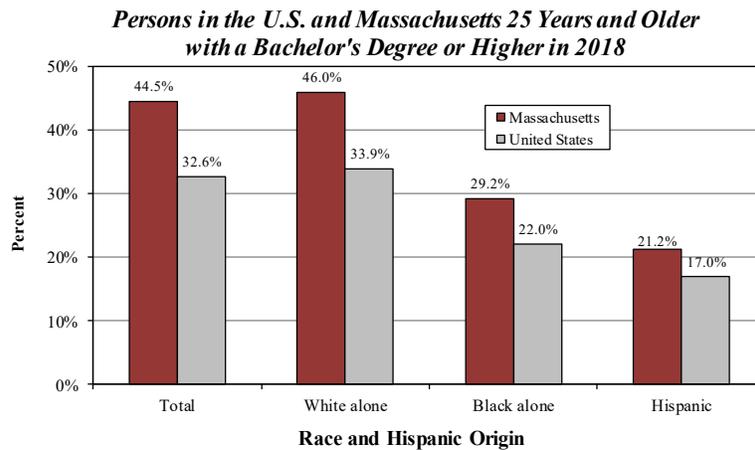
**Monthly Unemployment Rate, May 2010-May 2020
Massachusetts and the United States
(not seasonally adjusted)**



SOURCES: Massachusetts Executive Office of Labor and Workforce Development and U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS).

EDUCATION AND TECHNOLOGY

Educational Attainment. The availability of a skilled and well-educated population is an important resource for the Commonwealth. Only the District of Columbia had a higher percentage of adults with a bachelor's degree or higher in 2018, according to the Census Bureau's American Community Survey (ACS). The Census also reported that Massachusetts ranked 29th in persons who had not completed high school, at 9.2 percent of the population age 25 or older, less than the national average of 11.7 percent. Massachusetts' black and Hispanic populations achieved college degrees at a lower rate than its white population, but their rates were higher than the national averages. The most current ACS data are shown below.



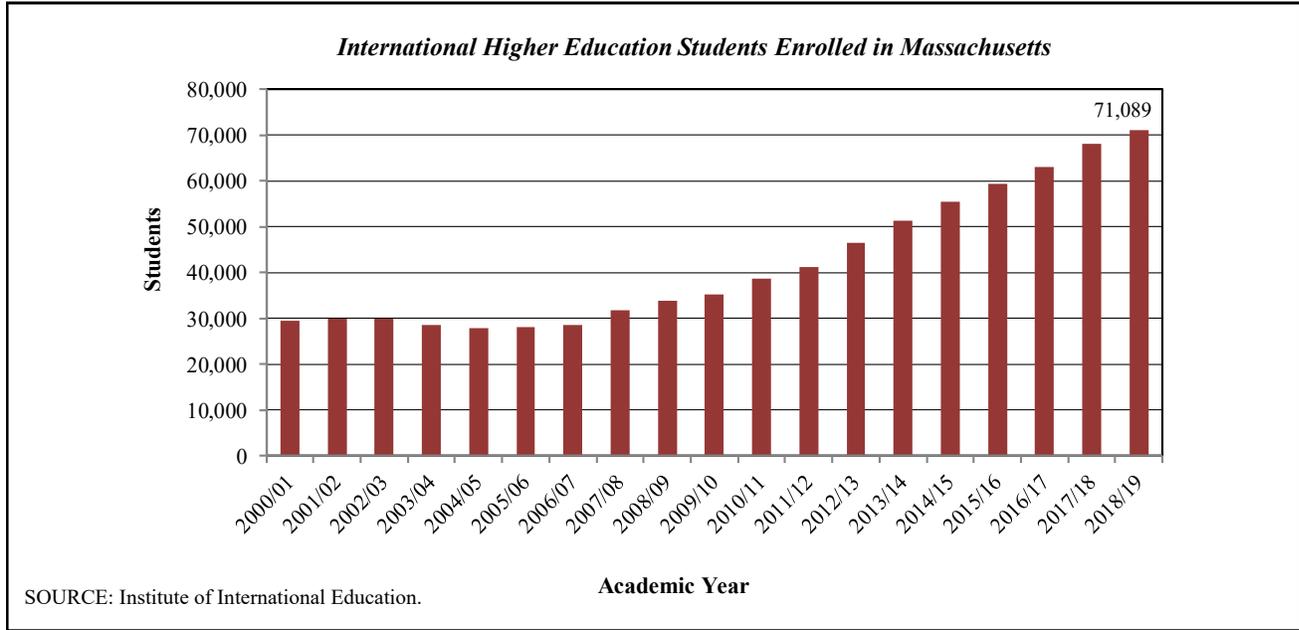
SOURCE: U.S. Census Bureau, American Community Survey, 1-Year Estimates

Higher Education Data. The table below compares Massachusetts residents' higher education enrollment by race and Hispanic origin to the U.S. There were 1.7 percent fewer people enrolled in college in the U.S. in 2018 compared to 2017. The proportion of total enrollment in Massachusetts increased by 1.3 percent during the same period.

<i>Higher Education Enrollment by Race and Hispanic Origin in 2018</i>						
	Total	White alone	Black alone	Asian alone	All other races	Hispanic or Latino
United States	22,068,328	66.38%	14.59%	9.03%	10.00%	18.45%
Massachusetts	596,397	69.54%	10.24%	12.24%	7.97%	11.43%

SOURCE: U.S. Census Bureau, American Community Survey, 1-Year Estimates
 NOTE: The Hispanic or Latino Origin category includes all Hispanics in the population regardless of race and therefore should not be added to the other categories to avoid double-counting races.

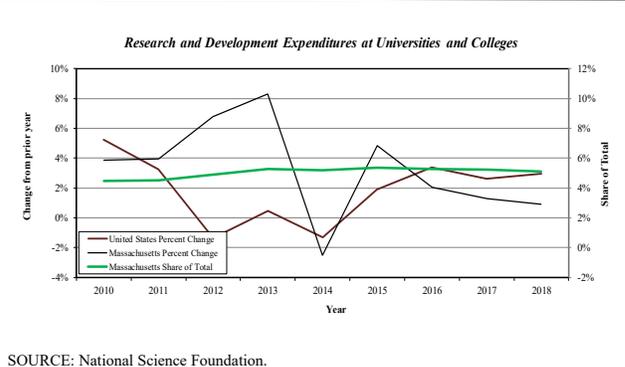
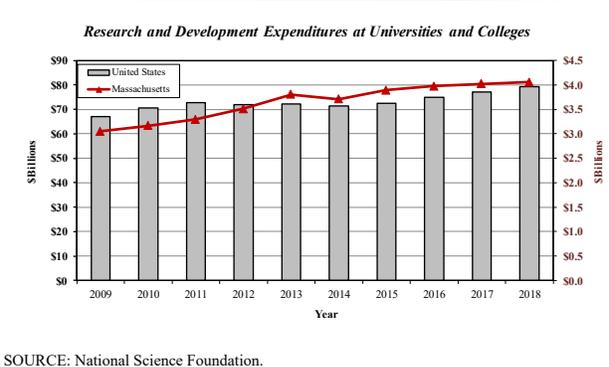
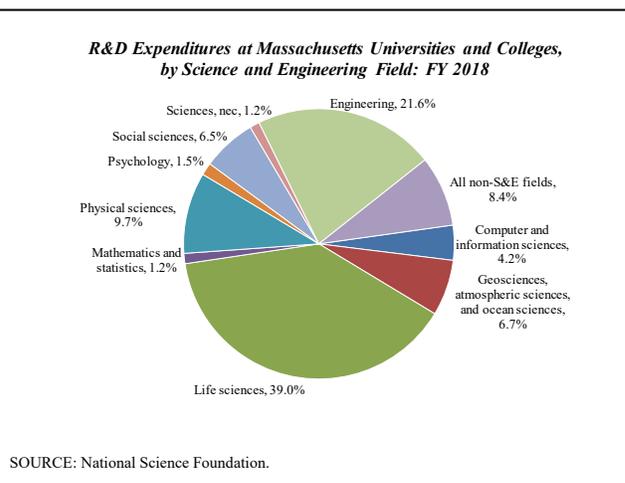
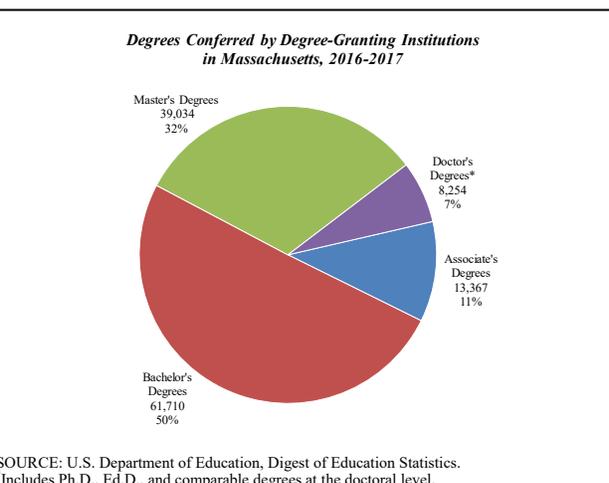
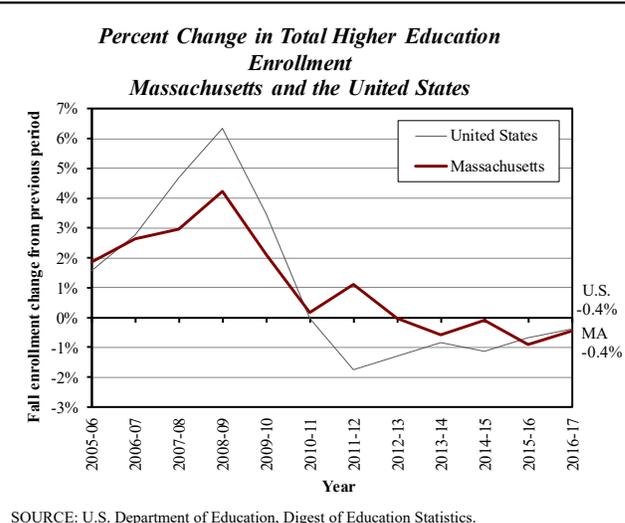
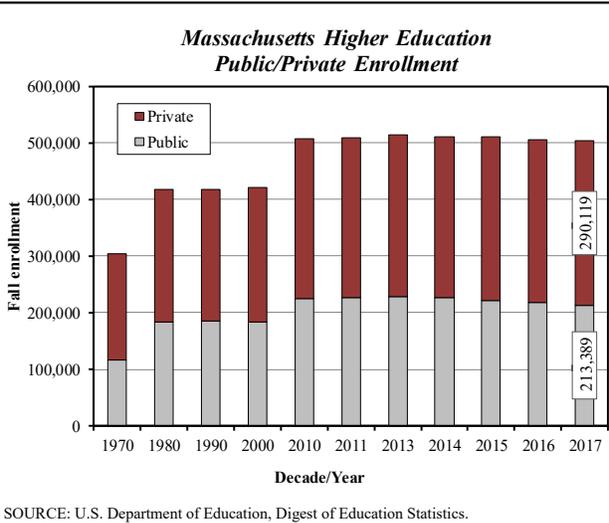
Survey data released by the Institute of International Education state that 71,089 foreign students were enrolled in Massachusetts colleges and universities in the 2018/2019 school year. This was an increase of 4.2 percent from the previous year. The national enrollment increased 0.05 percent. Massachusetts remains fourth ranked among states for foreign student enrollment.



The graphs and table on the following page provide information about higher education enrollment, degrees conferred, and research and development expenditures at colleges and universities.

U.S. Department of Education data show that from 2016 to 2017, higher education enrollment decreased 0.4 percent in the United States and 0.4 percent at Massachusetts institutions. During the 2000-2017 period, enrollment in public higher education increased 23.9 percent in the United States and 16.4 percent at Massachusetts institutions. Enrollment in private institutions increased 46.2 percent in the United States and 22.0 percent at Massachusetts institutions.

Research and development expenditures at universities and colleges increased 18 percent in the United States and 33 percent in Massachusetts between 2009 and 2018.

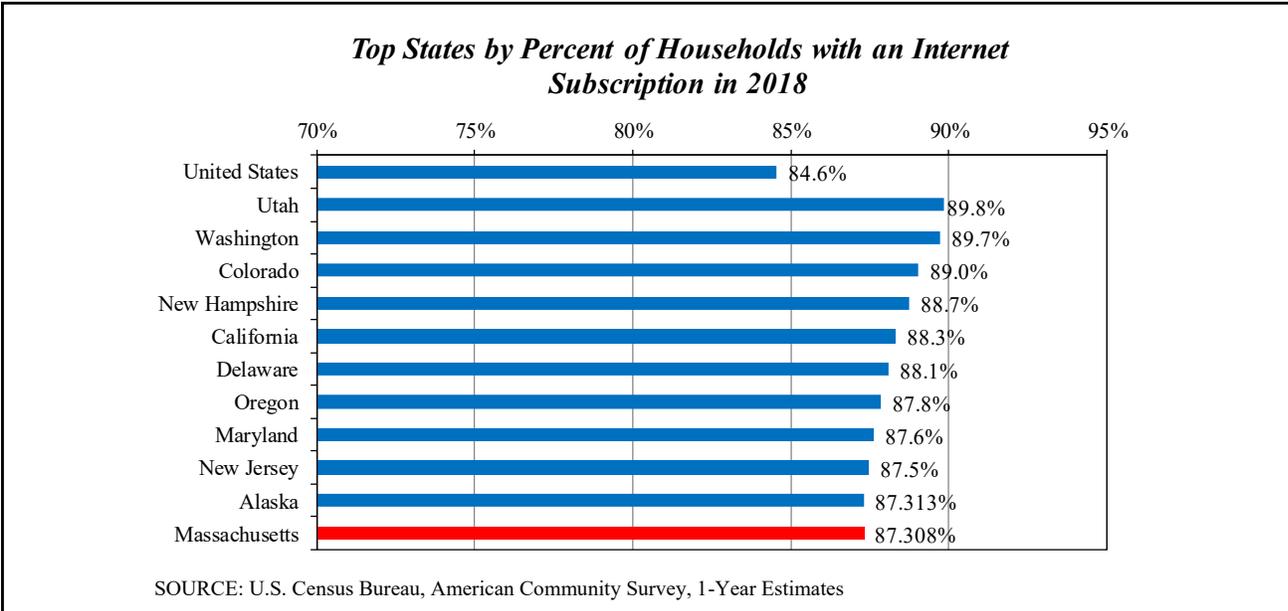


Current Massachusetts Higher Education Rank Among States and the District of Columbia

Enrollment - 2017		Degrees Awarded - 2017		Research & Development\$ - FY 2017	
MA Rank		MA Rank		MA Rank	
13	Total	8	Total	6	All R&D expenditures
23	Public	24	Associate's	6	Computer and information sciences
4	Private	8	Bachelor's	5	Engineering
		5	Master's	3	Geosciences, atmospheric sciences, and ocean sciences
		7	Professional/Doctorate	7	Life sciences
				5	Mathematics and statistics
				3	Physical sciences
				7	Psychology
				7	Sciences, nec
				2	Social sciences

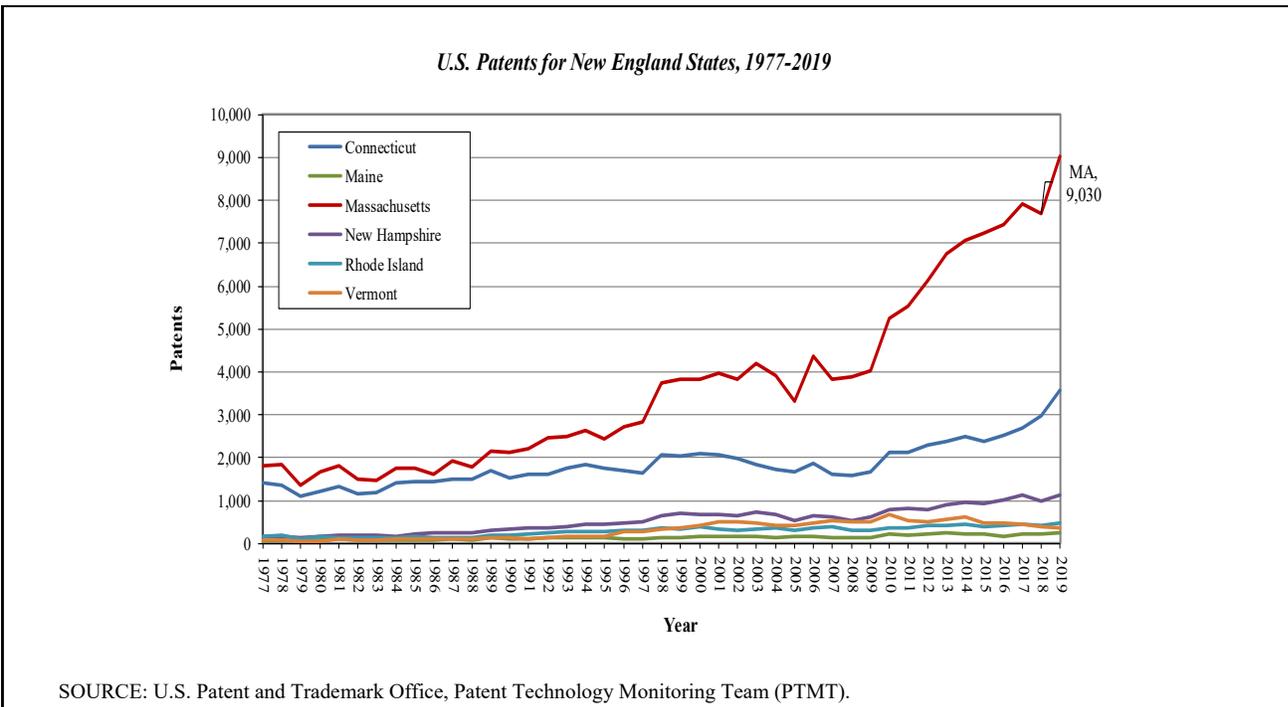
SOURCE: U.S. DOE Digest of Education Statistics. SOURCE: National Science Foundation

Internet Access. Massachusetts has the 11th highest household internet subscription rate in the U.S., according to the Census Bureau’s 2018 American Community Survey.



Patents. The U.S. Patent and Trademark Office notes: “This report shows the number of U.S. patent documents (i.e., utility patents, design patents, plant patents, reissue patents, defensive publications, and statutory invention registrations) granted since 1977, broken down by the state or country of origin (patent origin is determined by the residence of the first-named inventor).”

In 2019, Massachusetts was fifth among all states for the number of new patents issued. Just six nations originated more U.S. patents than Massachusetts, putting the state above France and slightly above Canada for origination of U.S. patents. Since 1977, Massachusetts has received more new patents than any other New England state. With 8,454 new utilities patents and 9,030 total new patents in 2019, a 17.5 percent increase in total patents since 2018, Massachusetts innovators were responsible for 61 percent of the new patents in New England.

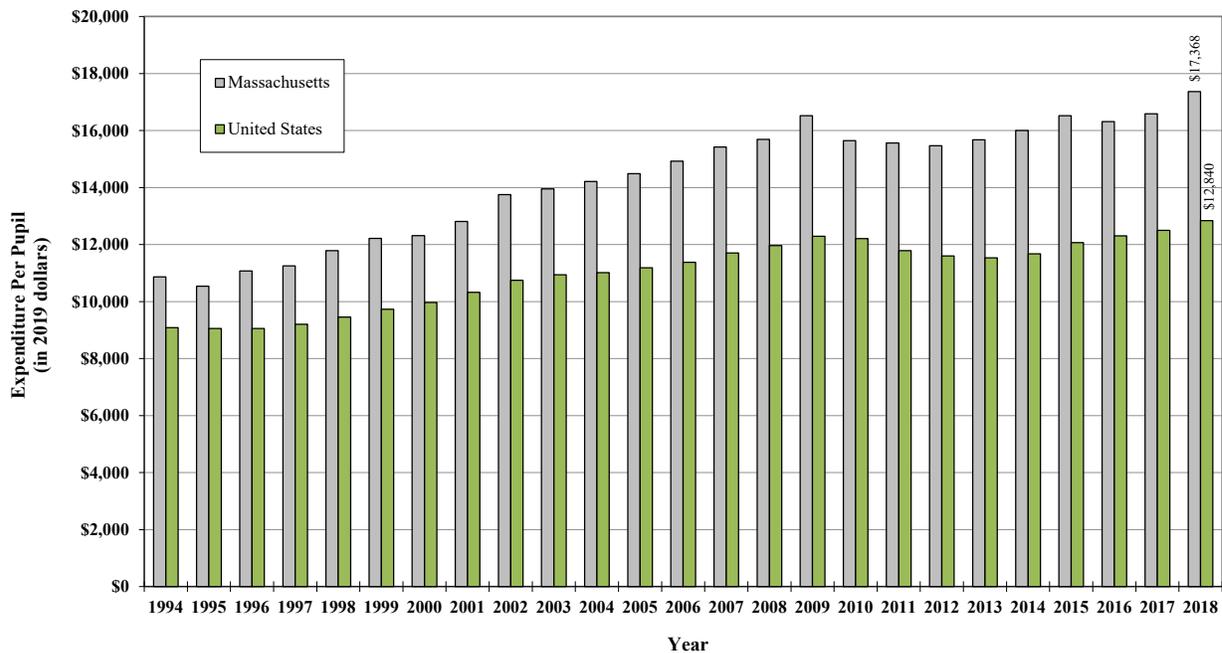


Primary and Secondary Education Expenditures. Massachusetts has spent from 16.5 to 37.0 percent more per pupil on primary and secondary education than the national average since 1994. During the 2017-2018 school year, the average Massachusetts per student expenditures increased 4.7 percent to \$17,368. Massachusetts was ranked seventh in the nation among states and the District of Columbia in 2018. The table and chart below show expenditures per pupil for Massachusetts and the U.S.

Per Pupil Expenditure in Public Elementary and Secondary Schools

(in 2019 adjusted dollars)

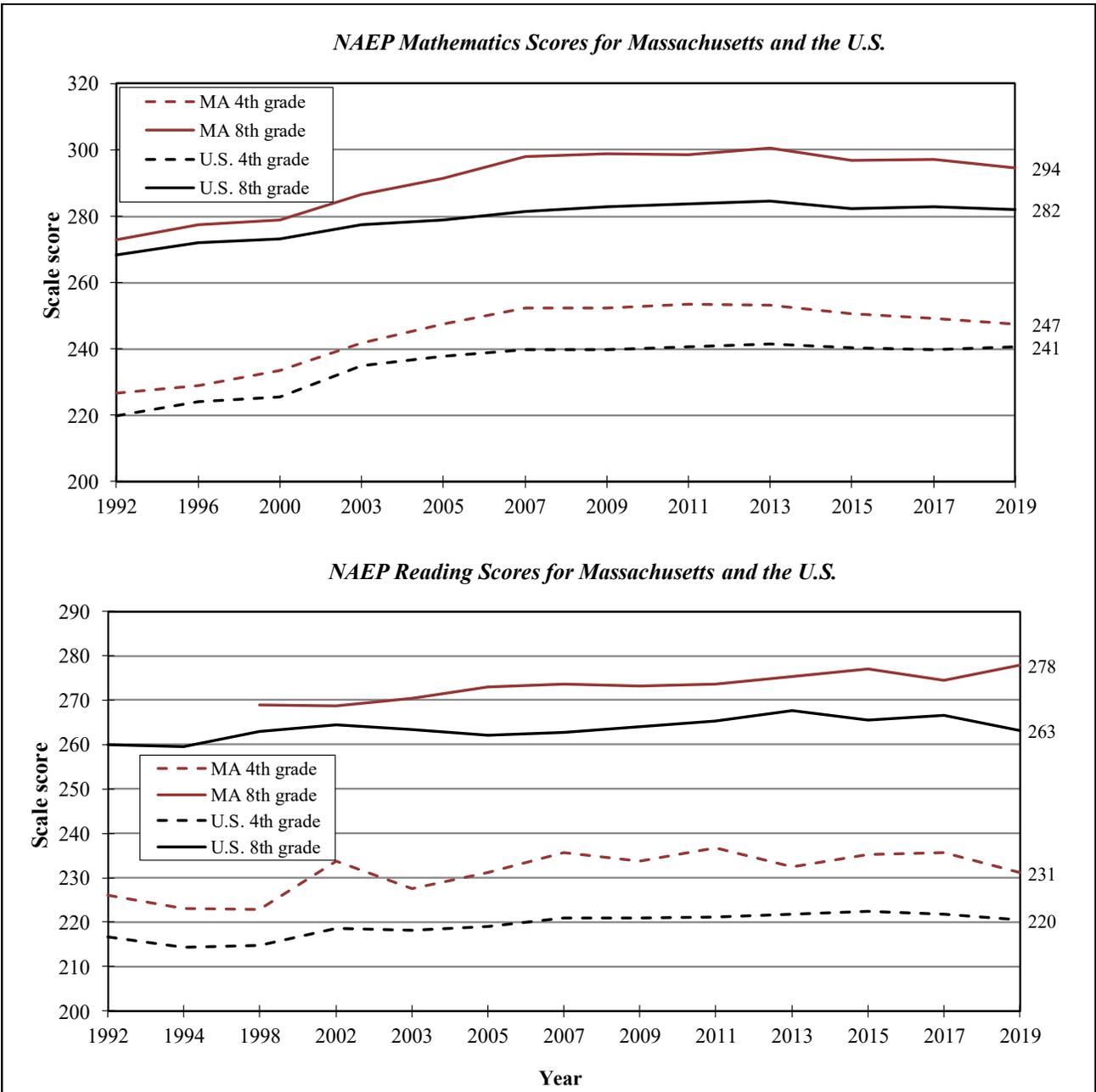
Fiscal Year	Massachusetts	United States	Ratio (MA/ U.S.)	MA change from previous year
1994	\$10,866	\$9,087	1.20	
1995	\$10,544	\$9,052	1.16	-3.0%
1996	\$11,073	\$9,052	1.22	5.0%
1997	\$11,249	\$9,203	1.22	1.6%
1998	\$11,787	\$9,454	1.25	4.8%
1999	\$12,218	\$9,734	1.26	3.7%
2000	\$12,313	\$9,968	1.24	0.8%
2001	\$12,815	\$10,328	1.24	4.1%
2002	\$13,757	\$10,749	1.28	7.4%
2003	\$13,951	\$10,944	1.27	1.4%
2004	\$14,215	\$11,016	1.29	1.9%
2005	\$14,487	\$11,187	1.29	1.9%
2006	\$14,923	\$11,382	1.31	3.0%
2007	\$15,427	\$11,706	1.32	3.4%
2008	\$15,691	\$11,965	1.31	1.7%
2009	\$16,525	\$12,288	1.34	5.3%
2010	\$15,650	\$12,207	1.28	-5.3%
2011	\$15,563	\$11,788	1.32	-0.6%
2012	\$15,467	\$11,602	1.33	-0.6%
2013	\$15,678	\$11,534	1.36	1.4%
2014	\$16,003	\$11,677	1.37	2.1%
2015	\$16,519	\$12,069	1.37	3.2%
2016	\$16,314	\$12,306	1.33	-1.2%
2017	\$16,592	\$12,499	1.33	1.7%
2018	\$17,368	\$12,840	1.35	4.7%



SOURCE: U.S. Census Bureau, Public Elementary–Secondary Education Finance Data.

National Assessment of Educational Progress (NAEP) scores. The National Assessment of Educational Progress (NAEP), also known as "the Nation's Report Card," is the only nationally representative and continuing assessment of what America's students know and can do in various subject areas. Since 1969, assessments have been conducted periodically in reading, mathematics, science, writing, U.S. history, civics, geography, and the arts. Under the current structure, the Commissioner of Education Statistics, who heads the National Center for Education Statistics in the U.S. Department of Education, is responsible by law for administering the NAEP project.

Since 1990, NAEP assessments have also been conducted to give results for participating states. Those that choose to participate receive assessment results that report on the performance of students in that state. In its content, the state assessment is identical to the assessment conducted nationally. However, because the national NAEP samples were not and are not currently designed to support the reporting of accurate and representative state-level results, separate representative samples of students are selected for each participating jurisdiction/state. The graphs below compare the data available for Massachusetts and the national public samples.



SOURCE: National Center for Education Statistics.
 NOTE: Between 1992 and 2003 math and reading tests were administered during different years.

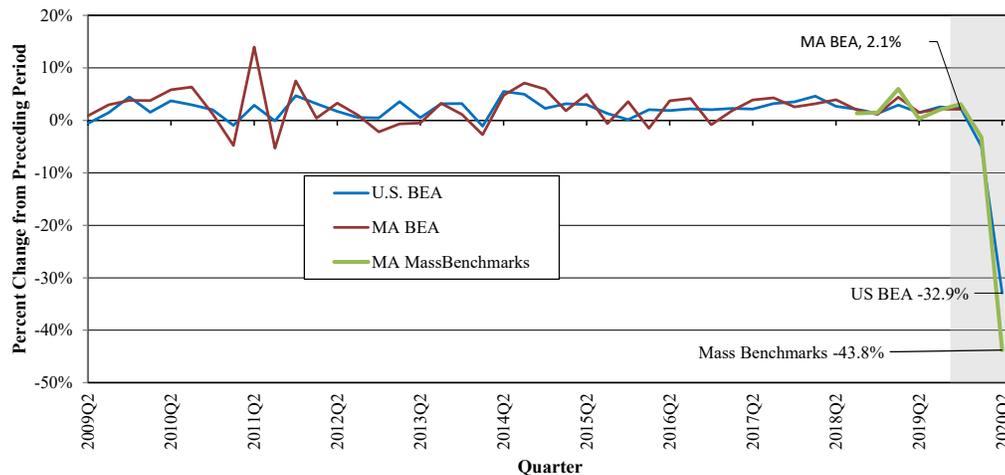
ECONOMIC BASE AND PERFORMANCE—STATE OVERVIEW

Comparing BEA GDP for the U.S., the region, and Massachusetts. The U.S. Bureau of Economic Analysis (BEA) defines Gross Domestic Product by State (GDP) as “the value added in production by the labor and property located in a state. GDP for a state is derived as the sum of the gross state product originating in all industries in a state. In concept, an industry’s GDP, referred to as its ‘value added’, is equivalent to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported).”

The BEA provides national (in January) and state (in June) annual and quarterly GDP estimates. MassBenchmarks releases quarterly estimates of Massachusetts economic activity. This is reported in the following section. While we do not have access to many of the components that the BEA uses to calculate state GDP in advance of its release, we provide an overview of our state’s components when they are available. Additionally, we provide state economic indexes and industrial sector data that are released more frequently and in some cases, are among the components used to calculate state GDP.

<i>State Gross Domestic Product - Annual Change</i> <i>(billions of chained 2012 dollars)</i>						
Year	Massachusetts		New England		United States	
	GDP	Annual change	GDP	Annual change	GDP	Annual change
2000	\$360		\$749		\$13,131	
2001	\$362	0.8%	\$759	1.3%	\$13,262	1.0%
2002	\$365	0.7%	\$766	1.0%	\$13,493	1.7%
2003	\$374	2.5%	\$784	2.3%	\$13,879	2.9%
2004	\$383	2.6%	\$816	4.0%	\$14,406	3.8%
2005	\$391	1.9%	\$830	1.8%	\$14,913	3.5%
2006	\$398	1.8%	\$850	2.4%	\$15,338	2.9%
2007	\$408	2.6%	\$868	2.1%	\$15,626	1.9%
2008	\$413	1.1%	\$869	0.2%	\$15,605	-0.1%
2009	\$408	-1.1%	\$851	-2.1%	\$15,209	-2.5%
2010	\$425	4.0%	\$872	2.5%	\$15,599	2.6%
2011	\$435	2.4%	\$877	0.6%	\$15,841	1.6%
2012	\$444	2.2%	\$889	1.4%	\$16,197	2.2%
2013	\$445	0.1%	\$888	-0.2%	\$16,495	1.8%
2014	\$454	2.0%	\$895	0.8%	\$16,912	2.5%
2015	\$471	3.8%	\$921	2.9%	\$17,404	2.9%
2016	\$479	1.7%	\$932	1.2%	\$17,689	1.6%
2017	\$491	2.5%	\$947	1.6%	\$18,108	2.4%
2018	\$506	3.1%	\$968	2.2%	\$18,638	2.9%
2019	\$519	2.5%	\$989	2.3%	\$19,073	2.3%

Real GDP: Percent Change from Preceding Quarter
(Seasonally Adjusted Annual Rates)



SOURCES: U.S. Bureau of Economic Analysis, MA MassBenchmarks calculations by Dr. Alan Clayton-Matthews. Seasonally adjusted annual rates are quarterly data adjusted to an annual basis.

NOTE: Shaded areas are recession periods.

ECONOMIC BASE AND PERFORMANCE—ECONOMIC INDICATORS

State Coincident Indexes. To track more recent changes in the state and national economies, we use the Federal Reserve Bank of Philadelphia’s Coincident Indexes. It:

...produces a monthly coincident index for each of the 50 states. The indexes are released a few days after the Bureau of Labor Statistics (BLS) releases the employment data for the states.

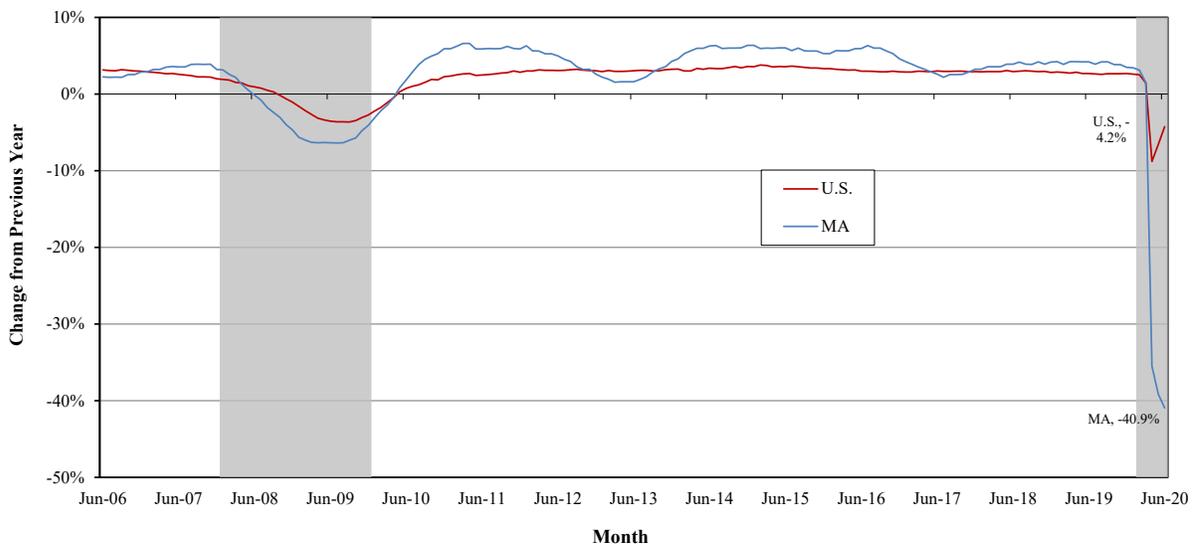
The coincident indexes combine four state-level indicators to summarize current economic conditions in a single statistic. The four state-level variables in each coincident index are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average). The trend for each state’s index is set to the trend of its gross domestic product (GDP), so long term growth in the state’s index matches long term growth in its GDP. (<https://www.phil.frb.org/research-and-data/regional-economy/indexes/coincident/>)

The table below compares the Massachusetts index to its New England neighbors and the U.S. The graph indicates the state and national index change from 12 months prior. Year-over-year changes in the Coincident Index for Massachusetts have shown steady increases after April 2010, as the state began recovering from the Great Recession. Compared with April 2019, however, the Massachusetts Coincident Index in April 2020 decreased by 35.5 percent. In the latest period of data available, June 2020, the state’s Coincident Index decreased by 40.9 percent compared to June 2019.

Comparing the U.S. and New England States Coincident Indexes

Area	June 2020	1-Month Change	3-Month Change	12-Month Change
U.S.	122.9	2.7%	-5.0%	-4.2%
Massachusetts	84.2	-2.8%	-41.3%	-40.9%
Connecticut	108.2	-0.7%	-16.0%	-15.5%
Maine	107.4	8.3%	-15.5%	-15.9%
New Hampshire	117.2	9.1%	-22.4%	-20.3%
Rhode Island	96.5	11.4%	-22.9%	-24.4%
Vermont	103.5	11.8%	-23.4%	-24.7%

Comparing the U.S. and Massachusetts Coincident Indexes



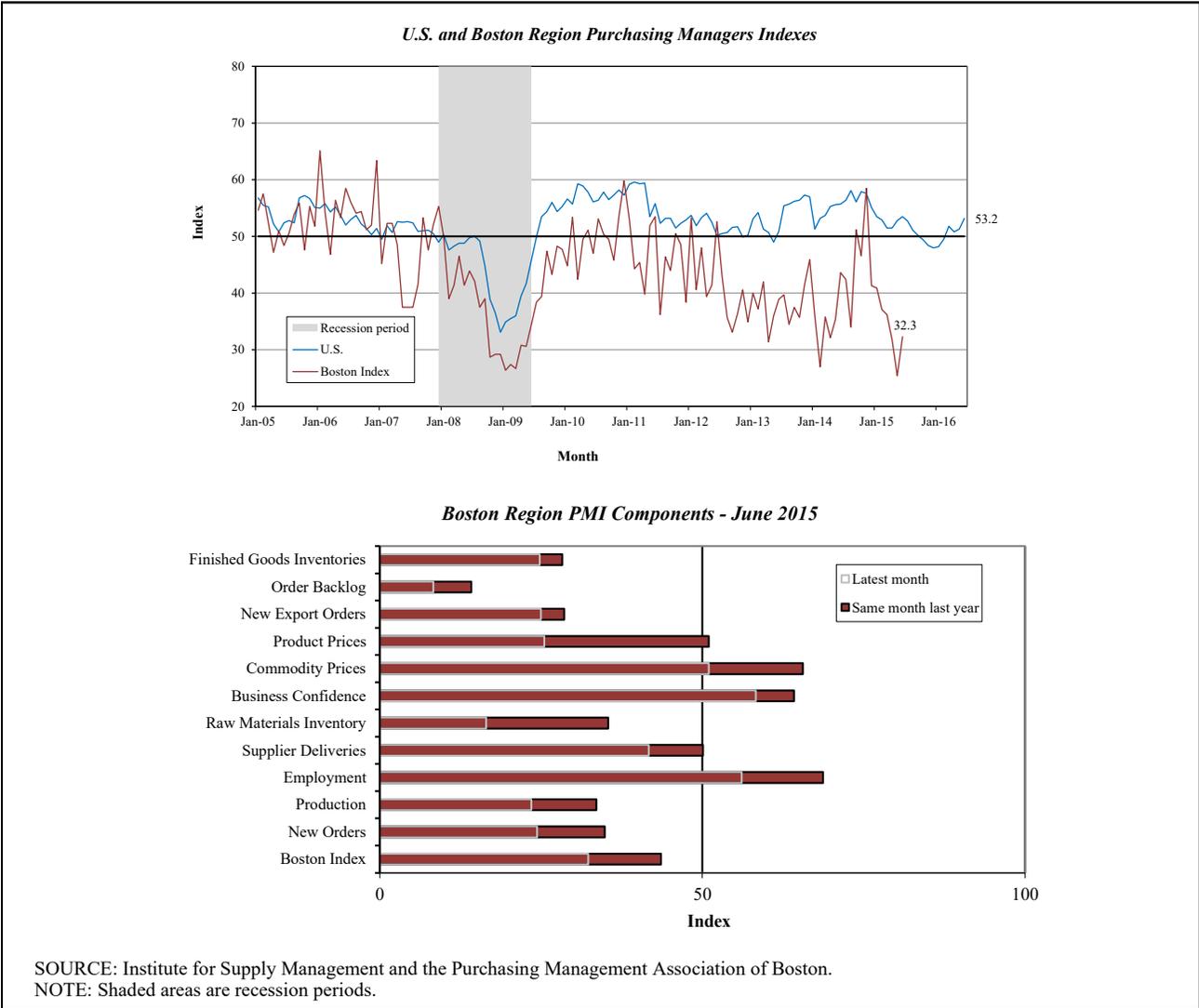
SOURCE: Federal Reserve Bank of Philadelphia.

NOTES: Shaded areas are recession periods. Indexes are set to 2007 annual averages. Methodology changes in January 2018 resulted in revised values for historical data.

Institute for Supply Management Purchasing Manager Indexes (PMI). These indexes are compiled using survey data from purchasing and supply executives and are used as a leading business indicator. While the national index is based on a survey of manufacturers, the Boston region's is based on a survey of "companies representing industries as diverse as the banking and financial services, pharmaceuticals and biotechnology, software development and communication, medical products and equipment, computers, chemicals, consumer products, education, and the public sector." **It should be noted that the Boston survey has been suspended, and consequently, data from it are not currently being updated.**

Index readings above 50 indicate the economy is generally expanding. Readings below 50 indicate the economy is generally contracting, although a reading above 42 for a period of time indicates the economy is generally expanding. Components of the national index include new orders, production, employment, supplier deliveries, inventories, customer inventories, prices, backlog of orders, exports, and imports. The Boston region's components are slightly different and include new orders, production, employment, supplier deliveries, raw monthly materials inventory, business confidence, commodity prices, product prices, new export orders, order backlog, and finished goods inventories. These components show which segments of the business supply chain are expanding or contracting.

The June 2016 national index indicated that the manufacturing sector has been expanding since December 2015, with the exception of a small dip in April 2016. The Boston region's June 2015 (the last date for which data were available) index of 32.3 indicated that overall business conditions were contracting after hitting a four-year high of 58.5 in November 2014.



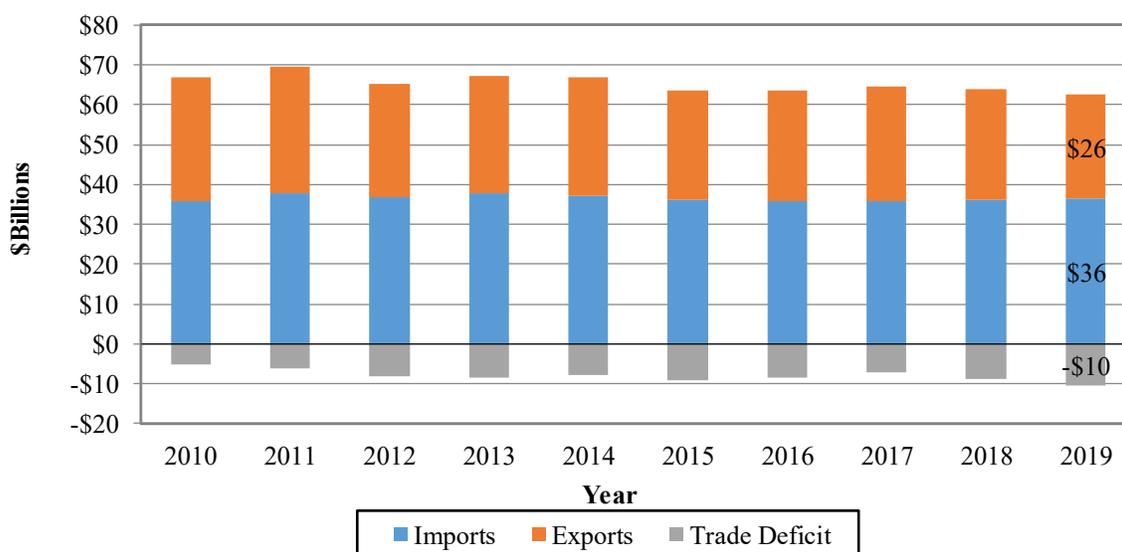
ECONOMIC BASE AND PERFORMANCE—INTERNATIONAL TRADE

Total Trade Volume. Total trade volume, exports and imports, decreased 1.91 percent from 2018 to \$62.6 billion in 2019. Canada’s trade volume was \$11.1 billion and, at 17.7 percent of the total state trade, it was by far our most valuable trading partner. Massachusetts trade deficit, \$10.3 billion, increased 20.9 percent in 2019. See Appendix 8 for more trade data.

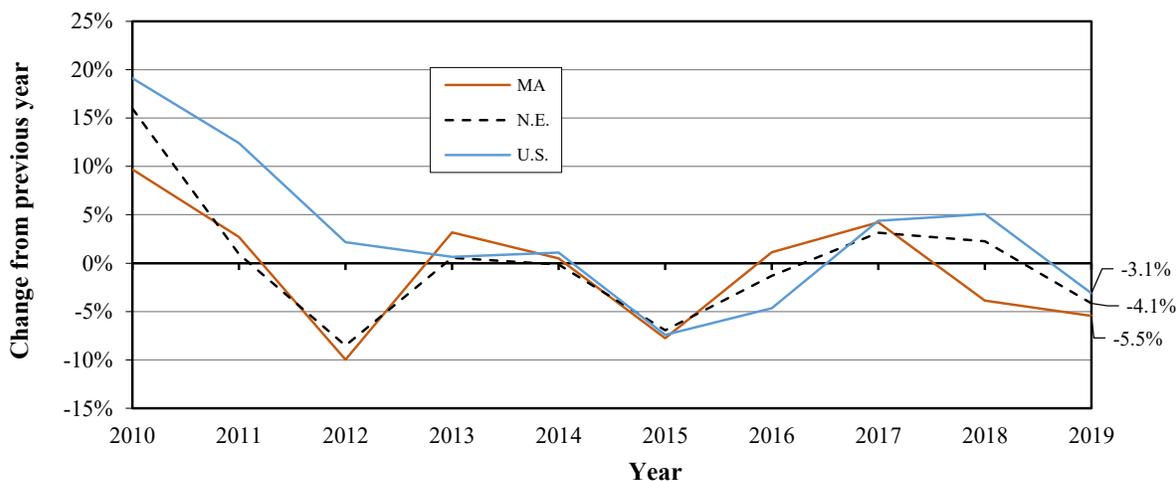
Exports. Massachusetts ranked 19th in the United States in 2019 and first in New England with \$26.1 billion in exports. This was a 5.5 percent decrease from the previous year’s export value, while national exports decreased by 3.1 percent. Total exports from New England decreased by 4.1 percent. Canada was again our top export destination in 2019 with \$3.0 billion.

Imports. Imports increased 0.79 percent to \$36.5 billion in 2019. Canada was also the largest source for Massachusetts imports in 2019, from which we imported \$8.1 billion, or 22.1 percent, of our total.

Massachusetts Imports, Exports and Trade Deficit



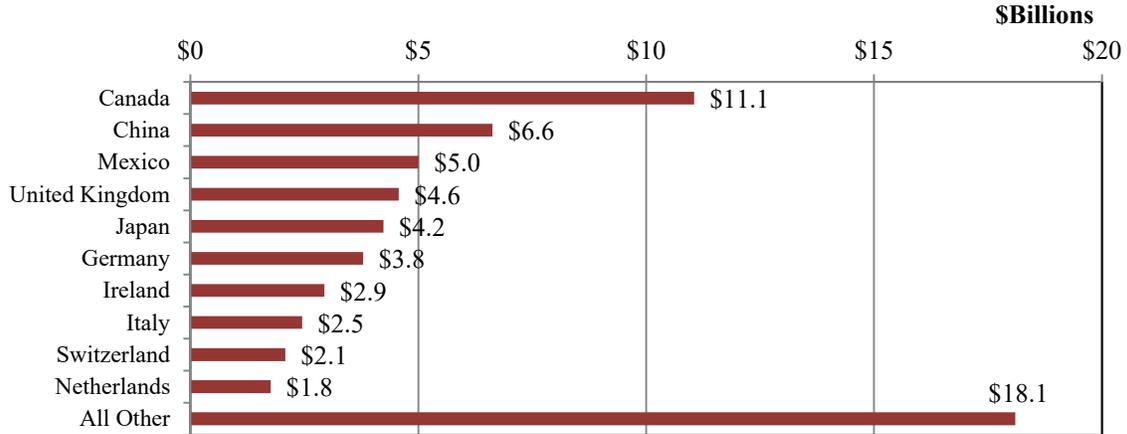
Export Growth for Massachusetts, U.S. and New England



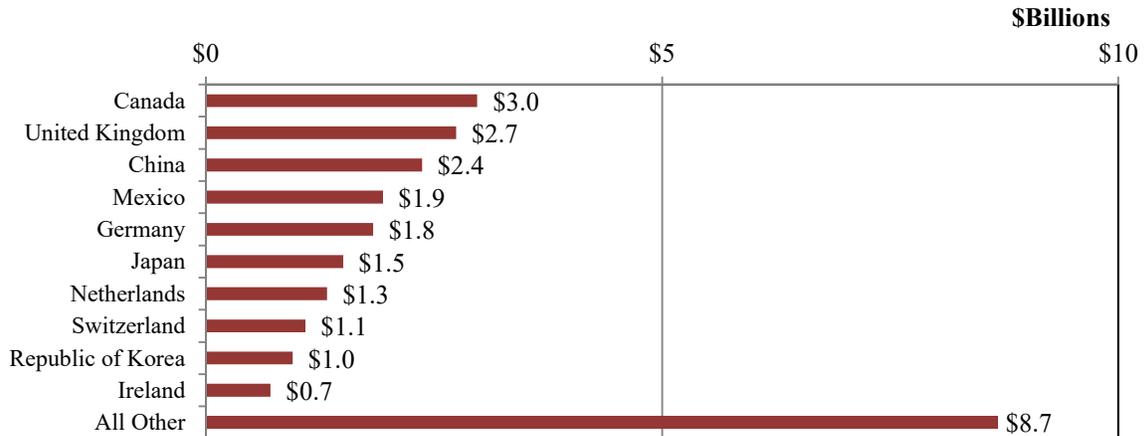
SOURCE: WISERTrade.org

Top Ten Trade Partners by Trade Type from WISERTrade.

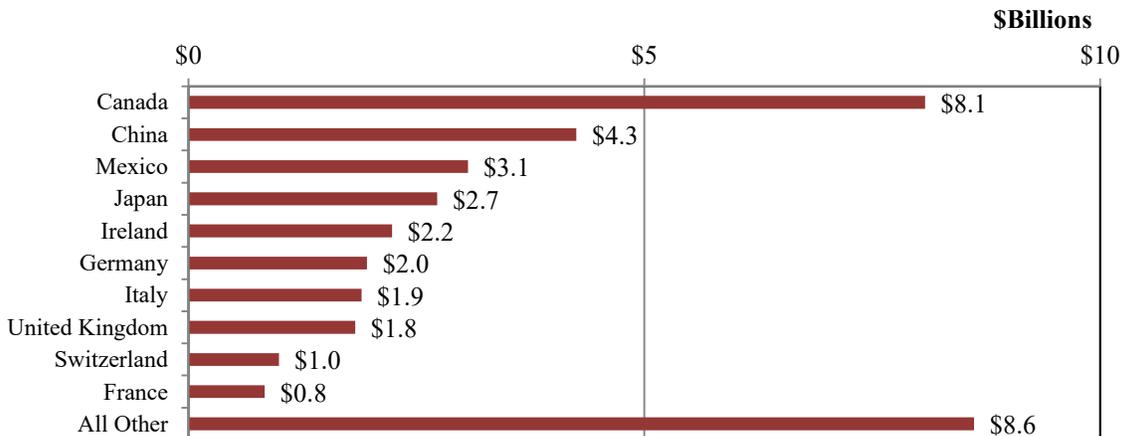
Massachusetts 2019 Top Ten Trade Partners (in \$2019)



Massachusetts 2019 Top Ten Export Partners (in \$2019)

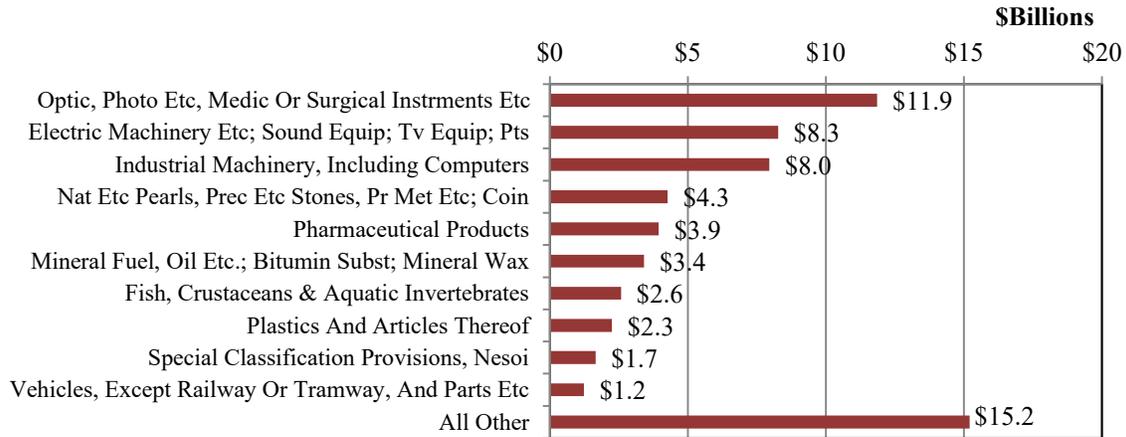


Massachusetts 2019 Top Ten Import Partners (in \$2019)

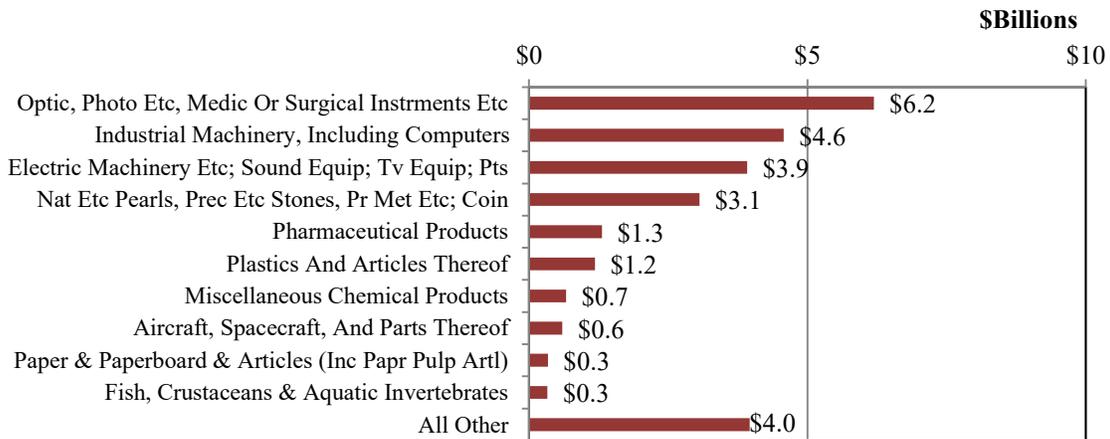


Top Ten Commodities Traded by Trade Type from WISERTrade.

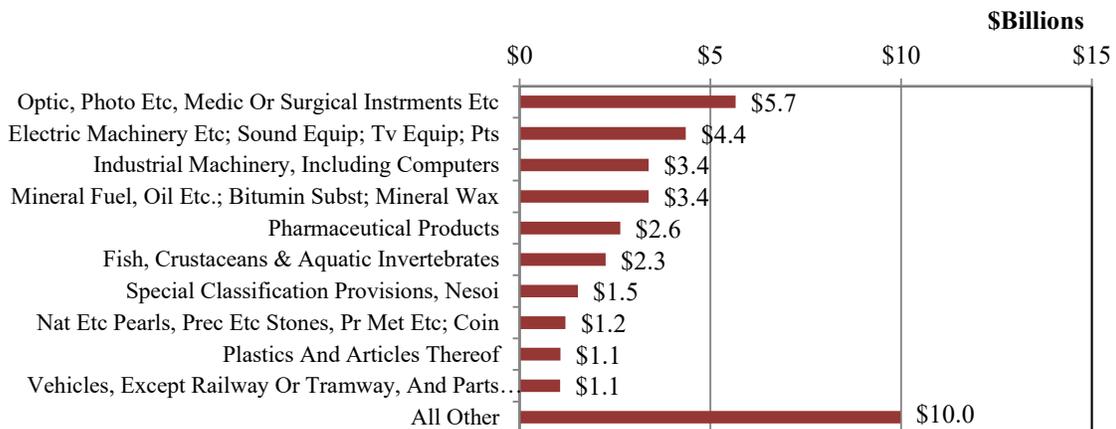
Massachusetts 2019 Top Ten Commodities Imported and Exported (in \$2019)



Massachusetts 2019 Top Ten Commodities Exported (in \$2019)

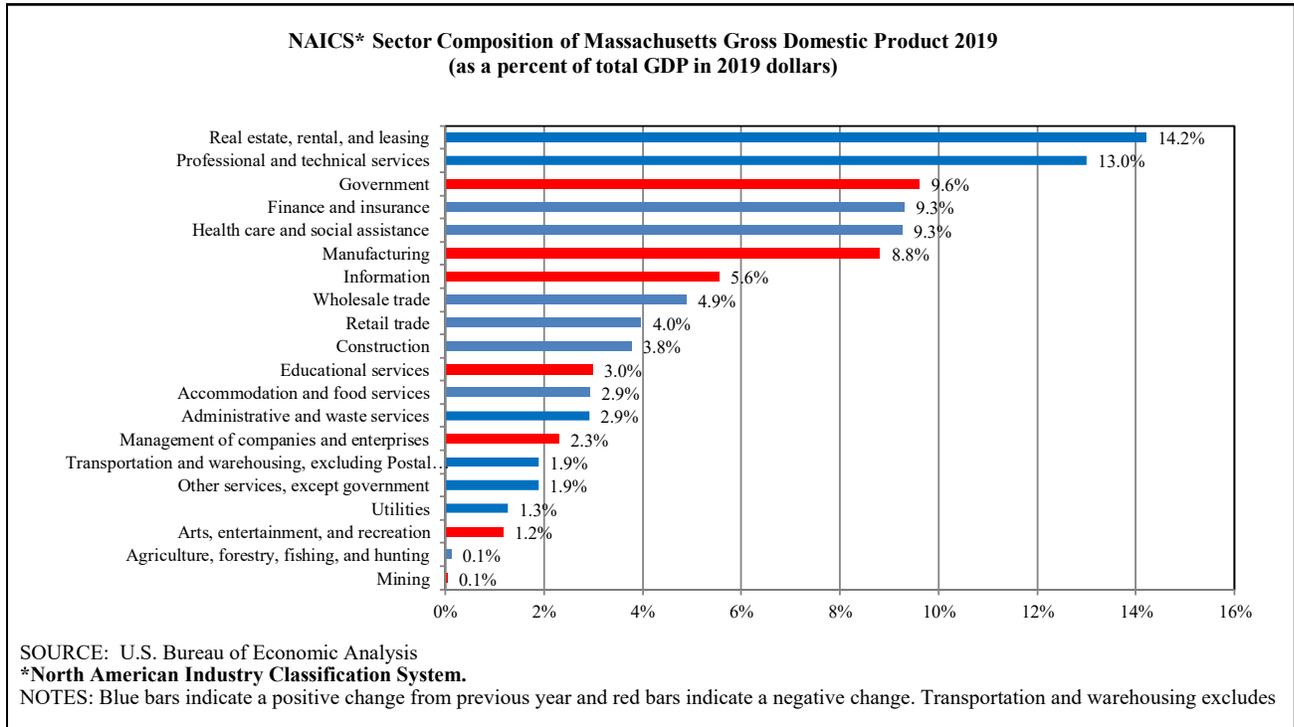


Massachusetts 2019 Top Ten Commodities Imported (in \$2019)



ECONOMIC BASE AND PERFORMANCE—INDUSTRY SECTOR DETAIL (NAICS BASIS)

The Massachusetts economy remains diversified among several industrial and non-industrial sectors. The four largest sectors of the economy are real estate, rental and leasing; professional and technical services; government; and finance and insurance, which contributed 46.1 percent of the GDP in 2019. The real estate, rental and leasing sector remained the largest contributor in 2019. The following bar chart displays the latest sector contributions to the Massachusetts GDP.



GDP Subsectors. When measured in inflation-adjusted dollars, the change in Massachusetts total GDP grew 24.0 percent between 2008 and 2017. Between 2008 and 2017 (the latest data available for subsector data), several industries grew much faster than the state average. Industry subsectors that experienced substantial cumulative growth or reduction are listed in the following chart.

Industry Subsectors with a Substantial Growth or Reduction
(2019 dollars)

NAICS* Industry Subsector	Percent Change 2008-2017
Support activities for mining	272.3%
Securities, commodity contracts, and other financial	197.7%
Air transportation	106.4%
Performing arts, spectator sports, museums, and related	100.4%
Motor vehicles, bodies and trailers, and parts manufac-	75.5%
Oil and gas extraction	-70.7%
Mining (except oil and gas)	69.4%
Transit and ground passenger transportation	67.3%

SOURCE: U.S. Bureau of Economic Analysis.
*North American Industry Classification System.
NOTE: Updated April 2020. Subsector represents at least a half percent of Massachusetts GDP in the latest year.

Gross Domestic Product by Industry in Massachusetts

(millions of 2019 dollars)

NAICS* Industry Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
All industry total	\$480,421	\$483,713	\$494,769	\$498,618	\$511,106	\$542,405	\$553,276	\$564,033	\$579,807	\$595,559
Private industries	\$427,366	\$428,825	\$442,706	\$445,490	\$457,059	\$486,606	\$497,673	\$508,303	\$523,438	\$538,270
Agriculture, forestry, fishing, and hunting	\$1,327	\$1,125	\$1,124	\$979	\$768	\$797	\$749	\$770	\$719	\$767
Mining	\$189	\$183	\$177	\$188	\$229	\$292	\$371	\$306	\$328	\$302
Utilities	\$6,481	\$6,380	\$5,949	\$6,458	\$6,613	\$6,747	\$6,273	\$7,121	\$7,358	\$7,584
Construction	\$14,107	\$14,213	\$15,242	\$16,092	\$16,732	\$18,545	\$19,646	\$20,563	\$21,447	\$22,510
Manufacturing	\$52,726	\$51,384	\$51,781	\$50,964	\$52,641	\$55,365	\$53,957	\$53,547	\$53,567	\$52,497
Wholesale trade	\$25,739	\$25,632	\$25,256	\$25,983	\$26,751	\$27,952	\$27,939	\$28,097	\$28,140	\$29,139
Retail trade	\$20,679	\$20,098	\$19,948	\$20,347	\$20,436	\$21,548	\$22,158	\$22,378	\$22,769	\$23,707
Transportation and warehousing, excluding Postal Service	\$7,577	\$7,908	\$7,838	\$8,020	\$8,465	\$9,283	\$9,700	\$10,121	\$10,984	\$11,291
Information	\$28,356	\$28,110	\$26,948	\$27,938	\$27,865	\$29,678	\$30,452	\$31,177	\$32,307	\$33,087
Finance and insurance	\$38,891	\$37,836	\$45,327	\$42,703	\$44,230	\$49,283	\$50,946	\$51,065	\$53,786	\$55,444
Real estate, rental, and leasing	\$66,969	\$69,508	\$71,020	\$71,830	\$73,247	\$75,952	\$78,602	\$80,345	\$82,103	\$84,599
Professional and technical services	\$54,590	\$55,171	\$58,184	\$57,707	\$59,361	\$63,945	\$66,771	\$70,539	\$74,683	\$77,378
Management of companies and enterprises	\$9,980	\$11,195	\$11,171	\$11,532	\$11,639	\$13,043	\$12,161	\$12,429	\$13,717	\$13,776
Administrative and waste services	\$12,628	\$12,781	\$12,859	\$13,015	\$13,407	\$14,121	\$14,486	\$15,354	\$15,900	\$17,402
Educational services	\$15,378	\$15,533	\$15,753	\$15,901	\$16,078	\$16,750	\$17,270	\$17,411	\$17,578	\$17,834
Health care and social assistance	\$45,554	\$45,678	\$47,232	\$47,886	\$48,810	\$51,267	\$52,821	\$53,512	\$53,353	\$55,166
Arts, entertainment, and recreation	\$4,604	\$4,543	\$4,613	\$5,251	\$6,262	\$6,780	\$7,100	\$6,718	\$7,075	\$7,032
Accommodation and food services	\$12,270	\$12,374	\$12,972	\$13,342	\$13,726	\$15,051	\$15,822	\$16,370	\$16,737	\$17,518
Other services, except government	\$9,324	\$9,171	\$9,312	\$9,351	\$9,801	\$10,208	\$10,450	\$10,480	\$10,886	\$11,235
Government	\$53,054	\$54,888	\$52,063	\$53,129	\$54,047	\$55,799	\$55,603	\$55,730	\$56,369	\$57,289

Rank of Industry Contribution to GDP in Massachusetts

(millions of 2019 dollars)

NAICS* Industry Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
All industry total										
Private industries										
Agriculture, forestry, fishing, and hunting	19	19	19	19	19	19	19	19	19	19
Mining	20	20	20	20	20	20	20	20	20	20
Utilities	17	17	17	17	17	18	18	17	17	17
Construction	11	11	11	10	10	10	10	10	10	10
Manufacturing	4	4	4	4	4	4	4	4	5	6
Wholesale trade	8	8	8	8	8	8	8	8	8	8
Retail trade	9	9	9	9	9	9	9	9	9	9
Transportation and warehousing, excluding Postal Service	16	16	16	16	16	16	16	16	15	15
Information	7	7	7	7	7	7	7	7	7	7
Finance and insurance	6	6	6	6	6	6	6	6	4	4
Real estate, rental, and leasing	1	1	1	1	1	1	1	1	1	1
Professional and technical services	2	2	2	2	2	2	2	2	2	2
Management of companies and enterprises	14	14	14	14	14	14	14	14	14	14
Administrative and waste services	12	12	13	13	13	13	13	13	13	13
Educational services	10	10	10	11	11	11	11	11	11	11
Health care and social assistance	5	5	5	5	5	5	5	5	6	5
Arts, entertainment, and recreation	18	18	18	18	18	17	17	18	18	18
Accommodation and food services	13	13	12	12	12	12	12	12	12	12
Other services, except government	15	15	15	15	15	15	15	15	16	16
Government	3	3	3	3	3	3	3	3	3	3

SOURCE: U.S. Bureau of Economic Analysis.

*North American Industry Classification System.

Industry Sector Analysis. The following section contains a summary for each of the twenty major NAICS* sectors. The data series show a ten-year time span. Graphs include data value labels for the latest annual points.

Not all datasets are reported for all of the major NAICS sectors. The Massachusetts Department of Workforce and Labor Development's Employment and Wages (ES-202) data series are available for every sector and contain the number of establishments, average monthly employment, total annual wages and average weekly wages for establishments with employees. The data are reported quarterly and annually for employees in the private, federal government, state government, and local government sectors. **NOTE:** Beginning with the first quarter 2012, a code change for employees from private households (NAICS 814110) into services for the elderly and persons with disabilities (NAICS 624120) moved 33,960 employees in Massachusetts in January 2013.

The nonemployer businesses and receipts graph uses the U.S. Census Nonemployer Statistics series and is available for every sector except 55 - Management of Companies and Enterprises and 92 - Public Administration. Some sectors also lack subsector (at the four-digit NAICS level) detail. Nonemployer annual data have a two-year reporting lag for businesses that do not have paid employees and are subject to federal income tax. The Census reports that "Nonemployers account for a majority of all business establishments, but average less than four percent of all sales or receipts." These can be second or part-time businesses and not the owner's primary source of income.

State Gross Domestic Product is an annual series from the U.S. Bureau of Economic Analysis's Regional Economic Accounts. For more information, please visit:

http://www.bea.gov/newsreleases/regional/gdp_state/qgsp_newsrelease.htm

Foreign exports from the U.S. Census Bureau's Foreign Trade Division and WISERTrade, are available for four industries on a monthly basis. Total state exports are available on a monthly basis. Sector exports and the top ten export destinations for this industry sector are by dollar value.

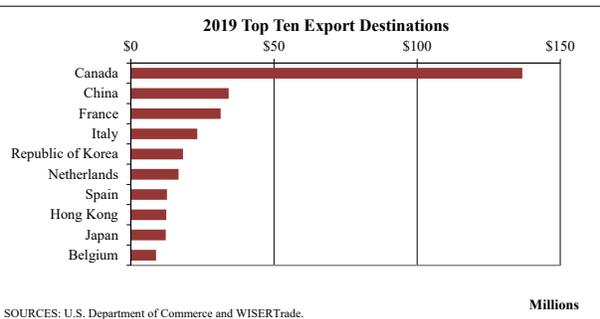
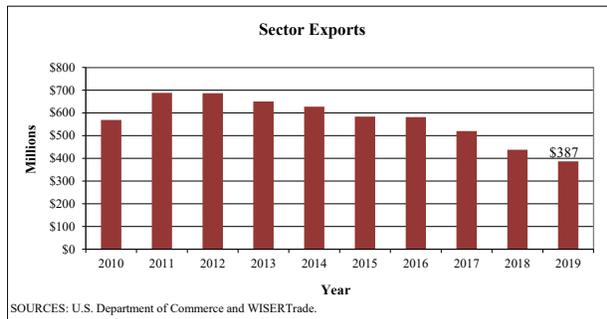
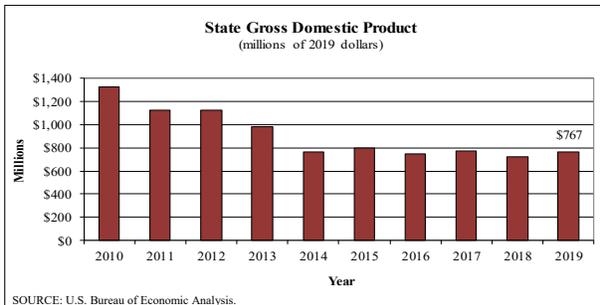
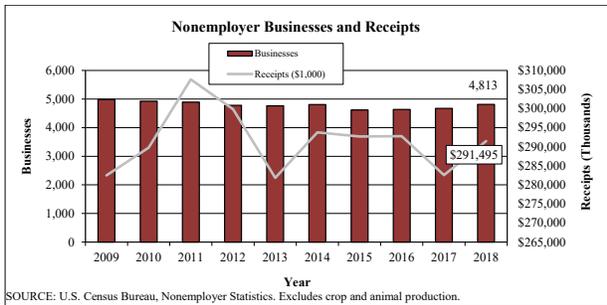
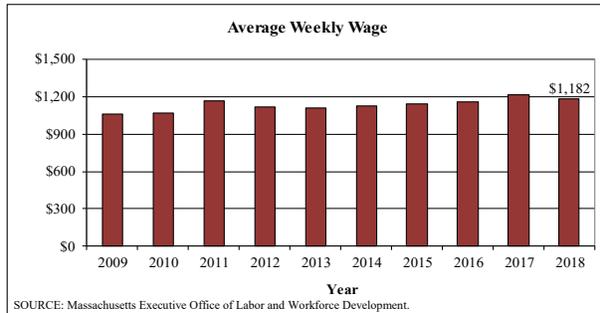
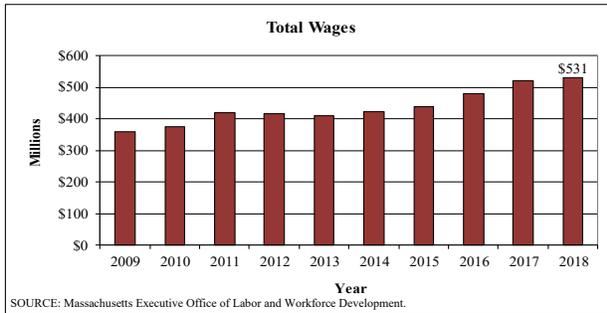
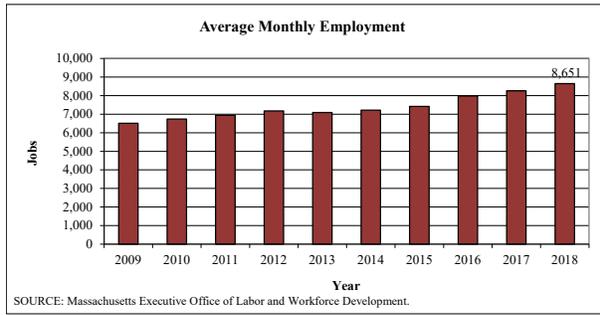
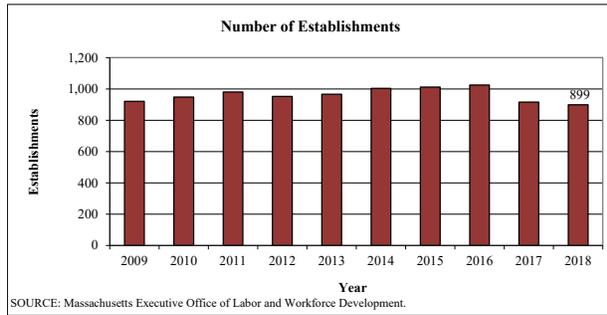
Each sector analysis has a summary at the bottom of each page. The summary provides (when available):

1. GDP contribution to state total: this sector's GDP divided by the state's total GDP. A **blue** figure in the text at the bottom of the page indicates it is larger than the previous year's GDP contribution. **Red** indicates it is smaller than the previous year's and **black** indicates no change from the previous year's GDP contribution.
2. GDP rank: this sector's GDP rank versus all state sectors. A **blue** figure in the text at the bottom of the page indicates that it is higher than the previous year's rank. **Red** indicates that it is lower than the previous year's and **black** indicates that there was no change from the previous year's GDP rank.
3. Nonemployer to employer establishment ratio: the number of nonemployer establishments divided by the number of establishments with employers. In general, a ratio greater than one means there are more small businesses, while a number less than one means there are more large businesses.
4. Establishments with employees: the subsector with the largest number of establishments who have employees.
5. Nonemployer establishments: the subsector with the largest number of establishments that do not have employees.
6. Employees: the subsector with the largest number of employees, at establishments with employees.
7. Annual wages: the subsector with the largest total annual wages, at establishments with employees.
8. Average weekly wage: the subsector with the largest average weekly wage, at establishments with employees.
9. Annual receipts at nonemployer establishments: the subsector with the most receipts, at establishments that do not have employees.
10. Most valuable export: the subsector export with the highest dollar value.

*North American Industry Classification System.

Note: Total Wage, State Gross Domestic Product, Average Weekly Wage, Nonemployer Receipts, and Sector Exports are all inflation-adjusted to 2019.

NAICS 11 - Agriculture, Forestry, Fishing & Hunting. The Agriculture, Forestry, Fishing and Hunting sector comprises establishments primarily engaged in growing crops, raising animals, harvesting timber, and harvesting fish and other animals from a farm, ranch, or their natural habitats.



Summary.

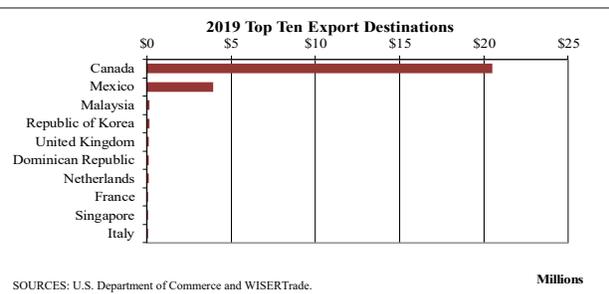
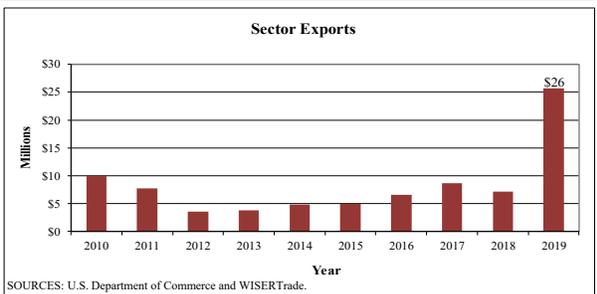
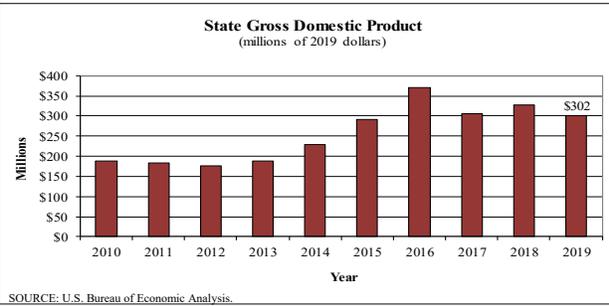
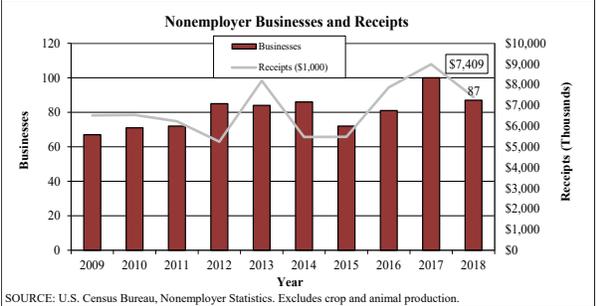
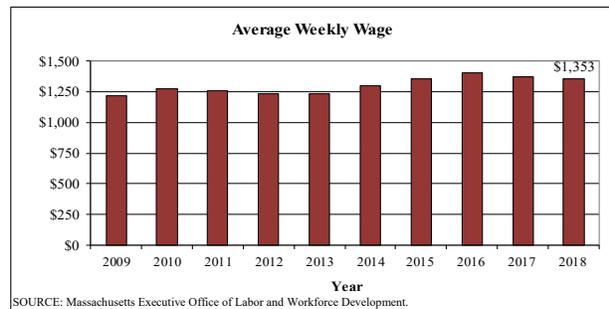
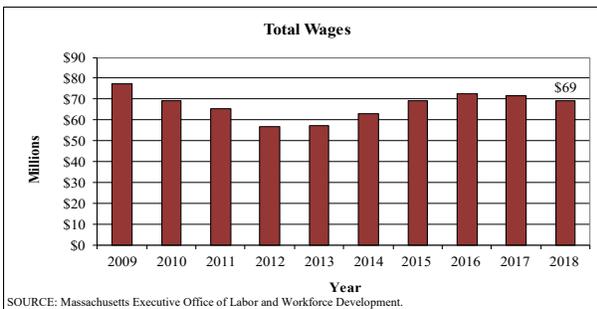
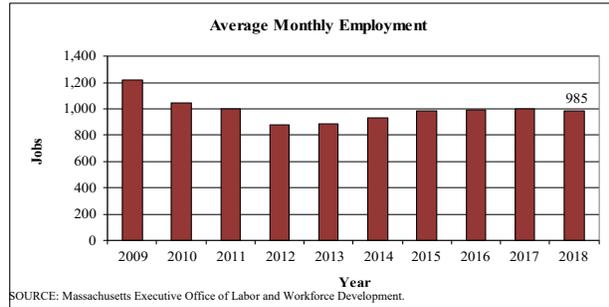
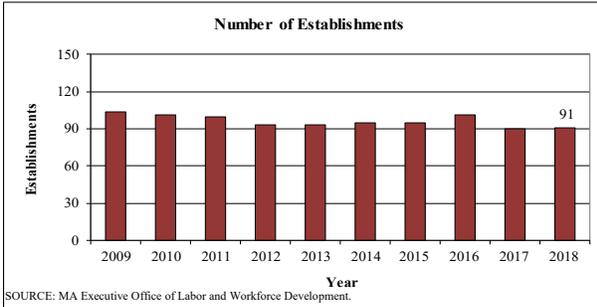
GDP contribution to state total: **0.13%**
 GDP rank: **19 of 20**
 Nonemployer to employer establishment ratio: **5.4 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

- Establishments with employees: **Fishing**
- Nonemployer establishments: **Fishing**
- Employees: **Greenhouse and nursery production**
- Annual wages: **Fishing**
- Average weekly wage: **Fishing**
- Annual receipts at nonemployer establishments: **Fishing**
- Most valuable export: **Fish, fresh, chilled, or frozen and other marine products**

*For this 2-digit industry, Nonemployer data are available only for 113-115 (Forestry, fishing & hunting & agricultural support services).

NAICS 21 – Mining. The Mining, Quarrying, and Oil and Gas Extraction sector comprises establishments that extract naturally occurring mineral solids, such as coal and ores; liquid minerals, such as crude petroleum; and gases, such as natural gas. The term mining is used in the broad sense to include quarrying, well operations, beneficiating (e.g., crushing, screening, washing, and flotation), and other preparation customarily performed at the mine site, or as a part of mining activity.



Summary.

GDP contribution to state total: **0.1%**

GDP rank: **20 of 20**

Nonemployer to employer establishment ratio: **1.0 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Nonmetallic mineral mining and quarrying**

Nonemployer establishments: **Nonmetallic mineral mining and quarrying**

Employees: **Nonmetallic mineral mining and quarrying**

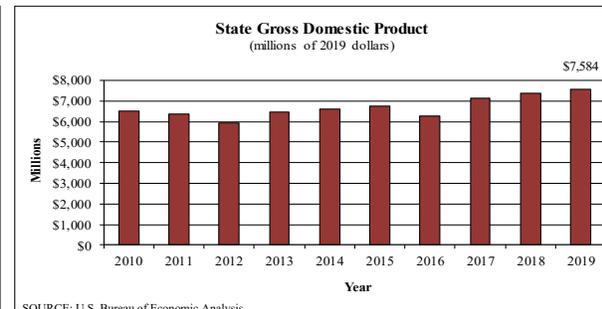
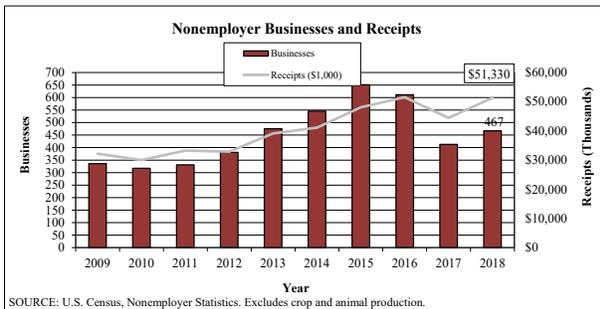
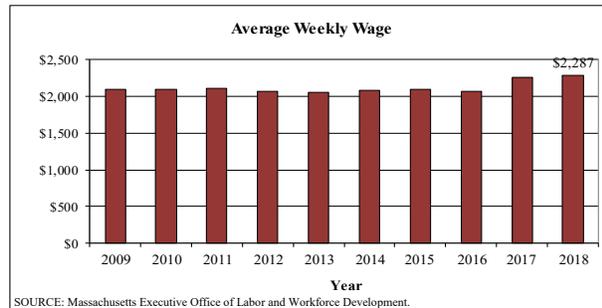
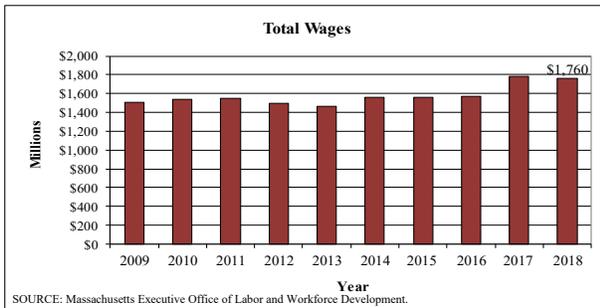
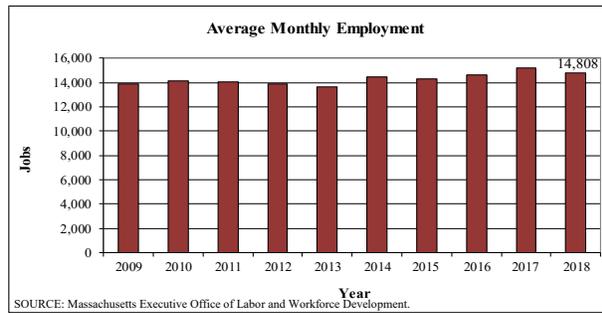
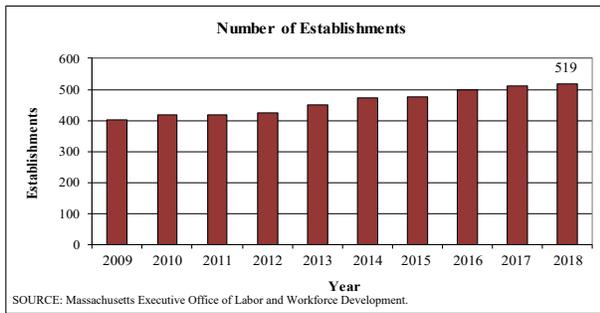
Annual wages: **Nonmetallic mineral mining and quarrying**

Average weekly wage: **Support activities for mining**

Annual receipts at nonemployer establishments: **Nonmetallic mineral mining and quarrying**

Most valuable export: **Oil and gas**

NAICS 22 – Utilities. The Utilities sector comprises establishments engaged in the provision of the following utility services: electric power, natural gas, steam supply, water supply, and sewage removal. See the appendix, pages five and six for supplemental tables regarding electricity generation, supply and capacity.



State export data are not available for this sector.

Summary.

GDP contribution to state total: 1.3%

GDP rank: 17 of 20

Nonemployer to employer establishment ratio: 0.9 to 1

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Power generation and supply**

Nonemployer establishments: Subsector detail N/A

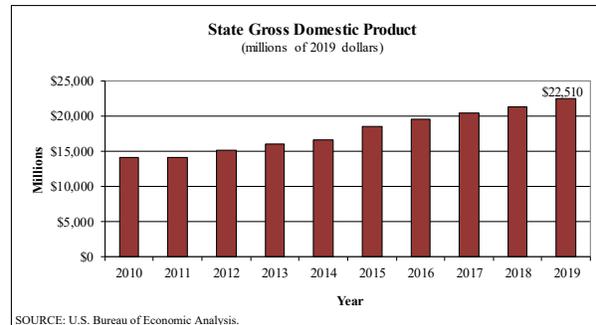
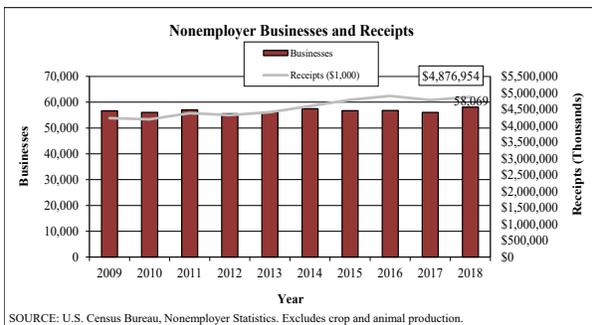
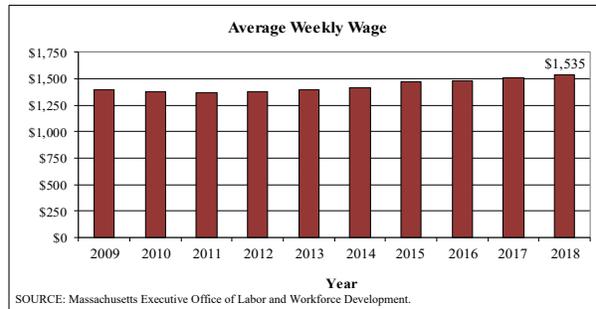
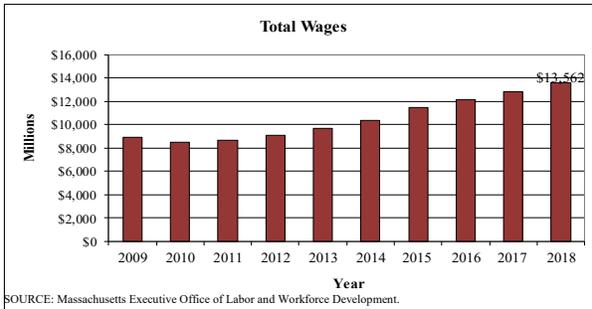
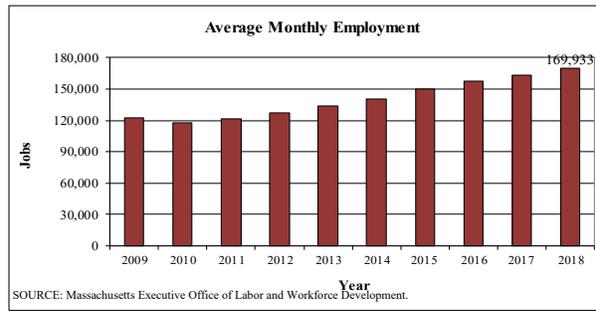
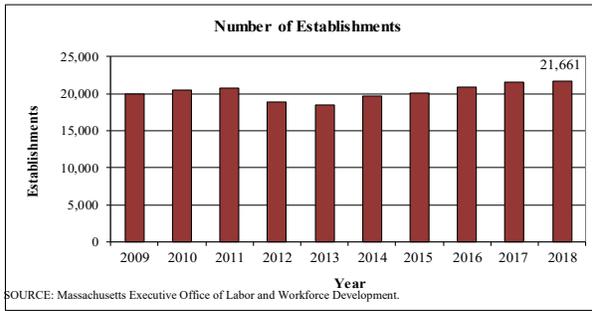
Employees: **Power generation and supply**

Annual wages: **Power generation and supply**

Average weekly wage: **Natural gas distribution**

Annual receipts at nonemployer establishments: Subsector detail N/A

NAICS 23 – Construction. The Construction sector comprises establishments primarily engaged in the construction of buildings or engineering projects (e.g., highways and utility systems). Establishments primarily engaged in the preparation of sites for new construction and establishments primarily engaged in subdividing land for sale as building sites also are included in this sector. See the appendix pages two through four for housing permits, housing sales, and housing sale prices.



State export data are not available for this sector.

Summary.

GDP contribution to state total: **3.8%**

GDP rank: **10 of 20**

Nonemployer to employer establishment ratio: **2.7 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Building equipment contractors**

Nonemployer establishments: **Building finishing contractors**

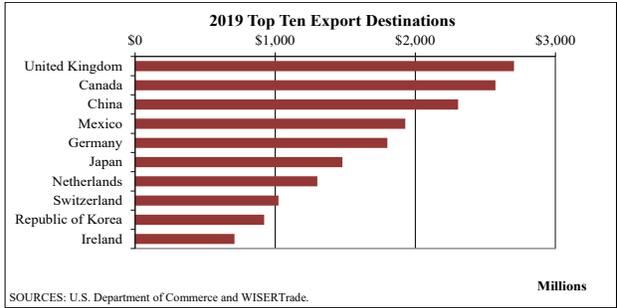
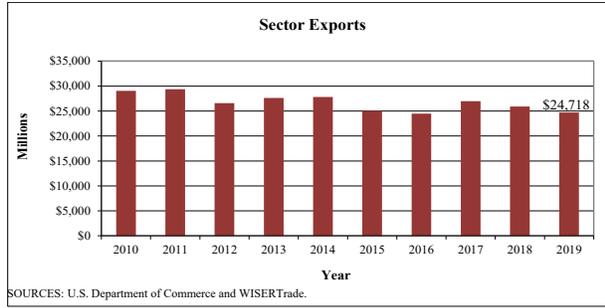
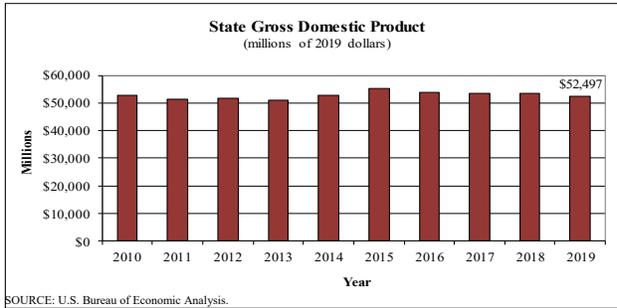
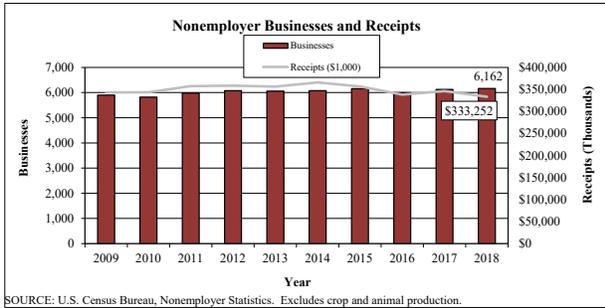
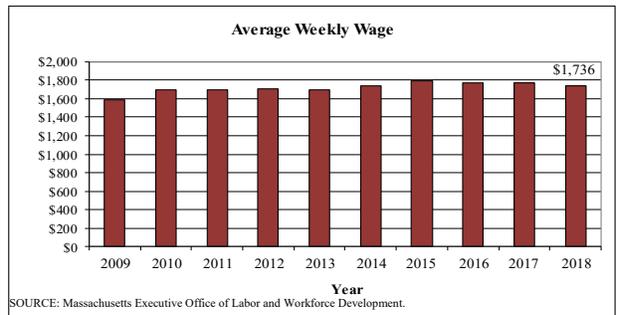
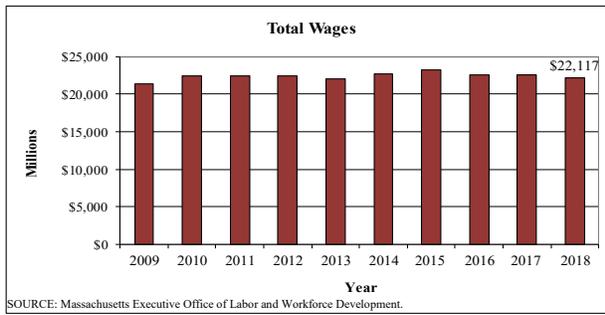
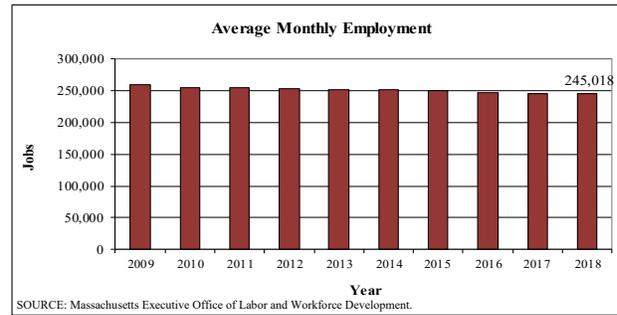
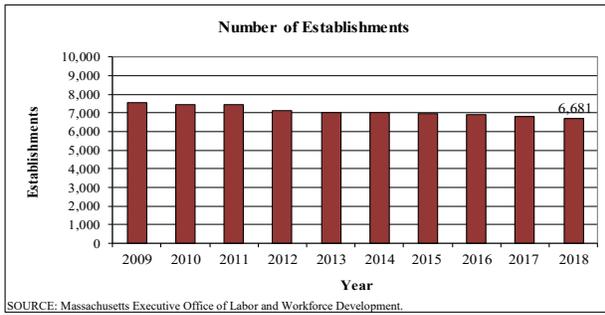
Employees: **Building equipment contractors**

Annual wages: **Building equipment contractors**

Average weekly wage: **Land subdivision**

Annual receipts at nonemployer establishments: **Residential building construction**

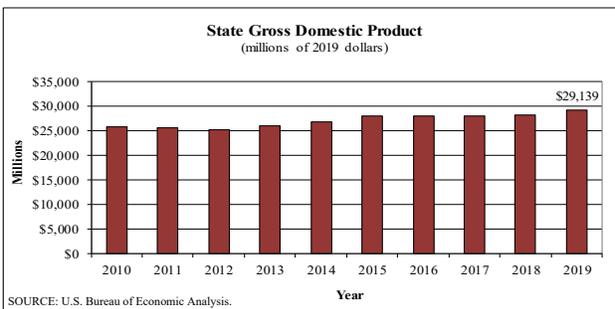
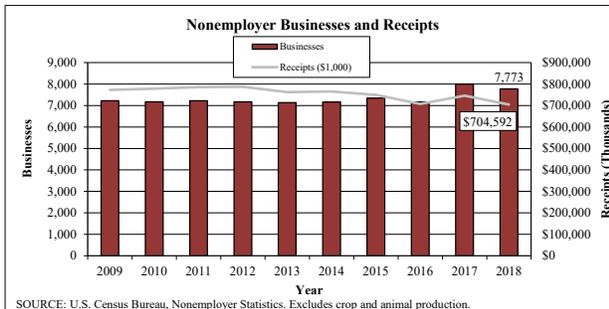
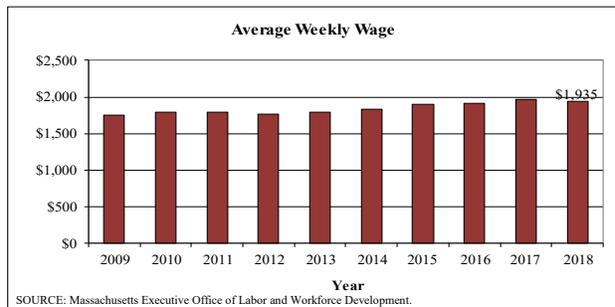
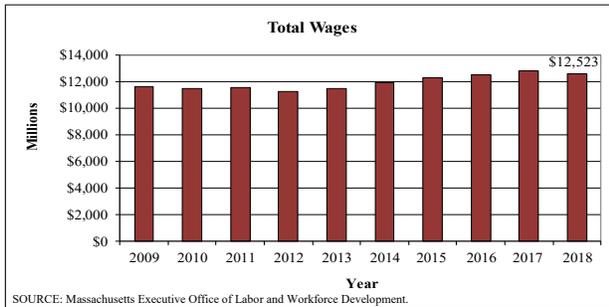
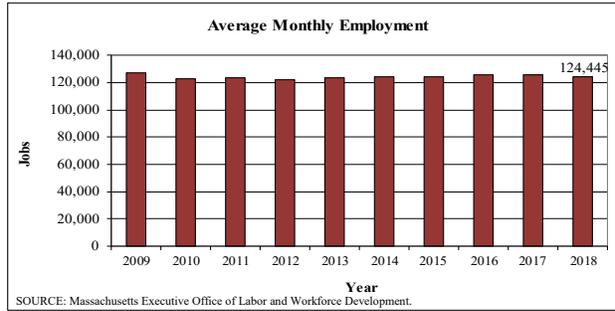
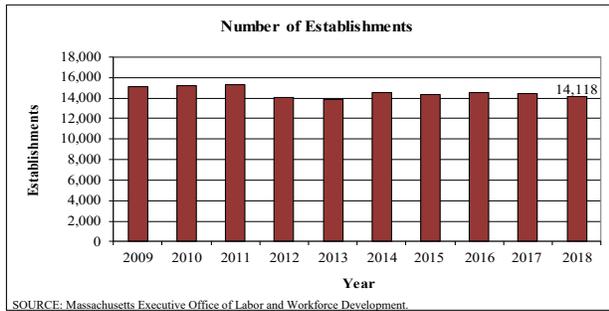
NAICS 31-33 – Manufacturing. The Manufacturing sector comprises establishments engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. The assembling of component parts of manufactured products is considered manufacturing, except in cases where the activity is appropriately classified in Sector 23, Construction.



Summary.
 GDP contribution to state total: **8.8%**
 GDP rank: **6 of 20**
 Nonemployer to employer establishment ratio: **0.9 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.
 Establishments with employees: **Machine shops and threaded product manufacturing**
 Nonemployer establishments: **Other miscellaneous manufacturing**
 Employees: **Electronic instrument manufacturing**
 Annual wages: **Electronic instrument manufacturing**
 Average weekly wage: **Computer and peripheral equipment manufacturing**
 Annual receipts at nonemployer establishments: **Other miscellaneous manufacturing**
 Most valuable export: **Computer and electronic products**

NAICS 42 - Wholesale Trade. The Wholesale Trade sector comprises establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The merchandise described in this sector includes the outputs of agriculture, mining, manufacturing, and certain information industries, such as publishing. The wholesaling process is an intermediate step in the distribution of merchandise.



State export data are not available for this sector.

Summary.

GDP contribution to state total: **4.9%**

GDP rank: **8 of 20**

Nonemployer to employer establishment ratio: **0.6 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Electronic markets and agents and brokers**

Nonemployer establishments: Subsector detail N/A

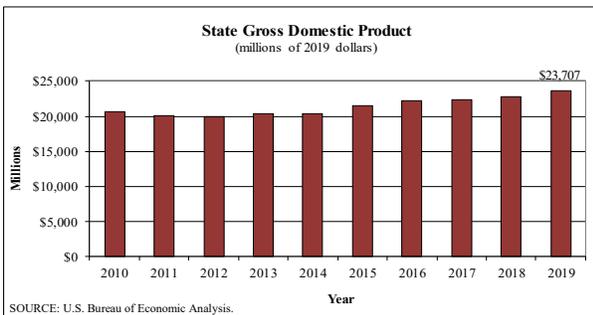
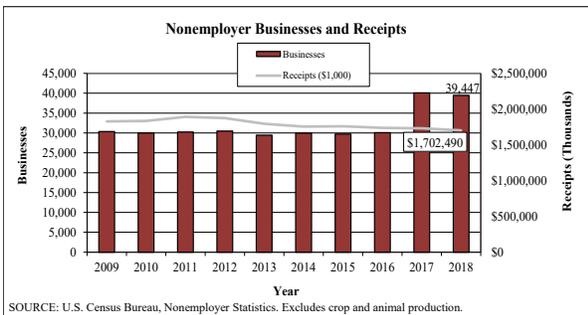
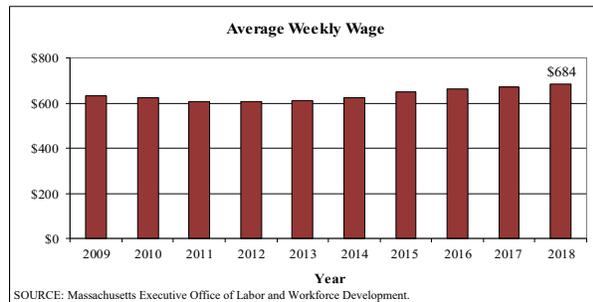
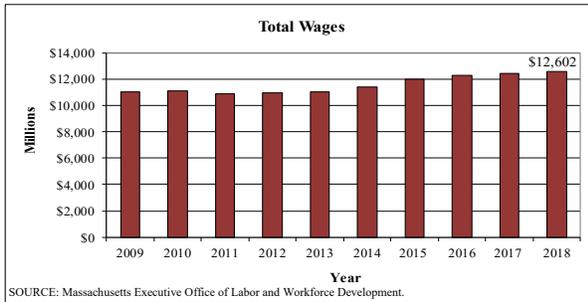
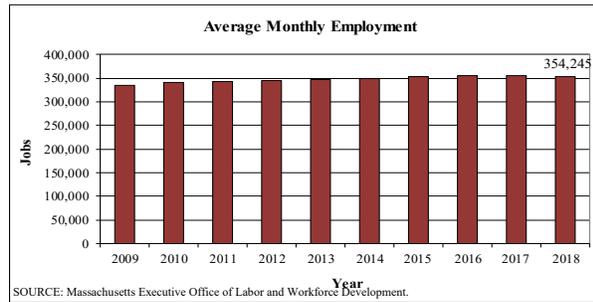
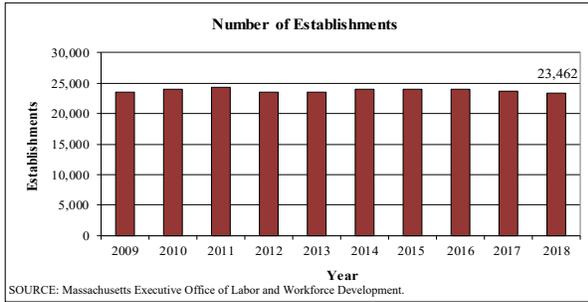
Employees: **Commercial equipment merchant wholesalers**

Annual wages: **Commercial equipment merchant wholesalers**

Average weekly wage: **Druggists' goods merchant wholesalers**

Annual receipts at nonemployer establishments: **Miscellaneous durable goods merchant wholesalers**

NAICS 44-45 - Retail Trade. The Retail Trade sector comprises establishments engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The retailing process is the final step in the distribution of merchandise; retailers are therefore organized to sell merchandise in small quantities to the general public. This sector comprises two main types of retailers: store and nonstore retailers.



State export data are not available for this sector.

Summary.

GDP contribution to state total: **4.0%**

GDP rank: **9 of 20**

Nonemployer to employer establishment ratio: **1.7 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Grocery stores**

Nonemployer establishments: **Direct selling establishments**

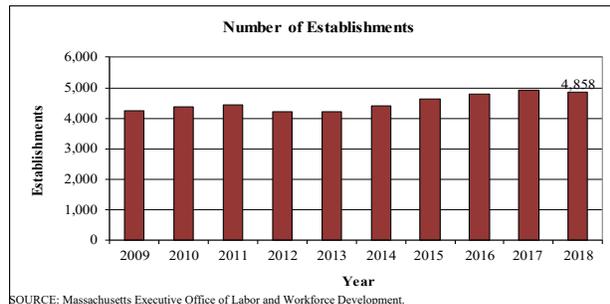
Employees: **Grocery stores**

Annual wages: **Grocery stores**

Average weekly wage: **Electronic shopping and mail-order houses**

Annual receipts at nonemployer establishments: **Direct selling establishments**

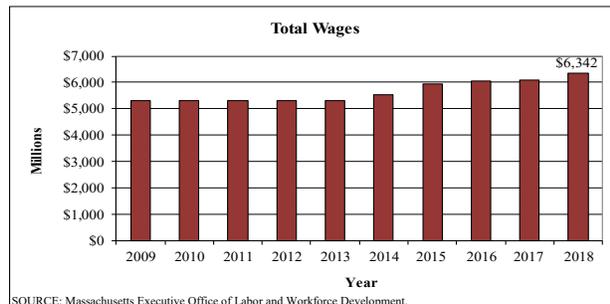
NAICS 48-49 - Transportation and Warehousing. The Transportation and Warehousing sector includes industries providing transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation. Establishments in these industries use transportation equipment or transportation related facilities as a productive asset. The type of equipment depends on the mode of transportation. The modes of transportation are air, rail, water, road, and pipeline. See pages six and seven of the appendix for more information regarding transportation and warehousing.



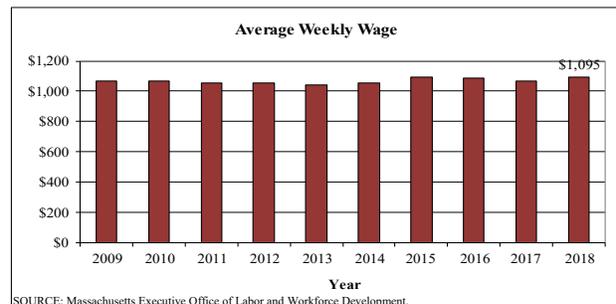
SOURCE: Massachusetts Executive Office of Labor and Workforce Development.



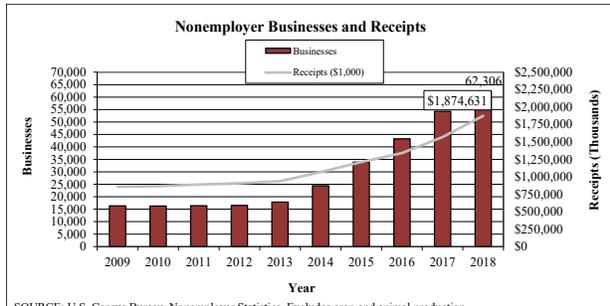
SOURCE: Massachusetts Executive Office of Labor and Workforce Development.



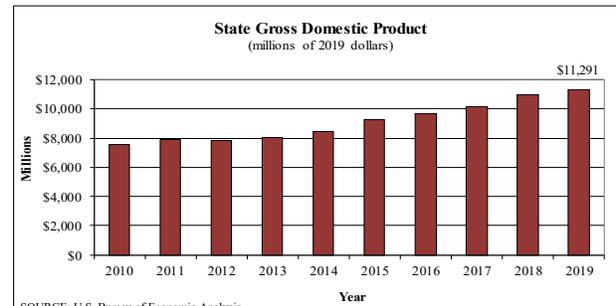
SOURCE: Massachusetts Executive Office of Labor and Workforce Development.



SOURCE: Massachusetts Executive Office of Labor and Workforce Development.



SOURCE: U.S. Census Bureau, Nonemployer Statistics. Excludes crop and animal production.



SOURCE: U.S. Bureau of Economic Analysis.

State export data are not available for this sector.

Summary.

GDP contribution to state total: **1.9%**

GDP rank: **15 of 20**

Nonemployer to employer establishment ratio: **12.8 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **General freight trucking**

Nonemployer establishments: **Taxi and limousine service**

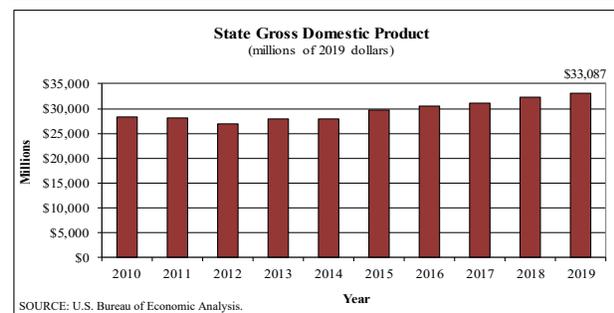
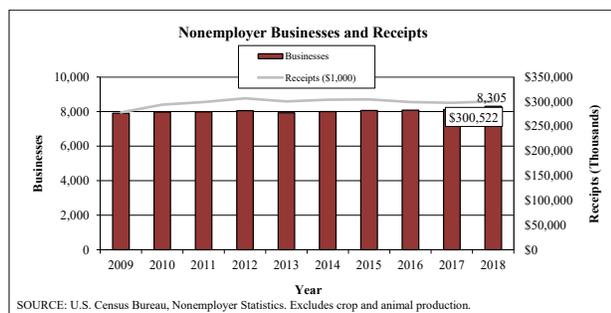
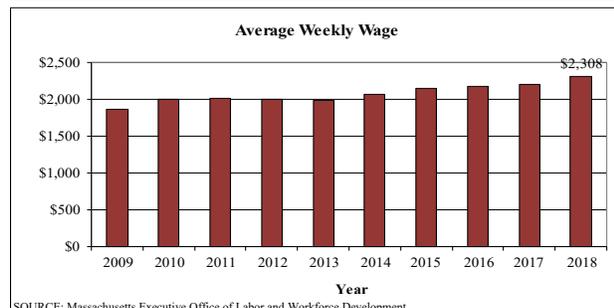
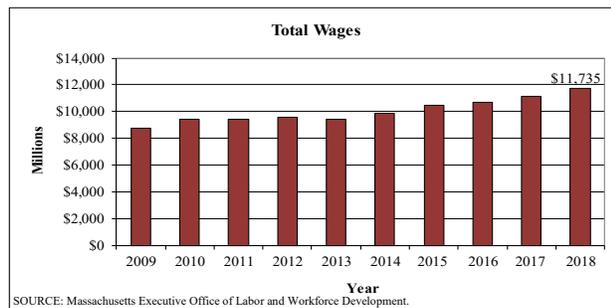
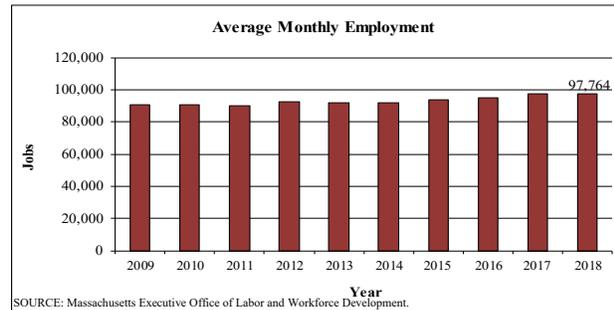
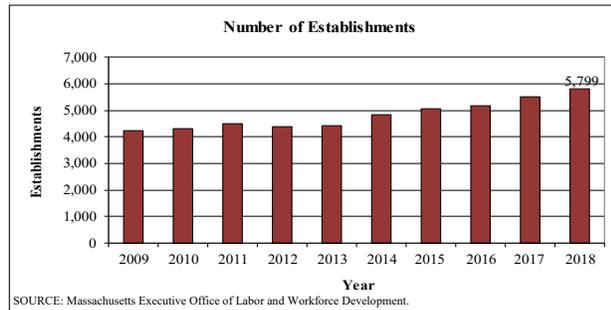
Employees: **Warehousing and storage**

Annual wages: **Warehousing and storage**

Average weekly wage: **Pipeline transportation of natural gas**

Annual receipts at nonemployer establishments: **Taxi and limousine service**

NAICS 51 – Information. The Information sector comprises establishments engaged in the following processes: producing and distributing information and cultural products, providing the means to transmit or distribute these products as well as data or communications, and processing data. In 2014, Information exports of prepackaged software, NAICS code 511, were recoded to the Manufacturing NAICS code 334.



State export data are not available for this sector.

Summary.

GDP contribution to state total: **5.6%**

GDP rank: **7 of 20**

Nonemployer to employer establishment ratio: **1.4 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Software publishers**

Nonemployer establishments: **Motion picture and video industries**

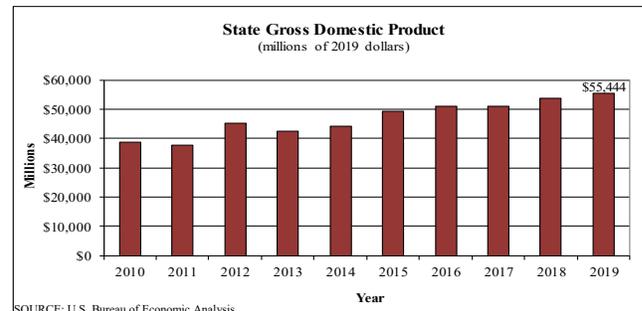
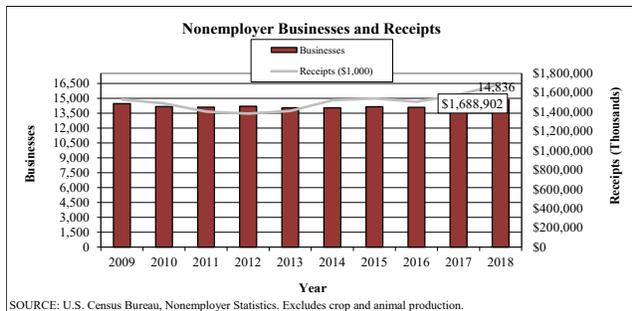
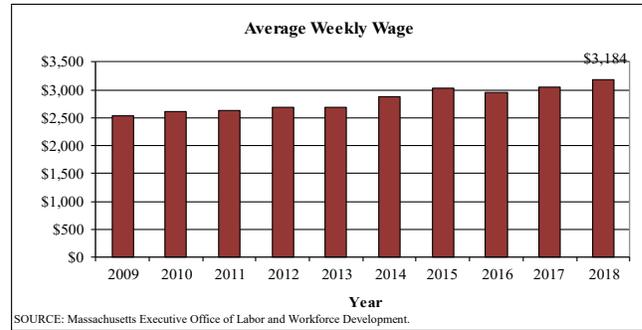
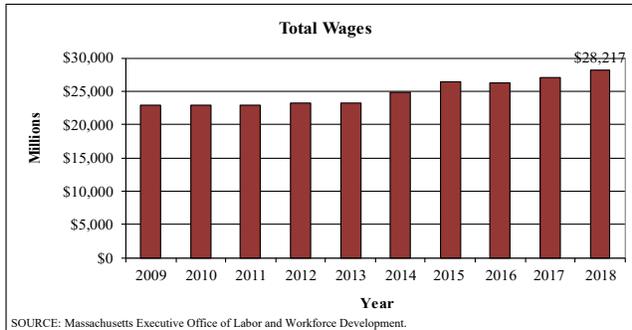
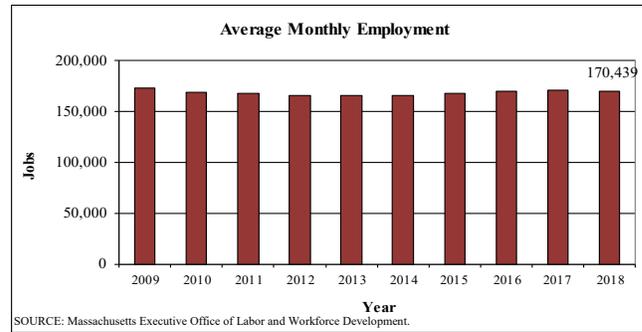
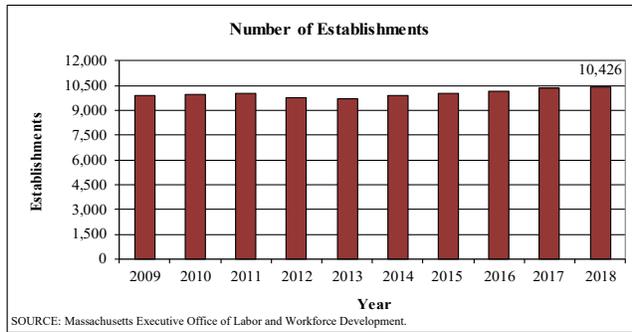
Employees: **Software publishers**

Annual wages: **Software publishers**

Average weekly wage: **Software publishers**

Annual receipts at nonemployer establishments: **Other information services**

NAICS 52 - Finance and Insurance. The Finance and Insurance sector comprises establishments primarily engaged in financial transactions (transactions involving the creation, liquidation, or change in ownership of financial assets) and/or in facilitating financial transactions.



State export data are not available for this sector.

Summary.

GDP contribution to state total: **9.3%**

GDP rank: **4 of 20**

Nonemployer to employer establishment ratio: **1.4 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Insurance agencies and brokerages**

Nonemployer establishments: **Other financial investment activities**

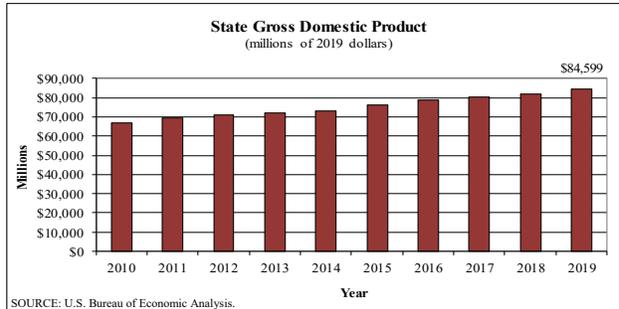
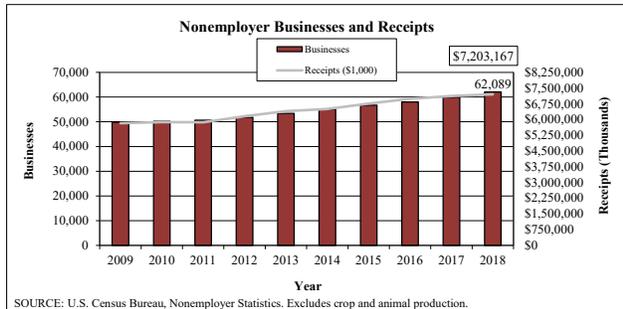
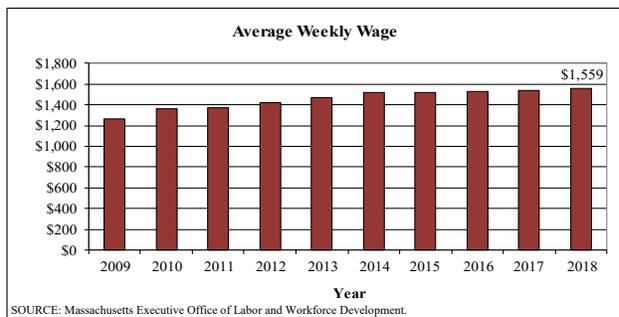
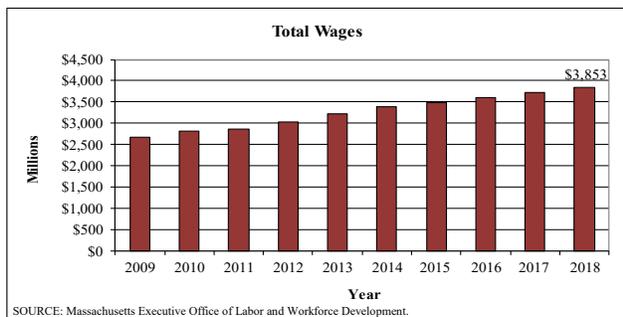
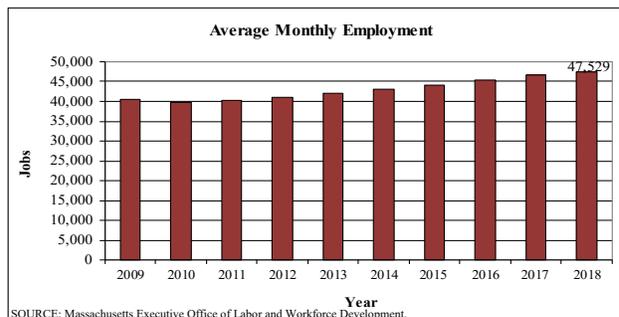
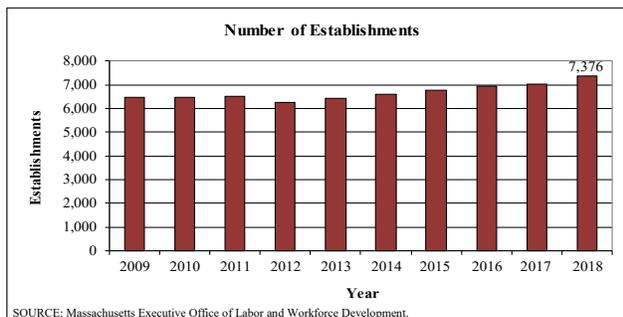
Employees: **Depository credit intermediation**

Annual wages: **Other financial investment activities**

Average weekly wage: **Other investment pools and funds**

Annual receipts at nonemployer establishments: **Other financial investment activities**

NAICS 53 - Real Estate and Rental and Leasing. The Real Estate and Rental and Leasing sector comprises establishments primarily engaged in renting, leasing, or otherwise allowing the use of tangible or intangible assets, and establishments providing related services. The major portion of this sector comprises establishments that rent, lease, or otherwise allow the use of their own assets by others. The assets may be tangible, as is the case of real estate and equipment, or intangible, as is the case with patents and trademarks.



State export data are not available for this sector.

