

The Commonwealth of Massachusetts
Department of the State Treasurer
State House
Boston, Massachusetts 02133

Steven Grossman
Treasurer and Receiver General

December 1, 2011

The Honorable Stephen M. Brewer, Chair
Senate Ways and Means Committee
State House, Room 212
Boston, MA 02133

The Honorable Brian S. Dempsey, Chair
House Ways and Means Committee
State House, Room 243
Boston, MA 02133

Dear Senator Brewer and Representative Dempsey:

Pursuant to Massachusetts General Laws Chapter 10, Section 10, the Office of the State Treasurer and Receiver General and the Executive Office for Administration and Finance hereby submit the current cash flow forecast for fiscal year 2012.

Certain cash items, such as the balance of the Stabilization Fund as well as a number of other funds, are required to be categorized as segregated and do not contribute to the Commonwealth's "pool" of non-segregated cash balances. These segregated items are statutorily restricted for a specific purpose.

Please note that the fiscal year 2012 cash flow forecast projects monthly cash closing balances. Given the variable nature of state cash expenditures and revenues, the daily cash balances often differ greatly from the projected monthly closing balance.

Highlights of Fiscal Year 2012

Fiscal year 2012 is based upon the General Appropriation Act (GAA) signed on July 11, 2011. It includes all supplemental appropriations filed, enacted or anticipated as well as all prior appropriations continued into fiscal year 2012. Fiscal year 2012 projections are based on actual spending and revenue through October 2011 and estimates for the remainder of fiscal year 2012.

Total spending in the final fiscal year 2012 budget approved by the Governor amounts to approximately \$30.598 billion. The budget assumes tax revenues of \$20.615 billion, reflecting the fiscal year 2012 consensus tax estimate of \$20.525 billion, which was adjusted for the impact of revenue initiatives enacted as part of the budget - most notably a one-year delay of the FAS 109 deductions (\$45.9 million), enhanced tax enforcement initiatives (\$61.5 million), and the impact of a two-day sales tax holiday (-\$20.5 million) held on August 13-14, 2011. On October 17, 2011, the Secretary of Administration and Finance, based on available data on tax revenue collections and economic trends, revised the fiscal year

*The use of the term "fiscal year" is generic, meaning the period from July 1, 2011 to June 30, 2012, rather than as the term is specifically defined for budget purposes. This is because for cash purposes the "fiscal year" includes "accounts payable" activity for fiscal year 2011, and excludes "accounts payable" activity for fiscal year 2012.

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The Honorable Stephen M. Brewer, Chair
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2012 tax revenue estimate from \$20.615 billion to \$21.010 billion. The gross tax figure includes \$1.478 billion dedicated to the Commonwealth's pension obligation, \$779.1 million in sales tax revenues dedicated to the MBTA and \$664.3 million in sales tax revenues dedicated to the MSBA.

The fiscal year 2012 budget authorizes a \$200.0 million withdrawal from the Stabilization Fund, the use of fiscal year 2012 interest earnings on the Stabilization Fund and an additional \$103.7 million in savings achieved by suspending the statutorily required deposit into the Stabilization Fund of 0.5% of total tax revenue. A new statutory provision passed as a part of this year's budget requires one-time settlement payments in excess of \$10 million to be deposited in the Stabilization Fund. The fiscal year 2012 budget projections contained in this cash flow forecast assume a transfer of \$185.0 million from the Stabilization Fund rather than the authorized \$200.0 million. On that assumption and after taking into account the \$81.4 million year-to-date deposits made related to one-time tax settlements, the Stabilization Fund is projected to have a \$1.275 billion balance at the end of fiscal year 2012.

The fiscal year 2012 budget assumes total transfers from the Lottery of \$986.5 million to fund various commitments appropriated by the Legislature from the State Lottery Fund and the Arts Lottery Fund, including Lottery administrative expenses, and \$809.8 million in appropriations for local aid to cities and towns, with the balance, if any, to be transferred to the General Fund for the general activities of the Commonwealth. For fiscal year 2012, the State Lottery Commission is currently projecting net operating revenues of \$987.9 million to fund the assumed transfers.

