

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

Steven Grossman
Treasurer and Receiver General

December 3, 2012

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 2013.

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 2013 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 2013

Fiscal year 2013 is based upon the General Appropriation Act (GAA) signed on July 8, 2012; all supplemental appropriations filed, enacted or anticipated and includes all prior appropriations continued into fiscal year 2013. Fiscal year 2013 projections are based on actual spending and revenue through October 2012, and estimates for the remainder of fiscal year 2013.

Total spending in the final fiscal year 2013 budget approved by the Governor, and after accounting for approximately \$31.7 million in veto overrides, amounts to approximately \$32.509 billion. The budget assumes tax revenues of \$22.011 billion, reflecting the fiscal year 2013 consensus tax estimate of \$21.950 billion, adjusted for the impact of revenue initiatives enacted as part of the budget, most notably a one-year delay of the FAS 109 deductions (additional \$45.9 million), enhanced tax enforcement initiatives (additional \$36.3 million), and subsequently enacted two-day sales tax holiday held on August 11-12, 2012 (minus \$21.55 million). The gross tax figure includes \$1.552 billion dedicated to the

"The use of the term "fiscal year" is generic, meaning the period from July 1, 2012 to June 30, 2013, 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 2012, and excludes "accounts payable" activity for fiscal year 2013.

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Commonwealth's pension obligation, \$786.8 million in sales tax revenues dedicated to the MBTA, \$702.3 million in sales tax revenues dedicated to the MSBA and \$21.4 million for the Workforce Training Fund. Approximately \$1.1 billion of the \$22.011 billion tax estimate is assumed to be generated from taxes on capital gains. Under the new statutory fiscal policy, \$100.0 million of the projected capital gains tax revenue will be required to be deposited into the Stabilization Fund and will not be available for budgetary purposes. Pursuant to state finance law, five percent of that amount will be transferred to the State Retiree Benefits Trust Fund and five percent to the Commonwealth's Pension Liability Fund. The fiscal year 2013 budget authorized a transfer of \$350.0 million from the Stabilization Fund, leaving a projected balance of \$1.392 billion at the end of fiscal year 2013.

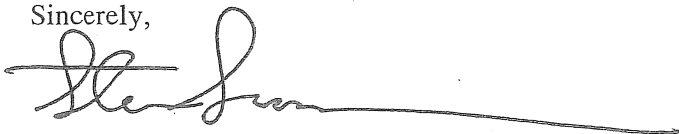
Based on year-to-date tax collections and updated economic forecasts, the Secretary of Administration and Finance believes there is a strong likelihood that in the near future there will be a downward revision of the current fiscal year 2013 tax revenue estimate, which this cash flow forecast is based upon. If this is indeed the case, the next quarterly forecast, due in February, will reflect the revised tax revenue estimate as well as any accompanying budget reductions and other budget balancing measures.

The State Lottery Commission is projecting net operating revenues of \$1.0249 billion for fiscal year 2013.

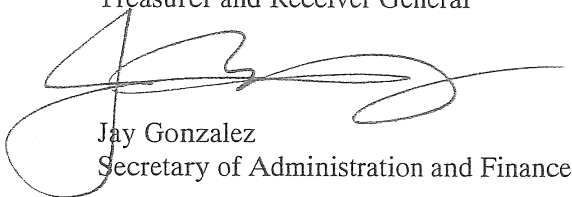
The Commonwealth's five-year capital investment plan, which is reviewed annually, calls for fiscal year 2013 bond issuance of approximately \$2.423 billion, which includes \$1.969 billion in bond cap (including unspent bond cap from fiscal year 2012), \$360.2 million of borrowing for the Accelerated Bridge Program and \$94.0 million for project-finance spending. For cash flow needs for fiscal year 2013, the Treasurer's office issued \$1.2 billion in revenue anticipation notes on October 3, 2012. The notes mature on April 25, 2013 (\$600 million) and May 23, 2013 (\$600 million).