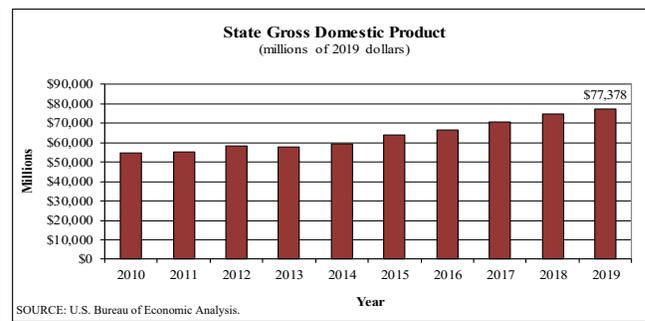
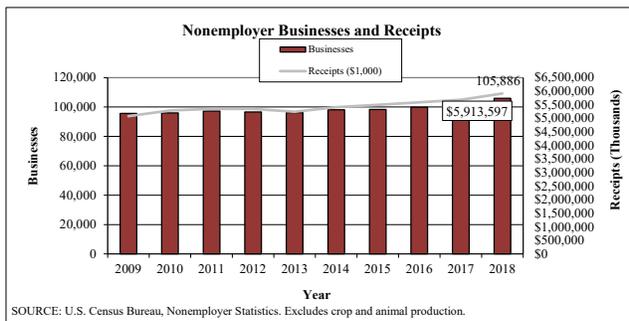
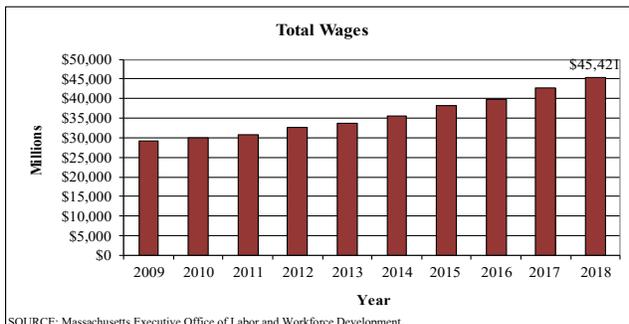
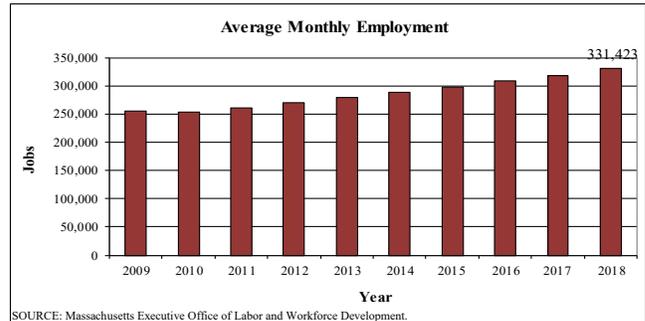
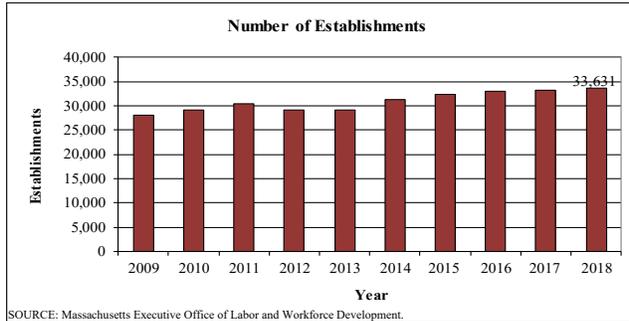
Summary.

GDP contribution to state total: **14.2%**
 GDP rank: **1 of 20**
 Nonemployer to employer establishment ratio: **8.4 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

- Establishments with employees: **Activities related to real estate**
- Nonemployer establishments: **Lessors of real estate**
- Employees: **Activities related to real estate**
- Annual wages: **Activities related to real estate**
- Average weekly wage: **Lessors of nonfinancial intangible assets**
- Annual receipts at nonemployer establishments: **Lessors of real estate**

NAICS 54 - Professional and Technical Services. The Professional and Technical Services sector comprises establishments that specialize in performing professional, scientific, and technical activities for others. These activities require a high degree of expertise and training. The establishments in this sector specialize according to expertise and provide these services to clients in a variety of industries - in some cases, to households. Activities performed include: legal advice and representation, accounting, bookkeeping, and payroll services, architectural, engineering, and specialized design services, computer services, consulting services, research services, advertising services, photographic services, translation and interpretation services, veterinary services, and other professional, scientific, and technical services.



State export data are not available for this sector.

Summary.

GDP contribution to state total: **13.0%**

GDP rank: **2 of 20**

Nonemployer to employer establishment ratio: **3.1 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Computer systems design and related services**

Nonemployer establishments: **Other professional, scientific, and technical services**

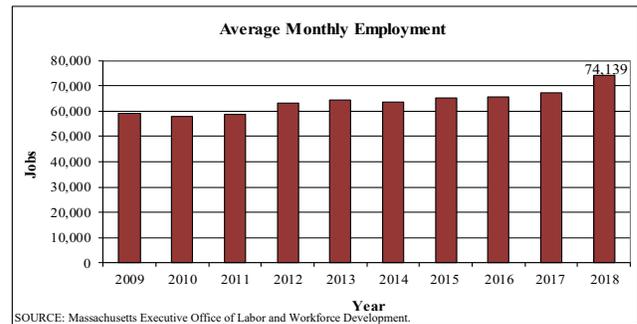
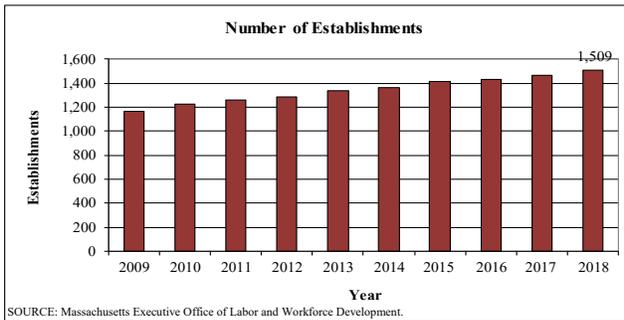
Employees: **Computer systems design and related services**

Annual wages: **Computer systems design and related services**

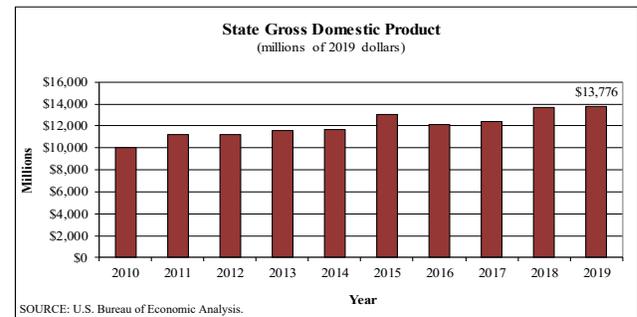
Average weekly wage: **Scientific research and development services**

Annual receipts at nonemployer establishments: **Other professional, scientific, and technical services**

NAICS 55 - Management of Companies and Enterprises. The Management of Companies and Enterprises sector comprises establishments that hold the securities of (or other equity interests in) companies and enterprises for the purpose of owning a controlling interest or influencing management decisions or establishments (except government establishments) that administer, oversee, and manage establishments of the company or enterprise and that normally undertake the strategic or organizational planning and decision making role of the company or enterprise. Establishments that administer, oversee, and manage may hold the securities of the company or enterprise.



State nonemployer and export data are not available for this sector.



Summary.

GDP contribution to state total: **2.3%**

GDP rank: **14 of 20**

Nonemployer to employer establishment ratio: **N/A**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll, and receipts.

Establishments with employees: Subsector detail **N/A**

Nonemployer establishments: Subsector detail **N/A**

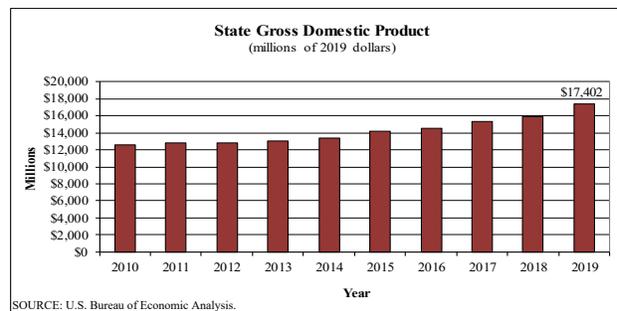
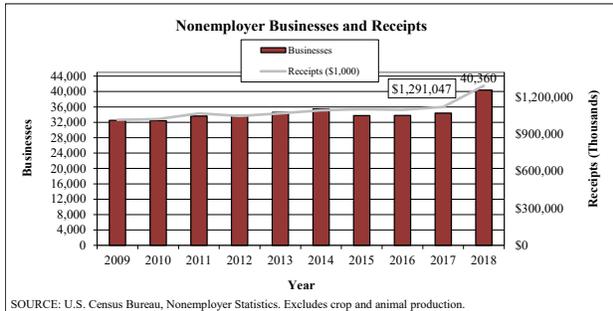
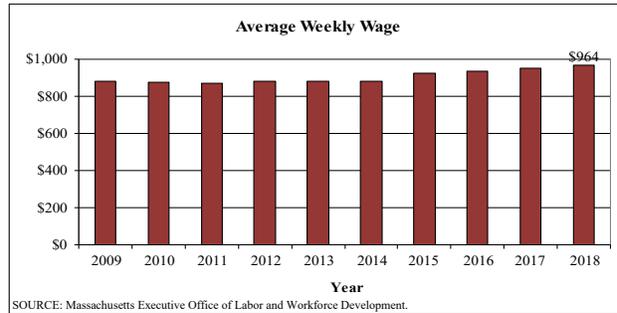
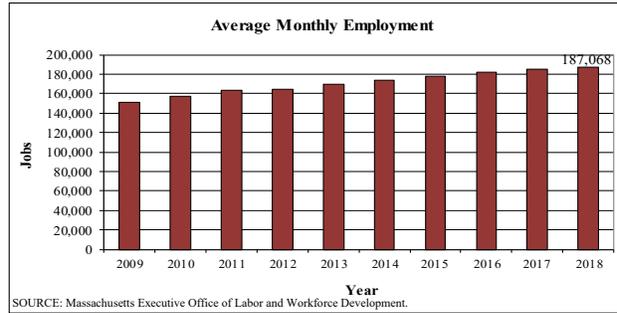
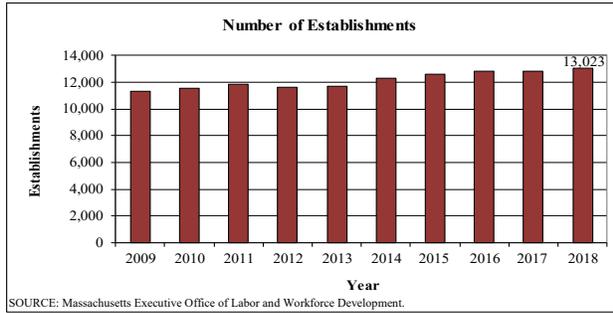
Employees: Subsector detail **N/A**

Annual wages: Subsector detail **N/A**

Average weekly wage: Subsector detail **N/A**

Annual receipts at nonemployer establishments: **N/A**

NAICS 56 - Administrative and Waste Services. The Administrative and Waste Services sector comprises establishments performing routine support activities for the day-to-day operations of other organizations. The establishments in this sector specialize in one or more of these support activities and provide these services to clients in a variety of industries and, in some cases, to households. Activities performed include: office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning, and waste disposal services.



State export data are not available for this sector.

Summary.

GDP contribution to state total: **2.9%**

GDP rank: **13 of 20**

Nonemployer to employer establishment ratio: **3.1 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Services to buildings and dwellings**

Nonemployer establishments: **Services to buildings and dwellings**

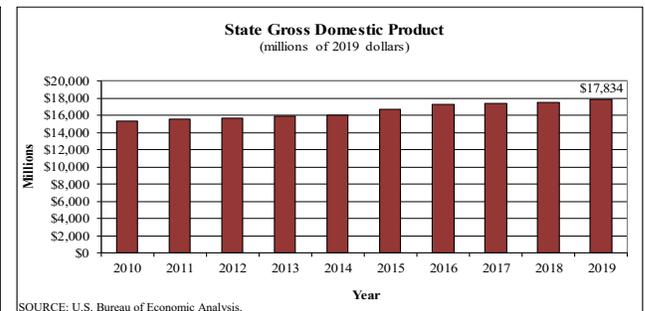
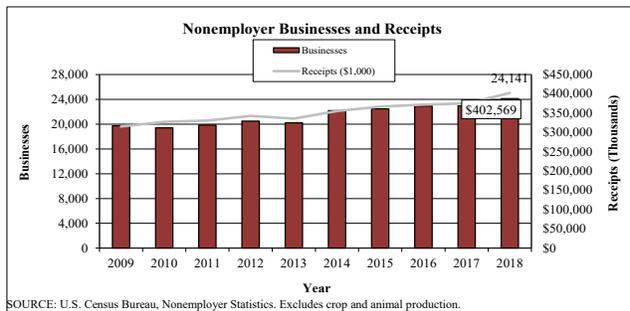
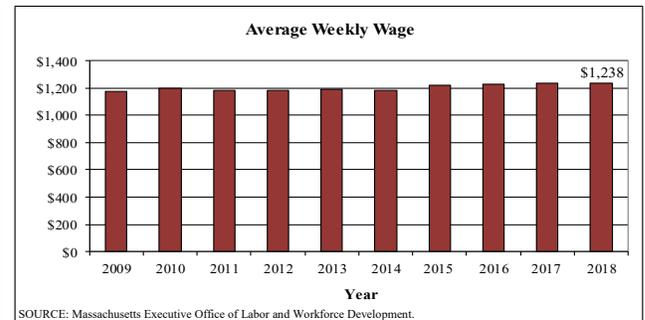
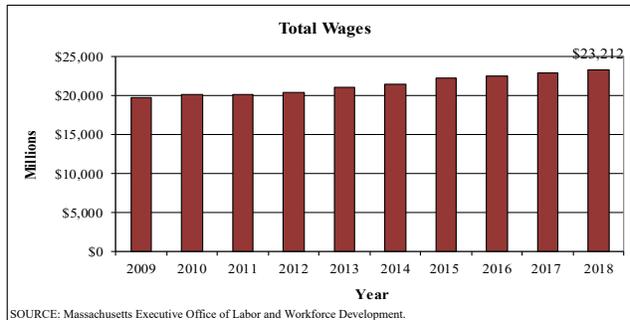
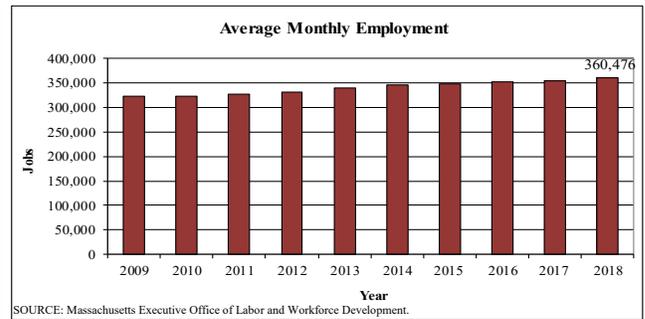
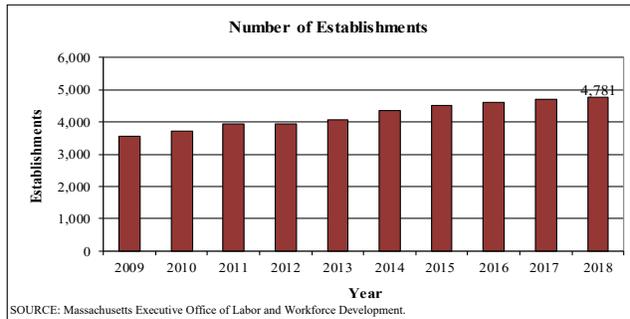
Employees: **Employment services**

Annual wages: **Employment services**

Average weekly wage: **Office administrative services**

Annual receipts at nonemployer establishments: **Services to buildings and dwellings**

NAICS 61 - Educational Services. The Educational Services sector comprises establishments that provide instruction and training in a wide variety of subjects. This instruction and training is provided by specialized establishments, such as schools, colleges, universities, and training centers. These establishments may be privately owned and operated for profit or not for profit, or they may be publicly owned and operated. They may also offer food and/or accommodation services to their students.



State export data are not available for this sector.

Summary.

GDP contribution to state total: **3.0%**

GDP rank: **11 of 20**

Nonemployer to employer establishment ratio: **5.0 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Other schools and instruction**

Nonemployer establishments: Subsector detail N/A

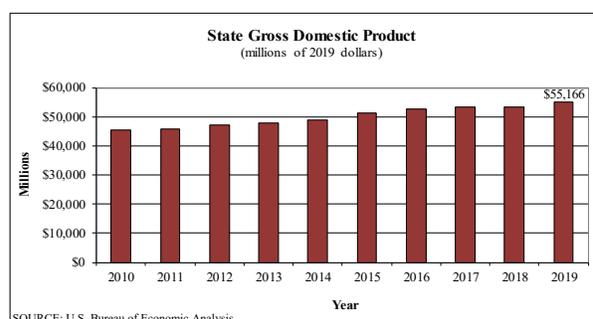
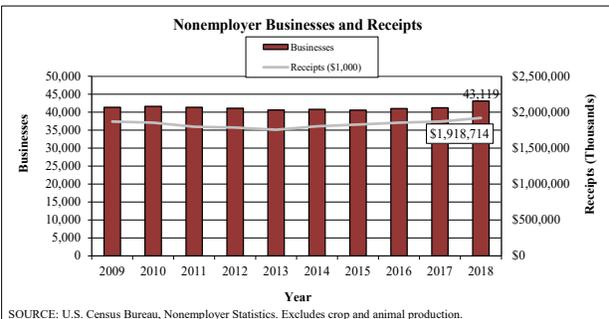
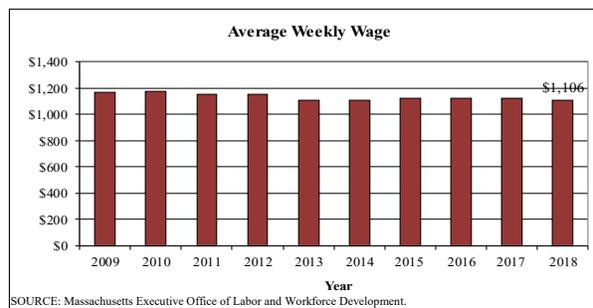
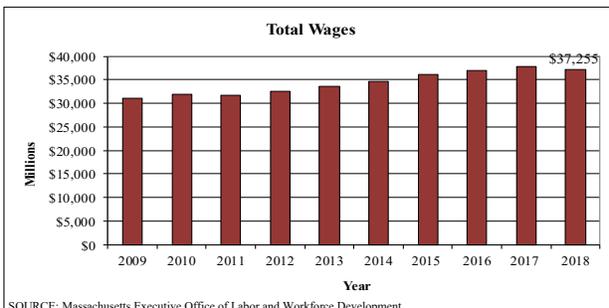
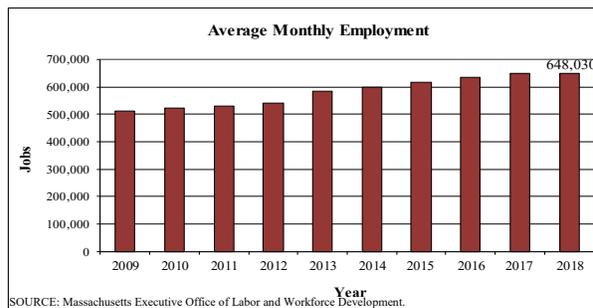
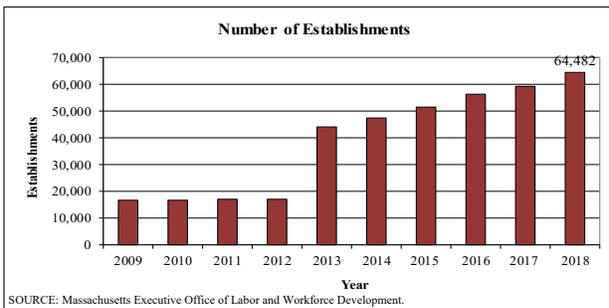
Employees: **Elementary and secondary schools**

Annual wages: **Elementary and secondary schools**

Average weekly wage: **Business, computer and management training**

Annual receipts at nonemployer establishments: Subsector detail N/A

NAICS 62 - Health Care and Social Assistance. The Health Care and Social Assistance sector comprises establishments providing health care and social assistance for individuals. The sector includes both health care and social assistance because it is sometimes difficult to distinguish between the boundaries of these two activities. **Note:** Beginning with the first quarter of 2013, a code change for employees from private households (NAICS 814110) into services for the elderly and persons with disabilities (NAICS 624120) moved 33,960 employees in Massachusetts in January 2013.



State export data are not available for this sector.

Summary.

GDP contribution to state total: **9.3%**

GDP rank: **5 of 20**

Nonemployer to employer establishment ratio: **0.7 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Individual and family services**

Nonemployer establishments: **Offices of other health practitioners**

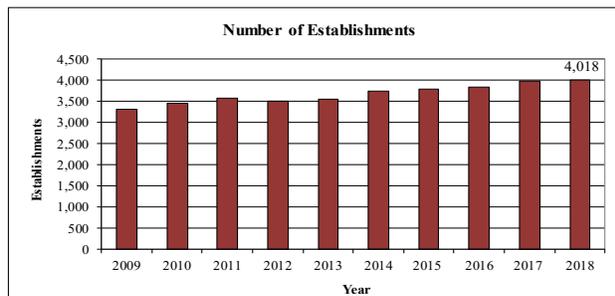
Employees: **General medical and surgical hospitals**

Annual wages: **General medical and surgical hospitals**

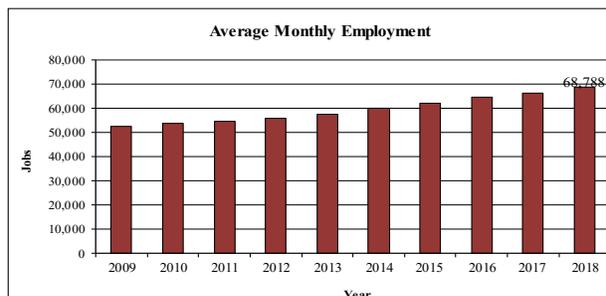
Average weekly wage: **Offices of physicians**

Annual receipts at nonemployer establishments: **Offices of other health practitioners**

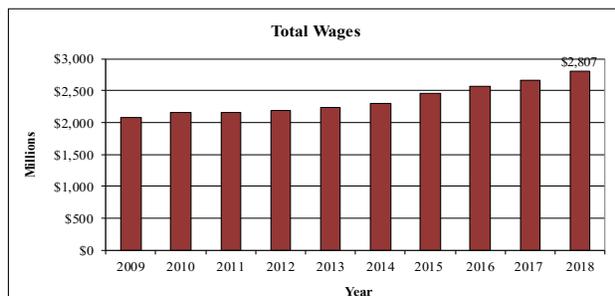
NAICS 71 - Arts, Entertainment, and Recreation. The Arts, Entertainment, and Recreation sector includes a wide range of establishments that: operate facilities or provide services to meet varied cultural, entertainment, and recreational interests of their patrons, are involved in producing, promoting, or participating in live performances, events, or exhibits intended for public viewing, preserve and exhibit objects and sites of historical, cultural, or educational interest and operate facilities or provide services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests. See the appendix page six for travel and tourism information.



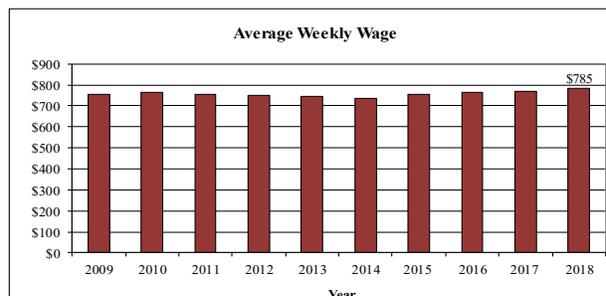
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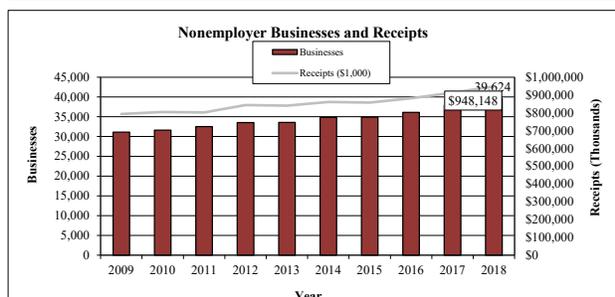
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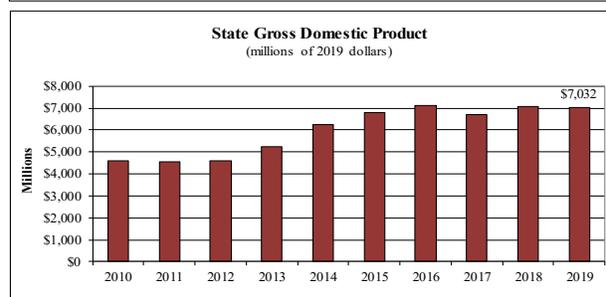
SOURCE: Massachusetts Executive Office of Labor and Workforce Development.



SOURCE: Massachusetts Executive Office of Labor and Workforce Development.



SOURCE: U.S. Census Bureau, Nonemployer Statistics. Excludes crop and animal production.



SOURCE: U.S. Bureau of Economic Analysis.

State export data are not available for this sector.

Summary.

GDP contribution to state total: **1.2%**

GDP rank: **18 of 20**

Nonemployer to employer establishment ratio: **9.9 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Other amusement & recreation industries**

Nonemployer establishments: **Independent artists, writers, and performers**

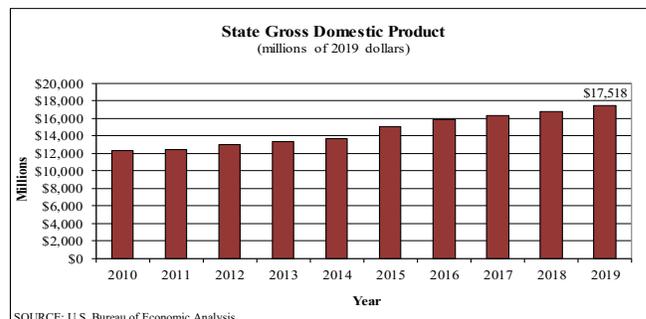
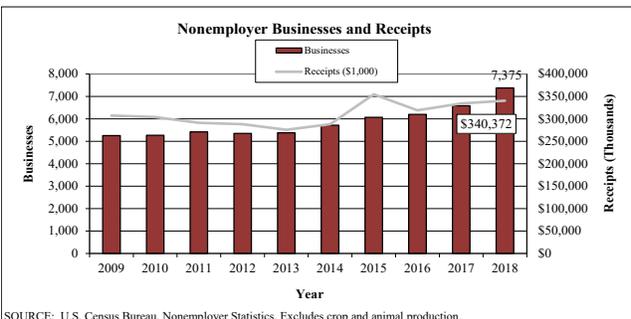
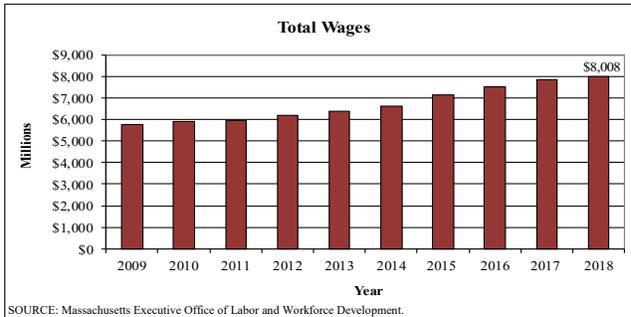
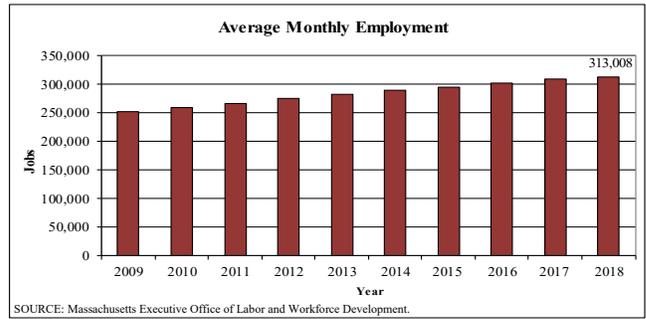
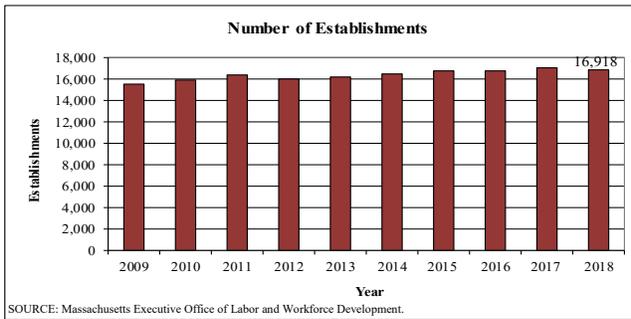
Employees: **Other amusement & recreation industries**

Annual wages: **Other amusement & recreation industries**

Average weekly wage: **Spectator sports**

Annual receipts at nonemployer establishments: **Independent artists, writers, and performers**

NAICS 72 - Accommodation and Food Services. The Accommodation and Food Services sector comprises establishments providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption. The sector includes both accommodation and food services establishments because the two activities are often combined at the same establishment.



State export data are not available for this sector.

Summary.

GDP contribution to state total: **2.9%**

GDP rank: **12 of 20**

Nonemployer to employer establishment ratio: **0.4 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Restaurants and other eating places**

Nonemployer establishments: **Special food services**

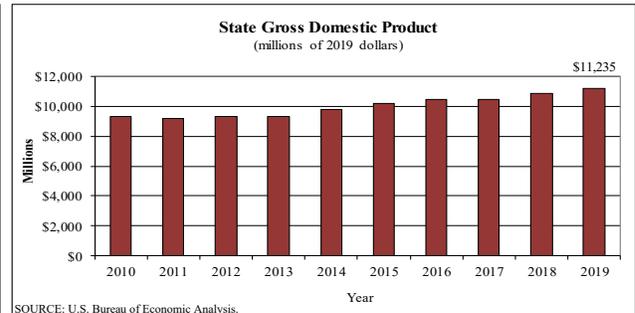
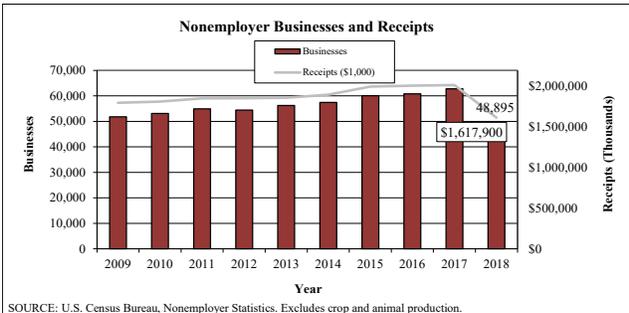
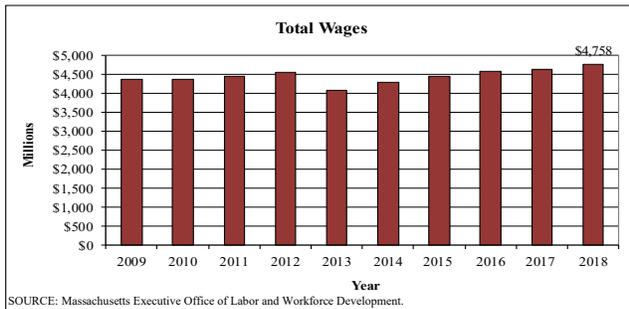
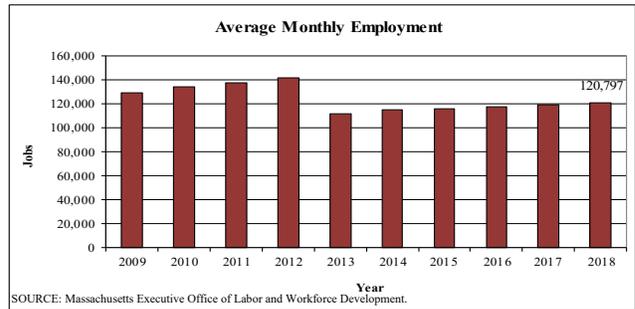
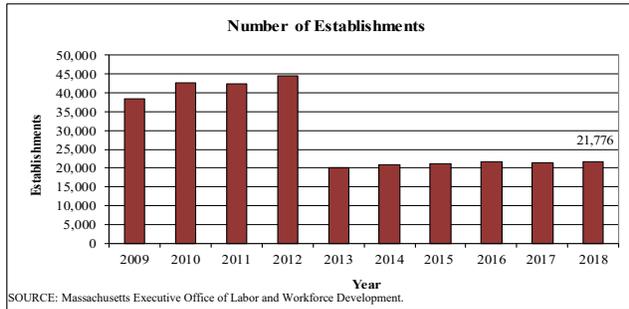
Employees: **Restaurants and other eating places**

Annual wages: **Restaurants and other eating places**

Average weekly wage: **Traveler accommodation**

Annual receipts at nonemployer establishments: **Restaurants and other eating places**

NAICS 81 - Other Services, Except Public Administration. The Other Services (except Public Administration) sector comprises establishments engaged in providing services not specifically provided for elsewhere in the classification system. Establishments in this sector are primarily engaged in activities such as equipment and machinery repairing, promoting or administering religious activities, grant-making, advocacy, providing dry cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services. **Note:** Beginning with the first quarter of 2013, a code change for employees from private households (NAICS 814110) into services for the elderly and persons with disabilities (NAICS 624120) moved 33,960 employees in Massachusetts in January 2013.



State export data are not available for this sector.

Summary.

GDP contribution to state total: **1.9%**

GDP rank: **16 of 20**

Nonemployer to employer establishment ratio: **2.2 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Private households**

Nonemployer establishments: **Personal care services**

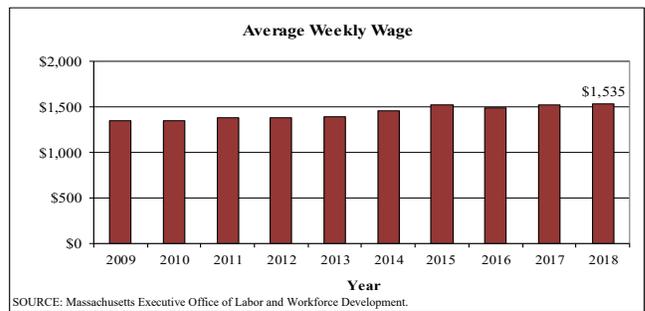
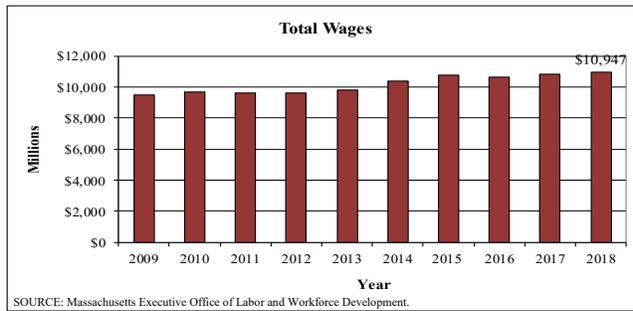
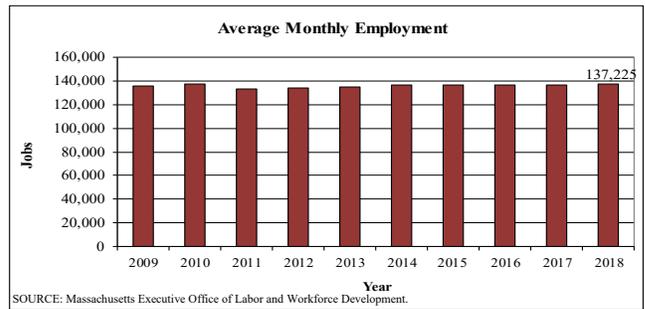
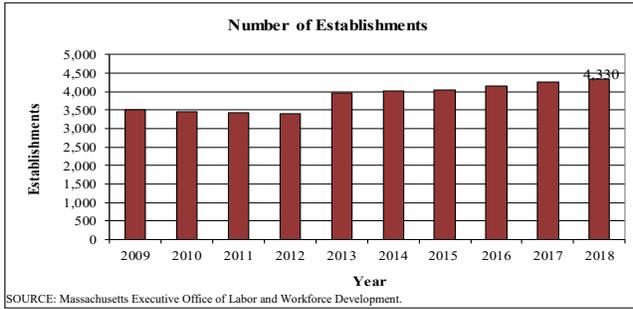
Employees: **Personal care services**

Annual wages: **Automotive repair and maintenance**

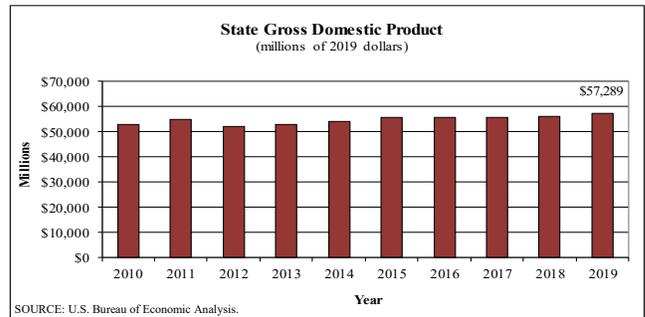
Average weekly wage: **Commercial machinery repair and maintenance**

Annual receipts at nonemployer establishments: **Personal care services**

NAICS 92 - Public Administration. The Public Administration sector consists of establishments of federal, state, and local government agencies that administer, oversee, and manage public programs and have executive, legislative, or judicial authority over other institutions within a given area. These agencies also set policy, create laws, adjudicate civil and criminal legal cases, and provide for public safety and national defense.



State nonemployer and export data are not available for this sector.



Summary.

GDP contribution to state total: **9.6%**

GDP rank: **3 of 20**

Nonemployer to employer establishment ratio: **N/A**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts.

Establishments with employees: **Justice, public order, and safety activities**

Nonemployer establishments: Subsector detail **N/A**

Employees: **Justice, public order, and safety activities**

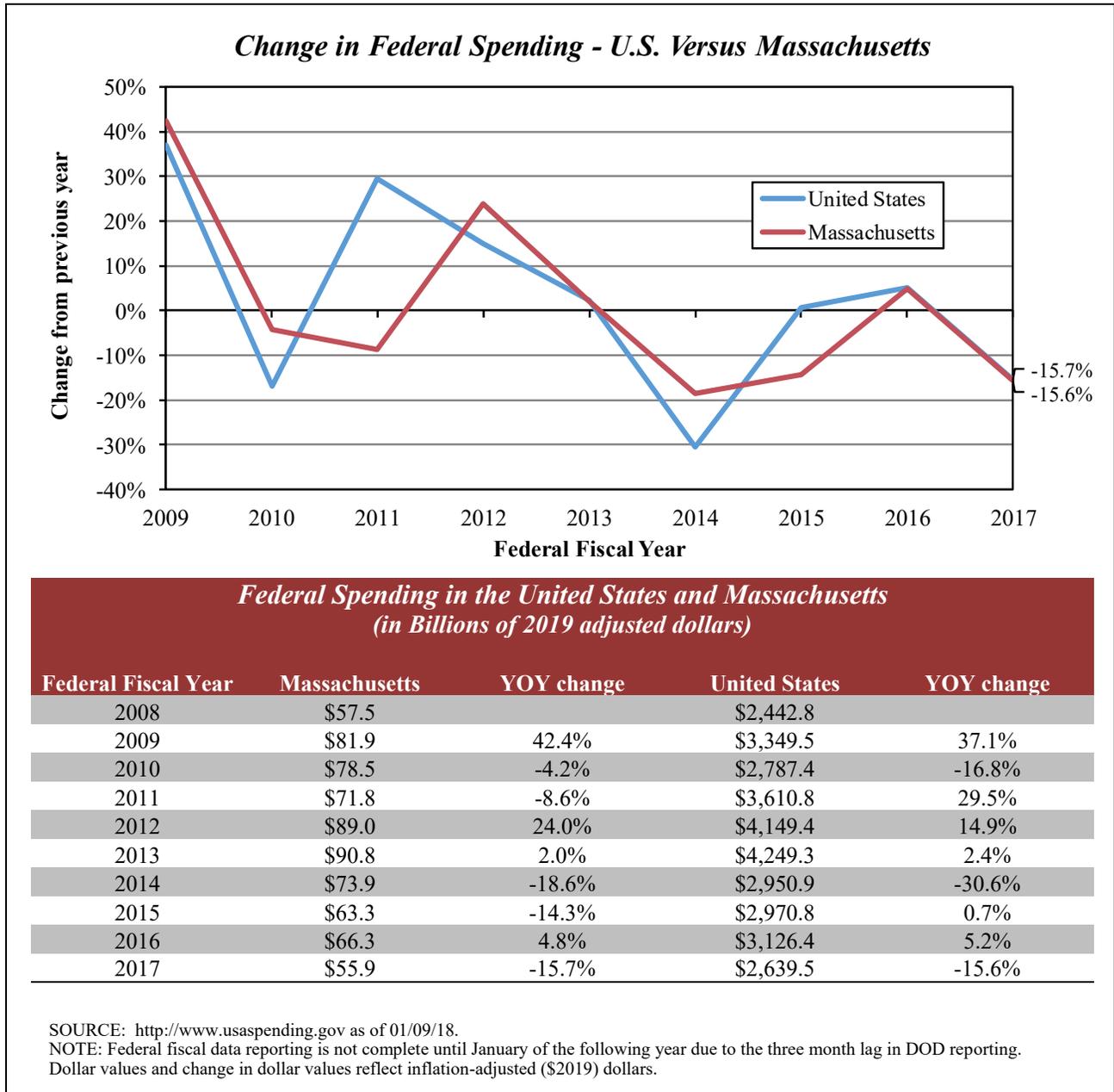
Annual wages: **Justice, public order, and safety activities**

Average weekly wage: **National security and international affairs**

Annual receipts at nonemployer establishments: Subsector detail **N/A**

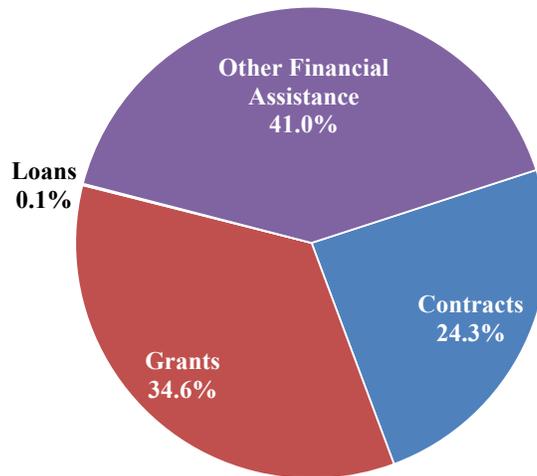
ECONOMIC BASE AND PERFORMANCE—GOVERNMENT REVENUES AND SPENDING

Federal Spending in Massachusetts. Massachusetts received approximately \$55.9 billion in contracts, grants, direct payments, insurance, loans and guarantees, and other spending from the federal government in federal fiscal year (FFY) 2017. Massachusetts received 2.1 percent of all federal spending in FFY 2017 and in FFY 2016. Federal dollars to Massachusetts have dropped since FFY 2012. Massachusetts federal contracts declined from FFY 2012 to FFY 2014, increased 5.2 percent in FFY 2015, declined 3.9 percent in FFY 2016, and declined 1.2 percent in FFY 2017. The proportion of all Massachusetts federal contracts has averaged 2.9 percent over the last ten years.

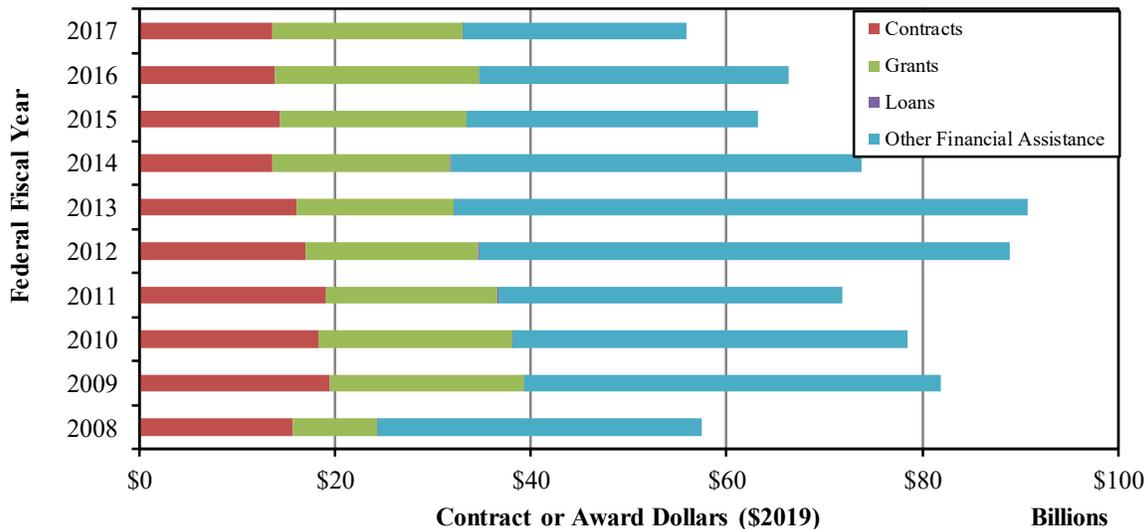


In FFY 2017, the largest portion of federal spending in Massachusetts, 41.0 percent, was for Other Financial Assistance. This includes direct payments to individuals (such as Medicare and food stamps), insurance payments (such as unemployment benefits, flood insurance), and other types of assistance payments (such as reimbursements for prescriptions for veterans). Other Financial Assistance decreased by 27.5 percent, Contracts decreased by 1.2 percent, and Grants increased by 628.3 percent from FFY 2016. The graphs below describe the most recent complete fiscal year and the last nine years of federal spending in Massachusetts, including the most recent data for the current fiscal year as reported by USASpending.gov.

Federal Spending in Massachusetts - Federal Fiscal Year 2017



**Composition of Federal Spending Awards to Massachusetts
FFY2008 - 2017**

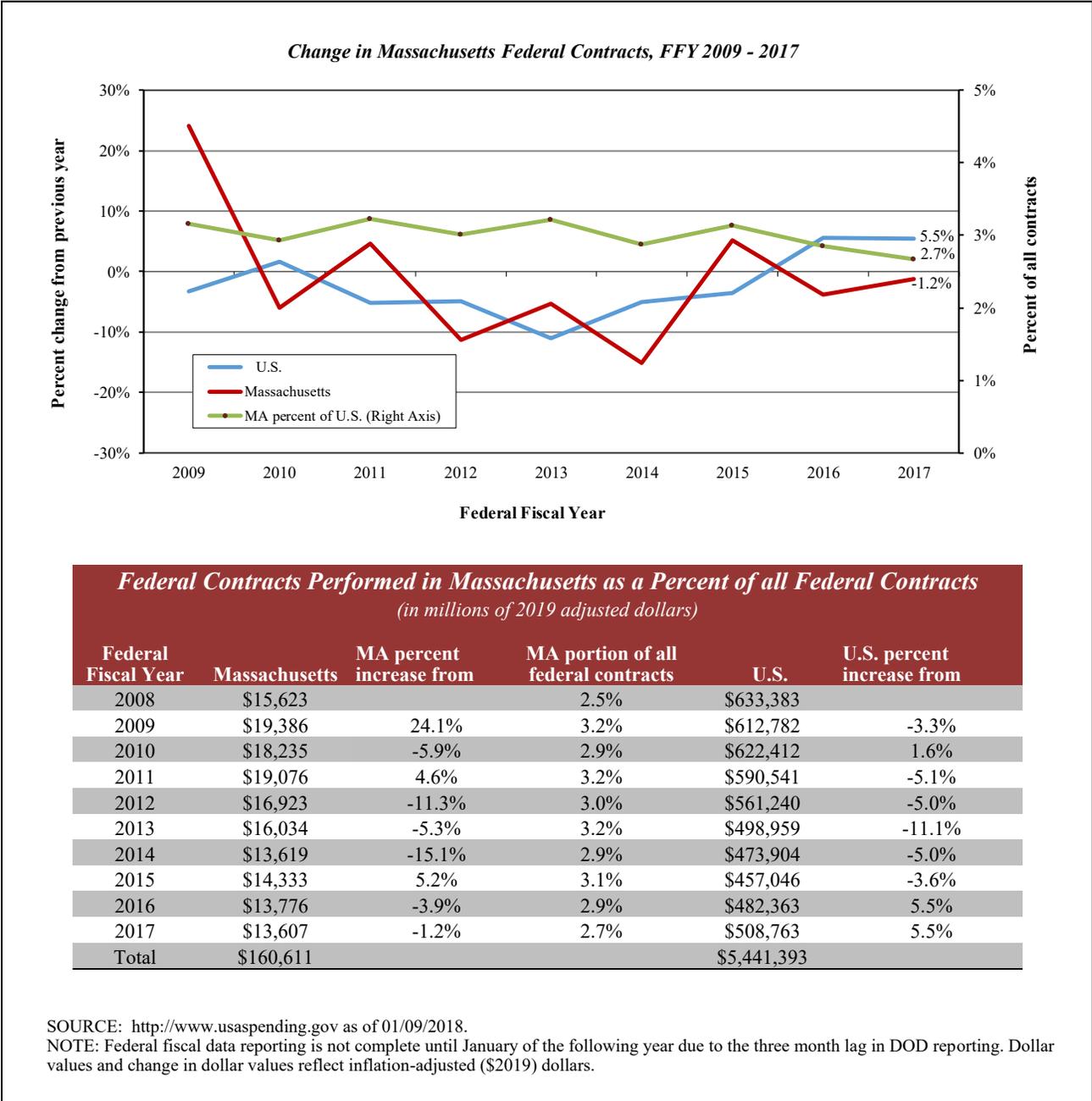


SOURCE: <http://www.usaspending.gov> as of 01/09/2018.

NOTE: Federal fiscal data reporting is not complete until January of the following year due to the three month lag in DOD reporting. Dollar values and change in dollar values reflect inflation-adjusted (\$2019) dollars.

Federal Contracts. The table and graph below compare the annual summary of federal contracts performed in Massachusetts to the total contracts awarded by the federal government. In FFY 2017, the latest full year available, 2.7 percent of all federal contract work was performed in Massachusetts. This is slightly less than the 3.0 percent average over the last ten years.

The following two pages summarize the federal contracts by top products or services, funding agencies and sub agencies, contractors and sub-awardees, over the long-term and the latest complete federal fiscal year. The work was primarily performed in Massachusetts and the vendors who were awarded the contracts may or may not have been located in Massachusetts.



Summary of Federal Contracts Performed in Massachusetts

FFY 2008 to FFY 2017

Total Dollars:	\$153,991,433,809
Number of Transactions:	1,256,077

Top 5 Prime Award Contractors

Raytheon Company	\$40,724,449,465
General Electric Company	\$13,822,379,724
Massachusetts Institute of Technology	\$10,708,158,080
General Dynamics Corporation	\$8,527,199,074
Coins 'N Things Inc.	\$6,169,406,702

Top 5 Contract Sub-Awardees

Cobham Plc	\$2,488,379,776
Bae Systems Information And Electronic Systems Integration, Inc.	\$907,074,932
General Dynamics Advanced Information Systems, Inc.	\$449,083,136
Raytheon Company	\$329,487,036
Charles Stark Draper Laboratory, Inc.	\$261,043,406

SOURCE: <http://www.usaspending.gov> as of 01/09/2018.

NOTE: Annual federal fiscal data reporting is not complete until January of the following year due to the three month lag in DOD reporting. Dollar values reflect inflation-adjusted (\$2019) dollars.

Federal Contracts Performed in Massachusetts

Federal Fiscal Year: 2017

Total Contract Funds Awarded:	\$13,046,218,551
Total Contract Funds to Sub-Awardees:	\$773,616,451

This amount is 2.6% percent of all dollars awarded nationally for the federal fiscal year.

Number of Transactions: 113,249

Top 5 Prime Award Contractors

Raytheon Company	\$3,570,290,325
General Electric Company	\$1,405,951,812
Massachusetts Institute of Technology	\$1,071,413,627
Charles Stark Draper Laboratory, Inc.	\$365,002,441
General Dynamics C4 Systems, Inc.	\$333,531,675

Top 5 Contract Sub-Awardees

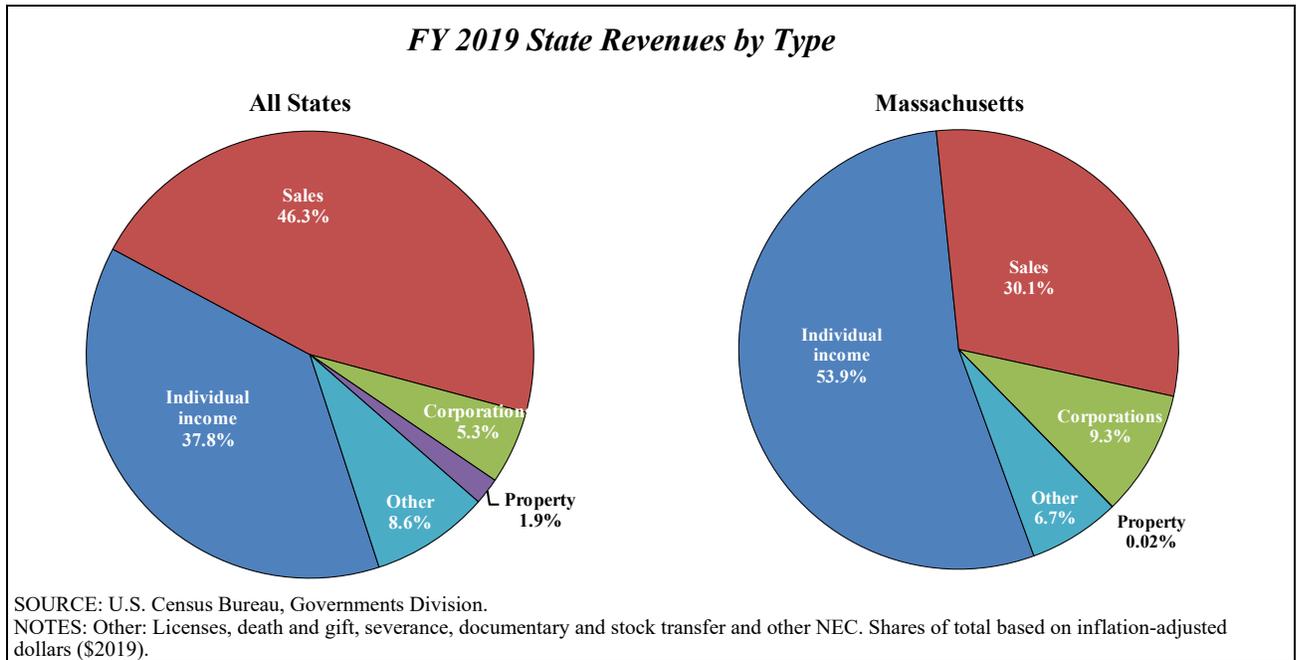
Charles Stark Draper Laboratory, Inc.	\$71,291,317
Rolls-Royce Holdings Plc	\$49,528,498
AECOM	\$40,682,429
Qinetiq Holdings Limited	\$39,575,123
Ultra Electronics Holdings Plc	\$29,767,778

SOURCE: <http://www.usaspending.gov> as of 01/09/2018.

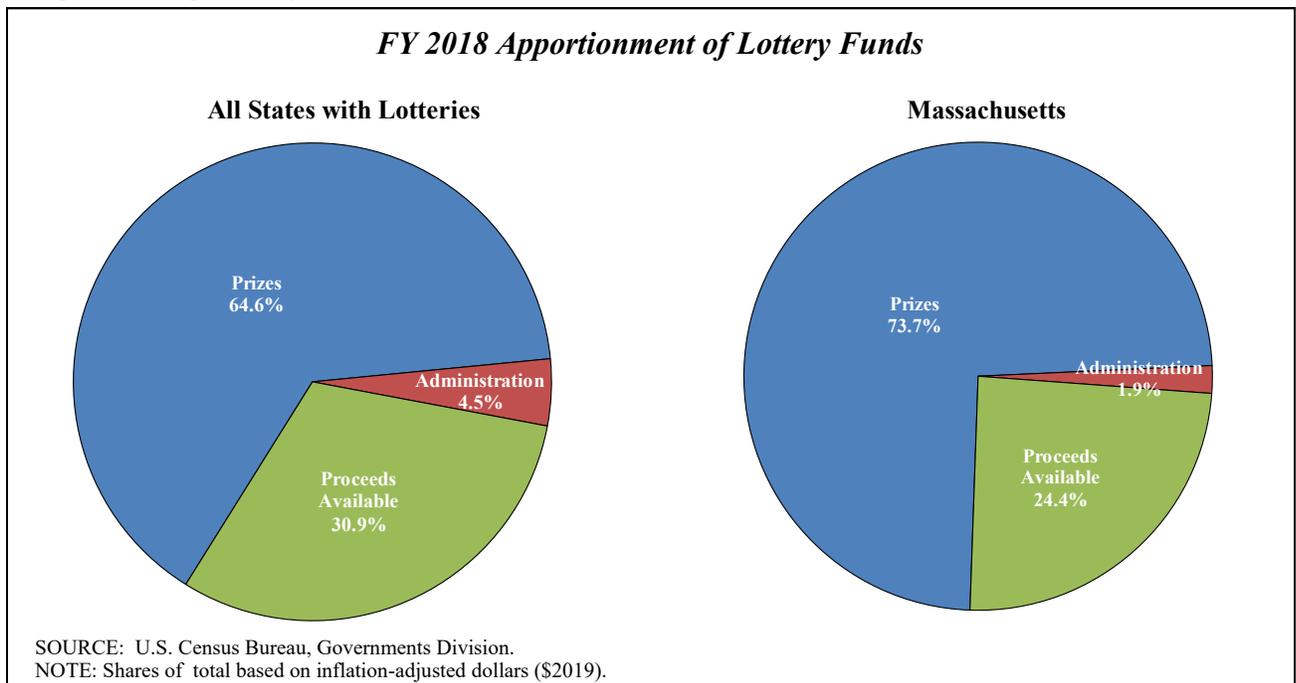
NOTE: Annual federal fiscal data reporting is not complete until January of the following year due to the three month lag in DOD reporting. Dollar values reflect inflation-adjusted (\$2019) dollars.

State Revenues. Taxes collected by all states in FY 2019 totaled \$1,090.2 billion, 3.9 percent more than in FY 2018. Massachusetts collected \$31.8 billion in FY 2019, 5.3 percent more than in FY 2018. Massachusetts ranked eighth in the nation in total taxes collected in 2019.

In FY 2019, the national average of tax collection from individual income tax and sales and gross receipts tax was 84.2 percent of total revenue. Massachusetts collected most of its revenue, 53.9 percent, from individual income taxes, while overall states collected 37.8 percent of their revenue from individual income taxes. Seven states do not have an individual income tax.



State Lottery Proceeds. Massachusetts ranked sixth in revenue, \$5.37 billion, and fourth in prize money awarded, \$4.0 billion, among the 44 states with lotteries in FY 2018. Massachusetts lottery revenue increased 1.3 percent compared to the previous year.



State Expenditures. The following tables and graph depict FY 2018 per capita state government general expenditures in inflation-adjusted dollars by category for the six New England states and the U.S. average state expenditures. Massachusetts ranked eighth in the nation in per capita expenditures, \$9,695 in FY 2018, while it ranked eighth and spent \$9,992 in FY 2017. This represents a 2.3 percent decrease in per capita expenditures from 2017 levels, with the largest per capita dollar increase in the Police and Corrections function.

Fiscal Year 2018 Per Capita State Government General Expenditures, by Type (2019 \$'s)
(for the U.S. and the New England States)

General expenditures, by function	U.S.	CT	ME	MA	NH	RI	VT
Education	\$2,197	\$2,097	\$1,655	\$1,970	\$1,734	\$2,083	\$4,702
Public Welfare	\$2,234	\$1,392	\$2,528	\$3,533	\$1,954	\$3,137	\$2,919
Health & Hospitals	\$470	\$697	\$201	\$312	\$152	\$254	\$632
Highways	\$412	\$459	\$583	\$385	\$410	\$397	\$732
Police & Corrections	\$220	\$246	\$191	\$311	\$152	\$298	\$378
Natural Resource, Parks & Recreation	\$97	\$70	\$111	\$72	\$65	\$112	\$227
Administration, Insurance Trust & Other*	\$1,619	\$2,421	\$1,566	\$2,731	\$1,941	\$2,297	\$1,631
Interest on General Debt	\$143	\$458	\$121	\$382	\$237	\$428	\$168
Total	\$7,391	\$7,840	\$6,956	\$9,695	\$6,645	\$9,006	\$11,388
State's rank of total per capita expenditures		18	31	8	41	13	2

SOURCE: U.S. Census Bureau, Governments Division

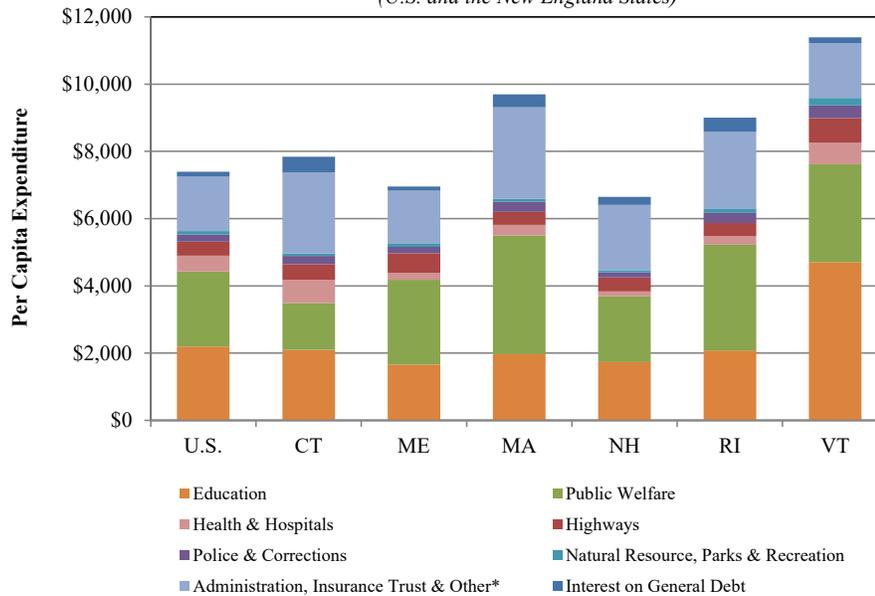
Massachusetts Per Capita State Government General Expenditures, by Type (2019 \$'s)

General expenditures, by function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Education	\$1,958	\$2,068	\$2,127	\$2,122	\$2,169	\$2,128	\$2,156	\$2,094	\$2,124	\$2,004	\$1,970
Public Welfare	\$2,318	\$2,419	\$2,466	\$2,531	\$2,544	\$2,545	\$2,665	\$2,983	\$3,151	\$3,406	\$3,533
Health & Hospitals	\$281	\$283	\$276	\$280	\$268	\$269	\$262	\$323	\$380	\$335	\$312
Highways	\$410	\$351	\$349	\$328	\$345	\$328	\$357	\$449	\$469	\$474	\$385
Police & Corrections	\$348	\$350	\$327	\$311	\$308	\$315	\$327	\$319	\$316	\$285	\$311
Natural Resource, Parks & Recreation	\$105	\$115	\$107	\$101	\$91	\$102	\$100	\$106	\$102	\$70	\$72
Administration, Insurance Trust & Other*	\$2,257	\$2,533	\$2,999	\$2,828	\$3,222	\$3,125	\$3,033	\$3,301	\$2,930	\$2,972	\$2,731
Interest on General Debt	\$663	\$669	\$612	\$539	\$517	\$474	\$429	\$462	\$450	\$450	\$382
Total	\$8,339	\$8,786	\$9,263	\$9,040	\$9,465	\$9,287	\$9,328	\$10,037	\$9,922	\$9,997	\$9,695

SOURCE: U.S. Census Bureau, Governments Division

Fiscal Year 2018 Per Capita State Government General Expenditures, by Type (2019 \$'s)

(U.S. and the New England States)



SOURCE: U.S. Census Bureau, Governments Division.

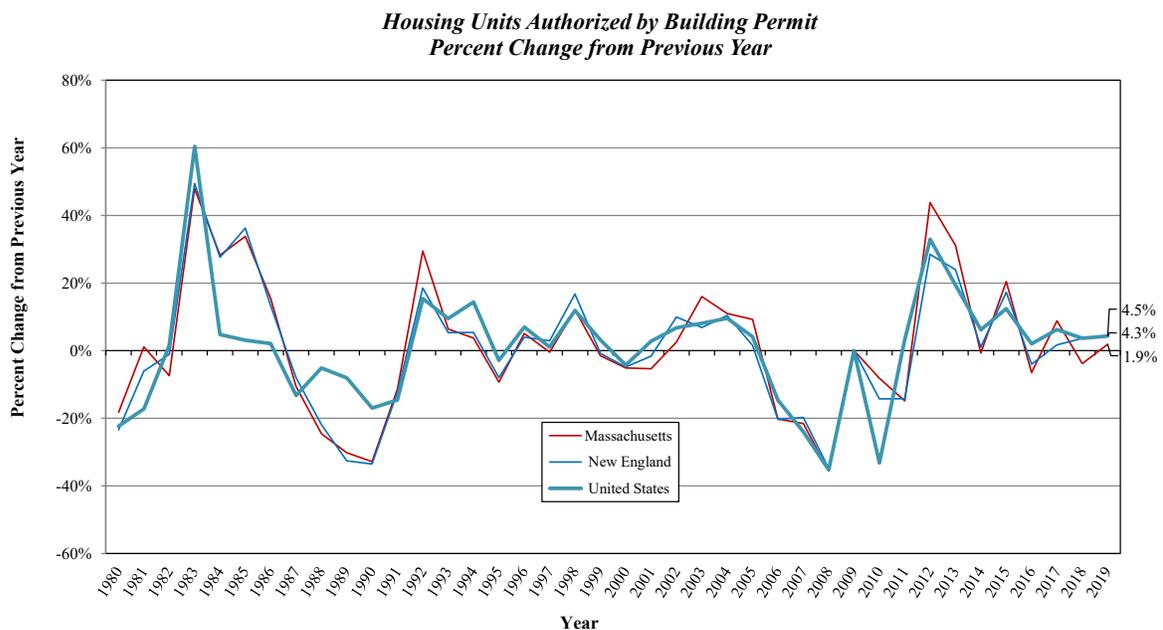
*Other includes utility, liquor store, other and un-allocated expenditures.

NOTE: Per capita dollars are adjusted for inflation (\$2019).

Supplementary Data Section. The following appendix contains more detailed data for industry sectors or subsectors.

Housing Units Authorized by Building Permit. The Census Bureau’s Residential Construction Branch Building Permits Survey is a leading economic indicator used to track the housing industry.

<i>Housing Units Authorized by Building Permit</i>						
Year	Massachusetts		New England		United States	
	Total Units	Percent Change Previous Year	Total Units	Percent Change Previous Year	Total Units	Percent Change Previous Year
1970	38,330	14.2%	74,068	5.0%	1,354,746	1.8%
1975	17,697	-27.5%	41,645	-21.0%	934,511	-12.4%
1980	16,480	-18.3%	41,079	-23.4%	1,190,600	-22.4%
1985	39,196	33.8%	99,192	36.3%	1,733,266	3.1%
1990	14,290	-32.9%	36,169	-33.5%	1,110,766	-17.0%
1997	17,186	-0.4%	41,110	2.9%	1,441,136	1.1%
1998	19,254	12.0%	48,008	16.8%	1,612,260	11.9%
1999	18,967	-1.5%	47,632	-0.8%	1,663,533	3.2%
2000	18,000	-5.1%	45,335	-4.8%	1,592,267	-4.3%
2001	17,034	-5.4%	44,594	-1.6%	1,636,676	2.8%
2002	17,465	2.5%	49,031	9.9%	1,747,678	6.8%
2003	20,257	16.0%	52,395	6.9%	1,889,214	8.1%
2004	22,477	11.0%	57,858	10.4%	2,070,077	9.6%
2005	24,549	9.2%	58,742	1.5%	2,155,316	4.1%
2006	19,580	-20.2%	46,782	-20.4%	1,838,903	-14.7%
2007	15,358	-21.6%	37,532	-19.8%	1,398,415	-24.0%
2008	9,883	-35.6%	24,454	-34.8%	905,359	-35.3%
2009	9,883	0.0%	24,454	0.0%	905,359	0.0%
2010	9,075	-8.2%	20,964	-14.3%	604,610	-33.2%
2011	7,725	-14.9%	17,987	-14.2%	624,061	3.2%
2012	11,111	43.8%	23,109	28.5%	829,658	32.9%
2013	14,569	31.1%	28,635	23.9%	990,822	19.4%
2014	14,467	-0.7%	28,949	1.1%	1,052,124	6.2%
2015	17,424	20.4%	33,959	17.3%	1,182,582	12.4%
2016	16,288	-6.5%	32,595	-4.0%	1,206,642	2.0%
2017	17,728	8.8%	33,160	1.7%	1,281,977	6.2%
2018	17,044	-3.9%	34,375	3.7%	1,328,827	3.7%
2019	17,365	1.9%	35,923	4.5%	1,386,048	4.3%

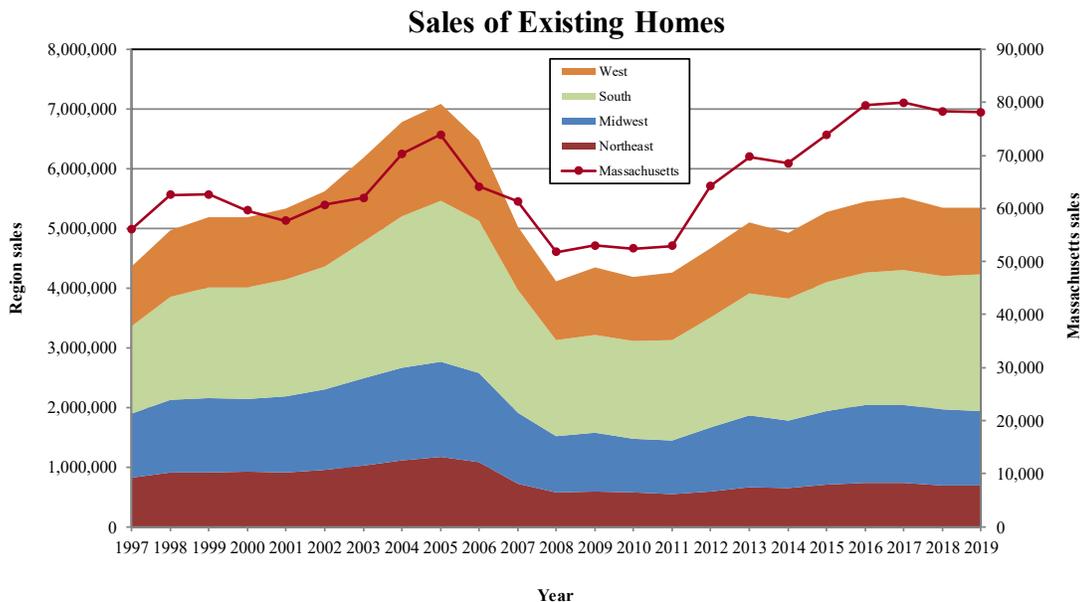


SOURCE: U.S. Census Bureau.

NOTE: Reported data plus data imputed for non-reporters & partial reporters.

Home Sales. Sales of existing single-family homes for Massachusetts and the U.S. are presented in the following table and graph. The state existing-home sales report includes single-family houses, condos and co-ops.

<i>Sales of Existing Homes</i>						
<i>United States, National Regions and Massachusetts</i>						
Year	U.S.	North-east	Midwest	South	West	Massachusetts
1991	3,146,000	596,000	867,000	1,070,000	633,000	31,379
1992	3,431,000	667,000	967,000	1,127,000	680,000	38,847
1993	3,737,000	714,000	1,031,000	1,257,000	745,000	43,588
1994	3,884,000	728,000	1,031,000	1,313,000	822,000	45,238
1995	3,849,000	725,000	1,010,000	1,312,000	812,000	43,509
1996	4,167,000	776,000	1,056,000	1,393,000	942,000	51,857
1997	4,374,000	813,000	1,084,000	1,466,000	1,001,000	56,107
1998	4,965,000	905,000	1,219,000	1,722,000	1,129,000	62,549
1999	5,179,000	908,000	1,245,000	1,854,000	1,182,000	62,662
2000	5,173,000	915,000	1,226,000	1,867,000	1,175,000	59,602
2001	5,335,000	910,000	1,274,000	1,965,000	1,186,000	57,665
2002	5,634,000	950,000	1,347,000	2,062,000	1,265,000	60,661
2003	6,176,000	1,020,000	1,473,000	2,283,000	1,410,000	61,979
2004	6,778,000	1,111,000	1,549,000	2,540,000	1,578,000	70,342
2005	7,080,000	1,168,000	1,591,000	2,707,000	1,614,000	73,887
2006	6,477,000	1,087,000	1,484,000	2,562,000	1,344,000	64,126
2007	5,030,000	720,000	1,190,000	2,060,000	1,060,000	61,299
2008	4,110,000	570,000	950,000	1,600,000	990,000	51,766
2009	4,340,000	590,000	980,000	1,640,000	1,130,000	52,992
2010	4,190,000	570,000	910,000	1,630,000	1,080,000	52,413
2011	4,260,000	540,000	910,000	1,680,000	1,130,000	52,902
2012	4,660,000	590,000	1,070,000	1,840,000	1,160,000	64,254
2013	5,090,000	660,000	1,200,000	2,050,000	1,190,000	69,697
2014	4,940,000	640,000	1,140,000	2,050,000	1,100,000	68,503
2015	5,250,000	700,000	1,240,000	2,160,000	1,170,000	73,858
2016	5,450,000	740,000	1,300,000	2,220,000	1,190,000	79,459
2017	5,510,000	740,000	1,300,000	2,260,000	1,220,000	79,965
2018	5,340,000	690,000	1,270,000	2,240,000	1,140,000	78,331
2019	5,340,000	690,000	1,250,000	2,290,000	1,120,000	78,172

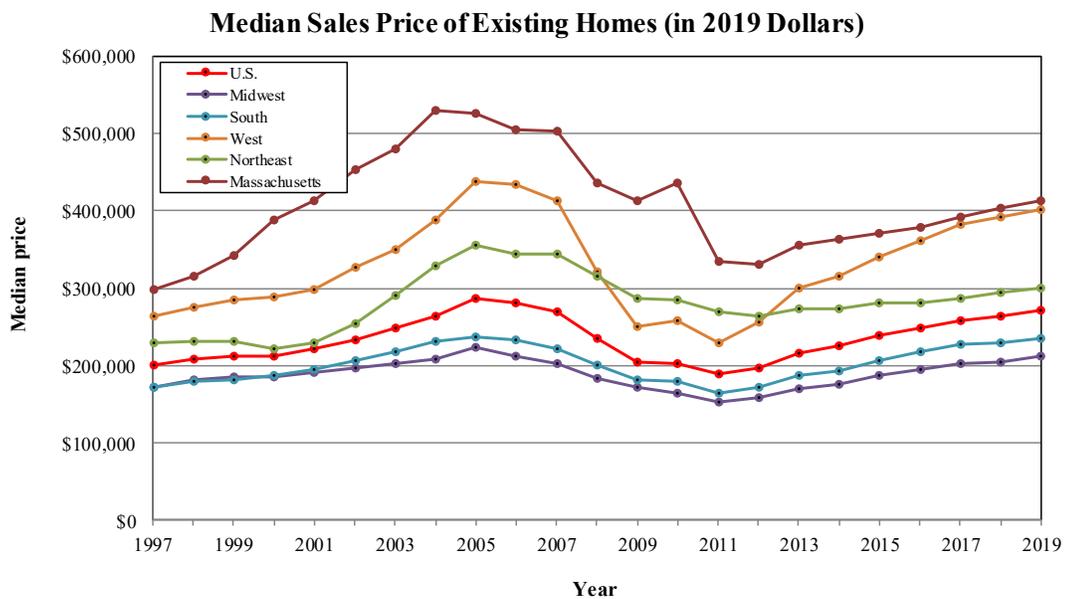


SOURCES: National Association of Realtors and Massachusetts Association of Realtors.

NOTE: Massachusetts sales price reflects only that of single-family homes. Sales prices of the other regions represent the average of both single- and multi-family homes.

Home prices. Massachusetts sales prices are much higher than the national median but they are 22.2 percent less than the 2004 peak.

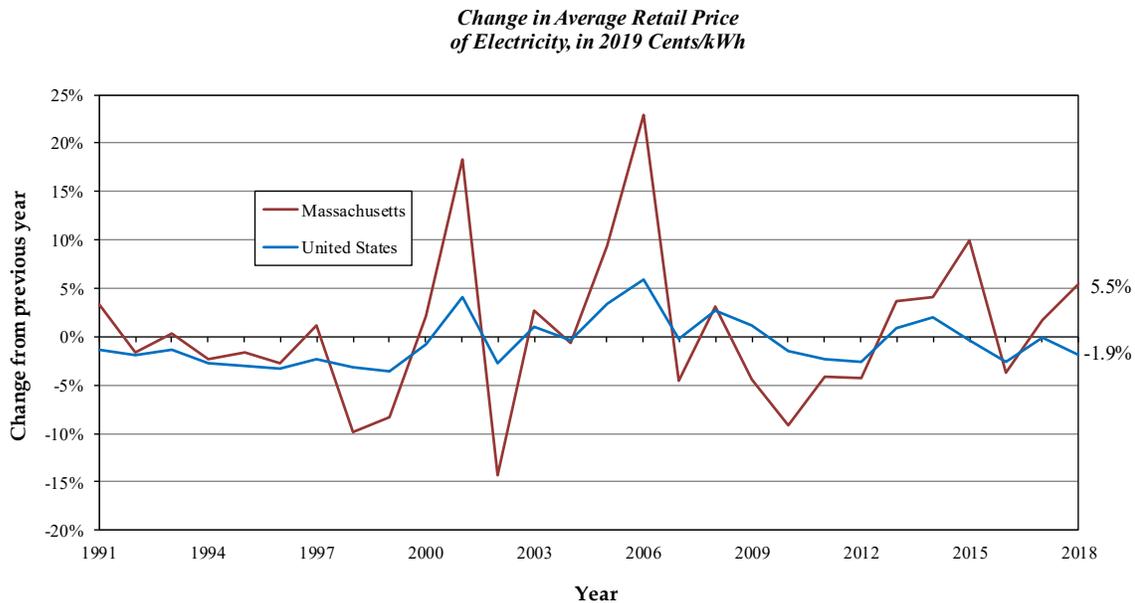
<i>Median Sales Price of Existing Homes (in 2019 Dollars) United States, National Regions and Massachusetts</i>						
Year	U.S.	Northeast	Midwest	South	West	Massachusetts
1990	\$188,564	\$276,587	\$149,247	\$165,678	\$271,110	\$354,487
1991	\$190,335	\$269,547	\$151,104	\$165,370	\$271,237	\$317,028
1992	\$189,511	\$259,848	\$153,431	\$166,004	\$257,297	\$297,552
1993	\$189,664	\$251,411	\$153,925	\$165,779	\$250,880	\$288,130
1994	\$192,002	\$244,099	\$156,292	\$163,710	\$257,382	\$288,908
1995	\$192,246	\$232,339	\$161,212	\$162,554	\$252,637	\$288,037
1996	\$195,368	\$227,468	\$166,690	\$166,853	\$255,983	\$290,911
1997	\$200,862	\$228,737	\$172,349	\$172,668	\$263,940	\$298,208
1998	\$208,290	\$231,032	\$181,313	\$180,372	\$275,890	\$315,054
1999	\$211,769	\$230,951	\$185,681	\$182,459	\$284,507	\$343,116
2000	\$213,196	\$222,401	\$186,027	\$187,511	\$288,913	\$387,929
2001	\$221,011	\$229,095	\$191,274	\$195,604	\$298,820	\$413,262
2002	\$234,340	\$254,804	\$197,960	\$207,482	\$326,854	\$452,834
2003	\$248,432	\$291,782	\$202,302	\$217,725	\$349,861	\$481,038
2004	\$264,454	\$329,959	\$209,235	\$230,619	\$387,613	\$530,858
2005	\$287,467	\$355,145	\$223,324	\$237,854	\$438,924	\$525,645
2006	\$281,400	\$344,807	\$212,794	\$232,957	\$434,592	\$505,675
2007	\$270,032	\$344,136	\$203,572	\$221,081	\$413,185	\$502,858
2008	\$235,230	\$316,331	\$182,983	\$200,913	\$322,387	\$436,003
2009	\$205,563	\$286,596	\$171,719	\$182,325	\$251,561	\$413,415
2010	\$202,949	\$285,957	\$165,079	\$180,204	\$258,757	\$436,661
2011	\$188,783	\$269,933	\$153,890	\$163,892	\$228,790	\$335,286
2012	\$196,870	\$264,683	\$158,899	\$171,482	\$256,220	\$331,550
2013	\$216,306	\$273,373	\$169,665	\$187,333	\$299,712	\$356,669
2014	\$224,948	\$272,897	\$176,244	\$193,630	\$315,122	\$362,855
2015	\$239,890	\$280,663	\$188,116	\$207,208	\$340,852	\$372,132
2016	\$249,045	\$281,108	\$195,252	\$218,154	\$362,383	\$378,148
2017	\$257,826	\$286,821	\$203,278	\$227,371	\$382,150	\$393,206
2018	\$263,998	\$293,728	\$203,828	\$229,993	\$392,180	\$404,703
2019	\$271,800	\$300,800	\$213,000	\$236,100	\$401,000	\$413,254



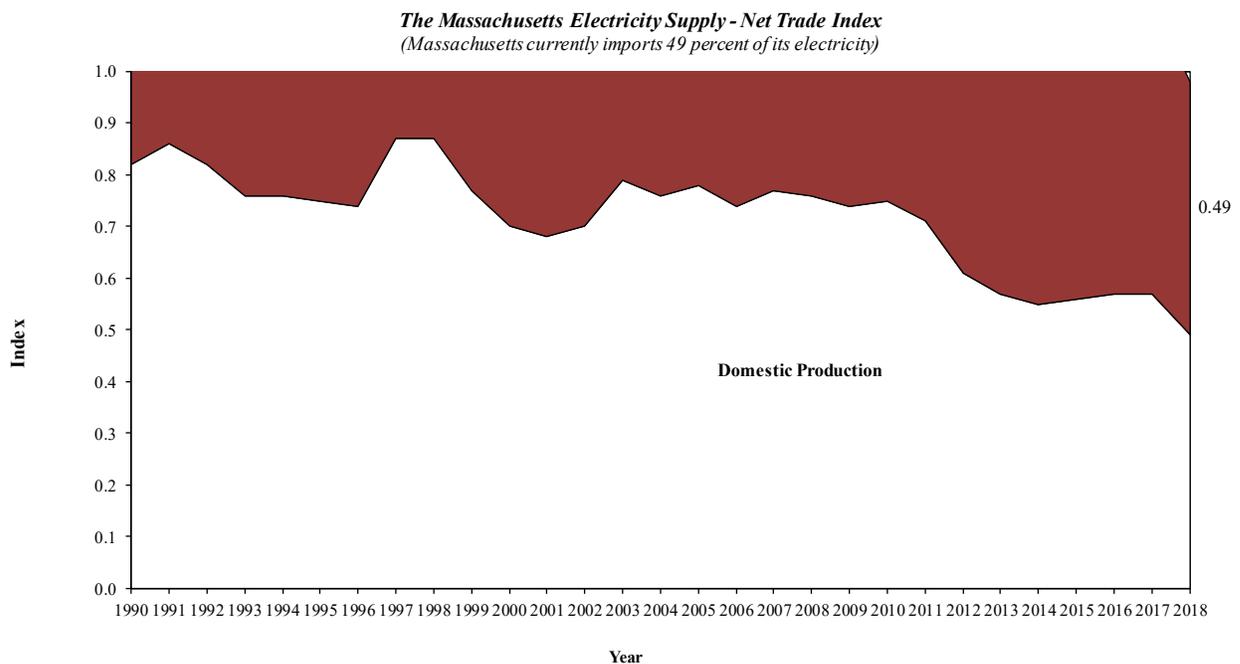
SOURCE: National Association of Realtors and Massachusetts Association of Realtors.

NOTE: The Massachusetts sales price reflects only that of single-family homes. Sales prices of the other regions represent the average of both single- and multi-family homes.

Electricity Prices, Supply and Capacity by Source. Massachusetts had the third highest electric rate in the country in 2018, 18.84 cents per kilowatt hour in 2019 dollars, while the U.S. average was 10.72. Adjusted for inflation, this was an increase of 5.5 percent for Massachusetts and a decrease of 1.9 percent for the U.S. from the previous year. Massachusetts electric utilities generated \$10.0 billion in revenue in 2018. This was 7.0 percent more than in 2017, while they sold 1.5 percent more electricity. The Massachusetts Net Electricity Trade Index, which represents the state's electricity self-sufficiency, was 0.49 in 2018, the latest data available. In 2018, 67.7 percent of Massachusetts electricity was generated by burning natural gas, our top fuel source for power generation.

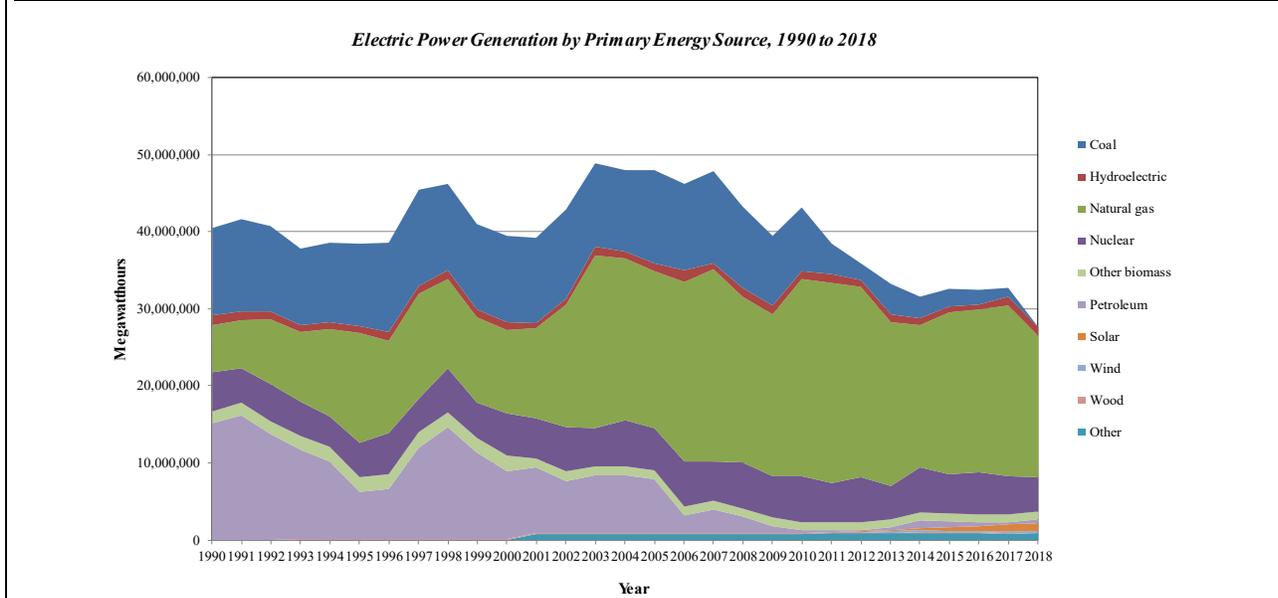


SOURCE: U.S. Department of Energy, http://www.eia.doe.gov/cneaf/electricity/st_profiles/massachusetts.html.
 NOTE: Massachusetts restructured the electric utility industry to establish consumer electricity rate savings by 03/01/98. <https://malegislature.gov/Laws/SessionLaws/Acts/1997/Chapter164>



SOURCE: U.S. Department of Energy, http://www.eia.doe.gov/cneaf/electricity/st_profiles/massachusetts.html.

<i>Electric Power Industry Generation by Primary Energy Source 2008 to 2018 (in Megawatt-hours)</i>											
Energy Source	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total electric	42,505,478	38,966,651	42,804,824	38,054,821	35,578,421	32,885,021	31,118,591	32,085,969	31,955,022	32,204,115	27,172,882
Battery	0	0	0	0	0	0	0	0	-3	-140	-229
Coal	10,628,688	9,028,110	8,305,890	4,058,807	2,136,922	3,959,229	2,794,889	2,252,664	1,874,932	1,136,318	0
Hydroelectric	1,155,811	1,201,076	996,339	1,148,762	912,482	991,504	902,077	827,184	712,516	1,037,491	1,133,620
Natural gas	21,514,434	20,987,836	25,581,752	25,939,672	24,672,381	21,256,887	18,497,715	21,007,411	21,143,936	22,152,558	18,385,821
Nuclear	5,868,639	5,396,021	5,917,813	5,085,220	5,859,540	4,330,643	5,769,154	4,994,806	5,414,318	5,047,170	4,441,563
Other biomass	1,129,046	1,107,875	1,125,326	1,039,130	1,056,204	1,060,541	1,073,422	1,047,103	1,075,330	1,029,589	1,062,196
Petroleum	2,107,999	897,078	295,736	196,503	150,398	390,311	1,004,834	777,075	422,281	265,507	460,716
Solar	80	43	928	4,764	29,614	106,457	306,321	451,366	609,281	788,474	978,311
Wind	3,672	5,956	22,068	61,385	89,673	204,898	224,971	214,666	216,123	232,622	220,982
Wood	122,580	115,384	125,412	101,295	101,444	76,531	125,237	119,769	128,822	130,813	107,041
Other	772,928	760,909	770,629	859,514	877,309	875,926	878,130	867,806	857,935	826,724	846,643
Pumped storage	-798,400	-533,636	-337,069	-440,231	-307,545	-367,906	-458,158	-473,881	-500,450	-443,012	-463,783



SOURCE: U.S. Dept. of Energy, <http://www.eia.doe.gov/>; state electricity profiles.
 NOTE: Other includes batteries, chemicals, hydrogen, pitch, purchased steam, sulfur, tire-derived fuels and misc. technologies. Pumped storage is omitted from the graph because it represents the storage of power generated elsewhere rather than newly generated power.

Travel and Tourism. The Massachusetts Office of Travel and Tourism (MOTT) reported a 0.3 percent increase in 2018 museum and attraction attendance compared to 2017, with 12.5 million visitors. Museum attendance was up 1.8 percent in August 2019 for the calendar year compared to August 2018. For August FY 2020 year-to-date, net room occupancy tax collections totaled \$72.8 million, a 21.5 percent increase from the same period in FY 2019.

Transportation and Warehousing. Massachusetts' major air and seaports are managed by the Massachusetts Port Authority (Massport), an independent public authority. Based on total passenger volume data for calendar year 2017, Logan Airport was the most active airport in New England and the 16th most active in the U.S. according to the Federal Aviation Authority. Massport reported that as of May 2020 year-to-date, total airport flight operations were down 80.4 percent and total airport passengers were down 94.8 percent from the same period in 2019. According to the FAA, in calendar year 2018, Logan Airport ranked 31st in the nation in total air cargo volume. As of May 2020 year-to-date, Massport reported the airport handled 236.7 million pounds of cargo, a 15.1 percent decrease from the same period in 2019. Massport reported that total express mail was up 6.6 percent from the same period in 2019. Please refer to the Aviation Activity tables on the following page.

Massport's Port of Boston properties processed 300,762 full TEUs (twenty-foot equivalent units) of containerized cargo in 2019, an increase of 0.9 percent from calendar year 2018. It also processed 52,018 automobiles, a decrease of 0.7 percent, and 0 cruise passengers, a 100 percent decrease, compared to 2018.

The Army Corps of Engineers reported Massachusetts total waterborne cargo shipped or received in 2018 decreased by 3.7 percent to 16.4 million short tons from 2017. Waterborne cargo in New England decreased 0.7 percent while the U.S. decreased 3.7 percent. Please refer to the Waterborne Tonnage by State charts on the following page.

Aviation Activity for Massachusetts Primary Airports

Passenger Boardings	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Logan International	12,566,797	13,561,814	14,180,730	14,293,695	14,810,153	15,507,561	16,290,362	17,759,044	18,759,742	20,006,521
Nantucket Memorial	204,981	201,390	169,352	179,128	183,557	170,361	155,952	126,197	113,009	126,610
Barnstable Municipal	138,858	124,560	100,596	95,717	87,648	85,184	65,790	31,027	29,455	28,341
Worcester Regional	17,241	35,833	53,541	10,750	8,007	57,818	59,624	57,800	53,931	71,631
Martha's Vineyard	42,248	43,904	49,095	50,484	56,313	52,362	49,853	54,084	49,767	52,605
Provincetown Municipal	10,747	11,450	10,967	11,580	11,288	10,410	10,841	10,074	8,900	10,316
New Bedford Regional	11,680	12,363	11,152	12,256	10,604	8,159	7,271	7,022	5,998	7,956
Hanscom Field	7,350	7,952	10,893	11,097	12,621	11,116	15,313	15,105	10,956	10,194
Total	12,999,902	13,999,266	14,586,326	14,664,707	15,180,191	15,902,971	16,655,006	18,060,353	19,031,758	20,314,174

Cargo - Gross Landed Weight (lbs.)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Logan International	835,954,035	817,235,460	806,845,332	780,913,850	866,698,830	910,283,225	893,960,700	980,954,950	996,320,950	1,008,332,010

Change in Aviation Activity at Massachusetts Primary Airports

Passenger Boardings	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Logan International	-2.0%	7.9%	4.6%	0.8%	3.6%	4.7%	5.0%	9.0%	5.6%	6.6%
Nantucket Memorial	-20.6%	-1.8%	-15.9%	5.8%	2.5%	-7.2%	-8.5%	-19.1%	-10.5%	12.0%
Barnstable Municipal	-27.6%	-10.3%	-19.2%	-4.9%	-8.4%	-2.8%	-22.8%	-52.8%	-5.1%	-3.8%
Worcester Regional	441.8%	107.8%	49.4%	-79.9%	-25.5%	622.1%	3.1%	-3.1%	-6.7%	32.8%
Martha's Vineyard	-6.1%	3.9%	11.8%	2.8%	11.5%	-7.0%	-4.8%	8.5%	-8.0%	5.7%
Provincetown Municipal	-6.3%	6.5%	-4.2%	5.6%	-2.5%	-7.8%	4.1%	-7.1%	-11.7%	15.9%
New Bedford Regional	-16.0%	5.8%	-9.8%	9.9%	-13.5%	-23.1%	-10.9%	-3.4%	-14.6%	32.6%
Hanscom Field	-12.3%	8.2%	37.0%	1.9%	13.7%	-11.9%	37.8%	-1.4%	-27.5%	-7.0%
Total	-2.6%	7.7%	4.2%	0.5%	3.5%	4.8%	4.7%	8.4%	5.4%	6.7%

Cargo	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Logan International	-24.0%	-2.2%	-1.3%	-3.2%	11.0%	5.0%	-1.8%	9.7%	1.6%	1.2%

SOURCE: Federal Aviation Administration. http://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/.

Waterborne Tonnage by State - Percent Change from Previous Year

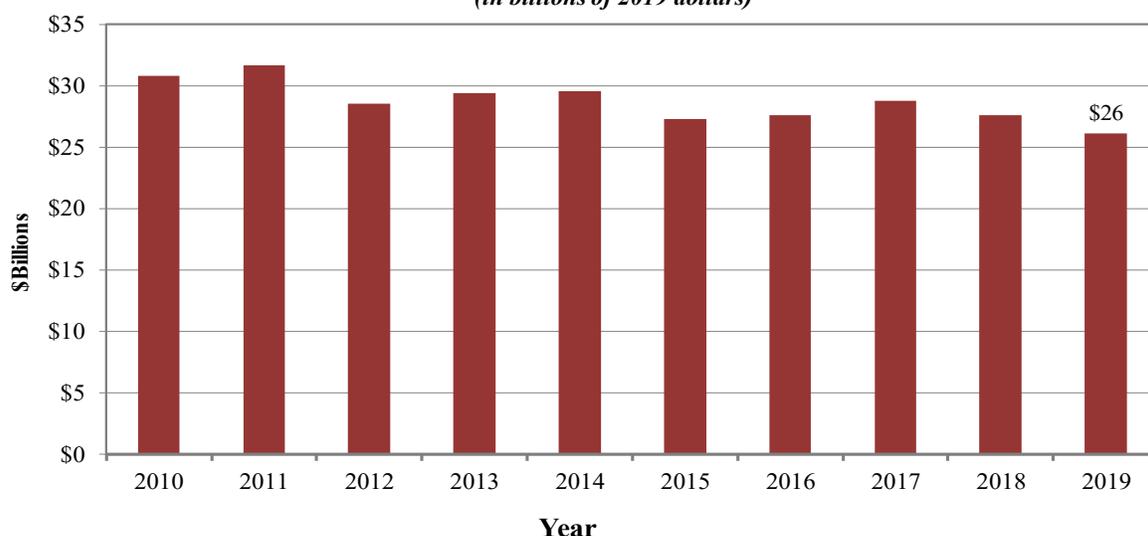
State	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
U.S. total	-3.4%	-10.8%	5.6%	1.4%	-2.6%	-1.4%	3.1%	-2.8%	0.6%	4.1%	1.3%
Massachusetts	-7.3%	-3.8%	-9.4%	-8.9%	-16.2%	9.1%	-0.7%	-1.4%	-1.2%	-6.7%	-3.7%
Maine	-7.8%	-7.1%	-9.1%	-26.3%	-1.8%	-6.9%	-15.0%	-13.0%	-26.5%	-11.3%	1.7%
Connecticut	-9.7%	-7.9%	-3.2%	-20.0%	-18.0%	6.8%	17.1%	2.6%	-7.5%	-5.5%	0.1%
Rhode Island	-6.0%	-20.1%	-1.1%	0.8%	-9.7%	19.9%	-3.5%	2.5%	-1.9%	3.0%	-0.7%
New Hampshire	-4.8%	-6.5%	-17.3%	12.9%	-27.7%	10.7%	4.6%	-1.1%	-15.1%	11.6%	9.2%
Vermont	-	-	-	-	-	-	-	-	-	-	-
New England	-7.7%	-7.8%	-7.4%	-14.5%	-12.7%	5.7%	-0.9%	-2.3%	-8.5%	-4.5%	-0.7%

Waterborne Tonnage by State (In Units of 1,000 Tons)

State	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
U.S. total	2,477,094	2,210,752	2,334,399	2,367,484	2,306,770	2,274,778	2,345,439	2,278,974	2,292,044	2,385,121	2,416,852
Massachusetts	25,993	25,018	22,661	20,646	17,298	18,866	18,733	18,464	18,241	17,024	16,393
Maine	24,747	22,996	20,907	15,411	15,127	14,078	11,964	10,414	7,657	6,795	6,910
Connecticut	18,196	16,767	16,229	12,977	10,645	11,368	13,313	13,664	12,633	11,933	11,943
Rhode Island	10,517	8,404	8,315	8,378	7,567	9,072	8,754	8,976	8,802	9,065	9,005
New Hampshire	3,833	3,583	2,964	3,347	2,419	2,679	2,803	2,771	2,353	2,627	2,869
Vermont	-	-	-	-	-	-	-	-	-	-	-
New England	83,286	76,768	71,076	60,759	53,056	56,063	55,567	54,289	49,686	47,444	47,120

SOURCE: Army Corps of Engineers, Waterborne Commerce Statistics Center (WCSC), <http://www.navigationdatacenter.us/wcsc/wcsc.htm>.

Massachusetts Annual Exports
(in billions of 2019 dollars)



Massachusetts Top Export Partners

(top ten export destinations ranked by value of latest exports, in millions of 2019 dollars)

Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Canada	\$3,803	\$4,315	\$3,868	\$4,098	\$3,996	\$3,414	\$3,308	\$3,141	\$3,077	\$2,975
United Kingdom	\$3,768	\$3,734	\$2,883	\$1,545	\$2,537	\$1,272	\$1,689	\$2,206	\$1,122	\$2,743
China	\$2,574	\$2,373	\$2,090	\$2,173	\$2,477	\$2,216	\$2,308	\$2,402	\$2,685	\$2,370
Mexico	\$1,493	\$1,634	\$1,791	\$2,043	\$2,503	\$2,828	\$2,633	\$2,672	\$2,557	\$1,941
Germany	\$2,195	\$2,326	\$2,008	\$2,015	\$1,998	\$2,061	\$1,741	\$1,898	\$1,987	\$1,834
Japan	\$2,398	\$2,323	\$2,220	\$1,934	\$1,998	\$1,592	\$1,491	\$1,334	\$1,507	\$1,505
Netherlands	\$1,987	\$1,258	\$1,199	\$1,416	\$1,435	\$1,510	\$1,460	\$1,309	\$1,376	\$1,329
Switzerland	\$552	\$640	\$484	\$1,406	\$868	\$1,105	\$1,885	\$1,167	\$1,236	\$1,092
Republic of Korea	\$1,046	\$1,171	\$1,146	\$990	\$1,066	\$1,084	\$1,042	\$1,269	\$1,262	\$952
Ireland	\$566	\$589	\$567	\$701	\$858	\$909	\$1,010	\$953	\$834	\$710
Total Exports, Top Destinations	\$20,381	\$20,362	\$18,255	\$18,320	\$19,736	\$17,992	\$18,566	\$18,354	\$17,642	\$17,451
All other countries	\$10,459	\$11,315	\$10,266	\$11,105	\$9,837	\$9,286	\$9,016	\$10,392	\$9,996	\$8,680
Total Exports	\$30,841	\$31,677	\$28,522	\$29,425	\$29,573	\$27,278	\$27,581	\$28,746	\$27,638	\$26,130

Value of International Shipments from Massachusetts

(top ten industry groups ranked by value of latest exports, in millions of 2019 dollars)

Major Industry Group (3-Digit NAI)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Computer And Electronic Products	\$8,779	\$8,756	\$8,123	\$7,927	\$8,802	\$7,887	\$7,408	\$7,776	\$7,801	\$6,787
Machinery, Except Electrical	\$4,049	\$4,140	\$3,621	\$3,167	\$3,177	\$3,422	\$3,541	\$3,998	\$4,177	\$3,594
Miscellaneous Manufactured Commod	\$3,572	\$3,621	\$3,403	\$3,606	\$3,314	\$3,432	\$3,320	\$3,066	\$3,134	\$3,130
Chemicals	\$4,251	\$3,823	\$3,839	\$3,965	\$3,786	\$3,682	\$3,534	\$3,340	\$3,162	\$3,000
Primary Metal Manufacturing	\$2,811	\$3,175	\$2,174	\$3,126	\$2,568	\$564	\$1,013	\$2,783	\$1,971	\$2,863
Electrical Equipment, Appliances, An	\$654	\$772	\$1,082	\$1,226	\$1,283	\$1,275	\$1,319	\$1,514	\$1,547	\$1,345
Transportation Equipment	\$1,241	\$1,271	\$1,161	\$1,198	\$1,413	\$1,334	\$1,134	\$1,066	\$998	\$996
Plastics And Rubber Products	\$880	\$921	\$756	\$740	\$788	\$892	\$867	\$859	\$836	\$819
Fabricated Metal Products, Nesoi	\$949	\$982	\$748	\$814	\$851	\$840	\$659	\$704	\$615	\$668
Waste And Scrap	\$767	\$1,251	\$873	\$819	\$826	\$1,355	\$2,201	\$941	\$755	\$663
Total Exports, Top Massachusetts Ind	\$27,953	\$28,714	\$25,781	\$26,586	\$26,807	\$24,682	\$24,996	\$26,048	\$24,996	\$23,866
All other exports	\$2,888	\$2,963	\$2,741	\$2,838	\$2,766	\$2,597	\$2,585	\$2,698	\$2,642	\$2,265
Total Exports	\$30,841	\$31,677	\$28,522	\$29,425	\$29,573	\$27,278	\$27,581	\$28,746	\$27,638	\$26,130

SOURCE: WISERTrade.org.

Sources

Listed below are the websites of the original data sources used to compile Exhibit A. For more information, contact the UMass Donahue Institute Economic and Public Policy Research unit.

Web: <http://www.donahue.umassp.edu/business-groups/economic-public-policy-research>, Tel: 413-577-2415

Introduction

American Human Development Project

<http://www.measureofamerica.org/>

Population Characteristics

U.S. Department of Commerce, Bureau of the Census

<http://www.census.gov>

U.S. Internal Revenue Service

<http://www.irs.gov>

Personal Income, Consumer Prices, and Poverty

U.S. Department of Commerce, Bureau of Economic Analysis

<http://www.bea.gov/regional/index.htm>

U.S. Department of Labor, Bureau of Labor Statistics

<http://www.bls.gov>

The Conference Board, Inc.

<http://www.conference-board.org>

MassInsight Corporation

<http://www.massinsight.com/index.asp>

U.S. Department of Commerce, Bureau of the Census

<http://www.census.gov>

Employment

Mass. Executive Office of Labor and Workforce Development, Division of Unemployment Assistance

<http://lmi2.detma.org/Lmi/LMIDataProg.asp>

U.S. Department of Labor, Bureau of Labor Statistics

<http://www.bls.gov/data/home.htm>

Economic Base and Performance

U.S. Department of Commerce, Bureau of Economic Analysis

<http://www.bea.gov/national/index.htm#gdp>

Fortune Magazine

<http://www.fortune.com/fortune/>

Economic Base and Performance - Sector Detail (NAICS Basis)

U.S. Department of Commerce, Bureau of Economic Analysis

<http://www.bea.gov/regional/index.htm>

U.S. Census Bureau, Foreign Trade Division. Prepared by the World Institute for Strategic Economic Research (WISER)

<http://www.WISERTrade>

U.S. Census Bureau, Nonemployer Statistics

<https://www.census.gov/econ/nonemployer/index.html>

Statistics

<http://www.bls.gov/data/home.htm>

Massport

<http://www.massport.com>

Airports Council International

<http://www.aci.aero>

Federal Aviation Administration

http://www.faa.gov/airports_airtraffic/airports/planning_capacity/passenger_allcargo_stats/

Army Corps of Engineers

<http://www.navigationdatacenter.us/wcsc/wcsc.htm>

Federal Reserve Bank of Philadelphia

<https://www.phil.frb.org/>

U.S. Department of Commerce

<http://www.census.gov>

National Association of Realtors

<http://www.realtor.org/>

<http://www.marealtor.com/content/>

Massachusetts Office of Travel and Tourism

<http://www.massvacation.com>

U.S. Census Bureau, Governments Division

<http://www.census.gov/govs/www/statetax.html>

<http://www.census.gov/govs/www/state.html>

U.S. Department of Commerce, Bureau of the Census, Consolidated Federal Funds Report

<http://www.census.gov/govs/www/cffr.html>

Federal Spending award data

<http://www.usaspending.gov>

Large employers by sector

<http://www.mass.gov/comptroller/docs/reports-audits/cafr/2016-cafr.pdf>

Human Resources and Infrastructure

U.S. Census Bureau

<http://www.census.gov/acs/www/>

New England Board of Higher Education

<http://www.nebhe.org.connection.html>

National Science Foundation

<http://www.nsf.gov/statistics>

U.S. Department of Education, National Center for Education Statistics

<http://nces.ed.gov>

Institute of International Education

<http://www.iese.org>

U.S. Patent Office

<http://www.uspto.gov>

Exhibit B

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Commonwealth of Massachusetts

STATUTORY BASIS FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019



Inspirational Women in Massachusetts History

Commonwealth of Massachusetts



Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2019

Prepared by
Office of the Comptroller
Statewide Financial Reporting Team



Andrew W. Maylor
Comptroller of the Commonwealth

This document is available at the Comptroller's website: www.macomptroller.org

Inspirational Women From History

Lucy Stone - Photo courtesy of <https://www.loc.gov/resource/cph.3b24168/>

Clara Barton - Photo courtesy of <https://www.loc.gov/resource/ppmsca.56384/>

Sarah Parker Remond - Photo courtesy of <https://sarahparkerremond.wordpress.com/about/>

Anne Sullivan - Photo courtesy of <https://www.loc.gov/resource/cph.3b26066/>

Henrietta Swan Leavitt - Photo courtesy of <https://www.famousscientists.org/henrietta-swan-leavitt/>

Jennie Loitman Barron - Photo courtesy of <https://bwht.org/downtown/>

Christa McAuliffe - Photo courtesy of http://inapcache.boston.com/universal/site_graphics/blogs/bigpicture/challenger_2011/bp2.jpg

Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2019

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Introductory Section



Comptroller's Letter
Report Summary
Constitutional, Legislative and Judicial Officers
Organizational Chart of State Government
Advisory Board to the Comptroller
Acknowledgements



Lucy Stone (1818-1893)

Lucy Stone left her West Brookfield, Massachusetts farm, first to attend Oberlin College in Ohio and become the first woman from Massachusetts to earn a college degree, then to speak across the country before crowds of thousands on the topic of women's rights. She helped to organize the first National Rights Convention, in Worcester, a watershed moment in the fight for women's suffrage. Her advocacy culminated with the founding of *Woman's Journal* in 1870, a weekly newspaper considered the "voice of the woman's movement", which would influence the ultimately successful fight for women's suffrage.

Source: <https://www.womenshistory.org/education-resources/biographies/lucy-stone>



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

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January 6, 2020

The People of Massachusetts

His Excellency Charles D. Baker, Governor

Senator Michael J. Rodrigues, Chair of the Senate Committee on Ways and Means

Representative Aaron Michlewitz, Chair of the House Committee on Ways and Means

Secretary Michael J. Heffernan, Executive Office for Administration and Finance

The Office of the Comptroller is pleased to provide the Commonwealth's Statutory Financial Report (SBFR) for the fiscal year ended June 30, 2019. In our opinion, the SBFR provides independent and unbiased accounting of Commonwealth revenues and expenditures for Fiscal Year 2019. It has also been reviewed in accordance with professional standards established by the American Institute of Certified Accountants.

Under M.G.L. c. 7A, s. 7, the Comptroller is responsible for interpreting and implementing accounting standards through the establishment of a statewide accounting system and corresponding accounting rules for all Commonwealth departments. Pursuant to M.G.L. c. 7A, s. 12, the Comptroller is also required to file the SBFR with the Governor, the Secretary of Administration and Finance, the House and Senate Committees on Ways and Means, the Clerks of the House and Senate, and any other Parties specified in general or special law by October 31st of each year. The enactment of the final FY19 Supplemental Appropriations Act and a technical corrections bill on December 13, 2019 resulted in this office's inability to meet the statutory deadline.

Once the Final Supplemental technical corrections bill was enacted, we immediately closed the Commonwealth's books for Fiscal Year 2019. In the ensuing days, our statewide financial reporting team implemented the requisite transactions in the state's accounting system, recorded those transactions in the SBFR, finalized and submitted the SBFR for review to our external auditors, and today filed the SBFR pursuant to M.G.L. c. 7A. Annually, the two-month period between August 31 and October 31 should be dedicated to the completion of reporting, reconciliation, and independent auditor review of the statements, including certification of the Consolidated Net Surplus (CNS). The issued SBFR then serves as the basis for the Comprehensive Annual Financial Report (CAFR) required pursuant to M.G.L. c. 7A, s.12. Commencing in Calendar Year 2020 the Office of the Comptroller will proceed with closing the fiscal year, certifying the CNS and issuing the SBFR using a timeframe that allows compliance with the relevant statutory deadlines.

As we conclude our review of Fiscal Year 2019, we would like to take the opportunity to acknowledge the remarkable effort and dedication of the Office of the Comptroller staff, who continually support our mission to promote accountability, integrity, and clarity in Commonwealth business, fiscal, and administrative enterprises.

Respectfully,

Andrew W. Maylor

Comptroller of the Commonwealth

Report Summary

As of June 30, 2019, the Commonwealth had a budgetary fund balance of approximately \$3.959 billion and completed FY19 with a budget surplus according to state finance law (see below for the statutory definition of a balanced budget and surplus) of \$623 million. During the fiscal year, the balance of the Commonwealth's Stabilization (or rainy day) Fund increased by \$1.423 billion, to \$3.424 billion, as a result of transfers of capital gains tax revenues, abandoned property, investment earnings, and statutorily required deposits of the FY19 budget surplus. No funds were drawn from the Stabilization Fund in FY19 other than a portion of capital gains tax revenues legally required to be deposited in the state pension and retiree benefits funds. (The Budgeted Funds – Operations table on page 7 displays the FY19 summary of budgeted funds compared to FY18. Details of FY19 Stabilization Fund activity are provided on pages 10 and 130.) The total budgeted fund balance of \$3.959 billion reflects a gain (revenues and other financing sources greater than expenditures and other financing uses) of approximately \$1.573 billion, added to the FY19 beginning balance of \$2.387 billion. This follows an FY18 operating gain of \$939 million. In addition to the \$3.424 billion reserved in the Stabilization Fund, \$521 million is reserved for continuing appropriations and debt service in fiscal year 2020. The remaining undesignated balance of \$14 million is made up of smaller budgeted fund balances.

During FY19, budgeted fund tax revenues increased by \$1.862 billion, or 7.2%, from FY18, as tax revenue growth due to the continuing expansion of the Massachusetts economy and strength of the stock market resulted in growth in the Commonwealth's most significant tax revenue sources -- income taxes (including capital gains taxes), sales taxes, and corporate/business taxes. Before transfers between budgeted funds (which do not affect total budgeted fund balances), total budgeted fund revenues and other financing sources increased by \$2.563 billion, or 5.8%. Budgeted fund expenditures and other financing uses increased by \$1.930 billion, or 4.5%, primarily due to increases in Medicaid spending, additional payments to hospitals that care for the uninsured, and higher contributions to the state pension system to pay down the Commonwealth's unfunded pension liability. A more detailed analysis of revenue and spending changes, as well as the economic factors that affected the budget, is included in the sections that follow.

Overview of the Financial Statements

This report focuses primarily on the Commonwealth's budgeted funds. For the budgeted funds, the activity (inflows and outflows) and balances (assets and liabilities) of each fund are presented separately. For all other funds included in this report, the activity – inflows and outflows – is presented in tabular form, but per statute, the full balance sheets for each fund are not shown.

The financial operations of these funds are maintained in the Massachusetts Management Accounting and Reporting System (MMARS), the statewide accounting system, which is operated by the Commonwealth and contains detailed information summarized in this report.

The SBFR is intended to satisfy the requirements of state finance law and to present the results of FY19 activity in the Commonwealth's funds. The report contains computations required by state finance law, including the certification of, transfers to, and balances in, the Stabilization Fund.

Basis of Accounting and Definition of the Consolidated Net Surplus

The statutory (or budgetary) basis of accounting, as defined in Massachusetts law, is used to budget and control the Commonwealth's fiscal operations. The statutory basis of accounting is not in conformity with accounting principles generally accepted in the United States of America (GAAP) as defined for governments by the Governmental Accounting Standards Board (GASB). In addition, per statute, the Commonwealth-managed Fiduciary Funds are not included in this presentation. The Comptroller's Office will report the Commonwealth's financial position on a GAAP basis in the State's Comprehensive Annual Financial Report (CAFR). That report provides a basis for comparison with other jurisdictions, as the accounting rules for the CAFR are the same for all governments, whereas the statutory basis of accounting may differ across states. There are significant differences between what is contained in the SBFR and what will be presented in the GAAP-based CAFR, the major ones being that the CAFR reflects capital assets and depreciation expense, all types of long-term obligations – including debt, pensions, and other-post employment benefits (or OPEB,

which are mainly retirees' health insurance benefits) – and in the CAFR the financial statements are presented in an all-encompassing, net position and net expense format.

The Commonwealth's statutory basis of accounting, as set out in [Chapter 29 of the Massachusetts General Laws](#), defines the "consolidated net surplus" as the ending "undesignated", or unreserved, balances in the budgeted funds, that is, those funds subject to the state's annual appropriation process, though by statute several budgeted funds are excluded from the consolidated net surplus calculation. State finance law defines a "balanced budget" as a consolidated net surplus of \$0 or greater. The largest of the budgeted funds are the General Fund and the Commonwealth Transportation Fund, which in FY19 accounted for approximately 93.9% and 4.6%, respectively, of total budgeted fund expenditures and other financing uses. The remaining approximately 1.5% of budgeted fund activity comprises 13 smaller funds, four of which by statute are excluded from the consolidated net surplus calculations.

In accordance with Section 12 of Chapter 7A of the Massachusetts General Laws, the Office of the Comptroller is required to transmit the SBFR by October 31st. However, due to the fact that the final FY19 supplemental budget bill and related technical correction legislation were not enacted and signed into law until December 13, 2019, this SBFR is being transmitted on January 6, 2020 in order to provide sufficient time to accurately incorporate the bill's provisions into this report and have it reviewed by the Commonwealth's independent auditor.

The SBFR for the fiscal year ended June 30, 2019 is reviewed, not audited, by KPMG LLP and represents the closing of the Commonwealth's books for the fiscal year.

The Economic Context

The funding available to the Commonwealth to finance its programs is determined largely by the performance of the state's economy, particularly growth in employment, which drives the personal income tax, the state's largest revenue source. In FY19, the Commonwealth's economy continued to perform well, though employment growth has slowed due to full employment in the state and a consequent shortage of workers. Between June 2018 and June 2019, employment grew by approximately 35,500 jobs, or 1.0%, compared to employment growth of 1.5% for the United States as a whole over the same period. As of June 2019, the Massachusetts unemployment rate was 3.0%, compared to 3.7% nationally.

The Budgeted Funds

The FY19 budget enacted by the Legislature (the General Appropriation Act) included an FY19 tax revenue estimate of \$28.261 billion (an increase from the FY19 consensus estimate of \$27.594 billion, which the Legislature adjusted upward by \$667 million after tax revenue ended FY18 well above forecast), and further increased by \$247 million to \$28.509 billion as a result of \$122 million in tax law changes and \$125 million in tax settlements included in the General Appropriation Act. \$26.568 billion of that revenue was to be deposited in the budgeted funds and \$1.941 billion was to be deposited directly into non-budgeted funds for transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.038 billion) and the Massachusetts School Building Authority (\$878 million), and revenue deposited in the non-budgeted Workforce Training Fund (\$24 million).

In October 2018, with tax revenues tracking estimates assumed in the FY19 enacted budget, the Secretary of Administration and Finance affirmed the FY19 tax revenue estimate. In January 2019, the Secretary of Administration and Finance revised the Fiscal Year 2019 state tax revenue estimate upward to \$28.641 billion (including \$49 million in projected judgment and settlement revenue), to reflect strong growth in year-to-date income tax collections, primarily due to a surge in capital gains taxes.

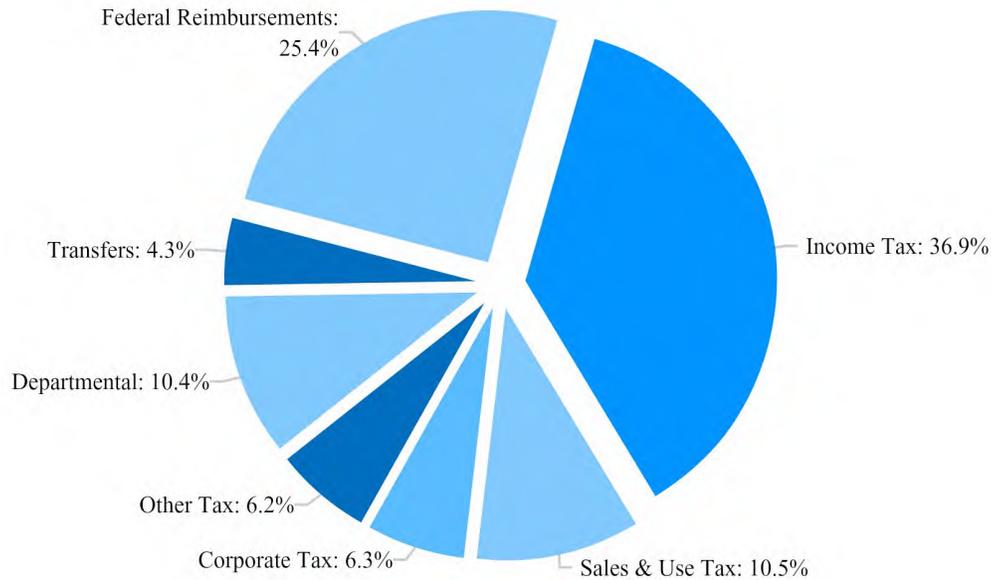
FY19 tax revenues upon which the FY19 General Appropriation Act was based ended the year at \$29.741 billion (including \$49 million in tax settlements exceeding \$10 million each), of which \$27.769 billion was deposited in the budgeted funds). Tax revenue deposited in the budgeted funds grew by \$1.862 billion, or 7.2%, from FY18, and was \$1.047 billion above the final FY19 tax estimate.

The FY19 General Appropriation Act (GAA) authorized approximately \$42.758 billion in spending, exclusive of approximately \$2.609 billion in required pension contributions and \$352 million in FY18 spending authorized to be continued into FY19 as part of the FY18 and FY19 general appropriation acts and various FY18 supplemental budgets.

Approximately \$864 million in supplemental appropriations were authorized during FY19, \$321 million of which were enacted prior to June 30, 2019. Subsequent to year end, a supplemental budget was enacted totaling approximately \$542 million in new appropriations, \$297 million of which funded FY19 Medicaid expenses, \$20 million of which funded local road and bridge (Chapter 90) assistance to cities and towns, \$8 million of which funded FY19 local Sheriffs' expenses, and \$8 million of which funded FY19 snow and ice removal costs. The remaining final supplemental appropriations were continued to FY20 and reappropriated, including \$32 million for additional investments in the MBTA, \$11 million for a transfer to the Massachusetts Clean Water Trust for a program to eliminate certain toxic chemicals in city and town drinking water supplies, \$10 million for a pilot program to prevent gun and other violent crime, and \$10 million for matching funds to encourage private contributions to Massachusetts public colleges and universities. In addition to the year-end FY19 supplemental appropriations just described, the year's significant supplemental appropriation activity included:

- \$134 million for the Medical Assistance Trust Fund payments to hospitals that care for low-income patients;
- \$48 million for FY19 collective bargaining costs;
- \$30 million for heating assistance subsidies to low income residents;
- \$28 million for additional Department of Correction costs;
- \$21 million for salary increases of human services direct care workers;
- \$10 million for supplements to wages of home care workers who care for the elderly;
- \$10 million for family shelters and related services to the homeless.