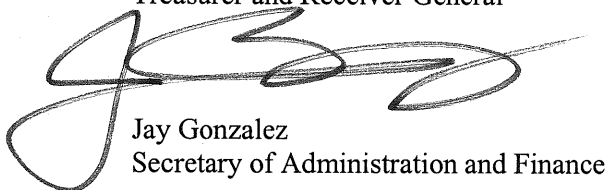
The Commonwealth's five-year capital investment plan, which is reviewed annually, calls for fiscal year 2012 bond issuance of approximately \$2.25 billion. This amount includes \$1.90 billion in bond cap (which includes \$148.0 million of unused capacity from the prior fiscal year) and \$350.6 million of borrowing for the Accelerated Bridge Program. For cash flow needs for fiscal year 2012, Treasury issued \$1.2 billion in Revenue Anticipation Notes (RANs) on November 22, 2011 at an average borrowing cost of 0.1% with repayment in April and May 2012.

Treasury, Administration and Finance and Comptroller staffs continue to meet regularly to monitor the status of the Commonwealth's cash position. Please feel free to contact our respective staffs if you require additional information.

Sincerely,



Steven Grossman
Treasurer and Receiver General



Jay Gonzalez
Secretary of Administration and Finance

Enclosures

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Total FY 2012
(millions)	Act	Act	Act	Act	Est	Est	Est	Est	Est	Est	Est	Est	
OPENING NON-SEGREGATED OPERATING CASH BALANCE:	\$2,200.4	\$2,194.6	\$2,153.0	\$1,461.9	\$1,522.5	\$1,445.7	\$981.4	\$1,551.8	\$1,005.3	\$356.7	\$1,376.2	\$759.1	\$2,200.4
OPERATING ACTIVITIES:													
Budgetary Funds:													
Tax Revenue	\$1,503.6	\$1,482.6	\$2,223.3	\$1,653.2	\$1,505.6	\$2,072.7	\$2,206.1	\$1,312.7	\$2,161.9	\$2,948.0	\$1,544.2	\$2,270.2	\$2,288.1
Federal Reimbursements	\$540.2	\$874.2	\$421.2	\$462.3	\$644.2	\$609.2	\$647.0	\$608.7	\$788.1	\$585.6	\$676.5	\$681.7	\$7,738.9
Other Budgetary Revenue	\$231.7	\$199.1	\$218.1	\$333.3	\$241.9	\$355.0	\$303.9	\$290.9	\$304.3	\$628.1	\$286.7	\$379.4	\$3,772.4
Transfer from/(to) Stabilization Fund	\$0.0	\$0.0	\$2.8	\$171.3	\$717.7	\$185.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$601.3)
Total Budgetary Revenue/Inflows	\$2,275.6	\$2,555.9	\$2,865.4	\$2,377.4	\$1,674.0	\$3,221.9	\$3,157.0	\$2,212.3	\$3,254.3	\$4,161.7	\$2,507.4	\$3,531.3	\$33,734.2
Local Aid	\$0.1	\$0.2	\$1,217.9	\$0.0	\$38.1	\$1,191.9	\$95.6	\$32.4	\$1,158.6	\$20.3	\$29.9	\$1,064.6	\$4,789.7
Tax Refunds	\$36.9	\$54.2	\$43.6	\$103.2	\$124.3	\$31.4	\$98.7	\$410.9	\$336.5	\$351.1	\$126.4	\$60.4	\$1,727.7
Debt Service for General Obligation (Inch CAVT)	\$90.4	\$409.2	\$149.6	\$35.9	\$378.9	\$161.1	\$131.7	\$147.9	\$100.5	\$49.6	\$126.4	\$99.3	\$1,840.5
Debt Service for Special Obligations	\$17.2	\$0.0	\$0.0	\$0.0	\$0.0	\$20.1	\$17.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$113.7
Debt Service for GANS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$15.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$27.5
Other Budgetary Expenditures	\$2,160.2	\$1,980.4	\$2,022.8	\$1,790.2	\$2,130.6	\$2,065.9	\$2,151.7	\$1,955.5	\$2,188.0	\$1,910.3	\$2,189.1	\$1,899.1	\$24,386.0
