

**Commonwealth of Massachusetts**  
**Investor Conference Call – May 17th, 2024**  
**Questions and Answers**

1. Question: I had a question about the most recent revenue collection that look like April was a huge outperformer, but that said a lot of those revenue were coming from either capital gains or from the millionaire's tax and I was just wondering how fungible those monies are. Say those particular revenue sources are outperforming and other revenues are under performing can those monies be used for to plug a budget deficit if needed?

Answer: I will preface by saying I think from a disclosure and overall financial health perspective they are considered operating revenues for the Commonwealth, so I do think they all contribute in some way shape or form to the state's financial health. I'll distinguish the two because cap gains is a little bit of a separate animal. Cap gains over a certain threshold, which is pegged to \$1 billion which was set about a decade ago, and it is annually adjusted for inflation over that threshold. It gets primarily deposited to the stabilization fund, so to the extent that is capital gain over performance that will not contribute to our budgeted revenues for the fiscal year so that is something we are tracking. The major component I would say though is the first one you mention which is surtax, so I think that is absolutely what we are laser focused on understanding how much of those revenues are attributable to surtax and we think that is accurate that a substantial proportion of the over performance is on the surtax side. The way the surtax revenue comes into the state is that it is a budgeted fund but it is a minor budgeted fund so it does not contribute to consolidated net surplus and what that means for us is that it can't be swept in with the rest of general fund and CNS funds . That being said we can use it to support budgeted spending so what that means for us is just that A&F and collectively the state is going to have to get a good sense of how much is actually attributable to the surtax and then we're going to have to match up those revenues with the expenditures from the funds, but it is a budget fund so there are management strategies available to us that we can manage that change.

2. Question: Say the commonwealth budgeted for \$1 billion in the surtax those monies are spread between transportation education and then money comes in at \$2 billion does that mean that \$2 billion needs to be spent in fiscal year 2024 on education and transportation or can that excess \$1 billion be used, it sounded like not necessarily in the general fund but in some co-mingle capacity.

Answer: It depends on what perspective you are approaching it from but if you just take what is current law and you say what would happen without further changes what would happen in that scenario is that the first billion is already appropriated, so that has already been spent and then the extra billion dollars would then be deposited into the overflow

funds. These are the funds we have established previously knowing that we wanted to save some money for the future so that would go to the capital innovation funds as well as to the reserve fund that was set up specifically to backstop the surtax knowing how volatile the revenues are. That said though I think it's part of our office's prerogative as we close the fiscal year, we would take a look at what we want to do with all that excess money. If it's to make up some of a deficit on the consolidated net surplus side what we might do is in the close out supplemental budget we would change the fund splits in the appropriated spending. For example, there are education and transportation appropriations that are currently split between the surtax and general fund and knowing that surtax collected more we could just increase the fund split to the surtax so that would be one option. That's only if we got to that point where we wanted to reimburse CNS from the surtax side. That said I think it's kind of a matter of as we close the fiscal year what our overall fiscal situation is. Our prerogative is to always close the year in balance so it is one of many fund consideration factors that as we close the fiscal year, A&F and the state more generally will allocate funds as needed and some might require legislative changes. But that is from time to time typical as we go through the close out supplemental process.