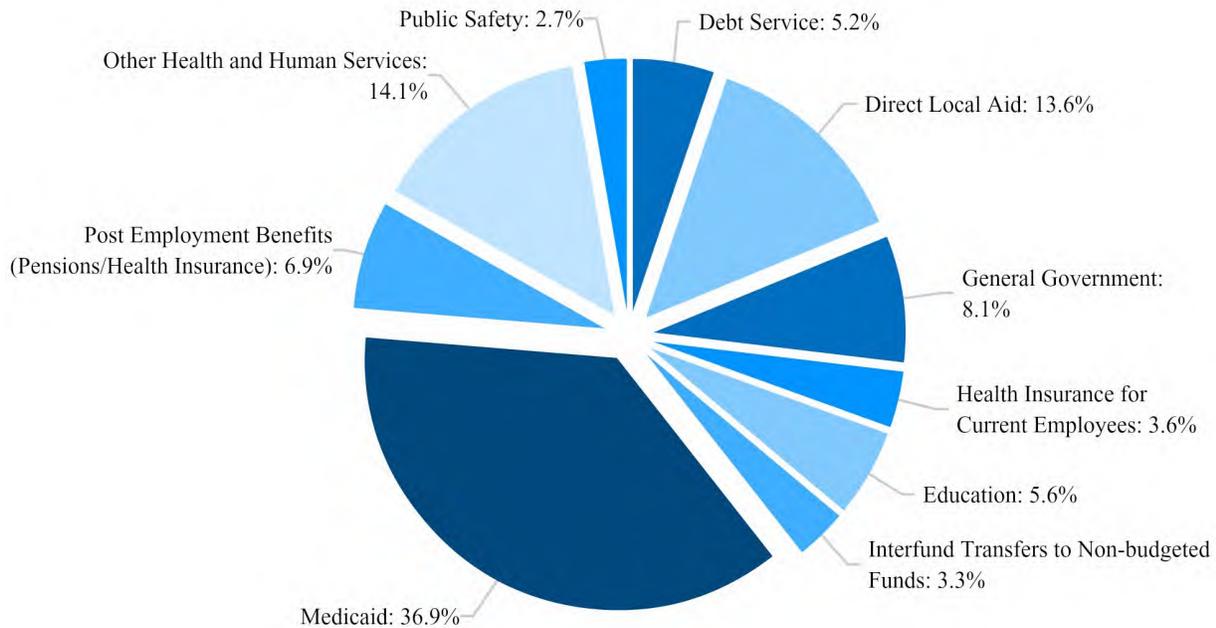
**Budgeted Fund Revenues and Other Financing Sources
Before Transfers Between Budgeted Funds (Total of \$46.4 billion)**



FY19 budgeted revenues and other financing sources (before transfers between the budgeted funds, which are included in both spending and revenue and thus have no effect on fund balances) totaled \$46.383 billion, an increase of \$2.563 billion, or 5.8%, from FY18. As the Massachusetts economy continued to expand robustly, tax revenue grew by \$1.862 billion, or 7.2%. Personal income tax withholding increased by \$488 million, or 3.9%, capital gains revenue (part of the personal income tax) increased by \$875 million, or 73.9%, from FY18, sales and use tax grew by \$253 million, or 5.5%, corporate taxes grew by \$516 million, or 21.6%, and estate and inheritance taxes increased by \$128 million, or 27.1%. Federal reimbursements totaled \$11.772 billion, an increase of \$395 million, or 3.5%, primarily due to growth in reimbursements for increased Medicaid program spending and for Medical Assistance Trust payments to local hospitals that care for Medicaid-eligible patients. Departmental revenue, which consists primarily of assessments and fees for state licenses and state services, totaled \$4.832 billion, an increase of \$90 million, or 1.9%, from FY18. Interfund transfers from non-budgeted funds totaled \$2.010 billion, an increase of \$217 million, or 12.1%, from FY18, due primarily to other non-budgeted fund transfers to the General Fund.

The Commonwealth continues to receive revenues, as it will in perpetuity, from the Master Settlement Agreement (MSA) between the states and the tobacco industry to recover health care costs for tobacco-related illnesses. In FY19, the Commonwealth received \$237 million in tobacco settlement funds, a decrease of \$7 million compared to FY18. The \$237 million represented approximately 65.1% of the estimated amounts shown in the MSA. Statute requires that a portion of tobacco settlement proceeds be transferred directly to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care, with the percentage of proceeds transferred increasing by 10% each year until 100% of such proceeds is to be deposited in the SRBTF in FY2022 and after. For FY19, the statutorily required transfer was 70% of tobacco settlement revenues; however, FY19 budget actions reduced the percentage of tobacco settlement revenues deposited to the SRBTF from 70% to 30%. That action reduced the FY19 transfer to approximately \$71 million, compared to the statutorily required transfer of \$166 million.

**Budgeted Expenditures and Other Financing Uses
Before Transfers Between Budgeted Funds (Total of \$44.8 billion)**



FY19 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$44.810 billion, an increase of \$1.930 billion, or 4.5%, from FY18, with the increase primarily attributable to higher spending on Medicaid and other health care spending, pension contributions, and Local Aid.

Spending on programs and services totaled \$37.932 billion, an increase of \$1.800 billion, or 5.0%, from FY18. Medicaid expenditures totaled \$16.521 billion, an increase of \$776 million, or 4.9%, from FY18, with the growth primarily due to increased medical services utilization, Medicare premium increases, and health care cost growth, especially pharmacy costs for emerging drugs. Spending for direct local aid (both education aid and unrestricted aid), at \$6.075 billion, was up \$189 million, also up 3.2%, from FY18.

Spending on state employee health benefits paid through the Group Insurance Commission (excluding benefits paid to retirees) increased by \$12 million, or 0.7%, increasing from \$1.634 billion to \$1.646 billion, as saving initiatives kept growth low. Budgeted debt service totaled \$2.327 billion, up \$4 million, or 0.2%, from FY18.

Interfund transfers to non-budgeted funds totaled \$1.441 billion, a decrease of \$93 million or 6.0%, primarily due to a decrease in transfers to the Medical Assistance Trust Fund (where expenditures vary greatly from year-to-year, depending on the timeliness of federal government approval of certain reimbursements), which declined by \$217 million, or 37.4% from FY18, which offset growth in post-employment benefits (for pension contributions and retiree health benefits), which totaled \$3.110 billion, an increase of \$219 million, or 7.6%, as the Commonwealth increased its pension contribution by \$214 million, or 8.9%, from FY18.

In conducting the budget process, the Commonwealth excludes from its forecast those “interfund” transactions within the budgeted funds that are included in this report; these transactions by their nature have no impact on the combined fund balance of the budgeted funds. The Budgeted Funds - Operations table isolates this “interfund” activity from the budgeted sources and subtracts this revenue and spending to align forecasts prepared during the budget process and in bond disclosure documents to actual amounts in this report. In FY19, transfers among the Budgeted Funds totaled \$1.993 billion, an increase of \$776 million, or 63.8%, from FY18, primarily due to transfers from the General Fund and other budgeted funds to the Stabilization Fund, resulting from increased capital gains taxes and the end of fiscal year’s budget surplus, both of which are statutorily required to be deposited in the Stabilization Fund.

A detailed list of these interfund transfers is included in [Note 3](#) of the financial statements and [Schedule C](#) of the Supplemental Information section of this report.

Budgeted Funds - Operations
(Amounts in thousands)

	2019	2018
Beginning fund balances:		
Reserved and designated.....	\$ 371,473	\$ 117,396
Reserved for Stabilization Fund	2,001,299	1,300,678
Undesignated	13,898	29,661
Total.....	2,386,670	1,447,735
Revenues and other financing sources:		
Taxes.....	27,768,601	25,906,660
Federal reimbursements.....	11,771,905	11,376,956
Departmental and other revenues, including tobacco settlement	4,831,749	4,742,182
Interfund transfers from non-budgeted funds and other financing sources.....	2,010,287	1,793,423
Budgeted revenues and other financing sources	46,382,542	43,819,221
Intragovernmental Service Fund revenues	418,649	437,226
Interfund transfers among budgeted funds and other financing sources.....	1,574,656	779,788
Total revenues and other financing sources.....	48,375,847	45,036,235
Expenditures and other financing uses:		
Programs and services	37,931,622	36,131,642
Debt service	2,327,110	2,323,361
Post employment benefits.....	3,110,197	2,891,491
Interfund transfers to non-budgeted funds and other financing uses.....	1,441,086	1,533,793
Budgeted expenditures and other financing uses	44,810,015	42,880,287
Intragovernmental Service Fund expenditures	418,649	437,226
Interfund transfers among budgeted funds and other financing uses.....	1,574,656	779,788
Total expenditures and other financing uses.....	46,803,320	44,097,301
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	1,572,527	938,934
Ending fund balances:		
Reserved and designated.....	521,274	371,473
Reserved for Stabilization Fund	3,424,376	2,001,299
Undesignated	13,547	13,898
Total.....	<u>\$ 3,959,197</u>	<u>\$ 2,386,670</u>

Budgeted Funds – Fund Balance (Including Stabilization Fund)
(Amounts in millions)



The graph of Budgeted Funds - Fund Balance above portrays the combined fund balance in the budgeted funds for the past five years.

As of June 30, 2019, the ending balance is comprised mainly of the fund balance of the General Fund and the Stabilization Fund. Due to designations of fund balances, \$521 million of the total budgeted fund balance, exclusive of the Stabilization Fund, is reserved for appropriations and debt service in FY19. The remaining \$14 million is undesignated in the budgeted environmental funds that are not included in the consolidated net surplus calculation.

Lottery and Gaming

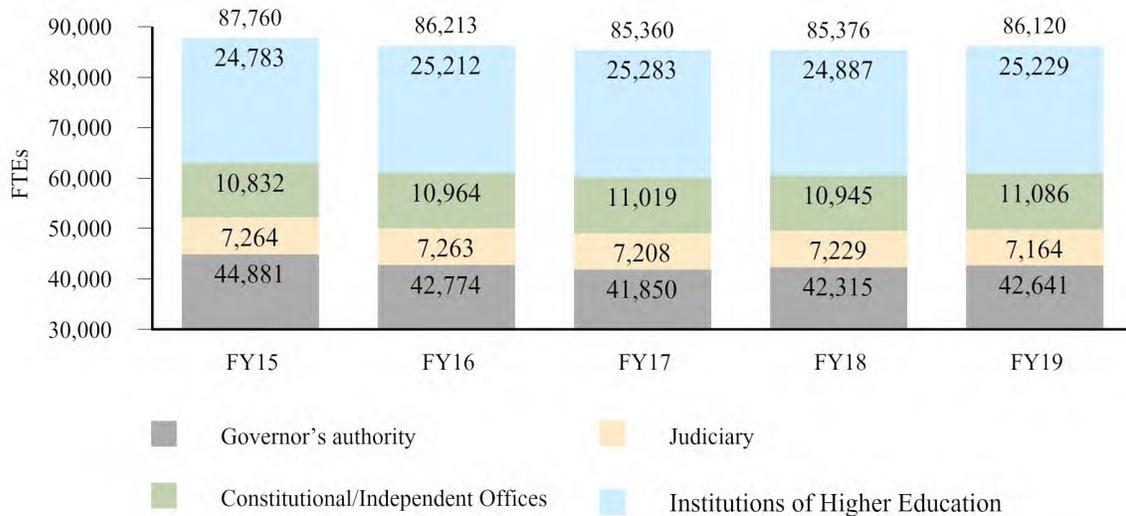
Gross Lottery revenues (including revenues from the Arts Lottery) grew from \$5.442 billion in FY18 to \$5.653 billion in FY19, an increase of \$211 million, or 3.9%. Lottery profits, after deducting administrative expenses and fringe benefit charges to reimburse the Commonwealth’s General Fund for pension and employee health insurance benefits, but prior to distributions to reimburse the Massachusetts Cultural Council and compulsive gambling appropriations as mandated in the FY19 budget, totaled \$1.104 billion, an increase of \$107 million, or 10.7%, from FY18. Of that \$1.104 billion in profits, and as mandated in the FY19 General Appropriation Act, approximately \$1.032 billion was transferred to the General Fund to reimburse it for so-called Unrestricted General Government Aid (formerly Lottery Local Aid), \$16 million reimbursed the Massachusetts Cultural Council appropriation, and \$2 million reimbursed a compulsive gambling prevention program appropriation, and the remaining \$54 million was transferred to the General Fund.

FY19 was the fourth fiscal year in which tax revenues were collected on profits generated by slot machines at the Plainridge slots parlor and the first year in which taxes were collected on the profits at the full service casinos in Springfield (which opened in August 2018) and Everett (which opened in June 2019). FY19 budgeted fund tax revenues remitted to the Commonwealth by Plainridge, which are equal to 40% of gross profits (or “gross gaming revenues”) from the slot machines, totaled approximately \$68 million, an increase of less than \$1 million from FY18, which was earmarked for local aid; an additional \$15 million in non-budgeted fund revenue, equal to 9% of gross gaming revenue from the slot machines, was earmarked for the advancement of horse racing. Revenues from the Springfield casino (equal to 25% of gross gaming revenue) totaled \$58 million, and taxes from the gaming operations of the Everett casino (also equal to 25% of gross gaming revenues) totaled \$4 million for the less than two weeks in which the casino was operating in FY19. In addition to the gaming taxes generated from the Everett casino, approximately \$36 million in fines were levied on the owners of the facility by the Massachusetts Gaming Commission prior to, and a condition of, the casino’s opening.

Full-Time Equivalent Employment

The chart below shows the Commonwealth’s full-time equivalent employment, including the Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgetary, non-budgetary, capital, federal, and trust) over the past five fiscal years. As of June 30, 2019, the number of Commonwealth employees increased by a net of 744 full-time equivalent employees (FTEs) from June 30, 2018, to a total of 86,120. The largest increase was in the University of Massachusetts (456 FTEs).

**Full Time Equivalent Workforce
Including Higher Education
June 2015 – June 2019**



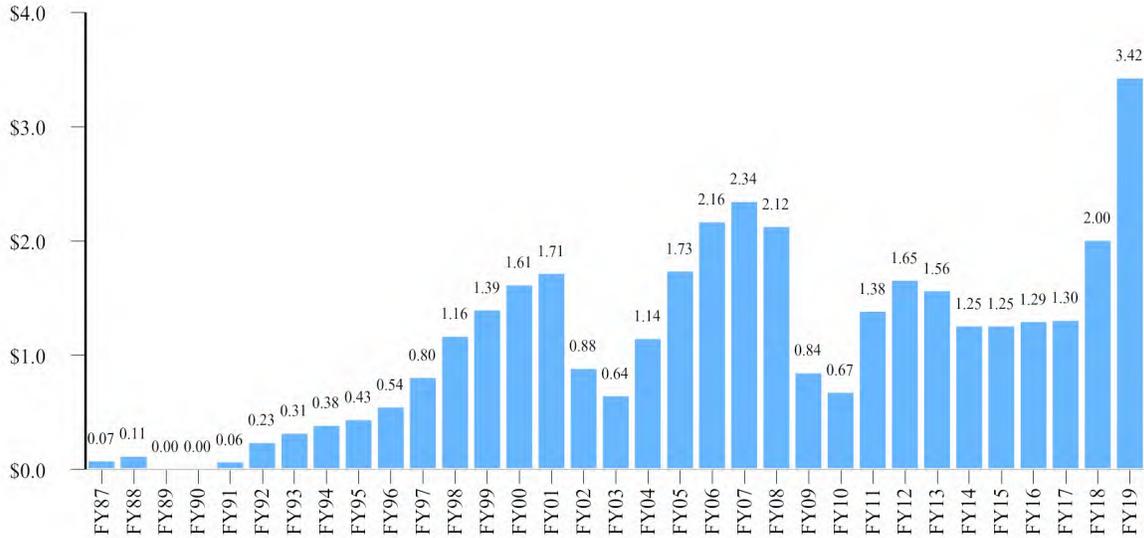
The Stabilization Fund

The Stabilization (or rainy day) Fund provides a reserve to be used in the event of an economic downturn or other fiscal emergency. The balance of the Stabilization Fund increased by \$1.423 billion, to \$3.424 billion, between FY18 and FY19, with the main sources of growth being transfers of certain capital gains tax revenues and the end of fiscal year surplus.

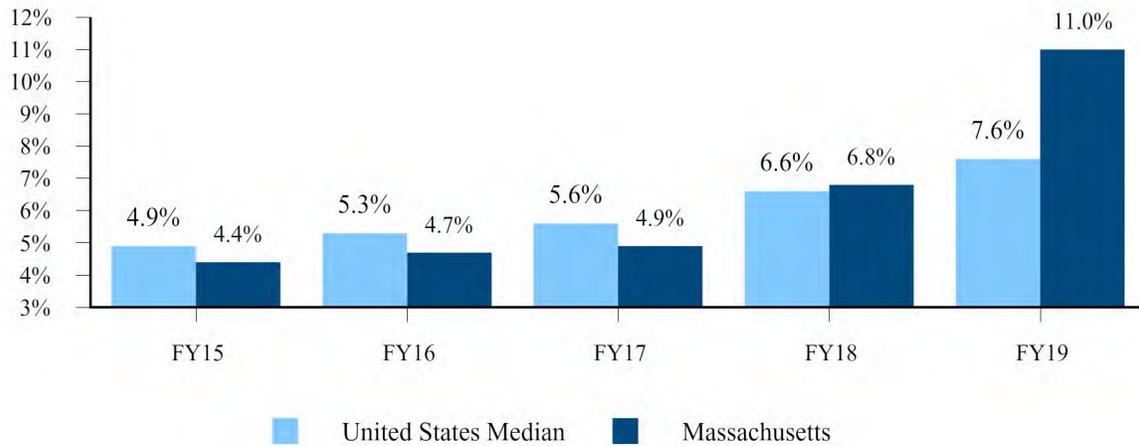
Massachusetts state finance law includes a statutory requirement to transfer tax revenue attributable to capital gains above an annual threshold to the Stabilization Fund, State Pension Liability Fund, and State Retiree Benefits Trust Fund. The FY19 capital gains tax threshold, as determined by the Department of Revenue, was \$1.212 billion. In July 2019, the Department of Revenue certified that FY19 tax collections attributable to capital gains totaled \$2.060 billion which, per statute, resulted in an \$848 million transfer of above-threshold capital gains tax revenue from the General Fund, with \$764 million going to the Stabilization Fund and \$42 million being transferred to both the State Pension Liability Fund and the State Retiree Benefits Trust Fund. In closing the books on FY19, the Comptroller transferred \$593 million of the consolidated net surplus to the Stabilization Fund per state finance law. During the fiscal year, the Fund also earned \$53 million in investment income and received a small amount of tax revenue, and at the end of the fiscal year, an additional \$4 million was transferred to the Stabilization Fund from an increase in FY19 net abandoned property collections, as required by state finance law and \$10 million from casino gaming tax revenue and related fines. The Commonwealth made no withdrawals from the Stabilization in FY19, other than the statutorily required transfers of capital gains tax revenue to Pension and Retiree Benefits Funds. (Detail on transfers to and from the Stabilization Fund is shown in the table on [page 130](#)).

The following two charts show the end of fiscal year Stabilization Fund balances since the inception of the fund in FY1987, and the Stabilization Fund balance as a percentage of General Funds own-source expenditures over the past five fiscal years, compared to the median of all states.

**Stabilization Fund Balance
(Amounts in billions)**



**Stabilization Fund Balance as a Percentage of General Fund Own-Source Expenditures
Massachusetts vs. Median of all U.S. States**



Rainy day fund balances are typically measured both in terms of the absolute size of those funds and the funds’ balances as a percentage of General Fund expenditures, with the latter calculation taking into account a state’s level of spending that stabilization funds are required to cover when economic downturns cause unanticipated declines in states’ tax revenues and increases in demand for state services. According to The National Association of State Budget Officers’ (NASBO) [Spring 2019 Fiscal Survey of the States](#), at the close of FY18 (the most recent year for which final rainy day fund balances were available for all states), the Commonwealth Stabilization Fund’s balance of \$2.001 billion, of General Fund expenditures, was the seventh largest in the nation in absolute terms, and Massachusetts will have the fourth largest Stabilization Fund balance at the end of FY19. As a percentage of total General Fund expenditures (after

subtracting \$11.772 billion in FY19 federally reimbursed General Fund expenditures, since all other states in the NASBO survey exclude federally reimbursed spending from General Fund expenditures, meaning that their Stabilization Fund percentage calculations are a proportion of “own-source” General Fund expenditures), the Commonwealth’s FY18 Stabilization Fund balance of 6.8% as a percentage of General Fund own-source expenditures was slightly above the national median of 6.6%. For FY19, the Commonwealth’s Stabilization Fund balance as a percentage of General Fund own source expenditures was 11.0%, well above the national median of 7.6% as reported in the NASBO survey.

With the \$1.423 billion added to the Stabilization Fund balance in FY19, the Fund’s balance has risen to its highest level since the fund’s inception in FY87, and is almost \$1.1 billion higher than the previous maximum balance reached in FY07. The [FY20 General Appropriation Act as enacted](#) assumes that a deposit of more than \$521 million will be made to the Fund in FY20 from above-threshold capital gains tax revenue and interest earnings.

The Non-Budgeted Funds

The Non-Budgeted Funds represent operations in which the government has imposed its sovereign authority but has excluded these operations from the annual budget process. During FY19, the Commonwealth maintained 119 non-budgeted funds, while another 32 were inactive.

The largest non-budgeted funds in terms of operating revenues include the State Lottery and Gaming Fund, the Federal Grants Fund, the MBTA State and Local Contribution Trust Fund (which accounts for sales tax revenue dedicated to and transferred to the MBTA), the School Modernization Trust Fund (which accounts for sales tax revenue dedicated to and transferred to Massachusetts School Building Authority), the Commonwealth Care Trust Fund, the Medical Assistance Trust Fund, the Health Safety Net Trust Fund, the MassHealth Delivery System Reform Trust Fund, the Convention and Exhibition Center Fund and the Massachusetts Transportation Trust Fund. Other funds that show large inflows include the Grant Anticipation Notes Trust Fund, which is funded by federal highway spending reimbursements.

The table on the following page, [Non-Budgeted Special Revenue Funds - Operations](#), summarizes the FY19 non-budgeted funds. A Statement of Revenues, Expenditures and Changes in Fund Balance is presented in a table within this report for each of the individual non-budgeted funds in the financial section of this report. The table includes the State Lottery Funds, where Lottery revenues and expenditures occur prior to Lottery profits being transferred to the General Fund to reimburse it for local aid and other appropriations.

Non-Budgeted Special Revenue Funds - Operations
(Amounts in thousands)

	2019	2018
Beginning fund balance, as restated.....	\$ 2,078,845	\$ 1,891,339
Revenues and other financing sources:		
Taxes.....	2,430,998	2,269,843
Assessments	896,066	806,095
Federal grants and reimbursements.....	3,560,594	3,488,353
Departmental and miscellaneous.....	7,038,509	6,779,993
Transfers and other financing sources.....	1,879,734	1,519,517
Total revenues and other financing sources	15,805,901	14,863,801
Expenditures and other financing uses:		
Programs and services.....	12,467,743	12,527,983
Debt service.....	206,011	195,607
Transfers and other financing uses.....	2,753,518	1,962,804
Total expenditures and other financing uses.....	15,427,272	14,686,394
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	378,629	177,407
Ending fund balance.....	<u>\$ 2,457,474</u>	<u>\$ 2,068,746</u>

In FY19, \$64 million of the Commonwealth’s federal transportation funds were used to repay prior year expenditures, which were financed through Federal Grant Anticipation Notes (GANs). In addition, approximately \$37 million in interest payments for the GANs were funded by a General Fund appropriation.

The chart below, Non-Budgeted Special Revenue Funds - Fund Balance, shows the combined fund balance in the Non-Budgeted Special Revenue funds for the past five years.

***Non-Budgeted Special Revenue Funds – Fund Balance
(Amounts in millions)***



Individual non-budgeted funds that represent approximately 95% of total non-budgeted fund FY19 year-end balances include:

- \$1.010 billion– Massachusetts Transportation Trust Fund;
- \$354 million – Central Artery/Tunnel Project Repair and Maintenance Trust Fund;
- \$269 million – Convention and Exhibition Center Fund;
- \$147 million – Enhanced 911 Fund;
- \$145 million – Commonwealth Care Trust Fund;
- \$105 million – Health Safety Net Trust Fund;
- \$91 million – Grant Anticipation Note Trust Fund;
- \$38 million – Workforce Training Trust Fund;
- \$28 million – MassHealth Delivery System Reform Trust Fund;
- \$28 million – Substance Use Disorder Federal Reinvestment Trust Fund;
- \$21 million – Community Preservation Trust Fund;
- \$20 million – Regional Greenhouse Gas Initiative (RGGI) Auction Trust Fund;
- \$16 million – Community Mitigation Fund;
- \$16 million – Department of Industrial Accidents Special Fund;

- \$15 million – Social Innovation Financing Trust Fund;
- \$14 million – Distressed Hospital Trust Fund; and
- \$13 million – Race Horse Development Trust Fund.

In FY19, one Non-Budgeted Special Revenue Fund had an operating deficit in excess of \$10 million. That was the Central Artery/Tunnel Project Repair and Maintenance Trust which ran a deficit of \$25 million. (In the fund statements, the Medical Marijuana Trust Fund also shows an operating deficit of approximately \$18 million, but this was the result of a transfer of the fund balance from that fund to a budgetary fund, the more recently established Marijuana Regulation Fund.)

As noted in previous reports, the Government Land Bank Fund has a continuing structural fund deficit. The FY19 deficit balance of approximately \$35 million remains an unbudgeted drain on the Commonwealth's cash pool. While steps have been taken to stop the growth in this deficit, the Fund should be abolished and the deficit transferred to the General Fund. More consolidation and elimination is needed for the non-budgeted special revenue funds generally.

The Capital Projects Funds

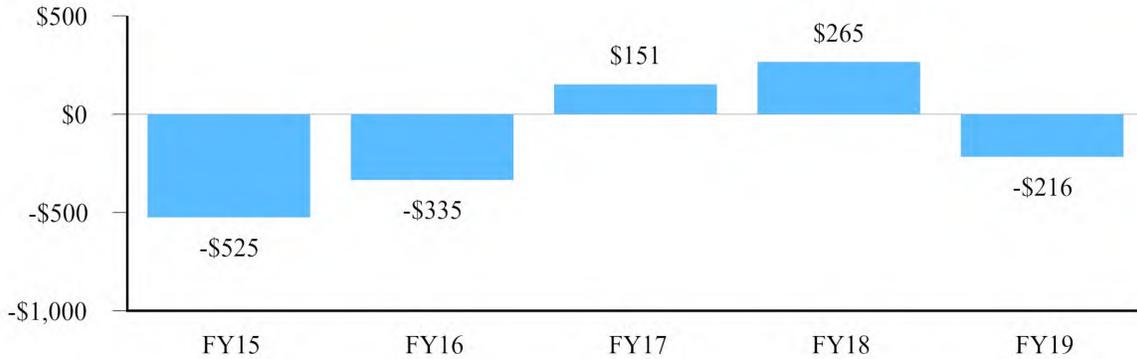
The purpose of the capital project funds is to account for the construction or acquisition of capital assets. The Governor may propose capital outlay budgets which, upon enactment by the Legislature and approval by the Governor, become capital outlay acts. Capital outlay acts financed through the sale of debt require a two-thirds vote of the Legislature. Numerous acts may be combined for reporting in an individual Capital Projects Fund, but each act is accounted for separately within the fund. These accounts record authorizations for expenditures in itemized capital appropriation accounts and equivalent authorizations to issue bonds or notes.

The structure of these funds is such that each capital outlay authorization is in balance, creating authorization for inflows (which may be from sales of bonds, federal reimbursements or other revenues) and expenditures. Imbalances due to timing differences develop when the expenditure precedes the inflow of funds from the sale of bonds or federal reimbursements. Due to restrictions imposed by federal tax arbitrage rules, tax exempt bonds are not routinely sold in anticipation of expenditures.

To fund the FY19 capital budget, the Commonwealth borrowed by issuing \$1.808 billion in long-term bonds, which was new money general obligation debt; with no special obligation debt issued during FY19. In addition, the Commonwealth issued \$819 million in debt to refund already existing obligations, taking advantage of continued low interest rates in FY19. Finally, MassDOT issued approximately \$437 million in bonds to refund outstanding Metropolitan Highway System Revenue Bonds.

The following graph Capital Projects Funds - Fund Balance/(Deficit) shows the combined fund balance in the Capital Projects Funds for the past five years. Typically, the combined ending balance in the Capital Projects Funds is negative, as capital spending occurs prior to bonds being issued by the Commonwealth. At the end of FY19, the Capital Projects Funds had a \$216 million deficit balance (including \$657 million in accounts payable), as the Commonwealth had not yet reimbursed itself for capital spending that it typically funds in arrears through subsequent bond issues. This deficit was eliminated in September 2019 when the Commonwealth issued \$825 million in new money general obligation bonds.

Capital Projects Funds – Fund Balance/(Deficit)
(Amounts in millions)



The following table, Capital Projects Funds - Operations, includes the FY19 Capital Projects Funds, summarized and compared to FY18. Financial statements for each of the individual funds are included in the financial section of this report.

Capital Projects Funds - Operations
(Amounts in thousands)

	2019	2018
Beginning fund balance/(deficit).....	\$ 265,260	\$ 150,555
Revenues and other financing sources:		
Federal grants and reimbursements.....	66,085	99,001
Departmental and miscellaneous	12,099	10,537
Proceeds of general and special obligation bonds.....	2,110,729	2,727,039
Proceeds of refunding bonds.....	955,907	1,310,616
Transfers and other financing sources.....	646,738	599,840
Total revenues and other financing sources.....	<u>3,791,558</u>	<u>4,747,033</u>
Expenditures and other financing uses:		
Acquisition and maintenance of capital assets.....	3,178,487	3,185,685
Payments to advance refunding escrow agent/principal on current refundings....	955,907	1,310,616
Transfers and other financing uses.....	138,817	136,027
Total expenditures and other financing uses.....	<u>4,273,211</u>	<u>4,632,328</u>
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(481,653)</u>	<u>114,705</u>
Ending fund balance/(deficit).....	<u>\$ (216,393)</u>	<u>\$ 265,260</u>

The Administration oversees a coordinated fiscal strategy for the management of the capital projects funds. This strategy includes a five-year capital budget linked to debt management and capital management. The focus of this strategy is to manage capital spending within outstanding debt levels and debt service obligations the Administration considers appropriate for the Commonwealth. An important part of the strategy is to control capital spending within an administrative “cap.”

During FY19, significant capital spending included:

- \$441 million for state owned facilities including higher education campuses, trial courts, and state health care facilities;
- \$392 million in support for rail enhancement projects and MBTA projects, including investment in reducing the MBTA's State of Good Repair backlog, acquisition of new vehicles for the red and orange lines, the green line extension, and south coast rail;
- \$255 million for affordable housing development and public housing;
- \$207 million in Chapter 90 reimbursements to municipalities for local road and bridge projects;
- \$115 million in spending for the Department of Conservation and Recreation, including improvements to roadways, parks, and for environmental spending;
- \$82 million in bridge repair projects under the Commonwealth's Accelerated Bridge Program;
- \$80 million for the MassWorks economic development initiative, which provides infrastructure grants to municipalities;
- \$63 million to directly address climate change, including funds for repairing and rebuilding seawalls and inland dams, helping cities and towns plan for and protect against the impact of a changing climate, and energy efficiency improvements in public housing, some of which are also included in categories above;
- \$62 million for grants from the Massachusetts Life Sciences Center to foster economic development in the life sciences sector;
- \$26 million for aid to towns in western Massachusetts to extend high-speed broadband networks;
- \$20 million for construction and planning grants from the Board of Library Commissioners to public library systems; and
- \$15 million for the Workforce Skills capital grants to educational institutions.

During FY19, the Commonwealth passed or agreed to terms for approximately \$10.251 billion in bond authorizations and approximately \$344 million in deauthorizations of previously enacted bond bills.

The Non-Appropriated Funds of Higher Education

The statistical section of this SBFR includes data on the financial operations of the non-appropriated funds of the 25 institutions of higher education as reported on MMARS. Each institution of higher education is authorized and directed in its enabling statute to collect, retain and expend certain fees, rents, sales, donations, federal financial participation and other types of revenue through campus-based systems. These financial resources are integral parts of the total financial activity of each campus. They also represent resources in addition to amounts made available from Commonwealth appropriations.

The following table, Non-Appropriated Funds of Higher Education – Operations, includes the FY19 activity in the Higher Education funds, summarized and compared to FY18. Financial statements for each of the individual funds are included in the statistical section of this report.

Non-Appropriated Funds of Higher Education - Operations
(Amounts in thousands)

	2019	2018
Beginning fund balance	\$ 2,060,261	\$ 1,833,417
Revenues and other financing sources:		
Federal grants and reimbursements	520,197	517,513
Departmental revenue	2,614,915	2,479,663
Miscellaneous revenue.....	1,735,344	1,932,448
Total revenues and other financing sources.....	4,870,456	4,929,624
Expenditures and other financing uses:		
Programs and services	4,555,731	4,702,780
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	314,725	226,844
Ending fund balance	\$ 2,374,986	\$ 2,060,261

The following chart, Non-Appropriated Funds of Higher Education - Fund Balance, shows the combined fund balance for the past five years. The combined balance represents approximately \$1.229 billion fund balance for the University of Massachusetts, approximately \$693 million fund balance for the State University system and approximately \$453 million fund balance for the Community Colleges.

***Non-Appropriated Funds of Higher
Education – Fund Balance***
(Amounts in millions)



* Fund balances were restated due to amounts previously unreported

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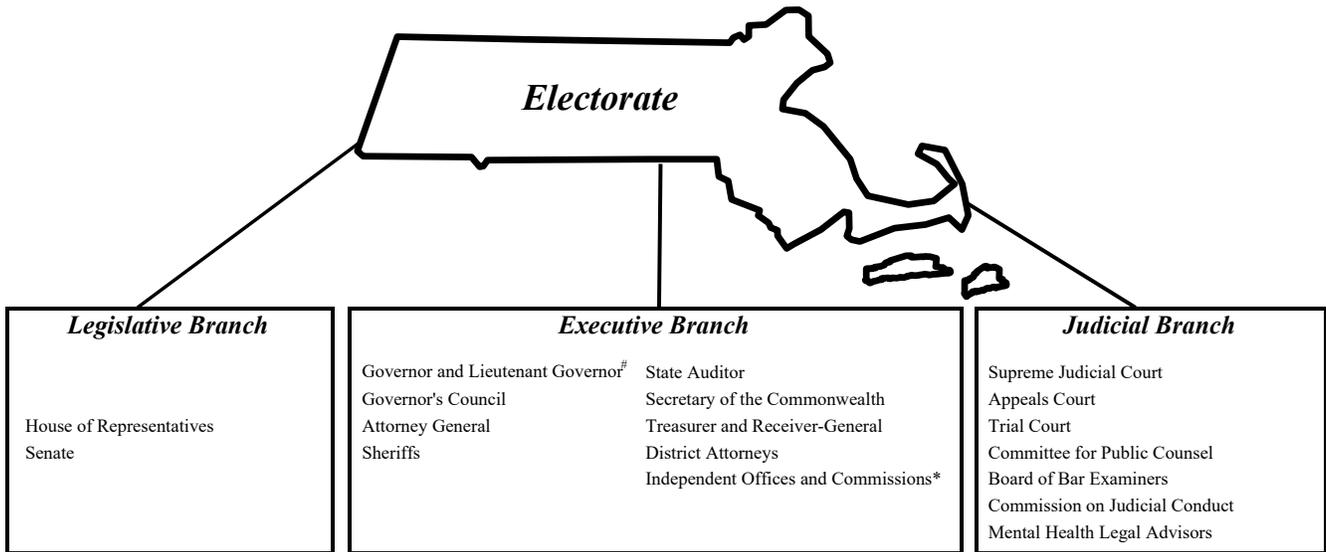
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Executive Branch Independent Offices and Commissions*

Board of Library Commissioners Campaign and Political Finance Cannabis Control Commission Center for Health Information & Analysis Commission Against Discrimination	Commission on the Status of Women Disabled Persons Protection Commission Massachusetts Gaming Commission Office of the Child Advocate Office of the Comptroller	Office of the Inspector General State Ethics Commission State Retiree Benefits Trust Fund Board University of Massachusetts System
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Executive Departments Under Gubernatorial Authority[#]

<p><u>Administration and Finance</u> Executive Office for Administration and Finance Appellate Tax Board Bureau of the State House Civil Service Commission Department of Revenue Developmental Disabilities Council Division of Administrative Law Appeals Division of Capital Asset Management and Maintenance George Fingold Library Group Insurance Commission Health Policy Commission Human Resource Division Massachusetts Office on Disability Massachusetts Teachers' Retirement System Operational Services Division Public Employee Retirement Administration Commission</p> <p><u>Education</u> Executive Office of Education Department of Early Education and Care Department of Elementary and Secondary Education Department of Higher Education Community Colleges State Universities</p>	<p><u>Housing and Economic Development</u> Executive Office of Housing and Economic Development Department of Business Development Office of Consumer Affairs & Business Regulations Massachusetts Marketing Partnership Department of Housing & Community Development Department of Telecommunications and Cable Division of Banks Division of Insurance Division of Professional Licensure Division of Standards</p> <p><u>Energy and Environmental Affairs</u> Executive Office of Energy and Environmental Affairs Department of Agricultural Resources Department of Conservation and Recreation Department of Energy Resources Department of Environmental Protection Department of Fish and Game Department of Public Utilities State Reclamation Board</p> <p><u>Technology and Security</u> Executive Office of Technology Services and Security</p> <p><u>Transportation and Public Works</u> Executive Office of Transportation and Public Works</p>	<p><u>Executive Office of Labor and Workforce Development</u></p> <p><u>Health and Human Services</u> Executive Office of Health and Human Services Executive Office of Elder Affairs Department of Children and Families Department of Developmental Services Department of Mental Health Department of Public Health Department of Transitional Assistance Department of Veterans' Services Department of Youth Services Massachusetts Commission for the Blind Massachusetts Commission for the Deaf and Hard of Hearing Massachusetts Rehabilitation Commission Office for Refugees and Immigrants Soldiers' Home, Holyoke Soldiers' Home, Massachusetts</p> <p><u>Public Safety</u> Executive Office of Public Safety and Security Chief Medical Examiner Department of Criminal Justice Information Services Department of Correction Department of Fire Services Department of State Police Massachusetts Emergency Management Agency Military Division/ Massachusetts National Guard Municipal Police Training Committee Parole Board Sex Offender Registry</p>
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Gubernatorial Appointee

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Office of the Inspector General
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Brian Johnson
Accountant

Emily Pun, CPA
Accountant

Cathy Hunter
Program Coordinator



Clara Barton (1821-1912)

Recognizing that soldiers wounded during the Civil War were not receiving adequate supplies, Clara Barton worked to solicit, coordinate, and deliver medical supplies to battlefields. The Oxford, Massachusetts native traveled with the Union Army, bringing services and supplies by wagon to some of the conflict's bloodiest battles. After the war, she founded the American Red Cross and helmed the organization as it provided aid to refugees and prisoners of the Spanish-American War, and expanded its mission to provide aid to victims of natural disasters.

Source: <https://www.history.com/topics/womens-history/clara-barton>

Financial Section



Independent Accountants' Review Report
Combined Financial Statements - Statutory Basis
Notes to Combined Financial Statements - Statutory Basis
Combining and Individual Fund Financial Statements - Statutory Basis



Sarah Parker Remond (1826–1894)

Sarah Parker Remond, born into a free African-American family of outspoken abolitionists in Salem, Massachusetts, got a front-row seat to the abolitionist movement from a young age. Starting at the age of 16, Remond was speaking out herself, first across the United States, then to the British Isles. She raised money in support of the abolitionist cause and built support for Britain to blockade the Confederacy during the Civil War. Following the war, Remond advocated for women's suffrage in Britain before becoming a doctor in Italy.

Source: <https://www.massmoments.org/moment-details/sarah-remond-ejected-from-boston-theater.html>



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Accountants' Review Report

Mr. Andrew W. Maylor, Comptroller
Commonwealth of Massachusetts:

We have reviewed the accompanying combined financial statements – statutory basis of the Commonwealth of Massachusetts as of and for the year ended June 30, 2019, and the related notes to the combined financial statements - statutory basis as listed in the accompanying table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the combined financial statements – statutory basis as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements – statutory basis in accordance with Section 12 of Chapter 7A of the Massachusetts General Laws, as amended, and the budgetary principles of the Commonwealth of Massachusetts (hereafter referred to as the Statutory Basis of Accounting) as described in notes 1 and 2, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statements – statutory basis that are free from material misstatement, whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the combined financial statements – statutory basis for them to be in accordance with the Massachusetts General Laws Statutory Basis of Accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying combined financial statements – statutory basis in order for them to be in accordance with the basis of accounting described in notes 1 and 2.

Basis of Accounting

The accompanying combined financial statements – statutory basis were prepared on the basis of accounting that demonstrates compliance with the Massachusetts General Laws Statutory Basis of Accounting as described in notes 1 and 2, and is not intended to be a presentation in accordance with U.S. generally accepted accounting principles. Our conclusion is not modified with respect to this matter.



Other Matters

The combining and individual fund financial statements - statutory basis and supplemental information listed in the accompanying table of contents are presented for purposes of additional analysis and are not required parts of the combined financial statements – statutory basis. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the combined financial statements – statutory basis. Such information has been subjected to the review procedures applied in our review of combined financial statements – statutory basis. We are not aware of any material modifications that should be made to combining and individual fund financial statements- statutory basis and supplemental information. We have not audited the combining and individual fund financial statements – statutory basis and supplemental information and accordingly, do not express an opinion on such information.

The introductory and statistical sections listed in the accompanying table of contents are presented for purposes of additional analysis and are not required parts of the combined financial statements – statutory basis. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on such information.

Restriction of Use

This report is intended solely for the information and use of management and elected and appointed officials of the Commonwealth of Massachusetts and is not intended to be and should not be used by anyone other than these specified parties.



Boston, Massachusetts
January 6, 2020

Combined Financial Statements - Statutory Basis

Budgeted Funds
 Combined Balance Sheet - Statutory Basis

As of June 30, 2019
 (Amounts in thousands)

	Totals (Memorandum only)	
	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 4,666,602	\$ 2,496,151
Cash with fiscal agent.....	15,409	19,373
Investments.....	286,069	272,468
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	452,875	476,376
Other receivables.....	91,728	184,466
Due from cities and towns.....	25,421	34,647
Total assets.....	<u>\$ 5,538,104</u>	<u>\$ 3,483,481</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 1,451,104	\$ 997,489
Accrued payroll.....	127,803	99,322
Total liabilities.....	<u>1,578,907</u>	<u>1,096,811</u>
Fund balance:		
Combined fund balance:		
Reserved for:		
Continuing appropriations.....	505,865	352,100
Commonwealth Stabilization.....	3,424,376	2,001,299
Debt service.....	15,409	19,373
Unreserved:		
Undesignated.....	13,547	13,898
Total fund balance.....	<u>3,959,197</u>	<u>2,386,670</u>
Total liabilities and fund balance.....	<u>\$ 5,538,104</u>	<u>\$ 3,483,481</u>

See accompanying notes to financial statements and accountants' review report

Budgeted Funds

Combined Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes.....	\$ 26,571,600	\$ 27,768,601	\$ 1,197,001
Assessments	465,308	431,793	(33,515)
Federal grants and reimbursements.....	11,504,856	11,771,905	267,049
Tobacco settlement revenue	251,241	236,632	(14,609)
Departmental	3,911,494	4,149,461	237,967
Miscellaneous	305,400	432,510	127,110
Total revenues	43,009,899	44,790,902	1,781,003
Other financing sources:			
Fringe benefit cost recovery	465,209	451,149	(14,060)
Lottery reimbursements.....	110,457	107,289	(3,168)
Lottery distributions	995,602	1,088,049	92,447
Operating transfers in	437,794	483,883	46,089
Stabilization transfer	398,809	1,454,575	1,055,766
Total other financing sources	2,407,871	3,584,945	1,177,074
Total revenues and other financing sources	45,417,770	48,375,847	2,958,077
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature	105,511	67,643	37,868
Judiciary	1,002,178	982,509	19,669
Inspector General	5,086	5,083	3
Governor and Lieutenant Governor	8,018	6,851	1,167
Secretary of the Commonwealth	55,940	50,778	5,162
Treasurer and Receiver-General	253,963	244,182	9,781
Auditor of the Commonwealth	19,180	18,382	798
Attorney General	53,422	51,562	1,860
Ethics Commission	2,255	2,199	56
District Attorney	130,579	129,040	1,539
Office of Campaign & Political Finance	1,654	1,618	36
Sheriffs' Departments	659,100	658,005	1,095
Disabled Persons Protection Commission	4,251	4,249	2
Board of Library Commissioners	27,241	27,179	62
Comptroller	14,895	14,066	829
Administration and Finance	2,562,167	2,283,218	278,949
Energy and Environmental Affairs	281,575	256,867	24,708
Health and Human Services	6,569,097	6,325,148	243,949
Executive Office of Technology Services and Security	137,261	112,947	24,314
Massachusetts Department of Transportation	127,000	127,000	—
Office of the Child Advocate	1,229	772	457
Cannabis Control Commission	13,055	9,883	3,172
Executive Office of Education	2,603,076	2,496,063	107,013
Center for Health Information and Analysis	30,699	20,086	10,613
Public Safety and Security	1,315,179	1,226,217	88,962
Housing and Economic Development	636,316	583,431	52,885
Labor and Workforce Development	76,294	50,206	26,088
Direct local aid	6,083,151	6,074,697	8,454
Medicaid program expenses	16,520,617	16,520,543	74
Post employment benefits	3,120,669	3,110,197	10,472
Debt service:			
Principal retirement	1,298,042	1,204,506	93,536
Interest and fiscal charges	1,119,164	1,122,604	(3,440)
Total expenditures	44,837,864	43,787,731	1,050,133
Other financing uses:			
Fringe benefit cost assessment	—	6,008	(6,008)
Operating transfers out	1,028,150	1,120,542	(92,392)
State Retiree Benefits transfer	—	42,420	(42,420)
State Pension transfer	—	42,420	(42,420)
Stabilization transfer	389,200	1,441,121	(1,051,921)
Medical assistance transfer	586,600	363,078	223,522
Total other financing uses	2,003,950	3,015,589	(1,011,639)
Total expenditures and other financing uses	46,841,814	46,803,320	38,494
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (1,424,044)	1,572,527	\$ 2,996,571
Fund balance/(deficit) at beginning of year		2,386,670	
Fund balance/(deficit) at end of year		\$ 3,959,197	

See accompanying notes to financial statements and accountants' review report

Non-Budgeted Special Revenue and Capital Projects Funds
 Combined Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Non-Budgeted Special Revenue	Capital Projects	Totals (Memorandum only)	
			2019	2018
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 2,430,998	\$ —	\$ 2,430,998	\$ 2,269,843
Assessments.....	896,066	—	896,066	806,095
Federal grants and reimbursements.....	3,560,594	66,085	3,626,679	3,587,354
Departmental.....	6,970,497	5,340	6,975,837	6,738,262
Miscellaneous.....	68,012	6,759	74,771	52,268
Total revenues.....	13,926,167	78,184	14,004,351	13,453,822
Other financing sources:				
Issuance of general obligation bonds.....	—	1,808,136	1,808,136	1,734,443
Bond premiums/(discounts) on general obligation bonds.....	—	302,593	302,593	233,292
Issuance of special obligation bonds.....	—	—	—	650,000
Bond premiums/(discounts) on special obligation bonds.....	—	—	—	109,304
Issuance of current refunding bonds.....	437,195	818,831	1,256,026	602,425
Bond premiums/(discounts) on current refunding bonds.....	49,927	137,076	187,003	80,193
Issuance of advance refunding bonds.....	—	—	—	526,180
Bond premiums/(discounts) on advance refunding bonds.....	—	—	—	101,818
Operating transfers in.....	1,029,534	537,009	1,566,543	1,430,554
Medical assistance transfer.....	363,078	—	363,078	579,944
State share of federal highway construction.....	—	109,729	109,729	108,859
Total other financing sources.....	1,879,734	3,713,374	5,593,108	6,157,012
Total revenues and other financing sources.....	15,805,901	3,791,558	19,597,459	19,610,834
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary.....	2,566	11,432	13,998	14,066
Inspector General.....	223	—	223	387
Governor and Lieutenant Governor.....	83	—	83	73
Secretary of the Commonwealth.....	4,424	1,505	5,929	7,211
Treasurer and Receiver-General.....	6,563,831	41,228	6,605,059	6,415,605
Auditor of the Commonwealth.....	—	—	—	1,299
Attorney General.....	46,543	1,021	47,564	49,648
Ethics Commission.....	—	—	—	6
District Attorney.....	3,047	—	3,047	3,108
Office of Campaign & Political Finance.....	1,088	—	1,088	—
Sheriffs' Departments.....	11,984	3,800	15,784	17,389
Disabled Persons Protection Commission.....	762	—	762	571
Board of Library Commissioners.....	2,802	19,945	22,747	22,727
Massachusetts Gaming Commission.....	50,371	—	50,371	44,238
Comptroller.....	1,582	—	1,582	2,128
Administration and Finance.....	457,422	383,807	841,229	863,184
Energy and Environmental Affairs.....	125,546	215,774	341,320	333,937
Health and Human Services.....	2,293,626	114,359	2,407,985	2,580,045
Executive Office of Technology Services and Security.....	5,290	48,712	54,002	64,381
Massachusetts Department of Transportation.....	974,742	1,753,167	2,727,909	2,852,773
Executive Office of Education.....	1,016,983	91,104	1,108,087	1,063,014
Center for Health Information and Analysis.....	—	2,876	2,876	9
Public Safety and Security.....	195,590	40,118	235,708	262,536
Housing and Economic Development.....	553,902	447,762	1,001,664	967,390
Labor and Workforce Development.....	155,336	1,877	157,213	147,943
Debt service:				
Principal retirement.....	90,815	—	90,815	87,857
Interest and fiscal charges.....	115,196	—	115,196	107,750
Total expenditures.....	12,673,754	3,178,487	15,852,241	15,909,275
Other financing uses:				
Payments to advance refunding bonds escrow.....	—	—	—	627,998
Principal on current refundings.....	487,122	955,907	1,443,029	682,618
Fringe benefit cost assessment.....	190,755	29,088	219,843	212,721
Lottery operating reimbursements.....	107,289	—	107,289	103,136
Lottery distributions.....	1,088,049	—	1,088,049	983,108
Operating transfers out.....	870,522	—	870,522	691,007
Stabilization transfer.....	9,781	—	9,781	—
State share of federal highway construction.....	—	109,729	109,729	108,859
Total other financing uses.....	2,753,518	1,094,724	3,848,242	3,409,447
Total expenditures and other financing uses.....	15,427,272	4,273,211	19,700,483	19,318,722
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	378,629	(481,653)	(103,024)	292,112
Fund balance/(deficit) at beginning of year, as restated.....	2,078,845	265,260	2,344,105	2,041,894
Fund balance/(deficit) at end of year.....	\$ 2,457,474	\$ (216,393)	\$ 2,241,081	\$ 2,334,006

See accompanying notes to financial statements and accountants' review report

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1. FINANCIAL STATEMENT PRESENTATION

A. INTRODUCTION

The accompanying combined financial statements (Statutory Basis Financial Report or SBFR) of the Commonwealth of Massachusetts (the Commonwealth) are presented in accordance with the requirements of Section 12 of Chapter 7A as amended by Section 4 of Chapter 88 of the Acts of 1997 of the Massachusetts General Laws, as amended most recently by Chapter 26, Section 4 of the Acts of 2009. The Office of the Comptroller also publishes the Commonwealth's Comprehensive Annual Financial Report (CAFR), which is prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America for governments.

The SBFR includes the budgeted, non-budgeted, special revenue, and capital projects funds of the Commonwealth, as recorded by the Office of the Comptroller in compliance with Massachusetts General Laws and in accordance with the Commonwealth's budgetary principles.

The SBFR's financial statements are not intended to include independent authorities, non-appropriated funds of higher education, or other organizations included in the Commonwealth's reporting entity as it would be defined under GAAP.

B. GOVERNMENTAL FUND TYPES

The fund types are organized as follows:

Governmental fund types account for the general governmental activities of the Commonwealth.

Budgeted Funds - are the primary operating funds of the Commonwealth. They account for all budgeted governmental transactions, i.e., those subject to the annual appropriation process. Major budgeted funds include the General, Commonwealth Transportation and Stabilization Funds, which are identified by the Comptroller as the operating funds of the Commonwealth. In addition, there are 12 smaller budgeted funds, the Intragovernmental Services Fund, the Inland Fisheries and Game Fund, the Marine Recreational Fisheries Development Fund, the Underground Storage Tank Petroleum Product Cleanup Fund, the Public Safety Training Fund, the Local Capital Projects Fund, the Gaming Local Aid Fund, the Education Fund, the Local Aid Stabilization Fund, the Gaming Economic Development Fund, the Community College Fund and the Marijuana Regulation Fund.

Non-Budgeted Special Revenue Funds - are established by law to account for revenue sources that have been segregated from the budgeted funds to support specific governmental activities such as federal grants, the operations of the state lottery and funds related to the Massachusetts Gaming Commission.

Capital Projects Funds - account for financial resources used to acquire or construct major capital assets and to finance local capital projects. These resources are derived almost entirely from proceeds of bonds and other obligations, which are generally received after related expenditures have been incurred, operating transfers authorized by the Legislature, and from federal reimbursements. Deficit balances in Capital Projects Funds represent amounts to be financed, primarily through future bond sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. STATUTORY BASIS OF ACCOUNTING

The SBFR is prepared from the Commonwealth's books and records and other official reports that are maintained on the basis of accounting used in the preparation of the Commonwealth's legally adopted annual budget (statutory basis). The statutory basis emphasizes accountability and budgetary control of appropriations. The SBFR is not intended to present the Commonwealth's financial condition and results of operations in conformity with GAAP.

Under the statutory basis of accounting, revenues generally are recognized when cash deposits are received by the Treasury. However, revenues receivable for federal grants and reimbursements generally are recognized when related expenditures are incurred, provided that the related revenues are received by the Commonwealth by August 31, the end of the statutory accounts receivable period. Amounts due from political subdivisions of the Commonwealth are recognized when considered measurable and available. These are largely payments from municipalities reimbursing for pension costs paid by the Commonwealth on their behalf, authorized under Section 3(8)c of Chapter 32 of the Massachusetts General Laws, provided that the revenues are received by August 31.

Under the statutory basis of accounting, expenditures are generally recorded when the related cash disbursement occurs. At year-end, payroll is accrued and payables are recognized, to the extent of approved encumbrances, for goods or services received by June 30, and payment made by August 31. Costs incurred under the federally-sponsored Medicaid program, amounts required to settle claims and judgments against the Commonwealth, and certain other liabilities are not recognized until they are encumbered or otherwise processed for payment. In some cases the liabilities will have been incurred prior to June 30, but recorded when paid in the following fiscal year, not as statutory payables.

The accounting policies followed in preparing the accompanying statutory basis financial report are described in the remainder of this section.

B. CASH, SHORT-TERM INVESTMENTS AND INVESTMENTS

The Commonwealth follows the practice of pooling cash and cash equivalents, except for balances in the Commonwealth Stabilization Fund, which are sequestered. Cash equivalents consist of short-term investments with an original maturity of three months or less and are stated at cost. Interest earned on pooled cash is allocated to the General Fund and, when so directed by law, to certain other Governmental Funds.

The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term external mixed investment pool, the Massachusetts Municipal Depository Trust (MMDT). MMDT is comprised of two portfolios, a Cash Portfolio and a Short Term Bond Fund. The Cash Portfolio is a money-market-like investment pool; its investments are carried at amortized cost, which approximates fair value. The Short Term Bond Fund investments are carried at fair value.

Investors in MMDT are not allowed to overdraw their shares. For a complete copy of MMDT's separately issued financial statements, please contact the Office of the State Treasurer's Cash Management Department, at (617) 367-9333. The statements can also be downloaded from the Cash Management section of the Office of the State Treasurer's website at www.mass.gov/treasury. General Law Chapter 29, Section 38 enumerates the Commonwealth's investment policy for non-pension assets.

C. DEDICATED REVENUE AND PLEDGES

The Commonwealth has a number of bond programs in which bonds are secured by a pledge of dedicated revenues provided to bondholders, pursuant to trust agreements, as well as pledges of revenue for general operations. Like the Commonwealth, certain state authorities have also issued special obligation bonds secured by specific Commonwealth revenues. These other authorities' debts are not included in the SBFR, but are included in the CAFR.

All federal highway reimbursements are dedicated to funding the principal portion only of federal grant anticipation notes (GANs) issued in fiscal years 2011, 2014, 2015, 2017 and 2018, with no new bonds issued in FY19. As of June 30, 2019, total principal remaining to be paid was approximately \$685 million. Maturities are from FY20 through FY27. Debt service paid during FY19 was approximately \$100 million.

The Commonwealth has special obligation bonds outstanding under the Accelerated Bridge Program (ABP) and the Rail Enhancement Program (REP), with no new bonds issued in FY19. These bonds mature from FY20 to FY48 and are secured by a senior lien on 17 cents of the total 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), and the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited into the Commonwealth Transportation Fund (CTF). These bonds also have a subordinate lien on 6.86 cents of the 24 cent per gallon gasoline tax not included in

the senior lien. As of June 30, 2019, approximately \$1.665 billion and \$1.105 billion in principal was outstanding on the ABP and REP bonds, respectively, and approximately \$1.122 billion and \$967 million of interest (net of the federal subsidy) was expected to be paid through maturity related to the ABP and REP bonds, respectively.

The ABP projected interest costs are net of federal subsidies under the Build America Bond (BABs) program. BABs is a temporary program under which the Commonwealth and other state and local governments issued taxable bonds in calendar 2009 and 2010 in return for a subsidy from the federal government equal to 35% to 45% (depending on whether the proceeds are used for projects in economically distressed areas) of the interest costs on the bonds.

Other special obligation bonds for highway construction purposes are secured by a pledge of 6.86 cents of the 24 cent per gallon gasoline tax, with no new debt issued during FY19. As of June 30, 2019, bonds secured by these pledged funds totaled approximately \$81 million of principal. These bonds mature from FY20 to FY22 and were issued in multiple series. Principal and interest paid during FY19 amounted to approximately \$24 million and \$6 million, respectively. The lien on these bonds has been closed, meaning that no additional new-money bonds can be issued against these revenues under this trust agreement.

A portion of the Commonwealth's receipts from the sales tax (other than the tax on meals) is dedicated through non-budgeted special revenue funds to the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). The amount dedicated to the MBTA is the amount raised by a 1.0% sales tax (not including meals), subject to an inflation-adjusted floor. A comparable amount, though without the floor, is dedicated to the MSBA beginning in fiscal 2010, with lesser amounts having been dedicated to the MSBA from fiscal 2005 through fiscal 2009.

Legislation approved by the Governor on October 31, 2014 increased the amount statutorily required to be credited to the MBTA by \$160 million annually, starting in fiscal 2015. The \$160 million increase in the dedicated sales tax revenue amount and the amount included in the inflation-adjusted floor were intended to replace the \$160 million annual state appropriation the MBTA received from fiscal 2010 through fiscal 2014. In FY19, total dedicated sales tax revenue that was directed to the MBTA was approximately \$1.053 billion. Dedicated revenues to the MBTA increase by the lesser of the annual increase in the Boston consumer price index or prior calendar year annual sales taxes, with a floor of 0% and a ceiling of 3.0%.

The MSBA also receives a pledge starting in FY11 of a 1.0% sales tax (not including meals) but with no annual floor or ceiling. In FY19, approximately \$893 million of the dedicated sales tax revenue stream was directed to the MSBA.

The Commonwealth has also pledged sales tax revenue and rooms tax surcharges from areas contiguous to convention centers and the Worcester DCU Arena and Convention Center to support such centers' operations. As of June 30, 2019, taxes within the Convention Center districts support approximately \$528 million of outstanding principal and approximately \$261 million of interest on debts related to these Convention Centers. Taxes collected in FY19 were approximately \$164 million, while debt service on the bonds was approximately \$55 million.

The Transportation Modernization Act of 2009, as amended, eliminated the pledges of sales tax revenue to MassDOT through the Commonwealth Transportation Fund (CTF). Beginning in FY14, motor vehicle sales tax collections were shifted from the General Fund to the CTF while also eliminating the 0.385% pledge of regular and meals sales tax. During FY19, approximately \$566 million in motor vehicle sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, \$127 million was dedicated to funding the operations of the MBTA while an additional \$88 million was dedicated to funding the operations of the regional transit authorities. These amounts are transferred through the CTF.

D. INTERFUND/INTRAFUND TRANSACTIONS

Transactions of a buyer/seller nature between departments within a fund are not eliminated.

Transfers in and out net to approximately \$2 million due to higher education non-appropriated fund activity, which is not included in the combined statements - statutory basis.

E. CURRENT EMPLOYEE BENEFITS

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements and state laws. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rate of pay (not accrued on a statutory basis).

F. FRINGE BENEFIT COST RECOVERY

The Commonwealth pays the fringe benefit costs of its employees and retirees through the General Fund. These fringe benefits include the costs of employees' health insurance, pensions, unemployment compensation, and other costs necessary to support the state work force. As directed by Chapter 29, Sections 5D and 6B(f) of the Massachusetts General Laws, these costs are assessed to other funds based on their payroll costs, net of credits for direct payments.

Since these fringe benefit costs and pensions are not appropriated in the budget, the required assessment creates a variance between budget and actual expenditures at year-end. The fringe benefit cost recoveries of approximately \$451 million in the General Fund results from cost assessments from the other budgeted funds, non-budgeted special revenue funds, capital projects funds, non-appropriated activities of higher education, expendable trust, and agency funds.

G. LOTTERY REVENUE AND PRIZES

Ticket revenues are recognized when sold and prizes awarded by the Massachusetts State Lottery Commission are recognized as drawings are held. Games expenditures are accrued at year-end only for open jackpots for Mega Millions, Powerball and Megabucks.

H. RECEIVABLES

Reimbursements due to the Commonwealth for its expenditures on federally funded reimbursement and grant programs are reported as "Due from federal government." Other receivables include reimbursement of fringe benefit assessments from authorities and the institutions of higher education along with other departmental receivables.

I. DUE FROM CITIES AND TOWNS

"Due from Cities and Towns" represents reimbursements due to the Commonwealth for its expenditures on certain programs for the benefit of cities and towns.

J. RISK MANAGEMENT

The Commonwealth is self-insured for state employees' workers' compensation, casualty, theft, tort claims and other losses. Such liabilities are not recognized in the governmental funds on the statutory basis until encumbered and/or processed for payment. For employees' workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division.

For personal injury or property damages, Chapter 258 of the Massachusetts General Laws limits the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances.

The Group Insurance Commission administers contributory health care and other insurance programs for the Commonwealth's employees and retirees.

K. ENCUMBRANCES

Encumbrance accounting is utilized in the Governmental Funds as a significant aspect of budgetary control. The full amounts of purchase orders, contracts and other commitments of appropriated resources are encumbered and recorded as deductions from appropriations prior to actual expenditure, ensuring that such commitments do not exceed appropriations. Encumbrances outstanding at year-end for goods or services received on or before June 30, but paid after, are reported as expenditures and statutory basis liabilities as a component of accounts payable.

L. FUND BALANCES

Fund balance has been reserved as follows:

“Reserved for continuing appropriations” - are unexpended amounts in appropriations, which the Legislature has specifically authorized to be carried into the next fiscal year.

“Reserved for Commonwealth Stabilization” - are amounts set aside in the Commonwealth Stabilization Fund in accordance with Section 5C of Chapter 29 of the Massachusetts General Laws.

“Reserved for debt service” - are amounts held by fiscal agents or the Commonwealth to fund future debt service obligations.

The remainder of fund balance is unreserved and undesignated and consists of cumulative surplus or deficits of the fund not otherwise designated.

M. TOTAL COLUMN - MEMORANDUM ONLY

Total and subtotal columns on the combined financial statements - statutory basis are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present consolidated financial position, results of operations, or changes in financial position. Interfund eliminations have not been made in the aggregation of these data.

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the Commonwealth’s financial statements for the year ended June 30, 2018, from which the summarized information was derived.

N. ESTIMATES

The preparation of the SBFR requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial report. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

O. BEGINNING OF YEAR FUND BALANCE

The beginning fund balance of the non-budgeted special revenue funds were adjusted by \$10 million to reflect the addition of funds previously classified as trust funds and not previously presented in this report.

3. BUDGETARY CONTROL

State finance law requires that a balanced budget be approved by the Governor and the Legislature. The Governor presents an annual budget to the Legislature, which includes estimates of revenues and other financing sources and recommended expenditures and other financing uses. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies at the individual appropriation account level in an annual appropriations act.

Before signing the appropriations act, the Governor may veto or reduce any specific item, subject to legislative override. Further changes to the budget established in the annual appropriations act may be made via supplemental appropriation acts or other legislative acts. These must also be signed by the Governor and are subject to the line item veto.

In addition, Massachusetts General Laws authorize the Secretary of Administration and Finance, with the approval of the Governor, upon determination that available revenues will be insufficient to meet authorized expenditures, to withhold allotments of appropriated funds, which effectively reduce the affected accounts' expenditure budgets.

The majority of the Commonwealth's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the Legislature has authorized that an unspent balance from the prior year be carried forward and made available for spending in the current fiscal year. In addition, the Legislature may direct that certain revenues be retained and made available for spending within an appropriation. Fringe benefits, pension costs, and certain other costs that are mandated by state finance law are not itemized in the appropriation process and are not separately budgeted.

Because revenue budgets are not updated subsequent to the original appropriation act, the comparison of the initial revenue budget to the subsequent, and often modified, expenditure budget can be misleading. Also, these financial statements portray fund accounting with gross inflows and outflows, thus creating a difference from separately published budget documents, which eliminate some interfund activity. In conducting the budget process, the Commonwealth excludes those interfund transactions that by their nature have no impact on the combined fund balance of the budgeted funds.

Generally, expenditures may not exceed the level of spending authorized for an appropriation account. However, the Commonwealth is required to pay certain Medicaid expenses regardless of appropriations, due to superseding federal law.

The FY04 General Appropriation Act (Chapter 26, Section 167 of the Acts of 2003) amended Section 9C, of Chapter 29, directing the Governor to notify the Legislature in writing as to the reasons for and the effect of any reductions in spending. This proposal must be delivered to the Legislature 15 days before any reductions take effect. Alternatively, funds from the Stabilization Fund may be used to cure the deficiency, subject to appropriation.

The following table summarizes budgetary activity for FY19 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 154 of the Acts of 2018:		
Direct appropriations	\$ 42,416,300	\$ 41,257,530
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2018	—	1,500,398
Total original budget	42,416,300	42,757,928
Supplemental Acts of 2018:		
Chapter 273	—	134,150
Chapter 368	—	3,850
Supplemental Acts of 2019:		
Chapter 5	—	134,783
Chapter 6	—	8,000
Chapter 21	—	3,500
Chapter 34	—	36,695
Chapter 67	—	250
Chapter 142	—	542,433
Total budgeted revenues and expenditures per Legislative action	—	863,661
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	3,001,470	3,220,225
Budgeted revenues and expenditures as reported	<u>\$ 45,417,770</u>	<u>\$ 46,841,814</u>

The following table identifies the interfund activity from budgeted sources and uses to reconcile forecasts prepared during the budget process to the results presented in these statements (amounts in thousands):

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Actual as presented in the combined budget and actual statement - statutory basis	\$ 48,375,847	\$ 46,803,320
Adjustments to revenues and expenditures:		
Transfer of revenues to the Intragovernmental Service Fund	(418,649)	(418,649)
Adjustments to other financing sources and uses:		
Fringe benefit cost assessments	(6,008)	(6,008)
Transfer of surplus revenues from the Intragovernmental Service Fund to the General Fund	(3,453)	(3,453)
RMV license plates	(3,792)	(3,792)
Transfers from General Fund to the Commonwealth Transportation Fund	(120,000)	(120,000)
Transfers from budgeted funds to the Stabilization Fund	(1,441,121)	(1,441,121)
Other fund deficit support	(85)	(85)
Other	(197)	(197)
Adjusted actuals pertaining to the budgeted funds	<u>\$ 46,382,542</u>	<u>\$ 44,810,015</u>

The section divider for the budgeted funds contains a list of budgeted funds grouped by categories.

The Office of the Comptroller has the responsibility to ensure that budgetary control is maintained on an individual appropriation account basis. Budgetary control is exercised through the state accounting system, the Massachusetts Management Accounting and Reporting System (MMARS). Encumbrances and expenditures are not allowed to exceed the appropriation account's spending authorization.

4. MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT)

MassDOT is a legally separate entity from the Commonwealth. MassDOT operations are reported separately in the non-budgeted special revenue funds section of this report, which includes all of the Commonwealth's highway and turnpike-related operations as well as the activity of the Registry of Motor Vehicles. MassDOT capital spending and revenue activity are reported in the capital funds section of this report, in the General Capital Projects Fund, Central Artery Statewide Road and Bridge Infrastructure Fund, the Highway Capital Projects Fund, and the Federal Highway Construction Program Fund.

MassDOT financial activity is included in this report in order to reflect all activity reported on the Commonwealth's MMARS accounting system. For the SBFR, MassDOT is treated as an agency or department of the Commonwealth, as specified in Massachusetts General Laws. However, for GAAP reporting purposes, as reflected in the Commonwealth's CAFR, MassDOT is reported as a discretely presented component unit of the Commonwealth.

5. INDIVIDUAL FUND DEFICITS

The following non-budgeted special revenue and capital projects funds are included in the combined totals and have individual fund deficits at June 30, 2019, as follows (amounts in thousands) (excludes MassDOT):

Non-budgeted special revenue:	
Federal Grants Fund.....	\$ (36,898)
Other:	
Health Information Technology Trust Fund	(4,475)
Government Land Bank Fund	(35,033)
Total non-budgeted special revenue funds	<u>(76,406)</u>
Capital projects:	
Highway Capital Projects Fund	(353,279)
Total.....	<u>\$ (429,685)</u>

None of the funds detailed above were in deficit due to finance-related contractual provisions and all were allowed to be in deficit by General Law.

6. MEDICAID COSTS

Approximately 43.6% of the Commonwealth's budgeted fund spending for programs and services is devoted to Medicaid. It is the largest and has been one of the fastest growing items in the Commonwealth's budget. For the fiscal year ended June 30, 2019, the General Fund includes approximately \$16.521 billion in expenditures for Medicaid claims. The combined financial statements - statutory basis includes Medicaid claims processed but unpaid at June 30, 2019 of approximately \$40 million as accounts payable.



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Combining and Individual Fund Financial Statements - Statutory Basis



Anne Sullivan (1866-1936)

Anne Sullivan rose from abject poverty at the Tewksbury Almshouse to be valedictorian of her class at the Perkins Institution in Watertown, Massachusetts. Upon graduation, she was tasked with teaching a young deafblind girl named Helen Keller. Eschewing a formal lesson plan, Sullivan decided instead to customize her teaching to Helen's interest. Within months, Helen had learned hundreds of words, multiplication tables, and Braille. Sullivan's child-centered teaching method became the centerpiece of Perkins' Deafblind Program.

Source: <https://www.perkins.org/history/people/anne-sullivan>

Individual Budgeted Funds

Budgeted funds are those funds subject to appropriation in either the annual General Appropriation Act (GAA) or other appropriations bills. Unless otherwise specified, budgeted funds are also subject to Section 5C of Chapter 29 of the Massachusetts General Laws (MGL) which defines the “consolidated net surplus” calculation (and determines whether the annual budget is in balance) as well as year-end transfers to eliminate deficits in budgeted funds.

MAJOR BUDGETED FUNDS:

The General Fund - The General Fund is the Commonwealth’s primary Governmental Fund. All governmental activities not specifically directed to another fund are accounted for in the General Fund. As a result, most budgeted expenditures of the Executive secretariats, the Legislature, constitutional offices, Judiciary, institutions of higher education and independent commissions are paid from the General Fund. It similarly receives a significant portion of sales, individual income and corporate taxes and the full amount of most other governmental taxes.

Commonwealth Transportation Fund - to account for revenues from motor fuels taxes and all fees and fines received by the Registry of Motor Vehicles relating to the use and operation of motor vehicles and trailers. Spending is for debt service on general and special obligation debt, as well as for amounts, subject to appropriation, to fund the programs and services of the Massachusetts Department of Transportation.

The Commonwealth Stabilization Fund - to account for amounts calculated in accordance with state finance law and to maintain a reserve to enhance the Commonwealth’s fiscal stability. Tax revenues from certain lottery winners selling their stream of future winnings in exchange for current payments are recorded in this fund. In addition, transfers are required for fiscal year capital gains tax revenues exceeding \$1 billion (adjusted annually for economic growth), judgments and settlements of more than \$10 million that exceed the previous 5 years average of judgments and settlements, and a portion of the gaming tax revenues. Any excess undesignated fund balance as calculated by Section 5C of Chapter 29 of the MGL, are also transferred to this fund.

ADMINISTRATIVE CONTROL FUND:

This fund accounts for the revenues generated by certain administrative functions of government, for which the Legislature has required a separate fund be established.

Intragovernmental Service Fund - to account for the charges of any state agency for services provided to another state agency.

BUDGETED ENVIRONMENTAL FUNDS:

Inland Fisheries and Game Fund - to account for revenues from license and permit fees for inland fishing, hunting, trapping, and sporting licenses and revenue producing stamps or the sales of land, rights and properties, gifts, interest, and federal grant reimbursements; used for developing, maintaining and operating the Division of Fisheries and Wildlife. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Marine Recreational Fisheries Development Fund - to account for salt water permit fees collected, funds, grants and gifts received as authorized, including investment income; used for development and administration of recreational saltwater fishing improvement programs. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Underground Storage Tank Petroleum Product Cleanup Fund - to account for fees, appropriations, grants, gifts or other contributions, and investment income. Expenditures are to provide reimbursements for cleanup and other expenses as a result of damage caused by underground storage tanks and systems.

OTHER BUDGETED FUNDS:

These funds account for a variety of miscellaneous taxes, fees, fines and other revenues, which are restricted to the financing of specific Commonwealth programs.

Public Safety Training Fund - to account for certain surcharge revenues imposed by MGL. Expenditures are for the instruction and recruitment of public safety personnel. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Local Capital Projects Fund - to account for funds generated by the casino license fees and by the tax imposed on revenues generated by casinos (but not the slots parlor).

Gaming Local Aid Fund - to account for gaming tax revenues imposed on casino revenues. The fund is used to finance local aid distributions to cities and towns.

Education Fund - to account for a portion of the funds generated by the tax imposed on casino revenue (but not slots parlor) revenue. 35% of the funds received shall be appropriated for higher education purposes. Any expenditures for either higher education or K-12 education from this fund are required to supplement, not offset, General Appropriation Act spending.

Local Aid Stabilization Fund - to account for funds generated by the tax imposed on casino revenues. Monies are used to supplement local aid distributions to cities and towns. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Gaming Economic Development Fund - to account for a portion of the funds generated by the tax imposed on casino (but not slots parlor) revenue. Expenditures from the are to be used to support economic development and job growth.

Community College Fund - to account for a portion of gaming license fees.

Marijuana Regulation Fund - to account for tax, application, civil penalties and interest revenues generated by the licensing and regulation of marijuana establishments. The fund is used to administer the operations of the Cannabis Control Commission and other departments to carry out marijuana regulations.

The following funds have been enacted in legislation but had no activity in FY19 and are not presented in this report:

Temporary Holding Fund - to account for cumulative tax revenues during the fiscal year in excess of permissible tax revenues as defined in Chapter 62F, Section 6A of the MGL. The fund balance in the fund closes annually to the Stabilization Fund to the extent of expenditures from that fund. Any remaining balance transfers to the General Fund. The mechanism transferring tax revenues to the fund was repealed effective January 1, 2013, but the fund itself was not repealed.

Tax Reduction Fund - to account for the maintenance of a reserve, which shall be used only to reduce personal income taxes.

Collective Bargaining Reserve Fund - to account for transfers from the General Fund which may be used to fund negotiated contracts for state employees.

Substance Abuse Prevention and Treatment Fund - to account for sales tax revenues (non-dedicated) collected from the sale of alcoholic beverages, with the funds used for substance abuse treatment and prevention services. In November 2010, the sales tax on alcoholic beverages was repealed via referendum, effective January 1, 2011, but the fund itself was not repealed.

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International Educational and Foreign Language Grant Program Fund - to account for appropriations, bond proceeds or other monies authorized to be used to support programs and activities that advance cultural awareness, to support international education programs and promote the study of foreign languages.

Dam Safety Trust Fund - to account for all revenues generated through agreements with public or private entities for dam safety purposes, and all fines, costs, expenses and interest imposed. Revenues over \$250,000 in a fiscal year shall be credited to the General Fund.

Children and Families Protection Fund - to account for any penalties collected for violations of the Massachusetts Pesticide Control Act, amounts credited to the fund are used for the implementation and enforcement of said Act.

Community First Trust Fund - The secretary of health and human services may expend amounts in excess of the \$16 million collected from federal reimbursements in the nonbudgeted Community First Trust Fund to ensure compliance with the state balancing incentive payment program. Monies deposited in the fund are used for non-institutionally-based long-term services and support. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Home and Community-based Services Policy Lab Fund - to account for appropriations and any additional nonstate-sourced funds such as federal or private grants or donations. The fund is used to support research and analysis to enhance the development, evaluation, design and continued improvement of programs to individuals who need long-term services and support.

Regional Water Entity Reimbursement Fund - to account for amounts to reimburse the Massachusetts Water Resources Authority for costs to provide financial assistance to cities and towns to rehabilitate collection systems.

Massachusetts Tourism Fund - to account for revenues received from hotel taxes; used to fund the Office of Travel and Tourism promotions and the Massachusetts Convention Center Authority.

Manufacturing Fund - to account for a portion of gaming facility license fees.

Agricultural Resolve and Security Fund - to account for gifts, grants, donations, federal reimbursements and grants plus any interest earnings. Expenditures are to be used to foster agriculture in the Commonwealth and other purposes of the Department of Agricultural Resources.

School Improvement Fund - to account for appropriations allocated in each fiscal year to the fund which are to be used to improve the quality of education at the school building level.

Budgeted Funds
Combining Balance Sheet - Statutory Basis
As of June 30, 2019
(Amounts in thousands)

	General	Commonwealth Transportation	Commonwealth Stabilization	Administrative Control <u>Intragovernmental Service</u>
ASSETS				
Cash and short-term investments.....	\$ 1,367,025	\$ 53,677	\$ 3,138,307	\$ 58,612
Cash with fiscal agent.....	—	15,409	—	—
Investments.....	—	—	286,069	—
Receivables, net of allowance for uncollectibles:				
Due from federal government.....	452,875	—	—	—
Other receivables.....	91,728	—	—	—
Due from cities and towns.....	25,421	—	—	—
Total assets.....	<u>\$ 1,937,049</u>	<u>\$ 69,086</u>	<u>\$ 3,424,376</u>	<u>\$ 58,612</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable.....	\$ 1,377,648	\$ 21,677	\$ —	\$ 45,280
Accrued payroll.....	125,154	—	—	2,363
Total liabilities.....	<u>1,502,802</u>	<u>21,677</u>	<u>—</u>	<u>47,643</u>
Fund balance/(deficit):				
Reserved for:				
Continuing appropriations.....	434,247	32,000	—	10,969
Commonwealth Stabilization.....	—	—	3,424,376	—
Debt service.....	—	15,409	—	—
Unreserved:				
Undesignated.....	—	—	—	—
Total fund balance/(deficit).....	<u>434,247</u>	<u>47,409</u>	<u>3,424,376</u>	<u>10,969</u>
Total liabilities and fund balance.....	<u>\$ 1,937,049</u>	<u>\$ 69,086</u>	<u>\$ 3,424,376</u>	<u>\$ 58,612</u>

See accountants' review report

Environmental			Budgeted Other					
Inland Fisheries and Game	Marine Recreational Fisheries Development	Underground Storage Tank Petroleum Product Cleanup	Public Safety Training	Local Capital Projects	Gaming Local Aid	Education	Local Aid Stabilization	Gaming Economic Development
\$ 10,983	\$ 4,417	\$ 16,824	\$ —	\$ 4,296	\$ —	\$ 1,739	\$ 50	\$ 8,530
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>\$ 10,983</u>	<u>\$ 4,417</u>	<u>\$ 16,824</u>	<u>\$ —</u>	<u>\$ 4,296</u>	<u>\$ —</u>	<u>\$ 1,739</u>	<u>\$ 50</u>	<u>\$ 8,530</u>
\$ 417	\$ 521	\$ 849	\$ —	\$ 2,698	\$ —	\$ —	\$ —	\$ 1,029
197	18	—	—	—	—	—	—	39
614	539	849	—	2,698	—	—	—	1,068
—	750	15,975	—	1,598	—	1,739	—	7,462
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
10,369	3,128	—	—	—	—	—	50	—
10,369	3,878	15,975	—	1,598	—	1,739	50	7,462
<u>\$ 10,983</u>	<u>\$ 4,417</u>	<u>\$ 16,824</u>	<u>\$ —</u>	<u>\$ 4,296</u>	<u>\$ —</u>	<u>\$ 1,739</u>	<u>\$ 50</u>	<u>\$ 8,530</u>

continued

Budgeted Funds
Combining Balance Sheet - Statutory Basis
As of June 30, 2019
(Amounts in thousands)

	Budgeted Other		Totals (Memorandum only)	
	Community College	Marijuana Regulation	2019	2018
ASSETS				
Cash and short-term investments	\$ —	\$ 2,141	\$ 4,666,602	\$ 2,496,151
Cash with fiscal agent	—	—	15,409	19,373
Investments	—	—	286,069	272,468
Receivables, net of allowance for uncollectibles:				
Due from federal government	—	—	452,875	476,376
Other receivables	—	—	91,728	184,466
Due from cities and towns	—	—	25,421	34,647
Total assets	<u>\$ —</u>	<u>\$ 2,141</u>	<u>\$ 5,538,104</u>	<u>\$ 3,483,481</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ —	\$ 985	\$ 1,451,104	\$ 997,489
Accrued payroll	—	31	127,803	99,322
Total liabilities	<u>—</u>	<u>1,016</u>	<u>1,578,907</u>	<u>1,096,811</u>
Fund balance/(deficit):				
Reserved for:				
Continuing appropriations	—	1,125	505,865	352,100
Commonwealth Stabilization	—	—	3,424,376	2,001,299
Debt service	—	—	15,409	19,373
Unreserved:				
Undesignated	—	—	13,547	13,898
Total fund balance/(deficit)	<u>—</u>	<u>1,125</u>	<u>3,959,197</u>	<u>2,386,670</u>
Total liabilities and fund balance	<u>\$ —</u>	<u>\$ 2,141</u>	<u>\$ 5,538,104</u>	<u>\$ 3,483,481</u>

See accountants' review report



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Budgeted Funds
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	General	Commonwealth Transportation	Commonwealth Stabilization	Administrative Control Intragovernmental Service
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 26,395,856	\$ 1,357,356	\$ 429	\$ —
Assessments.....	409,190	22,603	—	—
Federal grants and reimbursements.....	11,762,585	—	—	—
Tobacco settlement revenue.....	236,632	—	—	—
Departmental.....	3,014,566	657,019	—	428,910
Miscellaneous.....	378,072	1,418	52,913	—
Total revenues.....	<u>42,196,901</u>	<u>2,038,396</u>	<u>53,342</u>	<u>428,910</u>
Other financing sources:				
Fringe benefit cost recovery.....	451,149	—	—	—
Lottery reimbursements.....	107,289	—	—	—
Lottery distributions.....	1,088,049	—	—	—
Operating transfers in.....	207,115	138,737	—	829
Stabilization transfer.....	—	—	1,454,575	—
Total other financing sources.....	<u>1,853,602</u>	<u>138,737</u>	<u>1,454,575</u>	<u>829</u>
Total revenues and other financing sources.....	<u>44,050,503</u>	<u>2,177,133</u>	<u>1,507,917</u>	<u>429,739</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature.....	67,643	—	—	—
Judiciary.....	982,509	—	—	—
Inspector General.....	5,083	—	—	—
Governor and Lieutenant Governor.....	6,807	—	—	44
Secretary of the Commonwealth.....	50,778	—	—	—
Treasurer and Receiver-General.....	244,182	—	—	—
Auditor of the Commonwealth.....	18,382	—	—	—
Attorney General.....	51,562	—	—	—
Ethics Commission.....	2,199	—	—	—
District Attorney.....	129,040	—	—	—
Office of Campaign & Political Finance.....	1,618	—	—	—
Sheriffs' Departments.....	657,858	—	—	—
Disabled Persons Protection Commission.....	4,249	—	—	—
Board of Library Commissioners.....	27,179	—	—	—
Comptroller.....	9,173	—	—	4,893
Administration and Finance.....	2,095,634	—	—	149,243
Energy and Environmental Affairs.....	238,051	—	—	1,742
Health and Human Services.....	6,180,350	—	—	114,808
Executive Office of Technology Services and Security.....	35,849	—	—	77,098
Massachusetts Department of Transportation.....	—	127,000	—	—
Office of the Child Advocate.....	772	—	—	—
Cannabis Control Commission.....	1,901	—	—	—
Executive Office of Education.....	2,490,816	—	—	611
Center for Health Information and Analysis.....	20,086	—	—	—
Public Safety and Homeland Security.....	1,165,922	—	—	58,112
Housing and Economic Development.....	578,788	—	—	1,893
Labor and Workforce Development.....	49,831	—	—	—
Direct local aid.....	6,003,140	—	—	—
Medicaid program expenses.....	16,520,543	—	—	—
Post employment benefits.....	3,069,787	40,410	—	—
Debt service:				
Principal retirement.....	608,971	579,469	—	16,066
Interest and fiscal charges.....	595,228	527,376	—	—
Total expenditures.....	<u>41,913,931</u>	<u>1,274,255</u>	<u>—</u>	<u>424,510</u>
Other financing uses:				
Fringe benefit cost assessment.....	—	—	—	—
Operating transfers out.....	473,849	643,208	—	3,453
State Retiree Benefits transfer.....	—	—	42,420	—
State Pension transfer.....	—	—	42,420	—
Stabilization transfer.....	1,206,132	231,634	—	—
Medical assistance transfer.....	363,078	—	—	—
Total other financing uses.....	<u>2,043,059</u>	<u>874,842</u>	<u>84,840</u>	<u>3,453</u>
Total expenditures and other financing uses.....	<u>43,956,990</u>	<u>2,149,097</u>	<u>84,840</u>	<u>427,963</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	93,513	28,036	1,423,077	1,776
Fund balance/(deficit) at beginning of year.....	340,734	19,373	2,001,299	9,193
Fund balance/(deficit) at end of year.....	<u>\$ 434,247</u>	<u>\$ 47,409</u>	<u>\$ 3,424,376</u>	<u>\$ 10,969</u>

See accountants' review report

Budgeted Funds
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	Budgeted Other		Totals (Memorandum only)	
	Community College	Marijuana Regulation	2019	2018
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ —	\$ 13,949	\$ 27,768,601	\$ 25,906,660
Assessments	—	—	431,793	439,686
Federal grants and reimbursements.....	—	—	11,771,905	11,376,956
Tobacco settlement revenue.....	—	—	236,632	243,313
Departmental.....	—	8,742	4,149,461	4,071,620
Miscellaneous.....	—	25	432,510	424,789
Total revenues.....	—	22,716	44,790,902	42,463,024
Other financing sources:				
Fringe benefit cost recovery.....	—	—	451,149	434,924
Lottery reimbursements	—	—	107,289	103,136
Lottery distributions.....	—	—	1,088,049	983,108
Operating transfers in.....	—	21,579	483,883	315,398
Stabilization transfer	—	—	1,454,575	736,645
Total other financing sources.....	—	21,579	3,584,945	2,573,211
Total revenues and other financing sources.....	—	44,295	48,375,847	45,036,235
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature.....	—	—	67,643	67,850
Judiciary	—	—	982,509	919,016
Inspector General.....	—	—	5,083	4,370
Governor and Lieutenant Governor.....	—	—	6,851	6,574
Secretary of the Commonwealth.....	—	—	50,778	39,339
Treasurer and Receiver-General.....	—	—	244,182	215,183
Auditor of the Commonwealth.....	—	—	18,382	18,610
Attorney General.....	—	—	51,562	47,993
Ethics Commission	—	—	2,199	2,042
District Attorney.....	—	—	129,040	119,206
Office of Campaign & Political Finance.....	—	—	1,618	1,594
Sheriffs' Departments.....	—	117	658,005	620,318
Disabled Persons Protection Commission	—	—	4,249	3,131
Board of Library Commissioners.....	—	—	27,179	25,443
Comptroller.....	—	—	14,066	13,877
Administration and Finance.....	—	—	2,283,218	2,305,871
Energy and Environmental Affairs.....	—	604	256,867	230,956
Health and Human Services.....	—	29,989	6,325,148	6,035,926
Executive Office of Technology Services and Security.....	—	—	112,947	73,456
Massachusetts Department of Transportation.....	—	—	127,000	127,000
Office of the Child Advocate	—	—	772	706
Cannabis Control Commission	—	7,982	9,883	2,241
Executive Office of Education.....	—	—	2,496,063	2,289,929
Center for Health Information and Analysis.....	—	—	20,086	21,452
Public Safety and Homeland Security	—	164	1,226,217	1,166,779
Housing and Economic Development.....	—	52	583,431	533,168
Labor and Workforce Development.....	—	—	50,206	46,785
Direct local aid.....	—	—	6,074,697	5,885,520
Medicaid program expenses.....	—	—	16,520,543	15,744,534
Post employment benefits	—	—	3,110,197	2,891,491
Debt service:				
Principal retirement	—	—	1,204,506	1,299,705
Interest and fiscal charges.....	—	—	1,122,604	1,023,656
Total expenditures	—	38,908	43,787,731	41,783,720
Other financing uses:				
Fringe benefit cost assessment.....	—	1,563	6,008	4,952
Operating transfers out.....	—	—	1,120,542	954,099
State Retiree Benefits transfer.....	—	—	42,420	25,695
State Pension transfer.....	—	—	42,420	25,695
Stabilization transfer	—	2,699	1,441,121	723,195
Medical assistance transfer	—	—	363,078	579,944
Total other financing uses.....	—	4,262	3,015,589	2,313,580
Total expenditures and other financing uses.....	—	43,170	46,803,320	44,097,300
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	—	1,125	1,572,527	938,935
Fund balance/(deficit) at beginning of year.....	—	—	2,386,670	1,447,735
Fund balance/(deficit) at end of year.....	\$ —	\$ 1,125	\$ 3,959,197	\$ 2,386,670

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Budgeted Funds

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	General			Commonwealth Transportation		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes.....	\$ 25,195,500	\$ 26,395,856	\$ 1,200,356	\$ 1,335,100	\$ 1,357,356	\$ 22,256
Assessments.....	442,780	409,190	(33,590)	22,528	22,603	75
Federal grants and reimbursements.....	11,497,356	11,762,585	265,229	—	—	—
Tobacco settlement revenue.....	251,241	236,632	(14,609)	—	—	—
Departmental.....	3,202,261	3,014,566	(187,695)	666,461	657,019	(9,442)
Miscellaneous.....	297,014	378,072	81,058	—	1,418	1,418
Total revenues.....	<u>40,886,152</u>	<u>42,196,901</u>	<u>1,310,749</u>	<u>2,024,089</u>	<u>2,038,396</u>	<u>14,307</u>
Other financing sources:						
Fringe benefit cost recovery.....	465,209	451,149	(14,060)	—	—	—
Lottery reimbursements.....	110,457	107,289	(3,168)	—	—	—
Lottery distributions.....	995,602	1,088,049	92,447	—	—	—
Operating transfers in.....	225,419	207,115	(18,304)	128,996	138,737	9,741
Stabilization transfer.....	—	—	—	—	—	—
Total other financing sources.....	<u>1,796,687</u>	<u>1,853,602</u>	<u>56,915</u>	<u>128,996</u>	<u>138,737</u>	<u>9,741</u>
Total revenues and other financing sources.....	<u>42,682,839</u>	<u>44,050,503</u>	<u>1,367,664</u>	<u>2,153,085</u>	<u>2,177,133</u>	<u>24,048</u>
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature.....	105,511	67,643	37,868	—	—	—
Judiciary.....	1,002,178	982,509	19,669	—	—	—
Inspector General.....	5,086	5,083	3	—	—	—
Governor and Lieutenant Governor.....	7,974	6,807	1,167	—	—	—
Secretary of the Commonwealth.....	55,924	50,778	5,146	—	—	—
Treasurer and Receiver-General.....	253,963	244,182	9,781	—	—	—
Auditor of the Commonwealth.....	19,180	18,382	798	—	—	—
Attorney General.....	53,413	51,562	1,851	—	—	—
Ethics Commission.....	2,255	2,199	56	—	—	—
District Attorney.....	130,579	129,040	1,539	—	—	—
Office of Campaign & Political Finance.....	1,654	1,618	36	—	—	—
Sheriffs' Departments.....	658,950	657,858	1,092	—	—	—
Disabled Persons Protection Commission.....	4,251	4,249	2	—	—	—
Board of Library Commissioners.....	27,241	27,179	62	—	—	—
Comptroller.....	9,223	9,173	50	—	—	—
Administration and Finance.....	2,303,961	2,095,634	208,327	—	—	—
Energy and Environmental Affairs.....	257,148	238,051	19,097	—	—	—
Health and Human Services.....	6,409,353	6,180,350	229,003	—	—	—
Executive Office of Technology Services and Security.....	38,839	35,849	2,990	—	—	—
Massachusetts Department of Transportation.....	—	—	—	127,000	127,000	—
Office of the Child Advocate.....	1,229	772	457	—	—	—
Cannabis Control Commission.....	2,000	1,901	99	—	—	—
Executive Office of Education.....	2,591,958	2,490,816	101,142	—	—	—
Center for Health Information and Analysis.....	30,699	20,086	10,613	—	—	—
Public Safety and Security.....	1,235,243	1,165,922	69,321	—	—	—
Housing and Economic Development.....	626,012	578,788	47,224	—	—	—
Labor and Workforce Development.....	75,919	49,831	26,088	—	—	—
Direct local aid.....	6,011,427	6,003,140	8,287	—	—	—
Medicaid program expenses.....	16,520,617	16,520,543	74	—	—	—
Post employment benefits.....	3,080,259	3,069,787	10,472	40,410	40,410	—
Debt service:						
Principal retirement.....	628,727	608,971	19,756	645,645	579,469	66,176
Interest and fiscal charges.....	614,538	595,228	19,310	504,625	527,376	(22,751)
Total expenditures.....	<u>42,765,311</u>	<u>41,913,931</u>	<u>851,380</u>	<u>1,317,680</u>	<u>1,274,255</u>	<u>43,425</u>
Other financing uses:						
Fringe benefit cost assessment.....	—	—	—	—	—	—
Operating transfers out.....	388,734	473,849	(85,115)	639,417	643,208	(3,791)
State Retiree Benefits transfer.....	—	—	—	—	—	—
State Pension transfer.....	—	—	—	—	—	—
Stabilization transfer.....	389,200	1,206,132	(816,932)	—	231,634	(231,634)
Medical assistance transfer.....	586,600	363,078	223,522	—	—	—
Total other financing uses.....	<u>1,364,534</u>	<u>2,043,059</u>	<u>(678,525)</u>	<u>639,417</u>	<u>874,842</u>	<u>(235,425)</u>
Total expenditures and other financing uses.....	<u>44,129,845</u>	<u>43,956,990</u>	<u>172,855</u>	<u>1,957,097</u>	<u>2,149,097</u>	<u>(192,000)</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ (1,447,006)</u>	<u>93,513</u>	<u>\$ 1,540,519</u>	<u>\$ 195,988</u>	<u>28,036</u>	<u>\$ (167,952)</u>
Fund balance/(deficit) at beginning of year.....		340,734			19,373	
Fund balance/(deficit) at end of year.....		<u>\$ 434,247</u>			<u>\$ 47,409</u>	

See accountants' review report

Budgeted Funds

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Environmental					
	Marine Recreational Fisheries Development			Underground Storage Tank Petroleum Product Cleanup		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	—	—
Federal grants and reimbursements.....	—	—	—	—	—	—
Tobacco settlement revenue.....	—	—	—	—	—	—
Departmental.....	1,641	1,776	135	30,000	30,000	—
Miscellaneous.....	—	—	—	—	—	—
Total revenues.....	1,641	1,776	135	30,000	30,000	—
Other financing sources:						
Fringe benefit cost recovery.....	—	—	—	—	—	—
Lottery reimbursements.....	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—
Operating transfers in.....	—	—	—	—	85	85
Stabilization transfer.....	—	—	—	—	—	—
Total other financing sources.....	—	—	—	—	85	85
Total revenues and other financing sources.....	1,641	1,776	135	30,000	30,085	85
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature.....	—	—	—	—	—	—
Judiciary.....	—	—	—	—	—	—
Inspector General.....	—	—	—	—	—	—
Governor and Lieutenant Governor.....	—	—	—	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	—	—
Treasurer and Receiver-General.....	—	—	—	—	—	—
Auditor of the Commonwealth.....	—	—	—	—	—	—
Attorney General.....	—	—	—	—	—	—
Ethics Commission.....	—	—	—	—	—	—
District Attorney.....	—	—	—	—	—	—
Office of Campaign & Political Finance.....	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—
Comptroller.....	—	—	—	—	—	—
Administration and Finance.....	—	—	—	29,708	13,732	15,976
Energy and Environmental Affairs.....	2,424	1,563	861	—	—	—
Health and Human Services.....	—	—	—	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—
Office of the Child Advocate.....	—	—	—	—	—	—
Cannabis Control Commission.....	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—
Center for Health Information and Analysis.....	—	—	—	—	—	—
Public Safety and Security.....	—	—	—	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—
Direct local aid.....	—	—	—	—	—	—
Medicaid program expenses.....	—	—	—	—	—	—
Post employment benefits.....	—	—	—	—	—	—
Debt service:						
Principal retirement.....	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—
Total expenditures.....	2,424	1,563	861	29,708	13,732	15,976
Other financing uses:						
Fringe benefit cost assessment.....	—	183	(183)	—	378	(378)
Operating transfers out.....	—	—	—	—	—	—
State Retiree Benefits transfer.....	—	—	—	—	—	—
State Pension transfer.....	—	—	—	—	—	—
Stabilization transfer.....	—	—	—	—	—	—
Medical assistance transfer.....	—	—	—	—	—	—
Total other financing uses.....	—	183	(183)	—	378	(378)
Total expenditures and other financing uses.....	2,424	1,746	678	29,708	14,110	15,598
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	\$ (783)	30	\$ 813	\$ 292	15,975	\$ 15,683
Fund balance/(deficit) at beginning of year.....		3,848			—	
Fund balance/(deficit) at end of year.....		\$ 3,878			\$ 15,975	

See accountants' review report

Budgeted Funds

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Budgeted Other					
	Education			Local Aid Stabilization		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—
Total revenues	—	—	—	—	—	—
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	8,396	13,693	5,297	—	—	—
Stabilization transfer	—	—	—	—	—	—
Total other financing sources	8,396	13,693	5,297	—	—	—
Total revenues and other financing sources	8,396	13,693	5,297	—	—	—
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	—	—	—	—	—	—
Judiciary	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
Auditor of the Commonwealth	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—
Ethics Commission	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	3,230	3,230	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	3,656	3,530	126	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Direct local aid	4,908	4,907	1	—	—	—
Medicaid program expenses	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	11,794	11,667	127	—	—	—
Other financing uses:						
Fringe benefit cost assessment	—	11	(11)	—	—	—
Operating transfers out	—	—	—	—	—	—
State Retiree Benefits transfer	—	—	—	—	—	—
State Pension transfer	—	—	—	—	—	—
Stabilization transfer	—	276	(276)	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Total other financing uses	—	287	(287)	—	—	—
Total expenditures and other financing uses	11,794	11,954	(160)	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (3,398)	1,739	\$ 5,137	\$ —	—	\$ —
Fund balance/(deficit) at beginning of year	—	—	—	—	50	—
Fund balance/(deficit) at end of year	—	\$ 1,739	—	—	\$ 50	—

See accountants' review report

Budgeted Funds

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Totals (Memorandum only)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes.....	\$ 26,571,600	\$ 27,768,601	\$ 1,197,001
Assessments	465,308	431,793	(33,515)
Federal grants and reimbursements.....	11,504,856	11,771,905	267,049
Tobacco settlement revenue	251,241	236,632	(14,609)
Departmental.....	3,911,494	4,149,461	237,967
Miscellaneous.....	305,400	432,510	127,110
Total revenues.....	<u>43,009,899</u>	<u>44,790,902</u>	<u>1,781,003</u>
Other financing sources:			
Fringe benefit cost recovery.....	465,209	451,149	(14,060)
Lottery reimbursements.....	110,457	107,289	(3,168)
Lottery distributions.....	995,602	1,088,049	92,447
Operating transfers in.....	437,794	483,883	46,089
Stabilization transfer	398,809	1,454,575	1,055,766
Total other financing sources.....	<u>2,407,871</u>	<u>3,584,945</u>	<u>1,177,074</u>
Total revenues and other financing sources.....	<u>45,417,770</u>	<u>48,375,847</u>	<u>2,958,077</u>
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature.....	105,511	67,643	37,868
Judiciary	1,002,178	982,509	19,669
Inspector General	5,086	5,083	3
Governor and Lieutenant Governor	8,018	6,851	1,167
Secretary of the Commonwealth.....	55,940	50,778	5,162
Treasurer and Receiver-General.....	253,963	244,182	9,781
Auditor of the Commonwealth.....	19,180	18,382	798
Attorney General.....	53,422	51,562	1,860
Ethics Commission.....	2,255	2,199	56
District Attorney.....	130,579	129,040	1,539
Office of Campaign & Political Finance.....	1,654	1,618	36
Sheriffs' Departments.....	659,100	658,005	1,095
Disabled Persons Protection Commission.....	4,251	4,249	2
Board of Library Commissioners.....	27,241	27,179	62
Comptroller	14,895	14,066	829
Administration and Finance	2,562,167	2,283,218	278,949
Energy and Environmental Affairs	281,575	256,867	24,708
Health and Human Services	6,569,097	6,325,148	243,949
Executive Office of Technology Services and Security	137,261	112,947	24,314
Massachusetts Department of Transportation	127,000	127,000	—
Office of the Child Advocate.....	1,229	772	457
Cannabis Control Commission.....	13,055	9,883	3,172
Executive Office of Education	2,603,076	2,496,063	107,013
Center for Health Information and Analysis	30,699	20,086	10,613
Public Safety and Security	1,315,179	1,226,217	88,962
Housing and Economic Development.....	636,316	583,431	52,885
Labor and Workforce Development.....	76,294	50,206	26,088
Direct local aid	6,083,151	6,074,697	8,454
Medicaid program expenses.....	16,520,617	16,520,543	74
Post employment benefits	3,120,669	3,110,197	10,472
Debt service:			
Principal retirement	1,298,042	1,204,506	93,536
Interest and fiscal charges	1,119,164	1,122,604	(3,440)
Total expenditures.....	<u>44,837,864</u>	<u>43,787,731</u>	<u>1,050,133</u>
Other financing uses:			
Fringe benefit cost assessment	—	6,008	(6,008)
Operating transfers out	1,028,150	1,120,542	(92,392)
State Retiree Benefits transfer.....	—	42,420	(42,420)
State Pension transfer.....	—	42,420	(42,420)
Stabilization transfer	389,200	1,441,121	(1,051,921)
Medical assistance transfer.....	586,600	363,078	223,522
Total other financing uses.....	<u>2,003,950</u>	<u>3,015,589</u>	<u>(1,011,639)</u>
Total expenditures and other financing uses	<u>46,841,814</u>	<u>46,803,320</u>	<u>38,494</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (1,424,044)</u>	<u>1,572,527</u>	<u>\$ 2,996,571</u>
Fund balance/(deficit) at beginning of year		<u>2,386,670</u>	
Fund balance/(deficit) at end of year		<u>\$ 3,959,197</u>	

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General Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 1,367,025	\$ 697,815
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	452,875	476,377
Other receivables	91,728	184,466
Due from cities and towns.....	25,421	34,647
Total assets	<u>\$ 1,937,049</u>	<u>\$ 1,393,305</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 1,377,648	\$ 956,051
Accrued payroll	125,154	96,520
Total liabilities	<u>1,502,802</u>	<u>1,052,571</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	434,247	340,734
Total fund balance.....	434,247	340,734
Total liabilities and fund balance.....	<u>\$ 1,937,049</u>	<u>\$ 1,393,305</u>

See accountants' review report

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 25,195,500	\$ 26,395,856	\$ 1,200,356	\$ 24,573,613
Assessments.....	442,780	409,190	(33,590)	417,483
Federal grants and reimbursements.....	11,497,356	11,762,585	265,229	11,369,508
Tobacco settlement revenue.....	251,241	236,632	(14,609)	243,313
Departmental.....	3,202,261	3,014,566	(187,695)	2,932,173
Miscellaneous.....	297,014	378,072	81,058	408,374
Total revenues.....	40,886,152	42,196,901	1,310,749	39,944,464
Other financing sources:				
Fringe benefit cost recovery.....	465,209	451,149	(14,060)	434,924
Lottery reimbursements.....	110,457	107,289	(3,168)	103,136
Lottery distributions.....	995,602	1,088,049	92,447	983,108
Operating transfers in.....	225,419	207,115	(18,304)	203,427
Total other financing sources.....	1,796,687	1,853,602	56,915	1,724,595
Total revenues and other financing sources.....	42,682,839	44,050,503	1,367,664	41,669,059
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature.....	105,511	67,643	37,868	67,850
Judiciary.....	1,002,178	982,509	19,669	919,016
Inspector General.....	5,086	5,083	3	4,370
Governor and Lieutenant Governor.....	7,974	6,807	1,167	6,574
Secretary of the Commonwealth.....	55,924	50,778	5,146	39,339
Treasurer and Receiver-General.....	253,963	244,182	9,781	209,460
Auditor of the Commonwealth.....	19,180	18,382	798	18,610
Attorney General.....	53,413	51,562	1,851	47,989
Ethics Commission.....	2,255	2,199	56	2,042
District Attorney.....	130,579	129,040	1,539	119,206
Office of Campaign and Political Finance.....	1,654	1,618	36	1,594
Sheriffs' Department.....	658,950	657,858	1,092	620,299
Disabled Persons Protection Commission.....	4,251	4,249	2	3,131
Board of Library Commissioners.....	27,241	27,179	62	25,443
Comptroller.....	9,223	9,173	50	8,816

continued

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
Expenditures (continued):				
Administration and Finance	2,303,961	2,095,634	208,327	2,124,934
Energy and Environmental Affairs	257,148	238,051	19,097	213,839
Health and Human Services	6,409,353	6,180,350	229,003	5,919,367
Executive Office of Technology Services and Security	38,839	35,849	2,990	7,857
Office of the Child Advocate.....	1,229	772	457	706
Cannabis Control Commission.....	2,000	1,901	99	2,241
Executive Office of Education	2,591,958	2,490,816	101,142	2,289,267
Center for Health Information and Analysis	30,699	20,086	10,613	21,452
Public Safety and Security.....	1,235,243	1,165,922	69,321	1,099,956
Housing and Economic Development.....	626,012	578,788	47,224	531,539
Labor and Workforce Development	75,919	49,831	26,088	46,585
Direct local aid	6,011,427	6,003,140	8,287	5,821,177
Medicaid	16,520,617	16,520,543	74	15,744,534
Post employment benefits.....	3,080,259	3,069,787	10,472	2,846,432
Debt service:				
Principal retirement	628,727	608,971	19,756	643,448
Interest and fiscal charges.....	614,538	595,228	19,310	525,435
Total expenditures.....	42,765,311	41,913,931	851,380	39,932,508
Other financing uses:				
Operating transfers out	388,734	473,849	(85,115)	312,007
Stabilization transfer.....	389,200	1,206,132	(816,932)	589,663
Medical assistance transfer.....	586,600	363,078	223,522	579,944
Total other financing uses.....	1,364,534	2,043,059	(678,525)	1,481,614
Total expenditures and other financing uses.....	44,129,845	43,956,990	172,855	41,414,122
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	\$ (1,447,006)	93,513	\$ 1,540,519	254,937
Fund balance/(deficit) at beginning of year		340,734		85,797
Fund balance/(deficit) at end of year.....		\$ 434,247		\$ 340,734

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Commonwealth Transportation Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 53,677	\$ 693
Cash with fiscal agent.....	15,409	19,373
Total assets.....	\$ 69,086	\$ 20,066
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 21,677	\$ 693
Total liabilities.....	21,677	693
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	32,000	—
Reserved for debt service.....	15,409	19,373
Total fund balance.....	47,409	19,373
Total liabilities and fund balance.....	\$ 69,086	\$ 20,066

See accountants' review report

Commonwealth Transportation Fund
Statement of Revenues, Expenditures And Changes in Fund Balance - Statutory Basis
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 1,335,100	\$1,357,356	\$ 22,256	\$ 1,331,772
Assessments.....	22,528	22,603	75	22,204
Departmental.....	666,461	657,019	(9,442)	684,374
Miscellaneous.....	—	1,418	1,418	702
Total revenues.....	<u>2,024,089</u>	<u>2,038,396</u>	<u>14,307</u>	<u>2,039,052</u>
Other financing sources:				
Operating transfers in.....	128,996	138,737	9,741	43,762
Total other financing sources.....	<u>128,996</u>	<u>138,737</u>	<u>9,741</u>	<u>43,762</u>
Total revenues and other financing sources.....	<u>2,153,085</u>	<u>2,177,133</u>	<u>24,048</u>	<u>2,082,814</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Treasurer and Receiver-General.....	—	—	—	5,723
Massachusetts Department of Transportation.....	127,000	127,000	—	127,000
Post employment benefits.....	40,410	40,410	—	45,059
Debt service:				
Principal retirement.....	645,645	579,469	66,176	641,016
Interest and fiscal charges.....	504,625	527,376	(22,751)	498,221
Total expenditures.....	<u>1,317,680</u>	<u>1,274,255</u>	<u>43,425</u>	<u>1,317,019</u>
Other financing uses:				
Operating transfers out.....	639,417	643,208	(3,791)	634,676
Stabilization transfer.....	—	231,634	(231,634)	129,826
Total other financing uses.....	<u>639,417</u>	<u>874,842</u>	<u>(235,425)</u>	<u>764,502</u>
Total expenditures and other financing uses.....	<u>1,957,097</u>	<u>2,149,097</u>	<u>(192,000)</u>	<u>2,081,521</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ 195,988</u>	<u>28,036</u>	<u>\$ (167,952)</u>	<u>1,293</u>
Fund balance/(deficit) at beginning of year.....		<u>19,373</u>		<u>18,080</u>
Fund balance/(deficit) at end of year.....		<u>\$ 47,409</u>		<u>\$ 19,373</u>

See accountants' review report

Commonwealth Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 3,138,307	\$ 1,728,831
Investments.....	286,069	272,468
Total assets.....	<u>\$ 3,424,376</u>	<u>\$ 2,001,299</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ —
Total liabilities.....	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for Commonwealth Stabilization	3,424,376	2,001,299
Total fund balance.....	<u>3,424,376</u>	<u>2,001,299</u>
Total liabilities and fund balance.....	<u>\$ 3,424,376</u>	<u>\$ 2,001,299</u>

See accountants' review report

Commonwealth Stabilization Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ —	\$ 429	\$ 429	\$ 272
Miscellaneous.....	8,000	52,913	44,913	15,094
Total revenues.....	8,000	53,342	45,342	15,366
Other financing sources:				
Stabilization transfer.....	398,809	1,454,575	1,055,766	736,645
Total other financing sources.....	398,809	1,454,575	1,055,766	736,645
Total revenues and other financing sources.....	406,809	1,507,917	1,101,108	752,011
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	—	—	—	—
Total expenditures.....	—	—	—	—
Other financing uses:				
State Retiree Benefits transfer	—	42,420	(42,420)	25,695
State Pension transfer	—	42,420	(42,420)	25,695
Total other financing uses.....	—	84,840	(84,840)	51,390
Total expenditures and other financing uses.....	—	84,840	(84,840)	51,390
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 406,809	1,423,077	\$ 1,016,268	700,621
Fund balance/(deficit) at beginning of year		2,001,299		1,300,678
Fund balance/(deficit) at end of year.....		\$ 3,424,376		\$2,001,299

See accountants' review report

Intragovernmental Service Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 58,612	\$ 51,811
Total assets.....	\$ 58,612	\$ 51,811
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable.....	\$ 45,280	\$ 40,021
Accrued payroll	2,363	2,597
Total liabilities	47,643	42,618
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	10,969	9,193
Total fund balance.....	10,969	9,193
Total liabilities and fund balance.....	\$ 58,612	\$ 51,811

See accountants' review report

Intragovernmental Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ 428,910	\$ 428,910	\$ 444,863
Total revenues	—	428,910	428,910	444,863
Other financing sources:				
Operating transfers in	—	829	829	—
Total other financing sources	—	829	829	—
Total revenues and other financing sources.....	—	429,739	429,739	444,863
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Governor and Lieutenant Governor	44	44	—	—
Secretary of the Commonwealth	16	—	16	—
Comptroller	5,672	4,893	779	5,060
Administration and Finance	203,803	149,243	54,560	180,863
Energy and Environmental Affairs	3,164	1,742	1,422	1,355
Health and Human Services	128,875	114,808	14,067	105,389
Executive Office of Technology Services and Security ..	98,422	77,098	21,324	65,599
Executive Office of Education	1,860	611	1,249	662
Public Safety and Security	77,637	58,112	19,525	64,775
Housing and Economic Development	7,553	1,893	5,660	1,629
Labor and Workforce Development	—	—	—	200
Debt service:				
Principal retirement	23,671	16,066	7,605	15,241
Total expenditures	550,717	424,510	126,207	440,773
Other financing uses:				
Operating transfers out	—	3,453	(3,453)	7,416
Total other financing uses	—	3,453	(3,453)	7,416
Total expenditures and other financing uses	550,717	427,963	122,754	448,189
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (550,717)	1,776	\$ 552,493	(3,326)
Fund balance/(deficit) at beginning of year		9,193		12,519
Fund balance/(deficit) at end of year		\$ 10,969		\$ 9,193

See accountants' review report

Inland Fisheries And Game Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 10,983	\$ 11,719
Total assets.....	\$ 10,983	\$ 11,719
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable.....	\$ 417	\$ 610
Accrued payroll	197	192
Total liabilities	614	802
Fund balance:		
Unreserved fund balance:		
Undesignated.....	10,369	10,917
Total fund balance	10,369	10,917
Total liabilities and fund balance	\$ 10,983	\$ 11,719

See accountants' review report

Inland Fisheries And Game Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 1,000	\$ 1,011	\$ 11	\$ 1,003
Federal grants and reimbursements	7,500	9,320	1,820	7,410
Departmental	7,074	7,297	223	7,401
Miscellaneous	386	82	(304)	617
Total revenues	15,960	17,710	1,750	16,431
Other financing sources:				
Operating transfers in	191	197	6	199
Total other financing sources	191	197	6	199
Total revenues and other financing sources	16,151	17,907	1,756	16,630
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Attorney General	5	—	5	—
Administration and Finance	161	75	86	74
Energy and Environmental Affairs	17,597	14,907	2,690	14,812
Total expenditures	17,763	14,982	2,781	14,886
Other financing uses:				
Fringe benefit cost assessment	—	3,473	(3,473)	3,329
Total other financing uses	—	3,473	(3,473)	3,329
Total expenditures and other financing uses	17,763	18,455	(692)	18,215
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (1,612)	(548)	\$ 1,064	(1,585)
Fund balance/(deficit) at beginning of year		10,917		12,502
Fund balance/(deficit) at end of year		\$ 10,369		\$ 10,917

See accountants' review report

Marine Recreational Fisheries Development Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 4,417	\$ 3,975
Total assets.....	<u>\$ 4,417</u>	<u>\$ 3,975</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable.....	\$ 521	\$ 114
Accrued payroll	18	13
Total liabilities	<u>539</u>	<u>127</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	750	1,000
Unreserved fund balance:		
Undesignated.....	3,128	2,848
Total fund balance.....	<u>3,878</u>	<u>3,848</u>
Total liabilities and fund balance.....	<u>\$ 4,417</u>	<u>\$ 3,975</u>

See accountants' review report

Marine Recreational Fisheries Development Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 1,641	\$ 1,776	\$ 135	\$ 1,787
Total revenues	<u>1,641</u>	<u>1,776</u>	<u>135</u>	<u>1,787</u>
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>1,641</u>	<u>1,776</u>	<u>135</u>	<u>1,787</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Energy and Environmental Affairs	2,424	1,563	861	950
Total expenditures	<u>2,424</u>	<u>1,563</u>	<u>861</u>	<u>950</u>
Other financing uses				
Fringe benefit cost assessment	—	183	(183)	169
Total other financing uses	<u>—</u>	<u>183</u>	<u>(183)</u>	<u>169</u>
Total expenditures and other financing uses	<u>2,424</u>	<u>1,746</u>	<u>678</u>	<u>1,119</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (783)</u>	<u>30</u>	<u>\$ 813</u>	<u>668</u>
Fund balance/(deficit) at beginning of year		<u>3,848</u>		<u>3,180</u>
Fund balance/(deficit) at end of year		<u>\$ 3,878</u>		<u>\$ 3,848</u>

See accountants' review report

Underground Storage Tank Petroleum Product Cleanup Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 16,824	\$ —
Total assets.....	<u>\$ 16,824</u>	<u>\$ —</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable.....	\$ 849	\$ —
Total liabilities	<u>849</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	15,975	—
Total fund balance.....	<u>15,975</u>	<u>—</u>
Total liabilities and fund balance.....	<u>\$ 16,824</u>	<u>\$ —</u>

See accountants' review report

Underground Storage Tank Petroleum Product Cleanup Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 30,000	\$ 30,000	\$ —	\$ —
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>—</u>	<u>—</u>
Other financing sources:				
Operating transfers in	—	85	85	—
Total other financing sources	<u>—</u>	<u>85</u>	<u>85</u>	<u>—</u>
Total revenues and other financing sources	<u>30,000</u>	<u>30,085</u>	<u>85</u>	<u>—</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	29,708	13,732	15,976	—
Total expenditures	<u>29,708</u>	<u>13,732</u>	<u>15,976</u>	<u>—</u>
Other financing uses:				
Fringe benefit cost assessment	—	378	(378)	—
Total other financing uses	<u>—</u>	<u>378</u>	<u>(378)</u>	<u>—</u>
Total expenditures and other financing uses	<u>29,708</u>	<u>14,110</u>	<u>15,598</u>	<u>—</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 292</u>	15,975	<u>\$ 15,683</u>	—
Fund balance/(deficit) at beginning of year		<u>—</u>		<u>—</u>
Fund balance/(deficit) at end of year		<u>\$ 15,975</u>		<u>\$ —</u>

See accountants' review report

Public Safety Training Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ —	\$ 1,256
Total assets.....	\$ —	\$ 1,256
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ —
Total liabilities.....	—	—
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	—	1,173
Unreserved fund balance:		
Undesignated.....	—	83
Total fund balance.....	—	1,256
Total liabilities and fund balance.....	\$ —	\$ 1,256

See accountants' review report

Public Safety Training Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 1,200	\$ 1,151	\$ (49)	\$ 1,022
Total revenues	<u>1,200</u>	<u>1,151</u>	<u>(49)</u>	<u>1,022</u>
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>1,200</u>	<u>1,151</u>	<u>(49)</u>	<u>1,022</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Attorney General	4	—	4	4
Sheriffs' Department	30	30	—	20
Public Safety and Security	2,136	2,019	117	2,048
Total expenditures	<u>2,170</u>	<u>2,049</u>	<u>121</u>	<u>2,072</u>
Other financing uses:				
Fringe benefit cost assessment	—	358	(358)	586
Total other financing uses	<u>—</u>	<u>358</u>	<u>(358)</u>	<u>586</u>
Total expenditures and other financing uses	<u>2,170</u>	<u>2,407</u>	<u>(237)</u>	<u>2,658</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (970)</u>	<u>(1,256)</u>	<u>\$ (286)</u>	<u>(1,636)</u>
Fund balance/(deficit) at beginning of year		<u>1,256</u>		<u>2,892</u>
Fund balance/(deficit) at end of year		<u>\$ —</u>		<u>\$ 1,256</u>

See accountants' review report

Community First Trust Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ —	\$ —
Total assets.....	\$ —	\$ —
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ —
Accrued payroll	—	—
Total liabilities	—	—
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	—	—
Unreserved fund balance:		
Undesignated.....	—	—
Total fund balance.....	—	—
Total liabilities and fund balance.....	\$ —	\$ —

See accountants' review report

Community First Trust Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	—	—	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Health and Human Services	—	—	—	11,170
Total expenditures	—	—	—	11,170
Other financing uses:				
Fringe benefit cost assessment	—	—	—	867
Total other financing uses	—	—	—	867
Total expenditures and other financing uses	—	—	—	12,037
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>(12,037)</u>
Fund balance/(deficit) at beginning of year		—		12,037
Fund balance/(deficit) at end of year		<u>\$ —</u>		<u>\$ —</u>

See accountants' review report

Local Capital Projects Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 4,296	\$ —
Total assets.....	\$ 4,296	\$ —
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 2,698	\$ —
Total liabilities	2,698	—
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	1,598	—
Total fund balance.....	1,598	—
Total liabilities and fund balance.....	\$ 4,296	\$ —

See accountants' review report

Local Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	2,699	4,401	1,702	—
Total other financing sources	2,699	4,401	1,702	—
Total revenues and other financing sources	2,699	4,401	1,702	
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Housing and Economic Development	2,699	2,698	1	—
Total expenditures	2,699	2,698	1	—
Other financing uses:				
Stabilization transfer	—	105	(105)	—
Total other financing uses	—	105	(105)	—
Total expenditures and other financing uses	2,699	2,803	(104)	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ —	1,598	\$ 1,598	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		\$ 1,598		\$ —

See accountants' review report

Gaming Local Aid Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ —	\$ —
Total assets.....	\$ —	\$ —
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	—	—
Unreserved fund balance:		
Undesignated.....	—	—
Total fund balance.....	—	—
Total liabilities and fund balance.....	\$ —	\$ —

See accountants' review report

Gaming Local Aid Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	66,395	87,955	21,560	68,011
Total other financing sources	66,395	87,955	21,560	68,011
Total revenues and other financing sources	66,395	87,955	21,560	68,011
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	21,305	21,305	—	—
Direct local aid	66,816	66,650	166	64,343
Total expenditures	88,121	87,955	166	64,343
Other financing uses:				
Fringe benefit cost assessment	—	—	—	—
Operating transfers out	—	—	—	—
Stabilization transfer	—	—	—	3,668
Total other financing uses	—	—	—	3,668
Total expenditures and other financing uses	88,121	87,955	166	68,011
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (21,726)</u>	—	<u>\$ 21,726</u>	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		<u>\$ —</u>		<u>\$ —</u>

See accountants' review report

Education Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 1,739	\$ —
Total assets.....	<u>\$ 1,739</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	1,739	—
Unreserved fund balance:		
Undesignated.....	—	—
Total fund balance.....	<u>1,739</u>	<u>—</u>
Total liabilities and fund balance.....	<u>\$ 1,739</u>	<u>\$ —</u>

See accountants' review report

Education Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	8,396	13,693	5,297	—
Total other financing sources	8,396	13,693	5,297	—
Total revenues and other financing sources	8,396	13,693	5,297	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	3,230	3,230	—	—
Executive Office of Education	3,656	3,530	126	—
Direct local aid	4,908	4,907	1	—
Total expenditures	11,794	11,667	127	—
Other financing uses:				
Fringe benefit cost assessment	—	—	—	—
Stabilization transfer	—	276	(276)	—
Fringe benefit cost assessment	—	11	(11)	—
Total other financing uses	—	287	(287)	—
Total expenditures and other financing uses	11,794	11,954	(160)	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (3,398)</u>	1,739	<u>\$ 5,137</u>	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		<u>\$ 1,739</u>		<u>\$ —</u>

See accountants' review report

Local Aid Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 50	\$ 50
Total assets.....	<u>\$ 50</u>	<u>\$ 50</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	—	—
Unreserved fund balance:		
Undesignated.....	50	50
Total fund balance.....	<u>50</u>	<u>50</u>
Total liabilities and fund balance.....	<u>\$ 50</u>	<u>\$ 50</u>

See accountants' review report

Local Aid Stabilization Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	—	—	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>
Fund balance/(deficit) at beginning of year		50		50
Fund balance/(deficit) at end of year		<u>\$ 50</u>		<u>\$ 50</u>

See accountants' review report

Gaming Economic Development Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 8,530	\$ —
Total assets.....	<u>\$ 8,530</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 1,029	\$ —
Accrued payroll	39	—
Total liabilities	<u>1,068</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	7,462	—
Total fund balance.....	<u>7,462</u>	<u>—</u>
Total liabilities and fund balance.....	<u>\$ 8,530</u>	<u>\$ —</u>

See accountants' review report

Gaming Economic Development Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	5,698	9,292	3,594	—
Total other financing sources	5,698	9,292	3,594	—
Total revenues and other financing sources	5,698	9,292	3,594	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	5,602	1,106	4,496	—
Labor and Workforce Development	375	375	—	—
Total expenditures	5,977	1,481	4,496	—
Other financing uses:				
Fringe benefit cost assessment	—	42	(42)	—
Stabilization transfer	—	275	(275)	—
Operating transfers out	—	32	(32)	—
Total other financing uses	—	349	(349)	—
Total expenditures and other financing uses	5,977	1,830	4,147	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (279)</u>	7,462	<u>\$ 7,741</u>	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		<u>\$ 7,462</u>		<u>\$ —</u>

See accountants' review report

Community College Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ —	\$ —
Total assets.....	\$ —	\$ —
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ —
Total liabilities.....	—	—
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	—	—
Unreserved fund balance:		
Undesignated.....	—	—
Total fund balance.....	—	—
Total liabilities and fund balance.....	\$ —	\$ —

See accountants' review report

Community College Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	—	—	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>
Fund balance/(deficit) at beginning of year		<u>—</u>		<u>—</u>
Fund balance/(deficit) at end of year		<u>\$ —</u>		<u>\$ —</u>

See accountants' review report

Marijuana Regulation Fund
Balance Sheet - Statutory Basis

As of June 30, 2019
(Amounts in thousands)

	2019	2018
ASSETS		
Cash and short-term investments.....	\$ 2,141	\$ —
Total assets.....	<u>\$ 2,141</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 985	\$ —
Accrued payroll	31	—
Total liabilities	<u>1,016</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	1,125	—
Total fund balance.....	<u>1,125</u>	<u>—</u>
Total liabilities and fund balance.....	<u>\$ 2,141</u>	<u>\$ —</u>

See accountants' review report

Marijuana Regulation Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	2019 Budget	2019 Actual	Variance Favorable (Unfavorable)	2018 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 40,000	\$ 13,949	\$ (26,051)	\$ —
Departmental	2,857	8,742	5,885	39
Miscellaneous	—	25	25	—
Total revenues	42,857	22,716	(20,141)	39
Other financing sources:				
Operating transfers in	—	21,579	21,579	—
Total other financing sources	—	21,579	21,579	—
Total revenues and other financing sources	42,857	44,295	1,438	39
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Sheriff's Department	120	117	3	—
Energy and Environmental Affairs	1,241	604	637	—
Health and Human Services	30,869	29,989	880	—
Cannabis Control Commission	11,055	7,982	3,073	—
Public Safety and Security	164	164	—	—
Housing and Economic Development	52	52	—	—
Total expenditures	43,501	38,908	4,593	—
Other financing uses:				
Fringe benefit cost assessment	—	1,563	(1,563)	—
Stabilization transfer	—	2,699	(2,699)	39
Total other financing uses	—	4,262	(4,262)	39
Total expenditures and other financing uses	43,501	43,170	331	39
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (644)	1,125	\$ 1,769	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		\$ 1,125		\$ —

See accountants' review report



Henrietta Swan Leavitt (1868-1921)

While working as a “computer” at the Harvard College Observatory on a type of star called Cepheid variables, Henrietta Swan Leavitt found that she could accurately and consistently relate the period of a given star’s brightness cycle to its absolute magnitude. The discovery of this relationship made it possible, for the first time, to calculate their distance from Earth. The discovery by Leavitt, a native of Lancaster, Massachusetts, fundamentally reshaped astronomers’ notions of the galaxy, and upended the notion that the Sun and the Milky Way were at the center of the universe.