Total Budgetary Expenditures/Outflows	\$2,304.8	\$2,444.0	\$3,434.0	\$1,929.3	\$2,671.9	\$3,486.1	\$2,435.0	\$2,546.7	\$3,783.6	\$2,331.3	\$2,364.1	\$3,154.3	\$32,885.1
Net Budgetary Funds	(\$829.2)	(\$248.4)	(\$580.6)	(\$457.4)	(\$997.9)	(\$264.3)	(\$722.1)	(\$334.4)	(\$529.3)	(\$169.6)	(\$143.3)	(\$377.0)	\$909.1
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Lottery Revenue	\$118.4	\$197.1	\$85.2	\$121.5	\$142.0	\$142.0	\$142.0	\$142.0	\$142.0	\$142.0	\$142.0	\$142.0	\$1,658.2
Pension Receipts (PRIM and Annuity Receipts)	\$218.2	\$225.9	\$213.1	\$206.6	\$192.5	\$192.5	\$192.5	\$192.5	\$192.5	\$192.5	\$192.5	\$192.5	\$2,403.8
Transfer in for Non Pooled Fund Payments	\$154.6	(\$31.3)	\$57.7	(\$33.4)	\$368.3	\$452.3	\$378.3	\$265.0	\$388.3	\$207.3	\$212.3	\$305.8	\$2,366.2
Non Budgetary Tax Receipts	\$26.4	\$30.7	\$81.6	(\$32.2)	\$36.8	\$32.2	\$29.8	\$33.4	\$55.0	\$31.8	\$47.0	\$41.9	\$419.4
Other Non Budgetary Revenue	\$324.6	\$512.3	\$356.5	\$460.9	\$90.0	\$70.0	\$80.0	\$68.7	\$215.0	\$100.0	\$65.0	\$150.0	\$2,513.0
Total Non Budgetary Revenue/Inflows	\$842.3	\$907.7	\$784.1	\$438.4	\$829.6	\$889.0	\$822.6	\$701.6	\$962.6	\$678.7	\$663.6	\$837.3	\$9,360.7
Lottery Payments	\$32.0	\$44.9	\$74.5	\$52.5	\$51.0	\$62.0	\$79.0	\$59.5	\$63.0	\$59.0	\$56.0	\$61.0	\$694.4
MBTA Sales Tax	\$55.9	\$87.8	\$54.1	\$52.4	\$81.5	\$65.0	\$64.0	\$63.0	\$64.0	\$64.0	\$64.0	\$64.0	\$779.7
MBTA Assessments	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$37.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$149.0
MSBA Payments	\$55.9	\$59.6	\$54.1	\$52.4	\$55.0	\$55.0	\$55.0	\$55.5	\$55.5	\$55.0	\$55.0	\$55.0	\$664.1
Pension Payments	\$315.0	\$327.2	\$324.4	\$323.8	\$309.0	\$330.0	\$405.0	\$300.0	\$301.0	\$305.0	\$290.0	\$306.0	\$3,836.4
Non Pooled Fund Payments	\$271.1	\$424.2	\$211.5	\$250.1	\$441.0	\$476.0	\$336.0	\$342.0	\$322.0	\$312.0	\$267.0	\$258.0	\$3,910.9
Other Non Budgetary Expenditures	\$76.7	\$74.5	\$72.7	\$72.2	\$108.0	\$91.0	\$97.0	\$78.2	\$225.0	\$111.0	\$94.0	\$165.0	\$1,448.3
Total Non Budgetary Expenditures/Outflows	\$808.7	\$1,018.2	\$1,029.3	\$803.5	\$1,038.5	\$1,106.0	\$1,037.0	\$898.2	\$1,067.5	\$906.0	\$826.0	\$946.0	\$11,482.9
Net Non Budgetary Funds	\$35.6	\$189.5	(\$244.1)	(\$365.1)	(\$208.9)	(\$217.0)	(\$214.4)	(\$196.6)	(\$104.7)	(\$227.3)	(\$162.4)	(\$108.7)	(\$2,122.2)
Undesignated Revenue/Inflows and Expenditures/Outflows:													
Investment Earnings	\$7.1	\$16.3	\$1.2	\$1.3	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$7.1
Other Funds/3rd Party	\$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
Net Undesignated Revenue/Inflows and Expenditures/Outflows	\$7.1	\$16.3	\$1.2	\$1.3	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$7.1
NET OPERATING ACTIVITIES	\$13.4	\$93.3	(\$492.5)	\$84.4	(\$1,205.8)	(\$480.3)	\$508.7	(\$530.0)	(\$632.9)	(\$1,604.1)	(\$18.1)	(\$269.4)	(\$1,206.0)
FEDERAL GRANTS:													
Total Federal Grants Revenue/Inflows	\$191.0	\$299.9	\$178.1	\$156.5	\$245.0	\$295.0	\$250.0	\$230.0	\$241.5	\$250.0	\$225.0	\$285.6	\$2,831.0