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-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Total FY 2013
(Millions)	Act	Act	Act	Act	Est	Est	Est	Est	Est	Est	Est	Est	
OPERATING NON-SEGREGATED OPERATING CASH BALANCE:													
OPERATING ACTIVITIES:													
Budgetary Funds:	\$1,499.1	\$1,382.6	\$2,409.6	\$1,616.8	\$1,438.0	\$2,113.0	\$2,354.0	\$1,377.0	\$2,216.0	\$3,191.0	\$1,563.0	\$2,507.0	\$23,647.1
Tax Revenue	\$579.3	\$624.7	\$655.6	\$642.8	\$622.4	\$789.8	\$517.6	\$499.6	\$767.2	\$725.8	\$691.9	\$786.5	\$8,103.2
Federal Reimbursements	\$320.8	\$251.9	\$228.7	\$338.8	\$308.3	\$332.1	\$366.3	\$252.6	\$344.5	\$637.0	\$274.3	\$404.5	\$3,899.8
Other Budgetary Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$114.3	\$0.0	\$0.0	\$0.0	\$350.0	\$0.0	\$0.0	\$0.0	\$239.8
Transfer from/(to) Stabilization Fund	\$2,389.1	\$2,449.3	\$3,288.0	\$2,598.4	\$2,154.4	\$3,224.9	\$3,237.9	\$2,129.2	\$3,677.7	\$4,553.8	\$2,529.2	\$3,698.0	\$35,959.9
Total Budgetary Revenues/Inflows	\$0.0	\$0.3	\$1,298.4	\$0.8	\$2,118.8	\$1,236.5	\$25.2	\$25.8	\$1,219.3	\$21.6	\$28.1	\$1,243.4	\$5,121.1
Local Aid	\$42.1	\$40.9	\$73.3	\$90.3	\$100.0	\$130.0	\$146.0	\$432.0	\$316.0	\$336.0	\$108.0	\$1,738.6	\$1,738.6
Tax Refunds	\$149.7	\$467.0	\$188.9	\$96.7	\$445.3	\$82.5	\$128.9	\$141.2	\$76.1	\$60.7	\$109.1	\$74.9	\$2,041.0
Debt Service for General Obligation (incl CAT)	\$17.2	\$0.0	\$0.0	\$0.0	\$0.0	\$28.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$75.9	\$139.3
Debt Service for Special Obligations	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$12.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$6.0	\$18.1
Debt Service for GANS	\$2,152.7	\$2,581.2	\$1,871.1	\$2,091.2	\$2,149.5	\$3,267.1	\$2,140.9	\$2,104.0	\$2,352.6	\$2,022.2	\$1,858.6	\$3,451.7	\$25,459.5
Other Budgetary Expenditures	\$2,152.7	\$2,581.2	\$1,871.1	\$2,091.2	\$2,149.5	\$3,267.1	\$2,140.9	\$2,104.0	\$2,352.6	\$2,022.2	\$1,858.6	\$3,451.7	\$25,459.5
Total Budgetary Expenditures/Outflows	\$2,361.3	\$2,109.3	\$3,231.7	\$3,281.9	\$2,716.5	\$3,740.1	\$2,458.2	\$2,703.0	\$3,964.0	\$2,420.2	\$2,233.7	\$3,239.8	\$34,517.3
Net Budgetary Funds	\$37.4	\$690.1	\$56.3	\$319.4	\$392.3	\$229.4	\$169.7	\$169.7	\$255.3	\$170.6	\$169.7	\$263.6	\$1,603.8
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Lottery Revenue	\$36.0	\$236.5	\$89.0	\$155.0	\$140.0	\$125.0	\$130.0	\$130.0	\$170.0	\$125.0	\$140.0	\$140.0	\$1,676.5
Pension Receipts (PRIM and Annuity Receipts)	\$243.6	\$251.9	\$169.5	\$224.9	\$205.0	\$205.0	\$205.0	\$205.0	\$210.0	\$205.0	\$205.0	\$205.0	\$2,535.5
Transfer in for Non Pooled Fund Payments	\$147.1	\$198.7	\$82.3	\$62.9	\$246.0	\$236.0	\$278.0	\$342.0	\$322.0	\$312.0	\$289.0	\$247.0	\$2,286.6
Non Budgetary Tax Receipts	\$28.1	\$152.7	\$97.8	\$31.1	\$58.0	\$31.0	\$50.0	\$24.0	\$80.0	\$48.0	\$42.0	\$60.0	\$629.3
Other Non Budgetary Revenue	\$399.7	\$658.6	\$241.5	\$554.9	\$145.0	\$280.0	\$160.0	\$168.7	\$295.0	\$135.0	\$135.0	\$185.0	\$1,850.0
Total Non Budgetary Revenues/Inflows	\$854.6	\$1,588.5	\$541.0	\$870.1	\$794.0	\$877.0	\$821.0	\$869.7	\$1,077.0	\$825.0	\$775.0	\$775.0	\$10,510.4
Lottery Payments	\$181.1	\$93.4	\$55.0	\$66.8	\$79.0	\$79.0	\$79.0	\$95.5	\$63.0	\$59.0	\$77.0	\$61.0	\$770.8
MBTA Sales Tax	\$58.3	\$54.3	\$56.2	\$53.3	\$55.0	\$65.0	\$66.0	\$66.0	\$66.0	\$72.0	\$67.0	\$66.5	\$786.6
MBA Assessments	\$0.2	\$0.0	\$39.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$113.2
MBSA Payments	\$58.3	\$50.5	\$56.2	\$53.3	\$58.6	\$58.6	\$58.6	\$58.6	\$58.6	\$58.6	\$58.6	\$58.6	\$698.9
Pension Payments	\$334.6	\$340.3	\$342.3	\$347.7	\$405.0	\$405.0	\$405.0	\$300.0	\$301.0	\$305.0	\$290.0	\$306.0	\$4,081.9
Non Pooled Fund Payments	\$3315.5	\$382.9	\$448.3	\$460.6	\$246.0	\$236.0	\$278.0	\$342.0	\$322.0	\$312.0	\$289.0	\$247.0	\$3,856.4