Source: <https://www.aavso.org/henrietta-leavitt-%E2%80%93-celebrating-forgotten-astronomer>

Non-Budgeted Funds

SPECIAL REVENUE FUNDS:

These funds account for the proceeds of specific revenue sources that are restricted to finance specific functions. Funds that are not subject to appropriation are considered Non-Budgeted Special Revenue Funds.

Federal Grants Fund - to account for federal grants that are designated for specific programs, excluding federal highway construction grants, which are accounted for in the Federal Highway Construction Capital Projects Fund, and federal reimbursement programs, such as Medicaid, which are accounted for in the General Fund.

LOTTERY FUNDS:

The two lottery funds account for the operations of the State and Arts Lotteries.

State Lottery and Gaming Fund - to account for revenue from the sale of lottery tickets and for the payment of prizes, expenses of the State Lottery Commission and the distribution to municipalities and school districts. Transfers are made from lottery profits to the General Fund.

Arts Lottery Fund - to account for revenues from the sale of lottery tickets, for payment of prizes and the expenses of the State Lottery Commission, and for the administration of the Arts Lottery Council. Residual fund balance transfers are made to the General Fund at the end of the fiscal year.

GAMING FUNDS:

Massachusetts Gaming Control Fund - to account for all gaming fees and assessments not recorded in other funds by legislative mandate and other monies authorized by the General Court. Expenditures are to finance the activities of the Massachusetts Gaming Commission (MGC).

Gaming Revenue Fund - to account for revenues collected from taxes on gross gaming revenue received from gaming licenses. The revenues shall be transferred to other funds to finance the activities of those funds.

OTHER FUNDS:

The other special revenue funds account for a variety of miscellaneous taxes, assessments, fees, fines and other revenues, which are restricted to the financing of specific Commonwealth programs.

Catastrophic Illness in Children Relief Fund - to account for a portion of an employer's unemployment health insurance contribution and certain Federal Financial Participation (FFP). The funds are for medical expenses of childhood catastrophic illnesses not covered by any other state and federal program.

Commonwealth Care Trust Fund - to collect fair share employer assessments, free rider surcharges, cigarette tax revenues, transfers from the Health Safety Net Trust Fund and any funds that may be appropriated or transferred into the fund for the purpose of increasing health care coverage, including subsidized health insurance to low - income residents. Funds may be transferred to the Health Safety Net Trust Fund.

Medical Assistance Trust Fund - to account for any funds from public entities and federal revenues related to medical assistance; to be used to provide supplemental Medicaid payments to certain safety net hospitals.

Health Safety Net Trust Fund - to account for reimbursing hospitals and community health centers for a portion of the cost of reimbursable health services provided to low-income, uninsured or underinsured residents of the Commonwealth. Revenues are from surcharges and assessments in health care services.

Community First Trust Fund - To account for revenues received from FFP earned on any qualifying expenditures from the fund. Expenditures are for non - institutionally - based long-term service and support and may be made for services provided in prior fiscal years, but may not exceed more than \$16 million.

Money Follows the Person Rebalancing Demonstration Grant Trust Fund - to account for funds used for expenses that primarily benefit individuals who have disabilities or long-term illnesses or who are elders. Monies equal to the amount of FFP collected from the previous quarter shall be transferred to the fund.

Public Health Trust Fund - to account for fees assessed on slot machines and all other monies credited or transferred to the fund from any other source under law. Funds shall be expended to assist social service and public health programs dedicated to addressing problems associated with compulsive gambling.

Healthcare Payment Reform Fund - to account for a portion of gaming license fees, 5% of the acute hospital assessments and any monies credited or transferred to the fund from any other fund or source. Funds are used to improve the quality and reduce the cost of health care in the Commonwealth.

Distressed Hospital Trust Fund - to account for gifts, grants and donations, interest earnings, 60% of the acute hospital assessments, and any funds provided from other sources. Expenditures support efforts to meet the health care cost growth benchmark and any activities funded by the e-Health Institute, the Healthcare Payment Reform Fund, other health related purposes.

Prevention and Wellness Trust Fund - to account for appropriations or other monies authorized to be credited to the fund, fines and penalties gifts, grants and donations, interest earnings, and any funds provided from other sources. Also, 26 2/3% of the acute hospital assessments shall be credited to this fund. Expenditures shall support the state's efforts to meet the health care cost growth benchmark and any activities funded by the Healthcare Payment Reform Fund and other health related purposes.

Massachusetts Health Information Exchange Fund - to account for expenditures to support the dissemination and development of the statewide health information exchange. There shall be credited to the fund any appropriations, proceeds of any bonds or notes of the commonwealth issued for the purpose, federal grants or loans; private gifts, grants or donations, and investment income.

MassHealth Delivery System Reform Trust Fund - to account for any transfers from the Health Safety Net Trust Fund, FFP revenues, appropriations; and any interest earned. The monies will be expended for approved Medicaid payments, reimbursements for services delivered to MassHealth beneficiaries; and for enhanced service and incentive payments to acute hospitals, and other providers or care organizations.

Community Hospital Reinvestment Trust Fund - to account for gifts, grants, donations, and interest earned. To be used to provide financial support to eligible acute care hospitals.

Non-acute Care Hospital Reimbursement Trust Fund - to account for assessments on acute care hospitals, FFP revenues, appropriations, and interest income. Funds shall be expended for Medicaid payments to non-acute, nonpublic hospitals licensed by the Department of Public Health.

Substance Use Disorder Federal Reinvestment Trust Fund - to account for FFP revenues, other federal reimbursements, grants, premiums, gifts, interest income and any other funds specifically designated to the fund. Funds shall be used to implement MassHealth's substance use disorder waiver demonstration project and to enhance and expand substance use disorder services.

Safety Net Provider Trust Fund - to account for operating transfers and any income designated to the fund by legislation. Funds shall be expended for payments to qualifying provider under an approved federal waiver.

Home Care Technology Trust Fund - to account for fees, appropriations, transfers, federal reimbursements, grants, premiums, gifts or other contributions from any source, investment income, and any other revenues. Funds shall be used to provide technological support for the aging service access points network.

Dam and Seawall Repair or Removal Fund - to account for federal grants, loan repayments, and investment earnings. Funds shall be used to provide grants or loans to local governmental entities, charitable organizations and private dam owners to finance or refinance costs related to dams and flood or wave control repair or remediation projects.

Department of Telecommunication and Energy Trust Fund - to account for assessments on interstate operating revenue of electric companies and investment income. The expenditures are for activities of the Department related to the regulation of electric companies.

Fingerprint-Based Background Check Trust Fund - to account for any appropriations and other monies including any private donations. Expenditures shall be for the sole purpose of carrying out state and national criminal background checks and verifications.

Liability Management and Reduction Fund - to account for chargebacks assessed to departments as premiums for the provision of insurance coverage for state agencies to cover payment of judgments, settlements and litigation costs in tort claims.

Medical Marijuana Trust Fund - to account for revenues generated from fees collected after July 1, 2013, as authorized by the MGL. Expenditures from the fund shall be for the administrative costs of operations and programs regulating medical marijuana use in the Commonwealth.

Essex Regional Emergency Communication Center Fund - The fund shall be used for the operation of the Regional Emergency Communications Center (RECC) to provide centralized emergency communication services to participating communities. There shall be credited to the fund a per capita assessment, any other funding, including, but not limited to, appropriations, gifts, grants, contributions, transfers or investment income.

Dockside Testing Trust Fund - to account for fees collected from harvesters of molluscan shellfish on Georges Bank in the amount of \$35,000 per vessel. Expenditures shall be for the administrative costs of the operations and programs related to regulating and monitoring the shellfish harvesters, including the testing of shellfish as necessary to ensure that they are safe for human consumption.

Commonwealth of Massachusetts Civil Monetary Penalty (CMP) Fund - to account for civil monetary penalties paid by nursing homes participating in the medical program for the protection of health and property of residents in a nursing home if the facility is found deficient.

MBTA State and Local Contribution Fund - to account for the transfer of dedicated sales tax revenue and the Massachusetts Bay Transportation Authority (MBTA) service area assessments from the Commonwealth to the MBTA.

Massachusetts Community Preservation Trust Fund - to account for surcharges from the registry of deeds, public and private sources as gifts, grants and donations, from damages, penalties costs from litigation settlements and surcharge on municipal liens imposed by the cities and towns that accept funds from the trust, to further community open space preservation programs.

Health Insurance Portability and Accountability Act Fund - to account for revenues received from Federal reimbursements under the Social Security Act, other Federal reimbursements, grants, gifts or other contributions to meet the costs of compliance with the Federal Health Insurance Portability and Accountability Act (HIPPA) of 1996.

State Racing Fund - to account for racing-related taxes and assessments, to be used for expenditures governing simulcasting and to provide certain relief to the racing industry in the Commonwealth.

Division of Professional Licensure Trust Fund - to support programs and administrative costs of the Division of Professional Licensure. Revenues are from professional registration fees. Moneys deposited into the trust fund that are unexpended at the end of the fiscal year, and that total not more than 50% of the division's expenditures for the previous fiscal year, shall not revert to the General Fund.

Victims of Drunk Driving Trust Fund - to account for fines collected from individuals convicted of driving under the influence of various substances defined by the law. Expenditures are for grants to community based programs to provide counseling and support services to victims of accidents.

State Athletic Commission Fund - to account for licensing fees, other fees and fines collected up to a maximum of \$200,000 per year. All revenues in excess of \$200,000 shall be transferred to the General Fund. Expenditures are for the administration of the State Athletic Commission, including payments for officials and referees of athletic events sanctioned by the Commission.

Organ and Tissue Donor Registration Fund - to account for funds received from public and private donations, fees, and interest revenue; for the purpose of registration of residents of the Commonwealth as organ and tissue donors.

Department of Fire Services Hazardous Materials Emergency Mitigation Response Recovery Trust Fund - to account for monies received from fees, fines and investment income up to a maximum of \$250,000 per year. Any unexpended funds in excess of \$250,000 at the end of a fiscal year are transferred to the General Fund. Expenditures are for emergency hazardous materials response and mitigation costs.

Registers Technological Fund - to account for funds received from deed surcharges for the benefit of abolished counties. Expenditures are for technological improvements at the registries of deeds in those counties.

County Registers Technological Fund - to account for monies received from deed surcharges for Barnstable, Bristol, Dukes, Norfolk, Plymouth and Nantucket Counties. Expenditures are for technical improvements at those counties.

State Election Campaign Fund - to account for the costs of quadrennial statewide elections provided for through contributions from citizens.

Enhanced 911 Fund - to account for expenditures by the State Police and the Executive Office of Public Safety and Security to automatically identify a telephone number used to place or route a 911 call.

Counsel for Indigent Salary Enhancement Trust Fund - to account for fees collected for private applications for criminal complaints for misdemeanors in Commonwealth courts, including investment income. Expenditures are for rate enhancements for advocates for the indigent. Any amounts received in excess of \$12 million in any fiscal year shall be credited to the General Fund.

Special Projects Permitting and Oversight Fund - to account for environmental permitting fees. Expenditures are for permitting, technical assistance, compliance and other activities related to environmental oversight.

Division of Energy Resources Credit Trust Fund - to account for the receipt, retention, redemption, sale or transfer of energy conservation credits, renewable energy certificates or credits, emission credits and similar allowances. The Division of Energy Resources may expend these funds for the implementation of programs for energy reliability, renewable energy, public procurement of energy and energy efficiency and climate change.

School Modernization and Reconstruction Trust Fund - to account for dedicated sales tax revenues to support the School Building Assistance Program.

Roche Community Rink Fund - to account for the residual net revenues of the privately operated ice skating rink located in the West Roxbury section of the City of Boston.

Health Care Workforce Transformation Fund - to account for appropriations, gifts, grants, loan repayments and interest income. Expenditures of not more than 10% of the amount held in the fund in any one year shall be used for the combined cost of program administration, technical assistance to grantees and program evaluation. Funds of not less than 20% may be transferred to the Department of Public Health and up to 10% may be transferred to the Massachusetts Nursing and Allied Health Workforce Development Trust Fund. Funds remaining shall be expended for various healthcare related jobs programs.

Workforce Competitiveness Trust Fund - to account for funds to support the development and implementation of employer and work responsive programs to enhance worker skills, income, productivity and retention and to increase the quality and competitiveness of Massachusetts firms.

Fire Prevention and Public Safety Fund - to account for all penalties recovered under the Cigarette Fire Safety Regulation Act to be used for fire safety and prevention programs.

Cigarette Fire Safety and Firefighter Protection Act Enforcement Fund - to account for the fire safety certification fees submitted by cigarette manufacturers. The fund is used solely to support state processing, testing, enforcement and oversight activities related to implementation of the cigarette fire safety regulations.

Massachusetts Nursing and Allied Health Workforce Development Trust Fund - to account for appropriations, grants, loans or private donations received to increase the number of public and private higher education faculty and students who participate in programs that support careers in fields related to nursing and allied health.

Health Information Technology Trust Fund - to account for federal reimbursements received under the Health Information Technology for Economic and Clinical Health Act and other revenues. Expenditures are for incentive payments to eligible Massachusetts Medicaid health care providers and for the promotion of electronic health record adoption and health information exchange in the Commonwealth.

Build America Bonds Subsidy Trust Fund - to account for subsidies from the United States Treasury related to debt service payable on Build America bonds issued by the Commonwealth. Expenditures are used to pay debt service related to these bonds.

Housing Preservation and Stabilization Fund - to account for appropriations, transfers, and all interest earnings. Expenditures shall be made for providing affordable housing for low-income families and individuals in the commonwealth, particularly those most at risk of becoming homeless.

Office of Refugees and Immigrants Trust Fund - to account for grants, bequests, gifts or contributions. Expenditures shall be made only for operating costs of the office for refugees and immigrants and costs associated with refugee and immigrant-related programs, grants and initiatives of the director.

Veterans Independence Plus Initiative Trust Fund - to account for reimbursements collected from the US Department of Veterans Affairs. Expenditures from the fund shall be for the administration of the Veterans Independence Plus Initiative Program.

Massachusetts Environmental Police Trust Fund - to account for certain administrative surcharges, a 10% maintenance fee charged on private details, any bond proceeds or appropriations, interest or investment earnings, and all other amounts credited or transferred to the fund. Funds may be expended on programs and costs related to the division of law enforcement.

Domestic and Sexual Violence Prevention and Victim Assistance Fund - to support innovative practices to prevent domestic and sexual violence and provide assistance to victims of domestic violence in the commonwealth. The fund shall be credited any appropriations, bond proceeds or other monies authorized.

Massachusetts Seafood Marketing Program Fund - to account for a portion of the monies from the sale of commercial harvester and dealer permits issued not to exceed \$250,000 per fiscal year; any appropriations, grants, gifts or other monies authorized; and any investment income. All amounts credited to the fund shall be for the purpose of developing and administering the seafood marketing program.

Government Land Bank Fund - to account for proceeds from disposition, conversion and redevelopment of land used for industrial and low income housing developments to fund payments of principal and interest on bonds and notes of the Massachusetts Development Finance Agency.

Natural Heritage and Endangered Species Fund - to account for revenues from public and private sources and/or the federal government as reimbursements, grants, donations or other receipts and investment income; used to acquire by purchase, lease, easement or license land critical to nongame wildlife and endangered species for purposes of protecting and enhancing nongame wildlife.

Massachusetts Mathematics, Science, Technology and Engineering Grant Fund (STEM Pipeline Fund) - to account for support provided to Massachusetts students who participate in programs that support careers in fields related to mathematics, science, technology and engineering.

Massachusetts Alternative and Clean Energy Investment Trust Fund - to account for any funds invested in clean energy technology research and issued as seed grants to companies, universities and nonprofits to encourage the creation of clean technology ventures and the training of workers to perform associated green jobs.

Regional Greenhouse Gas Initiatives (RGGI) Auction Trust Fund - to account for auction proceeds under the carbon dioxide cap and trade program. Expenditures shall be made to adopt rules and regulations establishing a carbon dioxide cap to limit and reduce carbon dioxide emissions released by electricity-generating stations.

Mosquito and Greenhead Fly Control Fund - to account for assessments to cities and towns of various mosquito control districts; to support activities designed to control mosquitoes and/or “greenhead” flies.

Ocean Resources and Waterways Trust Fund - to account for appropriations, investment income, and grants or ocean development mitigation fees; for use in restoring or enhancing marine habitat and resources affected by project developments.

Off Highway Vehicle Program Fund - to account for fees, fines and investment income collected for use in enforcement and environmental development, repair and restorations of trails and facilities.

Workforce Training Trust Fund - to account for the 0.075% unemployment surcharge on taxable wages on employers; to provide grants to employers, employer groups, labor organizations and training providers for projects to provide education and training to existing employees and newly hired workers.

Oil Overcharge Fund - to account for the fines and penalties collected under federal litigation from certain oil companies; used to provide fuel assistance and home insulation for low-income residents.

Substance Abuse Services Fund - to account for funds used to expand inpatient treatment facilities and ongoing case management for civilly committed individuals.

Victims of Human Trafficking Trust Fund - to account for the proceeds of assets seized and forfeited, fines and assessments and interest earnings. Funds shall be transferred to the Victim and Witness Assistance Board to administer grants to public, private non-profit or community-based programs in the Commonwealth.

Department of Public Utilities Storm Trust Fund - to account for assessments charged against each electric company under the jurisdictional control of the Department of Public Utilities and any investment income. Funds shall be used in investigating the preparation for and response to storm and other emergency events by electric companies in the Commonwealth.

Homeless Animal Prevention and Care Fund - to offset costs associated with the vaccination, spaying and neutering of homeless dogs and cats owned by low-income residents and to assist with the training of animal control officers. The fund shall consist of voluntary tax check-off donations, gifts, grants, donations and investment income.

Horseneck Beach Reservation Trust Fund - to account for the long-term preservation, maintenance, nourishment and public safety of Horseneck Beach in the Town of Westport. Revenues shall consist of a surcharge of \$1 imposed by on admission to and parking in the Horseneck Beach Reservation. Expenditures for public safety may be made available to the Town of Westport’s police, fire, ambulance and emergency personnel.

Environmental Trust Fund - to account for fines, gifts, grants and investment income used for restoration, protection and improvement of the quality of Boston Harbor, Lynn Harbor, Massachusetts Bay, Buzzards Bay and Cape Cod Bay.

Social Innovation Financing Trust Fund - to account for appropriations used to fund contracts to improve outcomes and lower costs for contracted government services.

Children’s Trust Fund - to account for gifts, grants, interest and donations to the Child Abuse Prevention Board and certain appropriations; used for support programs to raise awareness of child abuse and prevention programs.

Child Support Enforcement Fund - to account for child support payments, fees and penalties c, federal monies and any related interest earnings. Expenditures are for child-support related activities.

Massachusetts Military Family Relief Fund - to account for revenues received from voluntary tax check-off donations, gifts, grants, donations and investment income; to help members of the Massachusetts National Guard and Massachusetts residents who are members of the U. S. Armed Forces and who were called to active duty after September 11, 2001.

Department of Industrial Accidents Special Fund - to account for assessments to employers and cities and towns for workers' compensation insurance premiums and penalties assessed against employers who fail to insure for workers' compensation; used to reimburse the General Fund for the operating account of the Department of Industrial Accidents and for administrative overhead.

Logan Airport Health Study Trust Fund - to account for monies allocated by the Massachusetts Port Authority or any other public or private entity. Funds shall be expended for administration and project management activities and for direct support to community health centers within the study area.

Massachusetts State Public Health HIV and Hepatitis Fund - to account for revenues received from voluntary tax check-off donations from public and private sources as gifts, grants, and donations; used for research, treatment, and education related to acquired immune deficiency syndrome.

Head Injury Treatment Services Trust Fund - to account for revenues from a surcharge on fines resulting from "driving under the influence" convictions and investment income; funds shall be used to develop and maintain non-residential rehabilitation services for head injured persons.

Board of Registration in Medicine Trust Fund - to account for licensing fees of medical professionals. Expenditures are for the administration and operation of the Board.

Water Pollution Abatement and Drinking Water Projects Administration Fund - to account for transfers from the Massachusetts Clean Water Trust and general obligation bond proceeds; used for the administration of the Department of Environmental Protection to fund water pollution abatement projects.

Child Care Quality Fund - to account for revenues from the sale of "Invest in Children" distinctive license plates; funds are used for providing grants for not-for-profit childcare organizations for the purpose of improving childcare services.

Convention and Exhibition Center Fund - to account for certain rooms and sales and use taxes, surcharges imposed on tourist tickets, including cruises and land-based sightseeing located in the Commonwealth; used to finance the construction and operating expenses of the Boston Convention Center and convention centers in Worcester and Springfield.

Firearms Fingerprint Identity Verification Trust Fund - to account for firearm registration fees for the purpose of financing fingerprint identification verifications with the fingerprint records maintained by the Federal Bureau of Investigations or any other federal agency for the verification of firearms license application identities.

Grant Anticipation Note Trust Fund - to account for proceeds to cover federal grant anticipation note expenditures and pay the related debt service.

Race Horse Development Fund - to account for the daily assessment of 9% of gross gaming revenues collected by slot machine-only venues. Expenditures from this fund shall be made to each licensee to support the operations of thoroughbred racing in the Commonwealth.

Community Mitigation Fund - to account for gaming tax revenue transferred from the Gaming Revenue Fund and all other monies credited or transferred to the fund from any other fund or source. Funds shall be expended to assist the communities in offsetting costs related to the construction and operation of a gaming establishment.

Capital Needs Investment Fund - to account for funds appropriated. The funds shall be for the restoration costs of the Mayflower II and the construction of a public safety building in the Town of Barre.

Massachusetts Tourism Trust Fund - to account for the \$10,000,000 collected from the room occupancy excise and revenues under the Gaming Revenue Fund designated by legislation. Spending from the fund will be as follows; 40% to the Massachusetts marketing partnership and 60% to regional tourism councils to promote tourism and for related administrative costs.

Long-Term Facility Quality Improvement Fund - to account for income from legislatively mandated fines and penalties imposed by the department of public health on long-term care facilities, revenues from appropriations: gifts, grants, donations rebates and settlements. Spending will be used to improve safety and enhance the quality of care provided in long-term care facilities.

Sexual Assault Nurse Examiner Trust Fund - to account for gifts, grants, donations, bequests, cash, securities and property contributions from any source. Spending will be used to support the sexual assault nurse examiner program costs and provide services for sexual assault patients.

Transportation Infrastructure Enhancement Trust Fund - to account for assessments based on the number of annual rides in a fiscal year by each transportation network company within the commonwealth; $\frac{1}{2}$ of the funds are proportionately distributed to cities and towns, $\frac{1}{4}$ of the funds are distributed to the Massachusetts Development Finance Agency, and the final $\frac{1}{4}$ is distributed to the Commonwealth Transportation Fund.

Nickerson State Park Trust Fund - to account for a \$5 surcharge on admission for out-of-state campers in Nickerson State Park. Expenditures shall be made for the long-term preservation and maintenance of the Nickerson State Park.

Massachusetts United States Olympic Fund - to account for revenues from the sale of distinctive vehicle license plates, voluntary tax check-off donations, and public and private gifts, grants and donations. Funds shall be used for assisting commonwealth athletes in paying all or part of the costs associated with participating on the United States Olympic or Paralympic teams.

State House Special Event Fund - to account for the fees collected from nongovernmental individuals, entities and groups and the related expenditures for using the state house for meetings, receptions or exhibits.

Quality in Health Professions Trust Fund - to account for the license or registration fees of health professionals issued by department of public health. Funds shall be used for the administrative costs of the operations and programs of the health licensing board.

Nantasket Beach Reservation Trust Fund - to account for the surcharge for admission into parking at Nantasket Beach Reservation. Funds shall be used for the preservation, maintenance, and safety of Nantasket Beach.

Milk Producers Security Fund - to account for revenues from commonwealth milk dealers imposed on the volume of milk purchases, transfers and investment income. The fund shall be for reimbursing Massachusetts producers who sold milk to a dealer when the dealer has defaulted in the timely payment for the milk under regulations issued.

Commonwealth Security Trust Fund - to account for fees from the sale of United We Stand distinctive license plates and interest earnings. Funds shall be used for grants to local police and fire departments to enhance emergency response including responses to acts of terrorism; and the design, construction and maintenance of memorials dedicated to those killed in the line of duty.

Organ Transplant Fund - to account for revenues collected from voluntary tax check-off donations, public and private gifts, grants, and donations, and from the federal government. Funds shall assist residents in paying all or part of any costs associated with a medically required organ transplant.

Municipal Police Training Fund - to account for a \$2 surcharge (not to exceed \$10 million in a calendar year; any excess surcharge is deposited to the general fund) on each rental car contract in the commonwealth, any interest earned, appropriations, any public and private gifts, grants, and donations, and any transfers from the Marijuana Regulation Fund or the Public Safety Training Fund. Funds shall be used for operating expenses of the municipal police training committee and for the training programs for police officers.

Department of Public Utilities Energy Facilities Siting Board Trust Fund - to account for application fees to construct an electricity generating facility and any interest earned. Funds shall be used by the department for the operation of the energy facilities siting board.

Department of Public Utilities Unified Carrier Registration Trust Fund - to account for registration fees from motor vehicle interstate carriers and any interest earned. Funds shall be used for the regulation of motor carriers.

Municipal Naloxone Bulk Purchase Trust Fund - to account for revenues collected from municipalities and non-profit organizations purchasing naloxone, any appropriations authorized, and any public and private gifts, grants, and donations. Funds are used to provide price reductions for municipalities purchasing naloxone through the program, in addition to any discounts procured through bulk purchasing.

Debt and Long-Term Liability Reduction Trust Fund - to account for the transfer of 10% of category 1 license revenues from the Gaming Revenue Fund. Funds shall be used for the payment and prepayment of commonwealth debt and other long-term liabilities.

Public Health Grant Trust Fund - to account for money received from public and private sources. Funds shall be used to collaborate with nonprofit organizations to participate in competitive grant opportunities that further the mission of the department.

Commonwealth Facility Trust for Energy Efficiency Fund - to account for an initial transfer of \$500,000 from the Energy Credit, Efficiency and Sustainable Design Trust Fund, monies received as reimbursements for projects funded by this fund, and any monies specifically authorized. Funds are used for funding certain small and medium energy and water efficiency projects at state facilities.

Garden of Peace Trust Fund - to account for any monies specifically authorized for transfer into the fund and any public and private gifts, grants and donations for the operation of the Garden of Peace.

Cultural and Performing Arts Mitigation Trust Fund - to account monies transferred from the Gaming Revenue Fund, investment income and another monies to be credited to the fund. Funds shall be used to support programs of the Massachusetts Cultural Council.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT) FUNDS:

Massachusetts Transportation Trust Fund - to account for assessments, federal grants, departmental revenues, transfers and expenditures related to MassDOT.

Central Artery/Tunnel Project Repair and Maintenance Trust Fund - to account for any costs incurred in connection with the repairs and maintenance of the Central Artery and the Ted Williams Tunnel.

Motor Vehicle Safety Inspection Trust Fund - to account for motor vehicle inspection fees for administration and operation of safety inspection programs by the Registry of Motor Vehicles.

Transportation Infrastructure and Development Fund - to account for monies transferred from the Gaming Revenue Fund and all other monies credited or transferred to the fund from any other fund or source and proceeds from the investment of such funds. Any expenditures from this fund shall be solely for the purpose of transportation and related infrastructure projects.

The following funds have been enacted in legislation but were inactive in FY19 and are not presented in this report:

Regional Transit Authorities Forward Funding Trust Fund - to account for revenues allocated to support capital or other eligible activities for regional transit authorities.

MBTA Infrastructure Renovation Fund - to account for supplemental appropriations beyond the MBTA State and Local Contribution Fund for certain MBTA infrastructure improvements. Funds are to be used for, but not limited to, compliance with the American with Disabilities Act, elevator and escalator improvements, waterproofing, fare gates, signage, lighting and structural improvements.

Smart Growth Housing Trust Fund - to account for revenues from state surplus property sold for between \$25 million to \$50 million, appropriations, and monetary sanctions imposed by the department. Expenditures are for payments to communities for zoning incentive and density bonus payments related to smart growth or starter home zoning districts.

Natural Resources Damages Trust Fund - to account for gifts, grants and other contributions received to fund natural resources restoration projects.

Essential Community Provider Trust Fund - to account for amounts appropriated for transfers and interest earned by the fund; used for payments to acute care hospitals and community health centers.

Department of Mental Retardation Trust Fund - to account for any receipts from assessments, transfers for public facilities and any other FFP. Expenditures are for operating the intermediate care facilities and community residences serving individuals with mental retardation.

Agricultural Inspection and Infrastructure Trust Fund - to account for agricultural inspection fees, interest or investment earnings; and all other monies credited or transferred to the fund by law. Expenditures shall be for agricultural programs and costs related to the Agricultural Innovation Center.

Massachusetts Board of Higher Education Scholar-Internship Match Fund - to provide a match not to exceed \$5,000 per student, for industry scholarships given to Massachusetts students going on to study for a post-secondary degree at Massachusetts public higher education institutions.

District Local Technical Assistance Fund - to account for grants to regional planning agencies for technical assistance to municipalities and to develop a statewide permitting model. Technical assistance services funded by these grants shall include services for zoning, land use planning, conservation, public safety planning, information technology and statistical trend modeling.

Educational Rewards Grant Program Fund - to account for grants to students in accredited post-secondary certificate or vocational technology programs or associate degrees in targeted high-demand occupations.

Housing and Economic Development Trust Fund - to account for grants, bequests, gifts or contributions of cash or securities, or contributions of services or property in kind and all interest earned on monies in the trust. Expenditures shall be for operating costs of the executive office of housing and community development, operating costs of the Massachusetts marketing partnership, and costs associated with housing and economic development programs, grants and initiatives.

Climate Change Adaptation Infrastructure Investment Fund - to account for amounts credited or transferred to the fund, federal grants, loan repayments, investment earnings and any other amounts required to be credited to the fund. Amounts credited to the fund may be used for the operations of the division of waterways and the office of dam safety, the department of environmental protection, the department of fish and game and the office of coastal zone management and to provide grants or loans to agencies of the Commonwealth and local governmental bodies to finance or refinance costs of certain environmental or coastal projects.

Human Service Salary Reserve Fund - to account for funds transferred from the General Fund to provide a one-time subsidy to personnel earning less than \$40,000 in annual compensation who are employed by private human service providers that deliver human and social services under contracts with departments within the Executive Office of Health and Human Services and the Executive Office of Elder Affairs.

County Correction Deeds Fund - to account for approximately 7.5% of the deeds excise tax distributed to counties for the operation of county correctional facilities. With consolidation of counties into the Commonwealth in FY10, this fund became inactive in FY11.

Commonwealth Sewer Rate Relief Fund - to account for transfers of amounts from the General Fund or other funds; used for the purpose of mitigating sewer rate increases and making sewer rate relief grants to municipalities.

Gaming Licensing Fund - to account for the licensing fees of all gaming establishments but excluding initial application fees. Monies from this fund shall be transferred to various funds. This fund expired on December 31, 2015.

Securities Fraud Prosecution Fund - to account for criminal penalties, fines and settlements and any income from the investment of amounts credited to the fund. Expenditures from this fund are for investigations, enforcement of and dissemination of information about the Uniform Securities Act.

Flood Control Compact Fund - to account for any funds authorized and specifically designated to the fund plus any interest or investment earnings on any such monies. Expenditures shall be made for costs arising under any compact authorized by the general court, which may include reimbursing cities and towns or other states for flood control costs.

Public Records Assistance Fund - to account for revenues collected from punitive damages fines assessed to agencies or municipalities in violation of certain public record laws, appropriations, bond proceeds, gifts, grants, private contributions, operating transfers and earned investment income. To be used to provide grants to municipalities to support information technology capabilities and improve access to public records.

Olmsted Park Improvement Fund - to account for expenditures by the Department of Conservation & Recreation for the purposes of providing rehabilitation and improvement grants to cities and towns with an Olmsted Park within its municipal boundaries. The fund shall consist of public and private sources such as gifts, grants and donations, interest earned on revenues from gifts, grants and donations and any funds provided from other sources.

Municipal Epinephrine Bulk Purchase Trust Fund - to account for payments from participating cities and towns, appropriations, gifts, grants, donations, rebates and settlements. Funds shall be used for the purchase and distribution of epinephrine to first responder departments and the elementary and secondary schools in participating cities and towns.

State Parks Preservation Trust Fund - to account for revenues received from public and private gifts, grants, and donations, and from the federal government for preservation efforts. Funds shall be used for the purposes of maintaining and preserving all state-owned parks.

Abandoned Vessel Trust Fund - to account for revenues generated from the sale of abandoned vessels and any appropriations from the General Fund. Funds shall be used for removing abandoned vessels from public waterways.

Endowment Incentive Holding Fund - to account for the collection of private contributions into each higher education institution's recognized foundation. The commonwealth shall contribute funds to each institution's recognized foundation in an amount necessary to match private contributions in the current fiscal year.

Community Behavioral Health Promotion and Prevention Trust Fund - to account for any transfers into the fund and any public and private gifts, grants and donations. Funds shall be used to promote positive mental, emotional and behavioral health and to prevent substance use disorders among children and young adults.

Chestnut Hill Reservation Improvement Fund - to account for \$25,000 of the fair market value of an easement, any public and private gifts, grants and donations, transfers from other funds, and interest earned. Funds shall be used to make improvements to the Chestnut Hill Reservation. This fund will expire on December 30, 2020 and any funds remaining revert to the General Fund.

Civics Project Trust Fund - to account for monies specifically authorized for the fund, any public and private gifts, grants and donations, and interest earned. Funds shall be used to provide support to educators for teaching subjects promoting civic service.

Technical Rescue Services Fund - to account for compensation received under specific contracts, cost reimbursements, any monies specifically authorized for the fund, any public and private gifts, grants and donations, and interest earned. Funds shall be used for the maintenance and operation of technical rescue regions, technical rescue services and training, and the acquisition of technical rescue equipment.

Massachusetts Veterans and Warriors to Agriculture Program Fund - to account for appropriations, any public and private gifts, grants and donations, and interest earned. Funds shall be used to enhance the education, training, employment, income, productivity and retention of veterans currently working or aspiring to work in the agricultural field.

Global Warming Solutions Trust Fund - to account for appropriations, any public and private gifts, grants and donations, rebates, settlements, interest earned and any other revenues specifically credited to the fund. The fund is used to issue grants or loans to governmental, quasi-governmental or non-profit entities for costs incurred implementing the Clean Energy and Climate Plan related to climate change mitigation and adaptation.

Transfer of Development Rights Revolving Fund - to account for appropriations, any public and private gifts, grants and donations, rebates, settlements, interest earned and any other revenues specifically credited to the fund. Expenditures from the fund are to provide loans to municipalities for the acquisition of transferable development rights to protect conservation values and encourage development.

Childhood Lead Poisoning Prevention Trust Fund - to account for certain surcharges, appropriations, any public and private sources, gifts, grants, donations, and settlements. Funds shall be used to produce and distribute educational materials, train lead paint inspectors and homeowners to abate or contain lead paint.



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Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	Lotteries			Gaming		Non-Budgeted Other Funds	
	Federal Grants	State Lottery and Gaming	State Arts Lottery	Gaming Control	Gaming Revenue	Catastrophic Illness in Children Relief	Commonwealth Care Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes.....	\$ —	\$ 465	\$ —	\$ —	\$ 130,702	\$ —	\$ 130,014
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements.....	2,437,859	—	—	—	—	—	—
Departmental	—	5,607,494	36,672	38,076	35,500	—	247,296
Miscellaneous.....	—	8,101	161	—	—	—	—
Total revenues	2,437,859	5,616,060	36,833	38,076	166,202	—	377,310
Other financing sources:							
Issuance of current refunding bonds	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—	—
Operating transfers in	1,111	—	—	—	—	3,135	45,773
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources	1,111	—	—	—	—	3,135	45,773
Total revenues and other financing sources	2,438,970	5,616,060	36,833	38,076	166,202	3,135	423,083
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	2,414	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	892	—	—	—	—	—	—
Treasurer and Receiver-General.....	1,061	4,417,257	28,786	—	—	—	—
Attorney General	44,757	—	—	1,507	—	—	—
District Attorney.....	2,764	—	—	—	—	—	—
Office of Campaign and Political Finance	—	—	—	—	—	—	—
Sheriffs' Departments.....	2,809	—	—	—	—	—	—
Disabled Persons Protection Commission.....	762	—	—	—	—	—	—
Board of Library Commissioners.....	2,802	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	27,955	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	5,004	—	—	—	—	—	339,448
Energy and Environmental Affairs	39,126	—	—	—	—	—	—
Health and Human Services	440,974	—	—	915	—	2,503	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	395	—	—	—	—	—	—
Executive Office of Education	1,015,652	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—
Public Safety and Security	109,358	—	—	60	—	—	—
Housing and Economic Development.....	530,229	—	—	—	—	—	—
Labor and Workforce Development.....	121,313	—	—	—	—	—	2,363
Debt service:							
Principal retirement.....	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures.....	2,320,312	4,417,257	28,786	30,437	—	2,503	341,811
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment	69,080	11,512	—	2,927	—	196	441
Lottery operating reimbursements.....	—	107,289	—	—	—	—	—
Lottery distributions	—	1,080,002	8,047	—	—	—	—
Operating transfers out	47,713	—	—	2,985	156,421	75	19,461
Stabilization transfer	—	—	—	—	9,781	—	—
Total other financing uses	116,793	1,198,803	8,047	5,912	166,202	271	19,902
Total expenditures and other financing uses	2,437,105	5,616,060	36,833	36,349	166,202	2,774	361,713
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	1,865	—	—	1,727	—	361	61,370
Fund balances/(deficits) at beginning of year, as restated ..	(38,763)	—	—	3,639	—	5,320	83,445
Fund balances/(deficits) at end of year	\$ (36,898)	\$ —	\$ —	\$ 5,366	\$ —	\$ 5,681	\$ 144,815

See accountants' review report

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	Non-Budgeted Other Funds							
	Community Hospital Reinvestment Trust	Non-Acute Care Hospital Reimburse ment Trust	Substance Use Disorder Federal Reinvestment Trust	Safety Net Provider Trust	Home Care Technology Trust	Dam and Seawall Repair or Removal	Department of Telecommunication and Energy Trust	Fingerprint- Based Background Check Trust
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	12,309	—	—	—	—	5,547	—
Federal grants and reimbursements.....	—	4,915	35,581	—	—	—	—	—
Departmental	—	—	—	—	—	603	—	5,300
Miscellaneous.....	155	—	—	—	1,799	135	10	—
Total revenues.....	<u>155</u>	<u>17,224</u>	<u>35,581</u>	<u>—</u>	<u>1,799</u>	<u>738</u>	<u>5,557</u>	<u>5,300</u>
Other financing sources:								
Issuance of current refunding bonds	—	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—	—	—
Operating transfers in.....	10,000	—	—	171,640	—	—	—	—
Medical assistance transfer.....	—	—	—	—	—	—	—	—
Total other financing sources.....	<u>10,000</u>	<u>—</u>	<u>—</u>	<u>171,640</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources.....	<u>10,155</u>	<u>17,224</u>	<u>35,581</u>	<u>171,640</u>	<u>1,799</u>	<u>738</u>	<u>5,557</u>	<u>5,300</u>
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—	—
Treasurer and Receiver-General.....	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	—	—
Office of Campaign and Political Finance	—	—	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—	—
Administration and Finance.....	—	—	—	—	—	—	—	—
Energy and Environmental Affairs.....	—	—	—	—	—	—	4,714	—
Health and Human Services.....	—	10,703	11,002	167,599	908	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	—	—	—
Cannabis Control Commission.....	—	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—	4,065
Housing and Economic Development.....	—	—	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement.....	—	—	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—	—	—
Total expenditures.....	<u>—</u>	<u>10,703</u>	<u>11,002</u>	<u>167,599</u>	<u>908</u>	<u>—</u>	<u>4,714</u>	<u>4,065</u>
Other financing uses:								
Principal on current refundings.....	—	—	—	—	—	—	—	—
Fringe benefit cost assessment	—	—	—	—	—	—	1,025	270
Lottery operating reimbursements.....	—	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—	—
Operating transfers out.....	—	—	—	—	—	—	103	111
Stabilization transfer	—	—	—	—	—	—	—	—
Total other financing uses.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,128</u>	<u>381</u>
Total expenditures and other financing uses.....	<u>—</u>	<u>10,703</u>	<u>11,002</u>	<u>167,599</u>	<u>908</u>	<u>—</u>	<u>5,842</u>	<u>4,446</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....								
	10,155	6,521	24,579	4,041	891	738	(285)	854
Fund balances/(deficits) at beginning of year, as restated..	835	427	2,927	—	—	5,596	3,544	5,185
Fund balances/(deficits) at end of year.....	<u>\$ 10,990</u>	<u>\$ 6,948</u>	<u>\$ 27,506</u>	<u>\$ 4,041</u>	<u>\$ 891</u>	<u>\$ 6,334</u>	<u>\$ 3,259</u>	<u>\$ 6,039</u>

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Non-Budgeted Other Funds

Liability Management and Reduction	Medical Marijuana Trust	Essex Regional Emergency Communications Center	Dockside Testing Trust	Civil Monetary Penalty (CMP)	MBTA State and Local Contribution	Community Preservation Trust	Health Insurance Portability and Accountability Act	State Racing	Division of Professional Licensure Trust
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,053,201	\$ 23,174	\$ —	\$ 788	\$ —
—	—	576	—	—	170,120	—	—	680	—
—	—	—	—	—	—	—	8,537	—	—
2,319	6,967	—	—	2,516	—	—	—	453	11,144
32	—	—	—	—	—	156	—	569	—
2,351	6,967	576	—	2,516	1,223,321	23,330	8,537	2,490	11,144
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	10,000	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	10,000	—	—	—
2,351	6,967	576	—	2,516	1,223,321	33,330	8,537	2,490	11,144
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
68	—	—	—	—	1,223,321	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	563	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	2,535	—
1,582	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	33,838	—	—	30
—	—	—	—	—	—	—	—	—	—
—	2,655	—	173	312	—	—	13,634	70	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	18	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	8,978
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
1,650	2,673	563	173	312	1,223,321	33,838	13,634	2,605	9,008
—	—	—	—	—	—	—	—	—	—
31	386	24	27	—	—	13	250	236	1,616
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	21,730	9	10	—	—	5	64	182	515
—	—	—	—	—	—	—	—	—	—
31	22,116	33	37	—	—	18	314	418	2,131
1,681	24,789	596	210	312	1,223,321	33,856	13,948	3,023	11,139
670	(17,822)	(20)	(210)	2,204	—	(526)	(5,411)	(533)	5
1,868	17,822	58	436	7,322	—	21,281	9,211	1,556	4,854
\$ 2,538	\$ —	\$ 38	\$ 226	\$ 9,526	\$ —	\$ 20,755	\$ 3,800	\$ 1,023	\$ 4,859

continued

Non-Budgeted Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
 Fiscal Year Ended June 30, 2019
 (Amounts in thousands)

	Non-Budgeted Other Funds						
	Victims of Drunk Driving Trust	State Athletic Commission	Organ and Tissue Donor Registration	Department of Fire Services Hazardous Material Emergency Mitigation Response Recovery Trust	Registers Technological	County Registers Technological	State Election Campaign
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes.....	\$ —	\$ 126	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements.....	—	—	—	—	—	—	—
Departmental	350	5	190	265	4,287	2,359	226
Miscellaneous.....	8	—	—	—	—	—	11
Total revenues.....	<u>358</u>	<u>131</u>	<u>190</u>	<u>265</u>	<u>4,287</u>	<u>2,359</u>	<u>237</u>
Other financing sources:							
Issuance of current refunding bonds	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—	—
Operating transfers in	—	—	—	—	—	—	—
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources.....	<u>358</u>	<u>131</u>	<u>190</u>	<u>265</u>	<u>4,287</u>	<u>2,359</u>	<u>237</u>
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	3,532	—	—
Treasurer and Receiver-General.....	—	—	—	—	—	—	—
Attorney General.....	211	—	—	—	—	—	—
District Attorney.....	86	—	—	—	—	—	—
Office of Campaign and Political Finance	—	—	—	—	—	—	1,088
Sheriffs' Departments.....	—	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs.....	—	—	—	—	—	—	—
Health and Human Services	—	—	198	—	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	1,114	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	198	—	—	—
Housing and Economic Development.....	—	76	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—	—
Total expenditures.....	<u>297</u>	<u>76</u>	<u>198</u>	<u>198</u>	<u>3,532</u>	<u>1,114</u>	<u>1,088</u>
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment	2	23	—	—	446	—	—
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out	1	8	—	394	194	—	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	<u>3</u>	<u>31</u>	<u>—</u>	<u>394</u>	<u>640</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses.....	<u>300</u>	<u>107</u>	<u>198</u>	<u>592</u>	<u>4,172</u>	<u>1,114</u>	<u>1,088</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	58	24	(8)	(327)	115	1,245	(851)
Fund balances/(deficits) at beginning of year, as restated ..	629	294	769	577	814	3,134	1,210
Fund balances/(deficits) at end of year	<u>\$ 687</u>	<u>\$ 318</u>	<u>\$ 761</u>	<u>\$ 250</u>	<u>\$ 929</u>	<u>\$ 4,379</u>	<u>\$ 359</u>

See accountants' review report

Non-Budgeted Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
 Fiscal Year Ended June 30, 2019
 (Amounts in thousands)

	Non-Budgeted Other Funds						
	Nursing and Allied Health Workforce Development Trust	Health Information Technology Trust	Build America Bonds Subsidy Trust	Housing Preservation and Stabilization Trust	Office of Refugees and Immigrants Trust	Veterans Independence Plus Initiative Trust	Environmental Police Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	—	—	—
Federal grants and reimbursements.....	—	74,196	46,699	—	—	—	—
Departmental.....	288	—	—	—	101	67	572
Miscellaneous.....	—	—	—	—	—	—	—
Total revenues.....	<u>288</u>	<u>74,196</u>	<u>46,699</u>	<u>—</u>	<u>101</u>	<u>67</u>	<u>572</u>
Other financing sources:							
Issuance of current refunding bonds.....	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds.....	—	—	—	—	—	—	—
Operating transfers in.....	350	26,453	—	7,139	2	—	—
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources.....	<u>350</u>	<u>26,453</u>	<u>—</u>	<u>7,139</u>	<u>2</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources.....	<u>638</u>	<u>100,649</u>	<u>46,699</u>	<u>7,139</u>	<u>103</u>	<u>67</u>	<u>572</u>
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary.....	—	—	—	—	—	—	—
Inspector General.....	—	—	—	—	—	—	—
Governor and Lieutenant Governor.....	—	—	—	—	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	—	—	—
Treasurer and Receiver-General.....	—	—	—	—	—	—	—
Attorney General.....	—	—	—	—	—	—	—
District Attorney.....	—	—	—	—	—	—	—
Office of Campaign and Political Finance.....	—	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	—	—
Comptroller.....	—	—	—	—	—	—	—
Administration and Finance.....	—	124	—	—	—	—	—
Energy and Environmental Affairs.....	—	—	—	—	—	—	252
Health and Human Services.....	363	96,905	—	—	56	21	—
Executive Office of Technology Services and Security.....	—	3,833	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—	—
Center for Health Information and Analysis.....	—	—	—	—	—	—	—
Public Safety and Security.....	—	—	—	—	—	—	—
Housing and Economic Development.....	—	—	—	5,345	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	46,662	—	—	—	—
Total expenditures.....	<u>363</u>	<u>100,862</u>	<u>46,662</u>	<u>5,345</u>	<u>56</u>	<u>21</u>	<u>252</u>
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	—	1,709	—	—	8	—	2
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	101	147	—	—	2	—	22
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	<u>101</u>	<u>1,856</u>	<u>—</u>	<u>—</u>	<u>10</u>	<u>—</u>	<u>24</u>
Total expenditures and other financing uses.....	<u>464</u>	<u>102,718</u>	<u>46,662</u>	<u>5,345</u>	<u>66</u>	<u>21</u>	<u>276</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	174	(2,069)	37	1,794	37	46	296
Fund balances/(deficits) at beginning of year, as restated.....	362	(2,406)	8,778	12,912	109	3	31
Fund balances/(deficits) at end of year.....	<u>\$ 536</u>	<u>\$ (4,475)</u>	<u>\$ 8,815</u>	<u>\$ 14,706</u>	<u>\$ 146</u>	<u>49</u>	<u>327</u>

See accountants' review report

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Workforce Training Trust	Oil Overcharge	Substance Abuse Services	Victims of Human Trafficking Trust	Department of Public Utilities Storm Trust	Homeless Animal Prevention and Care	Horseneck Beach Reservation Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes.....	\$ 25,131	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	459	—	—
Federal grants and reimbursements.....	—	—	—	—	—	—	—
Departmental.....	—	—	—	101	—	344	28
Miscellaneous.....	—	72	—	—	—	—	—
Total revenues.....	<u>25,131</u>	<u>72</u>	<u>—</u>	<u>101</u>	<u>459</u>	<u>344</u>	<u>28</u>
Other financing sources:							
Issuance of current refunding bonds.....	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds.....	—	—	—	—	—	—	—
Operating transfers in.....	—	—	—	—	—	—	—
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources.....	<u>25,131</u>	<u>72</u>	<u>—</u>	<u>101</u>	<u>459</u>	<u>344</u>	<u>28</u>
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary.....	—	—	—	—	—	—	—
Inspector General.....	—	—	—	—	—	—	—
Governor and Lieutenant Governor.....	—	—	—	—	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	—	—	—
Treasurer and Receiver-General.....	—	—	—	—	—	—	—
Attorney General.....	—	—	—	—	—	—	—
District Attorney.....	—	—	—	—	—	—	—
Office of Campaign and Political Finance.....	—	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	—	—
Comptroller.....	—	—	—	—	—	—	—
Administration and Finance.....	—	—	—	—	—	—	—
Energy and Environmental Affairs.....	—	2	—	—	247	335	27
Health and Human Services.....	—	—	59	—	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—	—
Center for Health Information and Analysis.....	—	—	—	—	—	—	—
Public Safety and Security.....	—	—	—	—	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—	—
Labor and Workforce Development.....	26,654	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—	—
Total expenditures.....	<u>26,654</u>	<u>2</u>	<u>59</u>	<u>—</u>	<u>247</u>	<u>335</u>	<u>27</u>
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	761	—	—	—	80	17	—
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	400	—	—	—	7	—	—
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	<u>1,161</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>87</u>	<u>17</u>	<u>—</u>
Total expenditures and other financing uses.....	<u>27,815</u>	<u>2</u>	<u>59</u>	<u>—</u>	<u>334</u>	<u>352</u>	<u>27</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....							
	(2,684)	70	(59)	101	125	(8)	1
Fund balances/(deficits) at beginning of year, as restated.....	41,144	324	59	16	168	405	56
Fund balances/(deficits) at end of year.....	<u>\$ 38,460</u>	<u>\$ 394</u>	<u>\$ —</u>	<u>\$ 117</u>	<u>\$ 293</u>	<u>\$ 397</u>	<u>\$ 57</u>

See accountants' review report

Non-Budgeted Other Funds

Environmental Trust	Social Innovation Financing Trust	Children's Trust	Child Support Enforcement	Military Family Relief	Department of Industrial Accidents Special	Logan Airport Health Study Trust	State Public Health HIV and Hepatitis	Head Injury Treatment Services Trust	Board of Registration in Medicine Trust
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	20,751	—	—	—	—
—	—	—	22,620	—	—	—	—	—	—
685	—	—	3,346	232	6,329	—	122	5,576	9,322
53	—	5	216	4	69	—	2	13	—
738	—	5	26,182	236	27,149	—	124	5,589	9,322
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	9,100	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	9,100	—	—	—	—	—	—	—	—
738	9,100	5	26,182	236	27,149	—	124	5,589	9,322
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	188	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	4,662	—	23,631	—	—	—	—	—	—
1,178	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	76	94	6,590	7,915
—	—	—	—	—	—	—	—	—	—
—	—	4	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	250	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	1,025	—	—	—	—
—	—	—	—	—	—	—	—	—	—
1,178	4,662	4	23,819	250	1,025	76	94	6,590	7,915
—	—	—	—	—	—	—	—	—	—
90	—	—	1,924	—	5,084	—	—	—	1,775
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
35	—	1	748	—	20,730	—	—	—	683
—	—	—	—	—	—	—	—	—	—
125	—	1	2,672	—	25,814	—	—	—	2,458
1,303	4,662	5	26,491	250	26,839	76	94	6,590	10,373
(565)	4,438	—	(309)	(14)	310	(76)	30	(1,001)	(1,051)
2,255	10,983	196	8,255	656	15,243	90	207	5,389	9,327
\$ 1,690	\$ 15,421	\$ 196	\$ 7,946	\$ 642	\$ 15,553	\$ 14	\$ 237	\$ 4,388	\$ 8,276

continued

Non-Budgeted Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
 Fiscal Year Ended June 30, 2019
 (Amounts in thousands)

	Non-Budgeted Other Funds						
	Water Pollution Abatement and Drinking Water Projects Administration	Child Care Quality	Convention and Exhibition Center	Firearms Fingerprint Identity Verification Trust	Grant Anticipation Note Trust	Race Horse Development	Community Mitigation
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes.....	\$ —	\$ —	\$ 164,197	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	—	—	—
Federal grants and reimbursements.....	6,737	—	—	—	571,822	—	—
Departmental.....	—	177	—	2,069	—	15,429	—
Miscellaneous.....	—	—	2,700	—	3,164	—	—
Total revenues.....	<u>6,737</u>	<u>177</u>	<u>166,897</u>	<u>2,069</u>	<u>574,986</u>	<u>15,429</u>	<u>—</u>
Other financing sources:							
Issuance of current refunding bonds.....	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds.....	—	—	—	—	—	—	—
Operating transfers in.....	—	—	—	—	30,151	2,445	6,358
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>30,151</u>	<u>2,445</u>	<u>6,358</u>
Total revenues and other financing sources.....	<u>6,737</u>	<u>177</u>	<u>166,897</u>	<u>2,069</u>	<u>605,137</u>	<u>17,874</u>	<u>6,358</u>
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary.....	—	—	—	—	—	—	—
Inspector General.....	—	—	—	—	—	—	—
Governor and Lieutenant Governor.....	—	—	—	—	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	—	—	—
Treasurer and Receiver-General.....	—	—	—	—	—	—	—
Attorney General.....	—	—	—	—	—	—	—
District Attorney.....	—	—	—	—	—	—	9
Office of Campaign and Political Finance.....	—	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—	400
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	17,072	1,809
Comptroller.....	—	—	—	—	—	—	—
Administration and Finance.....	—	—	39,711	—	—	—	—
Energy and Environmental Affairs.....	3,979	—	—	—	—	—	—
Health and Human Services.....	—	—	—	—	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—	338
Center for Health Information and Analysis.....	—	—	—	—	—	—	—
Public Safety and Security.....	—	—	—	1,163	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	24,475	—	63,700	—	—
Interest and fiscal charges.....	—	—	30,126	—	36,793	—	—
Total expenditures.....	<u>3,979</u>	<u>—</u>	<u>94,312</u>	<u>1,163</u>	<u>100,493</u>	<u>17,072</u>	<u>2,556</u>
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	1,328	—	—	—	—	—	14
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	1,701	—	—	—	505,807	—	1
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	<u>3,029</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>505,807</u>	<u>—</u>	<u>15</u>
Total expenditures and other financing uses.....	<u>7,008</u>	<u>—</u>	<u>94,312</u>	<u>1,163</u>	<u>606,300</u>	<u>17,072</u>	<u>2,571</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	(271)	177	72,585	906	(1,163)	802	3,787
Fund balances/(deficits) at beginning of year, as restated.....	1,198	1,150	196,270	4,223	92,536	12,517	12,674
Fund balances/(deficits) at end of year.....	<u>\$ 927</u>	<u>\$ 1,327</u>	<u>\$ 268,855</u>	<u>\$ 5,129</u>	<u>\$ 91,373</u>	<u>\$ 13,319</u>	<u>\$ 16,461</u>

See accountants' review report

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Milk Producers Security	Commonwealth Security Trust	Organ Transplant	Municipal Police Training	Energy Facilities Siting Board Trust	Unified Carrier Registration Trust	Municipal Naloxone Bulk Purchase Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	—	—	—
Federal grants and reimbursements.....	—	—	—	—	—	—	—
Departmental.....	—	—	146	1,095	75	2,438	—
Miscellaneous.....	7	85	—	—	—	—	767
Total revenues.....	<u>7</u>	<u>85</u>	<u>146</u>	<u>1,095</u>	<u>75</u>	<u>2,438</u>	<u>767</u>
Other financing sources:							
Issuance of current refunding bonds.....	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds.....	—	—	—	—	—	—	—
Operating transfers in.....	—	—	—	—	94	500	—
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>94</u>	<u>500</u>	<u>—</u>
Total revenues and other financing sources.....	<u>7</u>	<u>85</u>	<u>146</u>	<u>1,095</u>	<u>169</u>	<u>2,938</u>	<u>767</u>
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary.....	—	—	—	—	—	—	—
Inspector General.....	—	—	—	—	—	—	—
Governor and Lieutenant Governor.....	—	—	—	—	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	—	—	—
Treasurer and Receiver-General.....	—	—	—	—	—	—	—
Attorney General.....	—	—	—	—	—	—	—
District Attorney.....	—	—	—	—	—	—	—
Office of Campaign and Political Finance.....	—	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	—	—
Comptroller.....	—	—	—	—	—	—	—
Administration and Finance.....	—	—	—	—	—	—	—
Energy and Environmental Affairs.....	—	—	—	—	—	1,572	—
Health and Human Services.....	—	—	27	—	—	—	946
Executive Office of Technology Services and Security.....	—	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—	—
Center for Health Information and Analysis.....	—	—	—	—	—	—	—
Public Safety and Security.....	—	—	—	—	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—	—
Total expenditures.....	<u>—</u>	<u>—</u>	<u>27</u>	<u>—</u>	<u>—</u>	<u>1,572</u>	<u>946</u>
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	—	—	—	—	—	458	—
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	—	—	—	—	—	42	—
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>500</u>	<u>—</u>
Total expenditures and other financing uses.....	<u>—</u>	<u>—</u>	<u>27</u>	<u>—</u>	<u>—</u>	<u>2,072</u>	<u>946</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	7	85	119	1,095	169	866	(179)
Fund balances/(deficits) at beginning of year, as restated.....	1,211	247	1,080	—	—	—	465
Fund balances/(deficits) at end of year.....	<u>\$ 1,218</u>	<u>\$ 332</u>	<u>\$ 1,199</u>	<u>\$ 1,095</u>	<u>\$ 169</u>	<u>\$ 866</u>	<u>\$ 286</u>

See accountants' review report

Non-Budgeted Other Funds					MassDOT				
Debt and Long-Term Liability Reduction Trust	Public Health Grant Trust	Commonwealth Facility Trust For Energy Efficiency	Garden of Peace Trust	Cultural and Performing Arts Mitigation Trust	Massachusetts Transportation Trust	Central Artery/Tunnel Project Repair and Maintenance Trust	Motor Vehicle Inspection Trust	Transportation Infrastructure and Development	
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	17,658	—	—	—	
—	—	—	212	—	502,260	—	57,882	—	
—	175	—	—	—	29,318	15,434	309	106	
—	175	—	212	—	549,236	15,434	58,191	106	
—	—	—	—	—	437,195	—	—	—	
—	—	—	—	—	49,927	—	—	—	
9,781	—	500	—	1,956	659,248	—	—	—	
—	—	—	—	—	—	—	—	—	
9,781	—	500	—	1,956	1,146,370	—	—	—	
9,781	175	500	212	1,956	1,695,606	15,434	58,191	106	
—	—	151	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	83	—	—	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	206	—	—	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	879	—	—	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	5,761	—	—	—	
—	—	—	—	—	376	—	2,121	—	
—	151	—	—	—	70	—	—	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	953,772	9,436	9,537	1,602	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	101	—	—	—	
—	—	—	—	—	71	—	—	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	
—	151	151	—	—	961,319	9,436	11,658	1,602	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	487,122	—	—	—	
—	14	—	—	—	77,062	—	1,577	—	
—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	—	
—	5	—	—	—	3,275	31,202	48,295	—	
—	—	—	—	—	—	—	—	—	
—	19	—	—	—	567,459	31,202	49,872	—	
—	170	151	—	—	1,528,778	40,638	61,530	1,602	
9,781	5	349	212	1,956	166,828	(25,204)	(3,339)	(1,496)	
—	—	—	—	—	843,074	378,740	5,612	4,661	
\$ 9,781	\$ 5	\$ 349	\$ 212	\$ 1,956	\$ 1,009,902	\$ 353,536	\$ 2,273	\$ 3,165	

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	Totals (Memorandum only)	
	2019	2018
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Taxes.....	\$ 2,430,998	\$ 2,269,843
Assessments	896,066	806,095
Federal grants and reimbursements.....	3,560,594	3,488,353
Departmental	6,970,497	6,731,084
Miscellaneous.....	68,012	48,909
Total revenues.....	<u>13,926,167</u>	<u>13,344,284</u>
Other financing sources:		
Issuance of current refunding bonds	437,195	—
Bond premiums/(discounts) on current refunding bonds.....	49,927	—
Operating transfers in	1,029,534	939,573
Medical assistance transfer.....	363,078	579,944
Total other financing sources.....	<u>1,879,734</u>	<u>1,519,517</u>
Total revenues and other financing sources.....	<u>15,805,901</u>	<u>14,863,801</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Judiciary	2,566	1,764
Inspector General	223	387
Governor and Lieutenant Governor	83	73
Secretary of the Commonwealth	4,424	5,710
Treasurer and Receiver-General.....	6,563,831	6,369,962
Attorney General	46,543	48,675
District Attorney.....	3,047	3,108
Office of Campaign and Political Finance	1,088	—
Sheriffs' Departments.....	11,984	14,362
Disabled Persons Protection Commission.....	762	571
Board of Library Commissioners	2,802	2,791
Massachusetts Gaming Commission.....	50,371	44,238
Comptroller	1,582	2,128
Administration and Finance	457,422	423,701
Energy and Environmental Affairs.....	125,546	123,529
Health and Human Services	2,293,626	2,517,235
Executive Office of Technology Services and Security	5,290	8,754
Massachusetts Department of Transportation	974,742	1,041,745
Executive Office of Education	1,016,983	1,009,933
Center for Health Information and Analysis	—	5
Public Safety and Security	195,590	223,318
Housing and Economic Development.....	553,902	539,198
Labor and Workforce Development	155,336	146,796
Debt service:		
Principal retirement	90,815	87,857
Interest and fiscal charges.....	115,196	107,750
Total expenditures.....	<u>12,673,754</u>	<u>12,723,590</u>
Other financing uses:		
Principal on current refundings	487,122	—
Fringe benefit cost assessment	190,755	185,564
Lottery operating reimbursements.....	107,289	103,136
Lottery distributions	1,088,049	983,108
Operating transfers out	870,522	690,996
Stabilization transfer	9,781	—
Total other financing uses.....	<u>2,753,518</u>	<u>1,962,804</u>
Total expenditures and other financing uses.....	<u>15,427,272</u>	<u>14,686,394</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	378,629	177,407
Fund balances/(deficits) at beginning of year, as restated.....	2,078,845	1,891,339
Fund balances/(deficits) at end of year	<u>\$ 2,457,474</u>	<u>\$ 2,068,746</u>

See accountants' review report

Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources used to acquire or construct major capital assets of the Commonwealth and to finance local governmental capital projects.

General Capital Projects Fund - to account for proceeds of bonds sold to fund the construction or acquisition of capital assets for general Commonwealth purposes, excluding highway construction and projects targeted for specific localities or purposes.

Convention and Exhibition Center Project Fund - to account for proceeds of bonds to finance the construction of a convention center in the City of Boston.

Capital Improvements and Investment Trust Fund - to account for the Commonwealth's reimbursement to cities and towns for expenses incurred for projects for construction and reconstruction of town and county ways.

Highway Capital Projects Fund - to account for the proceeds of bonds sold to finance construction of state highways and to fund the Commonwealth's share of Federally sponsored highway construction.

Federal Highway Construction Program - to account for federal highway construction grants which, with the Commonwealth's required share of matching funds, finance interstate highways and similar projects within Massachusetts to promote a nationwide highway system.

OTHER FUNDS:

Government Land Bank Capital Projects Fund - to account for proceeds of bonds used to finance the acquisition, holding, protection, maintenance, repair or use of lands and for personnel and the administrative costs of the Massachusetts Development Finance Agency.

Local Aid Capital Projects Fund - to account for the proceeds of bonds sold to finance the construction of correctional facilities, water pollution abatement projects and other local projects in specific localities of the Commonwealth.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT) FUND:

Central Artery Statewide Road and Bridge Infrastructure Fund - to account for bond proceeds, certain revenues from Registry of Motor Vehicle fees, (net of debt service expenditures) and payments from authorities. The purpose of expenditures from the fund is to meet the estimated additional costs associated with the Central Artery/Ted Williams Tunnel Project and for costs of the statewide road and bridge program.

The following funds have been enacted in legislation but were inactive in FY19 and are not presented in this report:

Capital Investment Trust Fund - to account for a transfer from the General Fund to finance appropriated items of a capital nature.

Transportation Deferred Maintenance Trust Fund - to account for funds transferred from various sources by the Secretary of Administration and Finance to design, construct, maintain and repair the Commonwealth's roads and bridges.

Capital Projects Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
 Fiscal Year Ended June 30, 2019
 (Amounts in thousands)

	General Capital Projects	Convention and Exhibition Center Capital	Capital Improvements and Investment Trust	Highway Capital Projects
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ 65,357	\$ —	\$ —	\$ —
Departmental	—	—	—	—
Miscellaneous	—	—	—	5,398
Total revenues	<u>65,357</u>	<u>—</u>	<u>—</u>	<u>5,398</u>
Other financing sources:				
Issuance of general obligation bonds.....	1,120,401	—	—	687,235
Bond premiums (discounts) on general obligation bonds	175,179	—	—	127,414
Issuance of special obligation bonds	—	—	—	—
Bond premiums (discounts) on special obligation bonds	—	—	—	—
Issuance of current refunding bonds.....	242,813	—	2,649	491,094
Bond premiums (discounts) on current refunding bonds	39,745	—	400	84,673
Issuance of advance refunding bonds.....	—	—	—	—
Bond premiums (discounts) on advance refunding bonds.....	—	—	—	—
Operating transfers in	—	—	—	—
State share of federal highway construction.....	—	—	—	—
Total other financing sources	<u>1,578,138</u>	<u>—</u>	<u>3,049</u>	<u>1,390,416</u>
Total revenues and other financing sources	<u>1,643,495</u>	<u>—</u>	<u>3,049</u>	<u>1,395,814</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary.....	11,432	—	—	—
Secretary of the Commonwealth	1,505	—	—	—
Treasurer and Receiver-General	41,228	—	—	—
Auditor of the Commonwealth	—	—	—	—
Attorney General	851	—	—	170
Ethics Commission	—	—	—	—
Sheriffs' Departments	3,800	—	—	—
Board of Library Commissioners	19,945	—	—	—
Administration and Finance.....	380,503	—	—	3,304
Energy and Environmental Affairs	208,436	—	—	3,159
Health and Human Services	114,259	—	—	—
Executive Office of Technology Services and Security	48,712	—	—	—
Massachusetts Department of Transportation.....	94,837	—	—	1,052,514
Executive Office of Education.....	91,104	—	—	—
Center for Health Information and Analysis.....	2,876	—	—	—
Public Safety and Security.....	40,118	—	—	—
Housing and Economic Development	447,262	—	—	—
Labor and Workforce Development	1,877	—	—	—
Total expenditures.....	<u>1,508,745</u>	<u>—</u>	<u>—</u>	<u>1,059,147</u>
Other financing uses:				
Payments to advance refunding bonds escrow	—	—	—	—
Principal on current refundings	282,558	—	3,049	575,767
Fringe benefit cost assessment	17,573	—	—	—
Operating transfers out	—	—	—	—
State share of federal highway construction.....	—	—	—	109,729
Total other financing uses	<u>300,131</u>	<u>—</u>	<u>3,049</u>	<u>685,496</u>
Total expenditures and other financing uses	<u>1,808,876</u>	<u>—</u>	<u>3,049</u>	<u>1,744,643</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(165,381)	—	—	(348,829)
Fund balances/(deficits) at beginning of year	223,926	8,393	—	(4,450)
Fund balances/(deficits) at end of year	<u>\$ 58,545</u>	<u>\$ 8,393</u>	<u>\$ —</u>	<u>\$ (353,279)</u>

See accountant's review report

Federal Highway Construction Program	Government Land Bank Capital Projects	Local Aid Capital Projects	MassDOT		Totals (Memorandum only)	
			Central Artery Statewide Road and Bridge Infrastructure			
				2019	2018	
\$ 728	\$ —	\$ —	\$ —	\$ 66,085	\$ 99,001	
5,340	—	—	—	5,340	7,178	
—	—	—	1,361	6,759	3,359	
6,068	—	—	1,361	78,184	109,538	
—	500	—	—	1,808,136	1,734,443	
—	—	—	—	302,593	233,292	
—	—	—	—	—	650,000	
—	—	—	—	—	109,304	
—	—	22,570	59,705	818,831	602,425	
—	—	3,897	8,361	137,076	80,193	
—	—	—	—	—	526,180	
—	—	—	—	—	101,818	
505,807	—	—	31,202	537,009	490,981	
109,729	—	—	—	109,729	108,859	
615,536	500	26,467	99,268	3,713,374	4,637,495	
621,604	500	26,467	100,629	3,791,558	4,747,033	
—	—	—	—	11,432	12,302	
—	—	—	—	1,505	1,501	
—	—	—	—	41,228	45,643	
—	—	—	—	—	1,299	
—	—	—	—	1,021	973	
—	—	—	—	—	6	
—	—	—	—	3,800	3,027	
—	—	—	—	19,945	19,936	
—	—	—	—	383,807	439,483	
4,179	—	—	—	215,774	210,408	
100	—	—	—	114,359	62,810	
—	—	—	—	48,712	55,627	
605,811	—	—	5	1,753,167	1,811,028	
—	—	—	—	91,104	53,081	
—	—	—	—	2,876	4	
—	—	—	—	40,118	39,218	
—	500	—	—	447,762	428,192	
—	—	—	—	1,877	1,147	
610,090	500	—	5	3,178,487	3,185,685	
—	—	—	—	—	627,998	
—	—	26,467	68,066	955,907	682,618	
11,515	—	—	—	29,088	27,157	
—	—	—	—	—	11	
—	—	—	—	109,729	108,859	
11,515	—	26,467	68,066	1,094,724	1,446,643	
621,605	500	26,467	68,071	4,273,211	4,632,328	
(1)	—	—	32,558	(481,653)	114,705	
516	—	—	36,875	265,260	150,555	
\$ 515	\$ —	\$ —	\$ 69,433	\$ (216,393)	\$ 265,260	



Jennie Loitman Barron (1891 – 1969)

Jennie Loitman Barron was one of few women to attain a law degree during her time, and she made it a point to expand opportunities in law for women – arguing for women’s service on juries, and organizing a campaign to allow women to become notaries. In 1934, she was appointed assistant attorney general, and became the first woman to try a major criminal case in Massachusetts. In 1937, she became an associate justice of the Boston Municipal Court, the state’s first full-time female judge. And in 1957, she was appointed as the first female justice to the Massachusetts Superior Court, where she served for ten years.

Source: <https://bwht.org/downtown/>

Supplemental Information



Calculation of Transfers – Stabilization and Tax Reduction Funds
Schedule A – FY2019 Tax Revenues by Revenue Class
Schedule B – Calculation of Cap on Stabilization Fund
Schedule C – Detail of Elimination of Budgetary Inter Fund Activity
Non-Tax Revenue Initiatives
Schedule of Pension and Post Employment Health Benefits – Last Six Fiscal Years

See accountants' review report

Calculation of Transfers: Stabilization Fund*

Fiscal Year Ended June 30, 2019
(Amounts are in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5c. It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report.

	General Fund	Commonwealth Transportation Fund	Local Capital Projects Fund	Education Fund	Gaming Economic Development Fund	Marijuana Regulation Fund	Underground Storage Tank Petroleum Product Cleanup Fund	Total
Budgeted Fund Undesignated Balances (Consolidated Net Surplus).....	\$ 387,733	\$ 231,634	\$ 105	\$ 276	\$ 275	\$ 2,699	\$ —	\$ 622,722
<u>Disposition of Consolidated Net Surplus per Section 81 of Ch. 41 of the Acts of 2019:</u>								
To the Massachusetts Life Sciences Investment Fund.....	(10,000)	—	—	—	—	—	—	(10,000)
To the Massachusetts Community Preservation Trust Fund.....	(20,000)	—	—	—	—	—	—	(20,000)
Remaining Consolidated Net Surplus to be Deposited in Stabilization Fund	<u>\$ 357,733</u>	<u>\$ 231,634</u>	<u>\$ 105</u>	<u>\$ 276</u>	<u>\$ 275</u>	<u>\$ 2,699</u>	<u>\$ —</u>	<u>\$ 592,722</u>

Stabilization Balance Reconciliation:

Balance as of July 1, 2018	\$ 2,001,299
Capital Gains Tax Transfers to Stabilization Fund during FY2019 per Chapter 29, Section 5G	848,399
Minus Capital Gains Tax Transfers from Stabilization Fund to State Pension and State Retiree Benefits Trust Funds	(84,840)
Transfer to Stabilization Fund from Abandoned Property Revenue Growth from Prior Fiscal Year.....	3,673
Transfer of certain tax revenues to the Stabilization Fund	429
Transfer of 10% of casino gaming tax revenue (MGM and Encore).....	6,231
Transfer of 10% of Encore casino fines.....	3,550
Stabilization Fund investment income.....	52,913
Remaining Consolidated Net Surplus Deposited in Stabilization Fund, per Calculation Above.....	<u>592,722</u>
Stabilization Fund Balance as of June 30, 2019	<u>\$ 3,424,376</u>
Memo: Change in Stabilization Fund Balance, FY18-19	\$ 1,423,077

* Excludes funds with no FY19 balances or activity

Note: Details may not add to totals due to rounding

Calculation of Transfers: Tax Reduction Fund

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 Sections 2H and 2I of the Massachusetts General Laws, as amended. It is prepared on the statutory basis of accounting and presents information contained in the official books and accounting records of the Commonwealth. Supporting information is presented in individual schedules, as indicated, and in the Financial Section of this report.

The computation is as follows:

Part 1: Comparison of Stabilization Fund, after current fiscal year transfers, to 15% of budgeted revenues and other financial resources:

Undesignated fund balance in the Stabilization Fund	\$ 3,424,376
Allowable Stabilization Fund balance (per Schedule B).....	<u>6,957,381</u>
 Stabilization Fund excess, if any, transferable to Tax Reduction Fund.....	 <u><u>\$ —</u></u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	\$ 3,424,376
Transfer to Tax Reduction Fund.....	<u>—</u>
 Stabilization Fund balance after transfer to Tax Reduction Fund	 <u><u>\$ 3,424,376</u></u>

Part 3: Status of Tax Reduction Fund after transfers:

Tax Reduction Fund balance.....	\$ —
Transfers from Stabilization Fund.....	<u>—</u>
 Tax Reduction Fund balance after transfers	 <u><u>\$ —</u></u>

Schedule A
FY2019 Tax Revenues by Revenue Class

Fiscal Year Ended June 30, 2019
(Amounts in thousands)

Alcoholic beverages.....	\$ 86,195
Cigarette.....	439,822
Cigarette excise - Commonwealth Care	113,439
Corporations	2,946,667
Deeds	318,347
Estate and inheritance	601,306
Health care coverage penalty - Commonwealth Care	16,574
Income	17,109,259
Insurance.....	400,597
Motor and special fuels.....	775,463
Room occupancy	282,204
Sales and use.....	6,842,114
Club alcoholic beverages.....	926
Motor vehicle excise.....	77
Convention center surcharges.....	17,001
Community preservation	23,174
Satellite	8,605
Gaming revenue - Massachusetts Gaming Commission	130,702
State racing - Massachusetts Gaming Commission.....	788
Beano	1,162
Raffles and bazaars	1,123
Boxing.....	126
DOI excess and surplus lines	44,848
UI surcharge.....	25,131
Controlled substances	13,949
FY 2019 state tax revenue	<u>\$ 30,199,599</u>

This schedule is prepared on the statutory basis of accounting. It presents tax revenues as reported in the governmental funds of the Commonwealth. It differs from the schedule of tax collections prepared by the Comptroller, Commissioner of Revenue and State Auditor for calculations in accordance with Chapter 62F of the General Laws, as amended. The differences are due to 2/5ths of Beano revenue and the health care coverage penalty in the Commonwealth Care Fund, both of which are recognized on the statutory basis of accounting but are not accounted for on the schedule of tax collections prepared by the Department of Revenue.

Schedule B
Calculation of Cap on Stabilization Fund

Fiscal Year Ended June 30, 2019
(Amounts in thousands)

Total revenues and other financial resources pertaining to the budgeted funds	\$ 48,375,847
Elimination of budgetary interfund activity exclusive of fund closure (per Schedule C)	<u>(1,993,305)</u>
Adjusted revenues and other financial resources pertaining to the budgeted funds	<u>46,382,542</u>
Allowable Stabilization Fund balance, 15% of budgeted revenue	<u><u>\$ 6,957,381</u></u>

Calculation of Stabilization Fund Cap as defined by Massachusetts General Laws Chapter 29 Section 2H.

Schedule C
Detail of Elimination of Budgetary Inter Fund Activity

Fiscal Year Ended June 30, 2019
(Amounts in thousands)

Adjustments to revenues :	
Transfer to the Intragovernmental Service Fund.....	\$ (418,649)
Adjustments to other financing sources and uses:	
Fringe benefit cost assessments	(6,008)
Transfer from the Intragovernmental Service Fund to the General Fund	(3,453)
RMV license plates.....	(3,792)
Transfer from General Fund to the Commonwealth Transportation Fund.....	(120,000)
Transfer from budgeted funds to the Stabilization Fund.....	(1,441,121)
Other fund deficit support	(85)
Other	(197)
Elimination of budgetary interfund activity	\$ <u>(1,993,305)</u>

Non-Tax Revenue Initiatives

Fiscal Year Ended June 30, 2019
(Amounts in thousands)

Chapter 653 of the Acts of 1989, amended Chapter 29 of the Massachusetts General Laws by adding Sections 29D and 29E, which authorize certain non-tax revenue initiatives and require reporting thereon, as follows.

I. Debt Collection:

Pursuant to Massachusetts General Laws Chapter 29, Section D, Chapter 7A Section 8, allows private debt collection agencies to engage in debt collection for the Commonwealth. The fees paid are contingency-based from the proceeds collected. Collections and fees paid during FY19 were (amounts in thousands):

Department Collectors	Collections	Fees
Collecto, Inc.....	\$ 3,352	\$ 448
Premier Credit of North America, LLC.....	964	148
Delta.....	813	127
Allen Daniels.....	813	126
Financial Asset Management Systems, Inc.....	183	23
Linebarger, Goggan, Blair & Sampson, LLP.....	54	12
Total	\$ 6,179	\$ 884

Under the same program, the following amounts were collected and fees paid for the Institutions of Higher Education (these figures are as subset of the above) (amounts in thousands):

Department Collectors	Collections	Fees
Collecto, Inc.....	\$ 2,935	\$ 382
Delta.....	704	110
Premier Credit of North America, LLC.....	620	106
Allen Daniels.....	606	92
Total.....	\$ 4,865	\$ 690

II. Cost Avoidance:

The Comptroller's appropriation authorizes contract arrangements engaged on a contingent fee basis for the purpose of identification and pursuit of cost saving/avoidance opportunities. During FY19, the following amounts were generated (amounts in thousands):

State expenditures avoided.....	\$ 1,871
Contractor payments.....	(355)
Net cost savings/avoidance.....	\$ 1,516

III. Intercept:

Intercept is authorized by M.G.L. Chapter 7A Section 3 and 815 CMR 9:06. Intercept is an automated process that offsets Commonwealth payments to delinquent receivables that have been approved by the Office of the State Comptroller. FY19 activity (amounts in thousands):

Total Commonwealth intercepts.....	\$ 16,004
Amounts included above that were intercepted on behalf of the Institutions of Higher Education....	\$ 8,423

Schedule of Pension and Other Post-Employment Health Benefits

(Amounts in thousands except for percentages)

Pension funding progress for the last six fiscal years

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
State Employee's Retirement System						
Actuarial Valuation as of January 1, 2019	\$ 27,136,639	\$ 42,595,224	\$ 15,458,585	63.7%	\$ 6,354,473	243.3%
Actuarial Valuation as of January 1, 2018	26,248,250	40,456,611	14,208,361	64.9%	6,155,194	230.8%
Actuarial Valuation as of January 1, 2017	24,773,042	38,316,719	13,543,677	64.7%	5,927,012	228.5%
Actuarial Valuation as of January 1, 2016	23,465,963	36,966,278	13,500,315	63.5%	5,792,288	233.1%
Actuarial Valuation as of January 1, 2015	22,720,160	33,679,150	10,958,990	67.5%	5,591,911	196.0%
Actuarial Valuation as of January 1, 2014	21,581,133	30,679,600	9,098,467	70.3%	5,344,510	170.2%
Teachers' Retirement System						
Actuarial Valuation as of January 1, 2019	\$ 27,854,444	\$ 53,864,141	\$ 26,009,697	51.7%	\$ 7,074,960	367.6%
Actuarial Valuation as of January 1, 2018	27,057,700	51,653,285	24,595,585	52.4%	6,829,012	360.2%
Actuarial Valuation as of January 1, 2017	25,638,136	49,193,503	23,555,367	52.1%	6,583,871	357.8%
Actuarial Valuation as of January 1, 2016	24,593,787	46,562,807	21,969,020	52.8%	6,388,732	343.9%
Actuarial Valuation as of January 1, 2015	23,946,759	44,115,769	20,169,010	54.3%	6,204,274	325.1%
Actuarial Valuation as of January 1, 2014	22,940,196	40,741,695	17,801,499	56.3%	5,962,650	298.6%

For a complete analysis of the Commonwealth's actuarial valuation report, please go to <http://www.mass.gov/perac>. Alternatively, copies of the Commonwealth's actuarial valuation may be obtained by contacting the Massachusetts Public Employee Retirement Administration Commission, 5 Middlesex Avenue, Suite 304, Somerville, MA 02145. Telephone number: (617) 666-4446.

State Retiree Benefits Trust

The results of the January 1, 2019 Other Post-Employment Benefits (OPEB) Actuarial Valuation will be presented in the Comprehensive Annual Financial Report (CAFR) due to changes in accounting standards.

Statistical Section



Ten-Year Schedules – Statutory Basis
Higher Education Non-appropriated Funds – Statutory Basis

See accountants' review report

Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Statutory Basis

Fiscal Year Ended June 30, 2019
(Amounts in millions)

	2019	% Total	2018	% Total	2017	% Total	2016	% Total
Taxes	\$ 30,200	44.4	\$ 28,177	44.0	\$ 26,042	42.1	\$ 25,800	42.7
Federal reimbursements	12,961	19.1	12,536	19.5	11,801	19.1	11,528	19.1
Federal grants	2,438	3.6	2,428	3.8	2,370	3.8	2,363	3.9
Lotteries	5,652	8.3	5,441	8.5	5,257	8.5	5,407	8.9
Assessments	1,328	2.0	1,246	1.9	1,209	2.0	1,058	1.7
Motor vehicle licenses and registrations	566	0.8	565	0.9	546	0.9	546	0.9
Fees, investment earnings, etc	5,650	8.3	5,525	8.6	4,963	8.0	5,016	8.3
Proceeds of general and special obligation bonds and related premiums	2,111	3.1	2,727	4.3	3,136	5.1	3,003	5.0
Proceeds of refunding bonds	1,443	2.1	1,311	2.0	2,269	3.7	1,674	2.8
Other interfund transfers	5,624	8.3	4,202	6.5	4,233	6.8	4,067	6.7
Total revenues and other financing sources	\$ 67,973	100.0	\$ 64,158	100.0	\$ 61,826	100.0	\$ 60,462	100.0

2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total	2010	% Total
\$ 25,239	44.4	\$ 23,665	43.6	\$ 22,396	43.8	\$ 21,384	42.7	\$ 20,776	38.2	\$ 18,792	40.3
10,287	18.1	9,265	17.1	9,078	17.8	8,931	17.8	10,151	18.6	9,374	20.1
2,269	4.0	2,328	4.3	2,396	4.7	2,655	5.3	3,097	5.7	3,134	6.7
5,194	9.1	5,050	9.3	5,043	9.9	4,941	9.9	4,632	8.5	4,629	9.9
1,033	1.8	1,079	2.0	1,018	2.0	986	2.0	960	1.8	971	2.1
546	1.0	495	0.9	487	1.0	474	0.9	497	0.9	463	1.0
4,409	7.8	4,252	7.9	3,858	7.5	3,580	7.2	3,461	6.4	2,828	6.0
3,404	6.0	2,262	4.2	1,512	3.0	1,921	3.8	2,306	4.2	1,672	3.6
707	1.2	722	1.3	231	0.5	480	1.0	947	1.7	538	1.2
3,748	6.6	5,093	9.4	4,982	9.8	4,731	9.4	7,618	14.0	4,233	9.1
<u>\$ 56,836</u>	<u>100.0</u>	<u>\$ 54,211</u>	<u>100.0</u>	<u>\$ 51,001</u>	<u>100.0</u>	<u>\$ 50,083</u>	<u>100.0</u>	<u>\$ 54,445</u>	<u>100.0</u>	<u>\$ 46,634</u>	<u>100.0</u>

Ten-Year Schedule of Tax Revenues by Source
All Governmental Fund Types - Statutory Basis

Fiscal Year Ended June 30, 2019
(Amounts in millions)

	2019	% Total	2018	% Total	2017	% Total	2016	% Total
Income.....	\$ 17,109	56.6	\$ 16,240	57.7	\$ 14,684	56.3	\$ 14,394	55.9
Sales and use.....	6,842	22.7	6,490	23.0	6,241	24.0	6,090	23.6
Corporations.....	2,947	9.8	2,409	8.5	2,196	8.4	2,333	9.0
Motor fuels.....	775	2.6	769	2.7	769	3.0	767	3.0
Cigarette and tobacco.....	553	1.8	594	2.1	619	2.4	641	2.5
Insurance.....	401	1.3	364	1.3	358	1.4	369	1.4
Estate and inheritance.....	601	2.0	473	1.7	337	1.3	399	1.5
Alcoholic beverages.....	86	0.3	85	0.3	84	0.3	83	0.3
Other.....	886	2.9	753	2.7	754	2.9	724	2.8
Total taxes.....	\$ 30,200	100.0	\$ 28,177	100.0	\$ 26,042	100.0	\$ 25,800	100.0

2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total	2010	% Total
\$ 14,449	57.2	\$ 13,202	55.8	\$ 12,831	57.3	\$ 11,911	55.6	\$ 11,576	55.6	\$ 10,110	53.8
5,804	23.0	5,519	23.3	5,184	23.1	5,079	23.8	4,921	23.7	4,626	24.6
2,227	8.8	2,195	9.3	1,888	8.4	2,002	9.4	1,931	9.3	1,835	9.8
756	3.0	732	3.1	651	2.9	662	3.1	661	3.2	655	3.5
647	2.6	661	2.8	558	2.6	574	2.6	599	2.9	597	3.1
333	1.3	316	1.3	373	1.7	318	1.5	296	1.4	285	1.5
341	1.4	402	1.7	313	1.4	293	1.4	310	1.5	221	1.2
80	0.3	79	0.3	77	0.3	77	0.4	73	0.4	72	0.4
602	2.4	559	2.4	521	2.3	468	2.2	409	2.0	391	2.1
<u>\$ 25,239</u>	<u>100.0</u>	<u>\$ 23,665</u>	<u>100.0</u>	<u>\$ 22,396</u>	<u>100.0</u>	<u>\$ 21,384</u>	<u>100.0</u>	<u>\$ 20,776</u>	<u>100.0</u>	<u>\$ 18,792</u>	<u>100.0</u>

Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat
All Governmental Fund Types - Statutory Basis

Fiscal Year Ended June 30, 2019

(Amounts in millions)

	2019	% Total	2018	% Total	2017	% Total	2016	% Total
Legislature	\$ 68	0.1	\$ 68	0.1	\$ 67	0.1	\$ 61	0.1
Judiciary	997	1.5	933	1.5	929	1.5	896	1.5
Inspector General	5	—	4	—	4	—	4	—
Governor and Lieutenant Governor	7	—	7	—	7	—	7	—
Secretary of the Commonwealth	57	0.1	46	0.1	52	0.1	45	0.1
Treasurer and Receiver-General	6,849	10.3	6,631	10.5	6,314	10.3	6,485	10.7
Auditor of the Commonwealth	18	—	20	—	21	—	20	—
Attorney General	100	0.2	98	0.2	71	0.1	63	0.1
Ethics Commission	2	—	2	—	2	—	3	—
District Attorney	132	0.2	122	0.2	123	0.2	116	0.2
Office of Campaign and Political Finance	3	—	2	—	2	—	2	—
Sheriffs' Departments	674	1.0	637	1.0	624	1.0	616	1.0
Disabled Persons Protection Commission	5	—	4	—	3	—	3	—
Board of Library Commissioners	50	0.1	48	0.1	40	0.1	48	0.1
Massachusetts Gaming Commission	51	0.1	45	0.1	38	0.1	35	0.1
Comptroller	16	—	16	—	16	—	17	—
Administration and Finance	9,126	13.7	8,975	14.2	9,016	14.6	8,823	14.8
Energy and Environmental Affairs	598	0.9	565	0.9	543	0.9	627	1.0
Health and Human Services	25,325	38.1	24,438	38.2	23,037	37.6	22,579	37.3
Executive Office of Technology Services and Security	167	0.3	137	0.2	—	—	—	—
Transportation and Public Works	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	2,855	4.3	2,980	4.7	3,129	5.1	3,287	5.4
Office of the Child Advocate	1	—	1	—	1	—	1	—
Cannabis Control Commission	10	—	2	—	—	—	—	—
Executive Office of Education	3,604	5.4	3,353	5.3	3,280	5.3	3,320	5.5
Center for Health Information and Analysis	23	—	21	—	23	—	27	—
Public Safety and Security	1,462	2.2	1,430	2.3	1,406	2.3	1,396	2.3
Housing and Economic Development	1,585	2.4	1,500	2.4	1,359	2.2	1,320	2.2
Labor and Workforce Development	207	0.3	195	0.3	214	0.3	214	0.4
Post employment benefits	3,110	4.7	2,891	4.6	2,660	4.3	2,503	4.1
Debt service	2,533	3.8	2,519	4.0	2,479	4.0	2,470	4.1
Payments to advance refunding escrow agent/Principal on current refunding	1,443	2.2	1,311	2.1	2,269	3.7	1,674	2.8
Other fund deficit support	—	—	—	—	145	0.2	71	0.1
Other interfund transfers	5,421	8.1	4,412	7.0	3,677	6.0	3,685	6.1
Total expenditures and other financing uses	\$ 66,504	100.0	\$ 63,414	100.0	\$ 61,550	100.0	\$ 60,417	100.0

Schedule reflects changes in accordance with Article 87 reorganizations of the Massachusetts Constitution at various times over the last ten years at point of implementation.

2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total	2010	% Total
\$ 60	0.1	\$ 56	0.1	\$ 57	0.1	\$ 58	0.1	\$ 58	0.1	\$ 59	0.1
852	1.5	831	1.5	802	1.5	780	1.6	788	1.5	788	1.7
5	—	6	—	6	—	3	—	3	—	4	—
7	—	5	—	6	—	7	—	5	—	5	—
52	0.1	53	0.1	50	0.1	43	0.1	46	0.1	54	0.1
6,224	11.1	5,893	10.9	5,867	11.3	5,847	11.7	5,610	10.6	5,483	11.5
21	—	19	—	19	—	18	—	17	—	17	—
56	0.1	53	0.1	50	0.1	53	0.1	51	0.1	53	0.1
2	—	2	—	2	—	2	—	2	—	2	—
111	0.2	108	0.2	108	0.2	101	0.2	97	0.2	96	0.2
2	—	1	—	1	—	1	—	3	—	1	—
595	1.1	571	1.0	543	1.0	532	1.1	511	1.0	378	0.8
3	—	2	—	2	—	2	—	2	—	2	—
49	0.1	45	0.1	41	0.1	34	0.1	34	0.1	34	0.1
21	—	23	—	14	—	1	—	—	—	—	—
20	—	18	—	14	—	13	—	14	—	15	—
8,832	15.9	8,862	16.3	8,665	16.8	7,456	14.9	7,206	13.7	7,040	14.9
628	1.1	561	1.0	490	0.9	456	0.9	482	0.9	529	1.1
20,398	36.0	18,649	34.1	17,447	34.1	17,632	35.1	17,737	33.5	16,044	33.8
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	509	1.1
3,248	5.8	2,914	5.4	2,439	4.7	2,323	4.6	2,278	4.3	1,542	3.2
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
3,218	5.7	3,130	5.8	2,952	5.7	3,030	6.0	3,225	6.1	3,184	6.7
28	—	25	—	9	—	—	—	1,172	2.2	1,308	2.7
1,350	2.4	1,313	2.4	1,324	2.6	1,236	2.5	—	—	—	—
1,281	2.3	1,251	2.3	1,214	2.3	1,203	2.4	1,283	2.4	1,245	2.6
223	0.4	237	0.4	300	0.6	390	0.8	428	0.8	403	0.8
2,287	3.9	2,109	3.7	1,990	3.8	1,892	3.8	1,839	3.5	1,749	3.7
2,507	4.5	2,410	4.4	2,351	4.5	2,272	4.5	2,128	4.0	2,117	4.5
707	1.3	722	1.3	230	0.4	388	0.8	540	1.0	538	1.1
89	0.2	168	0.3	—	—	—	—	65	0.1	—	—
3,409	6.2	4,673	8.6	4,752	9.2	4,352	8.7	7,272	13.8	4,373	9.2
<u>\$ 56,285</u>	<u>100.0</u>	<u>\$ 54,710</u>	<u>100.0</u>	<u>\$ 51,745</u>	<u>100.0</u>	<u>\$ 50,125</u>	<u>100.0</u>	<u>\$ 52,896</u>	<u>100.0</u>	<u>\$ 47,572</u>	<u>100.0</u>

**Ten-Year Schedule of Budgeted Funds Expenditures and Other Financing Uses by
Major Program Category**

Fiscal Year Ended June 30, 2019

(Amounts in millions)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Direct local aid.....	\$ 6,075	\$ 5,886	\$ 5,703	\$ 5,568	\$ 5,420	\$ 5,292	\$ 5,116	\$ 4,929	\$ 4,785	\$ 4,837
Medicaid	16,521	15,745	15,252	14,851	13,655	11,901	10,800	10,431	10,237	9,287
Other Health and Human Services.....	6,210	5,931	5,600	5,433	5,301	4,980	4,769	4,711	4,615	4,616
Elementary and Secondary Education	605	552	523	539	515	515	489	436	349	358
Higher Education	1,284	1,173	1,168	1,194	1,162	1,092	991	937	943	846
Early Education and Care	607	564	540	548	538	510	483	494	515	513
Public Safety and Security	1,168	1,102	1,060	1,066	1,041	1,010	960	930	905	1,053
Energy and Environmental Affairs	255	230	222	221	225	215	202	187	186	202
Post employment benefits	3,110	2,900	2,660	2,503	2,287	2,109	1,990	1,892	1,839	1,749
Group health insurance	1,644	1,634	1,663	1,630	1,665	1,403	1,278	1,206	1,130	1,064
Debt service	2,327	2,323	2,285	2,174	2,190	2,133	2,117	1,923	1,664	1,860
Major programs.....	<u>39,806</u>	<u>38,039</u>	<u>36,676</u>	<u>35,727</u>	<u>33,999</u>	<u>31,160</u>	<u>29,195</u>	<u>28,076</u>	<u>27,168</u>	<u>26,385</u>
Other program expenditures	3,563	3,113	3,235	3,241	3,326	3,294	3,007	2,899	2,851	2,999
Interfund transfers and other financing uses.....	3,434	2,945	1,908	1,959	1,527	3,200	3,149	2,515	5,520	1,810
Total expenditures and other financing uses.....	<u>\$ 46,803</u>	<u>\$ 44,097</u>	<u>\$ 41,819</u>	<u>\$ 40,927</u>	<u>\$ 38,852</u>	<u>\$ 37,654</u>	<u>\$ 35,351</u>	<u>\$ 33,490</u>	<u>\$ 35,539</u>	<u>\$ 31,194</u>

Ten-Year Schedule of Long-Term Bonds and Notes Outstanding

As of June 30, 2019
(Amounts in millions)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General obligation bonds	\$ 23,676	\$ 23,144	\$ 22,717	\$ 21,668	\$ 20,802	\$ 19,387	\$ 19,140	\$ 18,852	\$ 18,517	\$ 17,683
Grant anticipation notes*	685	748	738	657	700	531	449	610	766	991
Special obligation bonds	3,378	3,469	2,991	2,754	2,324	2,292	1,924	1,972	1,592	1,053
Commonwealth long-term bonds...	<u>\$ 27,739</u>	<u>\$ 27,361</u>	<u>\$ 26,446</u>	<u>\$ 25,079</u>	<u>\$ 23,826</u>	<u>\$ 22,210</u>	<u>\$ 21,513</u>	<u>\$ 21,434</u>	<u>\$ 20,875</u>	<u>\$ 19,727</u>

*Inclusive of cross-over refunding notes but exclusive of unamortized premiums.



Christa McAuliffe (1948 – 1986)

Framingham, Massachusetts native Christa McAuliffe, a schoolteacher, was selected from a pool of more than 11,000 applicants to become the first civilian in space. NASA officials say McAuliffe was chosen because of her infectious enthusiasm, and she eagerly galvanized public interest in the space program. McAuliffe was tasked with conducting classes from space that would be broadcast to millions of children back on earth. Tragically, seventy-three seconds into the Space Shuttle Challenger's flight, a leak caused the shuttle to break apart, killing McAuliffe and her six crewmembers.

Source: <https://cm-center.org/christa-mcauliffe>

HIGHER EDUCATION

NON-APPROPRIATED ACTIVITY

The Commonwealth's Public Institutions of Higher Education are allowed, by their enabling statutes, to collect, retain, and expend certain fees, rents, donations and other types of revenue. These financial resources are important elements in the overall financial operations of the respective institutions, and are in addition to amounts made available from appropriations. The Public Institutions of Higher Education include:

University of Massachusetts System - The University system includes the campuses at Amherst, Worcester, Boston, Lowell, Dartmouth and certain institutes and programs operated by the Office of the University President.

State University Systems - The State College and University Systems include the three state colleges, and six state universities, which provide four-year post-secondary education programs. These include:

- Bridgewater State University
- Framingham State University
- Fitchburg State University
- Massachusetts College of Art & Design
- Massachusetts Maritime Academy
- Massachusetts College of Liberal Arts
- Salem State University
- Worcester State University
- Westfield State University

Community College System - The Community College System includes the fifteen community colleges, which provide two-year post secondary education programs.

- Berkshire Community College
- Bunker Hill Community College
- Bristol Community College
- Cape Cod Community College
- Greenfield Community College
- Holyoke Community College
- Massasoit Community College
- Massachusetts Bay Community College
- Middlesex Community College
- Mount Wachusett Community College
- Northern Essex Community College
- North Shore Community College
- Quinsigamond Community College
- Roxbury Community College
- Springfield Technical Community College

Higher Education System
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	University of Massachusetts	State Universities and Colleges	Community Colleges	Totals	
				2019	2018
Revenues and other financing sources:					
Federal grants and reimbursements	\$ 305,952	\$ 62,296	\$ 151,949	\$ 520,197	\$ 517,513
Departmental revenue	1,608,975	624,838	381,102	2,614,915	2,479,663
Miscellaneous revenue	1,140,741	361,499	233,104	1,735,344	1,932,448
Total revenues and other financing sources	3,055,668	1,048,633	766,155	4,870,456	4,929,624
Expenditures and other financing uses:					
(by MMARS subsidiary):					
AA Regular employee compensation	781,588	185,640	142,129	1,109,357	1,106,336
BB Regular employee related expenses	22,098	6,423	3,349	31,870	29,146
CC Special employees and contracted services	273,866	144,144	180,993	599,003	589,919
DD Pension and insurance	228,452	58,821	30,444	317,717	323,304
EE Administrative expenditures	246,801	82,583	27,341	356,725	354,991
FF Facility operational supplies	141,063	17,896	14,458	173,417	162,109
GG Energy costs and space rental	138,946	42,618	29,999	211,563	208,471
HH Consultant services	176,775	15,877	15,765	208,417	192,257
JJ Operational services	59,595	43,283	14,538	117,416	99,127
KK Equipment purchase	32,037	5,066	6,263	43,366	37,931
LL Equipment leases, maintenance and repair	29,153	9,101	9,297	47,551	43,801
MM Purchased client services and programs	37,888	3,968	3,003	44,859	43,195
NN Construction and improvements	160,530	39,205	26,522	226,257	199,568
PP Aid to local governments	—	278	901	1,179	3,243
RR Benefit programs	261,063	114,806	155,303	531,172	697,787
SS Debt payment	28,313	17,104	3,301	48,718	33,328
TT Loans and special payments	190,775	123,021	25,162	338,958	429,659
UU Information technology (IT) expenses	87,167	32,372	28,647	148,186	148,608
Total expenditures and other financing uses	2,896,110	942,206	717,415	4,555,731	4,702,780
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	159,558	106,427	48,740	314,725	226,844
Fund balance at beginning of year	1,069,492	586,251	404,518	2,060,261	1,833,417
Fund balance at end of year	<u>\$ 1,229,050</u>	<u>\$ 692,678</u>	<u>\$ 453,258</u>	<u>\$ 2,374,986</u>	<u>\$ 2,060,261</u>

Note: Details might not add up due to rounding

University of Massachusetts
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	Totals	
	2019	2018
Revenues and other financing sources:		
Federal grants and reimbursements.....	\$ 305,952	\$ 297,417
Departmental revenue	1,608,975	1,491,102
Miscellaneous revenue	1,140,741	1,267,970
Total revenues and other financing sources	3,055,668	3,056,489
Expenditures and other financing uses:		
(by MMARS subsidiary):		
AA Regular employee compensation	781,588	746,058
BB Regular employee related expenses	22,098	19,621
CC Special employees and contracted services.....	273,866	264,634
DD Pension and insurance	228,452	217,011
EE Administrative expenditures	246,801	245,595
FF Facility operational supplies	141,063	128,035
GG Energy costs and space rental	138,946	136,646
HH Consultant services.....	176,775	162,964
JJ Operational services	59,595	45,252
KK Equipment purchase	32,037	25,670
LL Equipment leases, maintenance and repair	29,153	28,231
MM Purchased client services and programs.....	37,888	35,977
NN Construction and improvements	160,530	134,819
RR Benefit programs	261,063	420,160
SS Debt payment	28,313	13,618
TT Loans and special payments.....	190,775	262,920
UU Information technology (IT) expenses	87,167	88,540
Total expenditures and other financing uses	2,896,110	2,975,751
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	159,558	80,738
Fund balance at beginning of year	1,069,492	988,754
Fund balance at end of year	<u>\$ 1,229,050</u>	<u>\$ 1,069,492</u>

Note: Details might not add up due to rounding

State University and College System
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	Bridgewater State University	Framingham State University	Fitchburg State University	Massachusetts College of Art
Revenues and other financing sources:				
Federal grants and reimbursements.....	\$ 16,854	\$ 6,788	\$ 8,620	\$ 2,703
Departmental revenue	144,138	61,275	66,798	38,695
Miscellaneous revenue	91,059	65,361	26,741	22,811
Total revenues and other financing sources	252,051	133,424	102,159	64,209
Expenditures and other financing uses:				
(by MMARS subsidiary):				
AA Regular employee compensation	73,945	10,821	19,506	11,089
BB Regular employee related expenses	1,442	445	547	486
CC Special employees and contracted services	44,901	10,969	15,505	6,256
DD Pension and insurance.....	26,757	3,408	6,016	864
EE Administrative expenditures	7,588	46,093	2,628	2,524
FF Facility operational supplies	2,045	1,168	1,438	1,306
GG Energy costs and space rental	5,545	3,448	4,404	2,091
HH Consultant services	1,934	1,022	1,271	1,530
JJ Operational services	12,592	7,057	4,466	2,927
KK Equipment purchase	1,380	452	632	611
LL Equipment leases, maintenance and repair	2,099	789	885	335
MM Purchased client services and programs.....	2,366	338	256	—
NN Construction and improvements	5,626	2,376	4,054	11,491
PP Aid to local governments	—	—	18	—
RR Benefit programs.....	31,261	10,368	10,642	9,952
SS Debt payment	2,051	494	—	—
TT Loans and special payments.....	18,722	12,474	23,618	9,698
UU Information technology (IT) expenses.....	6,605	3,375	4,475	2,028
Total expenditures and other financing uses.....	246,859	115,097	100,361	63,188
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	5,192	18,327	1,798	1,021
Fund balance at beginning of year	37,576	57,286	50,933	15,962
Fund balance at end of year	<u>\$ 42,768</u>	<u>\$ 75,613</u>	<u>\$ 52,731</u>	<u>\$ 16,983</u>

Note: Details might not add up due to rounding

Massachusetts Maritime Academy	Massachusetts College of Liberal Arts	Salem State University	Worcester State University	Westfield State University	Totals	
					2019	2018
\$ 1,412	\$ 3,065	\$ 13,295	\$ 513	\$ 9,046	\$ 62,296	\$ 60,836
28,931	21,542	106,682	66,949	89,828	624,838	585,416
14,949	14,534	56,002	26,852	43,190	361,499	394,060
45,292	39,141	175,979	94,314	142,064	1,048,633	1,040,312
7,823	8,104	26,603	4,669	23,080	185,640	194,211
1,230	479	340	773	681	6,423	6,135
9,187	6,943	17,285	9,316	23,782	144,144	143,999
1,194	933	9,322	1,182	9,145	58,821	60,329
1,746	1,843	14,017	3,911	2,233	82,583	79,617
1,783	400	2,704	2,606	4,446	17,896	18,042
1,925	1,958	5,551	12,262	5,434	42,618	42,704
1,006	1,446	2,648	3,186	1,834	15,877	13,163
9,911	3,346	1,314	1,152	518	43,283	39,116
403	148	615	315	510	5,066	5,939
1,783	98	444	1,512	1,156	9,101	8,942
—	—	522	—	486	3,968	3,552
1,037	1,589	3,952	6,069	3,011	39,205	40,286
—	160	—	—	100	278	79
1,428	7,036	19,872	12,141	12,106	114,806	111,135
—	766	543	692	12,558	17,104	16,377
7,965	3,132	15,022	983	31,407	123,021	127,417
2,949	1,025	5,283	2,163	4,469	32,372	30,986
51,370	39,406	126,037	62,932	136,956	942,206	942,029
(6,078)	(265)	49,942	31,382	5,108	106,427	98,283
19,538	14,072	81,285	236,085	73,514	586,251	487,968
<u>\$ 13,460</u>	<u>\$ 13,807</u>	<u>\$ 131,227</u>	<u>\$ 267,467</u>	<u>\$ 78,622</u>	<u>\$ 692,678</u>	<u>\$ 586,251</u>

Community College System
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	Berkshire Community College	Bunker Hill Community College	Bristol Community College	Cape Cod Community College	Greenfield Community College	Holyoke Community College	Massasoit Community College
Revenues and other financing sources:							
Federal grants and reimbursements.....	\$ 3,651	\$ 23,457	\$ 14,936	\$ 5,290	\$ 2,809	\$ 10,533	\$ 14,504
Departmental revenue	8,494	52,830	33,992	11,849	10,739	12,863	29,207
Miscellaneous revenue	4,326	32,475	25,166	14,661	4,838	16,059	19,687
Total revenues and other financing sources	16,471	108,762	74,094	31,800	18,386	39,455	63,398
Expenditures and other financing uses:							
(by MMARS subsidiary):							
AA Regular employee compensation	1,453	38,331	9,707	5,202	2,655	6,176	9,508
BB Regular employee related expenses	144	258	356	170	17	294	146
CC Special employees and contracted services.....	5,107	18,137	25,625	10,649	5,246	7,827	18,751
DD Pension and insurance	582	3,086	3,792	2,380	1,000	1,907	3,659
EE Administrative expenditures	1,090	3,278	1,801	1,619	968	1,521	2,178
FF Facility operational supplies	381	1,196	1,189	318	188	975	1,033
GG Energy costs and space rental.....	757	4,356	3,494	2,068	948	2,525	1,266
HH Consultant services.....	584	1,421	789	422	388	661	1,255
JJ Operational services	664	1,514	519	424	344	1,120	439
KK Equipment purchase	195	1,012	466	177	131	197	378
LL Equipment leases, maintenance and repair	156	665	257	190	176	133	590
MM Purchased client services and programs.....	—	655	499	—	10	21	286
NN Construction and improvements	1,527	6,595	3,064	495	172	853	1,303
PP Aid to local governments	—	—	40	—	20	—	2
RR Benefit programs	946	25,797	16,120	6,062	3,765	13,202	9,751
SS Debt payment	14	245	—	—	—	193	945
TT Loans and special payments.....	1,580	—	1,606	5	141	—	4,927
UU Information technology (IT) expenses	1,139	6,234	2,173	1,340	577	2,710	2,175
Total expenditures and other financing uses	16,319	112,780	71,497	31,521	16,746	40,315	58,592
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	152	(4,018)	2,597	279	1,640	(860)	4,806
Fund balance at beginning of year	2,893	25,448	14,391	23,740	2,686	13,734	38,215
Fund balance at end of year	<u>\$ 3,045</u>	<u>\$ 21,430</u>	<u>\$ 16,988</u>	<u>\$ 24,019</u>	<u>\$ 4,326</u>	<u>\$ 12,874</u>	<u>\$ 43,021</u>

Note: Details might not add up due to rounding

Massachusetts Bay Community College	Middlesex Community College	Mount Wachusett Community College	Northern Essex Community College	North Shore Community College	Quinsigamond Community College	Roxbury Community College	Springfield Technical Community College	Totals	
								2019	2018
\$ 7,552	\$ 17,702	\$ 797	\$ 8,957	\$ 12,934	\$ 13,675	\$ 4,358	\$ 10,794	\$ 151,949	\$ 159,260
19,180	31,826	27,763	35,654	32,875	43,925	7	29,898	381,102	403,145
12,666	26,075	15,392	18,992	15,458	2,458	10,474	14,377	233,104	270,418
39,398	75,603	43,952	63,603	61,267	60,058	14,839	55,069	766,155	832,823
1,197	7,996	19,451	8,718	23,198	7,002	—	1,535	142,129	166,067
151	618	200	289	128	15	37	526	3,349	3,390
7,042	25,138	8,400	14,649	7,944	14,511	3,101	8,866	180,993	181,286
590	2,863	2,430	3,392	1,590	2,366	52	755	30,444	45,964
2,047	1,494	2,284	1,358	1,443	2,168	1,242	2,850	27,341	29,779
531	1,571	1,124	1,097	1,125	856	690	2,184	14,458	16,032
2,158	2,771	770	2,660	1,186	3,117	849	1,074	29,999	29,121
1,360	1,318	917	498	2,082	959	1,067	2,044	15,765	16,130
—	3,096	1,109	1,896	219	1,069	1,098	1,027	14,538	14,759
—	962	361	112	373	488	63	1,348	6,263	6,322
—	1,577	1,490	315	175	467	114	2,992	9,297	6,628
261	—	756	—	101	—	—	414	3,003	3,666
2,484	—	3,523	1,278	1,187	896	512	2,633	26,522	24,463
—	—	187	—	652	—	—	—	901	3,164
8,908	318	1,134	20,479	11,692	16,379	5,380	15,370	155,303	166,492
34	—	366	334	1,170	—	—	—	3,301	3,333
—	16,214	347	—	—	337	5	—	25,162	39,322
2,147	1,450	68	2,282	1,677	3,276	910	489	28,647	29,082
28,910	67,386	44,917	59,357	55,942	53,906	15,120	44,107	717,415	785,000
10,488	8,217	(965)	4,246	5,325	6,152	(281)	10,962	48,740	47,823
31,935	23,251	8,201	7,034	16,015	12,547	20,807	163,621	404,518	356,695
\$ 42,423	\$ 31,468	\$ 7,236	\$ 11,280	\$ 21,340	\$ 18,699	\$ 20,526	\$ 174,583	\$ 453,258	\$ 404,518



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Commonwealth of Massachusetts



**STATUTORY BASIS FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019**

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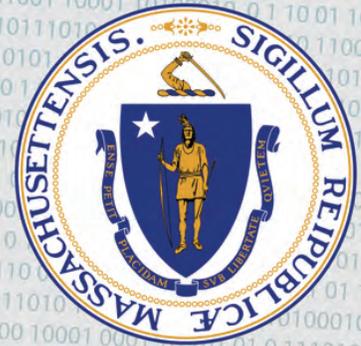
Exhibit C

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Commonwealth of Massachusetts

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019



Promoting Women in STEM
through Nexus Regional STEM Networks

Commonwealth of Massachusetts



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Prepared by
Office of the Comptroller
Statewide Financial Reporting Team



Andrew W. Maylor
Comptroller of the Commonwealth

This document is available at the Comptroller's website: www.macomptroller.org

Massachusetts Department of Higher Education STEM Nexus STEM Regional Networks - Promoting Women in STEM

The 2019 Commonwealth of Massachusetts Comprehensive Annual Financial Report (CAFR) is pleased to highlight the important work that the Massachusetts Department of Higher Education is doing to promote women in STEM through its Nexus STEM Regional Networks. STEM is the acronym for science, technology, engineering and mathematics. Promoting and supporting women in STEM is critical to bridging the gender and pay gaps for women and improving the quality and scope of STEM opportunities in Massachusetts.

Why is STEM important for women in Massachusetts?

Although Massachusetts was recently ranked 2nd among all 50 states in terms of gender equity in STEM employment, the employment gap between women and men in STEM careers is still wide. *While women hold more than half of healthcare jobs in Massachusetts, the State has only a modestly higher percentage of women in non-healthcare STEM occupations (29%), compared to the national average (25%).* Overall, there are 2.5 men to every woman in STEM jobs, slightly better than the national rate of 3 men for every woman.

Managed by the Department of Higher Education the State's Regional STEM Networks serve as hubs for connecting educators, community leaders and industry partners to further excite and energize students about opportunities in STEM subjects. These networks are among the longest standing STEM Networks in the country.

The Massachusetts strategy with the STEM Nexus Regional Networks was to align economic, workforce, and education systems to coordinate systems based on skill needs in regions. The Governor designated a new set of regional boundaries that roll up existing workforce development areas into a smaller set of regions.

Each network is managed by an executive director and housed in either an institution of higher education or a regional employment board. Under the direction of the STEM Advisory Council, the networks play a key role in cultivating interest and engagement in STEM activities in their regions and implementing the priorities of the STEM Advisory Council.

Special thanks to the Massachusetts Department of Higher Education for curating and providing photos of women in STEM education.

Front Cover:

The double helix is made up of photos submitted by (top to bottom): Roxbury Community College, Greenfield Community College and Holyoke Community College.

Back Cover:

Special thanks to Massachusetts College of Liberal Arts for the top photo and mass.edu/stem/getinvolved/pipelinetworks.asp for the remaining photos on the back cover.

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

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PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS



STEM ADVISORY COUNCIL

The STEM Advisory Council is established by [M.G.L. Chapter 6, Section 218](#) in order to expand access to high-quality STEM education for students across the Commonwealth. Members of the Council include individuals from academia, business, government and non-profits who believe in the necessity of a STEM-literate and skilled citizenry ready to meet the needs of a 21st Century workforce. The Council serves as the central coordinating entity to bring together all of the participants from state agencies, the legislature, and members of the public and private sectors involved with STEM planning and programming.

The Council has named expanding access to work-based learning opportunities in STEM fields through the STEM@Work initiative, developing strong models of STEM Early College Career Pathways, and broadening access to computer science and engineering programs as key priority areas.

In addition, the STEM Advisory Council outlined key principles for its work, including focusing on expanding opportunities for communities with high concentrations of students living in low-income areas, students that are historically underrepresented in STEM fields (such as women), and ensuring high-quality instruction in every corner of the Commonwealth.