Total Federal Grants Expenditures/Outflows	\$231.7	\$284.9	\$185.0	\$178.8	\$230.0	\$291.5	\$233.0	\$234.0	\$241.5	\$234.5	\$224.0	\$275.5	\$2,844.4
NET FEDERAL GRANTS	(\$40.7)	\$115.0	(\$6.9)	(\$22.3)	\$15.0	\$3.5	\$17.0	(\$4.0)	(\$16.5)	\$15.5	\$1.0	\$10.1	(\$13.4)
CAPITAL FUNDS:													
Capital Revenue/Inflows:													
Capital Inflow from Federal Reimbursements	\$48.2	\$80.6	\$52.8	\$63.0	\$68.7	\$73.8	\$73.9	\$48.1	\$41.7	\$34.6	\$37.6	\$37.6	\$660.6
Capital Inflow from Financing Activities:													
Capital Inflow to General Fund from Segregated Bond Fund	\$239.8	\$142.4	\$302.3	\$171.2	\$68.2	\$168.2	\$168.2	\$168.2	\$168.2	\$191.5	\$188.5	\$247.5	\$2,244.0
Total Capital Revenue/Inflows	\$288.0	\$223.0	\$355.1	\$234.2	\$156.9	\$242.0	\$242.1	\$216.3	\$209.9	\$226.1	\$226.1	\$285.1	\$2,904.6
Total Capital Expenditures/Outflows	\$266.4	\$263.3	\$236.8	\$235.7	\$242.8	\$229.5	\$217.4	\$208.7	\$209.1	\$226.1	\$226.1	\$285.1	\$2,847.0
NET CAPITAL FUNDS	21.6	\$59.7	\$118.3	(\$1.5)	(\$85.9)	12.48	24.68	7.57	0.77	0.00	0.00	0.00	\$57.6
FINANCING ACTIVITIES:													
Cash Flow Financing Activities Inflows:													
Commercial Paper	\$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
Revenue Anticipation Notes (RANS)	\$0.0	\$0.0	\$0.0	\$0.0	\$1,200.0	\$0.0	\$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	\$1,200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,200.0
Cash Flow Financing Activities Outflows:													
Commercial Paper - (Principal + Interest)	\$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
RANS - (Principal + Interest)	\$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 Cash Flow Financing Activities Outflows	\$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
NET FINANCING ACTIVITIES	\$0.0	\$0.0	\$0.0	\$0.0	\$1,200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,200.0
ENDING NON-SEGREGATED OPERATING CASH BALANCE:	\$2,194.6	\$2,153.0	\$1,461.9	\$1,522.5	\$1,445.7	\$981.4	\$1,531.8	\$1,005.3	\$356.7	\$1,376.2	\$759.1	\$1,038.6	\$1,038.6
Capital Budget Bonding Activity:													
Operating Balance Segregated Bond Funds	\$681.4	\$441.7	\$299.3	\$532.1	\$360.9	\$272.7	\$444.5	\$276.3	\$428.2	\$697.5	\$529.3	\$798.7	\$798.7
Bonds	\$0.0	\$0.0	\$585.1	\$0.0	\$0.0	\$340.0	\$0.0	\$320.0	\$437.5	\$0.0	\$437.5	\$0.0	\$0.0
BANS	\$681.4	\$441.7	\$834.3	\$632.1	\$360.9	\$612.7	\$444.5	\$596.3	\$865.7	\$697.5	\$966.8	\$798.7	\$798.7
Segregated Bond Funds Available	\$239.8	\$142.4	\$302.3	\$171.2	\$88.2	\$168.2	\$168.2	\$168.2	\$168.2	\$191.5	\$188.5	\$247.5	\$2,244.0
Bond / BANS Proceeds Allocated	\$441.7	\$299.3	\$532.1	\$360.9	\$272.7	\$444.5	\$276.3	\$428.2	\$697.5	\$529.3	\$798.7	\$630.5	\$630.5
Ending Balance Segregated Bond Funds	\$239.8	\$142.4	\$302.3	\$171.2	\$88.2	\$168.2	\$168.2	\$168.2	\$168.2	\$191.5	\$188.5	\$247.5	\$2,244.0