Other Non Budgetary Expenditures	\$86.6	\$102.6	\$243.8	\$105.2	\$94.0	\$81.0	\$93.7	\$78.2	\$225.0	\$111.0	\$94.0	\$111.0	\$1,475.0
Total Non Budgetary Expenditures/Outflows	\$871.6	\$1,066.0	\$1,240.8	\$1,056.8	\$847.6	\$894.3	\$894.3	\$904.3	\$1,072.6	\$918.8	\$833.3	\$936.1	\$11,781.3
Net Non Budgetary Funds	\$(317.0)	\$502.4	\$(699.8)	\$(226.7)	\$(133.6)	\$(147.3)	\$(157.3)	\$(144.6)	\$(4.4)	\$(93.8)	\$(58.6)	\$(88.6)	\$(1,270.9)
Undesignated Revenues/Inflows and Expenditures/Outflows:													
General Fund Investment Earnings	\$1.1	\$1.6	\$3.3	\$1.6	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$15.6
Other Funds/3rd Party	\$0.0	\$0.0	\$3.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Undesignated Revenues/Inflows and Expenditures/Outflows	\$1.1	\$1.6	\$3.3	\$1.6	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$15.6
NET OPERATING ACTIVITIES	\$231.5	\$(676.0)	\$(630.3)	\$(104.4)	\$(571.7)	\$(551.8)	\$(607.4)	\$(507.4)	\$(320.9)	\$2,040.5	\$237.7	\$300.6	\$188.9
FEDERAL GRANTS:													
Total Federal Grants Revenues/Inflows	\$168.4	\$111.0	\$341.2	\$111.4	\$193.0	\$213.0	\$193.0	\$191.0	\$222.0	\$193.5	\$194.0	\$213.5	\$2,344.9
Total Federal Grants Expenditures/Outflows	\$242.6	\$247.8	\$170.6	\$146.1	\$81.0	\$208.7	\$193.0	\$186.3	\$220.0	\$192.3	\$192.3	\$208.5	\$2,398.5
NET FEDERAL GRANTS	\$(674.2)	\$(136.8)	\$170.6	\$(34.7)	\$112.0	\$4.3	\$0.0	\$4.7	\$2.0	\$1.2	\$1.2	\$4.0	\$(51.8)
NET CAPITAL FUNDS:													
Capital Revenues/Inflows:	\$41.8	\$46.3	\$33.1	\$48.6	\$63.4	\$135.6	\$21.3	\$51.4	\$31.5	\$11.2	\$30.9	\$94.1	\$609.1
Capital Inflow from Federal Reimbursements													
Capital Inflow from Financing Activities:	\$111.0	\$75.0	\$18.0	\$405.2	\$38.1	\$250.0	\$250.0	\$248.9	\$248.9	\$205.1	\$205.1	\$205.1	\$2,260.3
Capital Inflow to General Fund from Segregated Bond Fund	\$152.8	\$121.3	\$51.1	\$453.8	\$101.5	\$386.6	\$271.3	\$300.2	\$280.4	\$216.3	\$226.1	\$239.2	\$2,869.4
Total Capital Expenditures/Outflows	\$252.4	\$267.5	\$221.0	\$223.7	\$202.9	\$196.7	\$233.1	\$205.8	\$239.4	\$275.3	\$315.9	\$395.6	\$3,032.1
NET CAPITAL FUNDS	\$(93.6)	\$(146.2)	\$(88.9)	230.09	\$(101.4)	188.90	38.18	91.43	41.00	\$(59.02)	\$(79.84)	\$(98.59)	\$(162.7)
FINANCING ACTIVITIES:													
Cash Flow Financing Activities Inflows:	\$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
Commercial Paper	\$0.0	\$0.0	\$0.0	\$1,200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,200.0
Revenue Anticipation Notes (RANS)	\$0.0	\$0.0	\$0.0	\$1,200.0	\$0.0	\$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	\$1,200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,200.0
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
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	\$1,200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,200.0
ENDING NON-SEGREGATED OPERATING CASH BALANCE:	\$1,944.4	\$1,505.4	\$675.8	\$2,175.5	\$1,365.4	\$1,006.8	\$1,668.3	\$1,157.0	\$391.2	\$2,295.1	\$1,846.5	\$2,054.7	\$2,054.7
Capital Budget Banding Activity:													
Opening Balance Segregated Bond Funds	\$411.7	\$300.7	\$225.7	\$207.7	\$205.0	\$167.0	\$342.0	\$452.2	\$821.0	\$572.2	\$367.0	\$779.7	\$779.7
Bonds	\$0.0	\$0.0	\$0.0	\$402.5	\$0.0	\$425.0	\$360.2	\$617.7	\$0.0	\$0.0	\$0.0	\$0.0	\$2,423.2
BANS	\$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
Segregated Bond Funds Available	\$411.7	\$300.7	\$225.7	\$610.2	\$205.0	\$592.0	\$702.2	\$1,069.9	\$821.0	\$572.2	\$367.0	\$779.7	\$779.7
Bond / BANS Proceeds Allocated	\$111.0	\$75.0	\$18.0	\$405.2	\$38.1	\$250.0	\$250.2	\$248.9	\$248.9	\$205.1	\$205.1	\$205.1	\$2,280.3
Ending Balance Segregated Bond Funds	\$300.7	\$225.7	\$207.7	\$205.0	\$167.0	\$342.0	\$452.2	\$821.0	\$572.2	\$367.0	\$779.7	\$779.7	\$779.7