The STEM Advisory Council seeks to build a deeper, more diverse human capital pipeline to fill the growing demand for talent by Massachusetts employers, while creating new opportunities for young people and adults to pursue rewarding and productive careers requiring STEM expertise.

Working with educators, legislators, and business and community leaders, the Council seeks to promote the importance of these essential disciplines while also incentivizing the development and spread of best practices that enhance students' successful preparation for entry into the 21st Century workforce.

Content and photo courtesy of: <https://www.mass.edu/stem/home/council.asp> and <http://mass-stem-summit.org/history>.

Introductory Section

(Unaudited)

Letter of Transmittal
Constitutional Officers
Commonwealth Organizational Structure
Advisory Board to the Comptroller
Acknowledgements
Certificate of Achievement

PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS

HIGHLIGHT: Berkshire Stem Network



Lindsay McCarthy, Berkshire STEM Program Manager, Massachusetts College of Liberal Arts

Lindsay McCarthy holds dual undergraduate degrees from the University of Massachusetts at Amherst in Social Thought & Political Economy and Psychology as well as a Master's in Public Administration from Westfield State University. After nearly twenty years working with Berkshire County high risk populations for organizations such as the American Red Cross, Big Brothers Big Sisters and Community Action, Ms. McCarthy returned to school and is currently pursuing her Engineering Associates in Science from Berkshire Community College. Ms. McCarthy is a current NASA Community College Aerospace Scholar and passionate advocate for the study and application of mathematics.

For more information: http://www.mcla.edu/About_MCLA/area/Community-Collaborations/stempipeline/index



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February 10, 2020

***To the People of the Commonwealth of Massachusetts,
Governor Charles D. Baker and Honorable Members of the General Court***

We are pleased to provide this Letter of Transmittal for the Commonwealth's fiscal year 2019 (FY19) Comprehensive Annual Financial Report (CAFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. The objective of this report is to provide a clear financial picture of our government as a single, unified entity.

This document presents the Commonwealth's financial information on three bases of accounting, each serving a different purpose. The report includes "required supplementary information" in the form of budgetary basis statements, which are prepared in accordance with the Commonwealth's budgetary or statutory basis of accounting and summarized by Commonwealth branch and agency. This information is aggregated from FY19 line item appropriations, the legal level of budgetary control -- i.e., the amount up to which state departments can spend without approval of additional appropriations (in a so-called "supplemental budget") by the Massachusetts Legislature. Line items specify a dollar amount that can be legally spent on specified programs or activities; for example, separate line items are authorized in the state's annual budget for general administrative expenses (including personnel expenses) and for benefit payments in the Commonwealth's Medicaid program. More detailed information on the statutory basis of accounting and the results of operations on that basis from FY19 are found in the Statutory Basis Financial Report (SBFR) issued separately on January 6, 2020. The SBFR documents compliance with the legislatively adopted budget at a fund level. Further documentation is found within the Commonwealth's accounting system, the Massachusetts Management Accounting and Reporting System (MMARS). Each state maintains different rules for budgetary reporting and therefore the SBFR should not be used for comparisons across states.

The CAFR "fund perspective" statements present the governmental operations on a modified accrual basis of accounting. The fund perspective is designed to measure inter-period equity, the extent to which current resources (available within one year) fully fund all current services provided by the government. Long-term liabilities are excluded with the implicit assumption that future tax revenues will fund these liabilities as they come due. This fund perspective provides results similar to the SBFR.

In addition to the fund perspective, this CAFR presents a "government-wide" perspective. This perspective combines all governmental and business-type activities in a statement of net position and a statement of activities, presenting all functions on a full accrual basis of accounting. All capital assets are added to the government-wide statements, as are most long-term liabilities. Funds that are shown as fiduciary under the fund perspective are not portrayed in the government-wide statements, as the assets do not belong to the Commonwealth.

In the government-wide statements, the balance sheet has been organized into a "net position format." This format classifies all assets and liabilities as short and long-term and then subtracts liabilities from assets to arrive at net position.

The Commonwealth's government-wide revenues, expenses and activities are included in the statement of activities. The expenses of the Commonwealth, organized by function, are netted against fees, fines, grant revenues, and assessments generated to fund each function in an attempt to derive the net cost to the taxpayer of each function. This format allows the reader of the financial statements to discern the net cost of a particular function of government funded by taxation and other general revenues.

This CAFR is presented in three sections: **Introductory**, **Financial**, and **Statistical**. The **Introductory Section** contains an overview of current initiatives and summary financial data. The **Financial Section** contains the Management’s Discussion and Analysis (MD&A) and the Commonwealth’s Basic Financial Statements. GAAP requires that management provide a narrative overview and analysis in the form of an MD&A to accompany the basic financial statements.

This letter of transmittal is designed to complement the MD&A, where the financial analysis is presented. The Commonwealth’s MD&A can be found immediately following the Independent Auditors’ Report. The **Statistical Section** contains selected financial and demographic information; it also contains background information on the Commonwealth.

PROFILE OF THE COMMONWEALTH

The Commonwealth of Massachusetts was the sixth of the original 13 colonies to ratify the United States Constitution, joining the United States on February 6, 1788. Boston, the capital of the Commonwealth since its founding, dates from 1630. The Commonwealth has an area of 8,257 square miles. Geographically, the Commonwealth includes 351 cities and towns. The largest city is the capital, Boston. Employment is largely in the education, health services, wholesale and retail trade, financial, technology, and public sectors. Due to the Commonwealth’s high levels of basic and advanced education and the presence of world-class educational institutions, the Commonwealth’s economy is driven in large part by innovation in technology, life sciences, health care, and business services.

The Massachusetts Constitution was ratified in 1780 while the Revolutionary War was still in progress, nine years before the United States Constitution was adopted, and is the oldest written Constitution now in use. It specified three branches of Government: Legislative, Executive, and Judicial. “The Great and General Court,” elected every two years, is made up of a Senate of 40 members and a House of Representatives of 160 members. It is the second oldest democratic deliberative body in the world.

The table on page 3 reconciles the fund balances on three bases of accounting: the statutory basis presented in separately issued financial statements on January 6, 2020; the fund basis; and the entity-wide basis statements, the latter two of which are included in this report.

Governmental Funds - Statutory to GAAP - Fund Perspective and to Governmental Activities Net Position
(Amounts in millions)

Governmental Funds - Statutory Basis, June 30, 2019		
Budgeted fund balance	\$	3,959.2
Non-budgeted special revenue fund balance		2,457.5
Capital projects fund balance		(216.4)
Governmental Fund Balance - Statutory Basis, June 30, 2019	\$	6,200.3
Plus: Expendable Trust and Similar Fund Statutory balances that are considered Governmental Funds for GAAP reporting purposes		651.7
Less: Massachusetts Department of Transportation Funds		(1,438.3)
Adjusted Statutory Governmental fund balance		5,413.7
Short term accruals, net of allowances and deferrals for increases /(decreases):		
Taxes, net of refunds and abatements		2,176.6
Tobacco Settlement Agreement receivable		133.1
Medicaid		(71.5)
Other short term accruals:		
Assessments and other receivables		231.8
Amounts due to authorities and municipalities, net		(428.6)
Claims, judgments and other risks		(13.2)
Amounts due to health care providers and insurers		(37.3)
Workers' compensation and group insurance		(192.1)
Other accruals, net		292.8
Net increase to governmental fund balances		2,091.6
Massachusetts School Building Authority fund balance		1,606.0
Total changes to governmental funds		3,697.6
Governmental fund balance (fund perspective)		9,111.3
Plus: Capital assets including infrastructure, net of accumulated depreciation		4,807.5
Deferred revenue, net of other eliminations		334.5
Long-term receivables		28.0
Long term accruals:		
Net pension liability		(38,065.0)
Net deferred (inflows)/outflows of resources related to pension		5,684.7
Net OPEB liability		(12,989.1)
Net deferred (inflows)/outflows of resources related to OPEB		(3,516.0)
Environmental remediation liability		(517.4)
Massachusetts School Building Authority debt and school construction payables		(6,975.1)
Long term debt, unamortized premiums and net deferrals on debt refundings		(30,625.6)
Compensated absences		(616.3)
Capital leases		(19.8)
Accrued interest on bonds		(444.0)
Other long term liabilities		(278.1)
Total governmental activities net position (entity wide perspective)	\$	(74,080.4)

The deficit of \$74.080 billion in governmental activities net position is largely attributable to several factors. First, the Commonwealth has made a policy decision to finance construction of assets owned by other government entities, particularly Commonwealth roads and bridges, school buildings, and assets of cities and towns and local authorities. As a result of transportation reform implemented during FY10, the Commonwealth shifted virtually all its road and bridge assets from its books to the newly created Massachusetts Department of Transportation (MassDOT), a component unit of the Commonwealth. Second, starting in FY15, the Commonwealth's net (or unfunded) pension liability, was

placed on the Commonwealth's books in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Third, the Commonwealth's net (or unfunded) OPEB, or other post-employment benefits (mainly health insurance), liability, was placed on the Commonwealth's books starting in FY18 in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*.

At the end of FY19, MassDOT held \$25.417 billion in road, bridge, and other transportation-related assets (excluding assets of the Massachusetts Bay Transportation Authority) net of related depreciation, the vast majority of which were formerly held by the Commonwealth. The Commonwealth also has financed significant transportation and non-transportation assets currently held by Massachusetts Institutions of Higher Education, Massachusetts cities and towns, and quasi-public authorities. While the exact amount of Commonwealth-funded assets held by these entities is difficult to determine, between FY05 and FY19 the Commonwealth's capital spending on Higher Education capital projects totaled approximately \$2.042 billion, capital spending for transportation-related financial assistance to local governments totaled approximately \$3.884 billion, and other grants and financial assistance for non-Commonwealth entities such as cities and towns and quasi-public authorities funded through the Commonwealth's capital budget totaled \$6.346 billion, including \$1.000 billion to fund the Massachusetts School Building Authority (MSBA) in FY05 and FY06. In addition, the Commonwealth has a net liability of \$5.221 billion for debt and grant obligations for the School Building Assistance Program that finances construction of schools for the Commonwealth's cities and towns. As almost all of this capital spending was financed by Commonwealth debt, the liabilities are retained by the Commonwealth while the assets are held by the Institutions of Higher Education, Massachusetts cities and towns, and entities such as local housing and other quasi-governmental authorities.

Since MassDOT ended FY19 with a positive net position of \$26.156 billion, it is more informative to view the Commonwealth's financial statements in combination with MassDOT than to analyze the two separately, while also keeping in mind that significant assets owned by the Institutions of Higher Education and local governments and authorities were financed by liabilities still on the Commonwealth's books.

As of June 30, 2019, the net pension liability in governmental activities totaled \$38.065 billion, offset by GASB 68 related adjustments (in the form of deferred inflows and outflows) of \$5.685 billion; resulting in a reduction in governmental activities net position of \$32.380 billion. Governmental activities' net OPEB liability totaled \$12.989 billion.

The net deficit in governmental activities (which excludes "business-type activities" of Unemployment Insurance and Higher Education) decreased by \$74 million between June 30, 2018 and June 30, 2019, as increases in assets were approximately offset by increases in liabilities. There most significant changes were as follows:

- The Commonwealth's current assets increased by \$1.900 billion, primarily as result of an increase of \$2.065 billion in cash and cash equivalents, as a strong increase in tax revenues resulted in a statutory basis FY19 operating surplus.
- The Commonwealth's other net post employment benefits (OPEB) liability, after taking into account deferrals of the liability decrease caused by lower than projected retiree medical costs and a change in the discount rate by which OPEB liabilities are calculated, decreased by \$221 million between FY18 and FY19.
- The Commonwealth's net pension liability, after taking into account deferrals of FY19 investment gains and other adjustments that will be recognized over the next several years, increased by \$1.636 billion, primarily due to a reduction, from 7.35%, to 7.25%, in the rate used to discount liabilities.
- As noted on page 3, the Commonwealth continues to fund, through its own debt, transportation-related assets owned by the Massachusetts Department of Transportation (MassDOT), Institutions of Higher Education, cities and towns and quasi-public authorities. In FY19, approximately \$1.961 billion of the more than \$2.601 billion in state-funded capital spending generated assets not owned by the Commonwealth, including \$1.272 billion in transportation spending (more than \$381 million of which were grants and other financial assistance to cities and towns), \$106 million for Institutions of Higher Education (which are attributed to the Commonwealth's business-type activities), and approximately \$275 million in other capital grants and financial assistance to local governments and quasi-public entities. As a result of this capital spending on assets owned by entities other than the Commonwealth, the amount of debt outstanding increased by \$826 million while the Commonwealth's capital assets net of depreciation increased by only \$24 million.

The net deficit in the primary government, in addition to governmental activities, includes the Commonwealth's business-type activities of the Unemployment Insurance system and Higher Education institutions, decreased by \$674 million from FY18, with lower net deficit due primarily to an increase of \$417 million in the Unemployment Insurance fund balance and smaller surpluses in Higher Education.

The Commonwealth engages in multi-year financial planning in several areas, including the adoption of a statutorily required triennial pension funding schedule (which is funded prior to the adoption of each year's annual budget), a five year capital spending plan, and a multi-year debt issuance planning process via a Debt Affordability Committee established in statute, comprised of Massachusetts government and non-government financial experts. The Commonwealth's short and long-term goal is to achieve annual statutory structural budget balance, i.e., where annual revenues equal or exceed annual expenditures, thus minimizing the use of one-time resources. A related goal is to limit the growth in state expenditures to increases in budgeted revenues. The current Administration has also committed to a policy of annual increases in unrestricted aid to cities and towns equal to the growth in projected budgetary fund tax revenues.

REPORTING ENTITY

The financial statements incorporate activity from over 150 departments. These departments include the various agencies, boards, and commissions, the 25 Institutions of Higher Education, the judicial and legislative branches of government, and constitutional offices. The departments record their daily financial operations in the state accounting system, MMARS, operated by the Office of the Comptroller.

In addition, the financial statements include 41 independent public authorities. These entities are defined as component units and meet the criteria for inclusion in the Commonwealth's reporting entity in accordance with GAAP. They are further described in Note 14 to the basic financial statements. The Massachusetts School Building Authority (MSBA) is blended into the Commonwealth's operations.

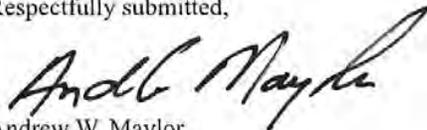
INDEPENDENT AUDIT

The Commonwealth's independent auditors, KPMG LLP, have performed an independent audit of the Commonwealth for the fiscal year ended June 30, 2019. The Independent Auditors' Report is presented in the Financial Section.

The Office of the Comptroller prepares these financial statements and is responsible for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the Office of the Comptroller, working in conjunction with the State Auditor, has established a comprehensive internal control framework that is designed to protect the Commonwealth's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Commonwealth's financial statements in conformity with GAAP. Because of the cost, internal controls should not outweigh their benefits. The Commonwealth's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement.

We would like to express our sincere thanks to the dedicated employees of the Office of the Comptroller, and in particular Deputy Comptrollers Chris Guido, Jenny Hedderman and Howard Merkowitz and Assistant Comptrollers Kristine Hill-Jones, Kevin McHugh, Amy Nable and Peter Scavotto, whose tireless efforts serve the citizens of the Commonwealth well on a daily basis. We are proud to have them all on this team as we embark on another year of innovation within the Comptroller's Office and establish a model for good governance nationwide.

Respectfully submitted,



Andrew W. Maylor
Comptroller of the Commonwealth

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Suzanne Bump
Auditor

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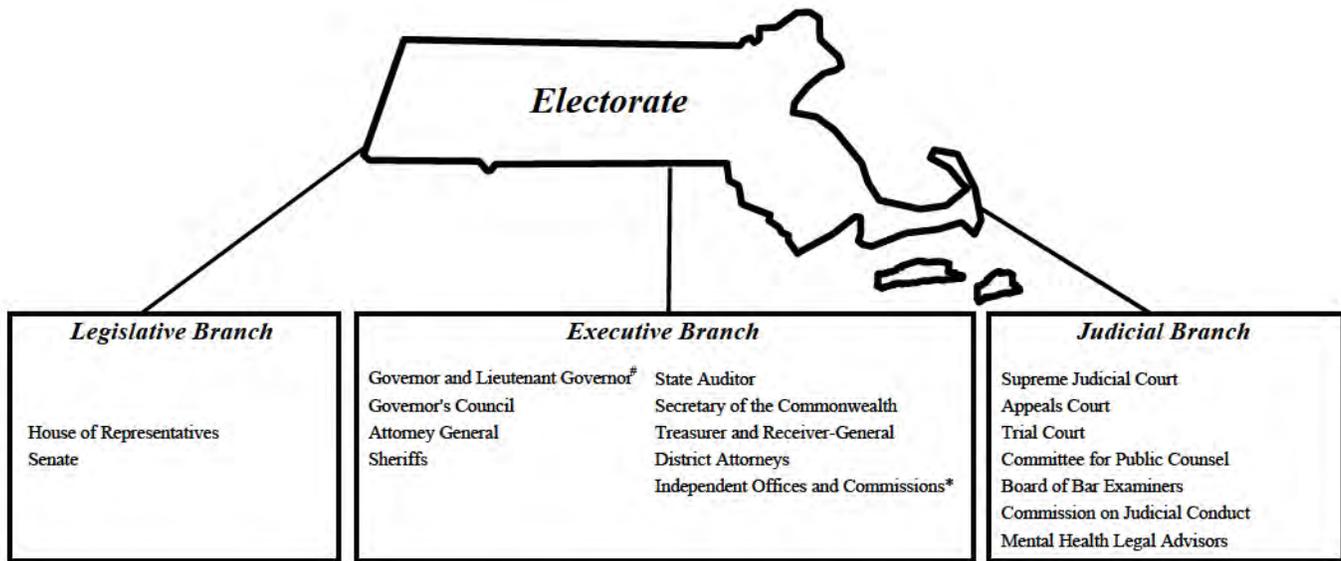
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Chief Justice, Appeals Court

Jonathan Williams
Court Administrator, Trial Court



Executive Branch Independent Offices and Commissions*

<p>Board of Library Commissioners Campaign and Political Finance Cannabis Control Commission Center for Health Information & Analysis Commission Against Discrimination</p>	<p>Commission on the Status of Women Disabled Persons Protection Commission Massachusetts Gaming Commission Office of the Child Advocate Office of the Comptroller</p>	<p>Office of the Inspector General State Ethics Commission State Retiree Benefits Trust Fund Board University of Massachusetts System</p>
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Executive Departments Under Gubernatorial Authority[#]

<p><u>Administration and Finance</u> Executive Office for Administration and Finance Appellate Tax Board Bureau of the State House Civil Service Commission Department of Revenue Developmental Disabilities Council Division of Administrative Law Appeals Division of Capital Asset Management and Maintenance George Fingold Library Group Insurance Commission Health Policy Commission Human Resource Division Massachusetts Office on Disability Massachusetts Teachers' Retirement System Operational Services Division Public Employee Retirement Administration Commission</p> <p><u>Education</u> Executive Office of Education Department of Early Education and Care Department of Elementary and Secondary Education Department of Higher Education Community Colleges State Universities</p>	<p><u>Housing and Economic Development</u> Executive Office of Housing and Economic Development Department of Business Development Office of Consumer Affairs & Business Regulations Massachusetts Marketing Partnership Department of Housing & Community Development Department of Telecommunications and Cable Division of Banks Division of Insurance Division of Professional Licensure Division of Standards</p> <p><u>Energy and Environmental Affairs</u> Executive Office of Energy and Environmental Affairs Department of Agricultural Resources Department of Conservation and Recreation Department of Energy Resources Department of Environmental Protection Department of Fish and Game Department of Public Utilities State Reclamation Board</p> <p><u>Technology and Security</u> Executive Office of Technology Services and Security</p> <p><u>Transportation and Public Works</u> Executive Office of Transportation and Public Works</p>	<p><u>Executive Office of Labor and Workforce Development</u></p> <p><u>Health and Human Services</u> Executive Office of Health and Human Services Executive Office of Elder Affairs Department of Children and Families Department of Developmental Services Department of Mental Health Department of Public Health Department of Transitional Assistance Department of Veterans' Services Department of Youth Services Massachusetts Commission for the Blind Massachusetts Commission for the Deaf and Hard of Hearing Massachusetts Rehabilitation Commission Office for Refugees and Immigrants Soldiers' Home, Holyoke Soldiers' Home, Massachusetts</p> <p><u>Public Safety</u> Executive Office of Public Safety and Security Chief Medical Examiner Department of Criminal Justice Information Services Department of Correction Department of Fire Services Department of State Police Massachusetts Emergency Management Agency Military Division/ Massachusetts National Guard Municipal Police Training Committee Parole Board Sex Offender Registry</p>
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ADVISORY BOARD TO THE COMPTROLLER

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Auditor

Deborah B. Goldberg
Treasurer and Receiver-General

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Massachusetts Convention Center Authority
Gubernatorial Appointee

Natalie Monroe
First Assistant Inspector General
Office of the Inspector General
Gubernatorial Appointee

REPORT PREPARED BY:

Howard Merkowitz
Deputy Comptroller

Statewide Financial Reporting

Michael Rodino, CPA
Chief Financial Reporting Officer

Pauline Lieu, CPA, CFE, CGFM
Deputy Chief Financial Reporting Officer

Christine Bender
Accountant

Wagdy Rizk
Accountant

Nana Law, CPA
Accountant

Brian Johnson
Accountant

Emily Pun, CPA
Accountant

Cathy Hunter
Program Coordinator

PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS

HIGHLIGHT: **Boston STEM Network**



Hilary Brayton Hutchison, STEM Partnership Manager, Boston Private Industry Council

As the STEM Partnership Manager at the Boston Private Industry Council, Hilary Hutchison oversees STEM initiatives including statewide STEM Week and manages partnerships with companies in Boston to connect Boston public high school students with internships and career exploration experiences. Prior to this role, she coordinated extended learning time programs at the Boston Public Schools and worked as part of the communications and research team at the Boston Plan for Excellence. Hilary earned a Master’s in Social Service Administration from the University of Chicago and a Bachelor’s in Psychology and Spanish from Gettysburg College.

“The Boston STEM Network promotes women in STEM by engaging professionals from STEM businesses, associations, education, and the community in volunteer opportunities, meetings, events, and on social media where they can connect with other professionals and inspire youth to explore STEM careers.”

“It is important to promote women in STEM to develop the skilled workforce that employers need to meet their vacancies and adapt to industry demands.”

For more information: <http://bostonstemnetwork.org/>



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June 30, 2018

Christopher P. Morrill

Executive Director/CEO

PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS

HIGHLIGHT: Cape Cod STEM Network



Bridget Burger, Network Director Cape Cod Community College.

A graduate of Yale, with a Master's Degree in Education from Lesley University, Bridget Burger is an Ethnomathematics and STEM Institute Scholar at the University of Hawai'i Manoa College of Education. Her work experience has included developing experiential, culturally-relevant STEM curriculum for Pacific Islanders, creating project-based, developmental math curriculum for charter and vocational schools, and collaborating across stakeholders to deliver high-quality educational programs in the community.

In leading the Cape Cod Regional STEM Network, based at Cape Cod Community College, she is able to apply her range of skills and experiences to foster STEM education in the region she calls home. She also coordinates other STEM education programs at Cape Cod Community College, including STEM Starter Academy, funded by the Department of Higher Education, and Offshore Wind Workforce Development, funded by Mass Clean Energy Center. She is also a Co-Principal Investigator of National Science Foundation Award #1930184, investigating pathways for improving outcomes for underserved students in STEM education for rural community college students in the region. She coordinated National Science Foundation Award #1347610, transforming STEM education in the Cape & Islands region through the development of the Cape Cod Regional STEM Network.

"The Cape Cod Regional STEM Network is committed to promoting STEM equity and inclusion for all in our region. We do this in several ways. On our website and in social media posts we regularly feature articles highlighting organizations and individuals engaging women and girls in STEM in our region to broaden the impact of those efforts. We coordinate and host competition events for a Vex robotics league in which more than half of the coaches are women, and helped to connect schools with grants for several new "Girl Powered" robotics teams. Last year, we created an event called Sisters in STEM, which brings together women mentors from 500 Women Scientists, WHOI, and Cape Cod Community College faculty and students to engage in a fun evening of hands-on STEM exploration with over 40 6th-8th grade girls. This program supports participants to strengthen their identity in STEM, form connections, share knowledge, and build a community dedicated to STEM. The program has been so successful that we are looking to expand it."

"Data continues to show that, in many STEM fields, women are grossly underrepresented, compared to other fields. Why? There is a culture in STEM education that, at various stages, discourages girls and women from pursuing, succeeding in, and remaining in STEM degree tracks. We need to change this, because we need diversity in STEM. Our strength and resilience as innovators lies in our diversity--by including and valuing different perspectives and backgrounds in applying STEM knowledge, we generate better, more viable solutions to the problems we face. So promoting and supporting women in STEM is important for all of us. As the hub of the Cape & Islands STEM ecosystem, we are in a unique position to impact our region's STEM culture to do just that."

For more information: <https://capecodstemnetwork.org/>

Financial Section

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information Other Than Management's Discussion and Analysis

Other Supplementary Information

PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS

HIGHLIGHT: Central STEM Network



Kathy Chen, Executive Director the STEM Education Center at Worcester Polytechnic Institute (WPI).

Kathy Chen has always been curious about the world and ended up studying Chemistry and Materials Science & Engineering at Michigan State University. Although she dreamed of being a 2nd grade teacher, she ended up getting a Ph.D. from MIT in Materials Science and becoming a Professor in Materials Engineering at California Polytechnic State University (“Cal Poly”) San Luis Obispo. After more than 15 years of teaching in higher ed., she made a career shift to contribute more to the PreK-12 levels with equitable and inclusive STEM education by supporting educators to facilitate high-quality STEM experiences through the STEM Education Center at Worcester Polytechnic Institute.

“The mission of the Central MA STEM Network is to develop and deliver engaging STEM experiences for all youth particularly those from underrepresented groups, including women in STEM. In order to address the grand challenges of our world today, we need the wide perspectives, skills, and knowledge of our whole population, and women tend to bring a holistic and collaborative approach to problem solving. It’s important to promote and support women in STEM because they often don’t self-promote themselves, and thus they are not always recognized for their contributions and accomplishments.”

For more information: <https://wp.wpi.edu/cmsn/>



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

Mr. Andrew W. Maylor, Comptroller
The Commonwealth of Massachusetts
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (the Commonwealth), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following entities and funds:

- *Governmental Activities*
 - Massachusetts School Building Authority, which is a major governmental fund and represents 8.3% and 1.7% of the total assets and total revenues, respectively, of the Governmental Activities.
- *Business-Type Activities*
 - Individual state universities listed in Note 14 which represent 100% of the total assets and total revenues of the State Universities major enterprise fund
 - Individual community colleges listed in Note 14 which represent 100% of the total assets and total revenues of the Community Colleges major enterprise fund

These entities and funds collectively represent 28.1% and 22.8% of the total assets and total revenues, respectively, of the Business-Type Activities.

- *Discretely Presented Component Units*
 - Individual nonmajor component units listed in Note 14 which represent 7.6% and 5.8% of the total assets and total revenues, respectively, of the aggregate discretely presented component units.



Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities and funds indicated above, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Massachusetts Municipal Depository Trust, the Massachusetts Technology Park Corporation and the Massachusetts Life Sciences Center were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information, as listed in the accompanying table of contents (collectively referred to as RSI) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The introductory section, other supplementary information and statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, and the reports of the other auditors, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2020 on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commonwealth's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commonwealth's internal control over financial reporting and compliance.

KPMG LLP

February 10, 2020

PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS

HIGHLIGHT: MetroWest STEM Network



Dr. Irene Porro is the Director of the Christa Corrigan McAuliffe Center for Integrated Science Learning at Framingham State University; Director for the MetroWest STEM Education Network.

An astrophysicist by training, Dr. Irene Porro received her Ph.D. in Space Science and Technology from the University of Padova, Italy. During her doctoral program she was a researcher at the Harvard-Smithsonian Center for Astrophysics, in Cambridge, and then a post-doctoral fellow at the Max Planck Institut für Astronomie in Heidelberg, Germany. She then joined the Massachusetts Institute of Technology where she became the Director of the Education and Outreach Group of the MIT Kavli Institute for Astrophysics and Space Research. Dr. Porro is an alumna of the International Space University, an international education program that specializes in providing graduate-level training to the future leaders of the emerging global space community.

A professional scientist with a deep commitment to social justice, in her work Dr. Porro combines research skills in physics and astrophysics with an interdisciplinary approach to education to promote equity and diversity in STEM fields. Deeply aware of the benefits and sense of empowerment that exposure to the integration of art and science learning experiences produces, she is proud to serve on the advisory board for Catalyst Collaborative @ MIT and to work to support initiatives where both the arts and the sciences are fully respected and valued.

“The MetroWest STEM Education Network works to integrate and articulate our STEM efforts so that youth have access to quality STEM programming and career pathways. MSEN focuses on identify strategies to provide access to students who are financially disadvantaged and from underrepresented populations. Women are often an underrepresented group in STEM and MSEN aims to identify the barriers that may prevent women to pursue STEM education and career pathways to then call on all sectors of the STEM community to work together to remove those barriers.”

“If the outcomes of STEM research and development are going to be services and products to benefit all of humanity, we need to have actual representation of the diversity of humanity in the STEM enterprises that will produce such services and products. Women represent more than 50% of the global population and they should have a comparable representation in all STEM fields. We are clearly not there yet and we need to work so that more women are both competent and confident to pursue their passion and goals in STEM. “

For more information: <https://www.metroweststem.com/>

Management’s Discussion and Analysis **(Unaudited)**

Financial Highlights – Primary Commonwealth Government

Government–Wide Highlights

This analysis, prepared by the Office of the Comptroller, offers readers of the Commonwealth’s financial statements a narrative overview of the activities of the Commonwealth for the fiscal year ended June 30, 2019 (FY19). We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal and with the Commonwealth’s financial statements, which follow. This analysis is required by the Governmental Accounting Standards Board (GASB), which provides preparers with guidelines on what must be included in and excluded from this analysis.

Net Position – The liabilities and deferred inflows of resources of the primary government exceeded its assets and deferred outflows of resources at the end of FY19 by \$68.431 billion, a decrease in the net deficit of \$674 million from the FY18 net deficit.

Of the \$68.431 billion deficit, “unrestricted net position” has a deficit of \$74.409 billion and there is a \$2.435 billion positive balance attributable to net investment in capital assets. There are five primary reasons for the negative unrestricted net position:

- In FY10, the Commonwealth implemented transportation reform, which created the Massachusetts Department of Transportation (MassDOT) and transferred to that entity virtually all highway and bridge assets of the Commonwealth totaling approximately \$15.521 billion, net of depreciation, as of the date of the transfer. These and subsequently constructed road and bridge assets were valued at \$25.417 billion as of June 30, 2019. However, the Commonwealth originally paid and continues to pay for the construction of these assets and retains approximately \$13.068 billion in transportation-related debt, which is now unrelated to any capital asset owned by the Commonwealth.
- The Commonwealth has a net liability of \$5.221 billion for its share of the construction costs of schools owned and operated by municipalities through the Massachusetts School Building Authority (MSBA).
- The Commonwealth, through debt issuances, also pays for non-transportation capital assets held by quasi-public entities, local governments, and housing authorities.
- With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which was effective starting in FY15, the Commonwealth was required to place on its books the full amount of its unfunded pension liability (known as the “net pension liability”), which totaled \$38.783 billion as of June 30, 2019.
- The implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was effective starting in FY18, required the Commonwealth to record on its statement of net position its unfunded non-pension retiree benefits (or OPEB, mostly health insurance benefits), which totaled \$14.243 billion as of June 30, 2019.

At the end of FY19, the Commonwealth also held \$3.543 billion in “restricted net position”, which are assets restricted primarily for payment of debt service, unemployment insurance benefits, and the Institutions of Higher Education. Approximately \$1.997 billion in restricted net position balances were set aside for unemployment benefits, an additional \$975 million was restricted for debt retirement (of which \$951 million was restricted for MSBA debt retirement), \$275 million was restricted for Higher Education, and \$296 million was restricted for other governmental purposes.

The Commonwealth’s governmental activity (which excludes the “business-type activities” of the Institutions of Higher Education and Unemployment Insurance) net deficit decreased by \$74 million, to \$74.080 billion, and its governmental activities unrestricted net deficit decreased by approximately \$336 million, to \$73.918 billion, as of June 30, 2019.

Total revenues of the primary government increased by \$3.076 billion, or 4.9% in FY19, to \$65.719 billion. Total expenses of the primary government increased by \$641 million, or approximately 1.0%, to \$65.045 billion. Details on revenues and expenses can be found on pages 24–27.

The net position of business–type activities increased by \$600 million, due to surpluses of approximately \$183 million in Higher Education activity and \$417 million in the Unemployment Insurance program.

On a "funds perspective" basis, at June 30, 2019, the Commonwealth's governmental funds reported a combined ending fund balance of \$9.111 billion, an increase of \$2.273 billion from June 30, 2018. Of the ending balances:

- There are no nonspendable balances, \$1.317 billion is restricted, \$5.007 billion is committed, \$1.257 billion is assigned and \$1.530 billion is unassigned fund balance (a full discussion of these classifications is included in Note 1 to the basic financial statements, on pages 67–70).
- The MSBA's fund balance of \$1.606 billion is blended with the Commonwealth. Within this fund balance is \$1.502 billion in cash and restricted investments, which resulted primarily from the issuance of debt in FY19 and previous fiscal years, less approximately \$55 million in liabilities. In FY19, \$897 million was dedicated to the MSBA from Commonwealth sales taxes, and the MSBA issued \$200 million in long-term dedicated sales tax bonds to retire outstanding Commercial Paper Notes and close Commercial Paper program.

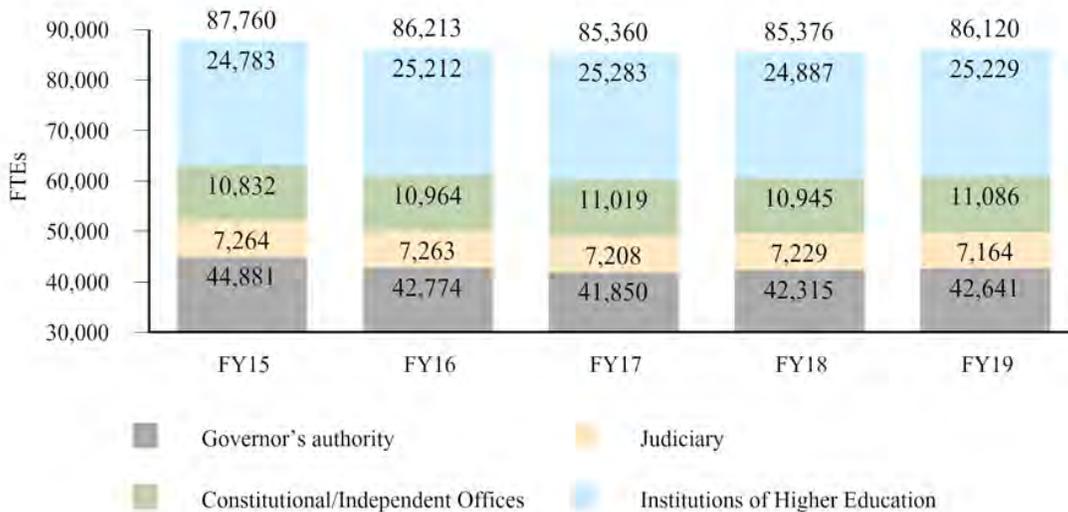
Other highlights of FY19 financial operations include:

- Tobacco settlement proceeds for the year were approximately \$230 million on a GAAP basis, a decrease of approximately \$27 million from FY18. Approximately \$133 million has been reported as a receivable in the governmental funds, equal to half of the anticipated tobacco settlement proceeds to be received in FY20. In FY19 approximately \$71 million, or the equivalent of 30% of tobacco settlement proceeds, was transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care. Per statute, the proportion of tobacco settlement revenues transferred to the SRBTF increases annually until an amount equal to 100% of the tobacco settlement proceeds is to be transferred to the SRBTF in FY23, although the requirement to transfer increasing percentages of tobacco settlement proceeds was modified for FY19 with the required percentage reduced to 30%.
- During the fiscal year, the Commonwealth passed or agreed to terms of approximately \$10.251 billion in bond authorizations. There were no bond de-authorizations of previously approved capital appropriations during the fiscal year. The Commonwealth determines the timing and extent of capital spending and bonding as part of its five-year capital plan.
- Lottery revenues for FY19 were \$5.653 billion, an increase of approximately \$210 million, or 3.9%, from FY18. Prizes were approximately \$4.446 billion. Lottery profits, after deducting administrative expenses and fringe benefit charges to reimburse the Commonwealth's General Fund for pension and employee health insurance benefits, but prior to distributions to reimburse the Massachusetts Cultural Council and compulsive gamblers appropriation as mandated in the FY19 budget, totaled \$1.104 billion an increase of \$107 million, or 10.7%, from FY18. Mandated transfers to the General Fund to reimburse it for administrative expense appropriations and other spending totaled \$1.207 billion.

Full-Time Equivalent Employment

The following chart shows the Commonwealth's full-time equivalent employment, including the Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgetary, non-budgetary, capital, federal, and trust) over the past five fiscal years. As of June 30, 2019, the number of Commonwealth employees increased by a net of 744 full-time equivalent employees (FTEs) from June 30, 2018, to a total of 86,120. The largest increase was in the University of Massachusetts (456 FTEs).

**Full Time Equivalent Workforce
Including Higher Education
June 2015 – June 2019**



OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Commonwealth’s basic financial statements. The Commonwealth’s basic financial statements comprise the following: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains additional required supplementary information in the form of budgetary schedules, which are prepared on the statutory basis of accounting, as well as pension and other post-employment benefits (OPEB) schedules. Other supplementary information is also provided to furnish additional detail to support the basic financial statements.

Government–Wide Financial Statements

The government-wide financial statements present the reader with a broad overview of the Commonwealth’s finances in a manner similar to a private sector business. The statements include the *Statement of Net Position*, which presents the assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position for the government as a whole. Also presented is the *Statement of Activities*, which presents the functional expenses, offsetting revenues and changes in net position of the Commonwealth. The statements report the Commonwealth’s net position and changes in net position. An increase or decrease in the Commonwealth’s net position is one way to measure financial health as well as the trend of increases or decreases over time. Non-financial measures such as the types of capital investments, changes in taxation, population, employment and economic conditions are also indicators of the overall health of any government.

Both the statement of net position and the statement of activities have separate sections for three different categories of the Commonwealth’s operations. These activities are Governmental Activities, Business-type Activities, and Discretely Presented Component Units. Governmental activities are where the Commonwealth’s basic services are reported. Business-type activities are those for which fees are charged for particular services. For the Commonwealth, business-type activities comprise the unemployment insurance compensation system and the Institutions of Higher Education. The component units are separate legal entities that are included in this report due to the nature of their governance and financial relationship with the Commonwealth.

The government–wide financial statements can be found on pages 36-39 of this report.

Fund Financial Statements and Component Unit Financial Statements

Funds are groups of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Within the funds, budgetary compliance is demonstrated at the appropriation level for budgeted expenditures.

Only the major funds are shown separately in the fund financial statements, with the remaining funds aggregated and reported as nonmajor funds.

Fund financial statements focus on individual parts of the Commonwealth, reporting its operations in more detail than the government-wide statements. The Commonwealth's funds can be divided into three categories: *Governmental Funds*, *Proprietary Funds*, and *Fiduciary Funds*. It is important to realize that these fund categories use different bases of accounting and should be interpreted differently. Further discussion of the funds can be found in the section "Financial Analysis of the Commonwealth's Funds" and in Note 1 to the basic financial statements.

Component unit financial statements are presented for entities where the Commonwealth has financial accountability, but the entities are independent of the core Commonwealth operations. Most component units operate similarly to private-sector businesses.

Although the Massachusetts School Building Authority (MSBA) is a component unit of the Commonwealth, the MSBA's operations have been determined by management to operate in a similar fashion to a Commonwealth department due to the MSBA's service to the Commonwealth and because it relies on a pledged portion of the Commonwealth's sales tax revenue to fund its debt service. In FY05, legislation changed the funding of school construction from a direct appropriation of the Commonwealth to a dedicated portion of the sales tax allocated to the MSBA. Because of the nature of transactions between the Commonwealth and this authority, per GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the authority's operations are blended with the primary government and reported as a governmental fund in the government-wide financial statements.

Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information

The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements as of the date provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 61–134.

The required supplementary information section includes a budgetary comparison schedule for the General Fund, along with a reconciliation comparing the original General Appropriation Act and supplemental appropriations to actual budgetary spending. A variance column is also provided. A further reconciliation schedule of the budgeted revenues and expenses to governmental fund perspective revenues and expenditures for the General Fund is also provided. Required pension and OPEB schedules are also presented in this section.

Other supplementary information is not required, but is included to present combining schedules of various nonmajor funds, fiduciary funds, and component units.

GOVERNMENT-WIDE ANALYSIS

The primary government's combined net position (governmental and business-type activities) showed a net deficit of \$68.431 billion at the end of FY19, a decrease in the net deficit of \$674 million from the end of FY18. Government-wide unrestricted net position is negative by \$74.409 billion. As explained previously, in addition to the \$38.783 billion government-wide net pension liability and the \$14.243 billion OPEB liabilities recorded on the Commonwealth's books, a substantial portion of this deficit is a result of programs where the Commonwealth has funded assets owned by political subdivisions of the Commonwealth (in particular the result of the transfer of assets to MassDOT during FY10), as well as continued borrowing by the Commonwealth that funds, through its capital budget and debt issuance, construction of new assets owned by MassDOT, local governments, and local authorities. MassDOT reports its capital assets on its financial statements, which are incorporated into the Commonwealth's financial statements similarly to other component

units.

**Major Long – Term Obligations for
Assets of Political Subdivisions
(amounts in thousands)**

Massachusetts School Building Authority net deficit.....	\$ 5,220,798
Outstanding bonds issued to fund the MBTA.....	207
Debt related to MassDOT assets.....	13,068,350
Effects on governmental unrestricted net position of items unique to the Commonwealth	<u>\$ 18,289,355</u>

Of the Commonwealth’s approximately \$2.601 billion in FY19 state funded capital spending, about \$1.961 billion did not result in capital assets attributed to governmental activities of the Commonwealth, including approximately \$1.272 billion in transportation spending (with \$381 million in grants and other financial assistance to cities and towns), \$106 million for Institutions of Higher Education (which are included in the Commonwealth’s business-type activities) and approximately \$275 million in other capital grants and financial assistance to local governments and quasi-public entities. Between FY05 and FY19 the Commonwealth’s capital spending on projects owned by non-Commonwealth entities or by the Institutions of Higher Education totaled \$25.043 billion. These include Higher Education capital projects totaling approximately \$2.042 billion, capital spending for transportation projects now owned by the Massachusetts Department of Transportation totaling approximately \$12.527 billion, transportation-related financial assistance to local governments totaling more than \$3.884 billion and other grants and financial assistance for non-Commonwealth entities such as cities and towns and quasi-public authorities funded through the Commonwealth’s capital budget of almost \$6.346 billion, including \$1 billion in FY05 and FY06 to capitalize the Massachusetts School Building Authority.

The Commonwealth also funds school construction through debt issued by the MSBA (beyond its initial \$1 billion capitalization), and includes the MSBA’s debt on its statement of net position, but the assets paid for with that debt are owned by Massachusetts cities, towns, and school districts.

Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year of the financial statement date, respectively. As of June 30, 2019, the Commonwealth’s government-wide current unrestricted cash and cash equivalents totaled \$7.962 billion, an increase of \$2.164 billion from June 30, 2018. Total current assets were \$15.827 billion, an increase of \$1.994 billion from June 30, 2018. As of June 30, 2019, the Commonwealth’s current liabilities were \$9.481 billion, a decrease of \$430 million from June 30, 2018.

As of June 30, 2019, the primary government’s non-current assets increased by \$455 million from June 30, 2018, to \$18.387 billion.

The Commonwealth holds \$12.716 billion in traditional capital assets such as land, construction in process, buildings, infrastructure, and equipment, net of accumulated depreciation. GASB requires the reporting of the value of investments in the Commonwealth’s infrastructure, including roads, bridges, beaches, dams and other immovable assets on the face of the Commonwealth’s financial statements. As these assets provide services to citizens, they are not available to finance future spending unless they are sold. Although the Commonwealth’s investment in its capital assets is also reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table shows the Commonwealth’s net position. Restricted net position represents resources that are subject to external constraints.

Net Position as of June 30, 2019 and 2018
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2019	June 30, 2018*	June 30, 2019	June 30, 2018*	June 30, 2019	June 30, 2018*
Current assets	\$ 13,777,391	\$ 11,877,883	\$ 2,049,611	\$ 1,955,358	\$ 15,827,002	\$ 13,833,241
Non-capital non-current assets	2,475,435	2,557,081	3,196,328	2,784,122	5,671,763	5,341,203
Capital assets	4,807,530	4,783,689	7,908,007	7,807,447	12,715,537	12,591,136
Total assets	21,060,356	19,218,653	13,153,946	12,546,927	34,214,302	31,765,580
Deferred outflows of resources	8,044,092	7,675,378	632,842	564,243	8,676,934	8,239,621
Total assets and deferred outflows	29,104,448	26,894,031	13,786,788	13,111,170	42,891,236	40,005,201
Current liabilities	8,475,674	8,916,003	1,005,649	995,449	9,481,323	9,911,452
Long term liabilities	88,548,459	88,837,409	6,504,498	6,788,016	95,052,957	95,625,425
Total liabilities	97,024,133	97,753,412	7,510,147	7,783,465	104,534,280	105,536,877
Deferred inflows of resources	6,160,667	3,295,107	627,163	277,753	6,787,830	3,572,860
Total liabilities and deferred inflows	103,184,800	101,048,519	8,137,310	8,061,218	111,322,110	109,109,737
Net Position:						
Net investment in capital assets	(1,433,294)	(1,446,934)	3,868,576	3,777,515	2,435,282	2,330,581
Restricted	1,270,844	1,546,202	2,271,721	1,867,748	3,542,565	3,413,950
Unrestricted	(73,917,902)	(74,253,756)	(490,819)	(595,311)	(74,408,721)	(74,849,067)
Total Net Position	\$ (74,080,352)	\$ (74,154,488)	\$ 5,649,478	\$ 5,049,952	\$ (68,430,874)	\$ (69,104,536)

* - Prior year amounts reclassified to conform to current year presentation

Changes in Net Position

As noted earlier, the Commonwealth's total primary government net deficit decreased by approximately \$674 million between FY18 and FY19, to \$68.431 billion. The main reasons for the \$674 million decline in the net deficit were the operating gains in the business-type activities of Unemployment Insurance and Higher Education (which had a \$600 million gain in FY19) and a smaller \$74 million gain in governmental activities, the result of several significant increases and decreases to net position that approximately offset each other.

The following table shows the major categories of government-wide revenues and expenses for FY18 and FY19, as well as net position for the two fiscal years. In FY19, approximately 46.6% of the primary government's total revenue came from taxes, while the remainder resulted from programmatic revenues, including charges for services and grants and contributions, the majority of which was federal aid. FY19 revenues totaled \$65.719 billion, an increase of \$3.076 billion, or 4.9% from FY18, with tax revenue totaling \$30.610 billion, an increase of \$2.646 billion, or 10.2%, from FY18. The increase in tax revenue was attributable primarily to income tax revenue, which increased by \$1.375 billion, or 8.6%, as withholding on wages and capital gains tax revenue growth was strong. Sales tax revenue grew by \$333 million, or 5.1%, corporate excise tax increased by \$773 million, or 33.6%.

**Revenue from Taxation
FY09 - FY19**



**Changes in Net Position during the Fiscal Years Ended June 30, 2019 and 2018
(in thousands of dollars except percentages)**

	Governmental Activities		Business - Type Activities		Total Primary Government		Total Primary Government		
	June 30, 2019	June 30, 2018*	June 30, 2019	June 30, 2018*	June 30, 2019	June 30, 2018*	June 30, 2019 Distribution	June 30, 2018 Distribution	'18 to '19 % Change
Revenues									
Program Revenues:									
Charges for services	\$ 11,411,869	\$ 11,107,419	\$ 4,629,552	\$ 4,408,343	\$ 16,041,421	\$ 15,515,762	24.4%	24.8%	(1.6)%
Operating grants and contributions	16,253,915	16,230,934	976,096	931,780	17,230,011	17,162,714	26.2%	27.4%	(4.4)%
Capital grants and contributions	66,085	99,002	112,033	160,201	178,118	259,203	0.3%	0.4%	(25.0)%
General Revenues:									
Taxes	30,609,957	27,964,093	—	—	30,609,957	27,964,093	46.6%	44.6%	4.5%
Other	1,513,855	1,283,283	145,483	458,018	1,659,338	1,741,301	2.5%	2.8%	(10.7)%
Total Revenues	59,855,681	56,684,731	5,863,164	5,958,342	65,718,845	62,643,073	100.0%	100.0%	
Expenses									
Medicaid	18,093,807	18,105,722	—	—	18,093,807	18,105,722	27.9%	28.1%	(0.7)%
Direct local aid	6,089,548	5,900,634	—	—	6,089,548	5,900,634	9.4%	9.2%	2.2%
Health and human services	8,662,012	8,298,704	—	—	8,662,012	8,298,704	13.3%	12.9%	3.1%
Lottery	4,445,654	4,325,321	—	—	4,445,654	4,325,321	6.8%	6.7%	1.5%
Higher education	—	—	5,345,669	5,283,861	5,345,669	5,283,861	8.2%	8.2%	—%
Early elementary and secondary education	5,607,240	6,101,603	—	—	5,607,240	6,101,603	8.6%	9.5%	(9.5)%
Unemployment compensation	—	—	1,483,901	1,552,404	1,483,901	1,552,404	2.3%	2.4%	(4.2)%
Other	15,317,352	14,836,204	—	—	15,317,352	14,836,204	23.5%	23.0%	2.2%
Total Expenses	58,215,613	57,568,188	6,829,570	6,836,265	65,045,183	64,404,453	100.0%	100.0%	
Excess/(Deficiency)									
before transfers	1,640,068	(883,457)	(966,406)	(877,923)	673,662	(1,761,380)			
Transfers	(1,565,932)	(1,123,731)	1,565,932	1,123,731	—	—			
Change in net position (deficits)	74,136	(2,007,188)	599,526	245,808	673,662	(1,761,380)			
Net position/(deficit) - beginning	(74,154,488)	(72,147,300)	5,049,952	4,804,144	(69,104,536)	(67,343,156)			
Net position/(deficit) - ending	(\$74,080,352)	(\$74,154,488)	\$ 5,649,478	\$ 5,049,952	(\$68,430,874)	(\$69,104,536)			

* - Prior year amounts reclassified to conform to current year presentation

Operating grants and contributions (including federal revenue for Medicaid and Unemployment Insurance) totaled \$17.230 billion, an increase of \$67 million, or 0.4%, in FY19, with Medicaid reimbursements decreasing by \$18 million, or 0.2%.

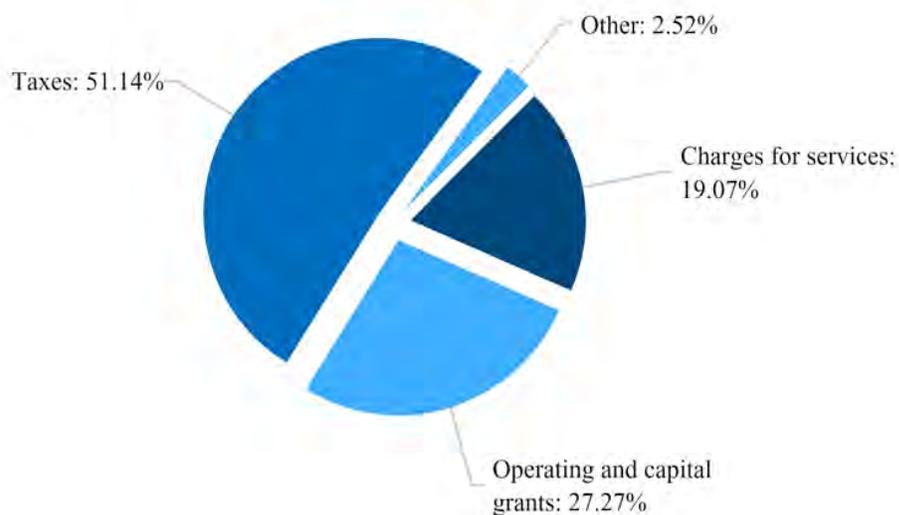
Charges for services totaled \$16.041 billion increasing of \$491 million, or 3.2% from FY18, with increases in charges in Health and Human Services Medicaid and general government, almost fully offset by declines in Lottery ticket purchases and a decrease in Energy and Environmental Affairs charges.

As of June 30, 2019, government-wide restricted net position totaled \$3.543 billion, an increase of \$129 million, with the majority of the increase due to assets restricted for other purposes.

Primary government spending totaled \$65.045 billion, an increase of \$641 million, or 1.0%, from FY18, with governmental activities spending (i.e., excluding business-type activities such as Higher Education and the Unemployment Insurance program) totaling \$58.216 billion, an increase of \$648 million, or 1.1%, and business-type activities spending totaling \$6.830 billion, a decrease of \$7 million, or 0.1%. Medicaid expenses totaled \$18.094 billion, a decrease of \$12 million, or 0.1%, from FY18, as cost saving measures offset increased enrollment growth and higher medical costs. Unemployment insurance compensation expenditures totaled \$1.484 billion, a decrease of \$69 million, or 4.4%. Other significant spending changes occurred in Health and Human services, where spending totaled \$8.662 billion, an increase of \$363 million or 4.4%, in transportation and public works, where spending totaled \$2.554 billion, an increase of \$71 million, or 2.8%, in direct local aid, where spending totaled \$6.090 billion, an increase of \$189 million, or 3.2%, and in general government expenses, where spending totaled \$2.766 billion, a decrease of \$26 million, or 0.9%.

Income taxes comprise the majority of tax revenue. Of the \$30.610 billion in FY19, tax revenue within governmental activities, \$17.423 billion, or approximately 56.9%, of total taxes, was from income taxes, \$6.850 billion, or 22.4%, was from sales taxes, \$3.068 billion, or 10.0%, was from corporate taxes, \$774 million, or 2.5%, was from motor fuels taxes and \$2.494 billion, or 8.2%, was from other forms of taxation. Lottery revenues of \$5.644 billion made up 49.5% of the Commonwealth’s governmental charges for services. The largest operating grants were federal Medicaid subsidies, which totaled \$10.170 billion, or approximately 62.6%, of all grants, other health and human services grants of \$3.122 billion, or 19.2% of all grants, and education grants of \$1.278 billion, or 7.9% of all grants. Most of the state’s capital grants are for highway construction, and those federal grants are recorded not in the Commonwealth’s financial statements but in the financial statements of the Massachusetts Department of Transportation.

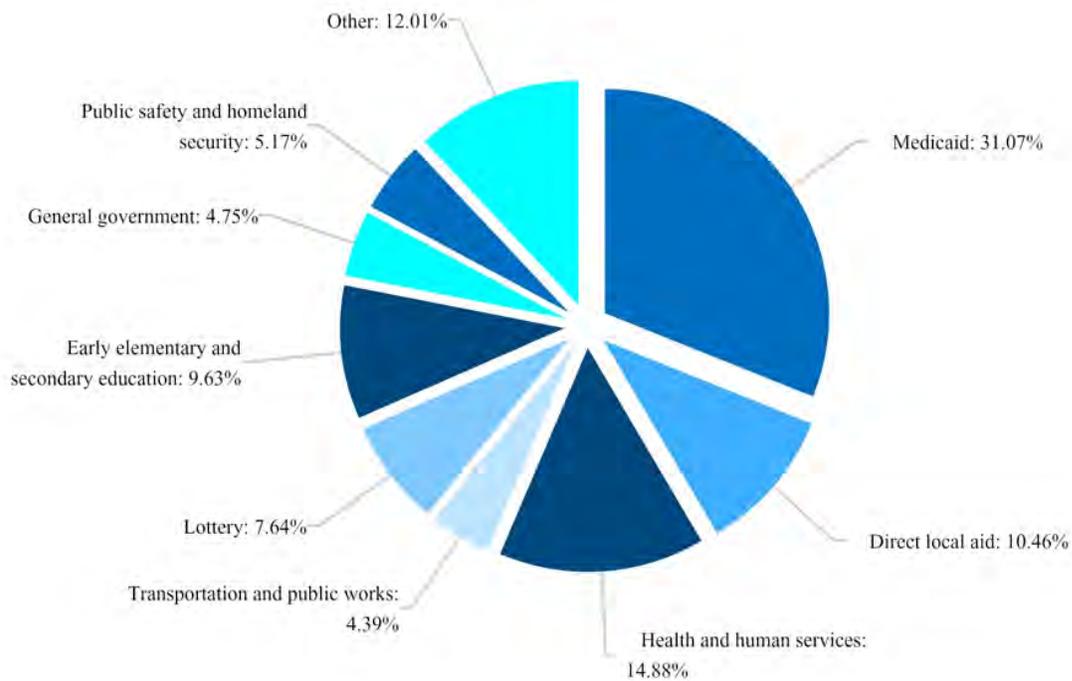
*Revenue—Governmental Activities
Fiscal Year Ending June 30, 2019*



Medicaid expenses of \$18.094 billion accounted for 31.1% of the Commonwealth’s governmental activities expenses. Historically, approximately half of Medicaid expenses have been reimbursed by the federal government, although under the Affordable Care Act some Medicaid expenditures are reimbursed at higher rates. The largest expense that is not subsidized by program revenues is direct local aid to the municipalities of the Commonwealth of approximately \$6.090 billion.

Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately \$8.662 billion, accounting for 14.9% of governmental expenses, pre-kindergarten through secondary education costs of approximately \$5.607 billion, accounting for 9.6% of governmental expenses and public safety and homeland security costs of approximately \$3.007 billion, accounting for 5.2% of governmental expenses. State employees’ pensions and other post-employment benefits, which are included in the department spending amounts above, were \$2.824 billion.

**Major Expenses—Governmental Activities
Fiscal Year Ending June 30, 2019**

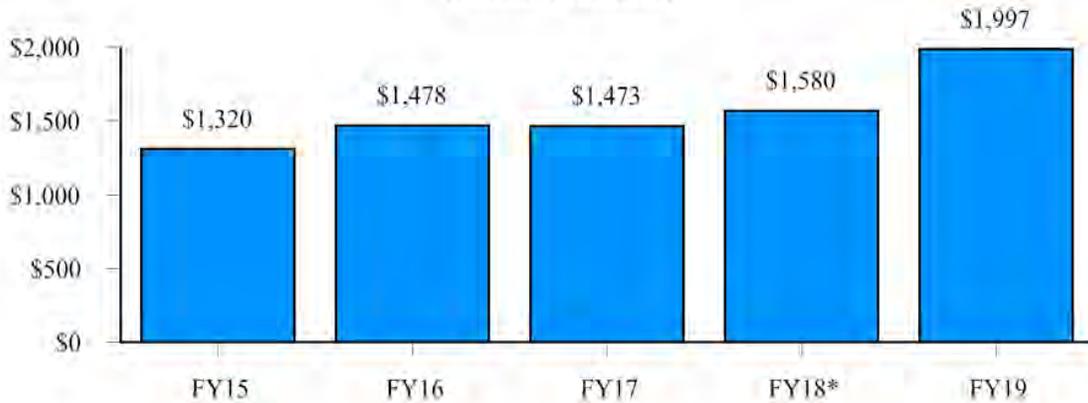


Business–Type Activities

Business–type activities are functions that equate to activities of a private enterprise. In the Commonwealth, the Institutions of Higher Education are deemed to be business-type activities because of their lack of separate taxation. Also, GASB standards mandate that the Unemployment Compensation Trust Fund be reported as a business–type activity.

As of June 30, 2019, business-type activities' net position totaled \$5.649 billion, an increase of \$600 million, or 11.9%, from FY18, with the net position of the Institutions of Higher Education increasing by \$183 million to \$3.653 billion and the net position of the Unemployment Insurance program increasing by \$417 million, to \$1.997 billion. Program revenues of business-type activities totaled \$5.718 billion an increase of \$183 million, or 3.3%, charges for services totaled \$4.630 billion, an increase of \$187 million, or 4.2%, with Unemployment Insurance charges increasing by \$235 million, or 14.5%, and Higher Education charges decreasing by \$48 million, 1.7%. Operating grants and contributions totaled \$976 million, an increase of \$44 million, or 4.8%, and capital grants and contributions totaled \$112 million, a decrease of \$48 million, or 30.1%.

*Unemployment Compensation Trust Fund
Net Position
Fiscal Years 2015 - 2019
(amounts in millions)*



* - Prior year amounts reclassified to conform to current year presentation

FINANCIAL ANALYSIS OF THE COMMONWEALTH'S FUNDS

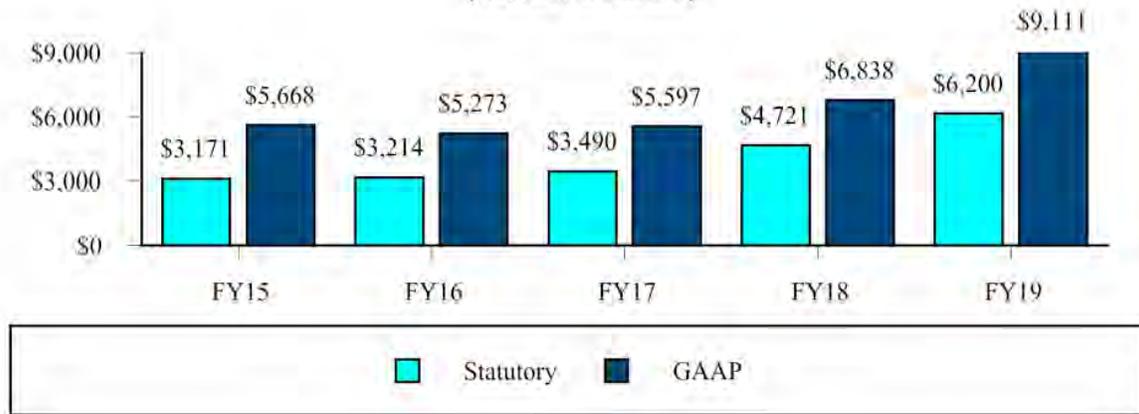
The Commonwealth uses fund accounting to demonstrate inter-period equity and the extent to which current resources are financing the full cost of services that citizens are receiving. The basic governmental funds financial statements can be found immediately following the government-wide financial statements.

Governmental Funds

Governmental funds account for the near term inflows, outflows, and balances of expendable resources of the Commonwealth's core functions and services. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The General Fund is the primary operating fund of the Commonwealth. At the end of FY19, the fund balance of the General Fund was \$5.870 billion. Of this amount, \$3.424 billion represents the balance in the Commonwealth's Stabilization Fund. \$445 million was classified as assigned for continuing appropriations from FY19 into FY20 and \$2.001 billion was unassigned.

**Governmental Fund Balance
Statutory* vs. GAAP
(amounts in millions)**



*Statutory basis includes the Massachusetts Department of Transportation (MassDOT) and excludes expendable trust funds

**Governmental Fund Operations - GAAP Basis - Fund Perspective
(amounts in thousands)**

	FY19	FY18*	FY17*	FY16*	FY15*
Beginning fund balances.....	\$ 6,838,444	\$ 5,597,382	\$ 5,273,746	\$ 5,305,565	\$ 4,619,686
Revenues and other financing sources.....	69,775,850	68,990,424	68,437,190	67,749,681	60,658,731
Expenditures and other financing uses	67,502,959	67,749,362	68,113,554	67,781,500	59,972,852
Excess/(deficiency).....	2,272,891	1,241,062	323,636	(31,819)	685,879
Ending fund balances.....	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>	<u>\$ 5,597,382</u>	<u>\$ 5,273,746</u>	<u>\$ 5,305,565</u>

* - Prior year amounts reclassified to conform to current year presentation

FY19 governmental fund revenues and other financing sources totaled \$69.776 billion, an increase of \$786 million, or 1.1%, from FY18, with a decrease of \$1.710 billion in Massachusetts School Building Authority (MSBA) long term debt and commercial paper issuance offsetting an increase of \$2.389 billion, or 3.6%, in non-MSBA revenues and other financing sources. Tax revenues totaled \$30.618 billion, an increase of \$2.375 billion, or 8.4%, primarily due to growth in withholding income, capital gains, sales, and corporate taxes as the Massachusetts economy continued to expand. Federal grants and reimbursements totaled \$16.328 billion, and decreased by only \$3 million. Assessments, fees, and investment earnings totaled \$13.389 billion, an increase of \$509 million, or 4.0%. Revenues from other financing sources totaled \$9.440 billion, a decrease of \$2.096 billion, or 18.2%, due to previously mentioned decreases in debt issuance at the MSBA and by the Commonwealth generally.

FY19 governmental fund expenditures and other financing uses totaled \$67.503 billion, a decrease of \$246 million, or 0.4% from FY18, with the decline resulting from a decrease of \$628 million in payments related to debt refunding transactions during FY18 offset by increases in various programmatic spending. Excluding the MSBA, governmental fund expenditures and other financing uses totaled \$66.486 billion, an increase of \$1.869 billion, or 2.9%, from FY18. Medicaid expenditures totaled \$18.094 billion, a decrease of \$12 million or 0.1%, with the decline due primarily to caseload reductions and lower than projected payments to managed care providers. Debt service expenditures totaled \$2.964 billion, a decrease of \$2.123 billion, or 41.7%, due almost entirely to the retirement of MSBA commercial paper obligations during FY18 which was not repeated in FY19. Post-employment benefits totaled \$1.368 billion, an increase of \$73 million, or 5.6%, with the growth mainly due to increased pension contributions. Direct local aid totaled \$6.090

billion, an increase of \$189 million, or 3.2%. Other financing uses totaled \$7.709 billion, an increase of \$243 million, or 3.3%, with the increase due primarily to increased transfers.

As of June 30, 2019 the Commonwealth's governmental funds reported combined ending fund balance of \$9.111 billion, an increase of \$2.273 billion, or 33.2%, from the previous year.

Governmental Funds - Fund Balance Classification

(amounts in thousands)

	2019	2018*	Change	% Change
Restricted	\$ 1,316,707	\$ 1,519,833	\$ (203,126)	(13.4)%
Unrestricted:				
Committed.....	5,007,488	3,302,222	1,705,266	51.6%
Assigned.....	1,256,717	955,830	300,887	31.5%
Unassigned.....	1,530,423	1,060,559	469,864	44.3%
Total Unrestricted	7,794,628	5,318,611	2,476,017	46.6%
Total fund balances	\$ 9,111,335	\$ 6,838,444	\$ 2,272,891	33.2%

* - Prior year amounts reclassified to conform to current year presentation

GAAP requires that fund balances be classified by the degree of restriction placed upon their use by constitutional, statutory, or contractual requirements, and these classifications are shown in the table above. Restricted fund balances represent amounts restricted for Commonwealth and MSBA debt service or restricted by bond covenants, funds that are restricted in capital projects and special revenue funds, balances in the federal grants funds, and some balances held in expendable trusts. Unrestricted amounts include fund balances classified as committed, including those generated by revenue sources directed to specific purposes but with a lower level of constraint on their use than restricted balances, as well the fund balance of the Stabilization Fund. Unrestricted amounts also included prior appropriations continued, and residual balances in the General Fund, both of which are classified as unassigned. The \$1.705 billion, or 51.6%, increase in committed balances results primarily from growth in ending balance in the Stabilization Fund (which by GAAP is reported as part of the General Fund) in FY19. Assigned fund balance increased by \$301 million or 31.5% due primarily to growth in funds with the MSBA for grants and loans to local cities and towns for school construction projects as a result of increased sales tax collections during FY19 and the \$470 million, or 44.3%, growth in unassigned balances is due mainly to an increase in General Fund tax receivables resulting from the increase in the Commonwealth's tax base between FY18 and FY19. A full discussion of the Commonwealth's fund balance classification policy under GASB 54 can be found in Note 1 to the basic financial statements, on pages 67–70.

Proprietary Funds

Proprietary Funds report activities of the Commonwealth that are structured similar to for-profit businesses. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in greater detail.

As discussed above, the business-type activities increased the Commonwealth's net position by approximately \$600 million.

BUDGETARY HIGHLIGHTS

The FY19 budget enacted by the Legislature (the General Appropriation Act) included an FY19 tax revenue estimate of \$28.261 billion (an increase from the FY19 consensus estimate of \$29.299 billion, which the Legislature adjusted upward by \$594 million after tax revenue ended FY18 well above forecast), and further increased by \$247 million to \$28.509 billion as a result of \$122 million in tax law changes and \$125 million in tax settlements included in the General Appropriation Act. \$26.568 billion of that revenue was to be deposited in the budgeted funds and \$1.941 billion was to be deposited directly into non-budgeted funds for transfers of sales tax revenue dedicated to the Massachusetts Bay

Transportation Authority (\$1.038 billion) and the Massachusetts School Building Authority (\$878 million), and revenue deposited in the non-budgeted Workforce Training Fund (\$24 million).

In October 2018, with tax revenues tracking estimates assumed in the FY19 enacted budget, the Secretary of Administration and Finance affirmed the FY19 tax revenue estimate. In January 2019, the Secretary of Administration and Finance revised the Fiscal Year 2019 state tax revenue estimate upward to \$28.641 billion (including \$49 million in projected judgment and settlement revenue), to reflect strong growth in year-to-date income tax collections, primarily due to a surge in capital gains taxes.

FY19 tax revenues upon which the FY19 General Appropriation Act was based ended the year at \$29.741 billion (including \$49 million in tax settlements exceeding \$10 million each), of which \$27.769 billion was deposited in the budgeted funds). Tax revenue deposited in the budgeted funds grew by \$1.862 billion, or 7.2%, from FY18, and was \$1.047 billion above the final FY19 tax estimate.

The FY19 General Appropriation Act (GAA) authorized approximately \$42.758 billion in spending, exclusive of approximately \$2.609 billion in required pension contributions and \$352 million in FY18 spending authorized to be continued into FY19 as part of the FY18 and FY19 general appropriation acts and various FY18 supplemental budgets.

Approximately \$864 million in supplemental appropriations were authorized during FY19, \$321 million of which were enacted prior to June 30, 2019. Subsequent to year end, a supplemental budget was enacted totaling approximately \$542 million in new appropriations, \$297 million of which funded FY19 Medicaid expenses, \$20 million of which funded local road and bridge (Chapter 90) assistance to cities and towns, \$8 million of which funded FY19 local Sheriffs' expenses, and \$8 million of which funded FY19 snow and ice removal costs. The remaining final supplemental appropriations were continued to FY20 and reappropriated, including \$32 million for additional investments in the MBTA, \$11 million for a transfer to the Massachusetts Clean Water Trust for a program to eliminate certain toxic chemicals in city and town drinking water supplies, \$10 million for a pilot program to prevent gun and other violent crime, and \$10 million for matching funds to encourage private contributions to Massachusetts public colleges and universities. In addition to the year-end FY19 supplemental appropriations just described, the year's significant supplemental appropriation activity included:

- \$134 million for the Medical Assistance Trust Fund payments to hospitals that care for low-income patients;
- \$48 million for FY19 collective bargaining costs;
- \$30 million for heating assistance subsidies to low income residents;
- \$28 million for additional Department of Correction costs;
- \$21 million for salary increases of human services direct care workers;
- \$10 million for supplements to wages of home care workers who care for the elderly;
- \$10 million for family shelters and related services to the homeless.

FY19 budgeted revenues and other financing sources (before transfers between the budgeted funds, which are included in both spending and revenue and thus have no effect on fund balances) totaled \$46.383 billion, an increase of \$2.563 billion, or 5.8%, from FY18. As the Massachusetts economy continued to expand robustly, tax revenue grew by \$1.862 billion, or 7.2%. Personal income tax withholding increased by \$488 million, or 3.9%, capital gains revenue (part of the personal income tax) increased by \$875 million, or 73.9%, from FY18, sales and use tax grew by \$253 million, or 5.5%, corporate taxes grew by \$516 million, or 21.6%, and estate and inheritance taxes increased by \$128 million, or 27.1%. Federal reimbursements totaled \$11.772 billion, an increase of \$395 million, or 3.5%, primarily due to growth in reimbursements for increased Medicaid program spending and for Medical Assistance Trust payments to local hospitals that care for Medicaid-eligible patients. Departmental revenue, which consists primarily of assessments and fees for state licenses and state services, totaled \$4.832 billion, an increase of \$90 million, or 1.9%, from FY18. Interfund transfers from non-budgeted funds totaled \$2.010 billion, an increase of \$217 million, or 12.1%, from FY18, due primarily to other non-budgeted fund transfers to the General Fund.

FY19 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers

between the budgeted funds) totaled \$44.810 billion, an increase of \$1.930 billion, or 4.5%, from FY18, with the increase primarily attributable to higher spending on Medicaid and other health care spending, pension contributions, and Local Aid.

Spending on programs and services totaled \$37.932 billion, an increase of \$1.800 billion, or 5.0%, from FY18. Medicaid expenditures totaled \$16.521 billion, an increase of \$776 million, or 4.9%, from FY18, with the growth due partly to \$300 million to \$400 million in payments made in June 2019 that in prior years had been made in July. Absent that shifting of payments, FY19 Medicaid expenditures would have grown by 2.4% to 3.0% from FY18. Spending for direct local aid (both education aid and unrestricted aid), at \$6.075 billion, was up \$189 million, also up 3.2%, from FY18.

Spending on state employee health benefits paid through the Group Insurance Commission (excluding benefits paid to retirees) increased by \$12 million, or 0.7%, increasing from \$1.634 billion to \$1.646 billion, as saving initiatives kept growth low. Budgeted debt service totaled \$2.327 billion, up \$4 million, or 0.2%, from FY18.

Interfund transfers to non-budgeted funds totaled \$1.441 billion, a decrease of \$93 million or 6.0%, primarily due to a decrease in transfers to the Medical Assistance Trust Fund (where expenditures vary greatly from year-to-year, depending on the timeliness of federal government approval of certain reimbursements), which declined by \$217 million, or 37.4% from FY18, which offset growth in post-employment benefits (for pension contributions and retiree health benefits), which totaled \$3.110 billion, an increase of \$219 million, or 7.6%, as the Commonwealth increased its pension contribution by \$214 million, or 8.9%, from FY18.

CAPITAL ASSETS

Capital assets of the Commonwealth include land, buildings, improvements, equipment, vehicles and infrastructure. The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounts to approximately \$23.181 billion, with accumulated depreciation of approximately \$10.465 billion, leaving a net book value of \$12.716 billion. Infrastructure includes assets that are normally immovable and of value only to the Commonwealth, such as roads, bridges, piers and dams (the investments in capital assets noted above do not include capital assets owned by MassDOT). The total increase in the Commonwealth's net investment in capital assets from 2018 to 2019 was approximately \$124 million, with a \$24 million increase in governmental activities and a \$101 million increase in business-type activities. The major increases in the net value of capital assets was in land and buildings for governmental activities and buildings for business-type activities.

The table below details the capital assets for the Commonwealth.

	Capital Assets at Year - End					
	(net of depreciation)					
	(amounts in thousands)					
	Governmental Activities		Business - Type Activities		Total	
	2019	2018	2019	2018*	2019	2018*
Land	\$ 933,152	\$ 914,565	\$ 228,778	\$ 227,757	\$ 1,161,930	\$ 1,142,322
Historical treasures.....	—	—	1,019	1,464	1,019	1,464
Construction in process.....	608,149	659,462	519,942	851,126	1,128,091	1,510,588
Buildings	2,672,109	2,584,028	6,865,744	6,404,083	9,537,853	8,988,111
Machinery and equipment.....	435,180	484,434	243,480	266,330	678,660	750,764
Infrastructure, excluding central artery.....	158,940	141,200	—	—	158,940	141,200
Library collections	—	—	49,044	56,687	49,044	56,687
Total.....	\$ 4,807,530	\$ 4,783,689	\$ 7,908,007	\$ 7,807,447	\$ 12,715,537	\$ 12,591,136

* - Prior year amounts reclassified to conform to current year presentation

Additional detail on the Commonwealth's FY19 capital asset activity can be found in [Note 5](#) to the basic financial

statements (“Capital Assets”) on pages 91–92.

DEBT ADMINISTRATION

The Commonwealth issues short-term and long-term debt. Debt that is general obligation in nature is backed by the full faith and credit of the Commonwealth and paid from governmental funds. Additionally, short-term notes are issued and redeemed annually.

To fund the FY19 capital budget, the Commonwealth borrowed by issuing \$1.808 billion in long-term bonds, which was new money general obligation debt; with no special obligation debt issued during FY19. All new bond sales were either for general government purposes, for road and bridge repair, or unallocated as of year-end and assumed to be for general purposes, including for construction and equipment purchases. In addition, the Commonwealth issued \$819 million in debt to refund already existing debt, taking advantage of continued low interest rates in FY19. During the year, the Commonwealth also issued \$1.5 billion in Revenue Anticipation Notes (RANs) in three separate \$500 million series which were retired in April, May and June 2019.

Approximately 10.5% of the Commonwealth’s \$23.676 billion in general obligation debt outstanding as of June 30, 2019 was issued as variable rate bonds. During fiscal 2019 there were no changes to credit ratings on any of the Commonwealth’s outstanding debt.

The following table details the Commonwealth’s debt by type for the fiscal year compared to the prior fiscal year, excluding premiums and discounts.

Outstanding Long - Term Debt Obligations

(amounts in thousands)

	Governmental Activities		Business - Type Activities		Total	
	2019	2018	2019	2018*	2019	2018*
General obligation bonds	\$ 23,676,096	\$ 23,143,374	\$ —	\$ —	\$ 23,676,096	\$ 23,143,374
Special obligation bonds (excluding GANs) ...	3,378,380	3,469,000	—	—	3,378,380	3,469,000
Revenue obligation bonds	—	—	4,284,704	4,430,674	4,284,704	4,430,674
Grant anticipation notes	684,745	748,445	—	—	684,745	748,445
Subtotal	27,739,221	27,360,819	4,284,704	4,430,674	32,023,925	31,791,493
Massachusetts School Building Authority	6,054,994	5,990,554	—	—	6,054,994	5,990,554
Total	\$ 33,794,215	\$ 33,351,373	\$ 4,284,704	\$ 4,430,674	\$ 38,078,919	\$ 37,782,047

* - Prior year amounts reclassified to conform to current year presentation

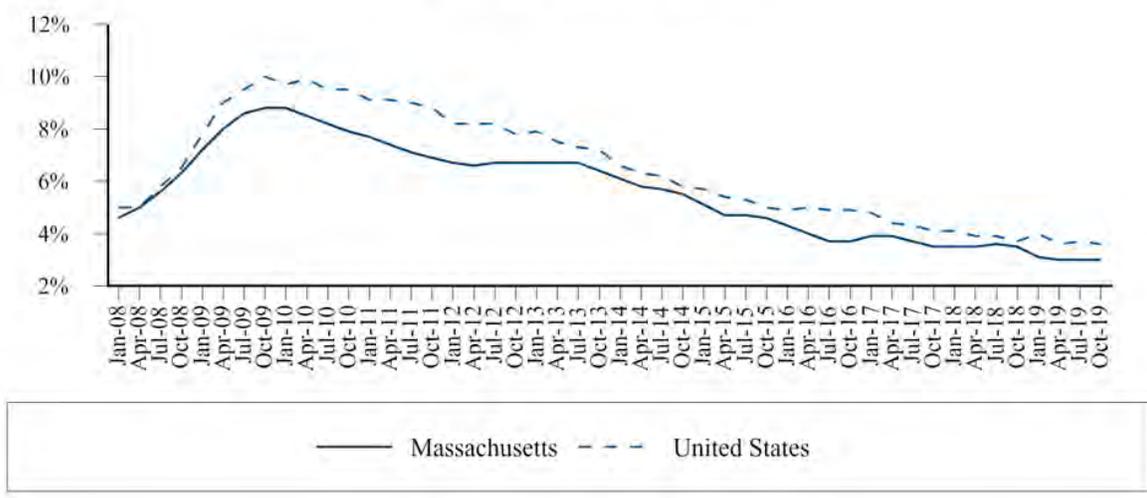
Additional detail on the Commonwealth’s short-term debt can be found in [Note 6](#) (“Short-Term Financing and Credit Arrangements”) on pages 92–93 and [Note 7](#) (“Long-Term Obligations”) on pages 93–108.

ECONOMIC FACTORS AFFECTING NEXT YEAR’S BUDGET

The Commonwealth, with an international reputation for medical, cultural, historical and educational institutions remains the economic and educational hub of New England. The Commonwealth’s economy remains diversified, but its strongest component is its knowledge-based technology and service industries and consequently the State relies heavily on a highly educated workforce. The Commonwealth is home to sixteen S&P 500 companies, among them thirteen Fortune 500 headquarters.

The Massachusetts economy, with its concentration of higher education institutions, life sciences and medical industries and high technology companies has outperformed the nation’s economy as a whole during and immediately following the most recent recession. In July 2019 the Massachusetts unemployment rate was 3.0%, lower than the national rate of 3.7%, and by October 2019 the Massachusetts rate remained at 3.0% compared to the national rate of 3.6%.

Unemployment Rate
January 2008 – October 2019



The FY20 GAA is based on an FY20 tax revenue estimate of approximately \$30.170 billion, an increase of \$429 million, or 1.4%, from FY18 actual tax collections. Of that amount, \$25.265 billion represents taxes available for budget after adjusting for \$4.905 billion in tax revenue that is allocated to state pension contributions (\$2.842 billion), sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.100 billion) and the Massachusetts School Building Authority (\$940 million), and revenue allocated to the non-budgetary Workforce Training Fund (\$24.5 million), as well as capital gains tax revenue above a certain threshold that is projected to be transferred to the Stabilization Fund (\$452 million).

Through December 31, 2019, FY20 year-to-date tax collections totaled \$13.933 billion, up \$621 million, or 4.7%, from the same period in FY19, \$231 million above the year-to-date benchmark based on the \$30.170 billion FY19 tax revenue estimate. Based on tax revenue collections through January and updated forecasts, in January 2020 the Secretary of Administration and Finance raised the FY20 tax revenue estimate to \$30.339 billion, with \$25.405 billion available for budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commonwealth’s finances and accountability for all of the Commonwealth’s citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed via email to comptroller.info@state.ma.us or mail to: Commonwealth of Massachusetts, Office of the Comptroller, 1 Ashburton Place, 9th Floor, Boston, MA, 02108. This report may also be downloaded at: <https://www.macomptroller.org/cafr>.

Basic Financial Statements

Government-wide Financial Statements
Statement of Net Position
Statement of Activities

Statement of Net Position

June 30, 2019

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
ASSETS AND DEFERRED OUTFLOWS				
Current assets:				
Cash and cash equivalents	\$ 7,271,218	\$ 690,959	\$ 7,962,177	\$ 3,684,140
Restricted cash with fiscal agent	268,318	—	268,318	—
Short-term investments	286,069	585,967	872,036	—
Assets held in trust	—	—	—	67,034
Receivables, net of allowance for uncollectibles:				
Taxes	3,562,052	—	3,562,052	—
Federal grants and reimbursements receivable	1,875,958	21,045	1,897,003	131,497
Loans	7,392	9,953	17,345	673,932
Other receivables	365,345	684,061	1,049,406	349,090
Due from cities and towns	32,540	—	32,540	—
Due from component units	108,499	424	108,923	—
Due from primary government	—	—	—	535,467
Other current assets	—	57,202	57,202	90,897
Total current assets	13,777,391	2,049,611	15,827,002	5,532,057
Noncurrent assets:				
Cash and cash equivalents - restricted	—	244,828	244,828	817,723
Long-term investments	—	1,107,783	1,107,783	1,407,234
Investments, restricted investments and annuity contracts	1,931,066	894	1,931,960	59,459
Receivables, net of allowance for uncollectibles:				
Taxes	227,319	—	227,319	—
Federal grants and reimbursements receivable	61,839	—	61,839	—
Loans	86,913	47,860	134,773	4,102,507
Other receivables	73,346	14,944	88,290	42,870
Due from component units	7,375	—	7,375	—
Due from primary government	—	—	—	4,414
Non-depreciable capital assets	1,541,301	749,739	2,291,040	13,932,646
Depreciable capital assets, net	3,266,229	7,158,268	10,424,497	23,626,262
Other noncurrent assets	87,274	148,740	236,014	107,511
Other noncurrent assets - restricted	303	1,631,279	1,631,582	—
Total noncurrent assets	7,282,965	11,104,335	18,387,300	44,100,626
Total assets	21,060,356	13,153,946	34,214,302	49,632,683
Deferred outflows of resources:				
Deferred change in fair value of interest rate swaps	120,986	35,524	156,510	79,866
Deferred loss on refunding	144,951	108,950	253,901	277,677
Deferred outflows related to pension	7,041,951	207,404	7,249,355	492,812
Deferred outflows related to OPEB	736,204	279,182	1,015,386	297,381
Certain asset retirement obligations	—	1,782	1,782	—
Total deferred outflows of resources	8,044,092	632,842	8,676,934	1,147,736
Total assets and deferred outflows	29,104,448	13,786,788	42,891,236	50,780,419
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities:				
Accounts payable and other liabilities	3,735,951	332,313	4,068,264	1,080,616
Accrued payroll	137,826	175,925	313,751	1,989
Compensated absences	430,617	147,236	577,853	26,482
Accrued interest payable	444,045	21,446	465,491	206,985
Tax refunds and abatements payable	1,316,114	44,532	1,360,646	—
Due to component units	493,339	—	493,339	—
Due to primary government	—	—	—	108,923
Due to federal government	20,886	—	20,886	—
Claims and judgments	13,241	—	13,241	—
Unearned revenue	—	18,154	18,154	269,497

Statement of Net Position

June 30, 2019

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
Deposits and unearned revenue	—	86,523	86,523	—
School construction grants payable	212,126	—	212,126	—
Capital leases	3,163	2,592	5,755	—
Massachusetts School Building Authority bonds and unamortized premiums	183,617	—	183,617	—
Bonds payable and unamortized premiums	1,479,621	176,928	1,656,549	776,060
Environmental remediation liability	5,128	—	5,128	—
Total current liabilities	8,475,674	1,005,649	9,481,323	2,470,552
Noncurrent liabilities:				
Compensated absences	185,726	61,297	247,023	16,107
Accrued interest payable	—	—	—	191,100
Due to component units	4,414	—	4,414	—
Due to primary government	—	—	—	7,375
Due to federal government - grants	—	6,106	6,106	—
Claims and judgments	20,000	—	20,000	—
Unearned revenue	—	—	—	25,256
Prizes payable	908,737	—	908,737	—
Capital leases	16,672	6,997	23,669	65,774
Bonds payable and unamortized premiums	28,739,695	4,107,776	32,847,471	10,206,145
Massachusetts School Building Authority bonds and unamortized premiums	6,457,903	—	6,457,903	—
School construction grants payable	172,868	—	172,868	—
Environmental remediation liability	512,287	—	512,287	—
Liability for derivative instruments	120,986	56,884	177,870	120,894
Net pension liability	38,065,014	717,493	38,782,507	2,227,990
Net OPEB liability	12,989,069	1,254,384	14,243,453	3,193,027
Other noncurrent liabilities	355,088	293,561	648,649	225,014
Total noncurrent liabilities	88,548,459	6,504,498	95,052,957	16,278,682
Total liabilities	97,024,133	7,510,147	104,534,280	18,749,234
Deferred inflows of resources:				
Deferred service concession arrangements	—	21,576	21,576	336
Deferred gain on refunding	551,224	—	551,224	34,663
Deferred inflows related to pension	1,357,218	113,368	1,470,586	92,897
Deferred inflows related to OPEB	4,252,225	415,251	4,667,476	462,980
Sale of future revenues	—	76,968	76,968	—
Total deferred inflows of resources	6,160,667	627,163	6,787,830	590,876
Total liabilities and deferred inflows	103,184,800	8,137,310	111,322,110	19,340,110
NET POSITION				
Net investment in capital assets	(1,433,294)	3,868,576	2,435,282	31,196,402
Restricted for:				
Unemployment benefits	—	1,996,534	1,996,534	—
Retirement of indebtedness	975,095	—	975,095	—
Higher education endowment funds	—	29,076	29,076	—
Higher education academic support and programs	—	6,853	6,853	—
Higher education scholarships and fellowships:				
Nonexpendable	—	3,779	3,779	—
Expendable	—	8,541	8,541	—
Capital projects - expendable purposes	—	5,530	5,530	—
Other purposes	295,749	221,408	517,157	4,106,076
Unrestricted (deficits)	(73,917,902)	(490,819)	(74,408,721)	(3,862,169)
Total net position	\$ (74,080,352)	\$ 5,649,478	\$ (68,430,874)	\$ 31,440,309

The notes to the financial statements are an integral part of this statement

(concluded)

Statement of Activities
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Discretely Presented Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 2,766,272	\$ 611,834	\$ 697,944	\$ 6,737	\$ (1,449,757)	\$ —	\$ (1,449,757)	\$ —
Judiciary	1,221,969	81,567	2,668	—	(1,137,734)	—	(1,137,734)	—
Direct local aid	6,089,548	—	—	—	(6,089,548)	—	(6,089,548)	—
Medicaid	18,093,807	1,129,343	10,170,003	58,620	(6,735,841)	—	(6,735,841)	—
Group health insurance	1,670,238	808,194	—	—	(862,044)	—	(862,044)	—
Energy and environmental affairs	701,950	279,267	83,059	—	(339,624)	—	(339,624)	—
Housing and economic development	1,574,628	163,315	541,643	—	(869,670)	—	(869,670)	—
Health and human services	8,662,012	1,411,918	3,122,290	—	(4,127,804)	—	(4,127,804)	—
Transportation and public works	2,554,289	627,941	439	728	(1,925,181)	—	(1,925,181)	—
Early elementary and secondary education	5,607,240	8,445	1,278,288	—	(4,320,507)	—	(4,320,507)	—
Public safety and homeland security	3,006,893	338,099	205,537	—	(2,463,257)	—	(2,463,257)	—
Labor and workforce development	298,930	307,506	152,044	—	160,620	—	160,620	—
Lottery	4,445,654	5,644,440	—	—	1,198,786	—	1,198,786	—
Interest (unallocated)	1,522,183	—	—	—	(1,522,183)	—	(1,522,183)	—
Total governmental activities	58,215,613	11,411,869	16,253,915	66,085	(30,483,744)	—	(30,483,744)	—
Business-Type Activities:								
Unemployment Compensation	1,483,901	1,852,195	48,610	—	—	416,904	416,904	—
Higher Education:								
University of Massachusetts	3,282,171	1,860,268	600,090	25,500	—	(796,313)	(796,313)	—
State Universities	1,145,531	679,801	97,336	25,203	—	(343,191)	(343,191)	—
Community Colleges	917,967	237,288	230,060	61,330	—	(389,289)	(389,289)	—
Total business-type activities	6,829,570	4,629,552	976,096	112,033	—	(1,111,889)	(1,111,889)	—
Total primary government	\$ 65,045,183	\$ 16,041,421	\$ 17,230,011	\$ 178,118	(30,483,744)	(1,111,889)	(31,595,633)	—
Discretely Presented Component Units:								
Massachusetts Department of Transportation	\$ 5,576,079	\$ 1,669,245	\$ 2,270,129	\$ 2,519,180	—	—	—	\$ 882,475
Commonwealth Health Insurance Connector	872,639	838,023	45,117	—	—	—	—	10,501
Massachusetts Clean Water Trust	125,151	141,569	24,401	91,339	—	—	—	132,158
Other nonmajor component units	492,047	329,873	35,074	63,342	—	—	—	(63,758)
Total discretely presented component units	\$ 7,065,916	\$ 2,978,710	\$ 2,374,721	\$ 2,673,861	—	—	—	961,376

(continued)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
General revenues:				
Taxes:				
Income	17,422,948	—	17,422,948	—
Sales taxes	6,850,441	—	6,850,441	—
Corporate taxes	3,068,359	—	3,068,359	—
Motor and special fuel taxes	773,830	—	773,830	—
Other taxes	2,494,379	—	2,494,379	—
Miscellaneous:				
Investment earnings/(loss)	180,080	(40,124)	139,956	93,405
Tobacco settlement	230,111	—	230,111	—
Contribution from municipalities	83,857	—	83,857	—
Other revenue	1,019,807	185,607	1,205,414	34,126
Transfers	(1,565,932)	1,565,932	—	—
Total general revenues and transfers	30,557,880	1,711,415	32,269,295	127,531
Change in net position	74,136	599,526	673,662	1,088,907
Net position (deficits) - beginning	(74,154,488)	5,049,952	(69,104,536)	30,351,402
Net position (deficits) - ending	\$ (74,080,352)	\$ 5,649,478	\$ (68,430,874)	\$ 31,440,309

The notes to the financial statements are an integral part of this statement

(concluded)

PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS

HIGHLIGHT: Metro North STEM Network



Trey Walsh, Network Director and Director of Youth Programs, MassHire Metro North Workforce Board.

Trey Walsh joined the MassHire Metro North Workforce Board in November 2018 as Youth Programs Manager and now works as the Director of Youth Programs and STEM Network Manager for the MassHire Metro North Workforce Board. Prior to joining the Workforce Board, Trey worked in the disability services field focusing on employment opportunities for people with disabilities and managing youth programs. Trey holds a Bachelor’s in Sociology from Gordon College and a Master’s in Nonprofit Management with a concentration in Human Services from Northeastern University.

“The Metro North STEM network works with an amazing group of K-12 educators to focus on women and particularly women of color in our entire region, with a focus on the urban and gateway communities of Boston Metro North. We develop partnerships with organizations like Resilient Coders and Salesforce to provide workshops and training to women in our region.”

“Even in Massachusetts women are extremely underrepresented in STEM occupations and paid considerably less on average compared to men. The STEM Networks should be at the forefront of shifting this trend towards more equity for women in STEM. In addition, employers in our region are desperate for diverse talent.”

For more information: <https://masshiremetronorth.org/programs/#stem>

Governmental Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2019
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 4,373,404	\$ 54,279	\$ 478,244	\$ 2,365,291	\$ 7,271,218
Restricted cash with fiscal agent.....	—	—	1,054	267,264	268,318
Investments and restricted investments	286,069	—	1,022,329	—	1,308,398
Receivables, net of allowance for uncollectibles:.....					
Taxes	3,546,100	—	69,901	173,370	3,789,371
Due from federal government.....	1,561,661	—	—	376,136	1,937,797
Loan receivable.....	—	—	80,655	13,650	94,305
Other receivables	296,726	6,021	8,528	92,918	404,193
Due from cities and towns	32,540	—	—	—	32,540
Due from other funds.....	190,540	—	—	73,344	263,884
Due from component units.....	98,724	—	—	9,775	108,499
Total assets	\$ 10,385,764	\$ 60,300	\$ 1,660,711	\$ 3,371,748	\$ 15,478,523
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable.....	\$ 2,702,550	\$ 53,662	2,682	\$ 938,743	\$ 3,697,637
Accrued payroll.....	127,517	—	—	10,309	137,826
Tax refunds and abatements payable	1,314,208	—	575	1,331	1,316,114
Due to other funds.....	—	—	—	263,884	263,884
Due to component units	42,854	—	—	450,485	493,339
Due to federal government.....	20,886	—	—	—	20,886
Claims and judgments.....	13,241	—	—	—	13,241
School construction grants payable	—	—	51,443	—	51,443
Other accrued liabilities	1,010	—	—	37,304	38,314
Total liabilities	4,222,266	53,662	54,700	1,702,056	6,032,684
Deferred inflows of resources.....	293,288	5,180	—	36,036	334,504
Total liabilities and deferred inflows of resources....	4,515,554	58,842	54,700	1,738,092	6,367,188
Fund balances:					
Restricted	—	—	950,855	365,852	1,316,707
Committed.....	3,424,376	1,458	—	1,581,654	5,007,488
Assigned.....	445,216	—	655,156	156,345	1,256,717
Unassigned (deficits)	2,000,618	—	—	(470,195)	1,530,423
Fund balances	5,870,210	1,458	1,606,011	1,633,656	9,111,335
Total liabilities, deferred inflows of resources and fund balances	\$ 10,385,764	\$ 60,300	\$ 1,660,711	\$ 3,371,748	\$ 15,478,523

The notes to the financial statements are an integral part of this statement.

Reconciliation of Governmental Fund Balances to the Statement of Net Position

June 30, 2019

(Amounts in thousands)

Total fund balances - governmental funds		\$ 9,111,335
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Capital assets not being depreciated.....	1,541,301	
Capital assets being depreciated, net.....	3,266,229	
Capital assets, net of accumulated depreciation		4,807,530
Revenues are not available soon enough after year end to pay for the current period's expenditures and therefore are unavailable deferred inflows of resources in the governmental funds		334,504
Deferred inflows of resources are not reported in the governmental funds:		
Gain on refunding.....	(551,224)	
Pension related	(1,357,218)	
OPEB related.....	(4,252,225)	
Total deferred inflow of resources		(6,160,667)
Deferred outflows of resources are not reported in the governmental funds:		
Loss on refunding.....	144,951	
Pension related	7,041,951	
OPEB related.....	736,204	
Total deferred outflow of resources		7,923,106
Massachusetts School Building Authority assets.....		94,075
Long-term receivables		28,000
Lottery annuity contracts		908,737
Due from component units.....		7,375
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities include:		
Retirement systems' net pension liability	(38,065,014)	
Net OPEB liability.....	(12,989,069)	
Commonwealth bonded debt.....	(27,739,221)	
Unamortized bond premiums	(2,480,095)	
Accrued interest on bonds.....	(444,045)	
Massachusetts School Building Authority bonded debt.....	(6,641,520)	
Massachusetts School Building Authority grants to municipalities.....	(333,551)	
Prizes payable.....	(908,737)	
Capital leases.....	(19,835)	
Environmental remediation liability.....	(517,415)	
Claims and judgments	(20,000)	
Employee benefits, including compensated absences, health insurance benefits and other compensation claims.....	(975,845)	
Long-term liabilities (including current portions)		(91,134,347)
Total net (deficit) - governmental activities		<u>\$ (74,080,352)</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Fiscal Year Ended June 30, 2019
 (Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Other Governmental Funds	Total
REVENUES					
Taxes	\$ 26,824,607	\$ 465	\$ 896,828	\$ 2,896,389	\$ 30,618,289
Assessments	408,905	—	—	967,741	1,376,646
Federal grants and reimbursements	11,442,827	—	—	4,885,096	16,327,923
Departmental	3,422,622	5,644,020	—	1,523,903	10,590,545
Miscellaneous	745,017	8,262	99,593	569,182	1,422,054
Total revenues	42,843,978	5,652,747	996,421	10,842,311	60,335,457
EXPENDITURES					
Current:					
Legislature	67,643	—	—	—	67,643
Judiciary	982,258	—	—	2,842	985,100
Inspector General	5,083	—	—	17	5,100
Governor and Lieutenant Governor	6,851	—	—	—	6,851
Secretary of the Commonwealth	50,778	—	—	4,425	55,203
Treasurer and Receiver-General	242,196	4,445,623	12,943	1,391,121	6,091,883
Auditor of the Commonwealth	18,382	—	—	—	18,382
Attorney General	52,305	—	—	54,675	106,980
Ethics Commission	2,199	—	—	—	2,199
District Attorney	129,040	—	—	9,328	138,368
Office of Campaign and Political Finance	1,618	—	—	1,088	2,706
Sheriff's Departments	657,905	—	—	14,090	671,995
Disabled Persons Protection Commission	4,249	—	—	762	5,011
Board of Library Commissioners	27,179	—	—	2,802	29,981
Massachusetts Gaming Commission	—	—	—	50,372	50,372
Comptroller	14,065	—	—	1,904	15,969
Administration and Finance	1,972,625	—	—	338,346	2,310,971
Energy and Environmental Affairs	239,796	—	—	237,539	477,335
Health and Human Services	6,192,060	—	—	1,862,090	8,054,150
Executive Office of Technology Services	113,054	—	—	2,600	115,654
Massachusetts Department of Transportation	1,958	—	—	2,347,093	2,349,051
Office of the Child Advocate	772	—	—	—	772
Cannabis Control Commission	1,901	—	—	7,983	9,884
Executive Office of Education	2,907,892	—	—	1,063,942	3,971,834
Center for Health and Information Analysis	20,086	—	—	—	20,086
Massachusetts School Building Assistance	—	—	571,714	—	571,714
Public Safety and Homeland Security	1,224,034	—	—	238,958	1,462,992
Housing and Economic Development	580,681	—	—	575,929	1,156,610
Labor and Workforce Development	41,152	—	—	217,107	258,259
Medicaid	15,951,970	—	—	2,141,837	18,093,807
Post employment benefits	1,325,291	—	1,860	40,410	1,367,561
Direct local aid	6,017,991	—	—	71,557	6,089,548
Capital outlay:					
Capital acquisition and construction	—	—	—	1,309,898	1,309,898
Debt service/commercial paper repayments	—	—	430,634	2,533,122	2,963,756
Principal on current refundings	—	—	—	955,907	955,907
Total expenditures	38,853,014	4,445,623	1,017,151	15,477,744	59,793,532
Excess/(deficiency) of revenues over/(under) expenditures	3,990,964	1,207,124	(20,730)	(4,635,433)	541,925
OTHER FINANCING SOURCES					
Bonds premium	—	—	23,340	446,538	469,878
Issuance of general and special obligation bonds	—	—	200,000	1,808,136	2,008,136
Issuance of current refunding bonds	—	—	—	818,830	818,830
Issuance of capital leases	54	—	—	—	54
Transfers in for debt service	—	—	—	2,486,460	2,486,460
Transfers in	2,013,062	—	—	1,643,973	3,657,035
Total other financing sources	2,013,116	—	223,340	7,203,937	9,440,393
OTHER FINANCING USES					
Transfers out	919,800	1,206,850	—	1,465,644	3,592,294
Transfers of appropriations	1,509,596	—	—	5,656	1,515,252
Transfers of bond proceeds	—	—	—	115,421	115,421
Transfers out for debt service	1,220,266	—	—	1,266,194	2,486,460
Total other financing uses	3,649,662	1,206,850	—	2,852,915	7,709,427
Total other financing sources and uses	(1,636,546)	(1,206,850)	223,340	4,351,022	1,730,966
Net change in fund balances/(deficits)	2,354,418	274	202,610	(284,411)	2,272,891
Fund balances at beginning of year	3,515,792	1,184	1,403,401	1,918,067	6,838,444
Fund balances at end of year	\$ 5,870,210	\$ 1,458	\$ 1,606,011	\$ 1,633,656	\$ 9,111,335

The notes to the financial statements are an integral part of this statement

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the fiscal year ended June 30, 2019

(Amounts in thousands)

Net change in fund balances - total governmental funds	\$ 2,272,891
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlays including increases to construction in process, but excluding reductions and dispositions	273,607
Current year depreciation expense.....	(249,766)
Amounts presented in the statement of activities, but not in the change in fund balances due to difference in revenue and expense recognition under different bases of accounting	(36,284)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized as part of the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.....	(814,251)
Change in capital leases	2,657
Massachusetts School Building Authority.....	67,394
Net pension costs	(1,635,994)
Net OPEB costs.....	220,514
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These expenses include accrued interest, lottery prizes, claims and benefits that are reported in the statement of activities, but not in funds.....	(26,632)
Change in net position of governmental activities	\$ 74,136

The notes to the financial statements are an integral part of this statement

PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS

HIGHLIGHT: Northeast STEM Network



Christine Shaw, Ph.D., Co-Director Northeast STEM Network, Merrimack College

Dr. Christine Shaw has a Ph.D. in Law and Public Policy from Northeastern University, a Master's in Psychology from Westfield State University, and a Bachelor's in Social Work and Counseling from Franklin Pierce University. Dr. Shaw served as executive director of regional education initiatives focusing on educator professional development and cross sector partnerships for education delivery Pre-K through university. Dr. Shaw served as national leadership fellow for career and technical education in 2011 and PARCC fellow from 2012 to 2014. Her areas of interest include: research, program evaluation, and economic and workforce development.

“Ways we promote women in STEM is multifold, we have a number of STEM events in the schools that engage women engineers and provide small group opportunities for students to talk with and discuss career paths and the exciting fields they are in. Additionally, we have strong higher education programs in STEM elementary preparation promoting gender equity in early learning around STEM topics. The Northeast STEM Network is also collaborating with a company from Seattle called “Baby Monster”, a start-up focusing on gender neutral learning toys that promote engineering, computer programming and technology through stage and theatre design.”

For more information: <https://www.merrimack.edu/academics/education-and-social-policy/northeast-stem-network/>

Proprietary Fund Financial Statements

Statement of Net Position
Proprietary Funds
June 30, 2019
(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
ASSETS AND DEFERRED OUTFLOWS:					
Current assets:					
Cash and cash equivalents	\$ 99,149	\$ 97,546	\$ 332,061	\$ 162,203	\$ 690,959
Short-term investments	—	489,907	39,265	56,795	585,967
Receivables, net of allowance for uncollectibles:					
Federal grants and reimbursements receivable	—	15,831	1,887	3,327	21,045
Loans	—	8,770	1,183	—	9,953
Other receivables	354,603	239,296	29,990	37,609	661,498
Due from affiliates	—	22,131	432	—	22,563
Due from foundation	—	5	238	181	424
Other current assets	—	48,096	5,453	3,653	57,202
Total current assets	453,752	921,582	410,509	263,768	2,049,611
Noncurrent assets:					
Cash and cash equivalents - restricted	—	220,346	24,462	20	244,828
Long-term investments	—	869,663	189,924	48,196	1,107,783
Investments and restricted investments	—	—	894	—	894
Other receivables, net	—	13,376	1,568	—	14,944
Loans receivable, net	—	41,747	6,113	—	47,860
Non-depreciable capital assets	—	484,311	114,703	150,725	749,739
Depreciable capital assets, net	—	4,679,889	1,845,743	632,636	7,158,268
Other noncurrent assets	—	136,530	10,947	1,263	148,740
Other noncurrent assets - restricted	1,631,279	—	—	—	1,631,279
Total noncurrent assets	1,631,279	6,445,862	2,194,354	832,840	11,104,335
Total assets	2,085,031	7,367,444	2,604,863	1,096,608	13,153,946
Deferred outflows of resources:					
Deferred change in fair value of interest rate swaps	—	34,262	—	1,262	35,524
Deferred outflows related to pensions	—	113,654	62,336	31,414	207,404
Deferred outflows related to OPEB	—	137,866	96,698	44,618	279,182
Loss on debt refunding	—	69,119	39,831	—	108,950
Certain asset retirement obligations	—	1,782	—	—	1,782
Total deferred outflows of resources	—	356,683	198,865	77,294	632,842
Total assets and deferred outflows	2,085,031	7,724,127	2,803,728	1,173,902	13,786,788
LIABILITIES AND DEFERRED INFLOWS:					
Current liabilities:					
Accounts payable and other liabilities	43,965	203,758	46,297	38,293	332,313
Accrued payroll	—	97,278	53,097	25,550	175,925
Compensated absences	—	81,155	35,328	30,753	147,236
Accrued interest payable	—	20,884	452	110	21,446
Tax refunds and abatements payable	44,532	—	—	—	44,532
Unearned revenue	—	—	15,269	2,885	18,154
Student deposits and unearned revenues	—	54,946	6,823	24,754	86,523
Capital leases	—	583	1,087	922	2,592
Bonds, notes payable and other obligations	—	120,339	51,864	4,725	176,928
Total current liabilities	88,497	578,943	210,217	127,992	1,005,649
Noncurrent liabilities:					
Compensated absences	—	26,243	19,935	15,119	61,297
Due to federal government - grants	—	—	6,106	—	6,106
Capital leases	—	1,253	4,391	1,353	6,997
Bonds, notes payable and other obligations	—	2,787,394	1,266,910	53,472	4,107,776
Liability for derivative instruments	—	55,622	—	1,262	56,884
Net pension liability	—	409,319	200,932	107,242	717,493
Net OPEB liability	—	718,955	347,065	188,364	1,254,384
Other noncurrent liabilities	—	282,250	6,933	4,378	293,561
Total noncurrent liabilities	—	4,281,036	1,852,272	371,190	6,504,498
Total liabilities	88,497	4,859,979	2,062,489	499,182	7,510,147

Statement of Net Position

Proprietary Funds

June 30, 2019

(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Deferred inflows of resources:					
Deferred service concession arrangements	—	—	21,303	273	21,576
Deferred inflows related to pensions	—	60,182	21,645	31,541	113,368
Deferred inflows related to OPEB	—	224,224	114,402	76,625	415,251
Sale of future revenues	—	76,839	—	129	76,968
Total deferred inflows of resources	—	361,245	157,350	108,568	627,163
Total liabilities and deferred inflows	88,497	5,221,224	2,219,839	607,750	8,137,310
NET POSITION:					
Net investment in capital assets	—	2,343,872	801,422	723,282	3,868,576
Restricted for:					
Unemployment benefits	1,996,534	—	—	—	1,996,534
Higher education endowment funds	—	28,617	34	425	29,076
Higher education academic support and programs	—	—	891	5,962	6,853
Higher education scholarships and fellowships:					
Nonexpendable	—	—	3,779	—	3,779
Expendable	—	—	5,808	2,733	8,541
Capital projects - expendable purposes	—	—	1,466	4,064	5,530
Other purposes	—	206,023	14,430	955	221,408
Unrestricted	—	(75,609)	(243,941)	(171,269)	(490,819)
Total net position	\$ 1,996,534	\$ 2,502,903	\$ 583,889	\$ 566,152	\$ 5,649,478

The notes to the financial statements are an integral part of this statement

(concluded)

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Operating revenues:					
Unemployment compensation contribution	\$ 1,765,016	\$ —	\$ —	\$ —	\$ 1,765,016
Net tuition and fees	—	894,904	428,047	210,874	1,533,825
Grants and reimbursements	—	593,086	97,336	230,060	920,482
Auxiliary enterprises	—	441,795	133,048	4,419	579,262
Sales & services	—	385,962	97,254	5,979	489,195
Miscellaneous	87,179	137,607	21,452	16,016	262,254
Total operating revenues	1,852,195	2,453,354	777,137	467,348	5,550,034
Operating expenses:					
Unemployment compensation	1,483,901	—	—	—	1,483,901
Instruction	—	901,235	365,481	323,680	1,590,396
Research	—	487,725	202	21	487,948
Academic support	—	184,462	108,269	101,089	393,820
Student services	—	158,991	120,197	131,099	410,287
Scholarships and fellowships	—	49,509	40,370	51,962	141,841
Public service	—	83,566	6,748	5,559	95,873
Operation and maintenance of plant	—	246,725	114,347	82,743	443,815
Institutional support	—	269,126	126,396	129,948	525,470
Other operating expenses	—	274,749	3,399	—	278,148
Depreciation	—	276,495	103,800	42,148	422,443
Auxiliary operations	—	338,207	154,888	4,638	497,733
Total operating expenses	1,483,901	3,270,790	1,144,097	872,887	6,771,675
Operating income/(loss)	368,294	(817,436)	(366,960)	(405,539)	(1,221,641)
Nonoperating revenues/(expenses):					
Other federal revenues	18,006	7,004	—	—	25,010
Other revenues	—	178,314	7,293	—	185,607
Other expenses	—	(11,381)	(1,434)	(45,080)	(57,895)
Investment income/(loss)	30,604	(7,984)	(37,179)	5,039	(9,520)
Total nonoperating revenues/(expenses)	48,610	165,953	(31,320)	(40,041)	143,202
Income/(loss) before capital grants and contributions and transfers	416,904	(651,483)	(398,280)	(445,580)	(1,078,439)
Capital grants and contributions	—	25,500	25,203	61,330	112,033
Transfers, net	—	740,002	378,941	446,989	1,565,932
Total capital grants and contributions and transfers	—	765,502	404,144	508,319	1,677,965
Change in net position	416,904	114,019	5,864	62,739	599,526
Total net position - beginning	1,579,630	2,388,884	578,025	503,413	5,049,952
Total net position - ending	\$ 1,996,534	\$ 2,502,903	\$ 583,889	\$ 566,152	\$ 5,649,478

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Collection of unemployment contributions	\$ 1,389,034	\$ —	\$ —	\$ —	\$ 1,389,034
Tuition, residence, dining and other student fees	—	985,247	432,289	207,356	1,624,892
Research grants and contracts	—	587,539	192,299	234,750	1,014,588
Payments to suppliers	—	(950,398)	(270,800)	(151,078)	(1,372,276)
Payments to employees	—	(2,083,965)	(547,385)	(518,107)	(3,149,457)
Payments to students	—	(76,927)	(30,890)	(51,960)	(159,777)
Payments for unemployment benefits	(1,483,715)	—	—	—	(1,483,715)
Collection of loans to students and employees	—	8,778	1,348	—	10,126
Income from contract services	—	—	2,470	1,399	3,869
Maintenance costs	—	—	(420)	—	(420)
Auxiliary enterprise charges	—	441,563	83,540	(257)	524,846
Other receipts	87,179	579,287	19,588	20,335	706,389
Net cash (used in) operating activities	(7,502)	(508,876)	(117,961)	(257,562)	(891,901)
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES					
State appropriations	—	780,221	283,932	297,540	1,361,693
Grants and contracts	18,006	143,766	3,524	3,089	168,385
Student organizations agency transactions	—	(1,297)	—	256	(1,041)
Net cash provided by non-capital financing activities	18,006	922,690	287,456	300,885	1,529,037
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital appropriations	—	25,500	12,727	14,841	53,068
Purchases of capital assets	—	(382,048)	(58,475)	(32,564)	(473,087)
Proceeds/(loss) from sales of capital assets	—	—	1,421	(168)	1,253
Proceeds from debt issuance	—	325,676	18,201	—	343,877
Other capital asset activity	—	7,384	(226)	—	7,158
Advance payment related to service concession arrangement	—	—	6,000	—	6,000
Principal paid on capital debt and leases	—	(358,082)	(46,028)	(5,047)	(409,157)
Interest paid on capital debt and leases	—	(137,517)	(58,243)	(2,014)	(197,774)
Net cash (used in) capital financing activities	—	(519,087)	(124,623)	(24,952)	(668,662)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	—	1,350,013	106,171	18,893	1,475,077
Purchases of investments	—	(1,404,860)	(127,928)	(17,176)	(1,549,964)
Investment earnings	30,604	47,623	10,786	2,704	91,717
Net cash provided by/(used in) investing activities	30,604	(7,224)	(10,971)	4,421	16,830
Net increase/(decrease) in cash and cash equivalents	41,108	(112,497)	33,901	22,792	(14,696)
Cash and cash equivalents, restricted cash and cash equivalents at the beginning of the fiscal year	58,041	430,389	322,622	139,431	950,483
Cash and cash equivalents, restricted cash and cash equivalents at the end of the fiscal year	\$ 99,149	\$ 317,892	\$ 356,523	\$ 162,223	\$ 935,787
Reconciliation of net operating revenues and expenses to cash used by operating activities:					
Operating income/(loss)	\$ 368,294	\$ (817,436)	\$ (366,960)	\$ (405,539)	\$ (1,221,641)
Adjustments to reconcile operating income/(loss) to net cash (used in) operating activities:					
Depreciation expense	—	276,495	103,800	42,148	422,443
Fringe benefits paid by the Commonwealth	—	—	89,568	100,129	189,697
Changes in assets and liabilities:					
Accounts receivable, prepaids and other assets	34,785	28,661	(191)	(2,278)	60,977
Accounts payable, accrued liabilities and benefits	186	5,335	25,892	2,914	34,327
Student deposits and other unearned and deferred revenues	—	(3,536)	17,330	(417)	13,377
Other noncurrent assets - restricted and liabilities	(410,767)	1,605	12,600	5,481	(391,081)
Net cash (used in) by operating activities	\$ (7,502)	\$ (508,876)	\$ (117,961)	\$ (257,562)	\$ (891,901)
Non-cash investing, capital and financing activities:					

The University System, the State Universities and Community Colleges had approximately \$45 million, \$147 million and \$157 million, respectively, of non-cash activities

The notes to the financial statements are an integral part of this statement

PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS

HIGHLIGHT: Northeast STEM Network



Gail E. Gasparich, Ph.D. Dean, College of Arts and Sciences, Salem State University, Co-Director Northeast STEM Network

Dr. Gail E. Gasparich obtained a B.S. in Biology from The College of William and Mary and a Ph.D. in Microbiology and Molecular Biology from The Pennsylvania State University. From 1996-2016 she was a Professor in the Department of Biological Science, Associate Dean for the Fisher College of Science and Mathematics, and served as Assistant Provost at Towson University. She has been awarded 22 extramural research and training grants totaling over \$9 million from the National Science Foundation, National Institutes of Health, the Maryland State Department of Education, the University System of Maryland, and the Massachusetts Department of Higher Education. Most of these grants were aimed at increasing participation of women and underrepresented minorities in the sciences.

Dr. Gasparich has given over 100 invited talks and conference presentations on research results, STEM career paths, increasing diversity in STEM disciplines, and professional development for faculty and postdoctoral fellows. Nationally (and internationally), Dr. Gasparich has served as a Councilor for the National Board of the Association for Women in Science, Division Chair for the American Society of Microbiology, a member of the Diversity Committee of Sigma Xi, and is currently the treasurer for the International Organization of Mycoplasma. In 2013 she was awarded President's Diversity Award. In 2015 she was named to the 100 Inspiring Women in STEM by INSIGHT into Diversity and in 2016 she was named a Fellow of the Association for Women in Science.

“The Northeast STEM Regional Network provides access to mentors and role models for women all along the continuum of their academic and professional careers from PreK to working as a professional. Members provide opportunities for active learning activities with a focus on Computer Sciences, Robotics, and Engineering—all fields where women are very under-represented. Additionally, emphasis on Women in Science career panels and career shadowing experiences are regularly held at member sites.

“The most creative and innovative solutions to problems comes from diverse teams. For those teams to not include representation from half of the population would be a tragic waste of human resources.”

For more information: <https://www.merrimack.edu/academics/education-and-social-policy/northeast-stem-network/>

Fiduciary Fund Financial Statements

Statement of Net Position

Fiduciary Funds

June 30, 2019

(Amounts in thousands)

	Post-Employment Benefits and OPEB Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and cash equivalents	\$ 259,367	\$ 5,193,727	\$ 766	\$ 602,147
Short-term investments	—	39,786	—	—
Net investment in PRIT at fair value	59,226,161	15,605,266	—	—
Investments, restricted investments and annuity contracts	—	—	—	1,426,379
Receivables, net of allowance for uncollectibles:				
Taxes	—	—	—	47,331
Other receivables	198,470	5,977	—	147,350
Other assets	3,126	—	—	—
Total assets	59,687,124	20,844,756	766	\$ 2,223,207
LIABILITIES				
Accounts payable and other accrued liabilities	17,800	13,321	—	\$ 14,060
Due to cities and towns	—	—	—	48,055
Lottery prizes payable	—	—	—	908,737
Agency liabilities	—	—	—	1,252,355
Total liabilities	17,800	13,321	—	\$ 2,223,207
NET POSITION				
Restricted for employees' post-employment benefits	59,669,324	—	—	
Restricted for external investment trust fund participants	—	20,831,435	—	
Restricted for private purposes	—	—	766	
Total net position	\$ 59,669,324	\$ 20,831,435	\$ 766	

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Net Position

Fiduciary Funds

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

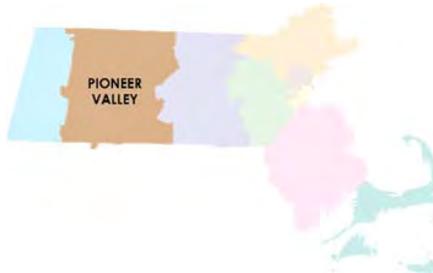
	Post-Employment Benefits and OPEB Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Employer contributions - Commonwealth	\$ 1,514,461	\$ —	\$ —
Non-employer contributions - Commonwealth	1,481,069	—	—
Employer contributions - other employers	10,191	—	—
Employee contributions	1,415,161	—	—
ERIP funding contribution - Commonwealth	28,724	—	—
Boston teachers' contribution from Commonwealth	143,146	—	—
Other additions	196,339	1,448,703	—
Proceeds from sale of units	—	25,174,952	—
Total contributions	4,789,091	26,623,655	—
Net investment gain/(loss):			
Investment gain/(loss)	3,493,641	1,286,625	—
Less: investment expense	(297,244)	(309,466)	—
Net investment gain/(loss)	3,196,397	977,159	—
Total additions	7,985,488	27,600,814	—
DEDUCTIONS			
Administration	34,348	—	—
Retirement benefits and refunds	6,002,102	1,073,298	—
Payments to State Boston Retirement System	143,146	—	—
Other deductions	110,869	—	—
Cost of units redeemed	—	24,106,043	—
Distribution to unit holders	—	109,150	—
Total deductions	6,290,465	25,288,491	—
Change in net position	1,695,023	2,312,323	—
Net position - beginning	57,974,301	18,519,112	766
Net position - ending	\$ 59,669,324	\$ 20,831,435	\$ 766

The notes to the financial statements are an integral part of this statement.

PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS

HIGHLIGHT: Pioneer Valley Stem Network



Jennifer Hanselman, Ph.D., Director, Dean, College of Mathematics and Sciences at Westfield State University

Dr. Jennifer Hanselman completed her doctorate in Ecology/Conservation Biology from the Florida Institute of Technology in 2007. Her research, “A 370,000-year history of vegetation and climate change around Lake Titicaca (Bolivia/Peru)” was not only significant in the paleoecological research community, but also inspired her own work in climate literacy. During her career, she has been an active participant in the scientific community and has prioritized the value of outreach in the community. Dr. Hanselman was hired at Westfield State in 2008 in the Biology Department. After serving as department chair from 2016-2018, she was hired as the Founding Dean of the College of Mathematics and Sciences in 2018. Westfield State University became the lead institution of the Pioneer Valley STEM Network in 2019.

“The Pioneer Valley STEM Network serves as a hub for K-12, higher education, industry, and community partners. Through this Network, we are able to reach a diverse population at different points in the STEM pipeline. It is through this coordinated effort that we can promote and support women, providing opportunities for engagement and encourage future STEM careers. We are partnered with the Pioneer Valley Women in STEM organization, supporting the mentorship of women in STEM at all stages of their careers.”

Even though we have made progress, there are still a number of barriers that prevent girls from pursuing a STEM career. We need to work collaboratively to reduce these barriers and promote a positive growth mindset. As we broaden participation in STEM, we opening the door to new ideas, technologies, and innovation.”