December 1, 2011

**CASH AND INVESTMENTS
AS OF JULY 31, 2010**

Cash	\$ 255.431
Investments	<u>1,005.218</u>
Total	\$1,260.649
Less float (actual)	<u>(178.500)</u>
	<u>\$1,082.149</u>
Segregated bond funds	\$ 322.500
Non-segregated cash	<u>1,082.149</u>
Total	<u>\$1,404.649</u>

**CASH AND INVESTMENTS
AS OF OCTOBER 31, 2010**

Cash	\$ 328.918
Investments	<u>1,454.218</u>
Total	\$1,783.136
Less float (actual)	<u>(260.987)</u>
	<u>\$1,522.149</u>
Segregated bond funds	\$ 447.700
Non-segregated cash	<u>1,522.149</u>
Total	<u>\$1,969.849</u>

**CASH AND INVESTMENTS
AS OF JANUARY 31, 2011**

Cash	\$ 355.158
Investments	<u>1,797.313</u>
Total	\$2,152.471
Less float (actual)	<u>(204.324)</u>
	<u>\$1,948.147</u>
Segregated bond funds	\$ 851.000
Non-segregated cash	<u>1,948.147</u>
Total	<u>\$2,799.147</u>

December 1, 2011

**CASH AND INVESTMENTS
AS OF APRIL 30, 2011**

Cash	\$ 133.870
Investments	<u>2,373.099</u>
Total	\$2,506.969
Less float (actual)	<u>(260.941)</u>
	<u>\$2,246.028</u>
Segregated bond funds	\$ 826.900
Non-segregated cash	<u>2,246.028</u>
Total	<u>\$3,072.928</u>

**CASH AND INVESTMENTS
AS OF JULY 31, 2011**

Cash	\$ 38.542
Investments	<u>2,419.713</u>
Total	\$2,458.255
Less float (actual)	<u>(263.606)</u>
	<u>\$2,194.649</u>
Segregated bond funds	\$ 441.700
Non-segregated cash	<u>2,194.649</u>
Total	<u>\$2,636.349</u>

**CASH AND INVESTMENTS
AS OF OCTOBER 31, 2011**

Cash	\$ 7.607
Investments	<u>1,714.391</u>
Total	\$1,721.998
Less float (actual)	<u>(199.522)</u>
	<u>\$1,522.476</u>
Segregated bond funds	\$ 360.900
Non-segregated cash	<u>1,522.476</u>
Total	<u>\$1,883.376</u>