December 3, 2012

**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>

**CASH AND INVESTMENTS
AS OF JANUARY 31, 2012**

Cash	\$ 40.781
Investments	<u>2,134.992</u>
Total	\$2,175.773
Less float (actual)	<u>(180.328)</u>
	<u>\$1,995.445</u>
Segregated bond funds	\$ 532.800
Non-segregated cash	<u>1,995.445</u>
Total	<u>\$2,528.245</u>

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**CASH AND INVESTMENTS
AS OF APRIL 30, 2012**

Cash	\$ 40.962
Investments	<u>2,007.513</u>
Total	\$2,048.475
Less float (actual)	<u>(224.683)</u>
	<u>\$1,823.792</u>
Segregated bond funds	\$ 588.800
Non-segregated cash	<u>1,823.792</u>
Total	<u>\$2,412.592</u>

**CASH AND INVESTMENTS
AS OF JULY 31, 2012**

Cash	\$ 42.185
Investments	<u>2,102.177</u>
Total	\$2,144.362
Less float (actual)	<u>(199.417)</u>
	<u>\$1,944.945</u>
Segregated bond funds	\$ 300.700
Non-segregated cash	<u>1,944.945</u>
Total	<u>\$2,245.645</u>

**CASH AND INVESTMENTS
AS OF OCTOBER 31, 2012**

Cash	\$ 45.744
Investments	<u>2,279.023</u>
Total	\$2,324.767
Less float (actual)	<u>(149.287)</u>
	<u>\$2,175.480</u>
Segregated bond funds	\$ 610.200
Non-segregated cash	<u>2,175.480</u>
Total	<u>\$2,785.680</u>