For more information: <http://www.rebhc.org/science-technology-engineering-and-math-stem-initiatives/pioneer-valley-stem-network-pvstemnet/>

***Discretely Presented
Component Unit
Financial Statements***

Statement of Net Position
Discretely Presented Component Units
June 30, 2019
(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS					
Current assets:					
Cash and cash equivalents	\$ 464,508	\$ 98,972	\$ 489,850	\$ 295,613	\$ 1,348,943
Short-term investments	—	—	204,741	409,497	614,238
Restricted cash and investments	1,492,834	—	—	228,125	1,720,959
Assets held in trust	—	—	38,988	28,046	67,034
Receivables, net of allowance for uncollectibles:					
Federal grants and reimbursement receivable	84,571	—	46,926	—	131,497
Loans	—	—	621,568	52,364	673,932
Other receivables	248,398	10,152	50,603	39,937	349,090
Due from primary government	492,613	—	—	42,854	535,467
Inventory	—	—	—	77	77
Other current assets	75,895	4,262	—	10,663	90,820
Total current assets	2,858,819	113,386	1,452,676	1,107,176	5,532,057
Noncurrent assets:					
Cash and cash equivalents - restricted	798,551	—	—	19,172	817,723
Long-term investments	—	—	554,961	852,273	1,407,234
Restricted investments and annuity contracts	—	—	—	59,459	59,459
Other receivables, net	24,819	—	—	18,051	42,870
Loans receivables, net	—	—	3,433,922	668,585	4,102,507
Due from primary government	4,414	—	—	—	4,414
Non-depreciable capital assets	13,697,733	1,597	—	233,316	13,932,646
Depreciable capital assets, net	22,817,376	140	—	808,746	23,626,262
Other noncurrent assets	89,478	—	—	18,033	107,511
Total noncurrent assets	37,432,371	1,737	3,988,883	2,677,635	44,100,626
Total assets	40,291,190	115,123	5,441,559	3,784,811	49,632,683
Deferred outflows of resources:					
Deferred change in fair value of interest rate swaps	69,707	—	3,516	6,643	79,866
Deferred loss on refunding	220,310	—	57,367	—	277,677
Deferred outflows related to pension	486,748	—	—	6,064	492,812
Deferred outflows related to OPEB	297,257	—	—	124	297,381
Total deferred outflows of resources	1,074,022	—	60,883	12,831	1,147,736
Total assets and deferred outflows	41,365,212	115,123	5,502,442	3,797,642	50,780,419
LIABILITIES AND DEFERRED INFLOWS					
Current liabilities:					
Accounts payable and other liabilities	914,881	14,936	37,927	112,872	1,080,616
Accrued payroll	—	141	—	1,848	1,989
Compensated absences	22,945	552	—	2,985	26,482
Accrued interest payable	154,614	—	50,049	2,322	206,985
Due to primary government	—	9,775	—	99,148	108,923
Unearned revenue	112,783	44,851	35,963	75,900	269,497
Bonds, notes payable and other obligations	515,441	—	232,395	28,224	776,060
Total current liabilities	1,720,664	70,255	356,334	323,299	2,470,552
Noncurrent liabilities:					
Compensated absences	14,206	—	—	1,901	16,107
Accrued interest payable	191,100	—	—	—	191,100
Due to primary government	—	—	—	7,375	7,375
Unearned revenue	23,706	—	—	1,550	25,256
Capital leases	65,774	—	—	—	65,774
Bonds, notes payable and other obligations	7,034,999	—	2,529,797	641,349	10,206,145
Net pension liability	2,190,108	—	—	37,882	2,227,990
Net OPEB liability	3,181,485	6,177	—	5,365	3,193,027
Liability for derivative instruments	117,378	—	3,516	—	120,894
Other noncurrent liabilities	124,404	—	—	100,610	225,014
Total noncurrent liabilities	12,943,160	6,177	2,533,313	796,032	16,278,682
Total liabilities	14,663,824	76,432	2,889,647	1,119,331	18,749,234
Deferred inflows of resources:					
Deferred gain on refundings	164	—	34,499	—	34,663
Deferred service concession arrangements	—	—	—	336	336
Deferred inflows related to pension	87,223	—	—	5,674	92,897
Deferred inflows related to OPEB	457,732	3,499	—	1,749	462,980
Total deferred inflows of resources	545,119	3,499	34,499	7,759	590,876
Total liabilities and deferred inflows	15,208,943	79,931	2,924,146	1,127,090	19,340,110
NET POSITION					
Net investment in capital assets	30,179,643	1,737	—	1,015,022	31,196,402
Restricted for:					
Other purposes	904,218	—	2,040,327	1,161,531	4,106,076
Unrestricted	(4,927,592)	33,455	537,969	493,999	(3,862,169)
Total net position	\$ 26,156,269	\$ 35,192	\$ 2,578,296	\$ 2,670,552	\$ 31,440,309

The notes to the financial statements are an integral part of this statement

Statement of Revenues, Expenses and Changes in Net Position

Discretely Presented Component Units

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

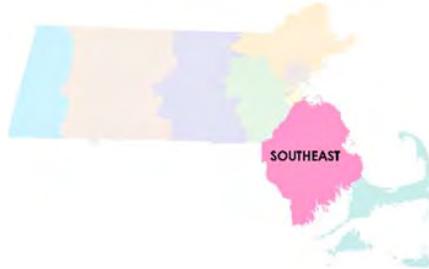
	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
Operating revenues:					
Charges for services	\$ 1,669,245	\$ 837,474	\$ 7,021	\$ 252,875	\$ 2,766,615
Other	—	549	134,548	76,998	212,095
Total operating revenues	1,669,245	838,023	141,569	329,873	2,978,710
Operating expenses:					
Cost of services	3,511,524	801,174	122,458	263,501	4,698,657
Administration costs	1,001,762	71,359	2,693	157,017	1,232,831
Depreciation	1,062,793	106	—	71,529	1,134,428
Total operating expenses	5,576,079	872,639	125,151	492,047	7,065,916
Operating income/(loss)	(3,906,834)	(34,616)	16,418	(162,174)	(4,087,206)
Nonoperating revenues/(expenses):					
Operating grants	2,270,129	45,117	24,401	35,074	2,374,721
Interest income/(loss)	48,167	1,218	—	44,020	93,405
Other nonoperating revenue/(expense)	46,844	2,041	—	(14,759)	34,126
Nonoperating revenues/(expenses), net	2,365,140	48,376	24,401	64,335	2,502,252
Income/(loss) before contributions	(1,541,694)	13,760	40,819	(97,839)	(1,584,954)
Capital contributions	2,519,180	—	91,339	63,342	2,673,861
Change in net position	977,486	13,760	132,158	(34,497)	1,088,907
Net position - beginning	25,178,783	21,432	2,446,138	2,705,049	30,351,402
Net position - ending	\$ 26,156,269	\$ 35,192	\$ 2,578,296	\$ 2,670,552	\$ 31,440,309

The notes to the financial statements are an integral part of this statement

PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS

HIGHLIGHT: Southeast STEM Network



Stacey A. Kaminski, Ed.D., Executive Director, CONNECT Partnership

Stacey A. Kaminski received a Bachelor's in Communication Disorders from Bridgewater State University, a Master's in Educational Leadership from Simmons University, and an Ed.D. in Educational Leadership from Northeastern University. Stacey leads CONNECT, a consortium of the five public colleges in Southeast Massachusetts: Bridgewater State University, Bristol Community College, Cape Cod Community College, Massachusetts Maritime Academy, and Massasoit Community College. CONNECT provides oversight for the Southeast STEM Network, which receives funding from the Department of Higher Education's STEM Pipeline Fund.

As the co-director of the Southeast STEM Network, Stacey is responsible for facilitating outreach to PreK-16 educational organizations, businesses, community organizations, and government agencies in order to enhance learning experiences and broaden opportunities for STEM enthusiasts throughout the region. In addition, Stacey currently serves as a member of the Governor's STEM Advisory Council, where she represents the regional STEM Networks.

"The Southeast STEM Network offers programs that reach those presently represented in STEM as well as those underrepresented in STEM. The focus of the Network has been to create programs that meet state and regional needs and to support communities in replicating those programs. Two initiatives that focus specifically on increasing the number of girls in STEM include the Envision the Future Program and Looking Ahead to 2020 and Beyond.

"Life time earnings of workers with STEM Majors is greater than workers with other majors. STEM skills expand career opportunities for graduates in all fields and increase the potential for financial independence. Supporting girls to pursue careers in STEM fields will increase the likelihood of a future for them that is financially secure."

For more information: <http://www.connectsemass.org/stem/>

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

The accompanying financial statements of the Commonwealth of Massachusetts (the Commonwealth) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The Commonwealth's significant accounting policies are described below.

The Commonwealth is comprised of three branches: the Executive Branch, with the Governor as the chief executive officer; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 160 members; and the Judicial Branch, made up of the Supreme Judicial Court, the Appeals Court, and the Trial Court. In addition, the Legislature has established 57 independent authorities and agencies. Below the level of state government are 351 cities and towns exercising the functions of local governments. The cities and towns of the Commonwealth are also organized into 14 counties.

For financial reporting purposes, the Commonwealth has included all funds, organizations, agencies, boards, commissions, and institutions. The Commonwealth has also considered all potential component units for which it is financially accountable, as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth (the primary government) and its component units. The Commonwealth has included 41 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Additional information related to the component units is found in Note 14 to the basic financial statements.

Blended Component Units – Blended component units are entities that are legally separate from the Commonwealth but are so closely related to the Commonwealth, that they are, in substance, the same as the Commonwealth or entities providing services entirely or almost entirely to the Commonwealth. The net position and results of operations of the following legally separate entities are presented as part of the Commonwealth's operations:

The Massachusetts School Building Authority (MSBA) is charged with administering the Commonwealth's school construction and renovation program. The MSBA's revenues are derived almost entirely from dedicated sales taxes from the Commonwealth which is 1% of applicable sales tax in the Commonwealth. The MSBA's bonded debt is secured by these sales tax revenues. Expenditures by the MSBA are made on behalf of the Commonwealth as a successor to a long-standing Commonwealth program of school construction. The MSBA's operations and results thereon are blended with the Commonwealth and as such are reported as a major governmental fund.

The Pension Reserves Investment Trust Fund (PRIT) is the investment portfolio for the pension assets of the Commonwealth and as such, is presented as a blended component unit. PRIT is managed by the Pension Reserves Investment Management (PRIM) Board. Certain portions of PRIT's net position totaling approximately \$15.605 billion relate to holdings on behalf of cities and towns that participate in the Pool and are reported as an external investment trust within the fiduciary fund type.

The Massachusetts Municipal Depository Trust (MMDT) is an investment pool of the Commonwealth and its political subdivisions. The various local governments and other political subdivisions share of net position is approximately \$5.226 billion at June 30, 2019, and is reported as an external investment trust within the fiduciary fund type.

Departments Audited Separately from the Commonwealth but not legally separate from the Commonwealth - the following entities are audited separately from the Commonwealth but are not legally separate from the Commonwealth:

The Massachusetts State Lottery Commission, a division of the Office of the State Treasurer and Receiver-General, operates the Commonwealth's lottery. The net position of the Commission and results thereon are presented as a major governmental fund.

The Institutions of Higher Education of the Commonwealth are also not legally separate from the Commonwealth and have operations and net position that are presented as part of the Commonwealth's business-type activities. These systems include:

The University of Massachusetts System including the University of Massachusetts Building Authority, and the Worcester City Campus Corporation. The Worcester City Campus Corporation includes a not-for-profit subsidiary, the Worcester Foundation for Biomedical Research, Inc.

The State University and Community College Systems including the 9 state universities and 15 community colleges located throughout the Commonwealth and the Massachusetts State College Building Authority.

Other Discretely Presented Component Units that are Separately Audited – Discrete component units are entities that are legally separate (often called Authorities) but financially accountable to the Commonwealth, or whose relationships with the Commonwealth are such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. The component units column of the basic financial statements includes the financial data of the following entities:

Major component units:

The Massachusetts Department of Transportation (MassDOT) incorporates the former Massachusetts Turnpike Authority and has jurisdiction over the Massachusetts Bay Transportation Authority (MBTA) and the Regional Transit Authorities. MassDOT has attributes of a state department as well as an authority. It operates like a state department for purposes of state finance law and is reported as part of the Commonwealth for compliance with federal and state tax law. In this unique relationship all road and bridge assets of the Commonwealth (including the former Turnpike Authority (MTA)) have been transferred to MassDOT, while the Commonwealth will continue to hold current and future debt for the construction repair, improvement, and replacement of these assets.

The Massachusetts Clean Water Trust provides a combination of federal and Commonwealth funds for water and sewer projects around the Commonwealth as operator of the Commonwealth's State Revolving Fund. The Trust's three member Board is comprised of Commonwealth Officials and the Commonwealth provides annual contract assistance and matching grants to fund the operations of the Trust.

Commonwealth Insurance Connector Authority administers the Commonwealth health insurance programs to facilitate subsidized health insurance for individuals without access to employer-sponsored health insurance as well as offer an affordable commercial health insurance product named Commonwealth Care for small businesses that are eligible for the program. The Authority's 11 member governing board has four members who are Commonwealth Officials, four who are appointed by the Governor with the final three appointed by the Attorney General and is legally accountable to the Commonwealth.

Related Organizations

The following are "related organizations" under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14* and Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*: Massachusetts Port Authority, Massachusetts Housing Finance Agency, MassVentures, and Massachusetts Educational Finance Authority. The Commonwealth is responsible for appointing a voting majority of the members of each entity's board, but the Commonwealth's authority does not extend beyond the appointments. These entities do not meet the criteria for inclusion as component units of the Commonwealth and therefore are not part of these financial statements.

Availability of Financial Statements

The separately audited financial statements of the Commonwealth's component units and funds may be obtained from the various entities, or by contacting the Statewide Financial Reporting Team in the Office of the Comptroller at (617) 973-2660 for component unit contact information.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are defined as either governmental or business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*Government-Wide Financial Statements*

The **Statement of Net Position** presents all of the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- **Restricted net position** results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- **Unrestricted net position** consists of net position which does not meet the definition of the two preceding categories.

Resources from restricted net position are used prior to those from unrestricted net position.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue and offset or supplant the net operating deficit or surplus from governmental or business-type operations.

Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances for its major and aggregated non-major funds.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with non-major funds being combined into a single column.

The Commonwealth reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

Governmental Activities – Government-wide financial statements are reported using the economic resources management focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Governmental Funds – Fund financial statements account for the general governmental activities of the Commonwealth. Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual and are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Significant revenues susceptible to accrual include income, sales and use, corporation, and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services which are recognized in the year the materials are received, the grants are expended, or services are provided. The measurement period for accrual for taxes earned is generally one year for income, corporate and other taxes and within thirty days for sales and use taxes. For federal and other reimbursements, the measurement period for accrual is generally sixty days if the related expenditures being reimbursed occurred prior to year-end. Expenditures are recorded in the period in which the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due. Compensated absences, claims and judgments, termination benefits and similar activities are recognized to the extent that they are normally expected to be liquidated with expendable available financial resources. Amounts incurred but not reported for Medicaid are reported to the extent that services are rendered before June 30th.

Business-Type Activities – Government-wide financial statements account for activities for which a fee is charged to external users for goods or services. In these services, debt may be issued backed solely by these fees and charges.

There may be also a legal requirement or a policy decision to recover costs. As such, these funds account for operations similarly to a for-profit business. The operations of the Commonwealth's Institutions of Higher Education are reported as systems within the proprietary funds. Proprietary fund types are described in more detail below.

Proprietary and Fiduciary Funds – Fund financial statements are presented on the same basis of accounting as the business-type activities in the government-wide financial statements. For fiduciary funds, post-employment benefits and refunds are recognized when due and payable.

The Commonwealth reports the following fund types:

Governmental Fund Types:

General Fund, a governmental fund, is the primary operating fund of the Commonwealth. It is used to account for all governmental transactions except those required to be accounted for in another fund.

Special Revenue Funds account for specific revenue sources that have been aggregated according to Commonwealth general laws to support specific governmental activities.

Debt Service Funds account for the accumulation of resources for and the payment of debt.

Capital Projects Funds account for the acquisition or construction of major Commonwealth capital facilities financed primarily from bonds and federal reimbursements.

Within the governmental fund types, the Commonwealth has established the following major funds, in addition to the General Fund:

Lottery Funds are governmental funds and account for the operations of the State and Arts Lotteries, which primarily reimburse the General Fund for local aid to cities and towns.

The Massachusetts School Building Authority is presented as a governmental fund, reflecting the activity of the blended component unit, the Massachusetts School Building Authority, accounting for grants to cities, towns and

regional school districts for school construction and renovation projects.

Proprietary Fund Types:

Business-Type Activities account for programs financed in whole or in part by fees charged to external parties for goods and services.

The proprietary funds include the following:

Unemployment Compensation Fund reports the taxes collected from employers and held by the United States Treasury in the Federal Unemployment Trust Fund, from which funds are drawn for the payment of benefits to the unemployed.

College and University Information, is presented here, aggregated by the University's activity, the State Universities' activity and the Community Colleges' activity.

Fiduciary Fund Types:

Post-Employment Benefit and OPEB Trust Funds report resources that are required to be held in trust for the members and beneficiaries of the Commonwealth's post-employment and OPEB benefit plans. These funds recognize employer contributions when legally due and employee contributions in the period when due. Further information on the significant accounting policies for post-employment and OPEB benefit trust funds may be found in Notes 9 and 10 to the basic financial statements on pages 109-124.

External Investment Trust Funds account for the portion of pooled cash and pension assets held under the custodianship of the Commonwealth for the benefit of entities outside the Commonwealth's financial reporting entity, including cities, towns and other political subdivisions of the Commonwealth.

Private Purpose Funds account for various gifts and bequests held by the Commonwealth of which only the income is expendable for purposes specified by the donor. The majority of the individual accounts are for perpetual cemetery care endowments on behalf of deceased individuals.

Agency Funds account for assets held by the Commonwealth on behalf of other governmental entities, other organizations or individuals. These funds include, but are not limited to, fines, forfeitures, tax collections, and payroll withholding taxes. Agency Funds are custodial in nature and do not involve measurement of operations.

Fund Balances:

Governmental fund balances are considered nonspendable, restricted, committed, assigned, and unassigned, based on the relative strength of spending constraints.

Nonspendable fund balances are those that cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact, such as balances in the form of inventories, permanent funds, and notes receivable. As of June 30, 2019, there were no nonspendable fund balances.

Restricted fund balances are those where constraints on their use are: a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or b) imposed by constitutional provisions or enabling legislation such that there is a legally enforceable requirement that those resources be used only for the specific purposes stipulated. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the stipulated purposes.

Committed fund balances are those that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which in the case of the Commonwealth is the Legislature and Governor. Committed amounts cannot be used for other than the specified purposes unless the Governor and Legislature remove or change the specified use through legislation. The authorization specifying the

purposes for which amounts can be used must have the consent of both the legislative and executive branches of the government prior to the end of the reporting period.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by: (a) the governing body itself; or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Massachusetts Legislature has the authority to assign or modify previously assigned fund balance. In distinction to restricted and committed balances, the authority for making an assignment is not required to be the government's highest level of decision-making authority, i.e., the Legislature and Governor, and the action to assign fund balance can occur after the end of the year. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with committed fund balances—constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. Per GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, (GASB 54) assigned balances include those funds remaining at the end of the fiscal year that are reappropriated for the following fiscal year. Assigned balances also include administratively established accounts whose purpose is defined by the Secretary of Administration and Finance and other cabinet secretaries.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes in the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In addition, in accordance with GASB No. 54, negative balances in other governmental funds are classified as unassigned.

While the Commonwealth has not announced a formal policy governing the priority of spending fund balances, in conformance with GASB 54 requirements, when an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, restricted resources are spent first, followed by committed resources, assigned resources, and unassigned resources.

Details of FY19 governmental fund balances are shown below (amounts in thousands);

	Restricted Purposes	Committed Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund					
General Government	\$ —	\$ —	\$ —	\$ 2,000,618	\$ 2,000,618
Stabilization Fund	—	3,424,376	—	—	3,424,376
FY19 Authorizations Reappropriated in FY20	—	—	445,216	—	445,216
Subtotals, General Fund	—	3,424,376	445,216	2,000,618	5,870,210
Lottery Funds					
Lottery Operations	—	1,458	—	—	1,458
Massachusetts School Building Authority (MSBA)					
Debt Service	950,629	—	—	—	950,629
OPEB	226	—	—	—	226
Grants to Cities, Towns and Local School Districts	—	—	655,156	—	655,156
Subtotals, MSB A	950,855	—	655,156	—	1,606,011
Other Governmental Funds					
Restricted by Federal Grantors	32,355	—	—	—	32,355
Child Support - Restricted by Federal Grantors	12,254	—	—	—	12,254
Environmental	—	14,740	16,725	—	31,465
Regional Greenhouse Gas Auction and Mitigation	—	19,650	—	—	19,650
Public Safety - Enhanced 911 Services	—	146,607	—	—	146,607
Public Safety - Other	—	5,138	—	—	5,138
Universal Health Care	—	347,891	—	—	347,891
Marijuana Regulation	—	1,125	—	—	1,125
Other Health Care	—	9,141	—	—	9,141
Social Innovation Financing	—	15,421	—	—	15,421
Workforce Training	—	42,719	—	—	42,719
Department of Industrial Accidents	—	25,523	—	—	25,523
Convention Centers	8,393	285,464	—	—	293,857
General Government Capital Projects Fund	53,933	—	—	—	53,933
Highway Capital Projects Fund	—	—	—	(397,357)	(397,357)
General Government Debt Service	9,057	—	—	—	9,057
Transportation (GANS*/Commonwealth Transportation Fund)	15,409	94,865	—	—	110,274
Gaming Administration	—	5,785	—	—	5,785
Gaming -- Community Mitigation	—	16,461	—	—	16,461
Race Horse Development	—	13,319	—	—	13,319
Housing Preservation	—	14,706	—	—	14,706
Expendable Trusts	234,446	313,108	127,697	—	675,251
Other	5	209,991	11,923	(72,838)	149,081
Subtotals, Other Governmental Funds	365,852	1,581,654	156,345	(470,195)	1,633,656
Totals	\$ 1,316,707	\$ 5,007,488	\$ 1,256,717	\$ 1,530,423	\$ 9,111,335

*Federal Grant Anticipation Notes

The Commonwealth does not have a formally adopted minimum fund balance policy. However, most governmental funds cannot end a fiscal year in deficit. Those funds that are authorized to end a fiscal year in deficit are discussed in Note 8 to the basic financial statements, "Individual Fund Deficits" on page 109.

Stabilization Fund Arrangements:

In accordance with Section 2H of Chapter 29 of the Massachusetts General Laws, the Commonwealth maintains a Stabilization ("Rainy Day") Fund. Per Chapter 29, balances in the Stabilization Fund can be expended only when non-routine budget shortfalls occur and upon appropriation by the Legislature and approval by the Governor. Chapter 29 requires that after calculating the Commonwealth's "consolidated net surplus" (the sum of the "undesignated" balances in certain specific state budgeted funds, equal to balances that are neither restricted nor reappropriated for the following fiscal year) any remaining surplus be transferred to the Stabilization Fund. In addition, withholding taxes on certain Lottery transfers are required to be transferred to the Stabilization Fund. Starting in FY10, statute requires the Comptroller, after certification by the Commissioner of Revenue, to transfer any capital gains tax revenues in excess of \$1 billion (adjusted annually for economic growth) during a fiscal year to the Stabilization Fund. Starting in FY12, statute requires the Comptroller, after certification by the Commissioner of Revenue and the Attorney General, to

transfer to the Stabilization Fund all revenue from individual settlements and judgments greater than \$10 million each that exceeds the five year rolling annual average of such settlements and judgments. During FY19, the settlements and judgments revenue did not reach the five year average threshold and all such revenue was retained in the General Fund.

Historically, balances in the Stabilization Fund have been used almost exclusively during recessionary periods to offset budget shortfalls after other budgetary measures have been taken. Per Chapter 29, the Commonwealth is required to maintain a balanced budget, and if a revenue shortfall is projected, the Secretary of Administration and Finance is required to reduce state agencies' spending authorizations in an amount equal to any projected shortfall.

The Stabilization Fund ended FY19 with a balance of \$3.424 billion. For the fiscal year ending June 30, 2019, the Stabilization Fund's balance increased by \$53 million from investment income, approximately \$429 thousand in statutorily mandated deposits of withholding taxes on certain Lottery proceeds, \$848 million in above-threshold capital gains tax revenue from the general fund, \$4 million representing 75% of the growth in abandoned property revenue, \$10 million from gaming tax revenue and fines and \$593 million from budgeted funds as part of the FY19 close out and transfer of the consolidated net surplus, off set by \$85 million in transfers to the State Pension Fund and the State Retiree Benefits Trust Fund. In accordance with GASB 54 requirements, balances in the Stabilization Fund are classified as committed.

Fiscal Year-End

All funds and component units are reported using fiscal years, which end on June 30.

Program Revenue

Program revenue is defined by the Commonwealth to be the revenue from fees and assessments collected by departments that are directly applicable to that department's operations.

Operating and non-operating revenues and expenses

Revenues and expenses of business-type activities and proprietary funds are classified as operating or non-operating and are sub-classified by object. Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as non-operating.

D. CASH, CASH EQUIVALENTS, SHORT-TERM INVESTMENTS AND INVESTMENTS

The Commonwealth follows the practice of pooling cash and cash equivalents. Cash equivalents consist of short-term investments with an original maturity of three months or less and are stated at cost. Interest earned on pooled cash is allocated to the General Fund and, when so directed by law, to certain other Governmental Funds.

The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term external mixed investment pool, the Massachusetts Municipal Depository Trust (MMDT), which is comprised of two portfolios: a Cash Portfolio and a Short Term Bond Portfolio. The Cash Portfolio is a money-market-like investment pool; its investments are carried at amortized cost. As of June 30, 2019, the MMDT's entire cash fund is included as cash equivalents in the accompanying financial statements. The Short Term Bond Portfolio investments are carried at fair value. As of June 30, 2019, the MMDT's entire bond fund is included as short-term investments in the accompanying financial statements.

Investors in MMDT are not allowed to overdraw their shares. For a complete copy of MMDT's separately issued financial statements, please contact the Office of the State Treasurer's Cash Management Department, at (617) 367-9333 or download the statements from the Cash Management section of the Office of the State Treasurer's website at www.mass.gov/treasury. Massachusetts General Law Chapter 29, Section 38 enumerates the Commonwealth's investment policy for non-pension assets.

The post-employment and OPEB benefit trust funds invest in the Pension Reserves Investment Trust (PRIT) Fund, a

diversified external investment pool managed by the Pension Reserves Investment Management (PRIM) Board and are reported at fair value in the accompanying financial statements. The State Employees', Teachers' Public Employee Retirement Systems (PERS) and the State Retirees' Benefit Trust (SRBT) are required to invest in the PRIT Fund and comprise approximately 38.2%, 39.2% and 1.7% respectively, of the net position of the PRIT Fund. For a complete copy of PRIT's separately issued financial statements, contact the PRIM Board at 84 State Street, Boston, MA 02109.

Other Commonwealth investments are comprised of equities (marketable securities) and fixed income securities, as well as interests in alternative investment funds such as private equity, debt and real estate. Marketable securities are reported at fair value based upon quoted market prices. Investments in fixed income securities, including U.S. government agency obligations, are reported at fair value using independent pricing services. In determining the price, the services may reflect such factors as market prices, yields, maturities, and ratings, supplemented by deal quotations. Alternative investments are generally reported at net asset values (NAV) reported by the investment manager for the respective securities, which are used as a practical expedient to estimate the fair value of the Commonwealth's interests therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2019, the Commonwealth had no plans or intentions to sell investments at amounts different from NAV.

Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year.

Investments also include pooled investment funds with Commonfund which are valued at fair value based upon estimated net asset values provided by the management of Commonfund. These pooled investment funds are invested in marketable debt and equity securities.

Certificates of deposit and guaranteed investment/annuity contracts are carried at amortized cost.

E. RECEIVABLES

In general, tax revenue is recognized on the government-wide statements when assessed or levied and on the governmental financial statements to the extent that it is both measurable and available, based upon collection experience. If revenue is not received within the availability period, receivables are deferred. Receivables are stated net of estimated allowances for uncollectible accounts.

Reimbursements due to the Commonwealth for its expenditures on federally-funded-reimbursement and grant programs are reported as "Federal grants and reimbursements" or "Due from federal government" in the statement of net position.

"Other Receivables" represent amounts due to the Commonwealth including Lottery revenues and Higher Education receivables from students, amounts due to the University of Massachusetts from related organizations and other items. Also included in other receivables for FY19 are amounts due to the Commonwealth under provisions of the Master Settlement Agreement among five tobacco companies and 46 states, including the Commonwealth. Pursuant to provisions of GASB Technical Bulletin No. 2004-1 "Tobacco Settlement Recognition and Financial Reporting Entity Issues", a receivable has been recorded in the general fund for approximately \$133 million, representing 50% of the amounts expected to be received during FY20. Also, included as a long-term receivable is approximately \$28 million representing the Commonwealth's share of the Nonparticipating Manufacturer (NPM) adjustment for 2004 tobacco sales which were not contested by the manufacturers.

"Loans Receivables" - The MSBA has entered into various loan agreements with municipalities at a 2.0% interest rate with principal to be paid in equal installments for varying terms. Currently, the longest repayment schedule has a final payment in FY43. This program is designed to assist a limited number of school districts with unanticipated inflationary construction costs over the district's original project budget. The loans outstanding as of June 30, 2019 were \$81 million, of which \$7 million is due in FY20. During FY19, the MSBA collected \$7 million of scheduled principal payments.

F. DUE FROM CITIES AND TOWNS

“Due from Cities and Towns” represents reimbursements due to the Commonwealth for its expenditures on certain programs for the benefit of cities and towns.

G. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements.

Methods used to value capital assets

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

Capitalization policies

All land, non-depreciable land improvements and donated historical treasures or works of art are capitalized. Single pieces of equipment, vehicles, computer equipment and software that equal or exceed \$50,000 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds \$100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Capital assets of the component units are capitalized upon purchase and depreciated on a straight-line basis over the estimated useful lives of the assets.

Depreciation and useful lives

Applicable capital assets are depreciated using the straight-line method. Unless unallocable, depreciation expense is charged to the function of the capital asset being depreciated. Estimated useful lives are as follows:

<i>Type of Asset</i>	Estimated Useful Life (in years)
Buildings.....	40
Infrastructure	20 to 50
Library collections that are not historical treasures.....	15
Equipment, office equipment and furniture, and life safety equipment	10
Computer hardware and software.....	3 to 7
Vehicles.....	5

Construction in process

Construction in process includes all associated cumulative costs of a constructed capital asset. Construction in process is relieved at the point at which an asset is placed in service for its intended use.

H. INTERFUND / INTRAFUND TRANSACTIONS

As a general rule, the effect of interfund activity has been eliminated in the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

I. STATEWIDE COST ALLOCATION PLAN – FRINGE BENEFIT COST RECOVERY

The Commonwealth has elected not to present its cost allocation and recovery separately on the Statement of Activities. Certain costs of nine “central service” agencies of the Commonwealth are recovered from the remaining agencies in a federally approved statewide cost allocation plan. These costs that are allocated are based upon benefits received by the user agency that benefit from these services. The Commonwealth also appropriates and pays the fringe benefit costs of its employees and retirees, as well as MassDOT employees and retirees, through the General Fund. These fringe benefits include the costs of employees’ group health insurance, pensions, unemployment compensation, and other costs necessary to support the workforce. As directed by Massachusetts General Laws, these costs are assessed to other funds based on payroll costs, net of credits for direct payments. Since fringe benefit costs are not separately appropriated or otherwise provided for in these funds, the required assessment creates an unfavorable budget variance in the budgeted funds. The employees’ group health insurance and workers’ compensation activity is accounted for in the governmental funds.

J. SCHOOL CONSTRUCTION GRANTS, CONTRACT ASSISTANCE AND OTHER PAYABLES

Under the former school building assistance program (prior to the creation of the MSBA) the Commonwealth reimbursed 50% to 90% of approved eligible construction and borrowing costs for school construction and renovation to municipalities and regional school districts for 728 previously approved projects noted by MSBA as Prior Grant projects. The MSBA has assumed responsibility for these projects under its enabling statute.

The MSBA records a liability for its share of total eligible project costs differently depending on the type of project. However, for all projects, the MSBA recognizes a liability for its estimated share of total eligible project costs when the applicable eligibility requirements have been met.

Prior Grants - All of the 728 Prior Grant projects had been receiving an annual payment under the former program. The liability for these projects will be reduced over time through annual payments, and savings from debt refundings by the local communities in which the MSBA shares in the savings based on the reimbursement rate of the project. As of June 30, 2019, the liability for prior grant projects is approximately \$163 million.

Waiting List - The MSBA funds Waiting List projects using two different methods, lump sum and progress payments. Each funding method has different eligibility requirements.

Waiting List projects that are under the lump sum method were recognized as a liability once construction started. The liability for these projects will be reduced over time through annual payments and savings from debt refundings by the local communities in which the MSBA shares in the savings based on the reimbursement rate of the project. These projects operate similar to Prior Grant projects. As of June 30, 2019, the liability outstanding for Waiting List projects under the lump sum method is \$59 million.

Under the progress payment method, the MSBA's shares of costs incurred are generally recognized as a liability once a grantee requests reimbursement from the MSBA. As of June 30, 2019, there is no remaining liability related to the progress payment method.

Waiting List projects that are not currently recognized as a liability are considered commitments of the MSBA. As of June 30, 2019, there are no commitments outstanding for the Waiting List projects.

New Program - The MSBA funds New Program projects on a progress payment basis. Under this process, communities may submit reimbursement requests no more frequently than once per month. Upon review, audit, and approval, the MSBA processes payment for its share of eligible costs incurred. The MSBA's share of costs incurred for New Program projects are recognized as a liability once a grantee's request for reimbursement is reviewed, audited, and approved by the MSBA. The MSBA has recorded a liability of \$51 million in the governmental funds for reimbursements received, reviewed, and approved for payment by June 30, 2019. Additionally, a liability of \$112 million was recorded for the reimbursements not reviewed or approved for payment prior to June 30, 2019, as well as final project hold back payments subject to final audit and Board approval after year end. The long-term portion of this liability is estimated at \$48 million. New Program projects that are not currently recognized as a liability are considered commitments of the MSBA. As of June 30, 2019, the amount of commitments outstanding for the New Program projects is \$1.7 billion, and will be funded under the progress payment method.

For all projects, regardless of the funding mechanism, costs incurred by the grantees are subject to audit by the MSBA. Completion of these audits will allow the MSBA to determine the final approved cost of these projects, and the MSBA will adjust the payments it makes for these projects, as necessary, in accordance with the results of those audits.

As of June 30, 2019, MSBA had an outstanding liability of \$163 million, and \$1.7 billion of commitments outstanding, for the New Program projects. The Commonwealth dedicates a 1% statewide sales tax (drawn from the existing statewide 6.25% sales tax), excluding sales tax revenues on meals and from certain additional statutorily exempted revenues from sales, to the School Modernization and Reconstruction Trust Fund (the "SMART Fund"), in support of these grant programs and for all other operations of the MSBA, including debt service.

The Massachusetts Clean Water Trust (the Trust) loans to its borrowers are subsidized by interest earnings on its pledged assets which include debt service reserve funds, direct loans and contract assistance provided to the Trust by the Commonwealth. Although borrowers are obligated to the Trust to make scheduled payments, these subsidies are expected to be available for the duration of the loan financing agreements. The Commonwealth has committed to provide contract assistance in the amount of \$242 million over 30 years. This obligation of the Commonwealth to the Trust is a general obligation of the Commonwealth, for which its full faith and credit are pledged. Annual appropriations are made each year by the Commonwealth to fund the current year's obligation.

Accounts payable includes amounts due to vendors of the Commonwealth for goods and services delivered before June 30th but paid for after year-end, the largest of which is Medicaid for \$1.086 billion.

K. COMPENSATED ABSENCES

Compensated absences are recorded as a long-term liability in the Statement of Net Position. For the governmental fund statements, accumulated vacation and sick leave are reported as expenditures and fund liabilities when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2019 but paid after the fiscal year ends are also reported in the funds.

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements and state laws. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rate of pay.

Compensated absences in the governmental funds are liquidated from the same sources that fund the personnel expenses of the employees who are compensated for unused vacation and sick leave pay. In most cases, this is the General Fund, but also includes non-General Fund sources to the extent that personnel expenses are charged to those funding sources.

In the business-type activity and the discretely presented component units, employees' accumulated vacation and sick leave are recorded as an expense and liability as the benefits accrue.

L. DEDICATED REVENUES AND PLEDGES

The Commonwealth has a number of pledges of revenue streams for its own bonds and various other bond issues of other authorities. Commonwealth debt supported by dedicated revenue streams include special obligation bonds for road and bridge construction secured by motor fuels taxes and federal grant anticipation notes (GANS) secured by federal grants for highway construction. Detailed information on pledges for the Commonwealth's own debt is included in sections B and C of Note 7, on pages 98-99.

The Commonwealth dedicates receipts from the sales tax (other than the tax on meals) to the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). Each entity receives 1.0% of the sales tax. The MBTA's portion is subject to an inflation-adjusted floor.

The amount dedicated to the MBTA is accounted for in a nonbudgeted special revenue fund and is subject to adjustment equal to the lesser of the annual increase in the Boston consumer price index or prior calendar year annual sales taxes, with a floor of 0.0% and a ceiling of 3.0%. Legislation approved by the Governor on October 31, 2014 increased the amount statutorily required to be credited to the MBTA by \$160 million annually, starting in fiscal 2015. The \$160 million increase in the dedicated sales tax revenue amount and the amount included in the inflation-adjusted floor was intended to replace the \$160 million annual state appropriation the MBTA received from fiscal 2010 through fiscal 2014.

In FY19, approximately \$1.054 billion and \$897 million of the dedicated sales tax revenue stream was directed to the MBTA and the MSBA, respectively.

The Commonwealth has also pledged sales tax revenue and rooms tax surcharges from areas contiguous to convention centers and the Worcester DCU Arena and Convention Center to support such centers' operations. As of June 30, 2019, taxes within the Convention Center districts support approximately \$528 million of outstanding principal and approximately \$261 million of interest on debts related to these Convention Centers. Taxes collected in FY19 were approximately \$161 million, while debt service on the bonds was approximately \$55 million.

Under additional transportation finance reform effective July 1, 2013, motor vehicle sales tax collections were shifted from the General Fund to the Commonwealth Transportation Fund (CTF), while also eliminating a 0.385% pledge of regular and meals sales tax to the CTF. During FY19, approximately \$566 million in motor vehicle sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, \$127 million was dedicated to funding the operations of the MBTA while an additional \$88 million was dedicated to funding the operations of the regional transit authorities. These amounts are transferred through the CTF.

M. LOTTERY REVENUE AND PRIZES

Ticket revenues and prizes awarded by the Massachusetts Lottery Commission are recognized as drawings are held. For certain prizes payable in installments, the Commonwealth purchases annuities and principal-only and interest-only Treasury strips in the Commonwealth's name, which are recorded as annuity contracts and prizes payable in the agency fund and on the Statement of Net Position. Though the annuities are in the Commonwealth's name in the case of a default, they are solely for the benefit of the prizewinner. The Commonwealth retains the risk related to such annuities.

N. RISK FINANCING

The Commonwealth self-insures for employees' workers' compensation, casualty, theft, tort claims and other losses. Such losses, including estimates of amounts incurred but not reported, are included as accrued liabilities in the accompanying financial statements when the loss is incurred. For employees' workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limits the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances. The Group Insurance Commission administers health care and other insurance for the Commonwealth's employees and retirees.

O. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

P. NET POSITION

The Commonwealth reports net position as restricted where legally segregated for a specific future use by enabling legislation. Otherwise, these balances are considered unrestricted.

Net position has been restricted as follows:

"Restricted for unemployment benefits" – identifies amounts solely for the payment of unemployment compensation under federal labor laws.

"Restricted for retirement of indebtedness" – identifies amounts held by fiscal agents to fund future debt service obligations pertaining to Special Obligation Revenue Bonds authorized under Section 20 of Chapter 29 of the Massachusetts General Laws and Chapter 33 of the Acts of 1991. It also includes amounts held for Grant Anticipation Notes authorized by Chapter 11 of the Acts of 1997 and Chapter 121 of the Acts of 1998.

"Restricted for other purposes" – identifies amounts held for various externally imposed restrictions either by creditors, grantors or laws and regulations of other governments.

The net position of the Post-Employment Benefit and OPEB Trust Funds and the Pension Reserves Investment Trust portion of the External Investment Trust Funds are restricted for post-employment benefits. These restrictions identify resources held in trust for the members and beneficiaries of the Commonwealth's post-employment benefit plans. The Pension Reserves Investment Trust portion of the External Investment Trust Funds also includes pooled cash and pension assets held under the custodianship of the Commonwealth for the benefits of cities, towns and other political subdivisions of the Commonwealth.

Q. SERVICE CONCESSION AGREEMENTS

The higher education institutions of the Commonwealth (State Universities and Colleges) enter in to services concession agreements for campus dining facilities and bookstores. In exchange for these agreements the vendors provide contributions to the institutions to improve the facilities as well as revenue sharing arrangements. All improvements and equipment purchased with the payments remain the property of institutions. The contracts range from five to eighteen years in duration. These agreements generate deferred inflows of resources, and liability for the unamortized portion of assets transferred. Per terms of the agreements, either party can terminate the agreement at any time, without

cause, by providing a written notice. In the event of termination, the unamortized portion is to be returned. Following is a summary of amounts of the arrangements as of June 30, 2019 (amounts in thousands):

State Universities.....	\$	21,303
Community Colleges.....		<u>273</u>
Total.....	\$	<u><u>21,576</u></u>

Approximately \$22 million in the carrying value of capital assets and \$8 million in liabilities associated with these service concession agreements are reported in the business-type activities in these financial statements.

R. RECLASSIFICATIONS/IMMATERIAL CORRECTIONS

Certain amounts in the separately issued component units' financial statements have been reclassified to conform to the accounting classifications used by the Commonwealth.

The Commonwealth changed the reporting of revenues received from certain license plate fees and the related expense from fiduciary activities (agency fund) to other (nonmajor) governmental funds. The result of this change was to increase beginning fund balance of the other (nonmajor) governmental funds by \$246 thousand as of July 1, 2018. Further, the Commonwealth increased the beginning net position of the business-type activities and unemployment compensation (major) fund by \$34.6 million as of July 1, 2018 to correct the previous under recording of unemployment compensation contributions (revenue). Additionally, the Commonwealth decreased the beginning net position of the business-type activities and State Universities (major) fund by \$356 thousand as of July 1, 2018 to correct the previous recognition of capital assets and bonds payable. Finally, the Commonwealth changed the reporting of the Springfield Technical Community College Assistance Corporation from a blended component unit that was reported in the Community Colleges (major) Fund to a discretely presented component unit. The result of this change was to decrease beginning net position of the Community Colleges (major) Fund and increase net position of the aggregate discretely presented component units by \$3.2 million as of July 1, 2018.

S. ESTIMATES

The preparation of the Comprehensive Annual Financial Report requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial report.

Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

T. PENSIONS AND OPEB

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employees' Retirement System (SERS) and the Massachusetts Teachers' Retirement System (MTRS) and additions to/deductions from the SERS and the MTRS fiduciary net position have been determined on the same basis as they are reported by SERS and MTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the Commonwealth's requirement to contribute to the Boston Retirement System (BRS) for Boston teachers, information about BRS's fiduciary net position and additions to/deductions from BRS's fiduciary net position have been determined on the same basis as they are reported by BRS. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are

reported at fair value.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Retiree Benefit Trust (SRBT) and additions to/deductions from the SRBT fiduciary net position have been determined on the same basis as they are reported by the SRBT. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

U. SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS

The Commonwealth implemented the following significant new accounting pronouncements during FY19:

GASB Statement 83, *Certain Asset Retirement Obligations*. This Statement requires the measurement of an asset retirement obligation based on the current value of expected future outlays and that a deferred outflow of resources be recorded and measured at the amount of the corresponding liability. The requirements of this Statement did not impact the governmental activities of the Commonwealth however, it did impact the University of Massachusetts (a business-type activity that is separately audited) which resulted in a deferred outflow of resources and a related liability of approximately \$2 million to be recorded on the statement of net position. See the University of Massachusetts audited financial statements for additional information.

GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for footnote disclosure in the financial statements and establishes additional disclosure requirements related to debt obligations, including direct borrowings. See Note 7 for further information on long-term obligations.

2. DEPOSITS, SHORT-TERM INVESTMENTS AND INVESTMENTS

Primary Government

The Commonwealth's cash and cash equivalents and restricted cash is comprised of the following (amounts in thousands):

	Governmental Activities	Business-Type Activities	Government Wide Total	Fiduciary Funds
Cash	\$ 411,764	\$ 547,142 (1)	\$ 958,906	\$ 1,915,234
MMDT - cash fund	6,859,454	388,645 (1)	7,248,099	4,140,773
Restricted cash with fiscal agent.....	268,318	—	268,318	—
Total	<u>\$ 7,539,536</u>	<u>\$ 935,787</u>	<u>\$ 8,475,323</u>	<u>\$ 6,056,007</u>

(1) of which \$244,828 is presented as restricted cash in the accompanying financial statements.

Lottery Annuity Contracts and U.S. Treasury Strips

The Massachusetts State Lottery Commission, a division of the Office of the State Treasurer and Receiver-General, purchases annuity contracts from insurance companies and United States treasury strips to fund the Commonwealth's liability for future installment prize obligations. These annuities and treasury strips represent obligations of the insurance companies and the custodial banks, respectively, to provide a fixed series of payments over a specified period. Only the annuity investments are subject to credit risk. For the annuity contracts, risk is controlled by purchasing these investments only from insurance companies with the top two ratings issued by a national recognized ratings organization. However, due to the nature of these annuity contracts, the credit quality of the insurance company issuer is subject to change. As of June 30, 2019, the amortized cost of annuities was approximately \$111 million. At June 30, 2019, the

U.S Treasury Strips have a fair value of approximately \$797 million. Approximately 87.7% of these amounts are held in United States Treasury strips at a custodial bank. No insurance company has an amount of annuities over 5.3% of the overall portfolio.

MSBA Deposits and Investments

The MSBA is authorized to invest in obligations of the US Treasury, its agencies and instrumentalities, bonds or notes of public agencies or municipalities, bank time deposits, guaranteed investment contracts, money market accounts and repurchase agreements. These investments are recorded at fair value. The MSBA has an investment policy that establishes the minimum credit quality for certain instruments, outlines investment procedures and updates for periodic reporting. The MSBA investment policy does not specifically limit the amount the MSBA may invest in any one issuer.

As of June 30, 2019, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

Cash and cash equivalents.....	\$	478,244
Restricted cash with fiscal agent.....		1,054
Restricted investments		1,022,329
Total.....	\$	<u>1,501,627</u>

Custodial Credit Risk – Pooled Cash

Custodial credit risk is the risk that in the event of a bank failure, deposits and investments may not be returned to the Commonwealth. Cash balances represent amounts held in bank depository accounts that may be subject to custodial credit risk.

The Commonwealth requires all bank deposits in excess of insurance coverage by the Federal Deposit Insurance Corporation (FDIC) to be collateralized with a perfected pledge of eligible collateral or a letter of credit. For programs created by the Treasury, such as the Small Business Banking Program, eligible collateral must be pledged in an amount equal to 102% of the amount of the deposits that exceed FDIC insurance. Sufficient collateral to cover total Commonwealth deposits in excess of the FDIC insured amount must be pledged and held in safekeeping by a custodian that is approved by and under the control of the Treasurer and Receiver General.

Membership by a financial institution in the Depositors Insurance Fund (DIF) or the Share Insurance Fund (SIF) will be accepted by the Treasurer and Receiver General's Office as alternative security, provided that the financial institution submits proof of membership in the DIF or the SIF. Membership in the DIF is limited to Massachusetts chartered savings banks while membership in the SIF is limited to Massachusetts cooperative banks.

Custodial Credit Risk – Higher Education

The Institutions of Higher Education have investment policies that may vary by institution for custodial credit risk. Each institution carries deposits that are fully insured by the FDIC, as well as uninsured deposits. As of June 30, 2019, the bank balances of uninsured deposits totaled approximately \$282 million.

Custodial Credit Risk – MSBA

The MSBA does not have a formal investment policy for custodial credit risk. The MSBA carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) insurance, as well as deposits that are fully collateralized. As of June 30, 2019, all MSBA bank balances were fully protected against loss.

Interest Rate Risk – MMDT

Interest rate risk is the extent that changes in interest rates of debt investments will adversely affect the fair value of an investment. These investments include certain short-term cash equivalents, various long-term items and restricted assets by maturity in years. The Treasury cash portfolio minimizes the risk of the fair value of securities falling due to changes in interest rates by maintaining a dollar-weighted average portfolio maturity of 60 days or less. The Treasury

cash portfolio's assets are managed to maintain a dollar-weighted average life to maturity of 77 days or less.

The MMDT Cash Portfolio's dollar-weighted average maturity fluctuated from 28 days on July 1, 2018 to 33 days on June 30, 2019.

Investments in the MMDT Short Term Bond Portfolio are made in investment-grade securities as defined by national statistical rating agencies. The Commonwealth assesses risk for the Short Term Bond Portfolio by using duration. Duration is the weighted maturity of the security's cash flows, where the present values of the cash flows serve as weights.

For the MMDT Short Term Bond Portfolio, the duration fluctuated from 2.50 to 2.55 years. At June 30, 2019, investments in the MMDT Short Term Bond Portfolio had a total net position of \$780 million with investment maturities ranging from less than one year to ten years. At June 30, 2019, the Short Term Bond Portfolio's effective maturity schedule was as follows:

Securities with an Effective Maturity of	Percentage of Total Net Position
Less than one year.....	16.3%
One to five years.....	80.8%
Six to ten years.....	2.3%
Total*	<u>99.4%</u>

*The remaining 0.6% consists of cash equivalents and other assets.

Interest Rate Risk – Higher Education

As of June 30, 2019, the Institutions of Higher Education had debt investments stated at fair value of approximately \$343 million and had investment maturities ranging from less than one year to more than ten years, with approximately 23.6% of the investment's fair values maturing in less than 1 year, approximately 57.1% from one to five years, approximately 9.9% from six to ten years, and approximately 9.4% more than ten years.

Interest Rate Risk - MSBA

The MSBA's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates. As of June 30, 2019, the MSBA had approximately \$200 million invested in a collateralized guaranteed investment contract and approximately \$532 million invested in U.S. Treasury Bonds and Municipal Bonds. These investments are included in restricted investments on the balance sheet. The guaranteed investment contract matures on August 15, 2030 while the U. S. Treasury Bonds and Municipal Bonds mature from 2027 to 2045. These investments represent approximately 68% of the MSBA's total investments in debt service funds and debt service reserve funds.

Interest Rate Risk – Agency Funds

The agency funds hold certain debt investments in trust as collateral for regulatory purposes. As of June 30, 2019, these investments had a fair value of approximately \$518 million, with investment maturities ranging from less than one year to more than ten years. Of the total fair value, approximately 11.0% has maturities of less than one year, 60.8% from one to five years, 15.7% from six to ten years and 12.5% greater than ten years.

Credit Risk – MMDT

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth, exclusive of Pension Trust Funds, minimizes concentration of credit risk, the risk attributed to the magnitude of the investment in a single issuer. The Commonwealth's investment policy prohibits the Treasury from investing more than 5% of the total investment portfolio in any single financial institution or issuer, excluding various

public entity securities and repurchase agreements. However, there are no restrictions on the amount that can be invested in public entity securities and the portfolio may be invested in U.S. Treasury and other Government Sponsored Enterprises (GSE's) obligations and repurchase agreements.

The Treasury cash portfolio is invested only in First Tier Securities as defined by the Securities and Exchange Commission's Rule 2A-7 of the [Investment Company Act of 1940](#). The Treasury does have additional policies regarding credit ratings of investments which can be found at <http://www.mymmdt.com/MMDT/daf/pdf/products/regulatory/G44885-27.pdf>. At June 30, 2019, the Cash Portfolio's securities were all rated as First Tier.

At June 30, 2019, the Short Term Bond Portfolio's follows:

Portfolio Composition	Percentage of Total Net Position
AAA.....	69.8%
AA.....	3.6%
A.....	12.3%
BBB.....	13.7%
Total*	<u>99.4%</u>

* The remaining 0.6% consists of cash equivalents and other assets.

Credit Risk – Higher Education

For the Institutions of Higher Education presented in the Business-Type Activities, fair values of debt investments were approximately \$101 million at AAA, approximately \$69 million from AA+ to A- and approximately \$173 million either unrated, BBB+ or less.

Credit Risk – MSBA

The MSBA's investment policy generally limits investments in fixed income products with institutions that have an investment grade rating as determined by one of the nationally recognized rating agencies. The MSBA's policy requires issuers of investment contracts to be rated AA or above by at least two of the nationally recognized rating agencies or A with pledged collateral equal to 102% of the principal balance. As of June 30, 2019, the guaranteed investment contracts were not rated; however, the issuer was rated AA by Standard & Poor's and A2 by Moody's and the guaranteed investment contracts were collateralized.

As of June 30, 2019, the MSBA's investments in municipal bonds were rated AA+ or above.

Credit Risk – Agency Funds

The agency funds had debt investments with a fair value of \$518 million, of which approximately \$318 million were in U.S Government securities. Of the remaining \$200 million the majority were investment grade or above.

Interest Rate Risk – PRIT Funds

As pension and OPEB trust funds have a longer investment horizon than many of the Commonwealth's other investments, the PRIM Board manages PRIT's exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its fixed income investment managers. The guidelines with each individual manager require that the effective duration of the domestic fixed income investment portfolio be within a specified percentage or number of years of the effective duration band of the appropriate benchmark index. For emerging markets fixed income investments, the portfolio must have a duration with a band ranging from three to eight years.

Effective duration is a measure of a fixed income investment's exposure to fair value changes arising from changes in interest rates. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows. These assumptions take into consideration factors indicative of investments highly sensitive to interest rate

changes, including callable options, prepayments and other factors.

The PRIM Board compares the effective duration of a manager's portfolio to their relevant benchmark including Bloomberg Barclays Capital Aggregate index, US Treasury STRIPS 20+ Year index, Bloomberg Barclays Capital US TIPS index, Barclays Capital Inflation Linked Bonds index, S&P LSTA Leveraged Loan index, JP Morgan Global Emerging Markets Bond index, JP Morgan Global Diversified Emerging Markets Bond index, and the Intercontinental Exchange Bank of America Merrill Lynch (ICE BofAML) High Yield index. The PRIT Fund had fixed income and short-term investments totaling approximately \$21.280 billion at fair value with an effective weighted average duration range from 0.14 to 16.03 years at June 30, 2019.

Credit Risk – PRIT Funds

The PRIM Board establishes credit investment guidelines with each of its fixed income securities investment managers in establishing a diversified portfolio. These guidelines vary depending on the manager's strategy and the role of its portfolio to the overall diversification of the PRIT fund. The guidelines for the PRIT Fund's core fixed income portfolio establish the minimum credit rating for any security in the portfolio and the overall weighted average credit rating of the portfolio. The guidelines for the PRIT Fund's high yield, fixed income portfolio establish a market value range of securities to be held with a specific minimum credit rating and the overall weighted average credit rating of the portfolio.

Credit risk for derivative instruments held by PRIT results from counterparty risk. PRIT is exposed to credit risk resulting from counterparties being unable to meet their obligations under the terms of the derivative agreements. The weighted average quality rating of the debt securities portfolio, excluding pooled investments, investments explicitly backed by the United States Government and other nonrated investments was BBB at June 30, 2019.

Credit ratings associated with the Commonwealth's investment in the PRIT Fund ranged from AAA to A- investments with a fair value of approximately \$2.333 billion, BBB+ to B- investments with a fair value of approximately \$2.963 billion, \$630 million rated CCC+ to D, \$8.10 billion are unrated, and the remaining \$7.463 billion are investments that are explicitly backed by the U. S. Government.

Foreign Currency Risk – PRIT Funds

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments. The Treasury does not have a policy regarding foreign currency risk for the Pension Trust. The PRIM Board manages PRIT's exposure to foreign currencies by hedging a percentage of PRIT's non-U.S. dollar denominated investments through forward foreign currency contracts. The PRIT Fund's investments in foreign currency denominated investments as of June 30, 2019 were approximately \$244 million in cash and short-term investments, \$13.634 billion in equities, \$1.127 billion in fixed income investments, \$490 million in portfolio completion strategies, \$1.136 billion in private equity investments and \$315 million in timber investments. An additional \$3.360 billion is invested in international investments denominated in U. S. dollars.

Concentration of Credit Risk – PRIT

The PRIM Board manages PRIT's exposure to concentration of credit risk by establishing guidelines with each investment manager that limit the percent of investment in any single issue or issuer. PRIT has no investments, at fair value, that exceed 5% of PRIT's net position held in trust for pool participants as of June 30, 2019.

A. DERIVATIVE INSTRUMENTS

PRIT may invest in derivative instruments. In accordance with GASB Statement No 53, *Accounting and Financial Reporting for Derivative Instruments*, PRIT's derivatives are accounted for as investment derivatives and are reported at fair value.

Forward Currency Contracts

PRIT enters into forward currency contracts to hedge the exposure to changes in foreign currency exchange rates on

foreign portfolio holdings. The fair value of the contracts will fluctuate with changes in currency exchange rates. Risks may arise from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.

The contracts are marked-to-market daily and the change in fair value is recorded as an unrealized gain or loss by PRIT.

When a contract is closed, PRIT records a realized gain or loss equal to the difference between the cost of the contract at the time it was opened and the value at the time it was closed.

As of June 30, 2019, PRIT had open foreign exchange contracts with combined net unrealized loss of approximately \$13 million with various delivery dates.

Further information on derivative instruments can be found in the notes to PRIT's basic financial statements.

Futures Contracts

PRIT may purchase and sell financial futures contracts to hedge against changes in the values of securities the fund owns or expects to purchase.

Upon entering such contracts, they must pledge to the broker an amount of cash or securities equal to a percentage of the contract amount.

The potential risk is that the change in the value of futures contracts may not correspond to the change in the value of underlying instruments, which may not correspond to the change in value of the hedged instruments. In addition, there is a risk that PRIT may not be able to close out its future positions due to a non-liquid secondary market. Risks may also arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.

PRIT may also invest in financial futures contracts for non-hedging purposes.

PRIT held contracts outstanding at June 30, 2019 with various expirations from FY20 to FY23. These contracts are for cash and cash equivalents, fixed income, equities and commodities. A portion of the contracts were short contracts. The aggregated notional exposure amount as of June 30, 2019 was approximately \$2.227 billion with a fair value of \$2.260 billion, yielding an unrealized net gain of approximately \$33 million.

Payments are made or received by PRIT each day, depending on the daily fluctuations in the value of the underlying security and are recorded as unrealized gains or losses. When the contracts are closed, the PRIT Fund recognizes a realized gain or loss.

Swaps – PRIT

PRIT has entered into swap agreements to gain exposure to certain markets and actively hedge other exposures to market and credit risk. The swap contracts are reported at fair value, which represents their estimated liquidation values on costs. PRIT either receives cash from the swap counterparties or pays the swap counterparties monthly depending on whether the fixed-rate interest is lower or higher than the variable-rate interest. Changes in fair value are included as part of investment income.

As of June 30, 2019, PRIT had contracts in effect with an aggregated notional amount of approximately \$315.606 billion to various investment banks that had maturity dates from FY20 to FY64. The contracts have an aggregate fair value gain of approximately \$97 million. PRIT values these contracts using standard methods and techniques including the discounted cash flow analysis and option pricing models.

PRIT's counterparty exposure was with various major investment companies with ratings ranging from AA- to A and various other banks with other ratings. Open swap contracts as of June 30, 2019 were as follows (amounts in thousands):

Counterparty	Credit Ratings	Interest Rate Swaps		Credit Default Swaps		Total Return and Other Swaps	
		Gross Notional	Fair Value	Gross Notional	Fair Value	Gross Notional	Fair Value
Citibank NA	A+	\$ 5,810	\$ —	\$ 6,178	\$ (295)	\$ 331,795	\$ 15,145
CME Group Inc.....	AA-	1,302,534	(4,548)	—	—	8,080	29
Credit Suisse	A	—	—	1,346,835	20,492	—	—
Goldman Sachs	A+	—	—	107,902	274	36,392	1,973
LCH Clearent Ltd	AA-	608,982	(12,004)	—	—	339,948	(1,949)
Merrill Lynch	A+	—	—	24,280	(243)	2,288,028	78,094
Morgan Stanley	A+	—	—	274,194	(3,031)	597,467	40,941
SMBC Capital Markets Inc.....	A+	250,000	(9,271)	—	—	—	—
U.S. Bank National Association...	A+	500,000	(1,265)	—	—	—	—
All others.....	Various	306,323,741	(3,041)	946,263	(26,112)	307,913	1,648
Totals.....		<u>\$ 308,991,067</u>	<u>\$ (30,129)</u>	<u>\$ 2,705,652</u>	<u>\$ (8,915)</u>	<u>\$ 3,909,623</u>	<u>\$ 135,881</u>

B. DISCRETELY PRESENTED COMPONENT UNIT INVESTMENTS

Component units invest in derivative transactions. Detailed information on those transactions is found in the notes to the basic financial statements of those component units.

C. FAIR VALUE MEASUREMENTS OF INVESTMENTS

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the Commonwealth categorizes the fair value measurements of its investments within the fair value hierarchy established by GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 - Inputs are quoted prices for identical investments in active markets.
- Level 2 - Observable inputs other than quoted market prices.
- Level 3 - Unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair measurement.

Level 2 investments are categorized using various inputs that include, but are not limited to, pricing models, independent third party evaluated services, benchmarking yields, reported trades, broker-dealer quotes, issuer spreads and benchmarking securities among others.

The following tables present a summary of the fair value hierarchy of investments at June 30, 2019 (amounts in thousands):

<i>Primary government</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury and agency securities	\$ 608,940	\$ 601,474	\$ 7,466	\$ —
Municipal securities	110,307	18,376	91,931	—
Institutional money market funds	220,290	210,529	9,761	—
Corporate debt/bonds	83,631	592	82,997	42
Corporate stock	22,558	22,558	—	—
Asset backed securities	19,382	—	19,382	—
Registered investment companies.....	40,956	40,780	176	—
Mortgage backed securities	18,272	3,273	14,999	—
Other fixed income	137,307	137,307	—	—
Total debt securities	1,261,643	1,034,889	226,712	42
Equity securities	232,274	230,689	—	1,585
Other investments:				
REITS	20,615	20,615	—	—
Investments measured at the Net Asset Value (NAV):				
Commonfund (pooled investment funds)	353,437			
Private equity	25,599			
Private debt	18,834			
Private real estate	7,422			
Other	15,910			
Total investments measured at the NAV	421,202			
Other investments at fair value:				
MMDT - bond fund	365,733			
Subtotal investments at fair value	2,301,467	\$ 1,286,193	\$ 226,712	\$ 1,627
Other investments:				
Guaranteed investment contracts	206,251			
Certificates of deposit	7,678			
Other	490,518			
Total other investments	704,447			
Total investments - primary government.....	\$ 3,005,914			
Derivative instruments:				
Interest rate swaps (liabilities)	\$ 177,870	\$ —	\$ 177,870	\$ —

Included in the preceding schedule is approximately \$3 million of various money market mutual fund investments related to the business type activities which are classified as cash equivalents in the accompanying financial statements.

Lottery annuity contracts and U.S. Treasury Strips of approximately \$909 million as of June 30, 2019 is presented in governmental activities on the Statement of Net Position and also in the fiduciary funds as further explained in the Reconciliation of Fund Balances to the Statement of Net Position. In these fair value tables, the Lottery annuity contracts and U.S. Treasury Strips are presented solely in the fiduciary funds.

<i>Fiduciary funds:</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury securities	\$ 1,141,786	\$ 1,141,786	\$ —	\$ —
Bonds	116,901	32,484	84,417	—
Total debt securities	1,258,687	1,174,270	84,417	—
Investments measured at the Net Asset Value (NAV):				
Mutual funds	56,303			
Other investments at fair value:				
MMDT - bond fund	39,786			
Net investment in PRIT	74,831,427			
Total other investments at fair value	74,871,213			
Subtotal investments at fair value	76,186,203	\$ 1,174,270	\$ 84,417	\$ —
Other investments:				
Annuity contacts	111,389			
Total investments - fiduciary funds	\$ 76,297,592			

3. RECEIVABLES AND TAX ABATEMENTS

A. RECEIVABLES

Taxes, federal reimbursements, loans and other receivables are presented in the statement of net position, exclusive of amounts due from cities and towns and component units as follows (amounts in thousands):

<i>Primary Government</i>	Taxes Receivable	Federal Grants and Reimbursements	Loans	Other Receivables	Total
<u>Governmental Activities:</u>					
Gross receivables.....	\$ 5,081,865	\$ 2,039,129	\$ 94,305	\$ 1,581,015	\$ 8,796,314
Less: allowance for uncollectibles	(1,292,494)	(101,332)	—	(1,142,324)	(2,536,150)
Receivables, net allowance for uncollectibles.....	3,789,371	1,937,797	94,305	438,691	6,260,164
Less: current portion.....	(3,562,052)	(1,875,958)	(7,392)	(365,345)	(5,810,747)
Noncurrent receivables.....	\$ 227,319	\$ 61,839	\$ 86,913	\$ 73,346	\$ 449,417
<u>Business-Type activities:</u>					
Gross receivables.....	\$ —	\$ 21,045	\$ 62,073	\$ 1,177,464	\$ 1,260,582
Less: allowance for uncollectibles	—	—	(4,260)	(478,459)	(482,719)
Receivables, net allowance for uncollectibles.....	—	21,045	57,813	699,005	777,863
Less: current portion.....	—	(21,045)	(9,953)	(684,061)	(715,059)
Noncurrent receivables.....	\$ —	\$ —	\$ 47,860	\$ 14,944	\$ 62,804

B. TAX ABATEMENTS

As of June 30, 2019, the Commonwealth provided tax abatements through the following three programs: the Massachusetts Economic Development Incentive Program Credit (EDIP), Life Sciences Tax Incentive Program and the Film Tax Credit.

Economic Development Incentive Program

Under the Economic Development Incentive Program (EDIP), companies receive state and local tax incentives in exchange for job creation, manufacturing job retention and private investment commitments. On or after January 1, 2010 and before January 1, 2017, the Economic Assistance Coordination Council (EACC) may award to taxpayers up to 40% of the cost of qualifying properties as credits to certain certified projects ("expansion project", "enhanced expansion project", or a "manufacturing retention project"). The EACC may also award EDIP credits of up to \$1,000 per job (\$5,000 per job in gateway municipalities) to certified job creation projects. The total award for a project may not exceed \$1 million. On or after January 1, 2017, the credit is instead determined by the EACC based on factors set out in M.G.L. c. 23A, § 3D.

For tax years beginning on or after January 1, 2019, the EACC is authorized to establish a program to incentivize businesses to occupy vacant storefronts in downtown areas. Pursuant to this program, the EACC may award up to \$500,000 of available EDIP tax credits annually to businesses that occupy previously vacant storefronts. The businesses must commit to occupying the previously vacant storefront for a period of not less than one year.

The total dollar amount of the EDIP credit that may be used in a calendar year is \$30 million.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

For projects certified before January 1, 2017, if a project's certification is revoked, or if property upon which a certification is based is sold prior to the end of its useful life, the difference between the credit taken and the credit allowed for actual use must be added back as additional taxes due in the year of disposition, except if the property had been in qualified use for more than twelve consecutive years. For an expansion project where the actual number of permanent full-time employees employed by the controlling business at the project is less than 50% of the number of such permanent full-time employees projected in the project proposal, this shall be deemed a material variance for the purpose of a revocation determination. Upon such a revocation, all tax credits available to the controlling business as a result of project certification shall be revoked and forfeited for the year in which revocation occurred and all subsequent years, and the Commonwealth, in the case of a certified expansion project, shall recover the value of any tax credits received by the controlling business prior to or subsequent to such revocation.

For projects certified on or after January 1, 2017, recapture is required only if the EACC revokes certification. The amount of credit subject to recapture shall be proportionate to the corporation's job creation requirements applicable to the certified project. The corporation's proportion of compliance will be determined by the EACC as part of the revocation process and reported to DOR and the taxpayer at time of revocation.

Life Sciences Tax Incentive Program

The Massachusetts Life Sciences Center (MLSC) certifies and awards four types of tax abatements to life sciences companies, with the purpose of increasing Massachusetts' employment of companies in the life sciences sector of the economy. These abatements, which are 90%-refundable, together with other life sciences tax incentives, are subject to an aggregate \$25 million annual cap.

- The Life Sciences Investment Tax Credit is equal to 10% of the cost of qualifying property acquired, constructed, reconstructed or erected during the taxable year and used exclusively in Massachusetts.
- The Life Sciences User Fees Tax Credit is equal to 100% of the user fees paid to the U.S. Food and Drug Administration (USFDA) upon submission of an application to manufacture a human drug in Massachusetts, and may be claimed in the taxable year in which the application for licensure of an establishment to manufacture the drug is approved by the USFDA. To be eligible for the credit, more than 50% of the research and development costs for the drug must have been incurred in Massachusetts.

- Taxpayers seeking to claim a Life Sciences Jobs Tax Credit must commit to the creation of a minimum of 50 net new permanent full-time positions in Massachusetts. The amount of the credit is determined by the Life Sciences Center.
- The Life Sciences Center may authorize a life sciences company to obtain refunds of existing Research Credits. Generally, the Research Credit for research expenses incurred in Massachusetts is based on a formula that measures taxpayers' year-to-year increases in Massachusetts research expenses. See the regulations and public written statements cited below for a more detailed description of the formula.

Under each of these tax abatements, grantees agree to increase or maintain its employee headcount in Massachusetts, compared to the company's "baseline" employee headcount at the time of the award and the company's projected net increase in headcount in the tax year following award. Baseline and projected headcounts are summed to create a "total projected headcount" metric that is used for MLSC agreement and compliance purposes.

A company that has received tax incentives from the MLSC and subsequently fails to achieve the minimum net new headcount thresholds as specified in the MLSC's Annual Tax report and Multiple Awards policy will have the award terminated and must return the amount of the tax abatement claimed to the Commonwealth, although the company may be given an additional year to achieve the employment goals if the MLSC determines that it has the potential to meet those goals. The MLSC is required by statute to de-certify any company that fails to achieve at least 70% of its job target for two consecutive years. The MLSC has decided through administrative action that any company failing to achieve at least 80% of its job target by the end of any extension period and, in the case of the Life Sciences Job Incentive Refundable Credit, failing to create at least 50 net new jobs, will be de-certified. More information on these job creation and clawback requirements is available on the MLSC's website, <http://www.masslifesciences.com/programs/tax/>.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

Film Tax Incentive

Under M.G.L. c. 62, § 6(l) and M.G.L. c. 63, § 38X, the Department of Revenue is authorized to grant tax abatements to encourage the production in Massachusetts of motion pictures, television shows, and commercials. Entities that fund such productions (known under the statute as "motion picture production companies") may claim (1) a credit equal to 25% of the total qualifying aggregate payroll for employing persons within the Commonwealth in connection with filming and production of a motion picture and (2) a credit equal to 25% of their Massachusetts production expenses. Each credit has its own qualification requirements and a taxpayer is allowed to qualify for and claim both credits. The production companies must incur a minimum of \$50,000 in qualified expenses during a consecutive twelve-month qualification period. The credits are either transferable or 90% refundable to the motion picture production companies to the extent that the credits exceed the companies' Massachusetts tax liability. Transferees do not qualify for the 90%-refundability option.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated. There is no cap on the amount of the credits.

There are no provisions in statute to recapture the film tax credits.

In addition to the tax credit, sales of tangible personal property to a qualifying motion picture production company or to an accredited film school student for the production expenses related to a school film project are exempt from the sales tax. In order to qualify for the sales tax exemption, a motion picture production company must incur at least \$50,000 in total production costs in Massachusetts during a consecutive 12 month period and must be conditionally pre-approved as a qualifying company by the Commissioner of Revenue. Any taxpayer that has been conditionally pre-approved for the sales tax exemption that then fails to expend the requisite \$50,000 within a consecutive 12 month period shall be liable for the sales taxes that would have been due had the conditional pre-approval not been granted.

The following is the total revenue estimated to be reduced under these programs for fiscal year 2019 (amounts in thousands):

Tax abatement program	Total estimated revenue reduced by
Economic Development Incentive Program (EDIP)	\$ 40,198 (1)
Life Sciences Tax Incentive Program	20,000 (2)
Film Tax Incentive Program:	
Film Tax Credit	25,876 (3)
Sales Tax Exemption.....	323 (4)
Total	<u>\$ 86,397</u>

Sources:

- (1) Massachusetts Office of Business Development, credits approved in FY2019.
- (2) <http://www.masslifesciences.com/baker-polito-administration-announces-job-creation-incentives-for-27-massachusetts-life-sciences-companies/#more-8328>, incentives awarded in FY2019.
- (3) Massachusetts Department of Revenue, film tax credits approved during FY2019.
- (4) Massachusetts Department of Revenue, FY2020 Tax Expenditure Budget, sales tax exemption approved to motion picture production companies or to accredited film school students during FY2019 (<https://www.mass.gov/doc/2020-tax-expenditure-budget/download> or https://budget.digital.mass.gov/bb/h1/fy20h1/tax_20/items/htax3004.htm).

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS BETWEEN FUNDS

The purposes of interfund receivables, payables and transfers between funds vary by legislative authority. Transfers include the following: intergovernmental services, fringe benefit cost assessments, the year-end Stabilization Fund transfer, certain license fees collected by the Registry of Motor Vehicles that fund various highway project initiatives, fund closure transfers, and various other transfers for operations, largely for Institutions of Higher Education.

Activity between funds reflected as due to/from primary government in the various statements is summarized as follows (amounts in thousands):

	General	Lotteries	Other Governmental Funds	Total
Governmental funds:				
<u>Transfers in:</u>				
Debt service	\$ —	\$ —	\$ 2,486,460	\$ 2,486,460
Transfers in	2,013,062	—	1,643,973	3,657,035
Subtotal	2,013,062	—	4,130,433	6,143,495
<u>Transfers out:</u>				
Appropriations	(1,509,596)	—	(5,656)	(1,515,252)
Transfer of bond proceeds.....	—	—	(115,421)	(115,421)
Debt service	(1,220,266)	—	(1,266,194)	(2,486,460)
Transfers out	(919,800)	(1,206,850)	(1,465,644)	(3,592,294)
Subtotal	(3,649,662)	(1,206,850)	(2,852,915)	(7,709,427)
Total governmental funds.....	\$ (1,636,600)	\$ (1,206,850)	\$ 1,277,518	(1,565,932)
Proprietary funds:				
	University of Massachusetts	State Universities	Community Colleges	Total
<u>Transfers in:</u>				
Transfers in from the General Fund and other governmental funds	\$ 780,077	\$ 392,925	\$ 457,671	1,630,673
<u>Transfers out:</u>				
Transfers out to the General Fund.....	(40,075)	(13,984)	(10,682)	(64,741)
Total proprietary funds	\$ 740,002	\$ 378,941	\$ 446,989	1,565,932
Net transfers in/(out) between funds.....				\$ —

Due to/from component units on the Statement of Net Position reflects a timing difference for payments of approximately \$42 million at year end.

Remaining receivables and payables between funds as of June 30, 2019 largely occur due to the timing of accruals and the funding of escrows. The University of Massachusetts also reported unremitted benefits costs as of June 30, 2019. The amount due to the General Fund largely represents deficits funded by the General Fund. The following is a summary of receivables and payables between funds remaining as of June 30, 2019 (amounts in thousands):

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	Non-major Governmental Funds	\$ 190,540
Non-major Governmental Funds	Non-major Governmental Funds	73,344
Total Governmental Funds		\$ 263,884

5. CAPITAL ASSETS

Capital asset activities for both governmental and business-type activities were as follows (amounts in thousands):

<i>Governmental Activities</i>	Beginning Balance July 1, 2018	Increases	Decreases and Reclassifications	Ending Balance June 30, 2019
Capital assets not being depreciated:				
Land.....	\$ 914,565	\$ 18,629	\$ (42)	\$ 933,152
Construction in process	659,462	122,248	(173,561)	608,149
Total capital assets not being depreciated	1,574,027	140,877	(173,603)	1,541,301
Capital assets being depreciated:				
Buildings	5,957,369	191,283	(4,319)	6,144,333
Machinery and equipment	1,758,838	101,692	(64,684)	1,795,846
Infrastructure non - central artery/tunnel project	409,079	27,924	—	437,003
Total capital assets being depreciated.....	8,125,286	320,899	(69,003)	8,377,182
Less, accumulated depreciation:				
Buildings	(3,373,341)	(103,027)	4,144	(3,472,224)
Machinery and equipment	(1,274,404)	(136,555)	50,293	(1,360,666)
Infrastructure non - central artery/tunnel project	(267,879)	(10,184)	—	(278,063)
Total accumulated depreciation.....	(4,915,624)	(249,766)	54,437	(5,110,953)
Total capital assets being depreciated, net.....	3,209,662	71,133	(14,566)	3,266,229
Governmental activities capital assets, net.....	4,783,689	212,010	(188,169)	4,807,530
<i>Business - Type Activities</i>				
Capital assets not being depreciated:				
Land.....	227,757	1,701	(680)	228,778
Construction in process	851,126	434,282	(765,466)	519,942
Historical treasures	1,464	1,042	(1,487)	1,019
Total capital assets not being depreciated	1,080,347	437,025	(767,633)	749,739
Capital assets being depreciated:				
Buildings	10,486,014	809,648	(35,340)	11,260,322
Machinery and equipment	1,150,211	68,225	(30,976)	1,187,460
Library collections, not including historical treasures	72,166	1,034	(8,534)	64,666
Total capital assets being depreciated.....	11,708,391	878,907	(74,850)	12,512,448
Less, accumulated depreciation:				
Buildings	(4,082,109)	(357,397)	44,928	(4,394,578)
Machinery and equipment	(883,703)	(64,423)	4,146	(943,980)
Library collections, not including historical treasures	(15,479)	(623)	480	(15,622)
Total accumulated depreciation.....	(4,981,291)	(422,443)	49,554	(5,354,180)
Total capital assets being depreciated, net.....	6,727,100	456,464	(25,296)	7,158,268
Business - type activities capital assets, net	7,807,447	893,489	(792,929)	7,908,007
Total Primary Government capital assets, net.....	\$ 12,591,136	\$ 1,105,499	\$ (981,098)	\$ 12,715,537

Depreciation expense was charged to the various functions of governmental and business-type activities as follows (amounts in thousands):

<u>Function</u>	<u>Amount</u>
General government.....	\$ 128,655
Judiciary.....	18,965
Health and human services	26,439
Early elementary and secondary education	3,641
Public safety and homeland security	63,611
Housing and economic development.....	43
Labor and workforce development.....	8,412
	<u> </u>
Total depreciation, governmental activities	<u>\$ 249,766</u>
University of Massachusetts.....	\$ 276,495
State universities.....	103,800
Community colleges	42,148
	<u> </u>
Total depreciation, business-type activities.....	<u>\$ 422,443</u>

6. SHORT-TERM FINANCING AND CREDIT AGREEMENTS

Massachusetts General Laws authorize the Treasurer to issue temporary notes in anticipation of revenue or bond financing. Short-term borrowing may be issued as fixed rate notes, floating rate notes or through a commercial paper program supported by bank liquidity facilities maintained by the Commonwealth. Per the State Constitution, revenue anticipation notes (RANs) issued for cash flow purposes are required to be paid within the same fiscal year. Temporary financings for capital needs, such as bond anticipation notes, may be outstanding for up to three years, per statute.

A. GENERAL FUND

The balance of revenue anticipation notes (RANs) and commercial paper outstanding may fluctuate during a fiscal year, but all short-term borrowing for cash flow purposes must be reduced to zero by June 30. For short-term borrowing for cash flow purposes, the Commonwealth borrowed \$1.5 billion by selling RANs in August, 2018 in three separate \$500 million series which were retired in April, May and June 2019.

The following schedule details short-term financing for all funds for the fiscal year (amounts in thousands):

	July 1, 2018 Beginning Balance	Issued/ Drawn	Redeemed/ Repaid	June 30, 2019 Ending Balance
General Fund:				
Revenue anticipation notes.....	\$ —	\$ 1,500,000	\$ (1,500,000)	\$ —

B. CREDIT FACILITIES

During FY19, the Commonwealth maintained credit facilities to provide liquidity support for commercial paper notes totaling \$400 million. The Commonwealth started FY19 with two credit facilities to provide such liquidity support. One facility with TD Bank (\$200 million) was set to expire in FY18 and was extended to April 18, 2023, while the other facility with State Street Bank (\$200 million) expired in FY19. In lieu of replacing or extending that facility the Commonwealth entered into a note purchase agreement to issue general obligation tax exempt bonds or revenue anticipation notes up to \$200 million with RBC Capital Markets, LLC. In addition to credit facilities for commercial paper, the Commonwealth maintained standby bond purchase agreements for outstanding Variable Rate Demand Bonds (VRDBs) sold from (FY01 through FY06). These VRDBs require external liquidity support because bond-holders have the right to tender the bonds back to the Commonwealth at par at any time. As of June 30, 2019, these agreements totaled \$483 million, were unused and will expire on various dates in FY21 through FY23.

7. LONG-TERM OBLIGATIONS

Section 1 of Article 62 of the Massachusetts Constitution empowers the State Legislature to borrow money on the credit of the Commonwealth for various public purposes. Under the State Constitution, the Commonwealth may pledge its credit to borrow money only by a vote of two-thirds of each house of the Legislature. Borrowed funds may be used for defense of the State or of the United States, and in anticipation of receipts from taxes or other sources, “any such loan to be paid out of the revenue of the year in which the loan is made.” The Legislature may not in any manner allow the Commonwealth’s credit to be given or loaned to or in aid of any individual, or of any private association, or of any corporation, which is privately owned or managed. The Constitution further provides that borrowed money shall not be expended for any other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan.

Statutorily, the authority to borrow is delegated to the Massachusetts State Treasurer & Receiver General pursuant to Chapter 29 of the Massachusetts General Laws. Section 49 of Chapter 29 of the Massachusetts General Laws is the primary statute governing the issuance of Commonwealth debt and contains a number of provisions spelling out the process for the issuance of bonds.

The issuance of bonds to fund the Commonwealth’s capital needs must be authorized by the Legislature. Pursuant to legislative authorizations to borrow, the Governor determines the amount and timing of any authorized borrowing to fund capital investments. At the request of the Governor, the State Treasurer & Receiver General borrows by issuing bonds to the public. The Governor approves the use of the bond proceeds by agencies to pay for authorized and budgeted capital projects.

Massachusetts General Law provides for the allocation of bond proceeds to bond authorizations and capital spending in arrears (as needed), as expenditures are made, or at the time of issuance of the bonds. In general, bond proceeds are primarily allocated to capital spending that has already occurred. When allocating in arrears, the allocation of segregated bond proceeds is a reimbursement to the General Fund.

Bond proceeds that are awaiting allocation are typically invested by the State Treasurer in the Commonwealth’s primary investment vehicle, the Massachusetts Municipal Depository Trust (MMDT) (for more information please see the notes on the Commonwealth’s short-term investments). Bond proceeds are segregated from other funds until they are allocated to capital expenditures, a process that requires review by the Commonwealth’s bond counsel.

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including bonds and notes issued by it and all claims with respect hereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires legislative appropriation. Enforcement of a claim for the payment of principal or interest on bonds and notes of the Commonwealth may also be subject to the provisions of federal or Commonwealth statutes, if any, enacted to extend the time for payment or impose other constraints upon enforcement. The Commonwealth cannot file for bankruptcy under the United States Bankruptcy Code.

As of June 30, 2019, the Commonwealth had issued two types of long-term debt obligations: general obligation bonds and special obligation bonds. General obligation bonds, which account for the large majority of outstanding Commonwealth bonds, are backed by the full faith and credit of the Commonwealth. Special obligation bonds, however, are bonds secured by all or a portion of a specific revenue source that are pledged to bondholders and are not general obligations of the Commonwealth. For this type of securities, bondholders rely on pledged revenue only for repayment of principal and interest.

The following is a summary of the Commonwealth's outstanding debt, exclusive of capital leases, (amounts in thousands):

Type of Bond	Amount Outstanding
General obligation bonds - public offering, net proceeds	\$ 25,149,764
General obligation bonds - direct placement, net proceeds	581,285
Special obligation bonds (including GANs) - public offering, net proceeds	4,488,267
Outstanding Commonwealth bonds, net proceeds	30,219,316
MSBA bonds, - public offering, net proceeds	6,641,520
Total governmental activities, net proceeds	36,860,836
Less:	
Unamortized premiums on general obligation bonds - public offering*	(2,054,953)
Unamortized premiums on special obligation bonds	(425,142)
Unamortized premiums on MSBA bonds	(586,526)
Total governmental activities, principal	\$ 33,794,215

* - As of June 30, 2019 there were no unamortized premiums on direct placement GO bonds.

The general obligation (GO) bonds listed in the table above include outstanding tax-exempt bonds, taxable bonds including Build America Bonds, College Opportunity Bonds, and debt assumed from former counties. The special obligation (SO) bonds listed above include outstanding tax-exempt and taxable bonds (including Build America Bonds and Recovery Zone Economic Development Bonds) secured by indentures that legally define the specific revenues pledged to bondholders, as defined in the trust agreement. This includes outstanding bonds or notes secured by Federal Highway funds to be received by the Commonwealth, certain portions of the Commonwealth's motor fuel excise taxes and Registry of Motor Vehicle fees, and dedicated taxes and fees levied in certain geographic areas of the state to support the Commonwealth's convention center facilities. As of June 30, 2019, there were four different special obligation bond programs with bonds outstanding. It should be noted that one of the four bond programs has a closed lien, meaning that no additional new-money bonds will be issued under that specific special obligation bond indenture.

The following is a table of GO bonds principal outstanding as of June 30, 2019, (amounts in thousands):

General Obligation Bonds	Principal Outstanding	Percent of Total GO
Fixed rate bonds	\$ 21,188,024	89.5%
Variable rate bonds	2,488,072	10.5%
Total	<u>\$ 23,676,096</u>	<u>100.0%</u>

The following is a table of the different types of outstanding variable rate GO bonds, (amounts in thousands):

Variable Rate GO Bonds	Principal Outstanding	Percent of Total GO
Direct purchase bonds	\$ 518,285	2.2%
LIBOR index bonds.....	751,320	3.2%
Variable rate demand bonds.....	482,955	2.0%
Multi-Modal	400,000	1.7%
SIFMA index bonds.....	88,490	0.4%
College opportunity bonds	150,927	0.6%
CPI-index bonds	96,095	0.4%
Total	<u>\$ 2,488,072</u>	<u>10.5%</u>

The following is a table of hedged and unhedged variable rate GO bonds, (amounts in thousands):

	Principal Outstanding	Percent of Total GO
Hedged variable rate GO bonds	\$ 1,060,690	4.5%
Unhedged variable rate GO bonds ..	1,427,382	6.0%
Total variable rate GO bonds.....	<u>\$ 2,488,072</u>	<u>10.5%</u>

The following is a table of SO bond principal, by rate structure, outstanding as of June 30, 2019, (amounts in thousands):

Special Obligation Bonds	Principal Outstanding	Percent of Total SO
Fixed rate bonds	\$ 4,009,100	98.7%
Variable rate bonds	54,025	1.3%
Total	<u>\$ 4,063,125</u>	<u>100.0%</u>

All of the variable rate special obligation bonds are hedged as of June 30, 2019.

The following is a table of the different types of outstanding Special Obligation bonds (amounts in thousands):

Special Obligation Bonds	Amount Outstanding
Special obligation dedicated tax revenue bonds, net proceeds:	
Fixed rate convention center bonds.....	\$ 527,635
Special obligation revenue bonds, net proceeds:	
Fixed rate gas tax bonds.....	26,905
CPI variable rate gas tax bonds.....	54,025
Total gas tax bonds, net proceeds.....	80,930
Special obligation revenue bonds, net proceeds:	
Accelerated bridge program.....	1,801,363
Rail enhancement program.....	1,254,234
Total revenue bonds, net proceeds.....	3,055,597
Special obligation GANS, net proceeds:	
Federal highway grant anticipation notes and accelerated bridge program.....	824,105
Total special obligation bonds, net proceeds.....	4,488,267
Less: unamortized premiums.....	(425,142)
Outstanding special obligation principal.....	<u>\$ 4,063,125</u>

A. GENERAL OBLIGATION BONDS

General obligation bonds are authorized and issued primarily to provide funds for the Commonwealth's five-year capital improvement program (CIP), including capital infrastructure projects throughout the state as well as Commonwealth-supported local government capital improvements. The five-year plan is developed by the Executive Office for Administration and Finance (A&F) and updated annually. The CIP is primarily funded through the issuance of bonds that are sold by the State Treasurer and Receiver General. The Commonwealth borrows from the capital markets by selling GO bonds and notes pursuant to Chapter 29 of the Massachusetts General Laws. GO bonds are backed by the full faith and credit of the Commonwealth and are paid from the Governmental Funds, to which debt service principal and interest payments are appropriated in the state's operating budget.

In addition to GO bonds issued to fund the state's capital needs, certain bonds are approved by the Legislature to be issued for a specific program. These bonds, known as College Opportunity Bonds, are issued pursuant to statute directly to the Massachusetts Educational Financing Authority for its pre-paid tuition program called the "U.Plan". As of June 30, 2019, the Commonwealth had approximately \$151 million in "U. Plan" bonds (at accreted value) outstanding. Pursuant to statute, all of the outstanding bonds are variable rate bonds. Interest on the bonds is based on the percentage change in the consumer price index plus 2.0% together with current interest at the rate of 0.5%.

In terms of bond structure, the large majority of GO bonds have been sold as fixed rate obligations. As of June 30, 2019, approximately 89.5% of the Commonwealth's outstanding GO debt is in the form of fixed-rate bonds. The remaining 10.5% of outstanding GO debt is in the form of variable rate bonds – bonds whose rate of interest fluctuate based on market or market index changes. The outstanding GO variable rate debt consists of several different variable rate structures. These structures include floating rate notes in various interest rate modes, direct purchase agreements in various interest rated modes, multi-modal bonds currently in the Term Mode, and variable rate demand bonds. Variable rate demand bonds, or "VRDBs", are long-term bonds whose interest rates re-set daily or weekly through an active remarketing process. Because these bonds provide bondholders with a "put" or tender feature enabling the bonds to be sold back to the Commonwealth at par at any time by an investor, they are supported by standby liquidity facilities provided by third-party commercial banks which require the applicable bank to purchase any bonds that are tendered

by investors and not successfully remarketed. As of June 30, 2019, the Commonwealth had approximately \$483 million in outstanding VRDBs. This accounts for approximately 2.0% of total GO debt and approximately 19.4% of total GO variable-rate debt. All of these bonds are uninsured. As of June 30, 2019, none of the Commonwealth's outstanding VRDBs have been subject to failed remarketing and "put" back to the Commonwealth; consequently, there have not been any draws on any of the outstanding bank liquidity facilities.

A portion of the Commonwealth's outstanding bonds have been directly purchased by banks (or "direct purchase bonds"). These variable rate, direct purchase bonds bear interest at an index rate and are payable on the first business day of each month until maturity. As of June 30, 2019, the Commonwealth had \$518 million direct purchase bonds outstanding.

The following table details the general obligation direct purchase bonds (amounts in thousands):

Series	Par Outstanding	Final Maturity	Reset Mode/ Payment Frequency	Direct Purchase Bank	Direct Purchase Agreement Date	Direct Purchase Expiration Date
2016 Series C.....	\$ 200,000	4/1/2046*	1 Month LIBOR/ Monthly Pay	State Street	5/12/2016	4/1/2021
2001 Series B Refunding Bonds	97,920	1/1/2021	1 Month LIBOR/ Monthly Pay	TD Bank	8/1/2017	1/1/2021
2016 Series B.....	100,000	4/1/2036*	1 Month LIBOR/ Monthly Pay	TD Bank	5/10/2016	4/1/2021
2018 Series A Refunding Bonds.....	120,365	2/1/2021	1 Month SIFMA/ Monthly Pay	RBC Capital	1/30/2018	2/1/2021
Total.....	<u>\$ 518,285</u>					

* - These issuances have a mandatory tender prior to their final maturity Put dates.

The remaining outstanding GO variable-rate debt pays interest to bondholders based on certain indices. For example, as of June 30, 2019, the Commonwealth had approximately \$96 million of bonds that pay interest based on the consumer price index (CPI); \$751 million of bonds that pay interest based on the three-month London Interbank Offered Rate (LIBOR); \$88 million of bonds that pay interest based on the Securities Industry and Financial Markets Association (SIFMA) Index, and \$400 million in Multi-Modal bonds. These bonds make up approximately 0.4%, 3.2%, 0.4% and 1.7% of total outstanding general obligation indebtedness, respectively.

To fund the FY19 capital budget and prior capital spending, the Commonwealth borrowed by issuing \$1.808 billion in new money long-term bonds, all of which was general obligation debt. In addition, \$819 million in current refunding bonds were issued in four separate transactions. These transactions were executed for savings. The present value savings of the refunding transactions are immaterial to these financial statements.

MSBA Debt

As of June 30, 2019, the MSBA had outstanding approximately \$6.642 billion of Dedicated Sales Tax bonds, which includes approximately \$587 million of unamortized premiums for the purpose of funding school construction and renovation projects. Coupons on the bonds range from approximately 3.00% to 5.715% and each series is payable semiannually with the latest maturity occurring in FY48. A portion of the interest on the Dedicated Sales Tax Bonds is reimbursed by the federal government. Of the \$6.055 billion of debt outstanding as of June 30, 2019, \$450 million is taxable Build America Bonds for which the MSBA is eligible to receive a 35% interest subsidy directly from the United States Treasury. In addition, \$293 million of the Subordinated Dedicated Sales Tax Bonds was issued as "Qualified School Construction Bonds" for which the MSBA is eligible to receive a 100% interest subsidy payment directly from the United States Treasury. During FY19, the federal government continued automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. On September 30, 2013, the IRS published a notice indicating that subsidy payments processed on or after October 1, 2013 and on or before September 30, 2014 will be reduced by the FY14 sequestration rate of 7.2%. The notice was updated in September 2014 to announce that subsidy payments processed on or after October 1, 2014 and on or before September 30, 2015 will be reduced by the FY15 sequestration rate of 7.3%. The subsidy payments made between October 1, 2015 and September 30, 2016

were reduced by the FY16 sequestration rate of 6.8%. The subsidy payments made between October 1, 2016 and September 30, 2017 were reduced by the FY16 sequestration rate of 6.9%. The subsidy payments made between October 1, 2017 and September 30, 2018 were reduced by the FY17 sequestration rate of 6.6%. The IRS announced that the sequestration rate for the federal fiscal year ending September, 2019 would be 6.2%. The notice states that the sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise modifies the sequester. The reductions were approximately \$2 million on the 2009 Series B Bonds, 2010 Series A Bonds and 2011 Series A Bonds in FY19.

B. SPECIAL OBLIGATION BONDS

Commonwealth Transportation Fund (CTF)

The largest amount of special obligation bonds outstanding (by par) are bonds secured by certain revenues of the Commonwealth Transportation Fund (CTF), with no new bonds issued during FY19. These bonds mature from FY20 to FY48 and are secured by a senior lien on 17 cents of the total 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), and the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited into the CTF. These bonds also have a subordinate lien on 6.86 cents of the 24 cent per gallon gasoline tax not included in the senior lien. As of June 30, 2019, approximately \$1.665 billion and \$1.105 billion in principal was outstanding on the ABP and REP bonds, respectively, and approximately \$1.122 billion and \$967 million of interest (net of the federal subsidy) was expected to be paid through maturity related to the ABP and REP bonds, respectively.

Motor Fuels Tax Bonds

Other special obligation bonds for highway construction purposes are secured by a senior lien on 6.86 cents of the 24 cent per gallon gasoline tax. As of June 30, 2019 bonds secured by these pledged funds totaled approximately \$81 million of principal. These bonds mature from FY20 to FY22 and were issued in multiple series. Principal and interest paid during FY19 amounted to approximately \$24 million and \$6 million, respectively.

Convention Center Fund

Chapter 152 of the Acts of 1997, as amended, authorized \$694 million of special obligation bonds to be issued for the purpose of building a new convention center in Boston (\$609 million), the Springfield Civic Center (\$66 million) and the Worcester Convention Center (\$19 million). The bonds are payable from monies credited to the Convention Center Fund created by that legislation, which include certain hotel tax receipts from hotels in Boston, Cambridge, Springfield and Worcester, a surcharge on car rentals in Boston, a parking surcharge at all three facilities, a surcharge on sightseeing tours and cruises in Boston, and sales tax receipts from certain hotels and other retail establishments in Boston, Cambridge, and Springfield. The legislation requires a capital reserve fund to be maintained at a level equal to maximum annual debt service and provides that if the fund falls below its required balance, the 2.75% convention center financing fee in Boston is to be increased (though the overall hotel tax in Boston, including the fee, cannot exceed 14%). As of June 30, 2019, taxes within the Convention Center districts support approximately \$528 million of outstanding principal and approximately \$261 million of interest on debts related to these Convention Centers. Taxes collected in FY19 were approximately \$161 million, while debt service on the bonds was approximately \$55 million.

C. FEDERAL GRANT ANTICIPATION NOTES

All federal highway reimbursements are dedicated to funding the principal portion only of federal grant anticipation notes (GANs) issued in fiscal 2011, 2014, 2015, 2017 and 2018 with no new bonds issued in FY19. As of June 30, 2019, total principal remaining to be paid is approximately \$685 million. Maturities are from FY20 through FY27. Debt service paid during FY19 was approximately \$100 million.

The legislation authorizing such notes contains a statutory covenant that as long as any such GANs remain outstanding, the Commonwealth will deposit all federal highway reimbursements into the Grant Anticipation Note Trust Fund, to be released to the Commonwealth once all the debt service and reserve funding obligations of the trust agreement

securing the GANs have been met. Principal amortization of the notes will continue through FY27. Such notes and the interest thereon are secured by the pledge of federal highway construction reimbursement payments and by a contingent pledge of certain motor fuels excises. In practice, the interest on such notes has been paid from Commonwealth appropriations.

D. THE BUILD AMERICA BOND PROGRAM

As part of the federal America Recovery and Reinvestment Act (ARRA) in 2009, municipal issuers were authorized to issue taxable bonds to fund new capital expenditures and receive an interest rate subsidy from the U.S. Treasury. As part of the temporary Build America Bond (BABs) program issuers, including the Commonwealth, issued taxable bonds in calendar years 2009 and 2010 in return for a subsidy from the federal government equal to 35% to 45% of the interest costs on the bonds, depending on whether the proceeds were used for projects in economically distressed areas. Between the GO bond program and the special obligation bond programs, the Commonwealth issued a total of \$2.791 billion in Build America Bonds and Recovery Zone Economic Development Bonds in six separate financings over the two-year period of the program. All of the bonds were issued as “direct pay to issuer”, meaning that the interest rate subsidies would be paid to the Commonwealth from the U.S. Treasury and not pledged to bondholders. As of June 30, 2019, the expected interest rate subsidy to be received through final maturity of all of the bonds issued as part of this program totaled \$611 million. The Commonwealth’s repayment obligation to bondholders is based on the gross interest rate. From a budgetary perspective, the bonds’ debt service is net of the interest-rate subsidy.

Given the interest rate subsidy from the U.S. Treasury and given market conditions at the time of the Commonwealth’s BABs sales, this program resulted in borrowings whose net interest costs will be significantly lower than the interest on traditional tax-exempt bonds. The BABs program expired on December 31, 2010.

E. INTEREST RATE SWAP AGREEMENTS – OBJECTIVES AND RISKS

Prior to 2008, the Commonwealth had periodically entered into interest rate swap agreements for the sole purpose of hedging interest-rate risk on a portion of its outstanding variable rate bonds. By synthetically fixing the interest rates via the swap agreement this generally resulted in lower interest costs than traditional fixed rate bonds. Of the Commonwealth’s variable-rate debt (including special obligation bonds) outstanding of approximately \$2.542 billion, approximately \$1.115 billion was hedged via floating-to-fixed interest rate swap agreements. Of this amount, \$1.061 billion are for G.O. bonds and the remainder on outstanding special obligation bonds.

In connection with the issuance of variable rate GO refunding bonds in 1998, 2001, 2003, 2005, 2006, and 2007, the Commonwealth entered into interest rate swap hedge agreements with certain counterparties to hedge against the volatility of the interest rates on certain bonds whose interest costs were floating and not fixed. Additional swap agreements were entered into to hedge this same volatility on certain special obligation bonds, including the Commonwealth’s Series 2005 Special Obligation Tax Revenue (Gas Tax) Bonds. Since 2008, the Commonwealth has not entered into any new swap agreements and has restructured its swap portfolio to novate or transfer several outstanding swap agreements to new counterparties with stronger credit ratings following the financial crisis of 2008. In many cases, the original bonds that were hedged by the swap agreements have been refinanced with new variable rate bonds. In all cases, the new bonds that were issued are effective hedges pursuant to GASB Statement No. 53.

In addition, a floating-to-fixed rate swap agreement was novated or transferred to the Commonwealth from the Route 3 North Transportation Improvements Association (secured by Commonwealth Contract Assistance) in November 2008 after the lease revenue bonds associated with that swap experienced remarketing failure. The swap was assigned to a portion of the Commonwealth’s previously unhedged variable rate bonds that were outstanding.

Under the terms of these floating-to-fixed rate hedge agreements, counterparties to the hedge agreements are obligated to pay the Commonwealth an amount equal to or approximately equal to the variable-rate interest payment to bondholders of the related bonds or an interest payment based on a market index. In return, the Commonwealth is obligated to pay counterparties a stipulated fixed rate. The floating rate payments received by the Commonwealth from its swap counterparties are used to offset the variable rate payments paid to bondholders. Only the net difference in interest payments is actually exchanged with the swap counterparty. The net payments made or received on these hedge

agreements are reported as part of interest expense recorded in the Commonwealth's basic financial statements. In all cases, the Commonwealth remains responsible for making interest payments to the variable rate bondholders.

Objective of the Interest Rate Swap Agreements

The intended effect of these agreements is essentially to fix the Commonwealth's interest rate obligations with respect to its variable-rate bonds in order to hedge or mitigate the Commonwealth's exposure to changes in interest rates on these bonds. For example, during a period when interest rates rise, the Commonwealth would receive higher payments from swap counterparties that would be used to offset higher payments to bondholders of the outstanding variable rate bonds. During a period when interest rates decline, the reduction in interest payments to bondholders would offset the higher payments made to swap counterparties. But in both scenarios, the net obligation of the Commonwealth is essentially fixed through the life of the swap and bonds. As of June 30, 2019, all of the Commonwealth's interest rate swaps were floating-to-fixed rate agreements and were deemed effective hedges pursuant to GASB Statement No. 53.

Terms of the Interest Rate Swap Agreements

The variable rate bonds and their related swap agreements have final maturities ranging from 2020 to 2033. The swaps' total notional value of approximately \$1.115 billion effectively matches the par amount of the related variable-rate bonds.

Under the swap agreements, the Commonwealth pays the relevant counterparties fixed rates ranging from 3.810% to 5.059% and receives variable-rate payments equal to or approximately equal to the amount of variable rate payments the Commonwealth pays on the related variable-rate refunding bonds which are generally based on a market index. For almost all of the outstanding swap agreements, the Commonwealth receives an interest rate based on changes to LIBOR, the SIFMA index, or the CPI index. In some of these agreements, the variable rate payment to bondholders is exactly equal to the variable rate payment received from the swap counterparty. In other agreements, there is a slight differential in the payments resulting from refinancing of variable rate bonds. One of the agreements is a which is not liked to a variable rate index is a Cost of Funds swap where the swap counterparty pays the exact cost of the funds of the underlying variable rate bond.

Credit Risk of the Interest Rate Swap Agreements

As of June 30, 2019, the Commonwealth is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the Commonwealth would be exposed to credit risk in the amount of the swaps fair value. All of the Commonwealth's counterparties are required to post collateral in certain circumstances, including credit rating downgrades. The Commonwealth is not required to post collateral in any of its existing swap agreements.

The chart below details the Commonwealth's outstanding swaps and related bond issuances (amounts in thousands except for percentages).

Associated Bond Issue	Notional Amounts Outstanding	Effective Date	Replacement Agreement Effective Date	Terms		Fair value at June 30			Final Termination Date	Counterparty	Counterparty Credit Rating Moody's/S&P/ Fitch
				Fixed Rate Paid (Range)	Variable Rate Received	2019	2018	Change in Fair Value			
<i>General Obligation Bonds</i>											
Series 2000A	\$ —	8/16/2007	8/16/2007	3.942%	SIFMA - 3 basis points	\$ —	\$ (69)	\$ 69	8/1/2018	Merrill Lynch Capital Services	NR/A3/A+
Series 2000A	—	8/16/2007	8/16/2007	3.942%	SIFMA - 3 basis points	—	(34)	34	8/1/2018	JP Morgan formerly Bear Stearns	A+/Aa3/AA
Series 2001B & C refunding	195,840	2/20/2001	2/20/2001	4.15%	Cost of Funds	(6,009)	(10,760)	4,751	1/1/2021	Morgan Stanley Capital Services	NR/WR/- -
Series 2016C, portion of Series 2016B	268,345	4/2/2009	4/2/2009	4.515%	67% 3-Month LIBOR	(64,493)	(54,556)	(9,937)	6/15/2033	Barclays Bank PLC	A/A2/A+
Series 2006C refunding	96,095	1/1/2007	1/1/2007	3.81% - 3.85%	CPI-based formula	(920)	(894)	(26)	11/1/2020	Wells Fargo Bank	A+/Aa2/AA-
Series 2007A refunding	31,665	10/8/2008	10/8/2008	3.936%	67% 3-Month LIBOR + 0.46%	(890)	(1,182)	292	11/1/2020	Wells Fargo Bank	A+/Aa2/AA-
Series 2007A refunding	348,380	10/8/2008	10/8/2008	3.936%	67% 3-Month LIBOR + 0.55%	(36,679)	(30,545)	(6,134)	11/1/2025	Bank of NY Mellon	AA-/Aa2/AA
Series 2018A refunding	120,365	3/15/2005	3/15/2005	3.843% - 3.903%	SIFMA	(10,304)	(40,094)	29,790	2/1/2023	Wells Fargo Bank	A+/Aa2/AA-
Subtotal	<u>1,060,690</u>					<u>(119,295)</u>	<u>(138,134)</u>	<u>18,839</u>			
<i>Special Obligation Dedicated Tax Revenue Bonds</i>											
Series 2005A (Gas Tax)	54,025	1/12/2005	1/12/2005	4.937% - 5.059%	CPI-based formula	(1,691)	(1,550)	(141)	6/1/2022	Merrill Lynch Capital Services	NR/A2/A+
Total	<u>\$ 1,114,715</u>					<u>\$ (120,986)</u>	<u>\$ (139,684)</u>	<u>\$ 18,698</u>			

Fair value of the Interest Rate Swap Agreements

The aggregate fair value balance of interest rate swaps at June 30, 2019 was negative \$121 million and is reflected on the statement of net position as a liability for derivative instruments which is offset by deferred outflows from derivative instruments. The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. Because all of the interest rate swaps were deemed effective hedges, changes in fair value of the interest rate swaps during the fiscal year ended June 30, 2019 were recognized as deferred outflows resulting in no impact on the Statement of Activities.

If all the Commonwealth's swap agreements had been terminated as of the end of FY19, the Commonwealth would have been required to make a payment of this magnitude. Although the Commonwealth has the option of terminating its swap agreements at any time (and either make or receive any termination payment due), the Commonwealth's counterparties do not have such an option. Therefore, the Commonwealth would only have to make a payment of the amount estimated above if certain termination events occurred, as described below. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swap agreements due to an event of the Commonwealth is remote. In the case of a voluntary termination due to an event of a counterparty, the Commonwealth would likely seek to maintain the existing hedge by replacing that counterparty with another.

Basis and Market-Access Risk of the Interest Rate Swap Agreements

Because the terms on most of the interest rate swap hedge agreements require the Commonwealth's counterparties to make variable rate payments equal or approximately equal to those the Commonwealth makes on the related variable rate bonds, the Commonwealth is not subject to significant basis risk as a result of the terms of these agreements. Under certain circumstances, such as a downgrade of the credit rating of the bonds being hedged or the enactment of tax-

related legislation which causes the related bonds to trade differently, certain of the swap agreements provide that the Commonwealth's counterparties, may, at their option, pay a variable rate that is based on one or more market indices such as LIBOR or the SIFMA swap index. Under these circumstances, the Commonwealth would be subject to basis risk if these indices varied from the basis for the variable rates that were paid to bondholders that were determined for the Commonwealth's variable-rate demand bonds through the associated remarketing process. For certain other interest rate swap agreements, the variable rate on the swap is based on a market index that differs from the variable rate on the hedged bonds, which is generally remarketed or auction rate. The Commonwealth is subject to basis risk on these agreements.

All but one of the swap contracts outstanding have the same or shorter maturity dates and amortizations as the related bonds. The 2018A refunding bonds that are hedged by the \$120 million notional swap with Wells Fargo Bank comes due before the swap termination date. For one of the swap agreements, the underlying bonds have mandatory tender dates that come due before the termination date of the associated swaps. This applies to the 2016B and 2016C bonds being hedged by the \$268 million notional swap with Barclays Bank. The Commonwealth's stated debt plan is to either identify other variable rate bonds the swap may hedge upon the mandatory tender date or to re-market or issue bonds in the same variable rate index mode as the swap agreement to ensure hedge effectiveness pursuant to GASB Statement No. 53. If the Commonwealth is unable to identify other variable rate bonds the swaps may hedge, the Commonwealth would be required to make net settlement payments on the swaps without the offsetting effects of changes in variable rate bond settlement payments.

On January 17, 2019, the Commonwealth issued \$318 million General Obligation Refunding Bonds 2019 Series A to refund the (SIFMA Index Bonds) 2015 Series C, 2017 Series A and 2006 (VRDB) Series B bonds. In addition, approximately \$78 million General Obligation Refunding Bonds 2019 Series B (Delayed Delivery) were issued to refund the (SIFMA Index Bonds) 2017 Series B, 2009 Series B and 2009 Series C on May 3, 2019. The Commonwealth selected to refinance the SIFMA floating rate bonds and terminated the mini-swaps associated with each maturity on February 5, 2019. The 2018 Series A refunding bonds is the only outstanding bonds that is being hedged by \$120 million notional swap with Wells Fargo Bank.

Termination Risk of the Interest Rate Swap Agreements

The swap agreements are based on the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The swap agreements include termination events additional to those in the standard ISDA master agreement based on credit ratings. The swap agreements are not otherwise subject to termination except at the Commonwealth's option. The swap agreements require that the Commonwealth's counterparties maintain certain ratings levels. If they fail to maintain such ratings, the Commonwealth would have the option to terminate the related swap agreement and receive or pay a termination payment depending on the interest rates at the time. Similarly, the Commonwealth is required to maintain certain credit ratings under the agreements, generally 'BBB-' or above, well above the current credit rating of 'AA-' (based on long-term ratings assigned by Standard & Poor's). If the Commonwealth's rating fell below the defined threshold levels, the Commonwealth's counterparties would have the option to terminate the related swap agreements or for certain agreements choose to make variable rate payments based on a market index (instead of the actual bond rate) which would subject the Commonwealth to basis risk, as previously described. If one or more of the swap agreements were terminated, then the related variable rate bonds would no longer be hedged and the Commonwealth would no longer be paying a synthetic fixed rate with respect to the bonds. In addition, if at the time of termination, the swap had a negative fair value, the Commonwealth would incur a loss and would be required to settle with the related counterparty or counterparties at the swaps' fair market values. However, to avoid a termination payment and to maintain the interest rate hedge, when the terminating event is an event of the counterparty, the Commonwealth would likely seek to replace counterparties to the swap agreement. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swaps due to an event of the Commonwealth is remote.

F. OUTSTANDING SWAPPED DEBT*Security for Interest Rate Swap Agreements*

Under legislation approved by the then Governor on August 11, 2008, scheduled, periodic payments to be made by the Commonwealth pursuant to swap agreements in existence on August 1, 2008 or entered into after such date shall constitute general obligations of the Commonwealth for which its full faith and credit is pledged.

Future bond interest payments are calculated using rates applicable to the scheduled payment nearest to June 30, 2019 for variable rate bonds. The net swap payments are calculated by subtracting the projected future variable rate interest payment per the swap agreement from the projected future fixed rate payment per the swap agreement. Projected future variable rate payments on the swap agreements are based on variable rates applicable to the scheduled payment nearest to June 30, 2019. The actual amount of variable rate interest paid to bondholders and net swap payments made to counterparties are affected by changes in variable interest rates, changes in inflation (CPI), as well as changes in the London Interbank Offered Rate (LIBOR) and the Securities Industry and Financial Markets Association (SIFMA) floating rate indices. Changes in the amounts paid to bondholders versus amounts paid to counterparties are largely offsetting.

Debt service requirements to maturity for variable-rate bonds hedged by interest rate swap agreements and projected future net settlement payments on interest rate swap agreements at June 30, 2019 are provided below (amounts in thousands):

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2020	\$ 202,290	\$ 23,768	\$ 20,211	\$ 246,269
2021	177,265	18,370	16,818	212,453
2022	126,575	15,377	14,075	156,027
2023	142,290	11,565	11,689	165,544
2024	126,385	8,411	8,913	143,709
2025 - 2029	244,610	15,555	21,672	281,837
2030 - 2033	95,300	3,504	5,353	104,157
Total	<u>\$ 1,114,715</u>	<u>\$ 96,550</u>	<u>\$ 98,731</u>	<u>\$ 1,309,996</u>

Business - Type Activities – Swapped Debt

The business-type activities have various swaps. At June 30, 2019, the fair value liability of the outstanding interest rate swaps was \$57 million.

Component Unit – Swapped Debt

At June 30, 2019, the majority of interest rate swaps outstanding are held by MassDOT, which in aggregate have a negative fair value of approximately \$117 million. For complete details, see separate MassDOT financial statements.

G. OUTSTANDING LONG-TERM DEBT AND CHANGES IN LONG TERM DEBT

The amount of long-term debt authorized but unissued is measured in accordance with the statutory basis of accounting. Long-term debt principal outstanding and debt authorized and unissued at June 30, 2019 is as follows (amounts in thousands):

Purpose	Principal Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs	\$ 684,745	2020 - 2027	\$ —
Capital projects:			
General	13,365,819	2020 - 2049	17,675,168
Highway	12,346,449	2020 - 2049	10,731,566
Local aid	814,573	2020 - 2039	11,105
Other	527,635	2020 - 2034	—
Subtotal	27,054,476		28,417,839
Subtotal - governmental activities debt (exclusive of MSBA)	27,739,221		\$ 28,417,839
MSBA debt	6,054,994		
Governmental activities debt	<u>\$ 33,794,215</u>		

Interest rates on the Commonwealth's outstanding debt at the end of FY19 ranged from 0.5% to 6.6%.

Changes in long-term debt outstanding (excluding discount and premium) and bonds authorized - unissued for the year ended June 30, 2019 are as follows (amounts in thousands):

	Governmental Funds (excluding MSBA)	MSBA	Total Governmental Funds Bonded Debt	Authorized and Unissued
Balance July 1, 2018	\$ 27,360,819	\$ 5,990,554	\$ 33,351,373	\$ 20,860,482
Plus: Increases in bonds authorized	—	—	—	10,250,655
General and special obligation bonds:				
Proceeds, defined as principal, plus premium,				
less discount	3,079,932	223,340	3,303,272	(2,693,298)
Less: Premium/discount	(446,538)	(23,340)	(469,878)	—
Less: Principal on refunded bonds	(959,670)	—	(959,670)	—
Less: Bonds retired	(1,295,322)	(135,560)	(1,430,882)	—
Outstanding principal June 30, 2019	<u>\$ 27,739,221</u>	<u>\$ 6,054,994</u>	<u>\$ 33,794,215</u>	<u>\$ 28,417,839</u>

Business - Type Activities – Colleges and University Debt

Building authorities related to the University of Massachusetts and the state universities have issued bonds for construction of higher education facilities and equipment. Such bonds are guaranteed by the Commonwealth in an aggregate amount not to exceed \$200 million. The bond agreements generally provide that revenues from student fees are pledged as collateral on the bonds and establish bond reserve funds, bond funds, and maintenance reserve funds. The University of Massachusetts and state universities have also entered into various loan agreements as participants in the MassDevelopment's ongoing capital asset program to finance construction projects and equipment.

At June 30, 2019, debt service requirements to maturity for principal and interest are as follows (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities									Business - Type Activities	
	Excluding MSBA Debt						MSBA Debt			Revenue Obligation	
	Public Offering Debt		Direct Placement Debt		Total Non MSBA Debt		Principal	Interest	Interest subsidies (1)	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest					
2020	\$ 1,344,739	\$ 1,234,742	\$ 49,670	\$ 18,223	\$ 1,394,409	\$ 1,252,965	\$ 135,452	\$ 291,711	\$ (24,213)	\$ 176,928	\$ 185,596
2021	1,343,833	1,175,658	168,615	14,180	1,512,448	1,189,838	133,373	285,753	(24,213)	180,700	179,255
2022	1,406,282	1,110,282	—	9,000	1,406,282	1,119,282	135,532	279,535	(24,213)	174,493	172,643
2023	1,250,401	1,045,916	—	9,000	1,250,401	1,054,916	158,126	273,499	(24,213)	181,851	164,683
2024	1,277,886	983,977	—	9,000	1,277,886	992,977	134,925	266,443	(24,213)	185,028	163,445
2025 - 2029	5,496,278	4,073,415	60,000	42,900	5,556,278	4,116,315	1,216,806	1,191,125	(101,074)	891,980	683,928
2030 - 2034	4,628,689	2,877,956	100,000	29,500	4,728,689	2,907,456	1,361,745	854,501	(41,062)	797,442	468,374
2035 - 2039	4,015,299	1,929,452	70,000	15,550	4,085,299	1,945,002	1,475,930	502,390	(19,093)	856,524	289,513
2040 - 2044	4,381,020	983,451	50,000	6,950	4,431,020	990,401	1,001,820	195,703	(573)	655,479	108,881
2045 - 2049	2,076,509	181,637	20,000	800	2,096,509	182,437	301,285	32,282	—	184,279	13,434
Total long - term debt	27,220,936	15,596,486	518,285	155,103	27,739,221	15,751,589	6,054,994	4,172,942	(282,867)	4,284,704	2,429,752
Less: current portion	(1,344,739)	(1,234,742)	(49,670)	(18,223)	(1,394,409)	(1,252,965)	(135,452)	(291,711)	24,213	(176,928)	(185,596)
Long - term debt	<u>\$ 25,876,197</u>	<u>\$ 14,361,744</u>	<u>\$ 468,615</u>	<u>\$ 136,880</u>	<u>\$ 26,344,812</u>	<u>\$ 14,498,624</u>	<u>\$ 5,919,542</u>	<u>\$ 3,881,231</u>	<u>\$ (258,654)</u>	<u>\$ 4,107,776</u>	<u>\$ 2,244,156</u>

(1) FY19 interest subsidies reflect announced sequestration reductions. There may be sequestration reductions in future years as well.

H. PRIOR DEFEASANCE

The Commonwealth defeased certain general and special obligation bonds by purchasing securities from the proceeds of advance refunding bonds or from surplus operating funds and placing them in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust account assets and the liabilities for the defeased bonds are not included in the financial statements. As of June 30, 2019, approximately \$2.025 billion of bonds outstanding from advance refunding activities is considered defeased.

Business - Type Activities

The Massachusetts State College Building Authority (MSCBA) defeased various bonds by issuing refunding bonds and placing the proceeds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust assets and the liabilities of the defeased bonds are not included in the business type activity financial statements. As of June 30, 2019, approximately \$189 million of bonds outstanding from advanced refunding transactions are considered defeased.

I. STATUTORY DEBT LIMIT

The Massachusetts General Laws, as recently amended, establishes limits on the amount of direct debt outstanding. By statutorily limiting the Commonwealth's ability to issue direct debt, a control is established on annual capital spending. The direct debt limit for FY19 was approximately \$24.019 billion. Outstanding debt subject to the limit at June 30, 2019 was approximately \$22.087 billion.

For purposes of determining compliance with the limit, outstanding direct debt is defined by statute, as amended on June 10, 2013 (effective January 1, 2013), as principal outstanding. It excludes BANs and associated discount or premium, if any, special obligation bonds, GANs, refunded bonds, certain refunding bonds, debt issued by counties, debt issued in conjunction with the MBTA Forward Funding, certain Central Artery/Tunnel debt, debt issued for the SMART program and effective August 10, 2016 bonds issued under the Rail Enhancement Program. The amounts excluded from the debt limit are as follows (amounts in thousands):

	Principal Outstanding
Statutory debt June 30, 2019.....	\$ 27,739,221
Less amounts excluded:	
Central artery project bonds.....	(1,013,492)
Accelerated bridge program.....	(2,349,950)
MBTA forward funding	(207)
SMART bonds	(574,902)
Convention center bonds.....	(527,635)
Special obligation gas tax bonds.....	(80,930)
Rail enhancement program bonds.....	(1,104,610)
Outstanding direct debt June 30, 2019	<u>\$ 22,087,495</u>

J. ADMINISTRATION DEBT LIMIT

During FY09, the Administration announced a policy that sets the annual borrowing limit at a level designed to keep debt service at a maximum of 8% of budgeted revenues. For this purpose, debt service includes principal and interest payments on all general obligation debt, special obligation gas tax debt, interest on federal grant anticipation notes, general obligation contract assistance payment obligations, and budgetary contract assistance payment obligations on certain capital lease financings. Debt of the Massachusetts School Building Authority and of the Massachusetts Bay Transportation Authority that is supported by the portion of the sales tax legally dedicated to such entities is not included for purposes of this analysis, as the Commonwealth is not liable for such debt; similarly, the sales tax revenues legally dedicated to such entities are not included in the budgeted revenue projections.

In addition to keeping debt service at a maximum of 8% of budgeted revenues, the debt management policy limits future growth in annual bond issuance (the "bond cap") to not more than \$125 million through fiscal 2019. This additional constraint is designed to ensure that projected growth in the bond cap will be held to stable and sustainable levels.

The current Administration intends to treat all debt and debt-like obligations of the Commonwealth as subject to the bond cap for purposes of developing the annual capital budget, except in limited circumstances when there is a sound policy justification for not including a particular debt issue. Debt may be excluded from the bond cap, for example, where there is a new, dedicated source of project-related revenues supporting the payment of debt service on such debt. In such cases, the dedicated revenue would also be excluded from projected budgeted revenues for purposes of determining the bond cap as described above.

The following table shows the annual bond cap, the resulting total annual debt service payment obligations and debt service as a percentage of statutory basis budgeted revenues, (amounts in thousands):

	Fiscal 2019
Bond cap as approved by the Governor	\$ 2,340,000
Total annual debt service obligations	3,489,029
Statutory basis budgeted fund revenues	48,375,847
Debt service as % of budgeted revenues	7.2%

K. CHANGES IN LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities for both governmental activities and business-type activities (amounts in thousands):

Changes in Long Term Liabilities - Governmental Activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Other long-term obligations:					
Compensated absences	\$ 605,328	\$ 616,343	\$ (605,328)	\$ 616,343	\$ 430,617
Claims and judgments	22,498	28,466	(17,723)	33,241	13,241
Prizes payable	971,434	81,653	(144,350)	908,737	—
School construction grants payable	481,656	489,882	(586,544)	384,994	212,126
Environmental remediation liability	530,611	—	(13,196)	517,415	5,128
Lottery instant grand prizes	2,588	194	—	2,782	—
Workers' compensation	260,904	62,782	(62,299)	261,387	43,129
Arbitrage rebate - MSBA	2,459	496	(1,228)	1,727	—
Group insurance claims	130,736	1,665,999	(1,645,462)	151,273	148,952
Cost of living adjustment	132,000	—	(2,000)	130,000	—
Net pension liability	36,724,303	4,175,168	(2,834,457)	38,065,014	—
Net OPEB liability	15,289,604	468,883	(2,769,418)	12,989,069	—
Total other long-term obligations	55,154,121	7,589,866	(8,682,005)	54,061,982	853,193
Liability for derivative instruments	139,684	120,986	(139,684)	120,986	—
Bonded debt:					
Bonds and notes payable - non MSBA	27,360,819	2,633,394	(2,254,992)	27,739,221	1,394,409
Unamortized bond and note premiums - non MSBA	2,135,582	446,539	(102,026)	2,480,095	85,212
MSBA bonds and notes payable excluding premiums	5,990,554	200,000	(135,560)	6,054,994	135,452
Unamortized bond and note premiums - MSBA	612,731	23,340	(49,545)	586,526	48,165
MSBA other liabilities	602	541	(475)	668	394
Other financing arrangements:					
Capital leases	22,492	54	(2,711)	19,835	3,163
Total bonded debt and other financing arrangements	36,122,780	3,303,868	(2,545,309)	36,881,339	1,666,795
Long-term liabilities, governmental activities	\$ 91,416,585	\$ 11,014,720	\$ (11,366,998)	\$ 91,064,307	\$ 2,519,988

Governmental long-term liabilities, other than debt, are typically liquidated by general fund resources.

Changes in Major Long Term Liabilities - Business-Type Activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Other long-term obligations:					
Compensated absences	\$ 211,567	\$ 27,903	\$ (30,937)	\$ 208,533	\$ 147,236
Net pension liability	716,650	100,624	(99,781)	717,493	—
Net OPEB liability.....	1,391,846	165,345	(302,807)	1,254,384	—
Total other long-term obligations.....	2,320,063	293,872	(433,525)	2,180,410	147,236
Liability for derivative instruments.....	42,557	14,327	—	56,884	—
Bonded Debt:					
Bonds and notes payable, including MSCBA	4,430,674	326,762	(472,732)	4,284,704	176,928
Other financing arrangements:					
Capital leases.....	9,825	2,421	(2,657)	9,589	2,592
Total bonded debt and other financing arrangements.....	4,440,499	329,183	(475,389)	4,294,293	179,520
Long-term liabilities, business - type activities.....	\$ 6,803,119	\$ 637,382	\$ (908,914)	\$ 6,531,587	\$ 326,756

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2019, net of unamortized discounts and premiums, compensated absences, net pension and net OPEB liabilities are as follows (amounts in thousands):

	Interest Rates	Maturities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Major component units:							
MassDOT	0.00 - 7.15%	2020 - 2047	\$ 7,695,776	\$ 852,113	\$ (997,449)	\$ 7,550,440	\$ 515,441
MCWT.....	2.00 - 5.25%	2020 - 2047	2,932,678	189,523	(360,009)	2,762,192	232,395
Nonmajor component units	3.00 - 6.11%	2020 - 2040	664,743	86,610	(81,780)	669,573	28,224
Total bonds and notes payable.....			11,293,197	1,128,246	(1,439,238)	10,982,205	776,060
Compensated absences, net.....			41,307	23,851	(22,569)	42,589	26,482
Net pension liability.....			1,973,209	396,126	(141,345)	2,227,990	—
Net OPEB liability.....			3,082,223	420,785	(309,981)	3,193,027	—
Total long term liabilities.....			<u>\$ 16,389,936</u>	<u>\$ 1,969,008</u>	<u>\$ (1,913,133)</u>	<u>\$ 16,445,811</u>	<u>\$ 802,542</u>

The net pension liability of the discretely presented component units of \$2.228 billion includes \$1.619 billion related to the MBTA and RTAs and \$609 million related to entities that participate in SERS. See the MassDOT financial statements for further information regarding the MBTA and RTA pension plans and see pages 109-118 of this report for the SERS pension disclosures.

Further information on debt is found in the notes to the basic financial statements for the various component units.

8. INDIVIDUAL FUND DEFICITS

Certain funds within the Governmental Fund Type had fund deficits at June 30, 2019. None of these funds were in deficit due to finance-related contractual provisions and all were allowed to be in deficit by General Law. The amounts are as follows (amounts in thousands):

Other Governmental Funds	Amount
Other Special Revenue Funds:	
Community Preservation Trust Fund.....	\$ (22,273)
Health Information Technology Trust Fund	(4,475)
Government Land Bank Fund	(35,033)
Highway Capital Projects Fund	(397,357)
Federal Highway Construction Program Capital Projects Fund.....	(11,057)

9. PENSIONS

The Commonwealth is statutorily responsible for the pension benefits for Commonwealth employees (members of the State Employees' Retirement System) and for teachers of the cities, towns, regional school districts throughout the Commonwealth and Quincy College (members of the Teachers' Retirement System). The members of the retirement systems do not participate in the Social Security System.

A. PLAN DESCRIPTIONS

Plan administration

The Massachusetts *State Employees' Retirement System* (SERS) is a public employee retirement system (PERS), that administers a cost-sharing multiple employer defined benefit pension plan covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies, including the state police officers at the Massachusetts Port Authority. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of SERS upon the creation of MassDOT. Other employees who transferred to MassDOT have been, and remain, members of SERS. The assets and liabilities of the former MTA have been transferred to SERS. SERS is administered by the Massachusetts State Retirement Board (the SRB) and is part of the reporting entity and does not issue a stand-alone audited financial report.

Management of the SERS is vested in the SRB, which consists of five members—two elected by current and active SERS members, one by the remaining members of the SRB, one who is appointed by the State Treasurer, and the State Treasurer, who serves as ex-officio and is the Chairman of the SRB.

The Massachusetts *Teachers' Retirement System* (MTRS) is a PERS that administers a cost-sharing multiple employer defined benefit pension plan managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a non-employer contributing entity and is legally responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts and Quincy College. The MTRS is administered by the Massachusetts Teachers' Retirement Board (the MTRB) and is part of the reporting entity and does not issue a stand-alone audited financial report.

Management of the MTRS is vested in the MTRB, which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves as ex-officio and is the Chairman of the MTRB.

The *Boston Retirement System* (BRS) is a PERS that administers a cost-sharing multiple employer defined benefit

pension plan managed by the City of Boston Retirement Board covering all City of Boston departments and agencies as well as the School Department, the Boston Planning and Development Agency, the Boston Housing Authority, the Public Health Commission and the Boston Water and Sewer Commission. The BRS is not administered by the Commonwealth and is not part of the reporting entity of the Commonwealth.

Chapter 112 of the Acts of 2010, signed on May 22, 2010, changed the methodology for the Commonwealth funding of Boston teachers in the BRS (hereafter referred to as BRS-Teachers) and created a special funding situation for the Commonwealth. The cost of pension benefits of the other participants of the BRS is the responsibility of the City of Boston. Chapter 112 clarified that the Commonwealth is legally responsible for all contributions and future benefit requirements for BRS-Teachers. The net pension liability related to the BRS-Teachers is included in the Commonwealth's net pension liability in this report.

Management of the BRS is vested with in a Board of Trustees, which consists of five members—two elected by the active and retired members of the system, the City Auditor as ex-officio, one member appointed by the Mayor of Boston, and one member who is elected by the other four members. The BRS issues a stand-alone audited financial report. For a complete copy of BRS's separately issued financial statements, please contact the City of Boston Retirement Board at (617) 635-4305, or you may download this report at <http://www.cityofboston.gov/retirement/investment.asp>.

Plan membership. As of January 1, 2019, for SERS and MTRS, the dates of the most recent valuations, plan membership consisted of the following:

	SERS	MTRS
Retirees and beneficiaries currently receiving benefits	64,758	67,110
Terminated employees entitled to benefits but not yet receiving them	4,119	—
Subtotal	68,877	67,110
Current members.....	87,969	94,103
Total	<u>156,846</u>	<u>161,213</u>

Benefits provided. SERS, MTRS and BRS provide retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire and receive benefits prior to age 60.

The policy for post-retirement benefit increases for all retirees of the SERS, MTRS and for those participants who serve in the City of Boston's School Department in a teaching capacity is subject to legislative approval.

Contributions. The retirement systems' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS and MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Chapter 32 of the General Laws directs the Secretary of Administration and Finance to prepare a funding schedule to meet actuarially determined requirements, and to update this funding schedule every three years on the basis of new actuarial valuation reports prepared under the Secretary's direction. Any such schedule is subject to legislative approval.

If a schedule is not so approved, payments are to be made in accordance with the most recently approved schedule. Under the current schedule adopted in January 2017, the amortization payments increase 8.94% per year to FY36 with a final amortization payment in FY36 (four years before the statutory deadline of FY40). The funding schedule as published follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability.

Member contributions for SERS, MTRS and BRS vary depending on the most recent date of membership:

Hire Date	% of Compensation
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police, which is 12% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

B. INVESTMENTS

Investment Policy. SERS and MTRS are required to invest in the Pension Reserves Investment Trust (PRIT) Fund, which is managed by the Pension Reserves Investment Management (PRIM) Board. The PRIM Board seeks to maximize the total return on investments, within acceptable levels of risk and cost for an approximately 60% funded public pension fund. The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The investment policy statement adopted by the PRIM Board requires a comprehensive review of the PRIM Board's asset allocation plan and its underlying assumptions at reasonable intervals of not more than three to five years. In addition, the investment policy statement requires that the PRIM Board conduct an annual evaluation of the PRIT Fund's asset allocation. The PRIM Board's last comprehensive review of the PRIT Fund asset allocation was conducted during FY2019.

The following was the PRIT Fund asset allocation as of June 30, 2019:

Asset Class	Target Allocation
Global Equity	39.0%
Core Fixed Income	15.0%
Private Equity	13.0%
Portfolio Completion Strategies	11.0%
Real Estate	10.0%
Value Added Fixed Income	8.0%
Timber/Natural Resources	4.0%
Total	<u>100.0%</u>

The annual money-weighted return on pension plan investments calculated as the internal rate of return on pension plan investments net of pension plan expenses for FY 2019 were 5.63% and 5.62% for SERS and MTRS, respectively. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

C. NET PENSION LIABILITY OF THE SYSTEMS REQUIRED BY GASB 67

The components of the net pension liability for SERS and MTRS at June 30, 2019 are as follows (amounts in thousands):

	SERS	MTRS
Total pension liability.....	\$ 43,398,000	\$ 54,751,000
Plan fiduciary net position	(28,763,796)	(29,536,980)
Net pension liability	<u>\$ 14,634,204</u>	<u>\$ 25,214,020</u>
Fiduciary net position as a percentage of the total pension liability	66.3%	53.9%

Additional information regarding changes in the net pension liability can be found in the Required Supplementary Information section of these financial statements.

Actuarial assumptions. The total pension liability, for both SERS and MTRS, was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019, using the following actuarial assumptions:

1. The actuarial assumptions included: (a) 7.25% investment rate of return, a decrease from the rate used in the January 1, 2018 actuarial valuation of 7.35%; (b) 3.5% interest rate credited to the annuity savings fund; and (c) 3.0% cost of living increase on the first \$13,000 of allowance per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.
3. Experience studies were performed as follows:
 - a. SERS:
 - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality.
 - b. MTRS:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
4. Mortality rates were as follows:
 - a. SERS:
 - Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016, set forward 1 year for females.
 - Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016, set forward 1 year for females.
 - For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.
 - b. MTRS:
 - Pre-retirement mortality reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement mortality reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
 - For disabled members, the mortality rate is assumed to be in accordance with RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate arithmetic expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These assumptions are converted into nominal assumptions by adding inflation, then combined by weighting them by the target asset allocation percentages. Finally, the arithmetic portfolio expected return is converted into a geometric expected return using assumed asset class standard deviations and correlations. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy in Note 9(B)) are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Private Equity	8.2%
Global Equity.....	4.9%
Value Added Fixed Income	4.7%
Timberland/Natural Resources.....	4.1%
Portfolio Completion Strategies	3.9%
Real Estate.....	3.6%
Core Fixed Income	1.3%

Discount rate. The discount rate used to measure the pension liability for SERS and MTRS was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the SERS and MTRS net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for SERS and MTRS.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of SERS and MTRS, calculated using the discount rate of 7.25%, as well as what the SERS and MTRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate (amounts in thousands):

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SERS net pension liability	\$ 19,478,600	\$ 14,634,204	\$ 10,494,900
MTRS net pension liability	31,232,100	25,214,020	20,062,500

D. NET PENSION LIABILITY OF THE COMMONWEALTH REQUIRED BY GASB 68

Proportionate Share of Net Pension Liability

As of the respective measurement dates below, the net pension liability for SERS, MTRS and BRS were \$13.230 billion, \$23.711 billion, and \$4.586 billion, respectively. The net pension liabilities for SERS and MTRS were determined by an actuarial valuation as of January 1, 2018 and rolled forward to June 30, 2018. The BRS net pension liability was determined by an actuarial valuation as of January 1, 2018 and rolled forward to December 31, 2018. The SERS, MTRS and BRS actuarial valuations were rolled forward to their respective measurement dates using generally accepted actuarial procedures.

The Commonwealth (the primary government) reported the following net pension liabilities for its proportionate share of the SERS, MTRS and BRS-Teachers net pension liabilities (amounts in thousands):

System	Measurement Date	Proportionate Share	Net Pension Liability
State Employees' Retirement System	June 30, 2018	94.6%	\$ 12,520,028
Massachusetts Teachers' Retirement System.....	June 30, 2018	100.0%	23,711,289
Boston Retirement System - Teachers.....	December 31, 2018	55.6%	2,551,190
Total net pension liability			<u>\$ 38,782,507</u>

Certain of the Commonwealth's discretely presented component units (the Massachusetts Convention Center Authority [MCCA] and the Massachusetts Department of Transportation [MassDOT]) participate in SERS. As of the measurement date the proportionate share of the SERS net pension liability for the discretely presented component units was as follows (amounts in thousands):

System	Measurement Date	Proportionate Share	Net Pension Liability
State Employees' Retirement System.....	June 30, 2018	4.6%	<u>\$ 609,373</u>

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension

As of the measurement dates, the Commonwealth (primary government) recognized pension expense of approximately \$4.113 billion and the discretely presented component units recognized approximately \$318 million of pension expense. The following details the components of deferred outflows of resources and deferred inflows of resources related to pensions (amounts in thousands):

	Primary Government						Discretely Presented Component Units	
	SERS		MTRS		BRS-Teachers		Deferred Outflows of Resources	Deferred Inflows of Resources
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 1,268,827	\$ —	\$ 2,615,499	\$ —	\$ 187,322	\$ —	\$ 174,811	\$ 2,909
Changes in proportion.....	172,019	128,748	—	—	—	—	2,903	47,572
Net difference between projected and actual earnings on pension plan investments ...	—	435,182	—	467,208	65,609	—	115,845	21,182
Differences between expected and actual experience.....	397,030	255,159	163,343	38,207	—	146,082	113,681	21,234
Payments made after the measurement date.....	935,996	—	1,443,710	—	—	—	85,572	—
Totals.....	<u>\$ 2,773,872</u>	<u>\$ 819,089</u>	<u>\$ 4,222,552</u>	<u>\$ 505,415</u>	<u>\$ 252,931</u>	<u>\$ 146,082</u>	<u>\$ 492,812</u>	<u>\$ 92,897</u>

The \$2.380 billion and \$86 million reported as deferred outflows of resources in the primary government and the discretely presented component units, respectively, are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resource related to pension will be recognized in pension expense as follows (amounts in thousands):

Fiscal Year Ending June 30	Primary Government			Discretely Presented Component Units
	SERS	MTRS	BRS-Teachers	
2020.....	\$ 781,223	\$ 999,920	\$ 57,811	\$ 144,104
2021.....	355,345	768,779	23,299	89,140
2022.....	(185,194)	67,350	(6,239)	49,704
2023.....	19,973	228,901	45,291	30,263
2024.....	47,440	193,111	(13,313)	1,132
Thereafter.....	—	15,366	—	—
Totals.....	<u>\$ 1,018,787</u>	<u>\$ 2,273,427</u>	<u>\$ 106,849</u>	<u>\$ 314,343</u>

The SERS and MTRS total pension liabilities were based on an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018, using the following actuarial assumptions:

1. The actuarial assumptions included (a) 7.35% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 of allowance per year.
2. Salary increases are based on analyses of past experience but range from 4.00% to 9.00% (SERS) and 4.0% to 7.50% (MTRS) depending on group and length of service.

3. Experience studies were performed as follows:

SERS:

- Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011

MTRS:

- Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011

4. Mortality rates were as follows:

SERS:

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016, set forward 1 year for females
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year for females
- Disability - the mortality rate reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016, set forward 1 year.

MTRS:

- Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
- Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
- Disability - assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

The BRS-Teachers total pension liability was based on an actuarial valuation as of January 1, 2018 rolled forward to December 31, 2018, using the following actuarial assumptions:

1. The actuarial assumptions included (a) 7.35% investment rate of return, (b) 3.25% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$14,000 per year.

2. Salary increases range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Healthy - reflects RP-2014 White Collar Employee and Healthy Annuitant Mortality Tables projected generationally with Scale MP-2016.
 - Disabled - reflects RP-2014 Healthy Annuitant Mortality Table set forward four years projected generationally using Scale BB2D from 2014.

Investments

The Massachusetts legislature enacted Section 17 of Chapter 112 of the Acts of 2010, which requires the SBRS to invest all assets, current and future, related to BRS-Teachers in the PRIT pooled fund.

The following was the PRIT Fund target asset allocation and best estimates of geometric rates of return for each major asset class as of June 30, 2018:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Global Equity.....	39.00%	5.00%
Portfolio Completion Strategies	13.00%	3.70%
Core Fixed Income	12.00%	0.90%
Private Equity	12.00%	6.60%
Real Estate	10.00%	3.80%
Value Added Fixed Income	10.00%	3.80%
Timber/Natural Resources	4.00%	3.40%
Total	100.00%	

* - BRS does not separately provide the long-term expected real rate of return for BRS-Teachers assets invested in the PRIT Fund as of the BRS measurement date.

Because SERS, MTRS and BRS-Teachers are all required to invest in the PRIT Fund, the long-term expected real rate of return was determined on that same basis as described in Note 9C.

The discount rate used to measure the pension liabilities was 7.35% for SERS and MTRS as of the June 30, 2018 measurement date and for BRS-Teachers as of the December 31, 2018 measurement date.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Commonwealth calculated using the discount rate of 7.35%, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.35%) or 1-percentage-point higher (7.35%) than the current rate (amounts in thousands):

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
SERS net pension liability	\$ 16,868,883	\$ 12,520,028	\$ 8,795,813
MTRS net pension liability	29,482,300	23,711,289	18,771,300
BRS-Teachers net pension liability	3,038,009	2,551,190	2,148,745

E. STATEMENTS OF NET POSITION AND CHANGES IN NET POSITION

The following table displays the Statement of Net Position and the Statement of Changes in Net Position for the SERS, and the MTRS as of June 30, 2019, (amounts in thousands):

	Pension Trust Funds		
	State Employees' PERS	Teachers' PERS	Total
ASSETS			
Cash and cash equivalents	\$ 89,142	\$ 87,771	\$ 176,913
Net investment in PRIT at fair value	28,574,559	29,365,494	57,940,053
Other receivables	112,966	85,504	198,470
Other assets	17	3,109	3,126
Total assets	28,776,684	29,541,878	58,318,562
LIABILITIES			
Accounts payable	12,888	4,898	17,786
Net position available for post-employment benefits	\$ 28,763,796	\$ 29,536,980	\$ 58,300,776
ADDITIONS			
Contributions:			
Employer contributions - Commonwealth and MassDOT	\$ 919,545	\$ —	\$ 919,545
Non-employer contributions - Commonwealth	37,359	1,443,710	1,481,069
Employer and non-employer contributions - other	10,191	—	10,191
Employee contributions	632,730	782,431	1,415,161
ERIP funding contribution - Commonwealth	28,724	—	28,724
Boston teachers' contributions from Commonwealth	—	143,146	143,146
Other additions	104,765	91,386	196,151
Total contributions	1,733,314	2,460,673	4,193,987
Net investment gain/(loss):			
Investment gain/(loss)	1,686,838	1,732,202	3,419,040
Less: investment expense	(143,440)	(147,432)	(290,872)
Net investment gain/(loss)	1,543,398	1,584,770	3,128,168
Total additions	3,276,712	4,045,443	7,322,155
DEDUCTIONS			
Administration	15,853	18,324	34,177
Retirement benefits and refunds	2,427,556	3,092,363	5,519,919
Payments to State Boston Retirement System	—	143,146	143,146
Other deductions	64,528	46,341	110,869
Total deductions	2,507,937	3,300,174	5,808,111
Change in net position	768,775	745,269	1,514,044
Net position available for post-employment benefits at beginning of year	27,995,021	28,791,711	56,786,732
Net position available for post-employment benefits at end of year	\$ 28,763,796	\$ 29,536,980	\$ 58,300,776

F. RESERVES

Chapter 32 of the MGL establishes certain legally required reserve accounts for both SERS and MTRS. These reserves are used to account for the accumulation of resources according to purpose for which they are received, acquired or held. The reserve accounts can only be modified or changed by legislation.

The balances of legally required reserves at June 30, 2019 were as follows (amounts in thousands):

	SERS	MTRS	Purpose
Annuity Savings Fund.....	\$ 6,637,100	\$ 8,384,603	Active members' contribution balance
Annuity Reserve Fund.....	1,938,258	1,909,423	Retired members' contribution account
Special Military Service Fund...	34	282	Members' contribution account while on military leave
Pension Reserve Fund.....	20,188,404	19,242,672	Amounts appropriated to fund future retirement benefits
Total.....	<u>\$ 28,763,796</u>	<u>\$ 29,536,980</u>	

10. OTHER POST EMPLOYMENT BENEFITS**A. PLAN DESCRIPTIONS****Plan administration**

The Commonwealth administers a single employer defined benefit Other Post-Employment Benefit (OPEB) plan. Benefits are managed by the Group Insurance Commission (GIC) and investments are managed by PRIM. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust (SRBT).

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. GIC administers benefit payments, while the Trustees are responsible for investment decisions. The SRBT is administered by the board of trustees and is reported as an OPEB Trust Fund and does not issue a stand-alone audited financial report.

Management of the SRBT is vested with a board of trustees, which consists of seven members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor and one person appointed by the State Treasurer. The members elect one person to serve as chair of the board.

Plan membership. As of January 1, 2019 the date of the most recent actuarial valuation, plan membership consisted of the following:

	SRBT
Inactive plan members or beneficiaries currently receiving benefit payments	85,108
Inactive plan members entitled to but not yet receiving benefit payments	3,219
Active plan members	69,751
Total	<u>158,078</u>

Benefits provided. Under Chapter 32A of the Massachusetts General Laws (MGL) the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care/benefit costs, which are comparable

to contributions required from employees.

Employer and employee contribution rates are set in MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2019 and as of the valuation date (January 1, 2019), Commonwealth participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant is active, retiree, or survivor status. As part of the FY10 General Appropriation Act, all active employees pay an additional 5% of premium costs. Normal costs paid for OPEB to retirees during FY19 totaled approximately \$482 million.

Effective beginning FY14, the Commonwealth by statute is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in FY14 to 100% by FY23. In FY19, 30% of tobacco settlement proceeds or approximately \$71 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in FY19 was set at 30%, overriding existing statute.

B. INVESTMENTS

Investment Policy. The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2019, are the same as discussed in Notes 9 (B) and (C).

The annual money-weighted return on OPEB plan investments calculated as the internal rate of return on OPEB plan investments net of OPEB plan expenses for fiscal 2019 was 5.87%. A money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

C. NET OPEB LIABILITY OF THE OPEB PLAN REQUIRED BY GASB 74

The components of the net OPEB liability at June 30, 2019 are as follows (amounts in thousands):

	SRBT
Total OPEB liability	\$ 13,592,288
Plan fiduciary net position	(1,368,548)
Net OPEB liability	<u>\$ 12,223,740</u>
Fiduciary net position as a percentage of the total OPEB liability	10.1%

Additional information regarding changes in the net OPEB liability can be found in the Required Supplementary Information Section of these financial statements.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019, using the following actuarial assumptions:

1. The following annual healthcare cost trend rates: (1) 7.5%, decreasing by 0.5% each year to 5.50% in 2023 and 2024 and then decreasing by 0.50% each year to an ultimate rate of 4.5% in 2026 for Medical, (2) 5.0% per year until 2025, then decreasing to 4.50% in 2026 for EGWP and (3) 4.5% for administration costs.
2. Mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Commonwealth and those non-Commonwealth governments that participate in the GIC) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs on a premium basis between the Commonwealth and those non-Commonwealth governments that participate in the GIC to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial

accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Discount rate. The discount rate used to measure the OPEB liability was 3.69%. This rate was based on a blend of the Bond Buyer Index rate (3.51%) as of the measurement date and the long-term expected rate of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2029. Therefore, the long-term expected rate of return on plan investments of 7.25% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the OPEB plan's net OPEB liability calculated using the discount rate of 3.69%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.69%) or 1-percentage-point higher (4.69%) than the current rate (amounts in thousands):

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Net OPEB liability.....	\$ 14,433,874	\$ 12,223,740	\$ 10,453,313

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the OPEB plan's net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate (amounts in thousands):

	1% Decrease (b)	Current Healthcare Cost Trend Rate (a)	1% Increase (c)
Net OPEB liability.....	\$ 10,168,347	\$ 12,223,740	\$ 14,895,856

a - The current healthcare cost trend rates are as follows: 7.5% for Medicare, 5.0% for EGWP and 4.5% for administration costs.

b - The healthcare cost trend rates after a 1% decrease are as follows: 6.5% for Medicare, 4.0% for EGWP and 3.5% for administration costs.

c - The healthcare cost trend rates after a 1% increase are as follows: 8.5% for Medicare, 6.0% for EGWP and 5.5% for administration costs.

D. NET OPEB LIABILITY OF THE COMMONWEALTH REQUIRED BY GASB 75

The Commonwealth's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018.

The Commonwealth's reporting entity reported the following net OPEB liability (amounts in thousands):

	Net OPEB Liability	
Primary government.....	\$ 14,243,453	(A)
Discretely presented component unit.....	3,193,027	(B)
Total net OPEB liability.....	\$ 17,436,480	

(A) - Of this amount \$1,371 relates to business-type activities not participating in the Commonwealth's OPEB plan

(B) - Of this amount \$2,525,905 relates to discretely presented component units not participating in the Commonwealth's OPEB plan

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

As of June 30, 2018, the measurement date, the Commonwealth (primary government) and the discretely presented component units recognized OPEB expense of approximately \$383 million and \$147 million, respectively. The following details the components of deferred outflows of resources and deferred inflows of resources related to OPEB (amounts in thousands):

	Primary Government		Discretely Presented Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 269,969	\$ 219,607	\$ —	\$ 49,850
Differences between expected and actual experience	172,983	30,659	225,278	86,715
Change of assumptions.....	—	4,381,658	—	323,000
Net difference between projected and actual earnings on OPEB plan investments	—	35,552	124	3,415
Payments made after the measurement date.....	572,434	—	71,979	—
Totals	<u>\$ 1,015,386</u>	<u>\$ 4,667,476</u>	<u>\$ 297,381</u>	<u>\$ 462,980</u>

The \$572 million and \$72 million reported as deferred outflows of resources in the primary government and the discretely presented component units, respectively, are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts in thousands):

	Primary Government	Discretely Presented Component Unit
2020	\$ (969,266)	\$ (56,509)
2021	(969,267)	(56,507)
2022	(969,267)	(56,509)
2023	(876,959)	(50,382)
2024	(436,847)	(15,411)
Thereafter.....	(2,918)	(2,260)
Total	<u>\$ (4,224,524)</u>	<u>\$ (237,578)</u>

Actuarial Assumptions

The total OPEB liability based on the actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018 used the following actuarial assumptions:

1. The following annual healthcare cost trend rates: (1) 8.0%, decreasing by 0.5% each year to 5.5% in 2023 and then decreasing 0.25% to an ultimate rate of 5.0% in 2025 for medical and (2) 5.0% for administration costs. Healthcare costs are offset by reimbursements for Employer Group Waiver Plans (EGWP), which are assumed to increase 5.0% per year.
2. The mortality rate was in accordance with RP2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

3. Participation rates:
- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over age 65 with POS/PPO coverage switch to HMO.
 - All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
 - 80% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later.
 - Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age	
	Under 65	Age 65+
Indemnity.....	40.0%	85.0%
POS/PPO	50.0%	—%
HMO.....	10.0%	15.0%

Discount Rate

The discount rate used to measure the OPEB liability as of June 30, 2018 was 3.95%. This rate was based on a blend of the Bond Buyer Index rate of 3.87% as of the measurement date and the long-term expected rate of return on plan investments of 7.35%. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2025. Therefore, the long-term expected rate of return on plan investments was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018.

Investments

The long-term expected rate of return as of June 30, 2018 was 7.35%. Investment assets of the Plan are held by the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target	Long-Term
	Allocation	Expected Real Rate of Return
Global Equity.....	39.0%	5.0%
Portfolio Completion Strategies.....	13.0%	3.7%
Core Fixed Income.....	12.0%	0.9%
Private Equity.....	12.0%	6.6%
Real Estate.....	10.0%	3.8%
Value Added Fixed Income.....	10.0%	3.8%
Timber/Natural Resources	4.0%	3.4%
Total	<u>100.0%</u>	

Changes in Net OPEB liability

The following presents the changes in the net OPEB liability of entities participating in the Commonwealth's OPEB plan (including MassDOT, a discretely presented component unit) as of June 30, 2018 (amounts in thousands):

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 18,480,936	\$ 996,407	\$ 17,484,529
Changes for the year:			
Service cost.....	792,134	—	792,134
Interest	691,630	—	691,630
Differences between expected and actual experience.....	218,891	—	218,891
Changes of assumptions	(3,643,055)	—	(3,643,055)
Contributions-employer.....	—	542,896	(542,896)
Net investment income	—	93,308	(93,308)
Benefit payments	(443,763)	(443,763)	—
Administrative expense	—	(150)	150
Other additions.....	—	(1,262)	1,262
Other changes	—	133	(133)
Net changes.....	(2,384,163)	191,162	(2,575,325)
Balances at June 30, 2018	<u>\$ 16,096,773</u>	<u>\$ 1,187,569</u>	<u>\$ 14,909,204</u>

Sensitivity Analysis of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of entities participating in the Commonwealth's OPEB plan (excluding MassDOT) calculated using the discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amounts in thousands):

	1% Decrease	Current Rate	1% Increase
	2.95%	3.95%	4.95%
Net OPEB liability	<u>\$ 16,817,457</u>	<u>\$ 14,242,083</u>	<u>\$ 12,183,110</u>

Sensitivity Analysis of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability of entities participating in the Commonwealth's OPEB plan (excluding MassDOT), as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate, as disclosed on page 121 of this report (amounts in thousands):

	1% Decrease	Current Rate	1% Increase
	Net OPEB liability	<u>\$ 11,832,713</u>	<u>\$ 14,242,083</u>

MSBA

The MSBA, a blended component unit, sponsors its own single-employer defined benefit OPEB plan. The disclosures related to the net OPEB asset of the MSBA are not included in these notes to the financial statements due to immateriality (approximately \$226 thousand).

E. STATEMENT OF NET POSITION AND CHANGES IN NET POSITION

The following table displays the Statement of Net Position and Statement of Changes in Net Position for the State Retirees' Benefit Trust as of June 30, 2019 (amounts in thousands):

	OPEB Trust Fund
	State Retiree Benefits
ASSETS	
Cash and cash equivalents	\$ 82,454
Net investment in PRIT at fair value	1,286,108
Total assets	1,368,562
LIABILITIES	
Accounts payable.....	14
Net position available for other post-employment benefits	\$ 1,368,548
ADDITIONS	
Contributions:	
Employer contributions - Commonwealth.....	\$ 594,916
Other additions.....	188
Total contributions	595,104
Net investment gain/(loss):	
Investment gain/(loss).....	74,601
Less: investment expense	(6,372)
Net investment gain/(loss)	68,229
Total additions	663,333
DEDUCTIONS	
Administration.....	171
Retirement benefits and refunds	482,183
Total deductions	482,354
Change in net position	180,979
Net position available for other post-employment benefits at beginning of year	1,187,569
Net position available for other post-employment benefits at end of year	\$ 1,368,548

11. LEASES**Primary Government**

In order to finance the acquisition of equipment, the Commonwealth has entered into various lease/purchase agreements, including tax-exempt lease purchase (TELP) agreements, which are accounted for as capital leases. Included in the capital assets of the Commonwealth are additions financed by capital leases. For FY19, these additions are approximately \$54 thousand. Lease agreements are for various terms and contain clauses indicating that their continuation is subject to appropriation by the Legislature.

The Commonwealth has numerous operating lease agreements for real property and equipment with varying terms.

These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature.

The Institutions of Higher Education lease real property and equipment under numerous operating lease agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2019 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities					Business - Type Activities			
	Capital Leases		Operating Leases	MSBA Operating Leases	Governmental Activities Total	Capital Leases			Business - Type Activities Total
	Principal	Interest				Principal	Interest	Operating Leases	
2020.....	\$ 3,163	\$ 566	\$ 236,284	\$ 1,117	\$ 241,130	\$ 2,592	\$ 302	\$ 46,169	\$ 49,063
2021.....	3,110	556	144,044	1,141	148,851	2,143	245	41,079	43,467
2022.....	3,087	552	121,686	1,166	126,491	1,707	190	30,667	32,564
2023.....	3,023	541	105,047	1,191	109,802	930	146	28,218	29,294
2024.....	3,162	565	87,514	1,215	92,456	598	103	25,150	25,851
2025 - 2029	4,279	765	223,878	1,240	230,162	1,619	122	103,411	105,152
2030 - 2034	11	2	50,352	—	50,365	—	—	55,388	55,388
2035 - 2039	—	—	43,660	—	43,660	—	—	6,314	6,314
2040 - 2044	—	—	43,705	—	43,705	—	—	2,046	2,046
2045 - 2049	—	—	37,731	—	37,731	—	—	—	—
2050 - 2054	—	—	7,185	—	7,185	—	—	—	—
Total lease obligations	19,835	3,547	1,101,086	7,070	1,131,538	9,589	1,108	338,442	349,139
Less: current portion	(3,163)	(566)	(236,284)	(1,117)	(241,130)	(2,592)	(302)	(46,169)	(49,063)
Long-term lease obligations	<u>\$ 16,672</u>	<u>\$ 2,981</u>	<u>\$ 864,802</u>	<u>\$ 5,953</u>	<u>\$ 890,408</u>	<u>\$ 6,997</u>	<u>\$ 806</u>	<u>\$ 292,273</u>	<u>\$ 300,076</u>

Capital assets acquired under capital lease (amounts in thousands):

Asset type:	Primary Government	
	Governmental Activities	Business - Type Activities
Buildings	\$ —	\$ 16,656
Machinery and equipment.....	34,152	8,865
Total assets	34,152	25,521
Less: accumulated depreciation	(14,128)	(15,841)
Total.....	<u>\$ 20,024</u>	<u>\$ 9,680</u>

12. OTHER LONG-TERM LIABILITIES

A. WORKERS' COMPENSATION AND GROUP INSURANCE LIABILITIES

Workers' Compensation is managed as part of the course of the Commonwealth's general operations. No separate fund for workers' compensation is provided for in Massachusetts General Laws (MGL). Claims for compensation are not separately insured and are funded by the Commonwealth only when incurred. Such losses, including estimates of amounts incurred, but not reported, are included as accrued liabilities in the accompanying financial statements when the loss is incurred. The Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury, MGL limits the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances.

Workers' compensation costs are recognized when claims are presented and paid. The Commonwealth's outstanding liability for such claims at June 30, 2019 is estimated to be \$261 million of which approximately \$43 million is expected to be paid during FY20.

Changes in the Commonwealth's liability relating to workers' compensation claims in FY19 and FY18 were (amounts in thousands):

	FY19	FY18
Claims liability, beginning of year.....	\$ 260,904	\$ 260,180
Increase in liability estimate	62,782	61,678
Payments and decreases in liability estimate.....	(62,299)	(60,954)
Claims liability, end of year.....	<u>\$ 261,387</u>	<u>\$ 260,904</u>

The Group Insurance Commission (GIC), a department of the Commonwealth, manages health insurance claims of the Commonwealth's active and retired employees. The Commonwealth is self-insured and various health insurance providers provide health care services to the employees. The accrued liability is estimated based on data provided to the GIC by the insurance companies who participate in the self-insured plans.

Changes in the Commonwealth's liability relating to group insurance claims in FY19 and FY18 were (amounts in thousands):

	FY19	FY18
Claims liability, beginning of year.....	\$ 130,736	\$ 116,504
Increase in liability estimate	1,665,999	1,648,074
Payments and decreases in liability estimate.....	(1,645,462)	(1,633,842)
Claims liability, end of year.....	<u>\$ 151,273</u>	<u>\$ 130,736</u>

B. OTHER CLAIMS & JUDGMENTS

A number of lawsuits are pending or threatened against the Commonwealth, which arise from the ordinary course of operations. These include claims for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Commonwealth records a liability for those cases in which it is probable that a loss will be incurred and the amount of the potential judgment can be reasonably estimated or a settlement or judgment has been reached but not paid.

The following amounts were recognized for claims and judgments in FY19 and FY18 (amounts in thousands):

	FY19	FY18
Unpaid claims, beginning of year.....	\$ 22,498	\$ 12,518
Incurred claims	28,466	22,700
Claim payments and reductions.....	(17,723)	(12,720)
Unpaid claims end of year	<u>\$ 33,241</u>	<u>\$ 22,498</u>

C. ENVIRONMENTAL REMEDIATION

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49) provides guidance in estimating and reporting the potential costs of pollution remediation. While GASB 49 does not require the Commonwealth to search for pollution, it does require the Commonwealth to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the Commonwealth is compelled to take action;
- The Commonwealth is found in violation of a pollution-related permit or license;
- The Commonwealth is named, or has evidence that it will be named, as a responsible party by a regulator;
- The Commonwealth is named, or has evidence that it will be named, in a lawsuit to enforce a cleanup;
- The Commonwealth commences or legally obligates itself to conduct remediation activities.

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the Commonwealth. Several Commonwealth agencies have dedicated programs, rules and regulations that routinely deal with remediation related issues; others become aware of pollution conditions in the fulfillment of their missions. The Commonwealth has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities.

The standard requires the Commonwealth to calculate pollution remediation liabilities using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. Where the Commonwealth cannot reasonably estimate a pollution remediation obligation it does not report a liability. Several state departments perform continual monitoring of polluted sites. Since the monitoring for such sites is perpetual, undiscounted multi-year costs for such sites have not been estimated. Because of a lack of information about the type and extent of the remediation effort that could be required, no range of outlays for the overall remediation effort for such sites could be developed at this time.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the Commonwealth's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

During FY19, the Commonwealth had the following activity related to environmental remediation (amounts in thousands):

	Governmental Activities
Environmental remediation liability, beginning of year	\$ 530,611
Expected additional future outlays, changes in liability estimates	(6,109)
FY19 outlays for environmental remediation	(7,087)
Environmental remediation liability, end of year.....	<u>\$ 517,415</u>

Massachusetts Military Reservation. The Commonwealth, through the Executive Office of Energy and Environmental Affairs, the Department of Environmental Protection and the Attorney General's office, were engaged in discussions with federal Natural Resource Trustees, including the United States Army and Air Force, the Department of the Interior and the National Oceanic and Atmospheric Administration and private contractors regarding natural resource damages at the Massachusetts Military Reservation on Cape Cod. Federal Trustees and private contractors claim that the Commonwealth and others are liable for natural resource damages due to widespread contamination primarily from past military activities at the Reservation and are responsible for response actions and related clean-up activities. The assessment process for natural resource damages is set out in federal regulations and has not been completed. While no recent comprehensive estimate of natural resource damages and response actions is available, it is expected that the damages and response actions may cost at least tens of millions of dollars. In 2013, the state and federal trustees

reopened preliminary discussions per a Trustee Council resolution on a potential settlement framework.

Closed State Facilities. The Commonwealth has 17 facilities that contain a total of 235 buildings, mainly in closed state hospitals that may have varying degrees of asbestos, polychlorinated biphenyl (PCB's) and other compounds that are currently in a dormant state. The Commonwealth typically sells these facilities at minimal cost to private developers who assume full responsibility for all cleanup activity. Cost estimates are only performed during the sale process. At this time, the Commonwealth has no estimate of any potential asset that would be developed from these activities that would ready these sites for sale.

D. COST OF LIVING ADJUSTMENTS

The Commonwealth is financially responsible for the cost of living adjustment (COLA) granted to participants in various retirement systems of cities, towns and counties in fiscal years 1981 to 1997. Chapter 17 of the Acts of 1997 effective for fiscal year 1998 transferred the responsibility for funding COLAs for separate (non-teacher) retirement systems of cities and towns to their respective systems. Any future COLA granted by the Legislature to employees of these plans will be the responsibility of the individual system, assuming approval by the local board. The individual employer governments are also responsible for the basic pension benefits.

During fiscal year 2019, there was a decrease of approximately \$2 million in the liability for COLAs granted to participants in retirement systems of cities, towns and counties.

As of June 30, 2019, the Commonwealth's liability for COLA was approximately \$130 million.

13. CONTINGENCIES/COMMITMENTS

The Commonwealth receives significant financial assistance from the federal government. Entitlement to these resources is generally contingent upon compliance with terms and conditions of the grant or reimbursement agreements and with applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all federal financial assistance is subject to financial and compliance audits.

Chapter 200A of the Massachusetts General Laws, the Commonwealth's Abandoned Property Law, requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets are to be remitted to the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during FY19 totaled approximately \$126 million. A portion of accumulated claims since the law's enactment represent a contingency, because claims for refunds can be made by the owners of the property.

Drug Testing Laboratory disputes. On August 28, 2012, a chemist formerly employed at the Department of Public Health's drug testing laboratory in Boston admitted to several types of misconduct involving her handling of laboratory samples, which were used in criminal cases. The Governor was informed and ordered the immediate closure of the laboratory. The Governor established a central office to identify individuals who may have been affected by the chemist's alleged malfeasance, which the office has estimated as possibly tens of thousands of criminal drug cases. The Governor also announced that the Inspector General is conducting an independent assessment of the laboratory's operations. In addition, the Attorney General's Office is conducting a criminal investigation. On December 17, 2012, the former chemist was indicted by a Statewide Grand Jury on 27 charges in connection with altering drug evidence during the testing process and obstructing justice. She was arraigned on December 20, 2012 in Suffolk Superior Court and pled guilty in 2013. There likely will be significant, but as yet undetermined, state costs required to investigate and respond to the chemist's alleged malfeasance. Supplemental appropriations totaling \$30 million were approved during fiscal 2013 to create a fund to reimburse agencies and cities for costs associated with investigating and responding to misconduct at the state drug testing laboratory. In addition, there may be substantial costs to defend civil complaints alleging state liability in both state and federal court and for potential judgments. As the number of specific cases affected by the chemist's misconduct has not been definitively determined, there is not sufficient information to fully estimate these additional state costs.

A. PRIMARY GOVERNMENT

The Commonwealth continues to guarantee certain Massachusetts Bay Transportation Authority (MBTA) debt outstanding at June 30, 2019, totaling approximately \$161 million.

The MBTA's Forward Funding legislation of 1999 provides for the MBTA to issue general obligation, revenue or other debt secured by a pledge or conveyance of all or a portion of revenues, receipts or other assets or funds of the MBTA. Accordingly, all MBTA debt issued after this legislation is not backed by the full faith and credit of the Commonwealth.

Additional commitments of the Commonwealth remain for the University of Massachusetts Building Authority. As of June 30, 2019, the University of Massachusetts Building Authority has approximately \$2.856 billion, of outstanding debt, of which approximately \$111 million is guaranteed by the Commonwealth.

B. TOBACCO SETTLEMENT

A Master Settlement Agreement (MSA) was executed in November of 1998 between five tobacco companies and 46 states, including the Commonwealth. Several additional tobacco companies have joined the MSA and are bound by its terms.

The MSA called for, among other things, annual payments to the states in perpetuity. These payments have been estimated to total more than \$200 billion over the first 25 years, subject to various offsets, reductions and adjustments.

In FY19, the Commonwealth received approximately \$237 million, or 65.1% of the estimated amounts shown in the MSA. Amounts received in FY19 continued to be less than had previously been projected as payments under the MSA, primarily because the payment amounts are related to national tobacco sales volumes, which have continued to decline since the settlement. The Commonwealth's allocable share of the base amounts payable under the MSA is approximately 4.04% or approximately \$8.962 billion through 2025, which is subject to adjustments, reductions and offsets. However, in pending litigation, tobacco manufacturers are claiming that because of certain developments, they are entitled to reduce future payments under the MSA and, from FY06 to the present, certain manufacturers have withheld portions of the payments due to the states. The Commonwealth continues to pursue legal action to compel the payment of these additional funds and to obtain a legal determination that the Commonwealth is immune from any downward adjustment to its settlement payments.

In FY04, a Suffolk Superior Court jury rejected the claims of the Commonwealth's private tobacco attorneys that they should be paid a fee amounting to 25% of the Commonwealth's tobacco settlement money. The jury awarded the plaintiffs 10.5% of the amount the Commonwealth receives under the MSA through 2025, minus an offset for amounts received by the attorneys from the tobacco companies pursuant to an arbitration award. To date, however, the attorneys have received more than 10.5% of what the Commonwealth has received under the MSA. As of June 30, 2019, the Commonwealth owes nothing under the jury award. Whether the Commonwealth will in the future be required to pay any sum on private counsel's claim will depend on the actual payments received by the Commonwealth under the MSA through 2025, as well as on the amounts the attorneys receive through the arbitration payments.

C. OTHER CONSTRUCTION COMMITMENTS

At June 30, 2019, the Commonwealth had commitments of approximately \$425 million related to ongoing construction projects.

D. CONTRACTUAL ASSISTANCE TO AUTHORITIES

The Commonwealth is also authorized to pledge its credit in aid of and provide contractual support for certain independent authorities and political subdivisions within the Commonwealth. These Commonwealth liabilities are classified as: (a) general obligation contract assistance; (b) budgetary contractual assistance liabilities; or (c) contingent liabilities. In addition, the Commonwealth is authorized to pledge its credit in support of scheduled, periodic payments to be made by the Commonwealth under interest rate swaps and other hedging agreements related to bonds or notes of the Commonwealth.

General obligation contract assistance obligations arise from statutory requirements for payments by the Commonwealth to the Massachusetts Clean Water Trust, the Massachusetts Department of Transportation and the Massachusetts Development Finance Agency that are used by such entities to pay a portion of the debt service on certain of their outstanding bonds. Such assistance constitutes a pledge of the Commonwealth's credit for which a two-thirds vote of the Legislature is required.

Budgetary contract assistance liabilities do not constitute a pledge of the Commonwealth's credit. Contingent liabilities relate to debt obligations of independent authorities and agencies of the Commonwealth, or payment obligations of such entities on hedging transactions related to such debt, that are expected to be paid without Commonwealth assistance, but for which the Commonwealth has some kind of liability if expected payment sources do not materialize. These contingent liabilities consist of guarantees and similar obligations with respect to which the Commonwealth's credit has been or may be pledged. Under legislation approved by the Governor during FY09, the Commonwealth may pledge its credit to guarantee payment obligations of the Massachusetts Turnpike Authority (succeeded by MassDOT in FY10) with respect to certain hedging transactions or provide financial support subject to annual appropriation and without a pledge of the Commonwealth's credit. The same legislation authorizes the Commonwealth to provide credit support to the Turnpike Authority (succeeded by MassDOT) in connection with the issuance of certain refunding bonds, subject to annual appropriation and without a pledge of the Commonwealth's credit. In addition, the Commonwealth has certain statutorily contemplated payment obligations with respect to which the Commonwealth's credit has not been pledged, as in the case of the Commonwealth's obligation to replenish the capital reserve funds securing certain debt obligations of the Massachusetts Housing Finance Agency and the Commonwealth's obligation to fund debt service, solely from monies otherwise appropriated for the affected institution, owed by certain community colleges and state universities on bonds issued by the Massachusetts Health and Educational Facilities Authority and the Massachusetts State College Building Authority.

E. MSBA

The MSBA has estimated the amount of outstanding New Program commitments at June 30, 2019 to be \$1.7 billion.

F. SOCIAL IMPACT BONDS

In January 2014, the Commonwealth entered into a "pay for success contract" (Social Impact Bonds) with a nonprofit intermediary organization and a nonprofit social service agency to reduce the recidivism rate of young men in the juvenile justice system or on probation. The Commonwealth is obligated to make success payments totaling \$28 million through calendar year 2019 and the Commonwealth's obligation to make such payments is a general obligation for which the Commonwealth's full faith and credit are pledged. Payments are only made based upon successful achievement of specified outcomes based on defined performance targets contained in the contract. The Commonwealth entered into a second such contract in December 2014 to address chronic individual homelessness. The contract obligates the Commonwealth to make up to \$6 million in success payments, in the aggregate, through fiscal 2021. In June, 2016 the Commonwealth entered into a third contract to assist individuals in Adult Basic Education (ABE) or English for Speakers of Other Languages (ESOL) programs to transition to employment, higher wage jobs, and higher education. The contract obligates the Commonwealth to make up to \$15 million in success payments, in the aggregate, through fiscal 2023. The total amount of payments backed by the full faith and credit of the Commonwealth under such contracts may not exceed, in the aggregate, \$50 million. As the amount required to be paid as of June 30, 2019 cannot be determined until performance targets have been achieved as determined by independent evaluators, no liability

has been accrued in these financial statements for these contracts.

G. PENSIONS

The Massachusetts State Employees' Retirement System (MSERS) and the Massachusetts Teachers' Retirement System (MTRS) (collectively referred to as the Retirement Systems), in conjunction with the Commonwealth, are evaluating whether certain of the statutes or practices governing the systems may have been in conflict with the exclusive benefit rule of Section 401(a)(2) of the Internal Revenue Code or other federal tax law requirements relating to the operation of tax-exempt pension plans.

The activities being reviewed include (i) the statutorily directed funding of the budget for the Public Employees' Retirement Administration Commission (PERAC) solely from the investment income accounts of MSERS and MTRS, (ii) the statutorily directed contributions made from the MSERS account in the PRIT Fund to a separate optional retirement plan available to certain employees of the Commonwealth's higher education system, (iii) the statutorily mandated reimbursements paid by the MSERS to local retirement systems for local cost-of-living allowances for certain participants of those systems, (iv) the deposit of reimbursement revenues received from local retirement systems to the Commonwealth's General Fund rather than to the MTRS and MSERS accounts in the PRIT Fund, and (v) the deposit of federal grant fringe payments to the General Fund rather than to the MTRS and MSERS accounts in the PRIT Fund.

The Commonwealth, PERAC, MSERS and the MTRS have each engaged outside tax counsel to review these activities.

On March 28, 2017, the Governor approved legislation to address prospectively certain aspects of the issues described above. Additional corrective legislation was approved as part of the Commonwealth's General Appropriations Act for fiscal 2018, approved on July 17, 2017. The Executive Office for Administration and Finance, the MSERS and MTRS have submitted to the Internal Revenue Service for its consideration a request for a closing agreement which describes the activities listed above, explains the corrective actions already taken by legislation, and requests an affirmation that these activities do not adversely affect the tax qualification of the MSERS and MTRS in light of the corrections already made.

14. COMPONENT UNITS AND DETAILS OF DEPARTMENTS AND ENTITIES THAT ARE SEPARATELY AUDITED

The Commonwealth has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth of Massachusetts (the primary government) and its component units. The Commonwealth has included 40 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Details of those entities' operations can be found in those entities' basic financial statements and notes to those entities' basic financial statements.

The following entities are presented in the basic financial statements (all having a June 30, 2019 fiscal year end) (entities marked with an * are not legally separate from the Commonwealth but have separately audited financial statements). Entities that are marked with a § also were not audited in accordance with *Governmental Auditing Standards* as promulgated by the Comptroller General of the United States.

Entities Audited by KPMG LLP:

The Pension Reserves Investment Trust Fund (PRIT)

*The Massachusetts State Lottery Commission

The Massachusetts Department of Transportation (MassDOT)

The Massachusetts Clean Water Trust

Commonwealth Health Insurance Connector Authority

*§The Massachusetts Municipal Depository Trust (MMDT)

*The University of Massachusetts System

University of Massachusetts Foundation, Inc.

Entities Audited by Other Auditors:

The Massachusetts School Building Authority (MSBA)

***State Universities:**

Bridgewater State University
 Fitchburg State University
 Framingham State University
 Massachusetts College of Art
 Massachusetts Maritime Academy
 Massachusetts College of Liberal Arts
 Salem State University
 Westfield State University
 Worcester State University
 The Massachusetts State College Building Authority

***Community Colleges:**

Berkshire Community College
 Bristol Community College
 Bunker Hill Community College
 Cape Cod Community College
 Greenfield Community College
 Holyoke Community College
 Massasoit Community College
 Massachusetts Bay Community College
 Middlesex Community College
 Mount Wachusett Community College
 Northern Essex Community College
 North Shore Community College
 Quinsigamond Community College
 Roxbury Community College
 Springfield Technical Community College

Nonmajor Discretely Presented Component Units:

Massachusetts Convention Center Authority (MCCA)
 Massachusetts Development Finance Agency (MassDevelopment)
 §Massachusetts Technology Park Corporation (MTPC)
 Massachusetts Clean Energy Center (CEC)
 Massachusetts Housing Partnership (MHP)

Economic Development Entities (5 separate entities):

Massachusetts Growth Capital Corporation (MGCC)
 Commonwealth Corporation
 Community Economic Development Assistance Corporation (CEDAC)
 §Massachusetts Life Sciences Center
 Commonwealth Zoological Corporation (Zoo)

Higher Education Foundations (25 separate entities):

Bridgewater State University Foundation:
 The Bridgewater State University Foundation
 The Bridgewater Alumni Association of Bridgewater State University
 Fitchburg State University Foundation, Inc.
 Framingham State University Foundation, Inc.
 Massachusetts College of Art Foundation, Inc.
 Massachusetts College of Liberal Arts Foundation, Inc.
 The Massachusetts Maritime Academy Foundation, Inc.

Salem State University Foundation:
The Salem State University Foundation, Inc.
Salem State University Assistance Corporation
Westfield State University Foundation, Inc.
Worcester State Foundation

Berkshire Community College Foundation
Bristol Community College Foundation
Bunker Hill Community College Foundation
Cape Cod Community College Educational Foundation, Inc.
Greenfield Community College Foundation, Inc.
Holyoke Community College Foundation
Massachusetts Bay Community College Foundation, Inc.
Massasoit Community College Foundation
Middlesex Community College Foundation, Inc.
North Shore Community College Foundation
Springfield Technical Community College Foundation
Springfield Technical Community College Assistance Corporation
The Mount Wachusett Community College Foundation, Inc.
The Northern Essex Community College Foundation, Inc.
The Quinsigamond Community College Foundation, Inc.
The Roxbury Community College Foundation, Inc.

15. SUBSEQUENT EVENTS

SUBSEQUENT BOND ISSUANCES

On July 31, 2019, the MSBA issued \$300 million of Subordinated Dedicated Sales Tax Bonds (2019 Series A Bonds) for the purpose of funding school construction and renovation projects. The market generated premiums of approximately \$53 million on the bond issuance. The bonds mature at various dates through February 2049 and interest is due semi-annually each February 15th and August 15th. The bonds carry an interest rate of 5.0%.

On August 1, 2019, the Commonwealth issued approximately \$8 million in GO Bonds, Consolidated Loan of 2019 Series A (College Opportunity Bonds). These bonds carry an interest rate of 0.50%. The first principal payment is due on August 1, 2024 with final maturity on August 1, 2039.

On September 12, 2019, the Commonwealth issued \$858 million in federally taxable GO Refunding Bonds 2019, Series D. These bonds were issued to advance refund approximately \$805 million of various GO bonds and carries interest rates of 2.663% to 2.813% with final maturity on September 1, 2043. The refunding resulted in reduced debt service of approximately \$210 million and a present value savings of approximately \$146 million over the life of the bonds.

On September 12, 2019, the Commonwealth issued \$189 million in GO Refunding Bonds 2019, Series E. These bonds were issued to refund, on a current basis, approximately \$209 million in various GO bonds and carries a 3.00% interest rate with final maturity on December 1, 2027. The refunding resulted in reduced debt service of approximately \$24 million and a present value savings of approximately \$23 million over the life of the bonds.

On September 12, 2019, the Commonwealth issued \$425 million in GO Bonds, Consolidated Loan of 2019, Series G and \$400 million in federally taxable GO Bonds, Consolidated Loan of 2019, Series H. The Series G bonds carry interest rates ranging from 3.00% to 5.00% with the first principal payment on September 1, 2025 and final maturity on September 1, 2039. The Series H bonds carry an interest rate of 2.90% with the first principal payment on September 1, 2045 and final maturity on September 1, 2049.

On October 29, 2019, the Commonwealth issued \$1.4 billion in GO Revenue Anticipation Notes (RANS) in two \$500 million notes (2019 Series A and 2019 Series B) and one \$400 million note (2019 Series C). These notes carry an interest rate of 4.0% and mature on April 23, 2020, May 21, 2020 and June 18, 2020, respectively.

On November 20, 2019, the MSBA advance refunded \$748 million of 2011 Series B Dedicated Sales Tax Bonds by issuing \$715 million of Subordinated Dedicated Sales Tax Refunding Bonds 2019 Series B Bonds (federally taxable). The bonds mature on October 15, 2040 and the interest is payable semi-annually on April 15th and October 15th. The coupons on the bonds range from 1.855% to 3.395%. The refunding resulted in reduced debt service of approximately \$193 million and a present value savings of \$135 million over the life of the debt.

On November 21, 2019, the Commonwealth issued approximately \$54 million Federal Highway Grant Anticipation Notes (Accelerated Bridge Program) 2019 Series A. These notes carry an interest rate of 5.00% with the first principal payment on June 15, 2026 and final maturity on June 15, 2027.

On November 21, 2019, the Commonwealth issued \$200 million in Commonwealth Transportation Fund Revenue Bonds 2019 Series A. These bonds carry an interest rate of 5.00% with the first principal payment on June 1, 2044 and final maturity on June 1, 2049.

All debt issues were sold as tax exempt, except as noted.

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Required Supplementary Information Other Than Management's Discussion and Analysis

(Unaudited)

*Schedule of Revenue, Expenditures and Changes in Fund Balances – Statutory Basis – Budget and Actual –
General Fund*

*Explanation of Differences Between Revenues, Expenditures and Other Financing Sources/(Uses) for the
General Fund on a Budgetary Basis and GAAP Basis*

*Notes to Required Supplementary Information – Budgetary Reporting
Required OPEB and Pension Schedules*

Schedule of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual

General Fund

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 25,195,500	\$ 25,195,500	\$ 26,396,285	\$ 1,200,785
Assessments	442,780	442,780	409,190	(33,590)
Federal grants and reimbursements	11,497,356	11,497,356	11,762,585	265,229
Tobacco settlement revenue	251,241	251,241	236,632	(14,609)
Departmental	3,202,261	3,202,261	3,443,476	241,215
Miscellaneous	305,014	305,014	430,985	125,971
Total revenues	40,894,152	40,894,152	42,679,153	1,785,001
Other financing sources:				
Fringe benefit cost recovery	465,209	465,209	451,149	(14,060)
Lottery reimbursements	110,457	110,457	107,289	(3,168)
Lottery distributions	995,602	995,602	1,088,049	92,447
Operating transfers in	225,419	225,419	207,944	(17,475)
Stabilization transfer	—	398,809	1,454,575	1,055,766
Total other financing sources	1,796,687	2,195,496	3,309,006	1,113,510
Total revenues and other financing sources	42,690,839	43,089,648	45,988,159	2,898,511
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	105,511	105,511	67,643	37,868
Judiciary	1,002,179	1,002,178	982,509	19,669
Inspector General	5,086	5,086	5,083	3
Governor and Lieutenant Governor	8,018	8,018	6,851	1,167
Secretary of the Commonwealth	55,940	55,940	50,778	5,162
Treasurer and Receiver-General	253,963	253,963	244,182	9,781
Auditor of the Commonwealth	19,180	19,180	18,382	798
Attorney General	53,413	53,413	51,562	1,851
Ethics Commission	2,255	2,255	2,199	56
District Attorney	130,579	130,579	129,040	1,539
Office of Campaign & Political Finance	1,654	1,654	1,618	36
Sheriff's Departments	658,950	658,950	657,858	1,092
Disabled Persons Protection Commission	4,251	4,251	4,249	2
Board of Library Commissioners	27,241	27,241	27,179	62
Comptroller	14,895	14,895	14,066	829
Administration and finance	2,507,763	2,507,764	2,244,877	262,887
Energy and environmental affairs	260,312	260,312	239,793	20,519
Health and human services	6,538,228	6,403,202	6,295,158	108,044
Executive Office of Technology Services and Security	137,261	137,261	112,947	24,314
Office of the Child Advocate	1,229	1,229	772	457
Cannabis Control Commission	2,000	2,000	1,901	99
Executive Office of education	2,593,818	2,593,818	2,491,427	102,391
Center for Health Information and Analysis	30,699	30,699	20,086	10,613
Public safety and homeland security	1,312,880	1,312,880	1,224,034	88,846
Housing and economic development	633,565	633,565	580,681	52,884
Labor and workforce development	75,919	75,919	49,831	26,088
Direct local aid	6,011,427	6,011,427	6,003,140	8,287
Medicaid	16,520,617	16,655,643	16,520,543	135,100
Post employment benefits	3,080,259	3,080,259	3,069,787	10,472
Debt service:				
Principal retirement	652,398	652,398	625,037	27,361
Interest and fiscal charges	614,538	614,538	595,228	19,310
Total expenditures	43,316,028	43,316,028	42,338,441	977,587
Other financing uses:				
Operating transfers out	388,734	388,734	477,302	(88,568)
State Retiree Benefits transfer	—	—	42,420	(42,420)
State Pension transfer	—	—	42,420	(42,420)
Medical assistance transfer	586,600	586,600	363,078	223,522
Stabilization transfer	—	389,200	1,206,132	(816,932)
Total other financing uses	975,334	1,364,534	2,131,352	(766,818)
Total expenditures and other financing uses	44,291,362	44,680,562	44,469,793	210,769
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (1,600,523)	\$ (1,590,914)	1,518,366	\$ 3,109,280
Fund balances/(deficits) at beginning of year			2,351,226	
Fund balances/(deficits) at end of year			<u>\$ 3,869,592</u>	

See Independent Auditors' Report and notes to required supplementary information

**Explanation of Differences between Revenues, Expenditures and Other Financing Sources/(Uses)
for the General Fund on a Budgetary Basis and GAAP Basis (in thousands):**

REVENUES

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 42,679,153
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Tax receivable, net	227,699
Tax refunds and abatements payable, net	200,623
Federal reimbursements and other receivables	(339,483)
Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(68,225)
Inflows from component units and other miscellaneous financing sources	184,539
Certain revenue is reclassified to fiduciary funds for GAAP reporting	(40,328)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 42,843,978</u>

OTHER FINANCING SOURCES

Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	\$ 3,309,006
Adjustments and Reclassifications:	
Proceeds of capital lease on GAAP basis	54
Consolidation of transfers between funds	(1,209,585)
Inflows from component units and other miscellaneous financing sources	(86,359)
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 2,013,116</u>

EXPENDITURES

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 42,338,441
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Medicaid payments	(672,000)
Compensated absences and other accrued liabilities	26,112
Reclassifications:	
Capital lease additions are additions to expenditures for GAAP purposes on a fund perspective	54
Budgetary debt service are reclassified to transfers out to a debt service fund for GAAP purposes as the Commonwealth does not have a statutory debt service fund	(1,220,266)
Higher education expenditures are reclassified for GAAP reporting	(1,577,813)
Expenditures to component units reported on a GAAP basis	(1,186)
Certain expenditures are reclassified to fiduciary funds for GAAP reporting	(40,328)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 38,853,014</u>

OTHER FINANCING USES

Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	\$ 2,131,352
Adjustments and Reclassifications:	
Consolidation of transfers between funds	(1,209,585)
Budgetary higher education amounts are reclassified to transfers under the modified accrual basis	1,509,587
Budgetary debt service are reclassified to transfers out to a debt service fund for GAAP purposes as the Commonwealth does not have a statutory debt service fund	1,220,266
Transfers to component units reported on a GAAP basis	(1,958)
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 3,649,662</u>

See Independent Auditors' Report and notes to required supplementary information.

Note to Required Supplementary Information – Budgetary Reporting

The Commonwealth passes a combined budget for all budgeted operations. State finance law requires that a balanced budget be approved by the Governor and the Legislature. The Governor presents an annual budget to the Legislature, which includes estimates of revenues and other financing sources and recommended expenditures and other financing uses. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies at the individual appropriation account level in an annual appropriations act. Generally, expenditures may not exceed the level of spending authorized for an appropriation account.

Before signing the appropriations act, the Governor may veto or reduce any specific item, subject to legislative override. Further changes to the budget established in the annual appropriations act may be made via supplemental appropriation acts or other legislative acts. These must also be signed by the Governor and are subject to the line item veto.

In addition, Massachusetts General Laws authorize the Secretary of Administration and Finance, with the approval of the Governor, upon determination that available revenues will be insufficient to meet authorized expenditures, to withhold allotments of appropriated funds which effectively reduce the account's expenditure budget. The majority of the Commonwealth's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the Legislature has authorized that an unspent balance from the prior year be carried forward and made available for spending in the current fiscal year. In addition, the Legislature may direct that certain revenues be retained and made available for spending within an appropriation. Fringe benefits, pension costs, and certain other costs which are mandated by state finance law are not itemized in the appropriation process and are not separately budgeted.

Because revenue budgets are not updated subsequent to the original appropriation act, the comparison of the initial revenue budget to the subsequent, and often modified, expenditure budget can be misleading. Also, these financial statements portray fund accounting with gross inflows and outflows, thus creating a difference to separately published budget documents, which eliminate some interfund activity. In conducting the budget process, the Commonwealth excludes those interfund transactions that by their nature have no impact on the combined fund balance of the budgeted funds.

The FY04 General Appropriation Act (Chapter 26, Section 167 of the Acts of 2003), amended section 9C, directing the Governor to notify the Legislature in writing as to the reasons for and the effect of any reductions in spending. Alternatively, the Governor may propose specific additional revenues to fund the deficiency. The Governor may also propose to transfer funds from the Stabilization Fund to cure the deficiency. This proposal must be delivered to the Legislature 15 days before any reductions take effect.

The following table summarizes budgetary activity for FY19 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 154 of the Acts of 2018:		
Direct appropriations.....	\$ 42,416,300	\$ 41,257,530
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2018.....	—	1,500,398
Total original budget	42,416,300	42,757,928
Supplemental Acts of 2018:		
Chapter 273.....	—	134,150
Chapter 368.....	—	3,850
Supplemental Acts of 2019:		
Chapter 5.....	—	134,783
Chapter 6.....	—	8,000
Chapter 21.....	—	3,500
Chapter 34.....	—	36,695
Chapter 67.....	—	250
Chapter 142.....	—	542,433
Total budgeted revenues and expenditures per Legislative action.....	—	863,661
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	3,001,470	3,220,225
Budgeted revenues and expenditures as reported.....	<u>\$ 45,417,770</u>	<u>\$ 46,841,814</u>

As the budget is not passed taking into account the structure of funds, but of appropriations, reports contained within the Commonwealth's MMARS accounting system demonstrate budgetary compliance by appropriation. Those reports are available upon request at the Office of the State Comptroller, Statewide Financial Reporting Team, at (617) 973-2660 or can be downloaded directly at <http://www.macomptroller.info/comptroller/docs/reports-audits/NGA206S%2001-24-2020.pdf>.

Schedule of Changes in the State Employees' Retirement System (SERS) Net Pension Liability and Related Ratios

(Amounts in thousands, except for percentages)

	2019	2018	2017	2016	2015
Total pension liability, July 1.....	\$ 41,225,000	\$ 39,107,000	\$ 37,760,000	\$ 35,425,414	\$ 31,355,000
Service cost.....	897,600	856,200	855,440	813,975	700,012
Interest.....	2,965,890	2,852,239	2,813,374	2,638,929	2,411,551
Change in benefit terms.....	—	—	10,000	400,000	230,302
Differences between expected and actual experience.....	303,066	102,008	(428,232)	589,009	275,000
Changes of assumptions.....	434,000	622,000	304,000	—	2,330,000
Benefit payments, including refunds of member contributions.....	(2,427,556)	(2,314,447)	(2,207,582)	(2,107,327)	(1,876,451)
Net change in total pension liability.....	2,173,000	2,118,000	1,347,000	2,334,586	4,070,414
Total pension liability, June 30 (a).....	<u>\$ 43,398,000</u>	<u>\$ 41,225,000</u>	<u>\$ 39,107,000</u>	<u>\$ 37,760,000</u>	<u>\$ 35,425,414</u>
Plan fiduciary net position, July 1.....	\$ 27,995,021	\$ 26,282,232	\$ 23,971,156	\$ 24,042,585	\$ 23,930,895
Contributions:					
Employers - Commonwealth and MassDOT.....	919,545	842,864	716,266	660,818	601,931
Non-employer contributions - Commonwealth.....	37,359	33,310	28,455	21,830	18,040
Employer and non-employer contributions - other.....	10,191	9,564	7,999	16,642	15,808
ERIP funding contribution - Commonwealth.....	28,724	28,724	29,093	29,093	—
Plan members.....	632,730	600,705	604,772	591,948	549,493
Other additions.....	104,765	118,124	232,548	397,077	92,503
Total contributions.....	1,733,314	1,633,291	1,619,133	1,717,408	1,277,775
Net investment income.....	1,543,398	2,460,748	2,987,632	422,938	800,886
Benefit payments, including refunds of plan member contributions.....	(2,427,556)	(2,314,447)	(2,207,582)	(2,107,327)	(1,876,451)
Administrative expense.....	(15,853)	(16,369)	(30,030)	(20,624)	(15,966)
Other changes.....	(64,528)	(50,434)	(58,077)	(83,824)	(74,554)
Net change in plan fiduciary net position.....	768,775	1,712,789	2,311,076	(71,429)	111,690
Plan fiduciary net position, June 30 (b).....	<u>\$ 28,763,796</u>	<u>\$ 27,995,021</u>	<u>\$ 26,282,232</u>	<u>\$ 23,971,156</u>	<u>\$ 24,042,585</u>
Plan net pension liability - June 30 (a) - (b).....	<u>\$ 14,634,204</u>	<u>\$ 13,229,979</u>	<u>\$ 12,824,768</u>	<u>\$ 13,788,844</u>	<u>\$ 11,382,829</u>
Plan fiduciary net position as a percentage of the total pension liability.....	66.3%	67.9%	67.2%	63.5%	67.9%
Covered payroll (as of the actuarial valuation date).....	\$ 6,354,473	\$ 6,155,194	\$ 5,927,012	\$ 5,792,288	\$ 5,591,911
Net pension liability as a percentage of covered employee payroll.....	230.3%	214.9%	216.4%	238.1%	203.6%

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule.

2014
\$ 29,988,000
631,634
2,405,204
—
—
102,000
(1,771,838)
1,367,000
\$ 31,355,000
\$ 21,084,958
550,483
21,293
6,048
—
501,106
68,967
1,147,897
3,551,012
(1,771,838)
(12,705)
(68,429)
2,845,937
\$ 23,930,895
\$ 7,424,105
76.3%
\$ 5,344,510
138.9%

NOTES TO THE SERS SCHEDULE

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.25% from 7.35%. This change resulted in an increase to the total pension liability of approximately \$434 million.

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.35% from 7.50%. This change resulted in an increase to the total pension liability of approximately \$613 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2018 Actuarial Valuation:

- Disabled members - would reflect the same assumptions as for superannuation retirees, but with an age set forward of one year.

This change resulted in an increase to the total pension liability of approximately \$9 million.

FY2017 Changes in Actuarial Assumptions

Changes of Benefit Terms:

Chapter 79 of the Acts 2014 established an early retirement incentive (ERI) program for certain employees of the highway division of the Massachusetts Department of Transportation whose positions have been eliminated due to automation of toll collections. Most members retiring under the ERI program had a date retirement of October 28, 2016. 112 members took the ERI and retired during FY2017. As a result, the total pension liability of SERS increased by approximately \$10 million.

Changes of Assumptions:

Change in mortality

The following mortality assumption changes were made in the January 1, 2017 Actuarial Valuation:

- Pre-retirement - was changed to RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- Post-retirement - was changed to RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- Disabled members - is assumed to be in accordance with the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct), and is unchanged from the prior valuation.

These changes resulted in an increase to the total pension of approximately \$304 million.

(Continued)

NOTES TO THE SERS SCHEDULE

FY2016 Changes in Actuarial Assumptions

Changes in Benefit Terms:

Chapter 176 of the Acts of 2011 created a one time election for eligible members of the Optional Retirement Plan (ORP) to transfer to the State Employee's Retirement System (SERS) and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS has increased by approximately \$400 million.

FY2015 Changes in Actuarial Assumptions

Changes in Benefit Terms:

In May 2015, Chapter 19 of the Acts of 2015 created an Early Retirement Incentive (ERI) for certain members of SERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability has increased by approximately \$230 million.

Changes of Assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.50% from 7.75%. This change resulted in an increase to the total pension liability of approximately \$933 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2015 Actuarial Valuation:

- Pre-retirement - was changed to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP-2000 Employees table projected 22 years with Scale AA.
- Post-retirement - was changed to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP-2000 Healthy Annuitant table projected 17 years with Scale AA.
- Disabled members - was changed to be assumed to be in accordance with RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct) from RP-2000 Healthy Annuitant table projected 7 years with Scale AA set forward 3 years for males.

These changes resulted in an increase to the total pension liability of approximately \$1.397 billion.

FY2014 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in Experience

An updated experience study was issued on February 27, 2014 and encompassed the period January 1, 2006 to December 31, 2011. The study reviewed salary increases and rates of retirement, disability, turnover, and mortality. This study adjusted the mortality assumption which resulted in an increase to the total pension liability of approximately \$102 million.

See Independent Auditors' Report

**Schedule of Changes in the Massachusetts Teachers' Retirement
System (MTRS) Net Pension Liability and Related Ratios**

(Amounts in thousands, except for percentages)

	2019	2018	2017	2016	2015
Total pension liability, July 1.....	\$ 52,503,000	\$ 50,024,000	\$ 47,300,000	\$ 45,918,711	\$ 41,435,000
Service cost.....	949,262	901,234	891,760	843,800	768,032
Interest.....	3,763,191	3,633,027	3,505,761	3,402,525	3,166,728
Differences between expected and actual experience	50,910	92,317	47,046	(74,025)	153,000
Changes of assumptions.....	577,000	845,000	1,176,000	—	3,080,000
Benefit payments, including refunds of plan member contributions.....	(3,092,363)	(2,992,578)	(2,896,567)	(2,791,011)	(2,684,049)
Net change in total pension liability.....	2,248,000	2,479,000	2,724,000	1,381,289	4,483,711
Total pension liability, June 30 (a).....	<u>\$ 54,751,000</u>	<u>\$ 52,503,000</u>	<u>\$ 50,024,000</u>	<u>\$ 47,300,000</u>	<u>\$ 45,918,711</u>
Plan fiduciary net position, July 1.....	\$ 28,791,711	\$ 27,138,609	\$ 24,942,072	\$ 25,429,068	\$ 25,538,646
Contributions:					
Non-employer.....	1,443,710	1,314,783	1,235,515	1,124,583	1,021,930
Plan members.....	782,431	755,688	730,212	699,422	669,941
Other additions.....	234,532	231,734	223,746	202,796	190,925
Total contributions.....	2,460,673	2,302,205	2,189,473	2,026,801	1,882,796
Net investment income.....	1,584,770	2,542,576	3,100,352	441,363	845,503
Benefit payments, including refunds of plan member contributions.....	(3,092,363)	(2,992,578)	(2,896,567)	(2,791,011)	(2,684,049)
Administrative expense.....	(18,324)	(19,528)	(24,053)	(24,220)	(23,444)
Other changes.....	(189,487)	(179,573)	(172,668)	(139,929)	(130,384)
Net change in plan fiduciary net position.....	745,269	1,653,102	2,196,537	(486,996)	(109,578)
Plan fiduciary net position, June 30 (b).....	<u>\$ 29,536,980</u>	<u>\$ 28,791,711</u>	<u>\$ 27,138,609</u>	<u>\$ 24,942,072</u>	<u>\$ 25,429,068</u>
Plan net pension liability - June 30 (a) - (b).....	<u>\$ 25,214,020</u>	<u>\$ 23,711,289</u>	<u>\$ 22,885,391</u>	<u>\$ 22,357,928</u>	<u>\$ 20,489,643</u>
Plan fiduciary net position as a percentage of the total pension liability.....	53.9%	54.8%	54.3%	52.7%	55.4%
Covered payroll (as of actuarial valuation date).....	\$ 7,074,960	\$ 6,829,012	\$ 6,583,871	\$ 6,388,732	\$ 6,204,274
Net pension liability as a percentage of covered employee payroll.....	356.4%	347.2%	347.6%	350.0%	330.3%

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule.

2014
\$ 39,931,000
720,712
3,227,025
—
108,000
(2,551,737)
1,504,000
\$ 41,435,000

\$ 22,697,302
937,379
653,328
150,522
1,741,229
3,771,883
(2,551,737)
(20,499)
(99,532)
2,841,344
\$ 25,538,646

\$ 15,896,354

61.6%

\$ 5,962,650

266.6%

NOTES TO THE MTRS SCHEDULE

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.25% from 7.35%. This change resulted in an increase to the total pension liability of approximately \$577 million.

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.35% from 7.50%. This change resulted in an increase to the total pension liability of approximately \$845 million.

FY2017 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in mortality

The following mortality assumption changes were made in the January 1, 2017 Actuarial Valuation:

- Pre-retirement - was changed to RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct) from RP-2014 Employees table projected generationally with Scale BB).
- Post-retirement - was changed to RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct) from RP-2014 Healthy Annuitant table projected generationally with Scale BB).
- Disabled members - is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years and is unchanged from the prior valuation.

These changes resulted in an increase to the total pension liability of approximately \$1.176 billion.

FY2015 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.50% from 7.75%. This change resulted in an increase to the total pension liability of approximately \$1.190 billion.

Change in mortality

The following mortality assumption changes were made in the January 1, 2015 Actuarial Valuation:

- Pre-retirement - was changed to RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct) from RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA.
- Post-retirement - was changed to RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct) from RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA.

(Continued)

NOTES TO THE MTRS SCHEDULE

- Disabled members - was changed to be assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years from RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 7 years with Scale AA set forward 3 years for males.

These changes resulted in an increase to the total pension liability of approximately \$1.890 billion.

FY2014 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in Experience

An updated experience study was issued on February 27, 2014 and encompassed the period January 1, 2006 to December 31, 2011. The study reviewed salary increases and rates of retirement, disability, turnover, and mortality. This study adjusted the mortality assumption which resulted in an increase to the total pension liability of approximately \$108 million.

See Independent Auditors' Report

**Schedule of Changes in the State Retirees' Benefit Trust (SRBT)
Net OPEB Liability and Related Ratios**

(Amounts in thousands, except for percentages)

	2019	2018	2017
Total OPEB liability, July 1	\$ 16,096,773	\$ 18,480,936	\$ 19,821,600
Service cost	671,661	792,100	950,800
Interest	652,922	691,600	591,900
Differences between expected and actual experience	778,421	218,900	(48,600)
Changes of assumptions	(4,125,306)	(3,643,000)	(2,393,700)
Benefit payments, including refunds of member contributions	(482,183)	(443,763)	(441,064)
Net change in total pension liability	(2,504,485)	(2,384,163)	(1,340,664)
Total OPEB liability, June 30 (a)	<u>\$ 13,592,288</u>	<u>\$ 16,096,773</u>	<u>\$ 18,480,936</u>
Plan fiduciary net position, July 1	\$ 1,187,569	\$ 996,407	\$ 866,043
Contributions:			
Employer	594,916	542,896	465,449
Other additions	188	133	784
Total contributions	595,104	543,029	466,233
Net investment income	68,229	93,308	105,822
Benefit payments, including refunds of plan member contributions	(482,183)	(443,763)	(441,064)
Administrative expense	(171)	(150)	(127)
Other changes	—	(1,262)	(500)
Net change in plan fiduciary net position	180,979	191,162	130,364
Plan fiduciary net position, June 30 (b)	<u>\$ 1,368,548</u>	<u>\$ 1,187,569</u>	<u>\$ 996,407</u>
Plan net OPEB liability - June 30 (a) - (b)	<u>\$ 12,223,740</u>	<u>\$ 14,909,204</u>	<u>\$ 17,484,529</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.1%	7.4%	5.4%
Covered payroll (as of actuarial valuation date)	\$ 6,354,473	\$ 6,155,194	\$ 5,927,012
Net OPEB liability as a percentage of covered employee payroll	192.4%	242.2%	295.0%

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule.

NOTES TO THE SRBT SCHEDULE

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is performed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

This resulted in a decrease to the total OPEB liability of approximately \$3.774 billion.

Change in trend on future costs

The healthcare trend rate decreased from 8.0% in FY2018 to 7.5% in FY2019, which impacts the high cost excise tax. This resulted in a decrease to the total OPEB liability of approximately \$772 million.

Change in medical plan election rates

The pre age 65 medical plan election percentages were updated to better reflect plan experience and resulted in a decrease to the total OPEB liability of approximately \$77 million.

Change in future retirees' plan participation rates

Plan participation rate for future retirees was changed from 80% to 85% to better reflect recent plan experience and increased the OPEB liability approximately \$49 million.

Change in discount rate

The discount rate was decreased to 3.69% (based on a blend of the Bond Buyer Index rate (3.51%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. This decrease in the discount rate resulted in an increase in the total OPEB liability of approximately \$449 million.

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is performed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

This resulted in a decrease to the total OPEB liability of approximately \$2.679 billion.

Change in trend on future costs

The healthcare trend rate decreased from 8.5% in FY2017 to 8.0% in FY2018, which impacts the high cost excise tax. This resulted in a decrease to the total OPEB liability of approximately \$82 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2018 Actuarial Valuation:

- Disabled members - would reflect the same assumptions as for superannuation retirees, but with an age set forward of one year.

This change resulted in a decrease to the total OPEB liability of approximately \$1 million.

NOTES TO THE SRBT SCHEDULE

Change in discount rate

The discount rate was increased to 3.95% (based on a blend of the Bond Buyer Index rate (3.87%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. This increase in the discount rate resulted in a decrease to the total OPEB liability of approximately \$880 million.

FY2017 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased to 3.63% (based on a blend of the Bond Buyer Index rate (3.58%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. The June 30, 2016 discount rate was calculated to be 2.80%. This increase in the discount rate resulted in a decrease to the total OPEB liability of approximately \$2.394 billion.

See Independent Auditors' Report

Schedule of Investment Returns

	Fiscal Year Ending June 30					
	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense - SERS.....	5.63%	9.58%	12.74%	1.79%	3.40%	17.13%
Annual money-weighted rate of return, net of investment expense - MTRS	5.62%	9.58%	12.75%	1.78%	3.40%	17.12%
Annual money-weighted rate of return, net of investment expense - SRBT	5.87%	9.46%	12.90%	(1)	(1)	(1)

(1) - GASB 74 implemented in FY2017.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report

**Schedule of Proportionate Share of the Net Pension Liability and Contributions
State Employees' Retirement System**

Last 10 Years
(amounts in thousands)

Proportionate Share of the Net Pension Liability	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)	2017 (measurement date June 30, 2016)	2016 (measurement date June 30, 2015)
Proportion of the net pension liability	94.6%	94.5%	94.3%	93.8%
Proportionate share of the net pension liability	\$ 12,520,028	\$ 12,122,363	\$ 12,996,818	\$ 10,682,765
Plan net position as a percentage of the total pension liability	67.9%	67.2%	63.5%	67.9%
Covered payroll	\$ 5,440,103	\$ 5,397,203	\$ 5,249,985	\$ 5,136,405
Net pension liability as a percentage of covered payroll	230.1%	224.6%	247.6%	208.0%

Contributions	Fiscal Year Ending June 30				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 956,904	\$ 876,174	\$ 744,721	\$ 682,648	\$ 619,971
Contributions in relation to the statutorily required contribution	956,904	876,174	744,721	682,648	619,971
Annual contribution deficiency/(excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203	\$ 5,249,985	\$ 5,136,405
Contributions as a percentage of covered payroll	17.0%	16.1%	13.8%	13.0%	12.1%

The State Employees' Retirement System (SERS) is included in the CAFR as a pension trust fund in the fiduciary fund type. SERS is a defined-benefit multiple employer, cost-sharing public employee retirement system.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule

2015
(measurement
date June 30,
2014)

93.9%

\$ 6,972,443

76.3%

\$ 4,975,346

140.1%

2014

\$ 571,776

571,776

\$ —

\$ 4,975,346

11.5%

**Schedule of Proportionate Share of the Net Pension Liability and Contributions
Massachusetts Teachers' Retirement System**

Last 10 Years
(amounts in thousands)

Proportionate Share of the Net Pension Liability	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)	2017 (measurement date June 30, 2016)	2016 (measurement date June 30, 2015)
Proportion of the net pension liability	100.0%	100.0%	100.0%	100.0%
Proportionate share of the net pension liability	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643
Plan net position as a percentage of the total pension liability	54.8%	54.3%	52.7%	55.4%

Contributions	Fiscal Year Ending June 30				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930
Contributions in relation to the statutorily required contribution	1,443,710	1,314,783	1,235,515	1,124,583	1,021,930
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The Massachusetts Teachers' Retirement System (MTRS) is included in the CAFR as a pension trust fund in the fiduciary fund type. MTRS is a defined-benefit multiple employer, cost-sharing public employee retirement system.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule

2015
(measurement
date June 30,
2014)

100.0%

\$ 15,896,354

61.6%

2014

\$ 937,379

937,379

\$ —

Schedule of Proportionate Share of the Net Pension Liability and Contributions
Boston Retirement System - Teachers
 Last 10 Years
 (amounts in thousands)

Proportionate Share of the Net Pension Liability	2019 (measurement date December 31, 2018)	2018 (measurement date December 31, 2017)	2017 (measurement date December 31, 2016)	2016 (measurement date December 31, 2015)	2015 (measurement date December 31, 2014)
Proportion of the net pension liability....	55.6%	60.5%	55.9%	54.5%	53.7%
Proportionate share of the net pension liability.....	\$ 2,551,190	\$ 2,433,199	\$ 2,325,286	\$ 2,402,267	\$ 2,066,546
Plan net position as a percentage of the total pension liability	58.3%	62.7%	58.4%	55.8%	59.6%

Contributions	Fiscal Year Ending December 31					
	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 143,146	\$ 131,298	\$ 132,477	\$ 120,434	\$ 109,485	\$ 99,532
Contributions in relation to the statutorily required contribution.....	143,146	131,298	132,477	120,434	109,485	99,532
Annual contribution deficiency/(excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The Boston Retirement System (BRS) is included in the City of Boston's CAFR. The Boston Teachers' portion of the BRS total pension liability is reported in the Commonwealth's CAFR as a part of the total net pension liability.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule

**NOTES TO THE SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS**

SERS and MTRS:

In accordance with Chapter 32 of the Massachusetts General Laws (MGL), the Commonwealth's statutorily determined contributions to SERS and MTRS are based on a three-year funding schedule adopted by the legislature based upon the previous year's actuarial valuation. The most recent funding schedule was adopted in January 2017 (for fiscal years 2018 through 2020) based upon the January 1, 2016 actuarial valuation as prepared by the Public Employee Retirement Administration Commission (PERAC) using the following assumptions:

1. The annual required contribution for FY2019 was determined as part of the January 1, 2016 actuarial valuation using the entry age normal cost method.
2. The actuarial assumptions included (a) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase per year (on the first \$13,000 of an allowance).
3. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.
4. The assumptions do not include post-retirement benefit increases, which are taken into account when granted under amendments to General Laws.
5. The actuarial value of assets was determined using various techniques that smooth the effects of short-term volatility in the market value of investments, with a phased-in approach. Under this approach, 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring two years prior, etc., so that 100% of gains and losses occurring five years prior are recognized. The actuarial value of assets is adjusted if necessary in order to remain between 90% and 110% of market value.
6. Normal costs are amortized using level percentage of payroll, closed.
7. The remaining amortization period for the unfunded pension liability at January 1, 2016 was 20 years to FY36.

BRS-Teachers:

The actuarially determined contributions were calculated as of December 31, 2017. The funding requirements are established for the employers' fiscal year ended June 30, 2018 and later years and are analyzed based on the preceding two years' experience. The following actuarial methods and assumptions were used to determine the required contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Prior year's contribution increased by 8.94% for Boston Teachers
Remaining amortization period	18 years remaining as of January 1, 2018 for Boston Teachers
Asset valuation method	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of market value at end of year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.
Inflation	3.25%
Salary increases	Varies by length of service with ultimate rate of 4.00% for Boston Teachers
Investment rate of return	7.35% for Boston Teachers

See Independent Auditors' Report

Schedule of Employer Contributions - OPEB
Commonwealth of Massachusetts
 Last 10 Years
 (amounts in thousands)

Contributions	Fiscal Year Ending June 30		
	2019	2018	2017
Statutorily required contribution	\$ 572,434	\$ 520,703	\$ 419,932
Contributions in relation to the statutorily required contribution.....	572,434	520,703	419,932
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 6,354,473	\$ 6,155,194	\$ 5,927,012
Contributions as a percentage of covered payroll	9.0%	8.5%	7.1%

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report

Other Supplementary Information

Combining Balance Sheet – Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Other Budgeted Nonmajor Governmental Funds
Combining Budget to GAAP Reconciliation – Other Budgeted Nonmajor Governmental Funds
Combining Statement of Net Position Available for Post-Employment Benefits – Pension and OPEB Trust Funds
Combining Statement of Changes in Net Position Available for Post-Employment Benefits – Pension and OPEB Trust Funds
Combining Statement of Net Position Held in Trust for Pool Participants – External Investment Trust Funds
Combining Statement of Changes in Net Position Held in Trust for Pool Participants – External Investment Trust Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Combining Statement of Net Position – Nonmajor Discretely Presented Component Units
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Discretely Presented Component Units

Combining Balance Sheet
Other Governmental Funds
June 30, 2019
(Amounts in thousands)

	Special Revenue						
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Community First Trust	Gaming Control	Gaming Revenue
ASSETS							
Cash and cash equivalents	\$ 53,677	\$ 455	\$ 426,114	\$ 32,224	\$ 1,260	\$ 8,920	\$ —
Restricted cash with fiscal agent.....	15,409	—	—	—	—	—	—
Receivables, net of allowance for uncollectibles:							
Taxes	73,303	—	8,050	85	—	—	—
Due from federal government.....	—	297,395	—	983	—	—	—
Loans receivable	—	—	—	—	—	—	—
Other receivables	93	—	56,771	175	—	419	—
Due from other funds.....	—	—	—	—	—	—	—
Due from component unit.....	—	—	9,775	—	—	—	—
Total assets	\$ 142,482	\$ 297,850	\$ 500,710	\$ 33,467	\$ 1,260	\$ 9,339	\$ —
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable.....	\$ 21,677	\$ 219,201	\$ 79,350	\$ 1,787	\$ 1,255	\$ 3,380	\$ —
Accrued payroll.....	—	5,500	129	215	—	174	—
Tax refunds and abatements payable	701	—	—	—	—	—	—
Due to other funds.....	—	40,794	—	—	—	—	—
Due to component units.....	9,830	—	—	—	—	—	—
Other accrued liabilities.....	—	—	37,304	—	—	—	—
Total liabilities	32,208	265,495	116,783	2,002	1,255	3,554	—
Deferred inflows of resources.....	—	—	36,036	—	—	—	—
Total liabilities and deferred inflows of resources	32,208	265,495	152,819	2,002	1,255	3,554	—
Fund balances:							
Restricted	15,409	32,355	—	—	5	—	—
Committed.....	94,865	—	347,891	14,740	—	5,785	—
Assigned.....	—	—	—	16,725	—	—	—
Unassigned (deficits)	—	—	—	—	—	—	—
Fund balances (deficits)	110,274	32,355	347,891	31,465	5	5,785	—
Total liabilities and fund balances	\$ 142,482	\$ 297,850	\$ 500,710	\$ 33,467	\$ 1,260	\$ 9,339	\$ —

See Independent Auditors' Report

Special Revenue									
MBTA State & Local Contribution	Community Preservation Trust	Health Insurance Portability and Accountability Act	Division of Professional Licensure	Enhanced 911	Health Information Technology Trust	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Workforce Training Trust	Child Support Enforcement	Department of Industrial Accidents
\$ 94,991	\$ 20,755	\$ 5,502	\$ 5,055	\$ 161,153	\$ —	\$ 27,354	\$ 52,343	\$ 7,307	\$ 15,692
—	—	—	—	—	—	—	—	—	—
69,901	739	—	—	—	—	—	4,314	—	—
—	—	—	—	—	—	—	—	2,595	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	3,901	9,970
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
\$ 164,892	\$ 21,494	\$ 5,502	\$ 5,055	\$ 161,153	\$ —	\$ 27,354	\$ 56,657	\$ 13,803	\$ 25,662
\$ 69,479	\$ 43,767	\$ 1,690	\$ 152	\$ 14,268	\$ 3,875	\$ 7,673	\$ 13,879	\$ 1,430	\$ 139
—	—	12	44	278	101	31	4	119	—
575	—	—	—	—	—	—	55	—	—
—	—	—	—	—	499	—	—	—	—
94,838	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
164,892	43,767	1,702	196	14,546	4,475	7,704	13,938	1,549	139
—	—	—	—	—	—	—	—	—	—
164,892	43,767	1,702	196	14,546	4,475	7,704	13,938	1,549	139
—	—	—	—	—	—	—	—	12,254	—
—	—	3,800	4,859	146,607	—	19,650	42,719	—	25,523
—	—	—	—	—	—	—	—	—	—
—	(22,273)	—	—	—	(4,475)	—	—	—	—
—	(22,273)	3,800	4,859	146,607	(4,475)	19,650	42,719	12,254	25,523
\$ 164,892	\$ 21,494	\$ 5,502	\$ 5,055	\$ 161,153	\$ —	\$ 27,354	\$ 56,657	\$ 13,803	\$ 25,662

continued

Combining Balance Sheet
Other Governmental Funds
June 30, 2019
(Amounts in thousands)

	Special Revenue					
	Convention and Exhibition Center	Grant Anticipation Note Trust	Massachusetts Tourism Trust	Expendable Trust	Other	Debt Service
ASSETS						
Cash and cash equivalents	\$ 121,248	\$ 5,486	\$ 2,809	\$ 701,545	\$ 164,915	\$ 8,815
Restricted cash with fiscal agent.....	165,726	85,887	—	—	—	242
Receivables, net of allowance for uncollectibles:						
Taxes	16,609	—	—	342	27	—
Due from federal government.....	—	73,344	—	1,819	—	—
Loans receivable	—	—	—	—	13,650	—
Other receivables	—	—	—	21,352	237	—
Due from other funds.....	—	—	—	—	—	—
Due from component unit.....	—	—	—	—	—	—
Total assets.....	\$ 303,583	\$ 164,717	\$ 2,809	\$ 725,058	\$ 178,829	\$ 9,057
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable.....	\$ 18,119	\$ —	\$ 166	\$ 47,887	\$ 18,696	\$ —
Accrued payroll.....	—	—	22	1,920	594	—
Tax refunds and abatements payable	—	—	—	—	—	—
Due to other funds.....	—	73,344	—	—	—	—
Due to component units.....	—	—	—	—	—	—
Other accrued liabilities.....	—	—	—	—	—	—
Total liabilities	18,119	73,344	188	49,807	19,290	—
Deferred inflows of resources.....	—	—	—	—	—	—
Total liabilities and deferred inflows of resources	18,119	73,344	188	49,807	19,290	—
Fund balances:						
Restricted	—	—	—	234,446	—	9,057
Committed.....	285,464	91,373	2,621	313,108	182,649	—
Assigned.....	—	—	—	127,697	11,923	—
Unassigned (deficits)	—	—	—	—	(35,033)	—
Fund balances (deficits).....	285,464	91,373	2,621	675,251	159,539	9,057
Total liabilities and fund balances	\$ 303,583	\$ 164,717	\$ 2,809	\$ 725,058	\$ 178,829	\$ 9,057

See Independent Auditors' Report

Capital Projects

General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ 430,084	\$ 8,393	—	\$ 8,694	\$ 500	\$ 2,365,291
—	—	—	—	—	267,264
—	—	—	—	—	173,370
—	—	—	—	—	376,136
—	—	—	—	—	13,650
—	—	—	—	—	92,918
—	—	—	73,344	—	73,344
—	—	—	—	—	9,775
\$ 430,084	\$ 8,393	\$ —	\$ 82,038	\$ 500	\$ 3,371,748
\$ 370,373	\$ —	\$ —	\$ —	\$ 500	\$ 938,743
1,166	—	—	—	—	10,309
—	—	—	—	—	1,331
—	—	149,247	—	—	263,884
4,612	—	248,110	93,095	—	450,485
—	—	—	—	—	37,304
376,151	—	397,357	93,095	500	1,702,056
—	—	—	—	—	36,036
376,151	—	397,357	93,095	500	1,738,092
53,933	8,393	—	—	—	365,852
—	—	—	—	—	1,581,654
—	—	—	—	—	156,345
—	—	(397,357)	(11,057)	—	(470,195)
53,933	8,393	(397,357)	(11,057)	—	1,633,656
\$ 430,084	\$ 8,393	\$ —	\$ 82,038	\$ 500	\$ 3,371,748

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Special Revenue						
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Community First Trust	Gaming Control	Gaming Revenue
REVENUES							
Taxes	\$ 1,355,739	\$ —	\$ 128,972	\$ 1,009	\$ —	\$ —	\$ 130,702
Assessments	22,352	—	651,793	—	—	—	—
Federal grants and reimbursements	—	3,678,368	372,622	9,361	—	—	—
Departmental	657,019	—	420,193	39,100	—	29,615	35,500
Miscellaneous	1,419	—	5,755	82	—	—	—
Total revenues	2,036,529	3,678,368	1,579,335	49,552	—	29,615	166,202
OTHER FINANCING SOURCES							
Bonds premium	—	—	—	—	—	—	—
Issuance of general and special obligation bonds	—	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—	—
Transfers in	138,737	1,111	614,517	283	—	—	—
Total other financing sources	138,737	1,111	614,517	283	—	—	—
Total revenues and other financing sources	2,175,266	3,679,479	2,193,852	49,835	—	29,615	166,202
EXPENDITURES							
Current:							
Judiciary	—	2,414	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	892	—	—	—	—	—
Treasurer and Receiver-General	—	1,061	—	—	—	—	—
Attorney General	—	44,757	—	—	—	1,507	—
District Attorney	—	2,764	—	—	—	—	—
Office campaign and political finance	—	—	—	—	—	—	—
Sheriff's Departments	—	2,809	—	—	—	—	—
Disabled Person Protection Commission	—	762	—	—	—	—	—
Board of Library Commissioners	—	2,802	—	—	—	—	—
Massachusetts Gaming Commission	—	—	1,000	—	—	27,955	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	125,000	5,004	5,061	13,807	—	—	—
Energy and Environmental Affairs	—	39,126	—	16,471	—	—	—
Health and Human Services	—	1,652,198	14,830	—	—	915	—
Executive Office of Technology Services	—	—	—	—	—	—	—
Massachusetts Department of Transportation	598,310	395	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—
Executive Office of Education	—	1,035,951	—	—	—	—	—
Public Safety and Homeland Security	—	109,358	—	—	—	60	—
Housing and Economic Development	—	530,229	—	—	—	—	—
Labor and Workforce development	—	121,313	—	—	—	—	—
Medicaid	—	—	2,024,060	—	1,323	—	—
Post employment benefits	40,410	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—
Capital outlay:							
Capital acquisition and construction	—	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—	—
Total expenditures	763,720	3,551,835	2,044,951	30,278	1,323	30,437	—
OTHER FINANCING USES							
Transfers out	265,577	115,593	20,107	4,034	—	5,912	166,202
Transfers of appropriations	—	1,823	—	—	—	—	—
Transfers of bond proceeds	—	—	—	—	—	—	—
Transfers out for debt service	1,106,845	—	—	—	—	—	—
Total other financing uses	1,372,422	117,416	20,107	4,034	—	5,912	166,202
Total expenditures and other financing uses	2,136,142	3,669,251	2,065,058	34,312	1,323	36,349	166,202
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	39,124	10,228	128,794	15,523	(1,323)	(6,734)	—
Fund balances (deficits) at beginning of year	71,150	22,127	219,097	15,942	1,328	12,519	—
Fund balances (deficits) at end of year	\$ 110,274	\$ 32,355	\$ 347,891	\$ 31,465	\$ 5	\$ 5,785	\$ —

See Independent Auditors' Report

Special Revenue									
MBTA State & Local Contribution	Community Preservation Trust	Health Insurance Portability and Accountability Act	Division of Professional Licensure	Enhanced 911	Health Information Technology Trust	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Workforce Training Trust	Child Support Enforcement	Department of Industrial Accidents
\$ 1,054,261	\$ 23,131	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 23,541	\$ —	\$ —
170,120	—	—	—	—	—	—	—	—	24,621
—	—	8,537	—	—	74,195	—	—	22,922	—
—	—	—	11,144	128,216	—	46,148	—	3,561	5,808
—	155	—	—	551	—	—	—	216	69
1,224,381	23,286	8,537	11,144	128,767	74,195	46,148	23,541	26,699	30,498
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	10,000	—	—	—	26,453	—	—	—	—
—	10,000	—	—	—	26,453	—	—	—	—
1,224,381	33,286	8,537	11,144	128,767	100,648	46,148	23,541	26,699	30,498
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
1,224,381	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	188	—
—	—	—	—	7,333	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	53,577	—	30	—	—	5	—	23,630	—
—	—	—	—	—	—	40,902	—	—	—
—	—	—	—	59	—	—	—	—	—
—	—	—	—	343	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	79,380	—	—	—	—	—
—	—	—	8,978	—	—	—	—	—	—
—	—	—	—	—	—	—	26,654	—	1,025
—	—	13,884	—	—	102,570	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
1,224,381	53,577	13,884	9,008	87,115	102,570	40,907	26,654	23,818	1,025
—	18	64	2,131	5,715	147	—	1,161	2,673	25,814
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	18	64	2,131	5,715	147	—	1,161	2,673	25,814
1,224,381	53,595	13,948	11,139	92,830	102,717	40,907	27,815	26,491	26,839
—	(20,309)	(5,411)	5	35,937	(2,069)	5,241	(4,274)	208	3,659
—	(1,964)	9,211	4,854	110,670	(2,406)	14,409	46,993	12,046	21,864
\$ —	\$ (22,273)	\$ 3,800	\$ 4,859	\$ 146,607	\$ (4,475)	\$ 19,650	\$ 42,719	\$ 12,254	\$ 25,523

continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Special Revenue					
	Convention and Exhibition Center	Grant Anticipation Note Trust	Massachusetts Tourism Trust	Expendable Trust	Other	Debt Service
REVENUES						
Taxes	\$ 160,801	\$ —	\$ 3,416	\$ —	\$ 14,817	\$ —
Assessments	—	—	—	62,479	36,376	—
Federal grants and reimbursements	—	571,822	—	25,902	8,583	46,699
Departmental	—	—	—	51,943	90,316	—
Miscellaneous	2,700	3,164	—	547,677	1,996	4
Total revenues	163,501	574,986	3,416	688,001	152,088	46,703
OTHER FINANCING SOURCES						
Bonds premium	—	—	—	—	—	138,834
Issuance of general and special obligation bonds	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	818,830
Transfers in for debt service	—	—	—	—	—	2,486,460
Transfers in	—	30,151	978	19,131	187,075	—
Total other financing sources	—	30,151	978	19,131	187,075	3,444,124
Total revenues and other financing sources	163,501	605,137	4,394	707,132	339,163	3,490,827
EXPENDITURES						
Current:						
Judiciary	—	—	—	277	151	—
Inspector General	—	—	—	17	—	—
Secretary of the Commonwealth	—	—	—	—	3,533	—
Treasurer and Receiver-General	—	—	—	158,811	—	1,757
Attorney General	—	—	—	8,131	280	—
District Attorney	—	—	—	6,281	95	—
Office campaign and political finance	—	—	—	—	1,088	—
Sheriff's Departments	—	—	—	2,839	1,109	—
Disabled Person Protection Commission	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	21,417	—
Comptroller	—	—	—	322	1,582	—
Administration and Finance	39,711	—	—	43,177	29,344	—
Energy and Environmental Affairs	—	—	—	97,415	43,625	—
Health and Human Services	—	—	—	135,580	58,508	—
Executive Office of Technology Services	—	—	—	1,143	1,114	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	7,983	—
Executive Office of Education	—	—	—	23,509	4,482	—
Public Safety and Homeland Security	—	—	—	41,287	8,873	—
Housing and Economic Development	—	—	9,180	19,345	8,197	—
Labor and Workforce development	—	—	—	66,679	1,436	—
Medicaid	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Direct local aid	—	—	—	—	71,557	—
Capital outlay:						
Capital acquisition and construction	—	—	—	—	—	—
Debt service	—	—	—	—	—	2,533,122
Principal on current refundings	—	—	—	—	—	955,907
Total expenditures	39,711	—	9,180	604,813	264,374	3,490,786
OTHER FINANCING USES						
Transfers out	—	505,807	—	159,140	46,733	—
Transfers of appropriations	—	—	—	2,295	1,538	—
Transfers of bond proceeds	—	—	—	—	—	—
Transfers out for debt service	54,601	100,493	—	—	4,255	—
Total other financing uses	54,601	606,300	—	161,435	52,526	—
Total expenditures and other financing uses	94,312	606,300	9,180	766,248	316,900	3,490,786
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	69,189	(1,163)	(4,786)	(59,116)	22,263	41
Fund balances (deficits) at beginning of year	216,275	92,536	7,407	734,367	137,276	9,016
Fund balances (deficits) at end of year	\$ 285,464	\$ 91,373	\$ 2,621	\$ 675,251	\$ 159,539	\$ 9,057

See Independent Auditors' Report

Capital Projects					
General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,896,389
—	—	—	—	—	967,741
65,357	—	—	728	—	4,885,096
—	—	—	5,340	—	1,523,903
—	—	5,394	—	—	569,182
65,357	—	5,394	6,068	—	10,842,311
178,170	—	129,522	—	12	446,538
1,120,401	—	687,235	—	500	1,808,136
—	—	—	—	—	818,830
—	—	—	—	—	2,486,460
—	—	—	615,537	—	1,643,973
1,298,571	—	816,757	615,537	512	7,203,937
1,363,928	—	822,151	621,605	512	18,046,248
—	—	—	—	—	2,842
—	—	—	—	—	17
—	—	—	—	—	4,425
2,991	—	2,108	—	12	1,391,121
—	—	—	—	—	54,675
—	—	—	—	—	9,328
—	—	—	—	—	1,088
—	—	—	—	—	14,090
—	—	—	—	—	762
—	—	—	—	—	2,802
—	—	—	—	—	50,372
—	—	—	—	—	1,904
—	—	—	—	—	338,346
—	—	—	—	—	237,539
—	—	—	—	—	1,862,090
—	—	—	—	—	2,600
95,084	—	1,046,503	606,801	—	2,347,093
—	—	—	—	—	7,983
—	—	—	—	—	1,063,942
—	—	—	—	—	238,958
—	—	—	—	—	575,929
—	—	—	—	—	217,107
—	—	—	—	—	2,141,837
—	—	—	—	—	40,410
—	—	—	—	—	71,557
1,298,488	—	6,631	4,279	500	1,309,898
—	—	—	—	—	2,533,122
—	—	—	—	—	955,907
1,396,563	—	1,055,242	611,080	512	15,477,744
17,572	—	109,729	11,515	—	1,465,644
—	—	—	—	—	5,656
115,421	—	—	—	—	115,421
—	—	—	—	—	1,266,194
132,993	—	109,729	11,515	—	2,852,915
1,529,556	—	1,164,971	622,595	512	18,330,659
(165,628)	—	(342,820)	(990)	—	(284,411)
219,561	8,393	(54,537)	(10,067)	—	1,918,067
\$ 53,933	\$ 8,393	\$ (397,357)	\$ (11,057)	\$ —	\$ 1,633,656

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual

Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Commonwealth Transportation Fund				Environmental Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ 1,335,100	\$ 1,335,100	\$ 1,357,356	\$ 22,256	\$ 1,000	\$ 1,000	\$ 1,011	\$ 11
Assessments	22,528	22,528	22,603	75	—	—	—	—
Federal grants and reimbursements	—	—	—	—	7,500	7,500	9,320	1,820
Departmental	666,461	666,461	657,019	(9,442)	38,715	38,715	39,073	358
Miscellaneous	—	—	1,418	1,418	386	386	82	(304)
Total revenues	<u>2,024,089</u>	<u>2,024,089</u>	<u>2,038,396</u>	<u>14,307</u>	<u>47,601</u>	<u>47,601</u>	<u>49,486</u>	<u>1,885</u>
Other financing sources:								
Operating transfers in	128,996	128,996	138,737	9,741	191	191	282	91
Total other financing sources	<u>128,996</u>	<u>128,996</u>	<u>138,737</u>	<u>9,741</u>	<u>191</u>	<u>191</u>	<u>282</u>	<u>91</u>
Total revenues and other financing sources	<u>2,153,085</u>	<u>2,153,085</u>	<u>2,177,133</u>	<u>24,048</u>	<u>47,792</u>	<u>47,792</u>	<u>49,768</u>	<u>1,976</u>
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General	257,712	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs' Department	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	28,161	29,869	13,807	16,062
Energy and Environmental Affairs	—	—	—	—	20,021	20,021	16,470	3,551
Health and Human services	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	127,000	127,000	127,000	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Post employment benefits	—	40,410	40,410	—	—	—	—	—
Debt service:								
Principal retirement	—	645,645	579,469	66,176	—	—	—	—
Interest and fiscal charges	—	504,625	527,376	(22,751)	—	—	—	—
Total expenditures	<u>384,712</u>	<u>1,317,680</u>	<u>1,274,255</u>	<u>43,425</u>	<u>48,182</u>	<u>49,890</u>	<u>30,277</u>	<u>19,613</u>
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	4,034	(4,034)
Operating transfers out	456,315	639,417	643,208	(3,791)	—	—	—	—
Stabilization transfer	—	—	231,634	(231,634)	—	—	—	—
Total other financing uses	<u>456,315</u>	<u>639,417</u>	<u>874,842</u>	<u>(235,425)</u>	<u>—</u>	<u>—</u>	<u>4,034</u>	<u>(4,034)</u>
Total expenditures and other financing uses	<u>841,027</u>	<u>1,957,097</u>	<u>2,149,097</u>	<u>(192,000)</u>	<u>48,182</u>	<u>49,890</u>	<u>34,311</u>	<u>15,579</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 1,312,058</u>	<u>\$ 195,988</u>	28,036	<u>\$ (167,952)</u>	<u>\$ (390)</u>	<u>\$ (2,098)</u>	15,457	<u>\$ 17,555</u>
Fund balances at beginning of year			19,373				14,765	
Fund balances at end of year			<u>\$ 47,409</u>				<u>\$ 30,222</u>	

See Independent Auditors' Report

Public Safety Trust Fund				Community First Trust Fund				Gaming Local Aid Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,200	1,200	1,151	(49)	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,200	1,200	1,151	(49)	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	66,395	66,395	87,955	21,560
—	—	—	—	—	—	—	—	66,395	66,395	87,955	21,560
1,200	1,200	1,151	(49)	—	—	—	—	66,395	66,395	87,955	21,560
—	—	—	—	—	—	—	—	—	—	—	—
—	4	—	4	—	—	—	—	—	—	—	—
—	30	30	—	—	—	—	—	—	21,305	21,305	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	2,136	2,019	117	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	66,816	66,650	166
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	2,170	2,049	121	—	—	—	—	—	88,121	87,955	166
—	—	358	(358)	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	358	(358)	—	—	—	—	—	—	—	—
—	2,170	2,407	(237)	—	—	—	—	—	88,121	87,955	166
<u>\$ 1,200</u>	<u>\$ (970)</u>	(1,256)	<u>\$ (286)</u>	<u>\$ —</u>	<u>\$ —</u>	—	<u>\$ —</u>	<u>\$ 66,395</u>	<u>\$ (21,726)</u>	—	<u>\$ 21,726</u>
		1,256				—				—	
		<u>\$ —</u>				<u>\$ —</u>				<u>\$ —</u>	

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual

Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Education Fund				Local Aid Stabilization Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	—	—	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	—	—	—	—	—	—	—	—
Other financing sources:								
Operating transfers in	8,396	8,396	13,693	5,297	—	—	—	—
Total other financing sources	8,396	8,396	13,693	5,297	—	—	—	—
Total revenues and other financing sources	8,396	8,396	13,693	5,297	—	—	—	—
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs' Department	—	—	—	—	—	—	—	—
Administration and Finance	—	3,230	3,230	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—	—
Health and Human services	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Executive Office of Education	—	3,656	3,530	126	9,100	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	4,908	4,907	1	—	—	—	—
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	—	11,794	11,667	127	9,100	—	—	—
Other financing uses:								
Fringe benefit cost assessment	—	—	11	(11)	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Stabilization transfer	—	—	276	(276)	—	—	—	—
Total other financing uses	—	—	287	(287)	—	—	—	—
Total expenditures and other financing uses	—	11,794	11,954	(160)	9,100	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 8,396</u>	<u>\$ (3,398)</u>	1,739	<u>\$ 5,137</u>	<u>\$ (9,100)</u>	<u>\$ —</u>	—	<u>\$ —</u>
Fund balances at beginning of year			—				50	
Fund balances at end of year			<u>\$ 1,739</u>				<u>\$ 50</u>	

See Independent Auditors' Report

Gaming Economic Development Fund				Community College Fund				Marijuana Regulation Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 40,000	\$ 40,000	\$ 13,949	\$ (26,051)
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	2,857	2,857	8,742	5,885
—	—	—	—	—	—	—	—	—	—	25	25
—	—	—	—	—	—	—	—	42,857	42,857	22,716	(20,141)
5,698	5,698	9,292	3,594	—	—	—	—	—	—	21,579	21,579
5,698	5,698	9,292	3,594	—	—	—	—	—	—	21,579	21,579
5,698	5,698	9,292	3,594	—	—	—	—	42,857	42,857	44,295	1,438
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	120	117	3
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	1,241	1,241	604	637
—	—	—	—	—	—	—	—	204	30,869	29,989	880
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	2,796	11,055	7,982	3,073
10,000	5,602	1,106	4,496	4,775	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	164	164	—
—	—	—	—	—	—	—	—	—	52	52	—
—	375	375	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
10,000	5,977	1,481	4,496	4,775	—	—	—	4,241	43,501	38,908	4,593
—	—	42	(42)	—	—	—	—	—	—	1,563	(1,563)
—	—	32	(32)	—	—	—	—	—	—	—	—
—	—	275	(275)	—	—	—	—	—	—	2,699	(2,699)
—	—	349	(349)	—	—	—	—	—	—	4,262	(4,262)
10,000	5,977	1,830	4,147	4,775	—	—	—	4,241	43,501	43,170	331
<u>\$ (4,302)</u>	<u>\$ (279)</u>	7,462	<u>\$ 7,741</u>	<u>\$ (4,775)</u>	<u>\$ —</u>	—	<u>\$ —</u>	<u>\$ 38,616</u>	<u>\$ (644)</u>	1,125	<u>\$ 1,769</u>
		<u>\$ 7,462</u>				<u>\$ —</u>				<u>\$ 1,125</u>	

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual

Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

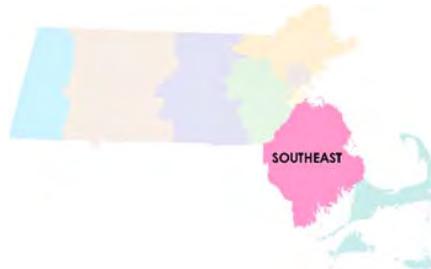
	Totals			
	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 1,376,100	\$ 1,376,100	\$ 1,372,316	\$ (3,784)
Assessments	22,528	22,528	22,603	75
Federal grants and reimbursements	7,500	7,500	9,320	1,820
Departmental	709,233	709,233	705,985	(3,248)
Miscellaneous	386	386	1,525	1,139
Total revenues	<u>2,115,747</u>	<u>2,115,747</u>	<u>2,111,749</u>	<u>(3,998)</u>
Other financing sources:				
Operating transfers in	<u>209,676</u>	<u>209,676</u>	<u>271,538</u>	<u>61,862</u>
Total other financing sources	<u>209,676</u>	<u>209,676</u>	<u>271,538</u>	<u>61,862</u>
Total revenues and other financing sources	<u>2,325,423</u>	<u>2,325,423</u>	<u>2,383,287</u>	<u>57,864</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Treasurer and Receiver-General	257,712	—	—	—
Attorney General	—	4	—	4
Sheriffs' Department	—	150	147	3
Administration and Finance	28,161	54,404	38,342	16,062
Energy and Environmental Affairs	21,262	21,262	17,074	4,188
Health and Human services	204	30,869	29,989	880
Massachusetts Department of Transportation	127,000	127,000	127,000	—
Cannabis Control Commission	2,796	11,055	7,982	3,073
Executive Office of Education	23,875	9,258	4,636	4,622
Public Safety and Homeland Security	—	2,300	2,183	117
Housing and Economic Development	—	52	52	—
Labor and Workforce Development	—	375	375	—
Direct local aid	—	71,724	71,557	167
Post employment benefits	—	40,410	40,410	—
Debt service:				
Principal retirement	—	645,645	579,469	66,176
Interest and fiscal charges	—	504,625	527,376	(22,751)
Total expenditures	<u>461,010</u>	<u>1,519,133</u>	<u>1,446,592</u>	<u>72,541</u>
Other financing uses:				
Fringe benefit cost assessment	—	—	6,008	(6,008)
Operating transfers out	<u>456,315</u>	<u>639,417</u>	<u>643,240</u>	<u>(3,823)</u>
Stabilization transfer	—	—	234,884	(234,884)
Total other financing uses	<u>456,315</u>	<u>639,417</u>	<u>884,132</u>	<u>(244,715)</u>
Total expenditures and other financing uses	<u>917,325</u>	<u>2,158,550</u>	<u>2,330,724</u>	<u>(172,174)</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 1,408,098</u>	<u>\$ 166,873</u>	52,563	<u>\$ (114,310)</u>
Fund balances at beginning of year			35,444	
Fund balances at end of year			<u>\$ 88,007</u>	

See Independent Auditors' Report

PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS

HIGHLIGHT: Southeast STEM Network



Katherine Honey, MPA, Director of Southeast STEM Network

Katherine Henry received a Bachelor’s in Education from the University of Massachusetts Boston, and a Master’s in Public Administration, Executive Program, Suffolk University. Throughout her career, Katherine has been employed by the Massachusetts Department of Education, serving as an education specialist, supporting the state Director of Special Education on issues relative to the provision of educational services to students with disabilities. As a liaison, she worked with the Board of Education Gifted & Talented Education Advisory Council to support educational services for students who are gifted and talented. In addition, Katherine refined a program to improve group and individual effectiveness which was identified by New England Educational Research Organization, Inc. as educationally and scientifically important.

The programs and initiatives she has planned include the Commonwealth’s STEM Week 2018 & 2019, Work-based Learning Seminar Series, STEM Resource Fairs, regional meetings and replication projects such as the 2012 STEM Career Expo and the 2015 Envision the Future Program - a program which focused on increasing the interest of girls in computing, biotechnology and engineering. Throughout her tenure at the network, she has worked with hundreds of STEM Stakeholders in the Southeast Massachusetts region and across Massachusetts to develop programs. These stakeholders include parents, PreK-16 educators, and representatives of business, government and community organizations.

Combining Budget to GAAP Reconciliation
Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Commonwealth Transportation Fund	Environmental Funds	Public Safety Trust Fund*	Community First Trust Fund
Total actual revenues - budgetary basis (pages 168–172)	\$ 2,038,396	\$ 49,486	\$ 1,151	\$ —
Adjustments:				
Taxes receivable, net	(942)	(2)	—	—
Tax refunds and abatements payable, net	(675)	—	—	—
Federal grants receivables, net	—	41	—	—
Departmental and other receivables, net	(251)	27	—	—
Miscellaneous adjustments	1	—	—	—
Total actual revenues - GAAP basis (pages 164–167)	<u>\$ 2,036,529</u>	<u>\$ 49,552</u>	<u>\$ 1,151</u>	<u>\$ —</u>
Total actual other financing sources - budgetary basis (pages 168–172)	\$ 138,737	\$ 282	\$ —	\$ —
Adjustments:				
Miscellaneous adjustments	—	1	—	—
Total actual other financing sources - GAAP basis (pages 164–167)	<u>\$ 138,737</u>	<u>\$ 283</u>	<u>\$ —</u>	<u>\$ —</u>
Total actual expenditures- budgetary basis (pages 168–172)	\$ 1,274,255	\$ 30,277	\$ 2,049	\$ —
Adjustment:				
Due to component units accrual, net	(12,956)	—	—	—
Miscellaneous adjustments	—	1	(1)	—
Reclassification:				
MassDOT transfers out is reclassified to expenditures	609,266	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	(1,106,845)	—	—	—
Nonbudgeted fund included on a GAAP basis	—	—	—	1,323
Total actual expenditures - GAAP basis (pages 164–167)	<u>\$ 763,720</u>	<u>\$ 30,278</u>	<u>\$ 2,048</u>	<u>\$ 1,323</u>
Total actual other financing uses - budgetary basis (pages 168–172)	\$ 874,842	\$ 4,034	\$ 358	\$ —
Adjustment:				
Miscellaneous adjustments	1	—	—	—
Reclassification:				
MassDOT transfers out is reclassified to expenditures	(609,266)	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	1,106,845	—	—	—
Total actual other financing uses - GAAP basis (pages 164–167)	<u>\$ 1,372,422</u>	<u>\$ 4,034</u>	<u>\$ 358</u>	<u>\$ —</u>

* On a GAAP basis, the activities for the Public Safety Trust fund, the Gaming Local Aid fund, the Education Fund, the Local Aid Stabilization Fund, the Gaming Economic Development Fund, the Community College Fund and the Marijuana Regulation Fund are combined in the other special revenue funds in the combined statement of revenues, expenditures and changes in fund balance. The revenues, other financing sources, expenditures and other financing uses of the other special revenue funds are \$152,088, \$187,075, \$264,374 and \$52,526, respectively (all amounts in thousands).

See Independent Auditors' Report

Gaming Local Aid Fund*	Education Fund*	Local Aid Stabilization Fund*	Gaming Economic Development Fund*	Community College Fund*	Marijuana Regulation Fund*	Totals
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 22,716	\$ 2,111,749
—	—	—	—	—	—	(944)
—	—	—	—	—	—	(675)
—	—	—	—	—	—	41
—	—	—	—	—	—	(224)
—	—	—	—	—	—	1
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 22,716</u>	<u>\$ 2,109,948</u>
\$ 87,955	\$ 13,693	\$ —	\$ 9,292	\$ —	\$ 21,579	\$ 271,538
—	—	—	—	—	—	1
<u>\$ 87,955</u>	<u>\$ 13,693</u>	<u>\$ —</u>	<u>\$ 9,292</u>	<u>\$ —</u>	<u>\$ 21,579</u>	<u>\$ 271,539</u>
\$ 87,955	\$ 11,667	\$ —	\$ 1,481	\$ —	\$ 38,908	\$ 1,446,592
—	—	—	—	—	—	(12,956)
—	—	—	(1)	—	—	(1)
—	—	—	—	—	—	609,266
—	—	—	(1,105)	—	—	(1,105)
—	—	—	—	—	—	(1,106,845)
—	—	—	—	—	—	1,323
<u>\$ 87,955</u>	<u>\$ 11,667</u>	<u>\$ —</u>	<u>\$ 375</u>	<u>\$ —</u>	<u>\$ 38,908</u>	<u>\$ 936,274</u>
\$ —	\$ 287	\$ —	\$ 349	\$ —	\$ 4,262	\$ 884,132
—	—	—	1	—	—	2
—	—	—	—	—	—	(609,266)
—	—	—	1,105	—	—	1,105
—	—	—	—	—	—	1,106,845
<u>\$ —</u>	<u>\$ 287</u>	<u>\$ —</u>	<u>\$ 1,455</u>	<u>\$ —</u>	<u>\$ 4,262</u>	<u>\$ 1,381,076</u>

**Combining Statement of Net Position Available for Post-Employment Benefits
Pension and OPEB Trust Funds**

June 30, 2019

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	Total
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	
ASSETS				
Cash and cash equivalents.....	\$ 89,142	\$ 87,771	\$ 82,454	\$ 259,367
Net investment in PRIT at fair value.....	28,574,559	29,365,494	1,286,108	59,226,161
Other receivables.....	112,966	85,504	—	198,470
Other assets.....	17	3,109	—	3,126
Total assets	28,776,684	29,541,878	1,368,562	59,687,124
LIABILITIES				
Accounts payable	12,888	4,898	14	17,800
Net position available for post-employment benefits	\$ 28,763,796	\$ 29,536,980	\$ 1,368,548	\$ 59,669,324

See Independent Auditors' Report

Combining Statement of Changes in Net Position Available for Post-Employment Benefits

Pension and OPEB Trust Funds

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	Total
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth and MassDOT.....	\$ 919,545	\$ —	\$ 594,916	\$ 1,514,461
Non-employer contributions - Commonwealth.....	37,359	1,443,710	—	1,481,069
Employer and non-employer contributions - other	10,191	—	—	10,191
ERIP funding contribution - Commonwealth.....	28,724	—	—	28,724
Employee contributions.....	632,730	782,431	—	1,415,161
Boston teachers' contribution from Commonwealth.....	—	143,146	—	143,146
Other additions	104,765	91,386	188	196,339
Total contributions	1,733,314	2,460,673	595,104	4,789,091
Net investment gain/(loss):				
Investment gain/(loss)	1,686,838	1,732,202	74,601	3,493,641
Less: investment expense	(143,440)	(147,432)	(6,372)	(297,244)
Net Investment gain/(loss)	1,543,398	1,584,770	68,229	3,196,397
Total additions	3,276,712	4,045,443	663,333	7,985,488
DEDUCTIONS				
Administration.....	15,853	18,324	171	34,348
Retirement benefits and refunds.....	2,427,556	3,092,363	482,183	6,002,102
Payments to State Boston Retirement System	—	143,146	—	143,146
Other deductions.....	64,528	46,341	—	110,869
Total deductions	2,507,937	3,300,174	482,354	6,290,465
Change in net position	768,775	745,269	180,979	1,695,023
Net position available for post-employment benefits at beginning of year.....	27,995,021	28,791,711	1,187,569	57,974,301
Net position available for post-employment benefits at end of year	\$ 28,763,796	\$ 29,536,980	\$ 1,368,548	\$ 59,669,324

See Independent Auditors' Report

Combining Statement of Net Position Held in Trust for Pool Participants

External Investment Trust Funds

June 30, 2019

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ASSETS			
Cash and cash equivalents	\$ 5,193,727	\$ —	\$ 5,193,727
Short-term investments	39,786	—	39,786
Net investment in PRIT at fair value	—	15,605,266	15,605,266
Receivables, net of allowance for uncollectibles:			
Other receivables	5,977	—	5,977
Total assets	5,239,490	15,605,266	20,844,756
LIABILITIES			
Accounts payable	13,321	—	13,321
Net position held in trust for pool/pension participants	\$ 5,226,169	\$ 15,605,266	\$ 20,831,435

See Independent Auditors' Report

Combining Statement of Changes in Net Position Held in Trust for Pool Participants

External Investment Trust Funds

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ADDITIONS			
Contributions:			
Other participant contributions	\$ —	\$ 1,448,703	\$ 1,448,703
Proceeds from sale of units	25,174,952	—	25,174,952
Total contributions	25,174,952	1,448,703	26,623,655
Net investment gain/(loss):			
Investment gain/(loss)	112,206	1,174,419	1,286,625
Less: investment expense	(2,007)	(307,459)	(309,466)
Net Investment gain/(loss)	110,199	866,960	977,159
Total additions	25,285,151	2,315,663	27,600,814
DEDUCTIONS			
Cost of units redeemed	24,106,043	—	24,106,043
Distributions to unit holders from net interest income	109,150	—	109,150
Retirement benefits and refunds	—	1,073,298	1,073,298
Total deductions	24,215,193	1,073,298	25,288,491
Change in net position	1,069,958	1,242,365	2,312,323
Net position held in trust for pool/participants at beginning of year	4,156,211	14,362,901	18,519,112
Net position held in trust for pool/participants at end of year	\$ 5,226,169	\$ 15,605,266	\$ 20,831,435

See Independent Auditors' Report

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<u>Central Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 288,196	\$ 8,418,613	\$ (8,400,174)	\$ 306,635
Investments, restricted investments and annuity contracts	971,433	81,653	(144,349)	908,737
Taxes receivable	41,382	47,331	(41,382)	47,331
Other receivables	—	1,421	(1,402)	19
Total assets	\$ 1,301,011	\$ 8,549,018	\$ (8,587,307)	\$ 1,262,722
LIABILITES				
Accounts payable	\$ 35,642	\$ 6,821,783	\$ (6,851,868)	\$ 5,557
Due to cities and towns	43,416	661,535	(656,896)	48,055
Due to federal government	1	56	(57)	—
Lottery prizes payable	971,434	81,653	(144,350)	908,737
Agency liabilities	250,518	6,249,399	(6,199,544)	300,373
Total liabilities	\$ 1,301,011	\$ 13,814,426	\$ (13,852,715)	\$ 1,262,722
<u>Court Escrow and Client Accounts</u>				
ASSETS				
Cash and cash equivalents	\$ 170,557	\$ 1,506,726	\$ (1,500,264)	\$ 177,019
Other receivables	127,101	147,331	(127,101)	147,331
Total assets	\$ 297,658	\$ 1,654,057	\$ (1,627,365)	\$ 324,350
LIABILITES				
Accounts payable	\$ 5,888	\$ 1,258,267	\$ (1,255,652)	\$ 8,503
Agency liabilities	291,770	2,177,246	(2,153,169)	315,847
Total liabilities	\$ 297,658	\$ 3,435,513	\$ (3,408,821)	\$ 324,350
<u>Statutory Bonds and Deposits</u>				
ASSETS				
Cash and cash equivalents	\$ 144,492	\$ 707,102	\$ (733,101)	\$ 118,493
Investments, restricted investments and annuity contracts	519,496	18,900	(20,754)	517,642
Total assets	\$ 663,988	\$ 726,002	\$ (753,855)	\$ 636,135
LIABILITES				
Agency liabilities	\$ 663,988	\$ 630,745	\$ (658,598)	\$ 636,135

See Independent Auditors' Report

Combining Statement Changes in Assets and Liabilities

Agency Funds

Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<u>Total Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 603,245	\$ 10,632,441	\$ (10,633,539)	\$ 602,147
Investments, restricted investments and annuity contracts	1,490,929	100,553	(165,103)	1,426,379
Taxes receivable	41,382	47,331	(41,382)	47,331
Other receivables	127,101	148,752	(128,503)	147,350
Total assets	\$ 2,262,657	\$ 10,929,077	\$ (10,968,527)	\$ 2,223,207
LIABILITIES				
Accounts payable	\$ 41,530	\$ 8,080,050	\$ (8,107,520)	\$ 14,060
Due to cities and towns	43,416	661,535	(656,896)	48,055
Due to federal government	1	56	(57)	—
Lottery prizes payable	971,434	81,653	(144,350)	908,737
Agency liabilities	1,206,276	9,057,390	(9,011,311)	1,252,355
Total liabilities	\$ 2,262,657	\$ 17,880,684	\$ (17,920,134)	\$ 2,223,207

See Independent Auditors' Report

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2019
(Amounts in thousands)

	Massachusetts Convention Center Authority	Massachusetts Development Finance Agency	Massachusetts Clean Energy Center	Massachusetts Technology Park Corporation	Massachusetts Housing Partnership	Economic Development Entities	Higher Education Foundations	Total
ASSETS AND DEFERRED OUTFLOWS								
Current assets:								
Cash and cash equivalents	\$ 32,423	\$ 34,758	\$ 30,264	\$ 121	\$ 96,399	\$ 73,896	\$ 27,752	\$ 295,613
Short-term investments	—	193,170	133,450	3,614	32,419	3,655	43,189	409,497
Restricted cash and investments	587	96,313	26,797	16,982	—	84,586	2,860	228,125
Assets held in trust	26,205	—	—	—	—	1,841	—	28,046
Receivables, net of allowance for uncollectibles:								
Loans	398	13,436	3,717	—	20,715	14,098	—	52,364
Other receivables	9,670	9,655	2,221	376	2,902	4,743	10,370	39,937
Due from primary government	15,625	5,277	—	8,887	—	13,065	—	42,854
Inventory	—	—	—	—	—	77	—	77
Other current assets	2,989	5,763	308	469	—	540	594	10,663
Total current assets	87,897	358,372	196,757	30,449	152,435	196,501	84,765	1,107,176
Noncurrent assets:								
Cash and cash equivalents - restricted	—	16,452	—	2,720	—	—	—	19,172
Long - term investments	—	64,255	—	—	—	—	788,018	852,273
Restricted investments	—	—	—	—	—	—	59,459	59,459
Accounts receivables, net	—	859	—	111	—	1,354	15,727	18,051
Loans receivables, net	15,273	61,489	—	—	554,061	37,762	—	668,585
Non-depreciable capital assets	197,728	9,714	4,532	—	—	—	21,342	233,316
Depreciable capital assets, net	461,971	84,662	134,771	58,252	859	20,250	47,981	808,746
Other noncurrent assets	—	4,974	—	—	1,033	3,807	8,219	18,033
Total noncurrent assets	674,972	242,405	139,303	61,083	555,953	63,173	940,746	2,677,635
Total assets	762,869	600,777	336,060	91,532	708,388	259,674	1,025,511	3,784,811
Deferred outflows of resources:								
Deferred change in fair value of interest rate swaps	—	—	—	—	6,643	—	—	6,643
Deferred outflows related to pension	6,064	—	—	—	—	—	—	6,064
Deferred outflows related to OPEB	124	—	—	—	—	—	—	124
Total deferred outflows of resources	6,188	—	—	—	6,643	—	—	12,831
Total assets and deferred outflows	769,057	600,777	336,060	91,532	715,031	259,674	1,025,511	3,797,642
LIABILITIES AND DEFERRED INFLOWS								
Current liabilities:								
Accounts payable and other liabilities	17,944	11,033	27,743	6,930	717	19,079	29,426	112,872
Accrued payroll	—	—	—	—	1,253	595	—	1,848
Compensated absences	1,014	1,158	218	—	—	595	—	2,985
Accrued interest payable	—	231	—	—	2,091	—	—	2,322
Due to primary government	—	98,724	—	—	—	—	424	99,148
Unearned revenue	18,525	23,875	—	65	—	32,174	1,261	75,900
Bonds, notes payable and other obligations	—	390	—	—	14,876	9,470	3,488	28,224
Total current liabilities	37,483	135,411	27,961	6,995	18,937	61,913	34,599	323,299
Noncurrent liabilities:								
Compensated absences	1,361	—	—	362	—	178	—	1,901
Due to primary government	—	7,375	—	—	—	—	—	7,375
Unearned revenue	84	—	—	—	—	211	1,255	1,550
Bonds, notes payable and other obligations	—	5,279	—	—	548,372	71,903	15,795	641,349
Net pension liability	37,882	—	—	—	—	—	—	37,882
Net OPEB liability	5,365	—	—	—	—	—	—	5,365
Other noncurrent liabilities	—	11,809	—	322	84,079	1,841	2,559	100,610
Total noncurrent liabilities	44,692	24,463	—	684	632,451	74,133	19,609	796,032
Total liabilities	82,175	159,874	27,961	7,679	651,388	136,046	54,208	1,119,331
Deferred inflows of resources:								
Deferred service concession arrangements	—	—	—	—	—	336	—	336
Deferred inflows related to pension	5,674	—	—	—	—	—	—	5,674
Deferred inflows related to OPEB	1,749	—	—	—	—	—	—	1,749
Total deferred inflows of resources	7,423	—	—	—	—	336	—	7,759
Total liabilities and deferred inflows	89,598	159,874	27,961	7,679	651,388	136,382	54,208	1,127,090
NET POSITION								
Net investment in capital assets	659,699	84,573	139,303	58,252	859	24,023	48,313	1,015,022
Restricted for:								
Other purposes	26,778	169,206	26,797	22,361	21,789	54,263	840,337	1,161,531
Unrestricted	(7,018)	187,124	141,999	3,240	40,995	45,006	82,653	493,999
Total net position	\$ 679,459	\$ 440,903	\$ 308,099	\$ 83,853	\$ 63,643	\$ 123,292	\$ 971,303	\$2,670,552

See Independent Auditors' Report

Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Discretely Presented Component Units
Fiscal Year Ended June 30, 2019
(Amounts in thousands)

	Massachusetts Convention Center Authority	Massachusetts Development Finance Agency	Massachusetts Clean Energy Center	Massachusetts Technology Park Corporation	Massachusetts Housing Partnership	Economic Development Entities	Higher Education Foundations	Total
Operating revenues:								
Charges for services	\$ 73,635	\$ 54,832	\$ 2,596	\$ 5,540	\$ 9,627	\$ 86,792	\$ 19,853	\$ 252,875
Other	5,422	5,116	22,364	15,786	—	1,533	26,777	76,998
Total operating revenues	79,057	59,948	24,960	21,326	9,627	88,325	46,630	329,873
Operating expenses:								
Cost of services	56,828	52,096	44,031	23,956	665	85,925	—	263,501
Administration costs	32,406	17,456	10,880	380	8,226	19,492	68,177	157,017
Depreciation	47,966	9,049	3,755	6,228	159	1,878	2,494	71,529
Total operating expenses	137,200	78,601	58,666	30,564	9,050	107,295	70,671	492,047
Operating income/(loss)	(58,143)	(18,653)	(33,706)	(9,238)	577	(18,970)	(24,041)	(162,174)
Nonoperating revenues/(expenses):								
Operating grants	17,773	382	2,589	—	1,756	12,574	—	35,074
Interest income/(loss)	1,791	7,948	—	913	1,714	1,298	30,356	44,020
Other nonoperating revenue/(expense)	1,830	(72,090)	12,079	—	388	(3,334)	46,368	(14,759)
Nonoperating revenues/(expenses), net	21,394	(63,760)	14,668	913	3,858	10,538	76,724	64,335
Income/(loss) before contributions	(36,749)	(82,413)	(19,038)	(8,325)	4,435	(8,432)	52,683	(97,839)
Capital contributions	22,836	27,781	—	—	—	12,725	—	63,342
Change in net position/(deficits)	(13,913)	(54,632)	(19,038)	(8,325)	4,435	4,293	52,683	(34,497)
Net position - beginning	693,372	495,535	327,137	92,178	59,208	118,999	918,620	2,705,049
Net position - ending	\$ 679,459	\$ 440,903	\$ 308,099	\$ 83,853	\$ 63,643	\$ 123,292	\$ 971,303	\$ 2,670,552

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PROMOTING WOMEN IN STEM IN MASSACHUSETTS

MASSACHUSETTS STEM NETWORKS

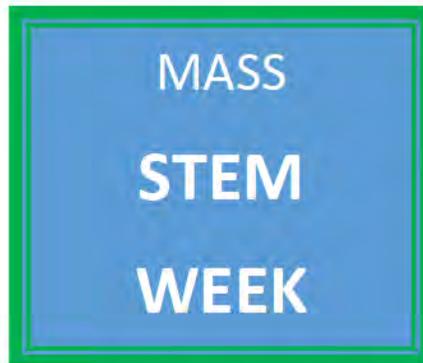


Massachusetts STEM Summit

The Massachusetts STEM Summit provides a venue for learning and collaboration among educators, workforce professionals, business leaders, policymakers, and other active participants in the STEM movement.

The Summit has been hosted by the UMass Donahue Institute, Massachusetts Business Roundtable and the Massachusetts STEM Advisory Council and supported by generous contributions from a broad array of public and private organizations invested in the economic vitality of the state, including businesses, educational institutions, government agencies, and non-profit entities.

Photo and content courtesy of: <http://www.mass-stem-summit.org/>.



Massachusetts STEM Week takes place in October each year and is organized by the Executive Office of Education and the STEM Advisory Council in partnership with the state's nine Regional STEM Networks. It is a statewide effort to boost the interest, awareness and ability for all learners to envision themselves in STEM education and employment opportunities, and compliment the formal instruction happening in the Commonwealth beyond STEM week.

Massachusetts is building stronger pipelines to increase the number of high school students, community college students, and out-of-school youth entering high-quality careers, including STEM careers.

“STEM Week is an opportunity to showcase all the good work teachers and students are already doing in science, technology, engineering and math every day.” **Education Secretary James Peyser said.** “It is also a chance to spark some students’ interest, and highlight for them how STEM touches so many fields and so many professions.”

Photo and content courtesy of: <https://www.massstemweek.org/> and <https://www.mass.edu/about/stemweek2018-recap.asp>.

Statistical Section

(Unaudited)

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Statistical Section Narrative and Table of Contents

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These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and fiscal health has changed over time. The schedules are presented for the last ten fiscal years, except where noted. Schedules included are:

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Schedule of Net Position by Component

Last Ten Fiscal Years

(Amounts in thousands)

	2019	2018*	2017*	2016*	2015*
Governmental activities					
Net investment in capital assets.....	\$ (1,433,294)	\$ (1,446,934)	\$ (1,320,834)	\$ (1,067,098)	\$ (768,411)
Restricted.....	1,270,844	1,546,202	1,926,716	1,538,662	1,541,566
Unrestricted	(73,917,902)	(74,253,756)	(63,992,403)	(59,111,068)	(55,626,250)
Total governmental activities net position	<u>\$ (74,080,352)</u>	<u>\$ (74,154,488)</u>	<u>\$ (63,386,521)</u>	<u>\$ (58,639,504)</u>	<u>\$ (54,853,095)</u>
Business-type activities					
Net investment in capital assets.....	\$ 3,868,576	\$ 3,777,515	\$ 3,623,966	\$ 3,311,658	\$ 3,055,444
Restricted.....	2,271,721	1,833,109	1,735,575	1,745,840	1,539,785
Unrestricted	(490,819)	(595,311)	722,923	678,667	697,056
Total business-type activities net position.....	<u>\$ 5,649,478</u>	<u>\$ 5,015,313</u>	<u>\$ 6,082,464</u>	<u>\$ 5,736,165</u>	<u>\$ 5,292,285</u>
Commonwealth net position					
Net investment in capital assets.....	\$ 2,435,282	\$ 2,330,581	\$ 2,303,132	\$ 2,244,560	\$ 2,287,033
Restricted.....	3,542,565	3,379,311	3,662,291	3,284,502	3,081,351
Unrestricted	(74,408,721)	(74,849,067)	(63,269,480)	(58,432,401)	(54,929,194)
Total Commonwealth net position	<u>\$ (68,430,874)</u>	<u>\$ (69,139,175)</u>	<u>\$ (57,304,057)</u>	<u>\$ (52,903,339)</u>	<u>\$ (49,560,810)</u>

* - Prior year amounts reclassified to conform to current year presentation

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2014*	2013*	2012*	2011*	2010*
\$ (502,370)	\$ (592,483)	\$ (849,338)	\$ (722,469)	\$ (885,593)
1,455,704	1,386,416	1,456,715	1,520,702	1,403,877
(53,381,659)	(26,733,592)	(24,904,848)	(23,630,855)	(22,891,414)
\$ (52,428,325)	\$ (25,939,659)	\$ (24,297,471)	\$ (22,832,622)	\$ (22,373,130)
\$ 2,794,845	\$ 2,605,263	\$ 2,366,038	\$ 2,026,223	\$ 1,767,434
1,590,545	1,209,630	1,576,865	1,364,646	1,148,751
675,796	1,026,230	969,309	978,043	857,263
\$ 5,061,186	\$ 4,841,123	\$ 4,912,212	\$ 4,368,912	\$ 3,773,448
\$ 2,292,475	\$ 2,012,780	\$ 1,516,700	\$ 1,303,754	\$ 881,841
3,046,249	2,596,046	3,033,580	2,885,348	2,552,628
(52,705,863)	(25,707,362)	(23,935,539)	(22,652,812)	(22,034,151)
\$ (47,367,139)	\$ (21,098,536)	\$ (19,385,259)	\$ (18,463,710)	\$ (18,599,681)

Changes in Net Position
Last Ten Fiscal Years
(Amounts in thousands)

	2019	2018*	2017*	2016*	2015*
EXPENSES					
Governmental Activities:					
General government.....	\$ 2,766,272	\$ 2,792,959	\$ 2,764,634	\$ 2,616,051	\$ 2,703,519
Judiciary.....	1,221,969	1,162,698	1,226,221	1,154,038	1,026,429
Direct local aid.....	6,089,548	5,900,634	5,734,682	5,598,687	5,469,412
Medicaid.....	18,093,807	18,105,722	17,182,691	16,825,110	15,086,742
Group health insurance.....	1,670,238	1,648,278	1,668,100	1,632,703	1,657,018
Energy and environmental.....	701,950	732,161	720,182	1,069,510	671,801
Housing and economic development.....	1,574,628	1,544,103	1,411,189	1,367,957	1,314,980
Health and human services.....	8,662,012	8,298,704	8,131,843	7,912,817	7,605,180
Transportation and public works.....	2,554,289	2,483,768	2,535,121	2,711,910	2,689,975
Early elementary and secondary education.....	5,607,240	6,101,603	6,243,115	5,420,052	4,654,161
Public safety and homeland security.....	3,006,893	2,757,266	2,913,849	2,746,612	2,486,107
Labor and workforce development.....	298,930	295,061	312,510	324,678	309,091
Lottery.....	4,445,654	4,325,321	4,128,209	4,299,592	4,109,611
Interest (unallocated).....	1,522,183	1,419,910	1,384,248	1,250,004	1,263,218
Total governmental activities.....	\$ 58,215,613	\$ 57,568,188	\$ 56,356,594	\$ 54,929,721	\$ 51,047,244
Business-type Activities:					
Unemployment compensation.....	1,483,901	1,552,404	1,514,002	1,499,811	1,598,084
Higher Education					
University of Massachusetts.....	3,282,171	3,307,087	3,167,596	3,151,215	2,809,062
State Universities.....	1,145,531	1,089,551	1,063,196	1,002,577	994,341
Community Colleges.....	917,967	887,223	936,241	928,067	891,906
Total business-type activities.....	\$ 6,829,570	\$ 6,836,265	\$ 6,681,035	\$ 6,581,670	\$ 6,293,393
Total Commonwealth expenses.....	\$ 65,045,183	\$ 64,404,453	\$ 63,037,629	\$ 61,511,391	\$ 57,340,637
REVENUES					
Program Revenues:					
Governmental Activities					
Charges for services					
General government.....	\$ 611,834	\$ 652,138	\$ 594,132	\$ 565,434	\$ 634,289
Judiciary.....	81,567	91,500	95,937	100,568	105,521
Medicaid.....	1,129,343	1,054,698	897,542	841,697	1,052,170
Group health insurance.....	808,194	941,946	802,628	799,011	755,712
Energy and environmental.....	279,267	273,504	249,565	289,738	253,856
Housing and economic development.....	163,315	213,530	194,940	173,941	164,438
Health and human services.....	1,411,918	1,292,584	1,359,519	1,224,967	405,710
Transportation and public works.....	627,941	625,595	596,200	577,292	577,430
Early elementary and secondary education.....	8,445	7,846	7,919	7,508	7,649
Public safety and homeland security.....	338,099	248,234	280,400	284,264	256,596
Labor and workforce development.....	307,506	269,293	40,652	38,581	175,130
Lottery.....	5,644,440	5,436,551	5,254,468	5,405,128	5,193,545
Total charges for services.....	\$ 11,411,869	\$ 11,107,419	\$ 10,373,902	\$ 10,308,129	\$ 9,582,046
Operating grants and contributions.....	16,253,915	16,230,934	15,519,380	15,158,087	13,950,227
Capital grants and contributions.....	66,085	99,002	58,354	85,759	81,475
Total governmental activities.....	\$ 27,731,869	\$ 27,437,355	\$ 25,951,636	\$ 25,551,975	\$ 23,613,748
Business-type Activities					
Charges for services					
Unemployment Compensation.....	1,852,195	1,617,394	1,468,492	1,611,096	1,492,067
Higher Education					
University of Massachusetts.....	1,860,268	1,907,824	1,882,899	1,875,144	1,602,043
State Universities.....	679,801	658,608	654,170	616,025	583,669
Community Colleges.....	237,288	259,156	274,868	274,252	266,956
Operating grants and contributions.....	976,096	931,780	909,228	891,823	936,917
Capital grants and contributions.....	112,033	160,201	238,621	265,714	206,128
Total business-type activities.....	\$ 5,717,681	\$ 5,534,963	\$ 5,428,278	\$ 5,534,054	\$ 5,087,780
Total Commonwealth program revenues.....	\$ 33,449,550	\$ 32,972,318	\$ 31,379,914	\$ 31,086,029	\$ 28,701,528
General Revenues and Other Changes in Net Position (all types consolidated):					
Governmental Activities					
Taxes (all types).....	\$ 30,609,957	\$ 27,964,093	\$ 25,949,577	\$ 25,676,303	\$ 25,209,826
Investment earnings and miscellaneous.....	1,513,855	1,283,283	995,073	1,161,089	1,251,288
Transfers.....	(1,565,932)	(1,123,731)	(1,286,709)	(1,246,055)	(1,429,174)
Transfers to/from MassDOT.....	—	—	—	—	—
Total governmental activities.....	\$ 30,557,880	\$ 28,123,645	\$ 25,657,941	\$ 25,591,337	\$ 25,031,940
Business-type Activities					
Investment earnings and miscellaneous.....	145,483	423,379	312,347	245,441	7,536
Other losses.....	—	—	—	—	—
Transfers.....	1,565,932	1,123,731	1,286,709	1,246,055	1,429,174
Total business-type activities.....	\$ 1,711,415	\$ 1,547,110	\$ 1,599,056	\$ 1,491,496	\$ 1,436,710
Total Commonwealth general revenues.....	\$ 32,269,295	\$ 29,670,755	\$ 27,256,997	\$ 27,082,833	\$ 26,468,650
CHANGES IN NET POSITION					
Governmental activities.....	\$ 74,136	\$ (2,007,188)	\$ (4,747,017)	\$ (3,786,409)	\$ (2,401,556)
Business-type activities.....	599,526	245,808	346,299	443,880	231,099
Total changes in net position including restatements.....	\$ 673,662	\$ (1,761,380)	\$ (4,400,718)	\$ (3,342,529)	\$ (2,170,457)

* - Prior year amounts reclassified to conform to current year presentation

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	2014*	2013*	2012*	2011*	2010*
\$	2,521,454	\$ 2,571,881	\$ 2,384,167	\$ 2,312,298	\$ 2,317,183
	1,007,234	983,314	936,113	1,000,902	991,310
	5,353,521	5,179,104	4,991,532	4,845,738	5,030,363
	14,034,862	12,286,342	11,708,397	12,124,261	10,677,999
	1,403,590	1,282,661	1,218,079	1,113,544	1,092,178
	615,854	524,632	568,898	689,258	305,233
	1,289,156	1,250,008	1,246,213	1,365,368	1,291,142
	7,308,295	7,737,736	7,619,987	7,139,948	7,110,366
	2,379,178	1,868,020	1,759,589	2,270,136	2,062,054
	4,714,555	4,493,537	4,336,326	3,585,958	3,806,149
	2,451,881	2,391,982	2,323,452	2,295,561	2,292,163
	352,454	385,757	472,044	498,560	470,878
	3,980,980	3,982,700	3,877,305	3,661,834	3,649,396
	1,197,709	1,206,542	1,202,772	1,177,569	1,090,471
	48,610,723	46,144,216	44,644,874	44,080,935	42,186,885
	2,036,431	2,718,447	3,466,500	4,388,360	5,435,611
	2,925,013	2,759,488	2,684,039	2,865,015	2,640,134
	922,383	864,161	851,118	834,453	762,043
	852,946	814,245	801,038	772,883	716,526
	6,736,773	7,156,341	7,802,695	8,860,711	9,554,314
\$	55,347,496	53,300,557	52,447,569	52,941,646	51,741,199
\$	361,105	\$ 352,291	\$ 458,320	\$ 443,869	\$ 464,592
	108,766	111,384	114,170	120,293	128,198
	1,226,108	471,539	297,566	258,032	185,463
	660,359	619,982	495,377	431,078	349,870
	262,339	228,019	214,340	270,449	214,269
	165,365	150,690	142,320	142,387	221,340
	483,080	1,143,551	931,535	896,328	797,929
	530,853	567,348	505,842	502,004	517,045
	10,067	6,748	6,783	6,645	9,661
	228,730	218,643	205,546	193,983	202,427
	150,394	246,577	237,772	142,731	38,319
	5,049,536	5,041,329	4,940,151	4,630,205	4,626,777
	9,236,702	9,158,101	8,549,722	8,038,004	7,755,890
	13,121,648	12,836,122	12,909,908	14,217,481	12,771,164
	30,699	18,726	79,733	168,912	779,403
	22,389,049	22,012,949	21,539,363	22,424,397	21,306,457
	1,897,495	1,923,476	1,982,602	1,945,801	1,727,964
	1,697,585	1,640,296	1,519,496	1,685,386	1,527,880
	558,170	533,347	523,979	530,078	479,900
	270,512	281,428	275,778	250,341	235,865
	1,347,423	1,791,196	2,525,342	3,500,210	4,020,351
	122,081	123,396	162,271	42,819	48,684
	5,893,266	6,293,139	6,989,468	7,954,635	8,040,644
\$	28,282,315	28,306,088	28,528,831	30,379,032	29,347,101
\$	23,319,168	\$ 22,599,332	\$ 21,403,426	\$ 21,066,430	\$ 19,034,227
	1,131,848	985,810	1,393,192	991,519	1,475,096
	(1,205,141)	(1,096,061)	(1,155,955)	(860,904)	(864,697)
	—	—	—	—	(8,983,955)
	23,245,875	22,489,081	21,640,663	21,197,045	10,660,671
	306,690	271,832	214,056	652,489	504,404
	—	—	—	(10,746)	(12,125)
	1,205,141	1,096,061	1,155,955	860,904	864,697
	1,511,831	1,367,893	1,370,011	1,502,647	1,356,976
\$	24,757,706	23,856,974	23,010,674	22,699,692	12,017,647
\$	(2,975,800)	\$ (1,642,18	\$ (1,464,850)	\$ (459,493)	\$ (10,219,754)
	668,324	504,691	556,784	596,571	(156,694)
\$	(2,307,476)	(1,137,496)	(908,066)	137,078	(10,376,448)

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts in thousands)

	2019	2018*	2017*	2016*	2015*
Fund balances GASB 54:					
Nonspendable.....	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted ⁽¹⁾	1,316,707	1,519,833	1,926,716	1,377,671	1,792,461
Committed ⁽²⁾	5,007,488	3,302,222	2,351,687	2,422,088	2,375,367
Assigned ⁽³⁾	1,256,717	955,830	684,655	845,567	576,632
Unassigned.....	1,530,423	1,060,559	634,324	628,420	561,105
Total governmental fund balances.....	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>	<u>\$ 5,597,382</u>	<u>\$ 5,273,746</u>	<u>\$ 5,305,565</u>

* - Prior year amounts reclassified to conform to current year presentation

- (1) Restricted fund balance decreased from FY18 mainly due to amounts in the capital projects funds. These amounts will vary from year to year depending on the timing of bond sales as well as the amount and nature of capital projects on going during any given fiscal year.
- (2) The increase in the committed fund balance from FY18 is due to an increase of approximately \$1.423 billion in the ending balance of the Commonwealth's stabilization fund.
- (3) Assigned fund balance increased from FY18 as a result of amounts held by the Massachusetts School Building Authority (MSBA) for grants and loans to other governmental entities.

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2014*	2013*	2012*	2011*	2010*
\$ —	\$ —	\$ —	\$ —	\$ 5,000
1,518,671	1,558,842	2,196,201	1,675,969	1,906,663
2,250,157	2,324,445	2,404,475	2,020,252	2,166,390
510,353	595,085	574,621	750,462	156,483
340,505	391,795	1,143,978	821,188	351,395
\$ 4,619,686	\$ 4,870,167	\$ 6,319,275	\$ 5,267,871	\$ 4,585,931

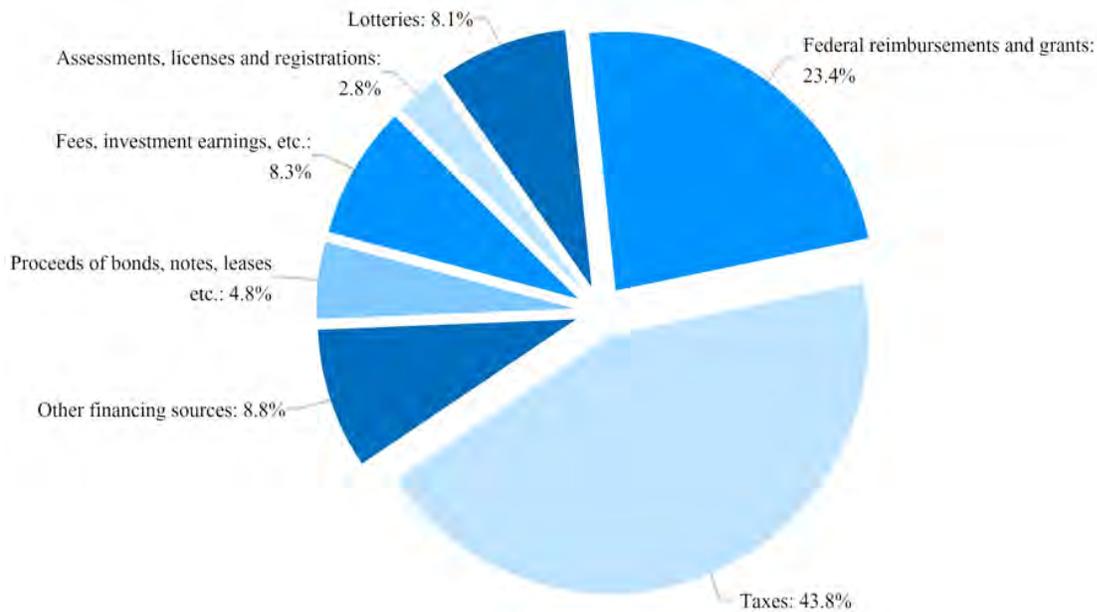
Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

(Amounts in millions)

	2019	% Total	2018	% Total	2017	% Total	2016	% Total	2015	% Total
Taxes	\$ 30,618	43.8	\$ 28,243	41.1	\$ 25,828	37.7	\$ 25,746	38.0	\$ 25,258	41.7
Federal reimbursements	12,650	18.1	12,647	18.3	11,932	17.4	11,577	17.1	10,462	17.2
Federal grants	3,678	5.3	3,684	5.3	3,635	5.3	3,656	5.4	3,583	5.9
Lotteries	5,652	8.1	5,442	7.9	5,258	7.7	5,406	8.0	5,194	8.6
Assessments	1,377	2.0	1,354	2.0	1,219	1.8	1,104	1.6	1,026	1.7
Motor vehicle licenses and registrations	566	0.8	566	0.8	554	0.8	546	0.8	546	0.9
Fees, investment earnings, etc	5,794	8.3	5,518	8.0	4,966	7.3	4,957	7.3	4,540	7.5
Issuance of general and special obligation bonds	2,008	2.9	2,779	4.0	3,464	5.1	3,969	5.9	3,761	6.2
Issuance of refunding bonds	819	1.2	993	1.4	1,853	2.7	1,463	2.2	632	1.0
Bond premiums	470	0.7	562	0.8	812	1.2	613	0.9	379	0.6
Proceeds of capital lease	—	—	—	—	1	—	31	—	31	0.1
Other financing sources	6,143	8.8	7,202	10.4	8,915	13.0	8,682	12.8	5,247	8.6
Total revenues and other financing sources	\$ 69,775	100.0	\$ 68,990	100.0	\$ 68,437	100.0	\$ 67,750	100.0	\$ 60,659	100.0

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**Apportionment of Revenues by Source -
Fiscal Year Ended June 30, 2019**



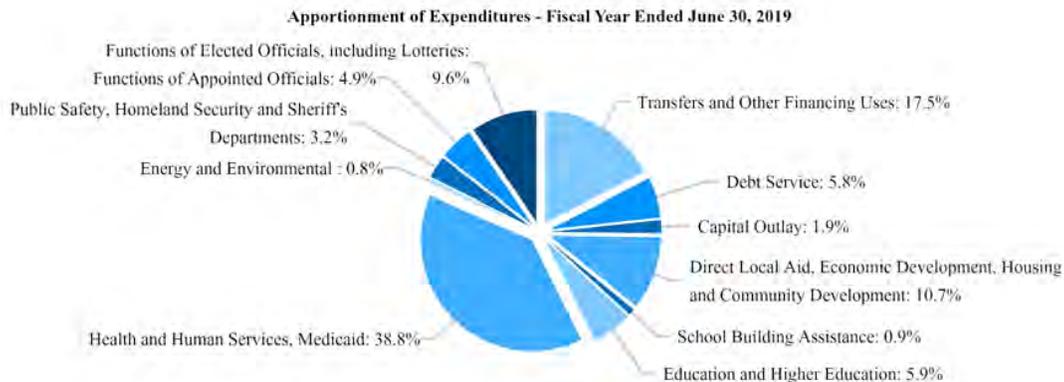
2014	% Total	2013	% Total	2012	% Total	2011	% Total	2010	% Total
\$ 23,786	41.6	\$ 22,391	40.5	\$ 21,533	39.6	\$ 20,854	38.7	\$ 18,991	37.3
9,417	16.5	8,981	16.2	8,934	16.4	10,066	18.8	9,453	18.5
3,730	6.5	3,887	7.0	4,051	7.5	4,311	8.0	4,097	8.0
5,049	8.8	5,042	9.1	4,944	9.1	4,631	8.6	4,628	9.1
1,080	1.8	1,093	2.0	1,024	1.9	980	1.8	965	2.0
495	0.9	487	0.9	474	0.9	461	0.9	463	0.9
4,152	7.3	3,750	6.8	3,823	7.0	3,246	6.0	3,365	6.6
2,360	4.1	1,471	2.7	2,902	5.3	2,233	4.1	2,419	4.7
1,236	2.2	1,913	3.5	388	0.7	888	1.6	538	1.1
193	0.3	398	0.7	260	0.5	130	0.2	16	—
11	—	1	—	4	—	12	—	17	—
5,701	10.0	5,876	10.6	6,033	11.1	6,086	11.3	6,027	11.8
<u>\$ 57,210</u>	<u>100.0</u>	<u>\$ 55,290</u>	<u>100.0</u>	<u>\$ 54,370</u>	<u>100.0</u>	<u>\$ 53,898</u>	<u>100.0</u>	<u>\$ 50,979</u>	<u>100.0</u>

Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)
(Amounts in millions)

	2019	%	2018	%	2017	%	2016	%	2015	%
	Total	Total								
Legislature	\$ 68	0.1	\$ 68	0.1	\$ 67	0.1	\$ 61	0.1	\$ 61	0.1
Judiciary	985	1.5	921	1.4	908	1.3	880	1.3	845	1.4
Inspector General	5	—	5	—	4	—	5	—	5	—
Governor and Lieutenant Governor	7	—	7	—	7	—	7	—	6	—
Secretary of the Commonwealth	55	0.1	45	0.1	51	0.1	44	0.1	50	0.1
Treasurer and Receiver-General	6,092	9.0	5,854	8.6	5,657	8.2	5,799	8.7	5,602	9.6
Auditor of the Commonwealth	18	—	19	—	18	—	19	—	18	—
Attorney General	107	0.2	98	0.1	76	0.1	67	0.1	41	0.1
Ethics Commission	2	—	2	—	2	—	2	—	2	—
District Attorney	138	0.2	129	0.2	130	0.2	124	0.2	119	0.2
Office of Campaign and Political Finance	3	—	2	—	2	—	2	—	3	—
Sheriff's Department	672	1.0	635	0.9	624	0.9	616	0.9	593	1.0
Disabled Persons Protection Commission	5	—	4	—	3	—	3	—	3	—
Board of Library Commissioners	30	—	28	—	28	—	28	—	28	—
Massachusetts Gaming Commission	50	0.1	44	0.1	37	0.1	34	0.1	23	—
Comptroller	16	—	16	—	17	—	17	—	16	—
Administration and Finance	2,311	3.4	2,475	3.7	2,444	3.6	2,416	3.6	2,490	4.2
Energy and Environmental	477	0.7	445	0.7	405	0.6	436	0.6	417	0.7
Health and Human Services	8,054	12.0	7,813	11.5	7,463	11.0	7,402	10.9	7,211	12.0
Executive Office of Technology Services	116	0.2	81	0.1	—	—	—	—	—	—
Transportation and Public Works	—	—	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	2,349	3.5	2,387	3.5	2,391	3.5	2,595	3.8	2,611	4.4
Office of the Child Advocate	1	—	1	—	1	—	1	—	—	—
Cannabis Control Commission	10	—	2	—	—	—	—	—	—	—
Executive Office of Education*	3,972	5.9	3,723	5.5	3,589	5.3	3,478	5.1	3,320	5.5
Center for Health and Information Analysis	20	—	21	—	23	—	27	—	28	—
Massachusetts School Building Assistance	572	0.9	550	0.8	621	0.9	626	0.9	732	1.2
Public Safety and Homeland Security	1,463	2.2	1,400	2.1	1,374	2.0	1,385	2.0	1,334	2.2
Housing and Economic Development*	1,157	1.7	1,089	1.6	1,021	1.5	1,048	1.5	1,021	1.7
Labor and Workforce Development*	258	0.4	255	0.4	259	0.4	277	0.4	269	0.4
Medicaid	18,094	26.8	18,106	26.9	17,183	25.2	16,825	24.9	15,087	25.2
Pension	1,368	2.0	1,294	1.9	1,127	1.7	1,103	1.6	902	1.5
Direct local aid	6,090	9.0	5,901	8.7	5,735	8.4	5,599	8.3	5,469	9.1
Capital outlay:										
Local aid	—	—	—	—	—	—	1	—	—	—
Capital acquisition and construction	1,310	1.9	1,253	1.8	1,202	1.8	1,162	1.7	1,205	2.0
Debt service:										
Principal/commercial paper repayment	1,480	2.2	3,706	5.5	4,676	6.9	4,487	6.6	1,781	3.0
Interest	1,484	2.2	1,381	2.0	1,262	1.9	1,248	1.8	1,187	2.0
Principal on current refunding	956	1.4	522	0.8	188	0.3	250	0.4	203	0.3
Other financing uses:										
Payments to refunding bond escrow agent	—	—	628	0.9	2,304	3.4	2,613	3.9	615	1.0
Transfers	7,709	11.4	6,838	10.1	7,215	10.6	7,094	10.5	6,676	11.1
Total expenditures and other financing uses	<u>\$ 67,503</u>	<u>100.0</u>	<u>\$ 67,748</u>	<u>100.0</u>	<u>\$ 68,114</u>	<u>100.0</u>	<u>\$ 67,781</u>	<u>100.0</u>	<u>\$ 59,973</u>	<u>100.0</u>
Change in Governmental Fund Balance	<u>\$ 2,273</u>		<u>\$ 1,241</u>		<u>\$ 324</u>		<u>\$ (32)</u>		<u>\$ 686</u>	

* Reflects departmental and functional reorganizations as of the year implemented. Prior years not restated.

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2014	% Total	2013	% Total	2012	% Total	2011	% Total	2010	% Total
\$ 56	0.1	\$ 57	0.1	\$ 58	0.1	\$ 58	0.1	\$ 59	0.1
816	1.4	792	1.4	757	1.4	771	1.4	769	1.5
6	—	6	—	3	—	4	—	4	—
5	—	6	—	7	—	5	—	5	—
51	0.1	49	0.1	41	0.1	45	0.1	52	0.1
5,327	9.5	5,307	9.5	5,282	9.9	5,084	9.6	4,862	9.7
18	—	18	—	17	—	18	—	18	—
88	0.2	76	0.1	55	0.1	34	0.1	52	0.1
2	—	2	—	2	—	2	—	2	—
115	0.2	115	0.2	110	0.2	104	0.2	102	0.2
1	—	1	—	1	—	3	—	1	—
565	1.0	541	1.0	529	1.0	514	1.0	394	0.8
2	—	2	—	2	—	2	—	2	—
25	—	25	—	24	—	25	—	28	0.1
23	—	14	—	1	—	—	—	—	—
16	—	14	—	14	—	14	—	13	—
2,296	4.0	2,295	4.1	1,949	3.7	1,852	3.3	1,686	3.3
410	0.7	365	0.6	351	0.7	368	0.7	403	0.8
6,957	12.1	7,384	13.1	7,301	13.6	6,791	12.8	6,655	12.9
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	474	0.9
2,296	4.0	1,785	3.1	1,679	3.1	2,086	3.9	1,209	2.3
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
3,201	5.6	3,008	5.3	3,069	5.8	3,232	6.1	2,968	5.8
26	—	9	—	—	—	—	—	—	—
869	1.5	1,037	1.8	975	1.8	791	1.5	973	1.9
1,274	2.2	1,296	2.3	1,208	2.3	1,146	2.2	1,282	2.5
1,035	1.8	988	1.7	999	1.9	1,082	2.0	1,060	2.1
330	0.6	350	0.6	455	0.9	478	0.9	447	0.9
14,035	24.4	12,286	21.7	11,708	22.0	12,124	22.8	10,678	20.8
865	1.5	878	1.5	801	1.5	744	1.4	587	1.1
5,353	9.3	5,179	9.1	4,991	9.4	4,846	9.1	5,030	9.8
—	—	—	—	—	—	—	—	1	—
999	1.7	854	1.5	847	1.6	885	1.7	1,300	2.5
—	—	—	—	—	—	—	—	—	—
1,546	2.7	1,525	2.7	1,297	2.4	1,071	2.0	1,300	2.5
1,223	2.1	1,229	2.2	1,207	2.3	1,149	2.2	1,107	2.2
159	0.3	230	0.4	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
562	1.0	2,046	3.6	388	0.7	945	1.8	537	1.0
6,907	12.0	6,972	12.3	7,189	13.5	6,947	13.1	7,395	14.4
<u>\$ 57,461</u>	<u>100.0</u>	<u>\$ 56,739</u>	<u>100.0</u>	<u>\$ 53,319</u>	<u>100.0</u>	<u>\$ 53,217</u>	<u>100.0</u>	<u>\$ 51,455</u>	<u>100.3</u>
<u>\$ (251)</u>		<u>\$ (1,448)</u>		<u>\$ 1,051</u>		<u>\$ 681</u>		<u>\$ (476)</u>	

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

	2018	2017	2016	2015	2014
Total personal income	\$ 483,433	\$ 450,962	\$ 442,500	\$ 415,636	\$ 396,206
Unearned income.....	118,567	111,017	108,349	97,728	94,494
Farm earnings.....	103	129	151	195	178
Nonfarm earnings.....	364,763	339,816	334,000	317,713	301,534
Private earnings	349,476	323,875	319,931	272,533	262,843
Agricultural services, forestry, fishing.....	659	716	677	406	354
Mining.....	274	608	379	276	270
Construction.....	23,177	20,609	19,473	17,197	15,481
Manufacturing	27,271	26,550	27,181	26,497	25,921
Durable goods.....	19,239	18,709	18,894	18,193	18,224
Nondurable goods.....	8,032	7,841	8,287	8,304	7,697
Transportation and utilities.....	9,667	8,649	8,330	7,600	7,295
Wholesale trade.....	15,102	14,830	14,621	13,938	13,546
Retail trade.....	16,432	15,982	15,520	14,716	14,137
Services.....	256,894	235,931	233,750	191,903	185,839
Government	42,557	42,492	41,130	39,921	38,691
Federal, civilian.....	5,458	5,477	5,427	5,202	5,007
Military.....	900	891	860	860	874
State and local.....	36,199	36,124	34,843	33,859	32,810
Personal income tax revenue (fiscal year, statutory basis)...	\$ 17,109	\$ 16,240	\$ 14,394	\$ 14,449	\$ 13,202
Total personal income.....	\$ 483,433	\$ 450,962	\$ 442,500	\$ 415,636	\$ 396,206
Average Effective Rate.....	3.54%	3.60%	3.25%	3.48%	3.33%
Highest Earned Income Tax Rate.....	5.05%	5.10%	5.10%	5.15%	5.20%

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System and the Massachusetts Department of Revenue. Average effective rate is individual income tax revenue divided by personal income.

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2013	2012	2011	2010	2009
\$ 381,271	\$ 363,944	\$ 352,243	\$ 336,400	\$ 324,681
91,615	87,333	83,338	81,190	78,336
151	150	136	186	137
289,505	276,461	268,769	255,024	246,208
252,939	243,503	236,764	223,785	215,397
373	426	409	383	376
201	113	124	97	101
14,759	13,426	12,526	11,687	11,717
25,341	26,375	25,388	25,108	23,290
17,977	19,223	18,319	18,053	16,466
7,364	7,152	7,069	7,055	6,824
7,083	6,742	6,604	6,208	6,029
13,483	12,979	13,082	12,501	12,458
13,565	13,333	12,891	12,599	12,255
178,134	170,109	165,740	155,202	149,171
36,567	32,959	32,006	31,241	30,812
4,792	5,442	5,426	5,431	5,314
943	1,221	1,245	1,260	1,220
30,832	26,296	25,335	24,550	24,278

\$ 12,831	\$ 11,911	\$ 11,576	\$ 10,110	\$ 10,584
\$ 381,271	\$ 363,944	\$ 352,243	\$ 336,400	\$ 324,680
3.37%	3.27%	3.29%	3.01%	3.26%
5.25%	5.25%	5.30%	5.30%	5.30%

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2017 and 2008

(Amounts, except income level are in thousands)

Calendar Year 2017 (or Fiscal Year 2018)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	831,688	21.5%	\$ 11,274,838	74.7%
\$75,001 - \$100,000.....	319,109	8.2%	1,168,285	7.7%
\$50,001 - \$75,000.....	514,219	13.3%	1,279,064	8.5%
\$25,001 - \$50,000.....	827,507	21.3%	1,071,015	7.1%
\$10,001 - \$25,000.....	659,444	17.0%	274,512	1.8%
\$10,000 and lower	726,197	18.7%	34,033	0.2%
Total.....	<u>3,878,164</u>	<u>100.0%</u>	<u>\$ 15,101,747</u>	<u>100.0%</u>

Calendar Year 2008 (or Fiscal Year 2009)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	587,308	16.9%	\$ 7,004,100	66.1%
\$75,001 - \$100,000.....	290,124	8.3%	1,082,830	10.2%
\$50,001 - \$75,000.....	465,154	13.3%	1,181,520	11.1%
\$25,001 - \$50,000.....	782,365	22.4%	1,037,660	9.8%
\$10,001 - \$25,000.....	645,107	18.5%	263,510	2.5%
\$10,000 and lower	719,002	20.6%	31,190	0.3%
Total.....	<u>3,489,060</u>	<u>100.0%</u>	<u>\$ 10,600,810</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue - 2017 is the most recent tax year for which complete data is available.

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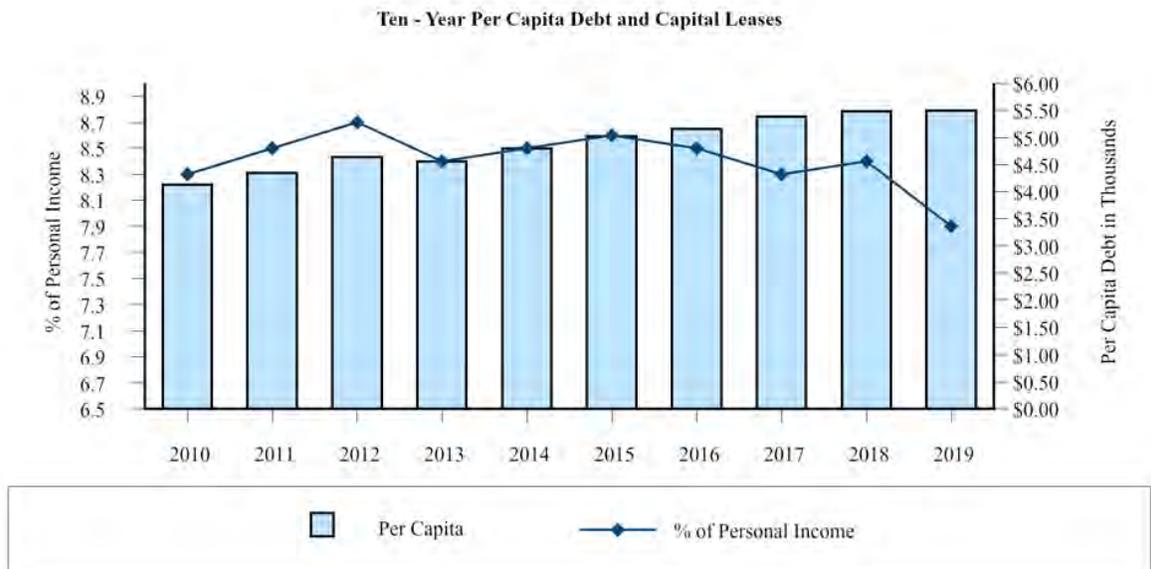
Ten -Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases

(Amounts in thousands, except for percentages)

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Prior Year Personal Income	Massachusetts Resident Population (4)	Debt as a % of Personal Income	Amount of Debt Per Capita
	Bonded Debt (1)	Capital Leases	MSBA Bonded debt (2)	Bonded Debt (3)	Capital Leases						
2019	\$ 27,739,221	\$ 19,835	\$ 6,054,994	\$ 4,284,704	\$ 9,589	\$ 38,108,343	\$ 483,433,495	6,902	7.9%	\$ 5.52	
2018	27,360,819	22,492	5,990,554	4,438,502	9,825	37,822,192	450,961,579	6,863	8.4%	5.51	
2017	26,445,665	30,856	5,828,790	4,529,353	8,979	36,843,643	442,500,000	6,826	8.3%	5.40	
2016	25,079,591	41,302	5,624,275	4,438,282	9,887	35,193,337	415,636,000	6,796	8.5%	5.18	
2015	23,826,301	42,928	5,714,410	4,553,105	9,895	34,146,639	396,206,000	6,764	8.6%	5.05	
2014	22,419,852	55,878	5,632,470	4,243,731	14,529	32,366,460	381,271,000	6,714	8.5%	4.82	
2013	21,513,039	50,831	5,195,160	3,736,432	19,299	30,514,761	363,943,750	6,663	8.4%	4.58	
2012	21,907,683	60,457	5,443,265	3,370,389	23,327	30,805,121	352,242,750	6,613	8.7%	4.66	
2011	20,875,055	60,975	4,395,390	3,277,413	31,105	28,639,938	336,399,750	6,566	8.5%	4.36	
2010	19,726,507	76,608	4,488,535	2,731,124	40,924	27,063,698	324,680,250	6,518	8.3%	4.15	

- (1) Excludes Massachusetts School Building Authority debt. Amounts of bonded debt for governmental activities are the amount of debt for statutory debt calculation purposes. For fiscal 2010 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are calculated using net proceeds; fiscal 2013 and thereafter are calculated using principal.
- (2) The Massachusetts School Building Authority (MSBA) is presented as a blended component unit in these financial statements.
- (3) Business-type activities bond debt includes notes payable of the Institutions of Higher Education.
- (4) Population estimates have been restated to most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year. *Source - [HTTP //www.fedstats.gov](http://www.fedstats.gov) (US Census Bureau.)*

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Ten Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

(Amounts in thousands)

	2019 (3)	2018 (3)	2017 (3)	2016 (3)	2015 (3)
Outstanding principal as of June 30 (1).....	\$ 27,739,221	\$ 27,360,819	\$ 26,445,665	\$ 25,079,591	\$ 23,826,301
Plus/(less) amounts excluded:					
Net amortized (discount)/premium and issuance costs	—	—	—	—	—
Total net proceeds/principal	27,739,221	27,360,819	26,445,665	25,079,591	23,826,301
Less net proceeds/principal of direct debt excluded from statutory debt limit:					
Central artery project bonds	(1,013,492)	(1,092,519)	(1,110,195)	(1,150,296)	(1,197,127)
Accelerated bridge program	(2,349,950)	(2,429,000)	(2,380,740)	(2,192,930)	(2,195,004)
County debt assumed.....	—	—	—	—	—
(Premium)/discount	—	—	—	—	—
Grant anticipation notes (2).....	—	—	—	—	—
School Modernization and Reconstruction Trust Bonds...	(574,902)	(598,985)	(632,348)	(652,197)	(689,446)
Convention center bonds	(527,635)	(552,110)	(575,420)	(597,630)	(618,705)
MBTA forward funding bonds	(207)	(207)	(207)	(207)	(207)
Special obligation gas bonds	(80,930)	(105,230)	(128,270)	(170,735)	(210,635)
Rail enhancement program bonds (4)	(1,104,610)	(1,131,105)	(644,540)	—	—
Outstanding direct debt, net proceeds/principal	22,087,495	21,451,663	20,973,945	20,315,596	18,915,177
Statutory debt limit*	24,019,204	22,875,433	21,786,126	20,748,692	19,760,659
Debt margin (debt limit less direct debt).....	<u>\$ 1,931,709</u>	<u>\$ 1,423,770</u>	<u>\$ 812,181</u>	<u>\$ 433,096</u>	<u>\$ 845,482</u>
Debt margin as a percentage of direct debt limit.....	<u>8.0%</u>	<u>6.2%</u>	<u>3.7%</u>	<u>2.1%</u>	<u>4.3%</u>

(1) Exclusive of the Massachusetts School Building Authority debt.

(2) Inclusive of crossover refunding amounts.

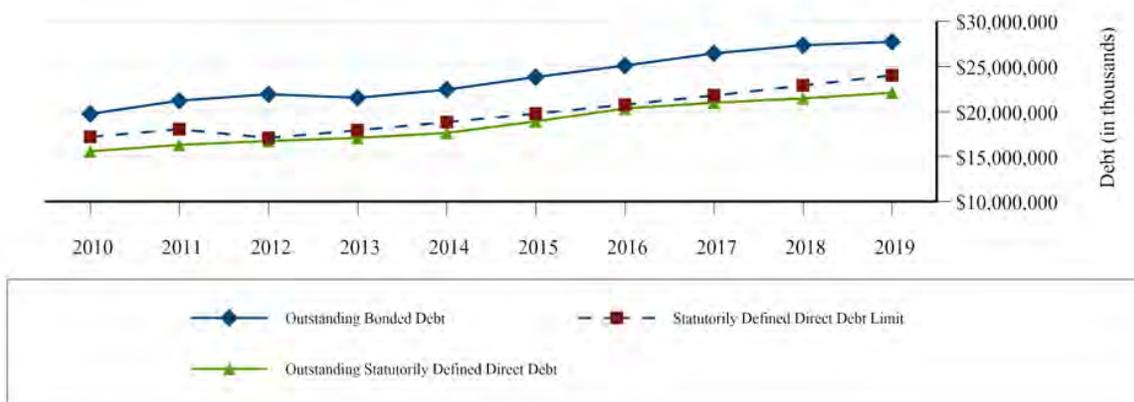
(3) For fiscal 2009 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are calculated using net proceeds; fiscal 2013 and thereafter are calculated using principal.

(4) Section 4 of Chapter 220 of the Acts of 2016 exempted bonds issued under the Rail Enhancement Program from the statutory debt limit.

* Section 60A of Chapter 165 of the Acts of 2012, as amended, reset the statutory defined debt limit, effective July 1, 2012, to \$17.070 billion

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**Outstanding Bonded Debt, Statutory Direct Debt and Statutory Debt Limit
2010 - 2019**



2014 (3)	2013 (3)	2012	2011	2010
\$ 22,419,852	\$ 21,513,039	\$ 21,433,553	\$ 20,875,056	\$ 19,509,819
—	—	474,130	335,078	216,688
22,419,852	21,513,039	21,907,683	21,210,134	19,726,507
(1,241,263)	(1,303,013)	(1,342,841)	(1,356,606)	(1,243,250)
(1,756,395)	(1,088,605)	(1,095,385)	(676,125)	—
—	—	(75)	(150)	(225)
—	—	(474,130)	(335,078)	216,688
(178,390)	(349,100)	(510,385)	(666,790)	(997,467)
(723,917)	(764,337)	(795,009)	(824,279)	(894,502)
(638,700)	(638,700)	(638,700)	(643,715)	(643,715)
(207)	(207)	(207)	(44,472)	(165,559)
(249,705)	(296,395)	(337,545)	(371,665)	(419,785)
—	—	—	—	—
17,631,275	17,072,682	16,713,406	16,291,254	15,578,692
18,819,675	17,923,500	17,070,000	18,042,424	17,183,261
\$ 1,188,400	\$ 850,818	\$ 356,594	\$ 1,751,170	\$ 1,604,569
6.3%	4.7%	2.1%	9.7%	9.3%

Ten Fiscal Year Schedule of Pledged Revenue Coverage
Special Obligation Highway Bonds (Motor Fuels Taxation and Motor Vehicle Fees), Convention Center Bonds (Tax Incremental Financing) and
Grant Anticipation Notes (Federal Highway Grants)
(Statutory Basis, Amounts in Thousands, Except for Ratios)

	2019	2018	2017	2016	2015
Highway Bonds					
For issues prior to December 2010, the bonds are secured by a pledge of 6.86¢ of the 21¢ per gallon state gasoline excise tax for FY2008 and before. For FY2009 and after, the pledge is up to 10¢ of the tax. Bonds issued in December 2010, May 2012 and November 2013 (Commonwealth Transportation Fund, or "CTF bonds") are secured by a senior lien on 17.085 cents of the total 24 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited in the Commonwealth Transportation Fund. Federal Build America Bonds subsidies are also pledged to all CTF bonds. The bonds also have a subordinate lien on 6.86¢ of the 24¢ per gallon gasoline tax not included in the senior lien. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds/Recovery Zone Economic Development Bonds; the programs provide an interest subsidy of 35-45% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.					
Pre-2010 Bond Issues					
Tax Receipts.....	\$ 192,614	\$ 191,183	\$ 191,820	\$ 190,803	\$ 187,913
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 192,614	\$ 191,183	\$ 191,820	\$ 190,803	\$ 187,913
Annual Debt Service.....	\$ 29,818	\$ 29,825	\$ 51,276	\$ 50,906	\$ 52,225
Debt Service Coverage Ratio.....	6.46	6.41	3.74	3.75	3.60
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AAA				
Post-2010 Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds)					
Receipts.....	\$ 1,373,116	\$ 1,362,788	\$ 1,326,734	\$ 1,294,357	\$ 1,283,248
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,373,116	\$ 1,362,788	\$ 1,326,734	\$ 1,294,357	\$ 1,283,248
Annual Debt Service.....	\$ 176,189	\$ 149,968	\$ 129,024	\$ 94,859	\$ 81,054
Debt Service Coverage Ratio.....	7.79	9.09	10.28	13.65	15.83
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, Aaa, AAA				
Convention Center Bonds					
These bonds are secured by amounts payable to the Convention Center Fund, which include certain hotel tax receipts in Boston, Cambridge, Springfield, surcharges on car rentals, parking, sightseeing tours and cruises and sales tax receipts in those cities. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table.					
Receipts.....	\$ 164,197	\$ 146,872	\$ 133,789	\$ 134,806	\$ 124,937
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 164,197	\$ 146,872	\$ 133,789	\$ 134,806	\$ 124,937
Annual Debt Service.....	\$ 54,601	\$ 54,473	\$ 54,540	\$ 54,540	\$ 52,852
Debt Service Coverage Ratio.....	3.01	2.70	2.45	2.47	2.36
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, A1, A				
Grant Anticipation Notes (GANS)					
Notes issued prior to December 2010 ("Senior Federal Highway Notes") were secured by all federal highway reimbursements, which are deposited in the Grant Anticipation Note Trust fund. The outstanding pre-December 2010 notes were retired in June 2015 and Notes issued in December 2010 ("Federal Highway Grant Anticipation Notes") and after are secured by all federal highway reimbursements. Revenues pledged to the notes are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds; the program provides an interest subsidy of 35% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.					
Post 2010 GANS (Includes Revenues in Excess of those Needed to Pay Debt Service on Pre-2010 Highway Bonds)					
Receipts.....	\$ 1,771,001	\$ 1,756,726	\$ 1,734,397	\$ 1,707,187	\$ 1,556,243
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,771,001	\$ 1,756,726	\$ 1,734,397	\$ 1,707,187	\$ 1,556,243
Annual Debt Service.....	\$ 86,093	\$ 83,804	\$ 80,486	\$ 76,049	\$ 33,472
Debt Service Coverage Ratio.....	20.57	20.96	21.55	22.45	46.49
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AAA				

*Uninsured rating, if available.

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2014	2013	2012	2011	2010
\$ 187,467	\$ 186,638	\$ 190,129	\$ 189,763	\$ 188,666
N/A	N/A	N/A	N/A	N/A
\$ 187,467	\$ 186,638	\$ 190,129	\$ 189,763	\$ 188,666
\$ 52,228	\$ 58,922	\$ 58,939	\$ 59,453	\$ 58,931
3.59	3.17	3.23	3.19	3.2
AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA, Aa1, AAA	AA, Aa2, AA+
\$ 1,210,405	\$ 1,170,297	\$ 1,121,709	\$ 626,619	
N/A	N/A	N/A	N/A	
\$ 1,210,405	\$ 1,170,297	\$ 1,121,709	\$ 626,619	
\$ 69,921	\$ 58,108	\$ 32,623	\$ 14,318	
17.31	20.14	34.38	43.76	
NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	
\$ 109,879	\$ 100,631	\$ 94,234	\$ 84,905	\$ 75,432
N/A	N/A	N/A	N/A	N/A
\$ 109,879	\$ 100,631	\$ 94,234	\$ 84,905	\$ 75,432
\$ 34,486	\$ 34,486	\$ 34,486	\$ 34,486	\$ 34,486
3.19	2.92	2.73	2.46	2.19
NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A
\$ 1,562,732	\$ 1,575,266	\$ 1,674,485	\$ 909,546	
N/A	N/A	N/A	N/A	
\$ 1,562,732	\$ 1,575,266	\$ 1,674,485	\$ 909,546	
\$ 4,268	\$ 4,973	\$ 4,271	\$ 2,039	
366.15	316.76	392.06	446.07	
AA+, Aa1, AAA	AA+, Aa2, AAA	AA+, Aa2, AAA	AA+, Aa2, AAA	

**Ten-Year Schedule of Percentage of Annual Debt Service Expenditures
For General Bonded Debt to Total Non-Capital Expenditures - Fund Perspective
All Governmental Fund Types**

(Amounts in thousands)

Fiscal year ended June 30	Debt service ⁽¹⁾	Total non-capital expenditures ⁽²⁾	Ratio (%)
2019	\$ 3,489,029	\$ 58,502,774	6.0
2018	3,040,834	56,925,468	5.3
2017	2,667,043	54,239,919	4.9
2016	2,720,117	53,748,227	5.1
2015	2,703,200	51,171,135	5.3
2014	2,534,285	48,312,870	5.2
2013	2,351,074	45,733,298	5.1
2012	2,160,589	44,070,405	4.9
2011	1,904,881	43,881,014	4.3
2010	2,116,507	40,152,632	5.3

(1) Business type activities debts are secured solely by leases between the Institutions of Higher Education and two blended building authorities. Excludes Massachusetts School Building Authority debt service paid by the Authority.

(2) Expenditures are shown net of Massachusetts School Building Authority expenditures as they are school building assistance capital grants to local cities and towns.

See Independent Auditors' Report

Debt Service to Non-Capital Expenditures Ratio 2010 - 2019



**Component Units Revenue Bond Coverage
For the Last Ten Fiscal Years**

(Amounts in thousands)

Fiscal year ended June 30	Net Revenues ⁽¹⁾	Debt service requirements ⁽²⁾	Coverage Ratio (%)
2019	\$ 2,073,011	\$ 1,431,521	1.45
2018	1,831,742	1,322,491	1.39
2017	1,763,564	1,169,651	1.51
2016	1,817,135	1,298,267	1.40
2015	1,950,292	1,417,420	1.38
2014	1,481,374	1,126,392	1.32
2013	1,585,500	1,244,358	1.27
2012	1,584,013	1,517,899	1.04
2011	1,444,813	1,170,149	1.23
2010	1,460,045	1,383,231	1.06

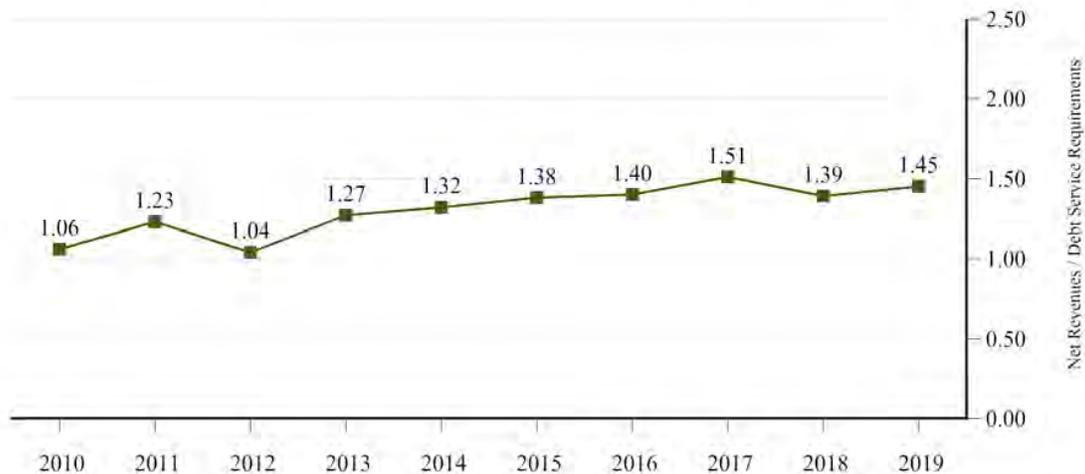
(1) Net revenues represent revenue pledged and available for the repayment of revenue bonds. In most cases, revenue pledged for the bonds is available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable when calculating debt service coverage and are not subtracted from pledged revenues.

(2) Debt service requirements represent total debt service payments made less debt service paid on short-term borrowings of only those Authorities with revenue bonds outstanding.

Source: Office of the Comptroller

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Component Units Revenue Bond Coverage 2010 - 2019



Ten-Year Schedule of Massachusetts and United States Resident Population

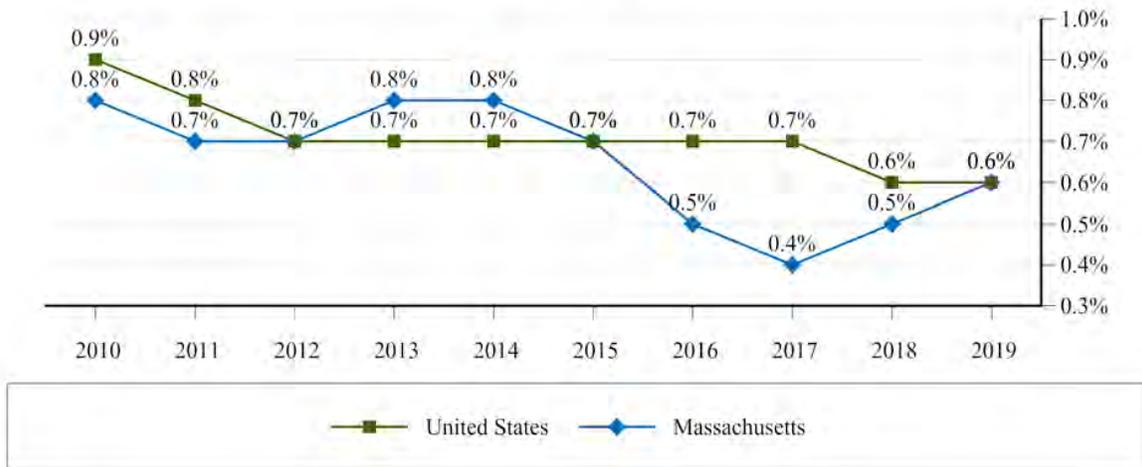
(Amounts in thousands)

Beginning of Fiscal Year	Massachusetts Resident Population ⁽¹⁾	% Change	United States Resident Population (1)	% Change	Massachusetts as % of U.S.
2019	6,902	0.6%	327,167	0.6%	2.1%
2018	6,863	0.5%	325,147	0.6%	2.1%
2017	6,826	0.4%	323,071	0.7%	2.1%
2016	6,796	0.5%	320,743	0.7%	2.1%
2015	6,764	0.7%	318,386	0.7%	2.1%
2014	6,714	0.8%	316,058	0.7%	2.1%
2013	6,663	0.8%	313,874	0.7%	2.1%
2012	6,613	0.7%	311,580	0.7%	2.1%
2011	6,566	0.7%	309,326	0.8%	2.1%
2010	6,518	0.8%	306,772	0.9%	2.1%

(1) Population estimates have been restated using most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year and has been restated to most recent United States Census Bureau Data.

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**Massachusetts and United States Estimated Year-to-Year Population Change
2010 - 2019**

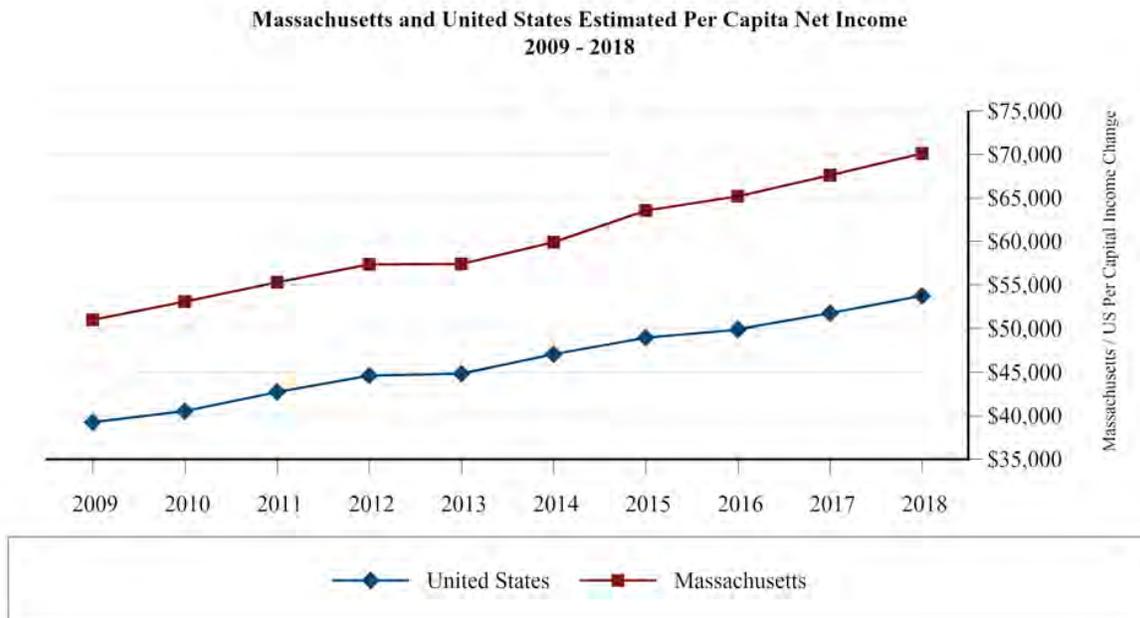


Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

Calendar year	Massachusetts	% Change	United States	% Change	Massachusetts as % of U.S.
2018	\$ 70,073	3.7 %	\$ 53,712	3.8 %	130.5%
2017	67,596	3.7 %	51,731	3.7 %	130.7%
2016	65,164	2.6 %	49,883	1.8 %	130.6%
2015	63,505	6.0 %	48,985	4.1 %	129.6%
2014	59,892	4.4 %	47,060	4.9 %	127.3%
2013	57,394	0.1 %	44,851	0.6 %	128.0%
2012	57,323	3.7 %	44,599	4.4 %	128.5%
2011	55,273	4.2 %	42,735	5.4 %	129.3%
2010	53,061	4.1 %	40,546	3.2 %	130.9%
2009	50,962	(1.7)%	39,284	(4.0)%	129.7%

Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates released on March 26, 2019.

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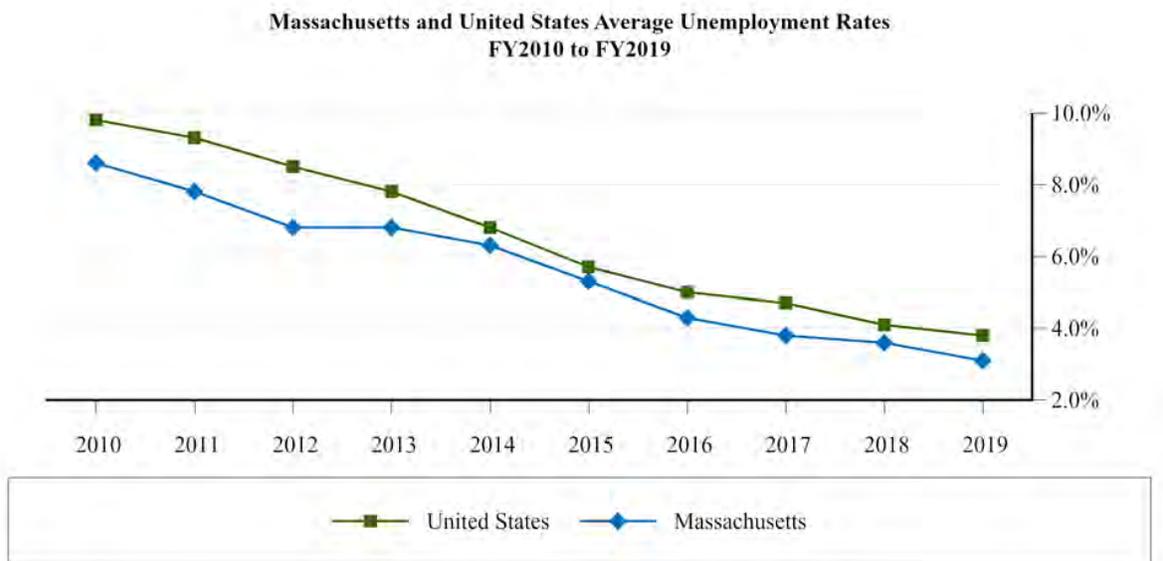
**Ten-Year Schedule of Fiscal Year Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates
For Massachusetts and the United States**

(Amounts in thousands)

Fiscal Year	Massachusetts			United States			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
2019	3,835	118	3.1%	162,691	6,127	3.8%	81.7%
2018	3,748	135	3.6%	161,166	6,624	4.1%	87.6%
2017	3,657	138	3.8%	159,792	7,441	4.7%	81.0%
2016	3,592	155	4.3%	158,028	7,892	5.0%	86.4%
2015	3,596	189	5.3%	156,617	8,906	5.7%	92.4%
2014	3,531	221	6.3%	155,470	10,514	6.8%	92.5%
2013	3,504	238	6.8%	155,346	12,079	7.8%	87.4%
2012	3,472	237	6.8%	154,297	13,153	8.5%	80.1%
2011	3,472	270	7.8%	153,615	14,252	9.3%	83.8%
2010	3,478	299	8.6%	153,906	15,009	9.8%	88.2%

Source: Federal Bureau of Labor Statistics, August 2019. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics

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Largest Private Sector Massachusetts Employers 2019 and 2010

(Alphabetical Order)

2019			2010		
Employer	Headquarters	Product or Service	Employer	Headquarters	Product or Service
Bay State Medical Center, Inc	Springfield	Hospital	Bay State Medical Center, Inc	Springfield	Hospital
Beth Israel Deaconess Medical Center	Boston	Hospital	Beth Israel Deaconess Medical Center	Boston	Hospital
Boston Medical Center Corporation	Boston	Hospital	Boston Medical Center Corporation	Boston	Hospital
Boston University	Boston	University	Boston University	Boston	University
Brigham and Women's Hospital, Inc	Boston	Hospital	Brigham and Women's Hospital, Inc	Boston	Hospital
DeMoulas Supermarkets, Inc	Tewksbury	Supermarket	DeMoulas Supermarkets, Inc	Tewksbury	Supermarket
EMC Corporation	Hopkinton	Computer Storage & Peripherals	EMC Corporation	Hopkinton	Computer Storage & Peripherals
General Hospital Corporation	Boston	Hospital	General Hospital Corporation	Boston	Hospital
Harvard University	Cambridge	University	Harvard University	Cambridge	University
Massachusetts Institute of Technology	Cambridge	University	Massachusetts Institute of Technology	Cambridge	University
Northeastern University	Boston	University	Raytheon Company	Lexington	Electronics / Defense
Partners Healthcare Systems, Inc	Boston	Hospital	S & S Credit Company, Inc	Quincy	Supermarket
Raytheon Company	Lexington	Electronics / Defense	Shaw's Supermarkets, Inc	West Bridgewater	Supermarket
The Stop & Shop Supermarkets, Co	Quincy	Supermarket	Southcoast Hospitals Group	New Bedford	Hospital
Shaw's Supermarkets, Inc	West Bridgewater	Supermarket	State Street Bank and Trust Company	Boston	Banking
State Street Bank and Trust Company	Boston	Banking	The Children's Hospital Corporation	Boston	Hospital
The Children's Hospital Corporation	Boston	Hospital	Tufts University	Boston	University
The TJX Companies, Inc	Framingham	Retail	UMASS Memorial Medical Center, Inc	Worcester	Hospital
UMASS Memorial Medical Center, Inc	Worcester	Hospital			

Source Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance - March 2019 survey. In addition, CVS Pharmacy, Inc, Home Depot U.S.A.; Inc., Target Corp, United Parcel Services, Inc., Wal-Mart Associates, Inc. and Whole Foods Market Group, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. Verizon New England is a subsidiary of Verizon Communications, headquartered in New York. The information is based on employers registered for unemployment insurance. The list may not include those employers who do business in Massachusetts under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.

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Full Time Equivalent Employees
By Function/Program
Last Ten Years

Functions/Programs	2019	2018	2017	2016	2015
General government.....	6,900	6,855	6,905	7,018	7,696
Judiciary.....	7,164	7,229	7,208	7,264	7,264
Energy and environmental affairs.....	2,614	2,533	2,509	2,539	2,689
Health and human services	22,209	22,104	21,817	21,557	22,060
Transportation and construction	3,555	3,527	3,482	4,004	4,357
Education	852	821	815	907	970
Public safety and homeland security	16,676	16,502	16,522	16,868	17,057
Housing and economic development.....	922	918	818	844	884
Higher Education:					
University of Massachusetts	15,193	14,737	15,032	15,130	14,670
State universities	5,219	5,233	5,186	5,050	5,036
Community colleges	4,816	4,917	5,066	5,032	5,077
Totals	86,120	85,376	85,360	86,213	87,760
Percentage change.....	0.9%	—%	(1.0)%	(1.8)%	1.5%

Source: Office of the State Comptroller

"Education" includes the Department of Elementary and Secondary Education, the Executive Office of Education, the Board of Higher Education and Early Education and Care. Transportation and construction includes MassDOT. FTE's are rounded. Prior years not restated for changes. Includes approximately 6,600 FTEs transferred to the Commonwealth's payroll in FY10 and FY09 in the categories of Higher Education, Transportation and construction and Public safety and homeland security.

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2014	2013	2012	2011	2010	Change - 2019 from 2010
7,637	7,627	7,408	8,020	8,280	(16.7)%
7,195	7,297	7,087	7,111	7,388	(3.0)%
2,629	2,684	2,685	2,737	2,783	(6.1)%
21,496	21,996	21,042	21,011	21,401	3.8 %
4,301	4,243	4,230	4,209	4,127	(13.9)%
1,099	928	922	1,037	1,575	(45.9)%
17,215	16,907	16,503	15,785	15,857	5.2 %
891	868	845	831	846	9.0 %
14,066	14,688	14,159	14,159	14,031	8.3 %
4,969	4,856	4,747	4,487	4,282	21.9 %
4,990	5,111	4,834	4,684	4,276	12.6 %
86,488	87,205	84,462	84,071	84,846	1.5 %
<u>(0.8)%</u>	<u>3.2%</u>	<u>0.5%</u>	<u>(0.9)%</u>	<u>2.2%</u>	

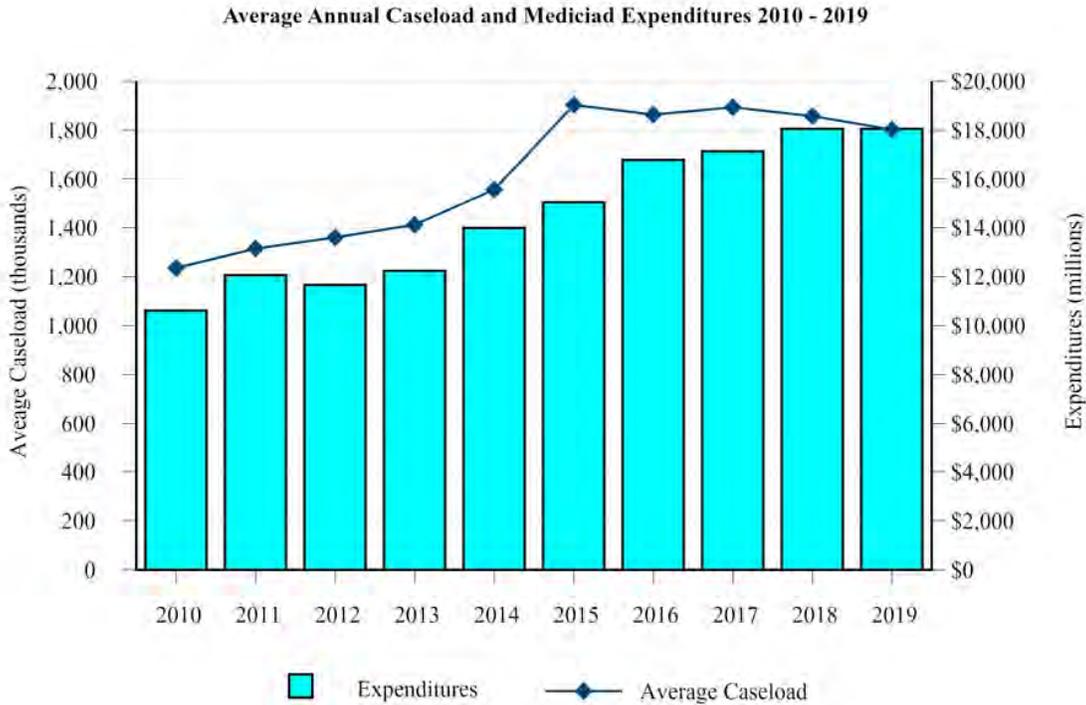
**Average Annual Medicaid Caseload and
Medicaid Expenditures - Fund Perspective
Last Ten Fiscal Years**

(Caseload amount in thousands, expenditure amounts in millions)

Fiscal year ended June 30	Average annual caseload	Medicaid expenditures	Average expenditures per case
2019*	1,803	\$18,094	\$10,035
2018*	1,857	18,106	9,750
2017*	1,893	17,183	9,077
2016*	1,863	16,825	9,031
2015*	1,903	15,087	7,928
2014*	1,556	14,035	9,020
2013	1,413	12,286	8,695
2012	1,361	11,708	8,602
2011	1,315	12,124	9,220
2010	1,263	10,678	8,454

* Includes members in transitional coverage program starting January 1, 2014.

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Massachusetts Road Inventory
Calendar Year End, Lane Miles by Type
Last Ten Calendar Years

Calendar Year	Interstate	Arterial	Collector	Local	Total	% Change	Total	
							Urban	Total Rural
2018	3,199	15,587	9,047	44,383	72,216	(0.58)%	85.7%	14.3%
2017	3,204	15,618	9,051	44,761	72,634	1.16 %	85.9%	14.1%
2016	3,204	15,624	9,050	43,926	71,804	(1.02)%	85.9%	14.1%
2015	3,204	15,641	9,048	44,654	72,547	0.24 %	85.8%	14.2%
2014	3,211	15,645	9,048	44,472	72,376	(0.01)%	85.7%	14.3%
2013	3,211	15,674	9,058	44,438	72,381	0.16 %	85.7%	14.3%
2012	3,212	15,639	9,038	44,379	72,268	0.13 %	85.8%	14.2%
2011	3,212	15,051	9,611	44,300	72,174	0.2 %	81.1%	18.9%
2010	3,210	15,047	9,607	44,169	72,033	0.2 %	81.1%	18.9%
2009	3,212	14,974	9,589	44,112	71,887	0.3 %	81.1%	18.9%

Source: Massachusetts Highway Department, Bureau of Transportation Planning and Development Annual Road Inventory Reports, Lane Miles Table 8. Exclusive of shoulders

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**Massachusetts Real Property Owned and Leased
Annual Inventory, Acreage, Improvements and Square Footage
Last Ten Years**

Functions/Programs	Survey Year 2019	Survey Year 2018	Survey Year 2017	Survey Year 2016	Survey Year 2015
General Government:					
Total Acreage	4,812	5,108	4,964	2,488	2,574
Number of Improvements	307	287	268	118	173
Gross square footage	6,056,184	5,848,109	6,054,449	4,808,125	6,803,498
Judiciary:					
Total Acreage	152	155	154	153	153
Number of Improvements	69	73	75	75	75
Gross square footage	4,763,973	4,935,067	5,224,810	4,843,949	4,843,949
Energy and environmental affairs:					
Total Acreage	692,352	689,821	688,129	680,310	674,046
Number of Improvements	2,625	2,352	2,184	2,186	2,186
Gross square footage	12,292,810	8,410,119	8,214,843	8,134,142	8,134,142
Housing and economic development:					
Total Acreage	2	2	2	2	2
Number of Improvements	6	6	6	6	6
Gross square footage	78,012	78,012	78,012	78,012	78,012
Health and human services:					
Total Acreage	2,560	2,760	2,862	5,568	5,623
Number of Improvements	462	455	455	627	627
Gross square footage	7,908,283	8,390,655	8,131,022	8,361,435	8,360,310
Transportation and public works:					
Total Acreage	6,951	7,160	7,195	6,968	6,966
Number of Improvements	971	965	952	930	929
Gross square footage	6,296,235	6,273,557	6,123,984	5,820,282	4,919,282
Education:					
Total Acreage	208	220	208	208	208
Number of Improvements	30	40	40	40	40
Gross square footage	223,706	207,633	207,633	207,633	207,633
Public safety and homeland security:					
Total Acreage	10,336	12,071	19,271	19,150	19,150
Number of Improvements	1,129	1,100	1,118	1,063	1,014
Gross square footage	15,394,170	15,176,714	14,998,157	13,845,503	13,376,555
Higher Education:					
Total Acreage	5,923	5,715	6,770	7,244	7,243
Number of Improvements	1,185	1,136	1,101	1,078	1,076
Gross square footage	42,092,601	40,434,772	43,339,713	38,443,057	38,411,260
Totals for Commonwealth (exclusive of Component Units):					
Total Acreage	723,296	723,012	729,555	722,091	715,965
Number of Improvements	6,784	6,414	6,199	6,123	6,126
Gross square footage	95,105,974	89,754,638	92,372,623	84,542,138	85,134,641
Percentage Change for Commonwealth:					
Acreage	—%	(0.9)%	1.0%	0.9 %	0.7%
Improvement	5.8%	3.5 %	1.2%	— %	2.5%
Gross square footage	6.0%	(2.8)%	9.3%	(0.7)%	6.4%

Source: Executive Office of Administration and Finance, Division of Capital Asset Management and Maintenance. See <http://www.mass.gov/anf/property-mgmt-and-construction/sale-and-lease-of-state-assets/comprehensive-real-estate-serv/massets-reports.html>

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Survey Year 2014	Survey Year 2013	Survey Year 2012	Survey Year 2011	Survey Year 2010
3,114	3,101	3,039	2,993	2,373
513	333	279	255	227
10,916,681	9,076,550	7,690,761	7,206,548	6,797,819
149	148	148	141	141
74	73	73	68	68
5,310,049	4,700,920	4,700,920	4,787,564	4,787,564
668,631	652,400	642,799	627,286	623,952
1,806	2,192	2,191	2,182	2,183
6,507,161	7,287,961	7,283,666	7,295,922	7,299,322
—	2	2	2	2
4	5	5	6	6
57,812	68,412	68,412	77,642	77,642
5,834	5,829	6,407	6,449	7,196
907	792	855	866	866
10,995,096	9,759,611	10,923,090	10,834,266	10,809,259
7,014	6,965	6,972	7,013	6,966
675	921	919	918	918
1,989,583	4,876,689	4,876,689	4,873,783	4,876,689
208	208	208	233	233
40	43	43	43	43
205,503	272,352	272,352	272,352	272,352
19,166	19,169	19,172	19,158	18,693
1,083	997	990	991	1,029
14,402,161	12,213,112	12,191,229	12,141,396	12,685,447
7,128	7,473	7,254	7,178	7,169
873	1,009	1,007	987	975
29,666,140	32,594,800	32,523,400	32,144,815	32,117,854
711,244	695,295	686,001	670,453	666,725
5,975	6,365	6,362	6,316	6,315
80,050,186	80,850,407	80,530,519	79,634,288	79,723,948
2.3 %	1.4%	2.3 %	0.6 %	2.7%
(6.1)%	—%	0.7 %	— %	0.1%
(1.0)%	0.4%	1.1 %	(0.1)%	1.0%

Massachusetts Public Higher Education
Enrollment and Degrees Conferred
Last Ten Academic Years

Academic Year	Fall 2018	Fall 2017	Fall 2016	Fall 2015	Fall 2014
ENROLLMENT					
University System					
Undergraduate (FTE)	56,544	56,275	51,209	50,816	49,725
Graduate (FTE)	18,161	18,284	12,769	12,517	12,576
System Enrollment	74,705	74,559	63,978	63,333	62,301
State University System					
Undergraduate (FTE)	35,081	36,074	35,909	34,700	35,507
Graduate (FTE)	6,169	5,694	5,641	8,007	7,507
System Enrollment	41,250	41,768	41,550	42,707	43,014
Community College System					
Undergraduate (FTE)	47,832	52,306	55,336	59,827	58,764
DEGREES CONFERRED					
	2019	2018	2017	2016	2015
University System					
Certificates (MD)	573	571	505	423	435
Associates	93	82	73	85	103
Bachelors	13,118	13,036	12,754	12,124	11,841
Masters	4,099	4,013	3,771	3,669	3,787
Doctoral	665	599	602	575	504
Certificate of Advance Graduate Study	67	71	76	86	81
Post-Baccalaureate Certificate	696	708	842	769	738
First Professional	47	49	50	53	64
Total Degrees	19,358	19,129	18,673	17,784	17,553
State University System					
Certificates	39	28	35	40	29
Bachelors	8,692	8,867	8,775	8,762	8,534
Masters	2,693	2,388	2,283	2,353	2,116
Certificate of Advance Graduate Study	92	85	83	73	63
Post-Baccalaureate Certificate	370	302	359	283	304
Total Degrees	11,886	11,670	11,535	11,511	11,046
Community College System					
Certificates	2,886	3,332	3,147	3,131	3,288
Associates	10,276	10,416	11,067	11,317	11,517
Total Degrees	13,162	13,748	14,214	14,448	14,805
Total All Systems - Degrees	44,406	44,547	44,422	43,743	43,404

Source: Massachusetts Board of Higher Education. Enrollment information based at the start of the academic year.

See Independent Auditors' Report

Fall 2013	Fall 2012	Fall 2011	Fall 2010	Fall 2009	Change - 2018 from 2009
48,893	48,136	47,432	48,018	44,543	26.9 %
12,442	12,202	12,048	11,734	10,177	78.5 %
61,335	60,338	59,480	59,752	54,720	36.5 %
35,429	34,773	35,639	36,721	34,129	2.8 %
7,704	7,894	6,224	7,227	4,582	34.6 %
43,133	42,667	41,863	43,948	38,711	6.6 %
64,584	62,445	64,586	64,971	60,602	(21.1)%
2014	2013	2012	2011	2010	% Change - 2019 from 2010
376	426	348	246	329	74.2 %
96	121	97	100	111	(16.2)%
11,544	10,910	10,399	9,958	9,362	40.1 %
3,559	3,442	3,360	3,242	3,029	35.3 %
501	486	450	414	400	66.3 %
77	62	89	87	79	(15.2)%
691	664	659	550	509	36.7 %
79	103	43	47	—	N/A
16,923	16,214	15,445	14,644	13,819	40.1 %
34	37	29	35	572	(93.2)%
8,184	8,024	7,722	7,190	6,886	26.2 %
2,478	2,327	2,404	2,376	2,467	9.2 %
113	108	143	116	170	(45.9)%
327	371	362	408	362	2.2 %
11,136	10,867	10,660	10,125	10,457	13.7 %
3,365	2,929	2,888	3,020	2,770	4.2 %
11,341	10,772	10,404	9,693	9,257	11.0 %
14,706	13,701	13,292	12,713	12,027	9.4 %
42,765	40,782	39,397	37,482	36,303	22.3 %

Calculation of Transfers: Stabilization Fund*

Fiscal Year Ended June 30, 2019

(Amounts are in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5c. It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report.

	General Fund	Commonwealth Transportation Fund	Local Capital Projects Fund	Education Fund	Gaming Economic Development Fund	Marijuana Regulation Fund	Underground Storage Tank Petroleum Product Cleanup Fund	Total
Budgeted Fund Undesignated Balances (Consolidated Net Surplus).....	\$ 387,733	\$ 231,634	\$ 105	\$ 276	\$ 275	\$ 2,699	\$ —	\$ 622,722
Disposition of Consolidated Net Surplus per Section 81 of Ch. 41 of the Acts of 2019:								
To the Massachusetts Life Sciences Investment Fund.....	(10,000)	—	—	—	—	—	—	(10,000)
To the Massachusetts Community Preservation Trust Fund.....	(20,000)	—	—	—	—	—	—	(20,000)
Remaining Consolidated Net Surplus to be Deposited in Stabilization Fund	<u>\$ 357,733</u>	<u>\$ 231,634</u>	<u>\$ 105</u>	<u>\$ 276</u>	<u>\$ 275</u>	<u>\$ 2,699</u>	<u>\$ —</u>	<u>\$ 592,722</u>

Stabilization Balance Reconciliation:

Balance as of July 1, 2018.....	\$ 2,001,299
Capital Gains Tax Transfers to Stabilization Fund during FY2019 per Chapter 29, Section 5G.....	848,399
Minus Capital Gains Tax Transfers from Stabilization Fund to State Pension and State Retiree Benefits Trust Funds	(84,840)
Transfer to Stabilization Fund from Abandoned Property Revenue Growth from Prior Fiscal Year.....	3,673
Transfer of certain tax revenues to the Stabilization Fund.....	429
Transfer of 10% of casino gaming tax revenue (MGM and Encore).....	6,231
Transfer of 10% of Encore casino fines	3,550
Stabilization Fund investment income	52,913
Remaining Consolidated Net Surplus Deposited in Stabilization Fund, per Calculation Above.....	<u>592,722</u>
Stabilization Fund Balance as of June 30, 2019.....	<u>\$ 3,424,376</u>
Memo: Change in Stabilization Fund Balance, FY18-19	\$ 1,423,077

* Excludes funds with no FY19 balances or activity

Note: Details may not add to totals due to rounding

See Independent Auditors' Report

Calculation of Transfers: Tax Reduction Fund

June 30, 2019

(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 Sections 2H and 2I of the Massachusetts General Laws, as amended. It is prepared on the statutory basis of accounting and presents information contained in the official books and accounting records of the Commonwealth. Supporting information is presented in individual schedules, as indicated, and in the Financial Section of this report.

The computation is as follows:

Part 1: Comparison of Stabilization Fund, after current fiscal year transfers, to 15% of budgeted revenues and other financial resources:

Undesignated fund balance in the Stabilization Fund	\$ 3,424,376
Allowable Stabilization Fund balance	<u>6,957,381</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	<u><u>\$ —</u></u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	\$ 3,424,376
Transfer to Tax Reduction Fund	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund	<u><u>\$ 3,424,376</u></u>

Part 3: Status of Tax Reduction Fund after transfers:

Tax Reduction Fund balance	\$ —
Transfers from Stabilization Fund	<u>—</u>
Tax Reduction Fund balance after transfers	<u><u>\$ —</u></u>

See Independent Auditors' Report

MASSACHUSETTS GENERAL INFORMATION

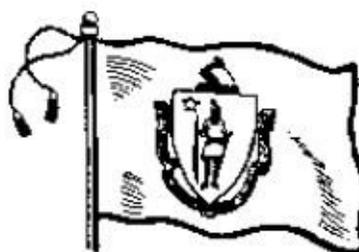
Admitted to Union (6th State): 1788
Population: 6,902,149

Capital: Boston
Nickname: Bay State

The State Seal



The State Flag



The State Seal, adopted by Governor John Hancock and the Council on December 13, 1780 and made official by the General Court on June 4, 1885, is circular and bears a representation of the arms of the Commonwealth encircled with the words "Sigillum Reipublicae Massachusettensis" (Seal of the Republic of Massachusetts). The arms, according to legislative enactment, consists of "a shield having a blue field or surface with an Indian thereon, dressed in a shirt and moccasins, holding in his right hand a bow, and in his left hand an arrow, point downward, all of gold; and in the upper corner of the field, above his right arm, bent at the elbow, clothed and ruffled, with the hand grasping a broadsword."

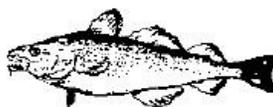
The State Flag is white, a representation of the coat of arms on both sides. It was adopted in its final form in 1971; before that, the obverse side depicted a pine tree.

The State Flower



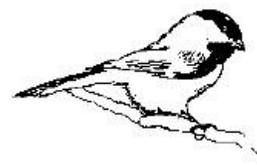
The Mayflower

The State Fish



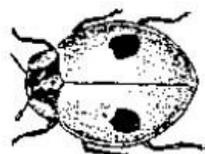
The Cod, a soft-finned fish, usually 10-20lbs. A sculpture of a cod hangs in the House of Representatives as a tribute to this useful aquatic creature.

The State Bird



The Black Capped Chickadee

The State Insect



The Lady Bug

The State Tree



The American Elm was adopted as the official tree March 21, 1941 to commemorate the fact that General George Washington took command of the Continental Army beneath one on Cambridge Common in 1775.

The State Dog



The Boston Terrier, the first purebred dog developed in America (1869), is a cross between an English bulldog and an English terrier.

Beverage: Cranberry Juice
Dessert: Boston Cream Pie

Muffin: The Corn Muffin
Cookie: Chocolate Chip

Horse: The Morgan Horse
Bean: Navy Bean



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PROPOSED FORMS OF BOND COUNSEL OPINION

Upon delivery of the Notes described below, Bond Counsel proposes to deliver an opinion in substantially the following forms:



One Financial Center
 Boston, MA 02111
 617 542 6000
 mintz.com

[Date of Closing]

Honorable Deborah B. Goldberg
 Treasurer and Receiver-General
 State House, Room 227
 Boston, MA 02133

We have acted as bond counsel to The Commonwealth of Massachusetts (the “Commonwealth”) in connection with the issuance by the Commonwealth of its \$500,000,000 General Obligation Revenue Anticipation Notes, 2020 Series A, dated the date of delivery (the “Notes”). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

(a) The Notes are valid and binding general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to the payment of the principal of and interest on the Notes. It should be noted, however, that Chapter 62F of the Massachusetts General Laws establishes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit.

(b) Interest on the Notes, including any accrued original issue discount, will not be included in the gross income of the holders of the Notes for federal income tax purposes. This opinion is rendered subject to the condition that the Commonwealth comply with certain requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Notes in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Notes to be included in the gross income of holders of the Notes retroactive to the date of issuance of the Notes. Interest on the Notes will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals. We express no opinion as to other federal tax consequences resulting from holding the Notes.

(c) Interest on the Notes and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. We express



no opinion as to other Massachusetts tax consequences arising with respect to the Notes nor as to the taxability of the Notes, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than Massachusetts.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.



One Financial Center
Boston, MA 02111
617 542 6000
mintz.com

[Date of Closing]

Honorable Deborah B. Goldberg
Treasurer and Receiver-General
State House, Room 227
Boston, MA 02133

We have acted as bond counsel to The Commonwealth of Massachusetts (the “Commonwealth”) in connection with the issuance by the Commonwealth of its \$400,000,000 General Obligation Revenue Anticipation Notes, 2020 Series B (Federally Taxable), dated the date of delivery (the “Notes”). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

(a) The Notes are valid and binding general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to the payment of the principal of and interest on the Notes. It should be noted, however, that Chapter 62F of the Massachusetts General Laws establishes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit.

(b) Interest on the Notes is includable in the gross income of the holders of the Notes for federal income tax purposes. We express no opinion as to other federal tax consequences resulting from holding the Notes.

(c) Interest on the Notes and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Notes nor as to the taxability of the Notes, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than Massachusetts.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.



One Financial Center
Boston, MA 02111
617 542 6000
mintz.com

[Date of Closing]

Honorable Deborah B. Goldberg
Treasurer and Receiver-General
State House, Room 227
Boston, MA 02133

We have acted as bond counsel to The Commonwealth of Massachusetts (the “Commonwealth”) in connection with the issuance by the Commonwealth of its \$600,000,000 General Obligation Revenue Anticipation Notes, 2020 Series C (Federally Taxable), dated the date of delivery (the “Notes”). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

(a) The Notes are valid and binding general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to the payment of the principal of and interest on the Notes. It should be noted, however, that Chapter 62F of the Massachusetts General Laws establishes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit.

(b) Interest on the Notes is includable in the gross income of the holders of the Notes for federal income tax purposes. We express no opinion as to other federal tax consequences resulting from holding the Notes.

(c) Interest on the Notes and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Notes nor as to the taxability of the Notes, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than Massachusetts.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.

Overview of Fiscal 2020 Non-Segregated Operating Cash Flow (in millions) (1)

	<u>Jul-19</u>	<u>Aug-19</u>	<u>Sep-19</u>	<u>Oct-19</u>	<u>Nov-19</u>	<u>Dec-19</u>	<u>Jan-20</u>	<u>Feb-20</u>	<u>Mar-20</u>	<u>Apr-20</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Total FY 2020</u>
Opening Non-Segregated Operating Cash Balance	\$4,497.4	\$3,613.7	\$2,794.4	\$3,706.0	\$4,558.2	\$3,929.0	\$3,884.1	\$3,360.8	\$2,958.0	\$3,537.9	\$4,809.9	\$3,573.5	\$4,497.4
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	0.0	(212.0)	0.0	0.0	0.0	0.0	(592.7)	0.0	0.0	0.0	0.0	0.0	(804.7)
Total Budgetary Revenue/Inflows	3,219.2	3,144.8	4,600.3	3,489.5	3,326.0	4,220.8	3,834.8	3,520.6	4,595.3	3,655.2	3,448.4	4,357.6	45,412.6
Total Budgetary Expenditures/Outflows	3,772.9	3,847.3	3,187.2	3,692.4	3,755.4	3,427.5	3,662.5	3,724.3	4,284.8	3,783.1	3,958.7	3,913.5	45,009.6
Net Budgetary Funds	(\$553.7)	(\$702.5)	\$1,413.2	(\$202.9)	(\$429.4)	\$793.3	\$172.3	(\$203.7)	\$310.5	(\$128.0)	(\$510.3)	\$444.1	\$403.1
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	1,009.9	1,338.3	1,013.2	902.1	1,133.8	809.6	839.1	1,097.0	1,033.1	2,861.9	1,125.4	824.2	13,987.7
Total Non Budgetary Expenditures/Outflows	1,265.6	1,469.3	1,592.2	1,173.6	1,357.3	1,592.3	1,276.4	1,252.6	1,305.0	1,086.8	1,324.1	1,454.0	16,149.3
Net Non Budgetary Funds	(255.7)	(131.0)	(579.0)	(271.5)	(223.5)	(782.8)	(437.2)	(155.6)	(271.9)	1,775.1	(198.8)	(629.8)	(2,161.7)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	8.2	131.1	14.9	37.9	14.7	14.5	(97.4)	22.4	11.5	10.0	14.5	7.4	189.9
Net Operating Activities	(\$801.1)	(\$702.4)	\$849.2	(\$436.4)	(\$638.1)	\$25.0	(\$362.3)	(\$336.9)	\$50.1	\$1,657.2	(\$694.5)	(\$178.3)	(\$1,568.7)
Federal Grants:													
Total Federal Grants Revenue/Inflows	177.4	159.0	171.0	222.4	186.4	163.6	264.7	179.8	181.9	307.4	178.0	221.2	2,412.8
Total Federal Grants Expenditures/Outflows	215.2	195.3	153.3	225.1	210.1	180.3	246.9	195.2	210.3	194.3	198.8	231.2	2,456.1
Net Federal Grants	(\$37.8)	(\$36.3)	\$17.7	(\$2.6)	(\$23.7)	(\$16.7)	\$17.8	(\$15.4)	(\$28.4)	\$113.0	(\$20.8)	(\$10.0)	(\$43.3)
Capital Funds:													
Total Capital Revenue/Inflows	304.8	294.7	287.6	191.1	328.0	173.8	41.9	154.5	744.8	244.9	228.1	211.2	3,205.5
Total Capital Expenditures/Outflows	349.6	375.2	242.8	299.9	295.3	227.1	220.7	205.0	186.6	233.4	238.0	327.7	3,201.3
Net Capital Funds	(\$44.8)	(\$80.5)	\$44.8	(\$108.8)	\$32.6	(\$53.3)	(\$178.7)	(\$50.5)	\$558.2	\$11.5	(\$9.9)	(\$116.4)	\$4.3
Financing Activities:													
Cash Flow Financing Activities Inflows:													
<i>Commercial Paper/Line of Credit</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	500.0	500.0
<i>Revenue Anticipation Notes (RANS)</i>	0.0	0.0	0.0	1,400.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,400.0
Total Cash Flow Financing Activities Inflows	\$0.0	\$0.0	\$0.0	\$1,400.0	\$0.0	\$500.0	\$1,900.0						
Cash Flow Financing Activities Outflows:													
<i>Commercial Paper/Line of Credit – (Principal + Interest)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>RANS – (Principal + Interest)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	509.7	511.2	410.2	1,431.1
Total Cash Flow Financing Activities Outflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	509.7	511.2	410.2	1,431.1
Net Financing Activities	\$0.0	\$0.0	\$0.0	\$1,400.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$509.7)	(\$511.2)	\$89.8	\$468.9
Ending Non-Segregated Operating Cash Balance	\$3,613.7	\$2,794.4	\$3,706.0	\$4,558.2	\$3,929.0	\$3,884.1	\$3,360.8	\$2,958.0	\$3,537.9	\$4,809.9	\$3,573.5	\$3,358.5	\$3,358.5

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

Overview of Fiscal 2021 Non-Segregated Operating Cash Flow (in millions) (1)

	<u>Jul-20</u> (2)	<u>Aug-20</u> (2)	<u>Sep-20</u> (2)	<u>Oct-20</u> (3)	<u>Nov-20</u> (3)	<u>Dec-20</u> (3)	<u>Jan-21</u> (3)	<u>Feb-21</u> (3)	<u>Mar-21</u> (3)	<u>Apr-21</u> (3)	<u>May-21</u> (3)	<u>Jun-21</u> (3)	Total FY 2021 (3)
Opening Non-Segregated Operating Cash Balance	\$3,358.5	\$4,797.0	\$4,088.8	\$4,424.4	\$3,460.1	\$2,092.6	\$2,687.5	\$2,458.6	\$1,554.7	\$1,163.6	\$2,406.7	\$1,654.7	\$3,358.5
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Budgetary Revenue/Inflows	5,707.1	3,947.4	4,343.7	3,477.8	3,281.3	4,168.8	4,185.7	3,580.3	4,255.9	5,963.3	3,903.2	5,135.6	51,950.0
Total Budgetary Expenditures/Outflows	4,228.5	3,680.9	3,355.9	4,057.2	3,813.8	3,833.9	3,871.5	4,101.3	4,153.6	4,188.4	3,782.9	3,656.4	46,724.4
Net Budgetary Funds	\$1,478.6	\$266.5	\$987.8	(\$579.5)	(\$532.5)	\$334.9	\$314.2	(\$521.0)	\$102.3	\$1,774.9	\$120.2	\$1,479.2	\$5,225.6
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	1,391.1	916.9	480.8	1,137.3	1,151.1	972.0	996.3	895.3	888.9	942.5	925.3	1,056.9	11,754.3
Total Non Budgetary Expenditures/Outflows	1,422.4	1,346.2	1,061.4	1,317.3	1,519.8	1,625.4	1,358.6	1,235.7	1,357.0	1,162.8	1,306.6	1,591.6	16,305.0
Net Non Budgetary Funds	(31.3)	(429.4)	(580.6)	(180.1)	(368.6)	(653.5)	(362.3)	(340.4)	(468.1)	(220.4)	(381.3)	(534.7)	(4,550.7)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	2.5	3.4	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	27.0
Net Operating Activities	\$1,449.7	(\$159.4)	\$410.2	(\$757.5)	(\$899.1)	(\$316.6)	(\$46.2)	(\$859.4)	(\$363.8)	\$1,556.5	(\$259.1)	\$946.5	\$701.9
Federal Grants:													
Total Federal Grants Revenue/Inflows	240.6	180.3	190.1	142.7	153.1	172.7	198.1	205.5	220.8	187.0	216.3	268.4	2,375.6
Total Federal Grants Expenditures/Outflows	211.2	203.2	183.2	309.2	563.8	341.1	290.9	278.9	291.8	208.6	211.7	225.8	3,319.6
Net Federal Grants	\$29.4	(\$22.9)	\$6.9	(\$166.5)	(\$410.7)	(\$168.4)	(\$92.8)	(\$73.4)	(\$71.0)	(\$21.6)	\$4.6	\$42.6	(\$944.0)
Capital Funds:													
Total Capital Revenue/Inflows	298.0	345.2	195.6	195.4	209.3	258.8	209.9	257.4	583.2	365.2	287.1	357.0	3,562.1
Total Capital Expenditures/Outflows	338.7	371.0	277.2	235.7	266.9	378.9	299.7	228.5	539.4	255.5	382.6	588.5	4,162.7
Net Capital Funds	(\$40.7)	(\$25.8)	(\$81.6)	(\$40.3)	(\$57.6)	(\$120.1)	(\$89.8)	\$28.9	\$43.7	\$109.7	(\$95.5)	(\$231.5)	(\$600.6)
Financing Activities:													
Cash Flow Financing Activities Inflows:													
<i>Commercial Paper/Line of Credit</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Revenue Anticipation Notes (RANS)</i>	0.0	0.0	0.0	0.0	0.0	1,200.0	0.0	0.0	0.0	0.0	0.0	0.0	1,200.0
Total Cash Flow Financing Activities Inflows	0.0	0.0	0.0	0.0	0.0	1,200.0	0.0	0.0	0.0	0.0	0.0	0.0	1,200.0
Cash Flow Financing Activities Outflows:													
<i>Commercial Paper/Line of Credit – (Principal + Interest)</i>	0.0	500.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	500.0
<i>RANS – (Principal + Interest)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	401.5	402.0	402.5	1,206.0
Total Cash Flow Financing Activities Outflows	0.0	500.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	401.5	402.0	402.5	1,706.0
Net Financing Activities	\$0.0	(\$500.0)	\$0.0	\$0.0	\$0.0	\$1,200.0	\$0.0	\$0.0	\$0.0	(\$401.5)	(\$402.0)	(\$402.5)	(\$506.0)
Ending Non-Segregated Operating Cash Balance	\$4,797.0	\$4,088.8	\$4,424.4	\$3,460.1	\$2,092.6	\$2,687.5	\$2,458.6	\$1,554.7	\$1,163.6	\$2,406.7	\$1,654.7	\$2,009.8	\$2,009.8

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Includes income tax payments originally due in fiscal 2020 but received in fiscal 2021, which are estimated to be \$2.321 billion. See APPENDIX A – “COMMONWEALTH INFORMATION STATEMENT DATED OCTOBER 28, 2020 - FISCAL 2020 AND FISCAL 2021 – Fiscal 2020.”

(3) Figures are projected.

FORM OF CONTINUING DISCLOSURE UNDERTAKING

[to be included in note form]

The Commonwealth of Massachusetts

\$1,500,000,000
General Obligation
Revenue Anticipation Notes
\$500,000,000 2020 Series A
\$400,000,000 2020 Series B (Federally Taxable)
\$600,000,000 2020 Series C (Federally Taxable)

Continuing Disclosure Undertaking

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the Notes to provide the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), in a timely manner, not in excess of ten business days after occurrence of the event, notice of any of the following events with respect to the Notes (numbered in accordance with the provisions of the Rule):

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;¹
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (vii) modifications to the rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Notes, if material;²
- (xi) rating changes;

¹Not applicable to the Notes, since there is no debt service reserve fund securing the Notes.

²Not applicable to the Notes, since there is no property securing repayment of the Notes that could be released, substituted or sold.

- (xii) bankruptcy, insolvency, receivership or similar event of the Commonwealth;³
- (xiii) the consummation of a merger, consolidation, or acquisition or the sale of all or substantially all of the assets of the Commonwealth, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.⁴
- (xv) incurrence of a financial obligation of the Commonwealth, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation⁵ of the Commonwealth, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation⁵ of the Commonwealth, any of which reflect financial difficulties.

Nothing herein shall preclude the Commonwealth from disseminating any information in addition to that required hereunder. If the Commonwealth disseminates any such additional information, nothing herein shall obligate the Commonwealth to update such information or include it in any future materials disseminated.

To the extent permitted by law, the foregoing provisions of this Note related to the above-described undertakings to provide information shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Note, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of Notes, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under the foregoing provisions as aforesaid; provided however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of the Commonwealth in connection with such undertakings and shall not include any rights to monetary damages. The Commonwealth's obligations in respect of such undertakings shall terminate if no Notes remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer effective, whichever occurs first. The provisions of this Note relating to such undertakings may be amended by the Treasurer and Receiver-General of the Commonwealth, without the consent of, or notice to, any owners of the Notes, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto,

³As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Commonwealth in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commonwealth, or if such jurisdiction has been assumed by leaving the existing governing body and officials in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commonwealth.

⁴Not applicable to the Notes.

⁵As noted in the Rule, the term "financial obligation" means (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) a guaranty of an instrument described in (i) or (ii). The term does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(c) to add to the covenants of the Commonwealth for the benefit of the owners of Notes, or (d) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing a state information depository or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Notes, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Notes, as determined either by a party unaffiliated with the Commonwealth (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Notes affected thereby at or prior to the time of such amendment.

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